

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

OR

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

For the transition period from _____ to _____

Commission file number 000-20202

CREDIT ACCEPTANCE CORPORATION

(Exact name of registrant as specified in its charter)

Michigan

38-1999511

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

25505 W. Twelve Mile Road

Southfield, Michigan

48034-8339

(Address of principal executive offices)

(Zip Code)

(248) 353-2700

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

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

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

The number of shares of Common Stock, \$.01 par value, outstanding on April 24, 2023 was 12,837,483.

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PART I. - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

(Dollars in millions, except per share data)

	As of	
	March 31, 2023	December 31, 2022
ASSETS:		
Cash and cash equivalents	\$ 8.1	\$ 7.7
Restricted cash and cash equivalents	480.0	410.0
Restricted securities available for sale	76.4	72.3
Loans receivable	9,384.3	9,165.5
Allowance for credit losses	(2,884.0)	(2,867.8)
Loans receivable, net	<u>6,500.3</u>	<u>6,297.7</u>
Property and equipment, net	50.1	51.4
Income taxes receivable	11.0	8.7
Other assets	29.0	56.9
Total Assets	<u>\$ 7,154.9</u>	<u>\$ 6,904.7</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 257.3	\$ 260.8
Revolving secured line of credit	145.1	30.9
Secured financing	3,771.8	3,756.4
Senior notes	795.0	794.5
Mortgage note	8.8	8.9
Deferred income taxes, net	451.2	426.7
Income taxes payable	2.3	2.5
Total Liabilities	<u>5,431.5</u>	<u>5,280.7</u>
Commitments and Contingencies - See Note 15		
Shareholders' Equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$.01 par value, 80,000,000 shares authorized, 12,836,907 and 12,756,885 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	0.1	0.1
Paid-in capital	252.1	245.7
Retained earnings	1,473.3	1,381.1
Accumulated other comprehensive loss	(2.1)	(2.9)
Total Shareholders' Equity	<u>1,723.4</u>	<u>1,624.0</u>
Total Liabilities and Shareholders' Equity	<u>\$ 7,154.9</u>	<u>\$ 6,904.7</u>

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Dollars in millions, except per share data)

	For the Three Months Ended March 31,	
	2023	2022
Revenue:		
Finance charges	\$ 421.1	\$ 424.1
Premiums earned	17.4	13.8
Other income	15.3	17.8
Total revenue	453.8	455.7
Costs and expenses:		
Salaries and wages	77.2	64.4
General and administrative	18.0	18.9
Sales and marketing	22.1	19.2
Total operating expenses	117.3	102.5
Provision for credit losses on forecast changes	44.3	(79.3)
Provision for credit losses on new Consumer Loan assignments	93.1	102.6
Total provision for credit losses	137.4	23.3
Interest	54.4	36.5
Provision for claims	17.9	8.9
Total costs and expenses	327.0	171.2
Income before provision for income taxes	126.8	284.5
Provision for income taxes	27.3	70.2
Net income	\$ 99.5	\$ 214.3
Net income per share:		
Basic	\$ 7.62	\$ 15.02
Diluted	\$ 7.61	\$ 14.94
Weighted average shares outstanding:		
Basic	13,057,617	14,268,518
Diluted	13,073,316	14,341,523

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In millions)	For the Three Months Ended March 31,	
	2023	2022
Net income	\$ 99.5	\$ 214.3
Other comprehensive gain (loss), net of tax:		
Unrealized gain (loss) on securities, net of tax	0.8	(1.7)
Other comprehensive gain (loss)	0.8	(1.7)
Comprehensive income	\$ 100.3	\$ 212.6

See accompanying notes to consolidated financial statements.

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

(Dollars in millions)

	For the Three Months Ended March 31, 2023					
	Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Number	Amount				
Balance, beginning of period	12,756,885	\$ 0.1	\$ 245.7	\$ 1,381.1	\$ (2.9)	\$ 1,624.0
Net income	—	—	—	99.5	—	99.5
Other comprehensive income	—	—	—	—	0.8	0.8
Stock-based compensation	—	—	9.9	—	—	9.9
Repurchase of common stock	(33,035)	—	(7.6)	(7.3)	—	(14.9)
Restricted stock units converted to common stock	100,757	—	—	—	—	—
Stock options exercised	12,300	—	4.1	—	—	4.1
Balance, end of period	<u>12,836,907</u>	<u>\$ 0.1</u>	<u>\$ 252.1</u>	<u>\$ 1,473.3</u>	<u>\$ (2.1)</u>	<u>\$ 1,723.4</u>

(Dollars in millions)

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

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)	For the Three Months Ended March 31,	
	2023	2022
Cash Flows From Operating Activities:		
Net income	\$ 99.5	\$ 214.3
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	137.4	23.3
Depreciation	2.2	2.3
Amortization	4.2	4.3
Provision for deferred income taxes	24.2	11.0
Stock-based compensation	9.9	9.1
Other	0.3	0.1
Change in operating assets and liabilities:		
Increase (decrease) in accounts payable and accrued liabilities	(6.0)	43.1
Decrease (increase) in income taxes receivable	(2.3)	56.3
Decrease in income taxes payable	(0.2)	—
Decrease in other assets	27.3	12.3
Net cash provided by operating activities	296.5	376.1
Cash Flows From Investing Activities:		
Purchases of restricted securities available for sale	(11.4)	(11.4)
Proceeds from sale of restricted securities available for sale	5.6	5.4
Maturities of restricted securities available for sale	2.5	3.4
Principal collected on Loans receivable	823.3	961.9
Advances to Dealers	(745.9)	(633.8)
Purchases of Consumer Loans	(349.4)	(289.7)
Accelerated payments of Dealer Holdback	(10.8)	(9.4)
Payments of Dealer Holdback	(57.2)	(43.2)
Purchases of property and equipment	(0.9)	(1.7)
Net cash used in investing activities	(344.2)	(18.5)
Cash Flows From Financing Activities:		
Borrowings under revolving secured line of credit	1,522.3	697.8
Repayments under revolving secured line of credit	(1,408.1)	(595.7)
Proceeds from secured financing	601.0	211.7
Repayments of secured financing	(585.5)	(193.8)
Payments of debt issuance costs	(3.4)	(0.8)
Repurchase of common stock	(14.9)	(423.0)
Proceeds from stock options exercised	4.1	5.9
Other	2.6	4.8
Net cash provided by (used in) financing activities	118.1	(293.1)
Net increase in cash and cash equivalents and restricted cash and cash equivalents	70.4	64.5
Cash and cash equivalents and restricted cash and cash equivalents beginning of period	417.7	434.2
Cash and cash equivalents and restricted cash and cash equivalents end of period	\$ 488.1	\$ 498.7
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 50.6	\$ 33.6
Cash paid during the period for income taxes, net of refunds	\$ 3.4	\$ 0.6

See accompanying notes to consolidated financial statements.

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

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles” or “GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of actual results achieved for full fiscal years. The consolidated balance sheet as of December 31, 2022 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2022 for Credit Acceptance Corporation (the “Company”, “Credit Acceptance”, “we”, “our” or “us”).

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

We have evaluated events and transactions occurring subsequent to the consolidated balance sheet date of March 31, 2023 for items that could potentially be recognized or disclosed in these financial statements. For additional information regarding subsequent events, see Note 16.

2. DESCRIPTION OF BUSINESS

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

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

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

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

Consumer Loan Assignment Volume	For the Three Months Ended March 31,	
	2023	2022
Percentage of total unit volume with either FICO® scores below 650 or no FICO® scores	84.5 %	87.9 %

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

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

Three Months Ended	Unit Volume		Dollar Volume (1)	
	Dealer Loans	Purchased Loans	Dealer Loans	Purchased Loans
March 31, 2022	72.7 %	27.3 %	68.6 %	31.4 %
June 30, 2022	74.0 %	26.0 %	70.4 %	29.6 %
September 30, 2022	74.3 %	25.7 %	70.5 %	29.5 %
December 31, 2022	73.1 %	26.9 %	69.6 %	30.4 %
March 31, 2023	72.1 %	27.9 %	68.1 %	31.9 %

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

Portfolio Program

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

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

We record the amount advanced to the Dealer as a Dealer Loan, which is classified within Loans receivable in our consolidated balance sheets. Cash advanced to the Dealer is automatically assigned to the Dealer’s open pool of advances. Dealers make an election as to how many Consumer Loans (either 50 or 100) will be assigned to an open pool before it is closed, and subsequent advances are assigned to a new pool. Unless we receive a request from the Dealer to keep a pool open, we automatically close each pool based on the Dealer’s election. All advances within a Dealer’s pool are secured by the future collections on the related Consumer Loans assigned to the pool. For Dealers with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for Dealer Holdback. We perfect our security interest with respect to the Dealer Loans by obtaining control or taking possession of the Consumer Loans, which list us as lien holder on the vehicle title.

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

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

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

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

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

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

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

Purchase Program

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

Program Enrollment

Dealers are granted access to our Portfolio Program upon enrollment. Access to the Purchase Program is typically only granted to Dealers that meet one of the following:

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

Seasonality

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Segment Information

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

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash equivalents consist of readily marketable securities with original maturities at the date of acquisition of three months or less. As of March 31, 2023 and December 31, 2022, we had \$7.8 million and \$7.1 million, respectively, in cash and cash equivalents that were not insured by the Federal Deposit Insurance Corporation ("FDIC").

Restricted cash and cash equivalents consist of cash pledged as collateral for secured financings and cash held in a trust for future vehicle service contract claims. As of March 31, 2023 and December 31, 2022, we had \$476.5 million and \$406.5 million, respectively, in restricted cash and cash equivalents that were not insured by the FDIC.

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

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

(In millions)	As of			
	March 31, 2023	December 31, 2022	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 8.1	\$ 7.7	\$ 17.6	\$ 23.3
Restricted cash and cash equivalents	480.0	410.0	481.1	410.9
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 488.1</u>	<u>\$ 417.7</u>	<u>\$ 498.7</u>	<u>\$ 434.2</u>

Restricted Securities Available for Sale

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

Loans Receivable and Allowance for Credit Losses

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

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

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

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

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

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

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

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

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

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

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

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

Consumer Loans assigned to us on or subsequent to January 1, 2020 do not qualify for the PCD Method and are accounted for as originated financial assets (“Originated Method”). While the cash flows we expect to collect at the time of assignment are significantly lower than the contractual cash flows owed to us due to credit quality, our Loans do not qualify for the PCD Method because the assignment of the Consumer Loan to us occurs a moment after the Consumer Loan is originated by the Dealer, so “a more-than-insignificant deterioration in credit quality since origination” has not occurred at the time of assignment. In addition, Dealer Loans also do not qualify for the PCD Method because Consumer Loans assigned to us under the Portfolio Program are considered to be advances under Dealer Loans originated by us rather than Consumer Loans purchased by us.

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

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

The effective interest rate and initial allowance for credit losses are significantly higher for Consumer Loans assigned under the Purchase Program than for Consumer Loans assigned under the Portfolio Program, as contractual net cash flows exceed expected net cash flows by a significantly greater margin under the Purchase Program. Under the Purchase Program, we retain all contractual collections that exceed our initial expectations. Under the Portfolio Program, contractual collections that exceed our initial expectations are substantially offset by additional Dealer Holdback payments.

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

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

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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We fully write off the outstanding balances of a Loan and the related allowance for credit losses once we are no longer forecasting any expected future net cash flows on the Loan. Under our partial write-off policy, we write off the amount of the outstanding balances of a Loan and the related allowance for credit losses, if any, that exceeds 200% of the present value of expected future net cash flows on the Loan, as we deem this amount to be uncollectable.

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

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

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

Methodology Changes. During the first quarter of 2022, we removed the COVID forecast adjustment from our estimate of future net cash flows and enhanced our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent data and new forecast variables. For additional information, see Note 6. For the three months ended March 31, 2023 and 2022, we did not make any other methodology changes for Loans that had a material impact on our financial statements.

Finance Charges

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

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

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

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

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

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

We report the change in the present value of credit losses attributable to the passage of time as a reduction to finance charges. Accordingly, we allocate finance charges recognized on each Loan between the Loan receivable and the related allowance for credit losses. The amount of finance charges allocated to the Loan receivable is equal to the effective interest rate applied to the Loans receivable balance. The reduction of finance charges allocated to the allowance for credit losses is equal to the effective interest rate applied to the allowance for credit losses balance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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Reinsurance

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

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

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

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

New Accounting Updates Adopted During the Current Year

Troubled Debt Restructurings and Vintage Disclosures. In March 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2022-02, which intends to improve the usefulness of information provided to investors about certain loan refinancings, restructurings, and write-offs. The adoption of ASU 2022-02 on January 1, 2023 expanded our write-off disclosures, but did not otherwise have a material impact on our consolidated financial statements.

Reference Rate Reform: Deferral of the Sunset Date. In December 2022, the FASB issued ASU 2022-06, which amends ASU 2020-04 to extend the period of time preparers can utilize the reference rate reform relief guidance during the phaseout of the London Interbank Offered Rate (“LIBOR”). ASU 2022-06 defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The adoption of ASU 2022-06 on January 1, 2023 did not have a material impact on our consolidated financial statements or related disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Secured Financing. The fair value of certain asset-backed secured financings (“Term ABS” financings) is determined using quoted market prices in an active market. For our warehouse facilities and certain other Term ABS financings, the fair values are determined by calculating the present value of each debt instrument based on current rates for debt with similar risk profiles and maturities.

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

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

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

(In millions)	As of March 31, 2023		As of December 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	\$ 8.1	\$ 8.1	\$ 7.7	\$ 7.7
Restricted cash and cash equivalents	480.0	480.0	410.0	410.0
Restricted securities available for sale	76.4	76.4	72.3	72.3
Loans receivable, net	6,500.3	7,009.5	6,297.7	6,767.9
Liabilities				
Revolving secured line of credit	\$ 145.1	\$ 145.1	\$ 30.9	\$ 30.9
Secured financing	3,771.8	3,743.5	3,756.4	3,581.9
Senior notes	795.0	758.0	794.5	759.0
Mortgage note	8.8	8.8	8.9	8.9

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

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

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

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

(In millions)

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	\$ 8.1	\$ —	\$ —	\$ 8.1
Restricted cash and cash equivalents (1)	480.0	—	—	480.0
Restricted securities available for sale (2)	61.5	14.9	—	76.4
Loans receivable, net (1)	—	—	7,009.5	7,009.5
Liabilities				
Revolving secured line of credit (1)	\$ —	\$ 145.1	\$ —	\$ 145.1
Secured financing (1)	2,943.4	800.1	—	3,743.5
Senior notes (1)	758.0	—	—	758.0
Mortgage note (1)	—	8.8	—	8.8

(In millions)

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	\$ 7.7	\$ —	\$ —	\$ 7.7
Restricted cash and cash equivalents (1)	410.0	—	—	410.0
Restricted securities available for sale (2)	58.7	13.6	—	72.3
Loans receivable, net (1)	—	—	6,767.9	6,767.9
Liabilities				
Revolving secured line of credit (1)	\$ —	\$ 30.9	\$ —	\$ 30.9
Secured financing (1)	2,781.8	800.1	—	3,581.9
Senior notes (1)	759.0	—	—	759.0
Mortgage note (1)	—	8.9	—	8.9

(1) Measured at amortized cost with fair value disclosed.

(2) Measured at fair value on a recurring basis.

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

5. RESTRICTED SECURITIES AVAILABLE FOR SALE

Restricted securities available for sale consist of the following:

(In millions)

	As of March 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	\$ 35.1	\$ 0.1	\$ (1.5)	\$ 33.7
U.S. Government and agency securities	28.8	0.1	(1.1)	27.8
Asset-backed securities	15.0	—	(0.3)	14.7
Mortgage-backed securities	0.2	—	—	0.2
Total restricted securities available for sale	\$ 79.1	\$ 0.2	\$ (2.9)	\$ 76.4

(In millions)

	As of December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	\$ 32.6	\$ —	\$ (1.7)	\$ 30.9
U.S. Government and agency securities	29.5	—	(1.7)	27.8
Asset-backed securities	13.8	—	(0.4)	13.4
Mortgage-backed securities	0.2	—	—	0.2
Total restricted securities available for sale	\$ 76.1	\$ —	\$ (3.8)	\$ 72.3

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

(In millions)

	Securities Available for Sale with Gross Unrealized Losses as of March 31, 2023					
	Less than 12 Months		12 Months or More		Total Estimated Fair Value	Total Gross Unrealized Losses
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses		
Corporate bonds	\$ 16.8	\$ (0.5)	\$ 11.5	\$ (1.0)	\$ 28.3	\$ (1.5)
U.S. Government and agency securities	15.2	(0.5)	7.7	(0.6)	22.9	(1.1)
Asset-backed securities	6.7	(0.1)	3.7	(0.2)	10.4	(0.3)
Mortgage-backed securities	0.2	—	—	—	0.2	—
Total restricted securities available for sale	\$ 38.9	\$ (1.1)	\$ 22.9	\$ (1.8)	\$ 61.8	\$ (2.9)

(In millions)

	Securities Available for Sale with Gross Unrealized Losses as of December 31, 2022					
	Less than 12 Months		12 Months or More		Total Estimated Fair Value	Total Gross Unrealized Losses
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses		
Corporate bonds	\$ 15.1	\$ (0.6)	\$ 13.3	\$ (1.1)	\$ 28.4	\$ (1.7)
U.S. Government and agency securities	18.0	(0.8)	9.2	(0.9)	27.2	(1.7)
Asset-backed securities	6.6	(0.1)	4.4	(0.3)	11.0	(0.4)
Mortgage-backed securities	0.3	—	—	—	0.3	—
Total restricted securities available for sale	\$ 40.0	\$ (1.5)	\$ 26.9	\$ (2.3)	\$ 66.9	\$ (3.8)

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

(In millions)

Contractual Maturity	As of			
	March 31, 2023		December 31, 2022	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	\$ 5.2	\$ 5.1	\$ 4.0	\$ 3.9
Over one year to five years	69.0	66.5	66.4	63.0
Over five years to ten years	4.8	4.7	5.6	5.3
Over ten years	0.1	0.1	0.1	0.1
Total restricted securities available for sale	\$ 79.1	\$ 76.4	\$ 76.1	\$ 72.3

6. LOANS RECEIVABLE

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

(In millions)

	As of March 31, 2023		
	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 6,314.4	\$ 3,069.9	\$ 9,384.3
Allowance for credit losses	(2,073.2)	(810.8)	(2,884.0)
Loans receivable, net	\$ 4,241.2	\$ 2,259.1	\$ 6,500.3

(In millions)

	As of December 31, 2022		
	Dealer Loans	Purchased Loans	Total
Loans receivable	\$ 6,074.8	\$ 3,090.7	\$ 9,165.5
Allowance for credit losses	(2,000.0)	(867.8)	(2,867.8)
Loans receivable, net	\$ 4,074.8	\$ 2,222.9	\$ 6,297.7

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

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

(In millions)	For the Three Months Ended March 31, 2023								
	Loans Receivable			Allowance for Credit Losses			Loans Receivable, Net		
	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	\$ 6,074.8	\$ 3,090.7	\$ 9,165.5	\$ (2,000.0)	\$ (867.8)	\$ (2,867.8)	\$ 4,074.8	\$ 2,222.9	\$ 6,297.7
Finance charges	368.3	231.1	599.4	(122.6)	(55.7)	(178.3)	245.7	175.4	421.1
Provision for credit losses	—	—	—	(74.7)	(62.7)	(137.4)	(74.7)	(62.7)	(137.4)
New Consumer Loan assignments (1)	745.9	349.4	1,095.3	—	—	—	745.9	349.4	1,095.3
Collections (2)	(808.6)	(438.4)	(1,247.0)	—	—	—	(808.6)	(438.4)	(1,247.0)
Accelerated Dealer Holdback payments	10.8	—	10.8	—	—	—	10.8	—	10.8
Dealer Holdback payments	57.2	—	57.2	—	—	—	57.2	—	57.2
Transfers (3)	(19.2)	19.2	—	6.7	(6.7)	—	(12.5)	12.5	—
Write-offs	(117.7)	(182.9)	(300.6)	117.7	182.9	300.6	—	—	—
Recoveries (4)	0.3	0.8	1.1	(0.3)	(0.8)	(1.1)	—	—	—
Deferral of Loan origination costs	2.6	—	2.6	—	—	—	2.6	—	2.6
Balance, end of period	<u>\$ 6,314.4</u>	<u>\$ 3,069.9</u>	<u>\$ 9,384.3</u>	<u>\$ (2,073.2)</u>	<u>\$ (810.8)</u>	<u>\$ (2,884.0)</u>	<u>\$ 4,241.2</u>	<u>\$ 2,259.1</u>	<u>\$ 6,500.3</u>

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

- (1) The Dealer Loans amount represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.
- (2) Represents repayments that we collected on Consumer Loans assigned under our programs.
- (3) Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance and related allowance for credit losses balance to Purchased Loans in the period this forfeiture occurs.
- (4) The Dealer Loans amount represents net cash flows received (collections less any related Dealer Holdback payments) on Dealer Loans that were previously written off in full. The Purchased Loans amount represents collections received on Purchased Loans that were previously written off in full.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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We recognize provision for credit losses on new Consumer Loan assignments for contractual net cash flows that were not expected to be realized at the time of assignment. We also recognize provision for credit losses on forecast changes in the amount and timing of expected future net cash flows subsequent to assignment. The following table summarizes the provision for credit losses for each of these components:

(In millions)	Provision for Credit Losses	For the Three Months Ended March 31, 2023		
		Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	\$ 37.7	\$ 55.4	\$ 93.1	
Forecast changes	37.0	7.3	44.3	
Total	<u>\$ 74.7</u>	<u>\$ 62.7</u>	<u>\$ 137.4</u>	

(In millions)	Provision for Credit Losses	For the Three Months Ended March 31, 2022		
		Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	\$ 47.5	\$ 55.1	\$ 102.6	
Forecast changes	(46.0)	(33.3)	(79.3)	
Total	<u>\$ 1.5</u>	<u>\$ 21.8</u>	<u>\$ 23.3</u>	

The net Loan income (finance charge revenue less provision for credit losses expense) that we will recognize over the life of a Loan equals the cash we collect from the underlying Consumer Loan less the cash we pay to the Dealer. Under CECL, we are required to recognize a significant provision for credit losses expense at the time of assignment for contractual net cash flows we never expect to realize and to recognize in subsequent periods finance charge revenue that is significantly in excess of our expected yields. Additional information related to new Consumer Loan assignments is as follows:

(In millions)	New Consumer Loan Assignments	For the Three Months Ended March 31, 2023		
		Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	\$ 1,172.8	\$ 713.6	\$ 1,886.4	
Expected net cash flows at the time of assignment (2)	1,064.1	488.8	1,552.9	
Loans receivable at the time of assignment (3)	745.9	349.4	1,095.3	
Provision for credit losses expense at the time of assignment	\$ (37.7)	\$ (55.4)	\$ (93.1)	
Expected future finance charges at the time of assignment (4)	355.9	194.8	550.7	
Expected net Loan income at the time of assignment (5)	<u>\$ 318.2</u>	<u>\$ 139.4</u>	<u>\$ 457.6</u>	

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

- (1) The Dealer Loans amount represents repayments that we were contractually owed at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we would be required to make if we collected all of the contractual repayments. The Purchased Loans amount represents repayments that we were contractually owed at the time of assignment on Consumer Loans assigned under our Purchase Program.
- (2) The Dealer Loans amount represents repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we expected to make. The Purchased Loans amount represents repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Purchase Program. The Loan amounts also represent the fair value at the time of assignment.
- (3) The Dealer Loans amount represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program.
- (4) Represents revenue that is expected to be recognized on a level-yield basis over the lives of the Loans.
- (5) Represents the amount that expected net cash flows at the time of assignment (2) exceed Loans receivable at the time of assignment (3).

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

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

(In millions)	Expected Future Net Cash Flows	For the Three Months Ended March 31, 2023		
		Dealer Loans	Purchased Loans	Total
Balance, beginning of period		\$ 5,637.9	\$ 3,395.5	\$ 9,033.4
New Consumer Loan assignments (1)		1,064.1	488.8	1,552.9
Realized net cash flows (2)		(740.6)	(438.4)	(1,179.0)
Forecast changes		(7.2)	16.6	9.4
Transfers (3)		(18.5)	22.1	3.6
Balance, end of period		<u>\$ 5,935.7</u>	<u>\$ 3,484.6</u>	<u>\$ 9,420.3</u>

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

- (1) The Dealer Loans amount represents repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Portfolio Program, less the related Dealer Holdback payments that we expected to make. The Purchased Loans amount represents repayments that we expected to collect at the time of assignment on Consumer Loans assigned under our Purchase Program.
- (2) The Dealer Loans amount represents repayments that we collected on Consumer Loans assigned under our Portfolio Program, less the Dealer Holdback and Accelerated Dealer Holdback payments that we made. Purchased Loans amount represents repayments that we collected on Consumer Loans assigned under our Purchase Program.
- (3) Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer's outstanding Dealer Loan balance, related allowance for credit losses balance, and related expected future net cash flows to Purchased Loans in the period this forfeiture occurs.

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

Credit Quality

We monitor and evaluate the credit quality of Consumer Loans assigned under our Portfolio and Purchase Programs on a monthly basis by comparing our current forecasted collection rates to our prior forecasted collection rates and our initial expectations. For additional information regarding credit quality, see Note 3.

The following table compares our forecast of Consumer Loan collection rates as of March 31, 2023 with the forecasts as of December 31, 2022 and at the time of assignment, segmented by year of assignment:

Consumer Loan Assignment Year	Total Loans				
	Forecasted Collection Percentage as of (1)			Current Forecast Variance from	
	March 31, 2023	December 31, 2022	Initial Forecast	December 31, 2022	Initial Forecast
2014	71.7 %	71.7 %	71.8 %	0.0 %	-0.1 %
2015	65.2 %	65.2 %	67.7 %	0.0 %	-2.5 %
2016	63.8 %	63.8 %	65.4 %	0.0 %	-1.6 %
2017	64.7 %	64.7 %	64.0 %	0.0 %	0.7 %
2018	65.3 %	65.2 %	63.6 %	0.1 %	1.7 %
2019	66.8 %	66.6 %	64.0 %	0.2 %	2.8 %
2020	67.9 %	67.8 %	63.4 %	0.1 %	4.5 %
2021	66.0 %	66.2 %	66.3 %	-0.2 %	-0.3 %
2022	66.0 %	66.3 %	67.5 %	-0.3 %	-1.5 %
2023	67.2 %	—	67.1 %	—	0.1 %

Consumer Loan Assignment Year	Dealer Loans				
	Forecasted Collection Percentage as of (1) (2)			Current Forecast Variance from	
	March 31, 2023	December 31, 2022	Initial Forecast	December 31, 2022	Initial Forecast
2014	71.6 %	71.6 %	71.9 %	0.0 %	-0.3 %
2015	64.5 %	64.5 %	67.5 %	0.0 %	-3.0 %
2016	63.0 %	63.0 %	65.1 %	0.0 %	-2.1 %
2017	64.0 %	64.0 %	63.8 %	0.0 %	0.2 %
2018	64.8 %	64.6 %	63.6 %	0.2 %	1.2 %
2019	66.5 %	66.3 %	63.9 %	0.2 %	2.6 %
2020	67.7 %	67.7 %	63.3 %	0.0 %	4.4 %
2021	65.8 %	66.0 %	66.3 %	-0.2 %	-0.5 %
2022	65.4 %	65.8 %	67.3 %	-0.4 %	-1.9 %
2023	66.8 %	—	66.8 %	—	0.0 %

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

Consumer Loan Assignment Year	Purchased Loans				
	Forecasted Collection Percentage as of (1) (2)			Current Forecast Variance from	
	March 31, 2023	December 31, 2022	Initial Forecast	December 31, 2022	Initial Forecast
2014	72.5 %	72.5 %	70.9 %	0.0 %	1.6 %
2015	68.9 %	68.9 %	68.5 %	0.0 %	0.4 %
2016	66.0 %	66.0 %	66.5 %	0.0 %	-0.5 %
2017	66.3 %	66.3 %	64.6 %	0.0 %	1.7 %
2018	66.6 %	66.4 %	63.5 %	0.2 %	3.1 %
2019	67.5 %	67.2 %	64.2 %	0.3 %	3.3 %
2020	68.1 %	68.0 %	63.6 %	0.1 %	4.5 %
2021	66.5 %	66.7 %	66.3 %	-0.2 %	0.2 %
2022	67.4 %	67.4 %	68.0 %	0.0 %	-0.6 %
2023	68.2 %	—	68.0 %	—	0.2 %

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

We evaluate and adjust the expected collection rate of each Consumer Loan subsequent to assignment primarily through the monitoring of consumer payment behavior. The following table summarizes the past-due status of Consumer Loan assignments as of March 31, 2023 and December 31, 2022, segmented by year of assignment:

(In millions)

Consumer Loan Assignment Year	Total Loans as of March 31, 2023 (1) (2)				
	Pre-term Consumer Loans (3)			Post-term Consumer Loans (4)	Total
	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days		
2018 and prior	\$ 113.1	\$ 55.5	\$ 189.7	\$ 207.3	\$ 565.6
2019	370.3	161.7	363.2	11.8	907.0
2020	636.5	257.9	382.0	1.6	1,278.0
2021	1,061.2	381.0	385.2	0.1	1,827.5
2022	2,609.5	590.0	228.9	—	3,428.4
2023	1,328.8	49.0	—	—	1,377.8
	<u>\$ 6,119.4</u>	<u>\$ 1,495.1</u>	<u>\$ 1,549.0</u>	<u>\$ 220.8</u>	<u>\$ 9,384.3</u>

(In millions)

Consumer Loan Assignment Year	Dealer Loans as of March 31, 2023 (1)				
	Pre-term Consumer Loans (3)			Post-term Consumer Loans (4)	Total
	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days		
2018 and prior	\$ 55.5	\$ 26.8	\$ 92.6	\$ 123.9	\$ 298.8
2019	175.2	75.8	171.7	7.1	429.8
2020	398.2	157.9	235.0	1.2	792.3
2021	730.8	256.5	258.3	0.1	1,245.7
2022	1,932.4	436.9	167.5	—	2,536.8
2023	974.1	36.9	—	—	1,011.0
	<u>\$ 4,266.2</u>	<u>\$ 990.8</u>	<u>\$ 925.1</u>	<u>\$ 132.3</u>	<u>\$ 6,314.4</u>

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

(In millions)

Purchased Loans as of March 31, 2023 (2)						
Pre-term Consumer Loans (3)						
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total	
2018 and prior	\$ 57.6	\$ 28.7	\$ 97.1	\$ 83.4	\$ 266.8	
2019	195.1	85.9	191.5	4.7	477.2	
2020	238.3	100.0	147.0	0.4	485.7	
2021	330.4	124.5	126.9	—	581.8	
2022	677.1	153.1	61.4	—	891.6	
2023	354.7	12.1	—	—	366.8	
	<u>\$ 1,853.2</u>	<u>\$ 504.3</u>	<u>\$ 623.9</u>	<u>\$ 88.5</u>	<u>\$ 3,069.9</u>	

(In millions)

Total Loans as of December 31, 2022 (1) (2)						
Pre-term Consumer Loans (3)						
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total	
2017 and prior	\$ 16.1	\$ 9.6	\$ 42.2	\$ 167.7	\$ 235.6	
2018	142.8	71.7	197.5	37.3	449.3	
2019	446.5	214.0	411.9	6.5	1,078.9	
2020	732.6	332.8	421.1	0.9	1,487.4	
2021	1,209.1	480.4	398.8	—	2,088.3	
2022	3,036.1	631.1	158.8	—	3,826.0	
	<u>\$ 5,583.2</u>	<u>\$ 1,739.6</u>	<u>\$ 1,630.3</u>	<u>\$ 212.4</u>	<u>\$ 9,165.5</u>	

(In millions)

Dealer Loans as of December 31, 2022 (1)						
Pre-term Consumer Loans (3)						
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total	
2017 and prior	\$ 7.7	\$ 4.5	\$ 20.4	\$ 103.1	\$ 135.7	
2018	71.5	34.3	97.3	21.3	224.4	
2019	215.2	100.7	196.9	4.2	517.0	
2020	461.6	204.6	259.4	0.7	926.3	
2021	836.1	324.8	268.0	—	1,428.9	
2022	2,258.6	467.1	116.8	—	2,842.5	
	<u>\$ 3,850.7</u>	<u>\$ 1,136.0</u>	<u>\$ 958.8</u>	<u>\$ 129.3</u>	<u>\$ 6,074.8</u>	

(In millions)

Purchased Loans as of December 31, 2022 (2)						
Pre-term Consumer Loans (3)						
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total	
2017 and prior	\$ 8.4	\$ 5.1	\$ 21.8	\$ 64.6	\$ 99.9	
2018	71.3	37.4	100.2	16.0	224.9	
2019	231.3	113.3	215.0	2.3	561.9	
2020	271.0	128.2	161.7	0.2	561.1	
2021	373.0	155.6	130.8	—	659.4	
2022	777.5	164.0	42.0	—	983.5	
	<u>\$ 1,732.5</u>	<u>\$ 603.6</u>	<u>\$ 671.5</u>	<u>\$ 83.1</u>	<u>\$ 3,090.7</u>	

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

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

The following table summarizes the write-offs for Consumer Loan assignments for the three months ended March 31, 2023, segmented by year of assignment:

(In millions)	Write-offs by Consumer Loan Assignment Year	For the Three Months Ended March 31, 2023		
		Dealer Loans	Purchased Loans	Total
	2018 and prior	\$ 31.6	\$ 31.5	\$ 63.1
	2019	23.7	48.3	72.0
	2020	23.7	28.8	52.5
	2021	18.8	32.9	51.7
	2022	19.0	40.3	59.3
	2023	0.9	1.1	2.0
		<u>\$ 117.7</u>	<u>\$ 182.9</u>	<u>\$ 300.6</u>

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

The removal of the COVID forecast adjustment and the implementation of the enhanced forecasting methodology during the first quarter of 2022 impacted forecasted net cash flows and provision for credit losses as follows:

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

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

7. REINSURANCE

A summary of reinsurance activity is as follows:

(In millions)	For the Three Months Ended March 31,	
	2023	2022
Net assumed written premiums	\$ 25.4	\$ 17.7
Net premiums earned	17.4	13.8
Provision for claims	17.9	8.9
Amortization of capitalized acquisition costs	0.5	0.4

The trust assets and related reinsurance liabilities are as follows:

(In millions)	Balance Sheet location	As of	
		March 31, 2023	December 31, 2022
Trust assets	Restricted cash and cash equivalents	\$ 0.8	\$ 0.4
Trust assets	Restricted securities available for sale	76.4	72.3
Unearned premium	Accounts payable and accrued liabilities	62.4	54.4
Claims reserve (1)	Accounts payable and accrued liabilities	5.2	3.1

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

8. OTHER INCOME

Other income consists of the following:

(In millions)	For the Three Months Ended March 31,	
	2023	2022
Ancillary product profit sharing	\$ 7.5	\$ 14.7
Interest	4.1	0.3
Remarketing fees	3.0	2.0
Dealer support products and services	0.4	0.4
Dealer enrollment fees	0.3	0.4
Total	<u>\$ 15.3</u>	<u>\$ 17.8</u>

Ancillary product profit sharing consists of payments received from TPPs based upon the performance of vehicle service contracts and GAP contracts, and is recognized as income over the life of the vehicle service contracts and GAP contracts.

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

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

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

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

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

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

(In millions)	For the Three Months Ended March 31, 2023					
	Ancillary product profit sharing	Interest	Remarketing fees	Dealer support products and services	Dealer enrollment fees	Total Other Income
Source of income						
Third Party Providers	\$ 7.5	\$ 4.1	\$ —	\$ —	\$ —	\$ 11.6
Dealers	—	—	3.0	0.4	0.3	3.7
Total	<u>\$ 7.5</u>	<u>\$ 4.1</u>	<u>\$ 3.0</u>	<u>\$ 0.4</u>	<u>\$ 0.3</u>	<u>\$ 15.3</u>
Timing of revenue recognition						
Over time	\$ 7.5	\$ 4.1	\$ —	\$ —	\$ 0.3	\$ 11.9
At a point in time	—	—	3.0	0.4	—	3.4
Total	<u>\$ 7.5</u>	<u>\$ 4.1</u>	<u>\$ 3.0</u>	<u>\$ 0.4</u>	<u>\$ 0.3</u>	<u>\$ 15.3</u>

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

9. DEBT

Debt consists of the following:

(In millions)

	As of March 31, 2023			
	Principal Outstanding	Unamortized Debt Issuance Costs	Unamortized Discount	Carrying Amount
Revolving secured line of credit (1)	\$ 145.1	\$ —	\$ —	\$ 145.1
Secured financing (2)	3,792.2	(17.3)	(3.1)	3,771.8
Senior notes	800.0	(5.0)	—	795.0
Mortgage note	8.8	—	—	8.8
Total debt	\$ 4,746.1	\$ (22.3)	\$ (3.1)	\$ 4,720.7

(In millions)

	As of December 31, 2022			
	Principal Outstanding	Unamortized Debt Issuance Costs	Unamortized Discount	Carrying Amount
Revolving secured line of credit (1)	\$ 30.9	\$ —	\$ —	\$ 30.9
Secured financing (2)	3,776.7	(16.9)	(3.4)	3,756.4
Senior notes	800.0	(5.5)	—	794.5
Mortgage note	8.9	—	—	8.9
Total debt	\$ 4,616.5	\$ (22.4)	\$ (3.4)	\$ 4,590.7

(1) Excludes deferred debt issuance costs of \$3.5 million and \$3.9 million as of March 31, 2023 and December 31, 2022, respectively, which are included in other assets.

(2) Warehouse facilities and Term ABS financings.

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

General information for each of our financing transactions in place as of March 31, 2023 is as follows:

(Dollars in millions)

Financings	Wholly Owned Subsidiary	Maturity Date	Financing Amount	Interest Rate Basis as of March 31, 2023
Revolving Secured Line of Credit	n/a	06/22/2025	\$ 410.0 (1)	At our option, either the Bloomberg Short-Term Bank Yield Index rate (BSBY) plus 187.5 basis points or the prime rate plus 87.5 basis points
Warehouse Facility II (2)	CAC Warehouse Funding LLC II	04/30/2024 (3)	400.0	LIBOR plus 175 basis points (4)
Warehouse Facility IV (2)	CAC Warehouse Funding LLC IV	05/20/2025 (3)	300.0	The Secured Overnight Financing Rate (SOFR) plus 221.4 basis points (4)
Warehouse Facility V (2)	CAC Warehouse Funding LLC V	12/29/2025 (5)	200.0	SOFR plus 245 basis points (4)
Warehouse Facility VI (2)	CAC Warehouse Funding LLC VI	09/30/2024 (3)	75.0	BSBY plus 200 basis points
Warehouse Facility VIII (2)	CAC Warehouse Funding LLC VIII	09/01/2024 (3)	200.0	SOFR plus 201.4 basis points (4)
Term ABS 2019-2 (2)	Credit Acceptance Funding LLC 2019-2	08/15/2025 (6)	500.0	Fixed rate
Term ABS 2020-1 (2)	Credit Acceptance Funding LLC 2020-1	02/15/2022 (3)	500.0	Fixed rate
Term ABS 2020-2 (2)	Credit Acceptance Funding LLC 2020-2	07/15/2022 (3)	481.8	Fixed rate
Term ABS 2020-3 (2)	Credit Acceptance Funding LLC 2020-3	10/17/2022 (3)	600.0	Fixed rate
Term ABS 2021-1 (2)	Credit Acceptance Funding LLC 2021-1	12/16/2024 (6)	100.0	SOFR plus 220 basis points (4)
Term ABS 2021-2 (2)	Credit Acceptance Funding LLC 2021-2	02/15/2023 (3)	500.0	Fixed rate
Term ABS 2021-3 (2)	Credit Acceptance Funding LLC 2021-3	05/15/2023 (3)	450.0	Fixed rate
Term ABS 2021-4 (2)	Credit Acceptance Funding LLC 2021-4	10/16/2023 (3)	250.1	Fixed rate
Term ABS 2022-1 (2)	Credit Acceptance Funding LLC 2022-1	06/17/2024 (3)	350.0	Fixed rate
Term ABS 2022-2 (2)	Credit Acceptance Funding LLC 2022-2	12/15/2025 (6)	200.0	SOFR plus 235 basis points (4)
Term ABS 2022-3 (2)	Credit Acceptance Funding LLC 2022-3	10/15/2024 (3)	389.9	Fixed rate
Term ABS 2023-1 (2)	Credit Acceptance Funding LLC 2023-1	03/17/2025 (3)	400.0	Fixed rate
2024 Senior Notes	n/a	12/31/2024	400.0	Fixed rate
2026 Senior Notes	n/a	03/15/2026	400.0	Fixed rate
Mortgage Note (2)	Chapter 4 Properties, LLC	08/06/2028	9.0	BSBY plus 150 basis points

(1) The amount of the facility will decrease by \$25.0 million on June 22, 2023.

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

(3) Represents the revolving maturity date. The outstanding balance will amortize after the revolving maturity date based on the cash flows of the pledged assets.

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

(5) Represents the revolving maturity date. The outstanding balance will amortize after the revolving maturity date and any amounts remaining on December 27, 2027 will be due on that date.

(6) Represents the revolving maturity date. The Company has the option to redeem and retire the indebtedness after the revolving maturity date. If we do not elect this option, the outstanding balance will amortize based on the cash flows of the pledged assets.

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

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

(In millions)

	For the Three Months Ended March 31,	
	2023	2022
Revolving Secured Line of Credit		
Maximum outstanding principal balance	\$ 306.8	\$ 240.8
Average outstanding principal balance	123.0	45.4
Warehouse Facility II		
Maximum outstanding principal balance	201.0	201.0
Average outstanding principal balance	19.0	8.9
Warehouse Facility IV		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—
Warehouse Facility V		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—
Warehouse Facility VI		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—
Warehouse Facility VIII		
Maximum outstanding principal balance	—	—
Average outstanding principal balance	—	—

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

(Dollars in millions)

	As of	
	March 31, 2023	December 31, 2022
Revolving Secured Line of Credit		
Principal balance outstanding	\$ 145.1	\$ 30.9
Amount available for borrowing (1)	264.9	379.1
Interest rate	6.77 %	6.25 %
Warehouse Facility II		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	400.0	400.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	2.0	1.0
Interest rate	— %	— %
Warehouse Facility IV		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	300.0	300.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	1.0	1.0
Interest rate	— %	— %
Warehouse Facility V		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	200.0	200.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	1.0	1.0
Interest rate	— %	— %
Warehouse Facility VI		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	75.0	75.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	—	—
Interest rate	— %	— %
Warehouse Facility VIII		
Principal balance outstanding	\$ —	\$ —
Amount available for borrowing (1)	200.0	200.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	—	—
Interest rate	— %	— %
Term ABS 2019-2		
Principal balance outstanding	\$ 500.0	\$ 500.0
Loans pledged as collateral	583.0	627.5
Restricted cash and cash equivalents pledged as collateral	55.8	51.0
Interest rate	5.15 %	5.15 %
Term ABS 2019-3		
Principal balance outstanding	\$ —	\$ 64.4
Loans pledged as collateral	—	200.9
Restricted cash and cash equivalents pledged as collateral	—	24.5
Interest rate	— %	3.00 %

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

Term ABS 2020-1			
Principal balance outstanding	\$	66.0	\$ 144.6
Loans pledged as collateral		311.1	362.5
Restricted cash and cash equivalents pledged as collateral		41.3	38.8
Interest rate		2.59 %	2.51 %
Term ABS 2020-2			
Principal balance outstanding	\$	216.9	\$ 307.0
Loans pledged as collateral		391.3	452.0
Restricted cash and cash equivalents pledged as collateral		46.7	43.9
Interest rate		1.99 %	1.81 %
Term ABS 2020-3			
Principal balance outstanding	\$	405.4	\$ 520.7
Loans pledged as collateral		592.5	655.1
Restricted cash and cash equivalents pledged as collateral		58.5	53.9
Interest rate		1.54 %	1.47 %
Term ABS 2021-1			
Principal balance outstanding	\$	100.0	\$ 100.0
Loans pledged as collateral		114.4	115.0
Restricted cash and cash equivalents pledged as collateral		10.2	8.5
Interest rate		7.03 %	6.52 %
Term ABS 2021-2			
Principal balance outstanding	\$	463.9	\$ 500.0
Loans pledged as collateral		563.6	572.9
Restricted cash and cash equivalents pledged as collateral		51.2	44.5
Interest rate		1.13 %	1.12 %
Term ABS 2021-3			
Principal balance outstanding	\$	450.0	\$ 450.0
Loans pledged as collateral		515.6	519.9
Restricted cash and cash equivalents pledged as collateral		45.5	38.8
Interest rate		1.14 %	1.14 %
Term ABS 2021-4			
Principal balance outstanding	\$	250.1	\$ 250.1
Loans pledged as collateral		275.7	278.5
Restricted cash and cash equivalents pledged as collateral		25.4	21.8
Interest rate		1.44 %	1.44 %
Term ABS 2022-1			
Principal balance outstanding	\$	350.0	\$ 350.0
Loans pledged as collateral		415.2	434.7
Restricted cash and cash equivalents pledged as collateral		31.0	27.7
Interest rate		5.03 %	5.03 %
Term ABS 2022-2			
Principal balance outstanding	\$	200.0	\$ 200.0
Loans pledged as collateral		226.7	229.3
Restricted cash and cash equivalents pledged as collateral		16.9	25.6
Interest rate		7.15 %	6.65 %

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

Term ABS 2022-3			
Principal balance outstanding	\$	389.9	\$ 389.9
Loans pledged as collateral		427.4	429.2
Restricted cash and cash equivalents pledged as collateral		31.4	27.6
Interest rate		7.68 %	7.68 %
Term ABS 2023-1			
Principal balance outstanding	\$	400.0	\$ —
Loans pledged as collateral		582.4	—
Restricted cash and cash equivalents pledged as collateral		61.3	—
Interest rate		6.92 %	— %
2024 Senior Notes			
Principal balance outstanding	\$	400.0	\$ 400.0
Interest rate		5.125 %	5.125 %
2026 Senior Notes			
Principal balance outstanding	\$	400.0	\$ 400.0
Interest rate		6.625 %	6.625 %
Mortgage Note			
Principal balance outstanding	\$	8.8	\$ 8.9
Interest rate		6.08 %	5.46 %

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

Revolving Secured Line of Credit Facility

We have a \$410.0 million revolving secured line of credit facility with a commercial bank syndicate. The amount of the facility will decrease by \$25.0 million on June 22, 2023. Borrowings under the revolving secured line of credit facility, including any letters of credit issued under the facility, are subject to a borrowing-base limitation. This limitation equals 80% of the value of Loans, as defined in the agreement, less a hedging reserve (not exceeding \$1.0 million), and the amount of other debt secured by the collateral which secures the revolving secured line of credit facility. Borrowings under the revolving secured line of credit facility agreement are secured by a lien on most of our assets.

Warehouse Facilities

We have five Warehouse facilities with total borrowing capacity of \$1,175.0 million. Each of the facilities is with a different lender or group of lenders. Under each Warehouse facility, we can convey Loans to the applicable wholly owned subsidiary in return for cash and/or an increase in the value of our equity in such subsidiary. In turn, each such subsidiary pledges the Loans as collateral to secure financing that will fund the cash portion of the purchase price of the Loans. The financing provided to each such subsidiary under the applicable facility is generally limited to the lesser of 80% of the outstanding balance of the conveyed Loans, as determined in accordance with the applicable agreement, plus certain restricted cash and cash equivalents pledged as collateral, or the facility limit.

The financings create indebtedness for which the subsidiaries are liable and which is secured by all the assets of each subsidiary. Such indebtedness is non-recourse to us (other than customary, limited recourse to us in the form of repurchase obligations or indemnification obligations for any violations by us of our representations or obligations as seller, servicer, or custodian), even though we are consolidated for financial reporting purposes with the subsidiaries. Because the subsidiaries are organized as bankruptcy-remote legal entities separate from us, their assets (including the conveyed Loans) are intended to be unavailable to our creditors.

The subsidiaries pay us a monthly servicing fee equal to either 4% or 6%, depending upon the facility, of the collections received with respect to the conveyed Loans. The servicing fee is paid out of the collections. Except for the servicing fee and holdback payments due to Dealers, if a facility is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees, and other related costs have been paid in full. If a facility is in its

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

revolving period, the applicable subsidiary is entitled to the portion of such collections available after the payment of interest and transaction expenses under the facility, provided that the borrowing base requirements of the facility are satisfied.

Term ABS Financings

We have wholly owned subsidiaries (the “Funding LLCs”) that have completed secured financing transactions with qualified institutional investors or lenders. In connection with each of these transactions, we conveyed Loans on an arms-length basis to a Funding LLC for cash and the sole membership interest in that Funding LLC. In turn, each Funding LLC, other than the Funding LLCs for the Term ABS 2019-2, 2021-1, and 2022-2 financings, conveyed the Loans to the respective trusts that issued notes to qualified institutional investors. The Funding LLCs for the Term ABS 2019-2, 2021-1, and 2022-2 financings pledged the Loans for the benefit of their respective lenders. The Term ABS 2020-1, 2020-2, 2020-3, 2021-2, 2021-3, 2021-4, and 2023-1 financings each consist of three classes of notes, while the Term ABS 2022-1 and Term ABS 2022-3 financings consist of four classes of notes.

Each Term ABS financing at the time of issuance has a specified revolving period during which we are likely to convey additional Loans to the applicable Funding LLC. Each Funding LLC (other than the Funding LLCs of the Term ABS 2019-2, 2021-1, and 2022-2 financings) will then convey the Loans to its respective trust. At the end of the applicable revolving period, the debt outstanding under each financing will begin to amortize.

The Term ABS financings create indebtedness for which the applicable trust or Funding LLC is liable and which is secured by all the assets of the applicable trust or Funding LLC. Such indebtedness is non-recourse to us (other than customary, limited recourse to us in the form of repurchase obligations or indemnification obligations for any violations by us of our representations or obligations as seller, servicer, or custodian), even though we are consolidated for financial reporting purposes with the trusts and the Funding LLCs. Because the trusts and the Funding LLCs are organized as bankruptcy-remote legal entities separate from us, their assets (including the conveyed Loans) are intended to be unavailable to our creditors. We receive a monthly servicing fee on each financing equal to either 4% or 6%, depending upon the financing, of the collections received with respect to the conveyed Loans. The fee is paid out of the collections. Except for the servicing fee and Dealer Holdback payments due to Dealers, if a Term ABS financing is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees, and other related costs have been paid in full. If a Term ABS financing is in its revolving period, the applicable trust or Funding LLC is entitled to the portion of such collections available after application of any amounts necessary to acquire additional Loans from us and to pay accrued interest on the debt and any other transaction expenses, provided that any necessary principal payments are made to compensate for certain reductions in the balance of eligible loans or, in the case of Term ABS financings occurring after the Term ABS 2021-3 financing, certain reductions in forecasted collections. In addition, in our capacity as servicer of the Loans, we have a limited right to exercise a “clean-up call” option to purchase Loans from the Funding LLCs and/or the trusts under certain specified circumstances. For those Funding LLCs with a trust, when the trust’s indebtedness is paid in full, either through collections or through a prepayment of the indebtedness, the trust is to pay any remaining collections over to its Funding LLC as the sole beneficiary of the trust. For all Funding LLCs, after the indebtedness is paid in full, any remaining collections will ultimately be available to be distributed to us as the sole member of the respective Funding LLC.

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

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

(Dollars in millions)

Term ABS Financings	Close Date	Net Book Value of Loans Conveyed at Closing	Revolving Period
Term ABS 2019-2	August 28, 2019	\$ 625.1	Through August 15, 2025
Term ABS 2020-1	February 20, 2020	625.1	Through February 15, 2022
Term ABS 2020-2	July 23, 2020	602.3	Through July 15, 2022
Term ABS 2020-3	October 22, 2020	750.1	Through October 17, 2022
Term ABS 2021-1	January 29, 2021	125.1	Through December 16, 2024
Term ABS 2021-2	February 18, 2021	625.1	Through February 15, 2023
Term ABS 2021-3	May 20, 2021	562.6	Through May 15, 2023
Term ABS 2021-4	October 28, 2021	312.6	Through October 16, 2023
Term ABS 2022-1	June 16, 2022	437.6	Through June 17, 2024
Term ABS 2022-2	December 15, 2022	250.1	Through December 15, 2025
Term ABS 2022-3	November 3, 2022	500.1	Through October 15, 2024
Term ABS 2023-1	March 16, 2023	500.2	Through March 17, 2025

Senior Notes

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

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

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

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

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

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

Mortgage Note

We have a \$9.0 million mortgage note with a commercial bank that is secured by a first mortgage lien on a building acquired by us and an assignment of all leases, rents, revenues, and profits under all present and future leases of the building. The note matures on August 6, 2028, and bears interest at BSBY plus 150 basis points.

Debt Covenants

As of March 31, 2023, we were in compliance with our covenants under the revolving secured line of credit facility and our Warehouse facilities, including those that require the maintenance of certain financial ratios and other financial conditions. These covenants require a minimum ratio of (1) our net earnings, adjusted for specified items, before income taxes, depreciation, amortization, and fixed charges to (2) our fixed charges, as defined in the agreements. These covenants also limit the maximum ratio of our funded debt less unrestricted cash and cash equivalents to tangible net worth. Additionally, for one of our Warehouse facilities, we must maintain consolidated net income, as defined in the agreement, of not less than \$1 for the two most recently ended fiscal quarters. Some of these covenants may indirectly limit the repurchase of common stock or payment of dividends on common stock. Our Warehouse facilities also contain covenants that measure the performance of the conveyed assets.

Our Term ABS financings also contain covenants that measure the performance of the conveyed assets. As of March 31, 2023, we were in compliance with all such covenants. As of the end of the quarter, we were also in compliance with our covenants under the senior notes indentures.

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

10. DERIVATIVE AND HEDGING INSTRUMENTS

Interest Rate Caps. We utilize interest rate cap agreements to manage the interest rate risk on certain secured financings. The following tables provide the terms of our interest rate cap agreements that were in effect as of March 31, 2023 and December 31, 2022:

(Dollars in millions)

As of March 31, 2023							
Facility Amount	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)	
\$ 400.0	Warehouse Facility II	Cap Floating Rate	07/2022	12/2023	\$ 205.0	6.50 %	
300.0	Warehouse Facility IV	Cap Floating Rate	07/2019	07/2023	100.0	6.50 %	
200.0	Warehouse Facility V	Cap Floating Rate	12/2020	01/2026	94.0	5.50 %	
200.0	Warehouse Facility VIII	Cap Floating Rate	08/2019	08/2023	83.3	5.42 %	
		Cap Floating Rate	09/2022	09/2025	116.7	5.42 %	
					200.0		
100.0	Term ABS 2021-1	Cap Floating Rate	02/2021	06/2024	93.8	5.50 %	
200.0	Term ABS 2022-2	Cap Floating Rate	12/2022	06/2024	200.0	6.50 %	

(Dollars in millions)

As of December 31, 2022							
Facility Amount	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)	
\$ 400.0	Warehouse Facility II	Cap Floating Rate	07/2022	12/2023	\$ 205.0	6.50 %	
300.0	Warehouse Facility IV	Cap Floating Rate	07/2019	07/2023	175.0	6.50 %	
200.0	Warehouse Facility V	Cap Floating Rate	12/2020	01/2026	94.0	5.50 %	
200.0	Warehouse Facility VIII	Cap Floating Rate	08/2019	08/2023	116.7	5.50 %	
		Cap Floating Rate	09/2022	09/2025	83.3	5.50 %	
					200.0		
100.0	Term ABS 2021-1	Cap Floating Rate	02/2021	06/2024	100.0	5.50 %	
200.0	Term ABS 2022-2	Cap Floating Rate	12/2022	06/2024	200.0	6.50 %	

(1) Rate excludes the spread over the corresponding benchmark rate.

The interest rate caps have not been designated as hedging instruments. As of March 31, 2023 and December 31, 2022, the interest rate caps had a fair value of \$1.4 million and \$2.0 million, respectively.

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

11. INCOME TAXES

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

	For the Three Months Ended March 31,	
	2023	2022
U.S. federal statutory income tax rate	21.0 %	21.0 %
State and local income taxes	3.2 %	3.1 %
Excess tax benefits from stock-based compensation	-4.2 %	-0.2 %
Other	1.5 %	0.8 %
Effective income tax rate	21.5 %	24.7 %

Excess tax benefits from stock-based compensation

We recognize an excess tax benefit or tax deficiency when the deduction for the stock-based compensation expense of a stock award for tax purposes differs from the cumulative stock-based compensation expense recognized in the financial statements. The excess tax benefit or tax deficiency is recognized in provision for income taxes in the period in which the amount of the deduction is determined, which is when restricted stock units are converted to common stock or stock options are exercised. Excess tax benefits reduce our effective income tax rate, while tax deficiencies increase our effective income tax rate. The impact of excess tax benefits on our effective income tax rate for the three months ended March 31, 2023 increased from the same period in 2022 primarily due to an increase in the number of restricted stock units that were converted to common stock during 2023 due to the timing of long-term stock award grants.

Other

Other items impacting our effective income tax rate primarily consist of non-deductible executive compensation expense. The impact of non-deductible expense on our effective income tax rate for the three months ended March 31, 2023 increased in magnitude from the same period in 2022 due to an increase in non-deductible executive compensation and a decrease in pre-tax income.

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

12. NET INCOME PER SHARE

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

	For the Three Months Ended March 31,	
	2023	2022
Weighted average shares outstanding:		
Common shares	12,809,883	13,902,465
Vested restricted stock units	247,734	366,053
Basic number of weighted average shares outstanding	13,057,617	14,268,518
Dilutive effect of restricted stock units and stock options	15,699	73,005
Dilutive number of weighted average shares outstanding	13,073,316	14,341,523

The following outstanding stock awards were excluded from the computation of diluted net income per share because their inclusion would have been anti-dilutive:

	For the Three Months Ended March 31,	
	2023	2022
Stock options	345,585	45,600
Restricted stock units	11,409	—
Total	356,994	45,600

13. STOCK REPURCHASES

The following table summarizes our stock repurchases for the three months ended March 31, 2023 and 2022:

(Dollars in millions)

Stock Repurchases	For the Three Months Ended March 31,			
	2023		2022	
	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost
Open Market (1)	—	\$ —	801,990	\$ 422.0
Other (2)	33,035	14.9	1,745	1.0
Total	33,035	\$ 14.9	803,735	\$ 423.0

(1) Represents repurchases under authorizations by the board of directors for the repurchase of shares by us from time to time in the open market through privately negotiated transactions, through block trades, pursuant to trading plans adopted in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934 or otherwise. On September 28, 2021, the board of directors authorized the repurchase of up to two million shares of our common stock in addition to the board's prior authorizations. As of March 31, 2023, we had authorization to repurchase 158,069 shares of our common stock.

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

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

14. STOCK-BASED COMPENSATION PLANS

A summary of the restricted stock unit activity is presented below:

Restricted Stock Units	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value Per Share
Outstanding as of December 31, 2022	341,228	\$ 169.28
Granted	12,456	461.38
Converted	(100,757)	229.84
Forfeited	(279)	464.47
Outstanding as of March 31, 2023	<u>252,648</u>	<u>\$ 159.21</u>

Stock-based compensation expense consists of the following:

	For the Three Months Ended March 31,	
	2023	2022
Stock options	\$ 8.5	\$ 8.5
Restricted stock units	1.4	0.6
Total	<u>\$ 9.9</u>	<u>\$ 9.1</u>

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

Year	Total Projected Stock-Based Compensation Expense
Remainder of 2023	\$ 29.6
2024	38.7
2025	8.8
2026	3.4
2027	0.1
Total	<u>\$ 80.6</u>

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

15. COMMITMENTS AND CONTINGENCIES

Litigation and Other Legal Matters

In the normal course of business and as a result of the consumer-oriented nature of the industry in which we operate, we and other industry participants are frequently subject to various consumer claims, litigation, and regulatory investigations seeking damages, fines, and statutory penalties. The claims allege, among other theories of liability, violations of state, federal and foreign truth-in-lending, credit availability, credit reporting, consumer protection, warranty, debt collection, insurance, and other consumer-oriented laws and regulations, including claims seeking damages for alleged physical and mental harm relating to the repossession and sale of consumers' vehicles and other debt collection activities. As the assignee of Consumer Loans originated by Dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against Dealers. We may also have disputes and litigation with Dealers. The claims may allege, among other theories of liability, that we breached our Dealer servicing agreement. We may also have disputes and litigation with vendors and other third parties. The claims may allege, among other theories of liability, that we breached a license agreement or contract. The damages, fines, and penalties that may be claimed by consumers, regulatory agencies, Dealers, vendors, or other third parties in these types of matters can be substantial. The relief requested by plaintiffs varies but may include requests for compensatory, statutory, and punitive damages and injunctive relief, and plaintiffs may seek treatment as purported class actions. The following matters include current actions to which we are a party and updates to matters that were disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

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

On May 7, 2019, we received a subpoena from the Consumer Frauds and Protection Bureau of the Office of the New York State Attorney General, relating to the Company's origination and collection policies and procedures in the state of New York. After May 7, 2019 through April 30, 2021, we received additional subpoenas from the Office of the New York State Attorney General relating to the Company's origination, collection, and securitization practices. On November 19, 2020 and August 23, 2022, we received letters from the Office of the New York State Attorney General indicating that it may commence litigation against the Company asserting violations of New York Executive Law § 63(12) and New York General Business Law §§ 349 and 352 et seq. and applicable federal laws, including but not limited to claims that the Company engaged in unfair and deceptive trade practices in auto lending, debt collection, and asset-backed securitizations in the State of New York in violation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, New York Executive Law § 63(12), the New York Martin Act, and New York General Business Law § 349. See the description below of the lawsuit commenced by the Office of the New York State Attorney General on January 4, 2023.

On April 22, 2019, we received a civil investigative demand from the Consumer Financial Protection Bureau ("Bureau") seeking, among other things, certain information relating to the Company's origination and collection of Consumer Loans, TPPs, and credit reporting. After April 22, 2019 through March 7, 2022, we received additional subpoenas from the Bureau. On December 6, 2021, we received a Notice and Opportunity to Respond and Advise letter from the Staff of the Office of Enforcement ("Staff") of the Bureau, stating that the Staff was considering whether to recommend that the Bureau take legal action against the Company for alleged violations of the Consumer Financial Protection Act of 2010 (the "CFPA") in connection with the Company's consumer loan origination practices. See the description below of the lawsuit commenced by the Bureau on January 4, 2023.

On January 4, 2023, the Office of the New York State Attorney General and the Bureau jointly filed a complaint in the United States District Court for the Southern District of New York alleging that the Company engaged in deceptive practices, fraud, illegality, and securities fraud in violation of New York Executive Law § 63(12) and New York General Business Law §§ 349 and 352, and that the Company engaged in deceptive and abusive acts and provided substantial assistance to a covered person or service provider in violation of the CFPA, 12 U.S.C. § 5531 and 12 U.S.C. § 5536(a)(1)(B). The complaint seeks injunctive relief, an accounting of all consumers for whom the Company provided financing, restitution, damages, disgorgement, civil penalties, and payment of costs. On March 14, 2023, the Company filed a motion to dismiss the complaint. We cannot predict the eventual scope, duration, or outcome of this lawsuit at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from this litigation. The Company intends to vigorously defend itself in this matter.

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

On March 18, 2016, we received a subpoena from the Attorney General of the State of Maryland, relating to the Company's repossession and sale policies and procedures in the state of Maryland. On April 3, 2020, we received a subpoena from the Attorney General of the State of Maryland relating to the Company's origination and collection policies and procedures in the state of Maryland. On August 11, 2020, we received a subpoena from the Attorney General of the State of Maryland restating most of the requests contained in the March 18, 2016 and April 3, 2020 subpoenas, making additional requests, and expanding the inquiry to include 41 other states (Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, and Wisconsin) and the District of Columbia. Also on August 11, 2020, we received from the Attorney General of the State of New Jersey a subpoena that is essentially identical to the August 11, 2020 Maryland subpoena, both as to substance and as to the jurisdictions identified. The Company has been informed that the State of Kansas and the State of Texas have withdrawn from the multistate investigation. We are cooperating with these investigations and cannot predict their eventual scope, duration, or outcome at this time. As a result, we are unable to estimate the reasonably possible loss or range of reasonably possible loss arising from these investigations.

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

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

16. SUBSEQUENT EVENTS

On April 28, 2023, we extended the date on which our \$400.0 million Warehouse Facility II will cease to revolve from April 30, 2024 to April 30, 2026. The interest rate on borrowings under the facility has been increased from LIBOR plus 175 basis points to SOFR plus 230 basis points.

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 2022 Annual Report on Form 10-K, as well as Part I - Item 1 - Financial Statements, of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Overview

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

For the three months ended March 31, 2023, consolidated net income was \$99.5 million, or \$7.61 per diluted share, compared to consolidated net income of \$214.3 million, or \$14.94 per diluted share, for the same period in 2022, primarily due to increases in provision for credit losses on forecast changes, interest expense, and operating expenses. Our results for the three months ended March 31, 2023 included:

- Forecasted profitability per Consumer Loan assignment for Consumer Loans assigned in 2020 through 2022 that was lower than our estimates at March 31, 2022, due to a decline in forecasted collection rates during the last three quarters of 2022 and slower net cash flow timing during the first quarter of 2023, primarily as a result of a decrease in Consumer Loan prepayments.
- Stable forecasted collection rates during the first quarter of 2023, with forecasted net cash flows from our Loan portfolio increasing by \$9.4 million, or 0.1%. In comparison, our results for the first quarter of 2022 reflected elevated Consumer Loan performance that followed the distribution of federal stimulus payments and enhanced unemployment benefits.
- Growth in Consumer Loan assignment volume, as unit and dollar volumes grew 22.8% and 18.6%, respectively, as compared to the first quarter of 2022. The average balance of our Loan portfolio for the first quarter of 2023 increased 0.8% and 1.0% as compared to the first quarter of 2022 and the fourth quarter of 2022, respectively.
- Initial spread on Consumer Loans assigned in the first quarter of 2023 was 21.0% compared to 19.4% on Consumer Loans assigned in the first quarter of 2022 and 20.9% on Consumer Loans assigned in the fourth quarter of 2022.
- Growth in operating expenses of 14.4% as compared to the first quarter of 2022 primarily due to an increase in the number of team members in our engineering department as we are investing in our business to enhance our product and transform our technology systems to be more dealer- and customer-focused.

Critical Success Factors

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

Consumer Loan Metrics

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

We use a statistical model to estimate the expected collection rate for each Consumer Loan at the time of assignment. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. By comparing our current expected collection rate for each Consumer Loan with the rate we projected at the time of assignment, we are able to assess the accuracy of our initial forecast. The following table compares our forecast of Consumer Loan collection rates as of March 31, 2023, with the forecasts as of December 31, 2022 and at the time of assignment, segmented by year of assignment:

Consumer Loan Assignment Year	Forecasted Collection Percentage as of (1)			Current Forecast Variance from	
	March 31, 2023	December 31, 2022	Initial Forecast	December 31, 2022	Initial Forecast
2014	71.7 %	71.7 %	71.8 %	0.0 %	-0.1 %
2015	65.2 %	65.2 %	67.7 %	0.0 %	-2.5 %
2016	63.8 %	63.8 %	65.4 %	0.0 %	-1.6 %
2017	64.7 %	64.7 %	64.0 %	0.0 %	0.7 %
2018	65.3 %	65.2 %	63.6 %	0.1 %	1.7 %
2019	66.8 %	66.6 %	64.0 %	0.2 %	2.8 %
2020	67.9 %	67.8 %	63.4 %	0.1 %	4.5 %
2021	66.0 %	66.2 %	66.3 %	-0.2 %	-0.3 %
2022	66.0 %	66.3 %	67.5 %	-0.3 %	-1.5 %
2023	67.2 %	—	67.1 %	—	0.1 %

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

Consumer Loans assigned in 2018 through 2020 have yielded forecasted collection results significantly better than our initial estimates, while Consumer Loans assigned in 2015, 2016, and 2022 have yielded forecasted collection results significantly worse than our initial estimates. For all other assignment years presented, actual results have been close to our initial estimates. For the three months ended March 31, 2023, forecasted collection rates improved for Consumer Loans assigned in 2019, declined for Consumer Loans assigned in 2021 and 2022, and were generally consistent with expectations at the start of the period for all other assignment years presented.

The changes in forecasted collection rates for the three months ended March 31, 2023 and 2022 impacted forecasted net cash flows (forecasted collections less forecasted Dealer Holdback payments) as follows:

(In millions)	Increase (Decrease) in Forecasted Net Cash Flows	For the Three Months Ended March 31,	
		2023	2022
Dealer Loans		\$ (7.2)	\$ 33.9
Purchased Loans		16.6	76.3
Total		\$ 9.4	\$ 110.2

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

Consumer Loan Assignment Year	Average		
	Consumer Loan (1)	Advance (2)	Initial Loan Term (in months)
2014	\$ 15,692	\$ 7,492	47
2015	16,354	7,272	50
2016	18,218	7,976	53
2017	20,230	8,746	55
2018	22,158	9,635	57
2019	23,139	10,174	57
2020	24,262	10,656	59
2021	25,632	11,790	59
2022	27,242	12,924	60
2023	26,592	12,268	61

(1) Represents the repayments that we were contractually owed on Consumer Loans at the time of assignment, which include both principal and interest.

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

The profitability of our loans is primarily driven by the amount and timing of the net cash flows we receive from the spread between the forecasted collection rate and the advance rate, less operating expenses and the cost of capital. Forecasting collection rates accurately at Loan inception is difficult. With this in mind, we establish advance rates that are intended to allow us to achieve acceptable levels of profitability, even if collection rates are less than we initially forecast.

The following table presents forecasted Consumer Loan collection rates, advance rates, the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that had been realized as of March 31, 2023, as well as the forecasted collection rates and spread at the time of assignment. All amounts, unless otherwise noted, are presented as a percentage of the initial balance of the Consumer Loan (principal + interest). The table includes both Dealer Loans and Purchased Loans.

Consumer Loan Assignment Year	Forecasted Collection % as of			Spread % as of		% of Forecast Realized (2)
	March 31, 2023	Initial Forecast	Advance % (1)	March 31, 2023	Initial Forecast	
2014	71.7 %	71.8 %	47.7 %	24.0 %	24.1 %	99.6 %
2015	65.2 %	67.7 %	44.5 %	20.7 %	23.2 %	99.2 %
2016	63.8 %	65.4 %	43.8 %	20.0 %	21.6 %	98.8 %
2017	64.7 %	64.0 %	43.2 %	21.5 %	20.8 %	97.8 %
2018	65.3 %	63.6 %	43.5 %	21.8 %	20.1 %	94.1 %
2019	66.8 %	64.0 %	44.0 %	22.8 %	20.0 %	86.4 %
2020	67.9 %	63.4 %	43.9 %	24.0 %	19.5 %	73.8 %
2021	66.0 %	66.3 %	46.0 %	20.0 %	20.3 %	53.9 %
2022	66.0 %	67.5 %	47.4 %	18.6 %	20.1 %	22.4 %
2023	67.2 %	67.1 %	46.1 %	21.1 %	21.0 %	2.5 %

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

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

The risk of a material change in our forecasted collection rate declines as the Consumer Loans age. For 2018 and prior Consumer Loan assignments, the risk of a material forecast variance is modest, as we have currently realized in excess of 90% of the expected collections. Conversely, the forecasted collection rates for more recent Consumer Loan assignments are less certain as a significant portion of our forecast has not been realized.

The spread between the forecasted collection rate as of March 31, 2023 and the advance rate ranges from 18.6% to 24.0%, on an annual basis, for Consumer Loans assigned over the last 10 years. The spreads with respect to 2019 and 2020 Consumer Loans have been positively impacted by Consumer Loan performance, which has exceeded our initial estimates by a greater margin than the other years presented. The higher spread for 2023 Consumer Loans relative to 2022 Consumer Loans as of March 31, 2023 is primarily due to Consumer Loan performance, as the performance of 2022 Consumer Loans has been significantly lower than our initial estimates. Additionally, 2023 Consumer Loans had a higher initial spread, due to the advance rate decreasing by a greater margin than the initial forecast.

The following table compares our forecast of Consumer Loan collection rates as of March 31, 2023 with the forecasts at the time of assignment, for Dealer Loans and Purchased Loans separately:

Consumer Loan Assignment Year	Dealer Loans			Purchased Loans		
	Forecasted Collection Percentage as of (1)			Forecasted Collection Percentage as of (1)		
	March 31, 2023	Initial Forecast	Variance	March 31, 2023	Initial Forecast	Variance
2014	71.6 %	71.9 %	-0.3 %	72.5 %	70.9 %	1.6 %
2015	64.5 %	67.5 %	-3.0 %	68.9 %	68.5 %	0.4 %
2016	63.0 %	65.1 %	-2.1 %	66.0 %	66.5 %	-0.5 %
2017	64.0 %	63.8 %	0.2 %	66.3 %	64.6 %	1.7 %
2018	64.8 %	63.6 %	1.2 %	66.6 %	63.5 %	3.1 %
2019	66.5 %	63.9 %	2.6 %	67.5 %	64.2 %	3.3 %
2020	67.7 %	63.3 %	4.4 %	68.1 %	63.6 %	4.5 %
2021	65.8 %	66.3 %	-0.5 %	66.5 %	66.3 %	0.2 %
2022	65.4 %	67.3 %	-1.9 %	67.4 %	68.0 %	-0.6 %
2023	66.8 %	66.8 %	0.0 %	68.2 %	68.0 %	0.2 %

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

The following table presents forecasted Consumer Loan collection rates, advance rates, and the spread (the forecasted collection rate less the advance rate) as of March 31, 2023 for Dealer Loans and Purchased Loans separately. All amounts are presented as a percentage of the initial balance of the Consumer Loan (principal + interest).

Consumer Loan Assignment Year	Dealer Loans			Purchased Loans		
	Forecasted Collection % (1)	Advance % (1)(2)	Spread %	Forecasted Collection % (1)	Advance % (1)(2)	Spread %
2014	71.6 %	47.2 %	24.4 %	72.5 %	51.8 %	20.7 %
2015	64.5 %	43.4 %	21.1 %	68.9 %	50.2 %	18.7 %
2016	63.0 %	42.1 %	20.9 %	66.0 %	48.6 %	17.4 %
2017	64.0 %	42.1 %	21.9 %	66.3 %	45.8 %	20.5 %
2018	64.8 %	42.7 %	22.1 %	66.6 %	45.2 %	21.4 %
2019	66.5 %	43.1 %	23.4 %	67.5 %	45.6 %	21.9 %
2020	67.7 %	43.0 %	24.7 %	68.1 %	45.5 %	22.6 %
2021	65.8 %	45.1 %	20.7 %	66.5 %	47.7 %	18.8 %
2022	65.4 %	46.4 %	19.0 %	67.4 %	50.1 %	17.3 %
2023	66.8 %	44.9 %	21.9 %	68.2 %	49.0 %	19.2 %

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

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

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

The spread as of March 31, 2023 on 2023 Dealer Loans was 21.9%, as compared to a spread of 19.0% on 2022 Dealer Loans, primarily as a result of Consumer Loan performance, as the performance of 2022 Consumer Loans in our Dealer Loan portfolio has been significantly lower than our initial estimates. Additionally, 2023 Consumer Loans in our Dealer Loan portfolio had a higher initial spread, due to the advance rate decreasing by a greater margin than the initial forecast. The spread as of March 31, 2023 on 2023 Purchased Loans was 19.2%, as compared to a spread of 17.3% on 2022 Purchased Loans, primarily as a result of a higher initial spread on 2023 Consumer Loans in our Purchased Loan portfolio, due to the lower

advance rate on 2023 Purchased Loans relative to the advance rate on 2022 Purchased Loans. Additionally, the performance of 2022 Consumer Loans in our Purchased Loan portfolio has been lower than our initial estimates.

Access to Capital

Our strategy for accessing capital on acceptable terms needed to maintain and grow the business is to: (1) maintain consistent financial performance; (2) maintain modest financial leverage; and (3) maintain multiple funding sources. Our funded debt to equity ratio was 2.7 to 1 as of March 31, 2023. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) senior notes.

Consumer Loan Volume

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

Three Months Ended	Year over Year Percent Change	
	Unit Volume	Dollar Volume (1)
March 31, 2022	-22.1 %	-10.5 %
June 30, 2022	5.1 %	22.0 %
September 30, 2022	29.3 %	32.1 %
December 31, 2022	25.6 %	26.2 %
March 31, 2023	22.8 %	18.6 %

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

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

Unit and dollar volumes grew 22.8% and 18.6%, respectively, during the first quarter of 2023 as the number of active Dealers grew 18.1% and the average unit volume per active Dealer grew 4.5%. Dollar volume increased less than unit volume during the first quarter of 2023 due to a decrease in the average advance paid, primarily due to a decrease in the average advance rate. Unit volume for April 2023 grew 13.9% compared to unit volume for April 2022. April 2023 was negatively impacted as it had one less business day as compared to the same period in 2022 (26 business days in April 2022 compared to 25 business days in April 2023).

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

	For the Three Months Ended March 31,		
	2023	2022	% Change
Consumer Loan unit volume	89,821	73,116	22.8 %
Active Dealers (1)	9,775	8,275	18.1 %
Average volume per active Dealer	9.2	8.8	4.5 %
Consumer Loan unit volume from Dealers active both periods	68,543	62,998	8.8 %
Dealers active both periods	6,090	6,090	—
Average volume per Dealer active both periods	11.3	10.3	8.8 %
Consumer Loan unit volume from Dealers <u>not</u> active both periods	21,278	10,118	110.3 %
Dealers <u>not</u> active both periods	3,685	2,185	68.6 %
Average volume per Dealer <u>not</u> active both periods	5.8	4.6	26.1 %

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

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

	For the Three Months Ended March 31,		
	2023	2022	% Change
Consumer Loan unit volume from new active Dealers	5,268	2,613	101.6 %
New active Dealers (1)	1,158	688	68.3 %
Average volume per new active Dealer	4.5	3.8	18.4 %
Attrition (2)	-13.8 %	-14.1 %	

(1) New active Dealers are Dealers who enrolled in our program and have received funding for their first Loan from us during the period.

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

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

Three Months Ended	Unit Volume		Dollar Volume (1)	
	Dealer Loans	Purchased Loans	Dealer Loans	Purchased Loans
March 31, 2022	72.7 %	27.3 %	68.6 %	31.4 %
June 30, 2022	74.0 %	26.0 %	70.4 %	29.6 %
September 30, 2022	74.3 %	25.7 %	70.5 %	29.5 %
December 31, 2022	73.1 %	26.9 %	69.6 %	30.4 %
March 31, 2023	72.1 %	27.9 %	68.1 %	31.9 %

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

As of March 31, 2023 and December 31, 2022, the net Dealer Loans receivable balance was 65.2% and 64.7%, respectively, of the total net Loans receivable balance.

Results of Operations

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

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

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

(Dollars in millions, except per share data)

	For the Three Months Ended March 31,			
	2023	2022	\$ Change	% Change
Revenue:				
Finance charges	\$ 421.1	\$ 424.1	\$ (3.0)	-0.7 %
Premiums earned	17.4	13.8	3.6	26.1 %
Other income	15.3	17.8	(2.5)	-14.0 %
Total revenue	453.8	455.7	(1.9)	-0.4 %
Costs and expenses:				
Salaries and wages	77.2	64.4	12.8	19.9 %
General and administrative	18.0	18.9	(0.9)	-4.8 %
Sales and marketing	22.1	19.2	2.9	15.1 %
Total operating expenses	117.3	102.5	14.8	14.4 %
Provision for credit losses on forecast changes	44.3	(79.3)	123.6	-155.9 %
Provision for credit losses on new Consumer Loan assignments	93.1	102.6	(9.5)	-9.3 %
Total provision for credit losses	137.4	23.3	114.1	489.7 %
Interest	54.4	36.5	17.9	49.0 %
Provision for claims	17.9	8.9	9.0	101.1 %
Total costs and expenses	327.0	171.2	155.8	91.0 %
Income before provision for income taxes	126.8	284.5	(157.7)	-55.4 %
Provision for income taxes	27.3	70.2	(42.9)	-61.1 %
Net income	\$ 99.5	\$ 214.3	\$ (114.8)	-53.6 %
Net income per share:				
Basic	\$ 7.62	\$ 15.02	\$ (7.40)	-49.3 %
Diluted	\$ 7.61	\$ 14.94	\$ (7.33)	-49.1 %
Weighted average shares outstanding:				
Basic	13,057,617	14,268,518	(1,210,901)	-8.5 %
Diluted	13,073,316	14,341,523	(1,268,207)	-8.8 %

Finance Charges. The decrease of \$3.0 million, or 0.7%, was primarily the result of a decrease in the average yield on our Loan portfolio, as follows:

(Dollars in millions)

	For the Three Months Ended March 31,		
	2023	2022	Change
Average net Loans receivable balance	\$ 6,356.0	\$ 6,306.7	\$ 49.3
Average yield on our Loan portfolio	26.5 %	26.9 %	-0.4 %

The following table summarizes the impact each component had on the overall decrease in finance charges for the three months ended March 31, 2023:

(In millions)

Impact on finance charges:	Year over Year Change	
	For the Three Months Ended March 31, 2023	
Due to a decrease in the average yield	\$	(6.3)
Due to an increase in the average net Loans receivable balance		3.3
Total decrease in finance charges	\$	(3.0)

The decrease in the average yield of our Loan portfolio was primarily due to lower contractual yields on more recent consumer loan assignments.

Premiums Earned. The increase of \$3.6 million, or 26.1%, was primarily due to growth in the size of our reinsurance portfolio, which resulted from growth in new Consumer Loan assignments and an increase in the average premiums written in recent periods.

Operating Expenses. The increase of \$14.8 million, or 14.4%, was primarily due to an increase in salaries and wages expense of \$12.8 million, or 19.9%, primarily due to an increase in the number of team members in our engineering department as we are investing in our business to enhance our product and transform our technology systems to be more dealer- and customer-focused.

Provision for Credit Losses. The increase of \$114.1 million, or 489.7%, was primarily due to an increase in provision for credit losses on forecast changes.

We recognize provision for credit losses on new Consumer Loan assignments for contractual net cash flows that are not expected to be realized at the time of assignment. We also recognize provision for credit losses on forecast changes in the amount and timing of expected future net cash flows subsequent to assignment. The following table summarizes the provision for credit losses for each of these components:

(In millions)	Provision for Credit Losses	For the Three Months Ended March 31,		
		2023	2022	Change
New Consumer Loan assignments	\$	93.1	\$ 102.6	\$ (9.5)
Forecast changes		44.3	(79.3)	123.6
Total	\$	137.4	\$ 23.3	\$ 114.1

The increase in provision for credit losses related to forecast changes was primarily due to an improvement in Consumer Loan performance during the first quarter of 2022. During the first quarter of 2023, we increased our estimate of future net cash flows by \$9.4 million, or 0.1%, to reflect stable forecasted collection rates during the period; however, we recognized a \$44.3 million provision for credit losses on forecast changes due to slower net cash flow timing primarily as a result of a decrease in Consumer Loan prepayments. Historically, Consumer Loan prepayments have been lower in periods with less availability of consumer credit. During the first quarter of 2022, we increased our estimate of future net cash flows by \$110.2 million, or 1.2%, to reflect an improvement in Consumer Loan performance during the period. The results for the first quarter of 2022 included the impact of forecasting methodology changes, which upon implementation increased our estimate of future net cash flows by \$95.7 million and reduced our provision for credit losses by \$70.6 million. The forecasting methodology changes included the removal of the COVID forecast adjustment from our estimate of future net cash flows and an enhancement to our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent data and new forecast variables. For additional information, see Note 6 to the consolidated financial statements contained in Part I - Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

The decrease in provision for credit losses related to new Consumer Loan assignments was primarily due to a 26.1% decrease in the average provision per Consumer Loan assignment, partially offset by a 22.8% increase in Consumer Loan assignment unit volume. The decrease in the average provision per Consumer Loan assignment was primarily due to a decrease in the average advance rate for 2023 Consumer Loans.

Interest. The increase in interest expense of \$17.9 million, or 49.0%, was primarily due to an increase in our average cost of debt, which was primarily the result of higher interest rates on recently-completed secured financings, as follows:

(Dollars in millions)	For the Three Months Ended March 31,		
	2023	2022	Change
Interest expense	\$ 54.4	\$ 36.5	\$ 17.9
Average outstanding debt principal balance (1)	4,615.9	4,614.3	1.6
Average cost of debt	4.7 %	3.2 %	1.5 %

(1) Includes the unamortized debt discount and excludes deferred debt issuance costs.

Provision for Claims. The increase in provision for claims of \$9.0 million, or 101.1%, was primarily due to an increase in claims paid per reinsured vehicle service contract and an increase in the size of our reinsurance portfolio.

Provision for Income Taxes. For the three months ended March 31, 2023, the effective income tax rate decreased to 21.5% from 24.7% for the same period in 2022. The decrease was primarily due to the impact of tax benefits related to our stock-based compensation plan, partially offset by an increase in non-deductible executive compensation expense. For additional information, see Note 11 to the consolidated financial statements contained in Part I - Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Properties

The COVID-19 pandemic had a significant impact on our work environment, as the vast majority of our team members began working remotely. Because our remote operations and processes proved successful early on, we now pursue a “remote first” strategy to take advantage of the national talent pool and an increased rate of team member satisfaction. While remote work has become the primary experience for most of our team members, we do have team members that, due to their personal preference or the nature of their responsibilities, have continued to work primarily in one of our office properties. Additionally, we have various on-site meetings, events, and team building activities for which in-person attendance is encouraged. Therefore, we believe we will always have a need for some amount of office space.

As a result of the “remote first” strategy, we have excess space in the two office buildings that we own in Southfield, Michigan. We are actively exploring options to reduce our office space, which could result in the sale of one or both of our buildings. As there is currently a significant amount of unoccupied office space in Southfield, we believe the market value of our buildings and improvements, land and land improvements, and office furniture and equipment is significantly less than their combined carrying value of \$37.3 million. If we were to reclassify one or both of these buildings as held for sale, we would be required to record an impairment charge to reduce the carrying value of the buildings held for sale to their estimated market value less costs to sell.

Liquidity and Capital Resources

We need capital to maintain and grow our business. Our primary sources of capital are cash flows from operating activities, collections of Consumer Loans, and borrowings under: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) senior notes. There are various restrictive covenants to which we are subject under each financing arrangement and we were in compliance with those covenants as of March 31, 2023. For information regarding these financings and the covenants included in the related documents, see Note 9 to the consolidated financial statements contained in Part I - Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

On March 16, 2023, we completed a \$400.0 million Term ABS financing, which was used to repay outstanding indebtedness and for general corporate purposes. The financing has an expected average annualized cost of 7.3% (including the initial purchasers’ fees and other costs), and it will revolve for 24 months, after which it will amortize based upon the cash flows on the underlying Loans.

On April 28, 2023, we extended the date on which our \$400.0 million Warehouse Facility II will cease to revolve from April 30, 2024 to April 30, 2026. The interest rate on borrowings under the facility has been increased from LIBOR plus 175 basis points to SOFR plus 230 basis points.

Cash and cash equivalents were \$8.1 million as of March 31, 2023 and \$7.7 million as of December 31, 2022. As of March 31, 2023 and December 31, 2022, we had \$1,439.9 million and \$1,554.1 million, respectively, in unused and available lines of credit. Our total balance sheet indebtedness increased to \$4,720.7 million as of March 31, 2023 from \$4,590.7 million as of December 31, 2022.

A summary of our scheduled principal debt maturities as of March 31, 2023 is as follows:

(In millions)

Year	Scheduled Principal Debt Maturities (1)
Remainder of 2023	\$ 1,193.9
2024	1,234.7
2025	1,524.3
2026	786.6
2027	0.6
Over five years	6.0
Total	\$ 4,746.1

(1) The principal maturities of certain financings are estimated based on forecasted collections.

Based upon anticipated cash flows, management believes that cash flows from operations and our various financing alternatives will provide sufficient financing for debt maturities and for future operations. Our ability to borrow funds may be

impacted by economic and financial market conditions. If the various financing alternatives were to become limited or unavailable to us, our operations and liquidity could be materially and adversely affected.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we review our accounting policies, assumptions, estimates, and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022 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, 2022.

Forward-Looking Statements

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

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of our forward-looking statements. These forward-looking statements represent our outlook only as of the date of this report. While we believe that our forward-looking statements are reasonable, actual results could differ materially since the statements are based on our current expectations, which are subject to risks and uncertainties. Factors that might cause such a difference include, but are not limited to, the factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, other risk factors discussed herein or listed from time to time in our reports filed with the SEC, and the following:

Industry, Operational and Macroeconomic Risks

- Our inability to accurately forecast and estimate the amount and timing of future collections could have a material adverse effect on results of operations.
- Due to competition from traditional financing sources and non-traditional lenders, we may not be able to compete successfully.
- An outbreak of contagious disease, such as the COVID-19 pandemic, or other public health emergency could materially and adversely affect our business, financial condition, liquidity, and results of operations.
- Reliance on third parties to administer our ancillary product offerings could adversely affect our business and financial results.
- We are dependent on our senior management and the loss of any of these individuals or an inability to hire additional team members could adversely affect our ability to operate profitably.
- Our reputation is a key asset to our business, and our business may be affected by how we are perceived in the marketplace.
- The concentration of our dealers in several states could adversely affect us.
- Reliance on our outsourced business functions could adversely affect our business.
- Our ability to hire and retain foreign engineering personnel could be hindered by immigration restrictions.
- We may be unable to execute our business strategy due to current economic conditions.
- Adverse changes in economic conditions, the automobile or finance industries, or the non-prime consumer market could adversely affect our financial position, liquidity, and results of operations, the ability of key vendors that we depend on to supply us with services, and our ability to enter into future financing transactions.
- Natural disasters, climate change, military conflicts, acts of war, terrorist attacks and threats, or the escalation of military activity in response to terrorist attacks or otherwise may negatively affect our business, financial condition, and results of operations.
- Governmental or market responses to climate change and related environmental issues could have a material adverse effect on our business.
- A small number of our shareholders have the ability to significantly influence matters requiring shareholder approval and such shareholders have interests which may conflict with the interests of our other security holders.

Capital and Liquidity Risks

- We may be unable to continue to access or renew funding sources and obtain capital needed to maintain and grow our business.
- The terms of our debt limit how we conduct our business.
- A violation of the terms of our asset-backed secured financings or revolving secured warehouse facilities could have a material adverse impact on our operations.
- Our substantial debt could negatively impact our business, prevent us from satisfying our debt obligations, and adversely affect our financial condition.
- We may not be able to generate sufficient cash flows to service our outstanding debt and fund operations and may be forced to take other actions to satisfy our obligations under such debt.
- Interest rate fluctuations may adversely affect our borrowing costs, profitability, and liquidity.
- The phaseout of the London Interbank Offered Rate (“LIBOR”), or the replacement of LIBOR with a different reference rate, could result in a material adverse effect on our business.
- Reduction in our credit rating could increase the cost of our funding from, and restrict our access to, the capital markets and adversely affect our liquidity, financial condition, and results of operations.
- We may incur substantially more debt and other liabilities. This could exacerbate further the risks associated with our current debt levels.
- The conditions of the U.S. and international capital markets may adversely affect lenders with which we have relationships, causing us to incur additional costs and reducing our sources of liquidity, which may adversely affect our financial position, liquidity, and results of operations.

Technology and Cybersecurity Risks

- Our dependence on technology could have a material adverse effect on our business.
- Our use of electronic contracts could impact our ability to perfect our ownership or security interest in Consumer Loans.
- Failure to properly safeguard confidential consumer and team member information could subject us to liability, decrease our profitability, and damage our reputation.

Legal and Regulatory Risks

- Litigation we are involved in from time to time may adversely affect our financial condition, results of operations, and cash flows.
- Changes in tax laws and the resolution of uncertain income tax matters could have a material adverse effect on our results of operations and cash flows from operations.
- The regulations to which we are or may become subject could result in a material adverse effect on our business.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Refer to our Annual Report on Form 10-K for the year ended December 31, 2022 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES.

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

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

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

For a description of significant litigation to which we are a party, see Note 15 to the consolidated financial statements contained in Part I - Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

The risk factor entitled "A violation of the terms of our Term ABS facilities or Warehouse facilities could have a material adverse impact on our operations" included in Item 1A - Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2022 is amended and restated in its entirety as follows:

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

Under our Term ABS financings and our Warehouse facilities, (1) we have various obligations and covenants as seller, servicer, and custodian of the Loans conveyed thereunder and in our individual capacity and (2) the special purpose subsidiaries to which we convey Loans have various obligations and covenants. A violation of any of these obligations or covenants in any of our Term ABS financings or our Warehouse facilities by us or the special purpose subsidiaries, respectively, may result in an early termination of the revolving period, repurchase or indemnification obligations on our part, and the termination of our servicing rights (and, accordingly, the loss of servicing fees), and may further result in amounts outstanding under such Term ABS financings and Warehouse facilities becoming immediately due and payable. In addition, the violation of any financial covenant under our revolving secured line of credit facility is an event of default or termination event under certain of our Term ABS financings and our Warehouse facilities.

The occurrence of any of the events described in the immediately-preceding paragraph could have a material adverse effect on our financial position, liquidity, and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Stock Repurchases**

The following table summarizes stock repurchases for the three months ended March 31, 2023:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1 to January 31, 2023	31,302	\$ 448.75	—	158,069
February 1 to February 28, 2023	1,733	463.89	—	158,069
March 1 to March 31, 2023	—	—	—	158,069
	<u>33,035</u> (2)	<u>\$ 449.54</u>	<u>—</u>	

- (1) On September 28, 2021, our board of directors authorized the repurchase by us from time to time of up to two million shares of our common stock (the "September 2021 Authorization"). The September 2021 Authorization, which was announced on October 1, 2021, does not have a specified expiration date. Repurchases under the September 2021 Authorization may be made in the open market, through privately negotiated transactions, through block trades, pursuant to trading plans adopted in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934 or otherwise.
- (2) Amount includes 33,035 shares of common stock released to us by team members as payment of tax withholdings upon the conversion of restricted stock units to common stock and the vesting of restricted stock units.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed March 7, 2022).
4.111	Indenture dated as of March 16, 2023 between Credit Acceptance Auto Loan Trust 2023-1 and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.111 to the Company's Current Report on Form 8-K filed March 22, 2023).
4.112	Backup Servicing Agreement, dated as of March 16, 2023, among the Company, Credit Acceptance Funding LLC 2023-1, Credit Acceptance Auto Loan Trust 2023-1, and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.112 to the Company's Current Report on Form 8-K filed March 22, 2023).
4.113	Amended and Restated Intercreditor Agreement, dated March 16, 2023, among the Company, CAC Warehouse Funding Corporation II, CAC Warehouse Funding LLC IV, CAC Warehouse Funding LLC V, CAC Warehouse Funding LLC VI, CAC Warehouse Funding LLC VIII, Credit Acceptance Funding LLC 2023-1, Credit Acceptance Funding LLC 2022-3, Credit Acceptance Funding LLC 2022-2, Credit Acceptance Funding LLC 2022-1, Credit Acceptance Funding LLC 2021-4, Credit Acceptance Funding LLC 2021-3, Credit Acceptance Funding LLC 2020-2, Credit Acceptance Funding LLC 2020-1, Credit Acceptance Funding LLC 2019-2, Credit Acceptance Auto Loan Trust 2023-1, Credit Acceptance Auto Loan Trust 2022-3, Credit Acceptance Auto Loan Trust 2022-1, Credit Acceptance Auto Loan Trust 2021-4, Credit Acceptance Auto Loan Trust 2021-3, Credit Acceptance Auto Loan Trust 2021-2, Credit Acceptance Auto Loan Trust 2020-3, Credit Acceptance Auto Loan Trust 2020-2, Credit Acceptance Auto Loan Trust 2020-1, Computershare Trust Company, N.A., Fifth Third Bank, National Association, Bank of Montreal, Wells Fargo Bank, National Association, Flagstar Bank, FSB, Citizens Bank, N.A., and Comerica Bank (incorporated by reference to Exhibit 4.113 to the Company's Current Report on Form 8-K filed March 22, 2023).
4.114	Sale and Contribution Agreement, dated as of March 16, 2023, between the Company and Credit Acceptance Funding LLC 2023-1 (incorporated by reference to Exhibit 4.114 to the Company's Current Report on Form 8-K filed March 22, 2023).
4.115	Amended and Restated Trust Agreement, dated as of March 16, 2023, between Credit Acceptance Funding LLC 2023-1 and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.115 to the Company's Current Report on Form 8-K filed March 16, 2023).
4.116	Sales and Servicing Agreement dated as of March 16, 2023, among the Company, Credit Acceptance Auto Loan Trust 2023-1, Credit Acceptance Funding LLC 2023-1, and Computershare Trust Company, N.A.
31.1	Certification of principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101(SCH)	Inline XBRL Taxonomy Extension Schema Document.
101(CAL)	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101(DEF)	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101(LAB)	Inline XBRL Taxonomy Extension Label Linkbase Document.
101(PRE)	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (included in the Exhibit 101 Inline XBRL Document Set).

SIGNATURES

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

CREDIT ACCEPTANCE CORPORATION
(Registrant)

By: /s/ Jay D. Martin
Jay D. Martin
Senior Vice President, Finance and Accounting
(Chief Accounting Officer)

Date: May 1, 2023

CREDIT ACCEPTANCE AUTO LOAN TRUST 2023-1
CLASS A ASSET BACKED NOTES
CLASS B ASSET BACKED NOTES
CLASS C ASSET BACKED NOTES

CREDIT ACCEPTANCE AUTO LOAN TRUST 2023-1,
as the Issuer

CREDIT ACCEPTANCE FUNDING LLC 2023-1,
as the Seller

CREDIT ACCEPTANCE CORPORATION,
as the Servicer and in its individual capacity

COMPUTERSHARE TRUST COMPANY, N.A.
as the Trust Collateral Agent/Indenture Trustee/Backup Servicer

SALE AND SERVICING AGREEMENT
Dated as of March 16, 2023

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This Sale and Servicing Agreement, dated as of March 16, 2023, among CREDIT ACCEPTANCE AUTO LOAN TRUST 2023-1, a Delaware statutory trust (the “Issuer” or the “Trust”), CREDIT ACCEPTANCE FUNDING LLC 2023-1, a Delaware limited liability company, as Seller (the “Seller”), CREDIT ACCEPTANCE CORPORATION, a Michigan corporation, in its individual capacity (“Credit Acceptance”) and as Servicer (the “Servicer”) and COMPUTERSHARE TRUST COMPANY, N.A., a national banking association organized under the laws of the United States, in its capacity as Backup Servicer, Trust Collateral Agent and Indenture Trustee (in such capacity, respectively, the “Backup Servicer,” “Trust Collateral Agent” and “Indenture Trustee”).

WITNESSETH THAT: In consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions.

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings. Terms used herein but not defined herein shall have the meaning given such terms in the Indenture.

“Adjusted Collateral Amount” means, on any Distribution Date, during the Revolving Period, an amount equal to the sum of: (i) the Collateral Amount; and (ii) the amount on deposit in the Principal Collection Account.

“Adjusted Forecasted Collections” means, on any Distribution Date, during the Revolving Period, an amount equal to the sum of: (i) the Forecasted Collections; and (ii) the quotient obtained by dividing (A) amount on deposit in the Principal Collection Account by (B) 0.60.

“Administrator” means the Servicer or Credit Acceptance, in its capacity as agent of the Trust pursuant to Section 4.01(d).

“Advance Rate” means, on any Distribution Date, the ratio, expressed as a percentage, where the numerator is equal to the Aggregate Note Balance and the denominator is equal to the Collateral Amount.

“Affiliate” means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. A Person shall not be deemed to be an Affiliate of any person solely because such other Person has the contractual right or obligation to manage such Person unless such other Person controls such Person through equity ownership or otherwise.

“Aggregate Note Balance” equals at all times, the sum of the Class A Note Balance, the Class B Note Balance and the Class C Note Balance.

“Aggregate Outstanding Eligible Loan Balance” means, on any date of determination, the sum of (i) the Outstanding Balances of all Eligible Loans on such day or (ii) when used with respect to a specified portion of the Eligible Loans, the Outstanding Balances of such specified portion of Eligible Loans on such day.

“Agreement” means this Sale and Servicing Agreement, as the same may be amended or supplemented from time to time.

“Amortization Period” means the period of time beginning on the earlier of (i) the close of business on the March 2025 Distribution Date, and (ii) the close of business on the Business Day before the day on which an Early Amortization Event automatically occurs or is declared pursuant to Section 2.02 hereof.

“Amortization Period Additional Contract Collateral Amount” has the meaning assigned to such term in Section 3.02(d)(i) hereof.

“Amortization Period Additional Loan Collateral Amount” has the meaning assigned to such term in Section 3.02(d)(i) hereof.

“Amortization Period Payment Obligations” has the meaning assigned to such term in Section 3.02(d)(ii) hereof.

“Applicable Law” means, for any Person, all existing and future applicable laws, rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority, and applicable judgments, decrees, injunctions, writs, orders, or action of any Court, arbitrator or other administrative, judicial, or quasi-judicial tribunal or agency of competent jurisdiction.

“Assumption Date” has the meaning assigned to such term in Section 2.3(a) of the Backup Servicing Agreement.

“Automatic Amortization Event” has the meaning assigned to such term in Section 2.02(b) hereof.

“Available Funds” means, with respect to any Distribution Date: (i) all Collections (other than Dealer Collections and Repossession Expenses) received by the Servicer, the Seller or the Originator during the related Collection Period with respect to the Contracts and the Loans and paid over to the Issuer, (ii) all Purchase Amounts paid by the Seller, the Servicer or the Originator with respect to the related Collection Period, (iii) all investment earnings and interest on amounts on deposit in the Reserve Account, the Principal Collection Account and the Collection Account during the related Collection Period, (iv) any amounts remaining in the Principal Collection Account after the conclusion of the Revolving Period, and (v) on any Distribution Date, any amounts on deposit in the Reserve Account in excess of the Reserve Account Requirement, after giving effect to all deposits to and withdrawals from the Reserve Account on such Distribution Date.

“Backup Servicer” means Computershare Trust Company, N.A. and its permitted successors and assigns.

“Backup Servicing Agreement” means the Backup Servicing Agreement, dated as of the Closing Date, among the Backup Servicer, Credit Acceptance, the Seller, the Issuer and the Trust Collateral Agent.

“Backup Servicing Fee” means, as to each Distribution Date, \$4,000; provided, however, that if the Backup Servicer becomes the successor Servicer, such fee shall no longer be paid.

“Bankruptcy Code” means the United States Bankruptcy Reform Act of 1978 (11 U.S.C. § 101, et seq.), as amended from time to time.

“Basic Documents” means this Agreement, the Certificate of Trust (as defined in the Trust Agreement), the Trust Agreement, the Backup Servicing Agreement, the Indenture, the Sale and Contribution Agreement, the Initial Purchaser Agreement, the Intercreditor Agreement, the Notes and all other documents and certificates (including account control agreements) delivered in connection therewith.

“Benefit Plan” has the meaning given such term in the Trust Agreement.

“Business Day” means any day other than a Saturday or a Sunday on which banking institutions are not required or authorized to be closed in New York, New York, Detroit, Michigan, Chicago, Illinois, Wilmington, Delaware or Minneapolis, Minnesota.

“Capped Trustee Expenses” means, in respect of indemnification amounts and expenses due to the Owner Trustee, the Indenture Trustee and the Trust Collateral Agent pursuant to any Basic Document, an amount not to exceed \$15,000 in the aggregate on any Distribution Date, allocated to (i) in the case of the Indenture Trustee and Trust Collateral Agent, an amount not to exceed \$7,500 for such Distribution Date and (ii) in the case of the Owner Trustee, an amount not to exceed \$7,500 for such Distribution Date; provided that (a) any expenses and indemnities remaining unpaid after the application of any such party’s cap allocation shall be payable from any remaining unused portion of another party’s allocated cap amount for such Distribution Date, and (b) any expenses and indemnities in excess of such cap shall accrue and be payable on subsequent Distribution Dates until paid in full.

“Capped Servicing Fee” means, with respect to the Servicing Fee payable to the Backup Servicer if it has become Servicer and with respect to any Distribution Date, an amount equal to the product of (i) 8.00% and (ii) Collections for the related Collection Period.

“Certificate” has the meaning given such term in the Trust Agreement.

“Certificate Distribution Account” has the meaning assigned to such term in Section 5.01(a)(iii) hereof.

“Certificateholder” has the meaning given such term in the Trust Agreement.

“Certificate Interest” means the allocable percentage interest of a Certificate held by a Certificateholder.

“Certificate of Title” means, with respect to any Financed Vehicle, (i) the original certificate of title relating thereto, or copies of correspondence and application made in accordance with Applicable Law to the appropriate state title registration agency, and all enclosures thereto, for issuance of its original certificate of title or (ii) if the appropriate state title registration agency issues a letter or other form of evidence of Lien (whether in paper or electronic form) in lieu of a certificate of title, the original lien entry letter or form or copies of correspondence and application made in accordance with Applicable Law to such state title registration agency, and all enclosures thereto, for issuance of the original lien entry letter or form.

“Certificate Register” and “Certificate Registrar” means the register mentioned and the registrar appointed pursuant to Section 3.4 of the Trust Agreement.

“Class A Interest Carryover Shortfall” means, as of the close of business on any Distribution Date, the excess of the Class A Interest Distributable Amount for such Distribution Date plus any outstanding Class A Interest Carryover Shortfall from the preceding Distribution Date plus interest on such outstanding Class A Interest Carryover Shortfall, to the extent permitted by law, at the Class A Note Rate from and including such preceding Distribution Date to but excluding the current Distribution Date, over the amount actually deposited in the Note Distribution Account on such current Distribution Date and available to pay interest on the Class A Notes.

“Class A Interest Distributable Amount” means, with respect to any Distribution Date, interest accrued from and including the 15th day of the prior month (or, in the case of the first Distribution Date, the Closing Date) to, but excluding the 15th day of the month in which such Distribution Date occurs, at the Class A Note Rate on the Class A Note Balance immediately prior to such Distribution Date. Interest on the Class A Notes shall be due and payable on each Distribution Date and shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

“Class A Note Balance” equals, initially, \$209,320,000, and thereafter equals the initial Class A Note Balance reduced by all amounts allocable to principal and previously distributed to the Class A Noteholders.

“Class A Noteholder” means the Person in whose name a Class A Note shall be registered in the Note Register, except that, solely for the purposes of giving any consent, waiver, request, or demand pursuant to the Basic Documents, the interest evidenced by any Class A Note registered in the name of the Seller, the Servicer, or any person controlling, controlled by, or under common control with the Seller or the Servicer, shall not be taken into account in determining whether the requisite percentage necessary to effect any such consent, waiver, request, or demand shall have been obtained.

“Class A Note Rate” means 6.48% per annum.

“Class A Principal Distributable Amount” means, for any Distribution Date: (A) during the Revolving Period, zero; and (B) during the Amortization Period, an amount equal to the lesser of: (i) Available Funds remaining after payment of the amounts set forth in clauses (i) through (iv) of Section 5.08(a) hereto and (ii) the Class A Note Balance; provided, however, on the Class A Stated Final Maturity Date, the Class A Principal Distributable Amount will equal the Class A Note Balance.

“Class A Stated Final Maturity Date” means March 15, 2033.

“Class B Interest Carryover Shortfall” means, as of the close of business on any Distribution Date, the excess of the Class B Interest Distributable Amount for such Distribution Date plus any outstanding Class B Interest Carryover Shortfall from the preceding Distribution Date plus interest on such outstanding Class B Interest Carryover Shortfall, to the extent permitted by law, at the Class B Note Rate from and including such preceding Distribution Date to but excluding the current Distribution Date, over the amount actually deposited in the Note Distribution Account on such current Distribution Date and available to pay interest on the Class B Notes.

“Class B Interest Distributable Amount” means, with respect to any Distribution Date, interest accrued from and including the 15th day of the prior month (or, in the case of the first Distribution Date, the Closing Date) to, but excluding the 15th day of the month in which such Distribution Date occurs, at the Class B Note Rate on the Class B Note Balance immediately prior to such Distribution Date. Interest on the Class B Notes shall be due and payable on each Distribution Date and shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

“Class B Note Balance” equals, initially, \$86,430,000, and thereafter equals the initial Class B Note Balance reduced by all amounts allocable to principal and previously distributed to the Class B Noteholders.

“Class B Noteholder” means the Person in whose name a Class B Note shall be registered in the Note Register, except that, solely for the purposes of giving any consent, waiver, request, or demand pursuant to the Basic Documents, the interest evidenced by any Class B Note registered in the name of the Seller, the Servicer, or any person controlling, controlled by, or under common control with the Seller or the Servicer, shall not be taken into account in determining whether the requisite percentage necessary to effect any such consent, waiver, request, or demand shall have been obtained.

“Class B Note Rate” means 7.02% per annum.

“Class B Principal Distributable Amount” means, for any Distribution Date: (A) during the Revolving Period, zero; and (B) during the Amortization Period, an amount equal to the lesser of: (i) the positive difference of (x) Available Funds remaining after payment of the amounts set forth in clauses (i) through (iv) of Section 5.08(a) hereto minus (y) the Class A Principal Distributable Amount and (ii) the Class B Note Balance; provided, however, on the Class B Stated Final Maturity Date, the Class B Principal Distributable Amount will equal the Class B Note Balance.

“Class B Stated Final Maturity Date” means May 16, 2033.

“Class C Interest Carryover Shortfall” means, as of the close of business on any Distribution Date, the excess of the Class C Interest Distributable Amount for such Distribution Date plus any outstanding Class C Interest Carryover Shortfall from the preceding Distribution Date plus interest on such outstanding Class C Interest Carryover Shortfall, to the extent permitted by law, at the Class C Note Rate from and including such preceding Distribution Date to but excluding the current Distribution Date, over the amount actually deposited in the Note Distribution Account on such current Distribution Date and available to pay interest on the Class C Notes.

“Class C Interest Distributable Amount” means, with respect to any Distribution Date, interest accrued from and including the 15th day of the prior month (or, in the case of the first Distribution Date, the Closing Date) to, but excluding the 15th day of the month in which such Distribution Date occurs, at the Class C Note Rate on the Class C Note Balance immediately prior to such Distribution Date. Interest on the Class C Notes shall be due and payable on each Distribution Date and shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

“Class C Note Balance” equals, initially, \$104,250,000, and thereafter equals the initial Class C Note Balance reduced by all amounts allocable to principal and previously distributed to the Class C Noteholders.

“Class C Noteholder” means the Person in whose name a Class C Note shall be registered in the Note Register, except that, solely for the purposes of giving any consent, waiver, request, or demand pursuant to the Basic Documents, the interest evidenced by any Class C Note registered in the name of the Seller, the Servicer, or any person controlling, controlled by, or under common control with the Seller or the Servicer, shall not be taken into account in determining whether the requisite percentage necessary to effect any such consent, waiver, request, or demand shall have been obtained.

“Class C Note Rate” means 7.71% per annum.

“Class C Principal Distributable Amount” means, for any Distribution Date: (A) during the Revolving Period, zero; and (B) during the Amortization Period, an amount equal to the lesser of: (i) the positive difference of (x) Available Funds remaining after payment of the amounts set forth in clauses (i) through (iv) of Section 5.08(a) hereto minus (y) the sum of the Class A Principal Distributable Amount and the Class B Principal Distributable Amount and (ii) the Class C Note Balance; provided, however, on the Class C Stated Final Maturity Date, the Class C Principal Distributable Amount will equal the Class C Note Balance.

“Class C Stated Final Maturity Date” means July 15, 2033.

“Closed Pool” means, with respect to any Dealer Loan, a pool of related Dealer Loan Contracts securing such Dealer Loan as to which, pursuant to the terms of the related Dealer Agreement, no additional Dealer Loan Contracts may be allocated.

“Closing Date” means March 16, 2023.

“Collateral Amount” means, on any Distribution Date, an amount equal to the Aggregate Outstanding Eligible Loan Balance less the aggregate of the Overconcentration Loan Amounts and the aggregate of the Loan Excess Advance Amounts, if any, after giving effect to all purchases of Loans (or the funding of any additional Dealer Loan Contracts allocated to an open pool of Dealer Loan Contracts securing a Dealer Loan) on such date. Solely for purposes of calculating the “Collateral Amount,” the determination of whether a Loan is an “Eligible Loan” shall be made as if such Loan were sold on the date of such calculation; provided, however, that a Dealer Loan relating to a Dealer that, to the knowledge of the Servicer, has become insolvent after the sale of such Dealer Loan to the Issuer shall continue to constitute an “Eligible Dealer Loan” (assuming that such Dealer Loan would otherwise be an “Eligible Dealer Loan” on such date of determination if the applicable Dealer had not become insolvent) for purposes of calculating the “Collateral Amount” so long as (i) the characterization of such Dealer Loan as an “Eligible Dealer Loan” would not cause the percentage

of the aggregate Outstanding Balance of all Dealer Loans relating to Dealers who are insolvent to exceed 2.5% of the Aggregate Outstanding Eligible Loan Balance and (ii) no bankruptcy court has entered an order (whether or not final), which order has not been vacated or overturned, stating that a person other than the Issuer (or the Servicer on the Issuer's behalf) is entitled to receive any collections on that Dealer Loan or the Contracts relating thereto.

“Collection Account” means the account designated as such, established and maintained pursuant to Section 5.01(a) (i) hereof.

“Collection Guidelines” means, with respect to Credit Acceptance, the policies of the Servicer in effect on the Closing Date relating to the collection of amounts due on the Contracts and the Loans and as amended from time to time in accordance with the Basic Documents or in accordance with Applicable Law, and with respect to the Backup Servicer, as successor Servicer, the usual and customary servicing policies and procedures of the Backup Servicer.

“Collection Period” means, with respect to each Distribution Date, the immediately preceding calendar month (or in case of the first Distribution Date, the period starting on the Cut-off Date and ending on the last day of the calendar month immediately preceding such Distribution Date). Any amount stated “as of the close of business on the last day of a Collection Period” shall give effect to all collections, charge-offs, reserve adjustments and other account activity during such Collection Period.

“Collections” means, with respect to any Collection Period, all payments (including Dealer Collections, recoveries on defaulted contracts, credit-related insurance proceeds and proceeds of the Related Security and, so long as Credit Acceptance is the Servicer, net of certain recovery and repossession expenses, in accordance with the terms of the Dealer Agreements and Purchase Agreements) received by the Servicer, the Originator, the Issuer or the Seller on or after the Cut-off Date in respect of the Loans and Contracts in the form of cash, checks, wire transfers or other form of payment in accordance with the Loans, the Dealer Agreements, the Purchase Agreements and the Contracts.

“Comerica Credit Agreement” means that certain Sixth Amended and Restated Credit Acceptance Corporation Credit Agreement, dated as of June 23, 2014, with Comerica Bank, as administrative agent and collateral agent, and the banks signatory thereto, as amended from time to time.

“Computer Tape” means a computer tape or diskette (or other means of electronic transmission acceptable to the Backup Servicer) in a readable format acceptable to the Backup Servicer.

“Continued Errors” has the meaning given such term in the Backup Servicing Agreement.

“Contract” means any Dealer Loan Contract or Purchased Loan Contract.

“Contract Buy-Back Rate” means on any date of determination, a fraction, expressed as a percentage, the numerator of which is the Aggregate Note Balance as of the last day of the

preceding Collection Period and the denominator of which is the Outstanding Balance of all Eligible Contracts as of the last day of the preceding Collection Period.

“Contract File” means with respect to each Contract, the physical and/or electronic files in which Credit Acceptance maintains the fully executed original counterpart or “authoritative copy” (in each case, for UCC purposes) of the Contract (to the extent required in accordance with Section 3.03 of this Agreement), either a standard assurance in the form commonly used in the industry relating to the provision of a certificate of title or other evidence of lien, the original or electronic instruments modifying the terms and conditions of such Contract and the original or electronic endorsements or assignments of such Contract.

“Corporate Trust Office” means the principal office of the Trust Collateral Agent, Indenture Trustee and Backup Servicer at which at any particular time its corporate trust business shall be administered, which office at the date of the execution of this Agreement is located at 1505 Energy Park Drive, St. Paul, Minnesota 55108, Attention: Computershare Trust Services Asset-Backed Trust Administration, or at such other address as the Trust Collateral Agent, Indenture Trustee or Backup Servicer may designate from time to time by notice to the parties hereto, or the principal corporate trust office of any Trust Collateral Agent, Indenture Trustee or Backup Servicer at the address designated by such successor by notice to the parties hereto.

“Credit Acceptance” means Credit Acceptance Corporation, a Michigan corporation.

“Credit Guidelines” means the policies of Credit Acceptance, relating to the extension of credit to automobile, light-duty truck, minivan and/or sport utility dealers and consumers in respect of retail installment contracts for the sale of automobiles, light-duty trucks, minivans and/or sport utility vehicles and related products including the policies for determining creditworthiness of such dealers and consumers and otherwise relating to the extension of credit to dealers and consumers and the maintenance of installment sale contracts, as in effect on the Cut-off Date and as amended from time to time in accordance with the Basic Documents or in accordance with Applicable Law, attached hereto as Exhibit H.

“Cut-off Date” means, (i) with respect to Loans and related collateral to be sold to the Issuer on the Closing Date, the close of business on January 31, 2023 and (ii) with respect to Loans and related collateral purchased by the Issuer on each Distribution Date during the Revolving Period, the close of business on the last day of the immediately preceding Collection Period.

“Dealer” means any automobile, light-duty truck, minivan and/or sport utility vehicle dealer who has entered into a Dealer Agreement or a Purchase Agreement with Credit Acceptance.

“Dealer Agreement” means, each agreement between the Originator and the related Dealer pursuant to which the Originator may make one or more advances to the related Dealer substantially in one of the forms included as part of Exhibit C attached hereto; provided, however, that the term “Dealer Agreement” shall, for the purposes of this Agreement, include only those Dealer Agreements identified from time to time on Schedule A hereto, as amended or supplemented from time to time in accordance herewith.

“Dealer Collections” means, with respect to any Collection Period and any Dealer Loan, collections received by the Servicer during such Collection Period which pursuant to the terms of the related Dealer Agreement, are required to be remitted to the applicable Dealer.

“Dealer Collections Purchase” means the assignment of all Dealer rights, interests and entitlements in and to one or more pools of Dealer Loan Contracts securing the related Dealer Loans, including such Dealer’s ownership interest in such Dealer Loan Contracts and rights to receive the related Dealer Collections pursuant to the terms of a Dealer Collections Purchase Agreement.

“Dealer Collections Purchase Agreement” means any agreement, which Credit Acceptance enters into from time to time during its ordinary course of business in managing its serviced portfolio of dealer loans, with a Dealer pursuant to which a Dealer Collections Purchase is made.

“Dealer Collections Purchase Price” means the cash payment made to a Dealer based on the present value of all future forecasted Collections on the related Dealer Loan Contracts that would constitute Dealer Collections.

“Dealer Concentration Limit” means, with respect to Eligible Dealer Loans and with respect to any Dealer (measured by the Aggregate Outstanding Eligible Loan Balance relating to each Dealer), an amount equal to: (A) with respect to the Closing Date, 1.5% of the Aggregate Outstanding Eligible Loan Balance of Dealer Loans as of the initial Cut-off Date; and (B) with respect to each Distribution Date during the Revolving Period on which Dealer Loans are purchased by the Issuer, 1.5% of the Aggregate Outstanding Eligible Loan Balance of Dealer Loans as of such Distribution Date, after giving effect to all Collections from the related Collection Period and the purchase of Dealer Loans on such Distribution Date; provided however, that after giving effect to the foregoing, the sum of the Aggregate Outstanding Eligible Loan Balance of Dealer Loans relating to the top twenty Dealers shall not exceed 20.0% of the Aggregate Outstanding Eligible Loan Balance of all Dealer Loans on the initial Cut-off Date or each Distribution Date during the Revolving Period on which Dealer Loans are purchased by the Issuer, as the case may be.

“Dealer Loan” means a group of advances made by the Originator to a Dealer in respect of an identified group of Dealer Loan Contracts, all of which secure repayment thereof, plus revenue recognized on such Dealer Loan based on the current forecasted adjusted loan yield in accordance with Credit Acceptance’s adjusted accounting policies, *plus* the amount of monies paid to the Dealer under the related Dealer Agreement (including any portfolio profit express payment), less Collections on the related Contracts securing such Dealer Loan applied to the reduction of the balance of such Dealer Loan; provided however, that the term “Dealer Loan” shall, for the purposes of this Agreement, include only those Dealer Loans identified from time to time on Schedule A hereto, as amended or supplemented from time to time in accordance with the terms of this Agreement.

“Dealer Loan Contract” means each retail installment sales contract, in substantially one of the forms attached hereto as Exhibit G, relating to the sale of an automobile, light-duty truck, minivan or sport utility vehicle and related products originated by a Dealer and in which Credit Acceptance shall have been granted a security interest and shall have acquired certain other rights under a related Dealer Agreement to secure the related Dealer’s obligation to repay one or more related Dealer Loans.

“Declared Discretionary Amortization Event” has the meaning assigned to such term in Section 2.02(c) hereof.

“Delivery” when used with respect to property forming a part of a Trust Account means:

(a) with respect to bankers’ acceptances, commercial paper, negotiable certificates of deposit and other obligations that constitute “instruments” within the meaning of Section 9-102(a)(47) of the UCC and are susceptible of physical delivery, transfer thereof by physical delivery to the Trust Collateral Agent indorsed to, or registered in the name of, the Trust Collateral Agent or its nominee or indorsed in blank, and, with respect to a certificated security (as defined in Section 8-102 of the UCC) transfer thereof (i) by delivery of such certificated security to the Trust Collateral Agent or by delivery of such certificated security to a securities intermediary indorsed to, or registered in the name of, the Trust Collateral Agent or its nominee or indorsed in blank to a securities intermediary (as defined in Section 8-102(a)(14) of the UCC) and the making by such securities intermediary of entries on its books and records identifying such certificated security as belonging to the Trust Collateral Agent and the sending by such securities intermediary of a confirmation of the purchase of such certificated security by the Trust Collateral Agent, or (ii) by delivery thereof to a “clearing corporation” (as defined in Section 8-102(a)(5) of the UCC) and the making by such clearing corporation of appropriate entries on its books reducing the appropriate securities account of the originator and increasing the appropriate securities account of a securities intermediary by the amount of such certificated security, the identification by the clearing corporation of such certificated security for the sole and exclusive account of the securities intermediary, the maintenance of such certificated security by such clearing corporation or its nominee subject to the clearing corporation’s exclusive control, the sending of a confirmation by the securities intermediary of the purchase by the Trust Collateral Agent of such certificated security and the making by such securities intermediary of entries on its books and records identifying such certificated security as belonging to the Trust Collateral Agent (all of the foregoing, “Physical Property”), and, in any event, any such Physical Property in registered form shall be registered in the name of the Trust Collateral Agent or its nominee or endorsed in blank; and such additional or alternative procedures as may hereafter become appropriate to effect the complete transfer of ownership of any such Eligible Investment to the Trust Collateral Agent, consistent with changes in Applicable Law or regulations or the interpretation thereof;

(b) with respect to any security issued by the U.S. Treasury, the Federal Home Loan Mortgage Corporation or by the Federal National Mortgage Association that is a book-entry security held through the Federal Reserve System pursuant to Federal book-entry regulations, the following procedures, all in accordance with Applicable Law, including applicable federal regulations and Articles 8 and 9 of the UCC: book-entry registration of such Eligible Investment to an appropriate book-entry account maintained with a Federal Reserve Bank by a securities intermediary pursuant to applicable federal regulations and issuance by such securities intermediary of a deposit advice or other written confirmation of such book-entry registration to the Trust Collateral Agent of the purchase by the Trust Collateral Agent of such book-entry security; the making by such securities intermediary of entries in its books and records identifying such book-entry security held through the Federal

Reserve System pursuant to Federal book-entry regulations as belonging to the Trust Collateral Agent and indicating that such securities intermediary holds such Eligible Investment solely as agent for the Trust Collateral Agent; and such additional or alternative procedures as may hereafter become appropriate to effect complete transfer of ownership of any such Eligible Investment to the Trust Collateral Agent, consistent with changes in Applicable Law or regulations or the interpretation thereof; and

(c) with respect to any Eligible Investment that is an uncertificated security under Article 8 of the UCC and that is not governed by clause (b) above, registration on the books and records of the issuer thereof in the name of the Trust Collateral Agent or its nominee or the securities intermediary, the sending of a confirmation by the securities intermediary of the purchase by the Trust Collateral Agent or its nominee of such uncertificated security, and the making by such securities intermediary of entries on its books and records identifying such uncertificated security as belonging to the Trust Collateral Agent.

In furtherance of the foregoing, any Eligible Investments held by the Trust Collateral Agent through a securities intermediary shall be held only pursuant to a control agreement entered into among the Seller, the Trust Collateral Agent and the securities intermediary, pursuant to which the securities intermediary agrees to credit all financial assets (as defined in Section 8-102(a)(9) of the UCC) purchased (as defined in Section 1-201(32) of the UCC) at the direction of the Trust Collateral Agent to the securities account maintained by the securities intermediary for the benefit of the Trust Collateral Agent and agrees to comply with entitlement orders (as defined in Section 8-102(a)(8) of the UCC) of the Trust Collateral Agent without the further consent of the Seller and pursuant to which the securities intermediary waives any prior lien on all financial assets credited to such securities account to which it might otherwise be entitled.

“Determination Date” means the fourth Business Day prior to the related Distribution Date.

“Discretionary Amortization Event” has the meaning assigned to such term in Section 2.02(c) hereof.

“Distribution Date” means, for each Collection Period, the 15th day of the following month, or if the 15th day is not a Business Day, the next following Business Day, commencing with the First Distribution Date.

“Early Amortization Event” means, collectively, Automatic Amortization Events and Declared Discretionary Amortization Events.

“Eligible Account” shall mean an account or accounts each of which is a non-interest bearing segregated trust account maintained by the Trust Collateral Agent or an institution whose deposits are insured by the FDIC, the unsecured and uncollateralized long term debt obligations of which institution shall be rated no lower than BBB by S&P and no lower than investment grade by Moody’s, and which is (i) a federal savings and loan association duly organized, validly existing and in good standing under the federal banking laws, (ii) an institution duly organized, validly existing and in good standing under the applicable banking laws of any state, (iii) a national banking

association duly organized, validly existing and in good standing under the federal banking laws, or (iv) a principal subsidiary of a bank holding company.

“Eligible Contract” means each Eligible Dealer Loan Contract and each Eligible Purchased Loan Contract.

“Eligible Dealer Agreement” means each Dealer Agreement:

(a) which was originated in the United States by the Originator in material compliance with all applicable requirements of law and which complies in all material respects with all applicable requirements of law;

(b) with respect to which all material consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Seller, by the Originator or by the Servicer in connection with the origination of such Dealer Agreement or the execution, delivery and performance by the Seller, by the Originator or by the Servicer of such Dealer Agreement have been duly obtained, effected or given and are in full force and effect;

(c) as to which at the time of the sale of rights thereunder to the Trust, the Seller will have good and marketable title thereto, free and clear of all Liens;

(d) the Originator’s rights under which have been the subject of a valid grant by the Originator of a first priority perfected security interest in such rights and in the proceeds thereof in favor of the Seller;

(e) which will at all times be the legal, valid and binding obligation of the Dealer party thereto (it being understood that recourse for such payment obligation shall be limited to the extent set forth in the Dealer Agreement), enforceable against such Dealer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting the enforcement of creditors’ rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

(f) which constitutes either a “general intangible” or “tangible chattel paper” under and as defined in Article 9 of the UCC;

(g) which, at the time of the sale of the rights to payment thereunder to the Trust, no rights to payment thereunder have been waived or modified;

(h) which is not subject to any right of rescission, setoff, counterclaim or other defense (including the defense of usury), other than defenses arising out of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights in general;

(i) as to which the Originator, the Servicer and the Seller have satisfied in all material respects all obligations to be fulfilled at the time the rights to payment thereunder are sold and assigned to the Trust;

(j) as to which the related Dealer has not instituted any legal proceedings in which it asserts that such agreement is void or unenforceable and such proceedings are not being contested in good faith;

(k) as to which the related Dealer is not an Affiliate of an executive of Credit Acceptance or an Affiliate of Credit Acceptance;

(l) as to which the related Dealer is located in the United States;

(m) as to which the related Dealer is not known to be bankrupt or insolvent, subject to the proviso related to the definition of "Collateral Amount" with respect to bankruptcy and insolvency of Dealers;

(n) as to which none of the Originator, the Servicer nor the Seller has done anything, at the time of the sale of the rights to payment thereunder to the Trust, to materially impair the rights of the Trust therein;

(o) the person or persons obligated to make payments thereunder is not the United States, any State or any agency, department, or instrumentality of the United States or any State;

(p) no material provision of which has been affirmatively amended, except amendments and modifications that are contained in the Dealer Agreement files; and

(q) which has not been amended or rewritten to extend the due date for any payment date other than in connection with a change of the monthly due date in accordance with the Credit Guidelines or the Collection Guidelines.

"Eligible Dealer Loan" means each Dealer Loan, at the time of its sale to the Seller under the Sale and Contribution Agreement:

(a) which has arisen under a Dealer Agreement that, on the day the Dealer Loan was created, qualified as an Eligible Dealer Agreement;

(b) which was created in material compliance with all applicable requirements of law and pursuant to an Eligible Dealer Agreement which complies, in all material respects, with all applicable requirements of law;

(c) with respect to which all material consents, licenses, approvals or authorizations of, or registrations or declarations with, any Governmental Authority required to be obtained, effected or given by the Originator, in connection with the creation of such Dealer Loan or the execution, delivery and performance by the Originator, of the related Eligible Dealer Agreement have been duly obtained, effected or given and are in full force and effect;

(d) as to which at the time of the sale of such Dealer Loan to the Trust, the Seller will have good and marketable title thereto, free and clear of all Liens;

(e) as to which a valid first priority perfected security interest in such Dealer Loan, related security and in the Proceeds thereof has been granted by the Originator in favor of the Seller, by the Seller in favor of the Issuer and by the Issuer in favor of the Indenture Trustee;

(f) which will at all times be the legal, valid and binding payment obligation of the related Dealer thereof (it being understood that recourse for such payment obligation shall be limited to the extent set forth in the Dealer Agreement), enforceable against such Dealer in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

(g) which constitutes a "general intangible" under and as defined in Article 9 of the UCC;

(h) which is denominated and payable in United States dollars;

(i) which, at the time of its sale to the Trust, has not been waived or modified;

(j) which is not subject to any right of rescission (subject to the rights of the related Dealer to repay the outstanding balance thereof and terminate the related Dealer Agreement), setoff, counterclaim or other defense (including the defense of usury), other than defenses arising out of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general;

(k) as to which the Originator, the Servicer and the Seller have satisfied all material obligations to be fulfilled at the time it is pledged to the Trust;

(l) as to which the related Dealer has not instituted any legal proceedings in which it asserts that the related Dealer Agreement is void or unenforceable and such proceedings are not being contested in good faith;

(m) as to which the related Dealer is not known to be bankrupt or insolvent, subject to the proviso in the definition of "Collateral Amount" with respect to bankruptcy and insolvency of Dealers;

(n) as to which none of the Originator, the Servicer nor the Seller has done anything, at the time of its sale to the Trust and subsequent pledge to the Indenture Trustee, to materially impair the rights of the Trust or the Indenture Trustee, as the case may be;

(o) has not become subject to the payment of a Purchase Amount in accordance with Section 3.02 hereof or Section 4.07 hereof (regardless of whether such Purchase Amount is actually paid);

(p) the proceeds of which were generally used to finance the purchases of automobiles and/or light-duty trucks and related products;

(q) which allows for prepayment and partial prepayments without penalty and provides for, in the event that such Dealer Loan is prepaid in full, a prepayment that fully pays the Outstanding Balance of such Dealer Loan;

(r) which has not been originated in, and is not subject to the laws of, any jurisdiction under which the sale, transfer and assignment of such Dealer Loan under this Agreement or pursuant to the sale of the related Dealer Loan Contract shall be unlawful, void or voidable; and

(s) if any Dealer Loan Contract securing such Dealer Loan is an electronic contract, such electronic contract constitutes “electronic chattel paper” and the only “authoritative copy” (as such terms are used in Section 9-105 of the UCC) of such electronic contract.

“Eligible Dealer Loan Contract” means each Dealer Loan Contract which, at the time of its pledge by the applicable Dealer to the Originator, satisfied the requirements for “Qualifying Receivable” set forth in the related Dealer Agreement; *provided, however,* that an Eligible Dealer Loan Contract that has become subject to the payment of a Purchase Amount in accordance with Section 3.02 hereof or Section 4.07 hereof (regardless of whether such Purchase Amount is actually paid) shall not constitute an “Eligible Contract”.

“Eligible Investments” means any one or more of the following types of investments which mature no later than the Business Day preceding each Distribution Date:

(i) direct obligations of, and obligations fully guaranteed as to timely payment by, the United States of America;

(ii) demand deposits, time deposits or certificates of deposit of any depository institution (including any Affiliate of the Seller, the Servicer, the Trust Collateral Agent, the Indenture Trustee or the Owner Trustee) or trust company incorporated under the laws of the United States of America or any state thereof or the District of Columbia (or any domestic branch of a foreign bank) and subject to supervision and examination by Federal or state banking or depository institution authorities (including depository receipts issued by any such institution or trust company as custodian with respect to any obligation referred to in clause (i) above or a portion of such obligation for the benefit of the holders of such depository receipts); *provided, however,* that at the time of the investment or contractual commitment to invest therein (which shall be deemed to be made again each time funds are reinvested following each Distribution Date), the commercial paper or other short-term senior unsecured debt obligations (other than such obligations the rating of which is based on the credit of a Person other than such depository institution or trust company) of such depository institution or trust company shall have a credit rating from S&P of at least A-1 and from Moody’s of Prime-1;

(iii) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States of America or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States of

America, in either case entered into with a depository institution or trust company (acting as principal) referred to in clause (ii) above;

(iv) commercial paper (including commercial paper of any affiliate of the Seller, the Servicer, the Trust Collateral Agent, the Indenture Trustee or the Owner Trustee) having, at the time of the investment or contractual commitment to invest therein, a rating from S&P of at least A-1 and from Moody's of Prime-1;

(v) investments in money market funds (including funds for which the Seller, the Servicer, the Trust Collateral Agent, the Indenture Trustee or the Owner Trustee or any of their respective Affiliates is investment manager or advisor) having a rating in the highest rating category from S&P and from Moody's;

(vi) bankers' acceptances issued by any depository institution or trust company referred to in clause (ii) above; and

(vii) money market deposit accounts, certificates of deposit, demand or time deposits, savings deposits, bankers acceptances, or federal funds, in each case as defined in Regulation D of the Board of Governors of the Federal Reserve System and issued by or sold by or offered by, any domestic office of any commercial bank or any depository institution or trust company (including the Indenture Trustee or the Owner Trustee or their successors) incorporated or organized under the laws of the United States or any States thereof which has a combined capital and surplus and undivided profits of not less than \$250,000,000 and the deposits of which are fully insured by FDIC and which has from Moody's a short-term rating of not lower than P-1 or long-term rating of not lower than A2 and from S&P a short-term rating of not lower than A-1.

Any of the foregoing Eligible Investments may be purchased from, by or through the Owner Trustee, the Indenture Trustee or the Trust Collateral Agent or any of their respective Affiliates.

"Eligible Loan" means each Eligible Dealer Loan and each Eligible Purchased Loan.

"Eligible Purchased Loan Contract" means each Purchased Loan Contract which at the time of its purchase from the applicable Dealer by the Originator, evidenced an Eligible Purchased Loan; *provided, however*, that an Eligible Purchased Loan Contract that has become subject to the payment of a Purchase Amount in accordance with Section 3.02 hereof or Section 4.07 hereof (regardless of whether such Purchase Amount is actually paid) shall not constitute an "Eligible Contract".

"Eligible Purchased Loans" Each Purchased Loan, at the time of its sale to the Seller under the Sale and Contribution Agreement:

- (a) which has been originated in the United States by a Dealer for the retail sale of a Financed Vehicle and related products in the ordinary course of such Dealer's business and is evidenced by a fully and properly executed Purchased Loan Contract of which there is only one original executed copy (or, if such Purchased Loan Contract is an

electronic contract, there is only a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of such electronic contract);

- (b) which has created a valid, subsisting, and enforceable first priority perfected security interest for the benefit of the Originator in the Financed Vehicle, which security interest has been, in turn, validly assigned by the Originator to the Seller, by the Seller to the Issuer and by the Issuer to the Indenture Trustee;
- (c) which contains customary and enforceable provisions such that the rights and remedies of the holder thereof shall be adequate for realization against the collateral of the benefits of the security;
- (d) which allows for prepayment and partial prepayments without penalty and provides for, in the event that such Purchased Loan is prepaid in full, a prepayment that fully pays the Outstanding Balance of such Purchased Loan;
- (e) which was created in material compliance with all applicable requirements of law;
- (f) which will at all times be the legal, valid and binding payment obligation of the Obligor thereof, enforceable against such Obligor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws, now or hereafter in effect, affecting the enforcement of creditors’ rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);
- (g) which is not subject to any right of rescission, setoff, counterclaim or other defense (including the defense of usury), other than defenses arising out of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights in general;
- (h) with respect to which the Obligor thereon is not the United States, any State or any agency, department, or instrumentality of the United States or any State;
- (i) with respect to which the Obligor thereon is a natural person;
- (j) with respect to which, to the best of the Originator’s knowledge, no liens or claims have been filed for work, labor, materials, taxes or liens that arise out of operation of law relating to the applicable Financed Vehicle that are prior to, or equal with, the security interest in the Financed Vehicle granted by the related Purchased Loan Contract;
- (k) with respect to which, to the best of the Originator’s knowledge, there was no material misrepresentation by the Obligor thereon on such Obligor’s credit application;
- (l) which has not been originated in, and is not subject to the laws of, any jurisdiction under which the sale, transfer and assignment of such Purchased Loan under this

Agreement or pursuant to the sale of the related Purchased Loan Contract shall be unlawful, void or voidable;

- (m) which (i) constitutes either “tangible chattel paper,” “electronic chattel paper” or a “payment intangible,” as such terms are defined in the UCC, (ii) if “tangible chattel paper,” shall be maintained in its original “tangible” form, unless the Indenture Trustee has consented in writing to such chattel paper being maintained in another form or medium, and (iii) if “electronic chattel paper,” constitutes the only “authoritative copy” (as such term is used in Section 9-105 of the UCC);
- (n) which is payable and denominated in United States dollars and the Obligor thereon is an individual who is a United States resident;
- (o) which satisfies in all material respects the requirements under the Credit Guidelines;
- (p) with respect to which the collection practices used with respect thereto have complied in all material respects with the Collection Guidelines;
- (q) with respect to which there are no proceedings pending, or to the best of the Originator’s knowledge, threatened, wherein the Obligor thereon or any governmental agency has alleged that such Purchased Loan is illegal or unenforceable
- (r) with respect to which the Originator has duly fulfilled all material obligations to be fulfilled on the lender’s part under or in connection with the origination, acquisition and assignment of such Purchased Loan, including giving any notices or consents necessary to effect the acquisition of such Purchased Loan by the Seller, and has done nothing to materially impair the rights of the Seller, or the Trust in payments with respect thereto;
- (s) which was purchased by the Originator from a Dealer pursuant to a Purchase Agreement or, in the case of any Purchased Loan Contract that previously secured a Dealer Loan, another agreement with the applicable Dealer;
- (t) with respect to which the Dealer from whom the Originator purchased such Purchased Loan has not engaged in any conduct constituting material fraud or misrepresentation with respect to such Purchased Loan to the best of the Originator’s knowledge;
- (u) with respect to which, at the time such Purchased Loan was originated the proceeds thereof were fully disbursed and there is no requirement for future advances thereunder, and all fees and expenses in connection with the origination of such Purchased Loan have been paid;
- (v) with respect to which, if applicable state law requires or permits the Servicer to hold the certificate of title in respect of a Financed Vehicle financed by a Purchased Loan Contract, the Servicer holds the certificate of title (or if an electronic certificate of title is issued in lieu of a paper certificate of title by the relevant governmental department or agency, Credit Acceptance is listed as lienholder on such electronic certificate of title) or the application for a certificate of title for the related Financed Vehicles as of

the date on which the related Purchased Loan Contract is sold to the Seller and will obtain within one hundred eighty (180) days of such date certificate of title (or ensure that an electronic certificate of title is issued in lieu of a paper certificate of title by the relevant governmental department or agency on which Credit Acceptance is listed as lienholder) with respect to such Financed Vehicle as to which the Servicer holds only such application;

- (w) with respect to which the related Purchased Loan Contract has not been extended or rewritten and is not subject to any forbearance, or any other modified payment plan other than in accordance with the Credit Guidelines or the Collection Guidelines or otherwise in accordance with Applicable Law;
- (x) no material provision of which has been affirmatively amended, except amendments and modifications that are contained in the Contract Files;
- (y) as to which the Originator, the Servicer and the Seller have satisfied all material obligations to be fulfilled at the time it is pledged to the Trust; and
- (z) as to which none of the Originator, the Servicer or the Seller has done anything, at the time of its sale to the Trust and subsequent pledge to the Indenture Trustee, to

materially impair the rights of the Trust or the Indenture Trustee, as the case may be.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means each entity, whether or not incorporated, which is treated as a single employer with the Servicer pursuant to Section 414(b) or (c) or, for purposes of Section 302 of ERISA and Section 412 of the Code, (m) or (o) of the Code.

“Errors” has the meaning given such term in the Backup Servicing Agreement.

“EU Securitization Regulation” means Regulation (EU) 2017/2402.

“European Securitization Rules” means the EU Securitization Regulation and guidelines and other materials published by the European Banking Authority, the European Securities and Markets Authority and the European Commission in relation thereto.

“Final Score” means the final output from the Originator’s credit scoring process.

“Financed Vehicle” means, with respect to a Contract, any automobile, light-duty truck, minivan or sport utility vehicle, together with all accessories thereto, securing the related Obligor’s indebtedness thereunder.

“Financing Statement” has the meaning given such term in Section 11.02(i)(2) hereof.

“First Distribution Date” means April 17, 2023.

“Forecasted Collections” means a forecast that is made by Credit Acceptance in accordance with its forecasting models at the end of each calendar month of the expected amount of cash to be received with respect to all Loans (including additional Loans expected to be purchased by the Issuer in the succeeding calendar month). The Forecasted Collections as of the Closing Date are set forth on Schedule B hereto.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person.

“Indenture” means the Indenture dated as of the Closing Date, between the Issuer and Computershare Trust Company, N.A., as Indenture Trustee and as Trust Collateral Agent, as the same may be amended and supplemented from time to time.

“Indenture Trustee Fee” means, as to each Distribution Date, \$2,000.

“Independent” means a Person, who (1) is in fact independent of the Seller and any of its Affiliates, (2) does not have any direct financial interest or any material indirect financial interest in the Seller or in any Affiliate of the Seller, and (3) is not connected with the Seller or Affiliate as an officer, employee, promoter, underwriter, trustee, partner, director, or person performing similar functions.

“Independent Accountants” means a firm registered with the Public Company Accounting Oversight Board that is Independent.

“Ineligible Contract” means each contract that either (i) is not an Eligible Contract or (ii) has been materially and adversely affected by a Servicer Modification.

“Ineligible Loan” means each Loan that either (i) is not an Eligible Loan or (ii) has been materially and adversely affected by a Servicer Modification; provided, however, that a Dealer Loan relating to a Dealer that, to the knowledge of the Servicer, has become insolvent after the conveyance of such Dealer Loan to the Issuer shall continue to constitute an “Eligible Dealer Loan” (assuming that such Dealer Loan would otherwise be an “Eligible Dealer Loan” on such date of determination if the applicable Dealer had not become insolvent) for purposes of calculating the “Collateral Amount” so long as (i) the characterization of such Dealer Loan as an “Eligible Dealer Loan” would not cause the percentage of the aggregate Outstanding Balance of all Dealer Loans relating to Dealers who are insolvent to exceed 2.5% of the Aggregate Outstanding Eligible Loan Balance and (ii) no bankruptcy court has entered an order (whether or not final), which order has not been vacated or overturned, stating that a person other than the Issuer (or the Servicer on the Issuer’s behalf) is entitled to receive any collections on the Dealer Loans or the Dealer Loan Contracts relating thereto.

“Initial Purchaser” means each of Wells Fargo Securities, LLC, BMO Capital Markets Corp., Fifth Third Securities, Inc., Citizens Capital Markets, Inc. and Wedbush Securities Inc.

“Initial Purchaser Agreement” means the Initial Purchaser Agreement, dated March 8, 2023, by and among the Issuer, Credit Acceptance, the Seller and Wells Fargo Securities, LLC and BMO Capital Markets Corp., as representatives of the Initial Purchasers.

“Initial Seller Property” has the meaning given such term in Section 2.01 hereof.

“Intercreditor Agreement” means the Amended and Restated Intercreditor Agreement, dated as of the Closing Date, among the Indenture Trustee, Credit Acceptance, the Seller, the Issuer, the other signatories thereto and each other Person who becomes a party thereto after the date hereof, as amended from time to time.

“Issuer” or “Trust” means Credit Acceptance Auto Loan Trust 2023-1, a Delaware statutory trust.

“Late Fees” means if the Backup Servicer has become the successor Servicer, any late fees collected with respect to any Contract.

“Lien” means with respect to a Loan, Dealer Agreement, Purchase Agreement or Contract or other property, any security interest, lien, charge, pledge, equity, or encumbrance of any kind (other than tax liens, mechanics’ liens, liens of collection attorneys or agents collecting the property subject to such tax or mechanics’ lien, and any liens which attach thereto by operation of law).

“Loan” means any Dealer Loan or Purchased Loan.

“Loan Excess Advance Amount” means, with respect to any Eligible Loan on any Distribution Date during the Revolving Period, the amount by which the Outstanding Balance of such Eligible Loan, on the date it was originated, exceeds 70% of the sum of payments due under the related Eligible Contracts on their date of origination.

“Majority Noteholders” means the Holders of a majority by principal amount of the most senior then outstanding class of Notes.

“Maximum Advance Rate” means 80%.

“Minimum Collateral Amount” means on any Distribution Date during the Revolving Period, an amount equal to the Aggregate Note Balance (after giving effect to payments of principal of the Notes on such Distribution Date) divided by the Maximum Advance Rate.

“Minimum Forecasted Collections Amount” means on any Distribution Date during the Revolving Period, an amount equal to the Note Balance (after giving effect to payments of principal on the Notes on such Distribution Date) divided by 60%.

“Minimum Weighted Average Spread Rate” means 22.0%.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns.

“Multiemployer Plan” means a multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) in respect of which the Servicer or an ERISA Affiliate makes contributions or has liability.

“Note Distribution Account” means the Note Distribution Account established and maintained pursuant to Section 5.01(a)(ii) hereof.

“Noteholder” or “Holder” means any Class A Noteholder, Class B Noteholder, or Class C Noteholder.

“Notes” means, collectively, the Class A Notes, the Class B Notes and the Class C Notes.

“Obligor” means, with respect to any Contract, the person or persons obligated to make payments with respect to such Contract, including any guarantor thereof.

“Officer’s Certificate” means a certificate signed by the chairman of the board, the vice chairman, the president, the chief financial officer, the chief treasury officer, any vice president,

any assistant treasurer, the secretary, any assistant secretary, the controller or any assistant controller of the Seller or the Servicer, as appropriate.

“Open Pool” means, with respect to any Dealer Loan, a pool of related Dealer Loan Contracts securing such Dealer Loan as to which, pursuant to the terms of the related Dealer Agreement, additional Dealer Loan Contracts may be allocated.

“Opinion of Counsel” means one or more written opinions of counsel who may, except as otherwise expressly provided in this Agreement or as otherwise required by the Trust Collateral Agent, be employees of or counsel to the Issuer or the Servicer and who shall be reasonably satisfactory to the Trust Collateral Agent and which shall comply with any applicable requirements of Section 11.1 of the Indenture, and shall be in form and substance reasonably satisfactory to the Trust Collateral Agent.

“Optional Purchase” means the optional purchase of the Trust Property as set forth in Section 10.01(a) hereof.

“Original Advance Rate” means, with respect to any Dealer, the ratio, expressed as a percentage, where the numerator is equal to the sum of the Outstanding Balance of all Eligible Loans of such Dealer on the dates such Eligible Loans were originated and the denominator is equal to the sum of payments due under all Eligible Contracts related to such Dealer on their dates of origination.

“Original Certificate Interest” means the percentage interest in the Trust represented by the Certificate(s) initially issued by the Issuer and authenticated and delivered by the Certificate Registrar and which is 100%.

“Originator” means Credit Acceptance.

“Outstanding Balance” means, (i) with respect to any Contract on any date of determination, all amounts owing under such Contract (whether considered principal or as finance charges), on such date of determination, which shall be deemed to have been created at the end of the day on the date of processing of such Contract and which shall be greater than or equal to zero; (ii) with respect to any Dealer Loan on any date of determination, the aggregate amount advanced under such Dealer Loan plus revenue accrued with respect to such Dealer Loan based on the current forecasted adjusted loan yield in accordance with Credit Acceptance’s adjusted accounting policies, plus the amount of monies paid to a Dealer under the related Dealer Agreement (including any portfolio profit express payment), less Collections on the related Dealer Loan Contracts securing such Dealer Loan applied through such date of determination; (iii) with respect to any Purchased Loan (other than any Purchased Loan arising from a Dealer Collections Purchase Agreement) on any date of determination, the aggregate amount advanced under such Purchased Loan plus revenue accrued with respect to such Purchased Loan based on the current forecasted adjusted loan yield in accordance with Credit Acceptance’s adjusted accounting policies, less Collections on the related Purchased Loan Contract applied through the date of determination; and (iv) with respect to any Purchased Loan arising from a Dealer Collections Purchase Agreement on any date of determination, (A) such Purchased Loan’s pro rata share of the sum of (x) the Outstanding Balance of the related Dealer Loan as of the date of the related Dealer Collections Purchase and (y) the Dealer Collections Purchase Price with respect to such Dealer Loan (such pro rata share determined based on such Purchased Loan’s pro

rata share of the forecasted Collections on the pool of Purchased Loan Contracts which previously constituted Dealer Loan Contracts securing such Dealer Loan), plus (B) following the acquisition of such Purchased Loan, revenue accrued with respect to such Purchased Loan based on the current forecasted adjusted loan yield in accordance with Credit Acceptance's adjusted accounting policies, less (C) Collections on the related Purchased Loan Contract applied through the date of determination.

“Overconcentration Loan Amount” means, with respect to any Dealer (or the twenty largest Dealers (measured by the Aggregate Outstanding Eligible Loan Balance of each such Dealer) in the aggregate), the amount by which the Outstanding Balance of such Dealer's Eligible Dealer Loans (or the twenty largest Dealers' (measured by the Aggregate Outstanding Eligible Loan Balance of each such Dealer) Eligible Dealer Loans in the aggregate), as of the Closing Date or any Distribution Date during the Revolving Period on which the Issuer purchases one or more Dealer Loans, as the case may be, exceeds the applicable Dealer Concentration Limit.

“Owner Trustee” means U.S. Bank Trust National Association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement, its successors in interest or any successor Owner Trustee under the Trust Agreement.

“Owner Trustee Fee” means (i) a fee in the amount of \$5,000, payable by the Issuer to the Owner Trustee on the Closing Date in connection with the review and execution of the Basic Documents and (ii) thereafter, an administration fee in the amount of \$500.00 on each Distribution Date as compensation for its services under the Trust Agreement.

“Person” means any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company, or government or any agency or political subdivision thereof.

“Physical Property” has the meaning assigned to such term in the definition of “Delivery” above.

“Principal Collection Account” means the account designated as such, established and maintained pursuant to Section 5.01(a)(i) hereof.

“Proceeds” means, with respect to any portion of the Trust Property, all “proceeds”, as such term is defined in Article 9 of the UCC, including whatever is receivable or received when such portion of Trust Property is sold, liquidated, foreclosed, exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes all rights to payment with respect to any insurance relating thereto.

“Purchase Agreement” means each agreement between Credit Acceptance and any Dealer in substantially the form attached hereto as Exhibit D.

“Purchase Amount” means, with respect to a Dealer Loan, a Purchased Loan or a Contract with respect to which the payment of a Purchase Amount is required or is to be made pursuant to Section 3.02, 4.07 or 10.01(a), is an amount equal to:

(i) in the case of a Dealer Loan, or a Purchased Loan, as applicable, the product of: (I) the Outstanding Balance related to such Loan as of the last day of the preceding Collection Period; and (II) the Advance Rate in effect on the Distribution Date during such preceding Collection Period; and

(ii) with respect to any Contract, the product of: (I) the Outstanding Balance of such Contract as of the last day of the preceding Collection Period; and (II) the Contract Buy-Back Rate.

“Purchased Loan” means each motor vehicle retail installment loan relating to the sale of an automobile or light-duty trucks and related products originated by a Dealer, purchased by the Originator from such Dealer and evidenced by a Purchased Loan Contract; provided, however, that the term “Purchased Loan” shall, for purposes of this Agreement, include only those Purchased Loans identified from time to time on Schedule A hereto.

“Purchased Loan Contract” means each motor vehicle retail installment sales contract, in substantially one of the forms attached hereto as Exhibit G, relating to a Purchased Loan.

“Rating Agencies” means, collectively, S&P, Moody’s and any other nationally recognized statistical rating organization hired by the Seller or an Affiliate thereof to rate any class of Notes.

“Rating Agency Condition” means, with respect to any event or circumstance and any Rating Agency, either (a) written confirmation to the Indenture Trustee by such Rating Agency that the occurrence of such event or circumstance will not itself cause such Rating Agency to downgrade or withdraw its rating assigned to any class of Notes or (b) that such Rating Agency shall have been given notice of such event at least ten (10) days prior to the occurrence of such event (or, if ten (10) days’ advance notice is impracticable, as much advance notice as is practicable) and such Rating Agency shall not have issued any written notice to the Indenture Trustee that the occurrence of such event will itself cause such Rating Agency to downgrade or withdraw its rating assigned to any class of Notes.

“Records” means the Dealer Agreements, Purchase Agreements, Contracts, Contract Files and all other documents, books, records and other information (including computer programs, tapes, discs, punch cards, data processing software and related contracts, records and other media for storage of information) in each case whether tangible or electronic that are maintained with respect to the Loans and the Contracts and the related Obligors.

“Related Security” with respect to any Loan all of Credit Acceptance’s interest in: (i) all rights under the Dealer Agreements and Purchase Agreements related thereto (other than the Excluded Dealer Agreement Rights), including Credit Acceptance’s right to service the Loans and the related Contracts and receive the related servicing fee and receive reimbursement of certain recovery and repossession expenses, in accordance with the terms of the Dealer Agreements; (ii) Collections (other than Dealer Collections) after the applicable Cut-off Date; (iii) an ownership interest in each Contract evidencing a Purchased Loan and a security interest in each Contract securing each Dealer Loan; (iv) all records and documents relating to the Loans and the Contracts; (v) all security interests purporting to secure payment of the Loans; (vi) all security interests purporting to secure payment of

each Contract (including a security interest in each Financed Vehicle); (vii) all guarantees, insurance or other agreements or arrangements securing the Contracts; (viii) the Seller's rights under the Sale and Contribution Agreement; and (ix) all Proceeds of the foregoing.

For the avoidance of doubt, the term "Related Security" with respect to any Dealer Loan includes all rights arising under such Dealer Loan which rights are attributable to advances made under such Dealer Loan as the result of such Dealer Loan being secured by an Open Pool on the date such Dealer Loan was sold and Dealer Loan Contracts being added to such Open Pool after the date such Dealer Loan was sold, and not otherwise included in Subsequent Seller Property, including all such rights arising after the last day of the last full Collection Period during the Revolving Period.

"Repossession Expenses" means, for any Collection Period, any expenses payable pursuant to the terms of this Agreement, incurred by the Backup Servicer, if it has become the successor Servicer, in connection with the liquidation or repossession of any Financed Vehicle, in an aggregate amount not to exceed the cash proceeds received by the Backup Servicer, if it has become the successor Servicer, from the disposition of such Financed Vehicles during the related Collection Period.

"Repurchased Loan" means a Loan with respect to which payment is required to be made by the Seller, the Servicer or Credit Acceptance in accordance with Section 3.02 or Section 4.07 hereof or Section 6.1 of the Sale and Contribution Agreement, as applicable.

"Reserve Account" means the account established and maintained pursuant to Section 5.01(a)(iv) hereof.

"Reserve Account Requirement" means, with respect to the Closing Date and any Distribution Date, an amount equal to the lesser of: (A) 2.0% of the sum of (i) the initial Class A Note Balance, (ii) the initial Class B Note Balance and (iii) the initial Class C Note Balance; and (B) the sum of (i) the Class A Note Balance on such Distribution Date, (ii) the Class B Note Balance on such Distribution Date and (iii) the Class C Note Balance on such Distribution Date, after giving effect to the payment of principal on such Distribution Date.

"Retained Interest" is as defined in Section 11.19 hereof.

"Retention Option" is as defined in Section 11.19 hereof.

"Revolving Period" means the period beginning on the Closing Date and terminating on the day the Amortization Period begins.

"S&P" means S&P Global Ratings, a Standard and Poor's Financial Services LLC business, and its successors and assigns.

"Sale and Contribution Agreement" means the Sale and Contribution Agreement, dated as of the date hereof, relating to the sale and contribution by Credit Acceptance to the Seller of the Conveyed Property, as defined therein.

"Securities" means the Notes and the Certificates.

“Securities Act” means the Securities Act of 1933, as amended.

“Seller” means Credit Acceptance Funding LLC 2023-1 and any permitted successor thereto (in the same capacity).

“Seller Property” means, collectively, the Initial Seller Property and the Subsequent Seller Property.

“Servicer” means Credit Acceptance, as the Servicer of the Loans and the Contracts, and each successor to Credit Acceptance (in the same capacity) appointed pursuant to Section 7.03 or 8.02 hereof.

“Servicer’s Certificate” means a certificate substantially in the form of Exhibit B hereto completed and executed by the Servicer by the chairman of the board, the vice chairman, the president, the chief financial officer, the chief treasury officer, any vice president, any assistant treasurer, the secretary, any assistant secretary, the controller, or any assistant controller of the Servicer pursuant to Section 4.09 hereof.

“Servicer Default” is as defined in Section 8.01 hereof.

“Servicer Expenses” means any expenses incurred by the Backup Servicer, if it has become the successor Servicer in accordance with this Agreement (including any expenses incurred by the Backup Servicer in connection with the retitling or re-lending of the Financed Vehicles), other than Repossession Expenses or Transition Expenses.

“Servicer Modification” means any action by the Servicer, which constitutes any breach of Section 4.01, 4.02, 4.03, 4.04, 4.05 or 4.06 hereof.

“Servicer’s Data Date” has the meaning set forth in Section 4.09(b) hereof.

“Servicer’s Data File” has the meaning set forth in Section 4.09(b) hereof.

“Servicing Fee” means, for each Distribution Date, a fee payable to the Servicer for services rendered during the related Collection Period, equal to: (i) so long as Credit Acceptance is the Servicer, the product of (A) 4.00% and (B) the total Collections for the related Collection Period, (ii) if the Backup Servicer is the Servicer, the sum of: (1) the greatest of: (a) the product of 8.00% and total Collections for the related Collection Period; (b) actual costs incurred by the Backup Servicer as successor Servicer; and (c) the product of (x) \$30.00 and (y) the aggregate number of Contracts serviced by it during the related Collection Period, plus (2) without duplication, Late Fees and Servicer Expenses; provided, however, with respect to each Distribution Date on which the Backup Servicer is the Servicer, the Servicing Fee shall be at least equal to \$5,000; or (iii) an amount agreed to by a successor Servicer, the Trust Collateral Agent and the Majority Noteholders pursuant to Section 8.02(c).

“State” means any state or commonwealth of the United States of America, or the District of Columbia.

“Stated Final Maturity” means the Class C Stated Final Maturity Date.

“Subsequent Seller Property” has the meaning given to such term in Section 2.02(a) hereof.

“Subsequent Seller Property Purchase Price” means, as to the Subsequent Seller Property purchased by the Trust on any Distribution Date during the Revolving Period, an amount equal to the Aggregate Outstanding Eligible Loan Balance of the Loans sold to the Trust on such Distribution Date, in the form of cash and/or capital contribution.

“Transition Expenses” means, if the Backup Servicer has become the successor Servicer, the sum of: (i) reasonable costs and expenses incurred by the Backup Servicer in connection with its assumption of the servicing obligations hereunder, related to travel, Obligor welcome letters, freight and file shipping plus (ii) a boarding fee equal to the sum of: (A) the product of \$7.50 and the number of Contracts to be serviced with respect to the first 10,000 Contracts to be serviced; and (B) the product of \$6.00 and the number of Contracts in excess of 10,000 to be serviced with respect to any additional Contracts to be serviced; provided, however, that the boarding fee shall not be less than \$50,000.

“Treasury Regulations” shall mean regulations, including proposed or temporary regulations, promulgated under the Code. References herein to specific provisions of proposed or temporary regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

“Trust Accounts” means the Collection Account, the Principal Collection Account, the Note Distribution Account and the Reserve Account.

“Trust Agreement” means the Amended and Restated Trust Agreement dated as of the Closing Date, between the Seller, each of the members of the Board of Trustees (as defined therein) of the Trust, and the Owner Trustee, as the same may be amended and supplemented from time to time.

“Trust Property” means the assets conveyed to the Trust pursuant to Sections 2.01 and 2.02 hereof.

“UCC” means the Uniform Commercial Code as in effect in the respective jurisdiction, and with respect to the definition of “Delivery” hereunder, refers to the UCC as adopted by the State of New York.

“UK Securitization Regulation” means the EU Securitization Regulation as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended by the Securitization (Amendment) (EU Exit) Regulations 2019.

“Weighted Average Final Score” means, with respect to each Distribution Date during the Revolving Period, the ratio, expressed as a percentage, where (i) the numerator is equal to the aggregate for all Dealers of the product of (a) the Final Score of each Dealer and (b) the aggregate Outstanding Balance of all Eligible Loans for such Dealer and (ii) the denominator is equal to the Aggregate Outstanding Eligible Loan Balance.

“Weighted Average Original Advance Rate” means, with respect to each Distribution Date during the Revolving Period, the ratio, expressed as a percentage, where (i) the numerator is equal to the aggregate for all Dealers of the product of (a) the Original Advance Rate of each Dealer and (b) the aggregate Outstanding Balance of all Eligible Loans for such Dealer and (ii) the denominator is equal to the Aggregate Outstanding Eligible Loan Balance.

“Weighted Average Spread Rate” means, with respect to each Distribution Date during the Revolving Period, one minus the Weighted Average Original Advance Rate divided by the Weighted Average Final Score (expressed as a percentage).

SECTION 1.02. Usage of Terms.

With respect to all terms in this Agreement, the singular includes the plural and the plural the singular; words importing any gender include the other gender; references to “writing” include printing, typing, lithography, and other means of reproducing words in a visible form; references to agreements and other contractual instruments include all subsequent amendments thereto or changes therein entered into in accordance with their respective terms and not prohibited by this Agreement; references to Persons include their permitted successors and assigns; and the term “including” means “including without limitation.”

SECTION 1.03. Closing Date and Record Date.

All references to the Record Date prior to the first Distribution Date in the life of the Trust shall be to the Closing Date.

SECTION 1.04. Section References.

All section references shall be to Sections in this Agreement (unless otherwise provided).

SECTION 1.05. Compliance Certificates.

Upon any application or request by the Seller or the Servicer to the Trust Collateral Agent to take any action under any provision herein, the Seller or the Servicer (as the case may be) shall furnish to the Trust Collateral Agent an Officer’s Certificate stating that all conditions precedent, if any, provided for herein relating to the proposed action have been complied with, except that in the case of any other such application or request as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular application or request, no additional certificate need be furnished.

Every certificate with respect to compliance with a condition or covenant provided herein shall include a statement that each individual signing such certificate has read such covenant or condition and the definitions herein relating thereto.

SECTION 1.06. [Reserved].

ARTICLE II

CONVEYANCE OF SELLER PROPERTY; FURTHER ENCUMBRANCE THEREOF

SECTION 2.01. Sale of the Initial Seller Property to the Trust.

(a) In consideration of the Trust's delivery to, or upon the order of, the Seller on the Closing Date of the net proceeds from the initial sale of the Notes and the other amounts to be distributed from time to time to the Seller in accordance with the terms of this Agreement, the Seller does hereby convey, assign, sell and transfer without recourse, except as set forth herein, to the Trust all of its right, title and interest in and to: (i) the Loans listed on Schedule A hereto delivered to the Servicer, the Backup Servicer and the Trust Collateral Agent on the Closing Date, and in any event, all loans identified by the loan numbers and contract origination dates listed on Schedule A hereto; (ii) all rights under the Dealer Agreements and Purchase Agreements related thereto (other than the Excluded Dealer Agreement Rights), including Credit Acceptance's right to service the Loans and the related Contracts and receive the related servicing fee and receive reimbursement of certain recovery and repossession expenses, in accordance with the terms of the Dealer Agreements; (iii) Collections (other than Dealer Collections) after the applicable Cut-off Date; (iv) an ownership interest in each Contract evidencing a Purchased Loan and a security interest in each Contract securing each Dealer Loan; (v) all records and documents relating to the Loans and the Contracts; (vi) all security interests purporting to secure payment of the Loans; (vii) all security interests purporting to secure payment of each Contract (including a security interest in each Financed Vehicle); (viii) all guarantees, insurance or other agreements or arrangements securing the Contracts; (ix) the Seller's rights under the Sale and Contribution Agreement; and (x) all Proceeds of the foregoing (the "Initial Seller Property").

(b) Such sale shall be effective as of the Closing Date with respect to the Initial Seller Property.

(c) In consideration of the sale of the Initial Seller Property, the Trust shall (i) pay or cause to be paid to the Seller on the Closing Date a purchase price equal to the Aggregate Outstanding Eligible Loan Balance of the Loans sold to the Trust on the Closing Date, in the form of cash (to the extent of the net proceeds from the sale on the Closing Date of the Notes) and an increase to Seller's capital in the Trust and (ii) deliver the Certificate to the Seller. The Seller directs that an amount equal to the initial Reserve Account Requirement be deposited in the Reserve Account from such purchase price.

(d) For the avoidance of doubt, the term "Initial Seller Property" with respect to any Dealer Loan includes all rights arising after the Closing Date under such Dealer Loan, including a security interest in each Dealer Loan Contract securing such Dealer Loan, which rights are attributable to advances made under such Dealer Loan as the result of additional Dealer Loan Contracts being allocated to the Open Pool securing such Dealer Loan after the Closing Date.

(e) The Seller hereby authorizes the filing of financing statements naming it as debtor in all jurisdictions and with such filing offices as the Trust, in its sole discretion, deems necessary or advisable to protect its rights under this Agreement. Such financing statements may describe the collateral as "all assets of the Debtor now owned or hereafter acquired" or words of similar meaning or effect.

SECTION 2.02. Revolving Period; Principal Collection Account.

(a) On each Distribution Date during the Revolving Period, the Issuer shall receive Available Funds after the payment of all amounts due and payable in Section 5.08(a)(i) through (iii) and shall be required to use those amounts and any amounts on deposit in the Principal Collection Account to purchase additional Loans and all collateral related thereto (or to fund additional Dealer Loan Contracts allocated to an Open Pool securing a Dealer Loan) from the Seller until (A) the Collateral Amount is at least equal to the Minimum Collateral Amount and (B) the Forecasted Collections are at least equal to the Minimum Forecasted Collections Amount. If on any Distribution Date during the Revolving Period there are not sufficient Eligible Loans for purchase by the Issuer to cause (A) the Collateral Amount to equal or exceed the Minimum Collateral Amount and (B) the Forecasted Collections to equal or exceed the Minimum Forecasted Collections Amount, then an amount will remain on deposit in the Principal Collection Account that is necessary to cause (x) the Adjusted Collateral Amount to equal the Minimum Collateral Amount and (y) the Adjusted Forecasted Collection to equal the Minimum Forecasted Collections Amount. Subject to the foregoing, and in consideration of the payment of the Subsequent Seller Property Purchase Price, the Seller agrees to convey, assign, sell and transfer without recourse, except as set forth in this Agreement, to the Trust all of its right, title and interest in and to: (i) the Loans (including all rights of the Seller under any Dealer Collections Purchase Agreement, and any Purchased Loans and Related Security arising thereunder) listed on the schedule delivered on each Distribution Date during the Revolving Period to the Servicer, the Backup Servicer and the Trust Collateral Agent that have not been previously sold to the Trust and/or the date of a Dealer Collections Purchase; (ii) rights under the Dealer Agreements and Purchase Agreements related thereto (other than the Excluded Dealer Agreement Rights), including Credit Acceptance's right to service the Loans and the related Contracts and receive the related servicing fee and receive reimbursement of certain recovery and repossession expenses, in accordance with the terms of the Dealer Agreements; (iii) Collections (other than Dealer Collections) after the applicable Cut-off Date; (iv) an ownership interest in and/or control over each Contract evidencing a Purchased Loan and a security interest in each Contract securing each Dealer Loan; (v) all records and documents relating to the Loans and the Contracts; (vi) all security interests purporting to secure payment of the Loans; (vii) all security interests purporting to secure payment of each Contract (including a security interest in each Financed Vehicle); (viii) all guarantees, insurance or other agreements or arrangements securing the Contracts; (ix) the Seller's rights under the Sale and Contribution Agreement; and (x) all Proceeds of the foregoing (the "Subsequent Seller Property").

On each Distribution Date during the Revolving Period in each case, on which the Issuer purchases Subsequent Seller Property, the Issuer shall deliver or cause to be delivered to the Servicer, the Backup Servicer and the Trust Collateral Agent an updated Schedule A listing all the Loans, Contracts and the related Dealer Agreements and Purchase Agreements that are included in the Trust Property as of such date after giving effect to such purchase of Subsequent Seller Property, including the additional Loans purchased and additional Dealer Loan Contracts allocated to any Open Pool on such date, and the Dealer Agreements, Purchase Agreements and Contracts related thereto. Such updated Schedule A shall be deemed to replace any existing Schedule A.

Notwithstanding the foregoing, the term "Subsequent Seller Property" with respect to any Dealer Loan includes (i) all rights arising after the end of the Revolving Period under such Dealer Loan, including a security interest in each Dealer Loan Contract securing such Dealer Loan, which rights are attributable to advances made under such Dealer Loan as the result of additional Dealer Loan Contracts being allocated to the Open Pool securing such Dealer Loan after the last day of the last full Collection Period during the Revolving Period and (ii) all rights arising under any Dealer

Collections Purchase Agreement, including any Purchased Loans and Related Security arising thereunder, that have been conveyed from Credit Acceptance to the Seller under the Sale and Contribution Agreement and further conveyed from the Seller to the Issuer pursuant to Section 4.18 herein.

- (b) The occurrence of any one of the following events shall constitute an “Automatic Amortization Event”:
- (i) there is a draw on the Reserve Account;
 - (ii) a Servicer Default occurs;
 - (iii) an Indenture Event of Default occurs;
 - (iv) on any Distribution Date, after giving effect to all purchases of Loans (or the funding of any additional Dealer Loan Contracts allocated to an Open Pool securing a Dealer Loan) and payments of principal of the Notes on such date, the Adjusted Collateral Amount is less than the Minimum Collateral Amount or the Adjusted Forecasted Collections are less than the Minimum Forecasted Collections Amount, and in each case, such deficiency continues for two (2) or more Business Days;
 - (v) cumulative Collections through the end of the related Collection Period, expressed as a percentage of the cumulative Forecasted Collections through the end of the related Collection Period, is less than 90.0% for any three (3) consecutive Collection Periods;
 - (vi) on any Distribution Date, after giving effect to the purchase of additional Loans (or the funding of any additional Dealer Loan Contracts allocated to an Open Pool securing a Dealer Loan) and payments of principal of the notes on such date, the amount on deposit in the Principal Collection Account is greater than 5.0% of the Adjusted Collateral Amount and such excess continues for two (2) or more Business Days;
 - (vii) on any Distribution Date, the Weighted Average Spread Rate is less than the Minimum Weighted Average Spread Rate; or
 - (viii) the Issuer fails to make a payment or deposit when required under this Agreement or within any applicable grace or cure period.
- (c) The occurrence of any one of the following events (each, a “Discretionary Amortization Event”) shall constitute an Early Amortization Event (as such, a “Declared Discretionary Amortization Event”) only if after any applicable grace or cure period the Indenture Trustee, at the direction of the Majority Noteholders, upon written notice to the Issuer, the Servicer, the Backup Servicer and the Trust Collateral Agent, declares that an Early Amortization Event has occurred:
- (i) the Issuer fails to observe or perform in any material respect any of its covenants or agreements set forth in this Agreement and that failure continues unremedied for thirty (30) days after the earlier of (A) a Responsible Officer of the Owner Trustee, the Regular Trustees, or the

Administrator obtaining actual knowledge of such failure and (B) written notice of such failure to the Issuer by the Indenture Trustee, at the direction of Majority Noteholders;

(ii) any representation or warranty made by the Issuer in this Agreement or in any certificate or document that the Issuer is required to deliver to the Indenture Trustee is incorrect in any material respect for thirty (30) days after the earlier of (A) a Responsible Officer of the Owner Trustee, the Regular Trustees, or the Administrator obtaining actual knowledge of such breach or (B) written notice of that breach to the Issuer by the Indenture Trustee, at the direction of the Majority Noteholders;

(iii) the Indenture Trustee does not have a valid and perfected first priority security interest in a material portion of the Trust Property and such failure continues unremedied for a period of ten (10) Business Days, or the Issuer, Credit Acceptance or an affiliate of Credit Acceptance makes that assertion; provided that for the purpose of this clause (iii), the portion of the Trust Property in which the Indenture Trustee does not have a valid and perfected first priority security interest will be material if the Outstanding Balance of the related Contracts exceeds 3% of the aggregate Outstanding Balance of all Eligible Contracts;

(iv) (a) there is filed against Credit Acceptance, the Seller or the Issuer: (x) a notice of federal tax lien from the IRS, (y) a notice of lien from the Pension Benefit Guaranty Corporation under Section 430(k) of the Code or Section 303(k) of ERISA for a failure to make a required installment or other payment to a pension plan to which either of those sections applies or (z) a notice of any other lien that, in the case of each of subclauses (x), (y) and (z), could reasonably be expected to have a material adverse effect on the business, operations or financial condition of the Issuer or the business, operations or financial condition of Credit Acceptance and the Seller and (b) forty (40) days after such filing (x) such notice has not been withdrawn, (y) such lien has not been released or discharged and (z) such lien is not being contested in good faith with appropriate reserves established as required by GAAP; or

(v) any of the Basic Documents ceases for any reason to be in full force and effect other than in accordance with its terms.

(d) If a Responsible Officer of the Indenture Trustee shall have actual knowledge, or the Indenture Trustee shall receive written notice from the Majority Noteholders, that an Early Amortization Event has occurred, the Indenture Trustee shall promptly issue written notice of such Early Amortization Event to the Servicer (who shall promptly provide a copy of such notice to the Rating Agencies), the Backup Servicer, the Trust Collateral Agent, and the Noteholders, which notice shall advise them of the nature of the Early Amortization Event, to the extent actually known by the Indenture Trustee, and the date of the occurrence thereof.

(e) On the first Distribution Date during the Amortization Period, any amounts remaining on deposit in the Principal Collection Account shall be deposited into the Collection Account and treated as Available Funds.

SECTION 2.03 Title to Trust Property.

(a) Immediately upon the conveyance to the Trust by the Seller of any item of property pursuant to Section 2.01 or 2.02, all right, title and interest of the Seller in and to such item of

property shall terminate, and all such right, title and interest shall vest in the Trust, in accordance with the Trust Agreement and Sections 3802 and 3805 of the Statutory Trust Act (as defined in the Trust Agreement).

(b) Immediately upon the vesting of the Trust Property in the Trust, the Trust shall have the sole right to pledge or otherwise encumber such Trust Property but only in accordance with the terms of the Basic Documents. Pursuant to the Indenture, the Trust shall grant a security interest in the Trust Property to the Indenture Trustee for the benefit of the Noteholders to secure the repayment of the Notes.

(c) It is the intention of the Seller that the conveyance of the Seller Property by the Seller to the Trust pursuant to this Agreement be construed as an absolute sale and conveyance of all of the Seller's right, title and interest in and to such Seller Property to the Trust and that the Seller relinquishes control over, and all rights, title and interest (legal or equitable) in, any Seller Property immediately upon the conveyance of each such Seller Property under this Agreement. Further, it is not the intention of the Seller and the Trust that such conveyance be deemed a grant of a security interest in the Seller Property by the Seller to the Trust in the nature of a consensual lien securing an obligation.

(d) Notwithstanding the foregoing, if and to the extent that the conveyance of any of the Seller Property is for any purpose characterized as a collateral transfer for security or the transaction is characterized as a financing transaction, then it is intended that:

(i) This Agreement shall be deemed to be a security agreement within the meaning of Articles 8 and 9 of the UCC;

(ii) The conveyances provided for in [Section 2.01](#) and [Section 2.02](#) shall be deemed to be a grant by the Seller, and the Seller hereby grants, to the Trust a first priority, perfected security interest in all of its right (including the power to convey title thereto), title and interest, whether now owned or hereafter acquired, in and to all assets and personal property of the Seller, including but not limited to, all of the Seller's accounts, chattel paper, goods, deposit accounts, documents, general intangibles, instruments, investment property, letter of credit rights, money and supporting obligations and all proceeds of the foregoing (as each such term is defined in the UCC), to secure the obligation of the Seller to pay to the Trust an amount equal to the Issuer Secured Obligations;

(iii) The possession and/or control by the Trust, or the Servicer as the Trust's agent, of the Dealer Agreements, Purchase Agreements, Loans and Contract Files and any other property which constitute instruments, money, negotiable documents or chattel paper, shall be deemed to be "possession and/or control by the secured party" or possession and/or control by the purchaser or a person designated by such purchaser, for purposes of perfecting the security interest pursuant to the UCC; and

(iv) Notifications to persons holding such property, and acknowledgments, receipts or confirmations from persons holding such property, shall be deemed to be notifications to, or acknowledgments, receipts or confirmations from, bailees or agents (as applicable) of the Trust for the purpose of perfecting such security interest under the UCC.

(e) At such time as there are no Notes outstanding and all sums due to (i) the Indenture Trustee pursuant to Section 6.7 of the Indenture, (ii) the Trust Collateral Agent pursuant to Section 9.05 hereof, and (iii) the Backup Servicer hereunder and under the Backup Servicing Agreement, have been paid, the Trust Collateral Agent shall, upon instructions from the Indenture Trustee pursuant to Section 8.2 of the Indenture, release any remaining portion of the Trust Property from the lien of the Indenture for distribution in accordance with the Trust Agreement.

ARTICLE III

THE LOANS AND THE CONTRACTS

SECTION 3.01 Representations and Warranties of Seller with respect to the Seller Property.

The Seller makes the following representations and warranties as to the Dealer Agreements and Purchase Agreements, Loans and the Contracts on which each of the Trust Collateral Agent and the Backup Servicer relies in connection with performance of its obligations hereunder. Such representations and warranties speak as of the execution and delivery of this Agreement on the Closing Date and each Distribution Date on which the Trust purchases Seller Property, as the case may be, and only with respect to the Seller Property conveyed to the Trust at the time given or made (unless otherwise specified) but shall survive the sale, transfer, and assignment of the Seller Property to the Trust and the pledge thereof to the Indenture Trustee pursuant to the Indenture:

(i) Eligibility of Dealer Agreements. Each Dealer Agreement classified as an “Eligible Dealer Agreement” (or included in any aggregation of balances of “Eligible Dealer Agreements”) by the Seller or the Servicer in any document or report delivered hereunder satisfied the requirements contained in the definition of Eligible Dealer Agreement on the date each related Dealer Loan was conveyed or pledged to the Trust.

(ii) Eligibility of Loans. Each Loan classified as an “Eligible Loan” (or included in any aggregation of balances of “Eligible Loans”) by the Seller or the Servicer in any document or report delivered hereunder satisfied the requirements contained in the definition of Eligible Loan on the date each such Loan was conveyed or pledged to the Trust.

(iii) Eligibility of Contracts. Each Contract classified as an “Eligible Contract” (or included in any aggregation of balances of “Eligible Contracts”) by the Seller or the Servicer in any document or report delivered hereunder satisfied the requirements contained in the definition of Eligible Contract on the date each such Contract was conveyed or pledged to the Trust.

(iv) Accuracy of Information. All information with respect to the Loans, the Dealer Agreements, the Purchase Agreements, the Contracts and other Seller Property provided to the Trust Collateral Agent by the Seller or the Servicer was true and correct in all material respects as of the date such information was provided to the Trust Collateral Agent.

(v) No Liens. Each Loan and the other Seller Property has been pledged to the Trust Collateral Agent free and clear of any Lien of any Person, and in compliance, in all material respects, with all Applicable Laws.

- (vi) No Consents. With respect to each Loan and the other Seller Property, all material consents, licenses, approvals or authorizations of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by the Seller, in connection with the pledge of such Dealer Agreement, Purchase Agreement, Loan, Contract or other Collateral to the Trust Collateral Agent have been duly obtained, effected or given and are in full force and effect.
- (vii) Schedule of Loans, Dealer Agreements, Purchase Agreements and Contracts. Schedule A to this Agreement and each supplement or addendum thereto is and will be an accurate and complete listing of all Loans, the related Dealer Agreements, Purchase Agreements and Contracts in all material respects on the date each such Loan and other Seller Property was sold to the Trust hereunder, and the information contained therein is and will be true and correct in all material respects as of such date.
- (viii) Adverse Selection. No selection procedure believed by the Seller to be materially adverse to the interests of the Noteholders has been or will be used in selecting the Dealer Agreements, Purchase Agreements, Loans or Contracts; provided that for the avoidance of doubt, during the Revolving Period, the Seller in its sole discretion may elect to sell Dealer Loans secured by either Open Pools or Closed Pools.
- (ix) Sale and Contribution Agreement. The Sale and Contribution Agreement is the only agreement pursuant to which the Seller purchases Loans from the Originator.
- (x) Security Interest. The Seller has granted a security interest (as defined in the UCC) to the Trust in the Seller Property, which is enforceable in accordance with Applicable Law upon the Closing Date and each Distribution Date on which Subsequent Seller Property is sold to the Trust, as applicable. Upon the filing of UCC-1 financing statements naming the Indenture Trustee and Trust Collateral Agent as assignee secured party and the Seller as debtor, or upon the Trust Collateral Agent obtaining possession or control, in the case of that portion of the Seller Property which constitutes tangible or electronic chattel paper or instruments, the Trust Collateral Agent, as agent for the secured parties under the Indenture, shall have a first priority perfected security interest in the Seller Property. All filings (including such UCC filings) as are necessary in any jurisdiction to perfect the interest of the Indenture Trustee and Trust Collateral Agent, as agent for the Trust, in the Seller Property have been made.
- (xi) Representations and Warranties in Sale and Contribution Agreement. The representations and warranties made by the Originator to the Seller in the Sale and Contribution Agreement are hereby remade by the Seller on each date to which they speak in the Sale and Contribution Agreement as if such representations and warranties were set forth herein. For purposes of this Section 3.01(xi), such representations and warranties are incorporated herein by reference as if made by the Seller to the Trust Collateral Agent under the terms hereof mutatis mutandis.
- (xii) Survival. The representations and warranties set forth in this Section 3.01 shall survive the Seller's sale and assignment of the Seller Property to the Trust and the termination of the rights and obligations of the Servicer.

(xiii) Perfection Representations. The perfection representations, warranties and covenants made by the Seller and set forth on Schedule C hereto shall be a part of this Agreement for all purposes.

(xiv) Scheduled Due Date. With respect to each Contract that is sold pursuant to this Agreement on the Closing Date only, such Contract has a first scheduled due date not later than 60 days after the Cut-off Date as of the Closing Date.

(xv) Seasoning. With respect to each Contract relating to a Purchased Loan or Dealer Loan that is sold pursuant to this Agreement during the Revolving Period, the weighted average seasoning of all Contracts (determined based on the number of months since origination of each such Contract, excluding from such determination any defaulted Contracts) then securing the Notes, after giving effect to such sale, shall equal or exceed three (3) months.

SECTION 3.02 Payment Upon Breach.

(a) The Seller, the Servicer, or the Trust Collateral Agent, as the case may be, shall inform the other parties to this Agreement promptly in writing (which, in the case of the Servicer, can be included in the applicable Servicer's Certificate), upon the discovery (which, in the case of the Trust Collateral Agent shall mean actual knowledge of a Responsible Officer of the Trust Collateral Agent or receipt of written notice of such breach or failure) of any breach of the Seller's representations and warranties pursuant to Sections 3.01(i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (x) and (xiii) hereof without regard to any limitation set forth therein concerning the knowledge of the Seller as to the facts stated therein.

(b) Unless any such breach of a representation or warranty described in clause (a) of this Section 3.02 shall have been cured in all material respects by, and subject to the terms of Section 3.02(d) below, as of the last day of the first full Collection Period following the discovery thereof the Seller shall have the obligation, and the Trust Collateral Agent shall, at the expense of the Seller, enforce such obligation of the Seller, and if necessary, any obligation of the Originator under the Sale and Contribution Agreement, to make a payment to the Collection Account of the applicable Purchase Amount in respect of all Loans and Contracts with respect to which there is a breach of any such representations and warranties which are materially and adversely affected by such event and which materially and adversely affects the interests of the Indenture Trustee or the Noteholders therein as of such last day.

(c) The sole remedy of the Trust Collateral Agent, the Trust, the Noteholders and the Certificateholders with respect to a breach of the Seller's representations and warranties pursuant to Section 3.01 hereof which materially and adversely affects either a Contract or a Loan and the interests of the Indenture Trustee or the Noteholders in the Contracts, Purchased Loans or Dealer Loans shall be to require the Seller to make payments in respect of the related Loans pursuant to this Section or to enforce any obligation of Credit Acceptance to repurchase such Loans pursuant to the Sale and Contribution Agreement, and to require the Seller to make payments in respect of the related Contracts pursuant to this Section or to enforce the obligation of Credit Acceptance to make such payments pursuant to the Sale and Contribution Agreement. The Trust Collateral Agent shall have no duty to conduct any affirmative investigation as to the occurrence of any condition requiring the

purchase of any Loan or payment in respect of any Contract pursuant to this Section. Any expenses incurred in enforcing the obligations of the Seller or Credit Acceptance shall be paid pursuant to Section 5.08(a) hereof.

(d) (i) Notwithstanding anything herein to the contrary, (A) during the Revolving Period such payments of Purchase Amounts pursuant to Section 3.02(b) of this Agreement shall not be required if the Adjusted Collateral Amount is equal to or greater than the Minimum Collateral Amount, and (B) during the Amortization Period, such payments of Purchase Amounts pursuant to Section 3.02(b) of this Agreement shall not be required: (x) with respect to any Loan, so long as the aggregate Outstanding Balance of all Loans which would be Ineligible Loans as a result of being subject to the foregoing payment obligations during the Amortization Period is less than the sum of: (1) the product of (i) the aggregate Outstanding Balance of all Eligible Loans sold to the Issuer during the Amortization Period and (ii) the then effective Advance Rate; and (2) all Purchase Amounts which have been previously paid during the Amortization Period in respect of Ineligible Loans (such sum, the “Amortization Period Additional Loan Collateral Amount”); and (y) with respect to any Contract, so long as the aggregate Outstanding Balance of all Contracts which would be Ineligible Contracts as a result of being subject to the foregoing payment obligations during the Amortization Period is less than the sum of: (1) the product of (i) the aggregate Outstanding Balance of all Eligible Contracts an interest in which is sold to the Issuer during the Amortization Period and (ii) a fraction, the numerator of which is equal to the Aggregate Note Balance and the denominator of which is equal to the Outstanding Balance of all Eligible Contracts; and (2) all Purchase Amounts which have been previously paid during the Amortization Period in respect of Ineligible Contracts (such sum, the “Amortization Period Additional Contract Collateral Amount”).

(ii) If such payments are required during the Amortization Period in accordance with clause (d)(i) of this Section 3.02, they shall be made: (A) with respect to Ineligible Loans, to the extent and in the amount by which the aggregate Outstanding Balance of all Ineligible Loans which are subject to the foregoing payment obligations during the Amortization Period exceeds the Amortization Period Additional Loan Collateral Amount; and (B) with respect to Ineligible Contracts, to the extent and in the amount by which the aggregate Outstanding Balance of all Ineligible Contracts which are subject to the foregoing payment obligations during the Amortization Period exceeds the Amortization Period Additional Contract Collateral Amount (the foregoing payment obligations, the “Amortization Period Payment Obligations”).

(iii) If such payments are required during the Revolving Period in accordance with clause (d)(i) of this Section 3.02, such payments shall be equal to the applicable Purchase Amounts of the Ineligible Loans or Ineligible Contracts. Notwithstanding the foregoing, with respect to any Ineligible Contracts, the Seller may repurchase the Loans related thereto in lieu of such Ineligible Contracts and deposit into the Collection Account the Purchase Amount of such Loans (as if such Loans were Ineligible Loans).

(iv) Notwithstanding the foregoing, the Seller’s obligation to make payments under Section 3.02 hereof may be waived with the prior written consent of the Indenture Trustee, at the direction of the Majority Noteholders. Any such waiver by the Indenture Trustee, at the

direction of the Majority Noteholders, shall not require any further waiver, action or consent by any other party. The party providing such waiver shall give notice thereof to the Issuer and the Administrator.

(e) Any Contract which is subject to a payment in accordance with Section 3.02(b) or Section 4.07 of this Agreement shall be an Ineligible Contract. Any Loan which is subject to a payment in accordance with Section 3.02(b) or Section 4.07 of this Agreement shall be an Ineligible Loan. Each Dealer Loan, Purchased Loan or Contract which is subject to a payment in accordance with Section 3.02(b) or Section 4.07 of this Agreement, shall, upon payment in full of the related Purchase Amount, be released from the lien created pursuant to the Indenture and shall no longer constitute Trust Property.

SECTION 3.03. Custody of Dealer Agreements, Purchase Agreements and Contract Files.

(a) The Trust hereby revocably appoints Credit Acceptance as custodian of the Dealer Agreements, the Purchase Agreements, the Contract Files and the Certificates of Title related to the Financed Vehicles. Credit Acceptance hereby accepts such appointment and agrees to hold and/or control, or appoint an agent to hold and/or control, each Dealer Agreement, Purchase Agreement, Contract File and, in states where it is required by Applicable Law, the Certificate of Title related to each Financed Vehicle under this Agreement as custodian for the Trust and the Trust Collateral Agent.

(b) To assure uniform quality in servicing the Loans and Contracts and to reduce administrative costs, the Issuer hereby revocably appoints the Servicer and the Servicer hereby accepts such appointment, to act as the agent of the Issuer and the Trust Collateral Agent as custodian of the original Certificates of Title for each Financed Vehicle evidencing the security interest of the Trust Collateral Agent in such Financed Vehicle, which are hereby constructively delivered to the Trust Collateral Agent as of the Closing Date. The Servicer agrees to maintain the Dealer Agreements, Purchase Agreements, Contract Files, Certificates of Title and other Records which are delivered to it at the offices of the Servicer as shall from time to time be identified to the Trust Collateral Agent and the Backup Servicer by written notice. The Servicer shall maintain, or shall appoint an agent to maintain, such Certificates of Title at 25300 Telegraph Road, Southfield, Michigan 48033 or as otherwise notified in writing to the Trust Collateral Agent and the Backup Servicer. The Trust Collateral Agent shall not be responsible for the acts or omissions of the Servicer acting as custodian.

(c) Subject to the foregoing, Credit Acceptance may temporarily (or permanently, in the case of a Loan or a Contract that is repurchased, liquidated or paid in full) move individual Dealer Agreements, Purchase Agreements, Contract Files or other Records, or any portion thereof without notice as necessary to allow the Servicer to conduct collection and other servicing activities in accordance with its customary practices and procedures.

(d) The Servicer shall have and perform the following powers and duties:

(i) hold the Dealer Agreements, Purchase Agreements, Contract Files and other Records in trust for the benefit of the Trust Collateral Agent and the Trust and maintain a current inventory thereof; and

(ii) carry out such policies and procedures in accordance with its customary actions with respect to the handling and custody of the Dealer Agreements, the Purchase Agreements, Contract Files and other Records so that the integrity and physical possession of, or control over, the Dealer Agreements, Purchase Agreements, Contract Files and other Records will be maintained.

In performing its duties as custodian, the Servicer agrees to act with reasonable care, using that degree of skill and care that it exercises with respect to similar Dealer Agreements, Purchase Agreements, Contracts or Loans owned or held by it.

(e) The Servicer shall have the obligation (i) to physically segregate the Contract Files (to the extent held in physical form) from the other custodial files it is holding for its own account or on behalf of any other Person (ii) to physically mark the Contract folders (to the extent held in physical form) to demonstrate the transfer of Contract Files and the Trust Collateral Agent's security interest hereunder, and (iii) mark its computer records indicating the transfer of any Contract Files relating to Contracts constituting electronic chattel paper and the Trust Collateral Agent's security interest hereunder.

(f) (i) If a Servicer Default occurs, the Trust Collateral Agent shall have the rights set forth in Section 8.01 hereof, including, at the request of the Indenture Trustee, at the direction of the Majority Noteholders, the right to terminate Credit Acceptance as the custodian hereunder and the Trust Collateral Agent shall have the right to appoint a successor custodian hereunder who shall assume all the rights and obligations of the "custodian" hereunder. On the effective date of the termination of Credit Acceptance as Servicer, Credit Acceptance shall be released of all of its obligations as custodian arising on or after such date. Copies of the Dealer Agreements and the Purchase Agreements, and original or "authoritative copies" (as such term is used in Section 9-105 of the UCC) of the Contract Files and other Records shall be delivered by Credit Acceptance to the successor custodian, on or before the date which is two (2) Business Days prior to such date.

(ii) During the continuance of a Servicer Default, the Servicer and the Seller shall, at the request of the Indenture Trustee, at the direction of the Majority Noteholders or the Trust Collateral Agent, take all steps necessary to cause the Certificate of Title of each Financed Vehicle to be revised to name the Trust Collateral Agent on behalf of the Trust as lienholder. Any costs associated with such revision of the Certificate of Title shall be paid by the Servicer and, and to the extent such costs are not paid by the Servicer such unpaid costs shall be recovered as described in Section 5.08 hereof. In no event shall the Trust Collateral Agent or the successor Servicer be required to expend funds in connection with this Section 3.03(f).

(iii) The Servicer shall provide to the Trust Collateral Agent access to the Dealer Agreements, the Purchase Agreements, Contract Files and other Records and all other documentation regarding the Dealer Agreements, Purchase Agreements, Contracts and the Loans and the related Financed Vehicles in such cases where the Trust Collateral Agent is required in connection with the enforcement of the rights or interests of the Trust, or by applicable statutes or regulations to review such documentation, such access being afforded without charge.

ARTICLE IV

ADMINISTRATION AND SERVICING OF LOANS AND CONTRACTS

SECTION 4.01. Appointment; Duties of Servicer.

(a) Servicing; Termination. The Seller and the Trust hereby appoint Credit Acceptance as Servicer hereunder and Credit Acceptance hereby accepts such appointment and agrees to manage, collect and administer each of the Loans as Servicer. Upon the occurrence of a Servicer Default, the Indenture Trustee shall have the rights set forth in Section 8.01 hereof.

(b) Standard of Care; Types of Duties. The Servicer shall manage, service, administer, and make collections on the Loans and the Contracts with reasonable care, using that degree of skill and attention that the servicers in the retail automobile financing industry exercise with respect to all comparable receivables that they service for themselves or others and the same degree of care that the Servicer exercises with respect to any comparable loan or automobile contracts that it holds for its own account. The Servicer's duties shall include collection and posting of all payments, responding to inquiries of Dealers and of Obligors on such Contracts, investigating delinquencies, sending payment statements or coupons to Dealers and Obligors, reporting tax information to Dealers and Obligors, accounting for collections, and furnishing monthly and annual statements to the Trust Collateral Agent with respect to distributions. The Servicer shall follow prudent standards, policies, and procedures in performing its duties as Servicer. Without limiting the generality of the foregoing, the Servicer is hereby granted a limited power of attorney by the Trust Collateral Agent to execute and deliver, on behalf of itself, the Trust, the Noteholders, or the Trust Collateral Agent or any of them, any and all instruments of satisfaction or cancellation, or partial or full release or discharge, and all other comparable instruments, with respect to such Loans and Contracts or to the Financed Vehicles securing such Contracts in accordance with the terms of this Agreement. If the Servicer shall commence a legal proceeding to enforce a Loan or a Contract, the Trust Collateral Agent (in the case of a Loan other than a Repurchased Loan) shall thereupon be deemed to have automatically assigned, solely for the purpose of collection, such Loan or Contract to the Servicer. The Servicer shall not make the Seller, the Trust, the Trust Collateral Agent or the Indenture Trustee a party to any such legal proceeding without such party's written consent. If in any enforcement suit or legal proceeding it shall be held that the Servicer may not enforce a Loan or a Contract on the ground that it shall not be a real party in interest or a holder entitled to enforce the Loan or Contract, the Trust Collateral Agent shall be deemed to have automatically assigned such Loan or Contract to the Servicer, solely for the purpose of collection. The Trust Collateral Agent shall furnish the Servicer with any powers of attorney and other documents prepared by the Servicer reasonably necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder. The Servicer, at its expense, shall obtain on behalf of the Trust all licenses, if any, required by the laws of any jurisdiction to be held by the Trust in connection with ownership of the Loans and the Purchased Loan Contracts and its security interest in the Dealer Loan Contracts, and shall make all filings and pay all fees as may be required in connection therewith during the term hereof. The Seller shall assist the Backup Servicer, as successor Servicer, in connection with any reports related to distributions.

(c) Duties with Respect to the Basic Documents. The Seller and the Trust hereby appoint Credit Acceptance as Administrator of the Trust, and Credit Acceptance hereby accepts such appointment, and agrees to perform all its duties as Administrator and, unless otherwise specified, the

administrative duties of the Issuer under the Basic Documents. In addition, Credit Acceptance shall consult with the Indenture Trustee, as Credit Acceptance deems appropriate regarding the duties of the Issuer under the Basic Documents. Credit Acceptance shall monitor the performance of the Trust and shall advise the Owner Trustee and Indenture Trustee, when action is necessary to comply with the Trust's duties under the Basic Documents. The Seller (to the extent the Servicer or the Administrator does not) shall execute and deliver all Issuer Orders and Officer's Certificates required to be delivered by the Trust under the Indenture or any other Basic Document. Notwithstanding anything herein to the contrary, the Backup Servicer, as successor Servicer, shall not have an obligation to perform such duties set forth in this Section 4.01(c).

(d) Duties with Respect to the Trust.

(i) In addition to the duties of the Servicer set forth in this Agreement or any of the Basic Documents, Credit Acceptance, as Administrator, shall perform such calculations, shall execute and deliver all Issuer Orders and Officer's Certificates required of the Issuer under the Basic Documents, and shall prepare for execution by the Trust or the Owner Trustee or shall cause the preparation by other appropriate Persons of all such documents, reports, filings, instruments, certificates, opinions, financial statements and accounting books and records as it shall be the duty of the Trust or the Owner Trustee to prepare, file or deliver pursuant to this Agreement or any of the Basic Documents or under state and federal tax and securities laws or any state regulatory filings required to be made by the Trust and shall take all appropriate action that it is the duty of the Trust to take pursuant to this Agreement or any of the Basic Documents, including pursuant to Section 5.1 (with respect to the preparation and filing of tax returns) and Section 11.12 of the Trust Agreement.

(ii) In carrying out the foregoing duties or any of its other obligations under this Agreement, the Servicer may enter into transactions with or otherwise deal with any of its Affiliates; provided, however, that such delegation shall not relieve the Servicer of its obligations that the terms of any such transaction or dealings shall be in accordance with any directions received from the Trust and shall be, in the Servicer's opinion, no less favorable to the Trust in any material respect.

Notwithstanding anything herein to the contrary, in the event that the Backup Servicer is acting as successor Servicer, the Seller shall assist the Backup Servicer in performing the duties of the Administrator set forth in this Section 4.01(d).

(e) Records. The Servicer shall maintain appropriate books of account and records relating to its duties performed under Section 4.01(c) and (d) hereof, which books of account and records shall be accessible for inspection and copy by the Issuer, the Board of Trustees, the Owner Trustee, the Indenture Trustee, the Backup Servicer or the Trust Collateral Agent at any time during normal business hours at its offices and in a reasonable manner.

(f) Additional Information to be Furnished to the Trust. The Servicer shall furnish to the Issuer, the Board of Trustees, the Owner Trustee, the Indenture Trustee, the Trust Collateral Agent and the Backup Servicer from time to time such additional information regarding the Trust or the Basic Documents as the Issuer, the Board of Trustees, the Owner Trustee, the Indenture Trustee, the Trust Collateral Agent or the Backup Servicer shall reasonably request.

(g) Servicer as Independent Contractor. All services, duties and responsibilities of the Servicer under this Agreement shall be performed and carried out by the Servicer as an independent contractor for the benefit of the Trust, and none of the provisions of this Agreement shall be deemed to make, authorize or appoint the Servicer as agent or representative of the Seller, the Trust Collateral Agent, the Indenture Trustee, the Backup Servicer, the Trust or any Noteholder except as provided in Section 3.03 hereof.

SECTION 4.02. Collection and Application of Payments on the Loans and Contracts; Extensions and Amendments.

The Servicer shall take or cause to be taken all such action as may be necessary or advisable to collect all amounts due under the Loans and Contracts from time to time, all in material accordance with Applicable Laws, with reasonable care and diligence, and in material accordance with the Collection Guidelines (including selling or assigning defaulted contracts to third parties for collection), it being understood that there shall be no recourse to the Servicer with regard to the Loans and Contracts except as otherwise provided herein and in the other Basic Documents. In performing its duties as Servicer, the Servicer shall use the same degree of care and attention it employs with respect to similar contracts and loans which it services for itself or others. Each of the Issuer and the Trust Collateral Agent hereby appoints as its agent the Servicer, from time to time designated pursuant to the terms hereof, to enforce its respective rights and interests in and under the Trust Property. The Servicer shall hold in trust for the Issuer and the Trust Collateral Agent all Records and all Collections (other than Dealer Collections) and any other amounts it receives in respect of the Trust Property. In the event that a successor Servicer is appointed, the outgoing Servicer shall deliver to the successor Servicer and the successor Servicer shall hold in trust for the Issuer and the Trust Collateral Agent all records which evidence or relate to all or any part of the Trust Property.

As part of its normal servicing and collection efforts, the Servicer may modify the terms of any Contract, including, without limitation, effecting extensions, modified payment plans, granting refunds, rebates or adjustments and/or making other changes as required by Applicable Law.

SECTION 4.03. Realization Upon Contracts.

On behalf of the Trust and the Indenture Trustee, the Servicer shall use reasonable efforts, in material accordance with the Collection Guidelines and prudent servicing procedures, to repossess or otherwise convert the ownership of the Financed Vehicle securing any Contract as to which the Servicer shall have determined eventual payment in full is unlikely, as soon as practicable after the Servicer makes such determination. The Servicer may also sell or otherwise assign defaulted contracts for collection in an effort to realize upon such defaulted contracts. The Servicer shall follow such prudent practices and procedures as would be deemed prudent in the servicing of comparable receivables, consistent with the standard of care required by Section 4.01(b) which may include reasonable efforts to sell the Financed Vehicle at public or private sale. If the Backup Servicer has become the Servicer, it shall be entitled to receive Repossession Expenses in accordance with Section 5.02 hereof.

SECTION 4.04. [Reserved].

SECTION 4.05. Maintenance of Security Interests in Financed Vehicles.

The Servicer shall take such steps as are necessary to maintain perfection of the security interest created by each Contract in the related Financed Vehicle, including taking such steps as are reasonably necessary to maintain the Originator as noted lienholder on each Certificate of Title relating to a Financed Vehicle in all states where such notation is a means of perfection under Applicable Law. The Servicer shall take such reasonable steps as are necessary to reperfect such security interest on behalf of the Indenture Trustee in the event of the relocation of a Financed Vehicle or for any other reason. In the event that the assignment of a Contract to the Indenture Trustee is insufficient without a notation on related Financed Vehicle's Certificate of Title, or without fulfilling any additional administrative requirements under the laws of the state in which the Financed Vehicle is located, to perfect a security interest in the related Financed Vehicle in favor of the Indenture Trustee, the parties hereto agree that the Originator's designation as the secured party on the Certificate of Title is, with respect to each secured party, as applicable, in its capacity as agent of the Indenture Trustee. The Backup Servicer as successor Servicer shall be entitled to reimbursement for all expenses incurred in connection with its duties under this Section 4.05.

SECTION 4.06. Covenants of Servicer.

(a) Affirmative Covenants. From the date hereof until the Stated Final Maturity or, if earlier, the date each class of Notes have been paid in full:

(i) Compliance with Law. The Servicer will comply in all material respects with all Applicable Laws, including those with respect to the Loans, the Dealer Agreements, the Purchase Agreements, the Contracts or any part thereof.

(ii) Preservation of Existence. The Servicer will preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification has had, or could reasonably be expected to have, a material adverse effect on the Loans, the Dealer Agreements, the Purchase Agreements, the Contracts or the Notes.

(iii) Obligations and Compliance with Loans, Dealer Agreements and Purchase Agreements. The Servicer will duly fulfill and comply with all material obligations on the part of the Seller to be fulfilled or complied with under or in connection with each Loan and each Dealer Agreement and Purchase Agreement and will do nothing to impair the rights of the Trust Collateral Agent, the Indenture Trustee or the Noteholders in, to and under the Trust Property. The Backup Servicer as successor Servicer shall not have an obligation to perform the obligations of the Servicer under this Section 4.06(a)(iii).

(iv) Keeping of Records and Books of Account. The Servicer will maintain and implement administrative and operating procedures (including an ability to recreate records consistent with standards or practices in the industry evidencing the Loans and the Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Loans.

- (v) Preservation of Security Interest. The Servicer will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the perfected security interest of the Indenture Trustee for the benefit of the Noteholders in, to and under the Trust Property. In its capacity as custodian, the Servicer will maintain possession of, or control over, the Dealer Agreements, the Purchase Agreements and the Contract Files and other Records, as custodian for the Trust and the Trust Collateral Agent, as set forth in Section 3.03(a).
- (vi) Collection Guidelines. The Servicer will comply in all material respects with the Collection Guidelines in regard to each Loan and Contract.
- (vii) Books and Records. The Servicer shall keep, or cause to be kept, in reasonable detail, books and records of account of: (A) its assets and business, and shall clearly reflect therein the ownership of the Trust Property by the Issuer; and (B) any statutory trust records of the Trust required in accordance with Section 4.1(c)(4) of the Trust Agreement.
- (viii) Access to Records; Discussions with Officers. The Servicer shall, at the Servicer's expense upon the prior reasonable request of the Indenture Trustee, acting at the direction of the Majority Noteholders, permit an authorized agent appointed by the Majority Noteholders, access during normal business hours at its offices to (i) the Servicer's books of account, records, reports and other papers with respect to the Trust Property and the Basic Documents and (ii) any of the properties of the Servicer, in order to examine all of such books of account, records, reports and other papers, to make copies and extracts therefrom and to discuss the Servicer's affairs, finances and accounts with its officers, employees, and subject to the agreement of such accountants, independent public accountants. Such inspections and discussions shall be conducted at such reasonable times, as often as may be reasonably requested and in a commercially reasonable manner.
- (ix) ERISA. So long as the Seller or the Issuer are ERISA Affiliates, the Servicer shall comply in all material respects with the provisions of ERISA, the Code, and all other applicable laws, except where such non-compliance could not reasonably be expected to result in a material adverse effect with respect to the Servicer or its ERISA Affiliates or with respect to the Trust Property. Without limiting the foregoing, the Servicer shall not, and shall not permit its ERISA Affiliates to: (i) engage in any non-exempt prohibited transaction (within the meaning of the Code Section 4975 or ERISA Section 406) with respect to any Benefit Plan that would result in a material adverse effect for which Seller or Issuer would be liable as ERISA Affiliates; (ii) fail to satisfy the minimum funding standards under Section 302(a) of ERISA and Section 412(a) of the Code with respect to any Benefit Plan or, in the case of a Multiemployer Plan, have an accumulated funding deficiency within the meaning of Section 304 of ERISA or Section 431 of the Code by an amount that would result in a material adverse effect for which Seller or Issuer would be liable as ERISA Affiliates; or (iii) terminate or withdraw from any Benefit Plan or Multiemployer Plan if such termination or withdrawal would result in any material adverse effect for which the Seller or Issuer would be liable as ERISA Affiliates. Further, none of the assets of the Seller or the Issuer constitutes or will constitute "plan assets" of one or more Benefit Plans.

(x) [Reserved].

(xi) Financial Reporting. The Servicer shall furnish or cause to be furnished to the Indenture Trustee and the Rating Agencies the following:

(A) Annual Financial Statements. As soon as available, and in any event within the later of (x) one hundred and twenty (120) days after the close of each fiscal year of the Servicer and (y) the date any such reports or financial statements are required to be publicly filed with the Securities and Exchange Commission, the audited consolidated balance sheet of the Servicer as of the end of such fiscal year, and the audited consolidated statements of income, shareholders' equity and cash flows of the Servicer for such fiscal year in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding fiscal year, in each case prepared in accordance with GAAP, consistently applied, and accompanied by the certificate of Independent Accountants and certified by an authorized officer of the Servicer as being complete and correct in all material respects, in each case presenting the financial condition and results of operations of the Servicer as of the dates and for the periods indicated, in accordance with GAAP consistently applied.

(B) Quarterly Financial Statements. As soon as available, and in any event within the later of (x) sixty (60) days after the close of the first three quarters of each fiscal year of the Servicer and (y) the date any such reports or financial statements are required to be publicly filed with the Securities and Exchange Commission, the unaudited consolidated balance sheet of the Servicer as of the end of each such quarter, and the unaudited consolidated statements of income and cash flows of the Servicer for the portion of the fiscal year then ended, in reasonable detail and stating in comparative form the respective figures for the corresponding date and period in the preceding fiscal year, prepared in accordance with GAAP, consistently applied (subject to normal year-end adjustments), and certified by an authorized officer of the Servicer as being complete and correct in all material respects and presenting the financial condition and results of operations of the Servicer as of the dates and for the periods indicated, in accordance with GAAP consistently applied (subject as to interim statements to normal year-end adjustments).

(C) Certification Regarding Servicer Defaults. Concurrently with the delivery of each financial report delivered under (A) or (B) above, a certification by the chief financial officer or chief treasury officer of the Servicer that, to the best of his knowledge, no Servicer Default and no event which, with the giving of notice or the passage of time, would become a Servicer Default has occurred and is continuing or, if any such Servicer Default or other event has occurred and is continuing, the action which the Servicer has taken or proposes to take with respect thereto.

(D) Notices to Other Creditors. Concurrently with the delivery to the "Agent" under the Comerica Credit Agreement, but in any event no later than when such reports and notices are required to be given under such agreement, copies of any static pool analyses, notices of default, notices disclosing adverse litigation or a material adverse change in the Servicer's financial condition, business or operations.

(E) Other Material Events. As soon as possible, and in any event within three (3) Business Days after becoming aware of (i) any material adverse change in the financial condition of the Servicer or any of its Subsidiaries, a certificate of a financial officer setting forth the details of such change, or (ii) the submission of any claim or the initiation of any legal process, litigation or

administrative or judicial investigation against the Servicer or any of its Subsidiaries in any federal, state or local court or before any arbitration board, or any such proceeding threatened by any governmental agency, which, if adversely determined, would be reasonably likely to cause a material adverse effect on the Servicer's financial condition or operations, its ability to perform its obligations hereunder or on the collectability of the Trust Property.

(F) Other Information. Promptly upon request, such other information respecting the Trust Property or the Servicer as the Rating Agencies may reasonably request.

(b) Negative Covenants. From the date hereof until the Stated Final Maturity or, if earlier, the date that each class of Notes have been paid in full:

(i) Mergers, Acquisition, Sales, etc. The Servicer will not consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, unless the Servicer is the surviving entity and unless:

(A) the Servicer has delivered to the Trust Collateral Agent, the Indenture Trustee, the Board of Trustees, the Owner Trustee and the Backup Servicer an Officer's Certificate and an Opinion of Counsel each stating that any consolidation, merger, conveyance or transfer and any related supplemental agreement comply with the terms of this Agreement and that all conditions precedent herein provided for relating to such transaction have been complied with and, in the case of the Opinion of Counsel, that any such supplemental agreement is legal, valid and binding with respect to the Servicer and such other matters as the Trust Collateral Agent may reasonably request;

(B) the Servicer shall have delivered written notice of such consolidation, merger, conveyance or transfer to the Trust Collateral Agent, the Indenture Trustee and the Noteholders; and,

(C) after giving effect thereto, no Servicer Default or event that with notice or lapse of time, or both, would constitute a Servicer Default shall have occurred.

(ii) Change of Name or Location of Records. Except as permitted under Section 7.03, the Servicer shall not (A) change its name or its state of organization, move the location of its principal place of business and chief executive office, and the offices where it keeps records concerning the Loans from the location referred to in Section 3.03(b), or (B) move the Records from the location thereof on the Closing Date, unless the Records are moved pursuant to Section 3.03(c) or the Servicer has given at least thirty (30) days' written notice to the Trust Collateral Agent and the Indenture Trustee and has taken all actions required under the UCC of each relevant jurisdiction in order to continue the first priority perfected security interest of the Trust Collateral Agent as agent for the Noteholders in the Trust Property.

(iii) Change in Payment Instructions to Obligors. The Servicer will not make any change in its instructions to Obligors (other than pursuant to its Collection Guidelines) regarding payments to be made directly or indirectly, unless the Trust Collateral Agent with the consent of the Majority Noteholders has consented to such change and has received duly executed documentation related thereto; provided, however, any successor Servicer appointed Servicer hereunder, shall be permitted to make changes to such instructions directing the Obligors to make payments to such successor Servicer directly or indirectly upon its appointment, but any subsequent changes shall be subject to the consent provisions of this clause (iii).

(iv) No Instruments. The Servicer shall take no action to cause any Loan to be evidenced by any instrument (as defined in the UCC as in effect in the relevant jurisdictions) except for instruments obtained with respect to defaulted Loans that are in the possession, or under the control, of the Servicer in its capacity as custodian for the Trust and the Trust Collateral Agent.

(v) No Liens. The Servicer shall not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien (other than in favor of the Trust Collateral Agent or the Trust as specifically contemplated herein) on the Trust Property or any interest therein; the Servicer will notify the Trust Collateral Agent of the existence of any Lien on any portion of the Trust Property immediately upon discovery thereof, and the Servicer shall defend the right, title and interest of the Trust Collateral Agent on behalf of the Noteholders in, to and under the Trust Property against all claims of third parties claiming through or under the Servicer.

(vi) Credit Guidelines and Collection Guidelines. The Servicer will not amend, modify, restate or replace, in whole or in part, the Credit Guidelines or Collection Guidelines, which change would materially impair the collectability of any Loan or Contract and materially adversely affect the interests or the remedies of the Trust Collateral Agent or the Trust under this Agreement or any other Basic Document, without the prior written consent of the Trust Collateral Agent with the consent of the Majority Noteholders, except if such change was made to comply with Applicable Laws.

(vii) Release of Contracts. Except for a release to an insurer in exchange for insurance proceeds paid by such insurer resulting from a claim for the total insured value of a vehicle, the Servicer shall not release or direct the Trust Collateral Agent to release the Financed Vehicle securing each such Contract from the security interest granted by such Contract in whole or in part, except in the event of (i) payment in full by or on behalf of the Obligor thereunder, (ii) settlement with the Obligor in respect of defaulted contracts materially consistent with its Collection Guidelines or (iii) repossession, nor shall the Servicer impair the rights of the Noteholders in the Contracts, except as may be required by Applicable Law.

(c) Notwithstanding the foregoing, the Servicer may assign rights in and to defaulted contracts to collection agents as part of the collection process under the Collection Guidelines.

SECTION 4.07. Payments in Respect of Loans or Contracts Upon Breach.

(a) The Servicer or the Trust Collateral Agent (provided that a Responsible Officer of the Trust Collateral Agent has actual knowledge or has received written notice thereof) shall inform the other parties to this Agreement promptly, in writing, upon the discovery (which in the case of the Backup Servicer in its capacity as successor Servicer shall mean actual knowledge or written notice of a Responsible Officer) of any breach of Section 4.01, 4.02, 4.03, 4.04, 4.05 or 4.06 hereof which materially and adversely affects the interest of the Issuer or the Indenture Trustee in the Contracts, the Purchased Loans or the Dealer Loans. Unless the breach shall have been cured by the last day of the first full Collection Period following such actual knowledge or receipt of notice by an Authorized Officer of the Servicer, the Servicer shall, as of the Business Day preceding the Determination Date relating to the respective Collection Period, make payments with respect to any Loan or Contract that is materially and adversely affected by such breach and which materially and adversely affects the interests of the Indenture Trustee or the Noteholders therein; provided, however, if the Backup Servicer is acting as successor Servicer, it shall not have any obligation to make payments with

respect to any Loans or prepay any Contracts. In connection with making a payment required pursuant to this Section 4.07 in respect of a Loan or Contract, the Servicer shall remit the Purchase Amount. Notwithstanding anything herein to the contrary, (i) during the Revolving Period, such payments shall not be required if the Adjusted Collateral Amount is equal to or greater than the Minimum Collateral Amount; and (ii) during the Amortization Period, such payments shall not be required: (A) with respect to any Loan, so long as the aggregate Outstanding Balance of all Loans which would be Ineligible Loans as a result of being subject to the foregoing payment obligations during the Amortization Period is less than the Amortization Period Additional Loan Collateral Amount; and (B) with respect to any Contract, so long as the aggregate Outstanding Balance of all Contracts which would be Ineligible Contracts as a result of being subject to the foregoing payment obligations during the Amortization Period is less than the Amortization Period Additional Contract Collateral Amount.

(b) If such payments are required in accordance with clause (a) of this Section 4.07, they shall be made only with respect to the Amortization Period Payment Obligations. Notwithstanding the foregoing, the Servicer's obligation to make any payment under this Section 4.07 may be waived with the prior written consent of the Indenture Trustee, at the direction of the Majority Noteholders. The Trust Collateral Agent and the Backup Servicer shall have no duty to conduct any affirmative investigation or inquiry as to the occurrence of any condition requiring payments to be made with respect to any Loan or Contract pursuant to this Section. Any such waiver by the Indenture Trustee, at the direction of the Majority Noteholders, shall not require any further waiver, action or consent by any other party. The party providing such waiver shall give notice thereof to the Issuer and the Administrator.

SECTION 4.08. Servicer Fee.

The Servicer, including any successor Servicer, shall be entitled to payment of the Servicing Fee as defined herein, which shall be payable in accordance with Section 5.08(a) hereof. In no event shall the Indenture Trustee or the Trust Collateral Agent be responsible for the Servicing Fee or for any differential between the Servicing Fee and the amount necessary to induce a successor Servicer to assume the obligations of Servicer hereunder.

SECTION 4.09. Servicer's Certificate.

(a) By the Determination Date in each calendar month, the Servicer shall deliver to the Trust Collateral Agent and the Indenture Trustee, the Rating Agencies, and Wells Fargo Securities, LLC, a Servicer's Certificate substantially in the form of Exhibit B hereto containing all information necessary to make the transfers, deposits and distributions pursuant to Sections 5.04 through 5.10 hereof for the Collection Period immediately preceding the date of such Servicer's Certificate and as of the last day of such Collection Period, and all information necessary for the Trust Collateral Agent to make available statements to the Noteholders pursuant to Section 5.11 hereof. Upon receipt of the Servicer's Certificate, the Indenture Trustee shall conclusively rely (and shall be fully protected in so relying) on the information contained therein for the purposes of making distributions and allocations as provided for herein. Each Servicer's Certificate shall be certified by a Responsible Officer of the Servicer. The Seller shall assist the Indenture Trustee with its obligation to make distributions and allocations. Loans purchased by the Trust shall be identified by the Servicer by the Dealer's lot

number and certain other information with respect to such Loan (as specified in Schedule A to this Agreement).

(b) No later than 9:00 A.M. New York time on the fifth (5th) Business Day of each calendar month (the “Servicer’s Data Date”), the Servicer shall send to the Backup Servicer a Computer Tape, detailing the Collections received during the prior Collection Period and all other information in its possession relating to the Loans and the Contracts as may be necessary for the complete and correct completion of the Servicer’s Certificate (the “Servicer’s Data File”). Such Computer Tape shall be in the form and have the specifications as may be agreed to between the Servicer and the Backup Servicer from time to time.

(c) No later than the end of the second (2nd) Business Day prior to each Determination Date, the Servicer shall furnish to the Backup Servicer the Servicer’s Certificate related to the prior Collection Period together with all other information necessary for the preparation of such Servicer’s Certificate.

(d) The Backup Servicer and the Servicer shall attempt to reconcile any material inconsistencies and/or to furnish any omitted information and the Servicer shall amend the Servicer’s Certificate to reflect the Backup Servicer’s computations or to include the omitted information. The Backup Servicer shall in no event be liable to the Servicer with respect to any failure of the Backup Servicer to discover or detect any errors, inconsistencies, or omissions by the Servicer with respect to the Servicer’s Certificate and Servicer’s Data File except as specifically set forth in this Section.

(e) On or before the end of the second Business Day prior to each Determination Date, the Servicer shall provide to the Backup Servicer, or its agent, or as frequently as may be otherwise requested, information on the Loans and related Contracts sufficient to enable the Backup Servicer to assume the responsibilities as successor Servicer and collect on the Contracts.

(f) Except as provided in this Agreement, the successor Servicer may accept and conclusively rely on all accounting, records and work of the Servicer without audit, and the successor Servicer shall have no liability for the acts or omissions of the Servicer or for the inaccuracy of any data provided, produced or supplied by the Servicer. If any Error exists in any information received from the Servicer, and such Errors should cause or materially contribute to any Continued Errors, the successor Servicer shall have no liability for such Continued Errors; provided, however, that this provision shall not protect the successor Servicer against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or gross negligence in discovering or correcting any Error or in the performance of its duties hereunder or under the Backup Servicing Agreement. In the event the successor Servicer becomes aware of Errors or Continued Errors, the successor Servicer shall use its best efforts to reconstruct and reconcile such data as is commercially reasonable to correct such Errors and Continued Errors and prevent future Continued Errors. The successor Servicer shall be entitled to recover its costs thereby expended from the Servicer.

(g) The Backup Servicer and its officers, directors, employees and agent shall be indemnified by the Servicer and the Issuer jointly and severally, from and against all claims, damages, losses or expenses reasonably incurred by the Backup Servicer (including reasonable and documented attorneys' fees) and including costs and expenses (including any reasonable and documented legal fees, costs and expenses and court costs) incurred in connection with (i) any enforcement (including any action, claim or suit brought) by the Backup Servicer of any indemnification or other obligation of the Servicer or the Issuer or any other Person, and (ii) a successful defense, in whole or in part, of any claim that the Backup Servicer breached its standard of care arising out of claims asserted against the Backup Servicer by third parties on any matter arising out of this Agreement to the extent the act or omission giving rise to the claim accrues before the date on which the Backup Servicer assumes the duties of Servicer hereunder, except for any claims, damages, losses or expenses arising from the Backup Servicer's own gross negligence, bad faith or willful misconduct as determined by a court of competent jurisdiction. The indemnification provided for in this Section shall be paid to the Backup Servicer until such time as such court enters a judgment as to the extent and effect of the alleged willful misconduct, bad faith or gross negligence, at which time the Backup Servicer shall, to the extent required pursuant to such court's determination, promptly return to the Servicer and the Issuer any such indemnification amounts so received but not owed and any other amounts as determined by such court. Indemnification by the Servicer and the Issuer under this Section 4.09(f), shall survive the termination or assignment of this Agreement or the earlier removal or resignation of the Backup Servicer.

(h) Other than as specifically set forth in this Agreement or in the Backup Servicing Agreement, the Backup Servicer shall have no obligation to supervise, verify, monitor or administer the performance of the Servicer and shall have no duty, responsibility, obligation, or liability for any action taken or omitted by the Servicer.

SECTION 4.10. Annual Statement as to Compliance; Notice of Default.

(a) The Servicer shall deliver to the Trust Collateral Agent, the Issuer, the Rating Agencies, and the Indenture Trustee, on or before April 30th of each year beginning in the year 2024, an Officer's Certificate, dated as of the preceding December 31st, stating that (i) a review of the activities of the Servicer during the preceding 12-month (or for the initial certificate, for such shorter period as may have elapsed from the Closing Date to such December 31st or, with respect to a successor Servicer, shorter period if a successor Servicer becomes Servicer after the beginning of a calendar year) period and of its performance under this Agreement has been made under such officer's supervision and (ii) to the best of such officer's knowledge, based on such review, the Servicer has fulfilled all its obligations under this Agreement throughout such period, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and status thereof.

The Servicer shall direct the Indenture Trustee, upon receipt of such Officer's Certificate, to post such Officer's Certificate to www.CTSLink.com for the benefit of the Noteholders. The Indenture Trustee shall be protected and incur no liability to any Noteholder acting in reliance upon the contents of such Officer's Certificate. The Indenture Trustee shall not be required to make an independent investigation or inquiry with respect to the contents of such Officer's Certificate.

(b) The Servicer shall deliver to the Trust Collateral Agent, the Indenture Trustee, the Issuer, the Board of Trustees, the Owner Trustee, the Backup Servicer and to the Rating Agencies, promptly after having obtained knowledge thereof, but in no event later than five (5) Business Days thereafter, written notice in an Officer's Certificate of any event which with the giving of notice or lapse of time, or both, would become a Servicer Default under Section 8.01. The Seller shall deliver to the Trust Collateral Agent, the Indenture Trustee, the Issuer, the Board of Trustees, the Owner Trustee, the Backup Servicer and to the Rating Agencies, promptly after having obtained knowledge thereof, but in no event later than five (5) Business Days thereafter, written notice in an Officer's Certificate of any event which with the giving of notice or lapse of time, or both, would become a Servicer Default under clause (ii) of Section 8.01. The Trust Collateral Agent shall forward a copy of each Officer's Certificate so received to each Noteholder.

SECTION 4.11. Annual Independent Certified Public Accountants' Report.

(a) The Servicer will deliver to the Trust Collateral Agent, the Issuer, the Indenture Trustee, and the Rating Agencies, on or before April 30th of each year beginning in the year 2024, a copy of a report prepared by Independent Accountants, who may also render other services to the Servicer or any of its Affiliates, or to the Seller, addressed to the audit committee of the Servicer and the Indenture Trustee and dated during the current year, to the effect that such firm has examined the Servicer's policies and procedures and issued its report thereon and expressing a summary of findings (based on the procedures to be performed on the documents, records and accounting records set forth in clause (b) of this Section 4.11) relating to the servicing of the Loans and the related Contracts and the administration of the Loans and the related Contracts and of the Trust during the preceding calendar year and that such servicing and administration was conducted in compliance with the terms of this Agreement, except for (i) such exceptions as such firm shall believe to be immaterial and (ii) such other exceptions as shall be set forth in such report and that such examination was performed in accordance with standards established by the American Institute of Certified Public Accountants. For purposes of clause (i) of this Section 4.11(a), an amount shall be deemed "immaterial" if it is less than \$2,000 or 0.1%.

The Servicer shall direct the Indenture Trustee, upon receipt of such copy of the Independent Accountants report, to post such copy of the Independent Accountants Report to www.CTSLink.com for the benefit of the Noteholders. The Indenture Trustee shall be protected and incur no liability to any Noteholder acting in reliance upon the contents of such copy of the Independent Accountants report. The Indenture Trustee shall not be required to make an independent investigation or inquiry with respect to the contents of such copy of the Independent Accountants report.

In the event such independent public accountants require the Trust Collateral Agent or the Indenture Trustee to agree to the procedures to be performed by such firm in any of the reports required to be prepared pursuant to this Section 4.11, the Servicer shall direct the Trust Collateral Agent or the Indenture Trustee in writing to so agree; it being understood and agreed that the Trust Collateral Agent or the Indenture Trustee will deliver such letter of agreement in conclusive reliance upon the direction of the Servicer, and neither the Trust Collateral Agent nor the Indenture Trustee has made any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures. The Indenture Trustee and the Trust Collateral Agent shall not be liable for any claims, liabilities or expenses

relating to such accountants' engagement or any report issued in connection with such an engagement and dissemination of any such report is subject to the consent of the accountants.

Such report shall also indicate that the firm is independent of the Servicer and its Affiliates within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants.

(b) The procedures to be performed by the Independent Accountants shall include: (i) a comparison of the data contained in two (2) Servicer's Certificates (which are to be selected at random by the Independent Accountants from all of the Servicer's Certificates delivered during the applicable fiscal year) to (A) the Servicer's internal reports derived from its loan servicing system, (B) information obtained by the Servicer from the Indenture Trustee in compiling the Servicer's Certificates, and (C) such other information used in the preparation of the Servicer's Certificates, to confirm the calculation of the data contained in the Servicer's Certificates; (ii) a comparison of the Aggregate Outstanding Eligible Loan Balance contained on three (3) Servicer's Certificates (which are to be selected at random by the Independent Accountants from all of the Servicer's Certificates delivered during the applicable fiscal year) to the Servicer's internal reports derived from its accounting records, to confirm the calculation of such amount; (iii) an audit of the Servicer's cash collections procedures by testing a random sample of five (5) daily cash receipts from the Servicer's list of cash collections for the applicable fiscal year to confirm that Collections received are deposited to the Collection Account within two (2) Business Days of receipt; and (iv) such other procedures as may be mutually agreed upon by the Servicer, the Indenture Trustee at the direction of the Majority Noteholders and the Independent Accountants which are considered appropriate under the circumstances.

SECTION 4.12. Access to Certain Documentation and Information Regarding Loans and Contracts.

The Servicer shall provide to each Noteholder, the Indenture Trustee and the Trust Collateral Agent access to its records pertaining to the Loans and the related Contracts, upon reasonable prior written request. Access shall be afforded without charge, but only during the normal business hours at the offices of the Servicer. Nothing in this Section shall affect the obligation of the Servicer to observe any Applicable Law prohibiting disclosure of information regarding the Dealers or the Obligor, and the failure of the Servicer to provide access to information as a result of such obligation shall not constitute a breach of this Section.

SECTION 4.13. Servicer Expenses.

The Servicer shall be required to pay all expenses incurred by it in connection with its activities hereunder, including fees and disbursements of independent accountants, taxes imposed on the Servicer and expenses incurred in connection with distributions and reports to the Noteholders, the Indenture Trustee and the Trust Collateral Agent and with administering the duties of the Trust and the Issuer. If the Backup Servicer has become the Servicer, it shall be entitled to be reimbursed for all Servicer Expenses and Transition Expenses in accordance with Section 5.08(a) hereof and for all Repossession Expenses in accordance with Section 5.02 hereof.

SECTION 4.14. Servicer Not to Resign as Servicer.

Subject to the provisions of Section 7.03 of this Agreement, the Servicer shall not resign from the obligations and duties hereby imposed on it as Servicer under this Agreement except upon determination that the performance of its duties under this Agreement shall no longer be permissible under Applicable Law. Notice of any such determination permitting the resignation of the Servicer shall be communicated to the Backup Servicer, the Trust Collateral Agent, the Rating Agencies, the Issuer, the Board of Trustees, the Owner Trustee and the Indenture Trustee within five (5) Business Days thereafter (and, if such communication is not in writing, shall be confirmed in writing within five (5) Business Days thereafter) and any such determination shall be evidenced by an Opinion of Counsel to such effect delivered to the Backup Servicer, the Trust Collateral Agent and the Indenture Trustee concurrently with or promptly after such notice. No such resignation shall become effective until the successor Servicer, appointed in accordance with Section 8.02 hereof, shall have taken the actions required by the last paragraph of Section 8.01 of this Agreement and shall have assumed the responsibilities and obligations of the predecessor Servicer in accordance with Section 8.02 of this Agreement. The Trust Collateral Agent shall forward a copy of each notice so received to each Noteholder and the Rating Agencies.

SECTION 4.15. The Backup Servicer.

(a) Prior to assuming any of the Servicer's rights and obligations hereunder the Backup Servicer shall only be required to perform those duties specifically imposed upon it by the provisions of this Agreement and the Backup Servicing Agreement, and no implied obligations shall be read into this Agreement and therein against the Backup Servicer. Such duties generally relate to following the provisions herein and therein which would permit the Backup Servicer to assume some or all of the Servicer's rights and obligations hereunder (as modified or limited herein or in the Backup Servicing Agreement) with reasonable dispatch, following written notice.

The Backup Servicer, prior to assuming any of the Servicer's duties hereunder, may not resign hereunder unless it arranges for a successor Backup Servicer reasonably acceptable to the Servicer and the Seller, with not less than thirty (30) days' notice delivered to the Servicer and the Seller. The Backup Servicer shall have no obligations or duties under any agreement to which it is not a party, including but not limited to the various agreements named herein.

(b) The Backup Servicer shall not be required to expend or risk its own funds or otherwise incur liability (financial or otherwise) in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if the repayment of such funds or written indemnity reasonably satisfactory to it against such risk or liability is not reasonably assured to it in writing prior to the expenditure or risk of such funds or incurrence of financial liability. Notwithstanding any provision to the contrary, the Backup Servicer, in its capacity as such, and not in its capacity as successor Servicer, shall not be liable for any obligation of the Servicer contained in this Agreement, and the parties shall look only to the Servicer to perform such obligations.

(c) The Servicer shall have no liability, direct or indirect, to any party, for the acts or omissions of the Backup Servicer, irrespective of when such acts or omissions may occur whenever such acts or omissions occur, except as set forth in Section 4.09(f). The successor Servicer shall not be liable for the acts or omissions of any predecessor Servicer.

SECTION 4.16. [Reserved].

SECTION 4.17. Obligations in Respect of the Servicer.

To the extent Credit Acceptance is no longer the Servicer hereunder, Credit Acceptance, in its individual capacity, agrees to perform the obligations of the Servicer, as Administrator, described in Sections 4.01(c) and (d) and Section 4.06(a)(vii)(B) hereof and in Sections 5.1, 6.2 and 11.12 of the Trust Agreement.

SECTION 4.18. Dealer Collections Purchase.

(a) On the date of any Dealer Collections Purchase, Credit Acceptance shall deliver to the Indenture Trustee a list identifying (A) all Dealer Loans satisfied as a result of such Dealer Collections Purchase, (B) each Dealer Loan Contract that previously secured such Dealer Loans, and (C) the Purchased Loans and Purchased Loan Contracts evidencing such Purchased Loans resulting from such Dealer Collections Purchase, in each case of clauses (A), (B) and (C), identified by account number, dealer number and pool number, as applicable. Such list shall be deemed to supplement Exhibit A to the Sale and Contribution Agreement and Schedule A hereof as of the date of such Dealer Collections Purchase.

(b) On each date of a Dealer Collections Purchase, following payment in full of the Dealer Collections Purchase Price by Credit Acceptance to the applicable Dealer, (i) the related Dealer Loans (including the rights to the related Dealer Collections thereunder) shall be deemed to be satisfied; (ii) the Dealer Loan Contracts that previously secured such Dealer Loans will be automatically assigned by Credit Acceptance to the Seller and by the Seller to the Issuer as Purchased Loan Contracts and the advances by Credit Acceptance thereon will be deemed Purchased Loans; (iii) the Issuer agrees to accept the assignment of such Purchased Loans and Purchased Loan Contracts by the Seller in satisfaction of such Dealer Loans; (iv) the Dealer Collections Purchase Agreement will be deemed a Purchase Agreement with respect to such Purchased Loans; and (v) the Issuer will retain as Available Funds all Collections on such Purchased Loan Contracts that previously secured such Dealer Loans.

(c) The consideration for the conveyance from the Seller to the Issuer of the Purchased Loan Contracts and Purchased Loans arising under the related Dealer Collections Purchase Agreement and other related Subsequent Seller Property will be (i) the satisfaction of the Dealer Loans previously secured by such Purchased Loan Contracts as provided herein, plus (ii) an increase in the value of the Seller's equity interest in the Issuer (which constitutes and will constitute all of the equity interests issued by the Issuer) that results from such conveyance.

ARTICLE V

TRUST ACCOUNTS; DISTRIBUTIONS; STATEMENTS TO CERTIFICATEHOLDERS AND NOTEHOLDERS

SECTION 5.01. Establishment of Accounts of the Trust.

(a) (i) On or prior to the Closing Date, the Trust Collateral Agent, on behalf of the Indenture Trustee, for the benefit of the Noteholders, shall establish and maintain in its own name two Eligible Accounts (respectively, the "Collection Account" and the "Principal Collection Account") bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the

Trust Collateral Agent on behalf of the Indenture Trustee for the benefit of the Noteholders. The Collection Account and the Principal Collection Account shall initially be established by the Trust Collateral Agent at Wells Fargo Bank, N.A.

(ii) The Trust Collateral Agent, on behalf of the Indenture Trustee, for the benefit of the Noteholders, shall establish and maintain, in its own name an Eligible Account (the “Note Distribution Account”) bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Trust Collateral Agent on behalf of the Indenture Trustee for the benefit of the Noteholders. The Note Distribution Account shall initially be established by the Trust Collateral Agent at Wells Fargo Bank, N.A.

(iii) The Trust Collateral Agent, on behalf of the Indenture Trustee, for the benefit of the Certificateholders, shall establish and maintain, in its own name an Eligible Account (the “Certificate Distribution Account”) bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Trust Collateral Agent on behalf of the Indenture Trustee for the benefit of the Certificateholders. The Certificate Distribution Account shall initially be established by the Trust Collateral Agent at Wells Fargo Bank, N.A.

(iv) The Trust Collateral Agent, on behalf of the Noteholders, shall establish and maintain in its own name an Eligible Account (the “Reserve Account”) bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Trust Collateral Agent on behalf of the Indenture Trustee for the benefit of the Noteholders. The Reserve Account shall initially be established by the Trust Collateral Agent at Wells Fargo Bank, N.A.

(b) Funds on deposit in the Collection Account, the Principal Collection Account and the Reserve Account shall each be invested by the Trust Collateral Agent (or any custodian with respect to funds on deposit in any such account) in Eligible Investments selected in writing by the Servicer (pursuant to standing instructions or otherwise), bearing interest or sold at a discount, and maturing, unless payable on demand, no later than the Business Day immediately preceding the next Distribution Date; provided, however, it is understood and agreed that the Trust Collateral Agent shall not be liable for any loss arising from such investment in Eligible Investments made at the written direction of the Servicer in conformity with this Agreement unless the Eligible Investment was a direct obligation of the Trust Collateral Agent in its commercial capacity. All such Eligible Investments shall be held by or on behalf of the Trust Collateral Agent for the benefit of the Indenture Trustee on behalf of the Noteholders. Funds deposited in the Collection Account on the day immediately preceding a Distribution Date and funds arising from the maturity of any Eligible Investments on such preceding day are not required to be invested overnight. On each Distribution Date, all interest and investment income (net of investment losses and expenses) on funds on deposit in the Collection Account, as of the end of the Collection Period shall be included in Available Funds; and all interest and other investment income (net of investment losses and expenses) on funds on deposit in the Reserve Account shall be deposited into the Reserve Account. On each Distribution Date during the Revolving Period, all interest and other investment income (net of investment losses and expenses) on funds on deposit in the Principal Collection Account shall be deposited into the Principal Collection Account; thereafter, such interest and other investment income (net of investment losses and expenses) shall be included in Available Funds in the Collection Account.

(c) If (i) the Servicer shall have failed to give investment directions for any funds on deposit in the Collection Account, the Principal Collection Account or the Reserve Account to the Trust Collateral Agent by 2:00 p.m. Eastern Time (or such other time as may be agreed by the Issuer and Trust Collateral Agent) on any Business Day pursuant to standing instructions or otherwise, such funds shall remain uninvested; or (ii) an Indenture Default or Indenture Event of Default shall have occurred and be continuing with respect to the Notes but the Notes shall not have been declared due and payable, or, if such Notes shall have been declared due and payable following an Indenture Event of Default, but amounts collected or receivable from the Trust Property are being applied as if there had not been such a declaration; then the Trust Collateral Agent shall, to the fullest extent practicable, continue to invest and reinvest funds in the Collection Account, the Principal Collection Account or the Reserve Account, as the case may be, in Eligible Investments pursuant to the last written investment direction of the Servicer.

(d) (i) Subject to the grant of the security interest pursuant to the Indenture in favor of the Indenture Trustee, the Trust shall possess all right, title and interest in all funds on deposit from time to time in the Trust Accounts (other than Dealer Collections) and in all proceeds thereof and all such funds, investments, proceeds and income shall be part of the Trust Property. Except as otherwise provided herein, the Trust Accounts shall be under the sole dominion and control of the Trust Collateral Agent for the benefit of the Noteholders.

(i) With respect to any Eligible Investments held from time to time in any Trust Account, the Trust Collateral Agent agrees that:

(A) any Eligible Investment that is held in deposit accounts shall be, except as otherwise provided herein, subject to the exclusive custody and control of the Trust Collateral Agent, and the Trust Collateral Agent shall have sole signature authority with respect thereto;

(B) any Eligible Investment that constitutes Physical Property shall be delivered to the Trust Collateral Agent in accordance with paragraph (a) of the definition of "Delivery" and shall be held, pending maturity or disposition, solely by the Trust Collateral Agent or a securities intermediary (as such term is defined in Section 8-102(a)(14) of the UCC) acting solely for the Trust Collateral Agent;

(C) any Eligible Investment that is a book-entry security held through the Federal Reserve System pursuant to Federal book-entry regulations shall be delivered in accordance with paragraph (b) of the definition of "Delivery" and shall be maintained by the Trust Collateral Agent, pending maturity or disposition, through continued book-entry registration of such Eligible Investment as described in such paragraph;

(D) any Eligible Investment that is an "uncertificated security" under Article 8 of the UCC and that is not governed by clause (C) above shall be delivered to the Trust Collateral Agent in accordance with paragraph (c) of the definition of "Delivery" and shall be maintained by the Trust Collateral Agent, pending maturity or disposition, through continued registration of the Trust Collateral Agent's (or its nominee's) ownership of such security; and

(E) not less than eight (8) days prior to each Distribution Date, the Trust Collateral Agent shall give notice to each institution that holds Eligible Investments in money market deposit accounts

that on such Distribution Date the Trust Collateral Agent may be withdrawing all funds from the applicable Trust Account.

(e) The Servicer shall have the power, revocable by the Trust Collateral Agent, the Indenture Trustee or the Issuer, in the case of the Trust Collateral Agent or the Issuer, with the prior written consent of the Indenture Trustee, to instruct the Trust Collateral Agent to make withdrawals and payments from the Trust Accounts for the purpose of permitting the Servicer and the Trust Collateral Agent to carry out their respective duties hereunder.

(f) Upon a Responsible Officer of the Trust Collateral Agent having obtained actual knowledge or having received written notice that the any Trust Account is no longer an Eligible Account, then the Trust Collateral Agent shall notify the Servicer of such failure within five (5) Business Days thereof, and the Servicer shall, with the Trust Collateral Agent's assistance as necessary, cause such Trust Account to be moved within five (5) Business Days of notifying the Servicer to an institution that would result in such Trust Account becoming an Eligible Account.

(g) The Servicer acknowledges that upon its written request and at no additional cost, it has the right to receive notification after the completion of each purchase and sale of permitted investments or the Trust Collateral Agent's receipt of a broker's confirmation. The Servicer agrees that such notifications shall not be provided by the Trust Collateral Agent hereunder, and the Trust Collateral Agent shall make available, upon request and in lieu of notifications, periodic account statements that reflect such investment activity. No statement need be made available for any fund/account if no activity has occurred in such fund/account during such period

(h) The Trust Collateral Agent agrees that (i) it will maintain each of the Trust Accounts as a "securities account" (within the meaning of Section 8-501(a) of the UCC), in respect of which the Trust Collateral Agent is the "securities intermediary" (within the meaning of Section 8-102(a)(14) of the UCC) and the Trust Collateral Agent is the "entitlement holder" (within the meaning of Section 8-102(a)(7) of the UCC); (ii) each item of property (including cash) credited to a Trust Account shall be treated as a "financial asset" (within the meaning of Section 8-102(a)(9) of the UCC); (iii) the "securities intermediary's jurisdiction" (within the meaning of Section 8-110(e) of the UCC) with respect to each of the Trust Accounts shall be New York; and (iv) the law in force in the State of New York is applicable to all issues specified in Article 2(1) of "The Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary", ratified Sept. 28, 2016, S. Treaty Doc. No. 112-6 (2012)" (the "Hague Securities Convention"). The Trust Collateral Agent represents and warrants that at the time that this agreement is entered into, the Trust Collateral Agent had a physical office in the United States that satisfied the criteria set forth in Article 4(1)(a) or (b) of the Hague Securities Convention. The Trust Collateral Agent agrees that, at all times while this Agreement is in effect, it shall maintain a physical office in the United States that satisfies the criteria set forth in Article 4(1)(a) or (b) of the Hague Securities Convention. The parties hereto acknowledge and agree that each of the Trust Accounts is subject to the sole dominion and control (within the meaning of Section 8-106 of the UCC) of Trust Collateral Agent subject to the terms hereof. The Trust Collateral Agent shall have the sole right of withdrawal with respect to each Trust Account in accordance with the terms of this Agreement. The Issuer shall not have a right of withdrawal with respect to any Trust Account. The Trust Collateral Agent acknowledges and agrees that it has not entered into, and until the termination of this Agreement shall not enter into, any agreement with any Person other than the Transaction Documents relating to any Trust Account, and in each case any

funds held therein, pursuant to which it has agreed, or will agree, to comply with orders or instructions of any other such Person.

SECTION 5.02. Collections; Allocation.

The Servicer shall remit to the Collection Account within two (2) Business Days of receipt all Collections collected during each Collection Period. On the Closing Date, the Servicer shall deposit in the Collection Account the foregoing amounts received with respect to the Loans and Contracts since the initial Cut-off Date.

The Servicer shall determine each month the amount of Collections received during each Collection Period which constitutes Dealer Collections and shall so notify the Trust Collateral Agent in writing (which can be included in the applicable Servicer's Certificate). Notwithstanding any other provision hereof, the Trust Collateral Agent, at the written direction of the Servicer, shall distribute on each Distribution Date: (i) to the Issuer an amount equal to the aggregate amount of Dealer Collections received during or with respect to the prior Collection Period; and (ii) to the Backup Servicer, if it has become successor Servicer, an amount equal to Repossession Expenses related to the prior Collection Period prior to the distribution of Available Funds pursuant to Section 5.08(a) hereof. Upon receipt, the Issuer shall remit all Dealer Collections to Credit Acceptance. In the event the Backup Servicer is acting as successor Servicer, the Seller shall assist the Backup Servicer in the performance of its obligations under this Section 5.02.

SECTION 5.03. Certain Reimbursements to the Servicer.

The Servicer will be entitled to be reimbursed from amounts on deposit in the Collection Account with respect to a Collection Period for amounts previously deposited in the Collection Account but later determined by the Servicer to have resulted from mistaken deposits or postings or checks returned for insufficient funds. The amount to be reimbursed hereunder shall be paid to the Servicer on the next succeeding Business Day(s) out of Collections on Loans and the related Contracts to be remitted to the Collection Account to the extent the net amount to the Collection Account is greater than zero.

SECTION 5.04. Additional Deposits.

(a) The Servicer or the Seller, as applicable, shall deposit or cause to be deposited in the Collection Account each Purchase Amount paid hereunder. All such deposits with respect to a Collection Period shall be made, in immediately available funds, by the Business Day preceding the Distribution Date related to such Collection Period.

(b) The proceeds of any purchase or sale of the assets of the Trust described in Section 10.01 hereof shall be deposited or cause to be deposited by the Seller or the Servicer, as applicable, in the Collection Account on or prior to the Business Day preceding the Distribution Date on which such purchase shall occur.

(c) Following the acceleration of the Notes pursuant to Section 5.2 of the Indenture, the proceeds shall be deposited in the Collection Account to be distributed by the Indenture Trustee in accordance with Section 5.2(b) of the Indenture.

SECTION 5.05. Reserve Account.

- (a) On the Closing Date, the Seller shall direct the Trust Collateral Agent in writing to deposit to the Reserve Account a cash amount equal to the Reserve Account Requirement.
- (b) With respect to each Distribution Date, on the fourth Business Day immediately preceding such Distribution Date, the Servicer (provided, that in the event the Backup Servicer is acting as successor Servicer, the Seller shall assist the Backup Servicer in the performance of its obligations under this Section 5.05(b)) shall instruct the Trust Collateral Agent (based on the information contained in the Servicer's Certificate delivered to the Trust Collateral Agent in respect of the related Determination Date pursuant to Section 4.09), prior to the making of any transfers pursuant to Section 5.08 hereof, if required, to withdraw from the Reserve Account to the extent available therein with respect to amounts payable on such Distribution Date, the amounts specified below, and deposit such amounts in the Collection Account to be applied as follows:
- (i) first, an amount equal to the excess of (x) the Servicing Fee, up to the Capped Servicing Fee, over (y) the Available Funds available to be applied pursuant to Section 5.08(a)(i)(A) hereof on such Distribution Date;
- (ii) second, an amount equal to the excess of (x) the Owner Trustee Fee, the Indenture Trustee Fee, and the Backup Servicer Fee, plus indemnification amounts and expenses due to the Owner Trustee, the Indenture Trustee and the Trust Collateral Agent, up to their respective Capped Trustee Expenses (unless an Indenture Event of Default described in clause (i) or (ii) of the definition of "Indenture Event of Default" has occurred and is continuing, in which case, no cap shall apply), plus indemnification amounts and expenses due to the Backup Servicer up to \$17,000 (unless an Indenture Event of Default described in clause (i) or (ii) of the definition of "Indenture Event of Default" has occurred and is continuing, in which case, no cap shall apply), over (y) the Available Funds available to be applied pursuant to Section 5.08(a)(i)(B) and (C) hereof on such Distribution Date;
- (iii) third, an amount equal to the excess of (1) the Class A Interest Distributable Amount plus the Class A Interest Carryover Shortfall, if any, over (2) the Available Funds available to be applied to such amounts pursuant to Section 5.08(a)(ii)(A) hereof on such Distribution Date;
- (iv) fourth, an amount equal to the excess of (1) the Class B Interest Distributable Amount plus the Class B Interest Carryover Shortfall, if any, over (2) the Available Funds available to be applied to such amounts pursuant to Section 5.08(a)(ii)(B) hereof on such Distribution Date;
- (v) fifth, an amount equal to the excess of (1) the Class C Interest Distributable Amount plus the Class C Interest Carryover Shortfall, if any, over (2) the Available Funds available to be applied to such amounts pursuant to Section 5.08(a)(ii)(C) hereof on such Distribution Date;
- (vi) sixth, if the next Distribution Date is the Class A Stated Final Maturity Date, an amount equal to the excess of (x) the Class A Note Balance over (y) the Available Funds available to be applied to the Class A Note Balance pursuant to Section 5.08(a)(v)(A) hereof on such Distribution Date;

(vii) seventh, if the next Distribution Date is the Class B Stated Final Maturity Date, an amount equal to the excess of (x) the Class B Note Balance over (y) the Available Funds available to be applied to the Class B Note Balance pursuant to Section 5.08(a) ~~(v)(B)~~ hereof on such Distribution Date;

(viii) eighth, if the next Distribution Date is the Class C Stated Final Maturity Date, an amount equal to the excess of (x) the Class C Note Balance over (y) the Available Funds available to be applied to the Class C Note Balance pursuant to Section 5.08(a) ~~(v)(C)~~ hereof on such Distribution Date; and

(ix) ninth, an amount equal to the excess of the funds remaining in the Reserve Account after the withdrawals referred to in clauses (i) through (viii) above over the Reserve Account Requirement on such Distribution Date.

(c) Notwithstanding the foregoing, all transfers of funds between accounts may occur on the Business Day immediately preceding the Distribution Date related to such transfer; all distributions from accounts shall occur on the Distribution Date.

(d) Notwithstanding the foregoing, if the Notes have been accelerated after an Indenture Event of Default has occurred the remaining portion of the amount then on deposit in the Reserve Account after application on the first Distribution Date thereafter shall be used to pay principal on the Notes as in the priority described in the second clause of Section 5.2(b)(i) of the Indenture or the third clause of Section 5.2(b)(ii) of the Indenture, as applicable.

(e) Amounts withdrawn from the Reserve Account pursuant to clause ~~(b)(i)-(ix)~~ above shall be used solely for payment of the amounts described in clause ~~(b)(i)-(viii)~~ above, as applicable. Amounts withdrawn from the Reserve Account pursuant to clause ~~(b)~~ ~~(ix)~~ above shall constitute Available Funds.

SECTION 5.06. Reserved.

SECTION 5.07 Reserved.

SECTION 5.08 Transfers and Distributions.

(a) Unless the Notes have been accelerated in accordance with the terms of the Indenture, on each Distribution Date, after making any transfers and distributions required by Sections 5.02, 5.03, 5.04 and 5.05(b) hereof, the Indenture Trustee shall (based on the information contained in the Servicer's Certificate delivered on the related Determination Date) cause to be made the following transfers and distributions for such Distribution Date from Available Funds and amounts deposited to the Collection Account from the Reserve Account (such amounts from the Reserve Account to be applied in accordance with Section 5.05(b)), in the following order of priority:

(i) first, pari passu: (A) (1) to the Servicer, the Servicing Fee and any Servicing Fee unpaid from any prior Distribution Date or, if the Servicer has been replaced pursuant to the terms of this Agreement, to the Backup Servicer, the Servicing Fee and any Servicing Fee unpaid from any prior Distribution Date up to the Capped Servicing Fee, and (2) pro rata, to the Owner Trustee, the Indenture Trustee, the Trust Collateral Agent, and if the Backup Servicer has not replaced the

Servicer, the Backup Servicer, respectively, the Owner Trustee Fee, the Indenture Trustee Fee and the Backup Servicing Fee, as applicable, and including any such fees unpaid from any prior Distribution Date; and (B) *pari passu* (1) to the Backup Servicer: (x) any Transition Expenses, and (y) any accrued and unpaid indemnification amounts owed to it up to \$17,000 (unless an Indenture Event of Default described in clause (i) or (ii) of the definition of “Indenture Event of Default” has occurred and is continuing, in which case, no cap shall apply); and (2) *pari passu*, to the Owner Trustee, the Indenture Trustee and the Trust Collateral Agent, their related accrued and unpaid indemnification amounts and expenses, up to their respective Capped Trustee Expenses (unless an Indenture Event of Default described in clause (i) or (ii) of the definition of “Indenture Event of Default” has occurred and is continuing, in which case, no cap shall apply);

(ii) second, to the Note Distribution Account, an amount to be applied sequentially: (A) *first*, to the Class A Noteholders, the Class A Interest Distributable Amount due and payable on such Distribution Date and the Class A Interest Carryover Shortfall, if any, from any prior Distribution Date, (B) *second*, to the Class B Noteholders, the Class B Interest Distributable Amount due and payable on such Distribution Date and the Class B Interest Carryover Shortfall, if any, from any prior Distribution Date and (C) *third*, to the Class C Noteholders, the Class C Interest Distributable Amount due and payable on such Distribution Date and the Class C Interest Carryover Shortfall, if any, from any prior Distribution Date;

(iii) third, to the Reserve Account, the amount necessary to cause the amount on deposit in the Reserve Account to equal the Reserve Account Requirement for such Distribution Date;

(iv) fourth, during the Revolving Period, to the Principal Collection Account for application by the Issuer to purchase additional Loans (or to fund additional Dealer Loan Contracts allocated to an Open Pool securing a Dealer Loan) from the Seller, the amount needed to cause (A) the Collateral Amount to at least equal the Minimum Collateral Amount, and if the Minimum Collateral Amount cannot be reached due to an insufficient amount of Loans for purchase by the Issuer, the amount needed to cause the Adjusted Collateral Amount to equal or exceed the Minimum Collateral Amount and (B) the Forecasted Collections to at least equal the Minimum Forecasted Collections Amount, and if the Minimum Forecasted Collections Amount cannot be reached due to an insufficient amount of Loans for purchase by the Issuer, the amount needed to cause the Adjusted Forecasted Collections to equal the Minimum Forecasted Collections Amount and;

(v) fifth, during the Amortization Period, to the Note Distribution Account, an amount to be applied sequentially: (A) *first*, to the Class A Noteholders, the Class A Principal Distributable Amount until the Class A Note Balance has been reduced to zero, (B) *second*, to the Class B Noteholders, the Class B Principal Distributable Amount until the Class B Note Balance has been reduced to zero and (C) *third*, to the Class C Noteholders, the Class C Principal Distributable Amount until the Class C Note Balance has been reduced to zero;

(vi) sixth, *pari passu*, (A) to the Backup Servicer, any amounts owed to the Backup Servicer pursuant to clause (i), to the extent not paid pursuant to clause (i) due to the Capped Servicing Fee (if the Backup Servicer has replaced the Servicer) or the Capped Trustee Fees and Expenses; (B) to the Backup Servicer, any accrued indemnification amounts, to the extent not paid pursuant to clause (i) due to the cap referenced therein; and (C) *pari passu*, to the Owner Trustee,

Indenture Trustee and Trust Collateral Agent, any accrued fees, expenses or indemnification amounts to the extent not paid pursuant to clause (i) due to their respective Capped Trustee Expenses; and

(vii) seventh, following the payment in full of all distributable amounts and after making all allocations set forth in clauses (i) through (vi) above, to the Indenture Trustee for deposit in the Certificate Distribution Account any remaining Available Funds in the Collection Account for distribution to the Certificateholder pursuant to Section 5.10 hereof.

(b) In the event that the Collection Account is maintained with or by an institution other than the Indenture Trustee, the Servicer shall instruct the Indenture Trustee to instruct and cause such institution to make all transfers, deposits and distributions pursuant to Section 5.08(a) hereof on the related Distribution Date.

(c) Notwithstanding the foregoing, all transfers of funds between accounts may occur on the Business Day immediately preceding the Distribution Date related to such transfer; all distributions from accounts shall occur on the Distribution Date.

SECTION 5.09. Distributions from the Note Distribution Account.

(a) Unless the Notes have been accelerated in accordance with the terms of the Indenture after an Indenture Event of Default other than an Indenture Event of Default described in Sections 5.1(iii), 5.1(vi), 5.1(vii), 5.1(viii), 5.1(ix) or 5.1(x) of the Indenture, on each Distribution Date, after the Trust Collateral Agent has made all transfers and distributions required to be made on such Distribution Date by Sections 5.05 and 5.08 hereof, as applicable, the Indenture Trustee shall (based on the information contained in the Servicer's Certificate delivered on the related Determination Date) distribute all amounts on deposit in the Note Distribution Account to Noteholders in the following amounts and in the following order of priority:

(i) to the Class A Noteholders the sum of (1) the Class A Interest Distributable Amount for such Distribution Date and (2) the Class A Interest Carryover Shortfall, if any, for such Distribution Date;

(ii) after the application of clause (i) above, to the Class B Noteholders the sum of (1) the Class B Interest Distributable Amount for such Distribution Date and (2) the Class B Interest Carryover Shortfall, if any, for such Distribution Date;

(iii) after the application of clauses (i)-(ii) above, to the Class C Noteholders the sum of (1) the Class C Interest Distributable Amount for such Distribution Date and (2) the Class C Interest Carryover Shortfall, if any, for such Distribution Date;

(iv) after the application of clauses (i)-(iii) above, and until the outstanding principal balance of the Class A Notes is reduced to zero, to the Holders of the Class A Notes, the Class A Principal Distributable Amount for such Distribution Date;

(v) after the application of clauses (i)-(iv) above, and until the outstanding principal balance of the Class B Notes is reduced to zero, to the Holders of the Class B Notes, the Class B Principal Distributable Amount for such Distribution Date; and

(vi) after the application of clauses (i)-(v) above, and until the outstanding principal balance of the Class C Notes is reduced to zero, to the Holders of the Class C Notes, the Class C Principal Distributable Amount for such Distribution Date.

(b) If the Notes have been accelerated in accordance with the terms of the Indenture after an Indenture Event of Default other than an Indenture Event of Default described in Sections 5.1(iii), 5.1(vi), 5.1(vii), 5.1(viii), 5.1(ix) or 5.1(x) of the Indenture, the Indenture Trustee shall (based on the information contained in the Servicer's Certificate delivered on the related Determination Date) distribute all amounts on deposit in the Note Distribution Account to Noteholders in the following amounts and in the following order of priority:

(i) to the Class A Noteholders the sum of (1) the Class A Interest Distributable Amount for such Distribution Date and (2) the Class A Interest Carryover Shortfall, if any, for such Distribution Date;

(ii) after the application of clause (i) above, to the Class A Noteholders, principal of the Class A Notes until the Class A Note Balance has been reduced to zero;

(iii) after the application of clauses (i)-(ii) above, to the Class B Noteholders the sum of (1) the Class B Interest Distributable Amount for such Distribution Date and (2) the Class B Interest Carryover Shortfall, if any, for such Distribution Date;

(iv) after the application of clauses (i)-(iii) above, to the Class B Noteholders, principal of the Class B Notes until the Class B Note Balance has been reduced to zero;

(v) after the application of clauses (i)-(iv) above, to the Class C Noteholders the sum of (1) the Class C Interest Distributable Amount for such Distribution Date and (2) the Class C Interest Carryover Shortfall, if any, for such Distribution Date; and

(vi) after the application of clauses (i)-(v) above, to the Class C Noteholders, principal of the Class C Notes until the Class C Note Balance has been reduced to zero.

(c) In the event that any withholding tax is imposed on the Trust's payment (or allocations of income) to any Noteholder, such withholding tax shall reduce the amount otherwise distributable to such Noteholder in accordance with this Section 5.09. The Indenture Trustee is hereby authorized and directed to retain from amounts otherwise distributable to the Noteholders sufficient funds for the payment of any withholding tax that is legally owed by the Trust as instructed by the Servicer, in writing in a Servicer's Certificate (but such authorization shall not prevent the Indenture Trustee from contesting at the expense of the Seller any such withholding tax in appropriate proceedings, and withholding payment of such withholding tax, if permitted by law, pending the outcome of such proceedings). The amount of any withholding tax imposed with respect to any Noteholder shall be treated as cash distributed to such Noteholder at the time it is withheld by the Trust and remitted to the appropriate taxing authority. If there is a possibility that withholding tax is payable with respect to a distribution (such as a distribution to a non-US Noteholder), the Indenture Trustee may withhold such amounts in accordance with this clause (c). In the event that a Noteholder wishes to apply for a refund of any such withholding tax, the Indenture Trustee shall reasonably cooperate with such Noteholder in making such claim so long as such Noteholder agrees to reimburse the Indenture Trustee for any out-of-pocket expenses incurred. Upon request from the Trust Collateral Agent, the

parties hereto will provide such additional information that they may have to assist the Trust Collateral Agent in making any such withholdings or information reports.

(d) Distributions required to be made to Noteholders on any Distribution Date shall be made to each Noteholder of record on the preceding Record Date either by wire transfer, in immediately available funds, to the account of such Holder at a bank or other entity having appropriate facilities therefor, if (i) such Noteholder shall have provided to the Note Registrar appropriate written instructions at least ten (10) Business Days prior to such Distribution Date or (ii) such Noteholder is the Seller, or an Affiliate thereof, or, if not, by check mailed to such Noteholder at the address of such holder appearing in the Note Register. Notwithstanding the foregoing, the final distribution in respect of any Note (whether on the Stated Final Maturity or otherwise) will be payable only upon presentation and surrender of such Note at the office or agency maintained for that purpose by the Note Registrar pursuant to Section 2.7 of the Indenture.

SECTION 5.10. Certificate Distribution Account.

(a) On each Distribution Date, the Trust Collateral Agent shall (based on the information contained in the Servicer's Certificate delivered on the related Determination Date) distribute all amounts on deposit in the Certificate Distribution Account to the Certificateholders.

(b) In the event that any withholding tax is imposed on the Trust's payment (or allocations of income) to a Certificateholder, such tax shall reduce the amount otherwise distributable to the Certificateholder in accordance with this Section. The Trust Collateral Agent is hereby authorized and directed to retain from amounts otherwise distributable to the Certificateholders sufficient funds for the payment of any tax that is legally owed by the Trust as instructed in writing by the Servicer (but such authorization shall not prevent the Trust Collateral Agent from contesting, at the expense of the Seller, any such tax in appropriate proceedings, and withholding payment of such tax, if permitted by law, pending the outcome of such proceedings). The amount of any withholding tax imposed with respect to a Certificateholder shall be treated as cash distributed to such Certificateholder at the time it is withheld by the Trust and remitted to the appropriate taxing authority. If there is a possibility that withholding tax is payable with respect to a distribution, the Trust Collateral Agent may withhold such amounts in accordance with this clause (b). In the event that a Certificateholder wishes to apply for a refund of any such withholding tax, the Trust Collateral Agent shall reasonably cooperate with such Certificateholder in making such claim so long as such Certificateholder agrees to reimburse the Trust Collateral Agent for any out-of-pocket expenses incurred. Upon request from the Trust Collateral Agent, the parties hereto will provide such additional information that they may have to assist the Trust Collateral Agent in making any such withholdings or information reports.

(c) Distributions required to be made to Certificateholders on any Distribution Date shall be made to each Certificateholder of record on the preceding Record Date either by wire transfer, in immediately available funds, to the account of such Certificateholder at a bank or other entity having appropriate facilities therefor, if (i) such Certificateholder shall have provided to the Certificate Registrar appropriate written instructions at least ten (10) Business Days prior to such Distribution Date and such Certificateholder's Certificates in the aggregate evidence a denomination of not less than \$500,000 or (ii) such Certificateholder is the Seller, or an Affiliate thereof, or, if not, by check mailed to such Certificateholder at the address of such holder appearing in the Certificate Register. Notwithstanding the foregoing, the final distribution in respect of any Certificate will be payable only

upon presentation and surrender of such Certificate at the office or agency maintained for that purpose by the Certificate Registrar pursuant to Section 3.4 of the Trust Agreement.

(d) Notwithstanding the foregoing, all transfers of funds between accounts may occur on the Business Day immediately preceding the Distribution Date related to such transfer; all distributions from accounts shall occur on the Distribution Date.

SECTION 5.11. Statements to Certificateholders and Noteholders.

On or prior to each Determination Date, the Servicer (provided, that in the event the Backup Servicer is acting as successor Servicer, the Seller shall assist the Backup Servicer in the performance of its obligations under this Section 5.11) shall provide to the Trust Collateral Agent the Servicer's Certificate (with copies to the Rating Agencies). The Trust Collateral Agent will be required to make the Servicer's Certificate related to such Distribution Date available to the Noteholders, the Certificateholder, the Initial Purchasers and the Backup Servicer. Each Servicer's Certificate will include, among other things, the following information with respect to the Notes with respect to the related Distribution Date, or the period since the previous Distribution Date, as applicable:

- (i) the amount of the related distribution allocable to principal of the Notes;
- (ii) the amount of the related distribution allocable to interest on the Notes;
- (iii) the amount of the related distribution payable out of the Reserve Account;
- (iv) the Aggregate Outstanding Eligible Loan Balance and the aggregate Outstanding Balance of all Eligible Contracts as of the close of business on the last day of the preceding Collection Period (in each case, calculated separately in respect of all Purchased Loans, all Dealer Loans and all Loans in the aggregate) and the Forecasted Collections as of the close of business on the last day of the preceding Collection Period;
- (v) the Aggregate Note Balance, the Class A Note Balance, the Class B Note Balance and the Class C Note Balance, in each case after giving effect to payments allocated to principal reported under clause (i) above;
- (vi) the amount of the Servicing Fee paid to the Servicer with respect to the related Collection Period and/or due but unpaid with respect to such Collection Period or prior Collection Periods, as the case may be;
- (vii) the Class A Interest Carryover Shortfall, if any, the Class B Interest Carryover Shortfall, if any, and the Class C Interest Carryover Shortfall, if any;
- (viii) the total amount of Collections for the related Collection Period;
- (ix) the aggregate Purchase Amount for the Ineligible Loans and Ineligible Contracts, if any, that was paid in such period; and

(x) the actual Collections during the related Collection Period and the actual cumulative Collections as of the related Collection Period, in each case as compared to the Forecasted Collections as of the Closing Date; and

(xi) confirmation of Credit Acceptance's compliance (or failure to comply, if applicable) with its undertakings pursuant to Section 11.19 in respect of the retention of the Retained Interest.

The Trust Collateral Agent shall make such information and certain other documents, reports, and Loan and Contract information provided by the Servicer's Certificate available to each Noteholder via the Indenture Trustee's website. The Indenture Trustee's internet website shall be initially located at "www.CTSLink.com" or at such other address as shall be specified by the Indenture Trustee from time to time in writing to the Noteholders. In connection with providing access to the Indenture Trustee's website, the Indenture Trustee may require registration and the acceptance of a disclaimer. The Trust Collateral Agent will make no representation or warranties as to the accuracy or completeness of such documents and will assume no responsibility therefor.

The Trust Collateral Agent shall not be liable for the dissemination of information received and distributed in accordance with this Agreement.

ARTICLE VI

THE SELLER AND THE ISSUER

SECTION 6.01. Representations and Warranties of the Seller.

The Seller makes the following representations on which the Trust, the Indenture Trustee and the Trust Collateral Agent relied in accepting the Trust Property in trust and in connection with the performance by the Trust Collateral Agent and the Backup Servicer of their respective obligations hereunder. The representations speak as of the execution and delivery of this Agreement on the Closing Date but shall survive the sale of the Contracts to the Trust:

(i) Organization and Good Standing. The Seller is duly organized and validly existing as a limited liability company in good standing under the laws of the State of Delaware, with power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted, and has and had at all relevant times, full power, authority, and legal right to acquire and own the Loans and the related Contracts.

(ii) Due Qualification. The Seller is duly qualified to do business as a foreign limited liability company in good standing, and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualifications.

(iii) Power and Authority. The Seller has the power and authority to execute and deliver this Agreement and the other Basic Documents to which it is a party and to carry out their respective terms. The Seller has full power and authority to sell and assign the property to be sold and assigned to and deposited with the Trust and has duly authorized such sale and assignment to the Trust by all necessary action; and the execution, delivery, and performance of this Agreement and the other Basic Documents to which it is a party have been duly authorized by the Seller by all necessary action and do not require any additional approvals or consents or other action by or any notice to or any filing with, any Person.

(iv) Valid Sale; Binding Obligations. This Agreement evidences a valid sale, transfer, and assignment of the Trust Property enforceable against creditors of and purchasers from the Seller; and a legal, valid and binding obligation of the Seller enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity.

(v) No Violation. The consummation of the transactions contemplated by this Agreement and the other Basic Documents to which it is a party and the fulfillment of the terms hereof and thereof does not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the certificate of formation, limited liability company agreement of the Seller, or any indenture, agreement, or other instrument to which the Seller is a party or by which it is bound; nor result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement, or other instrument; or violate any law or, to the best of the Seller's knowledge, any order, rule, or regulation applicable to the Seller of any court or of any federal or state regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Seller or its properties.

(vi) No Proceedings. There are no proceedings or investigations pending, or to the Seller's best knowledge threatened, before any court, regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Seller or its properties: (A) asserting the invalidity of this Agreement, any other Basic Document to which it is a party or the Notes; (B) seeking to prevent the issuance of the Notes or the consummation of any of the transactions contemplated by this Agreement or any other Basic Document to which it is a party; (C) seeking any determination or ruling that might materially and adversely affect the performance by the Seller of its obligations under, or the validity or enforceability of, this Agreement, any other Basic Document to which it is a party or the Notes; or (D) relating to the Seller and which might adversely affect the federal income tax attributes of the Notes.

(vii) Principal Place of Business; Jurisdiction of Organization. The principal place of business of the Seller is located in Michigan. The Seller is organized under the laws of Delaware as a limited liability company, and is not organized under the laws of any other jurisdiction. "Credit Acceptance Funding LLC 2023-1" is the correct legal name of the Seller indicated on the public records of the Seller's jurisdiction of organization which shows it to be organized.

(viii) [Reserved].

- (ix) Certificates, Statements and Reports. The officers' certificates, statements, reports and other documents prepared by the Seller and furnished by the Seller to the Issuer, the Indenture Trustee or the Noteholders pursuant to this Agreement or any other Basic Document to which the Seller is a party, and in connection with the transactions contemplated hereby or thereby, when taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained hereon or therein not misleading.
- (x) Accuracy of Information. All information heretofore furnished by the Seller to the Trust or its successors and assigns or to the Noteholders pursuant to or in connection with any Basic Document or any transaction contemplated thereby is, and all such information hereafter furnished by the Seller will be, true and accurate in every material respect on the date such information is stated or certified and does not contain a material misstatement of fact or omit to state a material fact or any fact necessary to make the statements contained therein not misleading.
- (xi) Ownership of Seller. Credit Acceptance is the sole owner of the membership interests of the Seller, all of which are fully paid and nonassessable and owned of record, free and clear of all mortgages, assignments, pledges, security interests, warrants, options and rights to purchase.
- (xii) Use of Proceeds. No proceeds of any sale of Seller Property will be used (i) for a purpose that violates, or would be inconsistent with, Regulation T, U or X promulgated by the Board of Governors of the Federal Reserve System from time to time or (ii) to acquire any security in any transaction which is subject to Section 12, 13 or 14 of the Securities Exchange Act of 1934, as amended.
- (xiii) Taxes. The Seller has filed on or before their respective due dates, all tax returns which are required to be filed in any jurisdiction or has obtained extensions for filing such tax returns and has paid all taxes, assessments, fees and other governmental charges against the Seller or any of its properties, income or franchises, to the extent that such taxes have become due, other than any taxes or assessments, the validity of which are being contested in good faith by appropriate proceedings and with respect to which adequate provision has been made on the books of the Seller as may be required by GAAP. To the best of the knowledge of the Seller, all such tax returns were true and correct in all material respects and the Seller does not know of any proposed material additional tax assessment against it nor any basis therefor. Any material taxes, assessments, fees and other governmental charges payable by the Seller in connection with the execution and delivery of the Basic Documents and the issuance of the Notes have been paid or shall have been paid at or prior to Closing Date.
- (xiv) Consolidated Returns. The Originator, the Seller and the Issuer will file a consolidated federal income tax return at all times until the termination of the Basic Documents.
- (xv) ERISA. The Seller is in compliance in all material respects with ERISA.
- (xvi) Compliance with Laws. The Seller has complied in all material respects with all applicable, laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject.
- (xvii) Material Adverse Change. Since the date of its formation, no event has occurred that would have a material adverse effect on (i) the financial condition or operations of the Seller, (ii) the

ability of the Seller to perform its obligations under the Basic Documents, or (iii) the collectability of the Loans generally or any material portion of the Loans.

(xviii) Special Purpose Entity.

(A) The capital of the Seller is adequate for the business and undertakings of the Seller.

(B) Other than as provided in the Basic Documents, the Seller is not engaged in any business transactions with Credit Acceptance.

(C) Other than in connection with the Basic Documents, the Seller has not incurred any indebtedness or assumed or guaranteed any indebtedness of any other entity.

(D) At least two directors of the board of directors of the Seller shall be persons who (1) are not, and will not be, a director, officer, employee or holder of any equity securities of Credit Acceptance or any of its Affiliates or Subsidiaries; provided that each such person may be an independent director or manager of another special purpose entity affiliated with the Servicer, and (2) have (x) prior experience as an "independent director" for a corporation or limited liability company whose charter documents required the unanimous consent of all independent directors thereof before such corporation or limited liability company could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy and (y) at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreements or securities.

(E) Once identified as Seller funds and assets by the Servicer and separated in accordance with the Servicer's normal and customary business practices, the funds and assets of the Seller are not, and will not be, commingled with the funds of any other Person, except for Dealer Collections and erroneous deposits.

(F) The limited liability company agreement of the Seller requires it to maintain (A) correct and complete minute books and records of account, and (B) minutes of the meetings and other proceedings of its shareholders and board of directors.

(xix) Solvency; Fraudulent Conveyance. The Seller is solvent, is able to pay its debts as they become due and will not be rendered insolvent by the transactions contemplated by the Basic Documents and, after giving effect thereto, will not be left with an unreasonably small amount of capital with which to engage in its business. The Seller does not intend to incur, or believes that it has incurred, debts beyond its ability to pay such debts as they mature. The Seller does not contemplate the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official for any of its assets. The amount of consideration being received by the Seller upon the sale of the Seller Property to the Trust constitutes reasonably equivalent value and fair consideration for the Seller Property. The Seller is not selling the Seller Property to the Trust, as provided in the Basic Documents, with any intent to hinder, deal or defraud any of Credit Acceptance's creditors.

(xx) Payment to Originator. The Seller has given reasonably equivalent value and fair consideration for the Conveyed Property conveyed to the Seller under the Sale and Contribution Agreement and such conveyance was not made for or on account of an antecedent debt. No conveyance by the Originator of any originator property under the Sale and Contribution Agreement is or may be voidable under any section of the Bankruptcy Code.

SECTION 6.02. Limitation on Liability of Seller and Others.

Neither the Seller nor any of the directors or officers or employees or agents of the Seller shall be under any liability to the Trust, the Trust Collateral Agent, the Noteholders or the Certificateholders, except as provided under this Agreement for any action taken or omitted to be taken pursuant to this Agreement; provided, however, that this provision shall not protect the Seller against any liability that would otherwise be imposed by reason of willful misconduct or negligence in the performance of their respective duties under this Agreement. Each of the Seller and any director or officer or employee or agent of the Seller may rely in good faith on the advice of counsel, Opinion of Counsel, Officer's Certificate, or on any document of any kind, prima facie properly executed and submitted by any Person respecting any matters arising hereunder. The Seller shall not be under any obligation to appear in, prosecute, or defend any legal action that shall not be incidental to its obligations under this Agreement, and that in its opinion may involve it in any expense or liability; provided, however, that the Seller may undertake any reasonable action that it may deem necessary or desirable in respect of this Agreement and the rights and duties of the parties to this Agreement and the interests of the Noteholders and the Certificateholders under this Agreement. In such event, the legal expenses and costs of such action and any liability resulting therefrom shall be expenses, costs, and liabilities of the Seller.

SECTION 6.03. Seller May Own Notes.

The Seller and any Person controlling, controlled by, or under common control with the Seller may in their individual or any other capacities become the owner or pledgee of the Notes with the same rights as it would have if it were not the Seller or an affiliate thereof, except as otherwise provided in the definition of "Class A Noteholder," "Class B Noteholder" and "Class C Noteholder" specified in Section 1.01 and except as otherwise specifically provided herein. The Notes of any class so owned by or pledged to the Seller or such controlling, controlled or commonly controlled Person shall have an equal and proportionate benefit under the provisions of this Agreement, without preference, priority, or distinction as among all of the Notes of such class.

SECTION 6.04. Additional Covenants of the Seller.

The Seller shall not do any of the following, without the prior written consent of the Trust Collateral Agent, who shall, without any exercise of its own discretion, provide its written consent to the Seller upon receipt by it of a copy of the written consent of the Majority Noteholders:

(i) engage in any business or activity other than those set forth in the certificate of formation or limited liability company agreement of the Seller or amend the Seller's certificate of formation or limited liability company agreement other than in accordance with its terms as in effect on the date hereof;

(ii) incur any indebtedness, or assume or guaranty any indebtedness of any other entity, other than (A) any indebtedness incurred in connection with the Notes, and (B) any indebtedness to Credit Acceptance incurred in connection with the acquisition of the Loans, which indebtedness shall be subordinated to all other obligations of the Seller and Credit Acceptance; or

(iii) dissolve or liquidate, in whole or in part; consolidate or merge with or into any other entity or convey or transfer its properties and assets substantially as an entirety to any entity.

SECTION 6.05. Indemnities of the Issuer.

The Issuer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Issuer under this Agreement and the other Basic Documents to which it is a party and no implied duties or obligations shall be read into this Agreement or the other Basic Documents against the Issuer.

(i) The Issuer shall defend, indemnify, and hold harmless the Trust Collateral Agent, the Servicer, the Backup Servicer, the Indenture Trustee and the Owner Trustee and their respective officers, directors, employees and agents, and the Trust from and against any and all costs, expenses, losses, damages, claims, and liabilities, arising out of or resulting from the use, ownership, or operation by the Issuer or any Affiliate thereof of a Financed Vehicle.

(ii) The Issuer shall indemnify, defend, and hold harmless the Trust Collateral Agent, the Indenture Trustee, the Owner Trustee, the Servicer, the Backup Servicer and their respective officers, directors, employees and agents from and against any taxes that may at any time be asserted against them with respect to the transactions contemplated herein, including any sales, gross receipts, general corporation, tangible personal property, privilege, or license taxes (but excluding taxes imposed on or measured by net income or franchise taxes imposed in lieu of income taxes) and costs and expenses in defending against the same.

(iii) The Issuer shall indemnify, defend, and hold harmless the Servicer, the Backup Servicer, the Trust Collateral Agent, the Owner Trustee, the Indenture Trustee and each of their respective officers, directors, employees and agents, and the Noteholders from and against any and all costs, expenses, losses, claims, damages, and liabilities to the extent that such cost, expense, loss, claim, damage, or liability arose out of, or was imposed upon such party through the breach by the Issuer of its obligations under this Agreement or any other Basic Document to which it is a party, the negligence, willful misconduct or bad faith of the Issuer in the performance of its duties under this Agreement or any other Basic Document to which it is a party.

(iv) The Issuer shall indemnify, defend, and hold harmless the Trust Collateral Agent, the Indenture Trustee, the Owner Trustee, the Servicer, the Backup Servicer and each of their respective officers, directors, employees and agents from and against all fees, costs, expenses, losses, claims, damages, and liabilities arising out of or incurred in connection with the acceptance or performance of the trusts and duties herein contained and under the Basic Documents, except, with respect to any such indemnified party, to the extent that such fee, cost, expense, loss, claim, damage, or liability: (a) shall be due to the willful misconduct, bad faith, or negligence (or in the case of the Owner Trustee, gross negligence) of such indemnified party as determined by a court of competent jurisdiction; or (b) shall arise from such indemnified party's breach of any of its representations or warranties in any

material respect set forth in this Agreement or any other Basic Document to which such indemnified party is a party. The indemnification provided for in this Section shall be paid to the indemnified party until such time as such court enters a judgment as to the extent and effect of the alleged willful misconduct, bad faith, or negligence (or in the case of the Owner Trustee, gross negligence), at which time the indemnified party shall, to the extent required pursuant to such court's determination, promptly return to the Issuer any such indemnification amounts so received but not owed and any other amounts as determined by such court.

(v) The Issuer shall indemnify, defend, and hold harmless, the Indenture Trustee, the Owner Trustee and each of their officers, directors, employees and agents from and against all costs, expenses, losses, claims, damages, and liabilities arising out of or incurred in connection with the acceptance or performance of the trusts and duties contained in the Trust Agreement, except, as to any such party, to the extent that such cost, expense, loss, claim, damage, or liability: (a) shall be due to the willful misconduct, bad faith or negligence (or in the case of the Owner Trustee, gross negligence) of such party as determined by a court of competent jurisdiction; or (b) shall arise from such breach of any of its representations or warranties set forth in the Trust Agreement. The indemnification of the Owner Trustee hereunder shall include indemnification for the matters set forth in Section 8.2 of the Trust Agreement. The indemnification provided for in this Section shall be paid to the indemnified party until such time as such court enters a judgment as to the extent and effect of the alleged willful misconduct, bad faith, or negligence (or in the case of the Owner Trustee, gross negligence), at which time such indemnified party shall, to the extent required pursuant to such court's determination, promptly return to the Issuer any such indemnification amounts so received but not owed and any other amounts as determined by such court.

Indemnification under this Section 6.05 by the Issuer shall survive the termination or assignment of this Agreement and shall include reasonable and documented fees and expenses of counsel and expenses of litigation (including costs and expenses (including any reasonable and documented legal fees, costs and expenses and court costs) incurred in connection with (i) any enforcement (including any action, claim or suit brought) by the Indenture Trustee, the Owner Trustee, the Trust Collateral Agent or the Backup Servicer of any indemnification or other obligation of the Issuer or any other Person, and (ii) a successful defense, in whole or in part, of any claim that the Indenture Trustee, the Owner Trustee, the Trust Collateral Agent or the Backup Servicer breached its standard of care). If the Issuer shall have made any indemnity payments pursuant to this Section and the recipient thereafter collects any of such amounts from others, the recipient shall promptly repay such amounts to the Issuer, without interest. Amounts payable by the Issuer pursuant to this Section 6.05 shall only be payable: (i) in accordance with and only to the extent funds are available therefor pursuant to Section 5.08(a) hereof; or (ii) to the extent the Issuer receives additional funds designated for such purpose. No amount owing by the Issuer under this Section 6.05 shall constitute a claim (as defined in Section 101(5) of the Bankruptcy Code) against the Issuer and recourse to it.

ARTICLE VII

THE SERVICER

SECTION 7.01. Representations of Servicer.

Credit Acceptance makes the following representations on which the Trust, the Indenture Trustee and the Trust Collateral Agent relies in accepting the Trust Property in trust and in connection with the performance by the Trust Collateral Agent of its obligations hereunder. The representations speak as of the execution and delivery of this Agreement on the Closing Date but shall survive the sale of the Loans to the Trust:

(i) Organization and Good Standing. The Servicer is duly organized and is validly existing as a corporation in good standing under the laws of the State of Michigan, with power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted, and has and had at all relevant times, full power, authority, and legal right to acquire, own, sell, and service the Loans and the related Contracts and to perform its other obligations under the Basic Documents.

(ii) Due Qualification. The Servicer is duly qualified to do business as a foreign corporation in good standing, and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of property or the conduct of its business including the servicing of the Loans and the related Contracts as required by this Agreement requires such qualifications except where such failure will not have a material adverse effect.

(iii) Power and Authority. The Servicer has the power and authority to execute and deliver this Agreement and the other Basic Documents to which it is a party and to carry out their respective terms; and the execution, delivery, and performance of this Agreement and the other Basic Documents to which it is a party have been duly authorized by the Servicer by all necessary corporate action.

(iv) Binding Obligations. This Agreement and the other Basic Documents to which it is a party constitute legal, valid, and binding obligations of the Servicer enforceable in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity.

(v) No Violation. The consummation of the transactions contemplated by this Agreement and the other Basic Documents to which it is a party and the fulfillment of the terms hereof and thereof do not: (A) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the certificate of incorporation or bylaws of the Servicer, or any indenture, agreement, or other instrument to which the Servicer is a party or by which it may be bound; (B) result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement, or other instrument (other than this Agreement); or (C) to the best of the Servicer's knowledge, violate any law applicable to the Servicer or any order, rule, or regulation applicable to the Servicer of any court or of any federal or state regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Servicer or its properties and materially adversely affect the interest of the Noteholders, the Trust, the Trust Collateral Agent or the Indenture Trustee in any of the Trust Property or adversely affect the Servicer's ability to perform its obligations under this Agreement or any other Basic Document to which it is a party.

(vi) No Proceedings. There are no proceedings or investigations pending, or, to the Servicer's best knowledge, threatened, before any court, regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over the Servicer or its properties: (A)

asserting the invalidity of this Agreement, any of the Basic Documents to which it is a party or the Notes, (B) seeking to prevent the issuance of the Notes or the consummation of any of the transactions contemplated by this Agreement or any of the Basic Documents to which it is a party, (C) seeking any determination or ruling that might materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability of, this Agreement, any of the Basic Documents to which it is a party or the Notes, or (D) relating to the Servicer and which might adversely affect the federal income tax attributes of the Notes.

(vii) No Consents. The Servicer is not required to obtain the consent of any other party or any consent, license, approval or authorization, or registration or declaration with, any governmental authority, bureau or agency in connection with the execution, delivery, performance, validity or enforceability of this Agreement or the other Basic Documents to which it is a party.

(viii) Approvals. The Servicer: (A) is not in violation of any laws, ordinances, governmental rules or regulations to which it is subject, which violation materially and adversely affects the business or condition (financial or otherwise) of the Servicer and its subsidiaries, the Servicer's ability to perform its obligations hereunder or under any other Basic Document or any of the Trust Property; (B) has not failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its property or to the conduct of its business which failure to obtain will materially and adversely affect the business or condition (financial or otherwise) of the Servicer and its subsidiaries, the Servicer's ability to perform its obligations hereunder or under any other Basic Document or any of the Trust Property; and (C) is not in violation of any term of any agreement, charter instrument, bylaw or instrument to which it is a party or by which it may be bound, which violation or failure to obtain materially and adversely affect the business or condition (financial or otherwise) of the Servicer and its subsidiaries, the Servicer's ability to perform its obligations hereunder or under any other Basic Document or any of the Trust Property.

(ix) Investment Company. The Servicer is not an investment company which is required to register under the Investment Company Act of 1940, as amended.

(x) Taxes. The Servicer has filed on a timely basis all material tax returns required to be filed by it and paid all material taxes, to the extent that such taxes have become due.

(xi) No Injunctions. There are no existing injunctions, writs, restraining orders or other similar orders which might materially and adversely affect the performance by the Servicer of its obligations under, or the validity and enforceability of, this Agreement or any other Basic Document to which it is a party.

(xii) Practices. The practices used or to be used by the Servicer, to monitor collections with respect to the Trust Property and repossess and dispose of the Financed Vehicles related to the Trust Property will be, in all material respects, in conformity with the requirements of all applicable federal and State laws, rules and regulations, and this Agreement. The Servicer is in possession of all State and local licenses (including all debt collection licenses) required for it to perform its services hereunder, and none of such licenses has been suspended, revoked or terminated, except where the failure to have such licenses would not be reasonably likely to have material adverse effect on its ability to service the Loans or Contracts or on the interest of the Indenture Trustee, the Trust Collateral Agent or the Noteholders.

SECTION 7.02. Indemnities of Servicer.

The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer under this Agreement and the other Basic Documents to which it is a party and no implied duties or obligations shall be read into this Agreement or the other Basic Documents against the Servicer.

(i) The Servicer shall defend, indemnify, and hold harmless the Trust Collateral Agent, the Backup Servicer, the Indenture Trustee and the Owner Trustee and their respective officers, directors, employees and agents, and the Trust from and against any and all costs, expenses, losses, damages, claims, and liabilities, arising out of or resulting from the use, ownership, or operation by the Servicer or any Affiliate thereof of a Financed Vehicle.

(ii) The Servicer shall indemnify, defend, and hold harmless the Trust Collateral Agent, the Indenture Trustee, the Owner Trustee, the Backup Servicer and their respective officers, directors, employees and agents, and the Trust from and against any taxes that may at any time be asserted against them with respect to the transactions contemplated herein, including any sales, gross receipts, general corporation, tangible personal property, privilege, or license taxes (but, in the case of the Trust, not including any taxes asserted with respect to, and as of the date of, the sale of the Loans to the Trust or the issuance and original sale of the Notes, or asserted with respect to ownership of the Loans, or federal or other income taxes arising out of the transactions contemplated by this Agreement) and costs and expenses in defending against the same.

(iii) The Servicer shall indemnify, defend, and hold harmless the Trust, the Backup Servicer, the Trust Collateral Agent, the Owner Trustee, the Indenture Trustee and each of their respective officers, directors, employees and agents, and the Noteholders from and against any and all costs, expenses, losses, claims, damages, and liabilities to the extent that such cost, expense, loss, claim, damage, or liability arose out of, or was imposed upon such party through the breach by the Servicer of its obligations under this Agreement or any other Basic Document to which it is a party, in its capacity as Servicer, or the negligence, willful misconduct or bad faith of the Servicer in the performance of its duties under this Agreement or any other Basic Document to which it is a party.

(iv) The Servicer shall indemnify, defend, and hold harmless the Trust Collateral Agent, the Indenture Trustee, the Owner Trustee, the Backup Servicer and each of their respective officers, directors, employees and agents from and against all costs, expenses, losses, claims, damages, and liabilities arising out of or incurred in connection with the acceptance or performance of the trusts and duties contained herein, except, with respect to any such indemnified party, to the extent that such cost, expense, loss, claim, damage, or liability: (a) shall be due to the willful misconduct, bad faith, or negligence (or, in the case of the Owner Trustee, gross negligence) of such indemnified party as determined by a court of competent jurisdiction; or (b) shall arise from such indemnified party's breach of any of its representations or warranties in any material respect set forth in this Agreement or any other Basic Document to which such indemnified party is a party.

(v) The Servicer shall indemnify, defend, and hold harmless, the Indenture Trustee, the Owner Trustee and each of their officers, directors, employees and agents from and against all costs,

expenses, losses, claims, damages, and liabilities arising out of or incurred in connection with the acceptance or performance of the trusts and duties contained in the Trust Agreement, except with respect to any such indemnified party, to the extent that such cost, expense, loss, claim, damage, or liability: (a) shall be due to the willful misconduct, bad faith or negligence (or in the case of the Owner Trustee, gross negligence) of such party as determined by a court of competent jurisdiction; or (b) shall arise from such indemnified party's breach of any of its representations or warranties set forth in the Trust Agreement. The Servicer agrees to the indemnification set forth in Section 8.2 of the Trust Agreement, which provisions are incorporated by reference herein.

(vi) The Servicer shall indemnify, defend, and hold harmless, the Backup Servicer and its officers, directors, employees and agents from and against all costs, expenses, losses, claims, damages, and liabilities to the extent that such cost, expense, claim, damage, or liability arose out of, or was imposed upon the Backup Servicer resulting from the acts or omissions of the Servicer in the performance of its duties in its capacity as Servicer under this Agreement or any other Basic Document to which it is a party.

Indemnification under this Section by the Servicer, with respect to the period such Person was (or was deemed to be) the Servicer, shall survive the termination of such Person as Servicer or a resignation by or removal of such Person as Servicer as well as the termination or assignment of this Agreement and shall include reasonable fees and documented and expenses of counsel and expenses of litigation (including costs and expenses (including any reasonable and documented legal fees, costs and expenses and court costs) incurred in connection with (i) any enforcement (including any action, claim or suit brought) by the Indenture Trustee, the Owner Trustee, the Trust Collateral Agent or the Backup Servicer of any indemnification or other obligation of the Servicer or any other Person, and (ii) a successful defense, in whole or in part, of any claim that the Indenture Trustee, the Owner Trustee, the Trust Collateral Agent or the Backup Servicer breached its standard of care). If the Servicer shall have made any indemnity payments pursuant to this Section and the recipient thereafter collects any of such amounts from others, the recipient shall promptly repay such amounts to the Servicer, without interest. The indemnification provided for in this Section shall be paid to the indemnified party until such time as such court enters a judgment as to the extent and effect of the alleged willful misconduct, bad faith, or negligence (or in the case of the Owner Trustee, gross negligence), at which time such indemnified party shall, to the extent required pursuant to such court's determination, promptly return to the Servicer any such indemnification amounts so received but not owed and any other amounts as determined by such court.

For purposes of this Section 7.02, in the event of the termination of the rights and obligations of the Servicer (or any successor thereto pursuant to Section 7.03) as Servicer pursuant to Section 8.01 or a resignation by such Servicer pursuant to this Agreement, such Servicer shall remain the Servicer until a successor Servicer has accepted its appointment pursuant to Section 8.02. The provisions of this paragraph shall in no way affect the survival pursuant to the preceding paragraph of the indemnification by the Servicer.

Notwithstanding any other provision of this Agreement, the obligations of the Servicer described in this Section shall not terminate or be deemed released upon the resignation or termination of the Servicer and shall survive any termination of this Agreement to the extent that such obligations arise from the Servicer's actions hereunder while acting as Servicer.

SECTION 7.03. Merger or Consolidation of, or Assumption of the Obligations of, Servicer.

Any Person (i) into which the Servicer may be merged or consolidated, (ii) resulting from any merger, conversion, or consolidation to which the Servicer shall be a party, or (iii) succeeding to the business of the Servicer (or to substantially all of the Servicer's business insofar as it relates to the making of Loans and the servicing of the Loans and the related Contracts), which corporation in any of the foregoing cases executes an agreement of assumption acceptable to the Majority Noteholders (which acceptance shall be in writing) to perform every obligation of the Servicer under this Agreement and the other Basic Documents to which it is a party, will be the successor to the Servicer under this Agreement and the other Basic Documents to which it is a party without the execution or filing of any paper or any further act on the part of any of the parties to this Agreement; provided, however, that (x) the Servicer shall have delivered to the Trust Collateral Agent, the Issuer, the Owner Trustee and the Indenture Trustee an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, conversion, merger or succession and such agreement of assumption comply with this Section and that all conditions precedent provided for in this Agreement and the other Basic Documents to which it is a party relating to such transaction have been complied with and (y) the Servicer shall have delivered to the Trust Collateral Agent, the Issuer, the Owner Trustee and the Indenture Trustee an Opinion of Counsel either (A) stating that, in the opinion of such counsel, all financing statements and continuation statements and amendments thereto have been filed that are necessary to preserve and protect fully the interest of the Trust in the Contracts which secure certain of the Loans, and reciting the details of such filings, or (B) stating that, in the opinion of such counsel, no such action shall be necessary to preserve and protect such interest or (z) the Rating Agency Condition shall have been satisfied. The Servicer shall provide notice of any merger, conversion, consolidation or succession pursuant to this Section to the Trust Collateral Agent and the Rating Agencies then providing a rating for the Notes. The Trust Collateral Agent shall forward a copy of each such notice to each Noteholder. Notwithstanding anything herein to the contrary, the execution of the foregoing agreement of assumption and compliance with clauses (x), (y) and (z) above shall be conditions to the consummation of the transactions referred to in clauses (i), (ii) or (iii) above.

SECTION 7.04. Limitation on Liability of Servicer and Others.

Subject to Section 7.02, neither the Servicer nor any of the directors or officers or employees or agents of the Servicer shall be under any liability to the Trust, the Trust Collateral Agent, the Noteholders or the Certificateholders, except as provided under this Agreement or any other Basic Document to which it is a party, for any action taken or omitted to be taken pursuant to this Agreement in the good faith business judgment of the Servicer; provided, however, that this provision shall not protect the Servicer against any liability that would otherwise be imposed by reason of bad faith, willful misconduct in the performance of duties, or by reason of negligence in the performance of its duties under this Agreement or any other Basic Document to which it is a party. The Servicer and any director, officer or employee or agent of the Servicer may rely in good faith on any advice of counsel, Opinion of Counsel or on any Officer's Certificate of the Seller or certificate

of auditors or other document of any kind believed to be genuine and to have been signed by the proper party in respect of any matters arising under this Agreement.

Except as provided in this Agreement, the Servicer shall not be under any obligation to appear in, prosecute, or defend any legal action that shall not be incidental to its duties to service the Loans and the related Contracts in accordance with this Agreement, and that in its opinion may involve it in any expense or liability; provided, however, that the Servicer may undertake any reasonable action that it may deem necessary or desirable in respect of this Agreement and the rights and duties of the parties to this Agreement and the interests of the Noteholders and the Certificateholders under this Agreement. In such event, the legal expenses and costs of such action and any liability resulting therefrom shall be expenses, costs, and liabilities of the Servicer.

SECTION 7.05. Delegation of Duties.

The Servicer may at any time perform specific duties or all the duties enumerated herein as servicer under this Agreement through a sub-contractor; provided, that no such delegation or subcontracting shall relieve the Servicer of its responsibilities with respect to such duties and the Servicer shall remain primarily responsible with respect thereto.

SECTION 7.06.. Certification Upon Satisfaction.

Upon the satisfaction and discharge of the Indenture pursuant to Section 4.1 thereof, the Servicer shall deliver to the Board of Trustees and the Owner Trustee a written certification of a Responsible Officer stating, to the best knowledge of such Responsible Officer, that (a) no claims (including contingent or unliquidated claims) remain against the Issuer and no obligations are owed by the Trust, including that there are no claims and obligations that have not arisen but that, based upon facts known to such Responsible Officer, are likely to arise or become known to the Trust within 10 years after the dissolution, or (b) the only claims or obligations known to such Responsible Officer (including contingent and unliquidated claims) are those listed on a schedule to such certification.

ARTICLE VIII
DEFAULT

SECTION 8.01. Servicer Defaults.

If any one of the following events (each, a "Servicer Default") shall occur:

(i) any failure by the Servicer: (x) to deposit to the Collection Account (A) any amount required to be deposited therein by the Servicer (other than any such failure resulting from an administrative or technical error of the Servicer in the amount so deposited); or (B) within one (1) Business Day after the Servicer becomes aware that, as a result of an administrative or technical error of the Servicer, any amount previously deposited by the Servicer to the Collection Account was less than the amount required to be deposited therein by the Servicer, the amount of such shortfall; or (y) to deliver to the Trust Collateral Agent the Servicer's Certificate on the related Determination Date;

(ii) failure on the part of the Servicer duly to observe or to perform in any material respect any other covenants or agreements of the Servicer set forth in any Basic Document, or any

representation or warranty of the Servicer made in this Agreement, any other Basic Document or in any certificate or other writing delivered pursuant to any Basic Document proving to have been incorrect in any material respect as of the time when the same shall have been made, which default, if capable of cure, shall continue unremedied for a period of thirty (30) days (or a longer period, not in excess of sixty (60) days, as may be reasonably necessary to remedy such default, if the default is capable of remedy within sixty (60) days or less and the Servicer delivers an Officer's Certificate to the Indenture Trustee to the effect that it has commenced, or will promptly commence and diligently pursue, all reasonable efforts to remedy the default) after (x) there shall have been given written notice of such failure, requiring the same to be remedied, (1) to the Servicer, by the Trust Collateral Agent, or (2) to the Servicer by the Trust Collateral Agent at the direction of the Majority Noteholders; or (y) discovery of such failure by an officer of the Servicer; or

(iii) the entry of a decree or order by a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a conservator, receiver, or liquidator for the Servicer or any of its subsidiaries in any insolvency, readjustment of debt, marshalling of assets and liabilities, or similar proceedings, or for the winding up or liquidation of its respective affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days or the entry of any decree or order for relief in respect of the Servicer or any of its subsidiaries under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, or similar law, whether now or hereafter in effect, which decree or order for relief continues unstayed and in effect for a period of sixty (60) consecutive days; or

(iv) the consent by the Servicer or any of its subsidiaries to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities, or similar proceedings of or relating to the Servicer or any of its subsidiaries or relating to substantially all of its property; or the admission by the Servicer or any of its subsidiaries in writing of its inability to pay its debts generally as they become due, the filing by the Servicer or any of its subsidiaries of a petition to take advantage of any applicable insolvency or reorganization statute, the making by the Servicer or any of its subsidiaries of an assignment for the benefit of its creditors, or the voluntary suspension by the Servicer or any of its subsidiaries of payment of its obligations;

(v) [Reserved]; or

(vi) the Originator or Servicer, if Credit Acceptance is the Servicer, fails to pay when due (or no later than the next Distribution Date after the Servicer becomes aware that such payment was not made) Purchase Amounts in excess of \$100,000;

then, and in each and every case, the Trust Collateral Agent, if so directed by the Majority Noteholders by notice then given in writing to the Servicer, the Backup Servicer and the Trust Collateral Agent, shall terminate all of the rights and obligations of the Servicer under this Agreement. Upon sending or receiving any such notice, the Trust Collateral Agent shall promptly send a copy thereof to the Indenture Trustee, the Issuer, the Owner Trustee, the Servicer (who shall promptly provide such notice to the Rating Agencies) and to each Noteholder. Within thirty (30) days after the receipt by the Backup Servicer of such written notice (if such notice relates to terminating the Servicer) and subject to Section 8.02(a), all authority and power of the Servicer under this Agreement, whether with respect to the Notes or the Loans or Contracts or otherwise, shall, without further action, pass to and be vested in the Backup Servicer or such successor Servicer as may be

appointed under Section 8.02; and the Backup Servicer is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such notice of termination, whether to complete the conveyance and endorsement of the Loans and the Contracts and related documents, or otherwise. Notwithstanding anything herein to the contrary, the Servicer shall not be relieved of its duties as Servicer under this Agreement until the Backup Servicer or a newly appointed successor Servicer shall have assumed the obligations and duties of the predecessor Servicer under this Agreement.

The predecessor Servicer shall cooperate with the successor Servicer and the Backup Servicer in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the Backup Servicer or the successor Servicer for administration by it of all cash amounts that shall at the time be held by the predecessor Servicer for deposit, or shall thereafter be received with respect to a Loan or related Contract, and the related accounts and records maintained by the Servicer. All Transition Expenses shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. If such Transition Expenses are not paid to the successor Servicer by the predecessor Servicer, such Transition Expenses shall be paid under Section 5.08(a)(i) hereof.

SECTION 8.02. Appointment of Successor.

(a) Upon the Servicer's receipt of notice of termination pursuant to Section 8.01, or the Servicer's resignation in accordance with the terms of Section 4.14, the predecessor Servicer shall continue to perform its functions as Servicer under this Agreement, (i) in the case of termination, only until the date specified in such termination notice or, if no such date is specified in a notice of termination, until receipt of such notice and, (ii) in the case of resignation, until the later of (x) the date thirty (30) days from the delivery to the Backup Servicer, the Trust Collateral Agent and the Indenture Trustee of written notice of such resignation (or the date of written confirmation of such notice prior to the expiration of the thirty (30) days) in accordance with the terms of this Agreement and (y) the date upon which the predecessor Servicer shall become unable to act as Servicer, as specified in the notice of resignation and accompanying Opinion of Counsel. In the event of the Servicer's resignation or termination hereunder, the Backup Servicer shall be the successor in all respects to the Servicer in its capacity as servicer under this Agreement and the transactions set forth or provided for herein and shall be subject to the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, as modified or limited hereby or by the Backup Servicing Agreement; provided, however, that the Backup Servicer shall not be liable for any actions of any Servicer prior to such succession or for any breach by the Servicer of any of its representations and warranties contained in this Agreement or in any related document or agreement. Notwithstanding the above, if the Backup Servicer is legally unable to so act, the Trust Collateral Agent shall appoint (after soliciting bids from potential servicers), or petition a court of competent jurisdiction to appoint, a Servicer as the successor Servicer hereunder, in the assumption of all or any part of the responsibilities, duties or liabilities of the outgoing Servicer hereunder. In the event that Computershare Trust Company, N.A., as Backup Servicer, is legally unable to act as Servicer under this Agreement and another entity is appointed as successor Servicer under this Section 8.02(a), Computershare Trust Company, N.A. shall have no further obligation to perform the obligations of Servicer or Backup Servicer under this Agreement. Pending appointment of a successor to the outgoing Servicer hereunder, if the Backup Servicer is prohibited by law from so acting (as evidenced

by an Opinion of Counsel to the Trust Collateral Agent and the Indenture Trustee on behalf of the Noteholders), the outgoing Servicer shall continue to act as Servicer hereunder until a successor Servicer is appointed and assumes the obligations as successor Servicer. In the event the Backup Servicer assumes the responsibilities of the Servicer pursuant to this Section 8.02, the Backup Servicer will make commercially reasonable efforts consistent with Applicable Law to become licensed, qualified and in good standing under the laws which require licensing or qualification, in order to perform its obligations as Servicer hereunder or, alternatively, shall retain an agent who is so licensed, qualified and in good standing.

(b) Upon appointment, the Backup Servicer or the successor Servicer shall be the successor in all respects to the predecessor Servicer and shall be subject to the responsibilities, duties, and liabilities arising thereafter relating thereto placed on the predecessor Servicer (subject to the limitations and modifications thereto set forth herein or in the Backup Servicing Agreement) and shall be entitled to (to the extent arranged in accordance with the following paragraph) the Servicing Fee, Servicer Expenses, Repossession Expenses and all of the rights granted to the predecessor Servicer, by the terms and provisions of this Agreement, provided that neither the Backup Servicer nor the successor Servicer shall be liable for the acts or omissions of any predecessor Servicer. The Backup Servicer or any successor Servicer shall provide Credit Acceptance with copies of all documents and information reasonably necessary for Credit Acceptance to perform its obligations under Section 4.17 of this Agreement.

(c) In connection with such appointment, the Trust Collateral Agent may make such arrangements for the compensation of such successor Servicer (including Transition Expenses) out of payments on Loans and related Contracts as it, the Majority Noteholders and such successor Servicer shall agree; provided, however, any such arrangement shall be subject to Section 4.08 hereof. The Backup Servicer, the Trust Collateral Agent and any such successor Servicer shall take such action, consistent with this Agreement, as shall be necessary to effectuate any such succession.

SECTION 8.04. Notification to Noteholders and Certificateholders.

Upon any termination of, or appointment of a successor to, the Servicer pursuant to this Article VIII, the Trust Collateral Agent shall promptly upon its receipt of notice thereof give prompt written notice thereof to the Noteholders and the Certificateholders at their respective addresses appearing in the Note Register and the Certificate Register, the Issuer, the Board of Trustees, the Owner Trustee and the Servicer (who shall promptly provide such notice to each of the Rating Agencies then rating the Notes).

SECTION 8.05. Waiver of Past Defaults.

The Majority Noteholders, may, on behalf of all Noteholders, waive any or all default(s) by the Servicer or the Seller in the performance of its obligations hereunder and the consequences thereof, except a default in making any required deposits to or payments from a Trust Account in accordance with this Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. Notwithstanding anything herein to the contrary, the Indenture Trustee, at the direction of the Majority Noteholders, shall have the right to waive the

payment of any Purchase Amount required hereunder except any Purchase Amount payable pursuant to Section 10.01(a).

ARTICLE XI

THE TRUST COLLATERAL AGENT

SECTION 9.01. Duties of the Trust Collateral Agent.

- (a) The Issuer hereby appoints Computershare Trust Company, N.A., as the Trust Collateral Agent, and Computershare Trust Company, N.A. hereby accepts such appointment.
- (b) (i) the Trust Collateral Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and the other Basic Documents and no implied covenants or obligations shall be read into this Agreement or the other Basic Documents against the Trust Collateral Agent; and
- (i) in the absence of bad faith or willful misconduct on its part, the Trust Collateral Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trust Collateral Agent and conforming to the requirements of this Agreement and the Basic Documents; however, the Trust Collateral Agent shall examine the certificates and opinions to determine whether or not they conform on their face to the requirements of this Agreement and the other Basic Documents.
- (c) The Trust Collateral Agent may not be relieved from liability for its own negligent actions, its own negligent failure to act or its own bad faith or willful misconduct, except that:
- (i) this paragraph does not limit the effect of paragraph (b) of this Section; and
- (ii) the Trust Collateral Agent shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trust Collateral Agent unless it is proved that the Trust Collateral Agent was negligent in ascertaining the pertinent facts.
- (d) Money held in trust by the Trust Collateral Agent need not be segregated from other funds except to the extent required by law or the terms of this Agreement.
- (e) No provision of this Agreement shall require the Trust Collateral Agent to expend or risk its own funds or otherwise incur liability (financial or otherwise) in the performance of any of its duties hereunder or in the exercise of any of its rights or powers hereunder, if it shall have reasonable grounds to believe that repayment of such funds or indemnity reasonably satisfactory to it against such risk or liability is not reasonably assured to it.
- (f) Every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Trust Collateral Agent shall be subject to the provisions of this Section.
- (g) Without limiting the generality of this Section, the Trust Collateral Agent shall have no duty (A) to see to any recording, filing or depositing of this Agreement or any agreement referred to herein or any financing statement or continuation statement evidencing a security interest in the

Contracts which secure certain of the Loans or the Financed Vehicles, or to see to the maintenance of any such recording or filing or depositing or to any rerecording, refiling or redepositing of any thereof, (B) to see to any insurance on the Financed Vehicles or Obligors or to effect or maintain any such insurance, (C) to see to the payment or discharge of any tax, assessment or other governmental charge or any Lien or encumbrance of any kind owing with respect to, assessed or levied against any part of the Trust, (D) to confirm, recalculate or verify the contents or accuracy of any reports or certificates delivered to the Trust Collateral Agent pursuant to this Agreement believed by the Trust Collateral Agent to be genuine and to have been signed or presented by the proper party or parties, or (E) to inspect the Contracts at any time or ascertain or inquire as to the performance or observance of any of the Issuer's, the Seller's or the Servicer's representations, warranties or covenants or the Servicer's duties and obligations as Servicer and as custodian of the Dealer Agreements, the Purchase Agreements, the original Certificates of Title relating to the Financed Vehicles and the Contracts under this Agreement.

(h) In no event shall Computershare Trust Company, N.A., in any of its capacities hereunder, be deemed to have assumed any duties of the Owner Trustee under the Delaware Statutory Trust Act, common law, or the Trust Agreement.

(i) Computershare Trust Company, N.A. by its execution hereof accepts its appointment as Trust Collateral Agent under the Indenture and this Agreement. The Trust Collateral Agent shall act upon and in compliance with the written instructions of the Indenture Trustee delivered pursuant to the Indenture promptly following receipt of such written instructions; provided, however, that the Trust Collateral Agent shall not act in accordance with any instructions: (i) which are not authorized by, or in violation of the provisions of, the Indenture or this Agreement; (ii) that are in violation of any applicable law, rule or regulation; or (iii) for which the Trust Collateral Agent has not received indemnity reasonably satisfactory to it. Receipt of such instructions shall not be a condition to the exercise by the Trust Collateral Agent of its express duties hereunder, except where the Indenture or this Agreement provides that the Trust Collateral Agent is permitted to act only following and in accordance with such instructions.

SECTION 9.02. Rights of the Trust Collateral Agent.

(a) Before the Trust Collateral Agent acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel. The Trust Collateral Agent shall not be liable for any action it takes or omits to take in good faith in reliance on an Officer's Certificate or Opinion of Counsel, the costs of which are to be paid by the party requesting the Trust Collateral Agent act or refrain from acting.

(b) The Trust Collateral Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents (which may be an affiliate) or attorneys or a custodian or nominee and shall not be responsible for the misconduct or negligence of any agent, attorney, custodian or nominee appointed with due care.

(c) The Trust Collateral Agent shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; provided, however, that the Trust Collateral Agent's conduct does not constitute willful misconduct, negligence or bad faith.

(d) The Trust Collateral Agent may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Agreement and the Notes or Certificates shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(e) The Trust Collateral Agent shall be under no obligation to exercise any of the rights and powers vested in it by this Agreement or the other Basic Documents, or to institute, conduct or defend any litigation under this Agreement or in relation to this Agreement, at the request, order or direction of any of the Holders of Notes or Certificateholders or the instructing party, as the case may be, pursuant to the provisions of this Agreement, unless the Trust Collateral Agent shall have been offered security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities that may be incurred therein or thereby.

(f) The Trust Collateral Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other paper or document, unless requested in writing to do so by the Majority Noteholders; provided, however, that if the payment within a reasonable time to the Trust Collateral Agent of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trust Collateral Agent, not reasonably assured to the Trust Collateral Agent by the security afforded to it by the terms of this Agreement, the Trust Collateral Agent may require indemnity reasonably satisfactory to it against such cost, expense or liability as a condition to so proceeding; the reasonable expense of every such examination shall be paid by the requesting Holders or the instructing party, as the case may be, or, if paid by the Trust Collateral Agent, shall be reimbursed by the requesting Holders upon demand.

(g) Delivery of any reports, information and documents to the Trust Collateral Agent provided for herein or otherwise publicly available is for informational purposes only (unless otherwise expressly stated herein) and the Trust Collateral Agent's receipt of such shall not constitute constructive knowledge of any information contained therein or determinable from information contained therein, including the Servicer's, Seller's or Issuer's compliance with any of its representations, warranties or covenants hereunder (as to which the Trust Collateral Agent is entitled to rely exclusively on Officer's Certificates).

(h) For purposes of determining the Trust Collateral Agent's responsibility and liability hereunder (including the sending of any notice), whenever reference is made in this Agreement or any other Basic Document to any event (including, but not limited to, any default, Servicer Default or an Early Amortization Event) or information, such reference shall be construed to refer only to such event or information of which the Trust Collateral Agent has received written notice or has constructive or actual knowledge as described in this Section. Information contained in monthly distribution reports (other than those reports that the Trust Collateral Agent is contractually obligated to review) and other publicly-available information shall not constitute written notice or actual knowledge. The Trust Collateral Agent shall not be deemed to have knowledge of any event, including any default, Servicer Default or an Early Amortization Event, or information (including breaches of representations and warranties), unless a Responsible Officer of the Trust Collateral

Agent has actual knowledge or has received written notice thereof and shall have no duty to take any action to determine whether such event or information has occurred.

(i) In no event shall the Trust Collateral Agent be liable for any indirect, or consequential, punitive or special damages (including lost profits), regardless of the form of action and whether or not any such damages were foreseeable or contemplated.

(j) The Trust Collateral Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the property party or parties.

(k) In no event shall the Trust Collateral Agent be liable for any act or omission on the part of the Issuer or the Servicer or any other Person. The Trust Collateral Agent shall not be responsible for monitoring or supervising the Issuer or the Servicer.

(l) Without limiting the generality of any other provision hereof, the Trust Collateral Agent shall have no duty to conduct any investigation as to a breach of any representation and warranty, the eligibility of any Loan for purposes of this Agreement or the occurrence of any condition requiring the repurchase of any Loan by any Person pursuant to this Agreement.

(m) In no event shall the Trust Collateral Agent be liable for any damages or losses due to forces beyond the control of the Trust Collateral Agent, including, without limitation, strikes, work stoppages, acts of war or terrorism, insurrection, revolution, civil unrest, nuclear or natural catastrophes or disasters or acts of God, interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services provided by the Trust Collateral Agent or to the Trust Collateral Agent by third parties, any present or future law or regulation or act of any governmental authority, labor disputes, disease, epidemic or pandemic, quarantine, national emergency, malware or ransomware attack, unavailability of the Federal Reserve Bank wire or telex system or other applicable wire or funds transfer system, and unavailability of any securities clearing system.

(n) The Trust Collateral Agent shall not be required to take any action that exposes the Trust Collateral Agent to personal liability of that is contrary to this Agreement or Applicable Law.

(o) The right of the Trust Collateral Agent to perform any permissive or discretionary act enumerated in this Agreement or any related document shall not be construed as a duty.

(p) Neither the Trust Collateral Agent nor any of its directors, officers, agents or employees shall be responsible in any manner for any recitals, statements, representations or warranties made by the Issuer, the Servicer, the Backup Servicer, the Indenture Trustee, any Holder or any other Person contained in this Agreement or any other Basic Document or in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other document furnished in connection herewith, or for the acts or omissions of any other party hereto or for any failure of the Issuer, the Servicer, the Indenture Trustee, any Holder or any other Person to perform its obligations hereunder or in any other Basic Document, or for the satisfaction of any condition specified herein.

(q) The Trust Collateral Agent may execute any of its duties under this Agreement by or through agents and professionals (including attorneys-in-fact) and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Trust Collateral Agent shall not be responsible for the action, inaction, negligence or misconduct of any agents and professionals (including attorneys-in-fact) selected by it with reasonable care.

(r) The Trust Collateral Agent shall not be imputed with any knowledge of, or information possessed or obtained by, the Backup Servicer, the Indenture Trustee, or any affiliate, line of business or other division of Computershare and vice versa in each case other than instances where such roles are performed by the same group or division within Computershare or otherwise include common Responsible Officers.

SECTION 9.03. Individual Rights of Trust Collateral Agent.

The Trust Collateral Agent in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not Trust Collateral Agent.

The Trust Collateral Agent and its Affiliates are permitted to receive additional compensation that could be deemed to be in the Trust Collateral Agent's economic self-interest for (i) serving as investment adviser, administrator, shareholder servicing agent, custodian or sub-custodian with respect to certain of the Eligible Investments, (ii) using Affiliates to effect transactions in certain Eligible Investments and (iii) effecting transactions in certain Eligible Investments. The Trust Collateral Agent does not guarantee the performance of any Eligible Investments and is not liable for losses with respect to any such Eligible Investment.

In order to comply with the laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including those relating to the funding of terrorist activities and money laundering, the Trust Collateral Agent is required to obtain, verify and record certain information relating to individuals and entities which maintain a business relationship with the Trust Collateral Agent. Accordingly, each of the parties hereto agree to provide the Trust Collateral Agent upon its request from time to time such identifying information and documentation as may be available for such party in order to enable the Trust Collateral Agent to comply with such laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions.

SECTION 9.04. Reports by Trust Collateral Agent to Holders.

The Trust Collateral Agent shall on behalf of the Issuer deliver to each Noteholder such information as may be reasonably required to enable such Holder to prepare its Federal and state income tax returns.

SECTION 9.05. Compensation.

(a) The Issuer shall pay to the Trust Collateral Agent from time to time compensation provided under this Agreement, as provided in a separate fee letter, and all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services, except any such expense as may be attributable to its willful misconduct, negligence or bad faith. Such compensation and expenses shall be paid in accordance with Section 5.08(a) hereof. Such

expenses shall include securities transaction charges relating to the investment of funds on deposit in the Trust Accounts and the reasonable compensation and reasonable expenses, disbursements and advances of the Trust Collateral Agent's counsel and of all persons not regularly in its employ.

(b) [Reserved].

(c) The Issuer's and the Servicer's payment obligations to the Trust Collateral Agent pursuant to this Section shall survive the discharge or assignment of this Agreement and any resignation or removal of the Trust Collateral Agent. When the Trust Collateral Agent incurs expenses after the occurrence of an Indenture Event of Default specified in Section 5.1(iv) or (v) of the Indenture with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable Federal or state bankruptcy, insolvency or similar law.

SECTION 9.06. Eligibility.

The Trust Collateral Agent under this Agreement shall at all times be a corporation or banking association having an office in the same state as the location of the Corporate Trust Office as specified in this Agreement; organized and doing business under the laws of such state or the United States of America; authorized under such laws to exercise corporate trust powers; having a combined capital and surplus of at least \$50,000,000; having long-term unsecured debt obligations rated at least "Baa3" by Moody's and "BBB" by S&P; and subject to supervision or examination by federal or state authorities. If such corporation shall publish reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purpose of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trust Collateral Agent shall cease to be eligible in accordance with the provisions of this Section, the Trust Collateral Agent shall resign immediately, provided that such resignation shall not be effective until a successor Trust Collateral Agent accepts appointment in accordance with Section 9.10(d) hereof.

SECTION 9.07. Trust Collateral Agent's Disclaimer.

The Trust Collateral Agent shall not be responsible for and make no representation as to the validity, sufficiency or adequacy of this Agreement, the Trust Property or the Securities, shall not be accountable for the Issuer's use of the proceeds from the Securities, and shall not be responsible for any statement of the Issuer in this Agreement or in any document issued in connection with the sale of the Securities or in the Securities.

SECTION 9.08. Limitation on Liability.

Neither the Trust Collateral Agent nor any of its directors, officers or employees shall be liable for any action taken or omitted to be taken by it or them hereunder, or in connection herewith, except that the Trust Collateral Agent shall be liable for its negligence, bad faith or willful misconduct; nor shall the Trust Collateral Agent be responsible for the validity, effectiveness, value, sufficiency or enforceability against the Issuer of this Agreement or any of the Trust Property (or any part thereof). Notwithstanding any term or provision of this Agreement, the Trust Collateral Agent shall incur no liability to the Issuer for any action taken or omitted by the Trust Collateral Agent in

connection with the Trust Property, except for the negligence, bad faith or willful misconduct on the part of the Trust Collateral Agent, and, further, shall incur no liability to the Issuer except for negligence, bad faith or willful misconduct in carrying out its duties to the Issuer. Subject to Section 9.09, the Trust Collateral Agent shall be protected and shall incur no liability to any such party in relying upon the accuracy, acting in reliance upon the contents, and assuming the genuineness of any notice, demand, certificate, signature, instrument or other document reasonably believed by the Trust Collateral Agent to be genuine and to have been duly executed by the appropriate signatory (absent actual knowledge of or written notice to a Responsible Officer of the Trust Collateral Agent to the contrary), and the Trust Collateral Agent shall not be required to make any independent investigation or inquiry with respect thereto. The Trust Collateral Agent shall at all times be free to establish independently to its reasonable satisfaction, but shall have no duty to verify independently, the existence or nonexistence of facts that are a condition to the exercise or enforcement of any right or remedy hereunder or under any of the Basic Documents. The Trust Collateral Agent may consult with counsel, and shall not be liable for any action taken or omitted to be taken by it hereunder in good faith and in accordance with the advice of such counsel.

SECTION 9.09. Reliance Upon Documents.

In the absence of bad faith or willful misconduct on its part, the Trust Collateral Agent shall be entitled to conclusively rely on any communication, instrument, paper or other document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons and shall have no liability in acting, or omitting to act, where such action or omission to act is in reasonable reliance upon any statement or opinion contained in any such document or instrument.

SECTION 9.10. Successor Trust Collateral Agent.

(a) Merger. The Trust Collateral Agent may merge with any person, and any Person into which the Trust Collateral Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any Person resulting from any such conversion, merger, consolidation, sale or transfer to which the Trust Collateral Agent is a party, shall be and become a successor Trust Collateral Agent hereunder and be vested with all of the trusts, powers, discretions, immunities, privileges and other matters as was its predecessor without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding. The Trust Collateral Agent shall give notice to the Indenture Trustee, on behalf of the Noteholders, and the Servicer (who shall promptly provide such notice to the Rating Agencies) of any such transition.

(b) Resignation. The Trust Collateral Agent and any successor Trust Collateral Agent may resign at any time by giving sixty (60) days' prior written notice to the Issuer (who shall promptly provide such notice to the Rating Agencies); provided, that such resignation shall not be effective until a successor Trust Collateral Agent is appointed and accepts appointment in accordance with clause (d) below.

(c) Removal.

(i) The Issuer may remove the Trust Collateral Agent by prior written notice if:

(A) a court having jurisdiction over the Trust Collateral Agent in an involuntary case or proceeding under federal or state banking or bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, shall have entered a decree or order granting relief or appointing a receiver, liquidator, assignee, custodian, trustee, conservator, sequestrator (or similar official) for the Trust Collateral Agent or for any substantial part of the Trust Collateral Agent's property, or ordering the winding-up or liquidation of the Trust Collateral Agent's affairs;

(B) an involuntary case under the federal bankruptcy laws, as now or hereafter in effect, or another present or future federal or state bankruptcy, insolvency or similar law is commenced with respect to the Trust Collateral Agent and such case is not dismissed within sixty (60) days;

(C) the Trust Collateral Agent commences a voluntary case under any federal or state banking or bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, conservator, sequestrator (or other similar official) for the Trust Collateral Agent or for any substantial part of the Trust Collateral Agent's property, or makes any assignment for the benefit of creditors or fails generally to pay its debts as such debts become due or takes any corporate action in furtherance of any of the foregoing;

(D) the Trust Collateral Agent fails to comply with any material covenant hereunder; or

(E) the Trust Collateral Agent otherwise becomes legally incapable of acting.

(ii) [Reserved].

(iii) If the Trust Collateral Agent resigns or is removed or if a vacancy exists in the office of Trust Collateral Agent for any reason (the Trust Collateral Agent in such event being referred to herein as the retiring Trust Collateral Agent), the Issuer shall promptly appoint a successor Trust Collateral Agent.

A successor Trust Collateral Agent shall deliver a written acceptance of its appointment to the retiring Trust Collateral Agent and to the Issuer. Thereupon the resignation or removal of the retiring Trust Collateral Agent shall become effective, and the successor Trust Collateral Agent shall have all the rights, powers and duties of the retiring Trust Collateral Agent under this Agreement subject to satisfaction of the Rating Agency Condition. The successor Trust Collateral Agent shall mail a notice of its succession to the Noteholders, the Indenture Trustee and the Rating Agencies. The retiring Trust Collateral Agent shall promptly transfer all property held by it as Trust Collateral Agent to the successor Trust Collateral Agent.

If a successor Trust Collateral Agent does not take office within sixty (60) days after the retiring Trust Collateral Agent resigns or is removed, the retiring Trust Collateral Agent may petition any court of competent jurisdiction for the appointment of a successor Trust Collateral Agent that meets the eligibility requirements set forth in Section 9.06 hereof.

If the Trust Collateral Agent fails to comply with Section 9.12, any Noteholder with the prior written consent of the Indenture Trustee, may petition any court of competent jurisdiction for the removal of the Trust Collateral Agent and the appointment of a successor Trust Collateral Agent.

Any resignation or removal of the Trust Collateral Agent and appointment of a successor Trust Collateral Agent pursuant to any of the provisions of this Section shall not become effective until acceptance of appointment by the successor Trust Collateral Agent pursuant to this Section 9.10(c) and payment of all fees and expenses owed to the outgoing Trust Collateral Agent by the Servicer and the Issuer.

Notwithstanding the replacement of the Trust Collateral Agent pursuant to this Section, the Issuer's and the Servicer's obligations under Section 9.05 shall continue for the benefit of the retiring Trust Collateral Agent.

(d) Acceptance by Successor. If the Trust Collateral Agent has resigned or has been removed pursuant to this Section 9.10, the Issuer (or the Owner Trustee, on its behalf (acting at the written direction of the Majority Certificateholder)) shall have the sole right to appoint each successor Trust Collateral Agent that meets the qualifications required hereunder. Every temporary or permanent successor Trust Collateral Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Owner Trustee, each Noteholder, each Certificateholder, the Rating Agencies, the Indenture Trustee and the Issuer an instrument in writing accepting such appointment hereunder and the relevant predecessor shall execute, acknowledge and deliver such other documents and instruments as will effectuate the delivery of all Collateral to the successor Trust Collateral Agent, whereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, duties and obligations of its predecessor. Such predecessor shall, nevertheless, on the written request of the Issuer, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers, duties and obligations of such predecessor hereunder. In the event that any instrument in writing from the Issuer is reasonably required by a successor Trust Collateral Agent to more fully and certainly vest in such successor the estates, properties, rights, powers, duties and obligations vested or intended to be vested hereunder in the Trust Collateral Agent, any and all such written instruments shall, at the request of the temporary or permanent successor Trust Collateral Agent, be forthwith executed, acknowledged and delivered by the Issuer (or the Owner Trustee, on behalf of the Issuer, (acting at the written direction of the Majority Certificateholders)), as the case may be. The designation of any successor Trust Collateral Agent and the instrument or instruments removing any Trust Collateral Agent and appointing a successor hereunder, together with all other instruments provided for herein, shall be maintained with the records relating to the Trust Property and, to the extent required by applicable law, filed or recorded by the successor Trust Collateral Agent in each place where such filing or recording is necessary to effect the transfer of the Trust Property to the successor Trust Collateral Agent or to protect or continue the perfection of the security interests granted hereunder.

If no successor Trust Collateral Agent shall have been appointed and accepted the appointment within sixty (60) days after the giving of notice of resignation, the resigning Trust Collateral Agent may petition any court of competent jurisdiction for the appointment of a successor Trust Collateral Agent that meets the qualifications required hereunder.

SECTION 9.10. Representations and Warranties of the Trust Collateral Agent.

The Trust Collateral Agent represents and warrants to the Issuer, the Seller, the Servicer, the Indenture Trustee and the Noteholders as follows:

- (i) The Trust Collateral Agent is a national banking association, duly organized and validly existing under the laws of the United States and is authorized to conduct and engage in a banking and trust business under such laws.
- (ii) The Trust Collateral Agent has full corporate power, authority, and legal right to execute, deliver, and perform this Agreement and the other Basic Documents to which it is a party, and has taken all necessary action to authorize the execution, delivery, and performance, by it of this Agreement and the other Basic Documents to which it is a party.
- (iii) This Agreement and the other Basic Documents to which it is a party have been duly executed and delivered by the Trust Collateral Agent.
- (iv) This Agreement and the other Basic Documents to which it is a party are the legal, valid and binding obligations of the Trust Collateral Agent enforceable in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and to general principles of equity.

SECTION 9.11. Waiver of Setoffs.

Except with respect to the Certificate Distribution Account, the Trust Collateral Agent hereby expressly waives any and all rights of setoff that the Trust Collateral Agent may otherwise at any time have under applicable law with respect to any Trust Account and agrees that amounts in the Trust Accounts shall at all times be held and applied solely in accordance with the provisions hereof.

SECTION 9.12. Benefits and Immunities of Trust Collateral Agent.

The Trust Collateral Agent shall be entitled to all of the benefits and immunities afforded the Indenture Trustee pursuant to the provisions of this Agreement and the Indenture. Other than as specifically set forth elsewhere in this Agreement and the Indenture, the Trust Collateral Agent shall have no obligation to supervise, verify, monitor or administer the performance of the Servicer and shall have no liability for any action taken or omitted by the Issuer or the Servicer.

ARTICLE X
TERMINATION

SECTION 10.01. Optional Purchase.

(a) On any Distribution Date on which the sum of the Class A Note Balance plus the Class B Note Balance plus the Class C Note Balance has been or will, after giving effect to the application of Available Funds on such Distribution Date, be less than or equal to 10% of the sum of the initial Class A Note Balance plus the initial Class B Note Balance plus the initial Class C Note Balance, the Servicer shall have the option, upon no less than twenty (20) days prior written notice prior (or such lesser number of days permissible by the Clearing Agency and reasonably acceptable to the Indenture Trustee) to the related Distribution Date to the Issuer, the Trust Collateral Agent, the Owner Trustee, the Indenture Trustee and the Rating Agencies, to reacquire the Trust Property, other than the Trust Accounts. The Indenture Trustee shall provide notice of the Optional Purchase to the Noteholders within 5 Business Days of its receipt of the Servicer's notice. To exercise such option, the Servicer shall deposit pursuant to Section 5.04 in the Collection Account an amount equal to: (x) the aggregate Purchase Amount for the Loans, plus (y) the fair market value of any other property held by the Trust (other than the Trust Accounts), plus (z) sufficient funds to pay interest on the Notes through the date of redemption after giving effect to the application of Available Funds on such date. Notwithstanding the foregoing, the Servicer shall not exercise such option unless the purchase price paid by the Servicer and other funds held by the Issuer are sufficient to pay the full amount of principal and interest due and payable on each class of the Notes, and all amounts due and payable to the Indenture Trustee, the Trust Collateral Agent, the Backup Servicer and the Owner Trustee under the Basic Documents. Upon such deposit the Servicer shall succeed to all interests in and to the Trust (other than the Trust Accounts).

(b) Notice of any termination of the Trust shall be given by the Servicer to the Board of Trustees, the Owner Trustee, the Indenture Trustee, the Trust Collateral Agent, the Certificate Registrar and the Rating Agencies as soon as practicable after the Servicer has received notice of the occurrence of an event of termination under Section 9.1(a) of the Trust Agreement.

SECTION 10.02. Termination.

Upon the earlier of (a) the payment of the full amount of principal and interest due and payable on the Notes, and all amounts due and payable to the Indenture Trustee, the Trust Collateral Agent, the Backup Servicer and the Owner Trustee under the Basic Documents and the satisfaction and discharge of the Indenture, and (b) the payment in full or other liquidation of the last outstanding Loan and the subsequent distribution of amounts in respect of such Loans as provided in the Basic Documents and the satisfaction and discharge of the Indenture, this Agreement shall terminate; provided that Section 7.06, Section 9.05(c), Section 11.13 and the indemnification obligations of the Issuer under Section 6.05 and of the Servicer under Section 4.09(f) and Section 7.02 shall survive such termination.

ARTICLE XI
MISCELLANEOUS PROVISIONS

SECTION 11.01. Amendment.

This Agreement may be amended by the Seller, the Servicer, the Indenture Trustee (at the written direction of the Issuer), the Issuer, the Backup Servicer (at the written direction of the Issuer) and the Trust Collateral Agent (at the written direction of the Issuer), without the consent of any of the Noteholders to: (i) cure any ambiguity, to correct or supplement any provisions in this Agreement, or to add any other provisions with respect to matters or questions arising under this Agreement that shall not be inconsistent with the provisions of this Agreement; or (ii) reflect the succession of a successor Servicer or successor Backup Servicer; provided, however, that in connection with any amendment pursuant to clause (i), the action referred to therein shall not, as evidenced by an Opinion of Counsel, adversely affect in any material respect the interests of any Noteholder without such Noteholder's consent; and provided, further, that in connection with any amendment pursuant to clause (ii) above, the Servicer shall deliver to the Trust Collateral Agent and the Indenture Trustee a letter from each Rating Agency, which then has a rating on the Notes, to the effect that such amendment will not cause the then current ratings on the Notes to be qualified, reduced or withdrawn, or, each Rating Agency shall have been given at least ten (10) days' prior notice of such amendment and such Rating Agency shall not have issued any written notice to the Indenture Trustee that such amendment will itself cause such Rating Agency to downgrade or withdraw its rating assigned to any class of Notes.

This Agreement may also be amended from time to time by the Seller, the Servicer, the Indenture Trustee, the Issuer, the Backup Servicer (at the written direction of the Issuer) and the Trust Collateral Agent (at the written direction of the Issuer) with the consent of the Majority Noteholders (which consent of any Holder of a Note given pursuant to this Section 11.01 or pursuant to any other provision of this Agreement shall be conclusive and binding on such Holder and on all future Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange thereof or in lieu thereof whether or not notation of such consent is made upon the Note), for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement, or of modifying in any manner the rights of the Holders of the Notes; provided, however, that no such amendment shall (a) change the due date of any installment of principal of or interest on any Note, or reduce the Class A Note Balance, Class B Note Balance or Class C Note Balance, or change the Class A Stated Final Maturity Date, Class B Stated Final Maturity Date, Class C Stated Final Maturity Date, Class A Note Rate, Class B Note Rate, Class C Note Rate, Class A Principal Distributable Amount, Class B Principal Distributable Amount or Class C Principal Distributable Amount, or (b) reduce the percentage required to consent to any such amendment, without the consent of each Holder of Notes then outstanding. Notwithstanding the foregoing, however, no consent of any Noteholder shall be required in connection with any amendment in order for the Certificateholders to sell, assign, transfer or otherwise dispose of the excess interest, provided that the Certificateholders present evidence to the Trust Collateral Agent that the ratings of the Notes shall not be reduced or withdrawn as a result.

Prior to the execution of any such amendment or consent, the Servicer will provide and the Trust Collateral Agent shall distribute written notification of the substance of such amendment or consent to each Rating Agency then rating the Notes.

Promptly after the execution of any such amendment or consent, the Trust Collateral Agent shall furnish a copy of the substance of such amendment or consent to each Noteholder and each Certificateholder.

It shall not be necessary for the consent of Noteholders pursuant to this Section to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents (and any other consents of Noteholders provided for in this Agreement) and of evidencing the authorization of the execution thereof by Noteholders shall be subject to such reasonable requirements as the Trust Collateral Agent may prescribe.

Prior to the execution of any amendment to this Agreement, the Trust Collateral Agent shall be entitled to receive and conclusively rely upon an Opinion of Counsel and Officer's Certificate stating that the execution of such amendment is authorized or permitted by this Agreement. The Trust Collateral Agent may, but shall not be obligated to, enter into any such amendment which affects the Trust Collateral Agent's own rights, duties or immunities under this Agreement or otherwise. No amendment that affects the Owner Trustee's rights, duties, indemnities or immunities shall be effective without the written consent of the Owner Trustee.

SECTION 11.02 Protection of Title to Trust.

(a) The Seller shall file such financing statements and cause to be filed such continuation statements, all in such manner and in such places as may be required by law to preserve, maintain, and protect fully the interest of the Noteholders, the Indenture Trustee and the Trust Collateral Agent in the Loans and the related Contracts and in the proceeds thereof and the sale of accounts and chattel paper. The Seller shall deliver (or cause to be delivered) to the Trust Collateral Agent file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing.

(b) None of the Originator, the Seller nor the Servicer shall change its name, identity, state of incorporation or formation or corporate structure in any manner that would, could, or might make any financing statement or continuation statement filed by the Seller in accordance with paragraph (a) above seriously misleading within the meaning of §9-506 or §9-507 of the UCC, unless it shall have given the Trust Collateral Agent at least five (5) days' prior written notice thereof and shall have promptly filed appropriate amendments to all previously filed financing statements or continuation statements.

(c) The Seller, the Originator and the Servicer shall give the Trust Collateral Agent at least sixty (60) days' prior written notice of any relocation of its principal executive office or change of its state of incorporation or formation if, as a result of any such change, the applicable provisions of the UCC would require the filing of any amendment of any previously filed financing or continuation statement or of any new financing statement and shall promptly file any such amendment. The

Servicer shall at all times maintain each office from which it shall service the Loans and the related Contracts, and its principal executive office, within the United States of America.

(d) The Servicer shall maintain accounts and records as to each Loan and Contract accurately and in sufficient detail to permit (i) the reader thereof to know at any time the status of such Loan and Contract, including payments and recoveries made and payments owing (and the nature of each) and (ii) reconciliation between payments or recoveries on (or with respect to) each Loan and Contract and the amounts from time to time deposited in the Collection Account in respect of such Loan and Contract.

(e) The Servicer shall maintain its computer systems so that, from and after the time of sale under this Agreement of the Loans and the related Contracts to the Trust, the Servicer's master computer records (including any back-up archives) that refer to a Loan or Contract shall indicate clearly (including by means of tagging) the interest of the Trust in such Loan or Contract and that such Loan or Contract is owned by the Trust. The Servicer shall at all times maintain "control" within the meaning of the UCC over the Contracts constituting electronic chattel paper. Indication of the Trust's ownership of a Loan or Contract shall be deleted from or modified on the Servicer's computer systems when, and only when, the Loan or Contract shall have been paid in full or repurchased.

(f) If at any time the Seller or the Servicer shall propose to sell, grant a security interest in, or otherwise transfer any interest in automotive receivables to any prospective purchaser, lender, or other transferee, the Servicer shall give to such prospective purchaser, lender, or other transferee computer tapes, records, or print-outs (including any restored from back-up archives) that, if they shall refer in any manner whatsoever to any Loan or Contract, shall indicate clearly (including by means of tagging) that such Loan or Contract has been sold and is owned by the Trust.

(g) The Servicer shall, upon reasonable prior notice, permit the Trust Collateral Agent and its agents at any time during normal business hours to inspect, audit, and make copies of and abstracts from the Servicer's records regarding any Loan or Contract at the office of the Servicer in a reasonable manner.

(h) Upon request, the Servicer shall furnish to the Trust Collateral Agent and the Indenture Trustee, within twenty (20) Business Days, a list of all Loans and Contracts (by agreement or contract number and name of Dealer or Obligor) then held as part of the Trust, together with a reconciliation of such list to the schedule of Loans, Dealer Agreements, Purchase Agreements and Contracts attached hereto as Schedule A and to each of the Servicer's Certificates furnished before such request indicating removal of Loans or Contracts from the Trust.

(i) The Seller shall deliver to the Trust Collateral Agent and the Indenture Trustee:

(1) within thirty (30) days after the end of each calendar quarter during the Revolving Period, beginning with the quarter ended June 30, 2023, an Opinion of Counsel, dated as of a date during such 30-day period, with respect to the creation of the Seller's security interest under the Sale and Contribution Agreement, the creation of the Issuer's security interest under the Sale and Servicing Agreement and the perfection and creation of the lien and security interest in favor of the Indenture Trustee in the Subsequent Seller Property sold by Credit Acceptance to the Seller during such

calendar quarter (or in the case of the first such Opinion of Counsel, during the period from the Closing Date to June 30, 2023); and

(2) within ninety (90) days after the beginning of each calendar year beginning with 2024, an Opinion of Counsel, dated as of a date during such 90-day period, stating that in the opinion of such counsel, the existing financing statement naming the Issuer as debtor and the Indenture Trustee as secured party and any related continuation statement or amendment (the “Financing Statement”) will remain effective and no additional financing statements, continuation statements or amendments with respect to the Financing Statement (other than a continuation statement to be filed within the period that is six months prior to the expiration of the Financing Statement, as applicable) will be required to be filed from the date of such opinion through the date that is the one year anniversary of the date of such opinion to maintain the perfection of the security interest of the Indenture Trustee as such lien otherwise exists on the date of such opinion. Such Opinion of Counsel shall also (i) describe the filing of any financing statements and continuation statements that will, in the opinion of such counsel, be required to preserve and protect the interest of the Indenture Trustee and the Trust Collateral Agent in the Loans and the related Contracts, until the 90th day in the following calendar year and (ii) specify any action necessary (as of the date of such opinion) to be taken in the following calendar year to preserve perfection of such interest.

Each Opinion of Counsel referred to in clause (i)(1) or (i)(2) above shall specify any action necessary (as of the date of such opinion) to be taken in the following calendar year to preserve perfection of such interest.

(j) For the purpose of facilitating the execution of this Agreement and for other purposes, this Agreement may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, and all of which counterparts shall constitute but one and the same instrument. This Agreement shall be valid, binding, and enforceable against a party when executed and delivered by an authorized individual on behalf of the party by means of (i) an original manual signature; (ii) a faxed, scanned, or photocopied manual signature, or (iii) any other electronic signature permitted by the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, and/or any other relevant electronic signatures law, including any relevant provisions of the UCC (collectively, “Signature Law”), in each case to the extent applicable. Each faxed, scanned, or photocopied manual signature, or other electronic signature, shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. Each party hereto shall be entitled to conclusively rely upon, and shall have no liability with respect to, any faxed, scanned, or photocopied manual signature, or other electronic signature, of any other party and shall have no duty to investigate, confirm or otherwise verify the validity or authenticity thereof. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall, together, constitute one and the same instrument. For the avoidance of doubt, original manual signatures shall be used for execution or indorsement of writings and authentication of Notes when required under the UCC or other Signature Law due to the character or intended character of the writings.

SECTION 11.03 Limitation on Rights of Noteholders.

No Noteholder shall have any right to vote (except as provided in this Agreement or in the Indenture) or in any manner otherwise control the operation and management of the Trust, or the obligations of the parties to this Agreement. Nothing set forth in this Agreement, nor contained in the terms of the Notes, shall constitute the Noteholders as members of any partnership or association. No Noteholder shall be under any liability to any third person by reason of any action taken pursuant to any provision of this Agreement.

No Noteholder shall have any right by virtue or by availing itself of any provisions of this Agreement to institute any suit, action, or proceeding in equity or at law upon or under or with respect to this Agreement, unless such Holder previously shall have given to the Trust Collateral Agent a written notice of default and of the continuance thereof, and unless (i) the default arises from the Seller's or the Servicer's failure to remit payments when due hereunder, or (ii) the Majority Noteholders shall have made written request upon the Trust Collateral Agent to institute such action, suit or proceeding in its own name as Trust Collateral Agent under this Agreement and such Holder shall have offered to the Trust Collateral Agent such indemnity as it may reasonably require against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trust Collateral Agent, for thirty (30) days after its receipt of such notice, request, and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and during such 30-day period no request or waiver inconsistent with such written request has been given to the Trust Collateral Agent pursuant to this Section 11.03 or Section 8.04; no one or more Holders of Notes or Certificateholders shall have any right in any manner whatsoever by virtue or by availing itself or themselves of any provisions of this Agreement to affect, disturb, or prejudice the rights of the Holders of any other of the Notes or the Certificateholders, or to obtain or seek to obtain priority over or preference to any other such Holder or Certificateholder (but subject to the priorities of payment set forth herein), or to enforce any right, under this Agreement except in the manner provided in this Agreement and for the equal, ratable, and common benefit of all Noteholders and all Certificateholders. For the protection and enforcement of the provisions of this Section, each Noteholder, each Certificateholder and the Trust Collateral Agent shall be entitled to such relief as can be given either at law or in equity.

In the event the Trust Collateral Agent shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders of Notes, each representing less than the required amount of the applicable class of Notes, the Indenture Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Agreement.

SECTION 11.04 Governing Law; Jurisdiction.

THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Parties agree to the non-exclusive jurisdiction of the state and federal courts in New York.

SECTION 11.05. Notices.

All demands, notices, and communications upon or to the Seller, the Servicer, the Trust Collateral Agent, the Backup Servicer, the Owner Trustee, the Indenture Trustee, the Issuer or any Rating Agency under this Agreement shall be in writing, personally delivered, electronically delivered or mailed by certified mail, return receipt requested, and shall be deemed to have been duly given upon receipt: (a) in the case of the Seller at the following address: Attention: Credit Acceptance Funding LLC 2023-1/Doug Busk, Silver Triangle Building, 25505 West Twelve Mile Road, Southfield, Michigan 48034-8339; phone: (248) 353-2700 (ext. 4432); fax: (866) 743-2704; (b) in the case of the Servicer at the following address: Attention: Credit Acceptance Corporation/Doug Busk, Silver Triangle Building, 25505 West Twelve Mile Road, Southfield, Michigan 48034-8339; phone: (248) 353-2700 (ext. 4432); fax: (866) 743-2704; (c) in the case of the Backup Servicer, Trust Collateral Agent and Indenture Trustee, at 1505 Energy Park Drive St. Paul, Minnesota 55108, Attention: Computershare Trust Services - Asset-Backed Administration, phone: (612) 393-7304; (d) in the case of the Owner Trustee, at: 190 South LaSalle Street, MK-IL-SL7, Chicago, Illinois 60603, Attn: GSF/Credit Acceptance Auto Loan Trust 2023-1, phone: (312) 332-6570; (e) in the case of the Issuer, to Attention: Credit Acceptance Corporation/Doug Busk, Silver Triangle Building, 25505 West Twelve Mile Road, Southfield, Michigan 48034-8339; phone: (248) 353-2700 (ext. 4432); fax: (866) 743-2704, with a copy to the Owner Trustee and with a copy to the Board of Trustees of the Trust, c/o Credit Acceptance Funding LLC 2023-1, Silver Triangle Building, 25505 West Twelve Mile Road, Southfield, Michigan, 48034-8339, Attention: Doug Busk; phone number: (248) 353-2700 (ext. 4432); fax number: (866) 743-2704; (f) in the case of S&P, via electronic delivery to Servicer_reports@sandp.com (or for any information not available in electronic format, send hard copies to: Standard & Poor's Rating Services, ABS Surveillance Group, 55 Water Street, New York, New York 10041 or to such other address as shall be designated by written notice to the other parties); or (g) in the case of Moody's, via electronic delivery to absurveillance@moodys.com (or for any information not available in electronic format, send hard copies to: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street – 25th Floor, New York, New York 10007 or to such other address as shall be designated by written notice to the other parties). Any notice required or permitted to be mailed to a Noteholder or Certificateholder, as the case may be shall be given by first class mail, postage prepaid, at the address of such Holder as shown in the Note or Certificate Register. Any notice so mailed within the time prescribed in this Agreement shall be conclusively presumed to have been duly given, whether or not the Noteholders or the Certificateholder, as the case may be, shall receive such notice. Where this Agreement provides for notice or delivery of documents to the Rating Agencies, failure to give such notice or deliver such documents shall not affect any other rights or obligations created hereunder.

SECTION 11.06. Severability of Provisions.

If any one or more of the covenants, agreements, provisions, or terms of this Agreement shall be for any reason whatsoever held invalid, then any such covenant, agreement, provision, or term shall be deemed severable from the remaining covenants, agreements, provisions, or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the Securities or the rights of the Holders thereof.

SECTION 11.07. Assignment.

Notwithstanding anything to the contrary contained herein, except as provided in Section 7.03 and as provided in the provisions of this Agreement concerning the resignation of the Servicer, this Agreement may not be assigned by the Seller or the Servicer without the prior written consent of the Trust Collateral Agent acting at the direction of the Majority Noteholders.

SECTION 11.08. Further Assurances.

The Seller and the Servicer agree to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the Trust Collateral Agent or the Indenture Trustee acting at the direction of the Majority Noteholders more fully to effect the purposes of this Agreement and the other Basic Documents, including the execution of any financing statements or continuation statements relating to the Loans or the related Contracts for filing under the provisions of the UCC of any applicable jurisdiction.

SECTION 11.09. No Waiver; Cumulative Remedies.

No failure to exercise and no delay in exercising, on the part of the Trust Collateral Agent, the Indenture Trustee, the Noteholders or the Certificateholders, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

SECTION 11.10. Third-Party Beneficiaries.

This Agreement will inure to the benefit of and be binding upon the parties hereto, the Indenture Trustee, the Noteholders and the Certificateholders, respectively, and their respective successors and permitted assigns. Except as may be otherwise provided in this Agreement, no other person will have any right or obligation hereunder; provided that the Owner Trustee is an intended third party beneficiary of this Agreement, entitled to enforce its rights hereunder as if a party hereto.

SECTION 11.11. Actions by Noteholders.

- (a) Wherever in this Agreement a provision is made that an action may be taken or a notice, demand, or instruction given by Noteholders, such action, notice, demand or instruction may be taken or given by any Noteholder, unless such provision requires a specific percentage or class of Noteholders.
- (b) Wherever in this Agreement a Person is seeking an action be taken by or notice, demand, or instruction be given by the Noteholders, the Person seeking such action, notice, demand or instruction may contact the Indenture Trustee to obtain such action, notice, demand or instruction from the Noteholders.
- (c) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be taken or given by Noteholders, may be embodied in and evidenced

by one or more instruments of substantially similar tenor signed by such Noteholders, in person or by an agent duly appointed in writing.

(d) The fact and date of the execution by any Noteholder or any Certificateholder of any instrument or writing may be proved in any reasonable manner which the Trust Collateral Agent deems sufficient.

(e) Any request, demand, authorization, direction, notice, consent, waiver, or other act by a Noteholder shall bind such Noteholder and every subsequent holder of such Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or omitted to be done by the Trust Collateral Agent, the Seller or the Servicer in reliance thereon, whether or not notation of such action is made upon such Note.

(f) The Trust Collateral Agent may require such additional proof of any matter referred to in this Section as it shall deem necessary.

SECTION 11.12. Corporate Obligation.

No recourse may be taken, directly or indirectly, against any partner, incorporator, subscriber to the capital stock, stockholder, member, director, officer or employee of the Seller or the Servicer with respect to their respective obligations and indemnities under this Agreement or any certificate or other writing delivered in connection herewith.

SECTION 11.13. Covenant Not to File a Bankruptcy Petition.

The parties hereto agree that until one year and one day after such time as the Notes issued under the Indenture are paid in full, they shall not (i) institute the filing of a bankruptcy petition against the Seller or the Trust based upon any claim in its favor arising hereunder or under the Basic Documents; (ii) file a petition or consent to a petition seeking relief on behalf of the Seller or the Trust under the Bankruptcy Code; or (iii) consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of the Seller or the Trust or any portion of the property of the Seller or the Trust. The parties hereto agree that all obligations of the Issuer and the Seller are non-recourse to the Trust Property except as specifically set forth in the Basic Documents.

SECTION 11.14. Multiple Roles.

The parties expressly acknowledge and consent to Computershare Trust Company, N.A. acting in the possible dual capacity of successor Servicer and in the capacities of Indenture Trustee, Trust Collateral Agent and Backup Servicer. Computershare Trust Company, N.A. may, in such dual capacity, discharge its separate functions fully, without hindrance or regard to conflict of interest principles or other breach of duties to the extent that any such conflict or breach arises from the performance by Computershare Trust Company, N.A. of express duties set forth in this Agreement or any other Basic Document in any of such capacities, all of which defenses, claims or assertions are hereby expressly waived by the other parties hereto except in the case of negligence (other than errors in judgment) and willful misconduct by Computershare Trust Company, N.A.

SECTION 11.15. [Reserved].

SECTION 11.16. Waiver of Jury Trial.

To the extent permitted by applicable law, each party hereto irrevocably waives all right of trial by jury in any action, proceeding or counterclaim based on, or arising out of, under or in connection with this Agreement, any other Basic Document, or any matter arising hereunder or thereunder.

SECTION 11.17. AML Law.

The parties hereto acknowledge that in accordance with laws, regulations and executive orders of the United States or any state or political subdivision thereof as are in effect from time to time applicable to financial institutions relating to the funding of terrorist activities and money laundering, including without limitation the USA Patriot Act (Pub. L. 107-56) and regulations promulgated by the Office of Foreign Asset Control (collectively, "AML Law"), the Trust Collateral Agent is required to obtain, verify, and record information relating to individuals and entities that establish a business relationship or open an account with the Trust Collateral Agent. Each party hereby agrees that it shall provide the Trust Collateral Agent with such identifying information and documentation as the Trust Collateral Agent may request from time to time in order to enable the Trust Collateral Agent to comply with all applicable requirements of AML Law.

SECTION 11.18. Concerning the Owner Trustee.

It is expressly understood and agreed by the parties hereto that (i) this Agreement is executed and delivered by U.S. Bank Trust National Association, not individually or personally but solely in its capacity as trustee on behalf of the Issuer (in such capacity, the "Owner Trustee"), at the direction of the Board of Trustees or its designated agents pursuant to and in the exercise of the powers and authority conferred and vested in it under the Trust Agreement (ii) each of the representations, warranties, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, warranties, undertakings and agreements by U.S. Bank Trust National Association or the Owner Trustee but is made and intended for the purpose of binding, and is binding only on, the Issuer, (iii) nothing herein contained shall be construed as creating any obligation or liability on U.S. Bank Trust National Association, individually or personally or as Owner Trustee, to perform any covenant either expressed or implied contained herein, all such obligation or liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto, (iv) U.S. Bank Trust National Association, individually and as Owner Trustee, has made no investigation as to the accuracy or completeness of any representations or warranties made by the Issuer in this Agreement and (v) under no circumstances shall U.S. Bank Trust National Association or the Owner Trustee be personally liable for the payment of any indebtedness, indemnities or expenses of the Issuer or be liable for the performance, breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Agreement or any other related documents, as to all of which recourse shall be had solely to the assets of the Issuer.

SECTION 11.19. EU & UK Risk Retention.

Credit Acceptance hereby undertakes to the Issuer, in connection with the European Securitization Rules and the UK Securitization Regulation as in effect on the Closing Date, that from the date hereof and for so long as any Notes remain outstanding:

(a) it will, as originator (for purposes of the European Securitization Rules and the UK Securitization Regulation), retain on an ongoing basis a material net economic interest that is not less than five percent of the nominal value of the securitized exposures with respect to the Notes (the “Retained Interest”), in the form of a first loss tranche in accordance with the text of paragraph (d) of Article 6(3) of the EU Securitization Regulation and the UK Securitization Regulation, in the case of UK-regulated institutional investors, by holding, through the Seller (its wholly-owned subsidiary), the Certificate representing a beneficial interest in the Issuer equal to at least five percent of the aggregate nominal value of the Loans (the “Retention Option”);

(b) it will not (and will not permit the Seller or any of its Affiliates to) hedge or otherwise mitigate its credit risk under or associated with the Retained Interest or sell, transfer or otherwise surrender all or part of the rights, benefits or obligations arising from the Retained Interest, except as permitted in accordance with the European Securitization Rules or the UK Securitization Regulation (as applicable);

(c) it will not change (and will not permit the Seller to change) the Retention Option or method of calculation of its net economic interest in the securitized exposures while the Notes are outstanding, except as permitted by the EU Securitization Regulation or the UK Securitization Regulation (as applicable);

(d) it will provide ongoing confirmation of its continued compliance with its obligations described above in this Section 11.19, (i) in or concurrently with each monthly Servicer’s Certificate made available to Noteholders pursuant to Section 5.11 hereof, (ii) on the occurrence of any Indenture Event of Default or a breach by Credit Acceptance (in any capacity), the Seller, the Servicer or the Issuer of any obligations under the Basic Documents, and (iii) from time to time upon request by any Noteholder in connection with any material change in the performance of the Notes or the risk characteristics of the Notes or the Loans; and

(e) it will notify the Issuer and the Indenture Trustee promptly of any breach of its undertakings in respect of the retention of the Retained Interest.

For the avoidance of doubt, neither the Indenture Trustee nor the Owner Trustee shall have any responsibility to monitor compliance with or enforce compliance with respect to the EU Securitization Rules, the UK Securitization Regulation or any other similar rules or regulations. Neither the Indenture Trustee nor the Owner Trustee shall be charged with knowledge of such rules, nor shall either be liable to any Noteholder, Certificateholder or other party for violation of such rules now or hereafter in effect.

IN WITNESS WHEREOF, the Issuer, the Seller, Credit Acceptance, as Servicer and in its individual capacity, the Backup Servicer, the Indenture Trustee and the Trust Collateral Agent have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

CREDIT ACCEPTANCE FUNDING
LLC 2023-1, as Seller

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: Chief Treasury Officer

CREDIT ACCEPTANCE CORPORATION, as Servicer and in its individual capacity

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: Chief Treasury Officer

CREDIT ACCEPTANCE AUTO LOAN TRUST 2023-1, as Issuer

By: U.S. Bank Trust National Association, not in its individual capacity but solely as Owner Trustee
on behalf of the Trust

By: /s/ Maritza Hernandez
Name: Maritza Hernandez
Title: Vice President

COMPUTERSHARE TRUST COMPANY, N.A., as Backup Servicer, Trust Collateral Agent and
Indenture Trustee

By: /s/ Scott Olmsted
Name: Scott Olmsted
Title: Vice President

[RESERVED]

Credit Acceptance Auto Loan Trust 2023-1
Servicer's Certificate

FORM OF DEALER AGREEMENT

FORM OF PURCHASE AGREEMENT

[RESERVED]

[RESERVED]

FORM OF DEALER LOAN CONTRACT AND PURCHASED LOAN CONTRACT

EXHIBIT H

CREDIT GUIDELINES

SCHEDULE A
to Sale and
Servicing Agreement

Loans, Dealer Agreements, Purchase Agreements and Contracts

Schedule A is the Excel files entitled "Schedule A – Loans" delivered by or on behalf of the Seller to the Servicer, the Backup Servicer, the Indenture Trustee and the Trust Collateral Agent.

Forecasted Collections

Distribution Date	Collections Available for Distribution
April 2023	\$ 45,309,536.11
May 2023	\$ 22,654,768.05
June 2023	\$ 22,654,768.05
July 2023	\$ 22,654,768.05
August 2023	\$ 22,654,768.05
September 2023	\$ 22,654,768.05
October 2023	\$ 22,654,768.05
November 2023	\$ 22,654,768.05
December 2023	\$ 22,654,768.05
January 2024	\$ 22,654,768.05
February 2024	\$ 22,654,768.05
March 2024	\$ 22,654,768.05
April 2024	\$ 22,654,768.05
May 2024	\$ 22,654,768.05
June 2024	\$ 22,654,768.05
July 2024	\$ 22,654,768.05
August 2024	\$ 22,654,768.05
September 2024	\$ 22,654,768.05
October 2024	\$ 22,654,768.05
November 2024	\$ 22,654,768.05
December 2024	\$ 22,654,768.05
January 2025	\$ 22,654,768.05
February 2025	\$ 22,654,768.05
March 2025	\$ 22,654,768.05
April 2025	\$ 22,654,768.05
May 2025	\$ 23,697,376.38
June 2025	\$ 23,724,945.64
July 2025	\$ 23,342,124.27
August 2025	\$ 23,092,866.59
September 2025	\$ 23,171,730.96
October 2025	\$ 22,600,946.22
November 2025	\$ 22,603,182.17
December 2025	\$ 22,036,847.12
January 2026	\$ 21,079,653.66
February 2026	\$ 20,036,504.39
March 2026	\$ 20,083,576.65
April 2026	\$ 19,761,015.15
May 2026	\$ 19,523,857.25
June 2026	\$ 18,810,910.08

July 2026	\$ 19,068,727.41
August 2026	\$ 18,371,882.99
September 2026	\$ 17,758,114.43
October 2026	\$ 17,115,981.37
November 2026	\$ 16,610,007.41
December 2026	\$ 15,989,591.88
January 2027	\$ 15,458,398.85
February 2027	\$ 14,899,319.28
March 2027	\$ 14,281,290.21
April 2027	\$ 13,726,395.78
May 2027	\$ 13,115,384.61
June 2027	\$ 12,702,040.33
July 2027	\$ 12,139,471.23
August 2027	\$ 11,662,428.16
September 2027	\$ 11,202,499.72
October 2027	\$ 10,717,386.48
November 2027	\$ 10,345,542.28
December 2027	\$ 9,964,335.76
January 2028	\$ 9,616,132.57
February 2028	\$ 9,155,918.59
March 2028	\$ 8,771,012.83
April 2028	\$ 8,383,149.19
May 2028	\$ 7,991,848.54
June 2028	\$ 7,690,120.04
July 2028	\$ 7,324,813.56
August 2028	\$ 6,930,021.51
September 2028	\$ 6,653,768.64
October 2028	\$ 6,331,558.08
November 2028	\$ 6,076,184.67
December 2028	\$ 5,838,134.44
January 2029	\$ 5,558,753.04
February 2029	\$ 5,289,757.00
March 2029	\$ 5,032,582.93
April 2029	\$ 4,933,103.56
May 2029	\$ 4,637,038.07
June 2029	\$ 4,347,962.43
July 2029	\$ 4,058,752.16
August 2029	\$ 3,804,471.25
September 2029	\$ 3,558,400.07
October 2029	\$ 3,290,615.27
November 2029	\$ 3,067,284.22
December 2029	\$ 2,850,265.24
January 2030	\$ 2,623,867.24
February 2030	\$ 2,442,926.71
March 2030	\$ 2,258,461.53
April 2030	\$ 2,056,267.62
May 2030	\$ 1,937,937.87

June 2030	\$ 1,810,452.69
July 2030	\$ 1,604,873.44
August 2030	\$ 1,518,308.66
September 2030	\$ 1,404,714.86
October 2030	\$ 1,201,039.52
November 2030	\$ 1,125,881.17
December 2030	\$ 1,044,422.69
January 2031	\$ 967,012.69
February 2031	\$ 935,368.86
March 2031	\$ 900,679.22
April 2031	\$ 782,626.70
May 2031	\$ 710,655.90
June 2031	\$ 664,180.25
July 2031	\$ 626,830.65
August 2031	\$ 594,779.65
September 2031	\$ 568,134.36
October 2031	\$ 547,281.46
November 2031	\$ 531,467.43
December 2031	\$ 518,456.40
January 2032	\$ 496,145.07
February 2032	\$ 481,539.80
March 2032	\$ 465,114.16
April 2032	\$ 449,673.23
May 2032	\$ 434,271.45
June 2032	\$ 424,742.53
July 2032	\$ 410,038.24
August 2032	\$ 398,305.48
September 2032	\$ 390,401.64
October 2032	\$ 380,438.89
November 2032	\$ 371,089.90
December 2032	\$ 364,645.85
January 2033	\$ 356,016.67
February 2033	\$ 348,126.42
March 2033	\$ 342,803.80
Total¹	\$ 758,030,731.35

* Excluding Collections reinvested during the Revolving Period and Collections forecasted, if applicable, to be received after the Final Scheduled Distribution Date for the Class C Notes.

Perfection Representations, Warranties and Covenants

In addition to the representations, warranties and covenants contained in the Agreement, the Seller hereby represents, warrants, and covenants to the Trust and the Indenture Trustee as follows on the Closing Date and on each Distribution Date on which the Trust purchases Loans, in each case only with respect to the Seller Property conveyed to the Trust on the Closing Date or the relevant Distribution Date:

General

1. The Agreement creates a valid and continuing security interest (as defined in UCC Section 9-102) in the Seller Property in favor of the Trust, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from and assignees of the Seller.
2. Each Contract constitutes “tangible chattel paper,” “electronic chattel paper” or a “payment intangible” within the meaning of UCC Section 9-102. Each Dealer Loan constitutes a “payment intangible” or a “general intangible” within the meaning of UCC Section 9-102.
3. Each Dealer Agreement and Purchase Agreement constitutes either a “general intangible,” or “tangible chattel paper” within the meaning of UCC Section 9-102.
4. There is only one original executed copy of each “tangible record” constituting or forming a part of each Contract that is tangible chattel paper and a single “authoritative copy” (as such term is used in Section 9-105 of the UCC) of each electronic record constituting or forming a part of each Contract that is electronic chattel paper.
5. The Seller has taken or will take all necessary actions with respect to the Loans to perfect its security interest in the Loans and in the property securing the Loans.

Creation

1. The Seller owns and has good and marketable title to the Initial Seller Property or Subsequent Seller Property, as applicable, free and clear of any Lien, claim or encumbrance of any Person, excepting only liens for taxes, assessments or similar governmental charges or levies incurred in the ordinary course of business that are not yet due and payable or as to which any applicable grace period shall not have expired, or that are being contested in good faith by proper proceedings and for which adequate reserves have been established, but only so long as foreclosure with respect to such a lien is not imminent and the use and value of the property to which the Lien attaches is not impaired during the pendency of such proceeding.

Perfection

1. The Seller has caused or will have caused, within ten (10) days after the effective date of the Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the conveyance and sale of the Conveyed Property from the Originator to the Seller, the transfer and sale of the Seller Property from the Seller to the Issuer, and the security interest in the Collateral granted to the Indenture Trustee under the Indenture.
2. With respect to Seller Property that constitutes tangible chattel paper, such tangible chattel paper is in the possession of the Servicer, in its capacity as custodian for the Trust and the Trust Collateral Agent, and the Trust Collateral Agent has received a written acknowledgment from the Servicer, in its capacity as custodian, that it is holding such tangible chattel paper solely on its behalf and for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). With respect to Seller Property that constitutes electronic chattel paper, the Trust Collateral Agent has received a written acknowledgment from the Servicer that it maintains control over such “electronic chattel paper”, as defined in Section 9-105 of the UCC, for the benefit of the Trust Collateral Agent, the Seller, the Trust and the relevant Dealer(s). All financing statements filed or to be filed against the Seller in favor of the Issuer or its assignee in connection with this Agreement describing the Seller Property contain a statement to the following effect: “A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party.”

Priority

1. Other than the security interest granted to the Issuer pursuant to this Agreement, the Seller has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Seller Property. None of the Originator, the Servicer nor the Seller has authorized the filing of, or is aware of any financing statements against either the Seller, the Originator or the Trust that includes a description of the Seller Property and proceeds related thereto other than any financing statement: (i) relating to the sale of Conveyed Property by the Originator to the Seller under the Sale and Contribution Agreement, (ii) relating to the security interest granted to the Trust hereunder, (iii) relating to the security interest granted to the Trust Collateral Agent under the Indenture; or (iv) that has been terminated or amended to reflect a release of the Seller Property.
2. Neither the Seller, the Originator nor the Trust is aware of any judgment, ERISA or tax lien filings against either the Seller, the Originator or the Trust.
3. None of the tangible chattel paper or electronic chattel paper that constitutes or evidences the Contracts, the Dealer Agreements or the Purchase Agreements has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any Person other than the Originator, the Servicer, the Seller, the Trust, a collection agent or the Trust Collateral Agent.

Survival of Perfection Representations

1. Notwithstanding any other provision of the Agreement, the Sale and Contribution Agreement, the Indenture or any other Basic Document, the Perfection Representations, Warranties and Covenants contained in this Schedule shall be continuing, and remain in full force and effect (notwithstanding any replacement of the Servicer or termination of Servicer's rights to act as such) until such time as all obligations under the Sale and Servicing Agreement, Sale and Contribution Agreement and the Indenture have been finally and fully paid and performed.

No Waiver

1. The parties hereto: (i) shall not, without obtaining a confirmation of the then-current ratings of the Notes, waive any of the Perfection Representations, Warranties or Covenants; (ii) shall provide the Rating Agencies with prompt written notice of any breach of the Perfection Representations, Warranties or Covenants, and shall not, without obtaining a confirmation of the then-current ratings of the Notes as determined after any adjustment or withdrawal of the ratings following notice of such breach, waive a breach of any of the Perfection Representations, Warranties or Covenants.

CERTIFICATIONS

I, Kenneth S. Booth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Credit Acceptance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2023

/s/ Kenneth S. Booth

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Credit Acceptance Corporation (the "Company") for the quarterly period ended March 31, 2023 (the "Report"), I, Kenneth S. Booth, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;
- and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2023

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