

Presale:

Credit Acceptance Auto Loan Trust 2023-5

December 7, 2023

Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Preliminary amount (mil. \$)	Legal final maturity date
A	AAA (sf)	Senior	Fixed	158.090	Dec. 15, 2033
B	AA- (sf)	Subordinate	Fixed	67.518	Feb. 15, 2034
C	A (sf)	Subordinate	Fixed	68.392	April 17, 2034

Note: This presale report is based on information as of Dec. 7, 2023. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i) The interest rate for each class will be determined on the pricing date.

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Profile

Collateral	Nonrecourse loans to dealers secured by subprime automobile installment sales contracts (dealer advances) and subprime automobile installment sales contracts (purchased loans).
Originator and servicer	Credit Acceptance Corp. (BB/Stable/--).
Seller	Credit Acceptance Funding LLC 2023-5, a Delaware limited liability company whose sole member is Credit Acceptance Corp.
Issuer	Credit Acceptance Auto Loan Trust 2023-5.
Indenture trustee, trust collateral agent, and backup servicer	Computershare Trust Co. N.A. ('BBB/Stable').
Owner trustee	Computershare Delaware Trust Co.
Bank account provider	Wells Fargo Bank N.A. (A+/Stable/A-1).

Rationale

The preliminary ratings assigned to Credit Acceptance Auto Loan Trust 2023-5's (CAALT 2023-5) asset-backed notes reflect:

- The availability of approximately 64.32%, 50.00%, and 42.04% credit support (hard credit enhancement and haircut to excess spread) for the class A, B, and C notes, respectively, based on stressed cash flow scenarios. These credit support levels provide approximately 3.0x, 2.3x, and 2.0x coverage of our expected cumulative net loss (ECNL) of 21.50%, as a percentage of the

performing retail installment sales contracts, for the class A, B, and C notes, respectively (see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections below).

- The expectation that under a moderate ('BBB') stress scenario, all else equal, our preliminary 'AAA (sf)', 'AA- (sf)', and 'A (sf)' ratings on the class A, B, and C notes, respectively, are within the credit stability limits (see the Cash Flow Modeling Assumptions And Results section below).
- The timely payment of interest and principal by the designated legal final maturity dates under our stressed cash flow modeling scenarios, which we believe are appropriate for the assigned preliminary ratings.
- The collateral characteristics of the series' subprime automobile dealers' advances and purchased loans, our view of the collateral's credit risk, and our updated macroeconomic forecast and forward-looking view of the auto finance sector (see the Credit Enhancement And Collateral and the Macroeconomic And Auto Finance Sector Outlook sections below).
- The series' bank accounts at Wells Fargo Bank N.A. (Wells Fargo), which do not constrain the preliminary ratings.
- Our operational risk assessment of Credit Acceptance Corp. (CAC) as servicer, along with our views of the company's underwriting and the backup servicing with Computershare Trust Co. N.A. (Computershare).
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors, which are relatively in line with our sector benchmark.
- The transaction's payment and legal structures.

Our ECNL for CAALT 2023-5 is 21.50%, which is unchanged from CAALT 2023-3 (the last publicly placed transaction). It reflects:

- The two-year revolving period and early amortization events;
- Our view that the CAALT 2023-5 collateral characteristics are not materially different from those of previous CAALT series;
- CAALT's outstanding series, which continue to perform in line with our initial expectations; and
- Our forward-looking view of the auto finance sector, including our economic outlook for persistent inflation and slower economic growth.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to environmental, social, and governance (ESG) credit factors. For the auto ABS sector, we view the exposure to environmental credit factors as above average, social credit factors as average, and governance credit factors as below average (see "ESG Industry Report Card: Auto Asset-Backed Securities," published March 31, 2021).

The transaction's environmental credit factors are in line with our sector benchmark.

Environmental credit factors are generally viewed as above average given that the collateral pool primarily comprises vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risks. While the adoption of electric vehicles and future regulation could lower ICE vehicle values in time, we believe that our current approach to evaluating recovery and residual values adequately accounts for vehicle values over the relatively short expected life

of the transaction. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

The transaction also has relatively higher exposure to social credit factors than our sector benchmark, in our view, because the transaction has a pool of subprime obligors while benchmark comprises of prime obligors. Given the elevated interest rate and affordability considerations for these subprime borrowers, legal and regulatory risks could increase if the validity of the contracts or the servicer's collection practices were challenged. We believe this risk is mitigated by representations from the issuer that each loan complied with all laws when it was originated. The issuer also has a compliance department that manages its adherence to all applicable laws.

The transaction has relatively higher exposure to governance credit factors than our sector benchmark given the revolving collateral pool and the originator's active role over the transaction's life, which exposes investors to the risk of loosening underwriting standards or potential adverse selection. To account for this risk, we assumed that the pool's composition will migrate to the lowest credit quality allowable under the transaction's pool composition tests, resulting in a higher expected loss than that of a typical amortizing pool.

Credit Enhancement And Collateral

Structural changes from CAALT 2023-3

The aggregate initial hard credit enhancement for classes A, B, and C increased to 60.80%, 42.80%, and 24.57% from 59.73%, 41.61%, and 21.62%. This was mostly driven by an increase in initial O/C and reserve.

Our stressed cash flow results indicate that each class in the CAALT 2023-5 is enhanced to a degree consistent with the assigned preliminary ratings (see the Cash Flow Modeling Assumptions And Results section below).

Table 1

Credit enhancement summary

	CAALT 2023-5			CAALT 2023-3		
Revolving period (mos.)	24			24		
NBV (i.e., balance at cut-off date of dealer advances and purchased loans) (mil. \$)	375.13			500.10		
Forecast collections (i.e., principal and interest) (mil. \$)	574.21			773.26		
Installments sales contracts (i.e., principal balance of contracts securing the NBV) (mil. \$)	788.30			947.98		
	Relative to NBV	Relative to forecast collections	Relative to installment sales contracts	Relative to NBV	Relative to forecast collections	Relative to installment sales contracts
Subordination (%)						
Class A	36.23	23.67	17.24	38.11	24.65	20.10
Class B	18.23	11.91	8.68	20.00	12.93	10.55
Class C	0.00	0.00	0.00	0.00	0.00	0.00

Table 1

Credit enhancement summary (cont.)

	CAALT 2023-5			CAALT 2023-3		
Revolving period (mos.)	24			24		
NBV (i.e., balance at cut-off date of dealer advances and purchased loans) (mil. \$)	375.13			500.10		
Forecast collections (i.e., principal and interest) (mil. \$)	574.21			773.26		
Installments sales contracts (i.e., principal balance of contracts securing the NBV) (mil. \$)	788.30			947.98		
	Relative to NBV	Relative to forecast collections	Relative to installment sales contracts	Relative to NBV	Relative to forecast collections	Relative to installment sales contracts
Initial overcollateralization (%)	21.63	48.80	62.70	20.02	48.27	57.81
Reserve account (%) ⁽ⁱ⁾	2.94	1.92	1.40	1.60	1.03	0.84
Total initial credit enhancement (%)						
Class A	60.80	74.39	81.34	59.73	73.95	78.75
Class B	42.80	62.63	72.78	41.61	62.24	69.20
Class C	24.57	50.72	64.10	21.62	49.31	58.65

⁽ⁱ⁾The nondeclining reserve account amount is 3.75% of the rated notes for 2023-5 and 2.00% of the rated notes for 2023-3. CAALT--Credit Acceptance Auto Loan Trust. NBV--Net book value. N/A--Not applicable.

Collateral changes from CAALT 2023-3

The significant collateral changes in the CAALT 2023-5 cut-off pool (Oct. 31, 2023) from the 2023-3 cut-off pool (see table 2) include the following:

- The ratio of dealer advances to dealers decreased slightly to 1.15x from 1.17x.
- The top dealer advance concentration increased to 1.30% from 1.18% and remains below the 1.50% maximum dealer concentration of the net book value (NBV).
- The top 10 dealer advance concentrations increased to 10.32% from 9.37%.
- Forecasted collections relative to NBV decreased slightly to 1.53x from 1.55x.
- The percentage of underlying contracts with an original term of 61-72 months increased to 62.91% from 59.85%, and those with an original term of 73-84 months increased slightly to 0.31% from 0.27%.
- The weighted average seasoning increased to 29.77 months from 22.94 months.

As of the Oct. 31, 2023, cut-off date, the series 2023-5 collateral pool NBV of approximately \$375.1 million is secured by \$788.3 million principal installment sales contracts, of which, \$458.3 million are performing (table 2). We did not give any credit to defaulted contracts in our cash flow analysis. The company's collection forecast of \$574.2 million considers each loan's status, whether performing or defaulted.

CAALT 2023-5 includes a two-year revolving period ending December 2025. During this period, principal payments on contracts in the collateral pool can be recycled into additional collateral, provided an early amortization event has not occurred (see Early Amortization Events below).

We account for potential shifts to weaker collateral pool characteristics during the revolving period in the determination of our expected loss for CAALT 2023-5 and our assumptions regarding bankruptcy of a certain number of dealers at each rating category under both the largest dealer default amount method and the hybrid default amount method (see the S&P Global Ratings' Expected Loss section below).

Table 2

Collateral comparison

	CAALT								
	2023-5	2023-A (i)	2023-3	2023-2	2023-1	2022-3	2022-1	2021-4	2021-3
Advances									
Dealer advances (%)	66.00	70.28	65.00	65.00	67.63	63.00	62.00	61.31	61.00
Purchased loan advances (%)	34.00	29.72	35.00	35.00	32.37	37.00	38.00	38.69	39.00
Ratio of dealer advances to dealers (x)	1.15	1.12	1.17	1.18	1.23	1.21	1.05	1.12	1.13
Top dealer advance (%)	1.30	1.21	1.18	0.97	1.06	1.26	0.87	1.22	1.08
Top 10 dealer advances (%)	10.32	10.15	9.37	8.10	6.21	10.96	6.97	9.20	9.80
Installment contracts									
Aggregate receivables balance (mil. \$)	788.30	472.67	947.98	889.21	916.42	695.26	616.62	484.55	914.85
Performing receivables balance (mil. \$)	458.26	313.75	632.85	647.52	641.40	570.56	521.45	384.24	725.72
No. of receivables	74,990	43,285	83,793	78,206	89,492	46,544	43,389	38,479	75,324
Avg. loan balance (\$)	10,512	10,920	11,313	11,370	10,240	14,938	14,212	12,593	12,146
WA APR (%)	21.80	22.15	22.18	22.24	21.50	21.43	21.46	21.75	22.18
WA original term (mos.)	62.28	61.34	61.42	60.75	58.49	62.26	61.23	62.01	62.56

Table 2

Collateral comparison (cont.)

	CAALT								
	2023-5	2023-A (i)	2023-3	2023-2	2023-1	2022-3	2022-1	2021-4	2021-3
WA remaining term (mos.)	32.51	37.90	38.48	42.52	40.03	50.35	50.73	46.06	46.42
WA seasoning (mos.)	29.77	23.44	22.94	18.23	18.46	11.91	10.50	15.95	16.14
WA FICO score	574	571	568	571	573	579	573	560	554
FICO unavailable (%)	18.58	19.16	19.79	20.23	20.13	19.06	18.49	19.19	19.16
Original term of 61-66 mos. (%)	38.84	40.36	40.26	41.98	35.66	38.63	32.37	33.58	35.41
Original term of 67-72 mos. (%)	24.07	19.12	19.59	15.83	12.72	21.28	19.67	21.81	24.98
Original term of 73-78 mos. (%)	0.02	0.02	0.03	0.02	0.02	0.04	--	N/A	N/A
Original term of 79-84 mos. (%)	0.28	0.23	0.23	0.10	0.31	0.44	0.06	N/A	N/A
% of new vehicles	1.83	1.05	0.98	0.74	0.72	1.34	0.95	0.00	0.00
% of used vehicles	98.17	98.95	99.02	99.26	99.28	98.66	99.05	100.0	100.0
Top five models (%)									
	Chevrolet= 16.65	Chevrolet= 16.18	Chevrolet= 16.94	Chevrolet= 17.51	Chevrolet= 17.85	Chevrolet= 17.67	Chevrolet= 17.49	Chevrolet= 16.57	Chevrolet= 17.40
	Ford=13.84	Ford=13.78	Ford=15.22	Ford=14.71	Ford=14.75	Ford=14.00	Ford=14.75	Ford=13.90	Ford= 13.13
	Nissan= 10.01	Nissan= 9.05	Nissan= 9.04	Nissan= 9.06	Nissan= 8.16	Nissan= 9.56	Nissan= 9.66	Nissan= 10.15	Nissan= 11.87
	Toyota=6.95	Dodge=6.84	Dodge=6.79	Dodge=7.30	Dodge=7.33	Toyota= 6.94	Dodge=6.49	Toyota= 7.04	Toyota= 7.84
	Dodge= 6.62	Toyota= 6.74	Toyota= 6.51	Toyota= 6.28	Toyota= 5.84	Dodge=6.69	Toyota= 6.36	Hyundai= 6.68	Dodge=6.82
Distribution by model year (%)									
2015 or older	58.69	62.37	61.82	68.49	75.39	59.77	61.59	58.95	56.47
2016-2020	38.89	35.82	36.56	30.43	23.54	38.48	36.95	39.46	42.69
2021-2023	2.42	1.82	1.62	1.09	1.07	1.75	1.44	1.60	0.84

Table 2

Collateral comparison (cont.)

CAALT									
2023-5	2023-A (i)	2023-3	2023-2	2023-1	2022-3	2022-1	2021-4	2021-3	
Top five customer state concentrations (%)									
MI=10.10	MD=8.14	MI=10.62	MI=10.14	MI=10.17	MI=12.98	MI=8.67	PA=14.97	MI=10.81	
TX=6.80	MI=7.91	TX=6.90	NY=7.50	OH=6.92	NY=8.30	PA=6.64	MI=11.09	NY=7.98	
NY=6.54	TX=7.59	OH=6.38	OH=7.39	PA=5.66	TN=6.07	NY=6.52	OH=6.51	OH=7.35	
OH=6.37	NY=5.30	NY=5.13	TN=5.63	NY=5.41	AL=5.83	OH=6.05	NY=6.17	TX=7.12	
TN=5.56	OH=5.30	TN=5.08	TX=5.23	TN=4.53	TX=5.18	TX=5.78	MD=5.56	AL=5.27	

(i) The 2023- A series was privately placed. WA-- Weighted avg. APR--Annual percentage rate. N/A--Not applicable.

Macroeconomic And Auto Finance Sector Outlook

In our analysis, we considered the economic data and forecasts outlined in table 3 and their baseline effect on collateral credit quality in determining our base-case expected loss level. Historically, changes in the unemployment rate have been a key determinant of charge-offs in the auto finance industry.

The U.S. economy has continued to outperform expectations. Better-than-expected growth has led us to revise our 2024 U.S. GDP forecast upward by 0.2 percentage points to 1.5%. However, this is down from 2023's forecasted GDP growth of 2.4% because the market's resiliency will be tested going forward, as real interest rates stay relatively high in the coming year and the lags of tightened monetary policy feed through the economy. Other reasons for caution include: real disposable income has declined four months in a row, with the savings rate falling to a very low 3.4% in September (well below the pre-COVID-19 pandemic average) from the 5.1% average in the second quarter of 2023; consumers are showing signs of strain due to increased debt loads, and, according to the Federal Reserve Bank of New York/Equifax credit data, the ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods (driven primarily by the subprime segment, which is about one-seventh of the total outstanding auto loan balances); and student-loan payments have resumed, which will put upward pressure on debt service ratios and could negatively affect consumer spending.

It is estimated that 24 million borrowers whose student loan payments were suspended at the onset of the pandemic resumed payments in October 2023 with an average payment of approximately \$300 per month. According to TransUnion, approximately one-third of those consumers with student loan debt took on new auto loan debt during the pandemic. The added student debt payment will be burdensome for those consumers who are financially stressed, which could negatively affect auto loan ABS performance. We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work will continue to prioritize their auto loan/lease payments before their other consumer and student loan payments.

Weaker economic growth will cause demand for labor to decrease further and the unemployment rate to rise in the next two years--to 4.6% in 2025 from 3.9% in October 2023 (see "Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking," published Nov. 28, 2023). We're already seeing unemployment benefit claims continue to rise above the 2019 average, suggesting it has become more difficult to find jobs for people when they're laid off, and employment in the temporary help services sector was down 6.1% from a year ago, a decline whose magnitude has in

the past been a harbinger of a recession.

Table 3

U.S. economic factors

	Actual	Forecast			
	2022	2023	2024	2025	2026
Real GDP (% year-over-year growth)	2.1	2.4	1.5	1.4	1.8
Unemployment rate (% annual average)	3.6	3.7	4.3	4.6	4.5
Consumer price index (% annual average)	8.0	4.1	2.4	2.1	2.1

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, and S&P Global Ratings Economics forecasts.

In the auto market, as new vehicle supply imbalances continue to ease and borrowing rates continue to rise, we would expect used vehicle values to continue to normalize to historical levels.

S&P Global Ratings' Expected Loss: 21.50%

Our rating-specific cumulative net loss assumption represents the greater of our largest dealer default amount method and the hybrid default amount method. For CAALT 2023-5, the hybrid default amount method is greater. Both methods incorporate our base-case expected loss.

We determined our expected loss for CAALT 2023-5 by analyzing:

- The extensive origination static pool net loss data provided by the company (charts 1 and 2); while origination data show CNLs ranging from 23.0% to 34.0% through month 42, since a significant portion of losses are taken by month 12 and the company's securitizations are generally seasoned 12 months or more at closing (and such seasoning continues to grow during the revolving period), CNLs on the company's paid-off transactions, as measured over the course of the amortization period, have been significantly lower (see table 5);
- The securitization static pool net loss data, including those of the proposed securitization; and
- The series collateral characteristics, relative to previous series, and the performance of those series (see tables 2, 4, and 5).

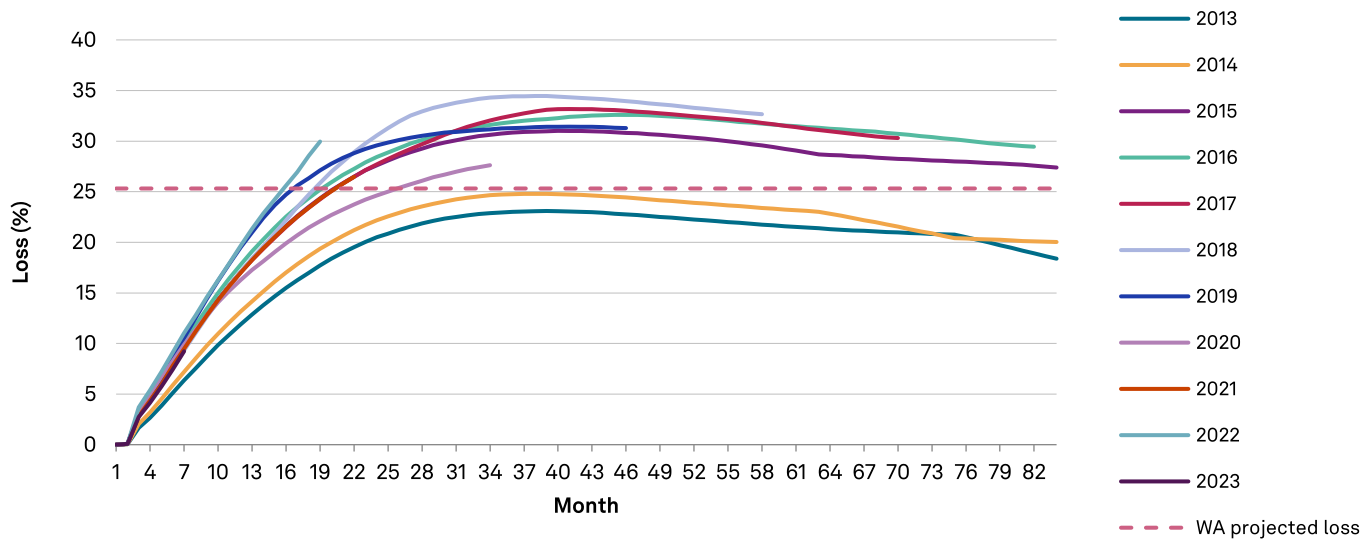
We placed more emphasis on origination static pool analysis when determining the expected loss for this series. We complemented this analysis with our forward-looking view of the auto finance sector and economy including our outlook for the economy this year and lower recovery rates (see the Macroeconomic And Auto Finance Sector Outlook section above).

Origination static pool analysis

The origination cumulative net loss and recovery static pools by annual vintage from 2013 through 2023 are shown in charts 1 and 2, respectively. With no seasoning credit, the data suggest a weighted average net loss expectation of approximately 25.32%. The weighted average seasoning for CAALT 2023-5 is approximately 30 months. Nevertheless, the transaction has a two-year revolving period, during which the performance benefit of seasoning can quickly erode as additional collateral, particularly of a weaker credit profile, is added. We give some credit to seasoning when deriving our 21.50% expected loss for this series.

Chart 1

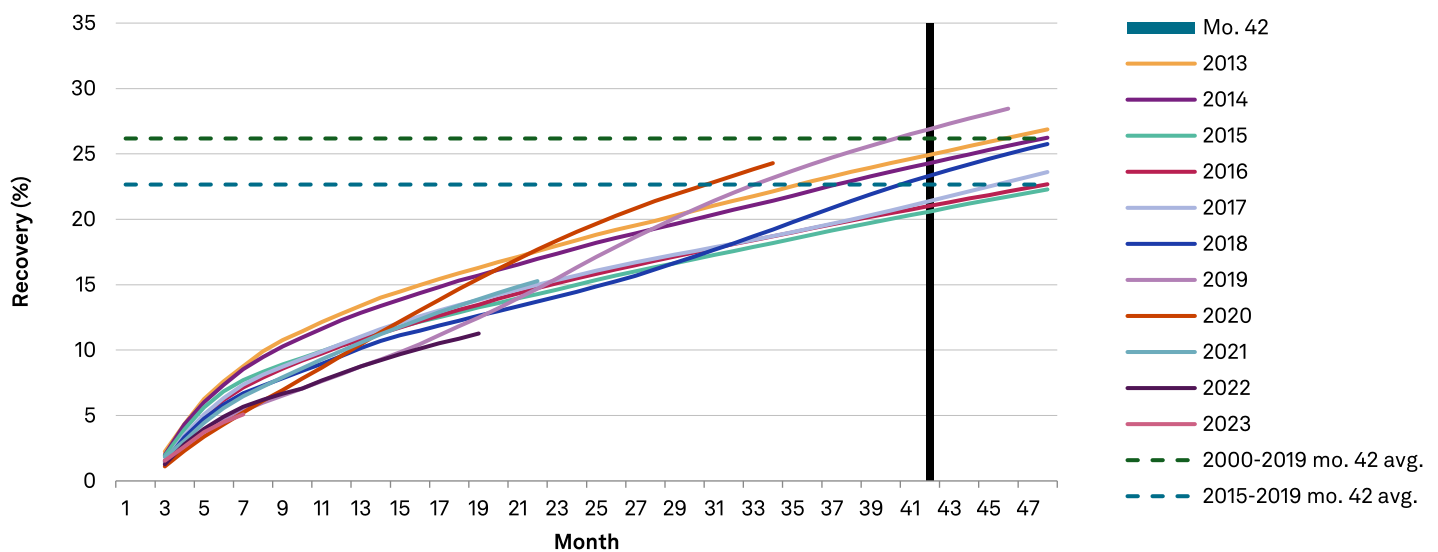
Portfolio installment sales contract cumulative principal net losses by annual origination vintage



WA--Weighted average.
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Chart 2

Credit Acceptance Corp. portfolio cumulative recovery rates by annual vintage



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CAALT transaction performance

We currently maintain ratings on nine outstanding CAALT transactions. Five of the nine transactions are in their revolving period and four are in their amortization period (see table 4).

Table 4

Cumulative net loss summary--amortizing transactions

Series	Months amortizing	Note factor (%)	Contract balance at beginning of amortization period (\$)	Total contract balance added during amortization period to date (\$)	Total amortization period losses to date (\$)	Total amortization period losses to date (%)	Total amortization period loss projections (%)
2020-3	13	22.93	1,634,660,168	119,467,613	120,645,610	6.88	9.75
2021-2	9	42.83	1,298,450,946	94,692,552	77,608,960	5.57	10.50
2021-3	6	64.16	1,103,434,573	33,209,769	58,088,614	5.11	11.50
2021-4	1	94.11	680,254,418	8,443,887	4,601,799	0.67	5.89

For the series in their amortization periods, we projected their losses using a loss curve derived from the paid-off series 2017-1. These appear to be higher than their immediate paid off predecessors. Since series 2021-4 has only one month of amortization performance, its projections are potentially more volatile, albeit the amortization period of any given series is expected to be around 14-16 months (see table 5).

Table 5

Cumulative net loss summary--paid-off transactions

Series	Contract balance at beginning of amortization period (\$)	Total contract balance added during amortization period (\$)	Total amortization period losses (\$)	Total amortization period losses (%)
2012-2	719,659,252	86,285,705	45,171,877	5.60
2013-1	414,695,432	50,562,798	31,591,966	6.79
2013-2	539,462,203	82,523,113	48,144,892	7.87
2014-1	786,279,363	106,808,060	73,204,939	8.20
2014-2	1,004,825,414	97,826,925	86,728,902	7.87
2015-1	733,806,955	69,516,960	66,305,959	8.25
2015-2	747,042,056	55,936,410	75,152,252	9.36
2016-2	916,904,675	68,077,233	83,464,951	8.47
2016-3	867,489,181	30,100,835	97,090,068	10.82
2017-1	903,110,168	60,083,188	109,838,779	11.40
2017-2	1,198,563,014	28,214,968	125,301,576	10.21
2017-3	863,926,712	19,875,464	79,987,862	9.05
2018-1	1,309,501,657	46,444,815	84,097,727	6.20
2018-2	1,166,467,554	44,420,663	60,993,742	5.04
2018-3	967,670,802	25,849,560	71,169,479	7.16

Table 5

Cumulative net loss summary--paid-off transactions (cont.)

Series	Contract balance at beginning of amortization period (\$)	Total contract balance added during amortization period (\$)	Total amortization period losses (\$)	Total amortization period losses (%)
2019-1	1,069,767,092	12,399,137	34,108,572	3.15
2019-3	1,133,816,940	20,003,229	18,120,801	1.57
2020-1	1,344,139,840	63,541,574	59,671,983	4.24
2020-2	1,527,805,100	48,125,174	78,111,529	4.96

Series 2022-1 through 2023-3 are still in their respective revolving periods, have not breached any early amortization triggers, and continue to maintain their required overcollateralization and reserve account amounts.

In July 2023, we raised our ratings on the series 2020-2, 2020-3, and 2021-2 class B and C notes to 'AAA (sf)', and affirmed our 'AAA (sf)' ratings on each of the series 2020-3 class A notes. We also affirmed the 'AA (sf)' and 'A (sf)' of the series 2021-3 class B and C notes (see "Six Ratings Raised And Five Affirmed On Four Credit Acceptance Auto Loan Trust Transactions," published July 27, 2023).

Dealer default methods

Given that the installment sales contracts backing the dealer advance portion of the collateral are pledged by the dealers to CAC, as opposed to being sold, we have applied dealer default assumptions to reflect the risk of an automatic stay of these contracts' proceeds in the event of a dealer bankruptcy. We arrived at our rating category loss assumption by combining our base-case expected loss with the bankruptcy of a certain number of dealers at each rating category under both the largest dealer default amount method and the hybrid default amount method. Our rating-specific cumulative net loss assumption is equal to the greater of the two results, which, in the case of the series 2023-5 transaction, is the hybrid default amount method.

Largest dealer default amount method

Under the largest dealer default amount method, at the 'AAA', 'AA-', and 'A' rating categories, the credit support must cover a 95.00% loss severity on the collateral associated with the top 24, 20, and eight dealer concentrations, respectively, which for CAALT 2023-5 is approximately 41.18%, 34.31%, and 20.76%, respectively (see table 6).

Table 6

Largest default amount method

	Class		
	A	B	C
Preliminary rating	AAA (sf)	AA- (sf)	A (sf)
Dealer advance portion (64.31%)			
No. of dealers (largest industry default test)	24	20	8
Maximum concentration per dealer (%)	1.50	1.50	1.50

Table 6

Largest default amount method (cont.)

	Class		
	A	B	C
Dealer concentration penalty (%)	36.00	30.00	12.00
95.00% severity on the dealer concentration penalty (%)	34.20	28.50	11.40
Purchased loan portion (35.69%)			
Base-case loss (%)	21.50	21.50	21.50
Multiple (x)	2.50	2.08	1.75
Total purchased loan portion loss (%)	53.75	44.79	37.63
Weighted average loss (%)			
Dealer advance portion (64.31%)	22.00	18.33	7.33
Purchased loan portion (35.69%)	19.18	15.98	13.43
Combined loss level (%)	41.18	34.31	20.76

Hybrid default amount method

Under the hybrid default amount method, at the 'AAA', 'AA-', and 'A' rating categories, the credit support must cover a 95.00% loss severity on the collateral associated with the top five, four, and three dealer concentrations, respectively, which for CAALT 2023-5 is approximately 55.74%, 46.73%, and 39.29%, respectively (see table 7).

Table 7

Hybrid default amount method

	Class		
	A	B	C
Preliminary rating	AAA (sf)	AA- (sf)	A (sf)
Dealer advance portion (64.31%)			
No. of dealers	5	4	3
Maximum concentration per dealer (%)	1.50	1.50	1.50
Dealer concentration penalty (%)	7.50	6.00	4.50
95.00% severity on the dealer concentration penalty (%)	7.13	5.70	4.28
Base-case loss (%)	21.50	21.50	21.50
Base-case loss adjusted for dealer concentration penalty (%) ⁽ⁱ⁾	19.89	20.21	20.53
Multiple (x)	2.50	2.08	1.75
Adjusted stress loss level (%)	49.72	42.10	35.93
Total dealer advance portion loss (%)	56.84	47.80	40.21
Purchased loan portion (35.69%)			
Base-case loss (%)	21.50	21.50	21.50
Multiple (x)	2.50	2.08	1.75
Total purchased loan portion loss (%)	53.75	44.79	37.63

Table 7

Hybrid default amount method (cont.)

	Class		
	A	B	C
Weighted average loss (%)			
Dealer advance portion (64.31%)	36.56	30.74	25.86
Purchased loan portion (35.69%)	19.18	15.98	13.43
Combined loss level (%)	55.74	46.73	39.29

(i) For 'AAA', 19.89% equals 21.50% of base-case cumulative net losses multiplied by 1 minus the 7.50% dealer concentration penalty. For 'AA-', 20.21% equals 21.50% of base-case cumulative net losses multiplied by 1 minus the 6.00% dealer concentration penalty. For 'A', 20.53% equals 21.50% of base-case cumulative net losses multiplied by 1 minus the 4.50% dealer penalty.

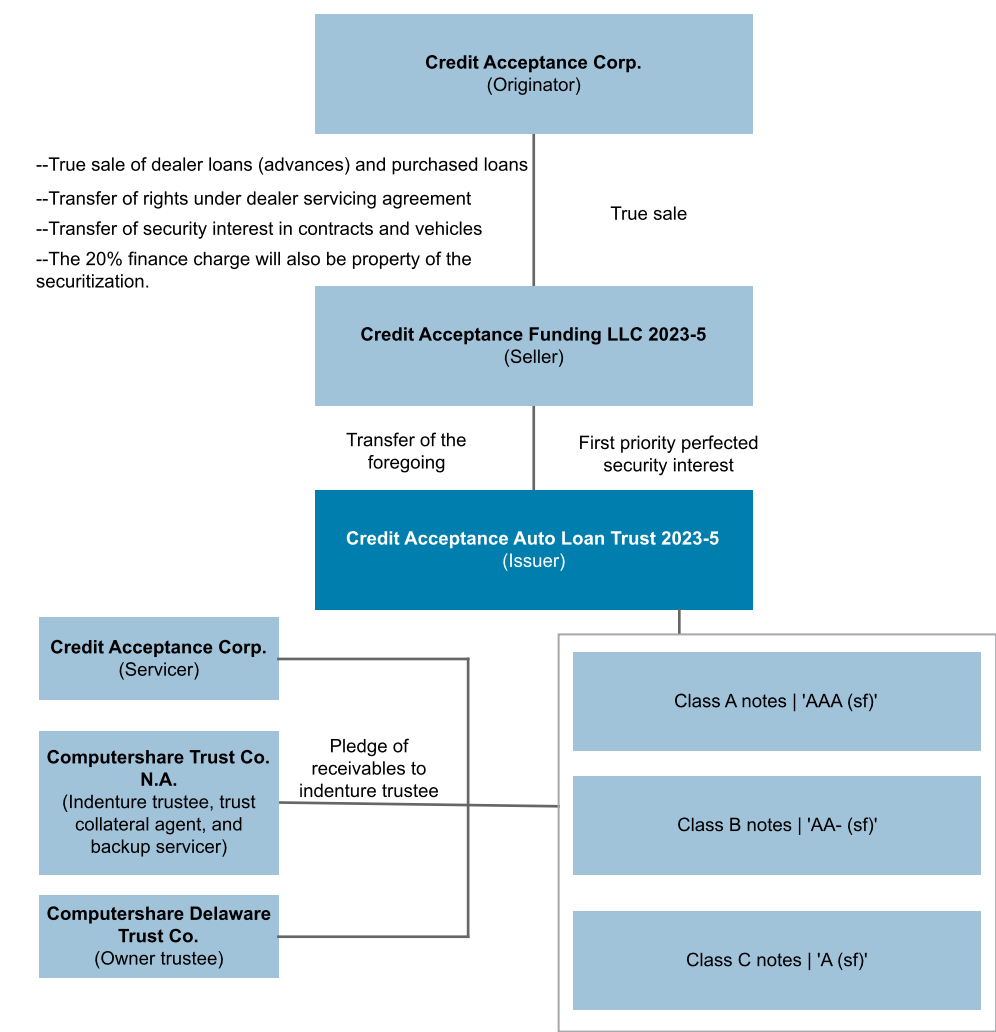
Legal overview and transaction structure

In rating this transaction, S&P Global Ratings will review the legal matters it believes are relevant to its analysis, as outlined in its criteria.

The transaction is structured as a true sale of the receivables (dealer loans and purchased loans), transfer of rights under the dealer servicing agreement, transfer of security interest in the contracts and vehicles, and transfer of the 20.00% finance charge to Credit Acceptance Funding LLC 2023-5 (the seller) from CAC (the originator, servicer, and sponsor). The seller then grants a first priority perfected security interest in the receivables to CAALT 2023-5 (the issuing entity), which pledges its interest in the receivables and its security interest in the vehicles to the indenture trustee (Computershare Trust Co. N.A.) for the benefit of the noteholders (see chart 3).

Chart 3

Transaction structure



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Transaction structure

CAALT 2023-5 transaction incorporates the following structural features:

- A 24-month revolving period, during which principal payments on contracts in the collateral pool can be used to purchase additional loans or fund additional dealer advances provided an early amortization event has not occurred;
- A revolving period that may terminate if certain trigger events occur, at which point, early amortization would begin (see Early Amortization Events below);
- A senior-subordinated, turbo sequential-pay structure in which the senior-most notes outstanding are paid first at the start of the amortization period, which is scheduled to begin at the close of business on the December 2025 distribution date and is subject to early

amortization if a trigger event occurs;

- An initial overcollateralization of 21.63% of the NBV during the revolving period; and
- A non-amortizing reserve account that will be funded with an initial deposit of 3.75% of the initial note balance or 2.94% of the NBV.

As noted above, the full turbo structure causes overcollateralization (O/C) as a percentage of the NBV to grow quickly once a securitized pool begins to amortize. Table 8 shows the O/C levels of those transactions for which data are available at various times during the first nine months of amortization, as a percentage of the initial NBV. Of the series listed, series 2020-3, 2021-2, 2021-3, and 2021-4 are currently in their amortization period.

Table 8

O/C levels

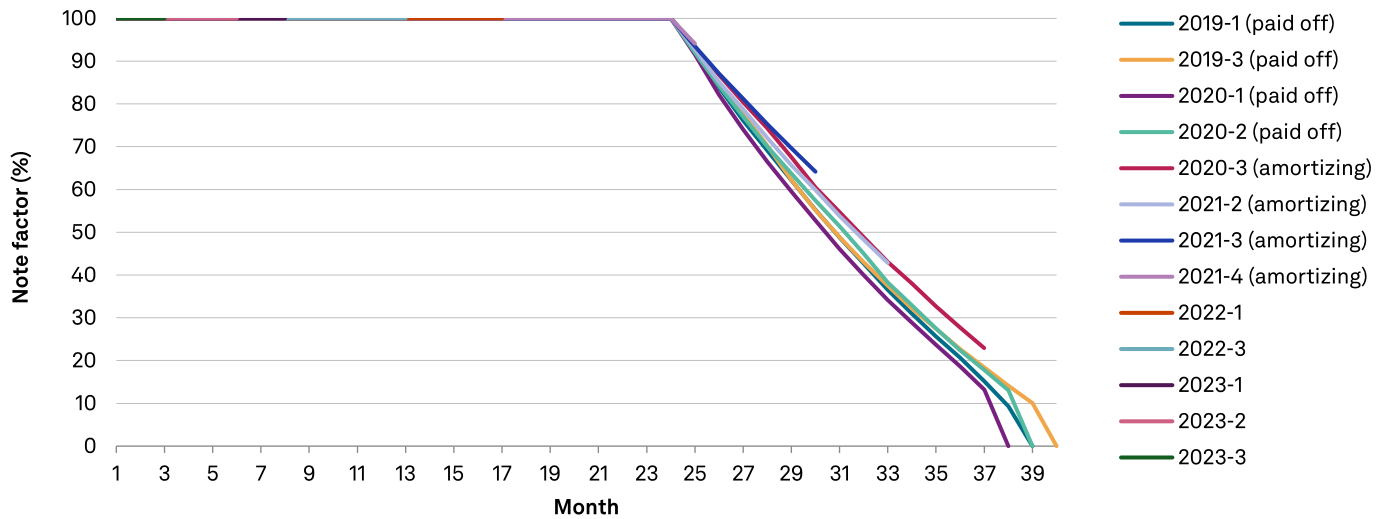
	CAALT							
	2021-4	2021-3	2021-2	2020-3	2020-2	2020-1	2019-3	2019-1
Status	Amortizing	Amortizing	Amortizing	Paid-off	Amortizing	Paid-off	Paid-off	Paid-off
O/C level during revolving period (%)	20	20	20	20	20	20	20	20
O/C level during amortization period (%)								
Month one	24	23	24	23	23	23	22	22
Month three	N/A	27	32	29	29	31	28	28
Month six	N/A	36	42	41	39	42	39	39
Month nine	N/A	N/A	54	52	53	56	51	52

O/C--Overcollateralization. CAALT--Credit Acceptance Auto Loan Trust. N/A--Not applicable.

As a corollary, the notes' swift paydown is also presented in the note factor analysis in chart 4.

Chart 4

Securitization note factors



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Payment Priority

Payment distributions before an event of default

The distributions will be made from available funds according to the priority shown in table 9.

Table 9

Payment waterfall

Priority	Payment
1	The servicing fee (4.00% of monthly collections), the backup servicing fee (8.00% of monthly collections if the backup servicer has become the servicer or \$4,000 if the backup servicer has not become the servicer), and trustee fees and expenses (\$17,333). Our cash flow analysis incorporated an 8.00% servicing fee.
2	Class A, B, and C note interest, paid sequentially.
3	Restore the reserve account to its required level.
4	During the revolving period, purchase additional collateral in an amount sufficient to maintain the required overcollateralization.
5	During the amortizing period, use all available funds sequentially to reduce the class A note principal balance to zero, then to reduce the class B note principal balance to zero, and then to reduce the class C note principal balance to zero.
6	Any unpaid amounts owed to the backup servicer, owner trustee, indenture trustee, and trust collateral agent.
7	Any remainder to the certificateholder.

Events of default

Any of the following will constitute an event of default under the indenture:

- A default in the interest payment on the senior-most class of notes that remains uncured for five days;
- A default in the principal payment on any note on its final scheduled distribution date;
- A default in the observance or performance of any material covenant or agreement of the issuer or any materially incorrect representation or warranty of the issuer that is not cured for 30 days (up to 60 days in certain cases);
- The issuer becomes insolvent;
- Cumulative collections through the end of the related collection period, expressed as a percentage of the cumulative forecasted collections through the end of the related collection period, are less than 75.00% for any three consecutive collection periods;
- Sells or otherwise transfers ownership of the certificate except as permitted by the transaction documents;
- Failure to observe or perform in any material respect any of its separateness or limited purpose covenants in the transaction documents to which it is a party or its organizational documents;
- The issuer becomes an investment company within the meaning of the Investment Company Act of 1940; and
- Any transaction document ceases to be in full force and effect.

If an event of default occurs under the indenture, the notes will become immediately due and payable, whether automatically, as in the case of the seller's or issuer's voluntary or involuntary bankruptcy, or by a majority vote by principal amount of the senior-most outstanding noteholders.

If an indenture event of default occurs and the notes have been accelerated, the indenture trustee may exercise certain remedies, such as the liquidation or sale of the trust estate, albeit only in certain circumstances. First, if the event of default is due to a failure to pay principal on the notes at final maturity, or the seller's or issuer's voluntary or involuntary bankruptcy, the trust estate may be liquidated without further warning. Second, for any other indenture event of default, the trust estate may be sold or liquidated if all of the noteholders consent, the sale or liquidation proceeds are sufficient to ensure that all of the noteholders are paid in full, or if the indenture trustee determines that the trust estate will not continue to provide sufficient funds to pay principal and interest on the notes as they would have become due had they not been accelerated.

If the notes are accelerated in the case of a bankruptcy or failure to pay event, distributions will be made from available funds according to the priority shown in table 10. In the case of any other indenture event of default, distributions will be made from available funds as described in table 9. However, the fees and expenses in item 1 will not be limited, and no amounts will be distributed to the reserve account per item 3.

Table 10

Event of default payment waterfall

Priority	Payment
1	The servicing fee; any indemnification amounts owed to the backup servicer (\$17,000); trustee fees, indemnification amounts, and expenses (\$17,417); and unpaid transition expenses due to any successor servicer, paid pari passu.
2	Class A note interest.
3	Class A note principal until the class A note balance has been reduced to zero.
4	Class B note interest.
5	Class B note principal until the class B note balance has been reduced to zero.
6	Class C note interest.
7	Class C note principal until the class C note balance has been reduced to zero.
8	Any remainder to the certificateholder.

Early amortization events

Some of the performance triggers that will cause the revolving period to end and the amortization period to begin include:

- The notes cannot be more than the lower of: (a) 80.00% of the adjusted collateral amount, namely the dealer advances and purchased loan collateral plus any amounts on deposit in the principal collections account; and (b) 60.00% of the amount of the adjusted forecasted collections as of the most recently ended calendar month, and, in each case, for two or more business days.
- The component of the adjusted collateral amount that consists of a deposit in the principal collections account cannot exceed 5.00% of the adjusted collateral amount for two or more business days.
- Cumulative collections for any three consecutive periods must equal at least 90.00% of the cumulative forecast collections.
- The weighted average spread rate must be at least 22.00%.

The weighted average spread is between the weighted average forecast collection rate and the weighted average advance rate. Table 11 shows the absolute difference between the pool's weighted average forecast collection rate and weighted average advance rate by series, as well as the calculation of the weighted average spread rate trigger level, a breach of which, will send the deal into early amortization. Starting with the 2022-1 transaction, the company has lowered the trigger threshold to 22.00% from 25.00%. The weighted average spread had remained at or around 30.00% for several prior transactions, having dipped slightly for the 2022-1 and 2022-3 series. This spread provides each series with a margin of safety if the collateral pool experiences a lower collection rate than forecasted.

Table 11

Spread between WA forecast collection rate and WA advance rate at origination(i)

	CAALT									
	2023-5	2023-A	2023-3	2023-2	2023-1	2022-3	2022-1	2021-4	2021-3	2021-2
Pool WA forecast collection rate (%) (a)	67.5	67.1	67.2	67.0	68.2	67.8	67.7	66.4	65.3	64.8
Pool WA advance rate (%) (b)	47.9	46.9	47.1	46.7	48.0	49.1	48.8	46.9	46.0	45.4
Initial spread (%) (a-b)(ii)	19.6	20.2	20.1	20.3	20.2	18.7	18.9	19.5	19.4	19.4
WA spread rate(iii) (1-(b/a))(iv)	29.0	30.2	29.9	30.4	29.6	27.6	27.9	29.4	29.6	29.9

(i)These figures are percentages of the initial origination balances and not as of their respective cut-off dates. (ii)Reflects the calculation of the WA spread rate as defined for transactions prior to series 2019-1. (iii)The methodology for calculating the WA spread changed beginning with series 2019-1. (iv)Reflects the calculation of the WA spread rate as defined for the series 2019-1 and subsequent transactions. The numbers may not foot due to rounding. WA--Weighted average. CAALT--Credit Acceptance Auto Loan Trust. N/A--not applicable.

Cash Flow Modeling Assumptions And Results

In our cash flow analysis, we assess the availability of asset cash flows to meet the transaction's promised obligations under a variety of stress assumptions, while considering the transaction structure and available credit support. We also use our cash flow analysis in other aspects of our ratings analysis, including the testing of credit stability (sensitivity analysis) and legal final analysis.

Break-even analysis

For the CAALT 2023-5 structure, we applied the assumptions outlined in table 12 in our cash flow analysis to simulate stress scenarios that we believe are appropriate for the assigned preliminary ratings. To assign a rating to a class, we consider the class's break-even levels (the maximum net losses the class can withstand without defaulting) and generally expect it to be equal to or greater than the rating stressed scenario break-even requirement.

Based on our stressed cash flows, the break-even net loss results show that the class A, B, and C notes are credit-enhanced to the degree appropriate for the assigned preliminary ratings (see table 13).

Table 12

Break-even cash flow assumptions

Voluntary ABS (%)	0.60
Backup servicing fee (%) of collections	8.00
Recovery rate (%)	30
Charge-off and recovery lag (mos.)	4
CNL timing mos. (12/24) (%)	90/100

Table 12

Break-even cash flow assumptions (cont.)

ABS--Absolute prepayment speed. Mos.--Months. CNL--Cumulative net loss.

Table 13

Break-even cash flow results

	Class		
	A	B	C
Preliminary rating	AAA (sf)	AA- (sf)	A (sf)
CNL timing mos. (12/24) (%)	100	91/100	91/100
Approximate break-even CNL levels (%)			
Required(i)	55.74	46.73	39.29
Available(ii)	64.32	50.00	42.04

(i) Based on the hybrid default amount method. (ii) The maximum CNLs, with 90.00% credit to any excess spread, the transaction can withstand without triggering a payment default on the relevant class of notes. CNL--Cumulative net loss. Mos.--Months.

Sensitivity analysis

In addition to running break-even cash flows, we undertook sensitivity analysis to determine the preliminary ratings stability under a moderate ('BBB') stress scenario (see table 14).

Table 14

Scenario analysis summary**Sensitivity assumptions**

Stress level	BBB
CNL timing (mos.)	12/24/36
CNL (%)	60/95/100
ABS voluntary prepayments (%)	0.60
Recoveries (%)	25.00
Recovery lag (mos.)	4
Servicing fee (%)	8.00 (of monthly collections)

Concentrations

Dealer advance portion (%)	64.31
Purchased loan portion (%)	35.69

Hybrid method**Dealer advance portion**

Number of dealers	2
Maximum concentration per dealer (%)	1.50
Dealer concentration penalty (%)	3.00
95.00% severity on the dealer concentration penalty (%)	2.85

Table 14

Scenario analysis summary (cont.)

Base-case loss (%)	21.50
Base-case loss adjusted for dealer concentration penalty (%) ⁽ⁱ⁾	20.86
Multiple (x)	1.40
Adjusted stress loss level (%)	29.20
Total dealer advance portion loss (%)	32.05
Purchased loan portion	
Base-case loss (%)	21.50
Multiple (x)	1.40
Total purchased loan portion loss (%)	30.10
Weighted average loss (%)	
Dealer advance portion	20.61
Purchased loan portion	10.74
Combined loss level (%)	31.35

(i) 20.86% equals the 21.50% base-case CNLs multiplied by 1 minus the 3.00% dealer concentration penalty. ABS--Absolute prepayment speed. CNL--Cumulative net loss. Mos.--Months.

Our results show that, all else being equal, our preliminary ratings will be within the credit stability limits specified by section A.4 of the Appendix of "S&P Global Ratings Definitions," published June 9, 2023 (see table 15 and chart 5).

Table 15

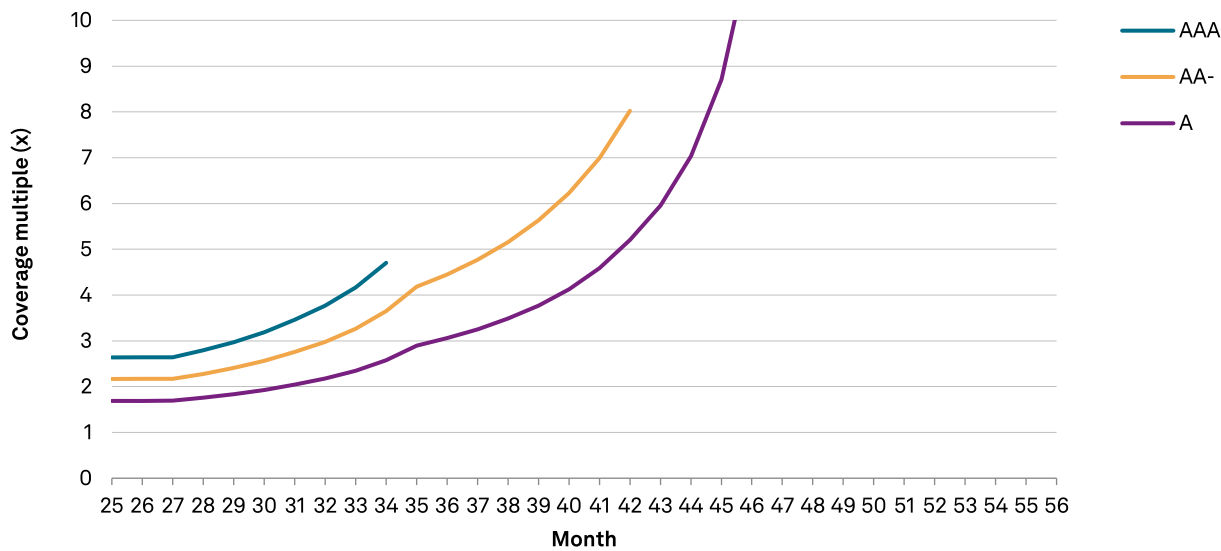
Credit stability as a limiting factor on ratings

Horizon	Maximum projected deterioration associated with rating levels for one-year and three-year horizons under moderate stress conditions					
	AAA	AA	A	BBB	BB	B
One year	AA	A	BB	B	CCC	D
Three years	BBB	BB	B	CCC	D	D

(i) These credit-quality transitions do not reflect our view of the expected degree of deterioration that rated issuers or obligations could experience over the specified time horizons. Nor do they reflect the typical historical levels of deterioration among rated issuers and securities.

Chart 5

Sensitivity multiple coverage



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Legal final maturity

To test the legal final maturity dates set for classes A and B, we determined the date when the respective notes would be fully amortized in a zero-loss and zero-prepayment scenario, and then added three months to that date as per our usual methodology, plus a further 26 months to account for the period from pool cutoff to the end of the revolving period. For the longest-dated security (class C), we added 110 months to the tenor of the longest-dated receivable in the pool to account for the period from pool cutoff to the end of the revolving period plus the maximum receivable term of 84 months. Further, in the break-even scenario for each respective rating level, we confirmed that the credit enhancement was sufficient both to cover losses and to repay the related notes in full by the legal final maturity date.

Counterparty And Operational Risks

Bank account provider

On or before the closing date, the CAALT 2023-5 bank accounts will be established in the name of the indenture trustee, Computershare Trust Co. N.A., as segregated trust accounts and will initially be established with the bank account provider, Wells Fargo Bank N.A. The bank account provider is consistent with our counterparty criteria for a 'AAA' supported transaction (see "Counterparty Risk Framework: Methodology And Assumptions," published March 8, 2019).

Servicer

CAC has a long history in the subprime and dealer advance auto finance business. As a servicer, CAC has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. A back-up servicer, Computershare Trust Co. N.A., is engaged for outstanding series. CAC is rated by S&P Global Ratings, and commingling risk is addressed by the requirement that all collections are deposited into the series collections account within two business days of collection. Our operational risk assessment of CAC as a servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

Regulatory

CAC and the key transaction parties are subject to various regulatory investigations and/or legal proceedings that may arise in their ordinary course of business. CAC has disclosed several such actions in the series offering memorandum, and it is unable to determine whether these or any future investigation or information-gathering requests from a governmental agency or regulatory authority may result in adverse consequences to the company. These include, without limitation, judgments, settlements, fines, penalties, or other actions, which could be substantial and negatively affect the way servicing is conducted, and thus adversely affect the noteholders.

Of particular note is the lawsuit filed against the company on Jan. 4, 2023, by the Consumer Financial Protection Bureau and New York State Office of the Attorney General alleging violation of New York usury limits, as well as other consumer and investor protection laws (see "Bulletin: Lawsuit Against Credit Acceptance Corp. Adds To Its Legal And Regulatory Risks; Resolution Uncertain," published Feb. 2, 2023). The company has signaled its intention to defend itself vigorously in this matter.

We will assess the outcomes of the foregoing when available to determine any impact on our counterparty and operational risk assessments.

CAC

Incorporated in 1972, CAC targets U.S.-based auto dealerships that write installment sales contracts for the subprime and deep subprime auto markets. The company has two lending programs: the portfolio and the loan purchase programs.

Portfolio program/dealer advances

The portfolio program is the older of the two programs and the company's central focus. Under this program, CAC makes loans directly to dealers who are members of its dealer network. These dealer advances, which are securitized, are made in connection with the dealers' origination of installment sales contracts that obligors enter into in order to purchase vehicles on the dealers' lots. The installment sales contracts secure the dealer advances and are pledged by the dealers to CAC. The company services those contracts and transfers its secured rights in, and the cash flows from, the contracts to the securitization trust via the seller. The installment sales contract cash flows are used to repay the dealer advances.

Generally, in the portfolio program, each payment received for all retail installment contracts in a given pool is applied in the following priority:

- Pay CAC a finance charge that is 20.00% of the monthly collections for servicing the contracts;
- Repay the advance CAC made to the dealer; and
- When the advance is paid in full, pay any remaining amounts to the dealer.

Loan purchase program

In March 2005, CAC introduced the newest version of its loan purchase program, in which it purchases contracts directly from dealers. This program provides incremental volume and accommodates dealers who do not want to participate in the portfolio program, subject to eligibility requirements. Each monthly payment under the installment sales contract belongs to CAC to cover the contract's purchase price that it paid to the dealer and to pay its finance charge.

This program has grown as a percentage of the company's business over the last several years. Increasing penetration among large, predominantly franchised dealerships, which tend to prefer the purchase loan program, has contributed to an increase in the average amount paid relative to larger, newer, more expensive vehicles purchased over longer terms of up to 72 months and, most recently, up to 84 months.

Treatment of finance charges

CAC's finance charge is one of the assets transferred to the securitization trust and belongs to the trust. It is used to cover the servicing and trustee fees, with the balance being available to the noteholders. The remaining monthly collections are available for interest, principal, and turboed principal payments to the noteholders after the revolving period.

Collection forecasts

CAC's forecast of its expected principal and interest collections on the installment sales contracts originated in relation to advances made under its portfolio program or purchased under its purchased loan program, as well as its ability to actualize that forecast, is central to the business. Using a proprietary statistical model, the company makes a collection forecast for each loan in its portfolio and updates this forecast monthly as it gradually actualizes collections.

Table 16 shows the company's original collection forecast on its installment sales contract portfolio by annual vintage, beginning in 2014. The table also shows a comparison of the initial forecasts against updated forecasts as of Sept. 30, 2023, and June 30, 2023. It also shows the variance between the initial and most recent forecasts, as well as the percentage of the latter that has been realized to date. The forecasts' accuracy increases as the loans season.

There is a positive variance between 2017 and 2020, and no variance 2023 to date. The vintages immediately following the Great Recession showed strength from a collections point of view with positive variances of approximately 2.3%-4.2% between initial and later forecasts. The 2014-2016 and 2021-2022 vintages currently show some negative variance related primarily to heightened competition. Adjusting initial collection forecasts downward in response to the observed decline in forecast collection rates experienced in 2016 may have adversely affected unit volumes, given the resulting lower advance rates. The 2022 vintage shows the widest negative variance, with the current forecast adjusted down to 63.5% from the initial forecast of 67.5%.

Table 16 also shows that the updated forecasts for the 2014-2019 vintages are now close to full actualization, rendering these forecasts as essentially reality. As a whole, the table indicates the

accuracy with which the company can forecast the collections that it expects to make for the installment sales contracts it originates. This is an important consideration because a forecast accuracy of less than 90.0% for three consecutive months will cause the securitization to begin amortizing.

Table 16

Consumer loan forecast collection rates

Series	Initial forecast (%)	As of Sept. 30, 2023 (%)	As of June 30, 2023 (%)	Variance between initial and latest forecast (%)	% of forecast realized
2014	71.8	71.7	71.7	(0.1)	99.7
2015	67.7	65.2	65.2	(2.5)	99.4
2016	65.4	63.8	63.8	(1.6)	99.0
2017	64.0	64.7	64.7	0.7	98.5
2018	63.6	65.5	65.4	1.9	96.1
2019	64.0	66.8	66.8	2.8	90.8
2020	63.4	67.5	67.8	4.1	80.9
2021	66.3	64.9	65.5	(1.4)	64.7
2022	67.5	63.5	64.3	(4.0)	37.2
2023(i)	67.6	67.6	67.5	0.0	10.5

(i)As of September 2023.

Although the underlying contract defaults can be high, CAC's advance losses are almost negligible because from 2014 through 2023 to date, it advanced approximately 42.0%-48.0% of the contracts' full principal and interest gross amount under the portfolio program and approximately 45.0%-52.0% under the loan purchase program. It also advanced approximately 45.0% and 49.8% for the portfolio and loan purchase programs, respectively, for 2023 to date. The company sets each advance rate based on an acceptable level of profitability relative to its forecast collection rate on the installment sales contracts associated with that advance.

Both table 17 and chart 6 show the latest forecast/actual collection rates on all installment sales contracts by annual vintage, as well as those vintages' associated advance rates and the spread between the two. The spread provides a cushion if collection rates are lower than those that CAC originally forecast. The spread is also an important risk management metric for both the company's business as a whole and its securitizations. From 2014 through second-quarter 2023, forecast/actual collection rates averaged approximately 66.1%, while the advance rates averaged approximately 45.0%, resulting in an average spread of approximately 21.1%. Chart 6 illustrates the percentage of forecast collections that were actually realized.

Table 17

Collection rate to advance rate spread

Series	Forecast/actual collection rate (%) (i)	Advance rates (%)	Spread (%)
2014	71.7	47.7	24.0
2015	65.2	44.5	20.7
2016	63.8	43.8	20.0
2017	64.7	43.2	21.5

Table 17

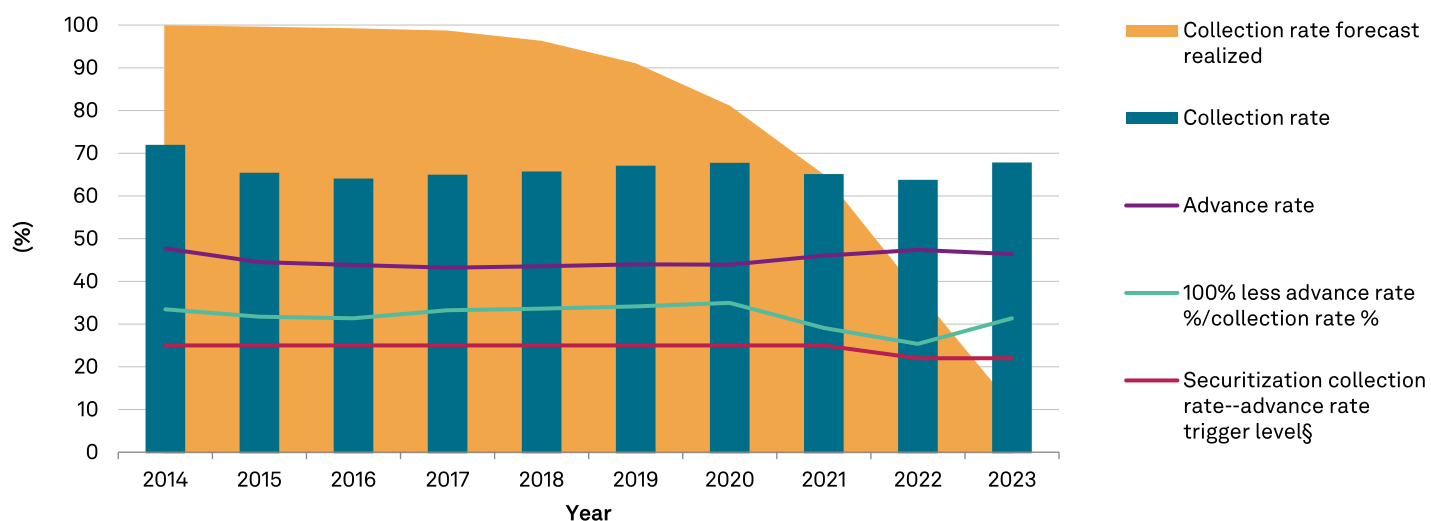
Collection rate to advance rate spread (cont.)

Series	Forecast/actual collection rate (%) ⁽ⁱ⁾	Advance rates (%)	Spread (%)
2018	65.5	43.5	22.0
2019	66.8	44.0	22.8
2020	67.5	43.9	23.6
2021	64.9	46.0	18.9
2022	63.5	47.4	16.1
2023 ⁽ⁱ⁾	67.6	46.4	21.2
Average	66.1	45.0	21.1

⁽ⁱ⁾As of September 2023.

Chart 6

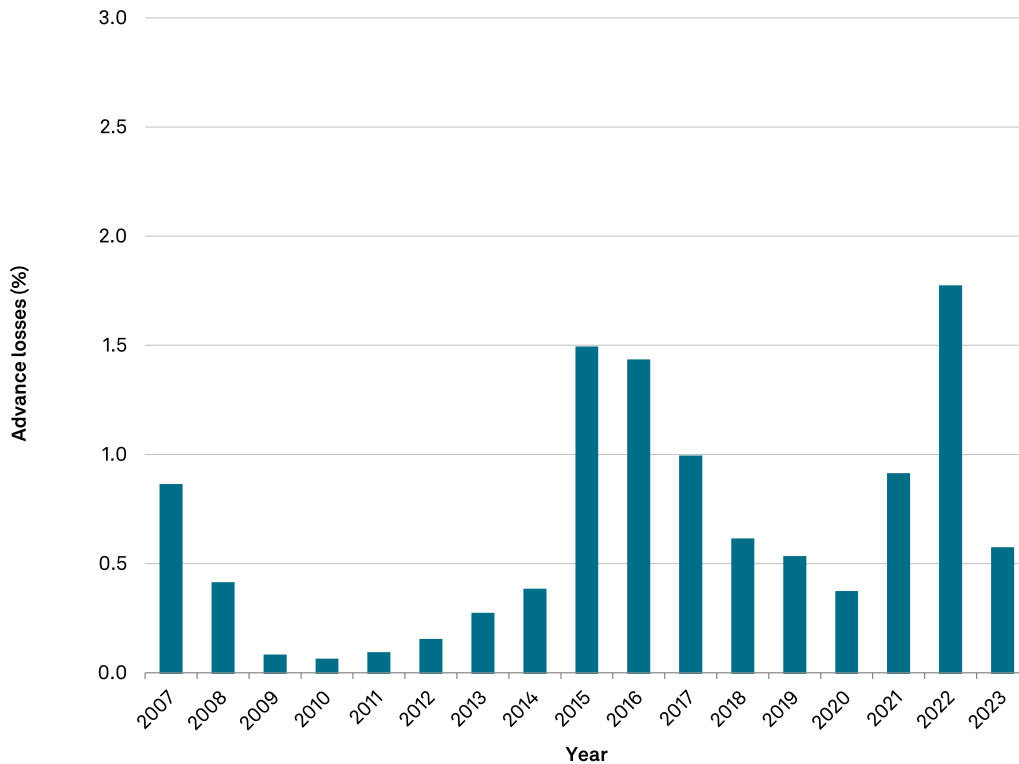
Credit Acceptance Corp. collection rates, advance rates, and spread*



*As of Sept. 30, 2023. §Applicable to 2019-1 through 2021-4; 22% for 2022-1 forward
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The NBV of an identified pool of advances is securitized in these transactions, along with the company's rights in the installment sales contracts associated with those advances. Chart 7 shows the losses on the advances by annual vintage over the past 15 years. The 2022 vintage exhibits the highest advance loss at 1.77%.

Chart 7

Credit Acceptance Corp. cumulative advance losses by yearly vintage

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To help mitigate its risk under the portfolio program, CAC cross-collateralizes the loan repayments made to dealers by aggregating them into pools of either 50 or 100 loans. The choice of closing out a pool at 50 loans has been available to dealers in CAC's network since Aug. 5, 2019. Each pool represents the sum of advances made to a dealer and must be repaid from the aggregate collections on the installment sales contracts backing each pool. As stated above, CAC receives 20.00% of all collections on the installment sales contracts as its finance charge. The 80.00% balance of monthly collections is first used to pay the advances in each pool. Once all of the advances in a dealer's pool have been repaid, 80.00% of any subsequent collections are remitted to the dealer as back-end profit. This helps align the interests of CAC with those of each dealer. In addition, not only are a dealer's pool of loans cross-collateralized, all of its pools are themselves cross-collateralized if a dealer has more than one pool.

Additionally, a dealer cannot account for more than 1.50% of the securitized dealer advances, nor may the aggregate of the 20 largest dealer concentrations account for more than 20.00% of the securitized dealer advances to mitigate dealer bankruptcy risk. The highest dealer concentration in the series 2023-5 pool at cut-off is approximately 1.30%, and the top 20 dealers account for approximately 17.39% of the securitized dealer advances.

The company verifies numerous aspects of a loan application, including the income and residence of each of its obligors. And, while it will not hold up a deal, it attempts to verify employment status as well.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
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- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Credit Conditions North America Q1 2024: A Cluster of Stresses, Nov. 28, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 28, 2023
- U.S. Auto Loan ABS Tracker: September 2023 Performance, Nov. 14, 2023
- Six Ratings Raised And Five Affirmed From Four Credit Acceptance Auto Loan Trust Transactions, July 26, 2023
- Credit Acceptance Corp., July 12, 2023
- Bulletin: Lawsuit Against Credit Acceptance Corp. Adds To Its Legal And Regulatory Risks; Resolution Uncertain, Feb. 2, 2023
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