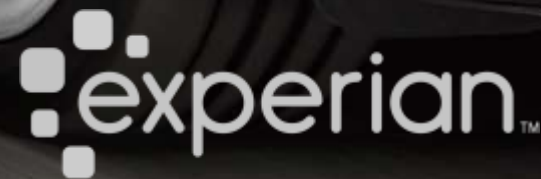


# State of the Automotive Finance Market

**Presented by: Melinda Zabritski**  
**Q3 2018**



# 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

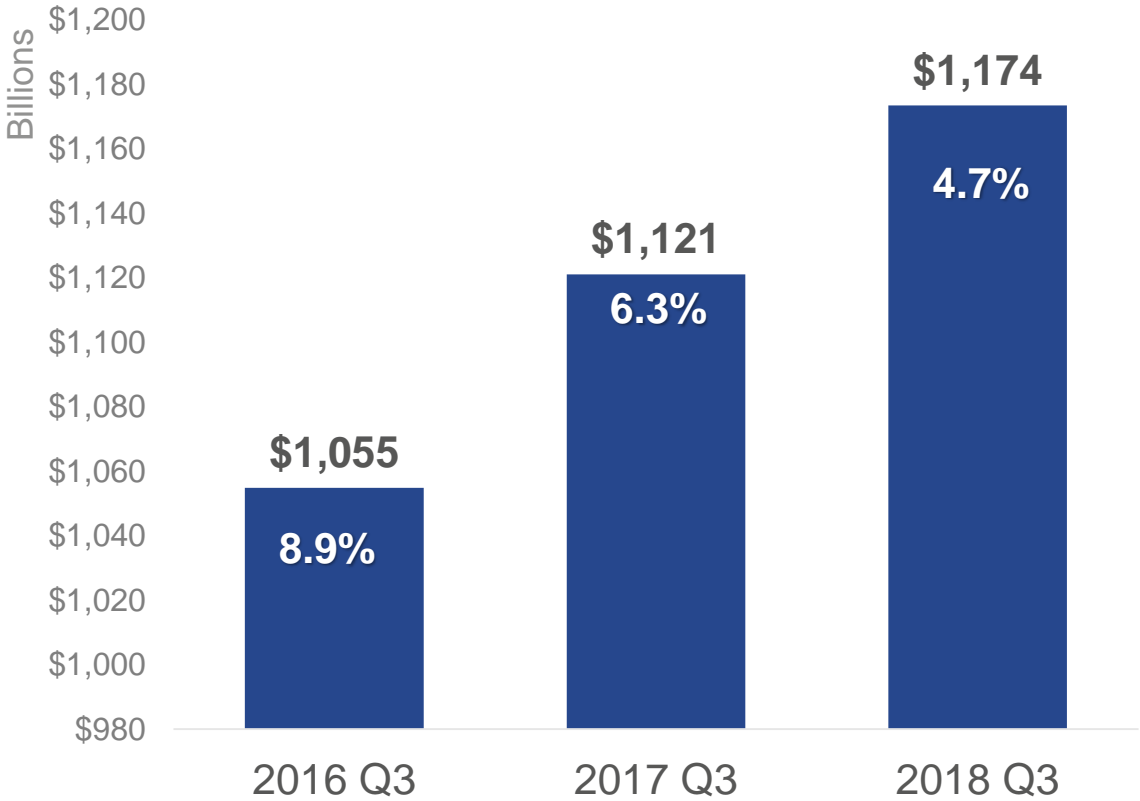
# Overall Automotive Finance Market

A review of all open automotive loans & leases

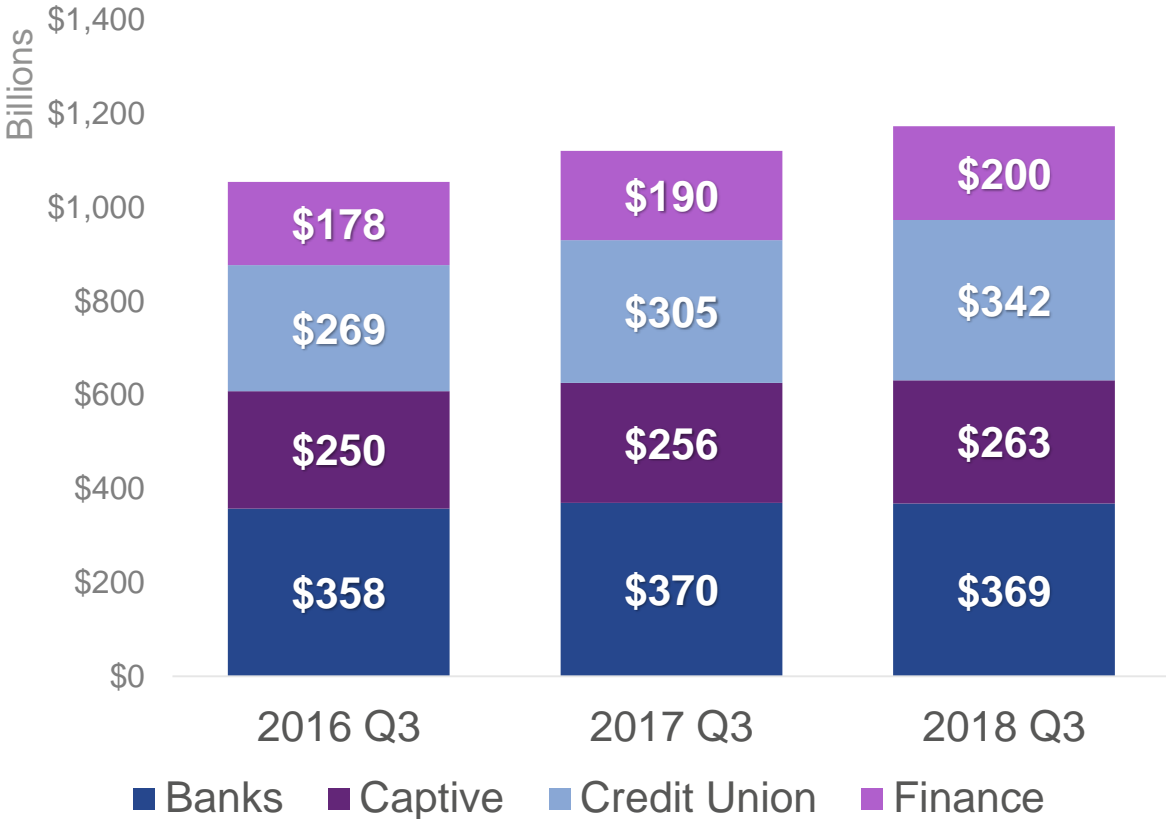


# Loan balances reach another record high; Credit Unions maintain double-digit growth while banks decrease

Total open automotive loan balance

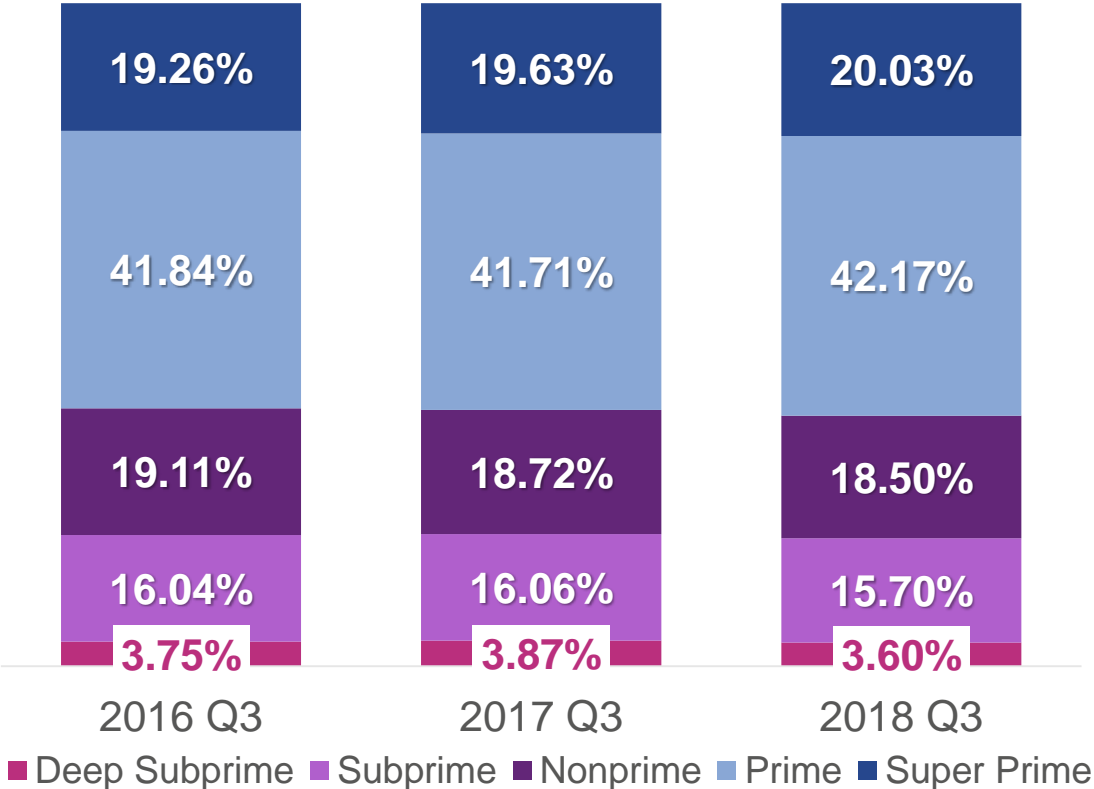


Total open automotive loan balance

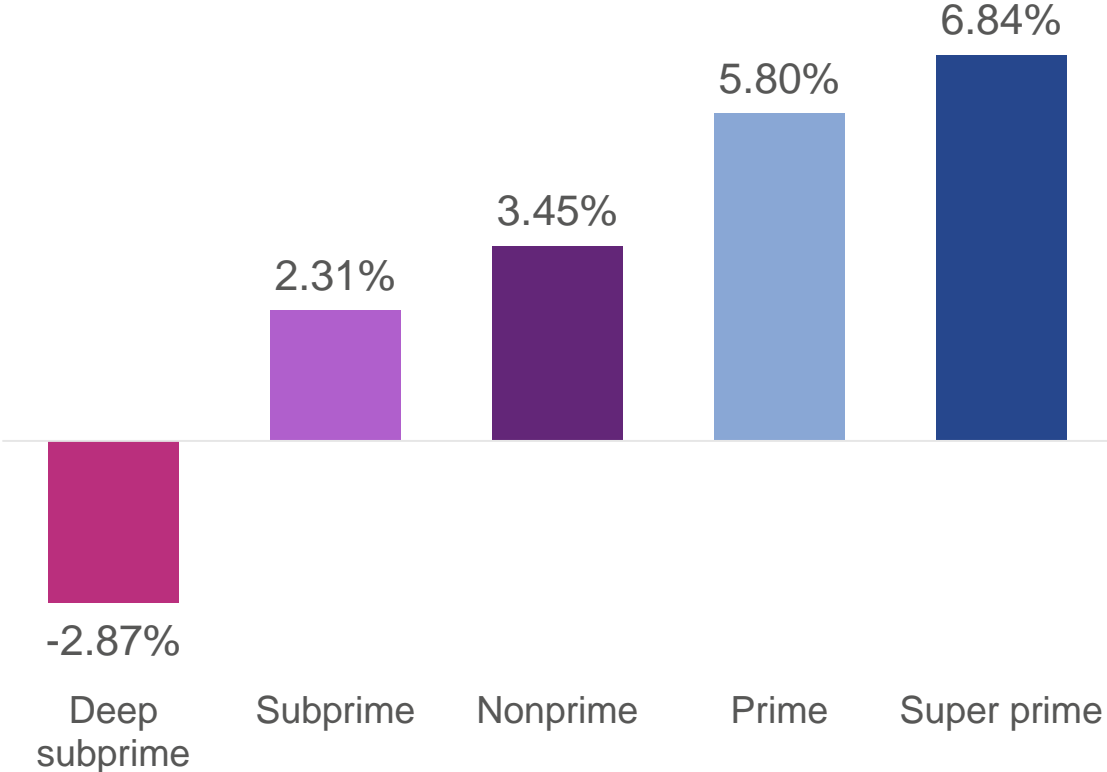


# Percentage of subprime remains below 20% of loan balances while all but deep subprime grow

Loan balance risk distribution

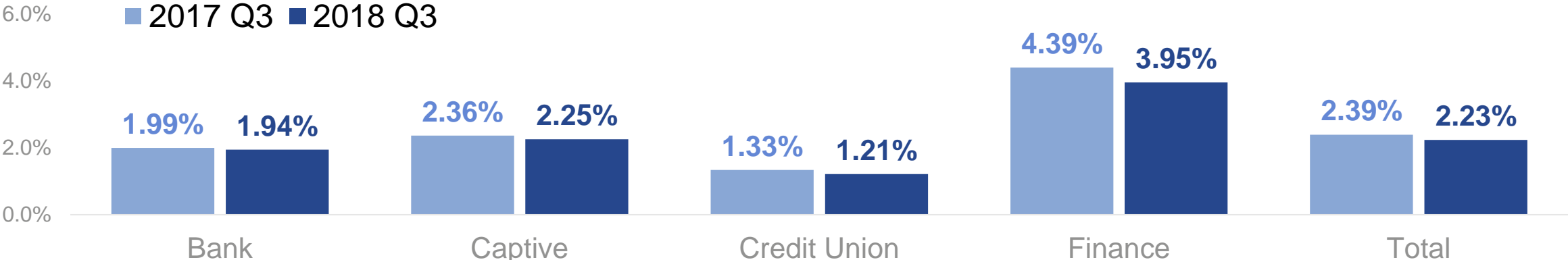


Year-over-year balance change

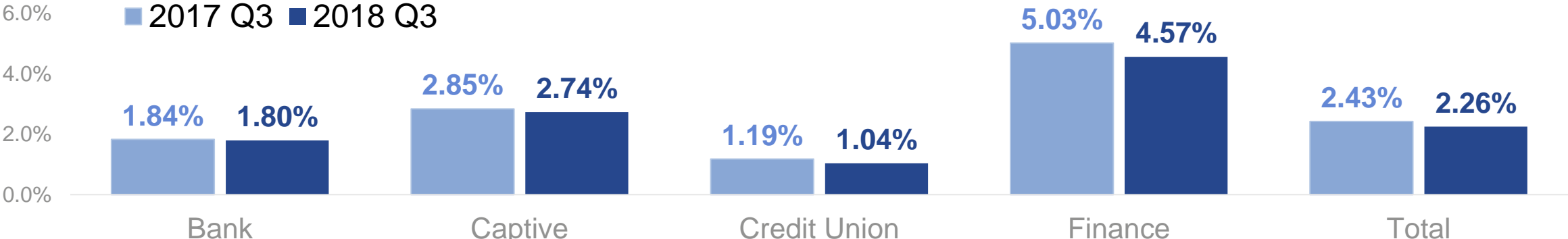


# 30 day delinquency rates improve for all lenders

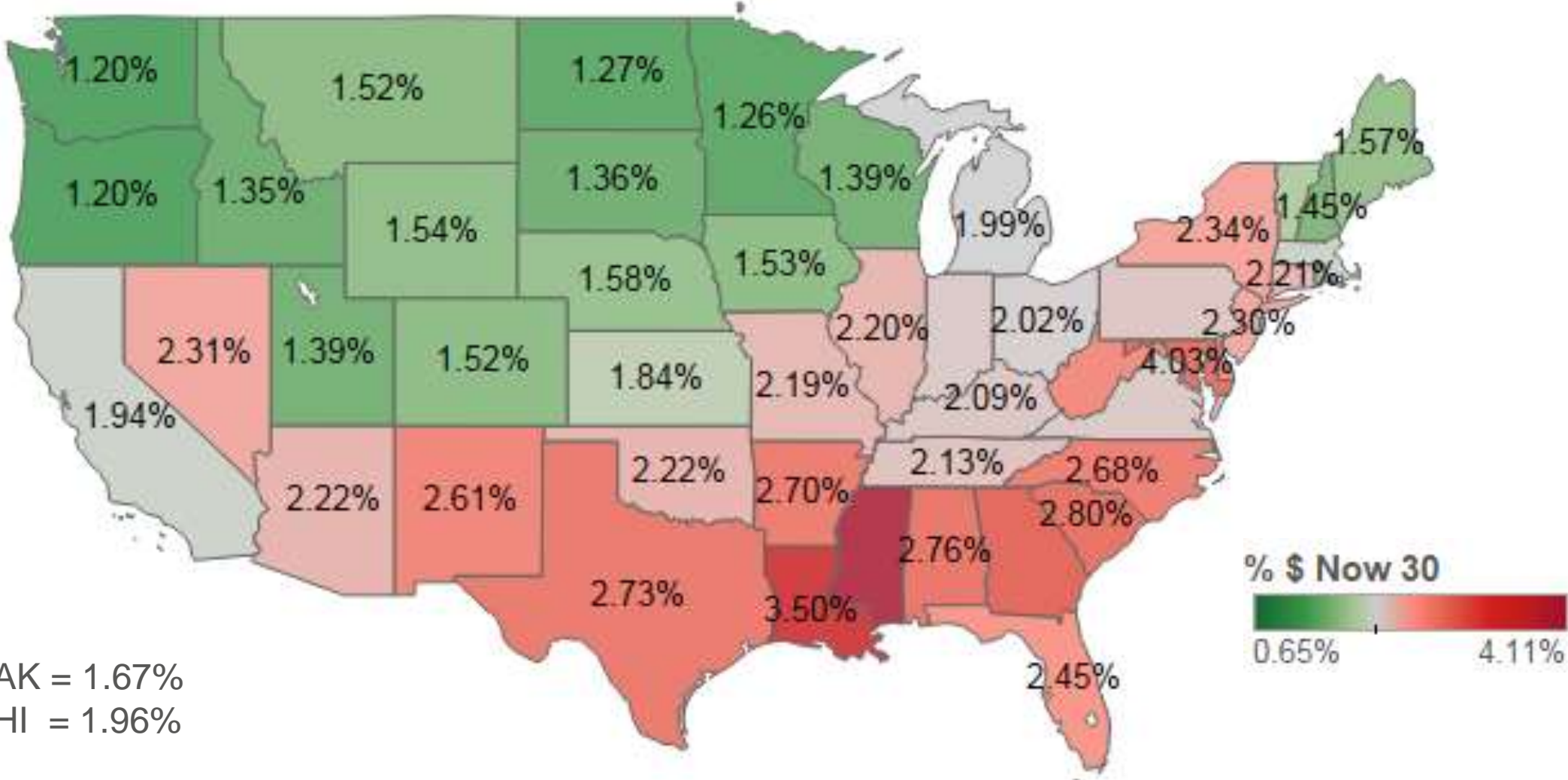
**% of loans & leases 30 dpd**



**% of loan balances 30 dpd**



# Percentage of loan balances 30 dpd

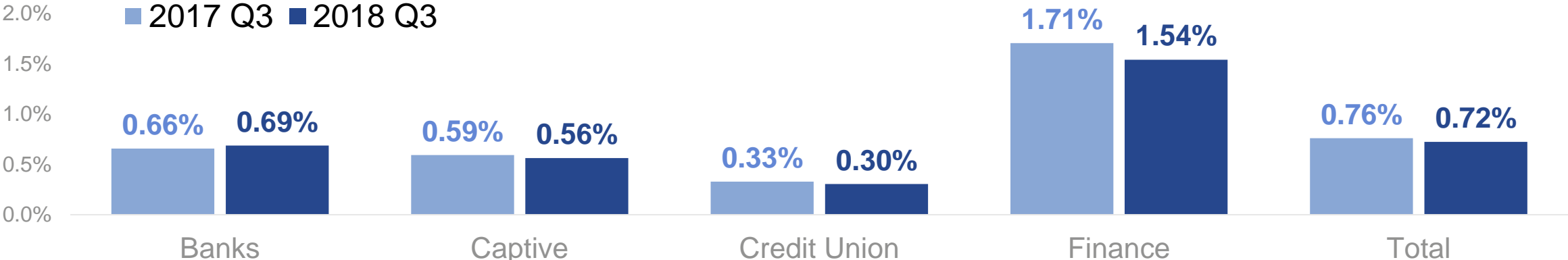


AK = 1.67%  
 HI = 1.96%

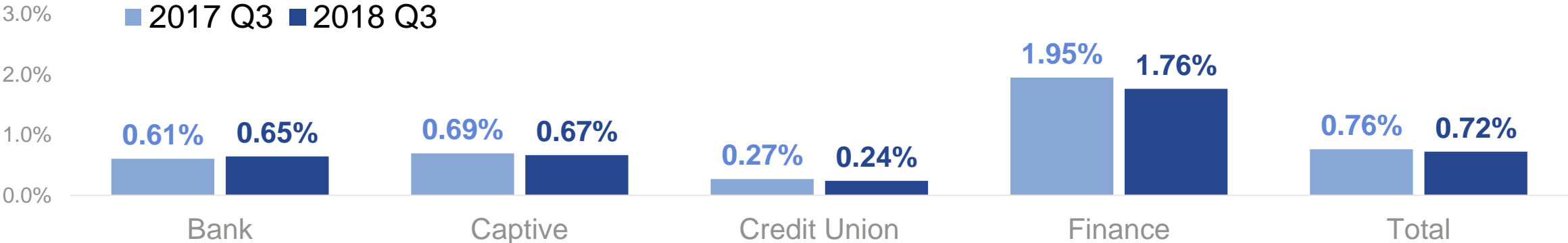


# 60 day delinquency shows widespread improvements

**% of loans & leases 60 dpd**

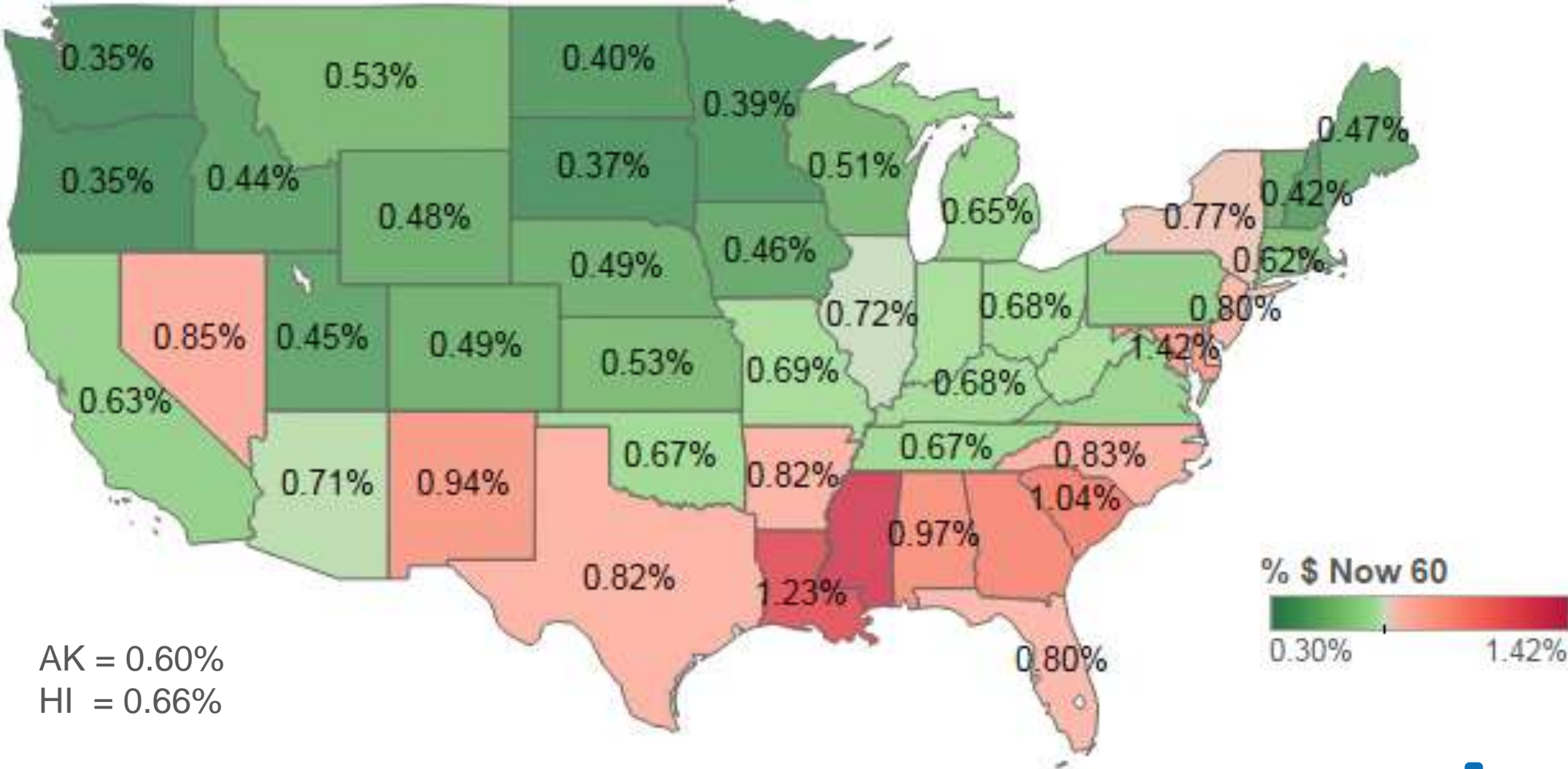


**% of loan balances 60 dpd**





# Percentage of loan balances 60 dpd

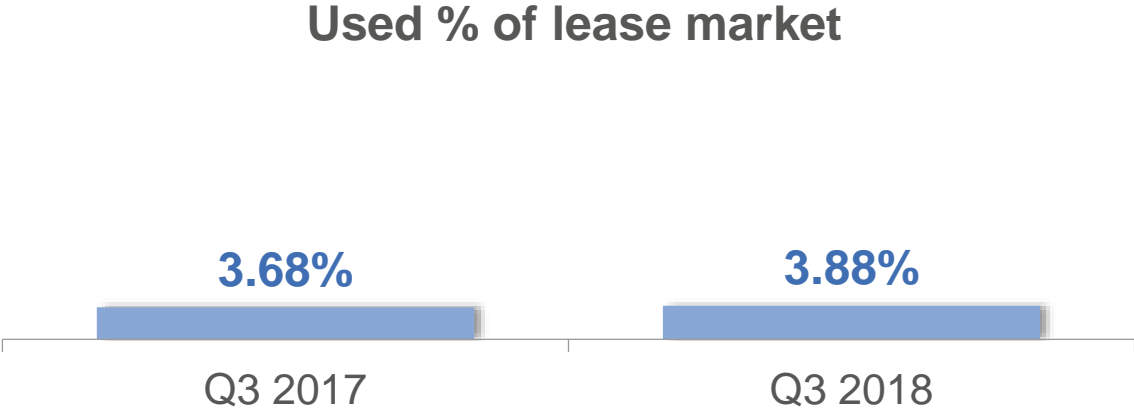
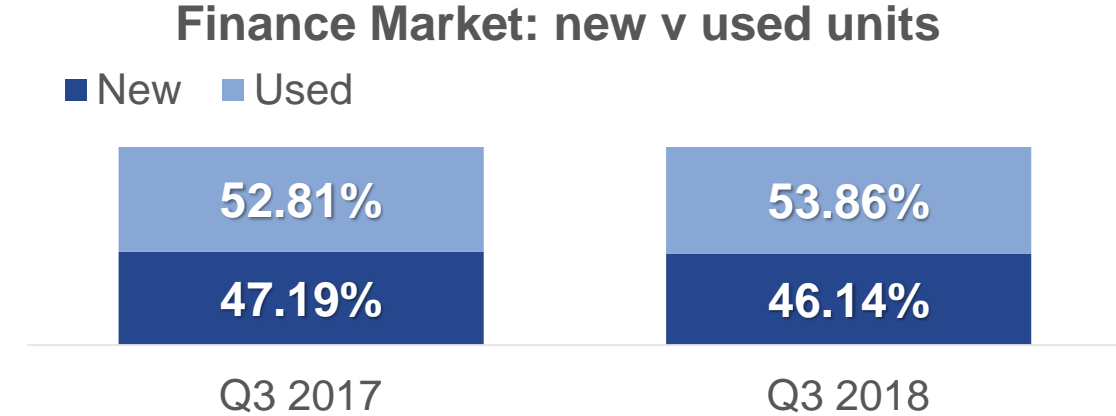
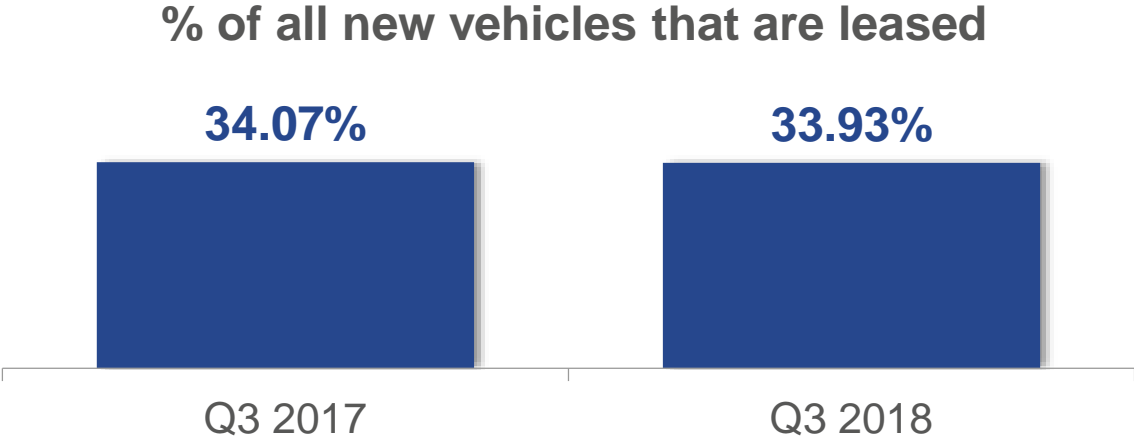
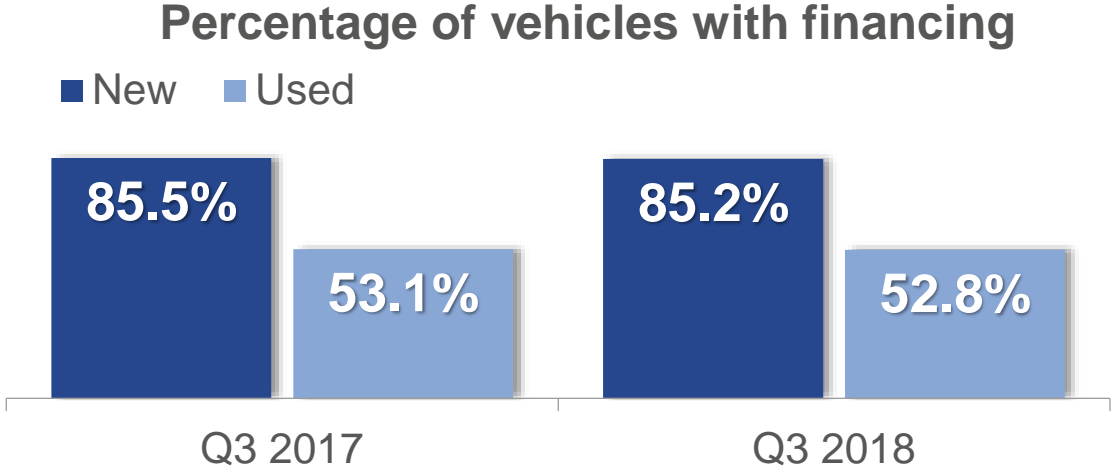


# Originations in Q3 2018

Trends in automotive loan and lease originations



# Automotive financing\*: snapshot of how and what consumers are financing



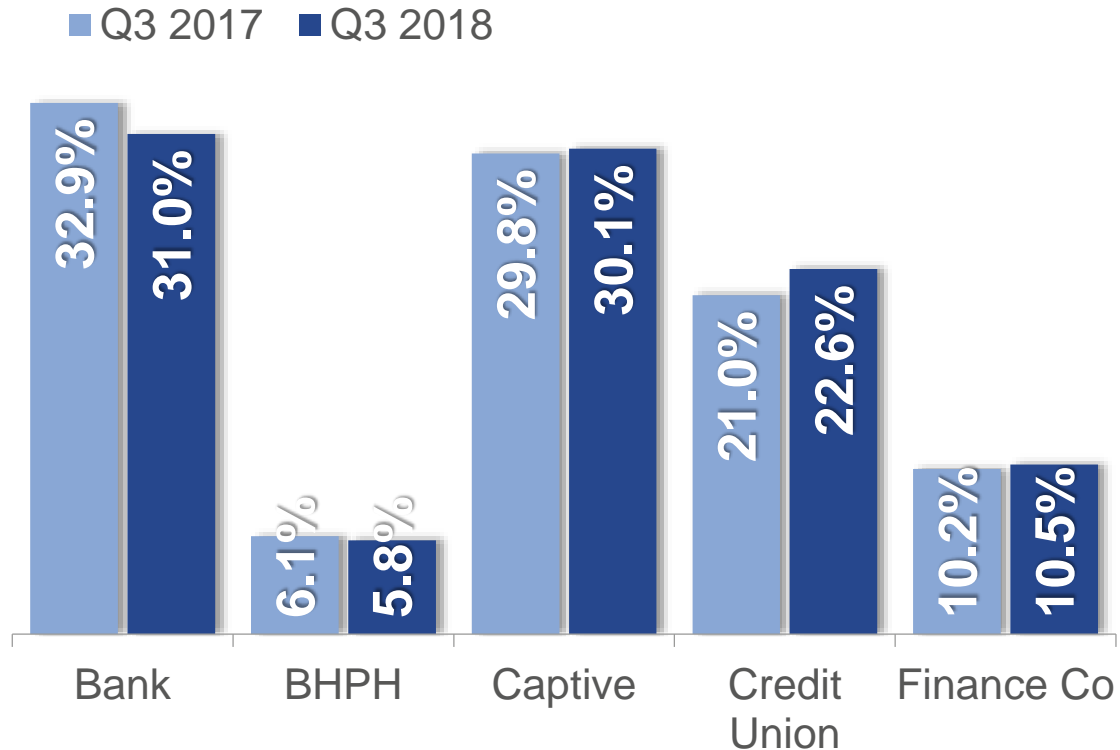
\*Financing = either a loan or lease is present on the title



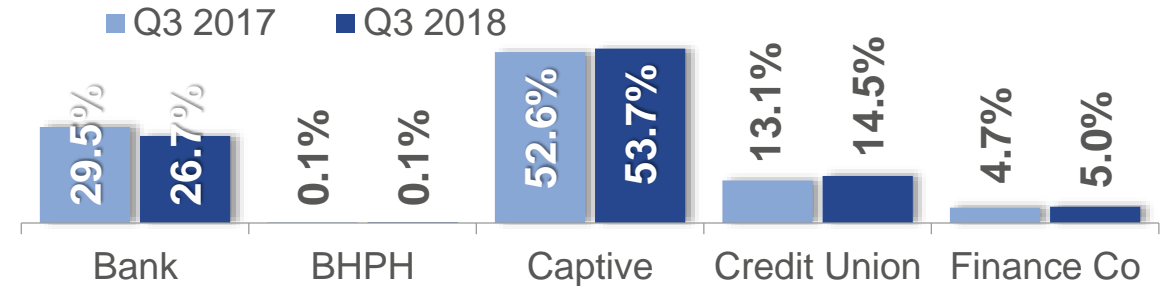
# Market share shifting away from banks

(loan and lease units combined)

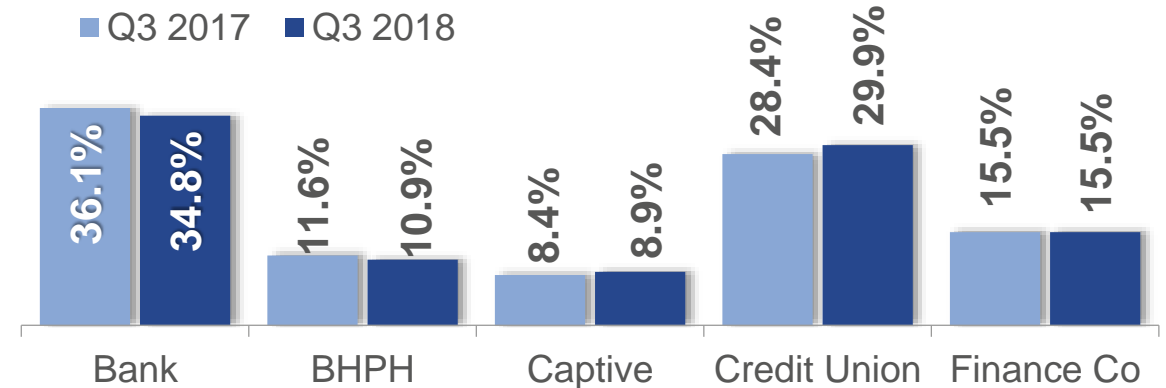
### Market Share of Total Financing (new/used units & loan/lease)



### Market Share of New Financing



### Market Share of Used Financing



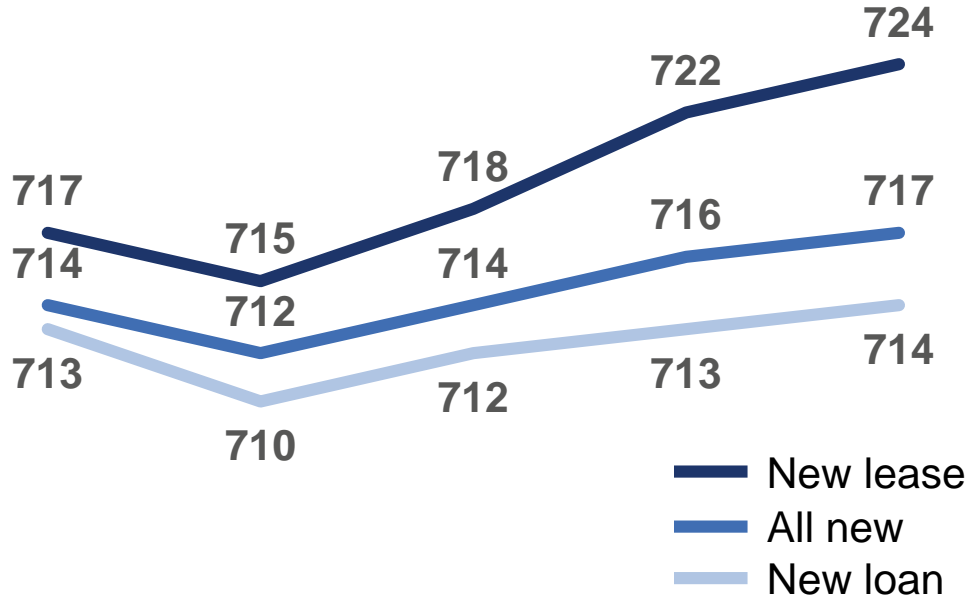
# Score range refresh

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

**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.

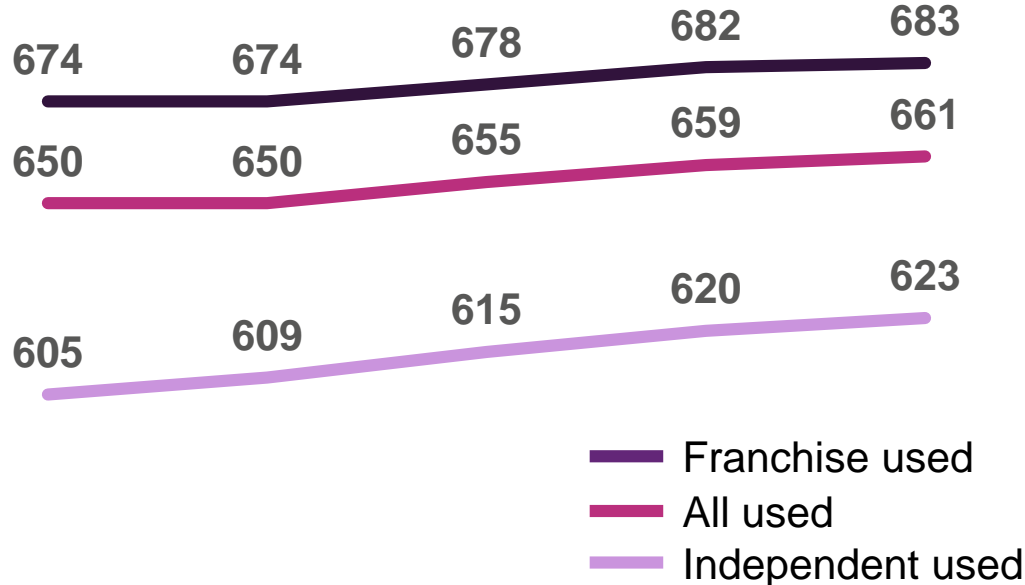
# Credit scores show year-over-year improvement

### Average new credit scores



Q3 2014    Q3 2015    Q3 2016    Q3 2017    Q3 2018

### Average used credit scores

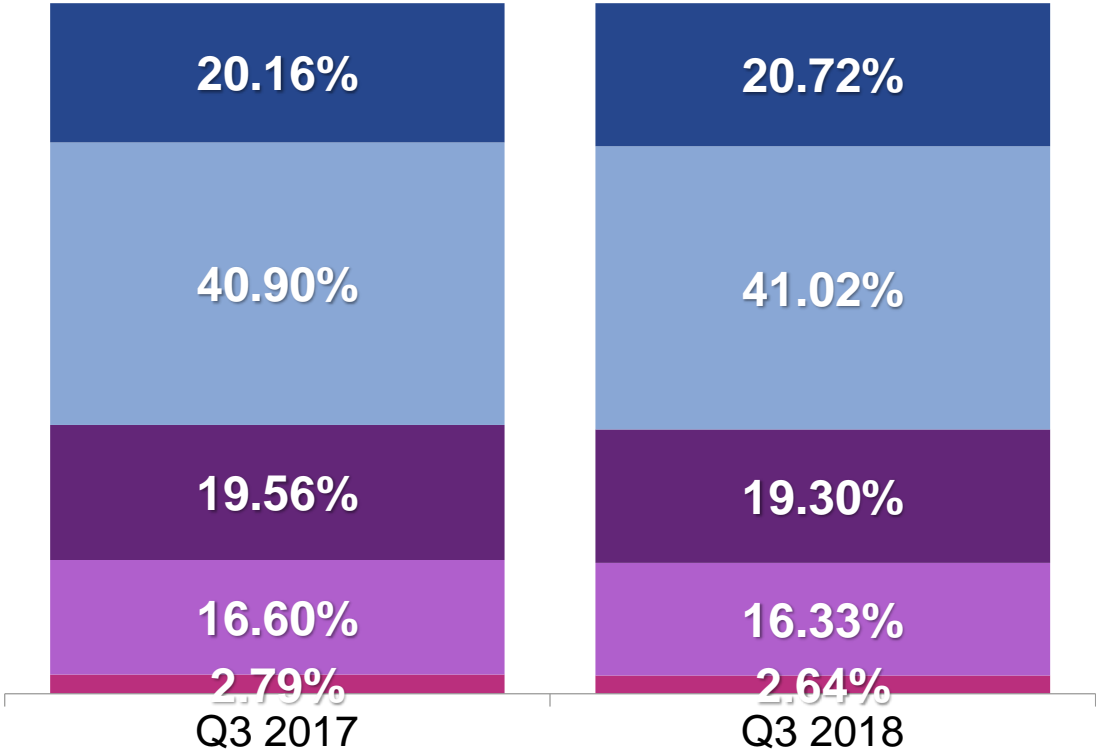


Q3 2014    Q3 2015    Q3 2016    Q3 2017    Q3 2018



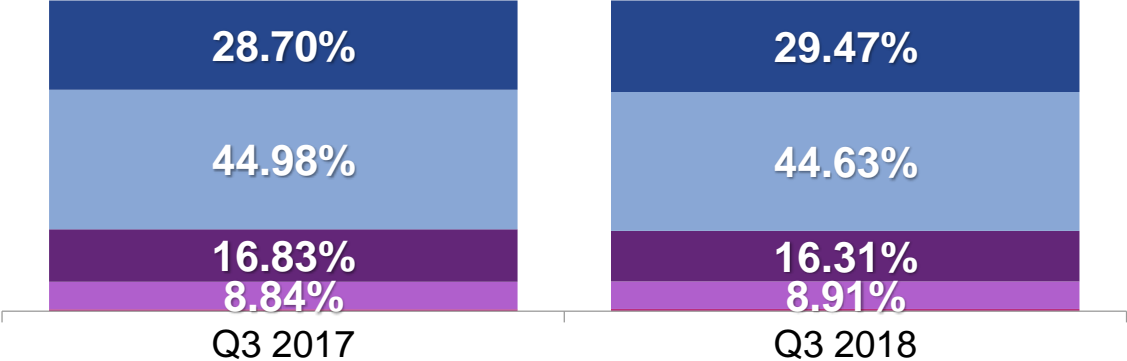
# Total and used finance reaches 6-year low for subprime

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

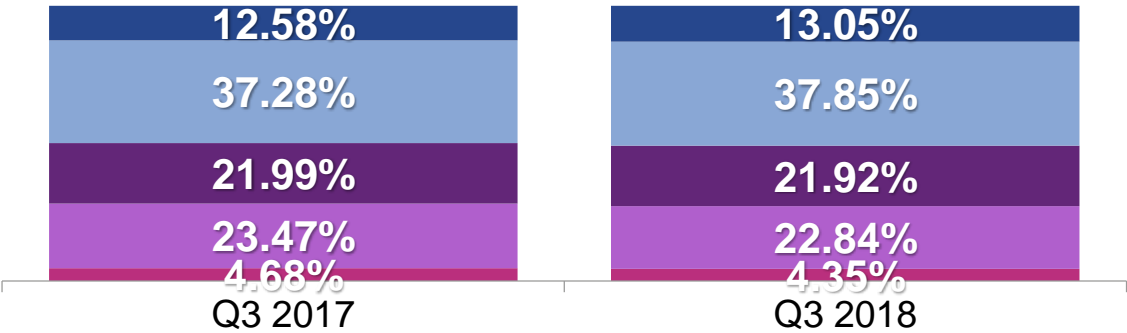


■ Deep Subprime ■ Subprime ■ Nonprime ■ Prime ■ Super Prime

**New (loan/lease) risk distribution**

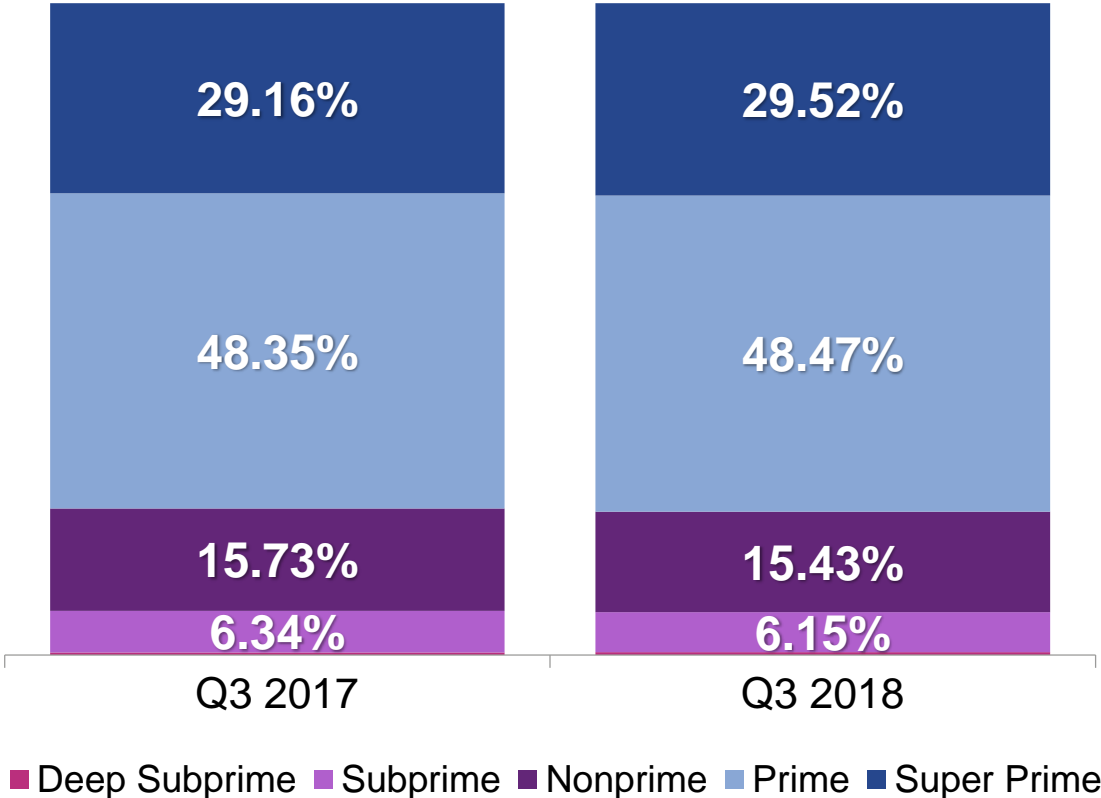


**Used (loan/lease) risk distribution**

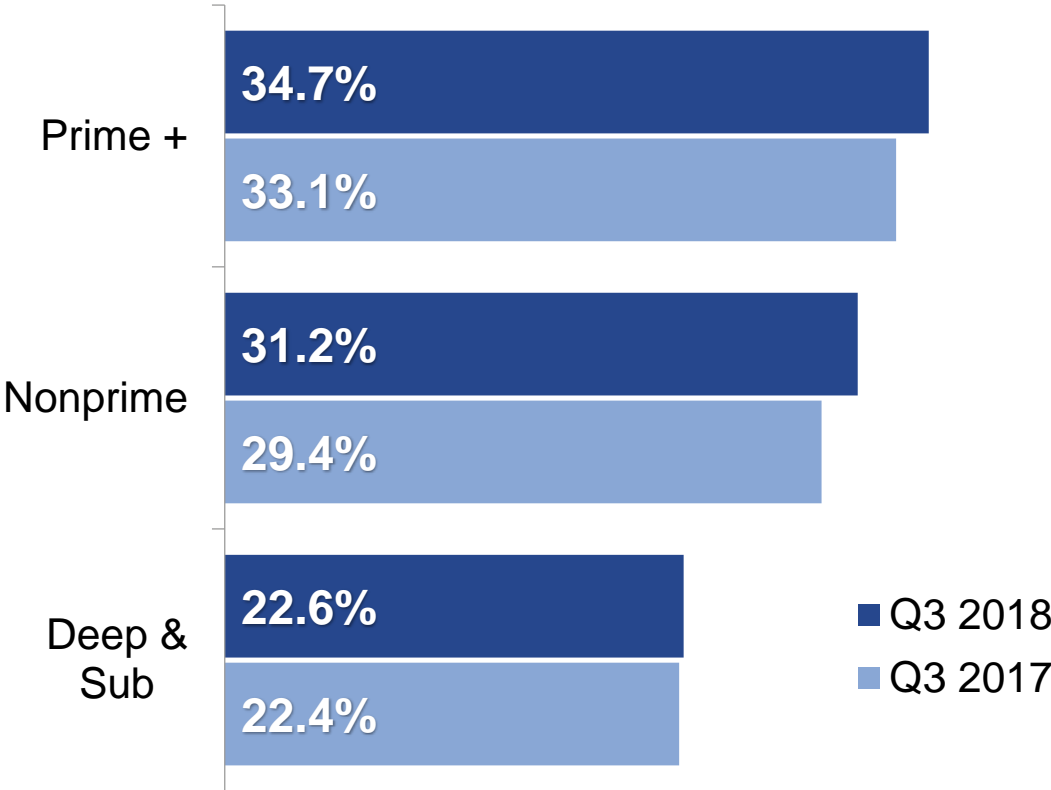


# Leasing shifts into more prime segments as consumers choose leasing at greater rates than 2017

**New lease risk distribution**



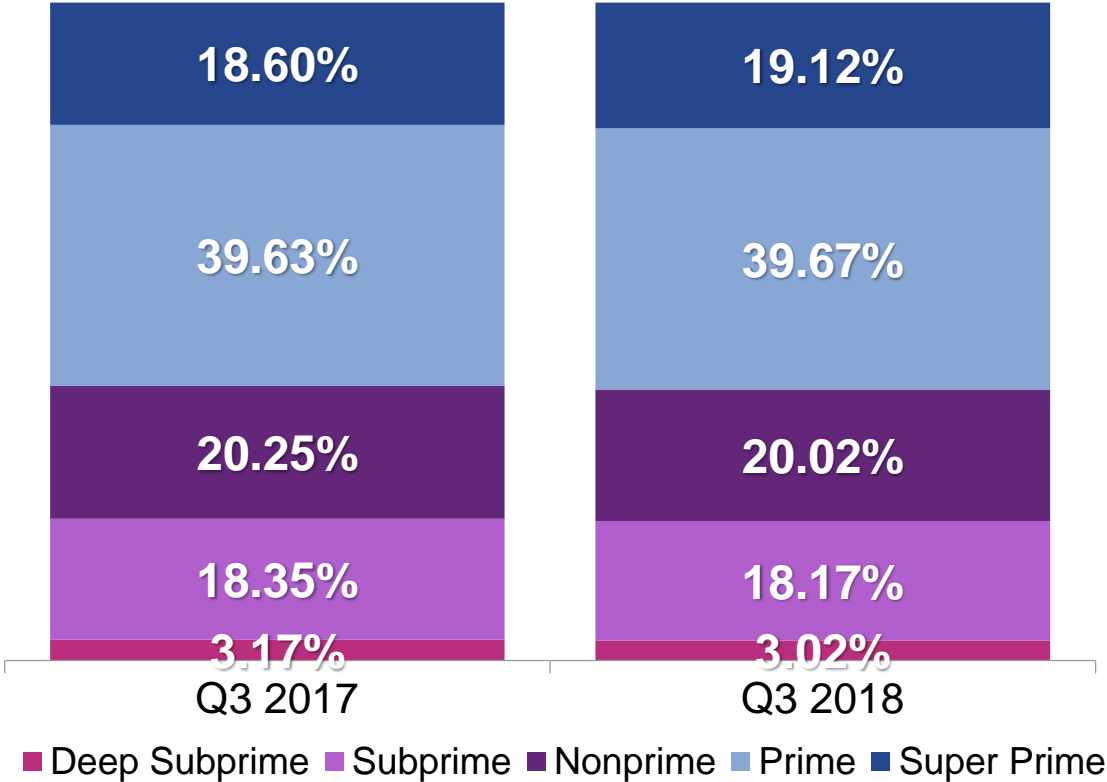
**% of new borrowers choosing to lease**



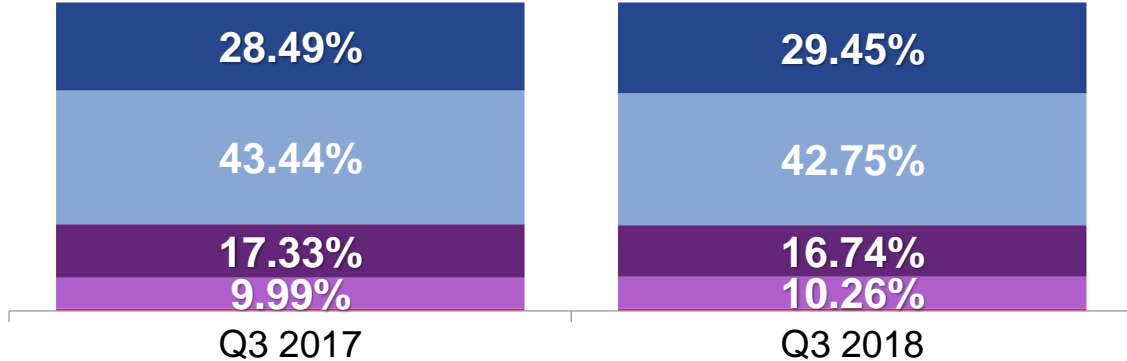


# Subprime hits 11-year low in the loan market driven by decreases in used lending

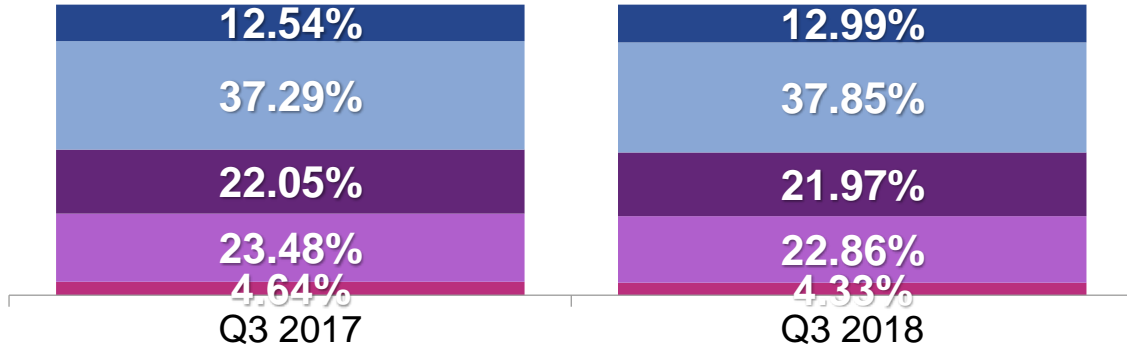
**Total (new & used units) loan risk distribution**



**New loan risk distribution**

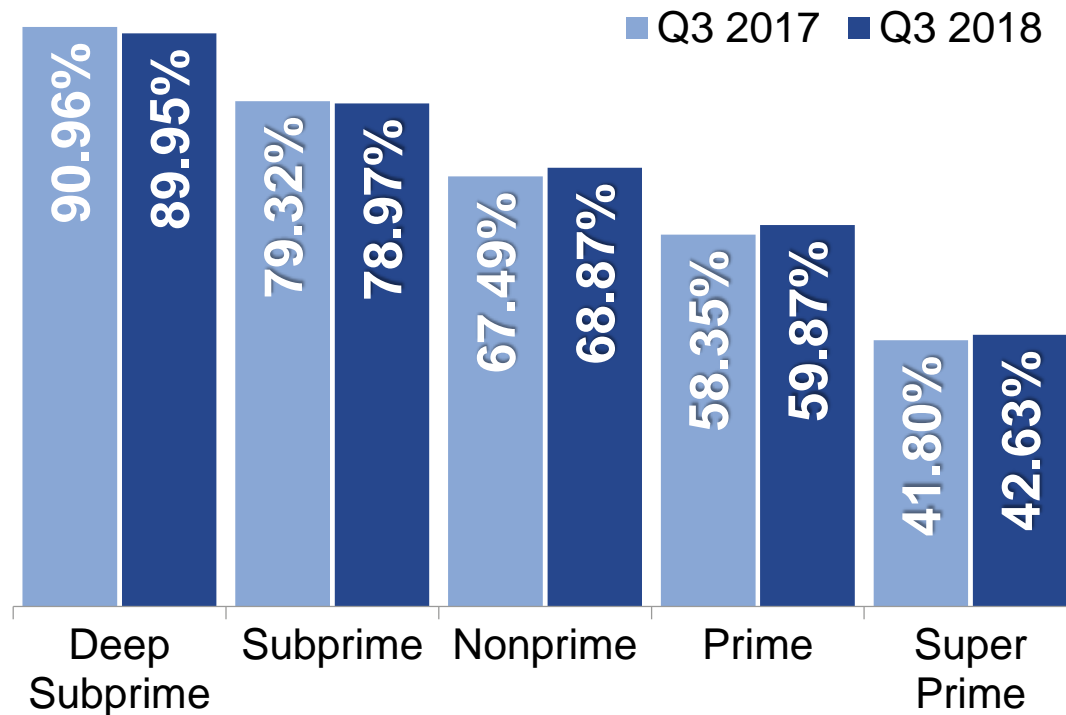


**Used loan risk distribution**

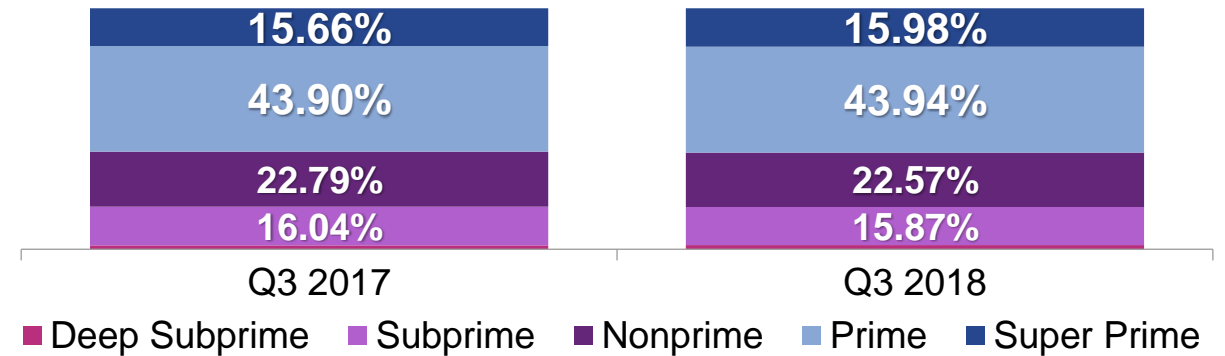


# Prime consumers continue trend toward used vehicles

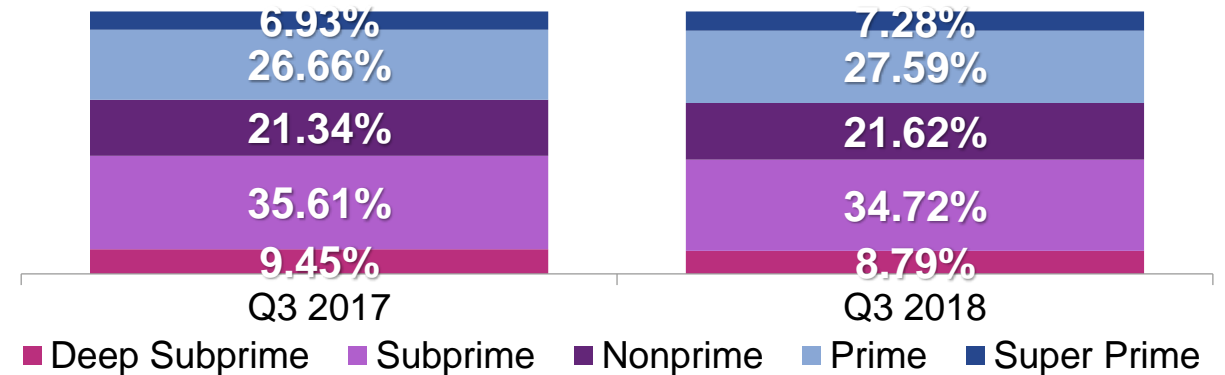
## Percentage of consumers by risk tier choosing used loans



## Used Franchise loan risk distribution



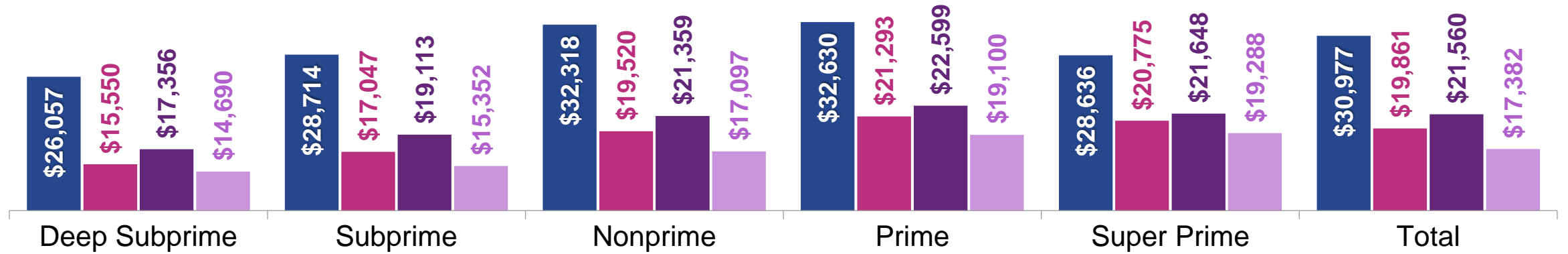
## Used Independent loan risk distribution



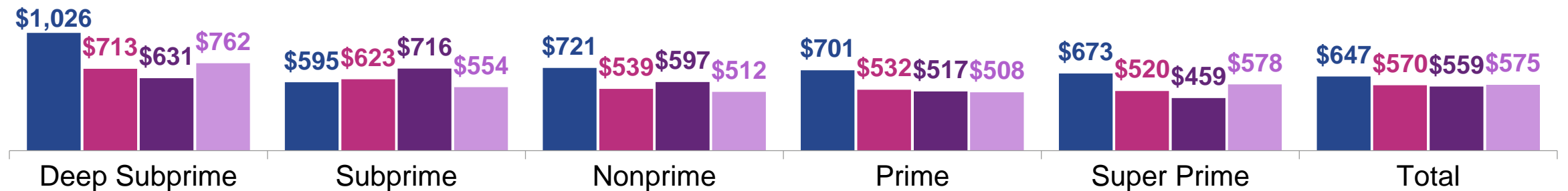
# Record highs for average used loan amounts

## Average loan amount by tier

■ Avg New ■ All Used ■ Franchise used ■ Independent used

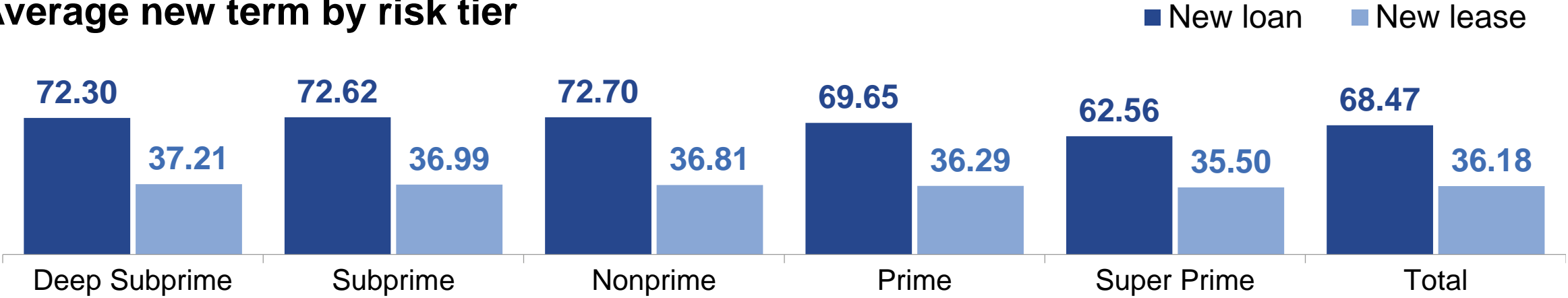


## Year-over-year change in balance

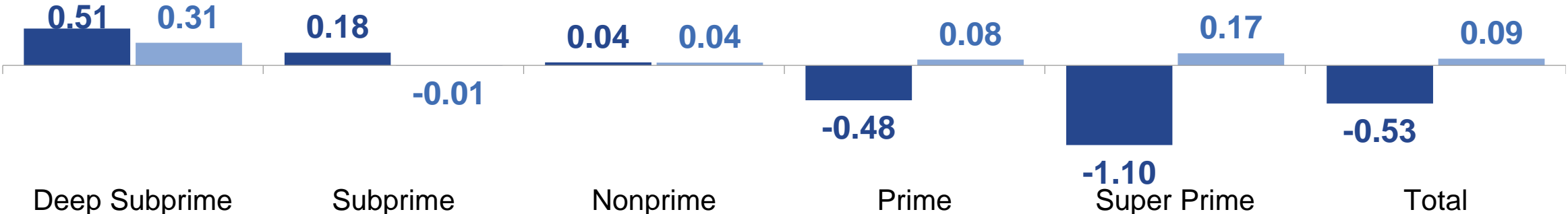


# Average new loan term decreases among prime and super prime consumers

## Average new term by risk tier

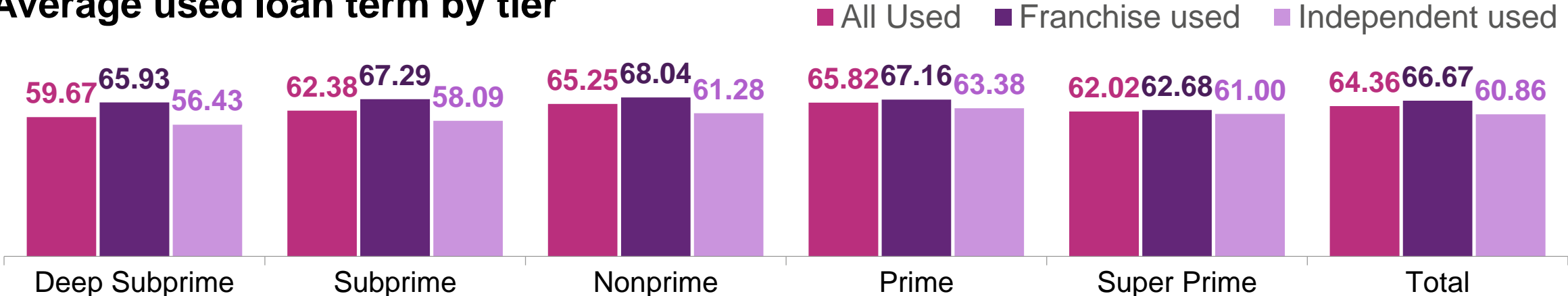


## Year-over-year change in term

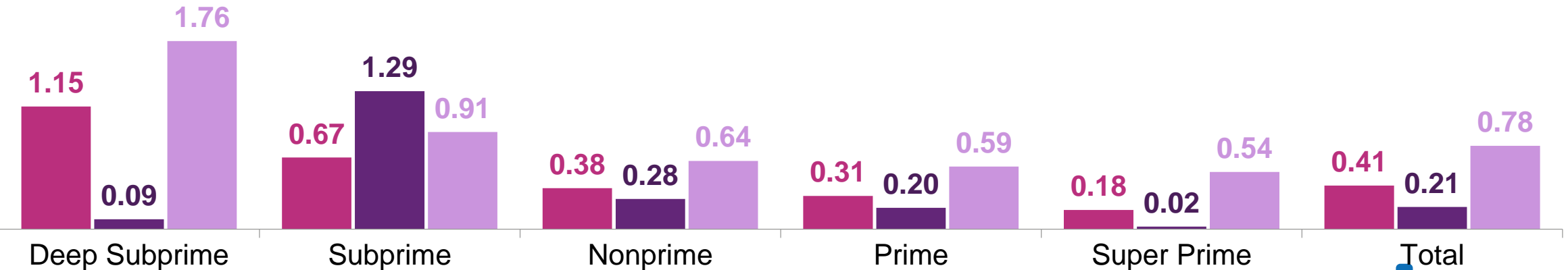


# Used loan terms rise, yet decrease for high risk franchise used loans

## Average used loan term by tier

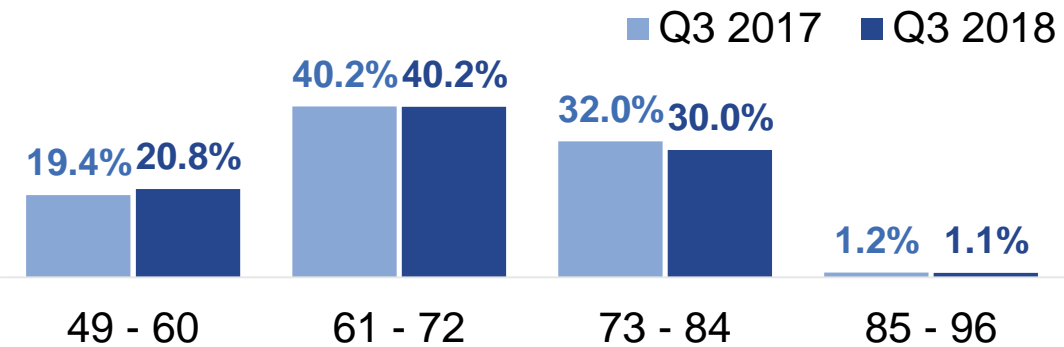


## Year-over-year change in used loan term

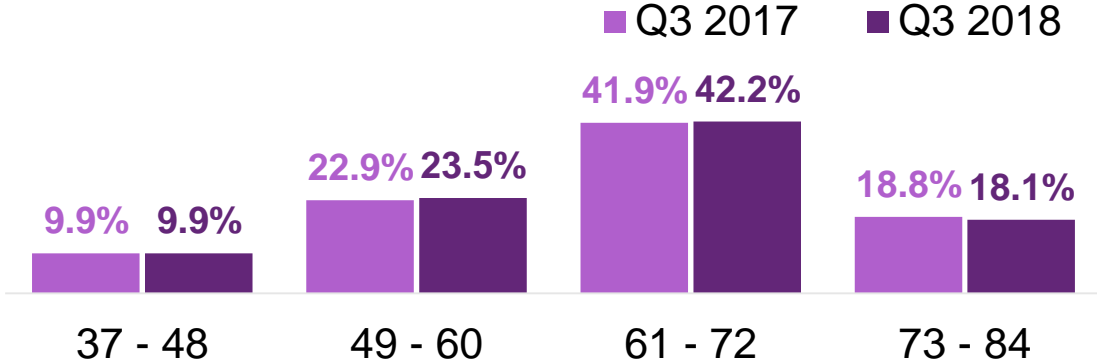


# Longer term loans continue to dominate the market

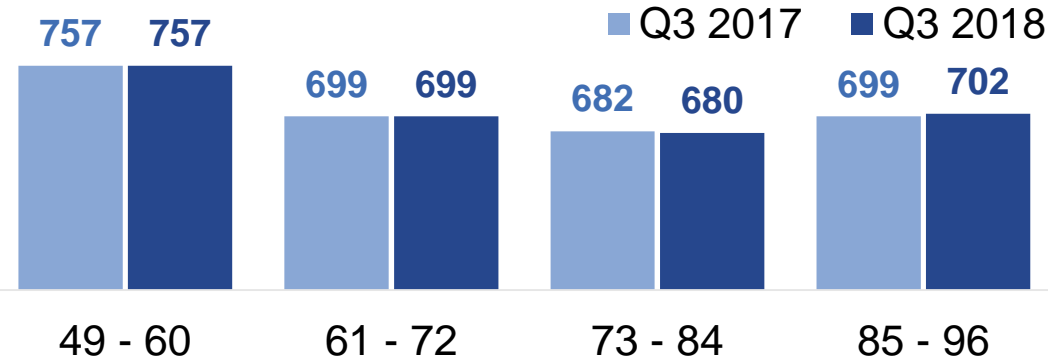
Percentage of new loans by term



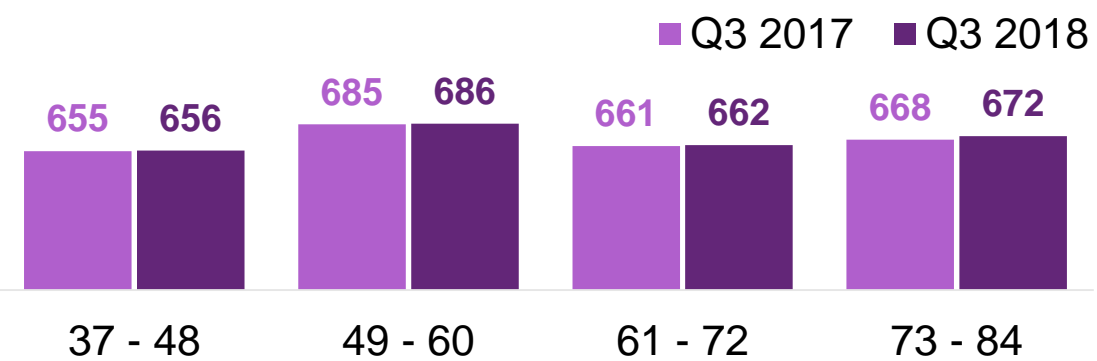
Percentage of used loans by term



Average new score by loan term

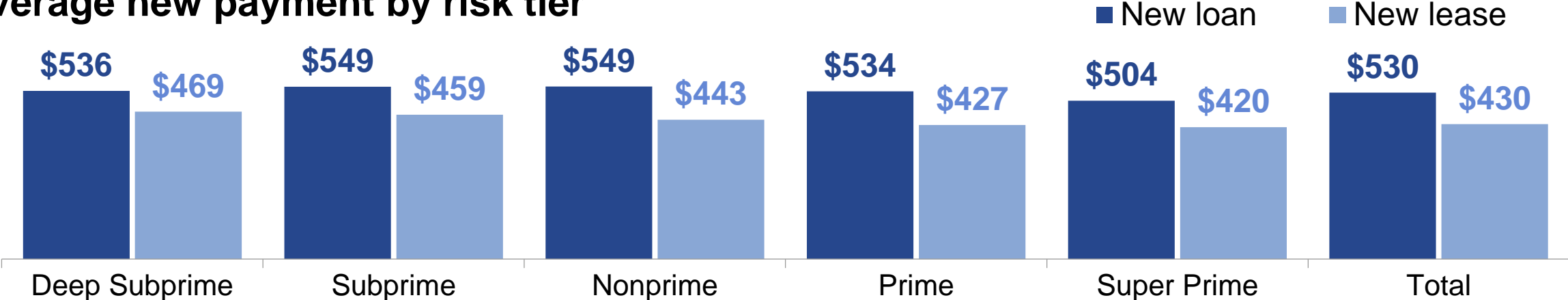


Average used score by loan term

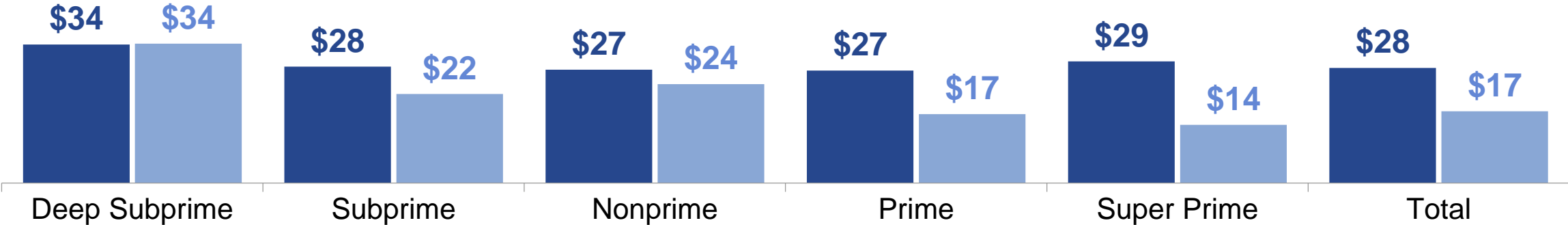


# New monthly payments hit \$530 hitting all time high

## Average new payment by risk tier



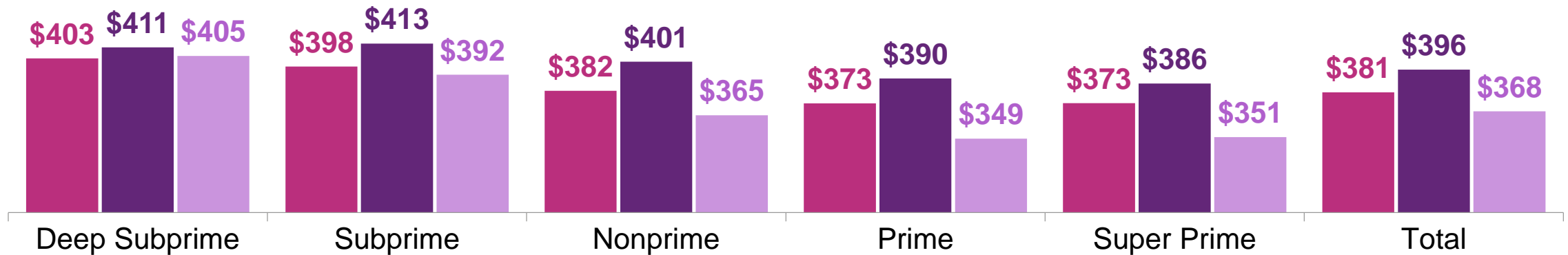
## Year-over-year change in new payment



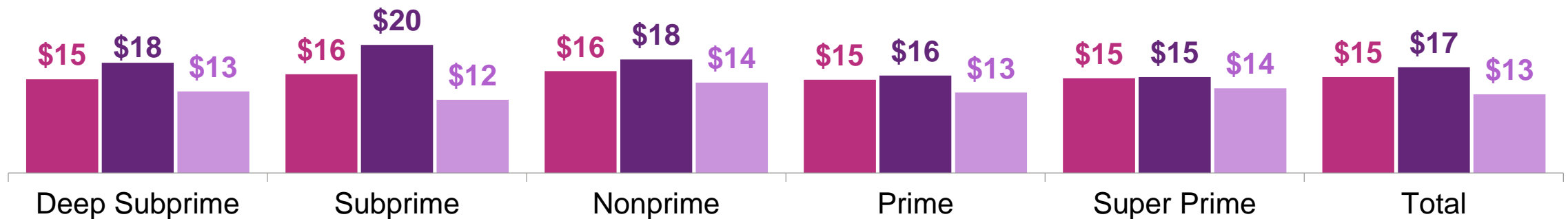
# Average used payments also reach record highs while franchise used loans creep closer to \$400

## Average used payment by risk tier

■ All used ■ Franchise used ■ Independent used



## Year-over-year change in used payment

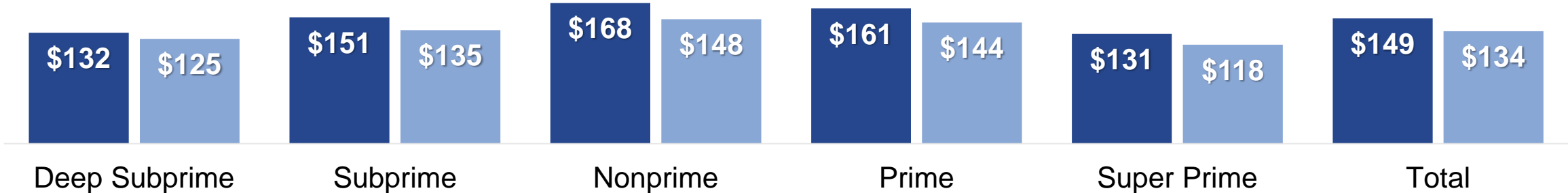




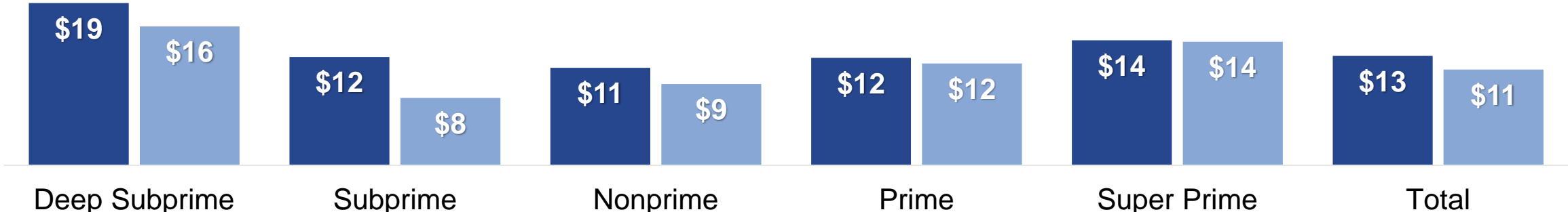
# Gap between new and franchise used payments widen

## Gap between new and used payments

■ Gap between new and used  
 ■ Gap between new and Franchise used



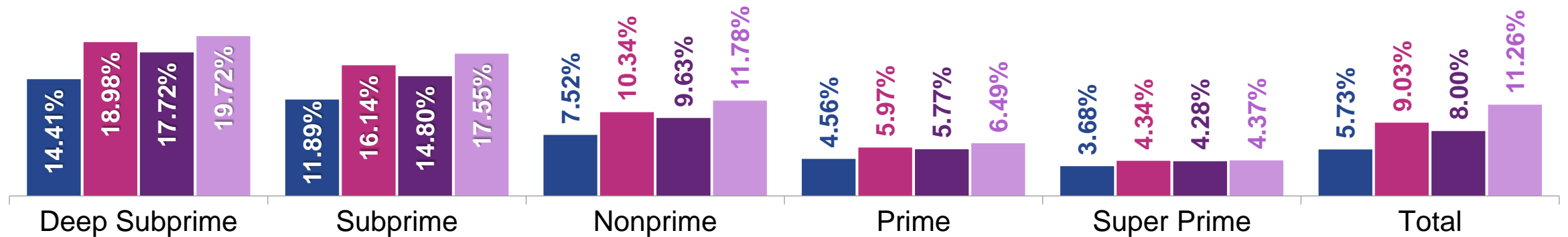
## YOY change in payment gap



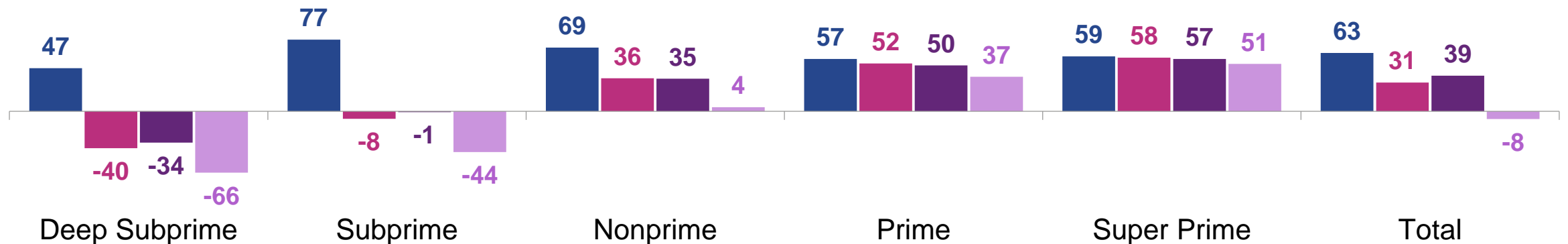
# Rates rise across the entire automotive loan market

## Average loan rates by tier

■ Avg New ■ All Used ■ Franchise used ■ Independent used



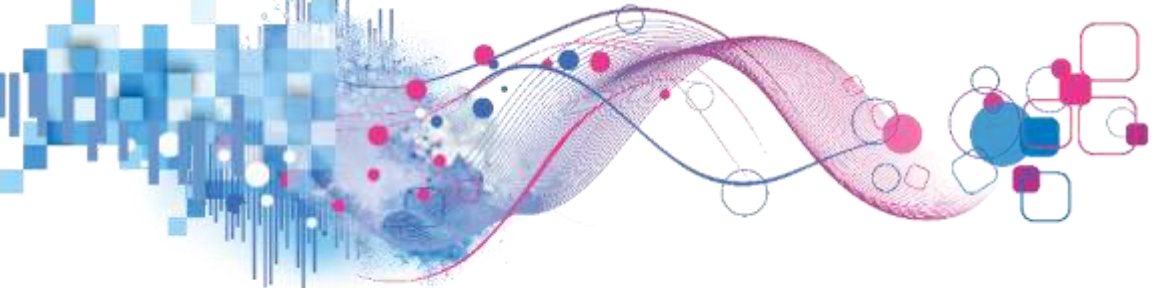
## Year-over-year change (bps) in loan rate



# Summary

- Q3 continues a series of record highs for loan balances with credit unions maintaining double digit growth
- Delinquency improvements are seen for most lenders
- Leasing remains over 33% of all new consumer vehicle sales yet decreases YOY
- Credit scores improve as lending continues to shift into more prime segments
- Subprime reaches Q3 record lows driven primarily by lows in used financing
- Loan amounts remain high with payments rising as interest rates increase





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