

Credit    
Acceptance   
*We change lives!*





*Our core purpose...*









# O From Our Founder

Donald A. Foss  
*Chairman & Founder*

2001 has been an especially gratifying year for me at Credit Acceptance. Financial results continued to improve, and our company grew dramatically stronger. A revolution is occurring within Credit Acceptance. A revolution primarily created by the focused efforts of a young, talented management team, put together over a number of years, which I believe is second to none. By year-end it was apparent to the Board of Directors and myself that it was time to take the next step and make management changes. We think the changes we have made are natural and evolutionary, and ensure that our company will be in proven, capable hands for a long time to come.

✓ On January 1, 2002, Brett Roberts replaced me as Chief Executive Officer. Brett joined Credit Acceptance about 11 years ago and has served in a variety of capacities over that time. He is a terrific leader and strategist and knows the nuts and bolts of our business.

✓ Keith McCluskey was promoted to President of Credit Acceptance. Keith's relationship with Credit Acceptance began in 1989 when he became one of the first new car dealers to understand the power of our program. Credit Acceptance was a critical factor in transforming

McCluskey Chevrolet from a small dealership into one of the top Chevrolet dealers in the country in used vehicle sales. He brings unique talent and experience, proven leadership and energy.

- ✓ Finally, Mike Knoblauch was promoted to Chief Operating Officer. Mike has been with Credit Acceptance since 1992. He has been responsible for building the departments that execute some of our most important core competencies. His dedication to Credit Acceptance and his proven ability to execute have been invaluable.

I remain Chairman of Credit Acceptance, and my expertise and years of experience

will be available as an asset to our management team. The majority of my time will be spent working with our dealer-partners to help them be successful with our unique program. I know the dealership business well and enjoy sharing my experiences with our dealer-partners.

As the largest shareholder of Credit Acceptance, I have never been more optimistic. These promotions ensure your company will be led by a superior management team dedicated to building the greatest business possible, measured in per share terms. They are leaving no stone unturned in their efforts to do so.



*Donald A. Foss*  
*Chairman & Founder*



# To Our Shareholders



In 2001, our Company recorded per share earnings of \$0.68 vs. \$0.53 in 2000, an increase of 28%. While per share earnings represent an important measure of financial results, our primary focus is on economic profit, defined as net operating profit after tax minus the cost of capital. The following presents our results for 2001 and 2000 on this basis:

| <i>(Dollars in thousands, except per share data)</i> | 2001       | 2000        |
|--|------------|-------------|
| Reported net income                                  | \$ 29,203  | \$ 23,650   |
| Interest expense after tax                           | 9,657      | 10,479      |
| Net operating profit after tax ("NOPAT")             | 38,860     | 34,399      |
| Average capital                                      | \$ 464,256 | \$ 428,761  |
| Return on capital                                    | 8.37%      | 8.02%       |
| Weighted average cost of capital                     | 9.65%      | 10.52%      |
| Spread   | (1.28%)    | (2.50%)     |
| Economic loss  | \$ (5,962) | \$ (10,724) |
| Shares outstanding                                   | 43,150,804 | 44,219,876  |
| Economic loss per share                              | \$ (0.14)  | \$ (0.24)   |

Our goal as a public company is to maximize our economic profit per share. Over the past year, we took the following steps toward this goal:

- We successfully deployed our credit application processing system ("CAPS"), an internet origination system which brings a number of benefits to our business model. For our dealer-partners, the system simplifies our program, allowing each dealer-partner to originate a greater volume of business at higher levels of profitability per vehicle. For our Company, the system improves our service levels and enhances our ability to deploy risk adjusted pricing. By year end, 78% of our North American loans were processed through this system.
- We exited the automotive leasing business and now focus 100% of our efforts on our indirect automotive lending business.
- We increased our market share in North America, our primary market, growing origination units

32% and dollar volume 69% while improving our expected return on capital per unit.

- We strengthened our management team, adding talented new managers in Risk Management, Internal Audit, and Human Resources. In addition, Keith McCluskey was promoted to President and Mike Knoblauch to Chief Operating Officer.
- We launched our extraordinary new website, [creditacceptance.com](http://creditacceptance.com), which allows our dealer-partners to work more closely with our servicing team and access up to the minute information on the loans that we service on their behalf.
- We added 260 new dealer-partners in 75 cities. Our strategy of carefully selecting each new dealer-partner through our Market Development Process is now fully implemented and will greatly enhance our ability to deliver consistent financial results.

## ✓ **Forecasts**

Our business model relies on our ability to forecast loan performance. Our forecasts are used to structure each transaction through pricing and credit policy, and to reserve for advance losses. We maintain a large database of information containing many data points on historical loans, and base our forecasts on how customers with like profiles have previously performed. We carefully track the performance of each loan and make adjustments to our forecasts every month.

In 2001, the following challenges made it more difficult to forecast loan performance:

- A more difficult economic environment.
- The change from a traditional origination method to our automated internet-based system.
- A change in the initial loan term to an average of 36 months in 2001 from 32 months in 2000.

To compensate for these factors, we reduced the amount advanced to dealer-partners. We believe the lower advances, combined with other changes to credit policy and pricing, resulted in an increase in the profitability of loans originated in 2001 vs. 2000. As the adjustments with the most impact were made in the latter half of the year, the improvement in profitability should continue in 2002. We believe that our ability to forecast, combined with common sense and an appropriate return on capital objective will allow us to originate profitable business over time.

Forecasting is a subject shareholders should pay close attention to. If we are not successful in creating economic profit, it will likely be because we overestimated future loan performance. Knowing this, we have made the forecasting process an area of significant focus. In addition, we have reduced our sensitivity to forecasting errors by increasing the spread between the amount advanced to dealer-partners and expected collections. The following table presents advance rates and forecasted collection rates, expressed as a percentage of total contract value, for the past 10 years:

|      | Forecasted<br>Collection % | Advance % |
|------|----------------------------|-----------|
| 1992 | 81%                        | 35%       |
| 1993 | 76%                        | 37%       |
| 1994 | 62%                        | 42%       |
| 1995 | 56%                        | 46%       |
| 1996 | 57%                        | 49%       |
| 1997 | 60%                        | 49%       |
| 1998 | 69%                        | 50%       |
| 1999 | 73%                        | 54%       |
| 2000 | 73%                        | 53%       |
| 2001 | 70%                        | 49%       |

Our forecasts become more accurate as the loans age. For example, our risk of a large forecasting error for business written in 1992 is very small, with 99.8% of the total amount expected to be collected already realized. In contrast, our forecast for recent originations is much less precise. The spread between the collection rate and the advance rate works to reduce our risk of writing unprofitable business. For 2001 originations, for example, an advance rate of 49%, after allowing for our 20% fee, requires us to collect only 61%, for an average dealer-partner, in order to avoid booking a reserve for advance losses. Our current expected collection rate of 70% leaves, on average, a wide margin for error. Because collections are applied to advances on an individual dealer-partner basis, a wide margin for error on average does not eliminate the risk of impaired advances, but it does work to reduce these losses significantly.

## ✓ **Economic Profit**

Economic profit is the way we measure financial performance at Credit Acceptance. Economic profit was adopted at the start of 2000 and has brought clarity and consistency to our strategic and operating decisions. Since 1999, we have improved our NOPAT 26% while the average capital used to produce these profits decreased 3%. Our ability to increase NOPAT while reducing capital utilized is primarily due to our success in increasing the spread between the amount collected and the amount advanced to dealer-partners.

## ✓ **Exit from Leasing Market**

In early 2002, we stopped originating new automobile leases. In early 1999, we entered the automobile leasing market to take advantage of certain structural advantages of leasing, primarily tax related, in order to provide a better product to our dealer-partners and customers and enhance our overall returns on capital. Two events caused us to reverse this strategy. First, our core indirect lending business began to show improved returns on capital, and as a result increased the return we required from our leasing business. Second, the leasing portfolio did not perform in line with our expectations. We will continue to service our existing lease portfolio with a goal to maximize the amount of capital available to invest back into our core business.

## ✓ **Share Repurchases**

To date we have re-purchased approximately 4.5 million shares of our common stock at an average price of \$5.29. Our last purchase occurred in June of 2001. We stopped buying shares for two reasons: (1) the market price of our stock began to increase and (2) the capital available for repurchasing shares was constrained by the increase in capital needed for operations. We expect to continue to repurchase shares when the stock price presents an opportunity to buy shares at less than intrinsic value and we have the capital to do so. Because determinations of intrinsic value are subjective and



imprecise we attempt to make these assessments using conservative assumptions.

### ✓ **Expanding Market Share**

In our largest market, North America, we originated 62,675 loans in 2001 compared to 47,260 in 2000, an increase of 32%. While the number of active dealer-partners declined from 1,202 in 2000 to 1,170 in 2001, the average dealer-partner produced 35% more volume on a unit basis than the year before. The increase in volume per dealer-partner is the result of our internet origination system, a more effective field sales force, and our new approach to enrolling new dealer-partners which we call our Market Development Process. This process involves approaching each market in the country with a selection process rather than a sales process. Each new dealer-partner is selected based on our assessment of that dealer-partner's ability to execute our program. As a result, we are much more stringent in our standards for new dealer-partners and for existing dealer-partners than in years past. We require new dealer-partners to fully commit to our "We change lives!" philosophy of helping consumers rehabilitate their credit and obtain quality transportation. In return, we provide our dealer-partners with an exclusive territory, marketing support and guaranteed credit approval over the internet through our CAPS system. Our higher standards generate higher quality, long-term relationships that not only benefit our shareholders, but also our dealer-partners who depend on our financial strength and access to capital. Our best dealer-partners applaud our more selective approach. We expect to do business with only a small percentage of the more than 80,000 dealers in the North American market.

### ✓ **Access To Capital**

As expected, our need for capital grew in 2001. In part, due to the more difficult economic environment, we made very little progress in securing new sources of capital in 2001. We currently have a \$135 million bank line of credit facility and have completed 7 successful securitizations. We have three goals for 2002: (1) expand our borrowing capacity to allow for a 1:1 relationship of debt to equity, (2) increase the number of funding sources and (3) increase the average term of our debt. While our ability to grow could be reduced in 2002 should we fail to secure additional capital, we believe this is a short-term challenge. Over the long term our ability to access capital should increase as we successfully execute our business strategy.

We believe our business model contains much less risk than a traditional finance company. Unlike most finance companies, our model has the potential to produce high returns on capital and requires modest leverage to generate a high return on equity. Our shareholders and lenders benefit from a wider margin for error compared to other finance companies. As of year-end, our debt-to-equity ratio was 0.7 to 1.0 and our interest coverage ratio was 4.3 to 1.0. As impressive as these numbers are, over the past 5 years we have not adequately distinguished

our business model from other industry participants. We believe that these differences will be more clearly observable going forward and will result in greater access to capital at more attractive rates than we are able to obtain today.

### ✓ **United Kingdom**

At year-end, approximately 19% of our total capital was invested in the United Kingdom market. We believe returns on capital for business originated in 2001 were comparable to business originated in North America over the same time period. We have a young and talented management team that is motivated to create a great business. There are two obstacles. First, our business is heavily concentrated with two dealer-partner groups who collectively represent 66% of our United Kingdom origination volume. Second, while we believe our overall returns on capital are adequate, the amount advanced to dealer-partners is higher than in North America. As a result, a variance from our forecasted collection rate in the United Kingdom has a more significant impact on our returns than does a similar variance in North America. We intend to allocate capital based on an evaluation of our expected risk-adjusted returns. As our United Kingdom business contains a higher risk profile, we expect higher returns to compensate shareholders for the additional risk. If anyone can address these issues adequately it is Steve Jones, who was promoted to Managing Director of our United Kingdom operation at the end of 2001. Steve is a talented and dedicated manager who will explore every possible alternative for meeting expectations.

### ✓ **Other Opportunities**

In 2002, we will explore additional products that can be delivered through existing distribution channels without the need for significant additional infrastructure, capital, or risk. These products include those that benefit our customers, such as insurance products or home mortgages, as well as our dealer-partners. In addition, we believe we have substantial opportunity to improve our overall returns on capital by reducing our servicing and origination costs through technology, process improvement and economies of scale.

### ✓ **Looking Forward**

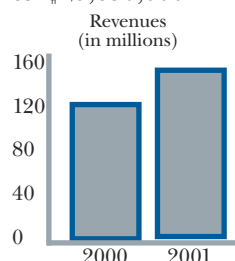
The improvements in our financial results over the past two years are a direct result of the efforts of our more than 700 team members located in Southfield, Michigan, Henderson, Nevada, and Worthing, UK who embrace our core purpose of "We change lives!" and our culture of honesty, teamwork, learning, urgency and fun. Our pride in our accomplishments over the past decade is exceeded only by our excitement about the future. We look forward to reporting our progress in next year's letter.



Brett Roberts  
Chief Executive Officer

# Financial Highlights

Credit Acceptance's financial performance in fiscal 2001 reflected our continued commitment to maximize per share business value. Net income increased 23% to \$29,203,000 in 2001 compared to \$23,650,000 in 2000. Revenues increased 19% to \$147,256,000 in 2001 compared to \$123,778,000 in 2000.



Originations totaled \$835,260,000 in 2001, a 41% increase compared to the

\$593,232,000 in 2000. Throughout 2001 the percentage of business originated via our internet origination system ("CAPS") substantially increased. By year end, approximately 78% of our North American loans were processed through CAPS. The system increases the speed of our approval and allows our dealer-partners to fine-tune the economics of each deal while making Credit Acceptance's Guaranteed Credit Approval System more simple to use at the same time. We are patent pending on CAPS and the Guaranteed Credit Approval System.

## 2001 FINANCIAL SUMMARY

| Dollars in thousands, except per share data                               | 2001       | 2000       |
|---|------------|------------|
| Revenues  | \$ 147,256 | \$ 123,778 |
| Net income  | 29,203     | 23,650     |
| Total originations  | 835,260    | 593,232    |
| Diluted earnings per share  | 0.68       | 0.53       |
| Assets  | 861,434    | 671,034    |
| Gross automobile loans receivable   | 906,808    | 674,402    |
| Debt  | 202,529    | 156,673    |
| Shareholders' equity  | \$ 288,439 | \$ 262,226 |
| Debt to Equity Ratio  | 0.70       | 0.60       |
| Non-accrual automobile loans as a percent of total gross automobile loans | 20.0%      | 21.6%      |

19% Increase in Revenue

Growth in EPS 27%



# The Company Overview

## ✓ Who We Are

Millions of people who want to purchase a vehicle each year do not qualify for conventional auto financing. Credit Acceptance Corporation serves this market by partnering with auto dealers to offer guaranteed credit. A customer who does not qualify for conventional auto financing can buy a vehicle from one of our dealer-partners and finance the purchase through the Credit Acceptance Guaranteed Credit Approval System. As payment for the vehicle our dealer-partners receive: (1) a down payment from the customer, (2) a cash advance from Credit Acceptance, and (3) the cash that remains from payments made on the automobile loan after the advance to our dealer-partner is repaid to the Company, and Credit Acceptance is paid a fee equal to a fixed percentage of each payment collected. In addition, Credit Acceptance receives fees for other value added services.

## ✓ History

The Company was founded in 1972 to service and collect retail automobile loans originated and funded by auto dealerships owned by our founder and current Chairman, Donald Foss. During the 1980's we began to market this service to non-affiliated dealers. In 1992, after completing our initial public offering, we began to expand rapidly. With little competition, we enjoyed very high returns on capital. As a public company, we were much more visible and began to attract competition. By 1995, the industry became over-capitalized and competitors became so irrational that, by the end of 1997, all but a handful were out of business. This environment, along with our poor execution, caused our business to suffer as well. As a result of business written during the period 1995 to 1997, we recorded large loan loss provisions in 1997 and 1999.

We learned a great deal from the 1995 to 1997 time period. These lessons have become an important part of our culture. Today we have vastly improved our ability to monitor, forecast, and manage loan performance. We are intensely focused on the return on capital employed. We have models to price and credit score each automobile loan. Today our dealers are truly partners.

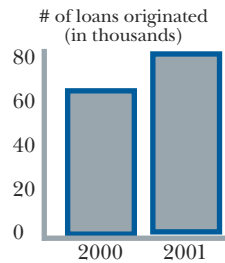
The competitive environment is more rational and the profitability of business written has improved each year since 1997. We are stronger today than at any time in our history.

## ✓ We change lives!

Credit Acceptance has grown to become a leading financial services company dedicated to the non-prime used vehicle market. We are committed to helping customers, dealer-partners, and shareholders to change their lives.

### Our Customers

Working with our dealer-partners, Credit Acceptance has assisted numerous customers in changing their lives. In 2001, we helped approximately 22,000 customers change their lives through Credit Acceptance's Guaranteed Credit Approval. We have enabled these customers to obtain quality transportation, while also helping them to establish or re-establish a positive credit rating through the timely repayment of their automobile loan.



**Our Dealer-Partners** We offer dealer-partners in select markets the opportunity to sell quality vehicles to customers who, for a variety of reasons, would normally be unable to obtain credit. Dealers who have partnered with Credit Acceptance have increased their profits, sold more vehicles and established new customer relationships. Our Guaranteed Credit Approval System significantly increases our dealer-partners profits in the following ways:

- The ability to advertise "guaranteed credit approval" attracts many customers who mistakenly assume they do not qualify for conventional financing, but who can actually qualify.
- As part of our unique business model, our dealer-partners share in profits not only from the sale of the vehicle, but also from its financing.
- Satisfied customers often become repeat customers of our dealer-partners by financing future vehicle purchases either through the Credit Acceptance program or, after they have successfully rehabilitated their credit, through conventional financing.

# 41% Increase in Originations

*Our Shareholders* The business we have originated since the start of 2000 is expected to generate a return on capital meaningfully above our cost of capital. If this trend continues, we will require only modest leverage to generate a healthy return in equity. This is due to the uniqueness of our product and the high value-added service we bring to both our dealer-partners and their customers. In addition, we believe we assume significantly less risk than a conventional finance company for three reasons. First, the initial advance to our dealer-partners is significantly less than the expected future cash flow from the automobile loan. Second, since our dealer-partners share in the cash flow from a successful automobile loan, the dealer-partners have incentive to originate quality automobile loans. Third, our advance is returned to Credit Acceptance from the monthly payments collected on each contract before our dealer-partner receives any additional payments.

Today, we are the only company offering guaranteed credit approval to dealer-partners on a nationwide basis. We have developed this ability over the 30 years our company has been in existence. We believe we have unparalleled ability to credit score, price, collect, service, and monitor risk in this market.

We think as shareholders and, as a result, our focus is on long-term economic profit per share, not short-term reported results.

...the only  
Company  
with  
Guaranteed  
Credit  
Approval

# Proud of Our History

1967  
*Don Foss opens his  
first used car lot*

1972  
*Credit Acceptance is incorporated  
as a collection operation*

1988  
*Credit Acceptance begins  
partnering with dealers on a  
regional basis*

1992  
*Credit Acceptance celebrates  
it's initial public offering*

2001  
*Guaranteed Credit Approval &  
CAPS become Patent Pending*



# Credit Acceptance

C U S T O M E R S

Kim Schofield • Ansonia, CT

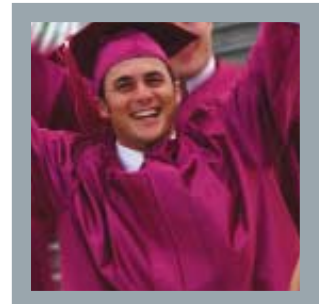


“Our very own home...  
thank you Credit Acceptance!”



*“I tried approximately 17 times to apply for car credit and with no success, that’s until Credit Acceptance helped me and my family HIT THE ROAD with my first car...  
I am eternally grateful!”*

*Kim Schofield*



“I am  
Eternally  
Grateful.”

# “The Beginning of my Second Chance.”

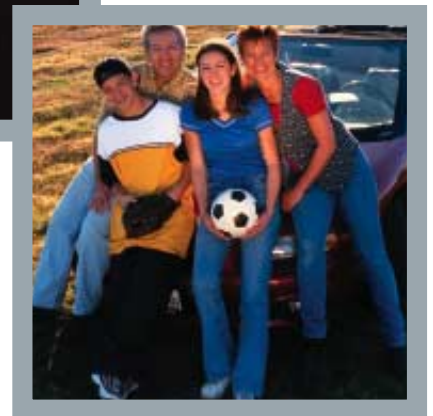
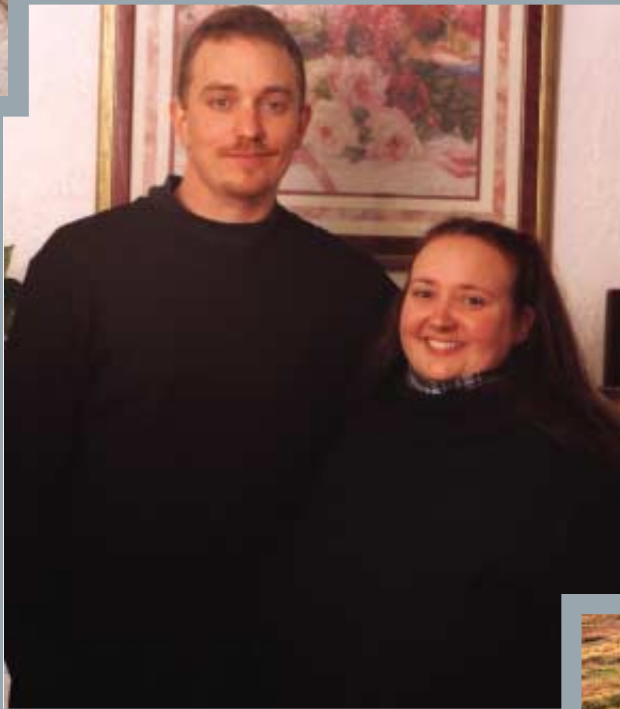
Shannon and Cherie Martin • Centerline, MI



“A toast to our new lives!”

*“Second chances are not granted on a person’s sole efforts. At some point in time someone helped you with a new beginning. Credit Acceptance was the beginning of my second chance. Thank you Credit Acceptance!”*

*Cherie A Martin*



# “Thank you. Thank you. Thank you!”



# Credit Acceptance

DEALER-PARTNERS

Ron Swatty  
Stone Mountain Toyota • Georgia



“My  
Volume  
is up 22%  
thanks to  
Credit  
Acceptance.”

*W. Swatty*

*“Our exclusive territory with  
Credit Acceptance is like a new  
car franchise...I wouldn't trade  
it for anything!”*

*Jeff Tesio*

“I wouldn't  
Trade it for  
Anything!”



Jeff Tesio  
Troy Auto 1st • Illinois

Rick Itow & Claudio Romero  
 Morrie's Minnetonka Ford • Minnesota



*"Morrie's Minnetonka Ford is selling a lot more new Taurus' to people we've never seen on our showroom before due to the immense drawing power of Guaranteed Credit Approval... all within 60 seconds, and it's 24/7!"*

*Richard Itow*

**"All within  
 60 seconds  
 and it's  
 24/7!"**

Tom Herald  
 Hebron Auto Sales • Kentucky

*"We've changed the lives of over 2,300 customers since becoming a dealer-partner with Credit Acceptance. Routinely, we take customers from our competition (Buy Here, Pay Here lots), tailor their financing through Credit Acceptance, provide more vehicle for their money, and most importantly, give them the opportunity and a plan to establish strong credit. Guaranteed Credit Approval gives us the competitive power to become the number one independent dealer in Greater Cincinnati."*

*Tom Herald*



**"Guaranteed  
 Credit  
 Approval  
 gives us the  
 Power!"**

# Credit Acceptance

TEAM MEMBERS

Amy Donaldson  
New Business Team



*"Credit Acceptance couldn't have provided a better environment for me to start into the workforce after college. Thanks Credit Acceptance!"*

*Amy P Donaldson*



Credit Acceptance Team UK

**"Thanks  
Credit  
Acceptance!"**



Repossession Team





“We look forward to seeing the **Impact** On our **Team Members!**”

Robin Larrair  
Training and Development Team

*“We have been honored to chair the Great Place to Work Committee since its inception. It is exciting to be a part of changing Team Members lives by investigating and implementing their suggestions to make our company a “Great Place to Work”. We look forward to the continued efforts of our committee and to see the impact on our Team Members in the future.”*



*“I have thoroughly enjoyed my 11 years of service at Credit Acceptance. Now, being on the Training and Development Team, I am even more excited about my career here. I am able to come to work and assist our team members in their effort to Change Peoples Lives! I love my job!”*

*Robin Larrair*



Legal Collections Team



Bankruptcy Team



Executive Assistant Team



*u n i t e d w e s t a n d*

## BOARD OF DIRECTORS

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**Donald A. Foss**

Chairman of the Board  
Credit Acceptance Corporation

**Harry E. Craig**

Independent Personnel Consultant

**Sam M. LaFata**

Vice President – Special Business Development  
Manheim Metro Detroit Auto Auction

**Daniel P. Leff**

Chairman and Chief Executive Officer  
Enron Energy Services

**Brett A. Roberts**

Chief Executive Officer  
Credit Acceptance Corporation

**Thomas N. Tryforos**

General Partner  
Prescott Investors, Inc.

## OTHER INFORMATION

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**Corporate Headquarters**

Silver Triangle Building  
25505 West Twelve Mile Road  
Suite 3000  
Southfield, MI 48034-8339  
(248) 353-2700

**Transfer Agent and Registrar**

Computershare Investor Services L.L.C.  
2 North La Salle Street  
Chicago, IL 60602  
(312) 588-4991

**Corporate Counsel**

Dykema Gossett PLLC  
Detroit, MI

**Certified Public Accountants**

Deloitte & Touche LLP  
Detroit, MI

**Stock Listing**

Nasdaq Stock Market Symbol:  
CACC

**Investor Relations**

Information requests should be forwarded to:  
Douglas W. Busk

**Annual Shareholders Meeting**

May 9, 2002 9:00 a.m.  
Silver Triangle Building  
25505 West Twelve Mile Road  
Southfield, MI 48034-8339

Shareholders may obtain without charge a copy of the Company's annual report on Form 10-K, as filed with the Securities and Exchange Commission, by writing the Investor Relations Department at the corporate headquarters address or by accessing Investor information on the Company's Web site at [www.creditacceptance.com](http://www.creditacceptance.com).



# Our Five Core Values...

## Honesty...

*we have the courage and integrity to face the truth of each situation... with facts as they are, not as we would like them to be... we communicate openly... our actions are consistent with our words.*



SM

## Teamwork...

*we take pride in our collective accomplishments... we take responsibility for our collective mistakes... we understand we can accomplish more by including others in what we do... we celebrate our victories... we treat each other with respect.*

## Learning...

*we relentlessly search out new ideas regardless of the source... we strive for continuous self-improvement... we listen and learn from each other.*

## Urgency...

*we approach our objectives with passion and urgency... we are faced with infinite possibilities for growth, achievement and experiences constrained only by time... we are constantly reminded that time is limited and should be consumed as our most precious asset.*

## Fun...

*we believe fun is created through an environment filled with trust, challenge, personal growth and hard work... knowing that we are helping people improve their lives.*

## Our Mission...

*To create one of the world's  
greatest financial services  
companies measured by  
creation of shareholder  
value and raving fan  
team members, customers,  
and dealer-partners!*

25505 West Twelve Mile Road  
Southfield, Michigan 48034  
248 . 353 . 2700

*visit us @ [creditacceptance.com](http://creditacceptance.com)*