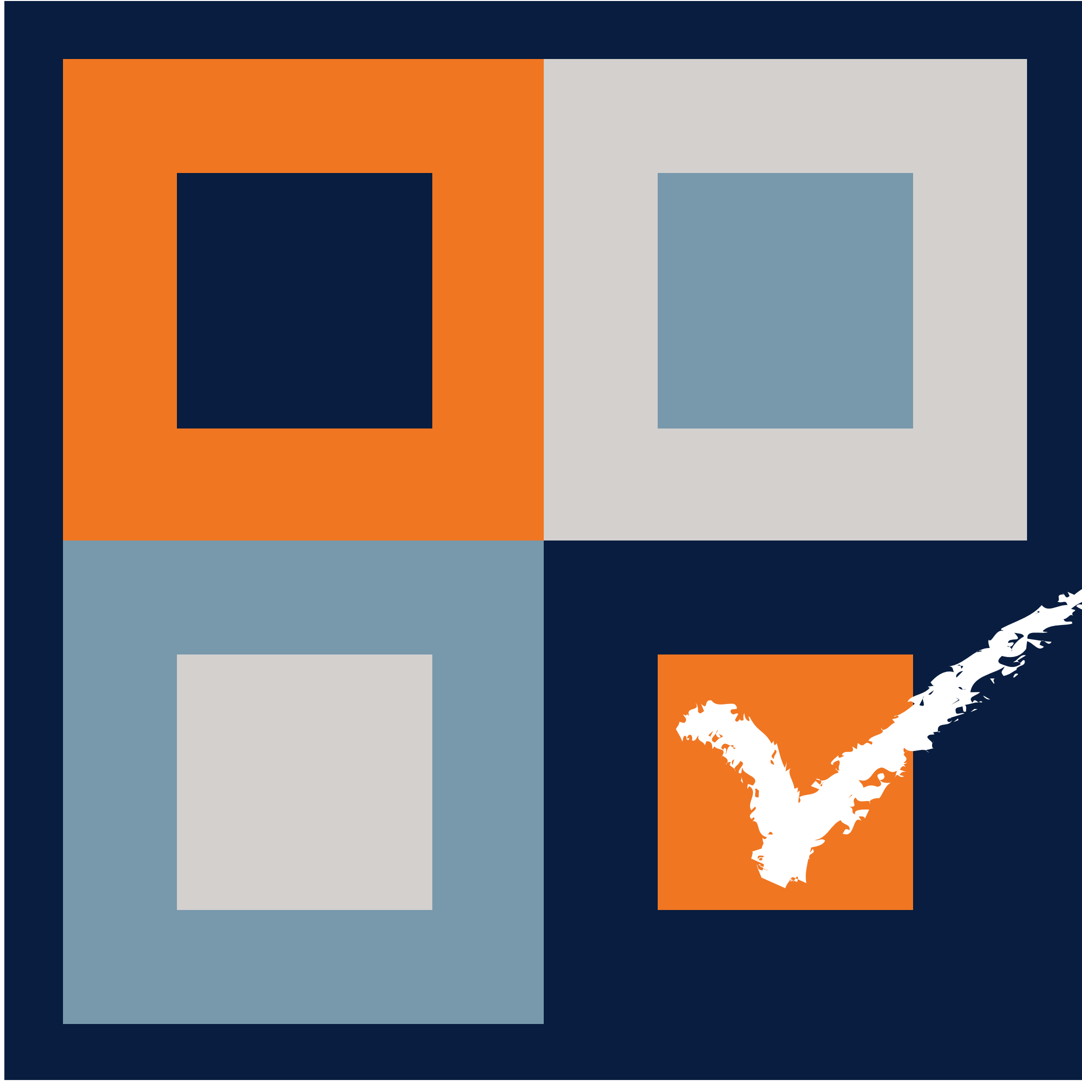
Annual Report



2020

Corporate Profile

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

Without our financing programs, consumers are often unable to purchase vehicles or they purchase unreliable ones. Further, as we report to the three national credit reporting agencies, an important ancillary benefit of our programs is that we provide consumers with an opportunity to improve their lives by improving their credit score and move on to more traditional sources of financing. Credit Acceptance is publicly traded on the Nasdaq stock market under the symbol CACC. For more information, visit **CreditAcceptance.com.**

When I was 18 years old, I was offered a lot of credit cards. At the time, I didn't understand the importance of credit and I destroyed it.

When I needed a new vehicle to get to work and my kids to daycare, I started visiting dealerships and realized my credit was not up to par. It was discouraging. Eventually, I heard about a dealership that was approving people with lower credit scores and I was introduced to Credit Acceptance.

I was very appreciative that Credit Acceptance was willing to give me a chance to build my credit and prove myself. The work that Credit Acceptance does is truly making a big impact on people's lives. It made a big impact on mine.

– Lauren (Cleveland Heights, OH)

Shareholder Letter

A MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

Our long-time team member and CEO, Brett Roberts, retired on May 3, 2021, after a nearly 30-year career. We had tremendous results under his leadership, as described in the enclosed Shareholder Letter written by Brett in April. But it was more than just the financial results that distinguished Brett's tenure with the company. Over his 19 years as CEO, Credit Acceptance developed a deep team of capable and engaged team members.

Our team puts us in a great position to take advantage of future opportunities. We intend to continue to use Economic Profit to evaluate our financial results. To the extent we generate capital in excess of what we need to fund the business, we will continue to return that capital to shareholders through share repurchases as we have done in the past.

We face difficult times right now. Competition is intense, the regulatory environment is challenging, and we are still in a global pandemic. However, I am optimistic about our future. We have been able to grow Economic Profit through past difficulties. By continuing to focus on building a better business by enhancing our amazing culture and our unique and valuable product, we will continue to change the lives of our consumers, dealers, shareholders and team members.

Kenneth S. Booth
Chief Executive Officer
May 14, 2021

Shareholder Letter

A MESSAGE FROM OUR CHIEF EXECUTIVE OFFICER

BACKGROUND

Credit Acceptance works with car dealers nationwide to enable them to sell vehicles to consumers who wish to finance their vehicle purchase. We allow the dealer to finance any customer, regardless of his or her credit history. This gives the dealer the ability to sell a vehicle to a customer that, without us, the dealer may have to turn away. The incremental sale creates incremental profit for the dealer, and the potential for incremental repeat and referral business.

The benefit of our program from the customer's perspective is also significant. We provide an opportunity for our customers, many of whom have been turned down for financing from other lenders, to purchase a vehicle and establish or reestablish a positive credit history, thereby moving their financial lives in a positive direction.

Our company, like most of our competitors, is an indirect auto finance company, which means the financing contract is originated by the auto dealer and immediately assigned to us in exchange for compensation. The transaction between the dealer and the consumer is technically not a loan, but instead something called a retail installment contract. However, for simplicity and to conform to the language we use in our disclosures, I will refer in this letter to retail installment contracts as loans and to indirect auto finance companies as lenders.

The auto finance market is large and fragmented, with over $1.2 trillion in outstanding balances as of December 31, 2020. We compete with banks, credit unions, auto finance companies affiliated with auto manufacturers, and independent auto finance companies. Our approach to the market is unique for two reasons. First, every customer, regardless of credit history, is offered an opportunity to purchase a vehicle. Second, for most of the vehicle sales we finance, the dealer shares in the cash flows from the loan. (Dealers are compensated by receiving 80% of all net collections throughout the life of a loan.) This is a critical element of our success as it creates an alignment of interests. The dealer benefits if the loan is repaid and the customer's credit is reestablished. Therefore, the dealer has an incentive to sell a vehicle at a price the customer can afford and a vehicle that will last the term of the loan. In addition, the dealer has an incentive to help the customer after the sale if there are issues with the vehicle.

GAAP RESULTS

The table below summarizes our GAAP results for 1992–2020:

	GAAP net income per share (diluted)	Year-to-year change in GAAP net income per share	Return on equity[1]
1992	$ 0.20		24.1 %
1993	$ 0.29	45.0%	25.6 %
1994	$ 0.49	69.0%	31.5 %
1995	$ 0.68	38.8%	21.5 %
1996	$ 0.89	30.9%	18.7 %
1997	$ 0.03	−96.6%	0.6 %
1998	$ 0.53	1,666.7%	9.5 %
1999	$ (0.27)	−150.9%	−3.9 %
2000	$ 0.51	—	9.1 %
2001	$ 0.57	11.8%	9.1 %
2002	$ 0.69	21.1%	10.1 %
2003	$ 0.57	−17.4%	7.5 %
2004	$ 1.40	145.6%	18.4 %
2005	$ 1.85	32.1%	21.8 %
2006	$ 1.66	−10.3%	20.2 %
2007	$ 1.76	6.0%	23.1 %
2008	$ 2.16	22.7%	22.2 %
2009	$ 4.62	113.9%	35.6 %
2010	$ 5.67	22.7%	34.8 %
2011	$ 7.07	24.7%	40.0 %
2012	$ 8.58	21.4%	37.8 %
2013	$ 10.54	22.8%	38.0 %
2014	$ 11.92	13.1%	37.0 %
2015	$ 14.28	19.8%	35.4 %
2016	$ 16.31	14.2%	31.1 %
2017	$ 24.04	47.4%	36.9 %
2018	$ 29.39	22.3%	31.7 %
2019	$ 34.57	17.6%	29.8 %
2020	$ 23.47	−32.1%	19.2 %
Compound annual growth rate 1992–2020		*18.6%*	
Average annual return on equity 1992–2020			*23.3 %*

[1] Return on equity is defined as GAAP net income for the applicable period divided by average shareholders' equity for such period.

During 2020, we completed our 28th full year as a public company. Over those 28 years, GAAP net income per share (diluted) has grown at a compounded annual rate of 18.6%, with an average annual return on equity of 23.3%.

Last year, GAAP net income per share (diluted) decreased 32.1% to $23.47, with a return on equity of 19.2%. The decline in GAAP net income per share (diluted) was primarily due to the adoption of a new accounting standard known as CECL (current expected credit loss). The "Adjusted Results" section below explains our financial results after considering the impact of the new standard and other accounting-related items.

ADJUSTED RESULTS

Our business model is different from that of a typical lender and doesn't fit neatly into GAAP. The adoption of CECL last year means we have now been required to use three different GAAP accounting methods over the period we have been public, even though our business hasn't materially changed during that time. In 1992, the year we became a public company, we accounted for our business as a lender to consumers. In 2005, our external auditors decided we were a lender to dealers, which required different accounting. CECL is now the latest new methodology we are required to use. Unfortunately, none of the three methods results in financial statements that are consistent with how we think about our business. To solve this problem, we began reporting adjusted results using an accounting method that we believe is simple to understand, is consistently presented and matches the economics of our business. To explain this method, some additional background is needed.

Most of the automobile dealers we enroll receive two types of payments from us. The first payment is made at the time of origination. The remaining payments are remitted over time based on the performance of the loan. The amount we pay at the time of origination is called an advance; the portion paid over time is called dealer holdback.

The finance charge revenue we recognize over the life of the loan equals the cash we collect from the loan (i.e., repayments by the consumer), less the amounts we pay to the dealer (advance + dealer holdback). In other words, the finance charge revenue we recognize over the life of the loan equals the cash inflows from the loan less the cash outflows to acquire the loan. This amount, plus a modest amount of revenue from other sources, less our operating expenses, interest and taxes, is the sum that will ultimately be paid to shareholders or reinvested in new assets.

For our adjusted financial results, we recognize finance charge revenue on a level-yield basis. That is, the amount of finance charge revenue recognized in a given period, divided by the loan asset, is a constant percentage. Since the future cash flows from a loan are not known with certainty, we use statistical models to forecast the amount of cash flows from each loan. Our finance charge revenue is recorded based on these estimates. As the estimates change, we adjust the yield. This method produces financial results that we believe are a close approximation of the actual economics of our business.

Since our adjusted methodology is so simple and closely represents the actual economics of our business, you are probably wondering how it differs from GAAP accounting. To answer this question, I will focus on the current GAAP methodology, since the two prior GAAP methodologies have been discussed in previous letters. As noted earlier, the current required GAAP methodology is called CECL. Like the adjusted methodology described above, CECL requires a level-yield approach for recognizing finance charge revenue. However, the yield under CECL is not the yield that we expect to earn on the loan. Instead, the yield is what we would earn if every payment were received according to the contractual terms of the loan, a figure much higher than what we actually expect to earn. Based on this alone, you might expect the new standard to overstate our profitability. But this standard, like any accounting standard, doesn't

change the total amount of income recorded, it only changes the timing. Eventually, the true cash profits and the accounting profits need to match.

To arrive at a result that eventually matches the cash profit, CECL requires us to offset the additional revenue that it causes to be recorded over the life of the loan with an additional expense in an equivalent amount. The expense is recorded as a provision for credit losses at the time the loan is originated. Since no revenue has yet been recorded, this means that under CECL, our financial statements reflect an initial loss on each loan we originate, a result which does not match the economics of the transaction.

CECL also differs from our adjusted methodology in the way it treats changes in expected cash flows. As mentioned above, for the adjusted results, we treat those changes as yield adjustments. In contrast, CECL treats changes in expected cash flows as a current-period expense (for unfavorable changes) or reversal of expense (for favorable changes). The combination of the three CECL-required steps—(1) recording a large expense at loan inception, (2) recording finance charge revenue at a yield higher than the yield we expect to earn, and (3) recording forecast changes through the income statement in the current period—can make it difficult to understand the performance of our business using our GAAP-based financial statements. The floating yield adjustment in the tables below addresses all three of these issues by eliminating the provision for credit losses recorded in our GAAP statements and modifying GAAP-based finance charges so the yield is equal to the one we expect to earn on the loan.

The tables below show net income and net income per share (diluted) for 2001–2020 on both a GAAP and an adjusted basis. Besides the floating yield adjustment, the tables include several other categories of adjustments that are generally less material. The notable exception is the income tax adjustment in 2017, which reverses the one-time benefit arising from the 2017 Tax Cuts and Jobs Act. While the benefit recorded in 2017 represented a real cash savings due to the reduction in income tax rates, we reversed it for adjusted net income as we prefer to measure the performance of the business using consistent tax rates. To that end, we calculated adjusted net income using a 37% tax rate for 2001–2017 and a 23% tax rate for 2018–2020. The other, less-material adjustments are explained in prior-year letters.

($ in millions)	GAAP net income	Floating yield adjustment	Senior notes adjustment	Income tax adjustment	Other adjustments	Adjusted net income	Year-to-year change
2001	$ 24.7	$ 1.2	$ —	$ 2.0	$ (1.1)	$ 26.8	
2002	$ 29.8	$ 2.8	$ —	$ 2.9	$ (4.5)	$ 31.0	15.7%
2003	$ 24.7	$ 1.4	$ —	$ 5.7	$ 5.6	$ 37.4	20.6%
2004	$ 57.3	$ (0.1)	$ —	$ (1.8)	$ (3.2)	$ 52.2	39.6%
2005	$ 72.6	$ (2.2)	$ —	$ 0.1	$ (7.3)	$ 63.2	21.1%
2006	$ 58.6	$ 0.4	$ —	$ (1.7)	$ 4.4	$ 61.7	-2.4%
2007	$ 54.9	$ 3.6	$ —	$ (1.2)	$ 4.4	$ 61.7	0.0%
2008	$ 67.2	$ 13.1	$ —	$ 0.4	$ 2.1	$ 82.8	34.2%
2009	$ 146.3	$ (19.6)	$ —	$ (1.8)	$ 0.1	$ 125.0	51.0%
2010	$ 170.1	$ 0.5	$ —	$ (10.4)	$ 0.3	$ 160.5	28.4%
2011	$ 188.0	$ 7.1	$ —	$ (1.3)	$ 0.3	$ 194.1	20.9%
2012	$ 219.7	$ —	$ —	$ (3.5)	$ —	$ 216.2	11.4%
2013	$ 253.1	$ (2.5)	$ —	$ (2.3)	$ —	$ 248.3	14.8%
2014	$ 266.2	$ (6.0)	$ 12.5	$ (1.0)	$ —	$ 271.7	9.4%
2015	$ 299.7	$ 12.9	$ (2.0)	$ (0.8)	$ —	$ 309.8	14.0%
2016	$ 332.8	$ 28.1	$ (2.1)	$ 1.8	$ —	$ 360.6	16.4%
2017	$ 470.2	$ 34.1	$ (2.1)	$ (102.4)	$ —	$ 399.8	10.9%
2018	$ 574.0	$ (24.4)	$ (2.5)	$ 7.4	$ —	$ 554.5	38.7%
2019	$ 656.1	$ 0.2	$ (0.8)	$ 2.9	$ —	$ 658.4	18.7%
2020	$ 421.0	$ 259.2	$ 4.0	$ 2.1	$ —	$ 686.3	4.2%
Compound annual growth rate 2001 – 2020							*18.6%*

	GAAP net income per share (diluted)	Floating yield adjustment per share (diluted)	Senior notes adjustment per share (diluted)	Income tax adjustment per share (diluted)	Other adjustments per share (diluted)	Adjusted net income per share (diluted)	Year-to-year change
2001	$ 0.57	$ 0.03	$ —	$ 0.05	$ (0.03)	$ 0.62	
2002	$ 0.69	$ 0.06	$ —	$ 0.07	$ (0.11)	$ 0.71	14.5%
2003	$ 0.57	$ 0.03	$ —	$ 0.13	$ 0.13	$ 0.86	21.1%
2004	$ 1.40	$ —	$ —	$ (0.04)	$ (0.09)	$ 1.27	47.7%
2005	$ 1.85	$ (0.06)	$ —	$ —	$ (0.18)	$ 1.61	26.8%
2006	$ 1.66	$ 0.01	$ —	$ (0.05)	$ 0.13	$ 1.75	8.7%
2007	$ 1.76	$ 0.11	$ —	$ (0.04)	$ 0.15	$ 1.98	13.1%
2008	$ 2.16	$ 0.42	$ —	$ 0.01	$ 0.07	$ 2.66	34.3%
2009	$ 4.62	$ (0.62)	$ —	$ (0.06)	$ 0.01	$ 3.95	48.5%
2010	$ 5.67	$ 0.02	$ —	$ (0.35)	$ 0.01	$ 5.35	35.4%
2011	$ 7.07	$ 0.26	$ —	$ (0.04)	$ 0.01	$ 7.30	36.4%
2012	$ 8.58	$ —	$ —	$ (0.13)	$ —	$ 8.45	15.8%
2013	$ 10.54	$ (0.11)	$ —	$ (0.09)	$ —	$ 10.34	22.4%
2014	$ 11.92	$ (0.27)	$ 0.56	$ (0.04)	$ —	$ 12.17	17.7%
2015	$ 14.28	$ 0.62	$ (0.10)	$ (0.03)	$ —	$ 14.77	21.4%
2016	$ 16.31	$ 1.37	$ (0.10)	$ 0.09	$ —	$ 17.67	19.6%
2017	$ 24.04	$ 1.74	$ (0.11)	$ (5.23)	$ —	$ 20.44	15.7%
2018	$ 29.39	$ (1.25)	$ (0.13)	$ 0.38	$ —	$ 28.39	38.9%
2019	$ 34.57	$ 0.01	$ (0.04)	$ 0.16	$ —	$ 34.70	22.2%
2020	$ 23.47	$ 14.45	$ 0.22	$ 0.12	$ —	$ 38.26	10.3%
Compound annual growth rate 2001 – 2020							*24.3%*

As the second table shows, adjusted net income per share (diluted) increased 10.3% in 2020. Since 2001, adjusted net income per share (diluted) has increased at a compounded annual rate of 24.3%. The slower growth in net income per share (diluted) last year is attributable to the impact of COVID-19 on loan performance and to reduced loan origination levels, both discussed in more detail in later sections.

HISTORY

Credit Acceptance was founded in 1972 by our former Chairman of the Board, Don Foss. From 1972 through the early 1990s, there were very few companies attempting to serve the market segment that Don had identified. As a result, during this period we had an almost unlimited opportunity to write new business at very high levels of profitability. Following our initial public stock offering in June of 1992, our business grew rapidly. Over the next four years, GAAP earnings per share (diluted) grew at a compounded annual rate of 45.2%, to $0.89 in 1996 from $0.20 in 1992.

But our reported results during this period did not reflect the true economic performance of our business. At this point in our history, we did not have the ability to forecast the future cash flows we expected from our loan portfolio or to produce financial statements using the adjusted methodology described above. If we had had that ability, it would have told us that the profitability of the loans we were originating was rapidly deteriorating. Following our initial public offering, we began to see a dramatic increase in competition, in part inspired by our prior success. In 1993 and 1994, the loans we were originating were still very profitable. But by the end of 1995, this was no longer true. Because we did not have the right tools in place to monitor the profitability of the loans we were originating, we continued to grow rapidly in 1995, 1996 and most of 1997.

During the third quarter of 1997, we installed a new system that provided us with the data we needed to begin forecasting the future cash flows expected from each loan. While our initial efforts at forecasting were not perfect, obtaining this new capability was a key milestone in our history. But before we could take full advantage of it, we first had to repair the damage caused by our prior mistakes. In the third quarter of 1997, we recorded a $60.0 million charge to reflect our revised estimate of the cash flows our loan portfolio would generate. The charge caused a GAAP loss of $27.7 million for the quarter. I and Doug Busk, who is still a key member of our leadership team, traveled all over the country meeting with lenders and rating agencies to explain what had occurred and plead for mercy. It was a humbling experience and one I promised myself I would not repeat. While our lenders agreed to waive our covenant violations, it was clear the period of easily accessible capital had come to an end. Our share price, which had peaked at $28.75 in October of 1995, had fallen to a low of $3.00 in October of 1997.

We spent much of 1998 and 1999 reducing our debt balances and using the insights we had learned from our new system to invest our existing capital in loans that would be more profitable. We eliminated unprofitable dealer relationships and began to establish advance rates on new loans that reflected the cash flows we were forecasting from those loans. (An advance is the amount paid to dealers when loans are originated.) We made steady progress, greatly assisted by the fact that many of our competitors had made even worse mistakes and were forced to exit our market entirely.

Our mistakes from the past, however, were not yet behind us, and in 1999 we recorded an additional $60.8 million charge reflecting even lower estimated cash flows for loans originated in 1995–1997 than we had recorded previously. This charge caused a GAAP loss for the third quarter of 1999 of $33.6 million and a loss of $12.6 million for the year, a result which would have been worse if not for a $10.0 million after-tax gain from the sale of a credit reporting business we had acquired in 1996. The loss made 1999 the only unprofitable year in our history. While this disappointing result made our job of obtaining additional capital more difficult, this obstacle was less important than it had been in 1997. By the end of 1999, we had repaid a significant portion of our debt and were more focused on investing the capital we did have at a higher rate of return.

Another important milestone occurred in 1999. Tom Tryforos joined our Board. My relationship with Tom goes back to the early 1990s. Tom invested in Credit Acceptance shortly after our initial public offering and shrewdly sold his investment as competition in our market began to intensify. He was able to exit with a nice profit on his investment. I spent a fair amount of time in investor relations during this period, and although I was inexperienced, I was smart enough to recognize that Tom was different from any other investor I had met. He had an annoying knack of asking questions that I realized were of critical importance but that I had never thought to ask myself. I lost contact with him for a few years after he sold his position, but he resurfaced again in 1997 after our share price had dropped. He had decided to reinvest, and I began speaking to him on a regular basis. I took the opportunity to learn as much as I could from Tom, and his influence made a significant difference not only in my career but also in the Company's success in the years that followed. The Company's relationship with Tom was formalized in July of 1999, when he joined our Board. Not only was Tom still asking all the right questions, but he was now helping us find the answers. One of the first changes he made as a Board member was to establish a minimum required return on capital. The message was clear: If we couldn't earn more than our cost of capital, we needed to give that capital back to shareholders. This message got our attention, since at the time we weren't meeting his minimum requirement.

In 2000, we continued to focus on improving our return on capital. By the end of 2000, we had undergone a dramatic transformation. From 1992 until 1997, the amount of capital we required increased at a remarkable rate. At year-end 1992, we had had $42.2 million in capital invested. By year-end 1997, that number had grown to $640.7 million. Over that same period, we had gone from writing loans that produced returns on capital in excess of 20% to writing those that barely earned a return at all. By the end of 2000, invested capital had declined to $414.1 million, but for the first time in many years, the return on capital of the loans we originated during the year exceeded our cost of capital. By only investing our capital when we could earn an appropriate return, we went from consuming capital rapidly to generating excess capital, which we used to continue repaying outstanding debt.

With Tom's help, we found another important way to use our capital: We began to repurchase our shares. From August of 1999, when our share repurchase program began, through the end of 2000, we repurchased over 3.8 million shares of stock at an average price of $5.24. Based on our share price today, the shares we repurchased for

just over $20 million during that period are now worth over $1.3 billion. Tom earned his Board fees that year, which at the time were $1,500 per quarter.

In 2001, we began to grow our loan volumes again. By this time, we had transformed our sales force from a small team located at our headquarters to a much larger, field-based team located in the markets we served. During that year, we implemented our Internet-based loan origination system, called CAPS, which enabled us to greatly simplify our program and make it easier for dealers to use. CAPS allowed us to implement even more precise pricing based on the individual characteristics of each application we received, and allowed us to provide offers to the dealer much faster. Perhaps most important, CAPS made it easier for us to experiment, and we began piloting different requirements for new loans, including writing longer-term loans than we had previously. In 2001, we grew loans receivable by 21.8% and we reported GAAP earnings of $24.7 million, or $0.57 a share. (Adjusted net income for 2001, first reported in 2005, was $26.8 million.)

I was named CEO in January of 2002. The progress we made over the next 19 years is reflected in the tables above. Adjusted net income per share (diluted) increased at a compounded annual rate of 24.3%. We faced challenges during this period, many of which related to the impact of competitive and economic cycles. I will discuss these cycles in more detail in the next section. But over the last 19 years, we succeeded in spite of the challenges. We continued to focus on investing our capital wisely, and consistently earned a return on capital well above its cost, even in years when our loans performed worse than we expected. We gave even more attention to our core business, exiting several non-core businesses that we had started prior to 2002. We continued to use excess capital to repurchase stock, buying approximately 31.8 million shares from 2001 through 2020. But mostly, we focused on applying the many lessons we had learned over the years to improve our product and our culture. Today, we have a product that provides enormous benefits to our dealers and our customers, and a culture that attracts talented people to our company and enables them to perform to their potential. Our work environment has received numerous awards, including being recognized by *Fortune* magazine in its annual list of 100 Best Companies to Work For.

IMPACT OF BUSINESS CYCLES ON OUR PERFORMANCE

It is important for shareholders to understand the impact of the external environment on our performance. Both competitive cycles and economic cycles have affected our results historically and are likely to do so in the future.

Competitive cycles

We have gone through several cycles of competition. From 1972 through the early 1990s, we had very little competition. This changed following our initial public offering in 1992, as I described earlier. In late 1997, competition retreated when capital became unavailable. But competition started to return in 2003. The environment became increasingly difficult as it became easier for competitors to obtain capital. The cycle came to a halt toward the end of 2007, when capital markets tightened as a result of the financial crisis.

In contrast to the poor results we delivered during the first cycle (1993–1997), we produced very good ones during the second cycle (2003–2007). We had improved many important aspects of our business between the first and second cycles, including our ability to predict loan performance, deploy risk-adjusted pricing, monitor loan performance and execute key functions consistently.

As a result of the increasingly difficult competitive environment, and our reluctance to increase the money we advanced to dealers for the loans (since larger advances would have diminished our margin of safety), volume per dealer declined 41.7% from 2003 to 2007. In order to grow, we focused on increasing the number of active dealers. This strategy was successful—the number of active dealers increased to 2,827 in 2007 from 950 in 2003. During this same period, adjusted net income per share (diluted) increased at a compounded annual rate of 23.2%, growing to $1.98 from $0.86.[1]

The second cycle ended in late 2007. In contrast to the first cycle, which ended when capital providers understandably lost confidence in the industry as a result of poor financial results, this cycle ended for reasons that had little to do with anything that occurred in our industry. Instead, this cycle ended as a result of the financial crisis triggered by the collapse of the housing market. Capital again began to retreat from our industry, and many of our competitors either exited the market entirely or dramatically reduced originations. Competition began to return to our market in 2010, but the environment nevertheless remained favorable in that year and in 2011. As a result, we made considerable progress during the 2007–2011 period. The following table compares the results from each of the two periods:

	Active dealers			Adjusted net income per share (diluted)[1]		
Period	Start of period	End of period	Compound annual growth rate	Start of period	End of period	Compound annual growth rate
2003–2007	950	2,827	31.3%	$ 0.86	$ 1.98	23.2%
2007–2011	2,827	3,998	9.1%	$ 1.98	$ 7.30	38.6%

Although we had success during both periods, adjusted net income per share grew more rapidly during the 2007–2011 period. While the number of active dealers grew more slowly than it had in 2003–2007, the lack of significant competition allowed us to reduce advance rates and dramatically improve per unit profitability. Our performance during 2007–2011 was even more impressive when you consider it occurred in a difficult economic environment and during a period when we were capital-constrained because of the disruption the financial crisis had caused in the capital markets.

The favorable competitive environment began to change rapidly starting in 2012 as capital returned to our market. By 2013, the number of vehicles financed for customers with subprime credit scores—one indicator of the degree of competition—had surpassed the comparable number in 2007, the last year of the prior cycle. Since 2013, the competitive environment has continued to be difficult.

As we did in the 2003–2007 cycle, we have again focused on growing our profits by growing the number of active dealers. This strategy has become more difficult with time

[1] See Exhibit A for a reconciliation of these adjusted financial measures to the most directly comparable GAAP financial measures.

due to the challenge of increasing a larger active dealer base at the same rate. When the 2003–2007 cycle started, we had only 950 active dealers. By 2011, the number had grown to 3,998. Despite the much larger dealer base, our strategy has again produced impressive growth in adjusted net income per share, although such growth has been slower in the 2011–2020 period than in the prior two periods. The table below updates the previous table with the results for 2011–2020:

	Active dealers			Adjusted net income per share (diluted)[1]		
Period	Start of period	End of period	Compound annual growth rate	Start of period	End of period	Compound annual growth rate
2003−2007	950	2,827	31.3%	$ 0.86	$ 1.98	23.2%
2007−2011	2,827	3,998	9.1%	$ 1.98	$ 7.30	38.6%
2011−2020	3,998	12,690	13.7%	$ 7.30	$ 38.26	20.2%

[1] See Exhibit A for a reconciliation of these adjusted financial measures to the most directly comparable GAAP financial measures.

The current cycle has now lasted longer than either of the prior two cycles. The longer the cycle continues and the larger our active dealer base becomes, the more difficult it will be to grow active dealers. This is seen in our results for the last four years, when the number of active dealers grew at the single-digit rates of 9.6% in 2017, 8.5% in 2018 and 7.0% in 2019, before declining 5.3% in 2020. I discuss this challenge in more detail in a later section.

In spite of the COVID-19 crisis, the competitive environment continued to be difficult last year. In the early stages of the crisis, when its impact on loan performance was unclear, we did see a modest improvement. But competition quickly returned to the market as federal stimulus money mitigated the economic impact of the crisis on loan performance and capital continued to be available throughout the year at attractive rates. As long as capital is widely available, an improvement in the competitive environment seems unlikely.

Economic cycles

Economic cycles affect our business as well. Increases in the unemployment rate put downward pressure on loan performance, and conditions in the capital markets can make it more difficult to access the capital we need to fund our business.

From 1972 through 1991, the United States experienced two significant increases in the unemployment rate. The first occurred in 1974–1975 and the second in 1980–1982. However, the information we accumulated during these periods was largely anecdotal, as we did not capture loan performance data during this early stage of the Company's development.

We began to capture loan performance data in 1991 (although we did not have the tools to adequately assess this data until 1997). The period from 1991 through April of 2008 was a time of relatively stable unemployment levels. The only significant increase in unemployment rates occurred in 2001. But that was a year in which we made major changes to our origination systems and loan programs that made it harder for us to draw clear conclusions from what we observed. As a result, prior to the economic downturn that began to unfold in 2007, we had only a limited ability to predict the impact of sharply rising unemployment rates on our loan portfolio. One conclusion we did draw (from the limited information we had accumulated for the period 1972 through April 2008) was

that our loans would likely perform better than many outside observers would expect. However, that conclusion was far from certain.

Adding to the difficulty was the fact that 2007 was also a period of intense competition within our industry. As I discuss in more detail in a later section, loans originated during highly competitive periods tend to perform worse. From April 2008 through October 2009, the national unemployment rate increased to 10.0% from 5.0%. This combination of events—intense competition, followed by severe economic deterioration—provided a perfect test of our business model, one that would confirm either our views or the views of skeptics. We believe that our financial results during the financial crisis demonstrate that we passed the test with flying colors. Adjusted net income per share (diluted) rose 34.3% in 2008 and 48.5% in 2009.

We did experience deterioration in our loan performance, but it was modest. In contrast, many of our competitors experienced a much greater fall-off in their loan performance and reported poor financial results. Because our competitors have generally targeted low levels of per loan profitability and have used debt much more extensively than we have, adverse changes in the economic environment have historically had a much more damaging impact on their results than on ours.

After peaking in October of 2009, the unemployment rate slowly trended downward over the next decade, creating a relatively benign environment for loan performance, but also creating ideal conditions for capital and competition to flow into our market. But in 2020, the environment changed abruptly as a result of an event we hadn't even considered in our planning, a global pandemic.

In last year's letter, I expressed concern about how the COVID-19 pandemic might impact our business. At the time my letter was published last year, we feared the impact of the pandemic on both loan performance and access to capital might be worse than anything we had experienced during prior cycles. In the early stages of the pandemic, there was plenty of evidence to support our concerns. In April, the unemployment rate increased sharply, and many of our customers fell behind in their payments. We took numerous steps to assist our customers, including suspending all repossessions, eliminating late fees and making modifications to the credit reporting process. All these efforts were designed to give customers a better chance to make it through a crisis that put them in a vulnerable position through no fault of their own.

Our first-quarter earnings release in 2020 included a $206.5 million reduction in the forecasted net cash flows from our loan portfolio to reflect the impact of the pandemic. Because the situation was not one we had experienced before, we were not confident that the data we had accumulated during prior stress scenarios would be a useful predictor of the results during this one. As a result, the adjustment was highly subjective.

As the year progressed, the unemployment rate began to gradually decline. In addition, two federal stimulus bills were enacted that included direct payments and enhanced unemployment benefits. Loan performance improved markedly after the first stimulus payments were distributed, and it continued to improve throughout the year. No further adjustments to our forecast were required during the year, and by year-end, approximately half of the adjustment we recorded in the first quarter had been reversed.

Although the pandemic is not yet over, at this stage it appears the impact on loan performance will be considerably less damaging than the impact we expected a year ago.

Access to capital

Besides affecting loan performance, the 2007–2009 financial crisis made it more difficult to access capital. The tightening of the capital markets began in mid-2007 and continued throughout 2008 and much of 2009. During 2008, we had enough success obtaining capital to be able to originate $786.4 million in new loans, an increase of 14.1% from 2007.

The capital markets became less accessible as 2008 progressed, however. As a result, we began to slow originations growth through pricing changes which began in March and continued throughout the remainder of 2008. During 2009, we continued to slow originations based on the capital we had available. We originated $619.4 million of new loans, 21.2% less than in 2008. While we would have preferred a higher level of originations, we did not have access to the new capital we would have required on terms that we found acceptable.

Our access to capital improved at the end of 2009, and since then capital has been readily available. Since 2009, we have taken several steps to improve our position: We have (1) completed six offerings of senior notes, two series of which are currently outstanding and which provide us with $800.0 million of long-term-debt capital; (2) lengthened the terms of our asset-backed financings; (3) increased our revolving credit facilities to $1.6 billion currently from $540.0 million at the end of 2009; and (4) lengthened the terms of these facilities so the earliest date they mature is December 2021. We maintain a considerable amount of available borrowing capacity under our revolving credit facilities at all times: As of the date of this letter, we have $1.5 billion of such unused capacity.

Lengthening the term of our debt facilities, issuing higher-cost long-term debt and keeping available a significant portion of our revolving credit facilities increase our funding costs and reduce short-term profitability. However, these steps greatly improve our ability to fund new loans should capital markets become inaccessible. While we had concerns that the COVID-19 pandemic might cause capital constraints, those constraints didn’t materialize and we were able to successfully execute our financing plans last year on favorable terms. Nevertheless, should capital become more difficult to access in the future, we believe we are well positioned.

ECONOMIC PROFIT

We use a financial metric called Economic Profit to evaluate our financial results and determine incentive compensation. Besides including the adjustments discussed above and in prior-year letters, Economic Profit differs from GAAP net income in one other important respect: Economic Profit includes a cost for equity capital.

The following table summarizes Economic Profit for 2001–2020:[1]

($ in millions)	Adjusted net income	Imputed cost of equity[2]	Economic Profit	Year-to-year change
2001	$ 26.8	$ (30.0)	$ (3.2)	
2002	$ 31.0	$ (35.6)	$ (4.6)	—
2003	$ 37.4	$ (34.5)	$ 2.9	—
2004	$ 52.2	$ (34.4)	$ 17.8	513.8%
2005	$ 63.2	$ (34.5)	$ 28.7	61.2%
2006	$ 61.7	$ (29.6)	$ 32.1	11.8%
2007	$ 61.7	$ (27.2)	$ 34.5	7.5%
2008	$ 82.8	$ (35.8)	$ 47.0	36.2%
2009	$ 125.0	$ (45.9)	$ 79.1	68.3%
2010	$ 160.5	$ (47.8)	$ 112.7	42.5%
2011	$ 194.1	$ (51.0)	$ 143.1	27.0%
2012	$ 216.2	$ (56.6)	$ 159.6	11.5%
2013	$ 248.3	$ (75.1)	$ 173.2	8.5%
2014	$ 271.7	$ (87.5)	$ 184.2	6.4%
2015	$ 309.8	$ (93.2)	$ 216.6	17.6%
2016	$ 360.6	$ (113.8)	$ 246.8	13.9%
2017	$ 399.8	$ (142.8)	$ 257.0	4.1%
2018	$ 554.5	$ (214.1)	$ 340.4	32.5%
2019	$ 658.4	$ (225.7)	$ 432.7	27.1%
2020	$ 686.3	$ (215.0)	$ 471.3	8.9%
Compound annual growth rate 2003 – 2020				*34.9%*

Economic Profit improved 8.9% in 2020, to $471.3 million from $432.7 million in 2019. In 2001, Economic Profit had been a negative $3.2 million.

1 See Exhibit A for a reconciliation of the adjusted financial measures to the most directly comparable GAAP financial measures.
2 We determine the imputed cost of equity by using a formula that considers the risk of the business and the risk associated with our use of debt. The formula is as follows: average equity x {(the average 30-year Treasury rate + 5%) + [(1 – tax rate) x (the average 30-year Treasury rate + 5% – pre-tax average cost-of-debt rate) x average debt / (average equity + average debt x tax rate)]}.

Economic Profit is a function of three variables: the adjusted average amount of capital invested, the adjusted return on capital, and the adjusted weighted average cost of capital. The following table summarizes our financial performance in these areas since 2001:[1]

($ in millions)	Adjusted average capital invested		Adjusted return on capital	Adjusted weighted average cost of capital	Spread
2001	$	469.9	7.7%	8.4%	−0.7%
2002	$	462.0	7.9%	8.9%	−1.0%
2003	$	437.5	9.7%	9.0%	0.7%
2004	$	483.7	12.3%	8.6%	3.7%
2005	$	523.4	13.7%	8.3%	5.4%
2006	$	548.5	13.9%	8.1%	5.8%
2007	$	710.1	11.9%	7.0%	4.9%
2008	$	975.0	11.3%	6.4%	4.9%
2009	$	998.7	14.6%	6.7%	7.9%
2010	$	1,074.2	17.7%	7.2%	10.5%
2011	$	1,371.1	16.8%	6.4%	10.4%
2012	$	1,742.8	14.7%	5.5%	9.2%
2013	$	2,049.2	14.1%	5.7%	8.4%
2014	$	2,338.1	13.2%	5.3%	7.9%
2015	$	2,831.9	12.7%	5.0%	7.7%
2016	$	3,572.0	11.9%	5.0%	6.9%
2017	$	4,276.4	11.2%	5.2%	6.0%
2018	$	5,420.9	12.5%	6.2%	6.3%
2019	$	6,372.2	12.7%	6.0%	6.7%
2020	$	7,076.0	11.8%	5.2%	6.6%
Compound annual growth rate 2001 – 2020		*15.3%*			

[1] See Exhibit A for a reconciliation of the adjusted financial measures to the most directly comparable GAAP financial measures.

As the table shows, we earned less than our cost of capital in 2001 and 2002. Although we were making steady progress in improving per loan profitability during this period, we were forced to reduce originations in 2002 due to capital constraints, which negatively impacted the reported results. From 2003 to 2011, Economic Profit improved as a result of growth in average capital, higher returns on capital and lower costs of capital. In 2003, our return on capital was 9.7%. In 2011, as a result of a favorable competitive environment, it was 16.8%. Since 2011, almost all of the growth in Economic Profit has occurred from increasing average capital. In each year from 2011 through 2017, the return on capital declined as competition returned to our market. The trend reversed in 2018 as our return on capital improved, by 130 basis points, due to a change in the federal tax rate. In 2019, our return on capital increased again, but by only 20 basis points.

Last year, our return on capital declined by 90 basis points due to the impact of COVID-19 on loan performance. As mentioned above, at the end of the first quarter, we adjusted our forecasting models downward in anticipation that the pandemic would negatively impact loan performance. Because we treat changes in forecasted cash flows

as an adjustment to our loan yield for adjusted earnings, the impact of that adjustment on our return on capital didn't occur until the second quarter. That adjustment was the primary reason our adjusted return on capital fell from 12.6% in the first quarter to 10.8% in the second. Then, as loan performance improved in the second half of the year, the adjusted return on capital improved as well, to 11.3% in the third quarter and 12.5% in the fourth.

There are several points worth mentioning. First, we have grown adjusted average capital each year starting in 2004. The growth is a direct result of our success in growing the number of active dealers. While variables like volume per dealer and contract size impact adjusted average capital growth as well, the trend in the number of active dealers tells us much of what we need to know to understand the trajectory of our business. Growing the number of active dealers makes future Economic Profit growth likely. If we are unable to grow the number of active dealers, Economic Profit growth will likely stall. This is important since last year the number of active dealers declined. While I believe the pandemic contributed to this decline, the downturn follows a trend of decelerating growth which began in 2016. (I discuss this trend in more detail in a later section.)

Second, while the return on capital has been volatile, expenses as a percentage of adjusted average capital have declined for 13 of the last 14 years, to 4.6% in 2020 from 15.1% in 2006. This underscores the importance of growing average capital. As long as the return on incremental capital invested exceeds the cost of that capital, growing average capital increases Economic Profit directly. In addition, growing average capital improves the return on capital by reducing the impact of expenses, since a portion of our expenses are fixed. The volatility in the return on capital is due to the revenue component, which moves up and down based on the competitive environment. When the competitive environment is favorable, we reduce advance rates (the amount we pay the dealer at loan origination), and that increases our return. When the competitive environment worsens, the opposite occurs. But growing expenses more slowly than capital allows us to achieve greater returns in both favorable and unfavorable environments.

Finally, in last year's letter, I wrote that I believed growing Economic Profit in 2020 would be a challenge. We did better than I expected. While the impact of the pandemic on loan performance caused our return on capital to fall, the weighted average cost of capital fell by almost the same amount. Adjusted average capital grew by 11.0% and Economic Profit by 8.9%. Although we exceeded my expectation last year, the challenges I described last year are still present. While adjusted average capital grew 11.0%, this growth was primarily a function of rapid loan growth that occurred in 2018. Adjusted average capital growth declined during 2020 to 7.7% in the fourth quarter from 15.1% in the first quarter. The improved loan performance that occurred during the second half of the year did provide some positive momentum to the return on capital, but when returns eventually flatten, Economic Profit growth will stall unless growth in active dealers and adjusted average capital can be addressed.

We could achieve more loan volume and faster growth in average capital by increasing advance rates, but using Economic Profit as our primary financial performance measure means we need to carefully assess the impact of higher advance rates not just on volume but on the return on capital. As the spread between the return on capital and the weighted average cost of capital narrows, the break-even level of growth in capital invested required to offset a further narrowing increases. For example, in 2011, when the spread between the adjusted return on capital and the weighted average cost of capital was 10.4%, a 100-basis-point reduction in this spread would have required growth in average capital of 10.6% in order to achieve an equivalent amount of Economic Profit (10.4% / (10.4% – 1.0%) – 1). Today, that same 100-basis-point reduction in the spread would require average capital growth of 17.9% (6.6% / (6.6% – 1.0%) – 1). This means that today, in contrast with 2011, we have limited ability to generate Economic Profit growth by pricing our product more aggressively. Pricing more aggressively would generate more volume and faster growth in average capital, but the reduction in our return on capital would, based on our current calculations, mean an overall reduction in the amount of Economic Profit we would be generating on new loans.

Although future growth in Economic Profit is not assured, we do think additional gains are possible once the COVID-19 crisis is behind us. To the extent such gains occur, we expect they will be a direct result of our daily efforts to improve our product and our culture. What we won't do is take risks that we think are unwise in an effort to grow beyond the natural constraints that are part of any business. We will continue to focus on what we know best, and we will continue to invest your capital in ways we believe make sense. What we can't invest with a margin of safety we will return to you.

LOAN PERFORMANCE

One of the most important variables determining our financial success is loan performance. The most critical time to correctly assess future loan performance is at loan inception, since that is when we determine the amount we pay to the dealer.

At loan inception, we use a statistical model to estimate the expected collection rate for each loan. The statistical model is called a credit scorecard. Most consumer finance companies use such a tool to forecast the performance of the loans they originate. Our credit scorecard combines credit bureau data, customer data supplied in the credit application, vehicle data, dealer data, and data captured from the loan transaction such as the initial loan term or the amount of the down payment received from the customer. We developed our first credit scorecard in 1998 and have revised it several times since then. An accurate credit scorecard allows us to properly price new loan originations, which improves the probability that we will actually realize our expected returns on capital.

Subsequent to loan inception, we continue to evaluate the expected collection rate for each loan. Our evaluation becomes more accurate as the loans age, since we use actual loan performance data in our forecast. By comparing our current expected collection rate for each loan with the rate we projected at the time of origination, we are able to assess the accuracy of that initial forecast.

The following table compares, for each of the last 20 years, our December 31, 2020, forecast of loan performance with our initial forecast:

	December 31, 2020, forecast	Initial forecast	Variance
2001	67.3%	70.4%	−3.1%
2002	70.4%	67.9%	2.5%
2003	73.7%	72.0%	1.7%
2004	73.0%	73.0%	0.0%
2005	73.6%	74.0%	−0.4%
2006	70.0%	71.4%	−1.4%
2007	68.1%	70.7%	−2.6%
2008	70.4%	69.7%	0.7%
2009	79.5%	71.9%	7.6%
2010	77.7%	73.6%	4.1%
2011	74.8%	72.5%	2.3%
2012	73.8%	71.4%	2.4%
2013	73.4%	72.0%	1.4%
2014	71.6%	71.8%	−0.2%
2015	65.2%	67.7%	−2.5%
2016	63.6%	65.4%	−1.8%
2017	64.1%	64.0%	0.1%
2018	64.0%	63.6%	0.4%
2019	64.4%	64.0%	0.4%
2020	64.8%	63.4%	1.4%
Average[1]	*67.5%*	*67.1%*	*0.4%*

[1] Calculated using a weighted average based on loan origination dollars.

Loan performance can be explained by a combination of internal and external factors. Internal factors include the quality of our origination and collection processes, the quality of our credit scorecard, and changes in our policies governing new loan originations. External factors include the unemployment rate, the retail price of gasoline, vehicle wholesale values, and the cost of other required expenditures (such as for food and energy) that impact our customers. In addition, the level of competition is thought to impact loan performance through something called adverse selection.

Adverse selection as it relates to our market refers to an inverse correlation between the number of lenders that are competing for the loan and the accuracy of an empirical scorecard. Said another way, without any competition it is relatively easy to build a scorecard which accurately assesses the probability of payment based on attributes collected at the time of loan origination. As competition increases, creating an accurate scorecard becomes more challenging.

To illustrate adverse selection, we will give a simple example. Assume that the scorecard we use to originate loans is based on a single variable, the amount of the customer's down payment, and that the higher the down payment, the higher the expected collection rate. Assume that for many years, we have no competitors and we accumulate performance data indicating that loans with down payments above $1,000 consistently produce the same average collection rate. Then assume that we begin to compete with another lender whose scorecard ignores down payment and instead emphasizes the amount of the customer's weekly income.

As the new lender begins to originate loans, our mix of loans will be impacted as follows: We will start to receive loans for borrowers with lower average weekly incomes as the new lender originates loans for borrowers with higher weekly incomes—i.e., borrowers whose loans we would have previously originated. Furthermore, since our scorecard only focuses on down payment, the shift in our borrower mix will not be detected by our scorecard, and our collection rate expectation will remain unchanged. It is easy to see that this shift in borrower characteristics will have a negative impact on loan performance, and that this impact will be missed by our scorecard.

Although the real world is more complex than this simple example—with hundreds of lenders competing for loans and with each lender using many variables in its scorecard—adverse selection is something that probably does impact loan performance.

Over the 20-year period shown in the table above, our loans have performed on average 40 basis points better than our initial forecasts. Loans originated in seven of the 20 years have yielded actual collection results worse than our initial estimates.

Loans originated in 2001 had an unfavorable variance of 310 basis points. We attribute this result to major changes we made that year in our origination systems and loan programs, as well as a new collection system we implemented the following year.

Loans originated in 2005, 2006 and 2007 performed worse than our initial forecasts by 40, 140 and 260 basis points, respectively. Since these loans were made in a highly competitive period and serviced during a severe economic downturn, this result is not surprising. What is noteworthy, however, is that the underperformance was modest. To put the underperformance in perspective, we estimate that a 100-basis-point change in our collection forecast impacts the return on capital by 40–60 basis points. As a result, loans originated during this period were still very profitable, even though they performed worse than we had forecast.

Loans originated in 2014, 2015 and 2016 also performed worse than our initial forecasts, by 20, 250 and 180 basis points, respectively. We attribute the underperformance to the impact of adverse selection that occurred due to an increase in competition during this period. Again, although the loans performed worse than our initial estimates, they still earned a return above our cost of capital.

Loans originated in 13 of the 20 years performed better than or as well as our initial forecasts. The performance of loans originated in 2009 and 2010 exceeded our initial forecasts by 760 and 410 basis points, respectively. These large positive variances were due to reductions we made in our initial forecasts during this period based on our concerns about how the economic environment might impact loan performance. In retrospect, our adjustments were too large, and the loans originated during those two

years performed better than we had forecast. It is instructive that our largest forecasting errors over the past 20 years have occurred because we were too pessimistic about loan performance, not because we were too optimistic—a result which we do not believe is typical in our industry.

Our forecast as of year-end 2020 for loans originated in 2019 and 2020 exceeds our initial estimate by 40 and 140 basis points, respectively. While we recognize that the forecast for those years could still change, we are encouraged thus far by the way these loans have performed in an economic environment impacted by the pandemic.

We have understood for many years that expecting to predict the performance of our loans with exacting precision is not realistic. For this reason, we have always made it a priority to maintain a margin a safety so that, even if our forecasts prove to be optimistic, our loans will still be profitable. Because of this approach, we can withstand a significant deterioration in loan performance and still have an opportunity to move forward and create significant value for our shareholders.

UNIT VOLUME

The following table summarizes the growth in number of loans, or unit volume, for 2001–2020:

	Unit volume	Year-to-year change
2001	61,928	
2002	49,801	−19.6%
2003	61,445	23.4%
2004	74,154	20.7%
2005	81,184	9.5%
2006	91,344	12.5%
2007	106,693	16.8%
2008	121,282	13.7%
2009	111,029	−8.5%
2010	136,813	23.2%
2011	178,074	30.2%
2012	190,023	6.7%
2013	202,250	6.4%
2014	223,998	10.8%
2015	298,288	33.2%
2016	330,710	10.9%
2017	328,507	−0.7%
2018	373,329	13.6%
2019	369,805	−0.9%
2020	341,967	−7.5%
Compound annual growth rate 2001 – 2020		*9.4%*

Since 2001, unit volume has grown at a compounded annual rate of 9.4%. In 2020, unit volume declined 7.5%.

Unit volume is a function of the number of active dealers and the average volume per dealer. The following table summarizes the trend in each of these variables from 2001 to 2020:

	Active dealers	Year-to-year change	Unit volume per dealer	Year-to-year change
2001	1,180		52.5	
2002	843	−28.6%	59.1	12.6%
2003	950	12.7%	64.7	9.5%
2004	1,212	27.6%	61.2	−5.4%
2005	1,759	45.1%	46.2	−24.5%
2006	2,214	25.9%	41.3	−10.6%
2007	2,827	27.7%	37.7	−8.7%
2008	3,264	15.5%	37.2	−1.3%
2009	3,168	−2.9%	35.0	−5.9%
2010	3,206	1.2%	42.7	22.0%
2011	3,998	24.7%	44.5	4.2%
2012	5,319	33.0%	35.7	−19.8%
2013	6,394	20.2%	31.6	−11.5%
2014	7,247	13.3%	30.9	−2.2%
2015	9,064	25.1%	32.9	6.5%
2016	10,536	16.2%	31.4	−4.6%
2017	11,551	9.6%	28.4	−9.6%
2018	12,528	8.5%	29.8	4.9%
2019	13,399	7.0%	27.6	−7.4%
2020	12,690	−5.3%	26.9	−2.5%

As the table shows, the gain in unit volume since 2001 has resulted, in most years, from an increase in the number of active dealers partially offset by a reduction in volume per dealer. Prior to the pandemic, we faced two challenges in growing unit volume. First, increased competition was making it more difficult to enroll new dealers and more difficult to retain those who had already enrolled, since they had more alternatives to choose from. In addition, increased competition was putting downward pressure on volume per dealer. Second, as the number of active dealers increased, it became harder to grow at the same rate. The impact of these challenges is apparent starting in 2016. After rapid growth in 2015, active dealer growth slowed each year from 2016 to 2019.

Last year, the pandemic added a third challenge. Starting in March, we experienced a significant decline in the demand for our product as authorities placed limits on economic activity in an effort to slow the spread of the virus. Those same restrictions hampered the ability of our field sales force to conduct in-person meetings with dealers, which reduced the sales force's effectiveness. Unit volume in the first quarter declined by 10.1% from the same period of the prior year. Unit volume increased by 5.7% in the second quarter as stimulus payments increased demand. But the impact was temporary, and unit volume fell by 8.8% and 18.1% in the third and fourth quarters, respectively.

We are hopeful that the end of the pandemic is near and that a more normal environment will help us achieve more robust growth. However, the challenges that were present before the pandemic are likely to still be present after it ends. There are no easy answers to these challenges, but we operate in a large market. We believe there are still many dealers that would benefit from our program whom we have not yet been able to enroll.

PURCHASE PROGRAM

We have two programs: the Portfolio program and the Purchase program. We have offered the Portfolio program since the late 1980s, and the Purchase program since 2005. The Portfolio program has produced 79.7% of our unit volume since 2005. This program provides dealers with a cash payment at the time the loan is originated (the "advance") and additional payments over time based on the performance of the loan (the "dealer holdback"). There are several aspects of the Portfolio program that we believe are advantageous. First, as described earlier, paying the dealer based on the performance of the loan creates an alignment of interests. Second, the dealer holdback provides a layer of protection in case our actual collection results are less than we forecasted. If that occurs, we offset a significant portion of the shortfall by reducing our dealer holdback liability. Finally, if loan performance is equal to or better than our expectations, the dealer ultimately makes more money from using the Portfolio program than from using the Purchase program. We love it when our dealers experience a financial reward for helping the customer succeed.

The Purchase program is a more traditional indirect auto finance product in that the dealer receives only a single payment at loan origination in exchange for assigning the loan to us. There is no financial incentive for the dealer tied to the performance of the loan, and we are not insulated from credit risk. With Purchase loans, if actual collections are less than we forecasted, our revenue is impacted by the full amount of any shortfall.

Given the advantages of the Portfolio program, we strongly prefer to invest in it as much of our capital as possible. However, because it generates high returns on capital, in most periods we have been unable to grow the program rapidly enough for it to absorb all of the capital generated. We developed the Purchase program both to attract dealers who have historically not been interested in our Portfolio program, and to gain an additional way to invest capital at attractive returns.

The following table summarizes volume from each program since 2005:

	Total		Portfolio program		Purchase program	
Consumer loan assignment year	Unit volume	Year-to-year change	Unit volume	Year-to-year change	Unit volume	Year-to-year change
2005	81,184		73,708		7,476	
2006	91,344	12.5%	87,519	18.7%	3,825	−48.8%
2007	106,693	16.8%	87,872	0.4%	18,821	392.1%
2008	121,282	13.7%	85,092	−3.2%	36,190	92.3%
2009	111,029	−8.5%	96,076	12.9%	14,953	−58.7%
2010	136,813	23.2%	124,388	29.5%	12,425	−16.9%
2011	178,074	30.2%	164,653	32.4%	13,421	8.0%
2012	190,023	6.7%	177,985	8.1%	12,038	−10.3%
2013	202,250	6.4%	189,101	6.2%	13,149	9.2%
2014	223,998	10.8%	203,155	7.4%	20,843	58.5%
2015	298,288	33.2%	260,604	28.3%	37,684	80.8%
2016	330,710	10.9%	260,026	−0.2%	70,684	87.6%
2017	328,507	−0.7%	238,313	−8.4%	90,194	27.6%
2018	373,329	13.6%	260,302	9.2%	113,027	25.3%
2019	369,805	−0.9%	248,455	−4.6%	121,350	7.4%
2020	341,967	−7.5%	219,246	−11.8%	122,721	1.1%
Compound annual growth rate 2005 – 2020		*7.5%*		*20.5%*		*10.1%*

Purchase loans have been profitable each year, including those years impacted by the 2007–2009 financial crisis. However, we recognize that if collections fall short of our forecast, the impact on profitability will be much greater with Purchase loans than with Portfolio loans. In other words, while Purchase loans have been very profitable historically, they are more risky.

The following table compares, for Portfolio loans and Purchase loans, our latest collection forecast with our initial forecast:

	Portfolio program			Purchase program		
	Forecasted collection percentage as of[1]			Forecasted collection percentage as of[1]		
Consumer loan assignment year	December 31, 2020	Initial forecast	Variance	December 31, 2020	Initial forecast	Variance
2005	73.6%	74.0%	−0.4%	75.7%	74.7%	1.0%
2006	69.9%	71.3%	−1.4%	75.6%	74.0%	1.6%
2007	68.0%	70.2%	−2.2%	68.6%	72.7%	−4.1%
2008	70.8%	70.2%	0.6%	69.7%	68.8%	0.9%
2009	79.3%	72.1%	7.2%	80.8%	70.5%	10.3%
2010	77.6%	73.6%	4.0%	78.7%	73.1%	5.6%
2011	74.6%	72.4%	2.2%	76.4%	72.7%	3.7%
2012	73.6%	71.3%	2.3%	75.9%	71.4%	4.5%
2013	73.4%	72.1%	1.3%	74.3%	71.6%	2.7%
2014	71.5%	71.9%	−0.4%	72.4%	70.9%	1.5%
2015	64.5%	67.5%	−3.0%	68.8%	68.5%	0.3%
2016	62.8%	65.1%	−2.3%	65.8%	66.5%	−0.7%
2017	63.4%	63.8%	−0.4%	65.6%	64.6%	1.0%
2018	63.5%	63.6%	−0.1%	65.1%	63.5%	1.6%
2019	64.1%	63.9%	0.2%	65.1%	64.2%	0.9%
2020	64.5%	63.3%	1.2%	65.4%	63.6%	1.8%
Average[2]	*67.4%*	*67.2%*	*0.2%*	*67.4%*	*66.0%*	*1.4%*

[1] The forecasted collection rates presented for Portfolio loans and Purchase loans reflect the loan classification at the time of assignment. Under our Portfolio program, certain events may result in dealers' forfeiting their rights to dealer holdback. We transfer the dealers' loans from the Portfolio loan portfolio to the Purchase loan portfolio in the period this forfeiture occurs.
[2] Calculated using a weighted average based on loan origination dollars.

The table shows that over the last 16 years, Purchase loans have performed modestly better than have Portfolio loans, as indicated by their weighted average variances (of 140 basis points and 20 basis points, respectively). Purchase loans did perform worse than Portfolio loans in 2007, but we have made changes to our Purchase program since that time based on what we have learned.

Not all dealers are eligible for the Purchase program. We use data we have accumulated over time to decide which dealers are eligible. Most Purchase loans are generated from larger, franchised dealerships, a segment that has historically been difficult to penetrate with our Portfolio program.

In recent years, Purchase loans have grown more rapidly than Portfolio loans, as we have expanded our eligibility criteria and increased the amount we pay the dealer for the loans. We believe our current pricing still leaves us with a significant margin of safety and allows us to invest additional capital at attractive returns. If the competitive environment improves, we expect we will have more opportunity to invest our capital in Portfolio loans. If we do, we will likely reduce the portion of our capital invested in Purchase loans.

SHAREHOLDER DISTRIBUTIONS

Like any profitable business, we generate cash. Historically, we have used this cash to fund originations growth, repay debt or fund share repurchases.

We have used excess capital to repurchase shares when prices are at or below our estimate of intrinsic value (which is the discounted value of future cash flows). As long as the share price is at or below intrinsic value, we prefer share repurchases to dividends for several reasons. First, repurchasing shares below intrinsic value increases the value of the remaining shares. Second, distributing capital to shareholders through a share repurchase gives shareholders the option to defer taxes by electing not to sell any of their holdings. A dividend does not allow shareholders to defer taxes in this manner. Finally, repurchasing shares enables shareholders to increase their ownership, receive cash or do both based on their individual circumstances and view of the value of a Credit Acceptance share. (They do both if the proportion of shares they sell is smaller than the ownership stake they gain through the repurchase.) A dividend does not provide similar flexibility.

Since beginning our share repurchase program in mid-1999, we have repurchased approximately 36.0 million shares at a total cost of $2.6 billion. In 2020, we repurchased approximately 1.3 million shares at a total cost of $474.3 million.

At times, it will appear we have excess capital, but we won't be active in repurchasing our shares. This can occur for several reasons. First, the assessment of our capital position involves a high degree of judgment. We need to consider future expected capital needs and the likelihood that this capital will be available. Simply put, when our debt-to-equity ratio falls below the normal trend line, it doesn't necessarily mean we have concluded that we have excess capital. Our first priority is always to make sure we have enough capital to fund our business, and such assessments are always made using what we believe are conservative assumptions. Second, we may have excess capital but conclude our shares are overvalued relative to intrinsic value or are trading at a level where we believe it's likely they could be purchased at a lower price at some point in the future. The assessment of intrinsic value is also highly judgmental. Fortunately for shareholders, we have two members of our Board, Tom Tryforos and Scott Vassalluzzo, who have had long and remarkable careers in investing in equities and are perfectly suited for the task of assessing the value of our business. My track record is less impressive. For reasons I can't defend, I have often argued on the side of waiting for a lower price. After many years of being wrong, I have learned to defer to Tom and Scott on this topic. The final reason we may be inactive in repurchasing shares has been the most common one over the years. We have often found ourselves with excess capital at a time when the share price was attractive, but we were in possession of what we believed to be material information that had not yet been made public. During such periods, we suspend our share repurchases until the information has been disclosed.

Unless we disclose a different intention, shareholders should assume we are following the approach outlined in this section. Our first priority will be to fund the business. If we conclude we have excess capital, we will return that capital to shareholders through share repurchases. If we are inactive for a period, shareholders should not assume that we believe our shares are overvalued.

LITIGATION AND REGULATORY MATTERS

One of the most important issues for shareholders to consider is how the litigation and regulatory landscape will impact their investment. Unfortunately, since the Company has active litigation that requires a high degree of confidentiality, it is a topic that I am unable to discuss in this letter in much detail. With that qualification, and it is a significant one, I will say what I can.

First, for at least the last 25 years, long before the creation of the Bureau of Consumer Financial Protection, we have taken compliance seriously. We have worked hard to develop and implement what we describe as a Culture of Compliance. I hired Charlie Pearce, our Chief Legal Officer, in January of 1996, and he has spent the last 25 years building a comprehensive compliance management system that we believe is among the best in the industry. We understand that our business is governed by an extensive and often complex framework of laws and regulations, and our desire is to both comply with this framework and do what is right.

Second, shareholders should understand that the regulatory landscape has changed dramatically over the last 5–10 years. Many years ago, if a regulator identified a mistake or there existed a difference in interpretation of unclear rules or statutes, both sides would work toward a timely and efficient resolution that was fair to everyone. Regulators would make their expectations clear, and we would make sure we met those expectations. Credit was given for strong internal controls, and adverse actions were reserved for companies that didn't take compliance seriously. Today, the environment is much different.

Our public disclosures include six regulatory matters that are in process, with two of those being in litigation. We have closed four previously disclosed matters without any material adverse findings. The first of these matters started in mid-2014, which means we have been subject to almost continuous scrutiny for the last seven years. We have responded to informational requests on almost every aspect of our business and produced millions of pages of documents to support those responses. As I stated above, there isn't much I can say about the ongoing matters other than that our intention is to seek common ground where we can and defend ourselves vigorously when a compromise is unavailable. We take these matters seriously and they have our full attention.

KEY SUCCESS FACTORS

Our financial success is a result of having a unique and valuable product and of putting in many years of hard work to develop our business.

Our core product has remained essentially unchanged for 48 years. We provide auto loans to consumers regardless of their credit history. Our customers consist of individuals who have typically been turned away by other lenders. Traditional lenders have many reasons for declining a loan. We have always believed that a significant number of individuals, if given an opportunity to establish or reestablish a positive credit history, will take advantage of it. As a result of this belief, we have changed the lives of millions of people.

However, as we have found, having a unique and valuable product is only one of the elements we need if we are to make our business successful. There are others, and many have taken years to develop. The following summarizes the key elements of our success today:

- We have developed the ability to offer financing for consumers regardless of their credit history, while maintaining an appropriate margin of safety that we believe allows us to survive in a variety of economic and competitive environments. It took years to develop the processes and accumulate the customer and loan performance data that we use to achieve this outcome.

- We understand the daily execution required to successfully service a portfolio of automobile loans to customers in our target market. There are many examples of companies in our industry that underestimated the effort involved and produced poor financial results. Approximately 45% of our team members work directly on some aspect of servicing our loan portfolio, and we are fortunate to have such a capable and engaged group.

- We have learned how to develop relationships with dealers that are mutually beneficial. Forging such a relationship requires us to select the right dealer, align incentives, communicate constantly and create processes to enforce standards. In our segment of the market, the dealer has significant influence over loan performance. Learning how to create relationships with dealers who share our passion for changing lives has been one of our most important accomplishments.

- We have developed a strong management team. Because we are successful at retaining our managers, they become stronger each year as they gain experience with our business. Our senior management team, consisting of 30 individuals, averages 16 years of experience with our company. While we have added talent selectively over the past few years, the experience of our team is a key advantage. Our success in growing the business while simultaneously improving our returns on capital could not have occurred without the dedication and energy of this talented group.

- We have strengthened our focus on our core business. At times in our history, we had diluted our focus by pursuing other, non-core opportunities. Today, we offer one product and focus 100% of our energy and capital on perfecting this product and providing it profitably.

- We have developed the ability to execute our loan origination process consistently over time. Consistent execution is difficult, as it requires us to provide excellent service to our dealers while at the same time ensuring the loans we originate meet our standards. We measure both loan compliance and dealer satisfaction to assess our performance, and use these measures to make adjustments when necessary.

- We believe we are well positioned from a capital perspective. As mentioned earlier, we maintain diverse funding sources, have lengthened the term of our debt facilities and maintain substantial unused and available credit lines. We believe our capital structure remains conservative and our lending relationships, which we have developed over a long period of time, remain strong. We believe our lenders were impressed with our performance during the 2007–2009 financial crisis, and their confidence in our company was enhanced as a result.

- We devote a large portion of our time to something we call organizational health. Organizational health is about putting our team members in position to do their best work. For that, we focus consistently on 10 elements of operational effectiveness, including setting clear expectations, managing performance, providing training, maintaining effective incentive compensation plans, establishing the right environment and providing the technology and processes required for operational excellence.

A FINAL NOTE

We have a process where anyone in the Company can send me a message through an internal portal. The messages, referred to as Red Tape Removers, can be anonymous (or not) based on the preference of the sender. Red Tape Removers are an easy way for me to take the pulse of what's happening around the Company. In normal times, a large percentage of Red Tape Removers are, for lack of a better word, complaints. That's fine, and I view it as part of my job to make sure each one is investigated and, when we can, used as a basis for improvement. The early stages of the pandemic were a stressful and chaotic time. Both our team members and our customers were dealing with significant challenges. As the crisis became more difficult, something occurred which I did not expect. The normal steady stream of complaints began to diminish and instead I began to receive a steady stream of positive messages and words of encouragement. As the actual challenges we faced increased, our team members' ability to meet these challenges increased even faster. The Red Tape Removers I received sent a clear message—our team members believed that we were all facing this crisis together. What I will remember most about that difficult period is the feeling of gratitude I had to be surrounded by so many amazing people. We have a strong culture filled with team members who share the same values. I am proud to be a part of this team.

Brett A. Roberts
Chief Executive Officer
April 7, 2021

Certain statements herein are forward-looking statements that are subject to certain risks. Please see "Forward-Looking Statements" on page 41 of our Annual Report on Form 10-K for the year ended December 31, 2020.

EXHIBIT A

Reconciliation of GAAP Financial Results to Non-GAAP Measures

($ in millions)	GAAP net income	Floating yield adjustment	Senior notes adjustment	Income tax adjustment	Other adjustments	Adjusted net income	Imputed cost of equity	Economic Profit
2001	$ 24.7	$ 1.2	$ —	$ 2.0	$ (1.1)	$ 26.8	$ (30.0)	$ (3.2)
2002	$ 29.8	$ 2.8	$ —	$ 2.9	$ (4.5)	$ 31.0	$ (35.6)	$ (4.6)
2003	$ 24.7	$ 1.4	$ —	$ 5.7	$ 5.6	$ 37.4	$ (34.5)	$ 2.9
2004	$ 57.3	$ (0.1)	$ —	$ (1.8)	$ (3.2)	$ 52.2	$ (34.4)	$ 17.8
2005	$ 72.6	$ (2.2)	$ —	$ 0.1	$ (7.3)	$ 63.2	$ (34.5)	$ 28.7
2006	$ 58.6	$ 0.4	$ —	$ (1.7)	$ 4.4	$ 61.7	$ (29.6)	$ 32.1
2007	$ 54.9	$ 3.6	$ —	$ (1.2)	$ 4.4	$ 61.7	$ (27.2)	$ 34.5
2008	$ 67.2	$ 13.1	$ —	$ 0.4	$ 2.1	$ 82.8	$ (35.8)	$ 47.0
2009	$ 146.3	$ (19.6)	$ —	$ (1.8)	$ 0.1	$ 125.0	$ (45.9)	$ 79.1
2010	$ 170.1	$ 0.5	$ —	$ (10.4)	$ 0.3	$ 160.5	$ (47.8)	$ 112.7
2011	$ 188.0	$ 7.1	$ —	$ (1.3)	$ 0.3	$ 194.1	$ (51.0)	$ 143.1
2012	$ 219.7	$ —	$ —	$ (3.5)	$ —	$ 216.2	$ (56.6)	$ 159.6
2013	$ 253.1	$ (2.5)	$ —	$ (2.3)	$ —	$ 248.3	$ (75.1)	$ 173.2
2014	$ 266.2	$ (6.0)	$ 12.5	$ (1.0)	$ —	$ 271.7	$ (87.5)	$ 184.2
2015	$ 299.7	$ 12.9	$ (2.0)	$ (0.8)	$ —	$ 309.8	$ (93.2)	$ 216.6
2016	$ 332.8	$ 28.1	$ (2.1)	$ 1.8	$ —	$ 360.6	$ (113.8)	$ 246.8
2017	$ 470.2	$ 34.1	$ (2.1)	$ (102.4)	$ —	$ 399.8	$ (142.8)	$ 257.0
2018	$ 574.0	$ (24.4)	$ (2.5)	$ 7.4	$ —	$ 554.5	$ (214.1)	$ 340.4
2019	$ 656.1	$ 0.2	$ (0.8)	$ 2.9	$ —	$ 658.4	$ (225.7)	$ 432.7
2020	$ 421.0	$ 259.2	$ 4.0	$ 2.1	$ —	$ 686.3	$ (215.0)	$ 471.3

	GAAP average capital invested[1]	Floating yield adjustment	Senior notes adjustment	Deferred debt issuance adjustment[2]	Income tax adjustment	Other adjustments	Adjusted average capital invested
2001	$ 466.2	$ 3.4	$ —	$ 0.6	$ —	$ (0.3)	$ 469.9
2002	$ 457.1	$ 5.8	$ —	$ 0.5	$ —	$ (1.4)	$ 462.0
2003	$ 430.3	$ 7.9	$ —	$ 1.7	$ —	$ (2.4)	$ 437.5
2004	$ 476.5	$ 8.7	$ —	$ 1.8	$ —	$ (3.3)	$ 483.7
2005	$ 519.4	$ 7.5	$ —	$ 1.0	$ —	$ (4.5)	$ 523.4
2006	$ 548.0	$ 5.5	$ —	$ 2.0	$ —	$ (7.0)	$ 548.5
2007	$ 706.1	$ 8.2	$ —	$ 1.7	$ —	$ (5.9)	$ 710.1
2008	$ 960.7	$ 13.8	$ —	$ 2.9	$ —	$ (2.4)	$ 975.0
2009	$ 983.6	$ 13.2	$ —	$ 2.9	$ —	$ (1.0)	$ 998.7
2010	$ 1,057.3	$ 5.2	$ —	$ 12.2	$ —	$ (0.5)	$ 1,074.2
2011	$ 1,346.0	$ 9.4	$ —	$ 16.0	$ —	$ (0.3)	$ 1,371.1
2012	$ 1,715.3	$ 11.1	$ —	$ 16.4	$ —	$ —	$ 1,742.8
2013	$ 2,024.5	$ 9.9	$ —	$ 14.8	$ —	$ —	$ 2,049.2
2014	$ 2,324.8	$ 6.7	$ (7.0)	$ 13.6	$ —	$ —	$ 2,338.1
2015	$ 2,792.8	$ 7.0	$ 14.7	$ 17.4	$ —	$ —	$ 2,831.9
2016	$ 3,513.1	$ 29.6	$ 12.7	$ 16.6	$ —	$ —	$ 3,572.0
2017	$ 4,200.2	$ 51.6	$ 10.6	$ 18.1	$ (4.1)	$ —	$ 4,276.4
2018	$ 5,425.8	$ 80.8	$ 9.7	$ 22.4	$ (117.8)	$ —	$ 5,420.9
2019	$ 6,399.2	$ 66.2	$ 0.6	$ 24.7	$ (118.5)	$ —	$ 6,372.2
2020	$ 6,874.7	$ 287.6	$ 5.5	$ 26.7	$ (118.5)	$ —	$ 7,076.0

[1] Average capital invested is defined as average debt plus average shareholders' equity.

[2] The deferred debt issuance adjustment reverses the impact of the reclassification of deferred debt issuance costs from other assets to GAAP average debt as a result of the adoption by the Financial Accounting Standards Board of Accounting Standards Update (ASU) No. 2015-03, as amended by ASU No. 2015-05. The net effect of this adjustment is to report adjusted average capital on the same basis as reported in historical shareholder letters.

	GAAP return on capital[1]	Floating yield adjustment	Senior notes adjustment	Deferred debt issuance adjustment[2]	Income tax adjustment	Other adjustments	Adjusted return on capital
2001	7.3%	0.2%	0.0%	0.0%	0.4%	−0.2%	7.7%
2002	7.7%	0.5%	0.0%	0.0%	0.6%	−0.9%	7.9%
2003	6.9%	0.2%	0.0%	0.0%	1.3%	1.3%	9.7%
2004	13.5%	−0.3%	0.0%	0.0%	−0.3%	−0.6%	12.3%
2005	15.6%	−0.6%	0.0%	0.0%	0.0%	−1.3%	13.7%
2006	13.3%	−0.1%	0.0%	0.0%	−0.3%	1.0%	13.9%
2007	11.0%	0.4%	0.0%	0.0%	−0.2%	0.7%	11.9%
2008	9.8%	1.2%	0.0%	0.0%	0.0%	0.3%	11.3%
2009	17.0%	−2.2%	0.0%	0.0%	−0.2%	0.0%	14.6%
2010	18.9%	0.0%	0.0%	−0.2%	−1.0%	0.0%	17.7%
2011	16.7%	0.4%	0.0%	−0.2%	−0.1%	0.0%	16.8%
2012	15.1%	−0.1%	0.0%	−0.1%	−0.2%	0.0%	14.7%
2013	14.5%	−0.2%	0.0%	−0.1%	−0.1%	0.0%	14.1%
2014	13.1%	−0.3%	0.5%	−0.1%	0.0%	0.0%	13.2%
2015	12.5%	0.4%	−0.1%	−0.1%	0.0%	0.0%	12.7%
2016	11.3%	0.7%	−0.1%	0.0%	0.0%	0.0%	11.9%
2017	13.0%	0.7%	−0.1%	−0.1%	−2.3%	0.0%	11.2%
2018	12.8%	−0.6%	−0.1%	0.0%	0.4%	0.0%	12.5%
2019	12.6%	−0.1%	0.0%	0.0%	0.2%	0.0%	12.7%
2020	8.3%	3.3%	0.0%	0.0%	0.2%	0.0%	11.8%

[1] Return on capital is defined as net income plus after-tax interest expense divided by average capital.
[2] The deferred debt issuance adjustment reverses the impact of the reclassification of deferred debt issuance costs from other assets to GAAP average debt as a result of the adoption by the Financial Accounting Standards Board of Accounting Standards Update (ASU) No. 2015-03, as amended by ASU No. 2015-05. The net effect of this adjustment is to report adjusted average capital on the same basis as reported in historical shareholder letters.

($ in millions)	GAAP weighted average cost of capital[1]	Floating yield adjustment	Senior notes adjustment	Deferred debt issuance adjustment[2]	Income tax adjustment	Other adjustments	Adjusted weighted average cost of capital[3]
2001	8.4%	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%
2002	8.9%	0.0%	0.0%	0.0%	0.0%	0.0%	8.9%
2003	9.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.0%
2004	8.6%	0.0%	0.0%	0.0%	0.0%	0.0%	8.6%
2005	8.3%	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%
2006	8.1%	0.0%	0.0%	0.0%	0.0%	0.0%	8.1%
2007	7.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.0%
2008	6.4%	0.0%	0.0%	0.0%	0.0%	0.0%	6.4%
2009	6.7%	0.0%	0.0%	0.0%	0.0%	0.0%	6.7%
2010	7.3%	0.0%	0.0%	−0.1%	0.0%	0.0%	7.2%
2011	6.5%	0.0%	0.0%	−0.1%	0.0%	0.0%	6.4%
2012	5.6%	0.0%	0.0%	−0.1%	0.0%	0.0%	5.5%
2013	5.7%	0.0%	0.0%	0.0%	0.0%	0.0%	5.7%
2014	5.2%	0.1%	0.0%	0.0%	0.0%	0.0%	5.3%
2015	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%
2016	4.9%	0.1%	0.0%	0.0%	0.0%	0.0%	5.0%
2017	5.1%	0.1%	0.0%	0.0%	0.0%	0.0%	5.2%
2018	6.3%	0.1%	0.0%	−0.1%	−0.1%	0.0%	6.2%
2019	6.0%	0.1%	0.0%	0.0%	−0.1%	0.0%	6.0%
2020	5.1%	0.2%	0.0%	0.0%	−0.1%	0.0%	5.2%

[1] The weighted average cost of capital includes both a cost of equity and a cost of debt. The cost of equity capital is determined based on a formula that considers the risk of the business and the risk associated with our use of debt. The formula utilized for determining the cost of equity capital is as follows: (the average 30-year Treasury rate + 5%) + [(1 – tax rate) x (the average 30-year Treasury rate + 5% – pre-tax average cost-of-debt rate) x average debt / (average equity + average debt x tax rate)].

[2] The deferred debt issuance adjustment reverses the impact of the reclassification of deferred debt issuance costs from other assets to GAAP average debt as a result of the adoption by the Financial Accounting Standards Board of Accounting Standards Update (ASU) No. 2015-03, as amended by ASU No. 2015-05. The net effect of this adjustment is to report adjusted average capital on the same basis as reported in historical shareholder letters.

[3] The adjusted weighted average cost of capital includes both a cost of adjusted equity and a cost of debt. The cost of adjusted equity capital is calculated using the same formula as above except that adjusted average equity is used in the calculation instead of average equity.

	GAAP net income per share (diluted)			Adjusted net income per share (diluted)		
Period	Start of period	End of period	Compound annual growth rate	Start of period	End of period	Compound annual growth rate
2003–2007	$ 0.57	$ 1.76	32.6%	$ 0.86	$ 1.98	23.2%
2007–2011	$ 1.76	$ 7.07	41.6%	$ 1.98	$ 7.30	38.6%
2011–2020	$ 7.07	$ 34.57	21.9%	$ 7.30	$ 38.26	20.2%

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from ______ to ________

Commission file number 000-20202

CREDIT ACCEPTANCE CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Securities registered pursuant to section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

The aggregate market value of 9,886,968 shares of the registrant's common stock held by non-affiliates on June 30, 2020 was approximately $4,142.7 million. For purposes of this computation, all officers, directors and 10% beneficial owners of the registrant are assumed to be affiliates. Such determination should not be deemed an admission that such officers, directors and beneficial owners are, in fact, affiliates of the registrant.

At February 4, 2021, there were 16,818,933 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement pertaining to the 2021 Annual Meeting of Shareholders (the "Proxy Statement") filed pursuant to Regulation 14A are incorporated herein by reference into Part III of this Annual Report on Form 10-K (this "Form 10-K").

CREDIT ACCEPTANCE CORPORATION
YEAR ENDED DECEMBER 31, 2020

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PART I

ITEM 1. BUSINESS

General

Since 1972, Credit Acceptance Corporation (referred to as the "Company", "Credit Acceptance", "we", "our" or "us") has offered financing programs that enable automobile dealers to sell vehicles to consumers, regardless of their credit history. Our financing programs are offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our financing programs, but who actually end up qualifying for traditional financing.

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

Credit Acceptance was founded to collect retail installment contracts (referred to as "Consumer Loans") originated by automobile dealerships owned by Donald Foss, our founder and former Chairman of the Board. During the 1980s, we began to market this service to non-affiliated dealers and, at the same time, began to offer dealers a non-recourse cash payment (referred to as an "advance") against anticipated future collections on Consumer Loans serviced for that dealer.

We refer to automobile dealers who participate in our programs and who share our commitment to changing consumers' lives as "Dealers". Upon enrollment in our financing programs, the Dealer enters into a Dealer servicing agreement with us that defines the legal relationship between Credit Acceptance and the Dealer. The Dealer servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on Consumer Loans from the Dealers to us. We are an indirect lender from a legal perspective, meaning the Consumer Loan is originated by the Dealer and assigned to us.

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

	For the Years Ended December 31,		
Consumer Loan Assignment Volume	**2020**	**2019**	**2018**
Percentage of total unit volume with either FICO® scores below 650 or no FICO® scores	94.9 %	95.9 %	95.6 %

Business Segment Information

We currently operate in one reportable segment which represents our core business of offering Dealers financing programs and related products and services that enable them to sell vehicles to consumers, regardless of their credit history. For information regarding our one reportable segment and related entity-wide disclosures, see Note 15 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

Principal Business

We offer our Dealers financing programs that enable them to sell vehicles to consumers, regardless of their credit history. We have two programs: the Portfolio Program and the Purchase Program. Under the Portfolio Program, we advance money to Dealers (referred to as a "Dealer Loan") in exchange for the right to service the underlying Consumer Loans. Under the Purchase Program, we buy the Consumer Loans from the Dealers (referred to as a "Purchased Loan") and keep all amounts collected from the consumer. Dealer Loans and Purchased Loans are collectively referred to as "Loans". The following table shows the percentage of Consumer Loans assigned to us under each of the programs for each of the last three years:

	Unit Volume		Dollar Volume (1)	
For the Years Ended December 31,	Portfolio Program	Purchase Program	Portfolio Program	Purchase Program
2018	69.7 %	30.3 %	67.2 %	32.8 %
2019	67.2 %	32.8 %	64.3 %	35.7 %
2020	64.1 %	35.9 %	60.6 %	39.4 %

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

Portfolio Program

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

- a down payment from the consumer;
- a cash advance from us; and
- after the advance balance (cash advance and related Dealer Loan fees and costs) has been recovered by us, the cash from payments made on the Consumer Loan, net of certain collection costs and our servicing fee ("Dealer Holdback").

We record the amount advanced to the Dealer as a Dealer Loan, which is classified within Loans receivable in our consolidated balance sheets. Cash advanced to the Dealer is automatically assigned to the Dealer's open pool of advances. Prior to August 5, 2019, we generally required Dealers to group advances into pools of at least 100 Consumer Loans. Beginning August 5, 2019, Dealers may also elect to close a pool containing at least 50 Consumer Loans and assign subsequent advances to a new pool. Unless we receive a request from the Dealer to keep a pool open, we automatically close each pool based on the Dealer's election. All advances within a Dealer's pool are secured by the future collections on the related Consumer Loans assigned to the pool. For Dealers with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for Dealer Holdback. We perfect our security interest with respect to the Dealer Loans by obtaining control or taking possession of the Consumer Loans, which list us as lien holder on the vehicle title.

The Dealer servicing agreement provides that collections received by us during a calendar month on Consumer Loans assigned by a Dealer are applied on a pool-by-pool basis as follows:

- first, to reimburse us for certain collection costs;
- second, to pay us our servicing fee, which generally equals 20% of collections;
- third, to reduce the aggregate advance balance and to pay any other amounts due from the Dealer to us; and
- fourth, to the Dealer as payment of Dealer Holdback.

If the collections on Consumer Loans from a Dealer's pool are not sufficient to repay the advance balance and any other amounts due to us, the Dealer will not receive Dealer Holdback. Certain events may also result in Dealers forfeiting their rights to Dealer Holdback, including becoming inactive before assigning 100 Consumer Loans.

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

Since typically the combination of the advance and the consumer's down payment provides the Dealer with a cash profit at the time of sale, the Dealer's risk in the Consumer Loan is limited. We cannot demand repayment of the advance from the Dealer except in the event the Dealer is in default of the Dealer servicing agreement. Advances are made only after the consumer and Dealer have signed a Consumer Loan contract, we have received the executed Consumer Loan contract and supporting documentation in either physical or electronic form, and we have approved all of the related stipulations for funding.

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

Purchase Program

The Purchase Program differs from our Portfolio Program in that the Dealer receives a one-time payment from us at the time of assignment to purchase the Consumer Loan instead of a cash advance at the time of assignment and future Dealer Holdback payments. For accounting purposes, the transactions described under the Purchase Program are considered to be originated by the Dealer and then purchased by us.

Program Enrollment

Beginning August 5, 2019, Dealers may enroll in our Portfolio Program without incurring an enrollment fee. Prior to August 5, 2019, Dealers enrolled in our Portfolio Program by (1) paying an up-front, one-time fee of $9,850, or (2) agreeing to allow us to retain 50% of their accelerated Dealer Holdback payment(s) on the first 100 Consumer Loan assignments.

Access to the Purchase Program is typically only granted to Dealers that meet one of the following:

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

Revenue Sources

Credit Acceptance derives its revenues from the following principal sources:

- Finance charges, which are comprised of: (1) interest income earned on Loans; (2) administrative fees earned from ancillary products; (3) program fees charged to Dealers under the Portfolio Program; (4) Consumer Loan assignment fees charged to Dealers; and (5) direct origination costs incurred on Dealer Loans;
- Premiums earned on the reinsurance of vehicle service contracts; and
- Other income, which primarily consists of ancillary product profit sharing, remarketing fees, Dealer enrollment fees, interest, Dealer support products and services and, until the second quarter of 2019, GPS Starter Interrupt Devices ("GPS-SID") fees. For additional information, see Note 8 to the consolidated financial statements contained in Item 8 to this Form 10-K, which is incorporated herein by reference.

The following table sets forth the percent relationship to total revenue of each of these sources:

	For the Years Ended December 31,		
Percent of Total Revenue	**2020**	**2019**	**2018**
Finance charges	93.6 %	92.0 %	91.5 %
Premiums earned	3.4 %	3.4 %	3.6 %
Other income	3.0 %	4.6 %	4.9 %
Total revenue	100.0 %	100.0 %	100.0 %

Operations

Sales and Marketing. Our target market is approximately 60,000 independent and franchised automobile dealers in the United States. We have market area managers located throughout the United States that market our programs to prospective Dealers, enroll new Dealers, and support active Dealers. The number of Dealer enrollments and active Dealers for each of the last three years are presented in the table below:

For the Years Ended December 31,	Dealer Enrollments	Active Dealers (1)
2018	4,671	12,528
2019	4,482	13,399
2020	3,413	12,690

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

Once Dealers have enrolled in our programs, the market area managers work closely with the newly enrolled Dealers to help them successfully launch our programs within their dealerships. Market area managers also provide active Dealers with ongoing support and consulting focused on improving the Dealers' success on our programs, including assistance with increasing the volume and performance of Consumer Loan assignments.

Dealer Servicing Agreement. As a part of the enrollment process, a new Dealer is required to enter into a Dealer servicing agreement with Credit Acceptance that defines the legal relationship between Credit Acceptance and the Dealer. The Dealer servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on Consumer Loans from the Dealers to us. Under the typical Dealer servicing agreement, a Dealer represents that it will only assign Consumer Loans to us that satisfy criteria established by us, meet certain conditions with respect to their binding nature and the status of the security interest in the purchased vehicle, and comply with applicable state and federal laws and regulations.

The typical Dealer servicing agreement may be terminated by us or by the Dealer upon written notice. We may terminate the Dealer servicing agreement immediately in the case of an event of default by the Dealer. Events of default include, among other things:

- the Dealer's refusal to allow us to audit its records relating to the Consumer Loans assigned to us;
- the Dealer, without our consent, is dissolved; merges or consolidates with an entity not affiliated with the Dealer; or sells a material part of its assets outside the course of its business to an entity not affiliated with the Dealer; or
- the appointment of a receiver for, or the bankruptcy or insolvency of, the Dealer.

While a Dealer can cease assigning Consumer Loans to us at any time without terminating the Dealer servicing agreement, if the Dealer elects to terminate the Dealer servicing agreement or in the event of a default, we have the right to require that the Dealer immediately pay us:

- any unreimbursed collection costs on Dealer Loans;
- any unpaid advances and all amounts owed by the Dealer to us; and
- a termination fee equal to 15% of the then outstanding amount of the Consumer Loans assigned to us.

Upon receipt of such amounts in full, we reassign the Consumer Loans and our security interest in the financed vehicles to the Dealer.

In the event of a termination of the Dealer servicing agreement by us, we may continue to service Consumer Loans assigned by Dealers accepted prior to termination in the normal course of business without charging a termination fee.

Consumer Loan Assignment. Once a Dealer has enrolled in our programs, the Dealer may begin assigning Consumer Loans to us. For legal purposes, a Consumer Loan is considered to have been assigned to us after the following has occurred:

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

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

- the Consumer Loan has been legally assigned to us; and
- we have made a funding decision and generally have provided funding to the Dealer in the form of either an advance under the Portfolio Program or one-time purchase payment under the Purchase Program.

A Consumer Loan is originated by the Dealer when a consumer enters into a contract with a Dealer that sets forth the terms of the agreement between the consumer and the Dealer for the payment of the purchase price of the vehicle. The amount of the Consumer Loan consists of the total principal and interest that the consumer is required to pay over the term of the Consumer Loan. Consumer Loans are written on a contract form provided by us. Although the Dealer is named in the Consumer Loan contract, the Dealer generally does not have legal ownership of the Consumer Loan for more than a moment and we, not the Dealer, are listed as lien holder on the vehicle title. Consumers are obligated to make payments on the Consumer Loan directly to us, and any failure to make such payments will result in our pursuing payment through collection efforts.

All Consumer Loans submitted to us for assignment are processed through our Credit Approval Processing System ("CAPS"). CAPS allows Dealers to input a consumer's credit application and view the response from us via the Internet. CAPS allows Dealers to: (1) receive a quick approval from us; (2) interact with our proprietary credit scoring system to optimize the structure of each transaction prior to delivery; and (3) create, electronically execute and print legally compliant Consumer Loan documents. All responses include the amount of funding (advance for a Dealer Loan or purchase price for a Purchased Loan), as well as any stipulations required for funding. The amount of funding is determined using a formula which considers a number of factors including the timing and amount of cash flows expected on the related Consumer Loan and our target return on capital at the time a Consumer Loan is submitted to us for assignment. The estimated future cash flows are determined based upon our proprietary credit scoring system, which considers numerous variables, including attributes contained in the consumer's credit bureau report, data contained in the consumer's credit application, the structure of the proposed transaction, vehicle information and other factors, to calculate a composite credit score that corresponds to an expected collection rate. Our proprietary credit scoring system forecasts the collection rate based upon the historical performance of Consumer Loans in our portfolio that share similar characteristics. The performance of our proprietary credit scoring system is evaluated monthly by comparing projected to actual Consumer Loan performance. Adjustments are made to our proprietary credit scoring system as necessary. For additional information on adjustments to forecasted collection rates, please see the Critical Accounting Estimates section in Item 7 of this Form 10-K, which is incorporated herein by reference.

While a Dealer can submit any legally compliant Consumer Loan to us for assignment, the decision whether to provide funding to the Dealer and the amount of any funding is made solely by us. Through our Dealer Service Center, we perform all significant functions relating to the processing of the Consumer Loan applications and bear certain costs of Consumer Loan assignment, including the cost of assessing the adequacy of Consumer Loan documentation, compliance with our underwriting guidelines and the cost of verifying employment, residence and other information provided by the Dealer.

We audit Consumer Loan files for compliance with our underwriting guidelines on a daily basis in order to assess whether our Dealers are operating in accordance with the terms and conditions of our Dealer servicing agreement. We occasionally identify breaches of the Dealer servicing agreement and depending upon the circumstances, and at our discretion, we may:

- change pricing or charge the Dealer fees for future Consumer Loan assignments;
- reassign the Consumer Loans back to the Dealer and require repayment of the related advances and/or purchase payments; or
- terminate our relationship with the Dealer.

Consumer Loans that have been assigned to us can be reassigned back to the Dealer, at the Dealer's discretion, as follows:

- an individual Consumer Loan may be reassigned within 180 days of assignment. We require repayment of the related advance or purchase payment and, if requested more than 90 days after assignment, payment of a fee; and
- all Consumer Loans assigned under the Portfolio Program may be reassigned through termination of the Dealer servicing agreement, as described under "Dealer Servicing Agreement," above.

Our business model allows us to share the risk and reward of collecting on the Consumer Loans with the Dealers, more so with the Portfolio Program than the Purchase Program. Such sharing is intended to motivate the Dealer to assign better quality Consumer Loans, follow our underwriting guidelines, comply with various legal regulations, meet our credit compliance requirements and provide appropriate service and support to the consumer after the sale. In addition, our Dealer Service Center works closely with Dealers to assist them in resolving any documentation deficiencies or funding stipulations. We believe this arrangement causes the interests of the Dealer, the consumer and us to all be aligned.

We measure various criteria for each Dealer against other Dealers in their geographic area as well as the top performing Dealers. Dealers are assigned a Dealer rating based upon the performance of their Consumer Loans in both the Portfolio and Purchase Programs as well as other criteria. The Dealer rating is one of the factors used to determine the amount paid to Dealers as an advance or to acquire a Purchased Loan. We provide each Dealer under the Portfolio Program with a monthly statement summarizing all activity that occurred on their Consumer Loan assignments.

Servicing. Our largest group of collectors services Consumer Loans that are in the early stages of delinquency. Collection efforts typically consist of placing a call to the consumer within one day of the missed payment due date, although efforts may begin later for some segments of accounts. Consumer Loans are segmented into dialing pools by various phone contact profiles in an effort to efficiently contact the consumer. We utilize text messaging and email as additional means to contact the consumer. Our collectors work with consumers to attempt to reach a solution that will help them avoid becoming further past due and get them current where possible.

The decision to repossess a vehicle is based on policy-based criteria. When a Consumer Loan is approved for repossession, we continue to service the Consumer Loan while it is being assigned to a third party repossession contractor, who works on a contingency fee basis. Once a vehicle has been repossessed, the consumer can negotiate to redeem the vehicle, whereupon the vehicle is returned to the consumer in exchange for paying off the Consumer Loan balance; or, where appropriate or if required by law, the vehicle is returned to the consumer and the Consumer Loan is reinstated in exchange for a payment that reduces or eliminates the past due balance. If this process is unsuccessful, the vehicle is sold at a wholesale automobile auction. Prior to sale, the vehicle is typically inspected by a representative at the auction who provides repair and reconditioning recommendations. Alternatively, our remarketing representatives may inspect the vehicle directly. Our remarketing representatives then authorize any repair and reconditioning work in order to maximize the net sale proceeds at auction.

If the vehicle sale proceeds are not sufficient to satisfy the balance owing on the Consumer Loan, the Consumer Loan is serviced by either: (1) our internal collection team, in the event the consumer is willing to make payments on the deficiency balance; or (2) where permitted by law, our external collection team, if it is believed that legal action is required to reduce the deficiency balance owing on the Consumer Loan. Our external collection team generally assigns Consumer Loans to third party collection attorneys who work on a contingency fee basis.

Collectors service Consumer Loans through our servicing platform, which consists of the following two systems:

- The collection system, which assigns Consumer Loans to collectors through a predictive dialer and records all collection activity, including:
  - details of past phone conversations with the consumer;
  - collection letters sent;
  - promises to pay;
  - broken promises;
  - repossession orders; and
  - collection attorney activity.

- The servicing system, which maintains a record of all transactions relating to Consumer Loan assignments and is a primary source of data utilized to:
  - determine the outstanding balance of the Consumer Loans;
  - forecast future collections;
  - analyze the profitability of our program; and
  - evaluate our proprietary credit scoring system.

Ancillary Products

We provide Dealers the ability to offer vehicle service contracts to consumers through our relationships with Third Party Providers ("TPPs"). A vehicle service contract provides the consumer protection by paying for the repair or replacement of certain components of the vehicle in the event of a mechanical failure. The retail price of the vehicle service contract is included in the principal balance of the Consumer Loan. The wholesale cost of the vehicle service contract is paid to the TPP, net of an administrative fee retained by us. We recognize our fee as part of finance charges on a level-yield basis based upon forecasted cash flows. The difference between the wholesale cost and the retail price to the consumer is paid to the Dealer as a commission. Under the Portfolio Program, the wholesale cost of the vehicle service contract and the commission paid to the Dealer are charged to the Dealer's advance balance. TPPs process claims on vehicle service contracts that are underwritten by third party insurers. We bear the risk of loss for claims on certain vehicle service contracts that are reinsured by us. We market the vehicle service contracts directly to our Dealers. Our agreement with one of our TPPs allows us to receive profit sharing payments depending on the performance of the vehicle service contracts.

VSC Re Company ("VSC Re"), our wholly-owned subsidiary, is engaged in the business of reinsuring coverage under vehicle service contracts sold to consumers by Dealers on vehicles financed by us. VSC Re currently reinsures vehicle service contracts that are offered through one of our TPPs. Vehicle service contract premiums, which represent the selling price of the vehicle service contract to the consumer, less fees and certain administrative costs, are contributed to 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, our exposure to fund claims is limited to the trust assets controlled by VSC Re and our net investment in VSC Re.

We provide Dealers the ability to offer Guaranteed Asset Protection ("GAP") to consumers through our relationships with TPPs. GAP provides the consumer protection by paying the difference between the loan balance and the amount covered by the consumer's insurance policy in the event of a total loss of the vehicle due to severe damage or theft. The retail price of GAP is included in the principal balance of the Consumer Loan. The wholesale cost of GAP is paid to the TPP, net of an administrative fee retained by us. We recognize our fee as part of finance charges on a level-yield basis based upon forecasted cash flows. The difference between the wholesale cost and the retail price to the consumer is paid to the Dealer as a commission. Under the Portfolio Program, the wholesale cost of GAP and the commission paid to the Dealer are charged to the Dealer's advance balance. TPPs process claims on GAP contracts that are underwritten by third party insurers. Our agreement with one of our TPPs allow us to receive profit sharing payments depending on the performance of the GAP contracts.

Under our Purchase Program, we provide Dealers that meet certain criteria the ability to offer vehicle service contracts and GAP to consumers through the Dealers' relationships with TPPs. The retail price of the vehicle service contract and/or GAP is included in the principal balance of the Consumer Loan and is paid to the Dealer. Under this arrangement, we do not receive an administrative fee and the Dealers' TPPs process claims.

We provided Dealers in certain states the ability to purchase GPS-SID through our relationship with a TPP. Through this program, Dealers could install GPS-SID on vehicles financed by us that can be activated if the consumer fails to make payments on their account, and can result in the prompt repossession of the vehicle. Dealers purchased GPS-SID directly from the TPP. The TPP paid us a fee for each device sold, at which time the fee revenue was recognized in other income within our consolidated statements of income. Effective during the second quarter of 2019, we no longer provide Dealers the ability to purchase GPS-SID through this program. We allowed Dealers to install previously purchased GPS-SID on vehicles financed by us until September 1, 2019.

Competition

The market for consumers who do not qualify for conventional automobile financing is large and highly competitive. The market is currently served by "buy here, pay here" dealerships, banks, captive finance affiliates of automobile manufacturers, credit unions and independent finance companies both publicly and privately owned. Many of these companies are much larger and have greater resources than us. We compete by offering a profitable and efficient method for Dealers to finance consumers who would be more difficult or less profitable to finance through other methods. In addition, we compete on the basis of the level of service provided by our Dealer Service Center and sales personnel.

Customer and Geographic Concentrations

No single Dealer accounted for more than 10% of total revenues during any of the last three years. Additionally, no single Dealer's Loans receivable balance accounted for more than 10% of total Loans receivable balance as of December 31, 2020 or 2019. The following tables provide information regarding the five states that were responsible for the largest dollar volume of Consumer Loan assignments and the related number of active Dealers during 2020, 2019 and 2018:

	For the Year Ended December 31, 2020			
(Dollars in millions)	Consumer Loan Assignments		Active Dealers (2)	
	Dollar Volume (1)	% of Total	Number	% of Total
Michigan	$ 325.2	8.9 %	775	6.1 %
Ohio	236.7	6.5 %	853	6.7 %
New York	234.2	6.4 %	765	6.0 %
Texas	215.9	5.9 %	927	7.3 %
Tennessee	179.8	4.9 %	490	3.9 %
All other states	2,449.4	67.4 %	8,880	70.0 %
Total	$ 3,641.2	100.0 %	12,690	100.0 %

	For the Year Ended December 31, 2019			
(Dollars in millions)	Consumer Loan Assignments		Active Dealers (2)	
	Dollar Volume (1)	% of Total	Number	% of Total
Michigan	$ 359.9	9.5 %	838	6.3 %
Ohio	265.2	7.0 %	898	6.7 %
New York	245.6	6.5 %	778	5.8 %
Texas	201.5	5.3 %	918	6.9 %
New Jersey	188.7	5.0 %	363	2.7 %
All other states	2,511.3	66.7 %	9,604	71.6 %
Total	$ 3,772.2	100.0 %	13,399	100.0 %

	For the Year Ended December 31, 2018			
(Dollars in millions)	Consumer Loan Assignments		Active Dealers (2)	
	Dollar Volume (1)	% of Total	Number	% of Total
Michigan	$ 364.1	10.1 %	804	6.4 %
Ohio	260.1	7.2 %	858	6.8 %
New York	229.4	6.4 %	726	5.8 %
Texas	196.7	5.5 %	847	6.8 %
Indiana	167.4	4.7 %	428	3.4 %
All other states	2,378.1	66.1 %	8,865	70.8 %
Total	$ 3,595.8	100.0 %	12,528	100.0 %

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.
(2) Active Dealers are Dealers who have received funding for at least one Loan during the year.

Geographic Financial Information

For the three years ended December 31, 2020, 2019 and 2018, all of our revenues were derived from the United States. As of December 31, 2020 and 2019, all of our long-lived assets were located in the United States.

Seasonality

Our business is seasonal with peak Consumer Loan assignments and collections occurring during the first quarter of the year. Prior to 2020, this seasonality did not have a material impact on our interim results. However, upon adoption of the current expected credit loss ("CECL") model on January 1, 2020, this seasonality has a material impact on our interim results, as we are required to recognize a significant provision for credit losses expense at the time of assignment. For additional information, see Note 2 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

Regulation

Our business is subject to laws and regulations, including the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and various other state and federal laws and regulations. These laws and regulations, among other things, require licensing and qualification; limit interest rates, fees and other charges associated with the Consumer Loans assigned to us; require specified disclosures by Dealers to consumers; govern the sale and terms of ancillary products; and define the rights to repossess and sell collateral. Failure to comply with these laws or regulations could have a material adverse effect on us by, among other things, limiting the jurisdictions in which we may operate, restricting our ability to realize the value of the collateral securing the Consumer Loans, making it more costly or burdensome to do business or resulting in potential liability. The volume of new or modified laws and regulations has increased in recent years and has increased significantly in response to issues arising with respect to consumer lending. From time to time, legislation and regulations are enacted which increase the cost of doing business, limit or expand permissible activities or affect the competitive balance among financial services providers. Proposals to change the laws and regulations governing the operations and taxation of financial institutions and financial services providers are frequently made in the U.S. Congress, in the state legislatures and by various regulatory agencies. This legislation may change our operating environment in substantial and unpredictable ways and may have a material adverse effect on our business.

We are subject to supervision by the Bureau of Consumer Financial Protection (the "Bureau"). The Bureau has rulemaking and enforcement authority over certain non-depository institutions, including us. The Bureau is specifically authorized, among other things, to take actions to prevent companies providing consumer financial products or services and their service providers from engaging in unfair, deceptive or abusive acts or practices in connection with consumer financial products and services, and to issue rules requiring enhanced disclosures for consumer financial products or services. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the Bureau also may restrict the use of pre-dispute mandatory arbitration clauses in contracts between covered persons and consumers for a consumer financial product or service. The Bureau also has authority to interpret, enforce and issue regulations implementing enumerated consumer laws, including certain laws that apply to our business.

The Dodd-Frank Act and regulations promulgated thereunder, including by the Bureau, are likely to affect our cost of doing business, may limit or expand our permissible activities, may affect the competitive balance within our industry and market areas and could have a material adverse effect on us. Our management continues to assess the Dodd-Frank Act's probable impact on our business, financial condition and results of operations, and to monitor developments involving the entities charged with promulgating regulations thereunder. However, the ultimate effect of the Dodd-Frank Act on the financial services industry in general, and on us in particular, is uncertain at this time.

In addition to the Bureau, other state and federal agencies have the ability to regulate aspects of our business. For example, the Dodd-Frank Act provides a mechanism for state attorneys general to investigate us. Separately, state attorneys general and certain state regulators have authority under their respective rules and laws, to investigate and/or regulate aspects of the business. In addition, the Federal Trade Commission has jurisdiction to investigate aspects of our business. We expect that regulatory investigations by both state and federal agencies will continue and that the results of these investigations could have a material adverse impact on us.

We are cooperating with the following inquiries and cannot predict the eventual scopes, durations or outcomes at this time.

- On May 7, 2019, we received a subpoena from the Consumer Frauds and Protection Bureau of the Office of the New York State Attorney General, relating to the Company's origination and collection policies and procedures in the state of New York. On July 30, 2020, we received two additional subpoenas from the Office of the New York State Attorney General, both from the Consumer Frauds and Protection Bureau and the Investor Protection Bureau, relating to the Company's origination and collection policies and procedures in the state of New York and its securitizations. On August 28, 2020, we were informed that one of the two additional subpoenas was being withdrawn. On November 16, 2020, we received an additional subpoena for documents from the Office of the New York State Attorney General. On November 19, 2020, the Company received a letter from the Office of the New York State Attorney General stating that the New York State Attorney General is considering bringing claims against the Company under the Dodd-Frank Wall Street Reform and Consumer Protection Act, New York Executive Law § 63(12), the New York Martin Act and New York General Business Law § 349 in connection with the Company's origination and securitization practices. On December 9, 2020, we responded to the New York State Attorney General's letter disputing the assertions contained therein. On December 21, 2020, we received two additional subpoenas from the Office of the New York State Attorney General, one relating to data and the other seeking testimony.

- On April 22, 2019, we received a civil investigative demand from the Bureau seeking, among other things, certain information relating to the Company's origination and collection of Consumer Loans, TPPs and credit reporting. On May 7, 2020, we received another civil investigative demand from the Bureau seeking additional information relating to its investigation. The Company raised various objections to the May 7, 2020 civil investigative demand, and on May 26, 2020, we were notified that it was withdrawn. On June 1, 2020, we received another civil investigative demand that was similar to the May 7, 2020 demand, and which raised many of the same objections. We formally petitioned the Bureau to modify the June 1, 2020 civil investigative demand. On September 3, 2020, the Director of the Bureau denied our petition to modify the June 1, 2020 civil investigative demand. On December 23, 2020, we received a civil investigative demand for investigational hearings in connection with the Bureau's investigation. The Company objected to certain portions of the civil investigative demands for hearings and, on January 19, 2021, the Bureau notified the Company that it had withdrawn such portions from the December 23, 2020 civil investigative demands.

- On August 14, 2017, we received a subpoena from the Attorney General of the State of Mississippi, relating to the origination and collection of non-prime auto loans in the state of Mississippi. The Company cooperated with the inquiry. On April 23, 2019, the Attorney General of the State of Mississippi, on behalf of the State of Mississippi, filed a complaint in the Chancery Court of the First Judicial District of Hinds County, Mississippi, alleging that the Company engaged in unfair and deceptive trade practices in subprime auto lending, loan servicing, vehicle repossession and debt collection in the State of Mississippi in violation of the Mississippi Consumer Protection Act. The complaint seeks injunctive relief, including civil penalties and disgorgement, and payment of the State's attorney's fees and costs.

- On March 18, 2016, we received a subpoena from the Attorney General of the State of Maryland, relating to the Company's repossession and sale policies and procedures in the state of Maryland. On April 3, 2020, we received a subpoena from the Attorney General of the State of Maryland relating to the Company's origination and collection policies and procedures in the state of Maryland. On August 11, 2020, we received a subpoena from the Attorney General of the State of Maryland restating most of the requests contained in the March 18, 2016 and April 3, 2020 subpoenas, making additional requests, and expanding the inquiry to include 40 other states (Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, and Wisconsin) and the District of Columbia. Also on August 11, 2020, we received from the Attorney General of the State of New Jersey a subpoena that is essentially identical to the August 11, 2020 Maryland subpoena, both as to substance and as to the jurisdictions identified.

- On December 9, 2014, we received a civil investigative subpoena from the U.S. Department of Justice pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 directing us to produce certain information relating to subprime automotive finance and related securitization activities.

- On December 4, 2014, we received a civil investigative demand from the Office of the Attorney General of the Commonwealth of Massachusetts relating to the origination and collection of non-prime auto loans in Massachusetts. On November 20, 2017 we received a second civil investigative demand from the Office of the Attorney General seeking updated information on its original civil investigative demand, additional information related to the Company's origination and collection of Consumer Loans, and information regarding securitization activities. In connection with this inquiry, we were informed by representatives of the Office of the Attorney General that it believes that the Company may have engaged in unfair and deceptive acts or practices related to the origination and collection of auto loans, which may have caused some of the Company's representations and warranties contained in securitization documents to be inaccurate. On July 22, 2020, we received a third civil investigative demand from the Office of the Attorney General seeking updates on previously produced data and additional information related to the Company's origination of Consumer Loans. On August 30, 2020, we were served with a complaint, filed by the Attorney General in Massachusetts Superior Court in Suffolk County, alleging that the Company engaged in unfair and deceptive trade practices in subprime auto lending, debt collection and asset-backed securitizations in the Commonwealth of Massachusetts, in violation of the Massachusetts Consumer Protection Law, M.G.L. c. 93A. The complaint seeks injunctive relief, restitution, disgorgement, civil penalties and payment of the Commonwealth's attorney's fees and costs.

In addition, governmental regulations which would deplete the supply of used vehicles, such as environmental protection regulations governing emissions or fuel consumption, could have a material adverse effect on us.

Our Dealers must also comply with credit and trade practice statutes and regulations. Failure of our Dealers to comply with these statutes and regulations could result in consumers having rights of rescission and other remedies that could have a material adverse effect on us.

The sale of vehicle service contracts and GAP by Dealers in connection with Consumer Loans assigned to us from Dealers is also subject to state laws and regulations. As we are the holder of the Consumer Loans that may, in part, finance these products, some of these state laws and regulations may apply to our servicing and collection of the Consumer Loans. Although these laws and regulations do not significantly affect our business, there can be no assurance that insurance or other regulatory authorities in the jurisdictions in which these products are offered by Dealers will not seek to regulate or restrict the operation of our business in these jurisdictions. Any regulation or restriction of our business in these jurisdictions could materially adversely affect the income received from these products.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable laws and regulations. Our agreements with Dealers provide that the Dealer shall indemnify us with respect to any loss or expense we incur as a result of the Dealer's failure to comply with applicable laws and regulations.

Team Members

Our team members are organized into three operating functions: Originations, Servicing and Support.

Originations. The originations function includes team members that are responsible for marketing our programs to prospective Dealers, enrolling new Dealers and supporting active Dealers. Originations also includes team members responsible for processing new Consumer Loan assignments.

Servicing. The servicing function includes team members that are responsible for servicing the Consumer Loans. The majority of these team members are responsible for collection activities on delinquent Consumer Loans.

Support. The support function includes team members that are responsible for information technology, finance, human resources, analytics, corporate legal and compliance activities.

The table below presents team members by operating function:

Operating Function	Number of Team Members As of December 31,		
	2020	2019	2018
Originations	536	577	584
Servicing	925	812	884
Support	572	627	572
Total	2,033	2,016	2,040

As of December 31, 2020, we had 2,033 full and part-time team members. Our team members have no union affiliations and we believe our relationship with our team members is in good standing. We strive to create a work environment that is pleasant, professional, and free from intimidation, hostility, or other offenses that may interfere with work performance. All team members complete non-discrimination and anti-harassment training, promoting a safe and inclusive work environment.

Our Company is highly diverse, as more than half of our team members are women, and more than half belong to a minority ethnicity. Our team members reflect diversity of nationality, faith, age and sexual orientation. We believe that our workplace is naturally diverse and inclusive due to our practices of maintaining open and transparent communication and fostering a climate in which all team members are welcome to speak up and contribute. We place great importance on listening to our team members, as we believe that "the people doing the work know the most about it." We encourage participation in periodic anonymous surveys to gain honest feedback about our workplace from our team members, and we use this feedback to generate ideas for improvement. Our Company's culture attracts talented people and enables them to perform to their potential. We have been honored to receive several workplace awards in recent years.

Available Information

Our Internet address is *creditacceptance.com*. We make available free of charge on our Internet web site our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC").

ITEM 1A. RISK FACTORS

Industry, Operational and Macroeconomic Risks

The outbreak of COVID-19 has adversely impacted our business, and the continuance of this pandemic, or any future outbreak of any contagious diseases or other public health emergency, could materially and adversely affect our business, financial condition, liquidity and results of operations.

The COVID-19 pandemic has caused a deterioration in the U.S. economy and our industry and resulted in a period of substantial economic and financial turmoil. The ultimate impact of this event on our business and the duration and future severity of the economic downturn caused by the pandemic are uncertain; however, the pandemic has adversely affected, and it is likely that the pandemic will continue to adversely affect, our business, team members, current and potential consumers, automobile dealers, and vendors, as well as our financial condition, liquidity, and results of operations.

In an attempt to contain COVID-19, state governments have implemented social distancing guidelines, travel bans and restrictions, quarantines, stay-at-home orders and shutdowns of non-essential businesses. These actions have caused economic hardship in the areas in which they have been implemented and have led to an increase in unemployment and resulted in many consumers delaying payments or re-allocating resources, leading to a decrease in our realized collections. While the prevalence, severity and impact of such restrictions have lessened and unemployment rates have improved, uncertainty remains as to when economic conditions will return to normalcy and whether further restrictions may be required. We have worked with our consumers to provide relief where possible, including the temporary suspension of involuntary vehicle repossessions, late fees and suit starts. Additionally, many automobile dealers have been required to temporarily close or restrict their operations, and even for dealerships that remained open, consumer demand has deteriorated. As a result, we have experienced a significant decline in Consumer Loan assignments. The COVID-19 pandemic has also caused us to modify our business practices in an effort to increase team member safety, including reconfiguring workstations to increase physical distance between team members, where permitted, allowing team members to work remotely, limiting travel, and canceling physical participation in meetings and events, and we may take further actions as required by government authorities or that we determine are in the best interests of our team members. Our business operations may be disrupted further if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, or other restrictions in connection with the COVID-19 pandemic.

There is no certainty that such measures will be sufficient to mitigate the risks posed by the disease, and our ability to perform certain functions could be negatively impacted. While the duration and potential future impact of the COVID-19 pandemic on the U.S. economy and our industry in particular are difficult to assess or predict, the pandemic has resulted in disruption of financial markets, which may reduce our ability to access capital or our consumers' ability to repay past or future Consumer Loans, and could negatively affect our liquidity and results of operations. In addition, a recession or further financial market correction resulting from the COVID-19 pandemic could adversely affect demand for used vehicles. A continued disruption in our workforce, decrease in collections from our consumers or decline in Consumer Loan assignments could cause a material adverse effect on our financial position, liquidity, and results of operations.

The COVID-19 pandemic continues to evolve, and we will continue to monitor the situation closely. The ultimate impact of this pandemic or a similar health epidemic is highly uncertain and subject to change. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on future developments, including, but not limited to, the duration of the pandemic, its severity, the actions to contain the disease or mitigate its impact, related restrictions on travel, additional federal stimulus measures and enhanced unemployment benefits, if any, and the duration, timing and severity of the impact on consumer behavior, including any recession resulting from the pandemic, all of which are uncertain and cannot be predicted. An extended period of economic disruption as a result of the COVID-19 pandemic could have a material negative impact on our business, financial position, liquidity, and results of operations, though the full extent and duration is uncertain. The COVID-19 pandemic may also intensify the risks described in the other risk factors disclosed in this Form 10-K. The COVID-19 pandemic, or any future outbreak of any contagious diseases or other public health emergency, could continue to, and may materially, adversely affect our business, financial condition, liquidity and results of operations.

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

Substantially all of the Consumer Loans assigned to us are made to individuals with impaired or limited credit histories. Consumer Loans made to these individuals generally entail a higher risk of delinquency, default and repossession and higher losses than loans made to consumers with better credit. Since most of our revenue and cash flows from operations are generated from these Consumer Loans, our ability to accurately forecast Consumer Loan performance is critical to our business and financial results. At the time of assignment, we forecast future expected cash flows from the Consumer Loan. Based on these forecasts, which include estimates for wholesale vehicle prices in the event of vehicle repossession and sale, we make an advance or one-time purchase payment to the related Dealer at a level designed to maximize economic profit, a non-GAAP financial measure. We continue to forecast the expected collection rate of each Consumer Loan subsequent to assignment. These forecasts also serve as a critical assumption in our accounting for recognizing finance charge income and determining our allowance for credit losses. Please see the Critical Accounting Estimates – Finance Charge Revenue & Allowance for Credit Losses section in Item 7 of this Form 10-K, which is incorporated herein by reference. Actual cash flows from any individual Consumer Loan are often different from cash flows estimated at the time of assignment. There can be no assurance that our forecasts will be accurate or that Consumer Loan performance will be as expected. In periods with changing economic conditions, accurately forecasting the performance of Consumer Loans is more difficult. In the event that our forecasts are not accurate, our financial position, liquidity and results of operations could be materially adversely affected.

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

The automobile finance market for consumers who do not qualify for conventional automobile financing is large and highly competitive. The market is served by a variety of companies including “buy here, pay here” dealerships. The market is also currently served by banks, captive finance affiliates of automobile manufacturers, credit unions and independent finance companies both publicly and privately owned. Many of these companies are much larger and have greater financial resources than are available to us, and many have long standing relationships with automobile dealerships. Providers of automobile financing have traditionally competed based on the interest rate charged, the quality of credit accepted, the flexibility of loan terms offered and the quality of service provided to dealers and consumers. We may be unable to compete successfully in the automobile finance market or, due to the intense competition in this market, our results of operations, cash flows and financial condition may be adversely affected as we adjust our business in response to competitive pressures. Increasing advance rates on Loans has the impact of reducing the return on capital we expect to earn on Loans. Additionally, if we are unsuccessful in maintaining and expanding our relationships with Dealers, we may be unable to accept Consumer Loans in the volume and on the terms that we anticipate.

Reliance on third parties to administer our ancillary product offerings could adversely affect our business and financial results.

We have relationships with TPPs to administer vehicle service contracts and GAP underwritten by third party insurers and financed by us. We depend on these TPPs to evaluate and pay claims in an accurate and timely manner. We also have a relationship with a TPP to administer GPS-SID. If our relationships with these TPPs were modified, disrupted, or terminated, we would need to obtain these services from an alternative administrator or provide them using our internal resources. We may be unable to replace these TPPs with a suitable alternative in a timely and efficient manner on terms we consider acceptable, or at all. In the event we were unable to effectively administer our ancillary products offerings, we may need to eliminate or suspend our ancillary product offerings from our future business, we may experience a decline in the performance of our Consumer Loans, our reputation in the marketplace could be undermined, and our financial position, liquidity and results of operations could be adversely affected.

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 senior management average over 16 years of experience with us. Our success is dependent upon the management and the leadership skills of this team. In addition, competition from other companies to hire our team members possessing the necessary skills and experience required could contribute to an increase in team member turnover. The loss of any of these individuals or an inability to attract and retain additional qualified team members could adversely affect us. There can be no assurance that we will be able to retain our existing senior management or attract additional qualified team members.

Our reputation is a key asset to our business, and our business may be affected by how we are perceived in the marketplace.

Our reputation is a key asset to our business. Our ability to attract consumers through our Dealers is highly dependent upon external perceptions of our level of service, trustworthiness, business practices and financial condition. Negative publicity regarding these matters could damage our reputation among existing and potential consumers and Dealers, which could make it difficult for us to attract new consumers and Dealers and maintain existing Dealers. Adverse developments with respect to our industry may also, by association, negatively impact our reputation or result in greater regulatory or legislative scrutiny or litigation against us.

The concentration of our Dealers in several states could adversely affect us.

Dealers are located throughout the United States. During the year ended December 31, 2020, our five largest states (measured by advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program) contained 30.0% of our Dealers. While we believe we have a diverse geographic presence, for the near term, we expect that significant amounts of Consumer Loan assignments will continue to be generated by Dealers in these five states due to the number of Dealers in these states and currently prevailing economic, demographic, regulatory, competitive and other conditions in these states. Changes to conditions in these states could lead to an increase in Dealer attrition or a reduction in demand for our service that could materially adversely affect our financial position, liquidity and results of operations.

Reliance on our outsourced business functions could adversely affect our business.

We outsource certain business functions to third party service providers, which increases our operational complexity and decreases our control. We rely on these service providers to provide a high level of service and support, which subjects us to risks associated with inadequate or untimely service. In addition, if these outsourcing arrangements were not renewed or were terminated or the services provided to us were otherwise disrupted, we would have to obtain these services from an alternative provider or provide them using our internal resources. We may be unable to replace, or be delayed in replacing these sources and there is a risk that we would be unable to enter into a similar agreement with an alternate provider on terms that we consider favorable or in a timely manner. In the future, we may outsource additional business functions. If any of these or other risks related to outsourcing were realized, our financial position, liquidity and results of operations could be adversely affected.

Our ability to hire and retain foreign information technology personnel could be hindered by immigration restrictions.

A significant portion of our information technology team is composed of foreign nationals whose ability to work for us depends on obtaining the necessary H-1B visas. The H-1B visa category allows U.S. employers to hire qualified foreign nationals to perform services in specialty occupations that require the attainment of at least a bachelor's degree or its equivalent. Our ability to hire and retain these foreign nationals and their ability to remain and work in the United States are affected by various laws and regulations, including limitations on the number of available H-1B visas, which the U.S. government allocates by lottery. Changes in the laws or regulations affecting the availability, allocation and/or cost of H-1B visas, eligibility for the H-1B visa category, or otherwise affecting the admission or retention of skilled foreign nationals by U.S. employers, or any increase in demand for H-1B visas relative to the limited supply of those visas, may adversely affect our ability to hire or retain foreign information technology personnel and may, as a result, increase our operating costs and impair our business operations.

We may be unable to execute our business strategy due to current economic conditions.

Our financial position, liquidity and results of operations depend on management's ability to execute our business strategy. Key factors involved in the execution of our business strategy include achieving our desired Consumer Loan assignment volume, continued and successful use of CAPS and pricing strategy, the use of effective credit risk management techniques and servicing strategies, continued investment in technology to support operating efficiency and continued access to funding and liquidity sources. Although our pricing strategy is intended to maximize the amount of economic profit we generate, within the confines of capital and infrastructure constraints, there can be no assurance that this strategy will have its intended effect. Please see the Consumer Loan Volume section in Item 7 of this Form 10-K, which is incorporated herein by reference. Our failure or inability to execute any element of our business strategy could materially adversely affect our financial position, liquidity and results of operations.

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

We are subject to general economic conditions which are beyond our control. During periods of economic slowdown or recession, delinquencies, defaults, repossessions and losses may increase on our Consumer Loans and Consumer Loan prepayments may decline. These periods are also typically accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding Consumer Loans, which weakens collateral coverage and increases the amount of a loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles may be sold or delay the timing of these sales. Additionally, higher gasoline prices, declining stock market values, unstable real estate values, resets of adjustable rate mortgages to higher interest rates, increasing unemployment levels, general availability of consumer credit or other factors that impact consumer confidence or disposable income could increase loss frequency and decrease consumer demand for automobiles as well as weaken collateral values of automobiles. Because our business is focused on consumers who do not qualify for conventional automobile financing, the actual rates of delinquencies, defaults, repossessions and losses on our Consumer Loans could be higher than those experienced in the general automobile finance industry, and could be more dramatically affected by a general economic downturn.

We rely on Dealers to originate Consumer Loans for assignment under our programs. High levels of Dealer attrition, due to a general economic downturn or otherwise, could materially adversely affect our operations. In addition, we rely on vendors to provide us with services we need to operate our business. Any disruption in our operations due to the untimely or discontinued supply of these services could substantially adversely affect our operations. Finally, during an economic slowdown or recession, our servicing costs may increase without a corresponding increase in finance charge revenue. Any sustained period of increased delinquencies, defaults, repossessions or losses or increased servicing costs could also materially adversely affect our financial position, liquidity and results of operations and our ability to enter into future financing transactions.

Technological advancements or changes to trends in the automobile industry such as new autonomous driving technologies or car- and ride-sharing programs could decrease consumer demand for automobiles. Decreased consumer demand for automobiles could negatively impact demand for our financing programs as well as weaken collateral values of automobiles, which could materially adversely affect our financial position, liquidity and results of operations.

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

Natural disasters, acts of war, terrorist attacks and the escalation of military activity in response to these attacks or otherwise may have negative and significant effects, such as imposition of increased security measures, changes in applicable laws, market disruptions and job losses. These events may have an adverse effect on the economy in general. Moreover, the potential for future terrorist attacks and the national and international responses to these threats could affect the business in ways that cannot be predicted. The effect of any of these events or threats could have a material adverse effect on our business, financial condition and results of operations.

A small number of our shareholders have the ability to significantly influence matters requiring shareholder approval and such shareholders have interests which may conflict with the interests of our other security holders.

As of December 31, 2020, based on filings made with the SEC and other information made available to us, Prescott General Partners, LLC and its affiliates beneficially owned 15.4% of our common stock, Jill Foss Watson beneficially owned 13.7% of our common stock and Allan V. Apple beneficially owned 10.7% of our common stock. As a result, these shareholders are able to significantly influence matters presented to shareholders, including the election and removal of directors, the approval of significant corporate transactions, such as any reclassification, reorganization, merger, consolidation or sale of all or substantially all of our assets, and the control of our management and affairs, including executive compensation arrangements. Their interests may conflict with the interests of our other security holders.

Capital and Liquidity Risks

We may be unable to continue to access or renew funding sources and obtain capital needed to maintain and grow our business.

We use debt financing to maintain and grow our business. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) revolving secured warehouse (“Warehouse”) facilities; (3) asset-backed secured financings (“Term ABS”); and (4) senior notes. We cannot guarantee that the revolving secured line of credit or the Warehouse facilities will continue to be available beyond their current maturity dates, on acceptable terms, or at all, or that we will be able to obtain additional financing on acceptable terms or at all. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, our financial position, our results of operations, and the capacity for additional borrowing under our existing financing arrangements. If our various financing alternatives were to become limited or unavailable, we may be unable to maintain or grow Consumer Loan volume at the level that we anticipate and our operations could be materially adversely affected.

The terms of our debt limit how we conduct our business.

The agreements that govern our debt contain covenants that restrict our ability to, among other things:

- incur and guarantee debt;
- pay dividends or make other distributions on or redeem or repurchase our stock;
- make investments or acquisitions;
- create liens on our assets;
- sell assets;
- merge with or into other companies; and
- enter into transactions with stockholders and other affiliates.

Some of our debt agreements also impose requirements that we maintain specified financial measures not in excess of, or not below, specified levels. In particular, our revolving credit facility requires, among other things, that we maintain (i) as of the end of each fiscal quarter, a ratio of consolidated funded debt less unrestricted cash and cash equivalents to consolidated tangible net worth at or below a specified maximum; (ii) as of the end of each fiscal quarter calculated for the two fiscal quarters then ending, consolidated net income, as defined in the agreements, of not less than a specified minimum; and (iii) as of the end of each fiscal quarter, a ratio of consolidated income available for fixed charges for the period of four consecutive fiscal quarters most recently ended to consolidated fixed charges, as defined in the agreements, for that period of not less than a specified minimum. These covenants limit the manner in which we can conduct our business and could prevent us from engaging in favorable business activities or financing future operations and capital needs and impair our ability to successfully execute our strategy and operate our business.

A breach of any of the covenants in our debt instruments would result in an event of default thereunder if not promptly cured or waived. Any continuing default would permit the creditors to accelerate the related debt, which could also result in the acceleration of other debt containing a cross-acceleration or cross-default provision. In addition, an event of default under our revolving credit facility would permit the lenders thereunder to terminate all commitments to extend further credit under our revolving credit facility. Furthermore, if we were unable to repay the amounts due and payable under our revolving credit facility or other secured debt, the lenders thereunder could cause the collateral agent to proceed against the collateral securing that debt. In the event our creditors accelerate the repayment of our debt, there can be no assurance that we would have sufficient assets to repay that debt, and our financial condition, liquidity and results of operations would suffer.

A violation of the terms of our Term ABS facilities or Warehouse facilities could have a material adverse impact on our operations.

Under our Term ABS facilities and our Warehouse facilities, (1) we have various obligations and covenants as servicer and custodian of the Consumer Loans contributed thereto and in our individual capacity and (2) the special purpose subsidiaries to which we contribute Consumer Loans have various obligations and covenants. A violation of any of these obligations or covenants by us or the special purpose subsidiaries, respectively, may result in our being unable to obtain additional funding under our Warehouse facilities, the termination of our servicing rights and the loss of servicing fees, and may result in amounts outstanding under our Term ABS financings and our Warehouse facilities becoming immediately due and payable. In addition, the violation of any financial covenant under our revolving secured line of credit facility is an event of default or termination event under certain of the Term ABS facilities and our Warehouse facilities. The lack of availability from any or all of these Term ABS facilities and Warehouse facilities may have a material adverse effect on our financial position, liquidity, and results of operations.

Our substantial debt could negatively impact our business, prevent us from satisfying our debt obligations and adversely affect our financial condition.

We have a substantial amount of debt, which could have negative consequences, including the following:

- our ability to obtain additional financing for Consumer Loan assignments, working capital, debt refinancing or other purposes could be impaired;
- a substantial portion of our cash flows from operations will be dedicated to paying principal and interest on our debt, reducing funds available for other purposes;
- we may be vulnerable to interest rate increases, as some of our borrowings, including those under our revolving credit facility, bear interest at variable rates;
- we could be more vulnerable to adverse developments in our industry or in general economic conditions;
- we may be restricted from taking advantage of business opportunities or making strategic acquisitions; and
- we may be limited in our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate.

We may not be able to generate sufficient cash flows to service our outstanding debt and fund operations and may be forced to take other actions to satisfy our obligations under such debt.

Our ability to make payments of principal and interest on indebtedness will depend in part on our cash flows from operations, which are subject to economic, financial, competitive and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operations sufficient to permit us to meet our debt service obligations. If we are unable to generate sufficient cash flows from operations to service our debt, we may be required to sell assets, refinance all or a portion of our existing debt or obtain additional financing. There can be no assurance that any refinancing will be possible or that any asset sales or additional financing can be completed on acceptable terms or at all.

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

Our profitability may be directly affected by the level of and fluctuations in interest rates, whether caused by changes in economic conditions or other factors, which affect our borrowing costs. Our profitability and liquidity could be materially adversely affected during any period of higher interest rates. We monitor the interest rate environment and employ strategies designed to mitigate the impact of increases in interest rates. We can provide no assurance, however, that our strategies will mitigate the impact of increases in interest rates.

The phaseout of the London Interbank Offered Rate ("LIBOR"), or the replacement of LIBOR with a different reference rate, could result in a material adverse effect on our business.

In July 2017, the United Kingdom Financial Conduct Authority, or the FCA (the authority that regulates LIBOR), announced that it would phase out LIBOR by the end of 2021. The FCA-regulated and authorized administrator of LIBOR indicated in 2020 that U.S.-dollar LIBOR for certain maturities would continue to be available until the end of June 2023. It is unclear whether new methods of calculating LIBOR will be established or if alternative rates or benchmarks will be adopted. Our revolving secured line of credit, certain of our Warehouse facilities, and our interest rate cap agreements utilize LIBOR as a benchmark for calculating the applicable interest rates. We have entered into amendments for certain of those LIBOR-based facilities to provide for transitioning to a LIBOR alternative. Changes in the method of calculating LIBOR, the elimination of LIBOR or the replacement of LIBOR with an alternative rate or benchmark, such as the Secured Overnight Financing Rate, may require us to renegotiate or amend those facilities that do not already provide for transitioning to a LIBOR alternative and, even if applied in a manner consistent with any transition provisions, may adversely affect the interest rates available to us and result in higher borrowing costs. Such higher borrowing costs or any other similar increases in the cost of capital to us resulting from the phaseout or replacement of LIBOR could materially adversely affect our financial position, liquidity and results of operations.

Reduction in our credit rating could increase the cost of our funding from, and restrict our access to, the capital markets and adversely affect our liquidity, financial condition and results of operations.

Credit rating agencies evaluate us, and their ratings of our debt and creditworthiness are based on a number of factors. These factors include our financial strength and other factors not entirely within our control, including conditions affecting the financial services industry generally. As the financial services industry and the financial markets periodically face difficulties, there can be no assurance that we will maintain our current ratings. Failure to maintain those ratings could, among other things, adversely limit our access to the capital markets and affect the cost and other terms upon which we are able to obtain financing.

We may incur substantially more debt and other liabilities. This could exacerbate further the risks associated with our current debt levels.

We may be able to incur substantial additional debt in the future. Although the terms of our debt instruments contain restrictions on our ability to incur additional debt, these restrictions are subject to exemptions that could permit us to incur a substantial amount of additional debt. In addition, our debt instruments do not prevent us from incurring liabilities that do not constitute indebtedness as defined for purposes of those debt instruments. If new debt or other liabilities are added to our current debt levels, the risks associated with our having substantial debt could intensify.

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

Periodically, there has been uncertainty in the global capital markets and the overall economy. Such uncertainty can result in disruptions in the financial sector and affect lenders with which we have relationships. Disruptions in the financial sector may increase our exposure to credit risk and adversely affect the ability of lenders to perform under the terms of their lending arrangements with us. Failure by our lenders to perform under the terms of our lending arrangements could cause us to incur additional costs that may adversely affect our liquidity, financial condition and results of operations. There can be no assurance that future disruptions in the financial sector will not occur that could have similar adverse effects on our business.

Information Technology and Cybersecurity Risks

Our dependence on technology could have a material adverse effect on our business.

All Consumer Loans submitted to us for assignment are processed through our internet-based CAPS application, which enables our Dealers to interact with our proprietary credit scoring system. Our Consumer Loan servicing platform is also technology based. We rely on these systems to record and process significant amounts of data quickly and accurately and believe that these systems provide us with a competitive advantage. All of these systems are dependent upon computer and telecommunications equipment, software systems and Internet access. The temporary or permanent loss of any components of these systems through hardware failures, software errors, operating malfunctions, the vulnerability of the Internet or otherwise could interrupt our business operations, harm our business and adversely affect our competitive advantage. In addition, our competitors could create or acquire systems similar to ours, which would adversely affect our competitive advantage.

Our systems, and the equipment, software and Internet access on which they depend, may be subject to cyber attacks, security breaches and other cybersecurity incidents. Although the cybersecurity incidents we have experienced to date have not had a material effect on our business, financial condition or results of operations, there can be no assurance that cybersecurity incidents will not have a material adverse effect on us in the future.

We rely on a variety of measures to protect our technology and proprietary information, including copyrights and a comprehensive information security program. However, these measures may not prevent misappropriation or infringement of our intellectual property or proprietary information, which would adversely affect us. In addition, our competitors or other third parties may allege that our systems, processes or technologies infringe their intellectual property rights.

Our ability to integrate computer and telecommunications technologies into our business is essential to our success. Computer and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We may not be successful in anticipating, managing or adopting technological changes on a timely basis. While we believe that our existing information systems are sufficient to meet our current demands and continued expansion, our future growth may require additional investment in these systems. We cannot assure that adequate capital resources will be available to us at the appropriate time.

Our use of electronic contracts could impact our ability to perfect our ownership or security interest in Consumer Loans.

Our systems permit origination and assignment of Consumer Loans in electronic form. We have engaged a TPP to facilitate the process of creating, establishing control of and storing electronic contracts in a manner that enables us to perfect our ownership or security interest in the electronic contracts by satisfying the requirements for “control” of electronic chattel paper under the Uniform Commercial Code.

Although the law governing the perfection of ownership and security interests in electronic contracts was enacted in 2001, the statutory requirements for the relevant control arrangements have not been meaningfully tested in court. In addition, market practices regarding control of electronic contracts are still developing. As a result, there is a risk that the systems employed by us or any TPP to maintain control of the electronic contracts may not be sufficient as a matter of law to give us a perfected ownership or security interest in the Consumer Loans evidenced by electronic contracts. In addition, technological failure, including failure in the security or access restrictions with respect to the systems, and operational failure, such as the failure to implement and maintain adequate internal controls and procedures, could also affect our ability to obtain or maintain a perfected ownership or security interest in the Consumer Loans evidenced by electronic contracts (or the priority of such interests). Our failure or inability to perfect our ownership or security interest in the Consumer Loans could materially adversely affect our financial position, liquidity and results of operations.

Failure to properly safeguard confidential consumer and team member information could subject us to liability, decrease our profitability and damage our reputation.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and personally identifiable information of our consumers and team members, on our computer networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy.

If third parties or our team members are able to breach our network security, the network security of a third party that we share information with or otherwise misappropriate our consumers' and team members' personal information, or if we give third parties or our team members improper access to our consumers' and team members' personal information, we could be subject to liability. This liability could include identity theft or other similar fraud-related claims. This liability could also include claims for other misuses or losses of personal information, including for unauthorized marketing purposes. Other liabilities could include claims alleging misrepresentation of our privacy and data security practices.

We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to secure online transmission of confidential consumer and team member information. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the algorithms that we use to protect sensitive consumer transaction data. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend capital and other resources to protect against, or alleviate problems caused by, security breaches or other cybersecurity incidents. Although we have experienced cybersecurity incidents from time to time that have not had a material effect on our business, financial condition or results of operations, there can be no assurance that a cyber attack, security breach or other cybersecurity incident will not have a material adverse effect on us in the future. Our security measures are designed to protect against security breaches, but our failure to prevent security breaches could subject us to liability, decrease our profitability and damage our reputation.

Legal and Regulatory Risks

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

As a result of the consumer-oriented nature of the industry in which we operate and uncertainties with respect to the application of various laws and regulations in some circumstances, we are subject to various consumer claims, litigation and regulatory investigations seeking damages, fines and statutory penalties, based upon, among other things, usury, disclosure inaccuracies, wrongful repossession, violations of bankruptcy stay provisions, certificate of title disputes, fraud and breach of contract. As the assignee of Consumer Loans originated by Dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against Dealers. We may also have disputes and litigation with Dealers. The claims may allege, among other theories of liability, that we breached our Dealer servicing agreement. We may also have disputes and litigation with vendors and other third parties. The claims may allege, among other theories of liability, that we breached a license agreement or contract. The damages, fines and penalties that may be claimed by consumers, regulatory agencies, Dealers, vendors or other third parties in these types of matters can be substantial. The relief requested by plaintiffs varies but may include requests for compensatory, statutory and punitive damages and injunctive relief, and plaintiffs may seek treatment as purported class actions. A significant judgment against us in connection with any litigation or arbitration could have a material adverse effect on our financial position, liquidity and results of operations.

For a description of significant litigation to which we are a party, see Note 16 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

Changes in tax laws and the resolution of uncertain income tax matters could have a material adverse effect on our results of operations and cash flows from operations.

We are subject to income tax in many of the various jurisdictions in which we operate. Increases in statutory income tax rates and other adverse changes in applicable law in these jurisdictions could have an adverse effect on our results of operations. In the ordinary course of business, there are transactions and calculations where the ultimate tax determination is uncertain. At any one time, multiple tax years are subject to audit by various taxing jurisdictions. We provide reserves for potential payments of tax to various tax authorities related to uncertain tax positions. Please see the Critical Accounting Estimates – Uncertain Tax Positions section in Item 7 of this Form 10-K, which is incorporated herein by reference. We adjust these liabilities as a result of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. Such payments could have a material adverse effect on our results of operations and cash flows from operations.

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

Reference should be made to Item 1. Business "Regulation" for a discussion of regulatory risk factors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters is located in Southfield, Michigan, in an office building we purchased in 1993, which includes approximately 136,000 square feet of space. In August 2018, we purchased a second office building in Southfield, which includes approximately 297,000 square feet of space, that was used to consolidate operations from our current and previous Southfield leased locations and that we intend to use to accommodate future growth. We have a mortgage loan from a commercial bank that is secured by a first mortgage lien on the second office property.

We lease approximately 54,000 square feet of office space in Southfield and approximately 31,000 square feet of office space in Henderson, Nevada. The lease for the Southfield space expires in July 2021. The lease for the Henderson space expires in December 2022. We have renewal options on both of our office space leases. Additionally, there currently is a significant amount of unoccupied office space available for lease in the markets where we operate.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business and as a result of the consumer-oriented nature of the industry in which we operate, we and other industry participants are frequently subject to various consumer claims, litigation and regulatory investigations seeking damages, fines and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth-in-lending, credit availability, credit reporting, consumer protection, warranty, debt collection, insurance and other consumer-oriented laws and regulations, including claims seeking damages for alleged physical and mental harm relating to the repossession and sale of consumers' vehicles and other debt collection activities. As the assignee of Consumer Loans originated by Dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against Dealers. We may also have disputes and litigation with Dealers. The claims may allege, among other theories of liability, that we breached our Dealer servicing agreement. We may also have disputes and litigation with vendors and other third parties. The claims may allege, among other theories of liability, that we breached a license agreement or contract. The damages, fines and penalties that may be claimed by consumers, regulatory agencies, Dealers, vendors or other third parties in these types of matters can be substantial. The relief requested by plaintiffs varies but may include requests for compensatory, statutory and punitive damages and injunctive relief, and plaintiffs may seek treatment as purported class actions. An adverse ultimate disposition in any action to which we are a party or otherwise subject could have a material adverse impact on our financial position, liquidity and results of operations.

For a description of significant litigation to which we are a party, see Note 16 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

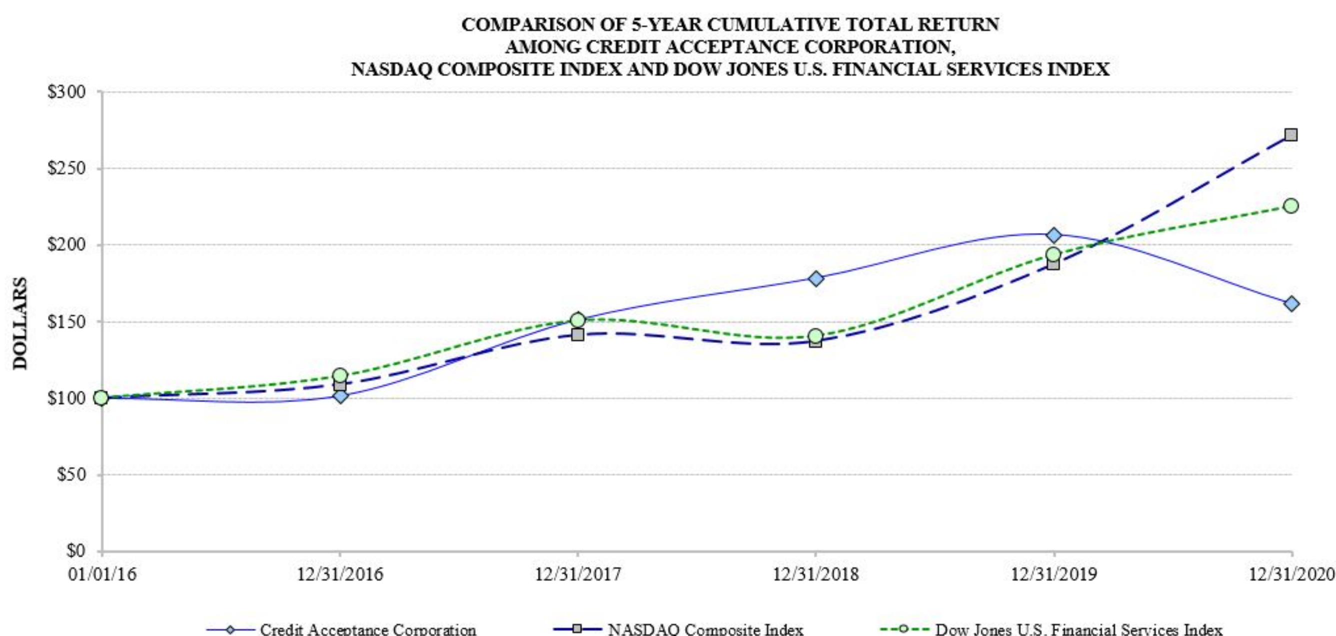
Our common stock is traded on The Nasdaq Global Select Market® under the symbol "CACC".

Holders

As of February 4, 2021, we had 110 shareholders of record and approximately 27,600 beneficial holders of our common stock based upon securities position listings furnished to us.

Stock Performance Graph

The following graph compares the percentage change in the cumulative total shareholder return on our common stock during the period beginning January 1, 2016 and ending on December 31, 2020 with the cumulative total return on the NASDAQ Composite Index and a peer group index based upon approximately 100 companies included in the Dow Jones U.S. Financial Services Index. The comparison assumes that $100 was invested on January 1, 2016 in our common stock and in the foregoing indices and assumes the reinvestment of dividends.



Stock Repurchases

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1 through October 31, 2020	—	$ —	—	3,059,556
November 1 through November 30, 2020	509,669	310.41	509,669	2,549,887
December 1 through December 31, 2020	47,277	328.24	47,277	2,502,610
	556,946	$ 311.92	556,946	

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

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below are derived from our audited consolidated financial statements and should be read in conjunction with our consolidated financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, and notes thereto, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this Form 10-K, and are incorporated herein by reference.

(Dollars in millions, except per share data)	Years Ended December 31,				
	2020	2019	2018	2017	2016
Income Statement Data:					
Revenue:					
Finance charges	$ 1,562.4	$ 1,369.4	$ 1,176.8	$ 1,011.5	$ 874.3
Premiums earned	57.3	51.0	46.6	41.1	43.0
Other income	49.6	68.6	62.4	57.4	51.9
Total revenue	1,669.3	1,489.0	1,285.8	1,110.0	969.2
Costs and expenses:					
Salaries and wages	186.5	193.3	167.8	140.1	126.5
General and administrative	69.6	65.1	55.7	55.5	48.2
Sales and marketing	69.5	70.2	67.7	58.4	49.4
Provision for credit losses	556.9	76.4	56.9	129.3	90.2
Interest	192.0	196.2	156.6	120.2	97.7
Provision for claims	37.9	30.1	26.0	22.7	26.0
Loss on extinguishment of debt	7.4	1.8	—	—	—
Total costs and expenses	1,119.8	633.1	530.7	526.2	438.0
Income before provision for income taxes	549.5	855.9	755.1	583.8	531.2
Provision for income taxes	128.5	199.8	181.1	113.6	198.4
Net income	$ 421.0	$ 656.1	$ 574.0	$ 470.2	$ 332.8
Net income per share:					
Basic	$ 23.57	$ 34.71	$ 29.52	$ 24.12	$ 16.37
Diluted	$ 23.47	$ 34.57	$ 29.39	$ 24.04	$ 16.31
Weighted average shares outstanding:					
Basic	17,858,935	18,900,256	19,446,067	19,497,719	20,331,769
Diluted	17,935,779	18,976,560	19,532,312	19,558,936	20,410,116
Balance Sheet Data:					
Loans receivable, net	$ 6,787.9	$ 6,685.2	$ 5,763.3	$ 4,619.6	$ 3,886.6
All other assets	701.1	738.0	474.1	366.0	331.4
Total assets	$ 7,489.0	$ 7,423.2	$ 6,237.4	$ 4,985.6	$ 4,218.0
Total debt	$ 4,608.6	$ 4,538.8	$ 3,820.9	$ 3,070.8	$ 2,603.7
Other liabilities	577.9	529.1	425.6	379.0	440.6
Total liabilities	5,186.5	5,067.9	4,246.5	3,449.8	3,044.3
Shareholders' equity (1)	2,302.5	2,355.3	1,990.9	1,535.8	1,173.7
Total liabilities and shareholders' equity	$ 7,489.0	$ 7,423.2	$ 6,237.4	$ 4,985.6	$ 4,218.0

(1) No dividends were paid during the periods presented.

ITEM 7. 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 contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

Overview

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

For the year ended December 31, 2020, consolidated net income was $421.0 million, or $23.47 per diluted share, compared to $656.1 million, or $34.57 per diluted share, for the same period in 2019 and $574.0 million, or $29.39 per diluted share, for the same period in 2018. The decrease in 2020 consolidated net income was primarily due to an increase in our provision for credit losses primarily due to our adoption of CECL on January 1, 2020. The growth in 2019 consolidated net income was primarily due to an increase in the average balance of our Loan portfolio.

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

Results for the year ended December 31, 2020 include a provision for credit losses of $556.9 million reflecting the adoption of CECL on January 1, 2020 and the impact of changes in the amount and timing of forecasted future net cash flows from our Loan portfolio. Under CECL, we are required to record a provision for credit losses for every new loan at the time that loan is originated equal to the difference between the amount we paid to acquire the loan and the present value of forecasted net cash flows using an effective interest rate prescribed under CECL. The effective interest rate under CECL is calculated assuming 100% of the contractually scheduled payments of each loan is received. Since we do not expect to receive this amount, the effective rate under CECL is higher than the rate we expect to earn. Using the higher effective rate prescribed by CECL to record the loan results in a value for each loan that is less than the amount we paid to acquire the loan. This difference is recorded as an allowance for credit losses along with a corresponding provision for credit losses. For the year ended December 31, 2020, we recorded provision for credit losses of $518.6 million, related to new Consumer Loan assignments. Over the life of the loan, we expect to record an amount equivalent to this provision for credit losses as finance charge revenue, which will be recognized using the same effective interest rate used to record the loan.

The remaining provision for credit losses of $38.3 million for the year ended December 31, 2020, reflected changes in our estimates of the amount and timing of future net cash flows from our Loan portfolio discussed below. Under CECL, the net present value of the change in our net cash flow forecast is recorded as a provision for credit losses or reversal of provision for credit losses.

Critical Success Factors

Critical success factors include our ability to accurately forecast Consumer Loan performance, access capital on acceptable terms, and maintain or grow Consumer Loan volume at the level and on the terms that we anticipate, with an objective to maximize economic profit. Economic profit is a non-GAAP financial measure we use to evaluate our financial results and determine incentive compensation. Economic profit measures how efficiently we utilize our total capital, both debt and equity, and is a function of the return on capital in excess of the cost of capital and the amount of capital invested in the business.

Consumer Loan Metrics

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

We use a statistical model to estimate the expected collection rate for each Consumer Loan at the time of assignment. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. By comparing our current expected collection rate for each Consumer Loan with the rate we projected at the time of assignment, we are able to assess the accuracy of our initial forecast. The following table compares our forecast of Consumer Loan collection rates as of December 31, 2020, with the forecasts as of December 31, 2019, as of December 31, 2018, and at the time of assignment, segmented by year of assignment:

	Forecasted Collection Percentage as of (1)				Current Forecast Variance from		
Consumer Loan Assignment Year	December 31, 2020	December 31, 2019	December 31, 2018	Initial Forecast	December 31, 2019	December 31, 2018	Initial Forecast
2011	74.8%	74.8 %	74.7 %	72.5%	0.0%	0.1%	2.3%
2012	73.8%	73.9 %	73.8 %	71.4%	-0.1%	0.0%	2.4%
2013	73.4%	73.5 %	73.5 %	72.0%	-0.1%	-0.1%	1.4%
2014	71.6%	71.7 %	71.7 %	71.8%	-0.1%	-0.1%	-0.2%
2015	65.2%	65.4 %	65.4 %	67.7%	-0.2%	-0.2%	-2.5%
2016	63.6%	64.1 %	64.2 %	65.4%	-0.5%	-0.6%	-1.8%
2017	64.1%	64.8 %	65.5 %	64.0%	-0.7%	-1.4%	0.1%
2018	64.0%	65.1 %	65.0 %	63.6%	-1.1%	-1.0%	0.4%
2019	64.4%	64.6 %	—	64.0%	-0.2%	—	0.4%
2020	64.8%	—	—	63.4%	—	—	1.4%

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

Consumer Loans assigned in 2011 through 2013 and 2020 have yielded forecasted collection results materially better than our initial estimates, while Consumer Loans assigned in 2015 and 2016 have yielded forecasted collection results materially worse than our initial estimates. For all other assignment years presented, actual results have been close to our initial estimates.

For the year ended December 31, 2020, forecasted collection rates improved for Consumer Loans assigned in 2020, declined for Consumer Loans assigned in 2015 through 2019 and were generally consistent with expectations at the start of the period for all other assignment years presented.

For the year ended December 31, 2019, forecasted collection rates improved for Consumer Loans assigned in 2019, declined for Consumer Loans assigned in 2017 and were generally consistent with expectations at the start of the period for all other assignment years presented.

The changes in forecasted collection rates impacted forecasted net cash flows (forecasted collections less forecasted Dealer Holdback payments) as follows:

(In millions)	For the years ended December 31,		
Increase (decrease) in forecasted net cash flows	2020	2019	2018
Dealer Loans	$ (41.1)	$ (7.9)	$ 2.0
Purchased Loans	(5.2)	22.5	40.3
Total Loans	$ (46.3)	$ 14.6	$ 42.3

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

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

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

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

Starting in mid-March, we experienced a reduction in realized collections at the same time government authorities began to implement restrictions that limited economic activity. The reduction in front end collections reflects a lower volume of payments from customers while the reduction in total collections also included lower realized collections from repossessions, which were temporarily suspended as the COVID-19 crisis began to unfold. Starting in mid-April, front end collections improved as federal stimulus and enhanced unemployment benefit payments were distributed. Starting in August and continuing through the end of the year, the improvement in front end collections declined as federal stimulus and enhanced unemployment benefit payments lapsed, and unemployment rates, while improving, remain above pre-pandemic levels. Front end collections and total collections for the month ended January 31, 2021 increased 17.0% and 15.7%, respectively, as compared to the same period in 2020, as additional federal stimulus payments were distributed.

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

	Average		
Consumer Loan Assignment Year	**Consumer Loan (1)**	**Advance (2)**	**Initial Loan Term (in months)**
2011	$ 15,686	$ 7,137	46
2012	15,468	7,165	47
2013	15,445	7,344	47
2014	15,692	7,492	47
2015	16,354	7,272	50
2016	18,218	7,976	53
2017	20,230	8,746	55
2018	22,158	9,635	57
2019	23,139	10,174	57
2020	24,262	10,656	59

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

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

The following table presents forecasted Consumer Loan collection rates, advance rates, the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that had been realized as of December 31, 2020. All amounts, unless otherwise noted, are presented as a percentage of the initial balance of the Consumer Loan (principal + interest). The table includes both Dealer Loans and Purchased Loans.

	As of December 31, 2020			
Consumer Loan Assignment Year	**Forecasted Collection %**	**Advance % (1)**	**Spread %**	**% of Forecast Realized (2)**
2011	74.8 %	45.5 %	29.3 %	99.8 %
2012	73.8 %	46.3 %	27.5 %	99.7 %
2013	73.4 %	47.6 %	25.8 %	99.4 %
2014	71.6 %	47.7 %	23.9 %	98.9 %
2015	65.2 %	44.5 %	20.7 %	97.8 %
2016	63.6 %	43.8 %	19.8 %	93.8 %
2017	64.1 %	43.2 %	20.9 %	84.3 %
2018	64.0 %	43.5 %	20.5 %	67.8 %
2019	64.4 %	44.0 %	20.4 %	44.6 %
2020	64.8 %	43.9 %	20.9 %	15.7 %

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

(2) Presented as a percentage of total forecasted collections.

The risk of a material change in our forecasted collection rate declines as the Consumer Loans age. For 2016 and prior Consumer Loan assignments, the risk of a material forecast variance is modest, as we have currently realized in excess of 90% of the expected collections. Conversely, the forecasted collection rates for more recent Consumer Loan assignments are less certain as a significant portion of our forecast has not been realized.

The spread between the forecasted collection rate and the advance rate has ranged from 19.8% to 29.3% over the last 10 years. The spread was at the high end of this range in 2011, when the competitive environment was unusually favorable, and much lower during other years (2015 through 2020) when competition was more intense. The increase in the spread from 2019 to 2020 was primarily the result of the performance of 2020 Consumer Loans, which has exceeded our initial estimates by a greater margin than those assigned to us in 2019, partially offset by a lower initial forecast on 2020 Consumer Loans.

The following table compares our forecast of Consumer Loan collection rates as of December 31, 2020 with the forecasts at the time of assignment, for Dealer Loans and Purchased Loans separately:

	Dealer Loans			Purchased Loans		
	Forecasted Collection Percentage as of (1)			Forecasted Collection Percentage as of (1)		
Consumer Loan Assignment Year	**December 31, 2020**	**Initial Forecast**	**Variance**	**December 31, 2020**	**Initial Forecast**	**Variance**
2011	74.6 %	72.4 %	2.2%	76.4 %	72.7 %	3.7%
2012	73.6 %	71.3 %	2.3%	75.9 %	71.4 %	4.5%
2013	73.4 %	72.1 %	1.3%	74.3 %	71.6 %	2.7%
2014	71.5 %	71.9 %	-0.4%	72.4 %	70.9 %	1.5%
2015	64.5 %	67.5 %	-3.0%	68.8 %	68.5 %	0.3%
2016	62.8 %	65.1 %	-2.3%	65.8 %	66.5 %	-0.7%
2017	63.4 %	63.8 %	-0.4%	65.6 %	64.6 %	1.0%
2018	63.5 %	63.6 %	-0.1%	65.1 %	63.5 %	1.6%
2019	64.1 %	63.9 %	0.2%	65.1 %	64.2 %	0.9%
2020	64.5 %	63.3 %	1.2%	65.4 %	63.6 %	1.8%

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

The following table presents forecasted Consumer Loan collection rates, advance rates, and the spread (the forecasted collection rate less the advance rate) as of December 31, 2020 for Dealer Loans and Purchased Loans separately. All amounts are presented as a percentage of the initial balance of the Consumer Loan (principal + interest).

	Dealer Loans			Purchased Loans		
Consumer Loan Assignment Year	**Forecasted Collection % (1)**	**Advance % (1)(2)**	**Spread %**	**Forecasted Collection % (1)**	**Advance % (1)(2)**	**Spread %**
2011	74.6 %	45.1 %	29.5 %	76.4 %	49.3 %	27.1 %
2012	73.6 %	46.0 %	27.6 %	75.9 %	50.0 %	25.9 %
2013	73.4 %	47.2 %	26.2 %	74.3 %	51.5 %	22.8 %
2014	71.5 %	47.2 %	24.3 %	72.4 %	51.8 %	20.6 %
2015	64.5 %	43.4 %	21.1 %	68.8 %	50.2 %	18.6 %
2016	62.8 %	42.1 %	20.7 %	65.8 %	48.6 %	17.2 %
2017	63.4 %	42.1 %	21.3 %	65.6 %	45.8 %	19.8 %
2018	63.5 %	42.7 %	20.8 %	65.1 %	45.2 %	19.9 %
2019	64.1 %	43.1 %	21.0 %	65.1 %	45.6 %	19.5 %
2020	64.5 %	43.0 %	21.5 %	65.4 %	45.5 %	19.9 %

(1) The forecasted collection rates and advance rates presented for Dealer Loans and Purchased Loans reflect the Consumer Loan classification at the time of assignment.
(2) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program as a percentage of the initial balance of the Consumer Loans. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

Although the advance rate on Purchased Loans is higher as compared to the advance rate on Dealer Loans, Purchased Loans do not require us to pay Dealer Holdback.

The spread on Dealer Loans increased from 21.0% in 2019 to 21.5% in 2020 primarily as a result of the performance of the 2020 Consumer Loans in our Dealer Loan portfolio, which has exceeded our initial estimates by a greater margin than those assigned to us in 2019, partially offset by a lower initial forecast on 2020 Consumer Loans in our Dealer Loan portfolio. The spread on Purchased Loans increased from 19.5% in 2019 to 19.9% in 2020 primarily as a result of the performance of the 2020 Consumer Loans in our Purchased Loan portfolio, which has exceeded our initial estimates by a greater margin than those assigned to us in 2019, partially offset by a lower initial forecast on 2020 Consumer Loans in our Purchased Loan portfolio.

Access to Capital

Our strategy for accessing capital on acceptable terms needed to maintain and grow the business is to: (1) maintain consistent financial performance; (2) maintain modest financial leverage; and (3) maintain multiple funding sources. Our funded debt to equity ratio was 2.0 to 1 as of December 31, 2020. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) senior notes.

Consumer Loan Volume

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

	Year over Year Percent Change	
For the Year Ended December 31,	**Unit Volume**	**Dollar Volume (1)**
2018	13.6%	25.2 %
2019	-0.9%	4.9 %
2020	-7.5%	-3.5 %

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

Consumer Loan assignment volumes depend on a number of factors including (1) the overall demand for our financing programs, (2) the amount of capital available to fund new Loans, and (3) our assessment of the volume that our infrastructure can support. Our pricing strategy is intended to maximize the amount of economic profit we generate, within the confines of capital and infrastructure constraints.

During 2020, unit and dollar volumes decreased 7.5% and 3.5%, respectively, as the number of active Dealers declined 5.3% while average volume per active Dealer decreased 2.5%. Dollar volume declined less than unit volume during 2020 due to an increase in the average advance paid per unit. This increase was the result of an increase in the average size of the Consumer Loans assigned primarily due to increases in the average vehicle selling price and average initial loan term and an increase in Purchased Loans as a percentage of total unit volume.

During 2019, unit volume decreased 0.9% while dollar volume grew 4.9%, as the number of active Dealers grew 7.0% while average volume per active Dealer decreased 7.4%. Dollar volume grew while unit volume declined during 2019 due to an increase in the average advance paid per unit. This increase was the result of an increase in the average size of the Consumer Loans assigned primarily due to an increase in the average vehicle selling price and an increase in Purchased Loans as a percentage of total unit volume.

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

	Year over Year Percent Change
Three Months Ended	**Unit Volume**
March 31, 2020	-10.1%
June 30, 2020	5.7%
September 30, 2020	-8.8%
December 31, 2020	-18.1%

Starting in mid-March, we experienced a significant decline in unit volume that we believe was primarily due to the impact of COVID-19, which resulted in many Dealers temporarily closing or restricting their operations and a deterioration in consumer demand for Dealers that remained open. During the latter part of April and continuing into July, unit volumes improved. We believe the improvement resulted from a combination of Dealers gradually reopening their operations and the distribution of federal stimulus and enhanced unemployment benefit payments. Starting in late July and continuing through the end of the year, we experienced another significant decline in unit volume as federal stimulus and enhanced unemployment benefit payments lapsed, Dealer inventories declined and used vehicle prices increased. Unit volume for the month ended January 31, 2021 declined 6.1% as compared to the same period in 2020, as additional federal stimulus payments were distributed. January 2021 was negatively impacted as it had one less business day as compared to the same period in 2020 (25 business days in January 2021 compared to 26 business days in January 2020).

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

	For the Years Ended December 31,			For the Years Ended December 31,		
	2020	2019	% Change	2019	2018	% Change
Consumer Loan unit volume	341,967	369,805	-7.5%	369,805	373,329	-0.9%
Active Dealers (1)	12,690	13,399	-5.3%	13,399	12,528	7.0%
Average volume per active Dealer	26.9	27.6	-2.5%	27.6	29.8	-7.4%
Consumer Loan unit volume from Dealers active both periods	309,179	338,939	-8.8%	322,665	343,091	-6.0%
Dealers active both periods	9,795	9,795	—	9,253	9,253	—
Average volume per Dealer active both periods	31.6	34.6	-8.8%	34.9	37.1	-6.0%
Consumer Loan unit volume from Dealers not active both periods	32,788	30,866	6.2%	47,140	30,238	55.9%
Dealers not active both periods	2,895	3,604	-19.7%	4,146	3,275	26.6%
Average volume per Dealer not active both periods	11.3	8.6	31.4%	11.4	9.2	23.9%

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

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

	For the Years Ended December 31,			For the Years Ended December 31,		
	2020	2019	% Change	2019	2018	% Change
Consumer Loan unit volume from new active Dealers	30,968	44,938	-31.1%	44,938	47,898	-6.2%
New active Dealers (1)	2,730	3,936	-30.6%	3,936	4,037	-2.5%
Average volume per new active Dealer	11.3	11.4	-0.9%	11.4	11.9	-4.2%
Attrition (2)	-8.3%	-8.1%		-8.1%	-9.6%	

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

Consumer Loans are assigned to us as either Dealer Loans through our Portfolio Program or Purchased Loans through our Purchase Program. The following table shows the percentage of Consumer Loans assigned to us under each of the programs for each of the last three years:

	Unit Volume		Dollar Volume (1)	
For the Years Ended December 31,	Portfolio Program	Purchase Program	Portfolio Program	Purchase Program
2018	69.7 %	30.3 %	67.2 %	32.8 %
2019	67.2 %	32.8 %	64.3 %	35.7 %
2020	64.1 %	35.9 %	60.6 %	39.4 %

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

As of December 31, 2020 and 2019, the net Dealer Loans receivable balance was 61.4% and 62.8%, respectively, of the total net Loans receivable balance.

Results of Operations

The following is a discussion of our 2020 and 2019 results of operations and income statement data on a consolidated basis, including year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The Financial Accounting Standards Board issued a new accounting standard (known as CECL) that changed how we account for our Loans effective January 1, 2020. The net Loan income (finance charge revenue less provision for credit losses expense) that we recognize over the life of a Loan equals the cash we collect from the underlying Consumer Loan less the cash we pay to the Dealer. While the total amount of net Loan income we will recognize over the life of the Loan is not impacted by CECL, the timing of when we will recognize this income has changed significantly from our prior accounting method. We believe that recognizing net Loan income on a level-yield basis over the life of the Loan based on expected future net cash flows matches the economics of our business. We believe CECL diverges from economic reality by requiring us to recognize a significant provision for credit losses expense at the time of assignment for amounts we never expected to realize and finance charge revenue in subsequent periods that is significantly in excess of our expected yields. Given the significant change in timing of net Loan income recognition, net income for the year ending December 31, 2020 was significantly lower under CECL than what would have been reported under our prior accounting method, with the greatest impact occurring in the quarter of adoption. The financial statement impact of CECL in any period will depend on Consumer Loan assignment volume and the percentage of Consumer Loans assigned to us as Purchased Loans, the size and composition of our Loan portfolio, the Loan portfolio's credit quality and economic conditions. For additional information, see Note 2 and Note 5 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

(Dollars in millions, except per share data)	For the Years Ended December 31,			
	2020	2019	$ Change	% Change
Revenue:				
Finance charges	$ 1,562.4	$ 1,369.4	$ 193.0	14.1%
Premiums earned	57.3	51.0	6.3	12.4%
Other income	49.6	68.6	(19.0)	-27.7%
Total revenue	1,669.3	1,489.0	180.3	12.1%
Costs and expenses:				
Salaries and wages (1)	186.5	193.3	(6.8)	-3.5%
General and administrative (1)	69.6	65.1	4.5	6.9%
Sales and marketing (1)	69.5	70.2	(0.7)	-1.0%
Provision for credit losses	556.9	76.4	480.5	628.9%
Interest	192.0	196.2	(4.2)	-2.1%
Provision for claims	37.9	30.1	7.8	25.9%
Loss on extinguishment of debt	7.4	1.8	5.6	311.1%
Total costs and expenses	1,119.8	633.1	486.7	76.9%
Income before provision for income taxes	549.5	855.9	(306.4)	-35.8%
Provision for income taxes	128.5	199.8	(71.3)	-35.7%
Net income	$ 421.0	$ 656.1	$ (235.1)	-35.8%
Net income per share:				
Basic	$ 23.57	$ 34.71	$ (11.14)	-32.1%
Diluted	$ 23.47	$ 34.57	$ (11.10)	-32.1%
Weighted average shares outstanding:				
Basic	17,858,935	18,900,256	(1,041,321)	-5.5%
Diluted	17,935,779	18,976,560	(1,040,781)	-5.5%
(1) Operating expenses	$ 325.6	$ 328.6	$ (3.0)	-0.9%

Finance Charges. The increase of $193.0 million, or 14.1%, was primarily the result of increases in the average net Loans and the average yield on our Loan portfolio, as follows:

(Dollars in millions)	For the Years Ended December 31,		
	2020	2019	Change
Average net Loans receivable balance	$ 6,753.5	$ 6,321.2	$ 432.3
Average yield on our Loan portfolio	23.1%	21.7%	1.4%

The following table summarizes the impact each component had on the overall increase in finance charges for the year ended December 31, 2020:

(In millions)

Impact on finance charges:	For the Year Ended December 31, 2020
Due to an increase in the average net Loans receivable balance	$ 93.7
Due to an increase in the average yield	99.3
Total increase in finance charges	$ 193.0

The increase in the average net Loans receivable balance was primarily due to the dollar volume of new Consumer Loan assignments exceeding the principal collected on Loans receivable. The average yield on year ended December 31, 2020 increased as compared to the same period in 2019 primarily due to our adoption of CECL on January 1, 2020, which requires us to recognize finance charges on new Consumer Loan assignments using effective interest rates based on contractual future net cash flows, which are significantly in excess of our expected yields.

Other Income. The decrease of $19.0 million, or 27.7%, was primarily due to a decrease in interest income earned on restricted cash and cash equivalents primarily due to a decline in benchmark interest rates, a decrease in remarketing fees due to a decrease in involuntary repossessions due to COVID-19 and a decrease in ancillary product profit sharing income due to an increase in average vehicle service contract claim rates.

Provision for Credit Losses. The increase of $480.5 million, or 628.9%, was primarily due to the impact of our adoption of CECL on January 1, 2020.

Under CECL, we are required to recognize provision for credit losses on new Consumer Loan assignments for contractual net cash flows that were not expected to be realized at the time of assignment. Under both CECL and our prior accounting method, we also recognize provision for credit losses for forecast changes in the amount and timing of expected future net cash flows subsequent to assignment. The following table summarizes the provision for credit losses for each of these components:

(In millions)

	For the Years Ended December 31,		
Provision for Credit Losses	2020	2019	Change
New Consumer Loan assignments	$ 518.6	$ —	$ 518.6
Forecast changes	38.3	76.4	(38.1)
Total	$ 556.9	$ 76.4	$ 480.5

The decrease in provision for credit losses on forecast changes of $38.1 million was due to forecast changes in the amount and timing of expected future net cash flows and the adoption of CECL on January 1, 2020, which changed how these forecast changes are recognized.

For additional information, see Note 2 and Note 5 to the consolidated financial statements contained in Item 1 of this Form 10-K, which is incorporated herein by reference.

Provision for Income Taxes. For the year ended December 31, 2020, the effective income tax rate of 23.4% was generally consistent with the effective income tax rate of 23.3% for the year ended December 31, 2019. For additional information, see Note 11 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we review our accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP.

Our significant accounting policies are discussed in Note 2 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and involve a high degree of subjective or complex judgment, and the use of different estimates or assumptions could produce materially different financial results.

Finance Charge Revenue & Allowance for Credit Losses

Nature of Estimates Required. We estimate the amount and timing of future collections and Dealer Holdback payments. These estimates impact Loans receivable and allowance for credit losses on our balance sheet and finance charges and provision for credit losses on our income statement.

Assumptions and Approaches Used. On January 1, 2020, we adopted Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments, which is known as the current expected credit loss model, or CECL. Prior to the adoption of CECL on January 1, 2020, we accounted for our Loans as loans acquired with significant credit deterioration. For additional information regarding the adoption impact of CECL, see Note 2 and Note 5 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

We recognize finance charges under the interest method such that revenue is recognized on a level-yield basis over the life of the Loan. We calculate finance charges on a monthly basis by applying the effective interest rate of the Loan to the net carrying amount of the Loan (Loan receivable less the related allowance for credit losses). For Consumer Loans assigned subsequent to December 31, 2019, the effective interest rate is based on contractual future net cash flows. For Consumer Loans assigned prior to January 1, 2020, the effective interest rate was determined based on expected future net cash flows.

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

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

We monitor and evaluate Consumer Loan performance on a monthly basis by comparing our current forecasted collection rates to our initial expectations. We use a statistical model that considers a number of credit quality indicators to estimate the expected collection rate for each Consumer Loan at the time of assignment. The credit quality indicators considered in our model include attributes contained in the consumer's credit bureau report, data contained in the consumer's credit application, the structure of the proposed transaction, vehicle information and other factors. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment primarily through the monitoring of consumer payment behavior. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. Since all known, significant credit quality indicators have already been factored into our forecasts and pricing, we are not able to use any specific credit quality indicators to predict or explain variances in actual performance from our initial expectations. Any variances in performance from our initial expectations are the result of Consumer Loans performing differently from historical Consumer Loans with similar characteristics. We periodically adjust our statistical pricing model for new trends that we identify through our evaluation of these forecasted collection rate variances.

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

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

Our provision for credit losses for the year ended December 31, 2020, included:

- $518.6 million provision for credit losses on new Consumer Loan assignments related to our adoption of CECL on January 1, 2020, which reduced consolidated net income by $399.3 million, or $22.26 per diluted share; and
- $38.3 million provision for credit losses on forecast changes related to changes in the amount and timing of expected future net cash flows, which reduced consolidated net income by $29.5 million, or $1.64 per diluted share.

Key Factors. Variances in the amount and timing of future net cash flows from current estimates could materially impact earnings in future periods. A 1% decline in the forecasted future net cash flows on Loans as of December 31, 2020 would have reduced 2020 net income by approximately $51.7 million.

During periods of economic slowdown or recession, delinquencies, defaults, repossessions and losses may increase on our Consumer Loans, and Consumer Loan prepayments may decline. These periods are also typically accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding Consumer Loans, which weakens collateral coverage and increases the amount of a loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles may be sold or delay the timing of these sales. Additionally, higher gasoline prices, declining stock market values, unstable real estate values, resets of adjustable rate mortgages to higher interest rates, increasing unemployment levels, general availability of consumer credit or other factors that impact consumer confidence or disposable income could increase loss frequency and decrease consumer demand for automobiles as well as weaken collateral values of automobiles. Because our business is focused on consumers who do not qualify for conventional automobile financing, the actual rates of delinquencies, defaults, repossessions and losses on our Consumer Loans could be higher than those experienced in the general automobile finance industry, and could be more dramatically affected by a general economic downturn.

Premiums Earned

Nature of Estimates Required. We estimate the pattern of future claims on vehicle service contracts. These estimates impact accounts payable and accrued liabilities on our balance sheet and premiums earned on our income statement.

Assumptions and Approaches Used. Premiums from the reinsurance of vehicle service contracts are recognized over the life of the policy in proportion to the expected costs of servicing those contracts. Expected costs are determined based on our historical claims experience. In developing our cost expectations, we stratify our historical claims experience into groupings based on contractual term, as this characteristic has led to different patterns of cost incurrence in the past. We will continue to update our analysis of historical costs under the vehicle service contract program as appropriate, including the consideration of other characteristics that may have led to different patterns of cost incurrence, and revise our revenue recognition timing for any changes in the pattern of our expected costs as they are identified.

Key Factors. Variances in the pattern of future claims from our current estimates would impact the timing of premiums recognized in future periods. A 10% change in premiums earned for the year ended December 31, 2020 would have affected 2020 net income by approximately $4.4 million.

Contingencies

Nature of Estimates Required. We estimate the likelihood of adverse judgments against us and any resulting damages, fines or statutory penalties owed. These estimates impact accounts payable and accrued liabilities on our balance sheet and are general and administrative expenses on our income statement.

Assumptions and Approaches Used. With assistance from our legal counsel, we determine if the likelihood of an adverse judgment for various claims, litigation and regulatory investigations is remote, reasonably possible, or probable. To the extent we believe an adverse judgment is probable and the amount of the judgment is estimable, we recognize a liability. For information regarding current actions to which we are a party, see Note 16 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

Key Factors. Negative variances in the ultimate disposition of claims and litigation outstanding from current estimates could result in additional expense in future periods.

Uncertain Tax Positions

Nature of Estimates Required. We estimate the impact of an uncertain income tax position on the income tax return. These estimates impact income taxes receivable and accounts payable and accrued liabilities on our balance sheet and provision for income taxes on our income statement.

Assumptions and Approaches Used. We follow a two-step approach for recognizing uncertain tax positions. First, we evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more-likely-than-not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, for positions that we determine are more-likely-than-not to be sustained, we recognize the tax benefit as the largest benefit that has a greater than 50% likelihood of being sustained. We establish a reserve for uncertain tax positions liability that is comprised of unrecognized tax benefits and related interest. We adjust this liability in the period in which an uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position, or more information becomes available.

Key Factors. To the extent we prevail in matters for which a liability has been established or are required to pay amounts in excess of our established liability, our effective income tax rate in future periods could be materially affected.

Liquidity and Capital Resources

We need capital to maintain and grow our business. Our primary sources of capital are cash flows from operating activities, collections of Consumer Loans and borrowings under: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) senior notes. There are various restrictive covenants to which we are subject under each financing arrangement and we were in compliance with those covenants as of December 31, 2020. For information regarding these financings and the covenants included in the related documents, see Note 9 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

On January 17, 2020, we used a portion of the net proceeds from the 2024 senior notes to redeem the remaining $151.8 million outstanding principal amount of the 2021 senior notes.

On February 20, 2020, we completed a $500.0 million Term ABS financing, which was used to repay outstanding indebtedness. The financing has an expected annualized cost of approximately 2.5% (including the initial purchasers' fees and other costs), and it will revolve for 24 months, after which it will amortize based upon the cash flows on the contributed Loans.

On March 15, 2020, we redeemed the $250.0 million outstanding principal amount of the 2023 senior notes in accordance with the terms of the indenture governing the 2023 notes at a redemption price equal to 101.844% of the principal amount thereof.

On June 25, 2020, June 26, 2020, and June 30, 2020, we amended our agreements for Warehouse Facility II, Warehouse Facility VII, and our revolving secured line of credit facility, respectively. The purpose of each of the three amendments was to modify the basis for calculating our compliance with the minimum net income and fixed charge coverage covenants for periods ending on or prior to December 31, 2020 from our current method of accounting to the basis of accounting that was used prior to January 1, 2020.

On July 23, 2020, we completed a $481.8 million Term ABS financing, which was used to repay outstanding indebtedness. The financing has an expected annualized cost of approximately 2.0% (including the initial purchasers' fees and other costs), and it will revolve for 24 months, after which it will amortize based upon the cash flows on the contributed Loans.

On October 22, 2020, we completed a $600.0 million Term ABS financing, which was used to repay outstanding indebtedness. The financing has an expected annualized cost of approximately 1.8% (including the initial purchasers' fees and other costs), and it will revolve for 24 months, after which it will amortize based upon the cash flows on the contributed Loans.

On December 15, 2020, we extended the maturity of our revolving secured line of credit facility with a commercial bank syndicate from June 22, 2022 to June 22, 2023. The amount of the facility will remain at $340.0 million until June 22, 2022, when the amount of the facility will decrease to $305.0 million.

On December 16, 2020, we increased the financing amount on Warehouse Facility V from $100.0 million to $125.0 million and extended the date on which the facility will cease to revolve from August 17, 2021 to December 18, 2023. The maturity of the facility was also extended from August 17, 2023 to December 16, 2025. The interest rate on borrowings under the facility has been increased from LIBOR plus 190 basis points to LIBOR plus 225 basis points.

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

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

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

Cash and cash equivalents decreased to $16.0 million as of December 31, 2020 from $187.4 million as of December 31, 2019. As of December 31, 2020 and December 31, 2019 we had $1,419.1 million and $1,565.0 million, respectively, in unused and available lines of credit. Our total balance sheet indebtedness increased to $4,608.6 million as of December 31, 2020 from $4,538.8 million as of December 31, 2019, primarily due to the growth in new Consumer Loan assignments and stock repurchases.

Contractual Obligations

A summary of the total future contractual obligations requiring repayments as of December 31, 2020 is as follows:

(In millions)	Payments Due by Period					
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Other
Long-term debt, including current maturities (1)	$ 4,635.1	$ 1,092.0	$ 2,668.1	$ 475.0	$ 400.0	$ —
Dealer Holdback (2)	818.0	140.5	239.2	233.2	205.1	—
Operating lease obligations (3)	1.8	1.1	0.7	—	—	—
Purchase obligations (4)	9.6	4.6	4.4	0.6	—	—
Other future obligations (5)	41.8	—	—	—	—	41.8
Total contractual obligations	$ 5,506.3	$ 1,238.2	$ 2,912.4	$ 708.8	$ 605.1	$ 41.8

(1) The amounts presented consist solely of principal and do not reflect deferred debt issuance costs of $26.5 million. We are also obligated to make interest payments at the applicable interest rates, as discussed in Note 9 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference. Based on the actual principal amounts outstanding under our revolving secured line of credit, our Warehouse facilities, and our senior notes as of December 31, 2020, the forecasted principal amounts outstanding on all other debt and the actual interest rates in effect as of December 31, 2020, interest is expected to be approximately $127.3 million during 2021; $94.4 million during 2022; and $145.6 million during 2023 and thereafter.

(2) We have contractual obligations to pay Dealer Holdback to our Dealers. Payments of Dealer Holdback are contingent upon the receipt of consumer payments and the repayment of advances. The amounts presented represent our forecast as of December 31, 2020.

(3) A lease liability of $1.5 million is recognized within accounts payable and accrued liabilities in our consolidated balance sheets.

(4) Purchase obligations consist primarily of contractual obligations related to our information system and facility needs.

(5) The amounts presented consist solely of reserves for uncertain tax positions. Payments are contingent upon examination and would occur in the periods in which the uncertain tax positions are settled.

Based upon anticipated cash flows, management believes that cash flows from operations and our various financing alternatives will provide sufficient financing for debt maturities and for future operations. Our ability to borrow funds may be impacted by economic and financial market conditions. If the various financing alternatives were to become limited or unavailable to us, our operations and liquidity could be materially and adversely affected.

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.

Market Risk

We are exposed primarily to market risks associated with movements in interest rates. Our policies and procedures prohibit the use of financial instruments for speculative purposes. A discussion of our accounting policies for derivative instruments is included in Note 2 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

Interest Rate Risk. We rely on various sources of financing, some of which contain floating rates of interest and expose us to risks associated with increases in interest rates. We manage such risk primarily by entering into interest rate cap agreements.

As of December 31, 2020, we had $95.9 million of floating rate debt outstanding on our revolving secured line of credit, without interest rate protection. For every 100-basis-point increase in interest rates on our revolving secured line of credit, annual after-tax earnings would decrease by approximately $0.7 million, assuming we maintain a level amount of floating rate debt.

As of December 31, 2020, we had $75.0 million in floating rate debt outstanding under Warehouse Facility II covered by an interest rate cap with a cap rate of 5.50% on the underlying benchmark rate. Based on the difference between the underlying benchmark rate on Warehouse Facility II as of December 31, 2020 and the interest rate cap rate, the interest rate on Warehouse Facility II could increase by a maximum of 5.35%. This maximum interest rate increase would reduce annual after-tax earnings by approximately $3.1 million, assuming we maintain a level amount of floating rate debt.

As of December 31, 2020, we had interest rate cap agreements outstanding to manage the interest rate risk on Warehouse Facility IV, Warehouse Facility V, Warehouse Facility VII and Warehouse Facility VIII. However, as of December 31, 2020, there was no floating rate debt outstanding under these facilities.

As of December 31, 2020, we did not have a balance outstanding under Warehouse Facility VI, which does not have interest rate protection.

New Accounting Updates

See Note 2 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference, for information concerning the following new accounting updates and the impact of the implementation of these updates on our financial statements:

- Accounting for Costs of Implementing Cloud Computing.
- Measurement of Credit Losses on Financial Instruments.
- Simplifying the Accounting for Income Taxes.

Forward-Looking Statements

We make forward-looking statements in this report and may make such statements in future filings with the SEC. We may also make forward-looking statements in our press releases or other public or shareholder communications. Our forward-looking statements are subject to risks and uncertainties and include information about our expectations and possible or assumed future results of operations. When we use any of the words "may," "will," "should," "believe," "expect," "anticipate," "assume," "forecast," "estimate," "intend," "plan," "target" or similar expressions, we are making forward-looking statements.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of our forward-looking statements. These forward-looking statements represent our outlook only as of the date of this report. While we believe that our forward-looking statements are reasonable, actual results could differ materially since the statements are based on our current expectations, which are subject to risks and uncertainties. Factors that might cause such a difference include, but are not limited to, the factors set forth in Item 1A of this Form 10-K, which is incorporated herein by reference, and the risks and uncertainties discussed elsewhere in this Form 10-K and in our other reports filed or furnished from time to time with the SEC.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by Item 7A is incorporated herein by reference from the information in Item 7 under the caption "Market Risk" in this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Credit Acceptance Corporation

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Credit Acceptance Corporation (a Michigan corporation) and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 12, 2021 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses and Provision for Credit Losses

The Company offers financing programs to a network of automobile dealers ("Dealers") who enter into lending contracts directly with consumers ("Consumer Loans"). The Company has two programs, the Portfolio Program and the Purchase Program. Under the Portfolio Program, the Company advances money to Dealers ("Dealer Loans") in exchange for the right to service the underlying Consumer Loans. Under the Purchase Program, the Company buys the Consumer Loan from the Dealers ("Purchased Loans") and keeps all amounts collected from the consumer. Dealer Loans and Purchased Loans, collectively referred to as "Loans," are presented as Loans receivable in the consolidated balance sheets.

As described in Note 2 and Note 5 to the financial statements, on January 1, 2020, the Company adopted Financial Accounting Standards Board Accounting Standard Codification ("ASC") 326, *Financial Instruments*, which is also known as the current expected credit loss model ("CECL"). The Loans outstanding at December 31, 2019 qualified for transition relief and were accounted for as purchased financial assets with credit deterioration ("PCD Method").

For the Loans outstanding on the adoption date, the Company (1) calculated an effective interest rate based on expected future net cash flows; and (2) increased the Loans receivable by $2,463.6 million and the related allowance for credit losses balance by $2,463.6 million. The amount is the present value of the difference between contractual future net cash flows and expected future net cash flows discounted at the effective interest rate.

For each subsequent period, the Company adjusts the allowance for credit losses so that the net carrying amount of each Loan equals the present value of expected future net cash flows discounted at the effective interest rate. The adjustment to the allowance for credit losses is recognized as either a provision for credit losses or a reversal of provision for credit losses in the consolidated statements of income.

Loans originated after December 31, 2019, did not qualify for the PCD Method and are accounted for as originated financial assets ("Originated Method"). At the time of assignment, the Company (1) calculates the effective interest rate based on contractual future net cash flows; (2) records a Loan receivable equal to the advance paid to the Dealer under the Portfolio Program or purchase price paid to the Dealer under the Purchase Program; and (3) records an allowance for credit losses equal to the difference between the initial Loan receivable balance and the present value of expected future net cash flows discounted at the effective interest rate. The initial allowance for credit losses is recognized as a provision for credit losses in the consolidated statements of income.

For each reporting period subsequent to assignment, the Company adjusts the allowance for credit losses so that the net carrying amount of each Loan equals the present value of expected future net cash flows discounted at the effective interest rate. The adjustment to the allowance for credit losses is recognized as either a provision for credit losses or a reversal of provision for credit losses in the consolidated statements of income.

During the first quarter of 2020, the Company evaluated the impact of the COVID-19 pandemic on its Loans based on, among other things, prior experience with economic downturns in the United States. An adjustment was made based on management's best estimate of the impact on the expected future net cash flows and ultimately resulted in an increase to the provision for credit losses and the allowance for credit losses. The Company re-assessed this estimate throughout each period in 2020 and continued to apply a reduction to the forecasted cash flows based on their evaluation.

We identified the allowance for credit losses and provision for credit losses as a critical audit matter.

The allowance for credit losses as of December 31, 2020 was $3,336.9 million and the provision for credit losses was $556.9 million for the year ended December 31, 2020.

The principal considerations for our determination of the allowance for credit losses and provision for credit losses as a critical audit matter are the high degree of subjectivity in evaluating the reasonableness of management's estimate and related assumptions used in the models that derive the expected future cash flows. The models used in the computation of the estimate are internally developed and determine the amount and timing of the initial forecast and the current forecast of expected future cash flows.

In addition, it requires significant auditor judgment to obtain sufficient appropriate audit evidence related to management's development and implementation of a new accounting standard.

Our audit procedures related to the allowance for credit losses included testing the design and operating effectiveness of key controls relating to initial adoption of ASC 326, which included management's assessment on the applicability of transition relief guidance on existing loans and validating model changes necessitated by ASC 326. We verified the completeness of the loan populations used in the new models at adoption. We selected a sample of the loans included in the models at adoption and compared the relevant inputs to the underlying loan documentation. We assessed the reasonableness of management's assumptions and conclusions regarding the implementation of ASC 326 including the unit of account, segmentation, and the selection of the discounted cash flow model. We recomputed the effective interest rate at adoption and recomputed the adjustment to the Loans receivable balance and the allowance for credit losses.

Our audit procedures related to the allowance for credit losses and provision for credit losses post-adoption include testing the design and operating effectiveness of key controls relating to the existence of Loans, development and validation of models used in the computation of the allowance for credit losses and provision for credit losses, management review controls over these models and segregation of duties for maintaining the models.

We tested Dealer advances, accuracy of the associated Consumer Loans, the provision for credit losses recorded for new advances and consumer payments for existence and application to the appropriate Consumer Loans and Dealer Loans, if applicable.

We sampled Loans and recomputed the provision for credit losses and allowance for credit losses for the sampled loans using the inputs we assessed. We agreed key components to the applicable source, including agreeing the expected future cash flows back to the forecast model and recomputing the expected future net cash flows. We recalculated the effective interest rate for new advances.

We assessed the reasonableness of the methodology used in the forecast model that computes the expected future cash flows, through the use of our internal valuation model specialists. We recomputed the initial and current forecasts and compared to the system generated forecast. We tested the underlying data used in the models and determined that Loans were appropriately categorized within the model. We analyzed the timing of the future cash flows based on management’s assumptions and historical actual cash flows.

We performed procedures to determine if management has historically demonstrated the ability to accurately predict initial and current forecasts of future net cash flows.

We evaluated the dealer holdback used in both the expected cash flows and the contractual cash flows. We assessed trends relating to changes in the allowance for loan loss. We tested sensitivity around the partial write-off policy. The team analyzed and agreed the past-due status of loans to collection details and verified the allowance was consistent with the status of the loans.

We evaluated the internal and external factors impacting the COVID-19 adjustment to the expected cash flows for reasonableness. We evaluated the design and operating effectiveness of key controls relating to the adjustment. We tested the data and assumptions used to compute the adjustment.

The team also evaluated the required disclosures under CECL for completeness and accuracy.

Finance Charge Revenue

We identified finance charge revenue as a critical audit matter.

As noted above, the Company adopted CECL as of January 1, 2020, which resulted in a change in their accounting policies for Loans.

As described in Note 2, the finance charge revenue is computed differently for Loans originated prior to December 31, 2019 and Loans originated on or after January 1, 2020. The previous Loans are accounted for under the PCD Method. The Company recognized finance charge revenue on these Loans, using the effective interest rate that was calculated on the adoption date based on expected future net cash flows.

For Loans originated on or after January 1, 2020, finance charge revenue is accounted for under the Originated Method. The Company recognized finance charge revenue on these Loans, using the effective interest rate that was calculated at the time of assignment based on the contractual future net cash flows.

Total finance charge revenue for the year in the period ended December 31, 2020 was $1,562.4 million.

The principal considerations for our determination that finance charge revenue as a critical audit matter are that (1) it is challenging to test the various models, which include a significant volume of information and (2) the Company adopted a new accounting standard during the year in the period ended December 31, 2020, which required significant auditor judgment in evaluating the audit evidence related to development and implementation.

Our audit procedures related to finance charge revenue included testing the design and operating effectiveness of key controls relating to the existence of Loans, the effective interest rate used for each Loan, development and validation of models used in the computation of finance charge revenue and segregation of duties for maintaining the models.

We sampled Loans and recomputed the finance charge revenue which included agreeing the effective interest rate computed at the adoption date and computing the effective interest rate for new originations based on contractual cash flows.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2005.

Southfield, Michigan
February 12, 2021

CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share data)	As of December 31, 2020	As of December 31, 2019
ASSETS:		
Cash and cash equivalents	$ 16.0	$ 187.4
Restricted cash and cash equivalents	380.2	330.3
Restricted securities available for sale	66.1	59.3
Loans receivable	10,124.8	7,221.2
Allowance for credit losses	(3,336.9)	(536.0)
Loans receivable, net	6,787.9	6,685.2
Property and equipment, net	59.4	59.7
Income taxes receivable	147.0	66.2
Other assets	32.4	35.1
Total Assets	$ 7,489.0	$ 7,423.2
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	$ 186.7	$ 206.4
Revolving secured line of credit	95.9	—
Secured financing	3,711.6	3,339.7
Senior notes	790.6	1,187.8
Mortgage note	10.5	11.3
Deferred income taxes, net	391.0	322.5
Income taxes payable	0.2	0.2
Total Liabilities	5,186.5	5,067.9
Commitments and Contingencies - See Note 16		
Shareholders' Equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, $.01 par value, 80,000,000 shares authorized, 17,092,432 and 18,352,779 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	0.2	0.2
Paid-in capital	161.9	157.7
Retained earnings	2,138.8	2,196.6
Accumulated other comprehensive income	1.6	0.8
Total Shareholders' Equity	2,302.5	2,355.3
Total Liabilities and Shareholders' Equity	$ 7,489.0	$ 7,423.2

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in millions, except per share data)	For the Years Ended December 31,		
	2020	2019	2018
Revenue:			
Finance charges	$ 1,562.4	$ 1,369.4	$ 1,176.8
Premiums earned	57.3	51.0	46.6
Other income	49.6	68.6	62.4
Total revenue	1,669.3	1,489.0	1,285.8
Costs and expenses:			
Salaries and wages	186.5	193.3	167.8
General and administrative	69.6	65.1	55.7
Sales and marketing	69.5	70.2	67.7
Provision for credit losses	556.9	76.4	56.9
Interest	192.0	196.2	156.6
Provision for claims	37.9	30.1	26.0
Loss on extinguishment of debt	7.4	1.8	—
Total costs and expenses	1,119.8	633.1	530.7
Income before provision for income taxes	549.5	855.9	755.1
Provision for income taxes	128.5	199.8	181.1
Net income	$ 421.0	$ 656.1	$ 574.0
Net income per share:			
Basic	$ 23.57	$ 34.71	$ 29.52
Diluted	$ 23.47	$ 34.57	$ 29.39
Weighted average shares outstanding:			
Basic	17,858,935	18,900,256	19,446,067
Diluted	17,935,779	18,976,560	19,532,312

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	For the Years Ended December 31,		
	2020	2019	2018
Net income	$ 421.0	$ 656.1	$ 574.0
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on securities, net of tax	0.8	1.1	(0.1)
Other comprehensive income (loss)	0.8	1.1	(0.1)
Comprehensive income	$ 421.8	$ 657.2	$ 573.9

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in millions)	Common Stock					
	Number	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2018	19,310,049	$ 0.2	$ 145.5	$ 1,390.3	$ (0.2)	$ 1,535.8
Net income	—	—	—	574.0	—	574.0
Other comprehensive loss	—	—	—	—	(0.1)	(0.1)
Stock-based compensation	—	—	10.3	—	—	10.3
Restricted stock awards, net of forfeitures	3,998	—	—	—	—	—
Repurchase of common stock	(342,928)	—	(0.9)	(128.2)	—	(129.1)
Restricted stock units converted to common stock	1,439	—	—	—	—	—
Balance, December 31, 2018	18,972,558	0.2	154.9	1,836.1	(0.3)	1,990.9
Net income	—	—	—	656.1	—	656.1
Other comprehensive income	—	—	—	—	1.1	1.1
Stock-based compensation	—	—	7.6	—	—	7.6
Restricted stock awards, net of forfeitures	4,827	—	—	—	—	—
Repurchase of common stock	(712,448)	—	(4.8)	(295.6)	—	(300.4)
Restricted stock units converted to common stock	87,842	—	—	—	—	—
Balance, December 31, 2019	18,352,779	0.2	157.7	2,196.6	0.8	2,355.3
Net income	—	—	—	421.0	—	421.0
Other comprehensive income	—	—	—	—	0.8	0.8
Stock-based compensation	—	—	6.2	—	—	6.2
Restricted stock awards, net of forfeitures	(152)	—	—	—	—	—
Repurchase of common stock	(1,282,166)	—	(2.0)	(478.8)	—	(480.8)
Restricted stock units converted to common stock	21,971	—	—	—	—	—
Balance, December 31, 2020	17,092,432	$ 0.2	$ 161.9	$ 2,138.8	$ 1.6	$ 2,302.5

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	For the Years Ended December 31,		
	2020	2019	2018
Cash Flows From Operating Activities:			
Net income	$ 421.0	$ 656.1	$ 574.0
Adjustments to reconcile cash provided by operating activities:			
Provision for credit losses	556.9	76.4	56.9
Depreciation	8.8	7.3	5.4
Amortization	15.0	15.1	14.1
Provision for deferred income taxes	68.3	85.5	49.3
Stock-based compensation	6.2	7.6	10.3
Loss on extinguishment of debt	7.4	1.8	—
Other	(0.7)	(0.2)	(0.2)
Change in operating assets and liabilities:			
Increase (decrease) in accounts payable and accrued liabilities	(18.4)	17.3	41.6
Increase in income taxes receivable	(80.8)	(58.3)	(5.7)
Decrease in income taxes payable	—	(2.3)	(37.4)
Decrease (increase) in other assets	1.5	6.0	(4.4)
Net cash provided by operating activities	985.2	812.3	703.9
Cash Flows From Investing Activities:			
Purchases of restricted securities available for sale	(43.2)	(40.1)	(43.8)
Proceeds from sale of restricted securities available for sale	24.8	29.1	19.7
Maturities of restricted securities available for sale	13.0	11.9	11.5
Principal collected on Loans receivable	3,170.1	2,971.2	2,576.7
Advances to Dealers	(2,207.8)	(2,424.5)	(2,414.8)
Purchases of Consumer Loans	(1,433.4)	(1,347.7)	(1,181.0)
Accelerated payments of Dealer Holdback	(45.9)	(58.8)	(52.6)
Payments of Dealer Holdback	(142.6)	(138.5)	(128.9)
Purchases of property and equipment	(8.5)	(26.8)	(25.1)
Net cash used in investing activities	(673.5)	(1,024.2)	(1,238.3)
Cash Flows From Financing Activities:			
Borrowings under revolving secured line of credit	5,376.0	3,846.7	2,249.9
Repayments under revolving secured line of credit	(5,280.1)	(4,018.6)	(2,091.9)
Proceeds from secured financing	2,800.2	2,396.4	2,696.6
Repayments of secured financing	(2,427.2)	(2,149.5)	(2,116.9)
Proceeds from issuance of senior notes	—	800.0	—
Repayment of senior notes	(401.8)	(148.2)	—
Proceeds from mortgage note	—	—	12.0
Payments of debt issuance costs and debt extinguishment costs	(18.7)	(25.5)	(13.7)
Repurchase of common stock	(480.8)	(300.4)	(129.1)
Other	(0.8)	(0.6)	(7.0)
Net cash provided (used) by financing activities	(433.2)	400.3	599.9
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	(121.5)	188.4	65.5
Cash and cash equivalents and restricted cash and cash equivalents, beginning of period	517.7	329.3	263.8
Cash and cash equivalents and restricted cash and cash equivalents, end of period	$ 396.2	$ 517.7	$ 329.3
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the period for interest	$ 191.6	$ 175.6	$ 141.0
Cash paid during the period for income taxes	$ 141.5	$ 172.4	$ 168.8

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Principal Business. Since 1972, Credit Acceptance Corporation (referred to as the "Company", "Credit Acceptance", "we", "our" or "us") has offered financing programs that enable automobile dealers to sell vehicles to consumers, regardless of their credit history. Our financing programs are offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our financing programs, but who actually end up qualifying for traditional financing.

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

We refer to automobile dealers who participate in our programs and who share our commitment to changing consumers' lives as "Dealers". Upon enrollment in our financing programs, the Dealer enters into a Dealer servicing agreement with us that defines the legal relationship between Credit Acceptance and the Dealer. The Dealer servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on retail installment contracts (referred to as "Consumer Loans") from the Dealers to us. We are an indirect lender from a legal perspective, meaning the Consumer Loan is originated by the Dealer and assigned to us.

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

	For the Years Ended December 31,		
Consumer Loan Assignment Volume	2020	2019	2018
Percentage of total unit volume with either FICO® scores below 650 or no FICO® scores	94.9 %	95.9 %	95.6 %

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

	Unit Volume		Dollar Volume (1)	
For the Years Ended December 31,	Dealer Loans	Purchased Loans	Dealer Loans	Purchased Loans
2018	69.7 %	30.3 %	67.2 %	32.8 %
2019	67.2 %	32.8 %	64.3 %	35.7 %
2020	64.1 %	35.9 %	60.6 %	39.4 %

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

Portfolio Program

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

- a down payment from the consumer;
- a non-recourse cash payment ("advance") from us; and
- after the advance balance (cash advance and related Dealer Loan fees and costs) has been recovered by us, the cash from payments made on the Consumer Loan, net of certain collection costs and our servicing fee ("Dealer Holdback").

We record the amount advanced to the Dealer as a Dealer Loan, which is classified within Loans receivable in our consolidated balance sheets. Cash advanced to the Dealer is automatically assigned to the Dealer's open pool of advances. Prior to August 5, 2019, we generally required Dealers to group advances into pools of at least 100 Consumer Loans. Beginning August 5, 2019, Dealers may also elect to close a pool containing at least 50 Consumer Loans and assign subsequent advances to a new pool. Unless we receive a request from the Dealer to keep a pool open, we automatically close each pool based on the Dealer's election. All advances within a Dealer's pool are secured by the future collections on the related Consumer Loans assigned to the pool. For Dealers with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for Dealer Holdback. We perfect our security interest with respect to the Dealer Loans by obtaining control or taking possession of the Consumer Loans, which list us as lien holder on the vehicle title.

The Dealer servicing agreement provides that collections received by us during a calendar month on Consumer Loans assigned by a Dealer are applied on a pool-by-pool basis as follows:

- first, to reimburse us for certain collection costs;
- second, to pay us our servicing fee, which generally equals 20% of collections;
- third, to reduce the aggregate advance balance and to pay any other amounts due from the Dealer to us; and
- fourth, to the Dealer as payment of Dealer Holdback.

If the collections on Consumer Loans from a Dealer's pool are not sufficient to repay the advance balance and any other amounts due to us, the Dealer will not receive Dealer Holdback. Certain events may also result in Dealers forfeiting their rights to Dealer Holdback, including becoming inactive before assigning 100 Consumer Loans.

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

Since typically the combination of the advance and the consumer's down payment provides the Dealer with a cash profit at the time of sale, the Dealer's risk in the Consumer Loan is limited. We cannot demand repayment of the advance from the Dealer except in the event the Dealer is in default of the Dealer servicing agreement. Advances are made only after the consumer and Dealer have signed a Consumer Loan contract, we have received the executed Consumer Loan contract and supporting documentation in either physical or electronic form, and we have approved all of the related stipulations for funding.

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

Purchase Program

The Purchase Program differs from our Portfolio Program in that the Dealer receives a one-time payment from us at the time of assignment to purchase the Consumer Loan instead of a cash advance at the time of assignment and future Dealer Holdback payments. For accounting purposes, the transactions described under the Purchase Program are considered to be originated by the Dealer and then purchased by us.

Program Enrollment

Beginning August 5, 2019, Dealers may enroll in our Portfolio Program without incurring an enrollment fee. Prior to August 5, 2019, Dealers enrolled in our Portfolio Program by (1) paying an up-front, one-time fee of $9,850, or (2) agreeing to allow us to retain 50% of their accelerated Dealer Holdback payment(s) on the first 100 Consumer Loan assignments.

Access to the Purchase Program is typically only granted to Dealers that meet one of the following:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include our accounts and our wholly-owned subsidiaries. All significant intercompany transactions have been eliminated. Our primary subsidiaries as of December 31, 2020 are: Buyer's Vehicle Protection Plan, Inc. ("BVPP"), Vehicle Remarketing Services, Inc. ("VRS"), VSC Re Company ("VSC Re"), CAC Warehouse Funding Corporation II, CAC Warehouse Funding LLC IV, CAC Warehouse Funding LLC V, CAC Warehouse Funding LLC VI, CAC Warehouse Funding LLC VII, CAC Warehouse Funding LLC VIII, Credit Acceptance Funding LLC 2017-3, Credit Acceptance Funding LLC 2018-1, Credit Acceptance Funding LLC 2018-2 and Credit Acceptance Funding LLC 2018-3, Credit Acceptance Funding LLC 2019-1, Credit Acceptance Funding LLC 2019-2, Credit Acceptance Funding LLC 2019-3, Credit Acceptance Funding LLC 2020-1, Credit Acceptance Funding LLC 2020-2 and Credit Acceptance Funding LLC 2020-3.

Business Segment Information

We currently operate in one reportable segment which represents our core business of offering financing programs that enable Dealers to sell vehicles to consumers regardless of their credit history. For information regarding our one reportable segment and related entity wide disclosures, see Note 15 to the consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and assumptions 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. The accounts which are subject to significant estimation include the allowance for credit losses, finance charge revenue, premiums earned, contingencies, and uncertain tax positions. Actual results could materially differ from those estimates.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash equivalents consist of readily marketable securities with original maturities at the date of acquisition of three months or less. As of December 31, 2020 and 2019, we had $15.7 million and $186.1 million, respectively, in cash and cash equivalents that were not insured by the Federal Deposit Insurance Corporation ("FDIC").

Restricted cash and cash equivalents consist of cash pledged as collateral for secured financings and cash held in a trust for future vehicle service contract claims. As of December 31, 2020 and 2019, we had $376.9 million and $326.7 million, respectively, in restricted cash and cash equivalents that were not insured by the FDIC.

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

(In millions)	As of December 31,		
	2020	2019	2018
Cash and cash equivalents	$ 16.0	$ 187.4	$ 25.7
Restricted cash and cash equivalents	380.2	330.3	303.6
Total cash and cash equivalents and restricted cash and cash equivalents	$ 396.2	$ 517.7	$ 329.3

Restricted Securities Available for Sale

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

Loans Receivable and Allowance for Credit Losses

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

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

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

- the Consumer Loan has been legally assigned to us; and
- we have made a funding decision and generally have provided funding to the Dealer in the form of either an advance under the Portfolio Program or one-time purchase payment under the Purchase Program.

Portfolio Segments and Classes. Our Loan portfolio consists of two portfolio segments: Dealer Loans and Purchased Loans. Our determination is based on the following:

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

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

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

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

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

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

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

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

Consumer Loans assigned to us subsequent to December 31, 2019 do not qualify for the PCD Method and are accounted for as originated financial assets ("Originated Method"). While the cash flows we expect to collect at the time of assignment are significantly lower than the contractual cash flows owed to us due to credit quality, our Loans do not qualify for the PCD Method because the assignment of the Consumer Loan to us occurs a moment after the Consumer Loan is originated by the Dealer, so "a more-than-insignificant deterioration in credit quality since origination" has not occurred at the time of assignment. In addition, Dealer Loans also do not qualify for the PCD Method because Consumer Loans assigned to us under the Portfolio Program are considered to be advances under Dealer Loans originated by us rather than Consumer Loans purchased by us.

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

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

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

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

2019 and 2018 Recognition and Measurement Policies. Prior to the adoption of CECL on January 1, 2020, we accounted for our Loans as loans acquired with significant credit deterioration.

At the time of assignment, we:

- calculated an effective interest rate based on expected future net cash flows; and
- recorded a Loan receivable equal to the advance paid to the Dealer under the Portfolio Program or purchase price paid to the Dealer under the Purchase Program.

For each reporting period subsequent to assignment, we:

- recalculated an effective interest rate based on expected future net cash flows;
- recognized finance charge revenue using the greater of the effective interest rate that was calculated for the reporting period or the effective interest rate that was calculated at the time of assignment, both of which were based on expected future net cash flows; and
- recorded or adjusted an allowance for credit losses, if necessary, to reduce the net carrying amount of each Loan to the present value of expected future net cash flows discounted at the effective interest rate that was calculated at the time of assignment. The initial allowance for credit losses was recognized as provision for credit losses expense and the adjustment to the allowance for credit losses was recognized as either provision for credit losses expense or a reversal of provision for credit losses expense.

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

- not aggregated, if assigned subsequent to December 31, 2019; or
- aggregated into pools based on the month of purchase, if assigned prior to January 1, 2020.

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

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

Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance and the related allowance for credit losses balance to Purchased Loans in the period this forfeiture occurs. We aggregate these Purchased Loans by Dealer for purposes of recognizing revenue and measuring credit losses.

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

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

We fully write off the outstanding balances of a Loan and the related allowance for credit losses once we are no longer forecasting any expected future net cash flows on the Loan. In addition, on January 1, 2020, we adopted a partial write-off policy in connection with our adoption of CECL. Under our partial write-off policy, we write off the amount of the outstanding balances of a Loan and the related allowance for credit losses, if any, that exceeds 200% of the present value of expected future net cash flows on the Loan, as we deem this amount to be uncollectable.

Credit Quality. Substantially all of the Consumer Loans assigned to us are made to individuals with impaired or limited credit histories. Consumer Loans made to these individuals generally entail a higher risk of delinquency, default and repossession and higher losses than loans made to consumers with better credit. Since most of our revenue and cash flows are generated from these Consumer Loans, our ability to accurately forecast Consumer Loan performance is critical to our business and financial results. At the time a Consumer Loan is submitted to us for assignment, we forecast future expected cash flows from the Consumer Loan. Based on these forecasts, an advance or one-time purchase payment is made to the related Dealer at a price designed to maximize our economic profit, a non-GAAP financial measure that considers our return on capital, our cost of capital and the amount of capital invested.

We monitor and evaluate the credit quality of Consumer Loans on a monthly basis by comparing our current forecasted collection rates to our initial expectations. We use a statistical model that considers a number of credit quality indicators to estimate the expected collection rate for each Consumer Loan at the time of assignment. The credit quality indicators considered in our model include attributes contained in the consumer's credit bureau report, data contained in the consumer's credit application, the structure of the proposed transaction, vehicle information and other factors. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment primarily through the monitoring of consumer payment behavior. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. Since all known, significant credit quality indicators have already been factored into our forecasts and pricing, we are not able to use any specific credit quality indicators to predict or explain variances in actual performance from our initial expectations. Any variances in performance from our initial expectations are the result of Consumer Loans performing differently from historical Consumer Loans with similar characteristics. We periodically adjust our statistical pricing model for new trends that we identify through our evaluation of these forecasted collection rate variances.

When overall forecasted collection rates underperform our initial expectations, the decline in forecasted collections has a more adverse impact on the profitability of the Purchased Loans than on the profitability of the Dealer Loans. For Purchased Loans, the decline in forecasted collections is absorbed entirely by us. For Dealer Loans, the decline in the forecasted collections is substantially offset by a decline in forecasted payments of Dealer Holdback.

Methodology Changes. On January 1, 2020, we adopted CECL, which changed our accounting policies for Loans. During the first quarter of 2020, we reduced forecasted collection rates to reflect the estimated long-term impact of COVID-19 on Consumer Loan performance. For additional information, see New Accounting Updates Adopted During the Current Year below and Note 5. For the three year period ended December 31, 2020, we did not make any other methodology changes for Loans that had a material impact on our financial statements.

Property and Equipment

Purchases of property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful life of the asset. Estimated useful lives are generally as follows: buildings – 40 years, building improvements – 10 years, data processing equipment – 3 years, software – 5 years, office furniture and equipment – 7 years, and leasehold improvements – the lesser of the lease term or 7 years. The cost of assets sold or retired and the related accumulated depreciation are removed from the balance sheet at the time of disposition and any resulting gain or loss is included in operations. Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and improvements are capitalized. We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Costs incurred during the application development stage of software developed for internal use are capitalized and generally depreciated on a straight-line basis over five years. Costs incurred to maintain existing software are expensed as incurred. For additional information regarding our property and equipment, see Note 6 to the consolidated financial statements.

Deferred Debt Issuance Costs

Deferred debt issuance costs associated with secured financings and senior notes are included as a deduction from the carrying amount of the related debt liability, and deferred debt issuance costs associated with our revolving secured line of credit are included in other assets. Expenses associated with the issuance of debt instruments are capitalized and amortized as interest expense over the term of the debt instrument using the effective interest method for asset-backed secured financings ("Term ABS") and senior notes and the straight-line method for lines of credit and revolving secured warehouse ("Warehouse") facilities. For additional information regarding deferred debt issuance costs, see Note 9 to the consolidated financial statements.

Derivative Instruments

We rely on various sources of financing, some of which contain floating rates of interest and expose us to risks associated with increases in interest rates. We manage such risk primarily by entering into interest rate cap agreements ("derivative instruments"). These derivative instruments are not designated as hedges, and changes in their fair value increase or decrease interest expense.

We recognize derivative instruments as either other assets or accounts payable and accrued liabilities on our consolidated balance sheets. For additional information regarding our derivative instruments, see Note 10 to the consolidated financial statements.

Finance Charges

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

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

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

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

Recognition Policy. We recognize finance charges under the interest method such that revenue is recognized on a level-yield basis over the life of the Loan. We calculate finance charges on a monthly basis by applying the effective interest rate of the Loan to the net carrying amount of the Loan (Loan receivable less the related allowance for credit losses). For Consumer Loans assigned subsequent to December 31, 2019, the effective interest rate is based on contractual future net cash flows. For Consumer Loans assigned prior to January 1, 2020, the effective interest rate was determined based on expected future net cash flows.

In connection with our adoption of CECL on January 1, 2020, we have elected to report the change in the present value of credit losses attributable to the passage of time as a reduction to finance charges. As a result, for financial statement periods beginning after December 31, 2019, we allocate finance charges recognized on each Loan between the Loan receivable and the related allowance for credit losses. The amount of finance charges allocated to the Loan receivable is equal to the effective interest rate applied to the Loans receivable balance. The reduction of finance charges allocated to the allowance for credit losses is equal to the effective interest rate applied to the allowance for credit losses balance. For financial statement periods beginning prior to January 1, 2020, the entire amount of finance charges recognized on each Loan was allocated to the Loan receivable.

Reinsurance

VSC Re, our wholly-owned subsidiary, is engaged in the business of reinsuring coverage under vehicle service contracts sold to consumers by Dealers on vehicles financed by us. VSC Re currently reinsures vehicle service contracts that are offered through one of our TPPs. Vehicle service contract premiums, which represent the selling price of the vehicle service contract to the consumer, less fees and certain administrative costs, are contributed to a trust account controlled by VSC Re. These premiums are used to fund claims covered under the vehicle service contracts. VSC Re is a bankruptcy remote entity. As such, our exposure to fund claims is limited to the trust assets controlled by VSC Re and our net investment in VSC Re.

Premiums from the reinsurance of vehicle service contracts are recognized over the life of the policy in proportion to expected costs of servicing those contracts. Expected costs are determined based on our historical claims experience. Claims are expensed through a provision for claims in the period the claim was incurred. Capitalized acquisition costs are comprised of premium taxes and are amortized as general and administrative expense over the life of the contracts in proportion to premiums earned.

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

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

Stock-Based Compensation Plans

We have stock-based compensation plans for team members and non-employee directors, which are described more fully in Note 14 to the consolidated financial statements. We apply a fair-value-based measurement method in accounting for stock-based compensation plans and recognize stock-based compensation expense over the requisite service period of the grant as salaries and wages expense.

Employee Benefit Plan

We sponsor a 401(k) plan that covers substantially all of our team members. We offer matching contributions to the 401(k) plan based on each enrolled team members' eligible annual gross pay (subject to statutory limitations). Our matching contribution rate is equal to 100% of the first 4% participants contribute and an additional 50% of the next 2% participants contribute, for a maximum matching contribution of 5% of each participant's eligible annual gross pay. For the years ended December 31, 2020, 2019 and 2018, we recognized compensation expense of $7.2 million, $7.1 million, and $5.3 million, respectively, for our matching contributions to the plan.

Income Taxes

Provisions for federal, state and foreign income taxes are calculated on reported pre-tax earnings based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered.

We follow a two-step approach for recognizing uncertain tax positions. First, we evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more-likely-than-not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, for positions that we determine are more-likely-than-not to be sustained, we recognize the tax benefit as the largest benefit that has a greater than 50% likelihood of being sustained. We establish a reserve for uncertain tax positions liability that is comprised of unrecognized tax benefits and related interest. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. We recognize interest and penalties related to uncertain tax positions in provision for income taxes. For additional information regarding our income taxes, see Note 11 to the consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $0.1 million for the year ended December 31, 2020, $0.3 million for the year ended December 31, 2019 and $0.2 million for the year ended December 31, 2018.

New Accounting Updates Adopted During the Current Year

Accounting for Costs of Implementing Cloud Computing. In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15, which reduces complexity in the accounting for costs of implementing a cloud computing service arrangement. This standard aligns the accounting for implementation costs of hosting arrangements, regardless of whether they convey a license to the hosted software. Under the current guidance, the classification of an arrangement as either a software license or a service contract determines whether or not we capitalize implementation costs. If an arrangement meets the definition of a software license, implementation costs are capitalized. If an arrangement meets the definition of a service contract, implementation costs are expensed as incurred. Under the new guidance, implementation costs will be capitalized regardless of their classification. The adoption of ASU 2018-15 on January 1, 2020 changed how we account for our cloud computing arrangements. However, its adoption did not have a material impact on our consolidated financial statements and related disclosures.

Measurement of Credit Losses on Financial Instruments. In June 2016, the FASB issued ASU 2016-13, which included an allowance for credit losses model known as the current expected credit loss model, or CECL, that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes an allowance for credit losses based on the difference between contractual future net cash flows and its estimate of expected future net cash flows. The new guidance also changed the scope of the special accounting for loans acquired with significant credit deterioration. Our adoption of ASU 2016-13 on January 1, 2020 had a material impact on our consolidated financial statements and related disclosures, as it changed our accounting policies for Loans.

Upon adoption of CECL on January 1, 2020, we increased both our Loans receivable and the related allowance for credit losses balances by $2,463.6 million. This gross-up did not impact the net carrying amount of Loans (Loans receivable less allowance for credit losses) or net income. This gross-up also reflected the impact of our adoption of a partial write-off policy on January 1, 2020 in connection with our adoption of CECL.

The net Loan income (finance charge revenue less provision for credit losses expense) that we will recognize over the life of a Loan equals the cash we collect from the underlying Consumer Loan less the cash we pay to the Dealer. While the total amount of net Loan income we will recognize over the life of the Loan is not impacted by CECL, the timing of when we will recognize this income changes significantly from our prior accounting method, as CECL requires us to recognize a significant provision for credit losses expense at the time of assignment for amounts we never expected to realize and finance charge revenue in subsequent periods that significantly exceeds our expected yields. Given the significant change in timing of net Loan income recognition, net income for the year ending December 31, 2020 was significantly lower under CECL than what would have been reported under our prior accounting method, with the greatest impact occurring in the quarter of adoption. For the year ended December 31, 2020, we recognized $518.6 million provision for credit losses on new Consumer Loan assignments related to our adoption of CECL on January 1, 2020, which reduced consolidated net income by $399.3 million, or $22.26 per diluted share. The financial statement impact of CECL in any period will depend on Consumer Loan assignment volume and the percentage of Consumer Loans assigned to us as Purchased Loans, the size and composition of our Loan portfolio, the Loan portfolio's credit quality and economic conditions.

New Accounting Update Not Yet Adopted

Simplifying the Accounting for Income Taxes. In December 2019, the FASB issued ASU 2019-12, which intends to enhance and simplify various aspects of the income tax accounting guidance, including requirements impacting the allocation of income tax expense to certain legal entities and interim-period accounting for enacted changes in tax law. ASU 2019-12 is effective for fiscal years, and interim periods, beginning after December 15, 2020. Early application is permitted, but we have not yet adopted ASU 2019-12. We do not believe that the adoption of ASU 2019-12 will have a material impact on our consolidated financial statements and related disclosures.

Subsequent Events

We have evaluated events and transactions occurring subsequent to the consolidated balance sheet date of December 31, 2020 for items that could potentially be recognized or disclosed in these financial statements. For additional information regarding subsequent events, see Note 18 to the consolidated financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents. The carrying amounts approximate their fair value due to the short maturity of these instruments.

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

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

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

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

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

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

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

(In millions)	As of December 31,			
	2020		2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 16.0	$ 16.0	$ 187.4	$ 187.4
Restricted cash and cash equivalents	380.2	380.2	330.3	330.3
Restricted securities available for sale	66.1	66.1	59.3	59.3
Loans receivable, net	6,787.9	7,216.4	6,685.2	6,777.2
Liabilities				
Revolving secured line of credit	$ 95.9	$ 95.9	$ —	$ —
Secured financing	3,711.6	3,793.9	3,339.7	3,397.5
Senior notes	790.6	842.0	1,187.8	1,257.6
Mortgage note	10.5	10.5	11.3	11.3

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

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the asset or liability.

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

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

(In millions)	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	$ 187.4	$ —	$ —	$ 187.4
Restricted cash and cash equivalents (1)	330.3	—	—	330.3
Restricted securities available for sale (2)	47.5	11.8	—	59.3
Loans receivable, net (1)	—	—	6,777.2	6,777.2
Liabilities				
Revolving secured line of credit (1)	$ —	$ —	$ —	$ —
Secured financing (1)	—	3,397.5	—	3,397.5
Senior notes (1)	1,257.6	—	—	1,257.6
Mortgage note (1)	—	11.3	—	11.3

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

4. RESTRICTED SECURITIES AVAILABLE FOR SALE

Restricted securities available for sale consist of the following:

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

(In millions)	As of December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 25.3	$ 0.5	$ —	$ 25.8
U.S. Government and agency securities	21.3	0.4	—	21.7
Asset-backed securities	11.2	0.1	—	11.3
Mortgage-backed securities	0.5	—	—	0.5
Total restricted securities available for sale	$ 58.3	$ 1.0	$ —	$ 59.3

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

(In millions)	Securities Available for Sale with Gross Unrealized Losses as of December 31, 2020					
	Less than 12 Months		12 Months or More			
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Corporate bonds	$ 2.2	$ —	$ —	$ —	$ 2.2	$ —
U.S. Government and agency securities	—	—	—	—	—	—
Asset-backed securities	—	—	—	—	—	—
Mortgage-backed securities	—	—	—	—	—	—
Total restricted securities available for sale	$ 2.2	$ —	$ —	$ —	$ 2.2	$ —

(In millions)	Securities Available for Sale with Gross Unrealized Losses as of December 31, 2019					
	Less than 12 Months		12 Months or More			
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Corporate bonds	$ 1.4	$ —	$ —	$ —	$ 1.4	$ —
U.S. Government and agency securities	1.9	—	—	—	1.9	—
Asset-backed securities	1.9	—	—	—	1.9	—
Mortgage-backed securities	—	—	—	—	—	—
Total restricted securities available for sale	$ 5.2	$ —	$ —	$ —	$ 5.2	$ —

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

(In millions)	As of December 31,			
	2020		2019	
Contractual Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	$ 1.1	$ 1.1	$ 5.7	$ 5.7
Over one year to five years	58.1	60.0	50.8	51.8
Over five years to ten years	4.7	4.8	1.5	1.5
Over ten years	0.2	0.2	0.3	0.3
Total restricted securities available for sale	$ 64.1	$ 66.1	$ 58.3	$ 59.3

5. LOANS RECEIVABLE

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

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

(In millions)	As of December 31, 2019		
	Dealer Loans	Purchased Loans	Total
Loans receivable	$ 4,623.3	$ 2,597.9	$ 7,221.2
Allowance for credit losses	(428.0)	(108.0)	(536.0)
Loans receivable, net	$ 4,195.3	$ 2,489.9	$ 6,685.2

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

(In millions)	For the Year Ended December 31, 2020								
	Loans Receivable			Allowance for Credit Losses			Loans Receivable, Net		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 4,623.3	$ 2,597.9	$ 7,221.2	$ (428.0)	$ (108.0)	$ (536.0)	$ 4,195.3	$ 2,489.9	$ 6,685.2
Adoption of CECL (1)	940.2	1,523.4	2,463.6	(940.2)	(1,523.4)	(2,463.6)	—	—	—
Finance charges	1,313.9	991.0	2,304.9	(368.0)	(374.5)	(742.5)	945.9	616.5	1,562.4
Provision for credit losses	—	—	—	(239.7)	(317.2)	(556.9)	(239.7)	(317.2)	(556.9)
New Consumer Loan assignments (2)	2,207.8	1,433.4	3,641.2	—	—	—	2,207.8	1,433.4	3,641.2
Collections (3)	(3,059.1)	(1,682.3)	(4,741.4)	—	—	—	(3,059.1)	(1,682.3)	(4,741.4)
Accelerated Dealer Holdback payments	45.9	—	45.9	—	—	—	45.9	—	45.9
Dealer Holdback payments	142.6	—	142.6	—	—	—	142.6	—	142.6
Transfers (4)	(119.8)	119.8	—	39.7	(39.7)	—	(80.1)	80.1	—
Write-offs	(235.1)	(729.8)	(964.9)	235.1	729.8	964.9	—	—	—
Recoveries (5)	1.0	1.8	2.8	(1.0)	(1.8)	(2.8)	—	—	—
Deferral of Loan origination costs	8.9	—	8.9	—	—	—	8.9	—	8.9
Balance, end of period	$ 5,869.6	$ 4,255.2	$10,124.8	$(1,702.1)	$ (1,634.8)	$(3,336.9)	$ 4,167.5	$ 2,620.4	$ 6,787.9

(In millions)	For the Year Ended December 31, 2019								
	Loans Receivable			Allowance for Credit Losses			Loans Receivable, Net		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 4,141.0	$ 2,084.2	$ 6,225.2	$ (378.1)	$ (83.8)	$ (461.9)	$ 3,762.9	$ 2,000.4	$ 5,763.3
Finance charges	888.7	480.7	1,369.4	—	—	—	888.7	480.7	1,369.4
Provision for credit losses	—	—	—	(65.9)	(10.5)	(76.4)	(65.9)	(10.5)	(76.4)
New Consumer Loan assignments (2)	2,424.5	1,347.7	3,772.2	—	—	—	2,424.5	1,347.7	3,772.2
Collections (3)	(2,947.0)	(1,402.5)	(4,349.5)	—	—	—	(2,947.0)	(1,402.5)	(4,349.5)
Accelerated Dealer Holdback payments	58.8	—	58.8	—	—	—	58.8	—	58.8
Dealer Holdback payments	138.5	—	138.5	—	—	—	138.5	—	138.5
Transfers (4)	(87.2)	87.2	—	13.1	(13.1)	—	(74.1)	74.1	—
Write-offs	(4.4)	(0.5)	(4.9)	4.4	0.5	4.9	—	—	—
Recoveries (5)	1.5	1.1	2.6	(1.5)	(1.1)	(2.6)	—	—	—
Deferral of Loan origination costs	8.9	—	8.9	—	—	—	8.9	—	8.9
Balance, end of period	$ 4,623.3	$ 2,597.9	$ 7,221.2	$ (428.0)	$ (108.0)	$ (536.0)	$ 4,195.3	$ 2,489.9	$ 6,685.2

(In millions)	For the Year Ended December 31, 2018								
	Loans Receivable			Allowance for Credit Losses			Loans Receivable, Net		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 3,518.1	$ 1,530.9	$ 5,049.0	$ (366.0)	$ (63.4)	$ (429.4)	$ 3,152.1	$ 1,467.5	$ 4,619.6
Finance charges	807.5	369.3	1,176.8	—	—	—	807.5	369.3	1,176.8
Provision for credit losses	—	—	—	(48.0)	(8.9)	(56.9)	(48.0)	(8.9)	(56.9)
New Consumer Loan assignments (2)	2,414.8	1,181.0	3,595.8	—	—	—	2,414.8	1,181.0	3,595.8
Collections (3)	(2,689.3)	(1,073.0)	(3,762.3)	—	—	—	(2,689.3)	(1,073.0)	(3,762.3)
Accelerated Dealer Holdback payments	52.6	—	52.6	—	—	—	52.6	—	52.6
Dealer Holdback payments	128.9	—	128.9	—	—	—	128.9	—	128.9
Transfers (4)	(78.2)	78.2	—	13.7	(13.7)	—	(64.5)	64.5	—
Write-offs	(25.2)	(3.4)	(28.6)	25.2	3.4	28.6	—	—	—
Recoveries (5)	3.0	1.2	4.2	(3.0)	(1.2)	(4.2)	—	—	—
Deferral of Loan origination costs	8.8	—	8.8	—	—	—	8.8	—	8.8
Balance, end of period	$ 4,141.0	$ 2,084.2	$ 6,225.2	$ (378.1)	$ (83.8)	$ (461.9)	$ 3,762.9	$ 2,000.4	$ 5,763.3

(1) Represents the gross-up of Loans receivable and allowance for credit losses on January 1, 2020 upon the adoption of CECL for the present value of the difference between contractual future net cash flows and expected future net cash flows discounted at the effective interest rate.
(2) The Dealer Loans amount represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.
(3) Represents repayments that we collected on Consumer Loans assigned under our programs.
(4) Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance and related allowance for credit losses balance to Purchased Loans in the period this forfeiture occurs.
(5) The Dealer Loans amount represents net cash flows received (collections less any related Dealer Holdback payments) on Dealer Loans that were previously written off in full. The Purchased Loans amount represents collections received on Purchased Loans that were previously written off in full.

Under CECL, which we adopted on January 1, 2020, we are required to recognize provision for credit losses on new Consumer Loan assignments for contractual net cash flows that were not expected to be realized at the time of assignment. Under both CECL and our prior accounting method, we also recognize provision for credit losses for forecast changes in the amount and timing of expected future net cash flows subsequent to assignment. The following table summarizes the provision for credit losses for each of these components:

(In millions)	For the Year Ended December 31, 2020		
Provision for Credit Losses	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	$ 209.7	$ 308.9	$ 518.6
Forecast changes	30.0	8.3	38.3
Total	$ 239.7	$ 317.2	$ 556.9

The net Loan income (finance charge revenue less provision for credit losses expense) that we will recognize over the life of a Loan equals the cash we collect from the underlying Consumer Loan less the cash we pay to the Dealer. While the total amount of net Loan income we will recognize over the life of the Loan is not impacted by the adoption of CECL on January 1, 2020, the timing of when we will recognize this income changes significantly from our prior accounting method, as CECL requires us to recognize a significant provision for credit losses expense at the time of assignment for amounts we never expected to realize and finance charge revenue in subsequent periods that significantly exceeds our expected yields. Additional information related to new Consumer Loan assignments is as follows:

(In millions)	For the Year Ended December 31, 2020		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 3,506.9	$ 3,151.2	$ 6,658.1
Expected net cash flows at the time of assignment (2)	3,113.4	2,018.2	5,131.6
Loans receivable at the time of assignment (3)	2,207.8	1,433.4	3,641.2
Provision for credit losses expense at the time of assignment	$ (209.7)	$ (308.9)	$ (518.6)
Expected future finance charges at the time of assignment (4)	1,115.3	893.7	2,009.0
Expected net Loan income at the time of assignment (5)	$ 905.6	$ 584.8	$ 1,490.4

(In millions)	For the Year Ended December 31, 2019		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 3,810.6	$ 2,953.3	$ 6,763.9
Expected net cash flows at the time of assignment (2)	3,396.1	1,908.9	5,305.0
Loans receivable at the time of assignment (3)	2,424.5	1,347.7	3,772.2
Provision for credit losses expense at the time of assignment	$ —	$ —	$ —
Expected future finance charges at the time of assignment (4)	971.6	561.2	1,532.8
Expected net Loan income at the time of assignment (5)	$ 971.6	$ 561.2	$ 1,532.8

(In millions)	For the Year Ended December 31, 2018		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 3,827.4	$ 2,610.7	$ 6,438.1
Expected net cash flows at the time of assignment (2)	3,405.0	1,669.4	5,074.4
Loans receivable at the time of assignment (3)	2,414.8	1,181.0	3,595.8
Provision for credit losses expense at the time of assignment	$ —	$ —	$ —
Expected future finance charges at the time of assignment (4)	990.2	488.4	1,478.6
Expected net Loan income at the time of assignment (5)	$ 990.2	$ 488.4	$ 1,478.6

(1) The Dealer Loans amount represents repayments that we were contractually owed at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we would be required to make if we collected all of the contractual repayments. The Purchased Loans amount represents repayments that we were contractually owed at the time of assignment on Consumer Loans assigned under our Purchase Program.

(2) The Dealer Loans amount represents repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we expected to make. The Purchased Loans amount represents repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Purchase Program.

(3) The Dealer Loans amount represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program. The Loan amounts also represent the fair value at the time of assignment.

(4) Represents revenue that is expected to be recognized on a level-yield basis over the lives of the Loans.

(5) Represents the amount that expected net cash flows at the time of assignment (2) exceed Loans receivable at the time of assignment (3).

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

(In millions)	For the Year Ended December 31, 2020		
Expected Future Net Cash Flows	**Dealer Loans**	**Purchased Loans**	**Total**
Balance, beginning of period	$ 5,577.0	$ 3,428.2	$ 9,005.2
New Consumer Loan assignments (1)	3,113.4	2,018.2	5,131.6
Realized net cash flows (2)	(2,870.6)	(1,682.3)	(4,552.9)
Forecast changes	(41.1)	(5.2)	(46.3)
Transfers (3)	(114.4)	121.2	6.8
Balance, end of period	$ 5,664.3	$ 3,880.1	$ 9,544.4

(In millions)	For the Year Ended December 31, 2019		
Expected Future Net Cash Flows	**Dealer Loans**	**Purchased Loans**	**Total**
Balance, beginning of period	$ 5,045.9	$ 2,782.9	$ 7,828.8
New Consumer Loan assignments (1)	3,396.1	1,908.9	5,305.0
Realized net cash flows (2)	(2,749.7)	(1,402.5)	(4,152.2)
Forecast changes	(7.9)	22.5	14.6
Transfers (3)	(107.4)	116.4	9.0
Balance, end of period	$ 5,577.0	$ 3,428.2	$ 9,005.2

(In millions)	For the Year Ended December 31, 2018		
Expected Future Net Cash Flows	**Dealer Loans**	**Purchased Loans**	**Total**
Balance, beginning of period	$ 4,240.7	$ 2,044.4	$ 6,285.1
New Consumer Loan assignments (1)	3,405.0	1,669.4	5,074.4
Realized net cash flows (2)	(2,507.8)	(1,073.0)	(3,580.8)
Forecast changes	2.0	40.3	42.3
Transfers (3)	(94.0)	101.8	7.8
Balance, end of period	$ 5,045.9	$ 2,782.9	$ 7,828.8

(1) The Dealer Loans amount represents repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we expected to make. The Purchased Loans amount represents repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Purchase Program.

(2) The Dealer Loans amount represents repayments that we collected on Consumer Loans assigned under our Portfolio Program, less the Dealer Holdback and Accelerated Dealer Holdback payments that we made. Purchased Loans amount represents repayments that we collected on Consumer Loans assigned under our Purchase Program.

(3) Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance, related allowance for credit losses balance and related expected future net cash flows to Purchased Loans in the period this forfeiture occurs.

Credit Quality

We monitor and evaluate the credit quality of Consumer Loans assigned under our Portfolio and Purchase Programs on a monthly basis by comparing our current forecasted collection rates to our prior forecasted collection rates and our initial expectations. For additional information regarding credit quality, see Note 2 to the consolidated financial statements. The following table compares our forecast of Consumer Loan collection rates as of December 31, 2020, with the forecasts as of December 31, 2019, as of December 31, 2018, and at the time of assignment, segmented by year of assignment:

	Total Loans as of December 31, 2020						
	Forecasted Collection Percentage as of (1)				Current Forecast Variance from		
Consumer Loan Assignment Year	December 31, 2020	December 31, 2019	December 31, 2018	Initial Forecast	December 31, 2019	December 31, 2018	Initial Forecast
2011	74.8%	74.8 %	74.7 %	72.5 %	0.0%	0.1%	2.3%
2012	73.8%	73.9 %	73.8 %	71.4 %	-0.1%	0.0%	2.4%
2013	73.4%	73.5 %	73.5 %	72.0 %	-0.1%	-0.1%	1.4%
2014	71.6%	71.7 %	71.7 %	71.8 %	-0.1%	-0.1%	-0.2%
2015	65.2%	65.4 %	65.4 %	67.7 %	-0.2%	-0.2%	-2.5%
2016	63.6%	64.1 %	64.2 %	65.4 %	-0.5%	-0.6%	-1.8%
2017	64.1%	64.8 %	65.5 %	64.0 %	-0.7%	-1.4%	0.1%
2018	64.0%	65.1 %	65.0 %	63.6 %	-1.1%	-1.0%	0.4%
2019	64.4%	64.6 %	—	64.0 %	-0.2%	—	0.4%
2020	64.8%	—	—	63.4 %	—	—	1.4%

	Dealer Loans as of December 31, 2020						
	Forecasted Collection Percentage as of (1) (2)				Current Forecast Variance from		
Consumer Loan Assignment Year	December 31, 2020	December 31, 2019	December 31, 2018	Initial Forecast	December 31, 2019	December 31, 2018	Initial Forecast
2011	74.6%	74.6 %	74.6 %	72.4 %	0.0%	0.0%	2.2%
2012	73.6%	73.7 %	73.7 %	71.3 %	-0.1%	-0.1%	2.3%
2013	73.4%	73.4 %	73.4 %	72.1 %	0.0%	0.0%	1.3%
2014	71.5%	71.6 %	71.6 %	71.9 %	-0.1%	-0.1%	-0.4%
2015	64.5%	64.8 %	64.6 %	67.5 %	-0.3%	-0.1%	-3.0%
2016	62.8%	63.2 %	63.3 %	65.1 %	-0.4%	-0.5%	-2.3%
2017	63.4%	64.2 %	64.8 %	63.8 %	-0.8%	-1.4%	-0.4%
2018	63.5%	64.7 %	64.7 %	63.6 %	-1.2%	-1.2%	-0.1%
2019	64.1%	64.4 %	—	63.9 %	-0.3%	—	0.2%
2020	64.5%	—	—	63.3 %	—	—	1.2%

	Purchased Loans as of December 31, 2020						
	Forecasted Collection Percentage as of (1) (2)				Current Forecast Variance from		
Consumer Loan Assignment Year	December 31, 2020	December 31, 2019	December 31, 2018	Initial Forecast	December 31, 2019	December 31, 2018	Initial Forecast
2011	76.4%	76.4 %	76.3 %	72.7 %	0.0%	0.1%	3.7%
2012	75.9%	75.9 %	75.9 %	71.4 %	0.0%	0.0%	4.5%
2013	74.3%	74.4 %	74.3 %	71.6 %	-0.1%	0.0%	2.7%
2014	72.4%	72.5 %	72.6 %	70.9 %	-0.1%	-0.2%	1.5%
2015	68.8%	69.3 %	69.5 %	68.5 %	-0.5%	-0.7%	0.3%
2016	65.8%	66.6 %	66.8 %	66.5 %	-0.8%	-1.0%	-0.7%
2017	65.6%	66.3 %	67.0 %	64.6 %	-0.7%	-1.4%	1.0%
2018	65.1%	66.0 %	65.6 %	63.5 %	-0.9%	-0.5%	1.6%
2019	65.1%	65.1 %	—	64.2 %	0.0%	—	0.9%
2020	65.4%	—	—	63.6 %	—	—	1.8%

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

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

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

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

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

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

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

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

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

Additional Prior Year Loan Disclosures

The adoption of CECL on January 1, 2020 eliminated the following disclosures for 2020 that were required in prior years.

The excess of expected net cash flows over the outstanding balance of Loans receivable, net is referred to as the accretable yield and is recognized on a level-yield basis as finance charge income over the remaining lives of the Loans. A summary of changes in the accretable yield is as follows:

(In millions)	For the Year Ended December 31, 2019		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 1,283.0	$ 782.5	$ 2,065.5
New Consumer Loan assignments (1)	971.6	561.2	1,532.8
Accretion (2)	(897.5)	(480.7)	(1,378.2)
Provision for credit losses	65.9	10.5	76.4
Forecast changes	(7.9)	22.5	14.6
Transfers (3)	(33.3)	42.2	8.9
Balance, end of period	$ 1,381.8	$ 938.2	$ 2,320.0

(In millions)	For the Year Ended December 31, 2018		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 1,088.6	$ 576.9	$ 1,665.5
New Consumer Loan assignments (1)	990.2	488.4	1,478.6
Accretion (2)	(816.3)	(369.3)	(1,185.6)
Provision for credit losses	48.0	8.9	56.9
Forecast changes	2.0	40.3	42.3
Transfers (3)	(29.5)	37.3	7.8
Balance, end of period	$ 1,283.0	$ 782.5	$ 2,065.5

(1) The Dealer Loans amount represents the net cash flows expected at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related advances paid to Dealers. The Purchased Loans amount represents the net cash flows expected at the time of assignment on Consumer Loans assigned under our Purchase Program, less the related one-time payments made to Dealers.
(2) Represents finance charges excluding the amortization of deferred direct origination costs for Dealer Loans.
(3) Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance, the related allowance for credit losses balance and related expected future net cash flows to Purchased Loans in the period this forfeiture occurs.

Advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program are aggregated into pools for purposes of recognizing revenue and measuring credit losses. As a result of this aggregation, we are not able to segment the carrying amounts of the majority of our Loan portfolio by year of assignment. We are able to segment our Loan portfolio by the performance of the Loan pools. Performance considers both the amount and timing of expected net cash flows and is measured by comparing the balance of the Loan pool to the discounted value of the expected future net cash flows of each Loan pool using the yield established at the time of assignment. The following table segments our Loan portfolio by the performance of the Loan pools:

(In millions)	As of December 31, 2019					
	Loan Pool Performance Meets or Exceeds Initial Estimates			Loan Pool Performance Less than Initial Estimates		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Loans receivable	$ 1,591.3	$ 2,006.9	$ 3,598.2	$ 3,032.0	$ 591.0	$ 3,623.0
Allowance for credit losses	—	—	—	(428.0)	(108.0)	(536.0)
Loans receivable, net	$ 1,591.3	$ 2,006.9	$ 3,598.2	$ 2,604.0	$ 483.0	$ 3,087.0

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

(In millions)	As of December 31,	
	2020	2019
Land and land improvements	$ 2.9	$ 2.7
Building and improvements	59.3	54.5
Data processing equipment and software	41.1	41.3
Office furniture and equipment	3.4	3.9
Leasehold improvements	2.3	2.4
Total property and equipment	109.0	104.8
Less: Accumulated depreciation on property and equipment	(49.6)	(45.1)
Total property and equipment, net	$ 59.4	$ 59.7

Depreciation expense on property and equipment was $8.8 million, $7.3 million and $5.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

7. REINSURANCE

A summary of reinsurance activity is as follows:

(In millions)	For the Years Ended December 31,		
	2020	2019	2018
Net assumed written premiums	$ 61.7	$ 51.8	$ 55.8
Net premiums earned	57.3	51.0	46.6
Provision for claims	37.9	30.1	26.0
Amortization of capitalized acquisition costs	1.4	1.3	1.2

The trust assets and related reinsurance liabilities are as follows:

(In millions)		As of December 31,	
	Balance Sheet location	2020	2019
Trust assets	Restricted cash and cash equivalents	$ 0.7	$ 0.9
Trust assets	Restricted securities available for sale	66.1	59.3
Unearned premium	Accounts payable and accrued liabilities	48.5	44.1
Claims reserve (1)	Accounts payable and accrued liabilities	2.3	1.8

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

The following tables present information about incurred and paid claims development for the five-year period ended December 31, 2020:

(Dollars in millions)

	Cumulative Incurred Claims					As of December 31, 2020	
	As of December 31,						
Incident Year	2016	2017	2018	2019	2020	Claims Reserve	Cumulative Number of Reported Claims
2016	$ 25.7	$ 26.0	$ 26.0	$ 26.0	$ 26.0	$ —	25,215
2017		22.3	22.5	22.6	22.6	—	20,462
2018			25.8	25.7	25.8	—	22,309
2019				30.1	30.2	—	24,411
2020					37.7	2.3	27,404
Total					$ 142.3	$ 2.3	119,801

(In millions)	Cumulative Paid Claims				
	As of December 31,				
Incident Year	2016	2017	2018	2019	2020
2016	$ 24.7	$ 26.0	$ 26.0	$ 26.0	$ 26.0
2017		21.3	22.5	22.6	22.6
2018			24.2	25.7	25.8
2019				28.3	30.2
2020					35.4
Total					$ 140.0

Average Annual Percentage Payout of Incurred Claims by Age					
Claim Age (Years)	1	2	3	4	5
Payout Percentage	94.0 %	5.7 %	0.3 %	— %	— %

8. OTHER INCOME

Other income consists of the following:

(In millions)	For the Years Ended December 31,		
	2020	2019	2018
Ancillary product profit sharing	$ 33.5	$ 37.9	$ 30.6
Remarketing fees	7.1	12.0	11.2
Dealer enrollment fees	3.0	4.7	4.3
Interest	2.9	8.5	5.0
Dealer support products and services	1.9	2.5	4.1
GPS-SID fees	—	1.9	6.4
Other	1.2	1.1	0.8
Total	$ 49.6	$ 68.6	$ 62.4

Ancillary product profit sharing consists of payments received from Third Party Providers ("TPPs") based upon the performance of vehicle service contracts and Guaranteed Asset Protection ("GAP") contracts, and is recognized as income over the life of the vehicle service contracts and GAP contracts.

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

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

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

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

GPS-SID fees consist of fees we received from a TPP for providing Dealers in certain states the ability to purchase GPS Starter Interrupt Devices ("GPS-SID"). Through this program, Dealers could install GPS-SID on vehicles financed by us that can be activated if the consumer fails to make payments on their account, and can result in the prompt repossession of the vehicle. Dealers purchased GPS-SID directly from the TPP and the TPP paid us a vendor fee for each device sold. GPS-SID fee income was recognized when the units were sold. Effective during the second quarter of 2019, we no longer provide Dealers the ability to purchase GPS-SID through this program. We allowed Dealers to install previously purchased GPS-SID on vehicles financed by us until September 1, 2019.

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

(In millions)	For the Year Ended December 31, 2020						
	Ancillary product profit sharing	Remarketing fees	Dealer enrollment fees	Interest	Dealer support products and services	Other	Total Other Income
Source of income							
Third Party Providers	$ 33.5	$ —	$ —	$ 2.9	$ —	$ 1.2	$ 37.6
Dealers	—	7.1	3.0	—	1.9	—	12.0
Total	$ 33.5	$ 7.1	$ 3.0	$ 2.9	$ 1.9	$ 1.2	$ 49.6
Timing of revenue recognition							
Over time	$ 33.5	$ —	$ 3.0	$ 2.9	$ —	$ —	$ 39.4
At a point in time	—	7.1	—	—	1.9	1.2	10.2
Total	$ 33.5	$ 7.1	$ 3.0	$ 2.9	$ 1.9	$ 1.2	$ 49.6

9. DEBT

Debt consists of the following:

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

(In millions)	As of December 31, 2019			
	Principal Outstanding	Unamortized Debt Issuance Costs	Unamortized Discount	Carrying Amount
Revolving secured line of credit (1)	$ —	$ —	$ —	$ —
Secured financing (2)	3,355.6	(15.9)	—	3,339.7
Senior notes	1,201.8	(13.2)	(0.8)	1,187.8
Mortgage note	11.3	—	—	11.3
Total debt	$ 4,568.7	$ (29.1)	$ (0.8)	$ 4,538.8

(1) Excludes deferred debt issuance costs of $3.2 million and $3.2 million as of December 31, 2020 and December 31, 2019, respectively, which are included in other assets.

(2) Warehouse facilities and Term ABS.

General information for each of our financing transactions in place as of December 31, 2020 is as follows:

(Dollars in millions)

Financings	Wholly-owned Subsidiary	Maturity Date		Financing Amount		Interest Rate Basis as of December 31, 2020
Revolving Secured Line of Credit	n/a	06/22/23		$ 340.0	(1)	At our option, either LIBOR plus 187.5 basis points or the prime rate plus 87.5 basis points
Warehouse Facility II (2)	CAC Warehouse Funding Corp. II	07/12/22	(3)	$ 400.0		LIBOR plus 175 basis points (4)
Warehouse Facility IV (2)	CAC Warehouse Funding LLC IV	07/26/22	(3)	$ 300.0		LIBOR plus 200 basis points (4)
Warehouse Facility V (2)	CAC Warehouse Funding LLC V	12/18/23	(5)	$ 125.0		LIBOR plus 225 basis points (4)
Warehouse Facility VI (2)	CAC Warehouse Funding LLC VI	09/30/22	(3)	$ 75.0		LIBOR plus 200 basis points
Warehouse Facility VII (2)	CAC Warehouse Funding LLC VII	12/16/21	(6)	$ 150.0		Commercial paper rate plus 200 basis points (4)
Warehouse Facility VIII (2)	CAC Warehouse Funding LLC VIII	07/26/22	(3)	$ 200.0		LIBOR plus 190 basis points (4)
Term ABS 2017-3 (2)	Credit Acceptance Funding LLC 2017-3	10/15/19	(3)	$ 350.0		Fixed rate
Term ABS 2018-1 (2)	Credit Acceptance Funding LLC 2018-1	02/17/20	(3)	$ 500.0		Fixed rate
Term ABS 2018-2 (2)	Credit Acceptance Funding LLC 2018-2	05/15/20	(3)	$ 450.0		Fixed rate
Term ABS 2018-3 (2)	Credit Acceptance Funding LLC 2018-3	08/17/20	(3)	$ 398.3		Fixed rate
Term ABS 2019-1 (2)	Credit Acceptance Funding LLC 2019-1	02/15/21	(3)	$ 402.5		Fixed rate
Term ABS 2019-2 (2)	Credit Acceptance Funding LLC 2019-2	08/15/22	(7)	$ 500.0		Fixed rate
Term ABS 2019-3 (2)	Credit Acceptance Funding LLC 2019-3	11/15/21	(3)	$ 351.7		Fixed rate
Term ABS 2020-1 (2)	Credit Acceptance Funding LLC 2020-1	02/15/22	(3)	$ 500.0		Fixed rate
Term ABS 2020-2 (2)	Credit Acceptance Funding LLC 2020-2	07/15/22	(3)	$ 481.8		Fixed rate
Term ABS 2020-3 (2)	Credit Acceptance Funding LLC 2020-3	10/17/22	(3)	$ 600.0		Fixed rate
2024 Senior Notes	n/a	12/31/24		$ 400.0		Fixed rate
2026 Senior Notes	n/a	03/15/26		$ 400.0		Fixed rate
Mortgage Note (2)	Chapter 4 Properties, LLC	08/06/23		$ 12.0		LIBOR plus 150 basis points

(1) The amount of the facility will decrease to $305.0 million on June 22, 2022.
(2) Financing made available only to a specified subsidiary of the Company.
(3) Represents the revolving maturity date. The outstanding balance will amortize after the revolving maturity date based on the cash flows of the pledged assets.
(4) Interest rate cap agreements are in place to limit the exposure to increasing interest rates.
(5) Represents the revolving maturity date. The outstanding balance will amortize after the revolving maturity date and any amounts remaining on December 16, 2025 will be due on that date.
(6) Represents the revolving maturity date. The outstanding balance will amortize after the revolving maturity date and any amounts remaining on December 16, 2023 will be due on that date.
(7) Represents the revolving maturity date. The Company has the option to redeem and retire the indebtedness after the revolving maturity date. If we do not elect this option, the outstanding balance will amortize based on the cash flows of the pledged assets.

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

(In millions)	For the Years Ended December 31,	
	2020	2019
Revolving Secured Line of Credit		
Maximum outstanding principal balance	$ 296.6	$ 282.9
Average outstanding principal balance	108.3	77.2
Warehouse Facility II		
Maximum outstanding principal balance	$ 201.0	$ 201.0
Average outstanding principal balance	106.7	78.0
Warehouse Facility IV		
Maximum outstanding principal balance	$ —	$ 100.0
Average outstanding principal balance	—	1.1
Warehouse Facility V		
Maximum outstanding principal balance	$ 75.0	$ 35.0
Average outstanding principal balance	19.1	0.9
Warehouse Facility VI		
Maximum outstanding principal balance	$ 50.0	$ —
Average outstanding principal balance	18.0	—
Warehouse Facility VII		
Maximum outstanding principal balance	$ 125.0	$ 101.5
Average outstanding principal balance	61.9	7.1
Warehouse Facility VIII		
Maximum outstanding principal balance	$ 149.0	$ 145.3
Average outstanding principal balance	28.2	7.2

(Dollars in millions)	As of December 31,	
	2020	2019
Revolving Secured Line of Credit		
Principal balance outstanding	$ 95.9	$ —
Amount available for borrowing (1)	244.1	340.0
Interest rate	2.02 %	— %
Warehouse Facility II		
Principal balance outstanding	$ 75.0	$ —
Amount available for borrowing (1)	325.0	400.0
Loans pledged as collateral	91.8	—
Restricted cash and cash equivalents pledged as collateral	3.0	1.0
Interest rate	1.90 %	— %
Warehouse Facility IV		
Principal balance outstanding	$ —	$ —
Amount available for borrowing (1)	300.0	300.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	1.0	1.0
Interest rate	— %	— %
Warehouse Facility V		
Principal balance outstanding	$ —	$ —
Amount available for borrowing (1)	125.0	100.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	1.0	1.0
Interest rate	— %	— %
Warehouse Facility VI		
Principal balance outstanding	$ —	$ —
Amount available for borrowing (1)	75.0	75.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	—	—
Interest rate	— %	— %
Warehouse Facility VII		
Principal balance outstanding	$ —	$ —
Amount available for borrowing (1)	150.0	150.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	1.0	1.0
Interest rate	— %	— %
Warehouse Facility VIII		
Principal balance outstanding	$ —	$ —
Amount available for borrowing (1)	200.0	200.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	—	—
Interest rate	— %	— %
Term ABS 2016-3		
Principal balance outstanding	$ —	$ 51.8
Loans pledged as collateral	—	219.5
Restricted cash and cash equivalents pledged as collateral	—	23.5
Interest rate	— %	3.60 %
Term ABS 2017-1		
Principal balance outstanding	$ —	$ 120.9
Loans pledged as collateral	—	292.8
Restricted cash and cash equivalents pledged as collateral	—	26.1
Interest rate	— %	3.19 %

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

(Dollars in millions)	As of December 31,	
	2020	2019
Term ABS 2017-2		
Principal balance outstanding	$ —	$ 277.2
Loans pledged as collateral	—	426.7
Restricted cash and cash equivalents pledged as collateral	—	35.1
Interest rate	— %	2.83 %
Term ABS 2017-3		
Principal balance outstanding	$ 70.9	$ 303.2
Loans pledged as collateral	215.8	393.0
Restricted cash and cash equivalents pledged as collateral	23.2	29.3
Interest rate	3.41 %	2.91 %
Term ABS 2018-1		
Principal balance outstanding	$ 196.4	$ 500.0
Loans pledged as collateral	394.1	609.5
Restricted cash and cash equivalents pledged as collateral	36.2	43.8
Interest rate	3.61 %	3.24 %
Term ABS 2018-2		
Principal balance outstanding	$ 254.3	$ 450.0
Loans pledged as collateral	410.0	550.4
Restricted cash and cash equivalents pledged as collateral	34.6	37.6
Interest rate	3.85 %	3.68 %
Term ABS 2018-3		
Principal balance outstanding	$ 296.1	$ 398.3
Loans pledged as collateral	408.8	487.7
Restricted cash and cash equivalents pledged as collateral	32.9	32.3
Interest rate	3.78 %	3.72 %
Term ABS 2019-1		
Principal balance outstanding	$ 402.5	$ 402.5
Loans pledged as collateral	482.3	490.2
Restricted cash and cash equivalents pledged as collateral	35.4	31.9
Interest rate	3.53 %	3.53 %
Term ABS 2019-2		
Principal balance outstanding	$ 500.0	$ 500.0
Loans pledged as collateral	575.4	628.5
Restricted cash and cash equivalents pledged as collateral	41.2	38.6
Interest rate	3.13 %	3.13 %
Term ABS 2019-3		
Principal balance outstanding	$ 351.7	$ 351.7
Loans pledged as collateral	420.9	428.6
Restricted cash and cash equivalents pledged as collateral	30.8	27.2
Interest rate	2.56 %	2.56 %
Term ABS 2020-1		
Principal balance outstanding	$ 500.0	$ —
Loans pledged as collateral	749.3	—
Restricted cash and cash equivalents pledged as collateral	48.8	—
Interest rate	2.18 %	— %

(Dollars in millions)	As of December 31,	
	2020	2019
Term ABS 2020-2		
Principal balance outstanding	$ 481.8	$ —
Loans pledged as collateral	606.6	—
Restricted cash and cash equivalents pledged as collateral	41.1	—
Interest rate	1.65 %	— %
Term ABS 2020-3		
Principal balance outstanding	$ 600.0	$ —
Loans pledged as collateral	759.1	—
Restricted cash and cash equivalents pledged as collateral	49.3	—
Interest rate	1.44 %	— %
2021 Senior Notes		
Principal balance outstanding	$ —	$ 151.8
Interest rate	— %	6.125 %
2023 Senior Notes		
Principal balance outstanding	$ —	$ 250.0
Interest rate	— %	7.375 %
2024 Senior Notes		
Principal balance outstanding	$ 400.0	$ 400.0
Interest rate	5.125 %	5.125 %
2026 Senior Notes		
Principal balance outstanding	$ 400.0	$ 400.0
Interest rate	6.625 %	6.625 %
Mortgage Note		
Principal balance outstanding	$ 10.5	$ 11.3
Interest rate	1.65 %	3.21 %

Revolving Secured Line of Credit Facility

We have a $340.0 million revolving secured line of credit facility with a commercial bank syndicate. The amount of the facility will decrease to $305.0 million on June 22, 2022. Borrowings under the revolving secured line of credit facility, including any letters of credit issued under the facility, are subject to a borrowing-base limitation. This limitation equals 80% of the value of Loans, as defined in the agreement, less a hedging reserve (not exceeding $1.0 million), and the amount of other debt secured by the collateral which secures the revolving secured line of credit facility. Borrowings under the revolving secured line of credit facility agreement are secured by a lien on most of our assets.

Warehouse Facilities

We have six Warehouse facilities with total borrowing capacity of $1,250.0 million. Each of the facilities is with a different lender or group of lenders. Under each Warehouse facility, we can contribute Loans to our wholly-owned subsidiaries in return for cash and equity in each subsidiary. In turn, each subsidiary pledges the Loans as collateral to lenders to secure financing that will fund the cash portion of the purchase price of the Loans. The financing provided to each subsidiary under the applicable facility is generally limited to the lesser of 80% of the value of the contributed Loans, as defined in the agreements, plus the restricted cash and cash equivalents pledged as collateral on such Loans or the facility limit.

The financings create indebtedness for which the subsidiaries are liable and which is secured by all the assets of each subsidiary. Such indebtedness is non-recourse to us, even though we are consolidated for financial reporting purposes with the subsidiaries. Because the subsidiaries are organized as legal entities separate from us, their assets (including the contributed Loans) are not available to our creditors.

The subsidiaries pay us a monthly servicing fee equal to 6% of the collections received with respect to the contributed Loans. The servicing fee is paid out of the collections. Except for the servicing fee and holdback payments due to Dealers, if a facility is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees and other related costs have been paid in full. If a facility is not amortizing, the applicable subsidiary may be entitled to retain a portion of such collections provided that the borrowing base requirements of the facility are satisfied.

Term ABS Financings

We have wholly-owned subsidiaries (the “Funding LLCs”) that have completed secured financing transactions with qualified institutional investors or lenders. In connection with these transactions, we contributed Loans on an arms-length basis to each Funding LLC for cash and the sole membership interest in that Funding LLC. In turn, each Funding LLC, other than that of Term ABS 2019-2, contributed the Loans to a respective trust that issued notes to qualified institutional investors. The Funding LLC for the Term ABS 2019-2 transaction pledged the Loans to a lender. The Term ABS 2017-3, 2018-1, 2018-2, 2018-3, 2019-1, 2019-3, 2020-1, 2020-2 and 2020-3 transactions each consist of three classes of notes.

Each financing at the time of issuance has a specified revolving period during which we are likely to contribute additional Loans to each Funding LLC. Each Funding LLC (other than that of Term ABS 2019-2) will then contribute the Loans to its respective trust. At the end of the applicable revolving period, the debt outstanding under each financing will begin to amortize.

The financings create indebtedness for which the trusts or Funding LLCs are liable and which is secured by all the assets of each trust or Funding LLC. Such indebtedness is non-recourse to us, even though we are consolidated for financial reporting purposes with the trusts and the Funding LLCs. Because the Funding LLCs are organized as legal entities separate from us, their assets (including the contributed Loans) are not available to our creditors. We receive a monthly servicing fee on each financing equal to 6% of the collections received with respect to the contributed Loans. The fee is paid out of the collections. Except for the servicing fee and Dealer Holdback payments due to Dealers, if a facility is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees and other related costs have been paid in full. If a facility is not amortizing, the applicable subsidiary may be entitled to retain a portion of such collections provided that the borrowing base requirements of the facility are satisfied. However, in our capacity as servicer of the Loans, we do have a limited right to exercise a “clean-up call” option to purchase Loans from the Funding LLCs and/or the trusts under certain specified circumstances. For those Funding LLCs with a trust, when the trust’s underlying indebtedness is paid in full, either through collections or through a prepayment of the indebtedness, the trust is to pay any remaining collections over to its Funding LLC as the sole beneficiary of the trust. For all Funding LLCs, after the indebtedness is paid in full, any remaining collections will ultimately be available to be distributed to us as the sole member of the respective Funding LLC.

The table below sets forth certain additional details regarding the outstanding Term ABS financings:

(Dollars in millions)

Term ABS Financings	Close Date	Net Book Value of Loans Contributed at Closing	Revolving Period
Term ABS 2017-3	October 26, 2017	$ 437.6	Through October 15, 2019
Term ABS 2018-1	February 22, 2018	625.1	Through February 17, 2020
Term ABS 2018-2	May 24, 2018	562.6	Through May 15, 2020
Term ABS 2018-3	August 23, 2018	500.1	Through August 17, 2020
Term ABS 2019-1	February 21, 2019	503.1	Through February 15, 2021
Term ABS 2019-2	August 28, 2019	625.1	Through August 15, 2022
Term ABS 2019-3	November 21, 2019	439.6	Through November 15, 2021
Term ABS 2020-1	February 20, 2020	625.1	Through February 15, 2022
Term ABS 2020-2	July 23, 2020	602.3	Through July 15, 2022
Term ABS 2020-3	October 22, 2020	750.1	Through October 17, 2022

Senior Notes

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

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

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

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

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

Mortgage Note

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

Principal Debt Maturities

The scheduled principal maturities of our debt as of December 31, 2020 are as follows:

(In millions)

Year	Revolving Secured Line of Credit Facility	Warehouse Facilities	Term ABS Financings (1)	Senior Notes	Mortgage Note	Total
2021	$ —	$ —	$ 1,091.2	$ —	$ 0.8	$ 1,092.0
2022	—	28.1	1,452.8	—	0.9	1,481.8
2023	95.9	46.9	1,034.7	—	8.8	1,186.3
2024	—	—	75.0	400.0	—	475.0
2025	—	—	—	—	—	—
Thereafter	—	—	—	400.0	—	400.0
Total	$ 95.9	$ 75.0	$ 3,653.7	$ 800.0	$ 10.5	$ 4,635.1

(1) The principal maturities of the Term ABS transactions are estimated based on forecasted collections.

Debt Covenants

As of December 31, 2020, we were in compliance with our covenants under the revolving secured line of credit facility and our Warehouse facilities, including those that require the maintenance of certain financial ratios and other financial conditions. These covenants require a minimum ratio of (1) our net earnings, adjusted for specified items, before income taxes, depreciation, amortization and fixed charges to (2) our fixed charges, as defined in the agreements. These covenants also limit the maximum ratio of our funded debt less unrestricted cash and cash equivalents to tangible net worth. Additionally, we must maintain consolidated net income, as defined in the agreements, of not less than $1 for the two most recently ended fiscal quarters. Some of these covenants may indirectly limit the repurchase of common stock or payment of dividends on common stock. Our Warehouse facilities also contain covenants that measure the performance of the contributed assets.

Our Term ABS financings also contain covenants that measure the performance of the contributed assets. As of December 31, 2020, we were in compliance with all such covenants. As of the end of the year, we were also in compliance with our covenants under the senior notes indentures.

10. DERIVATIVE AND HEDGING INSTRUMENTS

Interest Rate Caps. We utilize interest rate cap agreements to manage the interest rate risk on certain secured financings. The following tables provide the terms of our interest rate cap agreements that were in effect as of December 31, 2020 and 2019:

(Dollars in millions)

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

(Dollars in millions)

As of December 31, 2019						
Facility Amount	**Facility Name**	**Purpose**	**Start**	**End**	**Notional**	**Cap Interest Rate (1)**
$ 400.0	Warehouse Facility II	Cap Floating Rate	12/2017	12/2020	$ 205.0	5.50 %
300.0	Warehouse Facility IV	Cap Floating Rate	05/2017	04/2021	100.0	6.50 %
		Cap Floating Rate	05/2018	04/2021	150.0	6.50 %
		Cap Floating Rate	07/2019	07/2023	50.0	6.50 %
					300.0	
100.0	Warehouse Facility V	Cap Floating Rate	08/2018	08/2023	75.0	6.50 %
150.0	Warehouse Facility VII	Cap Floating Rate	12/2017	11/2021	143.8	5.50 %
200.0	Warehouse Facility VIII	Cap Floating Rate	08/2019	08/2023	200.0	5.50 %

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

The interest rate caps have not been designated as hedging instruments. As of December 31, 2020 and 2019, the interest rate caps had a fair value of $0.1 million, as the capped rates were significantly above market rates.

Information related to the effect of derivative instruments not designated as hedging instruments on our consolidated statements of income for the years ended December 31, 2020, 2019 and 2018 is as follows:

(In millions)		Amount of Loss Recognized in Income on Derivatives		
		For the Years Ended December 31,		
Derivatives Not Designated as Hedging Instruments	Location	2020	2019	2018
Interest rate caps	Interest expense	$ —	$ (0.1)	$ (0.1)

11. INCOME TAXES

Income Tax Provision

The income tax provision consists of the following:

(In millions)	For the Years Ended December 31,		
	2020	2019	2018
Income before provision for income taxes:	$ 549.5	$ 855.9	$ 755.1
Current provision for income taxes:			
Federal	53.8	94.1	110.9
State	6.6	18.7	19.5
	60.4	112.8	130.4
Deferred provision for income taxes:			
Federal	57.3	70.7	35.0
State	11.0	14.8	14.3
	68.3	85.5	49.3
Interest and penalties expense:			
Interest	(0.2)	1.5	1.4
Penalties	—	—	—
	(0.2)	1.5	1.4
Provision for income taxes	$ 128.5	$ 199.8	$ 181.1

Deferred Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities consist of the following:

(In millions)	As of December 31,	
	2020	2019
Deferred tax assets:		
Allowance for credit losses	$ 801.4	$ 128.3
Stock-based compensation	15.8	15.5
Deferred state net operating loss	4.3	3.6
Other, net	12.3	13.2
Total deferred tax assets	833.8	160.6
Deferred tax liabilities:		
Valuation of Loans receivable	1,208.5	471.3
Deferred Loan origination costs	1.6	1.6
Other, net	14.7	10.2
Total deferred tax liabilities	1,224.8	483.1
Net deferred tax liability	$ 391.0	$ 322.5

The increases in our deferred tax assets and deferred tax liabilities from 2019 to 2020 were primarily due to the adoption of CECL on January 1, 2020, which significantly increased the outstanding balances of Loans receivable and the related allowance for credit losses.

The deferred state net operating loss tax asset arising from the operating loss carryforward for state income tax purposes is expected to expire at various times beginning in 2028, if not utilized. During 2018, we wrote off $3.4 million of this deferred tax asset as we determined that we would not be able to utilize a state net operating loss carryforward prior to its expiration. We do not anticipate expiration of the remaining net operating loss carryforwards prior to their utilization.

Effective Income Tax Rate

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

	For the Years Ended December 31,		
	2020	2019	2018
U.S. federal statutory income tax rate	21.0%	21.0 %	21.0 %
State income taxes	2.7%	3.1 %	3.5 %
Excess tax benefits from stock-based compensation plans	-0.5%	-0.9 %	-0.1 %
Effect of the 2017 Tax Act	—%	— %	-0.7 %
Other	0.2%	0.1 %	0.3 %
Effective income tax rate	23.4%	23.3 %	24.0 %

State income taxes

The decrease in our state income tax rate from 2019 to 2020 was primarily the result of the settlement of an uncertain tax position for state income taxes during 2020. The decrease in our state income tax rate from 2018 to 2019 was primarily the result of the write-off of a deferred state net operating loss tax asset during 2018.

Excess tax benefits from stock-based compensation plans

During the first quarter of each year, we receive a tax benefit upon the vesting of restricted stock and the conversion of restricted stock units to common stock based on the fair value of the shares. The amount by which this tax benefit exceeds the grant-date fair value that was recognized as stock-based compensation expense is referred to as an excess tax benefit. Excess tax benefits are recognized in provision for income taxes and reduce our effective income tax rate. The impact of excess tax benefits on our effective income tax rate decreased in magnitude from 2019 to 2020, and increased in magnitude from 2018 to 2019, primarily due to the number of restricted stock units that were converted to common stock in each period, due to the timing of our long-term stock award grants.

Effect of the 2017 Tax Act

In 2018, we reversed a provisional valuation allowance related to stock-based compensation that we had established in 2017 upon enactment of the 2017 Tax Act, which resulted in a $5.5 million reversal of provision for income taxes in 2018.

Unrecognized Tax Benefits

The following table is a summary of changes in gross unrecognized tax benefits:

(In millions)	For the Years Ended December 31,		
	2020	2019	2018
Unrecognized tax benefits at January 1,	$ 41.7	$ 38.7	$ 31.9
Additions for tax positions of the current year	10.2	10.0	10.2
Additions for tax positions of prior years	0.1	—	—
Reductions for tax positions of prior years	—	—	—
Settlements	(4.6)	(2.3)	—
Reductions as a result of a lapse of the statute of limitations	(5.6)	(4.7)	(3.4)
Unrecognized tax benefits at December 31,	$ 41.8	$ 41.7	$ 38.7

The total amount of gross unrecognized tax benefit that, if recognized, would favorably affect our effective income tax rate in future periods, was $41.8 million as of December 31, 2020. Accrued interest related to uncertain tax positions was $9.2 million and $8.9 million as of December 31, 2020 and 2019, respectively.

We are subject to income tax in federal and state jurisdictions. We are generally no longer subject to tax examinations on federal returns filed for years prior to 2017 and state returns filed for years prior to 2013.

12. NET INCOME PER SHARE

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

	For the Years Ended December 31,		
	2020	2019	2018
Weighted average shares outstanding:			
Common shares	17,544,837	18,614,719	19,144,785
Vested restricted stock units	314,098	285,537	301,282
Basic number of weighted average shares outstanding	17,858,935	18,900,256	19,446,067
Dilutive effect of restricted stock and restricted stock units	76,844	76,304	86,245
Dilutive number of weighted average shares outstanding	17,935,779	18,976,560	19,532,312

For the years ended December 31, 2020, 2019 and 2018 there were no shares of restricted stock or restricted stock units that were not included in the computation of diluted net income per share because their inclusion would have been anti-dilutive.

13. STOCK REPURCHASES

The following table summarizes our stock repurchases for the years ended December 31, 2020, 2019, and 2018:

(Dollars in millions)	For the Years Ended December 31,					
	2020		2019		2018	
Stock Repurchases	**Number of Shares Repurchased**	**Cost**	**Number of Shares Repurchased**	**Cost**	**Number of Shares Repurchased**	**Cost**
Open Market (1)	1,267,103	$ 474.3	669,752	$ 282.2	336,743	$ 127.1
Other (2)	15,063	6.5	42,696	18.2	6,185	2.0
Total	1,282,166	$ 480.8	712,448	$ 300.4	342,928	$ 129.1

(1) Represents repurchases under authorizations by the board of directors for the repurchase of shares by us from time to time in the open market or in privately negotiated transactions. On March 5, 2020, the board of directors authorized the repurchase of up to three million shares of our common stock in addition to the board's prior authorizations. As of December 31, 2020, we had authorization to repurchase 2,502,610 shares of our common stock.

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

14. STOCK-BASED COMPENSATION PLANS

Pursuant to our Amended and Restated Incentive Compensation Plan (the "Incentive Plan"), we can grant stock-based awards in the form of restricted stock, restricted stock units and stock options to team members, officers, directors, and contractors at any time prior to March 26, 2022. On March 26, 2012, our board of directors approved an amendment to our Incentive Plan, increasing the number of shares authorized for issuance by 500,000 shares, to 2.0 million shares. The shares available for future grants under the Incentive Plan totaled 116,031 as of December 31, 2020, disregarding the stock option grant described below which is subject to shareholder approval of an amendment to the Incentive Plan.

Restricted Stock

We grant performance-based and time-based shares of restricted stock to team members in accordance with our Incentive Plan. The grant-date fair value per share is estimated to equal the market price of our common stock on the date of grant. Based on the terms of individual restricted stock grant agreements, shares vest under one of the following methods:

- Over a period of 15 years, based on continuous employment and a combination of the cumulative improvement in our annual adjusted economic profit, a non-GAAP financial measure, and the attainment of annual adjusted economic profit targets.
- Over a period of three years, based on continuous employment.

A summary of the non-vested restricted stock activity under the Incentive Plan for the year ended December 31, 2020 is presented below:

Restricted Stock	Number of Shares	Weighted Average Grant-Date Fair Value Per Share
Non-vested as of December 31, 2019	137,503	$ 125.04
Vested	(14,633)	182.61
Forfeited	(152)	362.80
Non-vested as of December 31, 2020	122,718	$ 117.88

No shares of restricted stock were granted in 2020. The grant-date weighted average fair value of shares granted in 2019 and 2018 was $441.54, and $317.87, respectively. The total fair value of shares vested was $5.1 million in 2020, $7.9 million in 2019 and $4.8 million in 2018.

Restricted Stock Units

We grant performance-based and time-based restricted stock units to team members and directors in accordance with our Incentive Plan. The grant-date fair value per share is estimated to equal the market price of our common stock on the date of grant. Each restricted stock unit represents and has a value equal to one share of common stock. Based on the terms of individual restricted stock grant agreements, restricted stock units vest under one of the following methods:

- Over a period of ten years, based on continuous employment and the cumulative improvement in our annual adjusted economic profit.
- Over a period of five years, based upon the compounded annual growth rate in our adjusted economic profit.
- Over a period of one to four years, based on continuous employment and the compounded annual growth rate in our adjusted EPS, a non-GAAP financial measure.
- Over a period of three years, based on continuous employment.

A summary of the restricted stock unit activity under the Incentive Plan for the year ended December 31, 2020, is presented below:

Restricted Stock Units	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value Per Share	Aggregate Intrinsic Value (2) (in millions)	Weighted Average Remaining Contractual Term (in years)
Outstanding as of December 31, 2019	428,831	$ 132.99		
Granted	5,870	436.89		
Converted	(21,971)	105.97		
Forfeited	(128)	434.60		
Outstanding as of December 31, 2020 (1)	412,602	$ 138.65	$ 142.8	3.6
Vested as of December 31, 2020	320,250	$ 132.24	$ 110.9	3.2

(1) No RSUs outstanding at December 31, 2020 were convertible to shares of common stock.
(2) The intrinsic value of RSUs is measured by applying the closing stock price as of December 31, 2020 to the applicable number of units.

The grant-date weighted average fair value of RSUs granted in 2020, 2019 and 2018 was $436.89, $453.64, and $363.11, respectively. The total intrinsic value of RSUs converted to common stock during 2020, 2019 and 2018 was $7.6 million, $36.9 million, and $0.5 million, respectively.

Stock-based compensation expense

Stock-based compensation expense consists of the following:

(In millions)	For the Years Ended December 31,		
	2020	2019	2018
Restricted stock	$ 2.0	$ 3.0	$ 2.7
Restricted stock units	4.2	4.6	7.6
Total	$ 6.2	$ 7.6	$ 10.3

While the stock-based awards are often expected to vest in equal, annual installments over the corresponding requisite service periods of the grants, the related stock-based compensation expense is not recognized on a straight-line basis over the same periods. Each installment is accounted for as a separate award and as a result, the fair value of each installment is recognized as stock-based compensation expense on a straight-line basis over the related expected vesting period. Assuming performance targets are achieved in the periods currently estimated, we expect to recognize the remaining expense for stock-based awards outstanding as of December 31, 2020 over a weighted average period of 2.2 years, as follows:

(In millions)

For the Years Ended December 31,	Restricted Stock Units	Restricted Stock	Total Projected Expense
2021	$ 1.2	$ 1.2	$ 2.4
2022	0.3	0.9	1.2
2023	0.1	0.7	0.8
2024	—	0.5	0.5
2025	—	0.3	0.3
Thereafter	—	0.2	0.2
Total	$ 1.6	$ 3.8	$ 5.4

Stock option grant subject to shareholder approval

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

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

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

15. BUSINESS SEGMENT AND OTHER INFORMATION

Business Segment Overview

We identify operating segments as components of our business for which separate financial information is regularly evaluated by the chief operating decision-maker ("CODM") in making decisions regarding resource allocation and assessing performance. We periodically review and redefine our segment reporting as internal management reporting practices evolve and the components of our business change. Currently, the CODM reviews consolidated financial statements and metrics to allocate resources and assess performance. Thus, we have determined that we operate in one reportable operating segment. The consolidated financial statements reflect the financial results of our one reportable operating segment.

Geographic Information

For the three years ended December 31, 2020, 2019 and 2018, all of our revenues were derived from the United States. As of December 31, 2020 and 2019, all of our long-lived assets were located in the United States.

Products and Services Information

Our primary product consists of financing programs that enable Dealers to sell vehicles to consumers, regardless of their credit history. We also provide Dealers the ability to offer or purchase ancillary products on vehicles financed by us.

Major Customer Information

We did not have any Dealers that provided 10% or more of our revenue during 2020, 2019, or 2018. Additionally, no single Dealer's Loans receivable balance accounted for more than 10% of total Loans receivable as of December 31, 2020 or 2019.

16. COMMITMENTS AND CONTINGENCIES

Litigation and Other Legal Matters

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

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

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

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

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

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

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

On December 4, 2014, we received a civil investigative demand from the Office of the Attorney General of the Commonwealth of Massachusetts relating to the origination and collection of non-prime auto loans in Massachusetts. On November 20, 2017 we received a second civil investigative demand from the Office of the Attorney General seeking updated information on its original civil investigative demand, additional information related to the Company's origination and collection of Consumer Loans, and information regarding securitization activities. In connection with this inquiry, we were informed by representatives of the Office of the Attorney General that it believes that the Company may have engaged in unfair and deceptive acts or practices related to the origination and collection of auto loans, which may have caused some of the Company's representations and warranties contained in securitization documents to be inaccurate. On July 22, 2020, we received a third civil investigative demand from the Office of the Attorney General seeking updates on previously produced data and additional information related to the Company's origination of Consumer Loans. On August 30, 2020, we were served with a complaint, filed by the Attorney General in Massachusetts Superior Court in Suffolk County, alleging that the Company engaged in unfair and deceptive trade practices in subprime auto lending, debt collection and asset-backed securitizations in the Commonwealth of Massachusetts, in violation of the Massachusetts Consumer Protection Law, M.G.L. c. 93A. The complaint seeks injunctive relief, restitution, disgorgement, civil penalties and payment of the Commonwealth's attorney's fees and costs.

We cannot predict the duration or outcome of this lawsuit at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from this lawsuit. The Company intends to vigorously defend itself in this matter.

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

Lease Commitments

We lease office space and office equipment. We expect that in the normal course of business, leases will be renewed or replaced by other leases. Total rental expense on all operating leases was $1.7 million for 2020, $1.8 million for 2019, and $2.2 million for 2018. Contingent rentals under the operating leases were insignificant. Our total minimum future lease commitments under operating leases as of December 31, 2020 are as follows:

(In millions)

Year	Minimum Future Lease Commitments
2021	$ 1.2
2022	0.6
2023	—
2024	—
2025	—
Total	$ 1.8

17. QUARTERLY FINANCIAL DATA (unaudited)

The following quarterly financial data for the years ended December 31, 2020 and 2019 has been prepared in accordance with GAAP:

(In millions, except per share data)

	2020			
	Quarters Ended			
Income Statement Data	March 31	June 30	September 30	December 31
Revenue	$ 389.1	$ 406.3	$ 426.5	$ 447.4
Income before provision for income taxes	(112.8)	127.8	318.4	216.1
Net income	(83.8)	96.4	242.1	166.3
Net income per share (1):				
Basic	$ (4.61)	$ 5.40	$ 13.57	$ 9.47
Diluted	$ (4.61)	$ 5.40	$ 13.56	$ 9.43

(In millions, except per share data)

	2019			
	Quarters Ended			
Income Statement Data	March 31	June 30	September 30	December 31
Revenue	$ 353.8	$ 370.6	$ 378.7	$ 385.9
Income before provision for income taxes	206.3	215.3	219.1	215.2
Net income	164.4	164.4	165.4	161.9
Net income per share (1):				
Basic	$ 8.67	$ 8.68	$ 8.73	$ 8.63
Diluted	$ 8.65	$ 8.68	$ 8.73	$ 8.60

(1) Basic and diluted net income per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted net income per share.

18. SUBSEQUENT EVENTS

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

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

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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 quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting.

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, we used the criteria set forth in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we believe that as of December 31, 2020, our internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm, Grant Thornton LLP, audited our internal control over financial reporting as of December 31, 2020 and their attestation report dated February 12, 2021 expressed an unqualified opinion on our internal control over financial reporting and is included in this Item 9A.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Credit Acceptance Corporation

Opinion on internal control over financial reporting
We have audited the internal control over financial reporting of Credit Acceptance Corporation (a Michigan corporation) and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2020, and our report dated February 12, 2021 expressed an unqualified opinion on those financial statements.

Basis for opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Southfield, Michigan
February 12, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information is contained under the captions "Election of Directors" (excluding the "Report of the Audit Committee") and, if required, "Delinquent Section 16(a) Reports" in the Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information is contained under the caption "Compensation of Executive Officers and Directors" (excluding the "Report of the Executive Compensation Committee") in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information is contained under the caption "Common Stock Ownership of Certain Beneficial Owners and Management" in the Proxy Statement and is incorporated herein by reference.

Our Amended and Restated Incentive Compensation Plan (the "Incentive Plan"), which was approved by shareholders on May 17, 2012, provides for the granting of restricted stock, restricted stock units and stock options to team members, officers, and directors.

The following table sets forth (1) the number of shares of common stock to be issued upon the exercise of outstanding stock options or restricted stock units, (2) the weighted average exercise price of outstanding options, if applicable, and (3) the number of shares remaining available for future issuance, as of December 31, 2020, disregarding the stock option grant described below which is subject to shareholder approval of an amendment to the Incentive Plan:

Equity Compensation Plan Information

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options (a)	Number of shares remaining available for future issuance under equity compensation plans (b)
Equity compensation plan approved by shareholders:			
Incentive Plan	412,602	—	116,031

(a) The weighted average exercise price in this column does not take into account restricted stock units that are outstanding under the Incentive Plan, which have no exercise price.
(b) For additional information regarding our equity compensation plans, including grants of restricted stock units, see Note 14 to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference.

The foregoing table does not reflect the December 30, 2020 grant, subject to shareholder approval of an amendment to the Incentive Plan at our next Annual Meeting of Shareholders, of 622,000 nonqualified stock options to team members. See Note 14 to the consolidated financial statements contained in Item 8 of this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information is contained under the caption "Certain Relationships and Transactions" and "Election of Directors – Meetings and Committees of the Board of Directors" in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information is contained under the caption "Independent Accountants" in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) The following consolidated financial statements of the Company and notes thereto and the Report of Independent Registered Public Accounting Firm are contained in Item 8 — Financial Statements and Supplementary Data of this Form 10-K, which is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

Consolidated Financial Statements:

— Consolidated Balance Sheets as of December 31, 2020 and 2019

— Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018

— Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018

— Consolidated Statements of Shareholders' Equity for the years ended December 31, 2020, 2019 and 2018

— Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or notes thereto.

(3) The exhibits filed in response to Item 601 of Regulation S-K are listed in the Exhibit Index below.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Incorporation, as amended July 1, 1997 (incorporated by reference to Exhibit 3(a)(1) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997).
3.2	Amended and Restated Bylaws of the Company, as amended July 1, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed July 6, 2020).
4.1	Description of the Company's Common Stock.
4.2	Amended and Restated Intercreditor Agreement, dated as of February 1, 2010, among Credit Acceptance Corporation, the other Grantors party thereto, representatives of the Secured Parties thereunder and Comerica Bank, as administrative agent under the Original Credit Agreement (as defined therein) and as collateral agent (incorporated by reference to Exhibit 4(g)(6) to the Company's Current Report on Form 8-K filed February 5, 2010).
4.3	Amended and Restated Backup Servicing Agreement dated as of December 27, 2012, among the Company, CAC Warehouse Funding Corporation II, Wells Fargo Securities, LLC, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.82 to the Company's Current Report on Form 8-K filed January 3, 2013).
4.4	Amended and Restated Sale and Contribution Agreement dated as of April 5, 2013, between the Company and CAC Warehouse Funding LLC IV (incorporated by reference to Exhibit 4.85 to the Company's Current Report on Form 8-K filed April 5, 2013).
4.5	First Amendment to Amended and Restated Sale and Contribution Agreement, dated as of December 4, 2013, between the Company and CAC Warehouse Funding LLC IV (incorporated by reference to Exhibit 4.107 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013).
4.6	Sixth Amended and Restated Credit Agreement, dated as of June 23, 2014, among the Company, the Banks signatory thereto and Comerica Bank, as agent for the Banks (incorporated by reference to Exhibit 4.124 to the Company's Current Report on Form 8-K filed June 25, 2014).
4.7	Amendment No. 1 to Amended and Restated Backup Servicing Agreement, dated as of July 18, 2014, among the Company, CAC Warehouse Funding Corporation II, Wells Fargo Securities, LLC, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.126 to the Company's Current Report on Form 8-K filed July 23, 2014).
4.8	Loan and Security Agreement, dated as of September 15, 2014, among the Company, CAC Warehouse Funding LLC V, Fifth Third Bank and Systems & Services Technologies, Inc. (incorporated by reference to Exhibit 4.127 to the Company's Current Report on Form 8-K filed September 18, 2014).
4.9	Backup Servicing Agreement, dated as of September 15, 2014, among the Company, CAC Warehouse Funding LLC V, Fifth Third Bank and Systems & Services Technologies, Inc. (incorporated by reference to Exhibit 4.128 to the Company's Current Report on Form 8-K filed September 18, 2014).
4.10	Contribution Agreement, dated as of September 15, 2014, between the Company and CAC Warehouse Funding LLC V (incorporated by reference to Exhibit 4.129 to the Company's Current Report on Form 8-K filed September 18, 2014).
4.11	Indenture dated as of March 30, 2015, among the Company, the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 31, 2015).
4.12	First Amendment to the Sixth Amended and Restated Credit Agreement, dated as of June 11, 2015, among the Company, the Banks which are parties thereto from time to time, and Comerica Bank (incorporated by reference to Exhibit 4.74 to the Company's Current Report on Form 8-K filed June 16, 2015).
4.13	First Amendment to Loan and Security Agreement, dated as of June 11, 2015, among the Company, CAC Warehouse Funding LLC V, Fifth Third Bank, and Systems & Services Technologies, Inc. (incorporated by reference to Exhibit 4.75 to the Company's Current Report on Form 8-K filed June 16, 2015).
4.14	Loan and Security Agreement dated as of September 30, 2015, among the Company, CAC Warehouse Funding LLC VI, and Flagstar Bank, FSB (incorporated by reference to Exhibit 4.82 to the Company's Current Report on Form 8-K filed October 5, 2015).
4.15	Contribution Agreement, dated as of September 30, 2015, between the Company and CAC Warehouse Funding LLC VI (incorporated by reference to Exhibit 4.83 to the Company's Current Report on Form 8-K filed October 5, 2015).
4.16	Second Amendment to the Sixth Amended and Restated Credit Agreement, dated as of June 15, 2016, among the Company, the Banks signatory thereto and Comerica Bank, as agent for the Banks (incorporated by reference to Exhibit 4.76 to the Company's Current Report on Form 8-K filed June 20, 2016).
4.17	Sixth Amended and Restated Loan and Security Agreement dated as of June 23, 2016, among the Company, CAC Warehouse Funding Corporation II and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.77 to the Company's Current Report on Form 8-K filed June 28, 2016).

4.18	Fourth Amended and Restated Sale and Contribution Agreement, dated as of June 23, 2016, between the Company and CAC Warehouse Funding Corporation II (incorporated by reference to Exhibit 4.78 to the Company's Current Report on Form 8-K filed June 28, 2016).
4.19	Second Amendment to Loan and Security Agreement, dated as of August 18, 2016, among the Company, CAC Warehouse Funding LLC V, Fifth Third Bank and Systems & Services Technologies, Inc. (incorporated by reference to Exhibit 4.79 to the Company's Current Report on Form 8-K filed August 23, 2016).
4.20	First Amendment to Contribution Agreement, dated as of August 18, 2016, between the Company and CAC Warehouse Funding LLC V (incorporated by reference to Exhibit 4.80 to the Company's Current Report on Form 8-K filed August 23, 2016).
4.21	Third Amendment to Sixth Amended and Restated Credit Agreement and Extension Agreement, dated as of June 28, 2017, among the Company, the Banks signatory thereto and Comerica Bank, as agent for the Banks (incorporated by reference to Exhibit 4.80 to the Company's Current Report on Form 8-K filed June 30, 2017).
4.22	First Amendment to Loan and Security Agreement, dated as of July 18, 2017, among the Company, CAC Warehouse Funding LLC VI and Flagstar Bank, fsb (incorporated by reference to Exhibit 4.87 to the Company's Current Report on Form 8-K filed July 21, 2017).
4.23	New Bank Addendum, dated October 19, 2017 to the Sixth Amended and Restated Credit Acceptance Corporation Credit Agreement dated as of October 19, 2017, among the Company, each of the financial institutions parties thereto and Comerica Bank, as agent (incorporated by reference to Exhibit 4.94 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017).
4.24	Assignment Agreement, dated October 19, 2017, among the Company, the Banks signatory thereto and Comerica Bank, as agent, under the Sixth Amended and Restated Credit Acceptance Corporation Credit Agreement dated as of June 23, 2014 (incorporated by reference to Exhibit 4.95 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017).
4.25	Indenture dated as of October 26, 2017, between Credit Acceptance Auto Loan Trust 2017-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.88 to the Company's Current Report on Form 8-K filed October 27, 2017).
4.26	Sale and Servicing Agreement, dated as of October 26, 2017, among the Company, Credit Acceptance Auto Loan Trust 2017-3, Credit Acceptance Funding LLC 2017-3, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.89 to the Company's Current Report on Form 8-K filed October 27, 2017).
4.27	Backup Servicing Agreement, dated as of October 26, 2017, among the Company, Credit Acceptance Funding LLC 2017-3, Credit Acceptance Auto Loan Trust 2017-3, and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.90 to the Company's Current Report on Form 8-K filed October 27, 2017).
4.28	Amended and Restated Trust Agreement, dated as of October 26, 2017, among Credit Acceptance Funding LLC 2017-3, each of the members of the Board of Trustees of the Trust and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.91 to the Company's Current Report on Form 8-K filed October 27, 2017).
4.29	Sale and Contribution Agreement, dated as of October 26, 2017, between the Company and Credit Acceptance Funding LLC 2017-3 (incorporated by reference to Exhibit 4.92 to the Company's Current Report on Form 8-K filed October 27, 2017).
4.30	Loan and Security Agreement, dated as of December 1, 2017, among the Company, CAC Warehouse Funding LLC VII, Credit Suisse AG, New York Branch and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.96 to the Company's Current Report on Form 8-K filed December 7, 2017).
4.31	Contribution Agreement, dated as of December 1, 2017, between the Company and CAC Warehouse Funding LLC VII (incorporated by reference to Exhibit 4.97 to the Company's Current Report on Form 8-K filed December 7, 2017).
4.32	Backup Servicing Agreement, dated as of December 1, 2017, among the Company, CAC Warehouse Funding LLC VII, Credit Suisse AG, New York Branch and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.98 to the Company's Current Report on Form 8-K filed December 7, 2017).
4.33	Amendment No. 1 to Sixth Amended and Restated Loan and Security Agreement, dated as of December 20, 2017, among the Company, CAC Warehouse Funding Corporation II and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.100 to the Company's Current Report on Form 8-K filed December 21, 2017).
4.34	Indenture dated as of February 22, 2018, between Credit Acceptance Auto Loan Trust 2018-1 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.80 to the Company's Current Report on Form 8-K filed February 27, 2018).
4.35	Sale and Servicing Agreement, dated as of February 22, 2018, among the Company, Credit Acceptance Auto Loan Trust 2018-1, Credit Acceptance Funding LLC 2018-1 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.81 to the Company's Current Report on Form 8-K filed February 27, 2018).

4.36	Backup Servicing Agreement, dated as of February 22, 2018, among the Company, Credit Acceptance Funding LLC 2018-1, Credit Acceptance Auto Loan Trust 2018-1 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.82 to the Company's Current Report on Form 8-K filed February 27, 2018).
4.37	Amended and Restated Trust Agreement, dated as of February 22, 2018, among Credit Acceptance Funding LLC 2018-1, each of the members of the Board of Trustees of the Trust and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.83 to the Company's Current Report on Form 8-K filed February 27, 2018).
4.38	Sale and Contribution Agreement, dated as of February 22, 2018, between the Company and Credit Acceptance Funding LLC 2018-1(incorporated by reference to Exhibit 4.84 to the Company's Current Report on Form 8-K filed February 27, 2018).
4.39	Amended and Restated Loan and Security Agreement dated as of May 10, 2018 among the Company, CAC Warehouse Funding LLC IV, the lenders from time to time party thereto, Bank of Montreal, BMO Capital Markets Corp., and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.86 to the Company's Current Report on Form 8-K filed May 15, 2018).
4.40	Indenture dated as of May 24, 2018, between Credit Acceptance Auto Loan Trust 2018-2 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.88 to the Company's Current Report on Form 8-K filed May 30, 2018).
4.41	Sale and Servicing Agreement, dated as of May 24, 2018, among the Company, Credit Acceptance Auto Loan Trust 2018-2, Credit Acceptance Funding LLC 2018-2 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.89 to the Company's Current Report on Form 8-K filed May 30, 2018).
4.42	Backup Servicing Agreement, dated as of May 24, 2018, among the Company, Credit Acceptance Funding LLC 2018-2, Credit Acceptance Auto Loan Trust 2018-2 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.90 to the Company's Current Report on Form 8-K filed May 30, 2018).
4.43	Amended and Restated Trust Agreement, dated as of May 24, 2018, among Credit Acceptance Funding LLC 2018-2, each of the members of the Board of Trustees of the Trust and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.91 to the Company's Current Report on Form 8-K filed May 30, 2018).
4.44	Sale and Contribution Agreement, dated as of May 24, 2018, between the Company and Credit Acceptance Funding LLC 2018-2 (incorporated by reference to Exhibit 4.92 to the Company's Current Report on Form 8-K filed May 30, 2018).
4.45	Fourth Amendment to Sixth Amended and Restated Credit Agreement dated as of June 27, 2018 among the Company, the Banks which are parties thereto from time to time, and Comerica Bank as Administrative Agent and Collateral Agent for the Banks (incorporated by reference to Exhibit 4.94 to the Company's Current Report on Form 8-K filed June 28, 2018).
4.46	Third Amendment to Loan and Security Agreement, dated as of August 15, 2018, among the Company, CAC Warehouse Funding LLC V, Fifth Third Bank and Systems & Services Technologies, Inc. (incorporated by reference to Exhibit 4.95 to the Company's Current Report on Form 8-K filed August 17, 2018).
4.47	Indenture dated as of August 23, 2018, between Credit Acceptance Auto Loan Trust 2018-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.96 to the Company's Current Report on Form 8-K filed August 29, 2018).
4.48	Sale and Servicing Agreement, dated as of August 23, 2018, among the Company, Credit Acceptance Auto Loan Trust 2018-3, Credit Acceptance Funding LLC 2018-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.97 to the Company's Current Report on Form 8-K filed August 29, 2018).
4.49	Backup Servicing Agreement, dated as of August 23, 2018, among the Company, Credit Acceptance Funding LLC 2018-3, Credit Acceptance Auto Loan Trust 2018-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.98 to the Company's Current Report on Form 8-K filed August 29, 2018).
4.50	Amended and Restated Trust Agreement, dated as of August 23, 2018, among Credit Acceptance Funding LLC 2018-3, each of the members of the Board of Trustees of the Trust and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.99 to the Company's Current Report on Form 8-K filed August 29, 2018).
4.51	Sale and Contribution Agreement, dated as of August 23, 2018, between the Company and Credit Acceptance Funding LLC 2018-3 (incorporated by reference to Exhibit 4.100 to the Company's Current Report on Form 8-K filed August 29, 2018).

4.52	First Amendment to Loan and Security Agreement, dated as of December 17, 2018, among the Company, CAC Warehouse Funding LLC VII, the lenders and managing agents from time to time party thereto, Credit Suisse AG, New York Branch and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.102 to the Company's Current Report on Form 8-K filed December 19, 2018).
4.53	Indenture dated as of February 21, 2019, between Credit Acceptance Auto Loan Trust 2019-1 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.93 to the Company's Current Report on Form 8-K filed February 26, 2019).
4.54	Sale and Servicing Agreement, dated as of February 21, 2019, among the Company, Credit Acceptance Auto Loan Trust 2019-1, Credit Acceptance Funding LLC 2019-1 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.94 to the Company's Current Report on Form 8-K filed February 26, 2019).
4.55	Backup Servicing Agreement, dated as of February 21, 2019, among the Company, Credit Acceptance Funding LLC 2019-1, Credit Acceptance Auto Loan Trust 2019-1 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.95 to the Company's Current Report on Form 8-K filed February 26, 2019).
4.56	Amended and Restated Trust Agreement, dated as of February 21, 2019, among Credit Acceptance Funding LLC 2019-1, each of the initial members of the Board of Trustees of the Trust and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.96 to the Company's Current Report on Form 8-K filed February 26, 2019).
4.57	Sale and Contribution Agreement, dated as of February 21, 2019, between the Company and Credit Acceptance Funding LLC 2019-1 (incorporated by reference to Exhibit 4.97 to the Company's Current Report on Form 8-K filed February 26, 2019).
4.58	Indenture, dated as of March 7, 2019, among Credit Acceptance Corporation, the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.99 to the Company's Current Report on Form 8-K filed March 8, 2019).
4.59	Registration Rights Agreement, dated March 7, 2019, among Credit Acceptance Corporation, Buyers Vehicle Protection Plan, Inc., Vehicle Remarketing Services, Inc. and the representative of the initial purchasers of Credit Acceptance Corporation's 6.625% Senior Notes due 2026 (incorporated by reference to Exhibit 4.100 to the Company's Current Report on Form 8-K filed March 8, 2019).
4.60	Fifth Amendment to Sixth Amended and Restated Credit Agreement, dated as of June 24, 2019, among the Company, Comerica Bank and the other banks signatory thereto and Comerica Bank, as administrative agent for the banks (incorporated by reference to Exhibit 4.101 to the Company's Current Report on Form 8-K filed June 26, 2019).
4.61	Amendment No. 2 to the Sixth Amended and Restated Loan and Security Agreement, dated as of July 12, 2019, by and among the Company, CAC Warehouse Funding Corporation II, the lenders from time to time party thereto and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.102 to the Company's Current Report on Form 8-K filed July 15, 2019).
4.62	Fourth Amendment to Loan Security Agreement, dated as of July 16, 2019, among the Company, CAC Warehouse Funding LLC V and Fifth Third Bank (incorporated by reference to Exhibit 4.103 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019).
4.63	Second Amendment to Loan and Security Agreement, dated as of July 18, 2019, among the Company, CAC Warehouse Funding LLC VII, the lenders and managing agents from time to time party thereto, Credit Suisse International and Credit Suisse AG, New York Branch (incorporated by reference to Exhibit 4.104 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019).
4.64	Second Amendment to Loan and Security Agreement, dated as of July 25, 2019, among the Company, CAC Warehouse Funding LLC VI and Flagstar Bank, FSB (incorporated by reference to Exhibit 4.105 to the Company's Current Report on Form 8-K filed July 26, 2019).
4.65	Loan and Security Agreement, dated as of July 26, 2019, among the Company, CAC Warehouse Funding LLC VIII, the lenders from time to time party thereto, Citizens Bank N.A. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.106 to the Company's Current Report on Form 8-K filed July 29, 2019).
4.66	Sale and Contribution Agreement, dated as of July 26, 2019, between the Company and CAC Warehouse Funding LLC VIII (incorporated by reference to Exhibit 4.107 to the Company's Current Report on Form 8-K filed July 29, 2019).
4.67	Backup Servicing Agreement, dated as of July 26, 2019, among the Company, CAC Warehouse Funding LLC VIII, Citizens Bank, N.A. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.108 to the Company's Current Report on Form 8-K filed July 29, 2019).
4.68	First Amendment to Amended and Restated Loan and Security Agreement, dated as of July 26, 2019, among the Company, CAC Warehouse Funding LLC IV, Bank of Montreal, Citizens Bank, N.A., BMO Capital Markets Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.110 to the Company's Current Report on Form 8-K filed July 29, 2019).

4.69	Amended and Restated Backup Servicing Agreement, dated as of July 26, 2019, among the Company, CAC Warehouse Funding LLC IV, Bank of Montreal, BMO Capital Markets Corp. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.111 to the Company's Current Report on Form 8-K filed July 29, 2019).
4.70	Loan and Security Agreement, dated as of August 28, 2019, among the Company, Credit Acceptance Funding LLC 2019-2 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.112 to the Company's Current Report on Form 8-K filed September 4, 2019).
4.71	Backup Servicing Agreement, dated as of August 28, 2019, among the Company, Credit Acceptance Funding LLC 2019-2 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.113 to the Company's Current Report on Form 8-K filed September 4, 2019).
4.72	Sale and Contribution Agreement, dated as of August 28, 2019, between the Company and Credit Acceptance Funding LLC 2019-2 (incorporated by reference to Exhibit 4.114 to the Company's Current Report on Form 8-K filed September 4, 2019).
4.73	Amendment No. 3 to the Sixth Amended and Restated Loan and Security Agreement, dated as of August 16, 2019, among the Company, CAC Warehouse Funding Corporation II, the lenders from time to time party thereto and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.116 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019).
4.74	Second Amended and Restated Backup Servicing Agreement, dated as of August 16, 2019, among the Company, CAC Warehouse Funding Corporation II and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.117 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019).
4.75	Indenture dated as of November 21, 2019, between Credit Acceptance Auto Loan Trust 2019-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.118 to the Company's Current Report on Form 8-K filed November 26, 2019).
4.76	Sale and Servicing Agreement, dated as of November 21, 2019, among the Company, Credit Acceptance Auto Loan Trust 2019-3, Credit Acceptance Funding LLC 2019-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.119 to the Company's Current Report on Form 8-K filed November 26, 2019).
4.77	Backup Servicing Agreement, dated as of November 21, 2019, among the Company, Credit Acceptance Funding LLC 2019-3, Credit Acceptance Auto Loan Trust 2019-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.120 to the Company's Current Report on Form 8-K filed November 26, 2019).
4.78	Amended and Restated Trust Agreement, dated as of November 21, 2019, among Credit Acceptance Funding LLC 2019-3 and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.121 to the Company's Current Report on Form 8-K filed November 26, 2019).
4.79	Sale and Contribution Agreement, dated as of November 21, 2019, between the Company and Credit Acceptance Funding LLC 2019-3 (incorporated by reference to Exhibit 4.122 to the Company's Current Report on Form 8-K filed November 26, 2019).
4.80	Indenture, dated as of December 18, 2019, among the Company, the Guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.124 to the Company's Current Report on Form 8-K filed December 18, 2019).
4.81	Third Amendment to Loan and Security Agreement, dated as of December 19, 2019, among the Company, CAC Warehouse Funding LLC VII, Credit Suisse AG, New York Branch and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.125 to the Company's Current Report on Form 8-K filed December 19, 2019).
4.82	Indenture, dated as of February 20, 2020, between Credit Acceptance Auto Loan Trust 2020-1 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.107 to the Company's Current Report on Form 8-K filed February 24, 2020).
4.83	Sale and Servicing Agreement, dated as of February 20, 2020, among the Company, Credit Acceptance Auto Loan Trust 2020-1, Credit Acceptance Funding LLC 2020-1 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.108 to the Company's Current Report on Form 8-K filed February 24, 2020).
4.84	Backup Servicing Agreement, dated as of February 20, 2020, among the Company, Credit Acceptance Funding LLC 2020-1, Credit Acceptance Auto Loan Trust 2020-1 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.109 to the Company's Current Report on Form 8-K filed February 24, 2020).

4.85	Amended and Restated Trust Agreement, dated as of February 20, 2020, among Credit Acceptance Funding LLC 2020-1, each of the initial members of the Board of Trustees of the Trust and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.110 to the Company's Current Report on Form 8-K filed February 24, 2020).
4.86	Sale and Contribution Agreement, dated as of February 20, 2020, between the Company and Credit Acceptance Funding LLC 2020-1 (incorporated by reference to Exhibit 4.111 to the Company's Current Report on Form 8-K filed February 24, 2020).
4.87	Sixth Amendment to Sixth Amended and Restated Credit Agreement, dated as of June 30, 2020, by and among the Company, Comerica Bank and the other banks signatory thereto and Comerica Bank, as administrative agent for the banks (incorporated by reference to Exhibit 4.115 to the Company's Current Report on Form 8-K filed July 1, 2020).
4.88	Amendment No. 4 to the Sixth Amended and Restated Loan and Security Agreement, dated as of June 25, 2020, among the Company, CAC Warehouse Funding Corporation II, the lenders from time to time party thereto and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.113 to the Company's Current Report on Form 8-K filed July 1, 2020).
4.89	Fourth Amendment to Loan and Security Agreement, dated as of June 26, 2020, among the Company, CAC Warehouse Funding LLC VII, the lenders and managing agents from time to time party thereto and Credit Suisse AG, New York Branch (incorporated by reference to Exhibit 4.114 to the Company's Current Report on Form 8-K filed July 1, 2020).
4.90	Indenture, dated as of July 23, 2020, between Credit Acceptance Auto Loan Trust 2020-2 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.116 to the Company's Current Report on Form 8-K filed July 28, 2020).
4.91	Sale and Servicing Agreement, dated as of July 23, 2020, among the Company, Credit Acceptance Auto Loan Trust 2020-2, Credit Acceptance Funding LLC 2020-2 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.117 to the Company's Current Report on Form 8-K filed July 28, 2020).
4.92	Backup Servicing Agreement, dated as of July 23, 2020, among the Company, Credit Acceptance Funding LLC 2020-2, Credit Acceptance Auto Loan Trust 2020-2 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.118 to the Company's Current Report on Form 8-K filed July 28, 2020).
4.93	Amended and Restated Trust Agreement, dated as of July 23, 2020, among Credit Acceptance Funding LLC 2020-2, each of the members of the Board of Trustees of the Trust and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.119 to the Company's Current Report on Form 8-K filed July 28, 2020).
4.94	Sale and Contribution Agreement, dated as of July 23, 2020, between the Company and Credit Acceptance Funding LLC 2020-2 (incorporated by reference to Exhibit 4.120 to the Company's Current Report on Form 8-K filed July 28, 2020).
4.95	Indenture, dated as of October 22, 2020, between Credit Acceptance Auto Loan Trust 2020-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.122 to the Company's Current Report on Form 8-K filed October 27, 2020).
4.96	Sale and Servicing Agreement, dated as of October 22, 2020, among the Company, Credit Acceptance Auto Loan Trust 2020-3, Credit Acceptance Funding LLC 2020-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.123 to the Company's Current Report on Form 8-K filed October 27, 2020).
4.97	Backup Servicing Agreement, dated as of October 22, 2020, among the Company, Credit Acceptance Funding LLC 2020-3, Credit Acceptance Auto Loan Trust 2020-3 and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.124 to the Company's Current Report on Form 8-K filed October 27, 2020).
4.98	Amended and Restated Trust Agreement, dated as of October 22, 2020, among Credit Acceptance Funding LLC 2020-3, each of the members of the Board of Trustees of the Trust and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.125 to the Company's Current Report on Form 8-K filed October 27, 2020).
4.99	Sale and Contribution Agreement, dated as of October 22, 2020, between the Company and Credit Acceptance Funding LLC 2020-3 (incorporated by reference to Exhibit 4.126 to the Company's Current Report on Form 8-K filed October 27, 2020).

4.100	Amended and Restated Intercreditor Agreement, dated October 22, 2020, among the Company, CAC Warehouse Funding Corporation II, CAC Warehouse Funding LLC IV, CAC Warehouse Funding LLC V, CAC Warehouse Funding LLC VI, CAC Warehouse Funding LLC VII, CAC Warehouse Funding LLC VIII, Credit Acceptance Funding LLC 2020-3, Credit Acceptance Funding LLC 2020-2, Credit Acceptance Funding LLC 2020-1, Credit Acceptance Funding LLC 2019-3, Credit Acceptance Funding LLC 2019-2, Credit Acceptance Funding LLC 2019-1, Credit Acceptance Funding LLC 2018-3, Credit Acceptance Funding LLC 2018-2, Credit Acceptance Funding LLC 2018-1, Credit Acceptance Funding LLC 2017-3, Credit Acceptance Funding LLC 2017-2, Credit Acceptance Auto Loan Trust 2020-3, Credit Acceptance Auto Loan Trust 2020-2, Credit Acceptance Auto Loan Trust 2020-1, Credit Acceptance Auto Loan Trust 2019-3, Credit Acceptance Auto Loan Trust 2019-1, Credit Acceptance Auto Loan Trust 2018-3, Credit Acceptance Auto Loan Trust 2018-2, Credit Acceptance Auto Loan Trust 2018-1, Credit Acceptance Auto Loan Trust 2017-3, Credit Acceptance Auto Loan Trust 2017-2, Wells Fargo Bank, National Association, as agent, Fifth Third Bank, National Association as agent, Bank of Montreal, as agent, Flagstar Bank, FSB, as agent, Citizens Bank, N.A., as agent, and Comerica Bank, as agent (incorporated by reference to Exhibit 4.127 to the Company's Current Report on Form 8-K filed October 27, 2020).
4.101	Fifth Amendment to Loan and Security Agreement, dated as of December 16, 2020 among the Company, CAC Warehouse Funding LLC V, and Fifth Third Bank, National Association (incorporated by reference to Exhibit 4.129 to the Company's Current Report on Form 8-K filed December 18, 2020).
4.102	Seventh Amendment to Sixth Amended and Restated Credit Agreement and Extension Agreement, dated as of December 15, 2020, by and among the Company, Comerica Bank and the other banks signatory thereto and Comerica Bank, as administrative agent for the banks (incorporated by reference to Exhibit 4.128 to the Company's Current Report on Form 8-K filed December 18, 2020).
10.1	Form of Restricted Stock Grant Agreement (incorporated by reference to Exhibit 10(q)(4) to the Company's Current Report on Form 8-K filed February 28, 2007).*
10.2	Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, as amended, April 6, 2009 (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Schedule 14A filed April 10, 2009).*
10.3	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10(q)(11) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009).*
10.4	Form of Board of Directors Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10(q)(12) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009).*
10.5	Restricted Stock Unit Award Agreement, dated March 26, 2012, between the Company and Brett A. Roberts (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012).*
10.6	Restricted Stock Award Agreement, dated March 26, 2012, between the Company and Brett A. Roberts (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012).*
10.7	Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, as amended, March 26, 2012 (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Schedule 14A filed April 5, 2012).*
10.8	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013).*
10.9	Shareholder Agreement, dated as of January 3, 2017, between the Company and Donald A. Foss (incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K filed January 4, 2017).*
10.10	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017).*
10.11	Amendment to Shareholder Agreement dated September 15, 2017, between the Company and Donald A. Foss (incorporated by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017).*
10.12	Amendment to Shareholder Agreement dated November 29, 2017, between the Company and Donald A. Foss.*
10.13	Form of Director Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019).*
10.14	Form of Nonqualified Stock Option Agreement.*
21	Schedule of Credit Acceptance Corporation Subsidiaries.
23	Consent of Grant Thornton LLP.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.

32.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101(SCH)	Inline XBRL Taxonomy Extension Schema Document.
101(CAL)	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101(DEF)	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101(LAB)	Inline XBRL Taxonomy Label Linkbase Document.
101(PRE)	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (included in Exhibit 101).

* Management contract or compensatory plan or arrangement.

Other instruments, notes or extracts from agreements defining the rights of holders of long-term debt of the Company or its subsidiaries have not been filed because (i) in each case the total amount of long-term debt permitted thereunder does not exceed 10% of the Company's consolidated assets and (ii) the Company hereby agrees that it will furnish such instruments, notes and extracts to the Securities and Exchange Commission upon its request.

Amendments and modifications to other exhibits previously filed have been omitted when in the opinion of the registrant such exhibits as amended or modified are no longer material or, in certain instances, are no longer required to be filed as exhibits.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ BRETT A. ROBERTS
Brett A. Roberts
Chief Executive Officer

Date: February 12, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on February 12, 2021 on behalf of the registrant and in the capacities indicated.

Signature	Title
/s/ BRETT A. ROBERTS Brett A. Roberts	Chief Executive Officer and Director (Principal Executive Officer)
/s/ KENNETH S. BOOTH Kenneth S. Booth	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ THOMAS N. TRYFOROS Thomas N. Tryforos	Lead Director
/s/ GLENDA J. FLANAGAN Glenda J. Flanagan	Director
/s/ SCOTT J. VASSALLUZZO Scott J. Vassalluzzo	Director

Board of Directors

Kenneth S. Booth
Chief Executive Officer and President
Credit Acceptance Corporation

Glenda J. Flanagan
Executive Vice President and
Senior Advisor
Whole Foods Market, Inc.

Vinayak R. Hegde
Chief Marketplace Officer
Wheels Up Partners Holdings LLC

Thomas N. Tryforos
Private Investor

Scott J. Vassalluzzo
Managing Member
Prescott General Partners LLC

Executive Officers

Kenneth S. Booth
Chief Executive Officer and President

Douglas W. Busk
Chief Treasury Officer

Noah Kotch
Chief Information Officer

Jonathan Lum
Chief Operating Officer

Charles A. Pearce
Chief Legal Officer and Corporate Secretary

Arthur L. Smith
Chief Analytics Officer

Daniel A. Ulatowski
Chief Sales Officer

Other Information

Corporate Headquarters
25505 West Twelve Mile Road
Southfield, MI 48034
(248) 353-2700

Transfer Agent and Registrar
Computershare Trust Company, N.A.
211 Quality Circle, Suite 210
College Station, TX 77845
(781) 575-3120

Corporate Counsel
Skadden, Arps, Slate, Meagher & Flom LLP
Chicago, IL

Certified Public Accountants
Grant Thornton LLP
Southfield, MI

Stock Listing
Nasdaq symbol: CACC

Investor Relations
Information requests should be directed to:
Douglas W. Busk
(248) 353-2700 Ext. 4432

Annual Meeting of Shareholders

July 21, 2021
8:00 a.m.
Corporate Headquarters
25505 West Twelve Mile Road
Southfield, MI 48034

Shareholders may obtain, without charge, a copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, by writing the Investor Relations Department at the corporate headquarters address or by accessing our investor information on the Company's website at **CreditAcceptance.com.**

25505 West Twelve Mile Road
Southfield, MI 48034

CreditAcceptance.com

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