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 June 30, 2024

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 ☐

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

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

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

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

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

The number of shares of Common Stock, $.01 par value, outstanding on July 24, 2024 was 12,111,173.

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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 June 30, 2024	As of December 31, 2023
ASSETS:		
Cash and cash equivalents	$ 8.3	$ 13.2
Restricted cash and cash equivalents	509.3	457.7
Restricted securities available for sale	106.1	93.2
Loans receivable	10,884.2	10,020.1
Allowance for credit losses	(3,336.5)	(3,064.8)
Loans receivable, net	7,547.7	6,955.3
Property and equipment, net	16.1	46.5
Income taxes receivable	39.9	4.3
Other assets	28.0	40.0
Total assets	$ 8,255.4	$ 7,610.2
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	$ 344.2	$ 318.8
Revolving secured lines of credit	84.3	79.2
Secured financing	4,872.2	3,990.9
Senior notes	990.1	989.0
Mortgage note	—	8.4
Deferred income taxes, net	409.5	389.2
Income taxes payable	0.2	81.0
Total liabilities	6,700.5	5,856.5
Commitments and Contingencies - See Note 16		
Shareholders' Equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, $.01 par value, 80,000,000 shares authorized, 12,111,128 and 12,522,397 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	0.1	0.1
Paid-in capital	313.8	279.0
Retained earnings	1,242.2	1,475.6
Accumulated other comprehensive loss	(1.2)	(1.0)
Total shareholders' equity	1,554.9	1,753.7
Total liabilities and shareholders' equity	$ 8,255.4	$ 7,610.2

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(Dollars in millions, except per share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
Finance charges	$ 497.7	$ 441.0	$ 966.9	$ 862.1
Premiums earned	24.3	19.8	46.2	37.2
Other income	16.2	17.1	33.1	32.4
Total revenue	538.2	477.9	1,046.2	931.7
Costs and expenses:				
Salaries and wages	75.8	70.2	154.3	147.4
General and administrative	23.2	20.5	46.9	38.5
Sales and marketing	25.4	26.3	49.3	48.4
Total operating expenses	124.4	117.0	250.5	234.3
Provision for credit losses on forecast changes	237.8	168.8	325.0	213.1
Provision for credit losses on new Consumer Loan assignments	82.8	81.7	181.6	174.8
Total provision for credit losses	320.6	250.5	506.6	387.9
Interest	104.5	62.8	197.0	117.2
Provision for claims	20.3	19.7	37.3	37.6
Loss on sale of building	23.7	—	23.7	—
Total costs and expenses	593.5	450.0	1,015.1	777.0
Income (loss) before provision (benefit) for income taxes	(55.3)	27.9	31.1	154.7
Provision (benefit) for income taxes	(8.2)	5.7	13.9	33.0
Net income (loss)	$ (47.1)	$ 22.2	$ 17.2	$ 121.7
Net income (loss) per share:				
Basic	$ (3.83)	$ 1.70	$ 1.39	$ 9.32
Diluted	$ (3.83)	$ 1.69	$ 1.37	$ 9.30
Weighted average shares outstanding:				
Basic	12,282,174	13,049,935	12,381,656	13,053,755
Diluted	12,282,174	13,099,961	12,533,246	13,085,988

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	$ (47.1)	$ 22.2	$ 17.2	$ 121.7
Other comprehensive gain (loss), net of tax:				
Unrealized gain (loss) on securities, net of tax	—	(0.6)	(0.2)	0.2
Other comprehensive gain (loss)	—	(0.6)	(0.2)	0.2
Comprehensive income (loss)	$ (47.1)	$ 21.6	$ 17.0	$ 121.9

See accompanying notes to consolidated financial statements.

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

(Dollars in millions)

For the Three Months Ended June 30, 2024	Common Stock					
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	12,220,580	$ 0.1	$ 303.5	$ 1,349.8	$ (1.2)	$ 1,652.2
Net loss	—	—	—	(47.1)	—	(47.1)
Stock-based compensation	—	—	10.6	—	—	10.6
Repurchase of common stock	(110,677)	—	(0.3)	(60.5)	—	(60.8)
Restricted stock units settled in common stock	1,225	—	—	—	—	—
Balance, end of period	12,111,128	$ 0.1	$ 313.8	$ 1,242.2	$ (1.2)	$ 1,554.9

(Dollars in millions)

For the Three Months Ended June 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	12,836,907	$ 0.1	$ 252.1	$ 1,473.3	$ (2.1)	$ 1,723.4
Net income	—	—	—	22.2	—	22.2
Other comprehensive loss	—	—	—	—	(0.6)	(0.6)
Stock-based compensation	—	—	9.8	—	—	9.8
Repurchase of common stock	(16,226)	—	(0.2)	(7.6)	—	(7.8)
Restricted stock units settled in common stock	1,000	—	—	—	—	—
Balance, end of period	12,821,681	$ 0.1	$ 261.7	$ 1,487.9	$ (2.7)	$ 1,747.0

(Dollars in millions)

For the Six Months Ended June 30, 2024	Common Stock					
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, beginning of period	12,522,397	$ 0.1	$ 279.0	$ 1,475.6	$ (1.0)	$ 1,753.7
Net income	—	—	—	17.2	—	17.2
Other comprehensive loss	—	—	—	—	(0.2)	(0.2)
Stock-based compensation	—	—	21.5	—	—	21.5
Repurchase of common stock	(462,045)	—	(1.3)	(250.6)	—	(251.9)
Restricted stock units settled to common stock	8,350	—	—	—	—	—
Stock options exercised	42,426	—	14.6	—	—	14.6
Balance, end of period	12,111,128	$ 0.1	$ 313.8	$ 1,242.2	$ (1.2)	$ 1,554.9

(Dollars in millions)

For the Six Months Ended June 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	—	—	—	121.7	—	121.7
Other comprehensive income	—	—	—	—	0.2	0.2
Stock-based compensation	—	—	19.7	—	—	19.7
Repurchase of common stock	(49,261)	—	(7.8)	(14.9)	—	(22.7)
Restricted stock units settled to common stock	101,757	—	—	—	—	—
Stock options exercised	12,300	—	4.1	—	—	4.1
Balance, end of period	12,821,681	$ 0.1	$ 261.7	$ 1,487.9	$ (2.7)	$ 1,747.0

See accompanying notes to consolidated financial statements.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
Cash Flows From Operating Activities:		
Net income	$ 17.2	$ 121.7
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	506.6	387.9
Depreciation	4.2	4.4
Amortization	9.8	8.4
Provision for deferred income taxes	20.3	21.8
Stock-based compensation	21.5	19.7
Loss on sale of building	23.7	—
Other	0.4	0.4
Change in operating assets and liabilities:		
Increase in accounts payable and accrued liabilities	14.2	3.3
Increase in income taxes receivable	(35.6)	(5.0)
Decrease in income taxes payable	(80.8)	(2.3)
Decrease in other assets	12.5	18.9
Net cash provided by operating activities	514.0	579.2
Cash Flows From Investing Activities:		
Purchases of restricted securities available for sale	(34.3)	(20.9)
Proceeds from sale of restricted securities available for sale	16.0	7.6
Maturities of restricted securities available for sale	4.9	4.2
Principal collected on Loans receivable	1,610.4	1,593.7
Advances to Dealers	(1,959.1)	(1,470.4)
Purchases of Consumer Loans	(586.4)	(680.9)
Accelerated payments of Dealer Holdback	(33.4)	(24.6)
Payments of Dealer Holdback	(130.5)	(118.3)
Purchases of property and equipment	(0.7)	(2.4)
Proceeds from sale of building	3.2	—
Net cash used in investing activities	(1,109.9)	(712.0)
Cash Flows From Financing Activities:		
Borrowings under revolving secured lines of credit	4,505.7	3,509.5
Repayments under revolving secured lines of credit	(4,500.6)	(3,371.5)
Proceeds from secured financing	2,249.9	1,201.0
Repayments of secured financing	(1,365.6)	(1,181.1)
Payments of debt issuance costs	(13.0)	(11.2)
Repurchase of common stock	(251.9)	(22.7)
Proceeds from stock options exercised	14.6	4.1
Other	3.5	(1.0)
Net cash provided by financing activities	642.6	127.1
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	46.7	(5.7)
Cash and cash equivalents and restricted cash and cash equivalents beginning of period	470.9	417.7
Cash and cash equivalents and restricted cash and cash equivalents end of period	$ 517.6	$ 412.0
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	$ 182.6	$ 107.5
Cash paid during the period for income taxes, net of refunds	$ 101.2	$ 18.3

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, 2023 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, 2023 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 June 30, 2024 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

We make vehicle ownership possible by providing innovative financing solutions 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 desire to provide an opportunity to consumers to improve their 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 June 30,		For the Six Months Ended June 30,	
Consumer Loan Assignment Volume	**2024**	**2023**	**2024**	**2023**
Percentage of total unit volume with either FICO® scores below 650 or no FICO® scores	80.2 %	80.4 %	81.8 %	82.8 %

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

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

	Unit Volume		Dollar Volume (1)	
Three Months Ended	**Dealer Loans**	**Purchased Loans**	**Dealer Loans**	**Purchased Loans**
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 %
December 31, 2023	77.2 %	22.8 %	75.0 %	25.0 %
March 31, 2024	78.2 %	21.8 %	76.6 %	23.4 %
June 30, 2024	78.5 %	21.5 %	77.3 %	22.7 %

(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.

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 innovative financing solutions that enable automobile 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 June 30, 2024 and December 31, 2023, we had $8.0 million and $12.8 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 June 30, 2024 and December 31, 2023, we had $504.5 million and $453.7 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			
	June 30, 2024	December 31, 2023	June 30, 2023	December 31, 2022
Cash and cash equivalents	$ 8.3	$ 13.2	$ 3.2	$ 7.7
Restricted cash and cash equivalents	509.3	457.7	408.8	410.0
Total cash and cash equivalents and restricted cash and cash equivalents	$ 517.6	$ 470.9	$ 412.0	$ 417.7

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

Each portfolio segment consists of one class of Consumer Loan assignments, which is Consumer Loans originated by Dealers to finance purchases of vehicles and related ancillary products by consumers with impaired or limited credit histories. Our determination is based on the following:
- All of the Consumer Loans assigned to us have similar risk characteristics in relation to the categorization of borrowers, type of financing receivable, industry sector, and type of collateral.
- We only accept Consumer Loan assignments from Dealers located within the United States.

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

Recognition and Measurement Policy. 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 are no longer material to our consolidated financial statements. Consumer Loans assigned to us on or subsequent to January 1, 2020 are accounted for as originated financial assets ("Originated Method").

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.

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.

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.

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

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. 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 for 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 2024, we applied an adjustment to our methodology for forecasting the amount of future net cash flows from our Loan portfolio, which reduced the forecasted collection rates for Consumer Loans assigned in 2022 through 2024. 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. For additional information, see Note 6. For the three and six months ended June 30, 2024 and 2023, we did not make any other methodology changes for Loans that had a material impact on our financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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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 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). The effective interest rate is based on contractual 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

Our wholly owned subsidiary VSC Re Company ("VSC Re") 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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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 Not Yet Adopted

Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative. In October 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-06, which amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification (the "Codification"). The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. If, by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity. We are currently evaluating the impact the adoption of ASU 2023-06 will have on our consolidated financial statements and related disclosures.

Improvements to Reportable Segment Disclosures. In November 2023, the FASB issued ASU 2023-07, which enhances the required disclosures for operating segments in our annual and interim consolidated financial statements. ASU 2023-07 is effective on a retrospective basis for annual periods beginning after December 15, 2023, and interim periods beginning after December 15, 2024. Early adoption is permitted but we have not yet adopted ASU 2023-07. We are currently evaluating the impact the adoption of ASU 2023-07 will have on our consolidated financial statements and related disclosures.

Improvements to Income Tax Disclosures. In December 2023, the FASB issued ASU 2023-09, which intends to improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments intended to improve the effectiveness of income tax disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted, but we have not yet adopted ASU 2023-09. We are currently evaluating the impact the adoption of ASU 2023-09 will have on our consolidated financial statements and related disclosures.

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

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

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

Restricted Securities Available for Sale. The fair value of U.S. Government and agency securities, corporate bonds, and municipal securities 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 was 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 June 30, 2024		As of December 31, 2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 8.3	$ 8.3	$ 13.2	$ 13.2
Restricted cash and cash equivalents	509.3	509.3	457.7	457.7
Restricted securities available for sale	106.1	106.1	93.2	93.2
Loans receivable, net	7,547.7	8,613.3	6,955.3	7,759.1
Liabilities				
Revolving secured lines of credit	$ 84.3	$ 84.3	$ 79.2	$ 79.2
Secured financing	4,872.2	4,913.2	3,990.9	4,025.9
Senior notes	990.1	1,034.6	989.0	1,039.8
Mortgage note	—	—	8.4	8.4

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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 June 30, 2024			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	$ 8.3	$ —	$ —	$ 8.3
Restricted cash and cash equivalents (1)	509.3	—	—	509.3
Restricted securities available for sale (2)	86.3	19.8	—	106.1
Loans receivable, net (1)	—	—	8,613.3	8,613.3
Liabilities				
Revolving secured lines of credit (1)	$ —	$ 84.3	$ —	$ 84.3
Secured financing (1)	3,953.0	960.2	—	4,913.2
Senior notes (1)	1,034.6	—	—	1,034.6

(In millions)	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Cash and cash equivalents (1)	$ 13.2	$ —	$ —	$ 13.2
Restricted cash and cash equivalents (1)	457.7	—	—	457.7
Restricted securities available for sale (2)	75.1	18.1	—	93.2
Loans receivable, net (1)	—	—	7,759.1	7,759.1
Liabilities				
Revolving secured lines of credit (1)	$ —	$ 79.2	$ —	$ 79.2
Secured financing (1)	3,225.8	800.1	—	4,025.9
Senior notes (1)	1,039.8	—	—	1,039.8
Mortgage note (1)	—	8.4	—	8.4

(1) Measured at amortized cost with fair value disclosed.
(2) Measured at fair value on a recurring basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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5. RESTRICTED SECURITIES AVAILABLE FOR SALE

Restricted securities available for sale consist of the following:

(In millions)	As of June 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 46.8	$ 0.1	$ (0.7)	$ 46.2
U.S. Government and agency securities	40.2	—	(0.9)	39.3
Asset-backed securities	19.8	0.1	(0.2)	19.7
Municipal securities	0.8	—	—	0.8
Mortgage-backed securities	0.1	—	—	0.1
Total restricted securities available for sale	$ 107.7	$ 0.2	$ (1.8)	$ 106.1

(In millions)	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 40.5	$ 0.3	$ (0.9)	$ 39.9
U.S. Government and agency securities	35.2	0.2	(0.9)	34.5
Asset-backed securities	18.0	0.1	(0.2)	17.9
Municipal securities	0.7	—	—	0.7
Mortgage-backed securities	0.2	—	—	0.2
Total restricted securities available for sale	$ 94.6	$ 0.6	$ (2.0)	$ 93.2

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 June 30, 2024					
	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	$ 20.0	$ (0.1)	$ 12.8	$ (0.6)	$ 32.8	$ (0.7)
U.S. Government and agency securities	16.1	(0.1)	17.2	(0.8)	33.3	(0.9)
Asset-backed securities	8.1	—	6.1	(0.2)	14.2	(0.2)
Mortgage-backed securities	—	—	0.1	—	0.1	—
Total restricted securities available for sale	$ 44.2	$ (0.2)	$ 36.2	$ (1.6)	$ 80.4	$ (1.8)

(In millions)	Securities Available for Sale with Gross Unrealized Losses as of December 31, 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	$ 2.7	$ —	$ 18.4	$ (0.9)	$ 21.1	$ (0.9)
U.S. Government and agency securities	6.8	(0.1)	16.4	(0.8)	23.2	(0.9)
Asset-backed securities	1.6	—	7.3	(0.2)	8.9	(0.2)
Mortgage-backed securities	—	—	0.2	—	0.2	—
Total restricted securities available for sale	$ 11.1	$ (0.1)	$ 42.3	$ (1.9)	$ 53.4	$ (2.0)

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			
	June 30, 2024		December 31, 2023	
Contractual Maturity	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within one year	$ 9.5	$ 9.3	$ 6.9	$ 6.8
Over one year to five years	88.4	87.0	80.5	79.1
Over five years to ten years	9.7	9.7	7.1	7.2
Over ten years	0.1	0.1	0.1	0.1
Total restricted securities available for sale	$ 107.7	$ 106.1	$ 94.6	$ 93.2

6. LOANS RECEIVABLE

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

(In millions)	As of June 30, 2024		
	Dealer Loans	Purchased Loans	Total
Loans receivable	$ 7,980.6	$ 2,903.6	$ 10,884.2
Allowance for credit losses	(2,659.5)	(677.0)	(3,336.5)
Loans receivable, net	$ 5,321.1	$ 2,226.6	$ 7,547.7

(In millions)	As of December 31, 2023		
	Dealer Loans	Purchased Loans	Total
Loans receivable	$ 7,065.5	$ 2,954.6	$ 10,020.1
Allowance for credit losses	(2,355.7)	(709.1)	(3,064.8)
Loans receivable, net	$ 4,709.8	$ 2,245.5	$ 6,955.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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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 June 30, 2024								
	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	$ 7,553.0	$ 2,930.5	$ 10,483.5	$ (2,471.2)	$ (666.7)	$ (3,137.9)	$ 5,081.8	$ 2,263.8	$ 7,345.6
Finance charges	473.5	229.0	702.5	(157.0)	(47.8)	(204.8)	316.5	181.2	497.7
Provision for credit losses	—	—	—	(212.3)	(108.3)	(320.6)	(212.3)	(108.3)	(320.6)
New Consumer Loan assignments (1)	949.7	278.8	1,228.5	—	—	—	949.7	278.8	1,228.5
Collections (2)	(879.0)	(412.5)	(1,291.5)	—	—	—	(879.0)	(412.5)	(1,291.5)
Accelerated Dealer Holdback payments	18.3	—	18.3	—	—	—	18.3	—	18.3
Dealer Holdback payments	65.6	—	65.6	—	—	—	65.6	—	65.6
Transfers (3)	(34.5)	34.5	—	10.9	(10.9)	—	(23.6)	23.6	—
Write-offs	(171.2)	(157.8)	(329.0)	171.2	157.8	329.0	—	—	—
Recoveries (4)	1.1	1.1	2.2	(1.1)	(1.1)	(2.2)	—	—	—
Deferral of Loan origination costs	4.1	—	4.1	—	—	—	4.1	—	4.1
Balance, end of period	$ 7,980.6	$ 2,903.6	$ 10,884.2	$ (2,659.5)	$ (677.0)	$ (3,336.5)	$ 5,321.1	$ 2,226.6	$ 7,547.7

(In millions)	For the Three Months Ended June 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	$ 6,314.4	$ 3,069.9	$ 9,384.3	$ (2,073.2)	$ (810.8)	$ (2,884.0)	$ 4,241.2	$ 2,259.1	$ 6,500.3
Finance charges	387.5	235.9	623.4	(128.1)	(54.3)	(182.4)	259.4	181.6	441.0
Provision for credit losses	—	—	—	(144.6)	(105.9)	(250.5)	(144.6)	(105.9)	(250.5)
New Consumer Loan assignments (1)	724.5	331.5	1,056.0	—	—	—	724.5	331.5	1,056.0
Collections (2)	(792.9)	(421.8)	(1,214.7)	—	—	—	(792.9)	(421.8)	(1,214.7)
Accelerated Dealer Holdback payments	13.8	—	13.8	—	—	—	13.8	—	13.8
Dealer Holdback payments	61.1	—	61.1	—	—	—	61.1	—	61.1
Transfers (3)	(32.4)	32.4	—	12.3	(12.3)	—	(20.1)	20.1	—
Write-offs	(145.8)	(183.6)	(329.4)	145.8	183.6	329.4	—	—	—
Recoveries (4)	0.6	1.2	1.8	(0.6)	(1.2)	(1.8)	—	—	—
Deferral of Loan origination costs	3.3	—	3.3	—	—	—	3.3	—	3.3
Balance, end 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

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(In millions)	For the Six Months Ended June 30, 2024								
	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	$ 7,065.5	$ 2,954.6	$ 10,020.1	$ (2,355.7)	$ (709.1)	$ (3,064.8)	$ 4,709.8	$ 2,245.5	$ 6,955.3
Finance charges	912.0	457.0	1,369.0	(305.2)	(96.9)	(402.1)	606.8	360.1	966.9
Provision for credit losses	—	—	—	(334.0)	(172.6)	(506.6)	(334.0)	(172.6)	(506.6)
New Consumer Loan assignments (1)	1,959.1	586.4	2,545.5	—	—	—	1,959.1	586.4	2,545.5
Collections (2)	(1,743.9)	(841.3)	(2,585.2)	—	—	—	(1,743.9)	(841.3)	(2,585.2)
Accelerated Dealer Holdback payments	33.4	—	33.4	—	—	—	33.4	—	33.4
Dealer Holdback payments	130.5	—	130.5	—	—	—	130.5	—	130.5
Transfers (3)	(71.4)	71.4	—	22.9	(22.9)	—	(48.5)	48.5	—
Write-offs	(314.0)	(326.4)	(640.4)	314.0	326.4	640.4	—	—	—
Recoveries (4)	1.5	1.9	3.4	(1.5)	(1.9)	(3.4)	—	—	—
Deferral of Loan origination costs	7.9	—	7.9	—	—	—	7.9	—	7.9
Balance, end of period	$ 7,980.6	$ 2,903.6	$ 10,884.2	$ (2,659.5)	$ (677.0)	$ (3,336.5)	$ 5,321.1	$ 2,226.6	$ 7,547.7

(In millions)	For the Six Months Ended June 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	$ 6,074.8	$ 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	755.8	467.0	1,222.8	(250.7)	(110.0)	(360.7)	505.1	357.0	862.1
Provision for credit losses	—	—	—	(219.3)	(168.6)	(387.9)	(219.3)	(168.6)	(387.9)
New Consumer Loan assignments (1)	1,470.4	680.9	2,151.3	—	—	—	1,470.4	680.9	2,151.3
Collections (2)	(1,601.5)	(860.2)	(2,461.7)	—	—	—	(1,601.5)	(860.2)	(2,461.7)
Accelerated Dealer Holdback payments	24.6	—	24.6	—	—	—	24.6	—	24.6
Dealer Holdback payments	118.3	—	118.3	—	—	—	118.3	—	118.3
Transfers (3)	(51.6)	51.6	—	19.0	(19.0)	—	(32.6)	32.6	—
Write-offs	(263.5)	(366.5)	(630.0)	263.5	366.5	630.0	—	—	—
Recoveries (4)	0.9	2.0	2.9	(0.9)	(2.0)	(2.9)	—	—	—
Deferral of Loan origination costs	5.9	—	5.9	—	—	—	5.9	—	5.9
Balance, end 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

(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 June 30, 2024		
Provision for Credit Losses	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	$ 48.6	$ 34.2	$ 82.8
Forecast changes	163.7	74.1	237.8
Total	$ 212.3	$ 108.3	$ 320.6

(In millions)	For the Three Months Ended June 30, 2023		
Provision for Credit Losses	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	$ 33.8	$ 47.9	$ 81.7
Forecast changes	110.8	58.0	168.8
Total	$ 144.6	$ 105.9	$ 250.5

(In millions)	For the Six Months Ended June 30, 2024		
Provision for Credit Losses	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	$ 106.0	$ 75.6	$ 181.6
Forecast changes	228.0	97.0	325.0
Total	$ 334.0	$ 172.6	$ 506.6

(In millions)	For the Six Months Ended June 30, 2023		
Provision for Credit Losses	Dealer Loans	Purchased Loans	Total
New Consumer Loan assignments	$ 71.5	$ 103.3	$ 174.8
Forecast changes	147.8	65.3	213.1
Total	$ 219.3	$ 168.6	$ 387.9

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. Under CECL, we are required to recognize:

- a significant provision for credit losses expense at the time of the Loan's assignment to us for contractual net cash flows we do not expect to realize; and
- finance charge revenue in subsequent periods that is significantly in excess of our expected yield.

Additional information related to new Consumer Loan assignments is as follows:

(In millions)	For the Three Months Ended June 30, 2024		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 1,474.4	$ 565.4	$ 2,039.8
Expected net cash flows at the time of assignment (2)	1,341.6	404.8	1,746.4
Loans receivable at the time of assignment (3)	949.7	278.8	1,228.5
Provision for credit losses expense at the time of assignment	$ (48.6)	$ (34.2)	$ (82.8)
Expected future finance charges at the time of assignment (4)	440.5	160.2	600.7
Expected net Loan income at the time of assignment (5)	$ 391.9	$ 126.0	$ 517.9

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(In millions)	For the Three Months Ended June 30, 2023		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 1,121.5	$ 657.6	$ 1,779.1
Expected net cash flows at the time of assignment (2)	1,018.9	461.3	1,480.2
Loans receivable at the time of assignment (3)	724.5	331.5	1,056.0
Provision for credit losses expense at the time of assignment	$ (33.8)	$ (47.9)	$ (81.7)
Expected future finance charges at the time of assignment (4)	328.2	177.7	505.9
Expected net Loan income at the time of assignment (5)	$ 294.4	$ 129.8	$ 424.2

(In millions)	For the Six Months Ended June 30, 2024		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 3,060.6	$ 1,201.9	$ 4,262.5
Expected net cash flows at the time of assignment (2)	2,779.4	853.0	3,632.4
Loans receivable at the time of assignment (3)	1,959.1	586.4	2,545.5
Provision for credit losses expense at the time of assignment	$ (106.0)	$ (75.6)	$ (181.6)
Expected future finance charges at the time of assignment (4)	926.3	342.2	1,268.5
Expected net Loan income at the time of assignment (5)	$ 820.3	$ 266.6	$ 1,086.9

(In millions)	For the Six Months Ended June 30, 2023		
New Consumer Loan Assignments	Dealer Loans	Purchased Loans	Total
Contractual net cash flows at the time of assignment (1)	$ 2,294.3	$ 1,371.2	$ 3,665.5
Expected net cash flows at the time of assignment (2)	2,083.0	950.1	3,033.1
Loans receivable at the time of assignment (3)	1,470.4	680.9	2,151.3
Provision for credit losses expense at the time of assignment	$ (71.5)	$ (103.3)	$ (174.8)
Expected future finance charges at the time of assignment (4)	684.1	372.5	1,056.6
Expected net Loan income at the time of assignment (5)	$ 612.6	$ 269.2	$ 881.8

(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 exceed Loans receivable at the time of assignment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)
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A summary of changes in expected future net cash flows is as follows:

(In millions)	For the Three Months Ended June 30, 2024		
Expected Future Net Cash Flows	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 7,295.9	$ 3,527.1	$ 10,823.0
New Consumer Loan assignments (1)	1,341.6	404.8	1,746.4
Realized net cash flows (2)	(795.1)	(412.5)	(1,207.6)
Forecast changes	(102.4)	(86.9)	(189.3)
Transfers (3)	(35.4)	37.3	1.9
Balance, end of period	$ 7,704.6	$ 3,469.8	$ 11,174.4

(In millions)	For the Three Months Ended June 30, 2023		
Expected Future Net Cash Flows	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 5,935.7	$ 3,484.6	$ 9,420.3
New Consumer Loan assignments (1)	1,018.9	461.3	1,480.2
Realized net cash flows (2)	(718.0)	(421.8)	(1,139.8)
Forecast changes	(41.8)	(47.5)	(89.3)
Transfers (3)	(28.4)	33.3	4.9
Balance, end of period	$ 6,166.4	$ 3,509.9	$ 9,676.3

(In millions)	For the Six Months Ended June 30, 2024		
Expected Future Net Cash Flows	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 6,707.2	$ 3,472.0	$ 10,179.2
New Consumer Loan assignments (1)	2,779.4	853.0	3,632.4
Realized net cash flows (2)	(1,580.0)	(841.3)	(2,421.3)
Forecast changes	(129.4)	(90.7)	(220.1)
Transfers (3)	(72.6)	76.8	4.2
Balance, end of period	$ 7,704.6	$ 3,469.8	$ 11,174.4

(In millions)	For the Six Months Ended June 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)	2,083.0	950.1	3,033.1
Realized net cash flows (2)	(1,458.6)	(860.2)	(2,318.8)
Forecast changes	(49.0)	(30.9)	(79.9)
Transfers (3)	(46.9)	55.4	8.5
Balance, end of period	$ 6,166.4	$ 3,509.9	$ 9,676.3

(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.

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 aggregated forecast of Consumer Loan collection rates as of June 30, 2024 with the aggregated forecasts as of March 31, 2024, December 31, 2023, 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	June 30, 2024	March 31, 2024	December 31, 2023	Initial Forecast	March 31, 2024	December 31, 2023	Initial Forecast
2015	65.3 %	65.3 %	65.2 %	67.7 %	0.0 %	0.1 %	-2.4 %
2016	63.9 %	63.8 %	63.8 %	65.4 %	0.1 %	0.1 %	-1.5 %
2017	64.7 %	64.7 %	64.7 %	64.0 %	0.0 %	0.0 %	0.7 %
2018	65.5 %	65.5 %	65.5 %	63.6 %	0.0 %	0.0 %	1.9 %
2019	67.1 %	67.0 %	66.9 %	64.0 %	0.1 %	0.2 %	3.1 %
2020	67.7 %	67.7 %	67.6 %	63.4 %	0.0 %	0.1 %	4.3 %
2021	64.1 %	64.3 %	64.5 %	66.3 %	-0.2 %	-0.4 %	-2.2 %
2022	61.1 %	62.1 %	62.7 %	67.5 %	-1.0 %	-1.6 %	-6.4 %
2023	64.5 %	67.2 %	67.4 %	67.5 %	-2.7 %	-2.9 %	-3.0 %
2024	66.6 %	66.9 %	—	67.2 %	-0.3 %	—	-0.6 %

Dealer Loans

	Forecasted Collection Percentage as of (1) (2)				Current Forecast Variance from		
Consumer Loan Assignment Year	June 30, 2024	March 31, 2024	December 31, 2023	Initial Forecast	March 31, 2024	December 31, 2023	Initial Forecast
2015	64.6 %	64.6 %	64.6 %	67.5 %	0.0 %	0.0 %	-2.9 %
2016	63.1 %	63.0 %	63.0 %	65.1 %	0.1 %	0.1 %	-2.0 %
2017	64.1 %	64.0 %	64.0 %	63.8 %	0.1 %	0.1 %	0.3 %
2018	65.0 %	64.9 %	64.9 %	63.6 %	0.1 %	0.1 %	1.4 %
2019	66.8 %	66.7 %	66.5 %	63.9 %	0.1 %	0.3 %	2.9 %
2020	67.5 %	67.5 %	67.4 %	63.3 %	0.0 %	0.1 %	4.2 %
2021	63.8 %	64.1 %	64.2 %	66.3 %	-0.3 %	-0.4 %	-2.5 %
2022	60.4 %	61.4 %	62.0 %	67.3 %	-1.0 %	-1.6 %	-6.9 %
2023	63.3 %	66.1 %	66.4 %	66.8 %	-2.8 %	-3.1 %	-3.5 %
2024	65.6 %	66.0 %	—	66.3 %	-0.4 %	—	-0.7 %

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	Purchased Loans						
	Forecasted Collection Percentage as of (1) (2)				Current Forecast Variance from		
Consumer Loan Assignment Year	June 30, 2024	March 31, 2024	December 31, 2023	Initial Forecast	March 31, 2024	December 31, 2023	Initial Forecast
2015	69.0 %	68.9 %	68.9 %	68.5 %	0.1 %	0.1 %	0.5 %
2016	66.1 %	66.1 %	66.1 %	66.5 %	0.0 %	0.0 %	-0.4 %
2017	66.3 %	66.3 %	66.3 %	64.6 %	0.0 %	0.0 %	1.7 %
2018	66.8 %	66.8 %	66.8 %	63.5 %	0.0 %	0.0 %	3.3 %
2019	67.8 %	67.7 %	67.5 %	64.2 %	0.1 %	0.3 %	3.6 %
2020	67.9 %	67.9 %	67.8 %	63.6 %	0.0 %	0.1 %	4.3 %
2021	64.7 %	64.8 %	65.0 %	66.3 %	-0.1 %	-0.3 %	-1.6 %
2022	62.9 %	63.8 %	64.3 %	68.0 %	-0.9 %	-1.4 %	-5.1 %
2023	67.7 %	70.0 %	70.1 %	69.4 %	-2.3 %	-2.4 %	-1.7 %
2024	70.1 %	70.0 %	—	70.5 %	0.1 %	—	-0.4 %

(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 for 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 June 30, 2024 and December 31, 2023, segmented by year of assignment:

(In millions)	Total Loans as of June 30, 2024 (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
2019 and prior	$ 79.4	$ 47.8	$ 183.9	$ 249.7	$ 560.8
2020	210.4	105.0	239.6	14.9	569.9
2021	426.6	178.0	307.5	1.8	913.9
2022	1,128.4	355.5	393.3	0.2	1,877.4
2023	2,777.4	647.1	288.0	—	3,712.5
2024	2,916.9	321.8	11.0	—	3,249.7
	$ 7,539.1	$ 1,655.2	$ 1,423.3	$ 266.6	$ 10,884.2

(In millions)	Dealer Loans as of June 30, 2024 (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
2019 and prior	$ 36.1	$ 21.3	$ 86.0	$ 141.8	$ 285.2
2020	127.0	62.0	144.0	10.8	343.8
2021	288.2	117.1	203.2	1.5	610.0
2022	813.8	251.8	279.4	0.2	1,345.2
2023	2,063.5	489.1	214.0	—	2,766.6
2024	2,353.1	267.3	9.4	—	2,629.8
	$ 5,681.7	$ 1,208.6	$ 936.0	$ 154.3	$ 7,980.6

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(In millions)	Purchased Loans as of June 30, 2024 (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
2019 and prior	$ 43.3	$ 26.5	$ 97.9	$ 107.9	$ 275.6
2020	83.4	43.0	95.6	4.1	226.1
2021	138.4	60.9	104.3	0.3	303.9
2022	314.6	103.7	113.9	—	532.2
2023	713.9	158.0	74.0	—	945.9
2024	563.8	54.5	1.6	—	619.9
	$ 1,857.4	$ 446.6	$ 487.3	$ 112.3	$ 2,903.6

(In millions)	Total Loans as of December 31, 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	$ 24.2	$ 16.8	$ 73.5	$ 204.9	$ 319.4
2019	150.7	83.8	237.6	39.5	511.6
2020	328.9	165.5	314.5	4.6	813.5
2021	596.6	262.1	368.7	0.7	1,228.1
2022	1,518.0	499.8	422.5	—	2,440.3
2023	3,888.7	666.5	152.0	—	4,707.2
	$ 6,507.1	$ 1,694.5	$ 1,568.8	$ 249.7	$ 10,020.1

(In millions)	Dealer Loans as of December 31, 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	$ 11.7	$ 7.9	$ 35.0	$ 117.8	$ 172.4
2019	69.9	38.0	111.2	22.0	241.1
2020	201.7	98.0	190.4	3.5	493.6
2021	407.3	173.4	245.0	0.6	826.3
2022	1,109.4	360.4	303.5	—	1,773.3
2023	2,942.3	503.6	112.9	—	3,558.8
	$ 4,742.3	$ 1,181.3	$ 998.0	$ 143.9	$ 7,065.5

(In millions)	Purchased Loans as of December 31, 2023 (2)				
	Pre-term Consumer Loans (3)				
Consumer Loan Assignment Year	Current (5)	Past Due 11-90 Days	Past Due Over 90 Days	Post-term Consumer Loans (4)	Total
2018 and prior	$ 12.5	$ 8.9	$ 38.5	$ 87.1	$ 147.0
2019	80.8	45.8	126.4	17.5	270.5
2020	127.2	67.5	124.1	1.1	319.9
2021	189.3	88.7	123.7	0.1	401.8
2022	408.6	139.4	119.0	—	667.0
2023	946.4	162.9	39.1	—	1,148.4
	$ 1,764.8	$ 513.2	$ 570.8	$ 105.8	$ 2,954.6

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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 six months ended June 30, 2024 and 2023, segmented by year of assignment:

(In millions)	For the Three Months Ended June 30, 2024		
Write-offs by Consumer Loan Assignment Year	**Dealer Loans**	**Purchased Loans**	**Total**
2019 and prior	$ 46.4	$ 35.8	$ 82.2
2020	28.8	19.2	48.0
2021	35.0	22.9	57.9
2022	45.9	36.1	82.0
2023	13.2	37.6	50.8
2024	1.9	6.2	8.1
	$ 171.2	$ 157.8	$ 329.0

(In millions)	For the Three Months Ended June 30, 2023		
Write-offs by Consumer Loan Assignment Year	**Dealer Loans**	**Purchased Loans**	**Total**
2018 and prior	$ 33.9	$ 28.0	$ 61.9
2019	27.1	50.8	77.9
2020	27.6	26.1	53.7
2021	26.6	29.2	55.8
2022	27.3	40.1	67.4
2023	3.3	9.4	12.7
	$ 145.8	$ 183.6	$ 329.4

(In millions)	For the Six Months Ended June 30, 2024		
Write-offs by Consumer Loan Assignment Year	**Dealer Loans**	**Purchased Loans**	**Total**
2019 and prior	$ 91.6	$ 77.3	$ 168.9
2020	54.1	41.0	95.1
2021	63.9	50.8	114.7
2022	79.1	76.2	155.3
2023	22.2	73.5	95.7
2024	3.1	7.6	10.7
	$ 314.0	$ 326.4	$ 640.4

(In millions)	For the Six Months Ended June 30, 2023		
Write-offs by Consumer Loan Assignment Year	Dealer Loans	Purchased Loans	Total
2018 and prior	$ 65.5	$ 59.5	$ 125.0
2019	50.8	99.1	149.9
2020	51.3	54.9	106.2
2021	45.4	62.2	107.6
2022	46.3	80.4	126.7
2023	4.2	10.4	14.6
	$ 263.5	$ 366.5	$ 630.0

During the second quarter of 2024, we applied an adjustment to our methodology for forecasting the amount of future net cash flows from our Loan portfolio, which reduced the forecasted collection rates for Consumer Loans assigned in 2022 through 2024. Consumer Loans assigned in 2022 have continued to underperform our expectations for the past several quarters. More recently, Consumer Loans assigned in 2023 have also begun exhibiting similar trends of underperformance, although not as severe as Consumer Loans assigned in 2022. During the second quarter of 2024, we determined that we had sufficient Consumer Loan performance experience to estimate the magnitude by which we expect Consumer Loans assigned in 2022 through 2024 will likely underperform our historical collection rates on Consumer Loans with similar characteristics. Accordingly, we applied an adjustment to Consumer Loans assigned in 2022 through 2024 to reduce forecasted collection rates to what we believe the ultimate collection rates will be based on these trends. Changes in the amount and timing of forecasted net cash flows are recognized in the period of change as a provision for credit losses. The implementation of this forecast adjustment during the second quarter of 2024 reduced forecasted net cash flows by $147.2 million, or 1.4%, and increased provision for credit losses by $127.5 million.

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. We had experienced a decrease in Consumer Loan prepayments to below-average levels and as a result, slowed our forecasted net cash flow timing. 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 as a 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.

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

(In millions)	As of	
	June 30, 2024	December 31, 2023
Land and land improvements	$ 2.7	$ 2.9
Building and improvements	17.2	58.8
Data processing equipment and software	45.8	50.0
Office furniture and equipment	2.5	2.6
Total property and equipment	68.2	114.3
Less: Accumulated depreciation on property and equipment	(52.1)	(67.8)
Total property and equipment, net	$ 16.1	$ 46.5

As the vast majority of our team members now work remotely, we had significant excess space in the two office buildings that we owned in Southfield, Michigan. During the second quarter of 2024, we sold the larger building for net sales proceeds of $3.2 million, and recognized a loss on sale of the building of $23.7 million. The loss on sale of the building represented the amount by which the $26.9 million carrying value of the building and its improvements, the related land and land improvements, and office furniture and equipment exceeded the net sales proceeds of $3.2 million.

8. REINSURANCE

A summary of reinsurance activity is as follows:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Net assumed written premiums	$ 27.3	$ 23.5	$ 58.5	$ 48.9
Net premiums earned	24.3	19.8	46.2	37.2
Provision for claims	20.3	19.7	37.3	37.6
Amortization of capitalized acquisition costs	0.6	0.5	1.2	1.0

The trust assets and related reinsurance liabilities are as follows:

(In millions)		As of	
	Balance Sheet Location	June 30, 2024	December 31, 2023
Trust assets	Restricted cash and cash equivalents	$ 1.5	$ 1.4
Trust assets	Restricted securities available for sale	106.1	93.2
Unearned premium	Accounts payable and accrued liabilities	79.9	67.6
Claims reserve (1)	Accounts payable and accrued liabilities	6.5	5.6

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

9. OTHER INCOME

Other income consists of the following:

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Ancillary product profit sharing	$ 6.4	$ 9.1	$ 13.7	$ 16.6
Interest	6.4	4.9	12.2	9.0
Remarketing fees	2.9	2.7	6.2	5.7
Other	0.5	0.4	1.0	1.1
Total	$ 16.2	$ 17.1	$ 33.1	$ 32.4

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

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

Remarketing fees consist of fees 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.

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

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 June 30, 2024				
	Ancillary Product Profit Sharing	Interest	Remarketing Fees	Other	Total Other Income
Source of Income					
Third-Party Providers	$ 6.4	$ 6.4	$ —	$ 0.1	$ 12.9
Dealers	—	—	2.9	0.4	3.3
Total	$ 6.4	$ 6.4	$ 2.9	$ 0.5	$ 16.2
Timing of Revenue Recognition					
Over time	$ 6.4	$ 6.4	$ —	$ 0.2	$ 13.0
At a point in time	—	—	2.9	0.3	3.2
Total	$ 6.4	$ 6.4	$ 2.9	$ 0.5	$ 16.2

(In millions)	For the Six Months Ended June 30, 2024				
	Ancillary Product Profit Sharing	Interest	Remarketing Fees	Other	Total Other Income
Source of Income					
Third-Party Providers	$ 13.7	$ 12.2	$ —	$ 0.2	$ 26.1
Dealers	—	—	6.2	0.8	7.0
Total	$ 13.7	$ 12.2	$ 6.2	$ 1.0	$ 33.1
Timing of Revenue Recognition					
Over time	$ 13.7	$ 12.2	$ —	$ 0.4	$ 26.3
At a point in time	—	—	6.2	0.6	6.8
Total	$ 13.7	$ 12.2	$ 6.2	$ 1.0	$ 33.1

10. DEBT

Debt consists of the following:

(In millions)	As of June 30, 2024			
	Principal Outstanding	Unamortized Debt Issuance Costs	Unamortized Discount	Carrying Amount
Revolving secured lines of credit (1)	$ 84.3	$ —	$ —	$ 84.3
Secured financing (2)	4,903.3	(29.2)	(1.9)	4,872.2
Senior notes	1,000.0	(9.9)	—	990.1
Mortgage note	—	—	—	—
Total debt	$ 5,987.6	$ (39.1)	$ (1.9)	$ 5,946.6

(In millions)	As of December 31, 2023			
	Principal Outstanding	Unamortized Debt Issuance Costs	Unamortized Discount	Carrying Amount
Revolving secured lines of credit (1)	$ 79.2	$ —	$ —	$ 79.2
Secured financing (2)	4,019.0	(25.6)	(2.5)	3,990.9
Senior notes	1,000.0	(11.0)	—	989.0
Mortgage note	8.4	—	—	8.4
Total debt	$ 5,106.6	$ (36.6)	$ (2.5)	$ 5,067.5

(1) Excludes deferred debt issuance costs of $5.2 million and $4.2 million as of June 30, 2024 and December 31, 2023, respectively, which are included in other assets.
(2) Warehouse facilities and Term ABS financings.

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

General information for each of our financing transactions in place as of June 30, 2024 is as follows:

(Dollars in millions)

Financings	Wholly Owned Subsidiary	Maturity Date		Financing Amount	Interest Rate Basis as of June 30, 2024
Revolving Secured Line of Credit Facility	n/a	06/22/2027		$ 390.0	At our option, either the Secured Overnight Financing Rate (SOFR) plus 197.5 basis points or the prime rate plus 87.5 basis points
RTP Facility	n/a	—	(1)	20.0	SOFR plus 197.5 basis points
Warehouse Facility II (2)	CAC Warehouse Funding LLC II	04/30/2026	(3)	400.0	SOFR plus 230.0 basis points
Warehouse Facility IV (2)	CAC Warehouse Funding LLC IV	12/29/2026	(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 245.0 basis points (4)
Warehouse Facility VI (2)	CAC Warehouse Funding LLC VI	09/30/2026	(3)	75.0	The Bloomberg Short-Term Bank Yield Index rate (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 2021-1 (2)	Credit Acceptance Funding LLC 2021-1	02/17/2026	(6)	100.0	SOFR plus 220.0 basis points
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	06/15/2027	(6)	300.0	SOFR plus 246.4 basis points
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
Term ABS 2023-A (2)	Credit Acceptance Funding LLC 2023-A	12/15/2025	(6)	200.0	Fixed rate
Term ABS 2023-5 (2)	Credit Acceptance Funding LLC 2023-5	12/15/2025	(3)	294.0	Fixed rate
Term ABS 2024-A (2)	Credit Acceptance Funding LLC 2024-A	02/15/2027	(6)	200.0	Fixed rate
Term ABS 2024-1 (2)	Credit Acceptance Funding LLC 2024-1	03/16/2026	(3)	500.0	Fixed rate
Term ABS 2024-2 (2)	Credit Acceptance Funding LLC 2024-2	06/15/2026	(3)	550.0	Fixed rate
2026 Senior Notes	n/a	03/15/2026		400.0	Fixed rate
2028 Senior Notes	n/a	12/15/2028		600.0	Fixed rate

(1) Borrowings are subject to repayment on demand.
(2) Financing made available only to a specified subsidiary of the Company.

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

(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.

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

(In millions)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Revolving Secured Lines of Credit				
Maximum outstanding principal balance	$ 342.0	$ 355.5	$ 342.0	$ 355.5
Average outstanding principal balance	212.0	162.5	189.4	142.9
Warehouse Facility II				
Maximum outstanding principal balance	251.0	201.0	251.0	201.0
Average outstanding principal balance	142.0	59.6	135.1	39.4
Warehouse Facility IV				
Maximum outstanding principal balance	—	—	—	—
Average outstanding principal balance	—	—	—	—
Warehouse Facility V				
Maximum outstanding principal balance	100.0	—	100.0	—
Average outstanding principal balance	23.1	—	11.5	—
Warehouse Facility VI				
Maximum outstanding principal balance	60.0	—	60.0	—
Average outstanding principal balance	55.4	—	42.5	—
Warehouse Facility VIII				
Maximum outstanding principal balance	100.0	—	100.0	—
Average outstanding principal balance	47.3	—	39.0	—

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

(Dollars in millions)	As of	
	June 30, 2024	December 31, 2023
Revolving Secured Lines of Credit		
Principal balance outstanding	$ 84.3	$ 79.2
Amount available for borrowing (1)	325.7	330.8
Interest rate	7.32 %	7.33 %
Warehouse Facility II		
Principal balance outstanding	$ —	$ —
Amount available for borrowing (1)	400.0	400.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	2.6	1.0
Interest rate	— %	— %
Warehouse Facility IV		
Principal balance outstanding	$ —	$ —
Amount available for borrowing (1)	300.0	300.0
Loans pledged as collateral	—	—
Restricted cash and cash equivalents pledged as collateral	1.0	1.5
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	$ 60.0	$ —
Amount available for borrowing (1)	15.0	75.0
Loans pledged as collateral	106.0	—
Restricted cash and cash equivalents pledged as collateral	3.6	—
Interest rate	7.37 %	— %
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	1.3	0.8
Interest rate	— %	— %
Term ABS 2019-2		
Principal balance outstanding	$ 500.0	$ 500.0
Loans pledged as collateral	521.3	597.3
Restricted cash and cash equivalents pledged as collateral	43.5	47.6
Interest rate	5.15 %	5.15 %
Term ABS 2020-3		
Principal balance outstanding	$ —	$ 110.3
Loans pledged as collateral	—	418.4
Restricted cash and cash equivalents pledged as collateral	—	42.3
Interest rate	— %	2.06 %

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

(Dollars in millions)	As of	
	June 30, 2024	December 31, 2023
Term ABS 2021-1		
Principal balance outstanding	$ 100.0	$ 100.0
Loans pledged as collateral	113.7	112.8
Restricted cash and cash equivalents pledged as collateral	8.9	8.8
Interest rate	7.53 %	7.56 %
Term ABS 2021-2		
Principal balance outstanding	$ —	$ 188.2
Loans pledged as collateral	—	415.5
Restricted cash and cash equivalents pledged as collateral	—	37.3
Interest rate	— %	1.38 %
Term ABS 2021-3		
Principal balance outstanding	$ 124.1	$ 265.0
Loans pledged as collateral	306.4	396.3
Restricted cash and cash equivalents pledged as collateral	29.9	33.8
Interest rate	1.51 %	1.24 %
Term ABS 2021-4		
Principal balance outstanding	$ 135.3	$ 221.6
Loans pledged as collateral	210.3	255.2
Restricted cash and cash equivalents pledged as collateral	18.8	21.0
Interest rate	1.59 %	1.46 %
Term ABS 2022-1		
Principal balance outstanding	$ 350.0	$ 350.0
Loans pledged as collateral	374.5	378.2
Restricted cash and cash equivalents pledged as collateral	27.2	27.4
Interest rate	5.03 %	5.03 %
Term ABS 2022-2		
Principal balance outstanding	$ 300.0	$ 200.0
Loans pledged as collateral	387.8	212.1
Restricted cash and cash equivalents pledged as collateral	23.7	14.7
Interest rate	7.77 %	7.66 %
Term ABS 2022-3		
Principal balance outstanding	$ 389.9	$ 389.9
Loans pledged as collateral	419.1	418.9
Restricted cash and cash equivalents pledged as collateral	30.4	28.9
Interest rate	7.68 %	7.68 %
Term ABS 2023-1		
Principal balance outstanding	$ 400.0	$ 400.0
Loans pledged as collateral	533.3	611.6
Restricted cash and cash equivalents pledged as collateral	37.3	38.5
Interest rate	6.92 %	6.92 %
Term ABS 2023-2		
Principal balance outstanding	$ 400.0	$ 400.0
Loans pledged as collateral	626.9	701.7
Restricted cash and cash equivalents pledged as collateral	40.7	42.0
Interest rate	6.39 %	6.39 %

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

(Dollars in millions)	As of	
	June 30, 2024	December 31, 2023
Term ABS 2023-3		
Principal balance outstanding	$ 400.0	$ 400.0
Loans pledged as collateral	604.0	643.8
Restricted cash and cash equivalents pledged as collateral	40.4	40.3
Interest rate	6.86 %	6.86 %
Term ABS 2023-A		
Principal balance outstanding	$ 200.0	$ 200.0
Loans pledged as collateral	287.5	273.4
Restricted cash and cash equivalents pledged as collateral	18.9	17.2
Interest rate	7.51 %	7.51 %
Term ABS 2023-5		
Principal balance outstanding	$ 294.0	$ 294.0
Loans pledged as collateral	455.7	433.9
Restricted cash and cash equivalents pledged as collateral	35.6	52.2
Interest rate	6.54 %	6.54 %
Term ABS 2024-A		
Principal balance outstanding	$ 200.0	$ —
Loans pledged as collateral	279.0	—
Restricted cash and cash equivalents pledged as collateral	19.4	—
Interest rate	7.45 %	— %
Term ABS 2024-1		
Principal balance outstanding	$ 500.0	$ —
Loans pledged as collateral	585.2	—
Restricted cash and cash equivalents pledged as collateral	50.3	—
Interest rate	6.01 %	— %
Term ABS 2024-2		
Principal balance outstanding	$ 550.0	$ —
Loans pledged as collateral	767.0	—
Restricted cash and cash equivalents pledged as collateral	73.3	—
Interest rate	6.21 %	— %
2026 Senior Notes		
Principal balance outstanding	$ 400.0	$ 400.0
Interest rate	6.625 %	6.625 %
2028 Senior Notes		
Principal balance outstanding	$ 600.0	$ 600.0
Interest rate	9.250 %	9.250 %
Mortgage Note		
Principal balance outstanding	$ —	$ 8.4
Interest rate	— %	6.88 %

(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.

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 not available to any creditors other than the creditors of the applicable subsidiary.

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, 2022-2, and 2023-A 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, 2022-2, and 2023-A financings pledged the Loans for the benefit of their respective lenders. The Term ABS 2021-3, 2021-4, 2023-1, 2023-2, 2023-3, 2023-A, 2023-5, 2024-A, 2024-1, and 2024-2 financings each consist of three classes of notes (or, in the case of the Term ABS 2023-A, three classes of loans), 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, 2022-2, and 2023-A 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 not available to any creditors other than the creditors of the applicable subsidiary. 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 2021-1	January 29, 2021	125.1	Through February 17, 2026
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 June 15, 2027
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
Term ABS 2023-A	November 30, 2023	252.0	Through December 15, 2025
Term ABS 2023-5	December 21, 2023	375.1	Through December 15, 2025
Term ABS 2024-A	February 27, 2024	250.1	Through February 15, 2027
Term ABS 2024-1	March 28, 2024	625.2	Through March 16, 2026
Term ABS 2024-2	June 20, 2024	687.7	Through June 15, 2026

Senior Notes

On December 19, 2023, we issued $600.0 million aggregate principal amount of 9.250% senior notes due 2028 (the “2028 senior notes”). The 2028 senior notes were issued pursuant to an indenture, dated as of December 19, 2023, 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 the trustee under the indenture.

The 2028 senior notes mature on December 15, 2028 and bear interest at a rate of 9.250% per annum, computed on the basis of a 360-day year composed of twelve 30-day months and payable semi-annually on June 15 and December 15 of each year, beginning on June 15, 2024. We used a portion of the net proceeds from the 2028 senior notes to repurchase or redeem all of the $400.0 million outstanding principal amount of our 5.125% senior notes due 2024 (the “2024 senior notes”), of which $322.3 million was repurchased on December 19, 2023 and the remaining $77.7 million was redeemed on December 31, 2023. We used the remaining net proceeds from the 2028 senior notes for general corporate purposes. During the fourth quarter of 2023, we recognized a pre-tax loss on extinguishment of debt of $1.8 million related to the repurchase and redemption of the 2024 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 the trustee under the indenture.

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 2028 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 had a $9.0 million mortgage note with a commercial bank that was 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 was paid off in full during the second quarter of 2024 in connection with the sale of the related building.

Debt Covenants

As of June 30, 2024, 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 June 30, 2024, 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.

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11. 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 June 30, 2024 and December 31, 2023:

(Dollars in millions)

As of June 30, 2024						
Facility Amount	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)
$ 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	71.0	5.44 %
200.0	Warehouse Facility VIII	Cap Floating Rate	09/2022	09/2025	200.0	5.42 %

(Dollars in millions)

As of December 31, 2023						
Facility Amount	Facility Name	Purpose	Start	End	Notional	Cap Interest Rate (1)
$ 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	9/2025	200.0	5.42 %
100.0	Term ABS 2021-1	Cap Floating Rate	04/2023	06/2024	37.5	5.46 %
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 June 30, 2024 and December 31, 2023, the interest rate caps had a fair value of $0.1 million, as the capped rates were above market rates.

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

12. 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 June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
State and local income taxes	-3.7 %	-4.3 %	16.9 %	1.9 %
Non-deductible executive compensation expense	-2.6 %	3.6 %	8.2 %	1.8 %
Excess tax benefits from stock-based compensation	0.0 %	0.1 %	-1.7 %	-3.5 %
Other	0.1 %	0.0 %	0.3 %	0.1 %
Effective income tax rate	14.8 %	20.4 %	44.7 %	21.3 %

State and local income taxes

For the three months ended June 30, 2024 and 2023, state and local income taxes reduced our effective income tax rate primarily due to:

- Changes in state tax laws enacted during the second quarter of 2024 that were effective retroactively to the beginning of 2024 increased our state income taxes and reduced, rather than increased, our effective income tax rate, as we had a pre-tax loss this quarter compared to pre-tax income for the second quarter of 2023.
- The settlement of an uncertain tax position for state income taxes during the second quarter of 2023 decreased our effective income tax rate for that period.

For the six months ended June 30, 2024, the impact of state and local income taxes on our effective income tax rate increased from the same period in 2023 primarily due to:

- The increased impact of an adjustment to an uncertain tax position for state income taxes in the second quarter of 2024 primarily due to a decrease in pre-tax income.
- Changes in state tax laws enacted during the second quarter of 2024 that were effective retroactively to the beginning of 2024.
- The settlement of an uncertain tax position for state income taxes in the second quarter of 2023.

Non-deductible executive compensation expense

We recognize non-deductible executive compensation expense as an increase of provision for income taxes or a reduction of benefit for income taxes. For the second quarter of 2024, the impact of non-deductible executive compensation expense reduced, rather than increased, our effective income tax rate, as we had a pre-tax loss in the period, compared to pre-tax income in the second quarter of 2023. For the six months ended June 30, 2024, the impact of non-deductible executive compensation expense on our effective income tax rate increased from the same period in 2023 primarily due to a decrease in pre-tax income.

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 settled in 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 decrease in the impact of excess tax benefits on our effective income tax rate for the six months ended June 30, 2024 was primarily due to a decrease in the number of restricted stock units that were settled in common stock during the first quarter of 2024 as compared to the first quarter of 2023 due to the timing of long-term stock award grants, partially offset by a decrease in pre-tax income.

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

13. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share has been computed by dividing net income (loss) by the basic number of weighted average shares outstanding. Diluted net income (loss) per share has been computed by dividing net income (loss) 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 June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Weighted average shares outstanding:				
Common shares	12,118,832	12,832,945	12,218,419	12,821,478
Vested restricted stock units	163,342	216,990	163,237	232,277
Basic number of weighted average shares outstanding	12,282,174	13,049,935	12,381,656	13,053,755
Dilutive effect of restricted stock units and stock options	—	50,026	151,590	32,233
Dilutive number of weighted average shares outstanding	12,282,174	13,099,961	12,533,246	13,085,988

The potential effects of stock options and restricted stock units were excluded from the diluted earnings per share calculation for the three months ended June 30, 2024 because their inclusion in a net loss period would have reduced the net loss per share.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Stock options	195,324	228,625	67,750	241,201
Restricted stock units	22,222	6,031	2,173	5,814
Total	217,546	234,656	69,923	247,015

14. STOCK REPURCHASES

The following table summarizes our stock repurchases for the three and six months ended June 30, 2024 and 2023:

(Dollars in millions)	For the Three Months Ended June 30,			
	2024		2023	
Stock Repurchases	Number of Shares Repurchased	Cost (1)	Number of Shares Repurchased	Cost (1)
Open Market (2)	110,181	$ 60.6	15,802	$ 7.6
Other (3)	496	0.2	424	0.2
Total	110,677	$ 60.8	16,226	$ 7.8

(Dollars in millions)	For the Six Months Ended June 30,			
	2024		2023	
Stock Repurchases	Number of Shares Repurchased	Cost (1)	Number of Shares Repurchased	Cost (1)
Open Market (2)	459,437	$ 250.5	15,802	$ 7.6
Other (3)	2,608	1.4	33,459	15.1
Total	462,045	$ 251.9	49,261	$ 22.7

(1) Total cost of repurchases includes excise tax.
(2) 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 June 30, 2024, we had authorization to repurchase 1,346,570 shares of our common stock.
(3) 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.

15. STOCK-BASED COMPENSATION PLANS

Stock-based compensation expense consists of the following:

(In millions)	For the Three Months Ended June 30, 2024	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
Stock options	$ 8.2	$ 8.6	$ 16.4	$ 17.1
Restricted stock units	2.4	1.2	5.1	2.6
Total	$ 10.6	$ 9.8	$ 21.5	$ 19.7

Pursuant to our Amended and Restated Incentive Compensation Plan, we can grant stock-based awards in the form of restricted stock, restricted stock units, and stock options to team members, officers, directors, and contractors. Instead of a short-term compensation program providing for rolling, annual equity awards to our executive officers and senior leaders, we utilize a multi-year compensation program that grants a one-time equity award at the beginning of the compensation program period that is intended to incentivize recipients over the multi-year compensation period. Our current compensation program for executive officers and senior leaders covers the 2021 through 2024 compensation period and included a one-time equity award in December 2020 with a vesting period of four years. Based on the stock-based awards that are currently outstanding, we expect to recognize the future stock-based compensation expense as follows:

(in millions)

Year	Total Projected Stock-Based Compensation Expense
Remainder of 2024	$ 21.7
2025	13.2
2026	7.1
2027	0.7
2028	—
Total	$ 42.7

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

16. 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 the 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 or they may file individual arbitration demands for which arbitration providers may request separate filing fees. 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, 2023.

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.

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

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 ("CFSA"). On July 1, 2024, the court lifted the stay in view of the decision in CFSA and requested revised briefing on the Company's motion to dismiss that would address the intervening legal developments and sharpen the issues for resolution. 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 2023 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 make vehicle ownership possible by providing innovative financing solutions 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 June 30, 2024, consolidated net loss was $47.1 million, or $3.83 per diluted share, compared to consolidated net income of $22.2 million, or $1.69 per diluted share, for the same period in 2023, primarily due to increases in provision for credit losses on forecast changes and interest expense, partially offset by an increase in finance charges. Our results for the three months ended June 30, 2024 included:

- ***A larger decrease in forecasted collection rates***
  The decrease in forecasted collection rates decreased forecasted net cash flows from our Loan portfolio by $189.3 million, or 1.7%, compared to a decrease in forecasted collection rates during the second quarter of 2023 that decreased forecasted net cash flows from our Loan portfolio by $89.3 million, or 0.9%. The $189.3 million decrease in forecasted net cash flows for the second quarter of 2024 was comprised of an ordinary decrease in forecasted net cash flows of $42.1 million, or 0.3%, and an adjustment applied to our forecasting methodology, which upon implementation, reduced forecasted net cash flows by $147.2 million, or 1.4%. The $89.3 million decrease in forecasted net cash flows for the second quarter of 2023 was comprised of an ordinary decrease in forecasted net cash flows of $44.8 million, or 0.4%, and an adjustment to our forecasting methodology, which upon implementation, reduced forecasted net cash flows by $44.5 million, or 0.5%.
- ***A decrease in forecasted profitability for Consumer Loans assigned in 2021 through 2024***
  Forecasted profitability was lower than our estimates at June 30, 2023, due to a decline in forecasted collection rates since the second quarter of 2023 and slower forecasted net cash flow timing during 2023 and the first six months of 2024, primarily as a result of a decrease in Consumer Loan prepayments, which remain at below-average levels.
- ***Growth in Consumer Loan assignment volume and the average balance of our Loan portfolio***
  Unit and dollar volumes grew 20.9% and 16.3%, respectively, as compared to the second quarter of 2023. The average balance of our Loan portfolio, which is our largest-ever, increased 13.7% as compared to the second quarter of 2023.
- ***An increase in the initial spread on Consumer Loan assignments***
  The initial spread increased to 22.0% compared to 21.2% on Consumer Loans assigned in the second quarter of 2023.
- ***An increase in our average cost of debt***
  Our average cost of debt increased from 5.3% to 7.2%, primarily a result of higher interest rates on recently-completed or -extended secured financings and recently-issued senior notes and the repayment of older secured financings and senior notes with lower interest rates.
- ***A decrease in common shares outstanding due to stock repurchases***
  Since the second quarter of 2023, we have repurchased approximately 822,000 shares, or 6.4% of the shares outstanding as of June 30, 2023.
- ***Loss on sale of building***
  We recognized a $23.7 million loss during the second quarter of 2024 related to the sale of one of our two office buildings. The building was sold to reduce excess office space and eliminate the associated annual operating costs of approximately $2.1 million.

For the six months ended June 30, 2024, consolidated net income was $17.2 million, or $1.37 per diluted share, compared to consolidated net income of $121.7 million, or $9.30 per diluted share, for the same period in 2023, primarily due to increases in provision for credit losses on forecast changes and interest expense, partially offset by an increase in finance charges. Our results for the six months ended June 30, 2024 included:

- ***A larger decrease in forecasted collection rates***
  The decrease in forecasted collection rates decreased forecasted net cash flows from our Loan portfolio by $220.1 million, or 2.2%, compared to a decrease in forecasted collection rates during the first six months of 2023 that decreased forecasted net cash flows from our Loan portfolio by $79.9 million, or 0.9%. The $220.1 million decrease in forecasted net cash flows for the first six months of 2024 was comprised of an ordinary decrease in forecasted net cash flows of $72.9 million, or 0.8%, and an adjustment applied to our forecasting methodology, which upon implementation, reduced forecasted net cash flows by $147.2 million, or 1.4%. The $79.9 million decrease in forecasted net cash flows for the first six months of 2023 was comprised of an ordinary decrease in forecasted net cash flows of $35.4 million, or 0.4%, and an adjustment to our forecasting methodology, which upon implementation, reduced forecasted net cash flows by $44.5 million, or 0.5%.
- ***A decrease in forecasted profitability for Consumer Loans assigned in 2021 through 2024***
  Forecasted profitability was lower than our estimates at June 30, 2023, due to a decline in forecasted collection rates since the first six months of 2023 and slower forecasted net cash flow timing during 2023 and the first six months of 2024, primarily as a result of a decrease in Consumer Loan prepayments, which remain at below-average levels.
- ***Growth in Consumer Loan assignment volume and the average balance of our Loan portfolio***
  Unit and dollar volumes grew 22.6% and 18.3%, respectively, as compared to the first six months of 2023. The average balance of our Loan portfolio, which is our largest-ever, increased 12.7% as compared to the first six months of 2023.
- ***An increase in the initial spread on Consumer Loan assignments***
  The initial spread increased to 22.0% compared to 21.1% on Consumer Loans assigned in the first six months of 2023.
- ***An increase in our average cost of debt***
  Our average cost of debt increased from 5.0% to 7.1%, primarily a result of higher interest rates on recently-completed or -extended secured financings and recently-issued senior notes and the repayment of older secured financings and senior notes with lower interest rates.
- ***A decrease in common shares outstanding due to stock repurchases***
  Since the second quarter of 2023, we have repurchased approximately 822,000 shares, or 6.4% of the shares outstanding as of June 30, 2023.
- ***Loss on sale of building***
  We recognized a $23.7 million loss during the second quarter of 2024 as described above.

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 for 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 aggregated forecast of Consumer Loan collection rates as of June 30, 2024, with the aggregated forecasts as of March 31, 2024, as of December 31, 2023, 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	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**Initial Forecast**	**March 31, 2024**	**December 31, 2023**	**Initial Forecast**
2015	65.3 %	65.3 %	65.2 %	67.7 %	0.0 %	0.1 %	-2.4 %
2016	63.9 %	63.8 %	63.8 %	65.4 %	0.1 %	0.1 %	-1.5 %
2017	64.7 %	64.7 %	64.7 %	64.0 %	0.0 %	0.0 %	0.7 %
2018	65.5 %	65.5 %	65.5 %	63.6 %	0.0 %	0.0 %	1.9 %
2019	67.1 %	67.0 %	66.9 %	64.0 %	0.1 %	0.2 %	3.1 %
2020	67.7 %	67.7 %	67.6 %	63.4 %	0.0 %	0.1 %	4.3 %
2021	64.1 %	64.3 %	64.5 %	66.3 %	-0.2 %	-0.4 %	-2.2 %
2022	61.1 %	62.1 %	62.7 %	67.5 %	-1.0 %	-1.6 %	-6.4 %
2023	64.5 %	67.2 %	67.4 %	67.5 %	-2.7 %	-2.9 %	-3.0 %
2024 (2)	66.6 %	66.9 %	—	67.2 %	-0.3 %	—	-0.6 %

(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.

(2) The forecasted collection rate for 2024 Consumer Loans as of June 30, 2024 includes both Consumer Loans that were in our portfolio as of March 31, 2024 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**	
2024 Consumer Loan Assignment Period	**June 30, 2024**	**March 31, 2024**	**Initial Forecast**	**March 31, 2024**	**Initial Forecast**
January 1, 2024 through March 31, 2024	65.9 %	66.9 %	66.9 %	-1.0 %	-1.0 %
April 1, 2024 through June 30, 2024	67.3 %	—	67.6 %	—	-0.3 %

Consumer Loans assigned in 2018 through 2020 have yielded forecasted collection results significantly better than our initial estimates, while Consumer Loans assigned in 2015, 2016, and 2021 through 2023 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 June 30, 2024, forecasted collection rates declined for Consumer Loans assigned in 2021 through 2024 and were generally consistent with expectations at the start of the period for all other assignment years presented. For the six months ended June 30, 2024, forecasted collection rates improved for Consumer Loans assigned in 2019, declined for Consumer Loans assigned in 2021 through 2024, 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 six months ended June 30, 2024 and 2023 impacted forecasted net cash flows (forecasted collections less forecasted Dealer Holdback payments) as follows:

(Dollars in millions)	**For the Three Months Ended June 30,**		**For the Six Months Ended June 30,**	
Decrease in Forecasted Net Cash Flows	**2024**	**2023**	**2024**	**2023**
Dealer loans	$ (102.4)	$ (41.8)	$ (129.4)	$ (49.0)
Purchased loans	(86.9)	(47.5)	(90.7)	(30.9)
Total	$ (189.3)	$ (89.3)	$ (220.1)	$ (79.9)
% change from forecast at beginning of period	-1.7 %	-0.9 %	-2.2 %	-0.9 %

During the second quarter of 2024, we applied an adjustment to our estimate of future net cash flows from our Loan portfolio, which reduced the forecasted collection rates for Consumer Loans assigned in 2022 through 2024. Consumer Loans assigned in 2022 have continued to underperform our expectations for the past several quarters. More recently, Consumer Loans assigned in 2023 have also begun exhibiting similar trends of underperformance, although not as severe as Consumer Loans assigned in 2022. During the second quarter of 2024, we determined that we had sufficient Consumer Loan performance experience to estimate the magnitude by which we expect Consumer Loans assigned in 2022 through 2024 will likely underperform our historical collection rates on Consumer Loans with similar characteristics. Accordingly, we applied an adjustment to Consumer Loans assigned in 2022 through 2024 to reduce forecasted collection rates to what we believe the ultimate collection rates will be based on these trends. Changes in the amount and timing of forecasted net cash flows are recognized in the period of change as a provision for credit losses. The implementation of this forecast adjustment during the second quarter of 2024 reduced forecasted net cash flows by $147.2 million, or 1.4%, and increased provision for credit losses by $127.5 million.

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. We had experienced a decrease in Consumer Loan prepayments to below-average levels and as a result, slowed our forecasted net cash flow timing. 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 as a 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 June 30, 2024, the cumulative change to our forecast of future net cash flows from our Loan portfolio has been a decrease of $206.3 million, or 2.3%, as shown in the following table:

(Dollars in millions)	Increase (Decrease) in Forecasted Net Cash Flows	
Three Months Ended	**Total Loans**	**% Change from Forecast at Beginning of Period**
March 31, 2020	$ (206.5)	-2.3 %
June 30, 2020	24.4	0.3 %
September 30, 2020	138.5	1.5 %
December 31, 2020	(2.7)	0.0 %
March 31, 2021	107.4	1.1 %
June 30, 2021	104.5	1.1 %
September 30, 2021	82.3	0.9 %
December 31, 2021	31.9	0.3 %
March 31, 2022	110.2	1.2 %
June 30, 2022	(43.4)	-0.5 %
September 30, 2022	(85.4)	-0.9 %
December 31, 2022	(41.1)	-0.5 %
March 31, 2023	9.4	0.1 %
June 30, 2023	(89.3)	-0.9 %
September 30, 2023	(69.4)	-0.7 %
December 31, 2023	(57.0)	-0.6 %
March 31, 2024	(30.8)	-0.3 %
June 30, 2024	(189.3)	-1.7 %
Total	$ (206.3)	-2.3 %

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

Consumer Loan Assignment Year	Average			Total Assignment Volume	
	Consumer Loan (1)	Advance (2)	Initial Loan Term (in months)	Unit Volume	Dollar Volume (2) (in millions)
2015	$ 16,354	$ 7,272	50	298,288	$ 2,167.0
2016	18,218	7,976	53	330,710	2,635.5
2017	20,230	8,746	55	328,507	2,873.1
2018	22,158	9,635	57	373,329	3,595.8
2019	23,139	10,174	57	369,805	3,772.2
2020	24,262	10,656	59	341,967	3,641.2
2021	25,632	11,790	59	268,730	3,167.8
2022	27,242	12,924	60	280,467	3,625.3
2023	27,025	12,475	61	332,499	4,147.8
2024 (3)(4)	26,554	12,033	61	211,545	2,545.5

(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) Represents activity for the six months ended June 30, 2024. Information in this table for each of the years prior to 2024 represents activity for all 12 months of that year.
(4) The averages for 2024 Consumer Loans include both Consumer Loans that were in our portfolio as of March 31, 2024 and Consumer Loans assigned during the most recent quarter. The following table provides averages for each of these segments:

2024 Consumer Loan Assignment Period	Average		
	Consumer Loan	Advance	Initial Loan Term (in months)
January 1, 2024 through March 31, 2024	$ 26,318	$ 11,813	61
April 1, 2024 through June 30, 2024	26,816	12,278	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 across our portfolio, even if collection rates are less than we initially forecast.

The following table presents aggregate forecasted Consumer Loan collection rates, advance rates, and spreads (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that had been realized as of June 30, 2024, as well as forecasted collection rates and spreads at the time of assignment. All amounts, unless otherwise noted, are presented as a percentage of the initial balance of the Consumer Loan (principal + interest). The table includes both Dealer Loans and Purchased Loans.

Consumer Loan Assignment Year	Forecasted Collection % as of			Spread % as of		
	June 30, 2024	Initial Forecast	Advance % (1)	June 30, 2024	Initial Forecast	% of Forecast Realized (2)
2015	65.3 %	67.7 %	44.5 %	20.8 %	23.2 %	99.6 %
2016	63.9 %	65.4 %	43.8 %	20.1 %	21.6 %	99.3 %
2017	64.7 %	64.0 %	43.2 %	21.5 %	20.8 %	99.0 %
2018	65.5 %	63.6 %	43.5 %	22.0 %	20.1 %	98.0 %
2019	67.1 %	64.0 %	44.0 %	23.1 %	20.0 %	95.1 %
2020	67.7 %	63.4 %	43.9 %	23.8 %	19.5 %	88.7 %
2021	64.1 %	66.3 %	46.0 %	18.1 %	20.3 %	77.2 %
2022	61.1 %	67.5 %	47.4 %	13.7 %	20.1 %	56.0 %
2023	64.5 %	67.5 %	46.2 %	18.3 %	21.3 %	30.0 %
2024 (3)	66.6 %	67.2 %	45.2 %	21.4 %	22.0 %	6.6 %

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program 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 2024 Consumer Loans as of June 30, 2024 include both Consumer Loans that were in our portfolio as of March 31, 2024 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	
2024 Consumer Loan Assignment Period	June 30, 2024	Initial Forecast	Advance %	June 30, 2024	Initial Forecast
January 1, 2024 through March 31, 2024	65.9 %	66.9 %	44.9 %	21.0 %	22.0 %
April 1, 2024 through June 30, 2024	67.3 %	67.6 %	45.6 %	21.7 %	22.0 %

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 June 30, 2024 and the advance rate ranges from 13.7% to 23.8%, 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 2024 Consumer Loans relative to 2023 Consumer Loans as of June 30, 2024 was primarily a result of Consumer Loan performance, as the performance of 2023 Consumer Loans has been lower than our initial estimates by a greater margin than 2024 Consumer Loans. Additionally, 2024 Consumer Loans had a higher initial spread, which was due to a decrease in the advance rate, partially offset by a lower initial forecast.

The following table compares our forecast of aggregate Consumer Loan collection rates as of June 30, 2024 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	June 30, 2024	Initial Forecast	Variance	June 30, 2024	Initial Forecast	Variance
2015	64.6 %	67.5 %	-2.9 %	69.0 %	68.5 %	0.5 %
2016	63.1 %	65.1 %	-2.0 %	66.1 %	66.5 %	-0.4 %
2017	64.1 %	63.8 %	0.3 %	66.3 %	64.6 %	1.7 %
2018	65.0 %	63.6 %	1.4 %	66.8 %	63.5 %	3.3 %
2019	66.8 %	63.9 %	2.9 %	67.8 %	64.2 %	3.6 %
2020	67.5 %	63.3 %	4.2 %	67.9 %	63.6 %	4.3 %
2021	63.8 %	66.3 %	-2.5 %	64.7 %	66.3 %	-1.6 %
2022	60.4 %	67.3 %	-6.9 %	62.9 %	68.0 %	-5.1 %
2023	63.3 %	66.8 %	-3.5 %	67.7 %	69.4 %	-1.7 %
2024	65.6 %	66.3 %	-0.7 %	70.1 %	70.5 %	-0.4 %

(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.

The following table presents aggregate forecasted Consumer Loan collection rates, advance rates, and spreads (the forecasted collection rate less the advance rate) as of June 30, 2024 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 %**
2015	64.6 %	43.4 %	21.2 %	69.0 %	50.2 %	18.8 %
2016	63.1 %	42.1 %	21.0 %	66.1 %	48.6 %	17.5 %
2017	64.1 %	42.1 %	22.0 %	66.3 %	45.8 %	20.5 %
2018	65.0 %	42.7 %	22.3 %	66.8 %	45.2 %	21.6 %
2019	66.8 %	43.1 %	23.7 %	67.8 %	45.6 %	22.2 %
2020	67.5 %	43.0 %	24.5 %	67.9 %	45.5 %	22.4 %
2021	63.8 %	45.1 %	18.7 %	64.7 %	47.7 %	17.0 %
2022	60.4 %	46.4 %	14.0 %	62.9 %	50.1 %	12.8 %
2023	63.3 %	44.8 %	18.5 %	67.7 %	49.8 %	17.9 %
2024	65.6 %	44.3 %	21.3 %	70.1 %	48.8 %	21.3 %

(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 June 30, 2024 on 2024 Dealer Loans was 21.3%, as compared to a spread of 18.5% on 2023 Dealer Loans. The increase was due to Consumer Loan performance, as the performance of 2023 Dealer Loans has been lower than our initial estimates by a greater margin than 2024 Dealer Loans.

The spread as of June 30, 2024 on 2024 Purchased Loans was 21.3%, as compared to a spread of 17.9% on 2023 Purchased Loans. The increase was primarily a result of a higher initial spread on 2024 Purchased Loans, due to a higher initial forecast and lower advance rate. Additionally, the performance of 2023 Purchased Loans has been lower than our initial estimates by a greater margin than 2024 Purchased Loans.

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 3.8 to 1 as of June 30, 2024. 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 six 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, 2023	22.8 %	18.6 %
June 30, 2023	12.8 %	8.3 %
September 30, 2023	13.0 %	10.5 %
December 31, 2023	26.7 %	21.3 %
March 31, 2024	24.1 %	20.2 %
June 30, 2024	20.9 %	16.3 %

(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.

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 20.9% and 16.3%, respectively, during the second quarter of 2024 as the number of active Dealers grew 8.9% and the average unit volume per active Dealer increased 10.7%. Dollar volume increased less than unit volume during the second quarter of 2024 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 28-day period ended July 28, 2024 grew 27.7% compared to the same period in 2023.

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

	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Consumer Loan unit volume	100,057	82,727	20.9 %	211,545	172,548	22.6 %
Active Dealers (1)	10,736	9,860	8.9 %	12,875	11,618	10.8 %
Average volume per active Dealer	9.3	8.4	10.7 %	16.4	14.9	10.1 %
Consumer Loan unit volume from Dealers active both periods	77,123	68,912	11.9 %	172,856	151,358	14.2 %
Dealers active both periods	6,662	6,662	—	8,381	8,381	—
Average volume per Dealer active both periods	11.6	10.3	11.9 %	20.6	18.1	14.2 %
Consumer Loan unit volume from Dealers not active both periods	22,934	13,815	66.0 %	38,689	21,190	82.6 %
Dealers not active both periods	4,074	3,198	27.4 %	4,494	3,237	38.8 %
Average volume per Dealer not active both periods	5.6	4.3	30.2 %	8.6	6.5	32.3 %

(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 June 30,			For the Six Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Consumer Loan unit volume from new active Dealers	3,820	3,377	13.1 %	15,483	14,812	4.5 %
New active Dealers (1)	1,080	954	13.2 %	2,390	2,112	13.2 %
Average volume per new active Dealer	3.5	3.5	0.0 %	6.5	7.0	-7.1 %
Attrition (2)	-16.7 %	-16.0 %		-12.3 %	-10.9 %	

(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 six quarters:

	Unit Volume		Dollar Volume (1)	
Three Months Ended	Dealer Loans	Purchased Loans	Dealer Loans	Purchased Loans
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 %
December 31, 2023	77.2 %	22.8 %	75.0 %	25.0 %
March 31, 2024	78.2 %	21.8 %	76.6 %	23.4 %
June 30, 2024	78.5 %	21.5 %	77.3 %	22.7 %

(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 June 30, 2024 and December 31, 2023, the net Dealer Loans receivable balance was 70.5% and 67.7%, 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. Under the GAAP methodology we employ, which is known as the current expected credit loss model, or CECL, we are required to recognize:

- a significant provision for credit losses expense at the time of the Loan’s assignment to us for contractual net cash flows we do not expect to realize; and
- finance charge revenue in subsequent periods that is significantly in excess of our expected yield.

Due to the GAAP treatment of contractual net cash flows we do not expect to realize at the time of loan assignment (i.e. significant expense at the time of loan assignment, which is offset by higher revenue in subsequent periods), we do not believe the GAAP methodology we employ provides sufficient transparency into the economics of our business, including our results of operations, financial condition, and financial leverage. 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 June 30, 2024 Compared to Three Months Ended June 30, 2023

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 June 30, 2024	For the Three Months Ended June 30, 2023	$ Change	% Change
Revenue:				
Finance charges	$ 497.7	$ 441.0	$ 56.7	12.9 %
Premiums earned	24.3	19.8	4.5	22.7 %
Other income	16.2	17.1	(0.9)	-5.3 %
Total revenue	538.2	477.9	60.3	12.6 %
Costs and expenses:				
Salaries and wages	75.8	70.2	5.6	8.0 %
General and administrative	23.2	20.5	2.7	13.2 %
Sales and marketing	25.4	26.3	(0.9)	-3.4 %
Total operating expenses	124.4	117.0	7.4	6.3 %
Provision for credit losses on forecast changes	237.8	168.8	69.0	40.9 %
Provision for credit losses on new Consumer Loan assignments	82.8	81.7	1.1	1.3 %
Total provision for credit losses	320.6	250.5	70.1	28.0 %
Interest	104.5	62.8	41.7	66.4 %
Provision for claims	20.3	19.7	0.6	3.0 %
Loss on sale of building	23.7	—	23.7	— %
Total costs and expenses	593.5	450.0	143.5	31.9 %
Income (loss) before provision (benefit) for income taxes	(55.3)	27.9	(83.2)	-298.2 %
Provision (benefit) for income taxes	(8.2)	5.7	(13.9)	-243.9 %
Net income (loss)	$ (47.1)	$ 22.2	$ (69.3)	-312.2 %
Net income (loss) per share:				
Basic	$ (3.83)	$ 1.70	$ (5.53)	-325.3 %
Diluted	$ (3.83)	$ 1.69	$ (5.52)	-326.6 %
Weighted average shares outstanding:				
Basic	12,282,174	13,049,935	(767,761)	-5.9 %
Diluted	12,282,174	13,099,961	(817,787)	-6.2 %

Finance Charges. The increase of $56.7 million, or 12.9%, was primarily due to an increase in the average net Loans receivable balance, as follows:

(Dollars in millions)	For the Three Months Ended June 30, 2024	For the Three Months Ended June 30, 2023	Change
Average net Loans receivable balance	$ 7,499.2	$ 6,596.6	$ 902.6
Average yield on our Loan portfolio	26.5 %	26.7 %	-0.2 %

The following table summarizes the impact each component had on the overall increase in finance charges for the three months ended June 30, 2024:

(In millions)	Year over Year Change	
Impact on finance charges:	**For the Three Months Ended June 30, 2024**	
Due to an increase in the average net Loans receivable balance	$	60.3
Due to a decrease in the average yield		(3.6)
Total increase in finance charges	$	56.7

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 $4.5 million, or 22.7%, 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.

Operating Expenses. The increase of $7.4 million, or 6.3%, was primarily due to:
- An increase in salaries and wages expense of $5.6 million, or 8.0%, primarily due to an increase in the number of team members as we are investing in our business with the goal of increasing the speed at which we enhance our product for Dealers and consumers.
- An increase in general and administrative expense of $2.7 million, or 13.2%, primarily due to an increase in technology systems expenses.

Provision for Credit Losses. The increase of $70.1 million, or 28.0%, was primarily due to an increase in provision for credit losses on forecast changes.

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

(In millions)	For the Three Months Ended June 30,					
Provision for Credit Losses	**2024**		**2023**		**Change**	
Forecast changes	$	237.8	$	168.8	$	69
New Consumer Loan assignments		82.8		81.7		1
Total	$	320.6	$	250.5	$	70

The increase in provision for credit losses related to forecast changes was primarily due to a greater decline in Consumer Loan performance during the second quarter of 2024 compared to the second quarter of 2023.

During the second quarter of 2024, we decreased our estimate of future net cash flows by $189.3 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, which remain at below-average levels. Historically, Consumer Loan prepayments have been lower in periods with less availability of consumer credit. The $189.3 million decrease in forecasted net cash flows for the second quarter of 2024 was comprised of an ordinary decrease in forecasted net cash flows of $42.1 million, or 0.3%, and an adjustment applied to our forecasting methodology, which upon implementation, reduced forecasted net cash flows by $147.2 million, or 1.4%, and increased our provision for credit losses by $127.5 million. Consumer Loans assigned in 2022 have continued to underperform our expectations for the past several quarters. More recently, Consumer Loans assigned in 2023 have also begun exhibiting similar trends of underperformance, although not as severe as Consumer Loans assigned in 2022. During the second quarter of 2024, we determined that we had sufficient Consumer Loan performance experience to estimate the magnitude by which we expect Consumer Loans assigned in 2022 through 2024 will likely underperform our historical collection rates on Consumer Loans with similar characteristics. Accordingly, we applied an adjustment to Consumer Loans assigned in 2022 through 2024 to reduce forecasted collection rates to what we believe the ultimate collection rates will be based on these trends.

During the second quarter of 2023, we decreased our estimate of future net cash flows by $89.3 million, or 0.9%, 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. The $89.3 million decrease in forecasted net cash flows for the second quarter of 2023 was comprised of an ordinary decrease in forecasted net cash flows of $44.8 million, or 0.4%, and an adjustment to our forecasting methodology, 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.

The increase in provision for credit losses related to new Consumer Loan assignments was primarily due to a 20.9% increase in Consumer Loan assignment unit volume, partially offset by a 16.2% decrease in the average provision per Consumer Loan assignment. The decrease in the average provision per Consumer Loan assignment was primarily due to a decrease in the average advance rate for 2024 Consumer Loans.

Interest. The increase in interest expense of $41.7 million, or 66.4%, was due to:

- An increase in our average cost of debt, which increased interest expense by $27.3 million. The increase in our cost of debt was primarily a result of higher interest rates on recently-completed or -extended secured financings and recently-issued senior notes and the repayment of older secured financings and senior notes with lower interest rates.
- An increase in our average outstanding debt balance, which increased interest expense by $14.4 million. The increase in our average outstanding debt balance was primarily due to borrowings used to fund the growth of our Loan portfolio and stock repurchases.

The following table presents the change in interest expense, average outstanding debt balance, and average cost of debt for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023:

(Dollars in millions)	For the Three Months Ended June 30,		
	2024	2023	Change
Interest expense	$ 104.5	$ 62.8	$ 41.7
Average outstanding debt balance	5,818.2	4,730.3	1,087.9
Average cost of debt	7.2 %	5.3 %	1.9 %

Loss on Sale of Building. For the three months ended June 30, 2024, we recognized a loss on sale of a building of $23.7 million. For additional information, see Note 7 to the consolidated financial statements contained in Part I - Item 1 of this Form 10-Q, which is incorporated herein by reference.

Provision for Income Taxes. For the three months ended June 30, 2024, the effective income tax rate decreased to 14.8% from 20.4% for the same period in 2023. The decrease was primarily due to the impact of non-deductible executive compensation expense, which in the second quarter of 2024 reduced, rather than increased, our effective income tax rate, as we had a pre-tax loss in the period, compared to pre-tax income in the second quarter of 2023. For additional information, see Note 12 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.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

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 Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023	$ Change	% Change
Revenue:				
Finance charges	$ 966.9	$ 862.1	$ 104.8	12.2 %
Premiums earned	46.2	37.2	9.0	24.2 %
Other income	33.1	32.4	0.7	2.2 %
Total revenue	1,046.2	931.7	114.5	12.3 %
Costs and expenses:				
Salaries and wages	154.3	147.4	6.9	4.7 %
General and administrative	46.9	38.5	8.4	21.8 %
Sales and marketing	49.3	48.4	0.9	1.9 %
Total operating expenses	250.5	234.3	16.2	6.9 %
Provision for credit losses on forecast changes	325.0	213.1	111.9	52.5 %
Provision for credit losses on new Consumer Loan assignments	181.6	174.8	6.8	3.9 %
Total provision for credit losses	506.6	387.9	118.7	30.6 %
Interest	197.0	117.2	79.8	68.1 %
Provision for claims	37.3	37.6	(0.3)	-0.8 %
Loss on sale of building	23.7	—	23.7	— %
Total costs and expenses	1,015.1	777.0	238.1	30.6 %
Income before provision for income taxes	31.1	154.7	(123.6)	-79.9 %
Provision for income taxes	13.9	33.0	(19.1)	-57.9 %
Net income	$ 17.2	$ 121.7	$ (104.5)	-85.9 %
Net income per share:				
Basic	$ 1.39	$ 9.32	$ (7.93)	-85.1 %
Diluted	$ 1.37	$ 9.30	$ (7.93)	-85.3 %
Weighted average shares outstanding:				
Basic	12,381,656	13,053,755	(672,099)	-5.1 %
Diluted	12,533,246	13,085,988	(552,742)	-4.2 %

Finance Charges. The increase of $104.8 million, or 12.2%, was primarily a result of an increase in the average net Loans receivable balance, as follows:

(Dollars in millions)	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023	Change
Average net Loans receivable balance	$ 7,300.2	$ 6,476.3	$ 823.9
Average yield on our Loan portfolio	26.5 %	26.6 %	-0.1 %

The following table summarizes the impact each component had on the overall increase in finance charges for the six months ended June 30, 2024:

(In millions) Impact on finance charges:	Year over Year Change For the Six Months Ended June 30, 2024
Due to an increase in the average net Loans receivable balance	$ 109.7
Due to a decrease in the average yield	(4.9)
Total increase in finance charges	$ 104.8

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 $9.0 million, or 24.2%, 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.

Operating Expenses. The increase of $16.2 million, or 6.9%, was primarily due to:

- An increase in general and administrative expense of $8.4 million, or 21.8%, primarily due to increases in legal and technology systems expenses.
- An increase in salaries and wages expense of $6.9 million, or 4.7%, primarily due to an increase in the number of team members as we are investing in our business with the goal of increasing the speed at which we enhance our product for Dealers and consumers.

Provision for Credit Losses. The increase of $118.7 million, or 30.6%, was primarily due to an increase in provision for credit losses on forecast changes.

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

(In millions)	For the Six Months Ended June 30,		
Provision for Credit Losses	2024	2023	Change
Forecast changes	$ 325.0	$ 213.1	$ 111
New Consumer Loan assignments	181.6	174.8	6
Total	$ 506.6	$ 387.9	$ 118

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 six months of 2024 compared to the first six months of 2023.

During the first six months of 2024, we decreased our estimate of future net cash flows by $220.1 million, or 2.2%, 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, which remain at below-average levels. Historically, Consumer Loan prepayments have been lower in periods with less availability of consumer credit. The $220.1 million decrease in forecasted net cash flows for the first six months of 2024 was comprised of an ordinary decrease in forecasted net cash flows of $72.9 million, or 0.8%, and an adjustment applied to our forecasting methodology, which upon implementation, reduced forecasted net cash flows by $147.2 million, or 1.4%, and increased our provision for credit losses by $127.5 million. Consumer Loans assigned in 2022 have continued to underperform our expectations for the past several quarters. More recently, Consumer Loans assigned in 2023 have also begun exhibiting similar trends of underperformance, although not as severe as Consumer Loans assigned in 2022. During the second quarter of 2024, we determined that we had sufficient Consumer Loan performance experience to estimate the magnitude by which we expect Consumer Loans assigned in 2022 through 2024 will likely underperform our historical collection rates on Consumer Loans with similar characteristics. Accordingly, we applied an adjustment to Consumer Loans assigned in 2022 through 2024 to reduce forecasted collection rates to what we believe the ultimate collection rates will be based on these trends.

During the first six months of 2023, we decreased our estimate of future net cash flows by $79.9 million, or 0.9%, to reflect a decline in Consumer Loan prepayments to below-average levels. The $79.9 million decrease in forecasted net cash flows for the first six months of 2023 was comprised of an ordinary decrease in forecasted net cash flows of $35.4 million, or 0.4%, and an adjustment to our forecasting methodology, 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.

The increase in provision for credit losses related to new Consumer Loan assignments was due to a 22.6% increase in Consumer Loan assignment unit volume, partially offset by a 15.3% decrease in the average provision per Consumer Loan assignment. The decrease in the average provision per Consumer Loan assignment was primarily due to a decrease in the average advance rate for 2024 Consumer Loans.

Interest. The increase in interest expense of $79.8 million, or 68.1%, was due to:

- An increase in our average cost of debt, which increased interest expense by $57.2 million. The increase in our cost of debt was primarily a result of higher interest rates on recently-completed or -extended secured financings and recently-issued senior notes and the repayment of older secured financings and senior notes with lower interest rates.
- An increase in our average outstanding debt balance, which increased interest expense by $22.6 million. The increase in our average outstanding debt balance was primarily due to borrowings used to fund the growth of our Loan portfolio and stock repurchases.

The following table presents the change in interest expense, average outstanding debt balance, and average cost of debt for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023:

(Dollars in millions)	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023	Change
Interest expense	$ 197.0	$ 117.2	$ 79.8
Average outstanding debt balance	5,562.5	4,662.5	900.0
Average cost of debt	7.1 %	5.0 %	2.1 %

Loss on Sale of Building. For the six months ended June 30, 2024, we recognized a loss on the sale of a building of $23.7 million. For additional information, see Note 7 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.

Provision for Income Taxes. For the six months ended June 30, 2024, our effective income tax rate increased to 44.7% from 21.3% for the six months ended June 30, 2023. The increase was primarily due to a decrease in pre-tax income, which increased the impact of an adjustment to an uncertain tax position for state income taxes recorded in the second quarter of 2024 and non-deductible executive compensation expense on our 2024 effective income tax rate. For additional information, see Note 12 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 have a continuing need for some amount of office space.

As the vast majority of our team members now work remotely, we had significant excess space in the two office buildings that we owned in Southfield, Michigan. During the second quarter of 2024, we sold the larger building for net sales proceeds of $3.2 million, and recognized a loss on sale of the building of $23.7 million. The loss on sale of the building represented the amount by which the $26.9 million carrying value of the building and its improvements, the related land and land improvements, and office furniture and equipment exceeded the net sales proceeds of $3.2 million.

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 June 30, 2024. For information regarding these financings and the covenants included in the related documents, see Note 10 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 February 16, 2024, we extended the $100.0 million Term ABS 2021-1 financing and extended the date on which the financing will cease to revolve from December 16, 2024 to February 17, 2026.

On February 27, 2024, we completed a $200.0 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 7.8% (including placement agent fees and other costs), and it will revolve for 36 months, after which it will amortize based upon the cash flows on the underlying Loans.

On March 28, 2024, we completed a $500.0 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 6.4% (including 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 17, 2024, we extended the maturity of our revolving secured line of credit facility from June 22, 2026 to June 22, 2027. The interest rate on borrowings under the facility has changed from BSBY plus 187.5 basis points to SOFR plus 197.5 basis points.

On June 20, 2024, we completed a $550.0 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 6.5% (including 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 21, 2024, we increased the financing amount on the Term ABS 2022-2 financing from $200.0 million to $300.0 million and extended the date on which the financing will cease to revolve from December 15, 2025 to June 15, 2027.

Cash and cash equivalents were $8.3 million as of June 30, 2024 and $13.2 million as of December 31, 2023. As of June 30, 2024 and December 31, 2023, we had $1,440.7 million and $1,505.8 million, respectively, in unused and available lines of credit. Our total balance sheet indebtedness increased to $5,946.6 million as of June 30, 2024 from $5,067.5 million as of December 31, 2023, primarily due to the growth in new Consumer Loan assignments and stock repurchases.

A summary of our scheduled principal debt maturities as of June 30, 2024 is as follows:

(In millions)

Year	Scheduled Principal Debt Maturities (1)
Remainder of 2024	$ 385.8
2025	1,820.8
2026	1,944.4
2027	1,232.8
2028	603.8
Over five years	—
Total	$ 5,987.6

(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, 2023 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, 2023, except as described below.

During the second quarter of 2024, we applied an adjustment to our methodology for forecasting the amount of future net cash flows from our Loan portfolio, which reduced the forecasted collection rates for Consumer Loans assigned in 2022 through 2024. Consumer Loans assigned in 2022 have continued to underperform our expectations for the past several quarters. More recently, Consumer Loans assigned in 2023 have also begun exhibiting similar trends of underperformance, although not as severe as Consumer Loans assigned in 2022. During the second quarter of 2024, we determined that we had sufficient Consumer Loan performance experience to estimate the magnitude by which we expect Consumer Loans assigned in 2022 through 2024 will likely underperform our historical collection rates on Consumer Loans with similar characteristics. Accordingly, we applied an adjustment to Consumer Loans assigned in 2022 through 2024 to reduce forecasted collection rates to what we believe the ultimate collection rates will be based on these trends. Changes in the amount and timing of forecasted net cash flows are recognized in the period of change as a provision for credit losses. The implementation of this forecast adjustment during the second quarter of 2024 reduced forecasted net cash flows by $147.2 million, or 1.4%, and increased provision for credit losses by $127.5 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, 2023, 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.
- 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.
- 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.
- An outbreak of contagious disease or other public health emergency could materially and adversely affect our business, financial condition, liquidity, and results of operations.
- The concentration of 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.
- 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.

- 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.
- We depend on secure information technology, and a breach of our systems or those of our third-party service providers could result in our experiencing significant financial, legal, and reputational exposure and could materially adversely affect our business, financial condition, and results of operations.
- 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, 2023 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, 2023.

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 officer and principal financial officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our 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 the 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 or they may file individual arbitration demands for which arbitration providers may request separate filing fees. An adverse ultimate disposition in any action to which we are a party or otherwise subject, or the requirement to pay filing fees for a large number of individual arbitration demands, 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 16 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Stock Repurchases

The following table summarizes stock repurchases for the three months ended June 30, 2024:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased		Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 1 to April 30, 2024	110,604	(3)	$ 543.71	110,181	1,346,570
May 1 to May 31, 2024	73	(4)	492.58	—	1,346,570
June 1 to June 30, 2024	—		—	—	1,346,570
Total	110,677		$ 543.67	110,181	

(1) Average price paid per share excludes excise tax. As of January 1, 2023, our share repurchases in excess of issuances are subject to a 1% excise tax enacted by the Inflation Reduction Act. Any excise tax incurred is recognized as part of the cost basis of the shares acquired in the Consolidated Statements of Shareholders' Equity.

(2) 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 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.

(3) Amount includes 423 shares of common stock released to us by team members as payment of tax withholdings upon the settlement of restricted stock units in shares of common stock and the vesting of restricted stock units.

(4) Consists of shares of common stock released to us by team members as payment of tax withholdings upon the settlement of restricted stock units in shares of common stock and the vesting of restricted stock units.

ITEM 5. OTHER INFORMATION

During the quarter ended June 30, 2024, 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
4.145	Twelfth Amendment to the Sixth Amended and Restated Credit Agreement dated as of June 17, 2024, among the Company, Comerica Bank and the other banks signatory thereto, and Comerica Bank, as administrative agent for the banks (incorporated by reference to Exhibit 4.145 to the Company’s Current Report on Form 8-K filed June 20, 2024).
4.146	Indenture, dated as of June 20, 2024, between Credit Acceptance Auto Loan Trust 2024-2 and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.146 to the Company’s Current Report on Form 8-K filed June 26, 2024).
4.147	Backup Servicing Agreement, dated as of June 20, 2024, among the Company, Credit Acceptance Funding LLC 2024-2, Credit Acceptance Auto Loan Trust 2024-2, and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.147 to the Company’s Current Report on Form 8-K filed June 26, 2024).
4.148	Amended and Restated Intercreditor Agreement dated June 20, 2024, 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 2024-2, Credit Acceptance Funding LLC 2024-1,Credit Acceptance Funding LLC 2024-A, Credit Acceptance Funding LLC 2023-5, Credit Acceptance Funding LLC 2023-A, 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 2021-1, Credit Acceptance Funding LLC 2019-2, Credit Acceptance Auto Loan Trust 2024-2, Credit Acceptance Auto Loan Trust 2024-1, Credit Acceptance Auto Loan Trust 2024-A, Credit Acceptance Auto Loan Trust 2023-5, 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, Computershare Trust Company, N.A., Fifth Third Bank, National Association, Bank of Montreal, Flagstar Bank, National Association, Citizens Bank, N.A., and Comerica Bank (incorporated by reference to Exhibit 4.148 to the Company’s Current Report on Form 8-K filed June 26, 2024).
4.149	Sale and Contribution Agreement, dated as of June 20, 2024, between the Company and Credit Acceptance Funding LLC 2024-2 (incorporated by reference to Exhibit 4.149 to the Company’s Current Report on Form 8-K filed June 26, 2024).
4.150	Amended and Restated Trust Agreement, dated as of June 20, 2024, among Credit Acceptance Funding LLC 2024-2, each of the initial members of the Board of Trustees of the Trust, and Computershare Delaware Trust Company (incorporated by reference to Exhibit 4.150 to the Company’s Current Report on Form 8-K filed June 26, 2024).
4.151	Sale and Servicing Agreement, dated as of June 20, 2024, among the Company, Credit Acceptance Auto Loan Trust 2024-2, Credit Acceptance Funding LLC 2024-2, and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.151 to the Company’s Current Report on Form 8-K filed June 26, 2024).
4.152	Second Amendment to Loan and Security Agreement, dated as of June 21, 2024, among the Company, Credit Acceptance Funding LLC 2022-2, Bank of Montreal, Fairway Finance Company, LLC, and BMO Capital Markets Corp. (incorporated by reference to Exhibit 4.152 to the Company’s Current Report on Form 8-K filed June 26, 2024).
10.22*	Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, as amended effective June 5, 2024.
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of 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 Chief Financial Officer (Principal Financial Officer)
Date:	July 31, 2024

CREDIT ACCEPTANCE CORPORATION AMENDED AND RESTATED INCENTIVE COMPENSATION PLAN

As Amended Effective June 5, 2024

I. GENERAL PROVISIONS

1.01 *Purpose.* The Plan, which was adopted by the Company's Board on the Effective Date, is intended to attract and retain highly competent, effective and loyal Employees, Non-Employee Directors, and Independent Contractors in order to create per share intrinsic value for shareholders.

1.02 *Participants*. Participants in the Plan shall be such Employees (including Employees who are directors), Non-Employee Directors, and Independent Contractors of the Company or of an Affiliate as the Committee may select from time to time. In addition, the Committee may grant an Award to an individual upon the condition that the individual become an Employee, Non-Employee Director, or Independent Contractor of the Company or of an Affiliate, provided that the Award shall be deemed to be granted only on the date that the individual becomes an Employee, Non-Employee Director, or Independent Contractor.

1.03 *Definitions*. As used in this Plan, the following terms have the meaning described below:

(a) *"Affiliate" or "Affiliates"* means a corporation or other entity that is affiliated with the Company and includes any parent or Subsidiary of the Company, as defined in Code Sections 424(e) and (f), respectively. Notwithstanding the above, for purposes of determining Participants eligible to receive grants of Options (or stock appreciation rights), Affiliate shall mean any corporation, partnership, limited liability company or other entity (other than the employer entity) in an unbroken chain of entities beginning with the employer entity if each of the entities other than the last entity in the unbroken chain either (1) owns stock possessing 50% or more of the total combined voting power of, or (2) owns stock possessing 50% or more of the total combined value of all classes of stock of, in each case, one of the other entities in such chain. An entity shall be deemed an Affiliate of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

(b) *"Agreement"* means the written agreement that sets forth the terms of a Participant's Award.

(c) *"Award"* means a grant of an Option, Restricted Stock Award, Restricted Stock Unit, Other Cash Based Award, or Other Stock Based Award.

(d) *"Board"* means the Board of Directors of the Company.

(e) *"Business Combination"* means (1) any reorganization, merger, share exchange or consolidation of the Company, or (2) any sale, lease, exchange or other transfer of all or substantially all of the assets of the Company.

(f) *"Cause"* means (1) with respect to any Participant who is a party to a written employment agreement with the Company or any Affiliate, "Cause" as defined in such employment agreement, or (2) with respect to any Participant who is not a party to a written employment agreement with the Company or any Affiliate, or whose employment agreement does not define such term, personal dishonesty, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or receipt of a final cease-and-desist order. In determining willfulness, no act or failure to act on a Participant's part shall be considered "willful" unless done or omitted to be done by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interests of the Company.

(g) *"Change in Control"* means the occurrence of any of the following events:

(1) If the Incumbent Directors cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be considered to be an Incumbent Director; provided further, that any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies by or on behalf of a person other than the Board shall not be considered an Incumbent Director.

(2) If there shall be consummated a Business Combination, other than (1) a merger or consolidation effected to implement a reorganization of the Company's ownership wherein the Company shall become a wholly-owned subsidiary of another corporation and the shareholders of the Company shall become shareholders of such other corporation without any material change in each shareholder's proportionate ownership of such other corporation from that owned in the Company prior to such merger or consolidation; and (2) a Business Combination following which: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Common Stock and outstanding Voting Stock immediately prior to such Business Combination beneficially own, directly or indirectly, more than 65% of, respectively, the then outstanding shares of Common Stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Surviving Corporation in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding Common Stock and Voting Stock, as the case may be; (B) no person or entity beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the Surviving Corporation or the combined voting power of the then outstanding voting securities of the Surviving Corporation (excluding any person or entity who beneficially owned 20% or more of the outstanding Common Stock or Voting Stock prior to such Business Combination, the Surviving Corporation and any employee benefit plan (or related trust) of the Company or the Surviving Corporation); and (C) at least a majority of the members of the board of directors of the Surviving Corporation were Incumbent Directors immediately prior to the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

(3) Approval by the shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the above, to the extent necessary to avoid the imposition of taxes or penalties under Section 409A of the Code with respect to any award that constitutes deferred compensation under Section 409A of the Code, a Change in Control shall be deemed to have occurred under this Plan with respect to such award only if, in addition to the requirements set forth above, the event constitutes a change in the ownership or effective control of the Company or a change in ownership of a substantial portion of the assets of the Company, within the meaning of guidance issued by the Secretary of the Treasury under Section 409A of the Code.

(h) *"Code"* means the Internal Revenue Code of 1986, as amended.

(i) *"Committee"* means the Board acting as a whole, or a committee of two or more "non- employee directors" (as defined in Rule 16b-3 under the Exchange Act) who also constitute "outside directors" (as defined under Code Section 162(m) if applicable at the time) if designated by the Board to administer the Plan. The fact that a Committee member shall fail to qualify under Rule 16b-3 under the Exchange Act or Code Section 162(m) shall not invalidate any grant or award made by the Committee, if the grant or award is otherwise validly granted under the Plan.

(j) *"Common Stock"* means shares of the Company's authorized and unissued common stock, or reacquired shares of such common stock.

(k) *"Company"* means Credit Acceptance Corporation and any successor thereto.

(l) *"Disability"* means disability as defined in Treasury Regulation 1.409A-3(i)(4).

(m) *"Effective Date"* means April 12, 2021, the date on which the Board adopted the Plan.

(n) *"Employee"* means an employee of the Company or Affiliate, who has an "employment relationship" with the Company or an Affiliate, as defined in Treasury Regulation 1.421-7(h); and the term "employment" means employment with the Company, or an Affiliate of the Company.

(o) *"Exchange Act"* means the Securities Exchange Act of 1934, as amended from time to time and any successor thereto.

(p) *"Fair Market Value"* means, as of the date of determination, (1) unless otherwise determined by the Committee, the closing price per share of Common Stock as quoted on the national securities exchange or such other market on which such stock is principally traded on the day prior to such date, as determined by the Committee, or (2) if the shares of Common Stock are not listed or admitted to trading on any such exchange or market, the closing selling price as reported by an over-the-counter market; provided that if no sales occur as of the date of determination, then the date of determination shall be the last day on which a sale was reported; further provided that if the shares of Common Stock are not then listed on a national securities exchange or market or traded in an over-the-counter market, such value shall be determined by the Committee in good faith. In no event shall the Fair Market Value of any share of Common Stock be less than the par value per share of Common Stock.

(q) *"Good Reason"* means (1) with respect to any Participant who is a party to a written employment agreement with the Company or any Affiliate, "Good Reason" as defined in such employment agreement, or (2) with respect to any Participant who is not a party to a written employment agreement with the Company or any Affiliate, or whose employment agreement does not define such term, without the Participant's express written consent: (A) a material diminution in the Participant's rate of base salary or target annual bonus opportunity, (B) a material diminution in the Participant's authority, duties or responsibilities, (C) a material change in the geographic location of the Participant's principal office with the Company (for this purpose, in no event shall a relocation of such office to a new location that does not increase a Participant's one-way commute by more than fifty (50) miles from constitute a "material change") or (D) a material breach by the Company of the Agreement; provided, however, that any such condition or conditions, as applicable, shall not constitute Good Reason unless both (x) the Participant provides written notice to the Company of the condition claimed to constitute Good Reason within sixty (30) days of the initial existence of such condition(s) (such notice to be delivered in accordance with any notice provision of the applicable Agreement) and (y) the Company fails to remedy such condition(s) within thirty (60) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Participant's employment or service with the Company shall not constitute a termination for Good Reason unless such termination occurs not more than one hundred and twenty (120) days following the initial existence of the condition claimed to constitute Good Reason.

(r) *"Grandfathered Awards"* means any performance-based Awards intended to constituted qualified performance-based compensation within the meaning of Section 162(m) of the Code and provided pursuant to a written binding contract that was in effect on November 2, 2017, and that was not modified in any material respect on or after such date, within the meaning of Section 13601(e)(2) of P.L. 115-97 (the Tax Cuts and Jobs Act) as may be amended from time to time (including any regulations or further guidance).

(s) *"Grant Date"* means the date on which the Committee authorizes the grant of an individual Award, or such later date as shall be designated by the Committee.

(t) *"Incentive Stock Option"* means an Option that is intended to meet the requirements of Section 422 of the Code and is designated as such in the Agreement evidencing the grant.

(u) *"Incumbent Directors"* means the members of the Board on the Effective Date.

(v) *"Independent Contractor"* means any individual who provides services to the Company or an Affiliate who is not an Employee or a Non-Employee Director.

(w) *"Non-Employee Director"* means a director of the Company or an Affiliate who is not an Employee.

(x) *"Nonqualified Stock Option"* means an Option that is not an Incentive Stock Option.

(y) *"Option"* means either an Incentive Stock Option or a Nonqualified Stock Option.

(z) *"Other Cash Based Award"* means an Award granted pursuant to Article III. (aa) *"Other Stock Based Award"*

means an Award granted pursuant to Article III. (bb) *"Participant"* means the individuals described in Section 1.02.

(cc) *"Plan"* means the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan, the terms of which are set forth herein, as amended from time to time.

(dd) *"Restricted Period"* means the period of time during which Common Stock subject to an Award is subject to restrictions that make it subject to forfeiture and/or nontransferable.

(ee) *"Restricted Stock Award"* means an award of Common Stock that is subject to a Restricted Period, granted pursuant to Article III.

(ff) *"Restricted Stock Unit"* means a right granted pursuant to Article III to receive Common Stock or an equivalent value in cash, in each case subject to the conditions set forth in the Plan and the related Agreement.

(gg) *"Retirement"* means a Participant's voluntary cessation of employment, or voluntary cessation of services as a Non-Employee Director, following the Participant's 65th birthday.

(hh) "*Subsidiary*" means, with respect to any "person" (within the meaning of Section 3(a)(9) of the Exchange Act, as modified and used in Section 13(d) and 14(d) thereof), as of any date of determination, any other person as to which such first person owns or otherwise controls, directly or indirectly, more than 50% of the voting shares or other similar interests or a sole general partner interest or managing member or similar interest of such other person.

(ii) *"Surviving Corporation"* means the corporation resulting from a Business Combination referred to in Section 1.03(g)(2)(B) of the Plan, including, without limitation, the surviving corporation in a merger involving the Company and a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries.

(jj) *"Voting Stock"* means the securities ordinarily having the right to vote in the election of directors to the Board.

1.04 Administration.

(a) The Plan shall be administered by the Committee, in accordance with Rule 16b-3 under the Exchange Act and Code Section 162(m), if applicable. The Committee shall have the authority, in its sole discretion, at any time and from time to time, subject to any express limitations set forth herein, to administer the Plan and exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including without limitation, the authority to grant Awards; to determine the persons to whom and the time or times at which Awards shall be granted; to determine the type and number of Awards granted (including whether an Option granted is an Incentive Stock Option or a Nonqualified Stock Option); to determine the number of shares of Common Stock to which an Award may relate and the terms, conditions, restrictions and performance criteria, if any, relating to any Award; to determine whether, to what extent, and under what circumstances an Award may be settled, cancelled, forfeited, exchanged or surrendered; to make adjustments in the performance goals that may be required for any Award in recognition of extraordinary events affecting the Company or the financial statements of the Company or in response to changes in applicable laws, regulations or accounting principles (in each case, to the extent not inconsistent with Section 162(m) of the Code with respect to Awards intended to qualify as Grandfathered Awards); to construe and interpret the Plan and any Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Agreements; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

(b) The Committee may, in its absolute discretion, without amendment to the Plan, (1) accelerate the date on which any Option granted under the Plan becomes exercisable, waive or amend the operation of Plan provisions respecting exercise after termination of service or otherwise adjust any of the terms of such Option, and (2) accelerate the vesting date, or waive any condition imposed hereunder, with respect to any share of Restricted Stock Award, or other Award or otherwise adjust any of the terms applicable to any such Award. Notwithstanding the foregoing, and subject to adjustments for changes in capitalization pursuant to Section 6.01, neither the Board, the Committee nor their respective delegates shall have the authority, without first obtaining the approval of the Company's shareholders, to (A) re-price (or cancel and/or re-grant) any Option or, if applicable, other Award at a lower exercise, base or purchase price, (B) cancel underwater Options in exchange for cash or (C) grant an Option in consideration for, or conditioned on, the delivery of Common Stock to the Company in payment of the exercise price and/or the withholding taxes of an Award. For purposes of this Section 1.04(b), Options will be deemed to be "underwater" at any time when the Fair Market Value of Common Stock is less than the exercise price of the Option.

(c) The decision of the Committee on any question concerning the interpretation of the Plan or its administration with respect to any Award granted under the Plan shall be final and binding upon all Participants (or any person claiming any rights under the Plan from or through any Participant). Notwithstanding the foregoing, the Committee shall not waive any restrictions on a Grandfathered Award. No member of the Committee or the Board (and their delegates) shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award.

(d) To the extent permitted by applicable law, the Committee may delegate to one or more officers or managers of the Company or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights with respect to, alter, discontinue or terminate Awards held by Participants who are not officers or directors of the Company for purposes of Section 16 of the Exchange Act.

1.05 *Limitations on Awards*. A maximum of 3,250,000 shares may be issued under the Plan, of which a maximum of 692,861 shares of Common Stock may be issued following the Effective Date (all of which may be granted as Incentive Stock Options). The maximum number of shares of Common Stock that may be subject to Awards granted under the Plan to any Participant during any one-year period shall not exceed 500,000 shares. In addition, shares of Common Stock subject to any portion of a terminated, forfeited, cancelled or expired Award granted hereunder (including Awards granted prior to the Effective Date) may again be subject to grants and awards under the Plan as of the date of such termination, forfeiture, cancellation or expiration. Shares of Common Stock that are exchanged by a Participant or withheld by the Company as full or partial payment in connection with the exercise of any Options under the Plan, as well as any shares of Common Stock exchanged by a Participant or withheld by the Company to satisfy the tax withholding obligations related to any Award under the Plan, shall not again be available for subsequent Awards under the Plan. In addition, (i) to the extent an Award is denominated in shares of Common Stock, but paid or settled in cash, the number of shares of Common Stock with respect to which such payment or settlement is made shall again be available for grants of Awards pursuant to the Plan and (ii) shares of Common Stock underlying Awards that can only be settled in cash shall not be counted against the aggregate number of shares of Common Stock available for Awards under the Plan. All amounts in this Section 1.05 shall be adjusted, as applicable, in accordance with Article VI.

1.06 *Minimum Vesting Requirement*. Subject to Section 1.04 and Articles V and VI, no Award or portion thereof shall provide for vesting prior to the first anniversary of its date of grant; provided, however, that, notwithstanding the foregoing, Awards that result in the issuance of an aggregate of up to 5% of the shares of Common Stock available pursuant to Section 1.05 may be granted under the Plan without regard to such minimum vesting provision.

II. STOCK OPTIONS

2.01 *Grant of Options*. The Committee may grant Options to Participants and, to the extent Options are granted, shall determine the general terms and conditions of exercise, including any applicable vesting or performance requirements, which shall be set forth in a Participant's Agreement. The Committee may designate any Option granted as either an Incentive Stock Option or a Nonqualified Stock Option, or the Committee may designate a portion of an Option as an Incentive Stock Option and the remainder as a Nonqualified Stock Option. An Option shall expire no later than the close of business on the tenth anniversary of the Grant Date. Any Participant may hold more than one Award under the Plan and any other plan of the Company or Affiliate.

2.02 *Incentive Stock Options*. Any Option intended to constitute an Incentive Stock Option shall comply with the requirements of this Section 2.02 and shall only be granted to an Employee. No Incentive Stock Option shall be granted with an exercise price below its Fair Market Value on the Grant Date. An Incentive Stock Option shall not be granted to any Participant who owns (within the meaning of Code Section 424(d)) stock of the Company or any Affiliate possessing more than 10% of the total combined voting power of all classes of stock of the Company or an Affiliate unless, at the Grant Date, the exercise price for the Option is at least 110% of the Fair Market Value of the shares of Common Stock subject to the Option and the Option, by its terms, is not exercisable more than 5 years after the Grant Date. The aggregate Fair Market Value of the underlying Common Stock (determined at the Grant Date) as to which Incentive Stock Options granted under the Plan (including a plan of an Affiliate) may first be exercised by a Participant in any one calendar year shall not exceed $100,000. To the extent that an Option intended to constitute an Incentive Stock Option shall violate the foregoing $100,000 limitation (or any other limitation set forth in Code Section 422), the portion of the Option that exceeds the $100,000 limitation (or fails any other Code Section 422 requirement) shall be deemed to constitute a Nonqualified Stock Option.

2.03 *Option Price*. The Committee shall determine the per share exercise price for each Option granted under the Plan, but no Option shall be granted with an exercise price below 100% of the Fair Market Value of Common Stock on the Grant Date.

2.04 *Payment for Option Shares*. Payment of the purchase price for shares of Common Stock to be acquired upon exercise of an Option granted hereunder shall be made in accordance with the process and procedures established by the Company and communicated to the Participant which may include, if the Company so approves, payment (a) in cash or by certified check, bank draft or money order at the time of exercise; (b) by tendering shares of Common Stock which are freely owned and held by the Participant independent of any restrictions, hypothecations or other encumbrances, duly endorsed for transfer (or with duly executed stock powers attached); (c) by using a cashless exercise procedure; or (d) by using a net exercise procedure in accordance with the process and procedures established by the Company and communicated to the Participant, or in any combination of the foregoing methods. If shares of Common Stock are tendered in payment of all or part of the exercise price, they shall be valued for such purpose at their Fair Market Value on the date of exercise and payment.

III. RESTRICTED STOCK AWARDS AND RESTRICTED STOCK UNITS; OTHER CASH BASED AND OTHER STOCK BASED AWARDS

3.01 *Restricted Stock and Restricted Stock Units*. The Committee shall have the authority to grant Restricted Stock Awards and Restricted Stock Units to such Participants and for such number of shares of Common Stock as it shall designate. Such Restricted Stock Awards and Restricted Stock Units shall be evidenced by an Agreement that shall specify the terms thereof, including the Restricted Period, the number of shares of Common Stock subject to the Restricted Stock Award or Restricted Stock Unit, and such other provisions, which may include, among other things, vesting and performance goals, as the Committee shall determine.

3.02 *Other Cash Based and Stock Based Awards*. The Committee is authorized to grant awards to Participants in the form of Other Cash Based Awards or Other Stock Based Awards, as deemed by the Committee to be consistent with the purposes of the Plan. Such Awards shall be evidenced by an Agreement that shall specify the terms thereof, including the Restricted Period, the number of shares of Common Stock subject to the Award, and such other provisions, which may include, among other things, vesting and performance goals, as the Committee shall determine. The maximum amount that any Participant may receive with respect to Other Cash Based Awards which are intended to be Grandfathered Awards for any annual performance period is $2,500,000 (and for any other performance period other than one year, such amount multiplied by a fraction, the numerator of which is the number of months in the performance period and the denominator of which is twelve).

IV. GRANDFATHERED AWARDS

4.01 *Generally*. Grandfathered Awards must comply with additional requirements set forth in this Article IV, which override any other provision set forth in this Plan:

4.02 *Payments*. Payments under any Grandfathered Award shall be made solely on account of the attainment of one or more objective performance goals established in writing by the Committee not later than 90 days after the commencement of the period of service to which the Award relates (but in no event after 25 percent of the period of service has elapsed).

4.03 *Performance Goals*. Each Grandfathered Award shall be based upon the attainment of specified levels of Company or Affiliate performance during a specified performance period, as measured by any or all of the following: (a) economic profit; (b) earnings per share; (c) operating income; (d) net income; (e) revenue; (f) book value per share, (g) return on capital; (h) total loan originations; (i) origination quality measures such as charge-off rates, collection rates, dollars collected or similar measures; (j) loan performance measures such as charge-off rates, collection rates, dollars collected; k) annual profitability; (l) market capitalization (m) business development goals; (n) customer satisfaction goals; (o) employee satisfaction goals; (p) strategic goals; and (q) any combination of any of the foregoing, or a specified increase or decrease of one or more of the foregoing over a specified period. The performance goals may be based upon the attainment of specified levels of performance under one or more of the measures described above relative to the performance of other entities. The Committee shall make equitable adjustments to the performance goals (1) in recognition of unusual or non-recurring events affecting the Company or any Subsidiary of the Company or the financial statements of the Company or any Subsidiary of the Company, (2) in recognition of changes in leverage of the Company or any Subsidiary of the Company affecting the Company or any Subsidiary of the Company or the financial statements of the Company or any Subsidiary of the Company, (3) in response to changes in applicable laws or regulations, including changes in generally accepted accounting principles or practices and changes in tax laws or rates, or (4) to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence, related to the acquisition or disposal of a segment of a business, or related to a change or adjustment in accounting principles as appropriate to accurately reflect performance during a specified period.

4.04 *Committee Authority*. Once granted, the Committee shall have the discretion to decrease but shall not have discretion to increase the amount earned under a Grandfathered Award, provided, however, that the Committee shall have the authority to make appropriate adjustments in performance goals under an Award as provided under Section 4.03 above.

4.05 *Committee Certification*. For each performance period, the Committee shall certify, in writing: (a) if the Company or its Affiliate(s) (as applicable) has attained the performance targets; and (b) the cash or number of shares (or combination thereof) pursuant to the Grandfathered Award that shall be paid to each selected Employee or that become freely transferable upon attainment of the performance targets and/or other restrictions. The Committee may not waive all or part of the conditions, goals and restrictions applicable to the receipt of full or partial payment of a Grandfathered Award unless doing so would not cause such Award to fail to be deductible as performance-based compensation under Code Section 162(m). No part of a Grandfathered Award shall be paid or become transferable until the Committee certifies in writing that the performance goals and restrictions have been satisfied.

V. TERMINATION OF EMPLOYMENT AND SERVICES

5.01 *Options*.

(a) Unless otherwise provided in the applicable Agreement, if, prior to the date that an Option first becomes exercisable, a Participant’s status as an Employee, Non-Employee Director, or Independent Contractor is terminated for any reason, the Participant’s right to exercise the Option shall terminate and all rights thereunder shall cease as of the close of business on the date of such termination.

(b) For any Nonqualified Stock Option unless otherwise provided in the applicable Agreement and for any Incentive Stock Option, if, on or after the date that the Option first becomes exercisable, a Participant’s status as an Employee, Non-Employee Director, or Independent Contractor is terminated (1) for Cause, any unexercised portion of the Option (whether then exercisable or not) shall, as of the time of the Cause determination, immediately terminate, (2) due to death or Disability, then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable only until the earlier of the one year anniversary of such termination or the "expiration date" set forth in the applicable Agreement, and (3) for any other reason (except as provided in the next sentence), then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable only until the earlier of the three month anniversary of such termination or the "expiration date" set forth in the applicable Agreement. For any Nonqualified Stock Option, unless otherwise provided in the applicable Agreement, if, on or after the date that the Option first becomes exercisable, a Participant's status as an Employee or Non-Employee Director is terminated due to Retirement, or is terminated involuntarily (other than for Cause or due to death or Disability) within 6 months following a Change in Control, then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable until the "expiration date" set forth in the applicable Agreement. The Committee, at its discretion, may designate in the applicable Agreement a different post-termination period for exercise of a Nonqualified Stock Option and may extend the exercise period of any Option, but in no event may the post-termination exercise period exceed the tenth anniversary of the Grant Date; it being understood that the extension of the exercise term for an Incentive Stock Option may cause such Option to become a Nonqualified Stock Option.

(c) Shares of Common Stock subject to Options that are not exercised within the time allotted for exercise shall expire and be forfeited by the Participant as of the close of business on the date they are no longer exercisable.

5.02 *Restricted Stock Awards and Restricted Stock Units; Other Stock-Based and Cash-Based Awards*. Unless otherwise provided in the applicable Agreement, if the status as an Employee, Non-Employee Director, or Independent Contractor of a Participant holding a Restricted Stock Award, Restricted Stock Unit or Other Cash-Based or Stock-Based Award terminates for any reason prior to the lapse of the Restricted Period or prior to satisfaction of the performance requirements of such Award, any shares of Common Stock subject to such Award as to which the Restricted Period has not yet lapsed or been waived or as to which such performance requirements have not been satisfied shall be forfeited by the Participant.

5.03 *Other Provisions*. In each case unless otherwise required by Section 409A of the Code to avoid the imposition of additional taxes or penalties, (a) neither the transfer of a Participant from one corporation or division to another corporation or division among the Company and any of its Affiliates nor a leave of absence under the Company's leave policy nor (b) the change in Participant's classification as either an Employee, Non-Employee Director, or Independent Contractor shall be deemed to constitute a termination of status as a Participant for purposes of the Plan.

VI. ADJUSTMENTS AND CHANGE IN CONTROL

6.01 *Adjustments*.

(a) If the Committee shall determine that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other corporate transaction or event affects the Common Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (1) the number and type of shares of Common Stock which thereafter may be made the subject of Awards, (2) the number and type of shares of Common Stock subject to outstanding Awards, and (3) the exercise price with respect to any Option, or, if deemed appropriate, cancel outstanding Options and make provision for a cash payment to the holders thereof; provided, however, in each case, that with respect to Incentive Stock Options any such adjustment shall be made in accordance with Code Section 424 or any successor provision thereto.

(b) The foregoing adjustments shall be made by the Committee or, if such adjustment is required by the Board, then by the Board at the recommendation of the Committee. Any such adjustment shall provide for the elimination of any fractional share that might otherwise become subject to an Award.

6.02 *Change in Control*. Upon the occurrence of a Change in Control, unless otherwise specified by the Committee in the recipient's Agreement:

(a) with respect to each outstanding Award that is assumed or substituted in connection with a Change in Control, in the event of a termination of a Participant's service to the Company or any Affiliate thereof without Cause during the 24-month period following such Change in Control, on the date of such termination (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to Awards shall be deemed to be achieved based on actual performance levels;

(b) with respect to each outstanding Award that is not assumed or substituted in connection with a Change in Control, immediately upon the occurrence of the Change in Control, (1) such Award shall become fully vested and, if applicable, exercisable, (2) the restrictions, payment conditions, and forfeiture conditions applicable to any such Award granted shall lapse, and (3) any performance conditions imposed with respect to Awards shall be deemed to be achieved based on actual performance levels;

(c) for purposes of this Section 6.02, an Award shall be considered assumed or substituted for if, following the Change in Control, the Award is of comparable value and remains subject to the same terms and conditions that were applicable to the Award immediately prior to the Change in Control except that, if the Award related to shares of Common Stock, the Award instead confers the right to receive common stock of the acquiring or ultimate parent entity; and

(d) except as would result in the imposition of taxes or penalties under Section 409A of the Code, the Board or the Committee may, in its sole discretion, provide that each Award will be cancelled as of the Change in Control in exchange for a payment in cash or securities in an amount equal to (1) the excess of the consideration paid per share in the Change in Control over the exercise or purchase price (if any) per share subject to the Award, *multiplied by* (2) the number of shares granted under the Award. To the extent required to avoid the imposition of additional taxes under Section 409A of the Code, such Award shall be settled in accordance with its original terms or at such earlier time as permitted by Section 409A of the Code.

VII. MISCELLANEOUS

7.01 *Partial Exercise/Fractional Shares*. The Committee may permit, and shall establish procedures for, the partial exercise of Options granted under the Plan. No fractional shares shall be issued in connection with the exercise or payment of a grant or award under the Plan; instead, the Fair Market Value of the fractional shares shall be paid in cash, or at the discretion of the Committee, the number of shares shall be rounded down to the nearest whole number of shares, and any fractional shares shall be disregarded.

7.02 *Rule 16b-3 Requirements*. Notwithstanding any other provision of the Plan, the Committee may impose such conditions on an Award (including, without limitation, the right of the Committee to limit the time of exercise of an Option to specified periods) as may be required to satisfy the requirements of Rule 16b-3 of the Exchange Act (as such rule may be in effect at such time).

7.03 *Rights Prior to Issuance of Shares; Voting and Dividends*. No Participant shall have any rights as a shareholder with respect to shares of Common Stock covered by an Award until the issuance of such shares as reflected on the books and records of the Company or its transfer agent. No adjustment shall be made for dividends or other rights with respect to such shares for which the record date is prior to the date the shares are issued. Notwithstanding the above, during the Restricted Period, Participants shall be considered record owners of any shares of Common Stock subject to any Restricted Stock Award held by them for purposes of determining who is entitled to vote such shares. In addition, unless otherwise determined by the Committee in the applicable Agreement, Participants who receive a Restricted Stock Award, Restricted Stock Unit, or Other-Stock Based Award shall be entitled to receive dividends or dividend equivalents, as applicable, paid on Common Stock subject to the Award. Such dividend or dividend equivalents shall be subject to the same restrictions as the Award with respect to which they were paid and, unless otherwise determined by the Committee in the applicable Agreement, will be settled in cash or Common Stock, in the discretion of the Committee, at the time that the underlying Award is settled.

7.04 *Non-Assignability*. Unless otherwise determined by the Committee, neither an Award, nor the shares of Common Stock subject to an Award, may be transferred, pledged, assigned, or otherwise alienated or hypothecated by a Participant except by will or the laws of descent and distribution. No transfer of an Award shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will or such evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee of the terms and conditions of the Award. Prior to the end of the Restricted Period, all rights with respect to the Common Stock subject to an Award granted to a Participant shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative. During the lifetime of a Participant, an Incentive Stock Option shall be exercised only by the Participant.

7.05 *Securities Laws*.

(a) Anything to the contrary herein notwithstanding, the Company's obligation to sell and deliver Common Stock pursuant to the exercise of an Award is subject to such compliance with federal and state laws, rules and regulations applying to the authorization, issuance or sale of securities as the Company deems necessary or advisable. The Company shall not be required to sell or deliver Common Stock unless and until it receives satisfactory assurance that the issuance or transfer of such shares shall not violate any of the provisions of the Securities Act of 1933, the Exchange Act, any other applicable federal laws, or the rules and regulations of the Securities and Exchange Commission promulgated thereunder or those of any stock exchange or stock market on which the Common Stock may be listed or traded, the provisions of any state laws governing the sale of securities, or that there has been compliance with the provisions of such acts, rules, regulations and laws.

(b) The Committee may impose such restrictions on any shares of Common Stock subject to or underlying an Award as it may deem advisable, including, without limitation, restrictions (1) under applicable federal securities laws, (2) under the requirements of any stock exchange or other recognized trading market upon which such shares of Common Stock are then listed or traded, or (3) under any blue sky or state securities laws applicable to such shares. No shares of Common Stock shall be issued until counsel for the Company has determined that the Company has complied with all requirements under appropriate securities laws.

7.06 *Certificate Legend*. Awards granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Awards are registered in the name of the Grantee, such certificates shall bear the following legend:

The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer set forth in the Credit Acceptance Corporation Amended and Restated Incentive Compensation Plan (the "Plan"), rules and administrative guidelines adopted pursuant to such Plan and an Agreement dated April 12, 2021. A copy of the Plan, such rules and such Agreement may be obtained from the Secretary of the Company.

Except as otherwise provided under the Plan, if the Restricted Period has elapsed or been waived by the Committee with respect to all or a portion of the Award represented by a certificate, the holder thereof shall be entitled to have the legend removed from such stock certificate with respect to the shares as to which the Restricted Period has elapsed. Any certificate evidencing the remaining shares shall continue to bear the legend. The Company shall have the right to retain any certificate representing shares of Common Stock subject to an Award until such time as all conditions and/or restrictions applicable to such shares of Common Stock have been satisfied.

7.07 *Withholding and Taxes*. The Company shall have the right to withhold from a Participant's compensation or require a Participant to remit sufficient funds to satisfy applicable withholding for income and employment taxes that become due upon the grant, exercise, vesting, or payment of an Award, as applicable. If a Participant is no longer employed by the Company at the time any applicable taxes with respect to the Award are due and must be remitted by the Company, the Participant shall pay applicable taxes to the Company, and the Company may delay issuance of a certificate or recording the ownership of the Common Stock on the books of the Company until proper payment of such taxes has been made by the Participant. If permitted in an Agreement or by the Committee at the time of exercise of an Option, a Participant may use a cashless exercise or net exercise procedure established by the Committee from time to time, or may tender previously acquired shares of Common Stock or have shares of Common Stock withheld from the shares of Common Stock to be received upon exercise, to satisfy the withholding obligation in whole or in part, such shares being valued for such purpose at Fair Market Value; provided that the Company shall not withhold from exercise more shares than are necessary to satisfy the established requirements of federal, state and local tax withholding obligations.

7.08 *Termination and Amendment*.

(a) The Board may terminate the Plan, or the granting of Awards under the Plan, at any time. No new grants or awards of Incentive Stock Options shall be made under the Plan after the tenth anniversary of the Effective Date.

(b) The Board may amend or modify the Plan at any time and from time to time.

(c) Notwithstanding anything to the contrary in this Section 7.08, the requisite shareholder approval shall be required if and to the extent the Board or the Committee determines that such approval is appropriate or necessary for purposes of satisfying Sections 162(m) (with respect to Awards intended to qualify as Grandfathered Awards) or 422 of the Code or Rule 16b-3 or other applicable law.

(d) No amendment, modification or termination of the Plan shall adversely affect any Award previously granted under the Plan in any material way without the consent of the Participant holding the Award.

7.09 *Effect on Employment or Services*. Neither the adoption of the Plan nor the granting of any Award pursuant to the Plan shall be deemed to create any right in any individual to be retained or continued in the employment or services of the Company or an Affiliate.

7.10 *Use of Proceeds*. The proceeds received from the sale of Common Stock pursuant to the Plan shall be used for general corporate purposes of the Company.

7.11 *Shareholder Approval of Plan*. The Plan shall be subject to the approval of the holders of at least a majority of the votes cast on the matter at a meeting of shareholders of the Company held within 12 months after adoption of the Plan by the Board. No Award granted under the Plan may be exercised or paid out in whole or in part unless the Plan has been approved by the shareholders as provided herein. If not approved by shareholders within 12 months after approval by the Board, the Plan and any Awards granted under the Plan shall be rescinded.

7.12 *Governing Law*. The Plan and all actions taken under the Plan shall be governed and construed in accordance with Michigan law.

7.13 *Code Section 409A*. It is intended that the payments and benefits under this Plan comply with, or as applicable, constitute a short-term deferral or otherwise be exempt from, the provisions of Section 409A of the Code. The Plan will be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Plan to fail to satisfy Section 409A of the Code will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Section 409A of the Code). Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, a Participant shall not be considered to have incurred a termination of employment or service for purposes of this Plan and no payments shall be due to Participant under this Plan providing for payment of amounts on termination of employment or service until the Participant would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A of the Code. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Plan during the six-month period immediately following Participant's termination of employment shall instead be paid on the first business day after the date that is six months following Participant's termination of employment (or upon Participant's death, if earlier). In addition, for purposes of this Plan, each amount to be paid or benefit to be provided to the Participant pursuant to the Plan, which constitute deferred compensation subject to Section 409A of the Code, shall be construed as a separate identified payment for purposes of Section 409A of the Code. Notwithstanding any provision of the Plan or any 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 Plan and the affected award (without Participant 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 (a) exempt the Plan and any 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 (b) 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: July 31, 2024

/s/ Kenneth S. Booth
Kenneth S. Booth
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Jay D. Martin, 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: July 31, 2024

/s/ Jay D. Martin
Jay D. Martin
Chief Financial Officer
(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 June 30, 2024 (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:	July 31, 2024	/s/ Kenneth S. Booth
		Kenneth S. Booth Chief Executive Officer (Principal Executive Officer)

EXHIBIT 32.2

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 June 30, 2024 (the “Report”), I, Jay D. Martin, as Chief Financial 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: July 31, 2024

/s/ Jay D. Martin
Jay D. Martin
Chief Financial Officer
(Principal Financial Officer)