

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

FORM 10-Q

(Mark One)



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

For the quarterly period ended September 30, 2013

OR



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

For the transition period from _____ to _____

Commission File Number 000-20202

CREDIT ACCEPTANCE CORPORATION

(Exact name of registrant as specified in its charter)

MICHIGAN

(State or other jurisdiction of incorporation or organization)

38-1999511

(I.R.S. Employer Identification No.)

25505 WEST TWELVE MILE ROAD

SOUTHFIELD, MICHIGAN

(Address of principal executive offices)

48034-8339

(Zip Code)

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

The number of shares of Common Stock, par value \$0.01, outstanding on October 18, 2013 was 22,965,163.

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PART I. - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CREDIT ACCEPTANCE CORPORATION CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)

	As of	
	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS:		
Cash and cash equivalents	\$ 3.6	\$ 9.0
Restricted cash and cash equivalents	116.2	92.4
Restricted securities available for sale	51.9	46.1
Loans receivable (including \$7.5 and \$5.9 from affiliates as of September 30, 2013 and December 31, 2012, respectively)	2,354.3	2,109.9
Allowance for credit losses	(190.9)	(176.4)
Loans receivable, net	<u>2,163.4</u>	<u>1,933.5</u>
Property and equipment, net	22.3	22.2
Income taxes receivable	1.2	1.1
Other assets	26.6	28.9
Total Assets	<u>\$ 2,385.2</u>	<u>\$ 2,133.2</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 109.9	\$ 105.8
Revolving secured line of credit	87.6	43.5
Secured financing	992.4	853.0
Mortgage note	3.8	4.0
Senior notes	350.2	350.3
Deferred income taxes, net	145.8	148.4
Income taxes payable	5.7	6.3
Total Liabilities	<u>1,695.4</u>	<u>1,511.3</u>
Commitments and Contingencies - See Note 14		
Shareholders' Equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$.01 par value, 80,000,000 shares authorized, 23,013,392 and 24,114,896 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	0.2	0.2
Paid-in capital	60.8	53.4
Retained earnings	629.0	568.4
Accumulated other comprehensive loss	(0.2)	(0.1)
Total Shareholders' Equity	<u>689.8</u>	<u>621.9</u>
Total Liabilities and Shareholders' Equity	<u>\$ 2,385.2</u>	<u>\$ 2,133.2</u>

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In millions, except share and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue:				
Finance charges	\$ 148.7	\$ 137.5	\$ 439.1	\$ 397.6
Premiums earned	13.1	12.2	38.0	35.0
Other income	10.9	6.0	29.7	17.3
Total revenue	172.7	155.7	506.8	449.9
Costs and expenses:				
Salaries and wages	20.1	21.7	65.1	61.5
General and administrative	8.7	6.8	24.9	21.5
Sales and marketing	8.5	8.2	26.0	23.5
Provision for credit losses	6.1	9.8	17.3	17.8
Interest	16.1	16.3	48.3	47.1
Provision for claims	11.0	9.1	30.5	26.7
Total costs and expenses	70.5	71.9	212.1	198.1
Income before provision for income taxes	102.2	83.8	294.7	251.8
Provision for income taxes	37.1	30.9	107.5	92.0
Net income	\$ 65.1	\$ 52.9	\$ 187.2	\$ 159.8
Net income per share:				
Basic	\$ 2.75	\$ 2.13	\$ 7.80	\$ 6.24
Diluted	\$ 2.75	\$ 2.12	\$ 7.78	\$ 6.22
Weighted average shares outstanding:				
Basic	23,672,635	24,908,247	23,989,845	25,629,034
Diluted	23,708,043	24,962,054	24,047,443	25,706,147

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In millions)	For the Three Months Ended September 30,	
	2013	2012
Net income	\$ 65.1	\$ 52.9
Other comprehensive income, net of tax	—	—
Comprehensive income	<u>\$ 65.1</u>	<u>\$ 52.9</u>

(In millions)	For the Nine Months Ended September 30,	
	2013	2012
Net income	\$ 187.2	\$ 159.8
Other comprehensive income (loss), net of tax:		
Unrealized loss on securities, net of tax of \$0.0 for 2013	(0.1)	—
Other comprehensive income (loss)	(0.1)	—
Comprehensive income	<u>\$ 187.1</u>	<u>\$ 159.8</u>

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)

	For the Nine Months Ended September 30,	
	2013	2012
Cash Flows From Operating Activities:		
Net income	\$ 187.2	\$ 159.8
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	17.3	17.8
Depreciation	4.1	3.7
Amortization	5.5	5.1
Loss on retirement of property and equipment	0.1	–
(Benefit) provision for deferred income taxes	(2.6)	11.9
Stock-based compensation	6.0	8.6
Change in operating assets and liabilities:		
Increase in accounts payable and accrued liabilities	4.1	2.3
(Increase) decrease in income taxes receivable	(0.1)	0.5
(Decrease) increase in income taxes payable	(0.6)	8.5
Decrease in other assets	0.4	0.3
Net cash provided by operating activities	<u>221.4</u>	<u>218.5</u>
Cash Flows From Investing Activities:		
Increase in restricted cash and cash equivalents	(23.8)	(63.0)
Purchases of restricted securities available for sale	(75.4)	(0.1)
Proceeds from sale of restricted securities available for sale	9.6	0.9
Maturities of restricted securities available for sale	59.7	–
Principal collected on Loans receivable	1,008.4	882.6
Advances to Dealers	(1,048.0)	(968.7)
Purchases of Consumer Loans	(90.2)	(86.0)
Accelerated payments of Dealer Holdback	(30.8)	(34.1)
Payments of Dealer Holdback	(86.3)	(89.7)
Net increase in other loans	(0.3)	–
Purchases of property and equipment	(4.3)	(7.1)
Net cash used in investing activities	<u>(281.4)</u>	<u>(365.2)</u>
Cash Flows From Financing Activities:		
Borrowings under revolving secured line of credit	2,068.1	1,969.7
Repayments under revolving secured line of credit	(2,024.0)	(1,897.8)
Proceeds from secured financing	806.9	1,426.7
Repayments of secured financing	(667.5)	(1,234.1)
Principal payments under mortgage note	(0.2)	(0.2)
Payments of debt issuance costs	(3.5)	(6.0)
Repurchase of common stock	(127.2)	(113.0)
Proceeds from stock options exercised	0.6	0.5
Tax benefits from stock-based compensation plans	1.4	1.9
Net cash provided by financing activities	<u>54.6</u>	<u>147.7</u>
Net (decrease) increase in cash and cash equivalents	(5.4)	1.0
Cash and cash equivalents, beginning of period	9.0	4.7
Cash and cash equivalents, end of period	<u>\$ 3.6</u>	<u>\$ 5.7</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 51.0	\$ 49.8
Cash paid during the period for income taxes	\$ 108.3	\$ 68.9

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles” or “GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of actual results achieved for full fiscal years. The consolidated balance sheet as of December 31, 2012 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2012 for Credit Acceptance Corporation (the “Company”, “Credit Acceptance”, “we”, “our” or “us”).

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

We have evaluated events and transactions occurring subsequent to the consolidated balance sheet date of September 30, 2013 for items that could potentially be recognized or disclosed in these financial statements. We did not identify any items which would require disclosure in or adjustment to the financial statements.

2. DESCRIPTION OF BUSINESS

Since 1972, Credit Acceptance has offered automobile dealers financing programs that enable them to sell vehicles to consumers, regardless of their credit history. Our financing programs are 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 our product, but who actually end up qualifying for traditional financing.

We refer to automobile dealers who participate in our programs and who share our commitment to changing consumers’ lives as “Dealers”. Upon enrollment in our financing programs, the Dealer enters into a Dealer servicing agreement with us that defines the legal relationship between Credit Acceptance and the Dealer. The Dealer servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on retail installment contracts (referred to as “Consumer Loans”) from the Dealers to us. We are an indirect lender from a legal perspective, meaning the Consumer Loan is originated by the Dealer and assigned to us.

We have two programs: the Portfolio Program and the Purchase Program. Under the Portfolio Program, we advance money to Dealers (referred to as a “Dealer Loan”) in exchange for the right to service the underlying Consumer Loans. Under the Purchase Program, we buy the Consumer Loans from the Dealers (referred to as a “Purchased Loan”) and keep all amounts collected from the consumer. Dealer Loans and Purchased Loans are collectively referred to as “Loans”. The following table shows the percentage of Consumer Loans assigned to us based on unit volumes under each of the programs for each of the last seven quarters:

Quarter Ended	Portfolio Program	Purchase Program
March 31, 2012	93.3%	6.7%
June 30, 2012	93.6%	6.4%
September 30, 2012	93.8%	6.2%
December 31, 2012	94.0%	6.0%
March 31, 2013	94.4%	5.6%
June 30, 2013	93.9%	6.1%
September 30, 2013	92.9%	7.1%

Portfolio Program

As payment for the vehicle, the Dealer generally receives the following:

- a down payment from the consumer;
- a non-recourse cash payment (“advance”) from us; and
- after the advance has been recovered by us, the cash from payments made on the Consumer Loan, net of certain collection costs and our servicing fee (“Dealer Holdback”).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

2. DESCRIPTION OF BUSINESS – (Concluded)

We record the amount advanced to the Dealer as a Dealer Loan, which is classified within Loans receivable in our consolidated balance sheets. Cash advanced to the Dealer is automatically assigned to the Dealer's open pool of advances. We generally require Dealers to group advances into pools of at least 100 Consumer Loans. At the Dealer's option, a pool containing at least 100 Consumer Loans can be closed and subsequent advances assigned to a new pool. All advances within a Dealer's pool are secured by the future collections on the related Consumer Loans assigned to the pool. For Dealers with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for Dealer Holdback. We perfect our security interest in the Dealer Loans by taking possession of the Consumer Loans, which list us as lien holder on the vehicle title.

The Dealer servicing agreement provides that collections received by us during a calendar month on Consumer Loans assigned by a Dealer are applied on a pool-by-pool basis as follows:

- First, to reimburse us for certain collection costs;
- Second, to pay us our servicing fee, which generally equals 20% of collections;
- Third, to reduce the aggregate advance balance and to pay any other amounts due from the Dealer to us; and
- Fourth, to the Dealer as payment of Dealer Holdback.

If the collections on Consumer Loans from a Dealer's pool are not sufficient to repay the advance balance and any other amounts due to us, the Dealer will not receive Dealer Holdback.

Dealers have an opportunity to receive an accelerated Dealer Holdback payment each time 100 Consumer Loans have been assigned to us. The amount paid to the Dealer is calculated using a formula that considers the forecasted collections and the advance balance on the related Consumer Loans.

Since typically the combination of the advance and the consumer's down payment provides the Dealer with a cash profit at the time of sale, the Dealer's risk in the Consumer Loan is limited. We cannot demand repayment of the advance from the Dealer except in the event the Dealer is in default of the Dealer servicing agreement. Advances are made only after the consumer and Dealer have signed a Consumer Loan contract, we have received the original Consumer Loan contract and supporting documentation, and we have approved all of the related stipulations for funding. The Dealer can also opt to repurchase Consumer Loans that have been assigned to us under the Portfolio Program, at their discretion, for a fee.

For accounting purposes, the transactions described under the Portfolio Program are not considered to be loans to consumers. Instead, our accounting reflects that of a lender to the Dealer. The classification as a Dealer Loan for accounting purposes is primarily a result of (1) the Dealer's financial interest in the Consumer Loan and (2) certain elements of our legal relationship with the Dealer.

Purchase Program

The Purchase Program differs from our Portfolio Program in that the Dealer receives a one-time payment from us at the time of assignment to purchase the Consumer Loan instead of a cash advance at the time of assignment and future Dealer Holdback payments. For accounting purposes, the transactions described under the Purchase Program are considered to be originated by the Dealer and then purchased by us.

Program Enrollment

Dealers may enroll in our program by (1) paying an up-front, one-time fee of \$9,850, or (2) agreeing to allow us to retain 50% of their first accelerated Dealer Holdback payment. Dealers are granted access to the Portfolio Program upon enrollment. Access to the Purchase Program is limited and is typically only granted to Dealers that either have received their first accelerated Dealer Holdback payment under the Portfolio Program or are franchise dealerships.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Segment Information

We currently operate in one reportable segment which represents our core business of offering Dealers financing programs and related products and services that enable them to sell vehicles to consumers, regardless of their credit history. The consolidated financial statements reflect the financial results of our one reportable operating segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Loans Receivable and Allowance for Credit Losses

Consumer Loan Assignment. For accounting and financial reporting purposes, a Consumer Loan is considered to have been assigned to us after all of the following has occurred:

- the consumer and Dealer have signed a Consumer Loan contract;
- we have received the original Consumer Loan contract and supporting documentation;
- we have approved all of the related stipulations for funding; and
- we have provided funding to the Dealer in the form of either an advance under the Portfolio Program or one-time purchase payment under the Purchase Program.

Portfolio Segments and Classes. We are considered to be a lender to our Dealers for Consumer Loans assigned under our Portfolio Program and a purchaser of Consumer Loans assigned under our Purchase Program. As a result, our Loan portfolio consists of two portfolio segments: Dealer Loans and Purchased Loans. Each portfolio segment is comprised of one class of Consumer Loan assignments, which is Consumer Loans with deteriorated credit quality that were originated by Dealers to finance consumer purchases of vehicles and related ancillary products.

Dealer Loans. Amounts advanced to Dealers for Consumer Loans assigned under the Portfolio Program are recorded as Dealer Loans and are aggregated by Dealer for purposes of recognizing revenue and evaluating impairment. We account for Dealer Loans in a manner consistent with loans acquired with deteriorated credit quality. The outstanding balance of each Dealer Loan included in Loans receivable is comprised of the following:

- the aggregate amount of all cash advances paid;
- finance charges;
- Dealer Holdback payments;
- accelerated Dealer Holdback payments; and
- recoveries.

Less:

- collections (net of certain collection costs); and
- write-offs.

An allowance for credit losses is maintained at an amount that reduces the net asset value (Dealer Loan balance less the allowance) to the value of forecasted future cash flows discounted at the yield established at the time of assignment. This allowance calculation is completed for each individual Dealer. The discounted value of future cash flows is comprised of estimated future collections on the Consumer Loans, less any estimated Dealer Holdback payments. We write off Dealer Loans once there are no forecasted future cash flows on any of the associated Consumer Loans, which generally occurs 120 months after the last Consumer Loan assignment.

Future collections on Dealer Loans are forecasted based on the historical performance of Consumer Loans with similar characteristics, adjusted for recent trends in payment patterns. Dealer Holdback is forecasted based on the expected future collections and current advance balance of each Dealer Loan. Cash flows from any individual Dealer Loan are often different than estimated cash flows at the time of assignment. If such difference is favorable, the difference is recognized prospectively into income over the remaining life of the Dealer Loan through a yield adjustment. If such difference is unfavorable, a provision for credit losses is recorded immediately as a current period expense and a corresponding allowance for credit losses is established. Because differences between estimated cash flows at the time of assignment and actual cash flows occur often, an allowance is required for a significant portion of our Dealer Loan portfolio. An allowance for credit losses does not necessarily indicate that a Dealer Loan is unprofitable, and seldom are cash flows from a Dealer Loan insufficient to repay the initial amounts advanced to the Dealer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Purchased Loans. Amounts paid to Dealers for Consumer Loans assigned under the Purchase Program are recorded as Purchased Loans and are aggregated into pools based on the month of purchase for purposes of recognizing revenue and evaluating impairment. We account for Purchased Loans as loans acquired with deteriorated credit quality. The outstanding balance of each Purchased Loan pool included in Loans receivable is comprised of the following:

- the aggregate amount of all amounts paid during the month of purchase to purchase Consumer Loans from Dealers;
- finance charges; and
- recoveries.

Less:

- collections (net of certain collection costs); and
- write-offs.

An allowance for credit losses is maintained at an amount that reduces the net asset value (Purchased Loan pool balance less the allowance) to the value of forecasted future cash flows discounted at the yield established at the time of assignment. This allowance calculation is completed for each individual monthly pool of Purchased Loans. The discounted value of future cash flows is comprised of estimated future collections on the pool of Purchased Loans. We write off pools of Purchased Loans once there are no forecasted future cash flows on any of the Purchased Loans included in the pool, which generally occurs 120 months after the month of purchase.

Future collections on Purchased Loans are forecasted based on the historical performance of Consumer Loans with similar characteristics, adjusted for recent trends in payment patterns. Cash flows from any individual pool of Purchased Loans are often different than estimated cash flows at the time of assignment. If such difference is favorable, the difference is recognized prospectively into income over the remaining life of the pool of Purchased Loans through a yield adjustment. If such difference is unfavorable, a provision for credit losses is recorded immediately as a current period expense and a corresponding allowance for credit losses is established.

Credit Quality. Substantially all of the Consumer Loans assigned to us are made to individuals with impaired or limited credit histories or higher debt-to-income ratios than are permitted by traditional lenders. Consumer Loans made to these individuals generally entail a higher risk of delinquency, default and repossession and higher losses than loans made to consumers with better credit. Since most of our revenue and cash flows are generated from these Consumer Loans, our ability to accurately forecast Consumer Loan performance is critical to our business and financial results. At the time the Consumer Loan is submitted to us for assignment, we forecast future expected cash flows from the Consumer Loan. Based on these forecasts, an advance or one-time purchase payment is made to the related Dealer at a price designed to achieve an acceptable return on capital.

We monitor and evaluate the credit quality of Consumer Loans on a monthly basis by comparing our current forecasted collection rates to our initial expectations. We use a statistical model that considers a number of credit quality indicators to estimate the expected collection rate for each Consumer Loan at the time of assignment. The credit quality indicators considered in our model include attributes contained in the consumer's credit bureau report, data contained in the consumer's credit application, the structure of the proposed transaction, vehicle information and other factors. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment primarily through the monitoring of consumer payment behavior. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. Since all known, significant credit quality indicators have already been factored into our forecasts and pricing, we are not able to use any specific credit quality indicators to predict or explain variances in actual performance from our initial expectations. Any variances in performance from our initial expectations are the result of Consumer Loans performing differently than historical Consumer Loans with similar characteristics. We periodically adjust our statistical pricing model for new trends that we identify through our evaluation of these forecasted collection rate variances.

When overall forecasted collection rates underperform our initial expectations, the decline in forecasted collections has a more adverse impact on the profitability of the Purchased Loans than on the profitability of the Dealer Loans. For Purchased Loans, the decline in forecasted collections is absorbed entirely by us. For Dealer Loans, the decline in the forecasted collections is substantially offset by a decline in forecasted payments of Dealer Holdback.

Methodology Changes. During the second quarter of 2013, we enhanced our methodology for forecasting future collections on Loans, which is described more fully in Note 5 to the consolidated financial statements. For the three and nine months ended September 30, 2013 and 2012, we did not make any other methodology changes for Loans that had a material impact on our financial results.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Reinsurance

VSC Re Company (“VSC Re”), our wholly-owned subsidiary, is engaged in the business of reinsuring coverage under vehicle service contracts sold to consumers by Dealers on vehicles financed by us. VSC Re currently reinsures vehicle service contracts that are underwritten by one of our third party insurers. Vehicle service contract premiums, which represent the selling price of the vehicle service contract to the consumer, less fees and certain administrative costs, are contributed to trust accounts controlled by VSC Re. These premiums are used to fund claims covered under the vehicle service contracts. VSC Re is a bankruptcy remote entity. As such, our exposure to fund claims is limited to the trust assets controlled by VSC Re and our net investment in VSC Re.

Premiums from the reinsurance of vehicle service contracts are recognized over the life of the policy in proportion to expected costs of servicing those contracts. Expected costs are determined based on our historical claims experience. Claims are expensed through a provision for claims in the period the claim was incurred. Capitalized acquisition costs are comprised of premium taxes and are amortized as general and administrative expense over the life of the contracts in proportion to premiums earned. A summary of reinsurance activity is as follows:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Net assumed written premiums	\$ 13.7	\$ 11.5	\$ 44.1	\$ 39.8
Net premiums earned	13.1	12.2	38.0	35.0
Provision for claims	11.0	9.1	30.5	26.7
Amortization of capitalized acquisition costs	0.3	0.3	0.9	0.9

We are considered the primary beneficiary of the trusts and as a result, the trusts have been consolidated on our balance sheet. The trust assets and related reinsurance liabilities are as follows:

(In millions)	Balance Sheet location	As of	
		September 30, 2013	December 31, 2012
Trust assets	Restricted cash and cash equivalents	\$ 1.2	\$ 2.2
Trust assets	Restricted securities available for sale	51.9	46.1
Unearned premium	Accounts payable and accrued liabilities	41.8	35.7
Claims reserve (1)	Accounts payable and accrued liabilities	1.8	1.4

(1) The claims reserve is estimated based on historical claims experience.

Our determination to consolidate the VSC Re trusts was based on the following:

- First, we determined that the trusts qualified as variable interest entities. The trusts have insufficient equity at risk as no parties to the trusts were required to contribute assets that provide them with any ownership interest.
- Next, we determined that we have variable interests in the trusts. We have a residual interest in the assets of the trusts, which is variable in nature, given that it increases or decreases based upon the actual loss experience of the related service contracts. In addition, VSC Re is required to absorb any losses in excess of the trusts’ assets.
- Next, we evaluated the purpose and design of the trusts. The primary purpose of the trusts is to provide third party product providers (“TPPPs”) with funds to pay claims on vehicle service contracts and to accumulate and provide us with proceeds from investment income and residual funds.
- Finally, we determined that we are the primary beneficiary of the trusts. We control the amount of premium written and placed in the trusts through Consumer Loan assignments under our Programs, which is the activity that most significantly impacts the economic performance of the trusts. We have the right to receive benefits from the trusts that could potentially be significant. In addition, VSC Re has the obligation to absorb losses of the trusts that could potentially be significant.

Cash and Cash Equivalents

Cash equivalents consist of readily marketable securities with original maturities at the date of acquisition of three months or less. As of September 30, 2013 and December 31, 2012, we had \$2.8 million and \$4.8 million, respectively, in cash and cash equivalents that were not insured by the Federal Deposit Insurance Corporation (“FDIC”). As of January 1, 2013, the temporary unlimited coverage for noninterest-bearing transaction accounts expired, which increased the amount of cash and cash equivalents not insured by the FDIC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Concluded)

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents increased to \$116.2 million as of September 30, 2013 from \$92.4 million as of December 31, 2012. The following table summarizes restricted cash and cash equivalents:

	As of	
	September 30, 2013	December 31, 2012
Cash related to secured financings	\$ 115.0	\$ 90.2
Cash held in VSC Re trusts for future vehicle service contract claims (1)	1.2	2.2
Total restricted cash and cash equivalents	\$ 116.2	\$ 92.4

(1) The unearned premium and claims reserve associated with the trusts are included in accounts payable and accrued liabilities in the consolidated balance sheets.

As of September 30, 2013 and December 31, 2012, we had \$114.5 million and \$82.0 million, respectively, in restricted cash and cash equivalents that was not insured by the FDIC. As of January 1, 2013, the temporary unlimited coverage for noninterest-bearing transaction accounts expired, which increased the amount of restricted cash and cash equivalents not insured by the FDIC.

New Accounting Updates

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. In July 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2013-11 which requires an entity to net its liability for unrecognized tax positions against a net operating loss carryforward, a similar tax loss or a tax credit carryforward when settlement in this manner is available under the tax law. ASU 2013-11 is effective for fiscal years, and interim periods, beginning after December 15, 2013, with early adoption permitted. The adoption of ASU No. 2013-11 is not expected to have a material impact on our consolidated financial statements.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. In February 2013, the FASB issued ASU No. 2013-2 which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. The new guidance requires an entity to disaggregate the total change of each component of other comprehensive income either on the face of the income statement or as a separate disclosure in the notes to the financial statements. The amendments in ASU 2013-02 do not change the current requirements for reporting net income or other comprehensive income in financial statements. ASU 2013-02 is effective for fiscal years beginning after December 15, 2012. The adoption of ASU No. 2013-2 on January 1, 2013 did not have a material impact on our consolidated financial statements.

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts. In October 2010, the FASB issued ASU No. 2010-26, which amends Topic 944 (Financial Services – Insurance). ASU No. 2010-26 is intended to address diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify for deferral. The amendments specify which costs incurred in the acquisition of new and renewal contracts should be capitalized. ASU No. 2010-26 is effective for fiscal years beginning after December 15, 2011. While the guidance in this ASU is required to be applied prospectively upon adoption, retrospective application is also permitted (to all prior periods presented). Early adoption is also permitted, but only at the beginning of an entity’s annual reporting period. The adoption of ASU No. 2010-26 on January 1, 2012 did not have a material impact on our consolidated financial statements.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. In May 2011, the FASB issued ASU No. 2011-04 which amends Topic 820 (Fair Value Measurement). ASU No. 2011-04 is intended to provide a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. The amendments in ASU No. 2011-04 include changes regarding how and when the valuation premise of highest and best use applies, the application of premiums and discounts, and new required disclosures. ASU No. 2011-04 is to be applied prospectively upon adoption and is effective for interim and annual periods beginning after December 15, 2011 with early adoption prohibited. The adoption of ASU No. 2011-04 on January 1, 2012 did not have a material impact on our consolidated financial statements, but expanded our disclosures related to fair value measurements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

4. RESTRICTED SECURITIES AVAILABLE FOR SALE

Restricted securities available for sale consist of amounts held in trusts related to VSC Re. We determine the appropriate classification of our investments in debt securities at the time of purchase and reevaluate such determinations at each balance sheet date. Debt securities for which we do 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 securities available for sale consist of the following:

	As of September 30, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
US Government and agency securities	\$ 25.5	\$ –	\$ (0.2)	\$ 25.3
Commercial paper	19.7	–	–	19.7
Corporate bonds	3.0	–	(0.1)	2.9
Certificates of deposit	4.0	–	–	4.0
Total restricted securities available for sale	<u>\$ 52.2</u>	<u>\$ –</u>	<u>\$ (0.3)</u>	<u>\$ 51.9</u>

	As of December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
US Government and agency securities	\$ 20.6	\$ –	\$ (0.1)	\$ 20.5
Commercial paper	18.9	–	(0.1)	18.8
Corporate bonds	3.3	–	–	3.3
Certificates of deposit	3.3	–	–	3.3
Foreign Government bonds	0.2	–	–	0.2
Total restricted securities available for sale	<u>\$ 46.3</u>	<u>\$ –</u>	<u>\$ (0.2)</u>	<u>\$ 46.1</u>

The fair value and gross unrealized losses for restricted securities available for sale, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Securities Available for Sale with Gross Unrealized Losses as of September 30, 2013					
	Less than 12 Months		12 Months or More		Total Estimated Fair Value	Total Gross Unrealized Losses
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses		
US Government and agency securities	\$ 8.7	\$ (0.2)	\$ –	\$ –	\$ 8.7	\$ (0.2)
Commercial paper	9.5	–	–	–	9.5	–
Corporate bonds	2.9	(0.1)	–	–	2.9	(0.1)
Certificates of deposit	0.5	–	–	–	0.5	–
Total restricted securities available for sale	<u>\$ 21.6</u>	<u>\$ (0.3)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 21.6</u>	<u>\$ (0.3)</u>

	Securities Available for Sale with Gross Unrealized Losses as of December 31, 2012					
	Less than 12 Months		12 Months or More		Total Estimated Fair Value	Total Gross Unrealized Losses
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses		
US Government and agency securities	\$ 16.7	\$ (0.1)	\$ –	\$ –	\$ 16.7	\$ (0.1)
Commercial paper	2.8	(0.1)	–	–	2.8	(0.1)
Corporate bonds	2.3	–	–	–	2.3	–
Certificates of deposit	1.5	–	–	–	1.5	–
Foreign Government bonds	0.1	–	–	–	0.1	–
Total restricted securities available for sale	<u>\$ 23.4</u>	<u>\$ (0.2)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 23.4</u>	<u>\$ (0.2)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

4. RESTRICTED SECURITIES AVAILABLE FOR SALE – (Concluded)

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.

(In millions)

	As of			
	September 30, 2013		December 31, 2012	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Contractual Maturity				
Within one year	\$ 39.0	\$ 39.0	\$ 33.8	\$ 33.7
Over one year to five years	9.1	9.0	8.6	8.6
Over five years to ten years	4.1	3.9	3.9	3.8
Total restricted securities available for sale	<u>\$ 52.2</u>	<u>\$ 51.9</u>	<u>\$ 46.3</u>	<u>\$ 46.1</u>

5. LOANS RECEIVABLE

Loans receivable consists of the following:

(In millions)

	As of September 30, 2013		
	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 2,110.0	\$ 244.3	\$ 2,354.3
Allowance for credit losses	(180.8)	(10.1)	(190.9)
Loans receivable, net	<u>\$ 1,929.2</u>	<u>\$ 234.2</u>	<u>\$ 2,163.4</u>

(In millions)

	As of December 31, 2012		
	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 1,869.4	\$ 240.5	\$ 2,109.9
Allowance for credit losses	(167.4)	(9.0)	(176.4)
Loans receivable, net	<u>\$ 1,702.0</u>	<u>\$ 231.5</u>	<u>\$ 1,933.5</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

5. LOANS RECEIVABLE – (Continued)

A summary of changes in Loans receivable is as follows:

(In millions)

	For the Three Months Ended September 30, 2013		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 2,041.4	\$ 237.1	\$ 2,278.5
New Consumer Loan assignments (1)	335.3	33.9	369.2
Principal collected on Loans receivable	(299.1)	(31.4)	(330.5)
Accelerated Dealer Holdback payments	10.4	–	10.4
Dealer Holdback payments	27.8	–	27.8
Transfers (2)	(4.6)	4.6	–
Write-offs	(1.6)	–	(1.6)
Recoveries (3)	0.5	0.1	0.6
Net change in other loans	(0.1)	–	(0.1)
Balance, end of period	<u>\$ 2,110.0</u>	<u>\$ 244.3</u>	<u>\$ 2,354.3</u>

(In millions)

	For the Three Months Ended September 30, 2012		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 1,736.6	\$ 241.2	\$ 1,977.8
New Consumer Loan assignments (1)	293.3	25.3	318.6
Principal collected on Loans receivable	(252.4)	(32.6)	(285.0)
Accelerated Dealer Holdback payments	9.9	–	9.9
Dealer Holdback payments	27.1	–	27.1
Transfers (2)	(5.9)	5.9	–
Write-offs	(1.5)	–	(1.5)
Recoveries (3)	0.6	–	0.6
Balance, end of period	<u>\$ 1,807.7</u>	<u>\$ 239.8</u>	<u>\$ 2,047.5</u>

(In millions)

	For the Nine Months Ended September 30, 2013		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 1,869.4	\$ 240.5	\$ 2,109.9
New Consumer Loan assignments (1)	1,048.0	90.2	1,138.2
Principal collected on Loans receivable	(908.4)	(100.0)	(1,008.4)
Accelerated Dealer Holdback payments	30.8	–	30.8
Dealer Holdback payments	86.3	–	86.3
Transfers (2)	(13.5)	13.5	–
Write-offs	(4.6)	(0.1)	(4.7)
Recoveries (3)	1.7	0.2	1.9
Net change in other loans	0.3	–	0.3
Balance, end of period	<u>\$ 2,110.0</u>	<u>\$ 244.3</u>	<u>\$ 2,354.3</u>

(In millions)

	For the Nine Months Ended September 30, 2012		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 1,506.5	\$ 246.4	\$ 1,752.9
New Consumer Loan assignments (1)	968.7	86.0	1,054.7
Principal collected on Loans receivable	(774.4)	(108.2)	(882.6)
Accelerated Dealer Holdback payments	34.1	–	34.1
Dealer Holdback payments	89.7	–	89.7
Transfers (2)	(16.1)	16.1	–
Write-offs	(2.5)	(0.5)	(3.0)
Recoveries (3)	1.7	–	1.7
Balance, end of period	<u>\$ 1,807.7</u>	<u>\$ 239.8</u>	<u>\$ 2,047.5</u>

(1) The Dealer Loans amount represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.

(2) Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance to Purchased Loans in the period this forfeiture occurs.

(3) Represents collections received on previously written off Loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

5. LOANS RECEIVABLE – (Continued)

Contractual net cash flows are comprised of the contractual repayments of the underlying Consumer Loans for Dealer and Purchased Loans, less the related Dealer Holdback payments for Dealer Loans. The difference between the contractual net cash flows and the expected net cash flows is referred to as the nonaccretable difference. This difference is neither accreted into income nor recorded in our balance sheets. We do not believe that the contractual net cash flows of our Loan portfolio are relevant in assessing our financial position. We are contractually owed repayments on many Consumer Loans, primarily those older than 120 months, where we are not forecasting any future net cash flows.

The excess of expected net cash flows over the carrying value of the Loans is referred to as the accretable yield and is recognized on a level-yield basis as finance charge income over the remaining lives of the Loans. A summary of changes in the accretable yield is as follows:

	For the Three Months Ended September 30, 2013		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 654.8	\$ 111.3	\$ 766.1
New Consumer Loan assignments (1)	138.1	13.7	151.8
Finance charge income	(131.0)	(17.7)	(148.7)
Forecast changes	7.6	1.4	9.0
Transfers (2)	(1.9)	3.4	1.5
Balance, end of period	<u>\$ 667.6</u>	<u>\$ 112.1</u>	<u>\$ 779.7</u>

	For the Three Months Ended September 30, 2012		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 581.7	\$ 119.5	\$ 701.2
New Consumer Loan assignments (1)	127.7	10.8	138.5
Finance charge income	(117.8)	(19.7)	(137.5)
Forecast changes	6.8	1.3	8.1
Transfers (2)	(2.5)	4.2	1.7
Balance, end of period	<u>\$ 595.9</u>	<u>\$ 116.1</u>	<u>\$ 712.0</u>

	For the Nine Months Ended September 30, 2013		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 602.9	\$ 115.2	\$ 718.1
New Consumer Loan assignments (1)	437.1	37.0	474.1
Finance charge income	(384.5)	(54.6)	(439.1)
Forecast changes	17.7	5.3	23.0
Transfers (2)	(5.6)	9.2	3.6
Balance, end of period	<u>\$ 667.6</u>	<u>\$ 112.1</u>	<u>\$ 779.7</u>

	For the Nine Months Ended September 30, 2012		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 508.0	\$ 120.1	\$ 628.1
New Consumer Loan assignments (1)	416.2	38.2	454.4
Finance charge income	(337.3)	(60.3)	(397.6)
Forecast changes	16.3	6.4	22.7
Transfers (2)	(7.3)	11.7	4.4
Balance, end of period	<u>\$ 595.9</u>	<u>\$ 116.1</u>	<u>\$ 712.0</u>

- (1) The Dealer Loans amount represents the net cash flows expected at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related advances paid to Dealers. The Purchased Loans amount represents the net cash flows expected at the time of assignment on Consumer Loans assigned under our Purchase Program, less the related one-time payments made to Dealers.
- (2) Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance and related expected future net cash flows to Purchased Loans in the period this forfeiture occurs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

5. LOANS RECEIVABLE – (Continued)

Additional information related to new Consumer Loan assignments is as follows:

(In millions)

	For the Three Months Ended September 30, 2013		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 515.3	\$ 66.2	\$ 581.5
Expected net cash flows at the time of assignment (2)	473.4	47.6	521.0
Fair value at the time of assignment (3)	335.3	33.9	369.2

(In millions)

	For the Three Months Ended September 30, 2012		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 454.9	\$ 50.3	\$ 505.2
Expected net cash flows at the time of assignment (2)	421.1	36.0	457.1
Fair value at the time of assignment (3)	293.3	25.3	318.6

(In millions)

	For the Nine Months Ended September 30, 2013		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 1,604.0	\$ 176.0	\$ 1,780.0
Expected net cash flows at the time of assignment (2)	1,485.1	127.2	1,612.3
Fair value at the time of assignment (3)	1,048.0	90.2	1,138.2

(In millions)

	For the Nine Months Ended September 30, 2012		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 1,496.0	\$ 173.2	\$ 1,669.2
Expected net cash flows at the time of assignment (2)	1,384.9	124.2	1,509.1
Fair value at the time of assignment (3)	968.7	86.0	1,054.7

- (1) The Dealer Loans amount represents the repayments that we were contractually owed at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we would be required to make if we collected all of the contractual repayments. The Purchased Loans amount represents the repayments that we were contractually owed at the time of assignment on Consumer Loans assigned under our Purchase Program.
- (2) The Dealer Loans amount represents the repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we expected to make. The Purchased Loans amount represents the repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Purchase Program.
- (3) The Dealer Loans amount represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

5. LOANS RECEIVABLE – (Continued)

Credit Quality

We monitor and evaluate the credit quality of Consumer Loans assigned under our Portfolio and Purchase Programs on a monthly basis by comparing our current forecasted collection rates to our initial expectations. For additional information regarding credit quality, see Note 3 to the consolidated financial statements. The following table compares our forecast of Consumer Loan collection rates as of September 30, 2013, with the forecasts as of June 30, 2013, as of December 31, 2012, and at the time of assignment, segmented by year of assignment:

Consumer Loan Assignment Year	Forecasted Collection Percentage as of (1)				Variance in Forecasted Collection Percentage from		
	September 30, 2013	June 30, 2013	December 31, 2012	Initial Forecast	June 30, 2013	December 31, 2012	Initial Forecast
2004	73.0%	73.0%	73.0%	73.0%	0.0%	0.0%	0.0%
2005	73.7%	73.7%	73.6%	74.0%	0.0%	0.1%	-0.3%
2006	70.0%	70.0%	69.9%	71.4%	0.0%	0.1%	-1.4%
2007	67.9%	67.9%	68.0%	70.7%	0.0%	-0.1%	-2.8%
2008	70.1%	70.1%	70.3%	69.7%	0.0%	-0.2%	0.4%
2009	79.2%	79.2%	79.5%	71.9%	0.0%	-0.3%	7.3%
2010	77.0%	77.0%	77.3%	73.6%	0.0%	-0.3%	3.4%
2011	74.1%	74.2%	74.1%	72.5%	-0.1%	0.0%	1.6%
2012	73.5%	73.4%	72.2%	71.4%	0.1%	1.3%	2.1%
2013 (2)	73.2%	73.1%	—	72.0%	0.1%	—	1.2%

- (1) Represents the total forecasted collections we expect to collect on the Consumer Loans as a percentage of the repayments that we were contractually owed on the Consumer Loans at the time of assignment. Contractual repayments include both principal and interest.
- (2) The forecasted collection rate for 2013 Consumer Loans as of September 30, 2013 includes both Consumer Loans that were in our portfolio as of June 30, 2013 and Consumer Loans assigned during the most recent quarter. The following table provides forecasted collection rates for each of these segments:

2013 Consumer Loan Assignment Period	Forecasted Collection Percentage as of		Variance
	September 30, 2013	June 30, 2013	
January 1, 2013 through June 30, 2013	73.9%	73.1%	0.8%
July 1, 2013 through September 30, 2013	71.8%	—	—

Advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program are aggregated into pools for purposes of recognizing revenue and evaluating impairment. As a result of this aggregation, we are not able to segment the carrying value of the majority of our Loan portfolio by year of assignment. We are able to segment our Loan portfolio by the performance of the Loan pools. Performance considers both the amount and timing of expected net cash flows and is measured by comparing the balance of the Loan pool to the discounted value of the expected future net cash flows of each Loan pool using the yield established at the time of assignment. The following table segments our Loan portfolio by the performance of the Loan pools:

(In millions)

	As of September 30, 2013					
	Loan Pool Performance Meets or Exceeds Initial Estimates			Loan Pool Performance Less than Initial Estimates		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 658.5	\$ 207.1	\$ 865.6	\$ 1,451.5	\$ 37.2	\$ 1,488.7
Allowance for credit losses	—	—	—	(180.8)	(10.1)	(190.9)
Loans receivable, net	\$ 658.5	\$ 207.1	\$ 865.6	\$ 1,270.7	\$ 27.1	\$ 1,297.8

(In millions)

	As of December 31, 2012					
	Loan Pool Performance Meets or Exceeds Initial Estimates			Loan Pool Performance Less than Initial Estimates		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 564.1	\$ 205.8	\$ 769.9	\$ 1,305.3	\$ 34.7	\$ 1,340.0
Allowance for credit losses	—	—	—	(167.4)	(9.0)	(176.4)
Loans receivable, net	\$ 564.1	\$ 205.8	\$ 769.9	\$ 1,137.9	\$ 25.7	\$ 1,163.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

5. LOANS RECEIVABLE – (Concluded)

A summary of changes in the allowance for credit losses is as follows:

(In millions)			
For the Three Months Ended September 30, 2013			
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 175.5	\$ 10.3	\$ 185.8
Provision for credit losses	6.4	(0.3)	6.1
Write-offs	(1.6)	–	(1.6)
Recoveries (1)	0.5	0.1	0.6
Balance, end of period	<u>\$ 180.8</u>	<u>\$ 10.1</u>	<u>\$ 190.9</u>
(In millions)			
For the Three Months Ended September 30, 2012			
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 152.0	\$ 9.9	\$ 161.9
Provision for credit losses	10.2	(0.4)	9.8
Write-offs	(1.5)	–	(1.5)
Recoveries (1)	0.6	–	0.6
Balance, end of period	<u>\$ 161.3</u>	<u>\$ 9.5</u>	<u>\$ 170.8</u>
(In millions)			
For the Nine Months Ended September 30, 2013			
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 167.4	\$ 9.0	\$ 176.4
Provision for credit losses	16.3	1.0	17.3
Write-offs	(4.6)	(0.1)	(4.7)
Recoveries (1)	1.7	0.2	1.9
Balance, end of period	<u>\$ 180.8</u>	<u>\$ 10.1</u>	<u>\$ 190.9</u>
(In millions)			
For the Nine Months Ended September 30, 2012			
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 141.7	\$ 12.6	\$ 154.3
Provision for credit losses	20.4	(2.6)	17.8
Write-offs	(2.5)	(0.5)	(3.0)
Recoveries (1)	1.7	–	1.7
Balance, end of period	<u>\$ 161.3</u>	<u>\$ 9.5</u>	<u>\$ 170.8</u>

(1) Represents collections received on previously written off Loans.

During the second quarter of 2013, we enhanced our methodology for forecasting future collections on Loans through the utilization of more recent data, different segmentations and new forecast variables. Implementation of the enhanced forecasting methodology increased the provision for credit losses by \$3.0 million for the second quarter of 2013, of which \$1.2 million related to Dealer Loans and \$1.8 million related to Purchased Loans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

6. DEBT

We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) revolving secured warehouse (“Warehouse”) facilities; (3) asset-backed secured financings (“Term ABS”) and (4) 9.125% First Priority Senior Secured Notes due 2017 (“Senior Notes”). General information for each of our financing transactions in place as of September 30, 2013 is as follows:

(Dollars in millions)

Financings	Wholly-owned Subsidiary	Close Date	Maturity Date	Financing Amount	Interest Rate as of September 30, 2013
Revolving Secured Line of Credit	n/a	06/20/2013	06/23/2016	\$ 235.0	At our option, either LIBOR plus 187.5 basis points or the prime rate plus 87.5 basis points
Warehouse Facility II (1)	CAC Warehouse Funding Corp. II	12/27/2012	12/27/2015 (2)	\$ 325.0	Commercial paper rate or LIBOR plus 200 basis points (3)
Warehouse Facility III (1)	CAC Warehouse Funding III, LLC	08/16/2013	09/10/2015 (4)	\$ 75.0	LIBOR plus 160 basis points (3)
Warehouse Facility IV (1)	CAC Warehouse Funding LLC IV	04/05/2013	04/05/2016 (2)	\$ 75.0	LIBOR plus 225 basis points (3)
Term ABS 2010-1 (1)	Credit Acceptance Funding LLC 2010-1	11/04/2010	10/15/2012 (2)	\$ 100.5	Fixed rate
Term ABS 2011-1 (1)	Credit Acceptance Funding LLC 2011-1	10/06/2011	09/16/2013 (2)	\$ 200.5	Fixed rate
Term ABS 2012-1 (1)	Credit Acceptance Funding LLC 2012-1	03/29/2012	03/17/2014 (2)	\$ 201.3	Fixed rate
Term ABS 2012-2 (1)	Credit Acceptance Funding LLC 2012-2	09/20/2012	09/15/2014 (2)	\$ 252.0	Fixed rate
Term ABS 2013-1 (1)	Credit Acceptance Funding LLC 2013-1	04/25/2013	04/15/2015 (2)	\$ 140.3	Fixed rate
Senior Notes	n/a	(5)	02/01/2017	\$ 350.0	Fixed rate

(1) Financing made available only to a specified subsidiary of the Company.

(2) Represents the revolving maturity date. The outstanding balance will amortize after the maturity date based on the cash flows of the pledged assets.

(3) Interest rate cap agreements are in place to limit the exposure to increasing interest rates.

(4) Represents the revolving maturity date. The outstanding balance will amortize after the revolving maturity date and any amounts remaining on September 10, 2017 will be due.

(5) The close dates associated with the issuance of \$250.0 million and \$100.0 million of the Senior Notes were on February 1, 2010 and March 3, 2011, respectively.

Additional information related to the amounts outstanding on each facility is as follows:

(In millions)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Revolving Secured Line of Credit				
Maximum outstanding balance	\$ 179.0	\$ 139.0	\$ 195.1	\$ 187.3
Average outstanding balance	70.5	100.1	94.4	98.9
Warehouse Facility II				
Maximum outstanding balance	\$ 169.1	\$ 173.8	\$ 169.1	\$ 177.2
Average outstanding balance	136.0	143.7	91.5	128.6
Warehouse Facility III				
Maximum outstanding balance	\$ 46.9	\$ 62.0	\$ 60.0	\$ 73.0
Average outstanding balance	42.0	51.4	27.5	60.8
Warehouse Facility IV				
Maximum outstanding balance	\$ —	\$ 39.2	\$ 39.6	\$ 39.6
Average outstanding balance	—	37.8	15.7	37.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

6. DEBT – (Continued)

(Dollars in millions)

	As of	
	September 30, 2013	December 31, 2012
Revolving Secured Line of Credit		
Balance outstanding	\$ 87.6	\$ 43.5
Amount available for borrowing (1)	147.4	191.5
Interest rate	2.05%	2.08%
Warehouse Facility II		
Balance outstanding	\$ 162.6	\$ 81.3
Amount available for borrowing (1)	162.4	243.7
Loans pledged as collateral	230.4	105.2
Restricted cash and cash equivalents pledged as collateral	4.2	3.0
Interest rate	2.18%	2.22%
Warehouse Facility III		
Balance outstanding	\$ 33.1	\$ –
Amount available for borrowing (1)	41.9	75.0
Loans pledged as collateral	77.4	–
Restricted cash and cash equivalents pledged as collateral	1.5	0.4
Interest rate	1.81%	1.82%
Warehouse Facility IV		
Balance outstanding	\$ –	\$ 37.6
Amount available for borrowing (1)	75.0	37.4
Loans pledged as collateral	–	47.7
Restricted cash and cash equivalents pledged as collateral	0.2	2.5
Interest rate	2.43%	2.96%
Term ABS 2010-1		
Balance outstanding	\$ 2.6	\$ 80.3
Loans pledged as collateral	69.6	111.6
Restricted cash and cash equivalents pledged as collateral	10.6	12.5
Interest rate	3.63%	2.44%
Term ABS 2011-1		
Balance outstanding	\$ 200.5	\$ 200.5
Loans pledged as collateral	241.9	243.8
Restricted cash and cash equivalents pledged as collateral	26.4	23.5
Interest rate	2.90%	2.90%
Term ABS 2012-1		
Balance outstanding	\$ 201.3	\$ 201.3
Loans pledged as collateral	242.2	244.7
Restricted cash and cash equivalents pledged as collateral	26.1	22.3
Interest rate	2.38%	2.38%
Term ABS 2012-2		
Balance outstanding	\$ 252.0	\$ 252.0
Loans pledged as collateral	304.1	311.9
Restricted cash and cash equivalents pledged as collateral	29.8	26.0
Interest rate	1.63%	1.63%
Term ABS 2013-1		
Balance outstanding	\$ 140.3	\$ –
Loans pledged as collateral	185.6	–
Restricted cash and cash equivalents pledged as collateral	16.2	–
Interest rate	1.31%	–
Senior Notes		
Balance outstanding (2)	\$ 350.2	\$ 350.3
Interest rate	9.13%	9.13%

(1) Availability may be limited by the amount of assets pledged as collateral.

(2) As of September 30, 2013 and December 31, 2012, the outstanding balance presented for the Senior Notes includes a net unamortized debt premium of \$0.2 million and \$0.3 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

6. DEBT – (Continued)

Revolving Secured Line of Credit Facility

We have a \$235.0 million revolving secured line of credit facility with a commercial bank syndicate.

During the second quarter of 2013, we extended the maturity of our revolving secured line of credit facility from June 22, 2015 to June 23, 2016. There were no other material changes to the terms of the facility.

Borrowings under the revolving secured line of credit facility, including any letters of credit issued under the facility, are subject to a borrowing-base limitation. This limitation equals 80% of the net book value of Loans, less a hedging reserve (not exceeding \$1.0 million), and the amount of other debt secured by the collateral which secures the revolving secured line of credit facility. Borrowings under the revolving secured line of credit facility agreement are secured by a lien on most of our assets.

Warehouse Facilities

We have three Warehouse facilities with total borrowing capacity of \$475.0 million. Each of the facilities are with different institutional investors, and the facility limit is \$325.0 million for Warehouse Facility II and \$75.0 million for both Warehouse Facility III and IV.

During the second quarter of 2013, we extended the date on which Warehouse IV will cease to revolve from February 19, 2014 to April 5, 2016. The interest rate on borrowings under the facility was decreased from LIBOR plus 275 basis points to LIBOR plus 225 basis points. There were no other material changes to the terms of the facility.

Under each Warehouse facility, we can contribute Loans to our wholly-owned subsidiaries in return for cash and equity in each subsidiary. In turn, each subsidiary pledges the Loans as collateral to institutional investors to secure financing that will fund the cash portion of the purchase price of the Loans. The financing provided to each subsidiary under the applicable facility is limited to the lesser of 80% of the net book value of the contributed Loans plus the cash collected on such Loans or the facility limit.

The financings create indebtedness for which the subsidiaries are liable and which is secured by all the assets of each subsidiary. Such indebtedness is non-recourse to us, even though we are consolidated for financial reporting purposes with the subsidiaries. Because the subsidiaries are organized as legal entities separate from us, their assets (including the contributed Loans) are not available to our creditors.

The subsidiaries pay us a monthly servicing fee equal to 6% of the collections received with respect to the contributed Loans. The fee is paid out of the collections. Except for the servicing fee and holdback payments due to Dealers, if a facility is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees and other related costs have been paid in full. If a facility is not amortizing, the applicable subsidiary may be entitled to retain a portion of such collections provided that the borrowing base requirements of the facility are satisfied.

Term ABS Financings

In 2010, 2011, 2012 and 2013, our wholly-owned subsidiaries (the “Funding LLCs”), completed secured financing transactions with qualified institutional investors. In connection with these transactions, we contributed Loans on an arms-length basis to each Funding LLC for cash and the sole membership interest in that Funding LLC. In turn, each Funding LLC contributed the Loans to a respective trust that issued notes to qualified institutional investors. The Term ABS 2010-1, 2011-1, 2012-1, 2012-2 and 2013-1 transactions each consist of three classes of notes. The Class A and Class B Notes for each Term ABS financing bear interest. The Class C Notes for each Term ABS financing do not bear interest and have been retained by us.

Each financing at the time of issuance has a specified revolving period during which we may be required, and are likely, to contribute additional Loans to each Funding LLC. Each Funding LLC will then contribute the Loans to their respective trust. At the end of the revolving period, the debt outstanding under each financing will begin to amortize.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

6. DEBT – (Continued)

The financings create indebtedness for which the trusts are liable and which is secured by all the assets of each trust. Such indebtedness is non-recourse to us, even though we are consolidated for financial reporting purposes with the trusts and the Funding LLCs. Because the Funding LLCs are organized as legal entities separate from us, their assets (including the contributed Loans) are not available to our creditors. We receive a monthly servicing fee on each financing equal to 6% of the collections received with respect to the contributed Loans. The fee is paid out of the collections. Except for the servicing fee and Dealer Holdback payments due to Dealers, if a facility is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees and other related costs have been paid in full. If a facility is not amortizing, the applicable subsidiary may be entitled to retain a portion of such collections provided that the borrowing base requirements of the facility are satisfied. However, in our capacity as servicer of the Loans, we do have a limited right to exercise a “clean-up call” option to purchase Loans from the Funding LLCs and/or the trusts under certain specified circumstances. Alternatively, when a trust’s underlying indebtedness is paid in full, either through collections or through a prepayment of the indebtedness, the trust is to pay any remaining collections over to its Funding LLC as the sole beneficiary of the trust. The collections will then be available to be distributed to us as the sole member of the respective Funding LLC.

The table below sets forth certain additional details regarding the outstanding Term ABS Financings:

(Dollars in millions)

Term ABS Financings	Close Date	Net Book Value of Loans Contributed at Closing	24 Month Revolving Period
Term ABS 2010-1	November 4, 2010	\$ 126.8	Through October 15, 2012
Term ABS 2011-1	October 6, 2011	\$ 250.8	Through September 16, 2013
Term ABS 2012-1	March 29, 2012	\$ 251.7	Through March 17, 2014
Term ABS 2012-2	September 20, 2012	\$ 315.1	Through September 15, 2014
Term ABS 2013-1	April 25, 2013	\$ 187.8	Through April 15, 2015

Senior Notes

We have outstanding \$350.0 million aggregate principal amount of our 9.125% First Priority Senior Secured Notes due 2017, \$100.0 million of which we issued on March 3, 2011 and \$250.0 million of which we issued on February 1, 2010. The Senior Notes are governed by an indenture, dated as of February 1, 2010, as amended and supplemented (the “Indenture”), among us, as the issuer; our subsidiaries Buyers Vehicle Protection Plan, Inc. and Vehicle Remarketing Services, Inc., as guarantors (the “Guarantors”); and U.S. Bank National Association, as trustee. The Senior Notes issued on March 3, 2011 have the same terms as the previously issued Senior Notes, other than issue price and issue date, and all of the Senior Notes are treated as a single class under the Indenture.

The Senior Notes mature on February 1, 2017 and bear interest at a rate of 9.125% per annum, computed on the basis of a 360-day year comprised of twelve 30-day months and payable semi-annually on February 1 and August 1 of each year. The Senior Notes issued on March 3, 2011 were issued at a price of 106.0% of their aggregate principal amount, resulting in gross proceeds of \$106.0 million, and a yield to maturity of 7.83% per annum. The Senior Notes issued on February 1, 2010 were issued at a price of 97.495% of their aggregate principal amount, resulting in gross proceeds of \$243.7 million, and a yield to maturity of 9.625% per annum. The premium with respect to the Senior Notes issued on March 3, 2011 and the discount with respect to the Senior Notes issued on February 1, 2010 are being amortized over the life of the Senior Notes using the effective interest method.

The Senior Notes are guaranteed on a senior secured basis by the Guarantors, which are also guarantors of obligations under our revolving secured line of credit facility. Other existing and future subsidiaries of ours may become guarantors of the Senior Notes. The Senior Notes and the Guarantors’ Senior Note guarantees are secured on a first-priority basis (subject to specified exceptions and permitted liens), together with all indebtedness outstanding from time to time under the revolving secured line of credit facility and, under certain circumstances, certain future indebtedness, by a security interest in substantially all of our assets and those of the Guarantors, subject to certain exceptions such as real property, cash (except to the extent it is deposited with the collateral agent), certain leases, and equity interests of our subsidiaries (other than those of specified subsidiaries including the Guarantors). Our assets and those of the Guarantors securing the Senior Notes and the Senior Note guarantees will not include our assets transferred to special purpose subsidiaries in connection with Warehouse facilities and Term ABS financings and will generally be the same as the collateral securing indebtedness under the revolving secured line of credit facility and, under certain circumstances, certain future indebtedness, subject to certain limited exceptions as provided in the security and intercreditor agreements related to the revolving secured line of credit facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED) (UNAUDITED)

6. DEBT – (Concluded)

Debt Covenants

As of September 30, 2013, we were in compliance with all our debt covenants relating to the revolving secured line of credit facility, including those that require the maintenance of certain financial ratios and other financial conditions. These covenants require a minimum ratio of our earnings before interest, taxes and non-cash expenses to fixed charges. These covenants also limit the maximum ratio of our funded debt to tangible net worth. Additionally, we must maintain consolidated net income of not less than \$1 for the two most recently ended fiscal quarters. Some of these debt covenants may indirectly limit the repurchase of common stock or payment of dividends on common stock.

Our Warehouse facilities and Term ABS financings also contain covenants that measure the performance of the contributed assets. As of September 30, 2013, we were in compliance with all such covenants. As of the end of the quarter, we were also in compliance with our covenants under the Indenture. The Indenture includes covenants that limit the maximum ratio of our funded debt to tangible net worth and also require a minimum collateral coverage ratio.

7. DERIVATIVE AND HEDGING INSTRUMENTS

Interest Rate Caps. We utilize interest rate cap agreements to manage the interest rate risk on our Warehouse facilities. The following tables provide the terms of our interest rate cap agreements that were in effect as of September 30, 2013 and December 31, 2012:

(Dollars in millions)

As of September 30, 2013							
Facility	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)	
\$ 325.0	Warehouse Facility II	Cap Floating Rate	06/2013	12/2014	\$ 325.0	5.50%	
75.0	Warehouse Facility III	Cap Floating Rate	06/2012	07/2015	56.3	5.00%	
75.0	Warehouse Facility IV	Cap Floating Rate	08/2011	09/2015	75.0	5.50%	

(Dollars in millions)

As of December 31, 2012							
Facility	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)	
\$ 325.0	Warehouse Facility II	Cap Floating Rate	07/2011	06/2013	\$ 325.0	6.75%	
75.0	Warehouse Facility III	Cap Floating Rate	09/2010	09/2013	37.5	6.75%	
75.0	Warehouse Facility III	Cap Floating Rate	06/2012	07/2015	18.8 ⁽²⁾	5.00%	
75.0	Warehouse Facility IV	Cap Floating Rate	08/2011	09/2015	75.0	5.50%	

(1) Rate excludes the spread over the LIBOR rate or the commercial paper rate, as applicable.

(2) The notional amount increases to \$56.3 million in September 2013 when the original Warehouse Facility III interest rate cap for \$37.5 million ends.

The interest rate caps have not been designated as hedging instruments. As of September 30, 2013 and December 31, 2012, the interest rate caps had a fair value of less than \$0.1 million as the capped rates were significantly above market rates.

8. 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.

Restricted Securities Available for Sale. Restricted securities consist of amounts held in trusts by TPPPs to pay claims on vehicle service contracts. Securities for which we do not have the intent or ability to hold to maturity are classified as available for sale and stated at fair value. The fair value of restricted securities are generally based on quoted market values in active markets. For commercial paper, we use model-based valuation techniques for which all significant assumptions are observable in the market.

Net Investment in Loans Receivable. Loans receivable, net represents our net investment in Loans. The fair value is determined by calculating the present value of future Loan payment inflows and Dealer Holdback outflows estimated by us utilizing a discount rate comparable with the rate used to calculate our allowance for credit losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

8. FAIR VALUE OF FINANCIAL INSTRUMENTS – (Continued)

Liabilities. The fair value of our Senior Notes is determined using quoted market prices in an active market. The fair value of our Term ABS financings is also determined using quoted market prices, however, these instruments trade in a market with much lower trading volume. For our revolving secured line of credit, our Warehouse Facilities and our mortgage note, the fair values are calculated using the estimated value of each debt instrument based on current rates for debt with similar risk profiles and maturities.

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

(In millions)

	As of September 30, 2013		As of December 31, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	\$ 3.6	\$ 3.6	\$ 9.0	\$ 9.0
Restricted cash and cash equivalents	116.2	116.2	92.4	92.4
Restricted securities available for sale	51.9	51.9	46.1	46.1
Net investment in Loans receivable	2,163.4	2,178.7	1,933.5	1,951.4
Liabilities				
Revolving secured line of credit	\$ 87.6	\$ 87.6	\$ 43.5	\$ 43.5
Secured financing	992.4	995.6	853.0	863.0
Mortgage note	3.8	3.8	4.0	4.0
Senior notes	350.2	373.6	350.3	381.9

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We group assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1	Valuation is based upon quoted prices for identical instruments traded in active markets.
Level 2	Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
Level 3	Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the asset or liability.

The following table provides the level of measurement used to determine the fair value for each of our financial instruments on a recurring basis, as of September 30, 2013 and December 31, 2012:

(In millions)

	As of September 30, 2013			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents	\$ 3.6	\$ –	\$ –	\$ 3.6
Restricted cash and cash equivalents	116.2	–	–	116.2
Restricted securities available for sale	32.2	19.7	–	51.9
Net investment in Loans receivable	–	–	2,178.7	2,178.7
Liabilities				
Revolving secured line of credit	\$ –	\$ 87.6	\$ –	\$ 87.6
Secured financing	–	995.6	–	995.6
Mortgage note	–	3.8	–	3.8
Senior notes	373.6	–	–	373.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

8. FAIR VALUE OF FINANCIAL INSTRUMENTS – (Concluded)

(In millions)

	As of December 31, 2012			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents	\$ 9.0	\$ –	\$ –	\$ 9.0
Restricted cash and cash equivalents	92.4	–	–	92.4
Restricted securities available for sale	27.3	18.8	–	46.1
Net investment in Loans receivable	–	–	1,951.4	1,951.4
Liabilities				
Revolving secured line of credit	\$ –	\$ 43.5	\$ –	\$ 43.5
Secured financing	–	863.0	–	863.0
Mortgage note	–	4.0	–	4.0
Senior notes	381.9	–	–	381.9

9. RELATED PARTY TRANSACTIONS

In the normal course of our business, affiliated Dealers assign Consumer Loans to us under the Portfolio and Purchase Programs. Dealer Loans and Purchased Loans with affiliated Dealers are on the same terms as those with non-affiliated Dealers. Affiliated Dealers are comprised of Dealers owned or controlled by: (1) our Chairman and significant shareholder; and (2) a member of the Chairman's immediate family.

Affiliated Dealer Loan balances were \$7.5 million and \$5.9 million as of September 30, 2013 and December 31, 2012, respectively. Affiliated Dealer Loan balances were 0.4% and 0.3% of total consolidated Dealer Loan balances as of September 30, 2013 and December 31, 2012, respectively. A summary of related party Loan activity is as follows:

(Dollars in millions)

	For the Three Months Ended September 30,			
	2013		2012	
	Affiliated Dealer activity	% of consolidated	Affiliated Dealer activity	% of consolidated
Dealer Loan revenue	\$ 0.4	0.3 %	\$ 0.3	0.2 %
New Consumer Loan assignments (1)	1.1	0.3 %	1.0	0.3 %
Accelerated Dealer Holdback payments	–	0.0 %	–	0.8 %
Dealer Holdback payments	0.4	1.4 %	0.6	2.6 %

(Dollars in millions)

	For the Nine Months Ended September 30,			
	2013		2012	
	Affiliated Dealer activity	% of consolidated	Affiliated Dealer activity	% of consolidated
Dealer Loan revenue	\$ 1.1	0.3 %	\$ 0.9	0.2 %
New Consumer Loan assignments (1)	3.5	0.3 %	2.7	0.3 %
Accelerated Dealer Holdback payments	0.1	0.3 %	0.1	0.4 %
Dealer Holdback payments	1.8	2.1 %	2.6	2.9 %

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.

Our Chairman and significant shareholder has indirect control over entities that, in the past, offered secured lines of credit to automobile dealers, and has the right or obligation to reacquire these entities under certain circumstances until December 31, 2014 or the repayment of the related purchase money note.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

10. INCOME TAXES

A reconciliation of the U.S. federal statutory rate to our effective tax rate is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
U.S. federal statutory rate	35.0%	35.0%	35.0%	35.0%
State income taxes	1.4%	1.7%	1.6%	1.6%
Changes in reserve for uncertain tax positions as a result of settlements and lapsed statutes and related interest	-0.3%	-0.4%	-0.3%	-0.4%
Other	0.2%	0.5%	0.2%	0.3%
Effective tax rate	36.3%	36.8%	36.5%	36.5%

The differences between the U.S. federal statutory rate and our effective tax rate are primarily due to state income taxes and reserves for uncertain tax positions and related interest that are included in the provision for income taxes.

11. NET INCOME PER SHARE

Basic net income per share has been computed by dividing net income by the basic number of weighted average shares outstanding. Diluted net income per share has been computed by dividing net income by the diluted number of weighted average shares outstanding using the treasury stock method. The share effect is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Weighted average shares outstanding:				
Common shares	22,991,709	24,337,297	23,323,319	25,074,280
Vested restricted stock units	680,926	570,950	666,526	554,754
Basic number of weighted average shares outstanding	23,672,635	24,908,247	23,989,845	25,629,034
Dilutive effect of stock options	27,852	45,509	34,940	50,435
Dilutive effect of restricted stock and restricted stock units	7,556	8,298	22,658	26,678
Dilutive number of weighted average shares outstanding	23,708,043	24,962,054	24,047,443	25,706,147

For the three and nine months ended September 30, 2013 and 2012, there were no stock options, restricted stock or restricted stock units that would have been anti-dilutive.

12. STOCK REPURCHASES

On August 5, 1999, our board of directors approved a stock repurchase program which authorizes us to repurchase common shares in the open market or in privately negotiated transactions at price levels we deem attractive. On March 7, 2013, the board of directors authorized the repurchase of up to one million shares of our common stock in addition to the board's prior authorizations. As of September 30, 2013, we had authorization to repurchase 394,770 shares of our common stock.

The following table summarizes our stock repurchases for the three and nine months ended September 30, 2013 and 2012:

Stock Repurchases	For the Three Months Ended September 30,			
	2013		2012	
	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost
Open Market	282,018	\$ 31.3	–	\$ –

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
(UNAUDITED)

12. STOCK REPURCHASES – (Concluded)

(Dollars in millions)

Stock Repurchases	For the Nine Months Ended September 30,			
	2013		2012	
	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost (1)
Open Market	1,139,442	\$ 126.5	285,402	\$ 27.0
Tender Offer	–	–	1,000,000	84.8
Other (2)	6,259	0.7	13,053	1.2
Total	1,145,701	\$ 127.2	1,298,455	\$ 113.0

(1) Tender Offer amount includes offering costs of \$0.3 million for 2012.

(2) Represents shares of common stock released to us by team members as payment of tax withholdings due to us upon the vesting of restricted stock and restricted stock units.

13. STOCK-BASED COMPENSATION PLANS

On March 26, 2012, our board of directors approved an amendment to our Amended and Restated Incentive Compensation Plan (the “Incentive Plan”) increasing the number of shares authorized for issuance by 500,000 shares, to 2 million shares. Pursuant to the Incentive Plan, we can grant restricted stock, restricted stock units, stock options, and performance awards to team members, officers, directors, and contractors at any time prior to March 26, 2022. The shares available for future grants under the Incentive Plan totaled 314,777 as of September 30, 2013.

On March 26, 2012, the compensation committee of our board of directors approved an award of 310,000 restricted stock units and 190,000 shares of restricted stock to our Chief Executive Officer. The 310,000 restricted stock units and 90,000 shares of restricted stock are eligible to vest over a ten year period beginning in 2012 based on the cumulative improvement in our annual adjusted economic profit, a non-GAAP financial measure. The remaining 100,000 shares of restricted stock are eligible to vest in equal annual installments over a five year period beginning in 2022 based on the attainment of annual adjusted economic profit targets.

Stock-based compensation expense consists of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Restricted stock	\$ 0.6	\$ 1.2	\$ 2.2	\$ 2.4
Restricted stock units	0.7	2.9	3.8	6.2
Total	\$ 1.3	\$ 4.1	\$ 6.0	\$ 8.6

While the restricted stock units and shares of restricted stock are generally expected to vest in equal, annual installments over the corresponding requisite service periods of the grants, the related stock-based compensation expense is not recognized on a straight-line basis over the same periods. Each installment is accounted for as a separate award and as a result, the fair value of each installment is recognized as stock-based compensation expense on a straight-line basis over the related vesting period.

As of September 30, 2013, there was \$40.2 million of total unrecognized compensation costs related to non-vested equity compensation arrangements. The following table details how the expenses associated with restricted stock and restricted stock units, which are expected to be recognized over a weighted average period of 3.6 years, will be recorded assuming performance targets are achieved in the periods currently estimated:

Year	Restricted Stock Units		Restricted Stock		Total Projected Expense
Remainder of 2013	\$ 1.6	\$ 0.8	\$ 2.4		
2014	4.8	2.5	7.3		
2015	4.1	2.1	6.2		
2016	3.7	1.9	5.6		
2017	3.2	1.7	4.9		
Thereafter	6.2	7.6	13.8		
Total	\$ 23.6	\$ 16.6	\$ 40.2		

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONCLUDED)
(UNAUDITED)**

14. LITIGATION AND CONTINGENT LIABILITIES

In the normal course of business and as a result of the customer-oriented nature of the industry in which we operate, 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 our repossession and sale of the customer's vehicle and other debt collection activities. As the assignee of Consumer Loans originated by Dealers, we may also be named as a co-defendant in lawsuits filed by customers principally against Dealers. We may also have disputes and litigation with Dealers. The claims may allege, among other theories of liability, that we breached our Dealer servicing agreement. Many of these cases are filed as purported class actions and seek damages in large dollar amounts. The following matters include current actions to which we are a party and updates to matters that were disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

On February 1, 2013, six Dealers, who had previously commenced a putative consolidated arbitration proceeding against the Company before the American Arbitration Association ("AAA") that was deemed not properly filed by the AAA on October 9, 2012, filed individual arbitrations against the Company before the AAA in Southfield, Michigan. These arbitration demands seek unspecified money damages for claims relating to the Dealer servicing agreements of these Dealers. The Company intends to vigorously defend itself against these arbitrations.

An adverse ultimate disposition in any action to which we are a party or otherwise subject could have a material adverse impact on our financial position, liquidity and results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in Item 8 - Financial Statements and Supplementary Data, of our 2012 Annual Report on Form 10-K, as well as Item 1- Consolidated Financial Statements, of this Form 10-Q, which is incorporated herein by reference.

Overview

We offer automobile dealers financing programs that enable them to sell vehicles to consumers regardless of their credit history. Our financing programs are 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 our product, but who actually end up qualifying for traditional financing.

For the three months ended September 30, 2013, consolidated net income was \$65.1 million, or \$2.75 per diluted share, compared to \$52.9 million, or \$2.12 per diluted share, for the same period in 2012. For the nine months ended September 30, 2013, consolidated net income was \$187.2 million, or \$7.78 per diluted share, compared to \$159.8 million, or \$6.22 per diluted share, for the same period in 2012. The increase in consolidated net income for the three and nine months ended September 30, 2013 was primarily due to an increase in the average balance of our Loan portfolio.

Critical Success Factors

Critical success factors include our ability to access capital on acceptable terms, accurately forecast Consumer Loan performance, and maintain or grow Consumer Loan volume at the level and on the terms that we anticipate, with an objective to maximize economic profit. Economic profit is a financial metric we use to evaluate our financial results and determine incentive compensation. Economic profit measures how efficiently we utilize our total capital, both debt and equity, and is a function of the return on capital in excess of the cost of capital and the amount of capital invested in the business.

Access to Capital

Our strategy for accessing capital on acceptable terms needed to maintain and grow the business is to: (1) maintain consistent financial performance; (2) maintain modest financial leverage; and (3) maintain multiple funding sources. Our funded debt to equity ratio is 2.1:1 as of September 30, 2013. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) Senior Notes.

Consumer Loan Performance

At the time a Consumer Loan is submitted to us for assignment, we forecast future expected cash flows from the Consumer Loan. Based on the amount and timing of these forecasts and expected expense levels, an advance or one-time purchase payment is made to the related Dealer at a price designed to achieve an acceptable return on capital. If Consumer Loan performance equals or exceeds our initial expectation, it is likely our target return on capital will be achieved.

We use a statistical model to estimate the expected collection rate for each Consumer Loan at the time of assignment. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. By comparing our current expected collection rate for each Consumer Loan with the rate we projected at the time of assignment, we are able to assess the accuracy of our initial forecast. The following table compares our forecast of Consumer Loan collection rates as of September 30, 2013, with the forecasts as of June 30, 2013, as of December 31, 2012, and at the time of assignment, segmented by year of assignment:

Consumer Loan Assignment Year	Forecasted Collection Percentage as of				Variance in Forecasted Collection Percentage from		
	September 30, 2013	June 30, 2013	December 31, 2012	Initial Forecast	June 30, 2013	December 31, 2012	Initial Forecast
2004	73.0%	73.0%	73.0%	73.0%	0.0%	0.0%	0.0%
2005	73.7%	73.7%	73.6%	74.0%	0.0%	0.1%	-0.3%
2006	70.0%	70.0%	69.9%	71.4%	0.0%	0.1%	-1.4%
2007	67.9%	67.9%	68.0%	70.7%	0.0%	-0.1%	-2.8%
2008	70.1%	70.1%	70.3%	69.7%	0.0%	-0.2%	0.4%
2009	79.2%	79.2%	79.5%	71.9%	0.0%	-0.3%	7.3%
2010	77.0%	77.0%	77.3%	73.6%	0.0%	-0.3%	3.4%
2011	74.1%	74.2%	74.1%	72.5%	-0.1%	0.0%	1.6%
2012	73.5%	73.4%	72.2%	71.4%	0.1%	1.3%	2.1%
2013 (1)	73.2%	73.1%	—	72.0%	0.1%	—	1.2%

(1) The forecasted collection rate for 2013 Consumer Loans as of September 30, 2013 includes both Consumer Loans that were in our portfolio as of June 30, 2013 and Consumer Loans assigned during the most recent quarter. The following table provides forecasted collection rates for each of these segments:

2013 Consumer Loan Assignment Period	Forecasted Collection Percentage as of		
	September 30, 2013	June 30, 2013	Variance
January 1, 2013 through June 30, 2013	73.9%	73.1%	0.8%
July 1, 2013 through September 30, 2013	71.8%	—	—

Consumer Loans assigned in 2009 through 2013 have yielded forecasted collection results materially better than our initial estimates, while Consumer Loans assigned in 2006 and 2007 have yielded forecasted collection results materially worse than our initial estimates. For all other assignment years presented, actual results have been very close to our initial estimates. For the three months ended September 30, 2013, forecasted collection rates improved for Consumer Loans assigned in 2013 and were generally consistent with expectations at the start of the period for all other assignment years presented.

For the nine months ended September 30, 2013, forecasted collection rates improved for Consumer Loans assigned in 2012 and 2013, declined for Consumer Loans assigned in 2008 through 2010 and were generally consistent with expectations at the start of the period for all other assignment years presented. During the second quarter of 2013, we enhanced our forecasting methodology. Implementation of this enhanced forecast contributed to these collection rate variances and reduced our net income by \$2.1 million for the second quarter of 2013.

Forecasting collection rates accurately at Loan inception is difficult. With this in mind, we establish advance rates that are intended to allow us to achieve acceptable levels of profitability, even if collection rates are less than we currently forecast.

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 had been realized as of September 30, 2013. All amounts, unless otherwise noted, are presented as a percentage of the initial balance of the Consumer Loan (principal + interest). The table includes both Dealer Loans and Purchased Loans.

Consumer Loan Assignment Year	As of September 30, 2013			
	Forecasted Collection %	Advance % (1)	Spread %	% of Forecast Realized (2)
2004	73.0%	44.0%	29.0%	99.8%
2005	73.7%	46.9%	26.8%	99.6%
2006	70.0%	46.6%	23.4%	99.3%
2007	67.9%	46.5%	21.4%	98.7%
2008	70.1%	44.6%	25.5%	98.2%
2009	79.2%	43.9%	35.3%	98.0%
2010	77.0%	44.7%	32.3%	90.7%
2011	74.1%	45.5%	28.6%	71.1%
2012	73.5%	46.3%	27.2%	43.6%
2013	73.2%	47.4%	25.8%	12.6%

- (1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program as a percentage of the initial balance of the Consumer Loans. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.
- (2) Presented as a percentage of total forecasted collections.

The risk of a material change in our forecasted collection rate declines as the Consumer Loans age. For 2010 and prior Consumer Loan assignments, the risk of a material forecast variance is modest, as we have currently realized in excess of 90% of the expected collections. Conversely, the forecasted collection rates for more recent Consumer Loan assignments are less certain as a significant portion of our forecast has not been realized.

The spread between the forecasted collection rate and the advance rate declined during the 2005 through 2007 period as we increased advance rates during this period in response to a more difficult competitive environment. During 2008 and 2009, the spread increased as the competitive environment improved, and we reduced advance rates. In addition, during 2009, the spread was positively impacted by better than expected Consumer Loan performance. During the 2010 through 2013 period, the spread decreased as we again increased advance rates in response to the competitive environment.

The following table presents forecasted Consumer Loan collection rates, advance rates, and the spread (the forecasted collection rate less the advance rate) as of September 30, 2013 for Dealer Loans and Purchased Loans separately. All amounts are presented as a percentage of the initial balance of the Consumer Loan (principal + interest).

	Consumer Loan Assignment Year	Forecasted Collection %	Advance % (1)	Spread %
Dealer Loans	2007	67.9%	45.8%	22.1%
	2008	70.6%	43.3%	27.3%
	2009	79.2%	43.5%	35.7%
	2010	77.0%	44.4%	32.6%
	2011	74.1%	45.2%	28.9%
	2012	73.5%	46.1%	27.4%
	2013	73.1%	47.1%	26.0%
Purchased Loans	2007	68.2%	49.1%	19.1%
	2008	69.3%	46.7%	22.6%
	2009	79.2%	45.3%	33.9%
	2010	76.9%	46.4%	30.5%
	2011	74.5%	47.9%	26.6%
	2012	74.3%	48.9%	25.4%
	2013	73.7%	51.1%	22.6%

- (1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program as a percentage of the initial balance of the Consumer Loans. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

The advance rates presented for each Consumer Loan assignment year change over time due to the impact of transfers between Dealer and Purchased Loans. Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's Consumer Loans from the Dealer Loan portfolio to the Purchased Loan portfolio in the period this forfeiture occurs.

Although the advance rate on Purchased Loans is higher as compared to the advance rate on Dealer Loans, Purchased Loans do not require us to pay Dealer Holdback.

Consumer Loan Volume

The following table summarizes changes in Consumer Loan assignment volume in each of the last seven quarters as compared to the same period in the previous year:

Three Months Ended	Year over Year Percent Change	
	Unit Volume	Dollar Volume (1)
March 31, 2012	10.6%	10.7%
June 30, 2012	7.3%	7.9%
September 30, 2012	5.4%	3.1%
December 31, 2012	2.4%	6.0%
March 31, 2013	-2.9%	-0.4%
June 30, 2013	8.4%	10.5%
September 30, 2013	11.0%	15.9%

- (1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

Consumer Loan assignment volumes depend on a number of factors including (1) the overall demand for our product, (2) the amount of capital available to fund new Loans, and (3) our assessment of the volume that our infrastructure can support. Our pricing strategy is intended to maximize the amount of economic profit we generate, within the confines of capital and infrastructure constraints.

Unit and dollar volumes increased 11.0% and 15.9%, respectively, during the third quarter of 2013 as the number of active Dealers grew 18.0% while average volume per active Dealer declined 6.0%. We believe the decline in volume per Dealer is the result of increased competition. In addition, we believe a delay in federal income tax refunds in the current year contributed to both the decline in unit and dollar volumes during the first quarter of 2013 and the increase in unit and dollar volumes during the second quarter of 2013.

The following table summarizes the changes in Consumer Loan unit volume and active Dealers:

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2013	2012	% Change	2013	2012	% Change
Consumer Loan unit volume	49,762	44,845	11.0%	155,573	148,580	4.7%
Active Dealers (1)	4,573	3,874	18.0%	5,836	4,781	22.1%
Average volume per active Dealer	10.9	11.6	-6.0%	26.7	31.1	-14.1%

(1) Active Dealers are Dealers who have received funding for at least one Loan during the period.

The following table provides additional information on the changes in Consumer Loan unit volume and active Dealers:

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2013	2012	% Change	2013	2012	% Change
Consumer Loan unit volume from Dealers						
active both periods	36,508	38,853	-6.0%	126,085	136,063	-7.3%
Dealers active both periods	2,666	2,666	—	3,508	3,508	—
Average volume per Dealers active						
both periods	13.7	14.6	-6.0%	35.9	38.8	-7.3%
Consumer Loan unit volume from new Dealers	2,672	2,434	9.8%	20,117	20,240	-0.6%
New active Dealers (1)	571	528	8.1%	1,864	1,556	19.8%
Average volume per new active Dealers	4.7	4.6	2.2%	10.8	13.0	-16.9%
Attrition (2)	-13.4%	-13.1%		-8.4%	-6.6%	

(1) New active Dealers are Dealers who enrolled in our program and have received funding for their first Loan from us during the period.

(2) Attrition is measured according to the following formula: decrease in Consumer Loan unit volume from Dealers who have received funding for at least one Loan during the comparable period of the prior year but did not receive funding for any Loans during the current period divided by prior year comparable period Consumer Loan unit volume.

Consumer Loans are assigned to us as either Dealer Loans through our Portfolio Program or Purchased Loans through our Purchase Program. The following table summarizes the portion of our Consumer Loan volume that was assigned to us as Dealer Loans:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
Dealer Loan unit volume as a percentage of total unit volume	92.9%	93.8%	93.8%	93.6%
Dealer Loan dollar volume as a percentage of total dollar volume (1)	90.8%	92.1%	92.1%	91.8%

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

For the three and nine months ended September 30, 2013, Dealer Loan unit and dollar volume as a percentage of total unit and dollar volume were generally consistent with the same periods in 2012.

As of September 30, 2013 and December 31, 2012, the net Dealer Loans receivable balance was 89.2% and 88.0%, respectively, of the total net Loans receivable balance.

Results of Operations

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

The following is a discussion of our results of operations and income statement data on a consolidated basis.

(In millions, except share and per share data)

	For the Three Months Ended September 30,		
	2013	2012	% Change
Revenue:			
Finance charges	\$ 148.7	\$ 137.5	8.1%
Premiums earned	13.1	12.2	7.4%
Other income	10.9	6.0	81.7%
Total revenue	172.7	155.7	10.9%
Costs and expenses:			
Salaries and wages	20.1	21.7	-7.4%
General and administrative	8.7	6.8	27.9%
Sales and marketing	8.5	8.2	3.7%
Provision for credit losses	6.1	9.8	-37.8%
Interest	16.1	16.3	-1.2%
Provision for claims	11.0	9.1	20.9%
Total costs and expenses	70.5	71.9	-1.9%
Income before provision for income taxes	102.2	83.8	22.0%
Provision for income taxes	37.1	30.9	20.1%
Net income	\$ 65.1	\$ 52.9	23.1%
Net income per share:			
Basic	\$ 2.75	\$ 2.13	29.1%
Diluted	\$ 2.75	\$ 2.12	29.7%
Weighted average shares outstanding:			
Basic	23,672,635	24,908,247	-5.0%
Diluted	23,708,043	24,962,054	-5.0%

The following table highlights changes in net income for the three months ended September 30, 2013, as compared to 2012:

(In millions)	Change
Net income for the three months ended September 30, 2012	\$ 52.9
Increase in finance charges	11.2
Increase in premiums earned	0.9
Increase in other income	4.9
Increase in operating expenses (1)	(0.6)
Decrease in provision for credit losses	3.7
Decrease in interest	0.2
Increase in provision for claims	(1.9)
Increase in provision for income taxes	(6.2)
Net income for the three months ended September 30, 2013	\$ 65.1

(1) Operating expenses consist of salaries and wages, general and administrative, and sales and marketing expenses.

Finance Charges. For the three months ended September 30, 2013, finance charges increased \$11.2 million, or 8.1%, as compared to the same period in 2012. The increase was primarily the result of an increase in the average net Loans receivable balance partially offset by a decrease in the average yield on our Loan portfolio, as follows:

(Dollars in millions)	For the Three Months Ended September 30,		
	2013	2012	Change
Average net Loans receivable balance	\$ 2,128.8	\$ 1,848.5	\$ 280.3
Average yield on our Loan portfolio	27.9%	29.8%	-1.9%

The following table summarizes the impact each component had on the overall increase in finance charges for the three months ended September 30, 2013:

(In millions)	Year over Year Change For the Three Months Ended September 30, 2013
Impact on finance charges:	
Due to an increase in the average net Loans receivable balance	\$ 20.9
Due to a decrease in the average yield	(9.7)
Total increase in finance charges	\$ 11.2

The increase in the average net Loans receivable balance was primarily due to the growth in new Consumer Loan assignments in recent years, which resulted in the dollar volume of new Consumer Loan assignments exceeding the principal collected on Loans throughout the last two quarters of 2012 and the first three quarters of 2013. The growth in new Consumer Loan assignments in recent years was the result of an increase in active Dealers, partially offset by a decline in volume per active Dealer. The average yield on our Loan portfolio for the three months ended September 30, 2013 decreased as compared to the same period in 2012 due to higher advance rates on new Consumer Loan assignments, partially offset by improvements in forecasted collection rates throughout the last two quarters of 2012 and the first three quarters of 2013.

Premiums Earned. For the three months ended September 30, 2013, premiums earned increased \$0.9 million, or 7.4%, as compared to the same period in 2012. The increase was primarily due to growth in the size of our reinsurance portfolio, which was the result of premiums written on vehicle service contracts from new Consumer Loan assignments throughout the last two quarters of 2012 and the first three quarters of 2013.

Other Income. For the three months ended September 30, 2013, other income increased \$4.9 million, or 81.7%, as compared to the same period in 2012. The increase was primarily due to:

- A \$2.4 million increase in vehicle service contract profit sharing income as a result of a new profit sharing arrangement we entered into with one of our TTPPs during 2012.
- A \$1.5 million increase in Global Positioning Systems with Starter Interrupt Devices (“GPS-SID”) fee income due to an increase in the fee earned per unit partially offset by a decrease in the number of units purchased by Dealers from TTPPs.
- A \$0.7 million increase in income from Dealer support products and services.

Operating Expenses. For the three months ended September 30, 2013, operating expenses increased \$0.6 million, or 1.6%, as compared to the same period in 2012. The change in operating expenses was primarily due to the following:

- An increase in general and administrative expenses of \$1.9 million, or 27.9%, primarily as a result of increases related to legal fees and consulting fees.
- A decrease in salaries and wages expense of \$1.6 million, or 7.4%, comprised of the following:
 - A decrease of \$2.7 million in stock-based compensation expense primarily due to a change in the expected vesting period of performance-based stock awards.
 - An increase of \$1.1 million, excluding stock-based compensation, related to increases of \$0.8 million for our servicing function and \$0.7 million for our support function, partially offset by a decrease of \$0.4 million for our originations function.

Provision for Credit Losses. For the three months ended September 30, 2013, the provision for credit losses decreased \$3.7 million, or 37.8%, as compared to the same period in 2012. Under GAAP, when the present value of forecasted future cash flows decline relative to our expectations at the time of assignment, a provision for credit losses is recorded immediately as a current period expense and a corresponding allowance for credit losses is established. For purposes of calculating the required allowance, Dealer Loans are grouped by Dealer and Purchased Loans are grouped by month of purchase. As a result, regardless of the overall performance of the portfolio of Consumer Loans, a provision can be required if any individual Loan pool performs worse than expected. Conversely, a previously recorded provision can be reversed if any previously impaired individual Loan pool experiences an improvement in performance.

During the three months ended September 30, 2013, overall Consumer Loan performance exceeded our expectations at the start of the period. However, the performance of certain Loan pools declined from our expectations during the period, resulting in a provision for credit losses of \$6.1 million for the three months ended September 30, 2013, of which \$6.4 million related to Dealer Loans partially offset by a reversal of a provision of \$0.3 million related to Purchased Loans. During the three months ended September 30, 2012, overall Consumer Loan performance was generally consistent with our expectations at the start of the period. However, the performance of certain Loan pools declined from our expectations during the period, resulting in a provision for credit losses of \$9.8 million for the three months ended September 30, 2012, of which \$10.2 million related to Dealer Loans partially offset by a reversal of a provision of \$0.4 million related to Purchased Loans.

Interest. For the three months ended September 30, 2013, interest expense decreased \$0.2 million, or 1.2%, as compared to the same period in 2012. The following table shows interest expense, the average outstanding debt balance, and the average cost of debt for the three months ended September 30, 2013 and 2012:

(Dollars in millions)

	For the Three Months Ended September 30,	
	2013	2012
Interest expense	\$ 16.1	\$ 16.3
Average outstanding debt balance	1,404.4	1,202.8
Average cost of debt	4.6%	5.4%

For the three months ended September 30, 2013, the decrease in interest expense was primarily due to a decline in our average cost of debt, partially offset by an increase in the average outstanding debt balance. The decline in our average cost of debt was primarily a result of a change in the mix of our outstanding debt. The average outstanding debt balance increased compared to the same period in 2012 due to the use of the debt proceeds to fund the growth in new Consumer Loan assignments and stock repurchases.

Provision for Claims. For the three months ended September 30, 2013, provision for claims increased \$1.9 million, or 20.9%, as compared to the same period in 2012. The increase was due to an increase in the size of our reinsurance portfolio as well as an increase in the amount of claims paid per reinsured vehicle service contract.

Provision for Income Taxes. For the three months ended September 30, 2013, the effective tax rate of 36.3% was generally consistent with the effective tax rate of 36.8% in the same period in 2012.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

The following is a discussion of our results of operations and income statement data on a consolidated basis.

(In millions, except share and per share data)

		For the Nine Months Ended September 30,		
		2013	2012	% Change
Revenue:				
Finance charges	\$	439.1	\$ 397.6	10.4%
Premiums earned		38.0	35.0	8.6%
Other income		29.7	17.3	71.7%
Total revenue		<u>506.8</u>	<u>449.9</u>	12.6%
Costs and expenses:				
Salaries and wages		65.1	61.5	5.9%
General and administrative		24.9	21.5	15.8%
Sales and marketing		26.0	23.5	10.6%
Provision for credit losses		17.3	17.8	-2.8%
Interest		48.3	47.1	2.5%
Provision for claims		30.5	26.7	14.2%
Total costs and expenses		<u>212.1</u>	<u>198.1</u>	7.1%
Income before provision for income taxes		294.7	251.8	17.0%
Provision for income taxes		107.5	92.0	16.8%
Net income	\$	<u>187.2</u>	<u>159.8</u>	17.1%
Net income per share:				
Basic	\$	<u>7.80</u>	<u>6.24</u>	25.0%
Diluted	\$	<u>7.78</u>	<u>6.22</u>	25.1%
Weighted average shares outstanding:				
Basic		23,989,845	25,629,034	-6.4%
Diluted		24,047,443	25,706,147	-6.5%

The following table highlights changes in net income for the nine months ended September 30, 2013, as compared to 2012:

(In millions)	Change
Net income for the nine months ended September 30, 2012	\$ 159.8
Increase in finance charges	41.5
Increase in premiums earned	3.0
Increase in other income	12.4
Increase in operating expenses (1)	(9.5)
Decrease in provision for credit losses	0.5
Increase in interest	(1.2)
Increase in provision for claims	(3.8)
Increase in provision for income taxes	(15.5)
Net income for the nine months ended September 30, 2013	\$ 187.2

(1) Operating expenses consist of salaries and wages, general and administrative, and sales and marketing expenses.

Finance Charges. For the nine months ended September 30, 2013, finance charges increased \$41.5 million, or 10.4%, as compared to the same period in 2012. The increase was primarily the result of an increase in the average net Loans receivable balance partially offset by a decrease in the average yield on our Loan portfolio, as follows:

(Dollars in millions)	For the Nine Months Ended September 30,		
	2013	2012	Change
Average net Loans receivable balance	\$ 2,053.5	\$ 1,759.0	\$ 294.5
Average yield on our Loan portfolio	28.5%	30.1%	-1.6%

The following table summarizes the impact each component had on the overall increase in finance charges for the nine months ended September 30, 2013:

(In millions)	Year over Year Change For the Nine Months Ended September 30, 2013
Impact on finance charges:	
Due to an increase in the average net Loans receivable balance	\$ 66.6
Due to a decrease in the average yield	(25.1)
Total increase in finance charges	\$ 41.5

The increase in the average net Loans receivable balance was primarily due to the growth in new Consumer Loan assignments in recent years, which resulted in the dollar volume of new Consumer Loan assignments exceeding the principal collected on Loans throughout 2012 and the first three quarters of 2013. The growth in new Consumer Loan assignments in recent years was the result of an increase in active Dealers, partially offset by a decline in volume per active Dealer. The average yield on our Loan portfolio for the nine months ended September 30, 2013 decreased as compared to the same period in 2012 due to higher advance rates on new Consumer Loan assignments, partially offset by improvements in forecasted collection rates throughout 2012 and the first three quarters of 2013.

Premiums Earned. For the nine months ended September 30, 2013, premiums earned increased \$3.0 million, or 8.6%, as compared to the same period in 2012. The increase was primarily due to growth in the size of our reinsurance portfolio, which was the result of premiums written on vehicle service contracts from new Consumer Loan assignments throughout 2012 and the first three quarters of 2013.

Other Income. For the nine months ended September 30, 2013, other income increased \$12.4 million, or 71.7%, as compared to the same period in 2012. The increase was primarily due to:

- A \$6.0 million increase in GPS-SID fee income due to an increase in the fee earned per unit partially offset by a decrease in the number of units purchased by Dealers from TPPPs.
- A \$3.4 million increase in vehicle service contract profit sharing income as a result of a new profit sharing arrangement we entered into with one of our TPPPs during 2012.
- A \$1.6 million increase in income from Dealer support products and services.

Operating Expenses. For the nine months ended September 30, 2013, operating expenses increased \$9.5 million, or 8.9%, as compared to the same period in 2012. The change in operating expenses was primarily due to the following:

- An increase in salaries and wages expense of \$3.6 million, or 5.9%, comprised of the following:
 - An increase of \$6.2 million, excluding stock-based compensation, related to increases of \$3.7 million for our servicing function and \$2.8 million for our support function.
 - A decrease of \$2.6 million in stock-based compensation expense primarily due to a change in the expected vesting period of performance-based stock awards.
- An increase in general and administrative expenses of \$3.4 million, or 15.8%, primarily as a result of increases related to legal fees, consulting fees and depreciation expense.
- An increase in sales and marketing expense of \$2.5 million, or 10.6%, primarily as a result of an increase in Dealer support products and services and the increase in the size of our field sales force.

Provision for Credit Losses. For the nine months ended September 30, 2013, the provision for credit losses decreased \$0.5 million, or 2.8%, as compared to the same period in 2012. During the nine months ended September 30, 2013, overall Consumer Loan performance exceeded our expectations at the start of the period. However, the performance of certain Loan pools declined from our expectations during the period, resulting in a provision for credit losses of \$17.3 million for the nine months ended September 30, 2013, of which \$16.3 million related to Dealer Loans and \$1.0 million related to Purchased Loans. The provision for credit losses included \$3.0 million in expense related to our implementation of an enhanced forecasting methodology during the second quarter of 2013, of which \$1.2 million related to Dealer Loans and \$1.8 million related to Purchased Loans. For additional information, see Note 5 to the consolidated financial statements contained in Item 1 of this Form 10-Q, which is incorporated herein by reference. During the nine months ended September 30, 2012, overall Consumer Loan performance exceeded our expectations at the start of the period. However, the performance of certain Loan pools declined from our expectations during the period, resulting in a provision for credit losses of \$17.8 million for the nine months ended September 30, 2012, of which \$20.4 million related to Dealer Loans partially offset by a reversal of a provision of \$2.6 million related to Purchased Loans.

Interest. For the nine months ended September 30, 2013, interest expense increased \$1.2 million, or 2.5%, as compared to the same period in 2012. The following table shows interest expense, the average outstanding debt balance, and the average cost of debt for the nine months ended September 30, 2013 and 2012:

(Dollars in millions)

	For the Nine Months Ended September 30,	
	2013	2012
Interest expense	\$ 48.3	\$ 47.1
Average outstanding debt balance	1,354.0	1,120.1
Average cost of debt	4.8%	5.6%

For the nine months ended September 30, 2013, the increase in interest expense was primarily due to the increase in the average outstanding debt balance, partially offset by a decline in our average cost of debt. The average outstanding debt balance increased compared to the same period in 2012 due to the use of the debt proceeds to fund the growth in new Consumer Loan assignments and stock repurchases. The decline in our average cost of debt was primarily a result of a change in the mix of our outstanding debt.

Provision for Claims. For the nine months ended September 30, 2013, provision for claims increased \$3.8 million, or 14.2%, as compared to the same period in 2012. The increase was due to an increase in the size of our reinsurance portfolio, as well as an increase in the amount of claims paid per reinsured vehicle service contract.

Provision for Income Taxes. For the nine months ended September 30, 2013, the effective tax rate remained unchanged at 36.5% as compared to the same period in 2012.

Liquidity and Capital Resources

We need capital to maintain and grow our business. Our primary sources of capital are cash flows from operating activities, collections of Consumer Loans and borrowings under: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) Senior Notes. There are various restrictive debt covenants for each financing arrangement and we were in compliance with those covenants as of September 30, 2013. For information regarding these financings and the covenants included in the related documents, see Note 6 to the consolidated financial statements contained in Item 1 of this Form 10-Q, which is incorporated herein by reference.

During the second quarter of 2013, we extended the date on which Warehouse IV will cease to revolve from February 19, 2014 to April 5, 2016. The interest rate on borrowings under the facility was decreased from LIBOR plus 275 basis points to LIBOR plus 225 basis points. There were no other material changes to the terms of the facility.

During the second quarter of 2013, we completed a \$140.3 million Term ABS financing, which was used to repay outstanding indebtedness. The financing has an expected annualized cost of approximately 1.7% (including the initial purchaser's fees and other costs), and it will revolve for 24 months, after which it will amortize based upon the cash flows on the contributed loans.

During the second quarter of 2013, we extended the maturity of our revolving secured line of credit facility from June 22, 2015 to June 23, 2016. There were no other material changes to the terms of the facility.

During the fourth quarter of 2013, we expect to complete a \$197.8 million Term ABS financing, which will be used to repay outstanding indebtedness. Subject to customary conditions, the financing is expected to close on October 31, 2013.

Cash and cash equivalents as of September 30, 2013 and December 31, 2012 was \$3.6 million and \$9.0 million, respectively. Our total balance sheet indebtedness increased \$183.2 million to \$1,434.0 million as of September 30, 2013 from \$1,250.8 million as of December 31, 2012 due to the growth in new Consumer Loan assignments and stock repurchases.

Contractual Obligations

A summary of our scheduled principal debt maturities as of September 30, 2013 is as follows:

(In millions)

Year	Scheduled Principal Debt Maturities (1)
Remainder of 2013	\$ 52.9
2014	368.1
2015	343.8
2016	319.0
2017	350.0
Total	<u>\$ 1,433.8</u>

(1) The principal maturities of certain financings are estimated based on forecasted collections.

The amounts presented exclude the net unamortized debt premium of \$0.2 million.

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. Our ability to borrow funds may be impacted by economic and financial market conditions. If the various financing alternatives were to become limited or unavailable to us, our operations and liquidity could be materially and adversely affected.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires management 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, we review our accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2012 discusses several critical accounting estimates, which we believe involve a high degree of judgment and complexity. There have been no material changes to the estimates and assumptions associated with these accounting estimates from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2012, except as described below:

The recognition of finance charge revenue and the allowance for credit losses involve significant estimates related to the amount and timing of future collections and Dealer Holdback payments. During the second quarter of 2013, we enhanced our methodology for forecasting future collections on Loans through the utilization of more recent data, different segmentations and new forecast variables. Implementation of the enhanced forecasting methodology reduced net income by \$2.1 million for the second quarter of 2013.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Forward-Looking Statements

We make forward-looking statements in this report and may make such statements in future filings with the Securities and Exchange Commission (“SEC”). We may also make forward-looking statements in our press releases or other public or shareholder communications. Our forward-looking statements are subject to risks and uncertainties and include information about our expectations and possible or assumed future results of operations. When we use any of the words “may,” “will,” “should,” “believe,” “expect,” “anticipate,” “assume,” “forecast,” “estimate,” “intend,” “plan,” “target” or similar expressions, we are making forward-looking statements.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of our forward-looking statements. These forward-looking statements represent our outlook only as of the date of this report. While we believe that our 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 factors set forth in Item 1A of our Form 10-K for the year ended December 31, 2012, other risk factors discussed herein or listed from time to time in our reports filed with the SEC and the following:

- Our inability to accurately forecast and estimate the amount and timing of future collections could have a material adverse effect on results of operations.
- We may be unable to execute our business strategy due to current economic conditions.
- We may be unable to continue to access or renew funding sources and obtain capital needed to maintain and grow our business.
- The terms of our debt limit how we conduct our business.
- A violation of the terms of our Term ABS facilities or Warehouse facilities could have a materially adverse impact on our operations.
- The conditions of the U.S. and international capital markets may adversely affect lenders with which we have relationships, causing us to incur additional costs and reducing our sources of liquidity, which may adversely affect our financial position, liquidity and results of operations.
- Our substantial debt could negatively impact our business, prevent us from satisfying our debt obligations and adversely affect our financial condition.
- Due to competition from traditional financing sources and non-traditional lenders, we may not be able to compete successfully.
- We may not be able to generate sufficient cash flows to service our outstanding debt and fund operations and may be forced to take other actions to satisfy our obligations under such debt.
- Interest rate fluctuations may adversely affect our borrowing costs, profitability and liquidity.
- Reduction in our credit rating could increase the cost of our funding from, and restrict our access to, the capital markets and adversely affect our liquidity, financial condition and results of operations.
- We may incur substantially more debt and other liabilities. This could exacerbate further the risks associated with our current debt levels.
- The regulation to which we are or may become subject could result in a material adverse effect on our business.
- Adverse changes in economic conditions, the automobile or finance industries, or the non-prime consumer market could adversely affect our financial position, liquidity and results of operations, the ability of key vendors that we depend on to supply us with services, and our ability to enter into future financing transactions.

- Litigation we are involved in from time to time may adversely affect our financial condition, results of operations and cash flows.
- Changes in tax laws and the resolution of uncertain income tax matters could have a material adverse effect on our results of operations and cash flows from operations.
- Our dependence on technology could have a material adverse effect on our business.
- Reliance on third parties to administer our ancillary product offerings could adversely affect our business and financial results.
- We are dependent on our senior management and the loss of any of these individuals or an inability to hire additional team members could adversely affect our ability to operate profitably.
- Our reputation is a key asset to our business, and our business may be affected by how we are perceived in the marketplace.
- The concentration of our Dealers in several states could adversely affect us.
- Failure to properly safeguard confidential consumer information could subject us to liability, decrease our profitability and damage our reputation.
- Our Chairman and founder controls a significant percentage of our common stock, has the ability to significantly influence matters requiring shareholder approval and has interests which may conflict with the interests of our other security holders.
- Reliance on our outsourced business functions could adversely affect our business.
- Natural disasters, acts of war, terrorist attacks and threats or the escalation of military activity in response to these attacks or otherwise may negatively affect our business, financial condition and results of operations.

Other factors not currently anticipated by management may also materially and adversely affect our results of operations. We do not undertake, and expressly disclaim any obligation, to update or alter our statements whether as a result of new information, future events or otherwise, except as required by applicable law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Refer to our Annual Report on Form 10-K for the year ended December 31, 2012 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2012 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

(a) *Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Internal Control Over Financial Reporting.* There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. - OTHER INFORMATION**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Stock Repurchases**

On August 5, 1999, our board of directors approved a stock repurchase program, which authorizes us to repurchase common shares in the open market or in privately negotiated transactions at price levels we deem attractive. On March 7, 2013, the board of directors authorized the repurchase of up to one million shares of our common stock in addition to the board's prior authorizations. As of September 30, 2013, we have authorization to repurchase 394,770 shares of our common stock.

The following table summarizes stock repurchases for the three months ended September 30, 2013:

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
July 1 to July 31, 2013	–	\$ –	–	676,788
August 1 to August 31, 2013	134,654	112.30	134,654	542,134
September 1 to September 30, 2013	147,364	109.92	147,364	394,770
	<u>282,018</u>	<u>\$ 111.05</u>	<u>282,018</u>	

ITEM 6. EXHIBITS

See Index of Exhibits following the signature page, which is incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CREDIT ACCEPTANCE CORPORATION
(Registrant)

By: /s/ Kenneth S. Booth
Kenneth S. Booth
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Date: October 30, 2013

INDEX OF EXHIBITS

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. Unless otherwise noted, the Company's commission file number for all exhibits incorporated by reference herein is 000-20202.

Exhibit No.	Description
4.93	First Amendment to Amended and Restated Loan and Security Agreement, dated as of August 16, 2013, among the Company, CAC Warehouse Funding III, LLC, Fifth Third Bank and Systems & Services Technologies, Inc.
4.94	First Amendment to Amended and Restated Contribution Agreement, dated as of August 16, 2013, among the Company and CAC Warehouse Funding III, LLC
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	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.
32.2	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.
101(INS)	XBRL Instance Document.
101(SCH)	XBRL Taxonomy Extension Schema Document.
101(CAL)	XBRL Taxonomy Extension Calculation Linkbase Document.
101(DEF)	XBRL Taxonomy Extension Definition Linkbase Document.
101(LAB)	XBRL Taxonomy Extension Label Linkbase Document.
101(PRE)	XBRL Taxonomy Extension Presentation Linkbase Document.

FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This FIRST AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT, dated as of August 16, 2013 (the “*Amendment*”), is made pursuant to that certain Amended and Restated Loan and Security Agreement dated as of June 29, 2012 (as amended, modified or supplemented from time to time, the “*Agreement*”), among CAC Warehouse Funding III, LLC, a Delaware limited liability company, (the “*Borrower*”), Credit Acceptance Corporation, a Michigan corporation, (“*Credit Acceptance*”, the “*Originator*”, the “*Servicer*” or the “*Custodian*”), Fifth Third Bank, as the lender (the “*Lender*”), the deal agent (the “*Deal Agent*”) and the collateral agent (the “*Collateral Agent*”), and Systems & Services Technologies, Inc., as backup servicer (the “*Backup Servicer*”).

WITNESSETH:

WHEREAS, the Borrower, Credit Acceptance, the Backup Servicer, the Lender, the Deal Agent and the Collateral Agent have previously entered into and are currently party to the Agreement;

WHEREAS, the Borrower has requested that certain amendments be made to the Agreement, and the Borrower, Credit Acceptance, the Backup Servicer, the Lender, the Deal Agent and the Collateral Agent are willing to amend the Agreement under the terms and conditions set forth in this Amendment;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Defined Terms. Unless otherwise amended by the terms of this Amendment, terms used in this Amendment shall have the meanings assigned in the Agreement.

Section 2. Amendments.

2.1. Each of the following defined terms appearing in Section 1.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

Contract Files: With respect to each Contract, the fully executed original counterpart of such Contract or, in the case of any Contract constituting electronic chattel paper, the Authoritative Electronic Copy of the Contract (in each case, for UCC purposes), either a copy of the application to the appropriate state authorities for a Certificate of Title with respect to the related financed vehicle or a standard assurance in the form commonly used in the industry relating to the provision of a Certificate of Title or other evidence of lien, all original or electronic instruments modifying the terms and conditions of such Contract and the original or electronic endorsements or assignments of such Contract.

Pool: An identifiable group of Dealer Loan Contracts related to a particular Dealer Agreement identified on Schedule V hereto (as amended from time to time in accordance herewith), which, for the avoidance of doubt, may take the form of an Open Pool or Closed Pool at the time it is pledged hereunder.

Purchase Agreement: Each agreement between Credit Acceptance and any Dealer in substantially the form attached hereto as Exhibit P, together with any Dealer Collections Purchase Agreement.

Records: The Dealer Agreements, Contracts, Contract Files, certificates of title (and applications therefor) and all other documents, books, records and other information (including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related contracts, records and other media for storage of information) in each case whether tangible or electronic that are maintained with respect to the Loans and the Contracts and the related Obligor.

2.2. The following new defined terms are hereby added to Section 1.1 of the Agreement in the appropriate alphabetical sequence:

Authoritative Electronic Copy: With respect to any Contract stored in an electronic medium, the single electronic “authoritative copy” (within the meaning of Section 9-105 of the UCC) of such Contract (i) that constitutes the single authoritative copy of the record or records comprising the related chattel paper which is unique, identifiable and, except as otherwise provided in clauses (iv), (v) and (vi) below, unalterable, (ii) that identifies Credit Acceptance as the sole assignee thereof, (iii) is communicated to and maintained by Credit Acceptance, (iv) copies or revisions to which that add or change an identified assignee thereof can only be made with the participation of Credit Acceptance, (v) for which any copy thereof is readily identifiable as a copy that is not the authoritative copy and (vi) for which any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision.

Closed Pool: With respect to any Dealer Loan, a Pool as to which, pursuant to the terms of the related Dealer Agreement, no additional Dealer Loan Contracts may be allocated.

Dealer Collections Purchase: Defined in Section 6.15(a).

Dealer Collections Purchase Agreement: Defined in Section 6.15(a).

Dealer Collections Purchase Price: Defined in Section 6.15(b).

Open Pool: With respect to any Dealer Loan, a Pool as to which, pursuant to the terms of the related Dealer Agreement, additional Dealer Loan Contracts may be allocated.

2.3. The defined term “Eligible Dealer Loan” appearing in Section 1.1 of the Agreement is amended by (i) deleting the word “and” from the end of clause (n) thereof, (ii) replacing the period (“.”) at the end of clause (o) thereof with “; and” and (iii) adding the following clause (p):

(p) if any Dealer Loan Contract securing such Dealer Loan is an electronic contract, such electronic contract constitutes “electronic chattel paper” and there is only a single “authoritative copy” (as such terms are used in Section 9-105 of the UCC) of such electronic contract and such “authoritative copy” constitutes an Authoritative Electronic Copy.

2.4. Clauses (a) and (m) of the defined term “Eligible Purchased Loan” appearing in Section 1.1 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(a) which has been originated in the United States by a Dealer for the retail sale of a Financed Vehicle in the ordinary course of such Dealer’s business and is evidenced by a fully and properly executed Purchased Loan Contract of which there is only one original executed copy (or, if such Purchased Loan Contract is an electronic contract, there is only a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of such electronic contract and such “authoritative copy” constitutes an Authoritative Electronic Copy);

(m) which (i) constitutes either “tangible chattel paper,” “electronic chattel paper” or a “payment intangible,” as such terms are defined in the UCC in the Relevant UCC State (ii) if “tangible chattel paper,” shall be maintained in its original “tangible” form, unless the Collateral Agent has consented in writing to such chattel paper being maintained in another form or medium, and (iii) if “electronic chattel paper,” there is only a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) and such “authoritative copy” constitutes an Authoritative Electronic Copy;

2.5. The defined term “Outstanding Balance” appearing in Section 1.1 of the Agreement is hereby amended by (a) deleting the word “and” from the end of clause (ii) thereof, and (b) replacing clause (iii) thereof in their entirety with the following new clauses (iii) and (iv):

(iii) with respect to any Purchased Loan (other than any Purchased Loan arising from a Dealer Collections Purchase Agreement) on any date of determination, the aggregate amount advanced under such Purchased Loan plus revenue accrued with respect to such Purchased Loan in accordance with Credit Acceptance’s accounting policies set forth in its periodic reports filed with the Securities and Exchange Commission plus recoveries on such Purchased Loan, if it has been written off, less Collections on the related Purchased Loan Contract applied through the date of determination to the reduction of the balance of such Purchase Loan and write offs of such Purchased Loan; and

(iv) with respect to any Purchased Loan arising from a Dealer Collections Purchase Agreement on any date of determination, (A) such Purchased Loan’s pro rata share of the sum of (x) the Outstanding Balance of the related Dealer Loan as of the date of the related Dealer Collections Purchase and (y) the Dealer Collections Purchase Price with respect to such Dealer Loan (such pro rata share determined based on such Purchased Loan’s pro rata share of the forecasted collections on the pool of Purchased Loans which previously constituted Dealer Loan Contracts securing such Dealer Loan), plus following the acquisition of such Purchased Loan (B) revenue accrued with respect to such Purchased Loan in accordance with Credit Acceptance’s accounting policies set forth in its periodic reports filed with the Securities and Exchange Commission plus recoveries on such Purchased Loan if it has been written off, less (C) Collections on the related Purchased Loan Contract applied through the date of determination to the reduction of the balance of such Purchased Loan and write offs of such Purchased Loan.

2.6. The last paragraph of the defined term “Related Security” appearing in Section 1.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

For the avoidance of doubt, the term “Related Security” with respect to any Dealer Loan includes all rights arising under such Dealer Loan which rights are attributable to advances made under such Dealer Loan as the result of such Dealer Loan being secured by an Open Pool on the date such Dealer Loan was sold and Dealer Loan Contracts being added to such Open Pool.

2.7. Section 2.2(a)(iii) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(iii) In connection with such pledge, the Borrower (or the Servicer on its behalf) agrees to deliver to the Collateral Agent on the Closing Date or any Funding Date on which new Pools or Purchased Loans are pledged to the Collateral Agent, as the case may be, one or more computer files or microfiche lists containing true and complete lists of all applicable Dealer Agreements, Pools and Loans securing the payment of the Note and amounts due under the Transaction Documents and all of the Borrower’s obligations under the Note and the Transaction Documents as of the Closing Date or Funding Date, and all Contracts securing all such Loans, identified by, as applicable, account number, dealer number and pool number as of the end of the Collection Period immediately preceding such date. Such file shall be marked as Schedule V hereto or as an addendum thereto, shall be delivered to the Collateral Agent as confidential and proprietary, and such Schedule V and each addendum thereto are hereby incorporated into and made a part of this Agreement. Such Schedule V shall be supplemented and updated on the date of each Incremental Funding in the Revolving Period to include all Loans and Contracts pledged on the date of each such date so that, on each such date, the Collateral Agent will have a Schedule V that describes all Loans pledged by the Borrower to the Collateral Agent hereunder on or prior to said date of Incremental Funding, any related Dealer Agreements, Purchase Agreements and all Contracts securing or evidencing such Loans (other than those that have been released from the Collateral and those Dealer Loans that have been deemed to be satisfied pursuant to Section 6.15(b) hereto). Such updated Schedule V shall be deemed to replace any existing Schedule V as of the date such updated Schedule V is provided in accordance with this Section 2.2(a)(iii). Furthermore, Schedule V hereto shall be deemed to be supplemented on each date of Dealer Collections Purchase by the related list delivered by Credit Acceptance pursuant to Section 6.15(c).

2.8. Section 2.9(b) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(b) Initial Deposits. On each Funding Date, the Servicer will deposit (in immediately available funds) into the Collection Account all Collections received on and after the applicable Cut-Off Date and through and including the day that is two days immediately preceding such Funding Date, in respect of the Loans.

2.9. Section 3.2(i) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(i) No adverse selection procedures were used by the Borrower with respect to the Loans, Contracts or Dealer Agreements; provided, for the avoidance of doubt, that during the Revolving Period, the Borrower in its sole discretion may elect to pledge Dealer Loans secured by either Open Pools or Closed Pools.

2.10. Clauses (a)(i), (vi) and (vii) appearing in Section 4.2 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(i) each Loan classified as an "Eligible Dealer Loan" (or included in any aggregation of balances of "Eligible Dealer Loans") or as an "Eligible Purchased Loan" (or included in any aggregation of balances of "Eligible Purchased Loans") by the Borrower or the Servicer in any document or report delivered hereunder satisfied the requirements contained in the definition of Eligible Dealer Loan or Eligible Purchased Loan, as applicable, on the date so delivered; each Contract classified as an "Eligible Dealer Loan Contract" or "Eligible Purchased Loan Contract" (or included in any aggregation of balances of "Eligible Dealer Loan Contracts" or "Eligible Purchased Loan Contract") by the Borrower or the Servicer in any document or report delivered hereunder satisfied the requirements contained in the definition of Eligible Dealer Loan Contract or Eligible Purchased Loan Contract, as applicable, on the date so delivered;

(vi) each Contract and Purchased Loan constitutes tangible or electronic chattel paper; and

(vii) no selection procedure believed by the Borrower to be adverse to the interests of the Secured Parties has been or will be used in selecting the Dealer Agreements, Loans or Contracts; provided that for the avoidance of doubt, during the Revolving Period, Credit Acceptance in its sole discretion may elect to transfer to the Borrower Dealer Loans secured by either Open Pools or Closed Pools.

2.11. The first sentence of clause (a) appearing in Section 4.5 of the Agreement is hereby amended and as so amended shall read as follows:

If a Loan or a Contract is an Ineligible Loan or Ineligible Contract, no later than the earlier of (i) knowledge by the Borrower of such Loan or Contract being an Ineligible Loan or Ineligible Contract and (ii) receipt by the Borrower from the Deal Agent, the Collateral Agent or the Servicer (provided that, if SST is Successor Servicer, SST shall only be obligated to inform the other parties to the Agreement of breaches detailed in Section 4.2 of which a Responsible Officer has actual knowledge) of written notice thereof the Borrower shall, by no later than the first Payment Date occurring after the Collection Period during which such discovery or notice thereof occurred, make a payment to the Collection Account in respect of each such Loan or Contract in an amount equal to the related Release Price.

2.12. Clauses (k)(ii), (k)(iii) and (k)(iv) appearing in Section 5.1 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(ii) Annual Reporting. Within 120 days after the close of the Borrower's and Credit Acceptance's fiscal years, (A) audited consolidated financial statements for Credit Acceptance and all of its Subsidiaries, accompanied by an unqualified audit report certified by independent certified public accountants, acceptable to the Deal Agent, and prepared in accordance with GAAP and any management letter prepared by said accountants and (B) unaudited financial statements for the Borrower, including balance sheets as of the end of such period and related statements of operations, prepared as presented within the audited consolidated financial statements of Credit Acceptance and all of its Subsidiaries.

(iii) Quarterly Reporting. Within sixty (60) days after the close of the first three quarterly periods of each of the Borrower's and Credit Acceptance's fiscal years, (A) unaudited consolidated financial statements for Credit Acceptance and all of its Subsidiaries, including the consolidated balance sheets as of the end of each such period and consolidated related statements of operations and cash flows for the period from the beginning of such fiscal year to the end of such quarter, prepared in accordance with GAAP and certified by its chief financial officer or treasurer as true, accurate and complete in all material respects and (B) unaudited financial statements for the Borrower, including balance sheets as of the end of each such period and related statement of operations for the period from the beginning of such fiscal year to the end of such quarter, prepared as presented within the unaudited consolidated financial statements of Credit Acceptance and all of its Subsidiaries and certified by its chief financial officer or treasurer as true, accurate and complete in all material respects;

(iv) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate signed by the Borrower's or Credit Acceptance's, as applicable, chief financial officer or treasurer stating that (A) the attached consolidated financial statements of Credit Acceptance and all of its Subsidiaries have been prepared in accordance with GAAP and accurately reflect the financial condition of Credit Acceptance, (B) the attached financial statements of the Borrower have been prepared as presented within the consolidated financial statements of Credit Acceptance and all of its Subsidiaries and accurately reflect the financial condition of the Borrower, and (C) to the best of such Person's knowledge, no Servicer Termination Event, Potential Servicer Termination Event, Termination Event or Unmatured Termination Event exists, or if any Servicer Termination Event, Potential Servicer Termination Event, Termination Event or Unmatured Termination Event exists, stating the nature and status thereof;

2.13. The following new clause (j) is hereby inserted at the end of Section 5.5 of the Agreement:

(o) Electronic Contracts. Credit Acceptance will not transfer to the Borrower any Purchased Loan Contract constituting electronic chattel paper or any Dealer Loan secured by a Dealer Loan Contract constituting electronic chattel paper, in either case, unless and until all of the following conditions precedent have been satisfied: (i) Credit Acceptance shall have delivered to the Deal Agent at least 10 days prior written notice of first such transfer, (ii) prior to the first such transfer, Credit Acceptance shall have delivered or caused to be delivered to the Collateral Agent, the Deal Agent and the Lender an Opinion of Counsel in form and substance acceptable to the Deal Agent in its sole discretion (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specific procedures are followed by Credit Acceptance, Credit Acceptance's security interest (as defined in the UCC) in the Contracts constituting electronic chattel paper will be perfected by "control" and (iii) Credit Acceptance shall have "control" of such electronic chattel paper within the meaning of Section 9-105 of the UCC.

2.14. Clauses (i), (iv)(B) and (v) appearing in Section 6.2(c) of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(i) The Borrower, Deal Agent and Collateral Agent hereby revocably appoint Credit Acceptance as custodian (or if there has been a Successor Servicer appointed hereunder then such Successor Servicer shall act as custodian), and Credit Acceptance (or the Successor Servicer, if applicable) hereby accepts such appointment, to hold and maintain physical possession of the Contract Files and all Records (or with respect to any Contract constituting electronic chattel paper, to maintain "control" (for UCC purposes) of the Authoritative Electronic Copy thereof) (in such capacity together with its successors in such capacity, the "Custodian"). The Contract Files and Records are to be delivered to the Custodian or its designated bailee by or on behalf of the Borrower, the Deal Agent and Collateral Agent within two (2) Business Days preceding the Funding Date or within 2 Business Days after each Addition Date, as the case may be, with respect to each Loan acquired on the Funding Date or Addition Date.

(iv) (B) carry out such policies and procedures in accordance with its customary actions with respect to the handling and custody of the Contract Files and Records so that the integrity and physical possession of the Contract Files and Records (or with respect to any Contract constituting electronic chattel paper, the integrity and "control" (for UCC purposes) of the Authoritative Electronic Copy thereof) will be maintained.

(v) Credit Acceptance shall have the obligation (i) to physically segregate the Contract Files (to the extent held in physical form) from the other custodial files it is holding for its own account or on behalf of any other Person, (ii) to physically mark the Contract folders (to the extent held in physical form) to demonstrate the transfer of Contract Files and the Collateral Agent's security interest hereunder, (iii) mark its computer records indicating the transfer of any Contract Files relating to Contracts constituting electronic chattel paper and the Collateral Agent's security interest hereunder and (iv) with respect to each Contract constituting electronic chattel paper, cause the single "authoritative copy" (within the meaning of Section 9-105 of the UCC) to be communicated to and maintained at all times by Credit Acceptance such that the "authoritative copy" constitutes an Authoritative Electronic Copy at all times.

2.15. Clauses (d) appearing in Section 6.11 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(d) any material representation, warranty or certification made by the Servicer (only with respect to Credit Acceptance) in any Transaction Document or in any certificate delivered pursuant to any Transaction Document shall prove to have been incorrect when made; which continues unremedied for more than thirty (30) days (or a longer period, not in excess of sixty (60) days, as may be reasonably necessary to remedy such default, if the default is capable of remedy within sixty (60) days or less and the Servicer delivers an Officer's Certificate to the Deal Agent to the effect that it has commenced, or will promptly commence and diligently pursue, all reasonable efforts to remedy the default);

2.16. The following new Section 6.15 is hereby added to the Agreement and shall read as follows:

Section 6.15. Dealer Collections Repurchase; Replacement of Dealer Loan with Related Purchased Loans. The parties hereto acknowledge the following:

(a) In the ordinary course of its business in managing its serviced portfolio of dealer loans, Credit Acceptance may from time to time agree to enter into agreements (each, a "Dealer Collections Purchase Agreement") with Dealers, pursuant to which the applicable Dealer agrees to sell and assign to Credit Acceptance all of its rights, interests and entitlement in and to one or more Pools of Dealer Loan Contracts securing one or more Dealer Loans, including such Dealer's ownership interest in such Dealer Loan Contracts and rights to receive the related Dealer Collections (a "Dealer Collections Purchase").

(b) Credit Acceptance has assigned all of its rights under any Dealer Collections Purchase Agreements (including, without limitation, any right, title and interest in any Dealer Loan Contract acquired from a Dealer thereunder) to the Borrower pursuant to the Contribution Agreement. Upon the payment by Credit Acceptance to the applicable Dealer under a Dealer Collections Purchase Agreement of the purchase price thereunder (the "Dealer Collections Purchase Price"), the related Dealer Loans shall be deemed to have been satisfied and, pursuant to the Contribution Agreement, the Dealer Loan Contracts securing such Dealer Loans shall be automatically and immediately transferred by Credit Acceptance to Borrower as Purchased Loan Contracts, and the loans thereunder shall be deemed Purchased Loans for all purposes of this Agreement. For the avoidance of doubt, all Collections on such Purchased Loan Contracts shall be included in Available Funds, and the determination of whether any Purchase Loan so transferred to the Borrower on the date of a Dealer Collections Purchase is an Eligible Purchased Loan shall be made on the date of such Dealer Collections Purchase.

(c) On the date of each Dealer Collections Purchase, Credit Acceptance shall deliver to the Collateral Agent a list identifying (A) all Dealer Loans satisfied as a result of such Dealer Collections Purchase, (B) each Dealer Loan Contract previously securing such Dealer Loans and (C) the Purchased Loans and Purchased Loan Contracts evidencing such Purchased Loans resulting from such Dealer Collections Purchase, in each case, identified by account number, dealer number and pool number, as applicable. Such list shall be deemed to supplement Exhibit A to the Contribution Agreement and Schedule V hereto as of the date of such Dealer Collections Purchase.

Section 3. Conditions Precedent; Effectiveness of Amendment. This Amendment shall become effective as of the date when each document specified in Exhibit A attached hereto has been duly executed by, and delivered to, the parties hereto and thereto and the Deal Agent has received all such executed documents.

Section 4. Representations of the Borrower and Servicer. Each of Borrower and Credit Acceptance hereby represents and warrants to the parties hereto that as of the date hereof each of the representations and warranties contained in Article IV of the Agreement and any other Transaction Document to which it is a party are true and correct as of the date hereof and after giving effect to this Amendment (except to the extent that such representations and warranties relate solely to an earlier date, and then are true and correct as of such earlier date) and that no Termination Event has occurred and is continuing as of the date hereof and after giving effect to this Amendment.

Section 5. Agreement in Full Force and Effect. Except as expressly set forth herein, all terms and conditions of the Agreement, as amended, shall remain in full force and effect.

Section 6. Execution in Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which so executed shall be deemed an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 7. Governing Law; Consent to Jurisdiction; Waiver of Objection to Venue. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF ANY FEDERAL COURT LOCATED WITHIN THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

Section 8. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE BETWEEN THE PARTIES HERETO ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP BETWEEN ANY OF THEM IN CONNECTION WITH THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. INSTEAD, ANY SUCH DISPUTE RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Amended and Restated Loan and Security Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

CAC WAREHOUSE FUNDING III, LLC

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: SVP and Treasurer

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: SVP and Treasurer

FIFTH THIRD BANK

By: /s/ Brian Gardner
Name: Brian Gardner
Title: Vice President

SYSTEMS & SERVICES TECHNOLOGIES, INC.

By: /s/ Kimberly K. Costa
Name: Kimberly K. Costa
Title: Contract Officer

[Signature Page to First Amendment to Amended and Restated Loan and Security Agreement]

EXHIBIT A

CONDITION PRECEDENT DOCUMENTS RELATING TO FIRST AMENDMENT

I. TRANSACTION DOCUMENTS

- | | | |
|----|---|---------|
| A. | First Amendment to Amended and Restated Loan and Security Agreement | Skadden |
| B. | First Amendment to Amended and Restated Contribution Agreement | Skadden |

II. OPINIONS OF COUNSEL

- | | | |
|----|---|---------|
| A. | Opinion of Skadden as to certain corporate and enforceability matters | Skadden |
| B. | Opinion of Dykema as to certain corporate matters under Michigan law | Dykema |

III. ADDITIONAL DOCUMENTS

- | | | |
|----|---|---------|
| A. | Amended & Restated Fee Letter | Skadden |
| B. | Good Standing Certificates for each of the Borrower and Credit Acceptance | Skadden |
| C. | Certificates of Officers of each of the Borrower and Credit Acceptance certifying as to (i) incumbency and specimen signatures, (ii) organizational documents and (iii) authorizing resolutions (or similar) authorizing such entity's entry into this Amendment. | |

Key:

Dykema
Skadden

Dykema Gossett PLLC
Skadden, Arps, Slate, Meagher & Flom LLP

FIRST AMENDMENT TO AMENDED AND RESTATED CONTRIBUTION AGREEMENT

This FIRST AMENDMENT TO AMENDED AND RESTATED CONTRIBUTION AGREEMENT, dated as of August 16, 2013 (the “*Amendment*”), is made pursuant to that certain Amended and Restated Contribution Agreement dated as of June 29, 2012 (as amended, modified or supplemented from time to time, the “*Agreement*”), among CAC Warehouse Funding III, LLC, a Delaware limited liability company, (the “*Borrower*”) and Credit Acceptance Corporation, a Michigan corporation (“*Credit Acceptance*”).

W I T N E S S E T H :

WHEREAS, the Borrower and Credit Acceptance have previously entered into and are currently party to the Agreement;

WHEREAS, the Borrower has requested that certain amendments be made to the Agreement, and the Borrower and Credit Acceptance are willing to amend the Agreement under the terms and conditions set forth in this Amendment;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Defined Terms. Unless otherwise amended by the terms of this Amendment, terms used in this Amendment shall have the meanings assigned in the Agreement.

Section 2. Amendments.

2.1. The last paragraph of the defined term “Related Security” appearing in Section 1.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

For the avoidance of doubt, the term “Related Security” with respect to any Dealer Loan includes all rights arising under such Dealer Loan which rights are attributable to advances made under such Dealer Loan as the result of such Dealer Loan being secured by an Open Pool on the date such Dealer Loan was sold and Dealer Loan Contracts being added to such Open Pool.

2.2. The defined term “Subsequent Contributed Property” appearing in Section 1.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

“Subsequent Contributed Property” means, with respect to the date of any Incremental Funding and/or Dealer Collections Purchase, (i) the Loans added to Exhibit A hereto as of such date (including all rights of CAC under any Dealer Collections Purchase Agreement and any Purchased Loan and Related Security arising thereunder) and (ii) all Related Security with respect thereto.

2.3. Section 2.1(b) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(b) CAC hereby further agrees that on the date of each Incremental Funding and the date of each Dealer Collections Purchase, in consideration of the payment described in Article III herein with respect to such date, CAC shall and CAC does hereby agree to, contribute, convey, assign, sell and transfer to Funding without recourse, except as set forth in this Agreement, to Funding all of its right, title and interest in and to (whether now owned or hereafter acquired or arising and wherever located) the Subsequent Contributed Property on and as of such date.

2.4. Section 2.1(d) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(d) CAC hereby further agrees that the above-described conveyances shall, without the need for any further action on the part of CAC or Funding, include (i) all rights arising under any Dealer Loan included in the Initial Contributed Property or Subsequent Contributed Property which rights are attributable to advances made under such Dealer Loan as the result of such Dealer Loan being secured by an Open Pool on the date such Dealer Loan was sold and Dealer Loan Contracts being added to such Open Pool and (ii) all rights arising under any Dealer Collections Purchase Agreement, including any Purchased Loans and Related Security arising thereunder.

2.5. The first sentence appearing in Section 2.1(h) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(h) It is the express intent of CAC and Funding that the conveyance of the Loans and other Contributed Property by CAC to Funding pursuant to this Agreement be construed as an absolute sale and contribution of such Loans and other Contributed Property by CAC to Funding and that CAC relinquishes control over the Loans and all rights, title and interest (legal or equitable) in any Loan or other Contributed Property immediately upon the transfer of each such Contributed Property under this Agreement; except that, for the avoidance of doubt, CAC may effect a Dealer Collections Purchase from time to time and will continue to service the Contributed Property, in each case, in accordance with the terms of this Agreement and the Loan and Security Agreement.

2.6. Section 2.1(i) of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(i) In connection with such conveyance, CAC agrees to deliver to Funding on the Initial Funding Date and each Funding Date on which Subsequent Contributed Property is conveyed by CAC to Funding, as the case may be, one or more computer files or microfiche lists containing true and complete lists of all applicable Dealer Agreements and Loans conveyed to Funding on the Initial Funding Date and each Funding Date, and all Contracts securing all such Loans, identified by, as applicable, account number, dealer number and pool number as of the end of the Collection Period immediately preceding such date. Such file or list shall be marked as Exhibit A to this Agreement, shall be delivered to Funding as confidential and proprietary, and is hereby incorporated into and made a part of this Agreement. Such list and such Exhibit A shall be supplemented and updated on the date of each Incremental Funding in the Revolving Period to include all Contributed Property conveyed on the date of each such Incremental Funding so that, on each such date, Funding will have an aggregate list constituting Exhibit A that describes all Loans conveyed by CAC to Funding hereunder on or prior to said date of Incremental Funding, any related Dealer Agreements, Purchase Agreements and all Contracts securing or evidencing all such Loans (other than those that have been released from the Collateral and those Dealer Loans that have been satisfied as provided in Section 3.3 hereof and Section 6.15(b) of the Loan and Security Agreement). Such updated Exhibit A shall be deemed to replace any existing Exhibit A as of such date of Incremental Funding. Furthermore, CAC agrees to supplement and update Exhibit A by delivering to Funding a copy of the related list delivered pursuant to Section 6.15(c) of the Loan and Security Agreement, identifying the Purchased Loan Contracts and related Subsequent Contributed Property identified therein arising from a Dealer Collections Purchase.

2.7. The following new Section 3.3 shall be added to the Agreement and shall read as follows:

Section 3.3 Dealer Collections Purchases. In the ordinary course of its business in managing its serviced portfolio of dealer loans, CAC may from time to time agree to enter into agreements (each, a “Dealer Collections Purchase Agreement”) with Dealers, pursuant to which the applicable Dealer agrees to sell and assign to CAC all of its rights, interests and entitlement in and to one or more Pools of Dealer Loan Contracts securing one or more Dealer Loans, including such Dealer’s ownership interest in such Dealer Loan Contracts and rights to receive the related Dealer Collections (a “Dealer Collections Purchase”). On the date of each Dealer Collections Purchase, CAC will pay the applicable Dealer under a Dealer Collections Purchase Agreement the applicable purchase price specified therein (the “Dealer Collections Purchase Price”). Upon such payment, the related Dealer Loans shall be deemed to have been satisfied and, pursuant to Section 2.1(b) of this Agreement, the Dealer Loan Contracts previously securing such Dealer Loans shall be automatically and immediately transferred by CAC to Funding as Purchased Loan Contracts, and the loans thereunder shall be deemed Purchased Loans for all purposes of this Agreement. Funding agrees to accept the assignment of the Purchased Loans and Purchased Loan Contracts arising from the satisfaction of a Dealer Loan resulting from a Dealer Collections Purchase by CAC in satisfaction of such Dealer Loan secured by the related Dealer Loan Contracts. The consideration for the conveyance from CAC to Funding of the Purchased Loan Contracts and Purchased Loans arising under the related Dealer Collections Purchase Agreement and other related Subsequent Contributed Property will be (i) the satisfaction of the Dealer Loans previously secured by such Purchased Loan Contracts as provided herein, plus (ii) an increase in the value of CAC’s membership interest in Funding (which constitutes and will constitute all of the equity interests issued by Funding) that results from such conveyance.

2.8. Clauses (q), (r) and (s) appearing in Section 4.1 of the Agreement are hereby amended in their respective entirety and as so amended shall read as follows:

(q) Eligibility of Dealer Agreements. Each Dealer Agreement classified as an “Eligible Dealer Agreement” (or included in any aggregation of balances of “Eligible Dealer Agreements”) by CAC in any document or report delivered hereunder satisfied the requirements contained in the definition of Eligible Dealer Agreement on the date each related Dealer Loan was conveyed to Funding.

(r) Eligibility of Loans. Each Loan classified as an “Eligible Loan” (or included in any aggregation of balances of “Eligible Loans”) by CAC in any document or report delivered hereunder satisfied the requirements contained in the definition of Eligible Loan on the date such Loan was conveyed or pledged to Funding.

(s) Eligibility of Contracts. Each Contract classified as an “Eligible Contract” (or included in any aggregation of balances of “Eligible Contracts”) by CAC in any document or report delivered hereunder satisfied the requirements contained in the definition of Eligible Contract on the date such Contract was conveyed or pledged to Funding.

2.9. Clause (z) appearing in Section 4.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(z) Exhibit A. Upon delivery and with respect to any date of Incremental Funding, Exhibit A to this Agreement will be an accurate and complete listing in all material respects of all Loans and the related Contracts and any related Dealer Agreements that have been sold to Funding as of such date, and the information contained therein is and will be true and correct in all material respects as of such date.

2.10. Clause (aa) appearing in Section 4.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(aa) Adverse Selection. No selection procedure believed by CAC to be adverse to the interests of Funding has been or will be used in selecting the Dealer Agreements, Loans or Contracts; provided that for the avoidance of doubt, during the Revolving Period, CAC in its sole discretion may elect to transfer to Funding Dealer Loans secured by either Open Pools or Closed Pools.

2.11. Clause (g) appearing in Section 5.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

(g) Preservation of Security Interest. CAC will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and perfect the security interest of Funding in, to and under the Contributed Property. CAC will maintain possession of the Dealer Agreements, Purchase Agreements and the Contract Files and Records (or with respect to any Contract constituting electronic chattel paper, will maintain "control" (for UCC purposes) of the Authoritative Electronic Copy thereof), as custodian for the Collateral Agent, as set forth in Section 6.2(c) of the Loan and Security Agreement. CAC, as Servicer, will comply with its covenants under Section 5.4(d) of the Loan and Security Agreement.

2.12. The lead-in to Section 5.2 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

Section 5.2 Negative Covenants. During the term of this Agreement, unless Funding and the Deal Agent otherwise consent in writing:

2.13. The following new clause (f) shall be inserted at the end of Section 5.2 of the Agreement:

(f) Electronic Contracts. CAC will not transfer to Funding any Purchased Loan Contract constituting electronic chattel paper or any Dealer Loan secured by a Dealer Loan Contract constituting electronic chattel paper, in either case, unless and until all of the following conditions precedent have been satisfied: (i) CAC shall have delivered to the Deal Agent at least 10 days prior written notice of first such transfer, (ii) prior to the first such transfer, CAC shall have delivered or caused to be delivered to the Collateral Agent, the Deal Agent and the Lender an Opinion of Counsel in form and substance acceptable to the Deal Agent in its sole discretion (which may be a reasoned opinion as to what a court would hold) substantially to the effect that, assuming specific procedures are followed by CAC, CAC's security interest (as defined in the UCC) in the Contracts constituting electronic chattel paper will be perfected by "control" and (iii) CAC shall have "control" of such electronic chattel paper within the meaning of Section 9-105 of the UCC.

2.14. Section 6.1 of the Agreement is hereby amended in its entirety and as so amended shall read as follows:

Section 6.1 Mandatory Repurchase upon Breach of Warranty.

(a) If any Loan, which has been conveyed to Funding by CAC hereunder, shall fail to meet the conditions set forth in the definition of "Eligible Dealer Loan" or "Eligible Purchased Loan", as applicable, as of the date such Loan was conveyed to Funding, CAC shall, by no later than the first Payment Date occurring after the Collection Period during which such failure was discovered or notice was sent with respect thereto, repurchase such Loan by paying to Funding an amount equal to the Release Price of such Loan. If any Contract, which has been conveyed to Funding by CAC hereunder, shall fail to meet the conditions set forth in the definition of "Eligible Contract" as of the date such Contract was conveyed to Funding, CAC shall, by no later than the first Payment Date occurring after the Collection Period during which such failure was discovered or notice was sent with respect thereto, repurchase such Contract by paying to Funding an amount equal to the Release Price of such Contract. For purposes of this Section 6.1(a), Release Price shall be calculated as of the last day of the immediately preceding Collection Period.

(b) Each Dealer Loan, Dealer Loan Contract, Purchased Loan, Purchased Loan Contract and the Related Security which is subject to a payment in accordance with Sections 6.1(a) above shall, upon payment in full of the related amounts required thereunder, be reconveyed to CAC and shall no longer constitute Contributed Property. Upon such payment and the request of CAC, Funding shall execute and deliver to CAC any assignments, termination statements and any other releases and instruments as CAC may reasonably request in order to effect and evidence the release of Funding's security interest in such Dealer Loan, Dealer Loan Contract, Purchased Loan, Purchased Loan Contract or Related Security.

(c) The parties hereto agree that the sole remedy of Funding for the breaches referenced in Sections 6.1(a) above is to require CAC to repurchase the relevant Loans or Contracts as set forth in this Section 6.1.

(d) Notwithstanding anything herein to the contrary, during the Revolving Period, the repurchase and the related payment set forth under Sections 6.1(a) above shall not be required if the Capital is equal to or less than the Borrowing Base.

Section 3. Conditions Precedent; Effectiveness of Amendment. This Amendment shall become effective as of the date when this Amendment has been duly executed by, and delivered to, the parties hereto.

Section 4. Representations of the Borrower and Credit Acceptance. Each of Borrower and Credit Acceptance hereby represents and warrants to the parties hereto that as of the date hereof each of the representations and warranties contained in Article IV of the Agreement and any other Transaction Document to which it is a party are true and correct as of the date hereof and after giving effect to this Amendment (except to the extent that such representations and warranties relate solely to an earlier date, and then are true and correct as of such earlier date) and that no Termination Event has occurred and is continuing as of the date hereof and after giving effect to this Amendment.

Section 5. Agreement in Full Force and Effect. Except as expressly set forth herein, all terms and conditions of the Agreement, as amended, shall remain in full force and effect.

Section 6. Execution in Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which so executed shall be deemed an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 7. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MICHIGAN.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Amended and Restated Contribution Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

CAC WAREHOUSE FUNDING III, LLC

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: SVP & Treasurer

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: SVP & Treasurer

Credit Acceptance Corporation**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Brett A. Roberts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credit Acceptance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2013

By: /s/ Brett A. Roberts
Brett A. Roberts
Chief Executive Officer
(Principal Executive Officer)

Credit Acceptance Corporation

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth S. Booth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credit Acceptance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2013

By: /s/ Kenneth S. Booth
Kenneth S. Booth
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Credit Acceptance Corporation (the "Company") for the quarterly period ending September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brett A. Roberts, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: October 30, 2013

By: /s/ Brett A. Roberts

Brett A. Roberts
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Quarterly Report on Form 10-Q of Credit Acceptance Corporation (the "Company") for the quarterly period ending September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth S. Booth, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: October 30, 2013

By: /s/ Kenneth S. Booth
Kenneth S. Booth
Chief Financial Officer
(Principal Financial Officer)