



# AUTO FINANCE INSIGHTS

**State of the Automotive Finance Market  
Q4 2021**

**Presented by: Melinda Zabritski**

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# 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

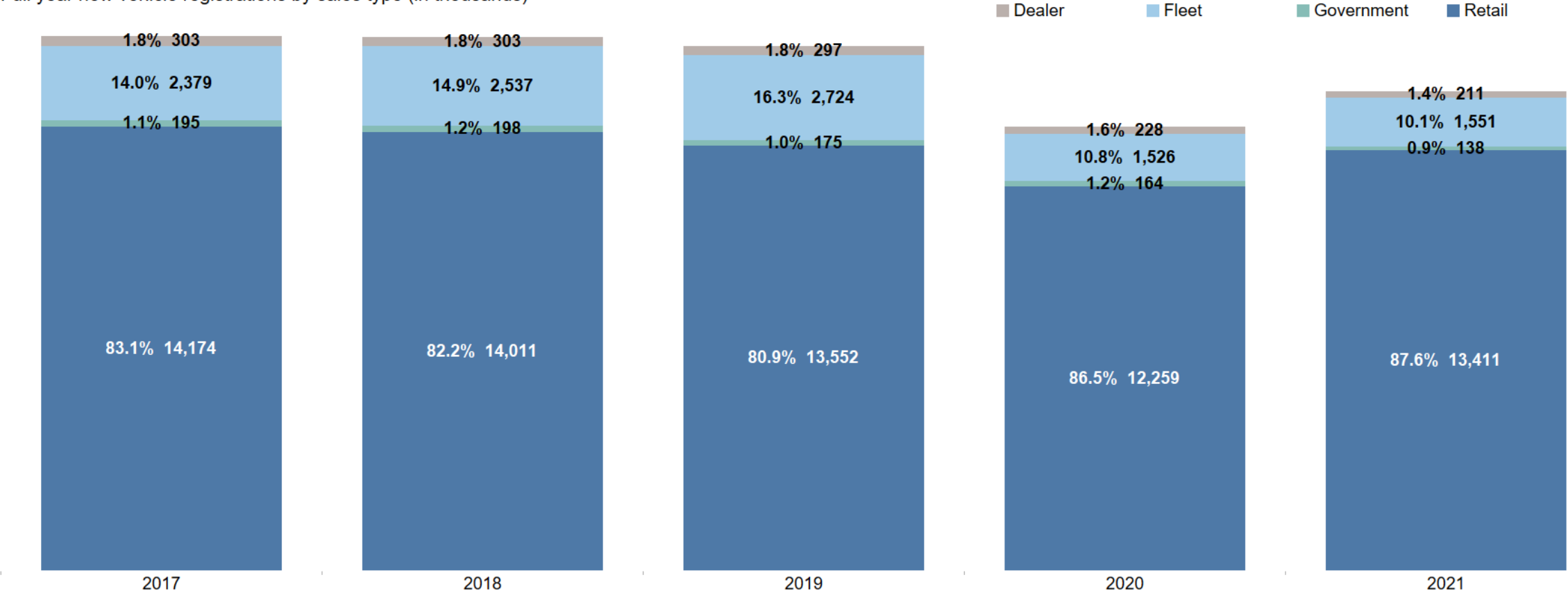
# Q4 2021 Originations

Trends in automotive loan and  
lease originations



# Retail volume is down, representing 87% of new registrations. This presentation focuses on retail only.

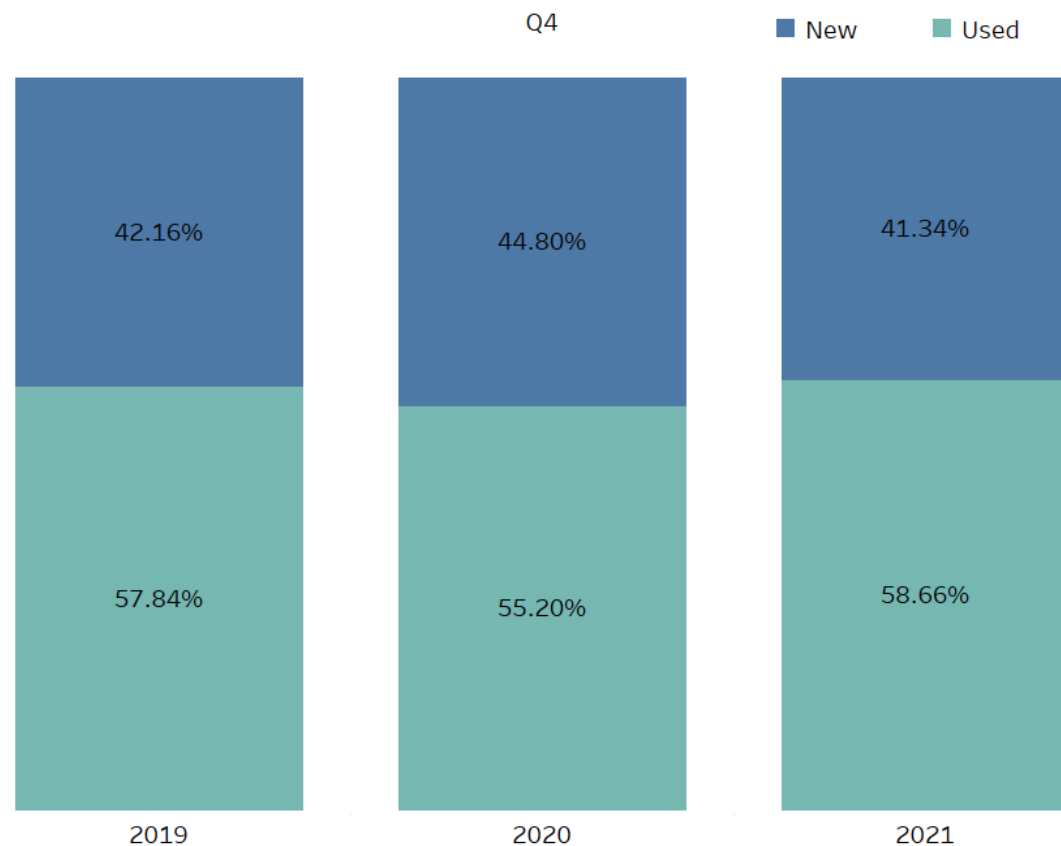
Full year new vehicle registrations by sales type (in thousands)



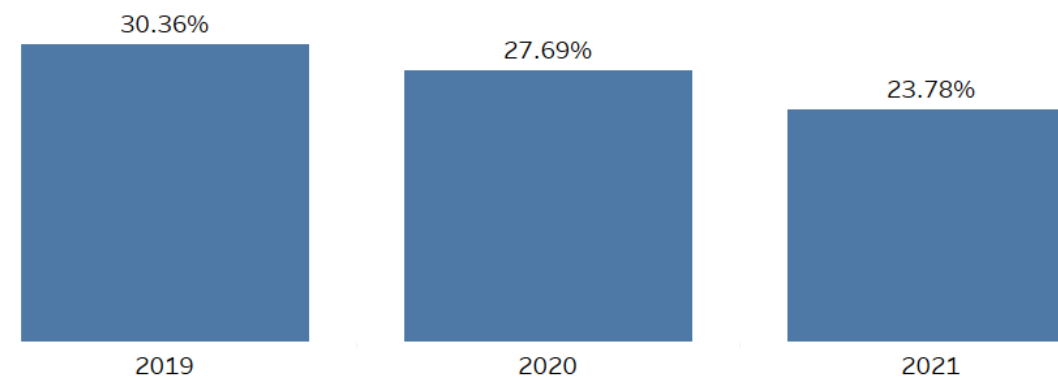
# Automotive financing

Snapshot of how and what consumers are financing

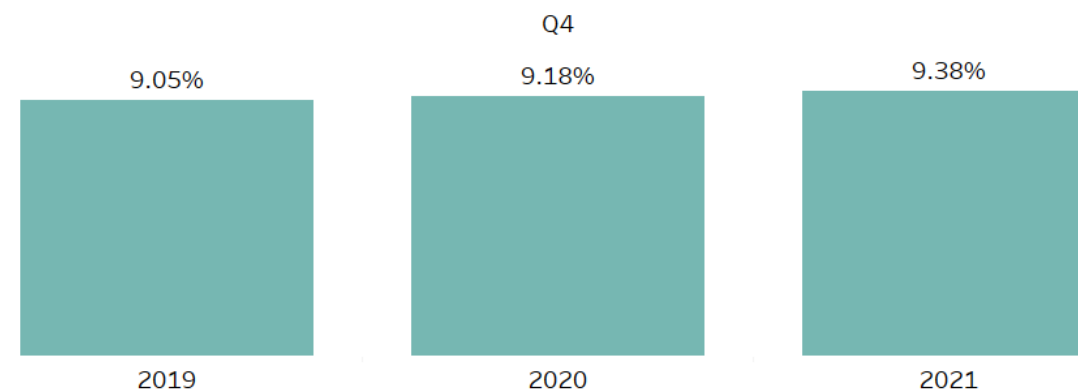
New/Used percentage of financing



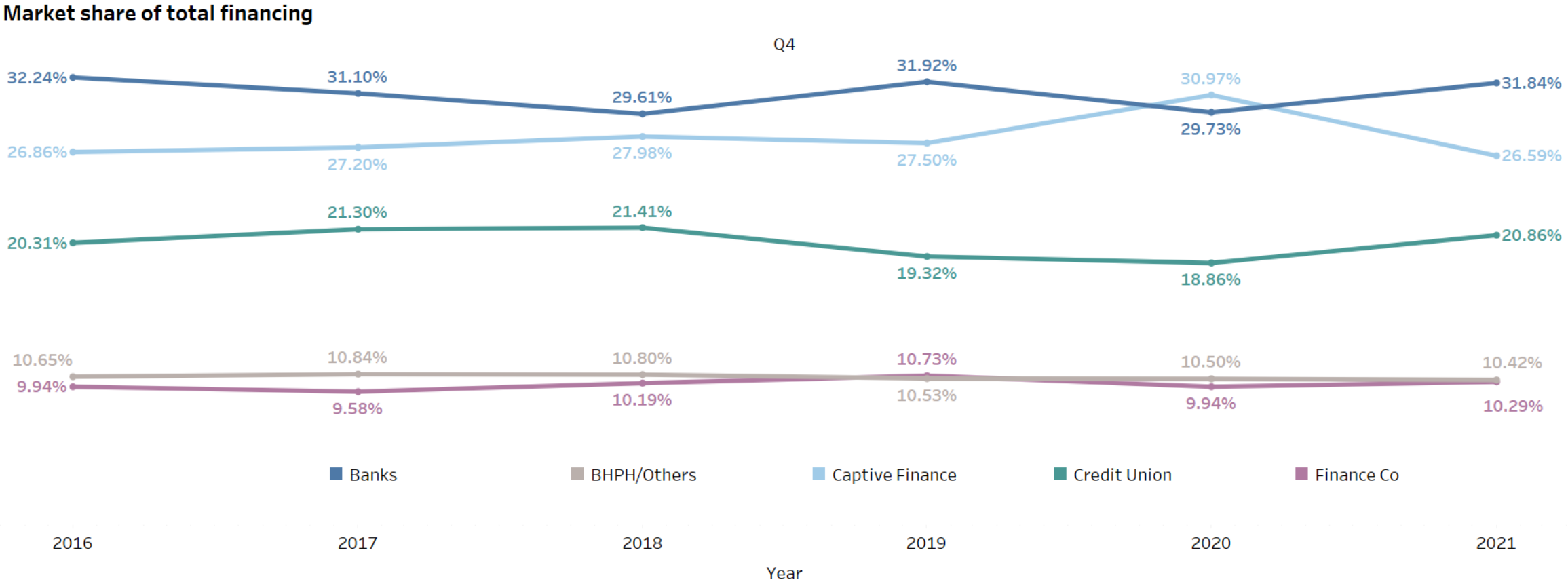
% of all new vehicles that are leased



Used vehicle % of total lease market

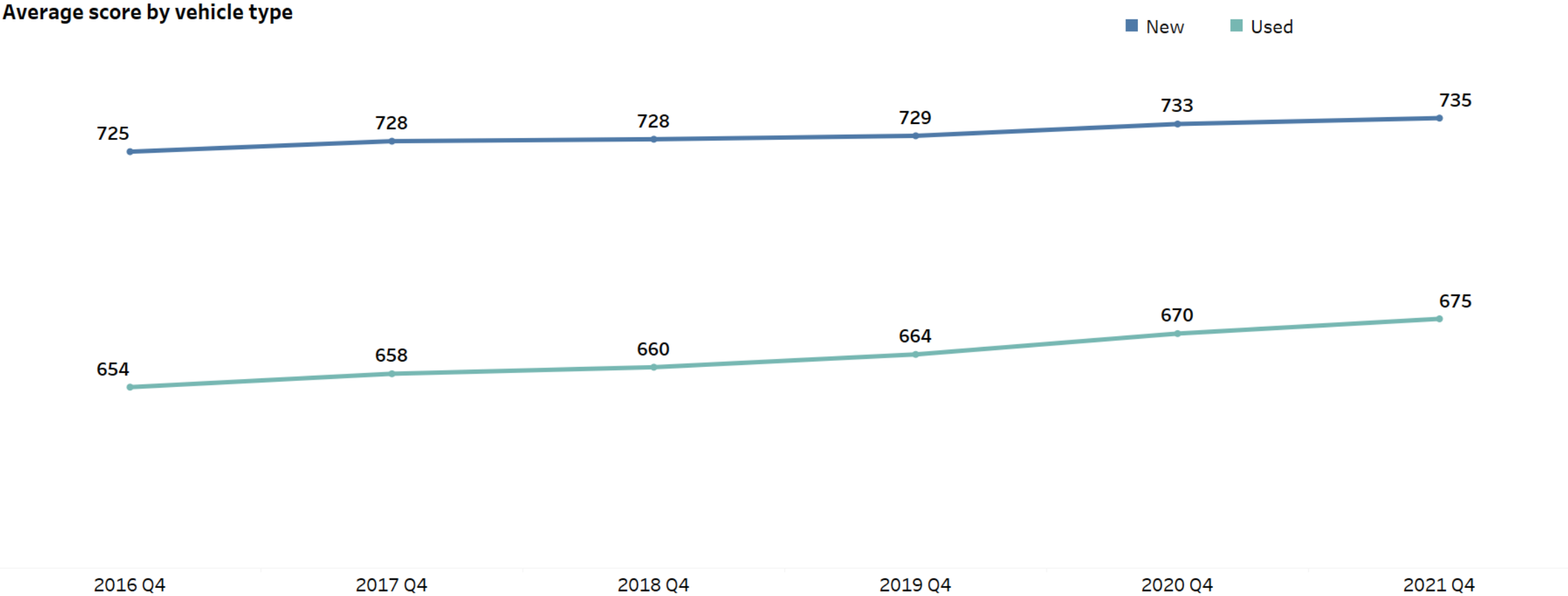


# Banks and credit unions continue to grow share





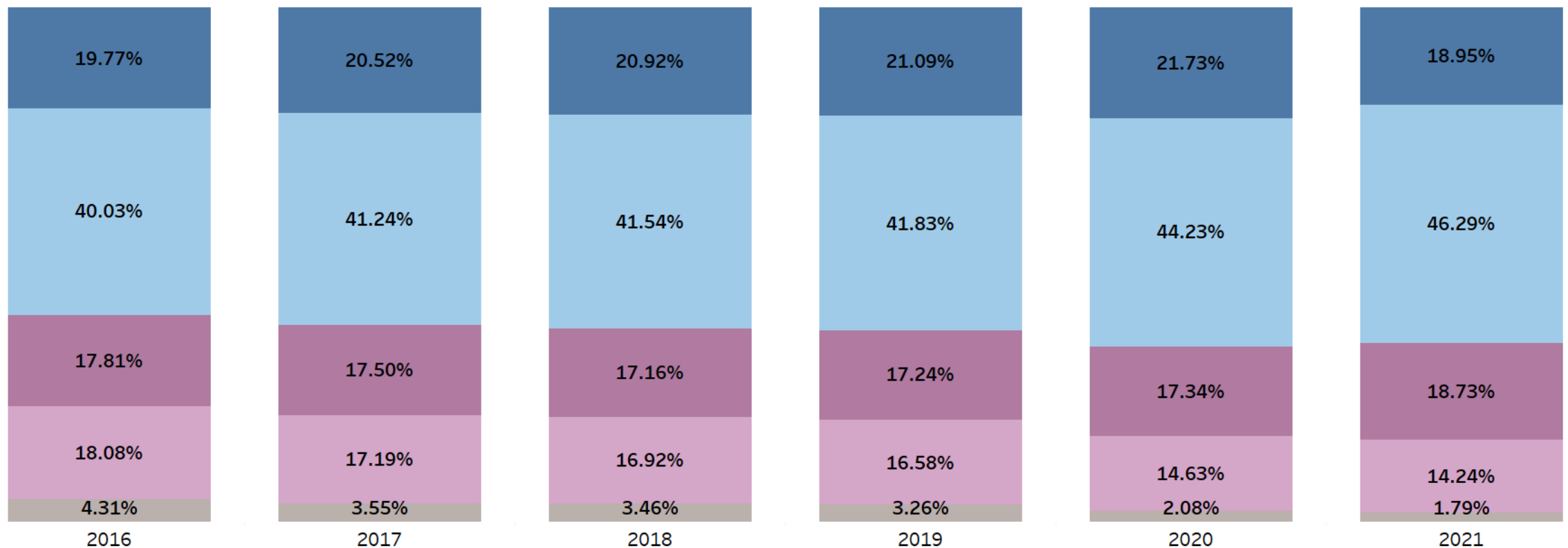
# New scores increase 2 points while used are up 5 YOY



# Prime is over 65% of total financing, while subprime falls to just over 16%

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

■ Super Prime   ■ Prime   ■ Near Prime   ■ Subprime   ■ Deep Subprime  
Q4

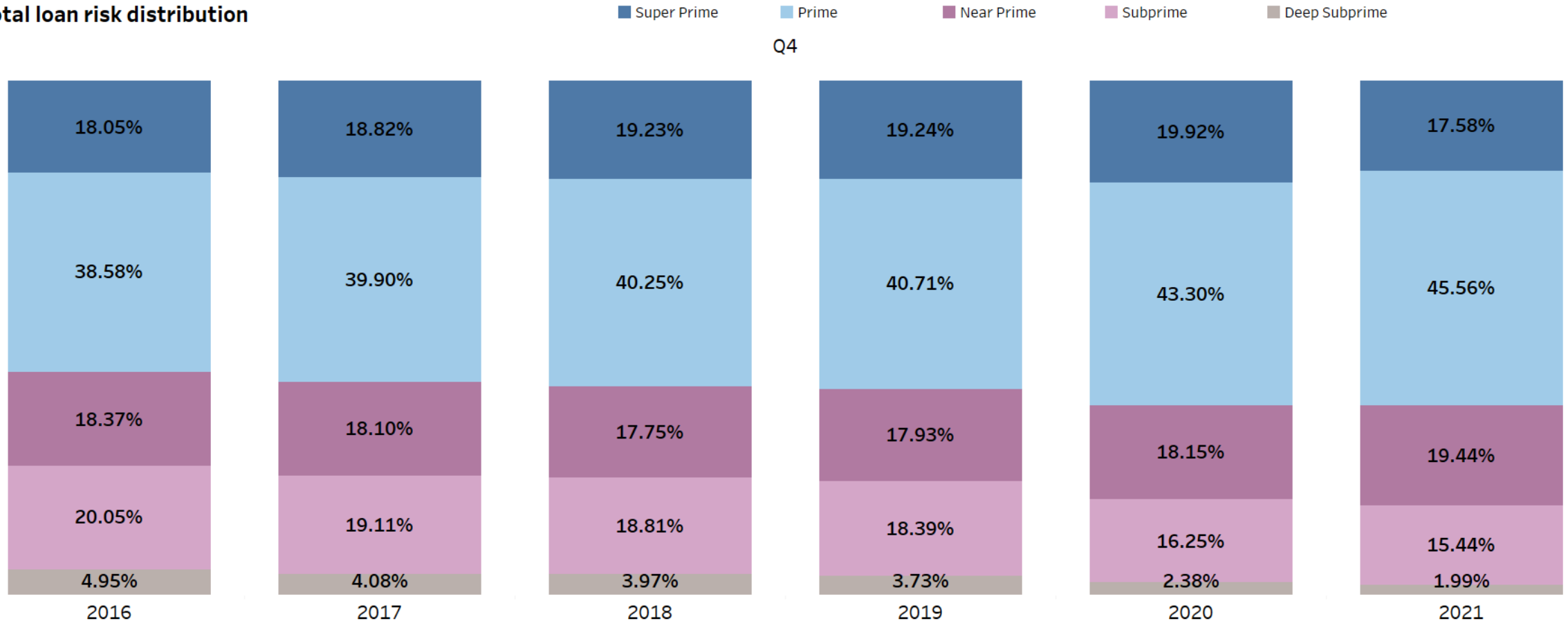


<sup>1</sup>Total financing = loan and lease transactions on both new and used vehicles



# Prime+ is nearly 64% of total loans while total subprime just above 17%

Total loan risk distribution

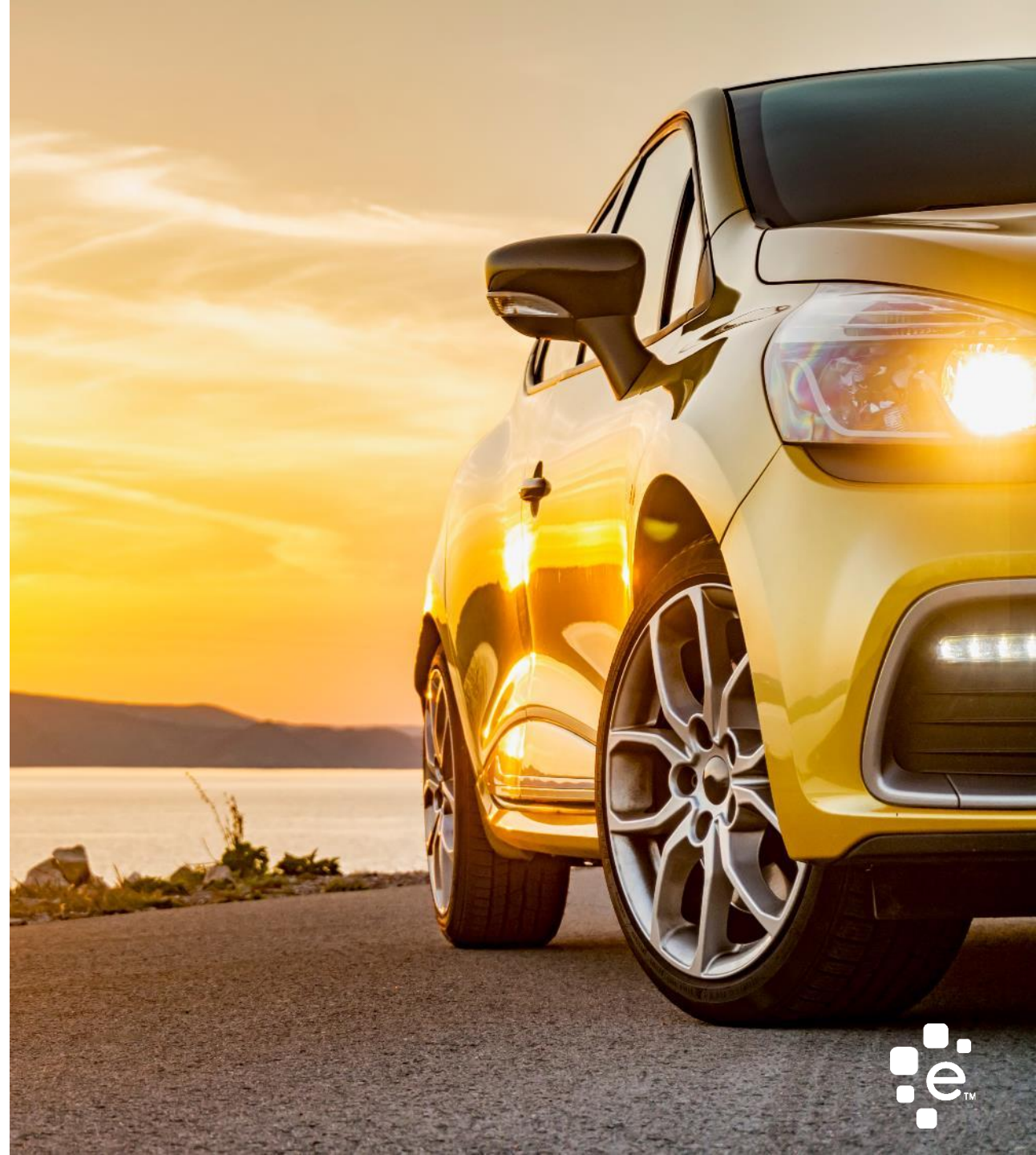


<sup>1</sup>Total financing = loan transactions on both new and used vehicles



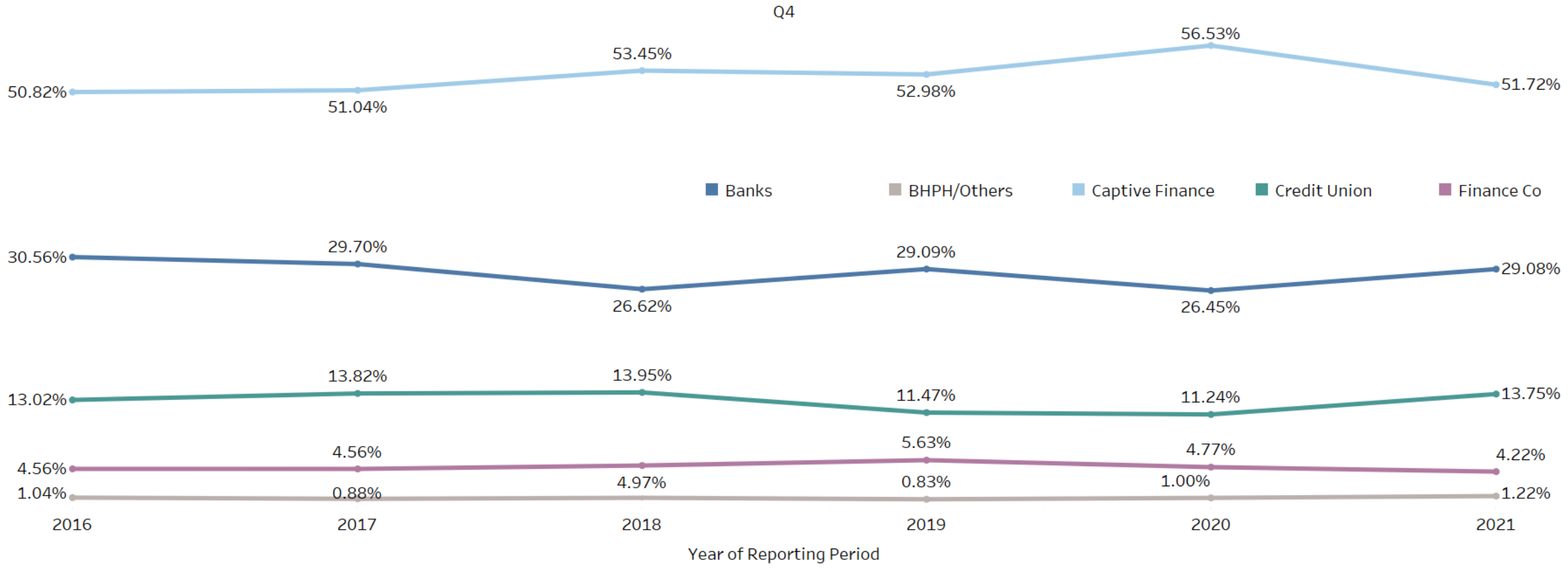
# New financing

A look at new lease & loan trends



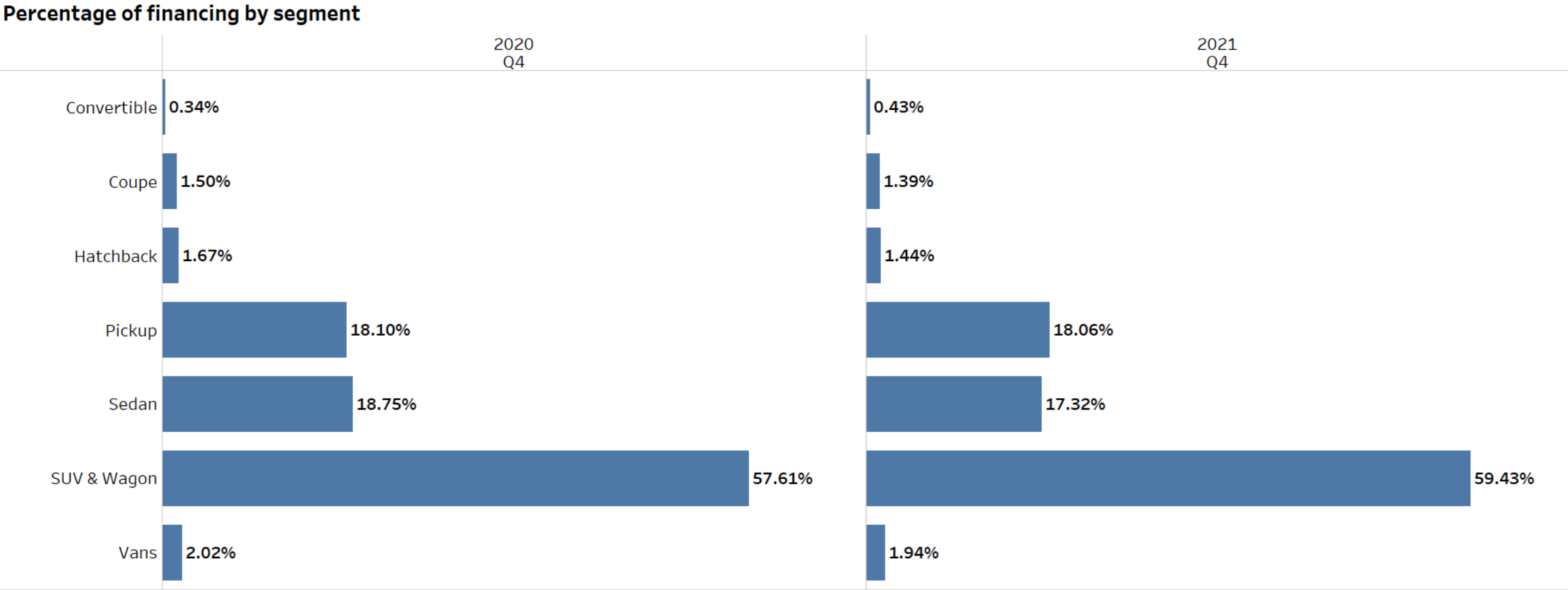
# Banks and credit unions experience market share gains

Market share of new financing (loan/lease)



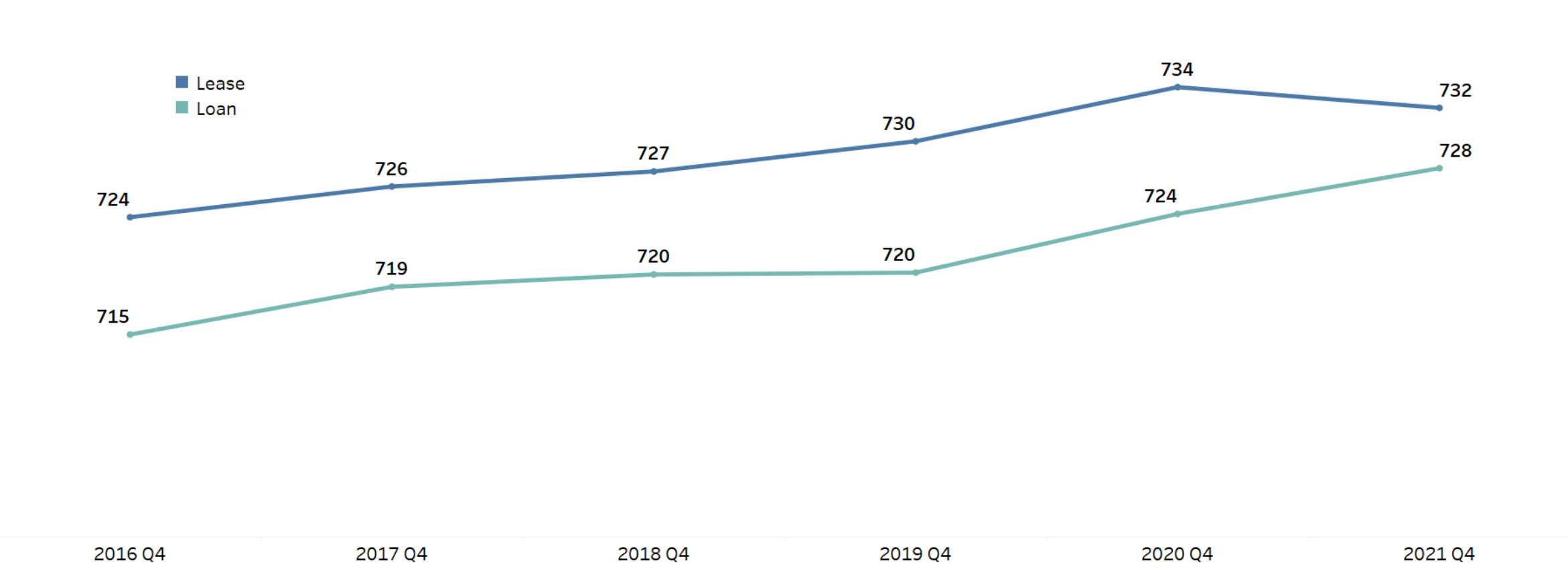


# SUVs are nearly 60% of financing



# New leasing score decreases 2 points while loans gains 4 points YOY

Average new score by transaction type

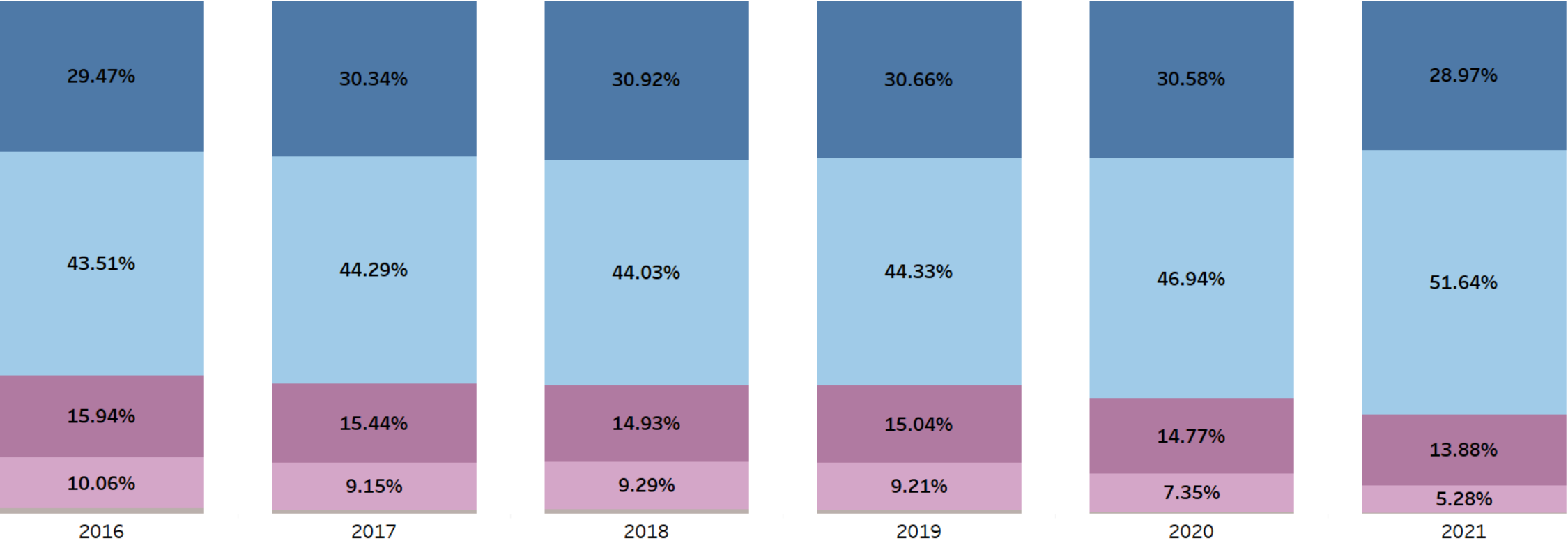


# Prime+ reaches 80.6% with most growth occurring in 661-780 segment

New loan risk distribution

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

Q4

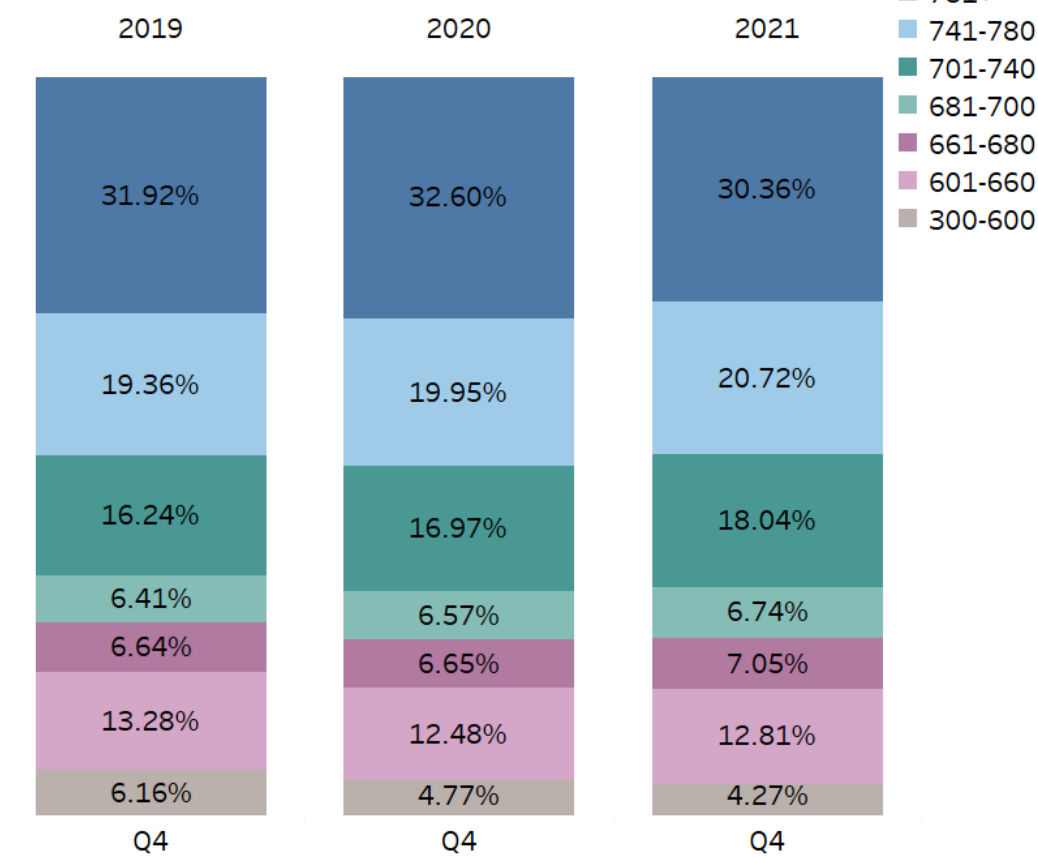


Deep subprime =  
0.23%

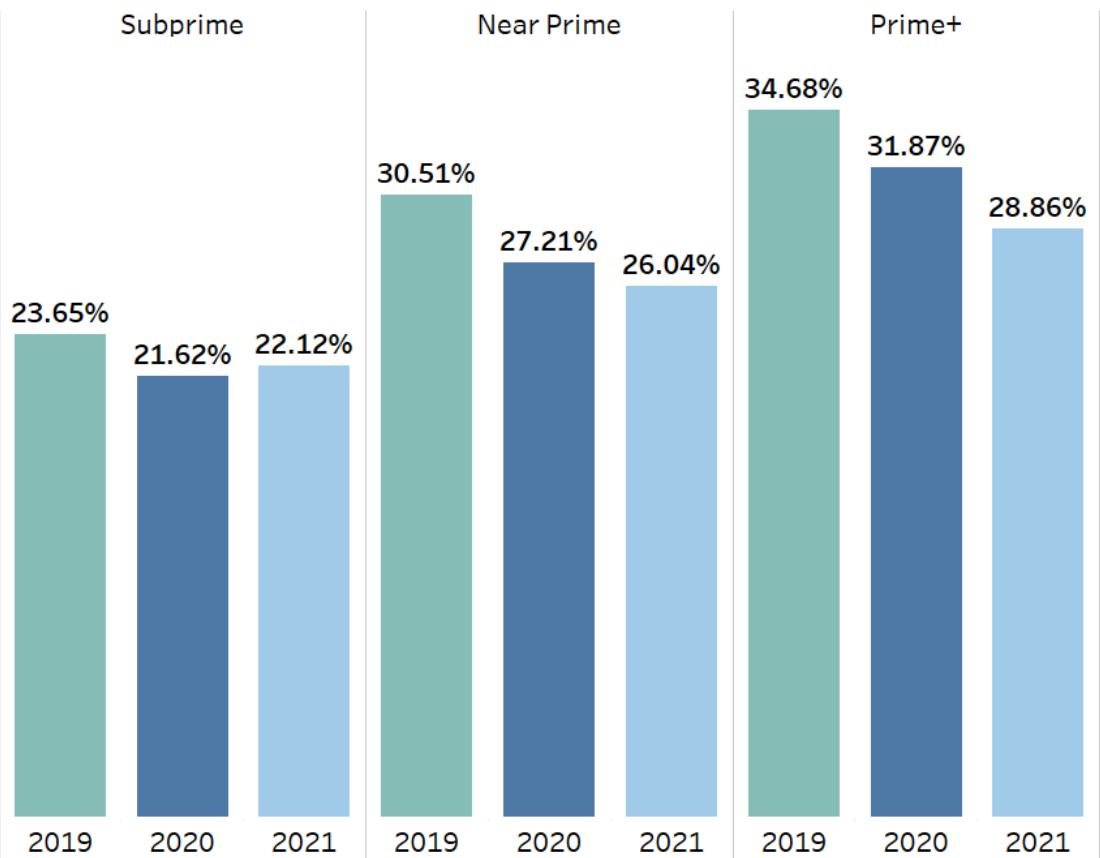


# Over half of leasing is 741+ while fewer consumers choose to lease

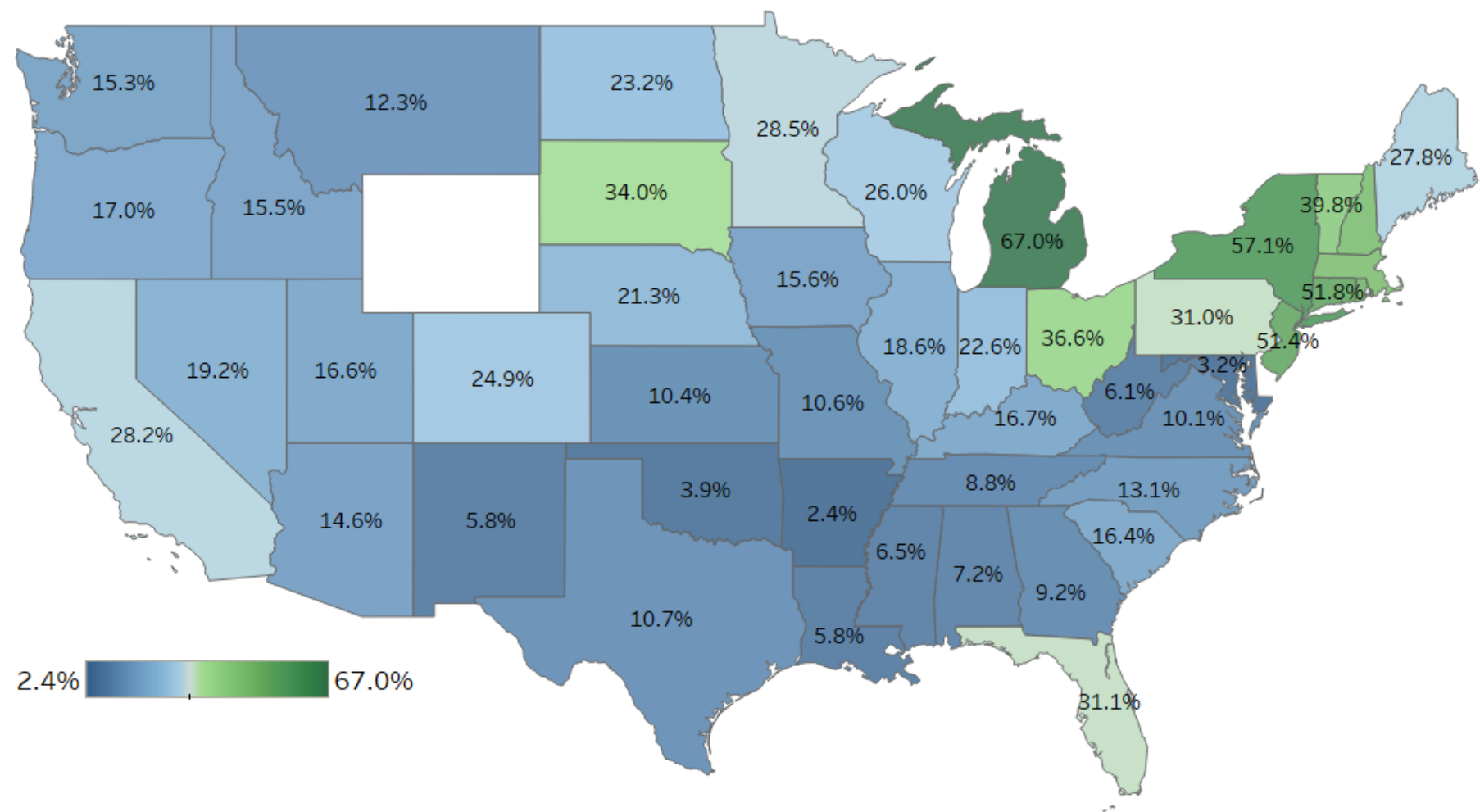
New lease risk distribution



% of borrowers choosing to lease



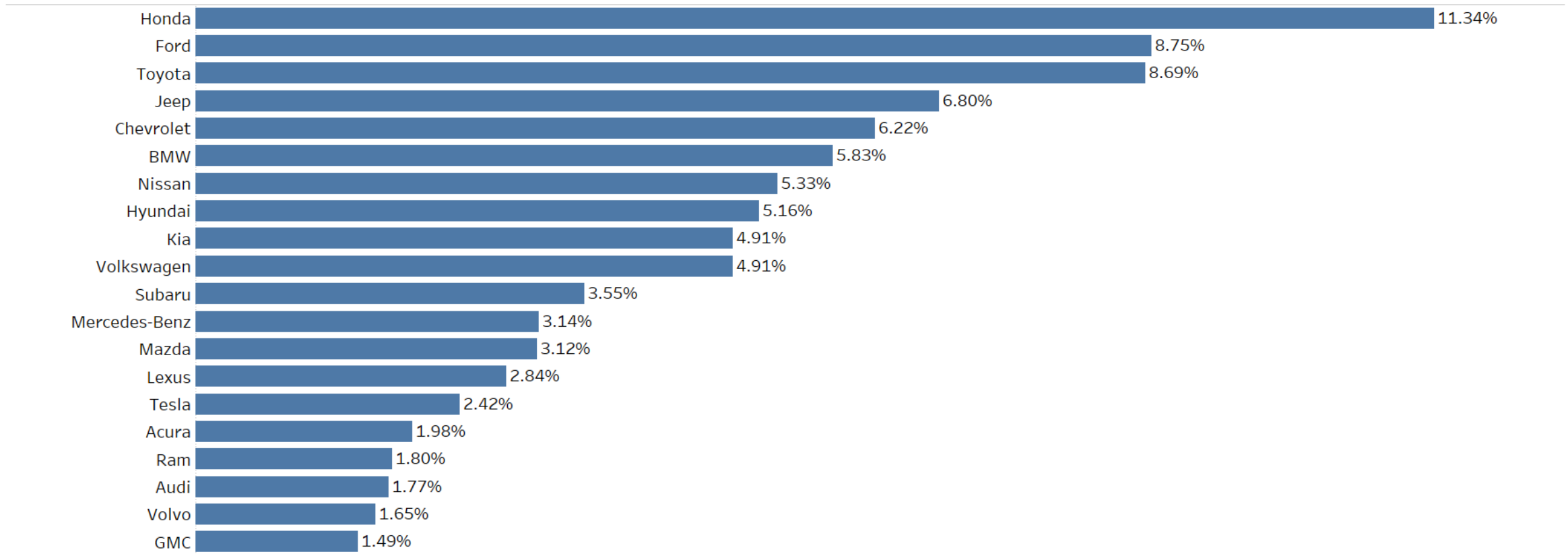
# Michigan and the NY lead with the greatest share of new state financing as lease





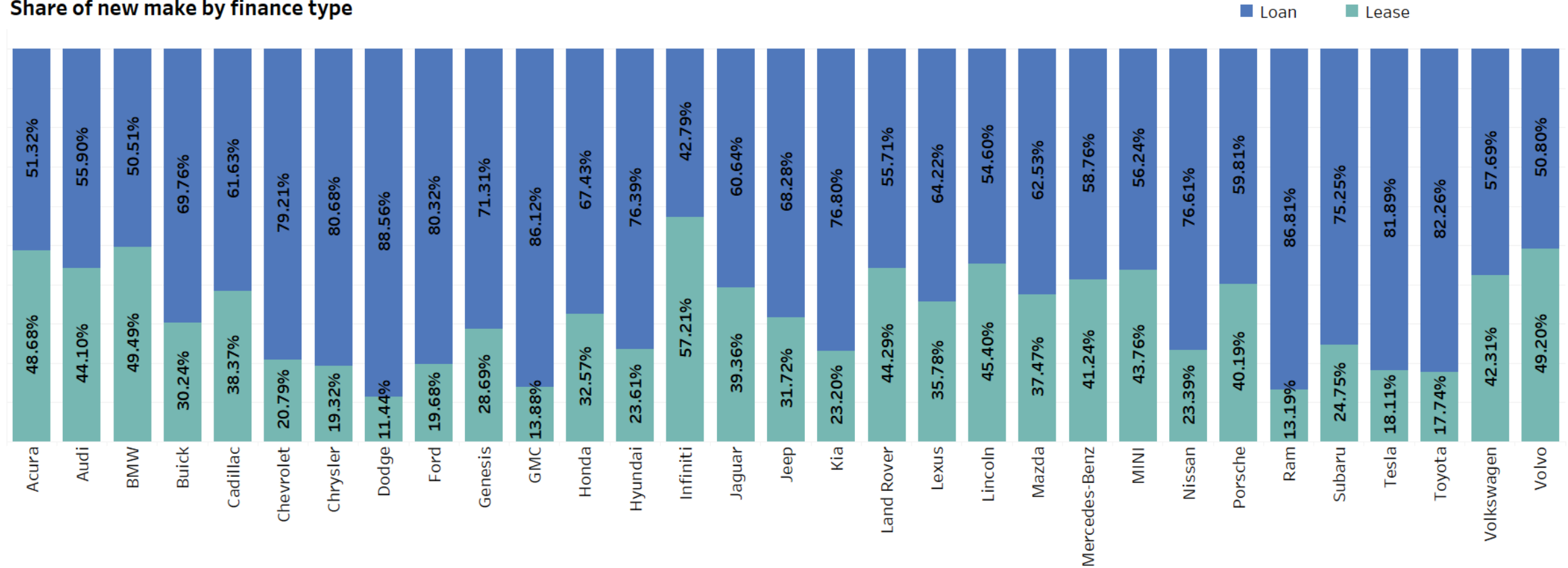
# Honda leads as the #1 leased make for Q4

## Top 20 leased new makes



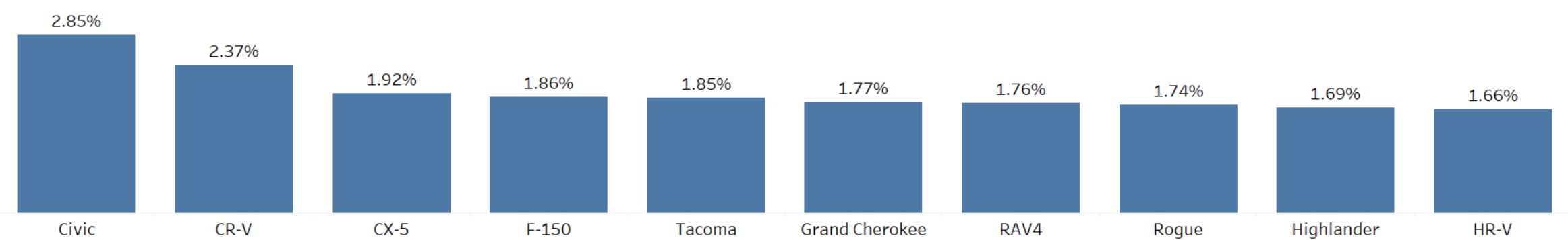
# Finance type by make

Share of new make by finance type

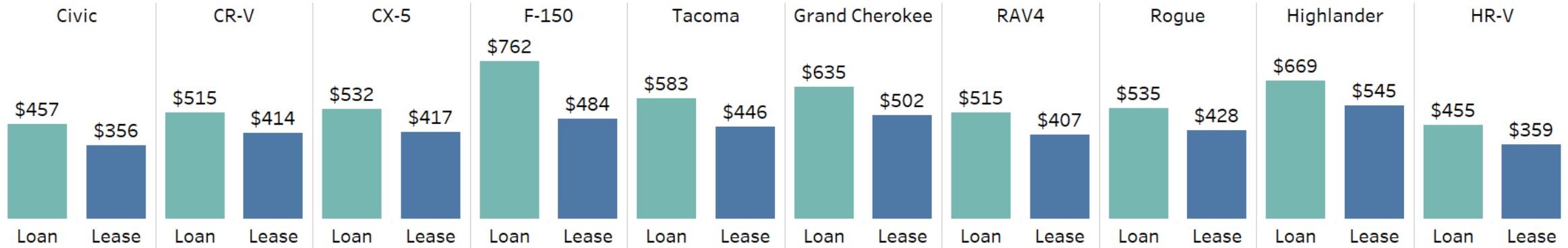


# Only one sedan among top leased vehicles; average payment difference of \$115

Top 10 leased models

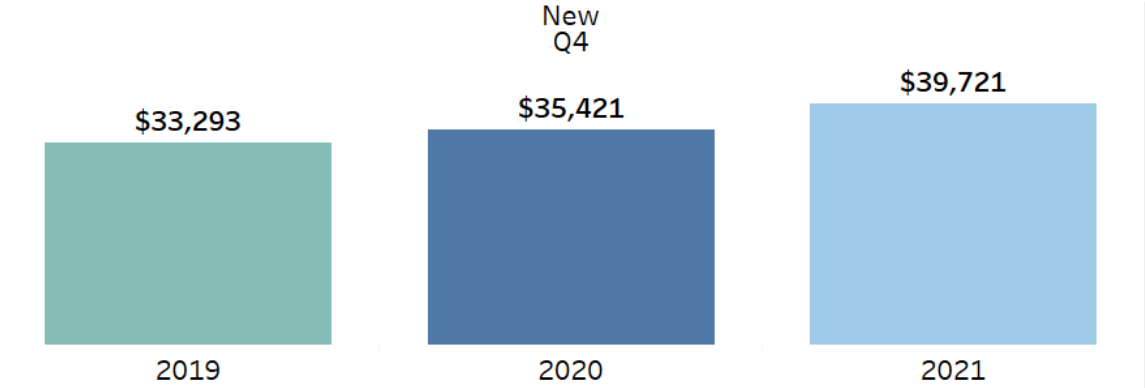


Average monthly payment on top leased models

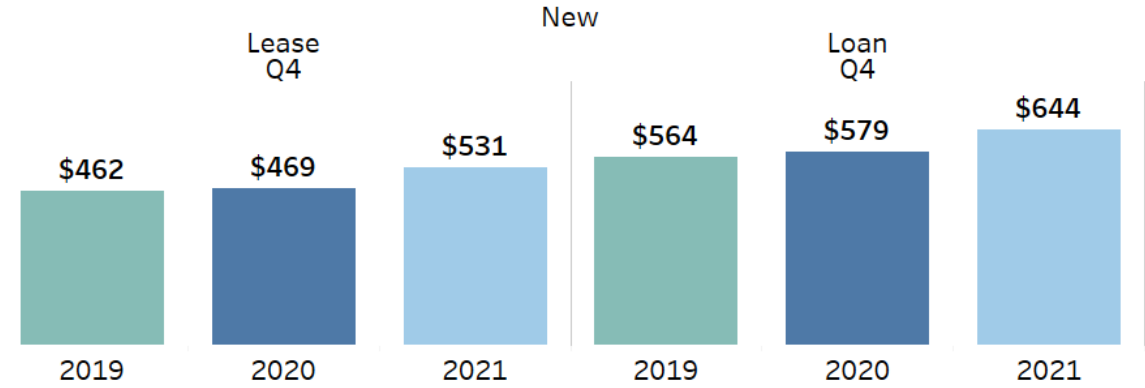


# New loan attribute summary: new loan amount up 12%

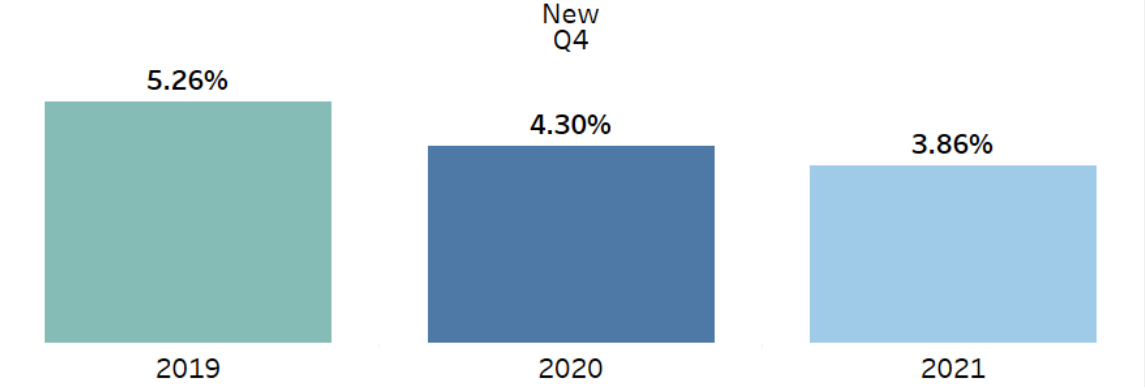
Average amount financed



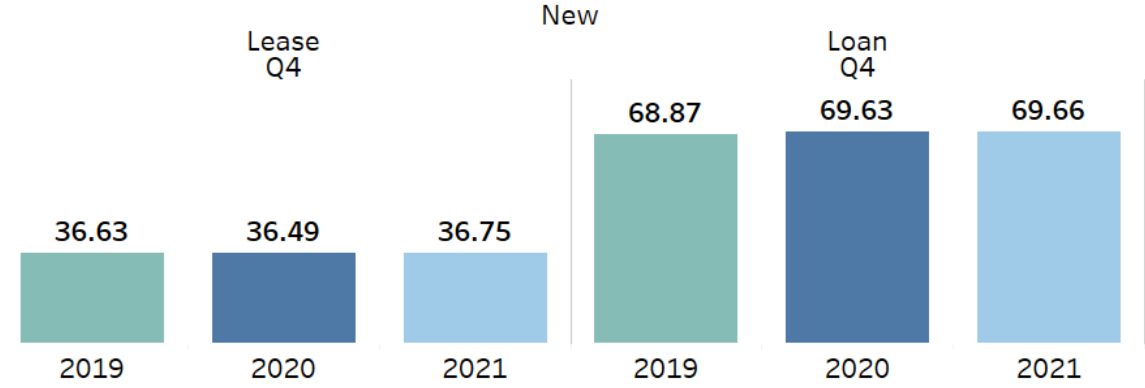
Average monthly payment



Average loan rate

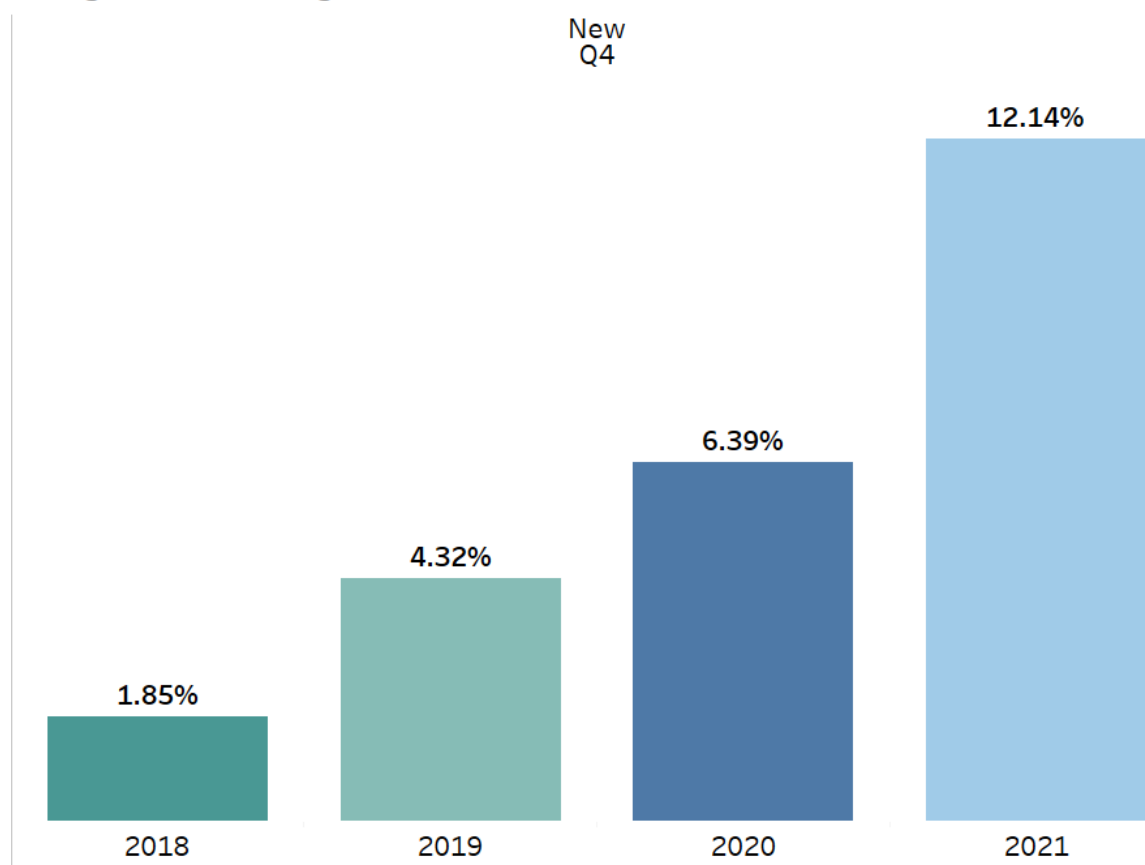


Average loan term

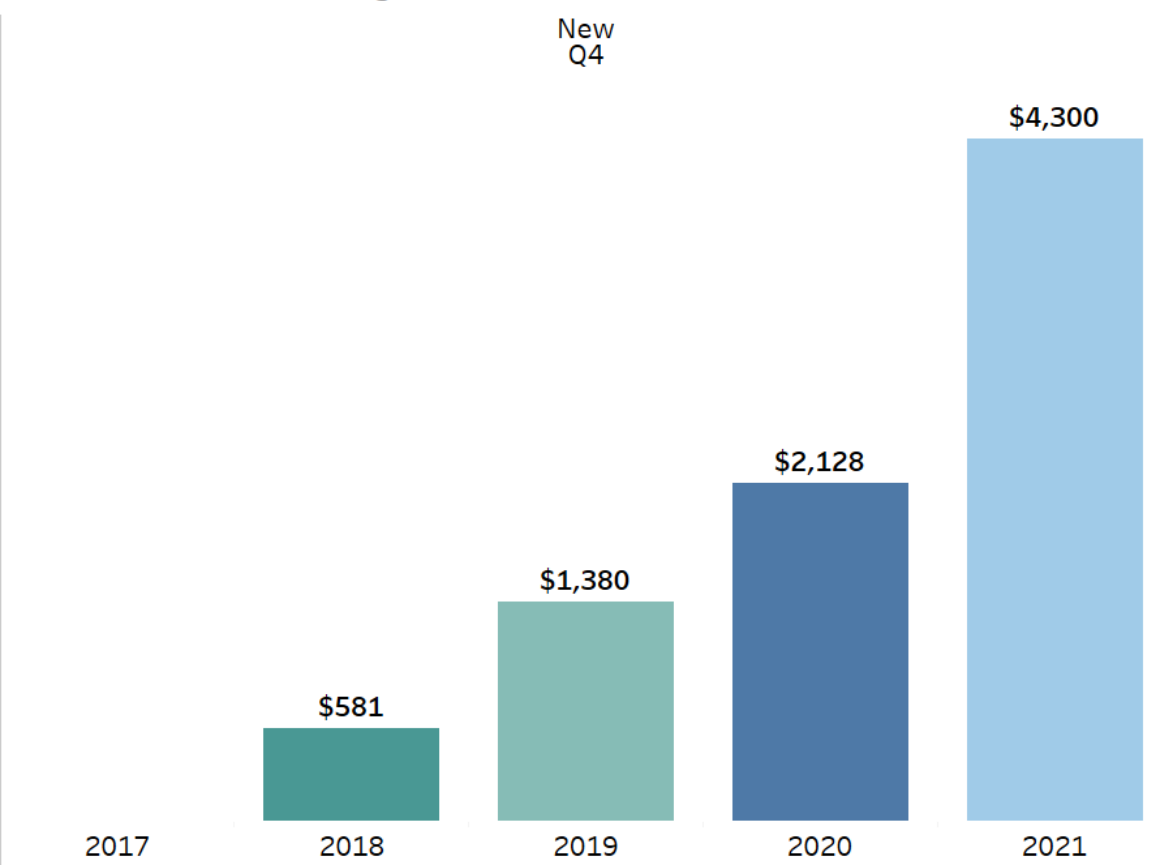


# Increase in average loan amounts is accelerating

YOY growth in average new loan amount



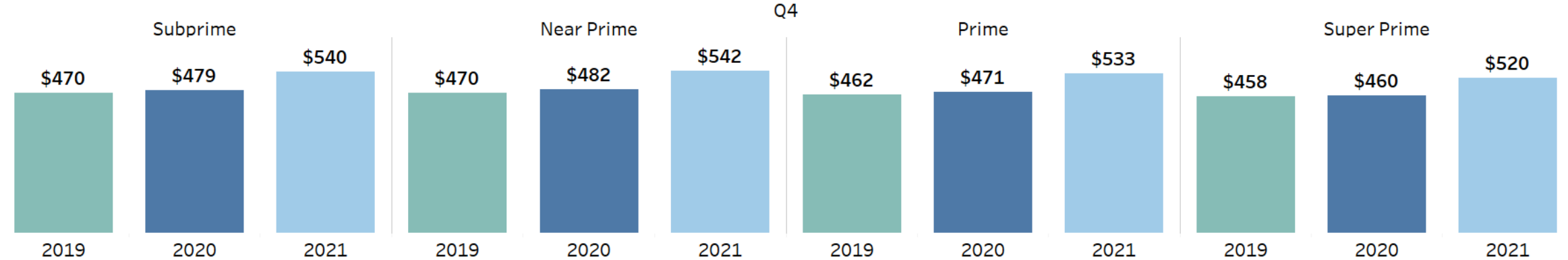
YOY \$ difference in average new loan amount



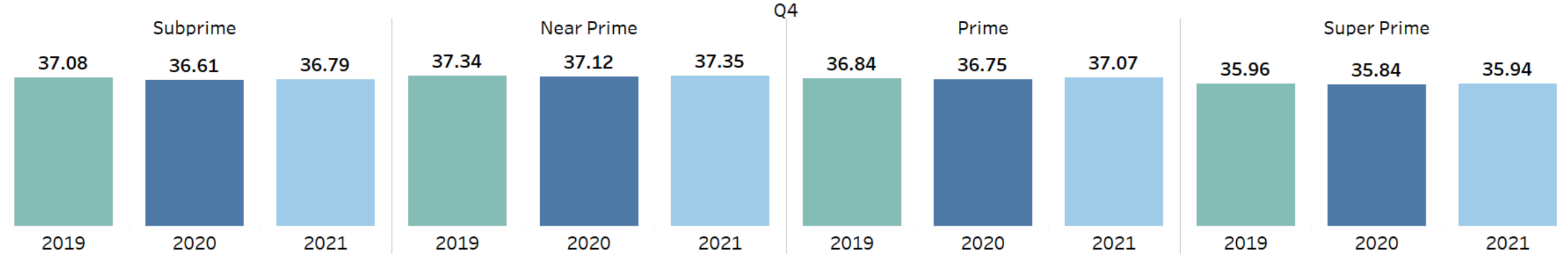


# Leasing payments and terms increase YOY

Average lease payment by risk tier

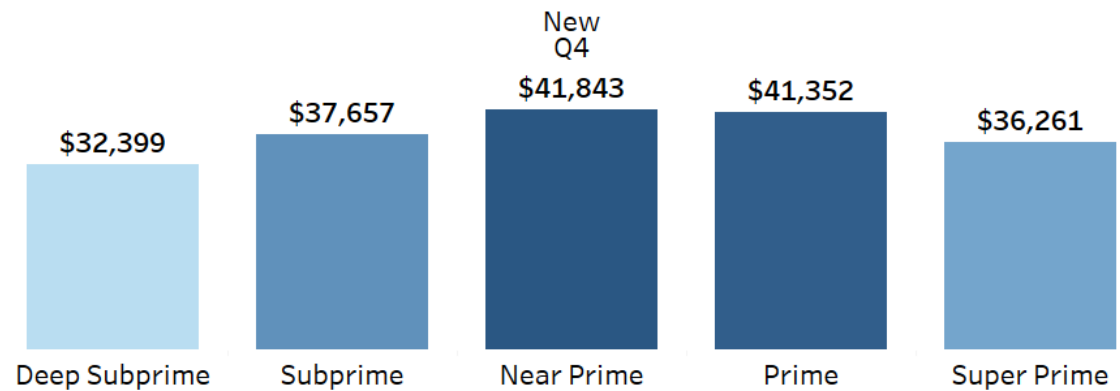


Average lease term by risk tier

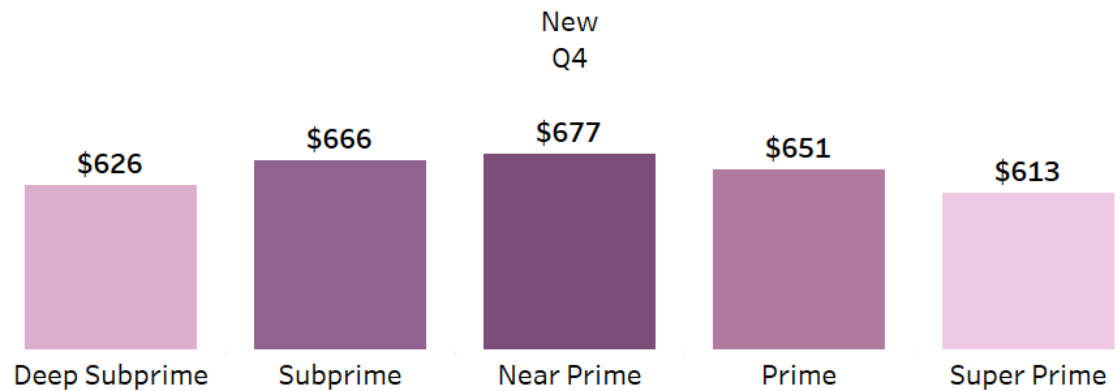


# Payments and loan amounts experience share YOY increases across all risk segments

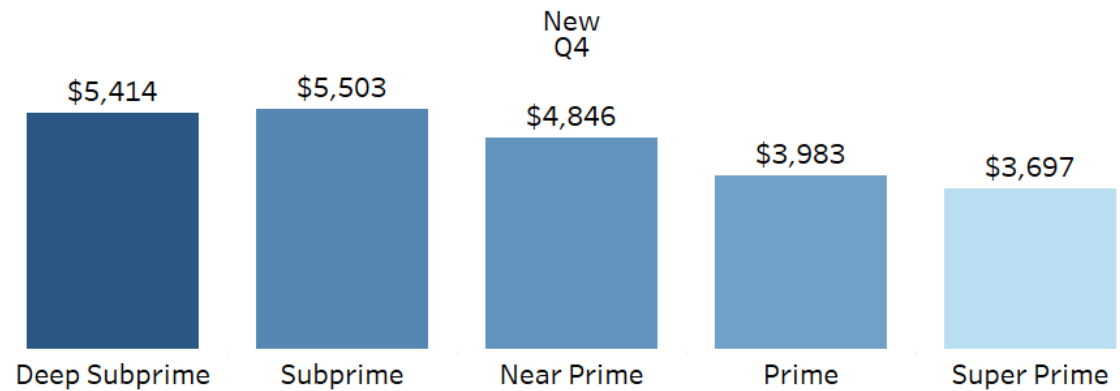
Average loan amount financed by risk



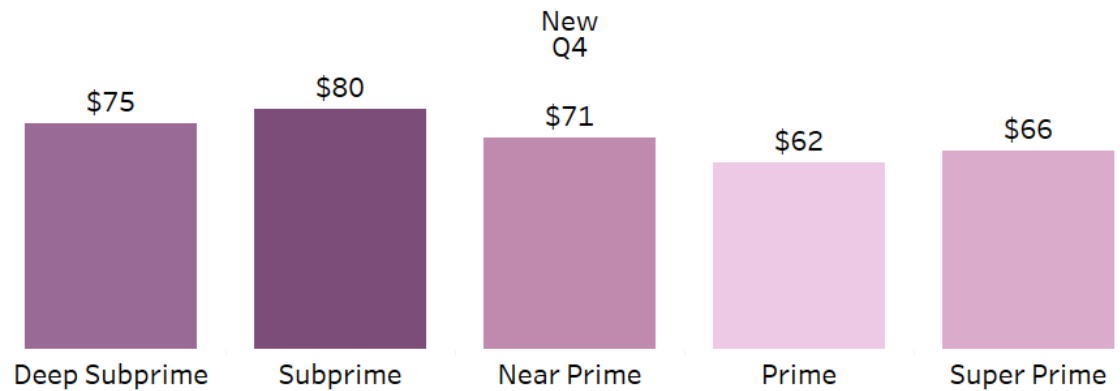
Average loan monthly payment by risk



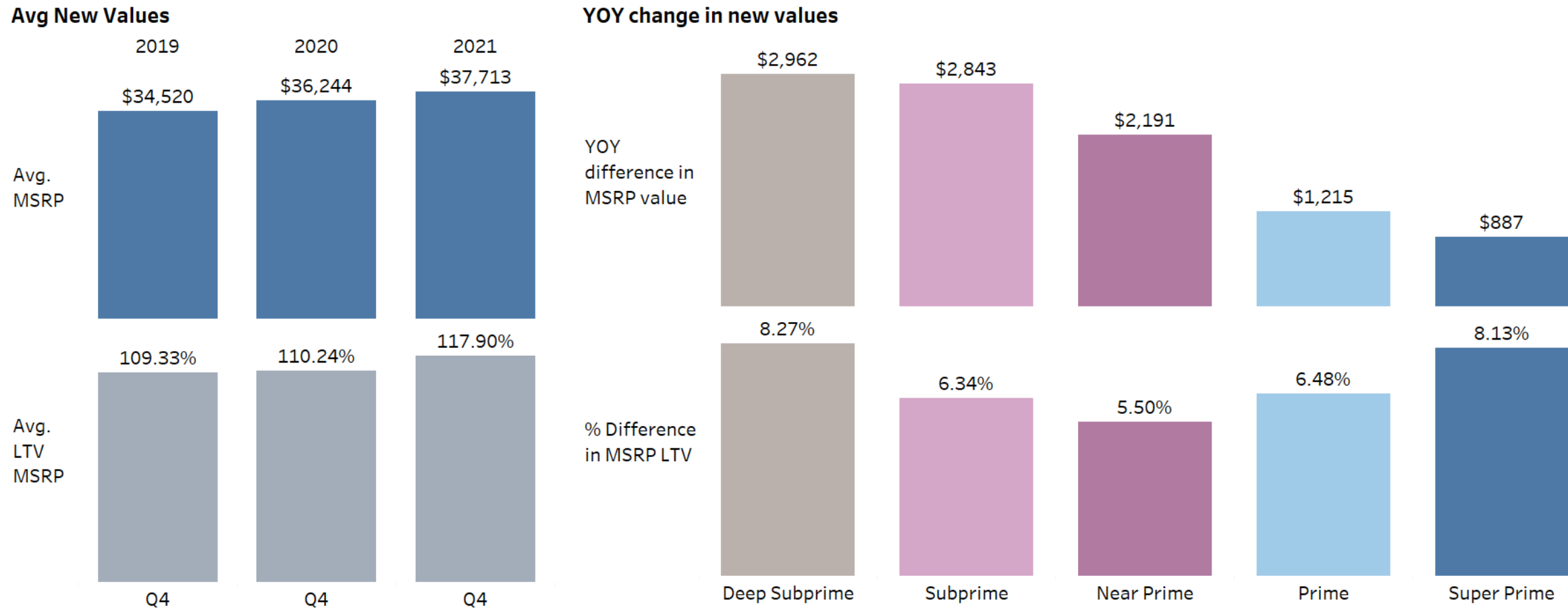
Year-over-year change in loan amount



Year-over-year change in monthly payment

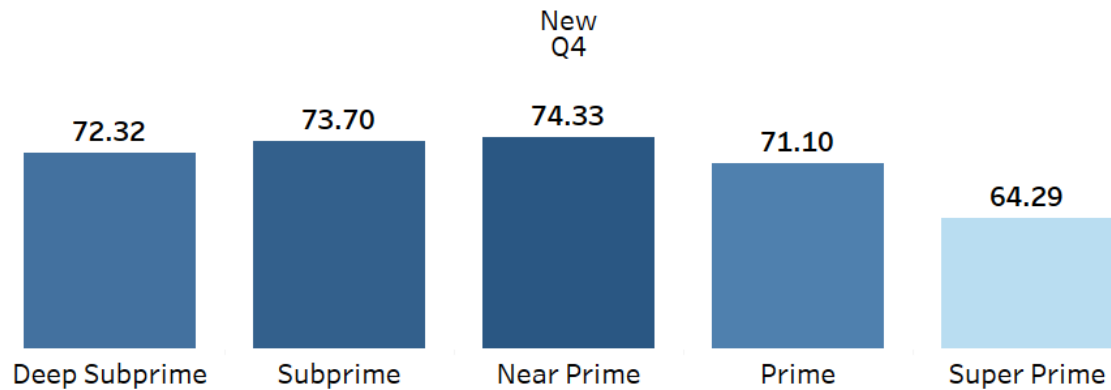


# New values and LTVs increase YOY

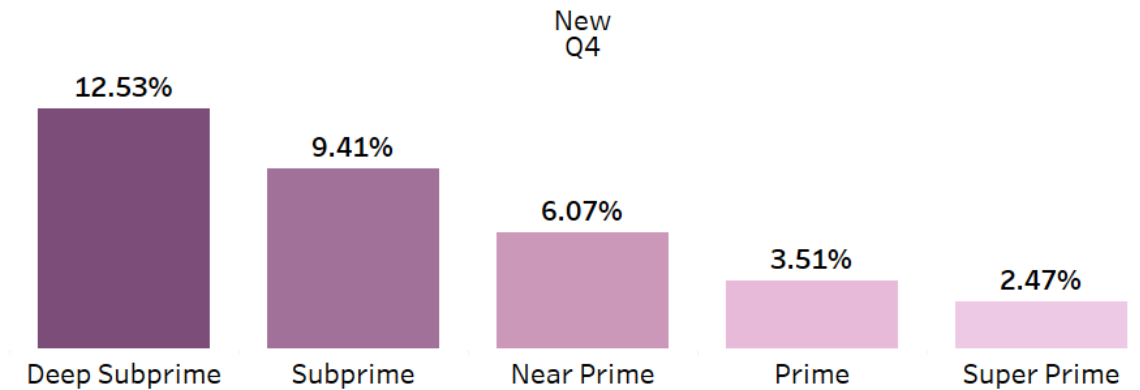


# Terms decrease in super prime while rates remain low

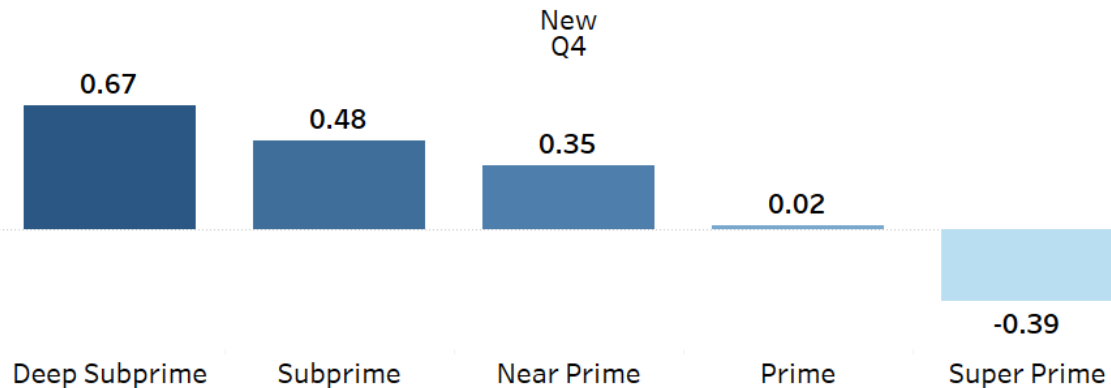
Average loan term by risk



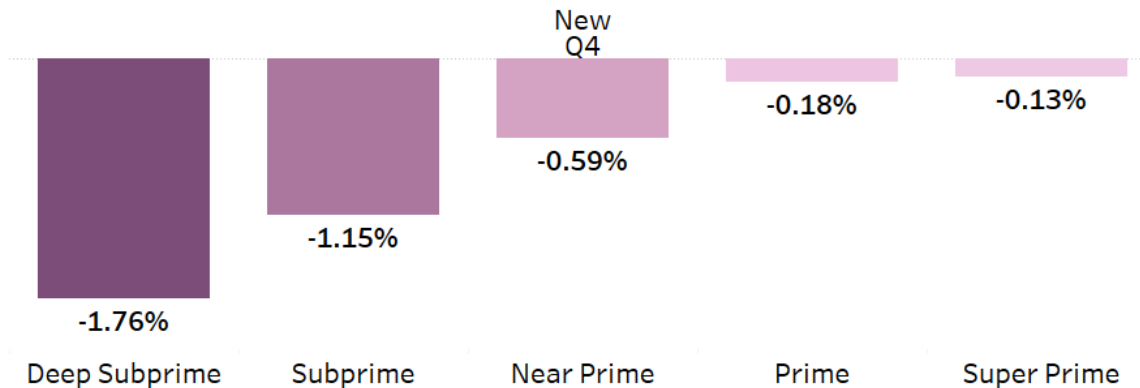
Average loan rate by risk



Year-over-year change in loan term

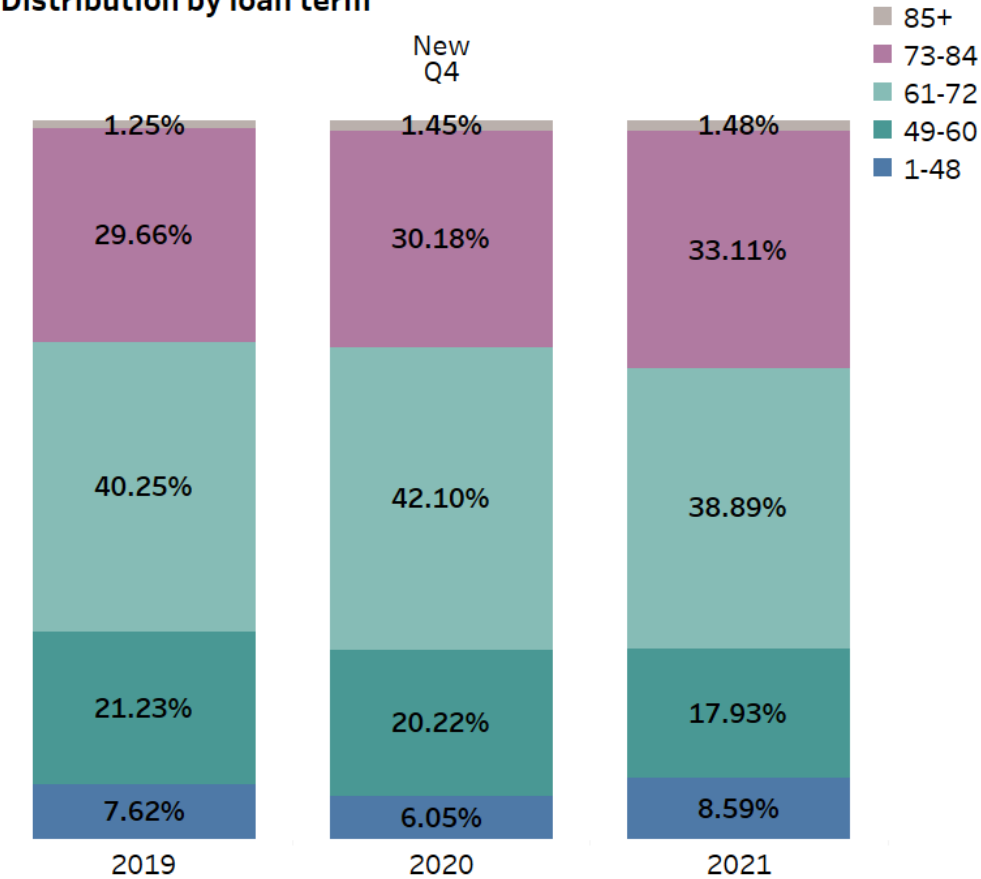


Year-over-year change in rate

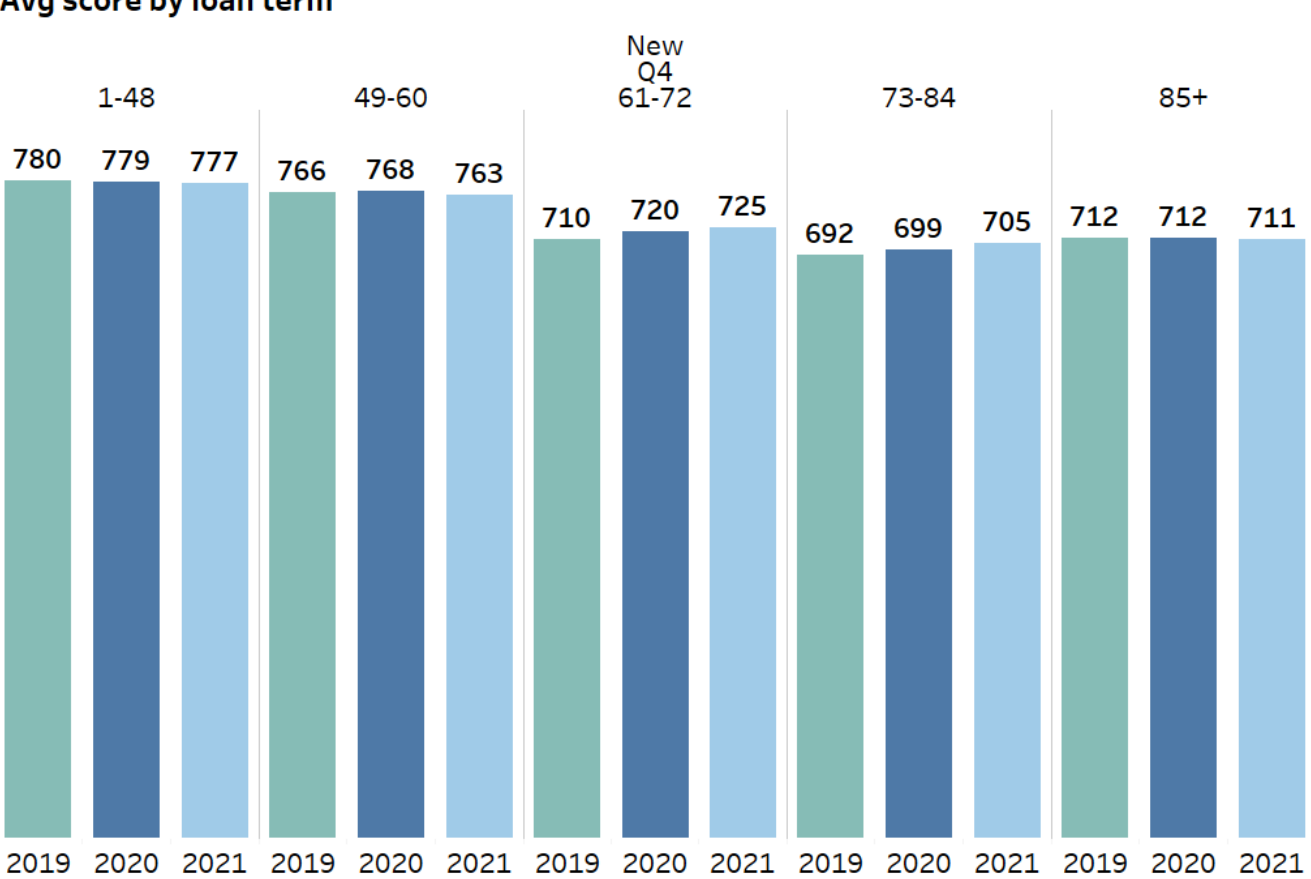


# Growth occurring in 73+/month loans while scores increase for most longer-term loans

Distribution by loan term



Avg score by loan term





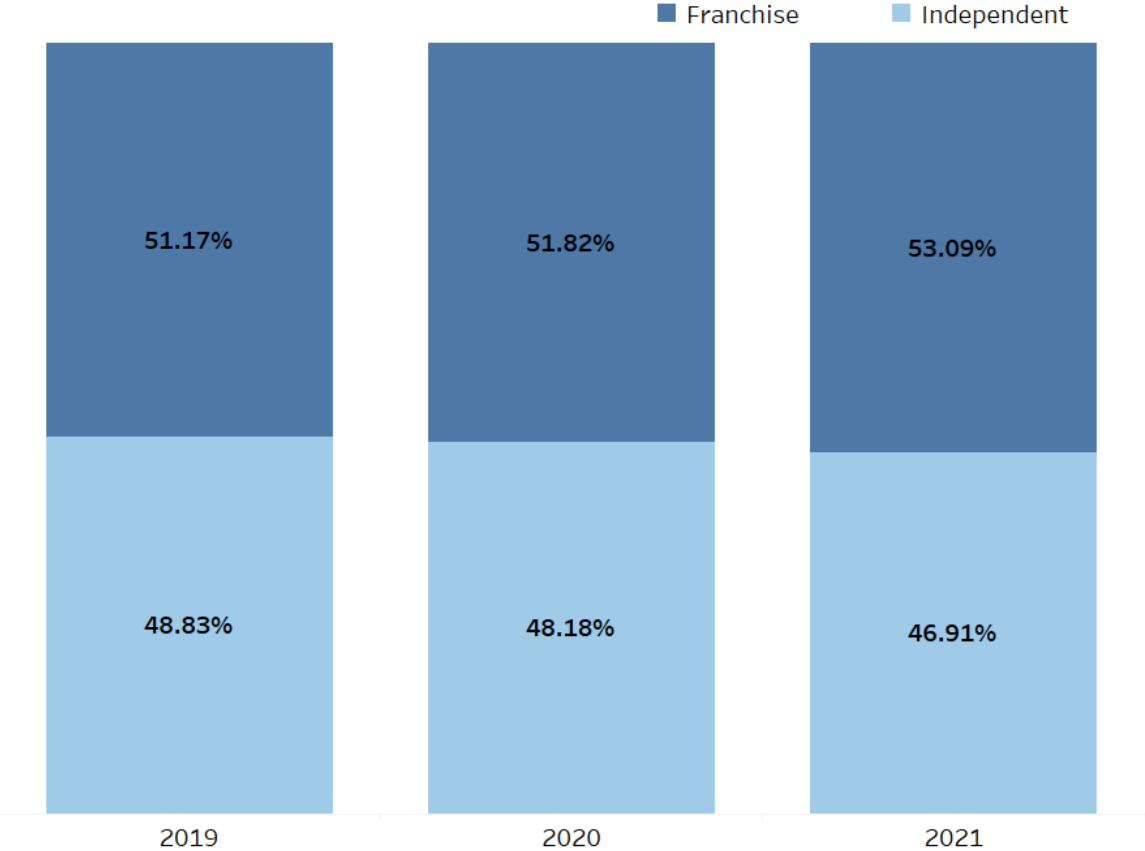
# Used financing

A look at used automotive loan trends

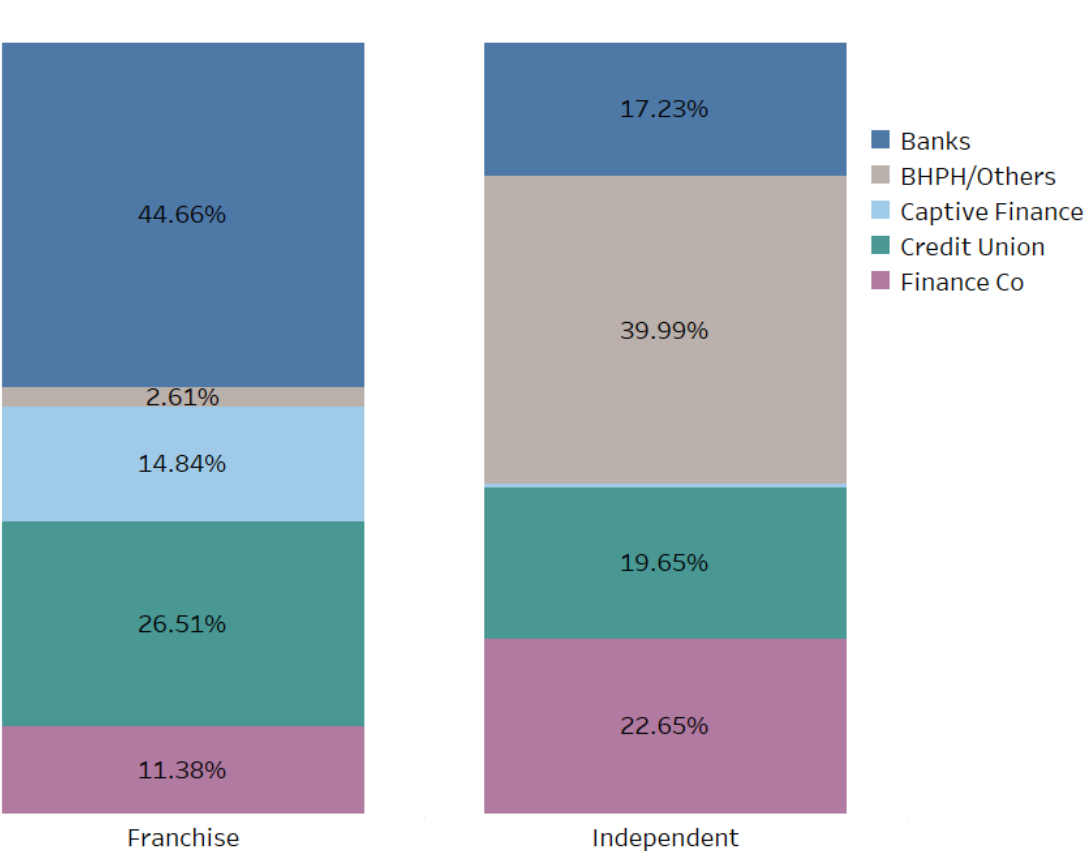


# Dealer type snapshot: Franchise Dealers gain share YOY

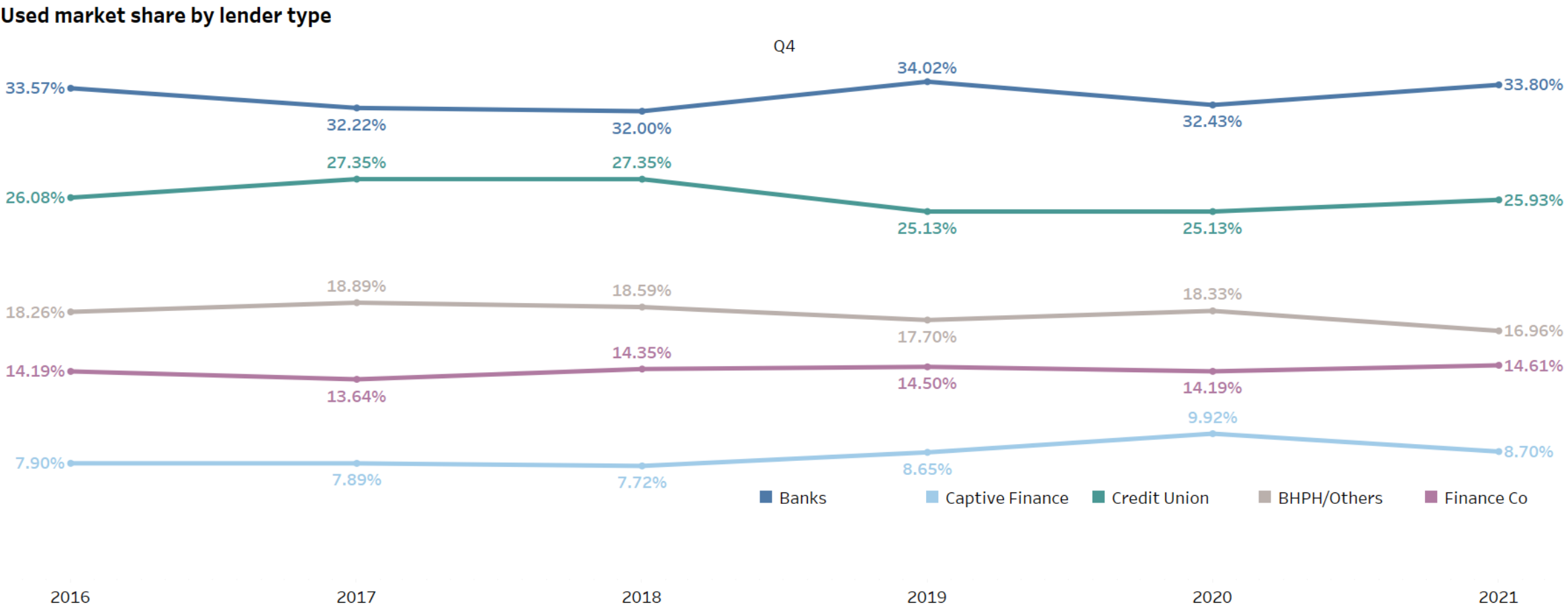
Used transactions by Dealer type



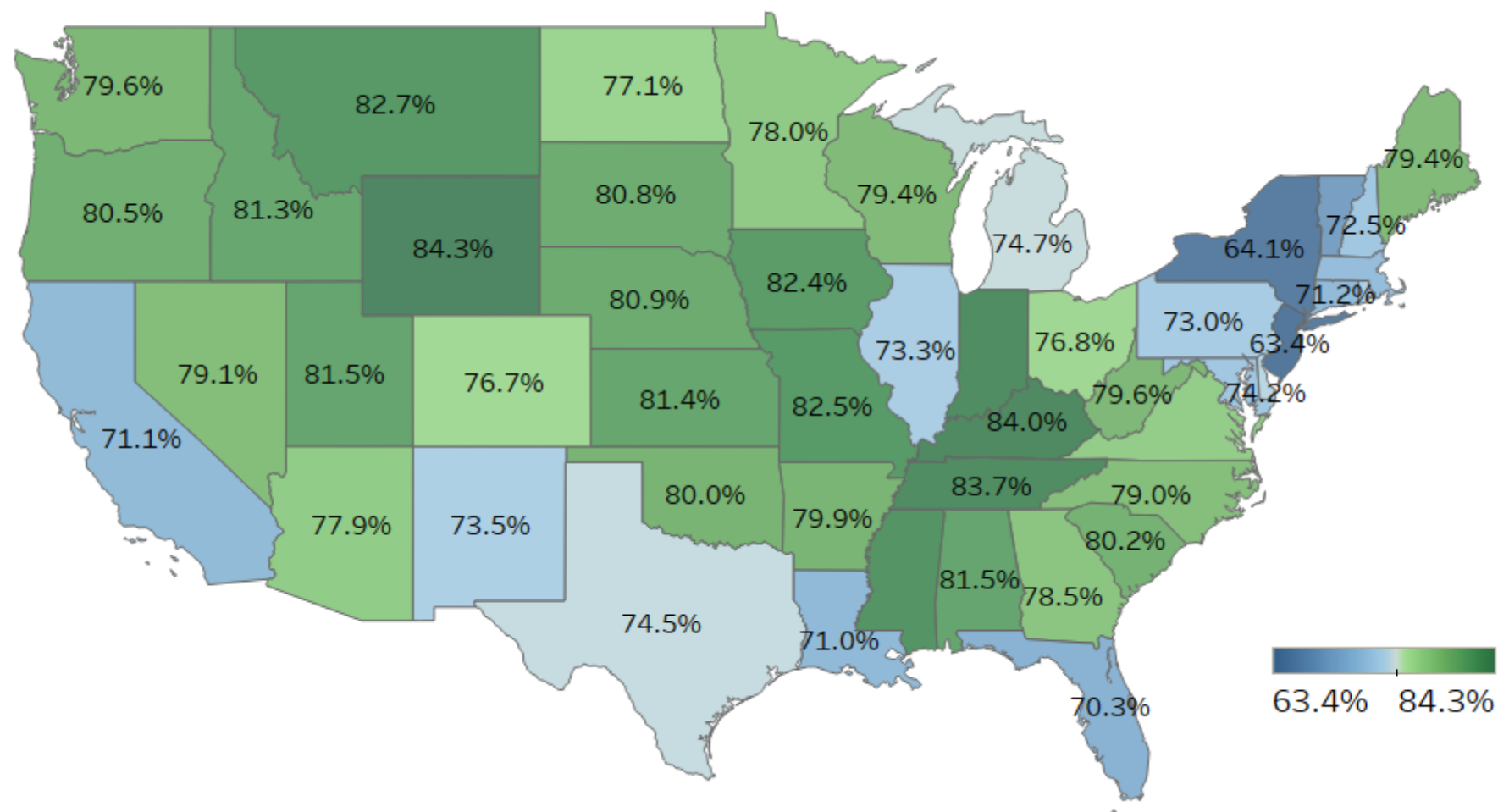
Used loans by lender type and Dealer



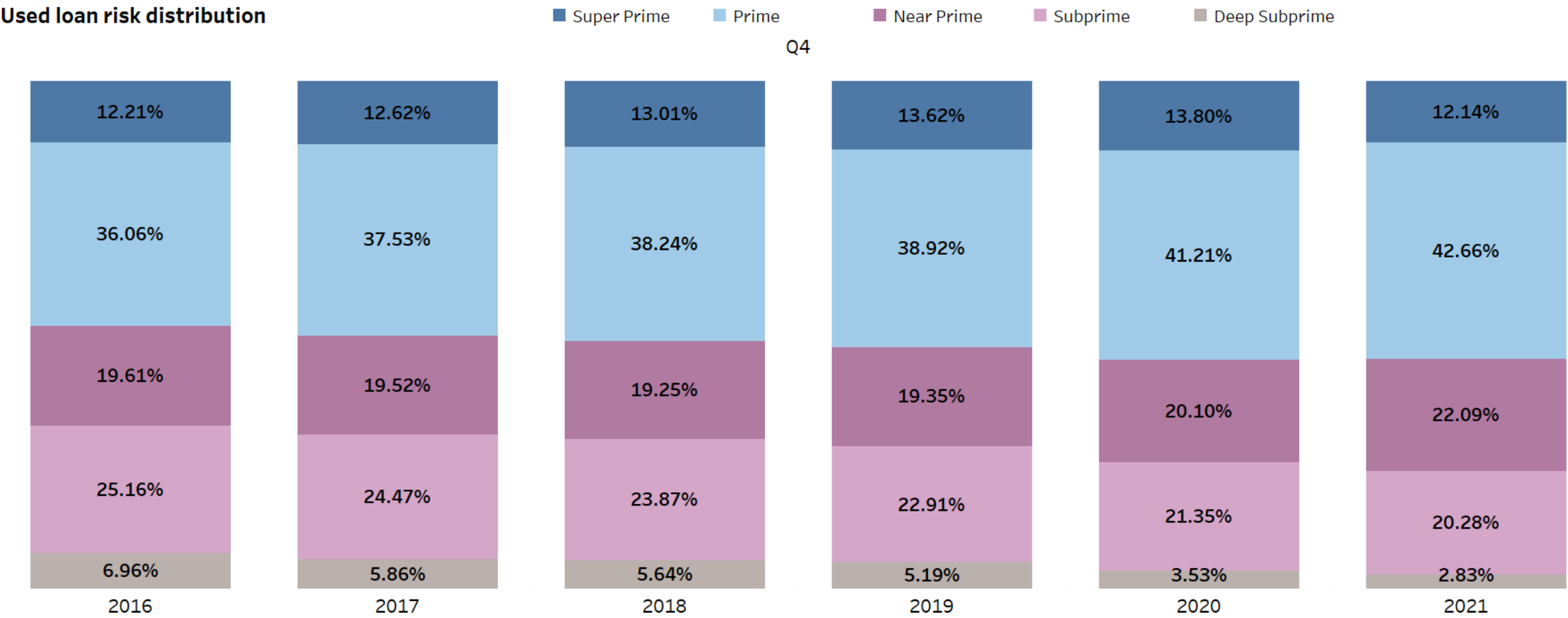
# Banks, credit unions and finance companies increase share



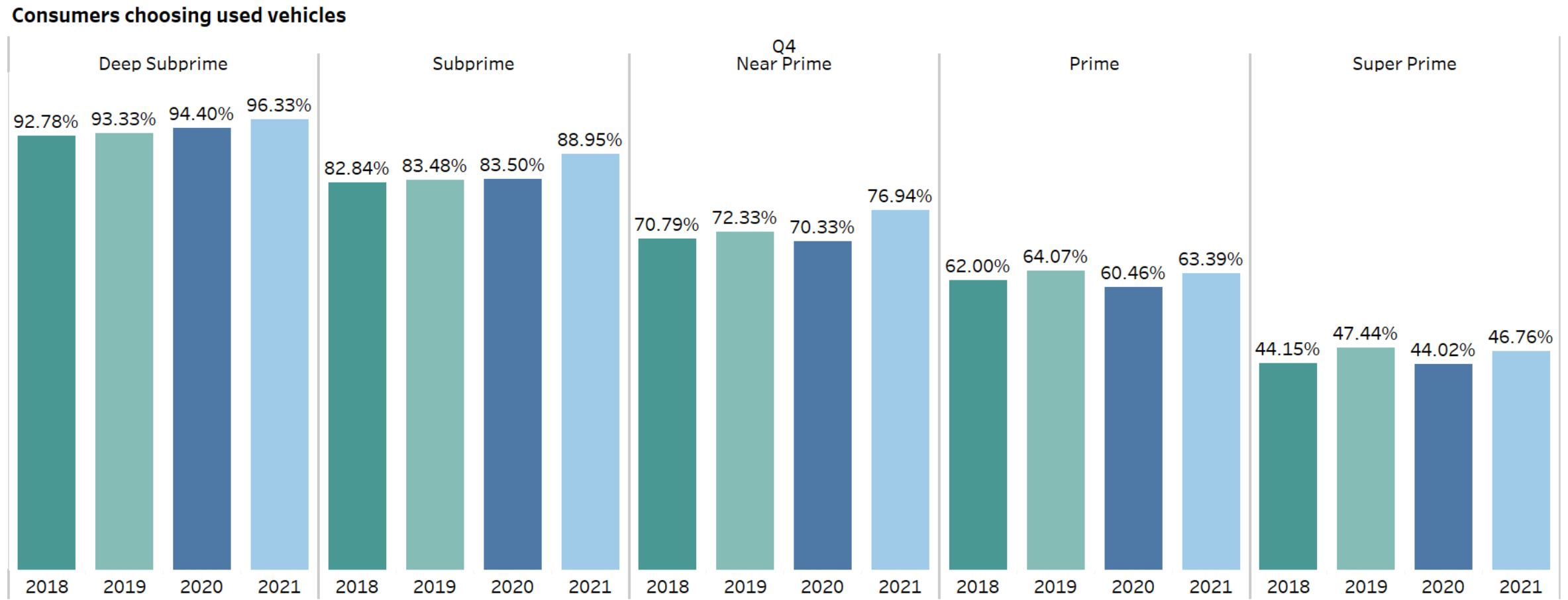
KY (84.3%) leads with the largest percentage of loans for used cars; DE (63.4%) has the lowest



# Deep subprime & subprime used loans remain near record lows with prime+ nearly 55% of used loans

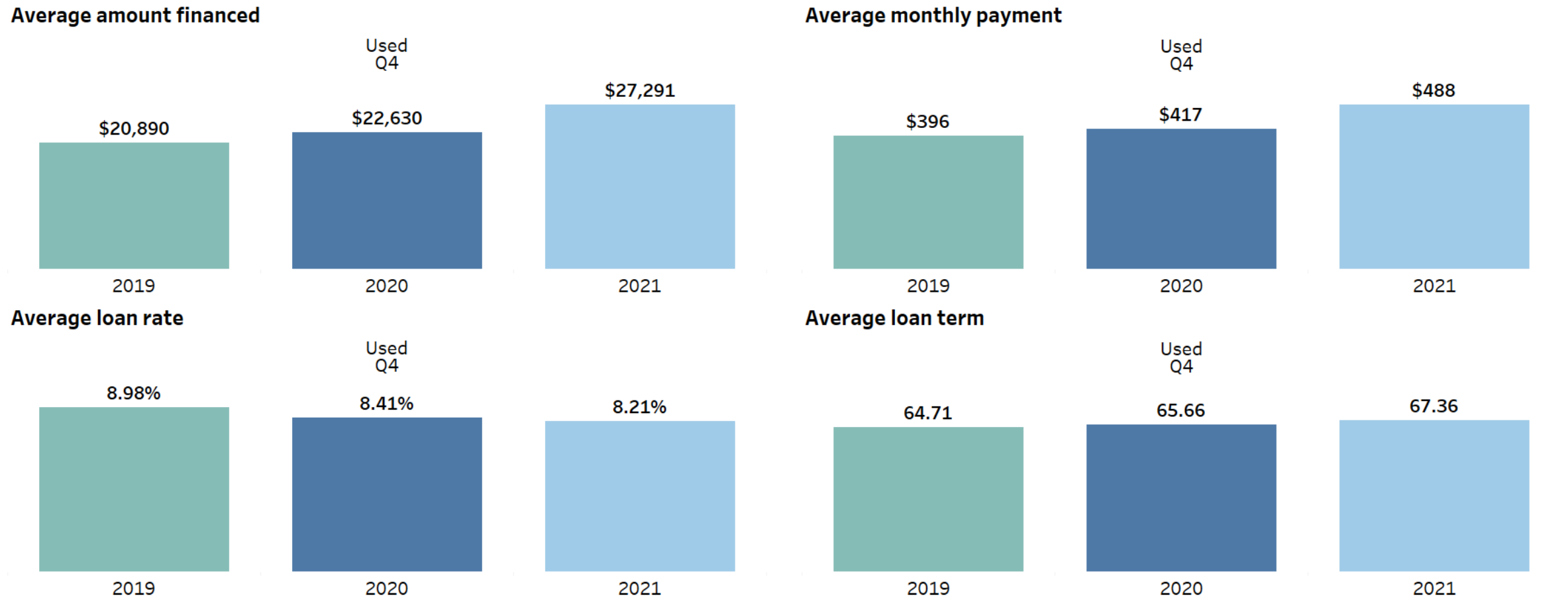


# Consumers shifting back to financing used vehicles at increasing rates



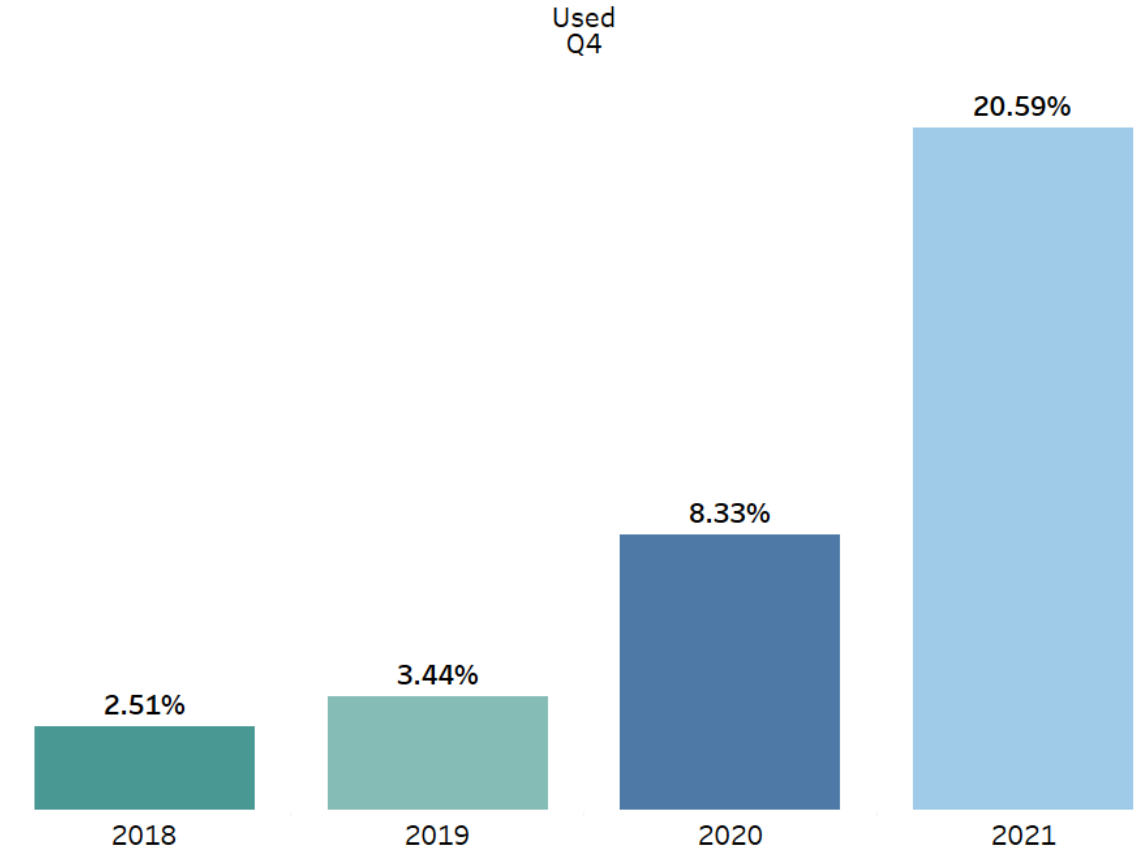


# Used loan attribute summary: loan amounts and payments continue to soar

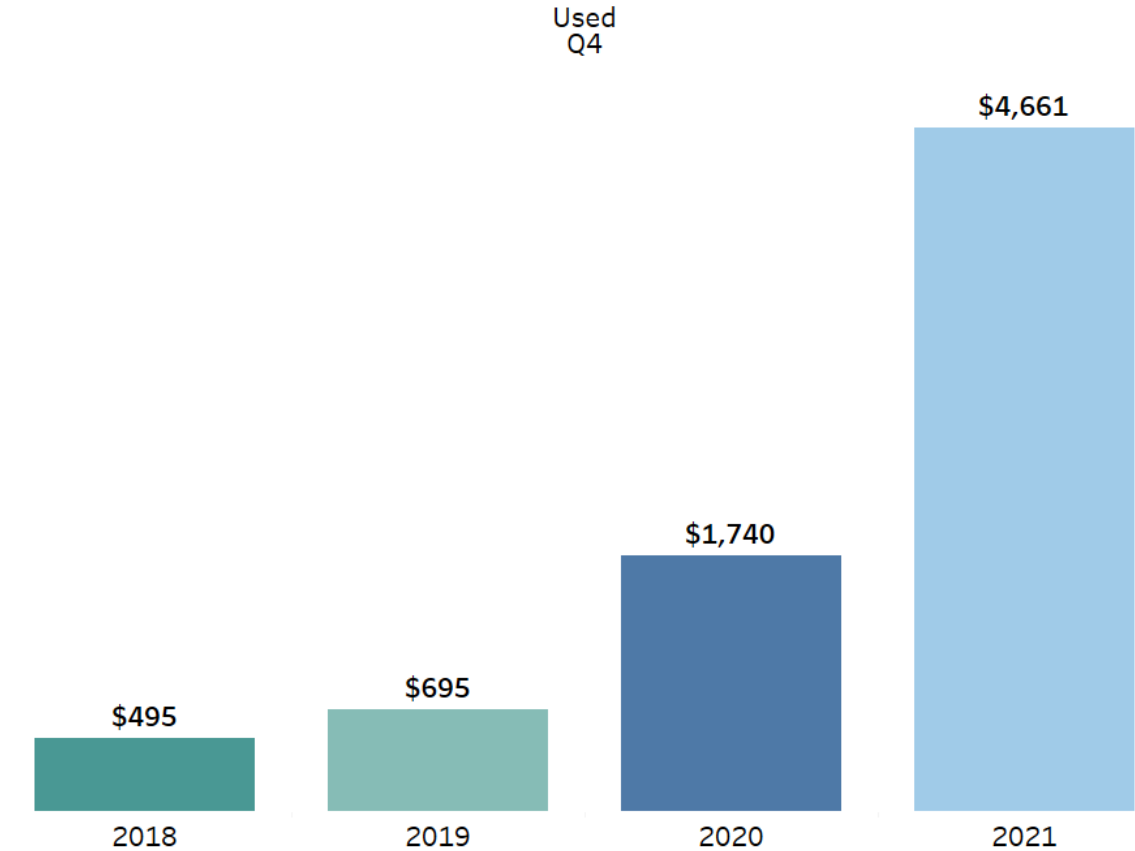


# YOY increase surge for used loan amounts

YOY growth in average used loan amount



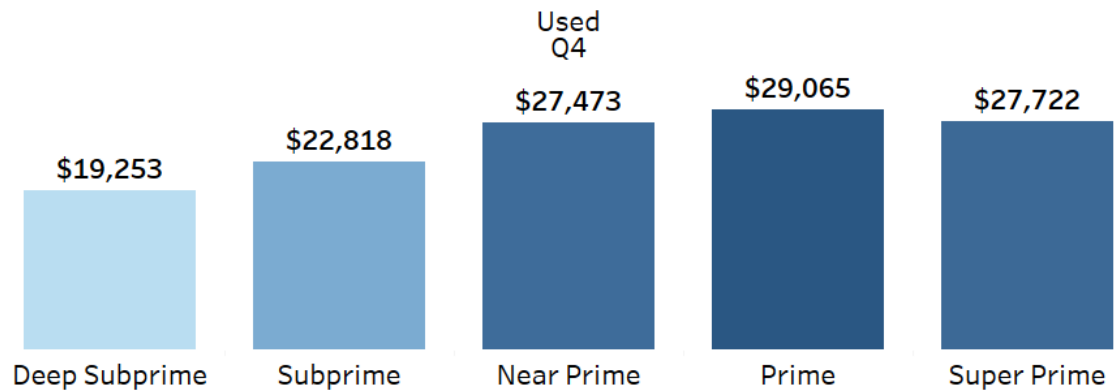
YOY \$ difference in average used loan amount



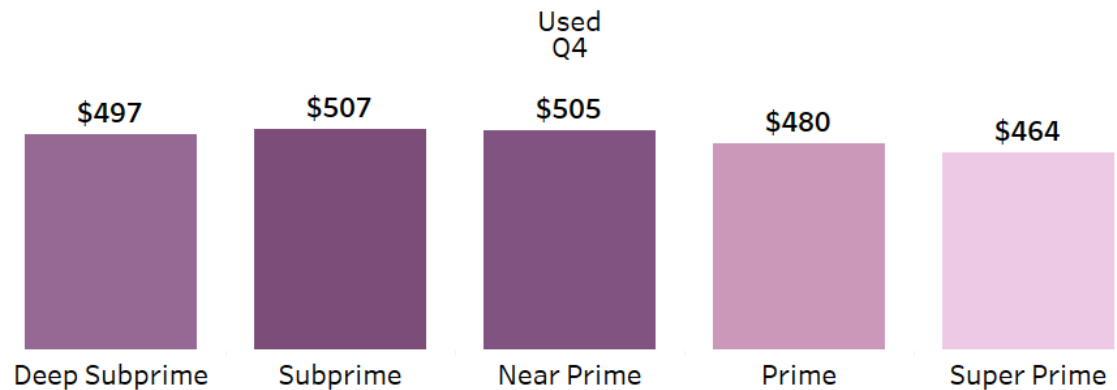


# Used loan amounts and payments increase across all risk segments

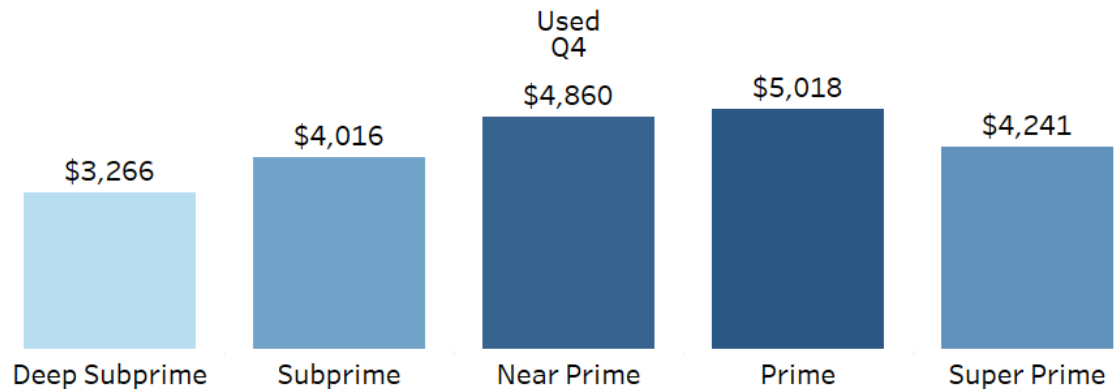
Average loan amount financed by risk



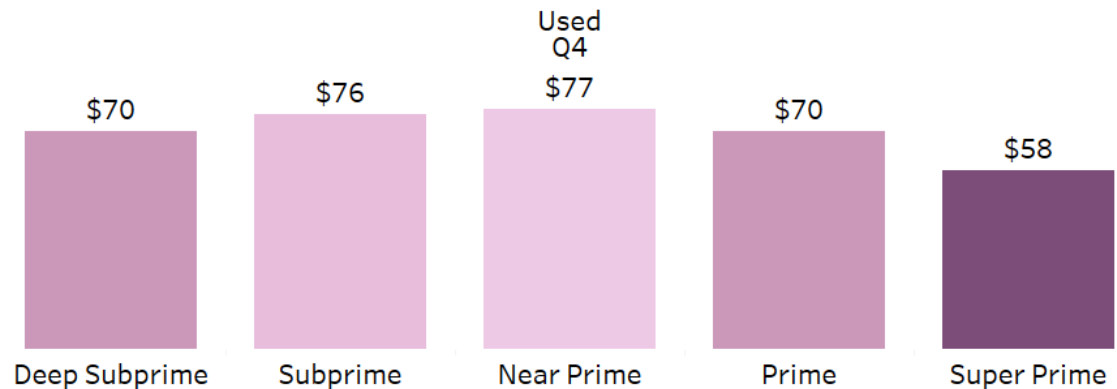
Average loan monthly payment by risk



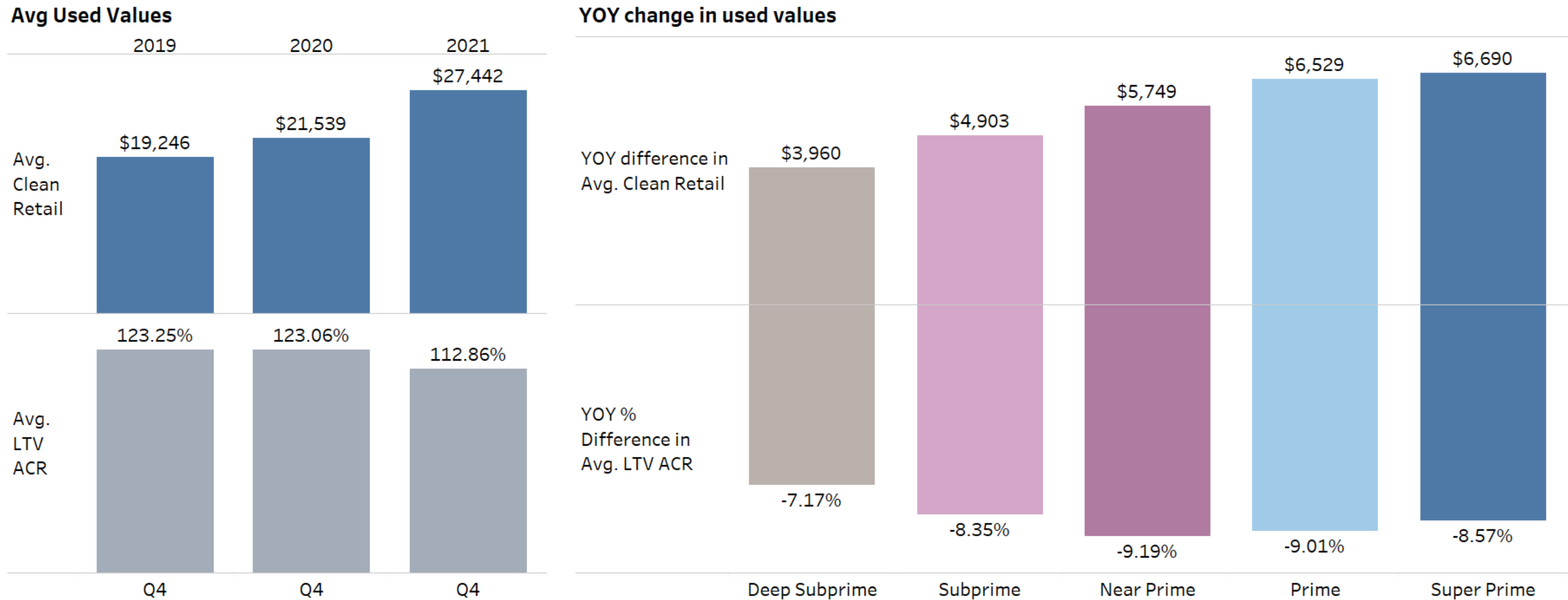
Year-over-year change in loan amount



Year-over-year change in monthly payment

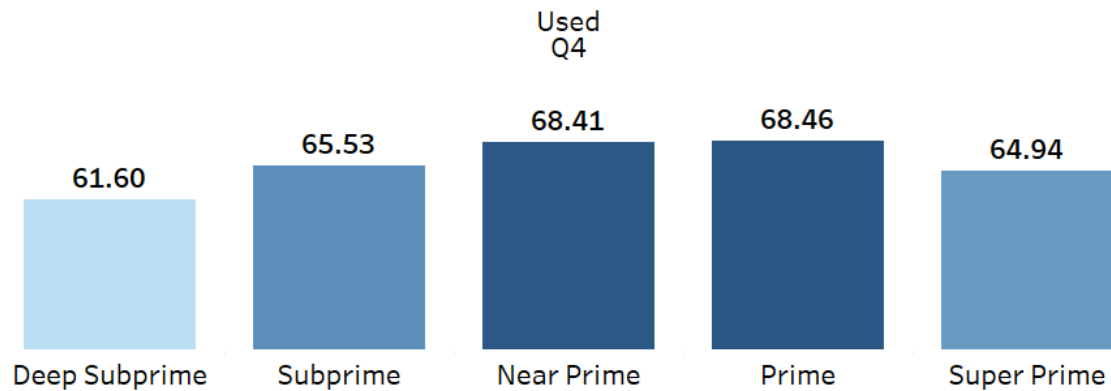


# Values jump and LTVs drop significantly on used loans

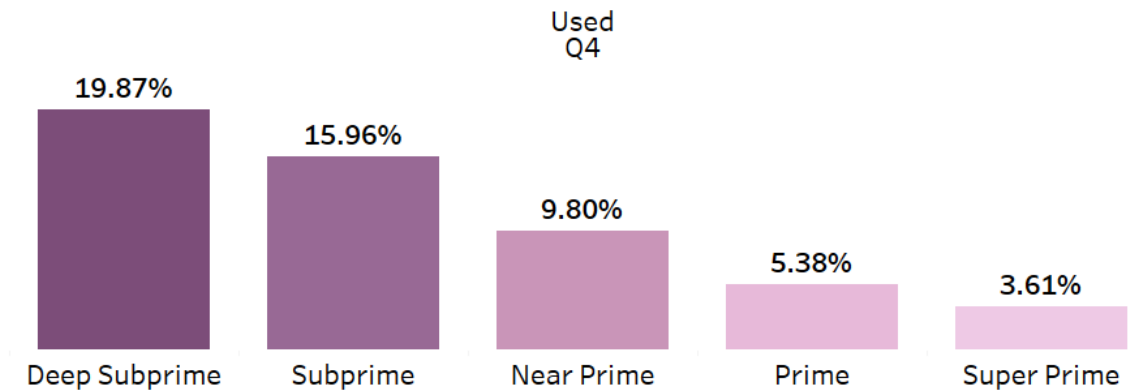


# Terms increase while rates drop for all risk tiers

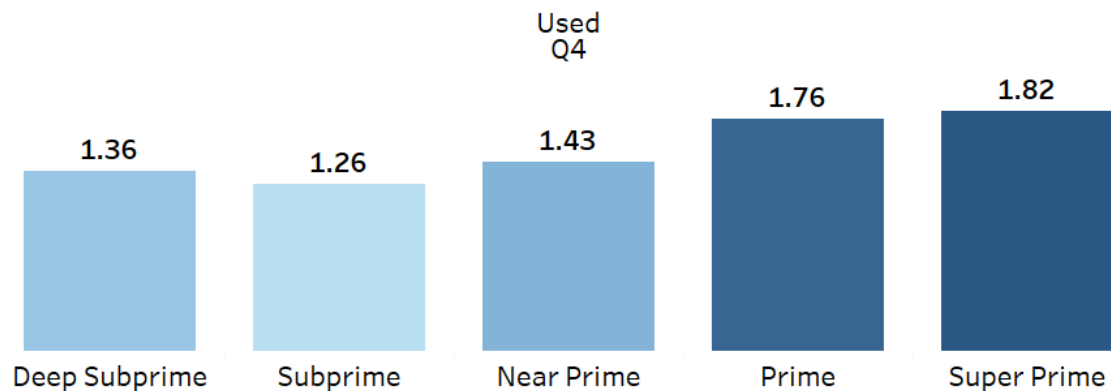
Average loan term by risk



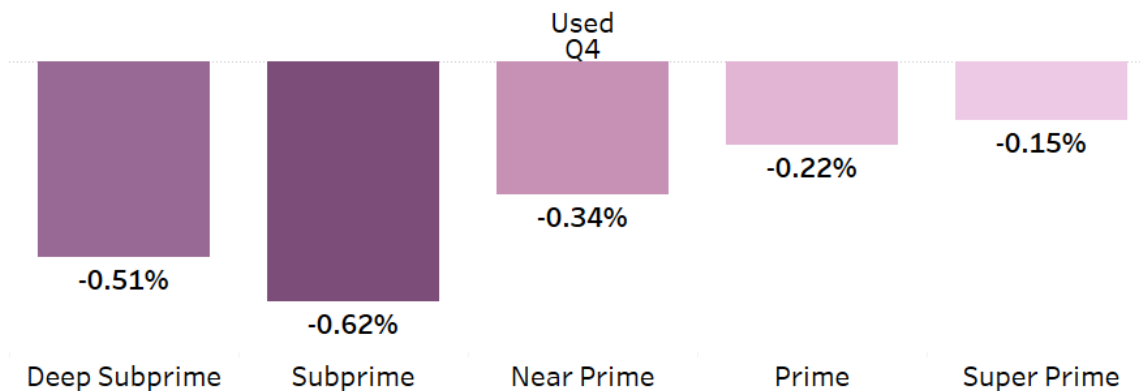
Average loan rate by risk



Year-over-year change in loan term

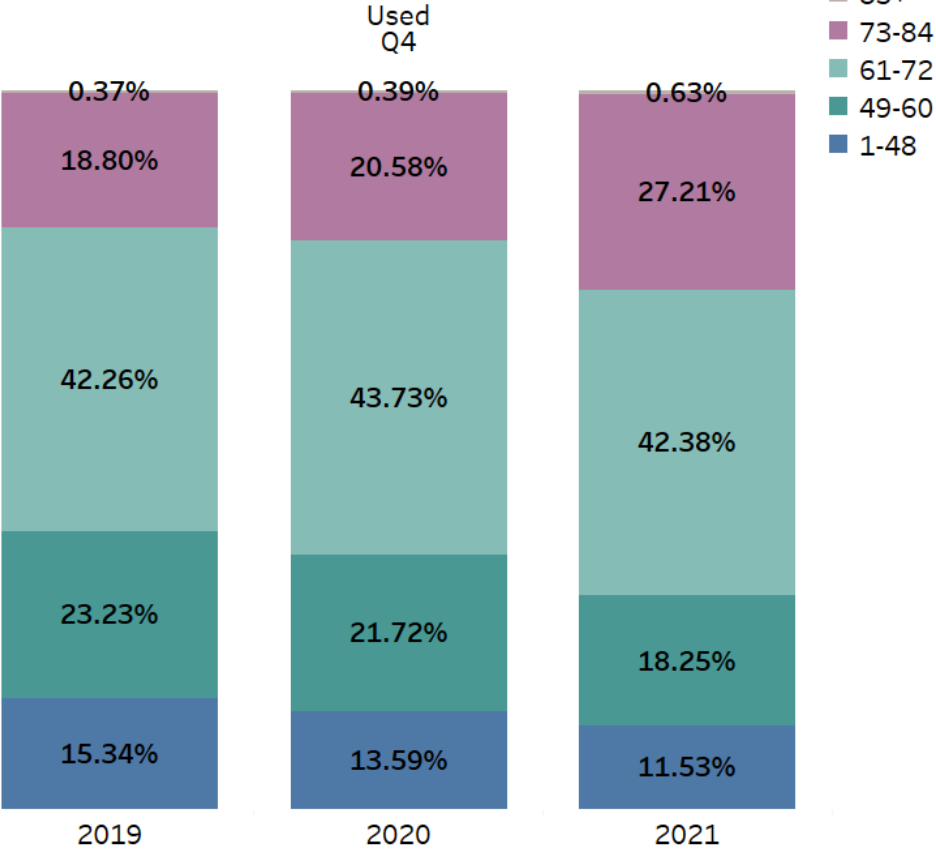


Year-over-year change in rate

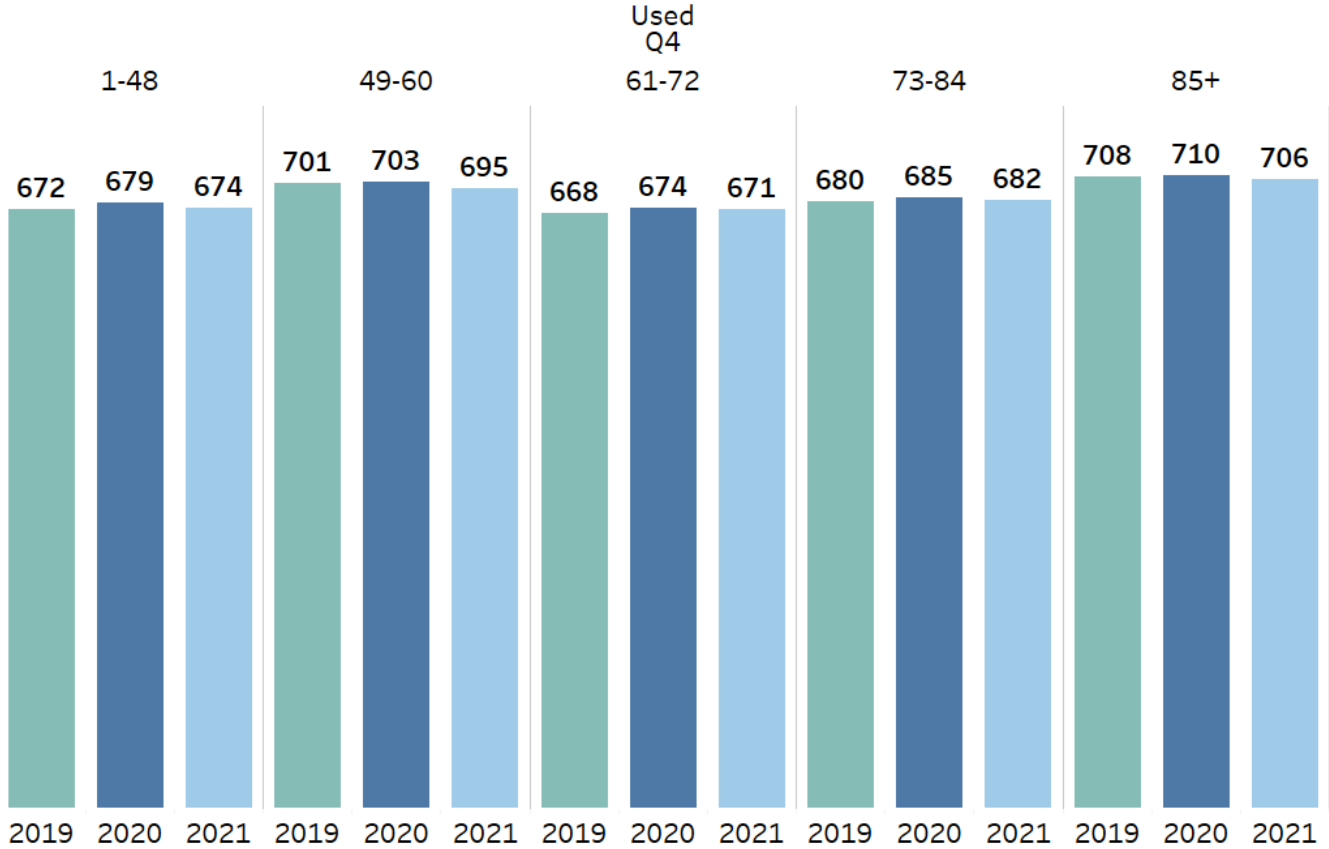


# Large growth in 73-84 month loans

Distribution by loan term



Avg score by loan term

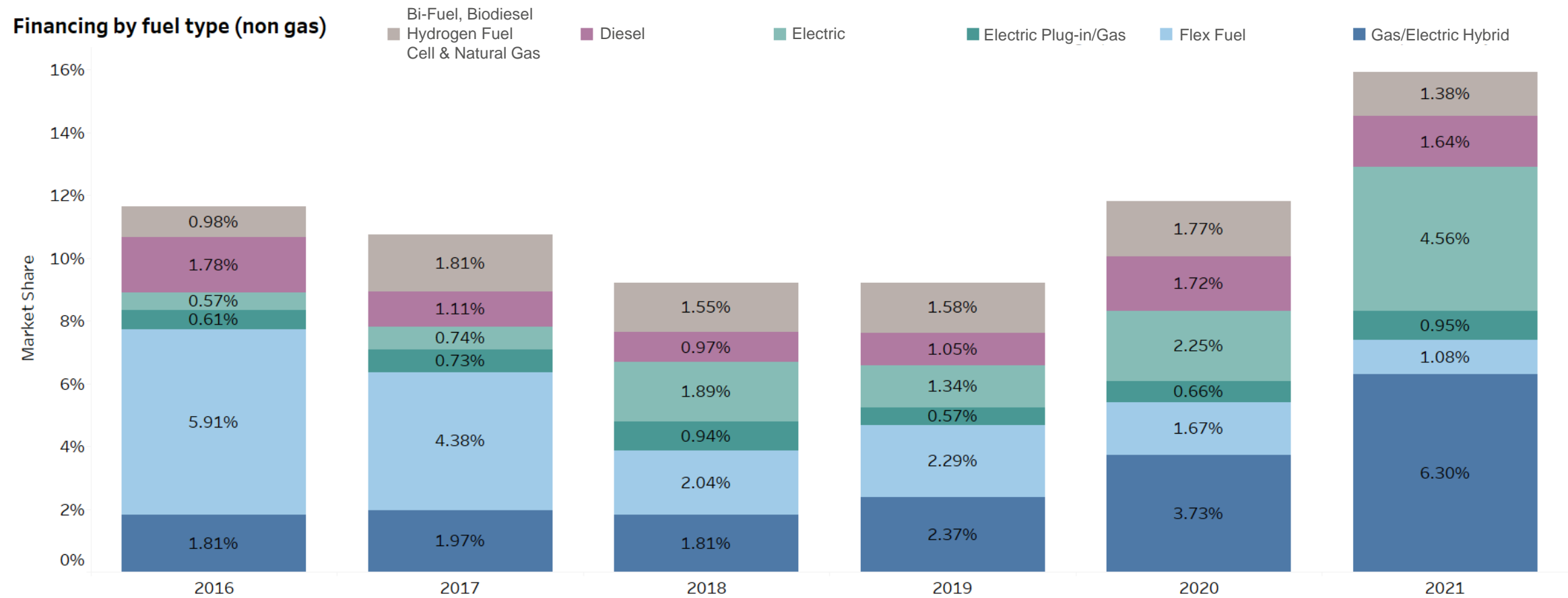


# Quarterly Spotlight

A deeper look into the electric  
vehicle market

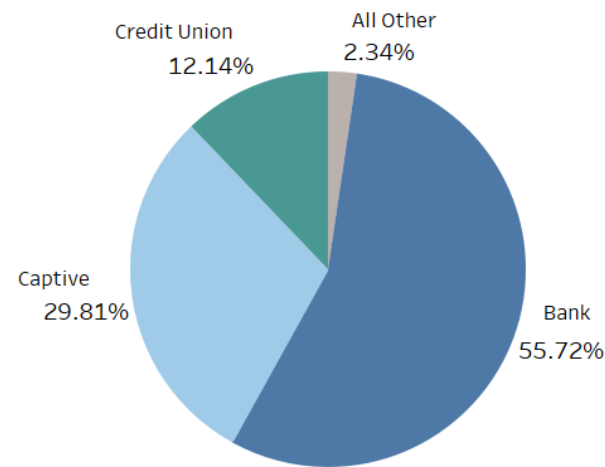


# Non-full gas vehicles represent nearly 16% of financed new vehicles; electric is now 4.56% of the market

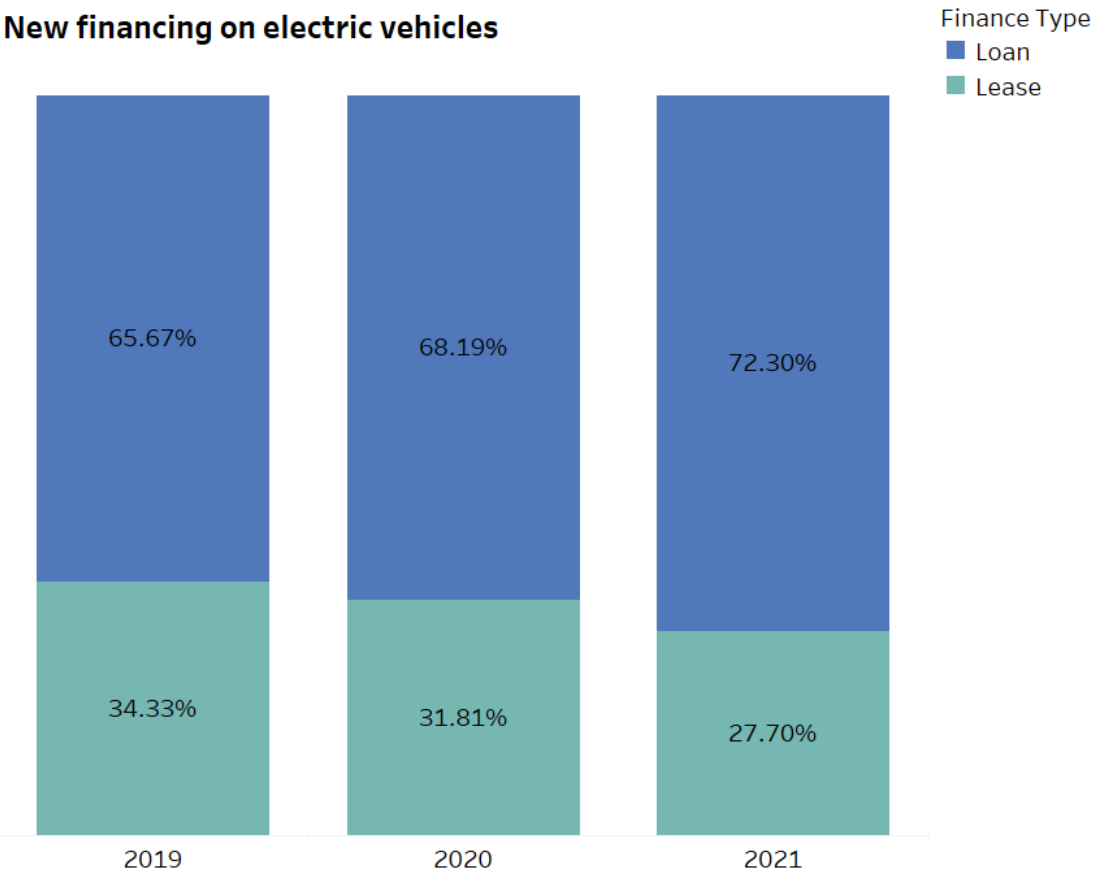


# Banks dominate EV financing and loans are the predominate finance type

New financing on electric vehicles

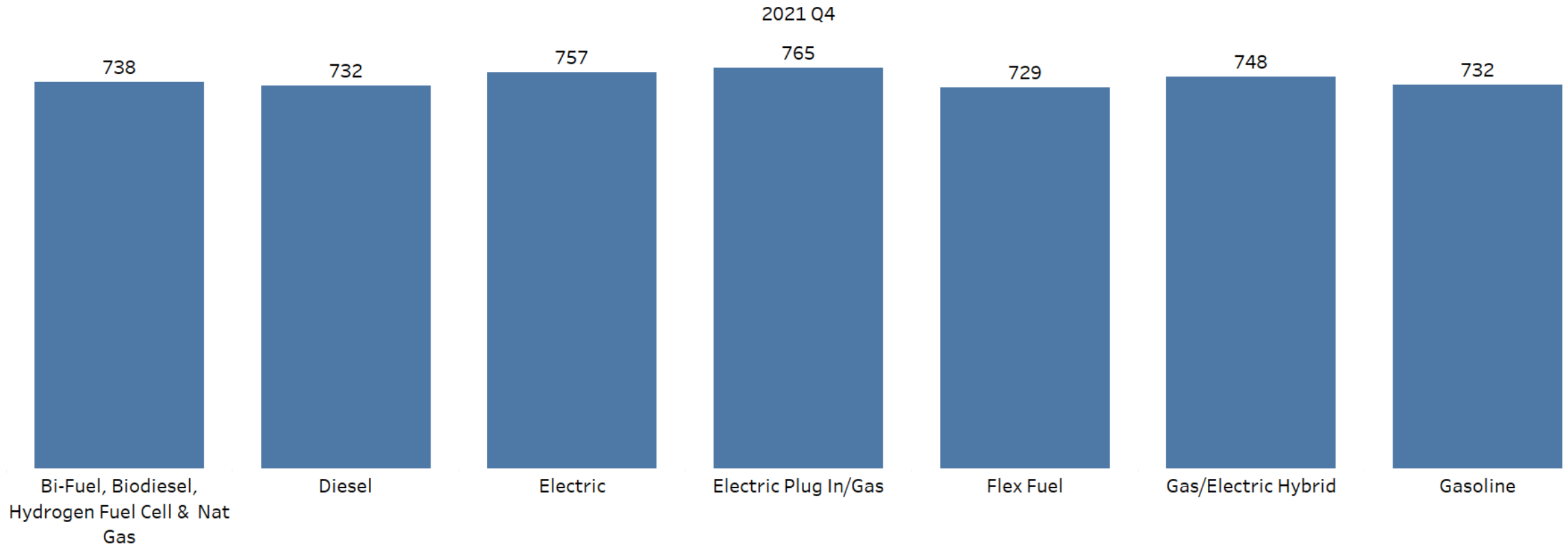


New financing on electric vehicles



# Average new score by fuel type

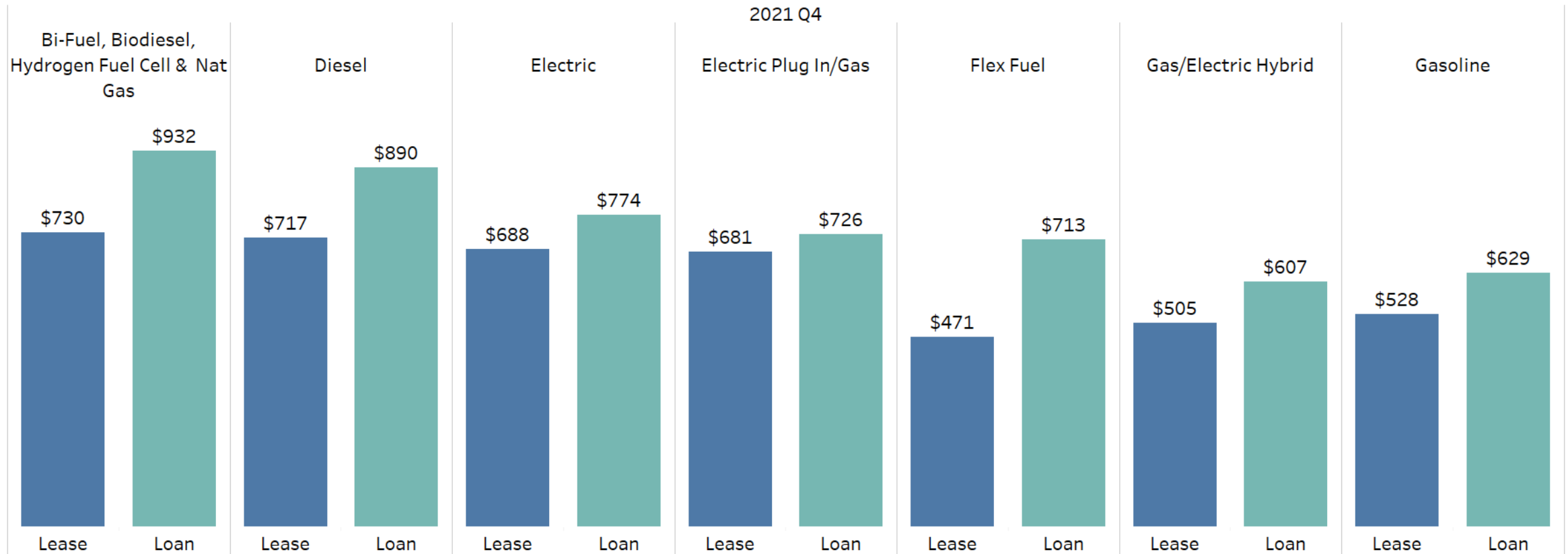
Average new score by fuel type





# Average monthly payment by fuel type

Average new monthly payment by fuel type



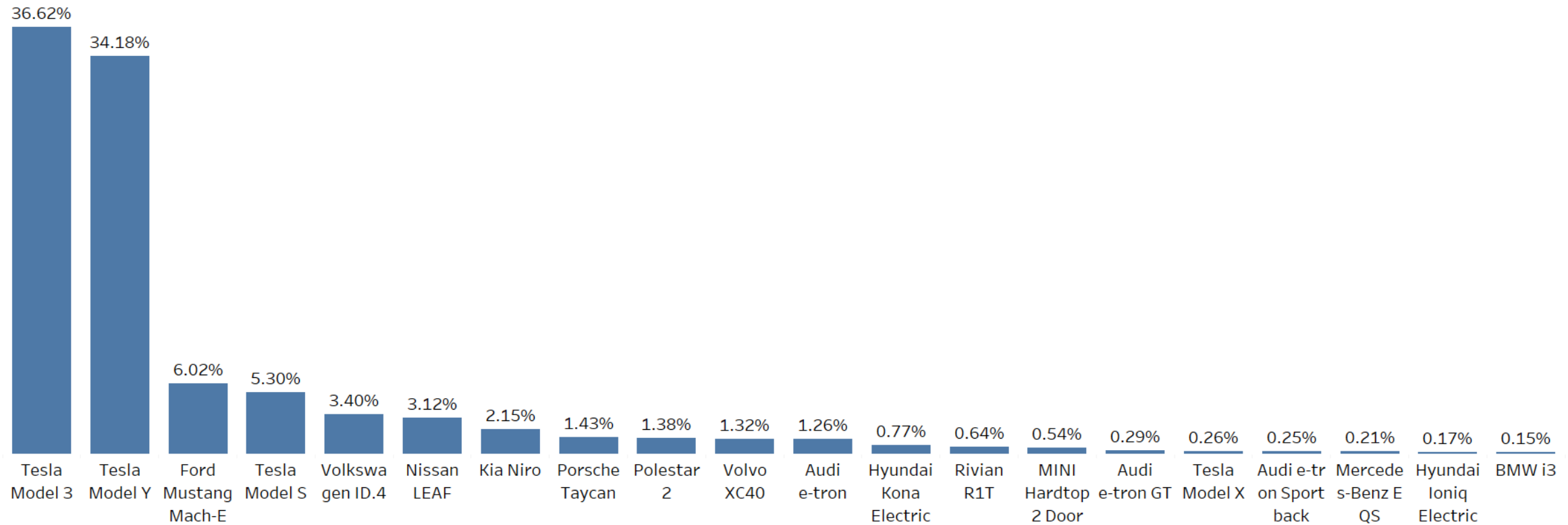
# Average loan payment on EV had been steadily declining, however increasing YOY; leasing payments increase

Average EV new monthly payment

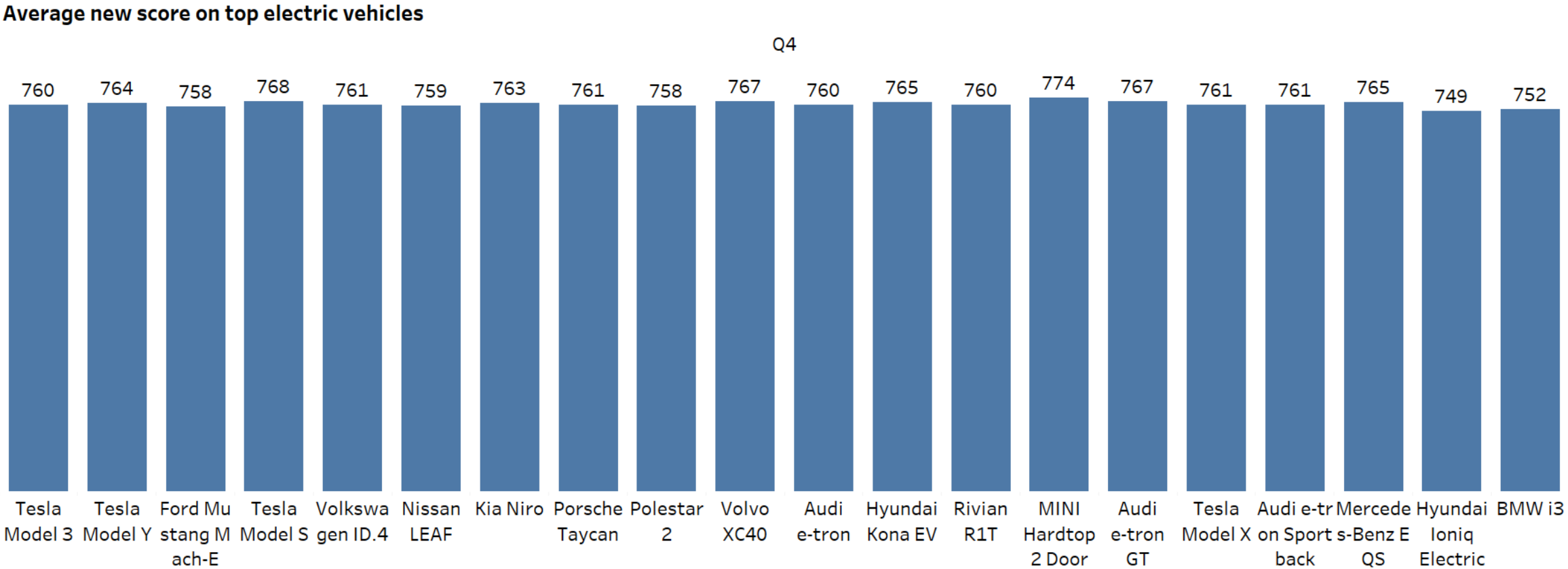


# Top 20 financed electric vehicles

Top 20 financed electric vehicles

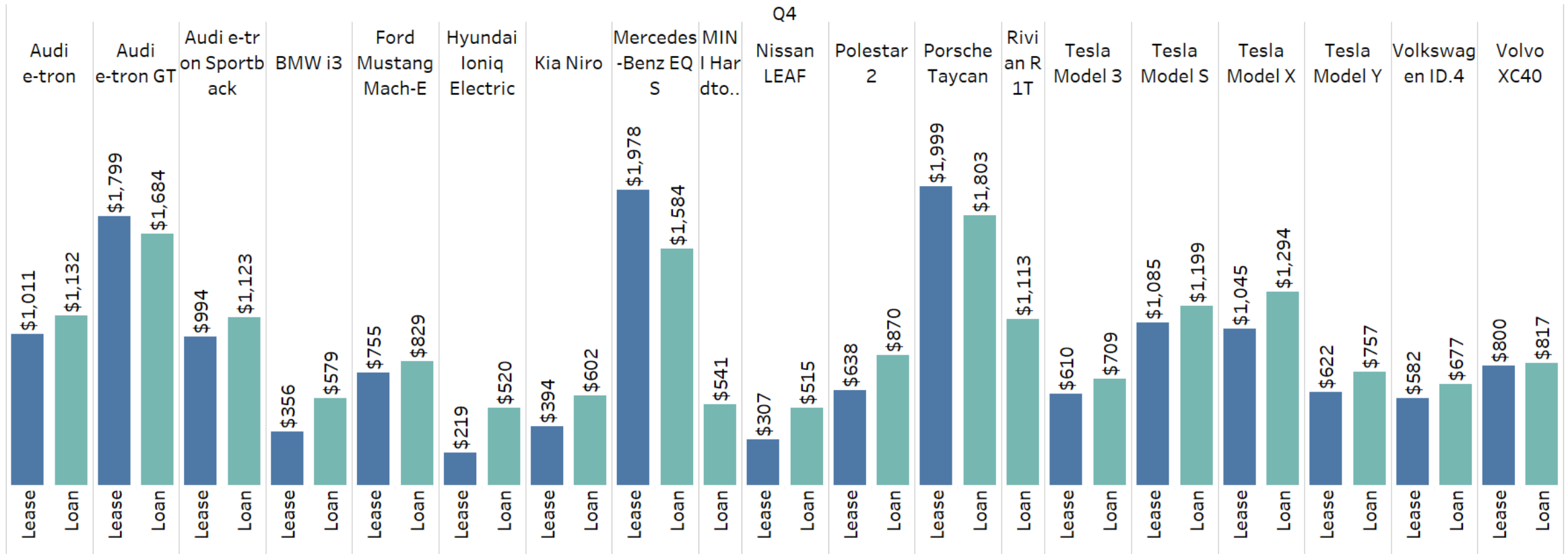


# Highest score among top EV is MINI Hardtop 2-door



# Among top EV models, lowest lease is the Hyundai Ioniq and lowest loan is the Nissan LEAF

Average payment on top EV models



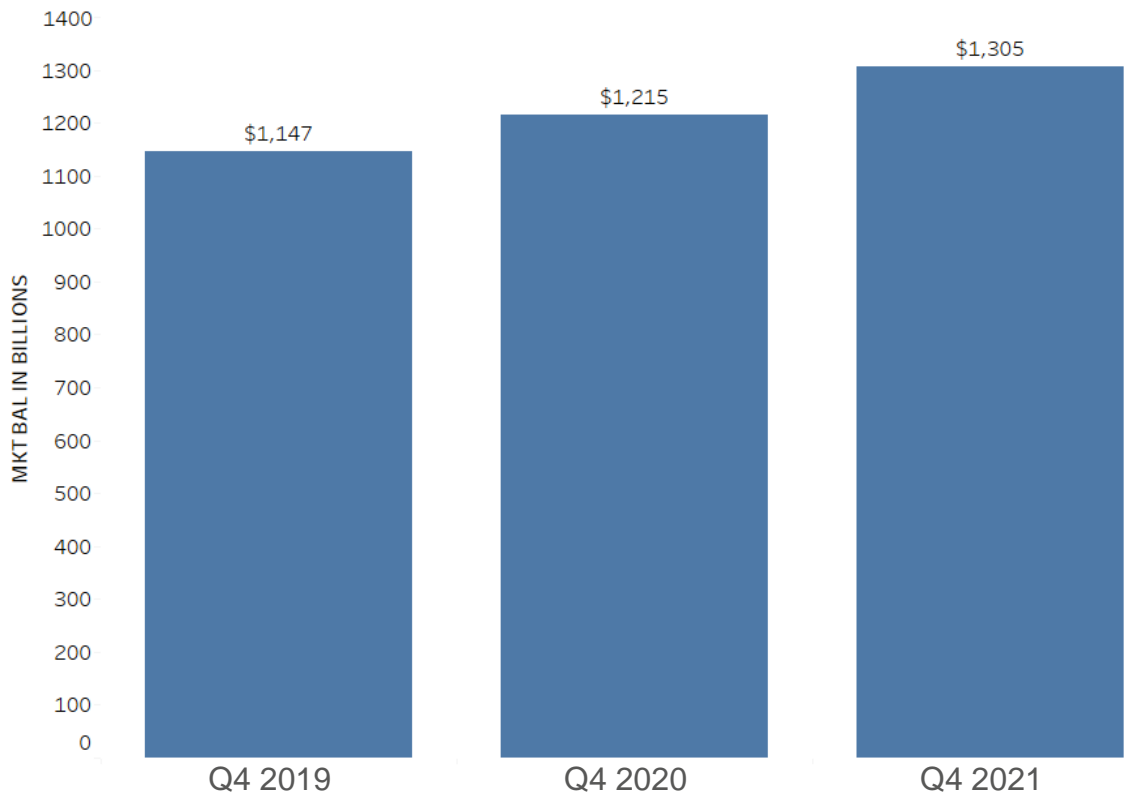
# Market Overview

Balances and delinquency on all open auto loans & leases

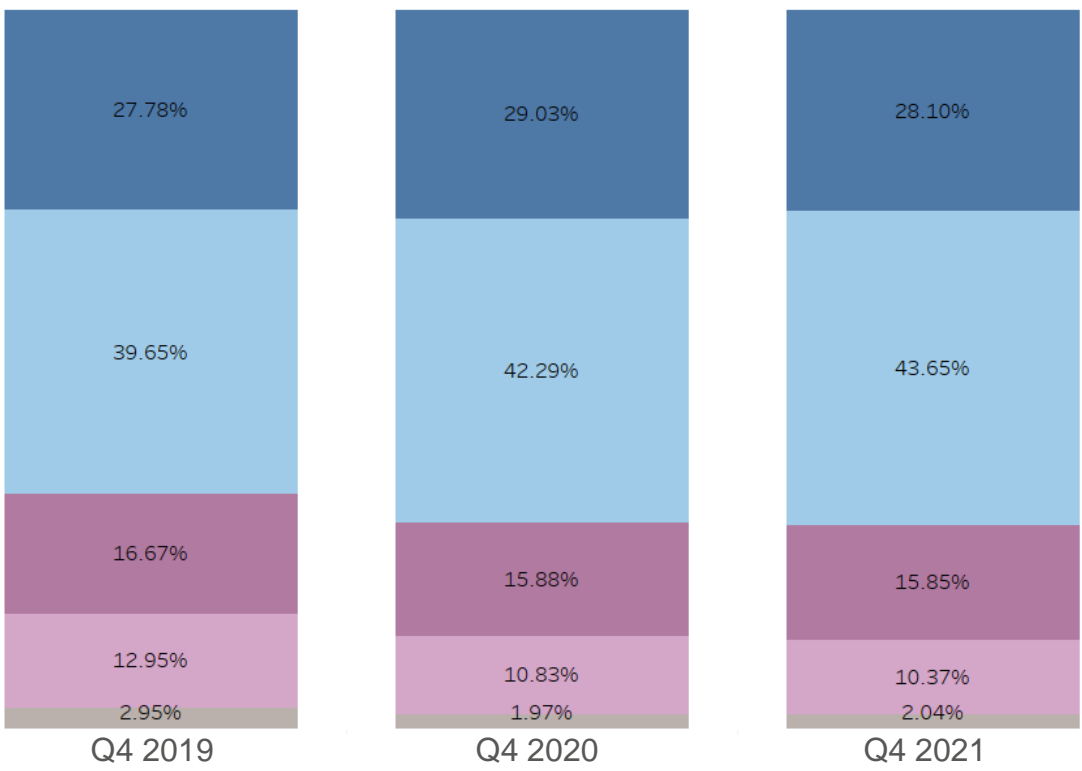


# Overall loan balances (in billions) grew 7.4% YOY with share growth in deep subprime and prime segments

Outstanding automotive loan balance



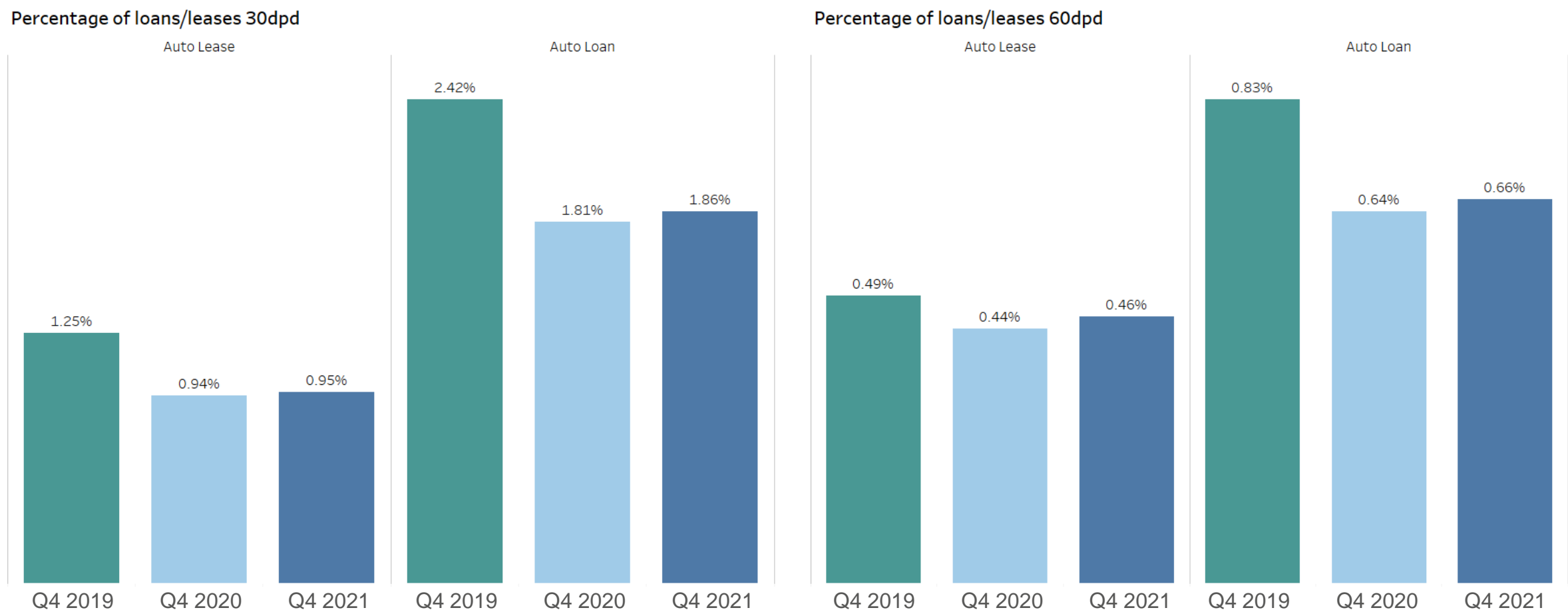
Auto loan balances by score band



[781-850]Super prime [661-780]Prime [601-660]Near prime [500-600]Sub-prime [300-499]DeepSubprime



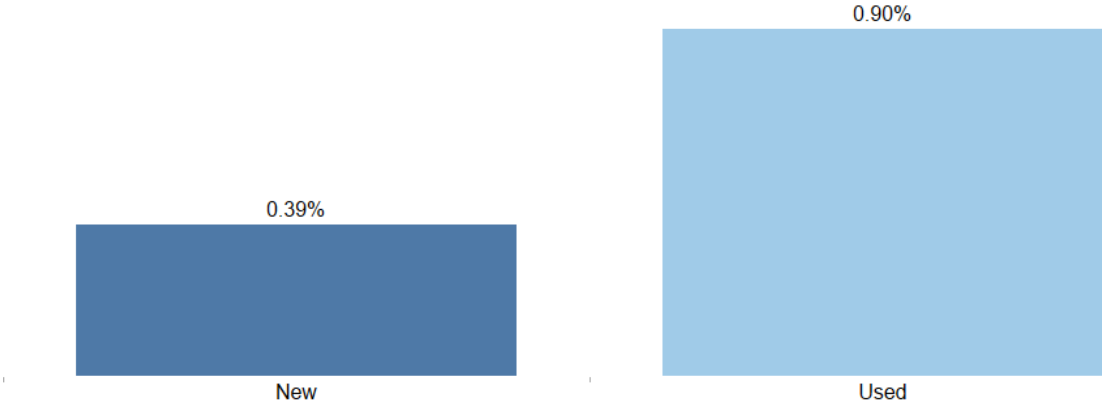
# Delinquencies experience slight increases over prior year



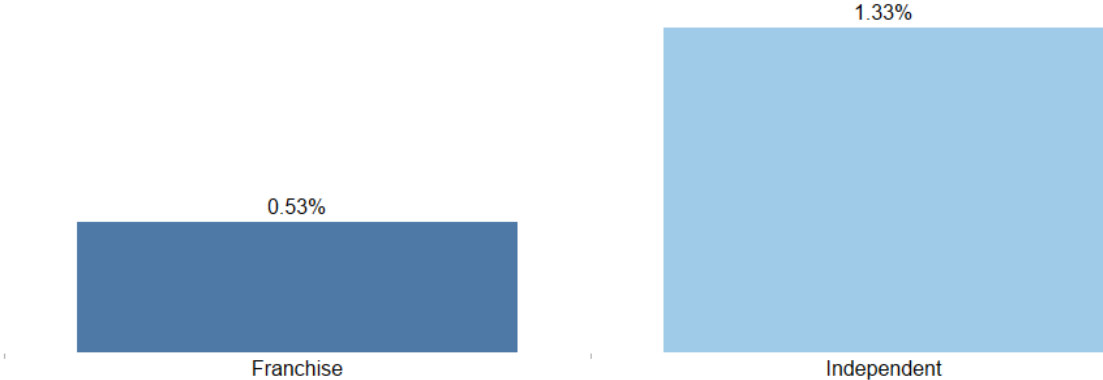


# 60-day delinquency rate dashboard (originations 2017+)

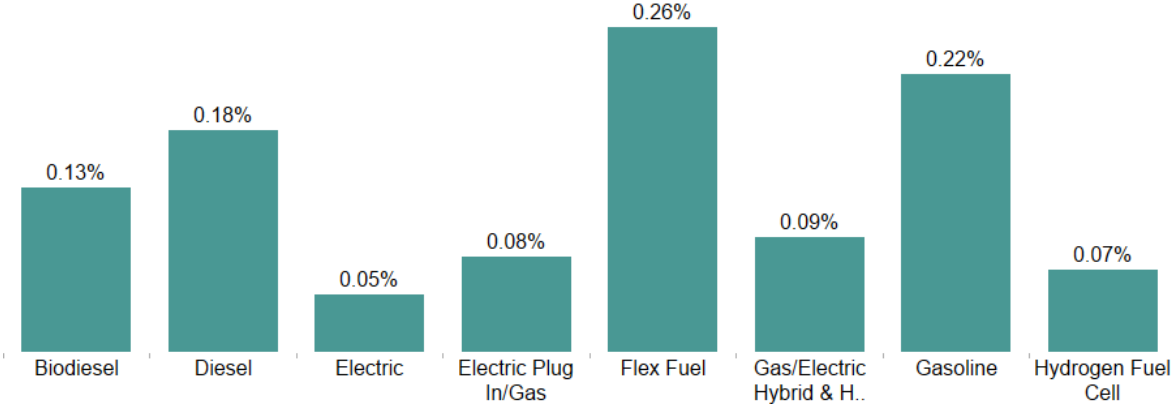
Current 60 day delinquency rate by new/used



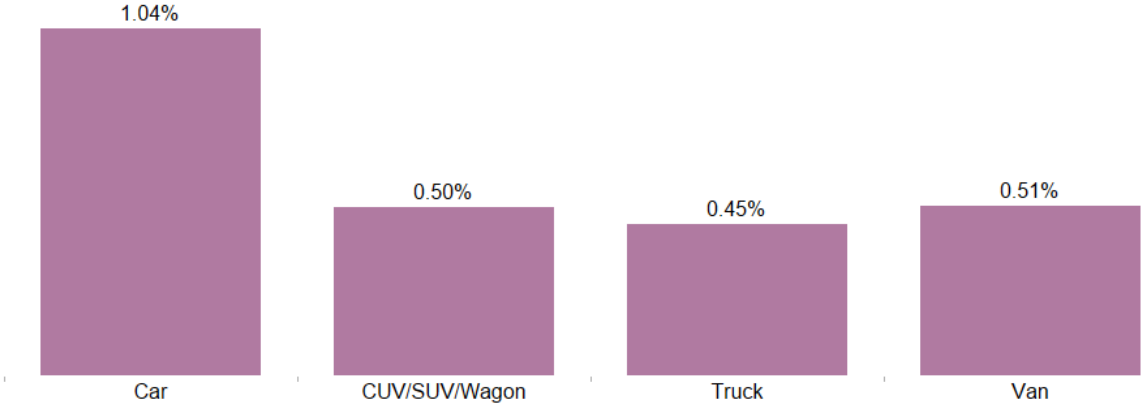
Current 60 day delinquency rate by dealer type



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 continues to represent a lower portion of originations
- Strong vehicle values & inventory shortages drive up loan amounts, but reduce LTV in the used market
- Balances reach another record high; deep subprime grows as a percentage of balances
- Delinquencies increase slightly



# We Power Auto

We help you find, reach and retain customers like no one else.  
Let us prove it to you.