



AUTO FINANCE INSIGHTS

**State of the Automotive Finance Market
Q2 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
- Quarterly spotlight
- 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 & 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

Q2 2021 Originations

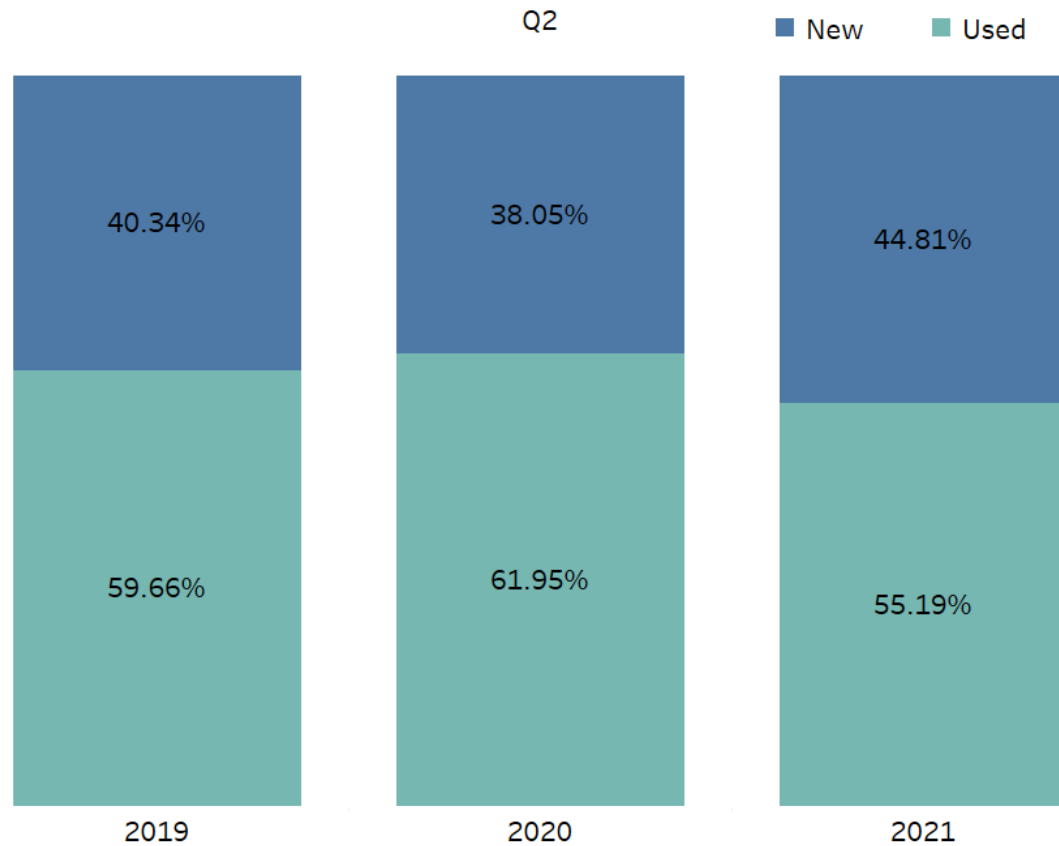
Trends in automotive loan and
lease originations



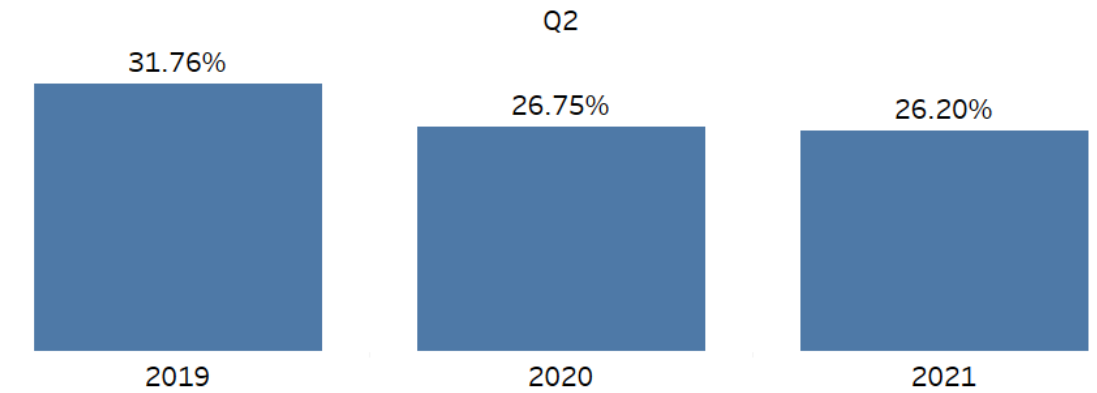
Automotive financing

Snapshot of how and what consumers are financing

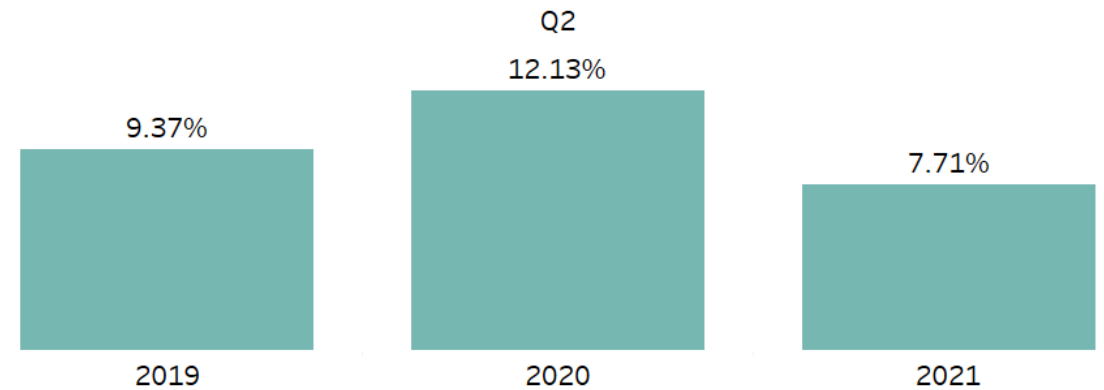
New/Used percentage of financing



% of all new vehicles that are leased

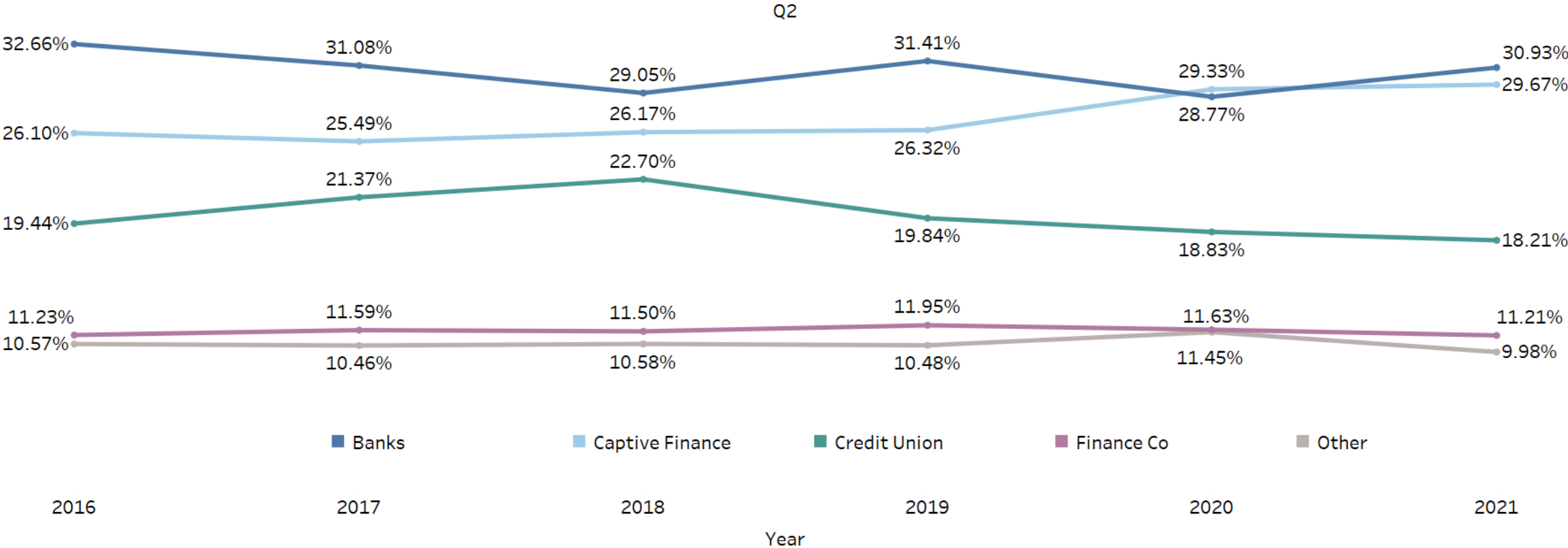


Used vehicle % of total lease market



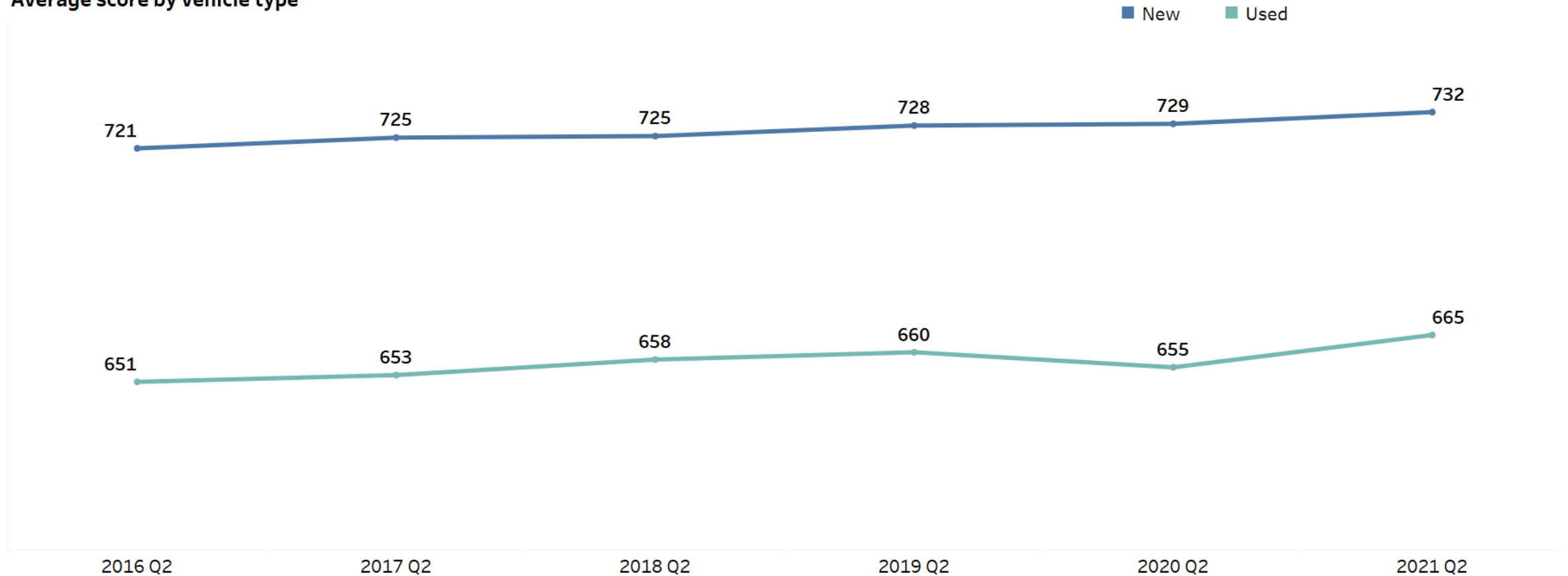
Banks and captives experience year-over-year share gains

Market share of total financing



Average scores increase 3 points for new and 10 for used vehicles

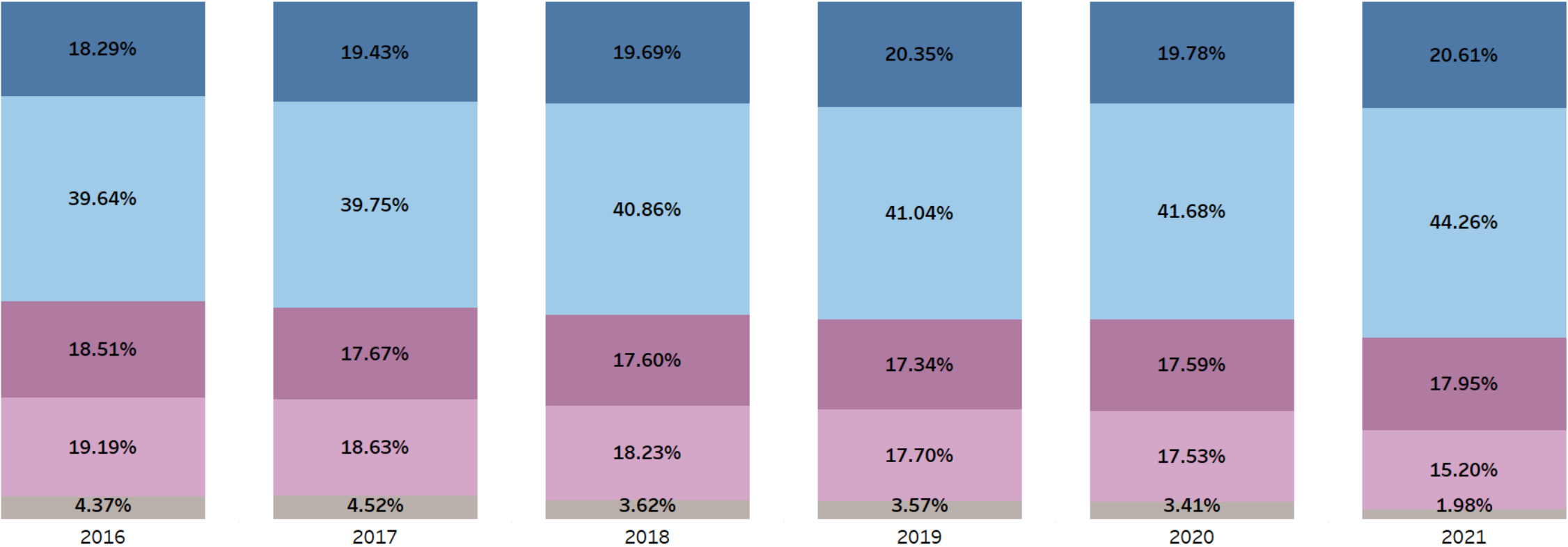
Average score by vehicle type



Prime is nearly 65% of total financing, while subprime continues near record lows

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

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



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

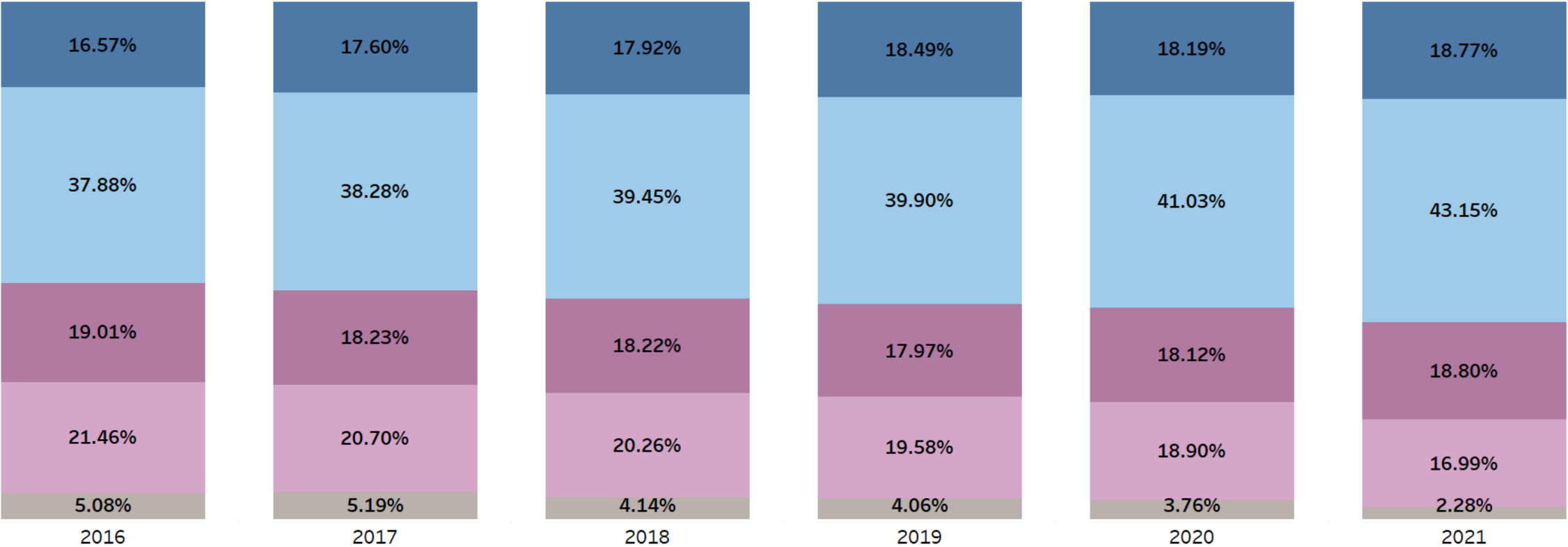


Prime+ is near 62% of total loans while total subprime dropped below 20% and deep subprime hits record low

Total loan risk distribution

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

Q2



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



Quarterly Spotlight

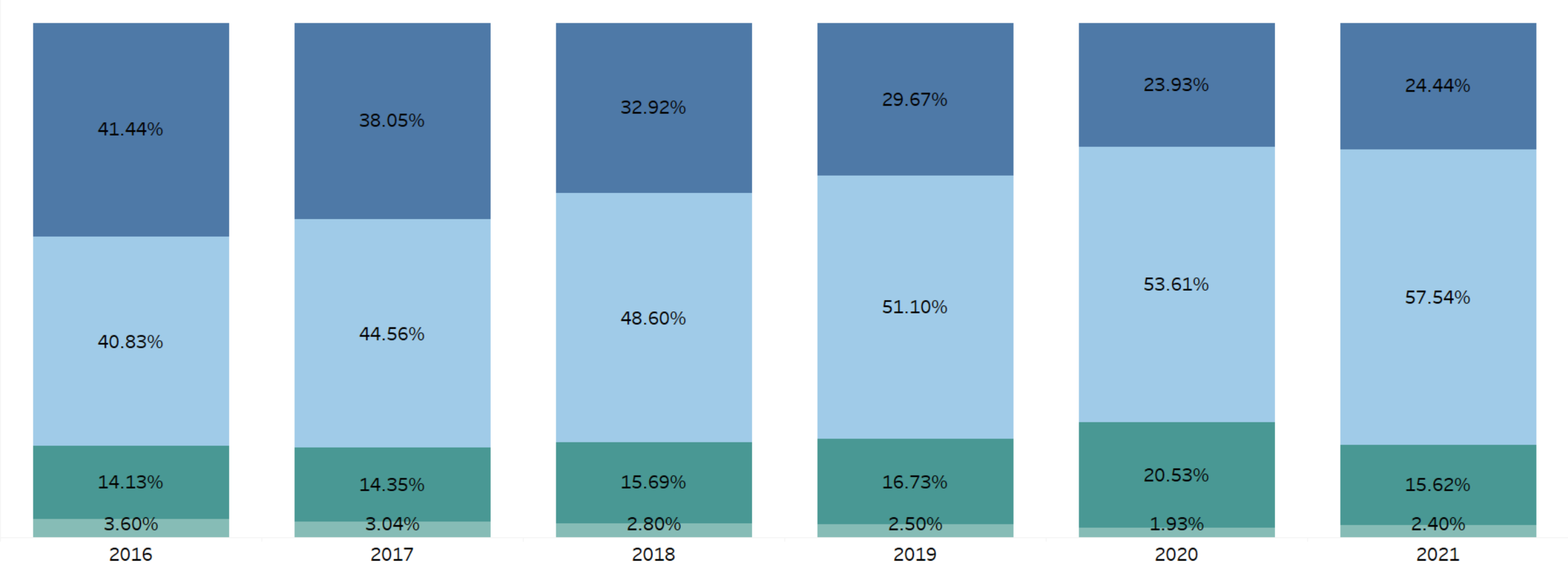
Consumer shift in new vehicle
preferences



CUV/SUV segment has grown 45% since 2016 while cars have declined 39%

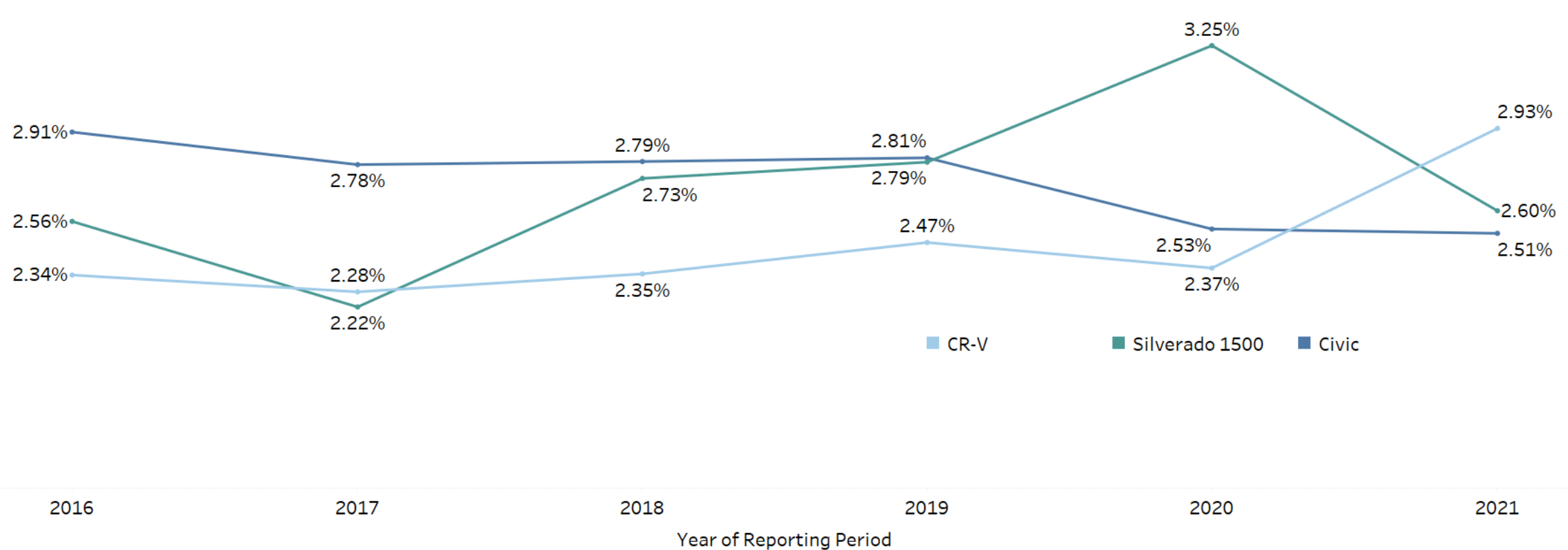
New financed vehicles by type

■ Car ■ CUV/SUV/Wagon ■ Truck ■ Van



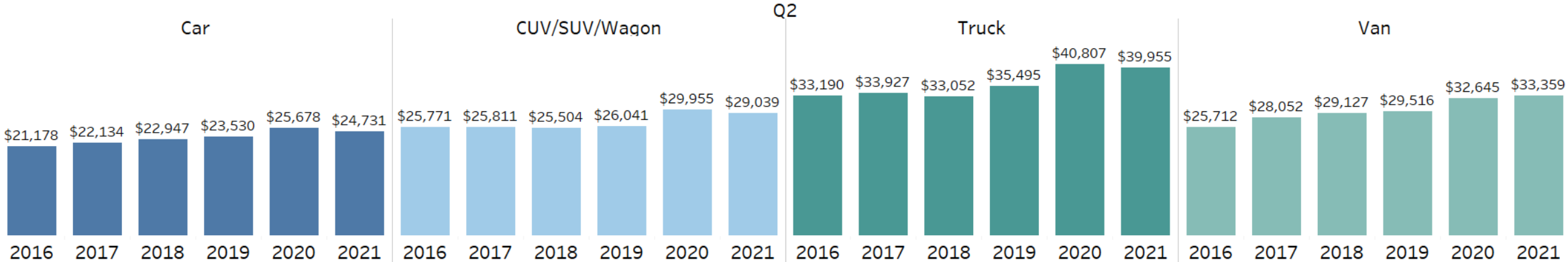
Number 1 financed new vehicle is a CUV followed by truck then sedan

Top 3 financed new models

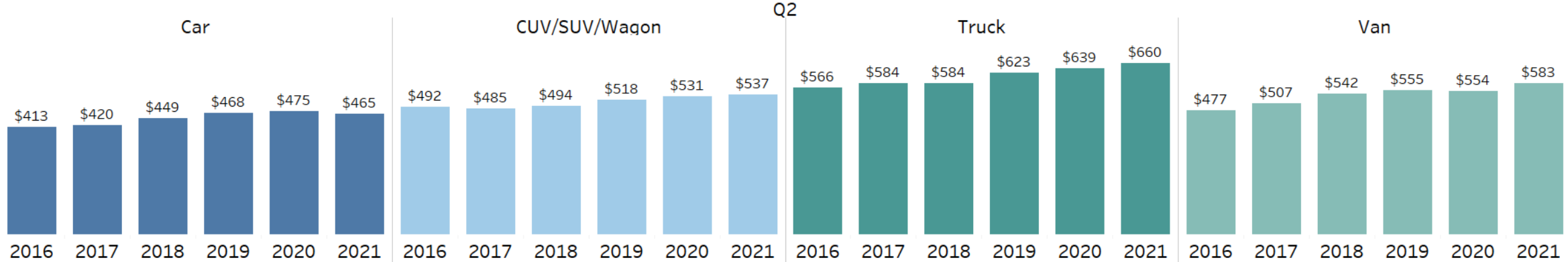


Shift to CUVs drives up monthly payments and loan amounts

Average new loan amount by vehicle type



Average new loan monthly payment by vehicle type



Current financing snapshot: average loans on the top 3 models



\$26,082 Avg loan amount with \$453/mo avg payment
63-month avg term at 3.22% avg rate
751 average credit score

Honda
CR-V



\$37,992 Avg loan amount with \$605/mo avg payment
73-month avg term at 5.14% avg rate
725 average credit score

Silverado
1500

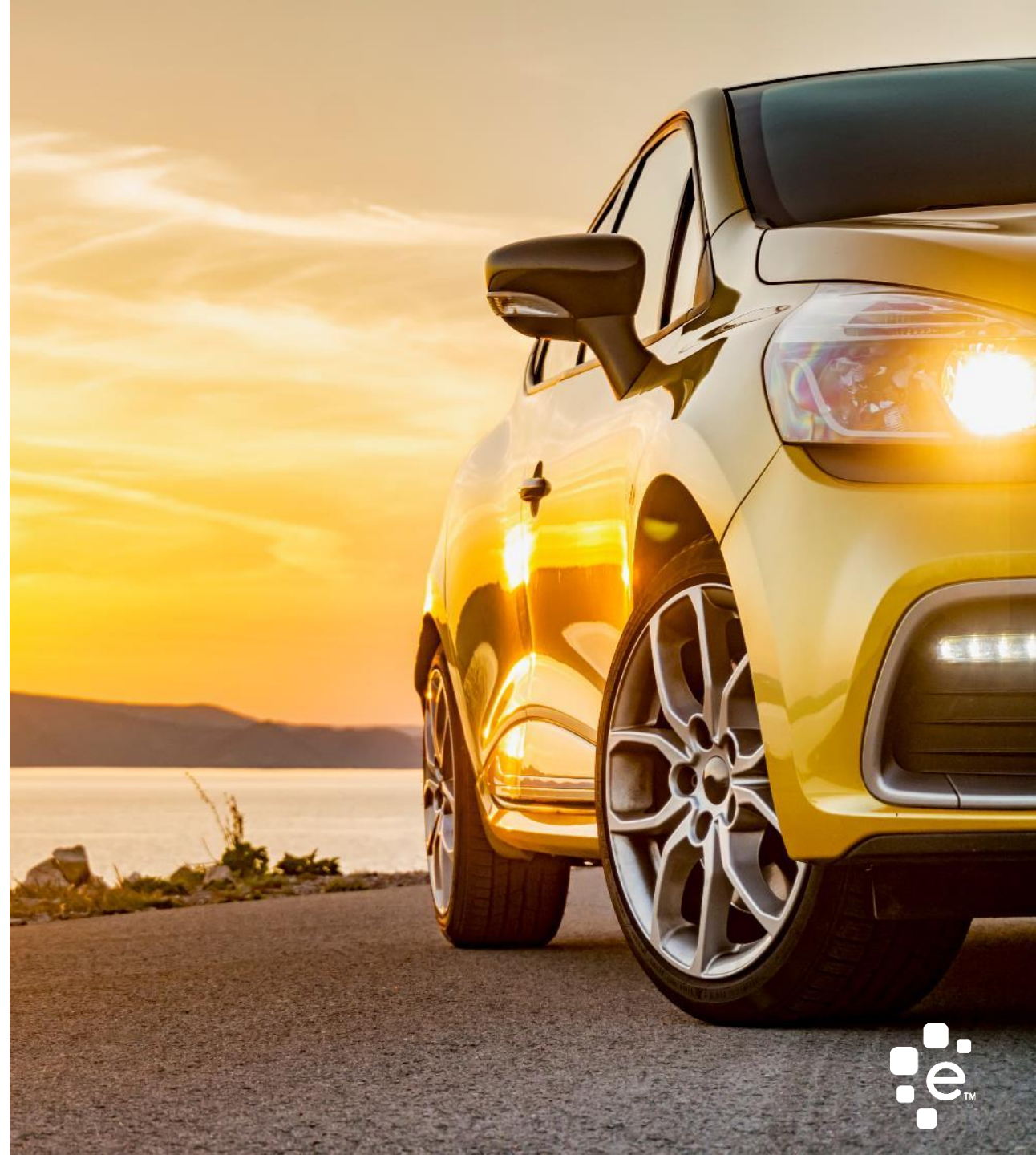


\$22,916 Avg loan amount with \$398/mo avg payment
66-month avg term at 4.55% avg rate
710 average credit score

Honda
Civic

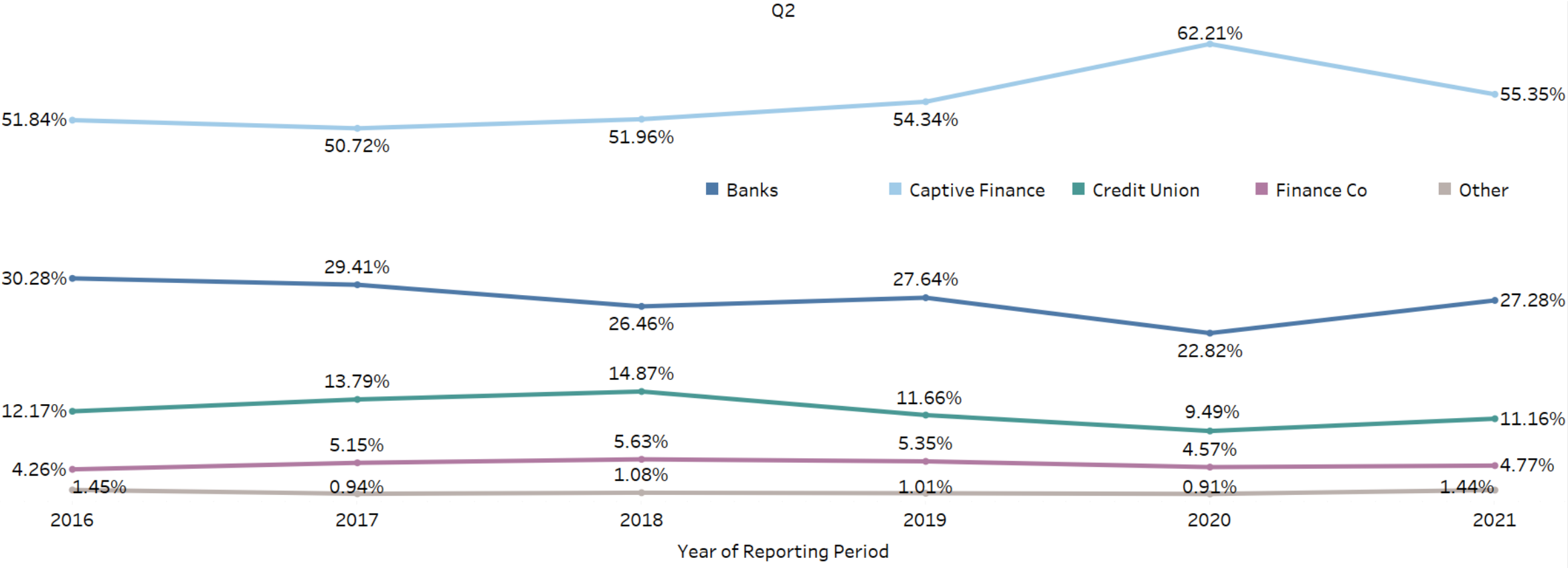
New financing

A look at new lease & loan trends



Lenders see share gains as Captive share declines from last years' peak

Market share of new financing (loan/lease)



SUVs still dominate the market, yet most sedans see YOY growth

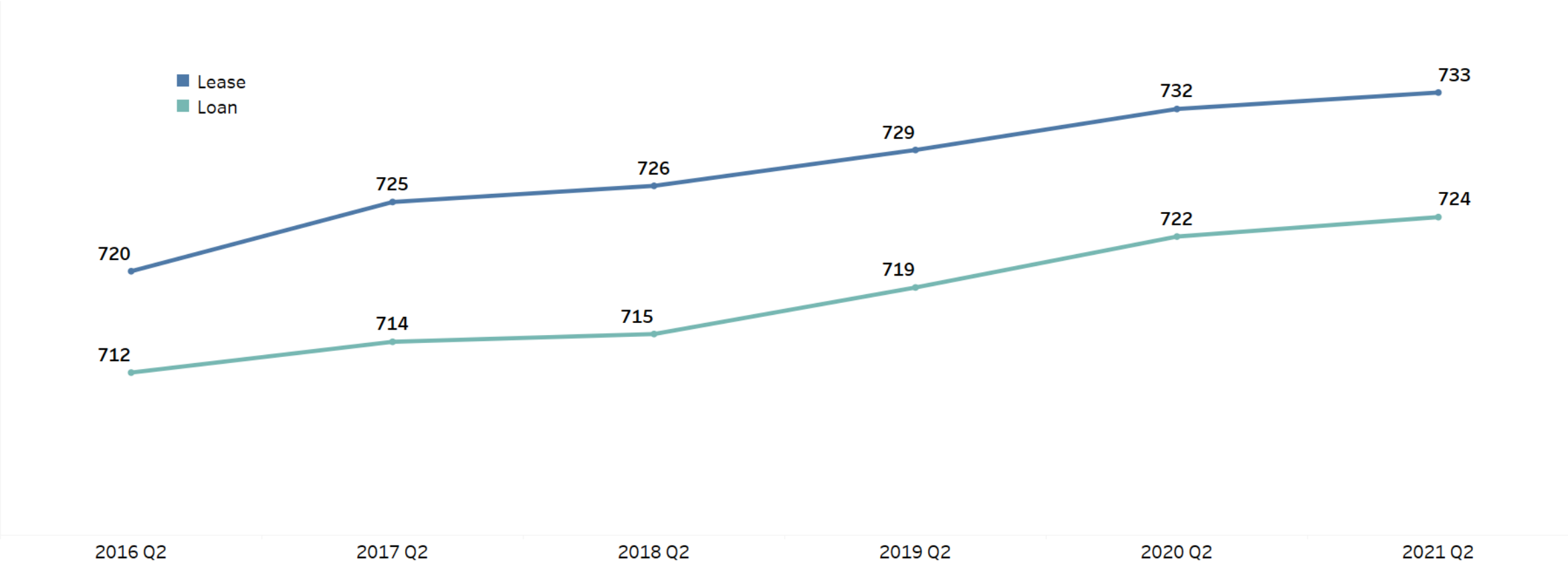
YOY change in financing by segment

		2020	2021
Convertible	Full	0.01%	0.00%
	Mid-Size		
	Small	0.17%	0.16%
	Sport		
Coupe	Full	0.01%	0.01%
	Mid-Size	0.02%	0.02%
	Small	0.51%	0.30%
	Sport		
Full Size Van	Full	0.42%	0.37%
	Mid-Size		
Hatchback	Mid-Size	0.16%	0.39%
	Small	2.54%	2.54%
	Sport	0.11%	0.07%
Minivan	Mid-Size	1.32%	1.67%
	Small		
Pickup	Full	16.32%	12.17%
	Mid-Size	4.18%	3.39%
Sedan	Full	0.48%	0.27%
	Mid-Size	9.27%	9.33%
	Small	8.57%	9.72%
	Sport	0.28%	0.36%
SUV	Full	3.60%	4.99%
	Mid-Size	23.55%	25.83%
	Small	25.17%	25.48%
Wagon	Full	0.01%	0.02%
	Mid-Size	1.34%	1.30%
	Small		



New financing maintains steady increase in scores

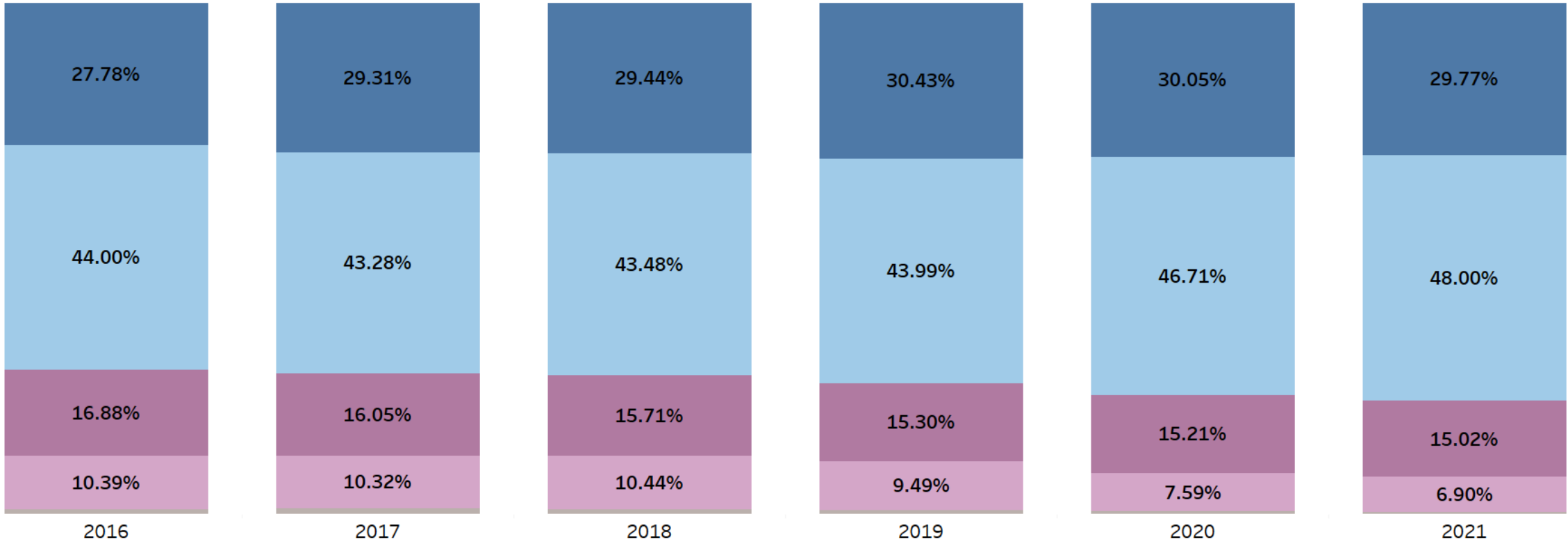
Average new score by transaction type



Prime continues to grow for new loans

New loan risk distribution

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

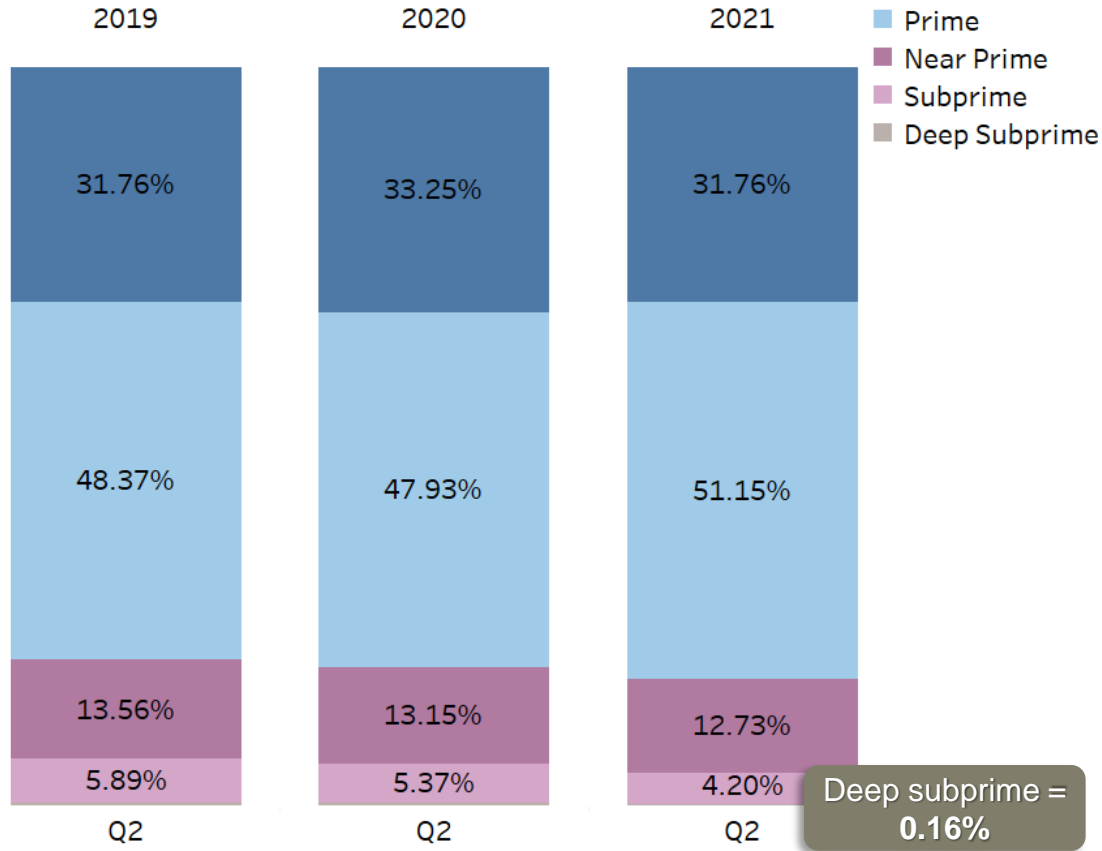


Deep subprime = 0.31%

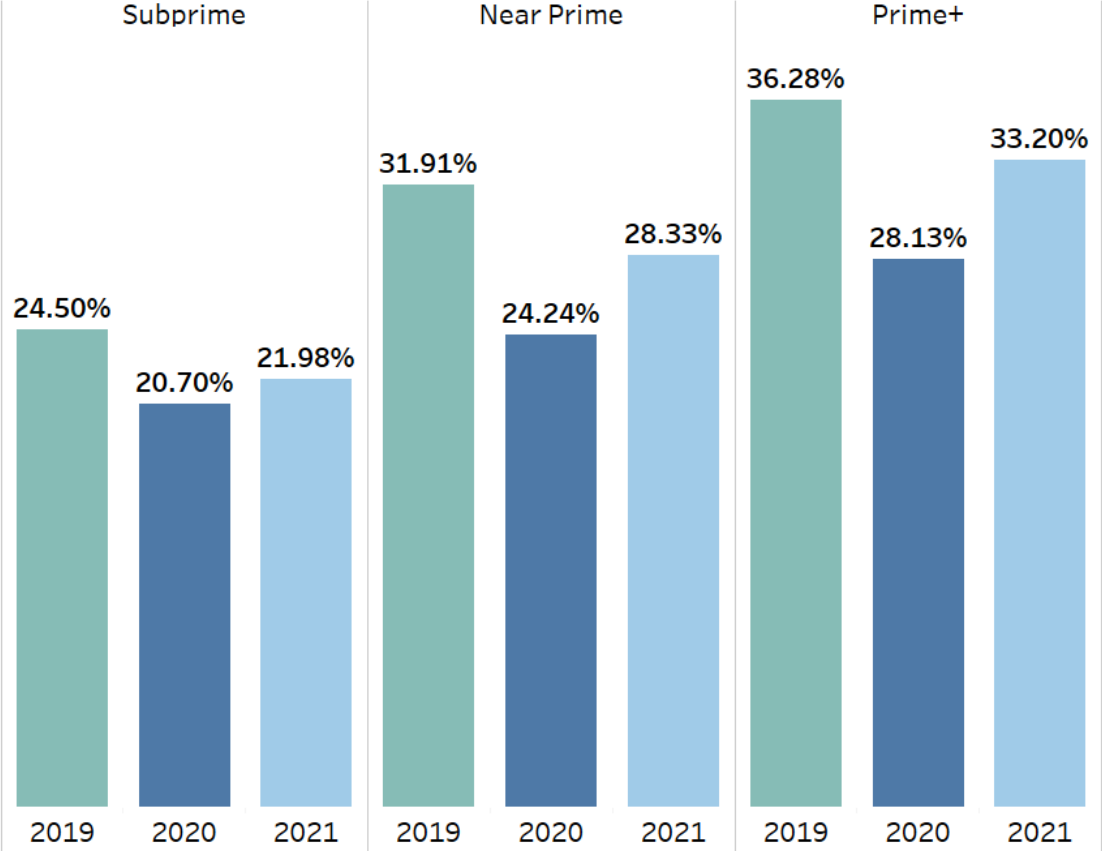


Subprime leasing continues its decline while prime+ continue to lease over a third of the time

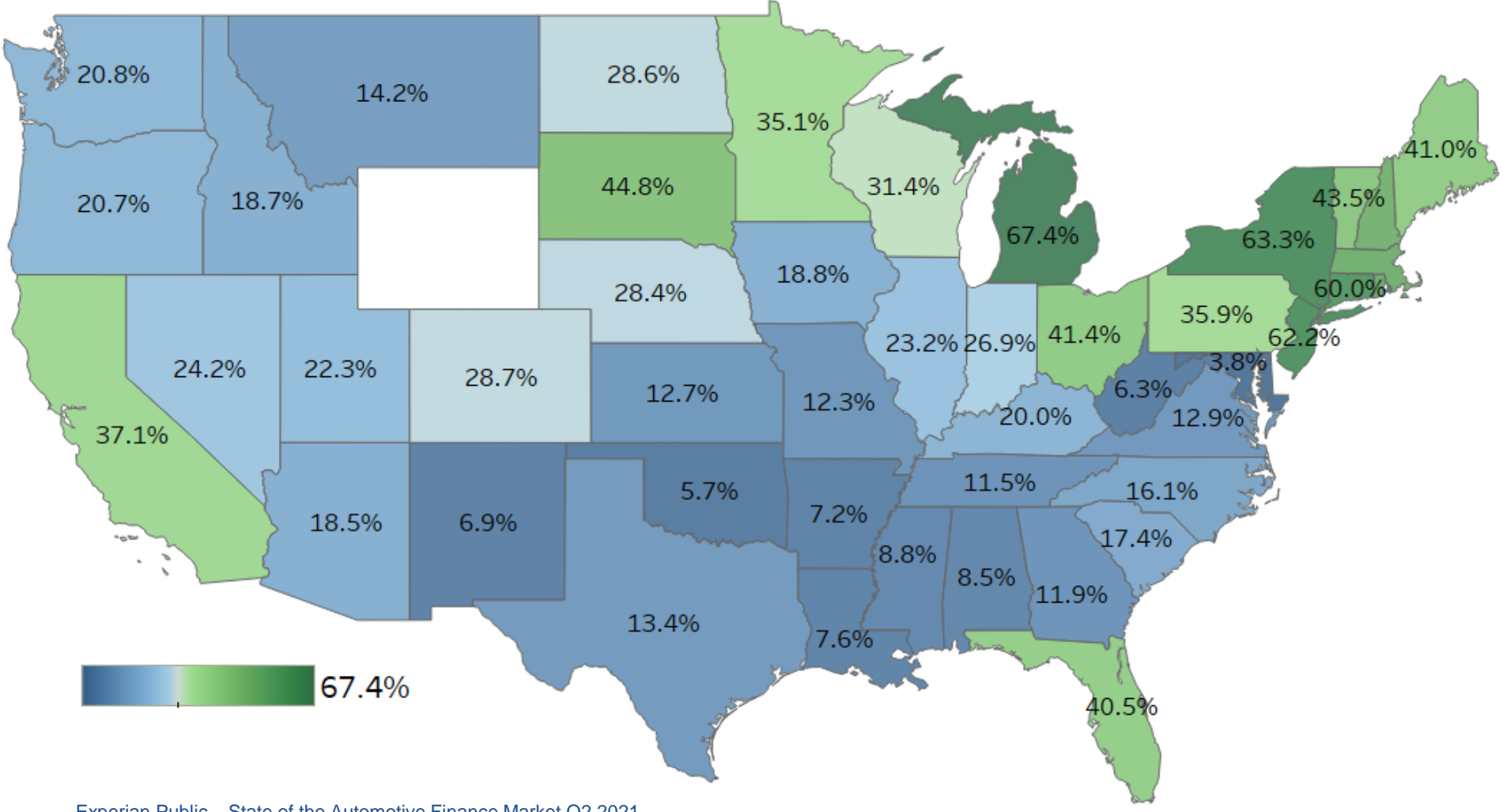
New lease risk distribution



% of borrowers choosing to lease

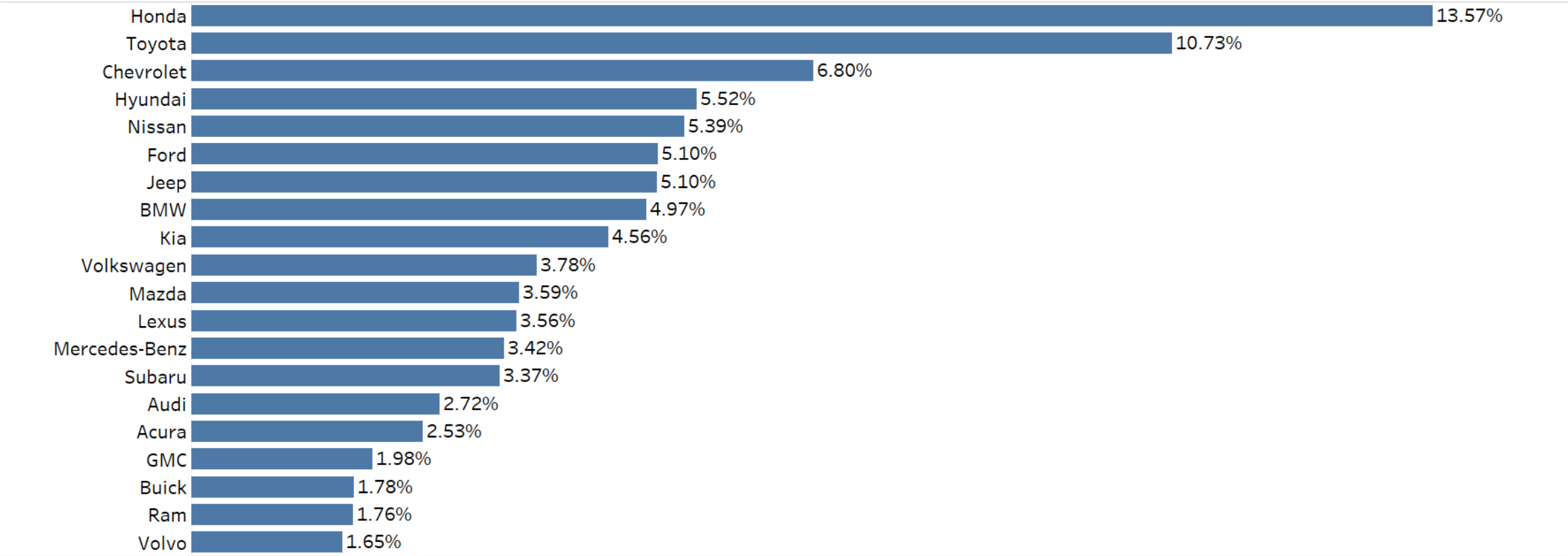


Michigan leads with the greatest share of new state financing as lease



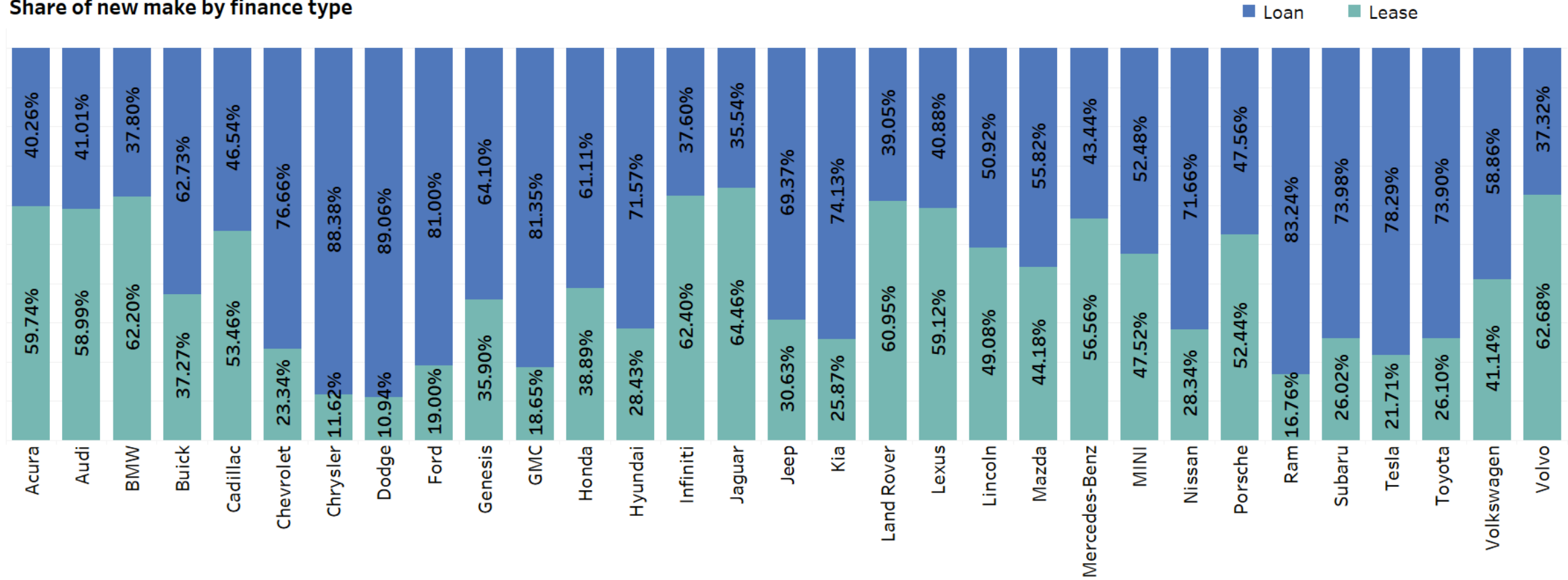
Honda leads as the #1 leased make for Q2

Top 20 leased new makes



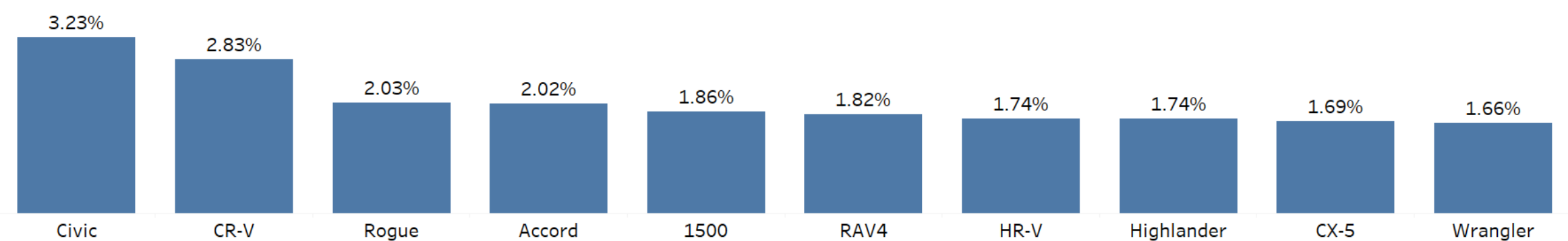
Finance type among top 20 leased new makes

Share of new make by finance type

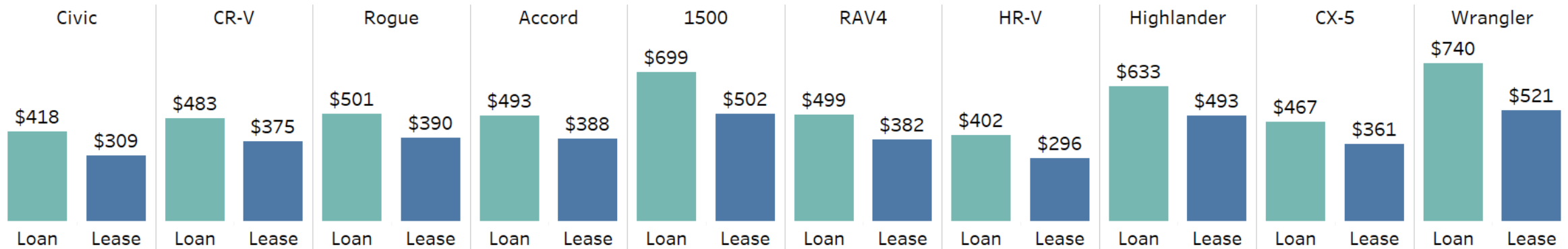


Majority of the most leased vehicles are SUVs with average payment difference of \$109

Top 10 leased models

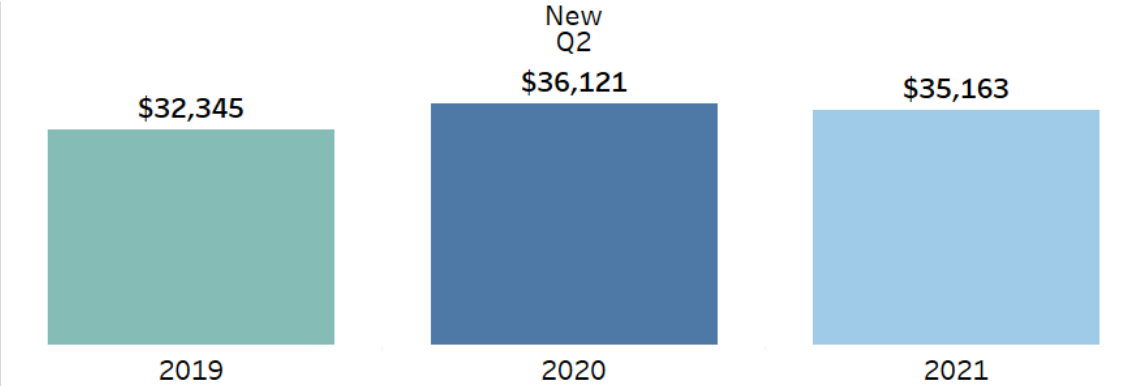


Average monthly payment on top leased models

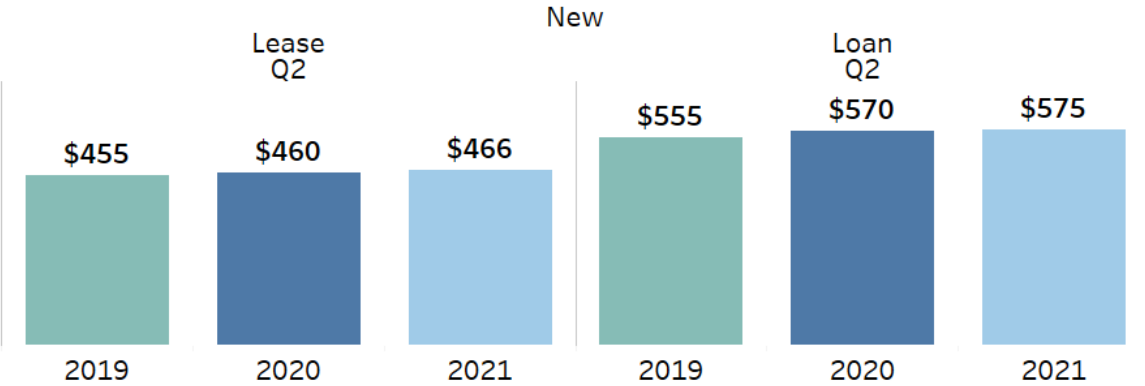


New loan attribute summary

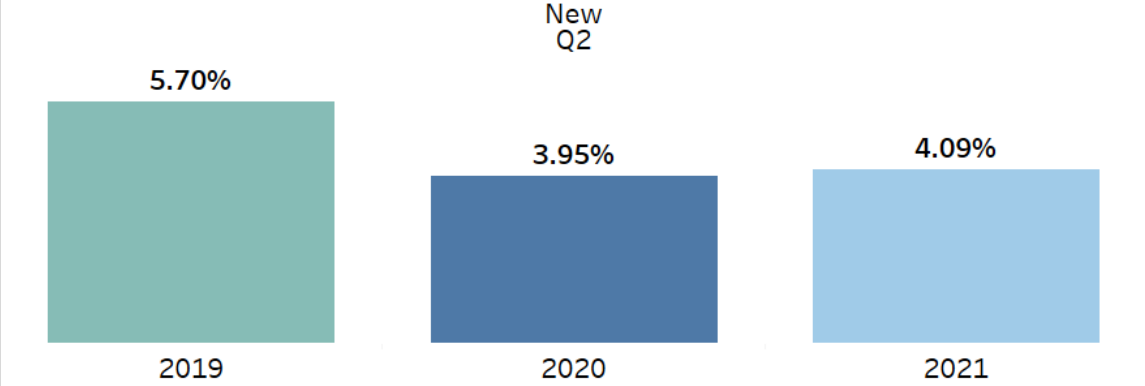
Average amount financed



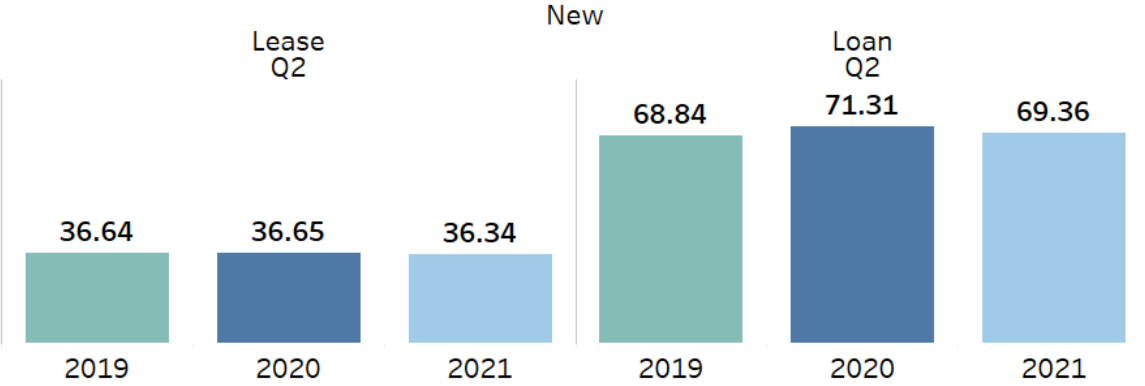
Average monthly payment



Average loan rate

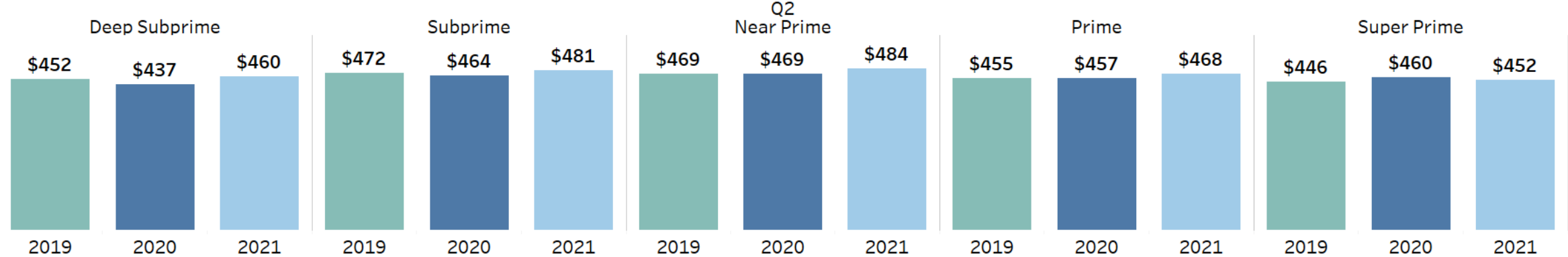


Average loan term

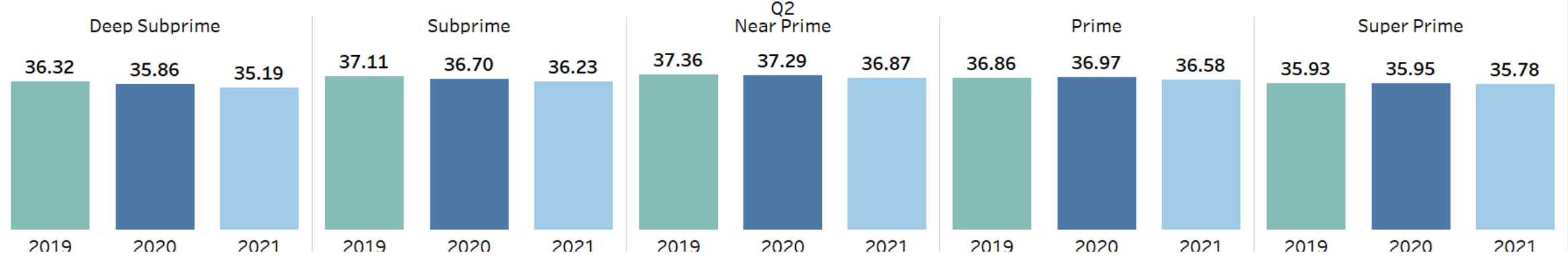


Leasing payments rise for most segments while terms decrease

Average lease payment by risk tier

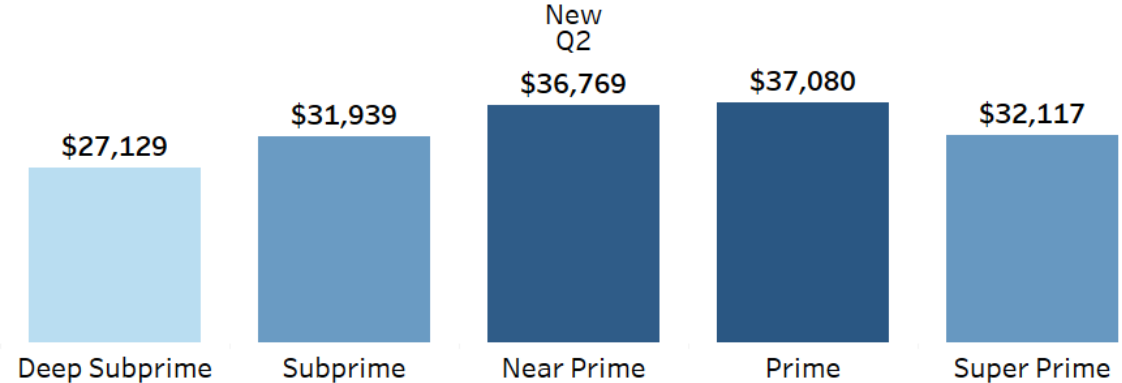


Average lease term by risk tier

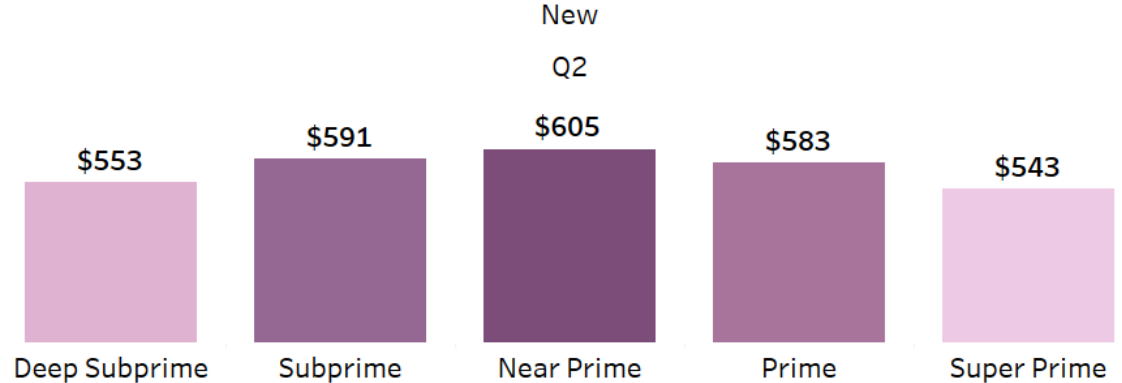


Payments and loan amounts climb

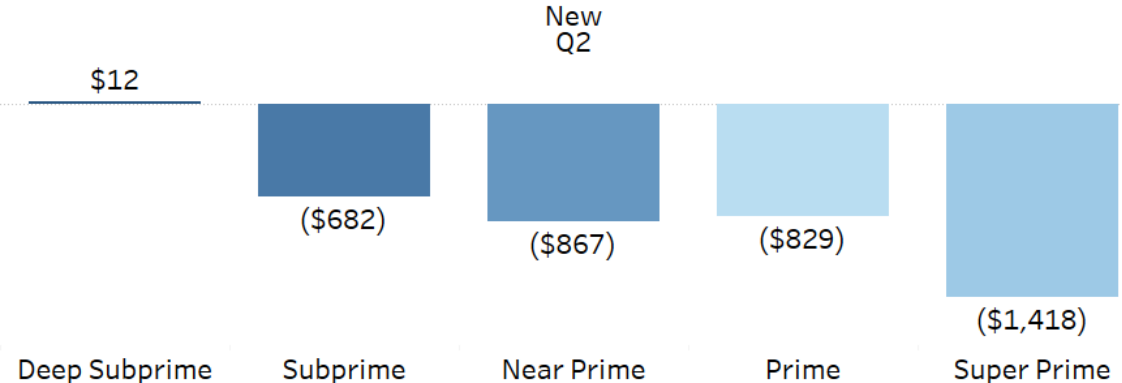
Average loan amount financed by risk



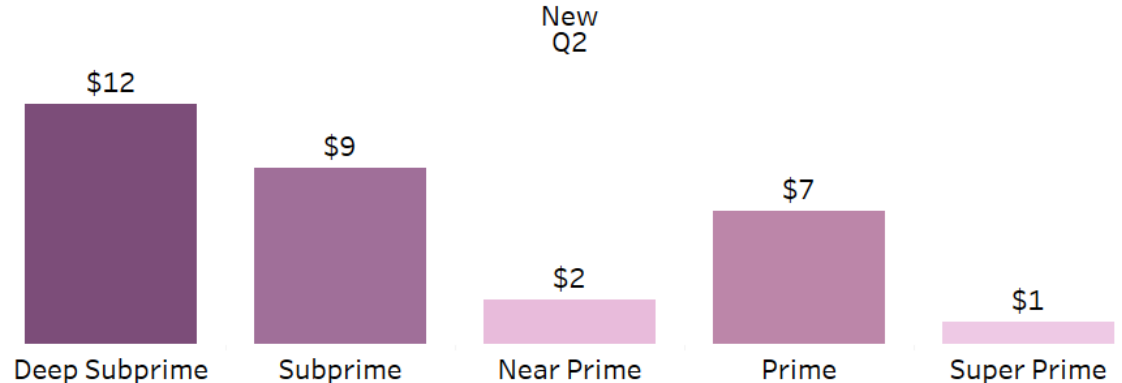
Average loan monthly payment by risk



Year-over-year change in loan amount

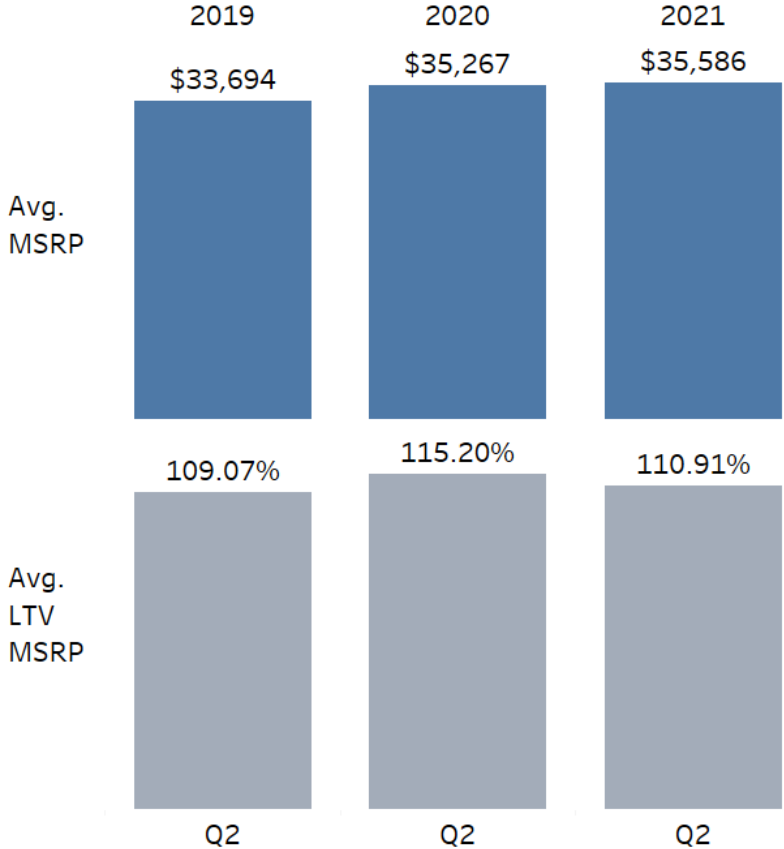


Year-over-year change in monthly payment

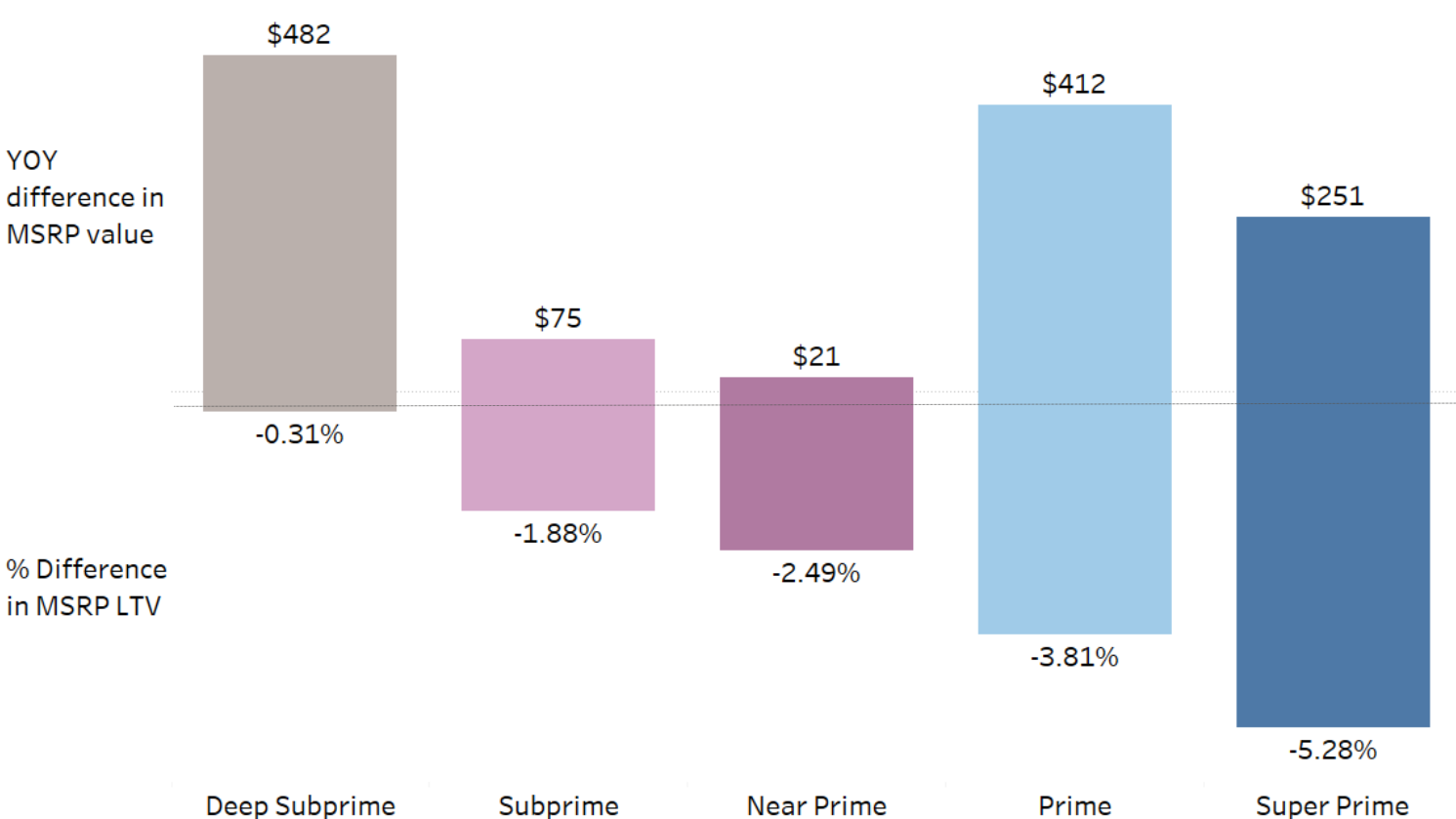


Values rise while LTVs fall

Avg New Values

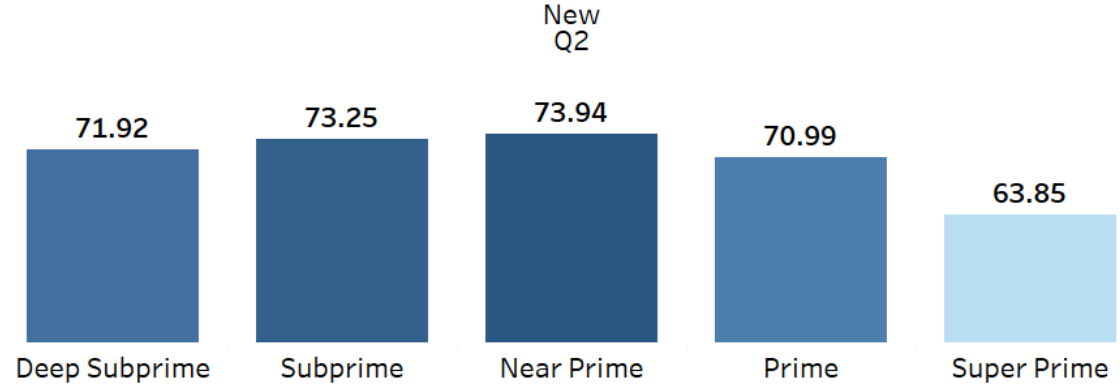


YOY change in new values

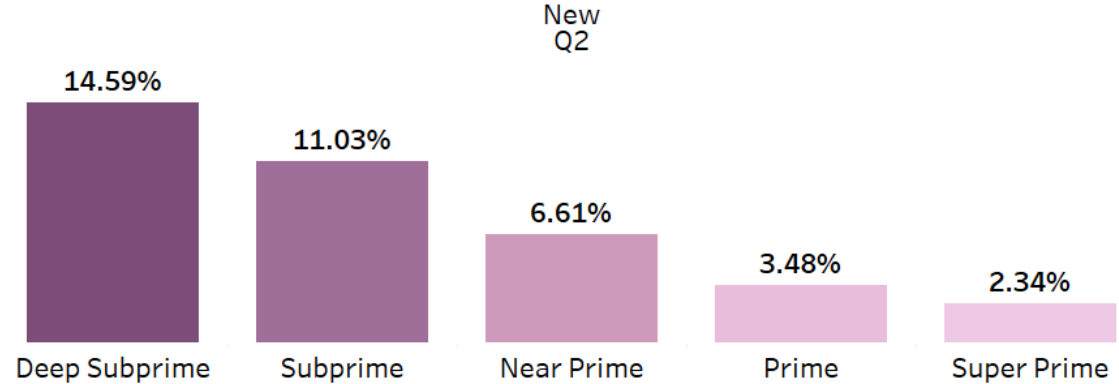


Terms see a YOY decrease while rates increase

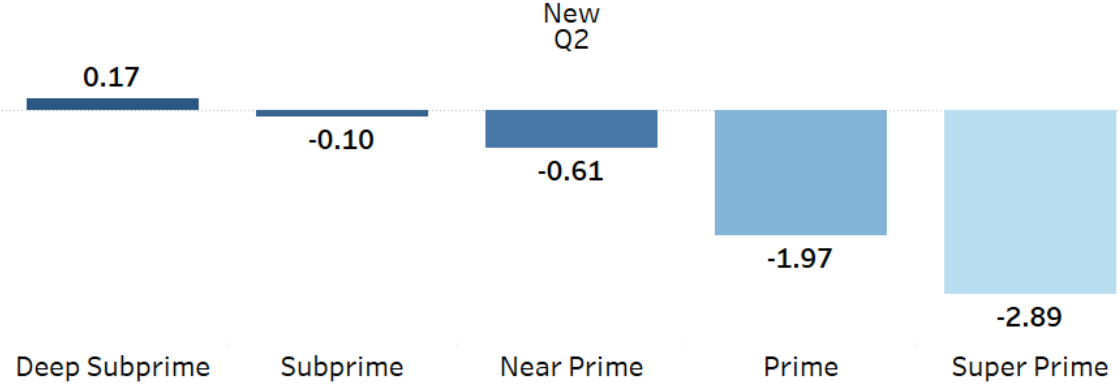
Average loan term by risk



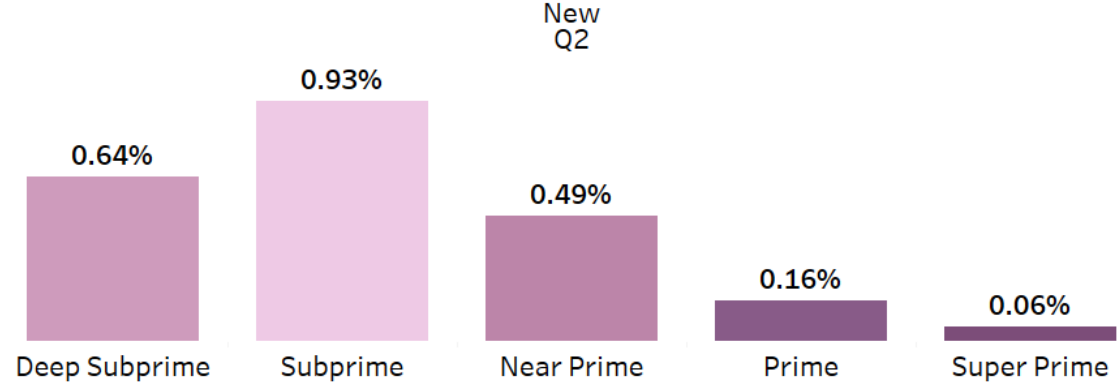
Average loan rate by risk



Year-over-year change in loan term

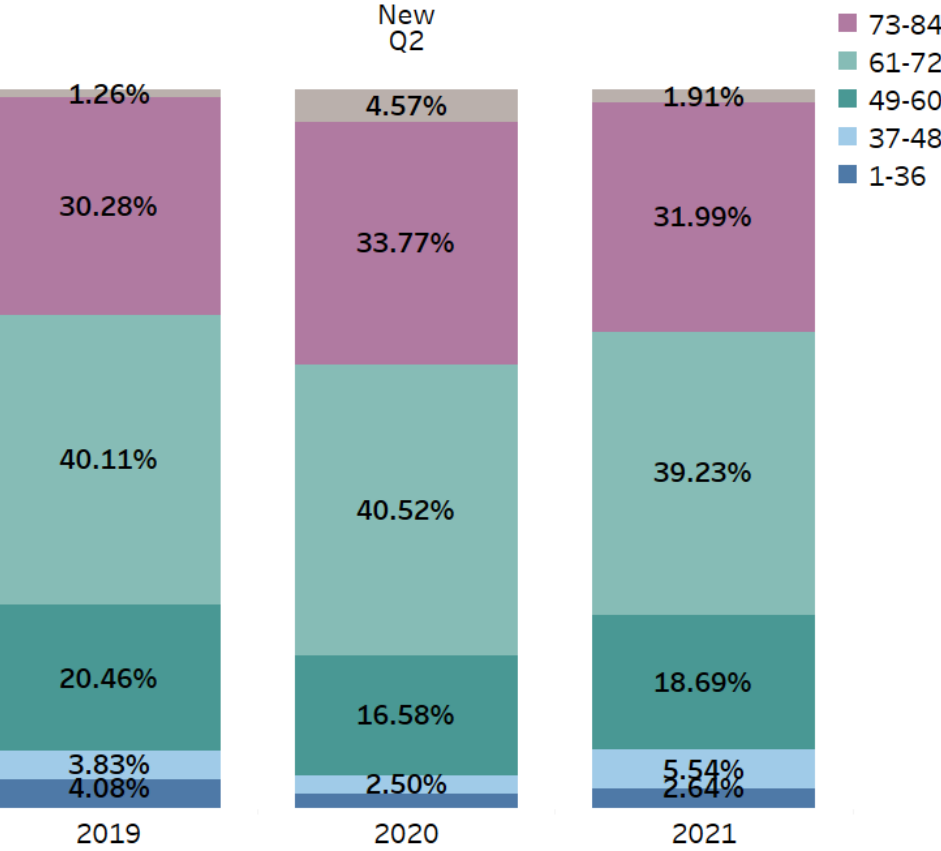


Year-over-year change in rate

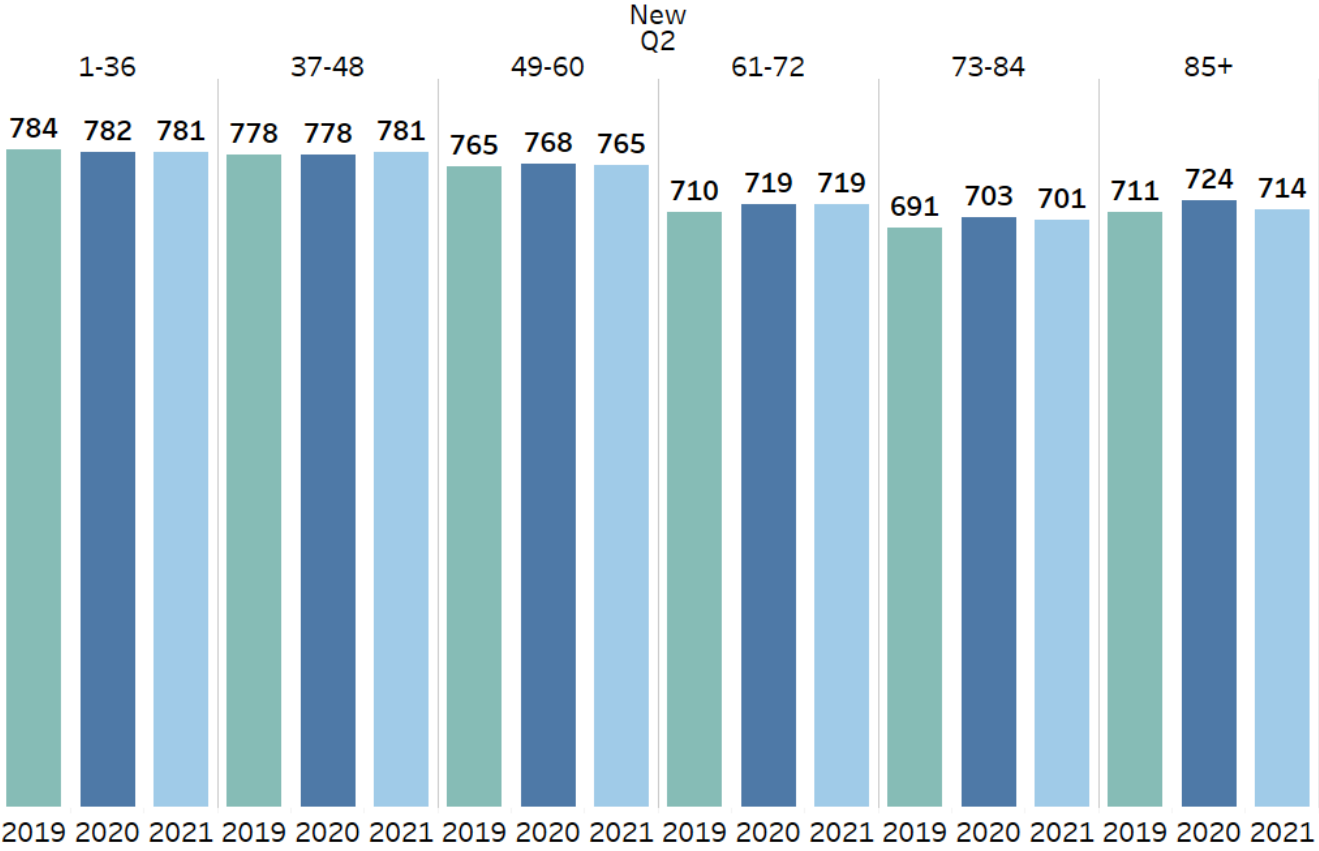


Term distributions begin to normalize from last year

Distribution by loan term



Avg score by loan term



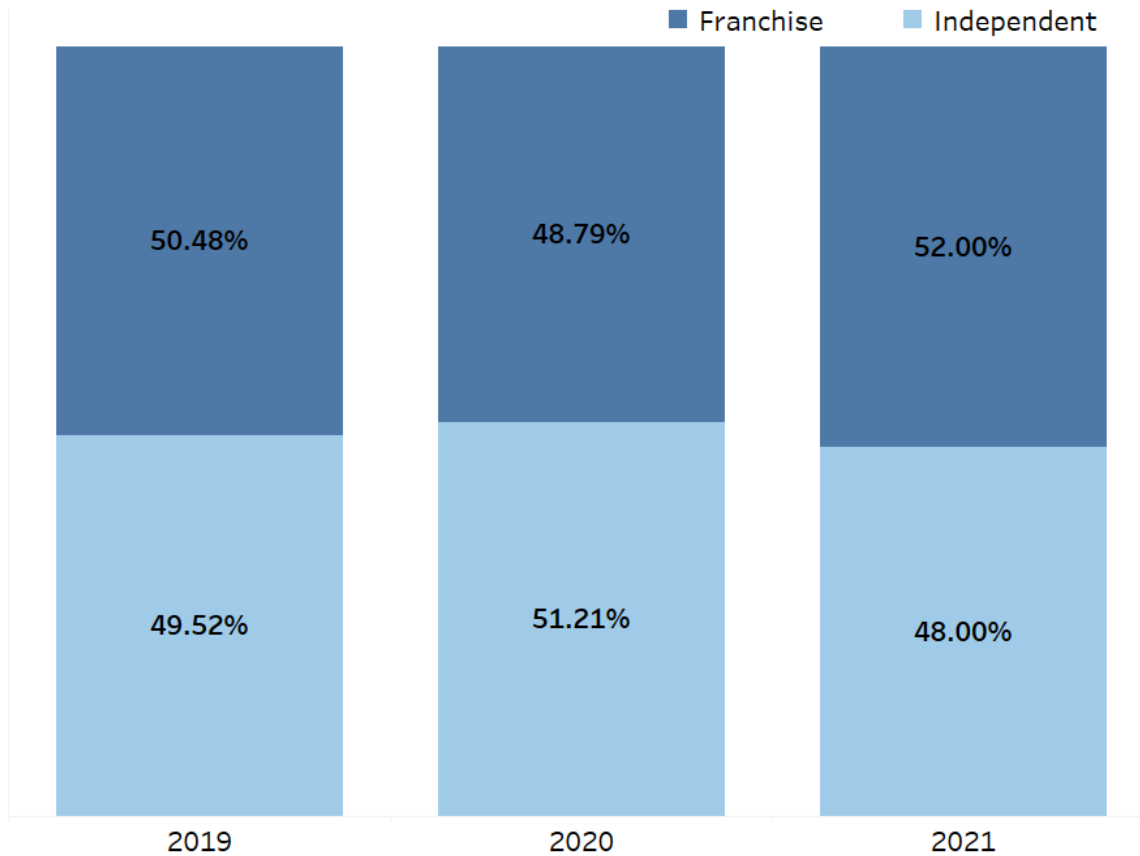
Used financing

A look at used automotive loan trends

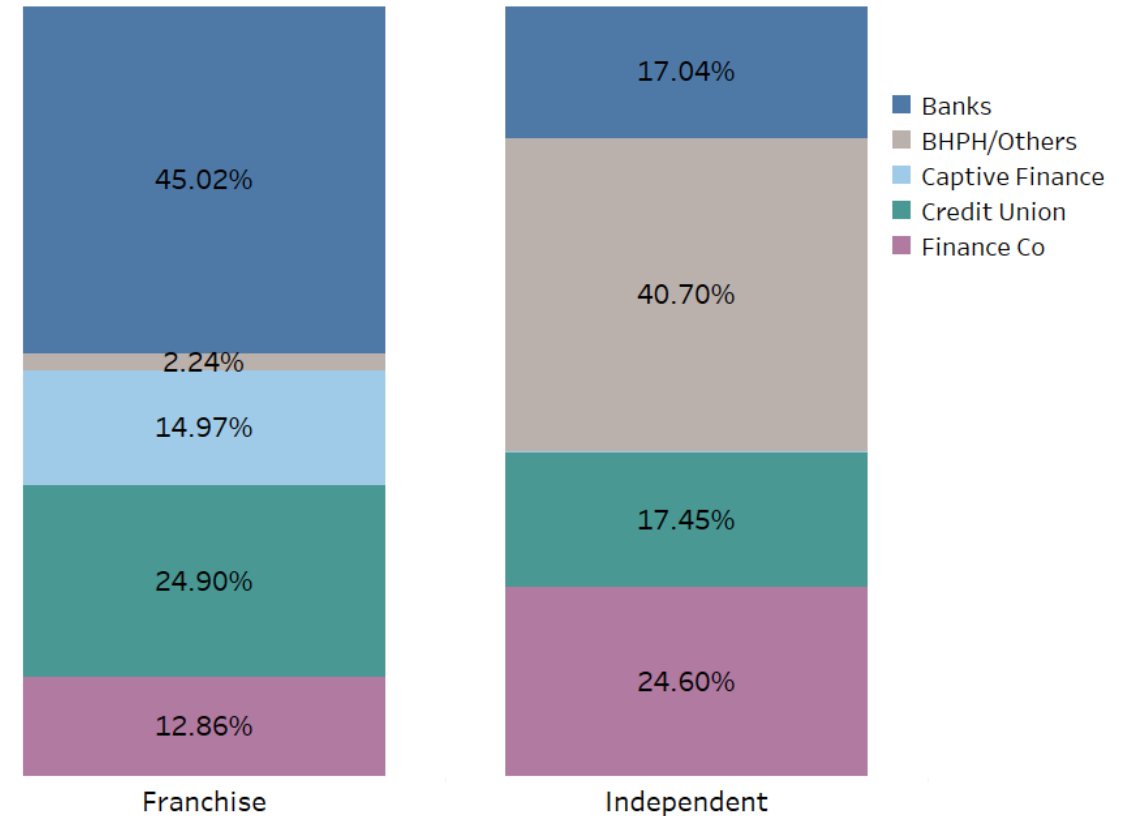


Dealer type snapshot: Franchise Dealers gain share YOY

Used transactions by Dealer type

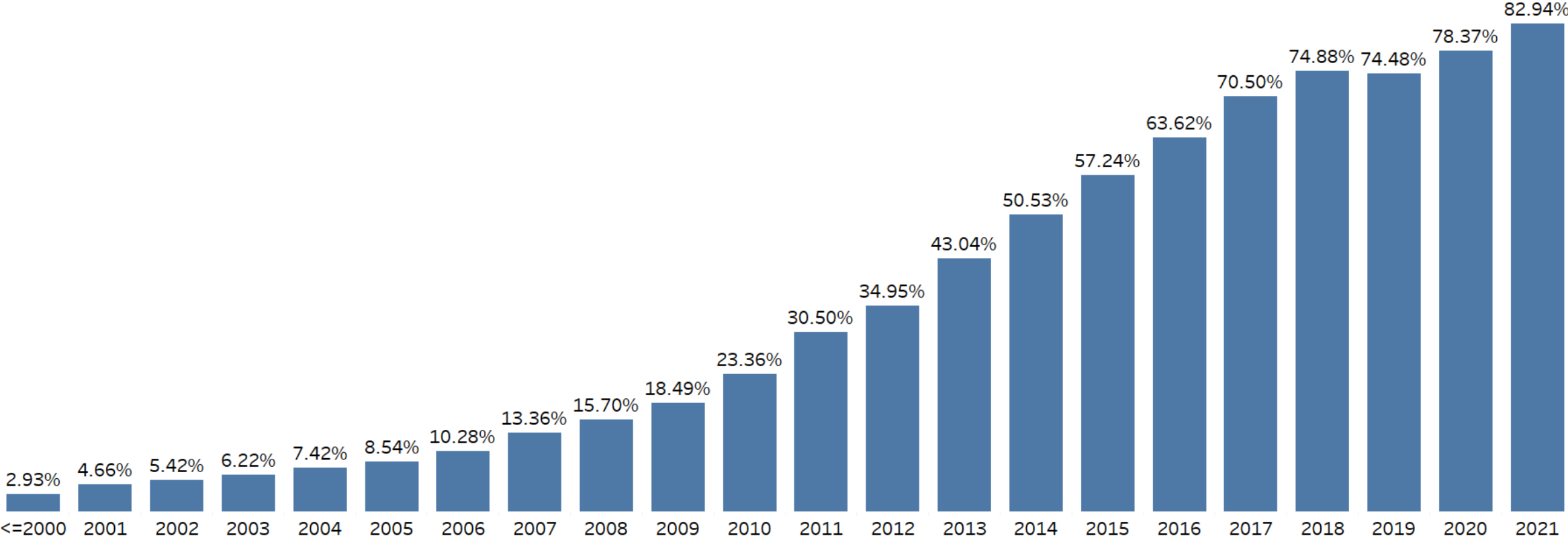


Used loans by lender type and Dealer



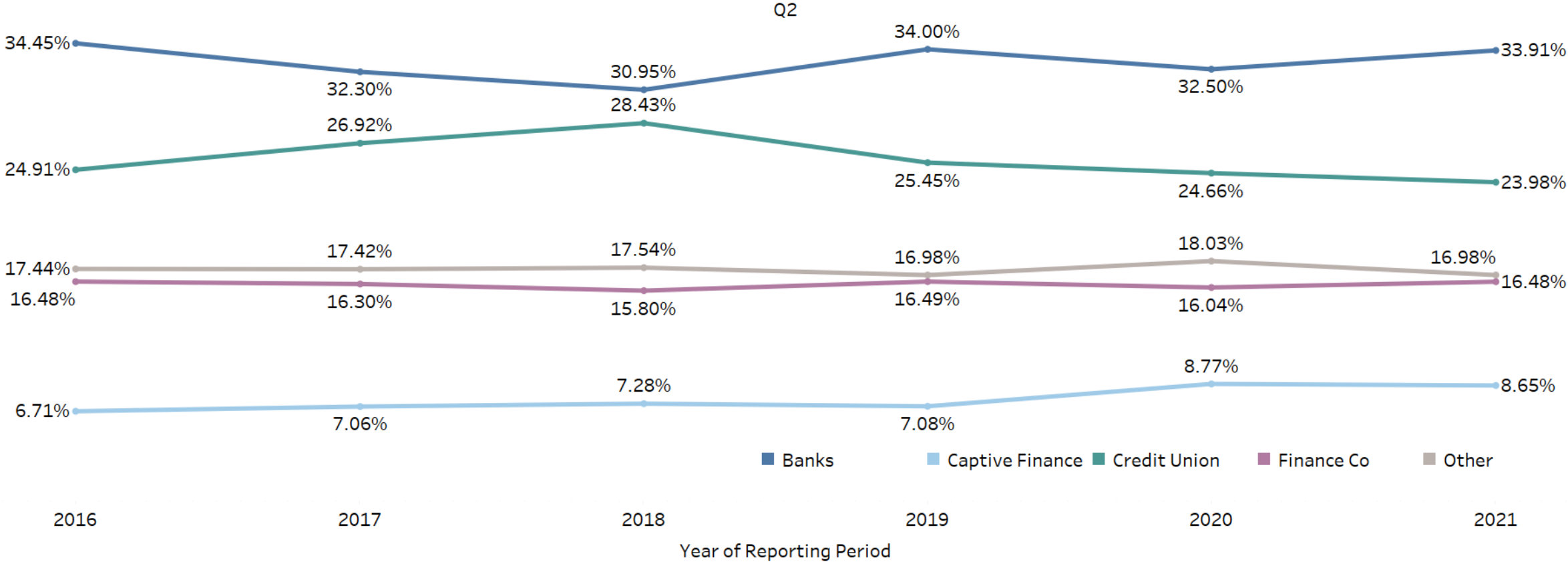
Over 88% of used financing are current +8MY vehicles

Percentage of vehicles by model year with financing

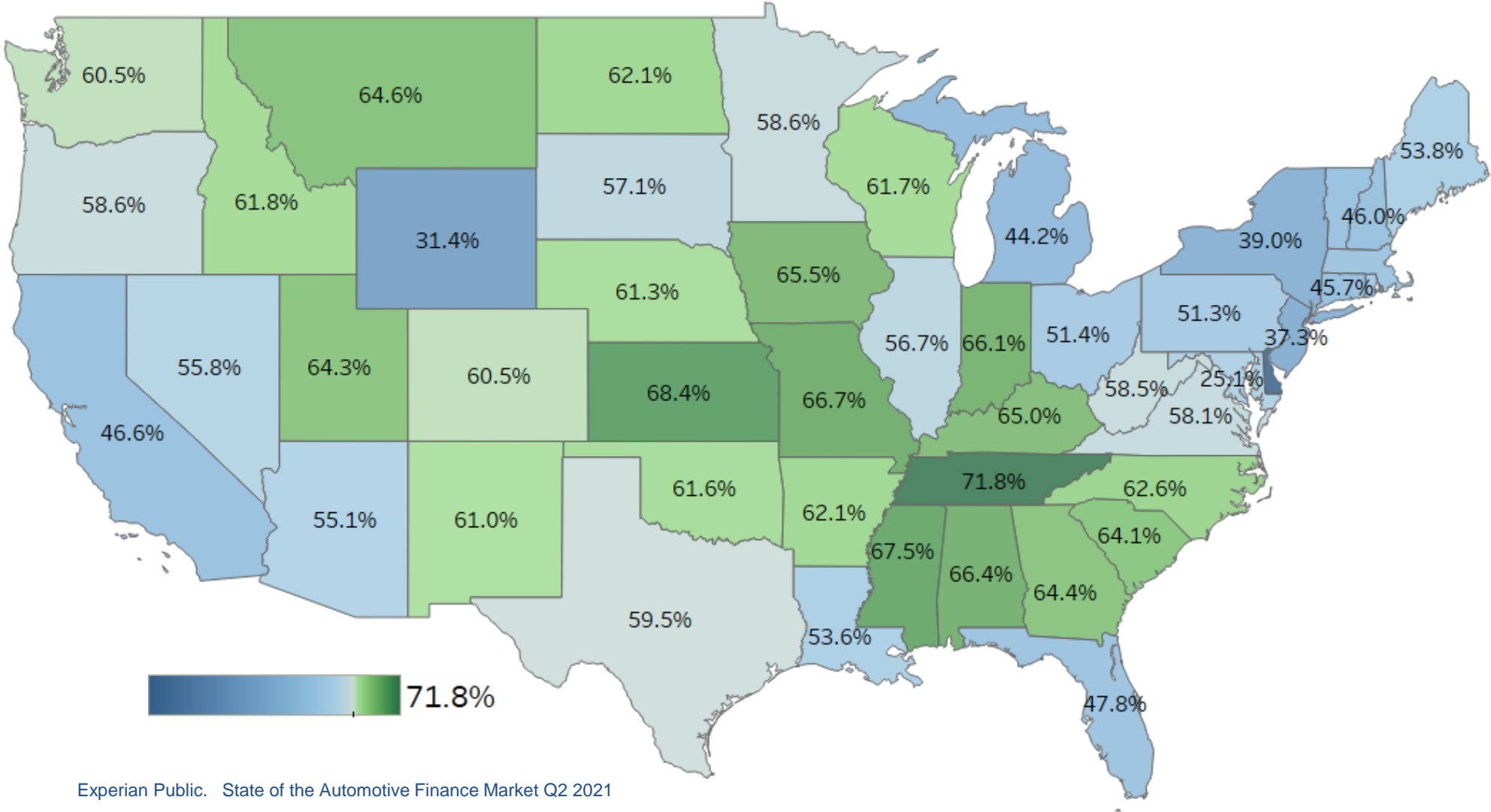


Banks and Finance Co's gain share YOY

Used market share by lender type



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

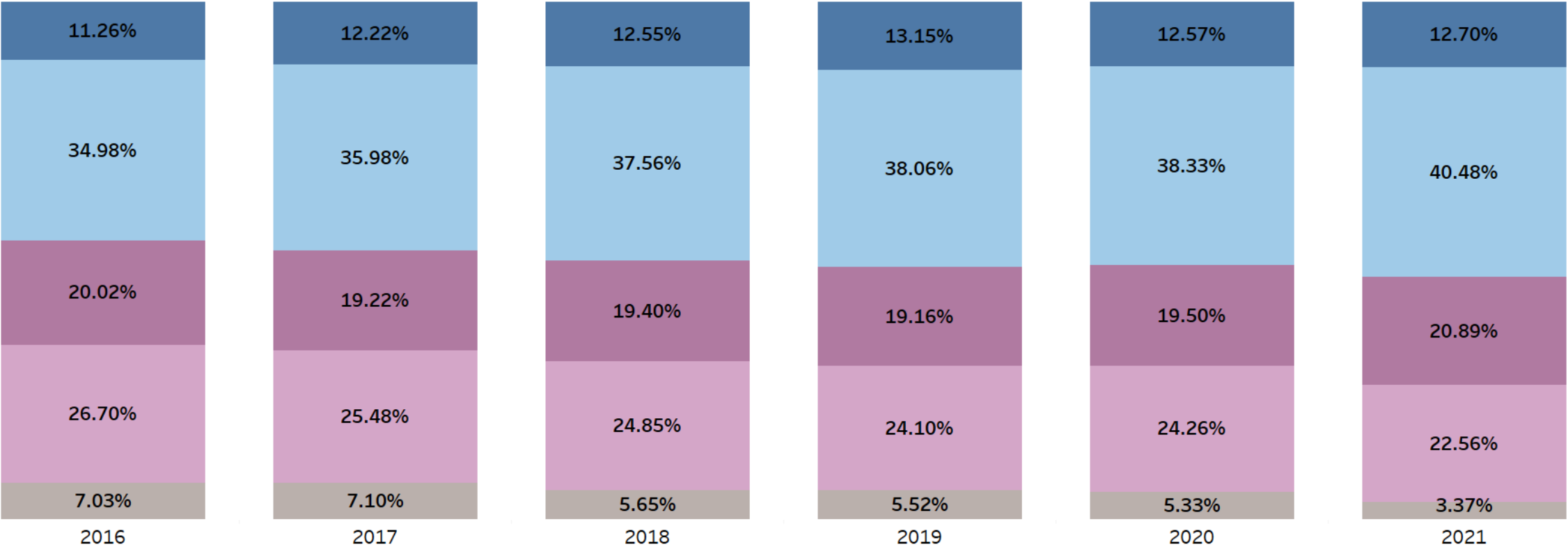


Deep subprime & subprime used loans remain near record lows with prime+ nearly 54% of used loans

Used loan risk distribution

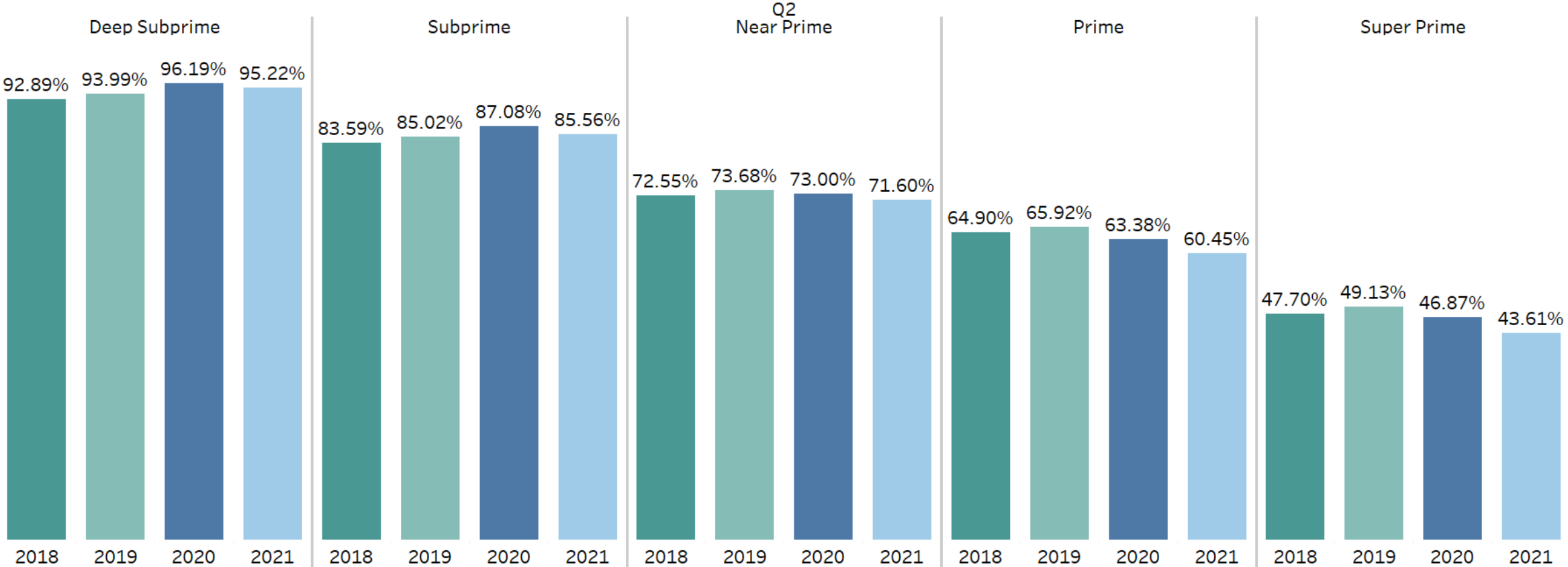
■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subprime

Q2



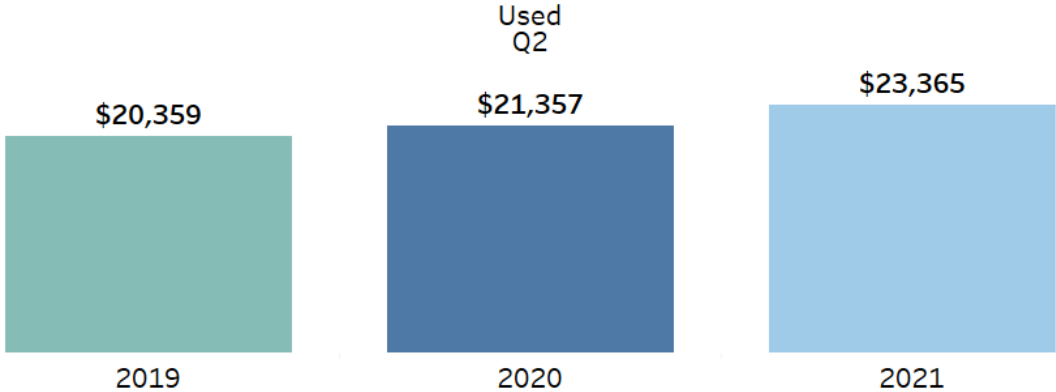
Continue to see prime borrowers shifting away from used vehicles

Consumers choosing used vehicles

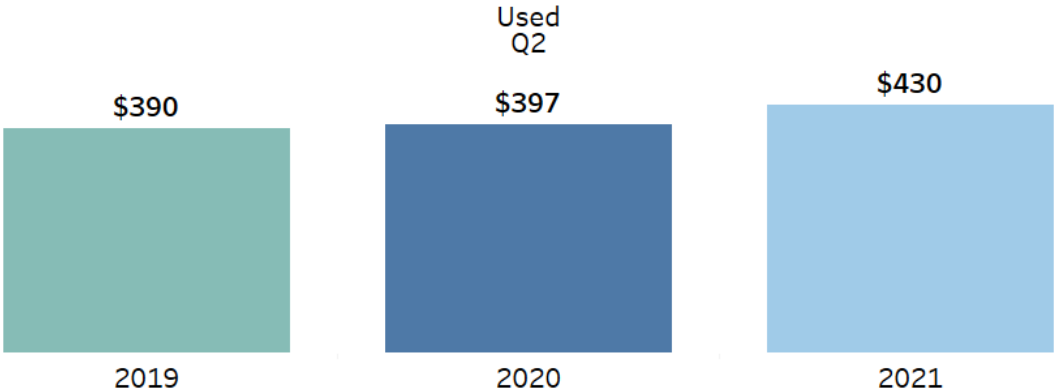


Used loan attribute summary: record high for used loan amounts, payments and term

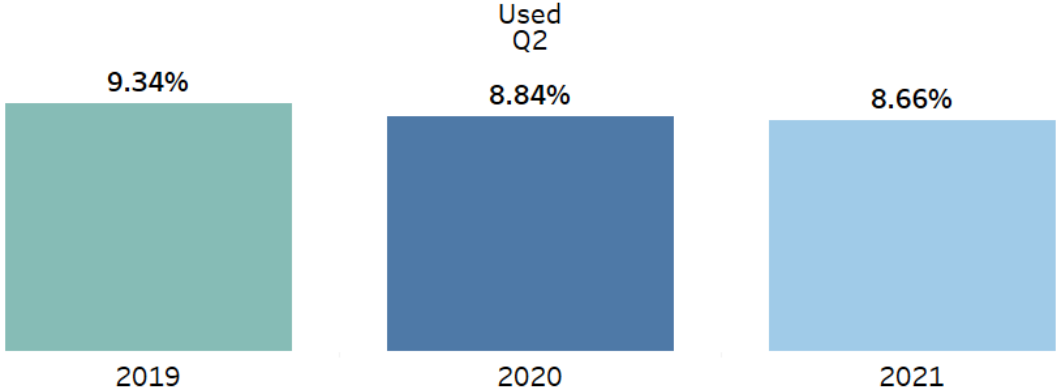
Average amount financed



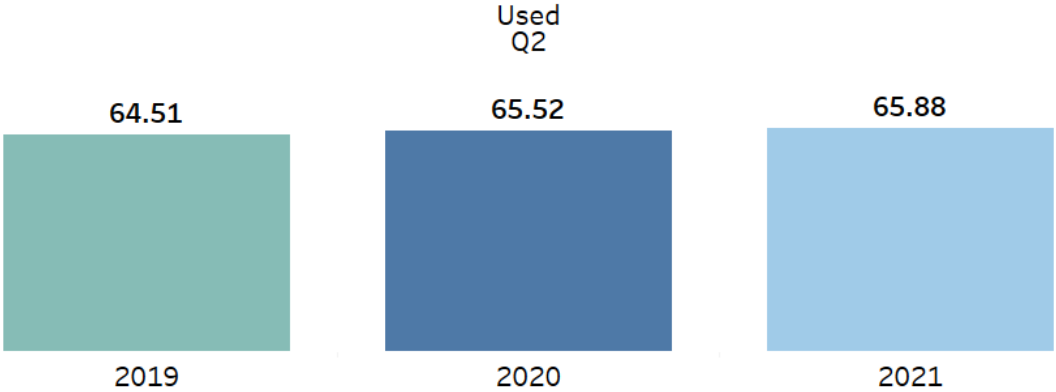
Average monthly payment



Average loan rate

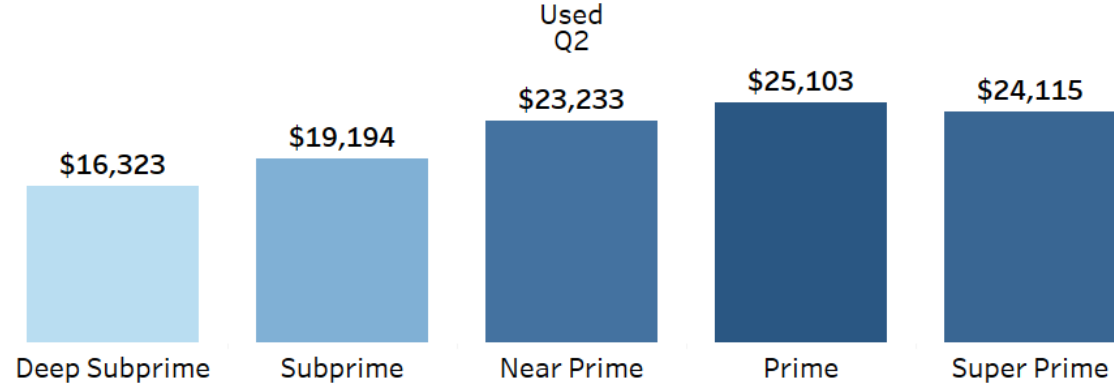


Average loan term

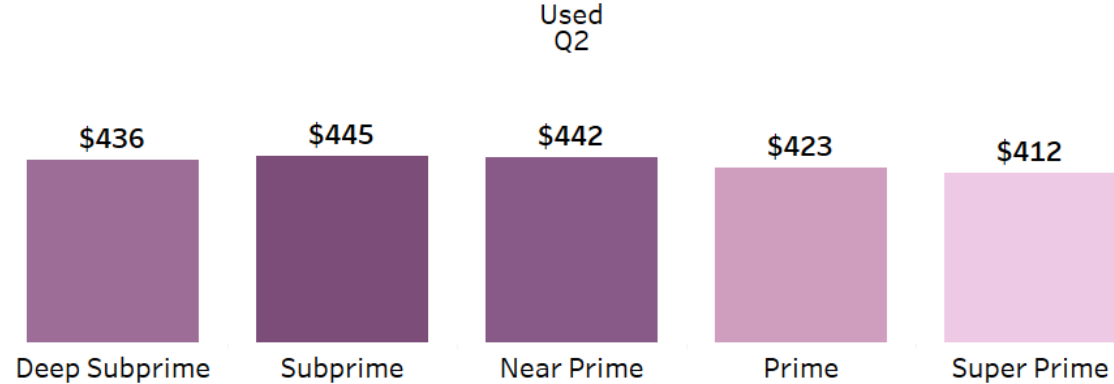


Used loan amounts and payments increase across all risk segments

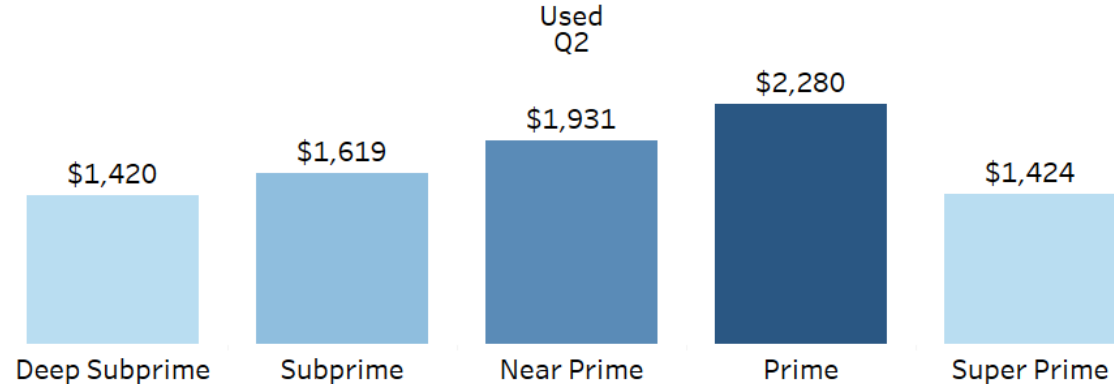
Average loan amount financed by risk



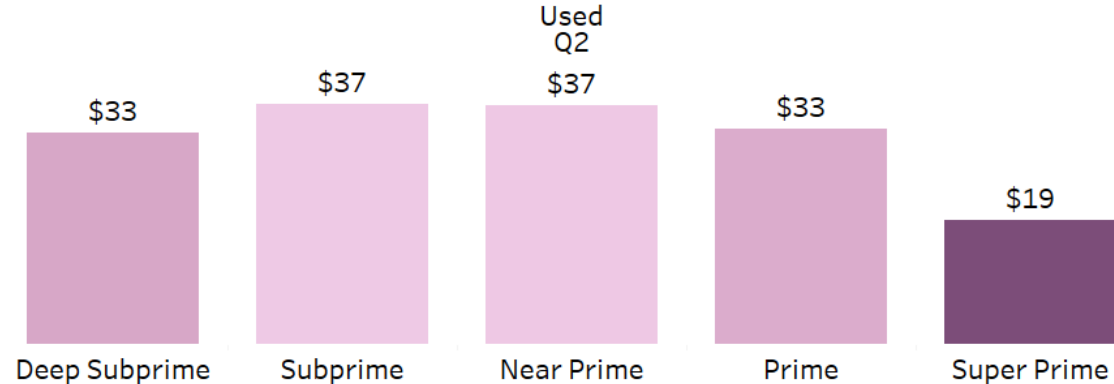
Average loan monthly payment by risk



Year-over-year change in loan amount

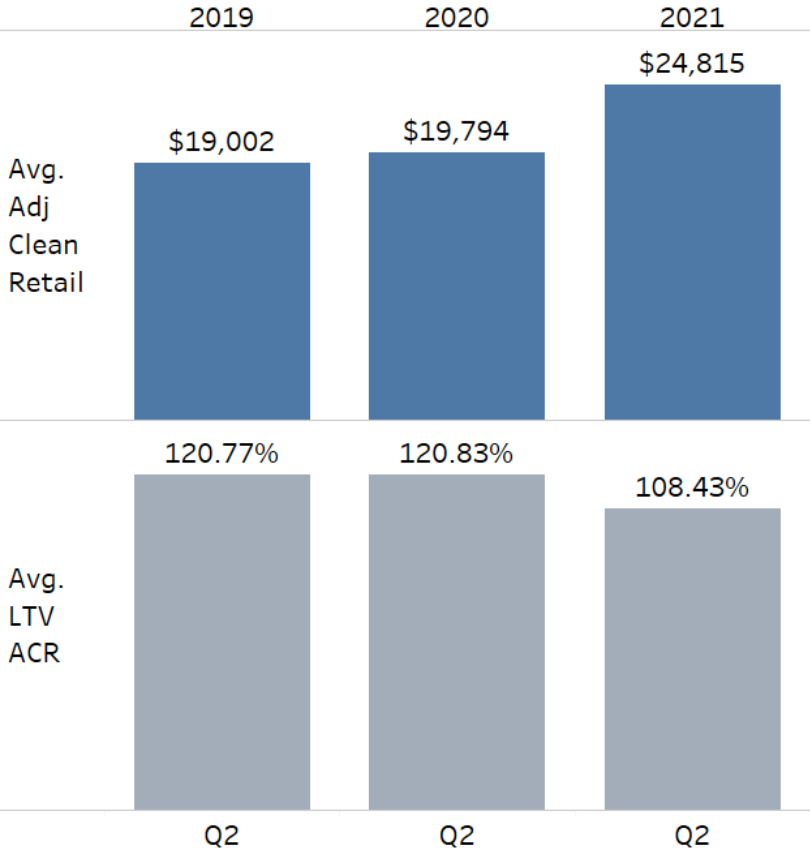


Year-over-year change in monthly payment

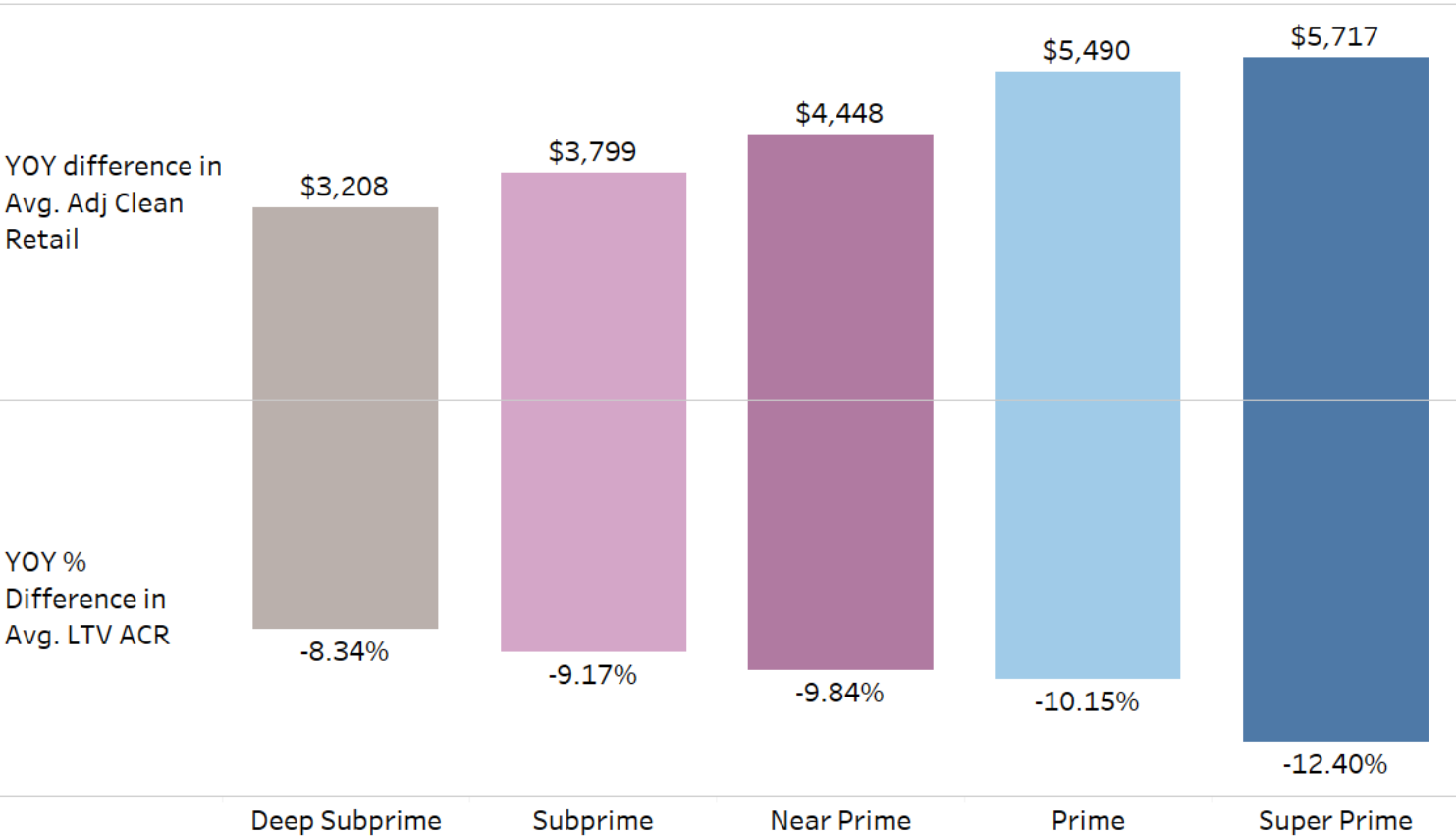


Values rise and LTVs drop significantly on used loans

Avg Used Values

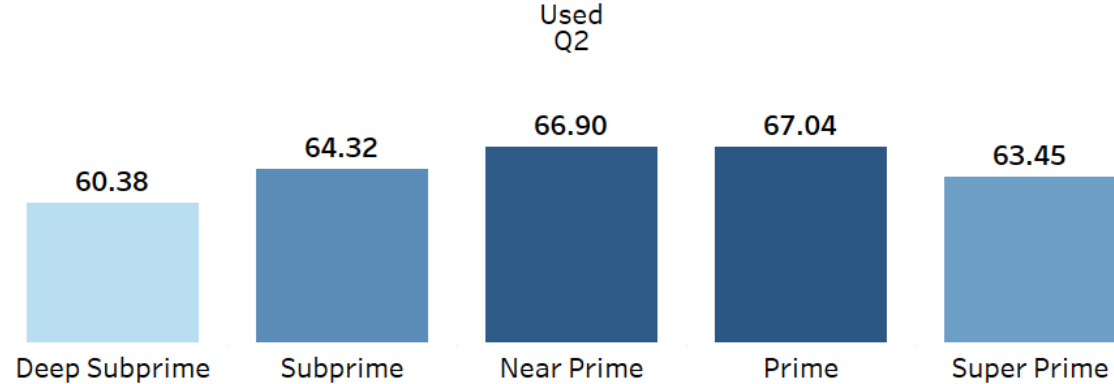


YOY change in used values

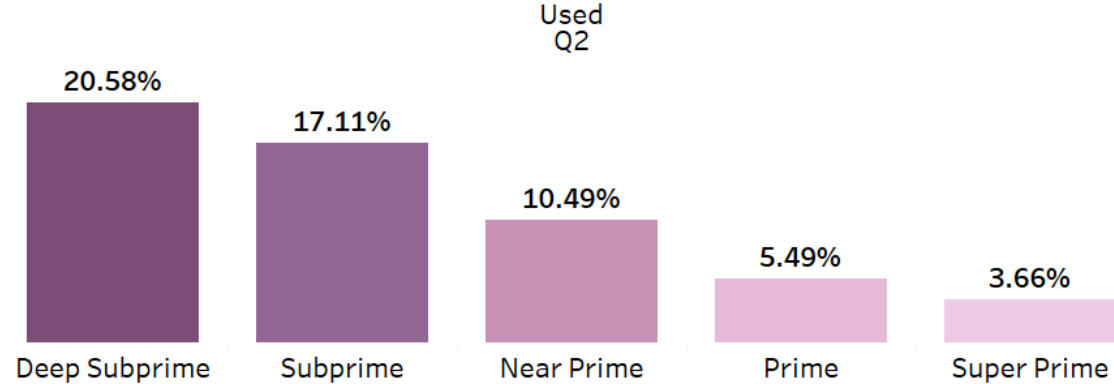


Terms increase while rates rise for subprime and near prime

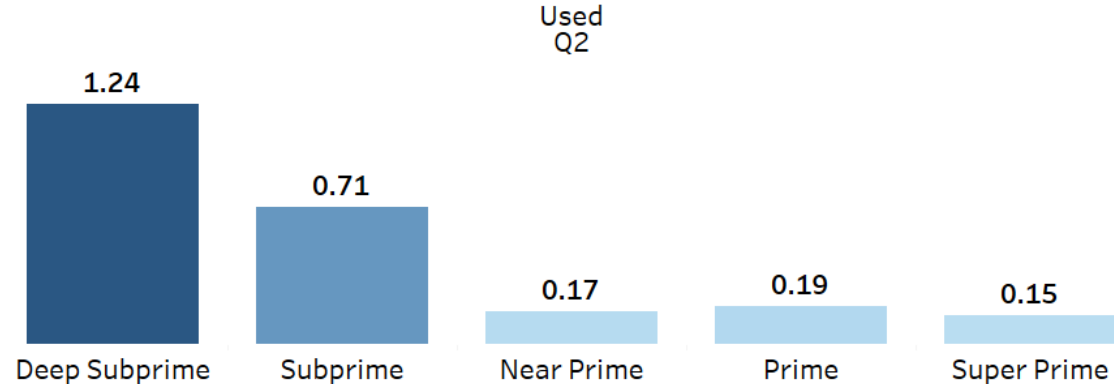
Average loan term by risk



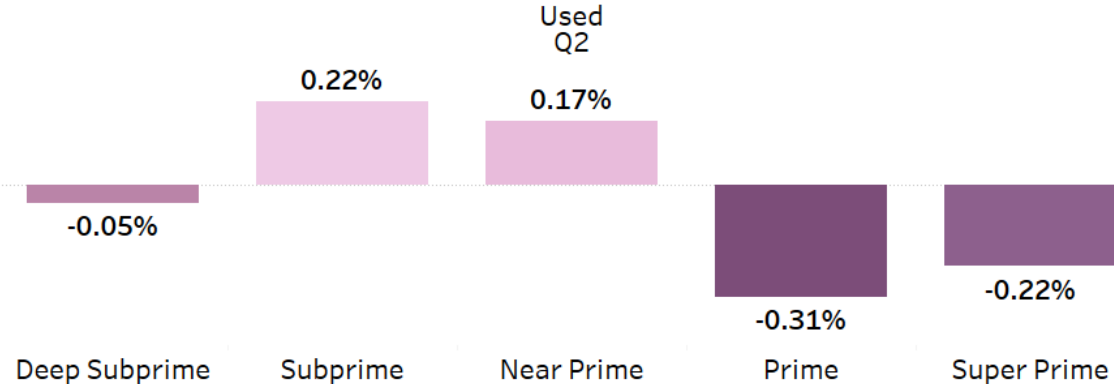
Average loan rate by risk



Year-over-year change in loan term

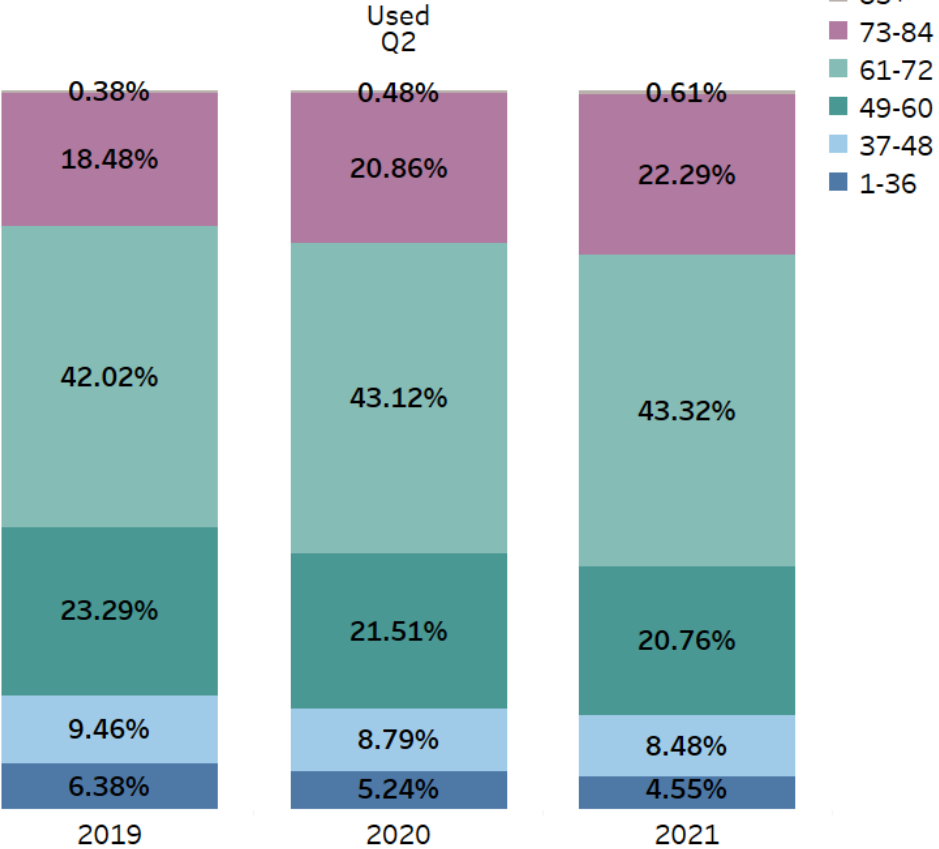


Year-over-year change in rate

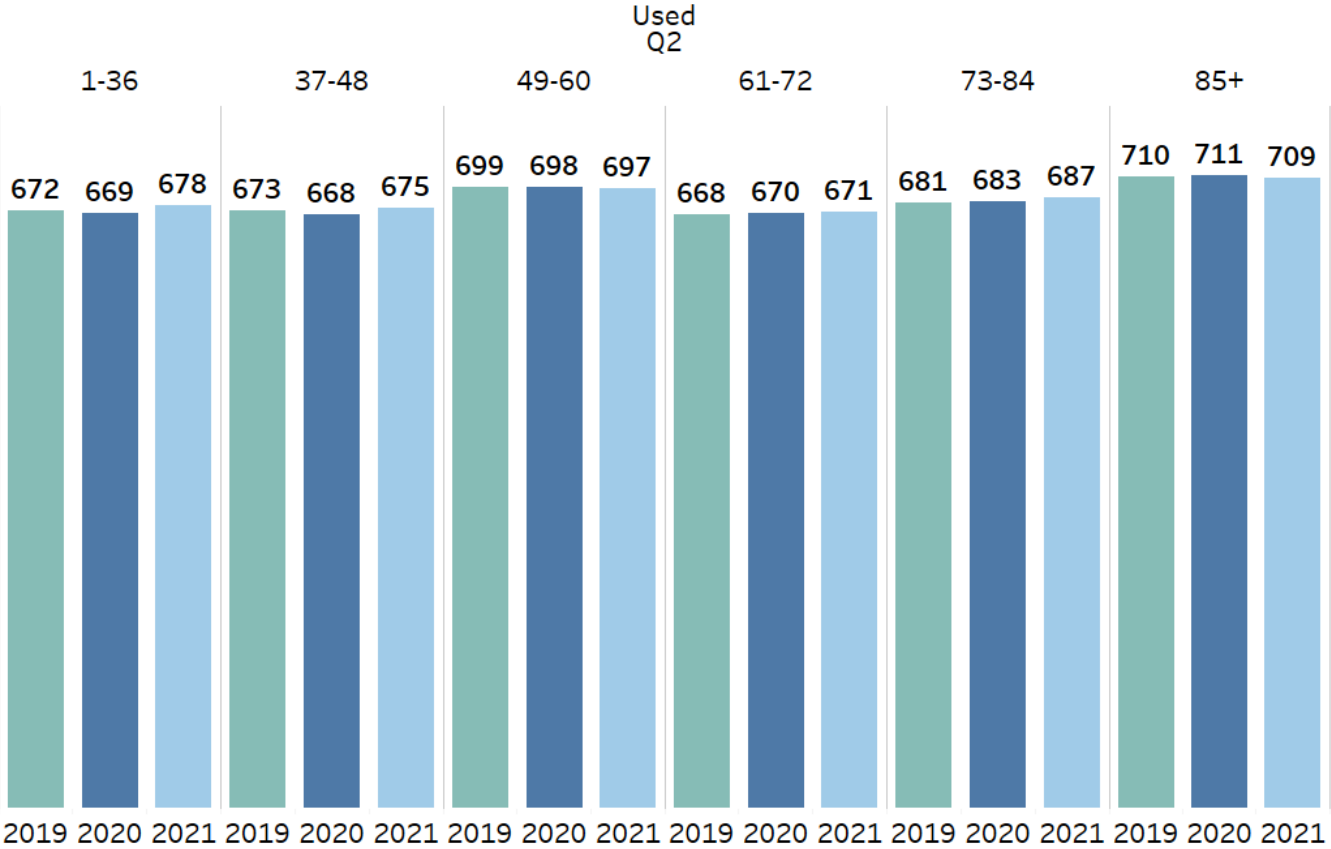


72+ month terms grow along with average credit scores rise for 73–84-month loans

Distribution by loan term



Avg score by loan term



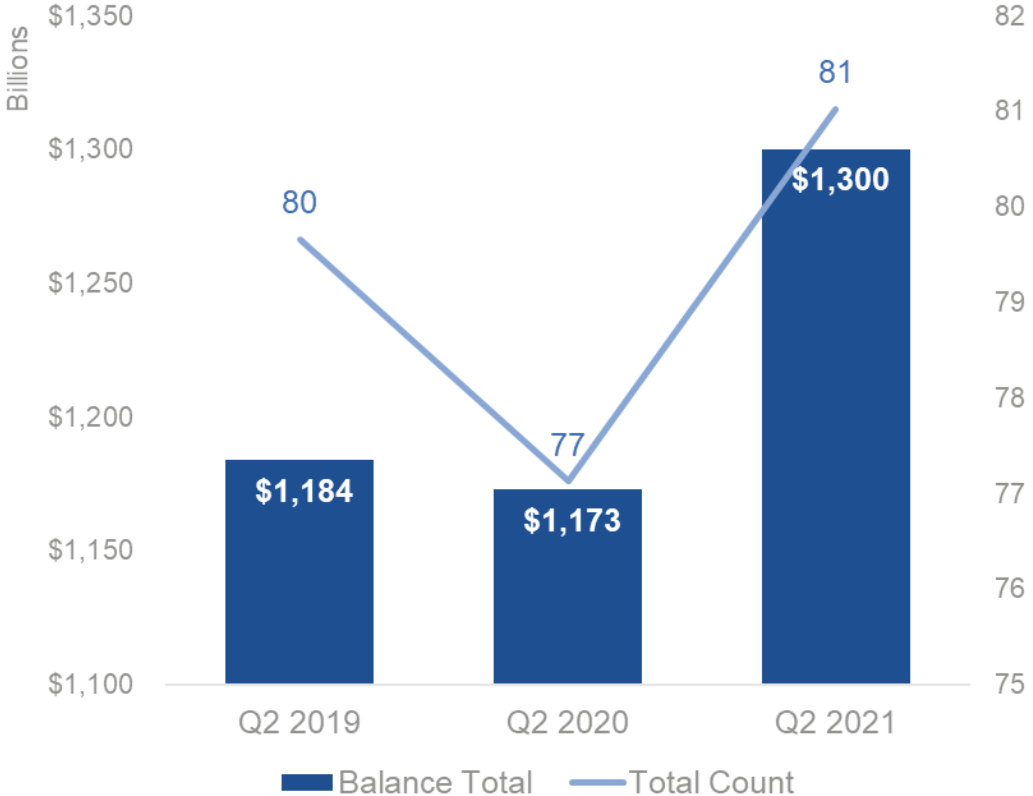
Market Overview

Balances and delinquency on all open auto
loans & leases

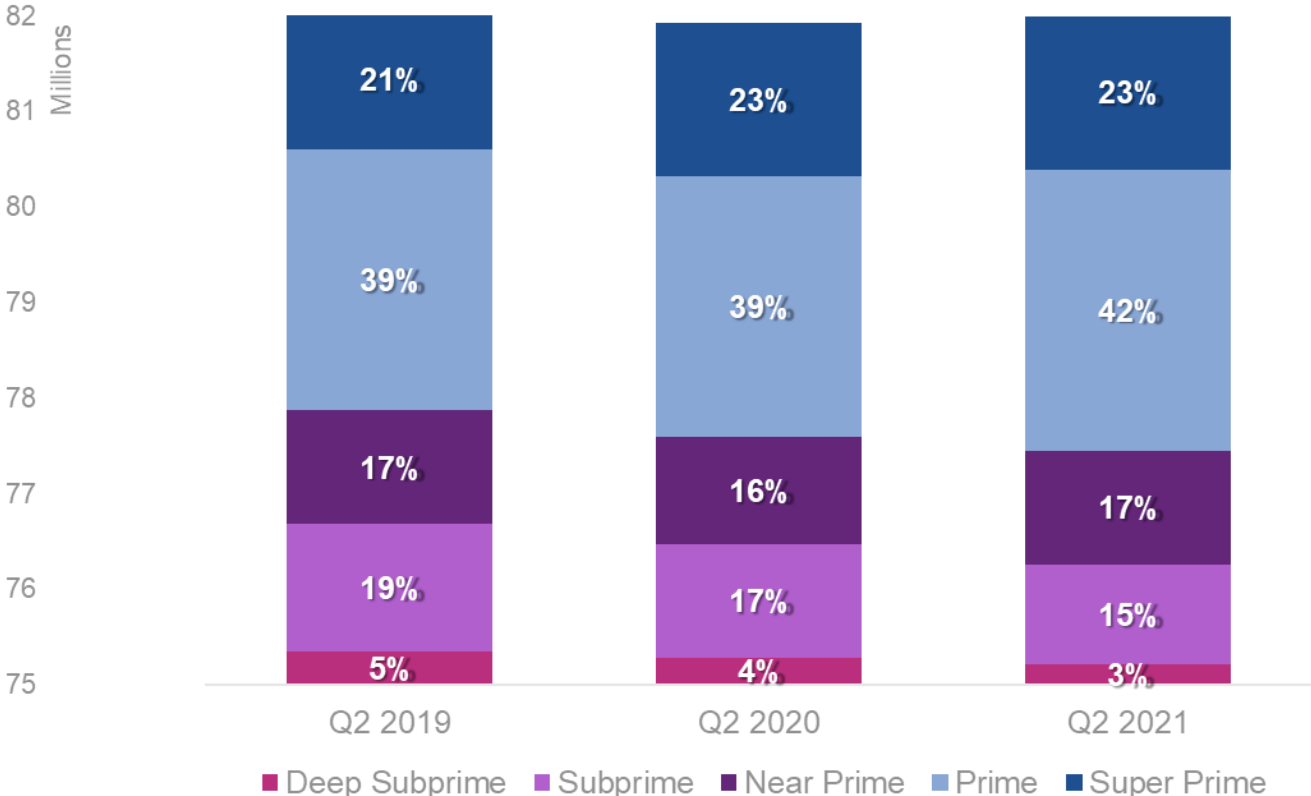


Overall loan balances continue to grow while more accounts are prime+

Total auto loan balances and accounts



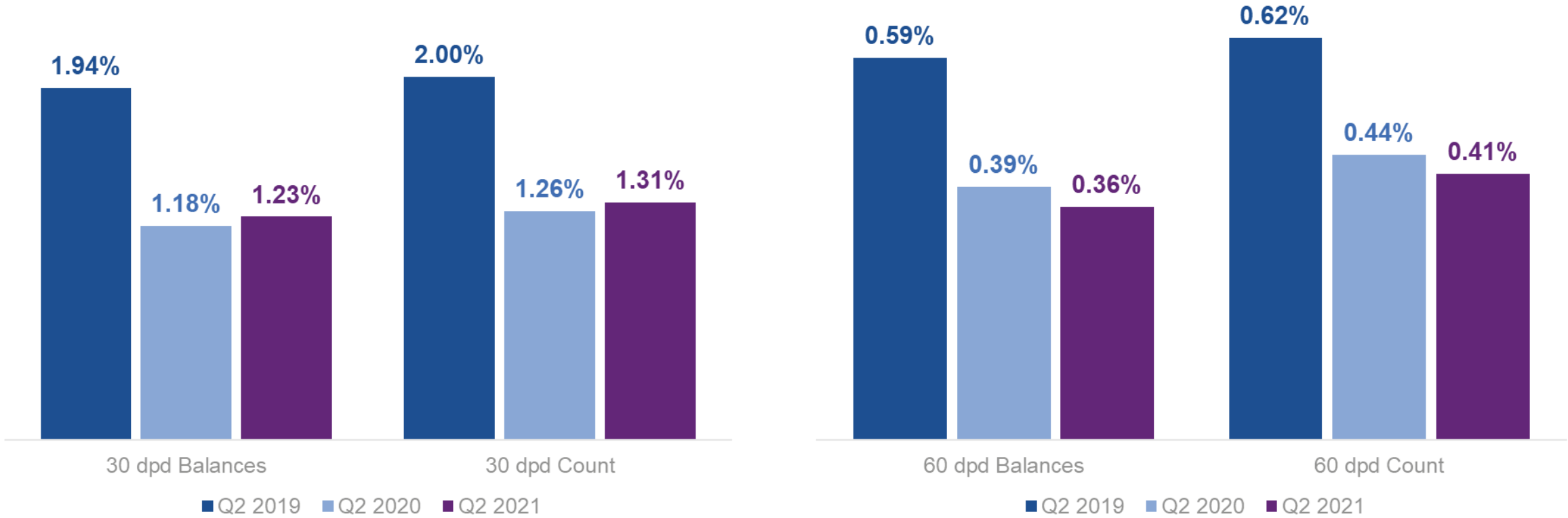
Auto loans by score band



Delinquency rate for auto loans remains low: over 99% of the accounts that were current last quarter stayed current

30-day delinquency

60-day delinquency



Summary

- Many trends return to pre-pandemic levels with a few disruptions remaining
- Market share shifts back to earlier share by lenders
- Subprime financing remains at near-record lows while prime increases across all transaction types
- Loan amounts and payments remain at near-record highs and hit record-highs for used
- Values increase while LTVs drop significantly
- Overall outstanding balances increase, and 60-day delinquencies decrease



We Power Auto

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