

Credit Acceptance Corp (Q3 2026 Earnings)

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Corporate Speakers:

- Vinayak Hegde; Credit Acceptance Corporation; Chief Executive Officer
- Joseph Billante; Credit Acceptance Corporation; Chief Financial Officer
- Jay Brinkley; Credit Acceptance Corp; Senior Vice President & Treasurer
- Jeff Soutar; Credit Acceptance Corp; Vice President & Assistant Treasurer

Participants:

- Moshe Orenbuch; TD Cowen; Analyst
- Robert Wildhack; Autonomous Research; Analyst

PRESENTATION

Operator: Good day everyone, and welcome to the Credit Acceptance Corporation Third Quarter 2026 Earnings Call. A webcast recording and transcript of today's earnings call will be made available on Credit Acceptance's website. At this time, I would like to turn the call over to Credit Acceptance's Chief Financial Officer, Joe Billante.

Joe Billante: Thank you. Good afternoon, and welcome to the Credit Acceptance Corporation Quarterly Earnings Call. As you read our news release posted on the Investor Relations section of our website at ir.creditacceptance.com and as you listen to this conference call, please recognize that both contain forward-looking statements within the meaning of federal securities law.

These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, and which could cause actual results to differ materially from such statements. These risks and uncertainties include those spelled out in the Cautionary Statement Regarding Forward-Looking Information included in the news release. Consider all forward-looking statements in light of those and other risks and uncertainties.

Additionally, to comply with the SEC's Regulation G, please refer to the Supplemental Information section of our news release, which provides tables showing how non-GAAP measures reconcile to GAAP measures.

At this time, I would like to introduce our Chief Executive Officer, Vinayak Hegde.

Vinayak Hegde: Good afternoon, everyone, and thank you for joining us.

As I approach my one-year mark as CEO, the work we began when I stepped into this role is starting to produce tangible results. We set out to transform Credit Acceptance into a deeply data-informed, AI-enabled company -- while maintaining a disciplined approach

to risk and capital allocation. We are focused on executing this strategy while building a culture that puts dealers and consumers at the center of how we operate.

Our third quarter results show meaningful progress. Consumer loan assignment unit volume increased 38% year over year, loan dollar volume increased 51%, Economic Profit increased 18%, Economic Profit per diluted share increased 30%, and active dealers reached a record of more than 12,000. We expanded our dealer network, generated more volume from existing dealer relationships, and continued to strengthen the operating capabilities that support profitable growth.

We continue to drive operational rigor and data-driven disciplines across our business. As part of that work, we adjusted and strengthened our methodology for forecasting future net cash flows from our loan portfolio, which reduced forecasted collection rates for consumer loans assigned from 2022 through 2026. Additional seasoning, performance history, and more granular segmentation gave us better insight into expected lifetime collections. I will discuss what changed, what we learned, and how those insights are reflected in our current scorecard.

Today, I will focus on three important takeaways:

First, our third-quarter growth was strong and broad-based.

Second, we are advancing our pricing and forecasting capabilities, which provided insights that informed the portfolio forecast adjustment we made during the quarter.

Third, the operating capabilities we have built give us confidence in the opportunity for disciplined, profitable growth.

We achieved these results through execution across four core operating pillars: customer obsession, segmentation, leveraging data and AI, and disciplined operating rhythms and practices. These will remain our center of gravity and priorities as we transform and grow our business. We achieved growth without compromising our credit discipline or chasing short-term volume, because our focus is growth that maximizes long-term Economic Profit per share. We are still early in capturing the opportunity ahead, but our transformation is well underway.

Our first core operating pillar is customer obsession.

We spend time with dealers in their stores, listen to their feedback, and work with them to help more consumers find reliable vehicles with affordable payments. Those conversations inform our product and technology priorities and keep our investments focused on the problems dealers and consumers need us to solve.

We are also making it easier for dealers to do business with us by integrating directly into the aggregator platforms they already use to submit financing applications. These integrations simplify the path from application to funding and expand our reach,

particularly among franchise and large independent dealers. Additionally, we continue to make it easier for consumers to interact with us. For example, mobile app usage, where consumers self-service their accounts, has increased 19% year over year.

The second pillar is segmentation.

We are increasingly evaluating opportunities across multiple dimensions, including consumer credit, dealer characteristics, geography, vehicle attributes, and deal structure. This approach allows us to evaluate opportunity and risk with more granularity across specific segments, tailor our approach, and allocate resources where we believe we have the strongest opportunity to create value.

We have strengthened our go-to-market execution and are building a more capable commercial engine. Segmentation generates insights that shape our commercial strategies, and our sales organization translates those strategies into field execution tailored by dealer type, geography, and channel.

That work is contributing to growth among franchise and large independent dealers and is opening new distribution channels.

Segmentation is also helping us identify opportunities within existing markets. The light structural damage vehicle offering we launched last quarter continues to add incremental volume, and adoption is increasing as it scales nationally.

More broadly, we are evaluating opportunities to expand the products we support in established segments where dealer and consumer demand already exist and where we believe we can maximize economic value added.

But segmentation is just as valuable in telling us where to be more selective. That discipline is central to how we think about growth.

Let me address an important question directly: how are we growing faster at the same time that we are lowering our forecast for certain existing loan cohorts? The majority of the impact of this quarter's forecast adjustment is related to loans assigned to us before the introduction of our new scorecard. Our current growth is being driven by stronger commercial execution; expanded aggregator distribution; and a new scorecard, which was designed to enhance our risk-assessment capabilities. We began rolling out our new scorecard late in the second quarter and enhanced it throughout the third quarter.

In developing the new scorecard, we returned to first principles. We analyzed more recent performance across detailed consumer, vehicle, dealer, and transaction segments and back tested those results against our prior expectations. We used those insights to inform the new scorecard, which uses more tailored approaches for customer segments with different risk characteristics. We expect this approach to provide a richer and more current view of risk, allowing us to differentiate loan attributes more effectively and make more informed pricing and assignment decisions.

That analysis also helped us better understand the primary drivers of the small but consistent negative forecast changes we had been recording. It showed the underperformance of loans assigned to us in 2022 through 2026 was most pronounced in lower score bands.

We made the portfolio forecast adjustment this quarter because the expanded analysis indicated that the underperformance in the affected cohorts was likely to continue. Without the insights that informed this adjustment, it is possible that quarterly adjustments would have continued through the remaining life of these loans. Coming to the performance of the loans assigned under the new scorecard, we are closely monitoring them and early indications are encouraging. However, these loans remain relatively unseasoned, and we need additional performance history before drawing firm conclusions.

We view the current scorecard as an important step, not the end state. Over time, we will continue advancing our models so we can refine pricing and implement decisions with greater speed and precision.

Alongside the scorecard, our aggregator integrations expanded our reach toward franchise and large independent dealers, and our commercial team executed against those opportunities. Our unified strategy drove the growth, and the capabilities we are building are designed to help make it repeatable. Our objective is to make more informed, tailored decisions for each consumer, dealer, vehicle, and transaction. That should help us support consumers throughout the lives of their loans, grow alongside our dealers, and allocate capital to opportunities where we maximize Economic Profit.

The third pillar is leveraging data and AI.

Our objective is practical: use better data and predictive tools to improve risk selection, pricing, capital allocation, operating efficiency, and customer service. We are modernizing our technology stack and bringing decades of proprietary data into a centralized platform so our teams can make faster, more informed decisions.

For dealers, we are applying proprietary data and AI to inventory-matching tools that help identify vehicles that fit well with our programs for consumers. We are embedding these capabilities in the systems dealers already use so they can fit naturally into dealer workflows.

For consumers, we are expanding digital self-service and personalization across the life of the loan, while preserving access to our team when human support is needed.

To accelerate this evolution, we brought in Jeetu Mirchandani as Chief Technology Officer, to lead our digital-first strategy and technology transformation.

The fourth pillar is disciplined operating rhythms and practices.

Customer obsession, segmentation, and AI only create value when they are supported by clear ownership, consistent measurement, and timely decisions.

Over the past year, we have established a more consistent cadence for setting priorities, measuring results, and holding teams accountable. We are also reducing internal constraints and shortening development cycles. As a result, we can deploy certain platform enhancements in days rather than weeks and align resources against a unified roadmap.

We will not get every decision right. Our objective is to test ideas thoughtfully, identify what is not working early, and direct resources toward the initiatives producing the strongest results.

Over the past year, we have deliberately assembled an executive leadership team with the capabilities needed to lead the next phase of our transformation. During the quarter, we welcomed the additions of Sid Lal as Chief Marketing Officer, Jeetu Mirchandani as Chief Technology Officer, and Shannon Wilson as Chief Human Resources Officer.

At the same time, we have preserved deep institutional knowledge throughout Credit Acceptance. We've paired leaders who understand our business and customers with complementary experience from industries that have navigated similar challenges to ones we are tackling today. This combination is already driving innovation and accelerating our business transformation. With our executive leadership team in place, we continue to invest in our talent and deepen our leadership bench to ensure we have the capabilities required to execute our long-term strategy.

These pillars define our core operating model, and our recent progress reflects the value of that work.

Turning to our third-quarter operating results, Economic Profit is the primary metric around which we optimize the business. Economic Profit for the quarter was \$50.7 million, up 18% year over year, while Economic Profit per diluted share increased 30% to \$4.87.

Consumer loan assignment unit volume increased 38% year over year to more than 110,000 loans. Loan dollar volume increased 51%. This was the first quarter of year-over-year unit growth since the fourth quarter of 2024.

Active dealers reached a record of more than 12,000, up 19% from the prior year. Average volume per active dealer increased by 15%, reversing seven consecutive quarters of year-over-year declines.

These results reflect growth from active dealers and higher volume from existing dealers.

The breadth of that performance is important because it indicates that the quarter's growth did not depend on a single lever. Our momentum is driven by sharper execution

across multiple commercial and operational initiatives. Our objective remains profitable growth that maximizes long-term Economic Profit per share.

Turning to the forecast adjustment in more detail, during the third quarter we updated our methodology for forecasting future net cash flows. The change reduced forecasted collection rates for consumer loans assigned from 2022 through 2026 to the levels we now expect over the lives of those loans.

Before this adjustment, we had observed small but consistent quarterly underperformance relative to forecast and had updated our expectations incrementally each quarter. The underperformance was most pronounced in lower scorecard bands. Additional loan seasoning, performance history, and more granular segmentation gave us greater visibility into the pattern of those variances. Based on that work, we concluded that a more comprehensive update to our lifetime collection expectations was appropriate.

Most of the impact relates to loans assigned before the new scorecard was introduced. We are monitoring newer cohorts closely, but they need additional seasoning before we can reach firm conclusions about their performance.

We believe our segmentation analyses I discussed earlier have improved our pricing and forecasting processes. Forecasting will never be static, particularly in a dynamic non-prime credit environment, and we will continue updating our assumptions as additional information becomes available. It is important to note that our business model is designed with a significant margin of safety intended to produce acceptable aggregate returns even when loan performance is below forecast.

We also believe we have improved our understanding of the drivers of portfolio performance and our ability to identify and respond to changes.

Turning to regulatory updates, during the quarter, we reached agreements resolving the New York and multi-state matters. We are pleased to have achieved these resolutions and are focused on fulfilling our obligations under the agreements. Many of the standards reflected in the agreements are consistent with practices already in place at Credit Acceptance. Based on our current assessment, we do not expect agreements to have a material effect on our growth strategy or the way we operate the business.

Our mission remains unchanged: to make vehicle ownership possible for consumers who might otherwise have limited access to credit and to help create opportunities that come with reliable transportation. With these agreements in place, our focus remains on executing our strategy and building for the future.

Looking ahead, we are applying the same operating model to three areas.

First, in collections and servicing, we are developing more personalized approaches intended to engage consumers with support suited to their circumstances throughout the life of the loan.

Second, across our dealer network, we are using predictive models to identify high-potential dealer relationships and markets so we can deploy our field resources more effectively.

Third, we are expanding our digital and mobile capabilities to create a simpler consumer experience and support longer-term relationships.

These initiatives remain in their early stages. As they develop, we will evaluate them based on their effect on customer experience, operating efficiency, portfolio outcomes, and Economic Profit.

Stepping back, the investments we made over the past year are beginning to drive operating efficiencies and build momentum across the business. We are encouraged by our progress this quarter and remain focused on the quality and profitability of our growth.

Our priorities are clear: advance the precision of our pricing and forecasting capabilities, deepen our dealer relationships, create a better consumer experience, and allocate capital to the opportunities that can maximize long-term Economic Profit per share.

We have more work ahead, and the progress will not be linear. But the capabilities we have built, the leadership team we have assembled, and the operating discipline now in place give me confidence in our ability to execute.

With that, I'll turn it over to Joe to discuss our results in additional detail.

Joseph Billante: Thank you, Vinayak. I'll provide some additional perspective on our third-quarter financial results, loan performance, capital position, and expenses.

As Vinayak mentioned, for the third quarter, Economic Profit was \$50.7 million, up 18% year-over-year, while our Economic Profit per diluted share increased 30% to \$4.87. Economic Profit is our most important measure because it reflects both the profitability of the business and the cost of the capital required to generate those profits, helping us evaluate whether our growth is creating long-term shareholder value. Our focus is on improving returns over time through disciplined capital deployment, precision in forecasting and pricing, and improved operating efficiency, while continuing to pursue attractive opportunities to grow market share.

Moving to other financial metrics for Q3, we incurred a GAAP net loss of \$56.6 million, or negative \$5.43 per diluted share, compared with GAAP net income of \$108.2 million, or \$9.43 per diluted share in the third quarter of 2025. As discussed previously, we do not believe GAAP provides sufficient transparency into the underlying economics of our business, primarily because of the timing of revenue and credit loss recognition under CECL rules. For that reason, we also measure our adjusted results, which we believe

more accurately reflect our financial health. To that end, adjusted net income was \$135.5 million, or \$13.01 per diluted share, up 15% and 27%, respectively, year-over-year.

The increase in adjusted earnings reflects the benefit of stronger loan volume and operating expense leverage, partially offset by the impact of changes in expected cash flows from our loan portfolio. Overall, we continue to balance investments to support growth with a disciplined focus on profitability and returns. Let me break this down into more specifics.

Beginning with origination activity, as you heard, consumer loan assignment unit volume was over 110,000, an increase of 38% year-over-year, a significant acceleration versus last quarter when volume declined by 1%. Also, in Q3, dollar volume increased 51% to \$1.4 billion.

We enrolled 1,350 new dealers during the quarter and had a record 12,093 active dealers. Volume per active dealer increased by 15%. The scorecard changes that Vinayak outlined combined with significant increases in dealer engagement by our sales team and expanded integration with the aggregator platforms were the largest contributing factors to the growth acceleration.

The combination of a larger active dealer base and higher volume per dealer is also leading to market share gains. For the first two months of Q3 according to current Velocity data, market share in our core segment of used vehicles financed by subprime consumers was 5.4%, up from 4.5% for the same period in 2025.

Importantly, while our growth trajectory has changed, our disciplined approach to capital returns has not changed. We continue to evaluate the incremental capital we deploy based on the economic return we expect that capital to generate over the life of the loans.

Turning to loan performance, forecasted net cash flows declined by 2.5%, or \$291 million, during the quarter, compared with a decline of 0.5%, or \$59 million, in the third quarter of 2025. The strong majority of the third quarter impact was driven by the segmentation analysis you just heard about. More granular analytics capabilities helped us identify areas where actual performance and timing of cash flows had diverged from original forecast assumptions, with the underperformance more pronounced among Consumer loans in lower scorecard bands. Prepayments remain below our forecast as well, but were a minor contributor to the forecast change.

The revised view of our forecasted collection rate for 2025 and 2026 loan vintages is approximately 65%. While the revision is meaningful to our GAAP results in the short term, it represents a relatively modest change when considered against nearly \$12 billion of forecasted net cash flows in the portfolio. The impact on adjusted earnings and Economic Profit will be realized over the life of these vintages.

We believe that the actions we took in Q3 have enhanced our pricing and forecasting processes and position us to make faster, more-informed decisions, recognizing that

results will continue to be influenced by market conditions and other factors outside our control. It is important to note that our business model is designed with a significant margin of safety intended to produce acceptable aggregate returns even when loan performance is below forecasts. We will continue to monitor trends closely and adjust our expectations as appropriate.

Turning to capital allocation, our priorities remain clear: First, we fund profitable loan growth that expands Economic Profit. Second, we evaluate new growth opportunities based on their ability to generate attractive economic returns and increase long-term Economic Profit per share. That framework also applies to decisions around share repurchases and other uses of capital to increase shareholder returns. During Q3, we repurchased 269,150 shares for \$161.6 million, representing 2.6% of shares outstanding at the beginning of the quarter. On a year-to-date basis, share repurchase activity has accounted for \$0.83 of Q3 adjusted earnings per share.

We ended September with \$1.2 billion of liquidity, consisting of amounts available for borrowing under our revolving lines of credit and unrestricted cash and cash equivalents. In August, we completed a \$600 million securitization, matching our largest ABS transaction to date and achieving our lowest credit spreads since late 2021. We believe this liquidity, together with our access to the capital markets, provides us with the flexibility to grow the company.

Finally, on expenses, we remain focused on operating efficiency while continuing to direct resources toward areas where we believe they can create the greatest long-term value. Operating expenses decreased \$14.2 million, or 10%, year-over-year. The decrease primarily reflected lower salaries and wages and lower general and administrative expenses, partially offset by higher sales and marketing costs, including commissions, associated with the significant increase in loan volume.

The reduction in salaries and wages reflects lower headcount and certain other personnel-related costs. During the quarter, we reduced our team member base by approximately 6%, following a similarly sized reduction discussed on our first-quarter earnings call. The decline in G&A also reflects the \$15 million contingent loss recognized in the prior year period related to the multi-state matters. No additional expenses were incurred in Q3 of this year related to this settlement.

Our objective is not simply to minimize expenses. It is to make sure we are allocating resources efficiently to maximize Economic Profit over the long term. We are continuing to use technology and automation to improve productivity, while maintaining discipline around both existing expenses and new investments.

Taking in all that happened in the past 3 months, the third quarter combined significantly higher origination activity with pricing rigor, disciplined expense management, ample liquidity and value accretive capital allocation. We are excited by the opportunities we are seeing to deploy capital, while remaining focused on generating attractive returns and maximizing long-term Economic Profit per share.

At this time, Vinayak and I will take your questions along with Jay Brinkley, our Senior Vice President and Treasurer and Jeff Soutar, our Vice President and Assistant Treasurer.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) Our first question comes from Moshe Orenbuch with TD Cowen.

Moshe Orenbuch: Great. A lot to digest here. The first question, just trying to understand and just to be very clear, none of this write-down had anything to do with the litigation, correct? None of the write-down to the expected cash flows.

Vinayak Hegde: Thanks for the question. Yes, none of this write-down had to do anything with the litigation.

Moshe Orenbuch: Got it. Okay. Just wanted to make that clear.

What I don't understand is two things. First off, you're talking about adjusted earnings and Economic Profit, but doesn't the adjusted yield go down prospectively? The current quarter is based upon an old, adjusted yield — not the new adjusted yield with the effects of that write-down in it. What would it look like if you did take that into account?

Joseph Billante: Moshe, I think the best way to think about the adjusted results is that they take the forecast adjustment and spread it over the life of the vintage, more in line with the overall yield and performance.

The GAAP results are a little bit misleading because they require you to take everything upfront per the CECL rules. That's true for all new volume and any free cash flow adjustments and forecast changes. The adjusted results are better reflective of everything taken into account. They take into account the new volume growth and the forecast adjustment and apply it over the life of those vintages.

Moshe Orenbuch: Correct. I guess what I'm asking you, in other words, when you're comparing third quarter adjusted profit and Economic Profit, you're using an out-of-date adjusted yield, correct? Because you've now got to reflect that in the adjusted yield going forward. I'm just asking what that would look like.

Joseph Billante: Yes. Remember, our forecasted cash flows predict future expectations of performance and so we reflect that. We're comparing where we are at this point in time. We feel very good about the forecast adjustment when comparing where we are today in that adjusted result compared to what it was a year ago.

Moshe Orenbuch: Right. I'm just going to try this a different way, sorry.

The adjusted yield was 19.2% on average adjusted capital in the quarter. That number is going to be lower in Q4, correct? Because you're now going to take 3% of your cash flows out. So should we assume it's going to be down 3% and whatever that math works out to, 50-some-odd basis points lower? Is that the way that we should be modeling it?

Joseph Billante: I don't think that's the right way for you to think through it. Remember, this adjustment would take out approximately 2.5% of future net cash flows on a book of \$12 billion over time, over the life of that vintage.

We disclosed all the schedules so you can look at our release in terms of the vintage performance. Year-by-year, they've been improving and getting better. When you look at the expected performance on an adjusted basis, this adjustment won't all hit in Q3. It will be spread over the coming quarters. And so, yes, those vintages will perform in line with our current expectation. As the legacy vintages roll off, we expect that to help the overall yield.

Since the forecast adjustment was made, as we are originating and pricing new loans, we've been getting enhanced pricing and more accurate. When we look at this adjustment, we feel good about the new volume we've been getting. If you look at the split of the adjustment between the more current vintages and the current loans in the quarter, the adjustment was much smaller. So you're going to have lower performing vintages fall off and better performing vintages come on, which will help that overall yield mix.

Moshe Orenbuch: Okay. Just as a follow-up, in terms of the steps that you've already taken that have improved the efficiency of the customer experience and the dealer experience, do you have a sense as to what that impact could be in terms of originations, market share, or any other way that you could frame it?

Vinayak Hegde: Yes. I'll talk about the dealer experience first. I've talked about this, Moshe, in my previous calls as well. Changing our strategy to partner with aggregators like RouteOne and Dealertrack helps us get more applications and, thereby, contracts from large franchise and independent dealers. A significant portion of the growth that we are seeing is coming from that.

Our core principle is that we want to operate where our dealers and customers operate. If you go to many of these dealers, the people who work with the Finance & Insurance managers are used to using aggregated platforms like Dealertrack, RouteOne, and DealerCenter. So they don't want to get trained to a new method of operating, like using CAPS.

Our goal is to make sure we meet the dealer where they want to meet us in terms of the customer experience. So that's one thing we are doing that is definitely contributing to growth. And it's not just that, right? Even our portfolio dealers who use CAPS are also growing. So improving the customer experience, that's one area.

The second area is also what we are doing with respect to actually where we spend time with the dealer itself. Our sales focus and go-to-market is more sharpened in terms of how do we actually communicate with which dealer. We understand what is happening with the lifetime value of a dealer and how we can improve. So it's a more broad-based approach to growth and not just one particular lever.

Operator: (Operator Instructions) Our next question comes from Robert Wildhack with Autonomous Research.

Robert Wildhack: Maybe a little bit more on the forecasted collections and the revision.

Looking backwards, changes to forecasted collections had generally started to level off. They were only down marginally in the first quarter and maybe down a little more in the second quarter, but I think you messaged the 2Q revision as basically just normal variance in ups and downs. And then really the only small but consistent underperformance had been from the prepayments, which you're saying are not a big driver of this change.

So can you give us any more color on where you were seeing the underperformance in collections that's leading to the big adjustment here? Is it on particular FICO bands, income, or vehicle type? Just any additional color because it seems like revisions to forecasted collections had actually been improving until now.

Vinayak Hegde: Let me take the question, and then, Joe, you can add on.

Yes, as we discussed in our opening remarks, when we started making changes to the scorecard, we noticed certain cohorts. We score all our deals on a risk band, and we saw underperformance in some of the lowest scoring risk bands within our portfolio. When we started making the adjustments to the scorecard, that helped us understand what is happening to the forecast. It's not just particular FICO bands, but it's our own internal risk scoring that actually helped us understand the performance. We used that as the input to figure out how to actually make the changes to the forecast.

Joe, do you want to take the rest?

Joseph Billante: Yes. Regarding the prepayments, we had seen some movement in that in past quarters. They were up slightly year-over-year in the quarter, but they remain below historical norms. They were not a material contributor to the Q3 adjustment.

Really, what's going on here is more of what Vinayak talked about. As we started to understand behavior earlier this year, we saw a much better result in Q1, and that started to change in late Q2 and into Q3. At the same time, as we were making scorecard changes, we got better insights. We got better granular visibility into what was happening. If we had not made this adjustment, it's possible, as you heard in the earlier remarks, that we would have had some of these small adjustments going forward.

The vast majority of this, keep in mind, is related to loans that were on the books before the recent scorecard change at the beginning of the quarter so we iterated on that through Q3. There was a slight adjustment in Q3, but this really relates to the past. This relates to loans before the recent scorecard change. Because it was in those lower bands, disproportionately, that drove more of the value.

Vinayak, do you want to add anything else?

Vinayak Hegde: Yes. I just want to add that our business model is built with a significant margin of safety designed to operate with acceptable aggregate returns even when the collections are below the initial forecast.

You see where we started making the scorecard changes in our earnings release if you look at the cohort of loans from January to June of 2026. We adjusted the forecast by 250 basis points, whereas if you look at it for Q3 alone, it's only 90 basis points.

Keep in mind that we are making multiple changes to the scorecard right now. We started in late Q2, but we have made multiple changes. We are fine-tuning it and making it more and more accurate. The seasoning of the loans has given us the visibility into that.

There are two things you have to see here. We used to take a long time to make scorecard changes. Now we have the capability to make consistent fine-tuning of scorecards with much faster speed than we ever had before, and we are doing the same thing with the forecast as well. So over a period of time, we'll continue to make it more and more accurate.

Robert Wildhack: Okay. Just to confirm and make sure I'm hearing you right, you're saying that there were significant changes in realized collections, i.e., lower, that you saw in late Q2 and into Q3 that really sparked the change?

Vinayak Hegde: Not necessarily. What I'm saying is the changes that we are seeing were more primarily related to certain cohorts, which were in the lower risk band. It's not just necessarily in Q2 or something, it's in the lower risk bands. So those lower risk bands are where we fine-tuned the scorecard, just for that, where we got more conservative in our pricing on those for all future loans.

Joseph Billante: Yes, and I would add that if you look at the last two years, not just the last couple of months, Q1 was better than the last 8 quarters, but 7 out of those 8 quarters were performing relatively consistently. We feel like this adjustment takes care of all of that.

Robert Wildhack: Okay. I guess if I just zoom way out, it kind of felt like we had just worked through the drag of the '22 vintage, and now we see you marking down the '23 through '26 vintages pretty significantly. I mean, broadly speaking, what's your message to the market, to the investment community, on how we should all feel comfortable that the scorecard is now right this time?

Vinayak Hegde: Yes. So let me take that, Rob.

Forecasting will never be static, particularly in a dynamic non-prime credit environment. Previously, we were taking small but consistent quarterly underperformance. If you look at the previous, like, 8 to 10 quarters, you'll see that we were updating it incrementally. Now that we see the data more closely, we feel more confident that these adjustments, that we understand by cohorts, actually help us be a little more confident about where the market is going.

This better understanding of the drivers of the portfolio performance and better ability to respond to changes makes us feel a little more confident about where we are going with respect to this. We have the ability to fine-tune it more and more now and understand the risks at a much more granular level than we ever had before — and that's what we'll continue to do going forward.

Operator: With no further questions in the queue, I would like to turn the conference back over to Mr. Billante for any additional or closing remarks.

Joseph Billante: We would like to thank everyone for their support and for joining us on our conference call today.

If you have any additional follow-up questions, please direct them to our Investor Relations mailbox at ir@creditacceptance.com. We look forward to talking to you again next quarter. Thank you.

Operator: Once again, this does conclude today's conference. We thank you for your participation.