

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 June 30, 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:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
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 July 22, 2021 was 15,672,311.

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PART I. - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CREDIT ACCEPTANCE CORPORATION CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in millions, except per share data)

	As of	
	June 30, 2021	December 31, 2020
ASSETS:		
Cash and cash equivalents	\$ 383.5	\$ 16.0
Restricted cash and cash equivalents	477.4	380.2
Restricted securities available for sale	69.3	66.1
Loans receivable	9,966.5	10,124.8
Allowance for credit losses	(3,198.4)	(3,336.9)
Loans receivable, net	6,768.1	6,787.9
Property and equipment, net	57.7	59.4
Income taxes receivable	17.9	147.0
Other assets	27.5	32.4
Total Assets	\$ 7,801.4	\$ 7,489.0
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 226.3	\$ 186.7
Revolving secured line of credit	—	95.9
Secured financing	3,978.5	3,711.6
Senior notes	791.5	790.6
Mortgage note	10.1	10.5
Deferred income taxes, net	401.8	391.0
Income taxes payable	0.2	0.2
Total Liabilities	5,408.4	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, 16,003,249 and 17,092,432 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	0.2	0.2
Paid-in capital	150.8	161.9
Retained earnings	2,241.1	2,138.8
Accumulated other comprehensive income	0.9	1.6
Total Shareholders' Equity	2,393.0	2,302.5
Total Liabilities and Shareholders' Equity	\$ 7,801.4	\$ 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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue:				
Finance charges	\$ 445.4	\$ 378.2	\$ 870.3	\$ 740.1
Premiums earned	15.8	14.2	30.2	27.1
Other income	10.5	13.9	22.2	28.2
Total revenue	471.7	406.3	922.7	795.4
Costs and expenses:				
Salaries and wages	38.4	48.8	87.7	93.8
General and administrative	16.9	14.6	63.0	29.6
Sales and marketing	14.9	18.2	32.1	37.3
Provision for credit losses	(30.5)	139.4	(9.2)	494.1
Interest	42.0	48.2	85.8	100.1
Provision for claims	10.3	9.3	19.3	18.1
Loss on extinguishment of debt	—	—	—	7.4
Total costs and expenses	92.0	278.5	278.7	780.4
Income before provision for income taxes	379.7	127.8	644.0	15.0
Provision for income taxes	91.1	31.4	153.3	2.4
Net income	\$ 288.6	\$ 96.4	\$ 490.7	\$ 12.6
Net income per share:				
Basic	\$ 17.19	\$ 5.40	\$ 28.99	\$ 0.70
Diluted	\$ 17.18	\$ 5.40	\$ 28.96	\$ 0.70
Weighted average shares outstanding:				
Basic	16,790,189	17,844,785	16,924,014	18,015,125
Diluted	16,794,279	17,847,050	16,944,900	18,035,167

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	\$ 288.6	\$ 96.4	\$ 490.7	\$ 12.6
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities, net of tax	—	1.2	(0.7)	1.1
Other comprehensive gain (loss)	—	1.2	(0.7)	1.1
Comprehensive income	<u>\$ 288.6</u>	<u>\$ 97.6</u>	<u>\$ 490.0</u>	<u>\$ 13.7</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 June 30, 2021							
Common Stock							
	Number	Amount		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	16,710,422	\$ 0.2	\$	161.7	\$ 2,207.0	\$ 0.9	\$ 2,369.8
Net income	—	—		—	288.6	—	288.6
Stock-based compensation	—	—		(10.9)	—	—	(10.9)
Restricted stock forfeitures	(109,010)	—		—	—	—	—
Repurchase of common stock	(598,163)	—		—	(254.5)	—	(254.5)
Balance, end of period	16,003,249	\$ 0.2	\$	150.8	\$ 2,241.1	\$ 0.9	\$ 2,393.0

(Dollars in millions)

For the Three Months Ended June 30, 2020							
Common Stock							
	Number	Amount		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	17,649,478	\$ 0.2	\$	157.5	\$ 1,807.7	\$ 0.7	\$ 1,966.1
Net income	—	—		—	96.4	—	96.4
Other comprehensive loss	—	—		—	—	1.2	1.2
Stock-based compensation	—	—		1.4	—	—	1.4
Restricted stock forfeitures	(8)	—		—	—	—	—
Balance, end of period	17,649,470	\$ 0.2	\$	158.9	\$ 1,904.1	\$ 1.9	\$ 2,065.1

(Dollars in millions)

For the Six Months Ended June 30, 2021							
Common Stock							
	Number	Amount		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	17,092,432	\$ 0.2	\$	161.9	\$ 2,138.8	\$ 1.6	\$ 2,302.5
Net income	—	—		—	490.7	—	490.7
Other comprehensive gain	—	—		—	—	(0.7)	(0.7)
Stock-based compensation	—	—		(9.8)	—	—	(9.8)
Restricted stock forfeitures	(109,028)	—		—	—	—	—
Repurchase of common stock	(991,571)	—		(1.3)	(388.4)	—	(389.7)
Restricted stock units converted to common stock	11,416	—		—	—	—	—
Balance, end of period	16,003,249	\$ 0.2	\$	150.8	\$ 2,241.1	\$ 0.9	\$ 2,393.0

(Dollars in millions)

For the Six Months Ended June 30, 2020							
Common Stock							
	Number	Amount		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	18,352,779	\$ 0.2	\$	157.7	\$ 2,196.6	\$ 0.8	\$ 2,355.3
Net income	—	—		—	12.6	—	12.6
Other comprehensive gain	—	—		—	—	1.1	1.1
Stock-based compensation	—	—		3.2	—	—	3.2
Restricted stock forfeitures	(60)	—		—	—	—	—
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	17,649,470	\$ 0.2	\$	158.9	\$ 1,904.1	\$ 1.9	\$ 2,065.1

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)

	For the Six Months Ended June 30,	
	2021	2020
Cash Flows From Operating Activities:		
Net income	\$ 490.7	\$ 12.6
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	(9.2)	494.1
Depreciation	4.8	4.0
Amortization	8.1	7.3
Provision (benefit) for deferred income taxes	11.0	(30.6)
Stock-based compensation	(9.8)	3.2
Loss on extinguishment of debt	—	7.4
Other	(0.2)	(0.4)
Change in operating assets and liabilities:		
Increase (decrease) in accounts payable and accrued liabilities	40.4	(24.7)
Decrease in income taxes receivable	129.1	29.9
Decrease in other assets	3.6	3.5
Net cash provided by operating activities	668.5	506.3
Cash Flows From Investing Activities:		
Purchases of restricted securities available for sale	(25.2)	(29.5)
Proceeds from sale of restricted securities available for sale	6.1	13.0
Maturities of restricted securities available for sale	14.8	9.5
Principal collected on Loans receivable	1,966.5	1,599.0
Advances to Dealers	(1,158.7)	(1,232.1)
Purchases of Consumer Loans	(672.8)	(828.3)
Accelerated payments of Dealer Holdback	(26.6)	(22.9)
Payments of Dealer Holdback	(79.4)	(74.4)
Purchases of property and equipment	(3.1)	(6.3)
Net cash provided by (used in) in investing activities	21.6	(572.0)
Cash Flows From Financing Activities:		
Borrowings under revolving secured line of credit	994.2	2,884.7
Repayments under revolving secured line of credit	(1,090.1)	(2,724.2)
Proceeds from secured financing	1,379.8	1,368.5
Repayments of secured financing	(1,108.0)	(871.6)
Repayment of senior notes	—	(401.8)
Payments of debt issuance costs and debt extinguishment costs	(11.2)	(8.9)
Repurchase of common stock	(389.7)	(307.1)
Other	(0.4)	(0.4)
Net cash used in financing activities	(225.4)	(60.8)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	464.7	(126.5)
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	\$ 860.9	\$ 391.2
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 78.3	\$ 102.3
Cash paid during the period for income taxes	\$ 67.9	\$ 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 June 30, 2021 for items that could potentially be recognized or disclosed in these financial statements. For additional information regarding subsequent events, see Note 16.

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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Percentage of total unit volume with either FICO® scores below 650 or no FICO® scores	92.7 %	95.6 %	93.6 %	96.1 %

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 six 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 %
June 30, 2021	66.9 %	33.1 %	64.0 %	36.0 %

(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 June 30, 2021 and December 31, 2020, we had \$382.4 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 June 30, 2021 and December 31, 2020, we had \$474.2 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			
	June 30, 2021	December 31, 2020	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 383.5	\$ 16.0	\$ 8.5	\$ 187.4
Restricted cash and cash equivalents	477.4	380.2	382.7	330.3
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 860.9</u>	<u>\$ 396.2</u>	<u>\$ 391.2</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 and six months ended June 30, 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 June 30, 2021		As of December 31, 2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	\$ 383.5	\$ 383.5	\$ 16.0	\$ 16.0
Restricted cash and cash equivalents	477.4	477.4	380.2	380.2
Restricted securities available for sale	69.3	69.3	66.1	66.1
Loans receivable, net	6,768.1	7,067.2	6,787.9	7,216.4
Liabilities				
Revolving secured line of credit	\$ —	\$ —	\$ 95.9	\$ 95.9
Secured financing	3,978.5	4,042.4	3,711.6	3,793.9
Senior notes	791.5	839.1	790.6	842.0
Mortgage note	10.1	10.1	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, a 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 June 30, 2021			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	\$ 383.5	\$ —	\$ —	\$ 383.5
Restricted cash and cash equivalents (1)	477.4	—	—	477.4
Restricted securities available for sale (2)	56.4	12.9	—	69.3
Loans receivable, net (1)	—	—	7,067.2	7,067.2
Liabilities				
Revolving secured line of credit (1)	\$ —	\$ —	\$ —	\$ —
Secured financing (1)	—	4,042.4	—	4,042.4
Senior notes (1)	839.1	—	—	839.1
Mortgage note (1)	—	10.1	—	10.1

(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 June 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	\$ 33.1	\$ 0.7	\$ (0.1)	\$ 33.7
U.S. Government and agency securities	22.3	0.4	—	22.7
Asset-backed securities	12.4	0.1	—	12.5
Mortgage-backed securities	0.4	—	—	0.4
Total restricted securities available for sale	<u>\$ 68.2</u>	<u>\$ 1.2</u>	<u>\$ (0.1)</u>	<u>\$ 69.3</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 June 30, 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	\$ 10.8	\$ (0.1)	\$ 0.7	\$ —	\$ 11.5	\$ (0.1)
U.S. Government and agency securities	4.5	—	—	—	4.5	—
Asset-backed securities	3.9	—	—	—	3.9	—
Mortgage-backed securities	—	—	—	—	—	—
Total restricted securities available for sale	<u>\$ 19.2</u>	<u>\$ (0.1)</u>	<u>\$ 0.7</u>	<u>\$ —</u>	<u>\$ 19.9</u>	<u>\$ (0.1)</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.

(In millions)

Contractual Maturity	As of			
	June 30, 2021		December 31, 2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	\$ 3.7	\$ 3.7	\$ 1.1	\$ 1.1
Over one year to five years	62.2	63.3	58.1	60.0
Over five years to ten years	2.1	2.1	4.7	4.8
Over ten years	0.2	0.2	0.2	0.2
Total restricted securities available for sale	<u>\$ 68.2</u>	<u>\$ 69.3</u>	<u>\$ 64.1</u>	<u>\$ 66.1</u>

6. LOANS RECEIVABLE

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

(In millions)

	As of June 30, 2021		
	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 5,869.3	\$ 4,097.2	\$ 9,966.5
Allowance for credit losses	(1,733.4)	(1,465.0)	(3,198.4)
Loans receivable, net	<u>\$ 4,135.9</u>	<u>\$ 2,632.2</u>	<u>\$ 6,768.1</u>

(In millions)

	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 June 30, 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	\$ 5,933.5	\$ 4,224.5	\$ 10,158.0	\$ (1,727.6)	\$ (1,555.1)	\$ (3,282.7)	\$ 4,205.9	\$ 2,669.4	\$ 6,875.3
Finance charges	351.7	286.4	638.1	(103.1)	(89.6)	(192.7)	248.6	196.8	445.4
Provision for credit losses	—	—	—	27.2	3.3	30.5	27.2	3.3	30.5
New Consumer Loan assignments (1)	511.6	287.6	799.2	—	—	—	511.6	287.6	799.2
Collections (2)	(897.4)	(543.6)	(1,441.0)	—	—	—	(897.4)	(543.6)	(1,441.0)
Accelerated Dealer Holdback payments	16.2	—	16.2	—	—	—	16.2	—	16.2
Dealer Holdback payments	40.4	—	40.4	—	—	—	40.4	—	40.4
Transfers (3)	(26.3)	26.3	—	7.6	(7.6)	—	(18.7)	18.7	—
Write-offs	(63.4)	(184.6)	(248.0)	63.4	184.6	248.0	—	—	—
Recoveries (4)	0.9	0.6	1.5	(0.9)	(0.6)	(1.5)	—	—	—
Deferral of Loan origination costs	2.1	—	2.1	—	—	—	2.1	—	2.1
Balance, end of period	<u>\$ 5,869.3</u>	<u>\$ 4,097.2</u>	<u>\$ 9,966.5</u>	<u>\$ (1,733.4)</u>	<u>\$ (1,465.0)</u>	<u>\$ (3,198.4)</u>	<u>\$ 4,135.9</u>	<u>\$ 2,632.2</u>	<u>\$ 6,768.1</u>

(In millions)	For the Three Months Ended June 30, 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	\$ 5,677.7	\$ 4,181.3	\$ 9,859.0	\$ (1,532.3)	\$ (1,708.2)	\$ (3,240.5)	\$ 4,145.4	\$ 2,473.1	\$ 6,618.5
Finance charges	323.7	240.2	563.9	(91.0)	(94.7)	(185.7)	232.7	145.5	378.2
Provision for credit losses	—	—	—	(61.1)	(78.3)	(139.4)	(61.1)	(78.3)	(139.4)
New Consumer Loan assignments (1)	594.0	411.1	1,005.1	—	—	—	594.0	411.1	1,005.1
Collections (2)	(756.3)	(407.9)	(1,164.2)	—	—	—	(756.3)	(407.9)	(1,164.2)
Accelerated Dealer Holdback payments	11.5	—	11.5	—	—	—	11.5	—	11.5
Dealer Holdback payments	37.8	—	37.8	—	—	—	37.8	—	37.8
Transfers (3)	(29.0)	29.0	—	9.9	(9.9)	—	(19.1)	19.1	—
Write-offs	(51.2)	(169.0)	(220.2)	51.2	169.0	220.2	—	—	—
Recoveries (4)	0.3	0.4	0.7	(0.3)	(0.4)	(0.7)	—	—	—
Deferral of Loan origination costs	2.3	—	2.3	—	—	—	2.3	—	2.3
Balance, end of period	<u>\$ 5,810.8</u>	<u>\$ 4,285.1</u>	<u>\$ 10,095.9</u>	<u>\$ (1,623.6)</u>	<u>\$ (1,722.5)</u>	<u>\$ (3,346.1)</u>	<u>\$ 4,187.2</u>	<u>\$ 2,562.6</u>	<u>\$ 6,749.8</u>

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

For the Six Months Ended June 30, 2021										
(In millions)	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	695.9	561.6	1,257.5	(204.8)	(182.4)	(387.2)	491.1	379.2	870.3	
Provision for credit losses	—	—	—	27.3	(18.1)	9.2	27.3	(18.1)	9.2	
New Consumer Loan assignments (1)	1,158.7	672.8	1,831.5	—	—	—	1,158.7	672.8	1,831.5	
(2) Collections	(1,773.2)	(1,067.9)	(2,841.1)	—	—	—	(1,773.2)	(1,067.9)	(2,841.1)	
Accelerated Dealer Holdback payments	26.6	—	26.6	—	—	—	26.6	—	26.6	
Dealer Holdback payments	79.4	—	79.4	—	—	—	79.4	—	79.4	
Transfers	(66.9)	66.9	—	21.1	(21.1)	—	(45.8)	45.8	—	
(3) Write-offs	(126.2)	(392.6)	(518.8)	126.2	392.6	518.8	—	—	—	
Recoveries	1.1	1.2	2.3	(1.1)	(1.2)	(2.3)	—	—	—	
(4) Deferral of Loan origination costs	4.3	—	4.3	—	—	—	4.3	—	4.3	
Balance, end of period	\$ 5,869.3	\$ 4,097.2	\$ 9,966.5	\$ (1,733.4)	\$ (1,465.0)	\$ (3,198.4)	\$ 4,135.9	\$ 2,632.2	\$ 6,768.1	

For the Six Months Ended June 30, 2020										
(In millions)	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 (5)	940.2	1,523.4	2,463.6	(940.2)	(1,523.4)	(2,463.6)	—	—	—	
Finance charges	635.5	462.2	1,097.7	(174.7)	(182.9)	(357.6)	460.8	279.3	740.1	
Provision for credit losses	—	—	—	(229.2)	(264.9)	(494.1)	(229.2)	(264.9)	(494.1)	
New Consumer Loan assignments (1)	1,232.1	828.3	2,060.4	—	—	—	1,232.1	828.3	2,060.4	
(2) Collections	(1,532.9)	(810.7)	(2,343.6)	—	—	—	(1,532.9)	(810.7)	(2,343.6)	
Accelerated Dealer Holdback payments	22.9	—	22.9	—	—	—	22.9	—	22.9	
Dealer Holdback payments	74.4	—	74.4	—	—	—	74.4	—	74.4	
Transfers	(60.3)	60.3	—	19.6	(19.6)	—	(40.7)	40.7	—	
(3) Write-offs	(129.5)	(377.0)	(506.5)	129.5	377.0	506.5	—	—	—	
Recoveries	0.6	0.7	1.3	(0.6)	(0.7)	(1.3)	—	—	—	
(4) Deferral of Loan origination costs	4.5	—	4.5	—	—	—	4.5	—	4.5	
Balance, end of period	\$ 5,810.8	\$ 4,285.1	\$ 10,095.9	\$ (1,623.6)	\$ (1,722.5)	\$ (3,346.1)	\$ 4,187.2	\$ 2,562.6	\$ 6,749.8	

- (1) The Dealer Loans amount represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.
- (2) Represents repayments that we collected on Consumer Loans assigned under our programs.
- (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 and related allowance for credit losses balance to Purchased Loans in the period this forfeiture occurs.
- (4) 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.
- (5) 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.

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 June 30, 2021		
	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	\$ 36.5	\$ 55.1	\$ 91.6
Forecast changes	(63.7)	(58.4)	(122.1)
Total	\$ (27.2)	\$ (3.3)	\$ (30.5)

(In millions)

Provision for Credit Losses	For the Three Months Ended June 30, 2020		
	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	\$ 60.9	\$ 93.3	\$ 154.2
Forecast changes	0.2	(15.0)	(14.8)
Total	\$ 61.1	\$ 78.3	\$ 139.4

(In millions)

Provision for Credit Losses	For the Six Months Ended June 30, 2021		
	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	\$ 91.2	\$ 132.2	\$ 223.4
Forecast changes	(118.5)	(114.1)	(232.6)
Total	\$ (27.3)	\$ 18.1	\$ (9.2)

(In millions)

Provision for Credit Losses	For the Six Months Ended June 30, 2020		
	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	\$ 125.7	\$ 186.4	\$ 312.1
Forecast changes	103.5	78.5	182.0
Total	\$ 229.2	\$ 264.9	\$ 494.1

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 June 30, 2021		
	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 802.8	\$ 607.1	\$ 1,409.9
Expected net cash flows at the time of assignment (2)	724.6	405.1	1,129.7
Loans receivable at the time of assignment (3)	511.6	287.6	799.2
Provision for credit losses expense at the time of assignment	\$ (36.5)	\$ (55.1)	\$ (91.6)
Expected future finance charges at the time of assignment (4)	249.5	172.6	422.1
Expected net Loan income at the time of assignment (5)	\$ 213.0	\$ 117.5	\$ 330.5

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

(In millions)	New Consumer Loan Assignments	For the Three Months Ended June 30, 2020		
		Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)		\$ 950.7	\$ 924.0	\$ 1,874.7
Expected net cash flows at the time of assignment (2)		840.5	581.4	1,421.9
Loans receivable at the time of assignment (3)		594.0	411.1	1,005.1
Provision for credit losses expense at the time of assignment		\$ (60.9)	\$ (93.3)	\$ (154.2)
Expected future finance charges at the time of assignment (4)		307.4	263.6	571.0
Expected net Loan income at the time of assignment (5)		<u>\$ 246.5</u>	<u>\$ 170.3</u>	<u>\$ 416.8</u>

(In millions)	New Consumer Loan Assignments	For the Six Months Ended June 30, 2021		
		Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)		\$ 1,820.3	\$ 1,439.2	\$ 3,259.5
Expected net cash flows at the time of assignment (2)		1,636.0	949.4	2,585.4
Loans receivable at the time of assignment (3)		1,158.7	672.8	1,831.5
Provision for credit losses expense at the time of assignment		\$ (91.2)	\$ (132.2)	\$ (223.4)
Expected future finance charges at the time of assignment (4)		568.5	408.8	977.3
Expected net Loan income at the time of assignment (5)		<u>\$ 477.3</u>	<u>\$ 276.6</u>	<u>\$ 753.9</u>

(In millions)	New Consumer Loan Assignments	For the Six Months Ended June 30, 2020		
		Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)		\$ 1,964.2	\$ 1,835.6	\$ 3,799.8
Expected net cash flows at the time of assignment (2)		1,738.1	1,158.2	2,896.3
Loans receivable at the time of assignment (3)		1,232.1	828.3	2,060.4
Provision for credit losses expense at the time of assignment		\$ (125.7)	\$ (186.4)	\$ (312.1)
Expected future finance charges at the time of assignment (4)		631.7	516.3	1,148.0
Expected net Loan income at the time of assignment (5)		<u>\$ 506.0</u>	<u>\$ 329.9</u>	<u>\$ 835.9</u>

- (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 June 30, 2021		
		Dealer Loans	Purchased Loans	Total
Balance, beginning of period		\$ 5,737.4	\$ 4,022.1	\$ 9,759.5
New Consumer Loan assignments (1)		724.6	405.1	1,129.7
Realized net cash flows (2)		(840.8)	(543.6)	(1,384.4)
Forecast changes		32.9	71.6	104.5
Transfers (3)		(27.6)	29.5	1.9
Balance, end of period		<u>\$ 5,626.5</u>	<u>\$ 3,984.7</u>	<u>\$ 9,611.2</u>

(In millions)	Expected Future Net Cash Flows	For the Three Months Ended June 30, 2020		
		Dealer Loans	Purchased Loans	Total
Balance, beginning of period		\$ 5,638.8	\$ 3,505.1	\$ 9,143.9
New Consumer Loan assignments (1)		840.5	581.4	1,421.9
Realized net cash flows (2)		(707.0)	(407.9)	(1,114.9)
Forecast changes		(0.1)	24.5	24.4
Transfers (3)		(27.0)	28.5	1.5
Balance, end of period		<u>\$ 5,745.2</u>	<u>\$ 3,731.6</u>	<u>\$ 9,476.8</u>

(In millions)	Expected Future Net Cash Flows	For the Six Months Ended June 30, 2021		
		Dealer Loans	Purchased Loans	Total
Balance, beginning of period		\$ 5,664.3	\$ 3,880.1	\$ 9,544.4
New Consumer Loan assignments (1)		1,636.0	949.4	2,585.4
Realized net cash flows (2)		(1,667.2)	(1,067.9)	(2,735.1)
Forecast changes		59.6	152.3	211.9
Transfers (3)		(66.2)	70.8	4.6
Balance, end of period		<u>\$ 5,626.5</u>	<u>\$ 3,984.7</u>	<u>\$ 9,611.2</u>

(In millions)	Expected Future Net Cash Flows	For the Six Months Ended June 30, 2020		
		Dealer Loans	Purchased Loans	Total
Balance, beginning of period		\$ 5,577.0	\$ 3,428.2	\$ 9,005.2
New Consumer Loan assignments (1)		1,738.1	1,158.2	2,896.3
Realized net cash flows (2)		(1,435.6)	(810.7)	(2,246.3)
Forecast changes		(76.0)	(106.1)	(182.1)
Transfers (3)		(58.3)	62.0	3.7
Balance, end of period		<u>\$ 5,745.2</u>	<u>\$ 3,731.6</u>	<u>\$ 9,476.8</u>

- (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.

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

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.

The following table compares our forecast of Consumer Loan collection rates as of June 30, 2021 with the forecasts as of March 31, 2021, December 31, 2020 and at the time of assignment, segmented by year of assignment:

Total Loans as of June 30, 2021								
Consumer Loan Assignment Year	Forecasted Collection Percentage as of (1)				Current Forecast Variance from			
	June 30, 2021	March 31, 2021	December 31, 2020	Initial Forecast	March 31, 2021	December 31, 2020	Initial Forecast	
2012	73.8 %	73.8 %	73.8 %	71.4 %	0.0 %	0.0 %	2.4 %	
2013	73.4 %	73.4 %	73.4 %	72.0 %	0.0 %	0.0 %	1.4 %	
2014	71.6 %	71.6 %	71.6 %	71.8 %	0.0 %	0.0 %	-0.2 %	
2015	65.2 %	65.2 %	65.2 %	67.7 %	0.0 %	0.0 %	-2.5 %	
2016	63.7 %	63.6 %	63.6 %	65.4 %	0.1 %	0.1 %	-1.7 %	
2017	64.4 %	64.2 %	64.1 %	64.0 %	0.2 %	0.3 %	0.4 %	
2018	64.7 %	64.3 %	64.0 %	63.6 %	0.4 %	0.7 %	1.1 %	
2019	65.8 %	65.1 %	64.4 %	64.0 %	0.7 %	1.4 %	1.8 %	
2020	67.0 %	66.1 %	64.8 %	63.4 %	0.9 %	2.2 %	3.6 %	
2021	65.8 %	64.8 %	—	65.7 %	1.0 %	—	0.1 %	
Dealer Loans as of June 30, 2021								
Consumer Loan Assignment Year	Forecasted Collection Percentage as of (1) (2)				Current Forecast Variance from			
	June 30, 2021	March 31, 2021	December 31, 2020	Initial Forecast	March 31, 2021	December 31, 2020	Initial Forecast	
2012	73.6 %	73.6 %	73.6 %	71.3 %	0.0 %	0.0 %	2.3 %	
2013	73.3 %	73.3 %	73.4 %	72.1 %	0.0 %	-0.1 %	1.2 %	
2014	71.5 %	71.5 %	71.5 %	71.9 %	0.0 %	0.0 %	-0.4 %	
2015	64.5 %	64.5 %	64.5 %	67.5 %	0.0 %	0.0 %	-3.0 %	
2016	62.9 %	62.9 %	62.8 %	65.1 %	0.0 %	0.1 %	-2.2 %	
2017	63.7 %	63.5 %	63.4 %	63.8 %	0.2 %	0.3 %	-0.1 %	
2018	64.2 %	63.8 %	63.5 %	63.6 %	0.4 %	0.7 %	0.6 %	
2019	65.4 %	64.7 %	64.1 %	63.9 %	0.7 %	1.3 %	1.5 %	
2020	66.6 %	65.7 %	64.5 %	63.3 %	0.9 %	2.1 %	3.3 %	
2021	65.6 %	64.7 %	—	65.7 %	0.9 %	—	-0.1 %	

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

Consumer Loan Assignment Year	Purchased Loans as of June 30, 2021							
	Forecasted Collection Percentage as of (1) (2)				Current Forecast Variance from			
	June 30, 2021	March 31, 2021	December 31, 2020	Initial Forecast	March 31, 2021	December 31, 2020	Initial Forecast	
2012	75.9 %	75.9 %	75.9 %	71.4 %	0.0 %	0.0 %	4.5 %	
2013	74.3 %	74.3 %	74.3 %	71.6 %	0.0 %	0.0 %	2.7 %	
2014	72.5 %	72.5 %	72.4 %	70.9 %	0.0 %	0.1 %	1.6 %	
2015	68.9 %	68.9 %	68.8 %	68.5 %	0.0 %	0.1 %	0.4 %	
2016	65.8 %	65.8 %	65.8 %	66.5 %	0.0 %	0.0 %	-0.7 %	
2017	65.9 %	65.7 %	65.6 %	64.6 %	0.2 %	0.3 %	1.3 %	
2018	65.9 %	65.4 %	65.1 %	63.5 %	0.5 %	0.8 %	2.4 %	
2019	66.4 %	65.8 %	65.1 %	64.2 %	0.6 %	1.3 %	2.2 %	
2020	67.5 %	66.8 %	65.4 %	63.6 %	0.7 %	2.1 %	3.9 %	
2021	66.0 %	65.0 %	—	65.6 %	1.0 %	—	0.4 %	

- (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.

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 June 30, 2021 and December 31, 2020, segmented by year of assignment:

(In millions)

Consumer Loan Assignment Year	Total Loans as of June 30, 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	\$ 31.6	\$ 10.7	\$ 77.9	\$ 132.3	\$ 252.5
2017	194.3	59.5	215.7	16.8	486.3
2018	720.9	222.3	435.3	3.3	1,381.8
2019	1,595.2	486.0	574.8	0.2	2,656.2
2020	2,306.9	554.7	265.1	0.1	3,126.8
2021	1,850.4	206.7	5.8	—	2,062.9
	<u>\$ 6,699.3</u>	<u>\$ 1,539.9</u>	<u>\$ 1,574.6</u>	<u>\$ 152.7</u>	<u>\$ 9,966.5</u>

(In millions)

Consumer Loan Assignment Year	Dealer Loans as of June 30, 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	\$ 11.9	\$ 4.0	\$ 30.9	\$ 97.8	\$ 144.6
2017	96.9	29.7	107.2	11.5	245.3
2018	373.6	112.7	218.2	2.2	706.7
2019	800.1	235.2	279.0	0.1	1,314.4
2020	1,512.3	355.0	168.7	0.1	2,036.1
2021	1,276.5	141.8	3.9	—	1,422.2
	<u>\$ 4,071.3</u>	<u>\$ 878.4</u>	<u>\$ 807.9</u>	<u>\$ 111.7</u>	<u>\$ 5,869.3</u>

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(UNAUDITED)

(In millions)

Purchased Loans as of June 30, 2021 (2)					
Consumer Loan Assignment Year	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	\$ 19.7	\$ 6.7	\$ 47.0	\$ 34.5	\$ 107.9
2017	97.4	29.8	108.5	5.3	241.0
2018	347.3	109.6	217.1	1.1	675.1
2019	795.1	250.8	295.8	0.1	1,341.8
2020	794.6	199.7	96.4	—	1,090.7
2021	573.9	64.9	1.9	—	640.7
	<u>\$ 2,628.0</u>	<u>\$ 661.5</u>	<u>\$ 766.7</u>	<u>\$ 41.0</u>	<u>\$ 4,097.2</u>

(In millions)

Total Loans as of December 31, 2020 (1) (2)					
Consumer Loan Assignment Year	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>

(In millions)

Dealer Loans as of December 31, 2020 (1)					
Consumer Loan Assignment Year	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)

Purchased Loans as of December 31, 2020 (2)					
Consumer Loan Assignment Year	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>

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

- (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 second 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.

7. REINSURANCE

A summary of reinsurance activity is as follows:

(In millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net assumed written premiums	\$ 15.1	\$ 17.3	\$ 33.8	\$ 34.6
Net premiums earned	15.8	14.2	30.2	27.1
Provision for claims	10.3	9.3	19.3	18.1
Amortization of capitalized acquisition costs	0.4	0.2	0.8	0.6

The trust assets and related reinsurance liabilities are as follows:

(In millions)

	Balance Sheet location	As of	
		June 30, 2021	December 31, 2020
Trust assets	Restricted cash and cash equivalents	\$ 0.7	\$ 0.7
Trust assets	Restricted securities available for sale	69.3	66.1
Unearned premium	Accounts payable and accrued liabilities	52.1	48.5
Claims reserve (1)	Accounts payable and accrued liabilities	2.5	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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Ancillary product profit sharing	\$ 7.2	\$ 10.0	\$ 15.4	\$ 18.2
Remarketing fees	1.9	1.8	4.1	4.6
Dealer enrollment fees	0.7	0.9	1.1	1.8
Dealer support products and services	0.3	0.5	0.7	1.0
Interest	0.4	0.5	0.7	2.2
Other	—	0.2	0.2	0.4
Total	\$ 10.5	\$ 13.9	\$ 22.2	\$ 28.2

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 the accelerated Dealer Holdback payment(s) and the amount(s) of the payment(s), if any, have been calculated. Once the accelerated Dealer Holdback payment(s) have 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 June 30, 2021							
	Ancillary product profit sharing	Remarketing fees	Dealer enrollment fees	Dealer support products and services	Interest	Other	Total Other Income
Source of income							
Third Party Providers	\$ 7.2	\$ —	\$ —	\$ —	\$ 0.4	\$ —	\$ 7.6
Dealers	—	1.9	0.7	0.3	—	—	2.9
Total	<u>\$ 7.2</u>	<u>\$ 1.9</u>	<u>\$ 0.7</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ —</u>	<u>\$ 10.5</u>
Timing of revenue recognition							
Over time	\$ 7.2	\$ —	\$ 0.7	\$ —	\$ 0.4	\$ —	\$ 8.3
At a point in time	—	1.9	—	0.3	—	—	2.2
Total	<u>\$ 7.2</u>	<u>\$ 1.9</u>	<u>\$ 0.7</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ —</u>	<u>\$ 10.5</u>
(In millions)							
For the Six Months Ended June 30, 2021							
	Ancillary product profit sharing	Remarketing fees	Dealer enrollment fees	Dealer support products and services	Interest	Other	Total Other Income
Source of income							
Third Party Providers	\$ 15.4	\$ —	\$ —	\$ —	\$ 0.7	\$ 0.2	\$ 16.3
Dealers	—	4.1	1.1	0.7	—	—	5.9
Total	<u>\$ 15.4</u>	<u>\$ 4.1</u>	<u>\$ 1.1</u>	<u>\$ 0.7</u>	<u>\$ 0.7</u>	<u>\$ 0.2</u>	<u>\$ 22.2</u>
Timing of revenue recognition							
Over time	\$ 15.4	\$ —	\$ 1.1	\$ —	\$ 0.7	\$ —	\$ 17.2
At a point in time	—	4.1	—	0.7	—	0.2	5.0
Total	<u>\$ 15.4</u>	<u>\$ 4.1</u>	<u>\$ 1.1</u>	<u>\$ 0.7</u>	<u>\$ 0.7</u>	<u>\$ 0.2</u>	<u>\$ 22.2</u>

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

9. DEBT

Debt consists of the following:

(In millions)

As of June 30, 2021			
	Principal Outstanding	Unamortized Debt Issuance Costs	Carrying Amount
Revolving secured line of credit (1)	\$ —	\$ —	\$ —
Secured financing (2)	4,000.4	(21.9)	3,978.5
Senior notes	800.0	(8.5)	791.5
Mortgage note	10.1	—	10.1
Total debt	<u>\$ 4,810.5</u>	<u>\$ (30.4)</u>	<u>\$ 4,780.1</u>

(In millions)

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 \$2.5 million and \$3.2 million as of June 30, 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 June 30, 2021 is as follows:

(Dollars in millions)

Financings	Wholly-owned Subsidiary	Maturity Date	Financing Amount	Interest Rate Basis as of June 30, 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 LLC 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 2018-2 (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
Term ABS 2021-3 (2)	Credit Acceptance Funding LLC 2021-3	05/15/2023 (3)	450.0	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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Revolving Secured Line of Credit				
Maximum outstanding principal balance	\$ 129.4	\$ 296.6	\$ 216.0	\$ 296.6
Average outstanding principal balance	11.0	148.8	39.8	117.0
Warehouse Facility II				
Maximum outstanding principal balance	201.0	201.0	201.0	201.0
Average outstanding principal balance	4.4	201.0	23.5	110.7
Warehouse Facility IV				
Maximum outstanding principal balance	—	—	—	—
Average outstanding principal balance	—	—	—	—
Warehouse Facility V				
Maximum outstanding principal balance	—	75.0	—	75.0
Average outstanding principal balance	—	50.5	—	29.4
Warehouse Facility VI				
Maximum outstanding principal balance	—	—	—	—
Average outstanding principal balance	—	—	—	—
Warehouse Facility VII				
Maximum outstanding principal balance	—	125.0	—	125.0
Average outstanding principal balance	—	100.5	—	61.1
Warehouse Facility VIII				
Maximum outstanding principal balance	—	149.0	—	149.0
Average outstanding principal balance	—	69.9	—	38.7

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

(Dollars in millions)

	As of	
	June 30, 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	\$	—	\$ 196.4
Loans pledged as collateral		—	394.1
Restricted cash and cash equivalents pledged as collateral		—	36.2
Interest rate		— %	3.61 %
Term ABS 2018-2			
Principal balance outstanding	\$	96.7	\$ 254.3
Loans pledged as collateral		305.9	410.0
Restricted cash and cash equivalents pledged as collateral		36.1	34.6
Interest rate		4.11 %	3.85 %
Term ABS 2018-3			
Principal balance outstanding	\$	141.9	\$ 296.1
Loans pledged as collateral		306.7	408.8
Restricted cash and cash equivalents pledged as collateral		34.1	32.9
Interest rate		3.98 %	3.78 %
Term ABS 2019-1			
Principal balance outstanding	\$	278.3	\$ 402.5
Loans pledged as collateral		393.4	482.3
Restricted cash and cash equivalents pledged as collateral		39.5	35.4
Interest rate		3.61 %	3.53 %
Term ABS 2019-2			
Principal balance outstanding	\$	500.0	\$ 500.0
Loans pledged as collateral		578.6	575.4
Restricted cash and cash equivalents pledged as collateral		52.4	41.2
Interest rate		3.13 %	3.13 %
Term ABS 2019-3			
Principal balance outstanding	\$	351.7	\$ 351.7
Loans pledged as collateral		410.1	420.9
Restricted cash and cash equivalents pledged as collateral		37.7	30.8
Interest rate		2.56 %	2.56 %
Term ABS 2020-1			
Principal balance outstanding	\$	500.0	\$ 500.0
Loans pledged as collateral		619.9	749.3
Restricted cash and cash equivalents pledged as collateral		55.3	48.8
Interest rate		2.18 %	2.18 %
Term ABS 2020-2			
Principal balance outstanding	\$	481.8	\$ 481.8
Loans pledged as collateral		585.2	606.6
Restricted cash and cash equivalents pledged as collateral		50.4	41.1
Interest rate		1.65 %	1.65 %
Term ABS 2020-3			
Principal balance outstanding	\$	600.0	\$ 600.0
Loans pledged as collateral		719.3	759.1
Restricted cash and cash equivalents pledged as collateral		59.4	49.3
Interest rate		1.44 %	1.44 %
Term ABS 2021-1			
Principal balance outstanding	\$	100.0	\$ —
Loans pledged as collateral		156.0	—

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

Restricted cash and cash equivalents pledged as collateral		10.8		—
Interest rate		2.07 %		— %
Term ABS 2021-2				
Principal balance outstanding	\$	500.0	\$	—
Loans pledged as collateral		702.0		—
Restricted cash and cash equivalents pledged as collateral		52.7		—
Interest rate		1.12 %		— %
Term ABS 2021-3				
Principal balance outstanding	\$	450.0	\$	—
Loans pledged as collateral		632.7		—
Restricted cash and cash equivalents pledged as collateral		44.3		—
Interest rate		1.14 %		— %
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	\$	10.1	\$	10.5
Interest rate		1.59 %		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 2018-2, 2018-3, 2019-1, 2019-3, 2020-1, 2020-2, 2020-3, 2021-2 and 2021-3 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 and 2021-3) 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 2018-2	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
Term ABS 2021-3	May 20, 2021		562.6	Through May 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 June 30, 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 June 30, 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 June 30, 2021 and December 31, 2020:

(Dollars in millions)

As of June 30, 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	07/2019	07/2023	300.0	6.50 %
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	31.3	5.50 %
		Cap Floating Rate	01/2020	12/2023	118.7	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.

The interest rate caps have not been designated as hedging instruments. As of June 30, 2021 and December 31, 2020, the interest rate caps had a fair value of \$0.1 million as the capped rates were significantly above market rates.

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

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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
State income taxes	3.0 %	3.2 %	2.9 %	6.7 %
Excess tax benefits from stock-based compensation plans	— %	— %	-0.2 %	-17.6 %
Other	— %	0.4 %	0.1 %	5.8 %
Effective income tax rate	24.0 %	24.6 %	23.8 %	15.9 %

State income taxes

State income taxes include non-deductible expenses related to uncertain tax positions. The impact of these non-deductible expenses on our effective income tax rate decreased from 2020 to 2021 primarily due to an increase in pre-tax income.

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 for income taxes and reduce our effective income tax rate. The impact of excess tax benefits on our effective income tax rate decreased from 2020 to 2021 due to an increase in pre-tax income and 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 from 2020 to 2021 primarily due to the increase in pre-tax income.

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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Weighted average shares outstanding:				
Common shares	16,424,346	17,526,660	16,570,985	17,705,097
Vested restricted stock units	365,843	318,125	353,029	310,028
Basic number of weighted average shares outstanding	16,790,189	17,844,785	16,924,014	18,015,125
Dilutive effect of restricted stock and restricted stock units	4,090	2,265	20,886	20,042
Dilutive number of weighted average shares outstanding	16,794,279	17,847,050	16,944,900	18,035,167

For the three and six months ended June 30, 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 and six months ended June 30, 2020, there were 5,285 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.

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

13. STOCK REPURCHASES

The following table summarizes our stock repurchases for the three and six months ended June 30, 2021 and 2020:

(Dollars in millions)

	For the Three Months Ended June 30,			
	2021		2020	
	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost
Open Market (1)	598,163	\$ 254.5	—	\$ —

(Dollars in millions)

Stock Repurchases	For the Six Months Ended June 30,			
	2021		2020	
	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost
Open Market (1)	984,505	\$ 387.0	710,157	\$ 300.6
Other (2)	7,066	2.7	15,063	6.5
Total	991,571	\$ 389.7	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 June 30, 2021, we had authorization to repurchase 1,518,105 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.

14. STOCK-BASED COMPENSATION PLANS

Stock-based compensation expense consists of the following:

(In millions)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Restricted stock	\$ (8.3)	\$ 0.5	\$ (7.9)	\$ 1.1
Restricted stock units	(2.6)	0.9	(1.9)	2.1
Total	\$ (10.9)	\$ 1.4	\$ (9.8)	\$ 3.2

The reversal of stock-based compensation expense for the three and six months ended June 30, 2021 was primarily due to the forfeiture of unvested restricted stock and restricted stock units upon the retirement of our former Chief Executive Officer in May 2021, which resulted in an \$11.5 million reversal of stock-based compensation expense.

A summary of the non-vested restricted stock activity is presented below:

Restricted Stock	Number of Shares	Weighted Average Grant-Date Fair Value Per Share
Non-vested as of December 31, 2020	122,718	\$ 117.88
Vested	(12,130)	177.77
Forfeited	(109,028)	106.59
Non-vested as of June 30, 2021	1,560	\$ 441.54

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

A summary of the restricted stock unit activity is presented below:

Restricted Stock Units	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value Per Share
Outstanding as of December 31, 2020	412,602	\$ 138.65
Granted	7,302	366.07
Converted	(11,416)	190.32
Forfeited	(31,229)	108.59
Outstanding as of June 30, 2021	<u>377,259</u>	<u>\$ 143.98</u>

Stock option grants subject to shareholder approval

From December 2020 through June 2021, we granted 770,500 time-based stock options with a weighted average exercise price of \$346.94 per share to certain team members and a new member of our board of directors, subject to shareholder approval of an amendment to our Amended and Restated Incentive Compensation Plan (“Shareholder Approval”). Based on the terms of individual stock option grant agreements, the stock options:

- vest and become exercisable in four equal annual installments beginning on the first anniversary of the date on which the options were granted, based on continuous employment or service, and
- expire either six or ten 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. Shareholder Approval was received at our annual meeting of shareholders on July 21, 2021. Accordingly, the accounting grant date of the 770,500 time-based stock options we awarded from December 2020 through June 2021 is July 21, 2021. The \$145.3 million grant date fair value of those stock options will be recognized as stock-based compensation expense over the requisite service period. No stock-based compensation expense was recognized for stock options for the three and six months ended June 30, 2021.

We expect to recognize the future expense of the stock options as follows:

(in millions)

For the Years Ended December 31,	Total Projected Expense of Stock Options
2021	\$ 33.6
2022	36.9
2023	36.3
2024	36.3
2025	2.2
Total	<u>\$ 145.3</u>

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

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.

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. On May 28, 2021, the court issued an opinion and order appointing lead plaintiff and lead counsel. On July 22, 2021, the lead plaintiffs filed an amended complaint asserting similar violations, seeking similar relief and expanding the putative class to include all persons and entities (subject to specified exceptions) that purchased or otherwise acquired Credit Acceptance common stock from May 4, 2018 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 and April 30, 2021, we received additional subpoenas 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.

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

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. On June 3, 2021, we received another civil investigative demand from the Bureau seeking additional information relating to its investigation. 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.

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.

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

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.

16. SUBSEQUENT EVENTS

From December 2020 through June 2021, we granted 770,500 time-based stock options with a weighted average exercise price of \$346.94 per share to certain team members and a new member of our board of directors, subject to Shareholder Approval. On July 21, 2021, we received Shareholder Approval and measured the grant date fair value of the stock option grants. For additional information regarding stock option grants, see Note 14.

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 June 30, 2021, consolidated net income was \$288.6 million, or \$17.18 per diluted share, compared to consolidated net income of \$96.4 million, or \$5.40 per diluted share, for the same period in 2020 primarily due to a decrease in provision for credit losses and an increase in finance charges. The decrease in provision for credit losses was primarily due to an improvement in forecasted future net cash flows from our Loan portfolio and a decrease in new Consumer Loan assignment volume. The increase in finance charges was primarily due to an increase in the average yield on our Loan portfolio, which was primarily the result of the adoption of CECL on January 1, 2020.

For the six months ended June 30, 2021, consolidated net income was \$490.7 million, or \$28.96 per diluted share, compared to consolidated net income of \$12.6 million, or \$0.70 per diluted share, for the same period in 2020 primarily due to a decrease in provision for credit losses and an increase in finance charges. The decrease in provision for credit losses was primarily due to an improvement in forecasted future net cash flows from our Loan portfolio as we (1) increased our current year estimate of future net cash flows to reflect an improvement in Consumer Loan performance and (2) reduced our prior year estimate of future net cash flows in the first quarter of 2020 to reflect the estimated long-term impact of COVID-19 on Consumer Loan performance. The increase in finance charges was primarily due to an increase in the average yield on our Loan portfolio, which was primarily the result of the adoption of CECL on January 1, 2020.

Although the immediate impact of the COVID-19 virus has subsided, the impact of the COVID-19 pandemic on our business continues to be significant. 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 as federal stimulus and enhanced unemployment benefit payments lapsed, dealer inventories declined and used vehicle prices increased. Demand for our product improved again in March and April 2021 as additional federal stimulus payments were distributed. Starting in May 2021 and continuing through July 2021, we experienced another significant decline in demand for our product. We believe that this decline is primarily due to low dealer inventories and further increases in used vehicle prices, which we believe are primarily due to the downstream impact of supply chain disruptions in the automotive industry.

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 June 30, 2021 with the forecasts as of March 31, 2021, 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		
	June 30, 2021	March 31, 2021	December 31, 2020	Initial Forecast	March 31, 2021	December 31, 2020	Initial Forecast
2012	73.8 %	73.8 %	73.8 %	71.4 %	0.0 %	0.0 %	2.4 %
2013	73.4 %	73.4 %	73.4 %	72.0 %	0.0 %	0.0 %	1.4 %
2014	71.6 %	71.6 %	71.6 %	71.8 %	0.0 %	0.0 %	-0.2 %
2015	65.2 %	65.2 %	65.2 %	67.7 %	0.0 %	0.0 %	-2.5 %
2016	63.7 %	63.6 %	63.6 %	65.4 %	0.1 %	0.1 %	-1.7 %
2017	64.4 %	64.2 %	64.1 %	64.0 %	0.2 %	0.3 %	0.4 %
2018	64.7 %	64.3 %	64.0 %	63.6 %	0.4 %	0.7 %	1.1 %
2019	65.8 %	65.1 %	64.4 %	64.0 %	0.7 %	1.4 %	1.8 %
2020	67.0 %	66.1 %	64.8 %	63.4 %	0.9 %	2.2 %	3.6 %
2021 (2)	65.8 %	64.8 %	—	65.7 %	1.0 %	—	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.
- (2) The forecasted collection rate for 2021 Consumer Loans as of June 30, 2021 includes both Consumer Loans that were in our portfolio as of March 31, 2021 and Consumer Loans assigned during the most recent quarter. The following table provides forecasted collection rates for each of these segments:

2021 Consumer Loan Assignment Period	Forecasted Collection Percentage as of			Current Forecast Variance from	
	June 30, 2021	March 31, 2021	Initial Forecast	March 31, 2021	Initial Forecast
January 1, 2021 through March 31, 2021	65.3 %	64.8 %	64.9 %	0.5 %	0.4 %
April 1, 2021 through June 30, 2021	66.5 %	—	66.7 %	—	-0.2 %

Consumer Loans assigned in 2012, 2013 and 2018 through 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 June 30, 2021, forecasted collection rates improved for Consumer Loans assigned in 2017 through 2021 and were generally consistent with expectations at the start of the period for all other assignment years presented. For the six months ended June 30, 2021, forecasted collection rates improved for Consumer Loans assigned in 2017 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 and six months ended June 30, 2021 and 2020 impacted forecasted net cash flows (forecasted collections less forecasted Dealer Holdback payments) as follows:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Increase (Decrease) in Forecasted Net Cash Flows				
Dealer Loans	\$ 32.9	\$ (0.1)	\$ 59.6	\$ (76.0)
Purchased Loans	71.6	24.5	152.3	(106.1)
Total	\$ 104.5	\$ 24.4	\$ 211.9	\$ (182.1)

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 second 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 six 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 %
June 30, 2021	20.9 %	23.8 %

(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. For the quarter ended June 30, 2021, the improvement in front end collections stabilized while total collections improved as collections from repossessions increased. Front end collections and total collections for the 28-day period ended July 28, 2021, increased 10.4% and 12.1%, respectively, compared to the same period in 2020. We believe the improvement in collections declined in July from the second quarter of 2021 primarily as a result of the impact of federal stimulus and enhanced unemployment benefit payments on July 2020 results and a decline in growth rate of our Loan portfolio.

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

Consumer Loan Assignment Year	Average		
	Consumer Loan (1)	Advance (2)	Initial Loan Term (in months)
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 (3)	24,788	11,216	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.

(3) The averages for 2021 Consumer Loans include both Consumer Loans that were in our portfolio as of March 31, 2021 and Consumer Loans assigned during the most recent quarter. The following table provides averages for each of these segments:

2021 Consumer Loan Assignment Period	Average		
	Consumer Loan	Advance	Initial Loan Term (in months)
January 1, 2021 through March 31, 2021	\$ 24,601	\$ 11,015	60
April 1, 2021 through June 30, 2021	25,039	11,485	59

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 June 30, 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 June 30, 2021			
	Forecasted Collection %	Advance % (1)	Spread %	% of Forecast Realized (2)
2012	73.8 %	46.3 %	27.5 %	99.8 %
2013	73.4 %	47.6 %	25.8 %	99.5 %
2014	71.6 %	47.7 %	23.9 %	99.2 %
2015	65.2 %	44.5 %	20.7 %	98.4 %
2016	63.7 %	43.8 %	19.9 %	96.1 %
2017	64.4 %	43.2 %	21.2 %	89.7 %
2018	64.7 %	43.5 %	21.2 %	76.6 %
2019	65.8 %	44.0 %	21.8 %	57.6 %
2020	67.0 %	43.9 %	23.1 %	32.2 %
2021 (3)	65.8 %	45.2 %	20.6 %	7.6 %

(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.

(3) The forecasted collection rate, advance rate and spread for 2021 Consumer Loans as of June 30, 2021 include both Consumer Loans that were in our portfolio as of March 31, 2021 and Consumer Loans assigned during the most recent quarter. The following table provides forecasted collection rates, advance rates, and spreads for each of these segments:

2021 Consumer Loan Assignment Period	As of June 30, 2021		
	Forecasted Collection %	Advance %	Spread %
January 1, 2021 through March 31, 2021	65.3 %	44.8 %	20.5 %
April 1, 2021 through June 30, 2021	66.5 %	45.9 %	20.6 %

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 19.9% to 27.5%, on an annual basis, 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 by a greater margin than those assigned to us in 2021, 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 June 30, 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)		
	June 30, 2021	Initial Forecast	Variance	June 30, 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	63.7 %	63.8 %	-0.1 %	65.9 %	64.6 %	1.3 %
2018	64.2 %	63.6 %	0.6 %	65.9 %	63.5 %	2.4 %
2019	65.4 %	63.9 %	1.5 %	66.4 %	64.2 %	2.2 %
2020	66.6 %	63.3 %	3.3 %	67.5 %	63.6 %	3.9 %
2021	65.6 %	65.7 %	-0.1 %	66.0 %	65.6 %	0.4 %

- (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 June 30, 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	63.7 %	42.1 %	21.6 %	65.9 %	45.8 %	20.1 %
2018	64.2 %	42.7 %	21.5 %	65.9 %	45.2 %	20.7 %
2019	65.4 %	43.1 %	22.3 %	66.4 %	45.6 %	20.8 %
2020	66.6 %	43.0 %	23.6 %	67.5 %	45.5 %	22.0 %
2021	65.6 %	44.4 %	21.2 %	66.0 %	46.8 %	19.2 %

(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 23.6% in 2020 to 21.2% 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 22.0% in 2020 to 19.2% 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 by a greater margin than those assigned to us in 2021, 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 June 30, 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 ten 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, 2019	0.4 %	5.1 %
June 30, 2019	0.0 %	5.6 %
September 30, 2019	0.4 %	7.6 %
December 31, 2019	-5.3 %	1.1 %
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 %
June 30, 2021	-28.7 %	-20.5 %

(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 28.7% and 20.5%, respectively, during the second quarter of 2021 as the number of active Dealers declined 10.8% and the average unit volume per active Dealer declined 20.0%. Dollar volume declined less than unit volume during the second 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 an increase in the average vehicle selling price.

The following table summarizes changes in Consumer Loan assignment unit volume in each of the last two quarters as compared to the same periods in 2019:

Three Months Ended	Percent Change in Unit Volume Compared to the Same Periods in 2019
March 31, 2021	-16.8 %
June 30, 2021	-24.6 %

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. Unit volumes improved again in March and April 2021 as additional federal stimulus payments were distributed. Starting in May 2021 and continuing through July 2021, we experienced another significant decline in unit volume. We believe that this decline is primarily due to low dealer inventories and further increases in used vehicle prices, which we believe are primarily due to the downstream impact of supply chain disruptions in the automotive industry. Unit volume for the 28-day period ended July 28, 2021, declined 37.6% and 33.2% 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 June 30,			For the Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Consumer Loan unit volume	69,809	97,854	-28.7 %	163,683	199,331	-17.9 %
Active Dealers (1)	8,333	9,342	-10.8 %	10,165	11,149	-8.8 %
Average volume per active Dealer	8.4	10.5	-20.0 %	16.1	17.9	-10.1 %
Consumer Loan unit volume from Dealers active both periods	59,643	82,271	-27.5 %	144,330	176,868	-18.4 %
Dealers active both periods	6,170	6,170	—	7,838	7,838	—
Average volume per Dealer active both periods	9.7	13.3	-27.5 %	18.4	22.6	-18.4 %
Consumer Loan unit volume from Dealers <u>not</u> active both periods	10,166	15,583	-34.8 %	19,353	22,463	-13.8 %
Dealers <u>not</u> active both periods	2,163	3,172	-31.8 %	2,327	3,311	-29.7 %
Average volume per Dealer <u>not</u> active both periods	4.7	4.9	-4.1 %	8.3	6.8	22.1 %

(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 June 30,			For the Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Consumer Loan unit volume from new active Dealers	1,601	2,452	-34.7 %	7,263	12,771	-43.1 %
New active Dealers (1)	449	590	-23.9 %	1,155	1,492	-22.6 %
Average volume per new active Dealer	3.6	4.2	-14.3 %	6.3	8.6	-26.7 %
Attrition (2)	-15.9 %	-17.1 %		-11.3 %	-11.6 %	

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

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

The following table shows the percentage of Consumer Loans assigned to us as Dealer Loans and Purchased Loans for each of the last six 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 %
June 30, 2021	66.9 %	33.1 %	64.0 %	36.0 %

(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 June 30, 2021 and December 31, 2020, the net Dealer Loans receivable balance was 61.1% 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 June 30, 2021 Compared to Three Months Ended June 30, 2020

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

	For the Three Months Ended June 30,			
	2021	2020	\$ Change	% Change
Revenue:				
Finance charges	\$ 445.4	\$ 378.2	\$ 67.2	17.8 %
Premiums earned	15.8	14.2	1.6	11.3 %
Other income	10.5	13.9	(3.4)	-24.5 %
Total revenue	471.7	406.3	65.4	16.1 %
Costs and expenses:				
Salaries and wages (1)	38.4	48.8	(10.4)	-21.3 %
General and administrative (1)	16.9	14.6	2.3	15.8 %
Sales and marketing (1)	14.9	18.2	(3.3)	-18.1 %
Provision for credit losses	(30.5)	139.4	(169.9)	-121.9 %
Interest	42.0	48.2	(6.2)	-12.9 %
Provision for claims	10.3	9.3	1.0	10.8 %
Total costs and expenses	92.0	278.5	(186.5)	-67.0 %
Income before provision for income taxes	379.7	127.8	251.9	197.1 %
Provision for income taxes	91.1	31.4	59.7	190.1 %
Net income	\$ 288.6	\$ 96.4	\$ 192.2	199.4 %
Net income per share:				
Basic	\$ 17.19	\$ 5.40	\$ 11.79	218.3 %
Diluted	\$ 17.18	\$ 5.40	\$ 11.78	218.1 %
Weighted average shares outstanding:				
Basic	16,790,189	17,844,785	(1,054,596)	-5.9 %
Diluted	16,794,279	17,847,050	(1,052,771)	-5.9 %
(1) Operating expenses	\$ 70.2	\$ 81.6	\$ (11.4)	-14.0 %

Finance Charges. The increase of \$67.2 million, or 17.8%, 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 June 30,		
	2021	2020	Change
Average net Loans receivable balance	\$ 6,856.9	\$ 6,666.1	\$ 190.8
Average yield on our Loan portfolio	26.0 %	22.7 %	3.3 %

The following table summarizes the impact each component had on the overall increase in finance charges for the three months ended June 30, 2021:

(In millions)

Impact on finance charges:	Year over Year Change For the Three Months Ended June 30, 2021	
Due to an increase in the average yield	\$	56.5
Due to an increase in the average net Loans receivable balance		10.7
Total increase in finance charges	\$	67.2

The average yield on our Loan portfolio for the three months ended June 30, 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.

Other Income. The decrease of \$3.4 million, or 24.5%, was primarily due to a decrease in ancillary product profit sharing income due to an increase in average vehicle service contract claim rates.

Operating Expenses. The decrease of \$11.4 million, or 14.0%, was primarily due to:

- A decrease in salaries and wages expense of \$10.4 million, or 21.3%, primarily due to the forfeiture of unvested restricted stock and restricted stock units upon the retirement of our former Chief Executive Officer in May 2021, which resulted in an \$11.5 million reversal of stock-based compensation expense.
- A decrease in sales and marketing expense of \$3.3 million, or 18.1%, primarily due to a decrease in sales commissions related to a decline in Consumer Loan assignment volume and a decrease in the size of our sales force.

Provision for Credit Losses. The decrease of \$169.9 million, or 121.9%, was due to decreases in provision for credit losses on forecast changes and provision for credit losses on new Consumer Loan assignments.

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 June 30,		
	2021	2020	Change
New Consumer Loan assignments	\$ 91.6	\$ 154.2	\$ (62.6)
Forecast changes	(122.1)	(14.8)	(107.3)
Total	\$ (30.5)	\$ 139.4	\$ (169.9)

The decrease in provision for credit losses related to new Consumer Loan assignments was due to a 28.7% 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 second quarters of 2021 and 2020, we increased our estimate of future net cash flows by \$104.5 million and \$24.4 million, respectively, to reflect improvements in Consumer Loan performance during the periods.

Interest. The decrease of \$6.2 million, or 12.9%, was primarily due to a decrease in our average cost of debt, as follows:

(Dollars in millions)	For the Three Months Ended June 30,		
	2021	2020	Change
Interest expense	\$ 42.0	\$ 48.2	\$ (6.2)
Average outstanding debt principal balance (1)	4,780.7	4,812.8	(32.1)
Average cost of debt	3.5 %	4.0 %	-0.5 %

(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 lower interest rates on recently-completed secured financings.

Provision for Income Taxes. For the three months ended June 30, 2021, the effective income tax rate decreased to 24.0% from 24.6% for the three months ended June 30, 2020. The decrease was primarily due to the impact of non-deductible expenses on our effective income tax rate, which decreased from 2020 to 2021 primarily due to an increase in pre-tax income. 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.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

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

(Dollars in millions, except per share data)

	For the Six Months Ended June 30,			
	2021	2020	\$ Change	% Change
Revenue:				
Finance charges	\$ 870.3	\$ 740.1	\$ 130.2	17.6 %
Premiums earned	30.2	27.1	3.1	11.4 %
Other income	22.2	28.2	(6.0)	-21.3 %
Total revenue	922.7	795.4	127.3	16.0 %
Costs and expenses:				
Salaries and wages (1)	87.7	93.8	(6.1)	-6.5 %
General and administrative (1)	63.0	29.6	33.4	112.8 %
Sales and marketing (1)	32.1	37.3	(5.2)	-13.9 %
Provision for credit losses	(9.2)	494.1	(503.3)	-101.9 %
Interest	85.8	100.1	(14.3)	-14.3 %
Provision for claims	19.3	18.1	1.2	6.6 %
Loss on extinguishment of debt	—	7.4	(7.4)	— %
Total costs and expenses	278.7	780.4	(501.7)	-64.3 %
Income before provision for income taxes	644.0	15.0	629.0	4,193.3 %
Provision for income taxes	153.3	2.4	150.9	6,287.5 %
Net income	\$ 490.7	\$ 12.6	\$ 478.1	3,794.4 %
Net income per share:				
Basic	\$ 28.99	\$ 0.70	\$ 28.29	4,041.4 %
Diluted	\$ 28.96	\$ 0.70	\$ 28.26	4,037.1 %
Weighted average shares outstanding:				
Basic	16,924,014	18,015,125	(1,091,111)	-6.1 %
Diluted	16,944,900	18,035,167	(1,090,267)	-6.0 %
(1) Operating expenses	\$ 182.8	\$ 160.7	\$ 22.1	13.8 %

Finance Charges. The increase of \$130.2 million, or 17.6%, was primarily the result of an increase in the average yield on our Loan portfolio, as follows:

(Dollars in millions)

	For the Six Months Ended June 30,		
	2021	2020	Change
Average net Loans receivable balance	\$ 6,820.6	\$ 6,674.5	\$ 146.1
Average yield on our Loan portfolio	25.5 %	22.2 %	3.3 %

The following table summarizes the impact each component had on the overall increase in finance charges for the six months ended June 30, 2021:

(In millions)

Impact on finance charges:	Year over Year Change For the Six Months Ended June 30, 2021	
	\$	
Due to an increase in the average yield	\$ 114.0	
Due to an increase in the average net Loans receivable balance	16.2	
Total increase in finance charges	\$ 130.2	

The average yield on our Loan portfolio for the six months ended June 30, 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.

Other Income. The decrease of \$6.0 million, or 21.3%, was primarily due to a decrease in ancillary product profit sharing income due to an increase in average vehicle service contract claim rates and a decrease in interest income earned on restricted cash and cash equivalents primarily due to a decline in benchmark interest rates.

Operating Expenses. The increase of \$22.1 million, or 13.8%, was primarily due to:

- An increase in general and administrative expense of \$33.4 million, or 112.8%, 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.
- A decrease in salaries and wages expense of \$6.1 million, or 6.5%, primarily due to:
 - The forfeiture of unvested restricted stock and restricted stock units upon the retirement of our former Chief Executive Officer in May 2021, which resulted in an \$11.5 million reversal of stock-based compensation expense.
- A decrease of \$4.9 million in cash-based incentive compensation expense, primarily due to a change in the incentive compensation program for senior management, which eliminated annual cash awards in favor of longer-term equity awards, partially offset by an increase in profit-sharing primarily due to an improvement in Company performance measures.
- An increase of \$5.5 million primarily related to our information technology department.
- A decrease in sales and marketing expense of \$5.2 million, or 13.9%, primarily due to a decrease in sales commissions related to a decline in Consumer Loan assignment volume and a decrease in the size of our sales force.

Provision for Credit Losses. The decrease of \$503.3 million, or 101.9%, was primarily due to decreases in provision for credit losses on forecast changes and provision for credit losses on new Consumer Loan assignments.

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 Six Months Ended June 30,		
		2021	2020	Change
New Consumer Loan assignments		\$ 223.4	\$ 312.1	\$ (88.7)
Forecast changes		(232.6)	182.0	(414.6)
Total		\$ (9.2)	\$ 494.1	\$ (503.3)

The decrease in provision for credit losses related to new Consumer Loan assignments was due to a 17.9% 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 six months of 2021, we increased our estimate of future net cash flows by \$211.9 million to reflect an improvement in Consumer Loan performance during the period. During the first six months of 2020, we reduced our estimate of future net cash flows from our Loan portfolio by \$182.1 million primarily to reflect the estimated long-term impact of COVID-19 on Consumer Loan performance.

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 \$14.3 million, or 14.3%, was primarily due to a decrease in our average cost of debt, as follows:

(Dollars in millions)

	For the Six Months Ended June 30,		
	2021	2020	Change
Interest expense	\$ 85.8	\$ 100.1	\$ (14.3)
Average outstanding debt principal balance (1)	4,755.7	4,719.3	36.4
Average cost of debt	3.6 %	4.2 %	-0.6 %

(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 lower interest rates on recently-completed secured financings.

Loss on Extinguishment of Debt. For the six months ended June 30, 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 six months ended June 30, 2021, our effective income tax rate increased to 23.8% from 16.0% for the six months ended June 30, 2020. The increase was primarily due to the impact of tax benefits related to our stock-based compensation plan and non-deductible expenses on our effective income tax rate, which decreased from 2020 to 2021 primarily due to an increase in pre-tax income. 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 June 30, 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.

On May 20, 2021, we completed a \$450.0 million Term ABS financing, which was used to repay outstanding indebtedness and for general corporate purposes. The financing has an expected annualized cost of approximately 1.5% (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 June 30, 2021 and December 31, 2020 was \$383.5 million and \$16.0 million, respectively. The increase in cash and cash equivalents was primarily the result of cash generated from the completion of secured financings during 2021. As of June 30, 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 \$171.5 million to \$4,780.1 million as of June 30, 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 June 30, 2021 is as follows:

(In millions)

Year	Scheduled Principal Debt Maturities (1)
Remainder of 2021	\$ 409.2
2022	1,432.9
2023	1,652.8
2024	915.6
2025	—
Over five years	400.0
Total	<u>\$ 4,810.5</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 principal executive and principal 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 principal executive and principal financial officer has 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 principal executive officer and principal 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 June 30, 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)
April 1 to April 30, 2021	—	\$ —	—	2,116,268
May 1 to May 31, 2021	204,565	423.95	204,565	1,911,703
June 1 to June 30, 2021	393,598	426.22	393,598	1,518,105
	<u>598,163</u>	<u>\$ 425.44</u>	<u>598,163</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.

ITEM 6. EXHIBITS

Exhibit No.	Description
4.111	Indenture, dated as of May 20, 2021, between Credit Acceptance Auto Loan Trust 2021-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.111 to the Company's Current Report on Form 8-K filed May 26, 2021).
4.112	Sale and Servicing Agreement, dated as of May 20, 2021, among the Company, Credit Acceptance Auto Loan Trust 2021-3, Credit Acceptance Funding LLC 2021-3, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.112 to the Company's Current Report on Form 8-K filed May 26, 2021).
4.113	Backup Servicing Agreement, dated as of May 20, 2021, among the Company, Credit Acceptance Funding LLC 2021-3, Credit Acceptance Auto Loan Trust 2021-3, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.113 to the Company's Current Report on Form 8-K filed May 26, 2021).
4.114	Amended and Restated Trust Agreement, dated as of May 20, 2021, between Credit Acceptance Funding LLC 2021-3 and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.114 to the Company's Current Report on Form 8-K filed May 26, 2021).
4.115	Sale and Contribution Agreement, dated as of May 20, 2021, between the Company and Credit Acceptance Funding LLC 2021-3 (incorporated by reference to Exhibit 4.113 to the Company's Current Report on Form 8-K filed May 26, 2021).
4.116	Amended and Restated Intercreditor Agreement, dated as of May 20, 2021, among the Company, CAC Warehouse Funding LLC 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 2021-3, 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 Auto Loan Trust 2021-3, 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, 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 4.116 to the Company's Current Report on Form 8-K filed May 26, 2021).
4.117	Seventh Amended and Restated Loan and Security Agreement, dated as of April 30, 2021, among the Company, CAC Warehouse Funding LLC II, the lenders from time to time party thereto and Wells Fargo Bank, National Association.
4.118	Fifth Amended and Restated Sale and Contribution Agreement, dated as of April 30, 2021, between the Company and CAC Warehouse Funding LLC II (formerly CAC Warehouse Funding Corporation II).
10.16	Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Schedule 14A filed June 10, 2021).*
10.17	Form of Nonqualified Stock Option Agreement*
10.18	Form of Nonqualified Stock Option Agreement*
31.1	Certification of principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer and principal 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 the Exhibit 101 Inline XBRL Document Set).
*	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/ Jay D. Martin</u> Jay D. Martin Senior Vice President - Finance & Accounting (Chief Accounting Officer)
Date:	July 29, 2021

SEVENTH AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

Dated as of April 30, 2021

Among

CAC WAREHOUSE FUNDING LLC II

as the Borrower

CREDIT ACCEPTANCE CORPORATION

as the Servicer and Custodian

WELLS FARGO BANK, NATIONAL ASSOCIATION

as a Lender, and the other Lenders from time to time party hereto

WELLS FARGO BANK, NATIONAL ASSOCIATION

as the Deal Agent and

WELLS FARGO BANK, NATIONAL ASSOCIATION

as the Backup Servicer and the Collateral Agent

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THIS SEVENTH AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (the “Agreement”) is made as of April 30, 2021 among:

- (1) CAC WAREHOUSE FUNDING LLC II, a Delaware limited liability company (formerly CAC Warehouse Funding Corporation II, a Nevada corporation) (the “Borrower”);
- (2) CREDIT ACCEPTANCE CORPORATION, a Michigan corporation (“Credit Acceptance”, the “Originator”, the “Servicer” or the “Custodian”);
- (3) WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender (a “Lender” and together with the other Lenders from time to time party hereto, the “Lenders”);
- (4) WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (“Wells Fargo”), as deal agent (the “Deal Agent”);
- (5) WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as backup servicer (the “Backup Servicer”); and
- (6) WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as collateral agent (the “Collateral Agent”).

WHEREAS, the Borrower, Credit Acceptance, Wells Fargo (as successor to Wachovia Bank, National Association), in its capacity as investor and in its capacity as liquidity agent, Variable Funding Capital Company LLC, Wells Fargo Securities, LLC, in its capacity as Deal Agent, and Wells Fargo, in its capacity as Collateral Agent and in its capacity as Backup Servicer, have entered into a Sixth Amended and Restated Loan and Security Agreement, dated as of June 23, 2016 (as amended through the date hereof, the “Existing Loan and Security Agreement”); and

WHEREAS, the parties hereto desire to amend and restate the Existing Loan and Security Agreement in its entirety as provided herein.

IT IS AGREED as follows:

Article I.
DEFINITIONS

Section I.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 meanings set forth or referenced below:

1. Accrual Period: For any Payment Date, the calendar month immediately preceding such Payment Date.
2. 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.
3. Additional Amount: Defined in Section 2.14(a).
4. Additional Cut-Off Date: Each date on and after which Collections on an Additional Loan are to be transferred to the Collateral.
5. Additional Loans: All Loans that become part of the Collateral after the Initial Funding.
6. Additional Principal Payment 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) Collections remaining after distribution of amounts described in Section 2.7(a)(i) through (vi).
7. Advance: As defined in Section 2.1(a).
8. Affected Party: Each of the Lenders, any assignee or participant of any Lender, Wells Fargo, as Deal Agent, any successor to Wells Fargo as Deal Agent and any sub-agent of the Deal Agent.
9. 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.
10. Agent's Account: An account at Wells Fargo Bank, National Association in the name of the Deal Agent or at such other account as may be designated by the Deal Agent from time to time.
11. Aggregate Outstanding Eligible Loan Balance: On any date of determination, the sum of the Outstanding Balances of all Eligible Loans on such day.
12. Aggregate Unpaid: At any time, an amount, equal to the sum of all accrued and unpaid Capital, Yield, Breakage Costs, Hedge Breakage Costs and all other amounts owed by the Borrower hereunder, under any Hedging Agreement (including, without limitation, payments in respect of the termination of any such Hedging Agreement) or under any other Transaction

Document or by the Borrower or any other Person under any fee letter (including, without limitation, the Fee Letter) delivered in connection with the transactions contemplated by this Agreement (whether due or accrued) and any unpaid fees due to the Backup Servicer, both before and after the Assumption Date.

13. Amortization Event: The occurrence of any of the following events: (i) on any Determination Date, the average Payment Rate for the preceding three (3) Collection Periods with respect to which the Payment Rate was calculated is less than 3.0%; (ii) a Reserve Advance is made, except if on the date of such Reserve Advance, the Capital is zero; (iii) Collections are less than 80.0% of Forecasted Collections for any two (2) consecutive Collection Periods; (iv) the Commitment Termination Date; (v) a Mandatory Take-Out has not occurred within 540 days following the Effective Date; or (vi) on any Determination Date, the Weighted Average Spread Rate is less than the Minimum Weighted Average Spread Rate.

14. 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.

15. 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.

16. 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.

17. 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.

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

19. Assumption Date: Defined in the Backup Servicing Agreement.

20. 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.

21. 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 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 the Collection Account on such date (other than Dealer Collections and Repossession Expenses).

22. Available Tenor: As of any date of determination and with respect to the then-current Benchmark, as applicable, (x) if the then-current Benchmark is a term rate, any tenor for such Benchmark or (y) otherwise, any payment period for interest calculated with reference to such Benchmark, as applicable, that is or may be used for determining the length of an Accrual Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of "Accrual Period" pursuant to Section 2.11(d).

23. Backup Servicer: Wells Fargo or any Person designated as a successor backup servicer following Wells Fargo's removal as Backup Servicer pursuant to the terms of the Backup Servicing Agreement.

24. Backup Servicing Agreement: The Backup Servicing Agreement, dated as of August 24, 2009, among Wells Fargo, the Servicer, the Deal Agent, the Collateral Agent and the Borrower, as the same may be amended, restated, supplemented or otherwise modified from time to time.

25. Backup Servicing Fee: The fee payable by the Borrower to the Backup Servicer pursuant to the Backup Servicing Agreement and Section 7.3 hereof.

26. Bankruptcy Code: The United States Bankruptcy Reform Act of 1978 (11 U.S.C. § 101, et seq.), as amended from time to time.

27. Base Rate: On any date, a fluctuating interest rate per annum equal to the highest of (a) the Prime Rate or (b) the Federal Funds Rate plus 2.0% or (c) USD LIBOR.

28. Benchmark: Initially, USD LIBOR; provided that if a Benchmark Transition Event, a Term SOFR Transition Event, or an Early Opt-in Election, as applicable, and its related

Benchmark Replacement Date have occurred with respect to USD LIBOR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.11(a).

29. Benchmark Replacement: For any Available Tenor,

(a) with respect to any Benchmark Transition Event or Early Opt-in Election, the first alternative set forth in the order below that can be determined by the Deal Agent for the applicable Benchmark Replacement Date:

(1) the sum of: (A) Term SOFR and (B) the related Benchmark Replacement Adjustment; provided, that, if the Borrower has provided a notification to the Deal Agent in writing on or prior to such Benchmark Replacement Date that the Borrower has an affected Hedging Agreement in place with respect to any of the Loans as of the date of such notice (which such notification the Deal Agent shall be entitled to rely upon and shall have no duty or obligation to ascertain the correctness or completeness of), then the Deal Agent, in its sole discretion, may decide not to determine the Benchmark Replacement pursuant to this clause (a)(1) for such Benchmark Transition Event or Early Opt-in Election, as applicable;

(2) the sum of: (A) Daily Simple SOFR and (B) the related Benchmark Replacement Adjustment;

(3) the sum of: (A) the alternate benchmark rate that has been selected by the Deal Agent and the Borrower as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for U.S. dollar-denominated syndicated or bilateral credit facilities at such time and (B) the related Benchmark Replacement Adjustment; or

(b) with respect to any Term SOFR Transition Event, the sum of (i) Term SOFR and (ii) the related Benchmark Replacement Adjustment;

provided that, (i) in the case of clause (a)(1), if the Deal Agent decides that Term SOFR is not administratively feasible for the Deal Agent, then Term SOFR will be deemed unable to be determined for purposes of this definition and (ii) in the case of clause (a)(1) or clause (b) of this definition, the applicable Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by the Deal Agent in its reasonable discretion. If the Benchmark Replacement as determined pursuant to clause (a)(1), (a)(2) or (a)(3) or clause (b) of this definition would be less than the Floor, the Benchmark

Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Transaction Documents.

30. Benchmark Replacement Adjustment: With respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Accrual Period and Available Tenor for any setting of such Unadjusted Benchmark Replacement:

(a) for purposes of clauses (a)(1) and (a)(2) of the definition of “Benchmark Replacement,” the first alternative set forth in the order below that can be determined by the Deal Agent:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Accrual Period that has been selected or recommended by the Relevant Governmental Body for the replacement of such Available Tenor of such Benchmark with the applicable Unadjusted Benchmark Replacement;

(2) the spread adjustment (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Accrual Period that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with respect to such Available Tenor of such Benchmark;

(b) for purposes of clause (a)(3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Deal Agent and the Borrower giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Available Tenor of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Available Tenor of such Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated or bilateral credit facilities; and

(c) for purposes of clause (b) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Accrual Period that has been selected or recommended by the Relevant Governmental Body for the replacement of such Available Tenor of USD LIBOR with a SOFR-based rate;

provided that, (x) in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to

time as selected by the Deal Agent in its reasonable discretion and (y) if the then-current Benchmark is a term rate, more than one tenor of such Benchmark is available as of the applicable Benchmark Replacement Date and the applicable Unadjusted Benchmark Replacement that will replace such Benchmark in accordance with Section 2.11(a) will not be a term rate, the Available Tenor of such Benchmark for purposes of this definition of “Benchmark Replacement Adjustment” shall be deemed to be, with respect to each Unadjusted Benchmark Replacement having a payment period for interest calculated with reference thereto, the Available Tenor that has approximately the same length (disregarding business day adjustments) as such payment period.

31. Benchmark Replacement Conforming Changes: With respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Business Day,” the definition of “Accrual Period,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability of breakage provisions and other technical, administrative or operational matters) that the Deal Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Deal Agent in a manner substantially consistent with market practice (or, if the Deal Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Deal Agent determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as the Deal Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Transaction Documents).

32. Benchmark Replacement Date: The earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof);

(2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein;

(3) in the case of a Term SOFR Transition Event, the date that is thirty (30) days after the Deal Agent has provided the Term SOFR Notice to the Borrower pursuant to Section 2.11(a)(ii); or

(4) in the case of an Early Opt-in Election, the date agreed to in writing by the Deal Agent and the Borrower.

For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time

for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

33. Benchmark Transition Event: The occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(2) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that all Available Tenors of such Benchmark (or such component thereof) are no longer representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

34. Benchmark Unavailability Period: The period (if any) (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (1) or (2) of that definition has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any other Transaction Document in accordance with Section 2.11 and (y) ending at the time that a Benchmark Replacement has replaced the then-current

Benchmark for all purposes hereunder and under any other Transaction Document in accordance with Section 2.11.

35. Beneficial Ownership Certification: A certification regarding beneficial ownership to the extent required by the Beneficial Ownership Regulation.
36. Beneficial Ownership Regulation: 31 C.F.R. § 1010.230.
37. Benefit Plan: Any employee benefit plan as defined in Section 3(3) of ERISA in respect of which the Borrower or any ERISA Affiliate of the Borrower is, or at any time during the immediately preceding six years was, an “employer” as defined in Section 3(5) of ERISA.
38. Borrower: CAC Warehouse Funding LLC II, a Delaware limited liability company.
39. Borrowing Base: On any date of determination, (a) the product of (i) the Aggregate Outstanding Eligible Loan Balance and (ii) the Net Advance Rate, *minus* (b) the Overconcentration Loan Amount.
40. Borrowing Group: (a) The Borrower, (b) the parent of the Borrower, (c) any affiliate or subsidiary of the Borrower, (d) the owner of any collateral securing any part of the credit or this Agreement and (e) any officer, director or agent acting on behalf of any of the parties referred to in items (a) through (c) with respect to the credit, this Agreement or any other Transaction Document.
41. Breakage Costs: Any amount or amounts as shall compensate any Lender for any loss, cost or expense incurred by such Lender (as determined by such Lender in its sole discretion) as a result of a prepayment by the Borrower of Capital or Yield.
42. Business Day: Any day other than a Saturday or a Sunday on which (a) banks are not required or authorized to be closed in New York City, New York, Charlotte, North Carolina, Detroit, Michigan or Minneapolis, Minnesota, and (b) if the term “Business Day” is used in connection with the determination of USD LIBOR, dealings in United States dollar deposits are carried on in the London interbank market.
43. Capital: The amounts advanced to the Borrower by the Lenders pursuant to Section 2.1(a) and Section 2.3, reduced from time to time by Collections distributed on account of such Capital pursuant to Section 2.7; provided, however, if such Capital shall have been reduced by any distribution and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Capital shall be increased by the amount of such rescinded or returned distribution, as though it had not been made; provided, further, that the aggregate amount of Capital may not, at any time, exceed the lesser of: (i) the Facility Limit and (ii) the Borrowing Base.
44. Capitalized Lease: As applied to any Person, any lease of any property (whether real, personal or mixed) with respect to which the discounted present value of the rental

obligations of such Person as lessee thereunder, in conformity with GAAP, is required to be capitalized on the balance sheet of that Person; provided, however, that all leases of such Person that are or would have been treated as operating leases for purposes of GAAP prior to the issuance on February 25, 2016 of the ASU 2016-02 (ASC 842, Leases) shall continue to be treated as operating leases (and any future lease that would have been treated as an operating lease for purposes of GAAP prior to the issuance of ASC 842 shall be treated as an operating lease), in each case for purposes of this Agreement.

45. 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) 8.00% and (ii) Collections received during such Collection Period (exclusive of amounts received under any Hedging Agreement) and (y) \$5,000.

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

47. 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.

48. Change-in-Control: Any of the following:

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

49. 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.

50. Closing Date: September 30, 2003.

51. Code: The United States Internal Revenue Code of 1986, as amended from time to time.

52. Collateral: Defined in Section 2.2(a).

53. Collateral Agent: Wells Fargo, and its successors and assigns.

54. Collection Account: Defined in Section 6.7(a).

55. Collection Date: The date following the Termination Date on which the Aggregate Unpaid have been reduced to zero and indefeasibly paid in full.
56. 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 trucks, as in effect on the Cut-Off Date and as amended from time to time in accordance herewith and with the other Transaction Documents or in accordance with Applicable Law, and with respect to the Backup Servicer, as Successor Servicer, the servicing policies set forth in the Backup Servicing Agreement.
57. Collection Period: Each calendar month, except in the case of the first Collection Period, the period beginning on the Cut-Off Date to and including the last day of the calendar month in which the Funding Date occurs.
58. Collections: All payments (including recoveries on defaulted Contracts, credit-related insurance proceeds and proceeds of Related Security and so long as Credit Acceptance is the Servicer, excluding certain recovery and repossession expenses, in accordance with the terms of the Dealer Agreements) received by the Servicer, Credit Acceptance or the Borrower on or after the Cut-Off Date in respect of the Loans in the form of cash, checks, wire transfers or other form of payment in accordance with the Loans and the Dealer Agreements and all net amounts received under any Hedging Agreement.
59. Commitment: For each Lender, the commitment of such Lender to make Advances to the Borrower in an amount not to exceed the amount set forth opposite such Lender's name on Schedule VI to this Agreement.
60. Commitment Termination Date: With respect to each Lender, April 30, 2024, or such later date to which the Commitment Termination Date may be extended if agreed in writing among the Borrower, the Deal Agent and each Lender.
61. Consolidated Fixed Charges: For any period, the sum of (a) Consolidated Interest Expense for such period, plus (b) Operating Rentals payable by Credit Acceptance and its Credit Agreement Subsidiaries in respect of such period under Operating Leases, plus (c) the aggregate amount of all dividends on any preferred stock of Credit Acceptance declared during such period, determined after eliminating intercompany transactions among Credit Acceptance and its Credit Agreement Subsidiaries, minus (d) to the extent included in Consolidated Interest Expense, (i) amortization of debt issuance fees, and (ii) any loss from mark-to-market changes in derivative instruments, plus (e) to the extent included in Consolidated Interest Expense, any gain from mark-to-market changes in derivative instruments.
62. Consolidated Income Available for Fixed Charges: For any period, the sum of (a) Consolidated Net Income, plus (b) the aggregate amount of income taxes, depreciation, amortization (including, without limitation, amortization of any debt issuance fees and any loss from mark-to-market changes in derivative instruments) to the extent, and only to the extent, that such aggregate amount was deducted in the computation of Consolidated Net Income for such

period (such aggregated amount to be determined on a consolidated basis for the applicable Persons in accordance with GAAP).

63. Consolidated Interest Expense: For any period, the amount of interest charged or chargeable to the Consolidated Statement of Operations of Credit Acceptance and its Credit Agreement Subsidiaries in respect of such period, as determined in accordance with GAAP.

64. Consolidated Net Income: For any period, net earnings (or loss) after income taxes of Credit Acceptance and its subsidiaries, determined on a consolidated basis for such Persons in accordance with GAAP, but excluding, to the extent included in calculating net earnings:

- (a) net earnings (or loss) of any subsidiary accrued prior to the date it became a subsidiary;
- (b) any gain or loss (net of tax effects applicable thereto) resulting from the sale, conversion or other disposition of Capital Assets (as defined in the Credit Agreement) other than in the ordinary course of business;
- (c) any unusual or non-recurring gains or losses (including, without limitation, (i) any gain on sale generated by a Permitted Securitization (as defined in the Credit Agreement), except to the extent Credit Acceptance has received a cash benefit therefrom in the applicable reporting period, and (ii) any gain or loss incurred in connection with any repayment of Debt (as defined in the Credit Agreement) by Credit Acceptance or its subsidiaries and/or any refinancing, replacement, renewal or extension transaction of any Debt, or modification, waiver or amendment of any Debt or any document or instrument relating to any such Debt; provided that the cash component of any loss described in this clause (ii) shall not exceed \$20,000,000 in any four fiscal quarter period); and any interest income generated by a Permitted Securitization, except to the extent Credit Acceptance has received a cash benefit therefrom in the applicable reporting period;
- (d) any gain (net of tax effects attributable thereto) arising from any reappraisal or write-up of assets and any gain or loss (net of tax effects attributable thereto) arising from the non-cash effect of equity compensation expense;
- (e) any portion of the net earnings of any subsidiary (other than a Special Purpose Subsidiary (as defined in the Credit Agreement)) that is not available for payment of dividends to Credit Acceptance or any other subsidiary due to operation of the terms of its charter or organizational documents or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such subsidiary;
- (f) any gain or loss (net of tax effects applicable thereto) during such period resulting from the receipt of any proceeds of any insurance policy;

(g) except as set forth herein, (i) any earnings of any Person acquired by Credit Acceptance or any subsidiary through the purchase, merger or consolidation or otherwise, or (ii) earnings of any Person substantially all of the assets of which have been acquired by Credit Acceptance or any subsidiary, in each case, for any period prior to the date of acquisition;

(h) net earnings of any Person (other than a subsidiary) in which Credit Acceptance or any subsidiary shall have an ownership interest unless such net earnings shall actually have been received by Credit Acceptance or such subsidiary in the form of cash distributions; and

(i) any restoration during such period to income of any contingency reserve, (other than any contingency reserve for taxes) except to the extent that provision for such reserve was made either

(i) during such period out of income accrued during such period, or

(ii) in connection with Credit Acceptance's program of financing installment contracts (A) to provide for warranty claims for which Credit Acceptance may be responsible, or (B) to cover credit losses in connection with Dealer Loans Receivable or Purchased Contracts (each, as defined in the Credit Agreement).

65. **Contract:** Any Dealer Loan Contract or Purchased Loan Contract.

66. **Contract Files:** With respect to each Contract, the fully executed original counterpart of the Contract or, in the case of any Contract constituting electronic chattel paper, the Authoritative Electronic Copy of the Contract (in each case, for UCC purposes), the Certificate of Title with respect to the related financed vehicle or other evidence of lien, all original or electronic instruments modifying the terms and conditions of such Contract and the original or electronic endorsements or assignments of such Contract.

67. **Contribution Agreement:** The Fifth Amended and Restated Sale and Contribution Agreement, dated as of the date hereof, substantially in the form of Exhibit F hereto, between Credit Acceptance and the Borrower, as the same may be amended, restated, supplemented or otherwise modified from time to time.

68. **Contractual Obligation:** With respect to any Person, means any provision of any securities issued by such Person or any indenture, mortgage, deed of trust, contract, undertaking, agreement, instrument or other document to which such Person is a party or by which it or any of its property is bound or is subject.

69. **Corporate Trust Office:** The principal office of the Collateral Agent and Backup Servicer at which at any particular time its corporate trust business shall be administered, which office at the date of the execution of this Agreement is located at 600 S. 4th Street, MAC N9300-061, Minneapolis, Minnesota 55415, Attention: Corporate Trust Services Asset-Backed

Trust Administration, or at such other address as the Collateral Agent or Backup Servicer may designate from time to time by notice to the parties hereto, or the principal corporate trust office of any successor Collateral Agent or Backup Servicer at the address designated by such successor by notice to the parties hereto.

70. Corresponding Tenor: With respect to any Available Tenor, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

71. Credit Acceptance: Credit Acceptance Corporation, a Michigan corporation, and its successors and permitted assigns.

72. Credit Acceptance Payment Account: The clearinghouse account number xxxxxx5068 maintained by Credit Acceptance at Comerica Bank, where payments received in respect of all loans and contracts are deposited or paid.

73. Credit Agreement: That certain Sixth Amended and Restated Credit Acceptance Corporation Credit Agreement, dated as of June 23, 2014, with Comerica Bank, as administrative agent and collateral agent, Credit Acceptance, as borrower, and the banks signatory thereto, as amended from time to time.

74. Credit Agreement Subsidiary: Any other corporation, association, joint stock company, business trust, limited liability company, partnership (whether general or limited) or any other business entity of which more than fifty percent (50%) of the outstanding voting stock, share capital, membership or other interests, as the case may be, is owned either directly or indirectly by any Person or one or more of its Credit Agreement Subsidiaries, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by any Person and/or its Credit Agreement Subsidiaries. Unless otherwise specified to the contrary in the Credit Agreement or the context otherwise requires, Credit Agreement Subsidiary(ies) shall refer to each Person which is a Credit Agreement Subsidiary of Credit Acceptance and “100% Credit Agreement Subsidiary(ies)” shall mean any Credit Agreement Subsidiary whose stock or partnership, membership or other Equity Interests (other than directors’ or qualifying shares or other interests to the extent required under applicable law) are owned directly or indirectly entirely by Credit Acceptance.

75. Credit Guidelines: The policies of Credit Acceptance, attached hereto as Schedule I, relating to the extension of credit to automobile and light-duty truck dealers and consumers in respect of retail installment contracts for the sale of automobiles and/or light-duty trucks, including, without limitation, the policies for determining the creditworthiness of such dealers and consumers and, relating to this extension of credit to such dealers and consumers, the maintenance of installment sale contracts, as in effect on the Cut-Off Date and as amended from time to time in accordance herewith and with the other Transaction Documents, or in accordance with Applicable Law.

76. Custodian: Credit Acceptance, or any person appointed as Custodian pursuant to Section 6.2(d).

77. Cut-Off Date: With respect to the Initial Funding, August 31, 2003, and with respect to each Incremental Funding, the related Additional Cut-Off Date.
78. Daily Simple SOFR: For any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Deal Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for U.S. dollar-denominated syndicated or bilateral credit facilities; provided, that if the Deal Agent decides that any such convention is not administratively feasible for the Deal Agent, then the Deal Agent may establish another convention in its reasonable discretion.
79. Date of Processing: With respect to any transaction relating to a Loan or a Contract, the date on which such transaction is first recorded on the Servicer’s master servicing file (without regard to the effective date of such recordation).
80. Deal Agent: Defined in the preamble of this Agreement.
81. Dealer: Any new or used automobile and/or light-duty truck dealer who has entered into a Dealer Agreement or a Purchase Agreement with Credit Acceptance.
82. Dealer Agreement: Each agreement between Credit Acceptance and any Dealer, in substantially the form attached hereto as Exhibit H.
83. Dealer Collections: Defined in Section 2.9(d).
84. Dealer Collections Purchase: Defined in Section 6.15(a).
85. Dealer Collections Purchase Agreement: Defined in Section 6.15(a).
86. Dealer Collections Purchase Price: Defined in Section 6.15(b).
87. Dealer Concentration Limit: With respect to any Dealer and any date of determination, an amount equal to, in the case of Dealer Loans made to such Dealer, 4.0% of the aggregate Outstanding Balance of all Dealer Loans (measured as of the end of the immediately preceding Collection Period) that are included in the Collateral as of such date of determination.
88. Dealer Loan: All amounts advanced by Credit Acceptance under a Dealer Agreement and payable from Collections; provided, however, that the term “Dealer Loan” shall, for the purposes of this Agreement, include only those Dealer Loans identified from time to time on Schedule IV hereto, as amended from time to time in accordance herewith.
89. Dealer Loan Contract: Each retail installment sales contract, in substantially one of the forms attached hereto as Exhibit I, relating to the sale of an automobile or light-duty truck originated by a Dealer and in which Credit Acceptance shall have been granted a security interest and shall have acquired certain other rights under a related Dealer Agreement to secure the related dealer’s obligation to repay one or more related Dealer Loans.

90. Determination Date: The fourth (4th) Business Day prior to the related Payment Date.
91. Dissenting Lender: Defined in Section 2.1(b)(ii).
92. Early Opt-in Election: If the then-current Benchmark is USD LIBOR, the occurrence of the joint election in writing by the Deal Agent and the Borrower to trigger a fallback from USD LIBOR.
93. Effective Date: The date this Seventh Amended and Restated Loan and Security Agreement becomes effective, which shall be April 30, 2021.
94. Eligible Contract: Each Eligible Dealer Loan Contract and each Eligible Purchased Loan Contract.
95. Eligible Dealer Agreement: Each Dealer Agreement:
- (a) which was originated by the Originator in material compliance with all applicable requirements of law and which complies in all material respects with all applicable requirements of law;
 - (b) with respect to which all material consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Borrower, Credit Acceptance or the Servicer in connection with the origination of such Dealer Agreement or the execution, delivery and performance by the Borrower, Credit Acceptance or the Servicer of such Dealer Agreement have been duly obtained, effected or given and are in full force and effect;
 - (c) as to which at the time of the transfer of rights thereunder to the Collateral Agent and the Secured Parties, the Borrower will have good and marketable title thereto, free and clear of all Liens;
 - (d) the Borrower's rights under which have been the subject of a valid grant by the Borrower of a first priority perfected security interest in such rights and in the proceeds thereof in favor of the Collateral Agent;
 - (e) which will at all times be the legal, valid and binding obligation of the Dealer party thereto (it being understood that recourse for such payment obligation shall be limited to the extent set forth in the Dealer Agreement), enforceable against such Dealer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

- (f) which constitutes either a “general intangible” or “tangible chattel paper” under and as defined in Article 9 of the UCC;
- (g) which, at the time of the pledge of the rights to payment thereunder to the Collateral Agent and the Secured Parties, no right to payment thereunder has been waived or modified;
- (h) which is not subject to any right of rescission, setoff, counterclaim or other defense (including the defense of usury), other than defenses arising out of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights in general;
- (i) as to which Credit Acceptance, the Servicer and the Borrower have satisfied in all material respects all obligations to be fulfilled at the time the rights to payment thereunder are pledged to the Collateral Agent and the Secured Parties;
- (j) as to which the related Dealer has not asserted that such agreement is void or unenforceable in any legal proceedings not being contested in good faith;
- (k) as to which the related Dealer is not known to be bankrupt or insolvent;
- (l) as to which the related Dealer is not an Affiliate of or an executive of Credit Acceptance or an Affiliate of Credit Acceptance;
- (m) as to which the related Dealer is located in the United States; and
- (n) as to which none of Credit Acceptance, the Servicer or the Borrower has done anything, at the time of its pledge to the Collateral Agent for the benefit of the Secured Parties, to materially impair the rights of the Collateral Agent and the Secured Parties therein.

96. Eligible Dealer Loan Contract: Each Dealer Loan Contract which at the time of its pledge by the applicable Dealer to the Originator, satisfied the requirements for “Qualifying Receivable” set forth in the related Dealer Agreement; provided, however, that an Eligible Dealer Loan Contract that has become subject to the payment of a Release Price pursuant to Section 4.5(a) hereof (regardless of whether such payment is actually paid) shall not constitute an “Eligible Contract.”

97. Eligible Dealer Loans: Each Dealer Loan, at the time of its transfer to the Borrower under the Contribution Agreement:

- (a) which has arisen under a Dealer Agreement that, on the day the Dealer Loan was created, qualified as an Eligible Dealer Agreement;
- (b) which was created in material compliance with all applicable requirements of law and pursuant to an Eligible Dealer Agreement which complies in all material respects with all applicable requirements of law;

(c) with respect to which all material consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Borrower, in connection with the creation of such Dealer Loan or the execution, delivery and performance by the Borrower, of the related Eligible Dealer Agreement have been duly obtained, effected or given and are in full force and effect;

(d) as to which at the time of the pledge of such Dealer Loan to the Collateral Agent for the benefit of the Secured Parties, the Borrower will have good and marketable title thereto, free and clear of all Liens;

(e) as to which a valid first priority perfected security interest in such Dealer Loan, related security and in the Proceeds thereof has been granted by the Originator in favor of the Borrower and by the Borrower in favor of the Collateral Agent;

(f) which will at all times be the legal, valid and binding payment obligation of the Obligor thereof (it being understood that recourse for such payment obligation shall be limited to the extent set forth in the Dealer Agreement), enforceable against such Obligor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

(g) which constitutes a "general intangible" under and as defined in Article 9 of the UCC as in effect in the relevant State;

(h) [reserved];

(i) which is denominated and payable in United States dollars;

(j) which, at the time of its pledge to the Collateral Agent and the Secured Parties, has not been waived or modified;

(k) which is not subject to any right of rescission (subject to the rights of the related Dealer to repay the outstanding balance of the Dealer Loan and terminate the related Dealer Agreement), setoff, counterclaim or other defense (including the defense of usury), other than defenses arising out of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general;

(l) as to which Credit Acceptance, the Servicer and the Borrower have satisfied all material obligations to be fulfilled at the time it is pledged to the Collateral Agent for the benefit of the Secured Parties;

(m) as to which the related Dealer has not asserted that the related Dealer Agreement is void or unenforceable in any legal proceeding not being contested in good faith;

(n) as to which the related Dealer is not known to be bankrupt or insolvent;

(o) as to which none of Credit Acceptance, the Servicer nor the Borrower has done anything, at the time of its pledge to the Collateral Agent for the benefit of the Secured Parties, to impair the rights of the Collateral Agent and the Secured Parties;

(p) the proceeds of which were used to finance the purchases of new or used automobiles and/or light-duty trucks and related products;

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

(r) if any Dealer Loan Contract securing such Dealer Loan constitutes electronic chattel paper, Credit Acceptance shall have "control" of such electronic chattel paper within the meaning of Section 9-105 of the UCC.

98. Eligible Loans: The Eligible Dealer Loans and Eligible Purchased Loans.

99. Eligible Purchased Loan Contract: Each Purchased Loan Contract which at the time of its purchase from the applicable Dealer by the Originator, evidenced an Eligible Purchased Loan; provided, however, that an Eligible Purchased Loan Contract that has become subject to the payment of a Release Price pursuant to Section 4.5(a) hereof (regardless of whether such payment is actually paid) shall not constitute an "Eligible Contract."

100. Eligible Purchased Loans: Each Purchased Loan, at the time of its transfer to the Borrower under the Contribution Agreement:

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

(b) which creates a valid, subsisting, and enforceable first priority security interest for the benefit of the Originator in the Financed Vehicle, which security interest has been, in turn, assigned by the Originator to the Borrower, and by the Borrower to the Collateral Agent;

(c) which contains customary and enforceable provisions such that the rights and remedies of the holder thereof shall be adequate for realization against the collateral of the benefits of the security;

(d) which provides for, in the event that such Purchased Loan is prepaid in full, a prepayment that fully pays the Outstanding Balance of such Purchased Loan (net of all rebates for the unused portion of any ancillary products and net of all unearned finance charges);

(e) which was created in material compliance with all applicable requirements of law;

(f) which will at all times be the legal, valid and binding payment obligation of the Obligor thereof, enforceable against such Obligor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

(g) which is not subject to any right of rescission, setoff, counterclaim or other defense (including the defense of usury), other than defenses arising out of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general;

(h) with respect to which the Obligor thereon is not the United States, any State or any agency, department, or instrumentality of the United States or any State;

(i) with respect to which the Obligor thereon is a natural person;

(j) with respect to which, to the best of the Originator's knowledge, no liens or claims have been filed for work, labor, materials, taxes or liens that arise out of operation of law relating to the applicable Financed Vehicle that are prior to, or equal with, the security interest in the Financed Vehicle granted by the related Purchased Loan Contract;

(k) with respect to which, to the best of the Originator's knowledge, there was no material misrepresentation by the Obligor thereon on such Obligor's credit application;

(l) which has not been originated in, and is not subject to the laws of, any jurisdiction under which the sale, transfer and assignment of such Purchased Loan under this Agreement or pursuant to the transfer of the related Purchased Loan Contract shall be unlawful, void or voidable;

(m) which (i) constitutes "tangible chattel paper," "electronic chattel paper" or a "payment intangible" each as defined in the UCC in the relevant State, (ii) if "tangible

chattel paper,” shall be maintained in its original “tangible” form, unless the Deal Agent has consented in writing to such chattel paper being maintained in another form or medium, and (iii) if “electronic chattel paper,” there is only a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) and such “authoritative copy” constitutes an Authoritative Electronic Copy;

- (n) [reserved]
- (o) which is payable in United States dollars and the Obligor thereon is an individual who is a United States resident;
- (p) which satisfies in all material respects the requirements under the Credit Guidelines;
- (q) with respect to which the collection practices used with respect thereto have complied in all material respects with the Collection Guidelines;
- (r) with respect to which there are no proceedings pending, or to the best of the Originator’s knowledge, threatened, wherein the Obligor thereon or any governmental agency has alleged that such Purchased Loan is illegal or unenforceable;
- (s) with respect to which the Originator has duly fulfilled all material obligations to be fulfilled on the lender’s part under or in connection with the origination, acquisition and assignment of such Purchased Loan, including, without limitation, giving any notices or consents necessary to effect the acquisition of such Purchased Loan by the Borrower, and has done nothing to materially impair the rights of the Borrower or the Secured Parties in payments with respect thereto;
- (t) which was purchased by the Originator from a Dealer pursuant to a Purchase Agreement or, in the case of any Purchased Loan Contract that previously secured a Dealer Loan, another agreement with the applicable Dealer;
- (u) with respect to which the Dealer from whom the Originator purchased such Purchased Loan has not engaged in any conduct constituting fraud or misrepresentation with respect to such Purchased Loan to the best of the Originator’s knowledge;
- (v) with respect to which, at the time such Purchased Loan was originated the proceeds thereof were fully disbursed and there is no requirement for future advances thereunder, and all fees and expenses in connection with the origination of such Purchased Loan have been paid;
- (w) with respect to which, if applicable State law requires or permits the Servicer to hold the certificate of title in respect of a Financed Vehicle financed by a Purchased Loan Contract, the Servicer holds the certificate of title (or if an electronic certificate of title is issued in lieu of a paper certificate of title by the relevant

governmental department or agency, Credit Acceptance is listed as lienholder on such electronic certificate of title) or the application for a certificate of title for the related Financed Vehicle as of the date on which the related Purchased Loan Contract is sold to the Borrower and will obtain within 180 days of such date a certificate of title (or ensure that an electronic certificate of title is issued in lieu of a paper certificate of title by the relevant governmental department or agency on which Credit Acceptance is listed as lienholder) with respect to such Financed Vehicle as to which the Servicer holds only such application;

(x) with respect to which the related Purchased Loan Contract has not been extended or rewritten and is not subject to any forbearance, or any other modified payment plan other than in accordance with the Credit Guidelines or the Collection Guidelines or otherwise in accordance with Applicable Law; and

(y) if the related Purchased Loan Contract constitutes electronic chattel paper, with respect to which Credit Acceptance shall have “control” of such electronic chattel paper within the meaning of Section 9-105 of the UCC.

101. Equity Interest: (i) In the case of any corporation, all capital stock and any securities exchangeable for or convertible into capital stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents of corporate stock (however designated) in or to such association or entity, (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets of, the issuing Person, and including, in all of the foregoing cases described in clauses (i), (ii), (iii) or (iv), any warrants, rights or other options to purchase or otherwise acquire any of the interests described in any of the foregoing cases.

102. ERISA: The United States Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

103. ERISA Affiliate: (a) Any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Borrower, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with the Borrower, or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Borrower, any corporation described in clause (a) above or any trade or business described in clause (b) above.

104. Excess Reserve Amount: With respect to any Payment Date, the excess, if any, of the amount on deposit in the Reserve Account over the Required Reserve Account Amount.

105. Excluded Dealer Agreement Rights: With respect to any Dealer Agreement, the rights of Credit Acceptance thereunder related to loans made to the related Dealer which are not Dealer Loans pledged by the Borrower to the Collateral Agent hereunder, including rights of set-off and rights of indemnification, related to such Dealer Loans.

106. Existing Loan and Security Agreement: Defined in the recitals hereto.

107. Facility Limit: \$400,000,000; or as such amount may vary from time to time upon the written agreement of the Borrower, Credit Acceptance and the Deal Agent; provided, however, that on any date on or after the end of the Revolving Period with respect to all Lenders, the Facility Limit shall mean the aggregate outstanding Capital on such date.

108. FATCA: Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

109. Federal Funds Rate: For any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the federal funds rates as quoted by Wells Fargo and confirmed in Federal Reserve Board Statistical Release H.15(519) or any successor or substitute publication selected by Wells Fargo (or, if such day is not a Business Day, for the next preceding Business Day), or, if, for any reason, such rate is not available on any day, the rate determined, in the sole opinion of Wells Fargo, to be the rate at which federal funds are being offered for sale in the national federal funds market at 9:00 a.m. Charlotte, North Carolina time.

110. Fee Letter: With respect to each Lender, the Eleventh Amended and Restated Fee Letter, dated as of February 3, 2021, in the case of Wells Fargo, or in the case of any other Lender, the date of the Assignment and Acceptance related to such Lender, among the Borrower, Wells Fargo Bank, National Association and the Deal Agent, in the case of Wells Fargo and among the Borrower, the Servicer, the Deal Agent and the related Lender, in the case of any other Lender, as any such letter may be amended, modified, supplemented, restated or replaced from time to time.

111. Final Score: The final output from the Originator's credit scoring process.

112. Financed Vehicle: With respect to a Contract, any new or used automobile, light-duty truck, minivan or sport utility vehicle, together with all accessories thereto, securing the related Obligor's indebtedness thereunder.

113. Fixed Charge Coverage Ratio: As of any applicable date of determination, the ratio of (a) Consolidated Income Available for Fixed Charges for the previous four (4) consecutive fiscal quarters of Credit Acceptance most recently ended at such time to (b) Consolidated Fixed Charges for such period.

114. Floor: The benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to USD LIBOR.

115. Forecasted Collections: The expected amount of Collections to be received with respect to the Aggregate Outstanding Eligible Loan Balance each month as determined by Credit Acceptance in accordance with its forecasting model, which shall be submitted to the Deal Agent with each Funding Notice related to a proposed Advance when new Pools are pledged to the Collateral Agent.

116. Funded Debt: Without duplication, (a) all indebtedness of any Person for borrowed money or for the deferred purchase price of property or services as of such date (other than Operating Leases and trade liabilities and royalties payable incurred in the ordinary course of business and payable in accordance with customary practices) or which is evidenced by a note, bond, debenture or similar instrument, (b) the principal component of all obligations of such Person under Capitalized Leases, (c) all reimbursement obligations of such Person in respect of letters of credit (other than trade letters of credit), bankers acceptances or similar obligations issued or created for the account of such Person, (d) all liabilities of the type described in (a), (b) and (c) above that are secured by any Liens (as defined in the Credit Agreement) on any property owned by such Person as of such date even though such Person has not assumed or otherwise become liable for the payment thereof, in the case of each of the items in clauses (a) through (d), the amount of which is determined in accordance with GAAP; *provided*, however, that so long as such Person is not personally liable for any such liability, the amount of such liability shall be deemed to be the lesser of the fair market value at such date of the property subject to the Lien (as defined in the Credit Agreement) securing such liability and the amount of the liability secured, and (e) all guarantee obligations in respect of any liability which constitutes Funded Debt; *provided*, however, that Funded Debt shall not include any indebtedness under any Hedging Agreement (as defined in the Credit Agreement) prior to the occurrence of a termination event with respect thereto; *provided further* that upon the defeasance or satisfaction and discharge of Funded Debt in accordance with the terms of such Funded Debt, such Funded Debt will cease to be "Funded Debt" hereunder (for the avoidance of doubt, including upon the giving or mailing of a notice of redemption and redemption funds being deposited with a trustee or paying agent or otherwise segregated or held in trust or under an escrow or other funding arrangement for the sole purpose of repurchasing, redeeming, defeasing, repaying, satisfying and discharging, or otherwise acquiring or retiring such Funded Debt in accordance with the terms of such Funded Debt).

117. Funding: An Advance by a Lender pursuant to Section 2.1 and Section 2.3 hereof.

118. Funding Date: The second Business Day immediately following receipt by the Deal Agent of a Funding Notice, delivered in accordance with Section 2.3, provided that such Funding Notice is received by 5:00 p.m., Charlotte time.

119. Funding Notice: The notice, in the form of Exhibit A hereto, delivered in accordance with Section 2.3 hereof.

120. GAAP: Generally accepted accounting principles as in effect from time to time in the United States.

121. Governmental Authority: Any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person, and any accounting board or authority (whether or not a part of government) which is responsible for the establishment or interpretation of national or international accounting principles, in each case whether foreign or domestic.

122. Hedge Breakage Costs: For any Hedging Agreement, any amount payable by the Borrower for the early termination of such Hedging Agreement or any portion thereof.

123. Hedge Costs: For any Hedging Agreement, any amount payable by the Borrower with respect thereto, including any swap payments, any breakage payments, any termination payments, any notional reduction payments and any other amounts due to the Hedge Counterparty.

124. Hedge Counterparty: (I) Any entity that (a) on the date of entering into any Hedge Transaction (i) is an interest rate swap dealer and (ii) unless otherwise agreed to by the Deal Agent, has a long-term unsecured debt rating of not less than "A" by S&P and not less than "A2" by Moody's ("Long-term Rating Requirement") and a short-term unsecured debt rating of not less than "A-1" by S&P and not less than "P-1" by Moody's ("Short-term Rating Requirement"), and (b) in a Hedging Agreement (i) consents to the assignment of the Borrower's rights under the Hedging Agreement to the Collateral Agent pursuant to Section 2.2(a) (except in the case of an interest rate cap where such consent is not required) and (ii) agrees that in the event that Moody's or S&P reduces its long-term unsecured debt rating below the Long-term Rating Requirement, or reduces its short-term unsecured debt rating below the Short-term Rating Requirement, it shall transfer its rights and obligations under each Hedging Agreement to another entity that meets the requirements of clauses (I)(a) and (I)(b) hereof and has entered into a Hedging Agreement with the Borrower on or prior to the date of such transfer (except in the case of an interest rate cap where such transfer is not required), or (II) in respect of a Hedge Transaction entered into during the period commencing on April 30, 2021 and concluding on the Commitment Termination Date, any entity that (a) on the date of entering into any Hedge Transaction (i) is a bank signatory to the Credit Agreement (other than Israel Discount Bank of New York or an Affiliate) and (ii) unless otherwise agreed to by the Deal Agent, has not experienced a withdrawal or downgrade of its short- or long-term unsecured debt rating since April 30, 2021, and (b) in a Hedging Agreement (i) consents to the assignment of the Borrower's rights under the Hedging Agreement to the Collateral Agent pursuant to Section 2.2(a) (except in the case of an interest rate cap where such consent is not required) and (ii) agrees that in the event that it experiences a withdrawal or reduction of its long-term unsecured debt rating such that it no longer has a minimum rating of "BBB-," it shall transfer its rights and obligations under each Hedging Agreement to another entity that meets the requirements of clauses (I)(a) and (I)(b) or clauses (II)(a) and (II)(b) hereof and has entered into a Hedging Agreement with the Borrower on or prior to the date of such transfer (except in the case of an interest rate cap where such transfer is not required).

125. Hedge Transaction: Each interest rate swap or other interest rate protection transaction between the Borrower and a Hedge Counterparty that is entered into pursuant to Section 5.3 hereof and is governed by a Hedging Agreement.

126. Hedging Agreement: Each agreement between the Borrower and a Hedge Counterparty that governs one or more Hedge Transactions entered into pursuant to Section 5.3 hereof, which agreement shall be in form and substance reasonably satisfactory to the Deal Agent, and each "Confirmation" thereunder confirming the specific terms of each such Hedge Transaction; provided, however, that for the avoidance of doubt no ISDA Master Agreement shall be required for any interest rate cap transaction.

127. Increased Costs: Any amounts required to be paid by the Borrower to an Affected Party pursuant to Section 2.13.

128. Incremental Funding: Any Advance made after the Initial Funding that increases the aggregate outstanding Capital hereunder.

129. Independent Director: Defined in Section 5.2(o)(xxvii).

130. Ineligible Contract: Each Contract other than an Eligible Contract.

131. Ineligible Loan: Each Loan other than an Eligible Loan.

132. Indemnified Amounts: Defined in Section 11.1(a).

133. Indemnified Parties: Defined in Section 11.1(a).

134. Initial Funding: September 30, 2003.

135. Insolvency Event: With respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable Insolvency Law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable Insolvency Law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

136. Insolvency Laws: The Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency,

reorganization, suspension of payments, or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

137. Insolvency Proceeding: Any case, action or proceeding before any court or other Governmental Authority relating to any Insolvency Event.
138. Instrument: Any “instrument” (as defined in Article 9 of the UCC), other than an instrument that constitutes part of chattel paper.
139. Investment: With respect to any Person, any direct or indirect loan, advance or investment by such Person in any other Person, whether by means of share purchase, capital contribution, loan or otherwise, excluding the acquisition of assets pursuant to the Contribution Agreement and excluding commission, travel and similar advances to officers, employees and directors made in the ordinary course of business.
140. Investment Company Act: The United States Investment Company Act of 1940, as amended.
141. ISDA Definitions: The 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.
142. Late Fees: If the Backup Servicer has become the Successor Servicer, any late fees collected with respect to any Contract in accordance with the Collection Guidelines.
143. Lenders: Collectively, Wells Fargo and any other Person that agrees, pursuant to the pertinent Assignment and Acceptance, to make or maintain Fundings pursuant to this Agreement.
144. Lien: With respect to any Loan, Dealer Agreement or Contract, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind (other than any Permitted Lien, mechanics’ liens, liens of collection attorneys or agents collecting the property subject to such Permitted Lien or mechanics’ lien and any liens which attach thereto by operation of law).
145. Loan: Any Dealer Loan or Purchased Loan.
146. Mandatory 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 the lesser of (a) 85% of currently outstanding Capital or (b) \$100,000,000.
147. Material Adverse Effect: With respect to any event or circumstance, means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance, properties or prospects of the Originator, the Servicer or the Borrower, (b) the validity, enforceability or collectability of this Agreement or any other Transaction Document or the validity, enforceability or collectability of the Loans, (c) the rights and remedies of the Deal

Agent, the Collateral Agent or the Secured Parties, (d) the ability of the Borrower, the Originator or the Servicer to perform its obligations under this Agreement or any other Transaction Document, or (e) the status, existence, perfection, priority or enforceability of the Collateral Agent's or any Secured Party's interest in the Collateral.

- 148. Material Debt: Defined in Section 6.11(i).
- 149. Minimum Weighted Average Spread Rate: 25.0%.
- 150. Monthly Principal Payment Amount: With respect to any Payment Date, the amount, if any, necessary to reduce the Capital to the Borrowing Base.
- 151. Monthly Report: Defined in Section 6.5(a).
- 152. Moody's: Moody's Investors Service, Inc., and any successor thereto.
- 153. Multiemployer Plan: A "multiemployer plan" as defined in Section 4001(a)(3) of ERISA that is or was at any time during the current year or the immediately preceding five years contributed to by the Borrower or any ERISA Affiliate on behalf of its employees.
- 154. Net Advance Rate: 80%.
- 155. Nonconforming Contract: Defined in Section 6.2(c)(ii).
- 156. Notes: The Variable Funding Notes of the Borrower, issued to the Lenders pursuant to Section 2.1(c) hereof substantially in the form of Exhibit G hereto.
- 157. Obligor: With respect to any Loan, Dealer Agreement or Contract, the Person or Persons obligated to make payments with respect to such Dealer Agreement, Loan or Contract, respectively, including any guarantor thereof.
- 158. OFAC: The United States Department of the Treasury's Office of Foreign Assets Control.
- 159. Officer's Certificate: A certificate signed by any officer of the Borrower or the Servicer, as the case may be, and delivered to the Collateral Agent.
- 160. Open Pool: With respect to any Dealer Loan, a Pool as to which, pursuant to the terms of the related Dealer Agreement, additional Dealer Loan Contracts may be allocated.
- 161. Operating Lease: Any lease, whether now existing or hereafter entered into, under which Credit Acceptance or any Credit Agreement Subsidiary is a lessee, other than a Capitalized Lease, including all leases of such Person that are or would have been treated as operating leases for purposes of GAAP prior to the issuance on February 25, 2016 of the ASU 2016-02 (ASC 842, Leases), in each case for purposes of this Agreement.

162. Operating Rental: All rental payments that Credit Acceptance or any of its Credit Agreement Subsidiaries, as lessee, is required to make under the terms of any Operating Lease.

163. Opinion of Counsel: A written opinion of counsel, which opinion and counsel are reasonably acceptable to the Deal Agent.

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

165. Original Advance Rate: With respect to any Dealer, the ratio, expressed as a percentage, where the numerator is equal to the Outstanding Balance of all Eligible Loans of such Dealer on the dates such Eligible Loans were originated and the denominator is equal to the sum of payments due under all Eligible Contracts related to such Dealer on their dates of origination.

166. Originator: Defined in the preamble of this Agreement.

167. Other Taxes: Any and all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under this Agreement or from the execution, delivery, performance, enforcement of, or otherwise with respect to, this Agreement.

168. Outstanding Balance:

169. (i) With respect to any Contract on any date of determination, all amounts owing under such Contract (whether considered principal or as finance charges) on such date of determination. The Outstanding Balance with respect to a Contract shall be deemed to have been created at the end of the day on the Date of Processing of such Contract; which shall be greater than or equal to zero (except in the case of a Contract as to which the final payment on such Contract is in excess of the amount owed on such Contract on the date of such final payment);

170. (ii) with respect to any Dealer Loan on any date of determination, the aggregate amount advanced under such Dealer Loan plus revenue accrued with respect to such Dealer Loan in accordance with Credit Acceptance's adjusted accounting policies (as in effect as of January 1, 2020) and the payment of monies to a Dealer under the related Dealer Agreement, less Collections on the related Dealer Loan Contracts applied through such date of determination in accordance with the related Dealer Agreement to the reduction of the balance of such Loan;

171. (iii) with respect to any Purchased Loan (other than any Purchased Loan arising from a Dealer Collections Purchase Agreement) on any date of determination, the aggregate amount advanced under such Purchased Loan plus revenue accrued with respect to such Purchased Loan in accordance with Credit Acceptance's adjusted accounting policies (as in effect as of January 1, 2020), less Collections on the related Purchased Loan Contract applied through such date of determination to the reduction of the balance of such Purchased Loan; and

172. (iv) with respect to any Purchased Loan arising from a Dealer Collections Purchase Agreement on any date of determination, (A) such Purchased Loan's pro rata share of the sum of (x) the Outstanding Balance of the related Dealer Loan as of the date of the related Dealer Collections Purchase and (y) the Dealer Collections Purchase Price with respect to such Dealer Loan (such pro rata share determined based on such Purchased Loan's pro rata share of the forecasted collections on the pool of Purchased Loans which previously constituted Dealer Loan Contracts securing such Dealer Loan), plus following the acquisition of such Purchased Loan (B) revenue accrued with respect to such Purchased Loan in accordance with Credit Acceptance's adjusted accounting policies (as in effect as of January 1, 2020), less (C) Collections on the related Purchased Loan Contract applied through such date of determination to the reduction of the balance of such Purchased Loan.

173. Overconcentration Loan Amount: With respect to any Dealer and any date of determination, the amount by which the aggregate Outstanding Balance of Dealer Loans (measured as of the end of the immediately preceding Collection Period) made to such Dealer as of such date of determination exceeds the Dealer Concentration Limit.

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

175. Patriot Act: Defined in Section 4.1(z) of this Agreement.

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

177. Payment Rate: For any Collection Period in which a Take-Out does not occur, the ratio, expressed as a percentage, the numerator of which is equal to Collections received during such Collection Period and the denominator of which is equal to the Aggregate Outstanding Eligible Loan Balance as of the first day of such Collection Period. For the avoidance of doubt, the Payment Rate will not be required to be calculated for any Collection Period in which a Take-Out occurs.

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

179. 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.

180. 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.

181. Pool: An identifiable group of Dealer Loan Contracts related to a particular Dealer Agreement identified on Schedule IV 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.

182. Prepayment Fee: With respect to each Lender, as defined in the applicable Fee Letter relating to such Lender.

183. Prime Rate: The rate announced by Wells Fargo 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 Wells Fargo in connection with extensions of credit to debtors.

184. 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.

185. Program Fee: With respect to each Lender, as defined in the applicable Fee Letter related to such Lender.

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

187. 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 IV hereto.

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

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

190. 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.

191. Reference Time: With respect to any setting of the then-current Benchmark, (1) if such Benchmark is USD LIBOR, 11:00 a.m. (London time) on the day that is two (2) London banking days preceding the date of such setting, and (2) if such Benchmark is not USD LIBOR, the time determined by the Deal Agent in its reasonable discretion.

192. Register: Defined in Section 13.1(c).

193. 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;

(viii) 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

(ix) 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.

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

195. Release Price: As defined in Section 4.5(a).

196. Relevant Governmental Body: The Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.

197. Reliencing Expenses: Defined in Section 6.2(d)(ii).

198. 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.

199. Required Lenders: At a particular time, Lenders with Commitments in excess of 50% of the Facility Limit.

200. Required Reserve Account Amount: With respect to any date of determination, an amount equal to 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 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 \$300,000 (unless the Capital is zero, in which case the Required Reserve Account Amount shall be \$0.00).

201. Reserve Account: The segregated trust account established at the Collateral Agent for the benefit of the Secured Parties, established pursuant to Section 6.7(a).

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

203. Responsible Officer: As to any Person any officer of such Person (who, in the case of the Collateral Agent or Backup Servicer, is an officer within the Corporate Trust Office) with direct responsibility for the administration of this Agreement and the other Transaction Documents to which such Person is a party, 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.

204. Retransfer Amount: Defined in Section 4.5(b).

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

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

207. Sanction or Sanctions: Any and all economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and restrictions and anti-terrorism laws imposed, administered or enforced from time to time by: (a) the United States of America, including those administered by OFAC, the U.S. Department of State, the U.S. Department of Commerce, or through any existing or future statute or Executive Order, (b) the United Nations Security Council, (c) the European Union, (d) the United Kingdom, or (e) any other governmental authority with jurisdiction over Borrower or any member of the Borrowing Group.

208. Sanctioned Country: Any country subject to a sanctions program identified on the list maintained by OFAC and available at <http://www.treas.gov/offices/enforcement/ofac/programs>, or as otherwise published from time to time.

209. Sanctioned Person: (i) a Person named on the list of “Specially Designated Nationals” or “Blocked Persons” maintained by OFAC available at <http://www.treas.gov/offices/enforcement/ofac/sdn>, or as otherwise published from time to time, or (ii) (a) an agency of the government of a Sanctioned Country, (b) an organization controlled by a Sanctioned Country or (c) a Person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

210. Sanctioned Target: Any target of Sanctions, including: (a) Persons on any list of targets identified or designated pursuant to any Sanctions, (b) Persons, countries, or territories that are the target of any territorial or country-based Sanctions program, (c) Persons that are a target of Sanctions due to their ownership or control by any Sanctioned Target(s), or (d) things otherwise a target of Sanctions, including vessels and aircraft, that are designated under any Sanctions program.

211. SEC: The United States Securities and Exchange Commission, or any governmental agencies substituted therefor.

212. Secured Party: (i) The Collateral Agent, the Deal Agent and each Lender and (ii) each Hedge Counterparty that is either a Lender or an Affiliate of a 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.

213. Securities Act: The United States Securities Act of 1933, as amended.

214. 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.

215. Servicer Termination Event: Defined in Section 6.11.

216. Servicer Termination Notice: Defined in Section 6.11.

217. Servicer Expenses: Any expenses incurred by the Backup Servicer, if it has become the Successor Servicer hereunder (including to the extent the Backup Servicer is Wells Fargo Bank, National Association any Reliencing Expenses), other than Repossession Expenses or Transition Expenses.

218. Servicing Fee: For each Payment Date, a fee payable to the Servicer for services rendered during the related Collection Period, equal to: (i) so long as Credit Acceptance is the Servicer, the product of (A) 4.00% 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 8.00% 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.

219. SOFR: With respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator's Website on the immediately succeeding Business Day.

220. SOFR Administrator: The Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

221. SOFR Administrator's Website: The website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

222. 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 a business or a transaction, for which such Person's property would constitute unreasonably small capital.

223. Structuring Fees: The structuring fee set forth in the Fee Letter related to Wells Fargo.

224. 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.

225. Successor Servicer: Defined in Section 6.12(a).

226. Take-Out: Any Mandatory Take-Out or Optional Take-Out.

227. Take-Out Release: The release to be executed pursuant to Section 2.16 hereto, substantially in the form of Exhibit E hereto.

228. Tangible Net Worth: The total preferred shareholders' investment and common shareholders' investment (common stock, paid in capital, retained earnings and accumulated other comprehensive income, net of tax) as computed for Credit Acceptance and its Credit Agreement Subsidiaries on a consolidated basis under GAAP, less assets properly classified as

intangible assets according to GAAP, but excluding from the determination thereof, without duplication, any excess servicing asset resulting from the transfer, pursuant to a Permitted Securitization, of Dealer Loan Pools (as defined in the Credit Agreement) or Purchased Contracts.

229. 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.

230. Term SOFR: For the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

231. Term SOFR Notice: A notification by the Deal Agent to the Borrower of the occurrence of a Term SOFR Transition Event.

232. Term SOFR Transition Event: The determination by the Deal Agent that (a) Term SOFR has been recommended for use by the Relevant Governmental Body, (b) the administration of Term SOFR is administratively feasible for the Deal Agent and (c) a Benchmark Transition Event or an Early Opt-in Election, as applicable, has previously occurred resulting in the replacement of the then-current Benchmark for all purposes hereunder and under any other Transaction Document in accordance with Section 2.11 with a Benchmark Replacement the Unadjusted Benchmark Replacement component of which is not Term SOFR.

233. Termination Date: With respect to each Lender, the earliest of: (a) the date of the occurrence or declaration of the Termination Date pursuant to Section 10.2, and (b) the date of termination in whole of the Facility Limit pursuant to Section 2.5.

234. Termination Events: Defined in Section 10.1.

235. Total Commitment: On any date of determination, the aggregate Commitments of all the Lenders.

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

237. 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.

238. UCC: The Uniform Commercial Code as from time to time in effect in the applicable jurisdiction or jurisdictions.
239. Unadjusted Benchmark Replacement: The applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.
240. United States: The United States of America.
241. Unmatured Termination Event: Any event that, with the giving of notice or the lapse of time, or both, would become a Termination Event.
242. 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.
243. Unused Fee: With respect to each Lender, as defined in the Fee Letter related to such Lender.
244. USD LIBOR: The London interbank offered rate for U.S. dollars.
245. 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.
246. 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.
247. 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).
248. Wells Fargo: Wells Fargo Bank, National Association, and its successors and assigns.
249. 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:

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

where:

C = the outstanding principal amount of the Advance of such Lender; and

YR = the Yield Rate for such Lender applicable on such day;

provided, however, that (i) no provision of this Agreement shall require the payment or permit the collection of Yield in excess of the maximum permitted by Applicable Law and (ii) Yield shall not be considered paid by any distribution if at any time such distribution is rescinded or must otherwise be returned for any reason.

250. Yield Rate: For any Accrual Period and for the aggregate principal amount of the Advance allocated to such Accrual Period:

- (a) prior to the occurrence of an Amortization Event or a Termination Event, a rate equal to the Benchmark; or
- (b) on and after the occurrence of an Amortization Event or a Termination Event, with respect to any Lender, the rate provided in the applicable Fee Letter;

provided, however, the Yield Rate shall be the Base Rate for any Accrual Period for any portion of the Advance as to which any Lender has funded the acquisition thereof on any day other than the first day of such Accrual Period and without such Lender(s) having received at least two Business Days' prior notice of such funding pursuant to the provisions of Section 2.1(a).

Section I.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 I.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 I.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 otherwise 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 II.1. Funding of the Advance.

(a) (i) On the terms and conditions hereinafter set forth (including, without limitation, the conditions set forth in Sections 3.1 and 3.2), the Borrower may, at its option, on any Funding Date request an advance (an “Advance” or a “Funding”) pursuant to Section 2.3. Following receipt of any such request, each Lender agrees that it shall advance its pro rata portion of such requested Advance, subject to fulfillment of the conditions contained herein, during the period from the date hereof to but not including the Termination Date. Under no circumstances shall any Lender make an Advance if, after giving effect to such Advance, (A) the aggregate Capital outstanding hereunder would exceed the lesser of (i) the Facility Limit and (ii) the Borrowing Base or (B) with respect to each Lender, the aggregate Capital funded or maintained by such Lender would exceed its pro rata portion of the aggregate Capital outstanding. Upon the occurrence of an Amortization Event or the occurrence or declaration of the Termination Date, the Borrower may not request and no Lender shall be required to effect any Funding.

(b) The Borrower may, within 60 days, but no later than 45 days, prior to the then existing Commitment Termination Date, by written notice to the Deal Agent and each Lender, make written request for the Lenders to extend the Commitment Termination Date for an additional period as specified by the Borrower. Each Lender shall make a determination, in its sole discretion, not less than 15 days prior to the then applicable Commitment Termination Date as to whether or not it will agree to extend the Commitment Termination Date; provided, however, that the failure of any Lender to make a timely response to the Borrower’s request for extension of the Commitment Termination Date shall be deemed to constitute a refusal by such Lender to extend the Commitment Termination Date.

(ii) Any Lender which notifies the Deal Agent of its refusal to consent to the extension or which does not expressly notify such Deal Agent that it is willing to consent to an extension of the Commitment Termination Date during the time period set forth in clause (i) above shall be deemed to be a “Dissenting Lender” from the date of its refusal notice or the end of the applicable time period set forth in clause (i) above and,

after the Commitment Termination Date then in effect, such Dissenting Lender's Commitment shall be zero. If a Lender has agreed to extend its Commitment Termination Date in accordance with the Borrower's request made pursuant to clause (i) above, and, at the end of the applicable time period set forth in clause (i) above, no Termination Event shall have occurred, the Commitment Termination Date for such Lender then in effect shall be extended to the date that is the last day of the additional time period specified by Borrower pursuant to clause (i) above or, if such day is not a Business Day, the next preceding Business Day.

(iii) Within two Business Days following the end of the time period set forth in clause (i) above, each Dissenting Lender shall notify each other Lender, the Borrower and the Servicer of its election to become a Dissenting Lender and the amount of its Commitment, if any. Each Dissenting Lender hereby agrees to assign all or a portion of its Commitment and the amounts payable to it hereunder to a replacement lender identified by the Borrower and approved by the Deal Agent, subject to ratable payment of such Dissenting Lender's portion of the Capital, together with all accrued and unpaid interest thereon, and a ratable portion of all fees and other amounts due to it hereunder.

(iv) If the Commitment of a Dissenting Lender is not assigned in accordance with clause (iii) above, the Facility Limit shall be reduced by the Commitment of the Dissenting Lender existing on the Commitment Termination Date. The Capital outstanding on the Commitment Termination Date in effect on the date such Lender becomes a Dissenting Lender shall be paid in accordance with Section 2.7(a)(vii).

(c) The Notes.

(i) The Borrower's obligation to pay the principal of and interest on all amounts advanced by the Lenders pursuant to the Fundings shall be evidenced by a variable funding note of the Borrower for each Lender (each, a "Note") which shall: (1) be dated the Effective Date; (2) be in the stated principal amount equal to the Commitment amount for such Lender (as reflected from time to time on the grid attached thereto); (3) bear interest as provided therein; (4) be payable to the order of Wells Fargo Bank, National Association, as Deal Agent, for the account of the applicable Lender; and (5) be substantially in the form of Exhibit G hereto, with blanks appropriately completed in conformity herewith.

(ii) Although the Notes shall be dated the Effective Date, interest in respect thereof shall be payable only for the periods during which amounts are outstanding thereunder. In addition, although the stated principal amount of each Note shall be equal to the Commitment amount of the related Lender, 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 II.2. Grant of Security Interest; Acceptance by Collateral Agent.

(a) As security for the prompt and complete payment of the Notes and the performance of all of the Borrower's obligations under the Notes, this Agreement and the other Transaction Documents, the Borrower hereby reaffirms its grant of a security interest pursuant to the Existing Loan and Security Agreement and 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, 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 Collateral Agent for the benefit of the Secured Parties in the Collateral, and to deliver a file-stamped copy of such financing statements or other evidence of such filing to the Collateral Agent and the Deal Agent promptly following receipt thereof. In addition, the Borrower and the Servicer agree to clearly and unambiguously mark their respective general ledgers and all accounting records and documents and all computer tapes and records to show that the Collateral, including that portion of the Collateral consisting of the Dealer Agreements listed on Schedule IV hereto (and each addendum thereto), the Loans and the related Contracts and the rights to payment under the related Dealer Agreements, has been pledged to the Collateral Agent for the benefit of the Secured Parties hereunder.

(iii) In connection with such pledge, the Borrower agrees to deliver to the Collateral Agent on any Funding Date on which new Pools or Purchased Loans are pledged to the Collateral Agent, as the case may be, one or more computer files containing true and complete lists of all applicable Dealer Agreements, Pools and Loans securing the payment of the Notes and amounts due under the Transaction Documents and all of the Borrower's obligations under the Notes and the Transaction Documents as of such date, and all Contracts securing all such Loans, identified by, as applicable, account number, dealer number and pool number as of the end of the Collection Period immediately preceding the Funding Date. Such file shall be marked as Schedule IV hereto or as an addendum thereto, shall be delivered to the Collateral Agent as confidential and proprietary, and such Schedule IV and each addendum thereto are hereby incorporated into and made a part of this Agreement. Such Schedule IV shall be supplemented and updated on the date of each Incremental Funding in the Revolving Period to include all Loans and Contracts pledged on the date of each such date so that, on each such date, the Collateral Agent will have a Schedule IV that describes all Loans

pledged by the Borrower to the Collateral Agent hereunder on or prior to said date of Incremental Funding, any related Dealer Agreements, Purchase Agreements and all Contracts securing or evidencing such Loans (other than those that have been released from the Collateral and those Dealer Loans that have been deemed to be extinguished pursuant to Section 6.15(b) hereof). Such updated Schedule IV shall be deemed to replace any existing Schedule IV as of the date such updated Schedule IV is provided in accordance with this Section 2.2(a)(iii). Furthermore, Schedule IV hereto shall be deemed to be supplemented on each date of Dealer Collections Purchase by the list set forth under Section 6.15(c).

(iv) In connection with such pledge, each of the Borrower, Credit Acceptance and the Servicer also agrees, within 180 days of the relevant Funding Date, to clearly mark at least 98% of the Contracts or Contract folders securing a Loan with the following legend: "THIS AGREEMENT HAS BEEN PLEDGED TO WELLS FARGO BANK, NATIONAL ASSOCIATION AS COLLATERAL AGENT FOR THE BENEFIT OF CERTAIN SECURED PARTIES."

(b) The Collateral Agent hereby acknowledges its acceptance, on behalf of the Secured Parties, of the pledge by the Borrower of the Loans and all other Collateral. The Collateral Agent further acknowledges that, prior to or simultaneously with the execution and delivery of this Agreement, the Borrower delivered to the Collateral Agent the computer file 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 subsection 2.2(c).

Section II.3. Procedures for Funding of Advances. Each Advance hereunder shall be requested by the Borrower delivering to the Deal Agent and the Lenders (with a copy to the Collateral Agent) a duly completed Funding Notice no later than 5:00 p.m. (Charlotte, North Carolina time) at least two (2) Business Days prior to the proposed Funding Date. Each Funding Notice shall: (i) specify the desired amount of such Funding which amount must 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 shall be allocated pro rata among each Lender based upon the Commitment related to such Lender as a percentage of the Total Commitment. Each Funding Notice shall be irrevocable.

(b) On the Funding Date, the Lenders shall, upon satisfaction of the applicable conditions set forth in Article III, make available to the Borrower in same day funds, at such bank or other location reasonably designated by the 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 such Lender for such Advance or (B) the excess of the Commitment related to such Lender over such Lender's portion of Capital then outstanding.

(c) In no event shall a Lender be required on any date to make any Funding which would result in its portion of the Capital, determined after giving effect to such Funding, exceeding its Commitment.

Section II.4. Determination of Yield. Each Lender shall initially determine (i) the applicable Yield Rate and the Yield (including unpaid Yield, if any, due and payable on a prior Payment Date) to be paid by the Borrower with respect to the Advance on each Payment Date for the related Accrual Period and (ii) the Program Fee, the Unused Fee and any Breakage Costs, 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. Prior to the next succeeding Payment Date, each Lender shall determine the amount of Yield, if any, payable in connection with Section 2.16(a)(iv), and not previously paid. The amount owed in respect of the Yield for the next succeeding Accrual Period, as initially determined by each Lender shall be increased, if necessary and as appropriate, to reflect any Yield payable in connection with Section 2.16(a)(iv) and not previously paid.

Section II.5. Reduction of the Facility Limit and Commitment. The Borrower may, upon at least two (2) Business Days' notice to the Deal Agent and each Lender, terminate in whole or reduce in part the portion of the Facility Limit that exceeds the aggregate Capital. With respect to any such reduction, each Lender's Commitment shall be reduced pro rata based upon such Lender's Commitment as a percentage of the Facility Limit; 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. With respect to any termination or reduction pursuant to this Section 2.5 that occurs prior to the Commitment Termination Date, the Borrower shall pay to the Deal Agent for the benefit of the Lenders the Prepayment Fee relating to each Lender.

Section II.6. Actions with Respect to Advance. Each Lender may take any of the following actions at any time with respect to an Advance it has funded: (i) divide the Advance funded by such Lender into two or more portions having aggregate Capital equal to the Capital of such divided Advance; (ii) combine one portion of the Advance funded by such Lender with another portion of the Advance funded by such Lender with an Accrual Period ending on the same day, creating a new Advance having Capital equal to the Capital of the two portions of Advances combined; or (iii) combine an Advance funded by such Lender with the Advance to be funded on such day by such Lender, creating a new Advance having Capital equal to the Capital of the two Advances combined.

Section II.7. Settlement Procedures. On each Payment Date, 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.

(ii) SECOND, to the Backup Servicer so long as it has not become the Servicer hereunder, an amount equal to any accrued and unpaid Backup Servicing Fee due in respect of such Payment Date, any unpaid Backup Servicing Fee from any prior Payment Date, any reasonable out-of-pocket expenses incurred by the Backup Servicer, and any accrued and unpaid Indemnified Amounts owed by the Borrower to the Backup Servicer in an aggregate amount up to \$17,000 per month (the “Cap”); provided, however, that in the event of an acceleration resulting from a Termination Event specified under Section 10.1(d)(i) or Section 10.1(f) hereunder, such Cap will not apply;

(iii) THIRD, (A) to the Servicer, an amount equal to any accrued and unpaid Servicing Fees due in respect of such Payment Date and any Servicing Fees unpaid from any prior Payment Date; provided, however, if the Servicer has been replaced pursuant to Section 6.12 such amount shall not exceed the Capped Servicing Fee; and (B) to the Backup Servicer, if it has become the Successor Servicer, any Transition Expenses;

(iv) FOURTH, to the Deal Agent for the account of the Lenders, an amount equal to the sum of any accrued and unpaid (A) Yield and Breakage Costs, (B) Program Fee, and (C) Unused Fee, Increased Costs and any Additional Amounts due in respect of such Payment Date and any such amounts unpaid from any prior Payment Date;

(v) FIFTH, during the Revolving Period, to the Deal Agent for the account of the Lenders, an amount equal to the Monthly Principal Payment Amount for such Payment Date;

(vi) SIXTH, to any Successor Servicer, to the extent not already paid pursuant to clause THIRD above, an amount equal to Reliening Expenses;

(vii) SEVENTH, (A) during the Revolving Period with respect to each Dissenting Lender after the time its Commitment has been reduced to zero pursuant to Section 2.1(b)(iv), pro rata, an amount equal to its outstanding Capital until such Dissenting Lender’s Capital has been reduced to zero and (B) during the Amortization Period, to the Deal Agent for the account of the Lenders, pro rata, the Additional Principal Payment Amount, until Capital has been reduced to zero;

(viii) EIGHTH, to the Deal Agent for the account of the Lenders and the Backup Servicer, an amount equal to, without double counting, Increased Costs, any Additional Amounts and Indemnified Amounts (provided that, with respect to the Backup Servicer, such Indemnified Amounts shall include only those Indemnified Amounts not paid pursuant to clause SECOND above) due in respect of such Payment Date and unpaid from any prior Payment Date;

(ix) NINTH, to the Reserve Account, (A) an amount equal to any outstanding Reserve Advances and (B) the amount necessary to cause the amount on deposit in the Reserve Account to equal the Required Reserve Account Amount (after giving effect to any deposits made in subclause (A));

(x) TENTH, to the Backup Servicer, any Servicing Fee due in respect of such Payment Date, to the extent not paid pursuant to clause THIRD above and any such Servicing Fee unpaid from any prior Payment Date;

(xi) ELEVENTH, to the Deal Agent for the account of any other applicable Person, all remaining amounts up to all Aggregate Unpaid (during the Revolving Period, other than Capital) until paid in full; and

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

(b) One Business Day per calendar month, the date of which is to be chosen by the Borrower, the Collateral Agent shall, upon two Business Days' prior written request of the Borrower, withdraw from the Collection Account an amount not to exceed the amount on deposit therein on the date of such request. The Collateral Agent shall distribute such amount to the Deal Agent for the account of the Lenders, to be distributed by the Deal Agent to the Lenders, pro rata, as a payment in reduction of Capital. Notwithstanding anything in this Section 2.7(b) to the contrary, 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 an 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).

(c) If on any Payment Date the amount paid pursuant to Section 2.7(a)(iv) and (vii) is insufficient to cover all amounts due thereunder on such Payment Date 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 Collateral Agent shall pay such amount to the Deal Agent for payment to the Lenders.

(ii) If on any Payment Date during the Amortization Period, the amount paid pursuant to Section 2.7(a)(vii)(B) is insufficient to reduce Capital to zero, the Deal Agent, in its sole discretion, may direct 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 Lenders.

Section II.8. [Reserved.]

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

(c) Investment of Funds. Until the occurrence of a Termination Event or an Unmatured Termination Event, to the extent there are uninvested amounts on deposit in the 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 month the amount of Collections received during such month which constitutes amounts which, pursuant to the terms of any Dealer Agreement, are required to be remitted to the applicable Dealer (such collections, "Dealer Collections") and shall so notify the Collateral Agent. Notwithstanding any other provision hereof, the Collateral Agent, at the direction of the Servicer, shall distribute on each Payment Date: (i) to the Borrower, an amount equal to the aggregate amount of Dealer Collections received during or with respect to the prior Collection Period and (ii) to the Backup Servicer, if it has become the Successor Servicer, an amount equal to any Repossession Expenses related to the prior Collection Period prior to the distribution of Available Funds pursuant to Section 2.7.

Section II.10. Payments, Computations, Etc.

(a) Unless otherwise expressly provided herein, all amounts to be paid or deposited by the Borrower or the Servicer hereunder shall be paid or deposited in accordance with the terms hereof no later than 11:00 a.m. (Charlotte, North Carolina time) on the day when due in lawful money of the United States in immediately available funds to the Agent's Account and the Deal Agent shall distribute such amounts actually received by it to the Persons entitled thereto no later than 2:00 p.m. (Charlotte, North Carolina time). Any amounts received in the Agent's Account after 11:00 a.m. (Charlotte, North Carolina time) shall be deemed to be received on the next subsequent Business Day and the Deal Agent shall distribute such amounts to the Persons entitled thereto no later than 2:00 p.m. (Charlotte, North Carolina time) on such next subsequent Business Day. The Borrower shall, to the extent permitted by law, pay to the Secured Parties interest on all amounts not paid or deposited when due hereunder 3.0% per annum above the Base Rate, payable on demand; provided, however, that such interest rate shall not at any time exceed the maximum rate permitted by Applicable Law. All computations of interest and all computations of Yield and other fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed.

(b) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of Yield, interest or any fee payable hereunder, as the case may be.

(c) If the Advance requested by the Borrower for any Funding Date and approved by a Lender and the Deal Agent pursuant to Section 2.1 and Section 2.3, is not made or effectuated for any reason other than the failure of the Lender or the Deal Agent to honor its obligations hereunder, as the case may be, on the requested Funding Date, the Borrower shall indemnify such Lender against any reasonable loss, cost or expense incurred by such Lender, including, without limitation, any loss (including loss of anticipated profits, net of anticipated profits in the reemployment of such funds in the manner determined by such Lender), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain the Funding.

Section II.11. Effect of Benchmark Transition Event.

(a) Benchmark Replacement.

(i) Notwithstanding anything to the contrary herein or in any other Transaction Document (and any Hedging Agreement shall be deemed not to be a "Transaction Document" for purposes of this Section 2.11), if a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (a)(1) or (a)(2) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any other Transaction Document in respect of such Benchmark setting and subsequent Benchmark settings without any

amendment to, or further action or consent of any other party to, this Agreement or any other Transaction Document and (y) if a Benchmark Replacement is determined in accordance with clause (a)(3) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any other Transaction Document in respect of any Benchmark setting on the date agreed to by the Deal Agent and the Borrower.

(ii) Notwithstanding anything to the contrary herein or in any other Transaction Document, if a Term SOFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any other Transaction Document in respect of such Benchmark setting and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this Agreement or any other Transaction Document; provided that this clause (ii) shall not be effective unless the Deal Agent has delivered to the Borrower a Term SOFR Notice. For the avoidance of doubt, the Deal Agent shall not be required to deliver a Term SOFR Notice after a Term SOFR Transition Event and may elect or not elect to do so in its sole discretion.

(b) Benchmark Replacement Conforming Changes. In connection with the implementation of a Benchmark Replacement, the Deal Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of the Borrower or any other party hereto.

(c) Notices; Standards for Decisions and Determinations. The Deal Agent will promptly notify the Borrower of (i) any occurrence of a Benchmark Transition Event or a Term SOFR Transition Event, as applicable, and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes, (iv) the removal or reinstatement of any tenor of a Benchmark pursuant to Section 2.11(d) below and (v) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Deal Agent pursuant to this Section 2.11, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its sole discretion and without consent from the Borrower or any other party hereto, except, in each case, as expressly required pursuant to this Section 2.11.

(d) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any other Transaction Document, at any time (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term

rate (including Term SOFR or USD LIBOR) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Deal Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is or will be no longer representative, then the Deal Agent may modify the definition of “Accrual Period” for any Benchmark settings at or after such time to remove such unavailable or non-representative tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is or will no longer be representative for a Benchmark (including a Benchmark Replacement), then the Deal Agent may modify the definition of “Accrual Period” for all Benchmark settings at or after such time to reinstate such previously removed tenor.

(e) Benchmark Unavailability Period. Upon the Borrower’s receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a borrowing of, conversion to or continuation of Loans accruing interest by reference to USD LIBOR to be made, converted or continued during such Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to a Loan accruing interest by reference to the Base Rate. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

(f) Limitation. Neither the Collateral Agent nor the Backup Servicer shall be (i) responsible for making any decisions or determinations in connection with any Benchmark Replacement or Benchmark Transition Event or (ii) have any liability for any determination, decision or election made by or on behalf of the Deal Agent in connection with a Benchmark Transition Event or a Benchmark Replacement, and each Lender, by its acceptance of a Note, will be deemed to waive and release any and all claims against the Collateral Agent and the Backup Servicer relating to any such determination, decision or election.

Section II.12. Fees.

(a) The Borrower shall pay to the Deal Agent, for the account of each Lender from the Collection Account on each Payment Date, monthly in arrears, the Program Fee and Unused Fee for each Lender agreed to in each Fee Letter.

(b) The Servicer shall be entitled to receive the Servicing Fee, monthly in arrears in accordance with Section 2.7(a).

(c) The Backup Servicer shall be entitled to receive the Backup Servicing Fee in accordance with Section 2.7(a).

(d) The Borrower shall pay to the Deal Agent, on the Effective Date, any reasonable out-of-pocket expenses (including, without limitation, filing fees and expenses incurred by the Deal Agent, as agent for the Lenders, in connection with the preparation and execution of this Agreement and other Transaction Documents and the carrying out of the transactions contemplated hereby and thereby) in immediately available funds.

(e) The Borrower shall pay to the Deal Agent, for the account of each Lender, the Prepayment Fee, if any, in accordance with Section 2.5.

(f) The Borrower shall pay to Dechert LLP, as counsel to the Deal Agent, its reasonable fees and out-of-pocket expenses in accordance with the Fee Letter.

Section II.13. Increased Costs; Capital Adequacy; Illegality.

(a) If either (i) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the interpretation of any law or regulation or (ii) the compliance by an Affected Party with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), shall (A) subject an Affected Party to any Tax (except for Taxes on the overall net income of such Affected Party), duty or other charge with respect to the Advance made by it hereunder, or any right to make the Funding hereunder, or on any payment made hereunder, (B) impose, modify or deem applicable any reserve requirement (including, without limitation, any reserve requirement imposed by the Board of Governors of the Federal Reserve System, but excluding any reserve requirement, if any, included in the determination of Yield), special deposit or similar requirement against assets of, deposits with or for the amount of, or credit extended by, any Affected Party or (C) impose any other condition affecting the Advance made by it hereunder or a Lender's rights hereunder, the result of which is to increase the cost to any Affected Party or to reduce the amount of any sum received or receivable by an Affected Party under this Agreement, then within ten days after demand by such Affected Party (which demand shall be accompanied by a statement setting forth the basis for such demand), the Borrower shall pay directly to such Affected Party such additional amount or amounts as will compensate such Affected Party for such additional or increased cost incurred or such reduction suffered.

(b) If either (i) the introduction of or any change in or in the interpretation of any law, guideline, rule, regulation, directive or request or (ii) compliance by any Affected Party with any law, guideline, rule, regulation, directive or request from any central bank or other governmental authority or agency (whether or not having the force of law), including, without limitation, compliance by an Affected Party with any request or directive regarding capital adequacy, has or would have the effect of reducing the rate of return on the capital of any Affected Party as a consequence of its obligations hereunder or arising in connection herewith to a level below that which any such Affected Party could have achieved but for such introduction, change or compliance (taking into consideration the policies of such Affected Party with respect to capital adequacy) by an amount deemed by such Affected Party to be material, then from time to time, within ten days after demand by such Affected Party (which demand shall be accompanied by a statement setting forth the basis for such demand), the Borrower shall pay

directly to such Affected Party such additional amount or amounts as will compensate such Affected Party for such reduction. For avoidance of doubt, any interpretation of Accounting Research Bulletin No. 51 by the Financial Accounting Standards Board shall constitute an adoption, change, request or directive subject to this subsection 2.13(b).

(c) If as a result of any event or circumstance similar to those described in clauses (a) or (b) of this section, any Affected Party is required to compensate a bank or other financial institution providing liquidity support, credit enhancement or other similar support to such Affected Party in connection with this Agreement or the funding or maintenance of the Advance hereunder, then within ten days after demand by such Affected Party, the Borrower shall pay to such Affected Party such additional amount or amounts as may be necessary to reimburse such Affected Party for any amounts payable or paid by it.

(d) In determining any amount provided for in this section, the Affected Party may use any reasonable averaging and attribution methods. Any Affected Party making a claim under this section shall submit to the Servicer a written description as to such additional or increased cost or reduction and the calculation thereof, which written description shall be conclusive absent demonstrable error.

Section II.14. Taxes.

(a) All payments made by an Obligor in respect of each Loan and each Contract and all payments made by the Borrower or the Servicer under this Agreement will be made free and clear of and without deduction or withholding for or on account of any Taxes. If any Taxes are required to be deducted or withheld from any amounts payable to the Deal Agent or any other Secured Party, then the amount payable to such Person will be increased (such increase, the "Additional Amount") such that every net payment made under this Agreement after deduction or withholding for or on account of any Taxes (including, without limitation, any Taxes on such increase) is not less than the amount that would have been paid had no such deduction or withholding been deducted or withheld. The foregoing obligation to pay Additional Amounts, however, will not apply with respect to net income or franchise taxes imposed on a Lender or the Deal Agent, respectively, with respect to payments required to be made by the Borrower or Servicer under this Agreement, by a taxing jurisdiction in which such Lender or Deal Agent is organized, conducts business or is paying taxes as of the Effective Date (as the case may be) (such taxes "Excluded Taxes").

(b) The Borrower will indemnify each Affected Party for the full amount of Taxes payable or paid by such Person in respect of Additional Amounts and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. All payments in respect of this indemnification shall be made within ten days from the date a written invoice, which shall be conclusive absent manifest error, therefor is delivered to the Borrower.

(c) The Borrower shall timely pay to the relevant Governmental Authority in accordance with Applicable Law, or at the option of the Deal Agent timely reimburse it for the payment of, Other Taxes.

(d) As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section 2.14, the Borrower shall deliver to the Deal Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Deal Agent, not including those Taxes paid by Credit Acceptance on a consolidated basis

(e) If a Lender is created or organized under the laws of the United States or a political subdivision thereof, such Lender shall deliver to the Borrower, with a copy to the Deal Agent on or prior to the date on which such Lender becomes a Lender hereunder, two (or such other number as may from time to time be prescribed by Applicable Law) duly completed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax.

(f) If a Lender is not created or organized under the laws of the United States or a political subdivision thereof, such Lender shall deliver to the Borrower, with a copy to the Deal Agent, (i) on or prior to the date on which such Lender becomes a Lender hereunder, two (or such other number as may from time to time be prescribed by Applicable Law) duly completed copies of IRS Form W-8BEN, Form W-8BEN-E or Form W-8ECI (or any successor forms or other certificates or statements that may be required from time to time by the relevant United States taxing authorities or Applicable Laws), as appropriate, to permit the Borrower to make payments hereunder for the account of such Lender, as the case may be, without deduction or withholding of United States federal income or similar Taxes and (ii) upon the obsolescence of or after the occurrence of any event requiring a change in, any form or certificate previously delivered pursuant to this Section 2.14(f), copies (in such numbers as may from time to time be prescribed by Applicable Law or regulations) of such additional, amended or successor forms, certificates or statements as may be required under Applicable Laws or regulations to permit the Borrower to make payments hereunder for the account of such Lender, without deduction or withholding of United States federal income or similar Taxes.

(g) If a payment made to a Lender under this Agreement would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Deal Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower and the Deal Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Deal Agent as may be necessary for the Borrower and the Deal Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount

to deduct and withhold from such payment. Solely for purposes of this clause (g), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

(h) 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.

(i) Each Lender shall severally indemnify the Deal Agent, within 10 days after demand therefor, for (i) any Taxes, other than Excluded Taxes and Other Taxes, attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Deal Agent for such Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender’s failure to comply with the provisions of Section 13.1(e) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Deal Agent in connection with any Transaction Documents, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Deal Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Deal Agent to set off and apply any and all amounts at any time owing to such Lender under any Transaction Documents or otherwise payable by the Deal Agent to the Lender from any other source against any amount due to the Deal Agent under this Section 2.14(i).

(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.

Section II.15. Assignment of the Contribution 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 II.16. Take-Out.

(a) On any Business Day (the “Take-Out Date”), but subject to the limitation 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 in and Lien on the related Contracts and Loans, subject to the following terms and conditions:

(i) The Borrower shall have given the Deal Agent, the Collateral Agent, the Backup Servicer and the Servicer at least three (3) Business Days' prior written notice of its intent to effect the Take-Out, which notice shall be irrevocable; provided however, failure to effect such Take-Out on the Take-Out Date shall not result in a Termination Event, but the Borrower shall be obligated to pay any Breakage Costs and any other losses incurred by the Lenders in connection therewith.

(ii) Unless the Take-Out is to be effected on a Payment Date (in which case the relevant calculations with respect to such Take-Out shall be reflected on the applicable Monthly Report), the Servicer shall deliver to the Deal Agent an Officer's Certificate, together with evidence to the reasonable satisfaction of the Deal Agent (which evidence may consist solely of the Officer's Certificate signed by an officer of the Servicer) that the Borrower shall have sufficient funds on the related Take-Out Date to effect the contemplated Take-Out in accordance with this Agreement. In effecting the Take-Out, the Borrower may use the proceeds of sales of the Loans (which sales must be made in arm's-length transactions).

(iii) After giving effect to the Take-Out and the release to the Borrower of the Loans and related Contracts on the Take-Out Date, (x) the representations and warranties contained in Sections 4.1 and 4.2 hereof shall continue to be correct in all material respects, except to the extent relating to an earlier date and (y) neither an Unmatured Termination Event nor a Termination Event shall have resulted.

(iv) On the Take-Out Date, the Collateral Agent shall have received, for the benefit of the Secured Parties and the Hedge Counterparties, as applicable, in immediately available funds, an amount equal to the sum of: (A) the aggregate outstanding Capital being paid plus (B) an amount equal to the related unpaid Yield to the end of the Accrual Period plus (C) an aggregate amount equal to the sum of all other amounts due and owing to the Deal Agent, the Lenders, the Backup Servicer, the Successor Servicer, the Hedge Counterparties and the other Secured Parties, as applicable, under this Agreement and the other Transaction Documents, to the extent accrued to such date and to accrue thereafter (including, without limitation, Breakage Costs and Hedge Costs) plus (D) all other Aggregate Unpaid. No such reduction shall be given effect unless the Borrower has complied with the terms of any Hedging Agreement requiring that any derivative transaction related thereto be terminated in whole or in part as a result of any such reduction in the Capital and Borrower has paid all Hedge Costs due to the relevant Hedge Counterparty for any such termination.

(v) Upon receipt of the amount set forth in Section 2.16(a)(iv), the Collateral Agent shall apply such amounts first to the pro-rata reduction of the Capital, second to the payment of accrued Yield on the amount of Capital to be repaid and to the payment of any Breakage Costs, by paying such amounts to the Lenders, third to pay any Hedge Costs related to such reduction of the Capital due to the relevant Hedge Counterparty, and fourth to pay all other Aggregate Unpaid related to such reduction of the Capital due to the relevant party.

(vi) The Borrower shall certify in writing to the Collateral Agent and the Deal Agent that no adverse selection was employed in the selection of the Loans and Contracts to be released.

(b) The Borrower hereby agrees to pay the reasonable legal fees and expenses of the Deal Agent and the Lenders in connection with any Take-Out (including, but not limited to, expenses incurred in connection with the release of the Lien of the Collateral Agent, the Lenders and any other party having such an interest in the Loans in connection with such Take-Out).

(c) In connection with any Take-Out, on the related Take-Out Date, the Collateral Agent, on behalf of the Lenders, shall, at the expense of the Borrower: (i) execute such instruments of release with respect to the portion of the Loans to be released to the Borrower, in favor of the Borrower as the Borrower may reasonably request; (ii) deliver any portion of the Loans to be released to the Borrower in its possession to the Borrower; and (iii) otherwise take such actions as are necessary and appropriate to release the Lien of the Collateral Agent on the Loans to be released to the Borrower and deliver to the Borrower such Loans

(d) Notwithstanding anything to the contrary contained herein, the Borrower may not effect an Optional Take-Out more frequently than one time during any three-month period.

Article III.

CONDITIONS TO AMENDMENT AND RESTATEMENT AND EACH FUNDING

Section III.1. Conditions to Effectiveness of this Seventh Amended and Restated Loan and Security Agreement. This Seventh Amended and Restated Loan and Security Agreement shall not become effective until:

(a) Each document specified on Schedule VII has been duly executed by, and delivered to, the parties hereto and thereto and the Deal Agent has received all such executed documents.

(b) The Borrower shall have paid all fees or other amounts required to be paid by it on the Effective Date under the Fee Letter.

(c) The Deal Agent has received such other approvals, opinions or documents as the Deal Agent or its counsel may reasonably require.

Section III.2. Conditions Precedent To All Fundings. Each request for a Funding hereunder (each, a "Transaction") shall be subject to the further conditions precedent:

(a) With respect to any Advance, the Borrower shall have delivered to the Deal Agent, on or prior to the date of the Advance in form and substance satisfactory to the Deal Agent, (i) the Funding Notice and (ii) Exhibit A to the Contribution Agreement, including the Schedule of Loans and Contracts attached thereto, dated within two (2) Business Days prior to

the date of the Advance and containing such additional information as may be reasonably requested by the Deal Agent.

(b) On the date of such Transaction the following statements shall be true and the Borrower shall be deemed to have certified that, after giving effect to the proposed Advance and pledge of Additional Loans:

(i) The representations and warranties contained in Sections 4.1, 4.2 and 4.3 are true and correct on and as of such day as though made on and as of such day and shall be deemed to have been made on such day;

(ii) On and as of such day, after giving effect to the proposed Advance, (A) the outstanding Capital does not exceed the lesser of (1) the Borrowing Base and (2) the Facility Limit and (B) with respect to each Lender the aggregate Capital funded or maintained by such Lender does not exceed such Lender's Commitment;

(iii) On and as of such day, the Borrower, the Originator and the Servicer each has performed all of the agreements contained in this Agreement and the other Transaction Documents to which it is a party to be performed by such person at or prior to such day; and

(iv) No law or regulation shall prohibit, and no order, judgment or decree of any federal, state or local court or governmental body, agency or instrumentality shall prohibit or enjoin, the making of the Funding by the Lender in accordance with the provisions hereof.

(c) The Borrower shall have delivered to the Collateral Agent the information described in Section 2.2(a)(iii).

(d) All financing statements necessary to perfect the Collateral Agent's first priority security interest in the Collateral shall have been filed in the appropriate filing offices.

(e) Forecasted Collections for the Aggregate Outstanding Eligible Loan Balance (after giving effect to the proposed Advance) shall be greater than or equal to Capital, after giving effect to the proposed Advance.

(f) (i) All conditions required to be satisfied in the Contribution Agreement shall have been satisfied.

(g) No Amortization Event, Termination Event or Unmatured Termination Event shall have occurred.

(h) No Servicer Termination Event or any event, that with the giving of notice or the lapse of time, or both, would become a Servicer Termination Event shall have occurred.

(i) No material adverse selection procedures were used by the Borrower with respect to the Loans, Contracts or Dealer Agreements; provided, for the avoidance of doubt, that

during the Revolving Period, the Borrower in its sole discretion may elect to pledge Dealer Loans secured by either Open Pools or Closed Pools.

- (j) The Borrower shall have deposited to the Reserve Account an amount equal to 1.0% of the Capital after giving effect to the proposed Advance. In addition, the amount on deposit in the Reserve Account shall not be less than the Required Reserve Account Amount.
- (k) The Hedging Agreement shall be in effect.
- (l) The Deal Agent shall have received such other approvals, opinions or documents as the Deal Agent or its counsel may reasonably require.

Article IV.
REPRESENTATIONS AND WARRANTIES

Section IV.1. Representations and Warranties of the Borrower. The Borrower represents and warrants to the Collateral Agent, the Deal Agent, the Backup Servicer and the Secured Parties on the Effective Date and each Funding Date as follows:

- (a) Organization and Good Standing. The Borrower has been duly organized, and is validly existing as a limited liability company in good standing under the laws of the State of Delaware, with all requisite power and authority to own or lease its properties and conduct its business as such business is presently conducted, and the Borrower had at all relevant times, and now has all necessary power, authority and legal right to acquire, own and pledge the Collateral and perform its obligations under this Agreement.
- (b) Due Qualification. The Borrower is duly qualified to do business and is in good standing as a limited liability company and has obtained all material necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualification, licenses or approvals.
- (c) Power and Authority; Due Authorization. The Borrower: (i) has all necessary power, authority and legal right to: (A) execute and deliver this Agreement and the other Transaction Documents to which it is a party, (B) carry out the terms of the Transaction Documents to which it is a party, and (C) transfer and assign each Loan, Related Security and all other Collateral on the terms and conditions herein provided and (ii) has duly authorized by all necessary action the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party and the transfer and assignment of the Loans, Related Security and all other Collateral on the terms and conditions herein provided. This Agreement and each other Transaction Document to which it is a party have been duly executed and delivered by it.
- (d) Binding Obligation. This Agreement and each other Transaction Document to which the Borrower is a party constitutes a legal, valid and binding obligation of the Borrower, each enforceable against the Borrower in accordance with its terms, subject to the

effect of bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditor's rights generally and to general principles of equity.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party and the fulfillment of the terms hereof and thereof will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, the Borrower's certificate of formation, limited liability company agreement or any Contractual Obligation of the Borrower, (ii) result in the creation or imposition of any Lien upon any of the Borrower's properties pursuant to the terms of any such Contractual Obligation, other than this Agreement, or (iii) violate any Applicable Law.

(f) No Proceedings. There is no litigation, proceeding or investigation pending or, to the best knowledge of the Borrower, threatened against the Borrower, before any Governmental Authority (i) asserting the invalidity of this Agreement or any other Transaction Document to which the Borrower is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any other Transaction Document to which the Borrower is a party or (iii) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

(g) All Consents Required. All approvals, authorizations, consents, orders or other actions of any Person or of any Governmental Authority (if any) required for the due execution, delivery and performance by the Borrower of this Agreement and any other Transaction Document to which the Borrower is a party have been obtained except where the failure to so obtain is not reasonably expected to result in a Material Adverse Effect.

(h) Bulk Sales. The execution, delivery and performance of this Agreement do not require compliance with any "bulk sales" act or similar law by Borrower.

(i) Solvency. The transactions under this Agreement and any other Transaction Document to which the Borrower is a party do not and will not render the Borrower not Solvent and the Borrower shall deliver to the Deal Agent on the Effective Date a certification in the form of Exhibit D. The Originator has confirmed in writing to the Borrower that, so long as the Borrower is Solvent, the Originator will not cause the Borrower to file a voluntary petition under the Bankruptcy Code or any other Insolvency Laws.

(j) Selection Procedures. No procedures believed by the Borrower to be materially adverse to the interests of the Collateral Agent or the Lenders were utilized by the Borrower in identifying and/or selecting Loans or Dealer Agreements; provided, for the avoidance of doubt, that during the Revolving Period, the Borrower in its sole discretion may elect to pledge Dealer Loans secured by either Open Pools or Closed Pools. 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 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 United States Securities Exchange Act of 1934, as amended, 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, 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.

(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 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 200 Galleria Officentre, Suite 125, Southfield, Michigan 48034 (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 Borrower (i) is a Sanctioned Person, (ii) has more than 10% of its assets in Sanctioned Countries or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Countries. The proceeds of any Funding will not be used and have not been used to fund any operations in, finance any investments or activities in or make any payments to, a Sanctioned Person or a Sanctioned Country.

(r) Tradenames; Place of Business; Correct Legal Name. (i) Except as described in Schedule II, the Borrower has no trade names, fictitious names, assumed names or “doing business as” names or other names under which it has done or is doing business; (ii) the principal place of business and chief executive office of the Borrower are located at the address of the Borrower set forth on the signature pages hereto; and (iii) “CAC Warehouse Funding LLC II” is the correct legal name of the Borrower indicated on the public records of the Borrower’s jurisdiction of organization.

(s) Contribution Agreement. The Contribution Agreement is the only agreement pursuant to which the Borrower purchases Loans from the Originator.

(t) Value Given. The Borrower shall have given reasonably equivalent value to the Originator in consideration for the transfer to the Borrower of the Loans and Related Security under the Contribution Agreement, no such transfer shall have been made for or on account of an antecedent debt owed by the Originator to the Borrower, and no such transfer is or may be voidable or subject to avoidance under any section of the Bankruptcy Code.

(u) Accounting. The Borrower accounts for the transfers to it from the Originator of Loans and Related Security under the Contribution Agreement as sales or contributions to capital of such Loans and Related Security in its books, records and financial statements, in each case prepared as presented within the audited consolidated financial statements of Credit Acceptance and its subsidiaries and within the requirements set forth herein.

(v) Special Purpose Entity. The Borrower is in compliance with Section 5.2(o) hereof.

(w) Confirmation from the Originator. The Borrower has received in writing from the Originator confirmation that, so long as the Borrower is not “insolvent” within the meaning of the Bankruptcy Code, the Originator will not cause the Borrower to file a voluntary petition under the Bankruptcy Code or any other bankruptcy or insolvency laws. Each of the Borrower and the Originator is aware that in light of the circumstances described in the preceding sentence and other relevant facts, the filing of a voluntary petition under the Bankruptcy Code for the purpose of making any Loan or any other assets of the Borrower available to satisfy claims of the creditors of the Originator would not result in making such assets available to satisfy such creditors under the Bankruptcy Code.

(x) Investment Company Act. The Borrower is not, and will not, as a result of the execution and delivery of this Agreement and the consummation of the transactions contemplated herein, be required to be registered as an “investment company” as defined in the Investment Company Act. In determining that the Borrower is not an “investment company,” the Borrower is entitled to rely on the exclusion from the definition of “investment company” set forth in Section 3(c)(5) of the Investment Company Act, although there may be additional exclusions or exemptions available to the Borrower. The Borrower is not a “covered fund” for purposes of the regulations adopted to implement Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the “Volcker Rule.”

(y) ERISA. The present value of all benefits vested under all “employee pension benefit plans,” as such term is defined in Section 3 of ERISA, maintained by the Borrower, or in which employees of the Borrower are entitled to participate, as from time to time in effect (herein called the “Pension Plans”), does not exceed the value of the assets of the Pension Plan allocable to such vested benefits (based on the value of such assets as of the last annual valuation date). No prohibited transactions, failures to satisfy minimum funding standards, accumulated funding deficiencies, withdrawals or “reportable events” as defined in Section 4043 of ERISA have occurred with respect to any Pension Plans that, in the aggregate, could subject the Borrower to any material tax, penalty or other liability. No notice of intent to terminate a Pension Plan has been filed, nor has any Pension Plan been terminated under Section 4041(c) of ERISA, nor has the Pension Benefit Guaranty Corporation instituted proceedings to terminate, or appoint a trustee to administer a Pension Plan and no event has occurred or condition exists that might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan.

(z) Patriot Act. To the extent applicable, each of the Borrower, the Originator and their Affiliates is in compliance, in all material respects, with the (i) Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001) (the “Patriot Act”). No part of the proceeds of any funding made hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in

an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

(aa) Representations and Warranties in Contribution Agreement. The representations and warranties made by the Originator to the Borrower in the Contribution Agreement are hereby remade by the Borrower on each date to which they speak in the Contribution Agreement as if such representations and warranties were set forth herein. For purposes of this Section 4.1(aa), such representations and warranties are incorporated herein by reference as if made by the Borrower to the Deal Agent, the Collateral Agent and each of the Secured Parties under the terms hereof *mutatis mutandis*.

(ab) Amount of Loans and Contracts; Computer File. When new Pools or Purchased Loans are pledged to the Collateral Agent, the Borrower shall provide, or cause to be provided to, the Collateral Agent with information regarding (i) the aggregate Outstanding Balance of the Contracts to be pledged to the Collateral Agent on the related Addition Date; and (ii) the Aggregate Outstanding Eligible Loan Balance, each as of the applicable Cut-Off Date and as reported in Credit Acceptance's loan servicing system. The computer file delivered pursuant to Section 2.2(a)(iii) hereof is complete and accurately reflects the information regarding the Loans, applicable Dealer Agreements and Contracts in all material respects.

(ac) Use of Proceeds. The proceeds of each Funding will be used by the Borrower to purchase the Loans and related Collateral from the Originator pursuant to the Contribution Agreement or, subject to Section 5.2(f), to make distributions to Credit Acceptance in respect of its equity interest in the Borrower.

(ad) Subsidiaries. The Borrower does not have any Subsidiaries.

(ae) Limited Liability Company Interests. The Borrower has neither sold nor pledged any of its limited liability company interests (or any other Equity Interest) to any entity other than Credit Acceptance.

(af) Sanctions. The Borrower represents and warrants continuously throughout the term of this Agreement that: (i) no member of the Borrowing Group is a Sanctioned Target; (ii) no member of the Borrowing Group is owned or controlled by, or is acting or purporting to act for or on behalf of, directly or indirectly, a Sanctioned Target; (iii) each member of the Borrowing Group has instituted, maintains and complies with policies, procedures and controls reasonably designed to assure compliance with Sanctions; and (iv) to the best of the Borrower's knowledge, after due care and inquiry, no member of the Borrowing Group is under investigation for an alleged violation of Sanction(s) by a governmental authority that enforces Sanctions. The Borrower shall notify Lender in writing not more than five (5) Business Days after first becoming aware of any breach of this section.

(ag) Anti-Money Laundering and Anti-Corruption Laws. The Borrower represents and warrants continuously throughout the term of this Agreement that: (i) each member of the Borrowing Group has instituted, maintains and complies with policies, procedures and controls reasonably designed to assure compliance with Anti-Money Laundering Laws and

Anti-Corruption Laws; and (ii) to the best of the Borrower's knowledge, after due care and inquiry, no member of the Borrowing Group is under investigation for an alleged violation of Anti-Money Laundering Laws or Anti-Corruption Laws by a governmental authority that enforces such laws.

(ah) Beneficial Ownership Certification. As of the date hereof and each Funding Date, the information included in the Beneficial Ownership Certification is true and correct in all respects.

The representations and warranties set forth in this Section 4.1 shall survive the Borrower's pledge of the Collateral to the Collateral Agent and the termination of the rights and obligations of the Servicer. Upon discovery by the Borrower, the Servicer or Credit Acceptance, or upon written notice or actual knowledge by a Responsible Officer of the Collateral Agent, of a breach of any of the representations and warranties set forth herein, the party discovering, receiving notice of or having actual knowledge, as applicable, of such breach shall give prompt written notice to the other parties of such breach.

Section IV.2. Representations and Warranties of the Borrower Relating to the Loans and the Related Contracts.

(a) Eligibility of Loans. The Borrower hereby represents and warrants to the Deal Agent, the Collateral Agent, the Backup Servicer and the Secured Parties as of the Effective Date and each Funding Date with respect to the Dealer Agreements, Loans, Contracts and Related Security pledged to the Collateral Agent on such date that:

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

(ii) all information with respect to the Dealer Agreements, Purchase Agreements and the Loans and the Contracts and the other Collateral provided to the Collateral Agent or the Deal Agent by the Borrower or the Servicer was true and correct in all material respects as of the date such information was provided to the Collateral Agent or the Deal Agent (or such earlier time as specifically set forth in such information), as applicable;

(iii) each Loan and all other Collateral has been pledged to the Collateral Agent free and clear of any Lien of any Person (other than, with respect to the

Dealer Loan Contracts, the second priority Lien of the related Dealer therein as set forth in the related Dealer Agreement) and in compliance, in all material respects, with all Applicable Laws;

(iv) with respect to each Dealer Agreement, Purchase Agreement, Loan, Contract and all other Collateral, all material consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Borrower, in connection with the pledge of such Dealer Agreement, Purchase Agreement, Loan, Contract or other Collateral to the Collateral Agent have been duly obtained, effected or given and are in full force and effect;

(v) Schedule IV to this Agreement, which may be supplemented and updated from time to time, is and will be accurate and complete listings of all Loans, Contracts and Dealer Agreements in all material respects on the date each such Loan, Contract or Dealer Agreement was pledged to the Collateral Agent hereunder, and the information contained therein is and will be true and correct in all material respects as of such date;

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

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

(b) Notice of Breach. The representations and warranties set forth in this Section 4.2 shall survive the pledge of the Collateral to the Collateral Agent and the termination of the rights and obligations of the Servicer. Upon discovery by the Borrower, the Servicer or Credit Acceptance, or upon written notice or actual knowledge by a Responsible Officer of the Collateral Agent or the Backup Servicer, of a breach of any of the representations and warranties set forth herein, the party discovering, receiving notice of or having actual knowledge, as applicable, of such breach shall give prompt written notice to the other parties of such breach.

Section IV.3. Representations and Warranties of the Servicer. The Servicer represents and warrants as follows on the Effective Date and each Funding Date:

(a) Organization and Good Standing. The Servicer has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Michigan, with all requisite corporate power and authority to own or lease its properties and to conduct its business as such business is presently conducted and to enter into and perform its obligations pursuant to this Agreement and the other Transaction Documents to which it is a party.

(b) Due Qualification. The Servicer is duly qualified to do business as a corporation and is in good standing as a corporation, and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of its property and or the conduct of its business requires such qualification, licenses or approvals.

(c) Power and Authority; Due Authorization. The Servicer (i) has all necessary power, authority and legal right to (A) execute and deliver this Agreement and the other Transaction Documents to which it is a party and (B) carry out the terms of this Agreement and the other Transaction Documents to which it is a party, and (ii) has duly authorized by all necessary corporate action the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party. This Agreement and each other Transaction Document to which it is a party have been duly executed and delivered by the Servicer.

(d) Binding Obligation. This Agreement and each other Transaction Document to which the Servicer is a party constitutes a legal, valid and binding obligation of the Servicer, each enforceable against the Servicer in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party and the fulfillment of the terms hereof and thereof will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, the Servicer's articles of incorporation, bylaws or any Contractual Obligation of the Servicer, (ii) result in the creation or imposition of any Lien upon any of the Servicer's properties pursuant to the terms of any such Contractual Obligation or (iii) violate any Applicable Law.

(f) No Proceedings. There is no litigation, proceeding or investigation pending or, to the best knowledge of the Servicer, threatened against the Servicer, before any Governmental Authority (i) asserting the invalidity of this Agreement or any other Transaction Document to which the Servicer is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any other Transaction Document to which the Servicer is a party or (iii) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

(g) All Consents Required. All approvals, authorizations, consents, orders or other actions of any Person or of any Governmental Authority (if any) required for the due execution, delivery and performance by the Servicer of this Agreement and any other Transaction Document to which the Servicer is a party have been obtained except where the failure to so obtain is not reasonably expected to result in a Material Adverse Effect.

(h) Reports Accurate. All Monthly Reports and other written and electronic information, exhibits, financial statements, documents, books, records or reports furnished by the Servicer to the Deal Agent, the Backup Servicer, the Collateral Agent or any Lender in connection with this Agreement are accurate, true, complete and correct in all material respects as of the date delivered.

(i) Servicer's Performance. The Servicer has the knowledge, the experience and the systems, financial and operational capacity available to timely perform each of its obligations hereunder and under each other Transaction Document to which it is a party.

(j) Compliance With Credit Guidelines and Collection Guidelines. The Servicer has, with respect to the Loans and Contracts, complied in all material respects with the Credit Guidelines and the Collection Guidelines or otherwise as required by Applicable Law.

Section IV.4. Representations and Warranties of the Backup Servicer. The Backup Servicer represents and warrants as follows:

(a) Organization and Good Standing. The Backup Servicer has been duly organized, and is validly existing as a national banking association and in good standing under the laws of the United States of America, with all requisite power and authority to own or lease its properties and to conduct its business as such business is presently conducted and to enter into and perform its obligations pursuant to this Agreement and each other Transaction Document to which it is a party.

(b) Binding Obligation. This Agreement and each other Transaction Document to which it is a party constitutes a legal, valid and binding obligation of the Backup Servicer, each enforceable against the Backup Servicer in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies, regardless of whether such enforceability is considered in a proceeding in equity or at law.

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

Section IV.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 or the Servicer of written notice thereof 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: (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. 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 the 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 Release Date an amount equal to: (A) the Aggregate Unpays minus (B) the amount, if any, available in the Collection Account and the Reserve Account on such Payment Date (the “Retransfer Amount”) for allocation and distribution in accordance with Section 2.7. On the Release Date, provided that the full Retransfer Amount has been deposited into the Collection Account, the Loans and Related Security related thereto shall be transferred to the Borrower; and 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.

(c) [Reserved.]

(d) Remedy for Breach. Notwithstanding anything to the contrary contained in Sections 10.1(e) and 10.2, the parties hereto agree that the sole remedy for the breach by the Borrower of the representations and warranties set forth in Section 4.2 hereof with respect to the eligibility of a Loan or Contract shall be set forth in this Section 4.5 and Section 6.2(c)(ii).

(e) Application. Amounts paid in accordance with Section 4.5(a) and (b) shall be distributed on the next succeeding Payment Date in accordance with Section 2.7.

(f) Notwithstanding anything herein to the contrary, during the Revolving Period, payments required under Section 4.5(a) and (b) shall not be required if the Capital is equal to or less than the Borrowing Base.

Article V.
GENERAL COVENANTS

Section V.1. Affirmative Covenants of the Borrower. From the date hereof until the Collection Date:

(a) Compliance with Laws. The Borrower will comply in all material respects with all Applicable Laws, including those with respect to the Loans and Dealer Agreements.

(b) Preservation of Company Existence; Conduct of Business. The Borrower will preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign limited liability company in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification has had, or could reasonably be expected to have, a Material Adverse Effect. The Borrower will carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly formed, validly existing and in good standing as a domestic limited liability company in its jurisdiction of formation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

(c) Performance and Compliance with Loans, Dealer Agreements and Contracts. The Borrower will, at its expense, timely and fully perform and comply (or cause the Originator to perform and comply pursuant to the Contribution Agreement) with all provisions, covenants and other promises required to be observed by it under the Loans, Dealer Agreements and Contracts and all other agreements related thereto in all material respects.

(d) Keeping of Records and Books of Account. The Borrower will maintain or cause to be maintained and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Loans in the event of the destruction of the originals thereof), and keep and maintain or cause to be kept and maintained all documents, books, records and other information reasonably necessary or advisable for the collection of all Loans.

(e) Originator Assets. With respect to each Loan acquired by the Borrower, the Borrower will: (i) acquire such Loan pursuant to and in accordance with the terms of the Contribution Agreement; (ii) take all action necessary to perfect, protect and more fully evidence the Borrower's ownership of such Loan, including, without limitation, (A) filing and maintaining, effective financing statements (Form UCC-1) against the Originator in all necessary or appropriate filing offices, and filing continuation statements, amendments or assignments with respect thereto in such filing offices, and (B) executing or causing to be executed such other instruments or notices as may be necessary or appropriate; and (iii) take all additional action that

the Deal Agent or the Collateral Agent may reasonably request to perfect, protect and more fully evidence the respective interests of the parties to this Agreement in the Collateral.

(f) Delivery of Collections. Subject to Section 2.9(d) hereof, the Borrower will deposit or cause to be deposited to the Collection Account promptly (but in no event later than two (2) Business Days after receipt) all Collections received by the Borrower in respect of the Loans or the Contracts.

(g) Separate Existence. The Borrower shall be in compliance with the requirements set forth in Section 5.2(g).

(h) Credit Guidelines and Collection Guidelines. The Borrower will comply in all material respects with the Credit Guidelines and the Collection Guidelines with respect to each Loan and Contract unless otherwise required by Applicable Law.

(i) Taxes. The Borrower will file and pay any and all Taxes imposed upon it or any of its property, income or assets (other than any amount of Tax the validity of which is 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).

(j) Use of Proceeds. The Borrower will use the proceeds of the Funding only to acquire Loans pursuant to the Contribution Agreement or to make distributions to Credit Acceptance.

(k) Reporting. The Borrower will maintain for itself a system of accounting established and administered as presented within the audited consolidated financial statements of Credit Acceptance and its subsidiaries and furnish or cause to be furnished to the Deal Agent the following information:

(i) [Reserved];

(ii) Annual Reporting. Within the later of (x) 120 days after the close of the Borrower's and Credit Acceptance's fiscal years or (y) the date any such reports or financial statements are required to be publicly filed with the SEC, (A) audited financial statements for Credit Acceptance and all of its Subsidiaries, accompanied by an unqualified audit report certified by independent certified public accountants, prepared in accordance with GAAP on a consolidated basis and any management letter prepared by said accountants, and acceptable to the Deal Agent, and (B) unaudited financial statements for the Borrower, including balance sheets as of the end of such period and related statements of operations;

(iii) Quarterly Reporting. Within the later of (x) sixty (60) days after the close of the first three quarterly periods of each of the Borrower's and Credit Acceptance's fiscal years or (y) the date any such reports or financial statements are required to be publicly filed with the SEC, (A) for Credit Acceptance and its Subsidiaries, consolidated unaudited balance sheets as at the close of each such period and

consolidated related statements of operations, shareholder's equity and cash flows for the period from the beginning of such fiscal year to the end of such quarter, and (B) for the Borrower, consolidated unaudited balance sheets as at the close of each such period and consolidated related statements of operations for the period from the beginning of such fiscal year to the end of such quarter, in each case, all certified by its chief financial officer or treasurer as true, accurate and complete in all material respects;

(iv) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate signed by Credit Acceptance's chief financial officer or treasurer stating that (x) the attached financial statements have been prepared in accordance with GAAP and accurately reflect the financial condition of Credit Acceptance and (y) to the best of such Person's knowledge, no Termination Event or Unmatured Termination Event exists, or if any Termination Event or Unmatured Termination Event exists, stating the nature and status thereof;

(v) Shareholders Statements and Reports. Promptly upon the furnishing thereof to the shareholders of the Borrower or Credit Acceptance, copies of all financial statements, reports and proxy statements so furnished, to the extent such information has not been provided pursuant to another clause of this Section 5.1(k);

(vi) SEC Filings. Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports which Credit Acceptance or any subsidiary files with the SEC;

(vii) Notice of Termination Events or Unmatured Termination Events. As soon as possible and in any event within two (2) days after the occurrence of each Termination Event or each Unmatured Termination Event, a statement of the chief financial officer or treasurer of the Borrower setting forth details of such Termination Event or Unmatured Termination Event and the action which the Borrower proposes to take with respect thereto;

(viii) Change in Collection Guidelines. Prior to the date of the effectiveness of any material change in or amendment to the Collection Guidelines (which shall be in accordance with the terms of this Agreement), a notice describing such change or amendment, other than if required by Applicable Law;

(ix) Collection Guidelines. On the Effective Date, a complete copy of the Collection Guidelines then in effect;

(x) ERISA. Promptly after the filing or receiving thereof, copies of all reports and notices with respect to any "reportable event" (as defined in Section 4043 of ERISA) which the Borrower, Credit Acceptance or any ERISA Affiliate of the Borrower or Credit Acceptance files under ERISA with the United States Internal Revenue Service, the Pension Benefit Guaranty Corporation or the United States Department of Labor or which the Borrower, Credit Acceptance or any ERISA Affiliates of the Borrower or

Credit Acceptance receives from the United States Internal Revenue Service, the Pension Benefit Guaranty Corporation or the United States Department of Labor;

(xi) Proceedings. As soon as possible and in any event within two (2) Business Days after any executive officer of the Borrower receives notice or obtains knowledge thereof, any settlement of, material judgment (including a material judgment with respect to the liability phase of a bifurcated trial) in or commencement of any labor controversy litigation, action, suit or proceeding (in each case, of a material nature), before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Borrower or any of its Affiliates;

(xii) Notice of Material Events. Promptly upon becoming aware thereof, notice of any other event or circumstances that, in the reasonable judgment of the Borrower, is likely to have a Material Adverse Effect; and

(xiii) Other Information. Such other information, documents, records or reports (including non-financial information) as the Deal Agent, each Lender or the Collateral Agent may from time to time reasonably request with respect to Credit Acceptance, the Borrower, the Servicer or any Subsidiary of any of the foregoing.

(l) Compliance with Applicable Law. The Borrower shall duly satisfy in all material respects its obligations under or in connection with each Loan and Contract, will maintain in effect all material qualifications required under all Applicable Law, and will comply in all material respects with all other Applicable Law in connection with each Loan and Contract the failure to comply with which would have a material adverse effect on the interests of the Secured Parties in the Collateral.

(m) Furnishing of Information and Inspection of Records. The Borrower will furnish to the Deal Agent, each Lender, the Backup Servicer and the Collateral Agent, from time to time, such information with respect to the Loans and Contracts as may be reasonably requested, including, without limitation, a computer file or other list identifying each Loan and Contract by pool number, account number and dealer number and by the Outstanding Balance and identifying the Obligor on such Loan or Contract. The Borrower will, at any time and from time to time during regular business hours, upon reasonable notice, permit the Deal Agent, each Lender, the Backup Servicer and the Collateral Agent, or its agents or representatives, to examine and make copies of and abstracts from all Records, to visit the offices and properties of the Borrower for the purpose of examining such Records, and to discuss matters relating to the Loans or Contracts or the Borrower's performance hereunder and under the other Transaction Documents with any of the officers, directors, employees or independent public accountants of the Borrower having knowledge of such matters; provided, however, that the Deal Agent, each Lender and the Collateral Agent each acknowledges that in exercising the rights and privileges conferred in this Section 5.1(m) it or its agents and representatives may, from time to time, obtain knowledge of information, practices, books, correspondence and records of a confidential nature and in which the Borrower has a proprietary interest. The Deal Agent, each Lender and the Collateral Agent each agrees that all such information, practices, books, correspondence and records are to be regarded as confidential information and agrees that it shall retain in strict

confidence and shall use its reasonable efforts to ensure that its agents and representatives retain in strict confidence, and will not disclose without the prior written consent of the Borrower, any such information, practices, books, correspondence and records furnished to them except that it may disclose such information: (i) to its officers, directors, employees, agents, counsel, accountants, auditors, affiliates, advisors or representatives (provided that such Persons are informed of the confidential nature of such information); (ii) to the extent such information has become available to the public other than as a result of a disclosure by or through the Deal Agent, any Lender, the Collateral Agent or its officers, directors, employees, agents, counsel, accountants, auditors, affiliates, advisors or representatives; (iii) to the extent such information was available to the Deal Agent, any Lender or the Collateral Agent on a non-confidential basis prior to its disclosure hereunder; (iv) to the extent the Deal Agent, any Lender or the Collateral Agent should be (A) required under the Transaction Documents or in connection with any legal or regulatory proceeding or (B) requested by any bank regulatory authority to disclose such information; or (v) to any Lender or prospective assignee or Lender; provided, that the relevant Lender shall notify such prospective assignee or Lender of the confidentiality provisions of this Section 5.1(m).

(n) Keeping of Records and Books of Account. The Borrower will maintain and implement or cause to be maintained and implemented administrative and operating procedures (including, without limitation, an ability to recreate records evidencing the Loans and Contracts in the event of the destruction of the originals thereof), and keep and maintain, or obtain, as and when required, all documents, books, records and other information reasonably necessary or advisable for the collection of all amounts due under the Loans and Contracts (including, without limitation, records adequate to permit adjustments to amounts due under each existing Loan and Contract). The Borrower will give the Deal Agent and each Lender notice of any material change in the administrative and operating procedures of the Borrower referred to in the previous sentence.

(o) Notice of Liens. The Borrower will advise the Deal Agent and the Collateral Agent promptly, in reasonable detail of: (i) any Lien asserted by a Person against any of the Loans or Contracts or other Collateral; (ii) any breach by the Borrower, the Originator or the Servicer of any of its representations, warranties and covenants contained herein or in any other Transaction Document; and (iii) the occurrence of any other event which would have a Material Adverse Effect.

(p) Protection of Interest in Collateral. The Borrower shall file or cause to be filed such continuation statements and any other documents reasonably requested by the Collateral Agent, the Deal Agent or any Lender or which may be required by law to fully preserve and protect the interest of the Collateral Agent and the Secured Parties in and to the Loans, the Contracts and the other Collateral.

(q) Contribution Agreement. The Borrower will at all times enforce the covenants and agreements of Credit Acceptance in the Contribution Agreement (including, without limitation, the rights and remedies against the Dealers).

(r) Notice of Delegation of Servicer's Duties. The Borrower promptly shall notify the Collateral Agent of any delegation by the Servicer of any of the Servicer's duties under this Agreement which is not in the ordinary course of business of the Servicer.

(s) Organizational Documents. The Borrower shall only amend, alter, change or repeal its limited liability company agreement with the prior written consent of the Deal Agent.

(t) Compliance. Borrower shall, and Borrower shall ensure that each member of the Borrowing Group will, comply with Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws.

(u) Beneficial Ownership Certification. The Borrower will notify Lender of any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in such certification.

Section V.2. Negative Covenants of the Borrower. From the date hereof until the Collection Date:

(a) Other Business. Borrower will not: (i) engage in any business other than the transactions contemplated by the Transaction Documents; (ii) incur any indebtedness, obligation, liability or contingent obligation of any kind other than pursuant to the Transaction Documents; or (iii) form any Subsidiary or make any Investments in any other Person without the prior written consent of the Deal Agent.

(b) Loans Not to be Evidenced by Instruments. The Borrower will take no action to cause any Loan that is not, as of the Effective Date, evidenced by an Instrument, to be so evidenced except in connection with the enforcement or collection of such Loan.

(c) Security Interests. The Borrower will not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien (other than the Lien described in Section 4.2(a)(iii)) on any Loan, Contract, Related Security or any other Collateral, whether now existing or hereafter transferred hereunder, or any interest therein, and the Borrower will not sell, pledge, assign or suffer to exist any Lien on its interest, if any, hereunder. The Borrower will promptly notify the Collateral Agent of the existence of any Lien on any Loan, Contract, Related Security or any other Collateral and the Borrower shall defend the right, title and interest of the Deal Agent as agent for the Secured Parties in, to and under the Loans, Contracts, Related Security and other Collateral, against all claims of third parties.

(d) Mergers, Acquisitions, Sales, etc. The Borrower will not be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or any stock of any class of, or any partnership or joint venture interest in, any other Person, or, sell, transfer, convey or lease all or any substantial part of its assets, or sell or assign with or without recourse any Loan, Contracts, Related Security or other Collateral or any interest therein (other than pursuant to and in accordance with the Transaction Documents).

(e) [Reserved.]

(f) Distributions. The Borrower shall not declare or pay, directly or indirectly, any dividend or make any other distribution (whether in cash or other property) with respect to the profits, assets or capital of the Borrower or any Person's interest therein, or purchase, redeem or otherwise acquire for value any of its limited liability company interests (or any other Equity Interest) now or hereafter outstanding, except that so long as no Termination Event or Unmatured Termination Event has occurred and is continuing or would result therefrom, the Borrower may declare and pay cash or in-kind dividends or make distributions on its limited liability company interests.

(g) Change of Name or Location of Records Files. The Borrower shall not (x) change its name or state of organization, move the location of its principal place of business and chief executive office, and the offices where it keeps the Records from the locations referred to in Sections 4.1(p) and 14.2 or (y) move, or consent to the Custodian or Servicer moving, the Records/Contract Files from the location thereof on the Effective Date, unless the Borrower has given at least thirty (30) days' written notice to the Deal Agent and the Collateral Agent and has taken all actions required under the UCC of each relevant jurisdiction in order to continue the first priority perfected security interest of the Collateral Agent, as agent for the Secured Parties, in the Collateral; 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).

(h) Accounting of the Contribution Agreement. The Borrower will not account for or treat (whether in financial statements or otherwise) the transaction contemplated by the Contribution Agreement in any manner other than as a contribution, or absolute assignment, of the Loans and related assets by the Originator to the Borrower.

(i) ERISA Matters. The Borrower will not: (i) engage or permit any ERISA Affiliate to engage in any prohibited transaction for which an exemption is not available or has not previously been obtained from the United States Department of Labor; (ii) permit to exist any failure to satisfy minimum funding standards, as defined in Section 302(a) of ERISA and Section 412(a) of the Code, or funding deficiency with respect to any Benefit Plan other than a Multiemployer Plan; (iii) fail to make any payments to a Multiemployer Plan that the Borrower or any ERISA Affiliate may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto; (iv) terminate any Benefit Plan so as to result in any liability; or (v) permit to exist any occurrence of any "reportable event" as defined in Section 4043 of ERISA.

(j) Limited Liability Company Agreement; Contribution Agreement. The Borrower will not amend, modify, waive or terminate any provision of its limited liability company agreement or the Contribution Agreement unless the Deal Agent shall have consented to such change in writing and has received duly executed copies of all documentation related thereto. The Borrower will not take any action under the Contribution Agreement which would have a Material Adverse Effect.

(k) Changes in Payment Instructions to Obligors. The Borrower will not make any change, or permit the Servicer to make any change, in its instructions to Obligor regarding where payments in respect of Contracts are to be made to the Borrower or the Servicer, unless the Deal Agent shall have consented to such change in writing and has received duly executed copies of all documentation related thereto.

(l) Extension or Amendment. The Borrower will not, except as otherwise permitted hereunder or by law, extend, amend or otherwise modify, or permit the Servicer to extend, amend or otherwise modify, the terms of any Dealer Agreement, Loan or Contract; provided, however, the Dealer Agreements may be amended (i) in connection with the closing of or opening of a Pool and (ii) in a manner that does not materially impair the collectability of any Loan or Contract.

(m) Collection Guidelines. The Borrower will not permit the amendment, modification, restatement or replacement, in whole or in part, of the Collection Guidelines of the initial Servicer, which change would materially impair the collectability of any Loan or Contract or otherwise adversely affect the interests or the remedies of the Deal Agent, the Collateral Agent or the Secured Parties under this Agreement or any other Transaction Document, without the prior written consent of the Required Lenders other than if required by Applicable Law.

(n) No Assignments. The Borrower will not assign or delegate, or grant any interest in, or permit any Lien to exist upon, any of its rights, obligations or duties under this Agreement without the prior written consent of the Deal Agent.

(o) Special Purpose Entity. The Borrower has not done the following and shall not:

(i) engage in any business or activity other than the purchase and receipt of Loans and related assets from the Originator under the Contribution Agreement, the pledge of Loans and related assets under the Transaction Documents and such other activities as are incidental thereto;

(ii) acquire or own any material assets other than (A) the Loans and related assets from the Originator under the Contribution Agreement and (B) incidental property as may be necessary for the operation of the Borrower;

(iii) merge into or consolidate with any Person or dissolve, terminate or liquidate in whole or in part, transfer or otherwise dispose of all or substantially all of its assets or change its legal structure, without in each case first obtaining the Deal Agent's consent;

(iv) fail to preserve its existence as an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization or formation, or without the prior written consent of the Deal Agent, amend, modify, terminate, fail to comply with the provisions of its limited liability company agreement, or fail to observe limited liability company formalities;

- (v) own any subsidiary or make any investment in any Person without the consent of the Deal Agent;
- (vi) commingle its assets or funds with the assets or funds of any of its Affiliates, or of any other Person, except for (A) Dealer Collections, (B) erroneous deposits or (C) prior to the identification and separation of such funds or assets by the Servicer in accordance with the Servicer's normal and customary business practices;
- (vii) incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (A) indebtedness to the Lenders hereunder or in conjunction with a repayment of Aggregate Unpaid owed to the Lenders, (B) indebtedness to the Originator under the Contribution Agreement in respect of the purchase of Loans (which indebtedness, if any, shall be subordinate to the indebtedness arising hereunder), and (C) trade payables in the ordinary course of its business, provided that such debt is not evidenced by a note and paid when due;
- (viii) become insolvent or fail to pay its debts and liabilities from its assets as the same shall become due;
- (ix) fail to maintain its records, books of account and bank accounts separate and apart from those of its principal and Affiliates, and any other Person;
- (x) enter into any contract or agreement with any of its principal or other Affiliates or any other Person, except upon terms and conditions that are commercially reasonable and intrinsically fair and substantially similar to those that would be available on an arm's-length basis with third parties other than any of its principal or other Affiliates;
- (xi) seek its dissolution or winding-up in whole or in part;
- (xii) fail to correct any known misunderstandings regarding the separate identity of the Borrower or an Affiliate thereof or any other Person;
- (xiii) guarantee, become obligated for, or hold itself out to be responsible for the debt of another Person;
- (xiv) make any loan or advances to any third party, including any Affiliate, or hold evidence of indebtedness issued by any other Person (other than cash and investment-grade securities);
- (xv) fail either to hold itself out to the public as a legal entity separate and distinct from any other Person or to conduct its business solely in its own name in order not (A) to mislead others as to the identity with which such other party is transacting business, or (B) to suggest that it is responsible for the debts of any third party (including any of its Affiliates);

(xvi) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(xvii) file or consent to the filing or any petition, either voluntary or involuntary, to take advantage of any applicable insolvency, bankruptcy, liquidation or reorganization statute, or make an assignment for the benefit of creditors;

(xviii) share any common logo with or hold itself out as or be considered as a department or division of (A) any of its Affiliates or (B) any other Person;

(xix) permit any transfer (whether in any one or more transactions) of any direct or indirect ownership interest in the Borrower;

(xx) fail to maintain separate financial statements, showing its assets and liabilities separate and apart from those of any other Person, or have its assets listed on the financial statement of any other Person (except its parent in accordance with GAAP);

(xxi) fail to pay its own liabilities and expenses only out of its own funds;

(xxii) fail to pay the salaries of its own employees (if any) in light of its contemplated business operations;

(xxiii) acquire the obligations or securities of its Affiliates or members;

(xxiv) fail to allocate fairly and reasonably any overhead expenses that are shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate;

(xxv) to the extent it has invoices or checks, fail to use separate invoices or checks bearing its own name;

(xxvi) pledge its assets for the benefit of any other Person, other than with respect to payment of the indebtedness to the Lenders hereunder;

(xxvii) fail at any time to have at least two (2) independent directors (each, an “Independent Director”) on its board of directors that (A) is not and has not been for at least five (5) years a director, officer, employee, trade creditor or shareholder (or spouse, parent, sibling or child of the foregoing) of (I) the Servicer, (II) the Borrower, or (III) any Affiliate of the Servicer or the Borrower; provided, however, such Independent Director may be an independent director or manager of another special purpose entity affiliated with the Servicer, and (B) has, (I) prior experience as an Independent Director for a corporation or limited liability company whose charter documents required the unanimous consent of all Independent Directors thereof before such corporation or limited liability company could consent to the institution of bankruptcy or insolvency

proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy and (II) at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to borrowers or issuers of securitization or structured finance instruments, agreements or securities;

(xxviii) fail to provide that the unanimous consent of all directors (including the consent of the Independent Directors) is required for the Borrower to (A) dissolve or liquidate, in whole or part, or institute proceedings to be adjudicated bankrupt or insolvent, (B) institute or consent to the institution of bankruptcy or insolvency proceedings against it, (C) file a petition seeking or consent to reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, (D) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Borrower, (E) make any assignment for the benefit of the Borrower's creditors, (F) admit in writing its inability to pay its debts generally as they become due, or (G) take any action in furtherance of any of the foregoing; and

(xxix) take or refrain from taking, as applicable, each of the activities specified in the non-consolidation opinion of Skadden, Arps, Slate, Meagher & Flom LLP, delivered on the Effective Date, upon which the conclusions expressed therein are based.

(p) Use of Proceeds.

(i) Sanctions. The Borrower shall not, and shall ensure that each member of the Borrowing Group will not, directly or indirectly use any of the credit to fund, finance or facilitate any activities, business or transactions (A) that are prohibited by Sanctions or (B) that would be prohibited by Sanctions if conducted by the Lender or any other party hereto. The Borrower shall notify the Lender in writing not more than five (5) Business Days after first becoming aware of any breach of this section.

(ii) Anti-Money Laundering/Anti-Corruption Laws. The Borrower shall not, and shall ensure that each member of the Borrowing Group will not, directly or indirectly use any of the credit to fund, finance or facilitate any activities, business or transactions that would be prohibited by Anti-Money Laundering Laws or Anti-Corruption Laws.

(q) Source of Repayment and Collateral. The Borrower shall not fund any repayment of the credit with proceeds, or provide as collateral any property, that is directly or indirectly derived from any transaction or activity that is prohibited by Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws, or that could otherwise cause the Lender or any other party to this Agreement to be in violation of Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws.

Section V.3. Covenant of the Borrower Relating to the Hedging Agreement. At all times until the Collection Date, a Hedging Agreement shall be in place. With respect to any Hedge Counterparty that satisfied clause (I) of the definition of “Hedge Counterparty” on the date it entered into a Hedging Agreement relating hereto, in the event that Moody’s or S&P reduces such Hedge Counterparty’s long-term unsecured debt rating below the Long-term Rating Requirement, or reduces such Hedge Counterparty’s short-term unsecured debt rating below the Short-term Rating Requirement, Borrower shall effect the replacement of such Hedge Counterparty with a counterparty meeting the definition of “Hedge Counterparty” not later than 30 calendar days following such rating reduction. With respect to any Hedge Counterparty that satisfied clause (II) of the definition of “Hedge Counterparty” on the date it entered into a Hedging Agreement relating hereto, in the event that such Hedge Counterparty experiences a withdrawal or reduction of its long-term unsecured debt rating such that it no longer has a minimum rating of “BBB-,” Borrower shall effect the replacement of such Hedge Counterparty with a counterparty meeting the definition of “Hedge Counterparty” not later than 30 calendar days following such rating reduction. The parties hereto acknowledge and agree that the Collateral Agent shall not be required to act as a “commodity pool operator” or be required to undertake regulatory filings related to this Agreement in connection therewith.

Section V.4. Affirmative Covenants of the Servicer. From the date hereof until the Collection Date:

(a) Compliance with Law. The Servicer will comply in all material respects with all Applicable Laws, including those with respect to the Contracts, the Loans and the Dealer Agreements or any part thereof.

(b) Preservation of Existence. The initial Servicer will preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification has had, or could reasonably be expected to have, a Material Adverse Effect.

(c) Obligations and Compliance with Loans and Contracts. The Servicer will duly fulfill and comply with all material obligations on the part of the Borrower to be fulfilled or complied with under or in connection with each Loan and each Contract and will do nothing to impair the rights of the Collateral Agent as agent for the Secured Parties or of the Secured Parties in, to and under the Collateral.

(d) Keeping of Records and Books of Account. The Servicer will maintain and implement administrative and operating procedures (including without limitation, an ability to recreate records evidencing the Loans and Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Loans.

(e) Preservation of Security Interest. The Servicer will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the security interest of the Collateral

Agent as agent for the Secured Parties in, to and under the Collateral. In its capacity as Custodian, it will maintain possession of, or control over, the Contract Files and Records, as Custodian for the Secured Parties, as set forth in Section 6.2(c).

(f) Collection Guidelines. (i) The Servicer will comply in all material respects with the Collection Guidelines or with Applicable Law in regard to each Loan and Contract.

(i) hidden text -- do not delete

(ii) The Servicer will not agree to or otherwise permit to occur any material change in the Collection Guidelines, which change would impair the collectability of any Loan or Contract or otherwise adversely affect the interests or remedies of the Deal Agent, the Collateral Agent or the other Secured Parties under this Agreement or any other Transaction Document, without the prior written consent of the Deal Agent, other than if required by Applicable Law.

(g) Amortization Events and Termination Events. The Servicer will furnish to the Deal Agent and each Lender, as soon as possible and in any event within two (2) Business Days after the occurrence of each Amortization Event, each Termination Event and each Unmatured Termination Event, a written statement of the chief financial officer or treasurer of the Servicer setting forth the details of such event and the action that the Servicer purposes to take with respect thereto.

(h) Other. The Servicer will furnish to the Deal Agent or the Collateral Agent, as applicable, promptly, from time to time, such other information, documents, records or reports respecting the Collateral or the condition or operations, financial or otherwise, of the Borrower or the Servicer as the Deal Agent or the Collateral Agent may from time to time reasonably request in order to protect the interests of the Collateral Agent or the Secured Parties under or as contemplated by this Agreement.

(i) Losses, Etc. In any suit, proceeding or action brought by the Deal Agent, the Collateral Agent or any Secured Party for any sum owing thereto, the initial Servicer shall save, indemnify and keep the Deal Agent, the Collateral Agent and the Secured Parties harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the Obligor under a Loan or Contract, arising out of a breach by the initial Servicer of any obligation under the related Loan or Contract or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such Obligor or its successor from the initial Servicer, and all such obligations of the initial Servicer shall be and remain enforceable against and only against the Servicer and shall not be enforceable against the Deal Agent, the Collateral Agent or any Secured Party.

(j) Notice of Liens The Servicer shall advise the Collateral Agent and the Deal Agent promptly, in reasonable detail of: (i) any Lien asserted or claim made against any portion of the Collateral; (ii) the occurrence of any breach by the Servicer of any of its representations, warranties and covenants contained herein or in any other Transaction

Document; and (iii) the occurrence of any other event which would have a Material Adverse Effect.

(k) Realization on Loans or Contracts. In the event that the Servicer realizes upon any Loan or Contract, the methods utilized by the Servicer to realize upon such Loan or Contract or otherwise enforce any provisions of such Loan or Contract will not subject the Servicer, the Borrower, any Secured Party, the Deal Agent or the Collateral Agent to liability under any federal, state or local law, and such enforcement by the Servicer will be conducted in all material respects in accordance with the provisions of the Credit Guidelines (unless the Backup Servicer is then the Successor Servicer), the Collection Guidelines, Applicable Law and, in the case of Credit Acceptance, this Agreement, and in the case of the Backup Servicer if it has become the Servicer, the Backup Servicing Agreement.

(l) Backup Servicing Agreement. The Servicer shall provide the Backup Servicer with all information, data and reports as required by the terms of the Backup Servicing Agreement.

(m) Change in Accounting Policies or Debt Rating. The initial Servicer shall notify the Collateral Agent of any material change in or amendment to the Servicer's accounting policies relating to the revenue recognition or the valuation of the Loans within ten (10) days after the date such change or amendment has been made. Within five (5) days after the date of any change in the Borrower's or Credit Acceptance's public or private debt ratings, if any, a written certification of the Borrower's or Credit Acceptance's public and private debt ratings after giving effect to any such change.

(n) Monthly Reports. Not later than the Determination Date preceding each Payment Date, the Servicer will furnish to the Deal Agent, each Lender, the Collateral Agent and the Backup Servicer a Monthly Report relating to the immediately preceding Collection Period.

(o) Funded Debt Ratio. The Servicer shall, on a consolidated basis, maintain as of the end of each fiscal quarter a ratio of consolidated Funded Debt minus unrestricted cash to the Servicer's consolidated Tangible Net Worth equal to or less than 5.60 to 1.00.

(p) Minimum Net Income. The Servicer shall, on a consolidated basis, maintain as of the end of each fiscal quarter calculated for the two fiscal quarters then ending, Consolidated Net Income of not less than \$1.00.

(q) Fixed Charge Coverage Ratio. The Servicer shall, on a consolidated basis, maintain as of the end of each fiscal quarter a Fixed Charge Coverage Ratio of not less than 2.0 to 1.0.

Section V.5. Negative Covenants of the Servicer. From the date hereof until the Collection Date:

(a) Mergers, Acquisition, Sales, etc. The Servicer (unless the Backup Servicer is then the Successor Servicer) will not consolidate with or merge into any other Person

or convey or transfer its properties and assets substantially as an entirety to any Person, unless the Servicer is the surviving entity and unless:

(i) the Servicer has delivered to the Deal Agent and the Backup Servicer an Officer's Certificate and an Opinion of Counsel each stating that any consolidation, merger, conveyance or transfer and any related supplemental agreement comply with this Section 5.5 and that all conditions precedent herein provided for relating to such transaction have been complied with and, in the case of the Opinion of Counsel, that any such supplemental agreement is legal, valid and binding with respect to the Servicer and such other matters as the Deal Agent may reasonably request;

(ii) the Servicer shall have delivered notice of such consolidation, merger, conveyance or transfer to the Deal Agent; and

(iii) after giving effect thereto, no Termination Event, Unmatured Termination Event or Servicer Termination Event or event that with notice or lapse of time, or both, would constitute a Servicer Termination Event shall have occurred.

(b) Change of Name or Location of Records. The initial Servicer shall not (x) change its name or its state of organization, move the location of its principal place of business and chief executive office, and the offices where it keeps records concerning the Loans from the locations referred to in Sections 4.1(p) and 14.2 or (y) move, or consent to the Custodian moving, the Records from the location thereof on the Effective Date, unless the Servicer has given at least thirty (30) days' written notice to the Deal Agent and has taken all actions required under the UCC of each relevant jurisdiction in order to continue the first priority perfected security interest of the Collateral Agent as agent for the Secured Parties in the Collateral; 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).

(c) Change in Payment Instructions to Obligors. The Servicer will not make any change in its instructions to Obligors regarding where payments in respect of Contracts are to be made, unless the Deal Agent has consented to such change and has received duly executed documentation related thereto.

(d) [Reserved].

(e) No Instruments. The Servicer shall take no action to cause any Loan to be evidenced by any instrument (as defined in the UCC as in effect in the relevant State) except for instruments obtained with respect to defaulted Loans.

(f) No Liens. The Servicer shall not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien (other than the Lien described in Section 4.2(a)(iii)) on the Collateral or any interest therein; the Servicer will notify the Collateral Agent and the Deal Agent of the existence of any Lien on any portion of the Collateral immediately upon discovery thereof, and the Servicer shall defend the right, title and

interest of the Collateral Agent on behalf of the Secured Parties in, to and under the Collateral against all claims of third parties claiming through or under the Servicer.

(g) Information. The Servicer shall, within two (2) Business Days of its receipt thereof, respond to reasonable written directions or written requests for information that the Backup Servicer, the Borrower, the Deal Agent or the Collateral Agent might have with respect to the administration of the Loans.

(h) Consent. The Servicer will promptly advise the Borrower, the Backup Servicer, the Deal Agent and the Collateral Agent of any inquiry received from an Obligor which requires the consent of the Borrower, the Deal Agent or the Collateral Agent.

(i) Credit Guidelines and Collection Guidelines. The initial Servicer will not amend, modify, restate or replace in any material way the Credit Guidelines or the Collection Guidelines, which change would impair the collectability of any Loan or Contract or otherwise adversely affect the interests or the remedies of the Deal Agent, Collateral Agent or the Secured Parties under this Agreement or any other Transaction Document, without the prior written consent of each Lender in the case of the Credit Guidelines or without the prior written consent of the Deal Agent and the Required Lenders with respect to the Collection Guidelines, in each case unless required by Applicable Law.

Section V.6. Negative Covenants of the Backup Servicer. From the date hereof until the Collection Date:

(a) No Changes in Backup Servicing Fee. The Backup Servicer will not make any changes to the Backup Servicing Fee without the prior written approval of the Deal Agent.

Article VI.

ADMINISTRATION AND SERVICING OF CONTRACTS

Section VI.1. Servicing. The Borrower, the Deal Agent and the Collateral Agent hereby appoint Credit Acceptance as servicer hereunder and Credit Acceptance hereby accepts such appointment and agrees to manage, collect and administer each of the Loans and Contracts as Servicer. In the event of a Servicer Termination Event, the Deal Agent shall have the right to terminate Credit Acceptance as servicer hereunder. Upon termination of Credit Acceptance as servicer of the Loans pursuant to Section 6.11 hereof, the Deal Agent shall have the right to appoint a Successor Servicer and enter into a servicing agreement with such Successor Servicer at such time and exercise all of its rights under Section 6.3 hereof. Such servicing agreement shall specify the duties and obligations of such Successor Servicer, and all references herein to the Servicer shall be deemed to refer to such Successor Servicer.

(b) The Borrower shall cause the Servicer to deposit all Collections to the Collection Account no later than two (2) Business Days after receipt. The Servicer agrees to deposit all Collections to the Collection Account no later than two (2) Business Days after receipt.

(c) On or before 120 days after the end of each fiscal year of the Servicer, the Servicer shall cause a firm of independent public accountants (who may also render other services to the Servicer or the Borrower) to furnish a report to the Collateral Agent, the Deal Agent and the Secured Parties to the effect that they have (i) compared the information contained in the Monthly Reports delivered during such fiscal year, based on a sample size provided by the Collateral Agent, with the information contained in the Loans, the Contracts and the Servicer's records and computer systems for such period, and that, on the basis of such agreed-upon procedures, such firm is of the opinion that the information contained in the Monthly Reports reconciles with the information contained in the Loans and the Contracts and the Servicer's records and computer system and that the servicing of the Loans and the Contracts has been conducted in compliance with this Agreement, and (ii) verified the Aggregate Outstanding Eligible Loan Balance as of the end of each Collection Period during such fiscal year, except, in each case, for (A) such exceptions as such firm shall believe to be immaterial (which exceptions need not be enumerated) and (B) such other exceptions as shall be set forth in such statement. In the event such independent public accountants require the Collateral Agent to agree to the procedures to be performed by such firm in any of the reports required to be prepared pursuant to this Section 6.1(c), the Servicer shall direct the Collateral Agent in writing to so agree; it being understood and agreed that the Collateral Agent will deliver such letter of agreement in conclusive reliance upon the direction of the Servicer, and the Collateral Agent has not made any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures. The Collateral Agent shall not be liable for any claims, liabilities or expenses relating to such accountants' engagement or any report issued in connection with such engagement, and the dissemination of any such report is subject to the written consent of the accountants.

Section VI.2. Duties of the Servicer and Custodian.

(a) The Servicer shall take or cause to be taken all such action as may be necessary or advisable to collect all amounts due under the Loans and Contracts from time to time, all in material accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in material accordance with the Collection Guidelines, and with respect to the initial Servicer, the Credit Guidelines, it being understood that there shall be no recourse to the Servicer with regard to the Loans and Contracts except as otherwise provided herein and in the other Transaction Documents. In performing its duties as Servicer, the Servicer shall use the same degree of care and attention it employs with respect to similar contracts and loans which it services for itself or others. Each of the Borrower, the Deal Agent, the Collateral Agent and the Secured Parties hereby appoints as its agent the Servicer, from time to time designated pursuant to Section 6.1 hereof, to enforce its respective rights and interests in and under the Collateral. If the Servicer shall commence a legal proceeding to enforce a Loan or a Contract (for purposes of collection or otherwise), or if in any enforcement or other legal proceeding it shall be held that the Servicer may not enforce a Loan or a Contract, on the grounds that it shall not be a real party in interest or a holder entitled to enforce the Loan or Contract or on similar grounds, the Collateral Agent shall thereupon be deemed to have automatically assigned to the Servicer, solely for the purpose of enforcement, such Loan or Contract. Without limiting the foregoing, the Collateral Agent (and each Lender, if applicable) shall furnish the Servicer with any

reasonably necessary and appropriate affidavit prepared by the Servicer that the Servicer may use in any such legal proceedings confirming the Servicer's power and authority to sue and otherwise enforce the Loans and Contracts in its own name, consistent with this Section 6.2, and any powers of attorney, declarations or other documents prepared by the Servicer reasonably necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder. The Servicer shall hold in trust for the Secured Parties all Records and any amounts it receives in respect of the Collateral. In the event that a Successor Servicer is appointed, the outgoing Servicer shall deliver to the Successor Servicer and the Successor Servicer shall hold in trust for the Borrower and the Secured Parties all records which evidence or relate to all or any part of the Collateral.

(b) The Servicer, if other than Credit Acceptance, shall as soon as practicable upon demand, deliver to the Borrower all records in its possession which evidence or relate to indebtedness of an Obligor which is not a Loan or a Contract.

(c) The Borrower, the Deal Agent and the Collateral Agent hereby revocably appoint Credit Acceptance as custodian (or if there has been a Successor Servicer appointed hereunder then such Successor Servicer shall be appointed as Custodian in accordance with Section 6.2(d)), and Credit Acceptance hereby accepts such appointment, to hold and maintain physical possession of the Contract Files and all Records (or with respect to any Contract constituting electronic chattel paper, to maintain "control" (within the meaning of Section 9-105 of the UCC) of the Authoritative Electronic Copy thereof) (in such capacity together with its successors in such capacity, the "Custodian"). The Contract Files and Records are to be delivered to the Custodian or its designated bailee by or on behalf of the Borrower, the Deal Agent and Collateral Agent within two (2) Business Days preceding the Funding Date or within two (2) Business Days after each Addition Date, as the case may be, with respect to each Loan acquired on the Funding Date or Addition Date.

(ii) The Custodian shall within 180 days after a Funding Date review 100% of the Contract Files to verify the presence of the original retail installment contract and security agreement and/or installment loans with respect to each Contract, provided, however, that the Certificate of Title or other evidence of lien with respect to a Contract need not be verified. If the number of Contracts for which any of the foregoing documents have not been delivered to the Custodian within 180 days of the relevant Funding Date or corrected (each such Contract, a "Nonconforming Contract") exceeds 2% of the aggregate number of Contract Files required to be reviewed pursuant to this Section 6.2(c)(ii), the Borrower shall make a deposit to the Reserve Account only with respect to the excess number of Nonconforming Contracts, in an amount equal to the related Release Price. Once per month, the amount on deposit in the Reserve Account in respect of Nonconforming Contracts shall be adjusted to account for increases or decreases in the excess number of Nonconforming Contracts and for changes in the Outstanding Balance of such Nonconforming Contracts. The Borrower shall, in the case of an increase, promptly deposit to the Reserve Account the amount of any such increase. In the case of a decrease, the amount of any such decrease shall be deemed to be part of the Excess Reserve Amount. During the Revolving Period, payments required under this

Section 6.2(c)(ii) shall not be required if the Capital is equal to or less than the Borrowing Base by the amount of the payment that would otherwise be required to be made by this clause.

(iii) The Custodian agrees to maintain the Contract Files and Records which are delivered to it at the offices of the Custodian as shall from time to time be identified to the Deal Agent by written notice. Subject to the foregoing, Credit Acceptance may temporarily (or permanently, in the case of a Contract that is repurchased, liquidated or paid in full) move or transfer to an agent of the Servicer individual Contract Files or Records, or any portion thereof without notice as necessary to allow the Servicer to conduct collection and other servicing activities in accordance with its customary practices and procedures.

(iv) The Custodian shall have the following powers and perform the following duties:

(A) hold the Contract Files and Records for the benefit of the Secured Parties and maintain a current inventory thereof;
and

(B) carry out such policies and procedures in accordance with its customary actions with respect to the handling and custody of the Contract Files and Records so that the integrity and physical possession of the Contract Files and Records (or with respect to any Contract constituting electronic chattel paper, the integrity and “control” (within the meaning of Section 9-105 of the UCC) of the Authoritative Electronic Copy thereof) will be maintained.

In performing its duties as custodian, the Custodian agrees to act with reasonable care, using that degree of skill and care that it exercises with respect to similar contracts or loans owned or held by it for its own account or for any other Person.

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

(d) If (A) an Unsatisfactory Audit occurs or (B) a Servicer Termination Event or potential Servicer Termination Event occurs, the Deal Agent shall have the right to terminate Credit Acceptance as the Custodian hereunder and the Deal Agent shall have the right to appoint a successor Custodian hereunder who shall assume all the rights and obligations of the

“Custodian” hereunder. On the effective date of the termination of Credit Acceptance as Servicer, Credit Acceptance shall be released of all of its obligations as Custodian arising on or after such date. The Contract Files and Records shall be delivered by Credit Acceptance to the successor Custodian, on or before the date which is two (2) Business Days prior to such date.

(ii) Upon the occurrence of a Servicer Termination Event or potential Servicer Termination Event, the Servicer and the Borrower shall, at the request of the Deal Agent, in its sole discretion, take all steps necessary to cause the Certificate of Title or other evidence of ownership of each Financed Vehicle to be revised to name the Collateral Agent on behalf of the Secured Parties as lienholder. Any costs associated with such revision of the Certificate of Title (“Reliening Expenses”) shall be paid by Credit Acceptance, and to the extent such costs are not paid by Credit Acceptance such unpaid costs shall be recovered as Servicer Expenses as described in Section 2.7 hereof. In no event shall the Collateral Agent be required to expend funds in connection with this Section 6.2(d).

(iii) The Custodian shall provide to the Deal Agent access to the Contract Files and Records and all other documentation regarding the Contracts, Dealer Agreement and the Loans and the related Financed Vehicles in such cases where the Collateral Agent is required in connection with the enforcement of the rights or interests of the Secured Parties, or by applicable statutes or regulations to review such documentation, such access being afforded without charge.

(e) Two times per calendar year, at the expense of the initial Servicer, and if the Backup Servicer is the Successor Servicer, the Deal Agent, the Deal Agent and any Lender may review the Servicer’s collection and administration of the Loans, Dealer Agreements and Contracts in order to assess compliance by the Servicer with the Servicer’s written policies and procedures, as well as with this Agreement and may conduct an audit of the Loans, Dealer Agreements and Contracts and Contract Files in conjunction with such a review. On and after the occurrence of a Termination Event or Servicer Termination Event, the Deal Agent or any Lender may conduct such reviews and audits without limitation, at the Servicer’s expense.

Section VI.3. Rights After Designation of Successor Servicer. At any time following the designation of a Successor Servicer pursuant to Section 6.12(a):

(i) The Successor Servicer or the Collateral Agent may intercept payments made by or on behalf of Obligors and direct that payment of all amounts payable under any Loan or Contract be made directly to the Successor Servicer or the Collateral Agent or its designee; provided, that the Collateral Agent shall pay to any Dealer, to the extent to which such Dealer is entitled, all related Dealer Collections pursuant to the written direction of the Successor Servicer set forth in the Monthly Report.

(ii) The Successor Servicer shall, at the Borrower’s expense, give notice of the Collateral Agent’s interest in the Loans and Contracts to each Obligor and

direct that payments be made directly to the Successor Servicer or the Collateral Agent or its designee.

(iii) The Borrower shall, at the Collateral Agent's or the Successor Servicer's request, (A) assemble all of the records relating to the Collateral, including all Records with respect to the Loans and Contracts, and shall make the same available to the Successor Servicer or the Collateral Agent at a place selected by the Successor Servicer or the Collateral Agent or its designee, and (B) segregate all cash, checks and other instruments received by it from time to time constituting collections of Collateral in a manner acceptable to the Successor Servicer or the Collateral Agent and shall, promptly upon receipt but in any event within two (2) Business Days, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Successor Servicer or the Collateral Agent or its designee.

(iv) The Borrower hereby authorizes the Collateral Agent and the Successor Servicer to take any and all steps in the Borrower's name and on behalf of the Borrower necessary or desirable, in the determination of the Collateral Agent or the Successor Servicer, to collect all amounts due under any and all of the Collateral with respect thereto, including, without limitation, endorsing the Borrower's name on checks and other instruments representing Collections and enforcing the Loans and Contracts.

Section VI.4. Responsibilities of the Borrower. Anything herein to the contrary notwithstanding, the Borrower shall (i) perform all of its obligations under the Loans and Contracts to the same extent as if a security interest in such Loans and Contracts had not been granted hereunder and the exercise by the Collateral Agent of its rights hereunder shall not relieve the Borrower from such obligations and (ii) pay when due any taxes, including without limitation, any sales taxes payable in connection with the Loans or Contracts and their creation and satisfaction. Neither the Collateral Agent, the Deal Agent nor any Secured Party shall have any obligation or liability with respect to any Loan, nor shall any of them be obligated to perform any of the obligations of the Borrower thereunder.

Section VI.5. Reports.

(a) Monthly Report. On each Determination Date, the Servicer shall deliver to the Deal Agent and the Collateral Agent a report in substantially the form of Exhibit C attached hereto (the "Monthly Report") for the related Collection Period. The Deal Agent shall provide to the Borrower, the Servicer and the Backup Servicer by the third Business Day prior to each Payment Date, information relating to the amount of each obligation which comprises Carrying Costs, Increased Costs, Indemnified Amounts and Additional Amounts for such Collection Period. The Monthly Report shall specify whether an Amortization Event, Termination Event or Unmatured Termination Event has occurred with respect to the Collection Period preceding such Determination Date. Upon receipt of the Monthly Report, the Deal Agent and the Collateral Agent shall rely (and shall be fully protected in so relying) on the information contained therein for the purposes of making distributions and allocations as provided for herein. Each Monthly Report shall be certified by a Responsible Officer of the Servicer.

(b) Credit Agreement. The Servicer shall deliver to the Deal Agent all reports or certificates required to be delivered under Section 7.3 of the Credit Agreement at the times set forth therein.

(c) Financial Statements. In the event the Servicer is no longer subject to the periodic and current reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, the Servicer will submit to the Deal Agent, the Collateral Agent and the Backup Servicer, within 60 days of the end of each of its fiscal quarters, unaudited financial statements as of the end of each such fiscal quarter. The Servicer will submit to the Deal Agent and the Collateral Agent, within 120 days of the end of each of its fiscal years, audited financial statements as of the end of each such fiscal year. The Servicer will submit to the Deal Agent, the Collateral Agent and the Backup Servicer an analysis of the static pool performance of Credit Acceptance for each fiscal quarter within 60 days of the end of such fiscal quarter.

(d) Annual Statement as to Compliance. The Servicer will provide to the Deal Agent and the Collateral Agent, within 120 days following the end of each fiscal year of the Servicer, an annual report signed by a Responsible Officer of the Servicer certifying that (i) a review of the activities of the Servicer, and the Servicer's performance pursuant to this Agreement, for the period ending on the last day of such fiscal year has been made under such Person's supervision and (ii) the Servicer has performed or has caused to be performed in all material respects all of its 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 and the Collateral Agent, specifying such Servicer Termination Event or potential Servicer Termination Event and the steps taken to remedy such event).

Section VI.6. Additional Representations and Warranties of Credit Acceptance as Servicer. Credit Acceptance, in its capacity as Servicer, represents and warrants to the Collateral Agent and the Deal Agent as of the Effective Date and the Funding 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 developed by Credit Acceptance, which is owned by Credit Acceptance. 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 VI.7. Establishment of the Accounts.

(a) Establishment of the Collection Account and Reserve Account. The Servicer shall cause to be established, 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 WCM, as agent for the Secured Parties" (the "Collection Account") and (ii) a segregated corporate trust account entitled "Reserve Account for WCM" 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 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) 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").

(b) 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.

(c) Permitted Investments. Funds on deposit in the Collection Account and the Reserve Account shall 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 be invested in Permitted Investments described in clause (g) of the definition thereof. Any such written directions from the Borrower 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. If the Borrower fails to provide such written direction to the Collateral Agent, such funds shall remain uninvested. Funds on deposit in the Collection Account and the Reserve Account 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 VI.8. Payment of Certain Expenses by Servicer. The initial Servicer 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 the Servicer, 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 initial Servicer 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. The Servicer 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.

Section VI.9. Annual Independent Public Accountant's Servicing Reports. The Servicer will cause a firm of nationally recognized independent public accountants (who may also render other services to the Servicer) to furnish to the Deal Agent, within 120 days following the end of each fiscal year of the Servicer: (i) a report relating to such fiscal year to the effect that (A) such firm has reviewed certain documents and records relating to the servicing of the Loans and Contracts included in the Collateral, and (B) based on such examination, such firm is of the opinion that the Monthly Reports for such year were prepared in compliance with this Agreement, except for such exceptions as it believes to be immaterial and such other exceptions as will be set forth in such firm's report and (ii) a report covering such fiscal year to the effect that such accountants have applied certain agreed-upon procedures, as set forth in Section 6.1(c) (which procedures shall have been approved by the Deal Agent) to certain documents and records relating to the Loans under any Transaction Document, compared the information contained in the Monthly Reports delivered during the period covered by such report with such documents and records and that no matters came to the attention of such accountants that caused them to believe that such servicing was not conducted in compliance with Article VI of this Agreement, except for such exceptions as such accountants shall believe to be immaterial and such other exception as shall be set forth in such statement. In the event such independent public accountants require the Collateral Agent to agree to the procedures to be performed by such firm in any of the reports required to be prepared pursuant to this Section 6.9, the Servicer shall direct the Collateral Agent in writing to so agree; it being understood and agreed that the Collateral Agent will deliver such letter of agreement in conclusive reliance upon the direction of the Servicer, and the Collateral Agent has not made any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of

such procedures. The Collateral Agent shall not be liable for any claims, liabilities or expenses relating to such accountants' engagement or any report issued in connection with such engagement, and the dissemination of any such report is subject to the written consent of the accountants.

Section VI.10. The Servicer Not to Resign. The Servicer shall not resign from the obligations and duties hereby imposed on it hereunder except upon the Servicer's determination that (i) the performance of its duties hereunder is or becomes impermissible under Applicable Law and (ii) there is no reasonable action that the Servicer could take to make the performance of its duties hereunder permissible under Applicable Law. Any such determination permitting the resignation of the Servicer shall be evidenced as to clause (i) above by an Opinion of Counsel to such effect delivered to the Deal Agent, the Collateral Agent and the Backup Servicer. No such resignation shall become effective until a Successor Servicer shall have assumed the responsibilities and obligations of the Servicer in accordance with Section 6.12.

Section VI.11. Servicer Termination Events. If any one of the following events (a "Servicer Termination Event") shall occur and be continuing:

(a) any failure by the Servicer to make any payment, transfer or deposit as required by this Agreement or any other Transaction Document, other than any such failure resulting from an administrative or technical error of the Servicer in the amount so paid, transferred or deposited; provided that within one (1) Business Day after the Servicer becomes aware that, as a result of an administrative or technical error of the Servicer, any amount previously paid, transferred or deposited by the Servicer was less than the amount required to be paid, transferred or deposited by the Servicer, the Servicer pays, transfers or deposits the amount of such shortfall;

(b) any failure by the Servicer to give instructions or notice to the Deal Agent as required by this Agreement or any other Transaction Document, or to deliver any required Monthly Report or other required reports hereunder on or before the date occurring two (2) Business Days after the date such instruction, notice or report is required to be made or given, as the case may be, under the terms of this Agreement or the relevant Transaction Document;

(c) any failure on the part of the Servicer duly to observe or perform in any material respect any other covenants or agreements of the Servicer set forth in this Agreement or the other Transaction Documents (other than as set forth in clause (a) or (b) above) to which the Servicer is a party, which continues unremedied for a period of 10 days;

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

(e) an Insolvency Event shall occur with respect to the Servicer;

(f) any delegation of the Servicer's duties that is not permitted by Section 7.1;

(g) any financial information related to the Collateral reasonably requested by the Deal Agent, the Collateral Agent or any Lender as provided herein is not reasonably provided as requested;

(h) the rendering against the Servicer of one or more final judgments, decrees or orders for the payment of money in excess of \$15,000,000 in the aggregate, and the continuance of such judgment, decree or order unsatisfied and in effect for any period of more than 60 consecutive days without a stay of execution;

(i) the Servicer shall fail to pay any principal of or premium or interest on any indebtedness in an aggregate outstanding principal amount of \$15,000,000 or more ("Material Debt"), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Material Debt; or any other default under any agreement or instrument relating to any Material Debt or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Material Debt; or any such Material Debt shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof;

(j) any change in the control of the Servicer that takes the form of either a merger or consolidation in which the Servicer is not the surviving entity;

(k) a Material Adverse Effect shall have occurred; or

(l) a Termination Event shall have occurred and such Termination Event has not been waived by the Deal Agent;;

then notwithstanding anything herein to the contrary, so long as any such Servicer Termination Event shall not have been remedied, within any applicable cure period prior to the date of the Servicer Termination Notice (defined below), the Deal Agent may, or at the direction of the Required Lenders, by written notice to the Servicer (with a copy to the Backup Servicer) (a "Servicer Termination Notice"), shall terminate all of the rights and obligations of the Servicer as Servicer under this Agreement.

Section VI.12. Appointment of Successor Servicer.

(a) On and after the receipt by the Servicer of a Servicer Termination Notice pursuant to Section 6.11 or Section 10.2, the Servicer shall continue to perform all servicing functions under this Agreement until the date specified in the Servicer Termination Notice or otherwise specified by the Deal Agent in writing or, if no such date is specified in such Servicer

Termination Notice or otherwise specified by the Deal Agent, until a date mutually agreed upon by the Servicer and the Deal Agent. The Deal Agent may at the time described in the immediately preceding sentence at the direction of the Required Lenders appoint the Backup Servicer by written notice as the Servicer hereunder, and the Backup Servicer shall on such date (which date shall be no less than 60 days after receipt of such written notice) assume all obligations of the Servicer hereunder (except as specifically set forth herein or in the Backup Servicing Agreement), and all authority and power of the Servicer under this Agreement shall pass to and be vested in the Backup Servicer. In the event that the Deal Agent does not so appoint the Backup Servicer, there is no Backup Servicer or the Backup Servicer is unable to assume such obligations on such date, the Deal Agent shall as promptly as possible appoint a successor servicer (the “Successor Servicer”) who shall be acceptable to the Required Lenders, and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the Deal Agent. In the event that a Successor Servicer has not accepted its appointment at the time when the Servicer ceases to act as Servicer, the Deal Agent shall petition a court of competent jurisdiction to appoint any established financial institution having a net worth of not less than \$50,000,000 and whose regular business includes the servicing of Loans as the Successor Servicer hereunder.

(b) Upon its assumption as Successor Servicer, the Backup Servicer (except as specifically set forth herein or in the Backup Servicing Agreement and subject to Section 6.12(a)) or any other Successor Servicer, as applicable, shall be the successor in all respects to the Servicer with respect to servicing functions as set forth in this Agreement and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, and all references in this Agreement and the other Transaction Documents to the Servicer shall be deemed to refer to the Backup Servicer or the Successor Servicer, as applicable. In no event shall the Backup Servicer be liable for any actions or omissions of any predecessor Servicer.

(c) All authority and power granted to the Servicer under this Agreement shall automatically cease and terminate upon termination of this Agreement and shall pass to and be vested in the Borrower and, without limitation, the Borrower is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, all documents and other instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights. The Servicer agrees to cooperate with the Borrower in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing on the Loans and the Contracts.

(d) Within 60 days of receiving notice that the Backup Servicer is required to serve as the Servicer hereunder pursuant to the foregoing provisions of this Section 6.12 the Backup Servicer will transition to its role as Servicer.

Section VI.13. Responsibilities of the Borrower. Anything herein to the contrary notwithstanding, the Borrower shall (i) perform all of its obligations under the Loans to the same extent as if a security interest in such Loans had not been granted hereunder and (ii) pay when due, from funds available to the Borrower under Section 2.7 hereto, any taxes. Neither the Deal

Agent, Collateral Agent nor any Secured Party shall have any obligation or liability with respect to any Loan, nor shall any of them be obligated to perform any of the obligations of the Borrower thereunder.

Section VI.14. Segregated Payment Account. Upon the occurrence of a Servicer Termination Event, a potential Servicer Termination Event or an Unsatisfactory Audit, the Deal Agent shall have the right to require the Borrower and the Servicer (i) to establish a segregated payment trust account in the name of the Collateral Agent for Collections related to the Collateral and (ii) to direct all Obligor to make payments into such account.

Section VI.15. Dealer Collections Purchase; Replacement of Dealer Loan with Related Purchased Loans. The parties hereto acknowledge the following:

(a) During its ordinary course of business in managing its serviced portfolio of Dealer Loans (and not based on poor credit quality of the Dealer Loan Contracts), Credit Acceptance may from time to time agree to enter into an agreement (a “Dealer Collections Purchase Agreement”) with a Dealer, pursuant to which the Dealer agrees to sell and assign to Credit Acceptance all of its rights, interests and entitlement in and to one or more Pools of Dealer Loan Contracts securing the related Dealer Loans, including such Dealer’s ownership interest in such Dealer Loan Contracts and rights to receive the related Dealer Collections (a “Dealer Collections Purchase”).

(b) Credit Acceptance has assigned all of its rights under any Dealer Collections Purchase Agreements to the Borrower pursuant to the Contribution Agreement. Upon the payment by Credit Acceptance to the applicable Dealer under a Dealer Collections Purchase Agreement of the purchase price thereunder (the “Dealer Collections Purchase Price”), the related Dealer Loans (including the rights to the related Dealer Loan Collections thereunder) shall be deemed to be extinguished and pursuant to the Contribution Agreement the Dealer Loan Contracts securing such Dealer Loans shall be assigned by Credit Acceptance to the Borrower as Purchased Loan Contracts and the loans thereunder shall be deemed Purchased Loans. For the avoidance of doubt, all Collections on such Purchased Loan Contracts shall be included in Available Funds.

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

Article VII.
BACKUP SERVICER

Section VII.1. Designation of the Backup Servicer. The backup servicing role with respect to the Collateral shall be conducted by the Person designated as Backup Servicer under the Backup Servicing Agreement, which shall initially be Wells Fargo.

Section VII.2. Duties of the Backup Servicer. Until its removal pursuant to the Backup Servicing Agreement, the Backup Servicer shall perform, on behalf of the Servicer, the Borrower, the Deal Agent, the Collateral Agent and the Secured Parties, the duties and obligations set forth in the Backup Servicing Agreement.

(b) Except as otherwise expressly set forth herein, and without duplication, the Backup Servicer shall be entitled to the protections, privileges and indemnities afforded to the Collateral Agent in Sections 12.3(b) and 12.3(c) (except that the Backup Servicer shall be responsible for any costs and expenses related to performance of the Backup Servicer's duties under the Backup Servicing Agreement), as if restated herein.

Section VII.3. Backup Servicing Compensation. As compensation for its backup servicing activities hereunder and under the Backup Servicing Agreement, the Backup Servicer shall be entitled to receive the Backup Servicing Fee pursuant to the provisions of Section 2.7(a). The Backup Servicer's entitlement to receive the Backup Servicing Fee shall cease on the earliest to occur of: (i) it becoming the Successor Servicer; (ii) its removal as Backup Servicer pursuant to the terms of the Backup Servicing Agreement; or (iii) the termination of this Agreement or the Backup Servicing Agreement.

Article VIII.
[RESERVED]

Article IX.
SECURITY INTEREST

Section IX.1. Security Agreement. The parties hereto intend that this Agreement constitute a security agreement and the transactions effected hereby constitute secured loans by the Lender to the Borrower under Applicable Law.

(b) The Borrower hereby authorizes the Collateral Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral and Proceeds thereof without the signature of the Borrower where permitted by law. A photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

Section IX.2. Release of Lien. At the same time as any Loan by its terms and all amounts in respect thereof has been paid by the related Obligor and deposited in the Collection Account, the Collateral Agent as agent for the Secured Parties will, to the extent requested by the Servicer, release its interest in such Loan and Related Security. The Collateral Agent as agent

for the Secured Parties will after the deposit by the Servicer of such payment into the Collection Account, at the sole expense of the Servicer, execute and deliver to the Servicer any assignments, termination statements and any other releases and instruments as the Servicer may reasonably request in order to effect such release and transfer; provided, that the Collateral Agent as agent for the Secured Parties will make no representation or warranty, express or implied, with respect to any such Loan and Related Security in connection with such sale or transfer and assignment.

Section IX.3. Further Assurances. The provisions of Section 14.12 shall apply to the security interest granted under Section 2.2(a) as well as to each Funding hereunder.

Section IX.4. Remedies. Upon the occurrence of a Termination Event, the Deal Agent, the Collateral Agent and the other Secured Parties shall have, with respect to the Collateral granted pursuant to Section 2.2(a), and in addition to all other rights and remedies available to the Deal Agent, the Collateral Agent and the other Secured Parties under this Agreement or other Applicable Law, all rights and remedies of a secured party upon default under the UCC.

Section IX.5. Waiver of Certain Laws. Each of the Borrower and the Servicer agrees, to the full extent that it may lawfully so agree, that neither it nor anyone claiming through or under it will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption law now or hereafter in force in any locality where all or any portion of the Collateral may be situated in order to prevent, hinder or delay the enforcement or foreclosure of this Agreement, or the absolute sale of all or any portion of the Collateral, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereof, and each of the Borrower and the Servicer, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may be lawful so to do, the benefit of all such laws, and any and all right to have any of the properties or assets constituting the Collateral marshaled upon any such sale, and agrees that the Deal Agent, the Collateral Agent or any court having jurisdiction to foreclose on the security interests granted in this Agreement may sell the Collateral as an entirety or in such parcels as the Deal Agent, the Collateral Agent or such court may determine.

Section IX.6. Power of Attorney. The Borrower hereby irrevocably appoints the Deal Agent and the Servicer and any Successor Servicer as its true and lawful attorney (with full power of substitution) in its name, place and stead and at its expense, in connection with the enforcement of the rights and remedies provided for in this Agreement, including without limitation the following powers: (a) to give any necessary receipts or acquittance for amounts collected or received hereunder, (b) to make all necessary transfers of the Collateral in connection with any such sale or other disposition made pursuant hereto, (c) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any such sale or other disposition, the Borrower hereby ratifying and confirming all that such attorney (or any substitute) shall lawfully do hereunder and pursuant hereto, and (d) to sign any agreements, orders or other documents in connection with or pursuant to any Transaction Document. Nevertheless, if so requested by the Deal Agent, the Servicer or any Successor Servicer, the Collateral Agent or a purchaser of the Collateral, the Borrower shall ratify and confirm any such sale or other disposition by executing and delivering to the Deal

Agent, the Collateral Agent or such purchaser all proper bills of sale, assignments, releases and other instruments as may be designated in any such request.

Article X.
TERMINATION EVENTS

Section X.1. Termination Events. The following events shall be termination events ("Termination Events") hereunder:

- (a) On any Determination Date, the average Payment Rate for the preceding three (3) Collection Periods with respect to which Payment Rate was calculated is less than 2.0%; or
- (b) the aggregate amount of Capital exceeds, for a period of two (2) Business Days or more, the sum of (i) the Borrowing Base and (ii) all Collections on deposit in the Collection Account relating to the immediately preceding Collection Period; or
- (c) a Servicer Termination Event occurs and is continuing; or
- (d) failure on the part of the Borrower or the Originator to make any payment or deposit required by the terms of any Transaction Document on the day such payment or deposit is required to be made; or
- (ii) failure on the part of the Borrower or the Originator to materially observe or perform any of its covenants or agreements set forth in this Agreement or any other Transaction Document and such failure continues unremedied for more than five (5) Business Days after written notice to the Borrower or the Originator; or
- (e) any representation or warranty made or deemed to be made by the Borrower or the Originator under or in connection with this Agreement, any of the other Transaction Documents or any information required to be given by the Borrower or the Originator to the Deal Agent or the Collateral Agent to identify Loans or Contracts pursuant to any Transaction Document, shall prove to have been false or incorrect in any material respect when made, deemed made or delivered and such failure continues unremedied for more than thirty (30) days after the earlier of (x) the date on which the Borrower or the Originator discovers such breach and (y) the date on which the Borrower or the Originator receives written notice of such breach; or
- (f) the occurrence of an Insolvency Event relating to the Originator, the Borrower or the Servicer; or
- (g) the Borrower shall become an "investment company" within the meaning of the Investment Company Act or the arrangements contemplated by the Transaction Documents shall require registration as an "investment company" within the meaning of the Investment Company Act; or

(h) a regulatory, tax or accounting body has ordered that the activities of the Borrower or any Affiliate of the Borrower contemplated hereby be terminated or, as a result of any other event or circumstance, the activities of the Borrower contemplated hereby may reasonably be expected to cause the Borrower or any of its respective Affiliates to suffer materially adverse regulatory, accounting or tax consequences; or

(i) there shall exist any event or occurrence that has a reasonable possibility of causing a Material Adverse Effect; or

(j) the Borrower, the Servicer or Credit Acceptance shall enter into any merger, consolidation or conveyance transaction, unless in the case of Credit Acceptance or the Servicer, the Servicer or Credit Acceptance, as applicable, is the surviving entity; or

(k) the United States Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Code with regard to any assets of the Borrower or the Originator and such lien shall not have been released within five (5) Business Days, or the Pension Benefit Guaranty Corporation shall file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the assets of the Borrower or the Originator and such lien shall not have been released within five (5) Business Days; or

(l) the Collateral Agent ceases to have a valid and perfected first priority security interest in a material portion of the Collateral and such failure has not been remedied within ten (10) Business Days; provided that, the portion of the Collateral in which the Collateral 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

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

(n) (i) any Transaction Document, or any lien or security interest granted thereunder, shall (except in accordance with its terms), in whole or in part, terminate, cease to be effective or cease to be the legally valid, binding and enforceable obligation of the Borrower, the Originator, or the Servicer, (ii) the Borrower, the Originator or the Servicer shall, directly or indirectly, contest in any manner such effectiveness, validity, binding nature or enforceability or (iii) any security interest securing any obligation under any Transaction Document shall, in whole or in part, cease to be a perfected first priority security interest; or

(o) Credit Acceptance shall fail to pay any principal of or premium or interest on any Material Debt, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Material Debt; or any other default under any agreement or instrument relating to any Material Debt or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Material Debt; or any such Material Debt shall be

declared to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof; or

- (p) Collections are less than 70.0% of Forecasted Collections for any three consecutive Collection Periods.

Section X.2. Remedies.

(a) Upon the occurrence of a Termination Event (other than a Termination Event described in Section 10.1(f)), 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(f), 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 applicable Yield Rate on the Capital outstanding with respect to each Lender shall be equal to the rate set forth in the Fee Letter related to such Lender; (ii) the Deal Agent may, and shall at the direction of the Required Lenders by delivery of a Servicer Termination Notice, terminate the Servicer; and (iii) the Deal Agent may, and at the direction of the Required Lenders shall, declare the entire outstanding principal amount of the Notes 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, 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 Notes have 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) 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 occurrence of an Amortization Event or the occurrence or declaration of the Termination Date, the Borrower may not request and no Lender shall be required to effect any Funding.

Article XI.
INDEMNIFICATION

Section XI.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 (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 (including any reasonable and documented legal fees and expenses incurred in connection with any action or suit brought by an Indemnified Party to enforce any indemnification or other obligation of the Borrower by such Indemnified Party for any indemnification or other obligation of the Borrower), excluding, however, (x) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party or (y) Indemnified Amounts that have the effect of recourse for non-payment of the Loans due to credit problems of the Obligors (except as otherwise specifically provided in this Agreement). If the Borrower has made any indemnity payment pursuant to this Section 11.1 and such payment fully indemnified the recipient thereof and the recipient thereafter collects any payments from others in respect of such Indemnified Amounts, then the recipient shall repay to the Borrower an amount equal to the amount it has collected from others in respect of such indemnified amounts. Without limiting the foregoing, the Borrower shall indemnify each Indemnified Party for Indemnified Amounts relating to or resulting from:

- (i) any Contract or Loan treated as or represented by Credit Acceptance to be an Eligible Dealer Loan Contract or Eligible Loan that is not at the applicable time an Eligible Dealer Loan Contract or Eligible Loan;
- (ii) reliance on any representation or warranty made or deemed made by the Borrower or any of its officers under or in connection with this Agreement, which shall have been false or incorrect in any material respect when made or deemed made or delivered;
- (iii) the failure by the Borrower to comply with any term, provision or covenant contained in this Agreement or any agreement executed in connection with this Agreement, or with any Applicable Law, with respect to any Loan, Dealer Agreement, Purchase Agreement, or Contract, or the nonconformity of any Loan, Dealer Agreement, Purchase Agreement or Contract with any such Applicable Law;
- (iv) the failure to vest and maintain vested in the Collateral Agent for the Secured Parties a first priority perfected security interest in the Collateral, together with all Collections, free and clear of any Lien whether existing at the time of any Funding or at any time thereafter;
- (v) the failure to file, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other Applicable Laws with respect to the Collateral, whether at the time of the Funding or at any subsequent time;
- (vi) any dispute, claim, offset or defense (other than the discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Loan or Contract

(including, without limitation, a defense based on such Loan or Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms);

(vii) any failure of the Borrower to perform its duties or obligations in accordance with the provisions of this Agreement or any failure by the Borrower to perform its respective duties under the Loans;

(viii) the failure by Borrower to pay when due any Taxes for which the Borrower is liable, including without limitation, sales, excise or personal property taxes payable in connection with the Collateral;

(ix) any repayment by the Deal Agent or a Secured Party of any amount previously distributed in reduction of Capital or payment of Yield or any other amount due hereunder or under any Hedging Agreement, in each case which amount the Deal Agent or a Secured Party believes in good faith is required to be repaid;

(x) the commingling of Collections of the Collateral at any time with other funds;

(xi) any investigation, litigation or proceeding related to this Agreement or the use of proceeds of the Funding or the funding of or maintenance of Capital or in respect of any Loan or Contract;

(xii) any failure by the Borrower to give reasonably equivalent value to the Originator in consideration for the transfer by the Originator to the Borrower of the Loans, Related Security or any portion thereof or any attempt by any Person to void or otherwise avoid any such transfer under any statutory provision or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code;

(xiii) the use of the Proceeds of the Funding in a manner other than as provided in this Agreement and the Contribution Agreement; or

(xiv) the failure of the Borrower or any of its agents or representatives to remit to the Servicer, the Deal Agent, the Collateral Agent or any other Secured Party, any Collections of the Collateral remitted to the Borrower or any such agent or representative.

(b) Any amounts subject to the indemnification provisions of this Section 11.1 shall be paid by the Borrower to the relevant Indemnified Party on the next Payment Date pursuant to Section 2.7.

(c) The obligations of the Borrower under this Section 11.1 shall survive the resignation or removal of the Deal Agent, the Collateral Agent, the Successor Servicer, any Lender or the Backup Servicer or the assignment or termination of this Agreement.

Section XI.2. Indemnities by the Servicer.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, the initial Servicer hereby agrees to indemnify each Indemnified Party, forthwith on demand, from and against any and all Indemnified Amounts (including any reasonable and documented legal fees and expenses incurred in connection with any action or suit brought by an Indemnified Party to enforce any indemnification or other obligation of the Borrower by such Indemnified Party for any indemnification or other obligation of the Borrower) awarded against or incurred by any such Indemnified Party by reason of any acts, omissions or alleged acts or omissions of the initial Servicer, including, but not limited to: (i) any representation or warranty made by the initial Servicer under or in connection with any Transaction Document, any Monthly Report or any other information or report delivered by or on behalf of the Servicer pursuant hereto, which shall have been false, incorrect or misleading in any material respect when made or deemed made; (ii) the failure by the initial Servicer to comply with any Applicable Law; (iii) the failure of the Servicer to comply with its duties or obligations in accordance with this Agreement or any other Transaction Document to which it is a party; (iv) any litigation, proceedings or investigation against the initial Servicer; (v) the commingling by the Servicer of Collections at any time with other funds; or (vi) the failure of the initial Servicer or any of its agents or representatives to remit to the Collection Account, Deal Agent or Collateral Agent any Collections or Proceeds of the Collateral. The provisions of this indemnity shall run directly to and be enforceable by an Indemnified Party subject to the limitations hereof.

(b) Any amounts subject to the indemnification provisions of this Section 11.2 shall be paid by the initial Servicer to the relevant Indemnified Party within five (5) Business Days following such Person's demand therefor.

(c) The initial Servicer shall have no liability for making indemnification hereunder to the extent any such indemnification constitutes recourse for uncollectible Contracts.

(d) The obligations of the initial Servicer under this Section 11.2 shall survive the resignation or removal of the Deal Agent, the Collateral Agent, the Successor Servicer, any Lender or the Backup Servicer and the assignment or termination of this Agreement.

(e) Any indemnification pursuant to this Section 11.2 shall not be payable from the Collateral.

Section XI.3. After-Tax Basis. Indemnification under Sections 11.1 and 11.2 shall be in an amount necessary to make the Indemnified Party whole after taking into account any tax consequences to the Indemnified Party of the receipt of the indemnity provided hereunder, including the effect of such tax or refund on the amount of tax measured by net income or profits that is or was payable by the Indemnified Party.

Article XII.

THE DEAL AGENT AND THE COLLATERAL AGENT

Section XII.1. Authorization and Action.

(a) Each Secured Party hereby designates and appoints Wells Fargo as Deal Agent hereunder, and authorizes the Deal Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Deal Agent by the terms of this Agreement together with such powers as are reasonably incidental thereto. The Deal Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Secured Party, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Deal Agent shall be read into this Agreement or otherwise exist for the Deal Agent. In performing its functions and duties hereunder, the Deal Agent shall act solely as agent for the Secured Parties and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Borrower or any of its successors or assigns. The Deal Agent shall not be required to take any action that exposes the Deal Agent to personal liability or that is contrary to this Agreement or Applicable Law. The appointment and authority of the Deal Agent hereunder shall terminate upon the indefeasible payment in full of the Aggregate Unpaid.

(b) [Reserved.]

(c) Each Secured Party hereby designates and appoints Wells Fargo as Collateral Agent hereunder, and authorizes the Collateral Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to the Collateral Agent by the terms of this Agreement together with such powers as are reasonably incidental thereto. The Collateral Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Secured Party, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Collateral Agent shall be read into this Agreement or otherwise exist for the Collateral Agent. In performing its functions and duties hereunder, the Collateral Agent shall act solely as agent for the Secured Parties and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Borrower or any of its successors or assigns. The Collateral Agent shall not be required to take any action that exposes the Collateral Agent to personal liability or that is contrary to this Agreement or Applicable Law. The appointment and authority of the Collateral Agent hereunder shall terminate upon the indefeasible payment in full of the Aggregate Unpaid.

Section XII.2. Delegation of Duties.

(a) The Deal Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Deal Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

(b) The Collateral Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Collateral Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section XII.3. Exculpatory Provisions.

(a) Neither the Deal Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement (except for its, their or such Person's own gross negligence or willful misconduct or, in the case of the Deal Agent, the breach of its obligations expressly set forth in this Agreement), or (ii) responsible in any manner to any of the Secured Parties for any recitals, statements, representations or warranties made by the Borrower contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other document furnished in connection herewith, or for any failure of the Borrower to perform its obligations hereunder, or for the satisfaction of any condition specified in Article III. The Deal Agent shall not be under any obligation to any Secured Party to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrower. The Deal Agent shall not be deemed to have knowledge of any Amortization Event, Unmatured Termination Event, Termination Event or Servicer Termination Event unless the Deal Agent has received notice from the Borrower or a Secured Party.

(b) Neither the Collateral Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement (except for its, their or such Person's own gross negligence or willful misconduct or, in the case of the Collateral Agent, the breach of its obligations expressly set forth in this Agreement resulting from the gross negligence or willful misconduct of the Collateral Agent), or (ii) responsible in any manner to any of the Secured Parties for any recitals, statements, representations or warranties made by the Borrower, the Servicer, the Originator, the Custodian, the Deal Agent, any Lender or any other Person contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other document furnished in connection herewith, or for the acts or omissions of any other party hereto or for any failure of the Borrower, the Servicer, the Originator, the Custodian, the Deal Agent, any Lender or any other Person to perform its obligations hereunder, or for the satisfaction of any condition specified in Article III. The Collateral Agent shall not be under any obligation to any Secured Party to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Servicer, the Originator, the Custodian, the Deal Agent, any Lender or any other Person, and may assume performance absent written notice or actual knowledge of a Responsible Officer to the contrary. The Collateral Agent shall not be deemed to have knowledge of any event, including any Amortization Event, Unmatured Termination Event, Termination Event or Servicer Termination Event, or information (including breaches of representations and warranties), unless a Responsible Officer of the Collateral Agent has received written notice or has actual knowledge thereof from the Borrower or a Secured Party, and shall have no duty to take any action to determine whether such event or information has occurred. For purposes of determining the Collateral Agent's responsibility and liability hereunder (including the sending of any notice), whenever reference is made in this Agreement

or any other Transaction Document to any event (including, but not limited to, any Amortization Event, Unmatured Termination Event, Termination Event or Servicer Termination Event) or information, such reference shall be construed to refer only to such event or information of which the Collateral Agent has received written notice or has actual knowledge as described in this Section. Information contained in monthly distribution reports (other than those reports that the Collateral Agent is contractually obligated to review) and other publicly available information shall not constitute written notice or actual knowledge.

(c) The Collateral Agent shall not be imputed with any knowledge of, or information possessed or obtained by, the Backup Servicer, any custodian, or any affiliate, line of business or other division of Wells Fargo and vice versa (in each case other than instances where such roles are performed by the same group or division within Wells Fargo or otherwise include common Responsible Officers).

Section XII.4. Reliance.

(a) The Deal Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Deal Agent. The Deal Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other document furnished in connection herewith unless it shall first receive such advice or concurrence of Wells Fargo, as a Lender, or the Required Lenders or all of the Secured Parties, as applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Secured Parties, provided that unless and until the Deal Agent shall have received such advice, the Deal Agent may take or refrain from taking any action, as the Deal Agent shall deem advisable and in the best interests of the Secured Parties. The Deal Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of Wells Fargo, as a Lender, or the Required Lenders or all of the Secured Parties, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Secured Parties.

(b) The Collateral Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Collateral Agent. The Collateral Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other document furnished in connection herewith unless it shall first receive such advice or concurrence of the Required Lenders or all of the Secured Parties, as applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Secured Parties, provided that unless and until the Collateral Agent shall have received such advice, the Collateral Agent may take or refrain from taking any action, as the Collateral Agent shall deem advisable and in the best interests of the Secured Parties. The Collateral Agent shall in all cases be fully protected in

acting, or in refraining from acting, in accordance with a request of the Required Lenders or all of the Secured Parties, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Secured Parties.

Section XII.5. Non-Reliance on Deal Agent, Collateral Agent and Other Lenders. Each Secured Party expressly acknowledges that neither the Deal Agent, the Collateral Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Deal Agent or the Collateral Agent hereafter taken, including, without limitation, any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Deal Agent, any Lender or the Collateral Agent. Each Secured Party represents and warrants to the Deal Agent and the Collateral Agent that it has and will, independently and without reliance upon the Deal Agent, the Collateral Agent or any other Secured Party and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Borrower and made its own decision to enter into this Agreement or Hedging Agreement, as the case may be.

Section XII.6. Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Deal Agent, the Collateral Agent and each of their respective officers, directors, employees, representatives and agents ratably according to their pro rata shares, to the extent not paid or reimbursed by the Borrower (i) for any amounts for which the Deal Agent, acting in its capacity as Deal Agent, or the Collateral Agent, acting in its capacity as Collateral Agent, is entitled to reimbursement by the Borrower hereunder and (ii) for any other expenses incurred by the Deal Agent, acting in its capacity as Deal Agent, or the Collateral Agent, acting in its capacity as Collateral Agent and acting on behalf of the Secured Parties, in connection with the administration and enforcement of this Agreement.

Section XII.7. Deal Agent and Collateral Agent in their Individual Capacities. The Deal Agent, the Collateral Agent and each of their respective Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as though the Deal Agent or the Collateral Agent, as the case may be, were not the Deal Agent or the Collateral Agent, as the case may be, hereunder. With respect to each Funding pursuant to this Agreement, the Deal Agent, the Collateral Agent and each of their respective Affiliates shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Deal Agent or the Collateral Agent, as the case may be, and the terms "Lender," and "Lenders" shall include the Deal Agent or the Collateral Agent, as the case may be, each in its individual capacity.

Section XII.8. Successor Deal Agent or Collateral Agent.

(a) The Deal Agent may, upon five (5) days' notice to the Borrower and the Secured Parties, and the Deal Agent will, upon the direction of the Required Lenders resign as Deal Agent. If the Deal Agent shall resign, then the Required Lenders during such five (5)-day period shall appoint a successor agent. If for any reason no successor Deal Agent is appointed by the Required Lenders during such five (5)-day period, then effective upon the expiration of

such five (5)-day period, the Secured Parties shall perform all of the duties of the Deal Agent hereunder and the Borrower shall make all payments in respect of the Aggregate Unpaid or under any fee letter delivered in connection herewith directly to the applicable Secured Party and for all purposes shall deal directly with each Secured Party. After any retiring Deal Agent's resignation hereunder as Deal Agent, the provisions of Article XI and this Article XII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Deal Agent under this Agreement.

(b) The Collateral Agent may, upon five (5) days' notice to the Borrower and the Secured Parties, and the Collateral Agent will, upon the direction of all of the Secured Parties resign as Collateral Agent. If the Collateral Agent shall resign, then the Secured Parties, during such five (5)-day period shall appoint a successor agent. If for any reason no successor Collateral Agent is appointed by the Secured Parties during such five (5)-day period, then effective upon the expiration of such five (5)-day period, the Secured Parties shall perform all of the duties of the Collateral Agent hereunder and the Borrower shall make all payments in respect of the Aggregate Unpaid or under any fee letter delivered in connection herewith directly to the applicable Secured Party and for all purposes shall deal directly with each Secured Party. After any retiring Collateral Agent's resignation hereunder as Collateral Agent, the provisions of Article XI and this Article XII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Collateral Agent under this Agreement.

Article XIII. **ASSIGNMENTS; PARTICIPATIONS**

Section XIII.1. Assignments and Participations.

(a) Each Lender may upon at least 30 days' notice to the Deal Agent, assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement; provided, however, that (i) each such assignment shall be of a constant, and not a varying percentage of all of the assigning Lender's rights and obligations under this Agreement; (ii) the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than the lesser of (A) \$15,000,000 or an integral multiple of \$1,000,000 in excess of that amount and (B) the full amount of the assigning Lender's Commitment; (iii) the parties to each such assignment shall execute and deliver to the Deal Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 or such lesser amount as shall be approved by the Deal Agent; (iv) the parties to each such assignment shall have agreed to reimburse the Deal Agent for all fees, costs and expenses (including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for each of the Deal Agent and any other Lenders) incurred by the Deal Agent or any other Lenders, respectively, in connection with such assignment; and (v) there shall be no increased costs, expenses or taxes incurred by the Deal Agent or any other Lenders upon such assignment or participation. Upon such execution, delivery and acceptance by the Deal Agent and any other Lenders and the recording by the Deal Agent, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be the

date of acceptance thereof by the Deal Agent and any other Lenders, unless a later date is specified therein, (A) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (B) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assignee confirms that it has received a copy of this Agreement, together with copies of such financial statements and other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iii) such assignee will, independently and without reliance upon the Deal Agent, the Collateral Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (iv) such assignee appoints and authorizes each of the Deal Agent, the Collateral Agent and any other Lender to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to such agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (v) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(c) The Deal Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at its address referred to herein a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and the Capital of the Funding (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Subject to the provisions of Section 13.1(a), upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee, the Deal Agent, the Collateral Agent and the Lenders shall each, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit B hereto, accept such Assignment and

Acceptance, and the Deal Agent shall then (i) record the information contained therein in the Register and (ii) give prompt notice thereof to each Lender.

(e) Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and its portion of the Funding and related Collateral); provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment hereunder) shall remain unchanged; (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and (iii) the Deal Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Notwithstanding anything herein to the contrary, each participant shall have the rights of a Lender (including any right to receive payment) under Sections 2.13 and 2.14; provided, however, that no participant shall be entitled to receive payment under either such Section in excess of the amount that would have been payable under such Section by the Borrower to the Lender granting its participation had such participation not been granted, and no Lender granting a participation shall be entitled to receive payment under either such Section in an amount that exceeds the sum of (i) the amount to which such Lender is entitled under such Section with respect to any portion of the Capital that is not subject to any participation plus (ii) the aggregate amount to which its participants are entitled under such Sections with respect to the amounts of their respective participations. With respect to any participation described in this Section 13.1, the participant's rights as set forth in the agreement between such participant and the applicable Lender to agree to or to restrict such Lender's ability to agree to any modification, waiver or release of any of the terms of this Agreement or to exercise or refrain from exercising any powers or rights that such Lender may have under or in respect of this Agreement shall be limited to the right to consent to any of the matters set forth in Section 14.1 of this Agreement. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the amount of Capital (and stated interest) of each participant's interest in the rights and obligations under this Agreement (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in the rights and obligations under this Agreement) to any Person except to the extent that such disclosure is necessary to establish that such obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Deal Agent (in its capacity as Deal Agent) shall have no responsibility for maintaining a Participant Register.

(f) Each Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 13.1, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower.

(g) Nothing herein shall prohibit any Lender from pledging or assigning as collateral any of its rights under this Agreement to any Federal Reserve Bank in accordance with Applicable Law and any such pledge or collateral assignment may be made without compliance with Section 13.1(a) or Section 13.1(b).

(h) Each Lender may at any time assign, or grant a security interest in or sell a participation interest in the Capital and the Collateral (or portion thereof) to any Person. The parties to any such assignment, grant or sale of participation interest, shall execute and deliver to the related Lender, for its acceptance and recording in its books and records, such agreement or document as may be satisfactory to such parties and the related Lender.

Article XIV.
MISCELLANEOUS

Section XIV.1. Amendments and Waivers.

(a) Except as provided in this Section 14.1, no amendment, waiver or other modification of any provision of this Agreement shall be effective without the written agreement of the Borrower, the Deal Agent, the Collateral Agent and the Required Lenders; provided, however, that no such amendment, waiver or modification shall affect the rights or obligations of any Hedge Counterparty or the Backup Servicer without the written agreement of such Person. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No amendment, waiver or other modification of this Agreement shall:

(i) without the consent of each affected Lender, (A) extend the Commitment Termination Date or the date of any payment or deposit of Collections by the Borrower or the Servicer, (B) reduce the rate or extend the time of payment of Yield (or any component thereof), (C) reduce any fee payable to the Deal Agent for the benefit of the Lenders, (D) except pursuant to Article XIII hereof, change the amount of the Capital of any Lender, a Lender's pro rata share or a Lender's Commitment, (E) amend, modify or waive any provision of the definition of Required Lenders or this Section 14.1(b), (F) consent to or permit the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement or (G) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (F) above in a manner that would circumvent the intention of the restrictions set forth in such clauses;

(ii) without the written consent of the Deal Agent or the Collateral Agent, as applicable, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the rights or duties of the Deal Agent or the Collateral Agent, as applicable; or

(iii) without the consent of the Deal Agent, amend or modify (A) Section 10.1, (B) the definitions of "Amortization Event," "Eligible Dealer Agreement,"

“Hedging Agreement,” “Net Advance Rate,” “Termination Date” and “Required Reserve Account Amount” as set forth in Section 1.1, (C) Section 2.7(a) or (D) Section 5.3.

(c) Notwithstanding the foregoing provisions of this Section 14.1, without the consent of the Lenders, the Deal Agent may, with the consent of the Borrower amend this Agreement solely to add additional Persons as Lenders hereunder. Any modification or waiver shall apply to each of the Lenders equally and shall be binding upon the Borrower, the Lenders, the Collateral Agent and the Deal Agent.

Section XIV.2. Notices, Etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including telex communication and communication by facsimile copy) and mailed, telexed, transmitted or delivered, as to each party hereto, at its address set forth under its name on the signature pages hereof, or specified in such party’s Assignment and Acceptance or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, upon receipt, or in the case of (a) notice by mail, five days after being deposited in the United States mail, first class postage prepaid, (b) notice by telex, when telexed against receipt of answer back, or (c) notice by facsimile copy, when verbal communication of receipt is obtained, except that notices and communications pursuant to this Article XIV shall not be effective until received with respect to any notice sent by mail or telex.

Section XIV.3. Ratable Payments. If any Secured Party, whether by setoff or otherwise, has payment made to it with respect to any portion of the Aggregate Unpaid owing to such Secured Party (other than payments received pursuant to Section 11.1 in a greater proportion than that received by any other Secured Party), such Secured Party agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of the Aggregate Unpaid held by the other Secured Parties so that after such purchase each Secured Party will hold its ratable proportion of the Aggregate Unpaid; provided, however, that if all or any portion of such excess amount is thereafter recovered from such Secured Party, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section XIV.4. No Waiver; Remedies. No failure on the part of the Deal Agent, the Collateral Agent, the Backup Servicer or a Secured Party to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies herein provided are cumulative and not exclusive of any rights and remedies provided by law.

Section XIV.5. Binding Effect; Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Deal Agent, the Backup Servicer, the Collateral Agent, the Secured Parties and their respective successors and permitted assigns and, in addition, the provisions of Section 2.7(a)(i) and Section 2.7(a)(xi) shall inure to the benefit of each Hedge Counterparty, whether or not that Hedge Counterparty is a Secured Party.

Section XIV.6. Term of this Agreement. This Agreement, including, without limitation, the Borrower’s representations, warranties and covenants set forth in Articles IV and

V, and the Servicer's representations, warranties and covenants set forth in Articles V and VI hereof, create and constitute the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Collection Date; provided, however, that the rights and remedies with respect to any breach of any representation and warranty made or deemed made by the Borrower or Servicer pursuant to Articles III and IV and the indemnification and payment provisions of Article XI and Article XII and the provisions of Section 14.10 and Section 14.11 shall be continuing and shall survive any termination of this Agreement.

Section XIV.7. Governing Law; Consent to Jurisdiction; Waiver of Objection to Venue. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO AND EACH HEDGE COUNTERPARTY HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF ANY FEDERAL COURT LOCATED WITHIN THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO AND EACH SECURED PARTY HEREBY 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 XIV.8. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO AND EACH HEDGE COUNTERPARTY 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 AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. INSTEAD, ANY SUCH DISPUTE RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

Section XIV.9. Costs, Expenses and Taxes.

(a) In addition to the rights of indemnification granted to the Deal Agent, the Backup Servicer, the Collateral Agent, the Secured Parties and its or their Affiliates and officers, directors, employees and agents thereof under Article XI hereof, the Borrower agrees to pay on demand all costs and expenses of the Deal Agent, the Backup Servicer, the Collateral Agent and the Secured Parties incurred in connection with the preparation, execution, delivery, administration (including periodic auditing), amendment or modification of, or any waiver or consent issued in connection with, this Agreement, the other Transaction Documents and the other documents to be delivered hereunder or thereunder, or in connection herewith or therewith (excluding any Hedging Agreement), including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Deal Agent, the Backup Servicer, the Collateral Agent and the Secured Parties with respect thereto and with respect to advising the Deal Agent, the Backup Servicer, the Collateral Agent and the Secured Parties as to their respective rights and remedies

under this Agreement, the other Transaction Documents and the other documents to be delivered hereunder or thereunder, or in connection herewith or therewith (excluding any Hedging Agreement), and all costs and expenses, if any (including reasonable counsel fees and expenses), incurred by the Deal Agent, the Backup Servicer, the Collateral Agent or the Secured Parties in connection with the enforcement of this Agreement, the other Transaction Documents and the other documents to be delivered hereunder or thereunder, or in connection herewith or therewith (including any Hedging Agreement).

(b) The Borrower shall pay on demand any and all stamp, sales, excise and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the other Transaction Documents, the other documents to be delivered hereunder or any agreement or other document providing liquidity support, credit enhancement or other similar support to the Lender in connection with this Agreement or the funding or maintenance of any Funding hereunder.

Section XIV.10. No Proceedings. Each of the parties hereto (other than the Deal Agent) hereby agrees that it will not institute against, or join any other Person in instituting against the Borrower any Insolvency Proceeding so long as there shall not have elapsed one year and one day since the Collection Date.

Section XIV.11. Recourse Against Certain Parties. No recourse under or with respect to any obligation, covenant or agreement (including, without limitation, the payment of any fees or any other obligations) of any Secured Party as contained in this Agreement or any other agreement, instrument or document entered into by it pursuant hereto or in connection herewith shall be had against any administrator of such Secured Party or any incorporator, affiliate, stockholder, officer, employee or director of such Secured Party or of any such administrator, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the agreements of such Secured Party contained in this Agreement and all of the other agreements, instruments and documents entered into by it pursuant hereto or in connection herewith are, in each case, solely the corporate obligations of such Secured Party, and that no personal liability whatsoever shall attach to or be incurred by any administrator of such Secured Party or any incorporator, stockholder, affiliate, officer, employee or director of such Secured Party or of any such administrator, as such, or any other of them, under or by reason of any of the obligations, covenants or agreements of such Secured Party contained in this Agreement or in any other such instruments, documents or agreements, or that are implied therefrom, and that any and all personal liability of every such administrator of such Secured Party and each incorporator, stockholder, affiliate, officer, employee or director of such Secured Party or of any such administrator, or any of them, for breaches by such Secured Party of any such obligations, covenants or agreements, which liability may arise either at common law or in equity, by statute or constitution, or otherwise, is hereby expressly waived as a condition of and in consideration for the execution of this Agreement. The provisions of this Section 14.11 shall survive the termination of this Agreement.

Section XIV.12. Protection of Right, Title and Interest in Assets; Further Action Evidencing the Funding.

(a) Each of the Borrower and the Servicer shall cause this Agreement, all amendments hereto and/or all financing statements and continuation statements and any other necessary documents covering the right, title and interest of the Deal Agent as agent for the Secured Parties and of the Secured Parties to the assets to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, all in such manner and in such places as may be required by law fully to preserve and protect the right, title and interest of the Deal Agent as agent for the Secured Parties hereunder to all property comprising the assets. Each of the Borrower and the Servicer shall deliver to the Deal Agent file-stamped copies of, or filing receipts for, any document recorded, registered or filed as provided above, as soon as available following such recording, registration or filing. The Borrower shall cooperate fully with the Servicer in connection with the obligations set forth above and will execute any and all documents reasonably required to fulfill the intent of this Section 14.12(a).

(b) Each of the Borrower and the Servicer agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that the Deal Agent may reasonably request in order to perfect, protect or more fully evidence the Funding hereunder, or to enable the Deal Agent or the Secured Parties to exercise and enforce their rights and remedies hereunder or under any other Transaction Document.

(c) If the Borrower or the Servicer fails to perform any of its obligations hereunder, the Deal Agent or any Secured Party may (but shall not be required to) perform, or cause performance of, such obligation; and the Deal Agent's or such Secured Party's costs and expenses incurred in connection therewith shall be payable by the Borrower (if the Servicer that fails to so perform is the Borrower or an Affiliate thereof) as provided in Article XI, as applicable. The Borrower irrevocably authorizes the Deal Agent and appoints the Deal Agent as its attorney-in-fact to act on behalf of the Borrower (i) to execute on behalf of the Borrower as debtor and to file financing statements necessary or desirable in the Deal Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Secured Parties in the assets and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the assets as a financing statement in such offices as the Deal Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the interests of the Secured Parties in the assets. This appointment is coupled with an interest and is irrevocable.

(d) Without limiting the generality of the foregoing, Borrower will, not earlier than six (6) months and not later than three (3) months prior to the fifth anniversary of the date of filing of any financing statement filed pursuant to this Agreement or in connection with the Funding hereunder, unless the Collection Date shall have occurred:

- (i) execute and deliver and file or cause to be filed an appropriate continuation statement with respect to such financing statement; and

(ii) deliver or cause to be delivered to the Deal Agent an opinion of the counsel for Borrower, in form and substance reasonably satisfactory to the Deal Agent, confirming and updating the opinion delivered pursuant to Section 3.1 with respect to perfection and priority and otherwise to the effect that the grant of the security interest in the Collateral hereunder continues to be an enforceable and perfected first priority security interest, subject to no other Liens of record except as provided herein or otherwise permitted hereunder, which opinion may contain usual and customary assumptions, limitations and exceptions.

(e) In addition to the foregoing, the Borrower shall deliver or cause to be delivered to the Collateral Agent and the Deal Agent for the benefit of the Secured Parties:

(i) within thirty (30) days after the end of each calendar quarter, beginning with the quarter ended March 31, 2021, an Opinion of Counsel, dated as of a date during such thirty (30)-day period, with respect to the creation of the Borrower's security interest under the Contribution Agreement, in the Subsequent Conveyed Property (as defined in the Contribution Agreement) sold by Credit Acceptance to the Borrower during such calendar quarter (or in the case of the first such Opinion of Counsel, during the period from the Effective Date to March 31, 2021); and

(ii) within ninety (90) days after the beginning of each calendar year beginning with 2022, an opinion of the counsel for the Borrower, dated as of a date during such 90-day period, stating that, in the opinion of such counsel, the existing financing statement naming the Borrower as debtor and the Collateral Agent as secured party and any related continuation statement or amendment (the "Financing Statement") will remain effective and no additional financing statements, continuation statements or amendments with respect to the Financing Statement (other than a continuation statement to be filed within the period that is six (6) months prior to the expiration of the Financing Statement, as applicable) will be required to be filed from the date of such opinion through the date that is the one year anniversary of the date of such opinion to maintain the perfection of the security interest of the Collateral Agent as such lien otherwise exists on the date of such opinion. Such opinion of counsel shall (x) describe the filing of any financing statements and continuation statements that will, in the opinion of such counsel, be required to preserve and protect the interest of the Collateral Agent in the Collateral, until the 90th day in the following calendar year and (y) specify any action necessary (as of the date of such opinion) to be taken in the following calendar year to preserve perfection of such interest.

Section XIV.13. Confidentiality; Tax Treatment Disclosure.

(a) Each of the Deal Agent, the Secured Parties, the Servicer, the Collateral Agent, the Backup Servicer and the Borrower shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement and all information with respect to the other parties, including all information regarding the business of the Borrower and the Servicer hereto and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that each

such party and its officers and employees may (i) disclose such information to its external accountants, attorneys, investors, potential investors and the agents of such Persons (“Excepted Persons”), provided, however, that each Excepted Person shall, as a condition to any such disclosure, agree for the benefit of the Deal Agent, the Secured Parties, the Servicer, the Collateral Agent, the Backup Servicer and the Borrower that such information shall be used solely in connection with such Excepted Person’s evaluation of, or relationship with, the Borrower and its affiliates, (ii) disclose the existence of this Agreement, but not the financial terms hereof, (iii) disclose such information as is required by the Transaction Documents or Applicable Law and (iv) disclose this Agreement and such information in any suit, action, proceeding or investigation (whether at law or in equity or pursuant to arbitration) involving any of the Transaction Documents or any Hedging Agreement for the purpose of defending itself, reducing its liability, or protecting or exercising any of its claims, rights, remedies, or interests under or in connection with any of the Transaction Documents or any Hedging Agreement. It is understood that the financial terms that may not be disclosed except in compliance with this Section 14.13(a) include, without limitation, all fees and other pricing terms, and all Termination Events, Servicer Termination Events, and priority of payment provisions.

(b) Anything herein to the contrary notwithstanding, each of the Borrower and the Servicer hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Deal Agent, the Collateral Agent, the Backup Servicer or the Secured Parties by each other, (ii) by the Deal Agent or the Lender to any prospective or actual assignee or participant of any of them or (iii) by the Deal Agent, the Collateral Agent or a Lender to any nationally recognized statistical rating organization, commercial paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to a Lender and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided each such Person is informed of the confidential nature of such information. In addition, the Secured Parties, the Backup Servicer and the Deal Agent may disclose any such nonpublic information as required pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

(c) Notwithstanding anything herein to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, (ii) disclosure of any and all information (A) if required to do so by any applicable statute, law, rule or regulation, (B) to any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of the Collateral Agent’s or Backup Servicer’s business or that of their affiliates, (C) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which the Collateral Agent or Backup Servicer or an affiliate or an officer, director, employer or shareholder thereof is a party, (D) in any preliminary or final offering circular, registration statement or contract or other document pertaining to the transactions contemplated herein approved in advance by the Borrower or Servicer or (E) to any affiliate, independent or internal auditor, agent, employee or attorney of the Collateral Agent or Backup Servicer having a need to know the same, provided that the Collateral Agent or Backup Servicer advises such recipient of the confidential nature of the information being disclosed, or (iii) any other disclosure authorized by the Transaction Documents or the Borrower or the Servicer.

(d) Notwithstanding anything herein to the contrary, any party to this Agreement (and any employee, representative or other agent of any party to this Agreement) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure; provided, however, that such disclosure may not be made to the extent required to be kept confidential to comply with any applicable federal or state securities laws; and provided further that (to the extent not inconsistent with the foregoing) such disclosure shall be made without disclosing the names or other identifying information of any party.

Section XIV.14. Execution in Counterparts; Severability; Integration. This Agreement shall be valid, binding, and enforceable against a party only when executed and delivered by an authorized individual on behalf of the party by means of (i) any electronic signature permitted by the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, and/or any other relevant electronic signatures law, including relevant provisions of the UCC (collectively, "Signature Law"); (ii) an original manual signature; or (iii) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. Each party hereto shall be entitled to conclusively rely upon, and shall have no liability with respect to, any faxed, scanned, or photocopied manual signature, or other electronic signature, of any party and shall have no duty to investigate, confirm or otherwise verify the validity or authenticity thereof. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall, together, constitute one and the same instrument. For avoidance of doubt, original manual signatures shall be used for execution or indorsement of writings and authentication of Notes when required under the UCC or other Signature Law due to the character or intended character of the writings. This Agreement and any agreements or letters (including fee letters) executed in connection herewith contains the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings other than any fee letter delivered by the Originator to the Deal Agent and the Lenders.

Section XIV.15. Patriot Act Compliance. The Deal Agent, Collateral Agent and Backup Servicer hereby notify the Borrower that pursuant to the requirements of the Patriot Act, it, and each other Lender, may be required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower, organizational documentation, director and shareholder information, and other information that will allow the Deal Agent, the Collateral Agent, the Backup Servicer and each Lender to identify the Borrower in accordance with the Patriot Act. This notice is given in accordance with the requirements of the Patriot Act and is effective for the Deal Agent, the Collateral Agent, the Backup Servicer and each Lender.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE BORROWER:

CAC WAREHOUSE FUNDING LLC II

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

CAC Warehouse Funding LLC II
Silver Triangle Building
25505 West Twelve Mile Road
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Facsimile No. (866) 743-2704
Confirmation No.: (248) 353-2700 (ext. 4432)

THE SERVICER:

CREDIT ACCEPTANCE CORPORATION

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

Credit Acceptance Corporation
Silver Triangle Building
25505 West Twelve Mile Road
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Facsimile No. (866) 743-2704
Confirmation No.: (248) 353-2700 (ext. 4432)

[SIGNATURES CONTINUED ON THE FOLLOWING PAGE]

THE LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ James B. Brinkley II
Name: James B. Brinkley II
Title: Managing Director

Wells Fargo Bank, National Association
550 South Tryon Street
Charlotte, North Carolina 28202
Attention: James B. Brinkley, III
Facsimile No.: (704) 410-0223
Confirmation No: (704) 410-2415

[SIGNATURES CONTINUED ON THE FOLLOWING PAGE]

THE DEAL AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ James B. Brinkley II
Name: James B. Brinkley II
Title: Managing Director

Wells Fargo Bank, National Association
550 South Tryon Street
Charlotte, North Carolina 28202
Attention: James B. Brinkley, III
Facsimile No.: (704) 410-0223
Confirmation No: (704) 410-2415

[SIGNATURES CONTINUED ON THE FOLLOWING PAGE]

THE BACKUP SERVICER and
COLLATERAL AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Jennifer C. Westberg
Title: Jennifer C. Westberg
Vice President

Wells Fargo Bank, National Association
MAC N9300-061
600 S. 4th Street
Minneapolis, Minnesota 55415
Attention: Corporate Trust Services – Asset-
Backed Administration
Facsimile: (612) 667-3464
Telephone: (612) 667-8058

FORM OF FUNDING NOTICE

Reference is made to the Seventh Amended and Restated Loan and Security Agreement, dated as of April 30, 2021 (as amended, supplemented or otherwise modified and in effect from time to time, the “Agreement”), by and among CAC Warehouse Funding LLC II, as borrower (in such capacity, the “Borrower”), Credit Acceptance Corporation, as servicer (in such capacity, the “Servicer”), the Lenders named therein, Wells Fargo Bank, National Association, as Deal Agent, Wells Fargo Bank, National Association, as the Backup Servicer and Collateral Agent and each other Lender party thereto. Terms defined in the Agreement, or incorporated therein by reference, are used herein as therein defined.

(A) Funding Request. The Borrower hereby requests the Funding pursuant to Section 2.1 and Section 2.3 of the Agreement.

(B) Funding Information. The Funding shall (a) take place on [_____] and (b) be in an amount equal to \$[_____]. Each Lender’s pro rata share of the Funding shall be: [(i) _____; and (ii) _____.]

(C) Representations. The Borrower hereby represents and warrants that (i) all conditions precedent to the Funding described in Article III of the Agreement have been satisfied and (ii) no Termination Event or Unmatured Termination Event shall have occurred. This Funding Notice has been made in accordance with the provisions of Section 2.1(a) of the Agreement.

(D) Irrevocable. This Funding Notice shall be irrevocable.

(E) Governing Law. This Funding Notice shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has caused this Funding Notice to be duly executed and delivered by its duly authorized officer as of the date first above written.

CAC Warehouse Funding LLC II

By _____
Name:
Title:

FORM OF ASSIGNMENT AND ACCEPTANCE

Dated _____, 20__

Reference is made to the Seventh Amended and Restated Loan and Security Agreement dated as of April 30, 2021 (as amended or modified from time to time, the "Agreement"), among CAC Warehouse Funding LLC II, as borrower (the "Borrower"), Credit Acceptance Corporation, as servicer (the "Servicer"), the lenders named therein, Wells Fargo Bank, National Association, as deal agent (the "Deal Agent"), Wells Fargo Bank, National Association, as backup servicer and collateral agent (the "Backup Servicer" and the "Collateral Agent"), and each other Lender party thereto. Terms defined in the Agreement are used herein with the same meaning.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Agreement as of the date hereof which represents the percentage interest specified in Section 1 of Schedule 1 of all outstanding rights and obligations of the Assignor under the Agreement, including, without limitation, such interest in the Lender's Commitment of the Assignor and the Advance made by the Assignor. After giving effect to such sale and assignment, the Lender's Commitment and the amount of the Capital made by the Assignee will be as set forth in Section 2 of Schedule 1.

2. The Assignor: (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim and (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee: (i) confirms that it has received a copy of the Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Deal Agent, the Collateral Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Agreement; (iii) appoints and authorizes the Deal Agent and the Collateral Agent each to take such action as agent on its behalf and to exercise such powers under the Agreement as are delegated to the Deal Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Agreement are required to be

performed by it as a Lender; and (v) agrees and acknowledges that the Assignee, as Lender and Secured Party is bound by the confidentiality provisions of Section 14.13 of the Agreement.

4. Following the execution of this Assignment and Acceptance by the Assignor and the Assignee, it will be delivered to each of the Deal Agent and the Collateral Agent for acceptance and recording by the Deal Agent. The effective date of this Assignment and Acceptance (the “Assignment Date”) shall be the date of acceptance thereof by the Deal Agent, unless a later date is specified in Section 3 of Schedule 1.

5. Upon such acceptance by the Deal Agent and the Collateral and upon such recording by the Deal Agent, as of the Assignment Date, (i) the Assignee shall be a party to the Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Agreement.

6. Upon such acceptance and recording by the Deal Agent, from and after the Assignment Date, the Deal Agent and the Collateral Agent shall make, or cause to be made, all payments under the Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and Unused Fee with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Agreement for periods prior to the Assignment Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective officers thereunto duly authorized, as of the date first above written, such execution being made on Schedule 1 hereto.

[ASSIGNOR]

By: _____
Name:
Title:

Address for notices
[Address]

[ASSIGNEE]

By: _____
Name:
Title:

Address for notices
[Address]

Acknowledged and accepted this ____ day of _____, ____

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Deal Agent

By: _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: _____
Name:
Title:

Schedule 1 to
Assignment and Acceptance
Dated _____, 20__

Section 1.

Percentage Interest: _____%

Section 2.

Assignee's Commitment: \$_____

Aggregate Outstanding Advance owing to the
Assignee: \$_____

Section 3.

Assignment Date: _____, 20__

Form of Monthly Report

C-1

Form of Officer's Certificate as to Solvency

CAC WAREHOUSE FUNDING LLC II
CERTIFICATE OF OFFICER

I, Douglas W. Busk, on this date of [], 2021, hereby certify that I am the duly executed, qualified and acting Chief Treasury Officer of CAC Warehouse Funding LLC II, a Delaware limited liability company (the "Company"), and that, as such, I have access to its corporate records and am familiar with the matters certified herein, and I am authorized to execute and deliver this certificate in the name and on behalf of the Company, and that:

1. This certificate is being delivered pursuant to that certain Seventh Amended and Restated Loan and Security Agreement, dated as of April 30, 2021 (the "Loan and Security Agreement"), by and among the Company, as the Borrower, Credit Acceptance Corporation, as the Servicer, the Lenders named therein, Wells Fargo Bank, National Association, as the Deal Agent, Wells Fargo Bank, National Association, as the Backup Servicer and Collateral Agent, and each other Lender party thereto. The capitalized terms used in this certificate and not defined herein have the respective meanings specified in the Loan and Security Agreement.

2. The transactions under the Loan and Security Agreement and any other Transaction Document to which the Company is a party do not and will not render the Company not Solvent.

IN WITNESS WHEREOF, I have executed this certificate in the name and on behalf of the Company on the date first written above.

CAC WAREHOUSE FUNDING LLC II

By: _____

Name: Douglas W. Busk

Title: Chief Treasury Officer

FORM OF TAKE-OUT RELEASE

Reference is hereby made to the Seventh Amended and Restated Loan and Security Agreement, dated as of April 30, 2021, among CAC Warehouse Funding LLC II, as the Borrower, Credit Acceptance Corporation, as the Servicer, the Lenders named therein, Wells Fargo Bank, National Association, as the Deal Agent, Wells Fargo Bank, National Association, as the Backup Servicer and Collateral Agent, and each other Lender party thereto, as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof (the “Agreement”).

Capitalized terms not defined herein shall have the meaning given such terms in the Agreement.

Pursuant to Section 2.16(a) of the Agreement, the Borrower requests the Collateral Agent to release all of its right, title and interest, including any security interest and Lien, in and to the Loans and Related Security identified on Schedule 1 hereto (the “Released Loans and the Related Security”). The Take-Out Date is as of [_____].

Pursuant to Section 2.16(a)(ii) of the Agreement, the Servicer and the Borrower hereby certify that the Borrower will have sufficient funds on the Take-Out Date to effect the Take-Out in accordance with the Agreement.

Pursuant to Section 2.16(a)(iii) of the Agreement, the Servicer and Borrower hereby certify that after giving effect to the Take-Out and the release to the Borrower of the Loans and Related Security on the Take-Out Date, (x) the representations and warranties contained in Article IV of the Agreement shall continue to be correct in all material respects, except to the extent relating to an earlier date, and (y) neither an Unmatured Termination Event nor a Termination Event has occurred.

Upon deposit in the Collection Account of \$[_____] in immediately available funds, the Collateral Agent hereby releases all of its right, title and interest, including any security interest and Lien, in and to:

- (i) the Released Loans and the Related Security related thereto, all monies due or to become due with respect thereto, whether accounts, chattel paper, general intangibles or other property, all monies or remittances on deposit in the Credit Acceptance Payment Account which constitute proceeds of such Released Loans and the Related Security;
- (ii) the security interests in the Contracts granted by Obligors pursuant to the related Released Loan and the Related Security;
- (iii) all of the Borrower’s rights under (x) the Contribution Agreement and (y) each Dealer Agreement, in each case with respect to such Released Loans and the Related Security; and
- (iv) the proceeds of any and all of the foregoing.

Executed as of _____.

Credit Acceptance Corporation, as the Servicer

By: _____
Name:
Title:

CAC Warehouse Funding LLC II, as the Borrower

By: _____
Name:
Title:

Wells Fargo Bank, National Association, as the Deal Agent

By: _____
Name:
Title:

Wells Fargo Bank, National Association, as the Collateral Agent

By: _____
Name:
Title:

Form of Contribution Agreement

[Intentionally Omitted]

FORM OF VARIABLE FUNDING NOTE

New York, New York
[]

FOR VALUE RECEIVED, the undersigned, CAC WAREHOUSE FUNDING LLC II, a Delaware limited liability company (the “Borrower”), promises to pay to the order of Wells Fargo Bank, National Association, as Deal Agent, on behalf of [the Lender], on the date specified in Section 2.1(c) of the Seventh Amended and Restated Loan and Security Agreement (as hereinafter defined), at 550 South Tryon, Charlotte, North Carolina 28202, in lawful money of the United States of America and in immediately available funds, the principal amount of [] (\$[]), or, if less, the aggregate unpaid principal amount of the all Advances made by the Lenders to the Borrower pursuant to the Seventh Amended and Restated Loan and Security Agreement, and to pay interest at such office, in like money, from the date hereof on the unpaid principal amount of the Advance from time to time outstanding at the rates and on the dates specified in the Seventh Amended and Restated Loan and Security Agreement.

The Deal Agent is authorized to record, on the schedules annexed hereto and made a part hereof or on other appropriate records of the Deal Agent, the date and the amount of the Advance made by the Lenders, each continuation thereof, the funding period for such Advance and the date and amount of each payment or prepayment of principal thereof. Any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided that the failure of the Deal Agent to make any such recordation (or any error in such recordation) shall not affect the obligations of the Borrower hereunder under the Seventh Amended and Restated Loan and Security Agreement in respect of the Advance.

This Variable Funding Note is one of the Notes referred to in the Seventh Amended and Restated Loan and Security Agreement, dated as of April 30, 2021 (as amended, supplemented, or otherwise modified and in effect from time to time, the “Loan and Security Agreement”), among the Borrower; Credit Acceptance Corporation (the “Servicer”); the financial institutions listed on the signature pages thereto under the heading “The Lender(s)” (the “Lenders”); Wells Fargo Bank, National Association, as deal agent (the “Deal Agent”); Wells Fargo Bank, National Association, as the Backup Servicer (the “Backup Servicer”); Wells Fargo Bank, National Association, as the Collateral Agent (the “Collateral Agent”); and each other Lender party thereto, and is entitled to the benefits thereof. Capitalized terms used herein and defined herein have the meanings given them in the Loan and Security Agreement.

This Variable Funding Note is being issued in substitution and replacement of that certain Variable Funding Note, dated as of [], made by the Borrower to the order of the Deal Agent, on behalf of the Lender, pursuant to the Existing Loan and Security Agreement (as defined in the Loan and Security Agreement) (the “Replaced Note”). This Variable Funding Note is not intended to be, nor shall it be deemed to be, a repayment of the Replaced Note. Upon the issuance of this Variable Funding Note, the Replaced Note shall be deemed to cease to have any effect.

G-<#>

This Variable Funding Note is subject to optional and mandatory prepayment as provided in the Loan and Security Agreement.

Upon the occurrence of a Termination Event, the Secured Parties shall have all of the remedies specified in the Loan and Security Agreement. The Borrower hereby waives presentment, demand, protest, and all notices of any kind.

THIS VARIABLE FUNDING NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

CAC WAREHOUSE FUNDING LLC II, as Borrower

By: _____
Name:
Title:

Schedule 1 to
VARIABLE FUNDING NOTE

Principal of the Advances

Yield on the Advances

Prepayment of the Advances

Notation by Date

Form of Dealer Agreement
[On File with Servicer and Deal Agent]

H-1

Forms of Contracts

[On File with Servicer and Deal Agent]

Form of Backup Servicing Agreement

[Intentionally Omitted]

Form of Purchase Agreement
[On File with Servicer and Deal Agent]

Schedule I

Credit Guidelines

[On File with Servicer and Deal Agent]

Sch. I-1

Schedule II

Tradenames, Fictitious Names and "Doing Business As" Name

None

Sch. II-1

Schedule III

Location of Records and Contract Files

Credit Acceptance Corporation
Silver Triangle Building
25505 W. Twelve Mile Road, Ste. 3000
Southfield, MI 48034

Sch. III-1

Schedule IV

List of Loans, Contracts, Dealer Agreements and Pools
[On File with Deal Agent]

Sch. IV-1

Schedule V

Forecasted Collections

[On File with Servicer and Deal Agent]

Sch. V-1

Schedule VI
Commitment Amount of Each Lender

<u>Lender</u>	<u>Commitment Amount</u>
Wells Fargo Bank, National Association	\$400,000,000

Sch. VI-1

Schedule VII

Condition Precedent Documents Relating to Amendment and Restatement

I. TRANSACTION DOCUMENTS

A. Seventh Amended and Restated Loan and Security Agreement

Skadden

Exhibits to Loan and Security Agreement

Exhibit A Form of Funding Notice

Skadden

Exhibit B Form of Assignment and Acceptance

Skadden

Exhibit C Form of Monthly Report

WFB

Exhibit D Form of Officer's Certificate as to Solvency

Borrower

Exhibit E Form of Take-Out Release

Skadden

Exhibit F Form of Contribution Agreement

Skadden

Exhibit G Form of Variable Funding Note

Skadden

Exhibit H Form of Dealer Agreement

Credit Acceptance

Exhibit I Form of Contracts

Credit Acceptance

Exhibit J Form of Backup Servicing Agreement

Dechert

Exhibit K Form of Purchase Agreement

Credit Acceptance

Schedules to Loan and Security Agreement

Schedule I Credit Guidelines

Credit Acceptance

Schedule II Tradenames, Fictitious Names and "Doing Business As" Names

Credit Acceptance

Schedule III Location of Records and Contract Files

Credit Acceptance

Schedule IV List of Loans, Contracts, Dealer Agreements and Pools

Credit Acceptance

Schedule V Forecasted Collections

Credit Acceptance

Schedule VI Commitment Amount of Each Lender

Dechert

Schedule VII Condition Precedent Documents Relating to Amendment and Restatement

Skadden

II. OPINIONS OF COUNSEL

A. Opinion of Skadden as to certain corporate and enforceability matters

Skadden

B. Opinion of Skadden as to creation of security interest in the Collateral

Skadden

C. Opinion of Skadden as to true sale matters

Skadden

- | | | |
|----|--|---------|
| D. | Opinion of Skadden covering non-consolidation matters | Skadden |
| E. | Opinion of Dykema as to certain corporate, perfection and priority matters | Dykema |

Key:

Wells Fargo Bank, National Association	WFB, the Deal Agent or the Collateral Agent
Credit Acceptance Corporation	Credit Acceptance
CAC Warehouse Funding LLC II	Borrower
Dechert	Dechert
Skadden	Skadden, Arps, Slate, Meagher & Flom LLP
Dykema	Dykema Gossett PLLC
Wells Fargo Bank, National Association	Backup Servicer or Collateral Agent

**FIFTH AMENDED AND RESTATED
SALE AND CONTRIBUTION AGREEMENT**

This FIFTH AMENDED AND RESTATED SALE AND CONTRIBUTION AGREEMENT, dated as of April 30, 2021 (the “Agreement”), is made between CREDIT ACCEPTANCE CORPORATION, a Michigan corporation (“CAC”), and CAC WAREHOUSE FUNDING LLC II, a Delaware limited liability company (formerly CAC Warehouse Funding Corporation II, a Nevada corporation) (“Funding”).

CAC and Funding entered into a Fourth Amended and Restated Contribution Agreement dated as of June 23, 2016 (the “Fourth A&R Contribution Agreement”), and desire to amend such Fourth Amended and Restated Contribution Agreement, as amended prior to the date hereof, in its entirety as provided herein.

Funding desires to acquire from time to time certain Loans and related rights and collateral, including certain of CAC’s rights in any related Dealer Agreements and Purchase Agreements, all of the related Contracts, and the Collections (other than Dealer Collections) derived therefrom during the full term of this Agreement, and CAC desires to transfer, convey and assign from time to time such Loans and related property to Funding upon the terms and conditions hereinafter set forth. CAC has also agreed to service the Loans and related property to be transferred, conveyed and assigned to Funding.

In consideration of the premises and the mutual agreements set forth herein, it is hereby agreed by and between CAC and Funding as follows:

Article I

DEFINITIONS

Section I.1 Definitions. All capitalized terms used herein shall have the respective meanings specified herein or, if not so specified, the respective meanings specified in, or incorporated by reference into, the Loan and Security Agreement and shall include in the singular number the plural and in the plural number the singular:

“Assignment” means an Assignment, substantially in the form of Exhibit B hereto, executed by CAC and Funding.

“Conveyed Property” means the Initial Contributed Property and the Subsequent Conveyed Property.

“Initial Contributed Property” means (i) Loans listed on Exhibit A hereto delivered to the Servicer, the Collateral Agent and the Backup Servicer on the Initial Funding Date and (ii) all Related Security with respect thereto.

“Initial Funding Date” means September 30, 2003.

“Loan and Security Agreement” means the Seventh Amended and Restated Loan and Security Agreement, dated as of April 30, 2021, among Funding, CAC, the Lenders named therein, Wells Fargo Bank, National Association as the Deal Agent, and Wells Fargo Bank, National Association as the Backup Servicer and the Collateral Agent, as such agreement may be amended, modified or supplemented from time to time.

“Related Security” means, with respect to any Loan, all of CAC’s interest in:

- (i) the Dealer Agreements (other than Excluded Dealer Agreement Rights, but including CAC’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 Records, documents and writing evidencing or related to such Loan;
- (v) all Collections (other than Dealer Collections), the Collection Account, the Reserve Account, and all amounts on deposit therein and investments thereof; and
- (vi) 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.

“Subsequent Conveyed Property” means, with respect to the date of any Incremental Funding and/or Dealer Collections Purchase, (i) the Loans added to Exhibit A hereto as of such date (including all rights of CAC under any Dealer Collections Purchase Agreement and any Purchased Loan and Related Security arising thereunder), which Loans are identified on Exhibits A and B to the related Assignment and in the related computer file delivered by CAC in connection therewith pursuant to Section 2.1(h), and (ii) all Related Security with respect thereto.

Section I.2 Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC, and not specifically defined herein, are used herein as defined in such Article 9.

Section I.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 means “to but excluding.”

Article II

CONTRIBUTION AND SERVICING OF LOANS

Section II.1 Contribution and Sale of Loans.

(a) In consideration of the payments described in Section 3.1, effective as of the Initial Funding Date, CAC did convey, assign, sell and transfer without recourse, except as set forth herein, to Funding all of its right, title and interest in and to the Initial Contributed Property.

(b) CAC hereby further agrees that on the date of each Incremental Funding during the Revolving Period and the date of each Dealer Collections Purchase, in consideration of the payment described in Section 3.1 with respect to such date, CAC shall, and CAC does hereby agree to, convey, assign, sell, contribute and transfer without recourse, except as set forth in this Agreement, to Funding all of its right, title and interest in and to the Subsequent Conveyed Property with respect to such date.

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

(d) Each such contribution, sale, assignment, transfer and conveyance does not constitute an assumption by Funding of any obligations of CAC or any other Person to Obligors or to any other Person in connection with the Loans or under any Contract, Dealer Agreement, Purchase Agreement or other agreement and instrument relating to the Loans.

(e) In connection with any such foregoing conveyance, CAC agrees to record and file, at its own expense, a financing statement or statements with respect to the Conveyed Property conveyed by CAC hereunder meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect the interests of Funding created hereby, and to deliver either the originals of such financing statements or a file-stamped copy of

such financing statements or other evidence of such filings to Funding on or before the Effective Date.

(f) CAC agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents and take all actions as may be necessary or as Funding may reasonably request in order to perfect or protect the interest of Funding in the Loans and other Conveyed Property purchased hereunder or to enable Funding to exercise or enforce any of its rights hereunder. CAC shall, upon request of Funding, obtain such additional search reports as Funding shall request. To the fullest extent permitted by applicable law, Funding shall be authorized and permitted to file continuation statements and amendments to financing statements and assignments thereof to preserve and protect its right, title and interest in, to and under the Conveyed Property.

(g) It is the express intent of CAC and Funding that the conveyance of the Loans and other Conveyed Property by CAC to Funding pursuant to this Agreement be construed as an absolute sale and contribution of such Loans and other Conveyed Property by CAC to Funding and that CAC relinquishes control over the Loans and all right, title and interest (legal or equitable) in, to or under any Loan or other Conveyed Property immediately upon the transfer of each such Conveyed Property under this Agreement (except to the extent of any Dealer Collections Purchases and to the extent CAC acts as the Servicer of the Loans). Further, it is not the intention of CAC and Funding that such conveyance be deemed a grant of a security interest in the Loans and other Conveyed Property by CAC to Funding in the nature of a consensual lien securing an obligation. However, in the event that, notwithstanding the express intent of the parties, the Loans or other Conveyed Property are construed to constitute property of CAC, then this Agreement also shall be deemed to be, and hereby is, a security agreement within the meaning of the UCC as enacted in the State of New York and any other applicable jurisdiction. In furtherance of the foregoing, (i) CAC hereby affirms its grant of security interest pursuant to the Fourth A&R Contribution Agreement and (ii) CAC hereby grants to Funding, a security interest in, to and under all of CAC's right, title and interest in, to and under the Conveyed Property, to secure the obligations of CAC set forth in this Agreement. CAC and Funding shall, to the extent consistent with this Agreement, take such actions as may be necessary to ensure that, if this Agreement were deemed to create a security interest in the Loans and other Conveyed Property, such security interest would be a perfected security interest in favor of Funding under applicable law and will be maintained as such throughout the term of this Agreement. Without limiting the foregoing with respect to Dealer Loans and the conveyance of Loans in connection with each Dealer Collections Purchase when made, each Dealer Collections Purchase shall be effected as provided in Section 2.1(b) and (c) and Section 3.2 hereof and Section 6.15 of the Loan and Security Agreement.

(h) In connection with such conveyance, CAC delivered to Funding on the Initial Funding Date and agrees to deliver to Funding on each Funding Date on which Subsequent Conveyed Property is conveyed by CAC to Funding, as the case may be, an Assignment executed by CAC and one or more computer files containing true and complete lists of all Loans conveyed to Funding on the Initial Funding Date and each Funding Date, and all Contracts securing or evidencing all such Loans, identified by account number, original contract

date and, as applicable, dealer number and pool number as of the end of the Collection Period immediately preceding the Funding Date. Such file or list shall be marked as Exhibit A to this Agreement, shall be delivered to Funding as confidential and proprietary, and is hereby incorporated into and made a part of this Agreement. Such list and such Exhibit A shall be supplemented and updated on the date of each Incremental Funding in the Revolving Period to include all Conveyed Property conveyed on the date of each such Incremental Funding so that, on each such date, Funding will have an aggregate list constituting Exhibit A that describes all Loans conveyed by CAC to Funding hereunder on or prior to said date of Incremental Funding, any related Dealer Agreements, Purchase Agreements and all Contracts securing or evidencing all such Loans (other than those that have been released from Collateral and those Dealer Loans that have been deemed to be extinguished pursuant to Section 6.15(b) of the Loan and Security Agreement). Such updated Exhibit A shall be deemed to replace any existing Exhibit A as of such date of Incremental Funding. Furthermore, CAC agrees to supplement and update Exhibit A by delivering to Funding a copy of the related list delivered pursuant to Section 6.15(c) of the Loan and Security Agreement, identifying the Purchased Loan Contracts and related Subsequent Conveyed Property identified therein arising from a Dealer Collections Purchase. For the avoidance of doubt, any deletions or omissions from Exhibit A shall not be effective except upon the satisfaction of the conditions precedent in Section 3.2 of the Loan and Security Agreement and/or upon compliance with the procedures and requirements of Section 4.5 or Section 9.2 of the Loan and Security Agreement or Section 6.1 of this Agreement.

(i) CAC has at all relevant times reflected, and will continue to reflect, the transactions described in paragraphs (a) and (b) of this Section 2.1 on its internal non-consolidated financial statements and on its non-consolidated state tax returns as a sale or other absolute transfer of the Loans from CAC to Funding, even though CAC has reflected, and will continue to reflect, this transaction on its consolidated financial statements as an “on-balance sheet” item in accordance with GAAP. CAC has presented, and will continue to present, the data in its consolidated financial statements with an accompanying footnote describing Funding’s separate existence and stating that such item is a financing secured by the Loans and is non-recourse to CAC.

(j) In connection with the first Funding Date occurring after the Effective Date, CAC agrees to deliver or cause to be delivered to the Deal Agent an opinion of the counsel for CAC, in form and substance reasonably satisfactory to the Deal Agent, with respect to the creation of the security interest in the Subsequent Conveyed Property identified in the Assignment corresponding to such Funding Date, which opinion may contain usual and customary assumptions, limitations and exceptions.

Section II.2 Servicing of Loans. The servicing, administering and collection of the Loans shall be conducted by the Servicer then authorized to act as such under the Loan and Security Agreement.

Article III

CONSIDERATION AND PAYMENT; LOANS

Section III.1 Consideration. The consideration for the Loans and other Conveyed Property conveyed on the Initial Funding Date to Funding by CAC under this Agreement was an amount equal to (i) the net cash proceeds of each advance to Funding under the Loan and Security Agreement used by Funding to purchase the Loans and other Conveyed Property conveyed on the Initial Funding Date, plus (ii) the value attributable to CAC's common stock in Funding (which constituted all of the equity interests issued by Funding) as a result of the conveyance of such Loans and other Conveyed Property. Thereafter, on the date of each Incremental Funding in the Revolving Period, the consideration for the Loans and other Conveyed Property conveyed on the date of such Incremental Funding shall equal the Outstanding Balance of the Loans conveyed as in effect as of the date of such Incremental Funding. Such consideration shall be payable (i) in cash to the extent Funding has cash available therefor and such cash payment is not prohibited by the terms of the Loan and Security Agreement, plus, if applicable (ii) an increase in the value attributable to CAC's Equity Interests (whether common stock prior to the Effective Date or limited liability company interests on and after the Effective Date) in Funding (which constitutes and will constitute all of the Equity Interests issued by Funding) as a result of the conveyance of such Loans and other Conveyed Property.

Section III.2 Dealer Collections Purchasers. During its ordinary course of business in managing its serviced portfolio of dealer loans (and not based on the poor credit quality of particular dealer loans), CAC may from time to time agree to enter into agreements (each a "Dealer Collections Purchase Agreement") with Dealers, pursuant to which the applicable Dealer agrees to sell and assign to CAC all of its rights, interests and entitlement in and to one or more Pools of Dealer Loan Contracts securing the related Dealer Loans, including such Dealer's ownership interest in such Dealer Loan Contracts and rights to receive the related Dealer Collections (a "Dealer Collections Purchase"). On the date of each Dealer Collections Purchase, CAC will pay the applicable Dealer under a Dealer Collections Purchase Agreement the applicable purchase price specified therein (the "Dealer Collections Purchase Price"). Upon such payment, the related Dealer Loans (including the rights to the related Dealer Collections thereunder) shall be deemed to have been satisfied and, pursuant to Section 2.1(b) of this Agreement, the Dealer Loan Contracts previously securing such Dealer Loans shall be automatically and immediately assigned by CAC to Funding as Purchased Loan Contracts, and the loans thereunder shall be deemed Purchased Loans for all purposes of this Agreement. Funding agrees to accept the assignment of the Purchased Loans and Purchased Loan Contracts arising from the satisfaction of a Dealer Loan resulting from a Dealer Collections Purchase by CAC in satisfaction of such Dealer Loan secured by the related Dealer Loan Contracts. The consideration for the conveyance from CAC to Funding of the Purchased Loan Contracts and Purchased Loans arising under the related Dealer Collections Purchase Agreement and other related Subsequent Conveyed Property will be (i) the satisfaction of the Dealer Loans previously secured by such Purchased Loan Contracts as provided herein, plus (ii) an increase in the value of CAC's Equity Interests (whether common stock prior to the Effective Date or limited liability

company interests on and after the Effective Date) in Funding (which constitutes and will constitute all of the Equity Interests issued by Funding that results from such conveyance.

Article IV

REPRESENTATIONS AND WARRANTIES

Section IV.1 Representations and Warranties. CAC represents and warrants to Funding as of the Initial Funding Date and the date of each Incremental Funding during the Revolving Period, that:

(a) Organization and Good Standing. CAC is duly organized and is validly existing as a corporation in good standing under the laws of the State of Michigan, with power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted, and has and had at all relevant times, full power, authority, and legal right to acquire, own, sell, and service the Loans and the related Contracts, and to perform its obligations under the Transaction Documents.

(b) Due Qualification. CAC is duly qualified to do business as a foreign corporation in good standing, and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of property or the conduct of its business, including the servicing of the Loans and the related Contracts as required by this Agreement, requires such qualifications except where such failure will not have a Material Adverse Effect.

(c) Power and Authority. CAC has the power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to carry out their respective terms; and the execution, delivery, and performance of this Agreement and the other Transaction Documents to which it is a party have been duly authorized by CAC by all necessary corporate action.

(d) Valid Sale; Binding Obligations. This Agreement evidences a valid sale, transfer, and assignment of the Conveyed Property enforceable against creditors of and purchasers from CAC; and this Agreement and the other Transaction Documents to which CAC is a party constitute legal, valid and binding obligations of CAC enforceable in accordance with their terms, subject to the effects of bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' or secured creditors' rights generally and to general principles of equity.

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party and the fulfillment of the terms hereof and thereof do not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the articles of incorporation or by-laws of CAC, or any indenture, agreement, or other instrument to which CAC is a party or by which it is or may be bound; nor result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement (other than this Agreement), or other instrument; or violate any law or, to the best of CAC's knowledge,

any order, rule, or regulation applicable to CAC of any court or of any federal or state regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over CAC or its properties.

(f) No Proceedings. There are no proceedings or investigations pending, or to CAC's best knowledge threatened, before any court, regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over CAC or its properties: A) asserting the invalidity of this Agreement or any other Transaction Document to which it is a party; B) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any other Transaction Document to which it is a party; or C) seeking any determination or ruling that might materially and adversely affect the performance by CAC of its obligations under, or the validity or enforceability of, this Agreement, or any other Transaction Document to which it is a party.

(g) Solvency; Fraudulent Conveyance. CAC is solvent, is able to pay its debts as they become due and will not be rendered insolvent by the transactions contemplated by the Transaction Documents and, after giving effect thereto, will not be left with an unreasonably small amount of capital with which to engage in its business. CAC does not intend to incur, nor does it believe that it has incurred, debts beyond its ability to pay such debts as they mature. CAC does not contemplate the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official for any of its assets. The amount of consideration being received by CAC upon the sale or other absolute transfer of the Conveyed Property to Funding constitutes reasonably equivalent value and fair consideration for the Conveyed Property. CAC is not transferring the Conveyed Property to Funding with any intent to hinder, delay or defraud any of its creditors.

(h) Security Interest. As of the Initial Funding Date, CAC has granted a security interest (as defined in the UCC as enacted in the State of Michigan) to Funding in the Conveyed Property, which is enforceable in accordance with Applicable Law upon the Initial Funding Date. Upon the filing of UCC-1 financing statements naming Funding as secured party and CAC as debtor, Funding shall have a first priority perfected security interest in the Conveyed Property. All filings (including, without limitation, UCC filings) as are necessary in any jurisdiction to perfect the interest of Funding in the Conveyed Property have been made.

(i) Contribution Agreement. This Agreement is the only agreement pursuant to which Funding purchases Loans from CAC.

(j) Perfection. As of the Initial Funding Date, CAC was the owner of all of the Loans and the other Conveyed Property, free and clear of all Liens. On or prior to the date of each contribution of Loans and the other Conveyed Property to Funding pursuant to this Agreement, all financing statements and other documents required to be recorded or filed in order to perfect and protect the ownership interest of Funding in and to the Loans and the other Conveyed Property against all creditors of and purchasers from CAC will have been duly filed in each filing office necessary for such purpose and all filing fees and taxes, if any, payable in connection with such filings shall have been paid in full.

(k) Taxes. CAC has filed on or before their respective due dates, all tax returns which are required to be filed in any jurisdiction or has obtained extensions for filing such tax returns and has paid all material taxes, assessments, fees and other governmental charges against CAC or any of its properties, income or franchises, to the extent that such taxes have become due, other than any taxes or assessments, the validity of which are being contested in good faith by appropriate proceedings and with respect to which adequate provision has been made on the books of CAC as may be required by GAAP. To the best knowledge of CAC, all such tax returns were true and correct in all material respects and CAC knows of no proposed material additional tax assessment against it nor any basis therefor. Any taxes, assessments, fees and other governmental charges payable by CAC in connection with the execution and delivery of the Transaction Documents have been paid or shall have been paid at or prior to the Closing Date.

(l) Place of Business. The principal place of business and chief executive office of CAC is in Southfield, Michigan, and the office where CAC keeps all of its Records (other than Certificates of Title) is at the address listed in Section 8.3, and the office where CAC keeps all Certificates of Title is at 25300-25330 Telegraph Road, Southfield, Michigan 48033, or in each case, at such other locations notified to Funding and the Deal Agent in accordance with this Agreement in jurisdictions where all action required by the terms of this Agreement has been taken and completed; provided that the Servicer may temporarily (or permanently, in the case of a Contract that is repurchased, liquidated or paid in full) move or transfer to an agent of the Servicer individual Contract Files or Records, or any portion thereof without notice as necessary to allow the Servicer to conduct collection and other servicing activities in accordance with its customary practices and procedures.

(m) Tradenames, Etc. As of the date hereof CAC has not, within the last five (5) years, operated under any tradenames other than its corporate name, nor has it changed its name, merged with or into or consolidated with any other corporation or been the subject of any proceeding under Title 11, United States Code (Bankruptcy).

(n) Amount of Loans. The Funding Notice shall provide (A) the aggregate Outstanding Balance of the Contracts and (B) the Aggregate Outstanding Eligible Loan Balance, each as of the Cut-Off Date and as reported in CAC's loan servicing system.

(o) Collections and Servicing. Since April 30, 2021, there has been no material adverse change in the ability of the Servicer to service and collect the Loans.

(p) Not an Investment Company. CAC is not, and is not controlled by, an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or each is exempt from all provisions of such Act.

(q) ERISA. CAC is in compliance in all material respects with the Employee Retirement Income Security Act of 1974, as amended.

(r) Bulk Sales. No transaction contemplated by this Agreement requires compliance with any bulk sales act or similar law.

(s) Preference; Voidability. The transfer of the Conveyed Property by CAC to Funding hereunder was not made for or on account of an antecedent debt owed by Funding to CAC, or by CAC to Funding, and such transfer is not voidable under any Section of the Bankruptcy Code.

(t) Use of Proceeds. No proceeds of any sale of Conveyed Property will be used (i) for a purpose that violates, or would be inconsistent with, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.

Section IV.2 Representations and Warranties by CAC Relating to the Loans and the Related Contracts. CAC represents and warrants to Funding as of the Initial Funding Date and the date of each Incremental Funding during the Revolving Period with respect to the applicable Conveyed Property sold to Funding on such date, that:

(a) Nature of Loans, Contracts. Each Loan classified as an “Eligible Dealer Loan” (or included in any aggregation of balances of “Eligible Dealer Loans”) or as an “Eligible Purchased Loan” (or included in any aggregation of balances of “Eligible Purchased Loans”) by CAC in any document or report delivered hereunder or under the Loan and Security Agreement, at the time of such representation, or at the time of such calculation, as applicable, in fact satisfied the requirements contained in the definition of Eligible Dealer Loan or Eligible Purchased Loan, as applicable, on the date such Loan was conveyed or pledged to Funding; each Contract classified as an “Eligible Dealer Loan Contract” or “Eligible Purchased Loan Contract” (or included in any aggregation of balances of “Eligible Dealer Loan Contracts” or “Eligible Purchased Loan Contracts”) by CAC in any document or report delivered hereunder or under the Loan and Security Agreement, at the time of such representation, or at the time of such calculation, as applicable, in fact satisfied the requirements contained in the definition of Eligible Dealer Loan Contract or Eligible Purchased Loan Contract, as applicable, on the date such Contract was conveyed or pledged to Funding.

(b) Accuracy of Information. All information with respect to the Loans and other Conveyed Property provided to Funding hereunder by CAC was true and correct in all material respects as of the date such information was provided to Funding (or such earlier time as specifically set forth in such information) and did not omit to state any material facts necessary to make the statements contained therein not misleading.

(c) Good Title. Upon the sale and/or contribution of the Loans and related property to Funding pursuant to this Agreement, Funding shall acquire all of CAC’s ownership and other interest in each Loan, and in the Related Security, Collections and proceeds with respect thereto, in each case free and clear of any Lien.

(d) No Consents. With respect to each Loan and the other Conveyed Property, all material consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by CAC, in connection with the transfer of such Conveyed Property to Funding have been duly obtained, effected or

given and are in full force and effect except for sales finance company licenses for Funding for the states of Maryland and Pennsylvania as to which the failure to obtain such licenses does not have a Material Adverse Effect.

(e) Exhibit A. Upon delivery, Exhibit A to this Agreement, which may be supplemented and updated from time to time, will be an accurate and complete listing of all Loans and the related Contracts and any related Dealer Agreements in all material respects on the date each such Loan was sold to Funding hereunder, and the information contained therein is and will be true and correct in all material respects as of such date.

(f) Chattel Paper. Each Contract and Purchased Loan constitutes tangible or electronic chattel paper.

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

Section IV.3 Reaffirmation of Representations and Warranties by CAC; Notice of Breach. The representations and warranties set forth in Section 4.1 and Section 4.2 shall survive the conveyance of the Loans to Funding, and termination of the rights and obligations of Funding and CAC under this Agreement. Upon discovery by Funding or CAC of a breach of any of the foregoing representations and warranties, the party discovering such breach shall give prompt written notice to the other within three Business Days of such discovery.

Article V

COVENANTS OF CAC

Section V.1 Affirmative Covenants. So long as this Agreement is in effect, and until all Loans which have been conveyed to Funding pursuant hereto shall have been paid in full or written-off as uncollectible, and all amounts owed by CAC pursuant to this Agreement have been paid in full, unless Funding and the Deal Agent otherwise consent in writing, CAC hereby covenants and agrees as follows:

(a) Preservation of Corporate Existence; Conduct of Business. CAC will preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification has had, or could reasonably be expected to have, a Material Adverse Effect on the Conveyed Property. CAC will carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and CAC will maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

(b) Compliance with Laws. CAC will comply in all material respects with all Applicable Laws.

(c) Furnishing of Information and Inspection of Records. CAC will furnish to Funding from time to time such information with respect to the Loans as Funding may reasonably request, including, without limitation, listings identifying the Obligor and the Outstanding Balance for each Loan. CAC will at any time and from time to time during regular business hours permit Funding, or its agents or representatives, (i) to examine and make copies of and abstracts from all Records and (ii) to visit the offices and properties of CAC for the purpose of examining such Records, and to discuss matters relating to Loans or CAC's performance hereunder with any of the officers, directors, employees or independent public accountants of CAC having knowledge of such matters.

(d) Keeping of Records and Books of Account. CAC will maintain and implement administrative and operating procedures (including without limitation, an ability to recreate records evidencing the Loans and the Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Loans.

(e) Performance and Compliance with Loans, Dealer Agreements, Purchase Agreements and Contracts. CAC, at its expense, will timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the Loans, Dealer Agreements, Purchase Agreements and Contracts, and all other agreements related thereto in all material respects.

(f) Credit and Collection Policies. As long as it is the Servicer, CAC will comply in all material respects with the Credit Guidelines and the Collection Guidelines in regard to each Loan and any related Dealer Agreement unless otherwise required by Applicable Law.

(g) Collections Received. CAC shall hold in trust, and deposit to the Collection Account, not later than the close of business on the second Business Day following the date of receipt, all Collections received from time to time by CAC or the Servicer.

(h) Sale Treatment. Subject to compliance with the requirements of GAAP, CAC agrees to treat the conveyance of the Conveyed Property made pursuant to this Agreement for all purposes (including, without limitation, tax and financial accounting purposes) as an absolute sale and/or contribution and, to the extent any such reporting is required, shall report the transactions contemplated by this Agreement on all relevant books, records, tax returns, financial statements and other applicable documents as a complete disposition of the Conveyed Property to Funding.

(i) ERISA. CAC will promptly give Funding written notice upon becoming aware that CAC is not in compliance in all material respects with ERISA or that any ERISA lien on any of the Loans exists.

(j) Preservation of Security Interest. CAC will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and perfect the security interest of Funding in, to and under the Conveyed Property. CAC will maintain possession of the Dealer Agreements and the Contract Files and Records (or with respect to any Contract constituting electronic chattel paper, will maintain “control” (within the meaning of Section 9-105 of the UCC) of the Authoritative Electronic Copy thereof), as custodian for the Collateral Agent, as set forth in Section 6.2(c) of the Loan and Security Agreement. CAC, as Servicer, will comply with its covenants under Section 5.4(d) of the Loan and Security Agreement.

(k) Separateness. CAC will take such actions that are required on its part to be performed to cause (i) Funding to be in compliance, at all relevant times, with Section 5.2(o) of the Loan and Security Agreement, and (ii) all factual assumptions set forth in the most recent opinion letters delivered by Skadden, Arps, Slate, Meagher & Flom LLP to the Collateral Agent with respect to certain bankruptcy matters to remain true at all relevant times.

(l) Notice to Potential Purchasers. At all times before the termination of this Agreement, if a third party, including a potential purchaser of the Loans, inquires, CAC will promptly reply that (i) CAC has sold the Loans to Funding and (ii) Funding has granted a security interest therein to the Collateral Agent for the benefit of the Secured Parties, and CAC will not claim any ownership interest in the Loans.

Section V.2 Negative Covenants. During the term of this Agreement, unless Funding and the Deal Agent shall otherwise consent in writing:

(a) No Sales, Liens, Etc. Except as otherwise provided herein, CAC will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Lien upon (or the filing of any financing statement) or with respect to (i) any of the Loans, the Related Security, Collections or other Conveyed Property, (ii) any goods (other than inventory), the sale, which may give rise to any Loan, Related Security or Collections or other Conveyed Property or (iii) any account to which any Collections of any Loan are sent, or, in each case, assign any right to receive income in respect thereof. CAC shall, and will cause each of its Subsidiaries to, specifically exclude from the property subject to any Lien granted on inventory any and all accounts receivable generated by sales of such inventory and the proceeds thereof and shall provide, upon Funding’s request, evidence satisfactory to Funding that any such Lien (and each related UCC financing statement or other related filing) expressly excludes any such accounts receivable. CAC will provide Funding and the Deal Agent with a copy of any inventory financing agreement at least three Business Days prior to the effectiveness thereof.

(b) No Extension or Amendment of Loans. CAC will not extend, amend or otherwise materially modify the terms of any Loan, Dealer Agreement, Purchase Agreement or Contract except as permitted by any other Transaction Document.

(c) Credit Guidelines and Collection Guidelines. CAC will not amend, modify, restate or replace, in whole or in part, in any material way the Credit Guidelines or Collection Guidelines, which change would impair the collectibility of any Loan or Contract or

otherwise adversely affect the interests or the remedies of Funding under this Agreement or any other Transaction Document, unless such change is permitted under the Loan and Security Agreement (including as a result of being required by Applicable Law) and unless CAC obtains the prior written consent of Funding.

(d) Change in Payment Instructions to Obligors. CAC will not make any change in its instructions to Obligors regarding payments to be made directly or indirectly, unless such change is permitted under the Loan and Security Agreement and Funding and CAC have each consented to such change and have received duly executed documentation related thereto.

(e) Change of Name, Etc. CAC will not change its name, identity, jurisdiction of organization or structure or location of its chief executive office, unless at least ten (10) days prior to the effective date of any such change CAC delivers to Funding and the Deal Agent such documents, instruments or agreements, including, without limitation, appropriate financing statements under the UCC, executed by CAC, as are necessary to reflect such change and to continue the perfection of Funding's and any assignee's interest in the Loans.

(f) Separate Business. CAC will not: (i) fail to maintain separate books, financial statements, accounting records and other corporate documents from those of Funding; (ii) commingle any of its assets or the assets of any of its Affiliates with those of Funding (except to the extent that CAC acts as the Servicer of the Loans); (iii) pay from its own assets any obligation or indebtedness of any kind incurred by Funding; or (iv) directly, or through any of its Affiliates, borrow funds or accept credit or guaranties from Funding.

Section V.3 Indemnities by CAC.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, CAC hereby agrees to indemnify Funding, or its assignee, 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 attorneys' fees and disbursements (all of the foregoing being collectively referred to as the "Indemnified Amounts") awarded against or incurred by such Indemnified Party arising out of or as a result of this Agreement or in respect of any Loan or any Contract, excluding, however, (a) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party or (b) Indemnified Amounts that arise as a result of non-payment of Loans due to credit problems of the Dealers or Obligors. If CAC has made any indemnity payment pursuant to this Section 5.3 and such payment fully indemnified the recipient thereof and the recipient thereafter collects any payments from others in respect of such Indemnified Amounts then, the recipient shall repay to CAC an amount equal to the amount it has collected from others in respect of such indemnified amounts. Without limiting the foregoing, CAC shall indemnify each Indemnified Party for Indemnified Amounts relating to or resulting from:

(i) any Contract or Loan treated as or represented by CAC to be an Eligible Contract or Eligible Loan that is not at the applicable time an Eligible Contract or Eligible Loan;

- (ii) reliance on any representation or warranty made or deemed made by CAC or any of its officers under or in connection with this Agreement, which shall have been false or incorrect in any material respect when made or deemed made or delivered;
- (iii) the failure by CAC to comply with any term, provision or covenant contained in this Agreement or any agreement executed in connection with this Agreement, or with any Applicable Law, with respect to any Loan, Dealer Agreement or Contract, or the nonconformity of any Loan, Dealer Agreement, Purchase Agreement or Contract with any such Applicable Law;
- (iv) the failure to vest and maintain vested in Funding, or its assignees, a first priority perfected security interest in the Conveyed Property, free and clear of any Lien;
- (v) the failure to file, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other Applicable Laws with respect to the Conveyed Property, whether on the Initial Funding Date or at any subsequent time;
- (vi) any dispute, claim, offset or defense (other than the discharge in bankruptcy of the Dealer or Obligor) of the relevant Dealer or Obligor to the payment of any Loan or Contract (including, without limitation, a defense based on such Loan or Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms);
- (vii) any failure of CAC to perform its duties or obligations in accordance with the provisions of this Agreement or any failure by CAC to perform its respective duties under the Loans, in each case in all material respects;
- (viii) the failure by CAC to pay when due any Taxes for which CAC is liable, including without limitation, sales, excise or personal property taxes payable in connection with the Conveyed Property;
- (ix) the commingling of Collections of the Loans and Contracts at any time with other funds (except to the extent that CAC acts as the Servicer of the Loans);
- (x) any investigation, litigation or proceeding related to this Agreement or in respect of any Loan or Contract;
- (xi) the failure of CAC, in its individual capacity, or any of its agents or representatives to remit to the Servicer, the Deal Agent, or the Collateral Agent Collections of the Loans and Contracts remitted to CAC, in its individual capacity, or any such agent or representative; and

(xii) the failure of a Contract File to contain the relevant original Contract or, in the case of any Contract constituting electronic chattel paper, the Authoritative Electronic Copy of the relevant Contract (in each case, for UCC purposes).

Notwithstanding the foregoing, CAC shall have no indemnification obligation hereunder with respect to any Loan or Contract in respect of which CAC shall have paid the Release Price under the Loan and Security Agreement after the date of such payment.

(b) Any amounts subject to the indemnification provisions of this Section 5.3 shall be paid by CAC to the Indemnified Party within five (5) Business Days following the Indemnified Party's demand therefor.

(c) The obligations of CAC under this Section 5.3 shall survive the termination of this Agreement.

Article VI

REPURCHASE OBLIGATION

Section VI.1 Mandatory Repurchase by CAC.

(a) If any Loan, which has been conveyed to Funding by CAC hereunder and which has been reported by CAC to be an Eligible Dealer Loan or Eligible Purchased Loan, shall fail to meet the conditions set forth in the definition of "Eligible Dealer Loan" or "Eligible Purchased Loan", as applicable, on the date of such report or for which any representation or warranty made herein in respect of such Loan shall fail to be true on the date so made, CAC shall, by the last day of the first full Collection Period following the discovery or notice thereof, repurchase such Loan by paying to Funding an amount equal to the Release Price of such Loan. If on any day any Contract, which has been conveyed to Funding by CAC hereunder and which has been reported by CAC to be an Eligible Contract, shall fail to meet the conditions set forth in the definition of "Eligible Contract" on the date of such report or for which any representation or warranty made herein in respect of such Contract shall fail to be true on the date so made, CAC shall, by the last day of the first full Collection Period following the discovery or notice thereof, repurchase such Contract by paying to Funding an amount equal to the Release Price of such Contract. For purposes of this Section 6.1(a), Release Price shall be calculated as of the last day of the immediately preceding Collection Period.

(b) In the event of a breach of any representation or warranty by CAC set forth in Section 4.2 hereof, which breach could reasonably be expected to have a Material Adverse Effect, and as a result Funding is obligated to deposit the Retransfer Amount with respect to all of the Loans in the Collection Account on the relevant Release Date in accordance with Section 4.5(b) of the Loan and Security Agreement, CAC shall repurchase all of the Loans on such Release Date by paying to Funding an amount equal to such Retransfer Amount.

(c) Each Dealer Loan, Dealer Loan Contract, Purchased Loan, Purchased Loan Contract and the Related Security which is subject to a payment in accordance with

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

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

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

Section VI.2 No Recourse. Except as otherwise provided in this Article VI, the purchase and sale of the Loans under this Agreement shall be without recourse to CAC or the Servicer.

Article VII

CONDITIONS PRECEDENT

Section VII.1 Conditions to Funding's Obligations Regarding Loans. Consummation of the transactions contemplated hereby on the Initial Funding Date and on the date of each Incremental Funding shall be subject to the satisfaction of the following conditions:

(a) All representations and warranties of CAC contained in this Agreement shall be true and correct in all material respects on the Initial Funding Date and the date of each Incremental Funding with the same effect as though such representations and warranties had been made on such date and the date of each Incremental Funding;

(b) With respect to those Loans sold and/or contributed on the Initial Funding Date and the date of each Incremental Funding, all information concerning such Loans provided to Funding shall be true and correct in all material respects as of the Initial Funding Date and the date of each Incremental Funding;

(c) CAC shall have substantially performed all other obligations required to be performed by the provisions of this Agreement;

(d) CAC shall have filed or caused to be filed, or shall have delivered for filing, the financing statement(s) required to be filed pursuant to Section 2.1(e); and

(e) All corporate and legal proceedings and all instruments in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to Funding, and Funding shall have received from CAC copies of all documents (including, without

limitation, records of corporate proceedings) relevant to the transactions herein contemplated as Funding may reasonably have requested.

Article VIII

MISCELLANEOUS PROVISIONS

Section VIII.1 Amendment. This Agreement and the rights and obligations of the parties hereunder may not be changed orally, but only by an instrument in writing signed by Funding and CAC and consented to in writing by the Deal Agent.

Section VIII.2 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section VIII.3 Notices. Except where telephonic instructions or notices are authorized herein to be given, all notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be sent electronically or by facsimile transmission with a confirmation of the receipt thereof and shall be deemed to be given for purposes of this Agreement on the day that the receipt of such electronic or facsimile transmission is confirmed in accordance with the provisions of this Section 8.3. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section, notices, demands, instructions (including payment instructions) and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses indicated below, and, in the case of telephonic instructions or notices, by calling the telephone number or numbers indicated for such party below:

(a) in the case of Funding:

CAC Warehouse Funding LLC II
Silver Triangle Building
25505 West Twelve Mile Road
Southfield, Michigan 48034-8339
Attention: Jeff Soutar
Telephone: (248) 353-2700 (ext. 5646)
Telecopy: (866) 743-2704

with a copy to:

Wells Fargo Bank, National Association
550 South Tryon Street
Charlotte, North Carolina 28202
Attention: James B. Brinkley III
Facsimile No.: (704) 410-0223
Confirmation No.: (704) 410-2415

(b) in the case of CAC and in the case of the Servicer (for so long as the Servicer is CAC):

Credit Acceptance Corporation
Silver Triangle Building
25505 West Twelve Mile Road
Southfield, Michigan 48034-8339
Attention: Jeff Soutar
Telephone: (248) 353-2700 (ext. 5646)
Telecopy: (866) 743-2704

or, as to each party, at such other address as shall be designated by such party in a written notice to each other party.

Section VIII.4 Severability of Provisions. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall for any reason whatsoever be held invalid, then such covenants, agreements, provisions, or terms shall be deemed severable from the remaining covenants, agreements, provisions, or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

Section VIII.5 Assignment. This Agreement may not be assigned by the parties hereto, except that Funding may assign its rights hereunder pursuant to the Loan and Security Agreement to the Collateral Agent, for the benefit of the Secured Parties. Funding hereby notifies CAC (and CAC hereby acknowledges) that Funding, pursuant to the Loan and Security Agreement, has assigned its rights hereunder to the Collateral Agent. All rights of Funding hereunder may be exercised by the Collateral Agent or its assignees, to the extent of their respective rights pursuant to such assignments.

Section VIII.6 Further Assurances. Funding and CAC (itself and in its capacity as Servicer) agree to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the other parties in order to more fully effect the purposes of this Agreement, including, without limitation, the execution of any financing statements or continuation statements or equivalent documents relating to the Loans for filing under the provisions of the UCC or other laws of any applicable jurisdiction.

Section VIII.7 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of Funding, CAC, the Collateral Agent or the Deal Agent, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

Section VIII.8 Counterparts. This Agreement may be executed in two or more counterparts including telecopy transmission thereof (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one

and the same instrument. Each party hereto agrees that this Agreement and any other documents to be delivered in connection herewith may be electronically signed. Any electronic signatures appearing on this Agreement or such other documents are the same as handwritten signatures for the purposes of validity, enforceability and admissibility.

Section VIII.9 Binding Effect; Third-Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. The Deal Agent and the Collateral Agent on behalf of the Secured Parties are intended by the parties hereto to be third-party beneficiaries of this Agreement.

Section VIII.10 Merger and Integration. Except as specifically stated otherwise herein, this Agreement sets forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agreement. This Agreement may not be modified, amended, waived or supplemented except as provided herein.

Section VIII.11 Headings. The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

Section VIII.12 Exhibits. The exhibits referred to herein shall constitute a part of this Agreement and are incorporated into this Agreement for all purposes.

Section VIII.13 Covenant Not to File a Bankruptcy Petition. CAC agrees that until one year and one day after such time as the Loan and Security Agreement has been terminated and all Notes thereunder have been paid in full, it shall not (i) institute the filing of a bankruptcy petition against Funding; (ii) file a petition or consent to a petition seeking relief on behalf of Funding under the Bankruptcy Code; or (iii) consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of Funding or any portion of the property of Funding. This Section 8.13 shall survive termination of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Funding and CAC each have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

FUNDING:

CAC WAREHOUSE FUNDING LLC II

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

CAC Warehouse Funding Corporation II Silver Triangle Building
25505 West Twelve Mile Road
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Telephone: (248) 353-2700 (ext. 4432)
Fax: (866) 743-2704

CAC:

CREDIT ACCEPTANCE CORPORATION

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

Credit Acceptance Corporation
Silver Triangle Building
25505 West Twelve Mile Road
Southfield, Michigan 48034-8339
Attention: Douglas W. Busk
Telephone: (248) 353-2700 (ext. 4432)
Fax: (866) 743-2704

List of Conveyed Property.

[Previously delivered to Funding]

Form of Assignment

Dated as of [], 20[]

Reference is made to that certain Fifth Amended and Restated Sale and Contribution Agreement, dated as of April 30, 2021, as amended from time to time (the "Agreement"), by and between Credit Acceptance Corporation, a Michigan corporation ("Credit Acceptance"), and CAC Warehouse Funding LLC II, a Delaware limited liability company ("Funding"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Agreement.

Exhibit A attached hereto (page captioned "Wells Fargo Warehouse") contains a cumulative list of Dealer Loans, and Exhibit B attached hereto (page captioned "Wells Fargo Warehouse") contains a cumulative list of Purchased Loans, in each case that remain transferred or will be transferred pursuant to the Agreement as of [____], 20[____]. The Dealer Loans listed on Exhibit A (page captioned "Wells Fargo Warehouse") and the Purchased Loans listed on Exhibit B (page captioned "Wells Fargo Warehouse") are collectively referred to herein as the "Conveyed Loans."

Pursuant to the Agreement, for good and valuable consideration paid by Funding, the receipt and sufficiency of which are hereby acknowledged, Credit Acceptance does hereby (i) contribute, convey, assign, sell and transfer, to the extent not previously contributed, conveyed, assigned, sold or transferred, and (ii) confirm each prior contribution, conveyance, assignment, sale or transfer, in each case without recourse, except as set forth in the Agreement, to Funding all of its right, title and interest in and to: (A) the Conveyed Loans; (B) all Related Security; (C) all of Credit Acceptance's right, title and interest in and to the Transaction Documents and the assignment to the Collateral Agent of all UCC financing statements filed against Credit Acceptance under or in connection with the Agreement and the other Transaction Documents; and (D) all income, Collections (other than Dealer Collections) and Proceeds of the foregoing, and Funding hereby accepts as a sale and/or contribution, and hereby purchases, pursuant to the terms of the Agreement and this Assignment, all such Conveyed Loans, Related Security and such other property listed herein.

The list of Conveyed Loans attached hereto shall be deemed to update (i) the current Exhibit A to the Agreement as previously delivered to Funding and (ii) the current Schedule IV to the Loan and Security Agreement as previously delivered to the Servicer and the Collateral Agent. For the avoidance of doubt, any deletions or omissions from Exhibit A to the Agreement or Schedule IV to the Loan and Security Agreement shall not be effective except upon compliance with the procedures and requirements of Section 2.13, Section 4.5 or Section 8.2 of the Loan and Security Agreement or Section 6.1 of the Agreement.

It is the express intent of Credit Acceptance and Funding that the conveyance of the Subsequent Conveyed Property by Credit Acceptance to Funding pursuant to this Assignment be construed as an absolute sale and contribution of such Subsequent Conveyed Property by Credit

Acceptance to Funding and that Credit Acceptance relinquishes all right, title and control over the Subsequent Conveyed Property upon the transfer of each such Subsequent Conveyed Property under this Assignment. Further, it is not the intention of Credit Acceptance and Funding that such conveyance be deemed a grant of a security interest in such Subsequent Conveyed Property by Credit Acceptance to Funding in the nature of a consensual lien securing an obligation. However, in the event that, notwithstanding the express intent of the parties, the Subsequent Conveyed Property is construed to constitute property of Credit Acceptance, then the conveyance by Credit Acceptance provided for in this Assignment shall be deemed to be a grant of a security interest. In furtherance thereof, Credit Acceptance hereby grants to Funding, a security interest in, to and under all of Credit Acceptance's right, title and interest in, to and under the Subsequent Conveyed Property, including, in any event the loans described on Exhibits A and B hereto, to secure the obligations of Credit Acceptance set forth in the Agreement.

This Assignment and the covenants and agreements contained herein shall be binding upon Credit Acceptance, its successors and assigns, and shall inure to the benefit of Funding, its successors and assigns.

This Assignment is expressly subject to the terms, conditions, covenants, agreements, representations and warranties set forth in the Agreement.

[signature page follows]

IN WITNESS WHEREOF, each of Credit Acceptance and Funding has caused this Assignment to be executed in its name by a duly authorized representative as of the date first set forth above.

CREDIT ACCEPTANCE CORPORATION

By: _____
Name: Douglas W. Busk
Title: Chief Treasury Officer

CAC WAREHOUSE FUNDING LLC II

By: _____
Name: Douglas W. Busk
Title: Chief Treasury Officer

EXHIBIT A
to Assignment
Cumulative List of Dealer Loan Pools

[Separately provided by CAC]

EXHIBIT B
to Assignment
Cumulative List of Purchased Loans

[Separately provided by CAC]

**CREDIT ACCEPTANCE CORPORATION
NONQUALIFIED STOCK OPTION AGREEMENT**

Credit Acceptance Corporation (the “**Company**”) hereby grants you, **[First Name] [Middle Initial] [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 tenth (10th) 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 Initial] [Last Name]

(Signature)

**CREDIT ACCEPTANCE CORPORATION
NONQUALIFIED STOCK OPTION AGREEMENT**

Credit Acceptance Corporation (the “**Company**”) hereby grants you, **[First Name] [Middle Initial] [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 service of the Optionee to 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 tenth (10th) 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 ("**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 Service.

- (a) Termination Prior to Option Becoming Vested and Exercisable. If, prior to the date that the Option shall first become exercisable the Optionee's service shall be terminated, with or without Cause, or by the death, Disability, retirement or other voluntary cessation of service 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 service 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 service, to exercise the Option to the extent that it was vested and exercisable and is unexercised on the date of such termination of service, 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 service 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 service, subject to any other limitation on exercise in effect at the date of exercise.

5. Taxes. The Optionee understands that the Optionee (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.
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 service is terminated by the Company or any Affiliate thereof without Cause 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 Initial] [Last Name]

(Signature)

CERTIFICATIONS

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: July 29, 2021

/s/ Kenneth S. Booth

Kenneth S. Booth

Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Credit Acceptance Corporation (the "Company") for the quarterly period ended June 30, 2021 (the "Report"), I, Kenneth S. Booth, 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: July 29, 2021

/s/ Kenneth S. Booth

Kenneth S. Booth

Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)