CREDIT ACCEPTANCE CORP
Form 10-Q
August 05, 2009

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

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

For the quarterly period ended June 30, 2009

OR

o **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)	(IRS Employer Identification)
25505 WEST TWELVE MILE ROAD SOUTHFIELD, MICHIGAN	**48034-8339**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

The number of shares of Common Stock, par value $0.01, outstanding on July 31, 2009 was 30,869,905.

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

(Dollars in Thousands, Except Per Share Data)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenue:				
Finance charges	$ 81,124	$ 70,827	$ 157,850	$ 134,502
Premiums earned	7,201	21	13,661	53
Other income	4,048	4,157	8,750	11,228
Total revenue	92,373	75,005	180,261	145,783
Costs and expenses:				
Salaries and wages	16,515	16,699	33,636	34,439
General and administrative	6,897	6,627	14,895	13,751
Sales and marketing	3,566	4,556	7,487	9,227
Provision for credit losses	(3,790)	20,760	(3,626)	23,409
Interest	7,285	9,884	15,208	20,748
Provision for claims	4,829	9	9,638	14
Total costs and expenses	35,302	58,535	77,238	101,588
Operating income	57,071	16,470	103,023	44,195
Foreign currency gain (loss)	3		6	(13)
Income from continuing operations before provision for income taxes	57,074	16,470	103,029	44,182
Provision for income taxes	20,924	6,091	37,867	16,222
Income from continuing operations	36,150	10,379	65,162	27,960
Discontinued operations				
Gain (loss) from discontinued United Kingdom operations	49	(12)	34	44
Provision for income taxes	14	23	10	40
Gain (loss) from discontinued operations	35	(35)	24	4

Net income	$	36,185	$	10,344	$	65,186	$	27,964
Net income per common share:								
Basic	$	1.18	$	0.34	$	2.14	$	0.93
Diluted	$	1.15	$	0.33	$	2.08	$	0.90
Income from continuing operations per common share:								
Basic	$	1.18	$	0.34	$	2.14	$	0.93
Diluted	$	1.15	$	0.33	$	2.08	$	0.90
Gain (loss) from discontinued operations per common share:								
Basic	$		$		$		$	
Diluted	$		$		$		$	
Weighted average shares outstanding:								
Basic		30,600,531		30,252,873		30,510,439		30,179,877
Diluted		31,423,187		31,088,428		31,285,734		30,970,387

See accompanying notes to consolidated financial statements.

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CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)	As of June 30, 2009 (unaudited)	As of December 31, 2008
ASSETS:		
Cash and cash equivalents	$ 1,609	$ 3,154
Restricted cash and cash equivalents	75,663	80,333
Restricted securities available for sale	2,905	3,345
Loans receivable (including $14,125 and $15,383 from affiliates as of June 30, 2009 and December 31, 2008, respectively)	1,184,094	1,148,752
Allowance for credit losses	(127,153)	(130,835)
Loans receivable, net	1,056,941	1,017,917
Property and equipment, net	19,635	21,049
Other assets	14,539	13,556
Total Assets	$ 1,171,292	$ 1,139,354
LIABILITIES AND SHAREHOLDERS EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	$ 84,691	$ 83,948
Line of credit	113,900	61,300
Secured financing	470,716	574,175
Mortgage note and capital lease obligations	5,498	6,239
Deferred income taxes, net	88,494	75,060
Income taxes payable	832	881
Total Liabilities	764,131	801,603
Shareholders Equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none issued		
Common stock, $.01 par value, 80,000,000 shares authorized, 30,869,525 and 30,666,691 shares issued and outstanding as of June 30, 2009 and December 31, 2008, respectively	308	306
Paid-in capital	15,130	11,829
Retained earnings	393,364	328,178
Accumulated other comprehensive loss, net of tax of $937 and $1,478 at June 30, 2009 and December 31, 2008, respectively	(1,641)	(2,562)

Total Shareholders Equity	407,161	337,751
Total Liabilities and Shareholders Equity	$ 1,171,292	$ 1,139,354

See accompanying notes to consolidated financial statements.

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CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	Six Months Ended June 30, 2009	2008
Cash Flows From Operating Activities:		
Net income	$ 65,186	$ 27,964
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	(3,626)	23,409
Depreciation	2,723	2,571
Loss on retirement of property and equipment	98	
Provision for deferred income taxes	12,893	4,464
Stock-based compensation	3,155	1,807
Change in operating assets and liabilities:		
Increase in accounts payable and accrued liabilities	2,184	1,737
(Increase) decrease in income taxes receivable	(49)	8,286
Increase in other assets	(983)	(1,775)
Net cash provided by operating activities	81,581	68,463
Cash Flows From Investing Activities:		
Decrease (increase) in restricted cash and cash equivalents	4,670	(12,790)
Purchases of restricted securities available for sale		(1,514)
Proceeds from sale of restricted securities available for sale		271
Maturities of restricted securities available for sale	461	298
Principal collected on Loans receivable	339,183	314,554
Advances to dealers and accelerated payments of Dealer Holdback	(282,746)	(321,396)
Purchases of Consumer Loans	(67,866)	(185,274)
Payments of Dealer Holdback	(23,965)	(32,746)
Net increase in other loans	(1)	(151)
Purchases of property and equipment	(1,407)	(4,291)
Net cash used in investing activities	(31,671)	(243,039)
Cash Flows From Financing Activities:		
Borrowings under line of credit	411,200	415,900
Repayments under line of credit	(358,600)	(414,100)
Proceeds from secured financing	124,400	407,700
Repayments of secured financing	(227,859)	(237,481)
Principal payments under mortgage note and capital lease obligations	(741)	(790)
Repurchase of common stock	(540)	(66)
Proceeds from stock options exercised	352	1,911
Tax benefits from stock based compensation plans	336	865
Net cash (used in) provided by financing activities	(51,452)	173,939
Effect of exchange rate changes on cash	(3)	7

Net decrease in cash and cash equivalents		(1,545)		(630)
Cash and cash equivalents, beginning of period		3,154		712
Cash and cash equivalents, end of period	$	1,609	$	82
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the period for interest	$	15,917	$	20,843
Cash paid during the period for income taxes	$	23,870	$	2,039

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of actual results achieved for full fiscal years. The consolidated balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2008 for Credit Acceptance Corporation (the Company , Credit Acceptance , we , our or us). Certain prior period amounts have been reclassified to conform to the current presentatio

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

Other than those disclosed in Note 12 to these financial statements, as of August 5, 2009, there are no material subsequent events requiring additional disclosure in or amendment to these financial statements.

2. DESCRIPTION OF BUSINESS

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

We refer to dealers who participate in our program and who share our commitment to changing consumers lives as dealer-partners . Upon enrollment in our financing program, the dealer-partner enters into a dealer servicing agreement with Credit Acceptance that defines the legal relationship between Credit Acceptance and the dealer-partner. The dealer servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on retail installment contracts (referred to as Consumer Loans) from the dealer-partners to us.

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

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

Quarter Ended	Portfolio Program	Purchase Program
March 31, 2008	70.2%	29.8%
June 30, 2008	65.4%	34.6%
September 30, 2008	69.2%	30.8%
December 31, 2008	78.2%	21.8%
March 31, 2009	82.3%	17.7%
June 30, 2009	86.0%	14.0%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

2. DESCRIPTION OF BUSINESS (Continued)

Portfolio Program

As payment for the vehicle, the dealer-partner generally receives the following:

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

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

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

- First, to reimburse us for certain collection costs;
- Second, to pay us our servicing fee;
- Third, to reduce the aggregate advance balance and to pay any other amounts due from the dealer-partner to us; and
- Fourth, to the dealer-partner as payment of Dealer Holdback.

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

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

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

- the aggregate amount of all cash advances to the dealer-partner;
- finance charges;

- Dealer Holdback payments;
- Portfolio Profit Express payments; and
- recoveries.

Less:

- collections (net of certain collection costs); and
- write-offs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

2. DESCRIPTION OF BUSINESS (Concluded)

Purchase Program

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

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

- the aggregate amount of all amounts paid to purchase Consumer Loans from dealer-partners;
- finance charges; and
- recoveries.

Less:

- collections (net of certain collection costs); and
- write-offs.

Program Enrollment

Dealer-partners that enroll in our programs have the option to either pay an upfront, one-time enrollment fee of $9,850 or defer payment by agreeing to allow us to keep 50% of their first Portfolio Profit Express payment. Dealer-partners that enrolled in our programs prior to 2008 have the option to assign Consumer Loans under either the Portfolio Program or the Purchase Program. During 2008, we changed our eligibility requirements for new dealer-partner enrollments to restrict access to the Purchase Program. For dealer-partners that enrolled in our programs during the first eight months of 2008, only dealer-partners that elected to pay the upfront, one-time enrollment fee were initially allowed to assign Consumer Loans under both programs. Dealer-partners that elected the deferred option during this period were only granted access to the Purchase Program after the first Portfolio Profit Express payment has been made under the Portfolio Program. For all dealer-partners enrolling in our programs after August 31, 2008, access to the Purchase Program is only granted after the first Portfolio Profit Express payment has been made under the Portfolio Program.

3. SIGNIFICANT ACCOUNTING POLICIES

Premiums Earned

During the fourth quarter of 2008, we formed VSC Re Company (VSC Re), a wholly-owned subsidiary that is engaged in the business of reinsuring coverage under vehicle service contracts sold to consumers by dealer-partners on vehicles financed by us. VSC Re currently reinsures vehicle service contracts that are underwritten by two of our three third party insurers. Vehicle service contract premiums, which represent the selling price of the vehicle service contract to the consumer, less commissions and certain administrative costs, are contributed to trust accounts controlled by VSC Re. These premiums are used to fund claims covered under the vehicle service contracts. VSC Re is a bankruptcy remote entity. As such, the exposure to fund claims is limited to the amount of premium dollars contributed, less amounts earned and withdrawn, plus $0.5 million of equity contributed. With the reinsurance structure, we are able to access projected excess trust assets monthly and will record revenue and expense on an accrual basis in accordance with the short-duration contract provisions of SFAS No. 60, Accounting and Reporting by Insurance Enterprises (SFAS 60). Premiums from the reinsurance of vehicle service contracts are recognized over the life of the policy in proportion to expected costs of servicing those contracts. Expected costs are determined based on historical loss experience. Claims are expensed through a provision for claims in the period the claim was incurred. For the three and six months ended June 30, 2009, net assumed written premiums were $7.1 million and $16.2 million, net premiums earned were $7.2 million and $13.7 million, and provision for claims was $4.8 million and $9.6 million, respectively. For the three and six months ended June 30, 2009, we amortized $0.1 million and $0.2 million, respectively, of capitalized acquisition costs related to premium taxes. Capitalized acquisition costs are amortized over the life of the contracts in proportion to premiums earned. Under FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46), we are considered the primary beneficiary of the trusts and as a result, trust assets of $35.1 million and $29.3 million at June 30, 2009 and December 31, 2008, respectively, have been consolidated on our balance sheet as restricted cash and cash equivalents. As of June 30, 2009 and December 31, 2008, accounts payable and accrued liabilities includes $29.7 million and $23.3 million of unearned premium, and $1.1 million and $0.9 million of claims reserve related to our reinsurance of vehicle service contracts, respectively. The claims reserve is estimated based on historical claims experience.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior to the formation of VSC Re, our agreements with two of our vehicle service contract third party administrators (TPAs) allowed us to receive profit sharing payments depending upon the performance of the vehicle service contract programs. The agreements also required that vehicle service contract premiums be placed in trust accounts. Funds in the trust accounts were utilized by the TPA to pay claims on the vehicle service contracts. Upon the formation of VSC Re during the fourth quarter of 2008, the unearned premiums on the majority of the vehicle service contracts that had been written through these two TPAs were ceded to VSC Re along with any related trust assets. As the trust assets transferred to VSC Re exceeded the ceded unearned premiums, we recorded a deferred gain of $4.3 million upon the formation of VSC Re. The deferred gain will be recognized as premiums earned revenue over the life of the policy in proportion to expected costs of servicing those contracts. Expected costs are determined based on historical loss experience. For the three and six months ended June 30, 2009, $0.6 million and $1.3 million of the deferred gain were amortized into income. Vehicle service contracts written prior to 2008 through one of the TPAs remain under this profit sharing arrangement. Profit sharing payments, if any, on the vehicle service contracts are distributed to us periodically after the term of the vehicle service contracts have substantially expired provided certain loss rates are met. Under FIN 46, we are considered the primary beneficiary of the trusts. As a result, the assets and liabilities of the remaining trust have been consolidated on our balance sheet. As of June 30, 2009 and December 31, 2008, the remaining trust had $4.6 million and $5.4 million in assets available to pay claims and a related claims reserve of $3.8 million and $4.7 million, respectively. The trust assets are included in restricted cash and cash equivalents and restricted securities available for sale. The claims reserve is included in accounts payable and accrued liabilities in the consolidated balance sheets. A third party insures claims in excess of funds in the trust accounts.

We formed VSC Re in order to enhance our control and the security of the trust assets that will be used to pay future vehicle service contract claims. The income we expect to earn from vehicle service contracts over time will likely not be impacted as, both before and after the formation, the income we recognize is based on the amount by which vehicle service contract premiums exceed claims. The only change in our risk associated with adverse claims experience relates to the $0.5 million equity contribution that was required as part of this new structure, which is now at risk in the event claims exceed premiums. Under the prior structure, our risk was limited to the amount of premiums contributed to the trusts.

Our determination to consolidate the VSC Re trusts and the profit sharing trusts under FIN 46 was based on the following:

First, we determined that the trusts qualified as variable interest entities as defined under FIN 46. The trusts have insufficient equity at risk as no parties to the trusts were required to contribute assets that provide them with any ownership interest.

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

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents decreased to $75.7 million at June 30, 2009 from $80.3 million at December 31, 2008. The following table summarizes restricted cash and cash equivalents:

As of

(in thousands)	June 30, 2009	December 31, 2008
Cash collections related to secured financings	$ 38,918	$ 48,956
Cash held in trusts for future vehicle service contract claims (1)	36,745	31,377
Total restricted cash and cash equivalents	$ 75,663	$ 80,333

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Securities Available for Sale

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

Restricted securities available for sale consisted of the following:

	As of June 30, 2009			
(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
US Government and agency securities	$ 843	$ 35	$	$ 878
Corporate bonds	2,013	16	(2)	2,027
Total restricted securities available for sale	$ 2,856	$ 51	$ (2)	$ 2,905

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

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

	As of June 30, 2009		As of December 31, 2008	
(in thousands)	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Contractual Maturity				
Within one year	$ 2,409	$ 2,433	$ 1,665	$ 1,670
Over one year to five years	447	472	1,652	1,675
Total restricted securities available for sale	$ 2,856	$ 2,905	$ 3,317	$ 3,345

Deferred Debt Issuance Costs

As of June 30, 2009 and December 31, 2008, deferred debt issuance costs were $2.6 million (net of accumulated amortization of $6.6 million) and $3.4 million (net of accumulated amortization of $5.6 million), respectively, and are included in other assets in the consolidated balance sheets. Expenses associated with the issuance of debt instruments are capitalized and amortized as interest expense over the term of the debt instrument on a level-yield basis for term secured financings and on a straight-line basis for lines of credit and revolving secured financings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

3. SIGNIFICANT ACCOUNTING POLICIES (Concluded)

New Accounting Pronouncements

Disclosures About Derivative Instruments and Hedging Activities. In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures. The adoption of SFAS 161 on January 1, 2009 had no financial impact on our consolidated financial statements, but expanded our disclosures.

Interim Disclosures about Fair Value of Financial Instruments. In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 is intended to enhance consistency in financial reporting by increasing the frequency of fair value disclosures. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We adopted FSP FAS 107-1 and APB 28-1 for the period ending June 30, 2009. The adoption had no financial impact on our consolidated financial statements, but expanded our interim disclosures.

Recognition and Presentation of Other-Than-Temporary Impairments. In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 amends the other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We adopted FSP FAS 115-2 and FAS 124-2 for the period ending June 30, 2009. The adoption of FSP FAS 115-2 and FAS 124-2 did not have an impact on our consolidated financial statements.

Subsequent Events. In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS 165). SFAS 165 is intended to establish principles and requirements for subsequent events. This SFAS is effective for interim reporting periods ending after June 15, 2009. We adopted SFAS 165 for the period ending June 30, 2009. The adoption had no financial impact on our financial statements, but expanded our disclosures.

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

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

The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (SFAS 168). SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy). This SFAS is effective for interim and annual reporting periods ending after September 15, 2009. We do not expect SFAS 168 to have a material impact on our consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

4. LOANS RECEIVABLE

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

	Three Months Ended June 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 848,091	$ 331,393	$ 1,179,484
New loans	129,565	26,477	156,042
Transfers	(3,598)	3,598	
Dealer Holdback payments	11,154		11,154
Net cash collections on Loans	(126,204)	(35,934)	(162,138)
Write-offs	(1,247)	(14)	(1,261)
Recoveries	728	15	743
Net change in other loans	(12)		(12)
Currency translation	82		82
Balance, end of period	$ 858,559	$ 325,535	$ 1,184,094

	Three Months Ended June 30, 2008		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 831,605	$ 216,788	1,048,393
New loans	141,423	91,214	232,637
Transfers	(584)	584	
Dealer Holdback payments	15,504		15,504
Net cash collections on Loans	(125,920)	(23,871)	(149,791)
Write-offs	(2,368)	(6)	(2,374)
Recoveries	23	9	32
Net change in other loans	(10)		(10)
Currency translation	18		18
Balance, end of period	$ 859,691	$ 284,718	$ 1,144,409

	Six Months Ended June 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 823,567	$ 325,185	$ 1,148,752
New loans	282,746	67,866	350,612
Transfers	(7,928)	7,928	
Dealer Holdback payments	23,965		23,965
Net cash collections on Loans	(263,744)	(75,439)	(339,183)
Write-offs	(1,817)	(35)	(1,852)
Recoveries	1,710	30	1,740

Net change in other loans	1		1
Currency translation	59		59
Balance, end of period	$ 858,559	$ 325,535	$ 1,184,094

	Six Months Ended June 30, 2008		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 804,245	$ 140,453	944,698
New loans	321,396	185,274	506,670
Transfers	(2,098)	2,098	
Dealer Holdback payments	32,746		32,746
Net cash collections on Loans	(271,451)	(43,103)	(314,554)
Write-offs	(25,249)	(19)	(25,268)
Recoveries		15	15
Net change in other loans	151		151
Currency translation	(49)		(49)
Balance, end of period	$ 859,691	$ 284,718	$ 1,144,409

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

4. LOANS RECEIVABLE (Concluded)

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

	Three Months Ended June 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 113,869	$ 17,515	$ 131,384
Provision for credit losses	(1,706)	(2,084)	(3,790)
Write-offs	(1,247)	(14)	(1,261)
Recoveries	728	15	743
Currency translation	77		77
Balance, end of period	$ 111,721	$ 15,432	$ 127,153

	Three Months Ended June 30, 2008		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 112,653	$ 1,172	$ 113,825
Provision for credit losses	15,490	5,270	20,760
Write-offs	(2,368)	(6)	(2,374)
Recoveries	23	9	32
Currency translation	16		16
Balance, end of period	$ 125,814	$ 6,445	$ 132,259

	Six Months Ended June 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 113,831	$ 17,004	$ 130,835
Provision for credit losses	(2,059)	(1,567)	(3,626)
Write-offs	(1,817)	(35)	(1,852)
Recoveries	1,710	30	1,740
Currency translation	56		56
Balance, end of period	$ 111,721	$ 15,432	$ 127,153

	Six Months Ended June 30, 2008		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 133,201	$ 944	$ 134,145
Provision for credit losses	17,904	5,505	23,409
Write-offs	(25,249)	(19)	(25,268)

Recoveries		15	15
Currency translation	(42)		(42)
Balance, end of period	$ 125,814	$ 6,445	$ 132,259

For the three and six months ended June 30, 2009, the provision for credit losses decreased as a result of an improvement in the performance of our Loan portfolio. During the second quarter of 2008, as a result of lower than expected realized collection rates, we reduced estimated future net cash flows expected from our Loan portfolio, which resulted in a provision for credit losses of $20.8 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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5. DEBT

We currently use four primary sources of debt financing: (1) a revolving secured line of credit with a commercial bank syndicate; (2) revolving secured warehouse facilities with institutional investors; (3) SEC Rule 144A asset-backed secured financings (Term ABS 144A) with qualified institutional investors; and (4) a residual credit facility with an institutional investor. General information for each of the Company s financing transactions in place as of June 30, 2009 is as follows (dollars in thousands):

Financings	Wholly-owned Subsidiary	Issue Number	Close Date	Maturity Date	Financing Amount	Interest Rate June 30, 200
lving Line of Credit	n/a	n/a	June 15, 2009	June 23, 2011	$140,000	At the Company option, either the Eurodollar rate pl 275 basis points o prime rate plus 10 basis points
lving Secured house Facility (1)	CAC Warehouse Funding Corp. II	2003-2	August 27, 2008	August 26, 2009	$325,000	Commercial pape plus 100 basis poi or LIBOR plus 20 basis points (4) (5
lving Secured house Facility (1)	CAC Warehouse Funding III, LLC	2008-2	May 27, 2008	May 23, 2011 (6)	$ 50,000	Commercial pape plus 77.5 basis po or LIBOR plus 17 basis points (4) (5
ABS 144A 2007-2 (1)	Credit Acceptance Funding LLC 2007-2	2007-2	October 29, 2007	October 15, 2008 (2)	$100,000	Fixed rate (3)
ABS 144A 2008-1 (1)	Credit Acceptance Funding LLC 2008-1	2008-1	April 18, 2008	April 15, 2009 (2)	$150,000	Fixed rate (3)
ual Credit Facility (1)	Credit Acceptance Residual Funding LLC	2006-3	August 27, 2008	August 26, 2009	$ 50,000	Commercial pape plus 250 basis poi or LIBOR plus 35 basis points (4)

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

(2) Loans will amortize after

the maturity date based on the cash flows of the contributed assets.

(3) *A portion of the outstanding balance is a floating rate obligation that has been converted to a fixed rate obligation via an interest rate swap.*

(4) *The LIBOR rate is used if funding is not available from the commercial paper market.*

(5) *Interest rate cap agreements are in place to limit the exposure to increasing interest rates.*

(6) *Facility revolves until May 23, 2010 and matures on May 23, 2011.*

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

5. DEBT (Continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Revolving Line of Credit				
Maximum outstanding balance	$ 128,900	$ 128,400	$ 128,900	$ 128,400
Average outstanding balance	101,316	74,819	84,001	60,431
Revolving Secured Warehouse Facility (2003-2) (1)				
Maximum outstanding balance	$ 276,900	$ 297,211	$ 276,900	$ 297,211
Average outstanding balance	265,482	272,398	265,193	264,245
Revolving Secured Warehouse Facility (2008-2)				
Maximum outstanding balance	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Average outstanding balance	50,000	50,000	50,000	50,000

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

	As of	
	June 30, 2009	**December 31, 2008**

Revolving Line of Credit		
Balance outstanding	$113,900	$ 61,300
Letter(s) of credit	514	555
Amount available for borrowing	25,586	91,645
Interest rate	4.25%	1.70%
Revolving Secured Warehouse Facility (2003-2)		
Balance outstanding	$255,900	$ 256,000
Amount available for borrowing	69,100	69,000
Contributed eligible Loans	339,608	344,111
Interest rate	1.66%	3.33%
Revolving Secured Warehouse Facility (2008-2)		
Balance outstanding	$ 50,000	$ 50,000
Amount available for borrowing		
Contributed eligible Loans	62,577	62,562
Interest rate	2.06%	2.21%
Term ABS 144A 2007-1		
Balance outstanding	$	$ 33,915
Contributed eligible Dealer Loans		87,155
Interest rate		5.32%
Term ABS 144A 2007-2		
Balance outstanding	$ 36,256	$ 84,260
Contributed eligible Dealer Loans	91,108	114,054
Interest rate	6.22%	6.22%
Term ABS 144A 2008-1		
Balance outstanding	$128,560	$ 150,000
Contributed eligible Loans	176,410	184,595
Interest rate	6.37%	6.37%
Residual Credit Facility		
Balance outstanding	$	$
Certificate Pledged		52,944
Interest rate		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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5. DEBT (Continued)

Line of Credit Facility

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

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

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

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

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

Revolving Secured Warehouse Facilities

We have two revolving secured warehouse facilities that are provided to wholly-owned subsidiaries of the Company. One is a $325.0 million facility with an institutional investor and the other is a $50.0 million facility with another institutional investor.

The $325.0 million facility requires that certain amounts outstanding under the facility be refinanced within 360 days of the most recent refinancing. The most recent refinancing occurred in October of 2008. If such refinancing does not occur, the facility will cease to revolve and will amortize over time as collections are received and, at the option of the institutional investor, may be subject to acceleration and foreclosure.

On August 26, 2009, the $325.0 million warehouse facility matures. If we are unsuccessful in renewing the facility, and alternative financing cannot be obtained, Loan origination volume will be impacted. As of June 30, 2009, $255.9 million was outstanding under the facility. In the event that this facility is not renewed, no further advances would be made under the facility, and the amount outstanding would be repaid by the proceeds from the Loans securing the facility. We currently expect such amounts to be repaid over time as collections on such Loans are received, even if the lender under such facility has the right to cause the Loans securing the facility to be sold to repay the outstanding indebtedness. Although the facility is non-recourse to the Company, the sale of the Loans by the lender at less than their book value could result in significant losses to the Company. As of June 30, 2009, the book value of the Loans was $339.6 million. Given current conditions in the credit markets, there can be no assurance that the facility will be renewed or that alternative financing will be obtained. In addition, we may be required to incur significant fees or other costs in connection with extending or replacing the facility.

On May 23, 2010, our $50.0 million warehouse facility ceases to revolve. After this date, amounts outstanding on the facility will be repaid over time as collections on the Loans securing the facility are received until May 23, 2011, at which time all principal and interest is due in full. As of June 30, 2009, $50.0 million was outstanding under this facility.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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5. DEBT (Continued)

Interest on borrowings under the facilities has been limited to a maximum rate of 6.75% through interest rate cap agreements. The subsidiaries pay us a monthly servicing fee equal to 6% of the collections received with respect to the conveyed Loans. The fee is paid out of the collections. Except for the servicing fee and holdback payments due to dealer-partners, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees and other related costs are paid in full.

Term ABS 144A Financings

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

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

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

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

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

	April 18, 2008	12 months (Through April 15, 2009)

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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5. DEBT (Concluded)

Residual Credit Facility

Another wholly-owned subsidiary, Credit Acceptance Residual Funding LLC (Residual Funding), has a $50.0 million secured credit facility with an institutional investor. This facility allows Residual Funding to finance its purchase of trust certificates from special-purpose entities (the Term SPEs) that have purchased Dealer Loans under our term securitization transactions. Historically, the Term SPEs residual interests in Dealer Loans, represented by their trust certificates, have proven to have value that increases as their term securitization obligations amortize. This facility enables the Term SPEs to realize and distribute to us up to 70% of that increase in value prior to the time the related term securitization senior notes are paid in full.

Residual Funding s interests in Dealer Loans, represented by its purchased trust certificates, are subordinated to the interests of term securitization senior noteholders. However, the entire arrangement is non-recourse to us. Residual Funding is organized as a separate legal entity from the Company. Therefore its assets, including purchased trust certificates, are not available to satisfy our general obligations, even though Residual Funding and the Company are consolidated for financial reporting purposes.

On August 26, 2009, our $50.0 million residual credit facility matures. No amounts were outstanding under the $50.0 million residual credit facility as of June 30, 2009. In the event that this facility is not renewed, any amounts then outstanding under this facility are required to be repaid in full at maturity.

Mortgage Note

We amended the mortgage note on our Southfield headquarters to extend the maturity date to June 22, 2014 and increased the interest rate on the note from 5.35% to 5.70%. The balance on the mortgage note at the time of the amendment was $4.8 million.

Debt Covenants

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

6. DERIVATIVE INSTRUMENTS

Interest Rate Caps. We purchase interest rate cap agreements to manage the interest rate risk on our $325.0 million and $50.0 million revolving secured warehouse facilities. As we have not designated these agreements as hedges as defined under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), as amended, changes in the fair value of these agreements will increase or decrease interest expense.

As of June 30, 2009 and December 31, 2008, seven interest rate cap agreements with various maturities between July 2009 and February 2011 were outstanding with a cap rate of 6.75% and a nominal fair value.

Interest Rate Swaps. We have entered into two interest rate swaps to convert $50.0 million and $150.0 million in floating rate Term ABS 144A asset-backed secured borrowings into fixed rate debt, bearing interest rates of 6.28% and 6.37%, respectively. The interest rate swaps were effective on the closing date of each borrowing. As of June 30, 2009, we had $146.8 million outstanding under those borrowings. The fair value of the interest rate swaps is based on quoted prices for similar instruments in active markets, which are influenced by a number of factors, including interest rates, amount of debt outstanding, and number of months until maturity. As we have not designated the interest rate swap related to the $50.0 million in floating rate debt as a hedge as defined under SFAS 133, changes in the fair value of this swap will increase or decrease interest expense.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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6. DERIVATIVE INSTRUMENTS (Continued)

We have designated the interest rate swap related to the $150.0 million floating rate debt as a cash flow hedge as defined under SFAS 133. The effective portion of changes in the fair value is recorded in other comprehensive income, net of income taxes, and the ineffective portion of changes in fair value is recorded in interest expense. There has been no such ineffectiveness since the inception of this hedge through June 30, 2009.

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

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

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

	Liability Derivatives			
	June 30, 2009		December 31, 2008	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under Statement 133				
Interest rate swap	Accounts payable and accrued liabilities	$ 2,627	Accounts payable and accrued liabilities	$ 4,068
Total derivatives designated as hedging instruments under Statement 133		$ 2,627		$ 4,068
Derivatives not designated as hedging instruments under Statement 133				
Interest rate swap	Accounts payable and accrued liabilities	$ 237	Accounts payable and accrued liabilities	$ 827
Total derivatives not designated as hedging instruments under Statement		$ 237		$ 827

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Total derivatives	$	2,864	$	4,895

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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6. DERIVATIVE INSTRUMENTS (Concluded)

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

Derivatives in Statement 133 Cash Flow Hedging Relationships	Gain / (Loss) Recognized in OCI on Derivative (Effective Portion) Three Months Ended June 30,		Gain / (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		
				Three Months Ended June 30,	
	2009	2008	Location	2009	2008
Interest rate swap	$ (224)	$ (529)	Interest expense	$(1,042)	$(204)

Derivatives in Statement 133 Cash Flow Hedging Relationships	Gain / (Loss) Recognized in OCI on Derivative (Effective Portion) Six Months Ended June 30,		Gain / (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		
				Six Months Ended June 30,	
	2009	2008	Location	2009	2008
Interest rate swap	$ (698)	$ (529)	Interest expense	$(2,139)	$(204)

As of June 30, 2009, we expect to reclassify losses of $2.4 million from Accumulated other comprehensive income into Income during the next twelve months.

Derivatives Not Designated as Hedging Instruments under Statement 133	Amount of Gain / (Loss) Recognized in Income on Derivative				
		Three Months Ended June 30,		Six Months Ended June 30,	
	Location	2009	2008	2009	2008
Interest rate caps	Interest expense	$ 1	$ 51	$	$ (1)
Interest rate swap	Interest expense	24	356	13	(624)
Total		$ 25	$ 407	$ 13	$ (625)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

	As of June 30, 2009		As of December 31, 2008	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Assets				
Cash and cash equivalents and restricted cash	$ 77,272	$ 77,272	$ 83,487	$ 83,487
Restricted securities available for sale	2,905	2,905	3,345	3,345
Net investment in Loans receivable	1,056,941	1,077,746	1,017,917	1,042,790
Liabilities				
Line of credit	$ 113,900	$ 113,900	$ 61,300	$ 61,300
Secured financing	470,716	470,716	574,175	569,811
Mortgage note	4,859	4,859	5,274	5,415
Derivative instruments	2,864	2,864	4,895	4,895

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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7. FAIR VALUE MEASUREMENTS (Concluded)

Effective January 1, 2008, we adopted SFAS 157, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value. As required under SFAS 157, we group assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

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

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

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

The following table provides the fair value measurements of applicable assets and liabilities as of June 30, 2009 (in thousands):

	Level 1	Level 2	Total Fair Value
Assets			
Restricted securities available for sale	$2,905	$	$2,905
Liabilities			
Derivative instruments	$	$2,864	$2,864

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

8. RELATED PARTY TRANSACTIONS

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

Affiliated Dealer Loan balances were $14.1 million and $15.4 million as of June 30, 2009 and December 31, 2008, respectively. Affiliated Dealer Loan balances were 1.6% and 1.9% of total consolidated Dealer Loan balances as of June 30, 2009 and December 31, 2008. A summary of related party Loan activity is as follows (dollars in thousands):

	Three Months Ended June 30, 2009		Three Months Ended June 30, 2008	
	Affiliated dealer-partner activity	% of consolidated	Affiliated dealer-partner activity	% of consolidated
New Dealer and Purchased Loans	$1,591	1.2%	$2,832	2.0%
Dealer Loan revenue	$ 958	1.6%	$1,028	1.9%
Dealer Holdback payments	$ 494	4.4%	$ 591	3.8%

	Six Months Ended June 30, 2009		Six Months Ended June 30, 2008	
	Affiliated dealer-partner activity	% of consolidated	Affiliated dealer-partner activity	% of consolidated
New Dealer and Purchased Loans	$3,621	1.3%	$6,519	2.0%
Dealer Loan revenue	$1,906	1.7%	$2,013	2.0%
Dealer Holdback payments	$1,065	4.4%	$1,130	3.5%

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

9. CAPITAL TRANSACTIONS

Net Income Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Weighted average common and common equivalent shares outstanding:				
Basic number of common shares outstanding	30,600,531	30,252,873	30,510,439	30,179,877
Dilutive effect of stock options	610,172	713,376	582,248	686,682
Dilutive effect of restricted stock and restricted stock units	212,484	122,179	193,047	103,828
Dilutive number of common and common equivalent shares outstanding	31,423,187	31,088,428	31,285,734	30,970,387

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

Stock Compensation Plans

Pursuant to our Incentive Compensation Plan, which was approved by shareholders on May 13, 2004, and subsequently amended and restated on April 6, 2009, we reserved 1.0 million shares of our common stock for the future granting of restricted stock, restricted stock units, stock options, and performance awards to employees, officers, and directors at any time prior to April 1, 2014. At our annual meeting of shareholders on May 21, 2009, our shareholders adopted the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan (the Incentive Plan), which increased the number of shares reserved for granting of restricted stock, restricted stock units, stock options, and performance awards to employees, officers, directors, and contractors at any time prior to April 6, 2019, to 1.5 million shares. The shares available for future grants under the Incentive Plan totaled 379,461 as of June 30, 2009.

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

	Number of Shares Six Months Ended June 30,	
Restricted Stock	**2009**	**2008**
Outstanding Beginning Balance	245,329	201,872
Granted	121,736	80,123
Vested	(105,682)	(20,198)
Forfeited	(10,233)	(9,655)

Outstanding Ending Balance	251,150	252,142

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

9. CAPITAL TRANSACTIONS (Concluded)

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

	Nonvested		Vested		Total	
Restricted Stock Units	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value Per Share	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value Per Share	Number of Restricted Stock Units	Distribution Date of Vested Restricted Stock Units
Outstanding at December 31, 2008	640,000	$ 18.99	60,000	$ 26.30	700,000	
Granted	62,500	21.38			62,500	February 22, 2016
Vested	(60,000)	26.30	60,000	26.30		February 22, 2014
Forfeited	(20,000)	13.51			(20,000)	
Outstanding at June 30, 2009	622,500	$ 18.71	120,000	$ 26.30	742,500	

	Nonvested		Vested		Total	
Restricted Stock Units	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value Per Share	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value Per Share	Number of Restricted Stock Units	Distribution Date of Vested Restricted Stock Units
Outstanding at December 31, 2007	300,000	$ 26.30		$	300,000	
Granted						
Vested	(60,000)	26.30	60,000	26.30		February 22, 2014
Outstanding at June 30, 2008	240,000	$ 26.30	60,000	$ 26.30	300,000	

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

	Three Months Ended June 30,	Six Months Ended June 30,

	2009	2008	2009	2008
Restricted stock	$ 555	$ 369	$ 1,065	$ 713
Restricted stock units	1,116	530	2,090	1,094
	$ 1,671	$ 899	$ 3,155	$ 1,807

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)
(UNAUDITED)

10. BUSINESS SEGMENT INFORMATION

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenue:				
United States	$ 92,375	$ 74,995	$ 180,261	$ 145,755
Other	(2)	10		28
Total revenue	$ 92,373	$ 75,005	$ 180,261	$ 145,783
Income (loss) from continuing operations before provision for income taxes:				
United States	$ 56,994	$ 16,431	$ 102,964	$ 44,292
Other	80	39	65	(110)
Total income from continuing operations before provision for income taxes	$ 57,074	$ 16,470	$ 103,029	$ 44,182

	As of	
	June 30, 2009	December 31, 2008
Segment Assets		
United States	$ 1,169,788	$ 1,139,214
Other	1,504	140
Total Assets	$ 1,171,292	$ 1,139,354

11. COMPREHENSIVE INCOME

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	$ 36,185	$ 10,344	$ 65,186	$ 27,964
Unrealized gain (loss) on securities available for sale, net of tax	15	(38)	14	5
Unrealized gain (loss) on interest rate swap, net of tax	521	(206)	907	(206)
Comprehensive income	$ 36,721	$ 10,100	$ 66,107	$ 27,763

12. SUBSEQUENT EVENTS

In July 2009, we received a revised notice from the IRS, in the form of a 30-day letter, disputing the tax valuation of our Loan portfolio for 2004 through 2006. We disagree with the IRS s proposed position. We are protesting the 30-day letter to the IRS s administrative Appeals Office and will vigorously defend our position. If the IRS were to prevail with their current position without compromise, we would owe $25.5 million of additional federal and state taxes and $10.1 million of interest for the period under audit as well as 2007 and 2008. The $25.5 million of additional taxes is an acceleration of taxes already provided for and recorded as a deferred income tax liability in our balance sheet as of June 30, 2009 and therefore would have no effect on our income statement. As we believe our position will be upheld, we have not recorded a reserve for the interest amounts under FIN 48 at June 30, 2009. If the IRS were to prevail, the payments for interest would reduce our net income by $6.4 million after tax.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in Item 8 Financial Statements and Supplementary Data, of our 2008 Annual Report on Form 10-K, as well as Item 1- Consolidated Financial Statements, in this Form 10-Q.

Critical Success Factors

Critical success factors include the ability to accurately forecast Consumer Loan performance and access to capital.

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

Our strategy for accessing capital is to: (1) maintain consistent financial performance; (2) maintain modest financial leverage; and (3) maintain multiple funding sources. Our funded debt to equity ratio is 1.4:1 at June 30, 2009. We currently use four primary sources of financing: (1) a revolving secured line of credit with a commercial bank syndicate; (2) revolving secured warehouse facilities with institutional investors; (3) SEC Rule 144A asset-backed secured borrowings with qualified institutional investors; and (4) a residual credit facility with an institutional investor.

Consumer Loan Performance

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

	Forecasted Collection Percentage as of				Variance in Forecasted Collection Percentage from		
Consumer Loan Assignment Year	June 30, 2009	March 31, 2009	December 31, 2008	Initial Forecast	March 31, 2009	December 31, 2008	Initial Forecast
2000	72.6%	72.5%	72.5%	72.8%	0.1%	0.1%	-0.2%
2001	67.4%	67.4%	67.4%	70.4%	0.0%	0.0%	-3.0%
2002	70.5%	70.4%	70.4%	67.9%	0.1%	0.1%	2.6%
2003	73.8%	73.8%	73.8%	72.0%	0.0%	0.0%	1.8%
2004	73.3%	73.3%	73.4%	73.0%	0.0%	-0.1%	0.3%
2005	74.0%	74.1%	74.1%	74.0%	-0.1%	-0.1%	0.0%
2006	70.5%	70.5%	70.3%	71.4%	0.0%	0.2%	-0.9%
2007	68.3%	68.2%	67.9%	70.7%	0.1%	0.4%	-2.4%
2008	68.4%	67.9%	67.9%	69.7%	0.5%	0.5%	-1.3%
2009(1)	72.3%	69.3%		70.6%	3.0%		1.7%

(1) The forecasted collection rate for 2009 Consumer Loans as of June 30, 2009

includes both Consumer Loans that were in our portfolio as of March 31, 2009 and Consumer Loans received during the most recent quarter. The following table provides forecasted collection rates for each of these segments:

	Forecasted Collection Percentage as of		
2009 Consumer Loan Assignment Period	**June 30, 2009**	**March 31, 2009**	**Variance**
January 1, 2009 through March 31, 2009	72.8%	69.3%	3.5%
April 1, 2009 through June 30, 2009	71.7%		

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

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

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

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

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

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

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

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

	As of June 30, 2009			
Loan Assignment Year	**Forecasted Collection %**	**Advance %**	**Spread %**	**% of Forecast Realized**
2000	72.6%	47.9%	24.7%	99.4%
2001	67.4%	46.0%	21.4%	99.1%
2002	70.5%	42.2%	28.3%	98.7%
2003	73.8%	43.4%	30.4%	98.4%
2004	73.3%	44.0%	29.3%	97.7%
2005	74.0%	46.9%	27.1%	96.8%
2006	70.5%	46.6%	23.9%	88.8%
2007	68.3%	46.5%	21.8%	67.7%
2008	68.4%	44.6%	23.8%	39.7%
2009	72.3%	43.4%	28.9%	10.6%

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

	Loan Assignment	**Forecasted Collection %**	**Advance %**	**Spread %**

	Year			
Purchased Loans	2007	68.2%	48.8%	19.4%
	2008	67.4%	46.7%	20.7%
	2009	71.9%	45.5%	26.4%
Dealer Loans	2007	68.4%	45.9%	22.5%
	2008	68.9%	43.5%	25.4%
	2009	72.5%	42.9%	29.6%

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

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

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

Unit and dollar volume declined during the first two quarters of 2009 as compared to the same periods in 2008 due to pricing changes implemented during the first nine months of 2008.

The following table summarizes key information regarding Purchased Loans:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2009	**2008**	**2009**	**2008**
New Purchased Loan unit volume as a percentage of total unit volume	14.0%	34.6%	16.1%	31.9%
New Purchased Loan dollar volume as a percentage of total dollar volume	17.0%	39.2%	19.4%	36.6%

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

As of June 30, 2009 and 2008, the net Purchased Loan receivable balance was 29.3% and 27.5%, respectively, of the total net receivable balance.

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The following table summarizes the changes in Consumer Loan unit volume and active dealer-partners:

	Three Months Ended June 30,		
	2009	2008	% change
Consumer Loan unit volume	26,519	31,639	-16.2%
Active dealer-partners (1)	2,304	2,291	0.6%
Average volume per active dealer-partner	11.5	13.8	-16.7%
Consumer Loan unit volume from dealer-partners active both periods	17,497	22,496	-22.2%
Dealer-partners active both periods	1,283	1,283	0.0%
Average volume per dealer-partners active both periods	13.6	17.5	-22.2%
Consumer Loan unit volume from new dealer-partners	1,583	1,563	1.3%
New active dealer-partners (2)	276	291	-5.2%
Average volume per new active dealer-partners	5.7	5.4	5.6%
Attrition (3)	-28.9%	-19.5%	

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

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

(3) Attrition is measured

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

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Results of Operations

Three and Six Months Ended June 30, 2009 Compared to Three and Six Months Ended June 30, 2008

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

(Dollars in thousands, except per share data)	Three Months Ended June 30, 2009	% of Revenue	Three Months Ended June 30, 2008	% of Revenue
Revenue:				
Finance charges	$ 81,124	87.8%	$ 70,827	94.5%
Premiums earned	7,201	7.8	21	
Other income	4,048	4.4	4,157	5.5
Total revenue	92,373	100.0	75,005	100.0
Costs and expenses:				
Salaries and wages	16,515	17.9	16,699	22.2
General and administrative	6,897	7.5	6,627	8.8
Sales and marketing	3,566	3.8	4,556	6.1
Provision for credit losses	(3,790)	(4.1)	20,760	27.7
Interest	7,285	7.9	9,884	13.2
Provision for claims	4,829	5.2	9	
Total costs and expenses	35,302	38.2	58,535	78.0
Operating income	57,071	61.8	16,470	22.0
Foreign currency gain	3			
Income from continuing operations before provision for income taxes	57,074	61.8	16,470	22.0
Provision for income taxes	20,924	22.7	6,091	8.1
Income from continuing operations	36,150	39.1	10,379	13.9
Discontinued operations				
Gain (loss) from discontinued United Kingdom operations	49	0.1	(12)	
Provision for income taxes	14		23	
Gain (loss) from discontinued operations	35	0.1	(35)	
Net income	$ 36,185	39.2%	$ 10,344	13.9%
Net income per common share:				
Basic	$ 1.18		$ 0.34	

Diluted	$	1.15	$	0.33
Income from continuing operations per common share:				
Basic	$	1.18	$	0.34
Diluted	$	1.15	$	0.33
Gain (loss) from discontinued operations per common share:				
Basic	$		$	
Diluted	$		$	
Weighted average shares outstanding:				
Basic		30,600,531		30,252,873
Diluted		31,423,187		31,088,428

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(Dollars in thousands, except per share data)	Six Months Ended June 30, 2009	% of Revenue	Six Months Ended June 30, 2008	% of Revenue
Revenue:				
Finance charges	$ 157,850	87.6%	$ 134,502	92.3%
Premiums earned	13,661	7.6	53	
Other income	8,750	4.8	11,228	7.7
Total revenue	180,261	100.0	145,783	100.0
Costs and expenses:				
Salaries and wages	33,636	18.7	34,439	23.7
General and administrative	14,895	8.3	13,751	9.4
Sales and marketing	7,487	4.1	9,227	6.3
Provision for credit losses	(3,626)	(2.0)	23,409	16.1
Interest	15,208	8.4	20,748	14.2
Provision for claims	9,638	5.3	14	
Total costs and expenses	77,238	42.8	101,588	69.7
Operating income	103,023	57.2	44,195	30.3
Foreign currency gain (loss)	6		(13)	
Income from continuing operations before provision for income taxes	103,029	57.2	44,182	30.3
Provision for income taxes	37,867	21.0	16,222	11.1
Income from continuing operations	65,162	36.2	27,960	19.2
Discontinued operations				
Gain from discontinued United Kingdom operations	34		44	
Provision for income taxes	10		40	
Gain from discontinued operations	24		4	
Net income	$ 65,186	36.2%	$ 27,964	19.2%
Net income per common share:				
Basic	$ 2.14		$ 0.93	
Diluted	$ 2.08		$ 0.90	
Income from continuing operations per common share:				
Basic	$ 2.14		$ 0.93	

Diluted	$ 2.08	$ 0.90
Gain from discontinued operations per common share:		
Basic	$	$
Diluted	$	$
Weighted average shares outstanding:		
Basic	30,510,439	30,179,877
Diluted	31,285,734	30,970,387

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Continuing Operations

Three and Six Months Ended June 30, 2009 Compared to Three and Six Months Ended June 30, 2008

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

	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Average outstanding balance of Loan portfolio	7.1%	12.5%
Finance charges	14.5%	17.4%
Operating expenses	-3.2%	-2.4%
Provision for credit losses	-118.3%	-115.5%
Interest expense	-26.3%	-26.7%
Income from continuing operations	248.3%	133.1%

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

- Increased finance charges due primarily to the increase in the average outstanding balance of our Loan portfolio and an increase in the average yield on our Loan portfolio;
- Decreased provision for credit losses due to an improvement in the performance of our Loan portfolio;
- Decreased interest expense due to a reduction in market rates on our floating rate outstanding debt and a reduction in the average outstanding debt balance; and
- Decreased operating expenses due to:
  - Reduced expenses related to information technology.
  - An increased percentage of Loan origination costs being deferred due to a decrease in the Purchased Loan unit volume as a percentage of total unit volume.
  - Lower sales commissions due to a reduction in unit volume.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2009	2008	2009	2008
Premiums earned less provision for claims, after tax	$ 1,491	$	$ 2,529	$
Earnings from profit sharing payments, after tax		9	74	1,404
	$ 1,491	$ 9	$ 2,603	$ 1,404

Finance Charges. For the three months ended June 30, 2009, finance charges increased $10.3 million, or 14.5%, as compared to the same period in 2008. For the six months ended June 30, 2009, finance charges increased $23.3 million, or 17.4%, as compared to the same period in 2008. The increases were primarily the result of:

An increase in the average Loans receivable balance due to growth in new Loan volume in 2007 and during the first nine months of 2008.

An increase in the average yield on our Loan portfolio resulting from pricing changes implemented during the first nine months of 2008 and an increase in forecasted collection rates during the first six months of 2009. For the three months ended June 30, 2009 and 2008, the average yield on our Loan portfolio was 30.6% and 27.9%, respectively. For the six months ended June 30, 2009 and 2008, the average yield on our Loan portfolio was 30.0% and 28.2%, respectively.

Premiums Earned and Provision for Claims. For the three months ended June 30, 2009, premiums earned and provision for claims increased $7.2 million and $4.8 million, respectively, as compared to the same period in 2008. For the six months ended June 30, 2009, premiums earned and provision for claims increased $13.6 million and $9.6 million, respectively, as compared to the same period in 2008.

During the fourth quarter of 2008, we formed VSC Re in order to enhance our control over and the security in the trust assets that will be used to pay future vehicle service contract claims. VSC Re currently reinsures vehicle service contracts that are underwritten by two of our three third party insurers. Premiums from the reinsurance of vehicle service contracts are recognized over the life of the policy in proportion to expected costs of servicing those contracts. Expected costs are determined based on historical loss experience. A provision for claims is recognized in the period the claims are incurred.

The amount of income we expect to earn from the vehicle service contracts over time is not expected to be impacted by the formation of VSC Re, as both before and after the formation, the income we recognize is based on the amount by which vehicle service contract premiums exceed claims. However, the formation of VSC Re impacts the timing of income recognition and the income statement presentation. Prior to the formation of VSC Re, our agreements with vehicle service contract third party administrators (TPAs) allowed us to receive profit sharing payments depending upon the performance of the vehicle service contract programs. Profit sharing payments were received periodically, primarily during the first quarter of each year, and were recognized on a net basis (premiums earned less claims incurred) as other income in the period received.

Other Income. For the three months ended June 30, 2009, other income decreased $0.1 million, or 2.6%, as compared to the same period in 2008. For the six months ended June 30, 2009, other income decreased $2.5 million, or 22.1%, as compared to the same period in 2008.

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

- The formation of VSC Re, as discussed above, which eliminated the profit sharing arrangements related to vehicle service contracts, except for vehicle service contracts written prior to 2008 through one of the TPAs. For the six months ended June 30, 2008, we earned $1.4 million (after-tax) related to vehicle service contract profit sharing payments compared to $0.1 million for the same period in 2009.

- An increase in GAP claims paid as a percentage of premiums written resulting in lower GAP profit sharing payments. For the six months ended June 30, 2009 and 2008, we received GAP profit sharing payments of $0.1 million and $0.7 million, respectively.

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

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

Salaries and Wages. For the three months ended June 30, 2009, salaries and wages expense decreased $0.2 million, or 1.1%, as compared to the same period in 2008. For the six months ended June 30, 2009, salaries and wages expense decreased $0.8 million, or 2.3%, as compared to the same period in 2008. The decreases were primarily the result of:

- An increased percentage of Loan origination costs being deferred due to a decrease in the Purchased Loan unit volume as a percentage of total unit volume. For Dealer Loans, certain underwriting costs are considered Loan origination costs and are deferred and expensed over the life of the Loan as an adjustment to finance charge revenue while, for Purchased Loans, all underwriting costs are expensed immediately. Since Purchased Loans represent a smaller proportion of our business, the deferral was higher for the three and six months ended June 30, 2009, as compared to the same periods in 2008. Deferring the same proportion of expenses during the three and six months ended June 30, 2009 would have increased salaries and wages by approximately $0.6 million and $1.2 million, respectively.

- Decreases of $0.4 million and $0.9 million in salaries and wages related to Information Technology for the three and six months ended June 30, 2009, respectively, as compared to the same periods in 2008.

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Sales and Marketing. For the three months ended June 30, 2009, sales and marketing expense decreased $1.0 million, or 21.7%, as compared to the same period in 2008. For the six months ended June 30, 2009, sales and marketing expense decreased $1.7 million, or 18.9%, as compared to the same period in 2008. The decreases in sales and marketing expense were primarily due to lower sales commissions reflecting decreases of 16.2% and 14.4% in the unit volume of Loan originations for the three and six months ended June 30, 2009, respectively, and the discontinuance of certain dealer-partner support programs and lower utilization of various other dealer-partner programs.

Provision for Credit Losses. For the three months ended June 30, 2009, the provision for credit losses decreased $24.6 million, or 118.3%, as compared to the same period in 2008. For the six months ended June 30, 2009, the provision for credit losses decreased $27.0 million, or 115.5%, as compared to the same period in 2008. These decreases were a result of an improvement in the performance of our Loan portfolio. During the second quarter of 2008, as a result of lower than expected realized collection rates, we reduced estimated future net cash flows by $22.2 million or 1.7% of the total undiscounted net cash flow stream expected from our Loan portfolio, which resulted in a provision for credit losses of $20.8 million.

Interest. For the three months ended June 30, 2009, interest expense decreased $2.6 million, or 26.3%, as compared to the same period in 2008. For the six months ended June 30, 2009, interest expense decreased $5.5 million, or 26.7%, as compared to the same period in 2008. The following table shows interest expense, the average outstanding debt balance, and the pre-tax average cost of debt for the three and six months ended June 30, 2009 and 2008:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Dollars in thousands)	**2009**	**2008**	**2009**	**2008**
Interest expense	$ 7,285	$ 9,884	$ 15,208	$ 20,748
Average outstanding debt balance	$ 604,863	$ 686,148	$ 614,571	$ 635,471
Pre-tax average cost of debt	4.8%	5.8%	4.9%	6.5%

The decrease in interest expense was primarily the result of a reduction in our pre-tax average cost of debt due to reductions in market rates and a reduction in the average outstanding debt balance.

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Liquidity and Capital Resources

We need capital to fund new Loans and pay Dealer Holdback. Our primary sources of capital are cash flows from operating activities, collections of Consumer Loans and borrowings through four primary sources of financing: (1) a revolving secured line of credit with a commercial bank syndicate; (2) revolving secured warehouse facilities with institutional investors; (3) SEC Rule 144A asset-backed secured borrowings with qualified institutional investors; and (4) a residual credit facility with an institutional investor. There are various restrictive debt covenants for each source of financing and we are in compliance with those covenants as of June 30, 2009. For information regarding these financings and the covenants included in the related documents, see Note 5 to the consolidated financial statements, which are incorporated herein by reference.

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

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

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

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

On August 26, 2009, our $325.0 million warehouse facility and our $50.0 million residual credit facility (collectively referred to as the maturing facilities) mature. If we are unsuccessful in renewing the maturing facilities, and alternative financing cannot be obtained, Loan origination volume will be impacted. As of June 30, 2009, $255.9 million was outstanding under the $325.0 million warehouse facility. In the event that this facility is not renewed, no further advances would be made under the facility, and the amount outstanding would be repaid by the proceeds from the Loans securing the facility. We currently expect such amounts to be repaid over time as collections on such Loans are received, even if the lender under such facility has the right to cause the Loans securing the facility to be sold to repay the outstanding indebtedness. Although the facility is non-recourse to the Company, the sale of the Loans by the lender at less than their book value could result in significant losses to the Company. As of June 30, 2009, the book value of the Loans was $339.6 million. No amounts were outstanding under the $50.0 million residual credit facility as of June 30, 2009. In the event that this facility is not renewed, any amounts then outstanding under this facility are required to be repaid in full at maturity. Given current conditions in the credit markets, there can be no assurance that the maturing facilities will be renewed or that alternative financing will be obtained. In addition, we may be required to incur significant fees or other costs in connection with extending or replacing these facilities.

On May 23, 2010, our $50.0 million warehouse facility ceases to revolve. After this date, amounts outstanding on the facility will be repaid over time as collections on the Loans securing the facility are received until May 23, 2011, at which time all principal and interest is due in full. As of June 30, 2009, $50.0 million was outstanding under this facility.

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Our Loan origination volume for the remainder of 2009 and 2010 will depend on our success in securing additional financing and renewing our existing debt facilities. The following two tables summarize estimated Loan origination volumes under two scenarios: (1) the maturing facilities are renewed (or replaced); and (2) the maturing facilities are not renewed. Under both scenarios, it is assumed that no additional capital will be obtained and the $50.0 million warehouse facility will not be renewed when it ceases to revolve in May 2010.

		Maximum for the Year Ended December 31, 2009	
(Dollars in millions)	Year Ended December 31, 2008	Assuming Maturing Facilities are Renewed (or Replaced)	Assuming Maturing Facilities are Not Renewed (or Replaced)
Loan origination volume	$ 805	$ 635	$ 575
Average Loans receivable balance, net	$ 967	$1,060	$ 1,050

	Range for the Year Ended December 31, 2010	
(Dollars in millions)	Assuming Maturing Facilities are Renewed (or Replaced)	Assuming Maturing Facilities are Not Renewed (or Replaced)
Loan origination volume	$775 - $825	$445 - $495
Average loans receivable balance, net	$1,115 - $1,135	$925 - $950

For the six months ended June 30, 2009, Loan origination volume was $350.6 million.

Cash and cash equivalents decreased to $1.6 million as of June 30, 2009 from $3.2 million at December 31, 2008. Our total balance sheet indebtedness decreased to $590.1 million at June 30, 2009 from $641.7 million at December 31, 2008 as the net cash provided by our operating activities and principal collections from our Loan portfolio exceeded the cash used to fund new Loans.

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Contractual Obligations

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

	Payments Due by Period				
	Total	Less than 1 year	1-3 Years	3-5 Years	Other
Long-term debt, including current maturities and capital leases (1)	$ 590,114	$ 387,053	$ 199,146	$ 3,915	$
Operating lease obligations	3,282	917	1,884	481	
Purchase obligations (2)	228	196	32		
Other future obligations (3)	12,521				12,521
Total contractual obligations (4)	$ 606,145	$ 388,166	$ 201,062	$ 4,396	$ 12,521

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

and the actual interest rates in effect as of June 30, 2009, interest is expected to be approximately \$7.5 million during 2009; \$8.3 million during 2010; and \$3.4 million during 2011 and thereafter.

(2) Purchase obligations consist solely of contractual obligations related to the information system needs of the Company.

(3) Other future obligations included in the above table consist solely of reserves for uncertain tax positions recognized under FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Tax An Interpretation of FASB Statement No. 109 (FIN 48).

(4) We have contractual obligations to pay Dealer

Holdback to our dealer-partners; however, as payments of Dealer Holdback are contingent upon the receipt of customer payments and the repayment of advances, these obligations are excluded from the table above.

Based upon anticipated cash flows, management believes that cash flows from operations and its various financing alternatives will provide sufficient financing for debt maturities and for future operations, subject, as discussed above, to the need to reduce Loan originations if we are unable to renew or refinance our maturing facilities. Our ability to borrow funds may be impacted by economic and financial market conditions. If the various financing alternatives were to become limited or unavailable to us, our operations and liquidity could be materially and adversely affected.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we review our accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2008 discusses several critical accounting estimates, which we believe involve a high degree of judgment and complexity. There have been no material changes to the estimates and assumptions associated with these accounting estimates from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2008.

Off-Balance Sheet Arrangements

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

Forward-Looking Statements

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

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of our forward-looking statements. These forward-looking statements represent our outlook only as of the date of this report. While we believe that our forward-looking statements are reasonable, actual results could differ materially since the statements are based on our current expectations, which are subject to risks and uncertainties. Factors that might cause such a difference include, but are not limited to, the factors set forth in Item 1A of our Form 10-K for the year ended December 31, 2008, other risk factors discussed herein or listed from time to time in our reports filed with the Securities and Exchange Commission and the following:

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

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

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

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

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

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

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

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

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

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

We are dependent on our senior management and the loss of any of these individuals or an inability to hire additional team members could adversely affect our ability to operate profitably.

Our inability to properly safeguard confidential consumer information.

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

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

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

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures.

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

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

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PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our Annual Meeting of Shareholders on May 21, 2009 at which the shareholders considered the following proposals:

Election of five directors to serve until the 2010 Annual Meeting of Shareholders.

Approval of the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan and certain previously granted awards.

Ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for 2009.

Each of the five director nominees were elected, the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan and certain previously granted awards were approved, and the selection of Grant Thornton LLP was ratified. The following table summarizes the votes:

Director Nominee	**For**	**Withheld**
Donald A. Foss	29,445,008	114,097
Glenda J. Chamberlain	29,522,165	36,940
Brett A. Roberts	29,455,886	103,219
Thomas N. Tryforos	29,493,295	65,810
Scott J. Vassalluzzo	29,514,759	44,346

Incentive Plan Items	**For**	**Withheld**	**Abstain**	**Non-votes**
Approval of the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan and certain previously granted awards	27,393,660	114,030	3,111	2,048,304

Auditor Selection	**For**	**Withheld**	**Abstain**
Grant Thornton LLP	29,544,930	6,830	7,345

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ITEM 6. EXHIBITS

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

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SIGNATURE

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

CREDIT ACCEPTANCE CORPORATION
(Registrant)

By: /s/ Kenneth S. Booth
Kenneth S. Booth
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
August 5, 2009

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Exhibit No.		Description
4(f)(120)	1	Seventh Amendment, dated as of June 15, 2009, to Fourth Amended and Restated Credit Agreement, dated February 7, 2006, between the Credit Acceptance Corporation, the Banks which are parties thereto from time to time, and Comerica Bank as Administrative Agent for the Banks.
10(q)(10)	2	Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, as amended, April 6, 2009.
31(a)	3	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	3	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	3	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	3	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

1. Previously filed as an exhibit to the Company s Current Report on Form 8-K, dated June 18, 2009, and incorporated herein by reference.

2. Previously filed as Annex A to the Company s Definitive Proxy Statement on Schedule 14A, dated April 10, 2009, and incorporated herein by reference.

3. Filed herewith.