



State of the Automotive Finance Market

A look at loans and leases in Q3 2016

Presented by: **Melinda Zabritski** | Sr. Director, Financial Solutions

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Session overview

Market Overview

- Outstanding balances
- Total risk distributions
- Delinquency

Originations

- New and Used financing
- Lender and transaction types
- Loan & lease characteristics

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



Overall Automotive Finance Market

A look balances and delinquencies on all open automotive loans & leases

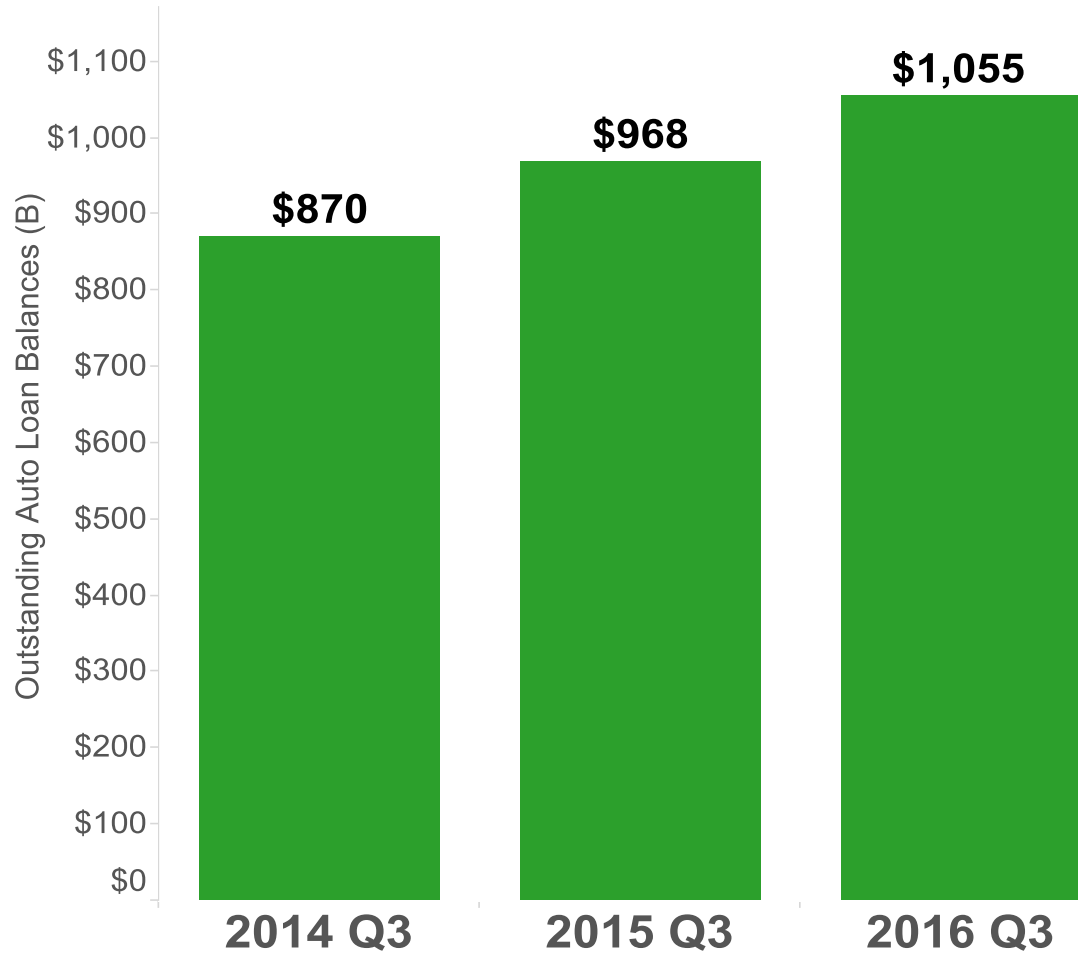




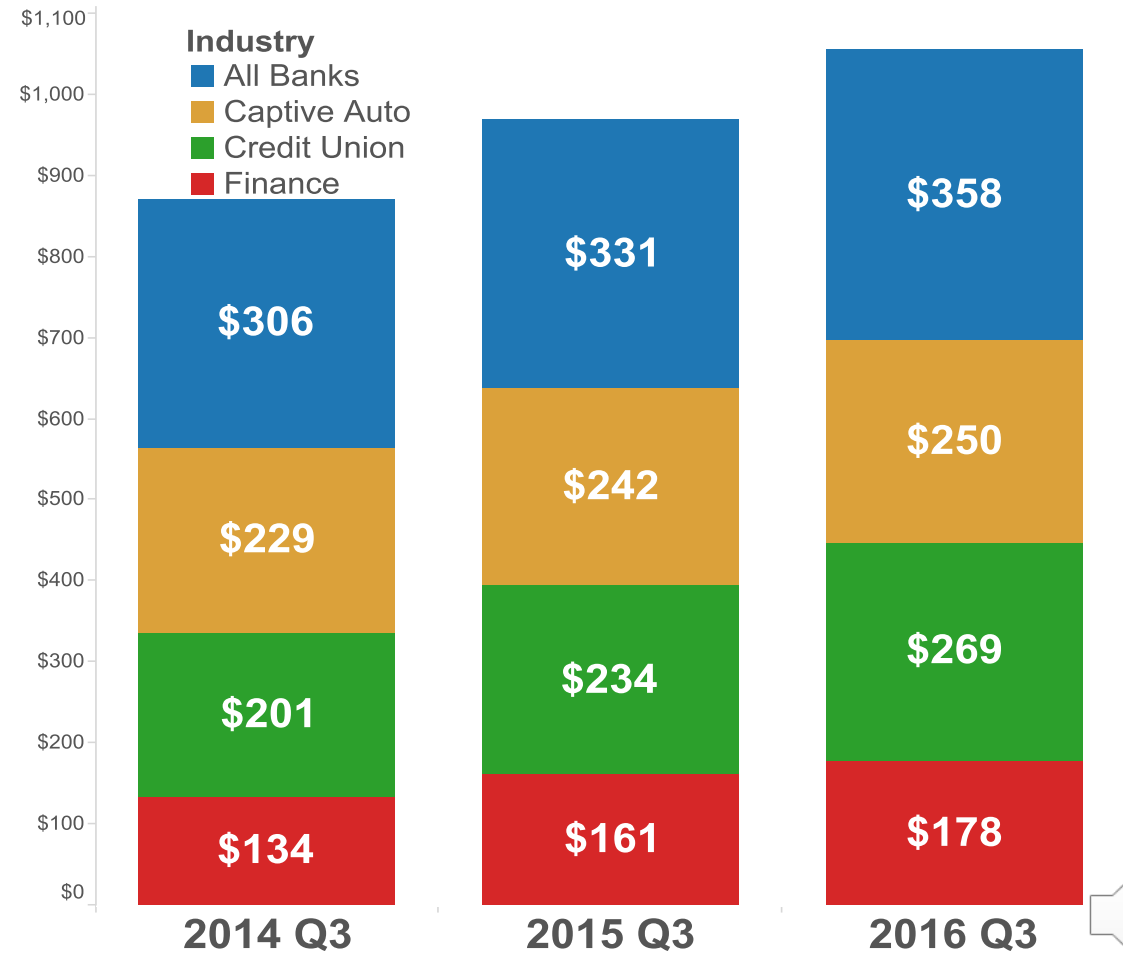
Loan balances break record highs while Credit Unions experience largest YOY growth (loans regardless of origination period)

Outstanding automotive loan balance

Total open loan balance



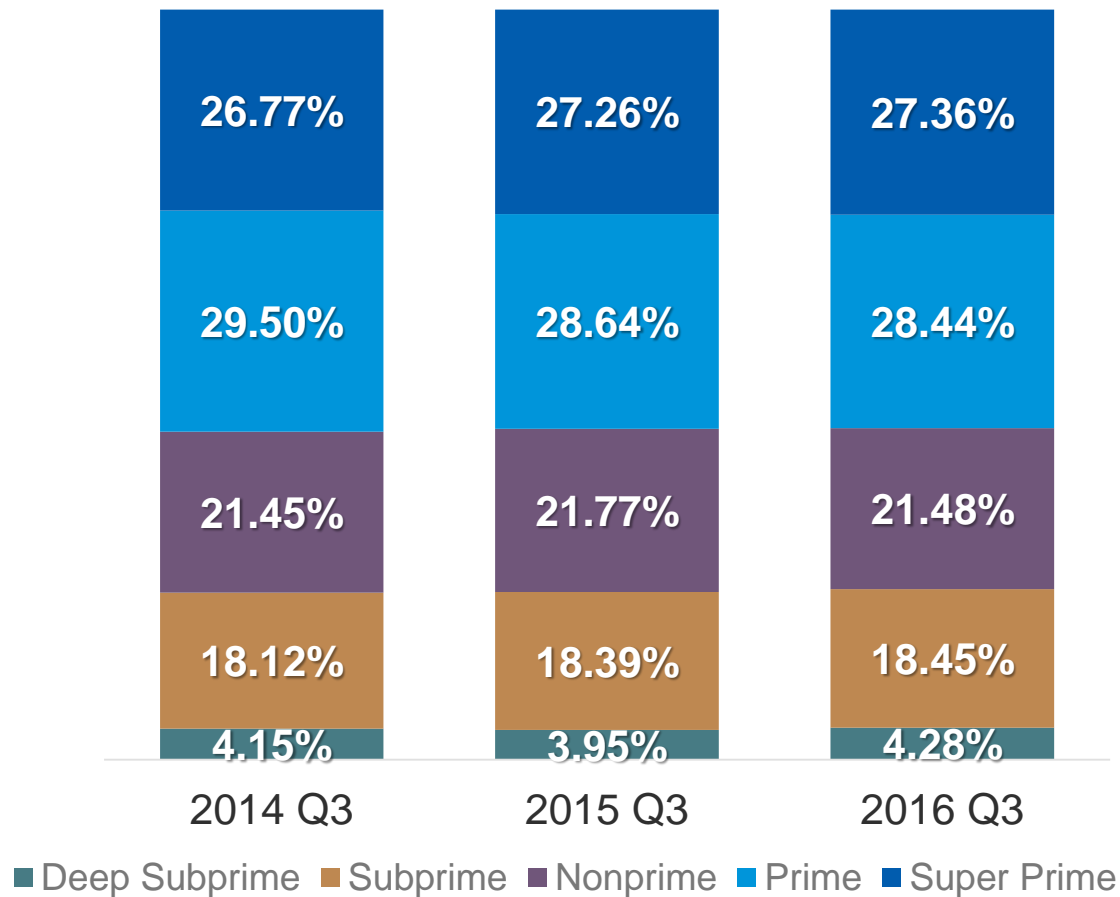
Loan balance by lender type



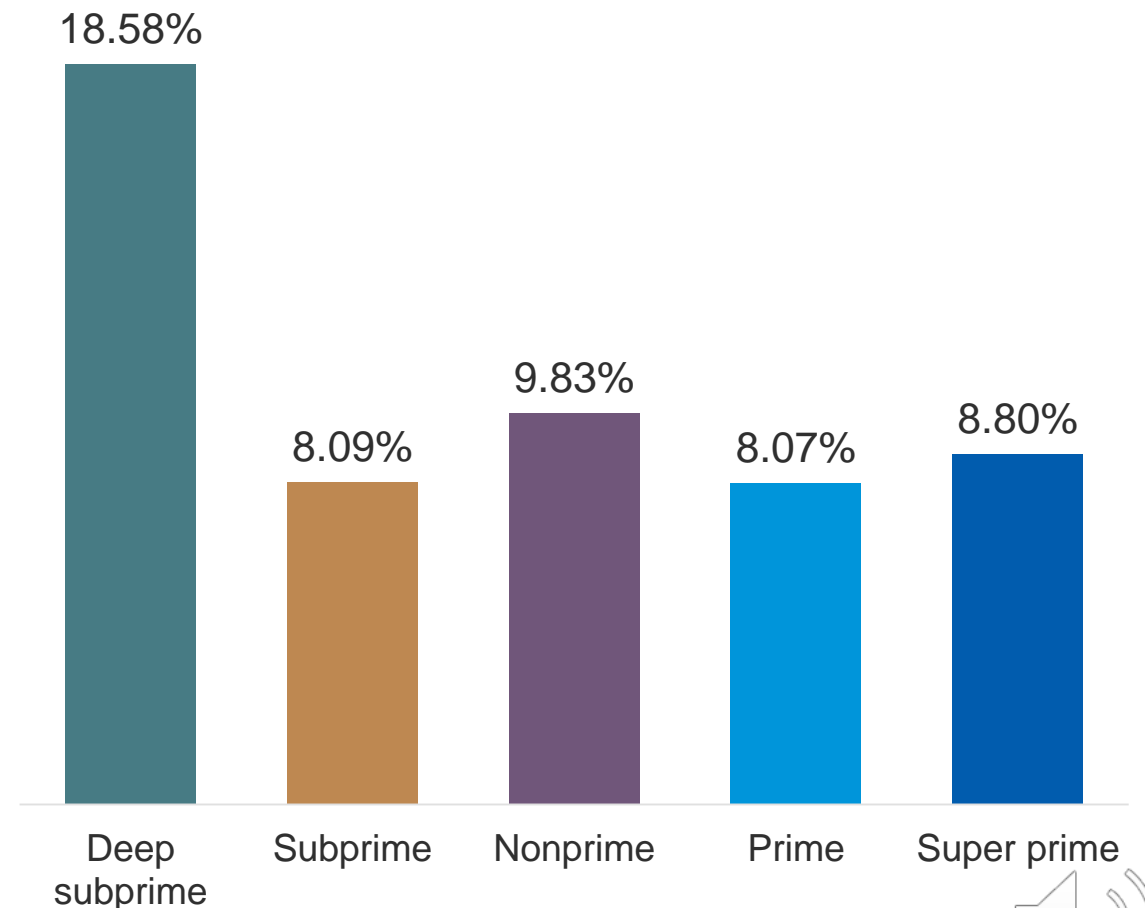


Majority of loan balances remain prime or higher with modest growth in high risk segments (loans regardless of origination period)

Risk distribution of open loan balances

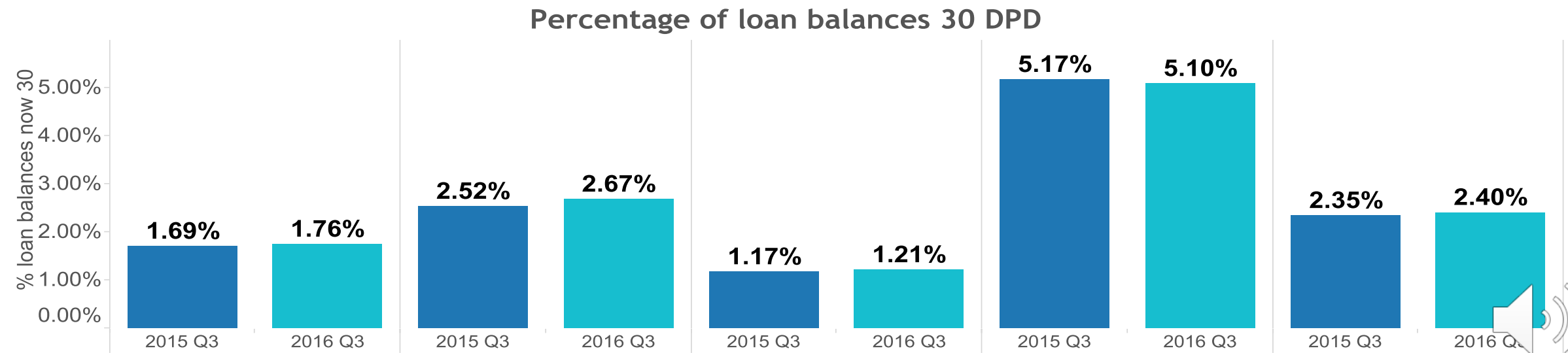
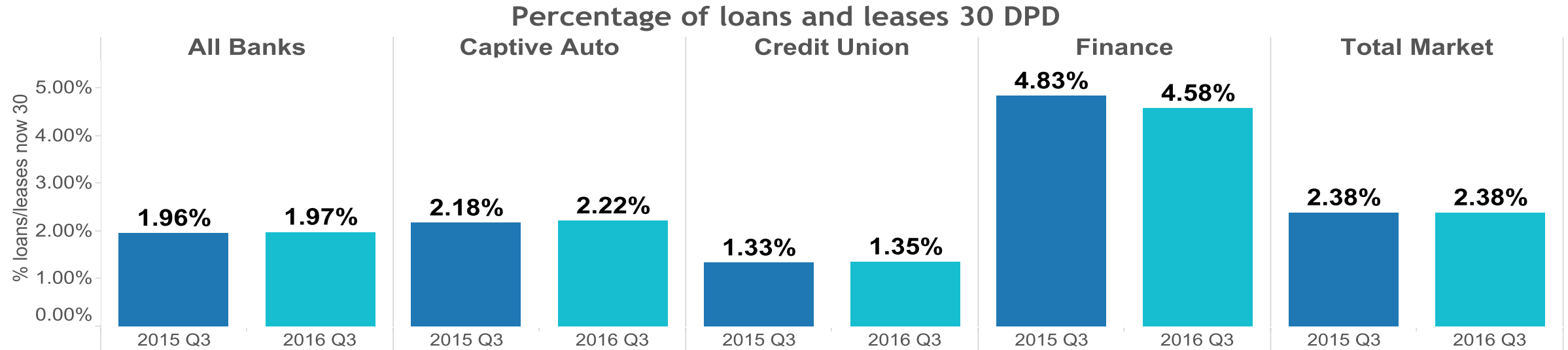


Year-over-year balance change



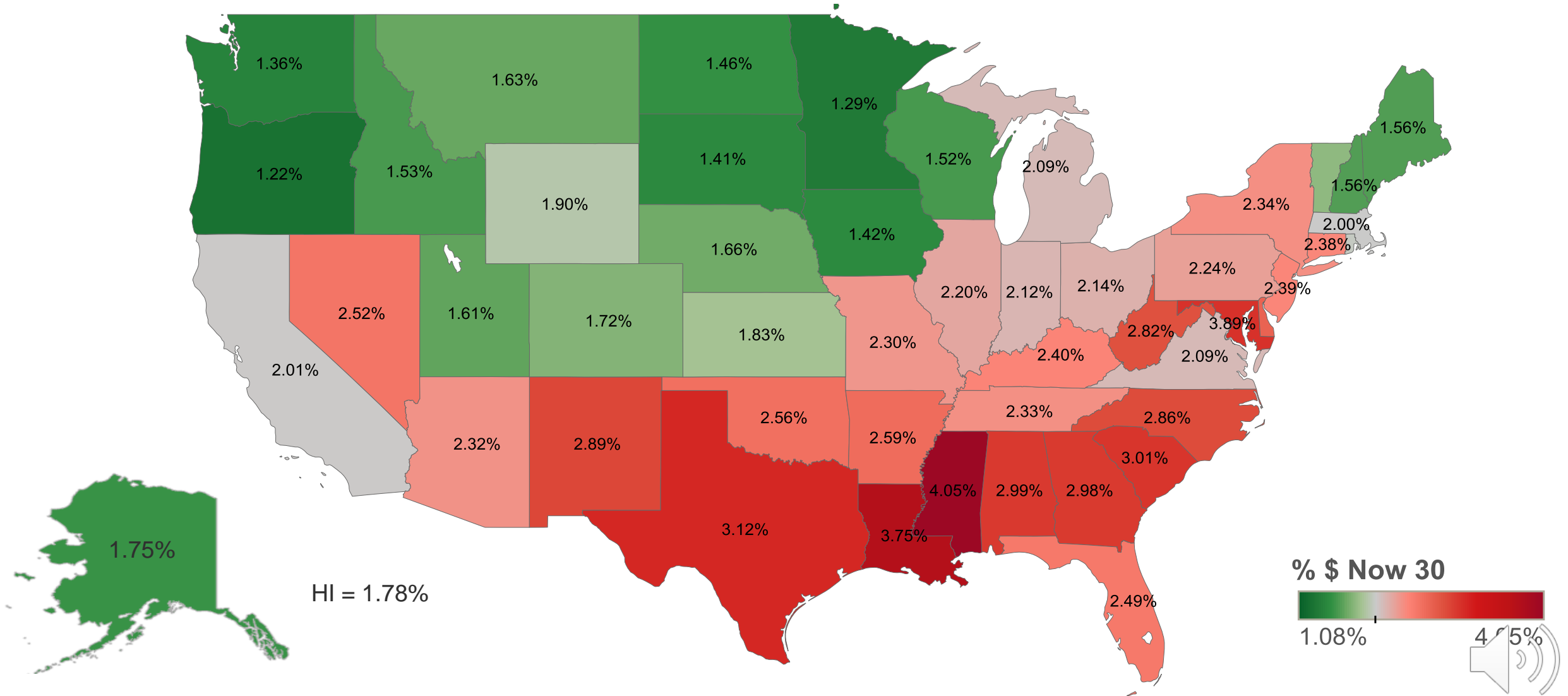


30 day delinquency is flat with slight increase in at-risk dollars (loans and leases regardless of origination period)



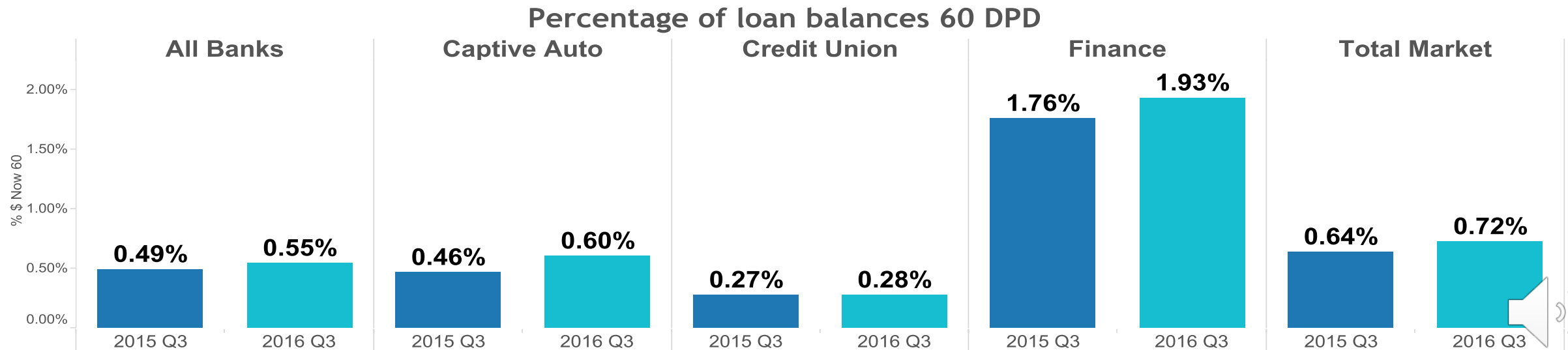
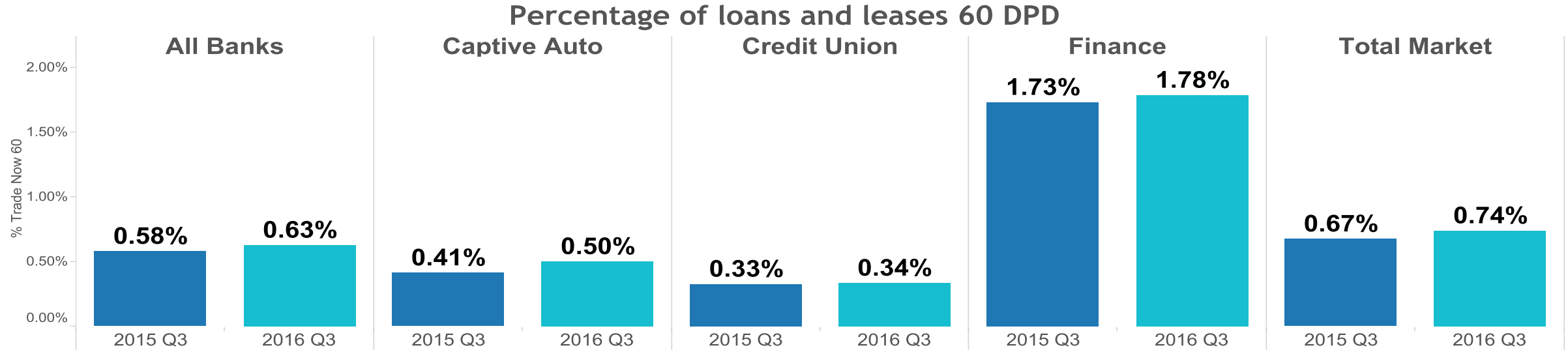


30-day delinquency balances by state (loans regardless of origination period)



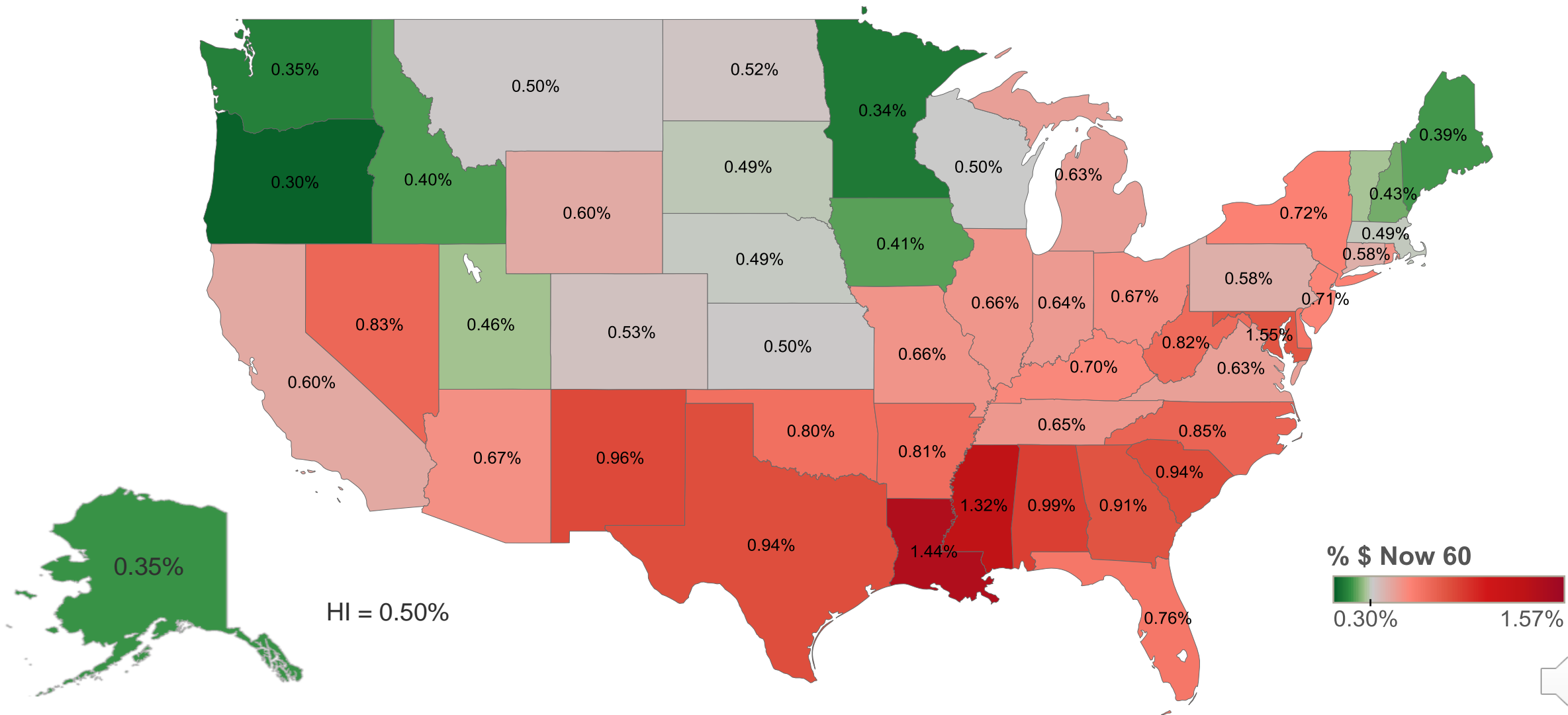


60 day delinquency growth across all lender types (loans and leases regardless of origination period)





60-day delinquency balances by state (loans and leases regardless of origination period)



Originations in Q3 2016

Trends in automotive loans and leases

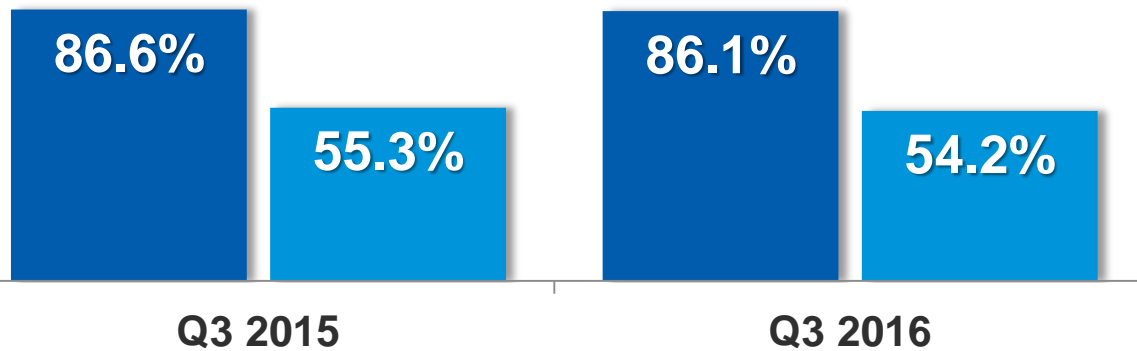




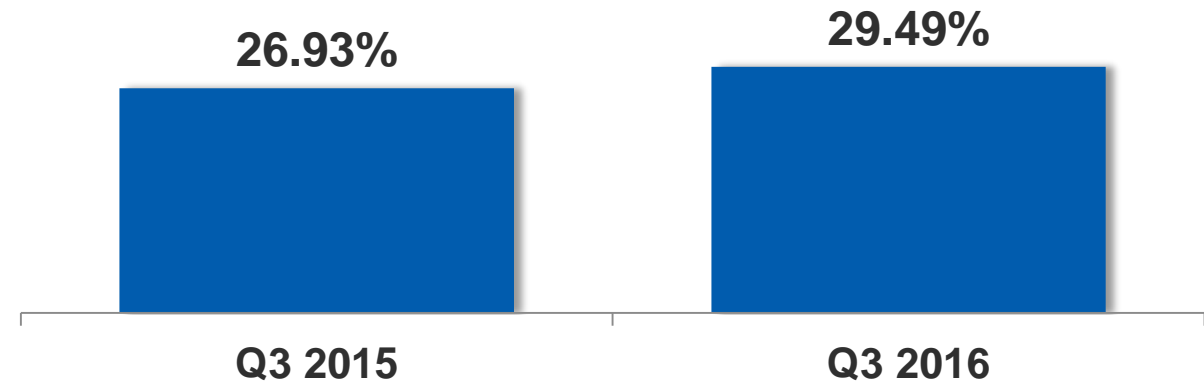
Automotive financing: snapshot of how and what consumers are financing

Percentage of vehicles with financing

■ New ■ Used



% of all new vehicles that are leased



Finance Market: new v used units

■ New ■ Used



Used % of lease market

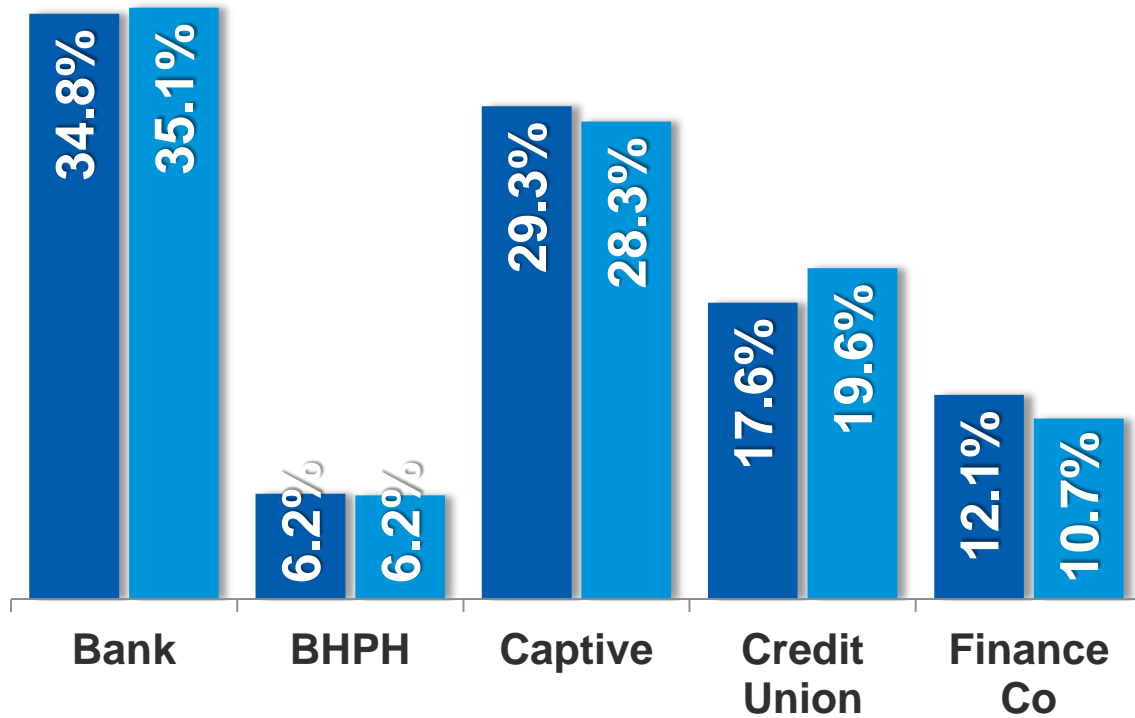




Credit Unions pick up market share across the board (loan and lease units combined)

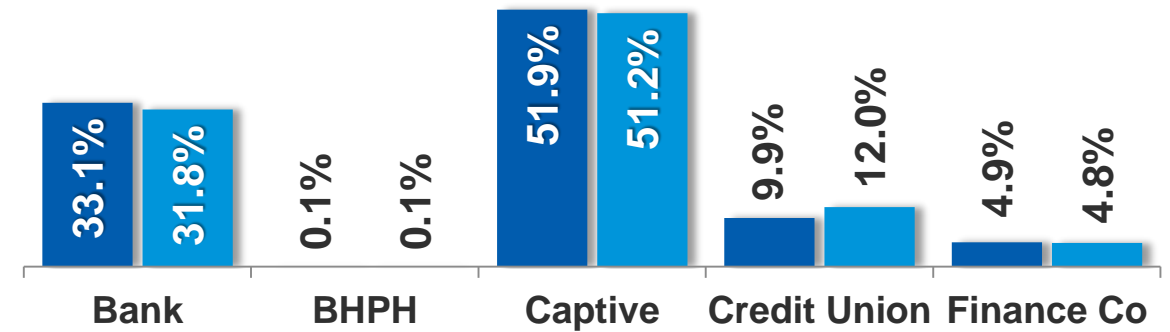
Market Share of Total Financing (new/used units & loan/lease)

■ Q3 2015 ■ Q3 2016



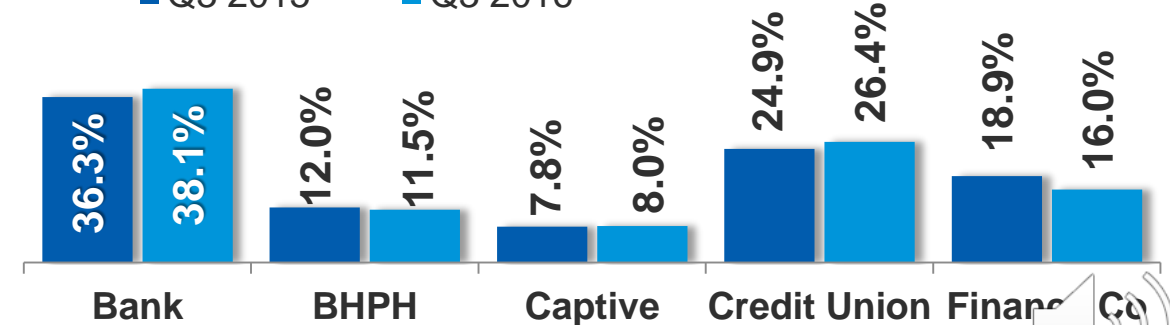
Market Share of New Financing

■ Q3 2015 ■ Q3 2016



Market Share of Used Financing

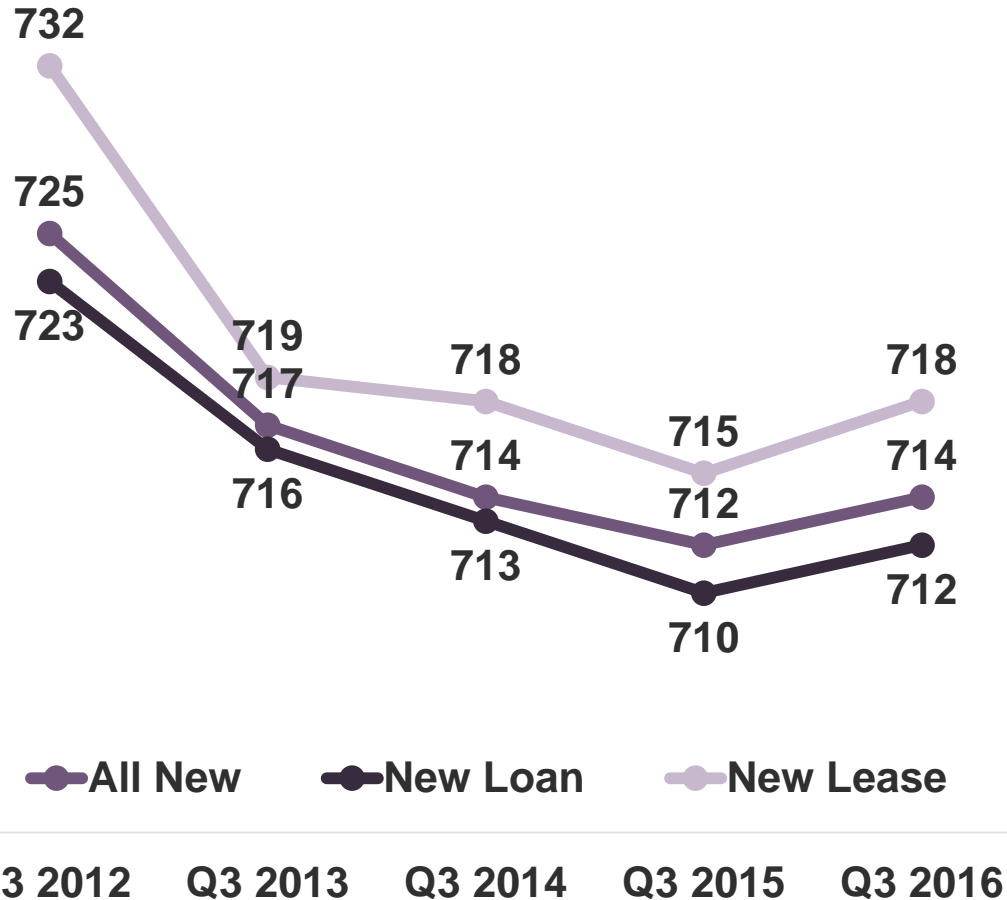
■ Q3 2015 ■ Q3 2016



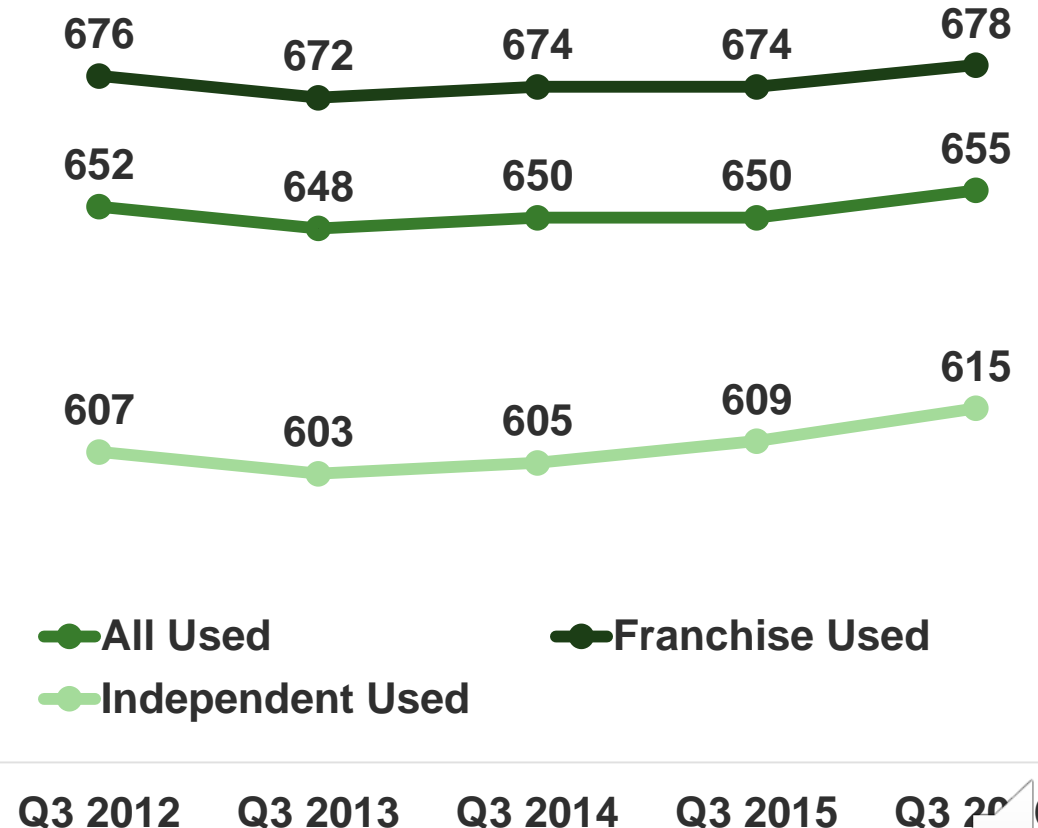


Credit scores increase across all transaction types

Average new credit scores



Average used credit scores





Score range refresh

Category	Score Range
Super prime	781 – 850
Prime	661 – 780
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Subprime	501 – 600
Deep subprime	300 – 500

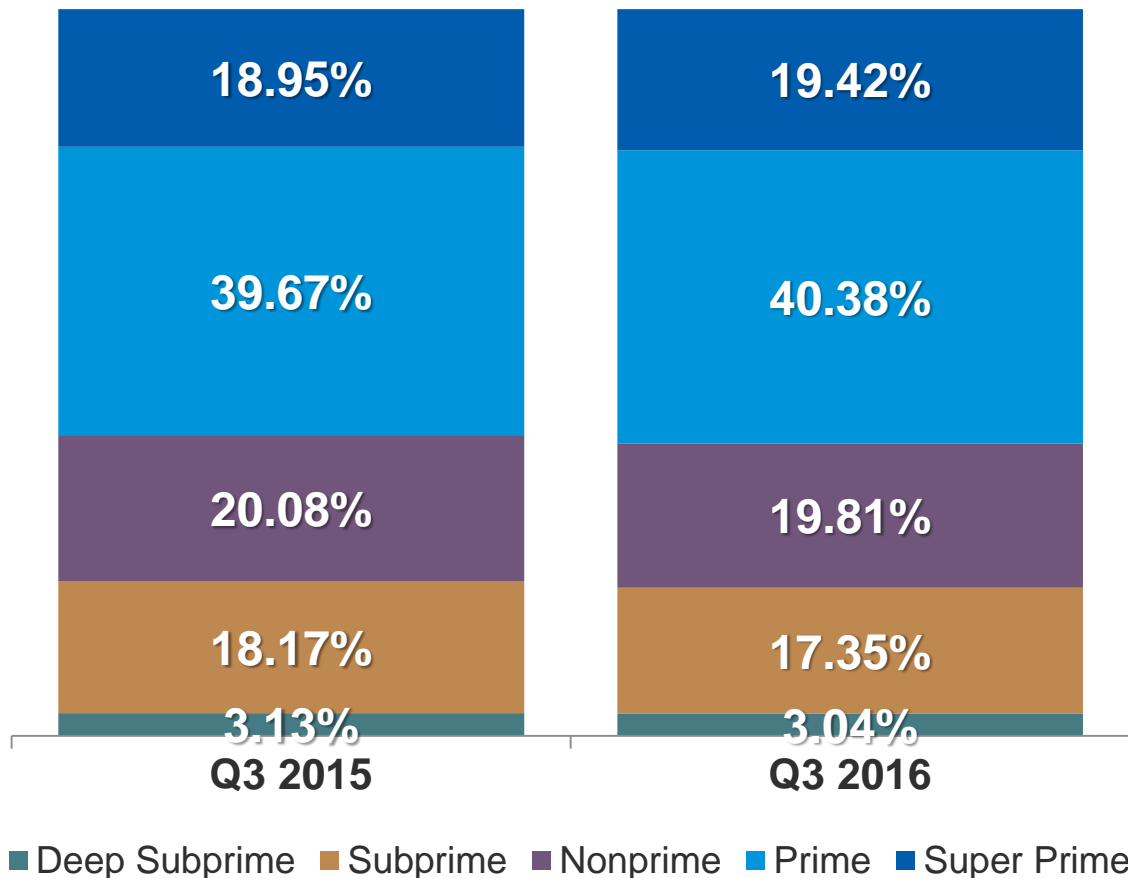
Note: ranges above are those used by Experian Automotive for automotive finance market analysis and trending purposes. Other industries and lenders may use other ranges based on unique scores, portfolio and industry trends.



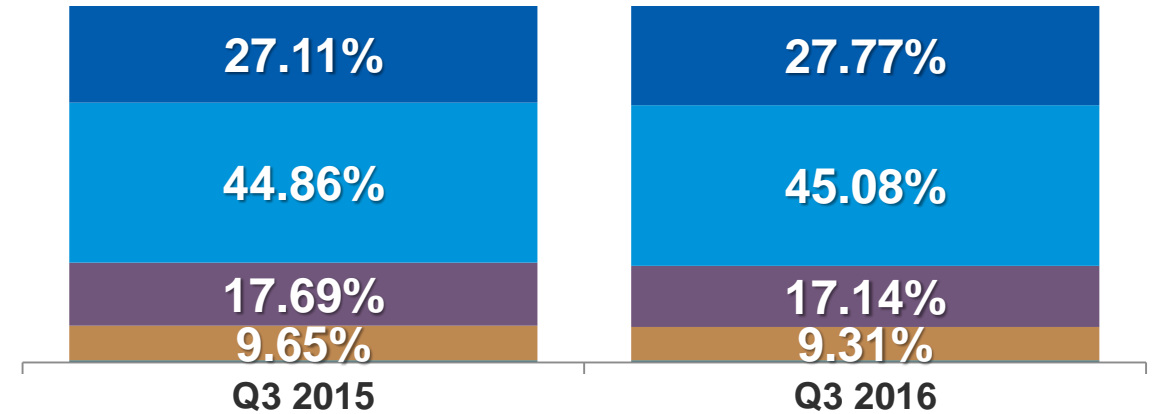


Total finance market (loan & lease) becomes increasingly more prime across all, new and used financing

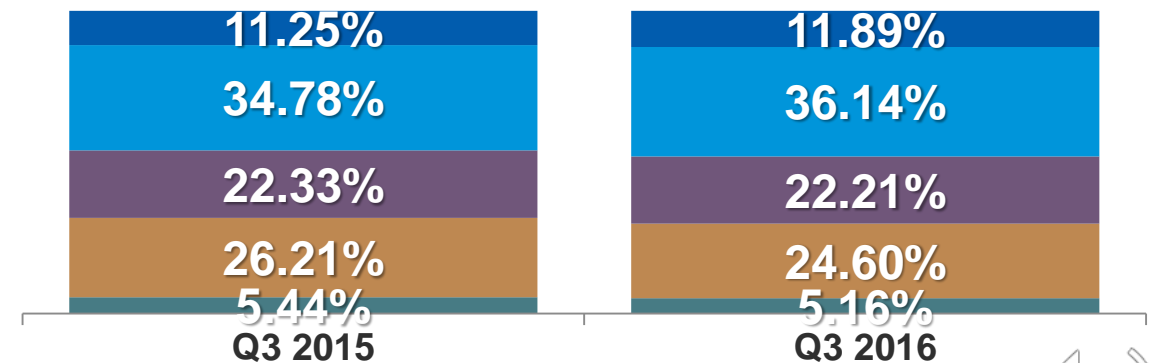
Total (new & used units) risk distribution



New risk distribution



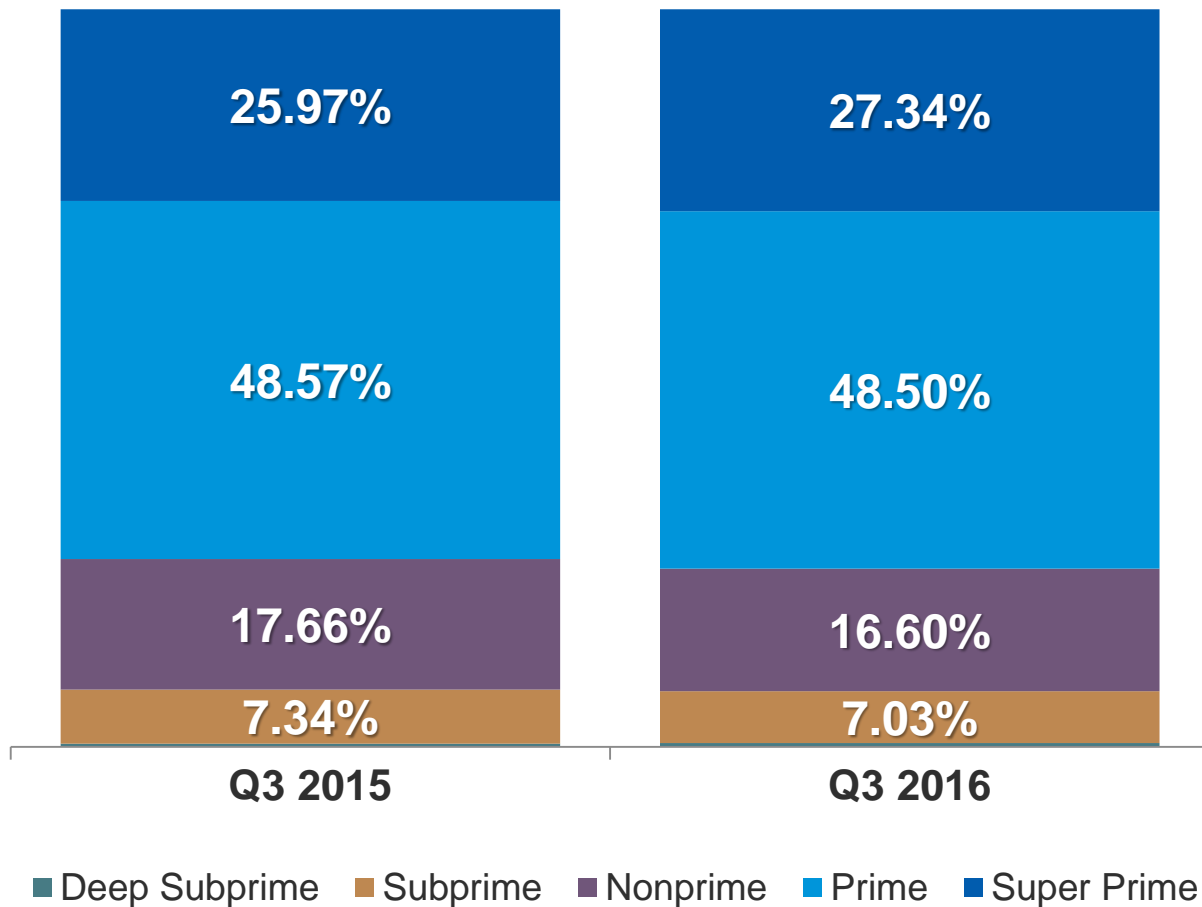
Used risk distribution



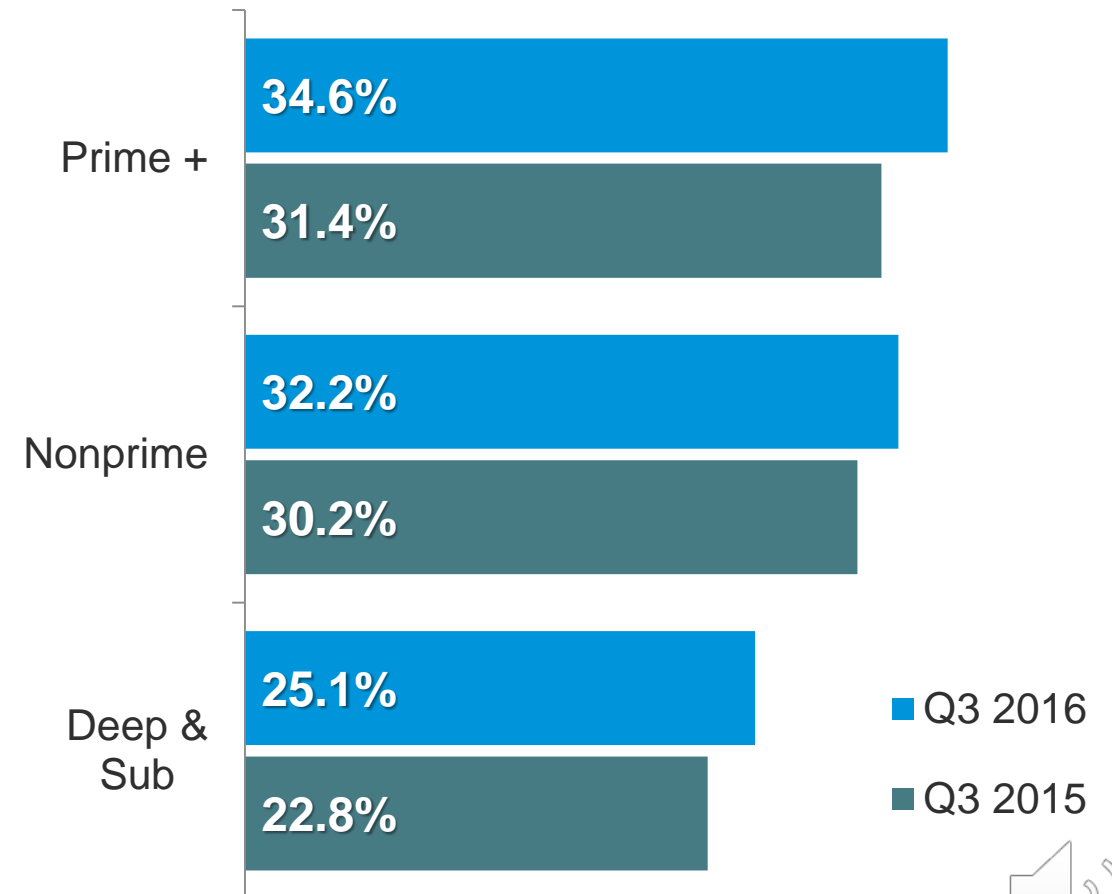


Leasing remains very prime as more consumers across all risk tiers choose to lease (loans not included)

New lease risk distribution



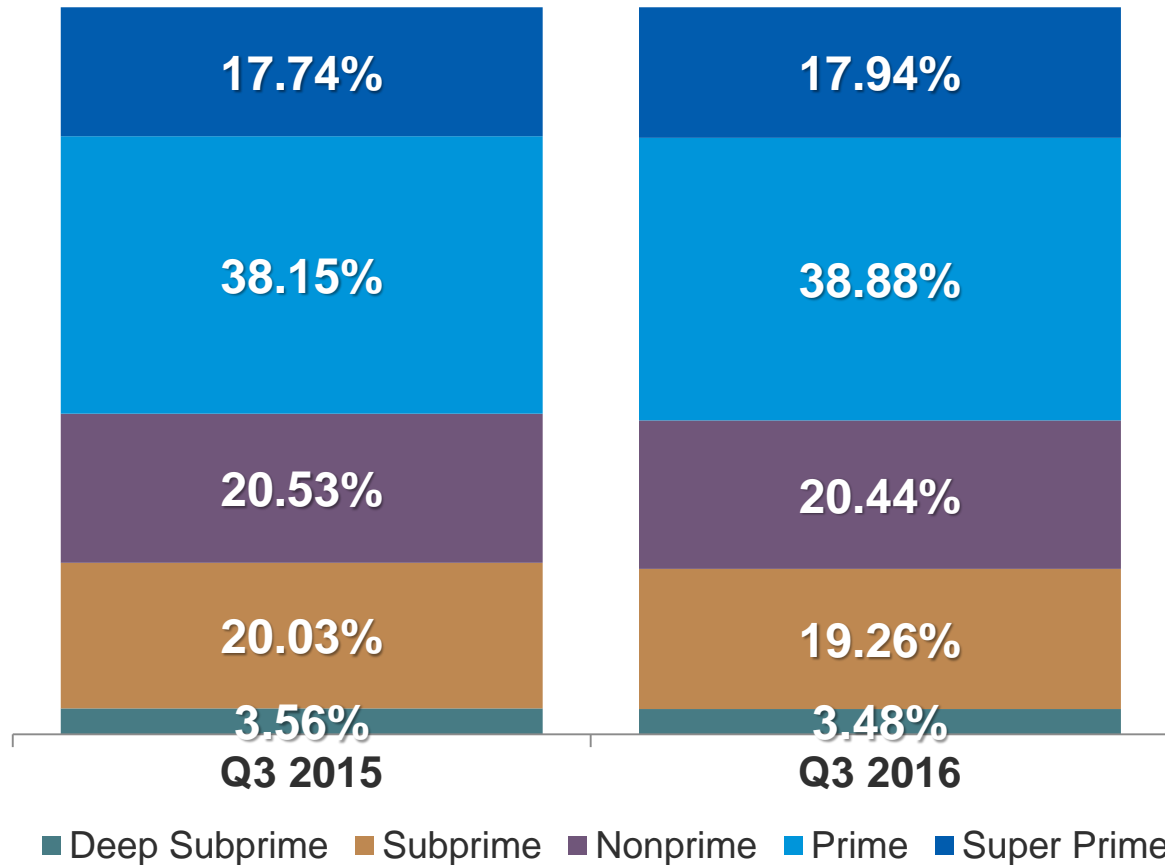
% of new borrowers choosing to lease



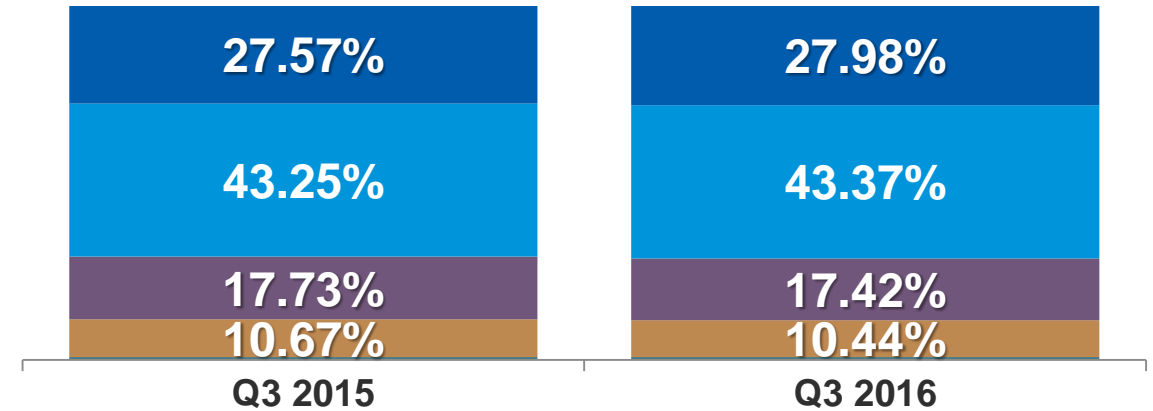


Despite more prime consumers shifting to leasing the loan market becomes more prime

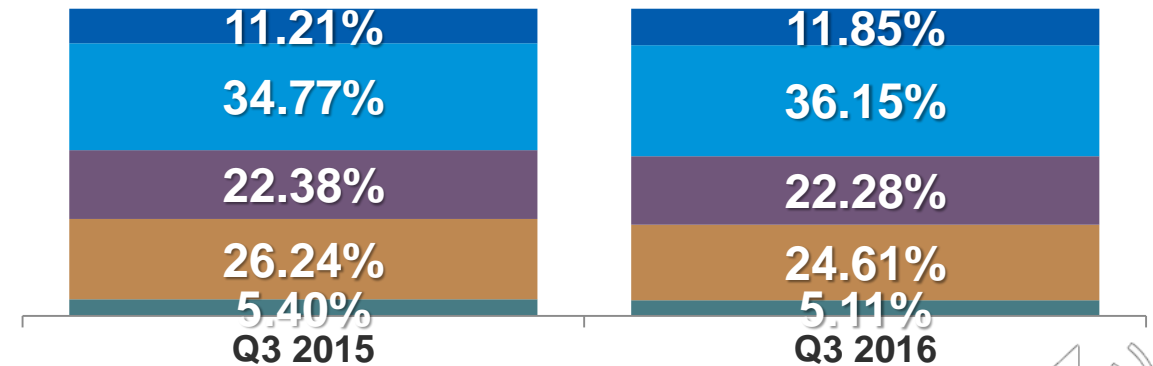
Total (new & used units) loan risk distribution



New loan risk distribution



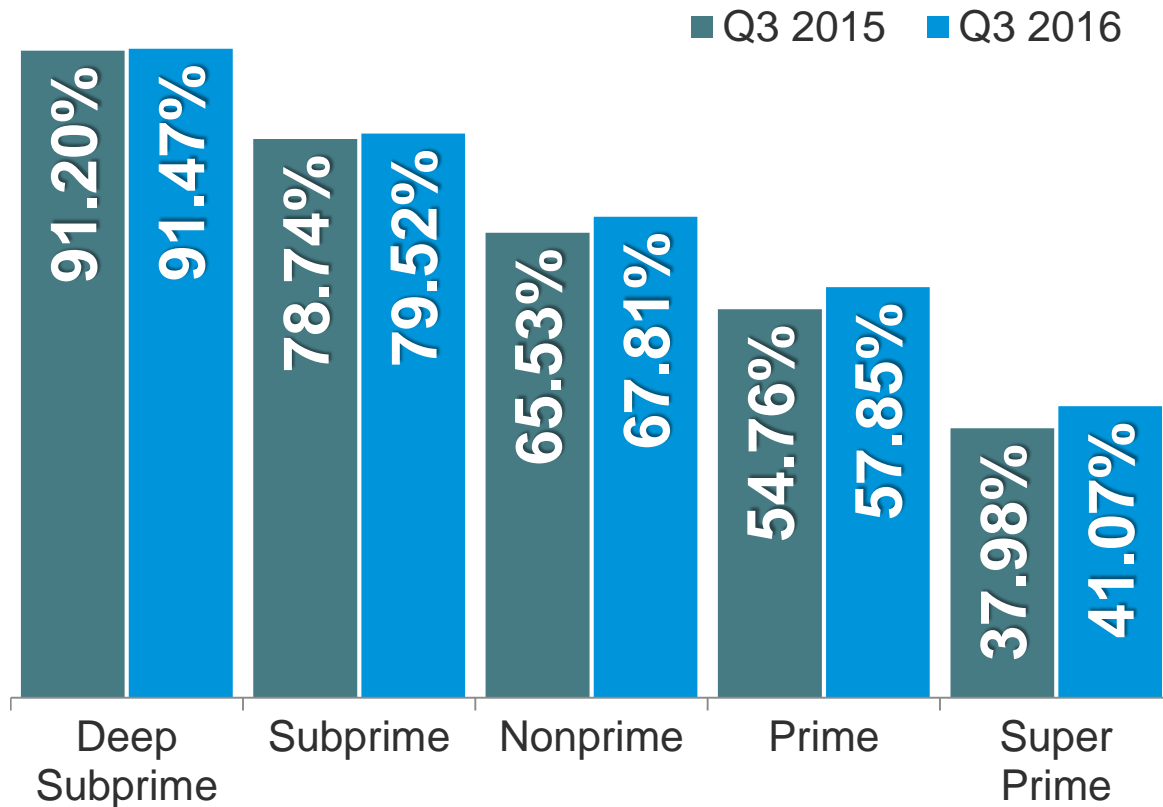
Used loan risk distribution



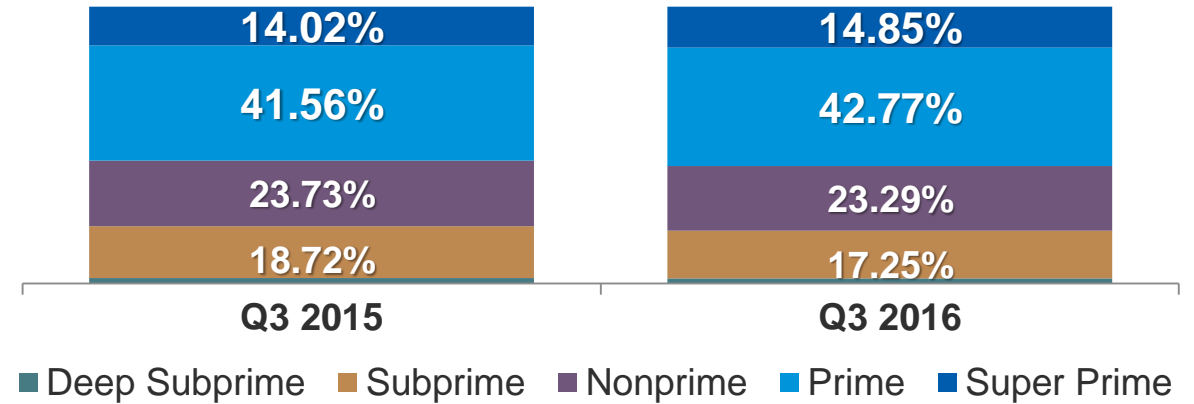


Prime and Super Prime borrowers choose used vehicles at an increasing rate resulting in shifts among all dealer types

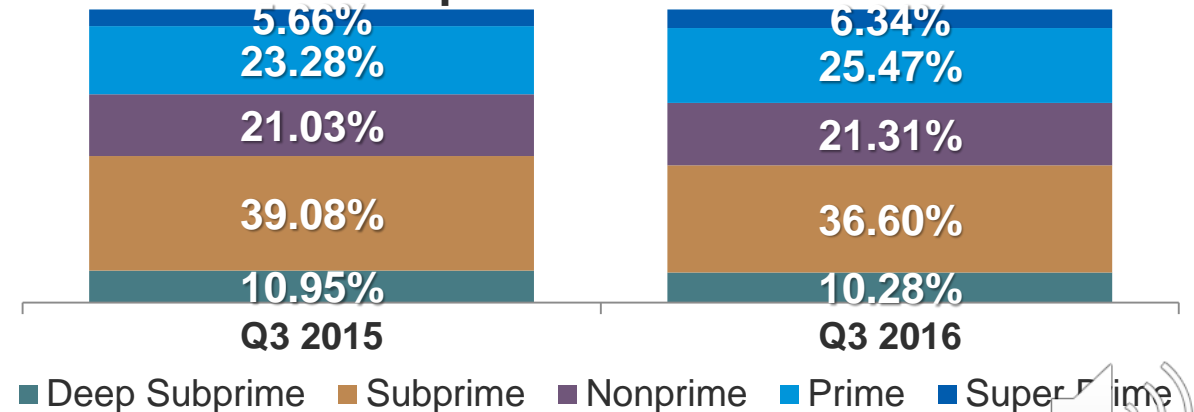
Percentage of consumers by risk tier choosing used loans



Used Franchise loan risk distribution



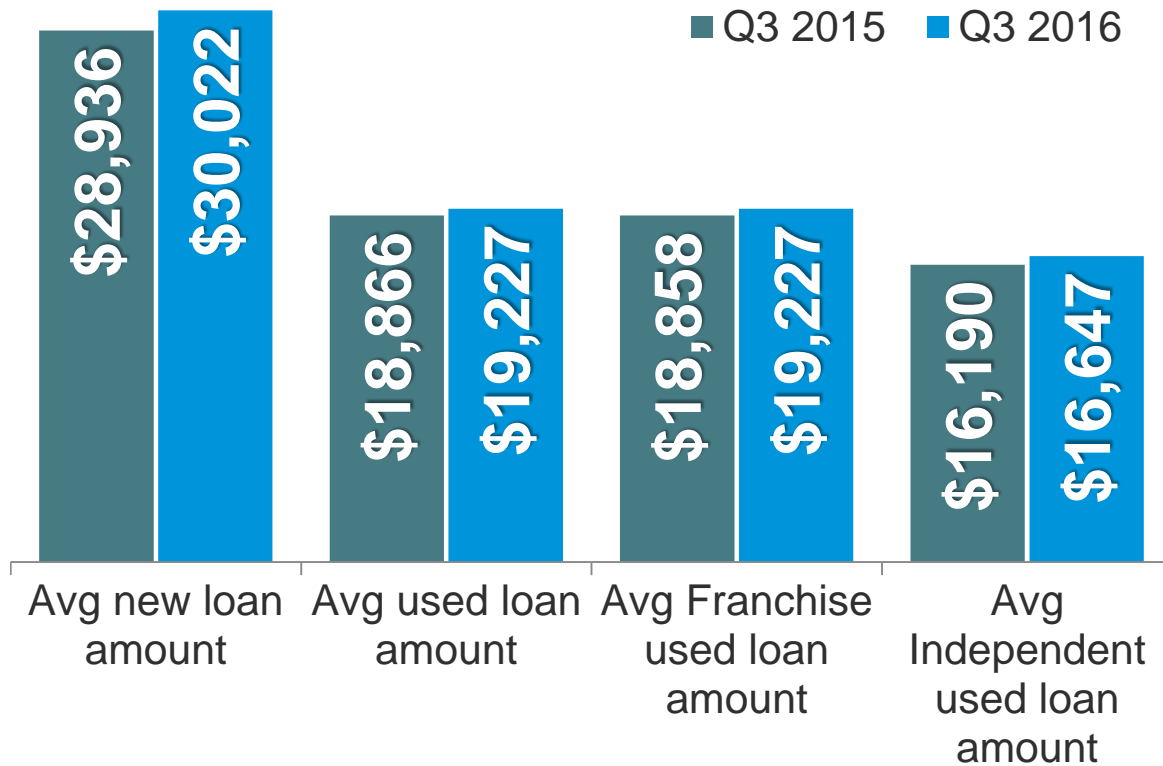
Used Independent loan risk distribution



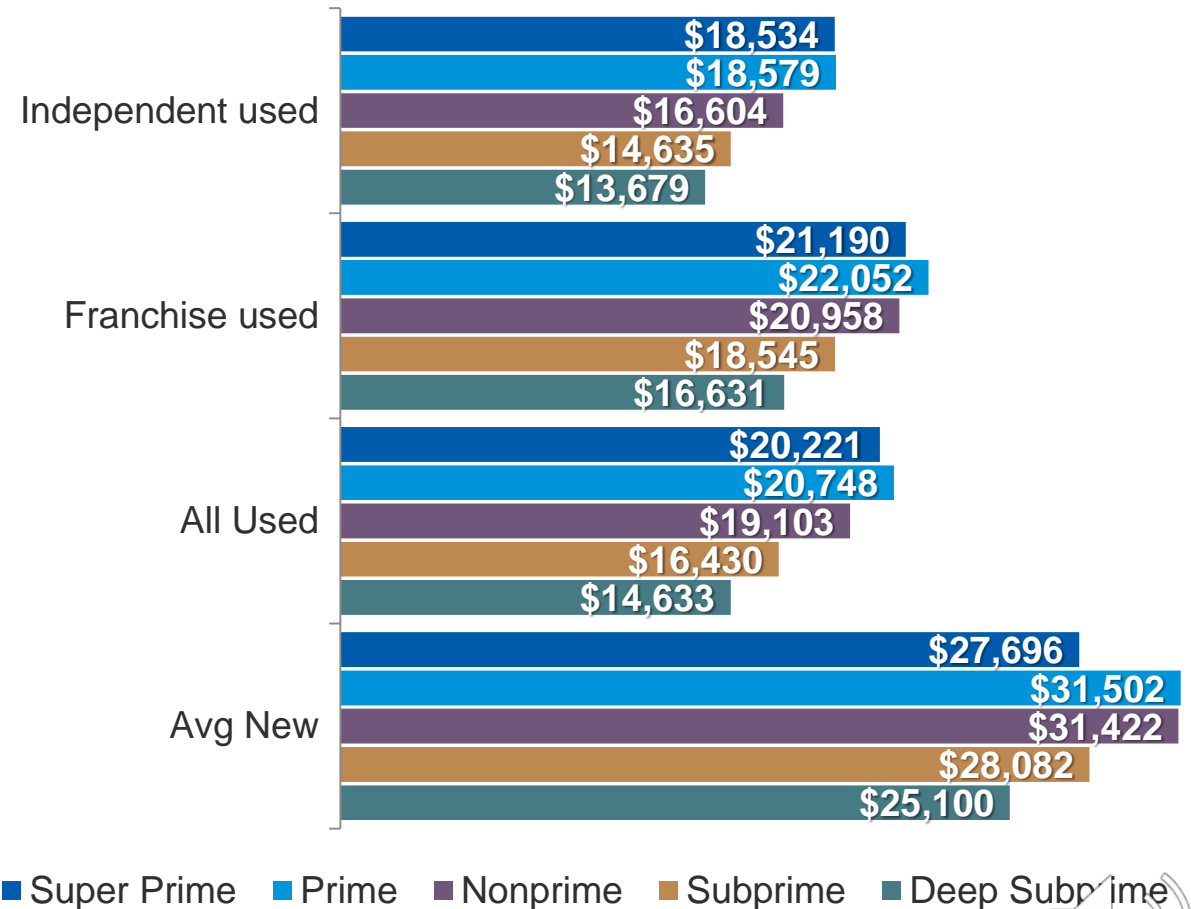


Average used loan amount reaches record high while new remains over \$30k

Average loan amount



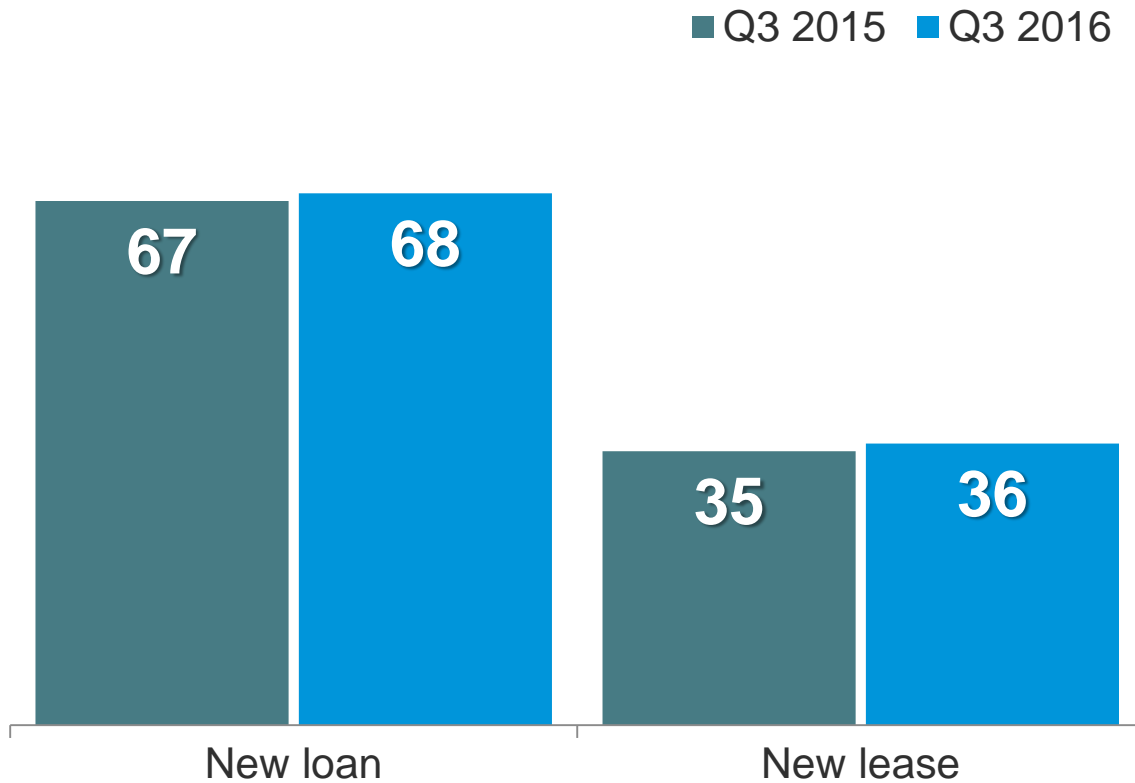
Average loan amount by tier



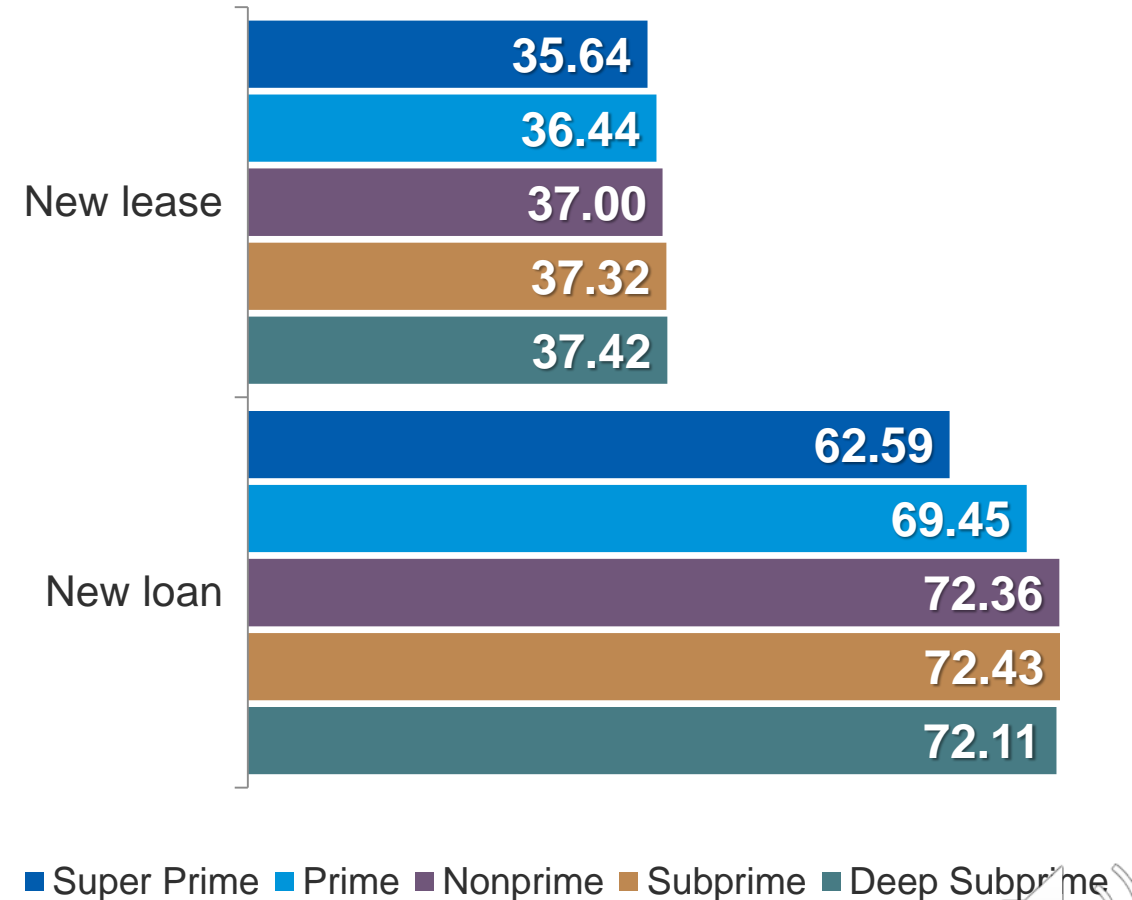


New loan term at 68 months with higher terms on the higher risk new loans

Average new term



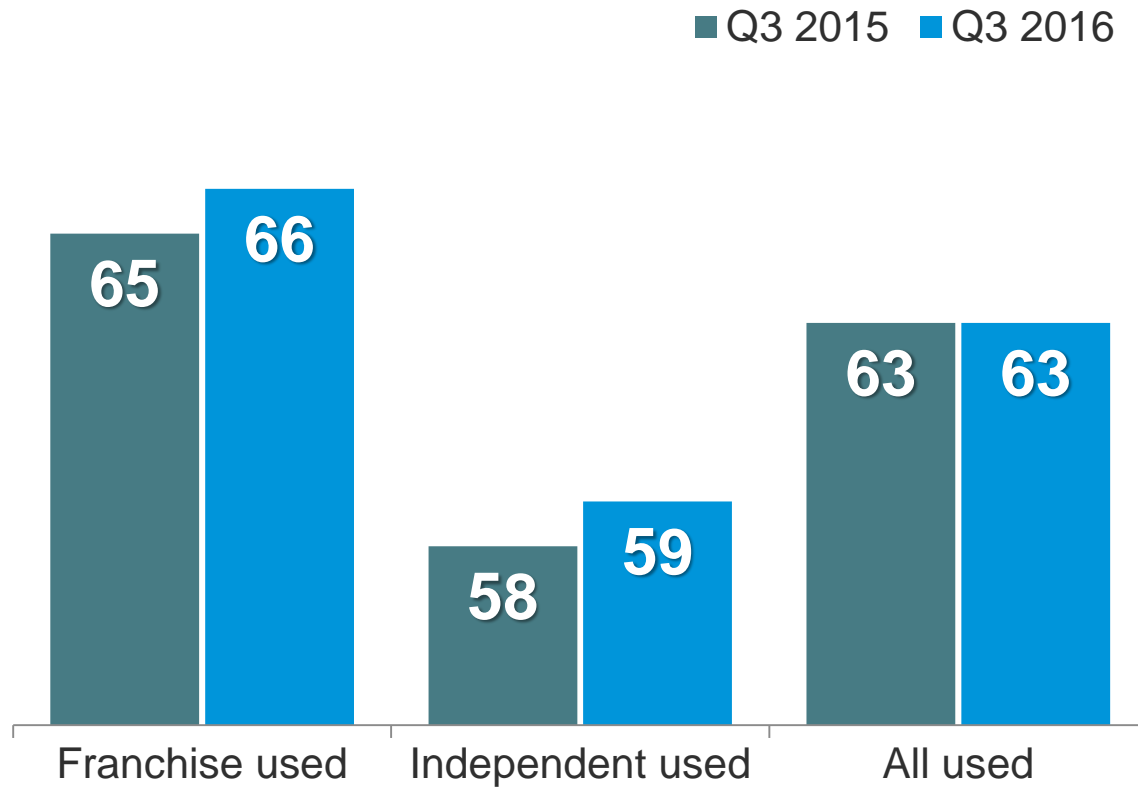
Avg new term by risk tier



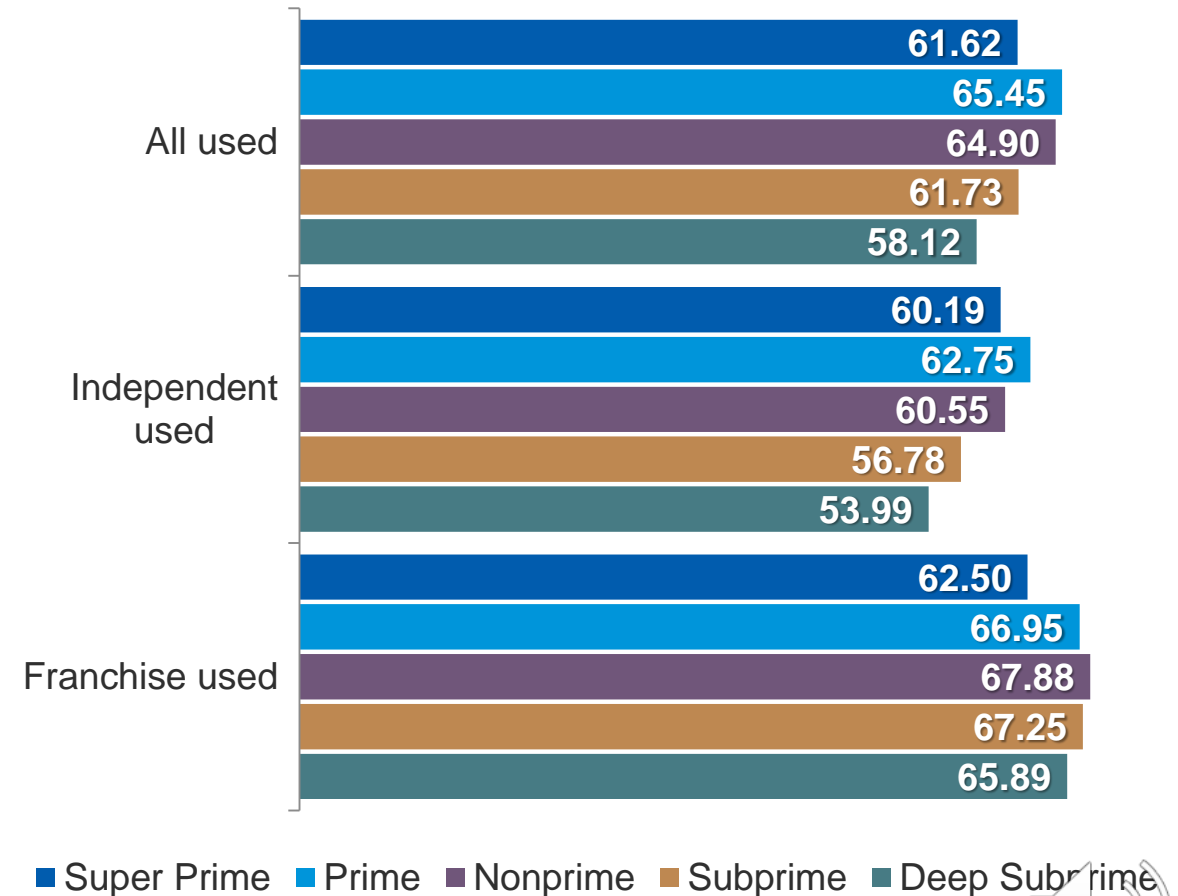


Used terms rise as more prime consumers, who have longer terms, choose used vehicles

Average used term



Average term by risk tier

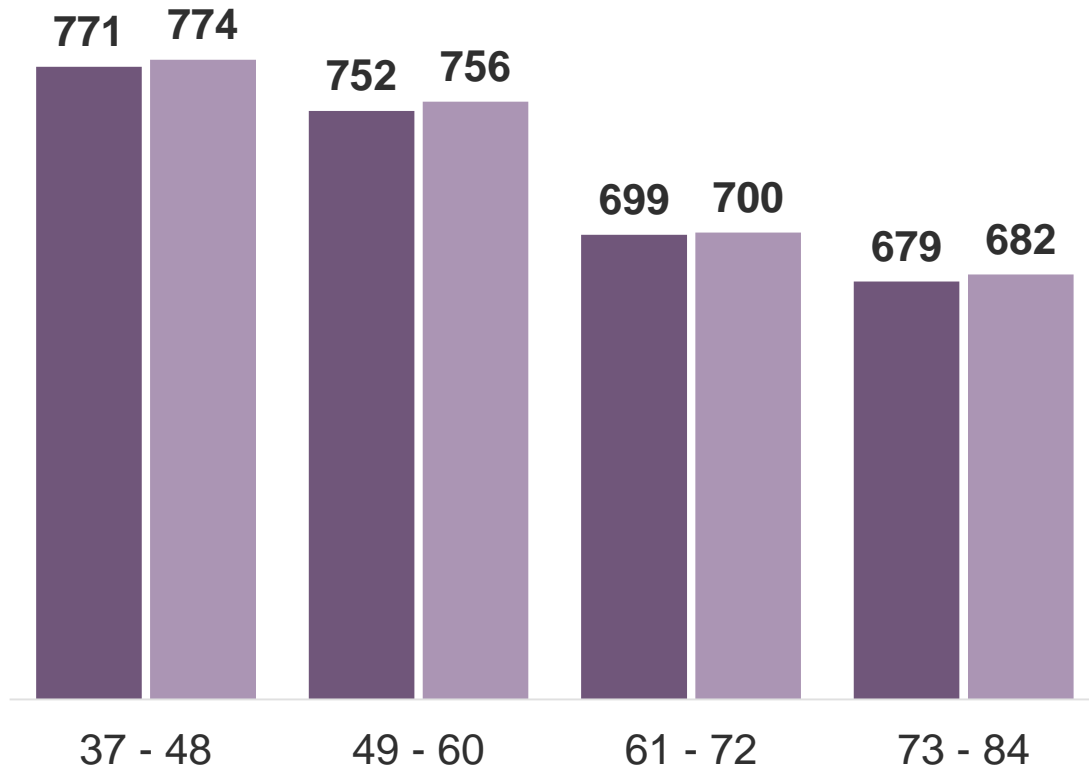




Average scores by term rise lease is not included

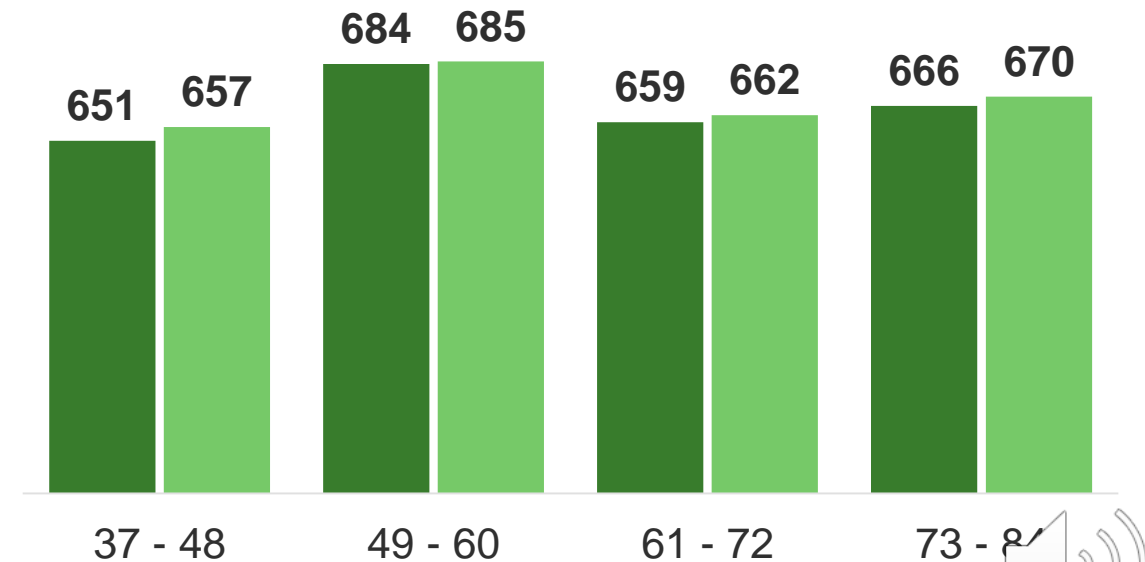
Average new score by loan term

■ Q3 2015 ■ Q3 2016



Average used score by loan term

■ Q3 2015 ■ Q3 2016

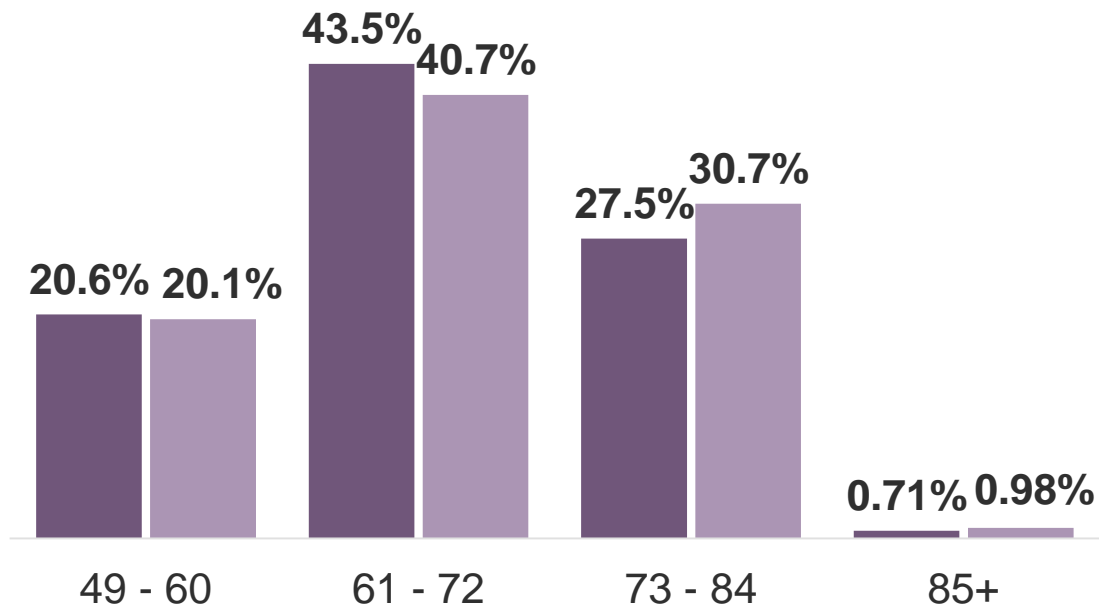




Longer term loans continue to dominate the market with 85+ reaching nearly 1% of new

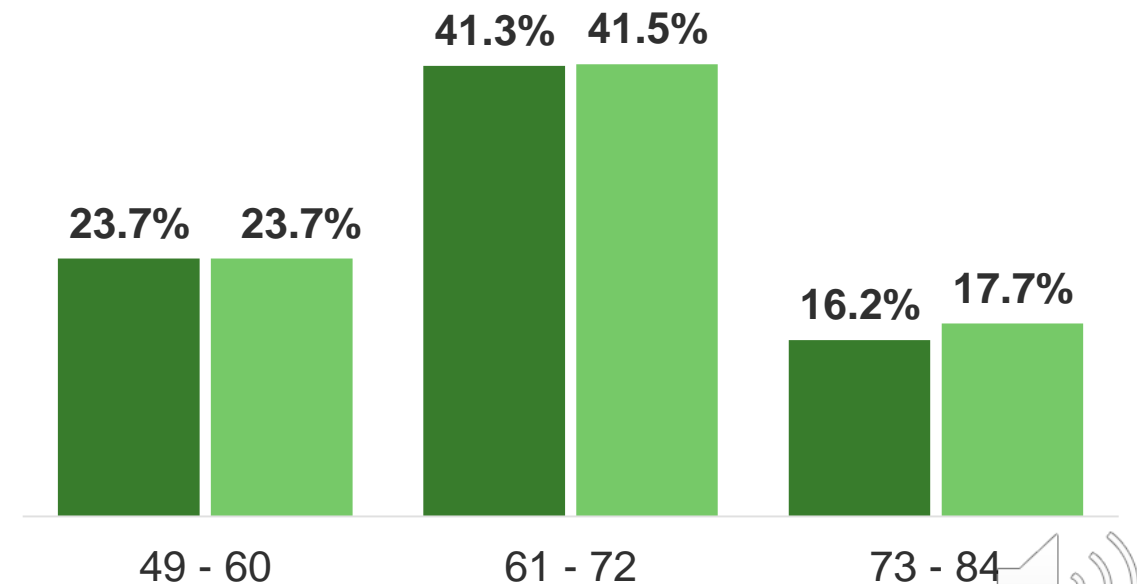
Percentage of new loans by term

■ Q3 2015 ■ Q3 2016



Percentage of used loans by term

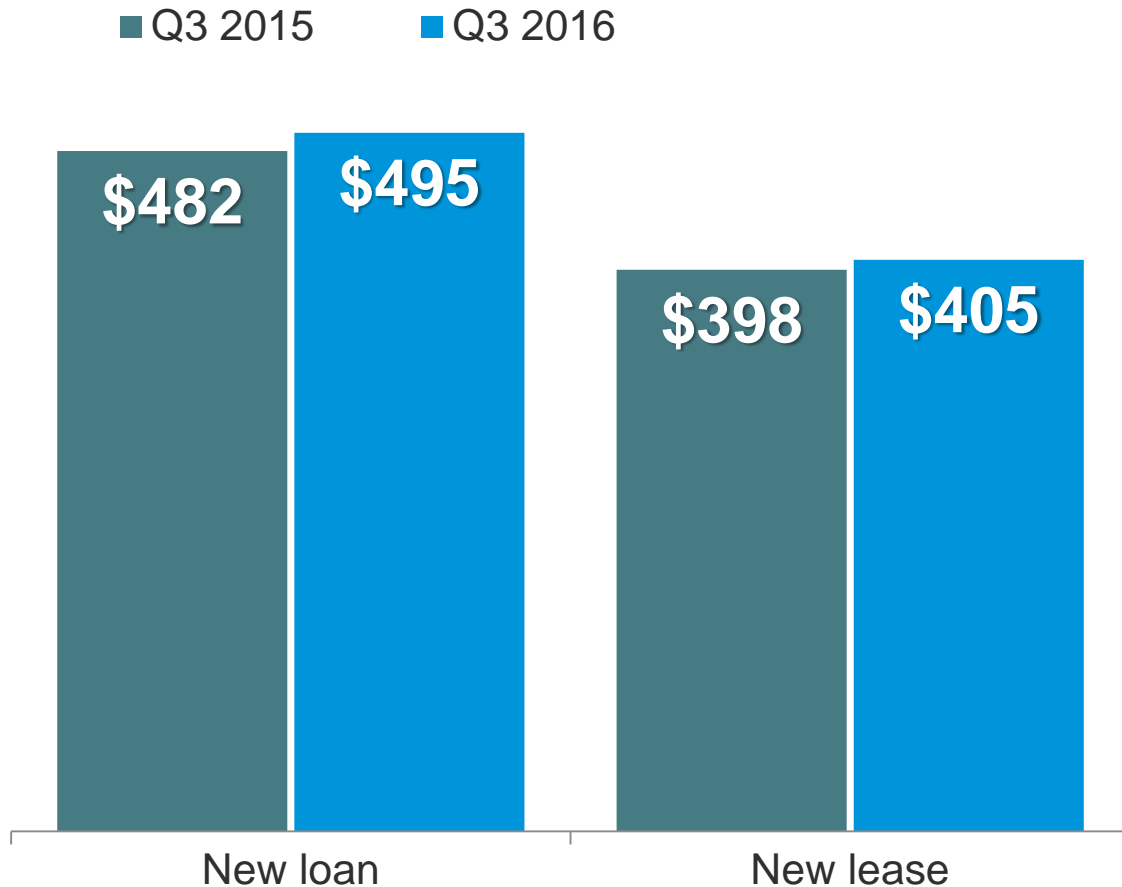
■ Q3 2015 ■ Q3 2016



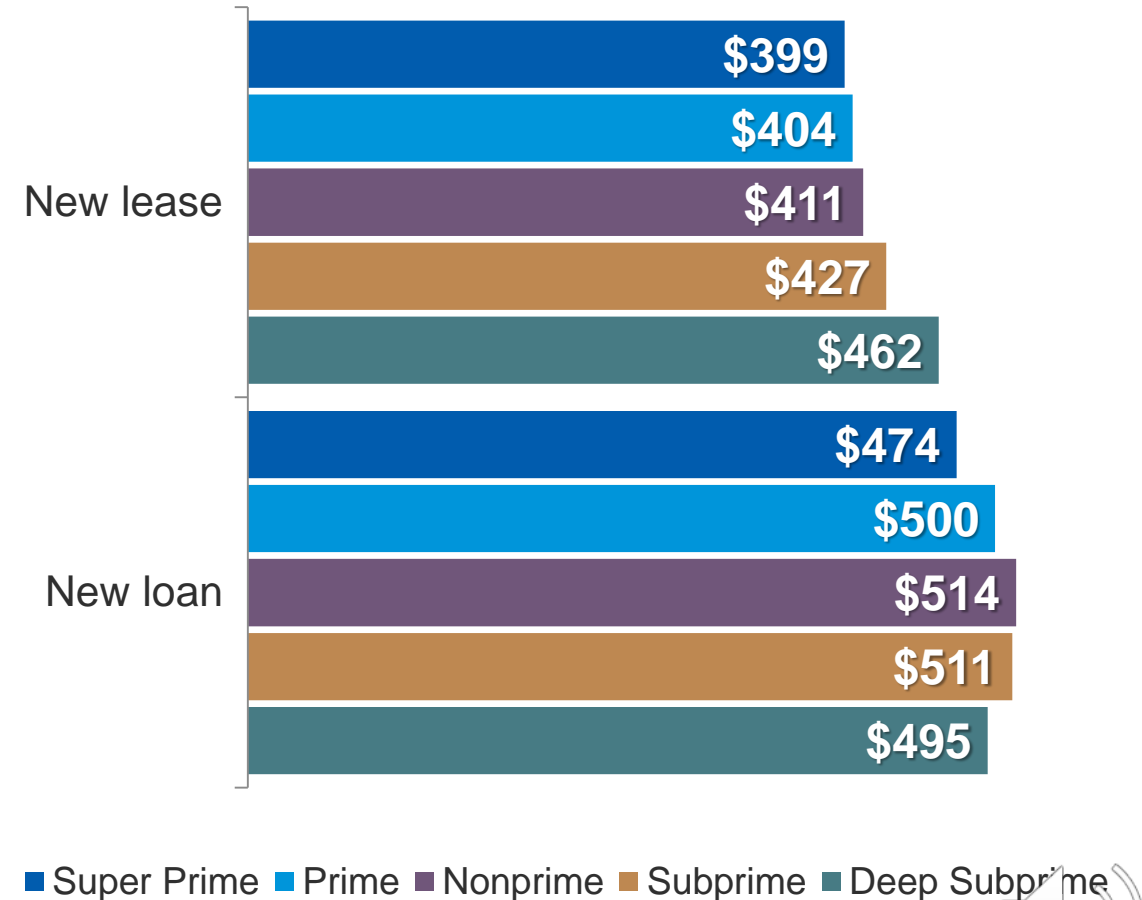


Payments rise on new vehicles while leasing becomes more attractive as payments are \$90 lower

Average new payment



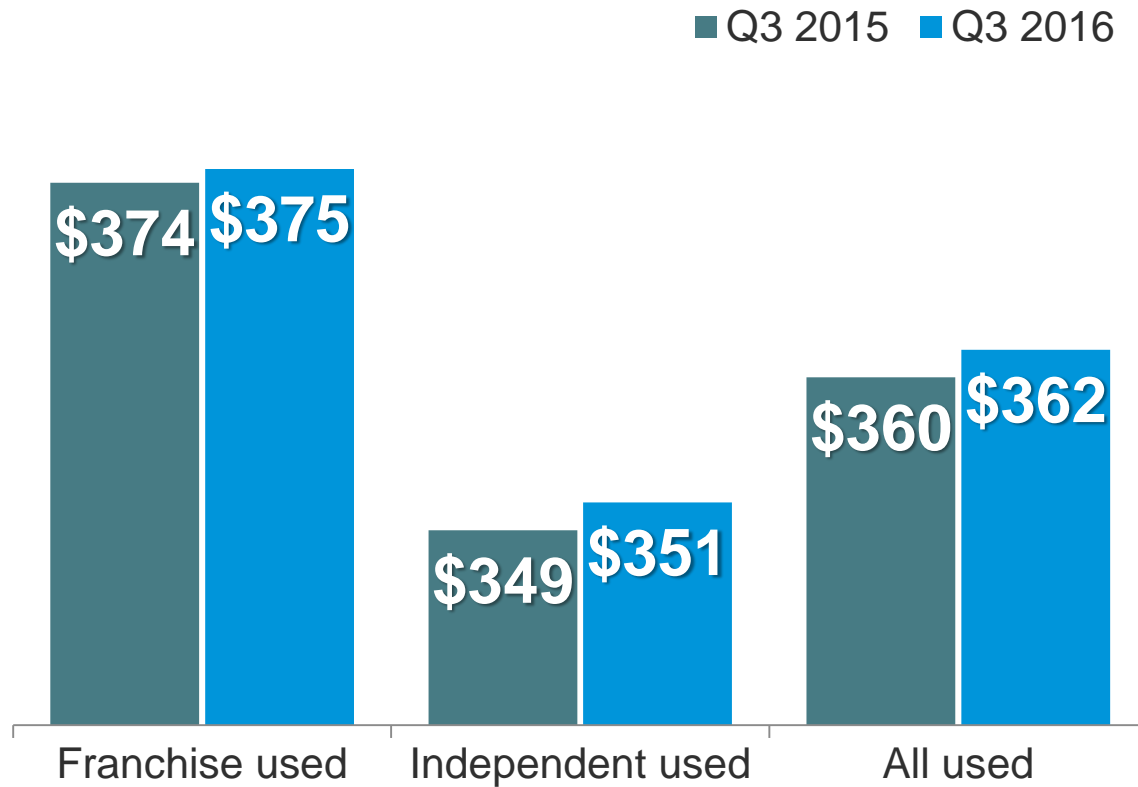
Avg new payment by risk tier



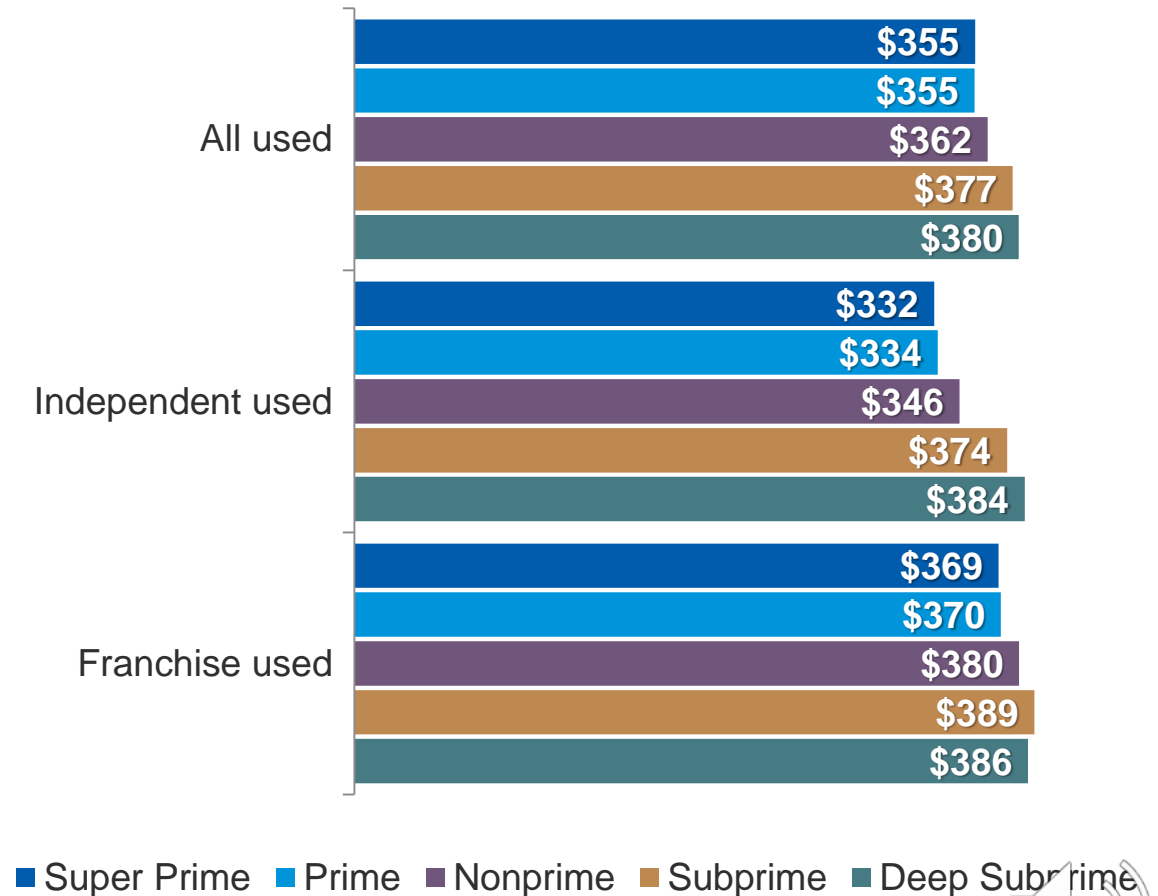


Average used payments also climb

Average used payment



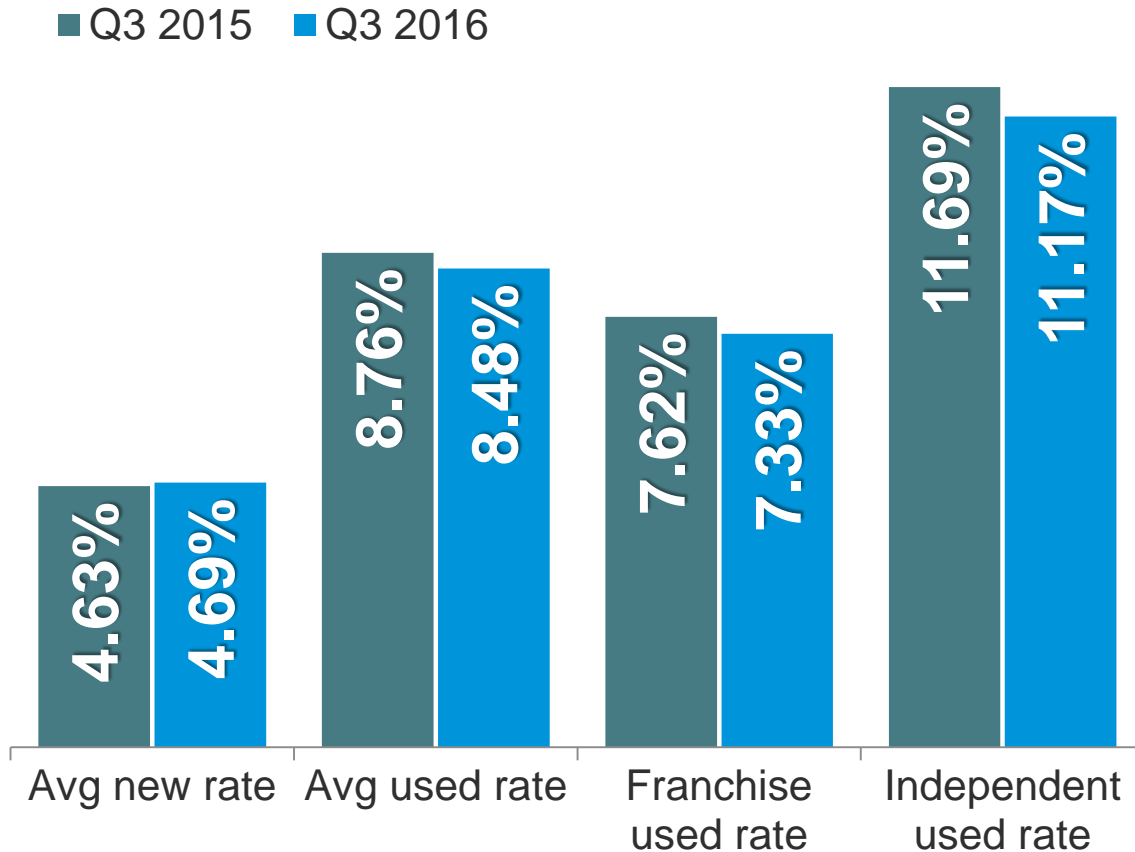
Average payment by risk tier



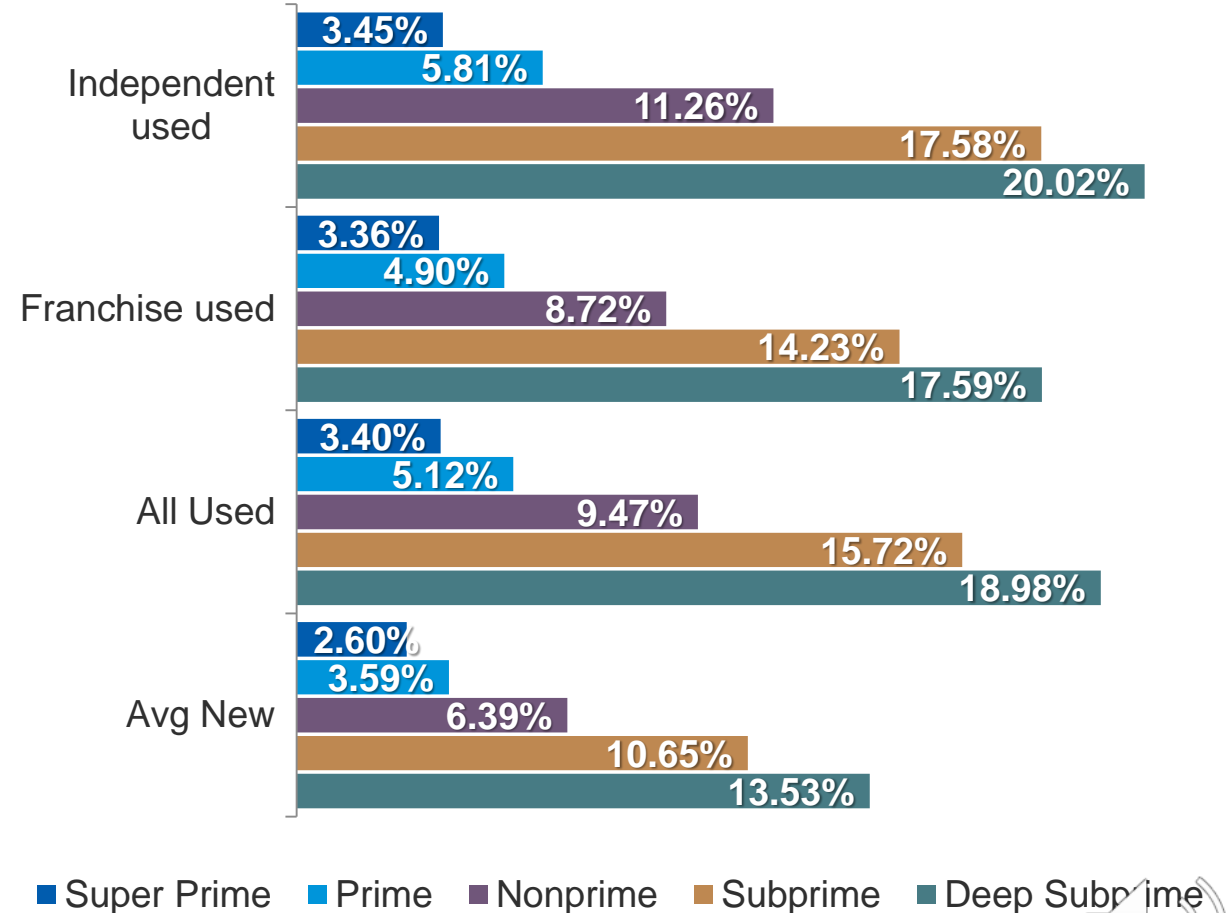


Average new rate rises while prime shift to used and overall higher scores results in lower rates in the used market

Average rates



Average rates by tier





Summary

- Portfolio balances reach record levels as loan amounts grow to all-time highs
- Increases in both 30 & 60-day delinquency rates rise as the percentage of loans in the subprime portion of open portfolios grow
- Leasing drops below 30% of all new consumer vehicle sales as consumers across all risk tiers increasingly choose to lease
- Originations across all finance types become increasingly more prime and credit scores improve
- Prime consumers also increasing choosing used vehicles resulting in score increases, greater percentages of used financing in the prime risk tier and lower average used rates
- Loan amounts and payments climb while terms continue to extend





Insights about the market, the vehicles and the people who buy them

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