



State of the Automotive Finance Market Q2 2023

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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 and 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 credit and loan/lease characteristics across vehicle metrics
- Review loan performance by origination attributes, vehicle and dealers

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



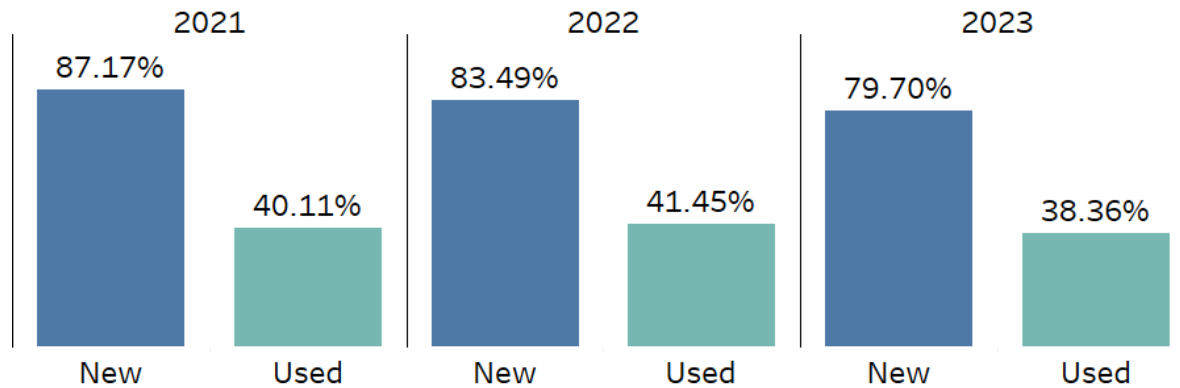
Q2 2023 Originations

Trends in automotive loan and lease originations

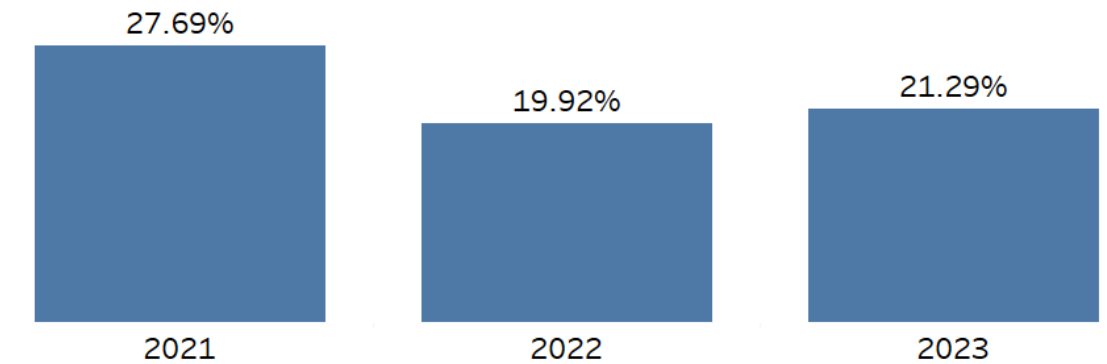
Automotive financing

Snapshot of how and what consumers are financing

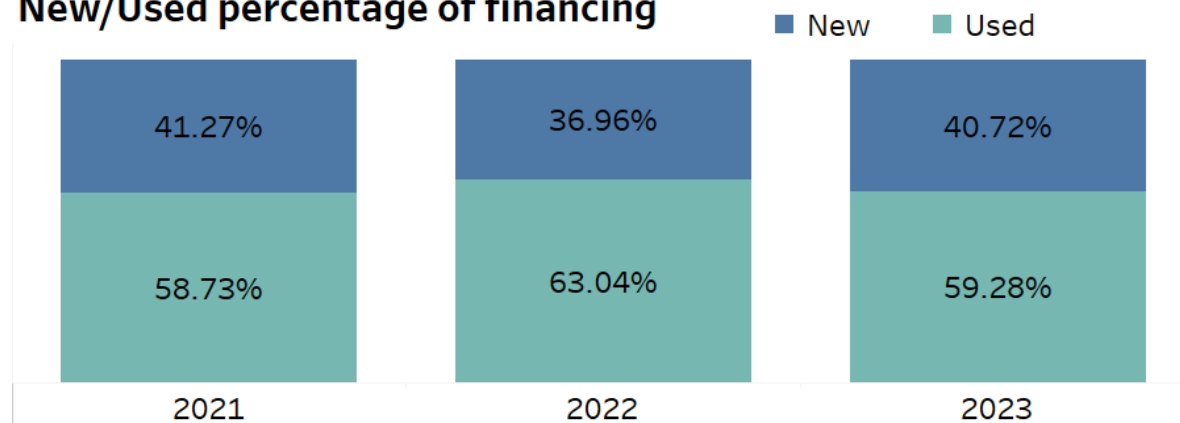
Percentage of vehicles with financing



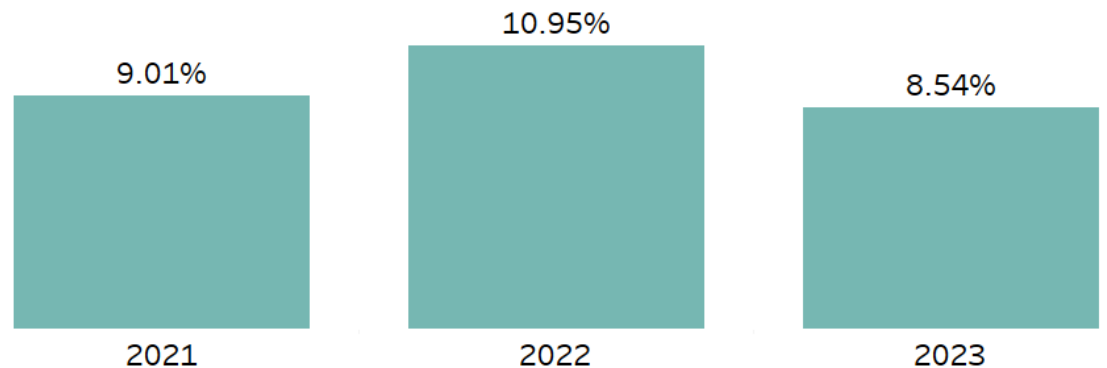
% of all new vehicles that are leased



New/Used percentage of financing

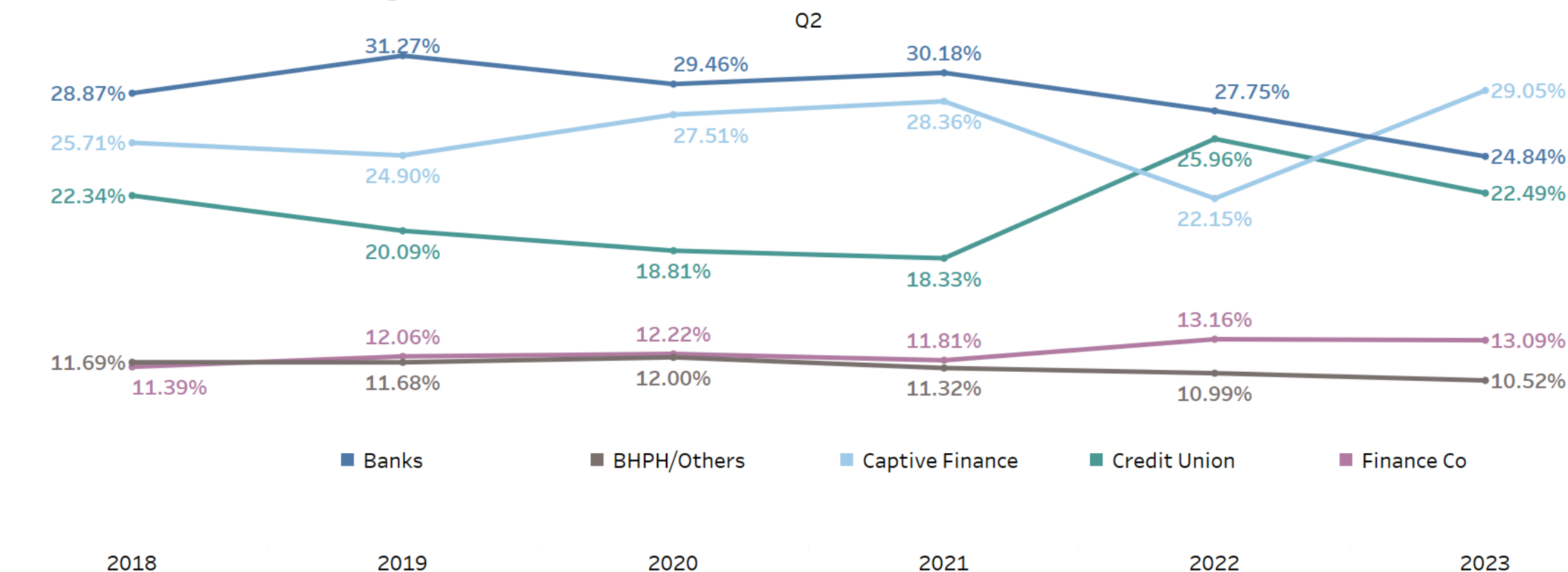


Used vehicle % of total lease market



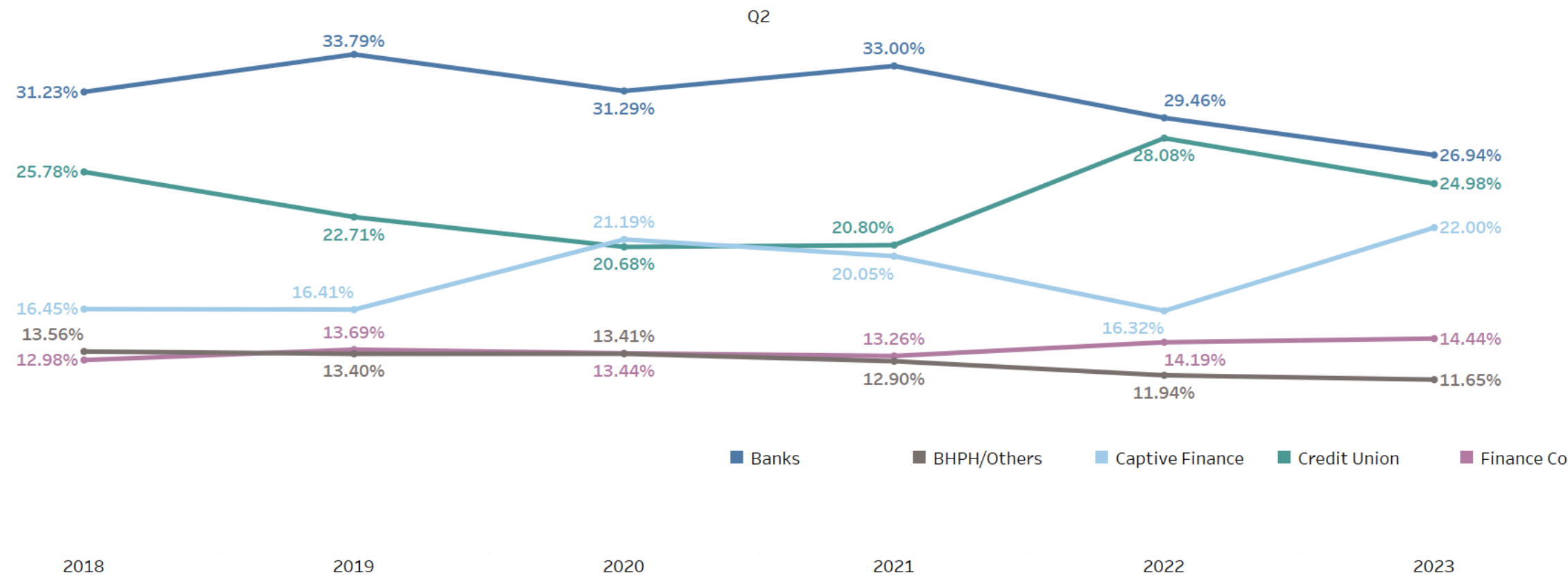
Captive share continues to grow

Market share of total financing

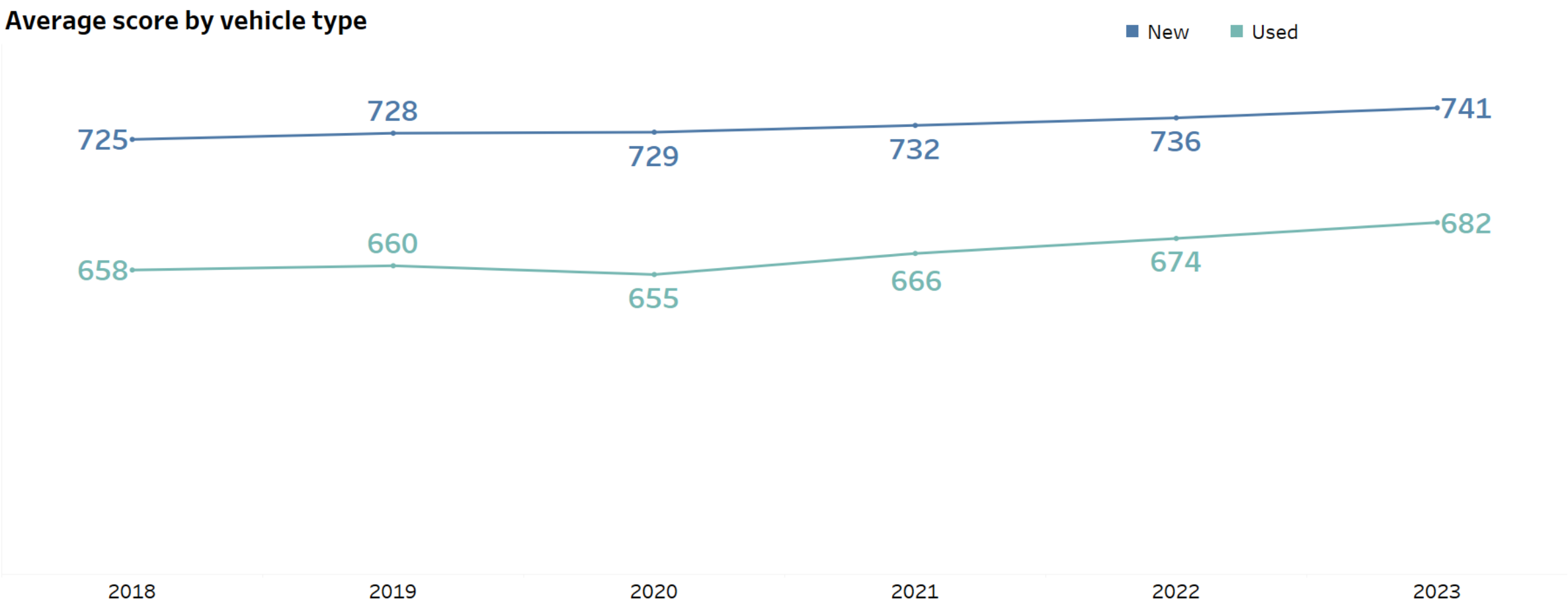


Bank and Credit Union share declines year-over-year

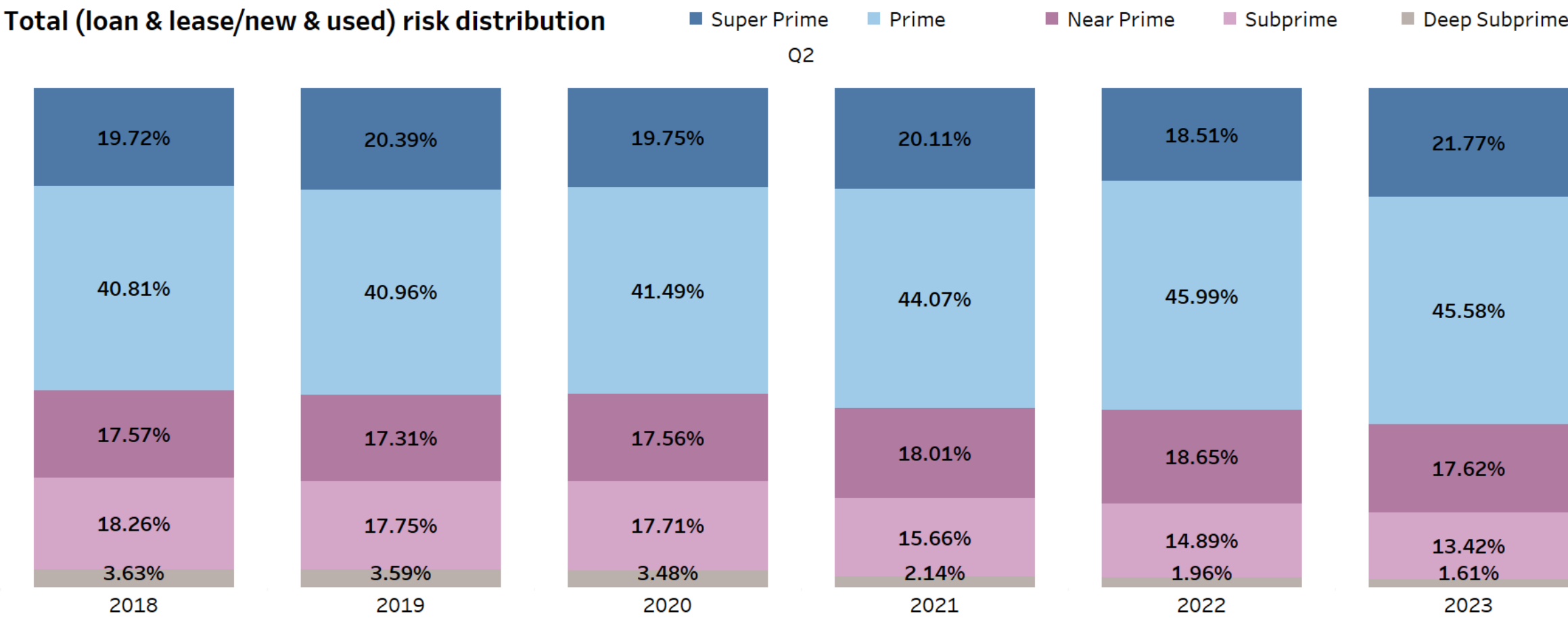
Total loan market share



New scores increase 5 points while used are up 6 YOY



Prime is over 67% of total financing, while subprime falls to just over 15%

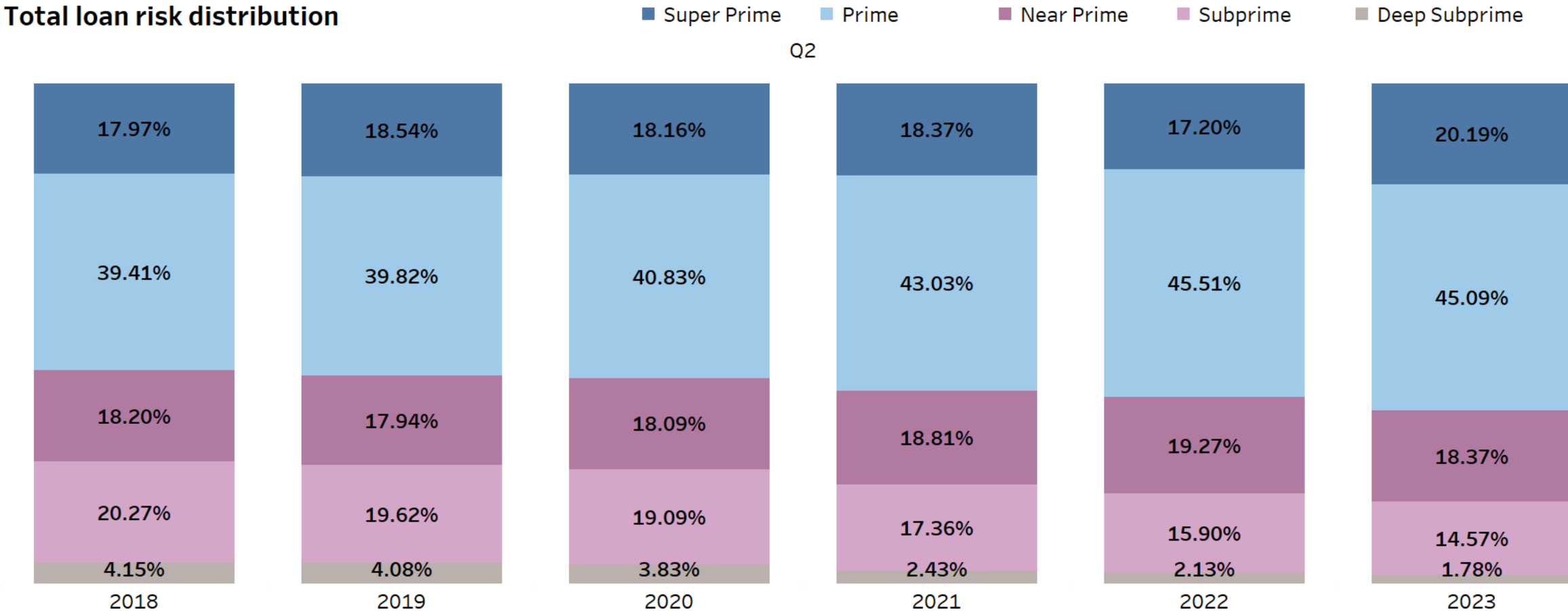


¹Total financing = loan and lease transactions on both new and used vehicles



Prime+ is over 65% of total loans while total subprime just above 16%

Total loan risk distribution



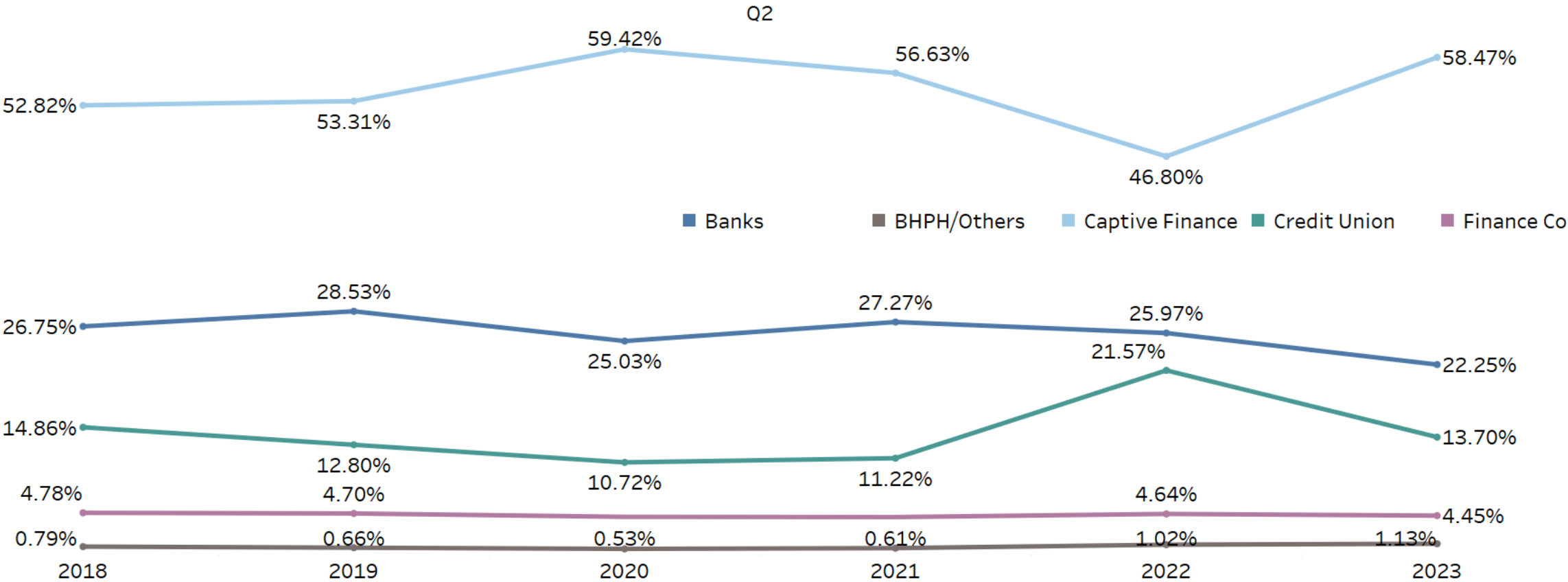


Q2 2023 New financing

A look at new lease & loan trends

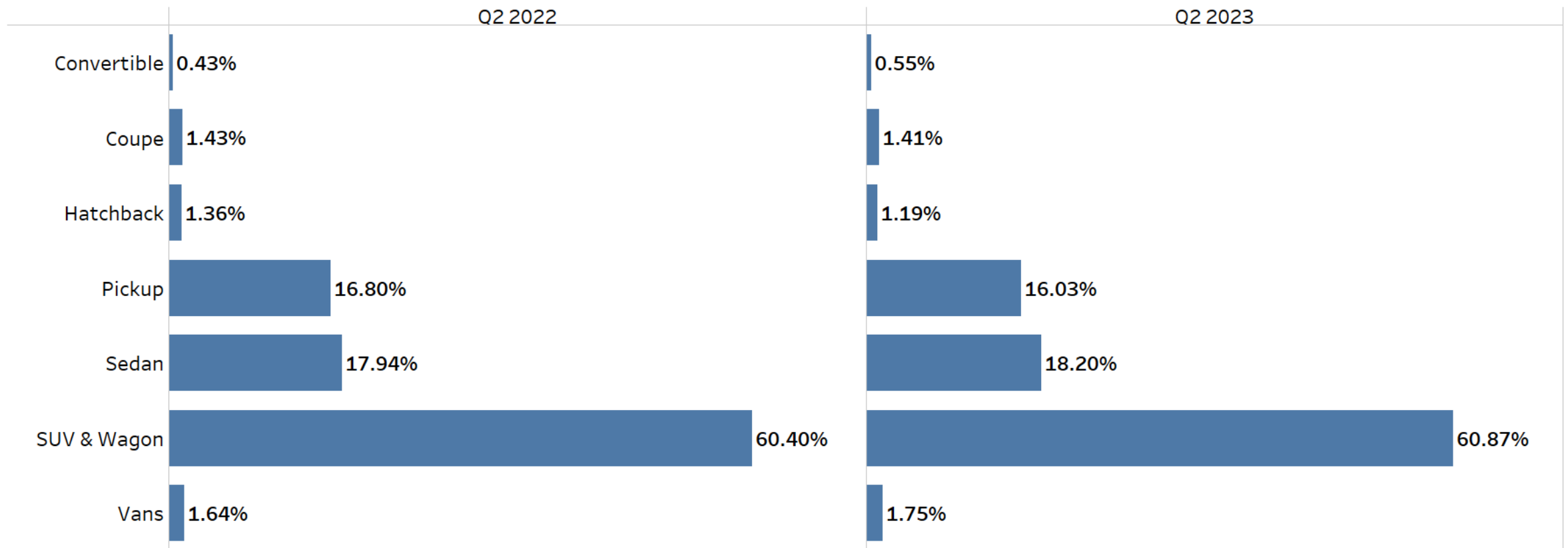
Captive share climbs for new financing

Market share of new financing (loan/lease)



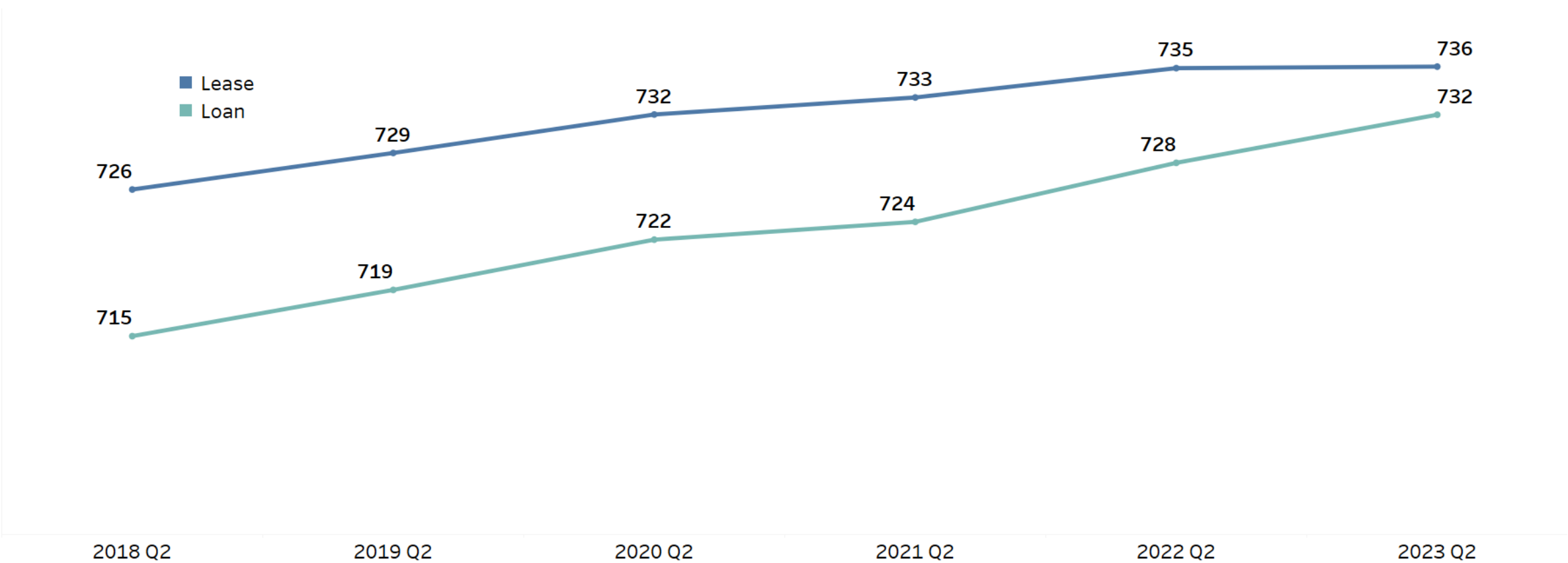
SUVs gain more share while sedans gain over pickups

Percentage of new financing by segment



New leasing score up 1 point while loans gain 4 points YOY

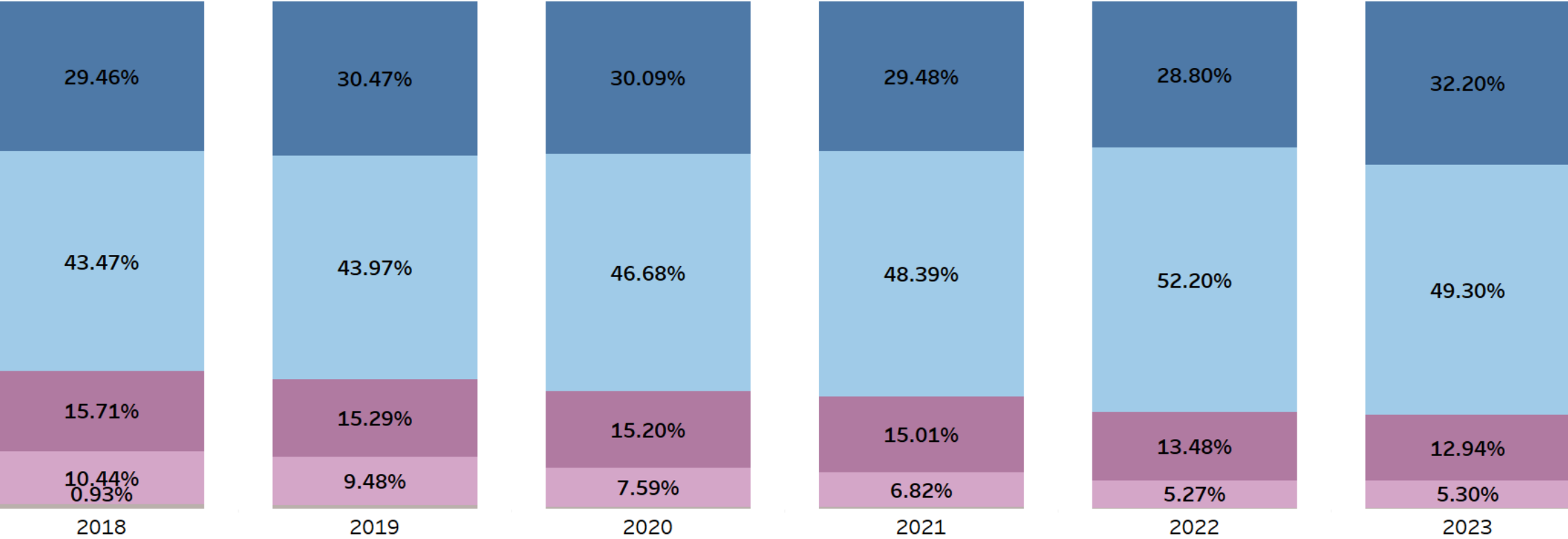
Average new score by transaction type



Prime+ reaches nearly 82% with most growth occurring in Super Prime

New loan risk distribution

■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subpri..
Q2

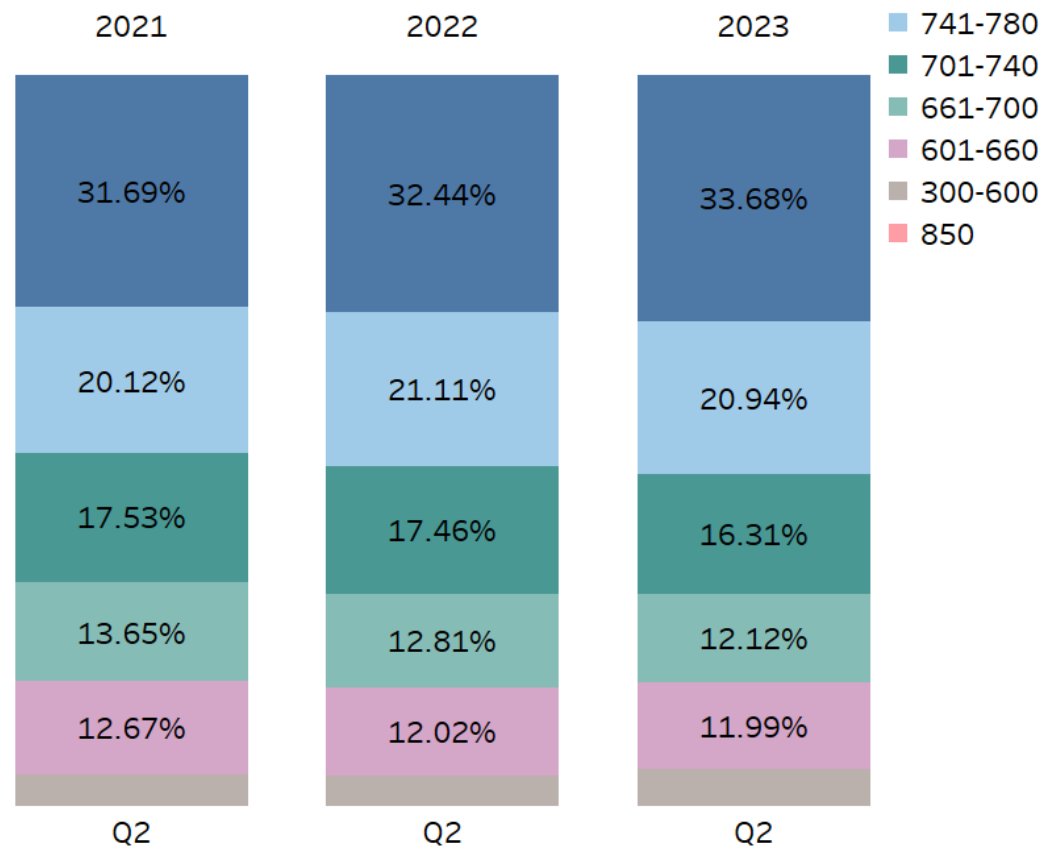


Deep subprime =
0.26%

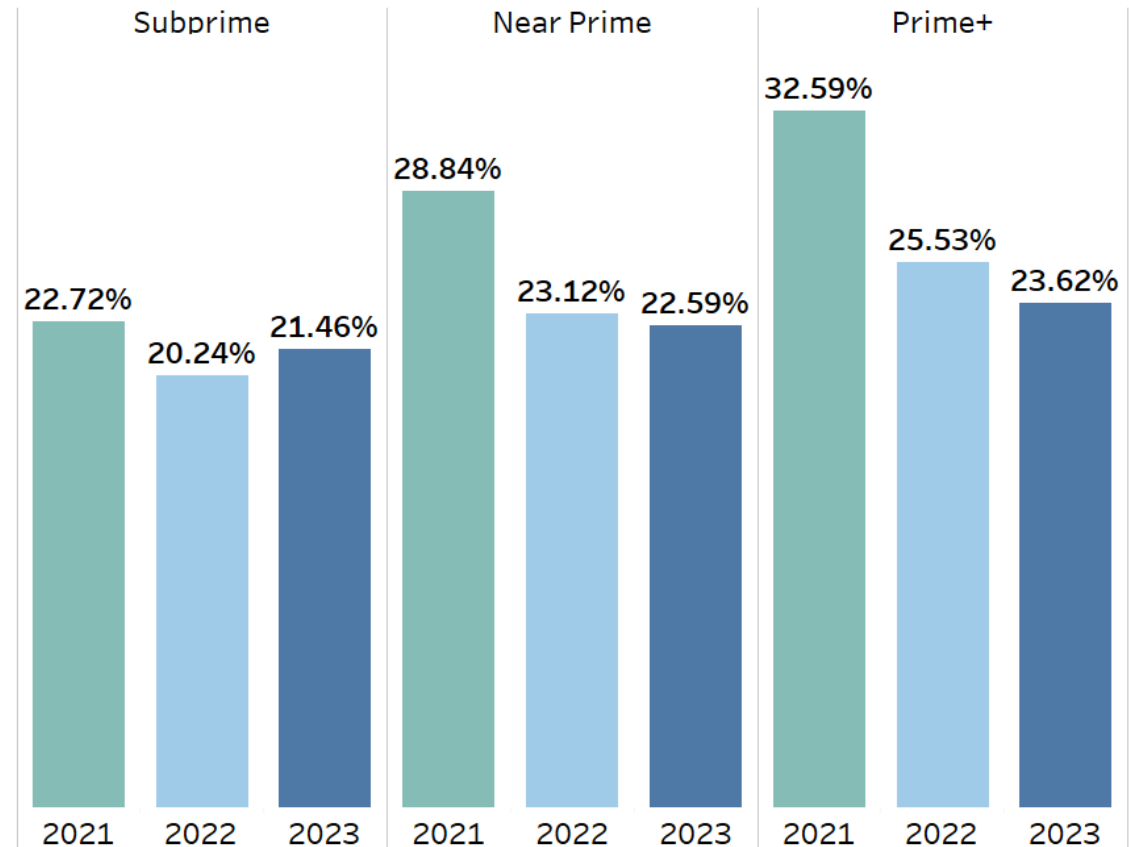


Over half of leasing is 741+ while fewer consumers choose to lease

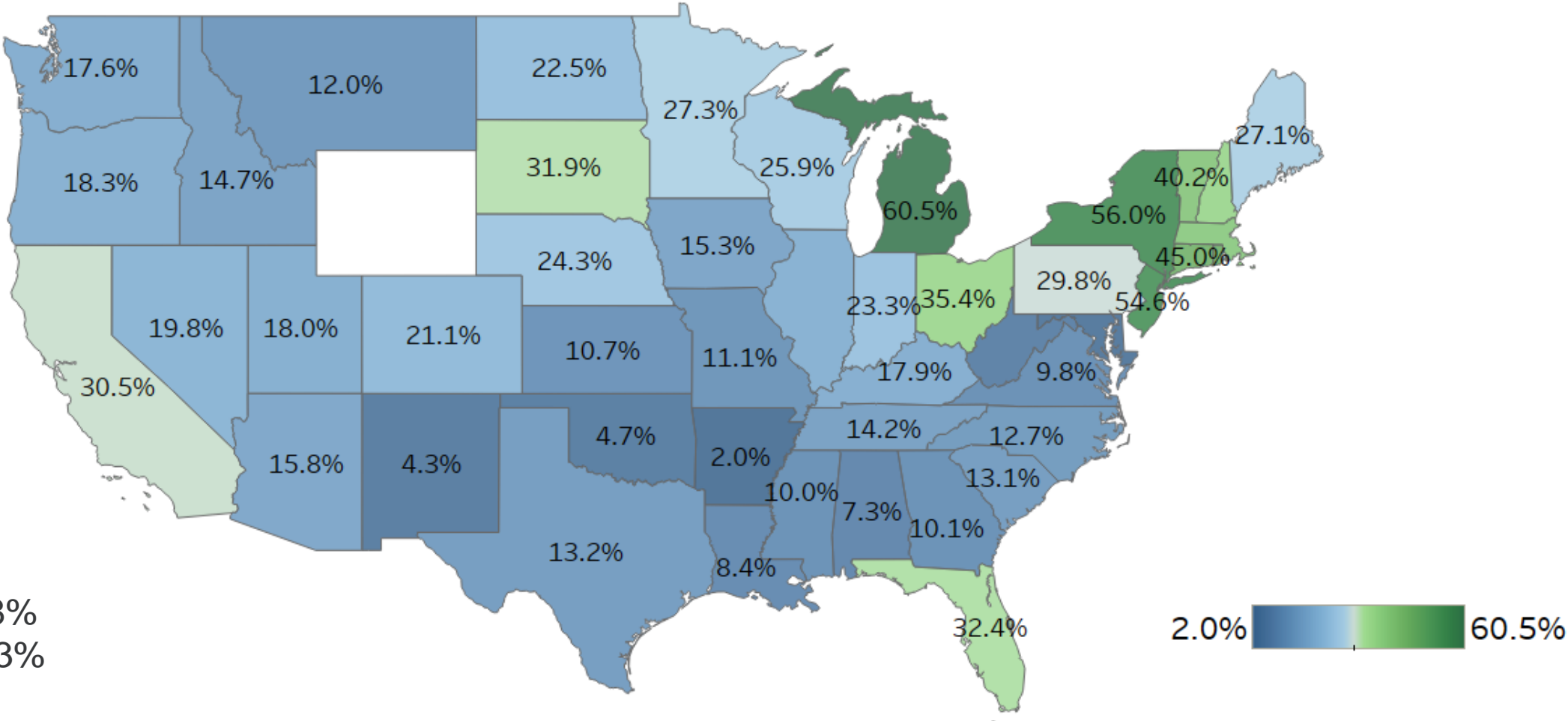
New lease risk distribution



% of borrowers choosing to lease



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

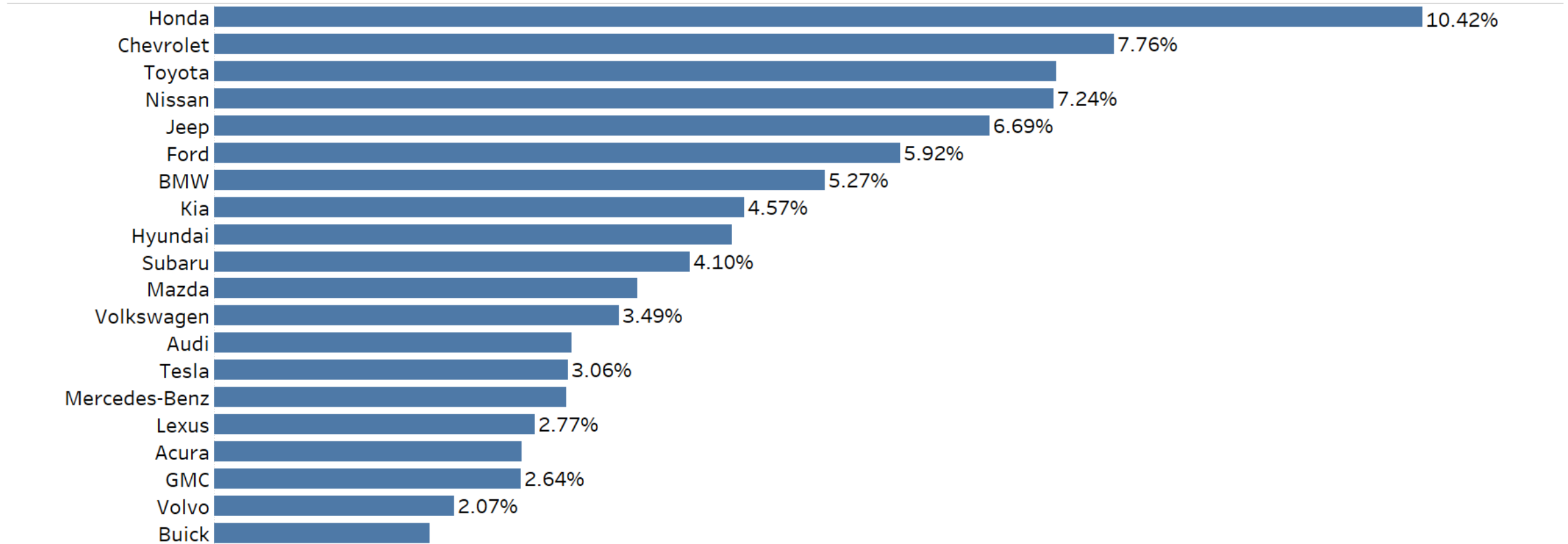


AK = 4.8%
HI = 15.3%



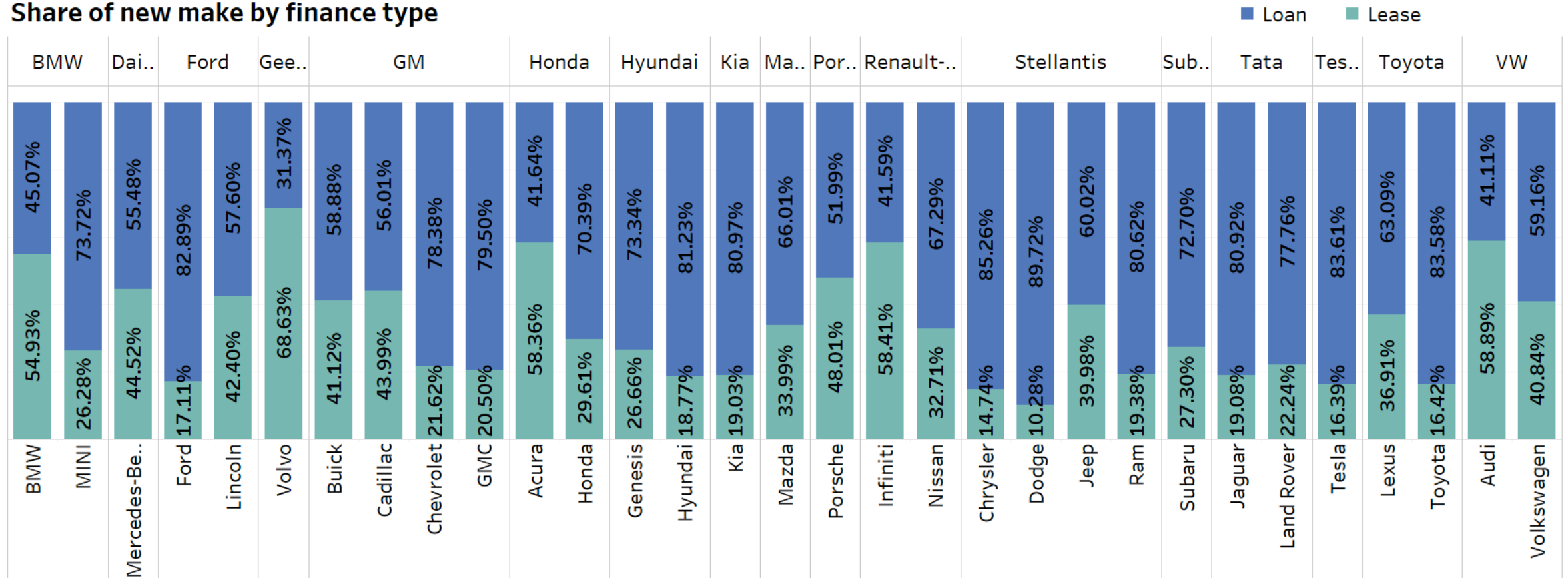
Honda leads as the #1 leased make for Q2

Top 20 leased new makes



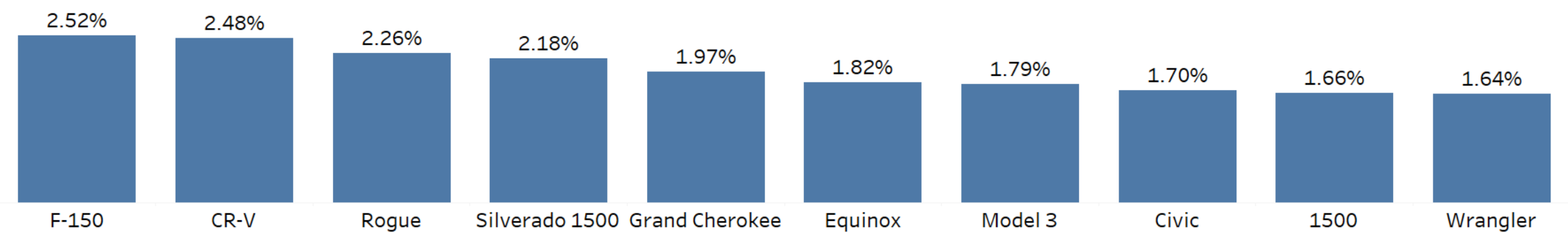
Finance type by make

Share of new make by finance type

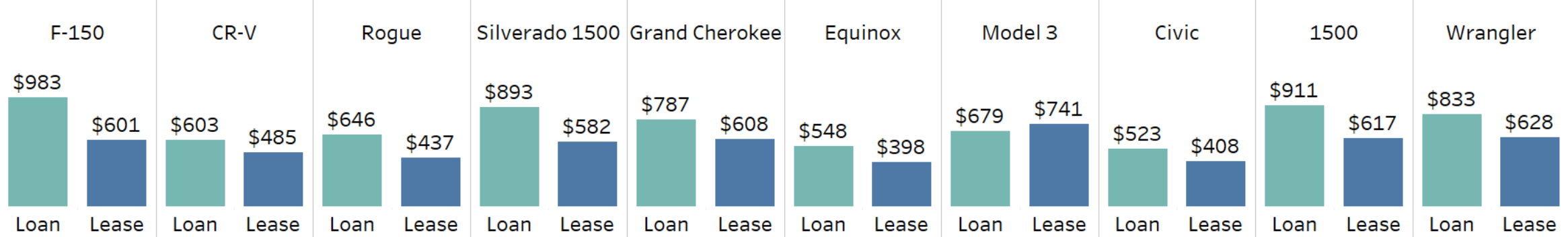


An EV makes the top leased vehicles; average payment difference of \$143

Top 10 leased models

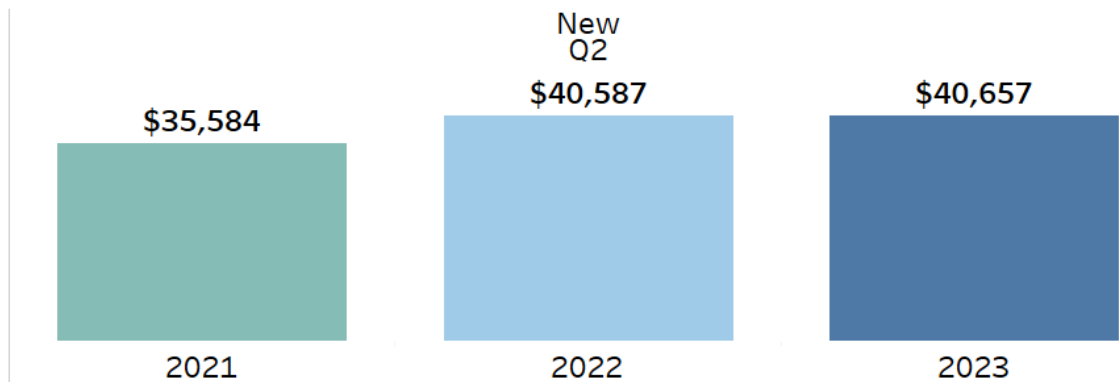


Average monthly payment on top leased models

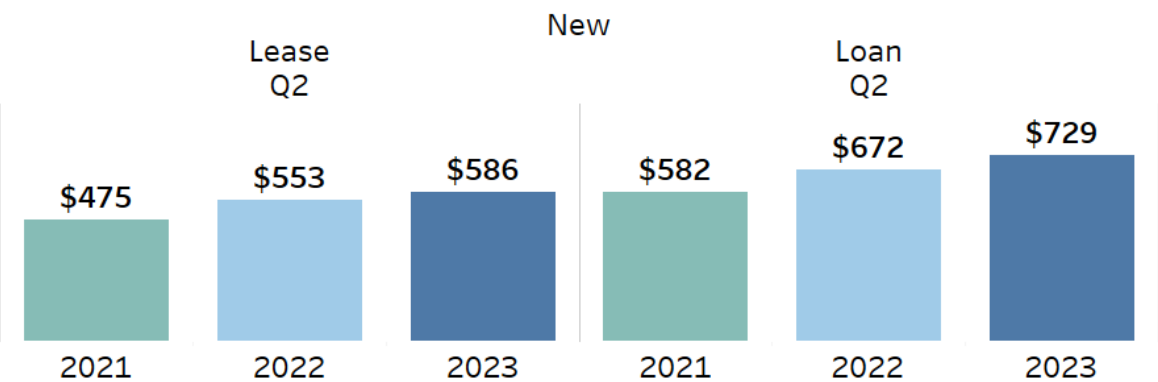


New loan attribute summary: new loan amount up only 0.2% while terms decrease

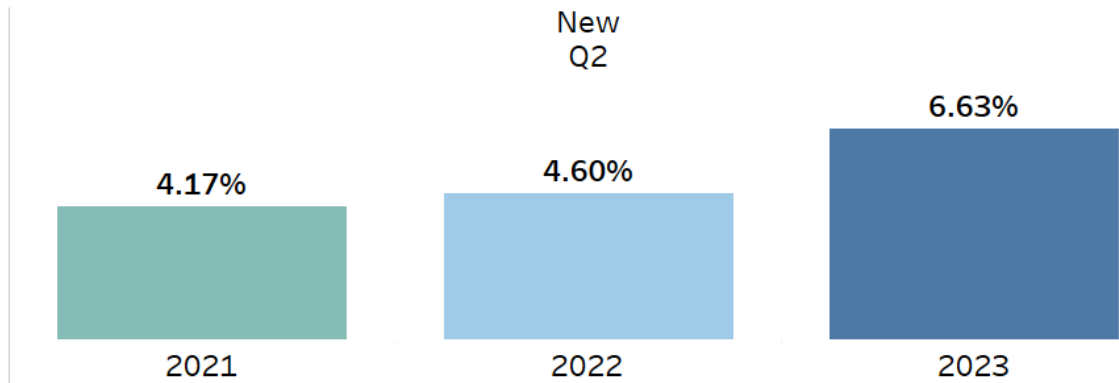
Average amount financed



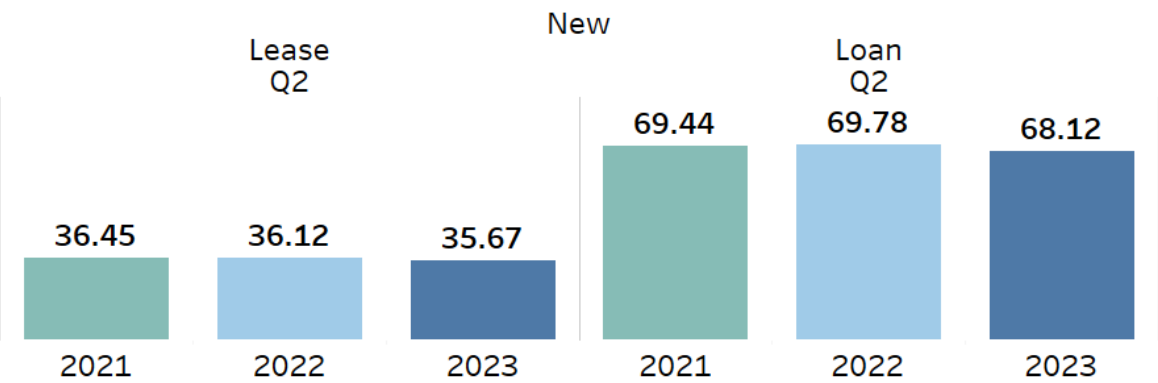
Average monthly payment



Average loan rate

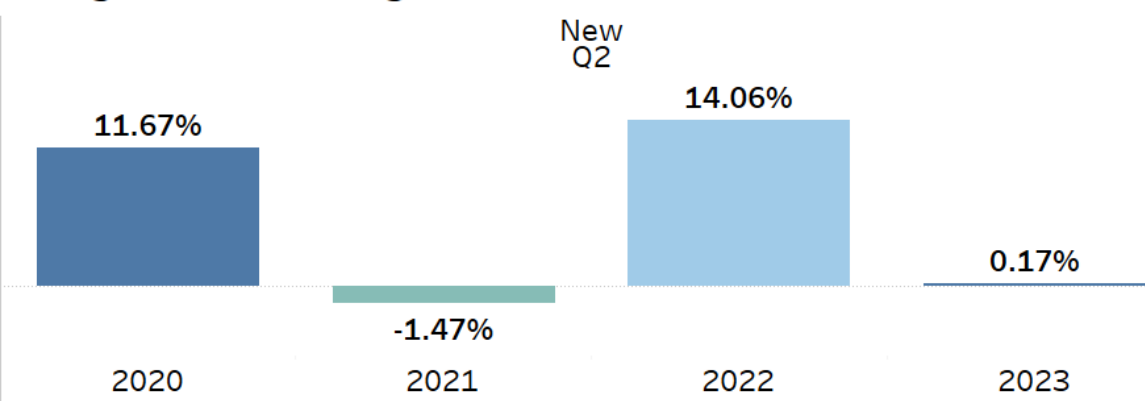


Average loan term

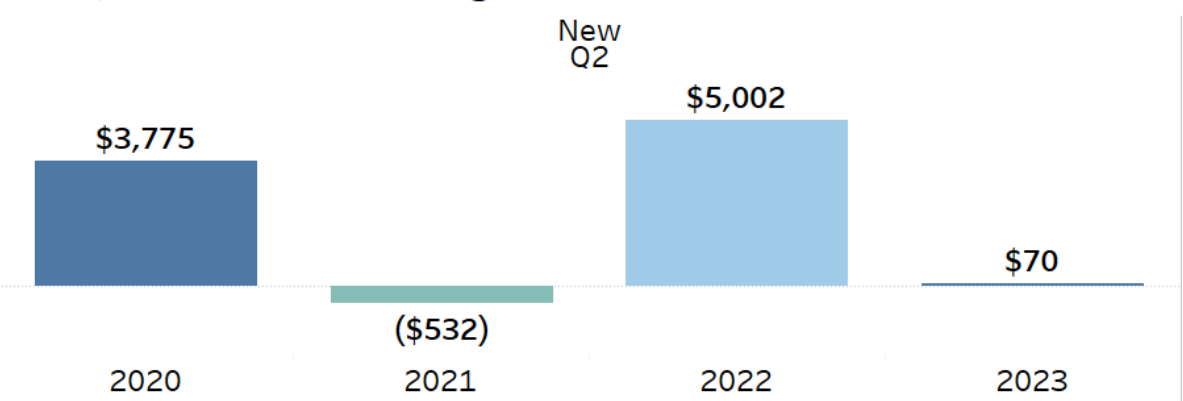


Increase in average loan amounts is tapering off

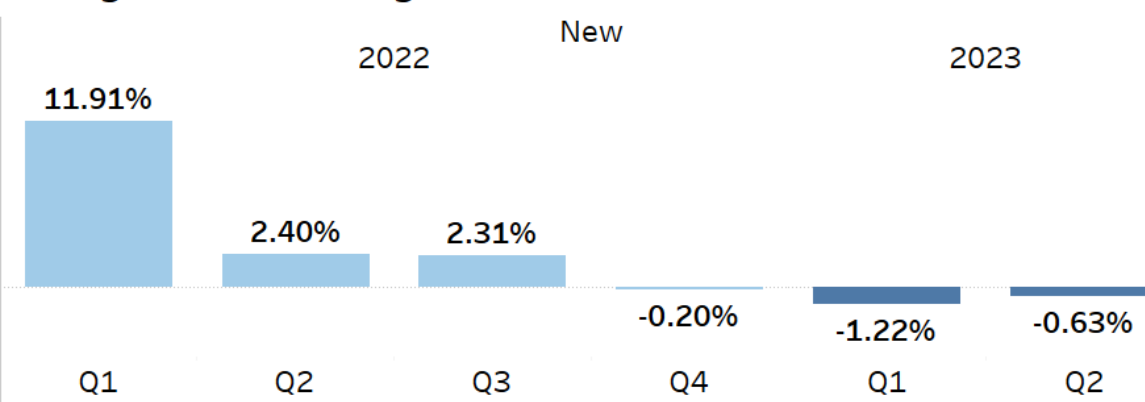
YOY growth in average new loan amount



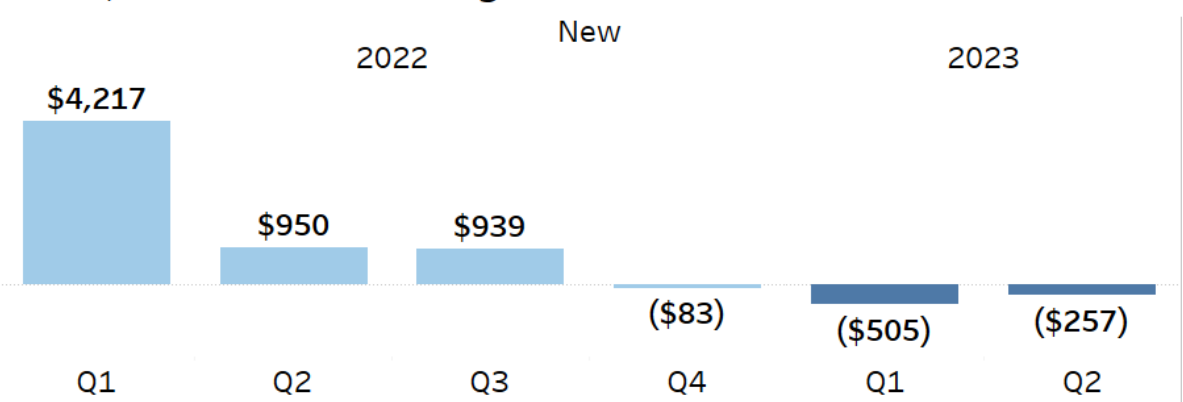
YOY \$ difference in average new loan amount



QOQ growth in average new loan amount

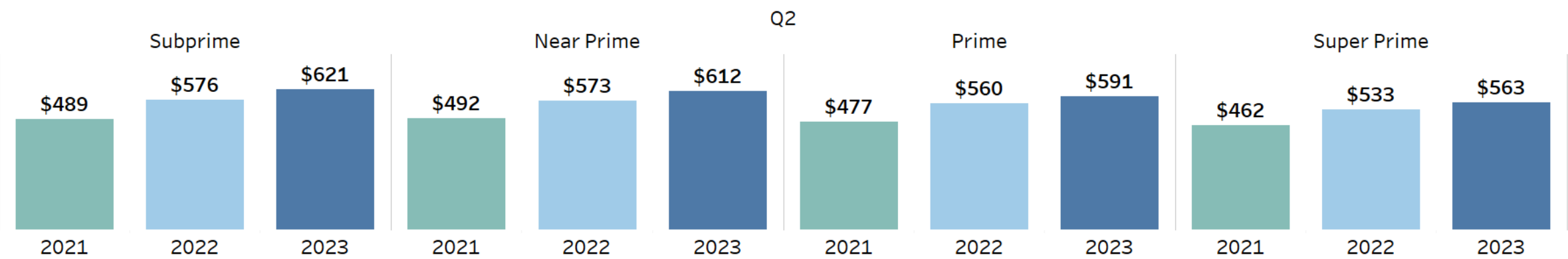


QOQ \$ difference in average new loan amount

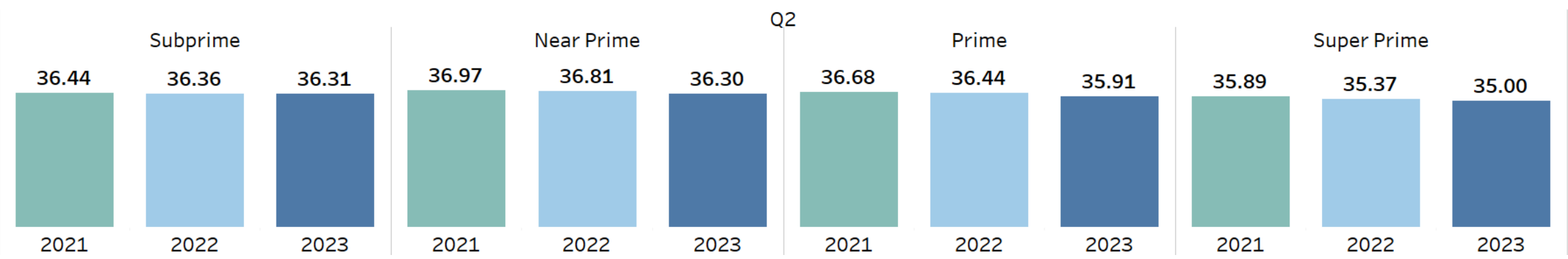


Leasing payments rise while terms drop YOY

Average lease payment by risk tier

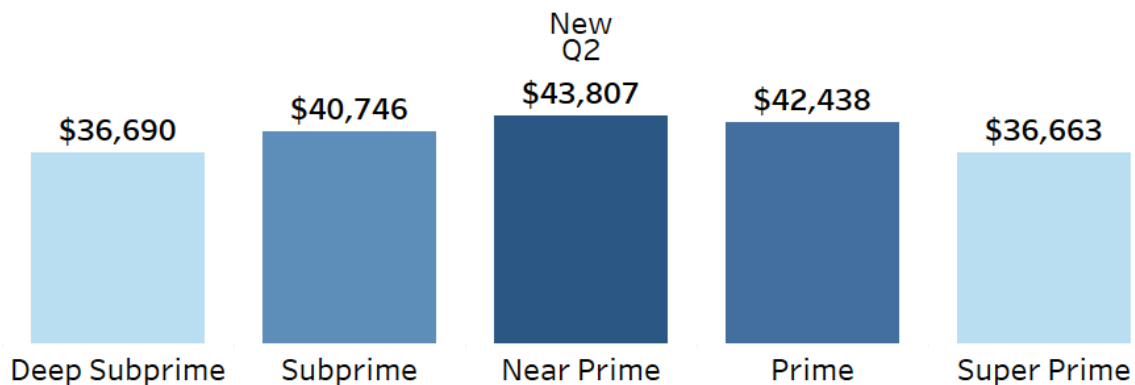


Average lease term by risk tier

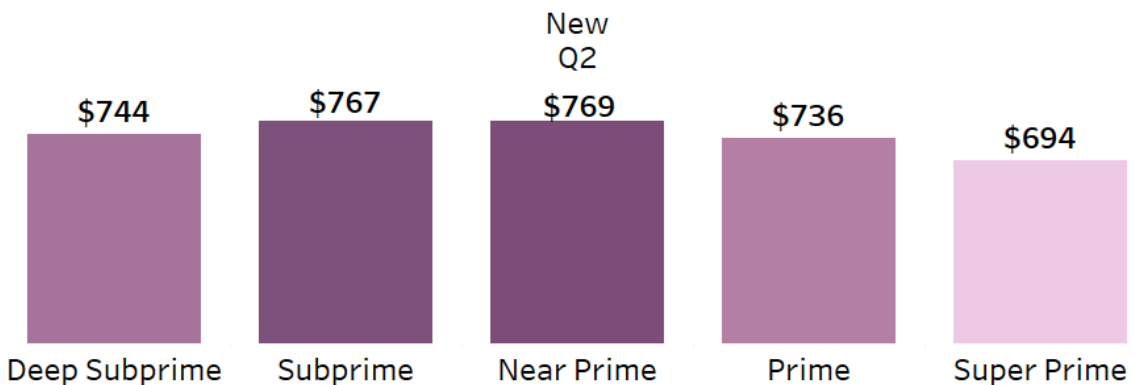


Payments and loan amounts experience YOY increases across all risk segments

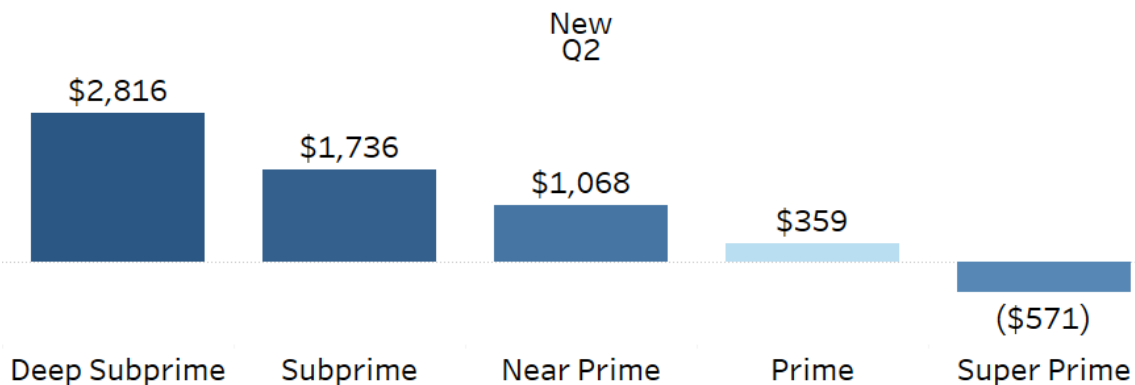
Average loan amount financed by risk



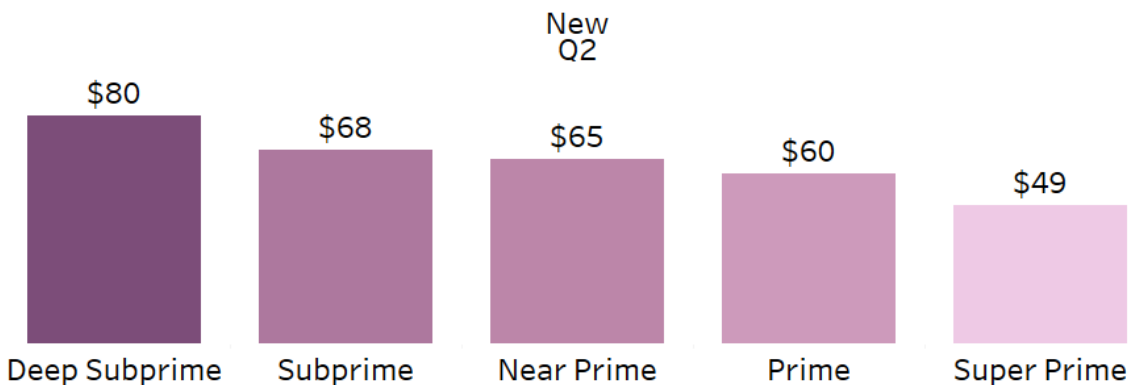
Average loan monthly payment by risk



Year-over-year change in loan amount

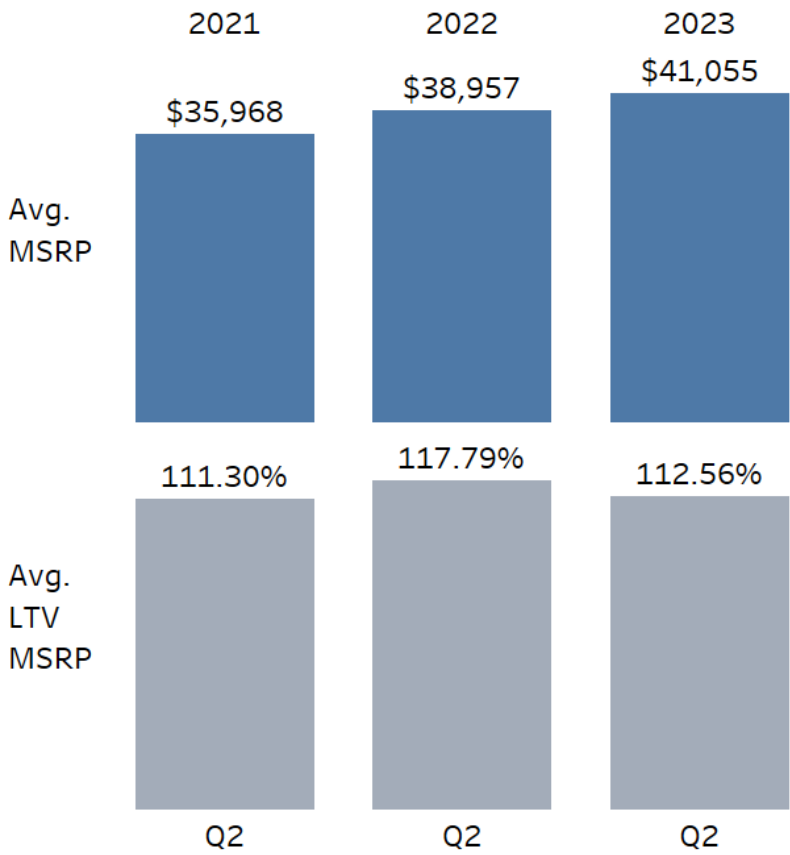


Year-over-year change in monthly payment

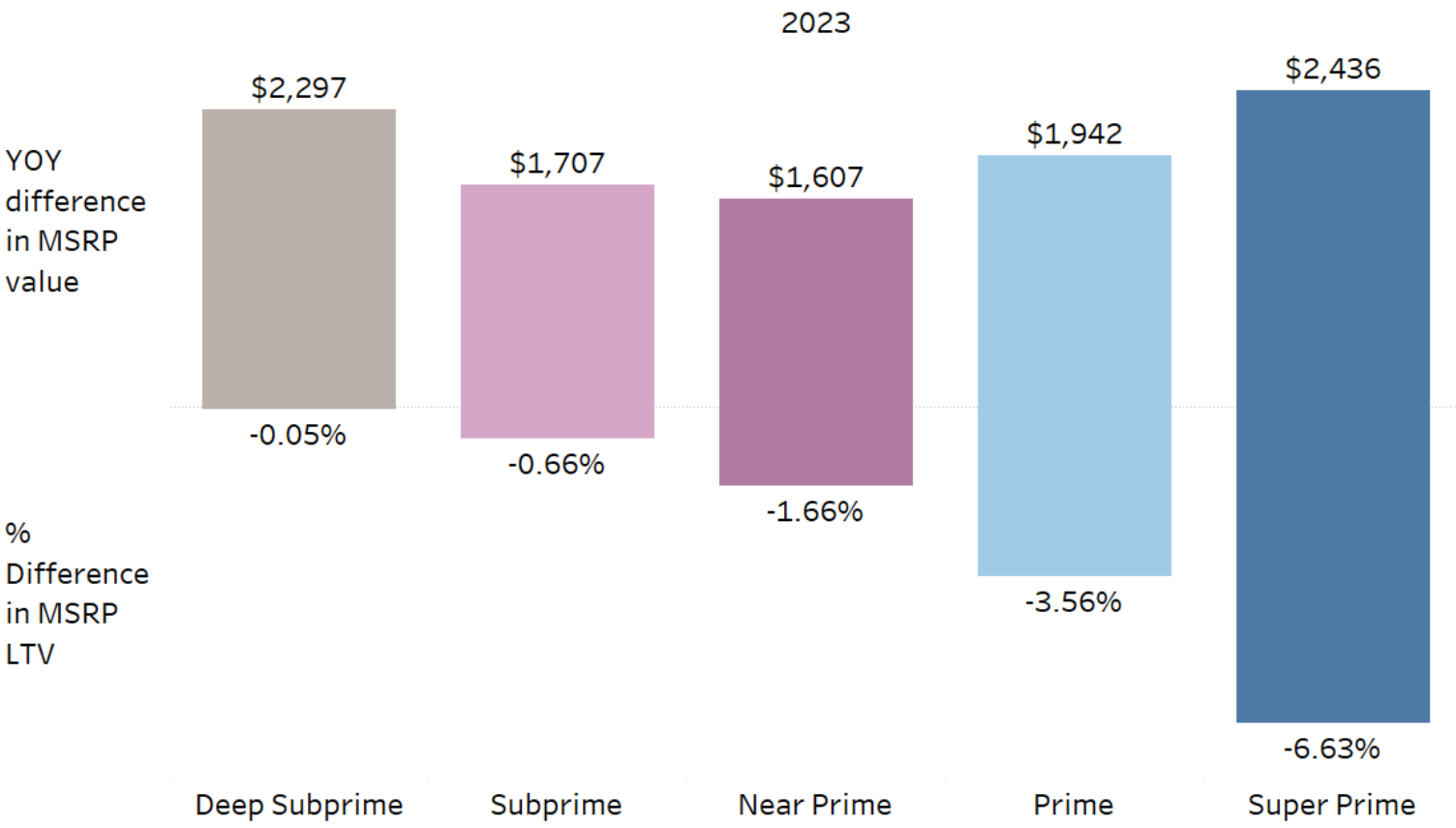


New values continue to climb while LTV decreases

Avg New Values

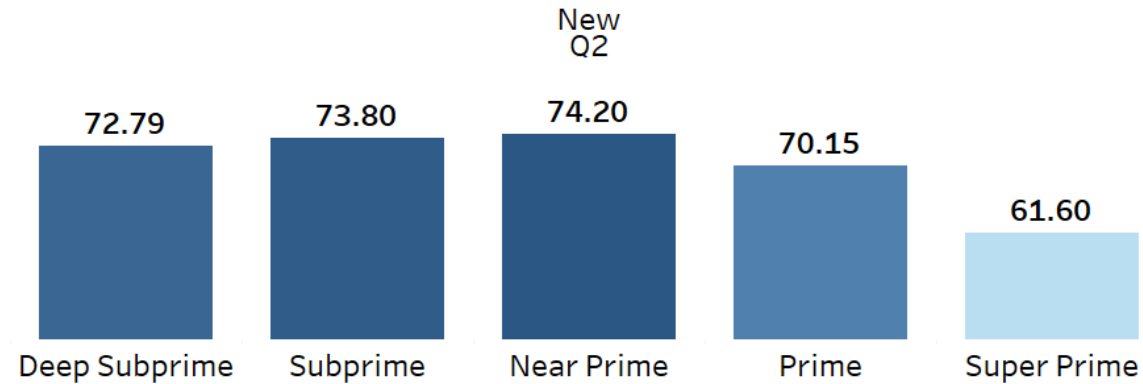


YOY change in new values

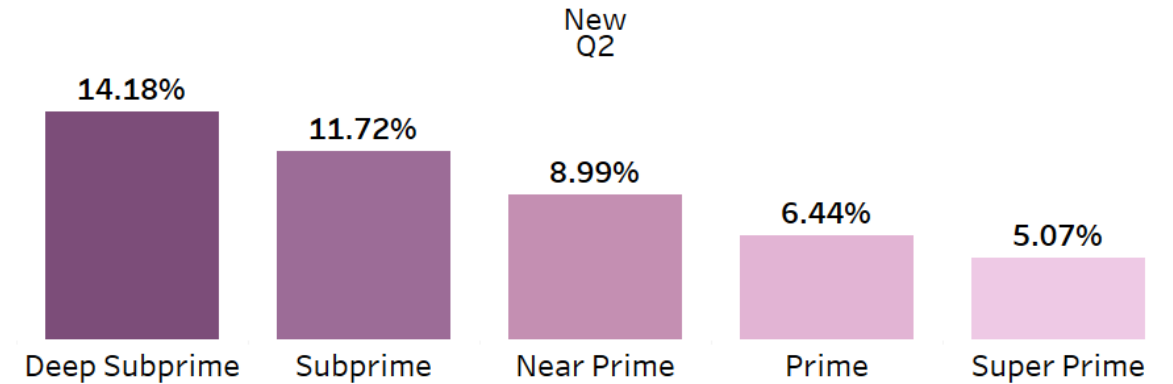


Terms decrease in super prime while rates rise

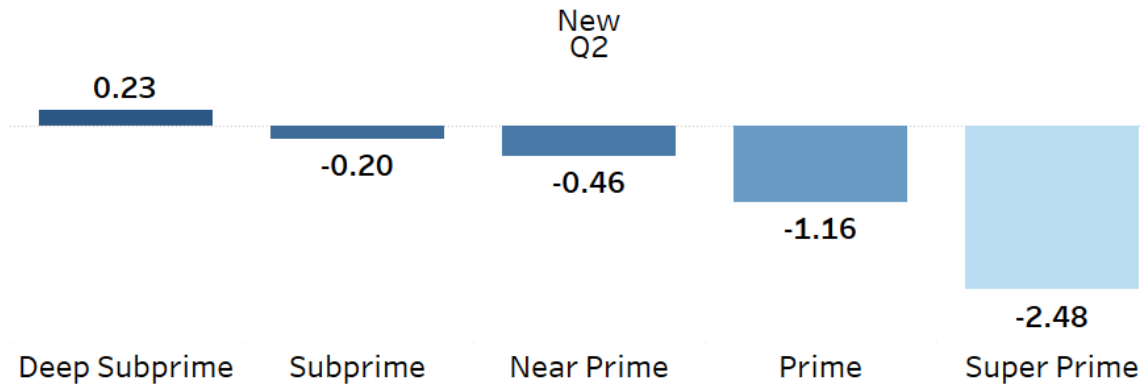
Average loan term by risk



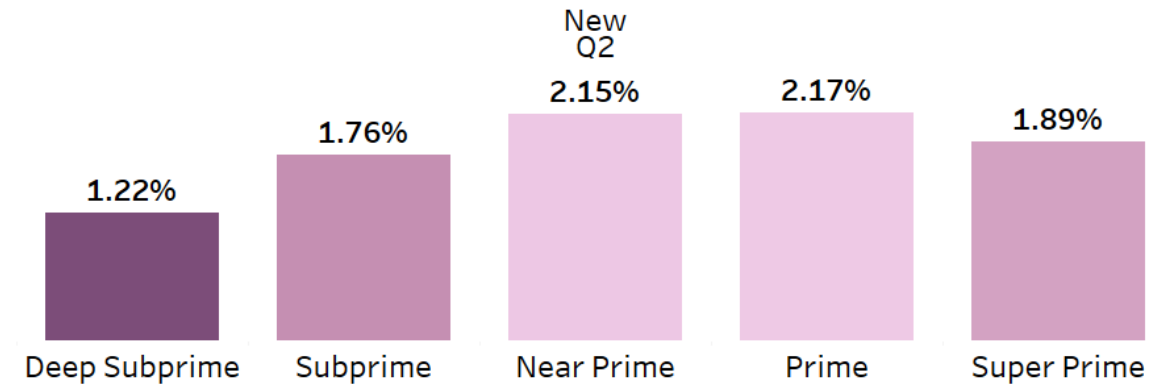
Average loan rate by risk



Year-over-year change in loan term

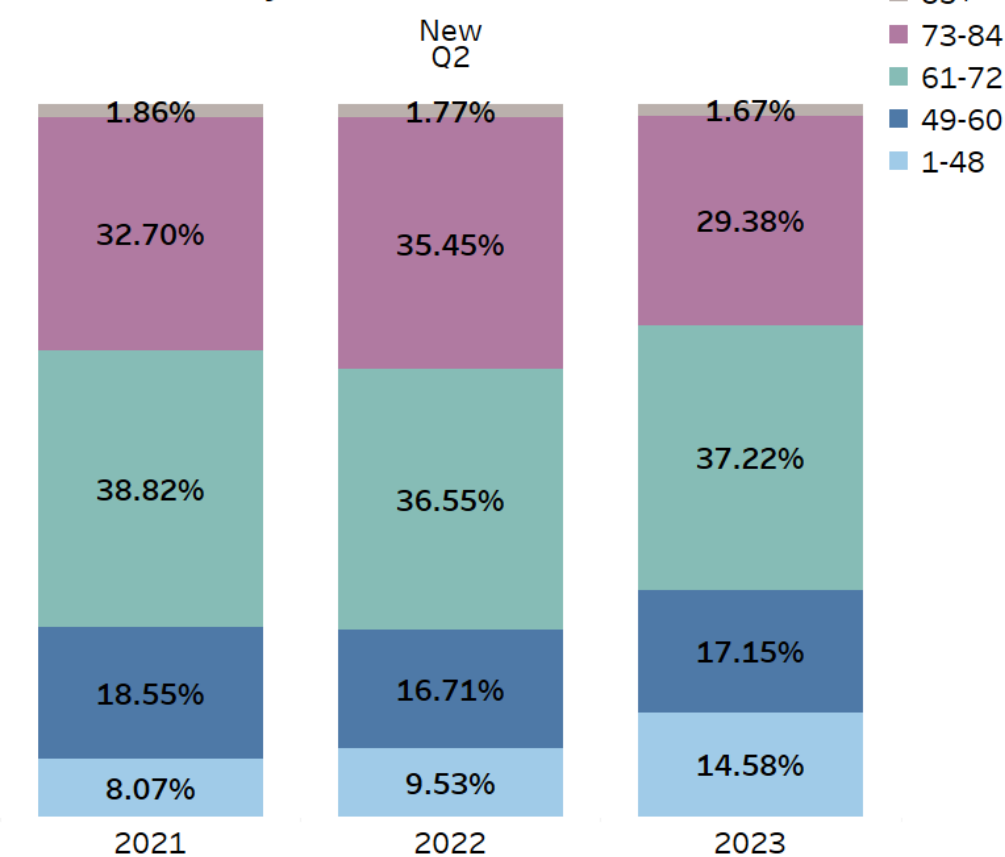


Year-over-year change in rate

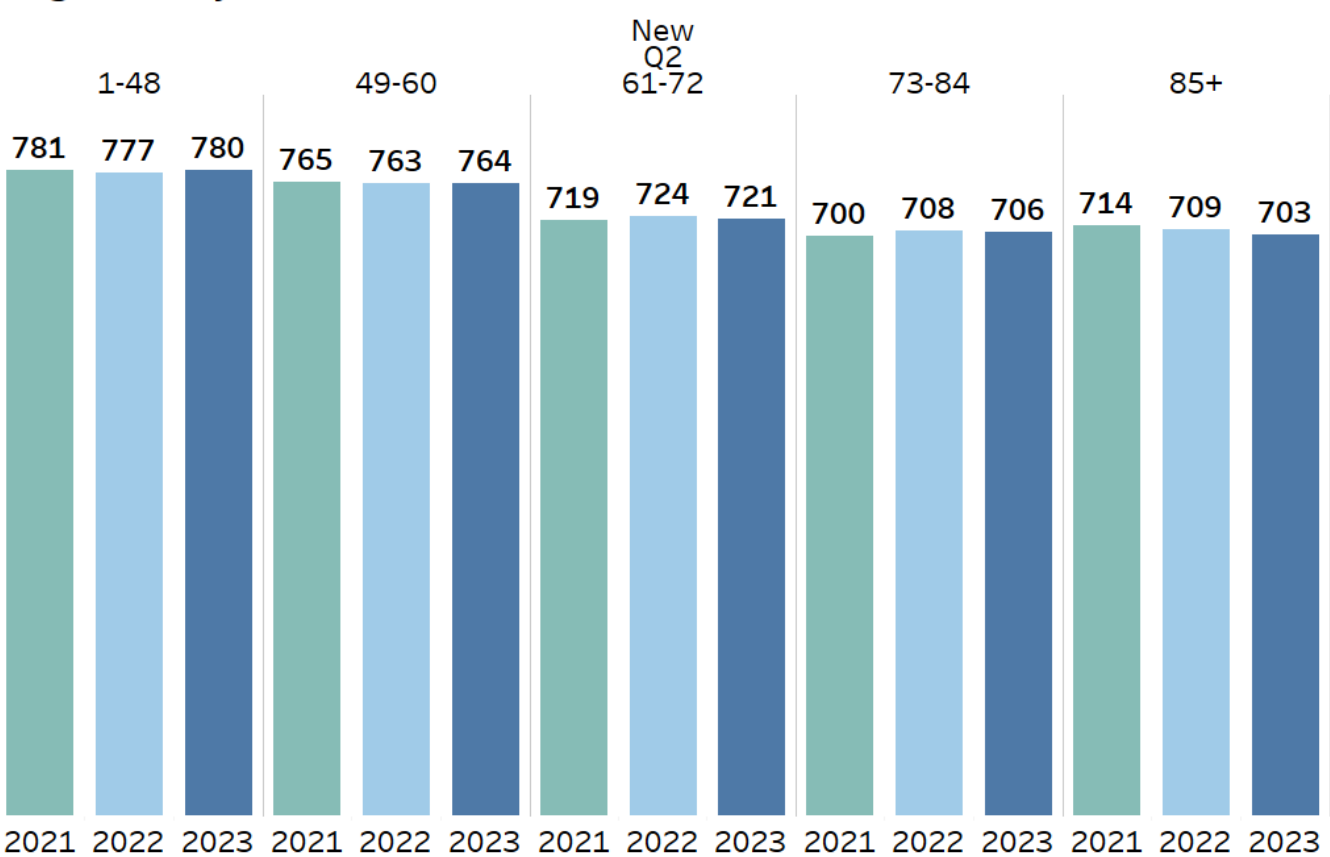


Growth occurring in shorter term loans with higher credit scores

Distribution by loan term



Avg score by loan term



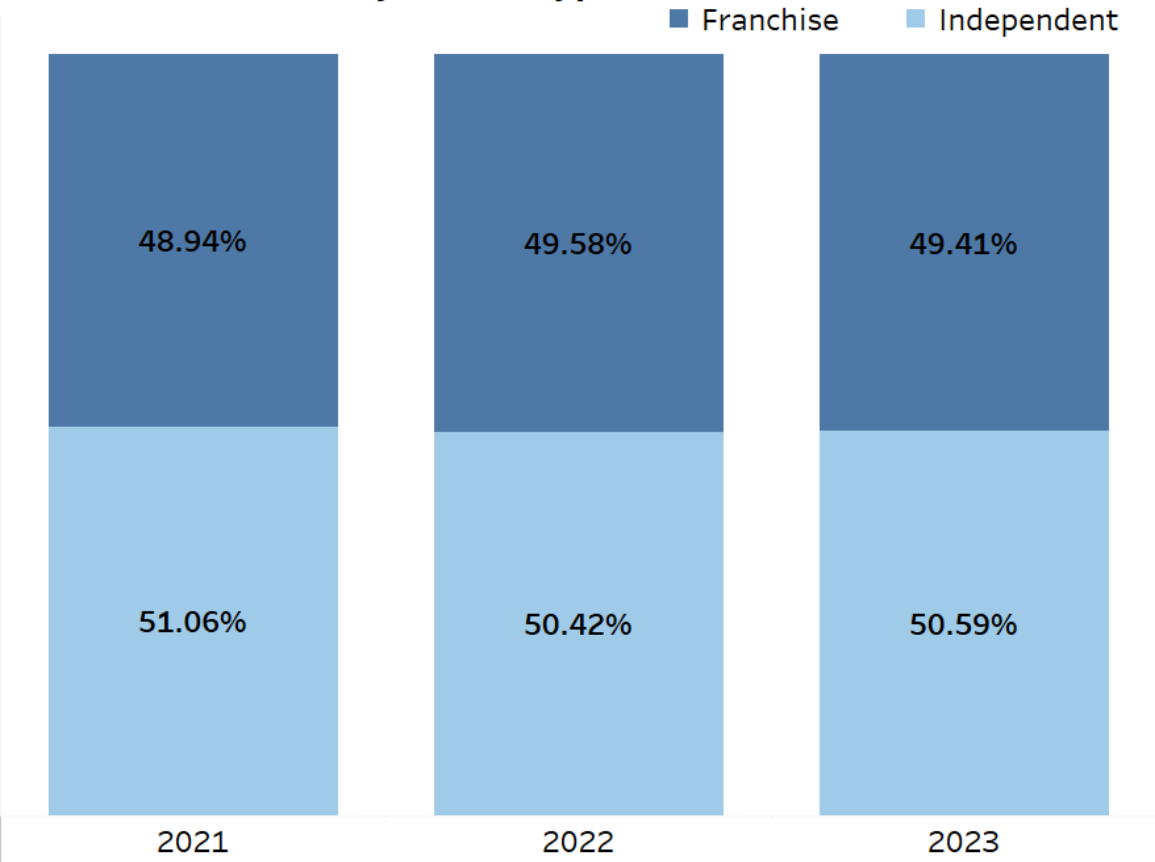


Q2 2023 Used financing

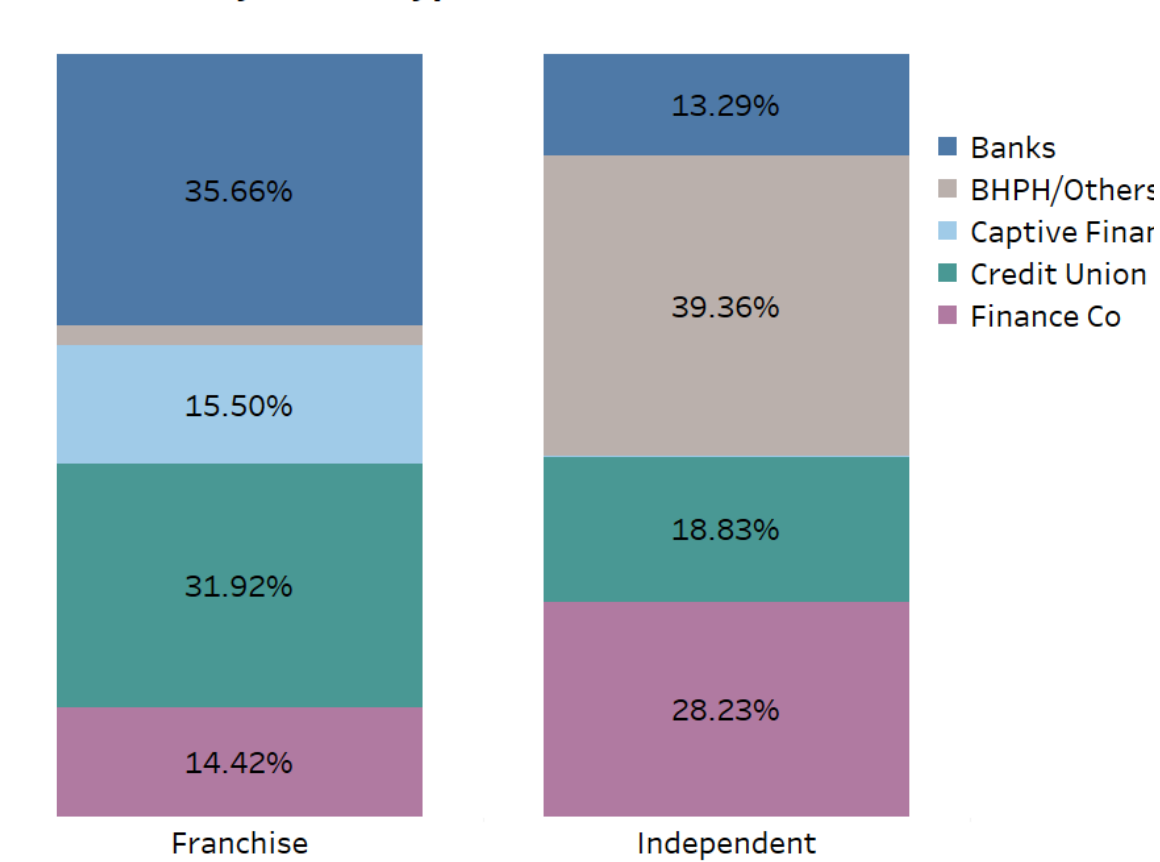
A look at used automotive loan trends

Dealer type snapshot

Used transactions by Dealer type

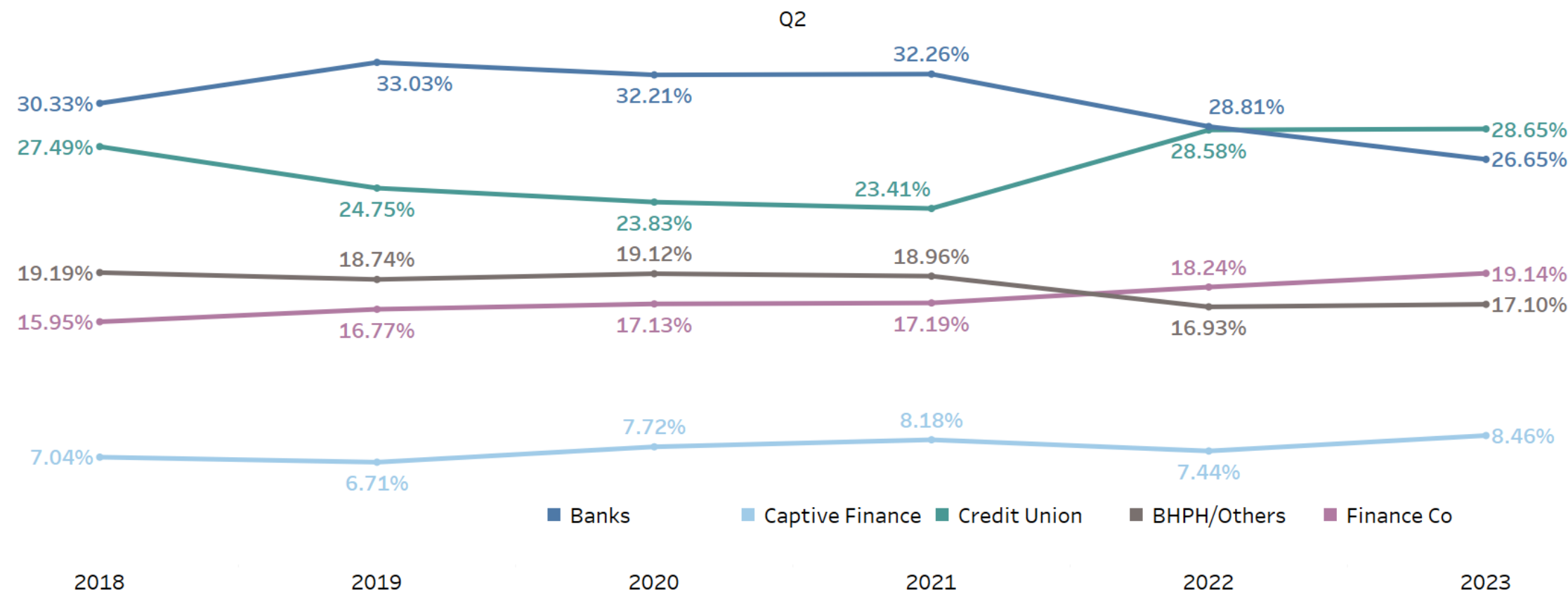


Used loans by lender type and Dealer

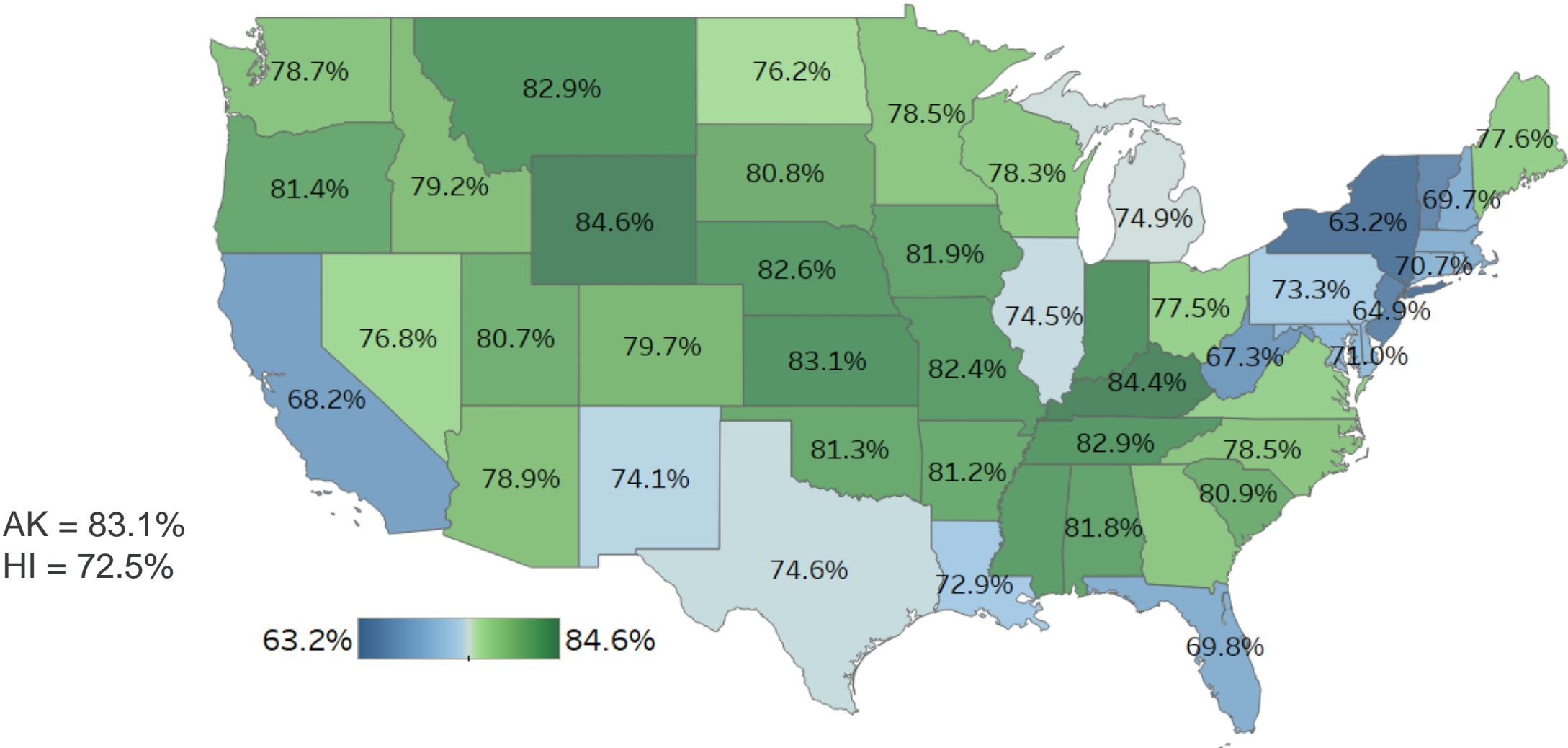


Credit Unions continue to lead as largest used loan lender type

Used market share by lender type



KY (84.6%) leads with the largest percentage of loans for used cars; NY (63.2%) has the lowest

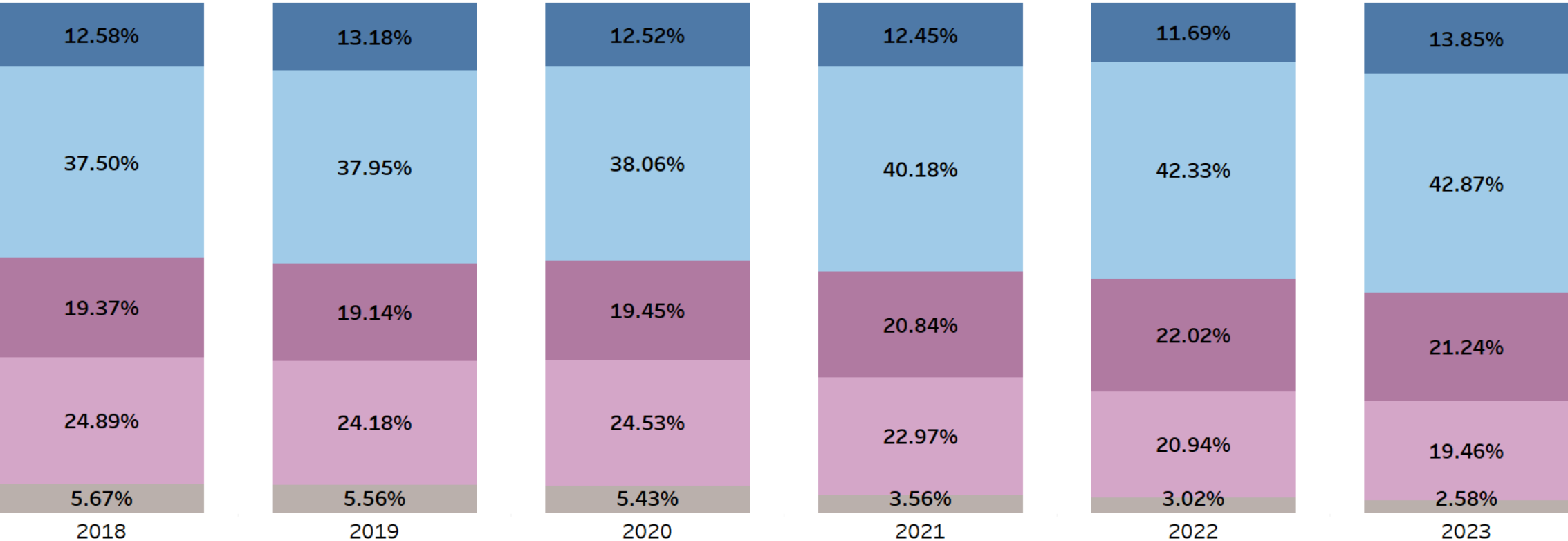


Subprime used loans continue near record lows with prime+ over 56%

Used loan risk distribution

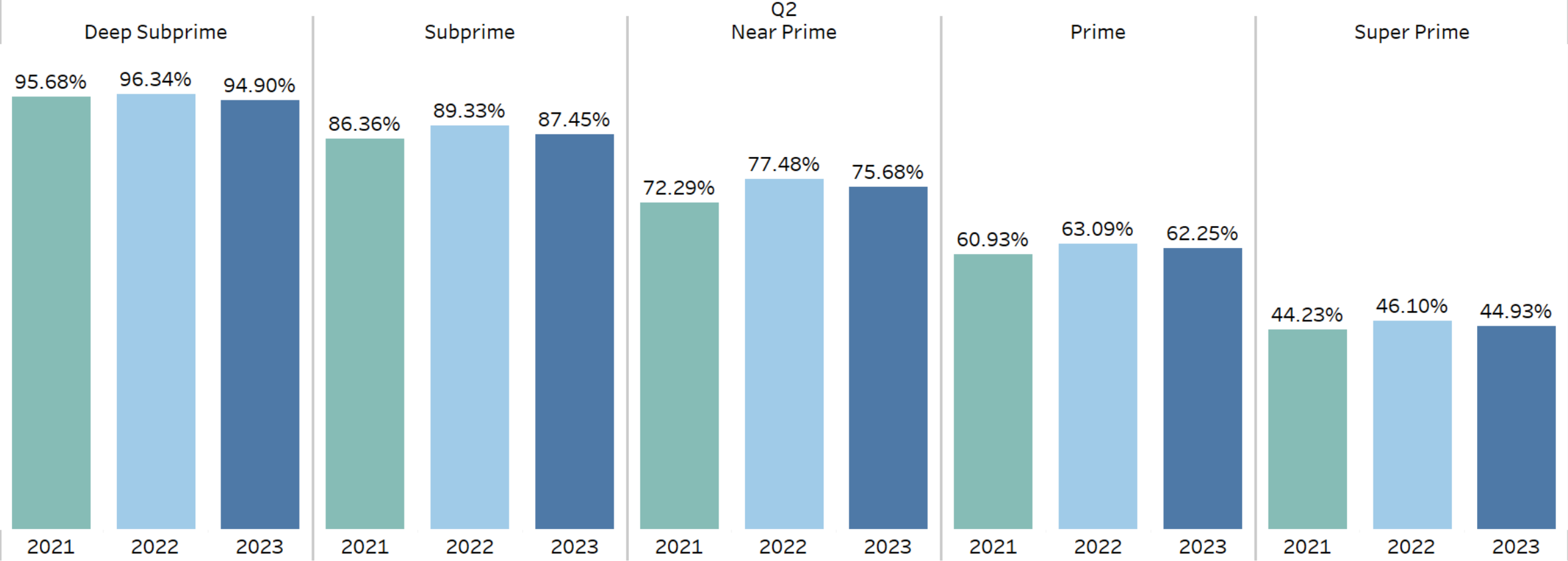
■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subprime

Q2



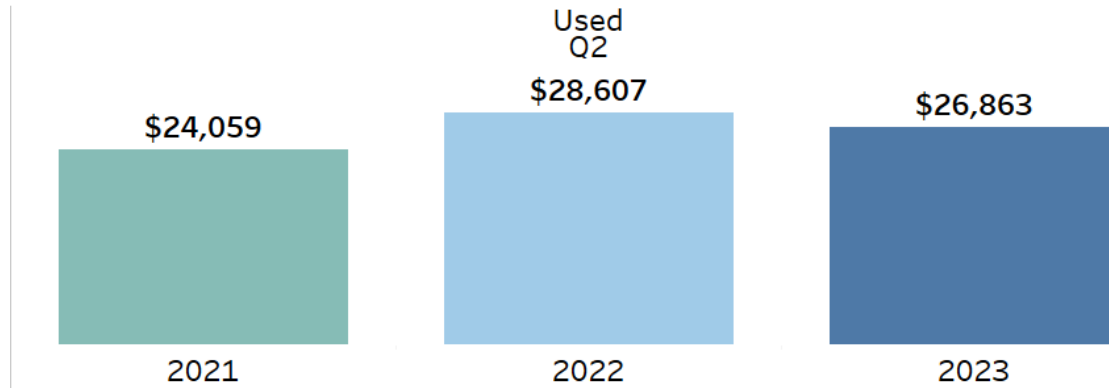
Consumers shifting back to financing used vehicles at decreasing rates

Consumers choosing used vehicles

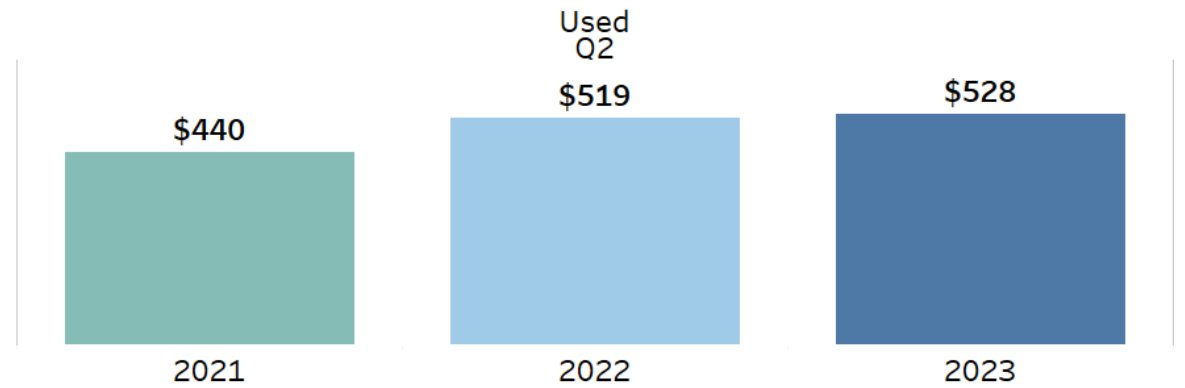


Used loan attribute summary: rate increases, and shorter terms continue to cause payments to rise despite lower loan amounts

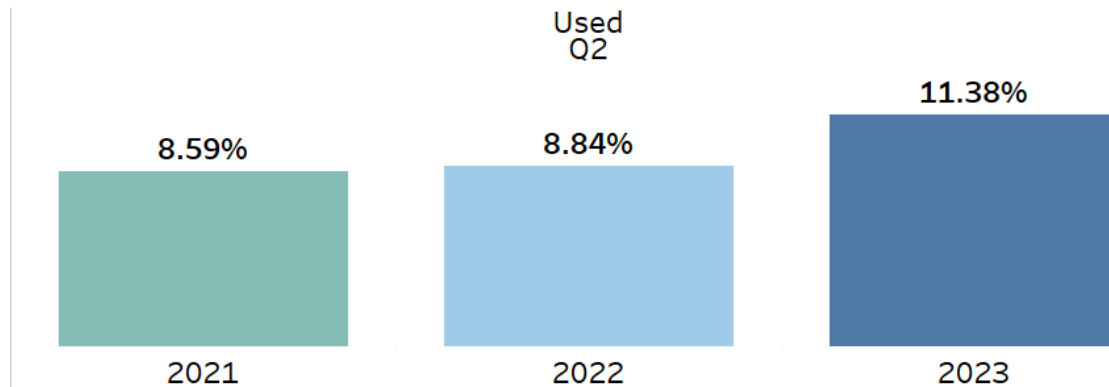
Average amount financed



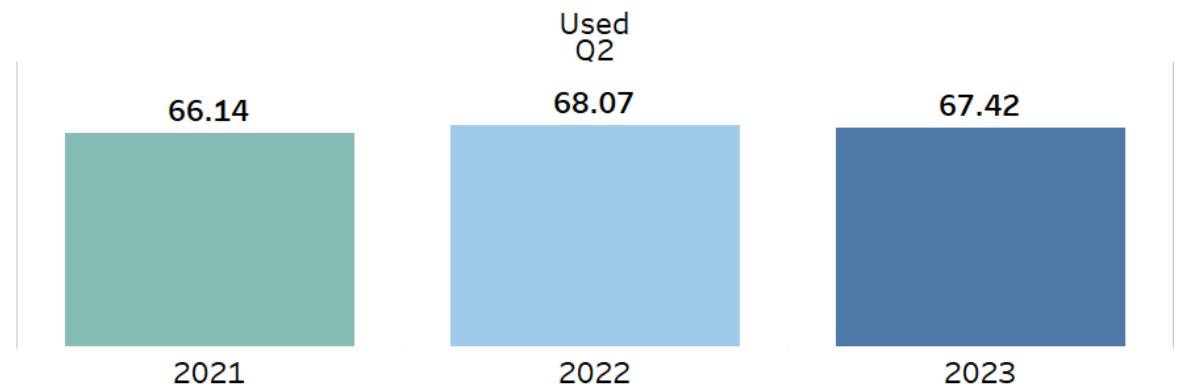
Average monthly payment



Average loan rate

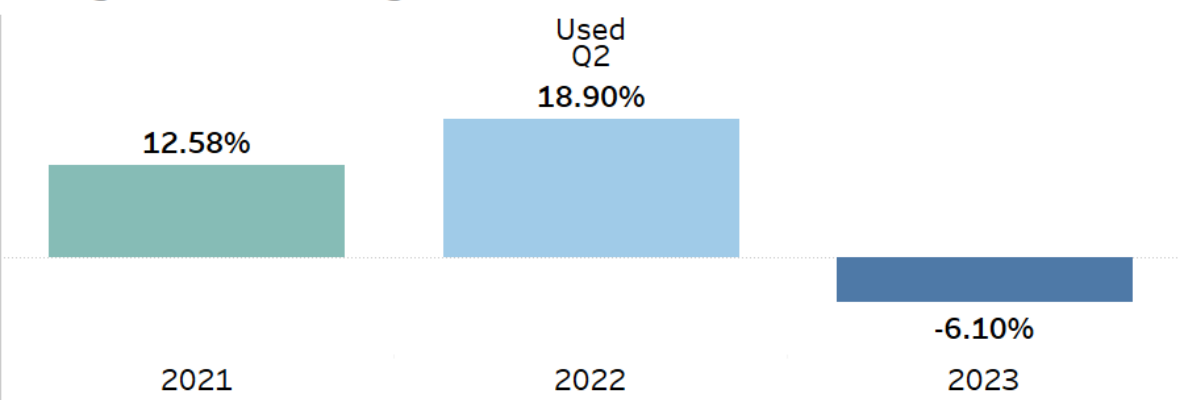


Average loan term

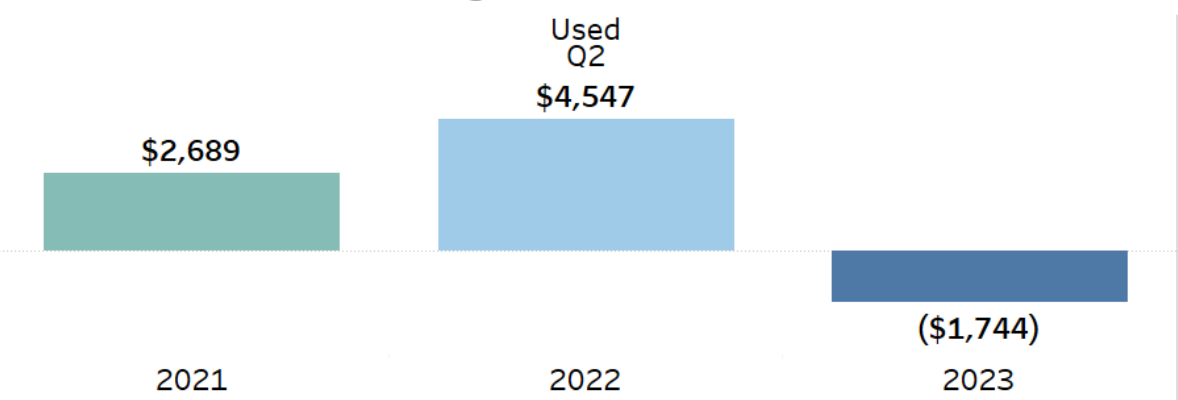


Loan amounts continue to fall YOY, but see quarter over quarter growth

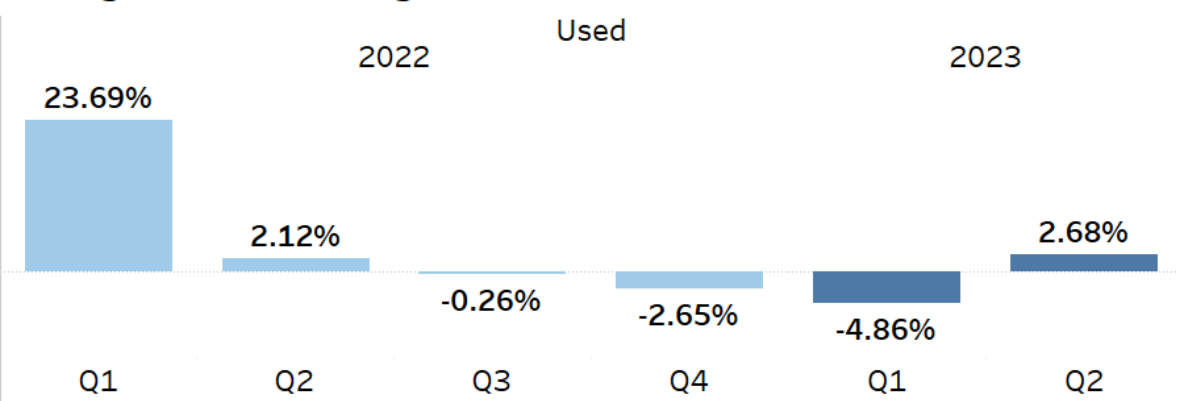
YOY growth in average used loan amount



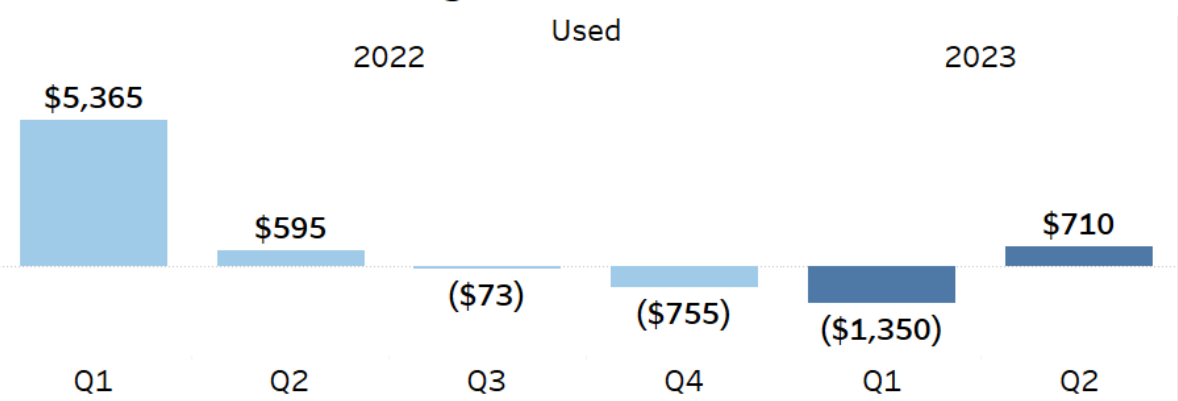
YOY \$ difference in average used loan amount



QOQ growth in average used loan amount

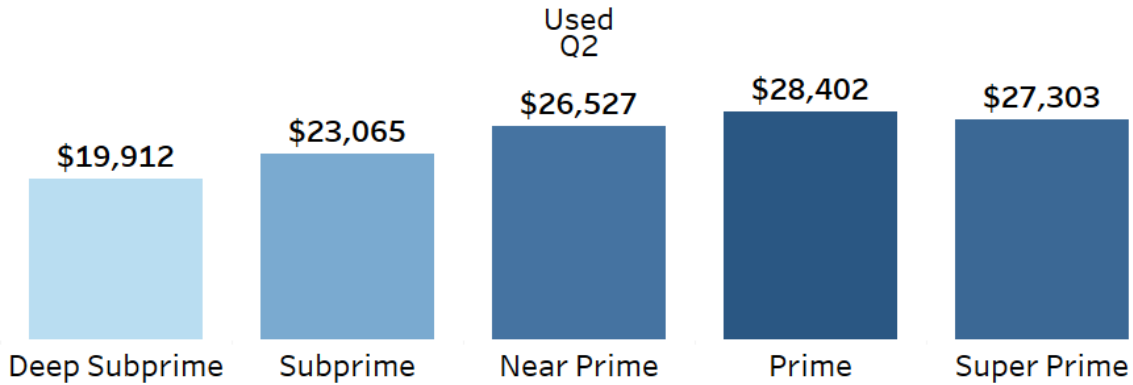


QOQ difference in average used loan amount

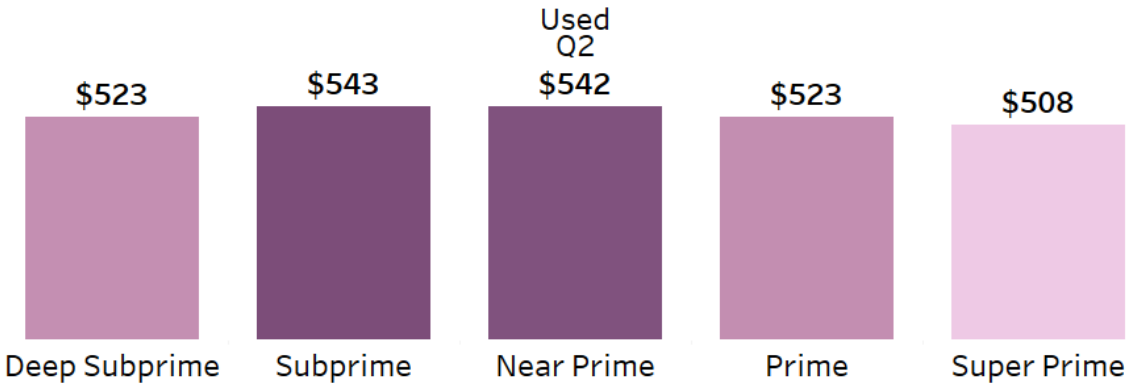


Used loan amounts fall across all risk segments while payments rise

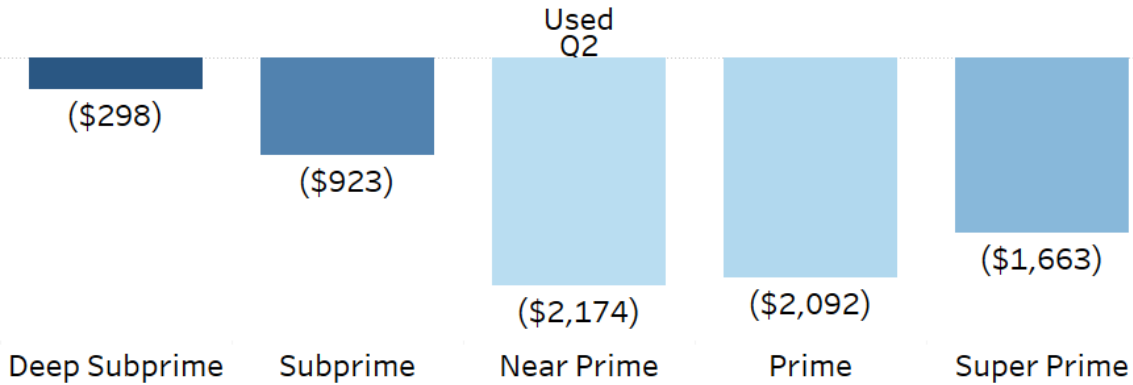
Average loan amount financed by risk



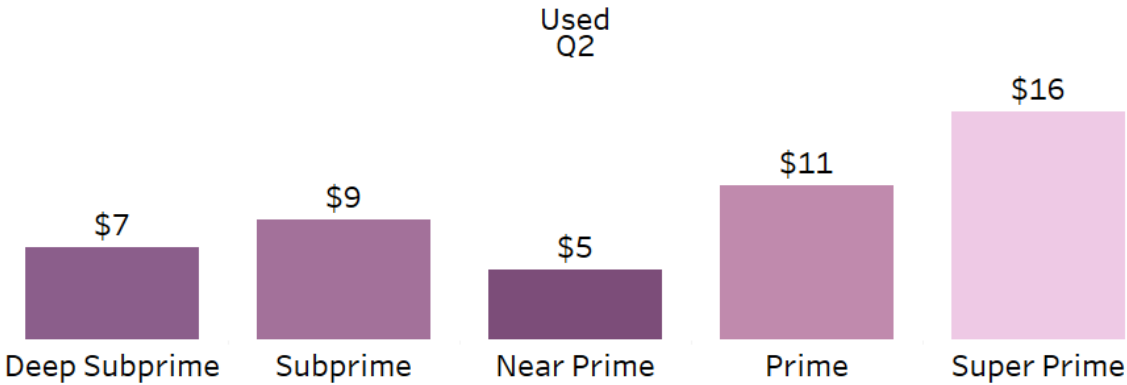
Average loan monthly payment by risk



Year-over-year change in loan amount

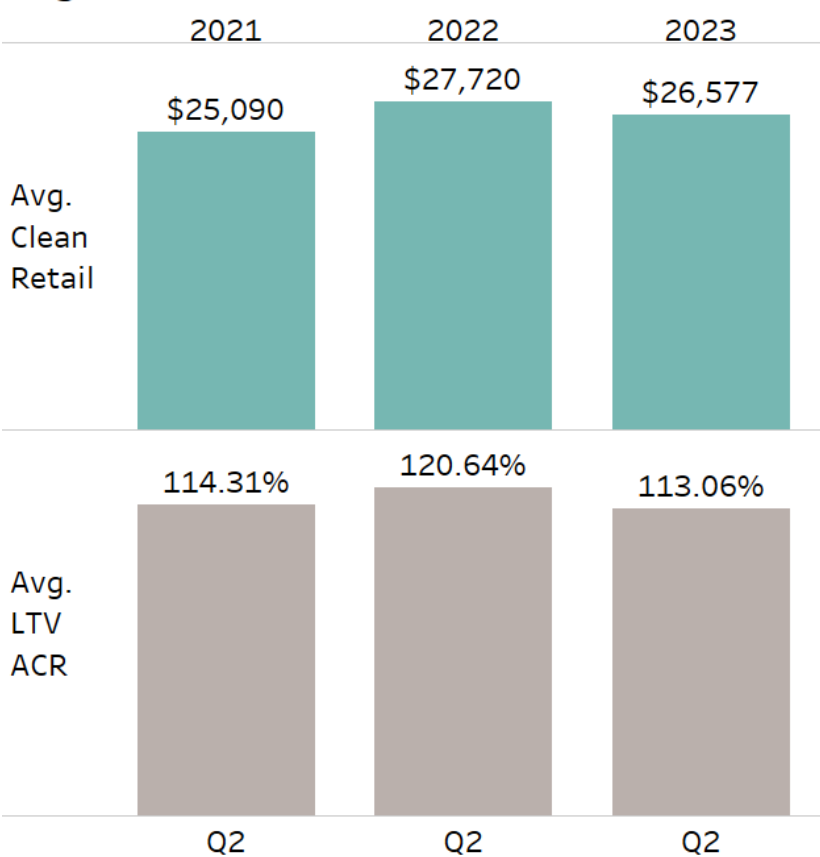


Year-over-year change in monthly payment

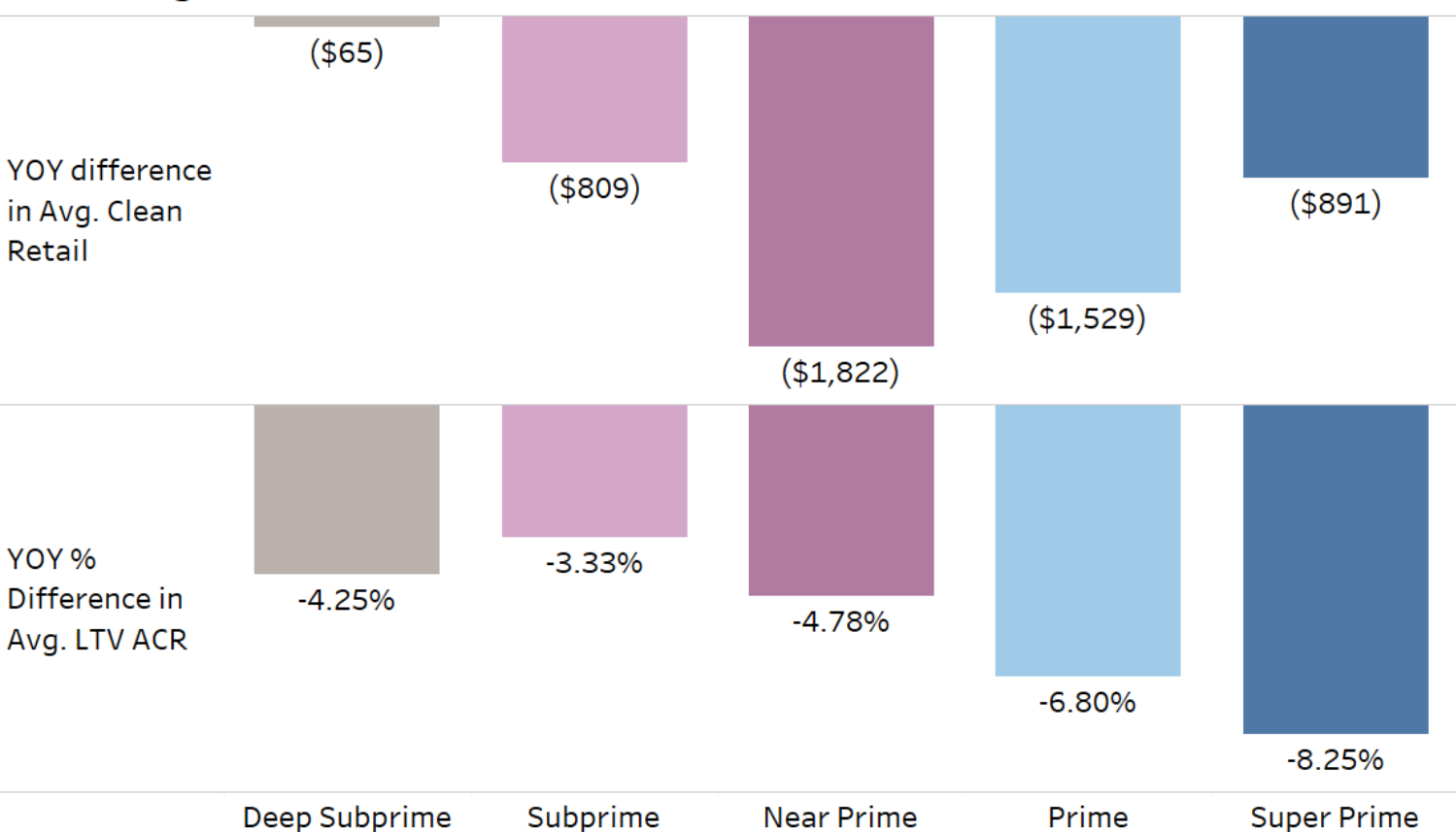


Values and LTVs fall for used vehicles

Avg Used Values

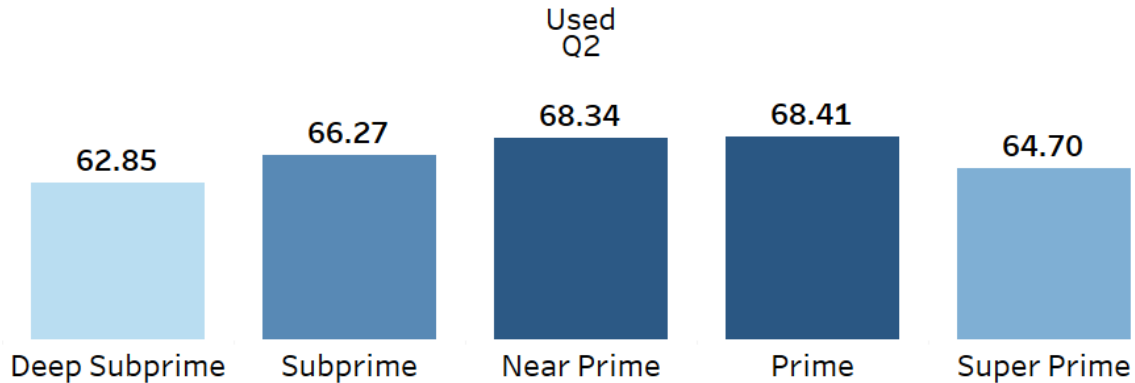


YOY change in used values

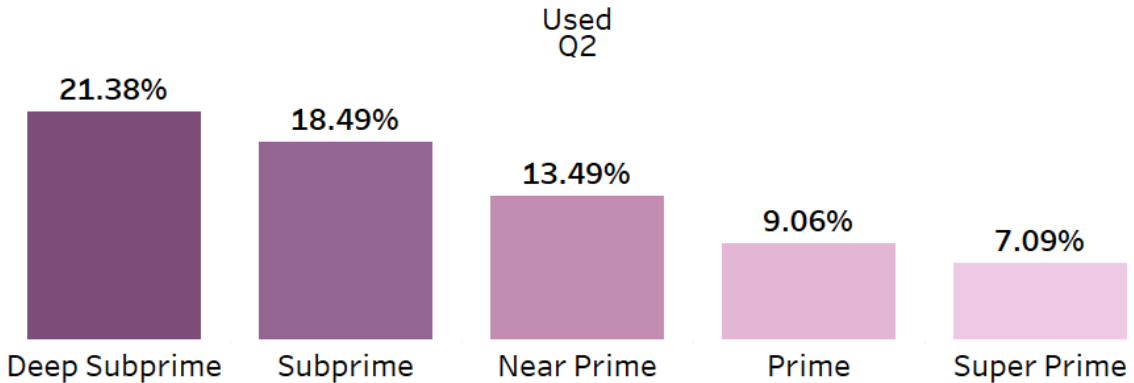


Terms increase for lower scoring segments while rates climb

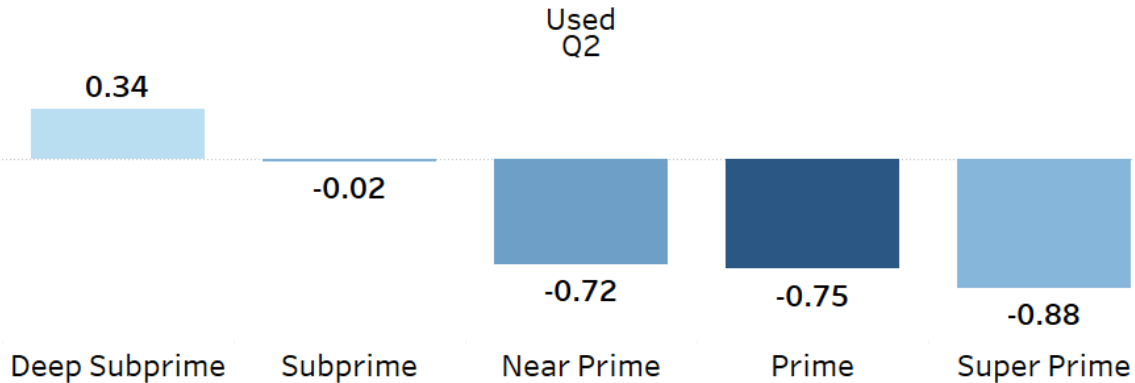
Average loan term by risk



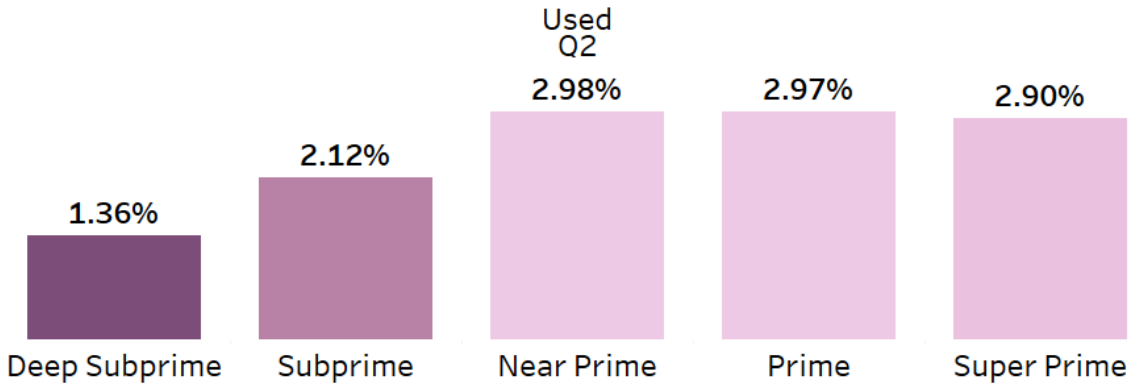
Average loan rate by risk



Year-over-year change in loan term

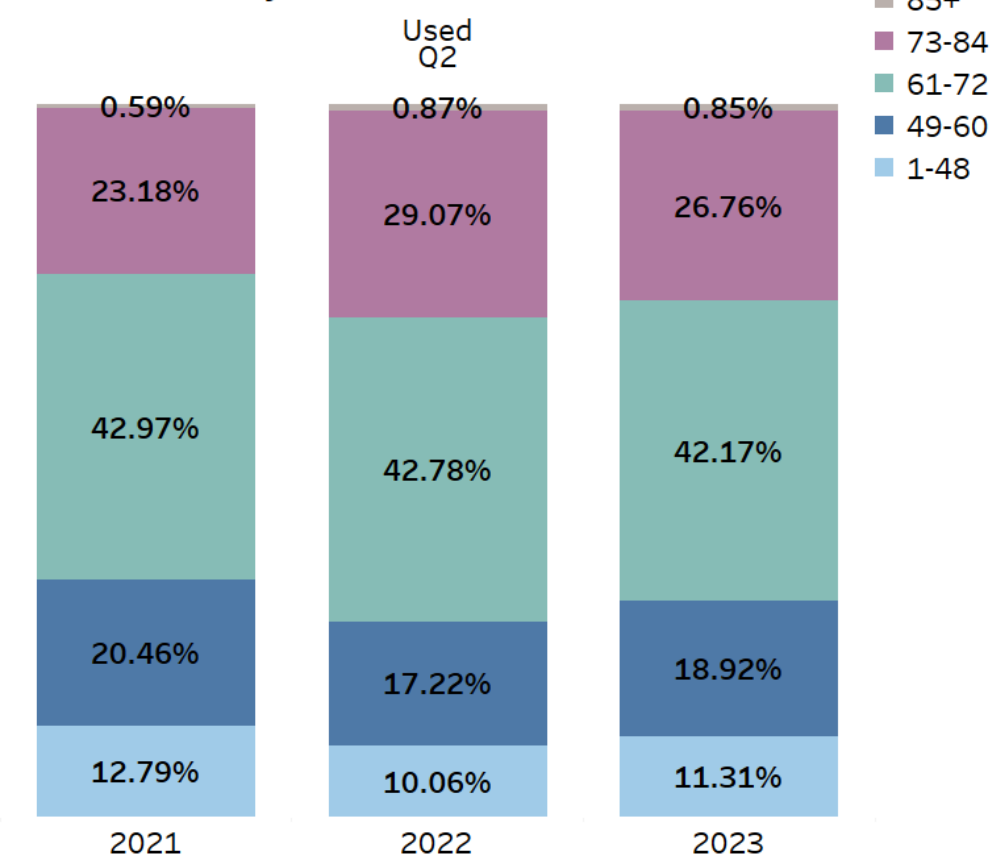


Year-over-year change in rate

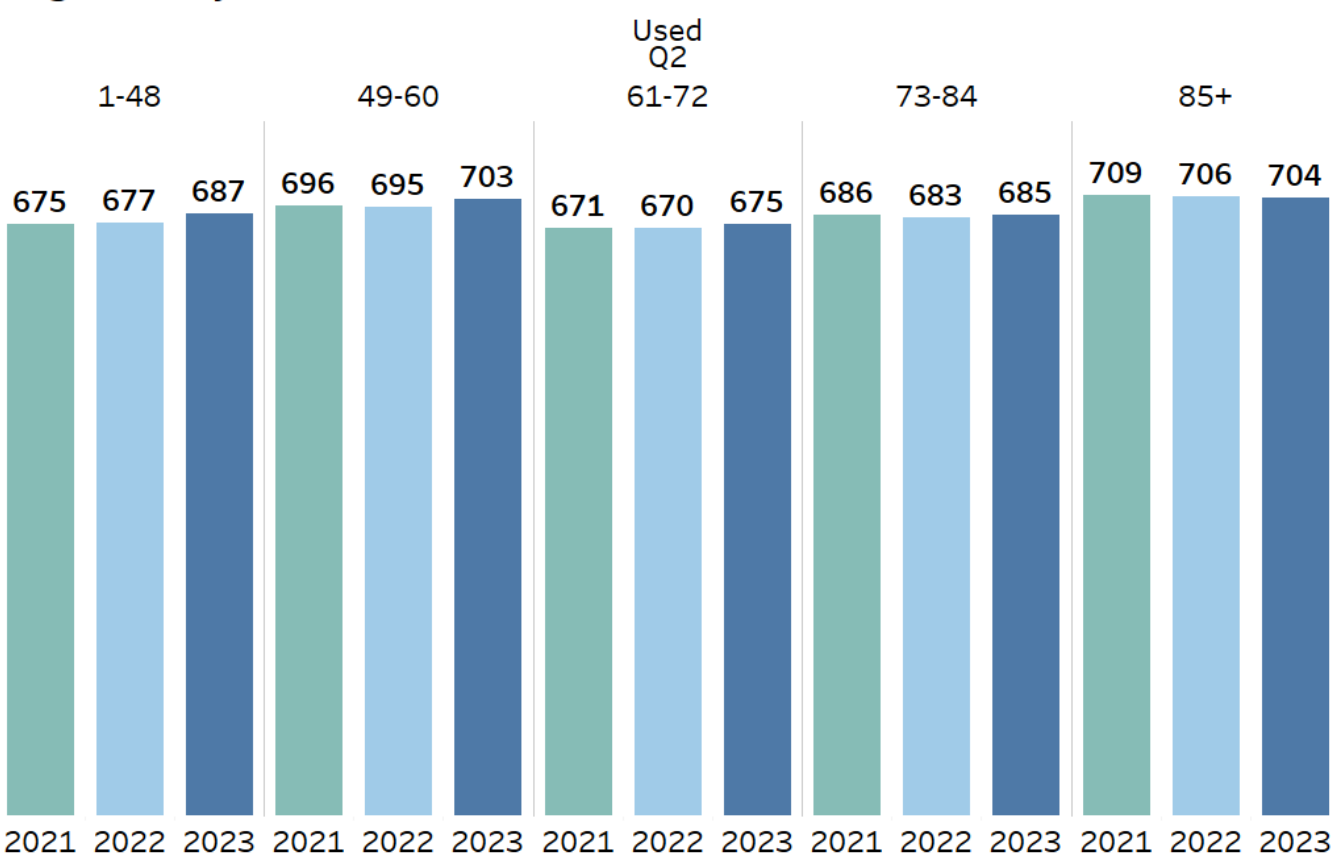


Shorter term loans grow for used vehicles

Distribution by loan term



Avg score by loan term



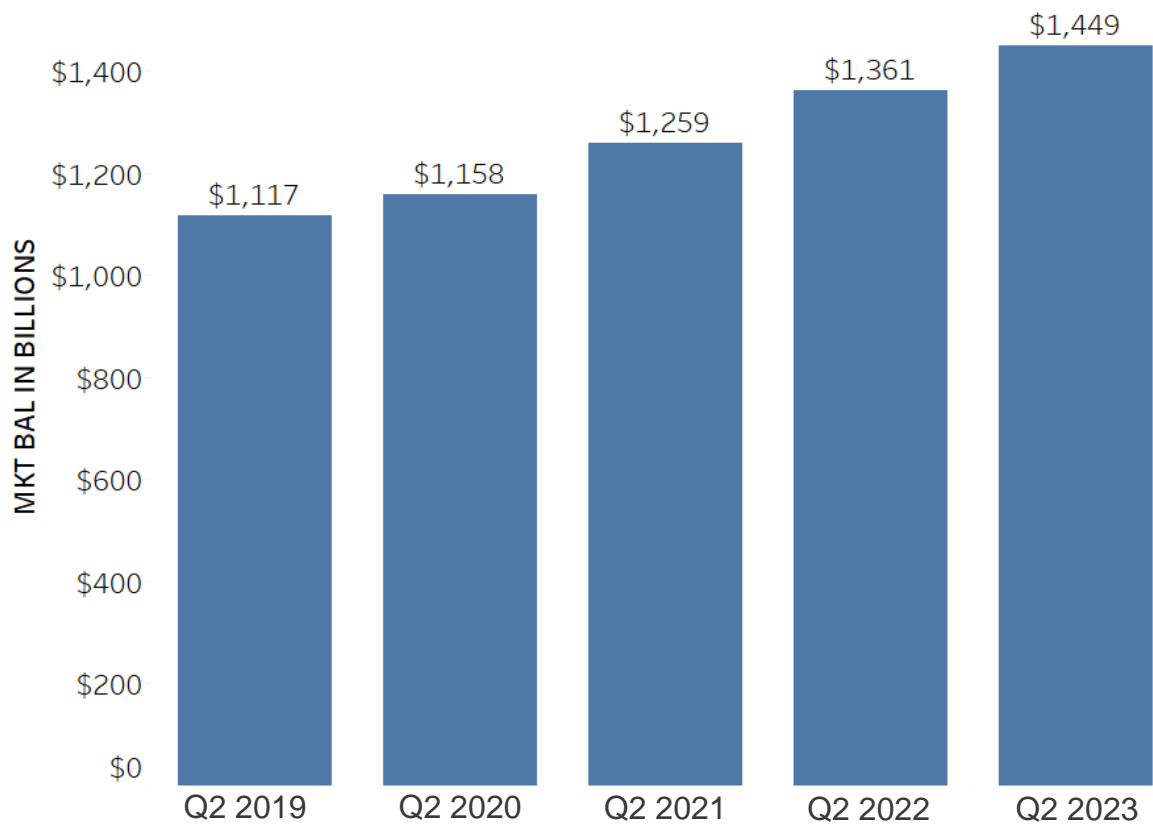


Q2 2023 Market overview

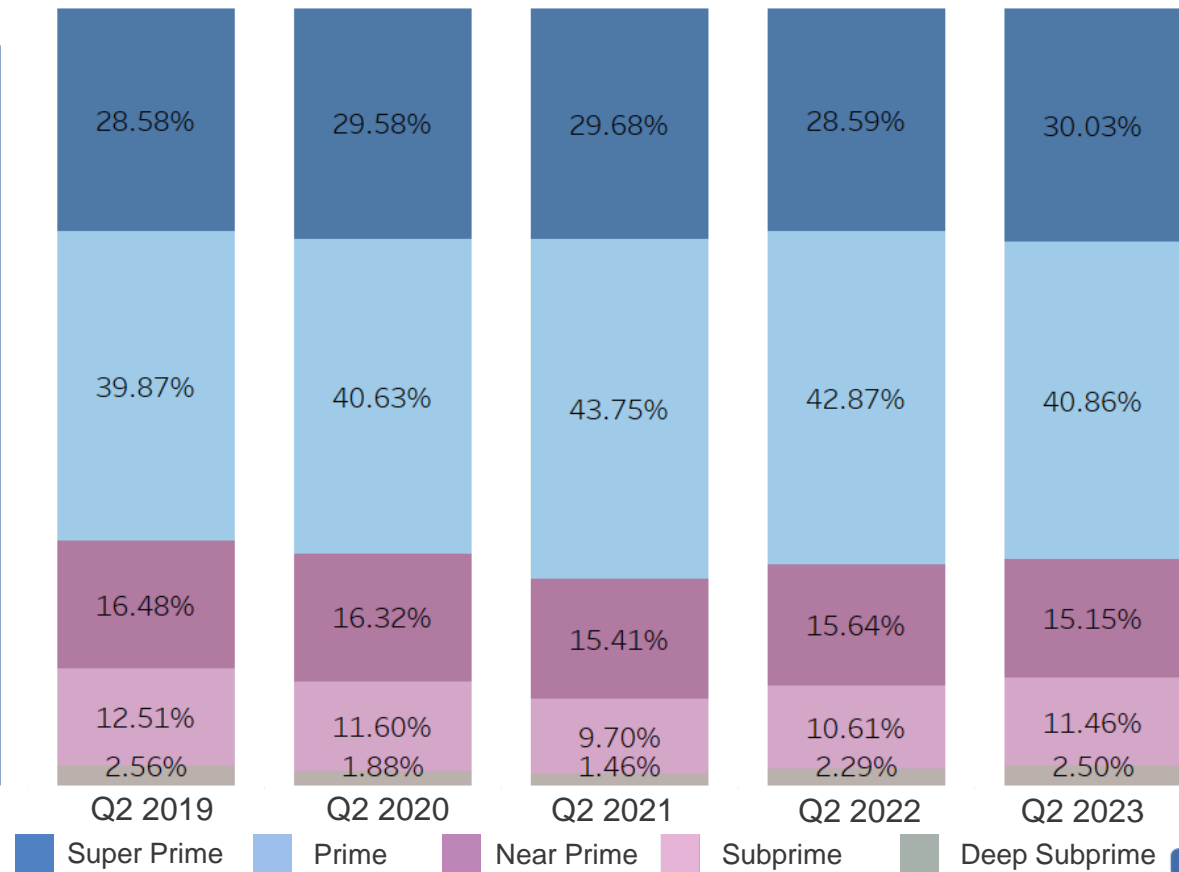
Balances and delinquency on all open auto
loans & leases

Overall loan balances (in billions) grew 6.5% YOY with growth occurring in Super Prime and Subprime segments

Outstanding automotive loan balance

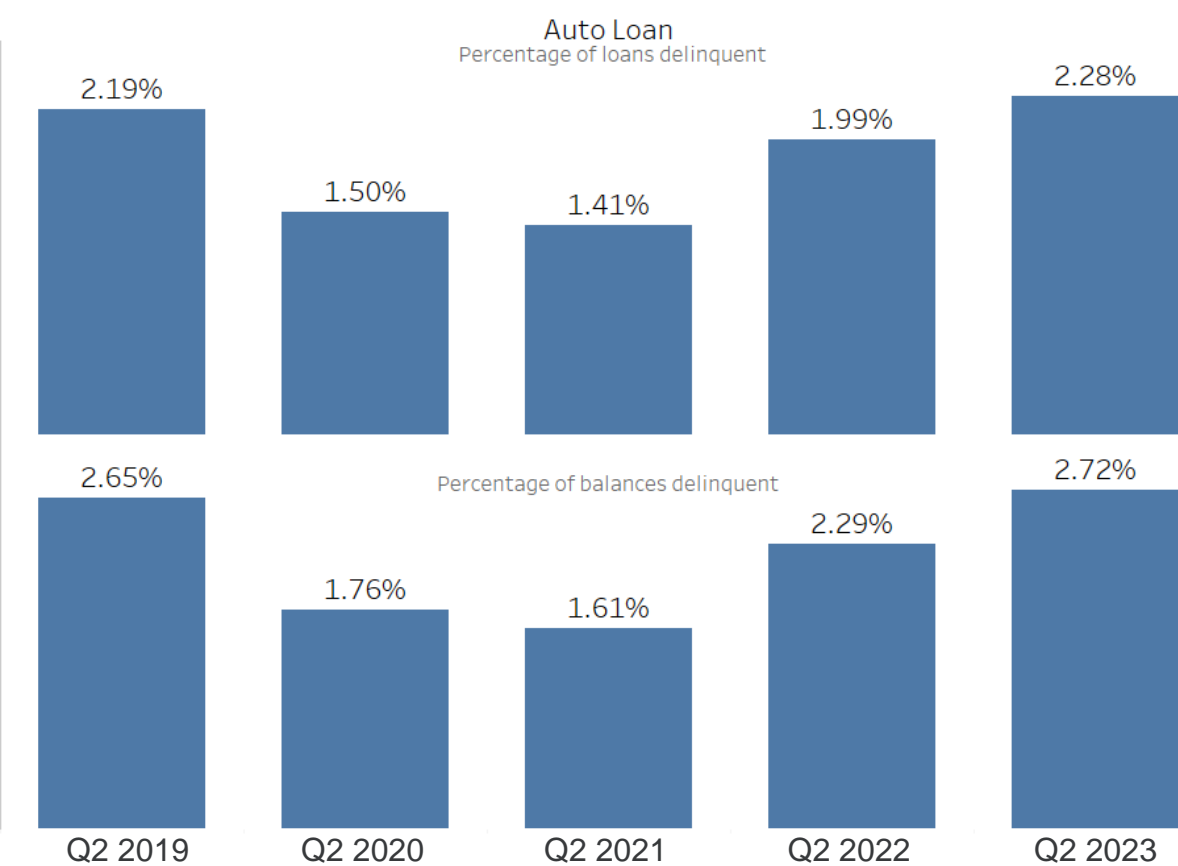


Auto loan balances by score band

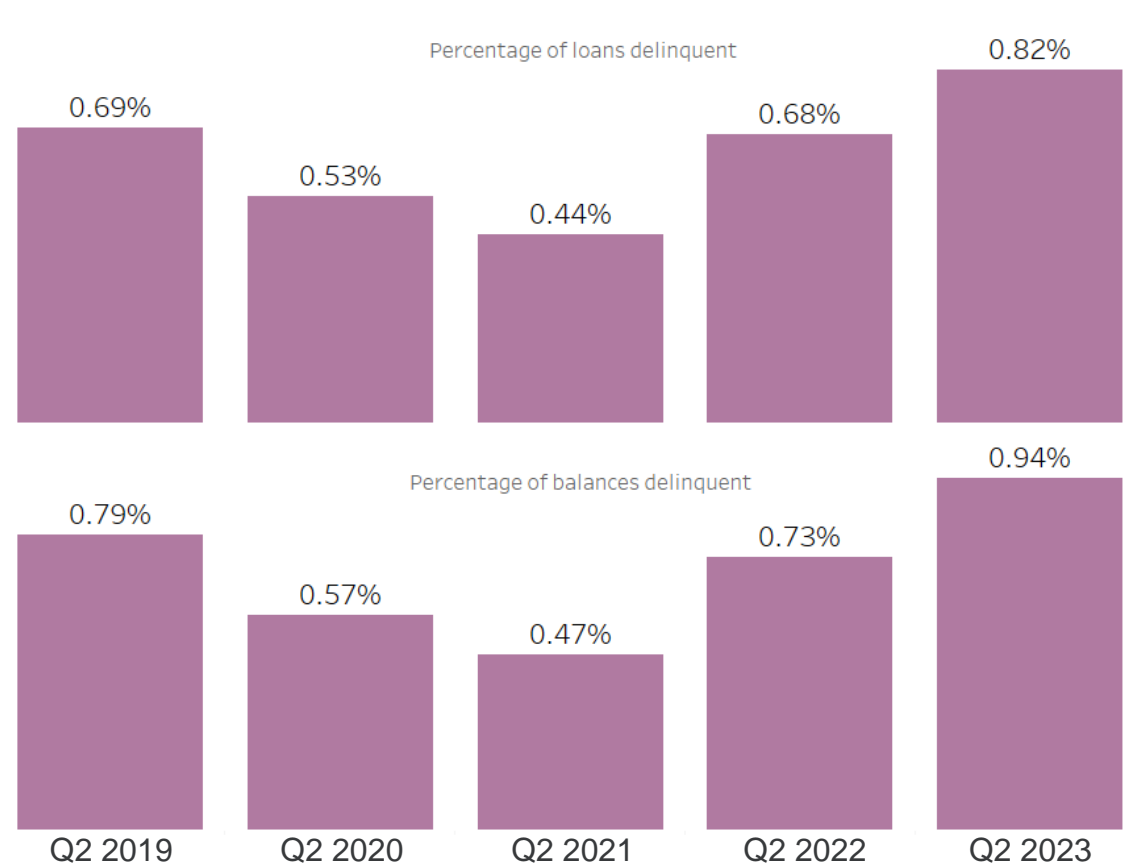


Delinquencies rise past pre-COVID levels

30 day delinquency

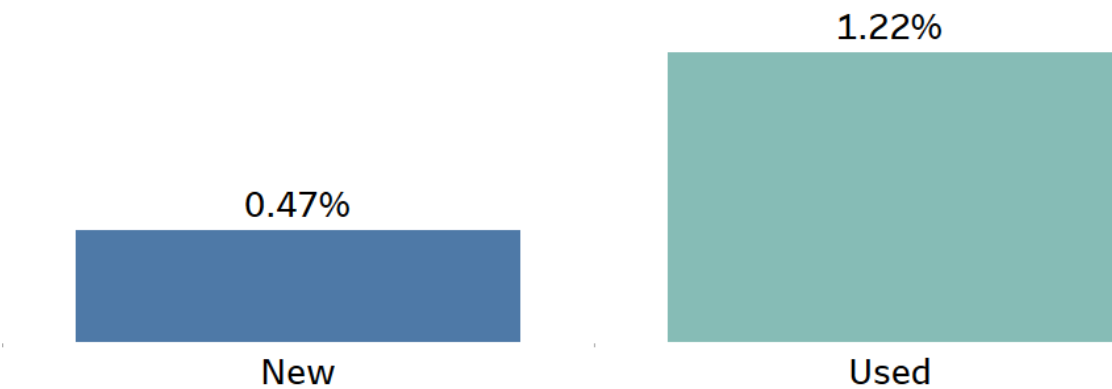


60 Day delinquency

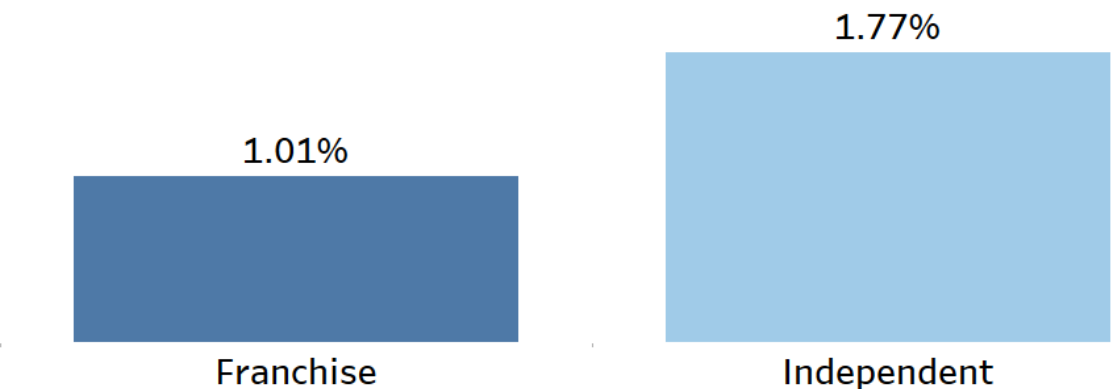


60-day delinquency rate dashboard (originations 2018+)

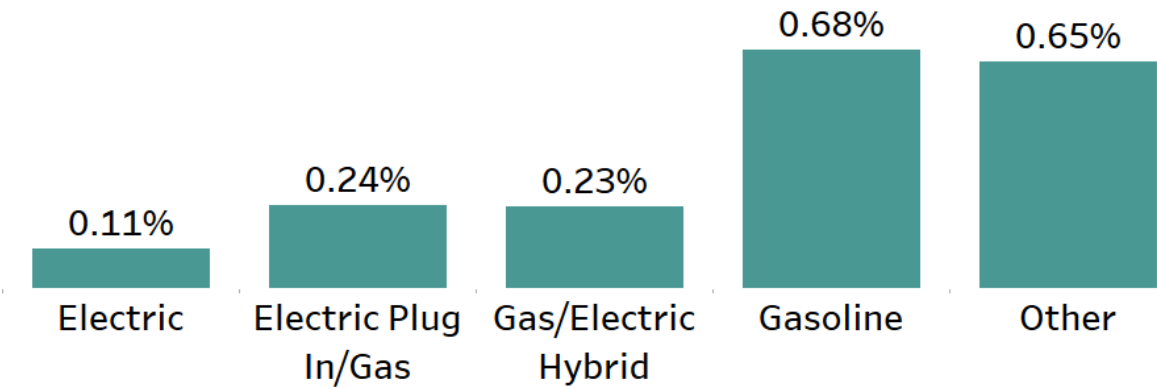
Current 60 day delinquency rate by new/used



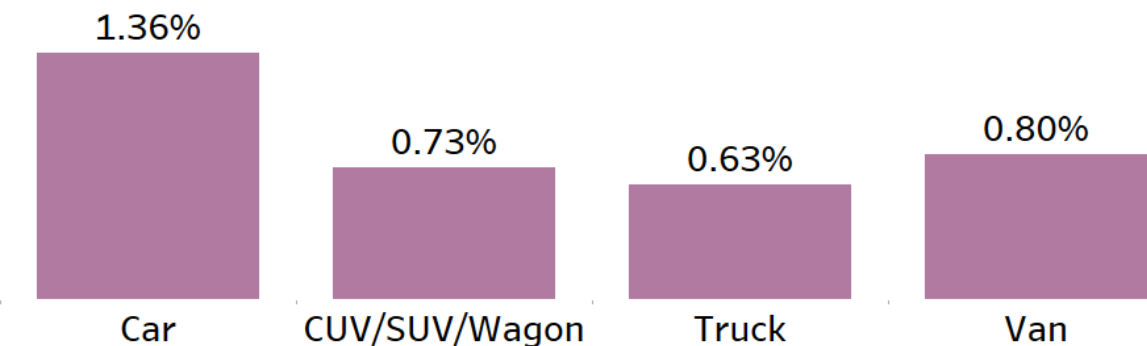
Current 60 day delinquency rate by dealer type on used loans



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

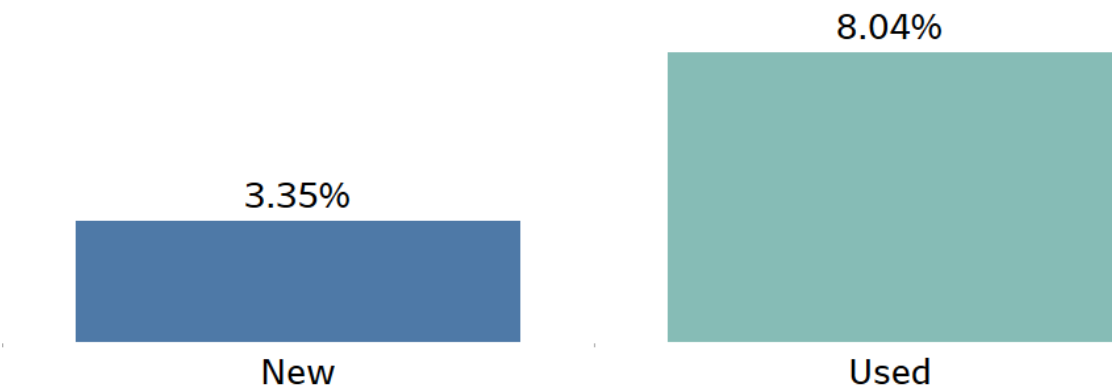


Current 60 day delinquency rate by vehicle type (bought new & used)

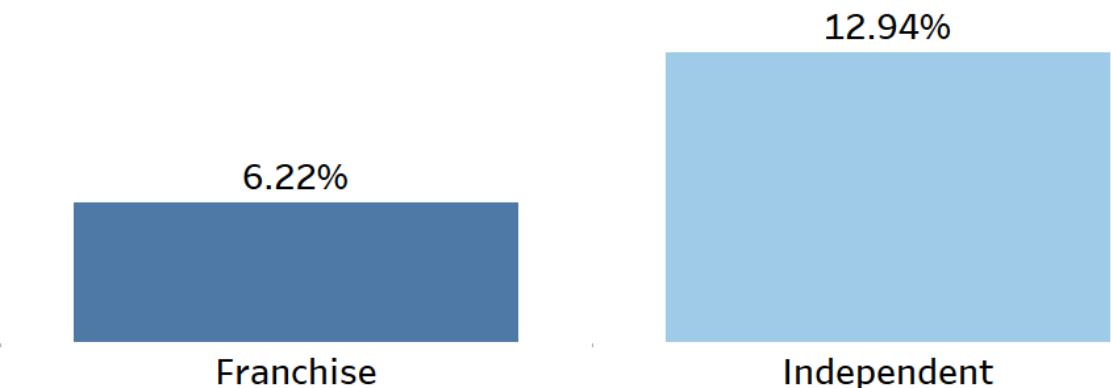


60+Worst-Ever day delinquency rate dashboard (originations 2018+)

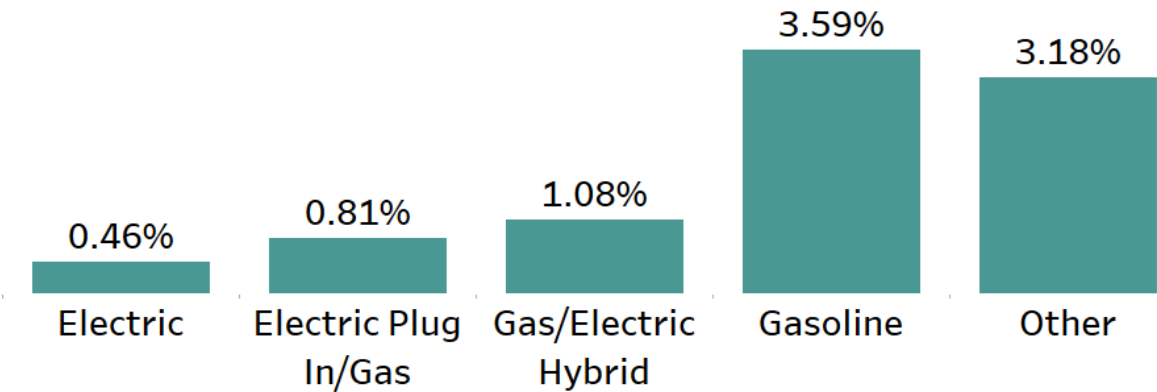
60+WE by vehicle type



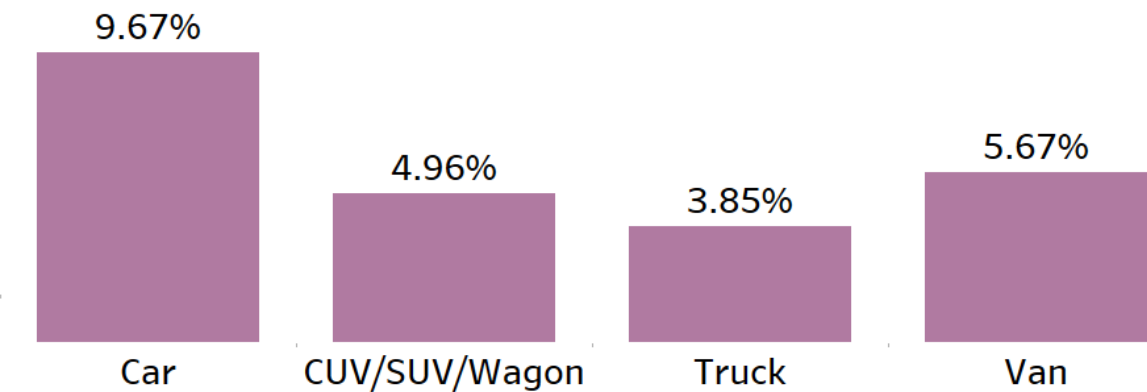
60+WE by dealer on used loans



60+WE by fuel type (bought new)



60+WE by vehicle type (bought new & used)



Q2 Summary

- Leasing remains low but is starting to increase, financing overall has decreased for new vehicles
- Subprime continues to reach record lows for automotive financing
- New loan amount growth is slowing down yet payments increase with shorter term loans
- Used loan amounts begin to decline yet payments rise with increased rates and shortened terms
- Overall balances climb while delinquencies surpass pre-COVID levels



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