

CREDIT ACCEPTANCE CORP
Form 8-K
December 09, 2009

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

December 3, 2009

CREDIT ACCEPTANCE CORPORATION

(Exact name of registrant as specified in its charter)

Michigan

000-20202

38-1999511

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

25505 West Twelve Mile Road, Southfield,
Michigan

48034-8339

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

248-353-2700

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.

The information set forth below under Item 2.03 is hereby incorporated by reference into this Item 1.01.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On December 3, 2009, Credit Acceptance Corporation (the "Company") entered into a \$110.5 million asset-backed non-recourse secured financing (the "Financing"). Pursuant to this transaction, the Company contributed loans having a net book value of approximately \$142.3 million to a wholly-owned special purpose entity, Credit Acceptance Funding LLC 2009-1 ("Funding 2009-1"), which will transfer the loans to a trust, which will issue three classes of notes as follows:

Note Class A

- Amount - \$82,500,000
- Average Life – 1.89 Years
- Price – 99.98732
- Interest Rate – 3.96%

Note Class B

- Amount - \$28,000,000
- Average Life – 2.48 Years
- Price – 99.99494
- Interest Rate – 5.68%

Note Class C

- Amount - \$3,300,000
- Average Life – 2.48 Years

The Class A Notes are rated "AAA" by Standard & Poor's Rating Services and DBRS, Inc. The Class B Notes are rated "AA" by Standard & Poor's Rating Services. The Class C Note does not bear interest, is not rated and is being retained by Funding 2009-1.

The Financing will:

- Have an expected annualized cost of approximately 5.2% including the initial purchaser's fees and other costs;
- Revolve for 18 months after which it will amortize based upon the cash flows on the contributed loans; and
- Be used by the Company to repay outstanding indebtedness.

The Company will receive 6.0% of the cash flows related to the underlying consumer loans to cover servicing expenses. The remaining 94.0%, less amounts due to dealer-partners for payments of dealer holdback, will be used to pay principal and interest on the notes as well as the ongoing costs of the Financing. The Financing is structured so as not to affect the Company's contracted relationship with its dealer-partners and to preserve the dealer-partners' rights to future payments of dealer holdback.

The notes have not been and will not be registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. This Current Report on Form 8-K does not and will not constitute an offer to sell or the solicitation of an offer to buy the notes.

The parties to this transaction are the Company, as servicer, Credit Acceptance Auto Loan Trust 2009-1, as issuer (the "Trust"), Funding 2009-1, as seller, and Wells Fargo Bank, National Association, as trust collateral agent, indenture trustee and backup servicer.

The Financing creates loans for which the Trust is liable and which are secured by all the assets of the Trust. Such loans are non-recourse to the Company, even though the Trust, Funding 2009-1 and the Company are consolidated for financial reporting purposes. The Company receives a monthly servicing fee paid out of collections equal to 6.0% of the collections received with respect to the conveyed loans. Except for the Company's servicing fee and payments due to dealer-partners, the Company does not receive, or have any rights in, any portion of such collections until the Trust's underlying indebtedness is paid in full, either through collections or through a prepayment of the indebtedness. Thereafter, remaining collections would be paid to Funding 2009-1 as the sole beneficiary of the Trust where they would be available to be

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distributed to the Company as the sole member of Funding 2009-1, or the Company may choose to repurchase the remaining loans from the Trust and cause the Trust and Funding 2009-1 to pay the Class A Notes, to pay the Class B Notes, and to wind up, whereby the Company would become the owner of such remaining collections.

The Financing may be accelerated upon the occurrence of an "indenture event of default." An "indenture event of default" includes: a default by the Trust in the payment of interest or principal when due; any breach of covenant or any material breach of representation or warranty that is not cured within the specified time following notice; the occurrence of certain bankruptcy or insolvency events involving the Trust or Funding 2009-1; the failure of collections on the transferred assets to be more than a threshold percentage of projected collections for three consecutive collection periods; a transfer by Funding 2009-1 of its ownership of the Trust (other than as permitted by the transaction documents); the failure of Funding 2009-1 to observe in any material respect any of its limited purpose covenants after giving effect to notice and grace periods; the failure of the indenture trustee to have a valid and perfected first priority security interest in the Trust's property if such failure has not been cured within ten business days; the Issuer becomes an investment company within the meaning of the Investment Company Act of 1940; and the cessation of any transaction document to be in full force and effect.

The terms and conditions of this transaction are set forth in the agreements attached hereto as Exhibits 4(f)(123) through 4(f)(128), which agreements are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

4(f)(123) Indenture, dated December 3, 2009, between Credit Acceptance Auto Loan Trust 2009-1 and Wells Fargo Bank, National Association.

4(f)(124) Sale and Servicing Agreement dated December 3, 2009, among the Company, Credit Acceptance Auto Loan Trust 2009-1, Credit Acceptance Funding LLC 2009-1, and Wells Fargo Bank, National Association.

4(f)(125) Backup Servicing Agreement dated December 3, 2009, among the Company, Credit Acceptance Funding LLC 2009-1, Credit Acceptance Auto Loan Trust 2009-1, and Wells Fargo Bank, National Association.

4(f)(126) Amended and Restated Trust Agreement dated December 3, 2009, between Credit Acceptance Funding LLC 2009-1 and U.S. Bank Trust National Association.

4(f)(127) Sale and Contribution Agreement dated December 3, 2009, between the Company and Credit Acceptance Funding LLC 2009-1.

4(f)(128) Intercreditor Agreement dated December 3, 2009, among the Company, CAC Warehouse Funding Corporation II, CAC Warehouse Funding III, LLC, Credit Acceptance Funding LLC 2008-1, Credit Acceptance Funding LLC 2009-1, Credit Acceptance Auto Loan Trust 2008-1, Credit Acceptance Auto Loan Trust 2009-1, Wells Fargo Securities, LLC, as agent, Fifth Third Bank, as agent, Wells Fargo Bank, National Association, as agent, and Comerica Bank, as agent.

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SIGNATURES

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

CREDIT ACCEPTANCE CORPORATION

December 9, 2009

By: /s/ Douglas W. Busk

Name: Douglas W. Busk

Title: Senior Vice President and Treasurer

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Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
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