



“In 2002, we proudly celebrated **30th** our anniversary.”

In 1972, Credit Acceptance began operations with a single employee working out of a small office. While I knew the market was large, my goals were simple - sell more cars and stay in business.

Over the past 30 years, Credit Acceptance has greatly surpassed my expectations. Not only have we survived the last 30 years, we have prospered as well. We finished last year with \$842 million in assets and recorded after-tax profits of just over \$29 million. We have accomplished all this in an industry where the success rate of companies is very low. Even though the market we serve has grown dramatically and the assets we finance, used cars, have a much longer life span, still, over the past 30 years no other finance company has emerged with a successful program for serving our market segment.



We believe our success is due to our focus on changing the lives of our customers by helping them not only finance the automobiles they drive,

but helping them improve their credit rating. If we succeed in improving the credit rating of our customers, we can significantly impact the quality of their lives by dramatically reducing the financing costs of anything they buy in the future. We accomplish this not only through the dedicated efforts of our employees, but in partnership with our dealers. It's a team effort to help our dealers develop long-term relationships with each customer.

I am proud of our Company and our accomplishments, and I believe we have never been in a better position. We have never been more focused. We have never had greater clarity with regard to our goals and priorities, our internal controls have never been stronger, and our potential never greater.

A handwritten signature in blue ink that reads "Donald A. Foss".

Donald A. Foss
Chairman and Founder

we change lives!®

Dear Shareholders,

The following summarizes our financial results for each of the last four years:

(Dollars in thousands, except per share data)

	1999	2000	2001	2002
Net income (loss)	\$ (10,686)	\$ 23,650	\$ 29,203	\$ 29,701
Imputed cost of equity at 10%	29,279	28,210	30,575	34,088
Economic loss	(39,965)	(4,560)	(1,372)	(4,387)
Economic loss per share ⁽¹⁾	\$ (0.78)	\$ (0.09)	\$ (0.03)	\$ (0.09)

⁽¹⁾Includes average options outstanding during the year.

After significant improvement in 2000 and 2001, the progress in our reported financial results stalled in 2002. There were two primary reasons for this result: (1) higher provisions for advance losses and (2) increased spending on infrastructure. There were a number of additional non-recurring items (tax related items, fixed asset write-offs) that effectively offset each other and had minimal effect on our 2002 results.

The \$7.4 million increase in the provision for advance losses (\$4.8 million after-tax) is primarily the result of an adverse change in collection trends that occurred in North America during the second half of 2002. We attribute the decline in collection results to inefficiencies caused by the installation of a new collection system in June. It is likely that had the new system not been installed, the additional provisions would not have been required. We expect to realize significant benefits from the new system with time.

In 2002, we spent roughly \$5.0 million more (pre-tax) than in 2001 on support infrastructure. Support infrastructure includes information systems, corporate finance, human resources, Six Sigma, corporate legal, internal audit and risk. While increased spending in these areas negatively impacted shareholders in 2002, we believe these

investments will benefit shareholders long-term. We expect to grow our business significantly over the next decade, have learned from our history that growth creates risk, and believe our investments in infrastructure increase the probability that we grow profitably. While we expect to continue to invest in support infrastructure, we expect the rate of growth of these investments to be no greater than the rate of growth in our assets for the foreseeable future.

Economic Profit

We began using Economic Profit to measure our financial results in 2000. Over the past three years, it has provided clarity and consistency to our operating decisions. During this time, Economic Profit has improved considerably. Significant progress was made in 2000 as we picked low-hanging fruit by liquidating low-return assets. In 2001, we started the more difficult process of simultaneously increasing the amount of capital invested in our business and improving our returns on capital. However, late in 2001, concerns about the economic environment and access to capital caused us to slow asset growth, and again we emphasized improving the return on capital over expanding our business. As a result, during 2002 we eliminated dealer-partner relationships that did not meet our return objectives and adjusted advance programs to generate more volume from



the most profitable segments of our business and to reduce volume from the least profitable segments. These efforts were successful in increasing our return expectation on new originations. Over the long-term, we expect to be able to grow and gradually improve our reported return on capital as newer, more profitable business replaces older business on our balance sheet and as we realize the benefits of infrastructure investments and economies of scale. Measuring Economic Profit will ensure we continue to appropriately focus on the profitability of each investment we make.

Achievements in 2002

Additional progress was made during 2002 in the following areas:

- We continued the successful rollout of our Internet-based credit application processing system ("CAPS"). The system, which was introduced to our dealer-partners in 2001, brings a number of benefits to our business model. For our dealer-partners, the system simplifies our program, allowing each dealer-partner to originate a greater volume of business at higher levels of profitability per vehicle. For our Company, the system improves our service levels, enhances our ability to deploy risk-adjusted pricing, and reduces loan origination costs. By year-end, 100% of our new loans were being processed through this system in the United States.
- Our forecasts indicate we increased the spread between the amount advanced to dealer-partners and the expected collection rate on new loans. This has three benefits. First, it increases our margin for error. Second, it increases our return on capital as the same revenue stream is generated with less capital invested. Finally, it ensures we have dealer-partners committed to long-term success as a greater percentage of their profits are generated through the success of their portfolio.
- We established a working Six Sigma function. For an annual investment of just over \$1.0 million, the Company will benefit from a dedicated group of nine professionals trained in solving problems through a proven methodology. The initial projects are currently in process, and I look forward to reporting our progress in next year's letter.
- We made progress toward our goal of

becoming one of the Top 100 Best Companies to Work For. While we are not large enough to qualify for Fortune magazine's list, we were recognized as one of the 101 Best and Brightest Companies to Work For in the Detroit Metro area in 2002. Other measures, such as employee turnover, also tell us we are on the right path in this area.



- We installed a new collection system. No system is more important to our business than this one. Our installation difficulties are well documented and, while we wish the system could have been installed with less disruption, we are now in a position to realize operating efficiencies and improvements in collection rates that could not have occurred without the new system.

We also worked hard at developing other products that could be offered through our existing channels. We explored offering home mortgages, credit cards, and insurance products to our customers through strategic relationships with companies specializing in these industries and piloted a number of additional products for our dealers-partners. To date these efforts have been unsuccessful. While we are still open to other opportunities, our focus in 2003 will be primarily on our core product.

Our Business

Credit Acceptance was founded in 1972 by our current chairman and majority shareholder, Donald A. Foss. Our core product provides loan underwriting, servicing, and capital, which gives auto dealers the ability to finance the 20% of the population who are unable to access traditional auto financing. Without our program, these customers have three limited options: (1) pay cash, (2) do without a vehicle, or (3) finance their vehicle purchase through a dealer who provides an "in-house" financing program. These customers often either cannot purchase a vehicle or purchase an unreliable one and are not provided an opportunity to establish a positive credit history. Our program offers an attractive alternative. We allow dealer-partners to provide the financing necessary for customers to purchase quality vehicles. Importantly, we report each customer's payment progress to the credit bureaus, which creates an opportunity for our customers

to improve their lives by establishing a positive credit history. A significant number of our customers take advantage of this second chance and move on to more traditional financing.

Our program also provides enormous value to automobile dealers. Our dealer-partners benefit as a result of: (1) vehicle sales to customers they could not finance without our program, (2) loyal repeat and referral business from those customers, (3) incremental service and body shop revenue, (4) sales of vehicles to customers who are attracted to the dealership because of “Guaranteed Credit Approval” but who actually qualify for traditional credit, and (5) other services we provide such as sales training and marketing assistance. In short, a relationship with Credit Acceptance makes a dealer’s business much more profitable.

Our program is offered to a select group of dealers who pay a one-time fee of \$9,850 to secure the rights to our program in their area. We do not purchase loans from dealers like traditional indirect lenders. Instead, at the inception of a loan, we advance dealers a portion of the expected cash flows on each loan. Our goal is to advance dealers enough at loan origination to provide modest positive cash profit on the vehicle sale, but not enough for Credit Acceptance to assume the credit risk of the transaction. We service and collect the loans and retain 20% of all cash flows from the loans as our fee. The dealer receives the remaining 80%, which is first used to repay all advances. Advances are combined, typically in pools of 100 loans, so that collections from performing loans cover advances from those not performing. The majority of the dealers’ profits on the sale of a car financed through Credit Acceptance typically are received after advance repayment. This partnership essentially provides an economic benefit for dealers who write collectible automobile loans.

Although we provide financing, our business model is very different from a traditional finance company. We utilize little leverage, have significantly greater margin for error and achieve much better returns on capital than other industry participants. In addition, our partnership with dealers, combined with the opportunity for customers to rehabilitate their credit, ensures that all parties benefit from participating in a successful transaction.

Forecasts

Our business model relies on our ability to

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

Forecasting is a subject shareholders should pay close attention to. If we are not successful in creating Economic Profit, it will likely be because we overestimated future loan performance. Knowing this, we have made the forecasting process an area of significant focus.

The following table presents advance rates and forecasted collection rates, expressed as a percentage of total loan value, for the past eleven years:

Year	December 31, 2002			% of Forecast Realized
	Forecasted Collection %	Advance %	Spread %	
1992	81%	35%	46%	100%
1993	76%	37%	39%	100%
1994	62%	42%	20%	100%
1995	56%	46%	10%	98%
1996	57%	49%	8%	98%
1997	60%	49%	11%	97%
1998	68%	50%	18%	98%
1999	72%	54%	18%	96%
2000	72%	53%	19%	87%
2001	68%	49%	19%	59%
2002	68%	46%	22%	20%

The spread between the collection rate and the advance rate works to reduce our risk of writing unprofitable business. For 2002 originations, for example, an advance rate of 46%, after allowing for our 20% fee, requires us to collect only 57.5% in order to avoid generating advance

losses. The 2002 expected spread of 22% leaves, on average, a much wider margin for error than existed during the mid-1990's. Because collections are applied to advances on an individual dealer basis, a wider margin for error on average does not eliminate the risk of impaired advances, but it does work to reduce this risk significantly.

The following table compares last year's forecasted collections to our current forecast:

Year	Last Year's Forecast	Current Forecast	Variance
1992	81%	81%	0%
1993	76%	76%	0%
1994	62%	62%	0%
1995	56%	56%	0%
1996	57%	57%	0%
1997	60%	60%	0%
1998	69%	68%	(1%)
1999	73%	72%	(1%)
2000	73%	72%	(1%)
2001	70%	68%	(2%)

Since a year ago, we have reduced our forecast for four of the ten years presented. While the reductions expressed as percentages may appear modest, in reality they are significant. For all years presented, the variance expressed in dollars is \$47 million. The impact on our advance loss provision was roughly 16% of this amount.

Without the difficult system conversion, it is likely our results would have been much closer to our prior year forecast. While the results of our system conversion were disappointing, we believe significant progress occurred during the latter part of the year. Collection activity returned to pre-system conversion levels as measured by calls and contacts per delinquent account. The level of charge-offs improved significantly in November and December. If these improvements can be sustained, it will greatly reduce the probability of continued high levels of advance provisions in 2003.

In last year's letter, I emphasized that the following challenges made it more difficult to forecast loan performance:

- A more difficult economic environment
- The change to an Internet-based origination environment
- A longer loan term

We now believe that the three concerns cited a year ago had only a small impact on our collection results over the past 12 months. In spite of this, we remain cautious regarding our forecasts. As of the date of this letter, we are engaged in war in Iraq and receive regular terrorist alerts at home. We have not attempted to forecast the effect of a worst-case or near worst-case scenario on our portfolio.

Unit Volumes

In our largest market, North America, we originated 50,839 loans in 2002 compared to 62,675 in 2001, a decrease of 18.9%. As mentioned above, the decline was a result of our efforts shifting from growth to improvements in our return on capital because of economic and availability of capital concerns. We are confident we will have ample opportunity to invest 100% of our available capital in our core business for the foreseeable future given our large market, with approximately 20% of the population falling squarely in our market niche.

Two positive trends that emerged in 2001 continued in 2002. After increasing 21% in 2001, average dealer-partner volumes increased 6% in 2002. The increase in volume per dealer-partner is the result of our Internet-based origination system, a more effective field sales force and our selective approach to enrolling new dealer-partners. Second, we believe our program is more profitable for our dealer-partners than ever before. We believe future loan volumes will be closely tied to the amount of profit dealer-partners realize from our program. In 2002, we paid approximately \$43 million in "Portfolio Profit" and "Portfolio Profit Express" payments to dealer-partners. This amount, a record for our Company, was up 19% over the prior year. Portfolio Profit payments are generated from the dealer-partner's 80% share of collections received after advances have been repaid.

Access to Capital

A year ago we set three goals for 2002:

- (1) Expand our borrowing capacity to allow for a 1:1 relationship of debt to equity,
- (2) Increase the number of funding sources, and
- (3) Increase the average term of our debt.

While some progress was made, this area represents our biggest source of disappointment in 2002. During the year, we successfully renewed our bank line and completed a \$75 million securitization with a new lender. To date, we have completed eight successful securitizations. Currently, our access to stable debt financing is well short of our target of 1:1. We believe the current situation is temporary. Because our business model is unique and the track record of our industry is unimpressive, lenders are understandably cautious.

However, we are unique. Our business model provides our lenders with a huge margin of safety. Our assets primarily consist of advances made to dealer-partners that will be repaid through collections from loan portfolios. Our advance at the time of origination is conservative when compared to the future expected cash flows. As of December 31, 2002, we expect to receive \$662 million in future cash flows from automobile loans assigned to our Company. Of this amount, approximately \$528 million will be retained by us (a combination of advance repayment and our 20% servicing fee) and \$134 million will be paid to dealer-partners. We have borrowed \$110 million against these future cash flows. As the following chart illustrates, after deducting debt service and loan servicing costs, we estimate that we have excess collateral of \$359 million:

<i>(Dollars in millions)</i>	As of December 31, 2002
Expected cash flow from loans receivable.....	\$ 662
Less: Expected payments to dealer-partners.....	(134)
Cash flows available to Credit Acceptance.....	528
Less: Servicing expenses.....	(53)
Less: Interest expense.....	(6)
Less: Debt outstanding.....	(110)
Excess collateral.....	<u>\$ 359</u>

Even if we prove to be wildly optimistic at projecting future cash flows, our lenders will be unaffected. Simply put, in order for our current debt holders to suffer a single dollar of principal loss, future cash flows would need to be slightly more than a quarter of our forecast:

<i>(Dollars in millions)</i>	As of December 31, 2002
Cash flow from loans receivable ⁽¹⁾	\$ 169
Less: Expected payments to dealer-partners ⁽²⁾ ...	0
Cash flows available to Credit Acceptance.....	169
Less: Servicing expenses.....	(53)
Less: Interest expense.....	(6)
Less: Debt outstanding.....	(110)
Excess collateral.....	<u>\$ 0</u>

⁽¹⁾ Assuming collections of 26% of expected collections of \$662 million.

⁽²⁾ Future cash flows to dealer-partners only occur when cash flows from loans receivable, less our 20% servicing fee, exceed amounts advanced to dealer-partners. If collection rates fall to the levels assumed in this analysis, we would not expect any individual dealer-partners to receive additional cash flows.

We will continue to explain our business to all interested parties including rating agencies, banks and other capital providers. We believe the attractiveness of our model will, over time, eclipse industry concerns and we will have much greater access to capital at more attractive rates than we are able to obtain today.

United Kingdom

During 2002, we reduced the amount of capital invested in the United Kingdom from \$95 million at the start of the year to \$70 million at year-end. A year ago we listed two challenges relating to the United Kingdom. First, our business was heavily concentrated with two dealer-partner groups who represented 66% of our business volumes. Secondly, we were concerned that, relative to North America, higher advance rates offered in the United Kingdom created an additional risk that was not appropriately offset by the return on capital generated. Early in 2002, we took steps to address these concerns that resulted in much lower origination volumes but more rational pricing. As our United Kingdom business contains a higher risk profile, we expect higher returns to compensate

shareholders for the additional risk. Our new pricing provides us with an opportunity to achieve our target return provided we are able to generate enough business to cover fixed operating expenses.

Late in 2002, we installed a United Kingdom version of our Internet-based origination platform. Although it is too early to report on the impact of this system, we believe it will allow us to create a more marketable product similar to the product we offer domestically.

Share Repurchases

Since our share repurchase program began in mid-1999, we have repurchased 5.0 million shares at an average price of \$6.09. We expect to continue to repurchase shares when the stock price presents an opportunity to buy shares at less than intrinsic value, and we have the capital to do so. Because determinations of intrinsic value are subjective and imprecise, we attempt to make these assessments using conservative assumptions.

Liquidation of Our Leasing Portfolio

In early 2002, we stopped originating new automobile lease contracts. In early 1999, we entered the automobile leasing market to take advantage of certain structural advantages, primarily tax related, in order to provide a better product to our dealer-partners and customers and enhance our overall returns on capital. Two events caused us to reverse this strategy. First, our core indirect lending business began to show improved returns on capital, and as a

result, increased the return we required from our leasing business. Second, the leasing portfolio did not perform in line with our expectations.

Our lease portfolio liquidation is occurring without any major surprises. Our lease investment at year-end was \$13 million, down from \$38 million at the start of the year. We expect our investment to be reduced to under \$5 million by year-end 2003, with the remaining investment recovered in 2004.

Looking Forward

We are happy with our progress over the past three years. Conventional wisdom holds that lower credit tiers experience an economic downturn more severely than do higher credit tiers. Many people expect businesses serving lower credit tiers to emerge during good times and disappear during more challenging times. We have been able to improve our results over the last three years in spite of an economic environment that has been challenging for many companies, including other participants in our industry.

We attribute our success to the efforts of our 717 team members located in Southfield, MI Henderson, NV and Worthing, UK who embrace our core purpose of “*We Change Lives!*”[®] and our culture of honesty, teamwork, learning, urgency, and fun. We look forward to reporting our progress in next year’s letter.



Brett A. Roberts
Chief Executive Officer



Our Five Core Values...

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

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

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

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

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

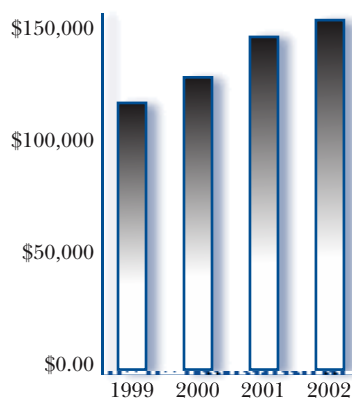
Financial Highlights

2002 Financial Summary

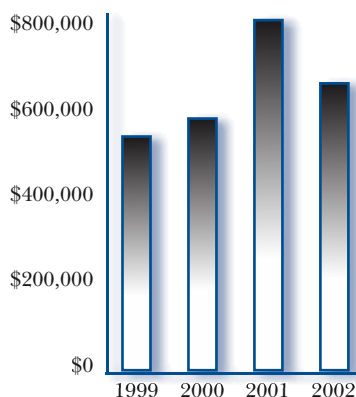
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	2002	2001
REVENUES	\$ 154,334	\$ 147,329
NET INCOME	29,701	29,203
DILUTED EARNINGS PER SHARE	\$ 0.68	\$ 0.68
TOTAL LOAN ORIGINATIONS	\$ 625,385	\$ 782,302
ASSETS	\$ 842,325	\$ 861,434
GROSS LOAN RECEIVABLE	\$ 778,674	\$ 762,031
NON-ACCRUAL LOANS AS A PERCENT OF TOTAL GROSS LOANS	24.0%	20.0%
DEBT	\$ 109,841	\$ 202,529
SHAREHOLDERS' EQUITY	\$ 323,848	\$ 288,439
DEBT TO EQUITY RATIO	0.34	0.70
ACTUAL SHARES OUTSTANDING	42,325,615	42,162,628
BOOK VALUE PER SHARE	\$ 7.65	\$ 6.84
CHANGE IN BOOK VALUE PER SHARE	11.8%	10.8%

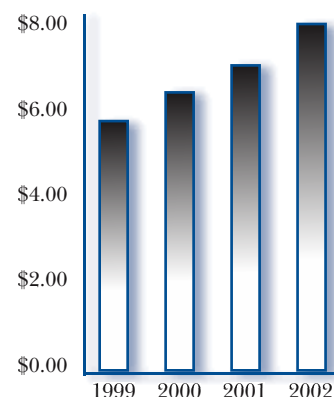
Revenue
(In Thousands)



Loan Originations
(In Thousands)



Book Value Per Share





Mark Jones



“10

dealerships, 10 turn-downs... then I heard about Credit Acceptance's Guaranteed Credit Approval. My daughter Raven and I drove off in our '96 Mustang. Just 17 months later my credit was quickly approved through GMAC and at a low 5.5% rate! Wow... my first brand-new car and a great credit rating too! Thank you Credit Acceptance!”

Donald Boyd



“Credit Acceptance was there to help me when no one else would...

as soon as my credit was rehabilitated, I traded my used car in for a brand new 2003 Jeep and lowered my payment by over \$30.00!

To me... that's life changing!”



Mr. & Mrs. Jackie Phillips



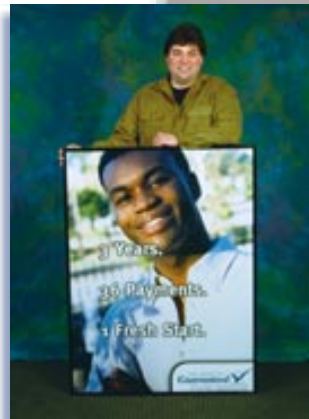
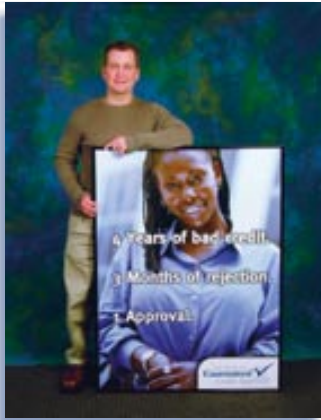
“**T**hank you for giving us a second chance to re-establish our credit. Within 10 minutes we were qualified and approved for an automobile loan with Credit Acceptance. We are very grateful for the second chance you gave us!”



Deborah Young



“You guys are miracle workers. I had gotten laid off from my job and had lost my home... everything. You were the only ones that would give me credit to get a car. I am just so happy! I am thankful for everything you have done for me and how you help people, because so many have turned me down. I just wanted to tell you that. God bless you all!”



2003 National Dealer-Partner Council

“Credit Acceptance has given Auto Express the ability to stay consistently committed to success by providing the most competitive financing in the automotive industry... it truly builds excitement and success. Credit Acceptance is the competitive edge required in today's automotive industry!”

Joe Battista, President of Auto Express



Ben Donarumma
All Star Auto Sales



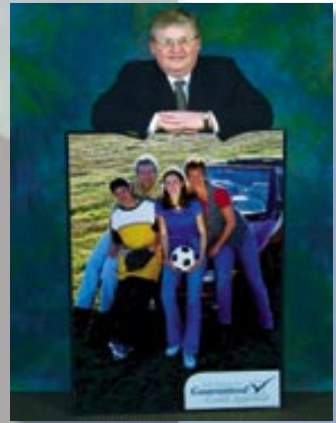
Chip Ellis
Ellis Motor Cars



Gary Sullivan
Loehmann-Blasius Chevrolet



Jeff Braatz
Paradise Motor Sales



“I couldn’t have achieved this without Credit Acceptance and their Guaranteed Credit Approval System!”

Chip Ellis set a new world record when his dealership, Ellis Motor Cars, wrote 238 contracts in just one month! Congratulations, Chip!



Joe Battista
Auto Express of Manassas



Ken Hoag
Wyoming Auto Group



Ron Wolff
Morrie’s Brooklyn Park



Tom Herald
Hebron Auto Sales



*Otto Award Winners
Henderson, Nevada Office*



Cindy Shantz, Ph.D.



Claire Berresford, UK

“**I** truly feel that joining Credit Acceptance was one of the best decisions I have ever made. *It is extremely motivating to be part of such a progressive company! In Staffing & Development we are working on many exciting projects aimed at hiring, developing and retaining the best team members, so I am always challenged in my work. I look forward to making sure we remain one of the 101 Best & Brightest companies to work for in Metro Detroit, and to expanding our scope to include Henderson and other national awards!*”



Great Place to Work Committee



Otto Award Winners - Southfield Office

Ask about our

 Credit
 Approva
 Guarantee



Otto



Lori Dubiel



“Wow! Twenty years!
It seems just like yesterday that I started working on the dealership side. Now I am back in the dealership world working in the Sales & Marketing Department as the Market Area Manager for North east Michigan. Not only has Credit Acceptance changed my life, but now I can share my experience and knowledge with my dealer-partners to help change their lives. Thank you Don Foss and Credit Acceptance!”



Carole Berresford
 Steve Jones
 Tim Mackew, UK



MVP Award Winners



Six Sigma Team



Our Mission...

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

