

CREDIT ACCEPTANCE CORP

Form 10-Q

October 29, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 000-20202

CREDIT ACCEPTANCE CORPORATION

(Exact name of registrant as specified in its charter)

MICHIGAN

(State or other jurisdiction of incorporation or organization)

38-1999511

(IRS Employer Identification)

**25505 WEST TWELVE MILE ROAD
SOUTHFIELD, MICHIGAN**

(Address of principal executive offices)

48034-8339

(Zip Code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

The number of shares of Common Stock, par value \$0.01, outstanding on October 23, 2009 was 30,983,373.

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PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(Dollars in Thousands, Except Per Share Data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue:				
Finance charges	\$ 84,489	\$ 75,617	\$ 242,339	\$ 210,119
Premiums earned	11,596	12	25,257	65
Other income	4,183	4,478	12,933	15,706
Total revenue	100,268	80,107	280,529	225,890
Costs and expenses:				
Salaries and wages	16,862	16,766	50,498	51,205
General and administrative	7,872	6,975	22,767	20,726
Sales and marketing	3,533	4,103	11,020	13,330
Provision for credit losses	(3,591)	8,383	(7,217)	31,792
Interest	8,144	10,954	23,352	31,702
Provision for claims	5,148	(13)	14,786	1
Total costs and expenses	37,968	47,168	115,206	148,756
Operating income	62,300	32,939	165,323	77,134
Foreign currency gain (loss)	3	(2)	9	(15)
Income from continuing operations before provision for income taxes	62,303	32,937	165,332	77,119
Provision for income taxes	21,491	12,606	59,358	28,828
Income from continuing operations	40,812	20,331	105,974	48,291
Discontinued operations				
(Loss) gain from discontinued United Kingdom operations	(13)	504	21	548
Provision for income taxes	65	178	75	218
(Loss) gain from discontinued operations	(78)	326	(54)	330

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Net income	\$	40,734	\$	20,657	\$	105,920	\$	48,621
Net income per common share:								
Basic	\$	1.33	\$	0.68	\$	3.47	\$	1.61
Diluted	\$	1.29	\$	0.67	\$	3.38	\$	1.57
Income from continuing operations per common share:								
Basic	\$	1.33	\$	0.67	\$	3.47	\$	1.60
Diluted	\$	1.29	\$	0.66	\$	3.38	\$	1.56
(Loss) gain from discontinued operations per common share:								
Basic	\$		\$	0.01	\$		\$	0.01
Diluted	\$		\$	0.01	\$		\$	0.01
Weighted average shares outstanding:								
Basic		30,658,969		30,310,053		30,540,274		30,223,586
Diluted		31,539,119		31,024,455		31,370,580		30,994,466

See accompanying notes to consolidated financial statements.

Table of Contents**CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS**

	September 30, 2009 (unaudited)	As of December 31, 2008
(Dollars in thousands, except per share data)		
ASSETS:		
Cash and cash equivalents	\$ 1,610	\$ 3,154
Restricted cash and cash equivalents	76,019	80,333
Restricted securities available for sale	2,779	3,345
Loans receivable (including \$13,351 and \$15,383 from affiliates as of September 30, 2009 and December 31, 2008, respectively)	1,180,340	1,148,752
Allowance for credit losses	(123,240)	(130,835)
Loans receivable, net	1,057,100	1,017,917
Property and equipment, net	18,801	21,049
Income taxes receivable	4,460	
Other assets	17,132	13,556
Total Assets	\$ 1,177,901	\$ 1,139,354
LIABILITIES AND SHAREHOLDERS EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 81,106	\$ 83,948
Line of credit	102,500	61,300
Secured financing	436,491	574,175
Mortgage note and capital lease obligations	5,285	6,239
Deferred income taxes, net	100,911	75,060
Income taxes payable		881
Total Liabilities	726,293	801,603
Shareholders Equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none issued		
Common stock, \$.01 par value, 80,000,000 shares authorized, 30,985,892 and 30,666,691 shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively	309	306
Paid-in capital	18,491	11,829
Retained earnings	434,098	328,178
Accumulated other comprehensive loss, net of tax of \$736 and \$1,478 at September 30, 2009 and December 31, 2008, respectively	(1,290)	(2,562)

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Total Shareholders' Equity	451,608	337,751
Total Liabilities and Shareholders' Equity	\$ 1,177,901	\$ 1,139,354

See accompanying notes to consolidated financial statements.

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CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	Nine Months Ended September 30,	
	2009	2008
Cash Flows From Operating Activities:		
Net income	\$ 105,920	\$ 48,621
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	(7,217)	31,792
Depreciation	3,939	3,969
Loss on retirement of property and equipment	98	
Provision for deferred income taxes	25,109	14,192
Stock-based compensation	4,926	2,827
Change in operating assets and liabilities:		
Decrease in accounts payable and accrued liabilities	(842)	(250)
(Increase) decrease in income taxes receivable / increase (decrease) in income taxes payable	(5,341)	10,700
Increase in other assets	(3,576)	(1,838)
Net cash provided by operating activities	123,016	110,013
Cash Flows From Investing Activities:		
Decrease (increase) in restricted cash and cash equivalents	4,314	(8,891)
Purchases of restricted securities available for sale	(383)	(1,514)
Proceeds from sale of restricted securities available for sale		271
Maturities of restricted securities available for sale	963	551
Principal collected on Loans receivable	502,453	466,353
Advances to dealers and accelerated payments of Dealer Holdback	(412,423)	(430,423)
Purchases of Consumer Loans	(87,840)	(246,971)
Payments of Dealer Holdback	(34,300)	(46,482)
Net decrease (increase) in other loans	151	(131)
Purchases of property and equipment	(1,789)	(5,395)
Net cash used in investing activities	(28,854)	(272,632)
Cash Flows From Financing Activities:		
Borrowings under line of credit	523,900	573,900
Repayments under line of credit	(482,700)	(527,300)
Proceeds from secured financing	217,500	453,700
Repayments of secured financing	(355,184)	(339,336)
Principal payments under mortgage note and capital lease obligations	(954)	(1,157)
Repurchase of common stock	(540)	(66)
Proceeds from stock options exercised	889	2,102
Tax benefits from stock based compensation plans	1,390	990
Net cash (used in) provided by financing activities	(95,699)	162,833

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Effect of exchange rate changes on cash	(7)	8
Net (decrease) increase in cash and cash equivalents	(1,544)	222
Cash and cash equivalents, beginning of period	3,154	712
Cash and cash equivalents, end of period	\$ 1,610	\$ 934

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for interest	\$ 22,613	\$ 31,662
Cash paid during the period for income taxes	\$ 38,886	\$ 2,033

See accompanying notes to consolidated financial statements.

Table of Contents**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 generally accepted accounting principles 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 at December 31, 2008 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles 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, 2008 for Credit Acceptance Corporation (the Company , Credit Acceptance , we , our or us). Certain prior period amounts have been reclassified to conform to the current presentation.

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.

As of the date these financial statements were issued, there are no material subsequent events requiring additional disclosure in or amendment to these financial statements.

2. DESCRIPTION OF BUSINESS

Since 1972, Credit Acceptance has provided auto loans to consumers, regardless of their credit history. Our product is offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our product, but who actually end up qualifying for traditional financing.

We refer to dealers who participate in our program and who share our commitment to changing consumers' lives as Dealer-Partners . Upon enrollment in our financing program, the Dealer-Partner enters into a dealer servicing agreement with Credit Acceptance that defines the legal relationship between Credit Acceptance and the Dealer-Partner. 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 Dealer-Partners to us.

A consumer who does not qualify for conventional automobile financing can purchase a used vehicle from a Credit Acceptance Dealer-Partner and finance the purchase through us. We are an indirect lender from a legal perspective, meaning the Consumer Loan is originated by the Dealer-Partner and immediately assigned to us.

We have two programs: the Portfolio Program and the Purchase Program. Under the Portfolio Program, we advance money to Dealer-Partners (referred to as a Dealer Loan) in exchange for the right to service the underlying Consumer Loan. Under the Purchase Program, we buy the Consumer Loan from the Dealer-Partner (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 under each of the programs for each of the last seven quarters:

Quarter Ended	Portfolio Program	Purchase Program
March 31, 2008	70.2%	29.8%
June 30, 2008	65.4%	34.6%
September 30, 2008	69.2%	30.8%
December 31, 2008	78.2%	21.8%

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March 31, 2009	82.3%	17.7%
June 30, 2009	86.0%	14.0%
September 30, 2009	89.0%	11.0%
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)**

2. DESCRIPTION OF BUSINESS (Continued)

Portfolio Program

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

a down payment from the consumer;

a cash advance from us; and

after the advance has been recovered by us, the cash from payments made on the Consumer Loan, net of certain collection costs and our servicing fee (Dealer Holdback).

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

The dealer servicing agreement provides that collections received by us during a calendar month on Consumer Loans assigned by a Dealer-Partner 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;

Third, to reduce the aggregate advance balance and to pay any other amounts due from the Dealer-Partner to us; and

Fourth, to the Dealer-Partner as payment of Dealer Holdback.

Dealer-Partners have an opportunity to receive an accelerated Dealer Holdback payment (Portfolio Profit Express) at the time a pool of 100 or more Consumer Loans is closed. The amount paid to the Dealer-Partner is calculated using a formula that considers the forecasted collections and the advance balance on the closed pool. If the collections on Consumer Loans from a Dealer-Partner's pool are not sufficient to repay the advance balance and any other amounts due to us, the Dealer-Partner will not receive Dealer Holdback.

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

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

the aggregate amount of all cash advances to the Dealer-Partner;

finance charges;

Dealer Holdback payments;

Portfolio Profit Express payments; and

recoveries.

Less:

collections (net of certain collection costs); and

write-offs.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)**

2. DESCRIPTION OF BUSINESS (Concluded)

Purchase Program

We began offering a Purchase Program on a limited basis in March of 2005. The Purchase Program differs from our Portfolio Program in that the Dealer-Partner receives a single payment from us at the time of origination instead of a cash advance and Dealer Holdback.

For accounting purposes, the transactions described under the Purchase Program are considered to be originated by the Dealer-Partner and then purchased by us. The amount of Purchased Loans recorded in Loans receivable is comprised of the following:

the aggregate amount of all amounts paid to purchase Consumer Loans from Dealer-Partners;

finance charges; and

recoveries.

Less:

collections (net of certain collection costs); and

write-offs.

Program Enrollment

Dealer-Partners have two enrollment options available to them for access to our programs. The first enrollment option allows Dealer-Partners to assign Consumer Loans under the Portfolio Program and requires payment of an upfront, one-time enrollment fee of \$9,850. The second enrollment option, which became effective September 1, 2009, allows Dealer-Partners to assign Consumer Loans under the Portfolio Program and requires payment of an upfront, one-time enrollment fee of \$1,950 and an agreement to allow us to keep 50% of their first Portfolio Profit Express payment. Prior to September 1, 2009, Dealer-Partners who chose the second enrollment option did not pay an upfront fee but agreed to allow us to keep 50% of their first Portfolio Profit Express payment. For all Dealer-Partners enrolling in our program after August 31, 2008, access to the Purchase Program is only granted after the first Portfolio Profit Express payment has been made under the Portfolio Program.

3. SIGNIFICANT ACCOUNTING POLICIES

Reinsurance

During the fourth quarter of 2008, we formed VSC Re Company (VSC Re), a wholly-owned subsidiary that is engaged in the business of reinsuring coverage under vehicle service contracts sold to consumers by Dealer-Partners on vehicles financed by us. VSC Re currently reinsures vehicle service contracts that are underwritten by two of our three third party insurers. Vehicle service contract premiums, which represent the selling price of the vehicle service contract to the consumer, less commissions and certain administrative costs, are contributed to trust accounts controlled by VSC Re. These premiums are used to fund claims covered under the vehicle service contracts. VSC Re is a bankruptcy remote entity. As such, the exposure to fund claims is limited to the amount of premium dollars contributed, less amounts earned and withdrawn, plus \$0.5 million of equity contributed. With the reinsurance structure, we are able to access projected excess trust assets monthly and will record revenue and expense on an accrual basis. We formed VSC Re in order to enhance our control and the security of the trust assets that will be used to pay future vehicle service contract claims. The income we expect to earn from vehicle service contracts over time will likely not be impacted as, both before and after the formation, the income we recognize is based on the amount by which vehicle service contract premiums exceed claims. The only change in our risk associated with adverse claims experience relates to the \$0.5 million equity contribution that was required as part of this new structure, which is now at risk in the event claims exceed premiums. Under the prior structure, our risk was limited to the amount of premiums contributed to the trusts.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. For the three and nine months ended September 30, 2009, net assumed written premiums were \$7.3 million and \$23.5 million, respectively, net premiums earned were \$11.6 million and \$25.3 million, respectively, and provision for claims was \$5.2 million and \$14.8 million, respectively. For the three and nine months ended September 30, 2009, we amortized \$0.5 million and \$0.7 million, respectively, of capitalized acquisition costs related to premium tax. Capitalized acquisition costs are amortized over the life of the contracts in proportion to premiums earned. Under the Consolidation Topic of the FASB Accounting Standards Codification (FASB ASC), we are considered the primary beneficiary of the trusts and as a result, trust assets of \$36.5 million and \$29.3 million at September 30, 2009 and December 31, 2008, respectively, have been consolidated on our balance sheet as restricted cash and cash equivalents. As of September 30, 2009 and December 31, 2008, accounts payable and accrued liabilities includes \$23.0 million and \$23.3 million of unearned premium, respectively, and \$1.1 million and \$0.9 million of claims reserve related to our reinsurance of vehicle service contracts, respectively. The claims reserve is estimated based on historical claims experience.

Prior to the formation of VSC Re, our agreements with two of our vehicle service contract third party administrators (TPAs) allowed us to receive profit sharing payments depending upon the performance of the vehicle service contract programs. The agreements also required that vehicle service contract premiums be placed in trust accounts. Funds in the trust accounts were utilized by the TPA to pay claims on the vehicle service contracts. Upon the formation of VSC Re during the fourth quarter of 2008, the unearned premiums on the majority of the vehicle service contracts that had been written through these two TPAs were ceded to VSC Re along with any related trust assets. Vehicle service contracts written prior to 2008 through one of the TPAs remain under this profit sharing arrangement. Profit sharing payments, if any, on the vehicle service contracts are distributed to us periodically after the term of the vehicle service contracts have substantially expired provided certain loss rates are met. Under the Consolidation Topic of the FASB ASC, we are considered the primary beneficiary of the trusts. As a result, the assets and liabilities of the remaining trust have been consolidated on our balance sheet. As of September 30, 2009 and December 31, 2008, the remaining trust had \$4.4 million and \$5.4 million, respectively, in assets available to pay claims and a related claims reserve of \$3.6 million and \$4.7 million, respectively. The trust assets are included in restricted cash and cash equivalents and restricted securities available for sale. The claims reserve is included in accounts payable and accrued liabilities in the consolidated balance sheets. A third party insures claims in excess of funds in the trust accounts.

Our determination to consolidate the VSC Re trusts and the profit sharing trusts under the Consolidation Topic of the FASB ASC was based on the following:

First, we determined that the trusts qualified as variable interest entities as defined under the Consolidation Topic of the FASB ASC. The trusts have insufficient equity at risk as no parties to the trusts were required to contribute assets that provide them with any ownership interest.

Next, we determined that we have variable interests in the trusts. We have a residual interest in the assets of the trusts, which is variable in nature, given that it increases or decreases based upon the actual loss experience of the related service contracts. In addition, for VSC Re, we are required to absorb any losses in excess of the trusts' assets, up to the \$0.5 million of equity contributed.

Finally, we determined that we are the primary beneficiary of the trusts. The trusts are not expected to generate losses that need to be absorbed by the parties to the trusts. The trusts are expected to generate residual returns and we are entitled to all of those returns.

Restricted Cash and Cash Equivalents

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Restricted cash and cash equivalents decreased to \$76.0 million at September 30, 2009 from \$80.3 million at December 31, 2008. The following table summarizes restricted cash and cash equivalents:

(in thousands)	September 30, 2009	As of December 31, 2008
Cash collections related to secured financings	\$ 37,926	\$ 48,956
Cash held in trusts for future vehicle service contract claims (1)	38,093	31,377
Total restricted cash and cash equivalents	\$ 76,019	\$ 80,333

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

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Restricted Securities Available for Sale**

Restricted securities available for sale consist of amounts held in accordance with vehicle service contract trust agreements. We determine the appropriate classification of our investments in debt securities at the time of purchase and reevaluate such determinations at each balance sheet date. Debt securities for which we do not have the intent or ability to hold to maturity are classified as available for sale, and stated at fair value with unrealized gains and losses, net of income taxes included in the determination of comprehensive income and reported as a component of shareholders' equity.

Restricted securities available for sale consisted of the following:

	Cost	As of September 30, 2009		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(in thousands)				
US Government and agency securities	\$ 1,072	\$ 29	\$ (1)	\$ 1,100
Corporate bonds	1,665	15	(1)	1,679
Total restricted securities available for sale	\$ 2,737	\$ 44	\$ (2)	\$ 2,779

	Cost	As of December 31, 2008		Estimated Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
(in thousands)				
US Government and agency securities	\$ 842	\$ 53	\$ (34)	\$ 895
Corporate bonds	2,475	9	(34)	2,450
Total restricted securities available for sale	\$ 3,317	\$ 62	\$ (34)	\$ 3,345

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.

	As of September 30, 2009		As of December 31, 2008	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
(in thousands)				
Contractual Maturity				
Within one year	\$ 1,885	\$ 1,903	\$ 1,665	\$ 1,670
Over one year to five years	852	876	1,652	1,675
Total restricted securities available for sale	\$ 2,737	\$ 2,779	\$ 3,317	\$ 3,345

Deferred Debt Issuance Costs

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As of September 30, 2009 and December 31, 2008, deferred debt issuance costs were \$6.0 million (net of accumulated amortization of \$6.1 million) and \$3.4 million (net of accumulated amortization of \$5.6 million), respectively, and are included in other assets in the consolidated balance sheets. Expenses associated with the issuance of debt instruments are capitalized and amortized as interest expense over the term of the debt instrument on a level-yield basis for term secured financings and on a straight-line basis for lines of credit and revolving secured warehouse facilities.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****3. SIGNIFICANT ACCOUNTING POLICIES (Concluded)****Accounting Standards Updates**

Disclosures About Derivative Instruments and Hedging Activities. In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 was incorporated into the FASB ASC through Accounting Standards Update (ASU) No. 2009-01 on June 30, 2009 and is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures. The adoption on January 1, 2009 had no financial impact on our consolidated financial statements, but expanded our disclosures.

Interim Disclosures about Fair Value of Financial Instruments. In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 was incorporated into the FASB ASC through ASU No. 2009-01 on June 30, 2009 and is intended to enhance consistency in financial reporting by increasing the frequency of fair value disclosures. The adoption during the second quarter of 2009 had no financial impact on our consolidated financial statements, but expanded our interim disclosures.

Recognition and Presentation of Other-Than-Temporary Impairments. In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 was incorporated into the FASB ASC through ASU No. 2009-01 on June 30, 2009 and amends the other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. The adoption during the second quarter of 2009 did not have an impact on our consolidated financial statements.

Subsequent Events. In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS 165). SFAS 165 was incorporated into the FASB ASC through ASU No. 2009-01 on June 30, 2009 and is intended to establish principles and requirements for subsequent events. The adoption during the second quarter of 2009 had no financial impact on our financial statements, but expanded our disclosures.

Accounting for Transfers of Financial Assets. In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 is intended to improve the information provided in financial statements about the transfer of financial assets and the effects of the transfer on financial position and performance, and cash flows. This SFAS will be incorporated into the FASB ASC and will be effective for interim and annual reporting periods beginning after November 15, 2009, with early adoption prohibited. This statement must be applied to transfers occurring on or after the effective date. We do not expect SFAS 166 to have a material impact on our consolidated financial statements.

Amendments to FASB Interpretation No. 46(R). In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 is intended to improve financial reporting related to variable interest entities. This SFAS will be incorporated into the FASB ASC and will be effective for interim and annual reporting periods beginning after November 15, 2009, with early adoption prohibited. We are currently assessing the impact of SFAS 167 on our consolidated financial statements.

The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (SFAS 168). SFAS 168 was incorporated into the FASB ASC through ASU No. 2009-02 on June 30, 2009 and identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy). The adoption did not have a material impact on our consolidated financial statements.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(UNAUDITED)**4. LOANS RECEIVABLE**

A summary of changes in Loans receivable is as follows (in thousands):

	Three Months Ended September 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 858,559	\$ 325,535	\$ 1,184,094
New loans	129,677	19,974	149,651
Transfers	(3,666)	3,666	
Dealer Holdback payments	10,335		10,335
Net cash collections on Loans	(126,859)	(36,411)	(163,270)
Write-offs	(1,034)	(25)	(1,059)
Recoveries	664	6	670
Net change in other loans	(152)		(152)
Currency translation	71		71
Balance, end of period	\$ 867,595	\$ 312,745	\$ 1,180,340

	Three Months Ended September 30, 2008		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 859,691	\$ 284,718	1,144,409
New loans	109,027	61,697	170,724
Transfers	(3,473)	3,473	
Dealer Holdback payments	13,736		13,736
Net cash collections on Loans	(122,400)	(29,399)	(151,799)
Write-offs	(21,411)	(15)	(21,426)
Recoveries		3	3
Net change in other loans	(20)		(20)
Currency translation	(36)		(36)
Balance, end of period	\$ 835,114	\$ 320,477	\$ 1,155,591

	Nine Months Ended September 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 823,567	\$ 325,185	\$ 1,148,752
New loans	412,423	87,840	500,263
Transfers	(11,594)	11,594	
Dealer Holdback payments	34,300		34,300
Net cash collections on Loans	(390,603)	(111,850)	(502,453)
Write-offs	(2,851)	(60)	(2,911)
Recoveries	2,374	36	2,410
Net change in other loans	(151)		(151)
Currency translation	130		130

Balance, end of period	\$ 867,595	\$ 312,745	\$ 1,180,340
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Nine Months Ended September 30, 2008

	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 804,245	\$ 140,453	944,698
New loans	430,423	246,971	677,394
Transfers	(5,571)	5,571	
Dealer Holdback payments	46,482		46,482
Net cash collections on Loans	(393,851)	(72,502)	(466,353)
Write-offs	(46,660)	(34)	(46,694)
Recoveries		18	18
Net change in other loans	131		131
Currency translation	(85)		(85)
Balance, end of period	\$ 835,114	\$ 320,477	\$ 1,155,591

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****4. LOANS RECEIVABLE (Concluded)**

A summary of changes in the Allowance for credit losses is as follows (in thousands):

	Three Months Ended September 30, 2009		
	Dealer	Purchased	Total
	Loans	Loans	
Balance, beginning of period	\$ 111,721	\$ 15,432	\$ 127,153
Provision for credit losses	(1,269)	(2,322)	(3,591)
Write-offs	(1,034)	(25)	(1,059)
Recoveries	664	6	670
Currency translation	67		67
Balance, end of period	\$ 110,149	\$ 13,091	\$ 123,240

	Three Months Ended September 30, 2008		
	Dealer	Purchased	Total
	Loans	Loans	
Balance, beginning of period	\$ 125,814	\$ 6,445	\$ 132,259
Provision for credit losses	5,115	3,268	8,383
Write-offs	(21,411)	(15)	(21,426)
Recoveries		3	3
Currency translation	(35)		(35)
Balance, end of period	\$ 109,483	\$ 9,701	\$ 119,184

	Nine Months Ended September 30, 2009		
	Dealer	Purchased	Total
	Loans	Loans	
Balance, beginning of period	\$ 113,831	\$ 17,004	\$ 130,835
Provision for credit losses	(3,328)	(3,889)	(7,217)
Write-offs	(2,851)	(60)	(2,911)
Recoveries	2,374	36	2,410
Currency translation	123		123
Balance, end of period	\$ 110,149	\$ 13,091	\$ 123,240

	Nine Months Ended September 30, 2008		
	Dealer	Purchased	Total
	Loans	Loans	
Balance, beginning of period	\$ 133,201	\$ 944	\$ 134,145
Provision for credit losses	23,019	8,773	31,792
Write-offs	(46,660)	(34)	(46,694)
Recoveries		18	18
Currency translation	(77)		(77)

Balance, end of period	\$ 109,483	\$ 9,701	\$ 119,184
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For the three and nine months ended September 30, 2009, the provision for credit losses decreased as a result of an improvement in the performance of our Loan portfolio. During the second quarter of 2008, as a result of lower than expected realized collection rates, we reduced the estimated future net cash flows expected from our Loan portfolio, which resulted in a provision for credit losses of \$20.8 million.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****5. DEBT**

We currently use three primary sources of debt financing: (1) a revolving secured line of credit with a commercial bank syndicate; (2) revolving secured warehouse facilities with institutional investors; and (3) SEC Rule 144A asset-backed secured financings (Term ABS 144A) with qualified institutional investors. General information for each of the Company's financing transactions in place as of September 30, 2009 is as follows (dollars in thousands):

Financings	Wholly-owned Subsidiary	Issue Number	Close Date	Maturity Date	Financing Amount	Interest Rate at September 30, 2009
Revolving Line of Credit	n/a	n/a	June 15, 2009	June 23, 2011	\$ 140,000	At the Company's option, either the Eurodollar rate plus 275 basis points or the prime rate plus 100 basis points
Warehouse Facility Revolving Secured (1)	CAC Warehouse Funding Corp. II	2003-2	August 24, 2009	August 23, 2011 (7)	\$ 325,000	Commercial paper rate plus 500 basis points or LIBOR plus 600 basis points (4) (5)
Warehouse Facility Revolving Secured (1)	CAC Warehouse Funding III, LLC	2008-2	August 31, 2009	August 31, 2012 (6)	\$ 75,000	Commercial paper rates plus 375 basis points or LIBOR plus 375 basis points (3) (4) (5)
Term ABS 144A 2007-2 (1)	Credit Acceptance Funding LLC 2007-2	2007-2	October 29, 2007	October 15, 2008 (2)	\$ 100,000	Fixed rate (3)
Term ABS 144A 2008-1 (1)	Credit Acceptance Funding LLC 2008-1	2008-1	April 18, 2008	April 15, 2009 (2)	\$ 150,000	Fixed rate (3)

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

(2) *Loans will amortize after the maturity date based on the cash flows of the contributed assets.*

- (3) *A portion of the outstanding balance is a floating rate obligation that has been converted to a fixed rate obligation via an interest rate swap.*
- (4) *The LIBOR rate is used if funding is not available from the commercial paper market.*
- (5) *Interest rate cap agreements are in place to limit the exposure to increasing interest rates.*
- (6) *Facility revolves until August 31, 2011 and matures on August 31, 2012.*
- (7) *Facility revolves until August 23, 2010 and matures on August 23, 2011.*

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****5. DEBT (Continued)**

Additional information related to the amounts outstanding on each facility is as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revolving Line of Credit				
Maximum outstanding balance	\$ 124,600	\$ 82,900	\$ 128,900	\$ 128,400
Average outstanding balance	89,293	56,282	85,785	59,038
Revolving Secured Warehouse Facility (2003-2) (1)				
Maximum outstanding balance	\$ 325,000	\$ 264,061	\$ 325,000	\$ 297,211
Average outstanding balance	290,327	258,743	273,663	262,398
Revolving Secured Warehouse Facility (2008-2)				
Maximum outstanding balance	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Average outstanding balance	50,000	50,000	50,000	50,000

(1) 2008 data includes amounts owing after February 12, 2008 to an institutional investor that did not renew their participation in the facility. The amount due did not reduce the amount available on the Warehouse Facility. See Revolving Secured Warehouse Facilities for additional information.

	As of
September 30, 2009	December 31, 2008

Revolving Line of Credit

Balance outstanding	\$ 102,500	\$ 61,300
Letter(s) of credit	514	555
Amount available for borrowing	36,986	91,645
Interest rate	4.25%	1.70%

Revolving Secured Warehouse Facility (2003-2)

Balance outstanding	\$ 274,500	\$ 256,000
Amount available for borrowing	50,500	69,000
Contributed eligible Loans	393,056	344,111
Interest rate	5.64%	3.33%

Revolving Secured Warehouse Facility (2008-2)

Balance outstanding	\$ 50,000	\$ 50,000
Amount available for borrowing	25,000	
Contributed eligible Loans	93,781	62,562
Interest rate	4.00%	2.21%

Term ABS 144A 2007-1

Balance outstanding	\$	\$ 33,915
Contributed eligible Dealer Loans		87,155
Interest rate		5.32%

Term ABS 144A 2007-2

Balance outstanding	\$ 15,107	\$ 84,260
Contributed eligible Dealer Loans	78,295	114,054
Interest rate	6.22%	6.22%

Term ABS 144A 2008-1

Balance outstanding	\$ 96,884	\$ 150,000
Contributed eligible Loans	159,050	184,595
Interest rate	6.37%	6.37%

Residual Credit Facility

Balance outstanding	\$	\$
Certificate Pledged		52,944
Interest rate		

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****5. DEBT (Continued)****Line of Credit Facility**

During the second quarter of 2009, we extended the maturity of the line of credit facility with a commercial bank syndicate from June 22, 2010 to June 23, 2011, and we reduced the amount of the facility from \$153.5 million to \$140.0 million. The interest rate on borrowings under the facility was increased from the prime rate minus 0.60% or the Eurodollar rate plus 1.25%, at the Company's option, to the prime rate plus 1.0% or the Eurodollar rate plus 2.75%, at the Company's option. The Eurodollar rate is subject to a floor of 1.50%. In addition, certain financial covenants were modified as follows:

The maximum funded debt to tangible net worth ratio was reduced from 4.0 to 1.0 to a ratio of 3.25 to 1.0

The minimum fixed charge coverage ratio was increased from 1.75 to 1.0 to a ratio of 2.0 to 1.0

The minimum asset coverage ratio was increased from 1.0 to 1.0 to a ratio of 1.1 to 1.0

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

Revolving Secured Warehouse Facilities

We have two revolving secured warehouse facilities that are provided to wholly-owned subsidiaries of the Company. One is a \$325.0 million facility with an institutional investor and the other is a \$75.0 million facility with another institutional investor.

During the third quarter of 2009, the maturity of the \$325.0 million revolving secured warehouse facility was extended. The agreement was modified to provide that in the event that the facility is not renewed after the revolving period ends on August 23, 2010, and the borrower is in compliance with the terms and conditions of the agreement, the facility will amortize for a twelve month period ending August 23, 2011. During this time, the outstanding debt will be paid down through the collections on the contributed assets. At the end of the twelve month period, the balance of the facility will be due and payable. Additionally, the interest rate on borrowings under the facility was increased from the commercial paper rate plus 100 basis points to the commercial paper rate plus 500 basis points. Finally, under the terms of the extension, the minimum levels for the three month average net yield percentage to avoid early amortization or termination of the facility were reduced from 6% and 5%, respectively, to 2% and 1%, respectively. The net yield percentage for any month is equal to the product of (i) 12, and (ii) 20% of collections less the amount of interest and fees due on the facility, divided by the average borrowing base during the month. There were no other material changes to the terms of the facility.

During the third quarter of 2009, the amount of the \$50.0 million revolving secured warehouse facility was increased to \$75.0 million. In addition, the expiration of the revolving period on the facility was extended from May 23, 2010 to August 31, 2011 and the maturity of the facility was extended from May 23, 2011 to August 31, 2012. Finally, the interest rate on the facility was increased from a floating rate equal to LIBOR plus 177.5 basis points to LIBOR plus 375.0 basis points. There were no other material changes to the terms of the facility.

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

The subsidiaries are liable for any amounts due under the applicable facility. Even though the subsidiaries and the Company are consolidated for financial reporting purposes, the financing is non-recourse to us. As the subsidiaries are organized as separate legal entities from the Company, assets of the subsidiaries (including the conveyed Loans) will not be available to satisfy the general obligations of the Company. All of each subsidiary's assets have been encumbered to secure its obligations to its respective creditors.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****5. DEBT (Continued)**

Interest on borrowings under the facilities has been limited to a maximum rate of 6.75% plus the spread over the LIBOR rate or the commercial paper rate, as applicable, through interest rate cap agreements. The subsidiaries pay us a monthly servicing fee equal to 6% of the collections received with respect to the conveyed Loans. The fee is paid out of the collections. Except for the servicing fee and holdback payments due to Dealer-Partners, 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 are paid in full.

Term ABS 144A Financings

In 2007 and 2008, three of our wholly-owned subsidiaries (the Funding LLCs), each completed a secured financing transaction. In connection with these transactions, we contributed Loans on an arms-length basis to each Funding LLC for cash and the sole membership interest in that Funding LLC. In turn, each Funding LLC contributed the Loans to a respective trust that issued notes to qualified institutional investors. Financial insurance policies were issued in connection with the 2007 transactions. The policies guarantee the timely payment of interest and ultimate repayment of principal on the final scheduled distribution date. In the 2007 transactions, the notes were initially rated Aaa by Moody's Investor Service (Moody's) and AAA by Standard & Poor's Rating Services (S&P) based upon the financial insurance policy. As of September 30, 2009, due to downgrades in the debt ratings of the insurer, the Term ABS 114A 2007-2 transaction was rated Baa2 by Moody's and A- by S&P. The Term ABS 144A 2008-1 transaction was rated A by S&P.

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

The financings create loans for which the trusts are liable and which are secured by all the assets of each trust. Such loans are non-recourse to us, even though the trusts, the Funding LLCs and the Company are consolidated for financial reporting purposes. Because the Funding LLCs are organized as separate legal entities from the Company, their assets (including the contributed Loans) are not available to satisfy our general obligations. We receive a monthly servicing fee on each financing equal to 6% of the collections received with respect to the contributed Loans. The fee is paid out of the collections. Aside from the servicing fee and holdback payments due to Dealer-Partners, we do not receive, or have any rights in the collections. 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 under certain specified circumstances. Alternatively, when a trust's underlying indebtedness is paid in full, either through collections or through a prepayment of the indebtedness, the trust is to pay any remaining collections over to its Funding LLC as the sole beneficiary of the trust. The collections will then be available to be distributed to us as the sole member of the respective Funding LLC.

The table below sets forth certain additional details regarding the outstanding Term ABS 144A Financings (dollars in thousands):

Term ABS 144A Financing	Issue Number	Close Date	Net Book Value of Dealer Loans Contributed at Closing	Revolving Period	Expected Annualized Rates (1)
Term ABS 144A 2007-2	2007-2	October 29, 2007	\$ 125,000	12 months (Through October 15, 2008)	8.0%
Term ABS 144A 2008-1	2008-1	April 18, 2008	\$ 86,615	12 months (Through April 15, 2009)	6.9%

(1) *Includes
underwriter s
fees, insurance
premiums and
other costs.*

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Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****5. DEBT (Concluded)****Residual Credit Facility**

Another wholly-owned subsidiary, Credit Acceptance Residual Funding LLC, had a \$50.0 million secured credit facility with an institutional investor. On August 26, 2009, the \$50.0 million residual credit facility matured and was not renewed. No amounts were outstanding under the \$50.0 million residual credit facility at the maturity date.

Mortgage Note

During 2009, the mortgage note on our Southfield headquarters was amended to extend the maturity date from June 9, 2009 to June 22, 2014. Additionally, the interest rate on the note was increased from 5.35% to 5.70%. There was \$4.8 million and \$5.3 million outstanding on this loan as of September 30, 2009 and December 31, 2008, respectively.

Debt Covenants

As of September 30, 2009, we are in compliance with all our debt covenants including those that require the maintenance of certain financial ratios and other financial conditions. The most restrictive covenants require a minimum ratio of our assets to debt and a minimum ratio of our earnings before interest, taxes and non-cash expenses to fixed charges. The covenants also limit the maximum ratio of our funded debt to tangible net worth. Additionally, we must maintain consolidated net income of not less than \$1 for the two most recently ended fiscal quarters. Some of the debt covenants may indirectly limit the payment of dividends on common stock.

6. DERIVATIVE INSTRUMENTS

Interest Rate Caps. We purchase interest rate cap agreements to manage the interest rate risk on our \$325.0 million revolving secured warehouse facility and on \$50.0 million of the \$75.0 million revolving secured warehouse facility. As we have not designated these agreements as hedges as defined under the Derivatives and Hedging Topic of the FASB ASC, changes in the fair value of these agreements will increase or decrease interest expense.

As of September 30, 2009, eight interest rate cap agreements with various maturities between May 2010 and August 2011 were outstanding with a cap rate of 6.75% plus the spread over the LIBOR rate or the commercial paper rate, as applicable, and a nominal fair value. As of December 31, 2008, seven interest rate cap agreements with various maturities between July 2009 and February 2011 were outstanding with a cap rate of 6.75% plus the spread over the LIBOR rate or the commercial paper rate, as applicable, and a nominal fair value.

Interest Rate Swaps. We have entered into two interest rate swaps to convert \$50.0 million and \$150.0 million in floating rate Term ABS 144A asset-backed secured borrowings into fixed rate debt, bearing interest rates of 6.28% and 6.37%, respectively. The interest rate swaps were effective on the closing date of each borrowing. As of September 30, 2009, we had \$112.0 million outstanding under those borrowings. The fair value of the interest rate swaps is based on quoted prices for similar instruments in active markets, which are influenced by a number of factors, including interest rates, amount of debt outstanding, and number of months until maturity. As we have not designated the interest rate swap related to the \$50.0 million in floating rate debt as a hedge as defined under the Derivatives and Hedging Topic of the FASB ASC, changes in the fair value of this swap will increase or decrease interest expense.

We have entered into a third interest rate swap to convert \$25.0 million of the \$75.0 million revolving secured warehouse facility into fixed rate debt, bearing an interest rate of 5.1%. This interest rate swap was executed in September 2009. The fair value of this interest rate swap is based on quoted prices for similar instruments in active markets, which are influenced by a number of factors, including interest rates, amount of debt outstanding, and number of months until maturity.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****6. DERIVATIVE INSTRUMENTS (Continued)**

We have designated the interest rate swaps related to the \$150.0 million floating rate debt and the \$25.0 million portion of the \$75.0 million revolving secured warehouse facility as cash flow hedges as defined under the Derivatives and Hedging Topic of the FASB ASC. The effective portion of changes in the fair value are recorded in other comprehensive income, net of income taxes, and the ineffective portion of changes in fair value are recorded in interest expense. There has been no such ineffectiveness since the inception of these hedges through September 30, 2009.

For those derivative instruments that are designated and qualify as hedging instruments, we formally document all relationships between the hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities on the balance sheet. We also formally assess (both at the hedge s inception and on a quarterly basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in the future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, we would discontinue hedge accounting prospectively.

At September 30, 2009, we had minimal exposure to credit loss on the interest rate swaps. We do not believe that any reasonably likely change in interest rates would have a materially adverse effect on our financial position, our results of operations or our cash flows.

Information related to the fair values of derivative instruments in our consolidated balance sheets as of September 30, 2009 and December 31, 2008 is as follows (in thousands):

	Liability Derivatives			
	September 30, 2009		December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate swap	Accounts payable and accrued liabilities	\$ 2,068	Accounts payable and accrued liabilities	\$ 4,068
Total derivatives designated as hedging instruments		\$ 2,068		\$ 4,068
Derivatives not designated as hedging instruments				
Interest rate swap	Accounts payable and accrued liabilities	\$ 57	Accounts payable and accrued liabilities	\$ 827
Total derivatives not designated as hedging instruments		\$ 57		\$ 827

Total derivatives	\$ 2,125	\$ 4,895
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

6. DERIVATIVE INSTRUMENTS (Concluded)

Information related to the effect of derivative instruments on our consolidated income statements for the three and nine months ended September 30, 2009 and 2008 is as follows (in thousands):

Derivatives in Cash	Gain / (Loss)		Location	Gain / (Loss)	
	Recognized in OCI on			Reclassified from Accumulated	
Flow Hedging Relationships	Derivative		OCI into Income (Effective Portion)		
	(Effective Portion)		Three Months Ended		
	Three Months Ended		Three Months Ended		
	September 30,		September 30,		
	2009	2008	2009	2008	
Interest rate swap	\$ (274)	\$ (250)	Interest expense	\$ (832)	\$ (314)

Derivatives in Cash	Gain / (Loss)		Location	Gain / (Loss)	
	Recognized in OCI on			Reclassified from Accumulated	
Flow Hedging Relationships	Derivative		OCI into Income (Effective Portion)		
	(Effective Portion)		Nine Months Ended		
	Nine Months Ended		Nine Months Ended		
	September 30,		September 30,		
	2009	2008	2009	2008	
Interest rate swap	\$ (972)	\$ (779)	Interest expense	\$ (2,971)	\$ (518)

As of September 30, 2009, we expect to reclassify losses of \$2.0 million from Accumulated other comprehensive income into Income during the next twelve months.

Derivatives Not Designated as Hedging Instruments	Location	Amount of Gain / (Loss) Recognized in Income on Derivative			
		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2009	2008	2009	2008
Interest rate caps	Interest expense	\$ (78)	\$ (26)	\$ (78)	\$ (25)
Interest rate swap	Interest expense	53	36	66	(588)
Total		\$ (25)	\$ 10	\$ (12)	\$ (613)

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****7. FAIR VALUE MEASUREMENTS**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate their value.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents. The carrying amount of cash and cash equivalents and restricted cash and cash equivalents approximate their fair value due to the short maturity of these instruments.

Restricted Securities Available for Sale. Restricted securities consist of amounts held in trusts by TPAs to pay claims on vehicle service contracts. Securities for which we do not have the intent or ability to hold to maturity are classified as available for sale and stated at fair value. The fair value of restricted securities are based on quoted market values.

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

Derivative Instruments. The fair value of interest rate caps and interest rate swaps are based on quoted prices for similar instruments in active markets.

Liabilities. The fair value of debt is determined using quoted market prices, if available, or calculated using the estimated value of each debt instrument based on current rates offered to us for debt with similar maturities.

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

	As of September 30, 2009		As of December 31, 2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents and restricted cash	\$ 77,629	\$ 77,629	\$ 83,487	\$ 83,487
Restricted securities available for sale	2,779	2,779	3,345	3,345
Net investment in Loans receivable	1,057,100	1,068,557	1,017,917	1,042,790
Liabilities				
Line of credit	\$ 102,500	\$ 102,500	\$ 61,300	\$ 61,300
Secured financing	436,491	436,491	574,175	569,811
Mortgage note	4,797	4,797	5,274	5,415
Derivative instruments	2,125	2,125	4,895	4,895

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****7. FAIR VALUE MEASUREMENTS (Concluded)**

Effective January 1, 2008, we adopted the Fair Value Measurements and Disclosures Topic of the FASB ASC, which clarifies that 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. As a basis for considering such assumptions, the Fair Value Measurements and Disclosures Topic of the FASB ASC establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value. As required under the Fair Value Measurements and Disclosures Topic of the FASB ASC, 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 fair value measurements of applicable assets and liabilities as of September 30, 2009 (in thousands):

	Level 1	Level 2	Total Fair Value
Assets			
Restricted securities available for sale	\$2,779	\$	\$2,779
Liabilities			
Derivative instruments	\$	\$2,125	\$2,125

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****8. RELATED PARTY TRANSACTIONS**

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

Affiliated Dealer Loan balances were \$13.4 million and \$15.4 million as of September 30, 2009 and December 31, 2008, respectively. Affiliated Dealer Loan balances were 1.6% and 1.9% of total consolidated Dealer Loan balances as of September 30, 2009 and December 31, 2008. A summary of related party Loan activity is as follows (dollars in thousands):

	Three Months Ended September 30, 2009		Three Months Ended September 30, 2008	
	Affiliated dealer-partner activity	% of consolidated	Affiliated dealer-partner activity	% of consolidated
New Dealer and Purchased Loans	\$1,244	1.0%	\$2,217	2.0%
Dealer Loan revenue	\$ 921	1.5%	\$1,024	1.9%
Dealer Holdback payments	\$ 360	3.5%	\$ 530	3.9%

	Nine Months Ended September 30, 2009		Nine Months Ended September 30, 2008	
	Affiliated dealer-partner activity	% of consolidated	Affiliated dealer-partner activity	% of consolidated
New Dealer and Purchased Loans	\$4,865	1.2%	\$8,736	2.0%
Dealer Loan revenue	\$2,827	1.6%	\$3,036	1.9%
Dealer Holdback payments	\$1,425	4.2%	\$1,660	3.6%

Beginning in 2002, entities owned by our majority shareholder and Chairman began offering secured lines of credit to third parties in a manner similar to a program previously offered by us. In December 2004, our majority shareholder and Chairman sold his ownership interest in these entities; however, he continues to have indirect control over these entities and has the right or obligation to reacquire the entities under certain circumstances until December 31, 2014 or the repayment of the related purchase money note.

9. INCOME TAXES

In July 2009, we received a revised notice from the IRS, in the form of a 30-day letter, disputing the tax valuation of our Loan portfolio for 2004 through 2006. We disagree with the IRS's proposed valuation. We are protesting the 30-day letter to the IRS's administrative Appeals Office and will vigorously defend our position. We have filed tax returns for 2004 to 2008 applying the portfolio valuation methodology that the IRS disputes. If the IRS were to prevail with their current position without compromise, we would owe \$20.5 million of additional federal and state taxes for the period under audit. Additionally, if we used their methodology for 2007 and 2008, we would owe additional federal and state taxes of \$4.0 million and \$24.1 million, respectively. The 2008 return was filed during the most recent quarter and reflects a valuation that considers market conditions that existed at December 31, 2008. The valuation methodology reflected in the 2008 return differs from the IRS's proposed methodology to a greater extent than in 2004 to 2007 as the IRS's methodology is based upon the more stable market conditions which existed prior to the credit crisis. The total amount of \$48.6 million of additional taxes is an acceleration of taxes already provided for and recorded as a deferred income tax liability in our balance sheet as of September 30, 2009 and therefore would have no effect on our income statement. We would also owe interest related to the additional federal and state taxes that would reduce our net income by \$7.5 million. As we believe our position will be upheld, we have not recorded a

reserve for the interest amounts under the Income Taxes Topic of the FASB ASC at September 30, 2009.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)****10. CAPITAL TRANSACTIONS****Net Income Per Share**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Weighted average common and common equivalent shares outstanding:				
Basic number of common shares outstanding	30,658,969	30,310,053	30,540,274	30,223,586
Dilutive effect of stock options	639,426	591,667	612,162	654,531
Dilutive effect of restricted stock and restricted stock units	240,724	122,735	218,144	116,349
Dilutive number of common and common equivalent shares outstanding	31,539,119	31,024,455	31,370,580	30,994,466

There were no stock options that would be anti-dilutive for the three and nine months ended September 30, 2009 and 2008.

Stock Compensation Plans

Pursuant to our Incentive Compensation Plan, which was approved by shareholders on May 13, 2004, we reserved 1.0 million shares of our common stock for the future granting of restricted stock, restricted stock units, stock options, and performance awards to employees, officers, and directors at any time prior to April 1, 2014. At our annual meeting of shareholders on May 21, 2009, our shareholders adopted the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, amended and restated as of April 6, 2009 (the Incentive Plan), which increased the number of shares reserved for granting of restricted stock, restricted stock units, stock options, and performance awards to employees, officers, directors, and contractors at any time prior to April 6, 2019, to 1.5 million shares. The shares available for future grants under the Incentive Plan totaled 346,056 as of September 30, 2009.

Below is a summary of the restricted stock activity under the Incentive Plan for the nine months ended September 30, 2009 and 2008:

	Number of Shares Nine Months Ended September 30,	
	2009	2008
Restricted Stock		
Outstanding Beginning Balance	245,329	201,872
Granted	121,736	80,123
Vested	(105,682)	(20,198)
Forfeited	(15,078)	(12,560)
Outstanding Ending Balance	246,305	249,237

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(UNAUDITED)**10. CAPITAL TRANSACTIONS (Concluded)**

Below is a summary of the restricted stock unit activity under the Incentive Plan for the nine months ended September 30, 2009 and 2008:

	Nonvested		Vested		Total
	Number of	Weighted-	Number of	Weighted-	Number of
	Restricted	Average	Restricted	Average	Restricted
	Stock	Grant-Date	Stock	Grant-Date	Stock
	Units	Fair	Units	Fair	Units
Restricted Stock Units		Value		Value	
		Per Share		Per Share	
Outstanding at December 31, 2008	640,000	\$ 18.99	60,000	\$ 26.30	700,000
Granted	100,750	23.89			100,750 (1)
Vested	(60,000)	26.30	60,000	26.30	(2)
Forfeited	(20,000)	13.51			(20,000)
Outstanding at September 30, 2009	660,750	\$ 19.24	120,000	\$ 26.30	780,750

(1) *The distribution date of vested restricted stock units is February 22, 2016 for 80,750 restricted stock units and February 22, 2017 for 20,000 restricted stock units.*

(2) *The distribution date of vested restricted stock units is February 22, 2014.*

	Nonvested	Vested	Total	
	Weighted-	Weighted-		Distribution
	Average	Average	Number of	Date
	Grant-Date	Grant-Date	of Vested	of Vested
	Number of	Number of	Units	

	Restricted Stock	Fair Value Per Share	Number of Restricted Stock Units	Fair Value Per Share	Restricted Stock Units	Restricted Stock Units
Restricted Stock Units						
Outstanding at December 31, 2007 Granted	300,000	\$26.30		\$	300,000	
Vested	(60,000)	26.30	60,000	26.30		February 22, 2014
Outstanding at September 30, 2008	240,000	\$26.30	60,000	\$26.30	300,000	

Stock compensation expense consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Restricted stock	\$ 586	\$ 483	\$ 1,651	\$ 1,196
Restricted stock units	1,185	537	3,275	1,631
	\$ 1,771	\$ 1,020	\$ 4,926	\$ 2,827

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)
(UNAUDITED)****11. BUSINESS SEGMENT INFORMATION**

We have two reportable business segments: United States and Other. The United States segment primarily consists of the United States automobile financing business. The Other segment consists of businesses in liquidation, primarily represented by the discontinued United Kingdom automobile financing business. We are currently liquidating all businesses classified in the Other segment.

Selected segment information is set forth below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenue:				
United States	\$ 100,264	\$ 80,101	\$ 280,525	\$ 225,856
Other	4	6	4	34
Total revenue	\$ 100,268	\$ 80,107	\$ 280,529	\$ 225,890
Income (loss) from continuing operations before provision for income taxes:				
United States	\$ 62,244	\$ 32,968	\$ 165,208	\$ 77,260
Other	59	(31)	124	(141)
Total income from continuing operations before provision for income taxes	\$ 62,303	\$ 32,937	\$ 165,332	\$ 77,119

	As of	
	September 30, 2009	December 31, 2008
Segment Assets		
United States	\$ 1,177,327	\$ 1,139,214
Other	574	140
Total Assets	\$ 1,177,901	\$ 1,139,354

12. COMPREHENSIVE INCOME

Our comprehensive income information is set forth below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	\$ 40,734	\$ 20,657	\$ 105,920	\$ 48,621
Unrealized (loss) gain on securities available for sale, net of tax	(5)	(37)	9	(32)
Unrealized gain (loss) on interest rate swap, net of tax	356	40	1,263	(166)
Comprehensive income	\$ 41,085	\$ 20,660	\$ 107,192	\$ 48,423

Table of Contents**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 2008 Annual Report on Form 10-K, as well as Item 1- Consolidated Financial Statements, in this Form 10-Q.

Critical Success Factors

Critical success factors include our ability to access capital on acceptable terms, accurately forecast Consumer Loan performance, and accept or purchase Consumer Loans in the volume and on the terms that we anticipate.

Access to Capital

Our strategy for accessing capital on acceptable terms needed to maintain and grow the business is to: (1) maintain consistent financial performance; (2) maintain modest financial leverage; and (3) maintain multiple funding sources. Our funded debt to equity ratio is 1.2:1 at September 30, 2009. We currently use three primary sources of financing: (1) a revolving secured line of credit with a commercial bank syndicate; (2) revolving secured warehouse facilities with institutional investors; and (3) SEC Rule 144A asset-backed secured borrowings with qualified institutional investors.

Consumer Loan Performance

At the time of Consumer Loan acceptance or purchase, we forecast future expected cash flows from the Consumer Loan. Based on these forecasts, an advance or one time payment is made to the related Dealer-Partner at a level designed to achieve an acceptable return on capital. If Consumer Loan performance equals or exceeds our original expectation, it is likely our target return on capital will be achieved.

We use a statistical model to estimate the expected collection rate for each Consumer Loan at inception. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to inception. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. By comparing our current expected collection rate for each Consumer Loan with the rate we projected at the time of assignment, we are able to assess the accuracy of our initial forecast. The following table compares our forecast of Consumer Loan collection rates as of September 30, 2009, with the forecasts as of June 30, 2009, as of December 31, 2008, and at the time of assignment, segmented by year of assignment:

Consumer

Loan Assignment Year	Forecasted Collection Percentage as of			Initial Forecast	Variance in Forecasted Collection Percentage from		
	September 30, 2009	June 30, 2009	December 31, 2008		June 30, 2009	December 31, 2008	Initial Forecast
2000	72.6%	72.6%	72.5%	72.8%	0.0%	0.1%	-0.2%
2001	67.4%	67.4%	67.4%	70.4%	0.0%	0.0%	-3.0%
2002	70.4%	70.5%	70.4%	67.9%	-0.1%	0.0%	2.5%
2003	73.7%	73.8%	73.8%	72.0%	-0.1%	-0.1%	1.7%
2004	73.1%	73.3%	73.4%	73.0%	-0.2%	-0.3%	0.1%
2005	73.9%	74.0%	74.1%	74.0%	-0.1%	-0.2%	-0.1%
2006	70.5%	70.5%	70.3%	71.4%	0.0%	0.2%	-0.9%
2007	68.4%	68.3%	67.9%	70.7%	0.1%	0.5%	-2.3%
2008	69.0%	68.4%	67.9%	69.7%	0.6%	1.1%	-0.7%
2009(1)	73.9%	72.3%		71.1%	1.6%		2.8%

(1) The forecasted collection rate for 2009 Consumer Loans as of

September 30, 2009 includes both Consumer Loans that were in our portfolio as of June 30, 2009 and Consumer Loans received during the most recent quarter. The following table provides forecasted collection rates for each of these segments:

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2009 Consumer Loan Assignment Period	Forecasted Collection Percentage as of		Variance
	September 30, 2009	June 30, 2009	
January 1, 2009 through June 30, 2009	74.6%	72.3%	2.3%
July 1, 2009 through September 30, 2009	72.2%	-	

Consumer Loan performance for the three and nine months ended September 30, 2009 exceeded our forecasts at June 30, 2009 and December 31, 2008.

As a result of current economic conditions and uncertainty about future conditions, we continue to be cautious about our forecasts of future collection rates. However, we believe our current estimates are reasonable for the following reasons:

Our forecasts start with the assumption that Consumer Loans in our current portfolio will perform like historical Consumer Loans with similar attributes.

During 2008, we reduced our forecasts on Consumer Loans assigned in 2006 through 2008 as these Consumer Loans began to perform worse than expected. Additionally, we adjusted our estimated timing of future net cash flows to reflect recent trends relating to Consumer Loan prepayments.

During 2008, and during the first quarter of 2009, we reduced the expected collection rate on new Consumer Loan assignments. The reductions reflected both the experience to date on 2006 through 2008 Consumer Loans as well as an expectation that the external environment was likely to negatively impact Consumer Loan performance.

Our current forecasting methodology, when applied against historical data, produces a consistent forecasted collection rate as the Consumer Loans age.

Although current economic uncertainty increases the risk of poor Consumer Loan performance, we set prices at Consumer Loan inception to increase the likelihood of achieving an acceptable return on capital, even if collection results are worse than we currently forecast.

The following table presents forecasted Consumer Loan collection rates, advance rates (includes amounts paid to acquire Purchased Loans), the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that had been realized as of September 30, 2009. Payments of Dealer Holdback and Portfolio Profit Express are not included in the advance percentage paid to the Dealer-Partner. All amounts are presented as a percentage of the initial balance of the Consumer Loan (principal + interest). The table includes both Dealer Loans and Purchased Loans.

Loan Assignment Year	Forecasted Collection %	As of September 30, 2009		% of Forecast Realized
		Advance %	Spread %	
2000	72.6%	47.9%	24.7%	99.5%
2001	67.4%	46.0%	21.4%	99.2%
2002	70.4%	42.2%	28.2%	98.8%
2003	73.7%	43.4%	30.3%	98.6%
2004	73.1%	44.0%	29.1%	98.1%
2005	73.9%	46.9%	27.0%	97.3%
2006	70.5%	46.6%	23.9%	91.1%
2007	68.4%	46.5%	21.9%	72.7%
2008	69.0%	44.6%	24.4%	47.2%

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2009	73.9%	43.7%	30.2%	16.3%
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The following table presents forecasted Consumer Loan collection rates, advance rates (includes amounts paid to acquire Purchased Loans), and the spread (the forecasted collection rate less the advance rate) as of September 30, 2009 for Purchased Loans and Dealer Loans separately:

	Loan Assignment Year	Forecasted Collection %	Advance %	Spread %
Purchased Loans	2007	68.5%	48.8%	19.7%
	2008	68.0%	46.6%	21.4%
	2009	73.8%	45.8%	28.0%
Dealer Loans	2007	68.4%	45.9%	22.5%
	2008	69.7%	43.5%	26.2%
	2009	73.9%	43.2%	30.7%

Although the advance rate on Purchased Loans is higher as compared to the advance rate on Dealer Loans, Purchased Loans do not require the Company to pay Dealer Holdback. The increase in the spread between the forecasted collection rate and the advance rate during 2008 and 2009 occurred as a result of pricing changes implemented during the first nine months of 2008 and improving forecasted collection rates during the first nine months of 2009.

Consumer Loan Volume

Our ability to maintain and grow Consumer Loan volume is impacted by our pricing strategy, the number of Dealer-Partners actively participating in our programs, and the competitive environment. The following table summarizes changes in Consumer Loan dollar and unit volume in each of the last seven quarters as compared to the same period in the previous year:

Three Months Ended	Consumer Loans Year over Year Percent Change	
	Dollar Volume	Unit Volume
March 31, 2008	28.5%	16.0%
June 30, 2008	40.6%	26.1%
September 30, 2008	27.5%	26.9%
December 31, 2008	-21.0%	-13.4%
March 31, 2009	-26.3%	-13.0%
June 30, 2009	-30.2%	-16.2%
September 30, 2009	-13.6%	-5.7%

Dollar and unit volume declined during the first three quarters of 2009 as compared to the same periods in 2008 due to pricing changes implemented during the first nine months of 2008.

As a result of our success in renewing our debt facilities, we are now in position to begin growing year over year unit volumes. In September 2009, we implemented a pricing change that was intended to have a positive impact on unit volume, in exchange for modestly lower returns on capital. As a result of this change, unit volume increased by 9.0% in September 2009 as compared to September of 2008 with dollar volume increasing by 3.0%. We will continue to monitor unit volumes and will make additional pricing changes with an objective to maximize economic profit given the capital we have available. Future growth rates will depend on how unit volumes respond to pricing changes, which will be influenced to a large degree by how quickly competition returns to our market.

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The following table summarizes the changes in Consumer Loan unit volume and active Dealer-Partners:

	Three Months Ended September 30,		
	2009	2008	% change
Consumer Loan unit volume	26,069	27,636	-5.7%
Active Dealer-Partners (1)	2,240	2,270	-1.3%
Average volume per active Dealer-Partner	11.6	12.2	-4.9%
Consumer Loan unit volume from Dealer-Partners active both periods	17,818	19,529	-8.8%
Dealer-Partners active both periods	1,293	1,293	0.0%
Average volume per Dealer-Partners active both periods	13.8	15.1	-8.8%
Consumer Loan unit volume from new Dealer-Partners	1,301	1,792	-27.4%
New active Dealer-Partners (2)	230	300	-23.3%
Average volume per new active Dealer-Partners	5.7	6.0	-5.0%
Attrition (3)	-29.3%	-20.6%	

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

(2) New active Dealer-Partners are Dealer-Partners who enrolled in our program and have received funding for their first Loan from us during the periods presented.

(3) Attrition is measured according to the

following
 formula:
 decrease in
 Consumer Loan
 unit volume
 from
 Dealer-Partners
 who have
 received
 funding for at
 least one Loan
 during the
 comparable
 period of the
 prior year but
 did not receive
 funding for any
 Loans during
 the current
 period divided
 by prior year
 comparable
 period
 Consumer Loan
 unit volume.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
New Purchased Loan unit volume as a percentage of total unit volume	11.0%	30.8%	14.6%	31.6%
New Purchased Loan dollar volume as a percentage of total dollar volume	13.3%	36.1%	17.6%	36.5%

For the three and nine months ended September 30, 2009, new Purchased Loan unit and dollar volume as a percentage of total unit and dollar volume, respectively, decreased as compared to 2008 due to pricing changes implemented during 2008.

As of September 30, 2009 and December 31, 2008, the net Purchased Loan receivable balance was 28.3% and 30.3%, respectively, of the total net receivable balance.

Table of Contents**Results of Operations****Three and Nine Months Ended September 30, 2009 Compared to Three and Nine Months Ended September 30, 2008**

The following is a discussion of our results of operations and income statement data on a consolidated basis.
(Dollars in thousands, except per share data)

	Three Months Ended September 30, 2009	% of Revenue	Three Months Ended September 30, 2008	% of Revenue
Revenue:				
Finance charges	\$ 84,489	84.2%	\$ 75,617	94.4%
Premiums earned	11,596	11.6	12	
Other income	4,183	4.2	4,478	5.6
Total revenue	100,268	100.0	80,107	100.0
Costs and expenses:				
Salaries and wages	16,862	16.8	16,766	20.9
General and administrative	7,872	7.9	6,975	8.7
Sales and marketing	3,533	3.6	4,103	5.1
Provision for credit losses	(3,591)	(3.6)	8,383	10.5
Interest	8,144	8.1	10,954	13.7
Provision for claims	5,148	5.1	(13)	
Total costs and expenses	37,968	37.9	47,168	58.9
Operating income	62,300	62.1	32,939	41.1
Foreign currency gain (loss)	3		(2)	
Income from continuing operations before provision for income taxes	62,303	62.1	32,937	41.1
Provision for income taxes	21,491	21.4	12,606	15.7
Income from continuing operations	40,812	40.7	20,331	25.4
Discontinued operations (Loss) gain from discontinued United Kingdom operations	(13)		504	0.6
Provision for income taxes	65	0.1	178	0.2
(Loss) gain from discontinued operations	(78)	(0.1)	326	0.4
Net income	\$ 40,734	40.6%	\$ 20,657	25.8%
Net income per common share:				
Basic	\$ 1.33		\$ 0.68	
Diluted	\$ 1.29		\$ 0.67	

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Income from continuing operations per
common share:

Basic	\$	1.33	\$	0.67
Diluted	\$	1.29	\$	0.66

(Loss) gain from discontinued operations
per common share:

Basic	\$		\$	0.01
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Diluted	\$		\$	0.01
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Weighted average shares outstanding:

Basic	30,658,969	30,310,053
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Diluted	31,539,119	31,024,455
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(Dollars in thousands, except per share data)

	Nine Months Ended September 30, 2009	% of Revenue	Nine Months Ended September 30, 2008	% of Revenue
Revenue:				
Finance charges	\$ 242,339	86.4%	\$ 210,119	93.0%
Premiums earned	25,257	9.0	65	
Other income	12,933	4.6	15,706	7.0
Total revenue	280,529	100.0	225,890	100.0
Costs and expenses:				
Salaries and wages	50,498	18.0	51,205	22.7
General and administrative	22,767	8.1	20,726	9.2
Sales and marketing	11,020	4.0	13,330	5.9
Provision for credit losses	(7,217)	(2.6)	31,792	14.1
Interest	23,352	8.3	31,702	14.0
Provision for claims	14,786	5.3	1	
Total costs and expenses	115,206	41.1	148,756	65.9
Operating income	165,323	58.9	77,134	34.1
Foreign currency gain (loss)	9		(15)	
Income from continuing operations before provision for income taxes	165,332	58.9	77,119	34.1
Provision for income taxes	59,358	21.1	28,828	12.7
Income from continuing operations Discontinued operations	105,974	37.8	48,291	21.4
Gain from discontinued United Kingdom operations	21		548	0.2
Provision for income taxes	75		218	0.1
(Loss) gain from discontinued operations	(54)		330	0.1
Net income	\$ 105,920	37.8%	\$ 48,621	21.5%
Net income per common share:				
Basic	\$ 3.47		\$ 1.61	
Diluted	\$ 3.38		\$ 1.57	
Income from continuing operations per common share:				
Basic	\$ 3.47		\$ 1.60	
Diluted	\$ 3.38		\$ 1.56	

(Loss) gain from discontinued operations
per common share:

Basic	\$	\$	0.01
Diluted	\$	\$	0.01

Weighted average shares outstanding:

Basic	30,540,274	30,223,586
Diluted	31,370,580	30,994,466

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Table of Contents**Continuing Operations*****Three and Nine Months Ended September 30, 2009 Compared to Three and Nine Months Ended September 30, 2008***

The following table highlights changes for the three and nine months ended September 30, 2009, as compared to 2008:

	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Average outstanding balance of Loan portfolio	2.5%	9.0%
Finance charges	11.7%	15.3%
Operating expenses	1.5%	-1.1%
Provision for credit losses	-142.8%	-122.7%
Interest expense	-25.7%	-26.3%
Income from continuing operations	100.7%	119.4%

Income from continuing operations increased for the three and nine months ended September 30, 2009 primarily due to the following:

Increased finance charges due primarily to an increase in the average yield on our Loan portfolio and an increase in the average outstanding balance of our Loan portfolio;

Decreased provision for credit losses due to an improvement in the performance of our Loan portfolio; and

Decreased interest expense due to a reduction in market rates on our floating rate outstanding debt and a reduction in the average outstanding debt balance.

For the nine months ended September 30, 2009, the increase in income from continuing operations was further impacted by decreased operating expenses due to:

An increased percentage of Loan origination costs being deferred due to an increase in the Dealer Loan unit volume as a percentage of total unit volume.

Reduced expenses related to information technology.

Lower sales commissions due to a reduction in unit volume.

In addition to the above, the formation of VSC Re during the fourth quarter of 2008 had a favorable impact on 2009 profitability. The VSC Re earnings are recognized on an accrual basis and recorded as premiums earned less premium tax and provision for claims. Previously, earnings on vehicle service contracts, excluding our commissions, were recorded as other income and realized when profit sharing payments were received from third party administrators. The following table shows the after-tax earnings from VSC Re and profit sharing payments received and recorded as other income for the three and nine months ended September 30, 2009 and 2008:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Premiums earned less premium tax and provision for claims (after tax)	\$ 3,843	\$	\$ 6,288	\$
Earnings from profit sharing payments (after tax)			74	1,404
	\$ 3,843	\$	\$ 6,362	\$ 1,404

The financial results from VSC Re for the three and nine months ended September 30, 2009 include \$2.1 million of after-tax earnings related to a revision in our timing used to recognize premiums earned. We revised our timing in order to better match the timing of our revenue recognition with our expected costs of servicing our vehicle service

contracts, which is based on our historical claims experience.

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Finance Charges. For the three months ended September 30, 2009, finance charges increased \$8.9 million, or 11.7%, as compared to the same period in 2008. For the nine months ended September 30, 2009, finance charges increased \$32.2 million, or 15.3%, as compared to the same period in 2008. The increases were primarily the result of:

An increase in the average yield on our Loan portfolio resulting from pricing changes implemented during the first nine months of 2008 and an increase in forecasted collection rates during the first nine months of 2009.

For the three months ended September 30, 2009 and 2008, the average yield on our Loan portfolio was 32.0% and 28.3%, respectively. For the nine months ended September 30, 2009 and 2008, the average yield on our Loan portfolio was 30.7% and 28.3%, respectively.

An increase in the average Loans receivable balance due to growth in new Loan volume during the first nine months of 2008, partially offset by a decline in new Loan volume during the fourth quarter of 2008 and the first nine months of 2009.

Premiums Earned and Provision for Claims. For the three months ended September 30, 2009, premiums earned and provision for claims increased \$11.6 million and \$5.2 million, respectively, as compared to the same period in 2008. For the nine months ended September 30, 2009, premiums earned and provision for claims increased \$25.2 million and \$14.8 million, respectively, as compared to the same period in 2008. The increases for the three and nine months ended September 30, 2009 are the result of our formation of VSC Re during the fourth quarter of 2008.

We formed VSC Re in order to enhance our control over and the security in the trust assets that will be used to pay future vehicle service contract claims. VSC Re currently reinsures vehicle service contracts that are underwritten by two of our three third party insurers. 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 historical claims experience. A provision for claims is recognized in the period the claims are incurred. The amount of income we expect to earn from the vehicle service contracts over time is not expected to be impacted by the formation of VSC Re, as both before and after the formation, the income we recognize, excluding our commissions, is based on the amount by which vehicle service contract premiums exceed claims. However, the formation of VSC Re impacts the timing of income recognition and the income statement presentation. Prior to the formation of VSC Re, our agreements with vehicle service contract third party administrators (TPAs) allowed us to receive profit sharing payments depending upon the performance of the vehicle service contract programs. Profit sharing payments were received periodically, primarily during the first quarter of each year, and were recognized on a net basis (premiums earned less claims incurred) as other income in the period received.

Premiums earned for the three and nine months ended September 30, 2009 include \$3.5 million of revenue related to a revision in our revenue recognition timing. We revised our revenue recognition timing in order to better match the timing with our expected costs of servicing those contracts.

Other Income. For the three months ended September 30, 2009, other income decreased \$0.3 million, or 6.6%, as compared to the same period in 2008. For the nine months ended September 30, 2009, other income decreased \$2.8 million, or 17.7%, as compared to the same period in 2008.

For the nine months ended September 30, 2009, the decrease in other income was primarily a result of:

The formation of VSC Re, as discussed above, which eliminated the profit sharing arrangements related to vehicle service contracts, except for vehicle service contracts written prior to 2008 through one of the TPAs. For the nine months ended September 30, 2008, we earned \$2.2 million related to vehicle service contract profit sharing payments compared to \$0.1 million for the same period in 2009.

An increase in Guaranteed Asset Protection (GAP) claims paid as a percentage of premiums written resulting in lower GAP profit sharing payments. For the nine months ended September 30, 2009 and 2008, we received GAP profit sharing payments of \$0.1 million and \$0.7 million, respectively.

Decreased interest income on restricted cash related to the secured financings due to a decrease in interest rates earned on cash investments relating to secured financing transactions and a decrease in the average outstanding balance.

For the three months ended September 30, 2009, the decrease in other income was primarily a result of decreased interest income as discussed above.

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Salaries and Wages. For the three months ended September 30, 2009, salaries and wages expense increased \$0.1 million, or 0.6%, as compared to the same period in 2008. For the nine months ended September 30, 2009, salaries and wages expense decreased \$0.7 million, or 1.4%, as compared to the same period in 2008. While the three months ended September 30, 2009 remained consistent with the same period in 2008, the decrease for the nine months ended September 30, 2009 was primarily the result of:

An increased percentage of Loan origination costs being deferred due to an increase in Dealer Loan unit volume as a percentage of total unit volume. For Dealer Loans, certain underwriting costs are considered Loan origination costs and are deferred and expensed over the life of the Loan as an adjustment to finance charge revenue while, for Purchased Loans, all underwriting costs are expensed immediately. Since Dealer Loans represent a larger proportion of total unit volume, the deferral was higher for the nine months ended September 30, 2009, as compared to the same period in 2008. Deferring the same proportion of expenses during the nine months ended September 30, 2009 would have increased salaries and wages by approximately \$1.9 million. A decrease of \$1.3 million in salaries and wages related to Information Technology as compared to the same period in 2008.

Sales and Marketing. For the three months ended September 30, 2009, sales and marketing expense decreased \$0.6 million, or 13.9%, as compared to the same period in 2008. For the nine months ended September 30, 2009, sales and marketing expense decreased \$2.3 million, or 17.3%, as compared to the same period in 2008. The decreases in sales and marketing expense were primarily due to lower sales commissions reflecting decreases of 5.7% and 12.0% in the unit volume of Loan originations for the three and nine months ended September 30, 2009, respectively, and the discontinuance of certain Dealer-Partner support programs and lower utilization of various other Dealer-Partner programs.

Provision for Credit Losses. For the three months ended September 30, 2009, the provision for credit losses decreased \$12.0 million, or 142.8%, as compared to the same period in 2008. For the nine months ended September 30, 2009, the provision for credit losses decreased \$39.0 million, or 122.7%, as compared to the same period in 2008. These decreases were a result of an improvement in the performance of our Loan portfolio. During the second quarter of 2008, as a result of lower than expected realized collection rates, we reduced estimated future net cash flows by \$22.2 million or 1.7% of the total undiscounted net cash flow stream expected from our Loan portfolio, which resulted in a provision for credit losses of \$20.8 million.

Interest. For the three months ended September 30, 2009, interest expense decreased \$2.8 million, or 25.7%, as compared to the same period in 2008. For the nine months ended September 30, 2009, interest expense decreased \$8.4 million, or 26.3%, as compared to the same period in 2008. The following table shows interest expense, the average outstanding debt balance, and the pre-tax average cost of debt for the three and nine months ended September 30, 2009 and 2008:

(Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Interest expense	\$ 8,144	\$ 10,954	\$ 23,352	\$ 31,702
Average outstanding debt balance	\$ 562,663	\$ 706,637	\$ 597,268	\$ 659,193
Pre-tax average cost of debt	5.8%	6.2%	5.2%	6.4%

For the three and nine months ended September 30, 2009, the decrease in interest expense was due to a reduction in our pre-tax average cost of debt due to reductions in market rates and a reduction in the average outstanding debt balance.

Provision for Income Taxes. For the three months ended September 30, 2009, the effective tax rate decreased to 34.5% from 38.3% in the same period of 2008. For the nine months ended September 30, 2009, the effective tax rate decreased to 35.9% from 37.4% in the same period of 2008. The decrease for the three and nine months ended was primarily due to a decrease in the reserve for uncertain tax positions recorded during the third quarter of 2009.

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Liquidity and Capital Resources

We need capital to fund new Loans and pay Dealer Holdback. Our primary sources of capital are cash flows from operating activities, collections of Consumer Loans and borrowings through three primary sources of financing: (1) a revolving secured line of credit with a commercial bank syndicate; (2) revolving secured warehouse facilities with institutional investors; and (3) SEC Rule 144A asset-backed secured borrowings with qualified institutional investors. There are various restrictive debt covenants for each source of financing and we are in compliance with those covenants as of September 30, 2009. For information regarding these financings and the covenants included in the related documents, see Note 5 to the consolidated financial statements, which are incorporated herein by reference.

During the second quarter of 2009, we extended the maturity of the line of credit facility with a commercial bank syndicate from June 22, 2010 to June 23, 2011, and we reduced the amount of the facility from \$153.5 million to \$140.0 million. The interest rate on borrowings under the facility was increased from the prime rate minus 0.60% or the Eurodollar rate plus 1.25%, at the Company's option, to the prime rate plus 1.0% or the Eurodollar rate plus 2.75%, at the Company's option. The Eurodollar rate is subject to a floor of 1.50%.

During the third quarter of 2009, the maturity of the \$325.0 million revolving secured warehouse facility was extended. The agreement was modified to provide that in the event that the facility is not renewed after the revolving period ends on August 23, 2010, and the borrower is in compliance with the terms and conditions of the agreement, the facility will amortize for a twelve month period ending August 23, 2011. During this time, the outstanding debt will be paid down through the collections on the contributed assets. At the end of the twelve month period, the balance of the facility will be due and payable. Additionally, the interest rate on borrowings under the facility was increased from the commercial paper rate plus 100 basis points to the commercial paper rate plus 500 basis points.

During the third quarter of 2009, the amount of the \$50.0 million revolving secured warehouse facility was increased to \$75.0 million. In addition, the expiration of the revolving period on the facility was extended from May 23, 2010 to August 31, 2011 and the maturity of the facility was extended from May 23, 2011 to August 31, 2012. Finally, the interest rate on the facility was increased from a floating rate equal to LIBOR plus 177.5 basis points to LIBOR plus 375.0 basis points. There were no other material changes to the terms of the facility.

During the third quarter of 2009, our \$50.0 million secured credit facility with an institutional investor matured and was not renewed. No amounts were outstanding under the \$50.0 million residual credit facility at the maturity date.

Cash and cash equivalents decreased to \$1.6 million as of September 30, 2009 from \$3.2 million at December 31, 2008. Our total balance sheet indebtedness decreased to \$544.3 million at September 30, 2009 from \$641.7 million at December 31, 2008 as the net cash provided by our operating activities and principal collections from our Loan portfolio exceeded the cash used to fund new Loans.

Table of Contents**Contractual Obligations**

A summary of the total future contractual obligations requiring repayments as of September 30, 2009 is as follows (in thousands):

	Total	Payments Due by Period			Other
		Less than 1 year	1-3 Years	3-5 Years	
Long-term debt, including current maturities and capital leases (1)	\$ 544,276	\$ 132,168	\$ 408,264	\$ 3,844	\$
Operating lease obligations	3,027	824	1,806	397	
Purchase obligations (2)	130	98	32		
Other future obligations (3)	12,004				12,004
Total contractual obligations (4)	\$ 559,437	\$ 133,090	\$ 410,102	\$ 4,241	\$ 12,004

(1) Long-term debt obligations included in the above table consist solely of principal repayments. We are also obligated to make interest payments at the applicable interest rates, as discussed in Note 5 to the consolidated financial statements. Based on the actual amounts outstanding under our revolving line of credit and warehouse facilities at September 30, 2009, the forecasted amounts outstanding on all other debt

and the actual interest rates in effect as of September 30, 2009, interest is expected to be approximately \$6.6 million during 2009; \$21.7 million during 2010; and \$14.7 million during 2011 and thereafter.

- (2) Purchase obligations consist solely of contractual obligations related to the information system needs of the Company.
- (3) Other future obligations included in the above table consist solely of reserves for uncertain tax positions recognized under the Income Taxes Topic of the FASB Accounting Standards Codification.
- (4) We have contractual obligations to pay Dealer Holdback to our Dealer-Partners; however, as payments of Dealer Holdback

are contingent upon the receipt of customer payments and the repayment of advances, these obligations are excluded from the table above.

Based upon anticipated cash flows, management believes that cash flows from operations and its various financing alternatives will provide sufficient financing for debt maturities and for future operations, subject, as discussed above, to the need to reduce Loan originations if we are unable to renew or refinance our maturing facilities. 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 accounting principles generally accepted in the United States (GAAP). The preparation of these financial statements requires us 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, 2008 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, 2008, except as described below:

Premiums earned 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. Premiums earned for the three and nine months ended September 30, 2009 include \$3.5 million of revenue related to a revision in our revenue recognition timing. We revised our revenue recognition timing in order to better match the timing with our expected costs of servicing those contracts.

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Off-Balance Sheet Arrangements

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

Forward-Looking Statements

We make forward-looking statements in this report and may make such statements in future filings with the Securities and Exchange Commission. 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, 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, 2008, other risk factors discussed herein or listed from time to time in our reports filed with the Securities and Exchange Commission and the following:

Our inability to accurately forecast and estimate the amount and timing of future collections could have a material adverse effect on results of operations.

We may be unable to continue to access or renew funding sources and obtain capital on acceptable terms needed to maintain and grow the business.

Requirements under credit facilities to meet financial and portfolio performance covenants.

The conditions of the U.S. and international capital markets may adversely affect lenders the Company has relationships with, causing us to incur additional cost and reducing our sources of liquidity, which may adversely affect our financial position, liquidity and results of operations.

Due to competition from traditional financing sources and non-traditional lenders, we may not be able to compete successfully.

We may not be able to generate sufficient cash flow to service our outstanding debt and fund operations.

Interest rate fluctuations may adversely affect our borrowing costs, profitability and liquidity.

The regulation to which we are or may become subject could result in a material adverse affect on our business.

Adverse changes in economic conditions, the automobile or finance industries, or the non-prime consumer market, could adversely affect our financial position, liquidity and results of operations, the ability of key vendors that we depend on to supply us with certain services, and our ability to enter into future financing transactions.

Litigation we are involved in from time to time may adversely affect our financial condition, results of operations and cash flows.

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 inability to properly safeguard confidential consumer information.

Our operations could suffer from telecommunications or technology downtime or increased costs.

Natural disasters, acts of war, terrorist attacks and threats or the escalation of military activity in response to such attacks or otherwise may negatively affect our business, financial condition and results of operations.

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

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Refer to our Annual Report on Form 10-K for the year ended December 31, 2008 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2008 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures.

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

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

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PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

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

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SIGNATURE

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

CREDIT ACCEPTANCE CORPORATION
(Registrant)

By: /s/ Kenneth S. Booth
Kenneth S. Booth
Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)
October 29, 2009
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INDEX OF EXHIBITS

Exhibit No.	Description
4(f)(121) 1	Third Amended and Restated Loan and Security Agreement, dated as of August 24, 2009 among the Company, CAC Warehouse Funding Corporation II, Wachovia Bank, National Association, Variable Funding Capital Company LLC, Wells Fargo Securities, LLC, and Wells Fargo Bank, National Association.
4(f)(122) 2	First Amendment to Loan and Security Agreement, dated as of August 31, 2009 among the Company, CAC Warehouse Funding III, LLC, Fifth Third Bank and Relationship Funding Company, LLC.
10(q)(11) 3	Form of Credit Acceptance Corporation Restricted Stock Unit Award Agreement
10(q)(12) 3	Form of Credit Acceptance Corporation Board of Directors Restricted Stock Unit Award Agreement
31(a) 3	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b) 3	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a) 3	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b) 3	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
1.	Previously filed as an exhibit to the Company's Current Report on Form 8-K, dated August 27, 2009, and incorporated herein by reference.
2.	Previously filed as an exhibit to the Company's Current Report on Form 8-K, dated August 31, 2009, and incorporated herein by reference.

reference.

3. Filed herewith.

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