UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

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	**38-1999511**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
25505 W. Twelve Mile Road	
Southfield, Michigan	**48034-8339**
(Address of principal executive offices)	(Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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 o

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. o

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

The number of shares of Common Stock, $.01 par value, outstanding on April 25, 2022 was 13,139,579.

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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	
	March 31, 2022	December 31, 2021
ASSETS:		
Cash and cash equivalents	$ 17.6	$ 23.3
Restricted cash and cash equivalents	481.1	410.9
Restricted securities available for sale	62.4	62.1
Loans receivable	9,198.0	9,349.8
Allowance for credit losses	(2,870.8)	(3,013.5)
Loans receivable, net	6,327.2	6,336.3
Property and equipment, net	56.7	57.3
Income taxes receivable	52.9	109.2
Other assets	40.4	51.8
Total Assets	$ 7,038.3	$ 7,050.9
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	$ 224.5	$ 175.0
Revolving secured line of credit	104.7	2.6
Secured financing	3,832.4	3,811.5
Senior notes	792.5	792.5
Mortgage note	9.4	9.7
Deferred income taxes, net	445.8	435.2
Income taxes payable	0.2	0.2
Total Liabilities	5,409.5	5,226.7
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, 13,363,783 and 14,145,888 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	0.1	0.1
Paid-in capital	211.5	197.2
Retained earnings	1,418.7	1,626.7
Accumulated other comprehensive income (loss)	(1.5)	0.2
Total Shareholders' Equity	1,628.8	1,824.2
Total Liabilities and Shareholders' Equity	$ 7,038.3	$ 7,050.9

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Dollars in millions, except per share data)	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Revenue:		
Finance charges	$ 424.1	$ 424.9
Premiums earned	13.8	14.4
Other income	17.8	11.7
Total revenue	455.7	451.0
Costs and expenses:		
Salaries and wages	64.4	49.3
General and administrative	18.9	46.1
Sales and marketing	19.2	17.2
Provision for credit losses	23.3	21.3
Interest	36.5	43.8
Provision for claims	8.9	9.0
Total costs and expenses	171.2	186.7
Income before provision for income taxes	284.5	264.3
Provision for income taxes	70.2	62.2
Net income	$ 214.3	$ 202.1
Net income per share:		
Basic	$ 15.02	$ 11.85
Diluted	$ 14.94	$ 11.82
Weighted average shares outstanding:		
Basic	14,268,518	17,060,944
Diluted	14,341,523	17,099,058

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In millions)	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Net income	$ 214.3	$ 202.1
Other comprehensive loss, net of tax:		
Unrealized loss on securities, net of tax	(1.7)	(0.7)
Other comprehensive loss	(1.7)	(0.7)
Comprehensive income	$ 212.6	$ 201.4

See accompanying notes to consolidated financial statements.

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

(Dollars in millions)

	For the Three Months Ended March 31, 2022										
	Common Stock										
	Number		Amount		Paid-In Capital		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Total Shareholders' Equity
Balance, beginning of period	14,145,888	$	0.1	$	197.2	$	1,626.7	$	0.2	$	1,824.2
Net income	—		—		—		214.3		—		214.3
Other comprehensive loss	—		—		—		—		(1.7)		(1.7)
Stock-based compensation	—		—		9.1		—		—		9.1
Restricted stock forfeitures	—		—		—		—		—		—
Repurchase of common stock	(803,735)		—		(0.7)		(422.3)		—		(423.0)
Restricted stock units converted to common stock	3,980		—		—		—		—		—
Stock options exercised	17,650		—		5.9		—		—		5.9
Balance, end of period	13,363,783	$	0.1	$	211.5	$	1,418.7	$	(1.5)	$	1,628.8

(Dollars in millions)

	For the Three Months Ended March 31, 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	—		—		—		202.1		—		202.1
Other comprehensive loss	—		—		—		—		(0.7)		(0.7)
Stock-based compensation	—		—		1.1		—		—		1.1
Restricted stock forfeitures	(18)		—		—		—		—		—
Repurchase of common stock	(393,408)		—		(1.3)		(133.9)		—		(135.2)
Restricted stock units converted to common stock	11,416		—		—		—		—		—
Balance, end of period	16,710,422	$	0.2	$	161.7	$	2,207.0	$	0.9	$	2,369.8

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)	For the Three Months Ended March 31, 2022	2021
Cash Flows From Operating Activities:		
Net income	$ 214.3	$ 202.1
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	23.3	21.3
Depreciation	2.3	2.4
Amortization	4.3	4.1
Provision for deferred income taxes	11.0	12.9
Stock-based compensation	9.1	1.1
Other	0.1	(0.1)
Change in operating assets and liabilities:		
Increase in accounts payable and accrued liabilities	43.1	24.0
Decrease in income taxes receivable	56.3	48.7
Decrease in other assets	12.3	8.7
Net cash provided by operating activities	376.1	325.2
Cash Flows From Investing Activities:		
Purchases of restricted securities available for sale	(11.4)	(11.8)
Proceeds from sale of restricted securities available for sale	5.4	5.2
Maturities of restricted securities available for sale	3.4	3.5
Principal collected on Loans receivable	961.9	973.0
Advances to Dealers	(633.8)	(647.1)
Purchases of Consumer Loans	(289.7)	(385.2)
Accelerated payments of Dealer Holdback	(9.4)	(10.4)
Payments of Dealer Holdback	(43.2)	(39.0)
Purchases of property and equipment	(1.7)	(0.8)
Net cash used in investing activities	(18.5)	(112.6)
Cash Flows From Financing Activities:		
Borrowings under revolving secured line of credit	697.8	807.6
Repayments under revolving secured line of credit	(595.7)	(903.5)
Proceeds from secured financing	211.7	728.8
Repayments of secured financing	(193.8)	(521.3)
Payments of debt issuance costs	(0.8)	(7.6)
Repurchase of common stock	(423.0)	(135.2)
Proceeds from stock options exercised	5.9	—
Other	4.8	6.6
Net cash used in financing activities	(293.1)	(24.6)
Net increase in cash and cash equivalents and restricted cash and cash equivalents	64.5	188.0
Cash and cash equivalents and restricted cash and cash equivalents beginning of period	434.2	396.2
Cash and cash equivalents and restricted cash and cash equivalents end of period	$ 498.7	$ 584.2
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	$ 33.6	$ 41.5
Cash paid during the period for income taxes, net of refunds	$ 0.6	$ —

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, 2021 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, 2021 for Credit Acceptance Corporation (the "Company", "Credit Acceptance", "we", "our" or "us").

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

We have evaluated events and transactions occurring subsequent to the consolidated balance sheet date of March 31, 2022 for items that could potentially be recognized or disclosed in these financial statements. We did not identify any items that would require disclosure in or adjustment to the consolidated financial statements.

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.

The vast majority 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:

	For the Three Months Ended March 31,	
Consumer Loan Assignment Volume	**2022**	**2021**
Percentage of total unit volume with either FICO® scores below 650 or no FICO® scores	87.9 %	94.3 %

In 2020, we began piloting an option that expanded our financing programs to consumers with higher credit ratings. In the fourth quarter of 2021, we made this option available to all Dealers. A portion of the reduction in the percentage of total unit volume with FICO® scores below 650 or no FICO® scores relates to Consumer Loans assigned under this option.

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

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

	Unit Volume		Dollar Volume (1)	
Three Months Ended	Dealer Loans	Purchased Loans	Dealer Loans	Purchased Loans
March 31, 2021	65.4 %	34.6 %	62.7 %	37.3 %
June 30, 2021	66.9 %	33.1 %	64.0 %	36.0 %
September 30, 2021	69.9 %	30.1 %	66.8 %	33.2 %
December 31, 2021	71.8 %	28.2 %	68.0 %	32.0 %
March 31, 2022	72.7 %	27.3 %	68.6 %	31.4 %

(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 50 Consumer Loans under the Portfolio Program;
- franchise dealership; or
- independent dealership that meets certain criteria upon enrollment.

Seasonality

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Segment Information

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

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash equivalents consist of readily marketable securities with original maturities at the date of acquisition of three months or less. As of March 31, 2022 and December 31, 2021, we had $17.3 million and $22.9 million, respectively, in cash and cash equivalents that were not insured by the Federal Deposit Insurance Corporation ("FDIC").

Restricted cash and cash equivalents consist of cash pledged as collateral for secured financings and cash held in a trust for future vehicle service contract claims. As of March 31, 2022 and December 31, 2021, we had $477.8 million and $407.9 million, respectively, in restricted cash and cash equivalents that were not insured by the FDIC.

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

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

(In millions)	As of			
	March 31, 2022	December 31, 2021	March 31, 2021	December 31, 2020
Cash and cash equivalents	$ 17.6	$ 23.3	$ 45.7	$ 16.0
Restricted cash and cash equivalents	481.1	410.9	538.5	380.2
Total cash and cash equivalents and restricted cash and cash equivalents	$ 498.7	$ 434.2	$ 584.2	$ 396.2

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, 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.

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. The vast majority 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. During the first quarter of 2022, we removed the COVID forecast adjustment from our estimate of future net cash flows and enhanced our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent data and new forecast variables. For additional information, see Note 6. For the three months ended March 31, 2022 and 2021, 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)
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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.

We report the change in the present value of credit losses attributable to the passage of time as a reduction to finance charges. Accordingly, 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.

New Accounting Update Not Yet Adopted

Troubled Debt Restructurings and Vintage Disclosures. In March 2022, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2022-02, which intends to improve the usefulness of information provided to investors about certain loan refinancings, restructurings, and write-offs. ASU 2022-02 is effective for fiscal years, and interim periods, beginning after December 15, 2022. Early application is permitted, but we have not yet adopted ASU 2022-02. We are currently assessing the impact the adoption of ASU 2022-02 will have 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 by utilizing the discount rate used to calculate the value of our Loans under our non-GAAP floating yield methodology.

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

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

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

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

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

(In millions)	As of March 31, 2022		As of December 31, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 17.6	$ 17.6	$ 23.3	$ 23.3
Restricted cash and cash equivalents	481.1	481.1	410.9	410.9
Restricted securities available for sale	62.4	62.4	62.1	62.1
Loans receivable, net	6,327.2	6,543.7	6,336.3	6,580.4
Liabilities				
Revolving secured line of credit	$ 104.7	$ 104.7	$ 2.6	$ 2.6
Secured financing	3,832.4	3,775.8	3,811.5	3,832.1
Senior notes	792.5	812.7	792.5	825.8
Mortgage note	9.4	9.4	9.7	9.7

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

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

The following table provides the level of measurement used to determine the fair value for each of our financial instruments measured or disclosed at fair value:

(In millions)	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	$ 17.6	$ —	$ —	$ 17.6
Restricted cash and cash equivalents (1)	481.1	—	—	481.1
Restricted securities available for sale (2)	51.4	11.0	—	62.4
Loans receivable, net (1)	—	—	6,543.7	6,543.7
Liabilities				
Revolving secured line of credit (1)	$ —	$ 104.7	$ —	$ 104.7
Secured financing (1)	—	3,775.8	—	3,775.8
Senior notes (1)	812.7	—	—	812.7
Mortgage note (1)	—	9.4	—	9.4

(In millions)	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	$ 23.3	$ —	$ —	$ 23.3
Restricted cash and cash equivalents (1)	410.9	—	—	410.9
Restricted securities available for sale (2)	49.0	13.1	—	62.1
Loans receivable, net (1)	—	—	6,580.4	6,580.4
Liabilities				
Revolving secured line of credit (1)	$ —	$ 2.6	$ —	$ 2.6
Secured financing (1)	—	3,832.1	—	3,832.1
Senior notes (1)	825.8	—	—	825.8
Mortgage note (1)	—	9.7	—	9.7

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

5. RESTRICTED SECURITIES AVAILABLE FOR SALE

Restricted securities available for sale consist of the following:

(In millions)	As of March 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 30.4	$ —	$ (1.1)	$ 29.3
U.S. Government and agency securities	22.8	—	(0.7)	22.1
Asset-backed securities	9.9	—	(0.2)	9.7
Commercial paper	1.0	—	—	1.0
Mortgage-backed securities	0.3	—	—	0.3
Total restricted securities available for sale	$ 64.4	$ —	$ (2.0)	$ 62.4

(In millions)	As of December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 27.3	$ 0.3	$ (0.2)	$ 27.4
U.S. Government and agency securities	21.5	0.2	(0.1)	21.6
Asset-backed securities	12.9	—	(0.1)	12.8
Mortgage-backed securities	0.3	—	—	0.3
Total restricted securities available for sale	$ 62.0	$ 0.5	$ (0.4)	$ 62.1

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

(In millions)	Securities Available for Sale with Gross Unrealized Losses as of March 31, 2022					
	Less than 12 Months		12 Months or More			
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Corporate bonds	$ 21.2	$ (0.7)	$ 4.6	$ (0.4)	$ 25.8	$ (1.1)
U.S. Government and agency securities	19.2	(0.7)	—	—	19.2	(0.7)
Asset-backed securities	8.3	(0.2)	—	—	8.3	(0.2)
Commercial paper	1.0	—	—	—	1.0	—
Mortgage-backed securities	0.3	—	—	—	0.3	—
Total restricted securities available for sale	$ 50.0	$ (1.6)	$ 4.6	$ (0.4)	$ 54.6	$ (2.0)

(In millions)	Securities Available for Sale with Gross Unrealized Losses as of December 31, 2021					
	Less than 12 Months		12 Months or More			
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Corporate bonds	$ 15.0	$ (0.2)	$ 1.3	$ —	$ 16.3	$ (0.2)
U.S. Government and agency securities	10.1	(0.1)	—	—	10.1	(0.1)
Asset-backed securities	8.4	(0.1)	—	—	8.4	(0.1)
Mortgage-backed securities	—	—	—	—	—	—
Total restricted securities available for sale	$ 33.5	$ (0.4)	$ 1.3	$ —	$ 34.8	$ (0.4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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The cost and estimated fair values of debt securities by contractual maturity were as follows (securities with multiple maturity dates are classified in the period of final maturity). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In millions)	As of			
	March 31, 2022		December 31, 2021	
Contractual Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	$ 6.9	$ 6.9	$ 2.9	$ 3.0
Over one year to five years	55.6	53.8	56.9	57.0
Over five years to ten years	1.8	1.6	2.1	2.0
Over ten years	0.1	0.1	0.1	0.1
Total restricted securities available for sale	$ 64.4	$ 62.4	$ 62.0	$ 62.1

6. LOANS RECEIVABLE

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

(In millions)	As of March 31, 2022		
	Dealer Loans	Purchased Loans	Total
Loans receivable	$ 5,689.5	$ 3,508.5	$ 9,198.0
Allowance for credit losses	(1,768.9)	(1,101.9)	(2,870.8)
Loans receivable, net	$ 3,920.6	$ 2,406.6	$ 6,327.2

(In millions)	As of December 31, 2021		
	Dealer Loans	Purchased Loans	Total
Loans receivable	$ 5,655.1	$ 3,694.7	$ 9,349.8
Allowance for credit losses	(1,767.8)	(1,245.7)	(3,013.5)
Loans receivable, net	$ 3,887.3	$ 2,449.0	$ 6,336.3

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

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

(In millions)	For the Three Months Ended March 31, 2022								
	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	$ 5,655.1	$ 3,694.7	$ 9,349.8	$ (1,767.8)	$ (1,245.7)	$ (3,013.5)	$ 3,887.3	$ 2,449.0	$ 6,336.3
Finance charges	336.1	263.9	600.0	(104.7)	(71.2)	(175.9)	231.4	192.7	424.1
Provision for credit losses	—	—	—	(1.5)	(21.8)	(23.3)	(1.5)	(21.8)	(23.3)
New Consumer Loan assignments (1)	633.8	289.7	923.5	—	—	—	633.8	289.7	923.5
Collections (2)	(866.0)	(522.2)	(1,388.2)	—	—	—	(866.0)	(522.2)	(1,388.2)
Accelerated Dealer Holdback payments	9.4	—	9.4	—	—	—	9.4	—	9.4
Dealer Holdback payments	43.2	—	43.2	—	—	—	43.2	—	43.2
Transfers (3)	(25.6)	25.6	—	6.4	(6.4)	—	(19.2)	19.2	—
Write-offs	(98.8)	(244.0)	(342.8)	98.8	244.0	342.8	—	—	—
Recoveries (4)	0.1	0.8	0.9	(0.1)	(0.8)	(0.9)	—	—	—
Deferral of Loan origination costs	2.2	—	2.2	—	—	—	2.2	—	2.2
Balance, end of period	$ 5,689.5	$ 3,508.5	$ 9,198.0	$ (1,768.9)	$ (1,101.9)	$ (2,870.8)	$ 3,920.6	$ 2,406.6	$ 6,327.2

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

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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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)	For the Three Months Ended March 31, 2022		
Provision for Credit Losses	**Dealer Loans**	**Purchased Loans**	**Total**
New Consumer Loan assignments	$ 47.5	$ 55.1	$ 102.6
Forecast changes	(46.0)	(33.3)	(79.3)
Total	$ 1.5	$ 21.8	$ 23.3

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

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)	For the Three Months Ended March 31, 2022		
New Consumer Loan Assignments	**Dealer Loans**	**Purchased Loans**	**Total**
Contractual net cash flows at the time of assignment (1)	$ 971.8	$ 577.8	$ 1,549.6
Expected net cash flows at the time of assignment (2)	879.4	391.3	1,270.7
Loans receivable at the time of assignment (3)	633.8	289.7	923.5
Provision for credit losses expense at the time of assignment	$ (47.5)	$ (55.1)	$ (102.6)
Expected future finance charges at the time of assignment (4)	293.1	156.7	449.8
Expected net Loan income at the time of assignment (5)	$ 245.6	$ 101.6	$ 347.2

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

(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. The Loan amounts also represent the fair value at the time of assignment.
(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)
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A summary of changes in expected future net cash flows is as follows:

(In millions) Expected Future Net Cash Flows	For the Three Months Ended March 31, 2022 Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 5,249.7	$ 3,698.6	$ 8,948.3
New Consumer Loan assignments (1)	879.4	391.3	1,270.7
Realized net cash flows (2)	(813.4)	(522.2)	(1,335.6)
Forecast changes	33.9	76.3	110.2
Transfers (3)	(28.3)	31.9	3.6
Balance, end of period	$ 5,321.3	$ 3,675.9	$ 8,997.2

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

(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 March 31, 2022 with the forecasts as of December 31, 2021 and at the time of assignment, segmented by year of assignment:

	Total Loans as of March 31, 2022				
	Forecasted Collection Percentage as of (1)			Current Forecast Variance from	
Consumer Loan Assignment Year	March 31, 2022	December 31, 2021	Initial Forecast	December 31, 2021	Initial Forecast
2013	73.4 %	73.4 %	72.0 %	0.0 %	1.4 %
2014	71.6 %	71.5 %	71.8 %	0.1 %	-0.2 %
2015	65.2 %	65.1 %	67.7 %	0.1 %	-2.5 %
2016	63.8 %	63.6 %	65.4 %	0.2 %	-1.6 %
2017	64.6 %	64.4 %	64.0 %	0.2 %	0.6 %
2018	65.1 %	65.1 %	63.6 %	0.0 %	1.5 %
2019	66.8 %	66.5 %	64.0 %	0.3 %	2.8 %
2020	68.8 %	67.9 %	63.4 %	0.9 %	5.4 %
2021	68.4 %	66.5 %	66.3 %	1.9 %	2.1 %
2022	66.9 %	—	67.2 %	—	-0.3 %

	Dealer Loans as of March 31, 2022				
	Forecasted Collection Percentage as of (1) (2)			Current Forecast Variance from	
Consumer Loan Assignment Year	March 31, 2022	December 31, 2021	Initial Forecast	December 31, 2021	Initial Forecast
2013	73.3 %	73.3 %	72.1 %	0.0 %	1.2 %
2014	71.5 %	71.4 %	71.9 %	0.1 %	-0.4 %
2015	64.5 %	64.4 %	67.5 %	0.1 %	-3.0 %
2016	63.0 %	62.8 %	65.1 %	0.2 %	-2.1 %
2017	63.9 %	63.8 %	63.8 %	0.1 %	0.1 %
2018	64.6 %	64.6 %	63.6 %	0.0 %	1.0 %
2019	66.5 %	66.2 %	63.9 %	0.3 %	2.6 %
2020	68.6 %	67.6 %	63.3 %	1.0 %	5.3 %
2021	68.2 %	66.2 %	66.3 %	2.0 %	1.9 %
2022	66.9 %	—	67.2 %	—	-0.3 %

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

Consumer Loan Assignment Year	Purchased Loans as of March 31, 2022				
	Forecasted Collection Percentage as of (1) (2)			Current Forecast Variance from	
	March 31, 2022	December 31, 2021	Initial Forecast	December 31, 2021	Initial Forecast
2013	74.2 %	74.2 %	71.6 %	0.0 %	2.6 %
2014	72.4 %	72.4 %	70.9 %	0.0 %	1.5 %
2015	68.9 %	68.9 %	68.5 %	0.0 %	0.4 %
2016	66.1 %	65.8 %	66.5 %	0.3 %	-0.4 %
2017	66.1 %	66.0 %	64.6 %	0.1 %	1.5 %
2018	66.3 %	66.4 %	63.5 %	-0.1 %	2.8 %
2019	67.3 %	67.2 %	64.2 %	0.1 %	3.1 %
2020	69.0 %	68.4 %	63.6 %	0.6 %	5.4 %
2021	68.8 %	67.1 %	66.3 %	1.7 %	2.5 %
2022	67.2 %	—	67.3 %	—	-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 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 March 31, 2022 and December 31, 2021, segmented by year of assignment:

(In millions)	Total Loans as of March 31, 2022 (1) (2)				
	Pre-term Consumer Loans (3)				
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total
2017 and Prior	$ 82.5	$ 33.4	$ 125.8	$ 166.9	$ 408.6
2018	362.9	134.6	307.9	11.4	816.8
2019	907.0	325.6	515.9	2.3	1,750.8
2020	1,355.4	443.7	416.1	0.1	2,215.3
2021	2,192.2	542.9	198.9	—	2,934.0
2022	1,026.0	46.5	—	—	1,072.5
	$ 5,926.0	$ 1,526.7	$ 1,564.6	$ 180.7	$ 9,198.0

(In millions)	Dealer Loans as of March 31, 2022 (1)				
	Pre-term Consumer Loans (3)				
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total
2017 and Prior	$ 38.1	$ 15.4	$ 56.0	$ 110.0	$ 219.5
2018	180.6	66.9	150.4	7.2	405.1
2019	437.2	153.1	243.2	1.4	834.9
2020	864.9	276.6	259.4	0.1	1,401.0
2021	1,527.4	375.3	135.0	—	2,037.7
2022	756.6	34.7	—	—	791.3
	$ 3,804.8	$ 922.0	$ 844.0	$ 118.7	$ 5,689.5

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

(In millions)	Purchased Loans as of March 31, 2022 (2)				
	Pre-term Consumer Loans (3)				
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total
2017 and Prior	$ 44.4	$ 18.0	$ 69.8	$ 56.9	$ 189.1
2018	182.3	67.7	157.5	4.2	411.7
2019	469.8	172.5	272.7	0.9	915.9
2020	490.5	167.1	156.7	—	814.3
2021	664.8	167.6	63.9	—	896.3
2022	269.4	11.8	—	—	281.2
	$ 2,121.2	$ 604.7	$ 720.6	$ 62.0	$ 3,508.5

(In millions)	Total Loans as of December 31, 2021 (1) (2)				
	Pre-term Consumer Loans (3)				
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total
2016 and Prior	$ 7.4	$ 3.4	$ 38.6	$ 117.5	$ 166.9
2017	93.4	35.0	155.7	34.5	318.6
2018	452.4	169.9	395.1	6.7	1,024.1
2019	1,085.4	410.7	580.8	1.1	2,078.0
2020	1,586.4	538.6	405.5	—	2,530.5
2021	2,555.5	554.5	121.7	—	3,231.7
	$ 5,780.5	$ 1,712.1	$ 1,697.4	$ 159.8	$ 9,349.8

(In millions)	Dealer Loans as of December 31, 2021 (1)				
	Pre-term Consumer Loans (3)				
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total
2016 and Prior	$ 2.5	$ 1.1	$ 12.8	$ 82.2	$ 98.6
2017	44.9	16.8	75.2	21.8	158.7
2018	228.7	84.0	195.9	4.2	512.8
2019	530.7	194.2	276.3	0.7	1,001.9
2020	1,025.5	337.9	254.0	—	1,617.4
2021	1,800.5	382.8	82.4	—	2,265.7
	$ 3,632.8	$ 1,016.8	$ 896.6	$ 108.9	$ 5,655.1

(In millions)	Purchased Loans as of December 31, 2021 (2)				
	Pre-term Consumer Loans (3)				
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total
2016 and Prior	$ 4.9	$ 2.3	$ 25.8	$ 35.3	$ 68.3
2017	48.5	18.2	80.5	12.7	159.9
2018	223.7	85.9	199.2	2.5	511.3
2019	554.7	216.5	304.5	0.4	1,076.1
2020	560.9	200.7	151.5	—	913.1
2021	755.0	171.7	39.3	—	966.0
	$ 2,147.7	$ 695.3	$ 800.8	$ 50.9	$ 3,694.7

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.

The COVID-19 pandemic created conditions that increased the level of uncertainty associated with our estimate of the amount and timing of future net cash flows from our Loan portfolio. During the first quarter of 2020, we applied a subjective adjustment to our forecasting model to reflect our best estimate of the future impact of the COVID-19 pandemic on future net cash flows ("COVID forecast adjustment"), which reduced our estimate of future net cash flows by $162.2 million. We continued to apply the COVID forecast adjustment through the end of 2021 as it continued to represent our best estimate. During the first quarter of 2022, we determined that we had sufficient Consumer Loan performance experience since the lapse of federal stimulus payments and enhanced unemployment benefits to refine our estimate of future net cash flows. Accordingly, during the first quarter of 2022, we removed the COVID forecast adjustment and enhanced our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent data and new forecast variables. Under CECL, changes in the amount and timing of forecasted net cash flows are recorded as a provision for credit losses in the period of change.

The removal of the COVID forecast adjustment and the implementation of the enhanced forecasting methodology impacted forecasted net cash flows and provision for credit losses as follows:

(In millions)	Increase / (Decrease) in	
Forecasting Methodology Changes	**Forecasted Net Cash Flows**	**Provision for Credi Losses**
Removal of COVID forecast adjustment	$ 149.5	$ (118
Implementation of enhanced forecasting methodology	(53.8)	47
Total	$ 95.7	$ (70

7. REINSURANCE

A summary of reinsurance activity is as follows:

(In millions)	For the Three Months Ended March 31,	
	2022	**2021**
Net assumed written premiums	$ 17.7	$ 18.7
Net premiums earned	13.8	14.4
Provision for claims	8.9	9.0
Amortization of capitalized acquisition costs	0.4	0.4

The trust assets and related reinsurance liabilities are as follows:

(In millions)		As of	
	Balance Sheet location	**March 31, 2022**	**December 31, 2021**
Trust assets	Restricted cash and cash equivalents	$ 1.1	$ 0.3
Trust assets	Restricted securities available for sale	62.4	62.1
Unearned premium	Accounts payable and accrued liabilities	48.5	44.6
Claims reserve (1)	Accounts payable and accrued liabilities	2.3	2.4

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

8. OTHER INCOME

Other income consists of the following:

(In millions)	For the Three Months Ended March 31,	
	2022	2021
Ancillary product profit sharing	$ 14.7	$ 8.2
Remarketing fees	2.0	2.2
Dealer enrollment fees	0.4	0.4
Dealer support products and services	0.4	0.4
Interest	0.3	0.3
Other	—	0.2
Total	$ 17.8	$ 11.7

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 March 31, 2022					
	Ancillary product profit sharing	Remarketing fees	Dealer enrollment fees	Dealer support products and services	Interest	Total Other Income
Source of income						
Third Party Providers	$ 14.7	$ —	$ —	$ —	$ 0.3	$ 15.0
Dealers	—	2.0	0.4	0.4	—	2.8
Total	$ 14.7	$ 2.0	$ 0.4	$ 0.4	$ 0.3	$ 17.8
Timing of revenue recognition						
Over time	$ 14.7	$ —	$ 0.4	$ —	$ 0.3	$ 15.4
At a point in time	—	2.0	—	0.4	—	2.4
Total	$ 14.7	$ 2.0	$ 0.4	$ 0.4	$ 0.3	$ 17.8

9. DEBT

Debt consists of the following:

(In millions)	As of March 31, 2022		
	Principal Outstanding	Unamortized Debt Issuance Costs	Carrying Amount
Revolving secured line of credit (1)	$ 104.7	$ —	$ 104.7
Secured financing (2)	3,848.4	(16.0)	3,832.4
Senior notes	800.0	(7.5)	792.5
Mortgage note	9.4	—	9.4
Total debt	$ 4,762.5	$ (23.5)	$ 4,739.0

(In millions)	As of December 31, 2021		
	Principal Outstanding	Unamortized Debt Issuance Costs	Carrying Amount
Revolving secured line of credit (1)	$ 2.6	$ —	$ 2.6
Secured financing (2)	3,830.4	(18.9)	3,811.5
Senior notes	800.0	(7.5)	792.5
Mortgage note	9.7	—	9.7
Total debt	$ 4,642.7	$ (26.4)	$ 4,616.3

(1) Excludes deferred debt issuance costs of $3.2 million and $3.6 million as of March 31, 2022 and December 31, 2021, respectively, which are included in other assets.
(2) Warehouse facilities and Term ABS.

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

General information for each of our financing transactions in place as of March 31, 2022 is as follows:

(Dollars in millions)

Financings	Wholly Owned Subsidiary	Maturity Date		Financing Amount		Interest Rate Basis as of March 31, 2022
Revolving Secured Line of Credit	n/a	06/22/2024		$ 435.0	(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	09/30/2024	(3)	75.0		LIBOR plus 200 basis points
Warehouse Facility VIII (2)	CAC Warehouse Funding LLC VIII	09/01/2024	(3)	200.0		LIBOR plus 190 basis points (4)
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	(6)	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
Term ABS 2021-4 (2)	Credit Acceptance Funding LLC 2021-4	10/16/2023	(3)	250.1		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 by $35.0 million on June 22, 2022 and will further decrease by $25.0 million on June 22, 2023.
(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 Company has the option to redeem and retire the indebtedness after the revolving maturity date. If we do not elect this option, the outstanding balance will amortize based on the cash flows of the pledged assets.

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

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

(In millions)	For the Three Months Ended March 31,	
	2022	2021
Revolving Secured Line of Credit		
Maximum outstanding principal balance	$ 240.8	$ 216.0
Average outstanding principal balance	45.4	68.9
Warehouse Facility II		
Maximum outstanding principal balance	201.0	201.0
Average outstanding principal balance	8.9	42.8
Warehouse Facility IV		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—
Warehouse Facility V		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—
Warehouse Facility VI		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—
Warehouse Facility VIII		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—

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

(Dollars in millions)	As of	
	March 31, 2022	December 31, 2021
Revolving Secured Line of Credit		
Principal balance outstanding	$ 104.7	$ 2.6
Amount available for borrowing (1)	330.3	432.4
Interest rate	2.33 %	1.98 %
Warehouse Facility II		
Principal balance outstanding	$ 201.0	$ —
Amount available for borrowing (1)	199.0	400.0
Loans pledged as collateral	272.8	—
Restricted cash and cash equivalents pledged as collateral	5.1	1.0
Interest rate	2.20 %	— %
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 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 2019-1		
Principal balance outstanding	$ 61.0	$ 124.6
Loans pledged as collateral	244.7	292.4
Restricted cash and cash equivalents pledged as collateral	34.2	31.8
Interest rate	3.94 %	3.86 %
Term ABS 2019-2		
Principal balance outstanding	$ 500.0	$ 500.0
Loans pledged as collateral	590.6	582.1
Restricted cash and cash equivalents pledged as collateral	60.0	50.7
Interest rate	3.13 %	3.13 %

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Term ABS 2019-3				
Principal balance outstanding	$	247.1	$	323.9
Loans pledged as collateral		326.4		382.9
Restricted cash and cash equivalents pledged as collateral		39.3		36.5
Interest rate		2.64 %		2.58 %
Term ABS 2020-1				
Principal balance outstanding	$	457.4	$	500.0
Loans pledged as collateral		562.6		591.6
Restricted cash and cash equivalents pledged as collateral		61.1		51.9
Interest rate		2.20 %		2.18 %
Term ABS 2020-2				
Principal balance outstanding	$	481.8	$	481.8
Loans pledged as collateral		578.3		579.5
Restricted cash and cash equivalents pledged as collateral		60.5		50.1
Interest rate		1.65 %		1.65 %
Term ABS 2020-3				
Principal balance outstanding	$	600.0	$	600.0
Loans pledged as collateral		704.5		688.1
Restricted cash and cash equivalents pledged as collateral		68.4		58.4
Interest rate		1.44 %		1.44 %
Term ABS 2021-1				
Principal balance outstanding	$	100.0	$	100.0
Loans pledged as collateral		135.4		143.7
Restricted cash and cash equivalents pledged as collateral		12.0		10.2
Interest rate		2.10 %		2.10 %
Term ABS 2021-2				
Principal balance outstanding	$	500.0	$	500.0
Loans pledged as collateral		596.8		618.7
Restricted cash and cash equivalents pledged as collateral		56.7		49.2
Interest rate		1.12 %		1.12 %
Term ABS 2021-3				
Principal balance outstanding	$	450.0	$	450.0
Loans pledged as collateral		598.5		619.8
Restricted cash and cash equivalents pledged as collateral		53.8		46.5
Interest rate		1.14 %		1.14 %
Term ABS 2021-4				
Principal balance outstanding	$	250.1	$	250.1
Loans pledged as collateral		280.9		281.2
Restricted cash and cash equivalents pledged as collateral		27.0		22.1
Interest rate		1.44 %		1.44 %
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	$	9.4	$	9.7
Interest rate		1.73 %		1.60 %

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

Revolving Secured Line of Credit Facility

We have a $435.0 million revolving secured line of credit facility with a commercial bank syndicate. The amount of the facility will decrease by $35.0 million on June 22, 2022 and will further decrease by $25.0 million on June 22, 2023. 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 five Warehouse facilities with total borrowing capacity of $1,100.0 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 an increase in the value of our 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.

The subsidiaries pay us a monthly servicing fee equal to 6% (4% for Warehouse Facility II and Warehouse Facility VIII) 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 is entitled to any collections remaining after the payment of interest, certain other transaction expenses and any amounts necessary to satisfy the borrowing base requirements of the facility.

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 their respective lenders. The Term ABS 2019-1, 2019-3, 2020-1, 2020-2, 2020-3, 2021-2, 2021-3 and 2021-4 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 (other than those of Term ABS 2019-2 and 2021-1) 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, 2021-3 and 2021-4) 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 any collections remaining after payment of interest, certain other transaction expenses and any amounts necessary to satisfy the borrowing base requirements of the facility. 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 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
Term ABS 2021-4	October 28, 2021	312.6	Through October 16, 2023

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 and cash on hand to the extent available, to redeem in full the $250.0 million outstanding principal amount of our 7.375% senior notes due 2023 (the “2023 senior notes”) on March 15, 2020. During the fourth quarter of 2019, we recognized a pre-tax loss on extinguishment of debt of $1.8 million related to the repurchase of the 2021 senior notes in the fourth quarter of 2019 and the irrevocable notice given in December 2019 for the redemption of the remaining 2021 senior notes in the first quarter of 2020. During the first quarter of 2020, we recognized a pre-tax loss on extinguishment of debt of $7.4 million related to the redemption of the 2023 senior notes.

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

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

The 2024 senior notes and 2026 senior notes (the “senior notes”) are guaranteed on a senior basis by the Guarantors, which are also guarantors of obligations under our revolving secured line of credit facility. Other existing and future subsidiaries of ours may become guarantors of the senior notes in the future. The indentures for the senior notes provide for a guarantor of the senior notes to be released from its obligations under its guarantee of the senior notes under specified circumstances.

Mortgage Note

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

Debt Covenants

As of March 31, 2022, we were in compliance with our covenants under the revolving secured line of credit facility and our Warehouse facilities, including those that require the maintenance of certain financial ratios and other financial conditions. These covenants require a minimum ratio of (1) our net earnings, adjusted for specified items, before income taxes, depreciation, amortization and fixed charges to (2) our fixed charges, as defined in the agreements. These covenants also limit the maximum ratio of our funded debt less unrestricted cash and cash equivalents to tangible net worth. Additionally, we must maintain consolidated net income, as defined in the agreements, of not less than $1 for the two most recently ended fiscal quarters. Some of these covenants may indirectly limit the repurchase of common stock or payment of dividends on common stock. Our Warehouse facilities also contain covenants that measure the performance of the contributed assets.

Our Term ABS financings also contain covenants that measure the performance of the contributed assets. As of March 31, 2022, 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.

10. DERIVATIVE AND HEDGING INSTRUMENTS

Interest Rate Caps. We utilize interest rate cap agreements to manage the interest rate risk on certain secured financings. The following tables provide the terms of our interest rate cap agreements that were in effect as of March 31, 2022 and December 31, 2021:

(Dollars in millions)

As of March 31, 2022						
Facility Amount	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)
$ 400.0	Warehouse Facility II	Cap Floating Rate	12/2020	07/2022	$ 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 %
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, 2021						
Facility Amount	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)
$ 400.0	Warehouse Facility II	Cap Floating Rate	12/2020	07/2022	$ 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 %
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 %

(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 March 31, 2022 and December 31, 2021, the interest rate caps had a fair value of $1.4 million and $0.2 million, respectively, as the capped rates were significantly above market rates. The increase in fair value from December 31, 2021 was the result of an increase in market rates.

11. INCOME TAXES

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

	For the Three Months Ended March 31,	
	2022	2021
U.S. federal statutory income tax rate	21.0 %	21.0 %
State income taxes	3.1 %	2.8 %
Excess tax benefits from stock-based compensation	-0.2 %	-0.4 %
Other	0.8 %	0.1 %
Effective income tax rate	24.7 %	23.5 %

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 for the three months ended March 31, 2022 increased from the same period in 2021 primarily due to an increase in the proportion of pre-tax income reserved for uncertain tax positions.

Excess tax benefits from stock-based compensation

We recognize an excess tax benefit or tax deficiency when the deduction for the stock-based compensation expense of a stock award for tax purposes differs from the cumulative stock-based compensation expense recognized in the financial statements. The excess tax benefit or tax deficiency is recognized in provision for income taxes in the period in which the amount of the deduction is determined, which is when restricted stock vests, restricted stock units are converted to common stock or stock options are exercised. Excess tax benefits reduce our effective income tax rate, while tax deficiencies increase our effective income tax rate. The impact of excess tax benefits on our effective income tax rate for the three months ended March 31, 2022 decreased from the same period in 2021 primarily due to a decrease in the number of restricted stock units that were converted to common stock during the first quarter of 2022 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 of other items on our effective income tax rate for the three months ended March 31, 2022 increased from the same period in 2021 primarily due to an increase in non-deductible executive compensation, which was primarily the result of stock options granted under our Amended and Restated Incentive Compensation Plan (the “Incentive Plan”). For additional information, see Note 14.

12. NET INCOME PER SHARE

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

	For the Three Months Ended March 31,	
	2022	2021
Weighted average shares outstanding:		
Common shares	13,902,465	16,736,086
Vested restricted stock units	366,053	324,858
Basic number of weighted average shares outstanding	14,268,518	17,060,944
Dilutive effect of restricted stock, restricted stock units and stock options	73,005	38,114
Dilutive number of weighted average shares outstanding	14,341,523	17,099,058

For the three months ended March 31, 2022, there were 45,600 stock options outstanding that were excluded from the computation of diluted net income per share because their inclusion would have been anti-dilutive. For the three months ended March 31, 2022, there were no shares of restricted stock or restricted stock units outstanding that were excluded from the computation of diluted net income per share because their inclusion would have been anti-dilutive. For the three months ended March 31, 2021, there were no stock options, shares of restricted stock or restricted stock units outstanding that were excluded from the computation of diluted net income per share because their inclusion would have been anti-dilutive.

13. STOCK REPURCHASES

The following table summarizes our stock repurchases for the three months ended March 31, 2022 and 2021:

(Dollars in millions)	For the Three Months Ended March 31,			
	2022		2021	
Stock Repurchases	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost
Open Market (1)	801,990	$ 422.0	386,342	$ 132.5
Other (2)	1,745	1.0	7,066	2.7
Total	803,735	$ 423.0	393,408	$ 135.2

(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 through privately negotiated transactions, through block trades, pursuant to trading plans adopted in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934 or otherwise. On September 28, 2021, the board of directors authorized the repurchase of up to two million shares of our common stock in addition to the board's prior authorizations. As of March 31, 2022, we had authorization to repurchase 823,560 shares of our common stock.

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

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

14. STOCK-BASED COMPENSATION PLANS

Stock-based compensation expense consists of the following:

(In millions)	For the Three Months Ended March 31,	
	2022	2021
Stock options	$ 8.5	$ —
Restricted stock units	0.6	0.7
Restricted stock	—	0.4
Total	$ 9.1	$ 1.1

From December 2020 through June 2021, we granted 770,500 stock options, subject to shareholder approval of an amendment to the Incentive Plan ("Shareholder Approval"). 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 previously-awarded stock options is July 21, 2021, and no expense was recognized for stock options prior to that date.

We expect to recognize the future stock-based compensation expense as follows:

(in millions)

Year	Total Projected Stock-Based Compensation Expense
Remainder of 2022	$ 26.3
2023	34.3
2024	33.5
2025	3.3
2026	0.1
Total	$ 97.5

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, 2021.

On December 1, 2021, we received a subpoena from the Office of the Attorney General for the State of California seeking documents and information regarding GAP products, GAP product administration and refunds. We are cooperating with this 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 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 investigation and cannot predict its eventual scope, duration or outcome at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from this investigation.

On April 22, 2019, we received a civil investigative demand from the Bureau of Consumer Financial Protection (the "Bureau") seeking, among other things, certain information relating to the Company's origination and collection of Consumer Loans, TPPs and credit reporting. On May 7, 2020, we received another civil investigative demand from the Bureau seeking additional information relating to its investigation. The Company raised various objections to the May 7, 2020 civil investigative demand, and on May 26, 2020, we were notified that it was withdrawn. On June 1, 2020, we received another civil investigative demand that was similar to the May 7, 2020 demand, and which raised many of the same objections. We formally petitioned the Bureau to modify the June 1, 2020 civil investigative demand. On September 3, 2020, the Director of the Bureau denied our petition to modify the June 1, 2020 civil investigative demand. On December 23, 2020, we received a civil investigative demand for investigational hearings in connection with the Bureau's investigation. The Company objected to certain portions of the civil investigative demands for hearings and, on January 19, 2021, the Bureau notified the Company that it had withdrawn such portions from the December 23, 2020 civil investigative demands. On March 11, 2021, we received another civil investigative demand from the Bureau seeking additional information relating to its investigation and an investigational hearing. On June 3, 2021, we received another civil investigative demand from the Bureau seeking additional information relating to its investigation. On December 6, 2021, we received a Notice and Opportunity to Respond and Advise ("NORA") letter from the Staff of the Office of Enforcement ("Staff") of the Bureau, stating that Staff is considering whether to recommend that the Bureau take legal action against the Company for alleged violations of the Consumer Financial Protection Act (the "CFPA") in connection with the Company's consumer loan origination practices. The NORA letter states that the Bureau may allege that the Company (i) committed abusive and unfair acts or practices in violation of 12 U.S.C. § 5531(c) and (d) and 12 U.S.C. § 5536(a)(1)(B) and (ii) substantially assisted the deceptive acts of others in violation of 12 U.S.C. § 5536 (a)(3). The NORA letter also states that, in connection with any action, the Bureau may seek all remedies available under the CFPA, including civil money penalties, consumer redress and injunctive relief. On January 18, 2022, the Company responded to the NORA letter disputing that it had committed any violations. On March 7, 2022, we received another civil investigative demand from the Bureau seeking additional information relating to its investigation. We cannot predict the eventual scope, duration or outcome of the investigation 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 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 41 other states (Alabama, Alaska, Arizona, Arkansas, California, Colorado, 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 investigations and cannot predict their 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.

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

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in Item 8 - Financial Statements and Supplementary Data, of our 2021 Annual Report on Form 10-K, as well as Part I - Item 1 - Financial Statements, of this Form 10-Q, which is incorporated herein by reference.

Overview

We offer financing programs that enable automobile dealers to sell vehicles to consumers, regardless of their credit history. Our financing programs are offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our financing programs, but who actually end up qualifying for traditional financing.

For the three months ended March 31, 2022, consolidated net income was $214.3 million, or $14.94 per diluted share, compared to consolidated net income of $202.1 million, or $11.82 per diluted share, for the same period in 2021 primarily due to a decrease in operating expenses, a decrease in interest expense and an increase in other income. Our results for the three months ended March 31, 2022 included:

- An increase in forecasted collection rates for Consumer Loans assigned in 2016, 2017 and 2019 through 2021, which increased forecasted net cash flows from our loan portfolio by $110.2 million.
- Forecasted profitability per Consumer Loan assignment that has significantly exceeded our initial estimates for Consumer Loans assigned in 2018 through 2021.
- A decline in Consumer Loan assignment volume, as unit and dollar volumes declined 22.1% and 10.5%, respectively, as compared to the first quarter of 2021.
- Stock repurchases of approximately 802,000 shares, which represented 5.7% of the shares outstanding at the beginning of the quarter.

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 the objective to maximize economic profit over the long term. Economic profit is a non-GAAP financial measure we use to evaluate our financial results and determine certain incentive compensation. We also use economic profit as a framework to evaluate business decisions and strategies. Economic profit measures how efficiently we utilize our total capital, both debt and equity, and is a function of the return on capital in excess of the cost of capital and the amount of capital invested in the business.

Consumer Loan Metrics

At the time a Consumer Loan is submitted to us for assignment, we forecast future expected cash flows from the Consumer Loan. Based on the amount and timing of these forecasts and expected expense levels, an advance or one-time purchase payment is made to the related Dealer at a price designed to maximize economic profit.

We use a statistical model to estimate the expected collection rate for each Consumer Loan at the time of assignment. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. By comparing our current expected collection rate for each Consumer Loan with the rate we projected at the time of assignment, we are able to assess the accuracy of our initial forecast. The following table compares our forecast of Consumer Loan collection rates as of March 31, 2022 with the forecasts as of December 31, 2021 and at the time of assignment, segmented by year of assignment:

	Forecasted Collection Percentage as of (1)			Current Forecast Variance from	
Consumer Loan Assignment Year	March 31, 2022	December 31, 2021	Initial Forecast	December 31, 2021	Initial Forecast
2013	73.4 %	73.4 %	72.0 %	0.0 %	1.4 %
2014	71.6 %	71.5 %	71.8 %	0.1 %	-0.2 %
2015	65.2 %	65.1 %	67.7 %	0.1 %	-2.5 %
2016	63.8 %	63.6 %	65.4 %	0.2 %	-1.6 %
2017	64.6 %	64.4 %	64.0 %	0.2 %	0.6 %
2018	65.1 %	65.1 %	63.6 %	0.0 %	1.5 %
2019	66.8 %	66.5 %	64.0 %	0.3 %	2.8 %
2020	68.8 %	67.9 %	63.4 %	0.9 %	5.4 %
2021	68.4 %	66.5 %	66.3 %	1.9 %	2.1 %
2022	66.9 %	—	67.2 %	—	-0.3 %

(1) Represents the total forecasted collections we expect to collect on the Consumer Loans as a percentage of the repayments that we were contractually owed on the Consumer Loans at the time of assignment. Contractual repayments include both principal and interest. Forecasted collection rates are negatively impacted by canceled Consumer Loans as the contractual amount owed is not removed from the denominator for purposes of computing forecasted collection rates in the table.

Consumer Loans assigned in 2013 and 2018 through 2021 have yielded forecasted collection results significantly better than our initial estimates, while Consumer Loans assigned in 2015 and 2016 have yielded forecasted collection results significantly worse than our initial estimates. For all other assignment years presented, actual results have been close to our initial estimates. For the three months ended March 31, 2022, forecasted collection rates improved for Consumer Loans assigned in 2016, 2017 and 2019 through 2021 and were generally consistent with expectations at the start of the period for all other assignment years presented.

The changes in forecasted collection rates for the three months ended March 31, 2022 and 2021 impacted forecasted net cash flows (forecasted collections less forecasted Dealer Holdback payments) as follows:

(In millions)	For the Three Months Ended March 31,	
Increase in Forecasted Net Cash Flows	2022	2021
Dealer Loans	$ 33.9	$ 26.7
Purchased Loans	76.3	80.7
Total	$ 110.2	$ 107.4

The COVID-19 pandemic created conditions that increased the level of uncertainty associated with our estimate of the amount and timing of future net cash flows from our Loan portfolio. During the first quarter of 2020, we applied a subjective adjustment to our forecasting model to reflect our best estimate of the future impact of the COVID-19 pandemic on future net cash flows ("COVID forecast adjustment"), which reduced our estimate of future net cash flows by $162.2 million. We continued to apply the COVID forecast adjustment through the end of 2021 as it continued to represent our best estimate. During the first quarter of 2022, we determined that we had sufficient Consumer Loan performance experience since the lapse of federal stimulus payments and enhanced unemployment benefits to refine our estimate of future net cash flows. Accordingly, during the first quarter of 2022, we removed the COVID forecast adjustment and enhanced our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent data and new forecast variables. Under CECL, changes in the amount and timing of forecasted net cash flows are recorded as a provision for credit losses in the period of change.

The removal of the COVID forecast adjustment and the implementation of the enhanced forecasting methodology impacted forecasted net cash flows and provision for credit losses as follows:

(In millions)	Increase / (Decrease) in	
Forecasting Methodology Changes	Forecasted Net Cash Flows	Provision for Credi Losses
Removal of COVID forecast adjustment	$ 149.5	$ (118
Implementation of enhanced forecasting methodology	(53.8)	47
Total	$ 95.7	$ (70

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

	Average		
Consumer Loan Assignment Year	Consumer Loan (1)	Advance (2)	Initial Loan Term (in months)
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	25,632	11,790	59
2022	26,504	12,677	58

(1) Represents the repayments that we were contractually owed on Consumer Loans at the time of assignment, which include both principal and interest.
(2) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

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

The following table presents forecasted Consumer Loan collection rates, advance rates, the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that had been realized as of March 31, 2022. 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.

	As of March 31, 2022			
Consumer Loan Assignment Year	**Forecasted Collection %**	**Advance % (1)**	**Spread %**	**% of Forecast Realized (2)**
2013	73.4 %	47.6 %	25.8 %	99.7 %
2014	71.6 %	47.7 %	23.9 %	99.4 %
2015	65.2 %	44.5 %	20.7 %	98.8 %
2016	63.8 %	43.8 %	20.0 %	97.8 %
2017	64.6 %	43.2 %	21.4 %	94.7 %
2018	65.1 %	43.5 %	21.6 %	86.4 %
2019	66.8 %	44.0 %	22.8 %	72.8 %
2020	68.8 %	43.9 %	24.9 %	53.3 %
2021	68.4 %	46.0 %	22.4 %	25.5 %
2022	66.9 %	47.8 %	19.1 %	2.4 %

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

The risk of a material change in our forecasted collection rate declines as the Consumer Loans age. For 2017 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 19.1% to 25.8%, on an annual basis, over the last 10 years. The spreads in 2019 through 2021 were positively impacted by Consumer Loan performance, which has exceeded our initial estimates by a greater margin than the other years presented. The decrease in the spread from 2021 to 2022 was primarily due to the performance of 2021 Consumer Loans, which has significantly exceeded our initial estimates, and a lower initial spread on 2022 Consumer Loans due to the advance rate increasing by a greater margin than the initial forecast.

The following table compares our forecast of Consumer Loan collection rates as of March 31, 2022 with the forecasts at the time of assignment, for Dealer Loans and Purchased Loans separately:

	Dealer Loans			Purchased Loans		
	Forecasted Collection Percentage as of (1)			Forecasted Collection Percentage as of (1)		
Consumer Loan Assignment Year	March 31, 2022	Initial Forecast	Variance	March 31, 2022	Initial Forecast	Variance
2013	73.3 %	72.1 %	1.2 %	74.2 %	71.6 %	2.6 %
2014	71.5 %	71.9 %	-0.4 %	72.4 %	70.9 %	1.5 %
2015	64.5 %	67.5 %	-3.0 %	68.9 %	68.5 %	0.4 %
2016	63.0 %	65.1 %	-2.1 %	66.1 %	66.5 %	-0.4 %
2017	63.9 %	63.8 %	0.1 %	66.1 %	64.6 %	1.5 %
2018	64.6 %	63.6 %	1.0 %	66.3 %	63.5 %	2.8 %
2019	66.5 %	63.9 %	2.6 %	67.3 %	64.2 %	3.1 %
2020	68.6 %	63.3 %	5.3 %	69.0 %	63.6 %	5.4 %
2021	68.2 %	66.3 %	1.9 %	68.8 %	66.3 %	2.5 %
2022	66.9 %	67.2 %	-0.3 %	67.2 %	67.3 %	-0.1 %

(1) The forecasted collection rates presented for Dealer Loans and Purchased Loans reflect the Consumer Loan classification at the time of assignment. The forecasted collection rates represent the total forecasted collections we expect to collect on the Consumer Loans as a percentage of the repayments that we were contractually owed on the Consumer Loans at the time of assignment. Contractual repayments include both principal and interest. Forecasted collection rates are negatively impacted by canceled Consumer Loans as the contractual amount owed is not removed from the denominator for purposes of computing forecasted collection rates in the table.

The following table presents forecasted Consumer Loan collection rates, advance rates, and the spread (the forecasted collection rate less the advance rate) as of March 31, 2022 for Dealer Loans and Purchased Loans separately. All amounts are presented as a percentage of the initial balance of the Consumer Loan (principal + interest).

	Dealer Loans			Purchased Loans		
Consumer Loan Assignment Year	Forecasted Collection % (1)	Advance % (1)(2)	Spread %	Forecasted Collection % (1)	Advance % (1)(2)	Spread %
2013	73.3 %	47.2 %	26.1 %	74.2 %	51.5 %	22.7 %
2014	71.5 %	47.2 %	24.3 %	72.4 %	51.8 %	20.6 %
2015	64.5 %	43.4 %	21.1 %	68.9 %	50.2 %	18.7 %
2016	63.0 %	42.1 %	20.9 %	66.1 %	48.6 %	17.5 %
2017	63.9 %	42.1 %	21.8 %	66.1 %	45.8 %	20.3 %
2018	64.6 %	42.7 %	21.9 %	66.3 %	45.2 %	21.1 %
2019	66.5 %	43.1 %	23.4 %	67.3 %	45.6 %	21.7 %
2020	68.6 %	43.0 %	25.6 %	69.0 %	45.5 %	23.5 %
2021	68.2 %	45.1 %	23.1 %	68.8 %	47.7 %	21.1 %
2022	66.9 %	46.9 %	20.0 %	67.2 %	50.1 %	17.1 %

(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 23.1% in 2021 to 20.0% in 2022 primarily as a result of the performance of the 2021 Consumer Loans in our Dealer Loan portfolio, which has significantly exceeded our initial estimates, and a lower initial spread on 2022 Consumer Loans in our Dealer Loan portfolio, due to the advance rate increasing by a greater margin than the initial forecast in our Dealer Loan portfolio. The spread on Purchased Loans decreased from 21.1% in 2021 to 17.1% in 2022 primarily as a result of the performance of the 2021 Consumer Loans in our Purchased Loan portfolio, which has significantly exceeded our initial estimates, and a lower initial spread on 2022 Consumer Loans in our Purchased Loan portfolio, due to the advance rate increasing by a greater margin than the initial forecast 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 2.9 to 1 as of March 31, 2022. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) senior notes.

Consumer Loan Volume

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

	Year over Year Percent Change	
Three Months Ended	**Unit Volume**	**Dollar Volume (1)**
March 31, 2021	-7.5 %	-2.2 %
June 30, 2021	-28.7 %	-20.5 %
September 30, 2021	-29.4 %	-17.9 %
December 31, 2021	-22.6 %	-12.7 %
March 31, 2022	-22.1 %	-10.5 %

(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 22.1% and 10.5%, respectively, during the first quarter of 2022 as the number of active Dealers declined 9.4% and the average unit volume per active Dealer declined 14.6%. We believe the significant decline in unit volume over the last four quarters was primarily due to low dealer inventories and elevated used vehicle prices, which we believe are primarily due to the downstream impact of supply chain disruptions in the automotive industry. In addition, unit volume during the first four months of 2021 reflected the impact of the distribution of federal stimulus payments during that period. Unit volume for April 2022 declined 13.8% compared to unit volume for April 2021, with the year-over-year change in unit volume improving significantly throughout the month. Should recent trends continue for the remainder of 2022, we expect that the year-over-year change in unit volume would improve from April 2022, as the comparable 2021 period reflected a significant decline in unit volume.

Dollar volume declined less than unit volume during the first quarter of 2022 due to an increase in the average advance paid per unit. This increase was the result of increases in both the average size of the Consumer Loans assigned, primarily due to an increase in the average vehicle selling price, and the average advance rate.

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

	For the Three Months Ended March 31,		
	2022	2021	% Change
Consumer Loan unit volume	73,116	93,874	-22.1 %
Active Dealers (1)	8,275	9,129	-9.4 %
Average volume per active Dealer	8.8	10.3	-14.6 %
Consumer Loan unit volume from Dealers active both periods	62,243	80,681	-22.9 %
Dealers active both periods	6,204	6,204	—
Average volume per Dealer active both periods	10.0	13.0	-22.9 %
Consumer Loan unit volume from Dealers not active both periods	10,873	13,193	-17.6 %
Dealers not active both periods	2,071	2,925	-29.2 %
Average volume per Dealer not active both periods	5.3	4.5	17.8 %

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

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

	For the Three Months Ended March 31,		
	2022	2021	% Change
Consumer Loan unit volume from new active Dealers	2,613	3,039	-14.0 %
New active Dealers (1)	688	706	-2.5 %
Average volume per new active Dealer	3.8	4.3	-11.6 %
Attrition (2)	-14.1 %	-15.2 %	

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

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

	Unit Volume		Dollar Volume (1)	
Three Months Ended	Dealer Loans	Purchased Loans	Dealer Loans	Purchased Loans
March 31, 2021	65.4 %	34.6 %	62.7 %	37.3 %
June 30, 2021	66.9 %	33.1 %	64.0 %	36.0 %
September 30, 2021	69.9 %	30.1 %	66.8 %	33.2 %
December 31, 2021	71.8 %	28.2 %	68.0 %	32.0 %
March 31, 2022	72.7 %	27.3 %	68.6 %	31.4 %

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

As of March 31, 2022 and December 31, 2021, the net Dealer Loans receivable balance was 62.0% and 61.3%, respectively, of the total net Loans receivable balance.

Results of Operations

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

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

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 Three Months Ended March 31,			
	2022	2021	$ Change	% Change
Revenue:				
Finance charges	$ 424.1	$ 424.9	$ (0.8)	-0.2 %
Premiums earned	13.8	14.4	(0.6)	-4.2 %
Other income	17.8	11.7	6.1	52.1 %
Total revenue	455.7	451.0	4.7	1.0 %
Costs and expenses:				
Salaries and wages (1)	64.4	49.3	15.1	30.6 %
General and administrative (1)	18.9	46.1	(27.2)	-59.0 %
Sales and marketing (1)	19.2	17.2	2.0	11.6 %
Provision for credit losses	23.3	21.3	2.0	9.4 %
Interest	36.5	43.8	(7.3)	-16.7 %
Provision for claims	8.9	9.0	(0.1)	-1.1 %
Total costs and expenses	171.2	186.7	(15.5)	-8.3 %
Income before provision for income taxes	284.5	264.3	20.2	7.6 %
Provision for income taxes	70.2	62.2	8.0	12.9 %
Net income	$ 214.3	$ 202.1	$ 12.2	6.0 %
Net income per share:				
Basic	$ 15.02	$ 11.85	$ 3.17	26.8 %
Diluted	$ 14.94	$ 11.82	$ 3.12	26.4 %
Weighted average shares outstanding:				
Basic	14,268,518	17,060,944	(2,792,426)	-16.4 %
Diluted	14,341,523	17,099,058	(2,757,535)	-16.1 %
(1) Operating expenses	$ 102.5	$ 112.6	$ (10.1)	-9.0 %

Finance Charges. The decrease of $0.8 million, or 0.2%, was the result of a decrease in the average net Loans receivable balance, partially offset by an increase in the average yield on our Loan portfolio, as follows:

(Dollars in millions)	For the Three Months Ended March 31,		
	2022	2021	Change
Average net Loans receivable balance	$ 6,306.7	$ 6,784.2	$ (477.5)
Average yield on our Loan portfolio	26.9 %	25.1 %	1.8 %

The following table summarizes the impact each component had on the overall increase in finance charges for the three months ended March 31, 2022:

(In millions)	Year over Year Change
Impact on finance charges:	For the Three Months Ended March 31, 2022
Due to an increase in the average yield	$ 29.1
Due to a decrease in the average net Loans receivable balance	(29.9)
Total decrease in finance charges	$ (0.8)

The decrease in the average net Loans receivable balance was primarily due to the principal collected on Loans receivable exceeding the dollar volume of new Consumer Loan assignments. The average yield on our Loan portfolio for the three months ended March 31, 2022 increased as compared to the same period in 2021 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 increase of $6.1 million, or 52.1%, was primarily due to an increase in ancillary product profit sharing income primarily due to a decrease in average claim rates on Guaranteed Asset Protection contracts.

Operating Expenses. The decrease of $10.1 million, or 9.0%, was primarily due to:

- A decrease in general and administrative expense of $27.2 million, or 59.0%, primarily due to a decrease in legal expenses. Legal expenses for the three months ended March 31, 2021 included a $27.2 million settlement with the Commonwealth of Massachusetts to settle and fully resolve the claims asserted against the Company.
- An increase in salaries and wages expense of $15.1 million, or 30.6%, primarily due to:
    - An increase of $8.0 million in stock-based compensation expense, primarily related to stock options. From December 2020 through June 2021, we granted stock options, subject to shareholder approval of an amendment to our incentive compensation plan. Because stock-based awards subject to shareholder approval are not considered granted for accounting purposes until that approval is received, no stock-based compensation expense could be recognized with respect to those stock options until we received shareholder approval at the annual meeting on July 21, 2021.
    - An increase of $7.1 million, excluding stock-based compensation expense and cash-based incentive compensation expense, primarily related to increases of $3.3 million for our servicing function and $3.1 million for our support function.

Provision for Credit Losses. The increase of $2.0 million, or 9.4%, was due to a smaller reversal of provision for credit losses on forecast changes, partially offset by a decrease in 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)	For the Three Months Ended March 31,		
Provision for Credit Losses	**2022**	**2021**	**Change**
New Consumer Loan assignments	$ 102.6	$ 131.8	$ (29.
Forecast changes	(79.3)	(110.5)	31
Total	$ 23.3	$ 21.3	$ 2

The smaller reversal of provision for credit losses related to forecast changes was primarily due to changes in the estimated timing of future net cash flows. During the first quarters of 2022 and 2021, we increased our estimate of future net cash flows by $110.2 million and $107.4 million, respectively, to reflect improvements in Consumer Loan performance during the periods. The results for the first quarter of 2022 include the impact of forecasting methodology changes, which increased our estimate of future net cash flows by $95.7 million and reduced our provision for credit losses by $70.6 million. The forecasting methodology changes included the removal of the COVID forecast adjustment from our estimate of future net cash flows and an enhancement to our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent data and new forecast variables. For additional information, see Note 6 to the consolidated financial statements contained in Part I - Item 1 of this Form 10-Q, which is incorporated herein by reference.

The decrease in provision for credit losses related to new Consumer Loan assignments was due to a 22.1% decrease in Consumer Loan assignment unit volume, and a decrease in the average provision for credit losses per Consumer Loan assignment primarily due to a higher initial forecast on 2022 Consumer Loan assignments.

Interest. The decrease of $7.3 million, or 16.7%, was primarily due to a decrease in our average cost of debt, as follows:

(Dollars in millions)	For the Three Months Ended March 31,		
	2022	**2021**	**Change**
Interest expense	$ 36.5	$ 43.8	$ (7.3)
Average outstanding debt principal balance (1)	4,614.3	4,730.7	(116.4)
Average cost of debt	3.2 %	3.7 %	-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 March 31, 2022, the effective income tax rate increased to 24.7% from 23.5% for the three months ended March 31, 2021. The increase was primarily due to an increase in non-deductible executive compensation expenses and higher effective tax rates in certain state tax jurisdictions. For additional information, see Note 11 to the consolidated financial statements contained in Part I - Item 1 of this Form 10-Q, which is incorporated herein by reference.

Liquidity and Capital Resources

We need capital to maintain and grow our business. Our primary sources of capital are cash flows from operating activities, collections of Consumer Loans and borrowings under: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) senior notes. There are various restrictive covenants to which we are subject under each financing arrangement and we were in compliance with those covenants as of March 31, 2022. 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.

Cash and cash equivalents as of March 31, 2022 and December 31, 2021 was $17.6 million and $23.3 million, respectively. As of March 31, 2022 and December 31, 2021, we had $1,229.3 million and $1,532.4 million, respectively, in unused and available lines of credit. Our total balance sheet indebtedness as of March 31, 2022 and December 31, 2021 was $4,739.0 million and $4,616.3 million, respectively.

A summary of our scheduled principal debt maturities as of March 31, 2022 is as follows:

(In millions)

Year	Scheduled Principal Debt Maturities (1)
Remainder of 2022	$ 1,287.9
2023	1,634.4
2024	1,308.4
2025	131.8
2026	400.0
Over five years	—
Total	$ 4,762.5

(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, 2021 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, 2021, except as described below:

The COVID-19 pandemic created conditions that increased the level of uncertainty associated with our estimate of the amount and timing of future net cash flows from our Loan portfolio. During the first quarter of 2020, we applied a subjective adjustment to our forecasting model to reflect our best estimate of the future impact of the COVID-19 pandemic on future net cash flows (“COVID forecast adjustment”), which reduced our estimate of future net cash flows by $162.2 million. We continued to apply the COVID forecast adjustment through the end of 2021 as it continued to represent our best estimate. During the first quarter of 2022, we determined that we had sufficient Consumer Loan performance experience since the lapse of federal stimulus payments and enhanced unemployment benefits to refine our estimate of future net cash flows. Accordingly, during the first quarter of 2022, we removed the COVID forecast adjustment and enhanced our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent data and new forecast variables. Under CECL, changes in the amount and timing of forecasted net cash flows are recorded as a provision for credit losses in the period of change.

The removal of the COVID forecast adjustment and the implementation of the enhanced forecasting methodology impacted forecasted net cash flows and provision for credit losses as follows:

(In millions)	Increase / (Decrease) in	
Forecasting Methodology Changes	Forecasted Net Cash Flows	Provision for Credi Losses
Removal of COVID forecast adjustment	$ 149.5	$ (118
Implementation of enhanced forecasting methodology	(53.8)	47
Total	$ 95.7	$ (70

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, 2021 and Item 1A in Part II of this report, 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, climate change, 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.
- Governmental or market responses to climate change and related environmental issues could have a material adverse effect on our business.
- Consequences of the current conflict between Russia and Ukraine could have a material adverse effect on our business, financial condition, liquidity 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, 2021 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2021 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 1A. RISK FACTORS

The following risk factor updates and supplements, and should be read in conjunction with, the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021.

Consequences of the current conflict between Russia and Ukraine could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Credit and financial markets have experienced volatility and disruptions due to the current conflict between Russia and Ukraine and the sanctions that the United States and other countries have imposed on Russia and various related parties in response to Russia's actions in Ukraine. The conflict and the sanctions that have been or may be imposed may have further global economic and other consequences, including diminished liquidity and credit availability, reduced consumer confidence, disruptions to energy and food supplies, decreased economic growth, higher unemployment rates, increased inflation and political and social upheaval. Expansion of the military conflict beyond Ukraine or other retaliatory action, such as cyberattacks, by Russia and its allies in response to sanctions and other measures that the United States and its allies have taken or may take in support of Ukraine, could broaden and intensify the negative impact of the conflict on financial markets, economic conditions and geopolitical stability. The consequences of the conflict could reduce used-car sales and demand for our product, impair the performance of our Loan portfolio, limit our access to capital, intensify other risks described in our Annual Report on Form 10-K for the year ended December 31, 2021, including cybersecurity-related risks, and otherwise have a material adverse effect on our business, financial condition, liquidity and results of operations.

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

Stock Repurchases

The following table summarizes stock repurchases for the three months ended March 31, 2022:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1 to January 31, 2022	—		$ —	—	1,625,550
February 1 to February 28, 2022	320,260	(2)	537.90	318,515	1,307,035
March 1 to March 31, 2022	483,475		518.51	483,475	823,560
	803,735		$ 526.24	801,990	

(1) On September 28, 2021, our board of directors authorized the repurchase by us from time to time of up to two million shares of our common stock (the "September 2021 Authorization"). The September 2021 Authorization, which was announced on October 1, 2021, does not have a specified expiration date. Repurchases under the September 2021 Authorization may be made in the open market, through privately negotiated transactions, through block trades, pursuant to trading plans adopted in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934 or otherwise.

(2) Amount includes 1,745 shares of common stock released to us by team members as payment of tax withholdings upon the conversion of restricted stock units to common stock and the vesting of restricted stock and restricted stock units.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Bylaws (incorporated by reference to the Company's Current Report on Form 8-K filed March 7, 2022).
4.1	Description of Common Stock of Credit Acceptance Corporation.
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:	/s/ Jay D. Martin
	Jay D. Martin Senior Vice President, Finance and Accounting (Chief Accounting Officer)
Date:	May 2, 2022

Exhibit 4.1

**DESCRIPTION OF COMMON STOCK
OF CREDIT ACCEPTANCE CORPORATION**

The following description of certain matters with respect to the Common Stock, $.01 par value ("Common Stock"), of Credit Acceptance Corporation (referred to as the "Company," "Credit Acceptance," "we," "our" or "us") is a summary and does not purport to be a complete legal description of the Common Stock. The following description is subject to and qualified in its entirety by reference to our restated articles of incorporation, as amended (our "Articles of Incorporation"), and our amended and restated bylaws, as amended (our "Bylaws"). We encourage you to read our Articles of Incorporation and Bylaws and relevant provisions of the Michigan business corporation act (the "MBCA") for additional information.

Authorized Capital Stock

Under our Articles of Incorporation, our authorized capital stock consists of 80,000,000 shares of Common Stock and 1,000,000 shares of Preferred Stock, $.01 par value ("Preferred Stock").

Common Stock

Fully Paid and Nonassessable. All of the outstanding shares of Common Stock are fully paid and nonassessable.

Voting Rights. Each holder of Common Stock is entitled to cast one vote for each share held of record on all matters submitted to a vote of shareholders, including the election of directors. When an action other than the election of directors is to be taken by a vote of our shareholders, it will be authorized by a majority of the votes cast by the holders of shares entitled to vote on the action, unless a greater vote is required by the laws of the State of Michigan. In the case of any election of directors, directors are elected by a plurality of the votes cast. Holders of Common Stock have no cumulative voting rights.

Dividends. Holders of Common Stock are entitled to receive dividends or other distributions declared by the board of directors. The ability of the board of directors to declare dividends on the Common Stock is subject to the rights of any holders of Preferred Stock and the availability under the MBCA of sufficient funds to pay dividends. We have not issued any shares of Preferred Stock. The declaration and payment of dividends is subject to the discretion of our board of directors and depends on various factors, including our net income, financial condition, cash requirements, future prospects and other factors deemed relevant by our board of directors.

Liquidation Rights. If our company is dissolved, the holders of Common Stock will share ratably in the distribution of all assets that remain after we pay all of our liabilities and satisfy our obligations to the holders of any Preferred Stock, to the extent that any Preferred Stock is authorized and issued.

Preemptive and Other Rights. Holders of Common Stock have no preemptive rights to purchase or subscribe for any stock or other securities of the Company, and there are no conversion rights or redemption or sinking fund provisions with respect to the Common Stock.

Preferred Stock

Our Articles of Incorporation authorize our board of directors to establish one or more series of Preferred Stock, each series to bear a distinctive designation. Unless required by law or by any applicable stock exchange rule, the authorized shares of Preferred Stock will be available for issuance without further action by our shareholders. Our board of directors is authorized to determine the relative rights, powers, preferences, limitations and restrictions of each series of Preferred Stock, which shall be stated in the resolutions of the board of directors providing for the issuance of the series of Preferred Stock.

Provisions That May Discourage Takeovers

The MBCA, our Articles of Incorporation and our Bylaws contain provisions that may have the effect of discouraging transactions involving an actual or threatened change of control of the Company. These provisions could protect the continuity of our directors and management and possibly deprive our shareholders of an opportunity to sell their shares of Common Stock at prices higher than the prevailing market prices.

Availability of Authorized but Unissued Shares. Under the terms of our Articles of Incorporation, our board of directors may issue shares of authorized Common Stock without shareholder approval. However, the listing requirements of the Nasdaq Stock Market, which would apply so long as the Common Stock is listed on the Nasdaq Stock Market, require shareholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or then-outstanding number of shares of Common Stock. If our board of directors causes us to issue shares to persons supportive of current management, such issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise. Authorized but unissued shares also could be used to dilute the stock ownership of persons seeking to obtain control of the Company, including dilution through a shareholder rights plan of the type commonly known as a “poison pill,” which our board of directors could adopt without a shareholder vote.

Issuance of Preferred Stock. Our board of directors could cause us to issue shares of Preferred Stock having voting rights that adversely affect the voting power of holders of Common Stock, which could have the effect of delaying, deferring or impeding a change in control of the Company.

No Cumulative Voting. Under the MBCA, shareholders do not have cumulative voting rights for the election of directors unless the articles of incorporation so provide. Our Articles of Incorporation do not provide for cumulative voting.

Limitation on Calling Special Meetings of Shareholders. The MBCA allows the board of directors or officers, directors or shareholders authorized in our Bylaws to call special meetings of shareholders. Our Bylaws provide that a special meeting may be called by our board of directors, the Chairman of the Board (if the office is filled) or the President and shall be called by the President or the Secretary at the written request of shareholders holding a majority of the shares of stock of the Company outstanding and entitled to vote. Business to be transacted at a special meeting is limited by our Bylaws to the purpose or purposes stated in the notice of the meeting.

Action Without Meeting of Shareholders. Any action required or permitted by the MBCA to be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote only if all the shareholders entitled to vote consent in writing.

Shareholder Proposals and Nominations of Persons for Election as Directors. Our Bylaws include advance notice provisions that require shareholders seeking to bring business before an annual meeting of shareholders, or to nominate persons for election as directors at an annual meeting of shareholders or a special meeting of shareholders called for the purpose of electing directors, to provide the Company with timely written notice of their proposal and to submit specified information to the Company.

Business Combinations. We are currently not subject to the requirements of Chapter 7A of the MBCA ("Chapter 7A"), which regulates business combinations involving Michigan corporations, but our board of directors may at any time elect by resolution for the Company to be subject to such requirements. Chapter 7A provides that a business combination subject to Chapter 7A between a covered Michigan corporation or any of its subsidiaries and an interested shareholder or affiliate of an interested shareholder generally requires approval by an affirmative vote of not less than 90% of the votes of each class of stock entitled to be cast by the shareholders of the corporation and not less than two-thirds of the votes of each class of stock entitled to be cast by the shareholders of the corporation other than voting shares beneficially owned by the interested shareholder or an affiliate or associate of the interested shareholder. These requirements do not apply if (1) the corporation's board of directors approves the transaction before the interested shareholder becomes such or (2) the transaction satisfies certain fairness standards, certain other conditions are met and the interested shareholder has been such for at least five years. For purposes of Chapter 7A, "interested shareholder" is defined generally to include, subject to certain exceptions, any person that is the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the corporation. Chapter 7A business combinations include, among other transactions, certain mergers, certain share exchanges, certain significant asset transfers, certain disproportionate issuances of shares to an interested shareholder or affiliate of an interested shareholder, certain reclassifications and recapitalizations that disproportionately increase the ownership by an interested shareholder or affiliate of an interested shareholder of any class of equity securities of the corporation, and the adoption of a plan of liquidation or dissolution in which an interested shareholder or affiliate of an interested shareholder would receive anything other than cash.

Bylaw Amendments

Our Bylaws may be amended, altered or repealed, in whole or in part, by the shareholders or by our board of directors.

EXHIBIT 31.1

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: May 2, 2022

/s/ Kenneth S. Booth
Kenneth S. Booth
Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

EXHIBIT 32.1

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 March 31, 2022 (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: May 2, 2022

/s/ Kenneth S. Booth
Kenneth S. Booth
Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)