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 September 30, 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:

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

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 o

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 o

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. o

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 October 23, 2023 was 12,566,657.

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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 September 30, 2023	As of December 31, 2022
ASSETS:		
Cash and cash equivalents	$ 3.1	$ 7.7
Restricted cash and cash equivalents	435.1	410.0
Restricted securities available for sale	86.2	72.3
Loans receivable	9,812.2	9,165.5
Allowance for credit losses	(3,031.7)	(2,867.8)
Loans receivable, net	6,780.5	6,297.7
Property and equipment, net	47.1	51.4
Income taxes receivable	14.2	8.7
Other assets	30.9	56.9
Total assets	$ 7,397.1	$ 6,904.7
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	$ 284.1	$ 260.8
Revolving secured lines of credit	102.1	30.9
Secured financing	4,034.2	3,756.4
Senior notes	796.0	794.5
Mortgage note	8.5	8.9
Deferred income taxes, net	461.8	426.7
Income taxes payable	9.5	2.5
Total liabilities	5,696.2	5,280.7
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, 12,566,219 and 12,756,885 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	0.1	0.1
Paid-in capital	271.3	245.7
Retained earnings	1,432.4	1,381.1
Accumulated other comprehensive loss	(2.9)	(2.9)
Total shareholders' equity	1,700.9	1,624.0
Total liabilities and shareholders' equity	$ 7,397.1	$ 6,904.7

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 September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Finance charges	$ 441.7	$ 420.6	$ 1,303.8	$ 1,270.3
Premiums earned	20.8	16.4	58.0	45.6
Other income	16.1	23.3	48.5	57.5
Total revenue	478.6	460.3	1,410.3	1,373.4
Costs and expenses:				
Salaries and wages	66.7	66.9	214.1	196.7
General and administrative	21.3	16.6	59.8	67.8
Sales and marketing	22.5	19.7	70.9	57.9
Total operating expenses	110.5	103.2	344.8	322.4
Provision for credit losses on forecast changes	106.3	96.9	319.4	67.6
Provision for credit losses on new Consumer Loan assignments	78.3	83.4	253.1	283.5
Total provision for credit losses	184.6	180.3	572.5	351.1
Interest	70.5	41.8	187.7	117.2
Provision for claims	16.5	12.9	54.1	34.0
Total costs and expenses	382.1	338.2	1,159.1	824.7
Income before provision for income taxes	96.5	122.1	251.2	548.7
Provision for income taxes	25.7	35.3	58.7	140.2
Net income	$ 70.8	$ 86.8	$ 192.5	$ 408.5
Net income per share:				
Basic	$ 5.47	$ 6.53	$ 14.79	$ 29.90
Diluted	$ 5.43	$ 6.49	$ 14.73	$ 29.74
Weighted average shares outstanding:				
Basic	12,933,377	13,293,224	13,013,344	13,662,178
Diluted	13,039,638	13,364,160	13,068,998	13,737,871

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	$ 70.8	$ 86.8	$ 192.5	$ 408.5
Other comprehensive loss, net of tax:				
Unrealized loss on securities, net of tax	(0.2)	(1.2)	—	(3.6)
Other comprehensive loss	(0.2)	(1.2)	—	(3.6)
Comprehensive income	$ 70.6	$ 85.6	$ 192.5	$ 404.9

See accompanying notes to consolidated financial statements.

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

(Dollars in millions)

For the Three Months Ended September 30, 2023

	Common Stock					
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	12,821,681	$ 0.1	$ 261.7	$ 1,487.9	$ (2.7)	$ 1,747.0
Net income	—	—	—	70.8	—	70.8
Other comprehensive loss	—	—	—	—	(0.2)	(0.2)
Stock-based compensation	—	—	9.3	—	—	9.3
Repurchase of common stock	(256,232)	—	—	(126.3)	—	(126.3)
Stock options exercised	770	—	0.3	—	—	0.3
Balance, end of period	12,566,219	$ 0.1	$ 271.3	$ 1,432.4	$ (2.9)	$ 1,700.9

(Dollars in millions)

For the Three Months Ended September 30, 2022

	Common Stock					
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	12,975,455	$ 0.1	$ 225.8	$ 1,296.4	$ (2.2)	$ 1,520.1
Net income	—	—	—	86.8	—	86.8
Other comprehensive loss	—	—	—	—	(1.2)	(1.2)
Stock-based compensation	—	—	8.7	—	—	8.7
Repurchase of common stock	(53,769)	—	—	(26.5)	—	(26.5)
Stock options exercised	3,025	—	1.3	—	—	1.3
Balance, end of period	12,924,711	$ 0.1	$ 235.8	$ 1,356.7	$ (3.4)	$ 1,589.2

(Dollars in millions)

For the Nine Months Ended September 30, 2023

	Common Stock					
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	12,756,885	$ 0.1	$ 245.7	$ 1,381.1	$ (2.9)	$ 1,624.0
Net income	—	—	—	192.5	—	192.5
Stock-based compensation	—	—	29.0	—	—	29.0
Repurchase of common stock	(305,493)	—	(7.8)	(141.2)	—	(149.0)
Restricted stock units converted to common stock	101,757	—	—	—	—	—
Stock options exercised	13,070	—	4.4	—	—	4.4
Balance, end of period	12,566,219	$ 0.1	$ 271.3	$ 1,432.4	$ (2.9)	$ 1,700.9

(Dollars in millions)

For the Nine Months Ended September 30, 2022

	Common Stock					
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	14,145,888	$ 0.1	$ 197.2	$ 1,626.7	$ 0.2	$ 1,824.2
Net income	—	—	—	408.5	—	408.5
Other comprehensive loss	—	—	—	—	(3.6)	(3.6)
Stock-based compensation	—	—	26.9	—	—	26.9
Repurchase of common stock	(1,261,457)	—	(0.7)	(678.5)	—	(679.2)
Restricted stock units converted to common stock	3,980	—	—	—	—	—
Stock options exercised	36,300	—	12.4	—	—	12.4
Balance, end of period	12,924,711	$ 0.1	$ 235.8	$ 1,356.7	$ (3.4)	$ 1,589.2

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)	For the Nine Months Ended September 30, 2023	2022
Cash Flows From Operating Activities:		
Net income	$ 192.5	$ 408.5
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	572.5	351.1
Depreciation	6.6	6.8
Amortization	13.3	12.5
Provision for deferred income taxes	35.1	3.8
Stock-based compensation	29.0	26.9
Other	0.5	0.1
Change in operating assets and liabilities:		
Increase in accounts payable and accrued liabilities	14.6	44.4
Decrease (increase) in income taxes receivable	(5.5)	80.2
Increase in income taxes payable	7.0	—
Decrease in other assets	27.0	17.6
Net cash provided by operating activities	892.6	951.9
Cash Flows From Investing Activities:		
Purchases of restricted securities available for sale	(34.7)	(38.2)
Proceeds from sale of restricted securities available for sale	12.3	9.5
Maturities of restricted securities available for sale	8.1	17.9
Principal collected on Loans receivable	2,330.8	2,670.8
Advances to Dealers	(2,202.9)	(1,971.9)
Purchases of Consumer Loans	(970.6)	(851.4)
Accelerated payments of Dealer Holdback	(35.3)	(35.2)
Payments of Dealer Holdback	(177.3)	(138.7)
Purchases of property and equipment	(2.3)	(1.9)
Net cash used in investing activities	(1,071.9)	(339.1)
Cash Flows From Financing Activities:		
Borrowings under revolving secured lines of credit	5,529.1	5,867.3
Repayments under revolving secured lines of credit	(5,457.9)	(5,681.0)
Proceeds from secured financing	2,004.0	847.8
Repayments of secured financing	(1,722.9)	(1,028.9)
Payments of debt issuance costs	(16.0)	(7.9)
Repurchase of common stock	(149.0)	(679.2)
Proceeds from stock options exercised	4.4	12.4
Other	8.1	17.9
Net cash provided by (used in) financing activities	199.8	(651.6)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	20.5	(38.8)
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	$ 438.2	$ 395.4
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	$ 172.7	$ 105.1
Cash paid during the period for income taxes, net of refunds	$ 19.7	$ 50.0

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 September 30, 2023 for items that could potentially be recognized or disclosed in these financial statements. We did not identify any items that would require disclosure in or adjustment to the consolidated financial statements.

Reclassification

Certain amounts for prior periods have been reclassified to conform to the current presentation.

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 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:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Consumer Loan Assignment Volume	**2023**	**2022**	**2023**	**2022**
Percentage of total unit volume with either FICO® scores below 650 or no FICO® scores	78.6 %	84.2 %	81.5 %	85.6 %

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

In recent years, we have expanded our financing programs to consumers with higher credit ratings, which has contributed to the reduction in the percentage of total unit volume with either FICO® scores below 650 or no FICO® scores.

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 seven quarters:

	Unit Volume		Dollar Volume (1)	
Three Months Ended	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 %
June 30, 2023	72.4 %	27.6 %	68.6 %	31.4 %
September 30, 2023	74.8 %	25.2 %	71.7 %	28.3 %

(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 September 30, 2023 and December 31, 2022, we had $2.8 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 September 30, 2023 and December 31, 2022, we had $431.2 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			
	September 30, 2023	December 31, 2022	September 30, 2022	December 31, 2021
Cash and cash equivalents	$ 3.1	$ 7.7	$ 10.7	$ 23.3
Restricted cash and cash equivalents	435.1	410.0	384.7	410.9
Total cash and cash equivalents and restricted cash and cash equivalents	$ 438.2	$ 417.7	$ 395.4	$ 434.2

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.

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.

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 a 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 second quarter of 2023, we adjusted our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent Consumer Loan performance and Consumer Loan prepayment data. 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 and nine months ended September 30, 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.

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.

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.

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 Lines 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 September 30, 2023		As of December 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 3.1	$ 3.1	$ 7.7	$ 7.7
Restricted cash and cash equivalents	435.1	435.1	410.0	410.0
Restricted securities available for sale	86.2	86.2	72.3	72.3
Loans receivable, net	6,780.5	7,529.4	6,297.7	6,767.9
Liabilities				
Revolving secured lines of credit	$ 102.1	$ 102.1	$ 30.9	$ 30.9
Secured financing	4,034.2	4,015.3	3,756.4	3,581.9
Senior notes	796.0	745.0	794.5	759.0
Mortgage note	8.5	8.5	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 September 30, 2023			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	$ 3.1	$ —	$ —	$ 3.1
Restricted cash and cash equivalents (1)	435.1	—	—	435.1
Restricted securities available for sale (2)	69.6	16.6	—	86.2
Loans receivable, net (1)	—	—	7,529.4	7,529.4
Liabilities				
Revolving secured lines of credit (1)	$ —	$ 102.1	$ —	$ 102.1
Secured financing (1)	3,014.2	1,001.1	—	4,015.3
Senior notes (1)	745.0	—	—	745.0
Mortgage note (1)	—	8.5	—	8.5

(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 lines 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.

5. RESTRICTED SECURITIES AVAILABLE FOR SALE

Restricted securities available for sale consist of the following:

(In millions)	As of September 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 37.8	$ —	$ (1.6)	$ 36.2
U.S. Government and agency securities	34.3	—	(1.7)	32.6
Asset-backed securities	16.9	—	(0.5)	16.4
Municipal securities	0.8	—	—	0.8
Mortgage-backed securities	0.2	—	—	0.2
Total restricted securities available for sale	$ 90.0	$ —	$ (3.8)	$ 86.2

(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 September 30, 2023					
	Less than 12 Months		12 Months or More			
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Corporate bonds	$ 18.5	$ (0.4)	$ 16.8	$ (1.2)	$ 35.3	$ (1.6)
U.S. Government and agency securities	13.9	(0.4)	18.8	(1.3)	32.7	(1.7)
Asset-backed securities	10.1	(0.1)	6.4	(0.4)	16.5	(0.5)
Mortgage-backed securities	—	—	0.2	—	0.2	—
Total restricted securities available for sale	$ 42.5	$ (0.9)	$ 42.2	$ (2.9)	$ 84.7	$ (3.8)

(In millions)	Securities Available for Sale with Gross Unrealized Losses as of December 31, 2022					
	Less than 12 Months		12 Months or More			
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Total Estimated Fair Value	Total Gross Unrealized Losses
Corporate bonds	$ 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)	As of			
	September 30, 2023		December 31, 2022	
Contractual Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	$ 7.9	$ 7.7	$ 4.0	$ 3.9
Over one year to five years	74.4	71.0	66.4	63.0
Over five years to ten years	7.7	7.5	5.6	5.3
Over ten years	—	—	0.1	0.1
Total restricted securities available for sale	$ 90.0	$ 86.2	$ 76.1	$ 72.3

6. LOANS RECEIVABLE

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

(In millions)	As of September 30, 2023		
	Dealer Loans	Purchased Loans	Total
Loans receivable	$ 6,784.6	$ 3,027.6	$ 9,812.2
Allowance for credit losses	(2,269.6)	(762.1)	(3,031.7)
Loans receivable, net	$ 4,515.0	$ 2,265.5	$ 6,780.5

(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

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

(In millions)	For the Three Months Ended September 30, 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	$ 6,534.1	$ 3,065.5	$ 9,599.6	$ (2,188.4)	$ (800.9)	$ (2,989.3)	$ 4,345.7	$ 2,264.6	$ 6,610.3
Finance charges	401.0	231.1	632.1	(136.0)	(54.4)	(190.4)	265.0	176.7	441.7
Provision for credit losses	—	—	—	(108.0)	(76.6)	(184.6)	(108.0)	(76.6)	(184.6)
New Consumer Loan assignments (1)	732.5	289.7	1,022.2	—	—	—	732.5	289.7	1,022.2
Collections (2)	(775.4)	(406.7)	(1,182.1)	—	—	—	(775.4)	(406.7)	(1,182.1)
Accelerated Dealer Holdback payments	10.7	—	10.7	—	—	—	10.7	—	10.7
Dealer Holdback payments	59.0	—	59.0	—	—	—	59.0	—	59.0
Transfers (3)	(27.3)	27.3	—	9.5	(9.5)	—	(17.8)	17.8	—
Write-offs	(153.7)	(180.2)	(333.9)	153.7	180.2	333.9	—	—	—
Recoveries (4)	0.4	0.9	1.3	(0.4)	(0.9)	(1.3)	—	—	—
Deferral of Loan origination costs	3.3	—	3.3	—	—	—	3.3	—	3.3
Balance, end of period	$ 6,784.6	$ 3,027.6	$ 9,812.2	$ (2,269.6)	$ (762.1)	$ (3,031.7)	$ 4,515.0	$ 2,265.5	$ 6,780.5

(In millions)	For the Three Months Ended September 30, 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	$ 5,832.9	$ 3,357.7	$ 9,190.6	$ (1,844.8)	$ (1,022.1)	$ (2,866.9)	$ 3,988.1	$ 2,335.6	$ 6,323.7
Finance charges	351.6	244.5	596.1	(112.3)	(63.2)	(175.5)	239.3	181.3	420.6
Provision for credit losses	—	—	—	(95.2)	(85.1)	(180.3)	(95.2)	(85.1)	(180.3)
New Consumer Loan assignments (1)	651.9	273.0	924.9	—	—	—	651.9	273.0	924.9
Collections (2)	(789.2)	(448.9)	(1,238.1)	—	—	—	(789.2)	(448.9)	(1,238.1)
Accelerated Dealer Holdback payments	10.3	—	10.3	—	—	—	10.3	—	10.3
Dealer Holdback payments	48.3	—	48.3	—	—	—	48.3	—	48.3
Transfers (3)	(13.8)	13.8	—	3.6	(3.6)	—	(10.2)	10.2	—
Write-offs	(116.1)	(232.7)	(348.8)	116.1	232.7	348.8	—	—	—
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	$ 5,978.2	$ 3,208.2	$ 9,186.4	$ (1,932.7)	$ (942.1)	$ (2,874.8)	$ 4,045.5	$ 2,266.1	$ 6,311.6

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

	For the Nine Months Ended September 30, 2023								
(In millions)	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	1,156.8	698.1	1,854.9	(386.7)	(164.4)	(551.1)	770.1	533.7	1,303.8
Provision for credit losses	—	—	—	(327.3)	(245.2)	(572.5)	(327.3)	(245.2)	(572.5)
New Consumer Loan assignments (1)	2,202.9	970.6	3,173.5	—	—	—	2,202.9	970.6	3,173.5
Collections (2)	(2,376.9)	(1,266.9)	(3,643.8)	—	—	—	(2,376.9)	(1,266.9)	(3,643.8)
Accelerated Dealer Holdback payments	35.3	—	35.3	—	—	—	35.3	—	35.3
Dealer Holdback payments	177.3	—	177.3	—	—	—	177.3	—	177.3
Transfers (3)	(78.9)	78.9	—	28.5	(28.5)	—	(50.4)	50.4	—
Write-offs	(417.2)	(546.7)	(963.9)	417.2	546.7	963.9	—	—	—
Recoveries (4)	1.3	2.9	4.2	(1.3)	(2.9)	(4.2)	—	—	—
Deferral of Loan origination costs	9.2	—	9.2	—	—	—	9.2	—	9.2
Balance, end of period	$ 6,784.6	$ 3,027.6	$ 9,812.2	$ (2,269.6)	$ (762.1)	$ (3,031.7)	$ 4,515.0	$ 2,265.5	$ 6,780.5

	For the Nine Months Ended September 30, 2022								
(In millions)	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	1,030.9	764.3	1,795.2	(324.3)	(200.6)	(524.9)	706.6	563.7	1,270.3
Provision for credit losses	—	—	—	(170.0)	(181.1)	(351.1)	(170.0)	(181.1)	(351.1)
New Consumer Loan assignments (1)	1,971.9	851.4	2,823.3	—	—	—	1,971.9	851.4	2,823.3
Collections (2)	(2,488.0)	(1,459.7)	(3,947.7)	—	—	—	(2,488.0)	(1,459.7)	(3,947.7)
Accelerated Dealer Holdback payments	35.2	—	35.2	—	—	—	35.2	—	35.2
Dealer Holdback payments	138.7	—	138.7	—	—	—	138.7	—	138.7
Transfers (3)	(57.0)	57.0	—	14.2	(14.2)	—	(42.8)	42.8	—
Write-offs	(315.8)	(701.8)	(1,017.6)	315.8	701.8	1,017.6	—	—	—
Recoveries (4)	0.6	2.3	2.9	(0.6)	(2.3)	(2.9)	—	—	—
Deferral of Loan origination costs	6.6	—	6.6	—	—	—	6.6	—	6.6
Balance, end of period	$ 5,978.2	$ 3,208.2	$ 9,186.4	$ (1,932.7)	$ (942.1)	$ (2,874.8)	$ 4,045.5	$ 2,266.1	$ 6,311.6

(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)	For the Three Months Ended September 30, 2023		
Provision for Credit Losses	**Dealer Loans**	**Purchased Loans**	**Total**
New Consumer Loan assignments	$ 37.4	$ 40.9	$ 78.3
Forecast changes	70.6	35.7	106.3
Total	$ 108.0	$ 76.6	$ 184.6

(In millions)	For the Three Months Ended September 30, 2022		
Provision for Credit Losses	**Dealer Loans**	**Purchased Loans**	**Total**
New Consumer Loan assignments	$ 37.6	$ 45.8	$ 83.4
Forecast changes	57.6	39.3	96.9
Total	$ 95.2	$ 85.1	$ 180.3

(In millions)	For the Nine Months Ended September 30, 2023		
Provision for Credit Losses	**Dealer Loans**	**Purchased Loans**	**Total**
New Consumer Loan assignments	$ 108.9	$ 144.2	$ 253.1
Forecast changes	218.4	101.0	319.4
Total	$ 327.3	$ 245.2	$ 572.5

(In millions)	For the Nine Months Ended September 30, 2022		
Provision for Credit Losses	**Dealer Loans**	**Purchased Loans**	**Total**
New Consumer Loan assignments	$ 130.7	$ 152.8	$ 283.5
Forecast changes	39.3	28.3	67.6
Total	$ 170.0	$ 181.1	$ 351.1

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)	For the Three Months Ended September 30, 2023		
New Consumer Loan Assignments	**Dealer Loans**	**Purchased Loans**	**Total**
Contractual net cash flows at the time of assignment (1)	$ 1,140.8	$ 577.7	$ 1,718.5
Expected net cash flows at the time of assignment (2)	1,035.1	407.6	1,442.7
Loans receivable at the time of assignment (3)	732.5	289.7	1,022.2
Provision for credit losses expense at the time of assignment	$ (37.4)	$ (40.9)	$ (78.3)
Expected future finance charges at the time of assignment (4)	340.0	158.8	498.8
Expected net Loan income at the time of assignment (5)	$ 302.6	$ 117.9	$ 420.5

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(In millions)	For the Three Months Ended September 30, 2022		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 998.1	$ 548.2	$ 1,546.3
Expected net cash flows at the time of assignment (2)	905.6	374.2	1,279.8
Loans receivable at the time of assignment (3)	651.9	273.0	924.9
Provision for credit losses expense at the time of assignment	$ (37.6)	$ (45.8)	$ (83.4)
Expected future finance charges at the time of assignment (4)	291.3	147.0	438.3
Expected net Loan income at the time of assignment (5)	$ 253.7	$ 101.2	$ 354.9

(In millions)	For the Nine Months Ended September 30, 2023		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 3,435.1	$ 1,948.9	$ 5,384.0
Expected net cash flows at the time of assignment (2)	3,118.1	1,357.7	4,475.8
Loans receivable at the time of assignment (3)	2,202.9	970.6	3,173.5
Provision for credit losses expense at the time of assignment	$ (108.9)	$ (144.2)	$ (253.1)
Expected future finance charges at the time of assignment (4)	1,024.1	531.3	1,555.4
Expected net Loan income at the time of assignment (5)	$ 915.2	$ 387.1	$ 1,302.3

(In millions)	For the Nine Months Ended September 30, 2022		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 3,015.3	$ 1,698.3	$ 4,713.6
Expected net cash flows at the time of assignment (2)	2,736.4	1,158.9	3,895.3
Loans receivable at the time of assignment (3)	1,971.9	851.4	2,823.3
Provision for credit losses expense at the time of assignment	$ (130.7)	$ (152.8)	$ (283.5)
Expected future finance charges at the time of assignment (4)	895.2	460.3	1,355.5
Expected net Loan income at the time of assignment (5)	$ 764.5	$ 307.5	$ 1,072.0

(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).

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

(In millions)	For the Three Months Ended September 30, 2023		
Expected Future Net Cash Flows	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 6,166.4	$ 3,509.9	$ 9,676.3
New Consumer Loan assignments (1)	1,035.1	407.6	1,442.7
Realized net cash flows (2)	(705.7)	(406.7)	(1,112.4)
Forecast changes	(40.3)	(29.1)	(69.4)
Transfers (3)	(26.5)	28.5	2.0
Balance, end of period	$ 6,429.0	$ 3,510.2	$ 9,939.2

(In millions)	For the Three Months Ended September 30, 2022		
Expected Future Net Cash Flows	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 5,468.6	$ 3,573.6	$ 9,042.2
New Consumer Loan assignments (1)	905.6	374.2	1,279.8
Realized net cash flows (2)	(730.6)	(448.9)	(1,179.5)
Forecast changes	(37.3)	(48.1)	(85.4)
Transfers (3)	(15.2)	16.9	1.7
Balance, end of period	$ 5,591.1	$ 3,467.7	$ 9,058.8

(In millions)	For the Nine Months Ended September 30, 2023		
Expected Future Net Cash Flows	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 5,637.9	$ 3,395.5	$ 9,033.4
New Consumer Loan assignments (1)	3,118.1	1,357.7	4,475.8
Realized net cash flows (2)	(2,164.3)	(1,266.9)	(3,431.2)
Forecast changes	(89.3)	(60.0)	(149.3)
Transfers (3)	(73.4)	83.9	10.5
Balance, end of period	$ 6,429.0	$ 3,510.2	$ 9,939.2

(In millions)	For the Nine Months Ended September 30, 2022		
Expected Future Net Cash Flows	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 5,249.7	$ 3,698.6	$ 8,948.3
New Consumer Loan assignments (1)	2,736.4	1,158.9	3,895.3
Realized net cash flows (2)	(2,314.1)	(1,459.7)	(3,773.8)
Forecast changes	(17.4)	(1.2)	(18.6)
Transfers (3)	(63.5)	71.1	7.6
Balance, end of period	$ 5,591.1	$ 3,467.7	$ 9,058.8

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

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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 September 30, 2023 with the forecasts as of June 30, 2023, December 31, 2022, and at the time of assignment, segmented by year of assignment:

Total Loans

	Forecasted Collection Percentage as of (1)				Current Forecast Variance from		
Consumer Loan Assignment Year	September 30, 2023	June 30, 2023	December 31, 2022	Initial Forecast	June 30, 2023	December 31, 2022	Initial Forecast
2014	71.7 %	71.7 %	71.7 %	71.8 %	0.0 %	0.0 %	-0.1 %
2015	65.2 %	65.2 %	65.2 %	67.7 %	0.0 %	0.0 %	-2.5 %
2016	63.8 %	63.8 %	63.8 %	65.4 %	0.0 %	0.0 %	-1.6 %
2017	64.7 %	64.7 %	64.7 %	64.0 %	0.0 %	0.0 %	0.7 %
2018	65.5 %	65.4 %	65.2 %	63.6 %	0.1 %	0.3 %	1.9 %
2019	66.8 %	66.8 %	66.6 %	64.0 %	0.0 %	0.2 %	2.8 %
2020	67.5 %	67.8 %	67.8 %	63.4 %	-0.3 %	-0.3 %	4.1 %
2021	64.9 %	65.5 %	66.2 %	66.3 %	-0.6 %	-1.3 %	-1.4 %
2022	63.5 %	64.3 %	66.3 %	67.5 %	-0.8 %	-2.8 %	-4.0 %
2023	67.6 %	67.5 %	—	67.6 %	0.1 %	—	0.0 %

Dealer Loans

	Forecasted Collection Percentage as of (1) (2)				Current Forecast Variance from		
Consumer Loan Assignment Year	September 30, 2023	June 30, 2023	December 31, 2022	Initial Forecast	June 30, 2023	December 31, 2022	Initial Forecast
2014	71.6 %	71.6 %	71.6 %	71.9 %	0.0 %	0.0 %	-0.3 %
2015	64.6 %	64.6 %	64.5 %	67.5 %	0.0 %	0.1 %	-2.9 %
2016	63.0 %	63.0 %	63.0 %	65.1 %	0.0 %	0.0 %	-2.1 %
2017	64.0 %	64.0 %	64.0 %	63.8 %	0.0 %	0.0 %	0.2 %
2018	64.9 %	64.8 %	64.6 %	63.6 %	0.1 %	0.3 %	1.3 %
2019	66.5 %	66.5 %	66.3 %	63.9 %	0.0 %	0.2 %	2.6 %
2020	67.4 %	67.6 %	67.7 %	63.3 %	-0.2 %	-0.3 %	4.1 %
2021	64.6 %	65.2 %	66.0 %	66.3 %	-0.6 %	-1.4 %	-1.7 %
2022	62.9 %	63.7 %	65.8 %	67.3 %	-0.8 %	-2.9 %	-4.4 %
2023	66.7 %	66.8 %	—	66.9 %	-0.1 %	—	-0.2 %

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	Purchased Loans						
	Forecasted Collection Percentage as of (1) (2)				Current Forecast Variance from		
Consumer Loan Assignment Year	September 30, 2023	June 30, 2023	December 31, 2022	Initial Forecast	June 30, 2023	December 31, 2022	Initial Forecast
2014	72.5 %	72.5 %	72.5 %	70.9 %	0.0 %	0.0 %	1.6 %
2015	68.9 %	68.9 %	68.9 %	68.5 %	0.0 %	0.0 %	0.4 %
2016	66.1 %	66.0 %	66.0 %	66.5 %	0.1 %	0.1 %	-0.4 %
2017	66.3 %	66.3 %	66.3 %	64.6 %	0.0 %	0.0 %	1.7 %
2018	66.8 %	66.7 %	66.4 %	63.5 %	0.1 %	0.4 %	3.3 %
2019	67.5 %	67.5 %	67.2 %	64.2 %	0.0 %	0.3 %	3.3 %
2020	67.8 %	68.0 %	68.0 %	63.6 %	-0.2 %	-0.2 %	4.2 %
2021	65.4 %	66.0 %	66.7 %	66.3 %	-0.6 %	-1.3 %	-0.9 %
2022	65.0 %	65.7 %	67.4 %	68.0 %	-0.7 %	-2.4 %	-3.0 %
2023	69.9 %	69.2 %	—	69.2 %	0.7 %	—	0.7 %

(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 September 30, 2023 and December 31, 2022, segmented by year of assignment:

(In millions)	Total Loans as of September 30, 2023 (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
2018 and prior	$ 44.7	$ 27.1	$ 110.3	$ 205.3	$ 387.4
2019	209.7	105.2	275.8	30.3	621.0
2020	415.0	190.3	335.8	3.2	944.3
2021	728.9	295.0	382.5	0.3	1,406.7
2022	1,807.0	540.2	381.6	—	2,728.8
2023	3,209.7	451.4	62.9	—	3,724.0
	$ 6,415.0	$ 1,609.2	$ 1,548.9	$ 239.1	$ 9,812.2

(In millions)	Dealer Loans as of September 30, 2023 (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
2018 and prior	$ 21.5	$ 12.9	$ 53.4	$ 119.8	$ 207.6
2019	97.7	48.5	129.8	17.0	293.0
2020	255.4	113.9	203.9	2.5	575.7
2021	498.4	195.6	253.9	0.2	948.1
2022	1,326.7	391.9	275.3	—	1,993.9
2023	2,384.2	335.7	46.4	—	2,766.3
	$ 4,583.9	$ 1,098.5	$ 962.7	$ 139.5	$ 6,784.6

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(In millions)	Purchased Loans as of September 30, 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	$ 23.2	$ 14.2	$ 56.9	$ 85.5	$ 179.8
2019	112.0	56.7	146.0	13.3	328.0
2020	159.6	76.4	131.9	0.7	368.6
2021	230.5	99.4	128.6	0.1	458.6
2022	480.3	148.3	106.3	—	734.9
2023	825.5	115.7	16.5	—	957.7
	$ 1,831.1	$ 510.7	$ 586.2	$ 99.6	$ 3,027.6

(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
	$ 5,583.2	$ 1,739.6	$ 1,630.3	$ 212.4	$ 9,165.5

(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
	$ 3,850.7	$ 1,136.0	$ 958.8	$ 129.3	$ 6,074.8

(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
	$ 1,732.5	$ 603.6	$ 671.5	$ 83.1	$ 3,090.7

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(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 and nine months ended September 30, 2023, segmented by year of assignment:

(In millions)	For the Three Months Ended September 30, 2023		
Write-offs by Consumer Loan Assignment Year	**Dealer Loans**	**Purchased Loans**	**Total**
2018 and prior	$ 29.5	$ 24.3	$ 53.8
2019	26.2	43.2	69.4
2020	28.9	23.8	52.7
2021	30.3	28.7	59.0
2022	31.7	38.5	70.2
2023	7.1	21.7	28.8
	$ 153.7	$ 180.2	$ 333.9

(In millions)	For the Nine Months Ended September 30, 2023		
Write-offs by Consumer Loan Assignment Year	**Dealer Loans**	**Purchased Loans**	**Total**
2018 and prior	$ 95.1	$ 83.7	$ 178.8
2019	76.9	142.3	219.2
2020	80.2	78.7	158.9
2021	75.7	90.9	166.6
2022	78.0	118.9	196.9
2023	11.3	32.2	43.5
	$ 417.2	$ 546.7	$ 963.9

During the second quarter of 2023, we adjusted our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent Consumer Loan performance and Consumer Loan prepayment data. During the first half of 2023, we experienced a decrease in Consumer Loan prepayments to below-average levels and, as a result, slowed our forecasted net cash flow timing. The below-average levels of Consumer Loan prepayments continued through the third quarter of 2023. Historically, Consumer Loan prepayments have been lower in periods with less availability of consumer credit. Changes in the amount and timing of forecasted net cash flows are recognized in the period of change through provision for credit losses. The implementation of the adjustment to our forecasting methodology during the second quarter of 2023 reduced forecasted net cash flows by $44.5 million, or 0.5%, and increased provision for credit losses by $71.3 million.

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.

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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)	Increase / (Decrease) in	
Forecasting Methodology Changes	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	$ 95.7	$ (70

7. REINSURANCE

A summary of reinsurance activity is as follows:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net assumed written premiums	$ 22.6	$ 18.8	$ 71.5	$ 55.6
Net premiums earned	20.8	16.4	58.0	45.6
Provision for claims	16.5	12.9	54.1	34.0
Amortization of capitalized acquisition costs	0.3	0.3	1.3	1.1

The trust assets and related reinsurance liabilities are as follows:

(In millions)		As of	
	Balance Sheet Location	September 30, 2023	December 31, 2022
Trust assets	Restricted cash and cash equivalents	$ 1.7	$ 0.4
Trust assets	Restricted securities available for sale	86.2	72.3
Unearned premium	Accounts payable and accrued liabilities	67.9	54.4
Claims reserve (1)	Accounts payable and accrued liabilities	5.7	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 September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Ancillary product profit sharing	$ 7.8	$ 13.7	$ 24.4	$ 41.3
Interest	5.3	1.9	14.3	2.9
Remarketing fees	2.5	7.1	8.2	11.0
Other	0.5	0.6	1.6	2.3
Total	$ 16.1	$ 23.3	$ 48.5	$ 57.5

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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Remarketing fees consist of fees charged to dealers that are 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.

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 September 30, 2023				
	Ancillary Product Profit Sharing	Interest	Remarketing Fees	Other	Total Other Income
Source of Income					
Third Party Providers	$ 7.8	$ 5.3	$ —	$ 0.1	$ 13.2
Dealers	—	—	2.5	0.4	2.9
Total	$ 7.8	$ 5.3	$ 2.5	$ 0.5	$ 16.1
Timing of Revenue Recognition					
Over time	$ 7.8	$ 5.3	$ —	$ 0.2	$ 13.3
At a point in time	—	—	2.5	0.3	2.8
Total	$ 7.8	$ 5.3	$ 2.5	$ 0.5	$ 16.1

(In millions)	For the Nine Months Ended September 30, 2023				
	Ancillary Product Profit Sharing	Interest	Remarketing Fees	Other	Total Other Income
Source of Income					
Third Party Providers	$ 24.4	$ 14.3	$ —	$ 0.1	$ 38.8
Dealers	—	—	8.2	1.5	9.7
Total	$ 24.4	$ 14.3	$ 8.2	$ 1.6	$ 48.5
Timing of Revenue Recognition					
Over time	$ 24.4	$ 14.3	$ —	$ 0.8	$ 39.5
At a point in time	—	—	8.2	0.8	9.0
Total	$ 24.4	$ 14.3	$ 8.2	$ 1.6	$ 48.5

9. DEBT

Debt consists of the following:

(In millions)	As of September 30, 2023			
	Principal Outstanding	Unamortized Debt Issuance Costs	Unamortized Discount	Carrying Amount
Revolving secured lines of credit (1)	$ 102.1	$ —	$ —	$ 102.1
Secured financing (2)	4,057.9	(21.0)	(2.7)	4,034.2
Senior notes	800.0	(4.0)	—	796.0
Mortgage note	8.5	—	—	8.5
Total debt	$ 4,968.5	$ (25.0)	$ (2.7)	$ 4,940.8

(In millions)	As of December 31, 2022			
	Principal Outstanding	Unamortized Debt Issuance Costs	Unamortized Discount	Carrying Amount
Revolving secured lines 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 $4.6 million and $3.9 million as of September 30, 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)
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General information for each of our financing transactions in place as of September 30, 2023 is as follows:

(Dollars in millions)

Financings	Wholly Owned Subsidiary	Maturity Date		Financing Amount	Interest Rate Basis as of September 30, 2023
Revolving Secured Line of Credit Facility	n/a	06/22/2026		$ 390.0	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
RTP Facility	n/a	—	(1)	$ 20.0	BSBY plus 187.5 basis points
Warehouse Facility II (2)	CAC Warehouse Funding LLC II	04/30/2026	(3)	400.0	The Secured Overnight Financing Rate (SOFR) plus 230 basis points (4)
Warehouse Facility IV (2)	CAC Warehouse Funding LLC IV	05/20/2025	(3)	300.0	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	09/30/2026	(3)	75.0	BSBY plus 200 basis points
Warehouse Facility VIII (2)	CAC Warehouse Funding LLC VIII	09/21/2026	(3)	200.0	SOFR plus 225.0 basis points (4)
Term ABS 2019-2 (2)	Credit Acceptance Funding LLC 2019-2	08/15/2025	(6)	500.0	Fixed rate
Term ABS 2020-2 (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
Term ABS 2023-2 (2)	Credit Acceptance Funding LLC 2023-2	5/15/2025	(3)	$ 400.0	Fixed rate
Term ABS 2023-3 (2)	Credit Acceptance Funding LLC 2023-3	8/15/2025	(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) Borrowings are subject to repayment on demand.
(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.

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

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Revolving Secured Lines of Credit				
Maximum outstanding principal balance	$ 302.2	$ 356.3	$ 355.5	$ 379.7
Average outstanding principal balance	171.1	169.1	152.4	152.8
Warehouse Facility II				
Maximum outstanding principal balance	201.0	100.0	201.0	201.0
Average outstanding principal balance	86.2	71.7	55.2	83.1
Warehouse Facility IV				
Maximum outstanding principal balance	—	—	—	43.8
Average outstanding principal balance	—	—	—	5.7
Warehouse Facility V				
Maximum outstanding principal balance	—	—	—	—
Average outstanding principal balance	—	—	—	—
Warehouse Facility VI				
Maximum outstanding principal balance	—	50.0	—	50.0
Average outstanding principal balance	—	50.0	—	17.2
Warehouse Facility VIII				
Maximum outstanding principal balance	—	—	—	48.2
Average outstanding principal balance	—	—	—	6.3

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

(Dollars in millions)	As of September 30, 2023	As of December 31, 2022
Revolving Secured Lines of Credit		
Principal balance outstanding	$ 102.1	$ 30.9
Amount available for borrowing (1)	307.9	379.1
Interest rate	7.26 %	6.25 %
Warehouse Facility II		
Principal balance outstanding	$ 201.0	$ —
Amount available for borrowing (1)	199.0	400.0
Loans pledged as collateral	244.9	—
Restricted cash and cash equivalents pledged as collateral	9.7	1.0
Interest rate	7.60 %	— %
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	554.8	627.5
Restricted cash and cash equivalents pledged as collateral	45.7	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	$ —	$ 144.6
Loans pledged as collateral	—	362.5
Restricted cash and cash equivalents pledged as collateral	—	38.8
Interest rate	— %	2.51 %
Term ABS 2020-2		
Principal balance outstanding	$ 62.9	$ 307.0
Loans pledged as collateral	289.1	452.0
Restricted cash and cash equivalents pledged as collateral	34.2	43.9
Interest rate	2.70 %	1.81 %
Term ABS 2020-3		
Principal balance outstanding	$ 196.1	$ 520.7
Loans pledged as collateral	467.1	655.1
Restricted cash and cash equivalents pledged as collateral	45.4	53.9
Interest rate	1.86 %	1.47 %
Term ABS 2021-1		
Principal balance outstanding	$ 100.0	$ 100.0
Loans pledged as collateral	112.7	115.0
Restricted cash and cash equivalents pledged as collateral	8.9	8.5
Interest rate	7.53 %	6.52 %
Term ABS 2021-2		
Principal balance outstanding	$ 269.0	$ 500.0
Loans pledged as collateral	460.3	572.9
Restricted cash and cash equivalents pledged as collateral	39.7	44.5
Interest rate	1.25 %	1.12 %
Term ABS 2021-3		
Principal balance outstanding	$ 338.9	$ 450.0
Loans pledged as collateral	438.0	519.9
Restricted cash and cash equivalents pledged as collateral	36.4	38.8
Interest rate	1.19 %	1.14 %
Term ABS 2021-4		
Principal balance outstanding	$ 250.1	$ 250.1
Loans pledged as collateral	267.9	278.5
Restricted cash and cash equivalents pledged as collateral	22.0	21.8
Interest rate	1.44 %	1.44 %
Term ABS 2022-1		
Principal balance outstanding	$ 350.0	$ 350.0
Loans pledged as collateral	379.1	434.7
Restricted cash and cash equivalents pledged as collateral	26.6	27.7
Interest rate	5.03 %	5.03 %
Term ABS 2022-2		
Principal balance outstanding	$ 200.0	$ 200.0
Loans pledged as collateral	214.4	229.3
Restricted cash and cash equivalents pledged as collateral	15.0	25.6
Interest rate	7.76 %	6.65 %

Term ABS 2022-3				
Principal balance outstanding	$	389.9	$	389.9
Loans pledged as collateral		423.9		429.2
Restricted cash and cash equivalents pledged as collateral		29.3		27.6
Interest rate		7.68 %		7.68 %
Term ABS 2023-1				
Principal balance outstanding	$	400.0	$	—
Loans pledged as collateral		629.9		—
Restricted cash and cash equivalents pledged as collateral		39.4		—
Interest rate		6.92 %		— %
Term ABS 2023-2				
Principal balance outstanding	$	400.0	$	—
Loans pledged as collateral		694.6		—
Restricted cash and cash equivalents pledged as collateral		41.9		—
Interest rate		6.39 %		— %
Term ABS 2023-3				
Principal balance outstanding	$	400.0	$	—
Loans pledged as collateral		604.8		—
Restricted cash and cash equivalents pledged as collateral		37.2		—
Interest rate		6.86 %		— %
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	$	8.5	$	8.9
Interest rate		6.87 %		5.46 %

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

Revolving Secured Lines of Credit

We have two revolving secured lines of credit: (1) a $390.0 million revolving secured line of credit facility, to which we refer as our revolving secured line of credit facility, with a commercial bank syndicate and (2) an uncommitted $20.0 million revolving secured line of credit facility, to which we refer as the RTP facility, with a lender for use solely in facilitating payments by the Company through the lender’s real-time payments service.

Borrowings under our 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 governing our revolving secured line of credit facility, less a hedging reserve (not exceeding $1.0 million), and the amount of other debt secured by the collateral that secures our revolving secured line of credit facility. Borrowings under our revolving secured line of credit facility are secured by a lien on most of our assets that do not secure obligations under our Warehouse facilities or Term ABS financings.

We entered into the RTP facility on May 3, 2023. Borrowings under the RTP facility are secured by a lien on the same collateral that secures obligations under our revolving secured line of credit facility. The RTP facility terminates automatically if the lender ceases to be part of the commercial bank syndicate under our revolving secured line of credit facility or if its lending commitments under our revolving secured line of credit facility are terminated.

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 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 2020-2, 2020-3, 2021-2, 2021-3, 2021-4, 2023-1, 2023-2, and 2023-3 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.

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

(Dollars in millions)

Term ABS Financings	Closing 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 2020-2	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
Term ABS 2023-2	May 25, 2023	500.1	Through May 15, 2025
Term ABS 2023-3	August 24, 2023	500.1	Through August 15, 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.

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 September 30, 2023, we were in compliance with our covenants under our 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. 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 September 30, 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 and the RTP facility.

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 September 30, 2023 and December 31, 2022:

(Dollars in millions)

As of September 30, 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	05/2023	11/2024	300.0	7.50 %
200.0	Warehouse Facility V	Cap Floating Rate	04/2023	01/2026	94.0	5.44 %
200.0	Warehouse Facility VIII	Cap Floating Rate	09/2022	09/2025	200.0	5.42 %
100.0	Term ABS 2021-1	Cap Floating Rate	04/2023	06/2024	56.3	5.46 %
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 September 30, 2023 and December 31, 2022, the interest rate caps had a fair value of $0.9 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 September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
State and local income taxes	4.3 %	6.9 %	2.8 %	3.9 %
Excess tax benefits from stock-based compensation	— %	— %	-2.1 %	-0.1 %
Other	1.3 %	1.0 %	1.7 %	0.8 %
Effective income tax rate	26.6 %	28.9 %	23.4 %	25.6 %

State and local income taxes

For the three months ended September 30, 2023, the impact of state and local income taxes on our effective income tax rate decreased from the same period in 2022 primarily due to the greater impact of state and local tax law changes recorded in the prior period.

For the nine months ended September 30, 2023, the impact of state and local income taxes on our effective income tax rate decreased from the same period in 2022 primarily due to the settlement of an uncertain tax position for state income taxes during the second quarter of 2023.

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 nine months ended September 30, 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 the first quarter of 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 and nine months ended September 30, 2023 increased in magnitude from the same periods 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 September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted average shares outstanding:				
Common shares	12,716,387	12,927,081	12,785,870	13,296,064
Vested restricted stock units	216,990	366,143	227,474	366,114
Basic number of weighted average shares outstanding	12,933,377	13,293,224	13,013,344	13,662,178
Dilutive effect of restricted stock units and stock options	106,261	70,936	55,654	75,693
Dilutive number of weighted average shares outstanding	13,039,638	13,364,160	13,068,998	13,737,871

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 September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock options	89,625	63,875	229,123	56,321
Restricted stock units	3,186	4,000	3,132	2,432
Total	92,811	67,875	232,255	58,753

13. STOCK REPURCHASES

The following table summarizes our stock repurchases for the three and nine months ended September 30, 2023 and 2022:

(Dollars in millions)	For the Three Months Ended September 30,			
	2023		2022	
Stock Repurchases	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost
Open Market (1)	256,232	$ 126.3	53,769	$ 26.5

(Dollars in millions)	For the Nine Months Ended September 30,			
	2023		2022	
Stock Repurchases	Number of Shares Repurchased	Cost	Number of Shares Repurchased	Cost
Open Market (1)	272,034	$ 133.9	1,259,712	$ 678.2
Other (2)	33,459	15.1	1,745	1.0
Total	305,493	$ 149.0	1,261,457	$ 679.2

(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 August 21, 2023, 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 September 30, 2023, we had authorization to repurchase 1,886,035 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 restricted stock unit activity is presented in the following table:

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	15,027	466.15
Converted	(101,757)	233.39
Forfeited	(791)	461.95
Outstanding as of September 30, 2023	253,707	$ 160.24

Stock-based compensation expense consists of the following:

(In millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock options	$ 8.0	$ 8.1	$ 25.1	$ 25.1
Restricted stock units	1.3	0.6	3.9	1.8
Total	$ 9.3	$ 8.7	$ 29.0	$ 26.9

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

(in millions)

Year	Total Projected Stock-Based Compensation Expense
Remainder of 2023	$ 9.9
2024	38.2
2025	9.2
2026	3.6
2027	0.1
Total	$ 61.0

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. On August 7, 2023, the court stayed the action pending the U.S. Supreme Court's decision in *Consumer Financial Protection Bureau v. Community Financial Services Association of America, Ltd.*, No. 22-448 (the "CFSA case"). The court ordered the parties to file a joint letter updating the court by the earlier of November 3, 2023, or one week after a major development in the

CFSA case. 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.

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, the State of Texas, and the State of Iowa 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.

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 September 30, 2023, consolidated net income was $70.8 million, or $5.43 per diluted share, compared to consolidated net income of $86.8 million, or $6.49 per diluted share, for the same period in 2022, primarily due to increases in interest expense and operating expenses and a decrease in other income. Our results for the three months ended September 30, 2023 included:

- A decrease in forecasted collection rates during the third quarter of 2023 that decreased forecasted net cash flows from our Loan portfolio by $69.4 million, or 0.7%, compared to a decrease in forecasted collection rates during the third quarter of 2022 that decreased forecasted net cash flows from our Loan portfolio by $85.4 million, or 0.9%.
- Forecasted profitability for Consumer Loans assigned in 2020 through 2022 that was lower than our estimates at September 30, 2022, due to a decline in forecasted collection rates since the third quarter of 2022 and slower forecasted net cash flow timing during 2023, primarily as a result of a decrease in Consumer Loan prepayments to below-average levels.
- Growth in Consumer Loan assignment volume, as unit and dollar volumes grew 13.0% and 10.5%, respectively, as compared to the third quarter of 2022. The average balance of our Loan portfolio for the third quarter of 2023 increased 5.9% as compared to the third quarter of 2022.
- An increase in the initial spread on Consumer Loan assignments to 21.4% on Consumer Loans assigned in the third quarter of 2023 compared to 20.2% on Consumer Loans assigned in the third quarter of 2022.
- An increase in our average cost of debt, which was primarily a result of higher interest rates on recently-completed or extended secured financings and the repayment of older secured financings with lower interest rates.

For the nine months ended September 30, 2023, consolidated net income was $192.5 million, or $14.73 per diluted share, compared to consolidated net income of $408.5 million, or $29.74 per diluted share, for the same period in 2022, primarily due to increases in provision for credit losses on forecast changes and interest expense. Our results for the nine months ended September 30, 2023 included:

- A decrease in forecasted collection rates during the first nine months of 2023 that decreased forecasted net cash flows from our Loan portfolio by $149.3 million, or 1.7%, compared to a decrease in forecasted collection rates during the first nine months of 2022 that decreased forecasted net cash flows from our Loan portfolio by $18.6 million, or 0.2%. The $149.3 million decrease in forecasted net cash flows for the first nine months of 2023 included the impact of an adjustment to our forecasting methodology during the second quarter of 2023, which, upon implementation, decreased our estimate of future net cash flows by $44.5 million, or 0.5%.
- Forecasted profitability for Consumer Loans assigned in 2020 through 2022 that was lower than our estimates at September 30, 2022, due to a decline in forecasted collection rates since the third quarter of 2022 and slower forecasted net cash flow timing during 2023, primarily as a result of a decrease in Consumer Loan prepayments to below-average levels.
- Growth in Consumer Loan assignment volume, as unit and dollar volumes grew 16.2% and 12.4%, respectively, as compared to the first nine months of 2022. The average balance of our Loan portfolio for the first nine months of 2023 increased 3.7% as compared to the first nine months of 2022.
- An increase in the initial spread on Consumer Loan assignments to 21.2% on Consumer Loans assigned in the first nine months of 2023 compared to 19.8% on Consumer Loans assigned in the first nine months of 2022.
- An increase in our average cost of debt, which was primarily a result of higher interest rates on recently-completed or extended secured financings and the repayment of older secured financings with lower interest rates.

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 September 30, 2023, with the forecasts as of June 30, 2023, as of December 31, 2022, and at the time of assignment, segmented by year of assignment:

	Forecasted Collection Percentage as of (1)				Current Forecast Variance from		
Consumer Loan Assignment Year	September 30, 2023	June 30, 2023	December 31, 2022	Initial Forecast	June 30, 2023	December 31, 2022	Initial Forecast
2014	71.7 %	71.7 %	71.7 %	71.8 %	0.0 %	0.0 %	-0.1 %
2015	65.2 %	65.2 %	65.2 %	67.7 %	0.0 %	0.0 %	-2.5 %
2016	63.8 %	63.8 %	63.8 %	65.4 %	0.0 %	0.0 %	-1.6 %
2017	64.7 %	64.7 %	64.7 %	64.0 %	0.0 %	0.0 %	0.7 %
2018	65.5 %	65.4 %	65.2 %	63.6 %	0.1 %	0.3 %	1.9 %
2019	66.8 %	66.8 %	66.6 %	64.0 %	0.0 %	0.2 %	2.8 %
2020	67.5 %	67.8 %	67.8 %	63.4 %	-0.3 %	-0.3 %	4.1 %
2021	64.9 %	65.5 %	66.2 %	66.3 %	-0.6 %	-1.3 %	-1.4 %
2022	63.5 %	64.3 %	66.3 %	67.5 %	-0.8 %	-2.8 %	-4.0 %
2023 (2)	67.6 %	67.5 %	—	67.6 %	0.1 %	—	0.0 %

(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 rate for 2023 Consumer Loans as of September 30, 2023 includes both Consumer Loans that were in our portfolio as of June 30, 2023 and Consumer Loans assigned during the most recent quarter. The following table provides forecasted collection rates for each of these segments.

	Forecasted Collection Percentage as of			Current Forecast Variance from	
2023 Consumer Loan Assignment Period	September 30, 2023	June 30, 2023	Initial Forecast	June 30, 2023	Initial Forecast
January 1, 2023 through June 30, 2023	67.6 %	67.5 %	67.5 %	0.1 %	0.1 %
July 1, 2023 through September 30, 2023	67.7 %	—	67.7 %	—	0.0 %

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, 2021, 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 September 30, 2023, forecasted collection rates declined for Consumer Loans assigned in 2020 through 2022 and were generally consistent with expectations at the start of the period for all other assignment years presented. For the nine months ended September 30, 2023, forecasted collection rates improved for Consumer Loans assigned in 2018 and 2019, declined for Consumer Loans assigned in 2020 through 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 and nine months ended September 30, 2023 and 2022 impacted forecasted net cash flows (forecasted collections less forecasted Dealer Holdback payments) as follows:

(Dollars in millions)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Decrease in Forecasted Net Cash Flows	**2023**	**2022**	**2023**	**2022**
Dealer Loans	$ (40.3)	$ (37.3)	$ (89.3)	$ (17.4)
Purchased Loans	(29.1)	(48.1)	(60.0)	(1.2)
Total	$ (69.4)	$ (85.4)	$ (149.3)	$ (18.6)
% change from forecast at beginning of period	-0.7 %	-0.9 %	-1.7 %	-0.2 %

During the second quarter of 2023, we adjusted our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent Consumer Loan performance and Consumer Loan prepayment data. During the first half of 2023, we experienced a decrease in Consumer Loan prepayments to below-average levels and, as a result, slowed our forecasted net cash flow timing. The below-average levels of Consumer Loan prepayments continued through the third quarter of 2023. Historically, Consumer Loan prepayments have been lower in periods with less availability of consumer credit. Changes in the amount and timing of forecasted net cash flows are recognized in the period of change through provision for credit losses. The implementation of the adjustment to our forecasting methodology during the second quarter of 2023 reduced forecasted net cash flows by $44.5 million, or 0.5%, and increased provision for credit losses by $71.3 million.

We have experienced increased levels of uncertainty associated with our estimate of the amount and timing of future net cash flows from our Loan portfolio since the beginning of 2020, with realized collections underperforming our expectations during the early stages of the COVID-19 pandemic, outperforming our expectations following the distribution of federal stimulus payments and enhanced unemployment benefits, and underperforming our expectations during the current economic environment. For the period from January 1, 2020 through September 30, 2023, the cumulative change to our forecast of future net cash flows from our Loan portfolio has been an increase of $70.8 million, or 0.8%. Forecasting collection rates accurately is challenging, so we have designed our business model to produce acceptable levels of profitability, even if Loan performance is less than forecasted.

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

	Average		
Consumer Loan Assignment Year	Consumer Loan (1)	Advance (2)	Initial Loan Term (in months)
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 (3)	26,991	12,512	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.
(3) The averages for 2023 Consumer Loans include both Consumer Loans that were in our portfolio as of June 30, 2023 and Consumer Loans assigned during the most recent quarter. The following table provides averages for each of these segments:

	Average		
2023 Consumer Loan Assignment Period	Consumer Loan	Advance	Initial Loan Term (in months)
January 1, 2023 through June 30, 2023	$ 26,912	$ 12,488	61
July 1, 2023 through September 30, 2023	27,157	12,564	61

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 September 30, 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.

	Forecasted Collection % as of			Spread % as of		
Consumer Loan Assignment Year	September 30, 2023	Initial Forecast	Advance % (1)	September 30, 2023	Initial Forecast	% of Forecast Realized (2)
2014	71.7 %	71.8 %	47.7 %	24.0 %	24.1 %	99.7 %
2015	65.2 %	67.7 %	44.5 %	20.7 %	23.2 %	99.4 %
2016	63.8 %	65.4 %	43.8 %	20.0 %	21.6 %	99.0 %
2017	64.7 %	64.0 %	43.2 %	21.5 %	20.8 %	98.5 %
2018	65.5 %	63.6 %	43.5 %	22.0 %	20.1 %	96.1 %
2019	66.8 %	64.0 %	44.0 %	22.8 %	20.0 %	90.8 %
2020	67.5 %	63.4 %	43.9 %	23.6 %	19.5 %	80.9 %
2021	64.9 %	66.3 %	46.0 %	18.9 %	20.3 %	64.7 %
2022	63.5 %	67.5 %	47.4 %	16.1 %	20.1 %	37.2 %
2023 (3)	67.6 %	67.6 %	46.4 %	21.2 %	21.2 %	10.5 %

(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.

(3) The forecasted collection rate, advance rate and spread for 2023 Consumer Loans as of September 30, 2023 include both Consumer Loans that were in our portfolio as of June 30, 2023 and Consumer Loans assigned during the most recent quarter. The following table provides forecasted collection rates, advance rates, and spreads for each of these segments:

	Forecasted Collection % as of			Spread % as of	
2023 Consumer Loan Assignment Period	**September 30, 2023**	**Initial Forecast**	**Advance %**	**September 30, 2023**	**Initial Forecast**
January 1, 2023 through June 30, 2023	67.6 %	67.5 %	46.4 %	21.2 %	21.1 %
July 1, 2023 through September 30, 2023	67.7 %	67.7 %	46.3 %	21.4 %	21.4 %

The risk of a material change in our forecasted collection rate declines as the Consumer Loans age. For 2019 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 September 30, 2023 and the advance rate ranges from 16.1% 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 spread with respect to 2022 Consumer Loans has been negatively impacted by Consumer Loan performance, which has been lower than 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 September 30, 2023 is primarily due to the performance of the 2022 Consumer Loans. Additionally, 2023 Consumer Loans had a higher initial spread primarily due to a decrease in the advance rate.

The following table compares our forecast of Consumer Loan collection rates as of September 30, 2023 with the forecasts at the time of assignment, for Dealer Loans and Purchased Loans separately:

	Dealer Loans			Purchased Loans		
	Forecasted Collection Percentage as of (1)			Forecasted Collection Percentage as of (1)		
Consumer Loan Assignment Year	**September 30, 2023**	**Initial Forecast**	**Variance**	**September 30, 2023**	**Initial Forecast**	**Variance**
2014	71.6 %	71.9 %	-0.3 %	72.5 %	70.9 %	1.6 %
2015	64.6 %	67.5 %	-2.9 %	68.9 %	68.5 %	0.4 %
2016	63.0 %	65.1 %	-2.1 %	66.1 %	66.5 %	-0.4 %
2017	64.0 %	63.8 %	0.2 %	66.3 %	64.6 %	1.7 %
2018	64.9 %	63.6 %	1.3 %	66.8 %	63.5 %	3.3 %
2019	66.5 %	63.9 %	2.6 %	67.5 %	64.2 %	3.3 %
2020	67.4 %	63.3 %	4.1 %	67.8 %	63.6 %	4.2 %
2021	64.6 %	66.3 %	-1.7 %	65.4 %	66.3 %	-0.9 %
2022	62.9 %	67.3 %	-4.4 %	65.0 %	68.0 %	-3.0 %
2023	66.7 %	66.9 %	-0.2 %	69.9 %	69.2 %	0.7 %

(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 September 30, 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).

	Dealer Loans			Purchased Loans		
Consumer Loan Assignment Year	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	64.6 %	43.4 %	21.2 %	68.9 %	50.2 %	18.7 %
2016	63.0 %	42.1 %	20.9 %	66.1 %	48.6 %	17.5 %
2017	64.0 %	42.1 %	21.9 %	66.3 %	45.8 %	20.5 %
2018	64.9 %	42.7 %	22.2 %	66.8 %	45.2 %	21.6 %
2019	66.5 %	43.1 %	23.4 %	67.5 %	45.6 %	21.9 %
2020	67.4 %	43.0 %	24.4 %	67.8 %	45.5 %	22.3 %
2021	64.6 %	45.1 %	19.5 %	65.4 %	47.7 %	17.7 %
2022	62.9 %	46.4 %	16.5 %	65.0 %	50.1 %	14.9 %
2023	66.7 %	45.0 %	21.7 %	69.9 %	49.8 %	20.1 %

(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 September 30, 2023 on 2023 Dealer Loans was 21.7%, as compared to a spread of 16.5% on 2022 Dealer Loans. The increase was primarily as a result of Consumer Loan performance, as the performance of 2022 Dealer Loans has been significantly lower than our initial estimates. Additionally, 2023 Dealer Loans had a higher initial spread, due to the advance rate decreasing by a greater margin than the initial forecast.

The spread as of September 30, 2023 on 2023 Purchased Loans was 20.1%, as compared to a spread of 14.9% on 2022 Purchased Loans. The increase was primarily as a result of Consumer Loan performance, as the performance of 2022 Purchased Loans has been significantly lower than our initial estimates, while the performance of 2023 Purchased Loans has exceeded our initial estimates. Additionally, 2023 Purchased Loans had a higher initial spread, due to a higher initial forecast and a lower advance rate.

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 2.9 to 1 as of September 30, 2023. We currently utilize the following primary forms of debt financing: (1) our revolving secured line of credit facility; (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 seven quarters as compared to the same period in the previous year:

	Year over Year Percent Change	
Three Months Ended	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 %
June 30, 2023	12.8 %	8.3 %
September 30, 2023	13.0 %	10.5 %

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

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

Unit and dollar volumes grew 13.0% and 10.5%, respectively, during the third quarter of 2023 as the number of active Dealers grew 14.9% and the average unit volume per active Dealer decreased 1.2%. Dollar volume increased less than unit volume during the third quarter of 2023 due to a decrease in the average advance paid, due to decreases in the average advance rate and the average size of Consumer Loans assigned. Unit volume for the third quarter of 2023 was 5.8% less than unit volume for the third quarter of 2019, which was the highest third quarter unit volume in our history. Unit volume for the 28-day period ended October 28, 2023 grew 27.5% and declined 0.9% compared to the same periods in 2022 and 2019, respectively. We believe the improvement in unit volume growth rates from the third quarter of 2023 to October 2023 was likely due to an improvement in the competitive environment.

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

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Consumer Loan unit volume	81,299	71,937	13.0 %	253,847	218,393	16.2 %
Active Dealers (1)	9,818	8,547	14.9 %	13,008	10,880	19.6 %
Average volume per active Dealer	8.3	8.4	-1.2 %	19.5	20.1	-3.0 %
Consumer Loan unit volume from Dealers active both periods	59,788	59,592	0.3 %	208,731	198,910	4.9 %
Dealers active both periods	5,920	5,920	—	8,553	8,553	—
Average volume per Dealer active both periods	10.1	10.1	0.3 %	24.4	23.3	4.9 %
Consumer Loan unit volume from Dealers not active both periods	21,511	12,345	74.2 %	45,116	19,483	131.6 %
Dealers not active both periods	3,898	2,627	48.4 %	4,455	2,327	91.4 %
Average volume per Dealer not active both periods	5.5	4.7	17.0 %	10.1	8.4	20.2 %

(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 September 30,			For the Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Consumer Loan unit volume from new active Dealers	3,926	2,522	55.7 %	29,005	17,653	64.3 %
New active Dealers (1)	983	674	45.8 %	3,095	2,044	51.4 %
Average volume per new active Dealer	4.0	3.7	8.1 %	9.4	8.6	9.3 %
Attrition (2)	-17.2 %	-13.4 %		-8.9 %	-8.2 %	

(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 seven quarters:

	Unit Volume		Dollar Volume (1)	
Three Months Ended	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 %
June 30, 2023	72.4 %	27.6 %	68.6 %	31.4 %
September 30, 2023	74.8 %	25.2 %	71.7 %	28.3 %

(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 September 30, 2023 and December 31, 2022, the net Dealer Loans receivable balance was 66.6% 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 September 30, 2023 Compared to Three Months Ended September 30, 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 September 30,			
	2023	2022	$ Change	% Change
Revenue:				
Finance charges	$ 441.7	$ 420.6	$ 21.1	5.0 %
Premiums earned	20.8	16.4	4.4	26.8 %
Other income	16.1	23.3	(7.2)	-30.9 %
Total revenue	478.6	460.3	18.3	4.0 %
Costs and expenses:				
Salaries and wages	66.7	66.9	(0.2)	-0.3 %
General and administrative	21.3	16.6	4.7	28.3 %
Sales and marketing	22.5	19.7	2.8	14.2 %
Total operating expenses	110.5	103.2	7.3	7.1 %
Provision for credit losses on forecast changes	106.3	96.9	9.4	9.7 %
Provision for credit losses on new Consumer Loan assignments	78.3	83.4	(5.1)	-6.1 %
Total provision for credit losses	184.6	180.3	4.3	2.4 %
Interest	70.5	41.8	28.7	68.7 %
Provision for claims	16.5	12.9	3.6	27.9 %
Total costs and expenses	382.1	338.2	43.9	13.0 %
Income before provision for income taxes	96.5	122.1	(25.6)	-21.0 %
Provision for income taxes	25.7	35.3	(9.6)	-27.2 %
Net income	$ 70.8	$ 86.8	$ (16.0)	-18.4 %
Net income per share:				
Basic	$ 5.47	$ 6.53	$ (1.06)	-16.2 %
Diluted	$ 5.43	$ 6.49	$ (1.06)	-16.3 %
Weighted average shares outstanding:				
Basic	12,933,377	13,293,224	(359,847)	-2.7 %
Diluted	13,039,638	13,364,160	(324,522)	-2.4 %

Finance Charges. The increase of $21.1 million, or 5.0%, was primarily due to an increase in the average net Loans receivable balance, as follows:

(Dollars in millions)	For the Three Months Ended September 30,		
	2023	2022	Change
Average net Loans receivable balance	$ 6,690.8	$ 6,316.6	$ 374.2
Average yield on our Loan portfolio	26.4 %	26.6 %	-0.2 %

The following table summarizes the impact each component had on the overall increase in finance charges for the three months ended September 30, 2023:

(In millions)	Year over Year Change
Impact on finance charges:	**For the Three Months Ended September 30, 2023**
Due to an increase in the average net Loans receivable balance	$ 24.9
Due to a decrease in the average yield	(3.8)
Total increase in finance charges	$ 21.1

The increase in the average net Loans receivable balance was primarily due to the dollar volume of new Consumer Loan assignments exceeding the principal collected on Loans receivable.

Premiums Earned. The increase of $4.4 million, or 26.8%, 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 premium written per reinsured vehicle service contract in recent periods.

Other Income. The decrease of $7.2 million, or 30.9%, was primarily due to:

- A $5.9 million decrease in ancillary product profit sharing income primarily due to increases in average claim rates and volume of claims on Guaranteed Asset Protection (“GAP”) contracts.
- A $4.6 million decrease in remarketing fee income for fees charged to dealers related to the repossession and remarketing of vehicles. Remarketing fee income for the three months ended September 30, 2022 included $4.5 million of fees charged to dealers for repossession activity that occurred in August 2020 through June 2022.
- A $3.4 million increase in interest income due to increases in benchmark interest rates and the average restricted cash and cash equivalents balance.

Operating Expenses. The increase of $7.3 million, or 7.1%, was primarily due to:

- An increase in general and administrative expense of $4.7 million, or 28.3%, primarily due to an increase in technology systems expenses.
- An increase in sales and marketing expense of $2.8 million, or 14.2%, primarily due to investments in our business to enhance our sales and marketing strategy and an increase in the size of our sales force.

Provision for Credit Losses. The increase of $4.3 million, or 2.4%, was due to an increase in provision for credit losses on forecast changes, partially offset by a decrease in provision for credit losses on new Consumer Loan assignments.

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)	For the Three Months Ended September 30,		
Provision for Credit Losses	**2023**	**2022**	**Change**
Forecast changes	$ 106.3	$ 96.9	$ 9
New Consumer Loan assignments	78.3	83.4	(5.
Total	$ 184.6	$ 180.3	$ 4

The increase in provision for credit losses related to forecast changes was primarily due to slower net cash flow timing during the third quarter of 2023 compared to the third quarter of 2022. During the third quarter of 2023, we decreased our estimate of future net cash flows by $69.4 million, or 0.7%, to reflect a decline in forecasted collection rates during the period and slowed our forecasted net cash flow timing to reflect a decrease in Consumer Loan prepayments to below-average levels. Historically, Consumer Loan prepayments have been lower in periods with less availability of consumer credit. During the third quarter of 2022, we reduced our estimate of future net cash flows by $85.4 million, or 0.9%, to reflect a decline in Consumer Loan performance during the period.

The decrease in provision for credit losses related to new Consumer Loan assignments was due to a 16.9% decrease in the average provision per Consumer Loan assignment, partially offset by a 13.0% 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 $28.7 million, or 68.7%, was primarily due to an increase in our average cost of debt, which was primarily a result of higher interest rates on recently-completed or extended secured financings and the repayment of older secured financings with lower interest rates, as follows:

(Dollars in millions)	For the Three Months Ended September 30,		
	2023	**2022**	**Change**
Interest expense	$ 70.5	$ 41.8	$ 28.7
Average outstanding debt principal balance (1)	4,855.9	4,728.5	127.4
Average cost of debt	5.8 %	3.5 %	2.3 %

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

Provision for Claims. The increase in provision for claims of $3.6 million, or 27.9%, was due to increases in the size of our reinsurance portfolio and the average claim paid per reinsured vehicle service contract.

Provision for Income Taxes. For the three months ended September 30, 2023, the effective income tax rate decreased to 26.6% from 28.9% for the same period in 2022. The decrease was primarily due to a greater impact of state and local tax law changes recorded in the prior period. 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.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 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 Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
Revenue:				
Finance charges	$ 1,303.8	$ 1,270.3	$ 33.5	2.6 %
Premiums earned	58.0	45.6	12.4	27.2 %
Other income	48.5	57.5	(9.0)	-15.7 %
Total revenue	1,410.3	1,373.4	36.9	2.7 %
Costs and expenses:				
Salaries and wages	214.1	196.7	17.4	8.8 %
General and administrative	59.8	67.8	(8.0)	-11.8 %
Sales and marketing	70.9	57.9	13.0	22.5 %
Total operating expenses	344.8	322.4	22.4	6.9 %
Provision for credit losses on forecast changes	319.4	67.6	251.8	372.5 %
Provision for credit losses on new Consumer Loan assignments	253.1	283.5	(30.4)	-10.7 %
Total provision for credit losses	572.5	351.1	221.4	63.1 %
Interest	187.7	117.2	70.5	60.2 %
Provision for claims	54.1	34.0	20.1	59.1 %
Total costs and expenses	1,159.1	824.7	334.4	40.5 %
Income before provision for income taxes	251.2	548.7	(297.5)	-54.2 %
Provision for income taxes	58.7	140.2	(81.5)	-58.1 %
Net income	$ 192.5	$ 408.5	$ (216.0)	-52.9 %
Net income per share:				
Basic	$ 14.79	$ 29.90	$ (15.11)	-50.5 %
Diluted	$ 14.73	$ 29.74	$ (15.01)	-50.5 %
Weighted average shares outstanding:				
Basic	13,013,344	13,662,178	(648,834)	-4.7 %
Diluted	13,068,998	13,737,871	(668,873)	-4.9 %

Finance Charges. The increase of $33.5 million, or 2.6%, was a result of an increase in the average net Loans receivable balance, partially offset by a decrease in the average yield on our Loan portfolio, as follows:

(Dollars in millions)	For the Nine Months Ended September 30,		
	2023	2022	Change
Average net Loans receivable balance	$ 6,547.8	$ 6,316.9	$ 230.9
Average yield on our Loan portfolio	26.5 %	26.8 %	-0.3 %

The following table summarizes the impact each component had on the overall increase in finance charges for the nine months ended September 30, 2023:

(In millions)	Year over Year Change
Impact on finance charges:	For the Nine Months Ended September 30, 2023
Due to an increase in the average net Loans receivable balance	$ 46.4
Due to a decrease in the average yield	(12.9)
Total increase in finance charges	$ 33.5

The increase in the average net Loans receivable balance was primarily due to the dollar volume of new Consumer Loan assignments exceeding the principal collected on Loans receivable. The 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 $12.4 million, or 27.2%, 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 premium written per reinsured vehicle service contract in recent periods.

Other Income. The decrease of $9.0 million, or 15.7%, was primarily due to:
- A $16.9 million decrease in ancillary product profit sharing income primarily due to increases in average claim rates and volume of claims on GAP contracts.
- A $2.8 million decrease in remarketing fee income for fees charged to dealers related to the repossession and remarketing of vehicles. Remarketing fee income for the nine months ended September 30, 2022 included $3.1 million of fees charged to dealers for repossession activity that occurred in August 2020 through December 2021.
- An $11.4 million increase in interest income due to increases in benchmark interest rates and the average restricted cash and cash equivalents balance.

Operating Expenses. The increase of $22.4 million, or 6.9%, was due to:
- An increase in salaries and wages expense of $17.4 million, or 8.8%, 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 and an increase in fringe benefits primarily due to higher medical claims. The impact of the increases in the number of team members and in fringe benefits was partially offset by a decrease in cash-based incentive compensation expense primarily due to a decline in Company performance measures.
- An increase in sales and marketing expense of $13.0 million, or 22.5%, primarily due to investments in our business to enhance our sales and marketing strategy, an increase in the size of our sales force, and an increase in sales commissions related to growth in Consumer Loan assignment volume.
- A decrease in general and administrative expense of $8.0 million, or 11.8%, primarily due to a decrease in legal expenses. Legal expenses for the nine months ended September 30, 2022 included a $12.0 million settlement to settle and fully resolve a previously disclosed putative class action lawsuit.

Provision for Credit Losses. The increase of $221.4 million, or 63.1%, was due to an increase in provision for credit losses on forecast changes, partially offset by a decrease in provision for credit losses on new Consumer Loan assignments.

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)	For the Nine Months Ended September 30,		
Provision for Credit Losses	**2023**	**2022**	**Change**
Forecast changes	$ 319.4	$ 67.6	$ 251
New Consumer Loan assignments	253.1	283.5	(30.
Total	$ 572.5	$ 351.1	$ 221

The increase in provision for credit losses related to forecast changes was primarily due to a greater decline in Consumer Loan performance during the first nine months of 2023 compared to the first nine months of 2022. During the first nine months of 2023, we decreased our estimate of future net cash flows by $149.3 million, or 1.7%, to reflect a decline in forecasted collection rates during the period and slowed our forecasted net cash flow timing to reflect a decrease in Consumer Loan prepayments to below-average levels. Historically, Consumer Loan prepayments have been lower in periods with less availability of consumer credit.

The $149.3 million decrease in forecasted net cash flows for the first nine months of 2023 included the impact of an adjustment to our forecasting methodology during the second quarter of 2023, which, upon implementation, decreased our estimate of future net cash flows by $44.5 million, or 0.5%, and increased our provision for credit losses by $71.3 million. We adjusted our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent Consumer Loan performance and Consumer Loan prepayment data. 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.

During the first nine months of 2022, we decreased our estimate of future net cash flows by $18.6 million, or 0.2%, to reflect a decline in Consumer Loan performance during the period. The $18.6 million decrease in forecasted net cash flows for the first nine months of 2022 included the impact of forecasting methodology changes during the first quarter of 2022, 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 due to a 23.2% decrease in the average provision per Consumer Loan assignment, partially offset by a 16.2% 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 $70.5 million, or 60.2%, was primarily due to an increase in our average cost of debt, which was primarily a result of higher interest rates on recently-completed or extended secured financings and the repayment of older secured financings with lower interest rates, as follows:

(Dollars in millions)	For the Nine Months Ended September 30,		
	2023	**2022**	**Change**
Interest expense	$ 187.7	$ 117.2	$ 70.5
Average outstanding debt principal balance (1)	4,742.0	4,712.7	29.3
Average cost of debt	5.3 %	3.3 %	2.0 %

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

Provision for Claims. The increase in provision for claims of $20.1 million, or 59.1%, was primarily due to increases in the size of our reinsurance portfolio and the average claim paid per reinsured vehicle service contract.

Provision for Income Taxes. For the nine months ended September 30, 2023, our effective income tax rate decreased to 23.4% from 25.6% for the nine months ended September 30, 2022. The decrease was primarily due to the impact of tax benefits related to our stock-based compensation plan and the settlement of an uncertain tax position for state income taxes during the second quarter of 2023, 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 $35.3 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) our revolving secured line of credit facility; (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 September 30, 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.

On May 25, 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 6.8% (including the initial purchasers' fees and other costs), and it will revolve for 24 months, after which it will amortize based upon the cash flows on the underlying Loans.

On June 22, 2023, we extended the maturity of our revolving secured line of credit facility from June 22, 2025 to June 22, 2026. Prior to this amendment, the amount of the facility was set to decrease by $25.0 million on June 22, 2023; however, this amendment increased the amount of the facility by $5.0 million, resulting in a net decrease of $20.0 million, from $410.0 million to $390.0 million.

On August 4, 2023, we extended the date on which our $75.0 million Warehouse Facility VI will cease to revolve from September 30, 2024 to September 30, 2026.

On August 24, 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 September 21, 2023, we extended the date on which our $200.0 million Warehouse Facility VIII will cease to revolve from September 1, 2024 to September 21, 2026. The interest rate on borrowings under the facility has been increased from SOFR plus 201.4 basis points to SOFR plus 225 basis points.

Cash and cash equivalents were $3.1 million as of September 30, 2023 and $7.7 million as of December 31, 2022. As of September 30, 2023 and December 31, 2022, we had $1,281.9 million and $1,554.1 million, respectively, in unused and available lines of credit. Our total balance sheet indebtedness increased to $4,940.8 million as of September 30, 2023 from $4,590.7 million as of December 31, 2022.

A summary of our scheduled principal debt maturities as of September 30, 2023 is as follows:

(In millions)

Year	Scheduled Principal Debt Maturities (1)
Remainder of 2023	$ 337.9
2024	1,355.0
2025	1,672.4
2026	1,495.8
2027	101.1
Over five years	6.3
Total	$ 4,968.5

(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, except as described below:

During the second quarter of 2023, we adjusted our methodology for forecasting the amount and timing of future net cash flows from our Loan portfolio through the utilization of more recent Consumer Loan performance and Consumer Loan prepayment data. During the first half of 2023, we experienced a decrease in Consumer Loan prepayments to below-average levels and, as a result, slowed our forecasted net cash flow timing. The below-average levels of Consumer Loan prepayments continued through the third quarter of 2023. Historically, Consumer Loan prepayments have been lower in periods with less availability of consumer credit. Changes in the amount and timing of forecasted net cash flows are recognized in the period of change through provision for credit losses. The implementation of the adjustment to our forecasting methodology during the second quarter of 2023 reduced forecasted net cash flows by $44.5 million, or 0.5%, and increased provision for credit losses by $71.3 million.

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 was amended and restated in its entirety in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 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, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Repurchases

The following table summarizes stock repurchases for the three months ended September 30, 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)
July 1 to July 31, 2023	—	$ —	—	142,267
August 1 to August 31, 2023	194,715	488.44	194,715	1,947,552
September 1 to September 30, 2023	61,517	491.74	61,517	1,886,035
Total	256,232	$ 489.23	256,232	

(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. On August 21, 2023, our board of directors authorized the repurchase by us from time to time of up to two million shares of our common stock (the "August 2023 Authorization"). The August 2023 Authorization, which was announced on August 24, 2023, does not have a specified expiration date. Repurchases under the September 2021 Authorization and the August 2023 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.

ITEM 5. OTHER INFORMATION

During the quarter ended September 30, 2023, there were no Rule 10b5-1 trading arrangements (as defined in Item 408(a) of Regulation S-K) or non-Rule 10b5-1 trading arrangements (as defined in Item 408(c) of Regulation S-K) adopted or terminated by any director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of Credit Acceptance Corporation.

ITEM 6. EXHIBITS

Exhibit No.	Description
4.128	Fifth Amendment to Loan and Security Agreement, dated as of August 4, 2023, among the Company, CAC Warehouse Funding LLC VI, and Flagstar Bank, N.A. (incorporated by reference to Exhibit 4.128 to the Company's Current Report on Form 8-K filed August 9, 2023).
4.129	Indenture, dated as of August 24, 2023, between Credit Acceptance Auto Loan Trust 2023-3 and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.129 to the Company's Current Report on Form 8-K filed August 30, 2023).
4.130	Backup Servicing Agreement, dated as of August 24, 2023, among the Company, Credit Acceptance Funding LLC 2023-3, Credit Acceptance Auto Loan Trust 2023-3, and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.130 to the Company's Current Report on Form 8-K filed August 30, 2023).
4.131	Amended and Restated Intercreditor Agreement, dated August 24, 2023, among the Company, CAC Warehouse Funding LLC 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 2023-3, Credit Acceptance Funding LLC 2023-2, 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 2021-2, Credit Acceptance Funding LLC 2021-1, Credit Acceptance Funding LLC 2020-3, Credit Acceptance Funding LLC 2020-2, Credit Acceptance Funding LLC 2019-2, Credit Acceptance Auto Loan Trust 2023-3, Credit Acceptance Auto Loan Trust 2023-2, 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, Computershare Trust Company, N.A., Fifth Third Bank, National Association, Bank of Montreal, Wells Fargo Bank, National Association, Flagstar Bank, National Association, Citizens Bank, N.A., and Comerica Bank (incorporated by reference to Exhibit 4.131 to the Company's Current Report on Form 8-K filed August 30, 2023).
4.132	Sale and Contribution Agreement, dated as of August 24, 2023, between the Company and Credit Acceptance Funding LLC 2023-3 (incorporated by reference to Exhibit 4.132 to the Company's Current Report on Form 8-K filed August 30, 2023).
4.133	Amended and Restated Trust Agreement, dated as of August 24, 2023, among Credit Acceptance Funding LLC 2023-3, each of the initial members of the Board of Trustees of the Trust, and Computershare Delaware Trust Company (incorporated by reference to Exhibit 4.133 to the Company's Current Report on Form 8-K filed August 30, 2023).
4.134	Sale and Servicing Agreement, dated as of August 24, 2023, among the Company, Credit Acceptance Auto Loan Trust 2023-3, Credit Acceptance Funding LLC 2023-3, and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.134 to the Company's Current Report on Form 8-K filed August 30, 2023).
4.135	Third Amendment to Loan and Security Agreement, dated as of September 21, 2023, by and among the Company, CAC Warehouse Funding LLC VIII, Citizens Bank, N.A., and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.135 to the Company's Current Report on Form 8-K filed September 26, 2023).
4.136	Fourth Amendment to Amended and Restated Loan and Security Agreement, dated as of August 30, 2023, among the Company, CAC Warehouse Funding LLC IV, Bank of Montreal, BMO Capital Markets Corp., and Wells Fargo Bank, National Association.
4.137	First Amendment to Loan and Security Agreement, dated as of August 30, 2023, among the Company, Credit Acceptance Funding LLC 2022-2, Bank of Montreal, and BMO Capital Markets Corp.
10.20	Non-Employee Director Restricted Stock Unit Award Agreement.*
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).

* Management contract or compensatory plan or arrangement.

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:	October 30, 2023

Fourth Amendment to Amended and Restated Loan and Security Agreement

This Fourth Amendment to Amended and Restated Loan and Security Agreement, dated as of August 30, 2023 (this *"Amendment"*), is made pursuant to that certain Amended and Restated Loan and Security Agreement, dated as of May 10, 2018, as amended by the First Amendment thereto, dated as of July 26, 2019, the Second Amendment thereto, dated as of January 29, 2022, and the Third Amendment, dated as of June 16, 2022 (as so amended and as further amended, modified or supplemented from time to time, the *"Agreement"*), among CAC Warehouse Funding LLC IV, a Delaware limited liability company (the *"Borrower"*), Credit Acceptance Corporation, a Michigan corporation (*"Credit Acceptance"*, the *"Originator"*, the *"Servicer"* or the *"Custodian"*), Bank of Montreal, as lender (the *"Lender"*), BMO Capital Markets Corp., a Delaware corporation (*"BMO Capital Markets"*), as deal agent (the "Deal Agent"), Bank of Montreal (the *"Collateral Agent"*), and Wells Fargo Bank, National Association, national association, as backup servicer (the *"Backup Servicer"*).

W i t n e s s e t h:

Whereas, the Borrower, Credit Acceptance, the Backup Servicer, the Lender, the Deal Agent and the Collateral Agent have previously entered into and are currently party to the Agreement;

Whereas, the Borrower has requested that certain amendments be made to the Agreement, and the Borrower, Credit Acceptance, the Backup Servicer, the Lender, the Deal Agent and the Collateral Agent are willing to amend the Agreement under the terms and conditions set forth in this Amendment;

Now, Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Defined Terms. Unless otherwise amended by the terms of this Amendment, terms used in this Amendment shall have the meanings assigned in the Agreement.

Section 2. Amendments. Subject to the conditions to effectiveness set forth in Section 3 below, the Agreement is hereby amended by deleting clause (q) of the definition of "Eligible Purchased Loans" appearing in Section 1.1(b) of the Agreement and replacing it with the following:

(q) [reserved];

Section 3. Conditions Precedent; Effectiveness of Amendment. This Amendment shall become effective on and as of the date hereof, upon the receipt by the Deal Agent of an executed counterpart of this Amendment from each party hereto.

Section 4. Representations of the Borrower and Servicer. Each of Borrower and Servicer hereby represent and warrant to the parties hereto that as of the date hereof each of the representations and warranties contained in Article IV of the Agreement and any other Transaction Document to which it is a party are true and correct as of the date hereof and after giving effect to this Amendment (except to the extent that such representations and warranties relate solely to an earlier date, and then are true and correct as of such earlier date) and that no Amortization Event, Termination Event or Unmatured Termination Event has occurred and is continuing as of the date hereof and after giving effect to this Amendment.

Section 5. Agreement in Full Force and Effect. Except as expressly set forth herein, all terms and conditions of the Agreement, as amended, shall remain in full force and effect. Reference to this specific Amendment need not be made in the Agreement, the Note, or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to or with respect to the Agreement, any reference in any of such items to the Agreement being sufficient to refer to the Agreement as amended hereby.

Section 6. Execution in Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be executed by the parties hereto and be deemed an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

Section 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to conflict of law principles, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with the laws of the State of New York.

Section 8. Fees and Expenses. The Borrower agrees to pay on demand all costs and expenses of or incurred by the Deal Agent and the Lender in connection with the negotiation, preparation, execution and delivery of this Amendment, including the reasonable fees and expenses of external counsel for the Deal Agent and the Lender.

[Signature Pages To Follow]

In Witness Whereof, the parties hereto have caused this Fourth Amendment to Amended and Restated Loan and Security Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

CAC Warehouse Funding LLC IV

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: Chief Treasury Officer

Credit Acceptance Corporation

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: Chief Treasury Officer

Bank of Montreal

By: /s/ Karen Louie
Name: Karen Louie
Title: Managing Director

Wells Fargo Bank, National Association

By: Computershare Trust Company, N.A., its agent and attorney-in-fact

By: /s/ Kristen Walters
Name: Kristen Walters
Title: Vice President

BMO Capital Markets Corp.

By: /s/ Jeffrey Merchant
Name: Jeffrey Merchant
Title: Managing Director

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

This FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT, dated as of August 30, 2023 (this "Amendment"), is entered into by and among Credit Acceptance Funding LLC 2022-2, a Delaware limited liability company, as borrower (the "Borrower"), Credit Acceptance Corporation, a Michigan corporation ("Credit Acceptance"), as originator (the "Originator"), servicer (the "Servicer") and custodian (the "Custodian"), Bank of Montreal, as lender (the "Lender") and as collateral agent (the "Collateral Agent"), and BMO Capital Markets Corp., as deal agent (the "Deal Agent").

Reference is hereby made to the Loan and Security Agreement, dated as of December 15, 2022 (the "Agreement"), among the Borrower, Credit Acceptance, the Lender, the Deal Agent, the Collateral Agent and Computershare Trust Company, N.A., as the backup servicer (the "Backup Servicer"). Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

W I T N E S S E T H :

WHEREAS, the Borrower, Credit Acceptance, the Lender, the Deal Agent, the Collateral Agent and the Backup Servicer have previously entered into and are currently party to the Agreement; and

WHEREAS, the Borrower, Credit Acceptance, the Lender, the Deal Agent and the Collateral Agent wish to amend the Agreement pursuant to Section 14.1 thereof in certain respects as provided herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1. Amendments. Subject to the conditions to effectiveness set forth in Section 2 below, the Agreement is hereby amended by deleting clause (r) of the definition of "Eligible Purchased Loans" appearing in Section 1.1(b) of the Agreement and replacing it with the following:

(r) [reserved];

SECTION 2. Conditions to Effectiveness of Amendment. The effectiveness of this Amendment is subject to the conditions precedent that the Deal Agent shall have received executed counterparts of this Amendment from each party hereto.

SECTION 3. Representations of the Borrower and Credit Acceptance. Each of the Borrower and Credit Acceptance hereby represents and warrants to the other parties hereto that as of the date hereof each of the representations and warranties contained in Article IV of the Agreement and in any other Transaction Document to which it is a party are true and correct as of the date hereof and after giving effect to this Amendment (except to the extent that such representations and warranties relate solely to an earlier date, and then that they are true and correct as of such earlier date) and that no Termination Event has occurred and is continuing as of the date hereof and after giving effect to this Amendment.

SECTION 4. Agreement in Full Force and Effect. Except as expressly set forth herein, all terms and conditions of the Agreement shall remain in full force and effect. Reference to this specific Amendment need not be made in the Agreement or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to or with respect to the Agreement, any reference in any of such items to the Agreement being sufficient to refer to the Agreement as amended hereby.

SECTION 5. Execution in Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which so executed shall be deemed an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. Governing Law; Consent to Jurisdiction; Waiver of Objection to Venue. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF ANY FEDERAL COURT LOCATED WITHIN THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 7. Waiver of Jury Trial. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE BETWEEN THE PARTIES HERETO ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP BETWEEN ANY OF THEM IN CONNECTION WITH THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. INSTEAD, ANY SUCH DISPUTE RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the date hereof.

CREDIT ACCEPTANCE FUNDING LLC 2022-2

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: Chief Treasury Officer

CREDIT ACCEPTANCE CORPORATION, as Servicer

By: /s/ Douglas W. Busk
Name: Douglas W. Busk
Title: Chief Treasury Officer

BANK OF MONTREAL, as Lender and Collateral Agent

By: /s/ Karen Louie
Name: Karen Louie
Title: Managing Director

BMO CAPITAL MARKETS, CORP., as Deal Agent

By: /s/ Jeffrey Merchant
Name: Jeffrey Merchant
Title: Managing Director

CONSENTED TO BY:

COMPUTERSHARE TRUST COMPANY, N.A., as Backup Servicer

By: /s/ Kristen Walters
Name: Kristen Walters
Title: Vice President

CONSENTED TO BY:

BANK OF MONTREAL, as Hedge Counterparty

By: /s/ Karen Louie
Name: Karen Louie
Title: Managing Director

CREDIT ACCEPTANCE CORPORATION
NON-EMPLOYEE DIRECTOR RESTRICTED STOCK UNIT AWARD AGREEMENT

Credit Acceptance Corporation (the "***Company***") hereby grants you, **John Doe** (the "***Participant***"), a Restricted Stock Unit Award (the "***Award***") under the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, as amended from time to time (the "***Plan***"). The terms and conditions of the Award are set forth in this agreement and in Appendix A (collectively, the "***Agreement***").

GRANT DATE: [•], **2023**

NUMBER OF RESTRICTED STOCK UNITS: [•]

VESTING SCHEDULE: As described in Appendix A.

IMPORTANT:

Your signature below indicates your agreement and understanding that this grant is subject to all of the terms and conditions contained in Appendix A and in the Plan. BY SIGNING THIS AGREEMENT, YOU ACKNOWLEDGE THE FOLLOWING:

1. THAT YOU HAVE RECEIVED A COPY OF THE PLAN AND THAT YOU HAVE READ THE PLAN, THIS AGREEMENT, AND APPENDIX A, WHICH CONTAINS SPECIFIC TERMS AND CONDITIONS OF THIS AGREEMENT.

2. THAT IF THERE IS ANY INCONSISTENCY BETWEEN THE TERMS OF THE PLAN AND THE TERMS OF THIS AWARD AGREEMENT AND APPENDIX A, THE PLAN'S TERMS SHALL SUPERSEDE AND REPLACE THE CONFLICTING TERMS OF THIS AWARD AGREEMENT AND APPENDIX A.

3. THAT THE PLAN IS SUBJECT TO AMENDMENT AND THIS GRANT WILL BE SUBJECT TO THE TERMS OF ANY FUTURE AMENDMENT TO THE PLAN, PROVIDED THAT SUCH AMENDMENT SHALL NOT ADVERSELY AFFECT YOUR RIGHTS THAT HAVE VESTED UNDER THIS AGREEMENT PRIOR TO THE EFFECTIVE DATE OF THE AMENDMENT.

CREDIT ACCEPTANCE CORPORATION **John Doe**
(*Participant's name*)

By ____ ____
Name:
Its: *(Participant's signature)*

Date: ____ Date: __

APPENDIX A—TERMS AND CONDITIONS

THE AGREEMENT, including Appendix A, effective as of the Grant Date above, represents the grant of Restricted Stock Units by the Company to the Participant named above, pursuant to the provisions of the Plan and this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. Value of Restricted Stock Units. Each Restricted Stock Unit shall represent and have a value equal to one share of Common Stock, par value $0.01, of the Company, subject to adjustment as provided in Section 6.01 of the Plan.

2. Vesting Schedule Applicable to Restricted Stock Units. Except as provided in Section 3, the Restricted Stock Units will become vested in accordance with the following schedule:

(a) 1/3 of the original number of Restricted Stock Units will vest on the first anniversary of the Grant Date;

(b) 1/3 of the original number of Restricted Stock Units will vest on the second anniversary of the Grant Date; and

(c) The remaining 1/3 of the original number of Restricted Stock Units will vest on the third anniversary of the Grant Date;

provided that the Participant is providing services to the Company through each such date (the "***Vesting Date***").

For purposes of this Section 2, the number of vested Restricted Stock Units will be rounded up, if necessary, to the next higher whole number of shares, *provided* that the total number of Restricted Stock Units that become vested hereunder shall in no event exceed the number of Restricted Stock Units granted pursuant to this Agreement.

3. Termination Provisions. Notwithstanding Section 2, if the Participant ceases to provide services prior to a Vesting Date for any reason, any unvested Restricted Stock Units shall be forfeited by the Participant.

4. Dividend Equivalents. While the Restricted Stock Units are outstanding, the Company shall credit to the Participant, on each date that the Company pays a cash dividend to holders of common stock generally, an additional number of Restricted Stock Units ("***Additional Restricted Stock Units***") equal to the total number of whole Restricted Stock Units and Additional Restricted Stock Units previously credited to the Participant under this Agreement multiplied by the dollar amount of the cash dividend paid per share of Common Stock by the Company on such date, divided by the closing price of a share of Common Stock on such date. Any fractional Restricted Stock Unit resulting from such calculation shall be included in the Additional Restricted Stock Units. A report showing the number of Additional Restricted Stock Units so credited shall be sent to the Participant periodically, as determined by the Company. The Additional Restricted Stock Units so credited shall be subject to the same terms and conditions as the Restricted Stock Units granted pursuant to this Agreement and the Additional Restricted Stock Units shall be forfeited in the event that the Restricted Stock Units with respect to which the dividend equivalents were paid are forfeited.

5. Form and Timing of Restricted Stock Units. Payment of the vested Restricted Stock Units shall be made in stock and payment of the vested Restricted Stock Units shall be made on (or within fourteen days following) each Vesting Date (the "***Payment Date***"). The Participant shall

be eligible for payment of vested Restricted Stock Units on the Payment Date *provided that* the Participant has provided services to the Company through the applicable Vesting Date, regardless of whether the Participant is providing services to the Company through the Payment Date.

6. Taxes. No withholding or deduction shall be made by the Company in respect of the Restricted Stock Units. It is intended that the Participant shall be solely responsible for the withholding and/or payment of any federal, state, local or other taxes, including but not limited to, estimated taxes and self-employment taxes, as well as any interest or penalties that may be assessed, imposed or incurred as a result of the compensation paid under this Agreement.

7. Rights as Shareholder. Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a shareholder of the Company in respect of any Restricted Stock Units granted hereunder unless and until the Restricted Stock Units are settled and the underlying shares of Common Stock are issued and recorded on the records of the Company or its transfer agents or registrars.

8. Nontransferability. Restricted Stock Units may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

9. Administration. This Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Participant.

10. Specific Restrictions upon Shares. The Participant hereby agrees with the Company as follows:

(a) The Participant shall acquire the shares of Common Stock issuable with respect to the Restricted Stock Units granted hereunder for investment purposes only not with a view of resale or other distribution thereof to the public in violation of the Securities Act of 1933, as amended (the "***1933 Act***") and shall not dispose of any such shares in transactions which, in the opinion of counsel to the Company, violate the 1933 Act, or the rules and regulations thereunder, or any applicable state securities or "Blue Sky" laws.

(b) If any shares acquired with respect to the Restricted Stock Units shall be registered under the 1933 Act, no public offering (otherwise than on a national securities exchange, as defined in the Exchange Act) of any such shares shall be made by the Participant under such circumstances that he or she (or such other person) may be deemed an underwriter, as defined in the 1933 Act.

11. Miscellaneous.

(a) Adjustments to Shares. In the event of any merger, reorganization, recapitalization, stock dividend, stock split, extraordinary distribution with respect to the Common Stock or other change in corporate structure affecting the Stock, the Committee or Board of Directors of the Company will make such substitution or adjustments in the aggregate number and kind of shares of Common Stock subject to this Restricted Stock Unit Award to prevent dilution of rights.

(b) Change in Control. Notwithstanding anything to the contrary in this Agreement, in the event of a Change in Control, as provided by Section 6.02 of the Plan, (i) the restrictions applicable to the Restricted Stock Units granted under this Agreement shall lapse and (ii) each Restricted Stock Unit shall be terminated on the Change in Control in exchange for a cash payment equal to the fair market value of the Restricted Stock Units, payable within thirty (30) days following the Change in Control.

(c) Notices. Any written notice required or permitted under this Agreement shall be deemed given (i) when delivered personally, as appropriate either to the Participant or to the Human Resources Department of the Company, (ii) when deposited in a United States Post Office as registered mail, postage prepaid, addressed as appropriate either to the Participant at his or her address as he or she may designate in writing to the Company, or to the Attention: Human Resources Department, Credit Acceptance Corporation, at its headquarters office or such other address as the Company may designate in writing to the Participant, or (iii) if delivered by electronic email transmission (addressed to the Participant at his email address on file with the Company or, if to the Company, to [•]@creditacceptance.com), effective on the day that such email was sent, provided that a receipt of such email is requested and thereafter confirmed.

(d) Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

(e) Governing Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by and construed according to the laws of the State of Michigan.

(f) Provision of Plan. The Restricted Stock Units provided for herein and granted pursuant to the Plan, and said Restricted Stock Units and this Agreement are in all respects governed by the Plan and subject to all of the terms and provisions thereof, whether such terms and provisions are incorporated in this Agreement, solely by reference or expressly cited herein. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement.

(g) Section 16 Compliance. If the Participant is subject to Section 16 of the Exchange Act, except in the case of death or disability, or unless otherwise exempt, at least six months must elapse from the date of grant of the Restricted Stock Units hereunder to the date of the Participant's disposition of such Restricted Stock Units.

(h) Code Section 409A. The Restricted Stock Units are intended to comply with Section 409A of the Code and shall be interpreted in accordance with Section 409A of the Code and Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the awards are granted. Notwithstanding any provision of the Plan or the Agreement to the contrary, in the event that the Committee determines that any award may or does not comply with Section 409A of the Code, the Company may adopt such amendments to the award (without the Participant's consent) or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (i) exempt the award from the application of Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to award, or (ii) comply with the requirements of Section 409A of the Code.

EXHIBIT 31.1

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: October 30, 2023

/s/ Kenneth S. Booth

Kenneth S. Booth
Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

EXHIBIT 32.1

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 September 30, 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:	October 30, 2023	/s/ Kenneth S. Booth
		Kenneth S. Booth
		Chief Executive Officer
		(Principal Executive Officer and Principal Financial Officer)