Credit Acceptance Corporation Announces: - 4th Quarter Earnings - 2002 Earnings

Southfield, Michigan - January 31, 2003 - Credit Acceptance Corporation (NASDAQ:CACC) Credit Acceptance Corporation (the "Company") announced consolidated net income for the three months ended December 31, 2002 of $5,406,000 or $0.13 per diluted share compared to $7,240,000 or $0.17 per diluted share for the same period in 2001. For the year ended December 31, 2002, consolidated net income was $29,701,000 or $0.68 per diluted share compared to $29,203,000 or $0.68 per diluted share for the same period in 2001.

The results for the quarter include:

- $2.5 million in after-tax provisions for losses on advances in North America compared to $296,000 for the same period in 2001. During the third and fourth quarter of 2002, the Company experienced a decline in loan performance in North America. The Company believes the decline is temporary and is primarily related to the installation of a new collection system late in the second quarter of 2002. However, it is impossible to determine whether external factors, such as economic conditions also may have contributed to the decline. The Company regularly forecasts future collections on its portfolio of loans. As a result of the decline in loan performance, the Company's forecast of future collections on its North America portfolio of loans declined approximately 5% and 2% during the third and fourth quarter respectively. The Company believes that significant improvement was made during the fourth quarter. Collection activity returned to pre-system conversion levels as measured by calls and contacts per delinquent account. The level of charge offs was unsatisfactory in October, but improved significantly in November and December. The Company believes that it is too early to conclude what effect these improvements will have on the provision for losses on advances in 2003. The Company believes the new collection system will ultimately provide operational efficiencies, and improvements in collection rates, which could not have occurred without the new system.

  In North America, the Company has experienced reduced loan originations due to a reduction in the number of active dealer-partners, partially offset by an increase in the number of loans per active dealer-partner. The reduction in active dealer-partners was primarily due to the Company exiting dealer-partner relationships that did not meet its return on capital goals. This occurred most dramatically in the first quarter of 2002. The number of active dealer-partners remained relatively constant during the second half of 2002. While origination levels continued to be lower in the fourth quarter compared to the same period in 2001, the rate of decline slowed during the quarter. The percentage change in unit volumes compared to the prior year same period were -20%, -13% and 2% for October, November, and December, respectively.

  The reduction in loan origination volume in the United Kingdom was a result of the Company's increased focus on improving the return on capital. To improve the United Kingdom's return on capital the Company has increased the spread between the advance rate and the forecasted collection rate and stopped accepting business from a large dealer group whose business did not meet the Company's return on capital objectives. In order for these changes to result in improved returns on capital, increased unit volume will be required in order to absorb fixed operating expenses.
- The Company's profitability models (which depend on significant estimates including forecasts of collection rates and future expense levels) indicate that business originated in 2002 will likely generate greater returns on capital for the Company than business originated in prior years. The Company's 2002 reported results do not fully reflect this profitability due to: (i) the Company's reported results reflecting the profitability of the Company's portfolio of automobile loans which includes both 2002 originations and less profitable loans originated prior to 2002, (ii) the reported results including losses from businesses in which the Company is exiting or reducing its investment, (iii) the impact of the collection system conversion, which the Company believes will not have a long term adverse impact on the Company's results, and (iv) investments which the Company has made in corporate infrastructure which have produced very little short term financial benefit but are necessary to enable the Company to meet its long term goals.
- A $740,000, after-tax loss on the disposal of computer hardware.
- $570,000 in after-tax income as a result of a change in estimated taxes due upon repatriation of earnings in the United Kingdom.
- · $462,000 in after-tax income as a result of a change in estimated state income tax due to the re-characterization of income as a result of an Internal Revenue Service examination.
  Click here for a complete copy of the this release containing all financial tables in pdf format.