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CREDIT ACCEPTANCE CORPORATION
Form 11-K
January 09, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year end December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 000-20202

A. Full title of the plan and the address of the plan, if different from
that of the issuer named below:

CREDIT ACCEPTANCE CORPORATION 401(k) PROFIT SHARING PLAN AND TRUST

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

CREDIT ACCEPTANCE CORPORATION
25505 West Twelve Mile Road, SUITE 3000
Southfield, Michigan 48034-8339

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SIGNATURE

INDEPENDENT AUDITORS' REPORT

Plan Administrator
Credit Acceptance Corporation
401(k) Profit Sharing Plan and Trust

We have audited the accompanying statements of assets available for benefits of Credit Acceptance Corporation 401(k) Profit Sharing Plan and Trust (the "Plan") as of December 31, 2002 and 2001 and the related statement of changes in assets available for benefits for the year ended December 31, 2002. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the assets available for benefits of the Plan as of December 31, 2002 and 2001 and the changes in assets available for benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets (held at year end), reportable transactions, and nonexempt transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements

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taken as a whole.

Deloitte & Touche
September 23, 2003

CREDIT ACCEPTANCE CORPORATION
401(k) PROFIT SHARING PLAN AND TRUST

STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2002 AND 2001

| | 2002 | 2001 |
|-------------------------------|-------------|-------------|
| ASSETS: | | |
| Investments, at fair value: | | |
| Investments | \$3,535,502 | \$3,381,176 |
| Loan account | 164,509 | 100,227 |
| | ----- | ----- |
| Total investments | 3,700,011 | 3,481,403 |
| Receivables: | | |
| Employer contributions | 6,105 | 4,903 |
| Participants contributions | 60,403 | 50,807 |
| Other | 273 | 664 |
| | ----- | ----- |
| Total receivables | 66,781 | 56,374 |
| | ----- | ----- |
| ASSETS AVAILABLE FOR BENEFITS | \$3,766,792 | \$3,537,777 |
| | ===== | ===== |

See notes to financial statements.

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CREDIT ACCEPTANCE CORPORATION
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STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2002

| | |
|---|--------------|
| ADDITIONS TO NET ASSETS ATTRIBUTED TO: | |
| Interest and dividends | \$ 40,972 |
| Net depreciation of investments | (641,467) |
| | ----- |
| Net investment loss | (600,495) |
| Contributions: | |
| Employer | 123,043 |
| Participants | 936,116 |
| Rollovers | 32,927 |
| | ----- |
| Total contributions | 1,092,086 |
| | ----- |
| Total additions | 491,591 |
| DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO: | |
| Loan fees paid by participants | 3,675 |
| Benefits paid to participants | 252,218 |
| Other fees | 6,683 |
| | ----- |
| Net increase | 229,015 |
| ASSETS AVAILABLE FOR BENEFITS: | |
| Beginning of year | 3,537,777 |
| | ----- |
| End of year | \$ 3,766,792 |
| | ===== |

See notes to financial statements.

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CREDIT ACCEPTANCE CORPORATION
401(k) PROFIT SHARING PLAN AND TRUST

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

1. DESCRIPTION OF THE PLAN

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The following brief description of the Credit Acceptance Corporation (the "Company") 401(k) Profit Sharing Plan and Trust (the "Plan"), provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

GENERAL--The Plan is a defined contribution plan available to all salaried and hourly-rated employees of the Company who have 90 days of service and are age 21 or older. Prior to November 1, 2001, the Plan was available to employees with one year of service. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

CONTRIBUTIONS--Participants may contribute up to 15% of their annual compensation, subject to current Internal Revenue Service ("IRS") limitations of \$11,000 and \$10,500 in 2002 and 2001, respectively, and other limitations based upon the participants' compensation level. Contributions withheld from an employee's pay on a pretax basis are not taxable until withdrawn from the Plan by the participant. The Company makes matching contributions equal to \$0.25 for every \$1.00 of elective deferred contributions made by each active participant, not to exceed \$625 annually. Other contributions made by the Company are at its discretion.

PARTICIPANT ACCOUNTS--Each participant's account is credited with the participant's contribution and an allocation of the Company's contribution and Plan earnings. Allocations are based on participant earnings or account balances, as defined by the Plan.

VESTING--Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the Company contributions portion of their accounts plus earnings thereon is based on years of continuous service. A participant is 100% vested after six years of credited service.

LOANS--Subject to predefined conditions and terms, a participant may borrow from their fund accounts up to 50% of the participant's vested fund balance, not to exceed \$50,000.

PAYMENT OF BENEFITS--On termination of service due to death, disability or retirement, a participant may elect to receive the value of the participant's vested fund balance in either a lump-sum amount or in installment payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION--The accompanying financial statements have been prepared on the accrual basis of accounting.

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USE OF ESTIMATES--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets available for benefits and the reported amounts of additions and deductions from assets available for benefits during the reported period. Actual results could differ from those estimates. The Plan invests in various securities including U.S.

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Government securities, corporate debt instruments and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of assets available for plan benefits.

VALUATION OF INVESTMENTS AND INCOME RECOGNITION--Investments are recorded at fair value as determined by the trustee of the Plan using quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

PAYMENTS OF BENEFITS--Benefits are recorded when paid.

EXPENSES--Plan expenses (other than loan fees) are paid by the Company.

CURRENT ACCOUNTING PRONOUNCEMENT--On January 1, 2001, the Plan adopted Statement of Financial Accounting Standards ("SFAS") Nos. 133 and 138, Accounting for Derivative Instruments and Hedging Activities, and Accounting for Derivative Instruments and Certain Hedging Activities--an amendment of FASB Statement No. 133, respectively, which did not have a material effect on the Plan's financial statements.

3. INVESTMENTS

Effective October 31, 2001, ABN Amro Trust Services Company ("ABN") became the Plan trustee, and all of the Plan's investments were transferred to ABN at that time. Prior to October 31, 2001, LaSalle National Trust N.A. was the Plan trustee. As of December 31, investments representing 5% or more of the Plan's assets are as follows:

| | 2002 | 2001 |
|-------------------------------|-------------|-------------|
| Stated Principle Value Fund | \$ - | \$ 412,919 |
| ABN Amro Income Plus Fund | 666,990 | - |
| Chicago Capital Bond Fund | 235,902 | 177,083 |
| Chicago Capital Balanced Fund | 554,808 | 667,297 |
| ABN Amro S&P 500 Index | 635,457 | 708,821 |
| Franklin Balanced Sheet | 326,896 | 256,300 |
| Chicago Capital Growth Fund | 175,735 | 192,603 |
| Veredus Aggregate Growth Fund | 330,252 | 495,035 |
| Euro-Pacific Growth Fund | 440,894 | 457,637 |
| Credit Acceptance Stock Fund | 54,193 | - |
| Other | 114,375 | 13,481 |
| | ----- | ----- |
| Total investments | \$3,535,502 | \$3,381,176 |
| | ===== | ===== |

Effective in 2001, employees were provided with an option to invest in a Company stock fund. The first employee contributions into this fund were made in December 2001 and were submitted to the Plan in January 2002. These contributions are included in Plan receivables as of December 31, 2001.

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4. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

5. TAX STATUS

The Company has adopted a standardized prototype plan sponsored by ABN. The IRS has issued a favorable opinion letter in regards to the ABN prototype plan. The plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. As such, no provision for income taxes has been included in the Plan's financial statements.

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CREDIT ACCEPTANCE CORPORATION
401(k) PROFIT SHARING PLAN AND TRUST

SCHEDULE H, LINE 4i--SCHEDULE OF ASSETS (HELD AT YEAR END)
DECEMBER 31, 2002

| (A) | (B) IDENTITY OF ISSUE | (C) DESCRIPTION OF INVESTMENT | (E) CURRENT VALUE |
|-----|---------------------------------|-------------------------------------|-------------------------|
| * | ABN Amro Trust Service Company: | | |
| | ABN Amro Income Plus Fund | Mutual Fund | \$ 666,990 |
| | Chicago Capital Bond Fund | Mutual Fund | 235,902 |
| | Chicago Capital Balanced Fund | Mutual Fund | 554,808 |
| | ABN Amro S&P 500 Index | Mutual Fund | 635,457 |
| | Franklin Balanced Sheets | Mutual Fund | 326,896 |
| | Chicago Capital Growth Fund | Mutual Fund | 175,735 |
| | Veredus Aggregate Growth Fund | Mutual Fund | 330,252 |
| | Euro-Pacific Growth Fund | Mutual Fund | 440,894 |
| | Washington Mutual | Mutual Fund | 49,061 |
| | Chicago Capital Talon Fund | Mutual Fund | 65,294 |
| | Liquidity Fund | Mutual Fund | 20 |
| | Credit Acceptance Stock Trust | Stock Trust | 54,193 |
| | Total investments | | 3,535,502 |

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| | | |
|---|--|-----------------------|
| * | Loans to participants 7.45% - 11.50% maturing at various dates not exceeding five years | 164,509 ----- |
| | TOTAL INVESTMENTS | \$ 3,700,011 ===== |

* Party-in-interest

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CREDIT ACCEPTANCE CORPORATION
401(k) PROFIT SHARING PLAN AND TRUST

SCHEDULE H, LINE 4j--SCHEDULE OF REPORTABLE TRANSACTIONS
YEAR ENDED DECEMBER 31, 2002

| (A) IDENTITY OF PARTY INVOLVED | (B) DESCRIPTION OF ASSET | (C) PURCHASE PRICE | (D) SELLING PRICE |
|---|-----------------------------|--------------------------|-------------------------|
| SINGLE TRANSACTIONS WHICH INDIVIDUALLY EXCEED 5% OF THE VALUE OF THE PLAN ASSETS AT JANUARY 1, 2002: | | | |
| ABN Amro | ABN Amro Income Plus | \$ 654,396 | |
| ABN Amro | Safety of Principal Fund | | \$ 654,396 |

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SCHEDULE G, PART III--SCHEDULE OF NONEXEMPT TRANSACTIONS
YEAR ENDED DECEMBER 31, 2002

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| IDENTITY OF PARTY INVOLVED | RELATIONSHIP TO PLAN, EMPLOYER OR OTHER PARTY-IN-INTEREST | DESCRIPTION OF TRANSA |
|-------------------------------|---|---|
| Credit Acceptance Corporation | Plan Sponsor | Participant contributions were not funded by the 15th day after the month withheld required by D.O.L. Regulation 2510.3-102. Various contributions totaling from the December 2002 payroll deposited into the participant account on January 28, 2003. |

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

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401(k) PROFIT SHARING PLAN AND TRUST

By: /s/ Douglas W. Busk

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Douglas W. Busk
Chief Financial Officer and Treasurer
January 9, 2004

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