



AUTO FINANCE INSIGHTS

**State of the Automotive Finance Market
Q3 2021**

Presented by: **Melinda Zabritski**

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Experian **Public**

Today's speaker



Melinda Zabritski

Sr. Director of Automotive Financial Solutions
Experian

Throughout her career with Experian, Zabritski has overseen the product strategy for Experian Automotive's lending channel and creation of the automotive credit vertical. After over 18 years in product management, she transitioned into sales and consulting. Zabritski also serves as Experian's primary analyst and spokesperson regarding key automotive finance trends.



Session Overview

- Overall origination trends
- Origination trends on New loans & leases
- Origination trends on Used financing
- Quarterly spotlight
- Portfolio balances & delinquency

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



Data Sources

Velocity Market & Velocity Risk

- Monthly subscription service sourced from US vehicle titles, manufacturer data and credit information
- Quickly view dealer and lender activity and share by market, make, segment and more
- Gain insight into loan pricing by reviewing credit and loan/lease characteristics across vehicle metrics

Ascend Market Insights

- Instant access to credit market trends across the entire credit universe (review by industry type)
- Deep-dive across numerous themes (delinquency, originations, total accounts & balances and more)
- Easy navigation and dashboards with weekly Executive Summary insights



Q3 2021 Originations

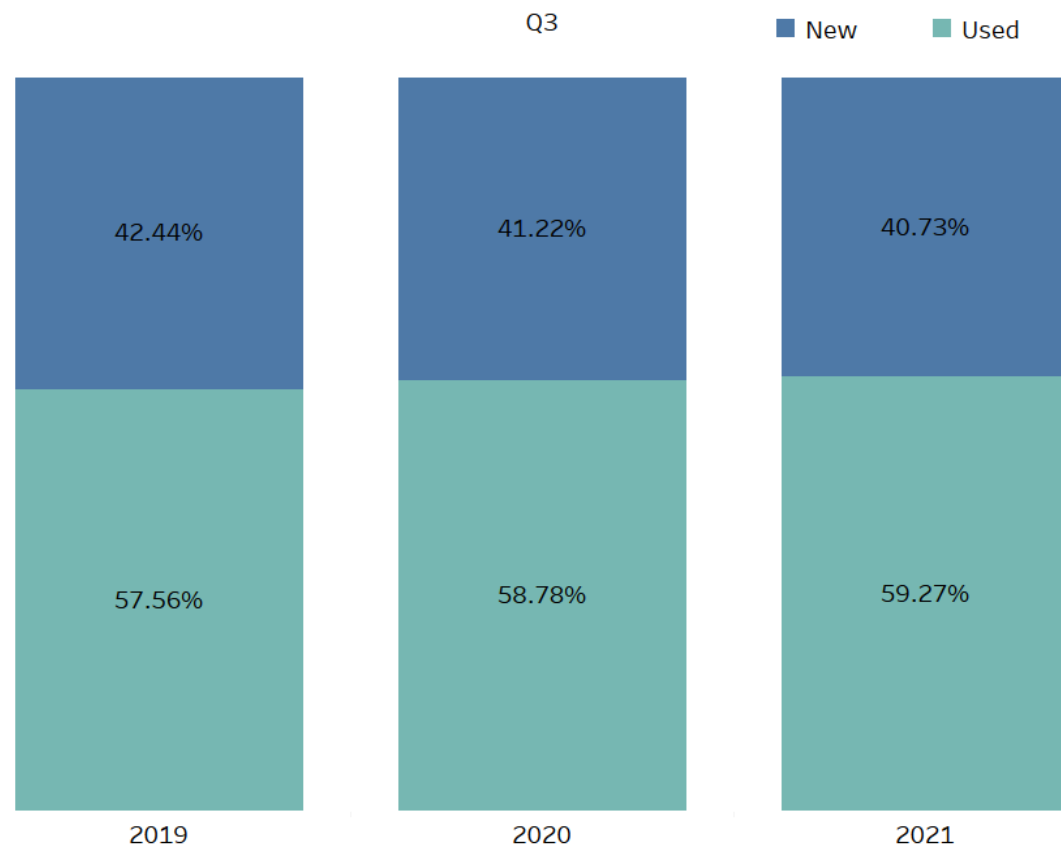
Trends in automotive loan and
lease originations



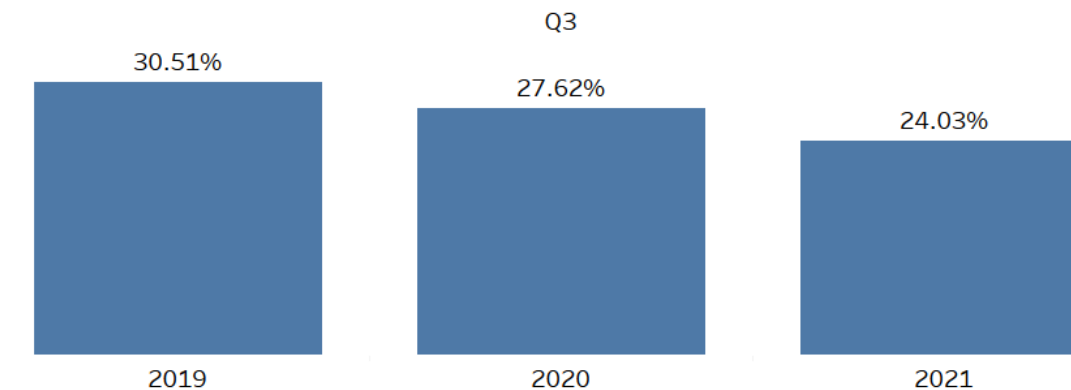
Automotive financing

Snapshot of how and what consumers are financing

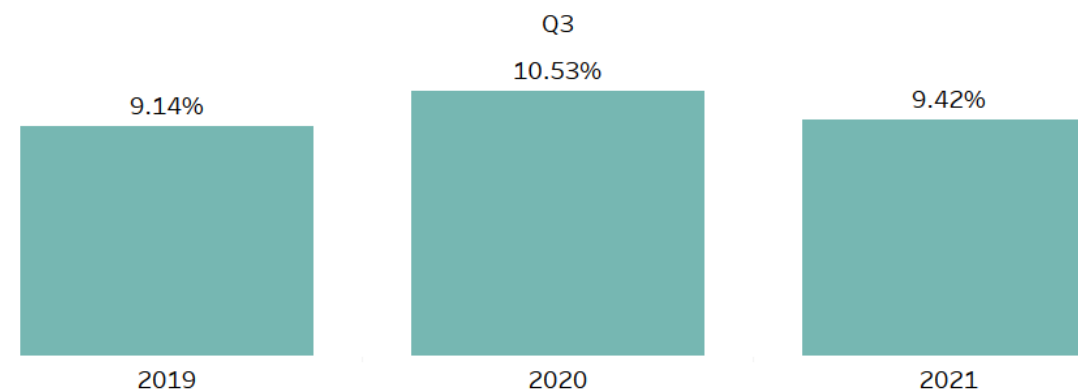
New/Used percentage of financing



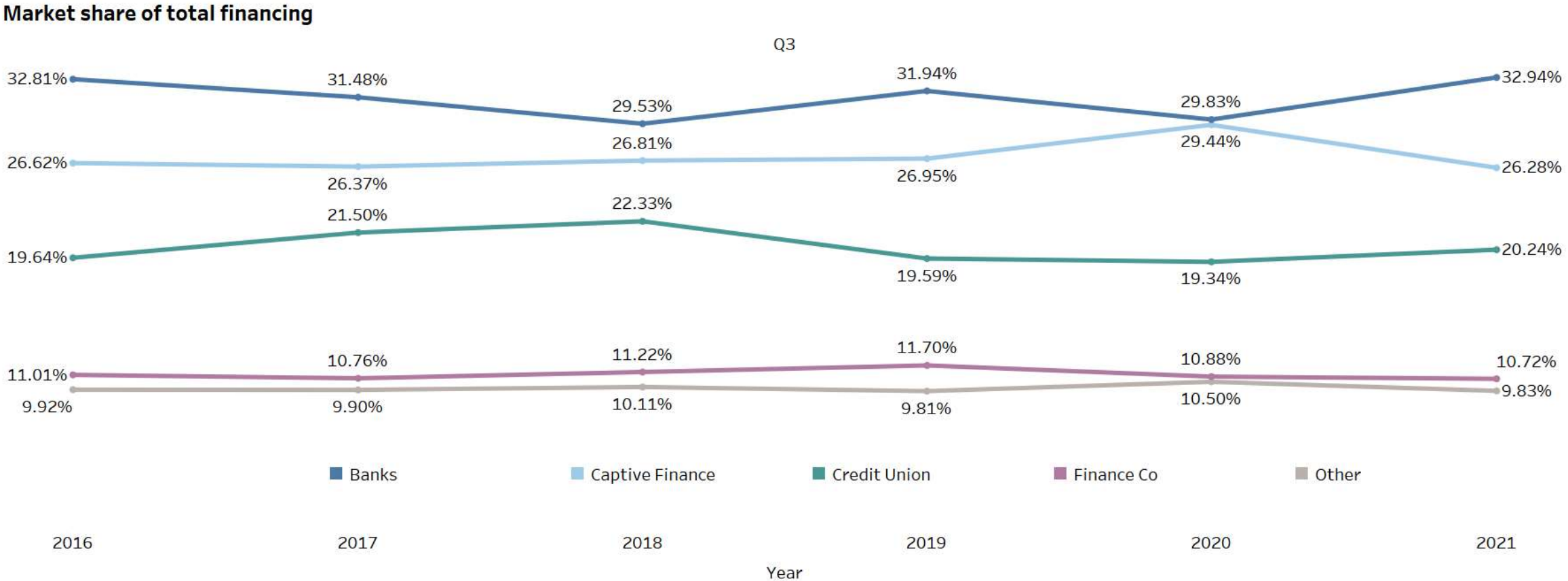
% of all new vehicles that are leased



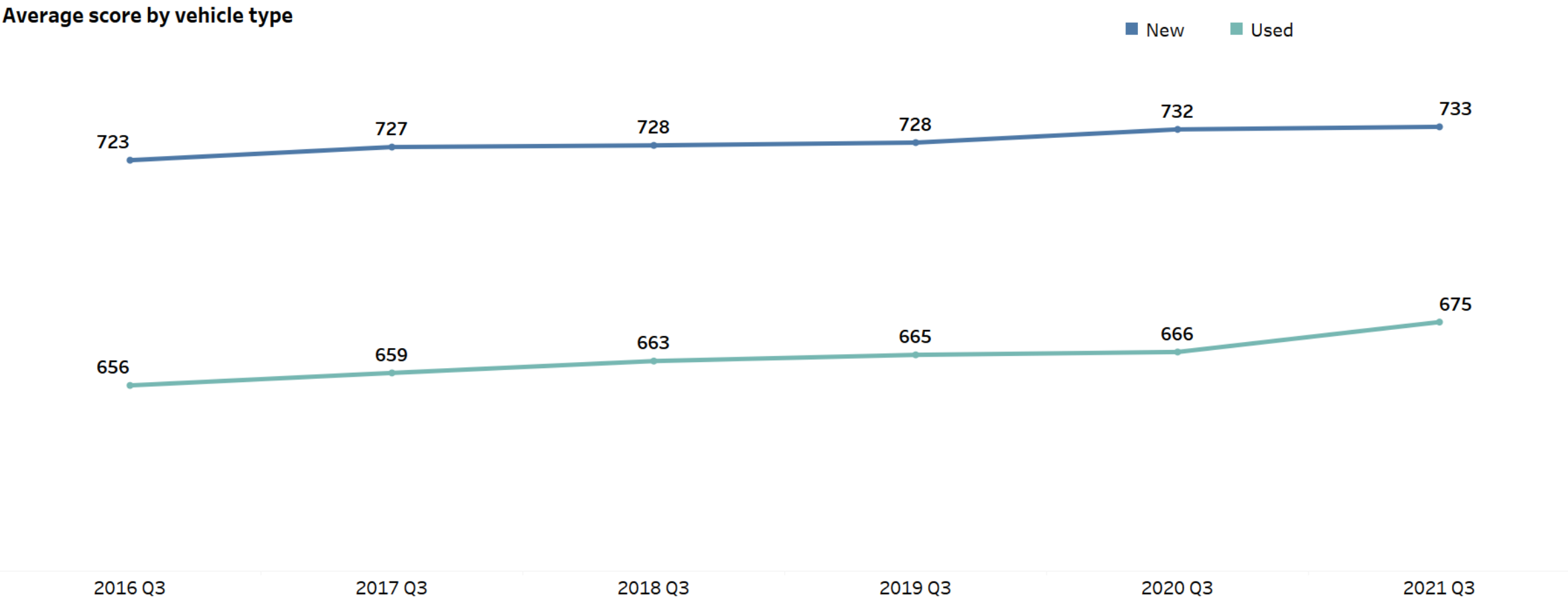
Used vehicle % of total lease market



Banks and credit unions grow market share



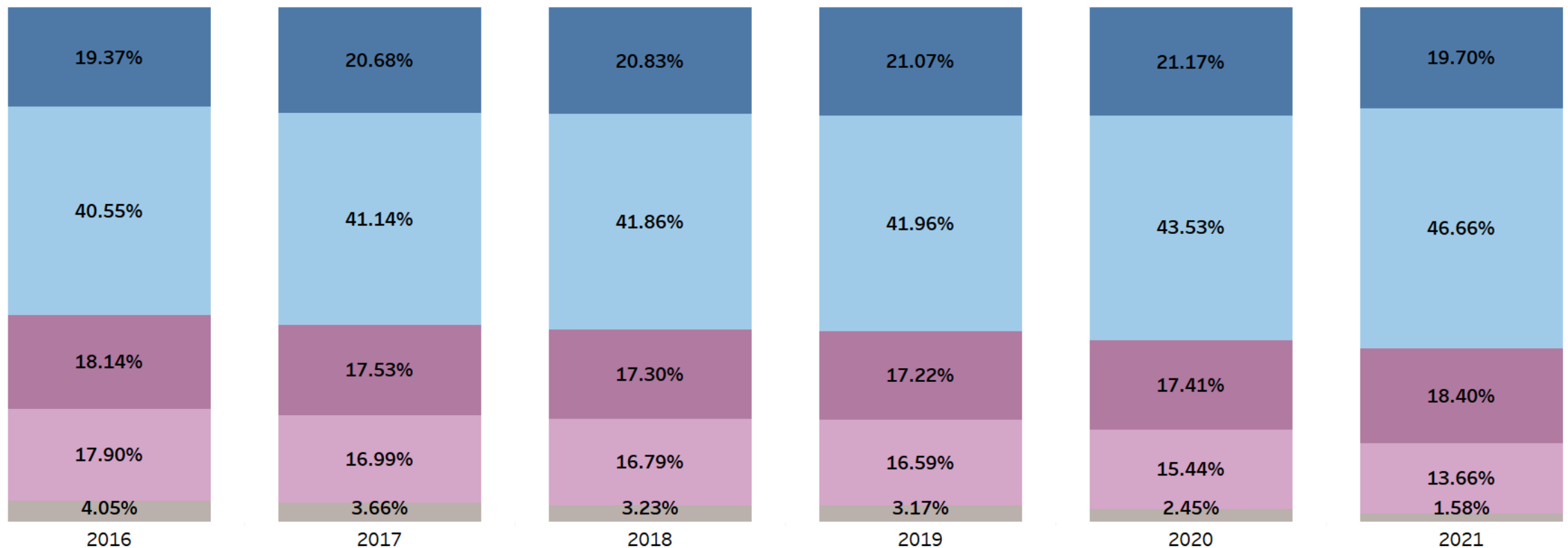
New scores rise only 1 point while used increased 9 points



Prime is over 66% of total financing, while subprime falls to just over 15%

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

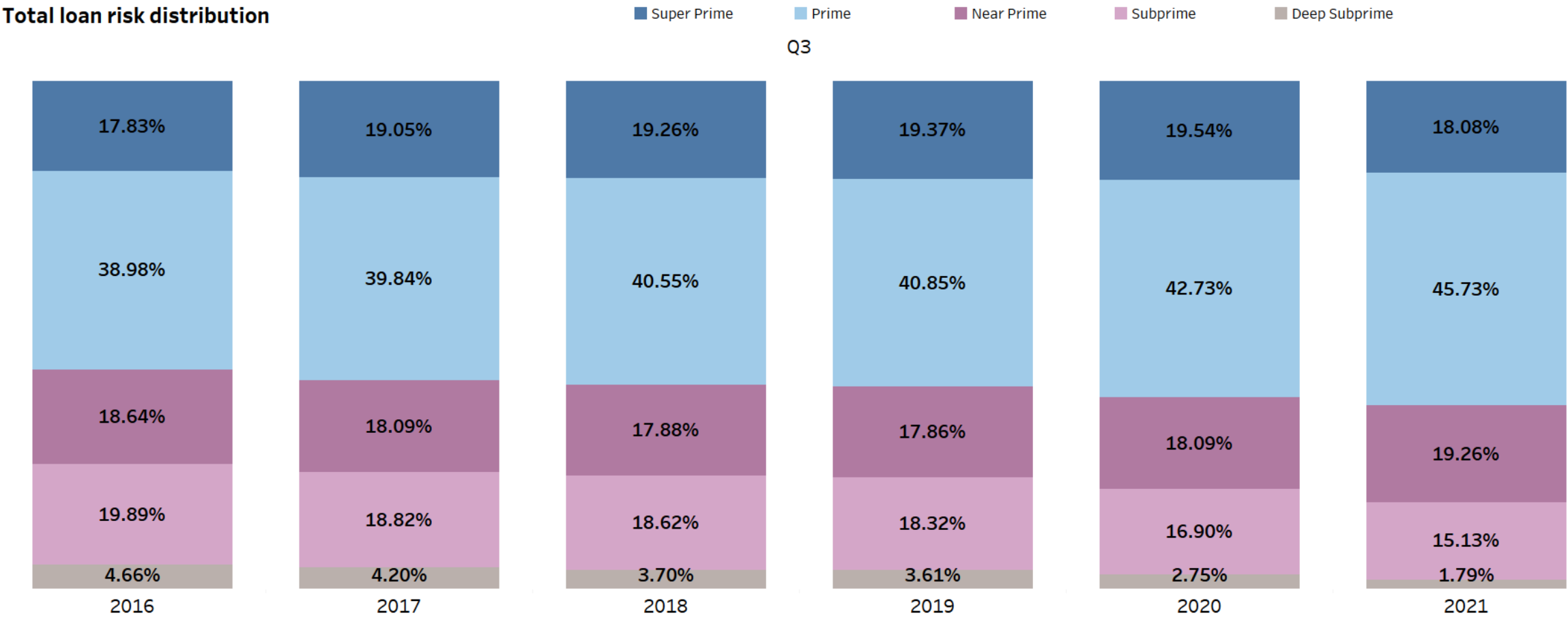
■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subprime
Q3



¹Total financing = loan and lease transactions on both new and used vehicles



Prime+ is nearly 64% of total loans while total subprime dropped below 17% and deep subprime hits record low



¹Total financing = loan transactions on both new and used vehicles



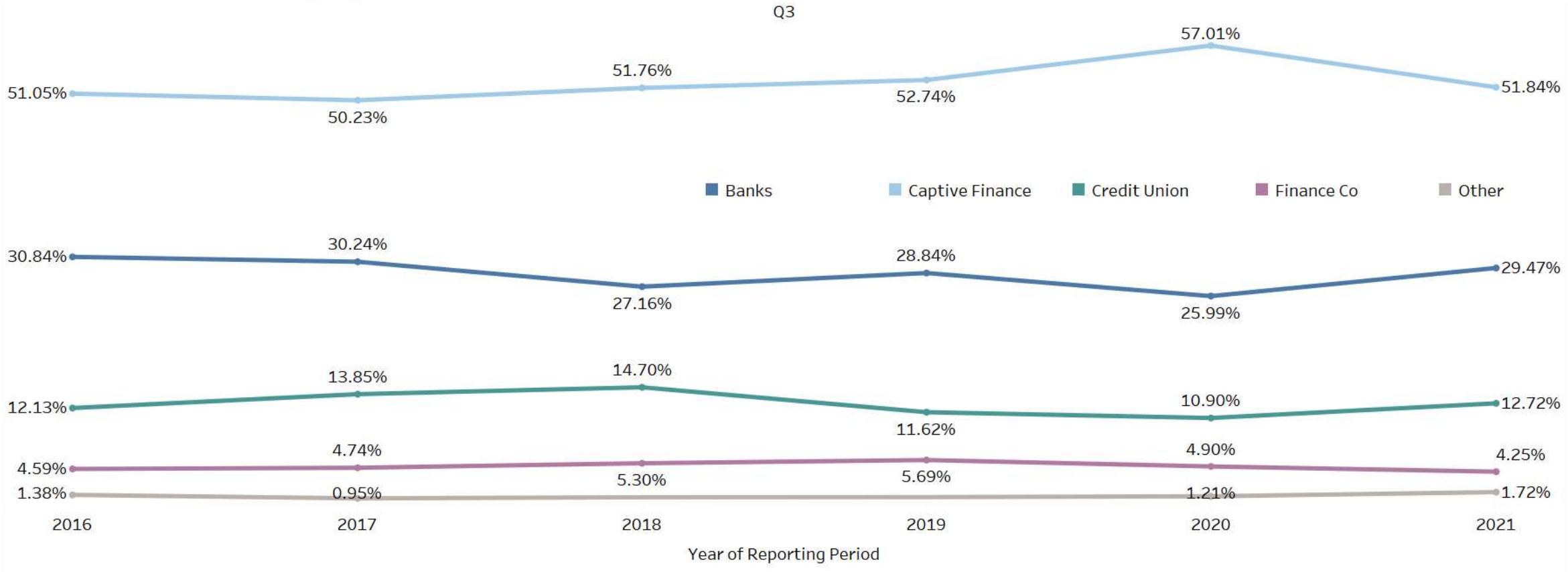
New financing

A look at new lease & loan trends



Banks and credit unions experience market share gains

Market share of new financing (loan/lease)



SUVs are over 56% of all new loans

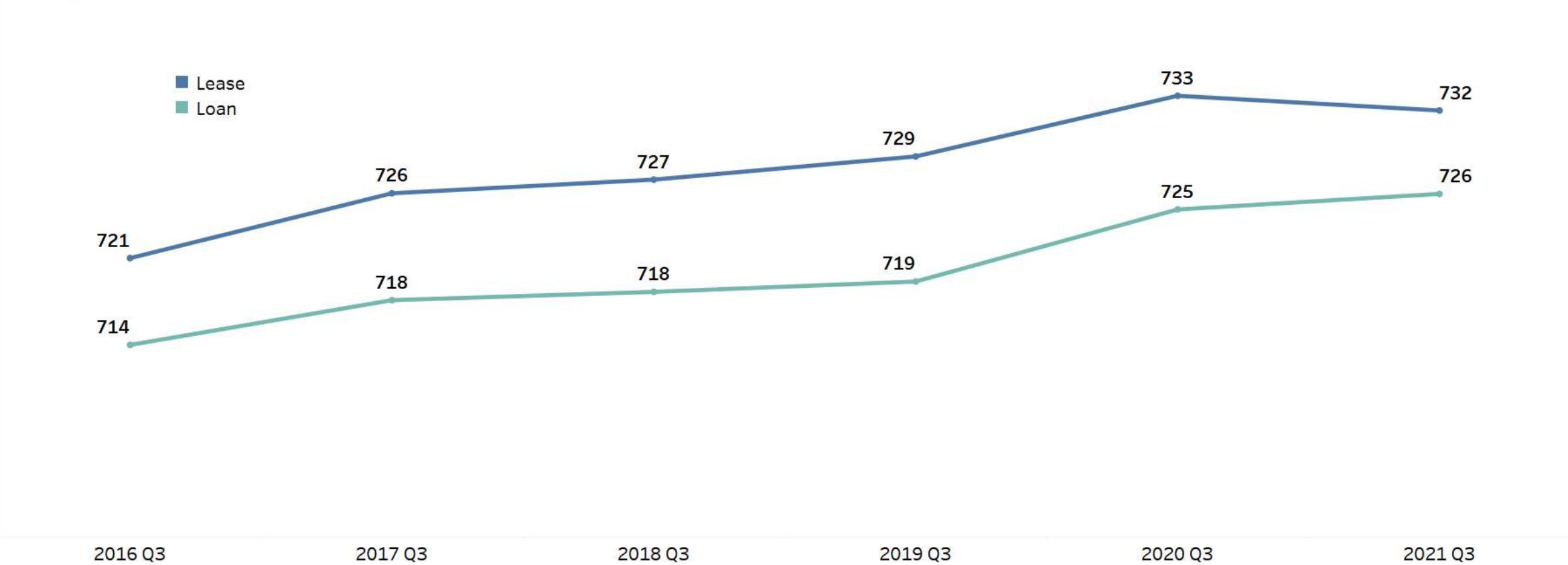
YOY change in financing by segment

| | | 2020 | 2021 |
|---------------|----------|--------|--------|
| Convertible | Full | 0.01% | 0.00% |
| | Mid-Size | | |
| | Small | 0.10% | 0.12% |
| | Sport | | |
| Coupe | Full | 0.01% | 0.01% |
| | Mid-Size | | |
| | Small | 0.42% | 0.18% |
| | Sport | | |
| Full Size Van | Full | 0.46% | 0.46% |
| Hatchback | Mid-Size | | |
| | Small | 2.43% | 2.35% |
| | Sport | | |
| | | | |
| Minivan | Mid-Size | 1.41% | 1.48% |
| Pickup | Small | | |
| | Full | 14.77% | 12.81% |
| Sedan | Mid-Size | 3.48% | 3.42% |
| | Full | 0.48% | 0.66% |
| | Small | 10.01% | 8.83% |
| | Sport | 8.74% | 10.05% |
| SUV | Full | 3.81% | 5.43% |
| | Mid-Size | 24.12% | 25.95% |
| | Small | 26.08% | 24.67% |
| Wagon | Full | | |
| | Mid-Size | 1.44% | 1.18% |
| | Small | | |
| | | | |



Leasing average score drops one point while loans increases one point

Average new score by transaction type

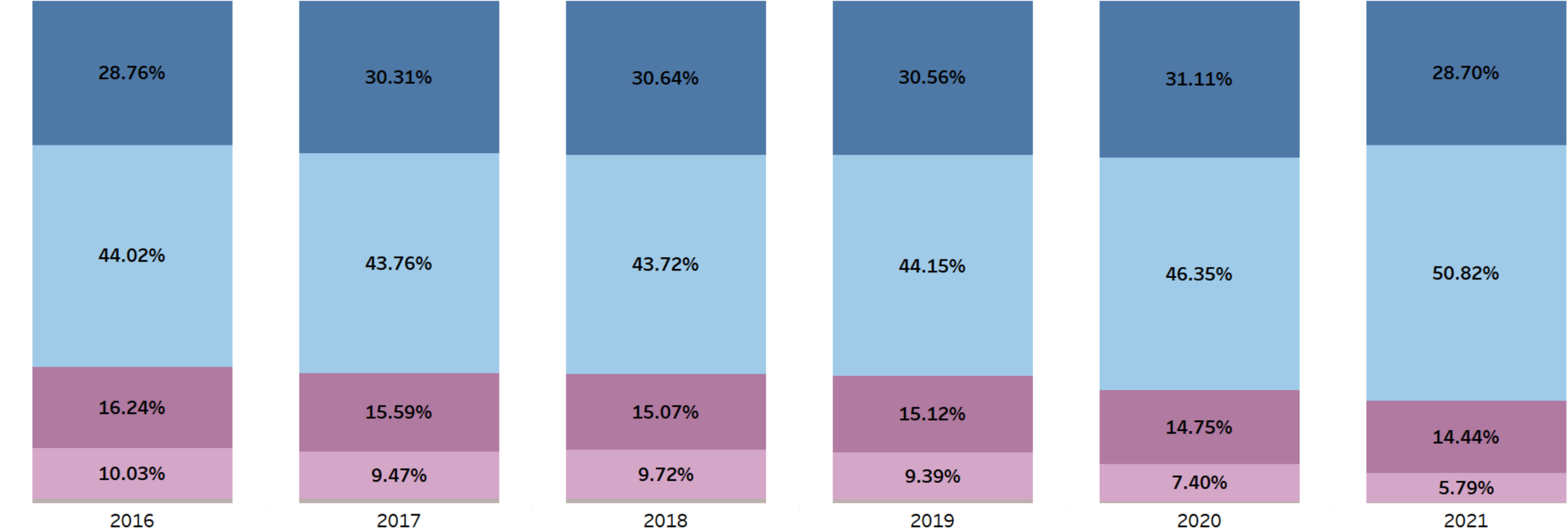


Prime continues to grow for new loans

New loan risk distribution

■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subprime

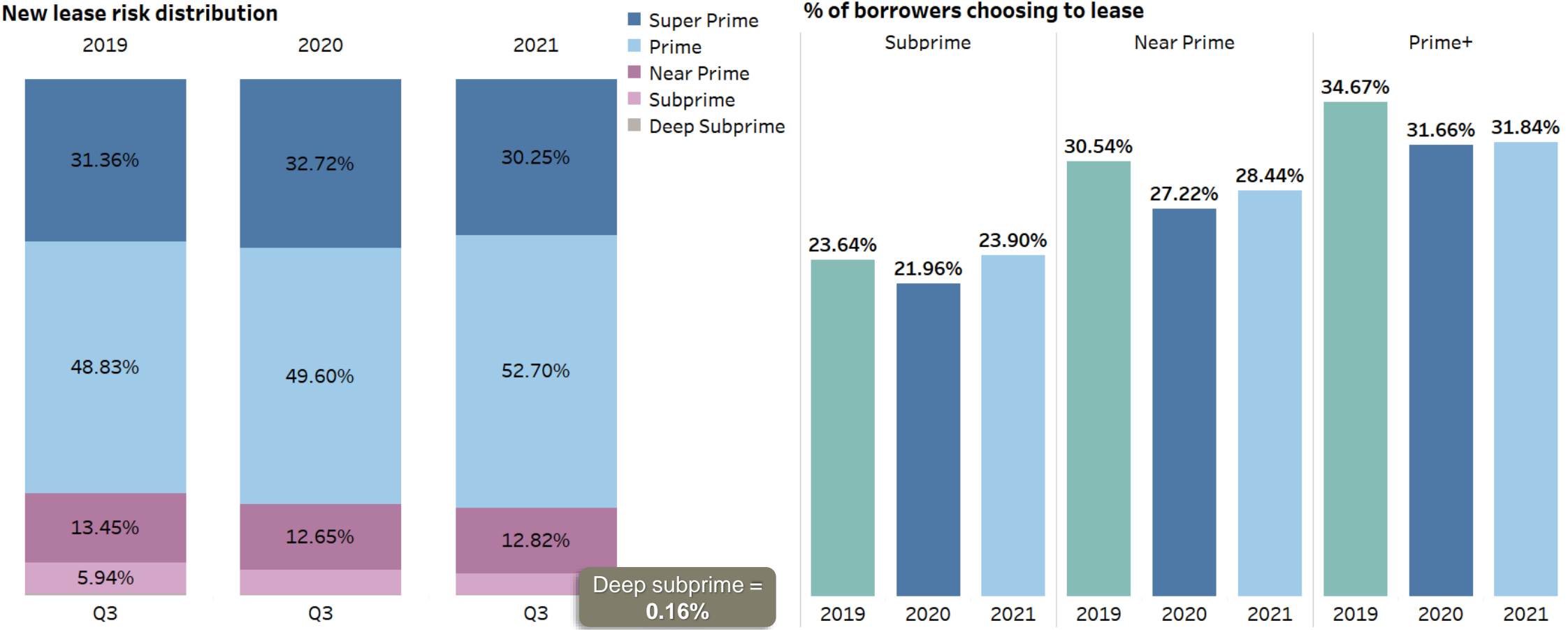
Q3



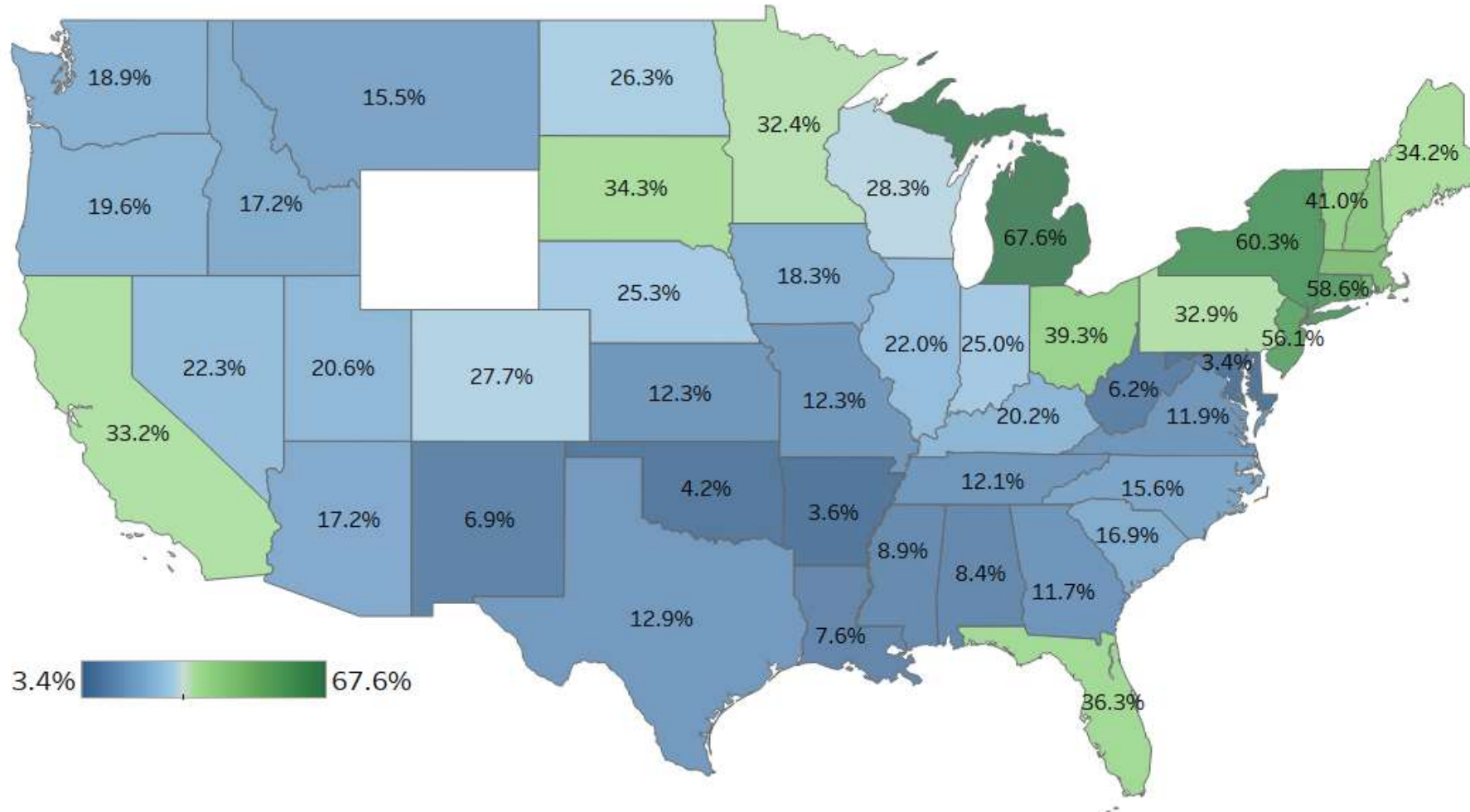
Deep subprime =
0.24%



Subprime leasing continues its decline while prime+ continue to lease over a third of the time

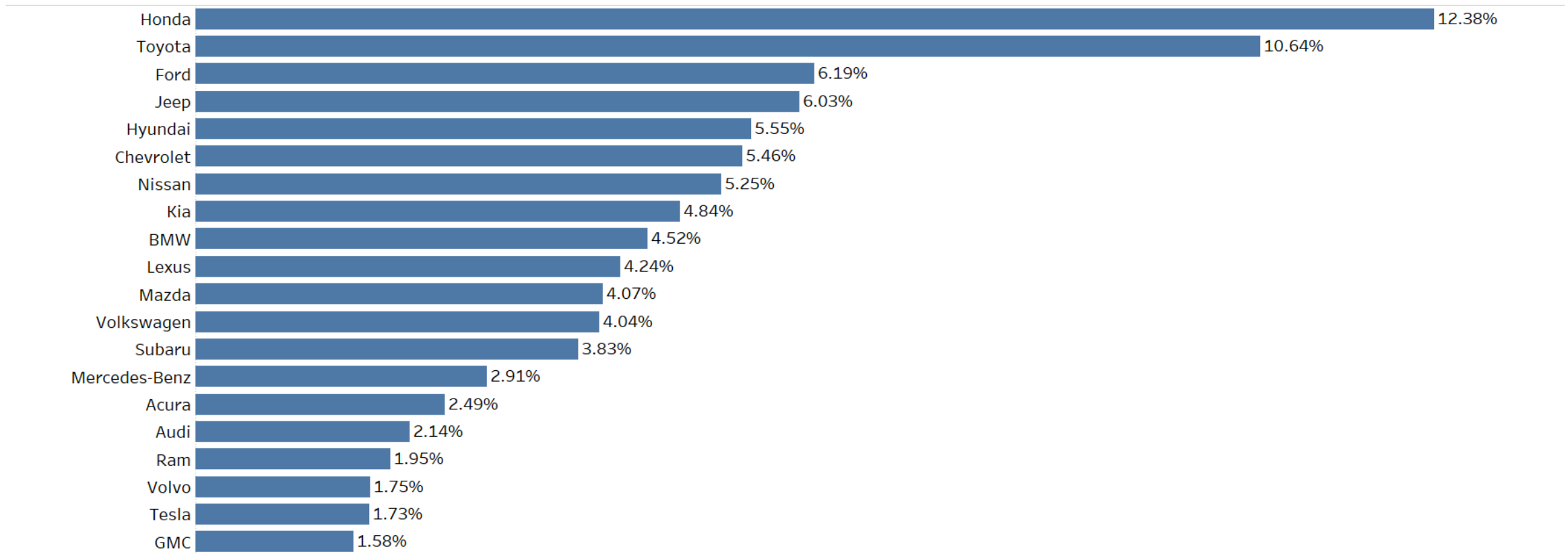


Michigan leads with the greatest share of new state financing as lease



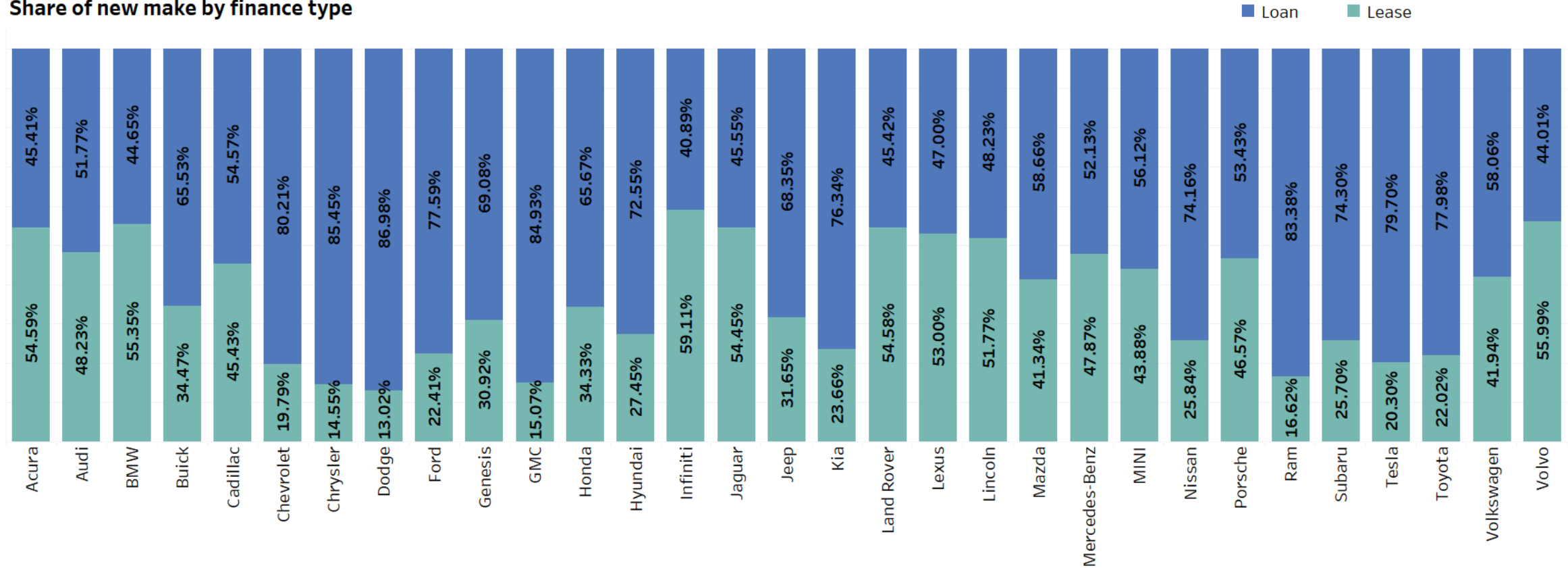
Honda leads as the #1 leased make for Q3

Top 20 leased new makes



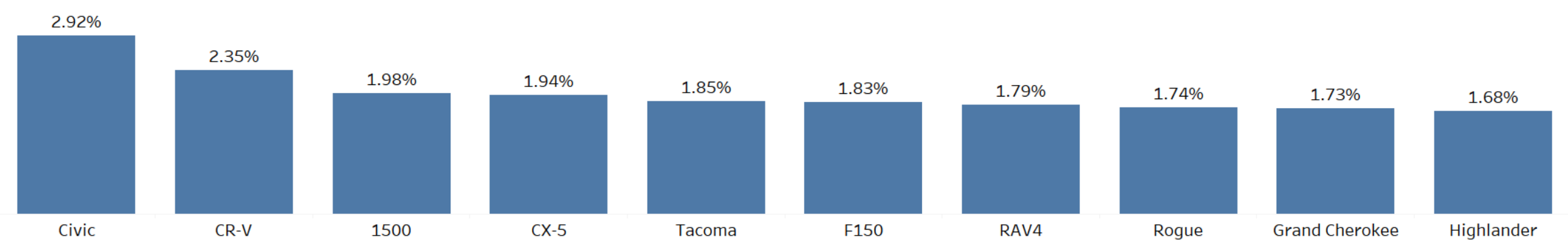
Finance type by make

Share of new make by finance type

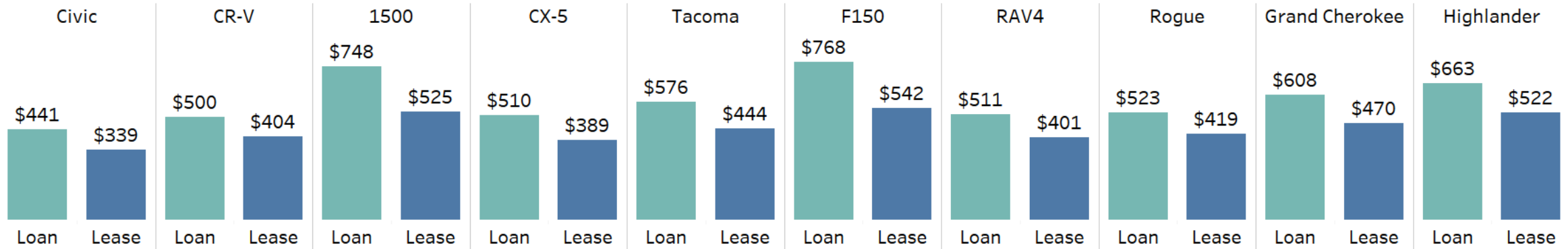


Only one sedan among top leased vehicles; average payment difference of \$109

Top 10 leased models

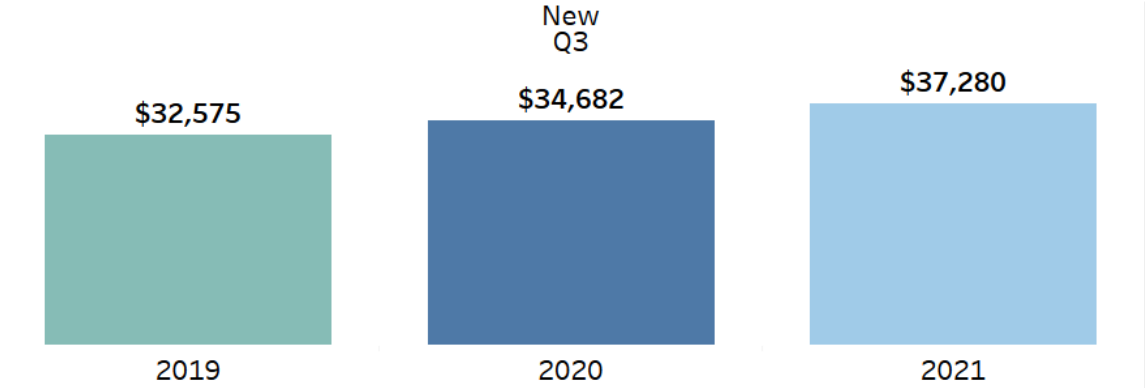


Average monthly payment on top leased models

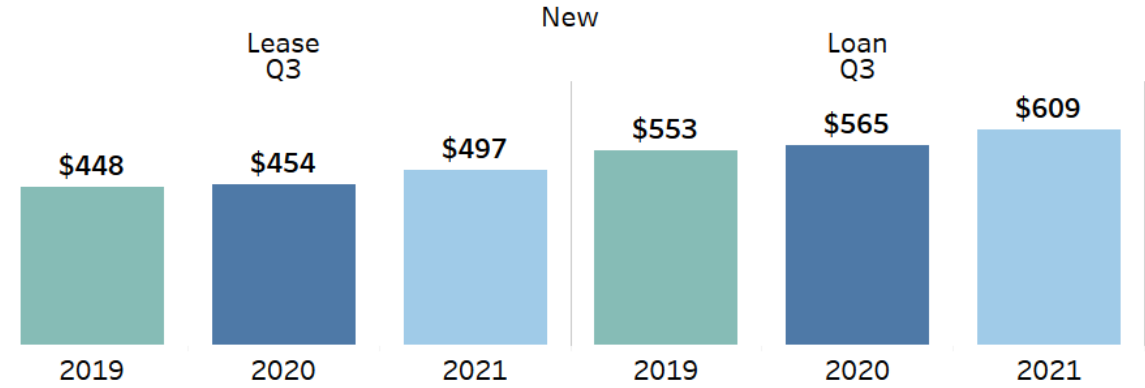


New loan attribute summary: new loan amount up 8.5%

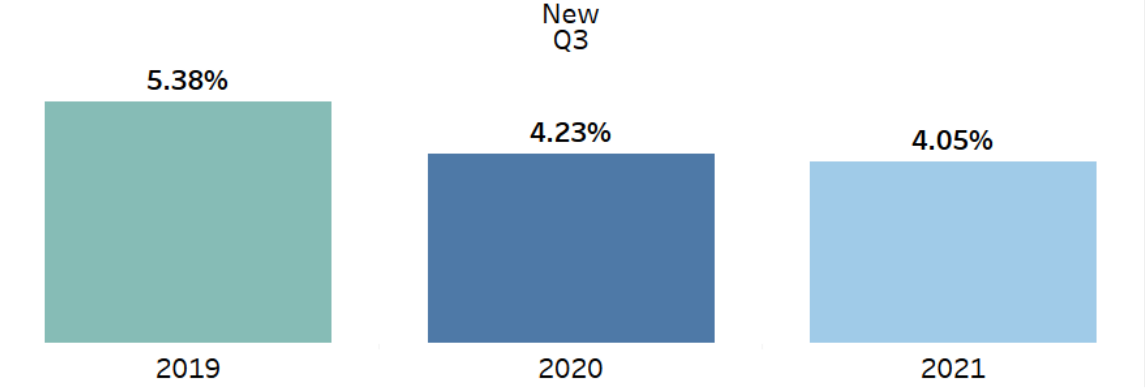
Average amount financed



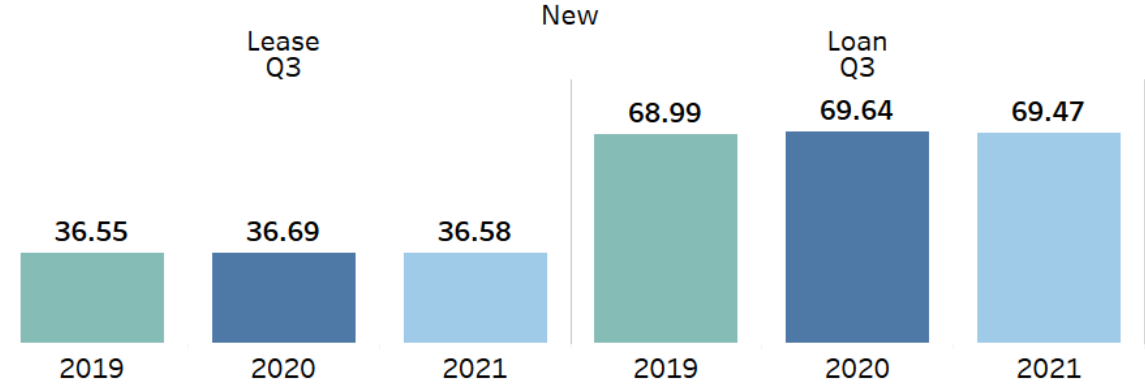
Average monthly payment



Average loan rate

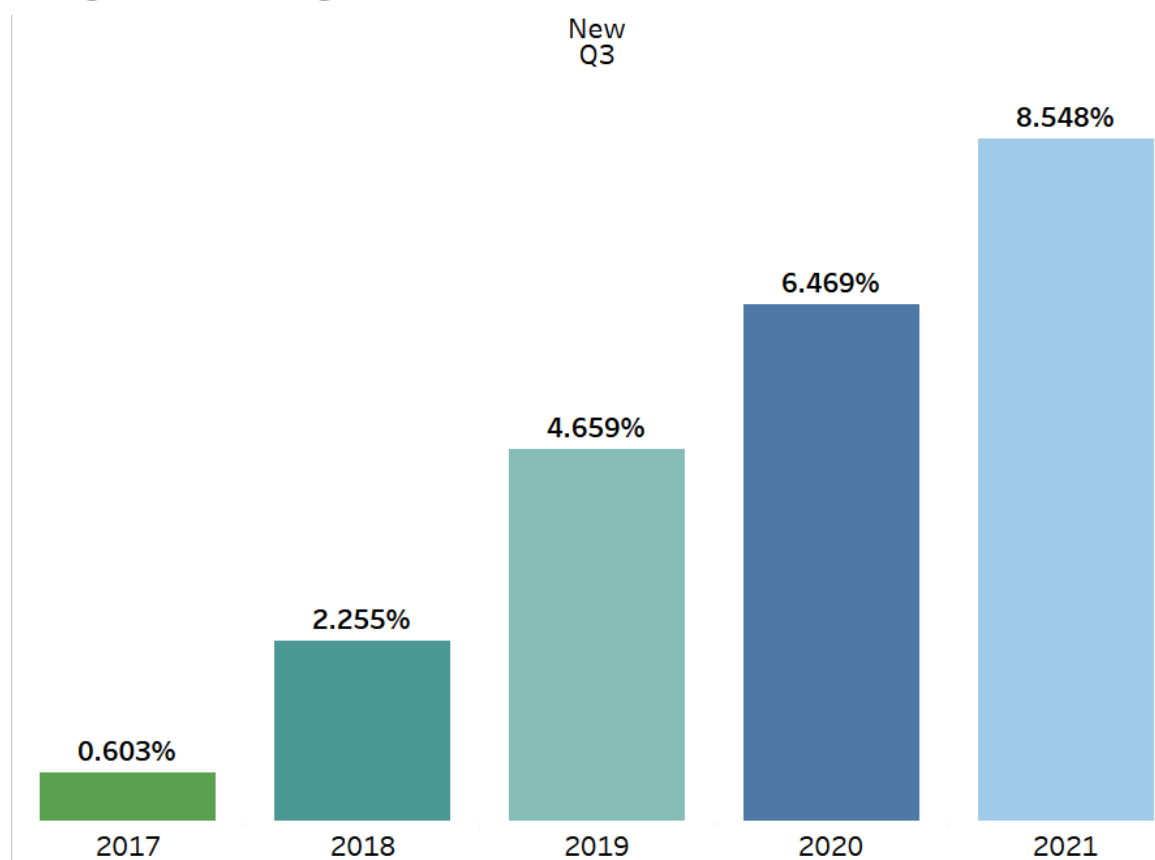


Average loan term

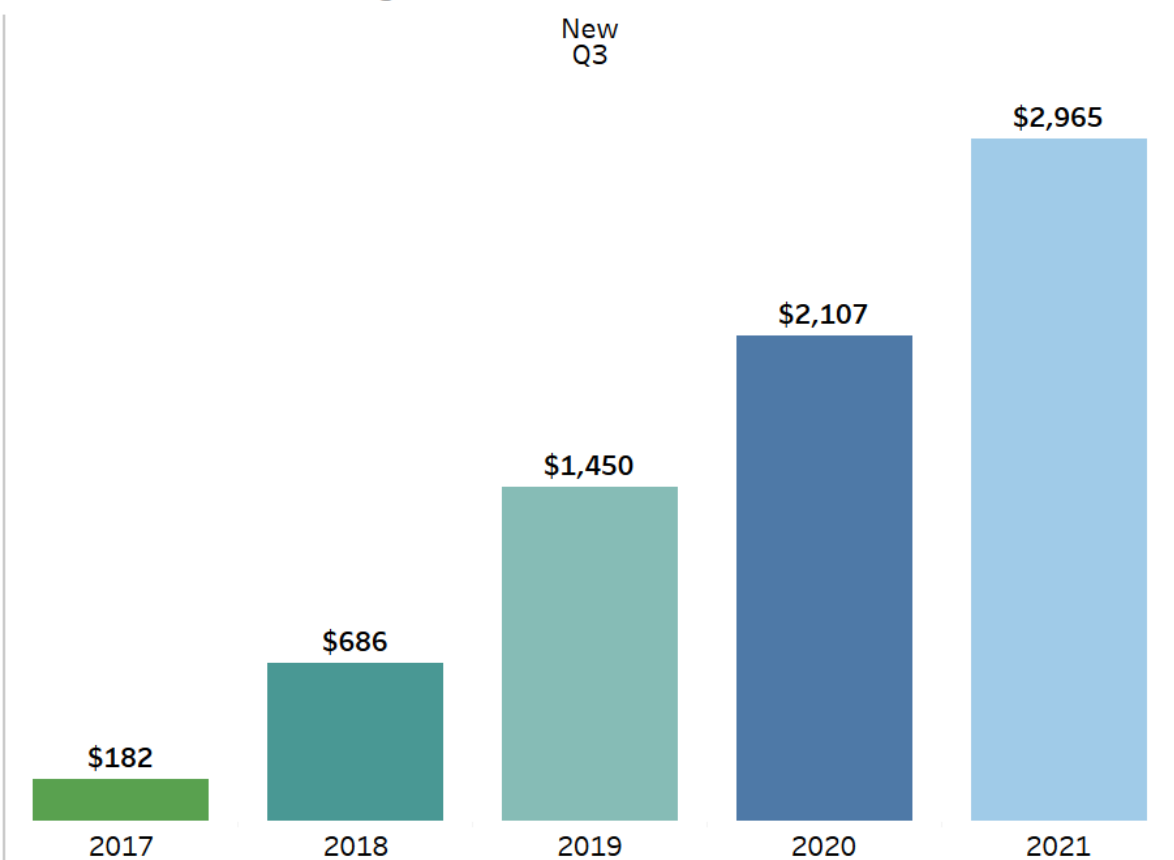


Increase in average loan amounts is accelerating

YOY growth in average new loan amount

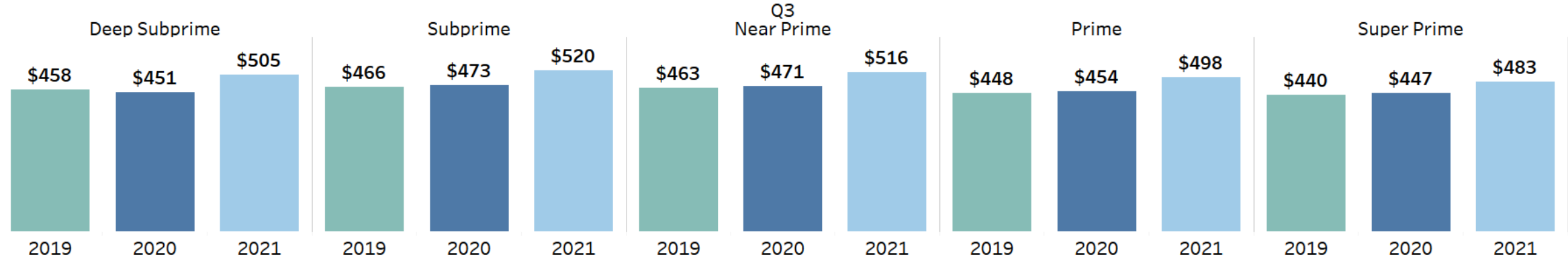


YOY \$ difference in average new loan amount

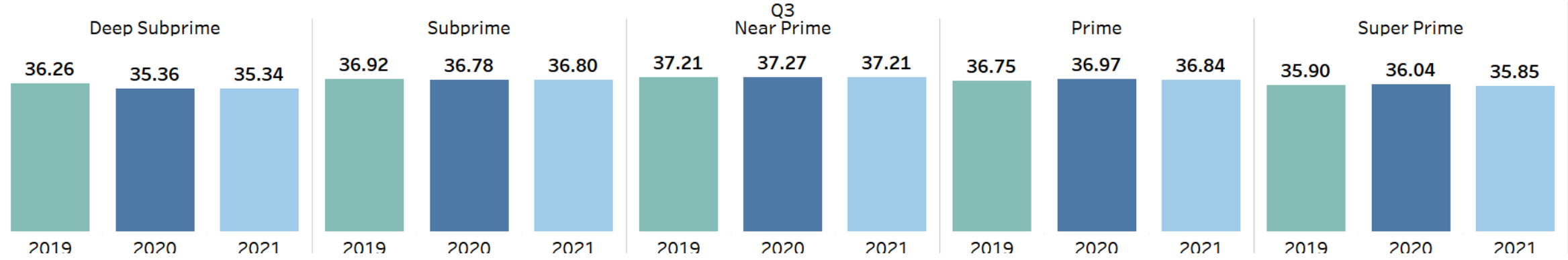


Leasing payments rise for most segments while terms decrease

Average lease payment by risk tier

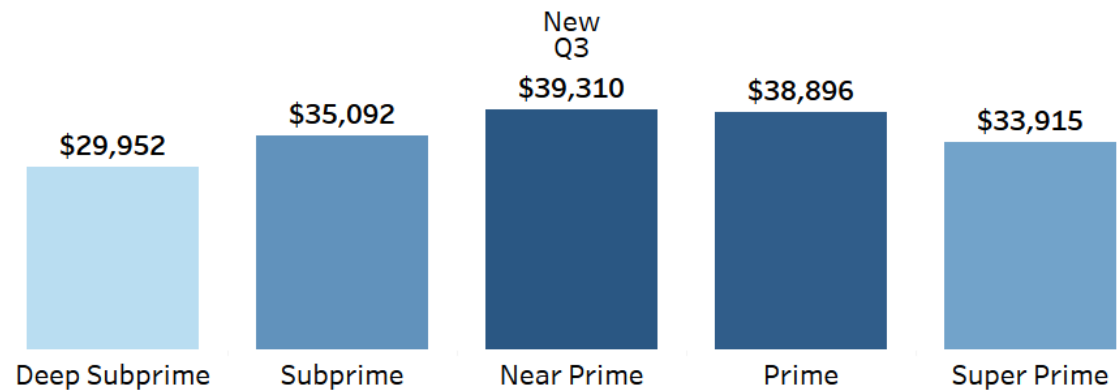


Average lease term by risk tier

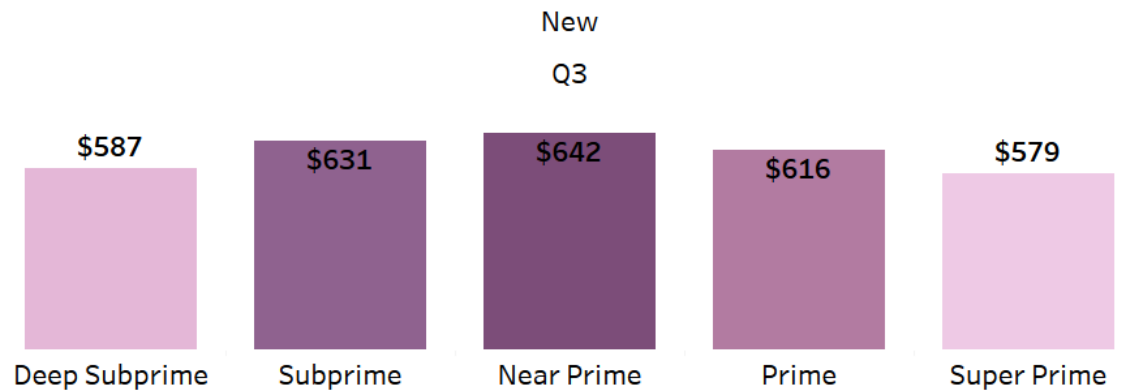


Payments and loan amounts climb

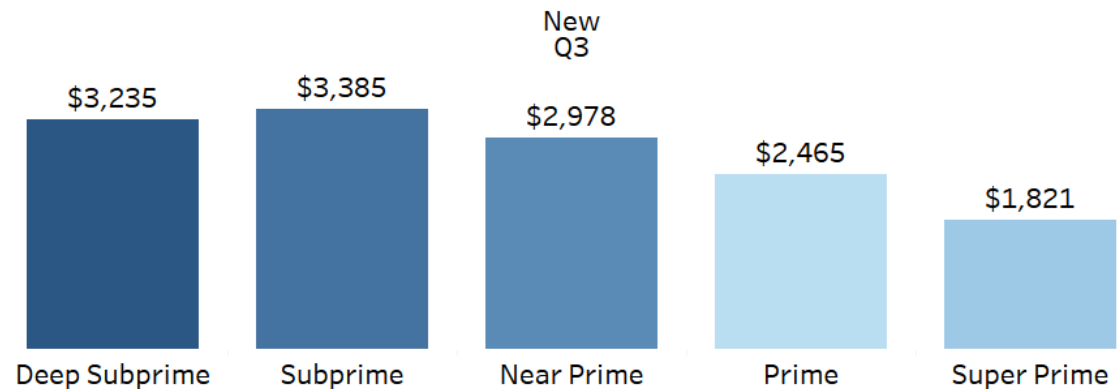
Average loan amount financed by risk



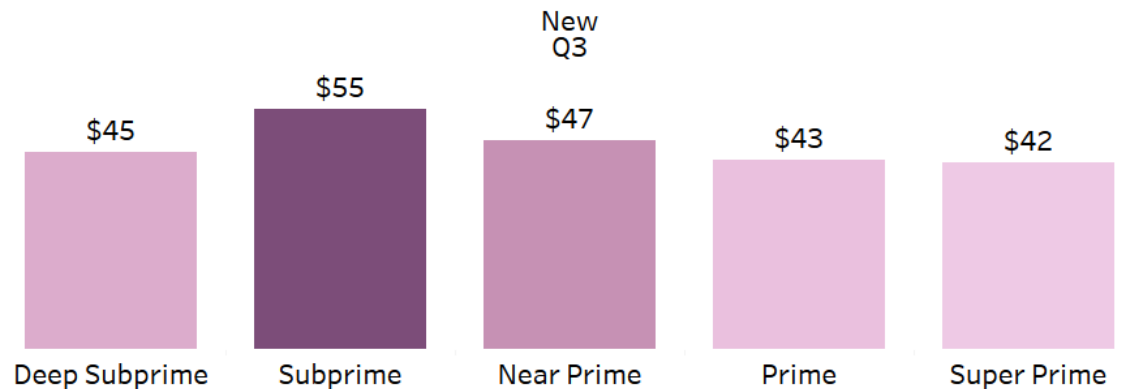
Average loan monthly payment by risk



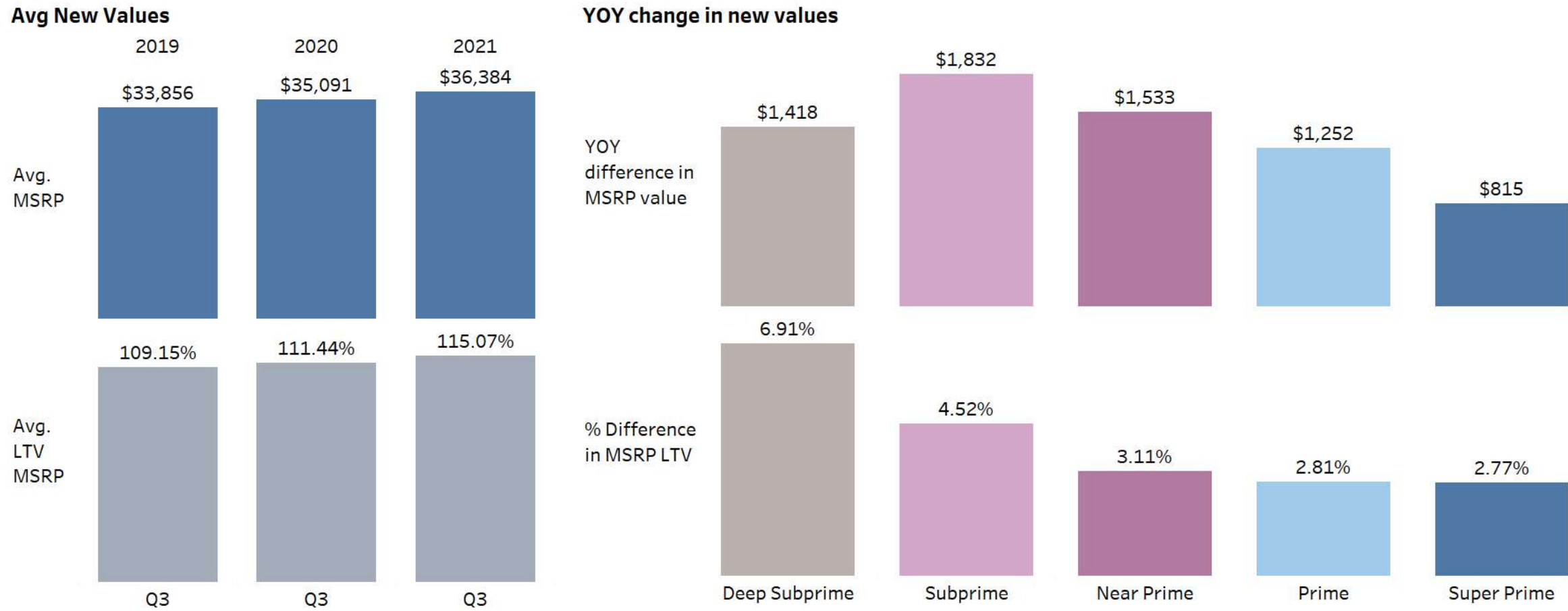
Year-over-year change in loan amount



Year-over-year change in monthly payment

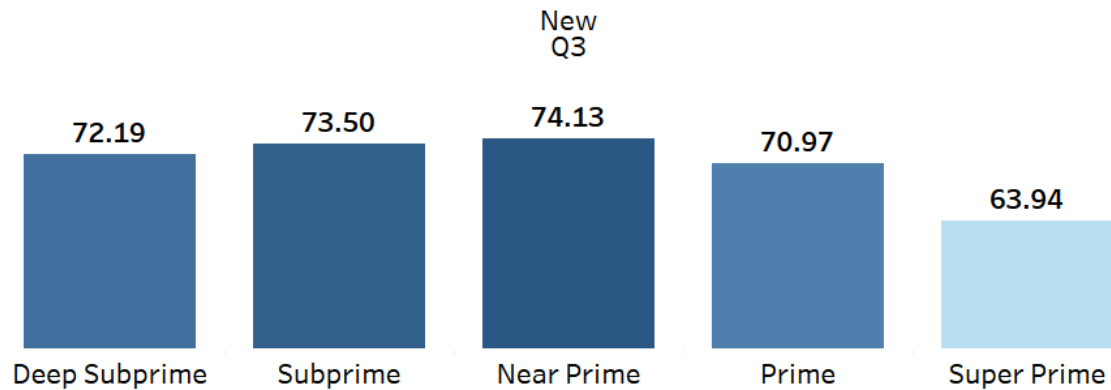


New values and LTVs increase YOY

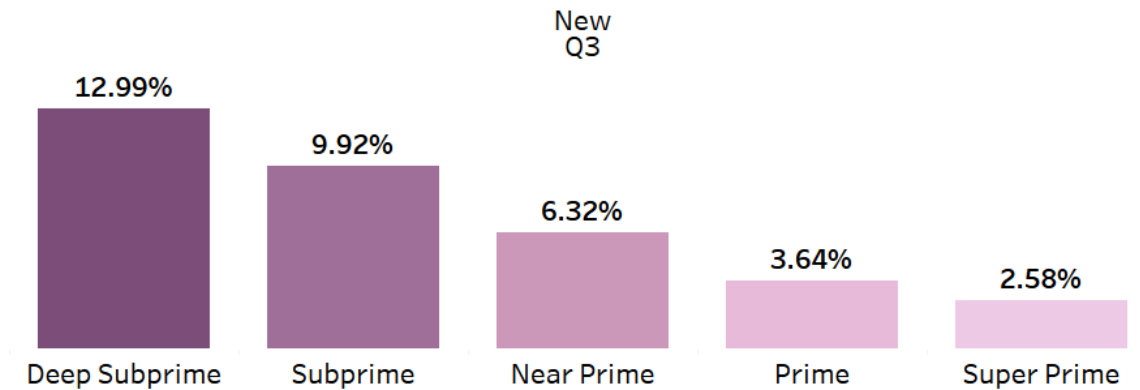


Terms decrease in prime while rates remain low

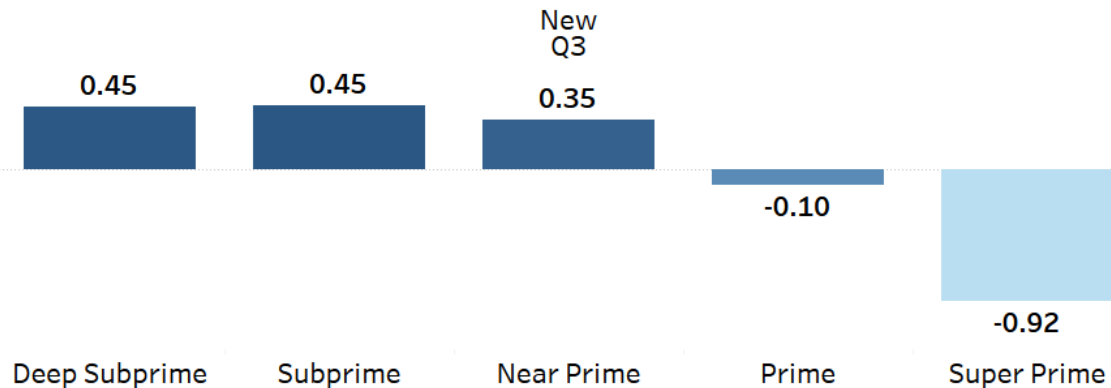
Average loan term by risk



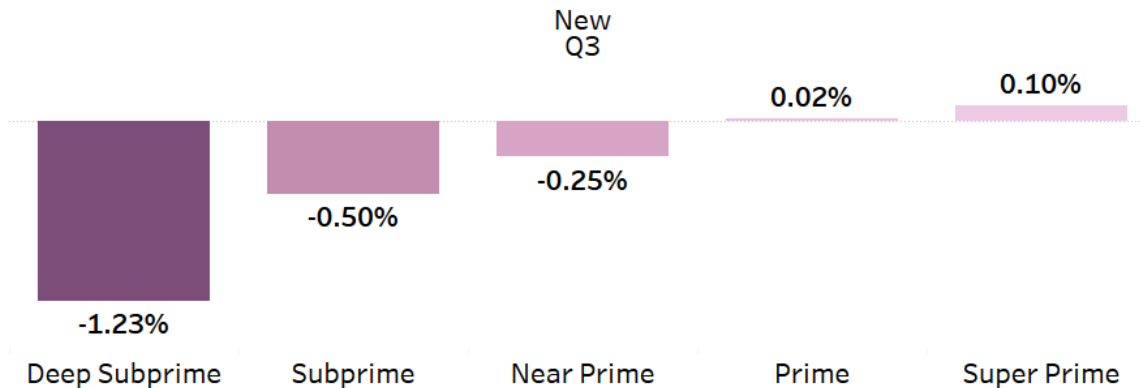
Average loan rate by risk



Year-over-year change in loan term

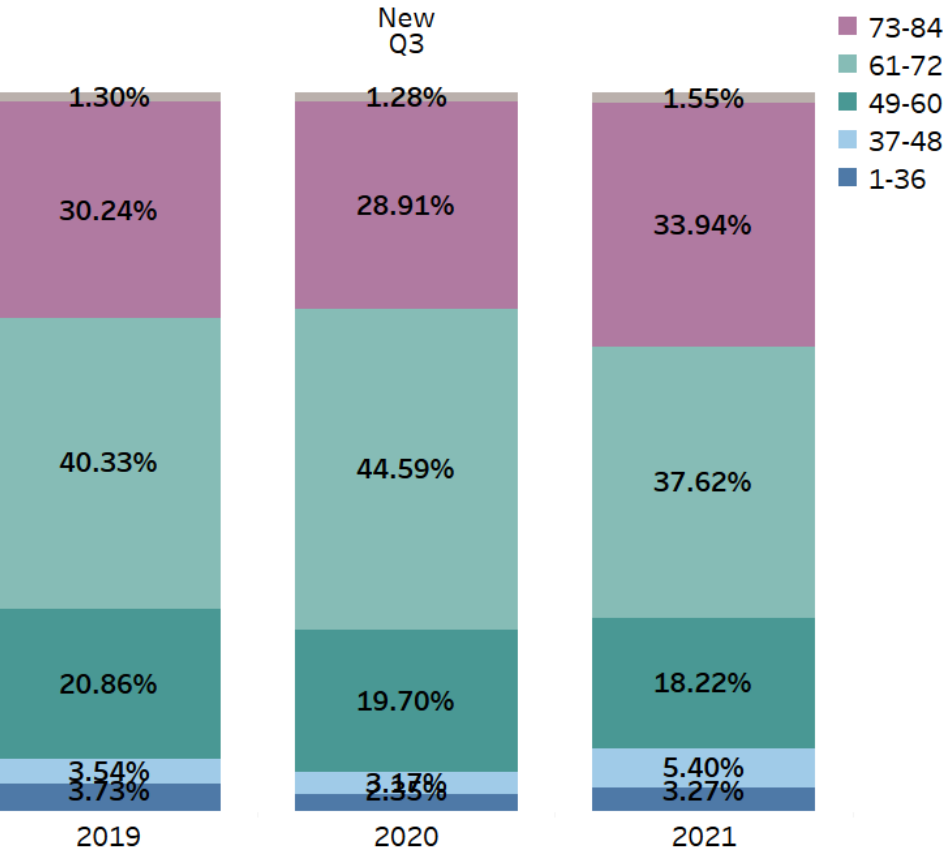


Year-over-year change in rate

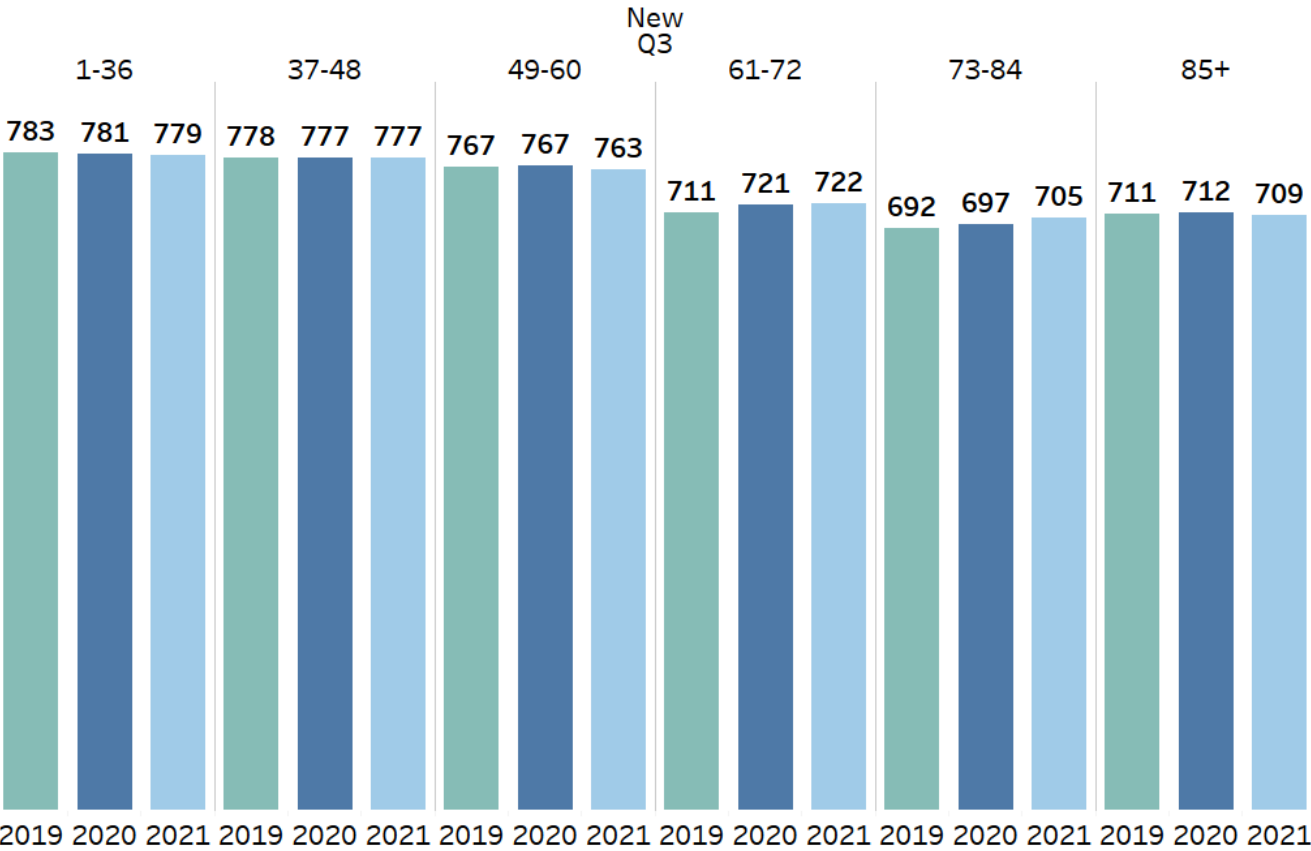


Growth occurring in 73-84/month loans while scores increase

Distribution by loan term



Avg score by loan term



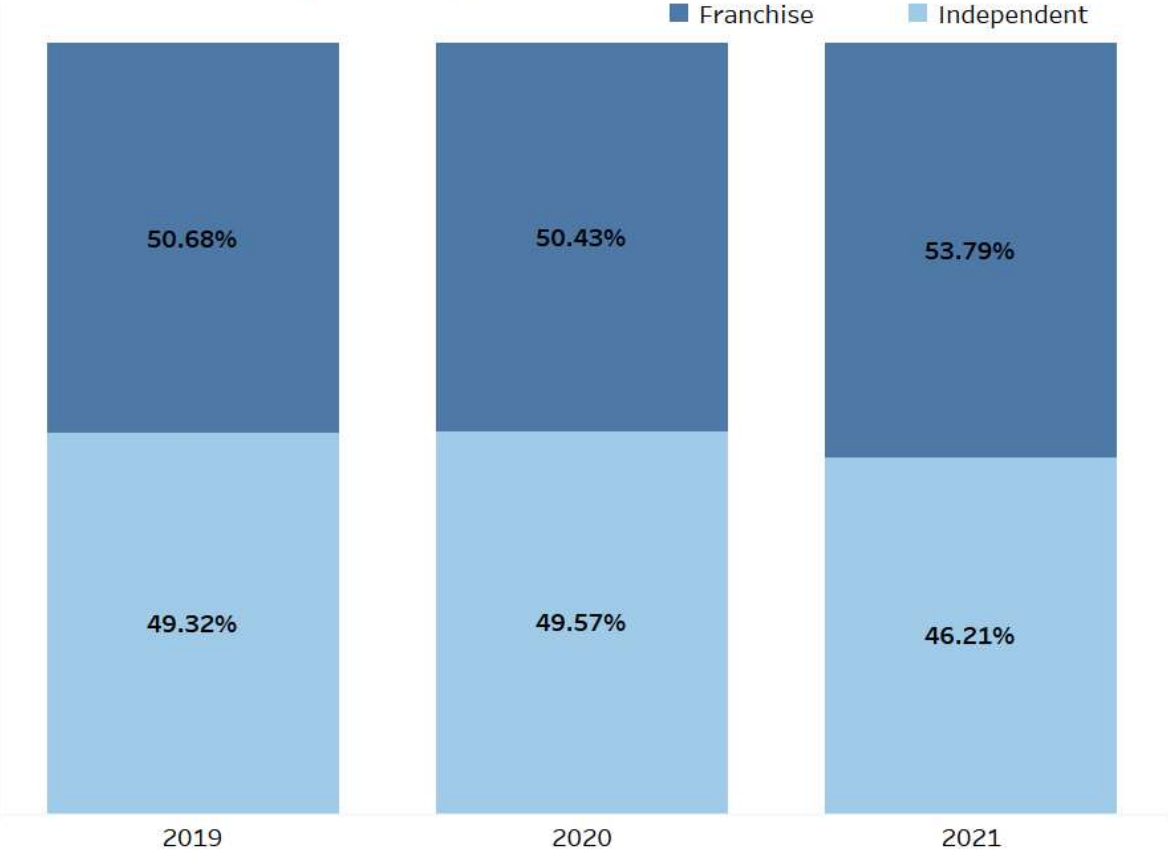
Used financing

A look at used automotive loan trends

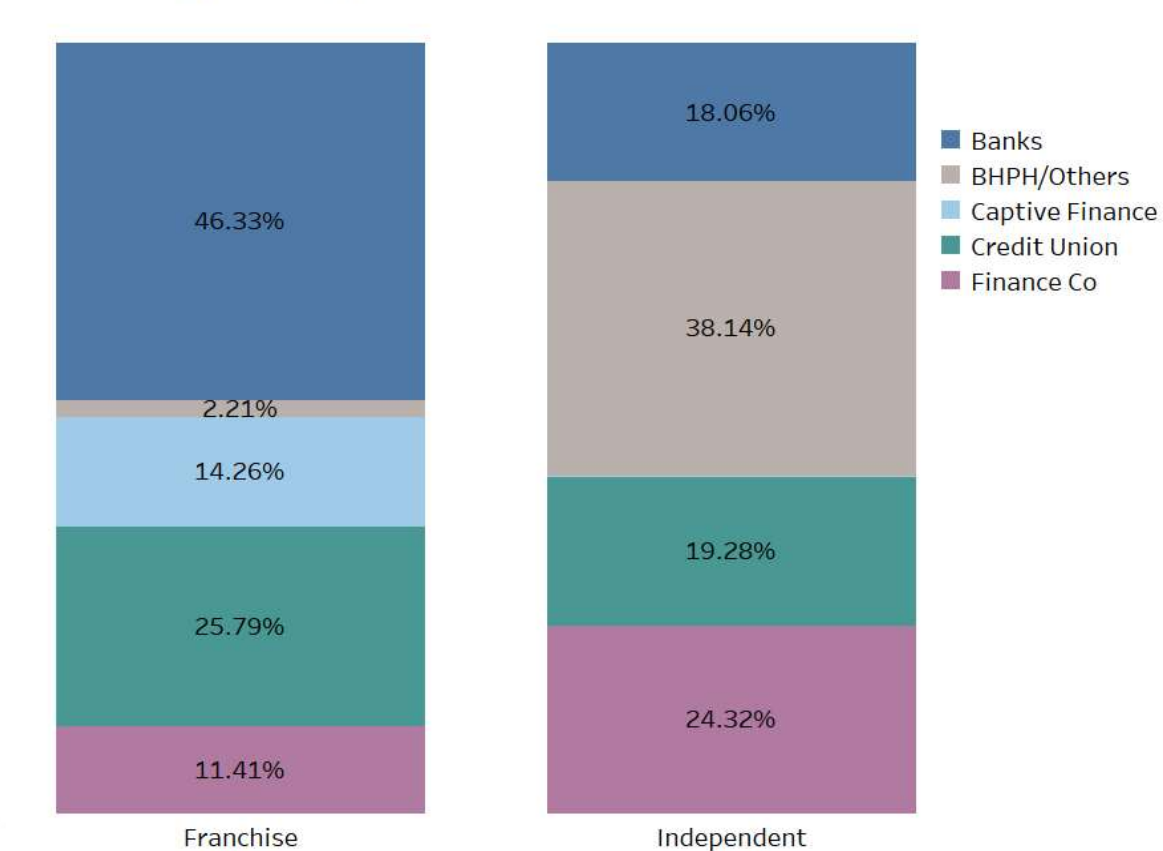


Dealer type snapshot: Franchise Dealers gain share YOY

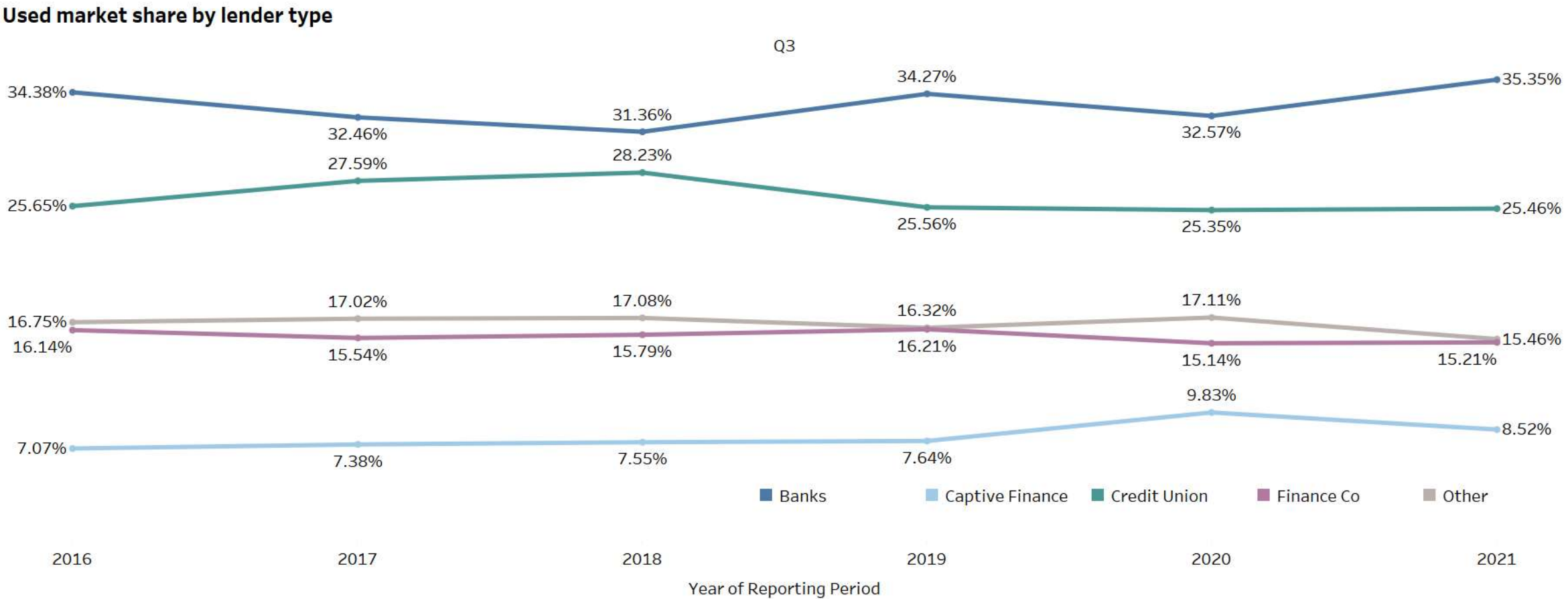
Used transactions by Dealer type



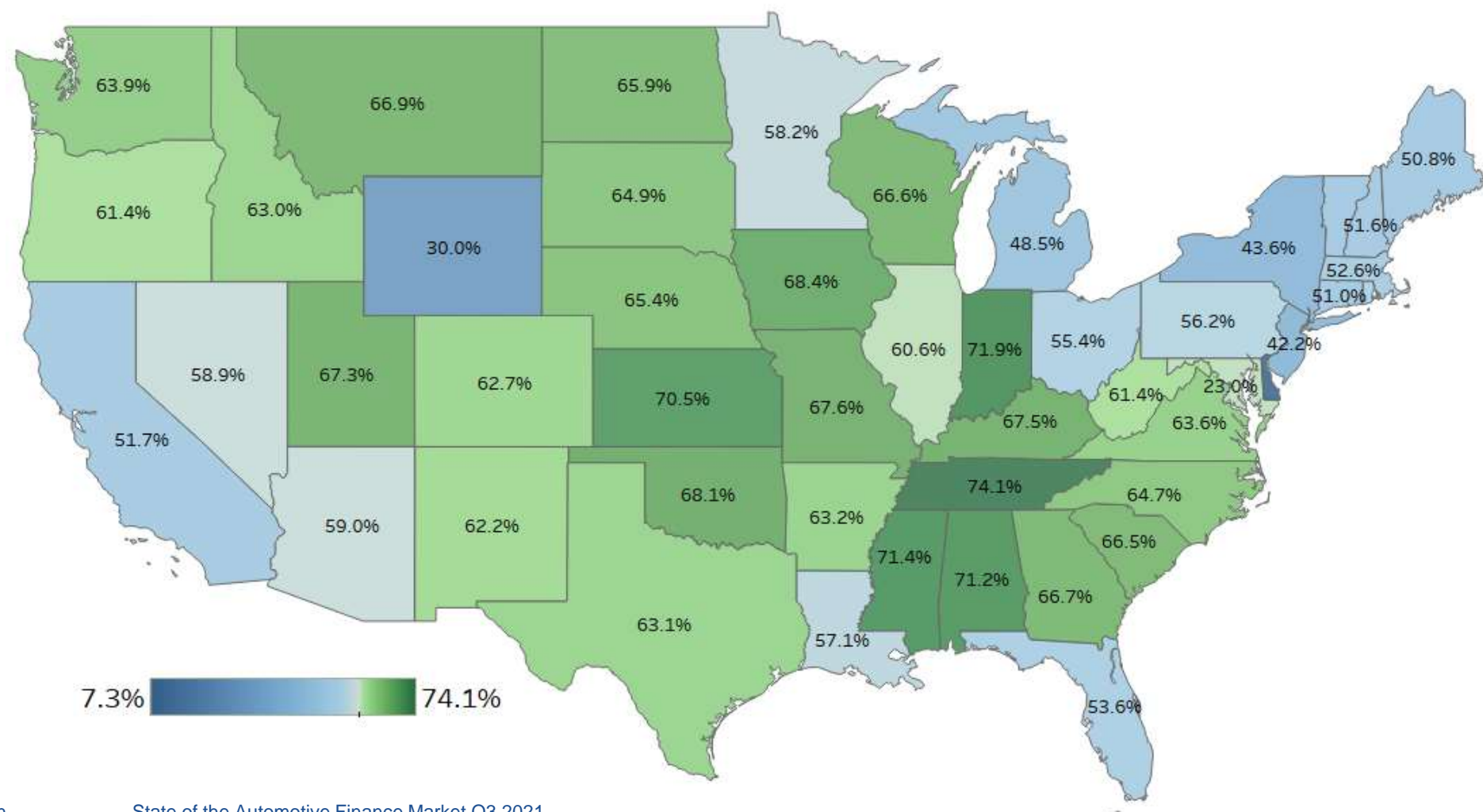
Used loans by lender type and Dealer



Banks continue to grow share



Tennessee leads with the largest percentage of loans for used cars; DE has the lowest

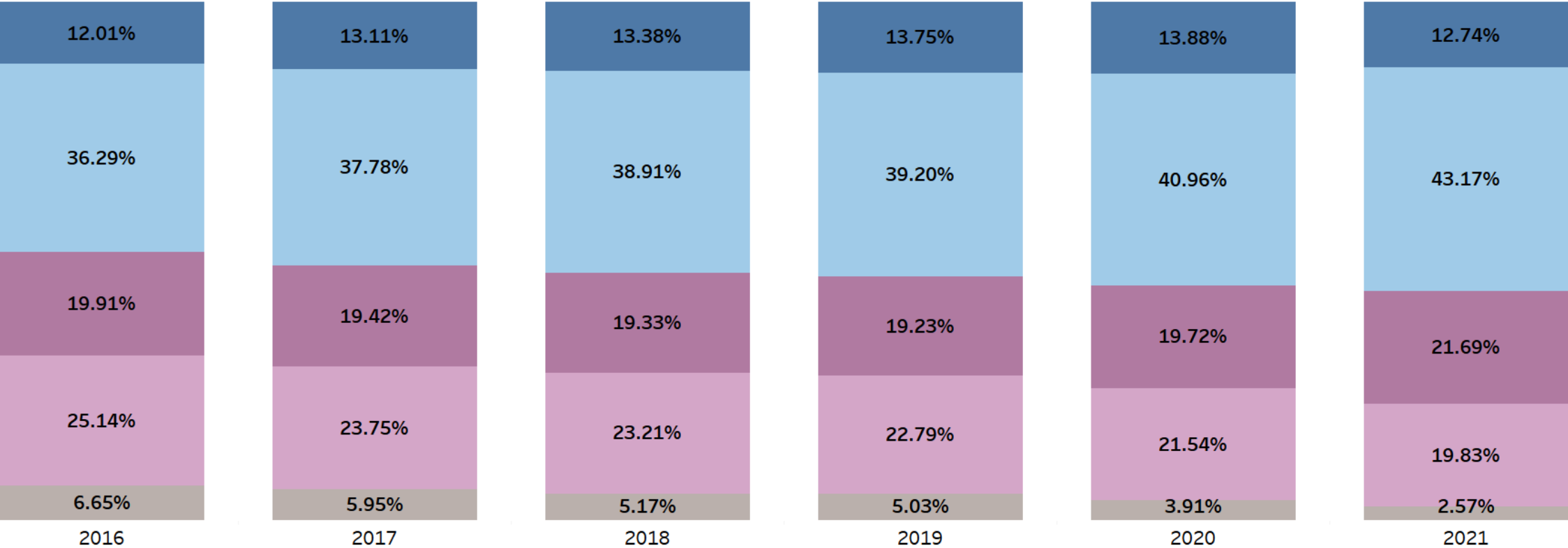


Deep subprime & subprime used loans remain near record lows with prime+ nearly 56% of used loans

Used loan risk distribution

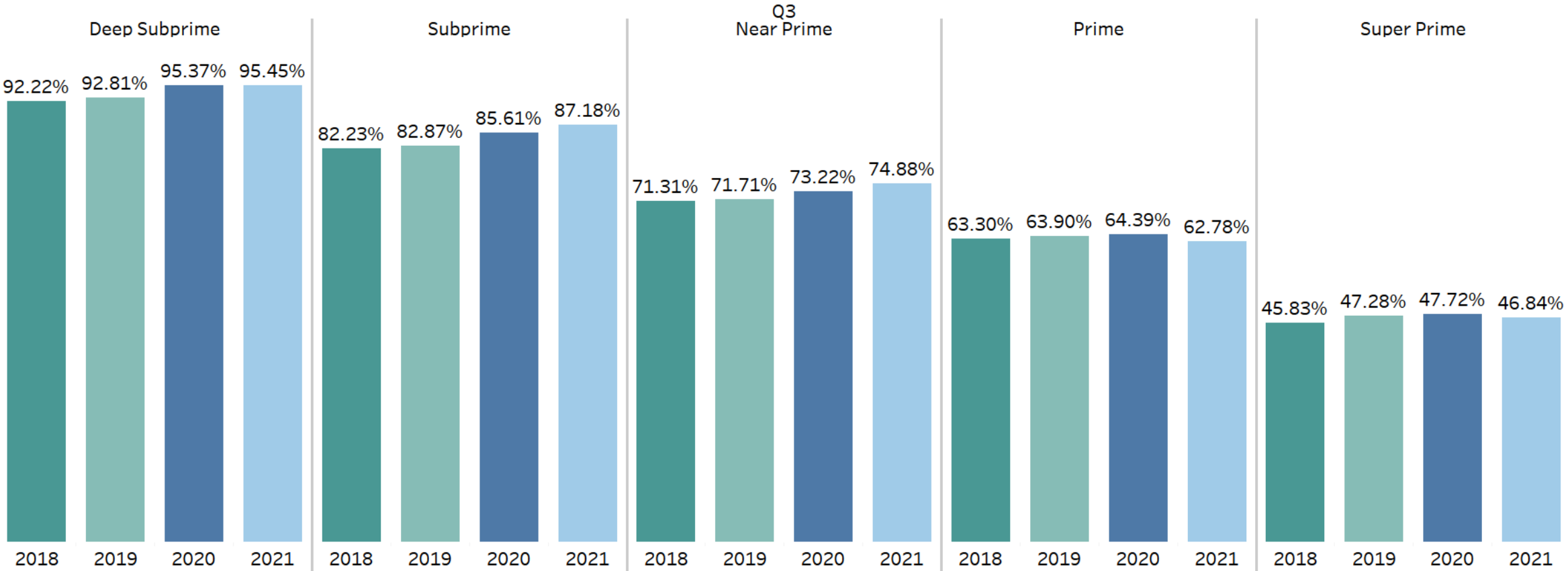
■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subprime

Q3

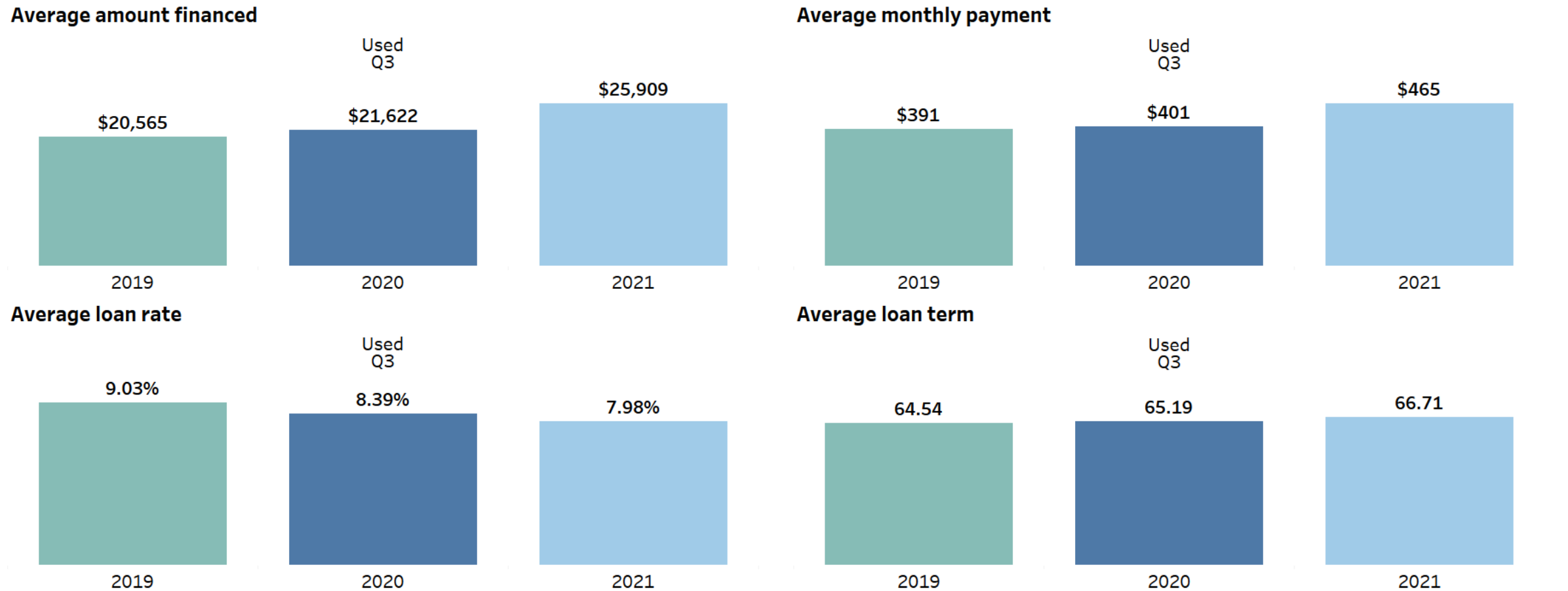


Continue to see prime borrowers shifting away from used vehicles

Consumers choosing used vehicles

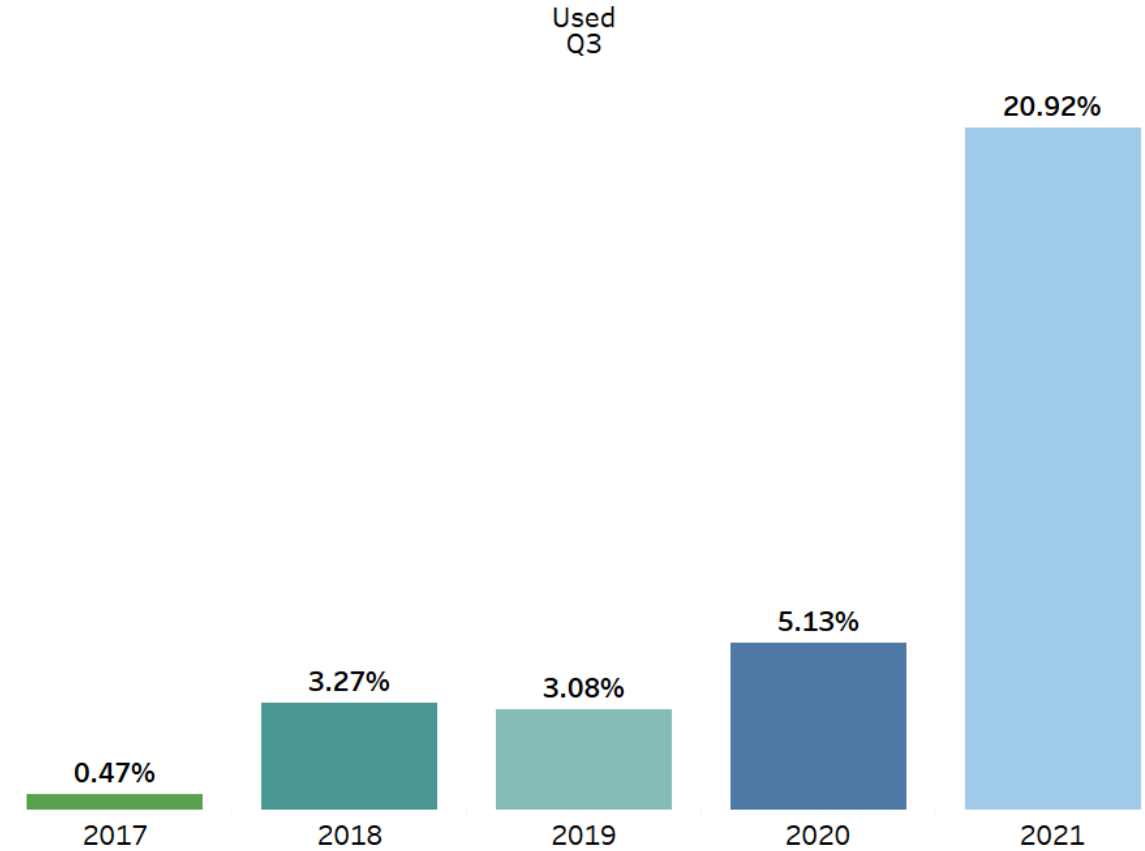


Used loan attribute summary: record high for used loan amounts, payments and term

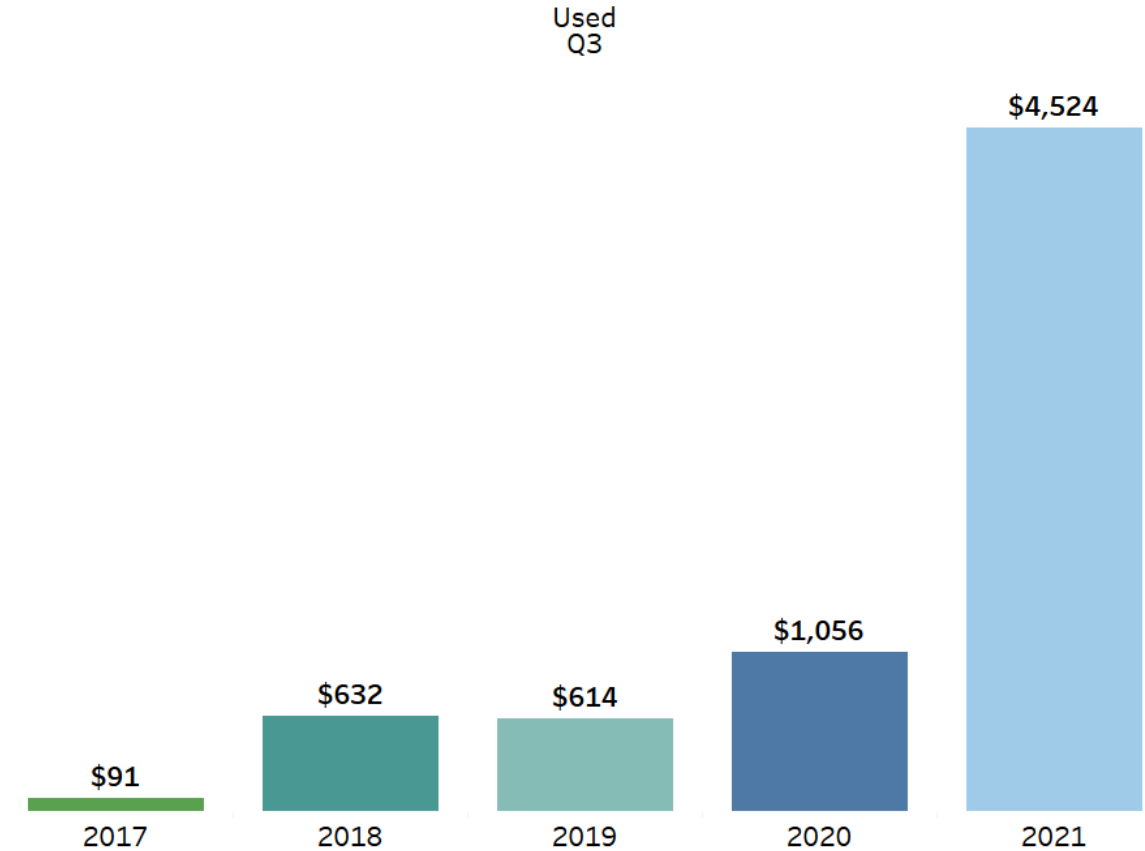


YOY increase surge for used loan amounts

YOY growth in average used loan amount

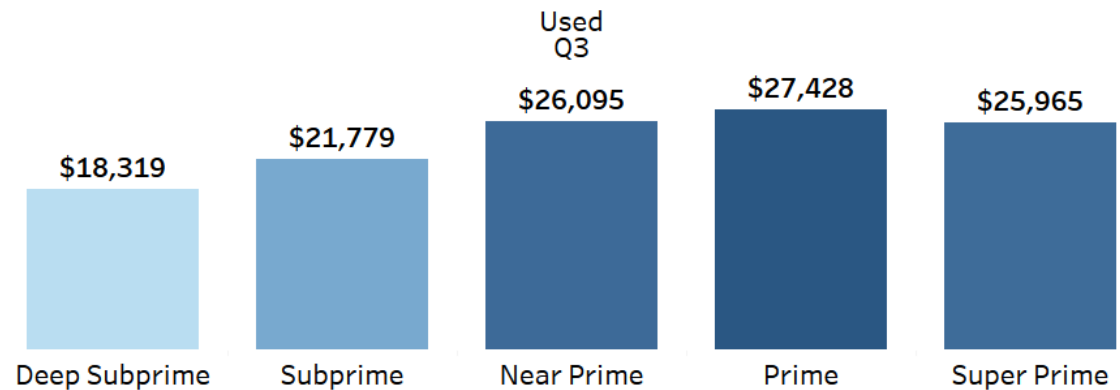


YOY \$ difference in average new loan amount

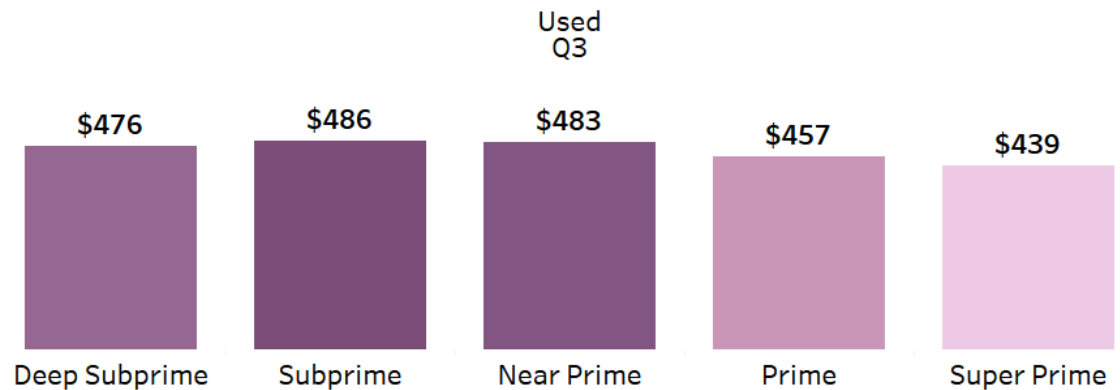


Used loan amounts and payments increase across all risk segments

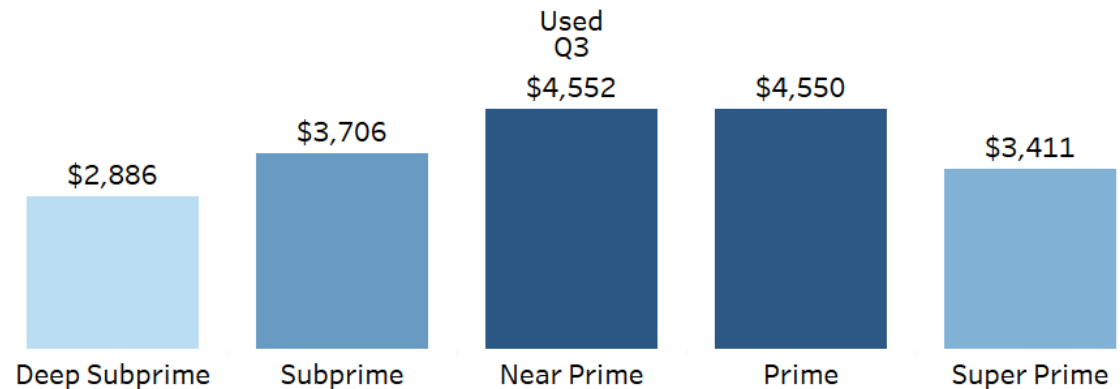
Average loan amount financed by risk



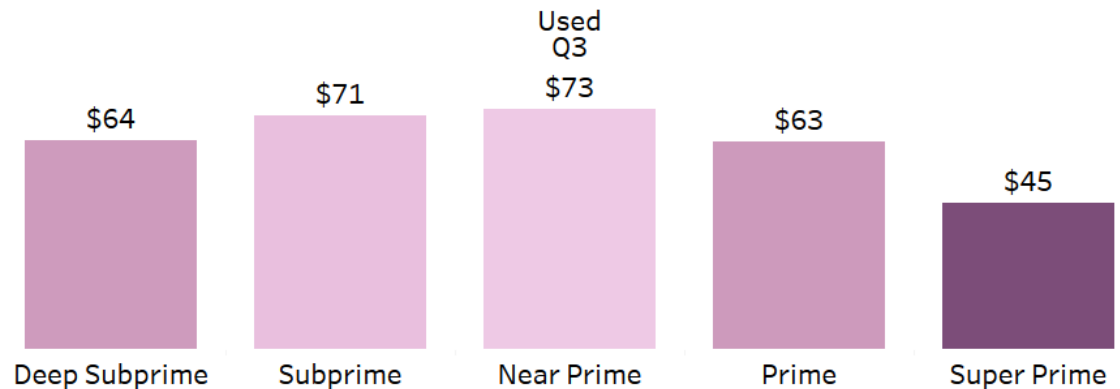
Average loan monthly payment by risk



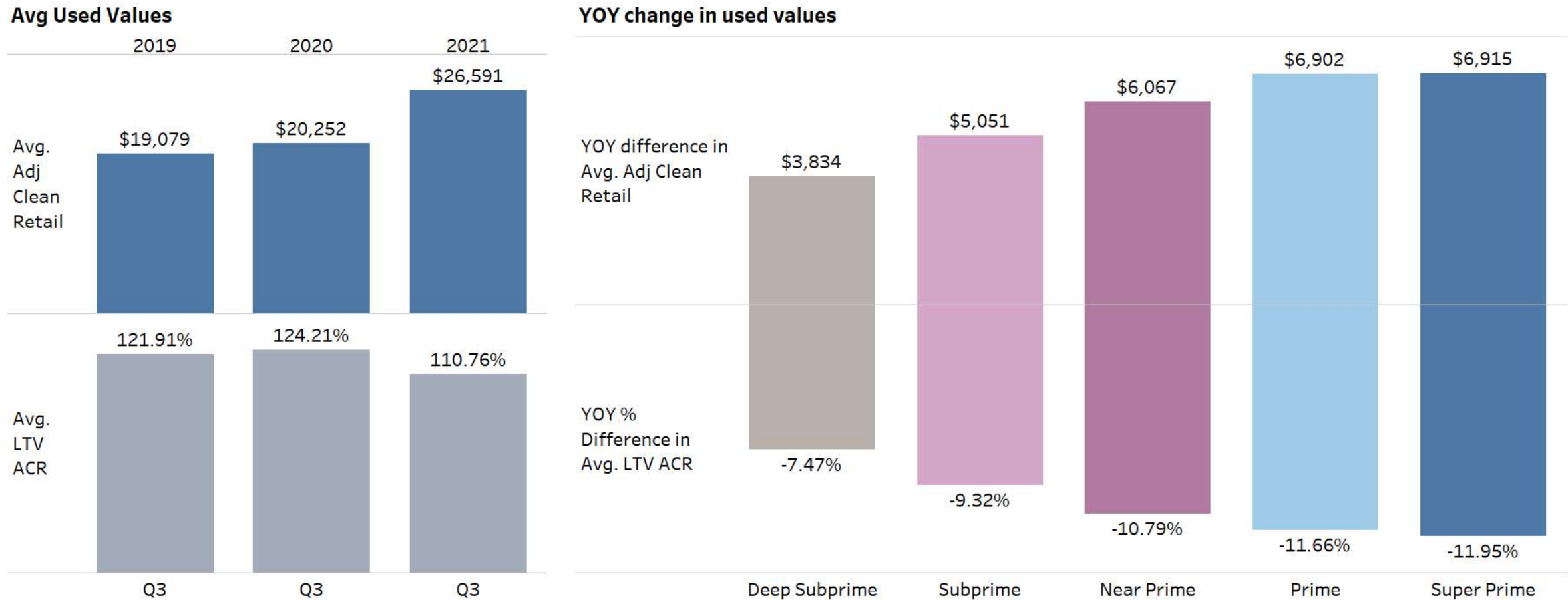
Year-over-year change in loan amount



Year-over-year change in monthly payment

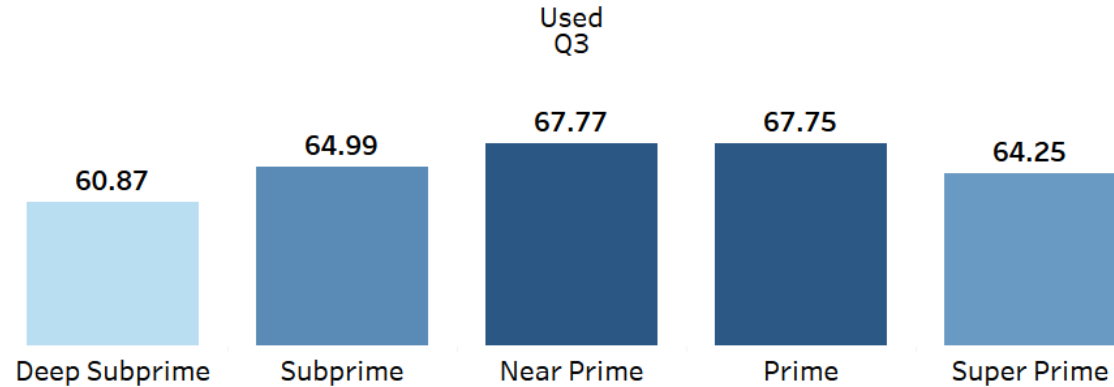


Values jump and LTVs drop significantly on used loans

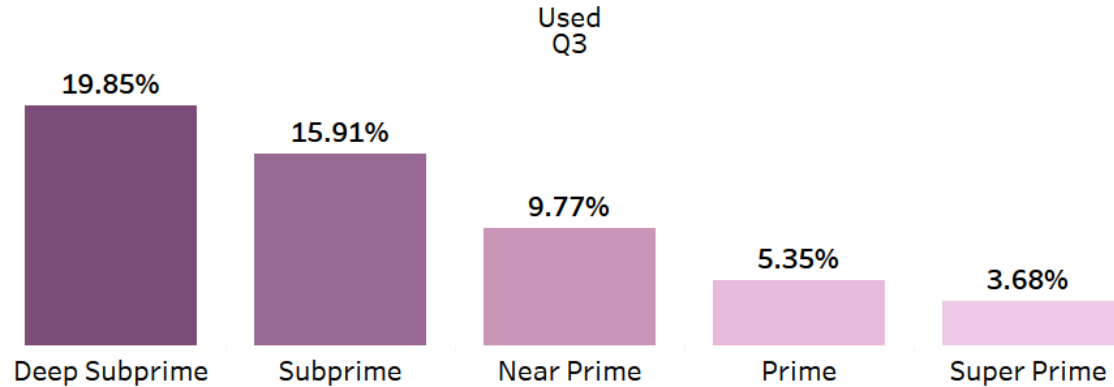


Terms increase while rates drop for all risk tiers

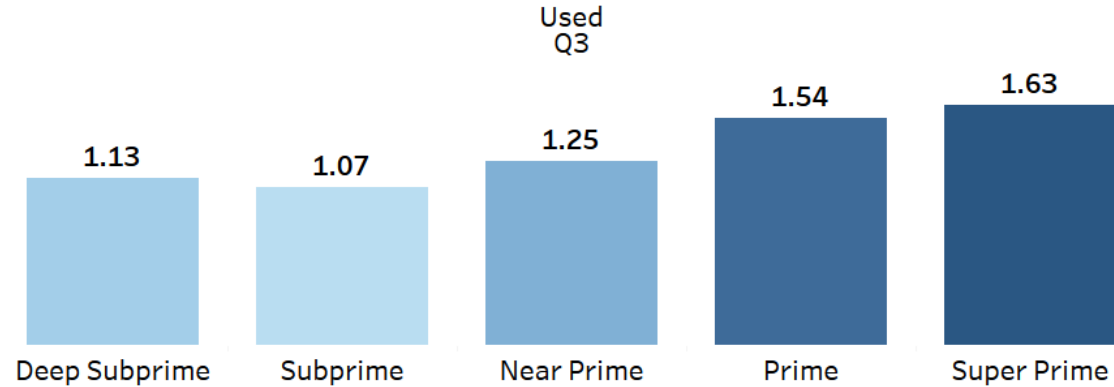
Average loan term by risk



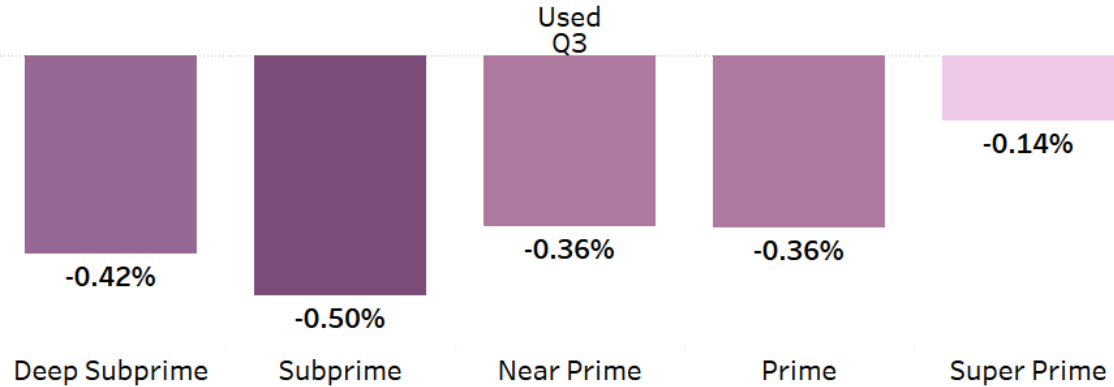
Average loan rate by risk



Year-over-year change in loan term

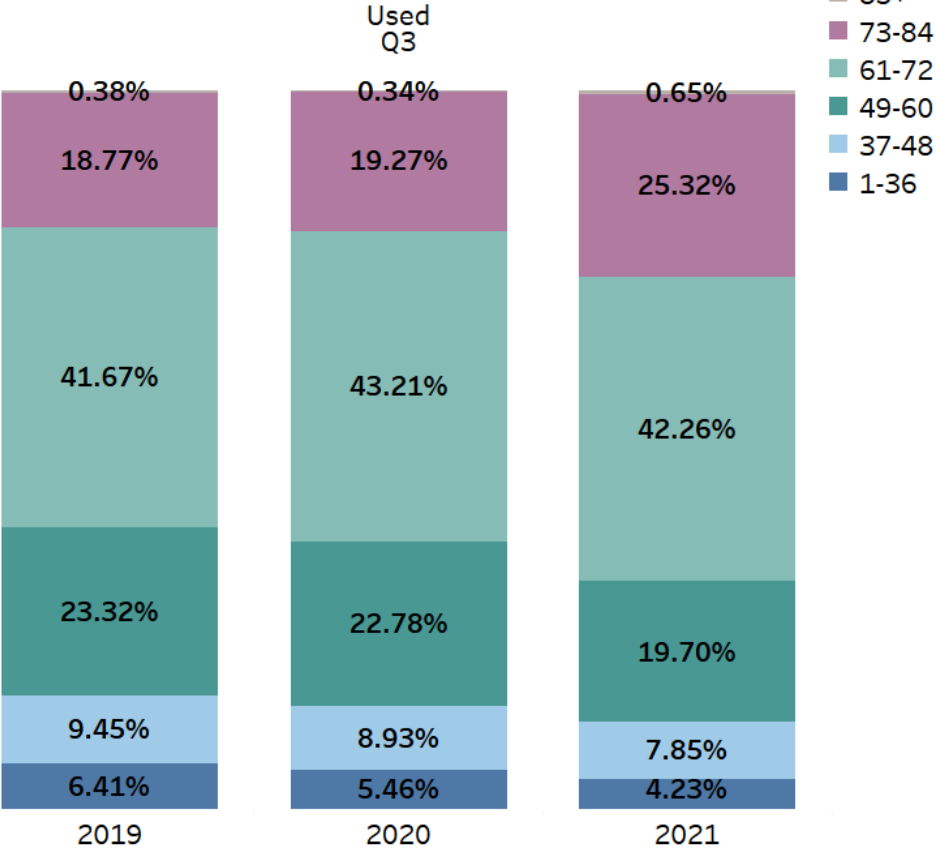


Year-over-year change in rate

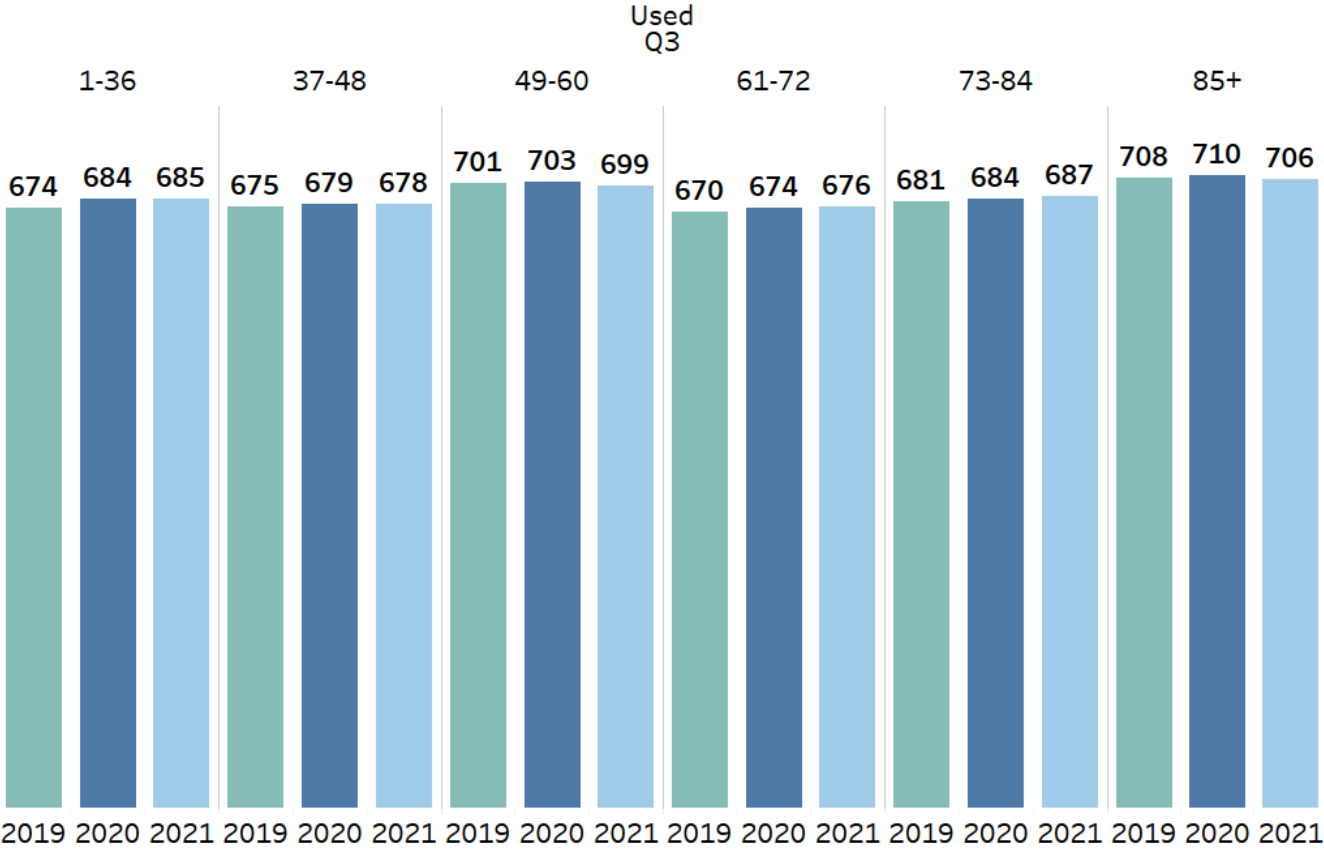


Large growth in 73-84 month loans

Distribution by loan term



Avg score by loan term



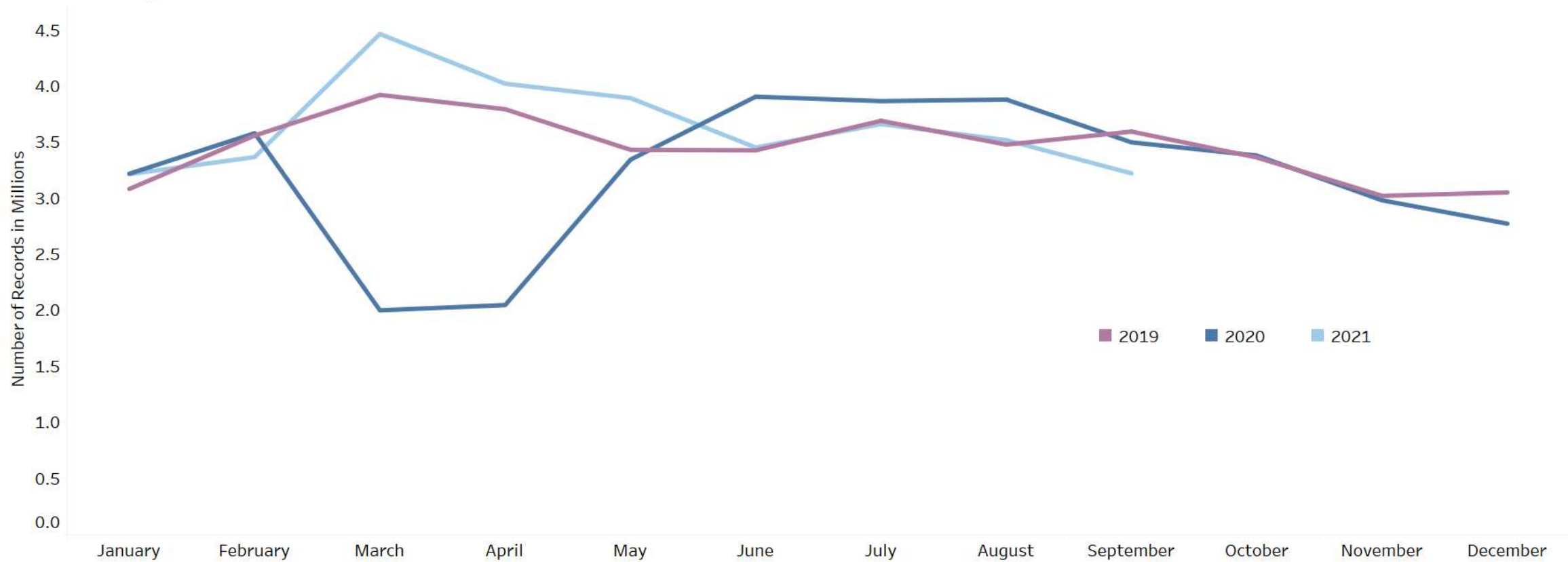
Quarterly Spotlight

A deeper look into the used car
market



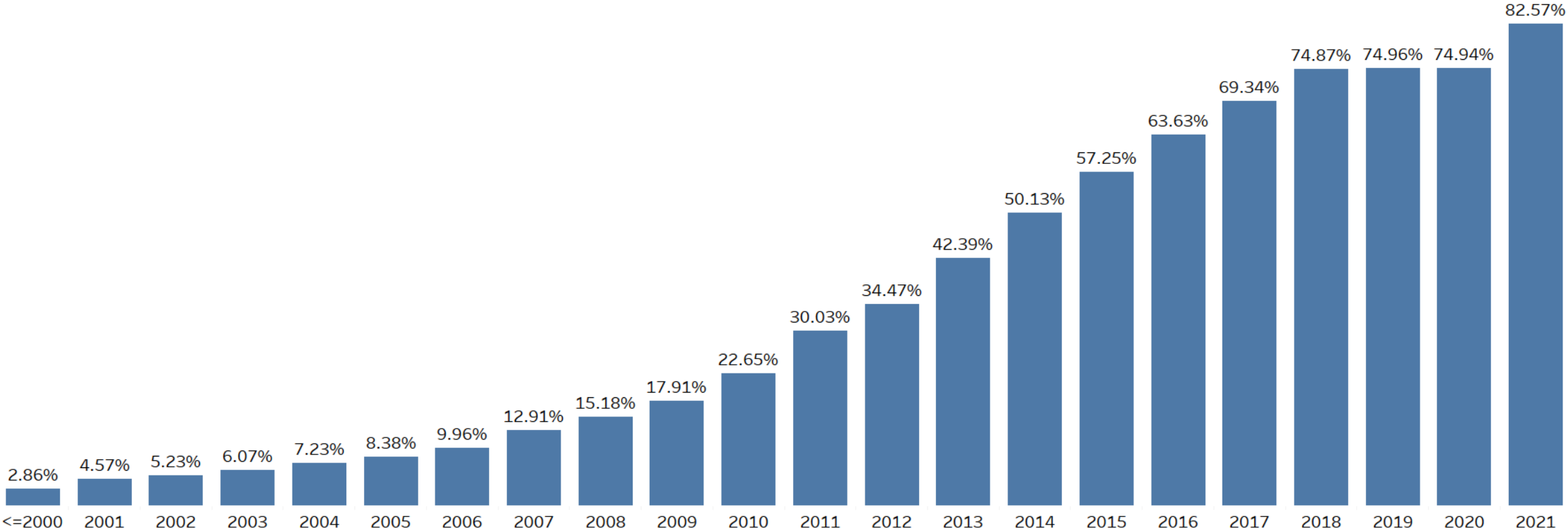
Used volume slightly lower in the last few months

Used volume by month



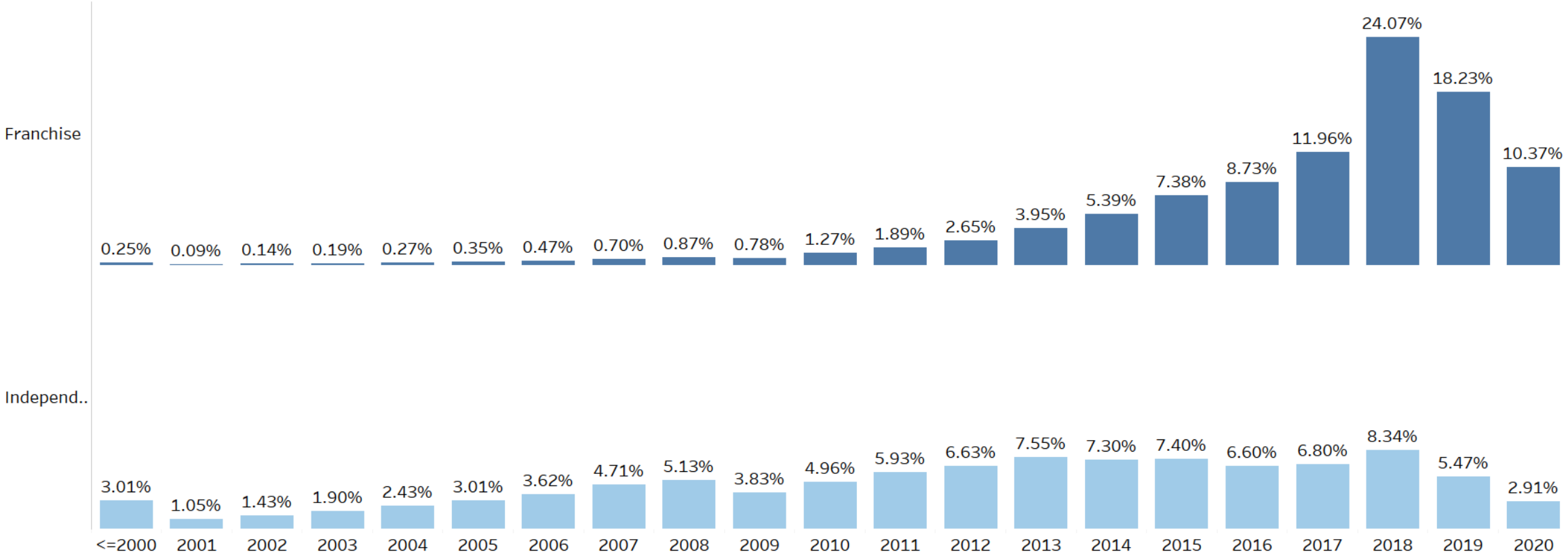
Over 88% of used financing are current +8MY vehicles

Percentage of vehicles by model year with financing



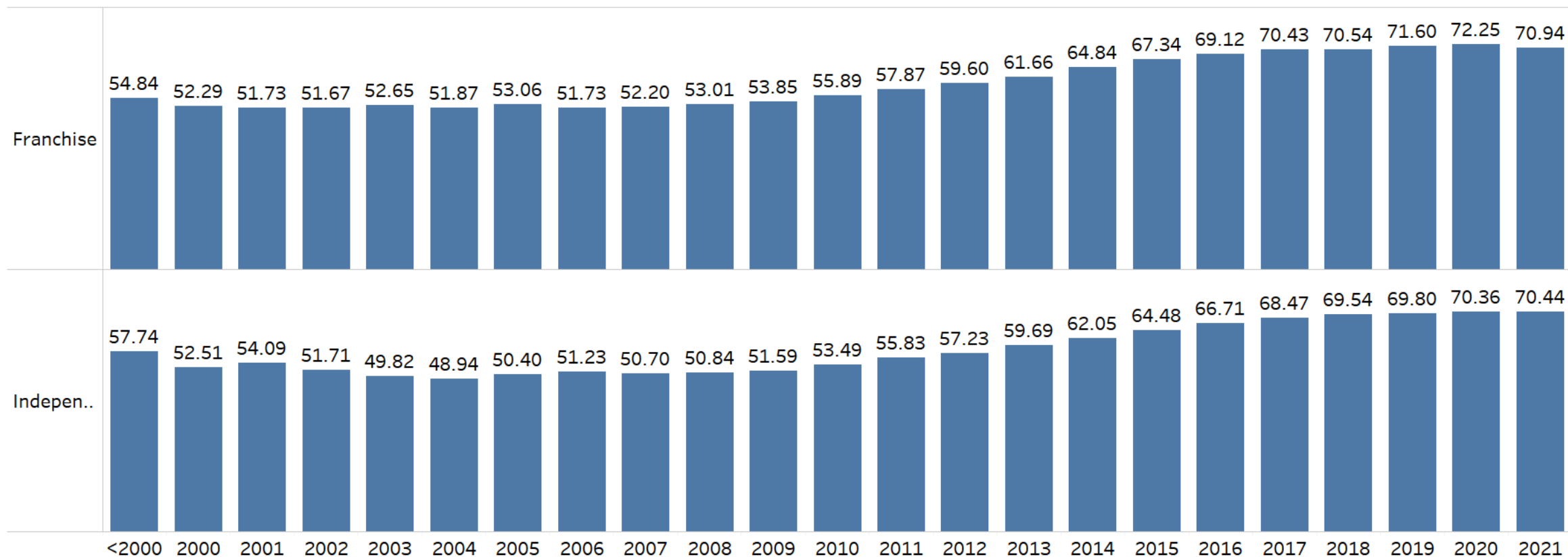
90.5% of Franchise & only 52.6% are current +8MY

Used Dealer sales by model year



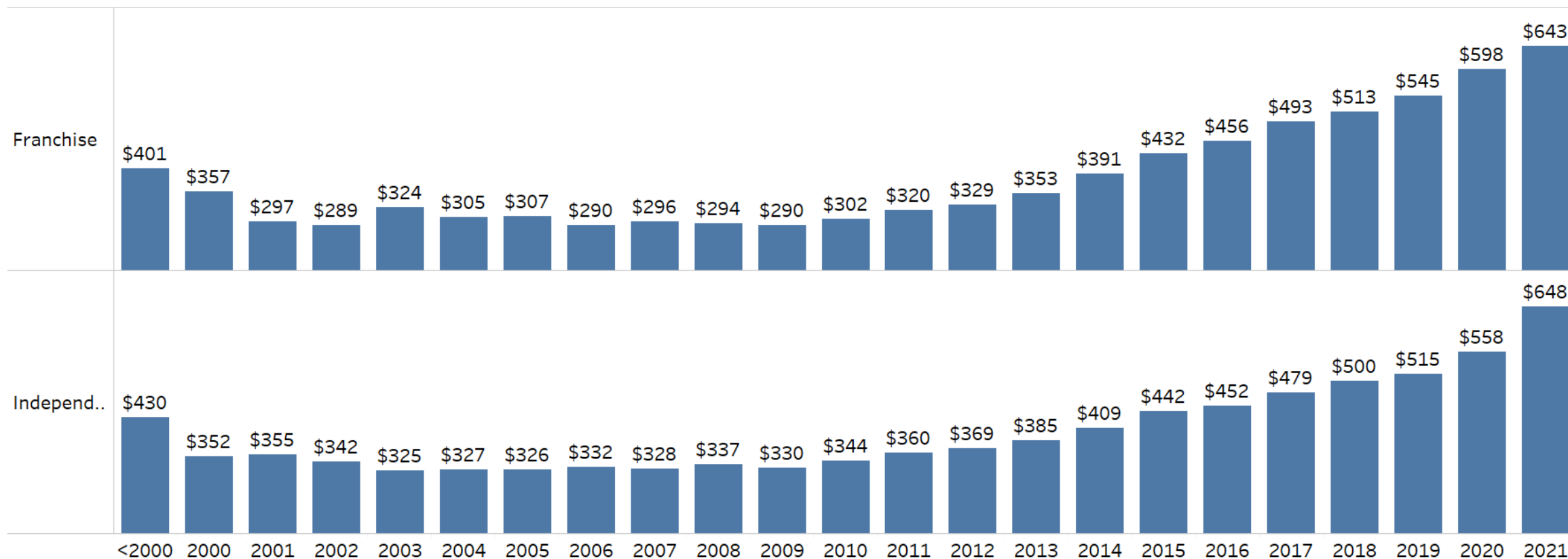
Average term by model year

Average loan term by model year



Average monthly payment by model year

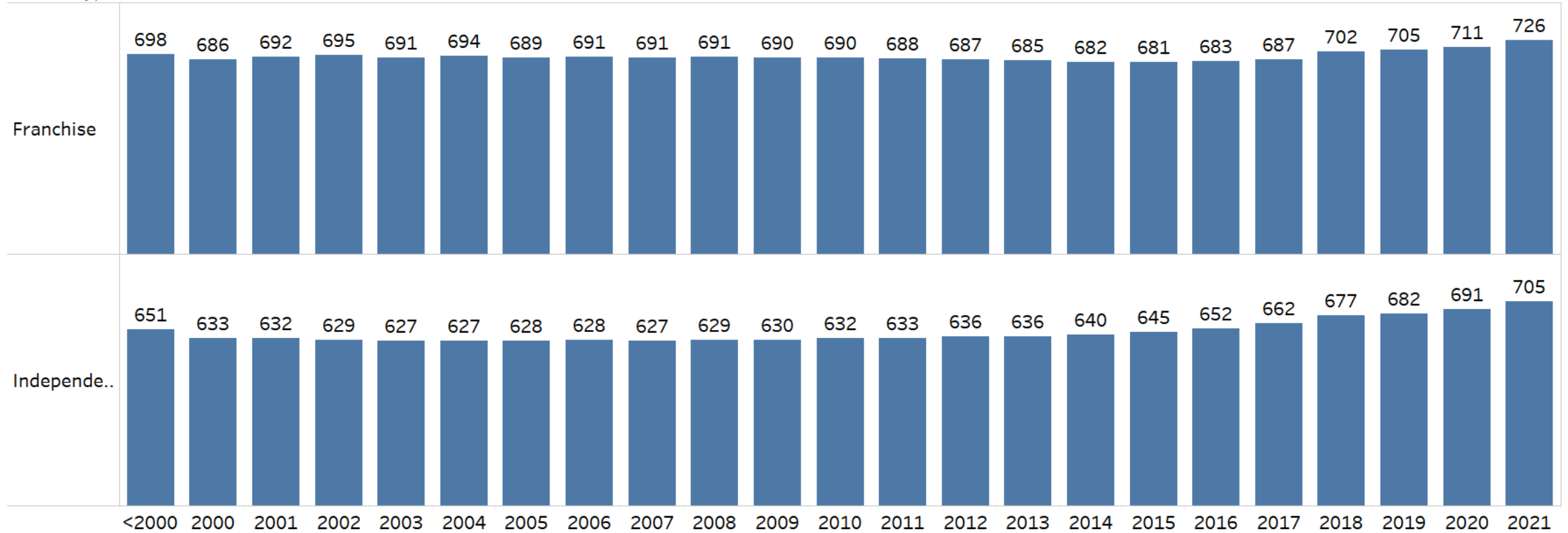
Average monthly payment by model year



Average score by model year

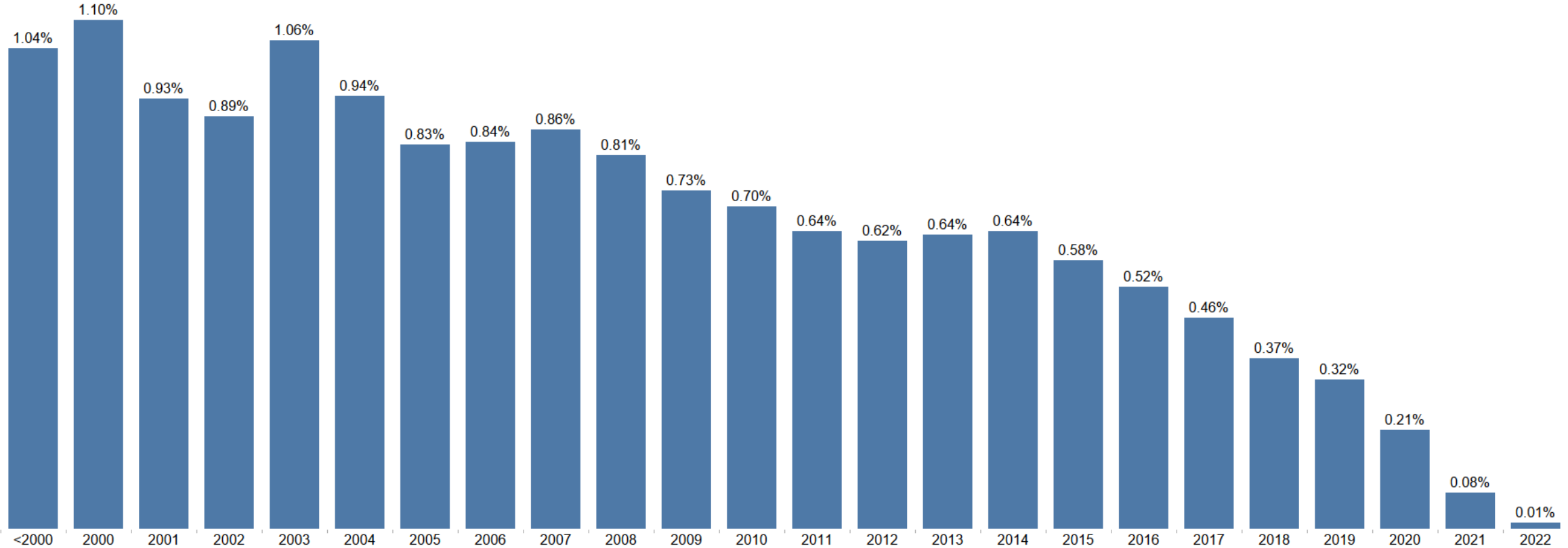
Average used score by model year

Dealer Type



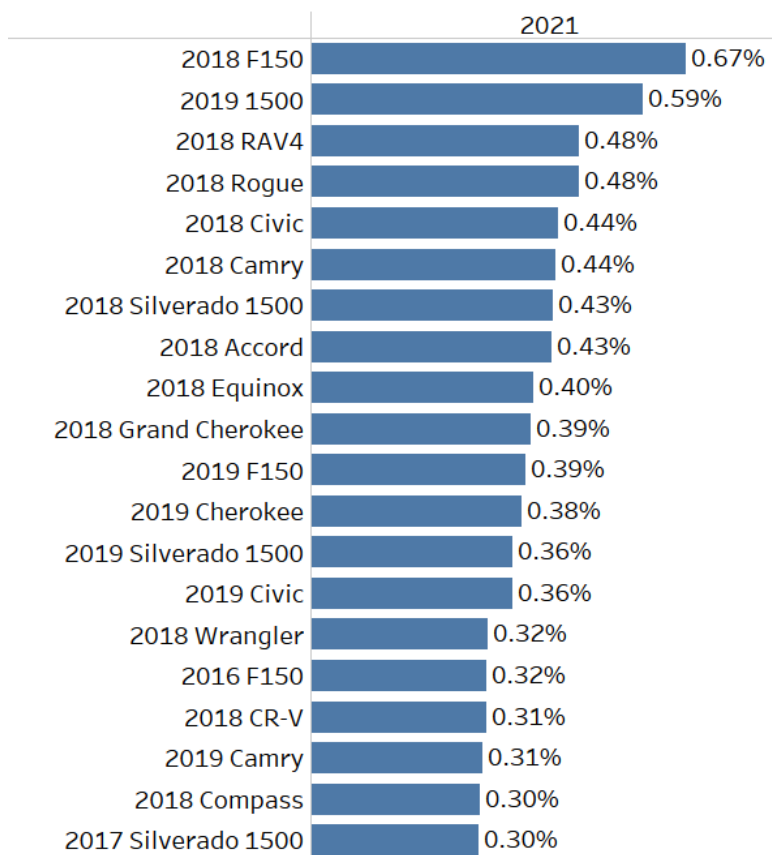
Delinquency by model year (loans originating 2017 to current)

Current 60 day delinquency rate by model year

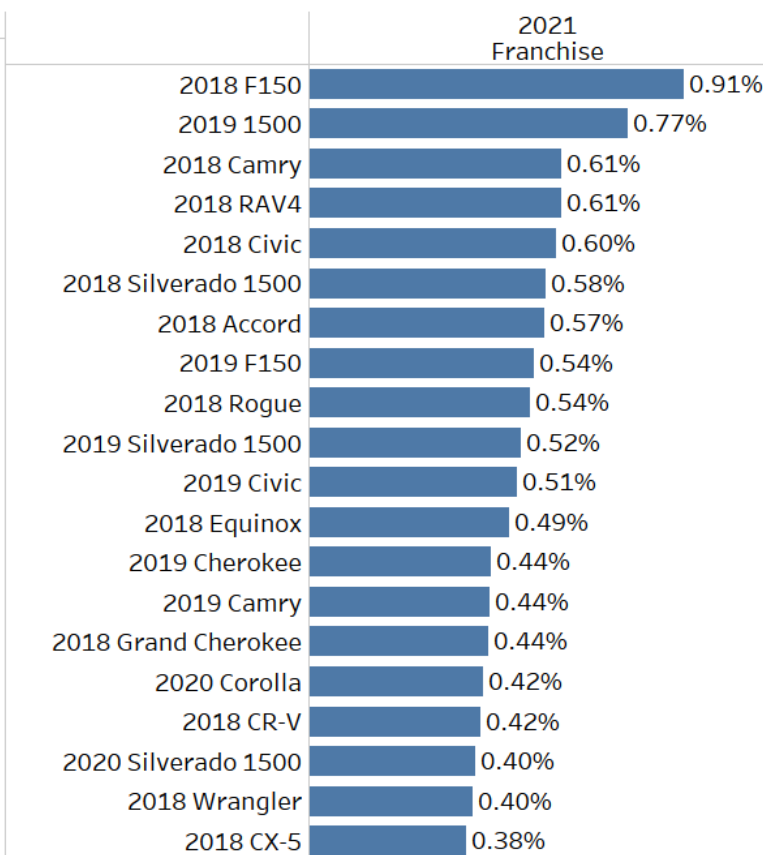


What are the most popular financed used models?

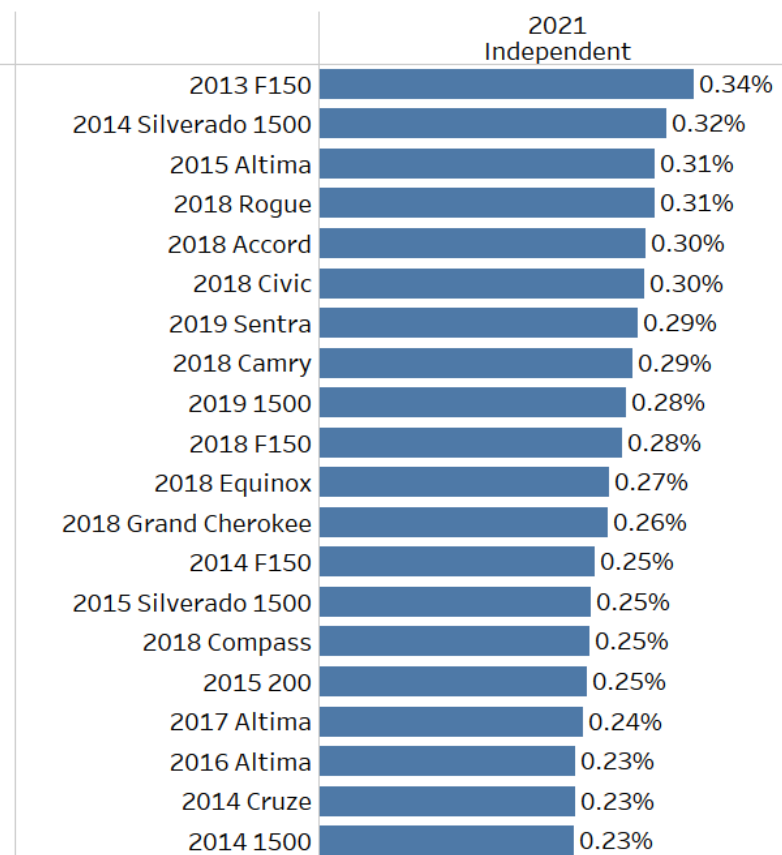
Top 20 financed used models



Top 20 financed Franchise used models

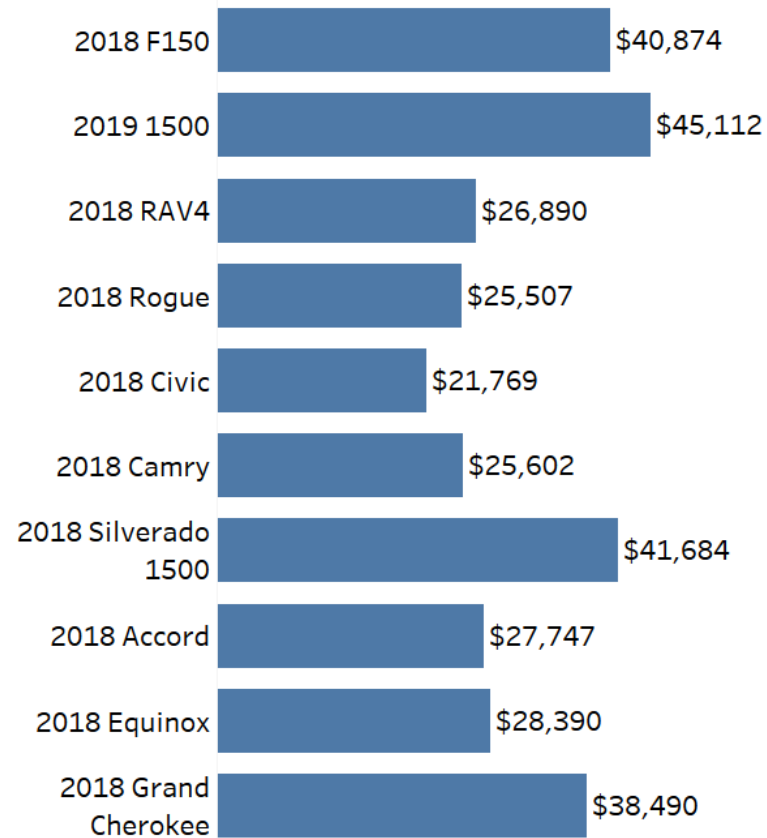


Top 20 financed Independent used models

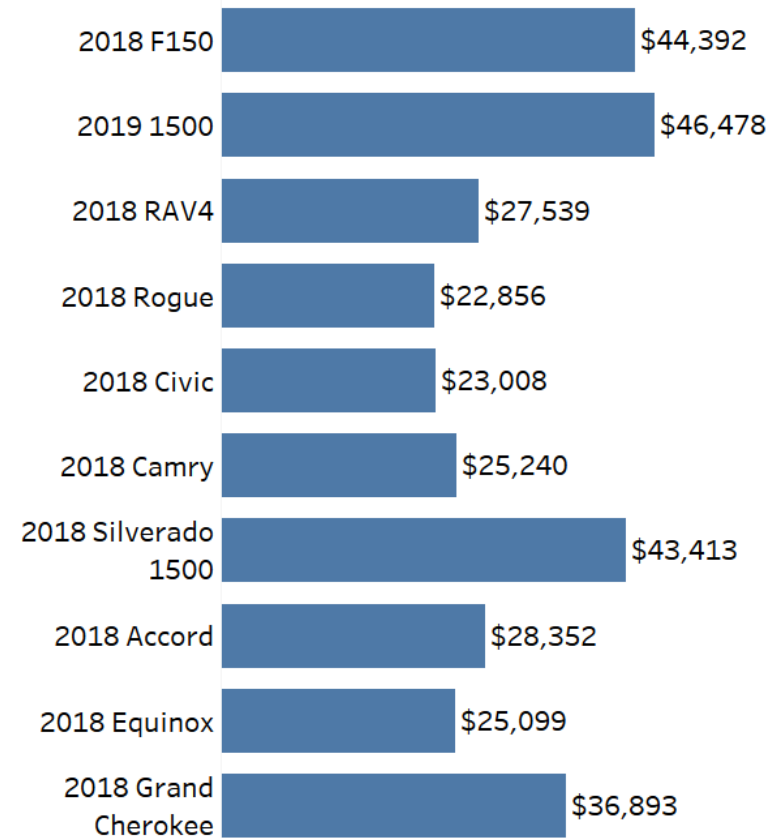


Strong vehicle values are lowering LTV

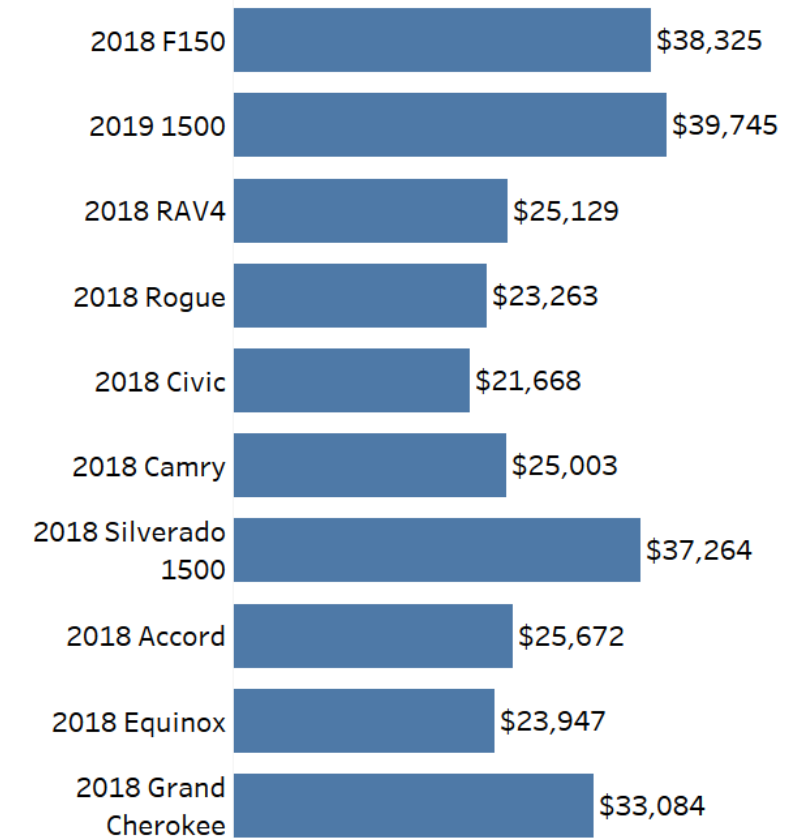
Average original MSRP



Average current Adjusted Clean Retail



Average loan amount on top 10 used vehicles



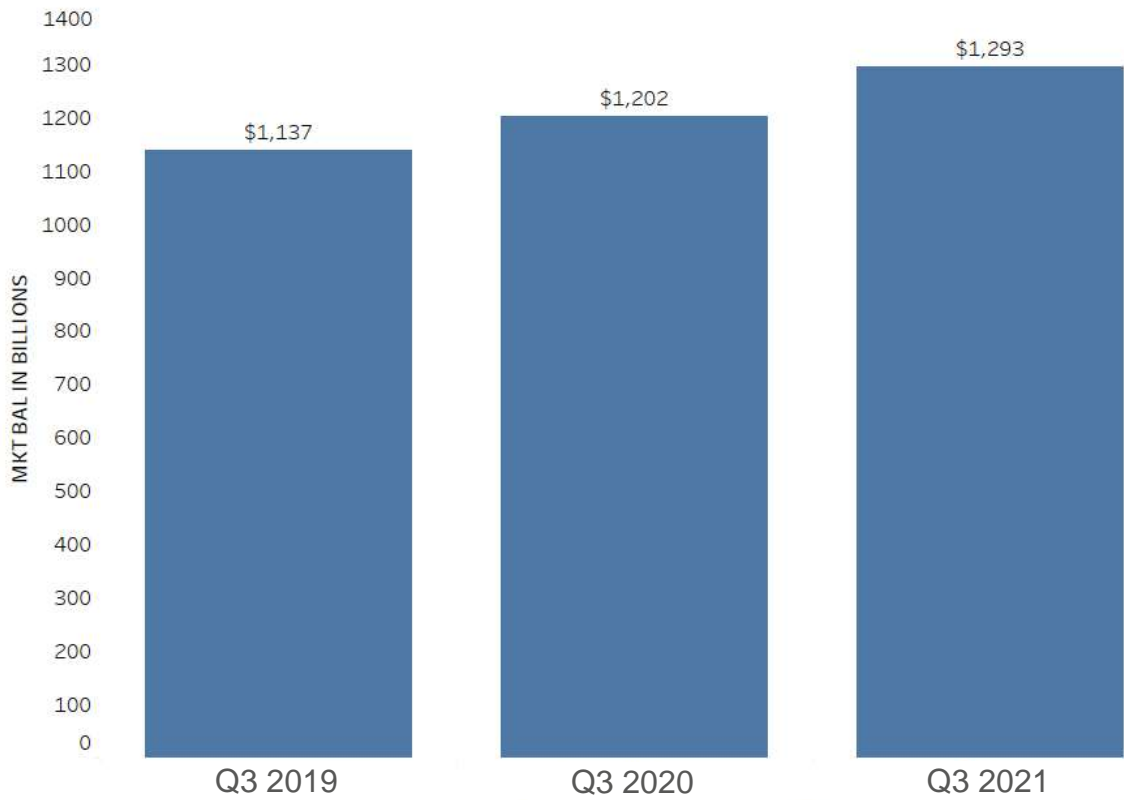
Market Overview

Balances and delinquency on all open auto loans & leases

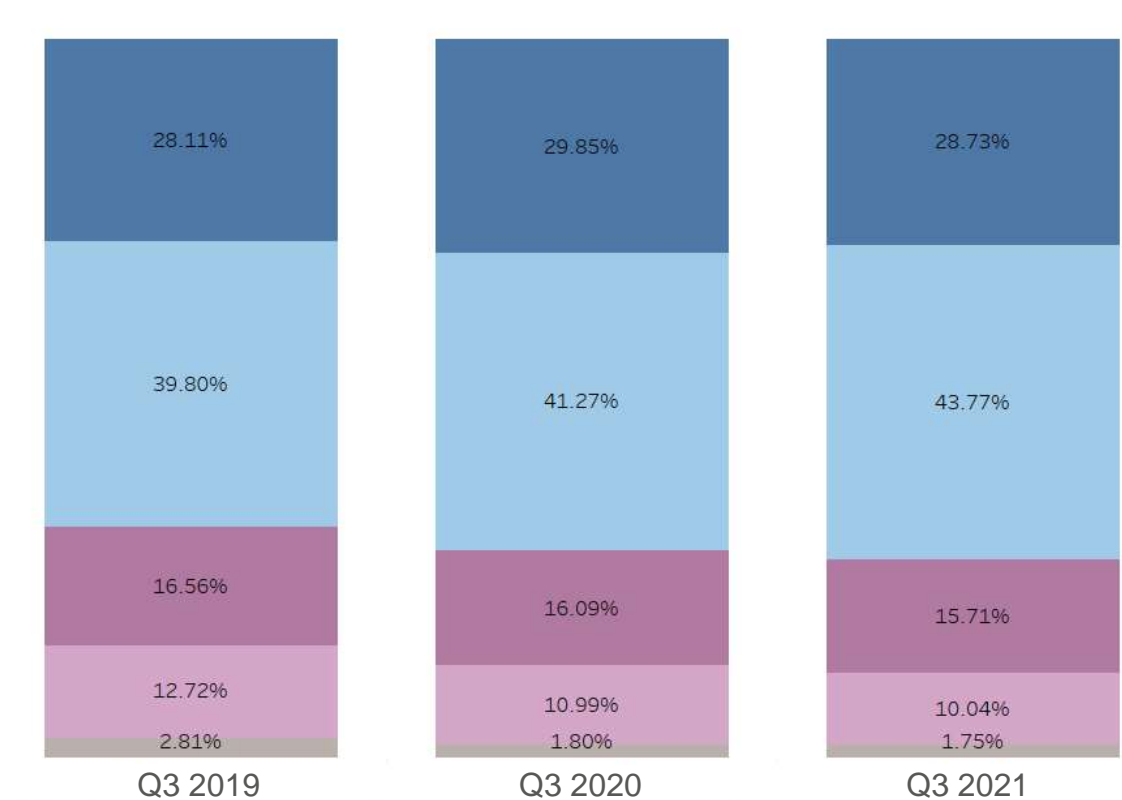


Overall loan balances (in billions) grew 8% YOY with subprime representing a smaller portion

Outstanding automotive loan balance

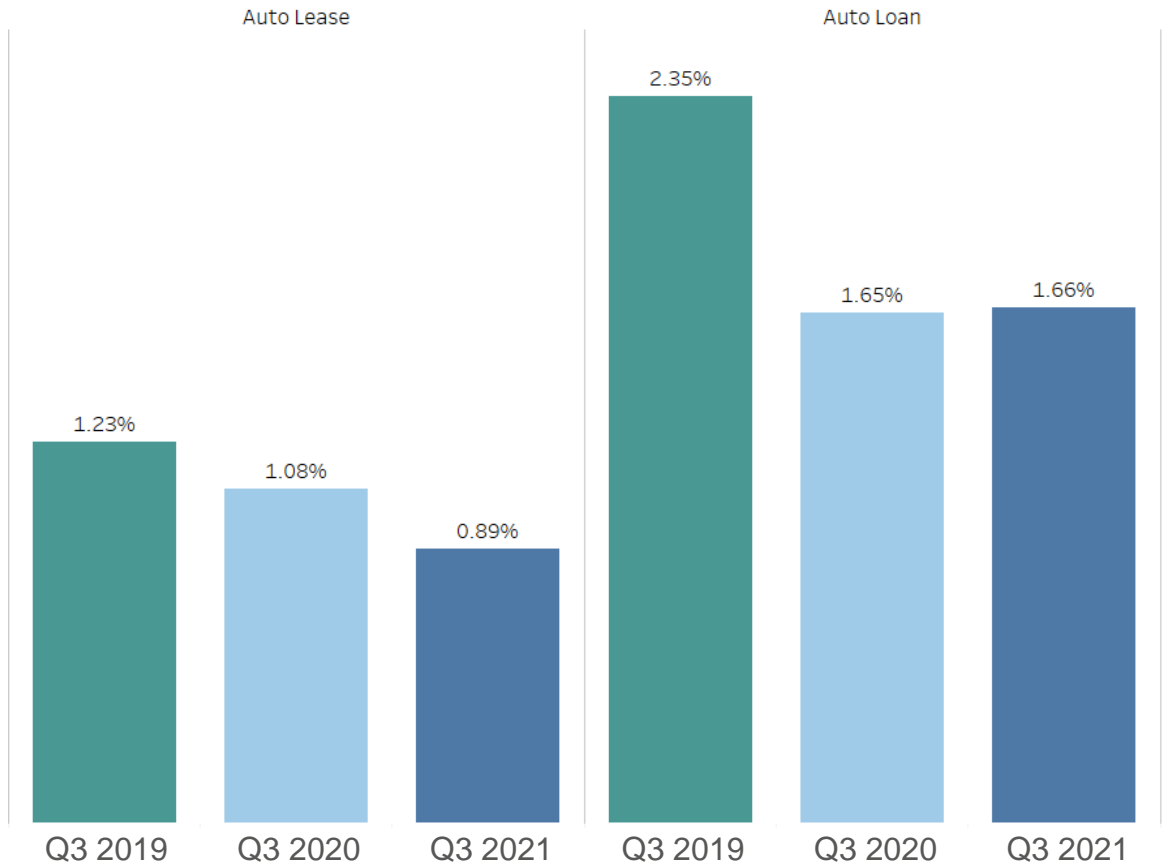


Auto loan balances by score band

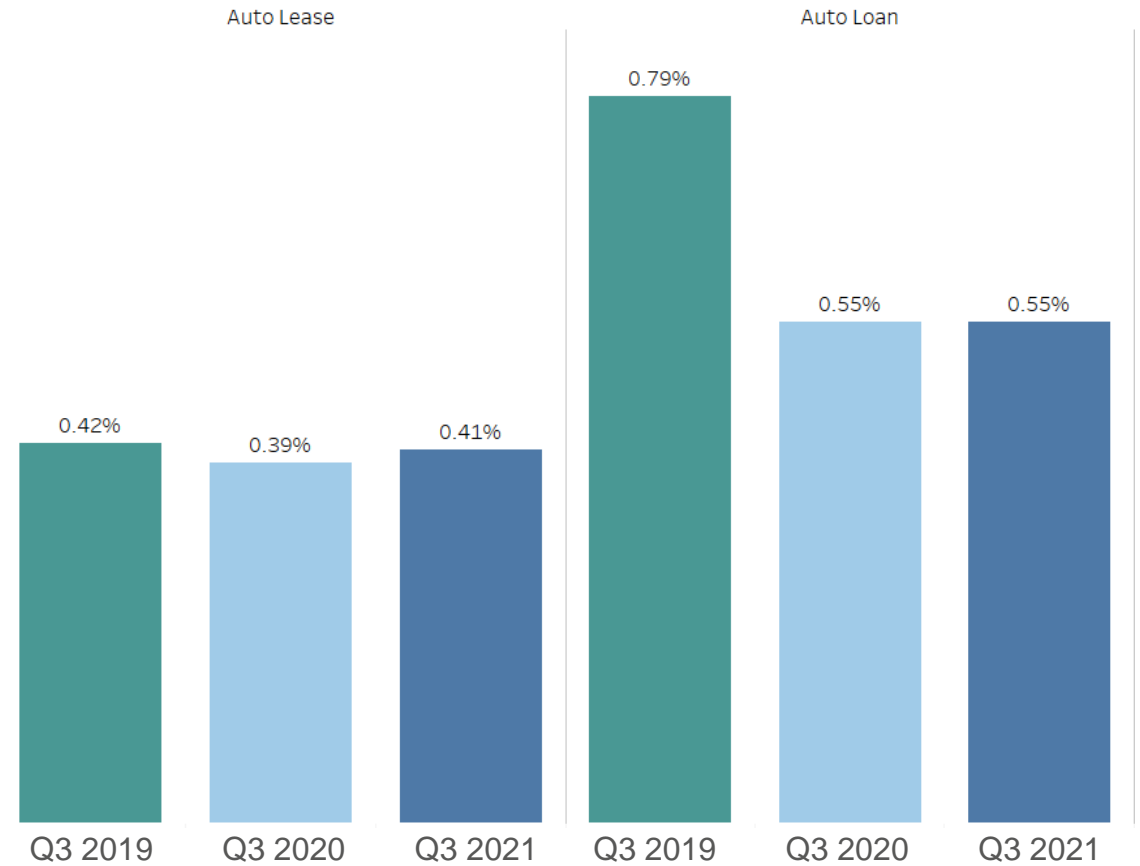


Delinquencies remain low

Percentage of loans/leases 30dpd

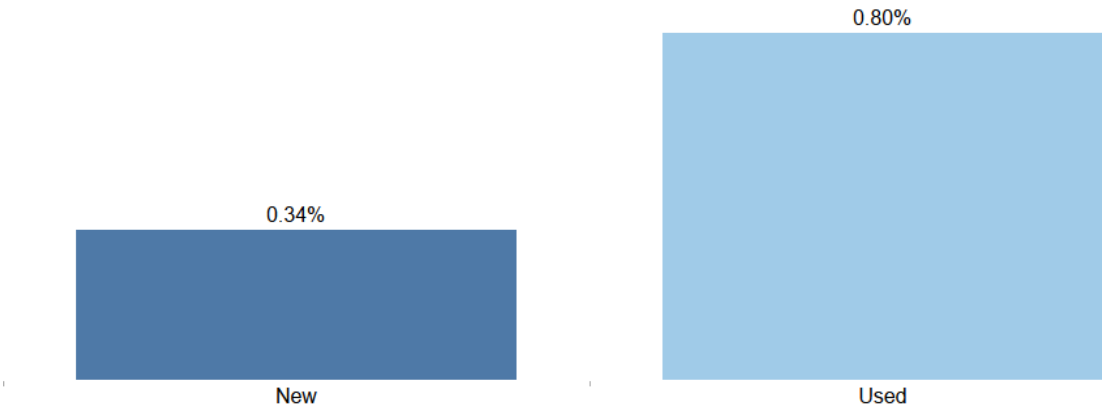


Percentage of loans/leases 60dpd

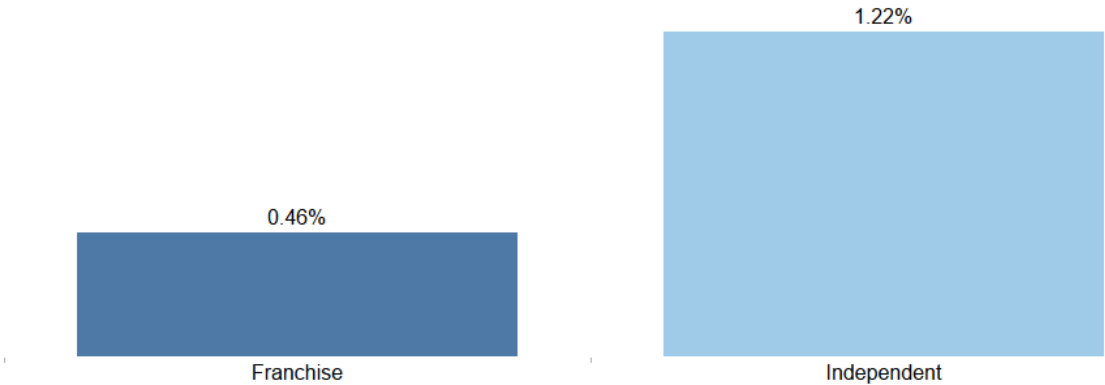


Delinquency rate dashboard (originations 2017+)

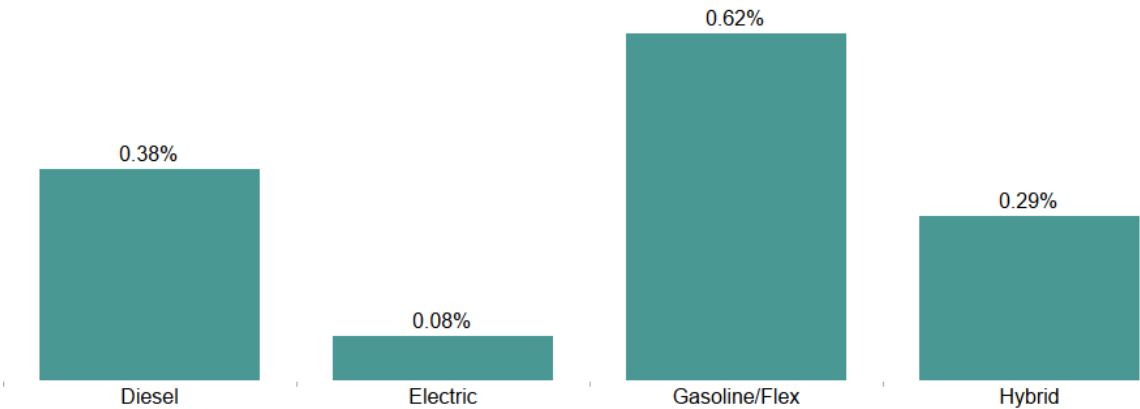
Current 60 day delinquency rate by new/used



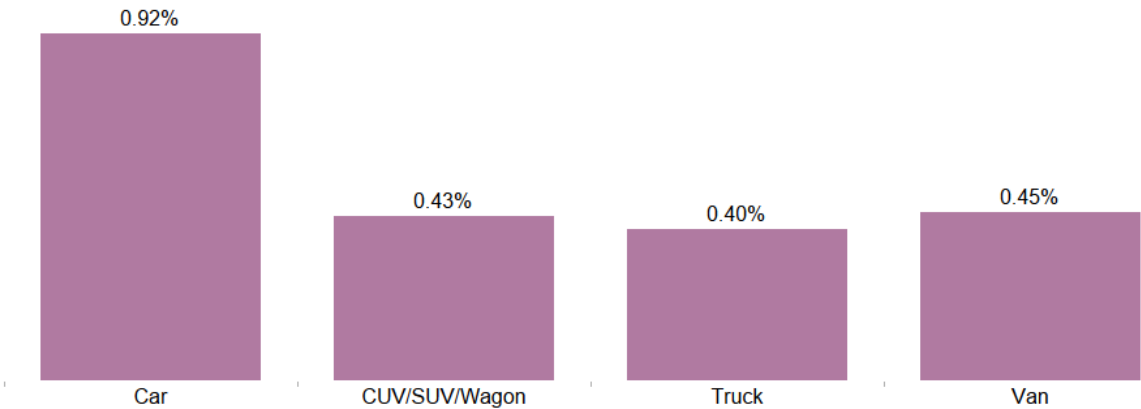
Current 60 day delinquency rate by dealer type



Current 60 day delinquency rate by fuel type



Current 60 day delinquency rate by vehicle type



Summary

- Banks and credit unions grow market share
- Subprime financing remains at record lows for originations as well as total outstanding
- Strong vehicle values & inventory shortages drive up loan amounts, but reduce LTV in the used market
- Balances reach another record high
- Delinquency remains stable



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