CREDIT ACCEPTANCE CORP
Form 10-Q
August 03, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 000-20202

CREDIT ACCEPTANCE CORPORATION

(Exact name of registrant as specified in its charter)

MICHIGAN	**38-1999511**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

25505 WEST TWELVE MILE ROAD SOUTHFIELD, MICHIGAN	**48034-8339**
(Address of principal executive offices)	(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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares of Common Stock, par value $0.01, outstanding on July 30, 2010 was 27,125,113.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Dollars in thousands, except per share data)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenue:				
Finance charges	$ 95,549	$ 81,124	$ 185,212	$ 157,850
Premiums earned	8,245	7,201	15,949	13,661
Other income	7,985	4,048	13,880	8,750
Total revenue	111,779	92,373	215,041	180,261
Costs and expenses:				
Salaries and wages	14,050	16,515	30,160	33,636
General and administrative	5,920	6,894	12,462	14,889
Sales and marketing	4,834	3,566	9,644	7,487
Provision for credit losses	1,790	(3,790)	8,216	(3,626)
Interest	12,267	7,285	23,972	15,208
Provision for claims	6,282	4,829	11,494	9,638
Total costs and expenses	45,143	35,299	95,948	77,232
Income from continuing operations before provision for income taxes	66,636	57,074	119,093	103,029
Provision for income taxes	17,571	20,924	38,013	37,867
Income from continuing operations	49,065	36,150	81,080	65,162
Discontinued operations				
(Loss) gain from discontinued United Kingdom operations	(25)	49	(30)	34
Provision for income taxes		14		10
(Loss) gain from discontinued operations	(25)	35	(30)	24
Net income	$ 49,040	$ 36,185	$ 81,050	$ 65,186
Net income per common share:				

Basic	$	1.57	$	1.18	$	2.61	$	2.14
Diluted	$	1.55	$	1.15	$	2.56	$	2.08
Income from continuing operations per common share:								
Basic	$	1.57	$	1.18	$	2.61	$	2.14
Diluted	$	1.55	$	1.15	$	2.57	$	2.08
(Loss) gain from discontinued operations per common share:								
Basic	$		$		$		$	
Diluted	$		$		$		$	
Weighted average shares outstanding:								
Basic		31,172,229		30,600,531		31,107,721		30,510,439
Diluted		31,601,027		31,423,187		31,600,586		31,285,734

See accompanying notes to consolidated financial statements.

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CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS

	As of	
(Dollars in thousands, except per share data)	**June 30, 2010 (Unaudited)**	**December 31, 2009**
ASSETS:		
Cash and cash equivalents	$ 1,537	$ 2,170
Restricted cash and cash equivalents	63,859	82,456
Restricted securities available for sale	2,893	3,121
Loans receivable (including $11,179 and $12,674 from affiliates as of June 30, 2010 and December 31, 2009, respectively)	1,259,647	1,167,558
Allowance for credit losses	(124,871)	(117,545)
Loans receivable, net	1,134,776	1,050,013
Property and equipment, net	18,344	18,735
Income taxes receivable	6,995	3,956
Other assets	26,414	15,785
Total Assets	$ 1,254,818	$ 1,176,236
LIABILITIES AND SHAREHOLDERS EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	$ 79,042	$ 77,295
Line of credit	4,300	97,300
Secured financing	240,500	404,597
Mortgage note and capital lease obligations	4,665	5,082
Senior notes	244,007	
Deferred income taxes, net	100,686	93,752
Total Liabilities	673,200	678,026
Shareholders Equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none issued		
Common stock, $.01 par value, 80,000,000 shares authorized, 31,024,015 and 31,038,217 shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively	310	311
Paid-in capital	25,952	24,370
Retained earnings	555,483	474,433
Accumulated other comprehensive loss, net of tax of $75 and $526 at June 30, 2010 and December 31, 2009, respectively	(127)	(904)
Total Shareholders Equity	581,618	498,210

Total Liabilities and Shareholders Equity	$ 1,254,818	$ 1,176,236

See accompanying notes to consolidated financial statements.

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CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	Six Months Ended June 30, 2010	2009
Cash Flows From Operating Activities:		
Net income	$ 81,050	$ 65,186
Adjustments to reconcile cash provided by operating activities:		
Provision for credit losses	8,216	(3,626)
Depreciation and amortization	2,586	2,723
Loss on retirement of property and equipment		98
Provision for deferred income taxes	6,482	12,893
Stock-based compensation	2,168	3,155
Change in operating assets and liabilities:		
Increase in accounts payable and accrued liabilities	2,966	2,184
Increase in income taxes receivable / decrease in income taxes payable	(3,039)	(49)
Increase in other assets	(10,629)	(983)
Net cash provided by operating activities	89,800	81,581
Cash Flows From Investing Activities:		
Decrease in restricted cash and cash equivalents	18,597	4,670
Purchases of restricted securities available for sale	(1,018)	
Maturities of restricted securities available for sale	1,256	461
Principal collected on Loans receivable	392,156	339,183
Advances to Dealer-Partners and accelerated payments of Dealer Holdback	(410,183)	(282,746)
Purchases of Consumer Loans	(52,151)	(67,866)
Payments of Dealer Holdback	(22,882)	(23,965)
Net decrease (increase) in other loans	83	(1)
Purchases of property and equipment	(1,926)	(1,407)
Net cash used in investing activities	(76,068)	(31,671)
Cash Flows From Financing Activities:		
Borrowings under line of credit	212,700	411,200
Repayments under line of credit	(305,700)	(358,600)
Proceeds from secured financing	70,000	124,400
Repayments of secured financing	(234,097)	(227,859)
Principal payments under mortgage note and capital lease obligations	(417)	(741)
Proceeds from sale of senior notes	243,738	
Repurchase of common stock	(1,896)	(540)
Proceeds from stock options exercised	172	352
Tax benefits from stock-based compensation plans	1,137	336
Net cash used in financing activities	(14,363)	(51,452)
Effect of exchange rate changes on cash	(2)	(3)

Net decrease in cash and cash equivalents	(633)	(1,545)
Cash and cash equivalents, beginning of period	2,170	3,154
Cash and cash equivalents, end of period	$ 1,537	$ 1,609
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	$ 25,018	$ 15,917
Cash paid during the period for income taxes	$ 38,236	$ 23,870

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of actual results achieved for full fiscal years. The consolidated balance sheet at December 31, 2009 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2009 for Credit Acceptance Corporation (the Company , Credit Acceptance , we , our or us). Certain prior period amounts have been reclassified to conform to the current presentatio

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

We have evaluated events and transactions occurring subsequent to the consolidated balance sheet date of June 30, 2010 for items that could potentially be recognized or disclosed in these financial statements. For additional information regarding subsequent events, see Note 13 of these consolidated financial statements.

2. DESCRIPTION OF BUSINESS

Since 1972, Credit Acceptance has provided auto loans to consumers, regardless of their credit history. Our product is offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our product, but who actually end up qualifying for traditional financing.

We refer to dealers who participate in our programs and who share our commitment to changing consumers lives as Dealer-Partners . Upon enrollment in our financing programs, the Dealer-Partner enters into a dealer servicing agreement with us that defines the legal relationship between Credit Acceptance and the Dealer-Partner. The dealer servicing agreement assigns the responsibilities for administering, servicing, and collecting the amounts due on retail installment contracts (referred to as Consumer Loans) from the Dealer-Partners to us. A consumer who does not qualify for conventional automobile financing can purchase a used vehicle from a Dealer-Partner and finance the purchase through us. We are an indirect lender from a legal perspective, meaning the Consumer Loan is originated by the Dealer-Partner and assigned to us.

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

Quarter Ended	Portfolio Program	Purchase Program
March 31, 2009	82.3%	17.7%
June 30, 2009	86.0%	14.0%
September 30, 2009	89.0%	11.0%
December 31, 2009	90.8%	9.2%
March 31, 2010	90.9%	9.1%
June 30, 2010	90.5%	9.5%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

2. DESCRIPTION OF BUSINESS (Continued)

Portfolio Program

As payment for the vehicle, the Dealer-Partner generally receives the following:

- a down payment from the consumer;
- a non-recourse cash payment (advance) from us; and
- after the advance has been recovered by us, the cash from payments made on the Consumer Loan, net of certain collection costs and our servicing fee (Dealer Holdback).

We record the amount advanced to the Dealer-Partner as a Dealer Loan, which is classified within Loans receivable in our consolidated balance sheets. Cash advanced to Dealer-Partners is automatically assigned to the originating Dealer-Partner s open pool of advances. We require Dealer-Partners to group advances into pools of at least 100 Consumer Loans. At the Dealer-Partner s option, a pool containing at least 100 Consumer Loans can be closed and subsequent advances assigned to a new pool. All advances due from a Dealer-Partner are secured by the future collections on the Dealer-Partner s portfolio of Consumer Loans assigned to us. For Dealer-Partners with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for Dealer Holdback. We perfect our security interest in the Dealer Loans by taking possession of the Consumer Loans, which list us as lien holder on the vehicle title.

The dealer servicing agreement provides that collections received by us during a calendar month on Consumer Loans assigned by a Dealer-Partner are applied on a pool-by-pool basis as follows:

- First, to reimburse us for certain collection costs;
- Second, to pay us our servicing fee, which generally equals 20% of collections;
- Third, to reduce the aggregate advance balance and to pay any other amounts due from the Dealer-Partner to us; and
- Fourth, to the Dealer-Partner as payment of Dealer Holdback.

If the collections on Consumer Loans from a Dealer-Partner s pool are not sufficient to repay the advance balance and any other amounts due to us, the Dealer-Partner will not receive Dealer Holdback.

Dealer-Partners have an opportunity to receive an accelerated Dealer Holdback payment at the time a pool of 100 or more Consumer Loans is closed. The amount paid to the Dealer-Partner is calculated using a formula that considers the forecasted collections and the advance balance on the closed pool.

Since typically the combination of the advance and the consumer s down payment provides the Dealer-Partner with a cash profit at the time of sale, the Dealer-Partner s risk in the Consumer Loan is limited. We cannot demand repayment of the advance from the Dealer-Partner except in the event the Dealer-Partner is in default of the dealer servicing agreement. Advances are made only after the consumer and Dealer-Partner have signed a Consumer Loan contract, we have received the original Consumer Loan contract and supporting documentation, and we have approved all of the related stipulations for funding. The Dealer-Partner can also opt to repurchase Consumer Loans that have been assigned to us under the Portfolio Program, at their discretion, for a fee.

For accounting purposes, the transactions described under the Portfolio Program are not considered to be loans to consumers. Instead, our accounting reflects that of a lender to the Dealer-Partner. The classification as a Dealer Loan for accounting purposes is primarily a result of (1) the Dealer-Partner s financial interest in the Consumer Loan and (2) certain elements of our legal relationship with the Dealer-Partner. For each individual Dealer-Partner, the amount of the Dealer Loan recorded in Loans receivable is comprised of the following:

- the aggregate amount of all cash advances to the Dealer-Partner;
- finance charges;
- Dealer Holdback payments;
- accelerated Dealer Holdback payments; and
- recoveries.

Less:

- collections (net of certain collection costs); and

write-offs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

2. DESCRIPTION OF BUSINESS (Concluded)

Purchase Program

The Purchase Program differs from our Portfolio Program in that the Dealer-Partner receives a single payment from us at the time of assignment instead of a cash advance and Dealer Holdback. For accounting purposes, the transactions described under the Purchase Program are considered to be originated by the Dealer-Partner and then purchased by us. The amount of Purchased Loans recorded in Loans receivable is comprised of the following:

- the aggregate amount of all amounts paid to purchase Consumer Loans from Dealer-Partners;
- finance charges; and
- recoveries.

Less:

- collections (net of certain collection costs); and
- write-offs.

Program Enrollment

Dealer-Partners that enroll in our programs have two enrollment options available to them. The first enrollment option allows Dealer-Partners to assign Consumer Loans under the Portfolio Program and requires payment of an upfront, one-time fee of $9,850. The second enrollment option, which became effective September 1, 2009, allows Dealer-Partners to assign Consumer Loans under the Portfolio Program and requires payment of an upfront, one-time fee of $1,950 and an agreement to allow us to keep 50% of their first accelerated Dealer Holdback payment. Prior to September 1, 2009, Dealer-Partners who chose the second enrollment option did not pay an upfront fee but agreed to allow us to keep 50% of their first accelerated Dealer Holdback payment. For all Dealer-Partners enrolling in our program after August 31, 2008, access to the Purchase Program is only granted after the first accelerated Dealer Holdback payment has been made under the Portfolio Program.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reinsurance

VSC Re Company (VSC Re), our wholly-owned subsidiary, is engaged in the business of reinsuring coverage under vehicle service contracts sold to consumers by Dealer-Partners on vehicles financed by us. VSC Re currently reinsures vehicle service contracts that are underwritten by one of our two third party insurers. Vehicle service contract premiums, which represent the selling price of the vehicle service contract to the consumer, less commissions and certain administrative costs, are contributed to trust accounts controlled by VSC Re. These premiums are used to fund claims covered under the vehicle service contracts. VSC Re is a bankruptcy remote entity. As such, the exposure to fund claims is limited to the amount of premium dollars contributed, less amounts earned and withdrawn, plus $0.5 million of equity contributed.

Premiums from the reinsurance of vehicle service contracts are recognized over the life of the policy in proportion to expected costs of servicing those contracts. Expected costs are determined based on our historical claims experience. Claims are expensed through a provision for claims in the period the claim was incurred. Capitalized acquisition costs are comprised of premium taxes and are amortized as general and administrative expense over the life of the contracts in proportion to premiums earned. A summary of reinsurance activity is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2010**	**2009**	**2010**	**2009**
Net assumed written premiums	$ 8,366	$ 7,059	$ 18,676	$ 16,244
Net premiums earned	8,245	7,199	15,950	13,654
Provision for claims	6,283	4,833	11,498	9,640
Amortization of capitalized acquisition costs	103	135	321	253

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

We are considered the primary beneficiary of the trusts and as a result, the trusts have been consolidated on our balance sheet. The trust assets and related reinsurance liabilities are as follows:

(Dollars in thousands)	**Balance Sheet location**	**June 30, 2010**	**December 31, 2009**
Trust assets	Restricted cash and cash equivalents	$38,127	$ 39,127
Unearned premium	Accounts payable and accrued liabilities	25,049	21,180
Claims reserve (1)	Accounts payable and accrued liabilities	1,143	965

(1) The claims reserve is estimated based on historical claims experience.

Prior to the formation of VSC Re, our agreements with two of our vehicle service contract third party administrators (TPAs) allowed us to receive profit sharing payments depending upon the performance of the vehicle service contract programs. The agreements also required that vehicle service contract premiums be placed in trust accounts. Funds in the trust accounts were utilized by the TPA to pay claims on the vehicle service contracts. Upon the formation of VSC Re during the fourth quarter of 2008, the unearned premiums on the majority of the vehicle service contracts that had been written through these two TPAs were ceded to VSC Re along with any related trust assets. Vehicle service contracts written prior to 2008 through one of the TPAs remain under this profit sharing arrangement. Profit sharing payments, if any, on the vehicle service contracts are distributed to us periodically after the term of the vehicle service contracts have substantially expired provided certain loss rates are met. We are considered the primary beneficiary of the trusts and as a result, the assets of the remaining trust and the related liabilities have been consolidated on our balance sheet. As of both June 30, 2010 and December 31, 2009, the remaining trust had $4.3 million in assets available to pay claims. As of June 30, 2010, there was a nominal related claims reserve and as of December 31, 2009, there was a related claims reserve of $3.5 million. The trust assets are included in restricted cash and cash equivalents and restricted securities available for sale. The claims reserve is included in accounts payable and accrued liabilities in the consolidated balance sheets. A third party insures claims in excess of funds in the trust accounts.

Our determination to consolidate the VSC Re trusts and the profit sharing trusts was based on the following:

First, we determined that the trusts qualified as variable interest entities. The trusts have insufficient equity at risk as no parties to the trusts were required to contribute assets that provide them with any ownership interest.

Next, we determined that we have variable interests in the trusts. We have a residual interest in the assets of the trusts, which is variable in nature, given that it increases or decreases based upon the actual loss experience of the related service contracts. In addition, VSC Re is required to absorb any losses in excess of the trusts assets.

Next, we evaluated the purpose and design of the trusts. The primary purpose of the trusts is to provide TPAs with funds to pay claims on vehicle service contracts and to accumulate and provide us with proceeds from investment income and residual funds.

Finally, we determined that we are the primary beneficiary of the trusts. We control the amount of premium written and placed in the trusts through Consumer Loan assignments under our Programs, which is the activity that most significantly impacts the economic performance of the trusts. We have the right to receive benefits

from the trusts that could potentially be significant. In addition, VSC Re has the obligation to absorb losses of the trusts that could potentially be significant.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents decreased to $63.9 million at June 30, 2010 from $82.5 million at December 31, 2009. The following table summarizes restricted cash and cash equivalents:

	As of	
(Dollars in thousands)	**June 30, 2010**	**December 31, 2009**
Cash collections related to secured financings	$ 24,325	$ 42,115
Cash held in trusts for future vehicle service contract claims (1)	39,534	40,341
Total restricted cash and cash equivalents	$ 63,859	$ 82,456

(1) The unearned premium and claims reserve associated with the trusts are included in accounts payable and accrued liabilities in the consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Securities Available for Sale

Restricted securities available for sale consist of amounts held in accordance with vehicle service contract trust agreements. We determine the appropriate classification of our investments in debt securities at the time of purchase and reevaluate such determinations at each balance sheet date. Debt securities for which we do not have the intent or ability to hold to maturity are classified as available for sale, and stated at fair value with unrealized gains and losses, net of income taxes included in the determination of comprehensive income and reported as a component of shareholders equity.

Restricted securities available for sale consisted of the following:

	As of June 30, 2010			
(Dollars in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
US Government and agency securities	$ 577	$ 9	$ (4)	$ 582
Corporate bonds	2,292	23	(4)	2,311
Total restricted securities available for sale	$ 2,869	$ 32	$ (8)	$ 2,893

	As of December 31, 2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
US Government and agency securities	$ 726	$ 18	$ (2)	$ 742
Corporate bonds	2,381	7	(9)	2,379
Total restricted securities available for sale	$ 3,107	$ 25	$ (11)	$ 3,121

The cost and estimated fair values of debt securities by contractual maturity were as follows (securities with multiple maturity dates are classified in the period of final maturity). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	As of June 30, 2010		As of December 31, 2009	
(Dollars in thousands)	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Contractual Maturity				
Within one year	$ 760	$ 761	$ 1,486	$ 1,495
Over one year to five years	2,008	2,030	1,621	1,626
Over five years to ten years	101	102		
Total restricted securities available for sale	$ 2,869	$ 2,893	$ 3,107	$ 3,121

Deferred Debt Issuance Costs

As of June 30, 2010 and December 31, 2009, deferred debt issuance costs were $15.2 million (net of accumulated amortization of $1.6 million) and $6.4 million (net of accumulated amortization of $2.8 million), respectively, and are included in other assets in the consolidated balance sheets. Expenses associated with the issuance of debt instruments are capitalized and amortized as interest expense over the term of the debt instrument using the effective interest method for term secured financings and senior notes and the straight-line method for lines of credit and revolving secured financings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

New Accounting Pronouncements

Accounting for Transfers of Financial Assets. In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 was incorporated into the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) through Accounting Standards Update (ASU) No. 2009-16 and is intended to improve the information provided in financial statements about the transfer of financial assets and the effects of the transfer on financial position and performance, and cash flows for transfers occurring on or after the effective date. The adoption on January 1, 2010 did not have a material impact on our consolidated financial statements.

Amendments to FASB Interpretation No. 46(R). In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 was incorporated into the FASB ASC through ASU No. 2009-17 and is intended to improve financial reporting related to variable interest entities. The adoption on January 1, 2010 did not have a material impact on our consolidated financial statements, but expanded our disclosures.

Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset. In April 2010, the FASB incorporated ASU No. 2010-18 into the FASB ASC. ASU No. 2010-18 is intended to improve comparability by eliminating diversity in practice about the treatment of modifications of loans accounted for within pools under FASB ASC 310-30. Additionally, the amendments clarify guidance about maintaining the integrity of a pool as the unit of accounting for acquired loans with credit deterioration. ASU No. 2010-18 is effective prospectively for modifications of loans accounted for within pools under FASB ASC 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. Early application is permitted. The guidance within ASU No. 2010-18 is consistent with how we have historically accounted for our Loan portfolio; therefore, adoption of this guidance in the third quarter of 2010 will have no impact on our consolidated financial statements.

4. LOANS RECEIVABLE

Loans receivable consists of the following:

	As of June 30, 2010		
(Dollars in thousands)	**Dealer Loans**	**Purchased Loans**	**Total**
Loans receivable	$ 980,952	$ 278,695	$ 1,259,647
Allowance for credit losses	(112,115)	(12,756)	(124,871)
Loans receivable, net	$ 868,837	$ 265,939	$ 1,134,776

	As of December 31, 2009		
	Dealer Loans	**Purchased Loans**	**Total**
Loans receivable	$ 869,603	$ 297,955	$ 1,167,558
Allowance for credit losses	(108,792)	(8,753)	(117,545)
Loans receivable, net	$ 760,811	$ 289,202	$ 1,050,013

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

4. LOANS RECEIVABLE (Continued)

A summary of changes in Loans receivable is as follows:

	Three Months Ended June 30, 2010		
(Dollars in thousands)	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 925,094	$ 286,392	$ 1,211,486
New Consumer Loan assignments (1)	197,866	25,708	223,574
Principal collected on Loans receivable	(149,096)	(36,923)	(186,019)
Dealer Holdback payments	10,712		10,712
Transfers	(3,522)	3,522	
Write-offs	(672)	(24)	(696)
Recoveries	582	20	602
Net change in other loans	(45)		(45)
Currency translation	33		33
Balance, end of period	$ 980,952	$ 278,695	$ 1,259,647

	Three Months Ended June 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 848,091	$ 331,393	$ 1,179,484
New Consumer Loan assignments (1)	129,565	26,477	156,042
Principal collected on Loans receivable	(126,204)	(35,934)	(162,138)
Dealer Holdback payments	11,154		11,154
Transfers	(3,598)	3,598	
Write-offs	(1,247)	(14)	(1,261)
Recoveries	728	15	743
Net change in other loans	(12)		(12)
Currency translation	82		82
Balance, end of period	$ 858,559	$ 325,535	$ 1,184,094

	Six Months Ended June 30, 2010		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 869,603	$ 297,955	$ 1,167,558
New Consumer Loan assignments (1)	410,183	52,151	462,334
Principal collected on Loans receivable	(311,087)	(81,069)	(392,156)
Dealer Holdback payments	22,882		22,882
Transfers	(9,665)	9,665	
Write-offs	(2,060)	(49)	(2,109)
Recoveries	1,146	42	1,188
Net change in other loans	(83)		(83)
Currency translation	33		33

Balance, end of period	$ 980,952	$ 278,695	$ 1,259,647

	Six Months Ended June 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 823,567	$ 325,185	$ 1,148,752
New Consumer Loan assignments (1)	282,746	67,866	350,612
Principal collected on Loans receivable	(263,744)	(75,439)	(339,183)
Dealer Holdback payments	23,965		23,965
Transfers	(7,928)	7,928	
Write-offs	(1,817)	(35)	(1,852)
Recoveries	1,710	30	1,740
Net change in other loans	1		1
Currency translation	59		59
Balance, end of period	$ 858,559	$ 325,535	$ 1,184,094

(1) The Dealer Loans amount represents advances and accelerated Dealer Holdback payments made to Dealer-Partners for Consumer Loans assigned under our Portfolio Program. The Purchased Loans amount represents payments made to Dealer-Partners to purchase Consumer Loans assigned under our Purchase Program.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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4. LOANS RECEIVABLE (Concluded)

A summary of changes in the allowance for credit losses is as follows:

	Three Months Ended June 30, 2010		
(Dollars in thousands)	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 111,372	$ 11,772	$ 123,144
Provision for credit losses	802	988	1,790
Write-offs	(672)	(24)	(696)
Recoveries	582	20	602
Currency translation	31		31
Balance, end of period	$ 112,115	$ 12,756	$ 124,871

	Three Months Ended June 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 113,869	$ 17,515	$ 131,384
Provision for credit losses	(1,706)	(2,084)	(3,790)
Write-offs	(1,247)	(14)	(1,261)
Recoveries	728	15	743
Currency translation	77		77
Balance, end of period	$ 111,721	$ 15,432	$ 127,153

	Six Months Ended June 30, 2010		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 108,792	$ 8,753	$ 117,545
Provision for credit losses	4,206	4,010	8,216
Write-offs	(2,060)	(49)	(2,109)
Recoveries	1,146	42	1,188
Currency translation	31		31
Balance, end of period	$ 112,115	$ 12,756	$ 124,871

	Six Months Ended June 30, 2009		
	Dealer Loans	Purchased Loans	Total
Balance, beginning of period	$ 113,831	$ 17,004	$ 130,835
Provision for credit losses	(2,059)	(1,567)	(3,626)
Write-offs	(1,817)	(35)	(1,852)
Recoveries	1,710	30	1,740
Currency translation	56		56

Balance, end of period	$ 111,721	$ 15,432	$ 127,153

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

5. DEBT

We currently utilize the following forms of debt financing: (1) a revolving secured line of credit with a commercial bank syndicate; (2) revolving secured warehouse facilities with institutional investors; (3) an asset-backed secured financing (Term ABS) with qualified institutional investors; and (4) Senior Secured Notes due 2017 issued pursuant to Rule 144A and Regulation S of the Securities Act of 1933, as amended (Senior Notes). General information for each of our financing transactions in place as of June 30, 2010 is as follows:

(Dollars in thousands)

Financings	Wholly-owned Subsidiary	Issue Number	Close Date	Maturity Date	Financing Amount	Interest Rate at June 30, 2010
Revolving Secured Line of Credit	n/a	n/a	June 9, 2010	June 22, 2012	$150,000	At our option, either the Eurodollar rate plus 225 basis points or the prime rate plus 125 basis points
Revolving Secured Warehouse Facility (1)	CAC Warehouse Funding Corp. II	2003-2	June 16, 2010	June 15, 2013 (2)	$325,000	Commercial paper rate plus 350 basis points or LIBOR plus 450 basis points (4) (5)
Revolving Secured Warehouse Facility (1)	CAC Warehouse Funding III, LLC	2008-2	August 31, 2009	August 31, 2011 (6)	$ 75,000	Commercial paper rate plus 375 basis points or LIBOR plus 375 basis points (3) (4)
Term ABS 2009-1 (1)	Credit Acceptance Funding LLC 2009-1	2009-1	December 3, 2009	May 15, 2011 (2)	$110,500	Fixed rate
Senior Notes	n/a	n/a	February 1, 2010	February 1, 2017	$250,000	Fixed rate

(1) Financing made available only to a specified subsidiary of the Company.

(2) Represents the revolving

maturity date. Loans will amortize after the maturity date based on the cash flows of the contributed assets.

(3) *A portion of the outstanding balance is a floating rate obligation that has been converted to a fixed rate obligation via an interest rate swap.*

(4) *The LIBOR rate is used if funding is not available from the commercial paper market.*

(5) *Interest rate cap agreements are in place to limit the exposure to increasing interest rates.*

(6) *Facility revolves until August 31, 2011 and matures on August 31, 2012.*

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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5. DEBT (Continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2010**	**2009**	**2010**	**2009**
Revolving Secured Line of Credit				
Maximum outstanding balance	$ 67,300	$ 128,900	$ 107,900	$ 128,900
Average outstanding balance	30,332	101,316	37,393	84,001
Revolving Secured Warehouse Facility (2003-2)				
Maximum outstanding balance	$ 66,000	$ 276,900	$ 152,600	$ 276,900
Average outstanding balance	31,736	265,482	42,603	265,193
Revolving Secured Warehouse Facility (2008-2)				
Maximum outstanding balance	$ 75,000	$ 50,000	$ 75,000	$ 50,000
Average outstanding balance	74,945	50,000	74,972	50,000

	As of	
(Dollars in thousands)	**June 30, 2010**	**December 31, 2009**
Revolving Secured Line of Credit		
Balance outstanding	$ 4,300	$ 97,300
Letter(s) of credit	500	514
Amount available for borrowing	145,200	42,186
Interest rate	3.00%	4.25%
Revolving Secured Warehouse Facility (2003-2)		
Balance outstanding	$ 60,000	$ 152,600
Amount available for borrowing	265,000	172,400
Contributed eligible Loans (1)	153,081	192,921
Interest rate	3.90%	5.24%
Revolving Secured Warehouse Facility (2008-2)		
Balance outstanding	$ 70,000	$ 75,000
Amount available for borrowing	5,000	
Contributed eligible Loans	91,518	94,073
Interest rate	4.46%	4.36%
Term ABS 2008-1		
Balance outstanding	$	$ 66,497
Contributed eligible Loans		142,267
Interest rate		6.37%
Term ABS 2009-1		

Balance outstanding	$ 110,500	$ 110,500
Contributed eligible Loans	142,412	142,315
Interest rate	4.40%	4.40%
Senior Notes		
Balance outstanding	$ 244,007	$
Interest rate	9.13%	

(1) At June 30, 2010, the assets shown are the property of the wholly-owned subsidiary but only $96.9 million are pledged as collateral for the facility.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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5. DEBT (Continued)

Revolving Secured Line of Credit Facility

During the first quarter of 2010, we increased the amount of the revolving secured line of credit facility from $140.0 million to $150.0 million and, concurrently with the issuance of the Senior Notes, amended the agreements governing our revolving secured line of credit facility to facilitate the issuance of the Senior Notes and certain future secured indebtedness.

During the second quarter of 2010, we extended the maturity of the revolving secured line of credit facility from June 23, 2011 to June 22, 2012. Additionally, the interest rate on borrowings under the facility was changed from the prime rate plus 1.0% or the Eurodollar rate plus 2.75%, at our option, to the prime rate plus 1.25% or the Eurodollar rate plus 2.25%, at our option. The floor on the Eurodollar rate was decreased from 1.50% to 0.75%. None of the financial covenants were modified.

Borrowings under the revolving secured line of credit facility, including any letters of credit issued under the facility, are subject to a borrowing-base limitation. This limitation equals 80% of the net book value of Loans, less a hedging reserve (not exceeding $1.0 million), and the amount of other debt secured by the collateral which secures the line of credit. Borrowings under the line of credit agreement are secured by a lien on most of our assets. We must pay quarterly fees on the amount of the facility.

Revolving Secured Warehouse Facilities

We have two revolving secured warehouse facilities that are provided to our wholly-owned subsidiaries. One is a $325.0 million facility with an institutional investor and the other is a $75.0 million facility with another institutional investor.

During the second quarter of 2010, we extended the date on which our $325.0 million revolving secured warehouse facility will cease to revolve from August 23, 2010 to June 15, 2013. The interest rate on borrowings under the $325.0 million revolving secured warehouse facility was decreased from a floating rate equal to the commercial paper rate plus 5% to the commercial paper rate plus 3.5%. In addition, the agreement was modified to provide that in the event that the facility is not renewed and the borrower is in compliance with the terms and conditions of the agreement, any amounts outstanding will be repaid over time as the collections on the loans securing the facility are received.

Under both revolving secured warehouse facilities we can contribute Loans to our wholly-owned subsidiaries in return for cash and equity in each subsidiary. In turn, each subsidiary pledges the Loans as collateral to institutional investors to secure financing that will fund the cash portion of the purchase price of the Loans. The financing provided to each subsidiary under the applicable facility is limited to the lesser of 80% of the net book value of the contributed Loans or the facility limit.

The subsidiaries are liable for any amounts due under the applicable facility. Even though we consolidate our subsidiaries for financial reporting purposes, the financing is non-recourse to us. As the subsidiaries are organized as separate legal entities from us, their assets (including the conveyed Loans) will not be available to satisfy our general obligations.

Interest on borrowings under the $325.0 million revolving secured warehouse facility has been limited through interest rate cap agreements to a maximum rate of 6.75% plus the spread over the LIBOR rate or the commercial paper rate, as applicable. We have also entered into an interest rate swap to convert $25.0 million of the $75.0 million revolving secured warehouse facility into fixed rate debt bearing an interest rate of 5.11%. The subsidiaries pay us a monthly servicing fee equal to 6% of the collections received with respect to the conveyed Loans. The fee is paid out of the collections. Except for the servicing fee and holdback payments due to Dealer-Partners, if a facility is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees and other related costs have been paid in full. If a facility is not amortizing, the applicable subsidiary may be entitled to retain a portion of such collections provided that the borrowing base requirements of the facility are satisfied.

Senior Notes

During the first quarter of 2010, we issued $250.0 million aggregate principal amount of 9.125% First Priority Senior Notes. The Senior Notes were issued pursuant to an indenture, dated as of February 1, 2010 (the Indenture), among us, Buyers Vehicle Protection Plan, Inc. (BVPP) and Vehicle Remarketing Services, Inc. (VRS), as guarantors (the Guarantors), and U.S. Bank National Association, as trustee (the Trustee).

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5. DEBT (Continued)

The Senior Notes mature on February 1, 2017 and bear interest at a rate of 9.125% per annum, computed on the basis of 360-day year composed of twelve 30-day months and payable semi-annually on February 1 and August 1 of each year, beginning on August 1, 2010. The Senior Notes were issued at 97.495% of the aggregate principal amount for gross proceeds of $243.7 million, representing a yield to maturity of 9.625%. The discount is being amortized over the life of the Senior Notes using the effective interest method.

The Senior Notes are guaranteed on a senior secured basis by the Guarantors, which are also guarantors of obligations under our line of credit facility. Our other existing and future subsidiaries may become guarantors of the Senior Notes. The Senior Notes and the Guarantors Senior Note guarantees are secured on a first-priority basis (subject to specified exceptions and permitted liens), together with all indebtedness outstanding from time to time under the line of credit facility and, under certain circumstances, certain future indebtedness, by a security interest in substantially all of our assets and those of the Guarantors, subject to certain exceptions such as real property, cash (except to the extent it is deposited with the collateral agent), certain leases, and equity interests of our subsidiaries (other than those of specified subsidiaries including the Guarantors). Our assets and those of the Guarantors securing the Senior Notes and the Senior Note guarantees will not include our assets transferred to special purpose subsidiaries in connection with securitization transactions and will generally be the same as the collateral securing indebtedness under the line of credit facility and, under certain circumstances, certain future indebtedness, subject to certain limited exceptions as provided in the security and intercreditor agreements related to the line of credit facility.

Term ABS Financings

In 2008 and 2009, two of our wholly-owned subsidiaries (the Funding LLCs), each completed a secured financing transaction. In connection with these transactions, we contributed Loans on an arms-length basis to each Funding LLC for cash and the sole membership interest in that Funding LLC. In turn, each Funding LLC contributed the Loans to a respective trust that issued notes to qualified institutional investors. The Term ABS 2009-1 transaction consists of three classes of notes. The Class A Notes are rated AAA by S&P and DBRS, Inc. The Class B Notes are rated AA by S&P. The Class C Note does not bear interest, is not rated and has been retained by us. The Term ABS 2008-1 ceased to revolve on April 15, 2009 and was paid in full during the second quarter of 2010.

Each financing has a specified revolving period during which we may be required, and are likely, to convey additional Loans to each Funding LLC. Each Funding LLC will then convey the Loans to their respective trust. At the end of the revolving period, the debt outstanding under each financing will begin to amortize.

The financings create loans for which the trusts are liable and which are secured by all the assets of each trust. Such loans are non-recourse to us, even though we are consolidated for financial reporting purposes with the trusts and the Funding LLCs. Because the Funding LLCs are organized as legal entities separate from us, their assets (including the conveyed Loans) are not available to our creditors. We receive a monthly servicing fee on each financing equal to 6% of the collections received with respect to the conveyed Loans. The fee is paid out of the collections. Except for the servicing fee and Dealer Holdback payments due to Dealer-Partners, if a facility is amortizing, we do not have any rights in any portion of such collections until all outstanding principal, accrued and unpaid interest, fees and other related costs have been paid in full. If a facility is not amortizing, the applicable subsidiary may be entitled to retain a portion of such collections provided that the borrowing base requirements of the facility are satisfied. However, in our capacity as servicer of the Loans, we do have a limited right to exercise a clean-up call option to purchase Loans from the Funding LLCs and/or the trusts under certain specified circumstances. Alternatively, when a trust s underlying indebtedness is paid in full, either through collections or through a prepayment of the indebtedness, the trust is to pay any remaining collections over to its Funding LLC as the sole beneficiary of the trust. The collections will then be available to be distributed to us as the sole member of the respective Funding LLC.

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

(Dollars in thousands)

Net Book Value of

Term ABS Financing	Issue Number	Close Date	Dealer Loans Conveyed at Closing	Revolving Period	Expected Annualized Rates (1)
Term ABS 2009-1	2009-1	December 3, 2009	$142,301	18 months (Through May 15, 2011)	5.2%

(1) Includes underwriter s fees, insurance premiums and other costs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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5. DEBT (Concluded)

Debt Covenants

As of June 30, 2010, we are in compliance with all our debt covenants relating to the line of credit facility, including those that require the maintenance of certain financial ratios and other financial conditions. These covenants require a minimum ratio of our assets to debt and a minimum ratio of our earnings before interest, taxes and non-cash expenses to fixed charges. These covenants also limit the maximum ratio of our funded debt to tangible net worth. Additionally, we must maintain consolidated net income of not less than $1 for the two most recently ended fiscal quarters. Some of these debt covenants may indirectly limit the repurchase of common stock or payment of dividends on common stock.

In addition to the covenants stated above, our revolving secured warehouse facilities and Term ABS financings contain covenants that measure the performance of the contributed assets. As of June 30, 2010, we were in compliance with all such covenants. As of the end of the quarter, we are also in compliance with our covenants under the Senior Notes Indenture. The Indenture includes covenants that limit the maximum ratio of our funded debt to tangible net worth and also require a minimum collateral coverage ratio.

6. DERIVATIVE INSTRUMENTS

Interest Rate Caps. We purchase interest rate cap agreements to manage the interest rate risk on certain borrowings.

As of June 30, 2010, we had interest rate cap agreements to manage the interest rate risk on our $325.0 million 2003-2 revolving secured warehouse facility with various maturities between February 2011 and May 2012. These instruments had a cap rate of 6.75% to cap the commercial paper rate for the 2003-2 facility.

As of December 31, 2009, we had interest rate cap agreements to manage the interest rate risk on the 2003-2 facility, as well as on $50.0 million of the $75.0 million 2008-2 revolving secured warehouse facility with various maturities between May 2010 and August 2011. These instruments had a cap rate of 6.75% to cap the commercial paper rate for both the 2003-2 and the 2008-2 facilities.

The interest rate caps have not been designated as hedging instruments.

Interest Rate Swaps. As of June 30, 2010 we had an interest rate swap outstanding to convert $25.0 million of the $75.0 million 2008-2 revolving secured warehouse facility into fixed rate debt, bearing an interest rate of 5.11%. This interest rate swap has been designated as a cash flow hedging instrument.

As of December 31, 2009, in addition to the interest rate swap discussed above, the following were also outstanding:

- An interest rate swap to convert the outstanding balance of the 2008-1 floating rate Term ABS financing, which ceased to revolve on April 15, 2009 and was paid in full during the second quarter of 2010, into fixed rate debt, bearing an interest rate of 6.37%. This interest rate swap was designated as a cash flow hedging instrument.

- An interest rate swap, also related to the outstanding balance of the 2008-1 floating rate Term ABS financing, that required the counterparties to make a payment depending on our actual debt balance outstanding on the facility relative to our original forecasted balance and on the level of interest rates. This interest rate swap was not designated as a hedging instrument.

At June 30, 2010, we had minimal exposure to credit loss on the outstanding interest rate swap. We do not believe that any reasonably likely change in interest rates would have a materially adverse effect on our financial position, our results of operations or our cash flows.

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6. DERIVATIVE INSTRUMENTS (Concluded)

Information related to the fair values of derivative instruments in our consolidated balance sheets as of June 30, 2010 and December 31, 2009 is as follows:

(Dollars in thousands)	Balance Sheet location	Fair Value June 30, 2010	Fair Value December 31, 2009
Derivatives designated as hedging instruments			
Liability Derivatives			
Interest rate swap	Accounts payable and accrued liabilities	$ 226	$ 1,445
Derivatives not designated as hedging instruments			
Asset Derivatives			
Interest rate caps	Other assets	$ 20	$ 82
Total Asset Derivatives		$ 20	$ 82
Total Liability Derivatives		$ 226	$ 1,445

Information related to the effect of derivative instruments designated as hedging instruments on our consolidated income statements for the three months ended June 30, 2010 and 2009 is as follows:
(Dollars in thousands)

Derivatives in Cash Flow Hedging Relationships	Gain / (Loss) Recognized in OCI on Derivative (Effective Portion) Three Months Ended June 30, 2010	Gain / (Loss) Recognized in OCI on Derivative (Effective Portion) Three Months Ended June 30, 2009	Location	Loss Reclassified from Accumulated OCI into Income (Effective Portion) Three Months Ended June 30, 2010	Loss Reclassified from Accumulated OCI into Income (Effective Portion) Three Months Ended June 30, 2009
Interest rate swap	$ 562	$ (224)	Interest expense	$ (168)	$ (1,042)

Derivatives in Cash Flow Hedging Relationships	Gain / (Loss) Recognized in OCI on Derivative (Effective Portion) Six Months Ended June 30, 2010	Gain / (Loss) Recognized in OCI on Derivative (Effective Portion) Six Months Ended June 30, 2009	Location	Loss Reclassified from Accumulated OCI into Income (Effective Portion) Six Months Ended June 30, 2010	Loss Reclassified from Accumulated OCI into Income (Effective Portion) Six Months Ended June 30, 2009
Interest rate swap	$ 611	$ (698)	Interest expense	$ (608)	$ (2,139)

As of June 30, 2010, we expect to reclassify losses of $0.2 million from accumulated other comprehensive income into income during the next twelve months.

Information related to the effect of derivative instruments not designated as hedging instruments on our consolidated income statements for the three months ended June 30, 2010 and 2009 is as follows:
(Dollars in thousands)

Derivatives Not Designated as Hedging Instruments	**Location**	**Amount of (Loss) / Gain Recognized in Income on Derivative**			
		Three Months Ended June 30,		**Six Months Ended June 30,**	
		2010	**2009**	**2010**	**2009**
Interest rate caps	Interest expense	$ (81)	$ 1	$ (157)	$
Interest rate swap	Interest expense		24	(590)	13
Total		$ (81)	$ 25	$ (747)	$ 13

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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7. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents. The carrying amount of cash and cash equivalents and restricted cash and cash equivalents approximate their fair value due to the short maturity of these instruments.

Restricted Securities Available for Sale. Restricted securities consist of amounts held in trusts by TPAs to pay claims on vehicle service contracts. Securities for which we do not have the intent or ability to hold to maturity are classified as available for sale and stated at fair value. The fair value of restricted securities are based on quoted market values.

Net Investment in Loans Receivable. Loans receivable, net represents our net investment in Consumer Loans. The fair value is determined by calculating the present value of future Loan payment inflows and Dealer Holdback outflows estimated by us utilizing a discount rate comparable with the rate used to calculate our allowance for credit losses.

Derivative Instruments. The fair value of interest rate caps and interest rate swaps are based on quoted prices for similar instruments in active markets, which are influenced by a number of factors, including interest rates, amount of debt outstanding, and number of months until maturity.

Liabilities. The fair value of debt is determined using quoted market prices, if available, or calculated using the estimated value of each debt instrument based on current rates offered to us for debt with similar maturities.

A comparison of the carrying value and estimated fair value of these financial instruments is as follows:

	As of June 30, 2010		As of December 31, 2009	
(Dollars in thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 1,537	$ 1,537	$ 2,170	$ 2,170
Restricted cash and cash equivalents	63,859	63,859	82,456	82,456
Restricted securities available for sale	2,893	2,893	3,121	3,121
Net investment in Loans receivable	1,134,776	1,144,030	1,050,013	1,056,059
Derivative instruments	20	20	82	82
Liabilities				
Line of credit	$ 4,300	$ 4,300	$ 97,300	$ 97,300
Secured financing	240,500	243,015	404,597	404,725
Mortgage note	4,635	4,646	4,744	4,757
Senior notes	244,007	251,250		
Derivative instruments	226	226	1,445	1,445

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We group assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all

significant assumptions are observable in the market.

Level 3	Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates or assumptions that market participants would use in pricing the asset or liability.

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS (Concluded)

The following table provides the fair value measurements of applicable assets and liabilities, measured at fair value on a recurring basis, as of June 30, 2010 and December 31, 2009:

	As of June 30, 2010			As of December 31, 2009		
(Dollars in thousands)	Level 1	Level 2	Total Fair Value	Level 1	Level 2	Total Fair Value
Assets						
Restricted securities available for sale	$ 2,893	$	$ 2,893	$ 3,121	$	$ 3,121
Derivative instruments		20	20		82	82
Liabilities						
Derivative instruments	$	$ 226	$ 226	$	$ 1,445	$ 1,445

8. RELATED PARTY TRANSACTIONS

In the normal course of our business, affiliated Dealer-Partners assign Consumer Loans to us under the Portfolio and Purchase Programs. Dealer Loans and Purchased Loans with affiliated Dealer-Partners are on the same terms as those with non-affiliated Dealer-Partners. Affiliated Dealer-Partners are comprised of Dealer-Partners owned or controlled by: (1) our majority shareholder and Chairman; and (2) a member of the Chairman s immediate family.

Affiliated Dealer Loan balances were $11.2 million and $12.7 million as of June 30, 2010 and December 31, 2009, respectively. Affiliated Dealer Loan balances were 1.1% and 1.5% of total consolidated Dealer Loan balances as of June 30, 2010 and December 31, 2009, respectively. A summary of related party Loan activity is as follows:

	Three Months Ended June 30, 2010		Three Months Ended June 30, 2009	
(Dollars in thousands)	Affiliated Dealer-Partner activity	% of consolidated	Affiliated Dealer-Partner activity	% of consolidated
New Dealer and Purchased Loans	$ 1,039	0.5%	$ 1,591	1.2%
Dealer Loan revenue	$ 801	1.1%	$ 958	1.6%
Dealer Holdback payments	$ 469	4.4%	$ 494	4.4%

	Six Months Ended June 30, 2010		Six Months Ended June 30, 2009	
	Affiliated Dealer-Partner activity	% of consolidated	Affiliated Dealer-Partner activity	% of consolidated
New Dealer and Purchased Loans	$ 2,638	0.6%	$ 3,621	1.3%
Dealer Loan revenue	$ 1,648	1.2%	$ 1,906	1.7%
Dealer Holdback payments	$ 1,059	4.6%	$ 1,065	4.4%

Our majority shareholder and Chairman has indirect control over entities that, in the past, offered secured lines of credit to automobile dealers, and has the right or obligation to reacquire these entities under certain circumstances

until December 31, 2014 or the repayment of the related purchase money note.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

9. INCOME TAXES

A reconciliation of the U.S. federal statutory rate to the Company s effective tax rate, excluding the results of the discontinued United Kingdom operations, is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
U.S. federal statutory rate	35.0%	35.0%	35.0%	35.0%
State income taxes	1.5	1.2	1.6	1.3
Interest and penalties	0.3	0.6	0.3	0.5
Reversal of reserves as a result of settlement with IRS	(10.4)		(4.9)	
Other		(0.1)	(0.1)	
Effective tax rate	26.4%	36.7%	31.9%	36.8%

The differences between the U.S. federal statutory rate and our effective tax rate are primarily due to state income taxes and reserves for uncertain tax positions and related interest and penalties that are included in the provision for income taxes. The decreases for the three and six months ended June 30, 2010, as compared to the same periods in 2009, are primarily due to a reversal of the previously accrued tax reserves and related interest as a result of a settlement of the Internal Revenue Service (IRS) audit detailed below.

The federal income tax returns for 2004, 2005, and 2006 have been under examination by the IRS since February 2007, and in March 2010, the IRS began examining the federal returns for 2007 and 2008. On June 7, 2010, we reached a settlement with the IRS which closed our 2004 through 2008 tax years. As a result of the settlement, we agreed to pay a total of $6.8 million in federal and state taxes and interest related to these years. We also concluded that all 2004 through 2008 uncertain federal jurisdiction tax positions taken in previous periods are effectively settled.

The following table is a summary of changes of the reserve for unrecognized gross tax benefits (in thousands):

	Six Months Ended June 30, 2010
Gross tax contingencies balance at January 1, 2010	$ 11,830
Additions based on tax positions related to current year	909
Additions for tax positions of prior years	111
Settlements	(4,702)
Reductions as a result of a lapse of the statute of limitations	(289)
Gross tax contingencies balance at June 30, 2010	$ 7,859

The settlements amount include $6.2 million of additional taxes for the 2004 through 2008 period that was paid to the IRS because of the settlement discussed above. These additional taxes resulted from an acceleration of taxes already provided for in prior periods and the payment did not have an impact on our net income during the reporting periods. The reversal of reserves for other uncertain tax positions and related interest as a result of the settlement with the IRS had a favorable impact of $6.9 million and $5.9 million (after-tax) on our net income for the three and six month periods ended June 30, 2010, respectively.

The total amount of unrecognized tax benefit that, if recognized, would favorably affect the effective income tax rate in future periods, was approximately $7.9 million as of June 30, 2010. It is reasonably possible that the total amount of unrecognized tax benefit will decrease within the next twelve months as a result of the lapse of statutes of

limitations. Accrued interest and penalties related to uncertain tax positions were $1.5 million and $3.9 million as of June 30, 2010 and December 31, 2009, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

10. CAPITAL TRANSACTIONS

Net Income Per Share

Basic net income per share has been computed by dividing net income by the basic number of common shares outstanding. Diluted net income per share has been computed by dividing net income by the diluted number of common and common equivalent shares outstanding using the treasury stock method. The share effect is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Weighted average common and common equivalent shares outstanding:				
Basic number of common shares outstanding	31,172,229	30,600,531	31,107,721	30,510,439
Dilutive effect of stock options	364,952	610,172	366,357	582,248
Dilutive effect of restricted stock and restricted stock units	63,846	212,484	126,508	193,047
Dilutive number of common and common equivalent shares outstanding	31,601,027	31,423,187	31,600,586	31,285,734

There were no stock options, restricted stock or restricted stock units that would be anti-dilutive for the three and six months ended June 30, 2010 and 2009.

Stock Compensation Plans

Pursuant to our Amended and Restated Incentive Compensation Plan (the Incentive Plan), the number of shares reserved for granting of restricted stock, restricted stock units, stock options, and performance awards to team members, officers, directors, and contractors at any time prior to April 6, 2019 is 1.5 million shares. The shares available for future grants under the Incentive Plan totaled 313,193 as of June 30, 2010.

A summary of the restricted stock activity under the Incentive Plan for the six months ended June 30, 2010 and 2009 is presented below:

	Number of Shares Six Months Ended June 30,	
Restricted Stock	**2010**	**2009**
Outstanding Beginning Balance	242,277	245,329
Granted	19,183	121,736
Vested	(142,682)	(105,682)
Forfeited	(2,593)	(10,233)
Outstanding Ending Balance	116,185	251,150

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

10. CAPITAL TRANSACTIONS (Concluded)

A summary of the restricted stock unit activity under the Incentive Plan for the six months ended June 30, 2010 and 2009 is presented below:

	Nonvested		Vested		Total	
Restricted Stock Units	**Number of Restricted Stock Units**	**Weighted-Average Grant-Date Fair Value Per Share**	**Number of Restricted Stock Units**	**Weighted-Average Grant-Date Fair Value Per Share**	**Number of Restricted Stock Units**	
Outstanding at December 31, 2009	648,250	$ 19.35	120,000	$ 26.30	768,250	
Granted	32,500	39.89			32,500	(1)
Vested	(149,650)	20.24	149,650	20.24		(2)
Outstanding at June 30, 2010	531,100	$ 20.36	269,650	$ 22.94	800,750	

	Nonvested		Vested		Total	
Restricted Stock Units	**Number of Restricted Stock Units**	**Weighted-Average Grant-Date Fair Value Per Share**	**Number of Restricted Stock Units**	**Weighted-Average Grant-Date Fair Value Per Share**	**Number of Restricted Stock Units**	
Outstanding at December 31, 2008	640,000	$ 18.99	60,000	$ 26.30	700,000	
Granted	62,500	21.38			62,500	(3)
Vested	(60,000)	26.30	60,000	26.30		(4)
Forfeited	(20,000)	13.51			(20,000)	
Outstanding at June 30, 2009	622,500	$ 18.71	120,000	$ 26.30	742,500	

(1) The distribution date of any vested restricted stock units is February 22, 2017.

(2) The distribution date of vested

restricted stock units is February 22, 2014 for 60,000 restricted stock units and February 22, 2016 for 89,650 restricted stock units.

(3) The distribution date of any vested restricted stock units is February 22, 2016.

(4) The distribution date of vested restricted stock units is February 22, 2014.

Stock compensation expense consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2010**	**2009**	**2010**	**2009**
Restricted stock	$ 126	$ 555	$ 460	$ 1,065
Restricted stock units	859	1,116	1,708	2,090
	$ 985	$ 1,671	$ 2,168	$ 3,155

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)
(UNAUDITED)

11. BUSINESS SEGMENT INFORMATION

We have two reportable business segments: United States and Other. The United States segment is our dominant segment and primarily consists of the United States automobile financing business. The Other segment consists of businesses in liquidation.

Selected segment information is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Revenue:				
United States	$ 111,778	$ 92,375	$ 215,039	$ 180,261
Other	1	(2)	2	
Total revenue	$ 111,779	$ 92,373	$ 215,041	$ 180,261
Income (loss) from continuing operations before provision for income taxes:				
United States	$ 66,668	$ 56,994	$ 119,138	$ 102,964
Other	(32)	80	(45)	65
Total income from continuing operations before provision for income taxes	$ 66,636	$ 57,074	$ 119,093	$ 103,029

	As of	
(Dollars in thousands)	June 30, 2010	December 31, 2009
Segment Assets		
United States	$ 1,254,755	$ 1,175,550
Other	63	686
Total Assets	$ 1,254,818	$ 1,176,236

12. COMPREHENSIVE INCOME

Our comprehensive income information is set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Net income	$ 49,040	$ 36,185	$ 81,050	$ 65,186
Unrealized gain on securities available for sale, net of tax	12	15	7	14
Unrealized gain on interest rate swap, net of tax	462	521	771	907
Comprehensive income	$ 49,514	$ 36,721	$ 81,828	$ 66,107

13. SUBSEQUENT EVENTS

Revolving Secured Line of Credit Facility

During the third quarter of 2010, we increased the amount of the revolving secured line of credit facility from $150.0 million to $170.0 million.

Tender Offer

During the second quarter of 2010, we commenced a tender offer to purchase up to 4.0 million shares of our outstanding common stock at a price of $50.00 per share. Upon expiration of the tender offer during the third quarter of 2010, we repurchased 4.0 million common shares at a cost of $200.0 million, which included approximately 2.9 million shares beneficially owned by Donald A. Foss, our Chairman of the Board, and approximately 0.8 million shares beneficially owned by the trustee of certain grantor retained annuity trusts created by Mr. Foss. We financed the purchase of our securities in the tender offer by borrowing under our $170.0 million revolving secured line of credit facility and $325.0 million revolving secured warehouse facility.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in Item 8 Financial Statements and Supplementary Data, of our 2009 Annual Report on Form 10-K, as well as Item 1- Consolidated Financial Statements, of this Form 10-Q, which are incorporated herein by reference.

Overview

We provide auto loans to consumers regardless of their credit history. Our product is offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our product, but who actually end up qualifying for traditional financing.

Critical Success Factors

Critical success factors include our ability to access capital on acceptable terms, accurately forecast Consumer Loan performance, and maintain or grow Consumer Loan volume at the level and on the terms that we anticipate, with an objective to maximize economic profit. Economic profit is a financial metric we use to evaluate our financial results and determine incentive compensation. Economic profit measures how efficiently we utilize our total capital, both debt and equity, and is a function of the return on capital in excess of the cost of capital and the amount of capital invested in the business.

Access to Capital

Our strategy for accessing capital on acceptable terms needed to maintain and grow the business is to: (1) maintain consistent financial performance; (2) maintain modest financial leverage; and (3) maintain multiple funding sources. Our funded debt to equity ratio is 0.8:1 at June 30, 2010. As of June 30, 2010, our pro forma funded debt to equity ratio was 1.8:1 after completion of our tender offer on July 19, 2010. We currently utilize the following forms of debt financing: (1) a revolving secured line of credit with a commercial bank syndicate; (2) revolving secured warehouse facilities with institutional investors; (3) a Term ABS financing with qualified institutional investors; and (4) Senior Notes.

Consumer Loan Performance

At the time the Consumer Loan is submitted to us for assignment, we forecast future expected cash flows from the Consumer Loan. Based on these forecasts, an advance or one-time payment is made to the related Dealer-Partner at a price designed to achieve an acceptable return on capital. If Consumer Loan performance equals or exceeds our original expectation, it is likely our target return on capital will be achieved.

We use a statistical model to estimate the expected collection rate for each Consumer Loan at the time of assignment. We continue to evaluate the expected collection rate of each Consumer Loan subsequent to assignment. Our evaluation becomes more accurate as the Consumer Loans age, as we use actual performance data in our forecast. By comparing our current expected collection rate for each Consumer Loan with the rate we projected at the time of assignment, we are able to assess the accuracy of our initial forecast. The following table compares our forecast of Consumer Loan collection rates as of June 30, 2010, with the forecasts as of March 31, 2010, as of December 31, 2009, and at the time of assignment, segmented by year of assignment:

	Forecasted Collection Percentage as of				Variance in Forecasted Collection Percentage from		
Consumer Loan Assignment Year	**June 30, 2010**	**March 31, 2010**	**December 31, 2009**	**Initial Forecast**	**March 31, 2010**	**December 31, 2009**	**Initial Forecast**
2001	67.5%	67.5%	67.5%	70.4%	0.0%	0.0%	-2.9%
2002	70.5%	70.5%	70.4%	67.9%	0.0%	0.1%	2.6%
2003	73.7%	73.7%	73.7%	72.0%	0.0%	0.0%	1.7%
2004	73.1%	73.1%	73.1%	73.0%	0.0%	0.0%	0.1%
2005	73.8%	73.8%	73.7%	74.0%	0.0%	0.1%	-0.2%

2006	70.2%	70.3%	70.3%	71.4%	-0.1%	-0.1%	-1.2%
2007	68.0%	68.1%	68.3%	70.7%	-0.1%	-0.3%	-2.7%
2008	69.8%	69.8%	70.0%	69.7%	0.0%	-0.2%	0.1%
2009	77.2%	76.4%	75.6%	71.9%	0.8%	1.6%	5.3%
2010 (1)	75.3%	73.4%		73.6%	1.9%		1.7%

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(1) The forecasted collection rate for 2010 Consumer Loans as of June 30, 2010 includes both Consumer Loans that were in our portfolio as of March 31, 2010 and Consumer Loans assigned during the most recent quarter. The following table provides forecasted collection rates for each of these segments:

2010 Consumer Loan Assignment Period	Forecasted Collection Percentage as of June 30, 2010	Forecasted Collection Percentage as of March 31, 2010	Variance
January 1, 2010 through March 31, 2010	76.9%	73.4%	3.5%
April 1, 2010 through June 30, 2010	73.6%		

Consumer Loans assigned in 2002 through 2004 and 2008 through 2010 have performed better than our initial expectations while Consumer Loans assigned in 2001 and 2005 through 2007 have performed worse. During the second quarter of 2010, forecasted collection rates increased for Consumer Loans assigned during 2009 and 2010 and were consistent with expectations at the start of the period for other assignment years. During the first six months of 2010, forecasted collection rates increased for Consumer Loans assigned in 2009 and 2010, and decreased modestly for 2007 and 2008 Consumer Loan assignments.

As a result of current economic conditions and uncertainty about future conditions, our forecasts of future collection rates are subject to a greater than normal degree of risk. Our pricing strategy considers this in that we have established advance rates that are intended to allow us to achieve acceptable levels of profitability, even if collection rates are less than we currently forecast.

The following table presents forecasted Consumer Loan collection rates, advance rates (includes amounts paid to acquire Purchased Loans), the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that had been realized as of June 30, 2010. Payments of Dealer Holdback and accelerated Dealer Holdback are not included in the advance percentage paid to the Dealer-Partner. All amounts, unless otherwise noted, are presented as a percentage of the initial balance of the Consumer Loan (principal + interest). The table includes both Dealer Loans and Purchased Loans.

	As of June 30, 2010	
Consumer Loan	Forecasted	% of Forecast

Assignment Year	Collection %	Advance %	Spread %	Realized (1)
2001	67.5%	46.0%	21.5%	99.3%
2002	70.5%	42.2%	28.3%	99.2%
2003	73.7%	43.4%	30.3%	99.0%
2004	73.1%	44.0%	29.1%	98.6%
2005	73.8%	46.9%	26.9%	98.2%
2006	70.2%	46.6%	23.6%	95.9%
2007	68.0%	46.5%	21.5%	86.0%
2008	69.8%	44.6%	25.2%	67.4%
2009	77.2%	43.9%	33.3%	41.0%
2010	75.3%	44.9%	30.4%	9.3%

(1) Presented as a percentage of total forecasted collections.

The risk of a material change in our forecasted collection rate declines as the Consumer Loans age. For 2006 and prior Consumer Loan assignments, the risk of a material forecast variance is modest, as we have currently realized in excess of 95% of the expected collections. Conversely, the forecasted collection rates for more recent Consumer Loan assignments are less certain as a significant portion of our forecast has not been realized.

The spread between the forecasted collection rate and the advance rate declined during the 2003 through 2007 period as we increased advance rates during this period in response to a more difficult competitive environment. During 2008 and 2009, the spread increased as the competitive environment improved, and we reduced advance rates. In addition, during 2009, the spread was positively impacted by better than expected Consumer Loan performance. The decline in the spread for 2010 Consumer Loan assignments reflects advance rate increases implemented during the last four months of 2009 and the first quarter of 2010 to increase unit volume as a result of an increase in the amount of capital available to us.

The following table presents forecasted Consumer Loan collection rates, advance rates (includes amounts paid to acquire Purchased Loans), and the spread (the forecasted collection rate less the advance rate) as of June 30, 2010 for Purchased Loans and Dealer Loans separately. Payments of Dealer Holdback and accelerated Dealer Holdback are not included in the

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advance percentage paid to the Dealer-Partner. All amounts are presented as a percentage of the initial balance of the Consumer Loan (principal + interest).

	Consumer Loan Assignment Year	Forecasted Collection %	Advance %	Spread %
Purchased Loans	2007	68.1%	48.6%	19.5%
	2008	68.9%	46.3%	22.6%
	2009	77.3%	44.9%	32.4%
	2010	75.2%	47.1%	28.1%
Dealer Loans	2007	67.9%	45.9%	22.0%
	2008	70.4%	43.6%	26.8%
	2009	77.2%	43.6%	33.6%
	2010	75.3%	44.6%	30.7%

Although the advance rate on Purchased Loans is higher as compared to the advance rate on Dealer Loans, Purchased Loans do not require us to pay Dealer Holdback.

Consumer Loan Volume

Our ability to maintain and grow Consumer Loan volume is impacted by our pricing strategy, the number of Dealer-Partners actively participating in our programs, and the competitive environment. The following table summarizes changes in Consumer Loan assignment volume in each of the last six quarters as compared to the same period in the previous year:

	Year over Year Percent Change	
Three Months Ended	Unit Volume	Dollar Volume (1)
March 31, 2009	-13.0%	-28.9%
June 30, 2009	-16.2%	-33.5%
September 30, 2009	-5.7%	-13.0%
December 31, 2009	7.6%	5.9%
March 31, 2010	11.2%	21.6%
June 30, 2010	22.7%	42.2%

(1) Represents payments made to Dealer-Partners for advances on Dealer Loans and the acquisition of Purchased Loans. Payments of Dealer Holdback and accelerated Dealer Holdback are

not included.

Dollar and unit volume increased during the first two quarters of 2010 as compared to the same periods in 2009 due to pricing changes implemented during the last four months of 2009 and the first quarter of 2010 that reduced per unit profitability in exchange for increased unit volume.

With the amount of capital available to us, we are in position to grow year over year unit volumes. We will continue to monitor unit volumes and will make additional pricing changes with an objective to maximize economic profit given the capital we have available. Future growth rates will partially depend on how unit volumes respond to pricing changes, which will be influenced to a large degree by how quickly competition returns to our market.

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The following table summarizes the changes in Consumer Loan unit volume and active Dealer-Partners:

	Six Months Ended June 30,		
	2010	2009	% change
Consumer Loan unit volume	71,439	61,510	16.1%
Active Dealer-Partners (1)	2,657	2,678	-0.8%
Average volume per active Dealer-Partner	26.9	23.0	17.0%
Consumer Loan unit volume from Dealer-Partners active both periods	56,319	50,826	10.8%
Dealer-Partners active both periods	1,803	1,803	
Average volume per Dealer-Partners active both periods	31.2	28.2	10.8%
Consumer Loan unit volume from new Dealer-Partners	5,151	6,466	-20.3%
New active Dealer-Partners (2)	435	614	-29.2%
Average volume per new active Dealer-Partners	11.8	10.5	12.4%
Attrition (3)	-17.4%	-22.9%	

(1) Active Dealer-Partners are Dealer-Partners who have received funding for at least one Loan during the period.

(2) New active Dealer-Partners are Dealer-Partners who enrolled in our program and have received funding for their first Loan from us during the period.

(3) Attrition is measured according to the

following formula: decrease in Consumer Loan unit volume from Dealer-Partners who have received funding for at least one Loan during the comparable period of the prior year but did not receive funding for any Loans during the current period divided by prior year comparable period Consumer Loan unit volume.

Consumer Loans are assigned to us through either our Portfolio Program or our Purchase Program. The following table summarizes the portion of our Consumer Loan volume that was assigned to us through our Purchase Program:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2010	**2009**	**2010**	**2009**
New Purchased Loan unit volume as a percentage of total unit volume	9.5%	14.0%	9.3%	16.1%
New Purchased Loan dollar volume as a percentage of total dollar volume	11.5%	17.0%	11.3%	19.4%

For the three and six months ended June 30, 2010, new Purchased Loan unit and dollar volume as a percentage of total unit and dollar volume, respectively, decreased as compared to 2009 primarily due to the continued impact of program enrollment eligibility changes we made in 2008, which restricts new Dealer-Partners access to the Purchase Program.

As of June 30, 2010 and December 31, 2009, the net Purchased Loans receivable balance was 23.4% and 27.5%, respectively, of the total net Loans receivable balance.

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Results of Operations

Three and Six Months Ended June 30, 2010 Compared to Three and Six Months Ended June 30, 2009

The following is a discussion of our results of operations and income statement data on a consolidated basis.

(Dollars in thousands, except per share data)	Three Months Ended June 30,		
	2010	2009	% Change
Revenue:			
Finance charges	$ 95,549	$ 81,124	17.8%
Premiums earned	8,245	7,201	14.5%
Other income	7,985	4,048	97.3%
Total revenue	111,779	92,373	21.0%
Costs and expenses:			
Salaries and wages	14,050	16,515	-14.9%
General and administrative	5,920	6,894	-14.1%
Sales and marketing	4,834	3,566	35.6%
Provision for credit losses	1,790	(3,790)	-147.2%
Interest	12,267	7,285	68.4%
Provision for claims	6,282	4,829	30.1%
Total costs and expenses	45,143	35,299	27.9%
Income from continuing operations before provision for income taxes	66,636	57,074	16.8%
Provision for income taxes	17,571	20,924	-16.0%
Income from continuing operations	49,065	36,150	35.7%
Discontinued operations			
(Loss) gain from discontinued United Kingdom operations	(25)	49	-151.0%
Provision for income taxes		14	-100.0%
(Loss) gain from discontinued operations	(25)	35	-171.4%
Net income	$ 49,040	$ 36,185	35.5%
Net income per common share:			
Basic	$ 1.57	$ 1.18	
Diluted	$ 1.55	$ 1.15	
Income from continuing operations per common share:			
Basic	$ 1.57	$ 1.18	

Diluted	$	1.55	$	1.15
(Loss) gain from discontinued operations per common share:				
Basic	$		$	
Diluted	$		$	
Weighted average shares outstanding:				
Basic		31,172,229		30,600,531
Diluted		31,601,027		31,423,187

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	Six Months Ended June 30,		
(Dollars in thousands, except per share data)	2010	2009	% Change
Revenue:			
Finance charges	$ 185,212	$ 157,850	17.3%
Premiums earned	15,949	13,661	16.7%
Other income	13,880	8,750	58.6%
Total revenue	215,041	180,261	19.3%
Costs and expenses:			
Salaries and wages	30,160	33,636	-10.3%
General and administrative	12,462	14,889	-16.3%
Sales and marketing	9,644	7,487	28.8%
Provision for credit losses	8,216	(3,626)	-326.6%
Interest	23,972	15,208	57.6%
Provision for claims	11,494	9,638	19.3%
Total costs and expenses	95,948	77,232	24.2%
Income from continuing operations before provision for income taxes	119,093	103,029	15.6%
Provision for income taxes	38,013	37,867	0.4%
Income from continuing operations	81,080	65,162	24.4%
Discontinued operations			
(Loss) gain from discontinued United Kingdom operations	(30)	34	-188.2%
Provision for income taxes		10	-100.0%
(Loss) gain from discontinued operations	(30)	24	-225.0%
Net income	$ 81,050	$ 65,186	24.3%
Net income per common share:			
Basic	$ 2.61	$ 2.14	
Diluted	$ 2.56	$ 2.08	
Income from continuing operations per common share:			
Basic	$ 2.61	$ 2.14	
Diluted	$ 2.57	$ 2.08	
(Loss) gain from discontinued operations per common share:			

Basic	$	$
Diluted	$	$
Weighted average shares outstanding:		
Basic	31,107,721	30,510,439
Diluted	31,600,586	31,285,734

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Continuing Operations

Three and Six Months Ended June 30, 2010 Compared to Three and Six Months Ended June 30, 2009

The following table highlights changes in income from continuing operations for the three and six months ended June 30, 2010, as compared to 2009:

(Dollars in thousands)	Three Months Ended	Six Months Ended
Income from continuing operations, June 30, 2009	$ 36,150	$ 65,162
Increase in finance charges	14,425	27,362
Increase in premiums earned	1,044	2,288
Increase in other income	3,937	5,130
Decrease in operating expenses (1)	2,171	3,746
Increase in provision for credit losses	(5,580)	(11,842)
Increase in interest	(4,982)	(8,764)
Increase in provision for claims	(1,453)	(1,856)
Decrease (increase) in provision for income taxes	3,353	(146)
Income from continuing operations, June 30, 2010	$ 49,065	$ 81,080

(1) Operating expenses consist of salaries and wages, general and administrative, and sales and marketing expenses.

Finance Charges. For the three months ended June 30, 2010, finance charges increased $14.4 million, or 17.8%, as compared to the same period in 2009. For the six months ended June 30, 2010, finance charges increased $27.4 million, or 17.3%, as compared to the same period in 2009. The increases were the result of an increase in the average yield on our Loan portfolio and an increase in the average Loan receivable balance, as follows:

(Dollars in thousands)	Three Months Ended	Six Months Ended
	June 30, 2010	
Change due to an increase in the average yield on our Loan portfolio	$ 9,999	$ 20,514

Change due to an increase in the average Loan receivable balance	4,426	6,848
Increase in finance charges	$ 14,425	$ 27,362

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Average yield on our Loan portfolio	34.3%	30.7%	34.2%	30.4%

The increases in the average yield on our Loan portfolio were primarily due to an increase in forecasted collection rates throughout 2009 as well as higher yields on Consumer Loans assigned during the last three quarters of 2009 and the first two quarters of 2010. The increases in the average Loan receivable balance were primarily due to growth in new Loan volume during the last quarter of 2009 and first two quarters of 2010.

Premiums Earned. For the three months ended June 30, 2010, premiums earned increased $1.0 million, or 14.5%, as compared to the same period in 2009. For the six months ended June 30, 2010, premiums earned increased $2.3 million, or 16.7%, as compared to the same period in 2009. The increases were due to a revision in our revenue recognition timing, partially offset by a decline in the size of our reinsurance portfolio. During the third quarter of 2009, we revised our revenue recognition timing in order to better match the timing with our expected costs of servicing vehicle contracts. The decline in the size of our reinsurance portfolio is primarily due to the termination of our arrangement with one of our third party insurers during the fourth quarter of 2009. Prior to the fourth quarter of 2009, VSC Re reinsured vehicle service contracts that were underwritten by two of our three third party insurers. VSC Re currently reinsures vehicle service contracts that are underwritten by one of our two third party insurers.

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Other Income. For the three months ended June 30, 2010, other income increased $3.9 million, or 97.3%, as compared to the same period in 2009. For the six months ended June 30, 2010, other income increased $5.1 million, or 58.6%, as compared to the same period in 2009. For the three and six month periods, the increase was primarily a result of $3.4 million of income recognized during the second quarter of 2010 related to an arrangement with one of our third party vehicle service contract providers. This arrangement was discontinued in 2008 and no additional income is expected beyond the amount recognized to date. While we continue to generate income from vehicle service contracts, such amounts are captured through VSC Re and recorded over the life of the contracts.

Salaries and wages. For the three months ended June 30, 2010, salaries and wages decreased $2.5 million, or 14.9%, as compared to the same period in 2009. For the six months ended June 30, 2010, salaries and wages decreased $3.5 million, or 10.3%, as compared to the same period in 2009. The decreases were primarily the result of:

Reduced expenses related to stock compensation due to the timing of expense related to long-term incentive compensation;

Reduced expenses related to information technology primarily due to an approximate 25% reduction in information technology headcount. Secondarily, a higher percentage of the work being performed has been capitalized as software developed for internal use; and

Reduced expenses related to collections due to fewer delinquent accounts which reduce the amount of collection effort.

In addition, for the three month period, the decrease was also partially the result of an increased percentage of Loan origination costs being deferred due to a decrease in the Purchased Loan unit volume as a percentage of total unit volume.

General and Administrative. For the three months ended June 30, 2010, general and administrative expense decreased $1.0 million, or 14.1%, as compared to the same period in 2009. For the six months ended June 30, 2010, general and administrative expense decreased $2.4 million, or 16.3%, as compared to the same period in 2009. The decreases primarily resulted from (1) decreased legal costs and (2) decreased consulting fees primarily related to the IRS audit which is now complete.

Sales and Marketing. For the three months ended June 30, 2010, sales and marketing expense increased $1.3 million, or 35.6%, as compared to the same period in 2009. For the six months ended June 30, 2010, sales and marketing expense increased $2.2 million, or 28.8%, as compared to the same period in 2009. The increases were due primarily to increased sales commissions due to an increase in commission per Loan assignment and an increase in the number of Loan assignments.

Provision for Credit Losses. For the three months ended June 30, 2010, the provision for credit losses increased $5.6 million, or 147.2%, as compared to the same period in 2009. For the six months ended June 30, 2010, the provision for credit losses increased $11.8 million, or 326.6%, as compared to the same period in 2009. Under GAAP, when forecasted future cash flows decline relative to the cash flows expected at the time of assignment, a provision for credit losses is recorded immediately as a current period expense and a corresponding allowance for credit losses is established. For purposes of calculating the required allowance, Dealer Loans are grouped by Dealer-Partner and Purchased Loans are grouped by month of purchase. As a result, regardless of the overall performance of the portfolio of Consumer Loans, a provision can be required if any individual Loan pool performs worse than expected. Conversely, a previously recorded provision can be reversed if any previously impaired individual Loan pool experiences an improvement in performance.

During the three and six months ended June 30, 2010, overall Consumer Loan performance exceeded our expectations at the start of the periods. However, impaired Loan pools within our portfolio experienced net declines in forecasted cash flows, resulting in provision for credit losses of $1.8 million and $8.2 million for the three and six months ended June 30, 2010, respectively. During the three and six months ended June 30, 2009, overall Consumer Loan performance also exceeded our expectations at the start of the periods. Consistent with the overall performance of the portfolio, impaired Loan pools experienced net improvements in forecasted cash flows, resulting in a reversal of provision for credit losses of $3.8 million and $3.6 million for the three months and six months ended June 30, 2009,

respectively.

Interest. For the three months ended June 30, 2010, interest expense increased $5.0 million, or 68.4%, as compared to the same period in 2009. For the six months ended June 30, 2010, interest expense increased $8.8 million, or 57.6%, as compared to the same period in 2009. The following table shows interest expense, the average outstanding debt balance, and the pre-tax average cost of debt for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2010	2009	2010	2009
Interest expense	$ 12,267	$ 7,285	$ 23,972	$ 15,208
Average outstanding debt balance	$ 509,867	$ 604,863	$ 500,968	$ 614,571
Pre-tax average cost of debt	9.6%	4.8%	9.6%	4.9%

For the three and six months ended June 30, 2010, the increases in interest expense were primarily due to increases in our pre-tax average cost of debt due to the issuance of the Senior Notes during the first quarter of 2010 and an increase in available and unused credit capacity.

Provision for claims. For the three months ended June 30, 2010, provision for claims increased $1.5 million, or 30.1%, as compared to the same period in 2009. For the six months ended June 30, 2010, provision for claims increased $1.9 million, or 19.3%, as compared to the same period in 2009. The increases were due to an increase in claims paid per reinsured vehicle service contract, partially offset by a decline in the size of our reinsurance portfolio.

Provision for income taxes. For the three months ended June 30, 2010, the effective tax rate decreased to 26.4%, from 36.7% in the same period in 2009. For the six months ended June 30, 2010, the effective tax rate decreased to 31.9%, from 36.8% in the same period in 2009. The decreases for the three and six month periods, as compared to the same periods in prior year, were primarily due to the reversal of reserves for uncertain tax positions and associated interest as a result of the completion of the IRS audit during the second quarter of 2010.

Liquidity and Capital Resources

We need capital to fund new Loans and pay Dealer Holdback. Our primary sources of capital are cash flows from operating activities, collections of Consumer Loans and borrowings under: (1) a revolving secured line of credit with a commercial bank syndicate; (2) revolving secured warehouse facilities with institutional investors; (3) Term ABS financings with qualified institutional investors; and (4) Senior Notes. There are various restrictive debt covenants for each financing arrangement and we are in compliance with those covenants as of June 30, 2010. For information regarding these financings and the covenants included in the related documents, see Note 5 to the consolidated financial statements contained in Item 1 of this Form 10-Q, which is incorporated herein by reference.

Cash and cash equivalents decreased to $1.5 million as of June 30, 2010 from $2.2 million at December 31, 2009. Our total balance sheet indebtedness decreased to $493.5 million at June 30, 2010 from $507.0 million at December 31, 2009 as the net cash provided by our operating activities and principal collections from our Loan portfolio exceeded the cash used to fund new Loans.

During the first quarter of 2010, we issued $250.0 million aggregate principal amount of 9.125% First Priority Senior Notes. Concurrently with the issuance of the Senior Notes, we amended the agreements governing our line of credit facility with a commercial bank syndicate to facilitate the issuance of the Senior Notes and future secured indebtedness. The net proceeds from the offering of the Senior Notes were used to repay all outstanding borrowings under our line of credit facility and to repay all outstanding borrowings under our $325.0 million revolving secured warehouse facility, subject to our ability to reborrow in each case.

The Senior Notes were issued pursuant to an Indenture, dated as of February 1, 2010, among us, BVPP and VRS, as Guarantors, and U.S. Bank National Association, as Trustee.

The Senior Notes mature on February 1, 2017 and bear interest at a rate of 9.125% per annum, computed on the basis of 360-day year composed of twelve 30-day months and payable semi-annually on February 1 and August 1 of each year, beginning on August 1, 2010. The Senior Notes were issued at 97.495% of the aggregate principal amount for net proceeds of $243.7 million, representing a yield to maturity of 9.625%.

During the second quarter of 2010, we extended the maturity of the revolving secured line of credit facility with a commercial bank syndicate from June 23, 2011 to June 22, 2012. The interest rate on borrowings under the facility

was changed from the prime rate plus 1.0% or the Eurodollar rate plus 2.75%, at the Company s option, to the prime rate plus 1.25% or the Eurodollar rate plus 2.25%, at the Company s option. The floor on the Eurodollar rate decreased from 1.50% to

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0.75%. None of the financial covenants were modified. Additionally, during the third quarter of 2010, we increased the amount of the facility from $150.0 million to $170.0 million.

Also during the second quarter of 2010, we extended the date on which our $325.0 million revolving secured warehouse facility will cease to revolve from August 23, 2010 to June 15, 2013. The interest rate on borrowings under the $325.0 million revolving secured warehouse facility was decreased from a floating rate equal to the commercial paper rate plus 5% to the commercial paper rate plus 3.5%. In addition, the agreement was modified to provide that in the event that the facility is not renewed and the borrower is in compliance with the terms and conditions of the agreement, any amounts outstanding will be repaid over time as the collections on the loans securing the facility are received.

During the second quarter of 2010, we commenced a tender offer to purchase up to 4.0 million shares of our outstanding common stock at a price of $50.00 per share. Upon expiration of the tender offer during the third quarter of 2010, we repurchased 4.0 million common shares at a cost of $200.0 million, which included approximately 2.9 million shares beneficially owned by Donald A. Foss, our Chairman of the Board, and approximately 0.8 million shares beneficially owned by the trustee of certain grantor retained annuity trusts created by Mr. Foss. We financed the purchase of our securities in the tender offer by borrowing under our $170.0 million revolving secured line of credit facility and $325.0 million revolving secured warehouse facility.

Contractual Obligations

A summary of the total future contractual obligations requiring repayments as of June 30, 2010 is as follows:

		Payments Due by Period				
(Dollars in thousands)	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Other**
Long-term debt, including current maturities and capital leases (1)	$ 499,465	$ 8,099	$ 177,726	$ 63,640	$ 250,000	$
Operating lease obligations	2,479	688	1,649	142		
Purchase obligations (2)	2,255	1,553	702			
Other future obligations (3)	7,859					7,859
Total contractual obligations (4)	$ 512,058	$ 10,340	$ 180,077	$ 63,782	$ 250,000	$ 7,859

(1) Long-term debt obligations included in the above table consist solely of principal repayments. We are also obligated to make interest payments at the applicable interest rates, as discussed in

Note 5 to the consolidated financial statements contained in Item 1 of this Form 10-Q, which is incorporated herein by reference. Based on the actual amounts outstanding under our revolving line of credit, our warehouse facilities, and our Senior Notes at June 30, 2010, the forecasted amounts outstanding on all other debt and the actual interest rates in effect as of June 30, 2010, interest is expected to be approximately $16.6 million during 2010; $32.6 million during 2011; and $132.9 million during 2012 and thereafter.

(2) Purchase obligations consist solely of contractual obligations related to the information system needs.

(3) Other future obligations

included in the above table consist solely of reserves for uncertain tax positions. Payments are contingent upon examination and would occur in the periods in which the uncertain tax positions are settled.

(4) We have contractual obligations to pay Dealer Holdback to our Dealer-Partners; however, as payments of Dealer Holdback are contingent upon the receipt of customer payments and the repayment of advances, these obligations are excluded from the table above. Additionally, we completed a $200.0 million tender offer on July 19, 2010 which is not reflected in this table as it was not an obligation as of June 30, 2010.

Based upon anticipated cash flows, management believes that cash flows from operations and its various financing alternatives will provide sufficient financing for debt maturities and for future operations. Our ability to borrow funds may be impacted by economic and financial market conditions. If the various financing alternatives were to become limited or unavailable to us, our operations and liquidity could be materially and adversely affected.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we review our accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2009 discusses several critical accounting estimates, which we believe involve a high degree of judgment and complexity. There have been no material changes to the estimates and assumptions associated with these accounting estimates from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2009.

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Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Forward-Looking Statements

We make forward-looking statements in this report and may make such statements in future filings with the Securities and Exchange Commission. We may also make forward-looking statements in our press releases or other public or shareholder communications. Our forward-looking statements are subject to risks and uncertainties and include information about our expectations and possible or assumed future results of operations. When we use any of the words may, will, should, believe, expect, anticipate, assume, forecast, estimate, intend, plan expressions, we are making forward-looking statements.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of our forward-looking statements. These forward-looking statements represent our outlook only as of the date of this report. While we believe that our forward-looking statements are reasonable, actual results could differ materially since the statements are based on our current expectations, which are subject to risks and uncertainties. Factors that might cause such a difference include, but are not limited to, the factors set forth in Item 1A of our Form 10-K for the year ended December 31, 2009, other risk factors discussed herein or listed from time to time in our reports filed with the Securities and Exchange Commission and the following:

Our inability to accurately forecast and estimate the amount and timing of future collections could have a material adverse effect on results of operations.

We may be unable to execute our business strategy due to current economic conditions.

We may be unable to continue to access or renew funding sources and obtain capital needed to maintain and grow our business.

The terms of our debt limit how we conduct our business.

The conditions of the U.S. and international capital markets may adversely affect lenders with which we have relationships, causing us to incur additional costs and reducing our sources of liquidity, which may adversely affect our financial position, liquidity and results of operations.

Our substantial debt could negatively impact our business, prevent us from satisfying our debt obligations and adversely affect our financial condition.

Due to competition from traditional financing sources and non-traditional lenders, we may not be able to compete successfully.

We may not be able to generate sufficient cash flows to service our outstanding debt and fund operations and may be forced to take other actions to satisfy our obligations under such debt.

Interest rate fluctuations may adversely affect our borrowing costs, profitability and liquidity.

Reduction in our credit rating could increase the cost of our funding from, and restrict our access to, the capital markets and adversely affect our liquidity, financial condition and results of operations.

We may incur substantially more debt and other liabilities. This could exacerbate further the risks associated with our current debt levels.

The regulation to which we are or may become subject could result in a material adverse effect on our business.

Adverse changes in economic conditions, the automobile or finance industries, or the non-prime consumer market could adversely affect our financial position, liquidity and results of operations, the ability of key vendors that we depend on to supply us with services, and our ability to enter into future financing transactions.

Litigation we are involved in from time to time may adversely affect our financial condition, results of operations and cash flows.

Our operations are dependent on technology.

We are dependent on our senior management and the loss of any of these individuals or an inability to hire additional team members could adversely affect our ability to operate profitably.

Our reputation is a key asset to our business, and our business may be affected by how we are perceived in the marketplace.

The concentration of our Dealer-Partners in several states could adversely affect us.

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- Failure to properly safeguard confidential consumer information could subject us to liability, decrease our profitability and damage our reputation.

- Our founder controls a majority of our common stock, has the ability to control matters requiring shareholder approval and has interests which may conflict with the interests of our other security holders.

- Reliance on our outsourced business functions could adversely affect our business.

- Natural disasters, acts of war, terrorist attacks and threats or the escalation of military activity in response to these attacks or otherwise may negatively affect our business, financial condition and results of operations.

Other factors not currently anticipated by management may also materially and adversely affect our results of operations. We do not undertake, and expressly disclaim any obligation, to update or alter our statements whether as a result of new information, future events or otherwise, except as required by applicable law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Refer to our Annual Report on Form 10-K for the year ended December 31, 2009 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2009 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures.

(a) *Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Internal Control Over Financial Reporting.* There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

See Index of Exhibits following the signature page, which is incorporated herein by reference.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CREDIT ACCEPTANCE CORPORATION
(Registrant)

By: /s/ Kenneth S. Booth
Kenneth S. Booth
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
August 3, 2010

INDEX OF EXHIBITS

Exhibit No.		Description
4(f)(134)	1	Tenth Amendment, dated as of June 9, 2010, to Fourth Amended and Restated Credit Agreement, dated February 7, 2006, between the Company, the Banks which are parties thereto from time to time, and Comerica Bank as Administrative Agent for the Banks.
4(f)(135)	2	Fourth Amended and Restated Loan and Security Agreement, dated as of June 16, 2010 among the Company, CAC Warehouse Funding Corporation II, Variable Funding Capital Company LLC, Wells Fargo Securities, LLC, and Wells Fargo Bank, National Association.
4(f)(136)	3	Second Amended and Restated Contribution Agreement, dated as of June 16, 2010, between the Company and CAC Warehouse Funding Corporation II.
31(a)	3	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	3	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	3	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	3	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

1 Previously filed as an exhibit to the Company s Current Report on Form 8-K, dated June 9, 2010, and incorporated herein by reference,

2 Previously filed as an exhibit to the Company s Current Report on Form 8-K, dated June 18, 2010, and incorporated herein by reference,

3 Filed herewith.