

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1998

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
(State or other jurisdiction of
incorporation or organization)

38-1999511
(IRS Employer Identification)

25505 WEST TWELVE MILE ROAD, SUITE 3000
SOUTHFIELD, MICHIGAN
(Address of principal executive offices)

48034-8339
(zip code)

Registrant's telephone number, including area code: 248-353-2700

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 the number of shares outstanding of the issuer's class of
common stock, as of the latest practicable date.

The number of shares outstanding of Registrant's Common Stock, par
value \$.01, on May 12, 1998 was 46,113,115.

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CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	AS OF 12/31/97	AS OF 3/31/98
(UNAUDITED)		
ASSETS:		
Cash and cash equivalents	\$ 349	\$ 11,989
Investments	9,973	10,266
Installment contracts receivable	1,049,818	957,979
Allowance for credit losses	(13,119)	(10,473)
Installment contracts receivable, net	1,036,699	947,506
Floor plan receivables	19,800	19,674
Notes receivable	1,231	1,422
Property and equipment, net	20,839	20,488
Other assets, net	26,719	6,694
TOTAL ASSETS	\$ 1,115,610	\$ 1,018,039
LIABILITIES:		
Senior notes	\$ 175,150	\$ 175,150
Lines of credit	212,717	172,164
Mortgage loan payable to bank	3,799	3,741
Income taxes payable	--	7,049
Accounts payable and accrued liabilities	22,851	29,487
Deferred dealer enrollment fees, net	421	89
Dealer holdbacks, net	437,065	361,260
Deferred income taxes, net	14,616	13,329
TOTAL LIABILITIES	866,619	762,269
SHAREHOLDERS' EQUITY		
Common stock	461	461
Paid-in capital	128,336	128,336
Retained earnings	118,023	124,910
Cumulative translation adjustment	2,171	2,063
TOTAL SHAREHOLDERS' EQUITY	248,991	255,770
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,115,610	\$ 1,018,039

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(Dollars in thousands, except per share data)	THREE MONTHS ENDED	
	3/31/97	3/31/98
REVENUE:		
Finance charges	\$ 30,691	\$ 28,055
Vehicle service contract fees and other income	6,905	6,882
Dealer enrollment fees	1,790	1,450
Premiums earned	2,383	2,923
Total revenue	41,769	39,310
COSTS AND EXPENSES:		
Salaries and wages	3,810	4,922
General and administrative	4,179	7,242
Provision of credit losses	7,053	5,796
Sales and marketing	1,898	2,457
Provision for claims	803	1,035
Interest	5,669	7,346
Total costs and expenses	23,412	28,798
Operating income	18,357	10,512
Foreign exchange gain(loss)	(20)	12
Income before provision for income taxes	18,337	10,524
Provision for income taxes	6,299	3,637
Net income	\$ 12,038	\$ 6,887
Net income per common share:		
Basic	\$ 0.26	\$ 0.15
Diluted	\$ 0.26	\$ 0.15
Weighted average shares outstanding:		
Basic	46,076,448	46,113,115
Diluted	46,902,492	46,949,673

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	THREE MONTHS ENDED	
	3/31/97	3/31/98
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 12,038	\$ 6,887
Adjustments to reconcile net income to net cash provided by operating activities		
Credit for deferred income taxes	(763)	(1,287)
Depreciation and amortization	478	923
Provision for credit losses	7,053	5,796
Change in operating assets and liabilities		
Accounts payable and accrued liabilities	(2,075)	6,636
Income taxes payable	5,465	7,049
Unearned insurance premiums, insurance reserves, and fees	925	(214)
Deferred dealer enrollment fees, net	(29)	(332)
Other assets	(313)	20,025
Net cash provided by operating activities .	22,779	45,483
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal collected on installment contracts receivable	95,967	103,122
Purchase of marketable securities	(353)	(293)
(Increase)decrease in floor plan receivables	(174)	126
(Increase)decrease in notes receivable	917	(191)
Purchase of property and equipment	(2,073)	(572)
Net cash provided by investing activities .	94,284	102,192
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage loan payable to bank	(37)	(58)
Advances to dealers and payments of dealer holdback	(155,580)	(95,316)
Net repayments under line of credit agreement	(34,125)	(40,553)
Proceeds from sale of senior notes	71,750	--
Proceeds from stock options exercised	2,648	--
Net cash used in financing activities	(115,344)	(135,927)
Effect of exchange rate changes on cash ...	(1,762)	(108)
Net increase(decrease) in cash and cash equivalents	(43)	11,640
Cash and cash equivalents - beginning of period	229	349
Cash and cash equivalents - end of period	\$ 186	\$ 11,989

CREDIT ACCEPTANCE CORPORATION
 CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
 FOR THE THREE MONTHS ENDED MARCH 31, 1998
 (UNAUDITED)

(Dollars in thousands)	Common Stock	Paid-In Capital	Retained Earnings	Cumulative Translation Adjustment
Balance as of December 31, 1997 ...	\$ 461	\$128,336	\$118,023	\$ 2,171
Net income	--	--	6,887	--
Foreign currency translation adjustment	--	--	--	(108)
Balance as of March 31, 1998	\$ 461	\$128,336	\$124,910	\$ 2,063
	=====	=====	=====	=====

CREDIT ACCEPTANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. GENERAL

The unaudited consolidated operating results have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments, consisting of normal recurring items, necessary for a fair presentation of the periods. The results of operations for interim periods are not necessarily indicative of actual results achieved for full fiscal years.

As contemplated by the Securities and Exchange Commission under rule 10-01 of Regulation S-X, the accompanying consolidated financial statements and related notes have been condensed and do not contain certain information included in the Company's annual consolidated financial statements and notes thereto. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

2. NET INCOME PER SHARE

Basic net income per share amounts are based on the weighted average number of common shares outstanding. Diluted net income per share amounts are based on the weighted average number of common shares and common stock equivalents outstanding. Common stock equivalents included in the computation represent shares issuable upon assumed exercise of stock options which would have a dilutive effect. All per share amounts have been adjusted to reflect all stock splits declared by the Company.

3. NEW ACCOUNTING STANDARDS

Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standard No. 130, Reporting Comprehensive Income (SFAS 130). SFAS 130 establishes standards for reporting and displaying comprehensive income and its components in annual financial statements. Application of SFAS 130 is not expected to have a significant impact on the financial statement disclosures of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1998

TOTAL REVENUE. Total revenue decreased from \$41.8 million for the three months ended March 31, 1997 to \$39.3 million for the same period in 1998, representing a decrease of 5.9%. This decrease is primarily due to a decrease in finance charge revenue resulting from a decrease in installment contracts receivable. The decrease in installment contracts receivable is primarily the result of collections on installment contracts and charge offs of installment contracts for the period exceeding contract originations for the period. The Company's volume of contract originations decreased in the fourth quarter of 1997 and in the first quarter of 1998 as the Company has implemented more conservative advance programs and has limited business with marginally profitable and unprofitable dealers. These changes were made as a result of the Company's enhanced analysis made possible by a new loan servicing system which became operational in the third quarter of 1997. Based on reviews of dealer profitability, the Company has discontinued relationships with several dealers and continues to monitor its relationships with dealers and make adjustments to these relationships as required. It is expected that the volume of contract originations will continue at lower levels than those experienced prior to the implementation of these changes.

The average yield on the Company's installment contract portfolio, calculated using finance charge revenue divided by average net installment contracts receivable, was approximately 11.3% and 11.2% for the three months ended March 31, 1997 and 1998, respectively.

Vehicle service contract fees and other income increased, as a percent of total revenue, from 16.5% for the three months ended March 31, 1997 to 17.5% for the same period in 1998. The increase is primarily due to a higher penetration rate of third party service contract products offered by dealers on installment contracts, as the Company earns a fee on the sale of these products. Also contributing to the increase, as a percent of revenue, in vehicle service contract fees and other income, is an increase in interest earned on floor plan financing which results from increased floor plan balances.

Earned dealer enrollment fees decreased, as a percent of total revenue, from 4.3% for the three months ended March 31, 1997 to 3.7% for the same period in 1998. The decrease is due to a decline in the number of new dealers enrolling in the Company's financing program. The Company has become more selective with respect to the enrollment of new dealers in an effort to improve the performance of its portfolio of installment contracts receivable.

Premiums earned increased, as a percent of total revenue, from 5.7% for the three months ended March 31, 1997 to 7.4% for the same period in 1998. Premiums on the Company's service contract program are earned on a straight-line basis over the life of the service contracts. Premiums reinsured under the Company's credit life and collateral protection insurance programs are earned over the life of the contracts using the pro rata and sum-of-digits methods.

SALARIES AND WAGES. Salaries and wages, as a percent of total revenue, increased from 9.1% for the three months ended March 31, 1997 to 12.5% for the same period in 1998. The increase is primarily due to increases in employee headcount, particularly collection personnel added to service the Company's installment contract portfolio. To a lesser extent, the increase is due to an increase in the Company's average wage rates.

GENERAL AND ADMINISTRATIVE. General and administrative expenses, as a percent of total revenue, increased from 10.0% for the three months ended March 31, 1997 to 18.4% for the same period in 1998. Increases in general and administrative expenses include increases in (i) legal fees and settlement provisions resulting from an increase in the frequency and magnitude of litigation against the Company; (ii) depreciation and amortization primarily resulting from the addition of new computer systems in 1997 and (iii) an increase in audit fees charged by the Company's former independent accountants.

PROVISION FOR CREDIT LOSSES. The amount provided for credit losses, as a percent of total revenue, decreased from 16.9% for the three months ended March 31, 1997 to 14.7% for the same period in 1998. The provision for credit losses consists of two components: (i) a provision for loan losses for the earned but unpaid servicing fee or finance charge recognized on contractually delinquent installment contracts and (ii) a provision for losses on advances to dealers that are not expected to be recovered through collections on the related installment contract receivable portfolio. The decrease is due to a decrease in the provision for loan loss component, primarily resulting from a decrease in the percent of non-accrual installment contracts receivable, which were 35.1% and 33.2% of receivables as of March 31, 1997 and 1998, respectively. The decrease was partially offset by an increase in the amount provided for advance losses. Advance balances are continually reviewed by management utilizing the Company's new loan servicing system which allows management to estimate future collections for each dealer pool using historical loss experience and a dealer by dealer static pool analysis.

SALES AND MARKETING. Sales and marketing expenses, as a percent of total revenue, increased from 4.5% during the three months ended March 31, 1997 to 6.3% during the same period in 1998. This increase is primarily the result of increased sales commissions for dealer enrollments, which are deferred and amortized to expense over the estimated repayment term of the outstanding dealer advance. In addition, the increase is also the result of increases in advertising associated with the Company's customer lead generating program.

PROVISION FOR CLAIMS. The amount provided for insurance and service contract claims, as a percent of total revenue, increased from 1.9% during the three months ended March 31, 1997 to 2.6% during the same period in 1998. This increase corresponds with an increase, as a percent of total revenue, in premiums earned from 5.7% for the three months ended March 31, 1997 to 7.4% for the same period in 1998.

INTEREST EXPENSE. Interest expense, as a percent of total revenue, increased from 13.6% for the three months ended March 31, 1997 to 18.7% for the same period in 1998. The increase is primarily a result of an increase in the amount of average outstanding borrowings. To a lesser extent, interest expense increased due to higher average interest rates. The increase in the average interest rate is primarily the result of the sale of \$71.75 million in senior notes, at a fixed rate of interest, in March 1997. The increase was also attributable to the downgrade of the Company's credit rating with Moody's Investor Service from Baa3 to Ba2 and with Standard and Poor's from BBB- to BB effective October 22, 1997. As a result of these downgrades, the Company's Eurocurrency based borrowing margins under the \$250 million credit agreement were increased from 82.5 basis points to 120 basis points in accordance with the terms of the credit agreement. The Company expects to continue to borrow in future periods, as needed, to assist in funding the Company's operations, and may continue to convert portions of its floating rate debt to longer term fixed rates, which may be higher than rates available on shorter term floating rate borrowings. See "Liquidity and Capital Resources".

OPERATING INCOME. As a result of the aforementioned factors, operating income decreased from \$18.4 million for the three months ended March 31, 1997 to \$10.5 million for the same period in 1998, representing a decrease of 42.7%.

FOREIGN EXCHANGE LOSS. The Company incurred a foreign exchange loss of \$20,000 for the three months ended March 31, 1997 and a foreign exchange gain of \$12,000 for the same period in 1998. The losses result from the effect of exchange rate fluctuations between the U.S. dollar and foreign currencies on unhedged intercompany balances between the Company and its subsidiaries which operate outside the United States.

PROVISION FOR INCOME TAXES. The provision for income taxes decreased from \$6.3 million during the three months ended March 31, 1997 to \$3.6 million during the same period in 1998. The decrease is due to a lower level of pretax income in 1998. For the three months ended March 31, the effective tax rate was 34.5% in 1997 and 34.6% in 1998.

INSTALLMENT CONTRACTS RECEIVABLE

The following table summarizes the composition of installment contracts receivable at the dates indicated:

(Dollars in thousands)	AS OF 12/31/97	AS OF 3/31/98
		(UNAUDITED)
Gross installment contracts receivable	\$ 1,254,858	\$ 1,143,469
Unearned finance charges	(196,357)	(177,021)
Unearned insurance premiums, insurance reserves, and fees	(8,683)	(8,469)
Installment contracts receivable	<u>\$ 1,049,818</u>	<u>\$ 957,979</u>

A summary of changes in gross installment contracts receivable is as follows:

(Dollars in thousands)	THREE MONTHS ENDED	
	3/31/97	3/31/98
		(UNAUDITED)
Balance - beginning of period	\$ 1,251,139	\$ 1,254,858
Gross amount of installment contracts accepted	290,981	202,965
Cash collections on installment contracts receivable	(127,973)	(139,104)
Charge offs (a)	(46,277)	(174,889)
Currency translation	(6,971)	(361)
Balance - end of period	<u>\$ 1,360,899</u>	<u>\$ 1,143,469</u>

(a) 1998 charge offs based on nine month recency method; 1997 based on one year recency method.

DEALER HOLDBACKS

The following table summarizes the composition of dealer holdbacks at the dates indicated:

(Dollars in thousands)	AS OF 12/31/97	AS OF 3/31/98

		(UNAUDITED)
Dealer holdbacks	\$ 1,002,033	\$ 912,981
Less: Advances (net of reserves of \$16,369 and \$21,262 at December 31, 1997 and March 31, 1998, respectively)	(564,968)	(551,721)
	-----	-----
Dealer holdbacks, net	\$ 437,065	\$ 361,260
	=====	=====

CREDIT POLICY AND EXPERIENCE

When an installment contract is acquired, the Company generally pays a cash advance to the dealer. These advance balances represent the Company's primary risk of loss related to the funding activity with the dealers.

The Company maintains a reserve against advances to dealers that are not expected to be recovered through collections on the related installment contract portfolio. For purposes of establishing the reserve, future collections are reduced to present-value in order to achieve a level yield over the remaining term of the advance equal to the expected yield at the origination of the impaired advance. During 1997, the Company implemented a new loan servicing system which allows the Company to better estimate future collections for each dealer pool using historical loss experience and a dealer by dealer static pool analysis. Future reserve requirements will depend in part on the magnitude of the variance between management's prediction of future collections and the actual collections that are realized. Ultimate losses may vary from current estimates and the amount of the provision, which is a current expense, may be either greater or less than actual charge offs. The Company charges off dealer advances against the reserve at such time and to the extent that the Company's static pool analysis determines that the advance is completely or partially impaired.

The Company also maintains an allowance for credit losses which, in the opinion of management, adequately reserves against expected future losses in the portfolio of receivables. The risk of loss to the Company related to the installment contracts receivable balances relates primarily to the earned but unpaid servicing fee or finance charge recognized on contractually delinquent accounts.

Servicing fees, which are booked as finance charges, are recognized under the interest method of accounting until the underlying obligation is 90 days past due on a recency basis. At such time, the Company suspends the accrual of revenue and makes a provision for credit losses equal to the earned but unpaid revenue. In all cases, contracts on which no material payment has been received for nine months are charged off against dealer holdbacks, unearned finance charges and the allowance for credit losses.

During the third quarter of 1997, the Company changed its non-accrual policy from 120 days on a contractual basis to 90 days on a recency basis and, during the fourth quarter of 1997, changed its charge off policy to nine months on a recency basis from one year. The Company believes these changes allow for earlier identification of under performing dealer pools.

The following tables set forth information relating to charge offs, the allowance for credit losses, the reserve on advances, and dealer holdbacks.

(Dollars in thousands)	THREE MONTHS ENDED	
	3/31/97	3/31/98

	(UNAUDITED)	
Provision for credit losses-installment contracts	\$ 2,553	\$ 1,030
Provision for credit losses-advances	4,500	4,766
Charged against dealer holdbacks (a)	36,986	139,869
Charged against unearned finance charges (a)	8,257	31,348
Charged against allowance for credit losses (a)	1,034	3,672
	-----	-----
Total contracts charged off (a)	\$ 46,277	\$174,889
	=====	=====
Net charge offs against the reserve on advances	\$ 327	--

(a) 1998 charge offs based on nine month recency method; 1997 based on one year recency method.

(Dollars in thousands)	THREE MONTHS ENDED	
	3/31/97	3/31/98

	(UNAUDITED)	
ALLOWANCE FOR CREDIT LOSSES		
Balance - beginning of period	\$ 12,194	\$ 13,119
Provision for loan losses	2,553	1,030
Charge offs	(1,034)	(3,672)
Currency translation	(48)	(4)
	-----	-----
Balance - end of period	\$ 13,665	\$ 10,473
	=====	=====

(Dollars in thousands)	THREE MONTHS ENDED	
	3/31/97	3/31/98
	(UNAUDITED)	
RESERVE ON ADVANCES		
Balance - beginning of period	\$ 8,754	\$ 16,369
Provision for advance losses	4,500	4,766
Advance reserve fees	1,330	152
Charge offs	(327)	--
Currency translation	(89)	(25)
	\$ 14,168	\$ 21,262
	\$ 14,168	\$ 21,262

(Dollars in thousands)	THREE MONTHS ENDED	
	3/31/97	3/31/98
	(UNAUDITED)	
Allowance for credit losses as a percent of gross		
installment contracts receivable	1.0%	0.9%
Reserve on advances as a percent of advances	2.5%	3.7%
Gross dealer holdbacks as a percent of gross		
installment contracts receivable	79.9%	79.8%

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal need for capital is to fund cash advances made to dealers in connection with the acceptance of installment contracts and for the payment of dealer holdbacks to dealers who have repaid their advance balances. These cash outflows to dealers decreased from \$155.6 million during the three months ended March 31, 1997 to \$95.3 million in 1998. These amounts have historically been funded from cash collections on installment contracts, cash provided by operating activities and draws under the Company's credit agreements. During the first three months of 1998, the Company paid down approximately \$40.6 million on its \$250 million credit agreement. The positive cash flow during the period is primarily a result of refunds received from the overpayment of 1997 U.S. federal income taxes and principal collections on installment contracts receivable exceeding cash advances to dealers and payments of dealer holdbacks. During the fourth quarter of 1997 and first quarter of 1998, the Company implemented more conservative advance programs and began to reduce business with marginally profitable and unprofitable dealers in order to improve the performance of its portfolio of installment contracts. These changes have resulted in reduced levels of originations and cash advances to dealers, a trend which is expected to continue in future periods. To the extent that such growth is reduced to lower levels, the Company could experience a proportionate decrease in its need for capital in future periods.

At March 31, 1998, the Company had a \$250 million credit agreement with a commercial bank syndicate. The agreement consisted of a \$150 million line of credit facility with a commitment period through May 15, 1998 and a \$100 million revolving credit facility with a commitment period through May 15, 2000. Both facilities were subject to annual extension for additional one year periods at the request of the Company with the consent of each of the banks in the facility. The borrowings under the credit agreement are unsecured with interest payable at the Eurocurrency rate plus a minimum of 61.25 basis points and a maximum of 140 basis points (currently 120 basis points) dependent on the Company's debt ratings, or at the prime rate. The Eurocurrency borrowings may be fixed for periods up to one year. The credit agreement has certain restrictive covenants, including limits on the ratio of debt to equity, debt to advances, debt to gross installment contracts receivable, advances to installment contracts receivable, and fixed charges to net income, limits on the Company's investment in its foreign subsidiaries and requirements that the Company maintain a specified minimum level of net worth. As of March 31, 1998, there was approximately \$169.7 million outstanding under these facilities.

On May 11, 1998, an amendment was made to the Company's credit agreement which extended the maturity date of its line of credit facility from May 15, 1998 to July 31, 1998. As part of the amendment, the maturity date of the Company's revolving credit facility was changed from May 15, 2000 to May 15, 1999. The amendment also reduced the amount of the line of credit facility from \$150 million to \$120 million and the revolving credit facility from \$100 million to \$80 million. Additionally, the amendment modified certain financial covenants governing both facilities, including the ratio of maximum total indebtedness to tangible net worth, the ratio of total debt to dealer advances and the minimum required level of tangible net worth. Other significant terms and conditions of both unsecured facilities, including interest rate, remain unchanged.

As the Company's \$120 million line of credit facility expires on July 31, 1998, the Company is required to refinance any amounts outstanding under this facility on or before such date. The Company continues to evaluate alternatives, including the securitization of assets and the issuance of senior notes, for refinancing amounts outstanding under the \$120 million credit facility and is continuing its efforts with a large commercial bank for financing of up to \$50 million in a securitization transaction involving the contribution of assets, including dealer advances and the related installment contracts receivable, by the Company to a special purpose subsidiary. The transaction may require the approval of holders of the Company's senior notes. If consummated the net proceeds of such transaction would be used to reduce amounts outstanding under the Company's credit facilities. The Company anticipates extending the existing credit facility with modified terms and reduced commitment amounts prior to July 31, 1998. Whether or not the securitization transaction is consummated, based upon anticipated cash flows, management believes that amounts available under its credit facilities and other available alternatives will provide sufficient financing for future operations.

If the Company experiences difficulties in obtaining additional or alternative financing, the Company may reduce its capital needs by reducing the volume of installment contract originations. The Company believes that it will be successful in refinancing any amounts outstanding under this credit agreement. Failure to complete such refinancing or to obtain alternative financing, however, may have a

material adverse effect on the Company's operations.

The Company also has a £2.0 million British pound sterling (\$3.3 million U.S. dollars) line of credit agreement with a commercial bank in the United Kingdom, which is used to fund the day to day cash flow requirements of the Company's United Kingdom subsidiary. The borrowings are secured by a letter of credit issued by the Company's principal commercial bank with interest payable at the United Kingdom bank's base rate (7.25% at March 31, 1998) plus 65 basis points or at the LIBOR rate plus 56.25 basis points. The rates may be fixed for periods up to six months. As of March 31, 1998, there was approximately £1.5 million British pounds (\$2.5 million U.S. dollars) outstanding under this facility, which becomes due on August 31, 1998.

When borrowing to fund the operations of its foreign subsidiaries, the Company's policy is to borrow funds denominated in the currency of the country in which the subsidiary operates, thus mitigating the Company's exposure to foreign exchange fluctuations.

The Company maintains a significant dealer holdback on installment contracts accepted which assists the Company in funding its long-term cash flow requirements. In future periods, the Company's short and long-term cash flow requirements will continue to be funded primarily through cash flow from the collection of installment contracts, cash provided by operating activities and the Company's credit facilities. The Company will continue to utilize various sources of financing available from time to time to fund the operations of the Company. Should such financing become limited, the Company's ability to maintain or increase loan originations will be funded through earnings from operations and cash flow from the collection of installment contracts.

YEAR 2000

The Company employs three major computer systems in its U.S. operations: (i) the Application and Contract System ("ACS") which is used from the time a dealer faxes an application to the Company until the contract is received and funded, (ii) the Loan Servicing System ("LSS") which contains all loan and payment information and is the primary source for management information reporting, and (iii) the Collection System ("CS") which is used by the Company's collections personnel to track and service all active customer accounts. The ACS and LSS systems went into production in 1997 and were developed by the Company in Oracle 7.3 and Oracle Forms 4.5 which are year 2000 compliant. The CS system is a third party software package. The vendor has indicated that it has a version of the software that is year 2000 compliant, which the Company plans to upgrade to. The Company utilizes certain other software that will be affected by the year 2000 date change. The Company expects that all other software installations or other modifications to its computer systems will be completed by the year 2000. Anticipated spending for modifications will be expensed as incurred, while the cost for new software will be capitalized and amortized over the software's useful life. At this time, the Company does not expect that the cost of these modifications or software will have a material effect on its financial position, liquidity, or results of operations.

FORWARD LOOKING STATEMENTS

The foregoing discussion and analysis contains a number of forward looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, both as amended, with respect to expectations for future periods which are subject to various uncertainties, including competition from traditional financing sources and from non-traditional lenders, availability of funding at competitive rates of interest, adverse changes in applicable laws and regulations, adverse changes in economic conditions, adverse changes in the automobile or finance industries or in the non-prime consumer finance market, the Company's ability to increase or maintain the volume of installment contracts accepted and historical collection rates and the Company's ability to complete various financing alternatives.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

PART II.--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 1997, the Company and certain officers and directors of the Company have been named as defendants in a number of putative class action complaints filed in the United States District Court for the Eastern District of Michigan seeking money damages for alleged violations of the federal securities laws. Since the filing of the Form 10-K, two additional complaints have been filed in that court. The additional complaints contain allegations substantially the same as those disclosed in the Form 10-K. The Company intends to vigorously defend these actions.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See Index of Exhibits following the signature page.

(b) Reports on Form 8-K

The Company was not required to file a current report on Form 8-K during the quarter ended March 31, 1998 and none were filed during that period. A Form 8-K was filed on April 23, 1998 disclosing certain information under Item 4 "Changes in Registrant's Certifying Accountant". No financial statements were filed therewith.

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.

(REGISTRANT)	CREDIT ACCEPTANCE CORPORATION
BY (SIGNATURE)	/s/ BRETT A. ROBERTS
-----	-----
(NAME)	BRETT A. ROBERTS
(TITLE)	Executive Vice President and Chief Financial Officer
(DATE)	May 13, 1998 (Duly Authorized Officer and Principal Financial Officer)
BY (SIGNATURE)	/s/ JOHN P. CAVANAUGH
-----	-----
(NAME)	JOHN P. CAVANAUGH
(TITLE)	Corporate Controller and Assistant Secretary
(DATE)	May 13, 1998 (Principal Accounting Officer)

INDEX OF EXHIBITS

EXHIBIT	DESCRIPTION
-----	-----
4(c)(3)	Third Amendment dated May 11, 1998 to Second Amended and Restated Credit Agreement dated as of December 4, 1996
11	Statement of Computation of Net Income Per Common Share
27	Financial Data Schedule

THIRD AMENDMENT TO CREDIT AGREEMENT

This Third Amendment to Credit Agreement ("Third Amendment") is made as of this 11th day of May, 1998 by and among Credit Acceptance Corporation, a Michigan corporation ("Company"), the Permitted Borrowers signatory hereto (each, a "Permitted Borrower" and collectively, the "Permitted Borrowers"), Comerica Bank and the other banks signatory hereto (individually, a "Bank" and collectively, the "Banks") and Comerica Bank, as agent for the Banks (in such capacity, "Agent").

RECITALS

A. Company, Permitted Borrowers, Agent and the Banks entered into that certain Second Amended and Restated Credit Agreement dated as of December 4, 1996, as amended by that First Amendment and Consent dated as of June 4, 1997 and that Second Amendment dated as of December 12, 1997 (the "Credit Agreement") under which the Banks renewed and extended (or committed to extend) credit to the Company and the Permitted Borrowers, as set forth therein.

B. The Company and the Permitted Borrowers have requested that Agent and the Banks agree to make certain amendments to the Credit Agreement and to extend the Line of Credit Maturity Date presently in effect, and Agent and the Banks are willing to do so, but only on the terms and conditions set forth in this Third Amendment.

NOW, THEREFORE, Company, Permitted Borrowers, Agent and the Banks agree:

1. Section 1 of the Credit Agreement is hereby amended, as follows:

- (a) The definition of "Advances to Dealers" is amended and restated in its entirety, as follows:

"Advances to Dealers" shall mean, as of any applicable date of determination, the dollar amount of advances, as such amount would appear in the footnotes to the financial statements of the Company and its Subsidiaries prepared in accordance with GAAP (and if such amount is not shown net of such reserves, then net of any reserves established by the Company as an allowance for credit losses related to such advances not expected to be recovered), provided that Advances to Dealers shall not include (a) any such advances (and the related Installment Contracts) transferred or encumbered pursuant to a Permitted Securitization, (b) Excess New Dealer Advances or (c) Charged-Off Advances, to the extent that such Charged-Off Advances exceed the portion of the Company's allowance for credit losses related to reserves against advances not expected to be recovered, as such allowance would appear in the footnotes to the financial statements of the Company and its Subsidiaries prepared in accordance with GAAP at such time. For purposes of this definition, (i) "Charged-Off Advances" shall mean those Advances to Dealers which the Company or any of its Subsidiaries has determined, based on the application of a static pool analysis or otherwise, are completely or partially impaired, to the extent of such impairment, (ii) "Excess New Dealer Advances" shall mean, at any time, the aggregate amount of advances to New Dealers to the extent such amount exceeds 10% of Gross Advances to Dealers; and

(iii) "'New Dealer' shall mean, at any time, a Dealer who participates in the Company's program of financing and collecting installment contract receivables, whose oldest pool of Installment Contracts held by the Company is dated as of a date which is not more than six months prior to such time and who has an advance balance in excess of Ten Thousand Dollars (\$10,000) at such time."

- (b) The definition of "Aggregate Commitment" is added, as follows:

"'Aggregate Commitment' shall mean the Line of Credit Maximum Amount and the Revolving Credit Maximum Amount, as in effect from time to time."

- (c) The definition of "Cleanup Call(s)" is added, as follows:

"'Cleanup Call(s)' shall mean (a) in the case of an optional cleanup call, a cleanup call to be exercised at the option of the Company or a Special Purpose Subsidiary under the terms of the applicable Permitted Securitization, in an amount not in excess of Five Percent (5%) of the initial proceeds received by the Company from the applicable Permitted Securitization, and (b) in the case of a mandatory cleanup call, a mandatory cleanup call to be exercised at the option of the investors under the terms of the applicable Permitted Securitization, in an amount not in excess of Two and One-Half Percent (2 1/2%) of the initial proceeds received by the Company from the applicable Permitted Securitization, in either case, such Cleanup Call to be exercisable only at such time as (both before and after giving effect thereto) no Default or Event of Default has occurred and is continuing hereunder and being accompanied by the repurchase of or release of encumbrances on Advances to Dealers previously transferred or encumbered pursuant to such Permitted Securitization in the amount of such cleanup call."

- (d) The definition of "Consolidated Income Available for Fixed Charges" is amended to add, in the third line thereof (following the word "amortization") the parenthetical phrase "(including the amortization of any excess servicing asset)."
- (e) The definition of "Consolidated Net Income" is amended to add the following words to the end of subparagraph (c) thereof:

"(including, without limitation, any gain on sale generated by a Permitted Securitization except to the extent the Company has received a cash benefit therefrom in the applicable reporting period); and any interest income generated by a Permitted Securitization, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period".

- (f) The definition of "Consolidated Tangible Net Worth" is amended to add the following clause at the end of such definition, following the word "GAAP":

"(but excluding from the determination thereof, without duplication, any capitalized gain on sales of Advances to Dealers pursuant to a Permitted Securitization, the equity interest in any Special Purpose Subsidiary, any interest income generated by a Permitted Securitization and any excess servicing asset except to the extent the Company has

received a cash benefit therefrom in the applicable reporting period)".

- (g) The definition of "Consolidated Total Assets" is amended to add the following clause at the end of such definition, following the word "GAAP":

"(but excluding from the determination thereof, without duplication, any capitalized gain on sales of Advances to Dealers pursuant to a Permitted Securitization, the equity interest in any Special Purpose Subsidiary, any interest income generated by a Permitted Securitization and any excess servicing asset, except to the extent the Company has received a cash benefit therefrom in the applicable reporting period)".

- (h) The definition of "Eurocurrency-Interest Period" is amended and restated in its entirety as follows:

"'Eurocurrency-Interest Period' shall mean, (a) for Swing Line Advances, an Interest Period of one month (or any lesser number of days agreed to in advance by Company or a Permitted Borrower, Agent and the Swing Line Bank) and (b) for all other Eurocurrency-based Advances, an Interest Period of seven days or one, two, three or six months and, in addition, in the case of Advances of the Revolving Credit only, twelve months (or any other number of days or months agreed to in advance by Agent and the Banks) as selected by Company or such Permitted Borrower, as applicable, for a Eurocurrency-based Advance pursuant to Section 2.3, 3.3, or 3.5 hereof, as the case may be."

- (i) The definition of "Funding Conditions" is amended by amending and restating in its entirety subparagraph (d) thereof as follows:

"(d) concurrently with the incurring of such additional Debt, the Company shall be obligated (i) to permanently reduce the Aggregate Commitment then in effect by an amount not less than Eighty Percent (80%) of the proceeds of such Debt, net of reasonable and customary third party expenses incurred by the Company in connection with the issuance of such Debt, reducing the Line of Credit Maximum Amount and the Revolving Credit Maximum Amount on a pro rata basis to the extent both such facilities are in effect, each such reduction in the Aggregate Commitment to be accompanied by the prepayments of principal and other sums required under Section 2.14 or 3.15, as the case may be (using the proceeds of such additional Debt to make such prepayments), and otherwise in compliance with this Agreement and (ii) to apply the remaining proceeds of such additional Debt (net of expenses, as aforesaid) to the principal balance outstanding under the Line of Credit and the Revolving Credit (to the extent then outstanding, after giving effect to the mandatory prepayments required under clause (i) of this subparagraph), subject to the right to reborrow in accordance with the terms hereof, after taking into account the mandatory reductions of the Aggregate Commitment under clause (i) of this subparagraph."

- (j) The definition of "Future Debt" is amended to add, after the reference to Three Hundred Million Dollars (\$300,000,000) in the

preamble thereof, the words "less the aggregate amount received by the Company or its Subsidiaries from dispositions of Advances to Dealers made pursuant to Permitted Securitizations" and to add, after the phrase "except for acceleration on default" at the end of paragraphs (x) and (y) thereof the words "or following a change in control".

- (k) The definition of "Installment Contract(s)" is amended and restated in its entirety, as follows:
- "'Installment Contract(s)' shall mean retail installment contracts for the sale of used motor vehicles assigned by Dealers to Company or a Subsidiary of Company, as nominee for the Dealer, for administration, servicing, and collection pursuant to an applicable Dealer Agreement; provided, however, that to the extent the Company or any Subsidiary transfers or encumbers its interest in any Installment Contracts (or any Advances to Dealers related thereto) pursuant to a Permitted Securitization, such Installment Contracts shall, from and after the date of such transfer or encumbrance, cease to be considered Installment Contracts under this Agreement unless and until such installment contracts are reassigned to the Company or a Subsidiary of the Company or such encumbrances are discharged."
- (l) The definition of "Line of Credit Maturity Date" is amended to extend the maturity date of the Line of Credit from the date presently in effect (May 15, 1998) to July 31, 1998.
- (m) The definition of "Line of Credit Maximum Amount" is amended and restated in its entirety to read as follows:
- "'Line of Credit Maximum Amount' shall mean One Hundred Twenty Million (\$120,000,000), less any reductions in the Line of Credit Maximum Amount under Section 2.14 of this Agreement."
- (n) The definition of "Permitted Acquisition" is amended to add (in the second line thereof following the word "Subsidiaries") the words "(other than any Special Purpose Subsidiary)".
- (o) The definition of "Permitted Guaranties" is amended to add, at the end of such definition (following the word "hereof") the words:
- "or any agreement or other undertaking by the Company, as servicer of the Installment Contracts covered by a Permitted Securitization, to advance funds in an aggregate amount at any time outstanding not to exceed \$750,000 to cover the interest component of obligations issued as part of such securitization and payable from collections on such Installment Contracts (such advances to be repayable to Company on a priority basis from such collections)."
- (p) The definition of "Permitted Merger(s)" is amended to add, in the second line thereof (following the word "Guarantor"), the words ", excluding any Special Purpose Subsidiary," and to add in the fifth line thereof (following the word "Subsidiary"), the parenthetical phrase "(excluding any Special Purpose Subsidiary)".

- (q) The definition of "Permitted Securitization(s)" is added, as follows:

"'Permitted Securitization(s)' shall mean each transfer or encumbrance (each a "disposition") of specific Advances to Dealers (and any interest in or lien on the Installment Contracts or other rights relating thereto) by the Company or its Subsidiaries to a Special Purpose Subsidiary conducted in accordance with the following requirements:

- (a) Each disposition shall identify with reasonable certainty the specific Advances to Dealers covered by such disposition; and the Advances to Dealers (and the Installment Contracts or other rights relating thereto) shall have performance and other characteristics so that the quality of such Advances to Dealers and related Installment Contracts is comparable to, but not materially better than, the overall quality of the Company's Advances to Dealers (and related Installment Contracts) as a whole, as determined in good faith by the Company in its reasonable discretion;
- (b) The aggregate amount of all such dispositions of Advances to Dealers conducted from and after the date hereof (net of any replacements or repurchases made in accordance with Section 8.8(i)(y) hereof), shall not exceed One Hundred Forty Seven Million Dollars (\$147,000,000), less One Hundred and Seventeen Percent (117%) of the principal amount of Future Debt incurred from and after the effective date of the Third Amendment pursuant to a Permitted Securitization, and the Company shall receive from each such disposition an amount not less than eighty-five percent (85%) of the value of the Advances to Dealers covered thereby;
- (c) Each such disposition shall be without recourse (except to the extent of normal and customary representations and warranties given as of the date of each such disposition, and not as continuing representations and warranties) and otherwise on normal and customary terms and conditions for comparable asset-based securitization transactions, including, any Cleanup Call provision;
- (d) Concurrently with each such disposition, the Company shall permanently reduce the Aggregate Commitment then in effect by an amount not less than Eighty Percent (80%) of the proceeds of each such disposition (net of reasonable and customary third party expenses incurred by the Company in connection therewith), reducing the Line of Credit Maximum Amount and the Revolving Credit Maximum Amount on a pro rata basis (based on the Aggregate Commitment then in effect) to the extent both such facilities are in effect, each such reduction in the Aggregate Commitment to be accompanied by the prepayments of principal and other sums required under Section 2.14 or 3.15, as the case may be, and otherwise in compliance with this Agreement;
- (e) Before conducting a Permitted Securitization, Agent shall have received, to the extent the applicable Senior Debt Documents require amendment or consent in order to effect such Permitted Securitization, copies of amendments to or consents under the Senior Debt Documents executed and

delivered by the Company and the requisite holders of the Senior Debt reflecting such amendments or consents; and

- (f) Both immediately before and after such disposition, no Default or Event of Default (whether or not related to such disposition) has occurred and is continuing.

In connection with each Permitted Securitization conducted hereunder, not less than ten (10) Business Days prior to the date of consummation thereof, the Company shall provide to the Agent and each of the Banks (i) a schedule in the form attached hereto as Exhibit K identifying the specific Advances to Dealers (and providing collection information regarding the related Installment Contracts) proposed to be covered by such transaction (with evidence supporting its determination under subparagraph (a) of this definition) and (ii) proposed drafts of the material Securitization Documents covering the applicable securitization (and the term sheet or commitment relating thereto) and within five (5) Business Days following the consummation thereof, the Company shall have provided to Agent and each Bank copies of the material Securitization Documents, as executed, including an updated schedule, substantially in the form of the schedule delivered under clause (i), above, identifying the Advances to Dealers actually covered by such transaction.

- (r) The definition of "Revolving Credit Maximum Amount" is amended and restated in its entirety to read as follows:

"'Revolving Credit Maximum Amount' shall mean Eighty Million Dollars (\$80,000,000), less any reductions in the Revolving Credit Maximum Amount under Section 3.15 of this agreement."

- (s) The definition of "Revolving Credit Maturity Date" is amended by deleting the date "May 15, 2000" (after giving effect to the Request for Extension dated May 20, 1997) in the first line thereof and substituting therefor the date "May 15, 1999";

- (t) The definition of "Securitization Documents" is added, as follows:

"'Securitization Document(s)' shall mean any note purchase agreement (and any notes issued thereunder), transfer or security documents, master trust or other trust agreements, servicing agreement or other documents, instruments and certificates executed and delivered, subject to the terms of this Agreement, to evidence or secure (or otherwise relating to) a Permitted Securitization, as the same may be amended from time to time (subject to the terms hereof) and any and all other documents executed in connection therefor or replacement or renewal thereof."

- (u) The definition of "Significant Subsidiary(ies)" is amended to add in the first line thereof (following the word "Subsidiary"), the words "other than any Special Purpose Subsidiary" and to add, at the end of the first parenthetical phrase contained in such definition (following the words "from time to time") the words "and any assets which are acquired or arise pursuant to a Permitted Securitization, including any equity interest in a Special Purpose Subsidiary)."

- (v) The definition of "Special Purpose Subsidiary" is added, as follows:

"'Special Purpose Subsidiary' shall mean any wholly-owned direct or indirect subsidiary of the Company established for the sole purpose of conducting one or more Permitted Securitizations and otherwise established and operated in accordance with customary industry practices.

- (w) The definition "Third Amendment" is added, as follows:

"'Third Amendment' shall mean the Third Amendment to Credit Agreement dated as of May 11, 1998 executed and delivered by and among the Company, the Permitted Borrowers signatory thereto, the Banks and Agent."

2. Sections 2.14 and 3.15 are amended (a) by adding in the third line thereof, following the words "prior written notice to the Agent", the words "and, regardless of whether a Default or Event of Default has occurred and is continuing, shall to the extent required under the definitions of "Funding Conditions" and "Permitted Securitization"," and (b) by adding in clause (iv) thereof, following the words "termination or reduction" the parenthetical phrase "(except for terminations or reductions required under the definitions of "Funding Conditions" and "Permitted Securitization", which shall be subject to the assessment of breakage charges hereunder)."
3. Sections 2.15 and 3.16 of the Credit Agreement are deleted in their entirety and replaced with the word "[Reserved]."
4. Section 7 of the Credit Agreement is amended, as follows:
- (a) The preamble to Section 7 is amended to add, following the word "Subsidiaries" (in the second line thereof), the parenthetical phrase "(but excluding, for purposes of Sections 7.3 through 7.10, 7.19, 7.20 and 7.22 hereof, any Special Purpose Subsidiary)".
- (b) Section 7.3(c)(iii) is amended and restated in its entirety, as follows:
- "(iii) a "static pool analysis" substantially in the form of Exhibit L attached hereto and in any event satisfactory in form and substance to the Majority Banks, which analyzes the performance of Company's and each Permitted Borrower's Installment Contracts on a quarterly basis, certified by an authorized officer of the Company as to consistency with prior such analyses, accuracy and fairness of presentation and a comparable "static pool analysis" which analyzes the performance of any installment contracts related to any Advances to Dealers transferred or encumbered pursuant to a Permitted Securitization;"
- (c) Section 7.3(f) is amended to replace the phrase "within five (5) Business Days from each incurrence thereof" (in the third line thereof following the words "Subsidiaries; and") with the phrase "concurrently with each incurrence thereof".
- (d) Section 7.3(h) is amended to add, at the end of said Section (following the word "projections"), the words: "and which shall

reflect any Future Debt or Permitted Securitizations contemplated to be incurred or made".

- (e) Section 7.4 is amended and restated in its entirety as follows:

"7.4 Maintain Total Debt Level. On a Consolidated basis, maintain as of the end of each fiscal quarter, Consolidated Total Debt at a level equal to or less than each of the following tests:

- (a) Two Hundred Percent (200%) of Company's Consolidated Tangible Net Worth from the effective date of the Third Amendment until such time (but in no event prior to December 31, 1998) as the Company has maintained a Fixed Charge Coverage Ratio, pursuant to Section 7.9 hereof, of not less than 2.00 to 1.00 for two consecutive fiscal quarters, then Two Hundred Seventy-Five Percent (275%) of Company's Consolidated Tangible Net Worth; provided however that for the purposes of this test, Consolidated Total Debt shall be calculated by including all Debt incurred by a Special Purpose Subsidiary, whether or not included therein under GAAP;
- (b) Eighty Five Percent (85%) of Advances to Dealers; and
- (c) Sixty Percent (60%) of Gross Current Installment Contract Receivables."

- (f) Section 7.5 is amended and restated in its entirety, as follows:

"7.5 Maintain Senior Funded Debt Level. On a Consolidated basis, maintain as of the end of each fiscal quarter Consolidated Senior Funded Debt in an amount not in excess of Net Installment Contract Receivables less Net Dealer Holdbacks, divided by 1.10."

- (g) Section 7.7 is amended to change the reference to "One Hundred Fifty Million Dollars (\$150,000,000)" in the second line thereof to "Two Hundred Million Dollars (\$200,000,000)" and to change the reference to "January 1, 1996" to "January 1, 1998".

5. Section 8 of the Credit Agreement is hereby amended, as follows:

- (a) The preamble to Section 8 is amended to add, following the word "Subsidiaries" (in the fifth line thereof), the parenthetical phrase "(but excluding, for purposes of Sections 8.10, 8.13, 8.14 hereof, any Special Purpose Subsidiary)".
- (b) Section 8.1 is amended to add a new clause (iii) immediately prior to the words ", shall not constitute" as follows:
- "or (iii) securities issued by a Special Purpose Subsidiary pursuant to a Permitted Securitization,"
- (c) Section 8.3 is amended to add, at the end of said section, the words "and Permitted Securitization(s)."
- (d) Section 8.5 is amended to delete the word "and" at the end of subparagraph (d) thereof, to redesignate subparagraph (e) as subparagraph (f) and to add new subparagraph (e), as follows:
- "(e) non-recourse Debt incurred by a Special Purpose Subsidiary pursuant to a Permitted Securitization; and".

- (e) Subparagraph (c) of Section 8.6 is amended to add, at the end of said subparagraph (after the word "Liens," but prior to the semicolon) the words "and any Lien encumbering property interests, rights or proceeds which are the subject of a transfer or encumbrance pursuant to a Permitted Securitization".
- (f) Section 8.7 is amended to add immediately following the words "any Permitted Acquisition" in the first line thereof, the words "or any acquisition of any rights or property pursuant to a Permitted Securitization".
- (g) Section 8.8 is amended to delete the word "and" at the end of subparagraph (h) thereof, to redesignate subparagraph (i) thereof as subparagraph (j) and to add a new subparagraph (i), as follows:
- (i) "Investments in any Subsidiary (including, without limitation, any Special Purpose Subsidiary) from and after the date hereof, consisting of (w) dispositions of specific Advances to Dealers (and its interest in the Installment Contracts relating thereto) made pursuant to a Permitted Securitization and any resultant Debt issued by a Special Purpose Subsidiary to another Subsidiary as part of a Permitted Securitization, in each case to the extent constituting Investments hereunder; (x) advances by Company (as servicer) which are permitted under the definition of Permitted Guaranties; (y) the repurchase or replacement from and after the date hereof of an aggregate amount not to exceed \$2,000,000 in Advances to Dealers (and the Installment Contracts or other rights relating thereto) subsequently determined not to satisfy the eligibility standards contained in the applicable Securitization Documents relating to a Permitted Securitization, so long as (i) such replacement is accompanied by the repurchase of or release of encumbrances on Advances to Dealers previously transferred or encumbered pursuant to such securitization and in the amount thereof, (ii) any replacement Advances to Dealers (and the related Installment Contracts) are selected by Company according to the requirements set forth in clause (a) of the definition of Permitted Securitization and (iii) such replacements are made at a time when (both before and after giving effect thereto) no Default or Event of Default has occurred and is continuing; and (z) amounts required to fund any Cleanup Call under the terms of such Permitted Securitization, exercised at a time when (both before and after giving effect thereto) no Default or Event of Default has occurred and is continuing; and"
- (h) Section 8.9 is amended to add, in the first line thereof (following the word "Banks"), the phrase "or pursuant to a Permitted Securitization".
- (i) Section 8.11 is amended to add, at the end of the parenthetical phrase in the ninth line thereof (following the word "Debt"), the words:
- "and other than pursuant to any of the Securitization Documents, but only to the extent of the Advances to Dealers, and the other rights and property transferred or encumbered in connection with the Permitted Securitization covered by such Securitization Documents)".

- (j) Section 8.12 is amended by adding at the end of such subsection immediately before the "." the words "or, with respect only to Permitted Securitizations, any payment pursuant to a Cleanup Call."
- (k) Section 8.15 is amended to add, in clause (i) thereof (following the word "Subsidiary") the words "(other than any Special Purpose Subsidiary)".
- (l) New Section 8.16 is added, as follows:

"8.16 Amendment of Securitization Documents.

Once executed and delivered pursuant to a Permitted Securitization, amend, modify or otherwise alter any of the material terms and conditions of any Securitization Documents or waive (or permit to be waived) any such provision thereof in any material respect, without the prior written approval of Agent and the Majority Banks. For purposes of such documents and instruments, "material" and "materially" shall be deemed to relate solely to recourse, Cleanup Calls or any change in or waiver of conditions contained therein which are required under or necessary for compliance with this Agreement."

- 6. Section 9.1(f) is amended to add, at the end of such section (following the word "obligation"), the words "or, with respect to the Securitization Documents, (i) the occurrence (beyond any applicable period of grace or cure) of any "servicer event of default" thereunder or (ii) the occurrence of any other default (beyond any applicable period of grace or cure) by Company or any of its Subsidiaries, including any Special Purpose Subsidiary, under the Securitization Documents, which can be reasonably expected to result in recourse liability against the Company or any of its Subsidiaries (other than a Special Purpose Subsidiary) in an aggregate amount exceeding \$2,000,000.
- 7. Section 13.8(c) is amended to delete from the first sentence thereof, the entire second proviso beginning with the words "and provided further that" and ending with the words "original interest therein" and replacing the semicolon after the words "Federal Reserve Bank" with a period.
- 8. This Third Amendment shall become effective (according to the terms and as of the date hereof) upon satisfaction by the Company and the Permitted Borrowers, on or before May 14, 1998, of the following conditions:
 - (a) Agent shall have received counterpart originals of this Third Amendment, in each case duly executed and delivered by Company, the Permitted Borrowers and the requisite Banks, in form satisfactory to Agent and the Banks; and
 - (b) Agent shall have received from the Company and each of the Permitted Borrowers a certification (i) that all necessary actions have been taken by such parties to authorize execution and delivery of this Third Amendment, supported by such resolutions or other evidence of corporate authority or action as reasonably required by Agent and the Majority Banks and that no consents or other authorizations of any third parties are required in connection therewith; and (ii) that, after giving effect to this Third Amendment, no Default or Event of Default has occurred and is continuing on the proposed effective date of the Third Amendment.

If the foregoing conditions have not been satisfied or waived on or before May 14, 1998, this Third Amendment shall lapse and be of no further force and effect. Furthermore, within five (5) Business Days from the effective date of this Third Amendment, as aforesaid, Company shall pay to the Agent, for distribution to each of the Banks, an amendment fee in the amount of ten basis points on each such Bank's Percentage of the Aggregate Commitment, as applicable, in effect as of the date of this Third Amendment (after giving effect thereto) and failure to comply with this provision shall be an Event of Default under the Credit Agreement.

9. New Exhibits K (Advances to Dealers/Permitted Securitization) and L (Form of Static Pool Analysis) attached hereto as Attachment 1 and 2, respectively, are added to the Credit Agreement; and new Schedule 6.15 (Litigation) attached hereto as Attachment 3 shall replace existing Schedule 6.15 in its entirety.
10. Each of the Company and the Permitted Borrowers ratifies and confirms, as of the date hereof and after giving effect to the amendments contained herein, each of the representations and warranties set forth in Sections 6.1 through 6.22, inclusive, of the Credit Agreement and acknowledges that such representations and warranties are and shall remain continuing representations and warranties during the entire life of the Credit Agreement.
11. Except as specifically set forth above, this Third Amendment shall not be deemed to amend or alter in any respect the terms and conditions of the Credit Agreement, any of the Notes issued thereunder or any of the other Loan Documents, or to constitute a waiver by the Banks or Agent of any right or remedy under or a consent to any transaction not meeting the terms and conditions of the Credit Agreement, any of the Notes issued thereunder or any of the other Loan Documents.
12. Unless otherwise defined to the contrary herein, all capitalized terms used in this Third Amendment shall have the meaning set forth in the Credit Agreement.
13. This Third Amendment may be executed in counterpart in accordance with Section 13.10 of the Credit Agreement.
14. This Third Amendment shall be construed in accordance with and governed by the laws of the State of Michigan.

[signatures follow on succeeding pages]

WITNESS the due execution hereof as of the day and year first above written.

COMERICA BANK,
as Agent

CREDIT ACCEPTANCE CORPORATION

By: Jaitinder Kalia

By: Brett A. Roberts

Its: Corporate Finance Officer

Its: Chief Financial Officer

One Detroit Center
500 Woodward Avenue
Detroit, Michigan 48226
Attention: Michael P. Stapleton

CREDIT ACCEPTANCE CORPORATION
UK LIMITED

By: Brett A. Roberts

Its: Secretary

CAC OF CANADA LIMITED

By: Brett A. Roberts

Its: Chief Financial Officer

CREDIT ACCEPTANCE CORPORATION IRELAND LIMITED

By: Brett A. Roberts

Its: Secretary

COMERICA BANK

By: Timothy P. Ashley

Its: 1st Vice President

LASALLE NATIONAL BANK

By: Ben Schreiner

Its: Loan Officer

THE FIRST NATIONAL BANK OF
CHICAGO

By: Toral G. Stack

Its: Vice President

THE SUMITOMO BANK, LIMITED,
CHICAGO BRANCH

By: Herb Redding

Its: V.P. & Mgr.

and

By: Stan Marciniak

Its: V.P. & Mgr.

HARRIS TRUST AND SAVINGS BANK

By: Michael Cameli

Its: V.P.

THE BANK OF NEW YORK

By: William Barnum

Its: Vice President

THE FIFTH THIRD BANK OF NORTHWESTERN
OHIO, N.A.

By: Brent J. Lochbihler

Its: Vice President

U.S. BANK NATIONAL ASSOCIATION, as
successor by merger to United
States National Bank of Oregon

By: Joseph Andersen

Its: Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD.
(CHICAGO BRANCH)

By: Hajime Watanabe

Its: Deputy General Mgr.

BANQUE PARIBAS

By: Ann B. McAloon

Its: Vice President

and

By: Karen E. Coons

Its: Vice President

CREDIT LYONNAIS
NEW YORK BRANCH

By: W. Jay Buckley

Its: Vice President

FIRST UNION NATIONAL BANK

By: Jane W. Workman

Its: Senior Vice President

FIRSTAR BANK MILWAUKEE, N.A.

By: Dale Guenther

Its: Vice President

NATIONSBANK, N.A.

By: Elizabeth Kurilecz

Its: Senior Vice President

THE BANK OF NOVA SCOTIA

By: M.D. Smith

Its: Agent Operations

CIBC INC.

By: Gerald Girarti

Its: Executive Director

CREDIT ACCEPTANCE CORPORATION
 STATEMENT OF COMPUTATION OF NET INCOME
 PER COMMON SHARE
 (UNAUDITED)

(Dollars in thousands, except per share data)	THREE MONTHS ENDED	
	3/31/97	3/31/98
ACTUAL		
Net income	\$ 12,038	\$ 6,887
Weighted average number of common shares outstanding during the period	46,076,448	46,113,115
Common stock equivalents	826,044	836,558
Weighted average number of common shares and common stock equivalents	46,902,492	46,949,673
Net earnings per share:		
Basic	\$.26	\$.15
Diluted	\$.26	\$.15

3-MOS			
	DEC-31-1998		
	JAN-01-1998		
	MAR-31-1998		
		11,989	
		10,266	
		957,979	
		10,473	
		0	
		0	
		27,494	
		7006	
	1,018,039		
	0		
		178,891	
	0		
		0	
		461	
		255,309	
1,018,039			0
	39,310		0
		14,609	
		1,035	
		5,796	
		7,346	
		10,524	
		3,637	
	6,887		
		0	
		0	
		0	
		6,887	
		.15	
		.15	