CREDIT ACCEPTANCE CORP
Form 424B3
April 12, 2013
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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-187778

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, $.01 par value	1,725,000	$105.00	$181,125,000	$24,705.45

(1) Assumes that the underwriters exercise their option to purchase 225,000 additional shares.

(2) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

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PROSPECTUS SUPPLEMENT

(To prospectus dated April 8, 2013)

1,500,000 Shares

Credit Acceptance Corporation

Common Stock

The selling shareholders identified in this prospectus supplement are selling 1,500,000 shares of our common stock. We will not receive any proceeds from the sale of shares to be offered by the selling shareholders.

Our shares trade on The NASDAQ Global Select Market under the symbol CACC. On April 5, 2013, the last sale price of the shares as reported on The NASDAQ Global Select Market was $117.25 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page S-14 of this prospectus supplement and in any risk factors described in the documents referenced herein.

	Per Share	Total
Public offering price	$ 105.000	$ 157,500,000
Underwriting discount	$ 4.725	$ 7,087,500
Proceeds, before expenses, to the selling shareholders	$ 100.275	$ 150,412,500

The underwriters may also exercise their option to purchase up to an additional 225,000 shares from the selling shareholders at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement to cover the underwriters option to purchase additional shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about April 17, 2013.

Joint Book-Running Managers

BofA Merrill Lynch **Credit Suisse**

Co-Manager

BMO Capital Markets

The date of this prospectus supplement is April 11, 2013

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Prospectus Supplement

Prospectus dated April 8, 2013

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters and the selling shareholders have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the selling shareholders are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where such offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the date of the document in which it appears, unless otherwise indicated. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is comprised of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which does not apply to this offering. Generally, when we refer to the prospectus, we are referring to both this prospectus supplement and the accompanying prospectus combined. To the extent any inconsistency or conflict exists between the information included or incorporated by reference in this prospectus supplement, on the one hand, and the information included in the accompanying prospectus, on the other hand, the information included or incorporated by reference in this prospectus supplement updates and supersedes the information in the accompanying prospectus. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described under Where You Can Find More Information .

Unless the context otherwise requires, the terms Credit Acceptance, the Company, we, us or our or similar terms each refer to Credit Accept Corporation, together with its consolidated subsidiaries.

This document may only be used where it is legal to sell the shares of common stock. Certain jurisdictions may restrict the distribution of this document and the offering of the shares of common stock. We require persons receiving this document to inform themselves about and to observe any such restrictions. We have not taken any action that would permit an offering of the shares of common stock or the distribution of these documents in any jurisdiction that requires such action.

MARKET AND INDUSTRY DATA AND FORECASTS

Any market or industry data and statistical information contained in this prospectus supplement, the accompanying prospectus or in the information incorporated by reference herein or therein are based on a variety of sources, including internal data and estimates, independent industry publications, government publications, reports by market research firms or other published independent sources. Industry publications and other published sources generally state that the information contained therein has been obtained from third-party sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such included information. Our internal data and estimates are based upon information obtained from our Dealers, trade and business organizations and other contacts in the markets in which we operate and our management s understanding of industry conditions, and such information has not been verified by any independent sources. Accordingly, investors should not place undue reliance on such data and information.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). The public may read and copy these documents at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain further information on the operation of the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers like Credit Acceptance Corporation that file electronically with the SEC.

This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 filed by us with the SEC under the Securities Act. This prospectus supplement and the accompanying prospectus do not contain all of the information set forth in the registration statement. You can obtain a copy of the registration statement from the SEC as described above.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We have incorporated by reference into this prospectus supplement and the accompanying prospectus certain information that we have previously filed with the SEC or that we may file in the future. This means that we are disclosing important business, financial and other information by referring you to other documents that are or will be available to you on the website of the SEC. The information we incorporate by reference is deemed to be a part of this prospectus supplement and the accompanying prospectus, and all references to this prospectus supplement are meant to include references to the incorporated information as if it was physically included herein. Information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, and information in documents that we file later with the SEC will automatically update and supersede information in this prospectus supplement and the accompanying prospectus. We incorporate by reference the documents listed below into this prospectus supplement and the accompanying prospectus, and any future filings made by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until we close this offering. We hereby incorporate by reference the following documents:

- our Annual Report on Form 10-K for the year ended December 31, 2012 (our 2012 Form 10-K), including the information specifically incorporated therein from our Definitive Proxy Statement on Schedule 14A (filed with the SEC on April 4, 2013) (our Proxy Statement);

- our Current Reports on Form 8-K filed with the SEC on January 3, 2013, March 13, 2013, April 5, 2013 and April 8, 2013; and

- the description of our common stock which is contained in our registration statement on Form 8-A filed with the SEC on May 12, 1992 including any amendment or reports filed for the purpose of updating such description.

We are not incorporating by reference any information furnished under Items 2.02 or 7.01 (or corresponding information furnished under Item 9.01 or included as an exhibit) in any past or future current report on Form 8-K that we file with the SEC, unless otherwise specified in such report.

You may obtain any of the documents incorporated by reference through the SEC or the SEC s website as described above. You may also obtain copies of these documents, other than exhibits, free of charge by contacting our investor relations department at our principal offices at 25505 West Twelve Mile Road, Southfield, Michigan 48034-8339, or at (248) 353-2700.

Any statement contained in a document incorporated by reference in this prospectus supplement and the accompanying prospectus is modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any subsequently filed document that also is incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded does not, except as so modified or superseded, constitute a part of this prospectus supplement and the accompanying prospectus.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information you should consider before investing in our common stock. You should carefully review this summary together with the more detailed information and financial statements and notes thereto contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectuses. To fully understand this offering, you should read all of these documents.

Our Company

We are a leading independent auto finance company focused on serving consumers regardless of their credit history. Our financing programs are offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our product, but who actually end up qualifying for traditional financing. Since we report to the three national credit reporting agencies, an important ancillary benefit of our programs is that we provide a significant number of our consumers with an opportunity to improve their lives by improving their credit score and move on to more traditional sources of financing.

Credit Acceptance was founded in 1972 to collect retail installment contracts, which we refer to as Consumer Loans, originated by automobile dealerships owned by our Chairman, founder and significant shareholder, Donald A. Foss. During the 1980s, we began to market this service to non-affiliated dealers and, at the same time, began to offer dealers a non-recourse cash payment, referred to as an advance, against anticipated future collections on Consumer Loans serviced for that dealer.

We believe that we are one of the largest auto finance providers in our target market. We have profitably grown our business with our loan portfolio increasing from $1.0 billion as of December 31, 2008 to $1.9 billion as of December 31, 2012, or 17.4% on a compounded annual basis. We attribute our strong, profitable growth to our focus on our target market, innovative financing programs, ability to accurately forecast Consumer Loan performance and robust servicing platforms.

Our Industry

The auto finance industry is the third-largest consumer finance market in the United States, totaling $782 billion in loans outstanding on approximately 59 million vehicles as of January 31, 2013. The market is segmented based on credit quality, with the market for prime customers (those with higher credit scores) typically being more competitive. We serve sub-prime customers who do not qualify for traditional financing due to poor credit history or lack of credit history. This segment of the U.S. population, with credit scores below 640, consists of approximately 70 million individuals. During the most recent economic downturn, this market continued to grow as delinquency rates and losses increased on other forms of consumer credit.

Within the sub-prime auto finance market, we focus on the used car market, which is significantly larger than the market for new cars. We identify our target customers through relationships with automobile dealers. As of December 31, 2012, our potential market consisted of approximately 53,000 automobile dealers in the United States, approximately 70% of which are independent dealers and sell only used cars. We had 5,319 active dealers who participated in our programs (Dealers) during the year ended December 31, 2012.

Similar to other businesses, the sub-prime auto finance industry is subject to various economic and competitive environments. From 2003-2007, the sub-prime auto finance market was highly competitive. However, competition declined significantly in 2008 and 2009 as lenders who relaxed their underwriting standards experienced significant credit losses and capital and liquidity became scarce. Since that time, the competitive environment has intensified as a result of an increase in the amount of capital available to the

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industry. Notwithstanding these changes in the competitive environment, our earnings per share have increased from $0.57 per share in 2003 to $8.58 in 2012, or 35.2% on a compounded annual basis, while our returns on equity since 2009 have exceeded 30%.

Our Business

We offer two financing programs which benefit both the Dealer and the consumer, the Portfolio Program and the Purchase Program. Under the Portfolio Program, we advance money to Dealers, which we refer to as a Dealer Loan, in exchange for the right to service the underlying Consumer Loans. Under the Purchase Program, we buy Consumer Loans from the Dealer, which we refer to as a Purchased Loan, and keep all amounts collected from the consumer. We refer to Dealer Loans and Purchased Loans collectively as Loans. Our programs increase Dealer profitability by enabling them to sell cars to consumers who may not be able to obtain financing from other sources. Additionally, Dealers generate profits from both the sale and financing of the vehicle. Our business model also allows us to share the risk and reward of collecting on the Consumer Loans with our Dealers. This sharing is intended to motivate the Dealer to assign higher quality Consumer Loans, follow our underwriting guidelines, comply with various legal regulations, meet our credit compliance requirements and provide appropriate service and support to the consumer after the sale.

Portfolio Program

As payment for the vehicle, the Dealer generally receives a down payment from the consumer, a cash advance from us and the cash from payments made on the Consumer Loan, net of certain collection costs and our servicing fee, referred to as Dealer Holdback, after the advance has been repaid. The advance enables our Dealers to earn a profit at the time of the vehicle s sale, and the Dealer Holdback enables them to participate in profits of the financing based on the performance of the Consumer Loans.

We generally require Dealers to group advances into pools of at least 100 Consumer Loans. All advances within a Dealer s pool are secured by the future collections on the related Consumer Loans assigned to the pool. For Dealers with more than one pool, the pools are cross-collateralized so the performance of other pools is considered in determining eligibility for the Dealer Holdback. If collections on Consumer Loans from a Dealer s pool are not sufficient to repay the advance balance and any other amounts due to us, the Dealer foregoes the Dealer Holdback.

Collections received by us during a calendar month on Consumer Loans assigned by a Dealer are applied on a pool-by-pool basis as follows:

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

The Portfolio Program comprised 88.0% of our net Loans receivable balance as of December 31, 2012 and 93.7% of our total unit volume during the year ended December 31, 2012.

Purchase Program

The Purchase Program differs from our Portfolio Program in that the Dealer receives a one-time payment from us at the time of assignment to purchase the Consumer Loan instead of a cash advance at the time of assignment and future Dealer Holdback payments.

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The Purchase Program comprised 12.0% of our net Loans receivable balance as of December 31, 2012 and 6.3% of our total unit volume during the year ended December 31, 2012.

Ancillary Products

In addition to our financing programs, we also provide Dealers the ability to offer ancillary products, such as vehicle service contracts and a Guaranteed Asset Protection (GAP) product through our relationships with third party providers. Our vehicle service contract provides the consumer protection by paying for the repair or replacement of certain components of the vehicle in the event of a mechanical failure. Our GAP product provides the consumer protection by paying the difference between the loan balance and the amount covered by the consumer s insurance policy in the event of a total loss of the vehicle due to severe damage or theft. We receive a fee for all vehicle service contracts and GAP contracts sold by our Dealers when the vehicle is financed by us and provide Dealers with an additional advance based on the retail price of these contracts.

Our Origination and Servicing Platforms

Our origination and servicing platforms are technology driven and enable seamless interaction between various constituencies. Our Credit Approval Processing System (CAPS) allows Dealers to input a consumer s credit application and view a response via the internet. CAPS empowers our Dealers by not only providing a quick approval but also optimizing the structure of each transaction. CAPS interfaces with our credit scoring models enabling us to seamlessly deliver precise risk adjusted pricing based upon the forecasted performance of the Consumer Loan.

Our servicing operations utilize our proprietary Loan Servicing System (LSS) and Collection System (CS). LSS maintains a record of all transactions relating to Consumer Loans assigned after July 1990 and is a primary source of data used to forecast the performance of the Consumer Loans. CS interfaces with LSS and our predictive dialer and records all activity on a Consumer Loan, including details of past phone conversations with the consumer, collection letters sent, promises to pay, broken promises, repossession orders and collection attorney activity. We believe our servicing systems, together with our collection strategies and analytical models, enables us to maximize collections on the Consumer Loans.

Our Strengths

The following competitive strengths contribute to our leading market position and differentiate us from our competitors:

Unique Business Model. Our unique business model and innovative financing programs align Dealers interests with ours and differentiate us from other auto finance providers. Our Portfolio Program allows us to share the risk and reward of collecting on Consumer Loans with Dealers. We believe that this positively impacts Consumer Loan performance by incentivizing Dealers to follow our underwriting guidelines and assign better quality loans to us. Additionally, the structure of our Portfolio Program also reduces our exposure to losses on the Consumer Loans since 80% of the losses on the Consumer Loans reduce the amount of the Dealer Holdback that we pay to the Dealer.

Experienced Management Team. Our senior management team averages over 12 years of experience with Credit Acceptance and has extensive experience operating the business in a variety of competitive and economic environments. Our Chief Executive Officer, Brett Roberts, has worked for the Company for more than two decades. Since he became CEO in 2002, our earnings per share have grown at a compound annual rate of 28.7%.

Long Operating History Through Economic Cycles. Since our inception in 1972, we have been focused on providing auto financing in our target markets. Our low leverage and access to capital has enabled us to consistently invest in the systems, analytical models, compliance programs and team members required to be successful. As a result, we have profitably grown our business

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through a variety of economic and competitive environments, with net income increasing from $67.2 million in 2008 to $219.7 million in 2012, a compounded annual growth rate of 34.5%.

Robust Collection Systems and Strategies. During our 40 year operating history, we have developed customized systems and strategies designed to maximize collections on our Consumer Loans. We use analytical and policy-based tools to make servicing decisions. Approximately 50% of our team members are dedicated to servicing our portfolio, and we have a large network of vendors that work with us to maximize proceeds from repossessed vehicles and recover any deficiency balances.

Track Record of Accurately Predicting Consumer Loan Performance. CAPS allows us to deliver precise risk-adjusted pricing and make pricing changes rapidly in response to changing market conditions. We have performance data on over 1.5 million Consumer Loans that we have serviced since 1991. We base our forecasts upon the historical performance of Consumer Loans with similar attributes. The historical difference between our actual collection rate on the Consumer Loans and the collection rate projected at Consumer Loan origination has been minimal. Our demonstrated ability to accurately forecast Consumer Loan performance has enabled us to consistently achieve our targeted returns.

Access to Capital. Due to our low financial leverage and strong, consistent financial performance, we have successfully and consistently accessed the capital markets and have maintained multiple funding sources. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) revolving secured warehouse (Warehouse) facilities; (3) asset-backed secured financings (Term ABS); and (4) 9.125% First Priority Senior Secured Notes due 2017 (Senior Notes). As of December 31, 2012, we had approximately $500 million collectively available on our revolving line of credit and Warehouse facilities.

Our Strategy

We intend to continue to profitably grow our business by:

Focusing on Our Target Market. We operate only one business, financing sub-prime auto loans in the United States. Though we are a market leader, the market for auto finance is fragmented, and we have a very small share of our target market. As a result, we believe that we have an excellent opportunity to continue to grow our business profitably. We intend to profitably increase the size of our Loan portfolio by increasing the number of active Dealers utilizing our programs. We believe that the service we provide to our Dealers through our Sales and Marketing and Dealer Service Center team members differentiates us from our competitors.

Maintaining Consistent Consumer Loan Origination Standards. We consistently apply our credit policies and underwriting standards, irrespective of the economic and competitive environment. For example, from 2003 to 2007, the sub-prime auto finance market was very competitive, and many industry participants relaxed their credit policies and underwriting standards. We believe that these lax standards contributed to a decline in loan quality and impacted performance of these companies as macroeconomic conditions deteriorated in subsequent years. During the same period, we maintained a consistent credit policy and consistent underwriting standards. We believe that our continued strong Consumer Loan performance is attributable, in part, to our consistent origination standards. We intend to continue to be disciplined in our application of our credit policy and underwriting standards in the future.

Investing in Technology to Improve Loan Performance. Our Consumer Loan origination and servicing platforms are technology driven. We plan to continue to invest in technology to improve the performance of our Consumer Loan portfolio, reduce costs and provide higher quality service

levels to our Dealers. In recent years, we have installed new versions of CAPS and our CS with the goal of positively impacting our collection results and Dealer satisfaction.

Enhancing our Analytical Models. We utilize a credit scoring model to determine the advance rate on Consumer Loans, a forecasting model to evaluate the performance of our Loan portfolio and analytical models to assist us in servicing our Loan portfolio. We intend to continue to enhance and refine our existing models as well as develop new models. These enhancements have in the past improved the operational and financial performance of our portfolio, and we believe that our future enhancements will continue to do so.

Maintaining Financial Flexibility. We intend to maintain a high degree of financial flexibility so that we are able to continue to profitably grow our business over time and through changing economic and competitive environments. We plan to continue to price our Consumer Loans to meet our targeted levels of profitability, increasing the likelihood of generating profitable results even if actual collection rates are lower than our initial forecast. Additionally, we intend to enhance our financial flexibility through continued diversification of our funding sources and maintaining conservative leverage levels.

Recent Developments

On April 8, 2013, we announced certain operating results for the two months ended February 28, 2013 and for the three months ended March 31, 2013 and results of the Company s share repurchase program activities for the three months ended March 31, 2013.

Consumer Loan Performance

At the time a Consumer Loan is submitted to us for assignment, we forecast future expected cash flows from the Consumer Loan. Based on the amount and timing of these forecasts and expected expense levels, an advance or one-time purchase payment is made to the related Dealer at a price designed to achieve an acceptable return on capital. If Consumer Loan performance equals or exceeds our initial 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 February 28, 2013 with the forecasts as of December 31, 2012, 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	February 28, 2013	December 31, 2012	Initial Forecast	December 31, 2012	Initial Forecast
2004	73.1%	73.0%	73.0%	0.1%	0.1%
2005	73.6%	73.6%	74.0%	0.0%	-0.4%
2006	69.9%	69.9%	71.4%	0.0%	-1.5%
2007	68.0%	68.0%	70.7%	0.0%	-2.7%
2008	70.3%	70.3%	69.7%	0.0%	0.6%
2009	79.5%	79.5%	71.9%	0.0%	7.6%
2010	77.3%	77.3%	73.6%	0.0%	3.7%
2011	74.1%	74.1%	72.5%	0.0%	1.6%
2012	72.5%	72.2%	71.4%	0.3%	1.1%

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Consumer Loans assigned in 2009 through 2012 have yielded forecasted collection results materially better than our initial estimates, while Consumer Loans assigned in 2006 and 2007 have yielded forecasted collection results materially worse than our initial estimates. For all other assignment years presented, actual results have been very close to our initial estimates. For the two months ended February 28, 2013, forecasted collection rates improved for Consumer Loans assigned during 2012 and were generally consistent with expectations at the start of the period for all other assignment years presented.

Forecasting collection rates precisely at Loan inception is difficult. With this in mind, we establish advance rates that are intended to allow us to achieve acceptable levels of profitability, even if collection rates are less than we currently forecast.

The following table presents forecasted Consumer Loan collection rates, advance rates, the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that had been realized as of February 28, 2013. 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 February 28, 2013			
Consumer Loan Assignment Year	**Forecasted Collection %**	**Advance % (1)**	**Spread %**	**% of Forecast Realized (2)**
2004	73.1%	44.0%	29.1%	99.6%
2005	73.6%	46.9%	26.7%	99.5%
2006	69.9%	46.6%	23.3%	99.0%
2007	68.0%	46.5%	21.5%	98.1%
2008	70.3%	44.6%	25.7%	97.1%
2009	79.5%	43.9%	35.6%	95.9%
2010	77.3%	44.7%	32.6%	81.9%
2011	74.1%	45.5%	28.6%	56.0%
2012	72.5%	46.3%	26.2%	24.2%
2013	71.6%	47.1%	24.5%	1.8%

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program as a percentage of the initial balance of the Consumer Loans. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

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

The risk of a material change in our forecasted collection rate declines as the Consumer Loans age. For 2009 and prior Consumer Loan assignments, the risk of a material forecast variance is modest, as we have currently realized in excess of 90% of the expected collections. Conversely, the forecasted collection rates for more recent Consumer Loan assignments are less certain as a significant portion of our forecast has not been realized.

The spread between the forecasted collection rate and the advance rate declined during the 2005 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. During the 2010 through 2013 period, the spread decreased as we again increased advance rates in response to the competitive environment.

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The following table presents forecasted Consumer Loan collection rates, advance rates, and the spread (the forecasted collection rate less the advance rate) as of February 28, 2013 for Dealer Loans and Purchased Loans separately. All amounts are presented as a percentage of the initial balance of the Consumer Loan (principal + interest).

	Consumer Loan Assignment Year	Forecasted Collection %	Advance % (1)	Spread %
Dealer Loans	2007	67.9%	45.8%	22.1%
	2008	70.7%	43.3%	27.4%
	2009	79.5%	43.5%	36.0%
	2010	77.4%	44.4%	33.0%
	2011	74.0%	45.2%	28.8%
	2012	72.4%	46.1%	26.3%
	2013	71.6%	46.8%	24.8%
Purchased Loans	2007	68.4%	49.1%	19.3%
	2008	69.7%	46.7%	23.0%
	2009	79.5%	45.3%	34.2%
	2010	77.2%	46.4%	30.8%
	2011	74.3%	48.1%	26.2%
	2012	73.3%	49.4%	23.9%
	2013	71.5%	50.5%	21.0%

(1) Represents advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program as a percentage of the initial balance of the Consumer Loans. Payments of Dealer Holdback and accelerated Dealer Holdback are not included.

The advance rates presented for each Consumer Loan assignment year change over time due to the impact of transfers between Dealer and Purchased Loans. Under our Portfolio Program, certain events may result in Dealers forfeiting their rights to Dealer Holdback. We transfer the Dealer s Consumer Loans from the Dealer Loan portfolio to the Purchased Loan portfolio in the period this forfeiture occurs.

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

The following table summarizes changes in Consumer Loan assignment unit volume in each of the last five quarters, as compared to the same period in the previous year:

Period	Year over Year Percent Change in Unit Volume
March 31, 2012	10.6%
June 30, 2012	7.3%
September 30, 2012	5.4%
December 31, 2012	2.4%
March 31, 2013	-2.9%

Consumer Loan assignment volumes depend on a number of factors including (1) the overall demand for our product, (2) the amount of capital available to fund new Loans, and (3) our assessment of the volume that our infrastructure can support. Our pricing strategy is intended to maximize the amount of economic profit we generate, within the confines of capital and infrastructure constraints.

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Unit volume decreased 2.9% during the first quarter of 2013 as the number of active Dealers grew 21.2% and average volume per active Dealer declined 20.1%. We believe the decline in volume per Dealer is the result of increased competition. We increased advance rates in April 2012 and September 2012, which positively impacted unit volume while reducing the return on capital we expect to earn on new assignments. We believe these advance rate increases had a positive impact on economic profit as we believe the positive impact of the increased volume exceeded the negative impact of the reduced return on capital.

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

	For the Three Months Ended March 31,		
	2013	2012	% Change
Consumer Loan unit volume	57,105	58,796	-2.9%
Active Dealers (1)	4,355	3,594	21.2%
Average volume per active Dealer	13.1	16.4	-20.1%

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

The following table provides additional information on the changes in Consumer Loan unit volume and active Dealers:

	For the Three Months Ended March 31,		
	2013	2012	% Change
Consumer Loan unit volume from Dealers active both periods	42,207	51,521	-18.1%
Dealers active both periods	2,525	2,525	
Average volume per Dealers active both periods	16.7	20.4	-18.1%
Consumer Loan unit volume from new Dealers	3,440	4,089	-15.9%
New active Dealers (1)	678	554	22.4%
Average volume per new active Dealers	5.1	7.4	-31.1%
Attrition (2)	-12.4%	-9.2%	

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

(2) Attrition is measured according to the following formula: decrease in Consumer Loan unit volume from Dealers who have received funding for at least one Loan during the comparable period of the prior year but did not receive funding for any Loans during the current period divided by prior year comparable period Consumer Loan unit volume.

Share Repurchase Program

During the first quarter of 2013, pursuant to its share repurchase program, the Company repurchased 530,795 shares of its outstanding common stock at a total cost of approximately $59.0 million, excluding commissions paid. As of March 21, 2013, the Company had 23,587,496 shares of common stock outstanding. The Company did not repurchase any shares between March 21, 2013 and March 31, 2013. As of March 21, 2013, the Company had authorization to repurchase 1,003,417 shares of its common stock. Unless terminated earlier by resolution of the Board, the share repurchase program will expire when the Company has repurchased all shares authorized for repurchase thereunder.

Additional Information

The Company is incorporated under the laws of the State of Michigan. Our principal executive offices are located at 25505 West Twelve Mile Road, Southfield, Michigan 48034-8339, and our telephone number is (248) 353-2700. Our principal website is located at http://www.creditacceptance.com. **The contents of our website are not a part of this prospectus supplement.**

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The Offering

Common stock offered by the selling shareholders	1,500,000 shares.
Shares of common stock to be outstanding immediately before and after this offering	23,587,496 shares.[1]
Underwriters option to purchase additional shares.	The selling shareholders have granted the underwriters an option to purchase within 30 days of the date of this prospectus supplement up to an additional 225,000 shares of common stock to cover the underwriters option to purchase additional shares.
Use of proceeds	We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders.
Risk factors	See Risk Factors beginning on page S-14 and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
NASDAQ Global Select Market symbol	CACC

[1] The number of shares of our common stock to be outstanding immediately before and after this offering is based on 23,587,496 shares outstanding as of March 21, 2013 and excludes, as of that date:

- 70,000 shares issuable upon the exercise of director stock options outstanding as of March 21, 2013, at a weighted average exercise price of $17.25 per share;
- 1,091,910 shares subject to currently outstanding restricted stock units as of March 21, 2013; and
- 322,415 shares reserved for future issuance under our equity-based compensation plans as of March 21, 2013.

See Shares Eligible for Future Sale. Unless otherwise expressly stated or the context otherwise requires, the information in this prospectus assumes no exercise of the underwriters option to purchase up to 225,000 additional shares of common stock from the selling shareholders.

As of March 21, 2013, we had authorization to repurchase 1,003,417 shares of our common stock pursuant to the share repurchase program. Unless terminated earlier by resolutions of the Board, the share repurchase program will expire when we have repurchased all shares authorized for repurchase thereunder.

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Summary Consolidated Financial and Other Data

Our summary historical consolidated statement of income and other financial data for the years ended December 31, 2012, 2011 and 2010, and our summary historical consolidated balance sheet data as of December 31, 2012 and 2011, are derived from our audited consolidated financial statements appearing in our 2012 Form 10-K, which is incorporated by reference in this prospectus supplement. Our summary historical consolidated balance sheet data as of December 31, 2010 is derived from our audited consolidated financial statements not included or incorporated by reference in this prospectus supplement.

The summary financial data presented below represents or is derived from portions of our financial statements and is not complete. You should read this information in conjunction with, and it is qualified in its entirety by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and related notes thereto appearing in our 2012 Form 10-K, which is incorporated by reference in this prospectus supplement.

Historical results are not necessarily indicative of future performance or results of operations. Amounts are in millions, except share, per share, Consumer Loan unit volume and active Dealer data.

	Years Ended December 31,		
	2012	2011	2010
Income Statement Data:			
Revenue	$ 609.2	$ 525.2	$ 442.1
Costs and expenses:			
Salaries and wages	82.2	63.0	61.3
General and administrative	30.5	25.6	26.4
Sales and marketing	31.2	23.6	19.7
Provision for credit losses	24.0	29.0	10.0
Interest	63.4	57.2	47.8
Provision for claims	34.8	30.4	23.4
Total costs and expenses	266.1	228.8	188.6
Income before provision for income taxes	343.1	296.4	253.5
Provision for income taxes	123.4	108.4	83.4
Net income	$ 219.7	$ 188.0	$ 170.1
Net income per share:			
Basic	$ 8.65	$ 7.15	$ 5.79
Diluted	$ 8.58	$ 7.07	$ 5.67
Weighted average shares outstanding:			
Basic	25,409,655	26,302,289	29,393,309
Diluted	25,598,956	26,600,855	29,984,819
Balance Sheet Data (end of period):			
Loans receivable, net(1)	$ 1,933.5	$ 1,598.6	$ 1,218.0
All other assets	199.7	160.0	125.5
Total assets	$ 2,133.2	$ 1,758.6	$ 1,343.5
Total debt	$ 1,250.8	$ 997.9	$ 685.6
Other liabilities	260.5	220.7	183.4
Total liabilities	1,511.3	1,218.6	869.0

Shareholders equity(2)	621.9	540.0	474.5
Total liabilities and shareholders equity	$ 2,133.2	$ 1,758.6	$ 1,343.5
Other Financial and Operating Data:			
Net cash provided by operating activities	$ 308.6	$ 275.7	$ 200.7
Adjusted return on capital(3)(4)	14.7%	16.8%	17.7%
Economic profit(4)(5)	$ 159.6	$ 143.1	$ 112.7
Adjusted return on equity(4)(6)	36.5%	40.5%	32.5%
Return on equity(6)	38.2%	40.1%	33.9%
Consumer Loan unit volume	190,023	178,074	136,813
Active Dealers(7)	5,319	3,998	3,206

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(1) At December 31, 2012, 2011 and 2010, Loans receivable, net includes Loans receivable, net of $1,064.9 million, $874.9 million and $417.6 million, respectively, that have been sold for legal purposes in connection with our Term ABS financings and Warehouse facilities, which sales, however, do not satisfy the requirements for accounting sale treatment. These Loans receivable are available only for payment of the related Term ABS financings and other obligations issued or arising in the applicable Term ABS financing transaction; they are not available to pay our other obligations or the claims of our other creditors. We hold the right to the excess cash flows not needed to pay the Term ABS financings issued or arising in our Term ABS financings and Warehouse facilities. See Note 8, Debt, in the notes to our consolidated financial statements appearing in our 2012 Form 10-K, which is incorporated by reference in this prospectus supplement.

(2) No dividends were paid during the periods presented.

(3) Adjusted return on capital is defined as adjusted net income plus adjusted interest expense after-tax divided by adjusted average capital. The derivation of each of adjusted net income, adjusted interest expense after-tax and adjusted average capital is set forth in footnote 4.

(4) Adjusted financial results are provided to help investors understand our financial performance. The financial data below is not consistent with U.S. generally accepted accounting principles (GAAP), unless labeled otherwise. We use adjusted financial information internally to measure financial performance and to determine incentive compensation. The table below shows our results following adjustments to reflect non-GAAP accounting methods. Material adjustments are explained in the footnotes to that table and the footnote to the subsequent table, relating to the Floating Yield Adjustments and the Program Fee Yield Adjustments. Measures such as adjusted average capital, adjusted net income, adjusted net income per diluted share, adjusted net income plus interest expense after-tax, adjusted return on capital, adjusted return on equity, adjusted interest expense after-tax, adjusted average shareholders equity and economic profit are all non-GAAP financial measures. These non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

Adjusted financial results for the years ended December 31, 2012, 2011 and 2010 include the following:

	Years Ended December 31, 2012	2011	2010
Economic profit	$ 159.6	$ 143.1	$ 112.7
Adjusted average capital	$ 1,742.8	$ 1,371.1	$ 1,074.2
Adjusted return on equity	36.5%	40.5%	32.5%
Adjusted net income	$ 216.2	$ 194.1	$ 160.5
Adjusted interest expense after-tax	$ 39.9	$ 36.0	$ 30.1
Adjusted net income plus adjusted interest expense after-tax	$ 256.1	$ 230.1	$ 190.6
Adjusted return on capital	14.7%	16.8%	17.7%
Cost of capital (a)	5.5%	6.4%	7.2%
Adjusted average shareholders equity	$ 592.4	$ 478.8	$ 493.1
GAAP diluted weighted average shares outstanding	25,598,956	26,600,855	29,984,819
Adjusted net income per diluted share	$ 8.45	$ 7.30	$ 5.35

(a) The cost of capital includes both a cost of equity and a cost of debt. The cost of equity capital is determined based on a formula that considers the risk of the business and the risk associated with our use of debt. The formula utilized for determining the cost of equity capital is as follows: (the average 30 year treasury rate + 5%) + [(1 tax rate) x (the average 30 year treasury rate + 5% pre-tax average cost of debt rate) x average debt/(average equity + average debt x tax rate)]. For the periods presented, the average 30 year treasury rate and the adjusted pre-tax average cost of debt were as follows:

For the Years Ended December 31, 2012	2011	2010

Average 30 year treasury rate	2.9%	3.9%	4.2%
Adjusted pre-tax average cost of debt	5.5%	6.4%	8.2%

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The following table provides a reconciliation of the non-GAAP measures set forth above to GAAP measures. All after-tax adjustments are calculated using a 37% tax rate as we estimate that to be our long term average effective tax rate. Certain amounts do not recalculate due to rounding.

	For the Years Ended December 31,		
	2012	2011	2010
Economic profit			
Adjusted return on capital	14.7%	16.8%	17.7%
Cost of capital	5.5%	6.4%	7.2%
Adjusted return on capital in excess of cost of capital	9.2%	10.4%	10.5%
Adjusted average capital	$ 1,742.8	$ 1,371.1	$ 1,074.2
Economic profit	$ 159.6	$ 143.1	$ 112.7
Adjusted average capital			
GAAP average debt	$ 1,150.4	$ 892.3	$ 581.1
GAAP average shareholders equity	581.3	469.7	488.4
Floating yield adjustment(a)	11.1	9.4	5.2
Program fee yield adjustment(b)		(0.3)	(0.5)
Adjusted average capital	$ 1,742.8	$ 1,371.1	$ 1,074.2
Adjusted net income			
GAAP net income	$ 219.7	$ 188.0	$ 170.1
Floating yield adjustment (after-tax)(a)		7.1	0.5
Program fee yield adjustment (after-tax)(b)		0.3	0.3
Adjustment to record taxes at 37%	(3.5)	(1.3)	(10.4)
Adjusted net income	$ 216.2	$ 194.1	$ 160.5
Adjusted interest expense (after-tax)			
GAAP interest expense	$ 63.4	$ 57.2	$ 47.8
Adjustment to record tax effect at 37%	(23.5)	(21.2)	(17.7)
Adjusted interest expense (after-tax)	$ 39.9	$ 36.0	$ 30.1
Adjusted return on capital			
Adjusted net income	$ 216.2	$ 194.1	$ 160.5
Adjusted interest expense (after-tax)	39.9	36.0	30.1
Adjusted net income plus interest expense (after-tax)	$ 256.1	$ 230.1	$ 190.6
Adjusted return on capital	14.7%	16.8%	17.7%
Adjusted average shareholders equity			
GAAP average shareholders equity	$ 581.3	$ 469.7	$ 488.4
Floating yield adjustment(a)	11.1	9.4	5.2
Program fee yield adjustment(b)		(0.3)	(0.5)
Adjusted average shareholders equity	$ 592.4	$ 478.8	$ 493.1

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(a) Floating Yield Adjustment

The purpose of this adjustment is to modify the calculation of our GAAP-based finance charge revenue so that favorable and unfavorable changes in expected cash flows from Loans receivable are treated consistently. To make the adjustment understandable, we must first explain how GAAP requires us to account for finance charge revenue, our primary revenue source.

The finance charge revenue we will recognize over the life of the loan equals the cash inflows from our Loan portfolio less cash outflows to acquire the Loans. Our GAAP finance charge revenue is based on estimates of future cash flows and is recognized on a level-yield basis over the estimated life of the Loan. With the level-yield approach, the amount of finance charge revenue recognized from a Loan in a given period, divided by the loan asset, is a constant percentage. Under GAAP, favorable changes in expected cash flows are treated as increases to the yield and are recognized over time, while unfavorable changes are recorded as a current period expense. The non-GAAP methodology that we use (the floating yield method) is identical to the GAAP approach except that, under the floating yield method, all changes in expected cash flows (both positive and negative) are treated as yield adjustments and therefore impact earnings over time. The GAAP treatment always results in a lower carrying value of the Loan receivable asset, but may result in either higher or lower earnings for any given period depending on the timing and amount of expected cash flow changes.

We believe adjusted earnings, which include the floating yield adjustment, are a more accurate reflection of the performance of our business, since both favorable and unfavorable changes in estimated cash flows are treated consistently.

(b) Program Fee Yield Adjustment

The purpose of this adjustment is to make the results for program fee revenue comparable across time periods. In 2001, the Company had begun charging Dealers a monthly program fee. In accordance with GAAP, this fee was being recorded as revenue in the month the fee was charged. However, based on feedback from field sales personnel and Dealers, the Company concluded that structuring the fee in this way was contributing to increased dealer attrition. To address the problem, the Company changed its method for collecting these fees.

As of January 1, 2007, the Company began to take the program fee out of future Dealer Holdback payments instead of collecting it in the current period. The change reduced per unit profitability, since cash that previously was collected immediately is now collected over time. In addition, the change required us to modify our GAAP accounting method for program fees. Starting January 1, 2007, the Company began to record program fees for GAAP purposes as an adjustment to the loan yield, effectively recognizing the fees over the term of the Dealer Loan. This revised GAAP treatment is more consistent with the cash economics. To allow for proper comparisons, the program fee adjustment applies the revised GAAP treatment to all pre-2007 periods. (Starting in 2012, this adjustment is no longer required since all pre-2007 program fees have now been fully recognized.)

(5) Economic profit is the product of (x) the adjusted return on capital in excess of the cost of capital and (y) the adjusted average capital. The derivation of each of adjusted return on capital, cost of capital and adjusted average capital is set forth in footnote 4.

(6) Adjusted return on equity is defined as adjusted net income divided by adjusted average shareholders equity. The derivation of each of adjusted net income and adjusted average shareholders equity is set forth in footnote 4. Return on equity is defined as net income divided by average shareholders equity.

(7) Active Dealers are Dealers who have received funding for at least one Loan during the period.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. Before deciding to invest in our common stock, you should carefully consider the following risk factors, as well as other information that is contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus. The occurrence of any of these risks and uncertainties, as well as other risks and uncertainties, could materially affect our business and our financial condition and results of operations may be materially harmed, in which case the market price of our common stock could decline. The risks described below are not the only ones that could affect us or the value of our common stock. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition or results of operations. As a result of any of these risks, known or unknown, you may lose all or a part of your investment in our common stock.

Risks Relating to Our Business

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

Substantially all of the Consumer Loans assigned to us are made to individuals with impaired or limited credit histories or higher debt-to-income ratios than are permitted by traditional lenders. Consumer Loans made to these individuals generally entail a higher risk of delinquency, default and repossession and higher losses than loans made to consumers with better credit. Since most of our revenue and cash flows from operations are generated from these Consumer Loans, our ability to accurately forecast Consumer Loan performance is critical to our business and financial results. At the time of assignment, we forecast future expected cash flows from the Consumer Loan. Based on these forecasts, which include estimates for wholesale vehicle prices in the event of vehicle repossession and sale, we make an advance or one-time purchase payment to the related Dealer at a level designed to achieve an acceptable return on capital. We continue to forecast the expected collection rate of each Consumer Loan subsequent to assignment. These forecasts also serve as a critical assumption in our accounting for recognizing finance charge income and determining our allowance for credit losses. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Finance Charge Revenue & Allowance for Credit Losses. If Consumer Loan performance equals or exceeds original expectations, it is likely our target return on capital will be achieved. However, actual cash flows from any individual Consumer Loan are often different than cash flows estimated at the time of assignment. There can be no assurance that our forecasts will be accurate or that Consumer Loan performance will be as expected. Recent economic conditions have made forecasts regarding the performance of Consumer Loans more difficult. In the event that our forecasts are not accurate, our financial position, liquidity and results of operations could be materially adversely affected.

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

Our financial position, liquidity and results of operations depend on management s ability to execute our business strategy. Key factors involved in the execution of our business strategy include achieving our desired Consumer Loan assignment volume, continued and successful use of CAPS and pricing strategy, the use of effective credit risk management techniques and servicing strategies, continued investment in technology to support operating efficiency and continued access to funding and liquidity sources. Although our pricing strategy is intended to maximize the amount of economic profit we generate, within the confines of capital and infrastructure constraints, there can be no assurance that this strategy will have its intended effect. See Management s Discussion and Analysis of Financial Condition and Results of Operations Consumer Loan Volume. Our failure or inability to execute any element of our business strategy could materially adversely affect our financial position, liquidity and results of operations.

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

We use debt financing to fund new Loans and pay Dealer Holdback. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit; (2) Warehouse facilities; (3) Term ABS financings; and (4) Senior Notes. We cannot guarantee that the revolving secured line of credit or the Warehouse facilities will continue to be available beyond their current maturity dates, on acceptable terms, or at all, or that we will be able to obtain additional financing on acceptable terms or at all. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, our financial position, our results of operations, and the capacity for additional borrowing under our existing financing arrangements. If our various financing alternatives were to become limited or unavailable, we may be unable to maintain or grow Consumer Loan volume at the level that we anticipate and our operations could be materially adversely affected.

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

The agreements that govern our debt contain covenants that restrict our ability to, among other things:

- incur and guarantee debt;
- pay dividends or make other distributions on or redeem or repurchase our stock;
- make investments or acquisitions;
- create liens on our assets;
- sell assets;
- merge with or into other companies; and
- enter into transactions with shareholders and other affiliates.

Some of our debt agreements also impose requirements that we maintain specified financial measures not in excess of, or not below, specified levels. In particular, our revolving credit facility requires, among other things, that we maintain (i) as of the end of each fiscal quarter, a ratio of consolidated funded debt to consolidated tangible net worth at or below a specified maximum; (ii) as of the end of each fiscal quarter calculated for the two fiscal quarters then ending, consolidated net income of not less than a specified minimum; and (iii) as of the end of each fiscal quarter, a ratio of consolidated income available for fixed charges for the period of four consecutive fiscal quarters most recently ended to consolidated fixed charges for that period of not less than a specified minimum. These covenants limit the manner in which we can conduct our business and could prevent us from engaging in favorable business activities or financing future operations and capital needs and impair our ability to successfully execute our strategy and operate our business.

A breach of any of the covenants in our debt instruments would result in an event of default thereunder if not promptly cured or waived. Any continuing default would permit the creditors to accelerate the related debt, which could also result in the acceleration of other debt containing a cross-acceleration or cross-default provision. In addition, an event of default under our revolving credit facility would permit the lenders thereunder to terminate all commitments to extend further credit under our revolving credit facility. Furthermore, if we were unable to repay the amounts due and payable under our revolving credit facility or other secured debt, the lenders thereunder could cause the collateral agent to proceed against the collateral securing that debt. In the event our creditors accelerate the repayment of our debt, there can be no assurance that we would have sufficient assets to repay that debt, and our financial condition, liquidity and results of operations would suffer.

A violation of the terms of our Term ABS facilities or Warehouse facilities could have a materially adverse impact on our operations.

Under our Term ABS facilities and our Warehouse facilities, (1) we have various obligations and covenants as servicer and custodian of the Consumer Loans contributed thereto and in our individual capacity and (2) the special purpose subsidiaries to which we contribute Consumer Loans have various obligations and covenants. A violation of any of these obligations or covenants by us or the special purpose subsidiaries, respectively, may result in our being unable to obtain additional funding under our Warehouse facilities, the termination of our servicing rights and the loss of servicing fees, and may result in amounts outstanding under our Term ABS financings and our Warehouse facilities becoming immediately due and payable. In addition, the violation of any financial covenant under our revolving secured line of credit facility is an event of default or termination event under the Term ABS facilities and our Warehouse facilities. The lack of availability from any or all of these Term ABS facilities and Warehouse facilities may have a material adverse effect on our financial position, liquidity, and results of operations.

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.

Over the past several years, there has been turbulence in the global capital markets and the overall economy. Such turbulence can result in disruptions in the financial sector and affect lenders with which we have relationships. Disruptions in the financial sector may increase our exposure to credit risk and adversely affect the ability of lenders to perform under the terms of their lending arrangements with us. Failure by our lenders to perform under the terms of our lending arrangements could cause us to incur additional costs that may adversely affect our liquidity, financial condition and results of operations. While overall market conditions have improved, there can be no assurance that future disruptions in the financial sector will not occur that could have similar adverse effects on our business.

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

We have a substantial amount of debt. The substantial amount of our debt could have important consequences, including the following:

- our ability to obtain additional financing for Consumer Loan assignments, working capital, debt refinancing or other purposes could be impaired;
- a substantial portion of our cash flows from operations will be dedicated to paying principal and interest on our debt, reducing funds available for other purposes;
- we may be vulnerable to interest rate increases, as some of our borrowings, including those under our revolving credit facility, bear interest at variable rates;
- we could be more vulnerable to adverse developments in our industry or in general economic conditions;
- we may be restricted from taking advantage of business opportunities or making strategic acquisitions; and
- we may be limited in our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate.

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

The automobile finance market for consumers who do not qualify for conventional automobile financing is large and highly competitive. The market is served by a variety of companies including buy here, pay here dealerships. The market is also currently served by banks, captive finance affiliates of automobile manufacturers, credit unions and independent finance companies both publicly and privately owned. Many of these companies are much larger and have greater financial resources than are available to us, and many have long standing relationships with automobile dealerships. Providers of automobile financing have traditionally competed based on the interest rate charged, the quality of credit accepted, the flexibility of loan terms offered and the quality of service provided to dealers and consumers. During 2012, due to increasing competition in the automobile finance market, the average loan volume per our active Dealers declined approximately 20%. During 2012, we also increased the advance rate on Dealer Loans as a result of increased competition. We may be unable to compete successfully in the automobile finance market or, due to the intense competition in this market, our results of operations, cash flows and financial condition may be adversely affected as we adjust our business in response to competitive pressures. Increasing advance rates on Dealer Loans has the impact of reducing the return on capital we expect to earn on Loans. Additionally, if we are unsuccessful in maintaining and expanding our relationships with Dealers, we may be unable to accept Consumer Loans in the volume and on the terms that we anticipate.

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.

Our ability to make payments of principal and interest on indebtedness will depend in part on our cash flows from operations, which are subject to economic, financial, competitive, and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operations sufficient to permit us to meet our debt service obligations. If we are unable to generate sufficient cash flows from operations to service our debt, we may be required to sell assets, refinance all or a portion of our existing debt or obtain additional financing. There can be no assurance that any refinancing will be possible or that any asset sales or additional financing can be completed on acceptable terms or at all.

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

Our profitability may be directly affected by the level of and fluctuations in interest rates, whether caused by changes in economic conditions or other factors, which affect our borrowing costs. Our profitability and liquidity could be materially adversely affected during any period of higher interest rates. We monitor the interest rate environment and employ strategies designed to mitigate the impact of increases in interest rates. We can provide no assurance, however, that our strategies will mitigate the impact of increases in interest rates.

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.

Credit rating agencies evaluate us, and their ratings of our debt and creditworthiness are based on a number of factors. These factors include our financial strength and other factors not entirely within our control, including conditions affecting the financial services industry generally. There can be no assurance that we will maintain our current ratings. Failure to maintain those ratings could, among other things, adversely limit our access to the capital markets and affect the cost and other terms upon which we are able to obtain financing.

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

Although the terms of our debt instruments contain restrictions on our ability to incur additional debt, we are able to incur a substantial amount of additional debt within these restrictions. In addition, our debt instruments do not prevent us from incurring liabilities that do not constitute indebtedness as defined for purposes of those debt instruments. If new debt or other liabilities are added to our current debt levels, the risks associated with our having substantial debt could intensify.

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

Our business is subject to laws and regulations, including the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and various other state and federal laws and regulations. These laws and regulations, among other things, require licensing and qualification; limit interest rates, fees and other charges associated with the Consumer Loans assigned to us; require specified disclosures by Dealers to consumers; govern the sale and terms of ancillary products; and define the rights to repossess and sell collateral. Failure to comply with these laws or regulations could have a material adverse effect on us by, among other things, limiting the jurisdictions in which we may operate, restricting our ability to realize the value of the collateral securing the Consumer Loans, making it more costly or burdensome to do business or resulting in potential liability. The volume of new or modified laws and regulations has increased in recent years and has increased significantly in response to issues arising with respect to consumer lending. From time to time, legislation and regulations are enacted which increase the cost of doing business, limit or expand permissible activities or affect the competitive balance among financial services providers. Proposals to change the laws and regulations governing the operations and taxation of financial institutions and financial services providers are frequently made in the U.S. Congress, in the state legislatures and by various regulatory agencies. This legislation may change our operating environment in substantial and unpredictable ways and may have a material adverse effect on our business.

In July 2010 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted, and a number of its provisions became effective in July 2011. The Dodd-Frank Act restructured and enhanced the regulation and supervision of the financial services industry and created the Consumer Financial Protection Bureau (the CFPB). The CFPB has rulemaking and enforcement authority over certain non-depository institutions, including us. The CFPB is specifically authorized, among other things, to take actions to prevent companies providing consumer financial products or services and their service providers from engaging in unfair, deceptive or abusive acts or practices in connection with consumer financial products and services, and to issue rules requiring enhanced disclosures for consumer financial products or services. Under the Dodd-Frank Act, the CFPB also may restrict the use of pre-dispute mandatory arbitration clauses in contracts between covered persons and consumers for a consumer financial product or service. The CFPB also has authority to interpret, enforce, and issue regulations implementing enumerated consumer laws, including certain laws that apply to our business. Further, the CFPB has issued rules allowing it to supervise non-depository larger participants in certain markets for consumer financial services and products, and may in the future issue rules to supervise non-depository larger participants in the indirect auto lending business, which may include us.

The Dodd-Frank Act and regulations promulgated thereunder, including by the CFPB, are likely to affect our cost of doing business, may limit or expand our permissible activities, may affect the competitive balance within our industry and market areas and could have a material adverse effect on us. For example, on March 21, 2013, the CFPB issued Bulletin 2013-02 addressing Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act, in which the CFPB stated that policies of indirect auto lenders that allow auto dealers to mark up lender-established buy rates and that compensate dealers for those markups in the form of dealer reserve could present a risk that they will result in impermissible pricing disparities on the basis of race, national origin, and potentially other prohibited bases. Our management continues to assess the Dodd-Frank Act s probable impact on our business, financial condition and results of operations, and to monitor developments involving the entities charged with promulgating regulations thereunder. However, the ultimate effect of the Dodd-Frank Act on the financial services industry in general, and on us in particular, is uncertain at this time.

In addition, governmental regulations which would deplete the supply of used vehicles, such as environmental protection regulations governing emissions or fuel consumption, could have a material adverse effect on us.

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Our Dealers must also comply with credit and trade practice statutes and regulations. Failure of our Dealers to comply with these statutes and regulations could result in consumers having rights of rescission and other remedies that could have a material adverse effect on us.

The sale of vehicle service contracts and a GAP product by Dealers in connection with Consumer Loans assigned to us from Dealers is also subject to state laws and regulations. As we are the holder of the Consumer Loans that may, in part, finance these products, some of these state laws and regulations may apply to our servicing and collection of the Consumer Loans. Although these laws and regulations do not significantly affect our business, there can be no assurance that insurance or other regulatory authorities in the jurisdictions in which these products are offered by Dealers will not seek to regulate or restrict the operation of our business in these jurisdictions. Any regulation or restriction of our business in these jurisdictions could materially adversely affect the income received from these products.

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.

We are subject to general economic conditions which are beyond our control. During periods of economic slowdown or recession, delinquencies, defaults, repossessions and losses may increase on our Consumer Loans and Consumer Loan prepayments may decline. These periods are also typically accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding Consumer Loans, which weakens collateral coverage and increases the amount of a loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles may be sold or delay the timing of these sales. Additionally, higher gasoline prices, declining stock market values, unstable real estate values, resets of adjustable rate mortgages to higher interest rates, increasing unemployment levels, general availability of consumer credit or other factors that impact consumer confidence or disposable income could increase loss frequency and decrease consumer demand for automobiles as well as weaken collateral values of automobiles. Because our business is focused on consumers who do not qualify for conventional automobile financing, the actual rates of delinquencies, defaults, repossessions and losses on these Consumer Loans could be higher than that of those experienced in the general automobile finance industry, and could be more dramatically affected by a general economic downturn.

We rely on Dealers to originate Consumer Loans for assignment under our programs. High levels of Dealer attrition, due to a general economic downturn or otherwise, could materially adversely affect our operations. In addition, we rely on vendors to provide us with services we need to operate our business. Any disruption in our operations due to the untimely or discontinued supply of these services could substantially adversely affect our operations. Finally, during an economic slowdown or recession, our servicing costs may increase without a corresponding increase in finance charge revenue. Any sustained period of increased delinquencies, defaults, repossessions or losses or increased servicing costs could also materially adversely affect our financial position, liquidity and results of operations 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.

As a result of the consumer-oriented nature of the industry in which we operate and uncertainties with respect to the application of various laws and regulations in some circumstances, we are subject to various consumer claims and litigation seeking damages and statutory penalties, based upon, among other things, usury, disclosure inaccuracies, wrongful repossession, violations of bankruptcy stay provisions, certificate of title disputes, fraud and breach of contract. As the assignee of Consumer Loans originated by Dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against Dealers. We may also have disputes and litigation with Dealers relating to our Dealer servicing and related agreements, including claims for, among other things, breach of contract or other duties purportedly owed to the Dealers. The damages and penalties that may be claimed by consumers or Dealers in these types of matters can be substantial. The relief requested by plaintiffs varies but may include requests for compensatory, statutory and punitive damages, and plaintiffs may seek treatment as purported class actions. A significant judgment against us in connection with any litigation or arbitration could have a material adverse effect on our financial position, liquidity and results of operations.

Changes in tax laws and the resolution of uncertain income tax matters could have a material adverse effect on our results of operations and cash flows from operations.

We are subject to income tax in many of the various jurisdictions in which we operate. Increases in statutory income tax rates and other adverse changes in applicable law in these jurisdictions could have an adverse effect on our results of operations. In the ordinary course of business, there are transactions and calculations where the ultimate tax determination is uncertain. At any one time, multiple tax years are subject to audit by various taxing jurisdictions. We provide reserves for potential payments of tax to various tax authorities related to uncertain tax positions. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Uncertain Tax Positions. We adjust these liabilities as a result of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. Such payments could have a material adverse effect on our results of operations and cash flows from operations.

Our dependence on technology could have a material adverse effect on our business.

All Consumer Loans submitted to us for assignment are processed through our internet-based CAPS application, which enables our Dealers to interact with our proprietary credit scoring system. Our Consumer Loan servicing platform is also technology based. We rely on these systems to record and process significant amounts of data quickly and accurately and believe that these systems provide us with a competitive advantage. All of these systems are dependent upon computer and telecommunications equipment, software systems and Internet access. The temporary or permanent loss of any components of these systems through hardware failures, software errors, operating malfunctions, the vulnerability of the Internet or otherwise could interrupt our business operations, harm our business and adversely affect our competitive advantage. In addition, our competitors could create or acquire systems similar to ours, which would adversely affect our competitive advantage.

Our systems, and the equipment, software and Internet access on which they depend, may be subject to cyber attacks, security breaches and other cybersecurity incidents. Although the cybersecurity incidents we have experienced to date have not had a material effect on our business, financial condition or results of operations, there can be no assurance that cybersecurity incidents will not have a material adverse effect on us in the future.

We rely on a variety of measures to protect our technology and proprietary information, including copyrights, trade secrets and patents. However, these measures may not prevent misappropriation or infringement of our intellectual property or proprietary information, which would adversely affect us. In addition, our competitors or other third parties may allege that our systems, processes or technologies infringe their intellectual property rights.

Our ability to integrate computer and telecommunications technologies into our business is essential to our success. Computer and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We may not be successful in anticipating, managing or adopting technological changes on a timely basis. While we believe that our existing information systems are sufficient to meet our current demands and continued expansion, our future growth may require additional investment in these systems. We cannot assure that adequate capital resources will be available to us at the appropriate time.

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Reliance on third parties to administer our ancillary product offerings could adversely affect our business and financial results.

We have relationships with Third Party Product Providers (TPPPs) to administer vehicle service contract and GAP products underwritten by third party insurers and financed by us. We depend on these TPPPs to evaluate and pay claims in an accurate and timely manner. We also have relationships with TPPPs to sell and administer Global Positioning System (GPS) with Starter Interrupt Devices (SID) referred to as GPS-SID. If our relationships with these TPPPs were modified, disrupted, or terminated, we would need to obtain these services from an alternative administrator or provide them using our internal resources. We may be unable to replace these TPPPs with a suitable alternative in a timely and efficient manner on terms we consider acceptable, or at all. In the event we were unable to effectively administer our ancillary products offerings, we may need to eliminate or suspend our ancillary product offerings from our future business, we may experience a decline in the performance of our Consumer Loans, our reputation in the marketplace could be undermined, and our financial position, liquidity and results of operations could be adversely affected.

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 senior management average over 12 years of experience with us. Our success is dependent upon the management and the leadership skills of this team. In addition, competition from other companies to hire our team members possessing the necessary skills and experience required could contribute to an increase in team member turnover. The loss of any of these individuals or an inability to attract and retain additional qualified team members could adversely affect us. There can be no assurance that we will be able to retain our existing senior management or attract additional qualified team members.

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

Our reputation is a key asset to our business. Our ability to attract consumers through our Dealers is highly dependent upon external perceptions of our level of service, trustworthiness, business practices and financial condition. Negative publicity regarding these matters could damage our reputation among existing and potential consumers and Dealers, which could make it difficult for us to attract new consumers and Dealers and maintain existing Dealers. Adverse developments with respect to our industry may also, by association, negatively impact our reputation or result in greater regulatory or legislative scrutiny or litigation against us.

The concentration of our Dealers in several states could adversely affect us.

Dealers are located throughout the United States. During the year ended December 31, 2012, our five largest states (measured by advances paid to Dealers on Consumer Loans assigned under our Portfolio Program and one-time payments made to Dealers to purchase Consumer Loans assigned under our Purchase Program) contained 31.7% of our Dealers. While we believe we have a diverse geographic presence, for the near term, we expect that significant amounts of Consumer Loan assignments will continue to be generated by Dealers in these five states due to the number of Dealers in these states and currently prevailing economic, demographic, regulatory, competitive and other conditions in these states. Changes to conditions in these states could lead to an increase in Dealer attrition or a reduction in demand for our service that could materially adversely affect our financial position, liquidity and results of operations.

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

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and personally identifiable information of our customers and employees, on our computer networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy.

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If third parties or our team members are able to breach our network security, the network security of a third party that we share information with or otherwise misappropriate our customers personal information, or if we give third parties or our team members improper access to our customers personal information, we could be subject to liability. This liability could include identity theft or other similar fraud-related claims. This liability could also include claims for other misuses or losses of personal information, including for unauthorized marketing purposes. Other liabilities could include claims alleging misrepresentation of our privacy and data security practices.

We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to secure online transmission of confidential consumer information. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the algorithms that we use to protect sensitive customer transaction data. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend capital and other resources to protect against, or alleviate problems caused by, security breaches or other cybersecurity incidents. Although we have experienced cybersecurity incidents from time to time that have not had a material effect on our business, financial condition or results of operations, there can be no assurance that a cyber attack, security breach or other cybersecurity incident will not have a material adverse effect on us in the future. Our security measures are designed to protect against security breaches, but our failure to prevent security breaches could subject us to liability, decrease our profitability and damage our reputation.

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

We outsource certain business functions to third party service providers, which increases our operational complexity and decreases our control. We rely on these service providers to provide a high level of service and support, which subjects us to risks associated with inadequate or untimely service. In addition, if these outsourcing arrangements were not renewed or were terminated or the services provided to us were otherwise disrupted, we would have to obtain these services from an alternative provider or provide them using our internal resources. We may be unable to replace, or be delayed in replacing these sources and there is a risk that we would be unable to enter into a similar agreement with an alternate provider on terms that we consider favorable or in a timely manner. In the future, we may outsource additional business functions. If any of these or other risks related to outsourcing were realized, our financial position, liquidity and results of operations could be adversely affected.

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.

Natural disasters, acts of war, terrorist attacks and the escalation of military activity in response to these attacks or otherwise may have negative and significant effects, such as imposition of increased security measures, changes in applicable laws, market disruptions and job losses. These events may have an adverse effect on the economy in general. Moreover, the potential for future terrorist attacks and the national and international responses to these threats could affect the business in ways that cannot be predicted. The effect of any of these events or threats could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Investing in Our Common Stock

A small number of our shareholders have the ability to significantly influence matters requiring shareholder approval and such shareholders have interests which may conflict with the interests of our other security holders.

As of March 21, 2013, based on filings made with the SEC and other information made available to us, our Chairman and founder owned approximately 48.5% of our common stock and Prescott General Partners,

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LLC and its affiliates owned approximately 17.0% of our common stock. As a result, these few shareholders are able to significantly influence matters presented to shareholders, including the election and removal of directors, the approval of significant corporate transactions, such as any reclassification, reorganization, merger, consolidation or sale of all or substantially all of our assets, and the control of our management and affairs, including executive compensation arrangements. Their interests may conflict with the interests of our other security holders.

We may experience volatility in the market price of our common stock due to the low trading volume and limited public ownership of our common stock.

The market price of our common stock has fluctuated significantly in the past and is likely to continue to be highly volatile. In particular, the volatility of our shares is influenced by low trading volume and limited public ownership. For example, during 2012, our closing stock price fluctuated from a low of $78.47 a share to a high of $106.50 a share. Because 68.1% of our outstanding shares were owned by affiliates as of March 21, 2013, our stock is relatively less liquid and therefore more susceptible to large price fluctuations than many other companies shares. As a result, you may be unable to sell your shares of common stock at or above the offering price.

In addition to the other risk factors discussed elsewhere in this prospectus, the price of our common stock may fluctuate significantly in response to the following factors, among others, some of which are beyond our control:

- general market conditions;
- actual or anticipated fluctuations in our annual or quarterly results of operations or those of other companies in our industry;
- changes in our business, operations, or prospects;
- changes in our capital structure, such as future issuances of common stock or other securities or the incurrence of additional debt;
- changes in the regulatory environment;
- developments in our business or in our industry generally;
- the hiring or departure of key personnel;
- announcements of strategic actions, developments or other material events (such as new products or services, acquisitions, dispositions, restructurings or financings) by us or our competitors;
- financial results that fail to meet public market analysts expectations and changes in stock market analysts recommendations regarding us, other auto finance companies, or the auto finance industry in general;
- changes in market valuations of other companies in our industry;

adverse judgments or settlements obligating us to pay damages;

acts of war, terrorism, or national calamities;

changes in industry, domestic and international market and economic conditions;

- actual or anticipated sales of our common stock by existing shareholders, whether in the market or in subsequent public offerings; and

- decisions by investors to de-emphasize investment categories, groups or strategies that include our company or industry.

In addition, the stock market has recently experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company s stock drops significantly, shareholders often institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources or otherwise harm our business.

Future sales of our common stock by us or our existing shareholders could cause our stock price to decline.

The market price of our common stock could decline significantly as a result of sales of a large number of shares of our common stock in the market after this offering. These sales, or the perception that these sales might occur, could depress the market price of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of March 21, 2013, stock options for a total of 70,000 shares of our common stock were outstanding under our equity incentive plans, of which options for a total of 70,000 shares were currently exercisable at a weighted average exercise price of $17.25 per share. All of the shares issuable on exercise of such vested options would be eligible for sale in the public market. Additionally, as of March 21, 2013, 1,091,910 shares of our common stock are subject to currently outstanding restricted stock units and 322,415 shares of our common stock are reserved for future issuance under our equity-based compensation plans.

As of March 21, 2013, pursuant to a Voting and Divestiture Agreement dated December 6, 2001, Donald A. Foss had sole voting power and dispositive power over (i) 2,878,752 shares owned beneficially and of record by Karol A. Foss and (ii) 3,813,898 shares owned beneficially and of record by Jill Foss Watson. The Voting and Divestiture Agreement dated December 6, 2001 expires on December 6, 2013, at which time decision-making authority regarding the sale of such shares will no longer be held by Mr. Foss. Ms. Foss and Ms. Foss Watson will each be able to exercise sole voting and dispositive power over their respective shares owned beneficially and of record, and as a result, will be able to make independent determinations as to timing and volume of sales of such shares of common stock of the Company. See Shares Eligible for Future Sale.

In addition, we currently have the ability to offer and sell common stock, preferred stock, warrants, debt and convertible securities under a currently effective universal shelf registration statement. We may issue equity securities in the future, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. Sales of a substantial number of shares of our common stock or other equity securities could be substantially dilutive to our shareholders. These sales may have a harmful effect on prevailing market prices for our common stock and our ability to raise additional capital in the financial markets at a time and price favorable to us. Moreover, to the extent that we issue restricted stock units, restricted stock, options, or warrants to purchase our common stock in the future and those options or warrants are exercised or as the restricted stock units and restricted stock vest, our shareholders may experience further dilution. Holders of our shares of common stock have no preemptive rights that entitle holders to purchase a pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders. Our articles of incorporation provide that we have authority to issue 80,000,000 shares of common stock and 1,000,000 shares of preferred stock.

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If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our stock price and trading volume could decline.

The trading market for our common stock depends in part on research and reports that securities or industry analysts publish about us or our business. We currently have limited research coverage by securities and industry analysts. Lack of research coverage could negatively impact the market for our common stock. In the event additional securities or industry analysts do initiate coverage of our company and one or more of these analysts downgrade our stock or publish inaccurate or unfavorable research about us, our stock price would likely decline.

We do not anticipate paying any cash dividends in the foreseeable future.

We have never declared or paid any dividends on our common stock, and we have no current plans to pay quarterly or annual dividend payments to our shareholders. Future dividend payments, if any, will depend on our results of operations, financial condition, capital expenditure plans and other obligations and circumstances, and will be at the sole discretion of our board of directors. Our credit agreement contains financial covenants that require 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. The indenture governing our senior notes also contains covenants that limit the maximum ratio of our funded debt to tangible net worth and also require a minimum collateral coverage ratio. Some of these debt covenants may indirectly limit the repurchase of common stock or payment of dividends on common stock. Therefore, you should not anticipate receiving any cash dividends on our common stock in the foreseeable future.

Our corporate documents and Michigan law contain provisions that may make it more difficult for us to be acquired.

The Michigan Business Corporation Act (MBCA) and our Articles of Incorporation and Bylaws contain provisions that may have the effect of discouraging transactions involving an actual or threatened change of control. These provisions could protect the continuity of our directors and management and possibly deprive our shareholders of any opportunity to sell their shares of common stock at prices higher than the prevailing market prices. See Description of our Capital Stock Provisions That May Discourage Takeovers.

Our board of directors has the authority, without shareholder approval, to issue shares of preferred stock and to fix the rights, preferences, privileges and restrictions of these shares without any further vote or action by our shareholders. Our board of directors also has the authority to increase its own size and fill the resulting vacancies until the next annual meeting of the shareholders. Chapter 7A of the MBCA contains provisions that make it more difficult for a 10% shareholder, or its officers, to acquire a company. We are currently not governed by the provisions of Chapter 7A but may opt in at any time by resolution of our board of directors. These provisions of our charter, bylaws and Michigan law may have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. This effect could occur even if our shareholders consider the change in control to be in their best interest.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our forward-looking statements are subject to risks and uncertainties and include information about our expectations and possible or assumed future results of operations. When we use any of the words may, will, should, believe, expect, anticipate, assume, forecast, estimate, intend, plan, target or similar expressions, we are making forw statements. These forward-looking statements represent our outlook only as of the date of this prospectus supplement. 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 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.

A violation of the terms of our Term ABS facilities or Warehouse facilities could have a materially adverse impact on our operations.

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.

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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.

Changes in tax laws and the resolution of uncertain income tax matters could have a material adverse effect on our results of operations and cash flows from operations.

Our dependence on technology could have a material adverse effect on our business.

Reliance on third parties to administer our ancillary product offerings could adversely affect our business and financial results.

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

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

The concentration of our Dealers in several states could adversely affect us.

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

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.

A small number of our shareholders have the ability to significantly influence matters requiring shareholder approval and such shareholders have interests which may conflict with the interests of our other security holders.

We may experience volatility in the market price of our common stock due to the low trading volume and limited public ownership of our common stock.

Future sales of our common stock by us or our existing shareholders could cause our stock price to decline.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our stock price and trading volume could decline.

We do not anticipate paying any cash dividends in the foreseeable future.

Our corporate documents and Michigan law contain provisions that may make it more difficult for us to be acquired.

The other factors described under Risk Factors.

For a more detailed description of these risks and uncertainties and other factors you should consider before purchasing our common stock, see the section entitled Risk Factors beginning on page S-14 of this prospectus supplement and beginning on page 2 of the accompanying prospectus dated April 8, 2013 for important factors that could cause our actual results to differ materially from the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus and presented elsewhere by our management from time to time. Incorrect assumptions we might make and known or unknown risks and uncertainties may affect the accuracy of our forward-looking statements. Forward-looking statements reflect our current expectations or forecasts of future events or results and are inherently uncertain, and accordingly, you should not place undue reliance on forward-looking statements.

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.

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USE OF PROCEEDS

We will not receive any proceeds from the sale of shares of our common stock by the selling shareholders.

PRICE RANGE OF COMMON STOCK

Our common stock trades on The NASDAQ Global Select Market under the symbol CACC. As of March 21, 2013, there were 23,587,496 shares of our common stock outstanding. As of March 21, 2013, there were 159 shareholders of record and approximately 4,100 beneficial holders of our common stock based upon securities position listings furnished to us. The following table provides the high and low intraday sales prices per share during the periods indicated as reported on The NASDAQ Global Select Market.

	High	Low
Year ended December 31, 2013		
Second quarter (through April 5, 2013)	$ 121.85	$ 116.74
First quarter	128.90	95.54
Year ended December 31, 2012		
Fourth quarter	102.58	80.40
Third quarter	104.97	83.82
Second quarter	101.81	80.00
First quarter	107.09	76.95
Year ended December 31, 2011		
Fourth quarter	93.10	60.09
Third quarter	86.87	56.55
Second quarter	84.50	71.00
First quarter	72.55	53.04
Year ended December 31, 2010		
Fourth quarter	63.58	54.12
Third quarter	63.45	47.18
Second quarter	49.65	41.24
First quarter	53.97	38.57

On April 5, 2013, the last sale price of our common stock as reported on The NASDAQ Global Select Market was $117.25.

DIVIDEND POLICY

We have never declared or paid any dividends on our common stock, and we have no current plans to pay quarterly or annual dividend payments to our shareholders. Future dividend payments, if any, will depend on our results of operations, financial condition, capital expenditure plans and other obligations and circumstances, and will be at the sole discretion of our board of directors. Our credit agreement contains financial covenants that require a minimum ratio of our earnings before interest, taxes and non-cash expenses to fixed charges. These covenants also limit the 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. The indenture governing our senior notes also contains covenants that limit the maximum ratio of our funded debt to tangible net worth and also require a minimum collateral coverage ratio. Some of these debt covenants may indirectly limit the repurchase of our common stock or payment of dividends on our common stock. Therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of December 31, 2012. You should read this table in conjunction with Selected Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and related notes thereto appearing in our 2012 Form 10-K, which is incorporated by reference in this prospectus supplement.

(In millions, except share and per share data)		**As of December 31, 2012 (Audited)**
Cash and cash equivalents	$	9.0
Long-term debt, including current portion:		
Revolving secured line of credit facility (1)	$	43.5
Revolving secured warehouse facilities (2)		118.9
Asset-backed secured financings		734.1
Mortgage note (3)		4.0
Senior notes (4)		350.3
Total long-term debt, including current portion		1,250.8
Shareholders equity:		
Preferred stock ($.01 par value, 1,000,000 shares authorized, none issued)		
Common stock ($.01 par value, 80,000,000 shares authorized; 24,114,896 shares issued and outstanding)		0.2
Paid-in capital		53.4
Retained earnings		568.4
Accumulated other comprehensive loss		(0.1)
Total shareholders equity		621.9
Total capitalization	$	1,872.7

(1) Our revolving secured line of credit facility provides for up to $235.0 million of borrowings, subject to borrowing base limitations and other specified terms and conditions, and has a maturity date of June 22, 2015. As of December 31, 2012, total borrowings under our revolving credit facility were $43.5 million, and the interest rate on those borrowings was 2.08% per annum.

(2) We have three warehouse facilities with total borrowing capacity of $475.0 million. Each of the facilities is with a different institutional investor, and the facility limits are $325.0 million for Warehouse Facility II and $75 million for each of Warehouse Facility III and IV. During the second quarter of 2012, we extended the date on which Warehouse Facility III will cease to revolve from September 10, 2013 to September 10, 2015. During the fourth quarter of 2012, we extended the date on which Warehouse Facility II will cease to revolve from June 17, 2014 to December 27, 2015. During the second quarter of 2013, we extended the date on which Warehouse Facility IV will cease to revolve from February 19, 2014 to April 5, 2016. The interest rate on borrowings under the facility was decreased from LIBOR plus 2.75% to LIBOR plus 2.25%. There were no other material changes to the terms of the facility.

As of December 31, 2012, total borrowings under our $325.0 million secured Warehouse Facility II were $81.3 million, and the interest rate on those borrowings was 2.22% per annum. Our $325.0 million secured warehouse facility ceases to revolve on December 27, 2015.

As of December 31, 2012, there were no borrowings under our $75.0 million secured Warehouse Facility III. Our $75.0 million secured warehouse facility ceases to revolve on September 10, 2015.

As of December 31, 2012, total borrowings under our $75.0 million secured Warehouse Facility IV were $37.6 million, and the interest rate on those borrowings was 2.96% per annum. Our $75.0 million secured warehouse facility ceases to revolve on April 5, 2016.

(3) As of December 31, 2012, we had $4.0 million outstanding on the mortgage note on our Southfield, Michigan headquarters.

(4) Represents $350.0 million aggregate principal amount of our 9.125% First Priority Senior Secured Notes due 2017, net of unamortized debt premium.

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SELECTED FINANCIAL AND OTHER DATA

Our selected historical consolidated statement of income and other financial data for the years ended December 31, 2012, 2011 and 2010, and our summary historical consolidated balance sheet data as of December 31, 2012 and 2011, are derived from our audited consolidated financial statements appearing in our 2012 Form 10-K, which is incorporated by reference in this prospectus supplement. Our selected historical consolidated statement of income and other financial data for the years ended December 31, 2009 and 2008, and our summary historical consolidated balance sheet data as of December 31, 2010, 2009 and 2008, are derived from our audited consolidated financial statements not included or incorporated by reference in this prospectus supplement.

The selected financial data presented below represents or is derived from portions of our financial statements and is not complete. You should read this information in conjunction with, and it is qualified in its entirety by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and related notes thereto appearing in our 2012 Form 10-K, which is incorporated by reference in this prospectus supplement.

Historical results are not necessarily indicative of future performance or results of operations. Amounts are in millions, except share and per share data.

	Years Ended December 31,				
	2012	2011	2010	2009	2008
Income Statement Data:					
Revenue	$ 609.2	$ 525.2	$ 442.1	$ 380.7	$ 312.2
Costs and expenses:					
Salaries and wages	82.2	63.0	61.3	66.9	69.0
General and administrative	30.5	25.6	26.4	30.4	27.5
Sales and marketing	31.2	23.6	19.7	14.8	16.8
Provision for credit losses	24.0	29.0	10.0	(12.2)	46.0
Interest	63.4	57.2	47.8	32.4	43.2
Provision for claims	34.8	30.4	23.4	19.3	2.7
Total costs and expenses	266.1	228.8	188.6	151.6	205.2
Income from continuing operations before provision for income taxes	343.1	296.4	253.5	229.1	107.0
Provision for income taxes	123.4	108.4	83.4	83.0	39.9
Income from continuing operations	219.7	188.0	170.1	146.1	67.1
Gain from discontinued operations				0.2	0.1
Net income	$ 219.7	$ 188.0	$ 170.1	$ 146.3	$ 67.2
Net income per share:					
Basic	$ 8.65	$ 7.15	$ 5.79	$ 4.78	$ 2.22
Diluted	$ 8.58	$ 7.07	$ 5.67	$ 4.62	$ 2.16
Income from continuing operations per share:					
Basic	$ 8.65	$ 7.15	$ 5.79	$ 4.77	$ 2.22
Diluted	$ 8.58	$ 7.07	$ 5.67	$ 4.61	$ 2.16
Gain from discontinued operations per share:					

Basic	$	$	$	$ 0.01	$
Diluted	$	$	$	$ 0.01	$
Weighted average shares outstanding:					
Basic	25,409,655	26,302,289	29,393,309	30,590,142	30,249,783
Diluted	25,598,956	26,600,855	29,984,819	31,668,895	31,105,043

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	Years Ended December 31,
	2012