

State of the Automotive Finance Market

Presented by: Melinda Zabritski
Q1 2019



Session overview

Market Overview

- Outstanding balances
- Total risk distributions
- Delinquency

Originations

- New and Used financing
- Lender and transaction types
- Loan & lease characteristics

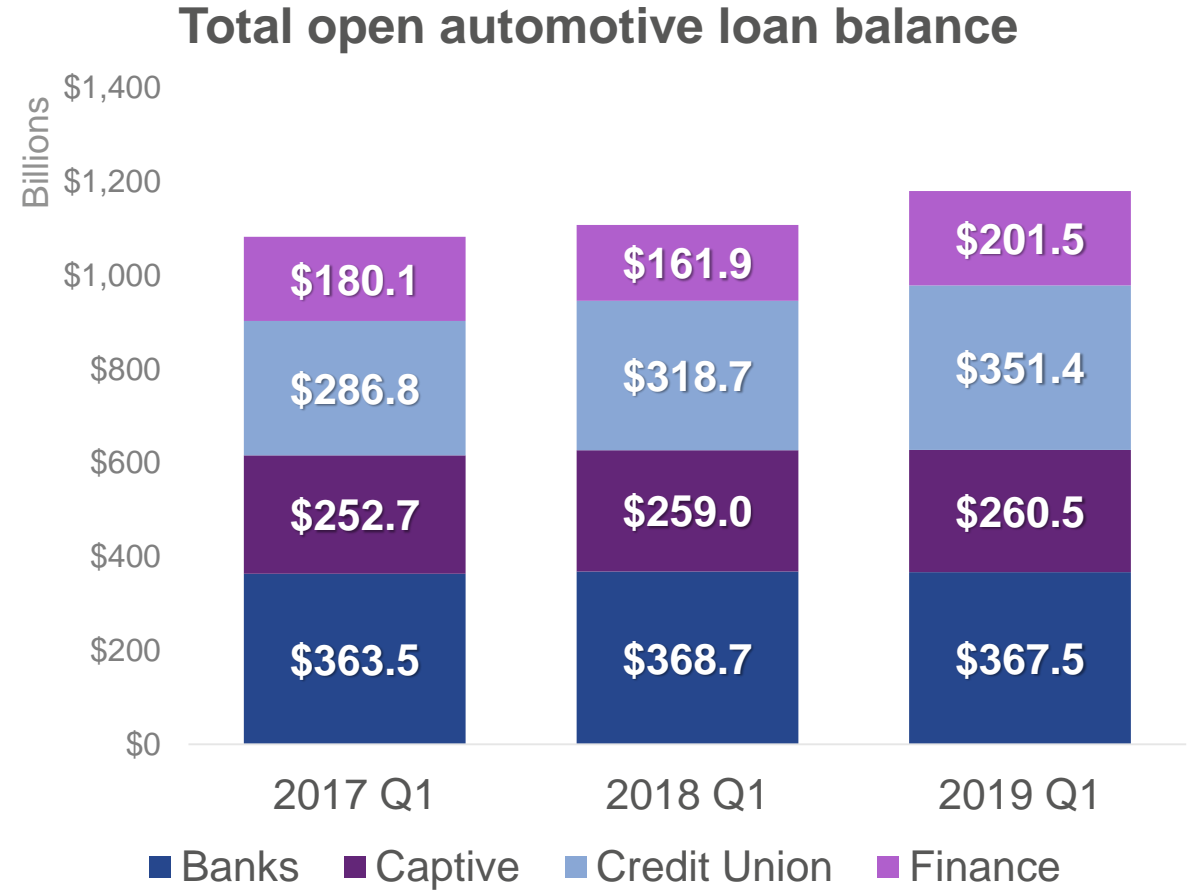
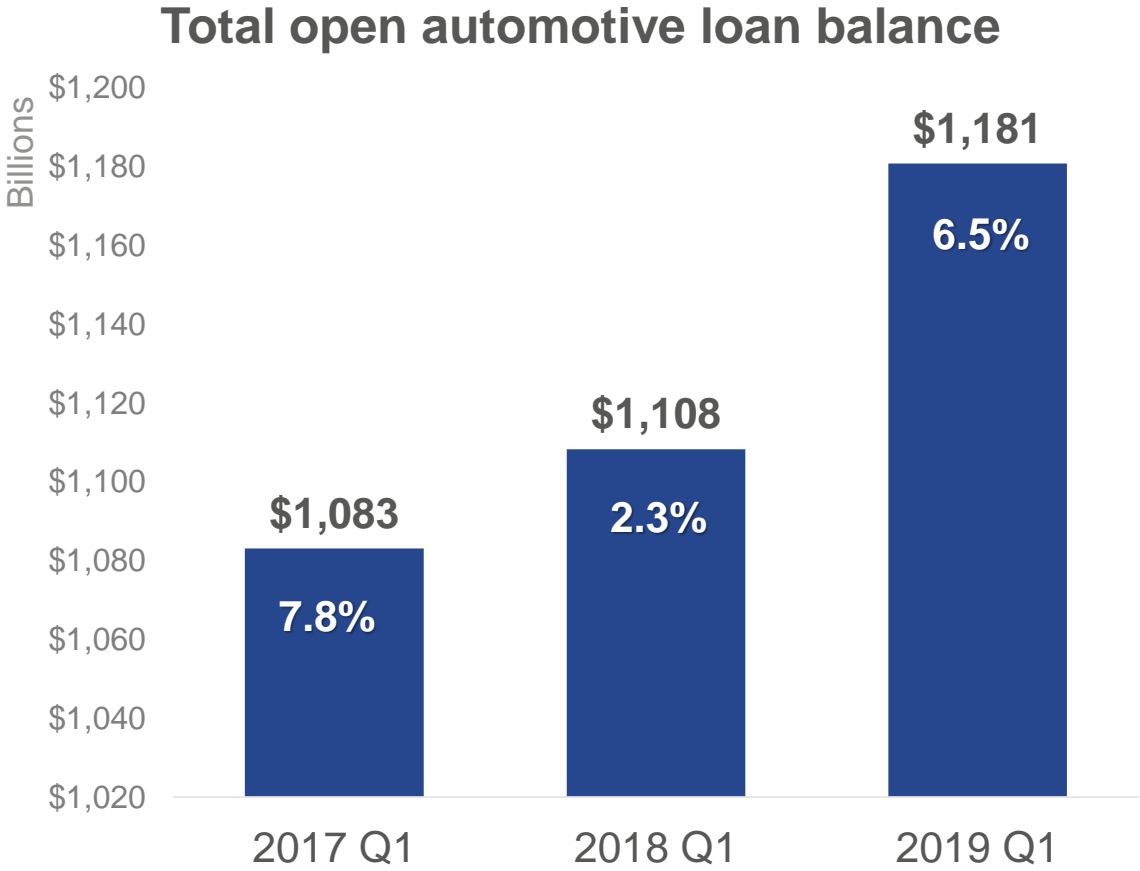
Category	Score Range
Super prime	781 – 850
Prime	661 – 780
Nonprime	601 – 660
Subprime	501 – 600
Deep subprime	300 – 500

Overall Automotive Finance Market

A review of all open automotive loans & leases

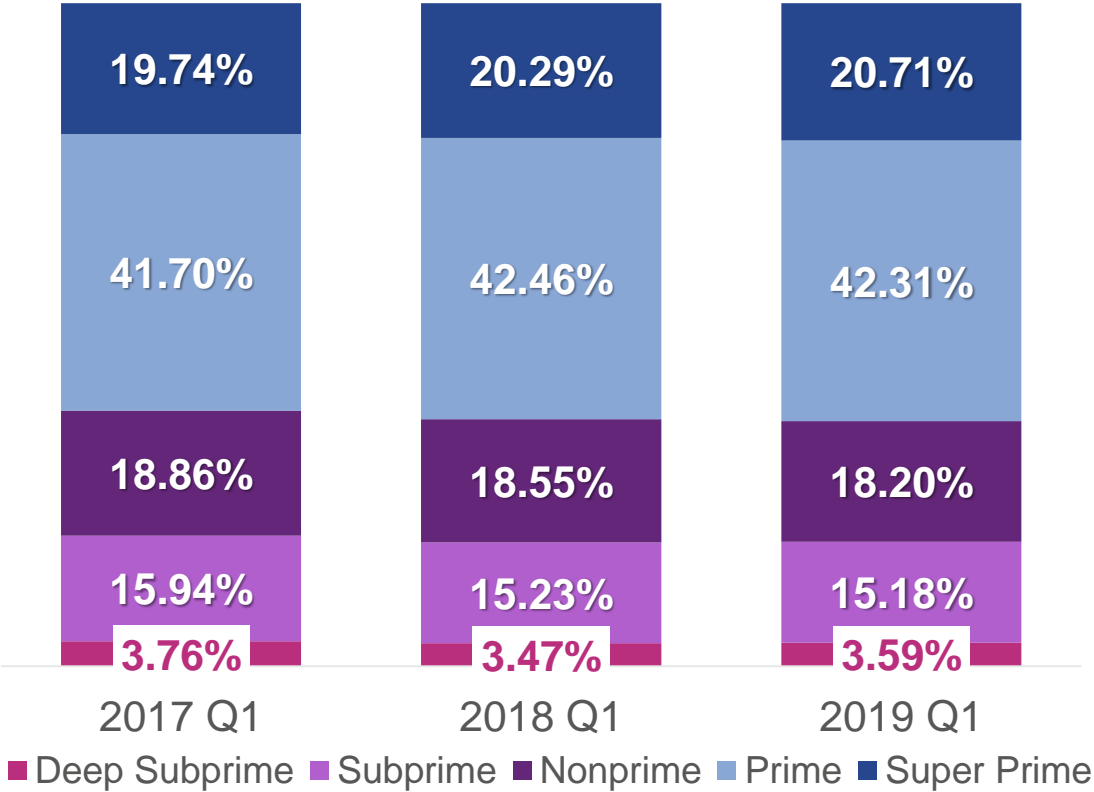


Loan balances reach another record high

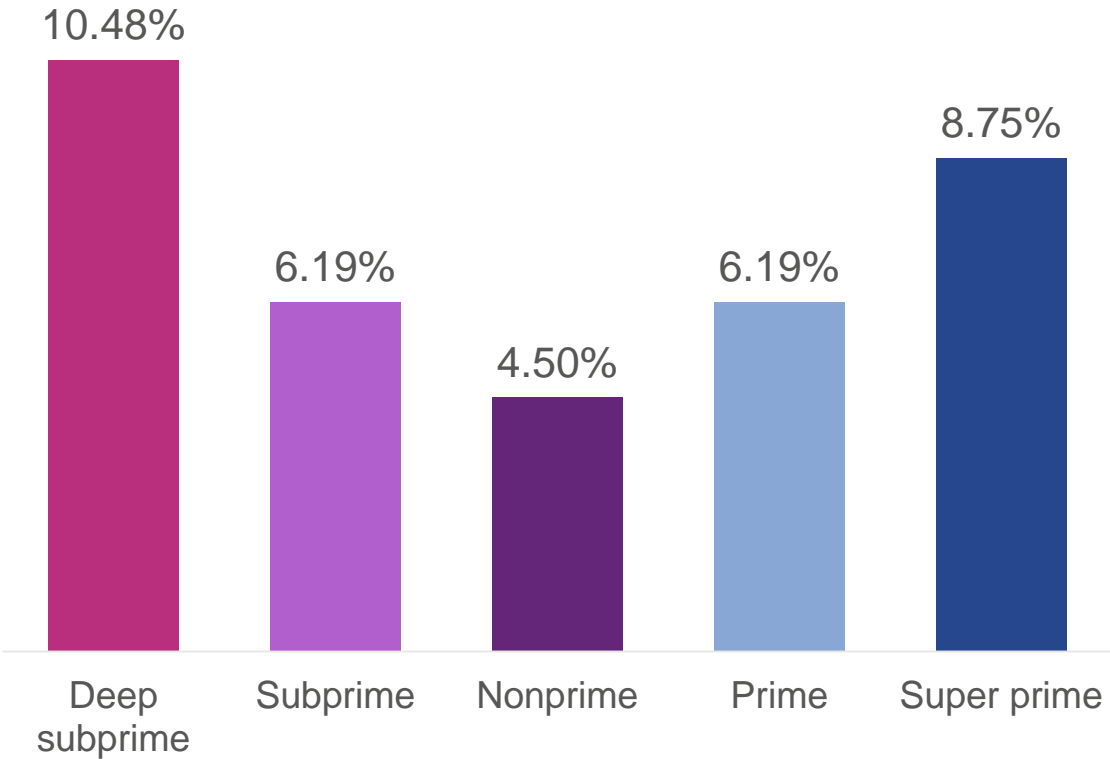


Percentage of all subprime balances remains under 19%

Loan balance risk distribution

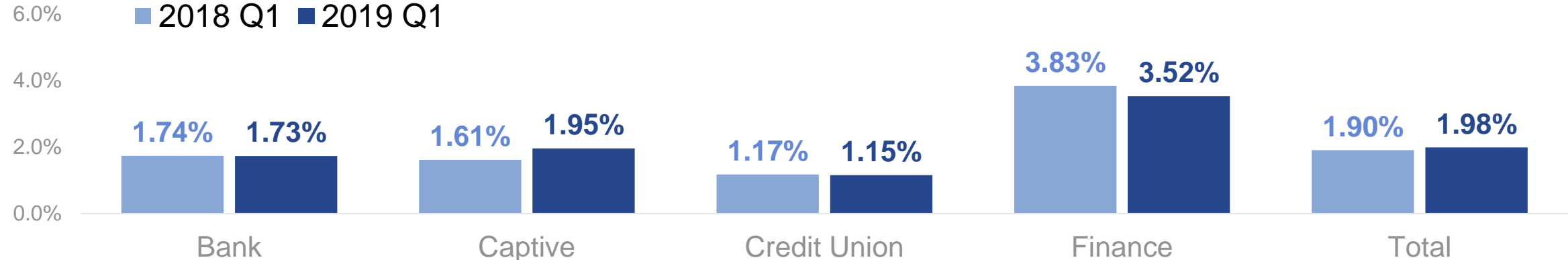


Year-over-year balance change

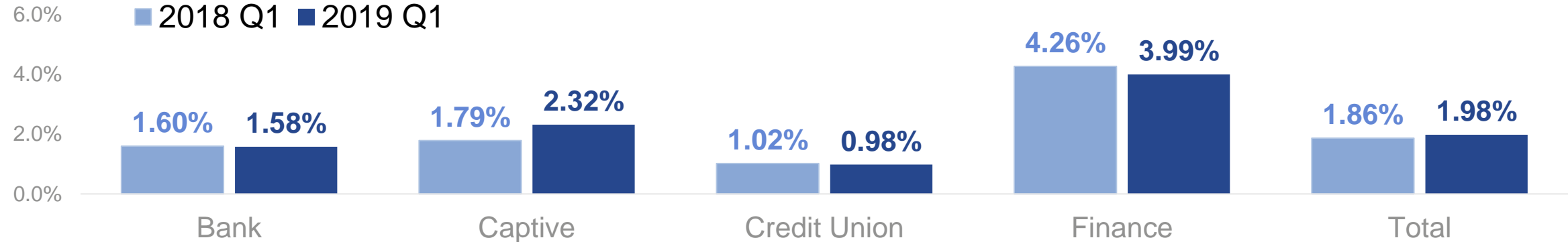


30 day delinquency rates rise for most lenders

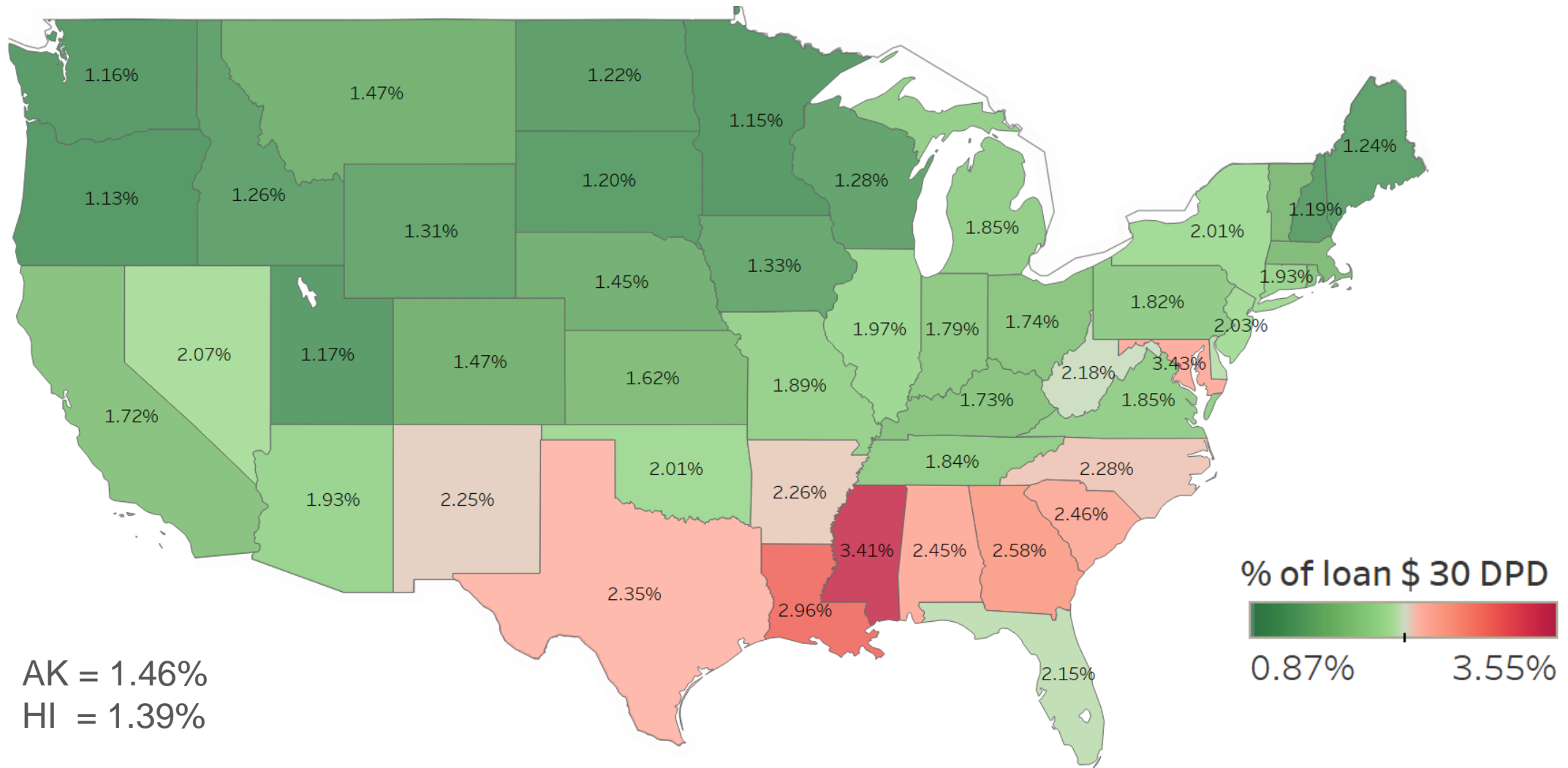
% of loans & leases 30 dpd



% of loan balances 30 dpd

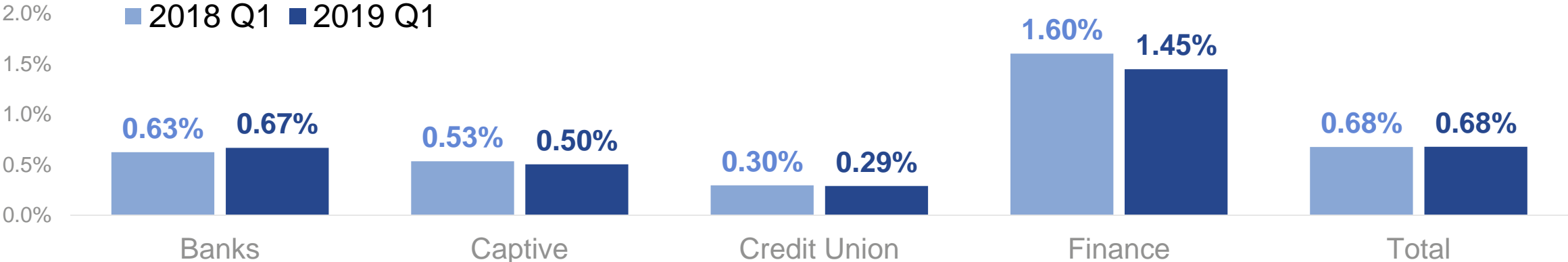


Percentage of loan balances 30 dpd

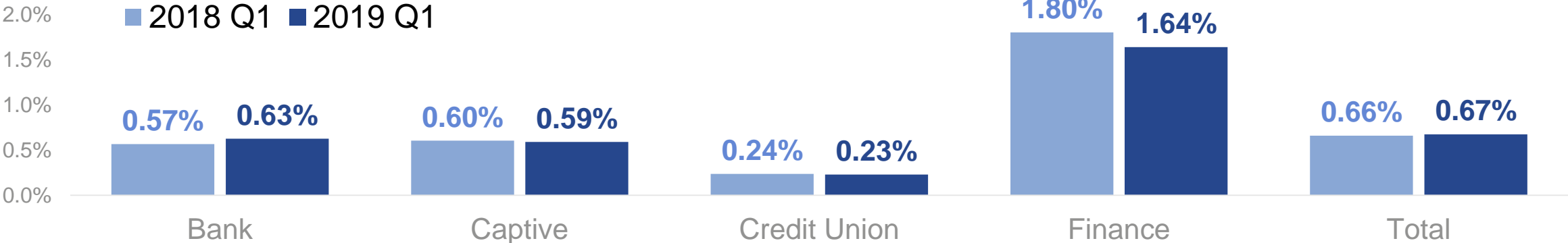


60 day delinquency remains flat

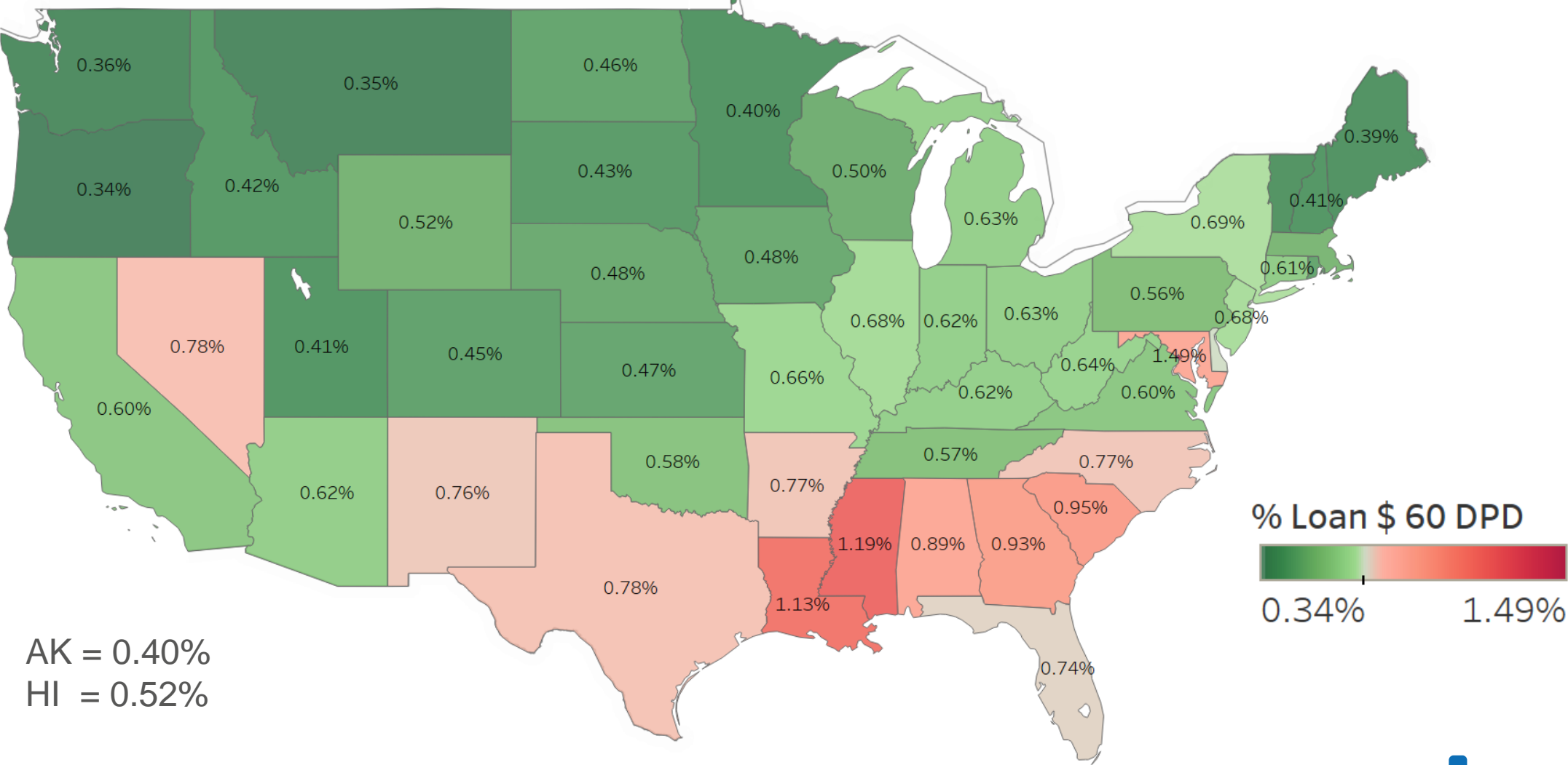
% of loans & leases 60 dpd



% of loan balances 60 dpd



Percentage of loan balances 60 dpd



Originations in Q1 2019

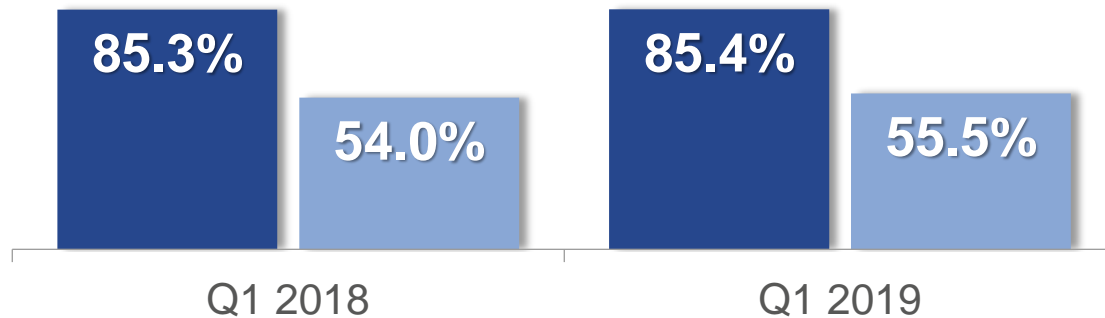
Trends in automotive loan and lease originations



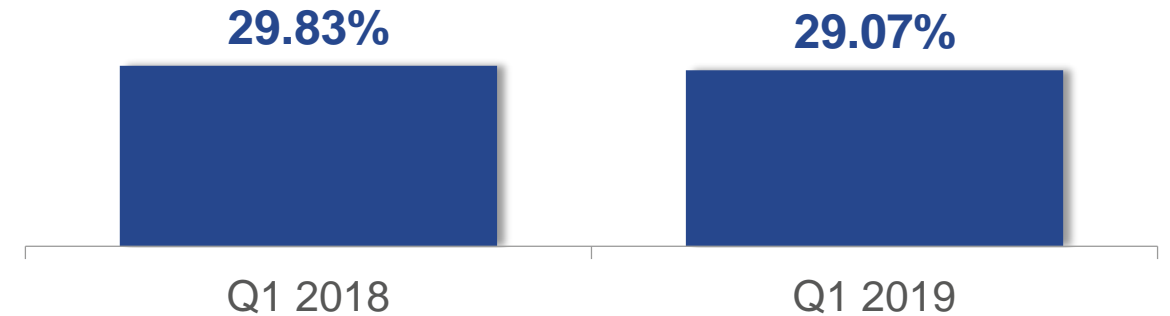
Automotive financing¹: snapshot of how and what consumers are financing

Percentage of vehicles with financing

■ New ■ Used



% of all² new vehicles that are leased

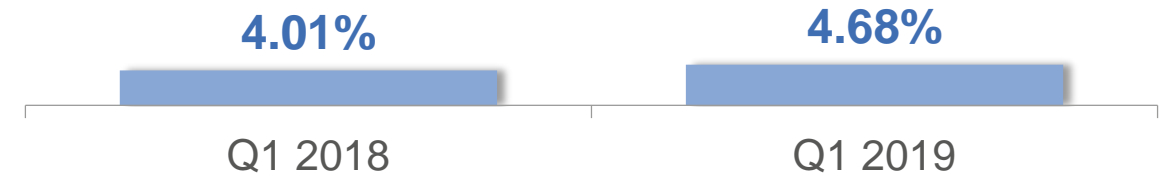


Finance Market: new v used units

■ New ■ Used



Used % of lease market

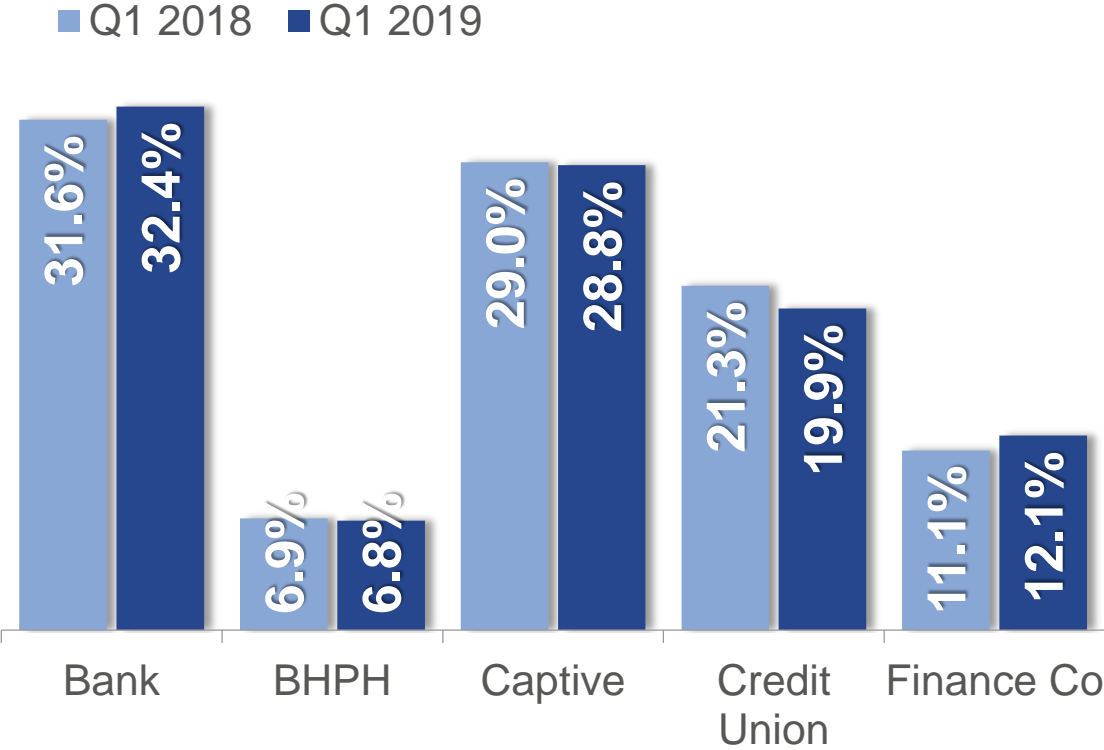


¹ Financing = either a loan or lease is present on the title; ² All = loan, lease or cash

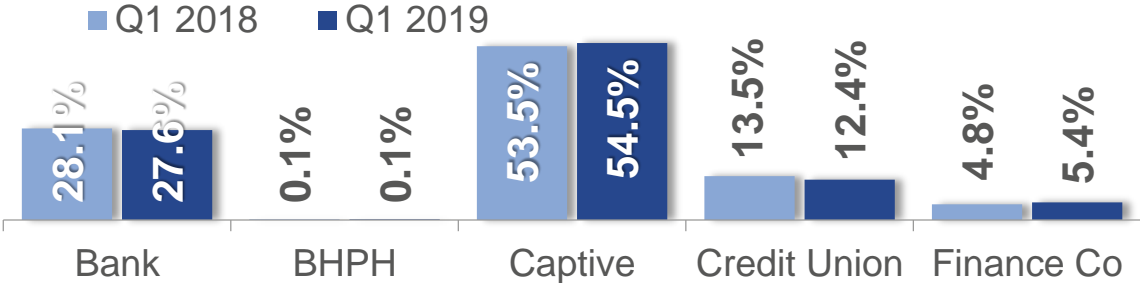
Banks and finance companies show increases in share

(loan and lease units combined)

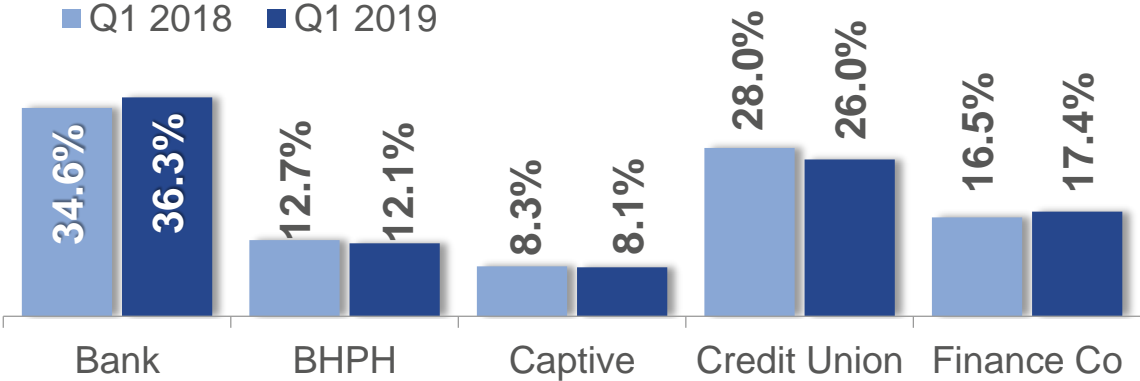
Market Share of Total Financing
(new/used units & loan/lease)



Market Share of New Financing



Market Share of Used Financing



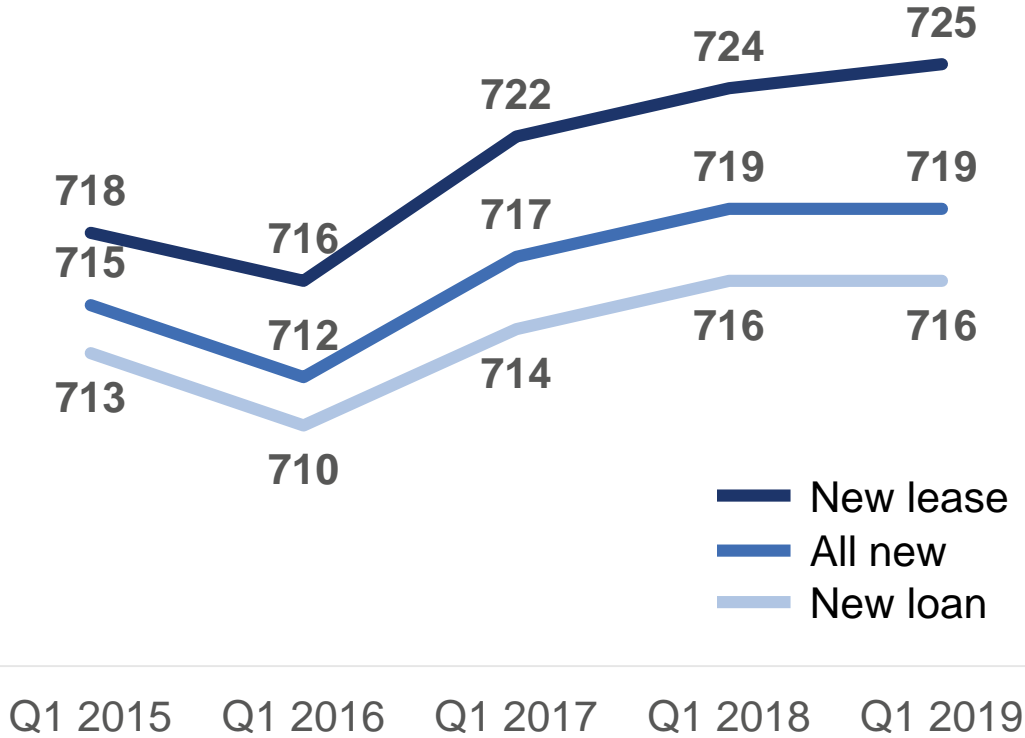
Score range refresh

Category	Score Range
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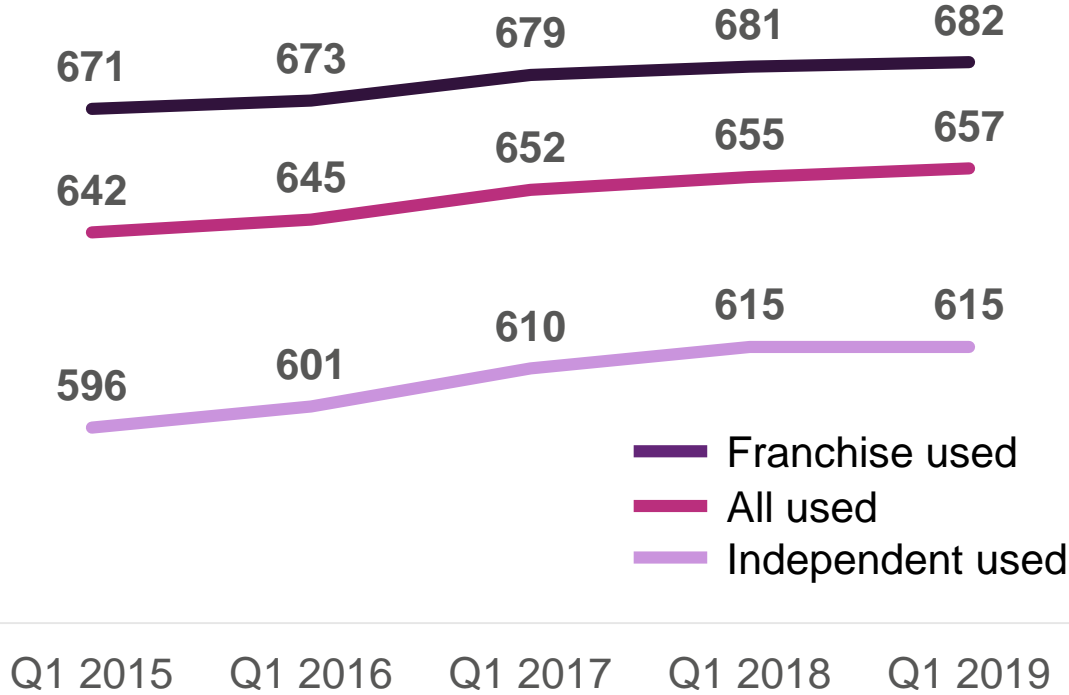
Note: ranges above are those used by Experian Automotive for automotive finance market analysis and trending purposes. Other industries and lenders may use other ranges based on unique scores, portfolio and industry trends.

Credit scores remain stable with some improvements

Average new credit scores

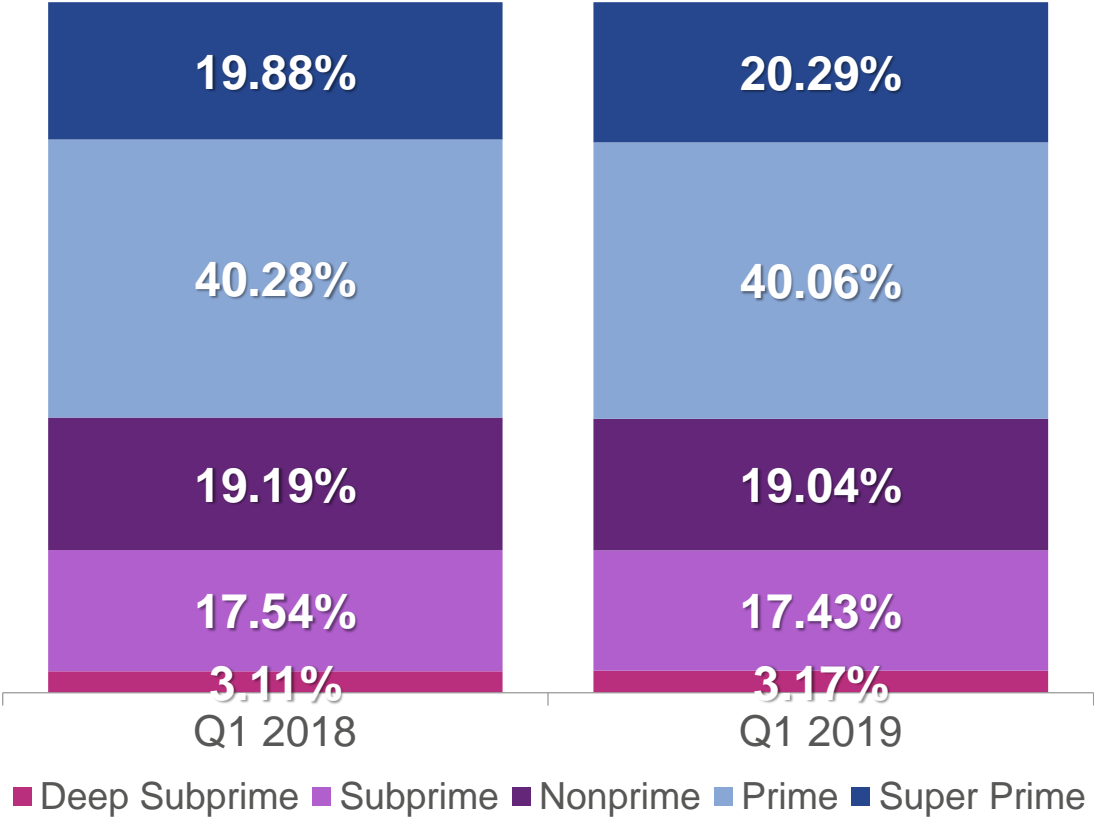


Average used credit scores

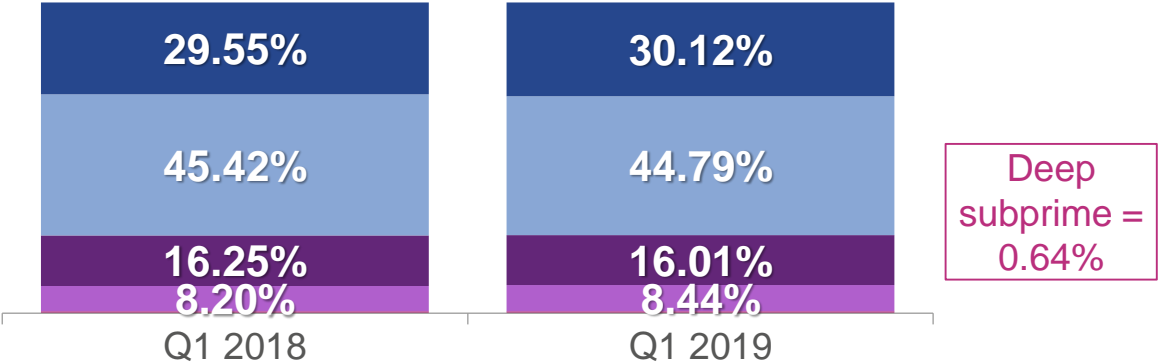


Total market subprime remains at just over 20% of the finance space while super prime continues to rise

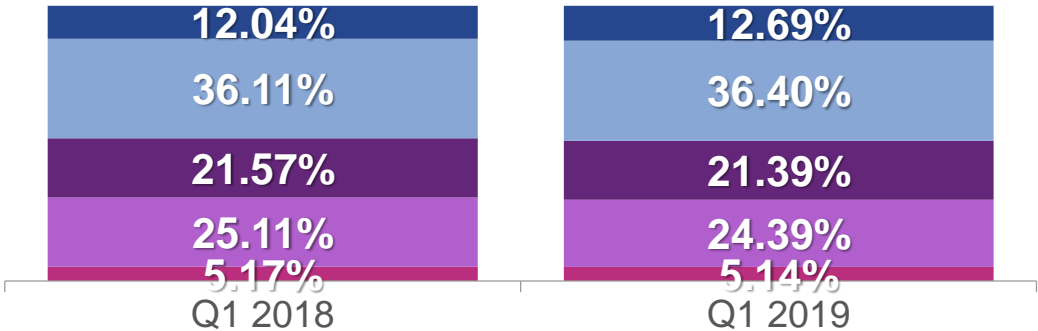
Total (loan & lease/new & used units)
risk distribution



New (loan/lease) risk distribution

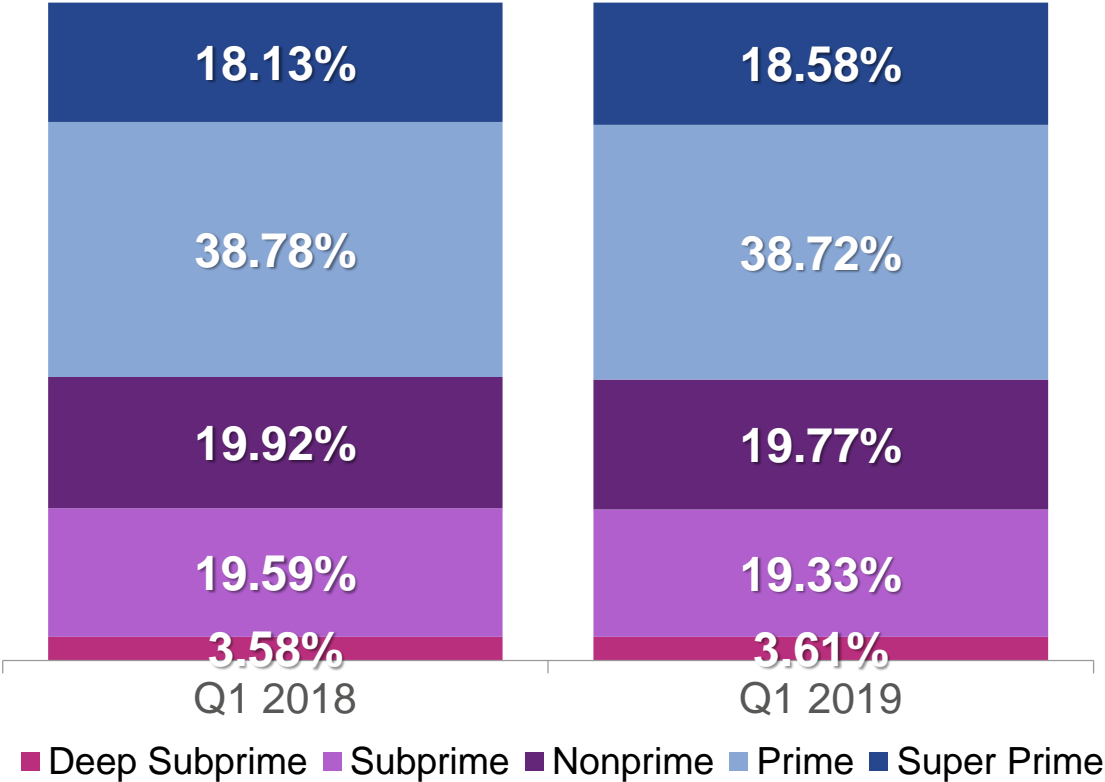


Used (loan/lease) risk distribution

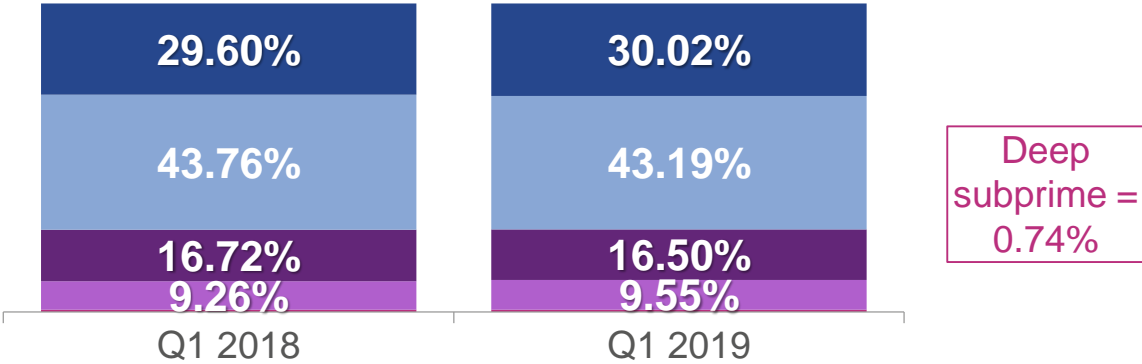


Q1 record lows for both total subprime and used subprime: total falls below 23% and used subprime below 30%

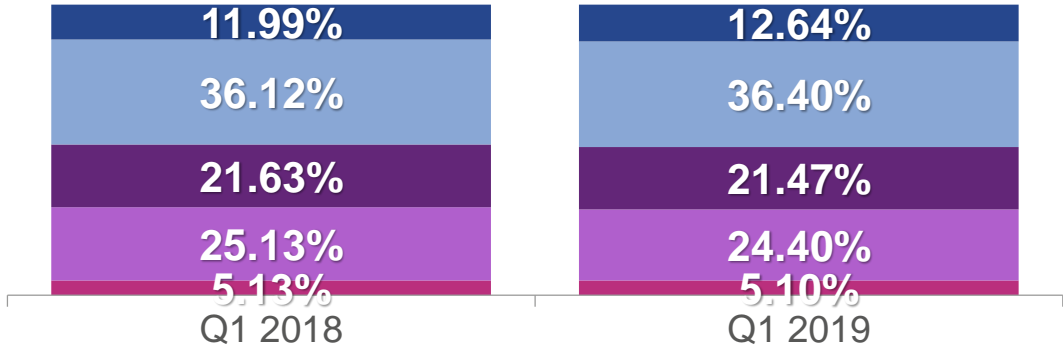
Total (new & used units) loan risk distribution



New loan risk distribution

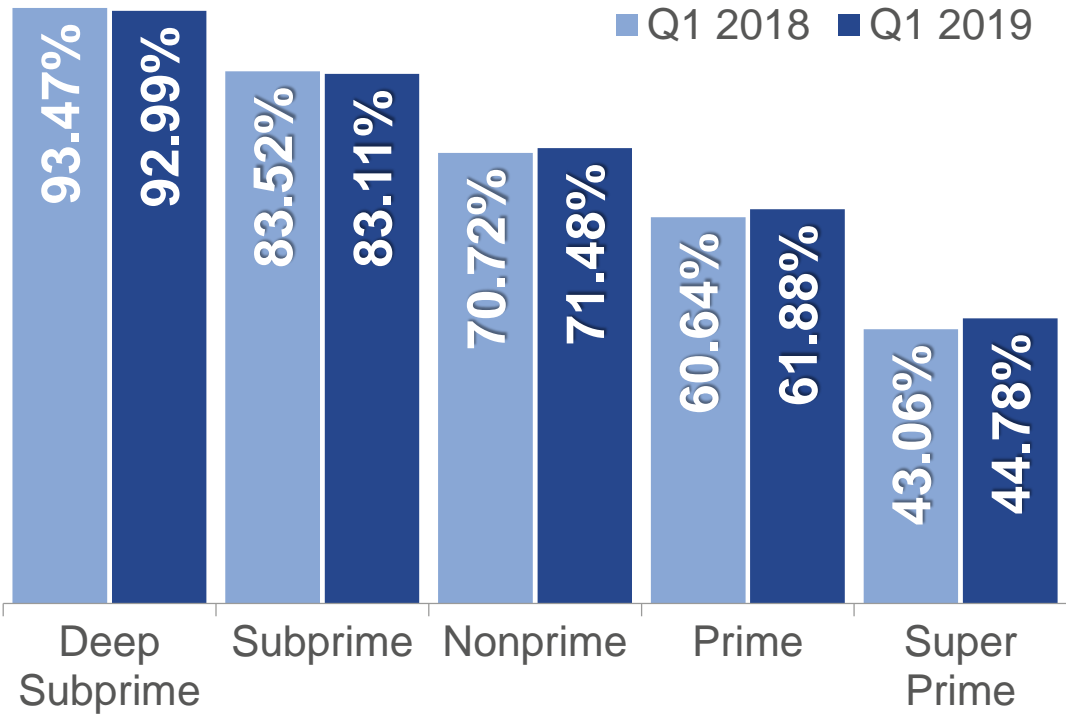


Used loan risk distribution

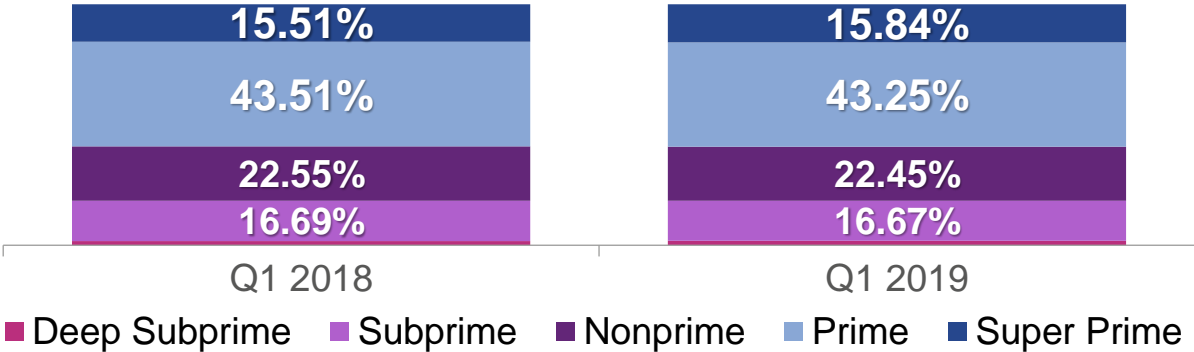


All time record highs of prime+ consumers choosing used vehicles

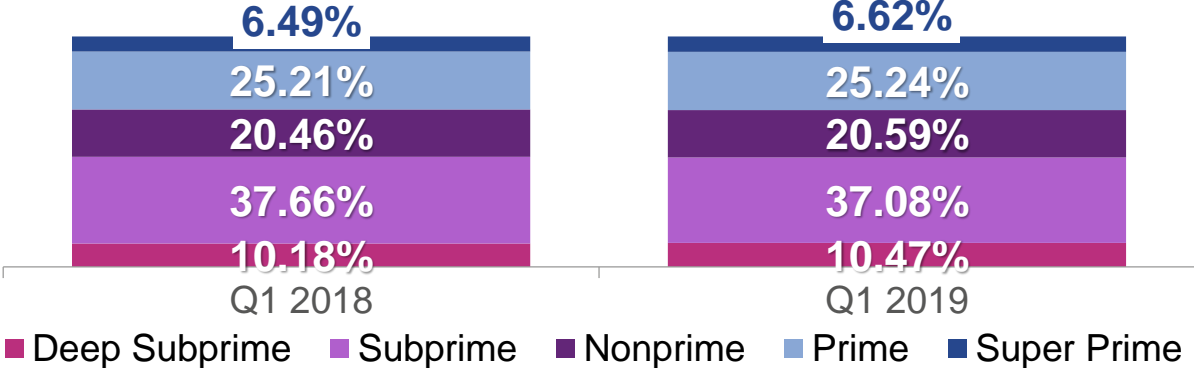
Percentage of consumers by risk tier choosing used loans



Used Franchise loan risk distribution

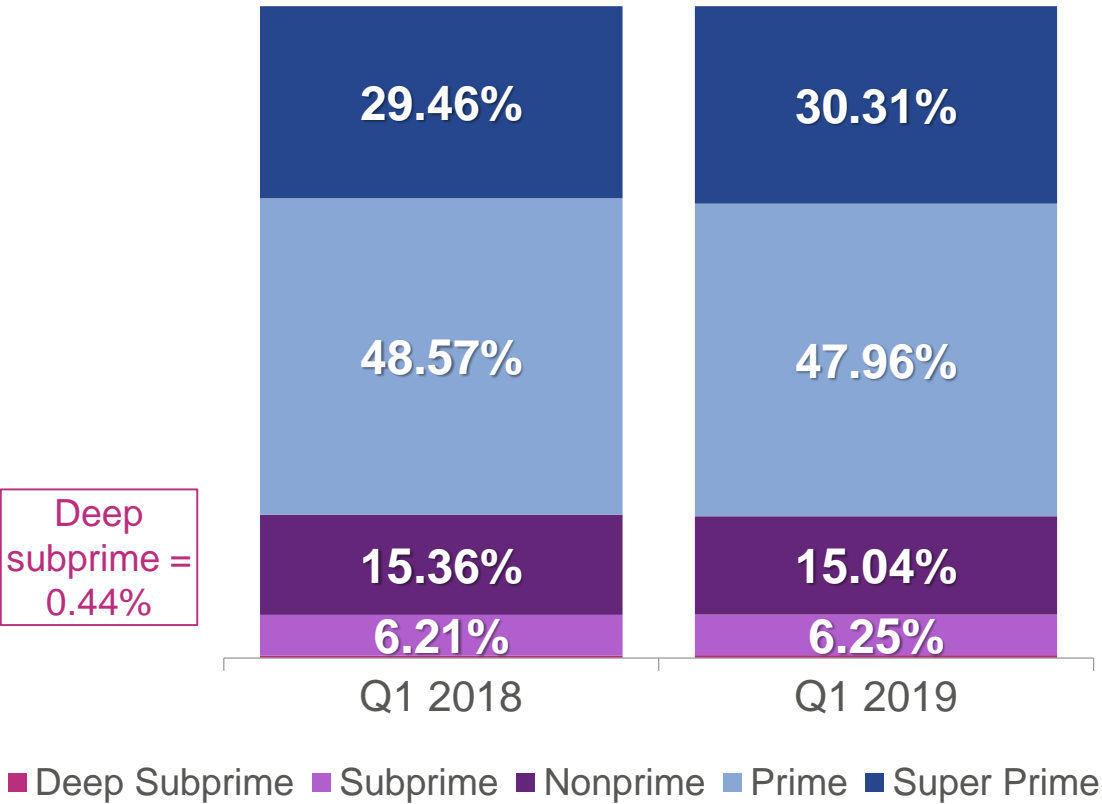


Used Independent loan risk distribution

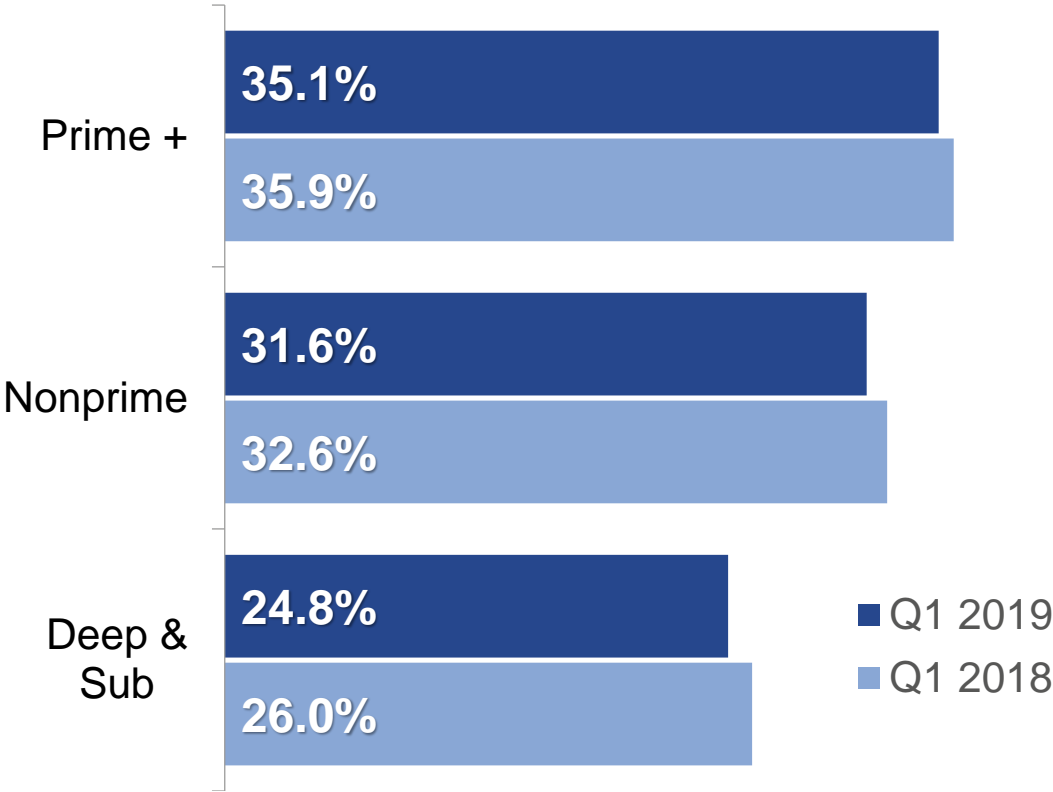


Leasing shifts into more prime segments with a slight decreases YOY of consumers choosing to lease

New lease risk distribution

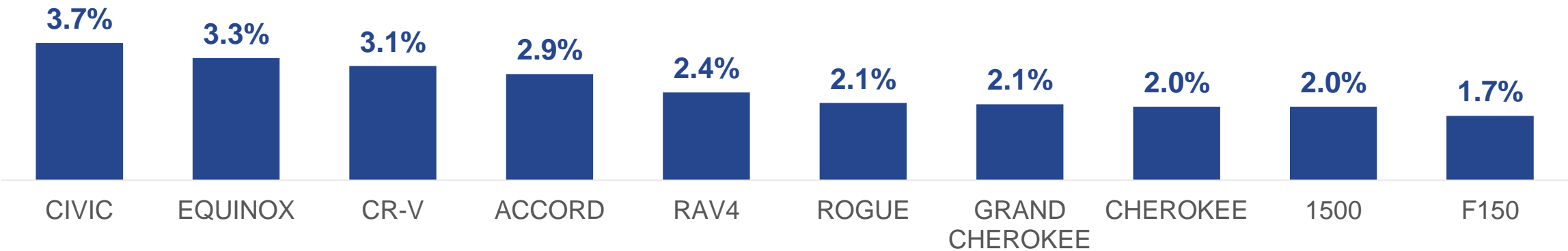


% of new borrowers choosing to lease

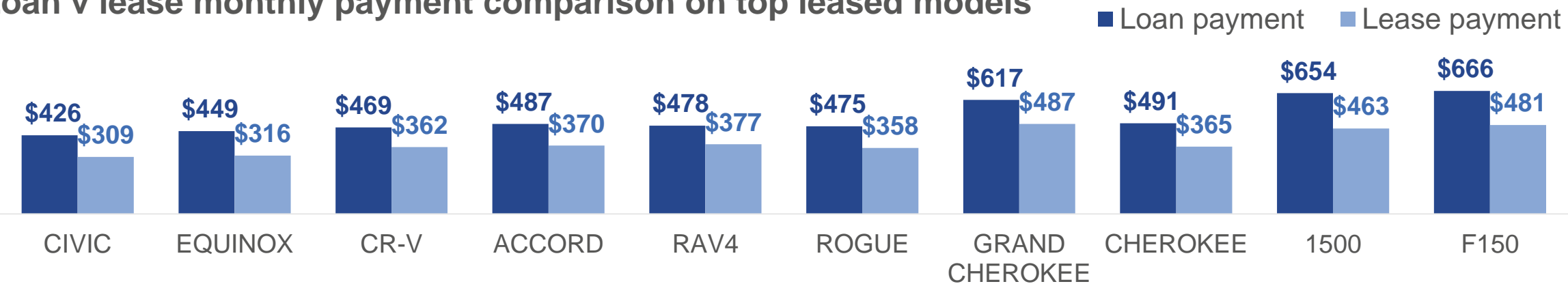


CUVs comprise the majority of the top leased models with average lease difference of \$97

Top 10 new leased models by market share

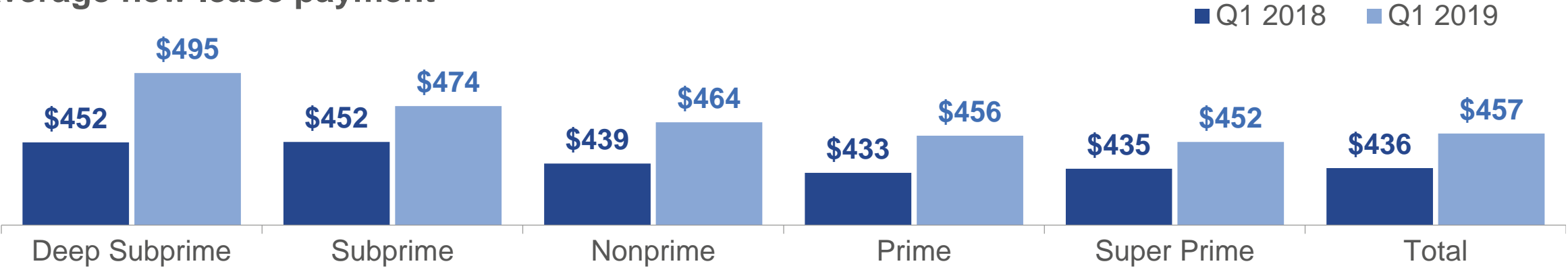


Loan v lease monthly payment comparison on top leased models

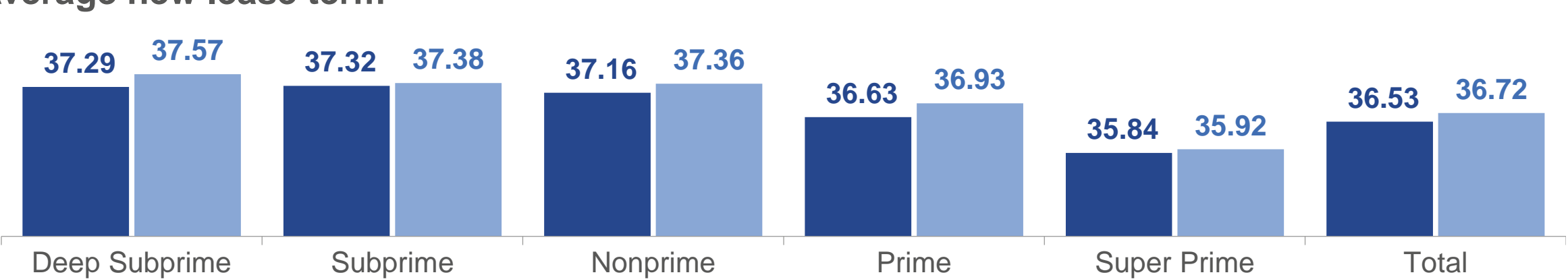


Leasing payments also rise while terms remain at 36 months

Average new lease payment

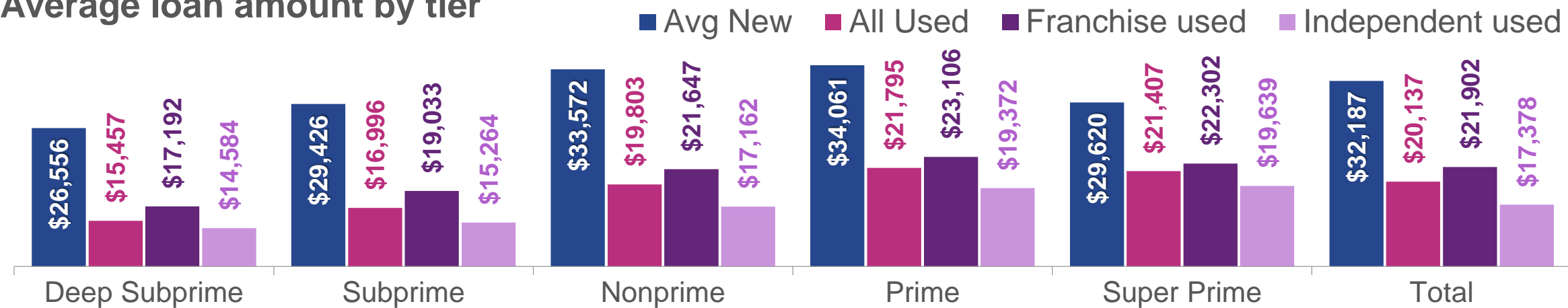


Average new lease term

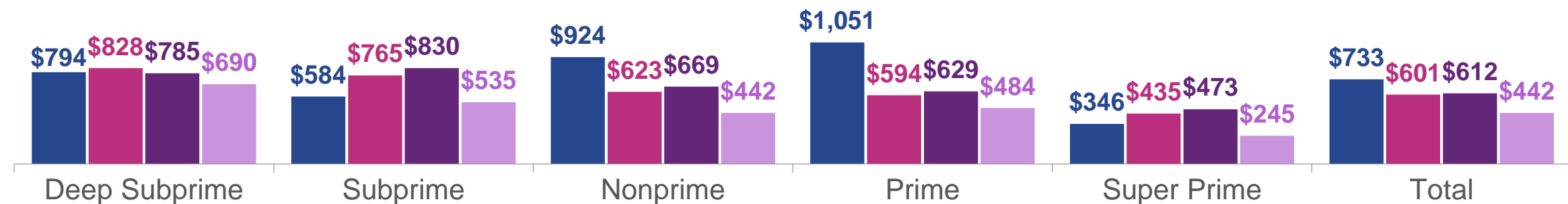


Average new loan amount surpasses \$32k and used hits record highs

Average loan amount by tier

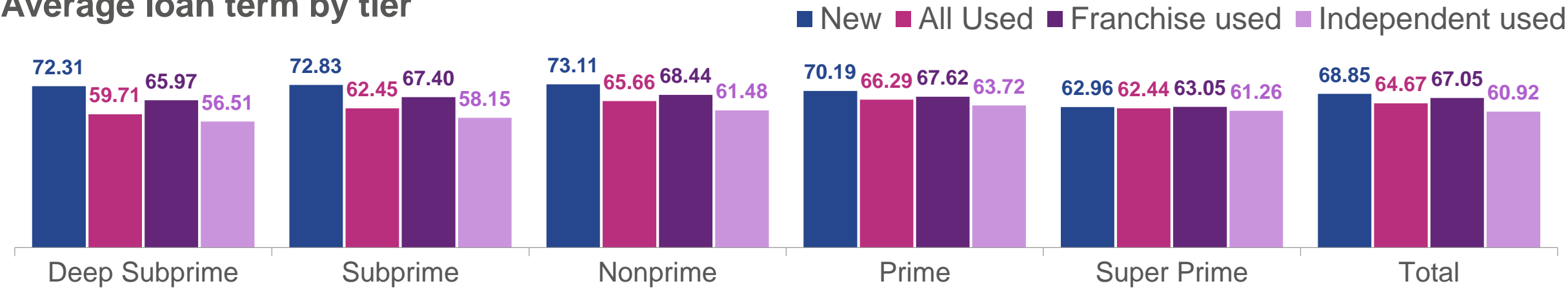


Year-over-year change in balance

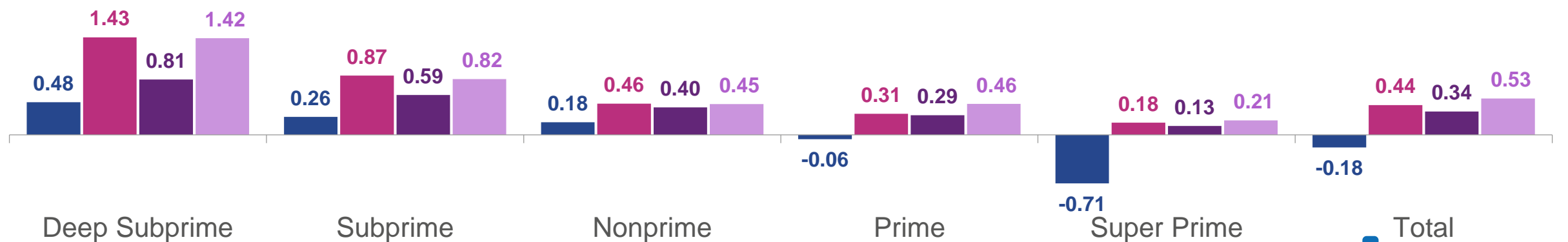


New loan term decreases; used terms increase

Average loan term by tier

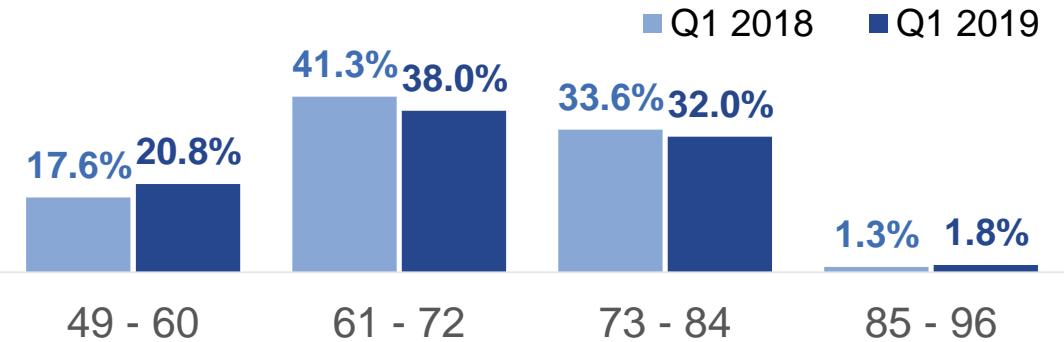


Year-over-year change in used loan term

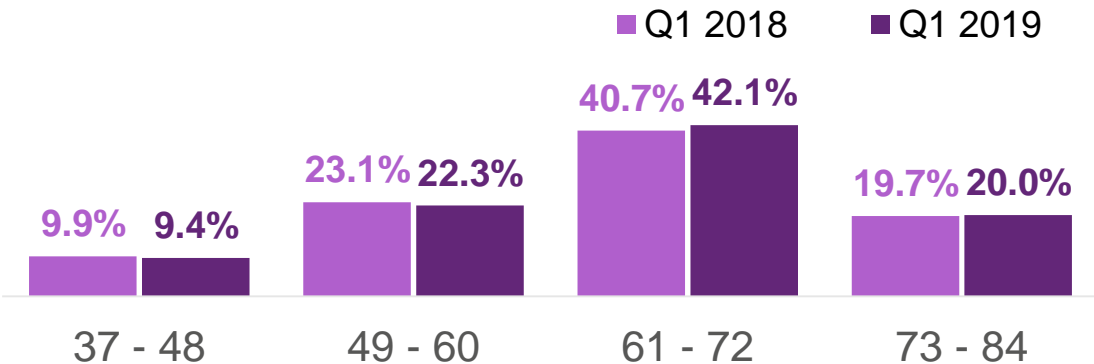


Longer term loans continue to dominate the market however new loans saw growth in shorter terms

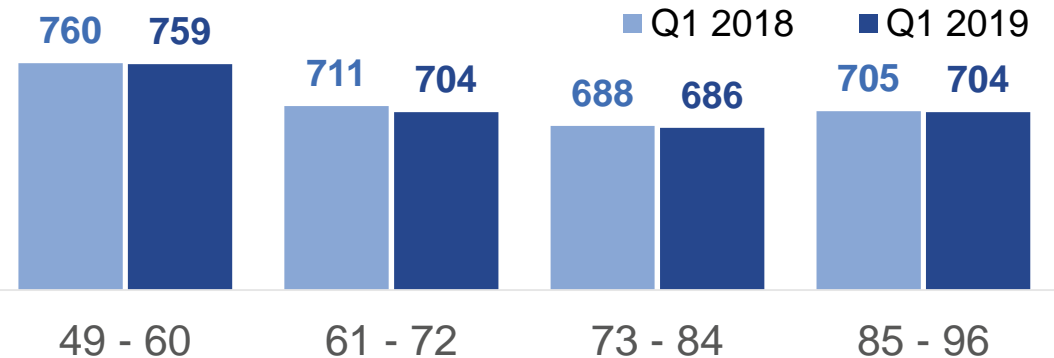
Percentage of new loans by term



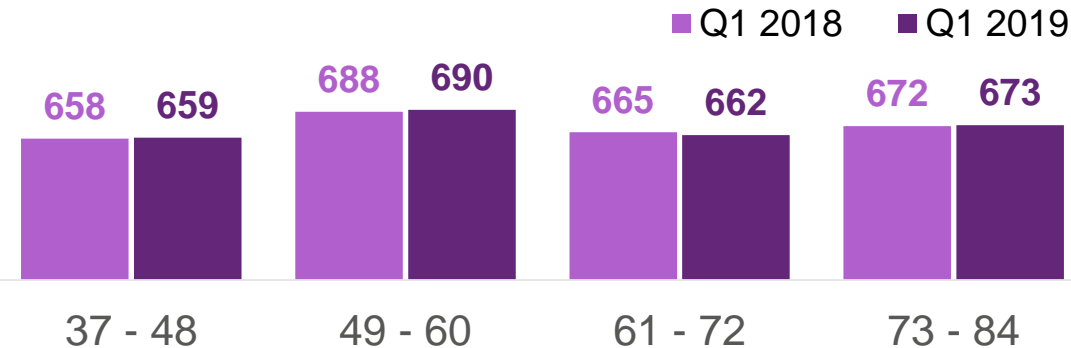
Percentage of used loans by term



Average new score by loan term



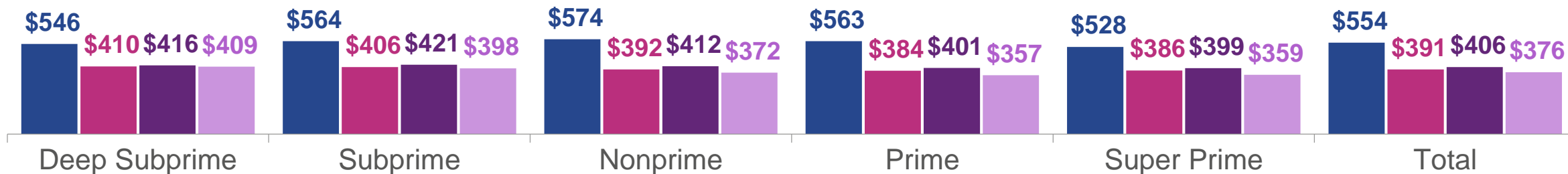
Average used score by loan term



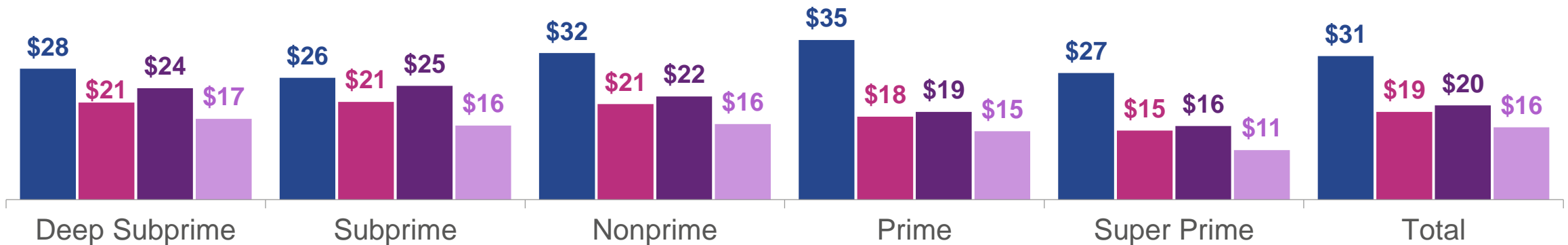
Average new loan payments passes \$550 with record highs seen across all loan types

Average monthly payment by risk tier

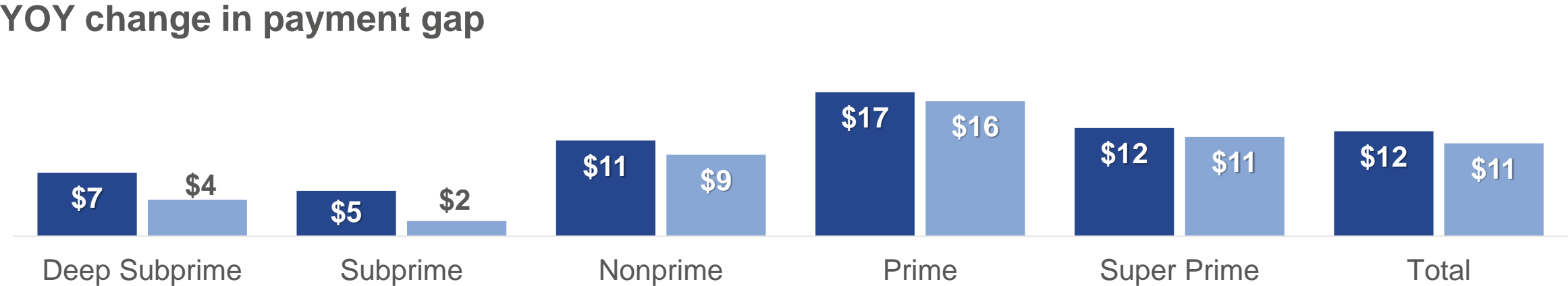
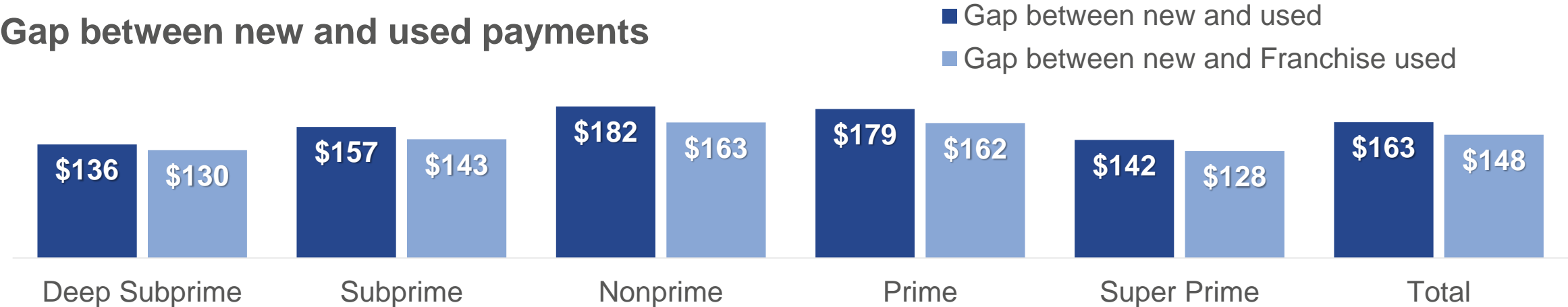
■ New ■ All used ■ Franchise used ■ Independent used



Year-over-year change in payments

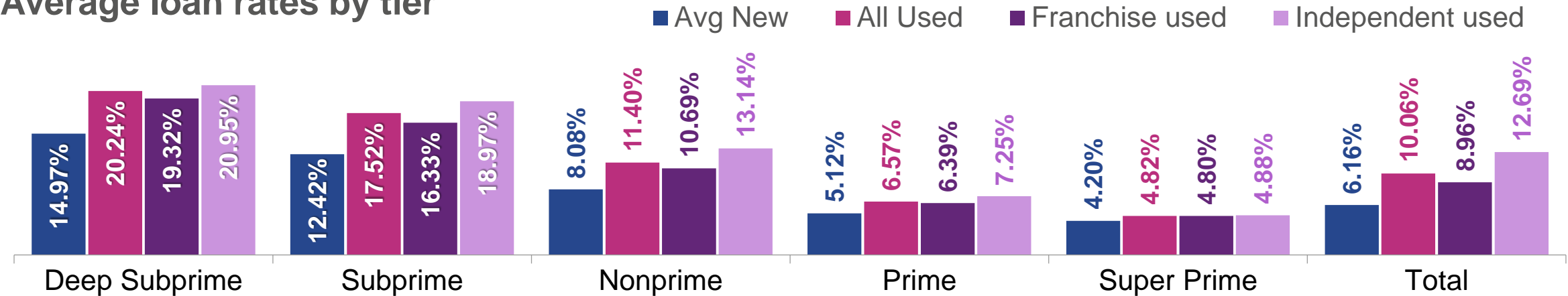


Gap between new and franchise used payments widen

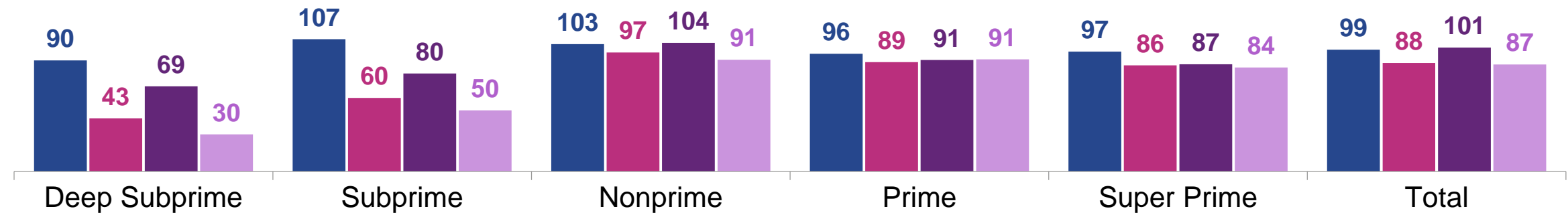


New rates remain over 6% and continue to increase across all risk segments

Average loan rates by tier



Year-over-year change (bps) in loan rate



Summary

- Record highs continue with loan balances over \$1.18 trillion
- 30 day delinquency increase YOY while 60 day delinquency remains stable
- Subprime record lows continue driven by decreases in the used loan space while subprime new sees slight increase
- Credit scores remain flat YOY
- New loan amounts passed \$32k driving payments over \$550 as new terms show a slight YOY decrease
- Used loan amounts also hit record highs entrenching Franchise used payments over \$400
- Leasing continues to be a sought after product generating payments on average \$98 lower than loans



