

Primary Affected Area	Cross - Functional
Topic	Compliance
Date of Most Recent Publication	2/15/16
QA Compliance Review Date	N/A

Policy

This policy applies to every aspect of the Company's business.

FAIR LENDING POLICY

Policy Statement

The Company will treat all of its consumers consistently and prohibit team members and dealers enrolled in its program ("Dealers") from directly or indirectly discriminating against consumers in the origination or servicing of accounts. Discrimination, directly or indirectly against customers on the basis of their race, color, religion, national origin, marital status, sexual orientation, military status, age, sex, childbearing potential, disability or familial status or the receipt of public assistance is prohibited. The Company informs its dealers of their fair lending obligations in the Dealer Agreement and through this policy, training, CAPS reminders, reporting, audits, and enforcing the consequences for non-compliance (including termination).

Illustratively, the following actions are prohibited under this policy:

- Discriminating in *any* aspect of the Company's dealings with an applicant related to an application for credit, including what information the Company requires from the applicant, terms of credit set, and standards of creditworthiness;
- Making a statement to applicants or prospective applicants (like in advertising) that would discourage, on a prohibited basis, a reasonable person from making or pursuing an application;
- Asking an applicant about his or her capacity to have children, or his or her use or advocacy of any form of birth control or family planning;
- Refusing to consider sources of an applicant's income or to subject an applicant's income to discounting because of the applicant's protected status;
- Requiring the applicant to disclose information about a spouse or former spouse where the spouse will not be contractually liable on the account, it is not a community property state, the applicant is not relying upon the spouse's income or alimony, child support or separate maintenance;
- Discriminating against a married person because she does not use and is not known by the surname of her spouse;
- Evaluating the credit worthiness of an applicant by aggregating statistics or assumptions relating to the applicant's protected status; and
- Discriminating against an applicant because of his or her exercise, in good faith, of any right under the federal consumer Credit Protection Act.
- Exercising discretion (to the extent that policies allow limited discretion) when servicing in an account in a discriminatory manner. For examples, team members should rely upon objective criteria when deciding to waive fees, set up a promise, cancel an account, recommend suit start, or permit a customer to reinstatement his contract)

This list of examples is not exhaustive. If a team member or Dealer were to engage in any of the above-listed conduct, he or she will be subject to disciplinary action, up to and including termination. In contrast, team members and Dealers may make credit and servicing decisions based upon factually supportable, objective differences in a consumer's overall credit worthiness (e.g., current income, assets and prior credit history of such consumer).

The Company will reduce the risk of credit discrimination by:

1. Aligning Dealer compensation and a consumer's desire to buy affordable and reliable transportation;
2. Conducting fair lending training for its team members and Dealers;
3. Setting a companywide fixed interest rate (the "Fixed Interest Rate"). The Fixed Interest Rate will be the companywide fix interest rate or the amount permitted by applicable law, whichever is lower, that is programmed into CAPS and cannot be raised, and can be lowered only where:
 - a. The Dealer has completed Fair Lending Training;
 - b. The Dealer has certified that it has a Fair Lending Compliance Program in place and trained its employees to comply with that program;
 - c. The Dealer appointed a Fair Lending Compliance Program Coordinator ("Program Coordinator"); and
 - d. One of the following legitimate business reasons exists and is documented in CAPS:
 - i. To compete with an offer made to the customer by another dealer;
 - ii. To compete with an offer made to the customer by another finance company;
 - iii. To satisfy the customer's monthly payment constraints;
 - iv. As a promotional offer because the customer signed up for AutoPay; or
 - v. Dealer's business strategy includes consistently offering a flat rate to all customer's lower than Credit Acceptance's fixed interest rate.
4. Reviewing major policies and procedures for fair lending compliance;
5. Reviewing proprietary credit scoring models for fair lending compliance;
6. Reviewing marketing strategies directed to any protected class applicants or minority communities, if such a strategy were ever proposed;

	<ol style="list-style-type: none"> 7. Conducting fair lending audits and reviews. Such audits will include, but not be limited to, a quarterly audit by Internal Audit reviewing whether the reasons entered by Dealers to deviate the rate down comply with this policy. 8. Taking appropriate corrective action or other steps to mitigate risk if it learns of fair lending violations or risks. When the Company learns of a Dealer's noncompliance with this policy, corrective action may include educating the Dealer on this policy, moving the Dealer to our Fixed Interest Rate, or preventing the Dealer from assigning future contracts to the Company. 9. Where a Dealer's portfolio reflects a disparate impact, the Company may send a letter to the Dealer, require the Dealer to use a fixed interest rate, or stop accepting new contracts for assignment from the Dealer. The Company's response will take into account with the Dealer's action was egregious and/or reoccurring; 10. Maintaining procedures, as set forth in the Customer Complaint Policy, to respond to complaints alleging discrimination; 11. Addressing fair lending issues with its Compliance Committee; 12. Preserving all written or recorded information connected with an application for 25 months after the date upon which the customer is informed of action taken on the application. The Company will retain the following information: information recorded during the application process; the CAPS Application Date, which is the date Credit Acceptance receives the application for credit; the Action Date; the action taken; and, in cases where an adverse action notice is required (the Dealertrack counteroffer scenario), the specific reasons for adverse action. Because the credit application information is entered into a computerized system, and the credit decision is determined in CAPS, Credit Acceptance stores and retains the above information entered into CAPS in an electronic format, as allowed pursuant to the Official Staff Interpretations relating to 12 C.F.R. § 1002.12(b) of Reg. B. In addition, Credit Acceptance retains an electronic image of the adverse action notice sent to consumers; and maintains a New York Fair Lending Plan.
Exceptions	None
How is Compliance with this Policy Monitored	<p>The Company monitors both dealer and portfolio variations in interest rate in an effort to identify violations of this policy. The Company's internal audit department will also evaluate the Company's compliance with this policy.</p> <p>If a Dealer or team member were to violate this policy, the Company would take immediate corrective action and remediate where necessary. Corrective action includes, but is not limited to: account remediation, training and/or disciplinary action (up to and including termination).</p>
Related Documents	
Guidelines Directly Associated with Policy	
Job Aids Directly Associated with Policy	<ul style="list-style-type: none"> • New York Fair Lending Plan • DSC - Fair Lending Compliance Presentation
Other Related Documents	<p>Company Call Models:</p> <ul style="list-style-type: none"> • Bankruptcy LEAP Call Model • Complaint Escalation LEAP Call Model • Customer Service LEAP Call Model • DPSC CLEAR Call Model- Handling Dealer Calls • Front End Collections LEAP Call Model • Insurance LEAP Call Model • Internal Collect LEAP Call Model • Operations Support LEAP Model • Redemption LEAP Call Model • Repossession LEAP Call Model • Title Compliance LEAP Call Model <p>Credit Acceptance University online training modules:</p> <ul style="list-style-type: none"> • Managing Fair Lending Risk • Managing Fair Lending Risk – Program Coordinators

Version History

Version	Date	Description	Author
1	6/16/14	The Fair Lending Policy is a revision of the Fair Lending Plan. As a revision to the Fair Lending Plan, the Company also separately published the New York Fair Lending Plan.	E Kerber
1.1	8/12/14	Section 3 became effective in MI and NY on 8/12/14.	E Kerber
2	3/13/15	Updated effective date identifying additional states that were impacted by section 3 of the policy.	E Kerber
2.1	5/6/15	Updated section 3 of the policy to include the Fixed Interest Rate of 23.99%, or the amount permitted by applicable state law. This amount cannot be raised or lowered. Section 3 became effective in the remaining states on 12/29/14.	E Kerber
2.2	9/4/15	Reformatted document to new Policy Statement standard. Removed section related to Adverse Action and included the previous FAQs into the content of the policy statement.	E Kerber
3	2/15/16	Retired paragraph 8 from the document, as it was relevant only to our Contracts assigned in and before 2014. Paragraph 8 stated the following: Conducting fair lending statistical analyses. This includes conducting an annual disparate impact analysis of the interest rates charged to customers on the Company's portfolio and the Dealers' portfolios. In doing so, the Company uses the BISG methodology, a statistical calculation for assigning race, gender, and ethnicity probabilities. This process is referred to as the "Annual Disparate Impact Analysis"; Added the following language: <ul style="list-style-type: none"> • To paragraph 7, "Such audits will include, but not be limited to, a quarterly audit by Internal Audit reviewing whether the reasons entered by Dealers to deviate the rate down comply with this policy." • To the new paragraph 8, "When the Company learns of a Dealer's noncompliance with this policy, corrective action may include educating the Dealer on this policy, moving the Dealer to our Fixed Interest Rate, or preventing the Dealer from assigning future contracts to the Company." 	E Kerber