



State of the Automotive Finance Market Q4 2022

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Sr. Director, Financial Solutions

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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
- 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, Risk & Performance

- 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 and performance 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



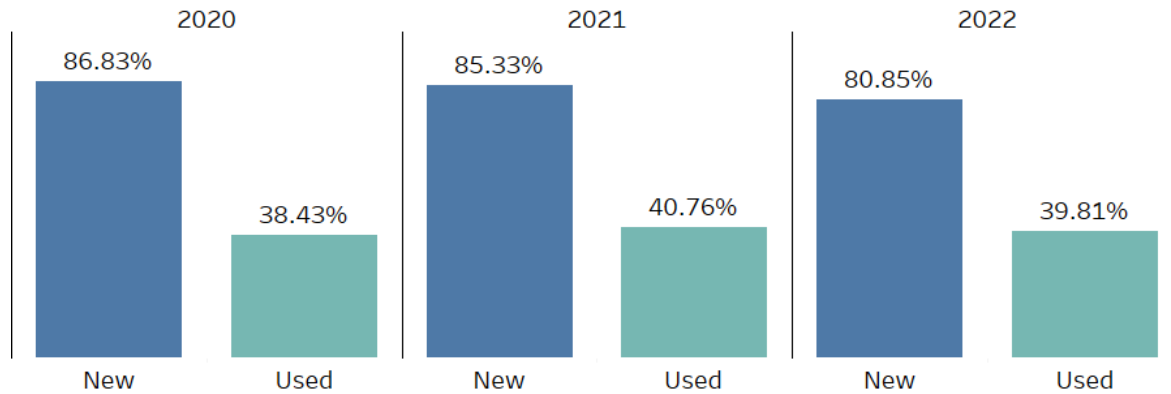
Q4 2022 Originations

Trends in automotive loan and lease originations

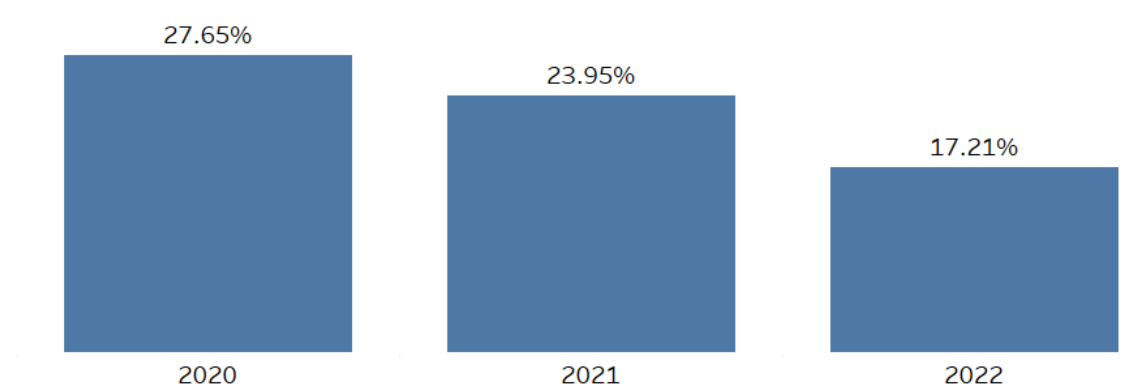
Automotive financing

Snapshot of how and what consumers are financing

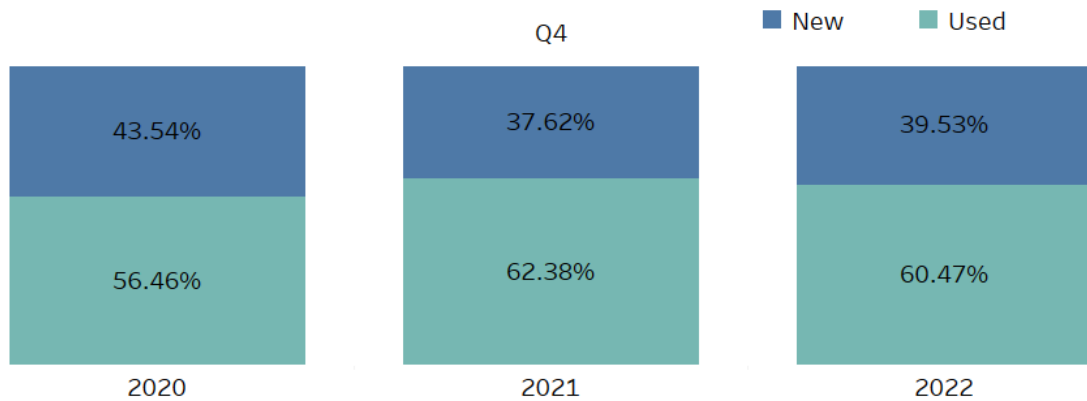
Percentage of vehicles with financing



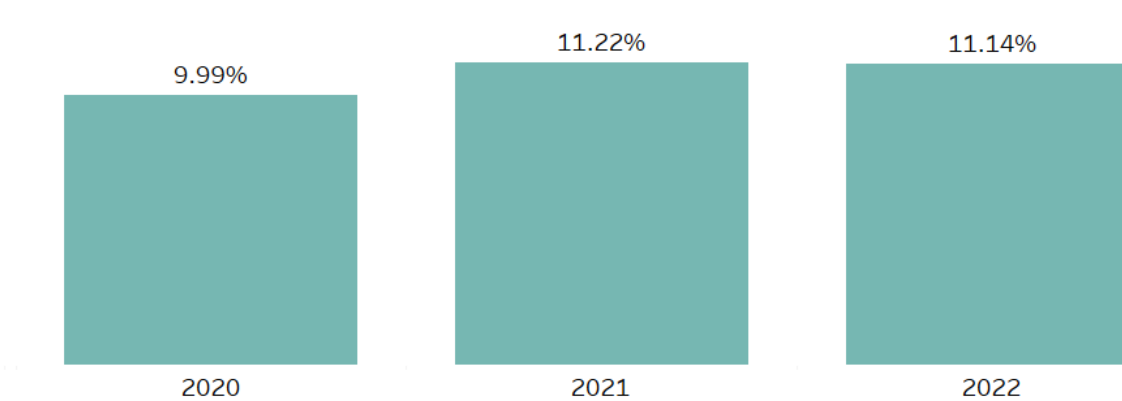
% of all new vehicles that are leased



New/Used percentage of financing

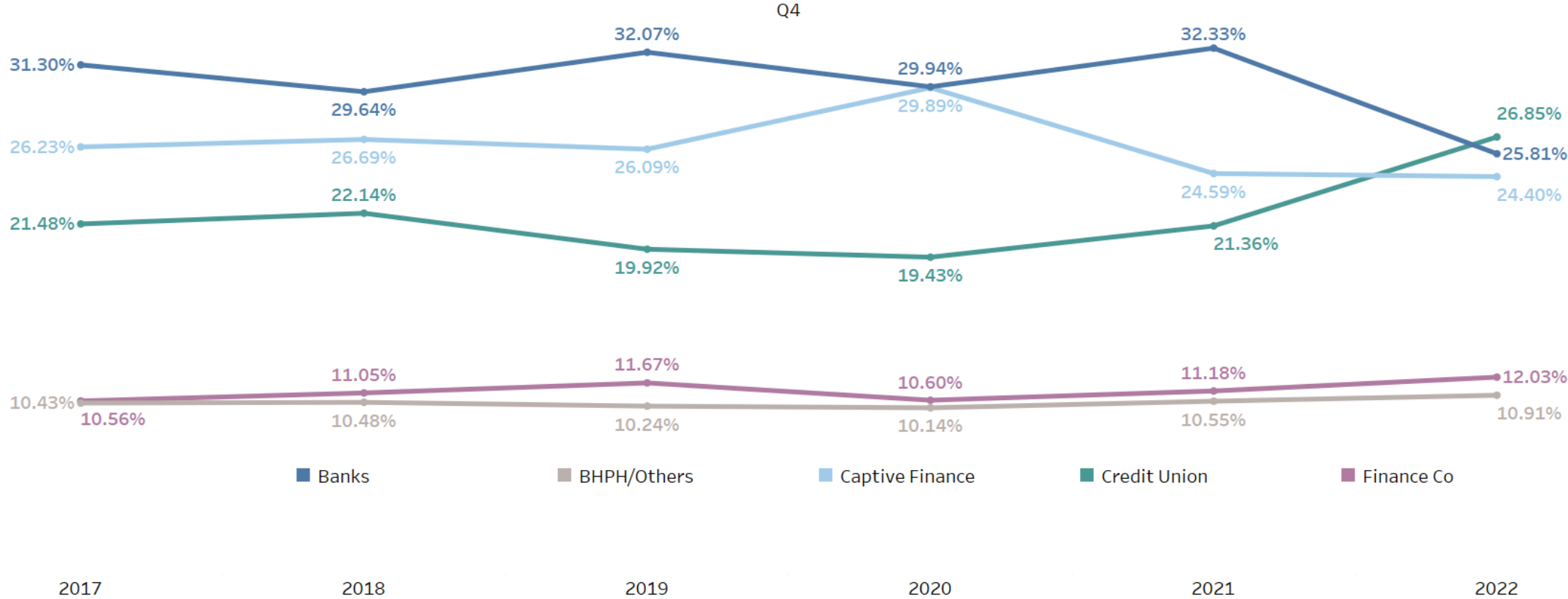


Used vehicle % of total lease market



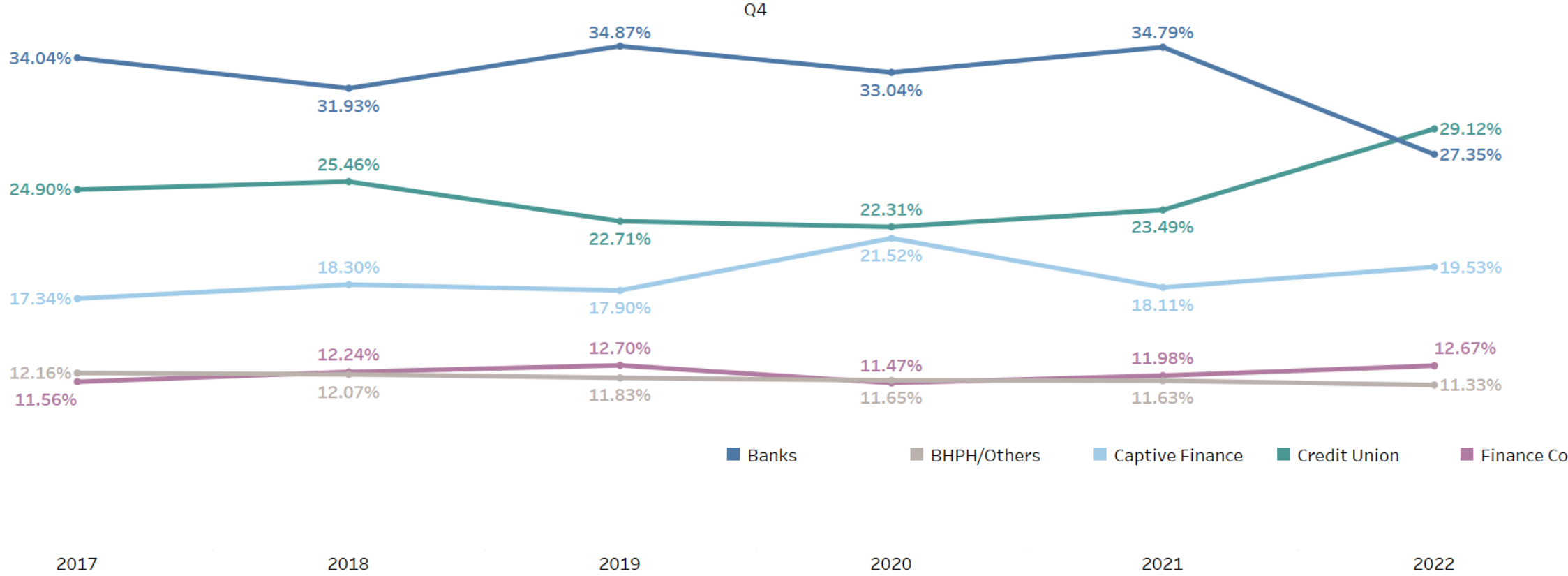
Credit unions move to highest market share among lenders

Market share of total financing



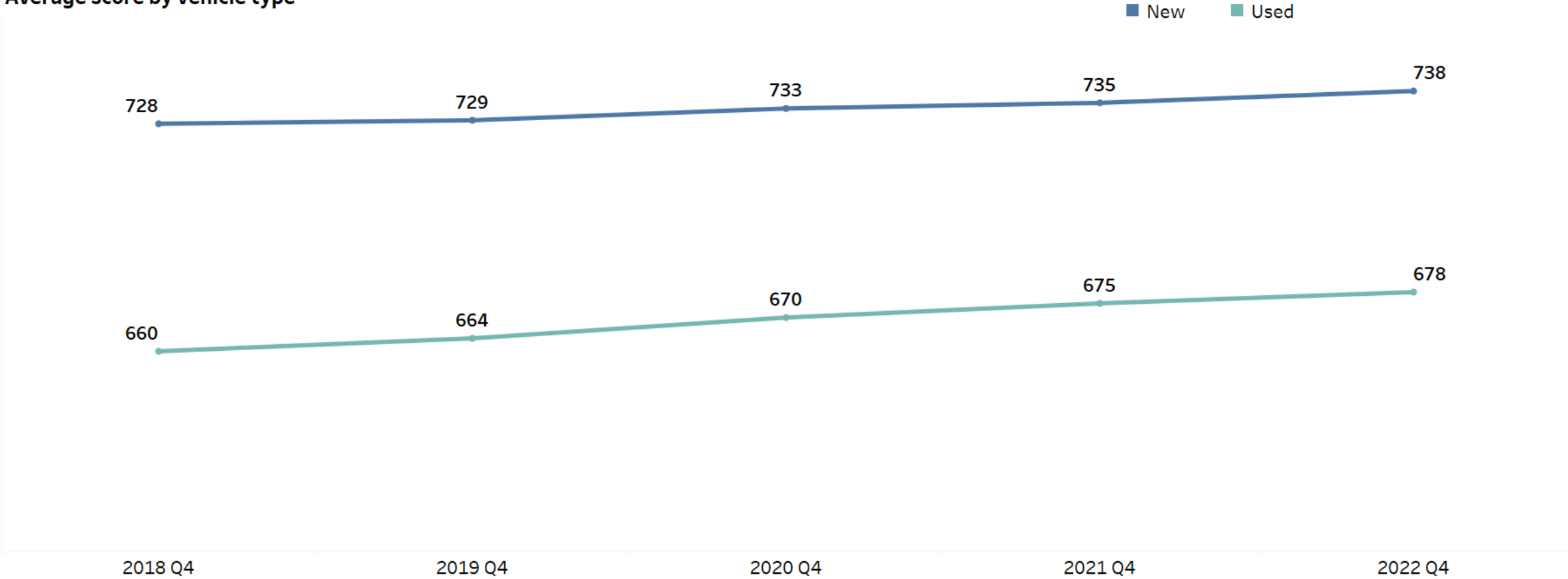
Credit Unions financing nearly 30% of all auto loans

Total loan market share



New scores increase 3 points while used are up 3 YOY; scores remain consistent with last quarter

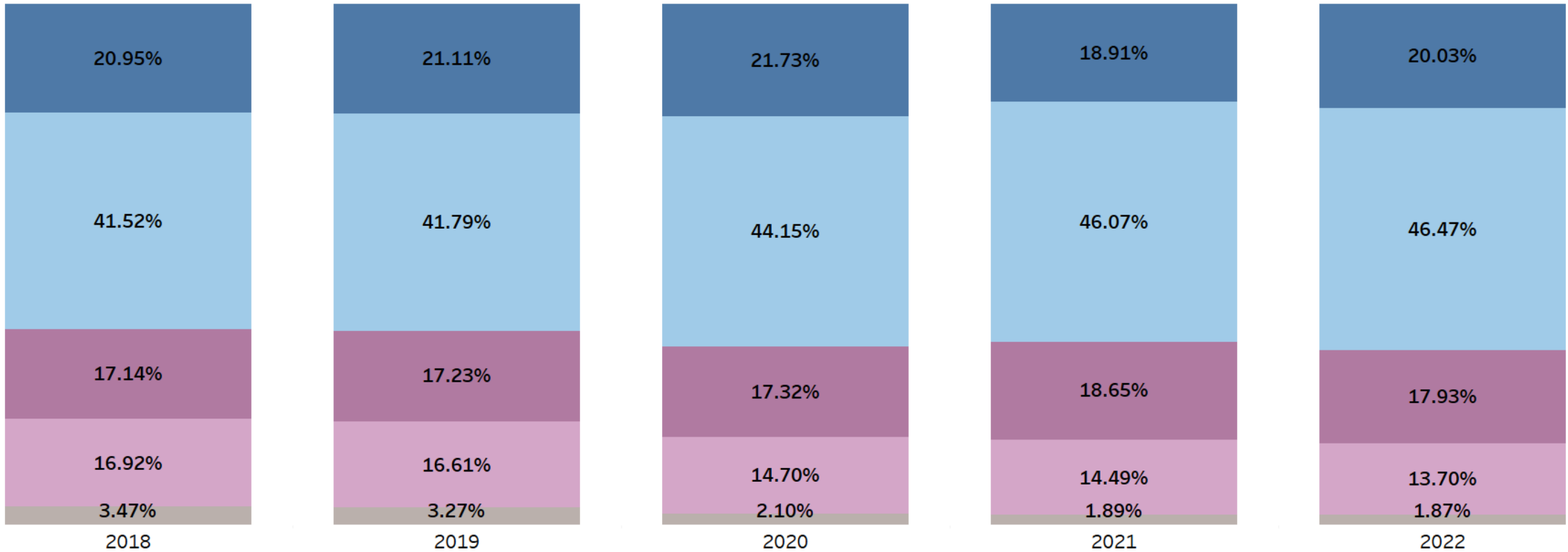
Average score by vehicle type



While Prime+ is over 66% of finance while total subprime is 15.57%

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

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



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

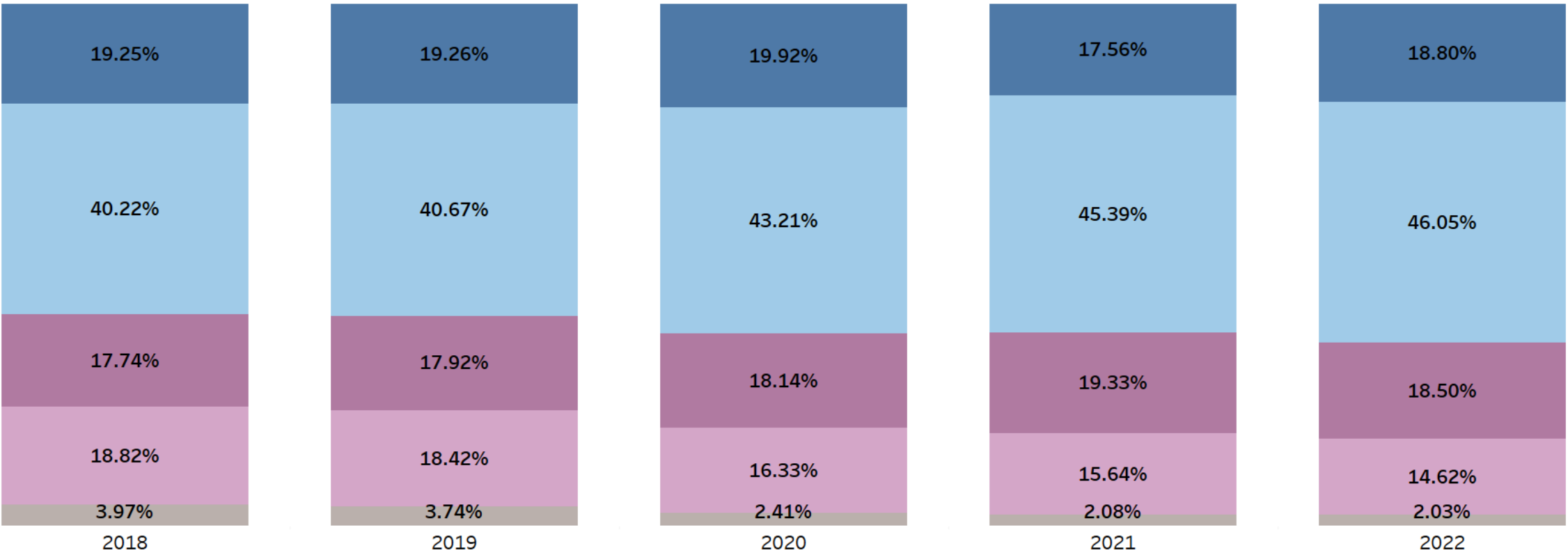


Most share growth occurring in Prime and Super Prime

Total loan risk distribution

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

Q4



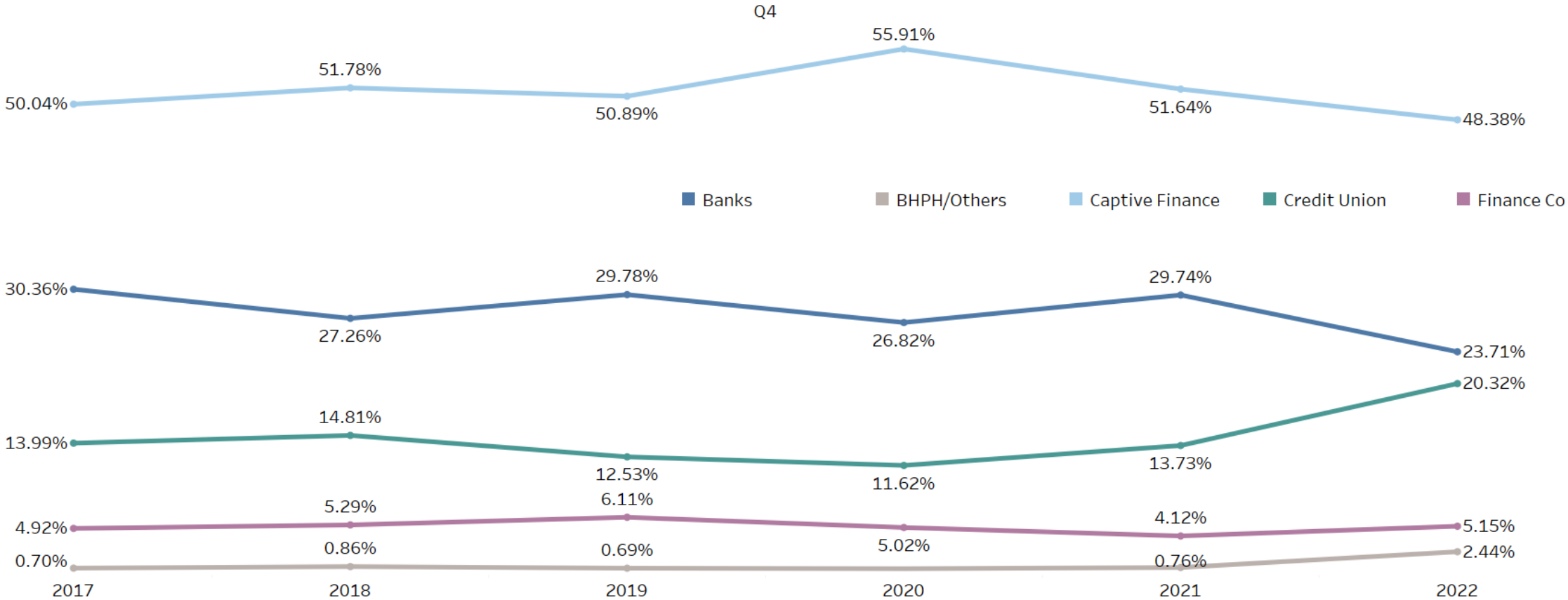


Q4 2022 New financing

A look at new lease & loan trends

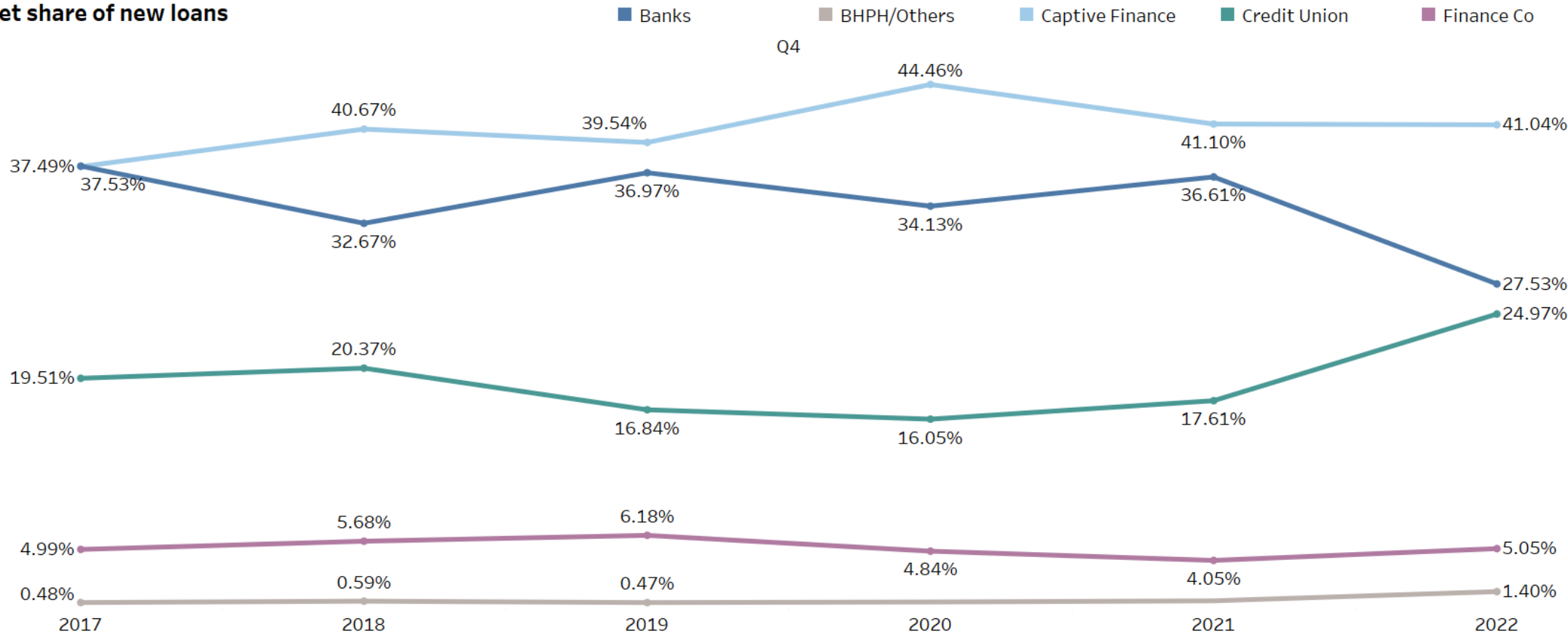
New financing is still led by Captives, yet Credit Unions continue to see the largest growth

Market share of new financing (loan/lease)



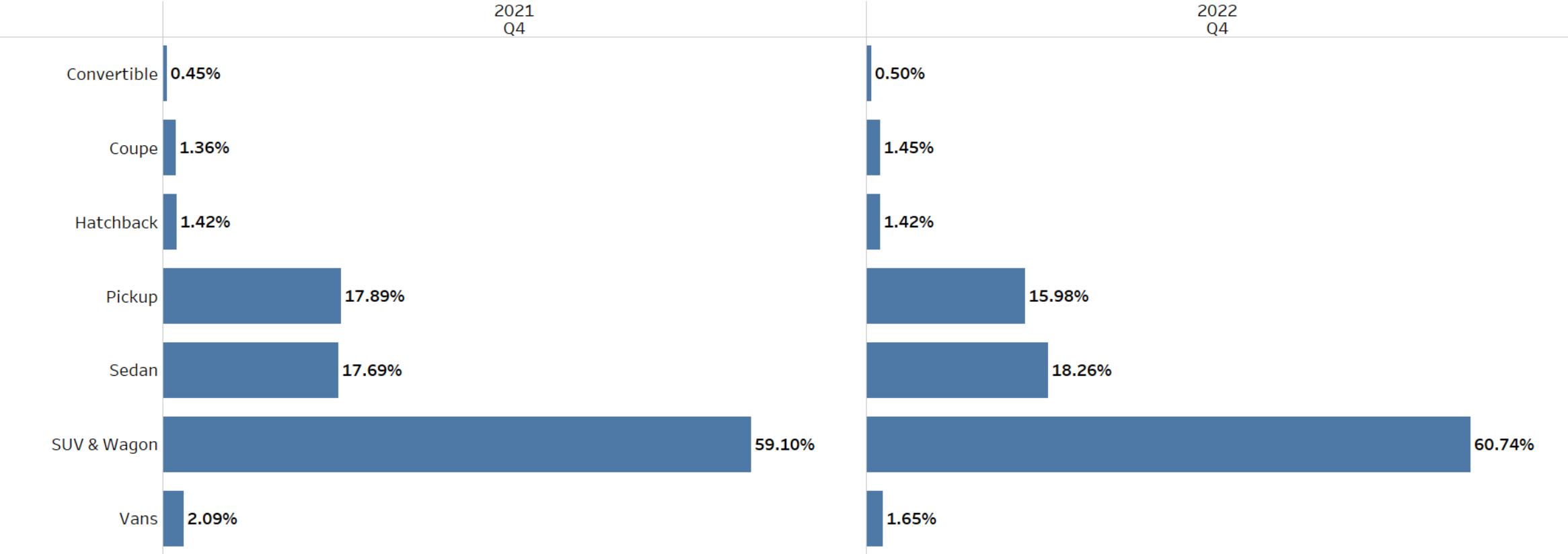
Credit Unions reach nearly 25% share of new loans

Market share of new loans



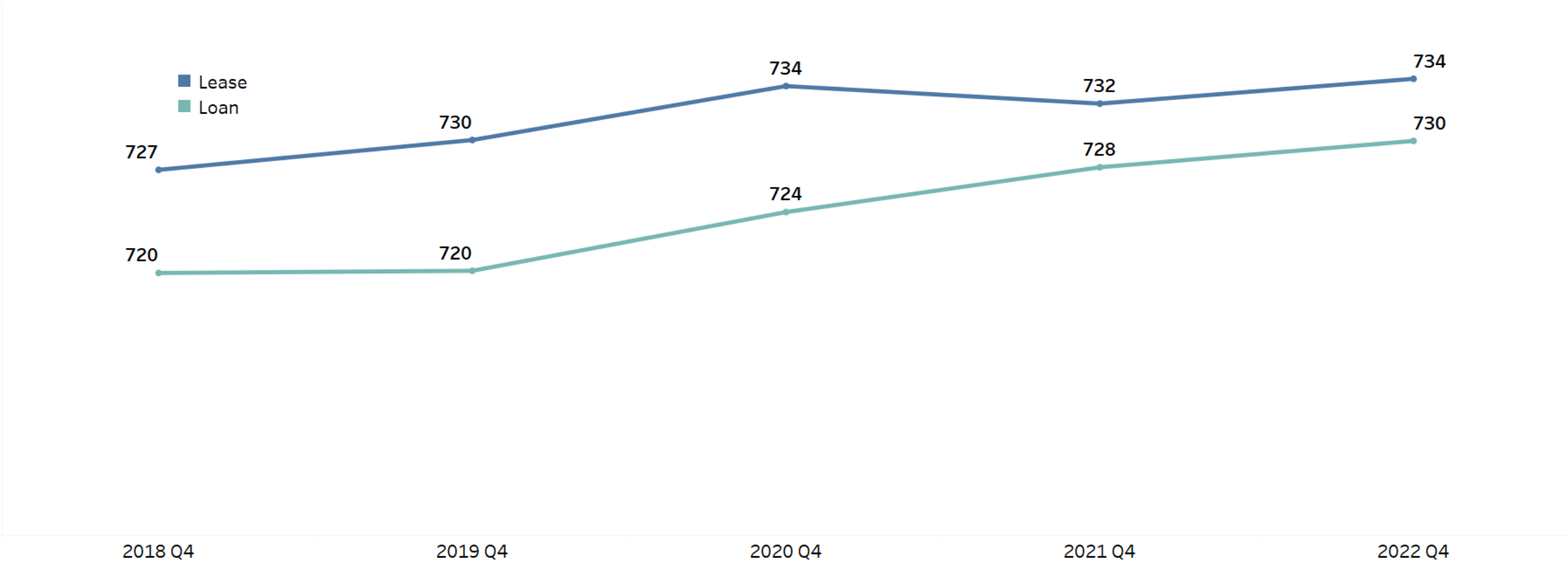
Sedans and SUVs increase share while Pickups decrease YOY

Percentage of financing by segment



New scores increase year-over-year

Average new score by transaction type

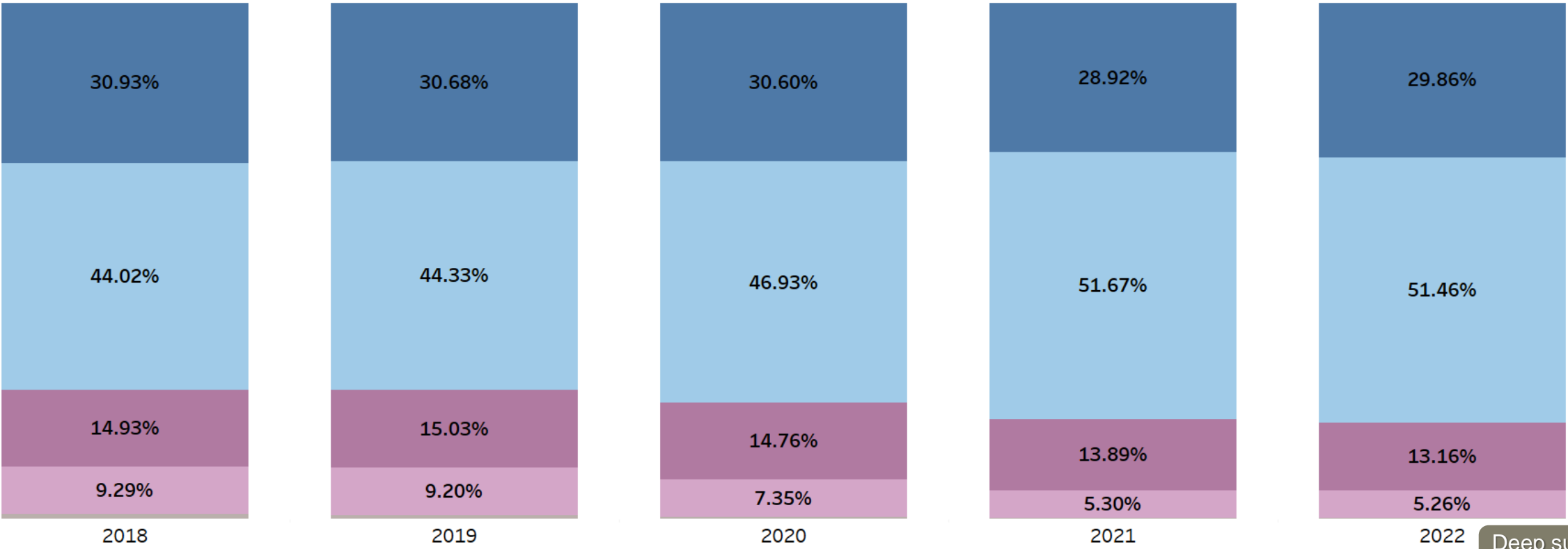


Prime+ reaches just over 81%

New loan risk distribution

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

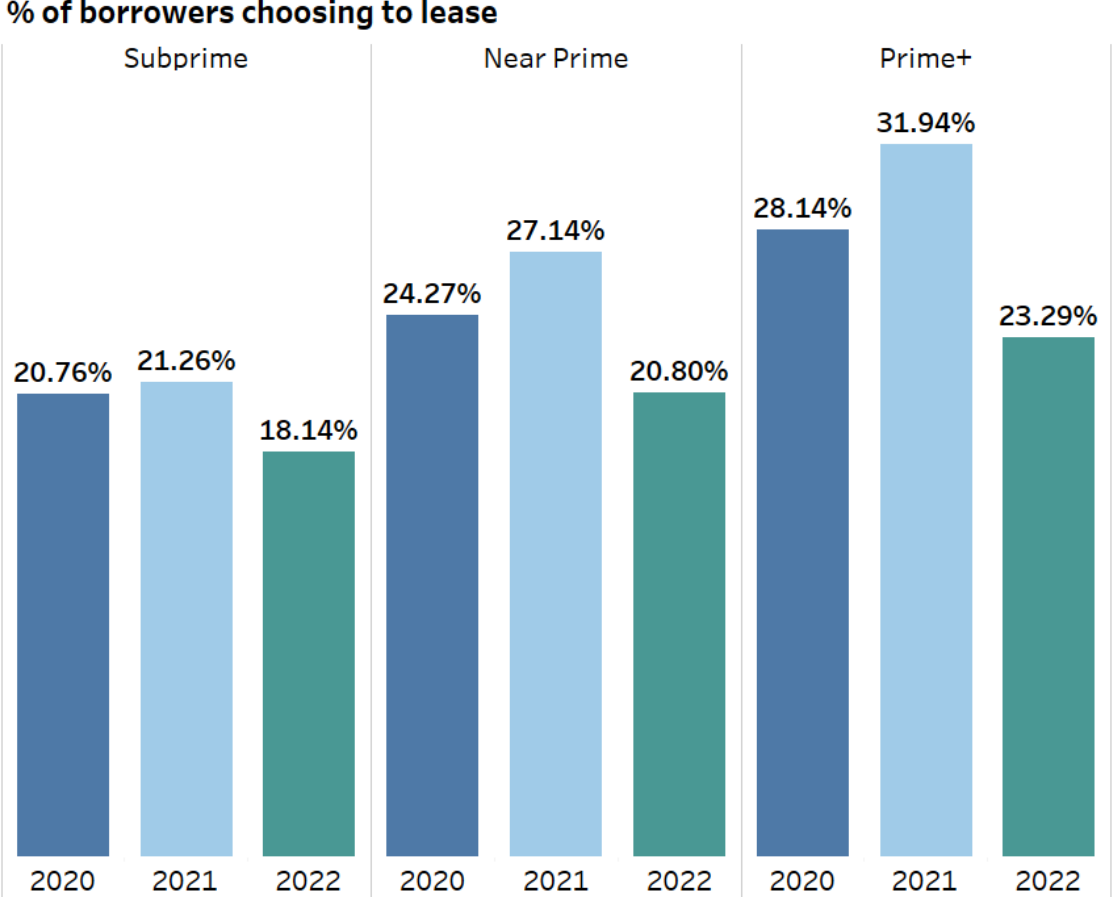
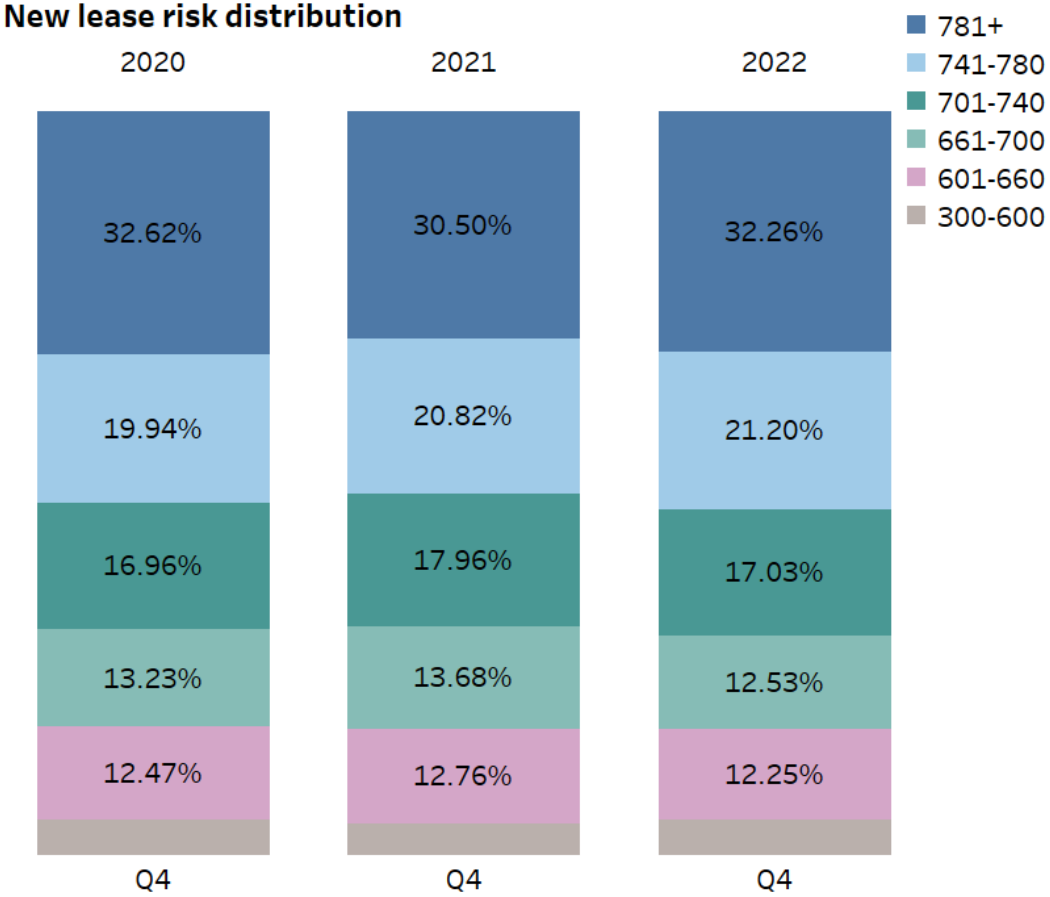
Q4



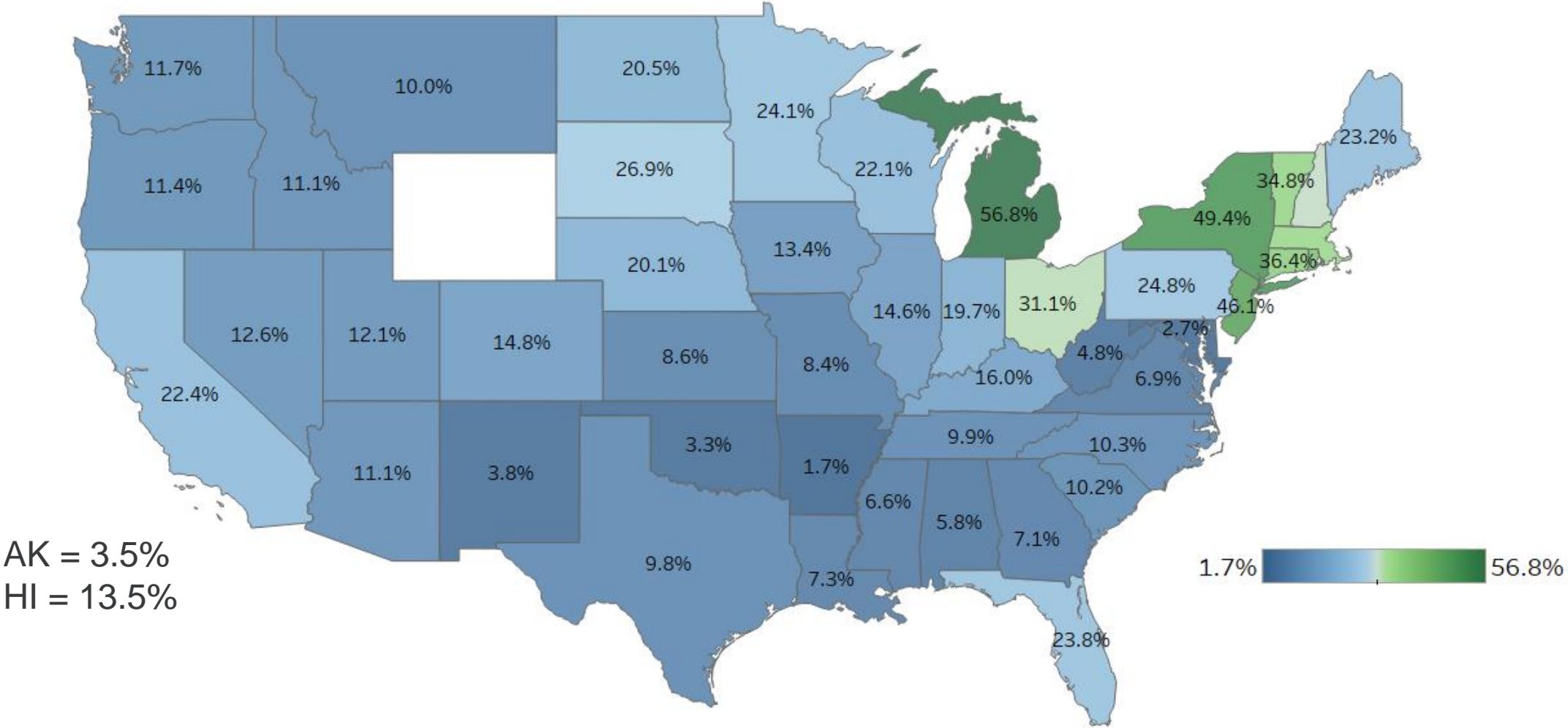
Deep subprime = 0.25%



Majority of leasing is 741+ and leasing rates drop across all risk segments

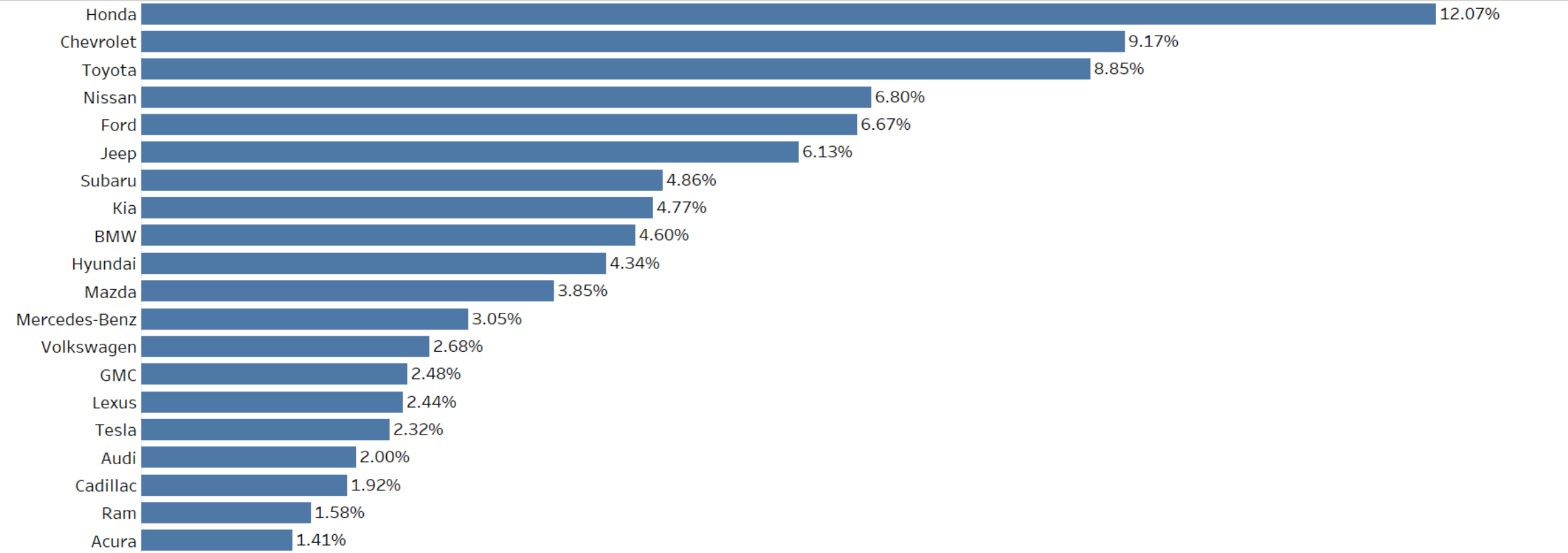


Michigan and NY continue to lead with the greatest share of new state financing as lease



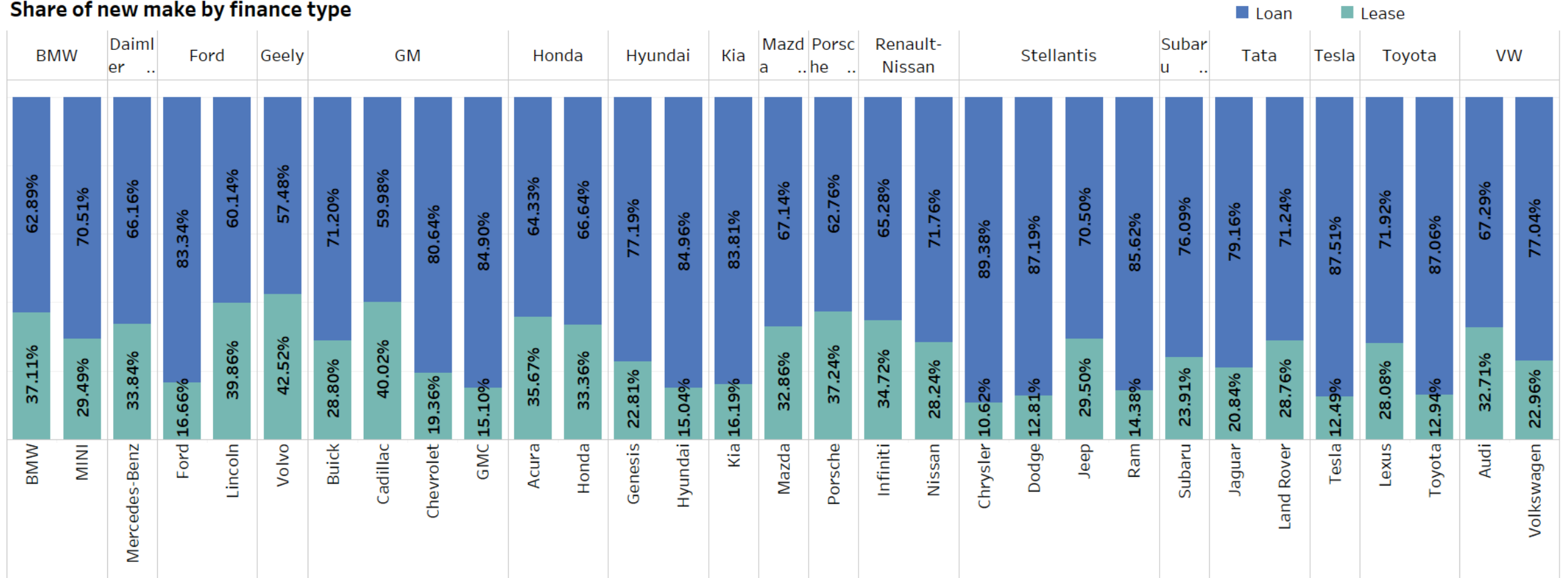
Honda leads as the #1 leased make

Top 20 leased new makes



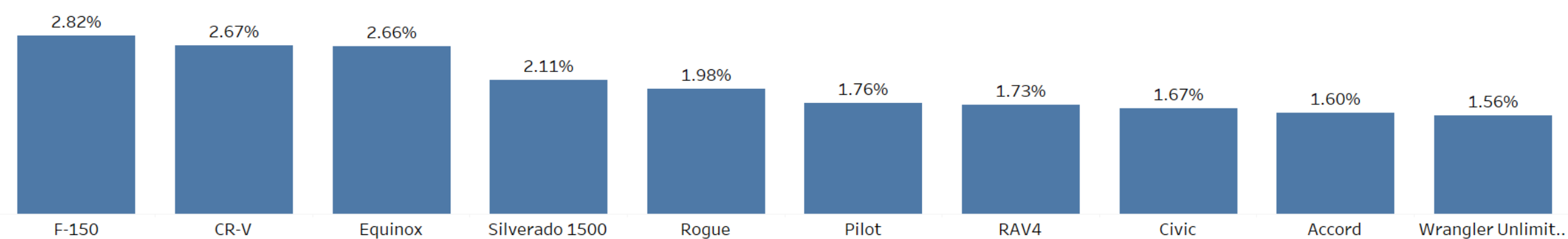
Finance type by make

Share of new make by finance type

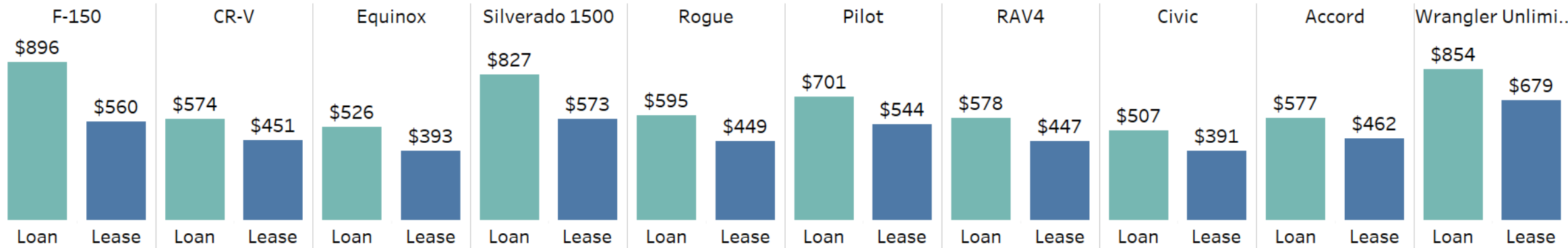


SUVs and Trucks dominate the top leased vehicles; average payment difference of \$138

Top 10 leased models

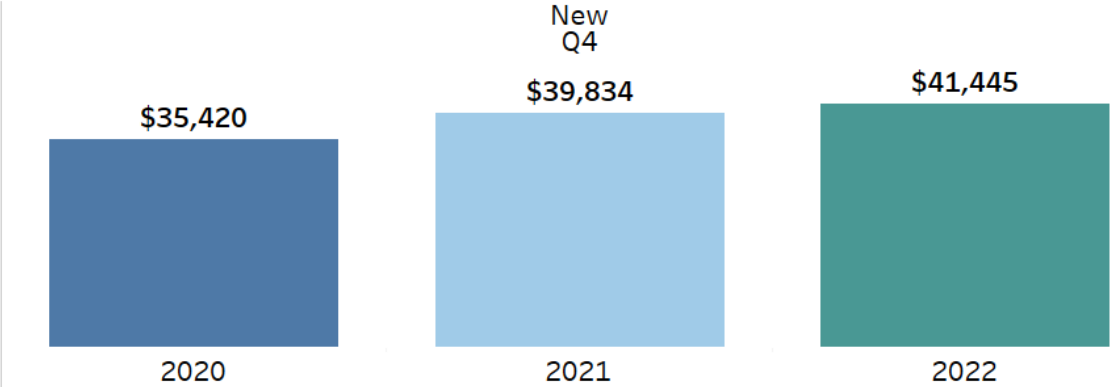


Average monthly payment on top leased models

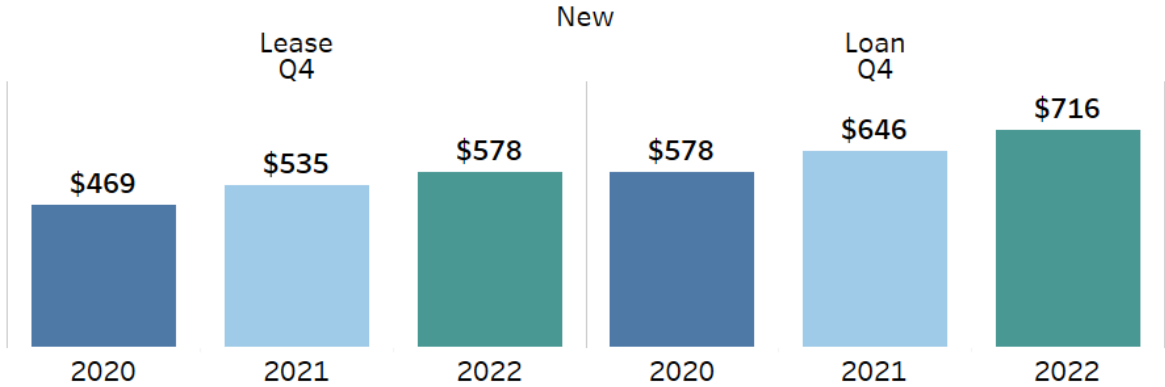


New loan attribute summary: record high new loan payment while terms reduce, and rates are up 219 basis points

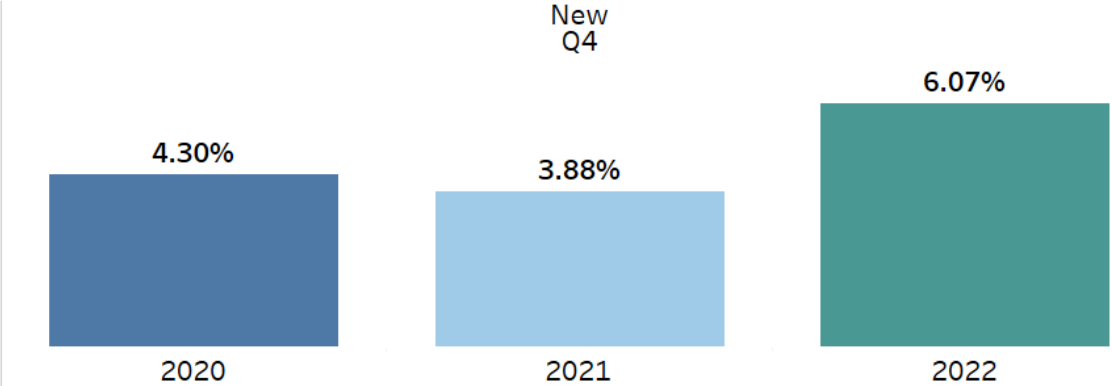
Average amount financed



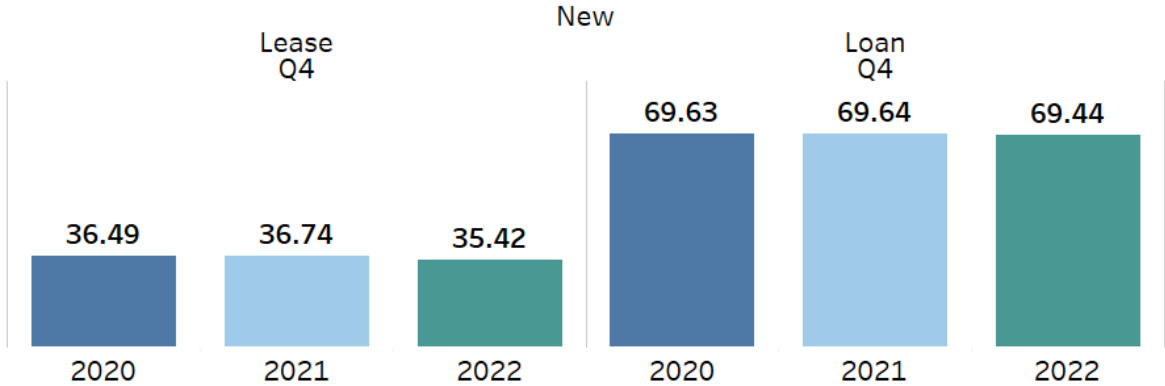
Average monthly payment



Average loan rate

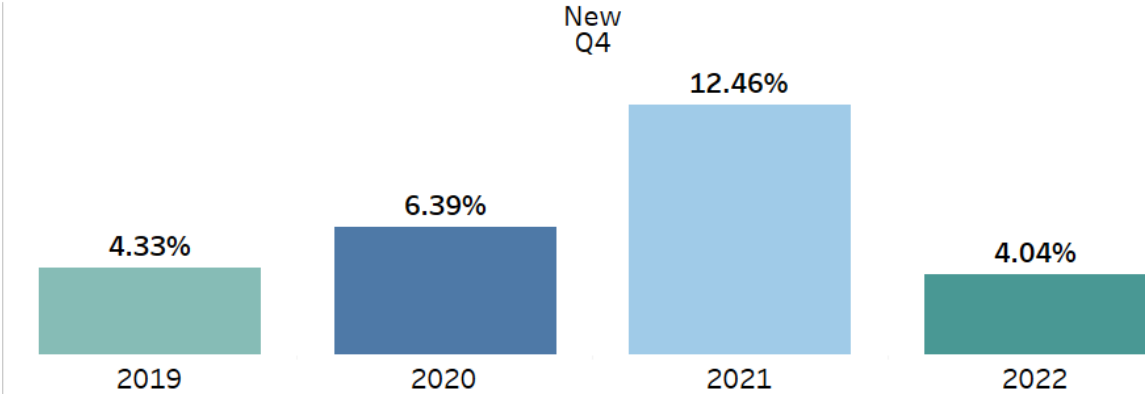


Average loan term

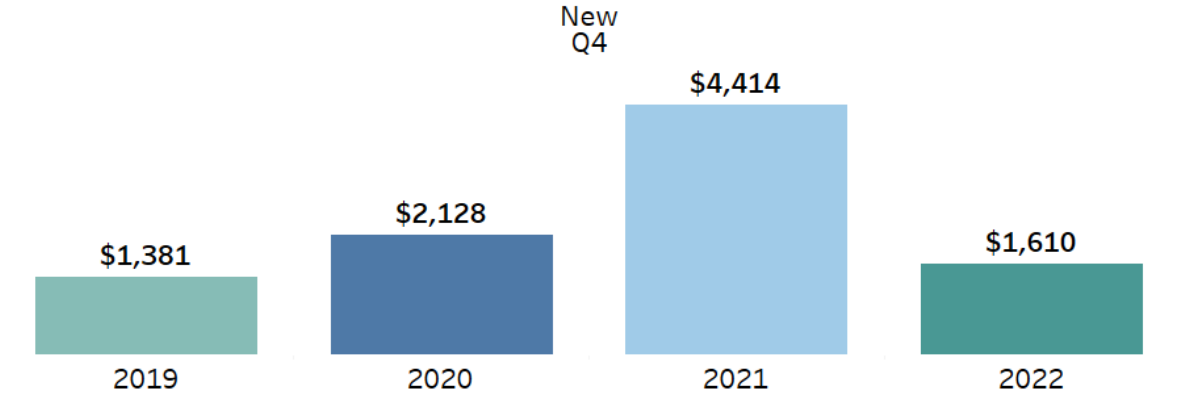


Year-over-year increases in new loan amounts begin to taper off while quarter-over-quarter loan amounts are down

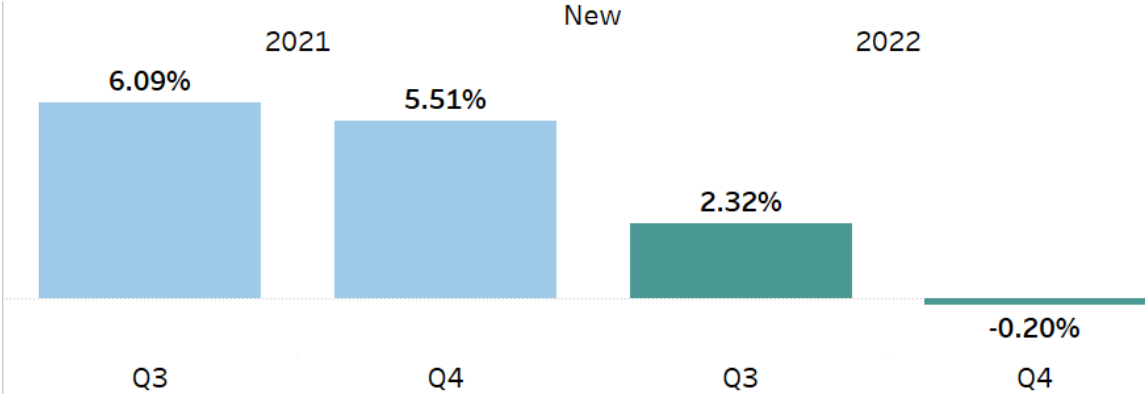
YOY growth in average new loan amount



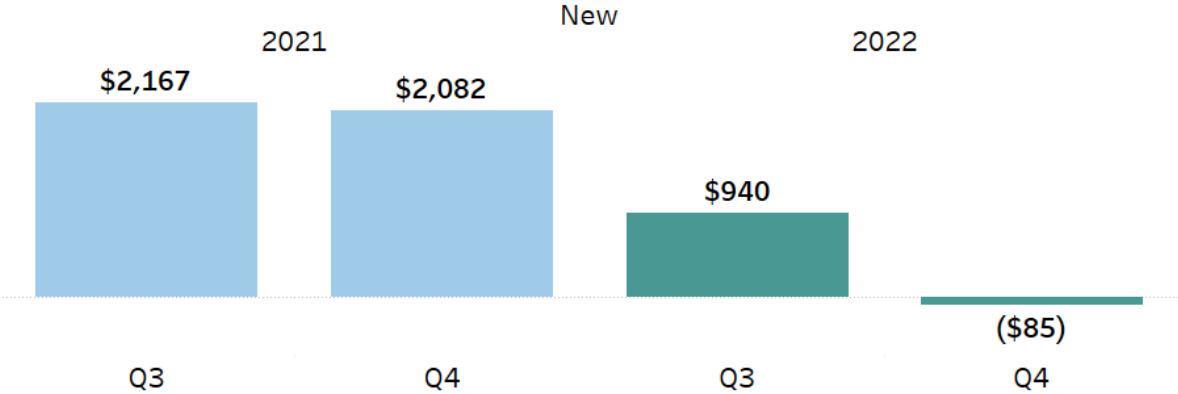
YOY \$ difference in average new loan amount



QOQ growth in average new loan amount

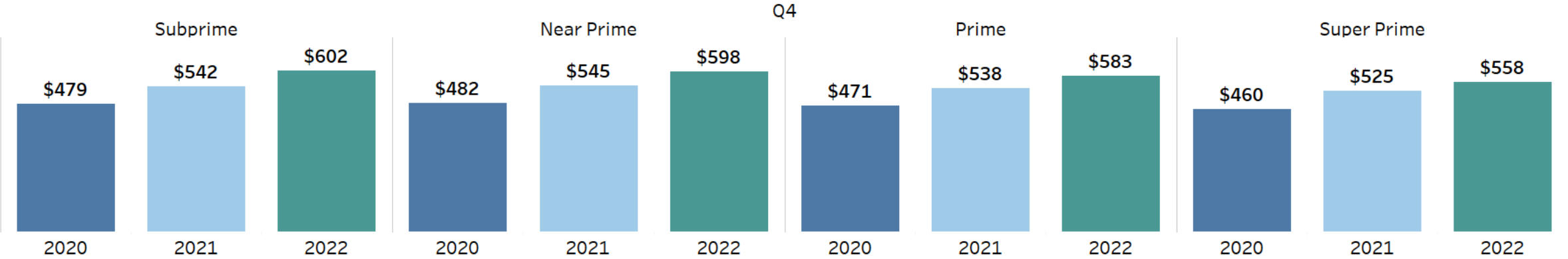


QOQ \$ difference in average new loan amount

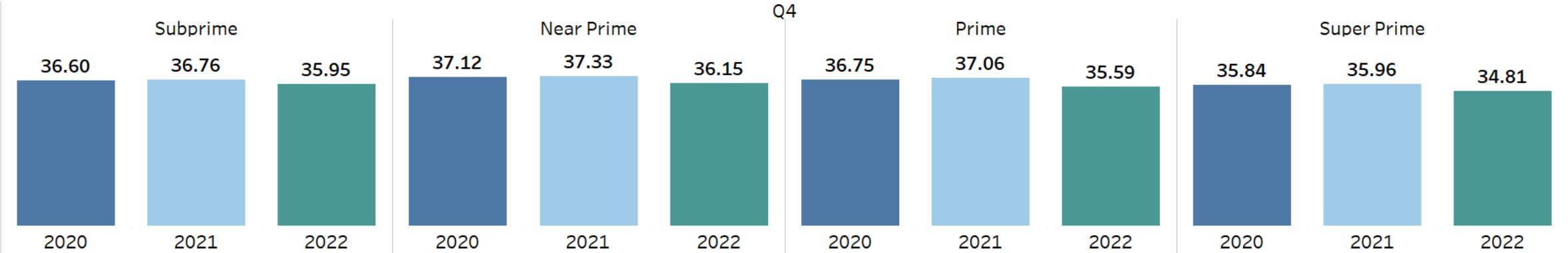


Leasing payments and terms increase YOY

Average lease payment by risk tier

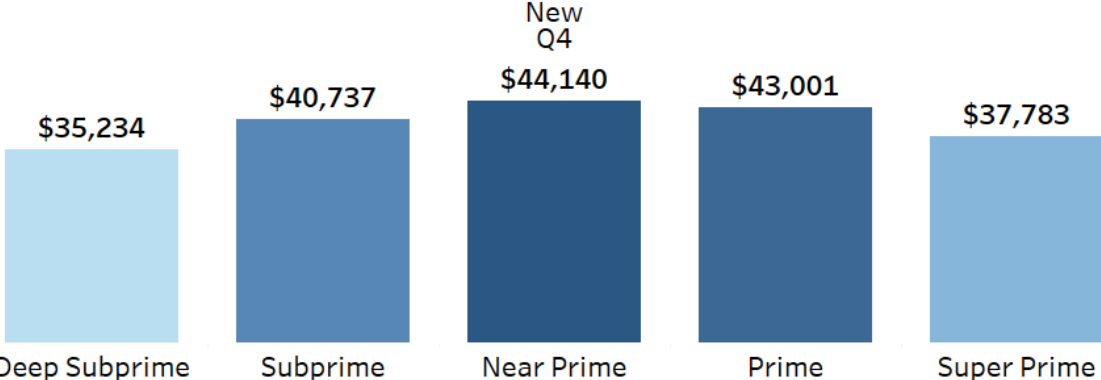


Average lease term by risk tier

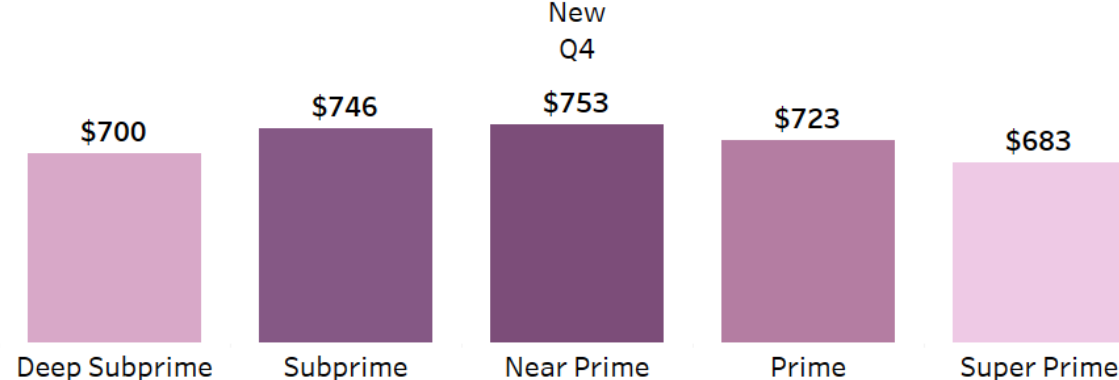


Payments and loan amounts experience YOY increases across all risk segments

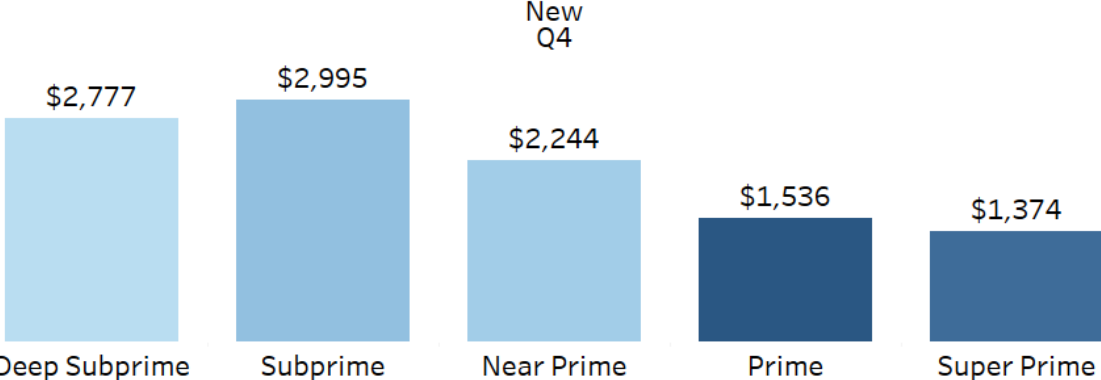
Average loan amount financed by risk



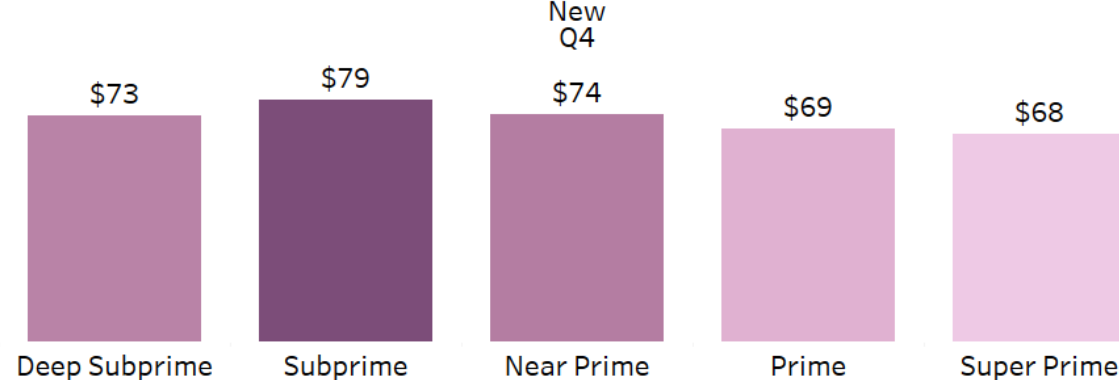
Average loan monthly payment by risk



Year-over-year change in loan amount

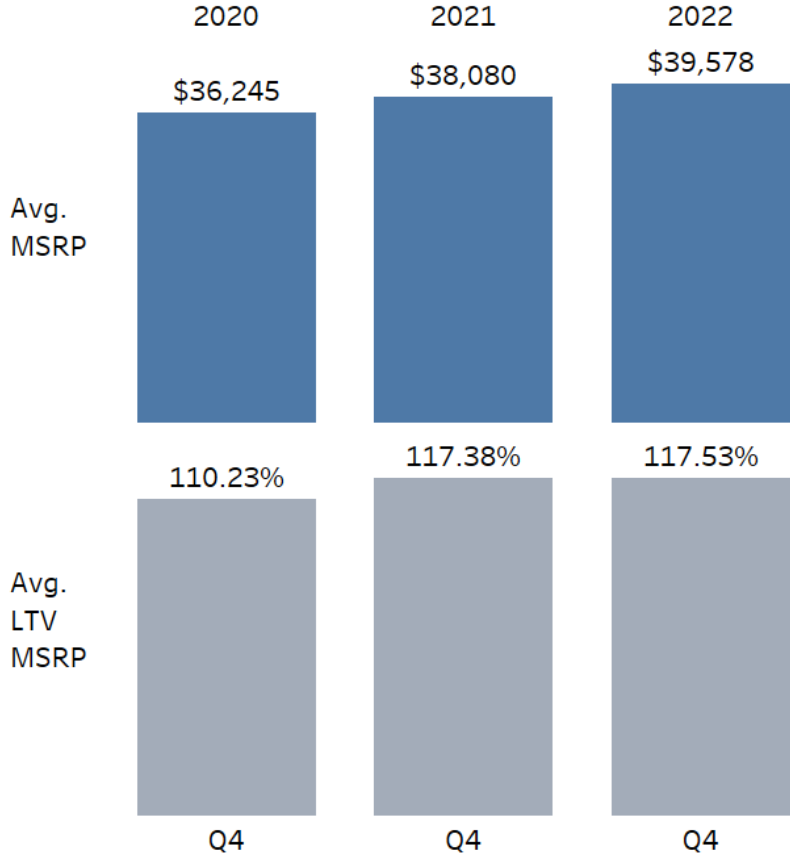


Year-over-year change in monthly payment

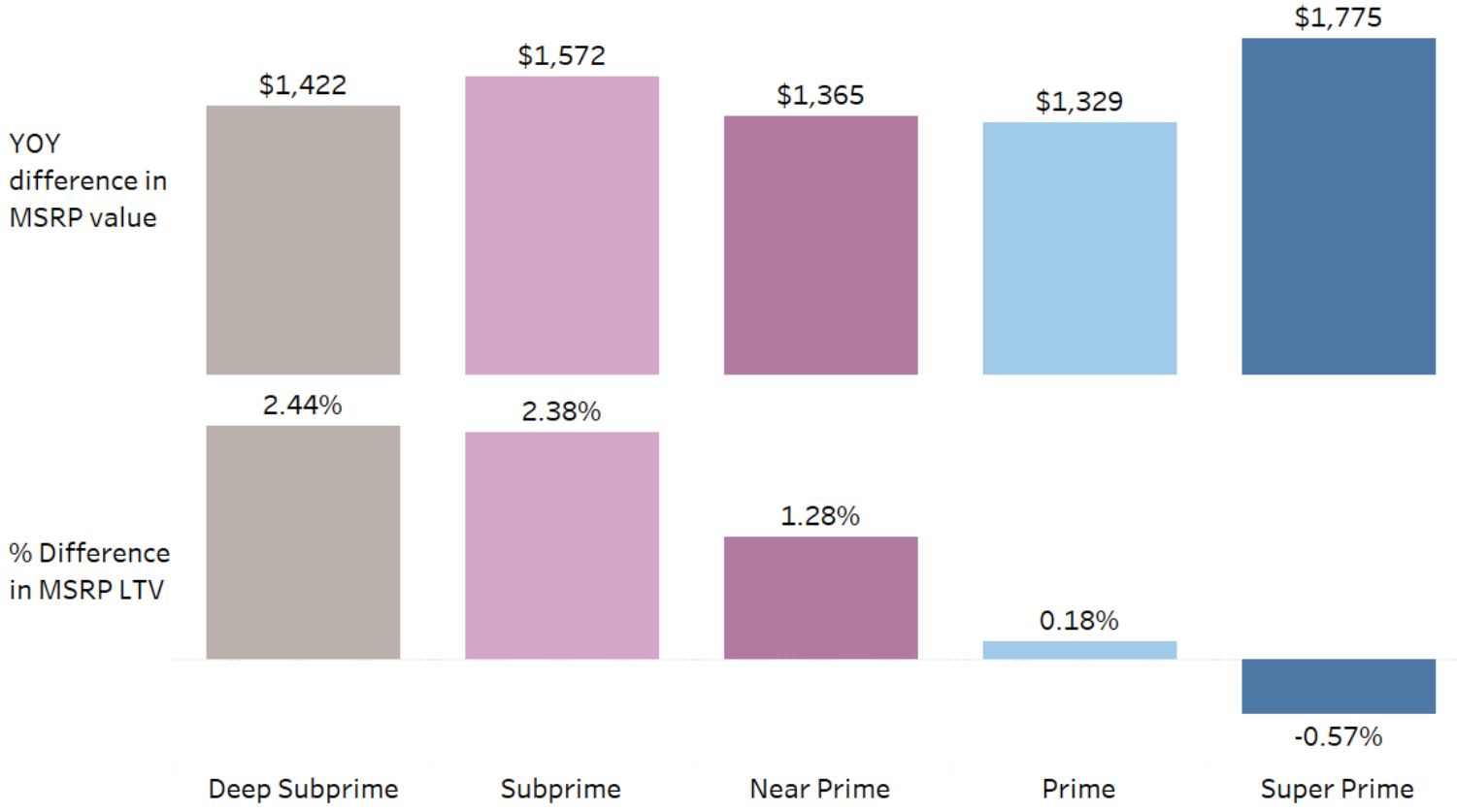


New values up 3.9% and LTVs increase slightly YOY

Avg New Values

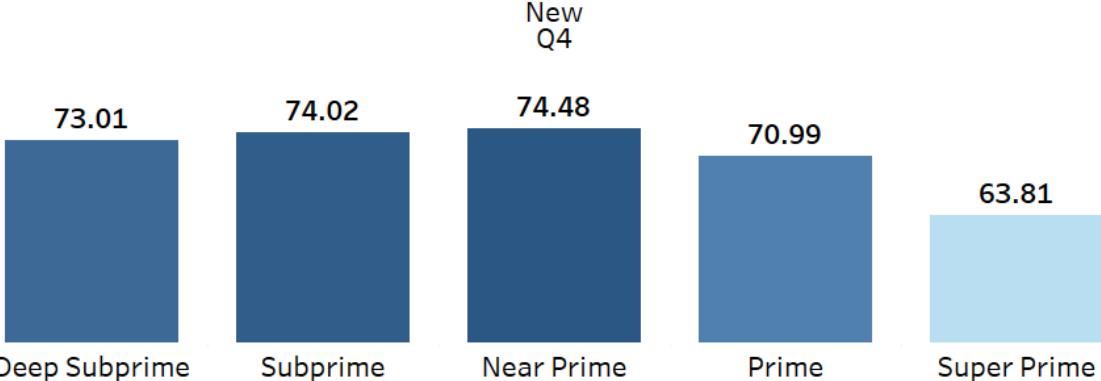


YOY change in new values

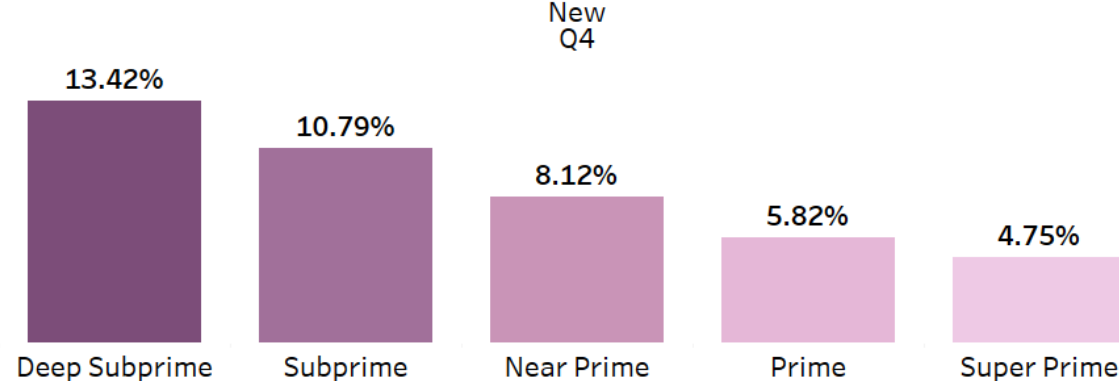


Terms decrease for prime+ segments while rates are up

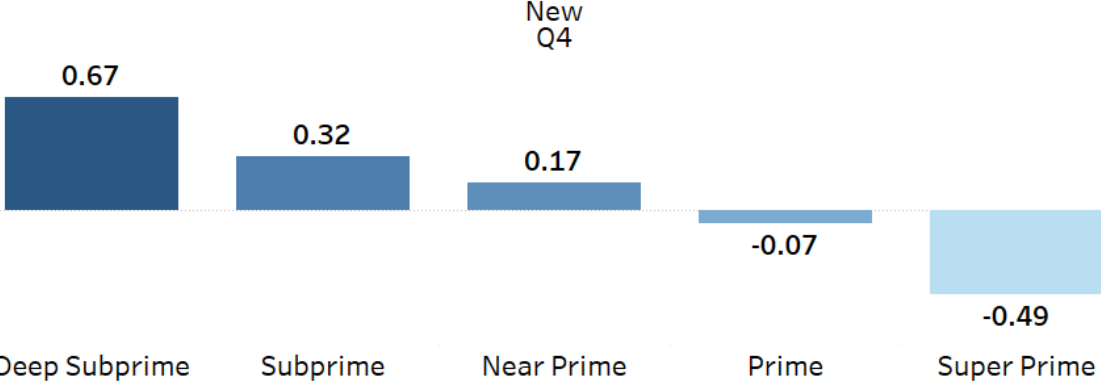
Average loan term by risk



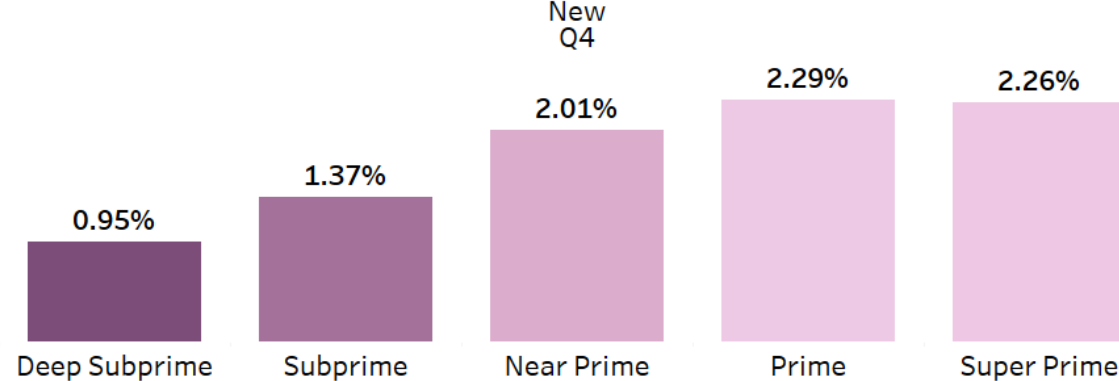
Average loan rate by risk



Year-over-year change in loan term

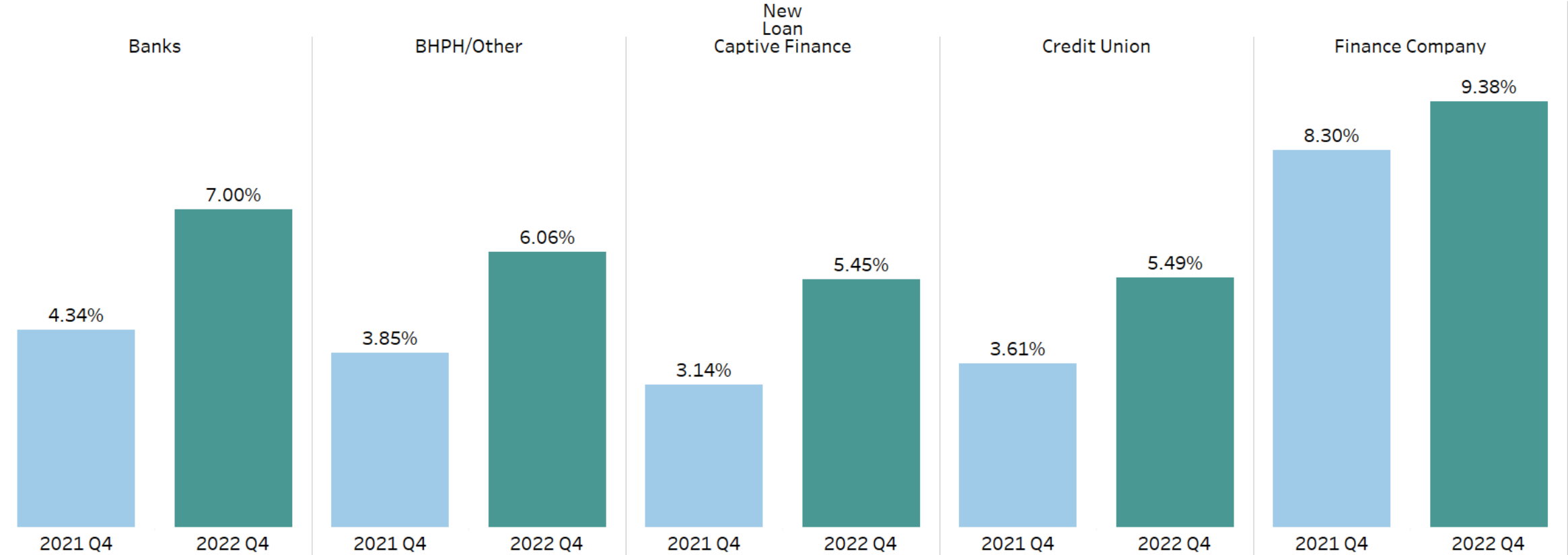


Year-over-year change in rate



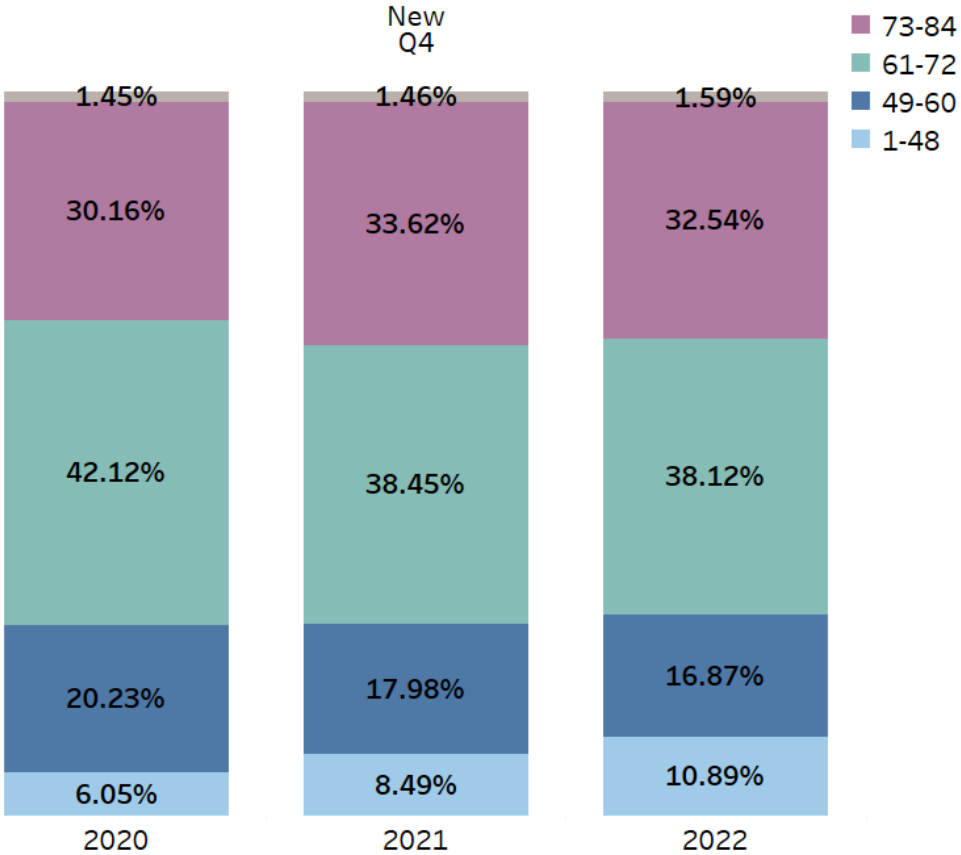
Credit Union rates for new loans remain under 5.5%

Average new loan rate by lender type

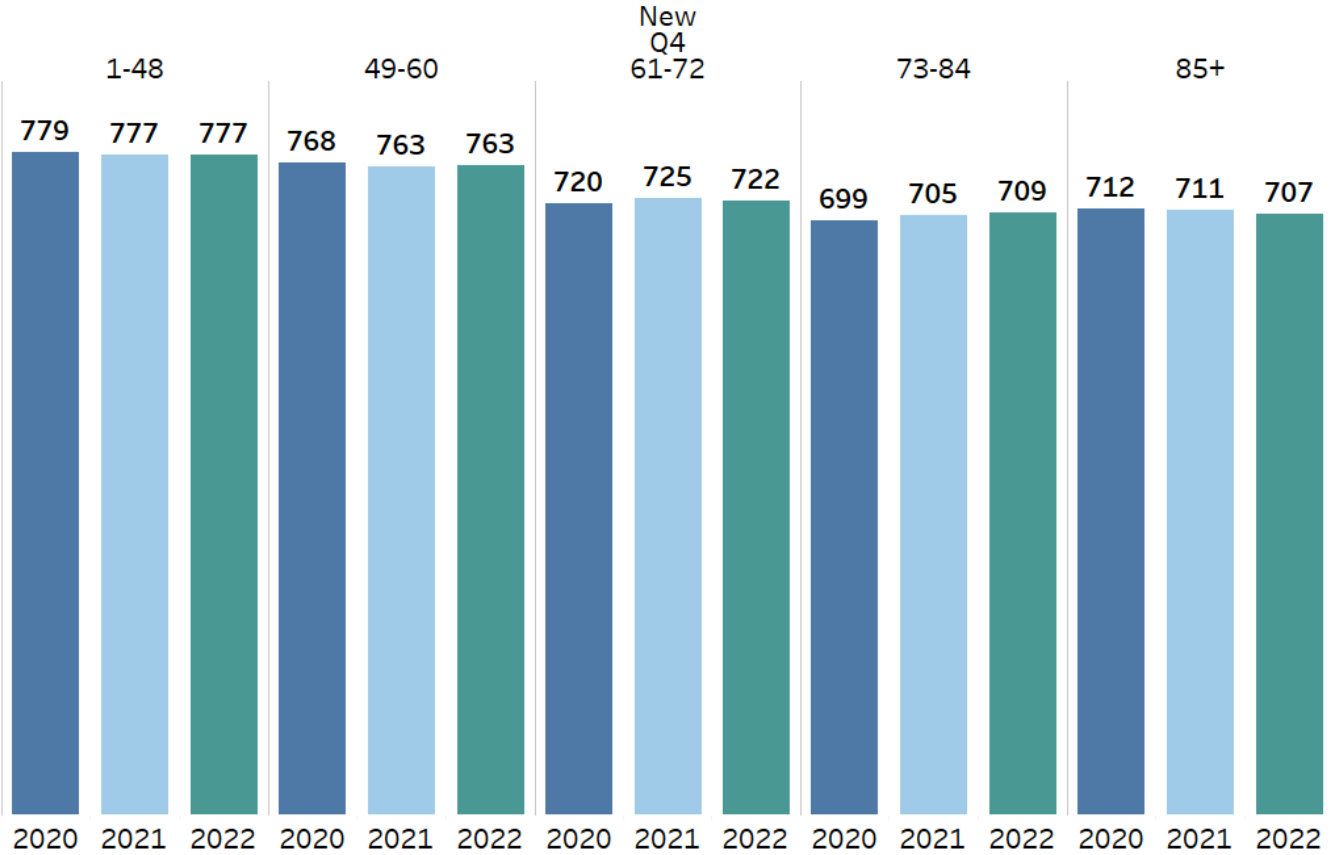


While majority of new loans are 72+, growth occurring in shorter term loans

Distribution by loan term



Avg score by loan term



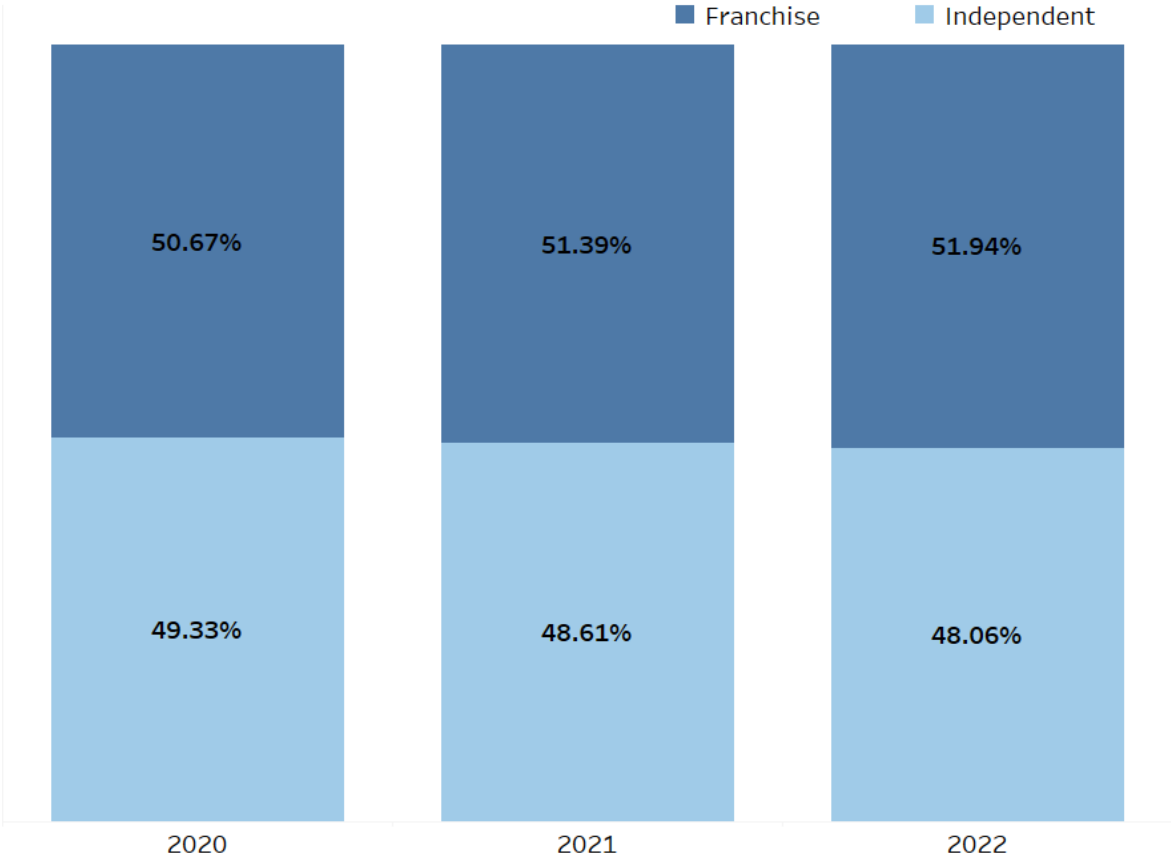


Q4 2022 Used financing

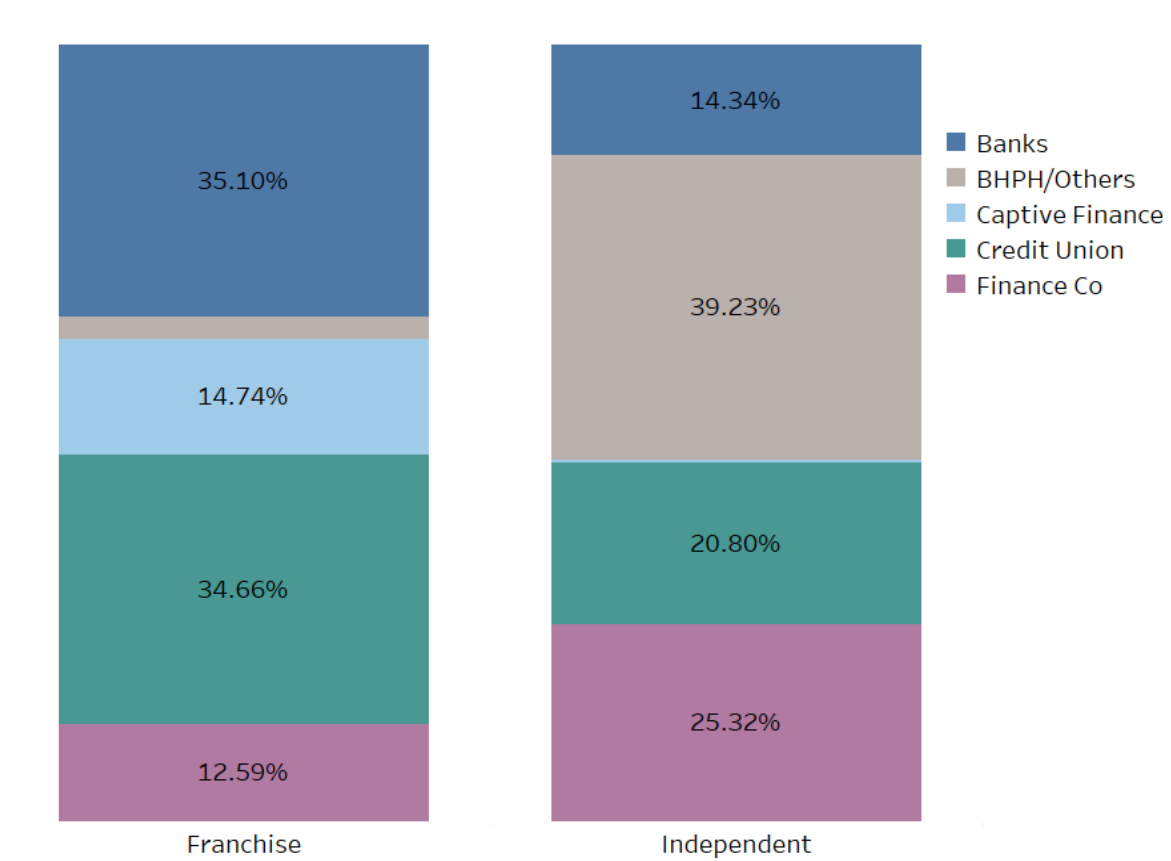
A look at used automotive loan trends

Dealer type snapshot

Used transactions by Dealer type



Used loans by lender type and Dealer

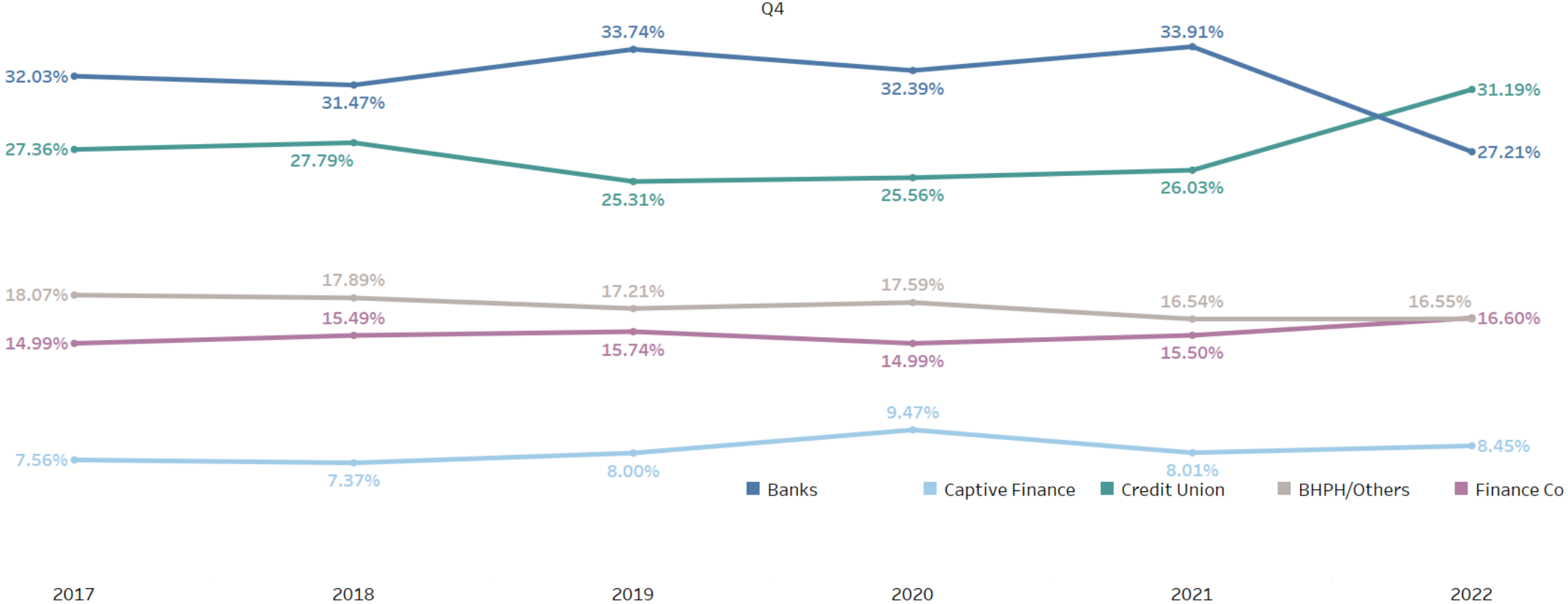


Transactions in which Dealers are identified

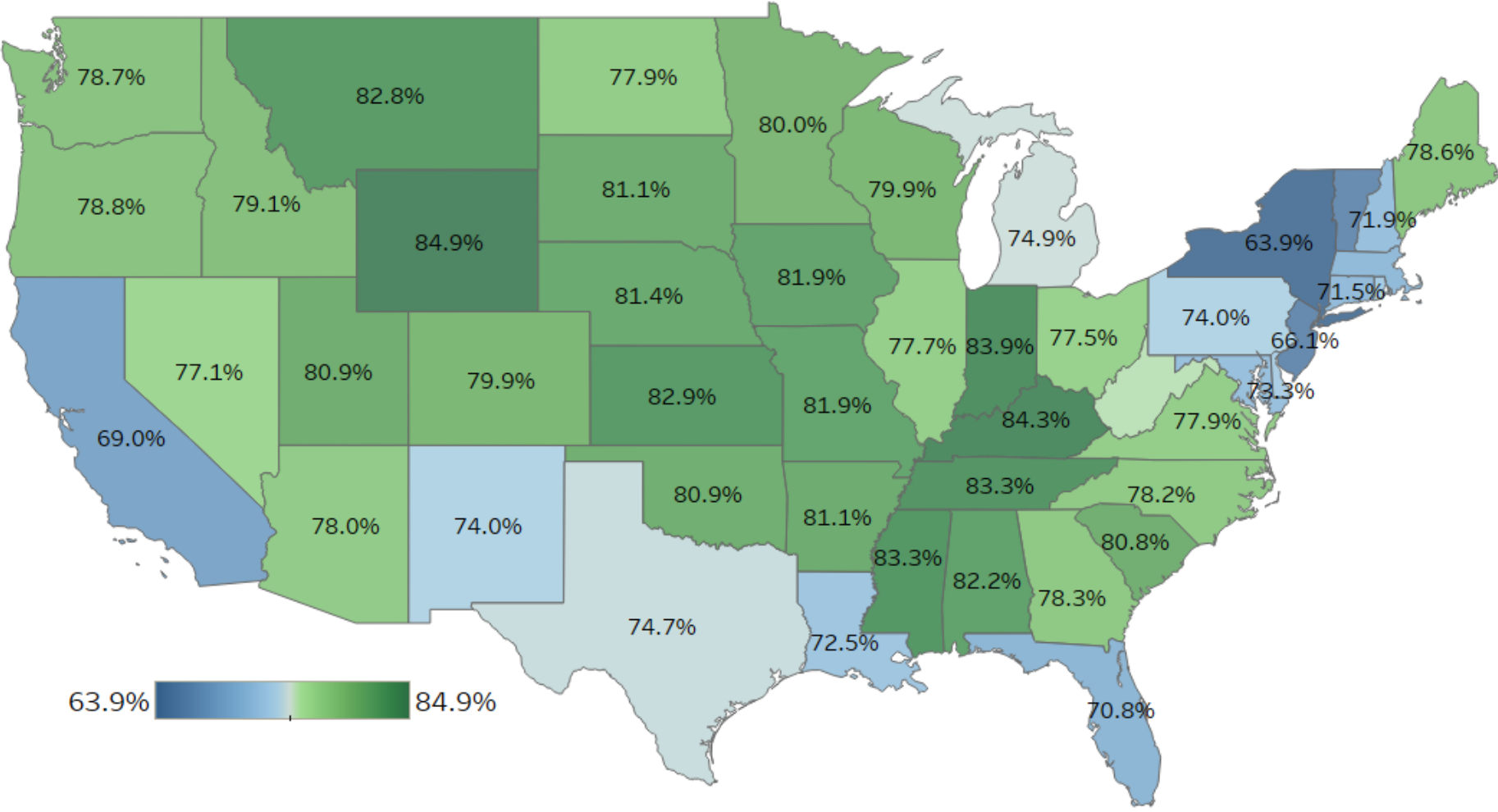


Credit Unions become the number one used lender

Used market share by lender type



AK (85.8%) leads with the largest percentage of loans for used cars; NY (63.9%) has the lowest



AK = 85.8%
HI = 72.9%

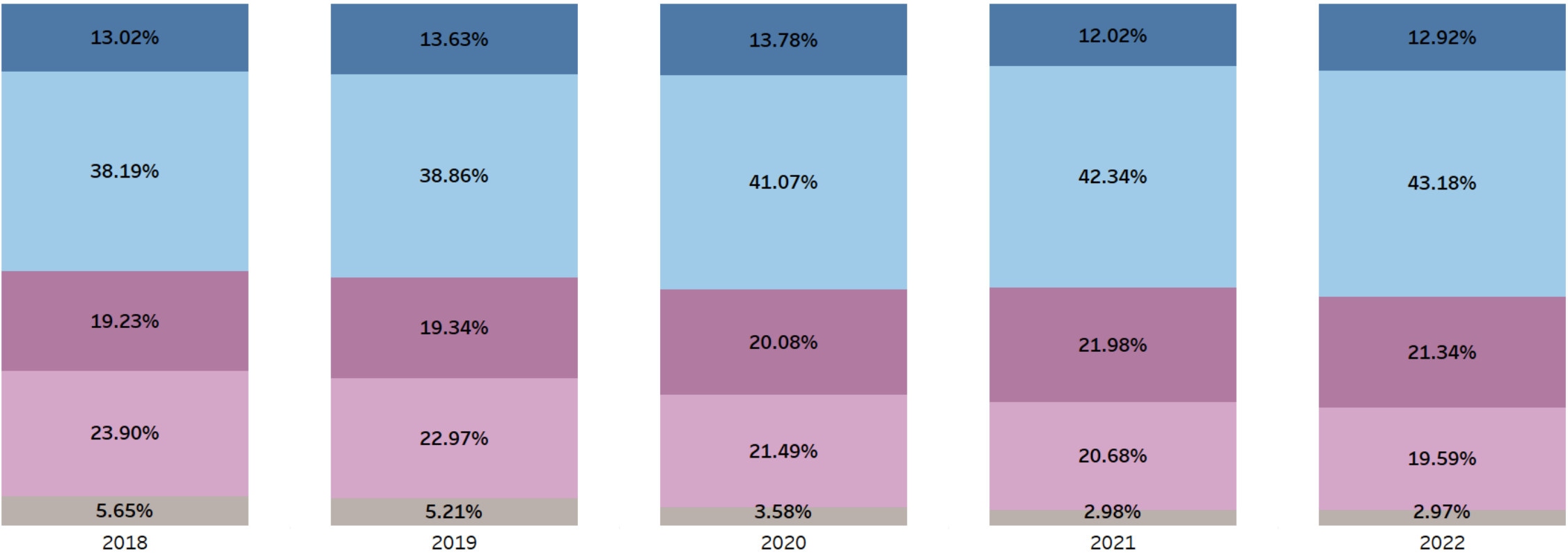
63.9% 84.9%

Subprime continues to decrease YOY while prime+ now over 56% of used loans

Used loan risk distribution

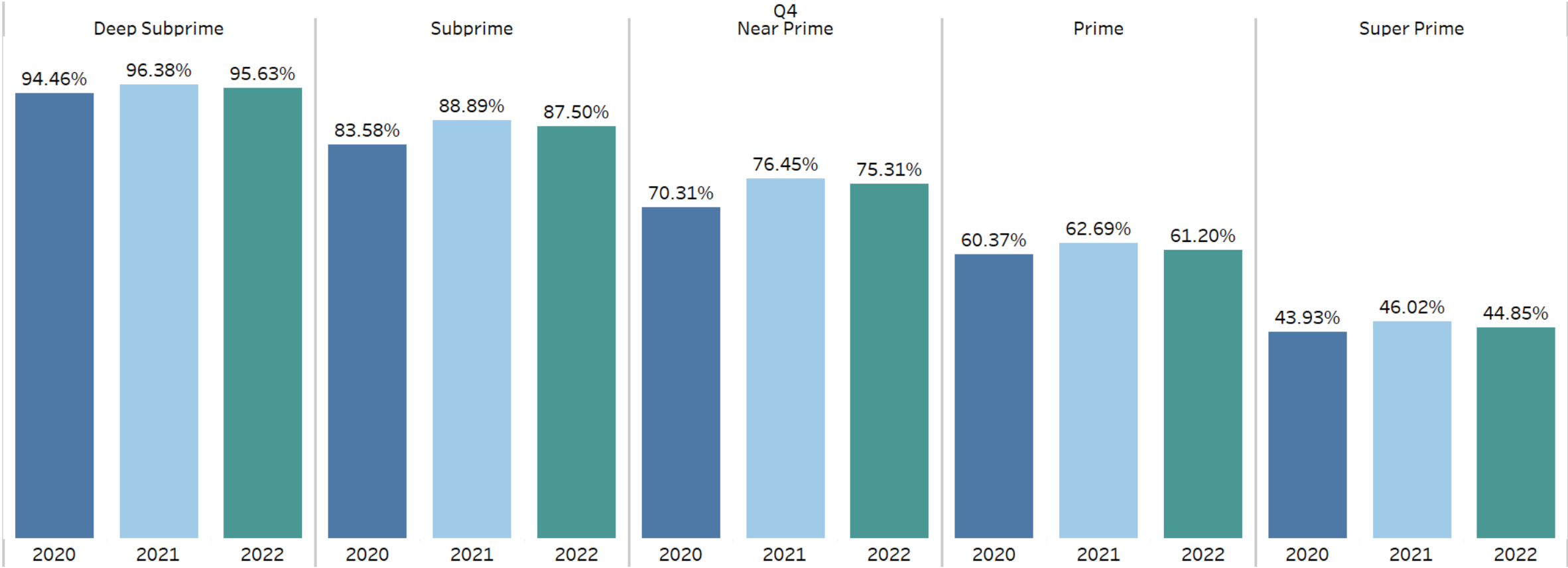
■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subprime

Q4



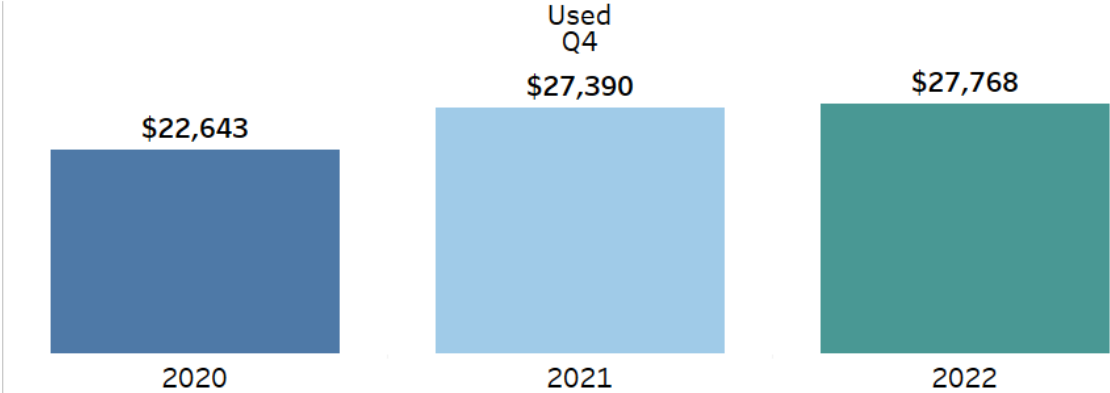
Slight reduction in choosing to finance used vehicles across all consumers

Consumers choosing used vehicles

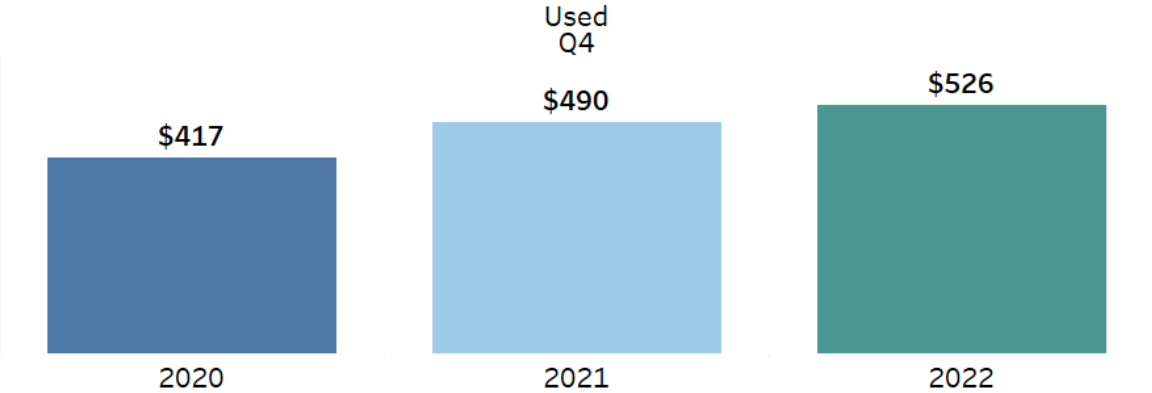


Used loan amount increases YOY (down from Q3) while payment hits record high; terms increase while rates are up 204 basis points

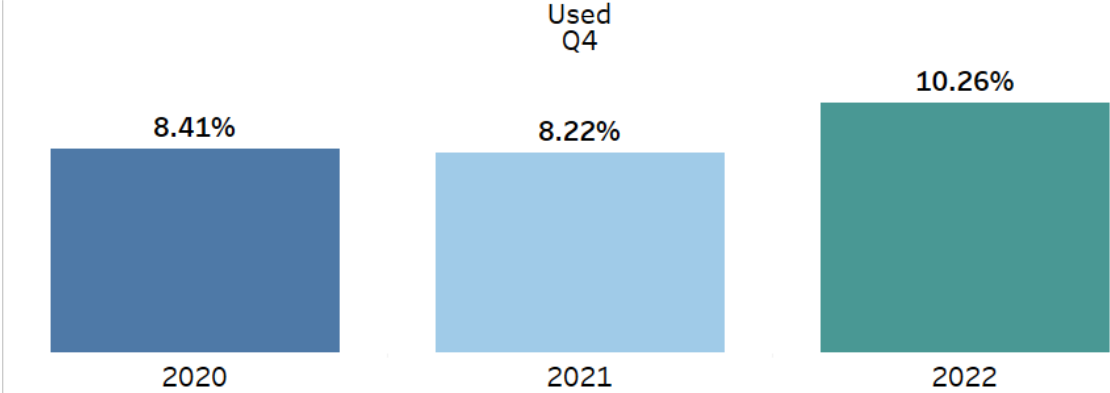
Average amount financed



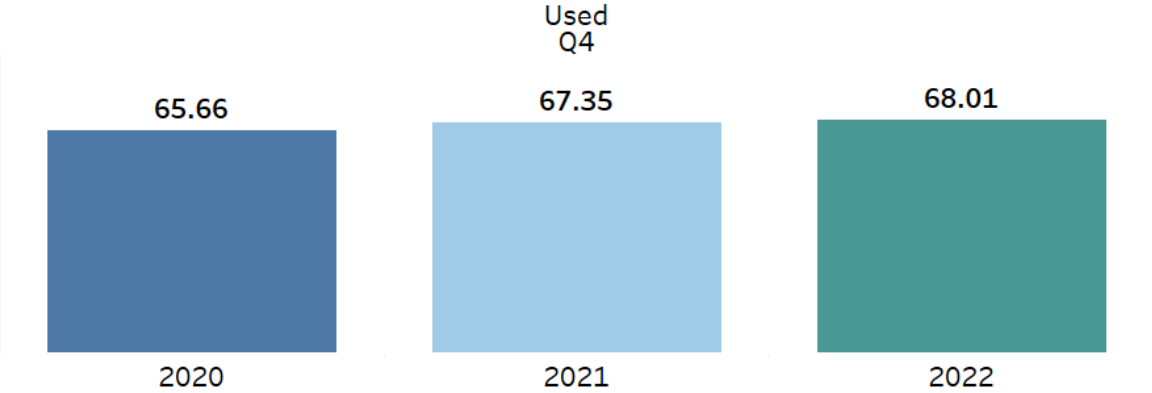
Average monthly payment



Average loan rate

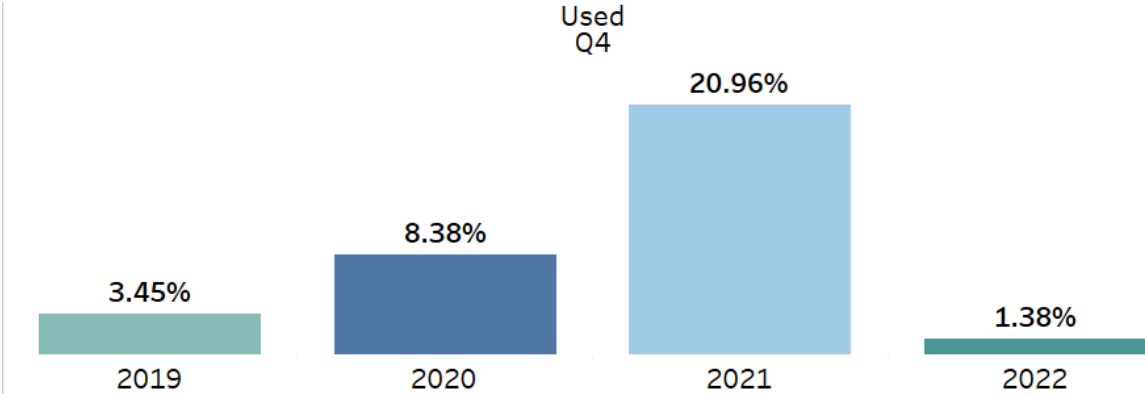


Average loan term

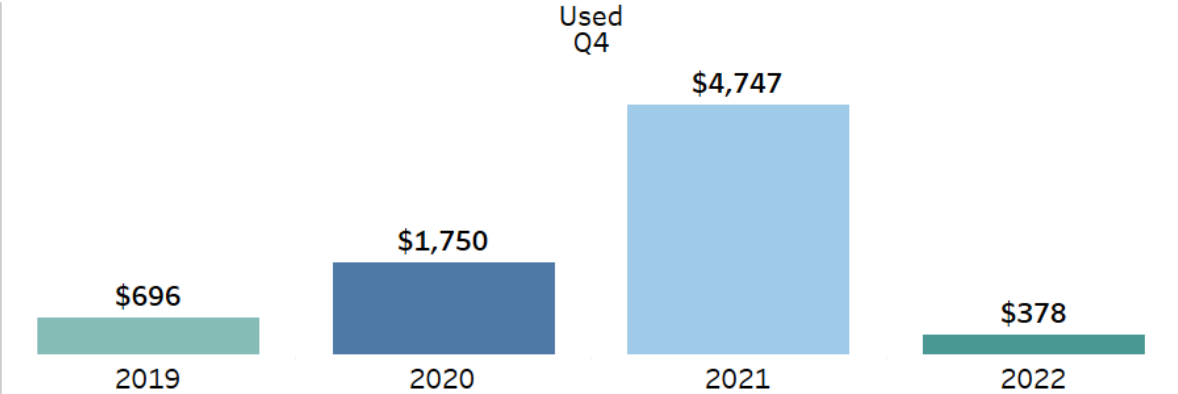


Year-over-year increases taper off while quarter-over-quarter used loan amounts are down

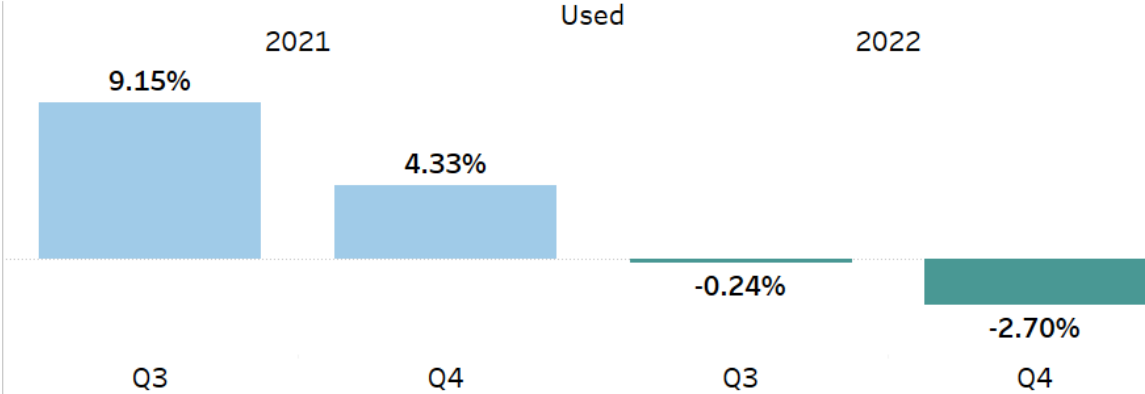
YOY growth in average used loan amount



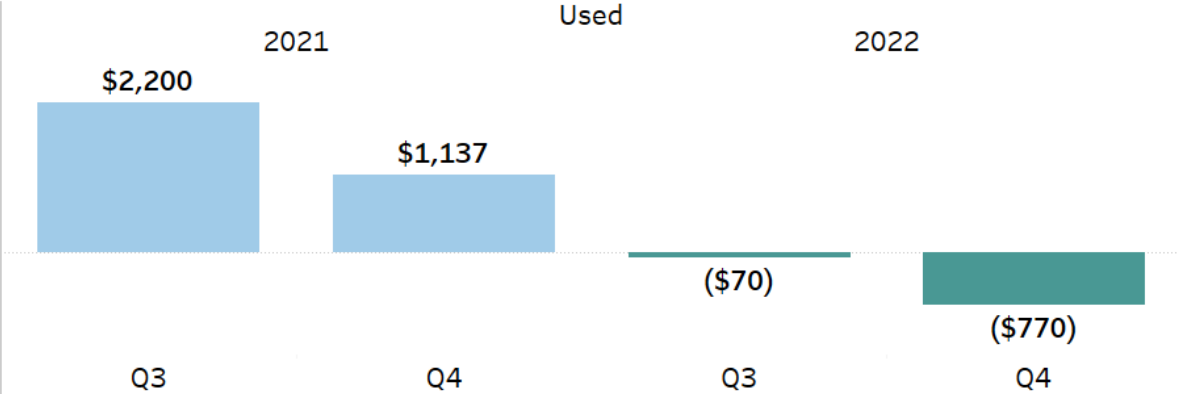
YOY \$ difference in average used loan amount



QOQ growth in average used loan amount

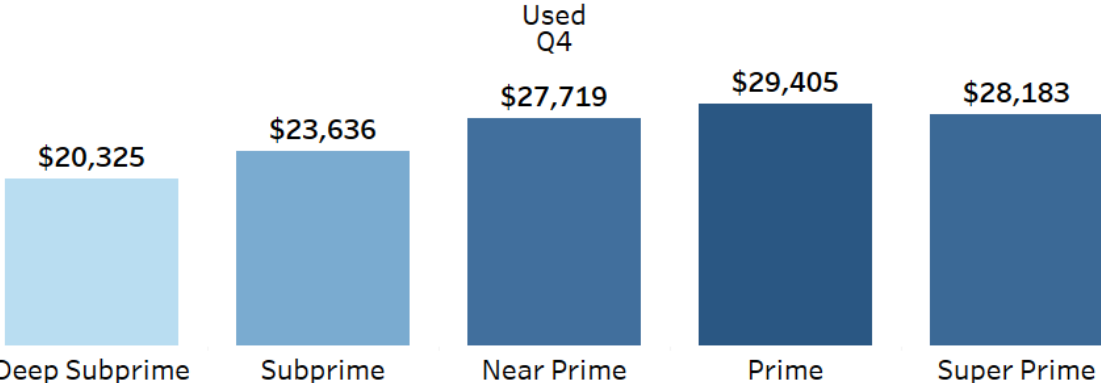


QOQ difference in average used loan amount

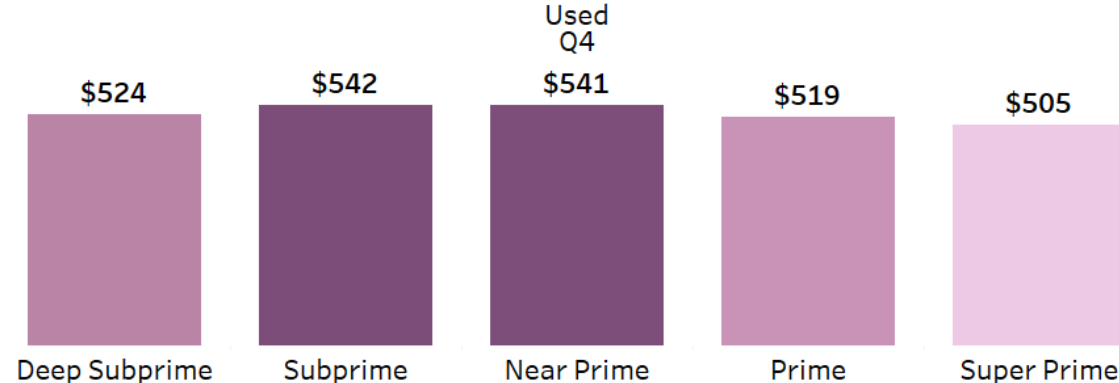


Used loan amounts and payments increase consistently across all score segments yet lower than previous quarter increases

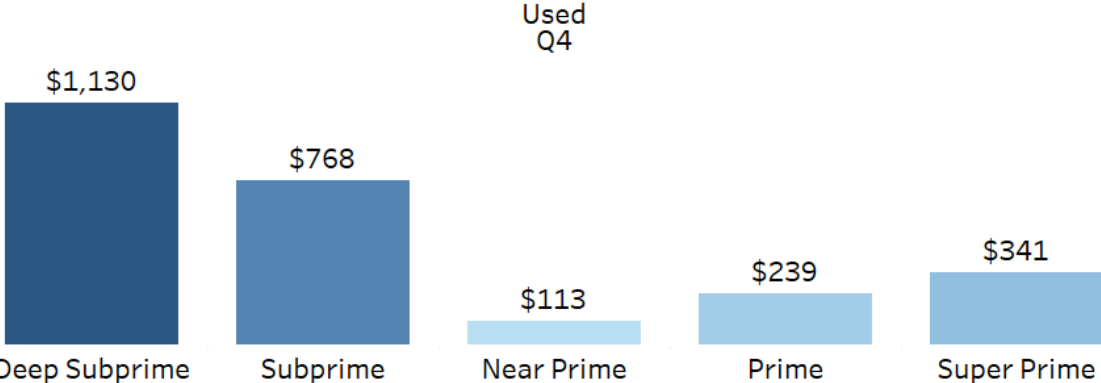
Average loan amount financed by risk



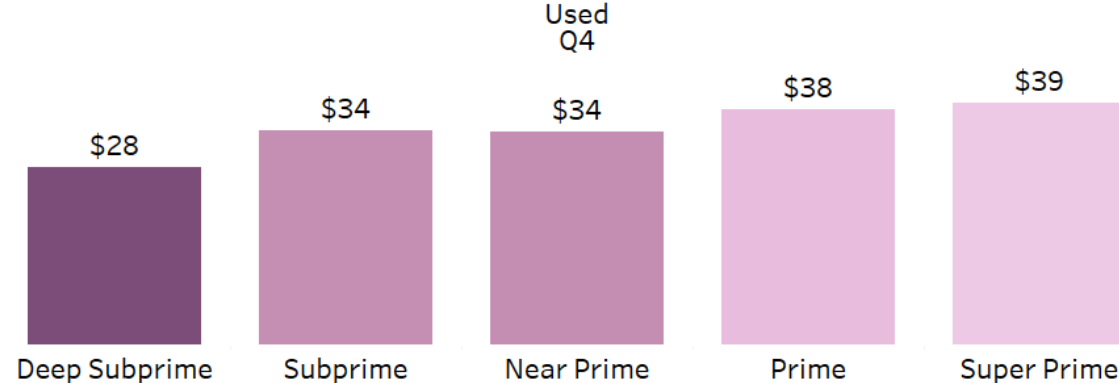
Average loan monthly payment by risk



Year-over-year change in loan amount

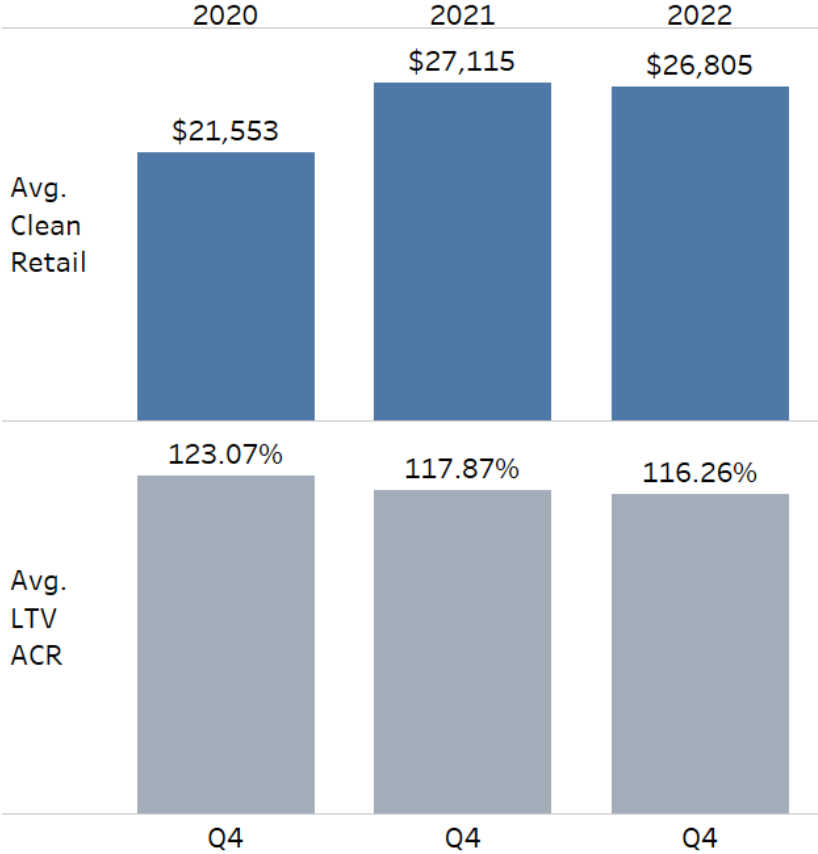


Year-over-year change in monthly payment

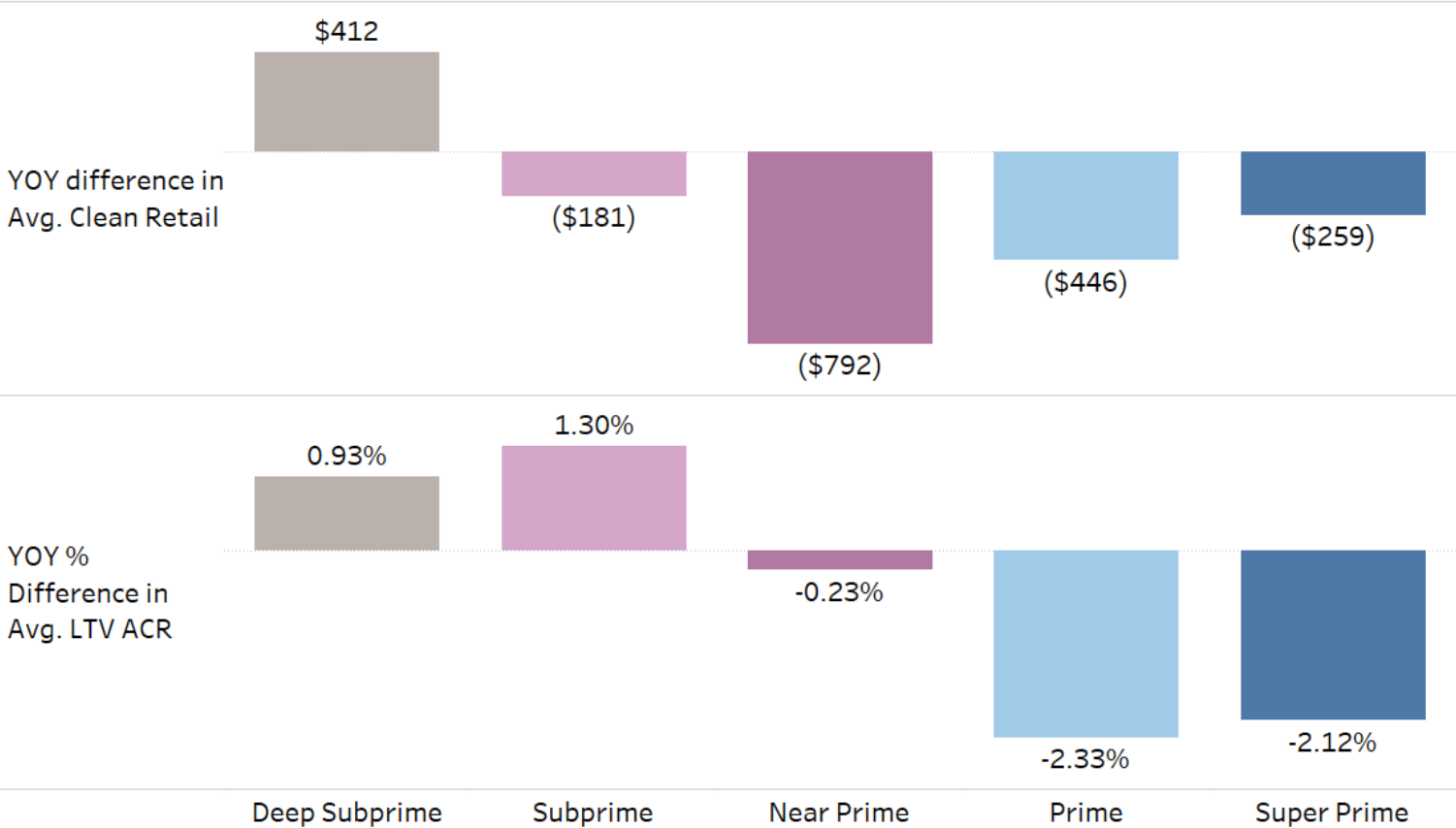


Used values decrease year-over-year while LTVs also drop outside of subprime

Avg Used Values

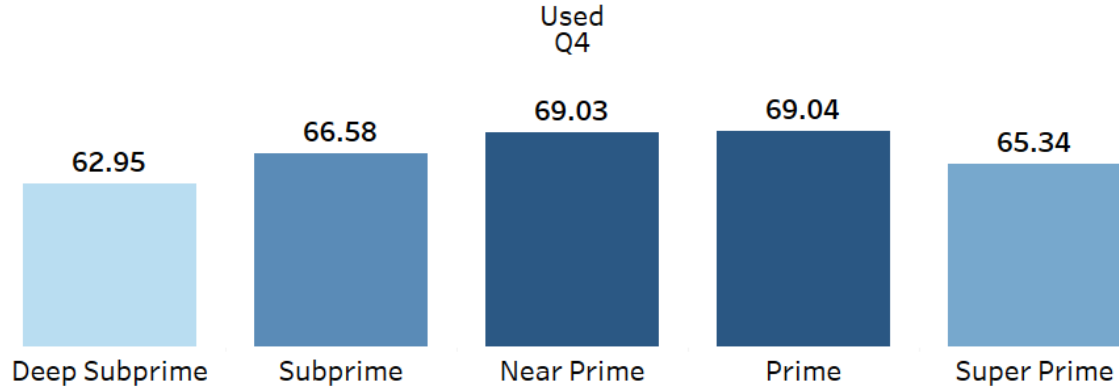


YOY change in used values

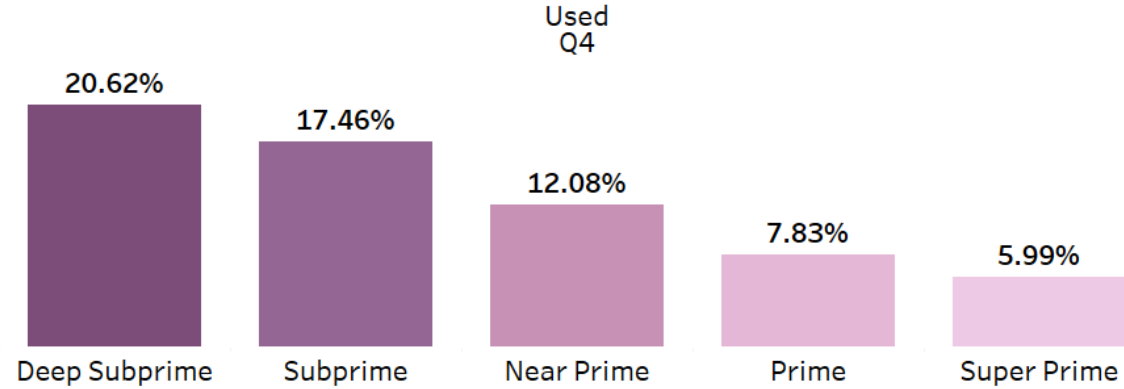


Terms and rates increase across all score segments

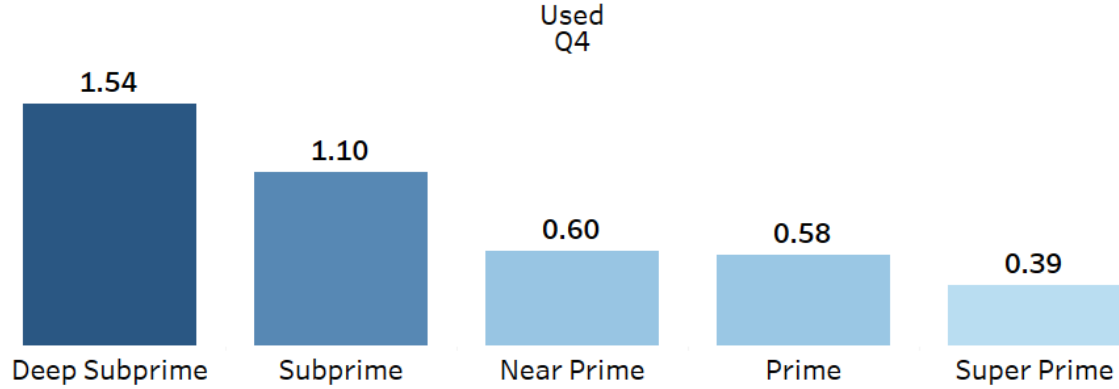
Average loan term by risk



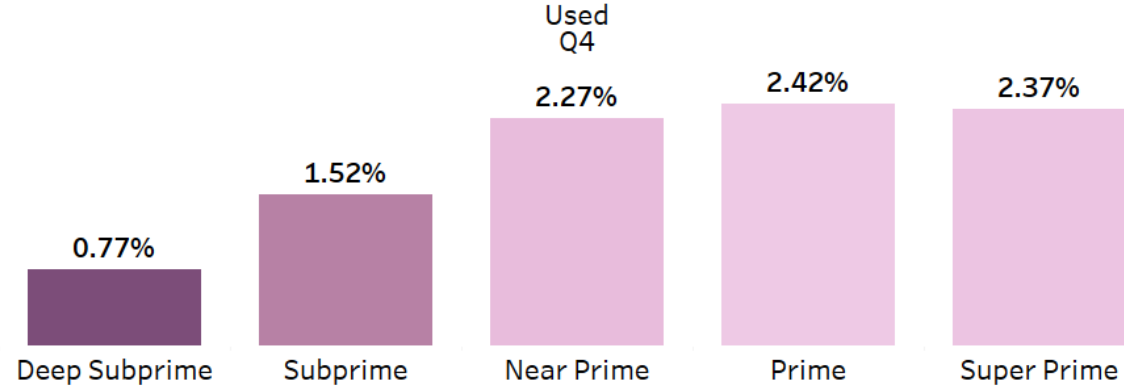
Average loan rate by risk



Year-over-year change in loan term

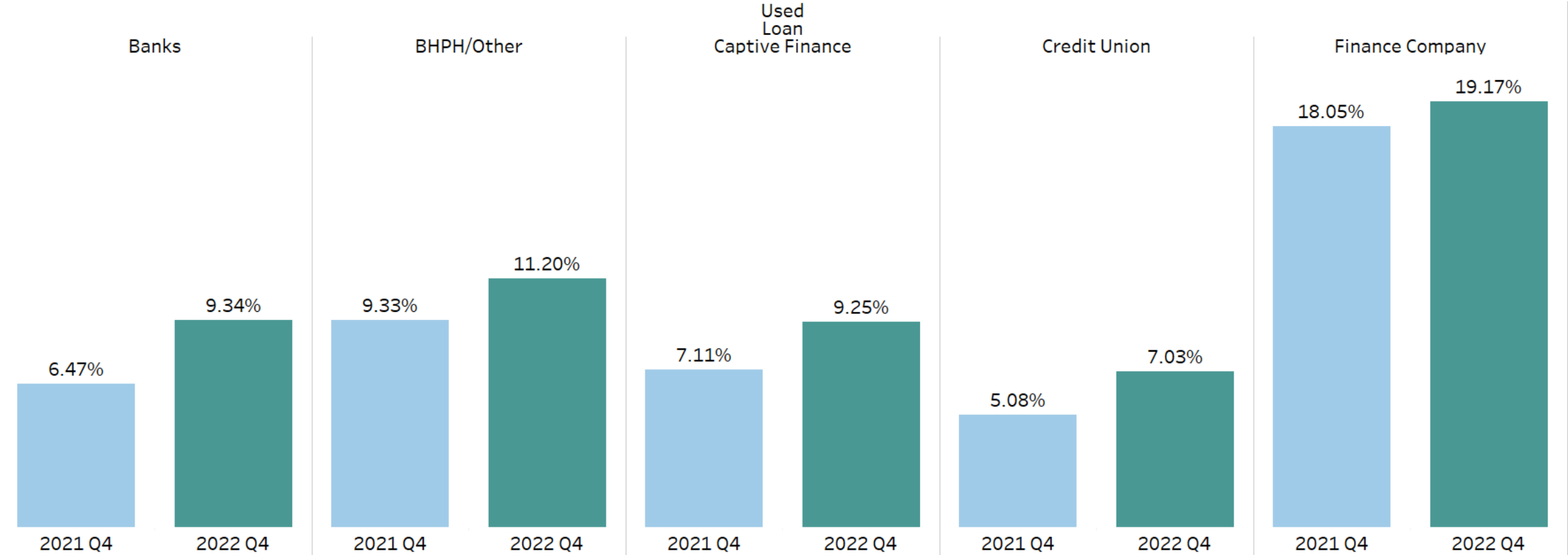


Year-over-year change in rate



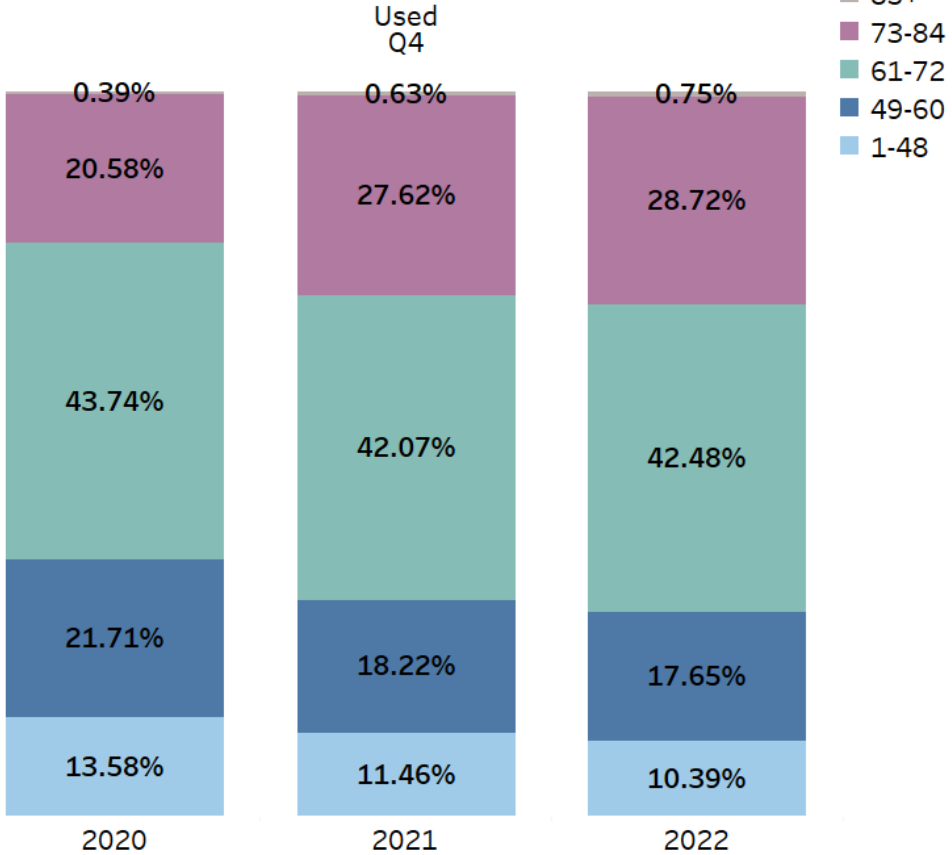
Credit Unions maintain the lowest rate among lender types for used loans

Average used loan rate by lender type

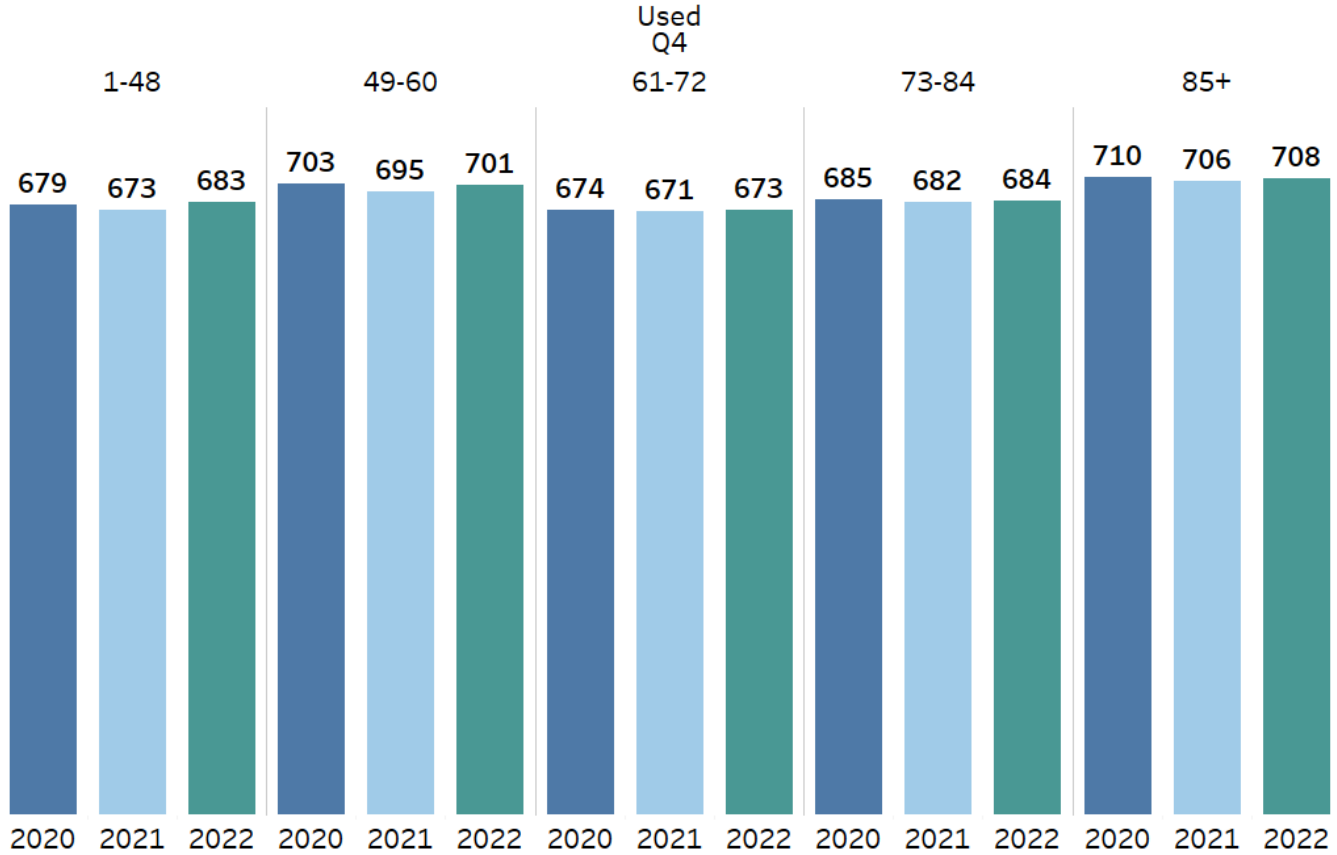


Growth occurring in longer term loans while scores also rise

Distribution by loan term



Avg score by loan term



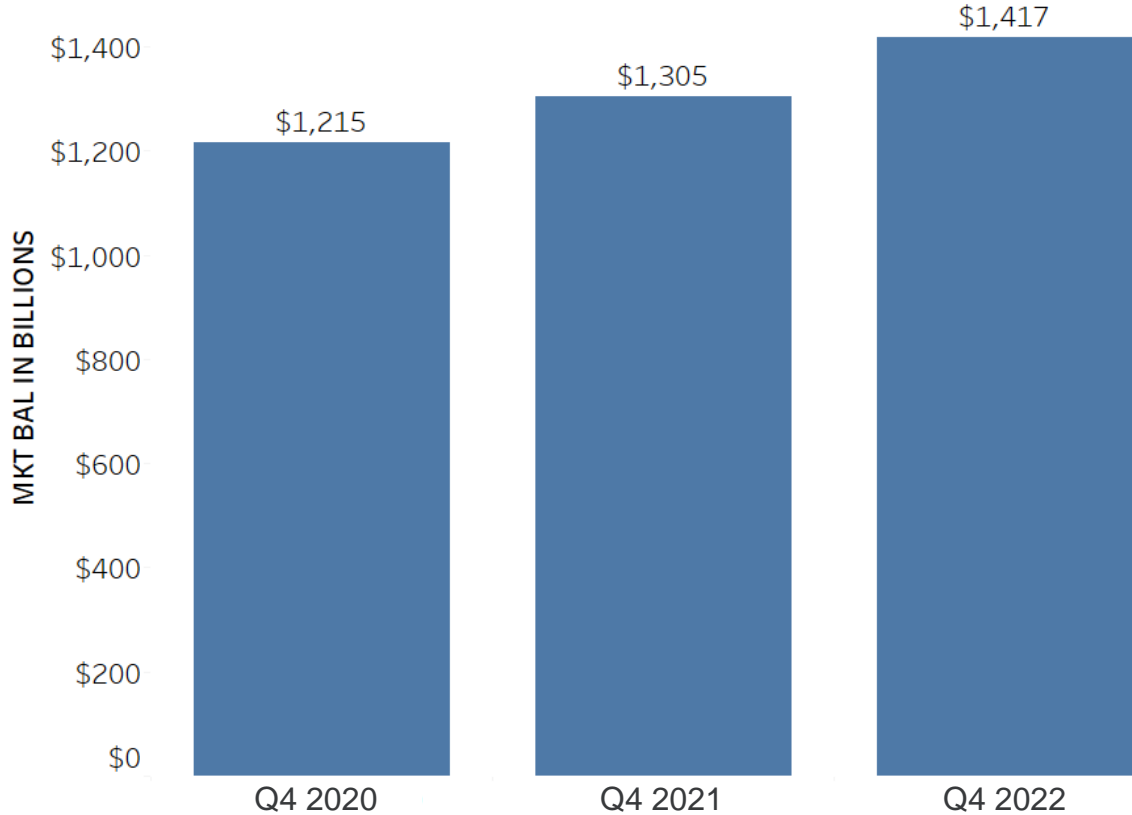
Q4 2022 Market overview

Balances and delinquency on all open auto
loans & leases

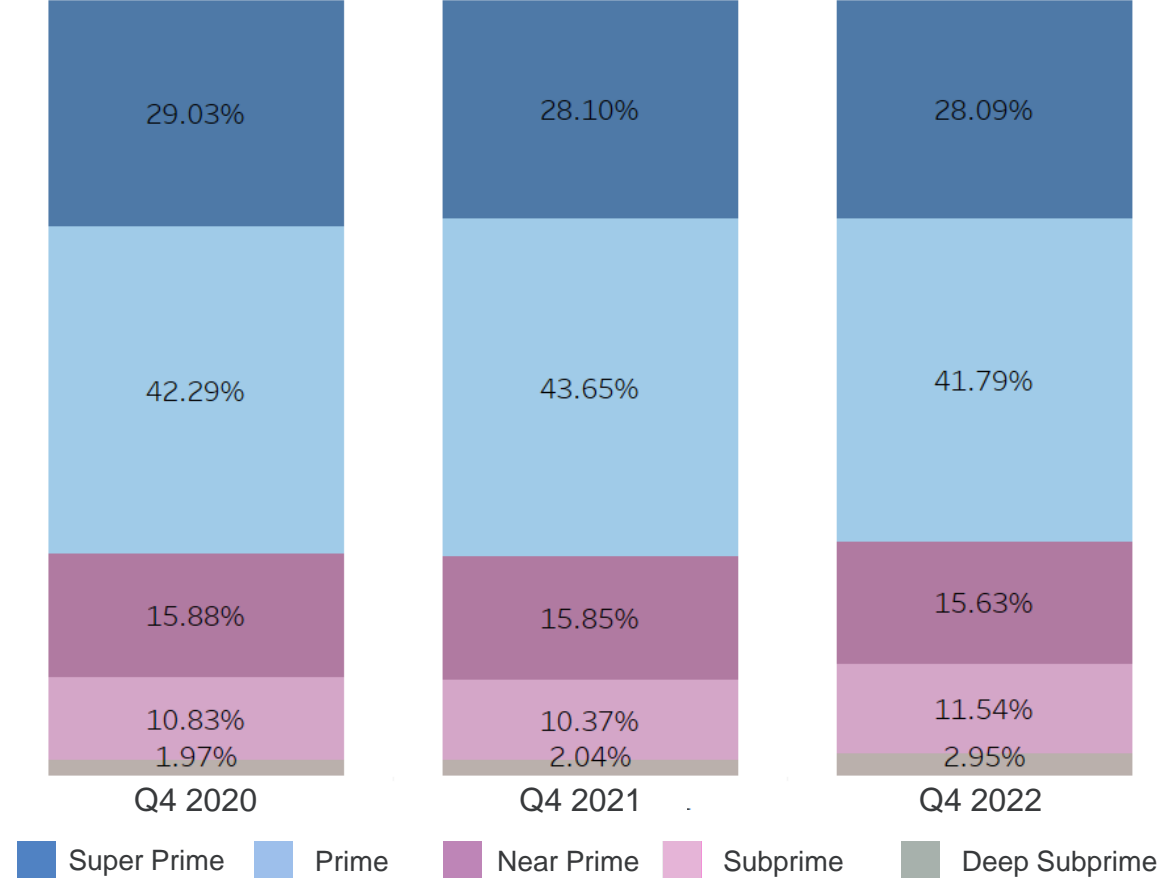


Overall loan balances (in billions) grew 8.56%

Outstanding automotive loan balance

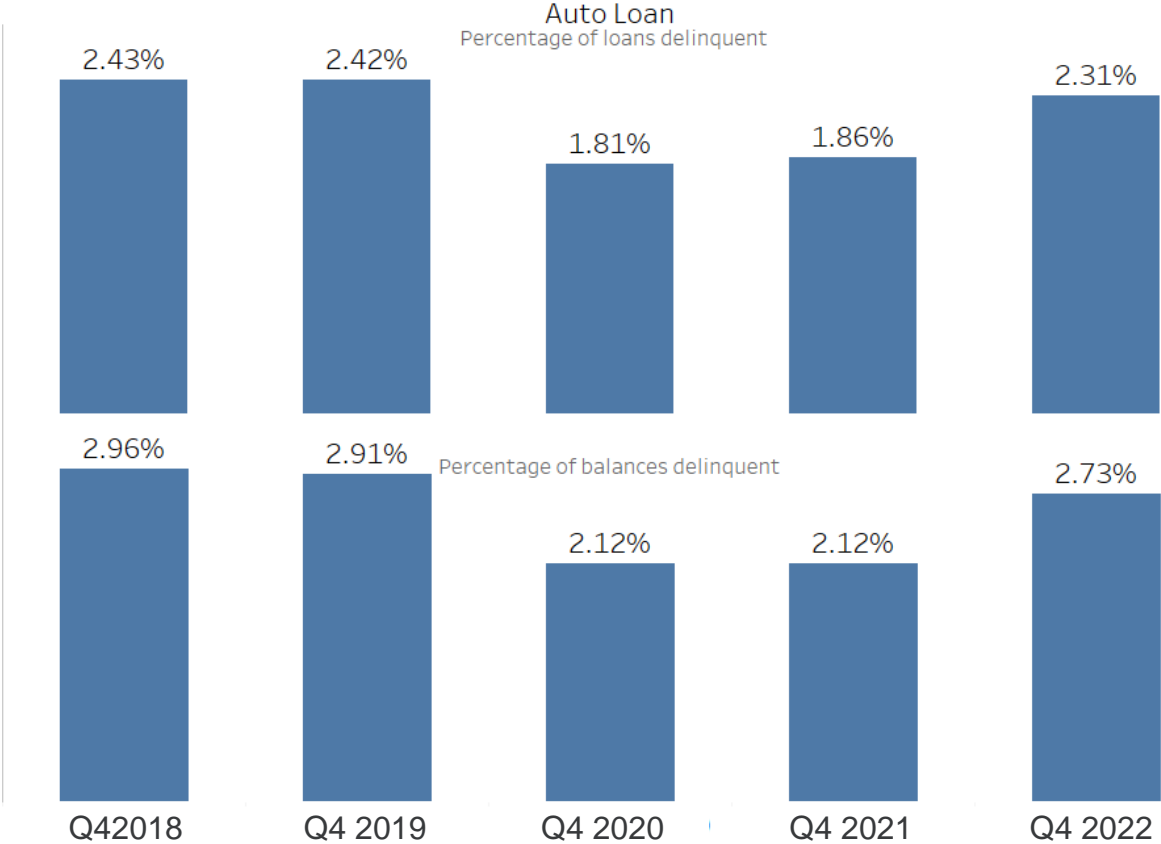


Auto loan balances by score band

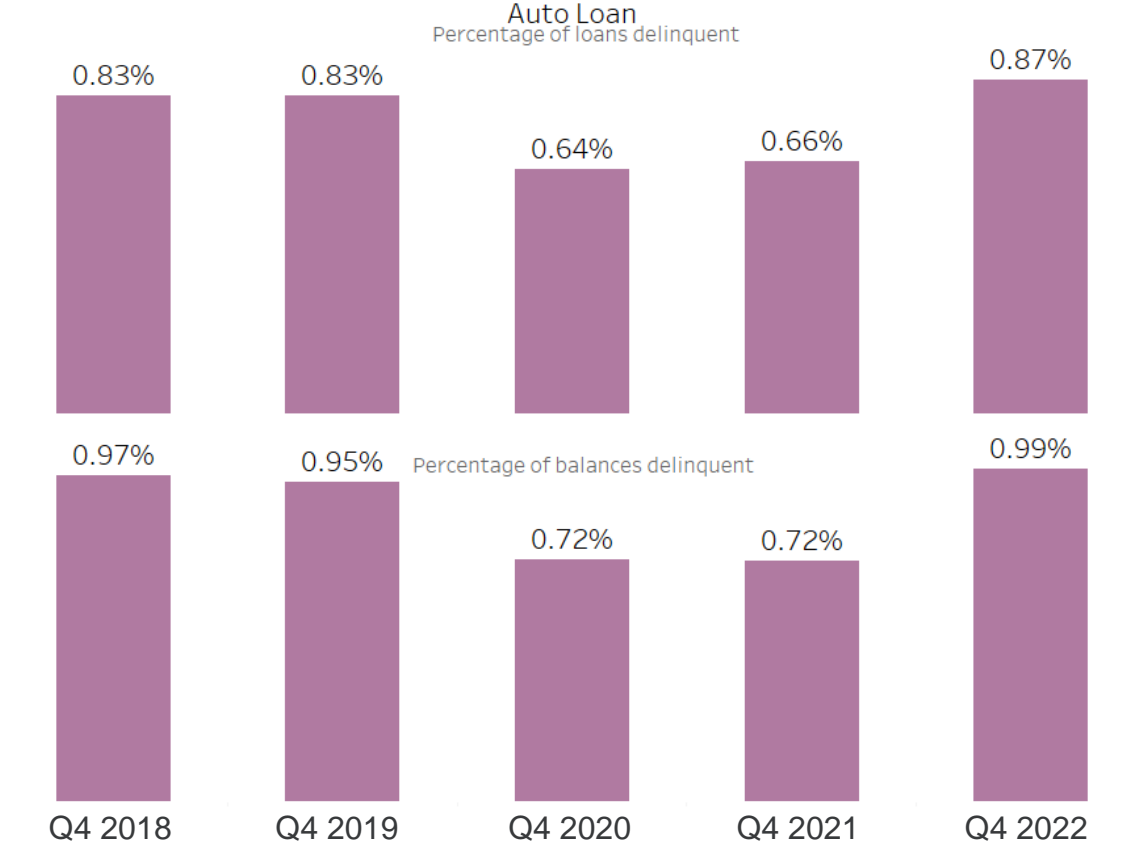


60-day delinquencies surpass pre-COVID levels

30 day delinquency

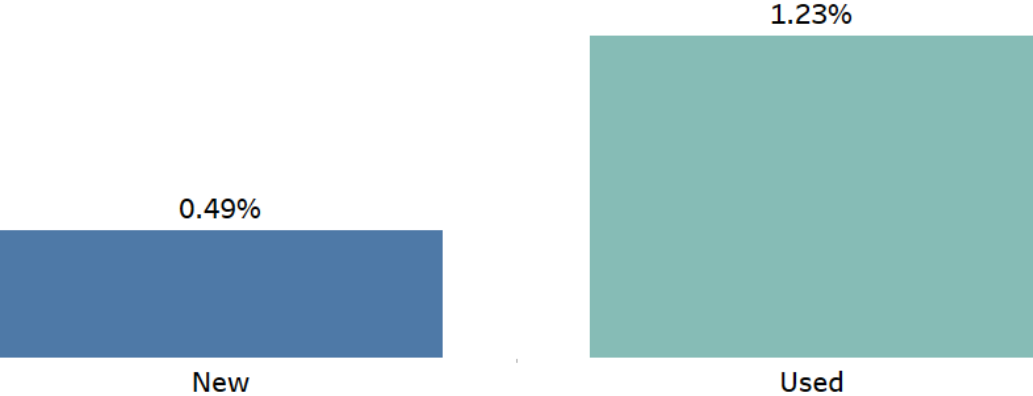


60 Day delinquency

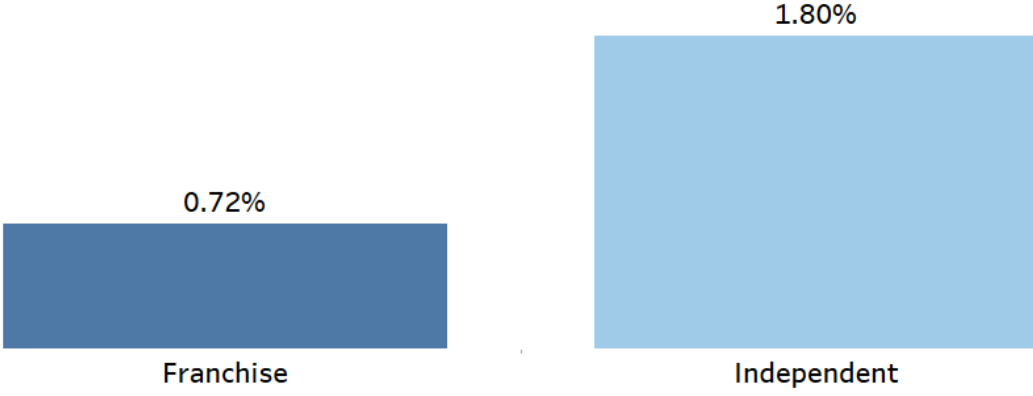


60-day delinquency rate dashboard (originations 2018+)

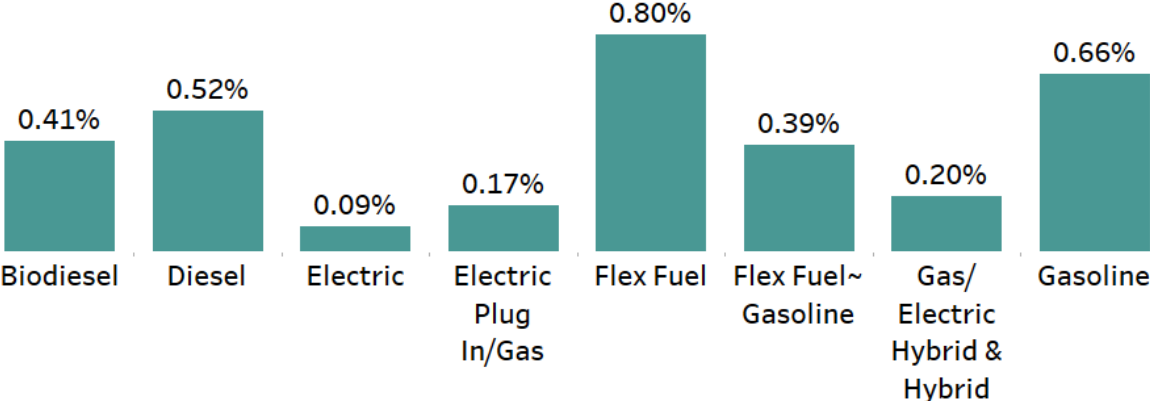
Current 60 day delinquency rate by new/used



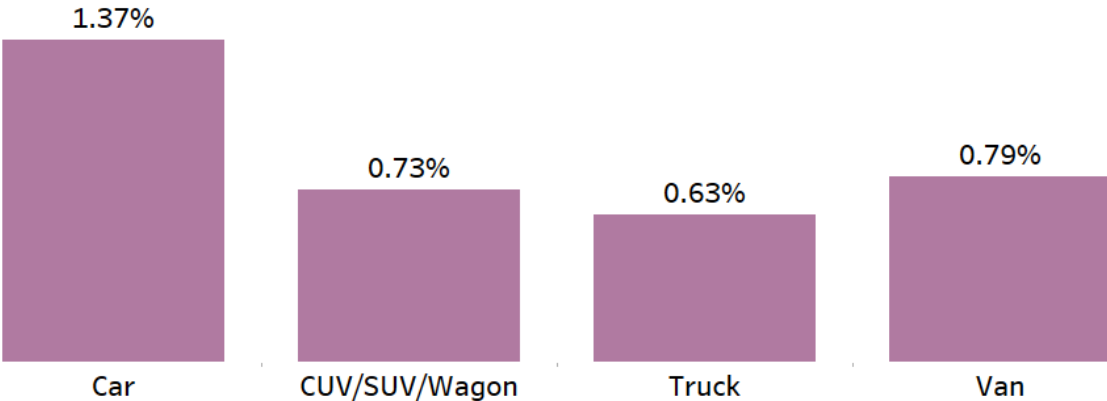
Current 60 day delinquency rate by dealer type



Current 60 day delinquency rate by fuel type (bought new)



Current 60 day delinquency rate by vehicle type (bought new & used)



Summary

- Leasing rates fall under 18% of new financing
- Credit Unions taking a lead position in the market and offer the lowest rates for both new and used loans
- YOY loan amount growth begins to taper off for both new and used loans, yet used payments reach record highs
- YOY rates are up over 200 basis points for both new and used loans
- Overall outstanding balances increase, and 60-day delinquencies begin to surpass pre-COVID levels



Q4 2022

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