

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 March 31, 2021

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)

25505 W. Twelve Mile Road

Southfield, Michigan

(Address of principal executive offices)

38-1999511

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

48034-8339

(Zip Code)

(248) 353-2700

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 par value	CACC	The Nasdaq Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, \$.01 par value, outstanding on April 22, 2021 was 16,710,422.

TABLE OF CONTENTS

PART I. — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<u>Consolidated Balance Sheets - As of March 31, 2021 and December 31, 2020</u>	<u>1</u>
<u>Consolidated Statements of Income - Three months ended March 31, 2021 and 2020</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income - Three months ended March 31, 2021 and 2020</u>	<u>3</u>
<u>Consolidated Statements of Shareholders' Equity - Three months ended March 31, 2021 and 2020</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows - Three months ended March 31, 2021 and 2020</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>41</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>54</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>54</u>

PART II. — OTHER INFORMATION

<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>55</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>55</u>
<u>ITEM 6. EXHIBITS</u>	<u>56</u>
<u>SIGNATURES</u>	<u>58</u>

PART I. - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CREDIT ACCEPTANCE CORPORATION CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in millions, except per share data)

	As of	
	March 31, 2021	December 31, 2020
ASSETS:		
Cash and cash equivalents	\$ 45.7	\$ 16.0
Restricted cash and cash equivalents	538.5	380.2
Restricted securities available for sale	68.1	66.1
Loans receivable	10,158.0	10,124.8
Allowance for credit losses	(3,282.7)	(3,336.9)
Loans receivable, net	6,875.3	6,787.9
Property and equipment, net	57.8	59.4
Income taxes receivable	98.3	147.0
Other assets	23.2	32.4
Total Assets	\$ 7,706.9	\$ 7,489.0
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 217.2	\$ 186.7
Revolving secured line of credit	—	95.9
Secured financing	3,914.6	3,711.6
Senior notes	791.1	790.6
Mortgage note	10.3	10.5
Deferred income taxes, net	403.7	391.0
Income taxes payable	0.2	0.2
Total Liabilities	5,337.1	5,186.5
Commitments and Contingencies - See Note 15		
Shareholders' Equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$.01 par value, 80,000,000 shares authorized, 16,710,422 and 17,092,432 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	0.2	0.2
Paid-in capital	161.7	161.9
Retained earnings	2,207.0	2,138.8
Accumulated other comprehensive income	0.9	1.6
Total Shareholders' Equity	2,369.8	2,302.5
Total Liabilities and Shareholders' Equity	\$ 7,706.9	\$ 7,489.0

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Dollars in millions, except per share data)

	For the Three Months Ended March 31,	
	2021	2020
Revenue:		
Finance charges	\$ 424.9	\$ 361.9
Premiums earned	14.4	12.9
Other income	11.7	14.3
Total revenue	451.0	389.1
Costs and expenses:		
Salaries and wages	49.3	45.0
General and administrative	46.1	15.0
Sales and marketing	17.2	19.1
Provision for credit losses	21.3	354.7
Interest	43.8	51.9
Provision for claims	9.0	8.8
Loss on extinguishment of debt	—	7.4
Total costs and expenses	186.7	501.9
Income (loss) before provision (benefit) for income taxes	264.3	(112.8)
Provision (benefit) for income taxes	62.2	(29.0)
Net income (loss)	\$ 202.1	\$ (83.8)
Net income (loss) per share:		
Basic	\$ 11.85	\$ (4.61)
Diluted	\$ 11.82	\$ (4.61)
Weighted average shares outstanding:		
Basic	17,060,944	18,185,465
Diluted	17,099,058	18,185,465

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In millions)	For the Three Months Ended March 31,	
	2021	2020
Net income (loss)	\$ 202.1	\$ (83.8)
Other comprehensive loss, net of tax:		
Unrealized loss on securities, net of tax	(0.7)	(0.1)
Other comprehensive loss	(0.7)	(0.1)
Comprehensive income (loss)	<u>\$ 201.4</u>	<u>\$ (83.9)</u>

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

(Dollars in millions)

	For the Three Months Ended March 31, 2021					
	Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number	Amount				
Balance, beginning of period	17,092,432	\$ 0.2	\$ 161.9	\$ 2,138.8	\$ 1.6	\$ 2,302.5
Net income	—	—	—	202.1	—	202.1
Other comprehensive loss	—	—	—	—	(0.7)	(0.7)
Stock-based compensation	—	—	1.1	—	—	1.1
Restricted stock awards, net of forfeitures	(18)	—	—	—	—	—
Repurchase of common stock	(393,408)	—	(1.3)	(133.9)	—	(135.2)
Restricted stock units converted to common stock	11,416	—	—	—	—	—
Balance, end of period	16,710,422	\$ 0.2	\$ 161.7	\$ 2,207.0	\$ 0.9	\$ 2,369.8

(Dollars in millions)

	For the Three Months Ended March 31, 2020					
	Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number	Amount				
Balance, beginning of period	18,352,779	\$ 0.2	\$ 157.7	\$ 2,196.6	\$ 0.8	\$ 2,355.3
Net loss	—	—	—	(83.8)	—	(83.8)
Other comprehensive loss	—	—	—	—	(0.1)	(0.1)
Stock-based compensation	—	—	1.8	—	—	1.8
Restricted stock awards, net of forfeitures	(52)	—	—	—	—	—
Repurchase of common stock	(725,220)	—	(2.0)	(305.1)	—	(307.1)
Restricted stock units converted to common stock	21,971	—	—	—	—	—
Balance, end of period	17,649,478	\$ 0.2	\$ 157.5	\$ 1,807.7	\$ 0.7	\$ 1,966.1

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)

	For the Three Months Ended March 31,	
	2021	2020
Cash Flows From Operating Activities:		
Net income (loss)	\$ 202.1	\$ (83.8)
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	21.3	354.7
Depreciation	2.4	1.8
Amortization	4.1	3.7
Provision (benefit) for deferred income taxes	12.9	(37.5)
Stock-based compensation	1.1	1.8
Loss on extinguishment of debt	—	7.4
Other	(0.1)	(0.2)
Change in operating assets and liabilities:		
Decrease in accounts payable and accrued liabilities	24.0	(35.5)
Decrease in income taxes receivable	48.7	6.6
Decrease in other assets	8.7	12.3
Net cash provided by operating activities	325.2	231.3
Cash Flows From Investing Activities:		
Purchases of restricted securities available for sale	(11.8)	(16.0)
Proceeds from sale of restricted securities available for sale	5.2	8.1
Maturities of restricted securities available for sale	3.5	4.0
Principal collected on Loans receivable	973.0	815.3
Advances to Dealers	(647.1)	(638.1)
Purchases of Consumer Loans	(385.2)	(417.2)
Accelerated payments of Dealer Holdback	(10.4)	(11.4)
Payments of Dealer Holdback	(39.0)	(36.6)
Purchases of property and equipment	(0.8)	(4.4)
Net cash used in investing activities	(112.6)	(296.3)
Cash Flows From Financing Activities:		
Borrowings under revolving secured line of credit	807.6	1,121.8
Repayments under revolving secured line of credit	(903.5)	(1,041.9)
Proceeds from secured financing	728.8	1,115.9
Repayments of secured financing	(521.3)	(497.1)
Proceeds from issuance of senior notes	—	—
Repayment of senior notes	—	(401.8)
Payments of debt issuance costs and debt extinguishment costs	(7.6)	(8.5)
Repurchase of common stock	(135.2)	(307.1)
Other	6.6	(0.2)
Net cash used by financing activities	(24.6)	(18.9)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	188.0	(83.9)
Cash and cash equivalents and restricted cash and cash equivalents beginning of period	396.2	517.7
Cash and cash equivalents and restricted cash and cash equivalents end of period	\$ 584.2	\$ 433.8
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 41.5	\$ 58.2
Cash paid during the period for income taxes	\$ —	\$ 0.8

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, 2020 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, 2020 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 March 31, 2021 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 consolidated financial statements.

Reclassification

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

2. DESCRIPTION OF BUSINESS

Since 1972, Credit Acceptance has offered financing programs that enable automobile dealers 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 financing programs, but who actually end up qualifying for traditional financing.

Without our financing programs, consumers are often unable to purchase vehicles or they purchase unreliable ones. Further, as we report to the three national credit reporting agencies, an important ancillary benefit of our programs is that we provide consumers with an opportunity to improve their lives by improving their credit score and move on to more traditional sources of 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.

Substantially all of the Consumer Loans assigned to us are made to consumers with impaired or limited credit histories. The following table shows the percentage of Consumer Loans assigned to us with either FICO® scores below 650 or no FICO® scores:

Consumer Loan Assignment Volume	For the Three Months Ended March 31,	
	2021	2020
Percentage of total unit volume with either FICO® scores below 650 or no FICO® scores	94.3 %	96.5 %

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

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 as Dealer Loans and Purchased Loans for each of the last five quarters:

Three Months Ended	Unit Volume		Dollar Volume (1)	
	Dealer Loans	Purchased Loans	Dealer Loans	Purchased Loans
March 31, 2020	64.9 %	35.1 %	60.5 %	39.5 %
June 30, 2020	62.5 %	37.5 %	59.1 %	40.9 %
September 30, 2020	64.1 %	35.9 %	60.9 %	39.1 %
December 31, 2020	65.3 %	34.7 %	62.7 %	37.3 %
March 31, 2021	65.4 %	34.6 %	62.7 %	37.3 %

- (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 (as defined below) and accelerated Dealer Holdback are not included.

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 balance (cash advance and related Dealer Loan fees and costs) 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”).

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. Dealers make an election as to how many Consumer Loans (either 50 or 100) will be assigned to an open pool before it is closed, and subsequent advances are assigned to a new pool. Unless we receive a request from the Dealer to keep a pool open, we automatically close each pool based on the Dealer’s election. 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 with respect to the Dealer Loans by obtaining control or 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. Certain events may also result in Dealers forfeiting their rights to Dealer Holdback, including becoming inactive before assigning 100 Consumer Loans.

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

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

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 executed Consumer Loan contract and supporting documentation in either physical or electronic form, and we have approved all of the related stipulations for funding.

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 Portfolio Program without incurring an enrollment fee. Access to the Purchase Program is typically only granted to Dealers that meet one of the following:

- assigned at least 100 Consumer Loans under the Portfolio Program;
- franchise dealership; or
- independent dealership that meets certain criteria upon enrollment.

Seasonality

Our business is seasonal with peak Consumer Loan assignments and collections occurring during the first quarter of the year. This seasonality has a material impact on our interim results, as we are required to recognize a significant provision for credit losses expense at the time of assignment. For additional information, see Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Segment Information

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

Cash and Cash Equivalents and Restricted 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 March 31, 2021 and December 31, 2020, we had \$45.2 million and \$15.7 million, respectively, in cash and cash equivalents that were not insured by the Federal Deposit Insurance Corporation ("FDIC").

Restricted cash and cash equivalents consist of cash pledged as collateral for secured financings and cash held in a trust for future vehicle service contract claims. As of March 31, 2021 and December 31, 2020, we had \$535.2 million and \$376.9 million, respectively, in restricted cash and cash equivalents that were not insured by the FDIC.

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

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported in our consolidated balance sheets to the total shown in our consolidated statements of cash flows:

(In millions)	As of			
	March 31, 2021	December 31, 2020	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 45.7	\$ 16.0	\$ 25.7	\$ 187.4
Restricted cash and cash equivalents	538.5	380.2	408.1	330.3
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 584.2</u>	<u>\$ 396.2</u>	<u>\$ 433.8</u>	<u>\$ 517.7</u>

Restricted Securities Available for Sale

Restricted securities available for sale consist of amounts held in a trust for future vehicle service contract claims. 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.

Loans Receivable and Allowance for Credit Losses

Consumer Loan Assignment. For legal purposes, a Consumer Loan is considered to have been assigned to us after the following has occurred:

- the consumer and Dealer have signed a Consumer Loan contract; and
- we have received the executed Consumer Loan contract and supporting documentation in either physical or electronic form.

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

- the Consumer Loan has been legally assigned to us; and
- we have made a funding decision and generally 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. Our Loan portfolio consists of two portfolio segments: Dealer Loans and Purchased Loans. Our determination is based on the following:

- We have two financing programs: the Portfolio Program and the Purchase Program. We are considered to be a lender to our Dealers for Consumer Loans assigned under the Portfolio Program and a purchaser of Consumer Loans assigned under the Purchase Program.
- The Portfolio Program and the Purchase Program have different levels of risk in relation to credit losses. Under the Portfolio Program, the impact of negative variances in Consumer Loan performance is mitigated by Dealer Holdback and the cross-collateralization of Consumer Loan assignments. Under the Purchase Program, we are impacted by the full amount of negative variances in Consumer Loan performance.
- Our business model is narrowly focused on Consumer Loan assignments from one industry with expected cash flows that are significantly lower than the contractual cash flows owed to us due to credit quality. We do not believe that it is meaningful to disaggregate our Loan portfolio beyond the Dealer Loans and Purchased Loans portfolio segments.

Each portfolio segment consists of one class of Consumer Loan assignments, which is Consumer Loans originated by Dealers to finance purchases of vehicles and related ancillary products by consumers with impaired or limited credit histories. Our determination is based on the following:

- All of the Consumer Loans assigned to us have similar risk characteristics in relation to the categorization of borrowers, type of financing receivable, industry sector and type of collateral.
- We only accept Consumer Loan assignments from Dealers located within the United States.

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

Recognition and Measurement Policies. On January 1, 2020, we adopted Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments, which is known as the current expected credit loss model, or CECL. Loans outstanding prior to the adoption date qualified for transition relief and are accounted for as purchased financial assets with credit deterioration (“PCD Method”).

Under the PCD Method, on January 1, 2020, we:

- calculated an effective interest rate based on expected future net cash flows; and
- increased the Loans receivable and the related allowance for credit losses balances by the present value of the difference between contractual future net cash flows and expected future net cash flows discounted at the effective interest rate. This “gross-up” did not impact the net carrying amount of Loans (Loans receivable less allowance for credit losses) or net income.

Under the PCD Method, for each reporting period subsequent to the adoption of CECL, we:

- recognize finance charge revenue using the effective interest rate that was calculated on the adoption date based on expected future net cash flows; and
- adjust the allowance for credit losses so that the net carrying amount of each Loan equals the present value of expected future net cash flows discounted at the effective interest rate. The adjustment to the allowance for credit losses is recognized as either provision for credit losses expense or a reversal of provision for credit losses expense.

Consumer Loans assigned to us on or subsequent to January 1, 2020 do not qualify for the PCD Method and are accounted for as originated financial assets (“Originated Method”). While the cash flows we expect to collect at the time of assignment are significantly lower than the contractual cash flows owed to us due to credit quality, our Loans do not qualify for the PCD Method because the assignment of the Consumer Loan to us occurs a moment after the Consumer Loan is originated by the Dealer, so “a more-than-insignificant deterioration in credit quality since origination” has not occurred at the time of assignment. In addition, Dealer Loans also do not qualify for the PCD Method because Consumer Loans assigned to us under the Portfolio Program are considered to be advances under Dealer Loans originated by us rather than Consumer Loans purchased by us.

Under the Originated Method, at the time of assignment, we:

- calculate the effective interest rate based on contractual future net cash flows;
- record a Loan receivable equal to the advance paid to the Dealer under the Portfolio Program or purchase price paid to the Dealer under the Purchase Program; and
- record an allowance for credit losses equal to the difference between the initial Loan receivable balance and the present value of expected future net cash flows discounted at the effective interest rate. The initial allowance for credit losses is recognized as provision for credit losses expense.

Under the Originated Method, for each reporting period subsequent to assignment, we:

- recognize finance charge revenue using the effective interest rate that was calculated at the time of assignment based on contractual future net cash flows; and
- adjust the allowance for credit losses so that the net carrying amount of each Loan equals the present value of expected future net cash flows discounted at the effective interest rate. The adjustment to the allowance for credit losses is recognized as either provision for credit losses expense or a reversal of provision for credit losses expense.

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

Loans Receivable. 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 measuring credit losses. Amounts paid to Dealers for Consumer Loans assigned under the Purchase Program are recorded as Purchased Loans and, for purposes of recognizing revenue and measuring credit losses, are:

- not aggregated, if assigned on or subsequent to January 1, 2020; or
- aggregated into pools based on the month of purchase, if assigned prior to January 1, 2020.

The outstanding balance of each Loan included in Loans receivable is comprised of the following:

- cash paid to the Dealer (or to third party ancillary product providers on the Dealer's behalf) for the Consumer Loan assignment (advance under the Portfolio Program or one-time purchase payment under the Purchase Program);
- finance charges;
- Dealer Holdback payments;
- accelerated Dealer Holdback payments;
- recoveries;
- transfers in;
- less: collections (net of certain collection costs);
- less: write-offs; and
- less: transfers out.

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 the related allowance for credit losses balance to Purchased Loans in the period this forfeiture occurs. We aggregate these Purchased Loans by Dealer for purposes of recognizing revenue and measuring credit losses.

Allowance for Credit Losses. The outstanding balance of the allowance for credit losses of each Loan represents the amount required to reduce net carrying amount of Loans (Loans receivable less allowance for credit losses) to the present value of expected future net cash flows discounted at the effective interest rate. Expected future net cash flows for Dealer Loans are comprised of expected future collections on the assigned Consumer Loans, less any expected future Dealer Holdback payments. Expected future net cash flows for Purchased Loans are comprised of expected future collections on the assigned Consumer Loans.

Expected future collections are forecasted for each individual Consumer Loan based on the historical performance of Consumer Loans with similar characteristics, adjusted for recent trends in payment patterns and economic conditions. Our forecast of expected future collections includes estimates for prepayments and post-contractual-term cash flows. Unless the consumer is no longer contractually obligated to pay us, we forecast future collections on each Consumer Loan for a 120 month period after the origination date. Expected future Dealer Holdback payments are forecasted for each individual Dealer based on the expected future collections and current advance balance of each Dealer Loan.

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

We fully write off the outstanding balances of a Loan and the related allowance for credit losses once we are no longer forecasting any expected future net cash flows on the Loan. Under our partial write-off policy, we write off the amount of the outstanding balances of a Loan and the related allowance for credit losses, if any, that exceeds 200% of the present value of expected future net cash flows on the Loan, as we deem this amount to be uncollectable.

Credit Quality. Substantially all of the Consumer Loans assigned to us are made to individuals with impaired or limited credit histories. 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 a 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 maximize our economic profit, a non-GAAP financial measure that considers our return on capital, our cost of capital and the amount of capital invested.

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 from 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. On January 1, 2020, we adopted CECL, which changed our accounting policies for Loans. During the first quarter of 2020, we reduced forecasted collection rates to reflect the estimated long-term impact of COVID-19 on Consumer Loan performance. For additional information, see Note 6. For the three months ended March 31, 2021 and 2020, we did not make any other methodology changes for Loans that had a material impact on our financial statements.

Finance Charges

Sources of Revenue. Finance charges is comprised of: (1) interest income earned on Loans; (2) administrative fees earned from ancillary products; (3) program fees charged to Dealers under the Portfolio Program; (4) Consumer Loan assignment fees charged to Dealers; and (5) direct origination costs incurred on Dealer Loans.

We provide Dealers the ability to offer vehicle service contracts to consumers through our relationships with Third Party Providers ("TPPs"). A vehicle service contract provides the consumer protection by paying for the repair or replacement of certain components of the vehicle in the event of a mechanical failure. The retail price of the vehicle service contract is included in the principal balance of the Consumer Loan. The wholesale cost of the vehicle service contract is paid to the TPP, net of an administrative fee retained by us. The difference between the wholesale cost and the retail price to the consumer is paid to the Dealer as a commission. Under the Portfolio Program, the wholesale cost of the vehicle service contract and the commission paid to the Dealer are charged to the Dealer's advance balance. TPPs process claims on vehicle service contracts that are underwritten by third party insurers. We bear the risk of loss for claims on certain vehicle service contracts that are reinsured by us. We market the vehicle service contracts directly to our Dealers.

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

We provide Dealers the ability to offer Guaranteed Asset Protection (“GAP”) to consumers through our relationships with TPPs. GAP provides the consumer protection by paying the difference between the loan balance and the amount covered by the consumer’s insurance policy in the event of a total loss of the vehicle due to severe damage or theft. The retail price of GAP is included in the principal balance of the Consumer Loan. The wholesale cost of GAP is paid to the TPP, net of an administrative fee retained by us. The difference between the wholesale cost and the retail price to the consumer is paid to the Dealer as a commission. Under the Portfolio Program, the wholesale cost of GAP and the commission paid to the Dealer are charged to the Dealer’s advance balance. TPPs process claims on GAP contracts that are underwritten by third party insurers.

Program fees represent monthly fees charged to Dealers for access to our Credit Approval Processing System (“CAPS”); administration, servicing and collection services offered by us; documentation related to or affecting our program; and all tangible and intangible property owned by Credit Acceptance. We charge a monthly fee of \$599 to Dealers participating in our Portfolio Program and we collect it from future Dealer Holdback payments.

Recognition Policy. We recognize finance charges under the interest method such that revenue is recognized on a level-yield basis over the life of the Loan. We calculate finance charges on a monthly basis by applying the effective interest rate of the Loan to the net carrying amount of the Loan (Loan receivable less the related allowance for credit losses). For Consumer Loans assigned on or subsequent to January 1, 2020, the effective interest rate is based on contractual future net cash flows. For Consumer Loans assigned prior to January 1, 2020, the effective interest rate was determined based on expected future net cash flows.

In connection with the adoption of CECL on January 1, 2020, we have elected to report the change in the present value of credit losses attributable to the passage of time as a reduction to finance charges. As a result, we allocate finance charges recognized on each Loan between the Loan receivable and the related allowance for credit losses. The amount of finance charges allocated to the Loan receivable is equal to the effective interest rate applied to the Loans receivable balance. The reduction of finance charges allocated to the allowance for credit losses is equal to the effective interest rate applied to the allowance for credit losses balance.

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 offered through one of our third party providers. 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 a trust account 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.

We have consolidated the trust within our financial statements based on our determination of the following:

- *We have a variable interest in the trust.* We have a residual interest in the assets of the trust, 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 trust's assets.
- *The trust is a variable interest entity.* The trust has insufficient equity at risk as no parties to the trust were required to contribute assets that provide them with any ownership interest.
- *We are the primary beneficiary of the trust.* We control the amount of premiums written and placed in the trust through Consumer Loan assignments under our Programs, which is the activity that most significantly impacts the economic performance of the trust. We have the right to receive benefits from the trust that could potentially be significant. In addition, VSC Re has the obligation to absorb losses of the trust that could potentially be significant.

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

New Accounting Update Adopted During the Current Year

Simplifying the Accounting for Income Taxes. In December 2019, the FASB issued ASU 2019-12, which intends to enhance and simplify various aspects of the income tax accounting guidance, including requirements impacting the allocation of income tax expense to certain legal entities and interim-period accounting for enacted changes in tax law. The adoption of ASU 2019-12 on January 1, 2021 did not have a material impact on our consolidated financial statements and related disclosures.

4. 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 amounts approximate their fair value due to the short maturity of these instruments.

Restricted Securities Available for Sale. The fair value of U.S. Government and agency securities and corporate bonds is based on quoted market values in active markets. For asset-backed securities, mortgage-backed securities and commercial paper we use model-based valuation techniques for which all significant assumptions are observable in the market.

Loans Receivable, net. The fair value is determined by calculating the present value of expected future net cash flows estimated by us utilizing a discount rate comparable with the rate used to calculate the value of our Loans under our non-GAAP floating yield methodology.

Revolving Secured Line of Credit. The fair value is determined by calculating the present value of the debt instrument based on current rates for debt with a similar risk profile and maturity.

Secured Financing. The fair value of our asset-backed secured financings (“Term ABS”) is determined using quoted market prices; however, these instruments trade in a market with a low trading volume. For our warehouse facilities, the fair values are determined by calculating the present value of each debt instrument based on current rates for debt with similar risk profiles and maturities.

Senior Notes. The fair value is determined using quoted market prices in an active market.

Mortgage Note. The fair value is determined by calculating the present value of the debt instrument based on current rates for debt with a similar risk profile and maturity.

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

(In millions)	As of March 31, 2021		As of December 31, 2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	\$ 45.7	\$ 45.7	\$ 16.0	\$ 16.0
Restricted cash and cash equivalents	538.5	538.5	380.2	380.2
Restricted securities available for sale	68.1	68.1	66.1	66.1
Loans receivable, net	6,875.3	7,254.1	6,787.9	7,216.4
Liabilities				
Revolving secured line of credit	\$ —	\$ —	\$ 95.9	\$ 95.9
Secured financing	3,914.6	3,993.6	3,711.6	3,793.9
Senior notes	791.1	829.5	790.6	842.0
Mortgage note	10.3	10.3	10.5	10.5

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

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 measured or disclosed at fair value:

(In millions)	As of March 31, 2021			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	\$ 45.7	\$ —	\$ —	\$ 45.7
Restricted cash and cash equivalents (1)	538.5	—	—	538.5
Restricted securities available for sale (2)	55.0	13.1	—	68.1
Loans receivable, net (1)	—	—	7,254.1	7,254.1
Liabilities				
Revolving secured line of credit (1)	\$ —	\$ —	\$ —	\$ —
Secured financing (1)	—	3,993.6	—	3,993.6
Senior notes (1)	829.5	—	—	829.5
Mortgage note (1)	—	10.3	—	10.3

(In millions)	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	\$ 16.0	\$ —	\$ —	\$ 16.0
Restricted cash and cash equivalents (1)	380.2	—	—	380.2
Restricted securities available for sale (2)	52.8	13.3	—	66.1
Loans receivable, net (1)	—	—	7,216.4	7,216.4
Liabilities				
Revolving secured line of credit (1)	\$ —	\$ 95.9	\$ —	\$ 95.9
Secured financing (1)	—	3,793.9	—	3,793.9
Senior notes (1)	842.0	—	—	842.0
Mortgage note (1)	—	10.5	—	10.5

- (1) Measured at amortized cost with fair value disclosed.
(2) Measured at fair value on a recurring basis.

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

5. RESTRICTED SECURITIES AVAILABLE FOR SALE

Restricted securities available for sale consist of the following:

(In millions)	As of March 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	\$ 34.8	\$ 0.7	\$ (0.2)	\$ 35.3
U.S. Government and agency securities	19.2	0.5	—	19.7
Asset-backed securities	12.6	0.1	—	12.7
Mortgage-backed securities	0.4	—	—	0.4
Total restricted securities available for sale	<u>\$ 67.0</u>	<u>\$ 1.3</u>	<u>\$ (0.2)</u>	<u>\$ 68.1</u>

(In millions)	As of December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	\$ 31.3	\$ 1.1	\$ —	\$ 32.4
U.S. Government and agency securities	19.7	0.7	—	20.4
Asset-backed securities	12.7	0.2	—	12.9
Mortgage-backed securities	0.4	—	—	0.4
Total restricted securities available for sale	<u>\$ 64.1</u>	<u>\$ 2.0</u>	<u>\$ —</u>	<u>\$ 66.1</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:

(In millions)	Securities Available for Sale with Gross Unrealized Losses as of March 31, 2021					
	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		
Corporate bonds	\$ 16.7	\$ (0.2)	\$ —	\$ —	\$ 16.7	\$ (0.2)
U.S. Government and agency securities	3.4	—	—	—	3.4	—
Asset-backed securities	2.7	—	—	—	2.7	—
Mortgage-backed securities	—	—	—	—	—	—
Total restricted securities available for sale	<u>\$ 22.8</u>	<u>\$ (0.2)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 22.8</u>	<u>\$ (0.2)</u>

(In millions)	Securities Available for Sale with Gross Unrealized Losses as of December 31, 2020					
	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		
Corporate bonds	\$ 2.2	\$ —	\$ —	\$ —	\$ 2.2	\$ —
U.S. Government and agency securities	—	—	—	—	—	—
Asset-backed securities	—	—	—	—	—	—
Mortgage-backed securities	—	—	—	—	—	—
Total restricted securities available for sale	<u>\$ 2.2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2.2</u>	<u>\$ —</u>

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

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.

Contractual Maturity	As of			
	March 31, 2021		December 31, 2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	\$ 6.8	\$ 6.8	\$ 1.1	\$ 1.1
Over one year to five years	58.3	59.4	58.1	60.0
Over five years to ten years	1.7	1.7	4.7	4.8
Over ten years	0.2	0.2	0.2	0.2
Total restricted securities available for sale	<u>\$ 67.0</u>	<u>\$ 68.1</u>	<u>\$ 64.1</u>	<u>\$ 66.1</u>

6. LOANS RECEIVABLE

Loans receivable and allowance for credit losses consist of the following:

	As of March 31, 2021		
	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 5,933.5	\$ 4,224.5	\$ 10,158.0
Allowance for credit losses	(1,727.6)	(1,555.1)	(3,282.7)
Loans receivable, net	<u>\$ 4,205.9</u>	<u>\$ 2,669.4</u>	<u>\$ 6,875.3</u>

	As of December 31, 2020		
	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 5,869.6	\$ 4,255.2	\$ 10,124.8
Allowance for credit losses	(1,702.1)	(1,634.8)	(3,336.9)
Loans receivable, net	<u>\$ 4,167.5</u>	<u>\$ 2,620.4</u>	<u>\$ 6,787.9</u>

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

A summary of changes in Loans receivable and allowance for credit losses is as follows:

(In millions)	For the Three Months Ended March 31, 2021								
	Loans Receivable			Allowance for Credit Losses			Loans Receivable, Net		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 5,869.6	\$ 4,255.2	\$ 10,124.8	\$ (1,702.1)	\$ (1,634.8)	\$ (3,336.9)	\$ 4,167.5	\$ 2,620.4	\$ 6,787.9
Finance charges	344.2	275.2	619.4	(101.7)	(92.8)	(194.5)	242.5	182.4	424.9
Provision for credit losses	—	—	—	0.1	(21.4)	(21.3)	0.1	(21.4)	(21.3)
New Consumer Loan assignments (2)	647.1	385.2	1,032.3	—	—	—	647.1	385.2	1,032.3
Collections (3)	(875.8)	(524.3)	(1,400.1)	—	—	—	(875.8)	(524.3)	(1,400.1)
Accelerated Dealer Holdback payments	10.4	—	10.4	—	—	—	10.4	—	10.4
Dealer Holdback payments	39.0	—	39.0	—	—	—	39.0	—	39.0
Transfers (4)	(40.6)	40.6	—	13.5	(13.5)	—	(27.1)	27.1	—
Write-offs	(62.8)	(208.0)	(270.8)	62.8	208.0	270.8	—	—	—
Recoveries (5)	0.2	0.6	0.8	(0.2)	(0.6)	(0.8)	—	—	—
Deferral of Loan origination costs	2.2	—	2.2	—	—	—	2.2	—	2.2
Balance, end of period	<u>\$ 5,933.5</u>	<u>\$ 4,224.5</u>	<u>\$ 10,158.0</u>	<u>\$ (1,727.6)</u>	<u>\$ (1,555.1)</u>	<u>\$ (3,282.7)</u>	<u>\$ 4,205.9</u>	<u>\$ 2,669.4</u>	<u>\$ 6,875.3</u>

(In millions)	For the Three Months Ended March 31, 2020								
	Loans Receivable			Allowance for Credit Losses			Loans Receivable, Net		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 4,623.3	\$ 2,597.9	\$ 7,221.2	\$ (428.0)	\$ (108.0)	\$ (536.0)	\$ 4,195.3	\$ 2,489.9	\$ 6,685.2
Adoption of CECL (1)	940.2	1,523.4	2,463.6	(940.2)	(1,523.4)	(2,463.6)	—	—	—
Finance charges	311.8	222.0	533.8	(83.7)	(88.2)	(171.9)	228.1	133.8	361.9
Provision for credit losses	—	—	—	(168.1)	(186.6)	(354.7)	(168.1)	(186.6)	(354.7)
New Consumer Loan assignments (2)	638.1	417.2	1,055.3	—	—	—	638.1	417.2	1,055.3
Collections (3)	(776.6)	(402.8)	(1,179.4)	—	—	—	(776.6)	(402.8)	(1,179.4)
Accelerated Dealer Holdback payments	11.4	—	11.4	—	—	—	11.4	—	11.4
Dealer Holdback payments	36.6	—	36.6	—	—	—	36.6	—	36.6
Transfers (4)	(31.3)	31.3	—	9.7	(9.7)	—	(21.6)	21.6	—
Write-offs	(78.3)	(208.0)	(286.3)	78.3	208.0	286.3	—	—	—
Recoveries (5)	0.3	0.3	0.6	(0.3)	(0.3)	(0.6)	—	—	—
Deferral of Loan origination costs	2.2	—	2.2	—	—	—	2.2	—	2.2
Balance, end of period	<u>\$ 5,677.7</u>	<u>\$ 4,181.3</u>	<u>\$ 9,859.0</u>	<u>\$ (1,532.3)</u>	<u>\$ (1,708.2)</u>	<u>\$ (3,240.5)</u>	<u>\$ 4,145.4</u>	<u>\$ 2,473.1</u>	<u>\$ 6,618.5</u>

- (1) Represents the gross-up of Loans receivable and allowance for credit losses on January 1, 2020 upon the adoption of CECL for the present value of the difference between contractual future net cash flows and expected future net cash flows discounted at the effective interest rate.
- (2) 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.
- (3) Represents repayments that we collected on Consumer Loans assigned under our programs.
- (4) 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 allowance for credit losses balance to Purchased Loans in the period this forfeiture occurs.
- (5) The Dealer Loans amount represents net cash flows received (collections less any related Dealer Holdback payments) on Dealer Loans that were previously written off in full. The Purchased Loans amount represents collections received on Purchased Loans that were previously written off in full.

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

We recognize provision for credit losses on new Consumer Loan assignments for contractual net cash flows that were not expected to be realized at the time of assignment. We also recognize provision for credit losses on forecast changes in the amount and timing of expected future net cash flows subsequent to assignment. The following table summarizes the provision for credit losses for each of these components:

(In millions)

Provision for Credit Losses	For the Three Months Ended March 31, 2021		
	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	\$ 54.7	\$ 77.1	\$ 131.8
Forecast changes	(54.8)	(55.7)	(110.5)
Total	\$ (0.1)	\$ 21.4	\$ 21.3

(In millions)

Provision for Credit Losses	For the Three Months Ended March 31, 2020		
	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	\$ 64.8	\$ 93.1	\$ 157.9
Forecast changes	103.3	93.5	196.8
Total	\$ 168.1	\$ 186.6	\$ 354.7

The net Loan income (finance charge revenue less provision for credit losses expense) that we will recognize over the life of a Loan equals the cash we collect from the underlying Consumer Loan less the cash we pay to the Dealer. Under CECL, we are required to recognize a significant provision for credit losses expense at the time of assignment for contractual net cash flows we never expect to realize and to recognize in subsequent periods finance charge revenue that is significantly in excess of our expected yields. Additional information related to new Consumer Loan assignments is as follows:

(In millions)

New Consumer Loan Assignments	For the Three Months Ended March 31, 2021		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 1,017.5	\$ 832.1	\$ 1,849.6
Expected net cash flows at the time of assignment (2)	911.4	544.3	1,455.7
Loans receivable at the time of assignment (3)	647.1	385.2	1,032.3
Provision for credit losses expense at the time of assignment	\$ (54.7)	\$ (77.1)	\$ (131.8)
Expected future finance charges at the time of assignment (4)	319.0	236.2	555.2
Expected net Loan income at the time of assignment (5)	\$ 264.3	\$ 159.1	\$ 423.4

(In millions)

New Consumer Loan Assignments	For the Three Months Ended March 31, 2020		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 1,013.5	\$ 911.6	\$ 1,925.1
Expected net cash flows at the time of assignment (2)	897.6	576.8	1,474.4
Loans receivable at the time of assignment (3)	638.1	417.2	1,055.3
Provision for credit losses expense at the time of assignment	\$ (64.8)	\$ (93.1)	\$ (157.9)
Expected future finance charges at the time of assignment (4)	324.3	252.7	577.0
Expected net Loan income at the time of assignment (5)	\$ 259.5	\$ 159.6	\$ 419.1

- (1) The Dealer Loans amount represents 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 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 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 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.
- (4) Represents revenue that is expected to be recognized on a level-yield basis over the lives of the Loans.
- (5) Represents the amount that expected net cash flows at the time of assignment (2) exceed Loans receivable at the time of assignment (3).

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

A summary of changes in expected future net cash flows is as follows:

(In millions)	Expected Future Net Cash Flows	For the Three Months Ended March 31, 2021		
		Dealer Loans	Purchased Loans	Total
Balance, beginning of period		\$ 5,664.3	\$ 3,880.1	\$ 9,544.4
New Consumer Loan assignments (1)		911.4	544.3	1,455.7
Realized net cash flows (2)		(826.4)	(524.3)	(1,350.7)
Forecast changes		26.7	80.7	107.4
Transfers (3)		(38.6)	41.3	2.7
Balance, end of period		\$ 5,737.4	\$ 4,022.1	\$ 9,759.5

(In millions)	Expected Future Net Cash Flows	For the Three Months Ended March 31, 2020		
		Dealer Loans	Purchased Loans	Total
Balance, beginning of period		\$ 5,577.0	\$ 3,428.2	\$ 9,005.2
New Consumer Loan assignments (1)		897.6	576.8	1,474.4
Realized net cash flows (2)		(728.6)	(402.8)	(1,131.4)
Forecast changes		(75.9)	(130.6)	(206.5)
Transfers (3)		(31.3)	33.5	2.2
Balance, end of period		\$ 5,638.8	\$ 3,505.1	\$ 9,143.9

- (1) The Dealer Loans amount represents 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 repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Purchase Program.
- (2) The Dealer Loans amount represents repayments that we collected on Consumer Loans assigned under our Portfolio Program, less the Dealer Holdback and Accelerated Dealer Holdback payments that we made. Purchased Loans amount represents repayments that we collected on Consumer Loans assigned under our Purchase Program.
- (3) 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, related allowance for credit losses balance and related expected future net cash flows to Purchased Loans in the period this forfeiture occurs.

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 prior forecasted collection rates and our initial expectations. For additional information regarding credit quality, see Note 3.

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

The following table compares our forecast of Consumer Loan collection rates as of March 31, 2021 with the forecasts as of December 31, 2020 and at the time of assignment, segmented by year of assignment:

Consumer Loan Assignment Year	Total Loans as of March 31, 2021				
	Forecasted Collection Percentage as of (1)			Current Forecast Variance from	
	March 31, 2021	December 31, 2020	Initial Forecast	December 31, 2020	Initial Forecast
2012	73.8 %	73.8 %	71.4 %	0.0 %	2.4 %
2013	73.4 %	73.4 %	72.0 %	0.0 %	1.4 %
2014	71.6 %	71.6 %	71.8 %	0.0 %	-0.2 %
2015	65.2 %	65.2 %	67.7 %	0.0 %	-2.5 %
2016	63.6 %	63.6 %	65.4 %	0.0 %	-1.8 %
2017	64.2 %	64.1 %	64.0 %	0.1 %	0.2 %
2018	64.3 %	64.0 %	63.6 %	0.3 %	0.7 %
2019	65.1 %	64.4 %	64.0 %	0.7 %	1.1 %
2020	66.1 %	64.8 %	63.4 %	1.3 %	2.7 %
2021	64.8 %	—	64.9 %	—	-0.1 %

Consumer Loan Assignment Year	Dealer Loans as of March 31, 2021				
	Forecasted Collection Percentage as of (1) (2)			Current Forecast Variance from	
	March 31, 2021	December 31, 2020	Initial Forecast	December 31, 2020	Initial Forecast
2012	73.6 %	73.6 %	71.3 %	0.0 %	2.3 %
2013	73.3 %	73.4 %	72.1 %	-0.1 %	1.2 %
2014	71.5 %	71.5 %	71.9 %	0.0 %	-0.4 %
2015	64.5 %	64.5 %	67.5 %	0.0 %	-3.0 %
2016	62.9 %	62.8 %	65.1 %	0.1 %	-2.2 %
2017	63.5 %	63.4 %	63.8 %	0.1 %	-0.3 %
2018	63.8 %	63.5 %	63.6 %	0.3 %	0.2 %
2019	64.7 %	64.1 %	63.9 %	0.6 %	0.8 %
2020	65.7 %	64.5 %	63.3 %	1.2 %	2.4 %
2021	64.7 %	—	64.8 %	—	-0.1 %

Consumer Loan Assignment Year	Purchased Loans as of March 31, 2021				
	Forecasted Collection Percentage as of (1) (2)			Current Forecast Variance from	
	March 31, 2021	December 31, 2020	Initial Forecast	December 31, 2020	Initial Forecast
2012	75.9 %	75.9 %	71.4 %	0.0 %	4.5 %
2013	74.3 %	74.3 %	71.6 %	0.0 %	2.7 %
2014	72.5 %	72.4 %	70.9 %	0.1 %	1.6 %
2015	68.9 %	68.8 %	68.5 %	0.1 %	0.4 %
2016	65.8 %	65.8 %	66.5 %	0.0 %	-0.7 %
2017	65.7 %	65.6 %	64.6 %	0.1 %	1.1 %
2018	65.4 %	65.1 %	63.5 %	0.3 %	1.9 %
2019	65.8 %	65.1 %	64.2 %	0.7 %	1.6 %
2020	66.8 %	65.4 %	63.6 %	1.4 %	3.2 %
2021	65.0 %	—	65.0 %	—	0.0 %

- (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. Forecasted collection rates are negatively impacted by canceled Consumer Loans as the contractual amount owed is not removed from the denominator for purposes of computing forecasted collection rates in the table.
- (2) The forecasted collection rates presented for Dealer Loans and Purchased Loans reflect the Consumer Loan classification at the time of assignment.

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

We evaluate and adjust the expected collection rate of each Consumer Loan subsequent to assignment primarily through the monitoring of consumer payment behavior. The following table summarizes the past-due status of Consumer Loan assignments as of March 31, 2021 and December 31, 2020, segmented by year of assignment:

(In millions)

Consumer Loan Assignment Year	Total Loans as of March 31, 2021 (1) (2)				
	Pre-term Consumer Loans (3)			Post-term Consumer Loans (4)	Total
	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days		
2016 and Prior	\$ 52.9	\$ 16.4	\$ 103.6	\$ 136.3	\$ 309.2
2017	261.9	75.1	243.7	11.4	592.1
2018	879.8	246.5	465.4	2.0	1,593.7
2019	1,898.1	498.4	586.2	0.1	2,982.8
2020	2,754.7	492.1	209.6	—	3,456.4
2021	1,187.2	36.6	—	—	1,223.8
	<u>\$ 7,034.6</u>	<u>\$ 1,365.1</u>	<u>\$ 1,608.5</u>	<u>\$ 149.8</u>	<u>\$ 10,158.0</u>

(In millions)

Consumer Loan Assignment Year	Dealer Loans as of March 31, 2021 (1)				
	Pre-term Consumer Loans (3)			Post-term Consumer Loans (4)	Total
	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days		
2016 and Prior	\$ 21.1	\$ 6.7	\$ 44.7	\$ 102.0	\$ 174.5
2017	133.8	37.9	123.6	8.0	303.3
2018	464.3	126.0	237.4	1.3	829.0
2019	966.6	249.4	289.9	0.1	1,506.0
2020	1,822.0	320.8	134.8	—	2,277.6
2021	817.6	25.5	—	—	843.1
	<u>\$ 4,225.4</u>	<u>\$ 766.3</u>	<u>\$ 830.4</u>	<u>\$ 111.4</u>	<u>\$ 5,933.5</u>

(In millions)

Consumer Loan Assignment Year	Purchased Loans as of March 31, 2021 (2)				
	Pre-term Consumer Loans (3)			Post-term Consumer Loans (4)	Total
	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days		
2016 and Prior	\$ 31.8	\$ 9.7	\$ 58.9	\$ 34.3	\$ 134.7
2017	128.1	37.2	120.1	3.4	288.8
2018	415.5	120.5	228.0	0.7	764.7
2019	931.5	249.0	296.3	—	1,476.8
2020	932.7	171.3	74.8	—	1,178.8
2021	369.6	11.1	—	—	380.7
	<u>\$ 2,809.2</u>	<u>\$ 598.8</u>	<u>\$ 778.1</u>	<u>\$ 38.4</u>	<u>\$ 4,224.5</u>

(In millions)

Consumer Loan Assignment Year	Total Loans as of December 31, 2020 (1) (2)				
	Pre-term Consumer Loans (3)			Post-term Consumer Loans (4)	Total
	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days		
2015 and Prior	\$ 4.8	\$ 2.2	\$ 16.1	\$ 99.0	\$ 122.1
2016	73.5	29.1	119.3	41.7	263.6
2017	320.9	121.0	277.5	7.2	726.6
2018	962.8	374.6	513.9	1.0	1,852.3
2019	1,985.2	745.6	610.8	—	3,341.6
2020	3,002.0	663.8	152.8	—	3,818.6
	<u>\$ 6,349.2</u>	<u>\$ 1,936.3</u>	<u>\$ 1,690.4</u>	<u>\$ 148.9</u>	<u>\$ 10,124.8</u>

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

(In millions)

Consumer Loan Assignment Year	Dealer Loans as of December 31, 2020 (1)				
	Pre-term Consumer Loans (3)			Post-term Consumer Loans (4)	Total
	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days		
2015 and Prior	\$ 2.1	\$ 1.0	\$ 7.9	\$ 76.1	\$ 87.1
2016	31.9	12.3	55.7	31.1	131.0
2017	170.5	62.7	143.3	5.1	381.6
2018	523.3	197.5	267.4	0.7	988.9
2019	1,046.9	383.5	310.2	—	1,740.6
2020	2,009.5	433.1	97.8	—	2,540.4
	<u>\$ 3,784.2</u>	<u>\$ 1,090.1</u>	<u>\$ 882.3</u>	<u>\$ 113.0</u>	<u>\$ 5,869.6</u>

(In millions)

Consumer Loan Assignment Year	Purchased Loans as of December 31, 2020 (2)				
	Pre-term Consumer Loans (3)			Post-term Consumer Loans (4)	Total
	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days		
2015 and Prior	\$ 2.7	\$ 1.2	\$ 8.2	\$ 22.9	\$ 35.0
2016	41.6	16.8	63.6	10.6	132.6
2017	150.4	58.3	134.2	2.1	345.0
2018	439.5	177.1	246.5	0.3	863.4
2019	938.3	362.1	300.6	—	1,601.0
2020	992.5	230.7	55.0	—	1,278.2
	<u>\$ 2,565.0</u>	<u>\$ 846.2</u>	<u>\$ 808.1</u>	<u>\$ 35.9</u>	<u>\$ 4,255.2</u>

- (1) As Consumer Loans are aggregated by Dealer for purposes of recognizing revenue and measuring credit losses, the Dealer Loan amount was estimated by allocating the balance of each Dealer Loan to the underlying Consumer Loans based on the forecasted future collections of each Consumer Loan.
- (2) As certain Consumer Loans are aggregated by Dealer or month of purchase for purposes of recognizing revenue and measuring credit losses, the Purchased Loan amount was estimated by allocating the balance of certain Purchased Loans to the underlying Consumer Loans based on the forecasted future collections of each Consumer Loan.
- (3) Represents the Loan balance attributable to Consumer Loans outstanding within their initial loan terms.
- (4) Represents the Loan balance attributable to Consumer Loans outstanding beyond their initial loan terms.
- (5) We consider a Consumer Loan to be current for purposes of forecasting expected collection rates if contractual repayments are less than 11 days past due.

During the first quarter of 2020, we reduced our estimate of future net cash flows from our Loan portfolio by \$206.5 million, or 2.3% of the forecasted net cash flows at the start of the period, primarily due to the impact of the COVID-19 pandemic. The reduction was comprised of: (1) \$44.3 million calculated by our forecasting model, which reflected lower realized collections during the first quarter of 2020 and (2) an additional \$162.2 million, which represented our best estimate of the future impact of the COVID-19 pandemic on future net cash flows. Under CECL, changes in the amount and timing of forecasted net cash flows are recorded as a provision for credit losses in the current period. While the adjustment to our forecast, which we continued to apply through the first quarter of 2021, represents our best estimate at this time, the COVID-19 pandemic has created conditions that increase the level of uncertainty associated with our estimate of the amount and timing of future net cash flows from our Loan portfolio.

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

7. REINSURANCE

A summary of reinsurance activity is as follows:

(In millions)

	For the Three Months Ended March 31,	
	2021	2020
Net assumed written premiums	\$ 18.7	\$ 17.3
Net premiums earned	14.4	12.9
Provision for claims	9.0	8.8
Amortization of capitalized acquisition costs	0.4	0.4

The trust assets and related reinsurance liabilities are as follows:

(In millions)

		As of	
		March 31, 2021	December 31, 2020
	Balance Sheet location		
Trust assets	Restricted cash and cash equivalents	\$ 0.5	\$ 0.7
Trust assets	Restricted securities available for sale	68.1	66.1
Unearned premium	Accounts payable and accrued liabilities	52.8	48.5
Claims reserve (1)	Accounts payable and accrued liabilities	2.3	2.3

(1) The claims reserve represents our liability for incurred-but-not-reported claims and is estimated based on historical claims experience.

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

8. OTHER INCOME

Other income consists of the following:

(In millions)	For the Three Months Ended March 31,	
	2021	2020
Ancillary product profit sharing	\$ 8.2	\$ 8.2
Remarketing fees	2.2	2.8
Dealer enrollment fees	0.4	0.9
Dealer support products and services	0.4	0.5
Interest	0.3	1.7
Other	0.2	0.2
Total	\$ 11.7	\$ 14.3

Ancillary product profit sharing consists of payments received from TPPs based upon the performance of vehicle service contracts and GAP contracts, and is recognized as income over the life of the vehicle service contracts and GAP contracts.

Remarketing fees consist of fees retained from the sale of repossessed vehicles by Vehicle Remarketing Services, Inc. (“VRS”), our wholly-owned subsidiary that is responsible for remarketing vehicles for Credit Acceptance. VRS coordinates vehicle repossessions with a nationwide network of repossession contractors, the redemption of the vehicles by the consumers, and the sale of the vehicles through a nationwide network of vehicle auctions. VRS recognizes income from the retained fees at the time of the sale and does not retain a fee if a repossessed vehicle is redeemed by the consumer prior to the sale.

Dealer enrollment fees include fees from Dealers that enrolled in our Portfolio Program prior to August 5, 2019. Depending on the enrollment option selected by the Dealer, Dealers may have enrolled by paying us an upfront, one-time fee, or by agreeing to allow us to retain 50% of their accelerated Dealer Holdback payment(s) on the first 100 Consumer Loan assignments. For additional information regarding program enrollment, see Note 2 to the consolidated financial statements. A portion of the \$9,850 upfront, one-time fee is considered to be Dealer support products and services revenue. The remaining portion of the \$9,850 fee is considered to be a Dealer enrollment fee, which is amortized on a straight-line basis over the estimated life of the Dealer relationship. The 50% portion of the accelerated Dealer Holdback payment(s) on the first 100 Consumer Loan assignments is also considered to be a Dealer enrollment fee. We do not recognize any of this Dealer enrollment fee until the Dealer has met the eligibility requirements to receive an accelerated Dealer Holdback payment and the amount of the first payment, if any, has been calculated. Once an accelerated Dealer Holdback payment has been calculated, we defer the 50% portion that we keep and recognize it on a straight-line basis over the remaining estimated life of the Dealer relationship. Beginning August 5, 2019, Dealers may enroll in our Portfolio Program without incurring an enrollment fee.

Dealer support products and services consist of income earned from products and services provided to Dealers to assist with their operations, including sales and marketing, purchasing supplies and materials and acquiring vehicle inventory. Income is recognized in the period the product or service is provided.

Interest consists of income earned on cash and cash equivalents, restricted cash and cash equivalents, and restricted securities available for sale. Interest income is generally recognized over time as it is earned. Interest income on restricted securities available for sale is recognized over the life of the underlying financial instruments using the interest method.

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

The following table disaggregates our other income by major source of income and timing of the revenue recognition:

(In millions)

For the Three Months Ended March 31, 2021								
Source of income	Ancillary product profit sharing	Remarketing fees	Dealer enrollment fees	Dealer support products and services	Interest	Other	Total Other Income	
Third Party Providers	\$ 8.2	\$ —	\$ —	\$ —	\$ 0.3	\$ 0.2	\$	8.7
Dealers	—	2.2	0.4	0.4	—	—		3.0
Total	<u>\$ 8.2</u>	<u>\$ 2.2</u>	<u>\$ 0.4</u>	<u>\$ 0.4</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>	<u>\$</u>	<u>11.7</u>
Timing of revenue recognition								
Over time	\$ 8.2	\$ —	\$ 0.4	\$ —	\$ 0.3	\$ —	\$	8.9
At a point in time	—	2.2	—	0.4	—	0.2		2.8
Total	<u>\$ 8.2</u>	<u>\$ 2.2</u>	<u>\$ 0.4</u>	<u>\$ 0.4</u>	<u>\$ 0.3</u>	<u>\$ 0.2</u>	<u>\$</u>	<u>11.7</u>

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

9. DEBT

Debt consists of the following:

	As of March 31, 2021		
	Principal Outstanding	Unamortized Debt Issuance Costs	Carrying Amount
Revolving secured line of credit (1)	\$ —	\$ —	\$ —
Secured financing (2)	3,936.1	(21.5)	3,914.6
Senior notes	800.0	(8.9)	791.1
Mortgage note	10.3	—	10.3
Total debt	<u>\$ 4,746.4</u>	<u>\$ (30.4)</u>	<u>\$ 4,716.0</u>

	As of December 31, 2020		
	Principal Outstanding	Unamortized Debt Issuance Costs	Carrying Amount
Revolving secured line of credit (1)	\$ 95.9	\$ —	\$ 95.9
Secured financing (2)	3,728.7	(17.1)	3,711.6
Senior notes	800.0	(9.4)	790.6
Mortgage note	10.5	—	10.5
Total debt	<u>\$ 4,635.1</u>	<u>\$ (26.5)</u>	<u>\$ 4,608.6</u>

(1) Excludes deferred debt issuance costs of \$2.9 million and \$3.2 million as of March 31, 2021 and December 31, 2020, respectively, which are included in other assets.

(2) Warehouse facilities and Term ABS.

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

General information for each of our financing transactions in place as of March 31, 2021 is as follows:

(Dollars in millions)

Financings	Wholly-owned Subsidiary	Maturity Date	Financing Amount	Interest Rate Basis as of March 31, 2021
Revolving Secured Line of Credit	n/a	06/22/2023	\$ 340.0 (1)	At our option, either LIBOR plus 187.5 basis points or the prime rate plus 87.5 basis points
Warehouse Facility II (2)	CAC Warehouse Funding Corp. II	04/30/2024 (3)	400.0	LIBOR plus 175 basis points (4)
Warehouse Facility IV (2)	CAC Warehouse Funding LLC IV	11/17/2023 (3)	300.0	LIBOR plus 210 basis points (4)
Warehouse Facility V (2)	CAC Warehouse Funding LLC V	12/18/2023 (5)	125.0	LIBOR plus 225 basis points (4)
Warehouse Facility VI (2)	CAC Warehouse Funding LLC VI	09/30/2022 (3)	75.0	LIBOR plus 200 basis points
Warehouse Facility VII (2)	CAC Warehouse Funding LLC VII	12/16/2021 (6)	150.0	Commercial paper rate plus 200 basis points (4)
Warehouse Facility VIII (2)	CAC Warehouse Funding LLC VIII	07/26/2022 (3)	200.0	LIBOR plus 190 basis points (4)
Term ABS 2018-1 (2)	Credit Acceptance Funding LLC 2018-1	02/17/2020 (3)	500.0	Fixed rate
Term ABS 2018-2 (2)	Credit Acceptance Funding LLC 2018-2	05/15/2020 (3)	450.0	Fixed rate
Term ABS 2018-3 (2)	Credit Acceptance Funding LLC 2018-3	08/17/2020 (3)	398.3	Fixed rate
Term ABS 2019-1 (2)	Credit Acceptance Funding LLC 2019-1	02/15/2021 (3)	402.5	Fixed rate
Term ABS 2019-2 (2)	Credit Acceptance Funding LLC 2019-2	08/15/2022 (7)	500.0	Fixed rate
Term ABS 2019-3 (2)	Credit Acceptance Funding LLC 2019-3	11/15/2021 (3)	351.7	Fixed rate
Term ABS 2020-1 (2)	Credit Acceptance Funding LLC 2020-1	02/15/2022 (3)	500.0	Fixed rate
Term ABS 2020-2 (2)	Credit Acceptance Funding LLC 2020-2	07/15/2022 (3)	481.8	Fixed rate
Term ABS 2020-3 (2)	Credit Acceptance Funding LLC 2020-3	10/17/2022 (3)	600.0	Fixed rate
Term ABS 2021-1 (2)	Credit Acceptance Funding LLC 2021-1	02/15/2023 (3)	100.0	LIBOR plus 198.5 basis points (4)
Term ABS 2021-2 (2)	Credit Acceptance Funding LLC 2021-2	02/15/2023 (3)	500.0	Fixed rate
2024 Senior Notes	n/a	12/31/2024	400.0	Fixed rate
2026 Senior Notes	n/a	03/15/2026	400.0	Fixed rate
Mortgage Note (2)	Chapter 4 Properties, LLC	08/06/2023	12.0	LIBOR plus 150 basis points

(1) The amount of the facility will decrease to \$305.0 million on June 22, 2022.

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

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

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

(5) Represents the revolving maturity date. The outstanding balance will amortize after the revolving maturity date and any amounts remaining on December 16, 2025 will be due on that date.

(6) Represents the revolving maturity date. The outstanding balance will amortize after the revolving maturity date and any amounts remaining on December 16, 2023 will be due on that date.

(7) Represents the revolving maturity date. The Company has the option to redeem and retire the indebtedness after the revolving maturity date. If we do not elect this option, the outstanding balance will amortize based on the cash flows of the pledged assets.

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

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

(In millions)

	For the Three Months Ended March 31,	
	2021	2020
Revolving Secured Line of Credit		
Maximum outstanding principal balance	\$ 216.0	\$ 268.2
Average outstanding principal balance	68.9	85.2
Warehouse Facility II		
Maximum outstanding principal balance	201.0	201.0
Average outstanding principal balance	42.8	20.4
Warehouse Facility IV		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—
Warehouse Facility V		
Maximum outstanding principal balance	—	50.0
Average outstanding principal balance	—	8.2
Warehouse Facility VI		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—
Warehouse Facility VII		
Maximum outstanding principal balance	—	100.0
Average outstanding principal balance	—	21.7
Warehouse Facility VIII		
Maximum outstanding principal balance	—	49.0
Average outstanding principal balance	—	7.6

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

(Dollars in millions)

	As of	
	March 31, 2021	December 31, 2020
Revolving Secured Line of Credit		
Principal balance outstanding	\$ —	\$ 95.9
Amount available for borrowing (1)	340.0	244.1
Interest rate	— %	2.02 %
Warehouse Facility II		
Principal balance outstanding	\$ —	\$ 75.0
Amount available for borrowing (1)	400.0	325.0
Loans pledged as collateral	—	91.8
Restricted cash and cash equivalents pledged as collateral	1.0	3.0
Interest rate	— %	1.90 %
Warehouse Facility IV		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	300.0	300.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	1.0	1.0
Interest rate	— %	— %
Warehouse Facility V		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	125.0	125.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	1.0	1.0
Interest rate	— %	— %
Warehouse Facility VI		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	75.0	75.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	—	—
Interest rate	— %	— %
Warehouse Facility VII		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	150.0	150.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	1.0	1.0
Interest rate	— %	— %
Warehouse Facility VIII		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	200.0	200.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	—	—
Interest rate	— %	— %
Term ABS 2017-3		
Principal balance outstanding	\$ —	\$ 70.9
Loans pledged as collateral	—	215.8
Restricted cash and cash equivalents pledged as collateral	—	23.2
Interest rate	— %	3.41 %

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

Term ABS 2018-1			
Principal balance outstanding	\$	122.7	\$ 196.4
Loans pledged as collateral		335.4	394.1
Restricted cash and cash equivalents pledged as collateral		46.7	36.2
Interest rate		3.70 %	3.61 %
Term ABS 2018-2			
Principal balance outstanding	\$	181.3	\$ 254.3
Loans pledged as collateral		355.8	410.0
Restricted cash and cash equivalents pledged as collateral		45.1	34.6
Interest rate		4.00 %	3.85 %
Term ABS 2018-3			
Principal balance outstanding	\$	224.2	\$ 296.1
Loans pledged as collateral		355.7	408.8
Restricted cash and cash equivalents pledged as collateral		42.1	32.9
Interest rate		3.85 %	3.78 %
Term ABS 2019-1			
Principal balance outstanding	\$	374.4	\$ 402.5
Loans pledged as collateral		451.6	482.3
Restricted cash and cash equivalents pledged as collateral		49.3	35.4
Interest rate		3.54 %	3.53 %
Term ABS 2019-2			
Principal balance outstanding	\$	500.0	\$ 500.0
Loans pledged as collateral		561.2	575.4
Restricted cash and cash equivalents pledged as collateral		58.1	41.2
Interest rate		3.13 %	3.13 %
Term ABS 2019-3			
Principal balance outstanding	\$	351.7	\$ 351.7
Loans pledged as collateral		408.4	420.9
Restricted cash and cash equivalents pledged as collateral		43.3	30.8
Interest rate		2.56 %	2.56 %
Term ABS 2020-1			
Principal balance outstanding	\$	500.0	\$ 500.0
Loans pledged as collateral		688.0	749.3
Restricted cash and cash equivalents pledged as collateral		64.7	48.8
Interest rate		2.18 %	2.18 %
Term ABS 2020-2			
Principal balance outstanding	\$	481.8	\$ 481.8
Loans pledged as collateral		596.7	606.6
Restricted cash and cash equivalents pledged as collateral		56.0	41.1
Interest rate		1.65 %	1.65 %
Term ABS 2020-3			
Principal balance outstanding	\$	600.0	\$ 600.0
Loans pledged as collateral		761.9	759.1
Restricted cash and cash equivalents pledged as collateral		66.1	49.3
Interest rate		1.44 %	1.44 %
Term ABS 2021-1			
Principal balance outstanding	\$	100.0	\$ —
Loans pledged as collateral		150.3	—

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

Restricted cash and cash equivalents pledged as collateral	10.0	—
Interest rate	2.09 %	— %
Term ABS 2021-2		
Principal balance outstanding	\$ 500.0	\$ —
Loans pledged as collateral	703.8	—
Restricted cash and cash equivalents pledged as collateral	52.6	—
Interest rate	1.12 %	— %
2024 Senior Notes		
Principal balance outstanding	\$ 400.0	\$ 400.0
Interest rate	5.125 %	5.125 %
2026 Senior Notes		
Principal balance outstanding	\$ 400.0	\$ 400.0
Interest rate	6.625 %	6.625 %
Mortgage Note		
Principal balance outstanding	\$ 10.3	\$ 10.5
Interest rate	1.62 %	1.65 %

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

Revolving Secured Line of Credit Facility

We have a \$340.0 million revolving secured line of credit facility with a commercial bank syndicate. The amount of the facility will decrease to \$305.0 million on June 22, 2022. 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 value of Loans, as defined in the agreement, 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 six Warehouse facilities with total borrowing capacity of \$1,250.0 million. Each of the facilities is with a different lender or group of lenders. 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 lenders 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 generally limited to the lesser of 80% of the value of the contributed Loans, as defined in the agreements, plus the restricted cash and cash equivalents pledged as collateral 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.

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

The subsidiaries pay us a monthly servicing fee equal to 6% (4% for Warehouse Facility II) of the collections received with respect to the contributed Loans. The servicing 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

We have wholly-owned subsidiaries (the “Funding LLCs”) that have completed secured financing transactions with qualified institutional investors or lenders. 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, other than those of Term ABS 2019-2 and 2021-1, contributed the Loans to the respective trusts that issued notes to qualified institutional investors. The Funding LLCs for the Term ABS 2019-2 and 2021-1 transactions pledged the Loans to the respective lenders. The Term ABS 2018-1, 2018-2, 2018-3, 2019-1, 2019-3, 2020-1, 2020-2, 2020-3 and 2021-2 transactions each consist of three classes of notes.

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

The financings create indebtedness for which the trusts or Funding LLCs are liable and which is secured by all the assets of each trust or Funding LLC. 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% (4% for Term ABS 2021-2) 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. For those Funding LLCs with a trust, when the 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. For all Funding LLCs, after the indebtedness is paid in full, any remaining collections will ultimately 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	Revolving Period
Term ABS 2018-1	February 22, 2018	\$ 625.1	Through February 17, 2020
Term ABS 2018-2	May 24, 2018	562.6	Through May 15, 2020
Term ABS 2018-3	August 23, 2018	500.1	Through August 17, 2020
Term ABS 2019-1	February 21, 2019	503.1	Through February 15, 2021
Term ABS 2019-2	August 28, 2019	625.1	Through August 15, 2022
Term ABS 2019-3	November 21, 2019	439.6	Through November 15, 2021
Term ABS 2020-1	February 20, 2020	625.1	Through February 15, 2022
Term ABS 2020-2	July 23, 2020	602.3	Through July 15, 2022
Term ABS 2020-3	October 22, 2020	750.1	Through October 17, 2022
Term ABS 2021-1	January 29, 2021	125.1	Through February 15, 2023
Term ABS 2021-2	February 18, 2021	625.1	Through February 15, 2023

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

Senior Notes

On December 18, 2019, we issued \$400.0 million aggregate principal amount of 5.125% senior notes due 2024 (the “2024 senior notes”). The 2024 senior notes were issued pursuant to an indenture, dated as of December 18, 2019, among the Company, as issuer, the Company’s subsidiaries Buyers Vehicle Protection Plan, Inc. and Vehicle Remarketing Services, Inc., as guarantors (collectively, the “Guarantors”), and U.S. Bank National Association, as trustee.

The 2024 senior notes mature on December 31, 2024 and bear interest at a rate of 5.125% per annum, computed on the basis of a 360-day year composed of twelve 30-day months and payable semi-annually on June 30 and December 31 of each year, beginning on June 30, 2020. We used a portion of the net proceeds from the 2024 senior notes to repurchase or redeem all of the \$300.0 million outstanding principal amount of our 6.125% senior notes due 2021 (the “2021 senior notes”), of which \$148.2 million was repurchased on December 18, 2019 and the remaining \$151.8 million was redeemed on January 17, 2020. We used the remaining net proceeds from the 2024 senior notes, together with borrowings under our revolving credit facility, to redeem in full the \$250.0 million outstanding principal amount of our 7.375% senior notes due 2023 (the “2023 senior notes”) on March 15, 2020. During the fourth quarter of 2019, we recognized a pre-tax loss on extinguishment of debt of \$1.8 million related to the repurchase of the 2021 senior notes in the fourth quarter of 2019 and the irrevocable notice given in December 2019 for the redemption of the remaining 2021 senior notes in the first quarter of 2020. During the first quarter of 2020, we recognized a pre-tax loss on extinguishment of debt of \$7.4 million related to the redemption of the 2023 senior notes.

On March 7, 2019, we issued \$400.0 million aggregate principal amount of 6.625% senior notes due 2026 (the “2026 senior notes”). The 2026 senior notes were issued pursuant to an indenture, dated as of March 7, 2019, among the Company, as issuer, the Guarantors and U.S. Bank National Association, as trustee.

The 2026 senior notes mature on March 15, 2026 and bear interest at a rate of 6.625% per annum, computed on the basis of a 360-day year composed of twelve 30-day months and payable semi-annually on March 15 and September 15 of each year, beginning on September 15, 2019. We used the net proceeds from the offering of the 2026 senior notes for general corporate purposes, including repayment of outstanding borrowings under our revolving secured line of credit facility.

The 2024 senior notes and 2026 senior notes (the “senior notes”) are guaranteed on a senior 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 in the future. The indentures for the senior notes provide for a guarantor of the senior notes to be released from its obligations under its guarantee of the senior notes under specified circumstances.

Mortgage Note

On August 6, 2018, we entered into a \$12.0 million mortgage note with a commercial bank that is secured by a first mortgage lien on a building acquired by us and an assignment of all leases, rents, revenues and profits under all present and future leases of the building. The note matures on August 6, 2023, and bears interest at LIBOR plus 150 basis points.

Debt Covenants

As of March 31, 2021, we were in compliance with our covenants under the revolving secured line of credit facility and our Warehouse facilities, including those that require the maintenance of certain financial ratios and other financial conditions. These covenants require a minimum ratio of (1) our net earnings, adjusted for specified items, before income taxes, depreciation, amortization and fixed charges to (2) our fixed charges, as defined in the agreements. These covenants also limit the maximum ratio of our funded debt less unrestricted cash and cash equivalents to tangible net worth. Additionally, we must maintain consolidated net income, as defined in the agreements, of not less than \$1 for the two most recently ended fiscal quarters. Some of these covenants may indirectly limit the repurchase of common stock or payment of dividends on common stock. Our Warehouse facilities also contain covenants that measure the performance of the contributed assets.

Our Term ABS financings also contain covenants that measure the performance of the contributed assets. As of March 31, 2021, 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 senior notes indentures.

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

10. DERIVATIVE AND HEDGING INSTRUMENTS

Interest Rate Caps. We utilize interest rate cap agreements to manage the interest rate risk on certain secured financings. The following tables provide the terms of our interest rate cap agreements that were in effect as of March 31, 2021 and December 31, 2020:

(Dollars in millions)

As of March 31, 2021						
Facility Amount	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)
\$ 400.0	Warehouse Facility II	Cap Floating Rate	12/2020	7/2022	\$ 205.0	5.50 %
300.0	Warehouse Facility IV	Cap Floating Rate	05/2017	04/2021	8.3	6.50 %
		Cap Floating Rate	05/2018	04/2021	12.5	6.50 %
		Cap Floating Rate	07/2019	07/2023	279.2	6.50 %
					300.0	
125.0	Warehouse Facility V	Cap Floating Rate	12/2020	01/2026	94.0	5.50 %
150.0	Warehouse Facility VII	Cap Floating Rate	12/2017	11/2021	50.0	5.50 %
		Cap Floating Rate	01/2020	12/2023	100.0	5.50 %
					150.0	
200.0	Warehouse Facility VIII	Cap Floating Rate	08/2019	08/2023	200.0	5.50 %
100.0	Term ABS 2021-1	Cap Floating Rate	02/2021	06/2024	100.0	5.50 %

(Dollars in millions)

As of December 31, 2020						
Facility Amount	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)
\$ 400.0	Warehouse Facility II	Cap Floating Rate	12/2020	7/2022	\$ 205.0	5.50 %
300.0	Warehouse Facility IV	Cap Floating Rate	05/2017	04/2021	33.3	6.50 %
		Cap Floating Rate	05/2018	04/2021	50.0	6.50 %
		Cap Floating Rate	07/2019	07/2023	216.7	6.50 %
					300.0	
125.0	Warehouse Facility V	Cap Floating Rate	12/2020	01/2026	94.0	5.50 %
150.0	Warehouse Facility VII	Cap Floating Rate	12/2017	11/2021	68.7	5.50 %
		Cap Floating Rate	01/2020	12/2023	81.3	5.50 %
					150.0	
200.0	Warehouse Facility VIII	Cap Floating Rate	08/2019	08/2023	200.0	5.50 %

(1) Rate excludes the spread over the corresponding LIBOR or commercial paper rate.

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

The interest rate caps have not been designated as hedging instruments. As of March 31, 2021 and December 31, 2020, the interest rate caps had a fair value of \$0.2 million and \$0.1 million, respectively, as the capped rates were significantly above market rates.

11. INCOME TAXES

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

	For the Three Months Ended March 31,	
	2021	2020
U.S. federal statutory income tax rate	21.0 %	21.0 %
State income taxes	2.8 %	2.7 %
Excess tax benefits from stock-based compensation plans	-0.4 %	2.3 %
Other	0.1 %	-0.3 %
Effective income tax rate	23.5 %	25.7 %

Excess tax benefits from stock-based compensation plans

During the first quarter of each year, we receive a tax benefit upon the vesting of restricted stock and the conversion of restricted stock units to common stock based on the fair value of the shares. The amount by which this tax benefit exceeds the grant-date fair value that was recognized as stock-based compensation expense is referred to as an excess tax benefit. Excess tax benefits are recognized in provision (benefit) for income taxes and reduce (increase) our effective income tax rate. The impact of excess tax benefits on our effective income tax rate decreased in magnitude from 2020 to 2021 primarily due to a decrease in the number of restricted stock units that were converted to common stock during the first quarter of 2021 due to the timing of long-term stock award grants.

Other

Other items impacting our effective income tax rate primarily consist of non-deductible executive compensation expenses. The impact on our effective income tax rate decreased in magnitude from 2020 to 2021 primarily due to the increase in pre-tax income.

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

12. 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 March 31,	
	2021	2020
Weighted average shares outstanding:		
Common shares	16,736,086	17,883,535
Vested restricted stock units	324,858	301,930
Basic number of weighted average shares outstanding	17,060,944	18,185,465
Dilutive effect of restricted stock and restricted stock units	38,114	—
Dilutive number of weighted average shares outstanding	17,099,058	18,185,465

For the three months ended March 31, 2021, there were no shares of restricted stock and restricted stock units that were not included in the computation of diluted net income per share because their inclusion would have been anti-dilutive. For the three months ended March 31, 2020, there were 73,655 shares of restricted stock and restricted stock units that were not included in the computation of diluted net income per share because their inclusion would have been anti-dilutive.

13. STOCK REPURCHASES

The following table summarizes our stock repurchases for the three months ended March 31, 2021 and 2020:

(Dollars in millions)

Stock Repurchases	For the Three Months Ended March 31,			
	2021		2020	
	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost
Open Market (1)	386,342	\$ 132.5	710,157	\$ 300.6
Other (2)	7,066	2.7	15,063	6.5
Total	393,408	\$ 135.2	725,220	\$ 307.1

- (1) Represents repurchases under authorizations by the board of directors for the repurchase of shares by us from time to time in the open market or in privately negotiated transactions. On March 5, 2020, the board of directors authorized the repurchase of up to three million shares of our common stock in addition to the board's prior authorizations. As of March 31, 2021, we had authorization to repurchase 2,116,268 shares of our common stock.
- (2) Represents shares of common stock released to us by team members as payment of tax withholdings upon the vesting of restricted stock and restricted stock units and the conversion of restricted stock units to common stock.

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

14. STOCK-BASED COMPENSATION PLANS

Stock-based compensation expense consists of the following:

(In millions)

	For the Three Months Ended March 31,	
	2021	2020
Restricted stock	\$ 0.4	\$ 0.6
Restricted stock units	0.7	1.2
Total	\$ 1.1	\$ 1.8

Stock option grant subject to shareholder approval

On December 30, 2020, we granted 622,000 time-based stock options to team members, which are subject to shareholder approval of an amendment to our Incentive Plan at the next Annual Meeting of Shareholders (“Shareholder Approval”). The exercise price of the options is \$333.94, which is equal to the closing market price of our common stock on the day prior to the date of the grant. Based on the terms of individual stock option grant agreements, the stock options:

- vest and become exercisable in four equal annual installments beginning on December 30, 2021, which is the first anniversary of the date on which the options were granted, based on continuous employment and
- expire six years from the date of the grant.

Under GAAP, if a stock award is subject to shareholder approval, it is not considered granted for accounting purposes until that approval is received. If Shareholder Approval is received, we will measure the grant date fair value of the December 30, 2020 stock options on the Shareholder Approval date and recognize stock-based compensation expense over the requisite service period, which would begin on the Shareholder Approval date. No stock-based compensation expense was recognized for stock options for the three months ended March 31, 2021.

15. COMMITMENTS AND CONTINGENCIES

Litigation and Other Legal Matters

In the normal course of business and as a result of the consumer-oriented nature of the industry in which we operate, we and other industry participants are frequently subject to various consumer claims, litigation and regulatory investigations seeking damages, fines and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth-in-lending, credit availability, credit reporting, consumer protection, warranty, debt collection, insurance and other consumer-oriented laws and regulations, including claims seeking damages for alleged physical and mental harm relating to the repossession and sale of consumers' vehicles 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 consumers 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. We may also have disputes and litigation with vendors and other third parties. The claims may allege, among other theories of liability, that we breached a license agreement or contract. The damages, fines and penalties that may be claimed by consumers, regulatory agencies, Dealers, vendors or other third parties in these types of matters can be substantial. The relief requested by plaintiffs varies but may include requests for compensatory, statutory and punitive damages and injunctive relief, and plaintiffs may seek treatment as purported class actions. 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, 2020.

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

On October 2, 2020, a shareholder filed a putative class action complaint against the Company, its Chief Executive Officer and its Chief Financial Officer in the United States District Court for the Eastern District of Michigan, Southern Division, alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5, promulgated thereunder, based on alleged false and/or misleading statements or omissions regarding the Company and its business, and seeking class certification, unspecified damages plus interest and attorney and expert witness fees and other costs on behalf of a purported class consisting of all persons and entities (subject to specified exceptions) that purchased or otherwise acquired Credit Acceptance common stock from November 1, 2019 through August 28, 2020. We cannot predict the duration or outcome of this lawsuit at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from this lawsuit. The Company intends to vigorously defend itself in this matter.

On May 7, 2019, we received a subpoena from the Consumer Frauds and Protection Bureau of the Office of the New York State Attorney General, relating to the Company's origination and collection policies and procedures in the state of New York. On July 30, 2020, we received two additional subpoenas from the Office of the New York State Attorney General, both from the Consumer Frauds and Protection Bureau and the Investor Protection Bureau, relating to the Company's origination and collection policies and procedures in the state of New York and its securitizations. On August 28, 2020, we were informed that one of the two additional subpoenas was being withdrawn. On November 16, 2020, we received an additional subpoena for documents from the Office of the New York State Attorney General. On November 19, 2020, the Company received a letter from the Office of the New York State Attorney General stating that the New York State Attorney General is considering bringing claims against the Company under the Dodd-Frank Wall Street Reform and Consumer Protection Act, New York Executive Law § 63(12), the New York Martin Act and New York General Business Law § 349 in connection with the Company's origination and securitization practices. On December 9, 2020, we responded to the New York State Attorney General's letter disputing the assertions contained therein. On December 21, 2020, we received two additional subpoenas from the Office of the New York State Attorney General, one relating to data and the other seeking testimony. On February 24, 2021, we received another subpoena from the Office of the New York State Attorney General seeking information relating to its investigation. We are cooperating with the inquiry and cannot predict the eventual scope, duration or outcome at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from this investigation.

On April 22, 2019, we received a civil investigative demand from the Bureau of Consumer Financial Protection (the "Bureau") seeking, among other things, certain information relating to the Company's origination and collection of Consumer Loans, TPPs and credit reporting. On May 7, 2020, we received another civil investigative demand from the Bureau seeking additional information relating to its investigation. The Company raised various objections to the May 7, 2020 civil investigative demand, and on May 26, 2020, we were notified that it was withdrawn. On June 1, 2020, we received another civil investigative demand that was similar to the May 7, 2020 demand, and which raised many of the same objections. We formally petitioned the Bureau to modify the June 1, 2020 civil investigative demand. On September 3, 2020, the Director of the Bureau denied our petition to modify the June 1, 2020 civil investigative demand. On December 23, 2020, we received a civil investigative demand for investigational hearings in connection with the Bureau's investigation. The Company objected to certain portions of the civil investigative demands for hearings and, on January 19, 2021, the Bureau notified the Company that it had withdrawn such portions from the December 23, 2020 civil investigative demands. On March 11, 2021, we received another civil investigative demand from the Bureau seeking additional information relating to its investigation and an investigational hearing. We continue to cooperate with the investigation, but cannot predict the eventual scope, duration, or outcome at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from this investigation.

On August 14, 2017, we received a subpoena from the Attorney General of the State of Mississippi, relating to the origination and collection of non-prime auto loans in the state of Mississippi. The Company cooperated with the inquiry. On April 23, 2019, the Attorney General of the State of Mississippi, on behalf of the State of Mississippi, filed a complaint in the Chancery Court of the First Judicial District of Hinds County, Mississippi, alleging that the Company engaged in unfair and deceptive trade practices in subprime auto lending, loan servicing, vehicle repossession and debt collection in the State of Mississippi in violation of the Mississippi Consumer Protection Act. The complaint seeks injunctive relief, including civil penalties and disgorgement, and payment of the State's attorney's fees and costs. We cannot predict the duration or outcome of this lawsuit at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from this lawsuit. The Company intends to vigorously defend itself in this matter.

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

On March 18, 2016, we received a subpoena from the Attorney General of the State of Maryland, relating to the Company's repossession and sale policies and procedures in the state of Maryland. On April 3, 2020, we received a subpoena from the Attorney General of the State of Maryland relating to the Company's origination and collection policies and procedures in the state of Maryland. On August 11, 2020, we received a subpoena from the Attorney General of the State of Maryland restating most of the requests contained in the March 18, 2016 and April 3, 2020 subpoenas, making additional requests, and expanding the inquiry to include 40 other states (Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, and Wisconsin) and the District of Columbia. Also on August 11, 2020, we received from the Attorney General of the State of New Jersey a subpoena that is essentially identical to the August 11, 2020 Maryland subpoena, both as to substance and as to the jurisdictions identified. We are cooperating with these inquiries and cannot predict the eventual scope, duration or outcome at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from these investigations.

On December 9, 2014, we received a civil investigative subpoena from the U.S. Department of Justice pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 directing us to produce certain information relating to subprime automotive finance and related securitization activities. We have cooperated with the inquiry, but cannot predict the eventual scope, duration or outcome at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from this investigation.

On December 4, 2014, we received a civil investigative demand from the Office of the Attorney General of the Commonwealth of Massachusetts relating to the origination and collection of non-prime auto loans in Massachusetts. On November 20, 2017 we received a second civil investigative demand from the Office of the Attorney General seeking updated information on its original civil investigative demand, additional information related to the Company's origination and collection of Consumer Loans, and information regarding securitization activities. In connection with this inquiry, we were informed by representatives of the Office of the Attorney General that it believes that the Company may have engaged in unfair and deceptive acts or practices related to the origination and collection of auto loans, which may have caused some of the Company's representations and warranties contained in securitization documents to be inaccurate. On July 22, 2020, we received a third civil investigative demand from the Office of the Attorney General seeking updates on previously produced data and additional information related to the Company's origination of Consumer Loans. On August 30, 2020, we were served with a complaint, filed by the Attorney General in Massachusetts Superior Court in Suffolk County, alleging that the Company engaged in unfair and deceptive trade practices in subprime auto lending, debt collection and asset-backed securitizations in the Commonwealth of Massachusetts, in violation of the Massachusetts Consumer Protection Law, M.G.L. c. 93A. The complaint seeks injunctive relief, restitution, disgorgement, civil penalties and payment of the Commonwealth's attorney's fees and costs. On March 15, 2021, the court entered an order denying a motion by the Company to dismiss four of the Commonwealth's seven claims and granting in part and denying in part a motion by the Commonwealth for partial summary judgment on three of its claims. On April 27, 2021, the Company and the Commonwealth reached an agreement in principle to settle this lawsuit, and, as a result, we have estimated a probable loss of \$27.2 million, all of which was recognized as a contingent loss during the first quarter of 2021.

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 2020 Annual Report on Form 10-K, as well as Part I - Item 1 - Financial Statements, of this Form 10-Q, which is incorporated herein by reference.

Overview

We offer financing programs that enable automobile dealers 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 financing programs, but who actually end up qualifying for traditional financing.

For the three months ended March 31, 2021, consolidated net income was \$202.1 million, or \$11.82 per diluted share, compared to a consolidated net loss of \$83.8 million, or \$4.61 per diluted share, for the same period in 2020. The increase in consolidated net income for the three months ended March 31, 2021 was primarily due to a decrease in provision for credit losses of \$333.4 million. Results for the quarter ended March 31, 2020 included provision for credit losses of \$354.7 million, of which \$196.8 million related to a reduction in forecasted future net cash flows from our Loan portfolio, primarily related to the estimated impact of COVID-19, and \$157.9 million related to new Consumer Loan assignments. Results for the quarter ended March 31, 2021 included provision for credit losses of \$21.3 million, of which a reversal of \$110.5 million related to an increase in forecasted future net cash flows from our Loan portfolio, related to an improvement in Consumer Loan performance, and \$131.8 million related to new Consumer Loan assignments.

COVID-19 continues to be widespread in the United States. In an effort to contain the virus, authorities have implemented various measures, including travel bans, stay-at-home orders and shutdowns of non-essential businesses. In the early stages of the pandemic, these measures caused a significant decline in economic activity and a dramatic increase in unemployment. While the prevalence, severity and impact of such restrictions have lessened and unemployment rates have improved significantly, uncertainty remains as to when economic conditions will return to normalcy and whether further restrictions may be required. Starting in mid-March 2020, we experienced a substantial reduction in demand for our product and a significant decline in cash flows from our Loan portfolio that lasted through mid-April 2020, after which collections and new loan volumes improved significantly. Starting in late July 2020 and continuing through February 2021, we experienced another substantial reduction in demand for our product. Starting in March 2021, demand for our product improved again as additional federal stimulus payments were distributed. As the virus is not yet fully contained and the rollout of the COVID-19 vaccines in the United States is ongoing, the ultimate impact of the pandemic on our business is not yet known. The impact will depend on future developments, including, but not limited to, the duration of the pandemic, its severity, the actions to contain the disease or mitigate its impact, additional federal stimulus measures and enhanced unemployment benefits, if any, and the duration, timing and severity of the impact on consumer behavior and economic activity.

Critical Success Factors

Critical success factors include our ability to accurately forecast Consumer Loan performance, access capital on acceptable terms, 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 non-GAAP financial measure 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.

Consumer Loan Metrics

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 maximize economic profit.

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 March 31, 2021 with the forecasts as of December 31, 2020 and at the time of assignment, segmented by year of assignment:

Consumer Loan Assignment Year	Forecasted Collection Percentage as of (1)			Current Forecast Variance from	
	March 31, 2021	December 31, 2020	Initial Forecast	December 31, 2020	Initial Forecast
2012	73.8 %	73.8 %	71.4 %	0.0 %	2.4 %
2013	73.4 %	73.4 %	72.0 %	0.0 %	1.4 %
2014	71.6 %	71.6 %	71.8 %	0.0 %	-0.2 %
2015	65.2 %	65.2 %	67.7 %	0.0 %	-2.5 %
2016	63.6 %	63.6 %	65.4 %	0.0 %	-1.8 %
2017	64.2 %	64.1 %	64.0 %	0.1 %	0.2 %
2018	64.3 %	64.0 %	63.6 %	0.3 %	0.7 %
2019	65.1 %	64.4 %	64.0 %	0.7 %	1.1 %
2020	66.1 %	64.8 %	63.4 %	1.3 %	2.7 %
2021	64.8 %	—	64.9 %	—	-0.1 %

- (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. Forecasted collection rates are negatively impacted by canceled Consumer Loans as the contractual amount owed is not removed from the denominator for purposes of computing forecasted collection rates in the table.

Consumer Loans assigned in 2012, 2013, 2019 and 2020 have yielded forecasted collection results materially better than our initial estimates, while Consumer Loans assigned in 2015 and 2016 have yielded forecasted collection results materially worse than our initial estimates. For all other assignment years presented, actual results have been close to our initial estimates. For the three months ended March 31, 2021, forecasted collection rates improved for Consumer Loans assigned in 2018 through 2020 and were generally consistent with expectations at the start of the period for all other assignment years presented.

The changes in forecasted collection rates for the three months ended March 31, 2021 and 2020 impacted forecasted net cash flows (forecasted collections less forecasted Dealer Holdback payments) as follows:

(In millions)	Increase (Decrease) in Forecasted Net Cash Flows	For the Three Months Ended March 31,	
		2021	2020
Dealer Loans		\$ 26.7	\$ (75.9)
Purchased Loans		80.7	(130.6)
Total		\$ 107.4	\$ (206.5)

During the first quarter of 2020, we reduced our estimate of future net cash flows from our Loan portfolio by \$206.5 million, or 2.3% of the forecasted net cash flows at the start of the period, primarily due to the impact of the COVID-19 pandemic. The reduction was comprised of: (1) \$44.3 million calculated by our forecasting model, which reflected lower realized collections during the first quarter of 2020 and (2) an additional \$162.2 million, which represented our best estimate of the future impact of the COVID-19 pandemic on future net cash flows. Under the GAAP methodology that we employ (known as CECL), changes in the amount and timing of forecasted net cash flows are recorded as a provision for credit losses in the current period. While the adjustment to our forecast, which we continued to apply through the first quarter of 2021, represents our best estimate at this time, the COVID-19 pandemic has created conditions that increase the level of uncertainty associated with our estimate of the amount and timing of future net cash flows from our Loan portfolio.

The following table summarizes changes in realized collections in each of the last five quarters as compared to the same period in the previous year:

Three Months Ended	Year over Year Percent Change	
	Front End Collections (1)	Total Collections
March 31, 2020	8.8 %	9.1 %
June 30, 2020	11.4 %	6.5 %
September 30, 2020	15.6 %	11.3 %
December 31, 2020	12.4 %	9.9 %
March 31, 2021	22.7 %	19.0 %

(1) Represents collections realized on Consumer Loans that are either current or in the early stages of delinquency.

Starting in mid-March 2020, we experienced a reduction in realized collections at the same time government authorities began to implement restrictions that limited economic activity. The reduction in front end collections reflected a lower volume of payments from customers while the reduction in total collections also included lower realized collections from repossessions, which were temporarily suspended as the COVID-19 crisis began to unfold. Starting in mid-April 2020, front end collections improved as federal stimulus and enhanced unemployment benefit payments were distributed. Starting in August 2020 and continuing through the end of 2020, the improvement in front end collections declined as federal stimulus and enhanced unemployment benefit payments lapsed, and unemployment rates, while improved, remained above pre-pandemic levels. For the quarter ended March 31, 2021, front end collections and total collections improved as additional federal stimulus payments were distributed. Front end collections and total collections for the 28-day period ended April 28, 2021, increased 28.5% and 36.2%, respectively, compared to the same period in 2020.

The following table presents information on the average Consumer Loan assignment for each of the last 10 years:

Consumer Loan Assignment Year	Average		Initial Loan Term (in months)
	Consumer Loan (1)	Advance (2)	
2012	15,468	7,165	47
2013	15,445	7,344	47
2014	15,692	7,492	47
2015	16,354	7,272	50
2016	18,218	7,976	53
2017	20,230	8,746	55
2018	22,158	9,635	57
2019	23,139	10,174	57
2020	24,262	10,656	59
2021	24,601	11,015	60

(1) Represents the repayments that we were contractually owed on Consumer Loans at the time of assignment, which include both principal and interest.

(2) 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.

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 initially 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 March 31, 2021. 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 March 31, 2021			
	Forecasted Collection %	Advance % (1)	Spread %	% of Forecast Realized (2)
2012	73.8 %	46.3 %	27.5 %	99.7 %
2013	73.4 %	47.6 %	25.8 %	99.5 %
2014	71.6 %	47.7 %	23.9 %	99.1 %
2015	65.2 %	44.5 %	20.7 %	98.1 %
2016	63.6 %	43.8 %	19.8 %	95.1 %
2017	64.2 %	43.2 %	21.0 %	87.3 %
2018	64.3 %	43.5 %	20.8 %	72.5 %
2019	65.1 %	44.0 %	21.1 %	51.4 %
2020	66.1 %	43.9 %	22.2 %	24.0 %
2021	64.8 %	44.8 %	20.0 %	2.6 %

(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 2016 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 has ranged from 19.8% to 27.5% over the last 10 years. The spread was at the high end of this range in 2012, when the competitive environment was unusually favorable, and much lower during other years (2015 through 2021) when competition was more intense. The decrease in the spread from 2020 to 2021 was primarily the result of the performance of 2020 Consumer Loans, which has exceeded our initial estimates,

partially offset by a higher initial spread on 2021 Consumer Loans, primarily due to a higher initial forecast on 2021 Consumer Loans.

The following table compares our forecast of Consumer Loan collection rates as of March 31, 2021 with the forecasts at the time of assignment, for Dealer Loans and Purchased Loans separately:

Consumer Loan Assignment Year	Dealer Loans			Purchased Loans		
	Forecasted Collection Percentage as of (1)			Forecasted Collection Percentage as of (1)		
	March 31, 2021	Initial Forecast	Variance	March 31, 2021	Initial Forecast	Variance
2012	73.6 %	71.3 %	2.3 %	75.9 %	71.4 %	4.5 %
2013	73.3 %	72.1 %	1.2 %	74.3 %	71.6 %	2.7 %
2014	71.5 %	71.9 %	-0.4 %	72.5 %	70.9 %	1.6 %
2015	64.5 %	67.5 %	-3.0 %	68.9 %	68.5 %	0.4 %
2016	62.9 %	65.1 %	-2.2 %	65.8 %	66.5 %	-0.7 %
2017	63.5 %	63.8 %	-0.3 %	65.7 %	64.6 %	1.1 %
2018	63.8 %	63.6 %	0.2 %	65.4 %	63.5 %	1.9 %
2019	64.7 %	63.9 %	0.8 %	65.8 %	64.2 %	1.6 %
2020	65.7 %	63.3 %	2.4 %	66.8 %	63.6 %	3.2 %
2021	64.7 %	64.8 %	-0.1 %	65.0 %	65.0 %	0.0 %

- (1) The forecasted collection rates presented for Dealer Loans and Purchased Loans reflect the Consumer Loan classification at the time of assignment. The forecasted collection rates represent 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. Forecasted collection rates are negatively impacted by canceled Consumer Loans as the contractual amount owed is not removed from the denominator for purposes of computing forecasted collection rates in the table.

The following table presents forecasted Consumer Loan collection rates, advance rates, and the spread (the forecasted collection rate less the advance rate) as of March 31, 2021 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	Dealer Loans			Purchased Loans		
	Forecasted Collection % (1)	Advance % (1)(2)	Spread %	Forecasted Collection % (1)	Advance % (1)(2)	Spread %
2012	73.6 %	46.0 %	27.6 %	75.9 %	50.0 %	25.9 %
2013	73.3 %	47.2 %	26.1 %	74.3 %	51.5 %	22.8 %
2014	71.5 %	47.2 %	24.3 %	72.5 %	51.8 %	20.7 %
2015	64.5 %	43.4 %	21.1 %	68.9 %	50.2 %	18.7 %
2016	62.9 %	42.1 %	20.8 %	65.8 %	48.6 %	17.2 %
2017	63.5 %	42.1 %	21.4 %	65.7 %	45.8 %	19.9 %
2018	63.8 %	42.7 %	21.1 %	65.4 %	45.2 %	20.2 %
2019	64.7 %	43.1 %	21.6 %	65.8 %	45.6 %	20.2 %
2020	65.7 %	43.0 %	22.7 %	66.8 %	45.5 %	21.3 %
2021	64.7 %	43.9 %	20.8 %	65.0 %	46.3 %	18.7 %

- (1) The forecasted collection rates and advance rates presented for Dealer Loans and Purchased Loans reflect the Consumer Loan classification at the time of assignment.
(2) 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.

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.

The spread on Dealer Loans decreased from 22.7% in 2020 to 20.8% in 2021 primarily as a result of the performance of the 2020 Consumer Loans in our Dealer Loan portfolio, which has exceeded our initial estimates, partially offset by a higher initial spread on 2021 Consumer Loans in our Dealer Loan portfolio, primarily due to a higher initial forecast on 2021 Consumer Loans in our Dealer Loan portfolio. The spread on Purchased Loans decreased from 21.3% in 2020 to 18.7% in 2021 primarily as a result of the performance of the 2020 Consumer Loans in our Purchased Loan portfolio, which has exceeded our initial estimates, partially offset by a higher initial spread on 2021 Consumer Loans in our Purchased Loan portfolio, primarily due to a higher initial forecast on 2021 Consumer Loans in our Purchased Loan portfolio.

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 was 2.0 to 1 as of March 31, 2021. 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 Volume

The following table summarizes changes in Consumer Loan assignment volume in each of the last five 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, 2020	-10.1 %	-4.5 %
June 30, 2020	5.7 %	5.2 %
September 30, 2020	-8.8 %	-4.7 %
December 31, 2020	-18.1 %	-10.8 %
March 31, 2021	-7.5 %	-2.2 %

- (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 financing programs, (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 declined 7.5% and 2.2%, respectively, during the first quarter of 2021 as the number of active Dealers declined 7.3% while average unit volume per active Dealer remained flat. Dollar volume declined less than unit volume during the first quarter of 2021 due to an increase in the average advance paid per unit. This increase was the result of an increase in the average size of the Consumer Loans assigned, primarily due to increases in the average vehicle selling price and average initial loan term.

Starting in mid-March 2020, we experienced a significant decline in unit volume that we believe was primarily due to the impact of COVID-19, which resulted in many Dealers temporarily closing or restricting their operations and a deterioration in consumer demand for Dealers that remained open. During the latter part of April 2020 and continuing into July 2020, unit volumes improved. We believe the improvement resulted from a combination of Dealers gradually reopening their operations and the distribution of federal stimulus and enhanced unemployment benefit payments. Starting in late July 2020 and continuing through February 2021, we experienced another significant decline in unit volume as federal stimulus and enhanced unemployment benefit payments lapsed, dealer inventories declined and used vehicle prices increased. Starting in March 2021, unit volumes improved again as additional federal stimulus payments were distributed. Unit volume for the 28-day period ended April 28, 2021, grew 25.2% and declined 7.0% compared to the same periods in 2020 and 2019, respectively.

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

	For the Three Months Ended March 31,		
	2021	2020	% Change
Consumer Loan unit volume	93,874	101,477	-7.5 %
Active Dealers (1)	9,129	9,843	-7.3 %
Average volume per active Dealer	10.3	10.3	0.0 %
Consumer Loan unit volume from Dealers active both periods	80,048	86,096	-7.0 %
Dealers active both periods	6,711	6,711	—
Average volume per Dealer active both periods	11.9	12.8	-7.0 %
Consumer Loan unit volume from Dealers <u>not</u> active both periods	13,826	15,381	-10.1 %
Dealers <u>not</u> active both periods	2,418	3,132	-22.8 %
Average volume per Dealer <u>not</u> active both periods	5.7	4.9	16.3 %

(1) Active Dealers are Dealers who have received funding for at least one Consumer 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 March 31,		
	2021	2020	% Change
Consumer Loan unit volume from new active Dealers	3,039	4,644	-34.6 %
New active Dealers (1)	706	902	-21.7 %
Average volume per new active Dealer	4.3	5.1	-15.7 %
Attrition (2)	-15.2 %	-14.3 %	

(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.

The following table shows the percentage of Consumer Loans assigned to us as Dealer Loans and Purchased Loans for each of the last five quarters:

Three Months Ended	Unit Volume		Dollar Volume (1)	
	Dealer Loans	Purchased Loans	Dealer Loans	Purchased Loans
March 31, 2020	64.9 %	35.1 %	60.5 %	39.5 %
June 30, 2020	62.5 %	37.5 %	59.1 %	40.9 %
September 30, 2020	64.1 %	35.9 %	60.9 %	39.1 %
December 31, 2020	65.3 %	34.7 %	62.7 %	37.3 %
March 31, 2021	65.4 %	34.6 %	62.7 %	37.3 %

(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.

As of March 31, 2021 and December 31, 2020, the net Dealer Loans receivable balance was 61.2% and 61.4%, respectively, of the total net Loans receivable balance.

Results of Operations

The net Loan income (finance charge revenue less provision for credit losses expense) that we recognize over the life of a Loan equals the cash we collect from the underlying Consumer Loan less the cash we pay to the Dealer. We believe the economics of our business are best exhibited by recognizing net Loan income on a level-yield basis over the life of the Loan based on expected future net cash flows. We do not believe the GAAP methodology we employ (known as CECL) provides sufficient transparency into the economics of our business due to its asymmetry requiring us to recognize a significant provision for credit losses expense at the time of assignment for contractual net cash flows we never expect to realize and to recognize in subsequent periods finance charge revenue that is significantly in excess of our expected yields. For additional information, see Note 3 and Note 6 to the consolidated financial statements contained in Part I - Item 1 of this Form 10-Q, which is incorporated herein by reference.

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

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

	For the Three Months Ended March 31,			
	2021	2020	\$ Change	% Change
Revenue:				
Finance charges	\$ 424.9	\$ 361.9	\$ 63.0	17.4 %
Premiums earned	14.4	12.9	1.5	11.6 %
Other income	11.7	14.3	(2.6)	-18.2 %
Total revenue	451.0	389.1	61.9	15.9 %
Costs and expenses:				
Salaries and wages (1)	49.3	45.0	4.3	9.6 %
General and administrative (1)	46.1	15.0	31.1	207.3 %
Sales and marketing (1)	17.2	19.1	(1.9)	-9.9 %
Provision for credit losses	21.3	354.7	(333.4)	-94.0 %
Interest	43.8	51.9	(8.1)	-15.6 %
Provision for claims	9.0	8.8	0.2	2.3 %
Loss on extinguishment of debt	—	7.4	(7.4)	-100.0 %
Total costs and expenses	186.7	501.9	(315.2)	-62.8 %
Income (loss) before provision for income taxes	264.3	(112.8)	377.1	334.3 %
Provision (benefit) for income taxes	62.2	(29.0)	91.2	314.5 %
Net income (loss)	\$ 202.1	\$ (83.8)	\$ 285.9	341.2 %
Net income (loss) per share:				
Basic	\$ 11.85	\$ (4.61)	\$ 16.46	357.0 %
Diluted	\$ 11.82	\$ (4.61)	\$ 16.43	356.4 %
Weighted average shares outstanding:				
Basic	17,060,944	18,185,465	(1,124,521)	-6.2 %
Diluted	17,099,058	18,185,465	(1,086,407)	-6.0 %
(1) Operating expenses	\$ 112.6	\$ 79.1	\$ 33.5	42.4 %

Finance Charges. The increase of \$63.0 million, or 17.4%, was primarily the result of an increase in the average yield on our Loan portfolio, as follows:

(Dollars in millions)

	For the Three Months Ended March 31,		
	2021	2020	Change
Average net Loans receivable balance	\$ 6,784.2	\$ 6,682.9	\$ 101.3
Average yield on our Loan portfolio	25.1 %	21.7 %	3.4 %

The following table summarizes the impact each component had on the overall increase in finance charges for the three months ended March 31, 2021:

(In millions)

	Year over Year Change For the Three Months Ended March 31, 2021
Impact on finance charges:	
Due to an increase in the average yield	\$ 57.5
Due to an increase in the average net Loans receivable balance	5.5
Total increase in finance charges	\$ 63.0

The average yield on our Loan portfolio for the three months ended March 31, 2021 increased as compared to the same period in 2020 primarily due to the adoption of CECL on January 1, 2020, which requires us to recognize finance charges on new Consumer Loan assignments using effective interest rates based on contractual future net cash flows, which are significantly in excess of our expected yields.

Operating Expenses. The increase of \$33.5 million, or 42.4%, was primarily due to:

- An increase in general and administrative expense of \$31.1 million, or 207.3%, primarily due to an increase in legal expenses, which included the recognition of a \$27.2 million contingent loss during the first quarter of 2021 related to the Company and the Commonwealth of Massachusetts reaching an agreement in principle to settle pending litigation.
- An increase in salaries and wages expense of \$4.3 million, or 9.6%, primarily related to our information technology department.

Provision for Credit Losses. The decrease of \$333.4 million, or 94.0%, was primarily due to a decrease in provision for credit losses on forecast changes.

We recognize provision for credit losses on new Consumer Loan assignments for contractual net cash flows that are not expected to be realized at the time of assignment. We also recognize provision for credit losses on forecast changes in the amount and timing of expected future net cash flows subsequent to assignment. The following table summarizes the provision for credit losses for each of these components:

(In millions)

Provision for Credit Losses	For the Three Months Ended March 31,		
	2021	2020	Change
New Consumer Loan assignments	\$ 131.8	\$ 157.9	\$ (26.1)
Forecast changes	(110.5)	196.8	(307.3)
Total	\$ 21.3	\$ 354.7	\$ (333.4)

The decrease in provision for credit losses related to new Consumer Loan assignments was primarily due to a 7.5% decrease in Consumer Loan assignment volume and a decrease in the average provision for credit losses per Consumer Loan assignment primarily due to a higher initial forecast on 2021 Consumer Loan assignments.

The decrease in provision for credit losses related to forecast changes was primarily due to an improvement in Consumer Loan performance. During the first quarter of 2020, we reduced our estimate of future net cash flows from our Loan portfolio by \$206.5 million to reflect the estimated long-term impact of COVID-19 on Consumer Loan performance. During the first quarter of 2021, we increased our estimate of future net cash flows by \$107.4 million to reflect an improvement in Consumer Loan performance during the period.

For additional information, see Note 3 and Note 6 to the consolidated financial statements contained in Part I - Item 1 of this Form 10-Q, which is incorporated herein by reference.

Interest. The decrease of \$8.1 million, or 15.6%, was primarily due to a decrease in our average cost of debt, partially offset by an increase in our average outstanding debt principal balance, as follows:

(Dollars in millions)

	For the Three Months Ended March 31,		
	2021	2020	Change
Interest expense	\$ 43.8	\$ 51.9	\$ (8.1)
Average outstanding debt principal balance (1)	4,730.7	4,625.7	105.0
Average cost of debt	3.7 %	4.5 %	-0.8 %

(1) Includes the unamortized debt discount and excludes deferred debt issuance costs.

The decrease in our average cost of debt was primarily the result of a change in the mix of our outstanding debt. The increase in the average outstanding debt principal balance was primarily due to borrowings used to fund the growth in our Loan portfolio and stock repurchases.

Loss on Extinguishment of Debt. For the three months ended March 31, 2020, we recognized a loss on extinguishment of debt of \$7.4 million related to the redemption of the 2023 senior notes in March 2020.

Provision for Income Taxes. For the three months ended March 31, 2021, the effective income tax rate decreased to 23.5% from 25.7% for the three months ended March 31, 2020. The decrease was primarily due to the impact of tax benefits related to our stock-based compensation plan. For additional information, see Note 11 to the consolidated financial statements contained in Part I - Item 1 of this Form 10-Q, which is incorporated herein by reference.

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 covenants to which we are subject under each financing arrangement and we were in compliance with those covenants as of March 31, 2021. For information regarding these financings and the covenants included in the related documents, see Note 9 to the consolidated financial statements contained in Part I - Item 1 of this Form 10-Q, which is incorporated herein by reference.

On January 29, 2021, we completed a \$100.0 million Term ABS financing, which was used to repay outstanding indebtedness. The financing will revolve for 24 months, after which it will amortize based upon the cash flows on the contributed Loans.

On January 29, 2021, we extended the date on which our \$300.0 million Warehouse Facility IV will cease to revolve from July 26, 2022 to November 17, 2023. The interest rate on borrowings under the facility has been increased from LIBOR plus 200 basis points to LIBOR plus 210 basis points.

On February 3, 2021, we extended the date on which our \$400.0 million Warehouse Facility II will cease to revolve from July 12, 2022 to April 30, 2024.

On February 18, 2021, we completed a \$500.0 million Term ABS financing, which was used to repay outstanding indebtedness. The financing has an expected annualized cost of approximately 1.4% (including the initial purchasers' 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.

Cash and cash equivalents as of March 31, 2021 and December 31, 2020 was \$45.7 million and \$16.0 million, respectively. As of March 31, 2021 and December 31, 2020, we had \$1,590.0 million and \$1,419.1 million, respectively, in unused and available lines of credit. Our total balance sheet indebtedness increased \$107.4 million to \$4,716.0 million as of March 31, 2021 from \$4,608.6 million as of December 31, 2020, primarily due to stock repurchases.

Contractual Obligations

A summary of our scheduled principal debt maturities as of March 31, 2021 is as follows:

(In millions)

Year	Scheduled Principal Debt Maturities (1)
Remainder of 2021	\$ 789.0
2022	1,438.9
2023	1,456.0
2024	662.5
2025	—
Over five years	400.0
Total	<u>\$ 4,746.4</u>

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

Based upon anticipated cash flows, management believes that cash flows from operations and our 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, 2020 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, 2020.

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, 2020, other risk factors discussed herein or listed from time to time in our reports filed with the SEC and the following:

Industry, Operational and Macroeconomic Risks

- The outbreak of COVID-19 has adversely impacted our business, and the continuance of this pandemic, or any future outbreak of any contagious diseases or other public health emergency, could materially and adversely affect our business, financial condition, liquidity and results of operations.
- Our inability to accurately forecast and estimate the amount and timing of future collections could have a material adverse effect on results of operations.
- Due to competition from traditional financing sources and non-traditional lenders, we may not be able to compete successfully.
- 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.
- Reliance on our outsourced business functions could adversely affect our business.
- Our ability to hire and retain foreign information technology personnel could be hindered by immigration restrictions.
- We may be unable to execute our business strategy due to current economic conditions.
- 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.
- 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.
- A small number of our shareholders have the ability to significantly influence matters requiring shareholder approval and such shareholders have interests which may conflict with the interests of our other security holders.

Capital and Liquidity Risks

- 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 asset-backed secured financing facilities or revolving secured warehouse facilities could have a material adverse impact on our operations.
- Our substantial debt could negatively impact our business, prevent us from satisfying our debt obligations and adversely affect our financial condition.
- 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.
- The phaseout of the London Interbank Offered Rate (“LIBOR”), or the replacement of LIBOR with a different reference rate, could result in a material adverse effect on our business.

- 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 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.

Information Technology and Cybersecurity Risks

- Our dependence on technology could have a material adverse effect on our business.
- Our use of electronic contracts could impact our ability to perfect our ownership or security interest in Consumer Loans.
- Failure to properly safeguard confidential consumer and team member information could subject us to liability, decrease our profitability and damage our reputation.

Legal and Regulatory Risks

- 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.
- The regulations to which we are or may become subject could result in a material adverse effect on our business.

Other factors not currently anticipated by management may also materially and adversely affect our business, financial condition and 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, 2020 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2020 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 1. LEGAL PROCEEDINGS

In the normal course of business and as a result of the consumer-oriented nature of the industry in which we operate, we and other industry participants are frequently subject to various consumer claims, litigation and regulatory investigations seeking damages, fines and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth-in-lending, credit availability, credit reporting, consumer protection, warranty, debt collection, insurance and other consumer-oriented laws and regulations, including claims seeking damages for alleged physical and mental harm relating to the repossession and sale of consumers' vehicles 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 consumers 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. We may also have disputes and litigation with vendors and other third parties. The claims may allege, among other theories of liability, that we breached a license agreement or contract. The damages, fines and penalties that may be claimed by consumers, regulatory agencies, Dealers, vendors or other third parties in these types of matters can be substantial. The relief requested by plaintiffs varies but may include requests for compensatory, statutory and punitive damages and injunctive relief, and plaintiffs may seek treatment as purported class actions. 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.

For a description of significant litigation to which we are a party, see Note 15 to the consolidated financial statements contained in Part I - Item 1 of this Form 10-Q, which is incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Stock Repurchases

The following table summarizes stock repurchases for the three months ended March 31, 2021:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1 to January 31, 2021	149,929 (2)	\$ 336.67	149,298	2,353,312
February 1 to February 28, 2021	216,971 (3)	344.87	215,446	2,137,866
March 1 to March 31, 2021	26,508 (4)	372.40	21,598	2,116,268
	<u>393,408</u>	<u>\$ 343.60</u>	<u>386,342</u>	

(1) On March 5, 2020, our board of directors authorized the repurchase by us from time to time in the open market or in privately negotiated transactions of up to three million shares of our common stock (the "March 2020 Authorization"). The March 2020 Authorization, which was announced on March 11, 2020, does not have a specified expiration date.

(2) Amount includes 631 shares of common stock released to us by team members as payment of tax withholdings upon the vesting of restricted stock units and the conversion of restricted stock units to common stock.

(3) Amount includes 1,525 shares of common stock released to us by team members as payment of tax withholdings upon the conversion of restricted stock units to common stock and the vesting of restricted stock and restricted stock units.

(4) Amount includes 4,910 shares of common stock released to us by team members as payment of tax withholdings upon the vesting of restricted stock and restricted stock units.

ITEM 6. EXHIBITS

Exhibit No.	Description
4.103	Indenture dated as of February 18, 2021, between Credit Acceptance Auto Loan Trust 2021-2 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.103 to the Company's Current Report on Form 8-K filed February 24, 2021).
4.104	Sale and Servicing Agreement, dated as of February 18, 2021, among the Company, Credit Acceptance Auto Loan Trust 2021-2, Credit Acceptance Funding LLC 2021-2, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.104 to the Company's Current Report on Form 8-K filed February 24, 2021).
4.105	Backup Servicing Agreement, dated as of February 18, 2021, among the Company, Credit Acceptance Funding LLC 2021-2, Credit Acceptance Auto Loan Trust 2021-2, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.105 to the Company's Current Report on Form 8-K filed February 24, 2021).
4.106	Amended and Restated Trust Agreement, dated as of February 18, 2021, between Credit Acceptance Funding LLC 2021-2 and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.106 to the Company's Current Report on Form 8-K filed February 24, 2021).
4.107	Sale and Contribution Agreement, dated as of February 18, 2021, between the Company and Credit Acceptance Funding LLC 2021-2 (incorporated by reference to Exhibit 4.107 to the Company's Current Report on Form 8-K filed February 24, 2021).
4.108	Amended and Restated Intercreditor Agreement, dated February 18, 2021, among the Company, CAC Warehouse Funding Corporation II, CAC Warehouse Funding LLC IV, CAC Warehouse Funding LLC V, CAC Warehouse Funding LLC VI, CAC Warehouse Funding LLC VII, CAC Warehouse Funding LLC VIII, Credit Acceptance Funding LLC 2021-2, Credit Acceptance Funding LLC 2021-1, Credit Acceptance Funding LLC 2020-3, Credit Acceptance Funding LLC 2020-2, Credit Acceptance Funding LLC 2020-1, Credit Acceptance Funding LLC 2019-3, Credit Acceptance Funding LLC 2019-2, Credit Acceptance Funding LLC 2019-1, Credit Acceptance Funding LLC 2018-3, Credit Acceptance Funding LLC 2018-2, Credit Acceptance Funding LLC 2018-1, Credit Acceptance Funding LLC 2017-3, Credit Acceptance Auto Loan Trust 2021-2, Credit Acceptance Auto Loan Trust 2020-3, Credit Acceptance Auto Loan Trust 2020-2, Credit Acceptance Auto Loan Trust 2020-1, Credit Acceptance Auto Loan Trust 2019-3, Credit Acceptance Auto Loan Trust 2019-1, Credit Acceptance Auto Loan Trust 2018-3, Credit Acceptance Auto Loan Trust 2018-2, Credit Acceptance Auto Loan Trust 2018-1, Credit Acceptance Auto Loan Trust 2017-3, Wells Fargo Bank, National Association, as agent, Fifth Third Bank, as agent, Bank of Montreal, as agent, Flagstar Bank, FSB, as agent, Citizens Bank, N.A., as agent and Comerica Bank, as agent (incorporated by reference to Exhibit 4.108 to the Company's Current Report on Form 8-K filed February 24, 2021).
4.109	Sixth Amendment to Loan and Security Agreement, dated as of March 22, 2021, among the Company, CAC Warehouse Funding LLC V and Fifth Third Bank, National Association.
4.110	First Amendment to Loan and Security Agreement, dated as of March 22, 2021, among the Company, Credit Acceptance Funding LLC 2021-1 and Fifth Third Bank, National Association.
4.130	Loan and Security Agreement dated as of January 29, 2021 among the Company, Credit Acceptance Funding LLC 2021-1, Fifth Third Bank, National Association and Systems & Services Technologies, Inc. (incorporated by reference to Exhibit 4.130 to the Company's Current Report on Form 8-K filed February 4, 2021).
4.131	Backup Servicing Agreement, dated as of January 29, 2021, among the Company, Credit Acceptance Funding LLC 2021-1, Fifth Third Bank, National Association and Systems & Services Technologies, Inc. (incorporated by reference to Exhibit 4.131 to the Company's Current Report on Form 8-K filed February 4, 2021).
4.132	Sale and Contribution Agreement, dated as of January 29, 2021, between the Company and Credit Acceptance Funding LLC 2021-1 (incorporated by reference to Exhibit 4.132 to the Company's Current Report on Form 8-K filed February 4, 2021).
4.134	Second Amendment to Amended and Restated Loan and Security Agreement, dated as of January 29, 2021, among the Company, CAC Warehouse Funding LLC IV, Bank of Montreal, Wells Fargo Bank, National Association and BMO Capital Markets Corp. (incorporated by reference to Exhibit 4.134 to the Company's Current Report on Form 8-K filed February 4, 2021).
4.135	Amendment No. 5 to the Sixth Amended and Restated Loan and Security Agreement, dated as of February 3, 2021, among the Company, CAC Warehouse Funding Corporation II, the lenders from time to time party thereto and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.135 to the Company's Current Report on Form 8-K filed February 4, 2021).
10.15	Form of Nonqualified Stock Option Agreement*
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(SCH)	Inline XBRL Taxonomy Extension Schema Document.
101(CAL)	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101(DEF)	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101(LAB)	Inline XBRL Taxonomy Extension Label Linkbase Document.
101(PRE)	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (included in Exhibit 101).
*	Management contract or compensatory plan or arrangement.

SIGNATURES

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

CREDIT ACCEPTANCE CORPORATION
(Registrant)

By:	<u>/s/ Kenneth S. Booth</u> Kenneth S. Booth Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Date:	April 29, 2021

SIXTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

This SIXTH AMENDMENT TO LOAN AND SECURITY AGREEMENT, dated as of March 22, 2021 (this “Amendment”), is entered into by and among CAC Warehouse Funding LLC V, a Delaware limited liability company (the “Borrower”), Credit Acceptance Corporation, a Michigan corporation (“Credit Acceptance”, the “Originator”, the “Servicer” or the “Custodian”), and Fifth Third Bank, National Association, as the lender (the “Lender”), as the deal agent (the “Deal Agent”) and as the collateral agent (the “Collateral Agent”).

Reference is hereby made to the Loan and Security Agreement, dated as of September 15, 2014 (the “Original Loan and Security Agreement”), as amended by the First Amendment to Loan and Security Agreement, dated as of June 11, 2015 (“Amendment No. 1”), the Second Amendment to Loan and Security Agreement, dated as of August 18, 2016 (“Amendment No. 2”), the Third Amendment to Loan and Security Agreement, dated as of August 15, 2018 (“Amendment No. 3”), the Fourth Amendment to Loan and Security Agreement, dated as of July 16, 2019 (“Amendment No. 4”), and the Fifth Amendment to Loan and Security Agreement, dated as of December 16, 2020 (“Amendment No. 5”, and together with the Original Loan and Security Agreement, Amendment No. 1, Amendment No. 2, Amendment No. 3 and Amendment No. 4, the “Agreement”), among the Borrower, Credit Acceptance, the Lender, the Deal Agent, the Collateral Agent and Systems & Services Technologies, Inc., a Delaware corporation, as the backup servicer (the “Backup Servicer”). Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

W I T N E S S E T H :

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

WHEREAS, the Borrower, Credit Acceptance, the Lender, the Deal Agent and the Collateral Agent wish to amend the Agreement pursuant to Section 14.1 thereof in certain respects as provided herein;

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. Amendments. Subject to the conditions to effectiveness set forth in Section 2 below, the Agreement is hereby amended by deleting the stricken text (indicated in the same manner as the following example: ~~stricken text~~) and adding the inserted text (indicated in the same manner as the following example: inserted text) as set forth on the pages of the Agreement attached as Exhibit A hereto.

SECTION 2. Conditions to Effectiveness of Amendment. The effectiveness of this Amendment is subject to the conditions precedent that the Deal Agent shall have received executed counterparts of (i) this Amendment from each party hereto and (ii) an Account Control Agreement with respect to the Collection Account and the Reserve Account (each as defined in the Agreement, as amended by this Amendment) from each party thereto.

SECTION 3. Representations of the Borrower and Credit Acceptance. Each of the Borrower and Credit Acceptance hereby represents and warrants to the other parties hereto that as of the date hereof each of the representations and warranties contained in Article IV of the Agreement and in 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 that they 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 4. Agreement in Full Force and Effect. Except as expressly set forth herein, all terms and conditions of the Agreement shall remain in full force and effect. Reference to this specific Amendment need not be made in the Agreement, the Note or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to or with respect to the Agreement, any reference in any of such items to the Agreement being sufficient to refer to the Agreement as amended hereby.

SECTION 5. 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 6. 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 7. 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 Sixth Amendment to Loan and Security Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

CAC WAREHOUSE FUNDING LLC V

By: /s/ Douglas W. Busk Name: Douglas W. Busk
Title: Chief Treasury Officer

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk Name: Douglas W. Busk
Title: Chief Treasury Officer

**FIFTH THIRD BANK, NATIONAL
ASSOCIATION, as Lender, Deal Agent and Collateral Agent**

By: /s/ Steven Maysonet Name: Steven Maysonet
Title: Director

Exhibit A [*see attached*]

U.S. \$125,000,000

LOAN AND SECURITY AGREEMENT

dated as of September 15, 2014 among
CAC WAREHOUSE FUNDING LLC V
as the Borrower

CREDIT ACCEPTANCE CORPORATION
as the Servicer and Custodian

FIFTH THIRD BANK, NATIONAL ASSOCIATION
as the Lender, the Deal Agent and the Collateral Agent and
SYSTEMS & SERVICES TECHNOLOGIES, INC.
as the Backup Servicer

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS 1

- Section 1.1. Certain Defined Terms. 1
- Section 1.2. Other Terms 28
- Section 1.3. Computation of Time Periods 28
- Section 1.4. Interpretation 28

ARTICLE II THE LOAN FACILITY 29

- Section 2.1. Funding of the Advance 29
- Section 2.2. Grant of Security Interest; Acceptance by Collateral Agent 30
- Section 2.3. Procedures for Funding of Advances. ~~31~~32
- Section 2.4. Determination of Interest and Other Amounts 32
- Section 2.5. Reduction of the Facility Limit; Repurchase 32
- Section 2.6. [Reserved]. ~~32~~33
- Section 2.7. Settlement Procedures. ~~32~~33
- Section 2.8. Take-Out. ~~34~~35
- Section 2.9. Collections and Allocations. ~~36~~37
- Section 2.10. Payments, Computations, Etc. ~~37~~38
- Section 2.11. [Reserved]. 38
- Section 2.12. Fees. 38
- Section 2.13. Increased Costs; Capital Adequacy; Illegality. ~~38~~39
- Section 2.14. Taxes. ~~39~~40
- Section 2.15. Assignment of the Contribution Agreement ~~40~~41
- Section 2.16. Servicer Clean-up Call. 41
- Section 2.17. LIBOR Inability. ~~41~~42

ARTICLE III CONDITIONS TO THE CLOSING AND EACH FUNDING 44

- Section 3.1. Conditions to the Closing and the Initial Funding 44
- Section 3.2. Conditions Precedent To All Fundings ~~44~~45

ARTICLE IV REPRESENTATIONS AND WARRANTIES ~~46~~47

- Section 4.1. Representations and Warranties of the Borrower ~~46~~47
- Section 4.2. Representations and Warranties of the Borrower Relating to the Loans and the Related Contracts. ~~51~~52

TABLE OF CONTENTS

(continued)

Page

Section 4.3.	Representations and Warranties of the Servicer	52 <u>53</u>
Section 4.4.	Representations and Warranties of the Backup Servicer	54 <u>55</u>
Section 4.5.	Breach of Representations and Warranties.	55
ARTICLE V GENERAL COVENANTS		56 <u>57</u>
Section 5.1.	Affirmative Covenants of the Borrower	56 <u>57</u>
Section 5.2.	Negative Covenants of the Borrower	62
Section 5.3.	Covenant of the Borrower Relating to the Hedging Agreement	67
Section 5.4.	Affirmative Covenants of the Servicer	67
Section 5.5.	Negative Covenants of the Servicer	70
Section 5.6.	Negative Covenants of the Backup Servicer	71 <u>72</u>
ARTICLE VI ADMINISTRATION AND SERVICING OF CONTRACTS		72
Section 6.1.	Servicing.	72
Section 6.2.	Duties of the Servicer and Custodian.	72 <u>73</u>
Section 6.3.	Rights After Designation of Successor Servicer	76
Section 6.4.	Responsibilities of the Borrower	76 <u>77</u>
Section 6.5.	Reports.	77
Section 6.6.	Additional Representations and Warranties of Credit Acceptance as Servicer	78 <u>79</u>
Section 6.7.	Establishment of the Accounts	78 <u>79</u>
Section 6.8.	Payment of Certain Expenses by Servicer	80
Section 6.9.	Annual Independent Public Accountant's Servicing Reports	80
Section 6.10.	The Servicer Not to Resign	80
Section 6.11.	Servicer Termination Events	80 <u>81</u>
Section 6.12.	Appointment of Successor Servicer.	82
Section 6.13.	Responsibilities of the Borrower	83
Section 6.14.	Segregated Payment Account	83 <u>84</u>
Section 6.15	Dealer Collections Repurchase; Replacement of Dealer Loan with Related Purchased Loans	83 <u>84</u>
ARTICLE VII BACKUP SERVICER		84
Section 7.1.	Designation of the Backup Servicer	84
Section 7.2.	Duties of the Backup Servicer	84 <u>85</u>

TABLE OF CONTENTS

(continued)

Page

Section 7.3. Backup Servicing Compensation	84 85
ARTICLE VIII [Reserved]	85
ARTICLE IX SECURITY INTEREST	85
Section 9.1. Security Agreement.	85
Section 9.2. Release of Lien	85
Section 9.3. Further Assurances	85
Section 9.4. Remedies	85
Section 9.5. Waiver of Certain Laws	85 86
Section 9.6. Power of Attorney	86
ARTICLE X TERMINATION EVENTS	86
Section 10.1. Termination Events	86
Section 10.2. Remedies.	88
ARTICLE XI INDEMNIFICATION	89
Section 11.1. Indemnities by the Borrower.	89
Section 11.2. Indemnities by the Servicer.	91
Section 11.3. After-Tax Basis	91 92
ARTICLE XII THE DEAL AGENT	91 92
Section 12.1. Authorization and Action.	91 92
Section 12.2. Delegation of Duties.	92
Section 12.3. Exculpatory Provisions.	92 93
Section 12.4. Reliance.	93 94
Section 12.5. Non-Reliance on Deal Agent, Collateral Agent and The Lender	94
Section 12.6. [Reserved].	94 95
Section 12.7. Deal Agent and Collateral Agent in their Individual Capacities	94 95
Section 12.8. Successor Deal Agent or Collateral Agent.	95
ARTICLE XIII ASSIGNMENTS; PARTICIPATIONS	95 96
Section 13.1. Assignments and Participations.	95 96
ARTICLE XIV MISCELLANEOUS	98
Section 14.1. Amendments and Waivers.	98
Section 14.2. Notices, Etc.	99

TABLE OF CONTENTS

(continued)

Page

Section 14.3.	Ratable Payments	99
Section 14.4.	No Waiver; Remedies	99
Section 14.5.	Binding Effect; Benefit of Agreement.	99 100
Section 14.6.	Term of this Agreement	99 100
Section 14.7.	Governing Law; Consent to Jurisdiction; Waiver of Objection to Venue	99 100
Section 14.8.	Waiver of Jury Trial	100
Section 14.9.	Costs, Expenses and Taxes	100
Section 14.10.	No Petition.	101
Section 14.11.	Recourse Against Certain Parties	101
Section 14.12.	Protection of Right, Title and Interest in Collateral; Further Action Evidencing the Funding.	101 102
Section 14.13.	Confidentiality; Tax Treatment Disclosure.	102 103
Section 14.14.	Execution in Counterparts; Severability; Integration	104
Section 14.16.	USA Patriot Act	104 105

THIS LOAN AND SECURITY AGREEMENT (the "Agreement") is made as of September 15, 2014, among:

- (1) CAC WAREHOUSE FUNDING LLC V, a Delaware limited liability company (the "Borrower");
- (2) CREDIT ACCEPTANCE CORPORATION, a Michigan corporation ("Credit Acceptance", the "Originator", the "Servicer" or the "Custodian");
- (3) FIFTH THIRD BANK, NATIONAL ASSOCIATION ("Fifth Third" or "Fifth Third Bank"), as the lender (the "Lender"), as deal agent ("Deal Agent") and as collateral agent (the "Collateral Agent"); and
- (4) SYSTEMS & SERVICES TECHNOLOGIES, INC., a Delaware corporation (the "Backup Servicer").

IT IS AGREED as follows:

ARTICLE I DEFINITIONS

Section 1.1. Certain Defined Terms.

(a) Certain capitalized terms used throughout this Agreement are defined above or in this Section 1.1.

(b) As used in this Agreement and its schedules, exhibits and other attachments, unless the context requires a different meaning, the following terms shall have the following meanings:

Account Control Agreement: Each agreement, in form and substance satisfactory to the Collateral Agent, among the Borrower, the Collateral Agent and Fifth Third Bank, that provides the Collateral Agent with control within the meaning of the UCC over the Collection Account and the Reserve Account.

Accrual Period: For any Payment Date, the calendar month immediately preceding such Payment Date.

Addition Date: (a) With respect to any Dealer Loan, the date on which such Dealer Loan is contributed or otherwise transferred by Credit Acceptance to the Borrower pursuant to the Contribution Agreement and (b) with respect to any Purchased Loan, the date on which such Purchased Loan is contributed or otherwise transferred by Credit Acceptance to the Borrower pursuant to the Contribution Agreement.

Additional Amount: Defined in Section 2.14(a).

Additional Loans: All Loans that become part of the Collateral after the Initial Funding.

before and after the Assumption Date.

Amendment No. 6 Effective Date: March 22, 2021.

Amortization Event: The occurrence of any of the following events: (i) on any Payment Date, the Weighted Average Spread Rate is less than 25.0%; (ii) a Reserve Advance is made, except if on the date of such Reserve Advance, the Capital is zero; (iii) Collections are less than 85.0% of Forecasted Collections for any two (2) consecutive Collection Periods; or (iv) the Commitment Termination Date.

Amortization Period: The period beginning on the earlier of (i) the occurrence of an Amortization Event, and (ii) the occurrence or declaration of the Termination Date, and ending on the Collection Date.

Applicable Law: For any Person, all existing and future applicable laws, rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority (including, without limitation, usury laws, the Federal Truth in Lending Act, and Regulation Z and Regulation B of the Board of Governors of the Federal Reserve System), and applicable judgments, decrees, injunctions, writs, orders, or action of any Court, arbitrator or other administrative, judicial, or quasi-judicial tribunal or agency of competent jurisdiction.

Assignment and Acceptance: An assignment and acceptance entered into by the Lender and an Eligible Assignee, and accepted by the Deal Agent, in substantially the form of Exhibit B hereto.

Assumption Date: Defined in the Backup Servicing Agreement.

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) that 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.

Available Funds: With respect to any Payment Date: (i) all amounts deposited in the Collection Account during the Collection Period (other than Dealer Collections and Repossession Expenses) that ended on the last day of the calendar month immediately preceding the calendar month in which such Payment Date occurs and investment earnings thereon; (ii) all Reserve Advances (which shall be applied in accordance with Section 2.7(c) hereof); (iii) all amounts paid by the Borrower pursuant to Section 4.5 hereof during or with respect to the prior Collection Period in respect of Ineligible Loans; (iv) amounts paid by the Borrower pursuant to Section 2.16 hereof; (v) all amounts paid under any Dealer Agreement; and (vi) any other funds on deposit in

Capped Servicing Fee: With respect to any Collection Period when the Backup Servicer has become the Servicer, the greater of (x) an amount equal to the product of (i) 10.00% and (ii) Collections received during such Collection Period (exclusive of amounts received under any Hedging Agreement) and (y) \$5,000.

Carrying Costs: With respect to any Payment Date, the sum of amounts payable under Section 2.7(a)(iv) (A)-(C).

CECL Methodology: The current expected credit losses methodology for credit losses accounting under GAAP established under ASU 2016-13.

Certificate of Title: With regard to each Financed Vehicle (i) the original certificate of title relating thereto, or copies of correspondence and application made in accordance with applicable law to the appropriate state title registration agency, and all enclosures thereto, for issuance of its original certificate of title or (ii) if the appropriate state title registration agency issues a letter or other form of evidence of Lien (whether in paper or electronic) in lieu of a certificate of title, the original lien entry letter or form or copies of correspondence and application made in accordance with applicable law to such state title registration agency, and all enclosures thereto, for issuance of the original lien entry letter or form.

Change-in-Control: Any of the following:

- (a) the creation or imposition of any Lien on any shares of membership interest of the Borrower;
- (b) the failure by Originator to own all of the issued and outstanding membership interest of the Borrower.

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.

Closing Date: September 15, 2014.

Code: The United States Internal Revenue Code of 1986, as amended from time to time. Collateral: Defined in Section 2.2(a).

Collateral Agent: Fifth Third and its successors and permitted assigns.

Collection Account: ~~Defined in~~ [The account number xxxxxx8097 in the name of the Borrower at Fifth Third Bank, subject to an Account Control Agreement and established pursuant to Section 6.7\(a\).](#)

Collection Date: The date following the Termination Date on which the Aggregate Unpays have been reduced to zero and indefeasibly paid in full.

Collection Guidelines: With respect to Credit Acceptance, the policies of the Servicer, relating to the collection of amounts due on contracts for the sale of automobiles and/or light-duty

the time it is pledged hereunder.

Potential Servicer Termination Event: Means any event which, with the giving of notice or passage of time or both, would become a Servicer Termination Event.

Prime Rate: The rate announced by Fifth Third from time to time as its prime rate in the United States, such rate to change as and when such designated rate changes. The Prime Rate is not intended to be the lowest rate of interest charged by Fifth Third in connection with extensions of credit to debtors.

Proceeds: With respect to any portion of the Collateral, all “proceeds” as such term is defined in Article 9 of the UCC, including, whatever is receivable or received when such portion of Collateral is sold, liquidated, foreclosed, exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes all rights to payment with respect to any insurance relating thereto.

Program Fee: As defined in the Fee Letter.

Program Fee Rate: On any day, the rate set forth in the Fee Letter as the “Program Fee Rate.”

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.

Purchased Loan: A motor vehicle retail installment loan relating to the sale of a used automobile or light-duty truck originated by a Dealer, purchased by the Originator from such Dealer and evidenced by a Purchased Loan Contract; provided, however, that the term “Purchased Loan” shall, for purposes of this Agreement, include only those Purchased Loans identified from time to time on Schedule V hereto, and/or any Funding Notice, as amended from time to time in accordance herewith.

Purchased Loan Contract: Each motor vehicle retail installment sales contract, in substantially one of the forms attached hereto as Exhibit K, relating to a Purchased Loan.

~~Qualified Institution: Defined in Section 6.7(a).~~

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 Obligors.

Reference Bank: Any bank that furnishes information for purposes of determining the Adjusted LIBOR Rate.

Register: Defined in Section 13.1(c).

Repossession Expenses: For any Collection Period, any expenses payable pursuant to the terms of this Agreement, incurred by the Backup Servicer, if it has become the Successor Servicer, in connection with the liquidation or repossession of any Financed Vehicle, in an aggregate amount not to exceed the cash proceeds received by the Backup Servicer, if it has become the Successor Servicer, from the disposition of the Financed Vehicles.

Required Reserve Account Amount: With respect to any date of determination, an amount equal to the sum of (a) the product of (i) 1.0% and (ii) the Capital on such date (after the application of funds pursuant to Section 2.7 on the related Payment Date) plus (b) all amounts required to be maintained by the Borrower pursuant to Section 6.2(c)(ii) hereof; provided, however, the Required Reserve Account Amount shall at no time be less than \$70,000 (unless the Capital is zero, in which case the Required Reserve Account Amount shall be zero).

Reserve Account: The ~~segregated~~ account ~~established at the Collateral Agent for the benefit of the Secured parties, number xxxxxx8105 in the name of the Borrower at Fifth Third Bank, subject to an Account Control Agreement and~~ established pursuant to Section 6.7(a).

Reserve Advance: Defined in Section 2.7(c)(i).

Responsible Officer: As to any Person any officer of such Person with direct responsibility for the administration of this Agreement and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

Retransfer Amount: Defined in Section 4.5(b).

Revolving Period: The period commencing on the Closing Date and ending on the day immediately preceding the first day of the Amortization Period.

S&P: S&P Global Ratings, and any successor thereto.

Secured Party: (i) The Collateral Agent, the Deal Agent and the Lender and (ii) each Hedge Counterparty that is either the Lender or an Affiliate of the Lender if that Affiliate that is a Hedge Counterparty executes a counterpart of this Agreement agreeing to be bound by the terms of this Agreement applicable to a Secured Party.

SEC: The United States Securities and Exchange Commission.

Securities Exchange Act: The Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time.

Servicer: Credit Acceptance, the Backup Servicer, if it has become the Successor Servicer, or any other Successor Servicer, appointed in accordance with the terms hereof as the Servicer of the Loans and Contracts.

Servicer Termination Event: Defined in Section 6.11.

Subsidiary: A corporation of which the Originator and/or its Subsidiaries own, directly or indirectly, such number of outstanding shares as have more than 50% of the ordinary voting power for the election of directors.

Successor Servicer: Defined in Section 6.12(a).

Take-Out: The release of certain Loans and the related Contracts from the Lien of this Agreement and the reduction of the Capital by at least \$10,000,000 in connection with or in contemplation of a refinancing (which may take the form of a sale) of such Loans by the Borrower using an affiliated special purpose entity.

Take-Out Date: Defined in Section 2.8(a).

Take-Out Release: The release to be executed pursuant to Section 2.8 hereto, substantially in the form of Exhibit D hereto.

Taxes: Any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature (including interest, penalties, and additions thereto) that are imposed by any Governmental Authority.

Termination Date: The earlier of: (a) the date of the declaration of the Termination Date pursuant to Section 10.1, and (b) the date of termination of the Facility Limit pursuant to Section 2.5.

Termination Event: Defined in Section 10.1.

Transaction Documents: This Agreement, the Contribution Agreement, each Hedging Agreement, the Fee Letters, the Backup Servicing Agreement, the Account Control Agreements, and any additional document the execution of which is necessary or incidental to carrying out the terms of the foregoing documents.

Transition Expenses: If the Backup Servicer has become the Successor Servicer, the sum of: (i) reasonable costs and expenses incurred by the Backup Servicer in connection with its assumption of the servicing obligations hereunder, related to travel, Obligor welcome letters, freight and file shipping plus (ii) a boarding fee equal to the product of \$7.50 and the number of Contracts to be serviced.

UCC: The Uniform Commercial Code as from time to time in effect in the applicable jurisdiction or jurisdictions.

United States: The United States of America.

Unmatured Termination Event: Any event that, with the giving of notice or the lapse of time, or both, would become a Termination Event.

Unsatisfactory Audit: The occurrence of any audit exceptions resulting from any audit, inspection or review pursuant to Section 6.1(c), Section 6.2(e) or Section 6.9, which, in the reasonable judgment of the Deal Agent, would have a Material Adverse Effect on the ability of the

\$1,000,000, and (y) in the case of any Incremental Funding, be in an amount equal to \$1,000,000 or an integral multiple of \$10,000 in excess thereof, (ii) specify the date of such Funding, and (iii) include a representation that all conditions precedent for a Funding described in Article III hereof have been met. Each Funding Notice shall be irrevocable.

i. Following receipt of such Funding Notice, the Lender will make the Advance. On the Funding Date, the Lender shall, upon satisfaction of the applicable conditions set forth in Article III, initiate a wire to the Borrower no later than 3:00 p.m. (New York time), at such bank or other location reasonably designated by Borrower in its Funding Notice given pursuant to this Section 2.3, an amount equal to the lesser of (A) the amount requested by the Borrower from the Lender for such Advance or (B) the excess of the Commitment over the Capital then outstanding.

ii. In no event shall the Lender be required on any date to make any Funding which would result in the Capital, determined after giving effect to such funding, exceeding the Commitment.

Section 2.4. Determination of Interest and Other Amounts. On each LIBOR Determination Date, the Lender shall determine and deliver to the Servicer the applicable LIBOR Rate with respect to the related Accrual Period. On or before each Determination Date, the Lender shall determine and deliver to the Servicer (i) the applicable Interest Rate and the Interest (including unpaid Interest, if any, due and payable on a prior Payment Date) to be paid by the Borrower on the related Payment Date, (ii) the Program Fee, the Facility Fee, any Breakage Costs, any Increased Costs and any Additional Amounts due in respect of the related Payment Date and any such amounts unpaid from any prior Payment Date.

Section 2.5. Reduction of the Facility Limit; Repurchase. The Borrower may, upon at least ten (10) Business Days' notice to the Deal Agent, terminate in whole or reduce in part the portion of the Facility Limit that exceeds the aggregate Capital; provided, however, that each partial reduction of the Facility Limit shall be in an aggregate amount equal to \$1,000,000 or an integral multiple thereof. Each notice of reduction or termination pursuant to this Section 2.5 shall be irrevocable.

Section 2.6. [Reserved].

Section 2.7. Settlement Procedures.

(a) On each Payment Date and on the Maturity Date, the Borrower (or, following its assumption of exclusive control of the Collection Account, the Collateral Agent) shall withdraw Available Funds and any Excess Reserve Amount (to be applied in accordance with Section 2.7(c)) and investment earnings on amounts on deposit in the Collection Account from the Collection Account and allocate and distribute such amounts to the applicable Person in the following order of priority:

(i) FIRST, to the Hedge Counterparty, an amount equal to any Hedge Costs (exclusive of termination payments) and any such Hedge Costs (exclusive of termination payments) unpaid from any prior Payment Date.

Revolving Period, other than Capital) until paid in full;

(xii) TWELFTH, to the Borrower any remaining amounts.

a. One Business Day per calendar month, the date of which is to be chosen by the Borrower, the Borrower (or, following its assumption of exclusive control of the Collection Account, the Collateral Agent) shall, upon two Business Days' prior written ~~request~~notice of the Borrower to the Collateral Agent, withdraw from the Collection Account an amount not to exceed the amount on deposit therein on the date of such request. The Borrower (or, following its assumption of exclusive control of the Collection Account, the Collateral Agent) shall distribute such amount to the Deal Agent for the account of the Lender, to be distributed by the Deal Agent to the Lender as a payment in reduction of Capital. Notwithstanding anything in this Section 2.7(b) to the contrary, the Borrower shall not be permitted (or, following its assumption of exclusive control of the Collection Account, the Collateral Agent shall not be required) to effect any such withdrawal or the Deal Agent make any such distribution until an Officer of the Servicer or a representative of the Servicer designated by a Responsible Officer of the Servicer has certified to the Collateral Agent and the Deal Agent in writing (which shall include electronic transmission) that it reasonably believes that at the end of the related Collection Period the sum of Available Funds and Excess Reserve Amount, after giving effect to such payment, will be greater than the amount needed to make the payments required pursuant to Section 2.7(a)(i) through (xi). Any such prepayment of principal shall include all accrued and unpaid Interest and any applicable Breakage Costs relating thereto.

b. (i) If on any Payment Date the amount paid pursuant to Section 2.7(a)(iv) and (v) is insufficient to cover all amounts due thereunder on such Payment Date the Borrower (or, following its assumption of exclusive control of the Reserve Account, the Collateral Agent) shall withdraw from the Reserve Account an amount equal to the lesser of such shortfall and the amount of funds on deposit in the Reserve Account (such withdrawal, a "Reserve Advance") and deposit such amount to the Collection Account. The Borrower (or, following its assumption of exclusive control of the Collection Account, the Collateral Agent) shall pay such amount to the Deal Agent for payment to the Lender.

(ii) If on any Payment Date during the Amortization Period, the amount paid pursuant to Section 2.7(a)(vi) is insufficient to reduce Capital to zero, the Deal Agent, in its sole discretion, may direct the Borrower (or, following its assumption of exclusive control of the Reserve Account, the Collateral Agent) to withdraw any or all of the amount on deposit in the Reserve Account, and pay such amount to the Deal Agent, for payment to the Lender in respect of interest and principal and all other Aggregate Unpaid payable to the Lender at such time.

Section 2.8. Take-Out.

(a) On any Business Day (the "Take-Out Date"), but subject to the limitations below (including those contained in clause (d) below), the Borrower shall have the right to effect a Take-Out and require the Collateral Agent to release its security interest and Lien on the related Contracts and Loans, subject to the following terms and conditions:

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. In addition, each Loan shall have been underwritten in accordance with and satisfy, in each case in all material respects, the standards of any Credit Guidelines that have been established by the Borrower or the Originator and are then in effect.

(k) Taxes. The Borrower has filed or caused to be filed all tax returns that are required to be filed by it. The Borrower has paid or made adequate provisions for the payment of all material Taxes and all assessments made against it or any of its property (other than any amount of Tax the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in accordance with GAAP have been provided on the books of the Borrower), and no tax lien has been filed and, to the Borrower's knowledge, no claim is being asserted, with respect to any such Tax, fee or other charge.

(l) Exchange Act Compliance; Regulations T, U and X. None of the transactions contemplated herein (including, without limitation, the use of the proceeds from the pledge of the Collateral) will violate or result in a violation of Section 7 of the Securities Exchange Act, or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. The Borrower does not own or intend to carry or purchase, and no proceeds from the pledge of the Collateral will be used to carry or purchase, any "margin stock" within the meaning of Regulation U or to extend "purchase credit" within the meaning of Regulation U.

(m) Quality of Title. Each Loan, together with the Related Security related thereto, shall, at all times, be owned by the Borrower free and clear of any Lien except as provided in Section 4.2(a)(iii), and upon each Funding, the Collateral Agent as agent for the Secured Parties shall acquire a valid and perfected first priority security interest in such Loans, the Related Security related thereto and all Collections then existing or thereafter arising, free and clear of any Lien, except as provided in Section 4.2(a)(iii). No effective financing statement or other instrument similar in effect covering any Loan or Dealer Agreement shall at any time be on file in any recording office except such as may be filed (i) in favor of the Borrower in accordance with the Contribution Agreement or (ii) in favor of the Collateral Agent in accordance with this Agreement.

(n) Security Interest. The Borrower has granted a security interest (as defined in the UCC) to the Collateral Agent, as agent for the Secured Parties, in the Collateral, which is enforceable in accordance with applicable law upon execution and delivery of this Agreement. Upon the filing of UCC-1 financing statements naming the Collateral Agent as secured party and the Borrower as debtor, the Collateral Agent, as agent for the Secured Parties, shall have a first priority perfected security interest in the Collateral. All filings (including, without limitation, such UCC filings) as are necessary in any jurisdiction to perfect the interest of the Collateral Agent, as agent for the Secured Parties, in the Collateral have been made. The Collateral Agent has "control" (as defined in Section 9-104 of the UCC) over the Collection Account and the Reserve Account.

(o) Accuracy of Information. All information heretofore furnished by the Borrower (including without limitation, the Monthly Report and Credit Acceptance's financial statements) to the Deal Agent, Collateral Agent or the Lender for purposes of or in connection with

throughout such year (or in the case of a Successor Servicer which has been Servicer for less than one year, for so long as such Successor Servicer has been Servicer) and no Servicer Termination Event or potential Servicer Termination Event has occurred and is continuing (or if a Servicer Termination Event has so occurred and is continuing, specifying each such event, the nature and status thereof and the steps necessary to remedy such event, and, if a Servicer Termination Event or potential Servicer Termination Event occurred during such year and no notice thereof has been given to the Deal Agent and the Collateral Agent, specifying such Servicer Termination Event or potential Servicer Termination Event and the steps taken to remedy such event) (it being understood and agreed that the provision of any such notice shall in no event constitute or be deemed to constitute a waiver thereof for any purpose of this Agreement or any other Transaction Document).

Section 6.6. Additional Representations and Warranties of Credit Acceptance as Servicer. Credit Acceptance, in its capacity as Servicer, represents and warrants to the Collateral Agent, the Deal Agent and the Backup Servicer as of the Closing Date, the Effective Date and each day thereafter until the Collection Date, that the only material servicing computer systems and related software utilized by Credit Acceptance to service the Loans and Contracts are: (i) provided by Ontario Systems Corporation under an existing licensing agreement and related resource agreement, each of which may be amended from time to time, and (ii) the “loan servicing system” software developed by Credit Acceptance, which is owned by Credit Acceptance. Should Credit Acceptance or any of its Affiliates develop or implement computer software for servicing that is owned by or exclusively licensed to Credit Acceptance or an Affiliate and utilize such software in the servicing of the Loans and Contracts, the Collateral Agent shall be entitled to compel a license or sublicense for the benefit of the Collateral Agent or its designee of any such rights to the extent the Collateral Agent deems reasonably necessary and appropriate to assure that it or a duly appointed Successor Servicer would be able to continue to service the Loans and Contracts should that be required in accordance with the terms hereof.

Section 6.7. Establishment of the Accounts.

(a) Establishment of the Collection Account and Reserve Account. The initial Servicer shall cause to be established, on or before the Closing Date, ~~and maintained in the name of the Collateral Agent as agent for the Secured Parties~~ Borrower (and at the expense of the Borrower) at Fifth Third Bank and subject to, at all times following the Amendment No. 6 Effective Date, with an office or branch of a depository institution or trust company acceptable to the Deal Agent (i) an account entitled “Collection Account for Fifth Third, as agent for Account Control Agreement (i) the Secured Parties” (the “Collection Account”) and (ii) an account entitled “Reserve Account for Fifth Third” as agent for the Secured Parties (the “and (ii) the Reserve Account”); in each case, over which the Collateral Agent as agent for the Secured Parties shall have sole dominion and control and from which neither the Originator, the Servicer nor the Borrower shall have any right of withdrawal; provided, however, that at all times such depository institution or trust company shall be a depository institution organized under the laws of the United States of America or any one of the States thereof or the District of Columbia (or any domestic branch of a foreign bank), (i) (A) that has either (1) a long-term unsecured debt rating of AA- or better by S&P and Aa3 or better by Moody’s or (2) a short-term unsecured debt rating or certificate of deposit rating of A-1 or better by S&P or P-1 or better by Moody’s, (B) the parent corporation which has either (1) a long-term unsecured debt rating of AA- or better by S&P and Aa3 or better

by Moody's or (2) a short-term unsecured debt rating or certificate of deposit rating of A-1 or better by S&P and P-1 or better by Moody's or (C) is otherwise acceptable to the Deal Agent (it being understood that for purposes of this Section 6.7(a)(i)(C) Fifth Third shall always be a depository institution acceptable to the Deal Agent) and (ii) whose deposits are insured by the Federal Deposit Insurance Corporation (any such depository institution or trust company, a "Qualified Institution").

a. Adjustments. If (i) the Servicer makes a deposit into the Collection Account in respect of a Collection of a Loan and such Collection was received by the Servicer in the form of a check or other form of payment that is not honored for any reason or (ii) the Servicer makes a mistake with respect to the amount of any Collection and deposits an amount that is less than or more than the actual amount of such Collection, the Servicer shall appropriately adjust the amount subsequently deposited into the Collection Account to reflect such dishonored check or mistake. Any payment in respect of which a dishonored check or other form of payment is received shall be deemed not to have been paid.

b. Permitted Investments. Funds on deposit in the Collection Account and the Reserve Account ~~shall~~may be invested in Permitted Investments by or at the written direction of the Borrower, provided that if a Termination Event or Unmatured Termination Event shall have occurred, such investments ~~shall~~may be made as directed by the Collateral Agent. Absent written direction from the Borrower, any funds in such accounts shall remain uninvested (without any requirement or liability to pay for interest or earnings). Any such written directions shall specify the particular investment to be made and shall certify that such investment is ~~an~~a Permitted Investment and is permitted to be made under this Agreement. Funds on deposit in the Collection Account and the Reserve Account, if invested, shall be invested in Permitted Investments that will mature so that such funds will be available no later than the Business Day prior to the next Payment Date, except that in the case of funds representing Collections with respect to a succeeding Collection Period, such Permitted Investments may mature so that such funds will be available no later than the Business Day prior to the Payment Date for such Collection Period. No Permitted Investment may be liquidated or disposed of prior to its maturity. All proceeds of any Permitted Investment shall be deposited in the Collection Account or the Reserve Account, as applicable. Investments may be made in either account on any date (provided such investments mature in accordance herewith), only after giving effect to deposits to and withdrawals from such account on such date. Realized losses, if any, on amounts invested in Permitted Investments shall be charged against investment earnings on amounts on deposit in the Collection Account or the Reserve Account, as applicable.

Section 6.8. Payment of Certain Expenses by Servicer. Credit Acceptance will be required to pay all expenses incurred by it in connection with its activities under this Agreement, including fees and disbursements of independent accountants, Taxes imposed on Credit Acceptance, expenses incurred in connection with payments and reports pursuant to this Agreement, and all other fees and expenses not expressly stated under this Agreement for the account of the Borrower. The Borrower will be required to pay all reasonable fees and expenses owing to any bank or trust company in connection with the maintenance of the Collection Account, the Reserve Account and the Credit Acceptance Payment Account. Credit Acceptance shall be required to pay such expenses for its own account and shall not be entitled to any payment therefor other than the Servicing Fee.

(o) Collections are less than 75.0% of Forecasted Collections for any three consecutive Collection Periods.

Section 10.2. Remedies.

(a) Upon the occurrence of a Termination Event (other than a Termination Event described in Section 10.1(e)), the Deal Agent may, or at the direction of the Lender, shall by notice to the Borrower declare the Termination Date to have occurred.

(b) Upon the occurrence of a Termination Event described in Section 10.1(e), the Termination Date shall automatically occur.

(c) Upon any Termination Date that occurs following a Termination Event pursuant to this Section 10.2: (i) the rate on the Capital outstanding shall be equal to the applicable Interest Rate as described herein; (ii) the Deal Agent may, and shall at the direction of the Lender by delivery of a Servicer Termination Notice, terminate the Servicer; and (iii) the Deal Agent, may, and at the direction of the Lender, shall declare the entire outstanding principal amount of the Note be immediately due and payable. The Deal Agent, the Collateral Agent and the Secured Parties shall have, in addition to all other rights and remedies under this Agreement or otherwise (including, for the avoidance of doubt, the right to take exclusive control of the Collection Account and the Reserve Account), all other rights and remedies provided of a secured party under the UCC of each applicable jurisdiction and other applicable laws, which rights shall be cumulative.

(d) If the Note has been declared due and payable pursuant to Section 10.2(c), the Collateral Agent may institute proceedings to collect amounts due, exercise remedies as a secured party (including foreclosure or sale of the Collateral (and each of the parties hereto hereby acknowledges and agrees that any such sale may, in the sole discretion of the Deal Agent be on a servicer released basis)) or elect to maintain the Collateral and continue to apply the proceeds from the Collateral as if there had been no declaration of acceleration.

(e) Upon the declaration of the Termination Date, the Borrower may not request and no Lender shall be required to effect any Funding.

ARTICLE XI INDEMNIFICATION

Section 11.1. Indemnities by the Borrower.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, the Borrower hereby agrees to indemnify the Deal Agent, the Backup Servicer, the Collateral Agent, the Successor Servicer, the Secured Parties, and each of their respective Affiliates and officers, directors, members, employees and agents thereof (collectively, the "Indemnified Parties"), forthwith on demand, from and against any and all damages, losses, claims, liabilities and related costs and expenses, including attorneys' fees and disbursements (all of the foregoing being collectively referred to as the "Indemnified Amounts") awarded against or incurred by such Indemnified Party or other non-monetary damages of any such Indemnified Party any of them arising out of or as a result of this Agreement or the financing or maintenance of the Capital or in respect of any Loan or any Contract, excluding, however, (a) Indemnified Amounts to

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

This FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT, dated as of March 22, 2021 (this "Amendment"), is entered into by and among Credit Acceptance Funding LLC 2021-1, a Delaware limited liability company (the "Borrower"), Credit Acceptance Corporation, a Michigan corporation ("Credit Acceptance", the "Originator", the "Servicer" or the "Custodian"), and Fifth Third Bank, National Association, as the lender (the "Lender"), as the deal agent (the "Deal Agent") and as the collateral agent (the "Collateral Agent").

Reference is hereby made to the Loan and Security Agreement, dated as of January 29, 2021 (the "Agreement"), among the Borrower, Credit Acceptance, the Lender, the Deal Agent, the Collateral Agent and Systems & Services Technologies, Inc., a Delaware corporation, as the backup servicer (the "Backup Servicer"). Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

WITNESSETH:

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

WHEREAS, the Borrower, Credit Acceptance, the Lender, the Deal Agent and the Collateral Agent wish to amend the Agreement pursuant to Section 14.1 thereof in certain respects as provided herein;

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. Amendments. Subject to the conditions to effectiveness set forth in Section 2 below, the Agreement is hereby amended by deleting the stricken text (indicated in the same manner as the following example: ~~stricken text~~) and adding the inserted text (indicated in the same manner as the following example: inserted text) as set forth on the pages of the Agreement attached as Exhibit A hereto.

SECTION 2. Conditions to Effectiveness of Amendment. The effectiveness of this Amendment is subject to the conditions precedent that the Deal Agent shall have received executed counterparts of (i) this Amendment from each party hereto and (ii) an Account Control Agreement with respect to the Collection Account and the Reserve Account (each as defined in the Agreement, as amended by this Amendment) from each party thereto.

SECTION 3. Representations of the Borrower and Credit Acceptance. Each of the Borrower and Credit Acceptance hereby represents and warrants to the other parties hereto that as of the date hereof each of the representations and warranties contained in Article IV of the Agreement and in 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 that they 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 4. Agreement in Full Force and Effect. Except as expressly set forth herein, all terms and conditions of the Agreement shall remain in full force and effect. Reference to this specific Amendment need not be made in the Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to or with respect to the Agreement, any reference in any of such items to the Agreement being sufficient to refer to the Agreement as amended hereby.

SECTION 5. 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 6. 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 7. 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 Loan and Security Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

CREDIT ACCEPTANCE FUNDING LLC 2021-1

By: /s/ Douglas W. Busk Name: Douglas W. Busk
Title: Chief Treasury Officer

CREDIT ACCEPTANCE CORPORATION

By: /s/ Douglas W. Busk Name: Douglas W. Busk
Title: Chief Treasury Officer

**FIFTH THIRD BANK, NATIONAL
ASSOCIATION**, as Lender, Deal Agent and Collateral
Agent

By: /s/ Steven Maysonet Name: Steven Maysonet
Title: Director

Exhibit A [*see attached*]

U.S. \$100,000,000

LOAN AND SECURITY AGREEMENT

Dated as of January 29, 2021 Among
CREDIT ACCEPTANCE FUNDING LLC 2021-1
as the Borrower

CREDIT ACCEPTANCE CORPORATION
as the Originator, Servicer and Custodian

FIFTH THIRD BANK, NATIONAL ASSOCIATION
as a Lender, and the other Lenders from time to time party hereto

FIFTH THIRD BANK, NATIONAL ASSOCIATION
as the Deal Agent

FIFTH THIRD BANK, NATIONAL ASSOCIATION
as the Collateral Agent and

SYSTEMS & SERVICES TECHNOLOGIES, INC.
as the Backup Servicer

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS 1

- Section 1.1 Certain Defined Terms 1
- Section 1.2 Other Terms ~~28~~[29](#)
- Section 1.3 Computation of Time Periods 29
- Section 1.4 Interpretation 29

ARTICLE II THE LOAN FACILITY 29

- Section 2.1 Funding of the Initial Loan Amount 29
- Section 2.2 Grant of Security Interest; Acceptance by Collateral Agent 30
- Section 2.3 [Reserved] 32
- Section 2.4 Determination of Benchmark; Determination of Yield; Maximum Interest and Yield 32
- Section 2.5 [Reserved] 32
- Section 2.6 [Reserved] 32
- Section 2.7 Settlement Procedures 32
- Section 2.8 [Reserved] 34
- Section 2.9 Collections and Allocations 34
- Section 2.10 Payments, Computations, Etc. 35
- Section 2.11 [Reserved] 35
- Section 2.12 Interest; Yield; Fees 35
- Section 2.13 Increased Costs; Capital Adequacy; Illegality 36
- Section 2.14 Taxes 37
- Section 2.15 Assignment of the Contribution Agreement and Hedging Agreement 39
- Section 2.16 Optional Purchase ~~39~~[40](#)
- Section 2.17 LIBOR Inability ~~39~~[40](#)

ARTICLE III CONDITIONS TO THE CLOSING 42

- Section 3.1 Conditions to Effectiveness of this Loan and Security Agreement 42
- Section 3.2 Conditions Precedent to the Pledge of Additional Loans ~~42~~[43](#)

ARTICLE IV REPRESENTATIONS AND WARRANTIES 44

- Section 4.1 Representations and Warranties of the Borrower 44

TABLE OF CONTENTS
(continued)

Page

Section 4.2	Representations and Warranties of the Borrower Relating to the Loans and the Related Contracts	49 <u>50</u>
Section 4.3	Representations and Warranties of the Servicer	51
Section 4.4	Representations and Warranties of the Backup Servicer	52
Section 4.5	Breach of Representations and Warranties	53
ARTICLE V GENERAL COVENANTS		54 <u>55</u>
Section 5.1	Affirmative Covenants of the Borrower	54 <u>55</u>
Section 5.2	Negative Covenants of the Borrower	60
Section 5.3	Covenant of the Borrower Relating to the Hedging Agreement	65
Section 5.4	Affirmative Covenants of the Servicer	65
Section 5.5	Negative Covenants of the Servicer	67
Section 5.6	Negative Covenants of the Backup Servicer	69
ARTICLE VI ADMINISTRATION AND SERVICING OF CONTRACTS		69
Section 6.1	Servicing	69
Section 6.2	Duties of the Servicer and Custodian	70
Section 6.3	Rights After Designation of Successor Servicer	73
Section 6.4	Responsibilities of the Borrower	73
Section 6.5	Reports	73 <u>74</u>
Section 6.6	Additional Representations and Warranties of Credit Acceptance as Servicer	75
Section 6.7	Establishment of the Accounts	75
Section 6.8	Payment of Certain Expenses by Servicer	77 <u>76</u>
Section 6.9	Annual Independent Public Accountant's Servicing Reports	77
Section 6.10	The Servicer Not to Resign	77
Section 6.11	Servicer Termination Events	78 <u>77</u>
Section 6.12	Appointment of Successor Servicer	79
Section 6.13	[Reserved]	80
Section 6.14	Segregated Payment Account	81 <u>80</u>
Section 6.15	Dealer Collections Repurchase; Replacement of Dealer Loan with Related Purchased Loans	81
ARTICLE VII BACKUP SERVICER		81
Section 7.1	Designation of the Backup Servicer	81

TABLE OF CONTENTS
(continued)

Page

Section 7.2	Duties of the Backup Servicer	81
Section 7.3	Backup Servicing Compensation	82 81
ARTICLE VIII [Reserved]		82
ARTICLE IX SECURITY INTEREST		82
Section 9.1	Security Agreement	82
Section 9.2	Release of Lien	82
Section 9.3	Further Assurances	83 82
Section 9.4	Remedies	83 82
Section 9.5	Waiver of Certain Laws	83
Section 9.6	Power of Attorney	83
ARTICLE X TERMINATION EVENTS		83
Section 10.1	Termination Events	83
Section 10.2	Remedies	85
ARTICLE XI INDEMNIFICATION		85
Section 11.1	Indemnities by the Borrower	85
Section 11.2	Indemnities by the Servicer	88 87
Section 11.3	After-Tax Basis	88
ARTICLE XII THE DEAL AGENT AND THE COLLATERAL AGENT		88
Section 12.1	Authorization and Action	88
Section 12.2	Delegation of Duties	89
Section 12.3	Exculpatory Provisions	89
Section 12.4	Reliance	92
Section 12.5	Non-Reliance on Deal Agent, Collateral Agent and Other Lenders	93
Section 12.6	Reimbursement and Indemnification	93
Section 12.7	Deal Agent and Collateral Agent in their Individual Capacities	94 93
Section 12.8	Successor Deal Agent or Collateral Agent	94
ARTICLE XIII ASSIGNMENTS; PARTICIPATIONS		94
Section 13.1	Assignments and Participations	94
ARTICLE XIV MISCELLANEOUS		97
Section 14.1	Amendments and Waivers	97
Section 14.2	Notices, Etc.	98

Account Control Agreement: Each agreement, in form and substance satisfactory to the Collateral Agent, among the Borrower, the Collateral Agent and Fifth Third Bank, National Association, that provides the Collateral Agent with control within the meaning of the UCC over the Collection Account and the Reserve Account.

Accrual Period: For any Payment Date, the period from and including the fifteenth (15th) calendar day of the prior calendar month—or, in the case of the first Payment Date, from and including the Closing Date—to but excluding the fifteenth (15th) calendar day of the current calendar month; provided, however, that any Accrual Period that commences before the Final Scheduled Payment Date that would otherwise end after the Final Scheduled Payment Date shall end on the Final Scheduled Payment Date.

Addition Date: (a) With respect to any Dealer Loan, the date on which such Dealer Loan is contributed or otherwise transferred by Credit Acceptance to the Borrower pursuant to the Contribution Agreement; and (b) with respect to any Purchased Loan, the date on which such Purchased Loan is contributed or otherwise transferred by Credit Acceptance to the Borrower pursuant to the Contribution Agreement.

Additional Amount: Defined in Section 2.14(a).

Additional Cut-Off Date: Each date on and after which Collections on an Additional Loan are to be transferred to the Collateral.

Additional Loans: All Loans that become part of the Collateral after the Closing Date.

Adjusted Collateral Amount: On any Payment Date during the Revolving Period, an amount equal to the sum of: (i) the Collateral Amount; and (ii) the amount on deposit in the Principal Collection Account.

Adjusted LIBOR Rate: For any Accrual Period, an interest rate per annum equal to a fraction, expressed as a percentage and rounded upwards (if necessary), to the nearest 1/100 of 1%, (i) the numerator of which is equal to the LIBOR Rate for such Accrual Period and (ii) the denominator of which is equal to 100% minus the Eurodollar Reserve Percentage for such Accrual Period.

Affected Party: Each of the Lenders, any assignee or participant of any Lender, the Deal Agent, any successor to Fifth Third Bank, National Association as Deal Agent or any sub-agent of the Deal Agent.

Affiliate: With respect to a Person, means any other Person that, directly or indirectly, controls, is controlled by or under common control with such Person, or is a director or officer of such Person. For purposes of this definition, “control” (including the terms “controlling,” “controlled by” and “under common control with”) when used with respect to any specified Person means the possession, direct or indirect, of the power to vote 5% or more of the voting securities of such Person or to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

Aggregate Outstanding Eligible Loan Balance: On any date of determination, the sum of

the Outstanding Balances of all Eligible Loans on such day.

Aggregate Unpays: At any time, an amount, equal to the sum of all accrued and unpaid Capital, Interest, Yield, Hedge Costs, fees, indemnities and all other amounts owed by the Borrower hereunder or under any other Transaction Document or by the Borrower or any other Person under any fee letter delivered in connection with the transactions contemplated by this Agreement (whether due or accrued) and any unpaid fees, expenses and indemnities due to the Collateral Agent and to the Backup Servicer hereunder, both before and after the Assumption Date.

[Amendment No. 1 Effective Date: March 22, 2021.](#)

Amortization Event: The occurrence of any of the following events: (i) on any Payment Date after giving effect to all purchases of Additional Loans (or the funding of any additional Dealer Loan Contracts allocated to an open pool of Dealer Loan Contracts securing a Dealer Loan) on such date, the amount on deposit in the Principal Collection Account is greater than 5.0% of the Adjusted Collateral Amount for two (2) or more Business Days; (ii) on any Payment Date after giving effect to all purchases of Additional Loans, the Adjusted Collateral Amount is less than the Minimum Collateral Amount and such deficiency continues for two (2) or more Business Days;

(iii) a Reserve Advance is made, except if on the date of such Reserve Advance, the Capital is zero;

(iv) cumulative Collections through the end of the related Collection Period, expressed as a percentage of the cumulative Forecasted Collections through the end of the related Collection Period, are less than 90.0% for any three (3) consecutive Collection Periods; (v) on any Payment Date, the Weighted Average Spread Rate is less than the Minimum Weighted Average Spread Rate; (vi) the Borrower fails to make a payment or deposit when required under this Agreement or within any applicable grace or cure period; or (vii) the Commitment Termination Date.

Amortization Period: With respect to each Lender, the period beginning on the earlier of:

(i) the occurrence of an Amortization Event and (ii) the occurrence or declaration of the Termination Date, and ending on the Collection Date.

Anti-Corruption Laws: (a) The U.S. Foreign Corrupt Practices Act of 1977, as amended;

(b) the U.K. Bribery Act 2010, as amended; and (c) any other anti-bribery or anti-corruption laws, regulations or ordinances in any jurisdiction in which the Borrower or any member of the Borrowing Group is located or doing business.

Anti-Money Laundering Laws: The applicable laws or regulations in any jurisdiction in which the Borrower or any member of the Borrowing Group is located or doing business that relates to money laundering, any predicate crime to money laundering, or any financial record keeping and reporting requirements related thereto.

Applicable Law: For any Person, all existing and future applicable laws, rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority (including, without limitation, usury laws, the Federal Truth in Lending Act, and Regulation Z and Regulation B of the Board of Governors of the Federal Reserve System), and applicable judgments, decrees, injunctions, writs, orders, or action of any court, arbitrator or other

original lien entry letter or form or copies of correspondence and application made in accordance with applicable law to such state title registration agency, and all enclosures thereto, for issuance of the original lien entry letter or form.

Change-in-Control: Any of the following:

- i. the creation or imposition of any Lien on any limited liability company interests of the Borrower; or
- ii. the failure by the Originator to own all of the issued and outstanding limited liability company interests of the Borrower.

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.

Closing Date: January 29, 2021.

Code: The Internal Revenue Code of 1986, as amended from time to time. Collateral: Defined in

Section 2.2(a).

Collateral Agent: Fifth Third, and its successors and assigns in such capacity.

Collateral Amount: On any Payment Date, an amount equal to the Aggregate Outstanding Eligible Loan Balance less the aggregate of the Overconcentration Loan Amounts and the aggregate of the Loan Excess Advance Amounts, if any, after giving effect to all purchases of Loans on such date. Solely for purposes of calculating the "Collateral Amount," the determination of whether a Loan is an "Eligible Loan" shall be made as if such Loan were sold on the date of such calculation; provided, however, that a Dealer Loan relating to a Dealer that, to the knowledge of the Servicer, has become insolvent after the sale of such Dealer Loan to the Borrower shall continue to constitute an "Eligible Dealer Loan" (assuming that such Dealer Loan would otherwise be an "Eligible Dealer Loan" on such date of determination if the applicable Dealer had not become insolvent) for purposes of calculating the "Collateral Amount" so long as (i) the characterization of such Dealer Loan as an "Eligible Dealer Loan" would not cause the percentage of the aggregate Outstanding Balance of all Dealer Loans relating to Dealers who are insolvent to exceed 2.5% of the Aggregate Outstanding Eligible Loan Balance and (ii) no bankruptcy court has entered an order (whether or not final), which order has not been vacated or overturned, stating that a person other than the Borrower (or the Servicer on the Borrower's behalf) is entitled to receive any collections on that Dealer Loan or the Contracts relating thereto.

Collection Account: ~~Defined in~~ [The account number xxxxxx1541 in the name of the Borrower at Fifth Third Bank, National Association, subject to an Account Control Agreement and established pursuant to Section 6.7\(a\).](#)

Collection Date: The date on which the Aggregate Unpaid have been reduced to zero and indefeasibly paid in full.

Collection Guidelines: With respect to Credit Acceptance, the policies and procedures of

such Dealer) Eligible Dealer Loans in the aggregate), as of the Closing Date or any Addition Date during the Revolving Period on which the Borrower purchases one or more Dealer Loans, as the case may be, exceeds the applicable Dealer Concentration Limit.

Participant Register: Defined in Section 13.1(e) of this Agreement. Patriot Act:

Defined in Section 4.1(z) of this Agreement.

Payment Date: The fifteenth (15th) day of each calendar month or, if such day is not a Business Day, the next succeeding Business Day, beginning on February 15, 2021.

Permitted Investments: Any one or more of the following types of investments:

(a) marketable obligations of the United States, the full and timely payment of which are backed by the full faith and credit of the United States of America and that have a maturity of not more than 270 days from the date of acquisition;

(b) marketable obligations, the full and timely payment of which are directly and fully guaranteed by the full faith and credit of the United States and that have a maturity of not more than 270 days from the date of acquisition;

(c) bankers' acceptances and certificates of deposit and other interest-bearing obligations (in each case having a maturity of not more than 270 days from the date of acquisition) denominated in dollars and issued by any bank with capital, surplus and undivided profits aggregating at least \$100,000,000, the short-term obligations of which are rated at least A-1 by S&P and P-1 by Moody's;

(d) repurchase obligations with a term of not more than ten days for underlying securities of the types described in clauses (a), (b) and (c) above entered into with any bank of the type described in clause (c) above;

(e) commercial paper rated at least A-1 by S&P and P-1 by Moody's;

(f) demand deposits, time deposits or certificates of deposit (having original maturities of no more than 365 days) of depository institutions or trust companies incorporated under the laws of the United States of America or any state thereof (or domestic branches of any foreign bank) and subject to supervision and examination by federal or state banking or depository institution authorities; provided, however that at the time such investment, or the commitment to make such investment, is entered into, the short-term debt rating of such depository institution or trust company shall be at least A-1 by S&P and P-1 by Moody's; and

(g) money market mutual funds (including funds for which the Collateral Agent may act as a sponsor or advisor or for which the Collateral Agent may receive fee income) having a rating, at the time of such investment, from S&P or Moody's in the highest investment category granted thereby.

Each of the Permitted Investments may be purchased by the Borrower (or, following its assumption of exclusive control of the Collection Account and/or the Reserve Account, the

Collateral Agent or through an Affiliate of the Collateral Agent).

Permitted Liens: Liens for state, municipal or other local taxes if such taxes shall not at the time be due and payable and Liens granted pursuant to the Transaction Documents and with respect to the Dealer Loan Contracts, the second priority lien of the related Dealer therein as set forth in the related Dealer Agreement.

Person: An individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, sole proprietorship, joint venture, government (or any agency or political subdivision thereof) or other entity.

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

Principal Collection Account: ~~Defined in~~ [The account number xxxxxx1871 in the name of the Borrower at Fifth Third Bank, National Association and established pursuant to Section 6.7\(a\).](#)

Principal Distributable Amount: With respect to any Payment Date during the Amortization Period, the lesser of: (i) Capital as of the immediately preceding Payment Date (after giving effect to all payments in reduction of principal on such Payment Date); and (ii) Available Funds remaining after distribution of amounts described in Section 2.7(a)(ii) through (iv).

Prime Rate: The rate announced by Fifth Third from time to time as its prime rate in the United States, such rate to change as and when such designated rate changes. The Prime Rate is not intended to be the lowest rate of interest charged by Fifth Third in connection with extensions of credit to debtors.

Proceeds: With respect to any portion of the Collateral, all “proceeds” as such term is defined in Article 9 of the UCC, including, whatever is receivable or received when such portion of Collateral is sold, liquidated, foreclosed, exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes all rights to payment with respect to any insurance relating thereto.

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.

Purchase Amount: With respect to the Loans and any optional purchase pursuant to Section 2.16, an amount equal to the product of (x) the aggregate Outstanding Balance of such Loans as of the last day of the related Collection Period and (y) the Net Advance Rate in effect on the date of such payment.

Purchased Loan: A motor vehicle retail installment loan relating to the sale of an automobile or light-duty truck originated by a Dealer, purchased by the Originator from such Dealer and evidenced by a Purchased Loan Contract; provided, however, that the term “Purchased Loan” shall, for purposes of this Agreement, include only those Purchased Loans identified from

time to time on Schedule V hereto.

Purchased Loan Contract: Each motor vehicle retail installment sales contract, in substantially one of the forms attached hereto as Exhibit L, relating to a Purchased Loan.

Qualified Institution: Defined in Section 6.7(a).

Records: The Dealer Agreements, Contracts, Contract Files 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 Obligors.

Reference Bank: Any bank that furnishes information for purposes of determining the Adjusted LIBOR Rate.

Register: Defined in Section 13.1(c).

Related Security: With respect to any Loan, all of Credit Acceptance's and the Borrower's interest in:

- (i) the Dealer Agreements (other than Excluded Dealer Agreement Rights, but including Credit Acceptance's rights to service the Loans and the related Contracts and receive the related collection fee and receive reimbursement of certain repossession and recovery expenses, in accordance with the terms of the Dealer Agreements) and Contracts securing payment of such Loan;
- (ii) all security interests or liens purporting to secure payment of such Loan, whether pursuant to such Loan, the related Dealer Agreement or otherwise, together with all financing statements signed by the related Obligor describing any collateral securing such Loan and all other property obtained upon foreclosure of any security interest securing payment of such Loan or any related Contract;
- (iii) all guarantees, insurance or other agreements or arrangements of any kind from time to time supporting or securing payment of each Contract whether pursuant to such Contract or otherwise, including any of the foregoing relating to any Contract securing payment of such Loan;
- (iv) all of the Borrower's interest in all Records, documents and writing evidencing or related to such Loan;
- (v) all rights of recovery of the Borrower against the Originator;
- (vi) all Collections (other than Dealer Collections), the Collection Account, the Reserve Account, and all amounts on deposit therein and investments thereof;
- (vii) all of the Borrower's right, title and interest in and to (but not its obligations under) any Hedging Agreement and any payment from time to time due thereunder;

i. all of the Borrower's right, title and interest in and to the Contribution Agreement and the assignment to the Collateral Agent of all UCC financing statements filed by the Borrower against the Originator under or in connection with the Contribution Agreement; and

ii. the Proceeds of each of the foregoing.

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.

Release Date: As defined in Section 4.5(b). Release Price:

As defined in Section 4.5(a).

Repossession Expenses: For any Collection Period, any expenses payable pursuant to the terms of this Agreement, incurred by the Backup Servicer, if it has become the Successor Servicer, in connection with the liquidation or repossession of any Financed Vehicle, in an aggregate amount not to exceed the cash proceeds received by the Backup Servicer, if it has become the Successor Servicer, from the disposition of the Financed Vehicles.

Required Lenders: At a particular time, Lenders with Commitments in excess of 66-2/3% of the Capital.

Required Reserve Account Amount: With respect to any Payment Date, an amount equal to the lesser of (a) 2.0% of the Initial Loan Amount and (b) the outstanding Capital on such Payment Date, after giving effect to the payment of principal on such Payment Date.

Reserve Account: The ~~segregated trust~~ account ~~established at the Collateral Agent for the benefit of the Secured Parties, number xxxxxx1558 in the name of the Borrower at Fifth Third Bank, National Association, subject to an Account Control Agreement and~~ established pursuant to Section 6.7(a).

Reserve Advance: Defined in Section 2.7(b)(i).

Responsible Officer: As to any Person any officer of such Person with direct responsibility for the administration of this Agreement and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

Retransfer Amount: Defined in Section 4.5(b).

Revolving Period: The period commencing on the Closing Date and ending upon the commencement of the Amortization Period.

S&P: S&P Global Ratings, and any successor thereto.

Sanction or Sanctions: Any and all economic or financial sanctions, sectoral sanctions,

during the related Collection Period, equal to: (i) so long as Credit Acceptance is the Servicer, the product of (A) 6.00% and (B) the total Collections for the related Collection Period (exclusive of amounts received under any Hedging Agreement) and (ii) if the Backup Servicer is the Servicer, the sum of (1) the greatest of: (a) the product of 10.0% and the total Collections for the related Collection Period (exclusive of amounts received under any Hedging Agreement), (b) the actual costs incurred by the Backup Servicer as Successor Servicer, and (c) the product of (x) \$30.00 and (y) the aggregate number of Contracts serviced by it during the related Collection Period, plus (2) without duplication, Late Fees and Servicer Expenses; provided, however, with respect to each Payment Date on which the Backup Servicer is the Servicer, the Servicing Fee shall be at least equal to \$5,000.

Solvent: As to any Person at any time, having a state of affairs such that all of the following conditions are met: (a) the fair value of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code; (b) the present fair salable value of the property of such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

Subsidiary: A corporation of which the Originator and/or its Subsidiaries own, directly or indirectly, such number of outstanding shares as have more than 50% of the ordinary voting power for the election of directors.

Successor Servicer: Defined in Section 6.12(a).

Taxes: Any present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), charges, assessments or fees of any nature (including interest, penalties, and additions thereto) that are imposed by any Governmental Authority.

Termination Date: With respect to each Lender, the date of the occurrence or declaration of the Termination Date pursuant to Section 10.2.

Termination Event: Defined in Section 10.1.

Transaction Documents: This Agreement, the Contribution Agreement, the Backup Servicing Agreement, the Intercreditor Agreement, each Hedging Agreement, the Account Control Agreements and any additional document the execution of which is necessary or incidental to carrying out the terms of the foregoing documents.

Transition Expenses: If the Backup Servicer has become the Successor Servicer, the sum of: (i) reasonable costs and expenses incurred by the Backup Servicer in connection with its assumption of the servicing obligations hereunder, related to travel, Obligor welcome letters,

freight and file shipping plus (ii) a boarding fee equal to the product of \$7.50 and the number of Contracts to be serviced.

UCC: The Uniform Commercial Code as from time to time in effect in the applicable jurisdiction or jurisdictions.

United States or U.S.: The United States of America.

Unmatured Termination Event: Any event that, with the giving of notice or the lapse of time, or both, would become a Termination Event.

Unsatisfactory Audit: The occurrence of any audit exceptions resulting from any audit, inspection or review pursuant to Section 6.1(c), Section 6.2(e) or Section 6.9, which, in the reasonable judgment of the Deal Agent, would have a material adverse effect on the ability of the Servicer to identify and allocate Collections.

Upfront Fee: An amount payable to each Lender equal to the product of (i) 0.50% and (ii) the amount of such Lender's Capital on the Closing Date.

Weighted Average Final Score: With respect to each Payment Date during the Revolving Period, the ratio, expressed as a percentage, where (i) the numerator is equal to the aggregate for all Dealers of the product of (a) the Final Score of each Dealer and (b) the aggregate Outstanding Balance of all Eligible Loans for such Dealer and (ii) the denominator is equal to the Aggregate Outstanding Eligible Loan Balance.

Weighted Average Original Advance Rate: With respect to each Payment Date during the Revolving Period, the ratio, expressed as a percentage, where (i) the numerator is equal to the aggregate for all Dealers of the product of (a) the Original Advance Rate of each Dealer and (b) the aggregate Outstanding Balance of all Eligible Loans for such Dealer and (ii) the denominator is equal to the Aggregate Outstanding Eligible Loan Balance.

Weighted Average Spread Rate: With respect to each Payment Date during the Revolving Period, one minus the Weighted Average Original Advance Rate divided by the Weighted Average Final Score (expressed as a percentage).

Yield: With respect to each Lender and its portion of the Capital, with respect to any Accrual Period, the sum of the products (for each day during such Accrual Period) of:

$$\text{YR} \times \text{C} \times \frac{1}{360}$$

where:

C = the outstanding principal amount of the Capital of such Lender; and
YR = the Yield Rate applicable on such day;

Yield Rate: An interest rate *per annum* equal to ~~2.00~~(i) [at all times prior to the Amendment](#)

No. 1 Effective Date, 2.00% and (ii) on and after the Amendment No. 1 Effective Date, 1.985%; provided, however, that if the Servicer does not exercise its option to reacquire the Dealer Loans, the Purchase Loans and the related Collateral on the Commitment Termination Date pursuant to Section 2.16, the Yield Rate shall be equal to 2.50% for each day from and including the Commitment Termination Date.

Section 1.2 Other Terms. All accounting terms used but not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and used but not specifically defined herein, are used herein as defined in such Article 9.

Section 1.3 Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

Section 1.4 Interpretation. In each Transaction Document, unless a contrary intention appears:

- i. the singular number includes the plural number and vice versa;
- ii. reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by the Transaction Documents;
- iii. reference to any gender includes each other gender;
- iv. reference to any agreement (including any Transaction Document), document or instrument means such agreement, document or instrument as amended, supplemented or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Transaction Documents, and reference to any promissory note includes any promissory note that is an extension or renewal thereof or a substitute or replacement therefor; and
- v. reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision.

ARTICLE II THE LOAN FACILITY

Section 2.1 Funding of the Initial Loan Amount.

(a) On the Closing Date, each Lender shall, upon satisfaction of the applicable conditions set forth in this Agreement and the other Transaction Documents (including the conditions precedent set forth in Article III), make available to the Borrower in same day funds, at

such bank or other location reasonably designated by Borrower, an amount equal to the Initial Loan Amount.

a. The Loans.

i. Each Lender shall maintain in accordance with its usual practice records evidencing the indebtedness of the Borrower to such Lender. The Deal Agent shall maintain the Register in accordance with Section 13.1(c). The entries made in the records maintained pursuant to this clause (i) shall be prima facie evidence absent manifest error of the existence and amounts of the obligations recorded therein. Any failure of any Lender or the Deal Agent to maintain such records or make any entry therein or any error therein shall not in any manner affect the obligations of the Borrower under this Agreement and the other Transaction Documents. In the event of any conflict between the records maintained by any Lender and the records maintained by the Deal Agent in such matters, the records of the Deal Agent shall control in the absence of manifest error.

ii. Upon the request of any Lender made through the Deal Agent, the Borrower shall prepare, execute and deliver to such Lender a promissory note of the Borrower payable to such Lender (each, a “Note”). Any such Note shall be substantially in the form of Exhibit I hereto, with blanks appropriately completed in conformity with the terms hereof and shall evidence the Borrower's obligation to pay the principal of and interest on all amounts advanced by such Lender in addition to the records described in the preceding clause (i). Any such Note shall be enforceable with respect to the Borrower's obligation to pay the principal thereof only to the extent of the unpaid principal amount of the Capital outstanding thereunder at the time such enforcement shall be sought.

Section 2.2 Grant of Security Interest; Acceptance by Collateral Agent.

(a) (i) As security for the prompt and complete payment of Capital (including any Interest and Yield accrued thereon) and the performance of all of the Borrower's other obligations under this Agreement and the other Transaction Documents, the Borrower hereby grants to the Collateral Agent, for the benefit of the Secured Parties, without recourse except as provided herein, a security interest in and continuing Lien on all assets and personal property of the Borrower, including but not limited to, all of the Borrower's accounts, chattel paper, goods, deposit accounts (including, for the avoidance of doubt, the Collection Account, the Reserve Account and the Principal Collection Account), documents, general intangibles, instruments, investment property, letter of credit rights, money and supporting obligations and all proceeds of the foregoing (as each such term is defined in the UCC, collectively, the “Collateral”) now owned or hereafter acquired. The foregoing pledge does not constitute an assumption by the Collateral Agent of any obligations of the Borrower to Obligors or any other Person in connection with the Collateral or under any agreement or instrument relating to the Collateral, including, without limitation, any obligation to make future advances to or on behalf of such Obligors.

(ii) In connection with such grant, the Borrower agrees to record and file, at its own expense, financing statements with respect to the Collateral now existing and hereafter created meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect the first priority security interest of the

represented by the Borrower to be the computer file described in Section 2.2(a)(iii).

(c) The Collateral Agent hereby agrees not to disclose to any Person (including any Secured Party) any of the account numbers or other information contained in the computer files delivered to the Collateral Agent by the Borrower pursuant to Section 2.2(a)(iii), except as is required in connection with the performance of its duties hereunder or in enforcing the rights of the Secured Parties or to a Successor Servicer; provided, however, that notwithstanding anything to the contrary in this Agreement, the Collateral Agent may reply to a request from any Person for a list of Loans, Dealer Agreements, Contracts or other information referred to in any financing statement. The Collateral Agent agrees to take such measures as shall be necessary or reasonably requested by the Borrower to protect and maintain the security and confidentiality of such information. The Collateral Agent shall provide the Borrower with written notice five Business Days prior to any disclosure pursuant to this Section 2.2(c), to the extent reasonably practical.

Section 2.3 [Reserved].

Section 2.4 Determination of Benchmark; Determination of Yield; Maximum Interest and Yield.

(a) On each Benchmark Determination Date, the Deal Agent shall determine and deliver to the Servicer the applicable Interest Rate with respect to the related Accrual Period.

(b) Each Lender shall initially determine (i) the applicable Yield (including unpaid Yield, if any, due and payable on a prior Payment Date) to be paid by the Borrower with respect to the Capital on each Payment Date for the related Accrual Period and (ii) the Increased Costs and Additional Amounts due in respect of such Payment Date (including any such amounts unpaid from any prior Payment Date), and shall advise the Servicer and the Backup Servicer thereof on or before the fifth Business Day prior to such Payment Date.

(c) No provision of this Agreement shall require the payment or permit the collection of Interest and Yield that exceeds the maximum rate permitted by Applicable Law and

(ii) neither Interest nor Yield shall be considered paid by any distribution if at any time such distribution is rescinded or must otherwise be returned for any reason.

Section 2.5 [Reserved]. Section 2.6

[Reserved].

Section 2.7 Settlement Procedures. (a) As set forth in the Monthly Report, on each Payment Date, the Borrower (or, following its assumption of exclusive control of the Collection Account, the Collateral Agent) shall withdraw Available Funds and any Excess Reserve Amount and investment earnings on amounts on deposit in the Collection Account from the Collection Account and allocate and distribute such amounts to the applicable Person in the following order of priority:

(1) FIRST, to the Hedge Counterparty, an amount equal to any Hedge Costs (exclusive of termination payments) and any such Hedge Costs (exclusive of termination payments) unpaid from any prior Payment Date.

(b) (i) If on any Payment Date the amount paid pursuant to Section 2.7(a)(iii) and (v) is insufficient to cover all amounts due thereunder on such Payment Date the Borrower (or, following its assumption of exclusive control of the Reserve Account, the Collateral Agent) shall withdraw from the Reserve Account an amount equal to the lesser of such shortfall and the amount of funds on deposit in the Reserve Account (such withdrawal, a “Reserve Advance”) and deposit such amount to the Collection Account. The Borrower (or, following its assumption of exclusive control of the Collection Account, the Collateral Agent) shall pay such amount to the Lenders.

1. If on any Payment Date during the Amortization Period, the amount paid pursuant to Section 2.7(a)(v) is insufficient to reduce Capital to zero, the Deal Agent, acting at the direction of the Required Lenders, may direct the Borrower (or, following its assumption of exclusive control of the Reserve Account, the Collateral Agent) in writing to withdraw any or all of the amount on deposit in the Reserve Account, and pay such amount to the Lenders.

(b) With respect to any payments made by the Collateral Agent to the Lenders, the Collateral Agent shall be entitled to rely conclusively on the Monthly Report for purposes of determining the identity of such Lenders.

Section 2.8 [Reserved].

Section 2.9 Collections and Allocations.

(a) Collections. The Servicer shall transfer, or cause to be transferred, all Collections on deposit in the form of available funds in the Credit Acceptance Payment Account to the Collection Account by the close of business on the second Business Day after such Collections are received therein. The Servicer shall promptly (but in no event later than the second Business Day after the receipt thereof) deposit all Collections received directly by it in the Collection Account. The Servicer shall make such deposits or payments on the date indicated therein by wire transfer in immediately available funds or by automated clearing house (ACH).

(b) Initial Deposits. On the Closing Date and any other Addition 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 the Closing Date or such other Addition Date, in respect of the Loans.

(c) Investment of Funds. (i) Until the occurrence of a Termination Event or Unmatured Termination Event, to the extent there are uninvested amounts on deposit in the Collection Account, the Principal Collection Account and the Reserve Account, all amounts shall be invested as set forth in Section 6.7(c).

(ii) On the date on which Capital is reduced to zero and all Aggregate Unpaid have been indefeasibly paid in full, all Collateral is released from the Lien of this Agreement, and this Agreement is terminated, any amounts on deposit in the Reserve Account shall be released to the Borrower.

(d) Allocation of Collections. The Servicer will allocate Collections monthly in accordance with the actual amount of Collections received. The Servicer shall determine each

any amendments made to FATCA after the date of this Agreement.

(i) If, in connection with an agreement or other document providing liquidity support, credit enhancement or other similar support to the Lenders in connection with this Agreement or the funding or maintenance of the funding hereunder, the Lenders are required to compensate a bank or other financial institution in respect of Taxes under circumstances similar to those described in this Section then within 10 days after demand by the Lenders, the Borrower shall pay to the Lenders such additional amount or amounts as may be necessary to reimburse the Lenders for any amounts paid by them.

(j) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this section shall survive the termination of this Agreement.

(k) The Deal Agent and each Lender shall be required to deliver to the Collateral Agent and the Borrower prior to the first Payment Date and at any time or times required by applicable law, (i) a correct, complete and properly executed U.S. Internal Revenue Service Form W-9, W-8BEN, W-8BEN-E, W-8ECI, W-8IMY or W-8EXP (with appropriate attachments), as applicable and (ii) any documentation that is required under FATCA or is otherwise necessary (in the sole determination of the Borrower, the Collateral Agent, or other agent of the Borrower, as applicable) to enable the Borrower, the Collateral Agent and any other agent of the Borrower to determine their duties and liabilities with respect to any taxes they may be required to withhold pursuant to such Code sections. In addition, the Deal Agent, each Lender and any other party receiving a payment hereunder will be deemed to understand that the Collateral Agent has the right to withhold on amounts payable (without any corresponding gross-up unless otherwise required under this Section 2.14), if required. The Borrower hereby covenants with the Collateral Agent that the Borrower will provide the Collateral Agent with sufficient information so as to enable the Collateral Agent to determine whether or not the Collateral Agent is obliged to make any withholding tax in respect of any payments (and if applicable, to provide the necessary detailed information to effectuate the withholding tax, such as setting forth applicable amounts to be withheld).

Section 2.15 Assignment of the Contribution Agreement and Hedging Agreement. The Borrower hereby assigns to the Collateral Agent, for the ratable benefit of the Secured Parties hereunder, all of the Borrower's right, title and interest in and to, but none of its obligations under, the Contribution Agreement and the Hedging Agreement. The Borrower confirms that the Collateral Agent on behalf of the Secured Parties shall have the sole right to, at the written direction of the Deal Agent, enforce the Borrower's rights and remedies under the Contribution Agreement and the Hedging Agreement for the benefit of the Secured Parties.

Section 2.16 Optional Purchase. On and after the Commitment Termination Date, the Servicer shall have the option, upon no less than 10 days' prior written notice (or such lesser number of days reasonably acceptable to the Deal Agent) to the Borrower, the Collateral Agent, the Lenders and the Deal Agent, to reacquire the Dealer Loans, the Purchase Loans and the related Collateral in whole but not in part. To exercise such option, the Servicer shall deposit in an account designated by the Deal Agent ~~the Collection Account~~ an amount equal to: (x) the aggregate Purchase Amount for the Loans, plus (y) the fair market value of any other Collateral, plus (z)

Act or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. The Borrower does not own or intend to carry or purchase, and no proceeds from the pledge of the Collateral will be used to carry or purchase, any “margin stock” within the meaning of Regulation U or to extend “purchase credit” within the meaning of Regulation U.

(m) Quality of Title. Each Loan, together with the Related Security related thereto, shall, at all times, be owned by the Borrower free and clear of any Lien except as provided in Section 4.2(a)(iii), and upon each funding, the Collateral Agent as agent for the Secured Parties shall acquire a valid and perfected first priority security interest in such Loan, the Related Security related thereto and all Collections then existing or thereafter arising, free and clear of any Lien, except as provided in Section 4.2(a)(iii). No effective financing statement or other instrument similar in effect covering any Loan or Dealer Agreement shall at any time be on file in any recording office except such as may be filed (i) in favor of the Borrower in accordance with the Contribution Agreement or (ii) in favor of the Collateral Agent in accordance with this Agreement.

(n) Security Interest. The Borrower has granted a security interest (as defined in the UCC) to the Collateral Agent, as agent for the Secured Parties, in the Collateral, which is enforceable in accordance with applicable law upon execution and delivery of this Agreement. Upon the filing of UCC-1 financing statements naming the Collateral Agent as secured party and the Borrower as debtor, or upon the Collateral Agent obtaining control, in the case of that portion of the Collateral which constitutes electronic chattel paper, or possession, in the case of that portion of the Collateral which constitutes tangible chattel paper, the Collateral Agent, as agent for the Secured Parties, shall have a first priority perfected security interest in the Collateral. All filings (including, without limitation, such UCC filings) as are necessary in any jurisdiction to perfect the interest of the Collateral Agent, as agent for the Secured Parties, in the Collateral have been made. [The Collateral Agent has “control” \(as defined in Section 9-104 of the UCC\) over the Collection Account, the Reserve Account and the Principal Collection Account.](#)

(o) Accuracy of Information. All information heretofore furnished by the Borrower (including without limitation, the Monthly Report and Credit Acceptance's financial statements) to the Deal Agent, the Collateral Agent, the Backup Servicer or any Lender for purposes of or in connection with this Agreement or any other Transaction Document, or any transaction contemplated hereby or thereby, will be true, correct, complete and accurate in every material respect, on the date such information is stated or certified.

(p) Location of Offices. The principal place of business and chief executive office of the Borrower and the office where the Borrower keeps all the Records (other than the Certificates of Title) are located at the address of the Borrower referred to in Section 14.2 hereof and the office where the Borrower keeps all the Certificates of Title is located at 25300-25330 Telegraph Road, Southfield, Michigan 48033 (or, in each case, at such other locations as to which the notice and other requirements specified in Section 5.2(g) shall have been satisfied); provided, that, Credit Acceptance may temporarily (or permanently, solely in the case of a Contract that is repurchased, liquidated or paid in full) move or transfer individual Contract Files or Records, or any portion thereof without notice in accordance with Section 6.2(c)(iii).

(q) OFAC. None of the Borrower, any Subsidiary or any Affiliate of the

(c) Backup Servicing Agreement. The Backup Servicer hereby remakes the representations and warranties made by it under the Backup Servicing Agreement.

Section 4.5 Breach of Representations and Warranties.

(a) Payment in respect of an Ineligible Loan or an Ineligible Contract. 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, the Backup Servicer or the Servicer of written notice thereof in accordance with Section 4.2(b) hereof, the Borrower shall, by the last day of the first full Collection Period following the discovery or notice thereof, make a payment to the Collection Account in respect of each such Loan or Contract in an amount equal to the related Release Price. Any such Loan or Contract shall for all purposes of this Agreement be deemed to be an Ineligible Loan or Ineligible Contract. The Borrower shall make a deposit to the Collection Account (for allocation pursuant to Section 2.7) in immediately available funds of an amount (the “Release Price”) equal to (i) (A) in the case of an Ineligible Loan, the product of (x) the Outstanding Balance related to such Loan as of the last day of the related Collection Period and (y) the Net Advance Rate in effect on the date of such payment; and (B) in the case of an Ineligible Contract, the product of (x) the Outstanding Balance related to such Contract as of the last day of the related Collection Period and (y) a ratio the numerator of which is the outstanding Capital as of the date of such payment and the denominator of which is the Outstanding Balance of all Contracts as of the last day of the related Collection Period, plus (ii) all Hedge Costs due to the relevant Hedge Counterparties for any termination in whole or in part of one or more transactions related to the relevant Hedging Agreement, as required by the terms such Hedging Agreement. Notwithstanding the foregoing, with respect to any Ineligible Contracts, the Borrower may repurchase the Loans related thereto in lieu of such Ineligible Contracts and deposit into the Collection Account the Release Price of such Loans (as if such Loans were Ineligible Loans). Each Loan or Contract which is subject to a payment in accordance with this Section 4.5(a) shall, upon payment in full of the related Release Price, be released from the lien created pursuant to this Agreement and shall no longer constitute Collateral. The Collateral Agent as agent for the Secured Parties shall, at the sole expense of the Servicer, execute and deliver such instruments of transfer, in each case without recourse, representation or warranty, as shall be prepared and reasonably requested by the Servicer on behalf of the Borrower to vest in the Borrower, or its designee or assignee, all right, title and interest of the Collateral Agent as agent for the Secured Parties in, to and under the Loans or Contract subject to a payment in accordance with this Section 4.5(a).

(b) Retransfer of All of the Loans. In the event of a breach of any representation or warranty set forth in Section 4.2 hereof which breach could reasonably be expected to have a Material Adverse Effect, by notice then given in writing to the Borrower, the Deal Agent may direct the Borrower to accept the release by the Collateral Agent of all of the Loans (as directed in writing by the Deal Agent), in which case the Borrower shall be obligated to accept the release of such Loans on a Payment Date specified by the Deal Agent (such date, the “Release Date”); provided, however, that no such release shall be given effect unless Borrower has complied with the terms of any Hedging Agreement requiring that any derivative transaction related thereto be terminated in whole or in part and the Borrower has paid all Hedge Costs due with respect to such termination. The Borrower shall deposit in the Collection Account on the

obligations under this Agreement throughout such year (or in the case of a Successor Servicer which has been Servicer for less than one year, for so long as such Successor Servicer has been Servicer) and no Servicer Termination Event or potential Servicer Termination Event has occurred and is continuing (or if a Servicer Termination Event has so occurred and is continuing, specifying each such event, the nature and status thereof and the steps necessary to remedy such event, and, if a Servicer Termination Event or potential Servicer Termination Event occurred during such year and no notice thereof has been given to the Deal Agent, the Backup Servicer and the Collateral Agent, specifying such Servicer Termination Event or potential Servicer Termination Event and the steps taken to remedy such event).

Section 6.6 Additional Representations and Warranties of Credit Acceptance as Servicer. Credit Acceptance, in its capacity as Servicer, represents and warrants to the Collateral Agent, the Backup Servicer, the Deal Agent and each Lender as of the Closing Date and as of each Addition Date, that the only material servicing computer systems and related software utilized by the Servicer to service the Loans and Contracts are: (i) provided by Ontario Systems Corporation under an existing licensing agreement and related resource agreement, each of which may be amended from time to time, and (ii) the “loan servicing system” software licensed by Credit Acceptance from Oracle Corporation, which may be updated or replaced from time to time. Should the Servicer or any of its Affiliates develop or implement computer software for servicing that is owned by or exclusively licensed to the Servicer or an Affiliate and utilize such software in the servicing of the Loans and Contracts, the Servicer shall give prompt written notice thereof to the Backup Servicer and the Collateral Agent, and the Collateral Agent shall be entitled to compel a license or sublicense for the benefit of the Collateral Agent or its designee of any such rights to the extent the Collateral Agent deems reasonably necessary and appropriate to assure that it or a duly appointed Successor Servicer would be able to continue to service the Loans and Contracts should that be required in accordance with the terms hereof.

Section 6.7 Establishment of the Accounts.

(a) Establishment of the Collection Account, Principal Collection Account and Reserve Account. The Servicer shall cause to be established, on or before the Closing Date, ~~and~~ maintained in the name of the ~~Collateral Agent as agent for the Secured Parties, with an office or branch of a depository institution or trust company~~ (i) a segregated corporate trust account entitled ~~“Collection Account for Borrower at Fifth Third Bank, National Association, as agent for the Secured Parties” (the “Collection and subject to, in the case of the following clauses (i) and (iii), at all times following the Amendment No. 1 Effective Date, an Account”); Control Agreement~~ (ii) ~~a segregated corporate trust account entitled “Principal~~ the Collection Account ~~for Fifth Third Bank, National Association, as agent for the Secured Parties”,~~ (ii) the “Principal Collection Account”) and (iii) ~~a segregated corporate trust account entitled “Reserve Account for Fifth Third Bank, National Association” as agent for the Secured Parties (the “Reserve Account”), in each case, over which the Collateral Agent as agent for the Secured Parties shall have sole dominion and control and from which neither the Originator, the Servicer nor the Borrower shall have any right of withdrawal; provided, however, that at all times such depository institution or trust company shall be a depository institution or trust company organized under the laws of the United States of America or any one of the States thereof or the District of Columbia (or any domestic branch of a foreign bank), (i) (A) that has either (1) a long-term unsecured debt rating of at least investment grade by S&P and Moody's or (2) a short-term unsecured debt rating or certificate of deposit rating~~

of at least investment grade by S&P and Moody's, (B) the parent corporation which has either (1) a long-term unsecured debt rating of at least investment grade by S&P and Moody's or (2) a short-term unsecured debt rating or certificate of deposit rating of at least investment grade by S&P and Moody's or (C) that is otherwise acceptable to the Deal Agent and (ii) whose deposits are insured by the Federal Deposit Insurance Corporation (any such depository institution or trust company, a ~~"Qualified Institution"~~).

a. Adjustments. If (i) the Servicer makes a deposit into the Collection Account in respect of a Collection of a Loan and such Collection was received by the Servicer in the form of a check or other form of payment that is not honored for any reason or (ii) the Servicer makes a mistake with respect to the amount of any Collection and deposits an amount that is less than or more than the actual amount of such Collection, the Servicer shall appropriately adjust the amount subsequently deposited into the Collection Account to reflect such dishonored check or mistake. Any payment in respect of which a dishonored check or other form of payment is received shall be deemed not to have been paid.

b. Permitted Investments. Funds on deposit in the Collection Account, the Principal Collection Account and the Reserve Account ~~shall~~may be invested in Permitted Investments by or at the written direction of the Borrower, provided that if a Termination Event or Unmatured Termination Event shall have occurred, such amounts ~~shall~~may continue to be invested in Permitted Investments according to the last written direction received from the Borrower. Absent written direction from the Borrower, then any funds in such accounts shall remain uninvested (without any requirement or liability to pay for interest or earnings). Any such written directions shall specify the particular investment to be made and shall certify that such investment is a Permitted Investment and is permitted to be made under this Agreement. Funds on deposit in the Collection Account, the Principal Collection Account and the Reserve Account, if invested, shall be invested in Permitted Investments that will mature so that such funds will be available no later than the Business Day prior to the next Payment Date, except that in the case of funds representing Collections with respect to a succeeding Collection Period, such Permitted Investments may mature so that such funds will be available no later than the Business Day prior to the Payment Date for such Collection Period. No Permitted Investment may be liquidated or disposed of prior to its maturity. All proceeds of any Permitted Investment shall be deposited in the Collection Account, the Principal Collection Account or the Reserve Account, as applicable. Investments may be made in any account on any date (provided such investments mature in accordance herewith), only after giving effect to deposits to and withdrawals from such account on such date. Realized losses, if any, on amounts invested in Permitted Investments shall be charged against investment earnings on amounts on deposit in the Collection Account, the Principal Collection Account or the Reserve Account, as applicable. The Borrower acknowledges that upon its written request and at no additional cost, it has the right to receive notification after the completion of each purchase and sale of Permitted Investments or the Collateral Agent's receipt of a broker's confirmation. The Borrower agrees that such notifications shall not be provided by the Collateral Agent hereunder, and the Collateral Agent shall make available, upon request and in lieu of notifications, periodic account statements that reflect such investment activity. No statement need be made available for any account if no activity has occurred in such account during such period. The Collateral Agent shall not be liable for any loss, including without limitation any loss of principal or interest, or for any breakage fees or penalties in connection with the purchase or liquidation of any investment made in accordance with the written instructions of

Agent does not have a valid and perfected first priority security interest will be material if the outstanding balance of the related Contracts exceeds 3% of the Aggregate Outstanding Eligible Loan Balance of all Eligible Contracts; or

(n) any Change-in-Control shall occur; or

(o) cumulative Collections are less than 65% of Credit Acceptance's cumulative Forecasted Collections for any three consecutive Collection Periods.

Section 10.2 Remedies.

(a) Upon the occurrence of a Termination Event (other than a Termination Event described in Section 10.1(h)), the Deal Agent may, or at the direction of the Required Lenders, shall by notice to the Borrower declare the Termination Date to have occurred.

(b) Upon the occurrence of a Termination Event described in Section 10.1(h), the Termination Date shall automatically occur.

(c) Upon any Termination Date that occurs following a Termination Event pursuant to this Section 10.2: (i) the Deal Agent may, and shall at the direction of the Required Lenders by delivery of a Servicer Termination Notice, terminate the Servicer; and (ii) the Deal Agent, may, and at the direction of the Required Lenders, shall declare the entire outstanding amount of Capital immediately due and payable. The Deal Agent, the Collateral Agent and the Secured Parties shall have, in addition to all other rights and remedies under this Agreement or otherwise (including, for the avoidance of doubt, the right to take exclusive control of the Collection Account, the Reserve Account and the Principal Collection Account), all other rights and remedies provided of a secured party under the UCC of each applicable jurisdiction and other applicable laws, which rights shall be cumulative.

(d) If the outstanding Capital has been declared due and payable pursuant to Section 10.2(c), the Deal Agent or the Collateral Agent (acting at the written direction of the Deal Agent) may institute proceedings to collect amounts due, exercise remedies as a secured party (including foreclosure or sale of the Collateral) or elect to maintain the Collateral and continue to apply the proceeds from the Collateral as if there had been no declaration of acceleration.

ARTICLE XI INDEMNIFICATION

Section 11.1 Indemnities by the Borrower.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, the Borrower hereby agrees to indemnify the Deal Agent, the Backup Servicer, the Collateral Agent, the Successor Servicer, the Secured Parties, and each of their respective Affiliates and officers, directors, employees and agents thereof (collectively, the "Indemnified Parties"), forthwith on demand, from and against any and all damages, losses, claims, liabilities and related costs and expenses (including reasonable and documented attorneys' fees and disbursements and court costs) including those incurred in connection with any enforcement (including any action, claim or suit brought) by an Indemnified Party of any

CREDIT ACCEPTANCE CORPORATION
NONQUALIFIED STOCK OPTION AGREEMENT

Credit Acceptance Corporation (the “**Company**”) hereby grants you, **First Name Last Name (“Optionee”)**, a Nonqualified Stock Option Award (the “**Option**”) under the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, as amended (the “**Plan**”). The terms and conditions of the Option are set forth below.

GRANT DATE: [Grant Date]

NUMBER OF NONQUALIFIED STOCK OPTIONS: [Number of Options]

EXERCISE PRICE: \$[●] per share]

THIS AGREEMENT, effective as of the Grant Date above but subject to the approval of the Plan by a majority of the Company's shareholders at the Company's 2021 annual meeting ("**Shareholder Approval**"), represents the grant of Nonqualified Stock Options by the Company to the Optionee named above, pursuant to the provisions of the Plan and this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. Option Price. The exercise price of the Option granted hereunder shall be as set forth above.
2. Vesting.
 - (a) The Option shall become vested and exercisable in substantially equal installments over a four year period, subject to the continued employment of the Optionee with the Company or one of its Affiliates through each vesting date, as applicable, as follows:
 - (i) On the first anniversary of the Grant Date: [●] shares;
 - (ii) On the second anniversary of the Grant Date: [●] shares;
 - (iii) On the third anniversary of the Grant Date: [●] shares;
 - (iv) On the fourth anniversary of the Grant Date: [●] shares.
3. Option Exercise.
 - (a) To the extent not previously exercised, vested installments shall accumulate and the Optionee may exercise them thereafter in whole or in part. Any provision of this Agreement to the contrary notwithstanding, the Option shall expire and no longer be exercisable after the date which is the sixth (6th) anniversary of the Grant Date (the “**Expiration Date**”).

- (b) The Option shall be exercisable in accordance with the process and procedures established by the Company and communicated to the Optionee. If no such procedures are communicated, the Option shall be exercisable by a written notice in the form attached hereto which shall:
- (i) state the election to exercise the Option, the number of shares of Common Stock with respect to which it is being exercised by the Optionee;
 - (ii) be signed by the person or persons entitled to exercise the Option, and if the Option is being exercised by a person or persons other than the Optionee, be accompanied by (i) proof satisfactory to the Company's legal counsel of the right of such person or persons to exercise the Option and (ii) evidence that such person or persons other than the Optionee have agreed to be bound by all of the terms and conditions of the Option to the same extent as the Optionee; and
 - (iii) be in writing and delivered to the General Counsel of the Company pursuant to the Notice provision set forth in Section 9(c) of this Agreement.
- (c) Payment of the full exercise price of any shares of Common Stock with respect to which the Option is being exercised shall accompany the exercise of the Option. Payment shall be made in accordance with the process and procedures established by the Company and communicated to the Optionee which may include, if the Company so approves, payment (i) in cash or by certified check, bank draft or money order; (ii) by tendering to the Company shares of Common Stock then owned by the Optionee, duly endorsed for transfer or with duly executed stock power attached, which shares shall be valued at their Fair Market Value as of the date of such exercise and payment or (iii) by delivery of irrevocable instructions to a broker designated by the Company to deliver to the Company a sufficient amount of cash to pay the exercise price and any applicable income and employment withholding taxes ("**Cashless Exercise**"). At the election of the Optionee, payment may also be made, in accordance with the process and procedures established by the Company and communicated to the Optionee, by withholding shares of Common Stock otherwise deliverable upon exercise of an Option, which shares shall be valued at their Fair Market Value as of the date of such exercise and payment ("**Net Exercise**").

4. Termination of Employment.

- (a) Termination Prior to Option Becoming Vested and Exercisable. If, prior to the date that the Option shall first become exercisable the Optionee's employment shall be terminated, with or without Cause, or by the death, Disability, retirement or other voluntary cessation of employment of the Optionee, the Optionee's right to vest in the Option shall terminate and all rights hereunder shall cease.

- (b) Termination After Option Becomes Vested and Exercisable. If, on or after the date that the Option shall first become exercisable, the Optionee's employment shall be terminated for any reason, the Optionee shall have the right, prior to the earlier of (i) the Expiration Date and (ii) six (6) months after such termination of employment, to exercise the Option to the extent that it was vested and exercisable and is unexercised on the date of such termination of employment, subject to any other limitation on the exercise of the Option in effect at the date of exercise.

Notwithstanding the foregoing, the Committee may, but shall not be required to, determine in its sole discretion that any portion of the Option held by an Optionee whose termination of employment from the Company is by reason of retirement (as determined by the Committee in its sole discretion) that has become vested and is unexercised prior to the retirement of the Optionee shall remain exercisable by the Optionee until the earlier of (i) the Expiration Date and (ii) two (2) years after such termination of employment, subject to any other limitation on exercise in effect at the date of exercise.

5. Withholding. The Optionee consents to withholding from this compensation of all applicable payroll and income taxes with respect to the Option. If the Optionee is no longer employed by the Company at the time any applicable taxes with respect to the Option are due and must be remitted by the Company, the Optionee agrees to pay applicable taxes to the Company, and the Company may delay issuance of a certificate or recording the ownership of the Common Stock on the books of the Company until proper payment of such taxes has been made by the Optionee. If the Company so approves, the Optionee may satisfy his obligations under this Section 5 by (i) tendering previously-acquired shares of Common Stock or having shares of Common Stock withheld from the shares of Common Stock to be received upon exercise, provided that the shares have an aggregate Fair Market Value on the date of exercise of the Option sufficient to satisfy in whole or in part the applicable withholding taxes; or (ii) utilizing the Cashless Exercise procedure described in Section 3(d). In addition, at the election of the Optionee, the Optionee may satisfy his obligations under this Section by utilizing the Net Exercise procedure described in Section 3(d).
6. Rights as Shareholder. The Optionee shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of any shares of Common Stock purchasable upon the exercise of any part of the Option unless and until such shares of Common Stock shall have been issued by the Company and held of record by such Optionee (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends or other rights with respect to such shares of Common Stock for which the record date is prior to the date such shares of Common Stock are issued. The Company shall not be required to make any book entries evidencing shares of Common Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of the conditions set forth in Section 7.05 of the Plan.

7. Non-transferability. Options may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. No transfer of an Option shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will or such evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee of the terms and conditions of this Agreement and the Plan.
8. Administration. This Agreement and the rights of the Optionee hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Optionee. Any inconsistency between the Agreement and the Plan shall be resolved in favor of the Plan. The Option shall be null and void, and will be forfeited without consideration to the Optionee, in the event that the Shareholder Approval is not obtained.
9. Miscellaneous.
- (a) Change in Control. In the event of a Change in Control:
- (i) With respect to each outstanding Option that is assumed or substituted in connection with a Change in Control, in the event that an Optionee's employment is terminated by the Company or any Affiliate thereof without Cause or by the Optionee for Good Reason in each case during the twenty-four (24) month period following such Change of Control, such Option shall become fully vested and exercisable.
 - (ii) With respect to each outstanding Option that is not assumed or substituted in connection with a Change in Control, immediately upon the occurrence of the Change of Control, such Option shall become fully vested and exercisable.
 - (iii) For purposes of this Section 9(a), an Option shall be considered assumed or substituted for if, following the Change in Control, the Option is of comparable value and remains subject to the same terms and conditions that were applicable to the Option immediately prior to the Change in Control except that, if the Option related to shares of Common Stock, the Option instead confers the right to receive common stock of the acquiring or ultimate parent entity.
 - (iv) Notwithstanding any other provision of this Agreement or the Plan, in the event of a Change in Control, the Committee may, in its discretion, provide that each Option shall, immediately upon the occurrence of a Change in Control, be cancelled in exchange for a payment in cash or

securities in an amount equal to (i) the excess of the consideration paid per share of Common Stock in the Change in Control over the exercise or purchase price (if any) per share of the Common Stock subject to the Option multiplied by (ii) the number of shares of Common Stock granted under the Option.

- (b) Adjustments. If the Committee shall determine that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other corporate transaction or event affects the Common Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of shares of Common Stock which thereafter may be made the subject of the Options, (ii) the number and type of shares of Common Stock subject to outstanding Options, and (iii) the exercise price with respect to any Option, or, if deemed appropriate, cancel outstanding Options and make provision for a cash payment to the holders thereof.
- (c) Notices. Any written notice required or permitted under this Agreement shall be deemed given when delivered personally, as appropriate either to the Optionee or to the General Counsel of the Company, delivered electronically, or when deposited in a United States Post Office as registered mail, postage prepaid, addressed as appropriate either to the Optionee at his or her address as he or she may designate in writing to the Company, or to the Attention: General Counsel, Credit Acceptance Corporation, at its headquarters office or such other address as the Company may designate in writing to the Optionee.
- (d) Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.
- (e) Governing Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by and construed according to the laws of the State of Michigan.
- (f) Provision of Plan. The Options provided for herein and granted pursuant to the Plan, and said Options and this Agreement are in all respects governed by the Plan and subject to all of the terms and provisions thereof, whether such terms and provisions are incorporated in this Agreement, solely by reference or expressly cited herein. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement.

- (g) Section 16 Compliance. Notwithstanding any other provision of the Plan or this Agreement, if the Optionee is subject to Section 16 of the Exchange Act, then the Plan, the Option and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.
- (h) Code Section 409A. The Option is intended to be exempt from the requirements of Section 409A of the Code and this Agreement shall be interpreted in accordance with such intent, Section 409A of the Code and Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the awards are granted. Notwithstanding any provision of the Plan or the Agreement to the contrary, in the event that the Committee determines that any award is subject to and may or does not comply with Section 409A of the Code, the Company may adopt such amendments to the award (without the Optionee's consent) or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (i) exempt the award from the application of Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to award, or (ii) comply with the requirements of Section 409A of the Code.

IN WITNESS WHEREOF, the Company, by its duly authorized officer, and the Optionee have executed this Agreement effective as of the date and year first above written.

CREDIT ACCEPTANCE CORPORATION

By: _____

Its: _____

OPTIONEE: [FirstName] [Middle] [Last Name]

(Signature)

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: April 29, 2021

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: April 29, 2021

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 March 31, 2021 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: April 29, 2021

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 March 31, 2021 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: April 29, 2021

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