

# State of the Automotive Finance Market

A look at loans and leases in Q4 2017

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



[www.experian.com/automotive](http://www.experian.com/automotive)

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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

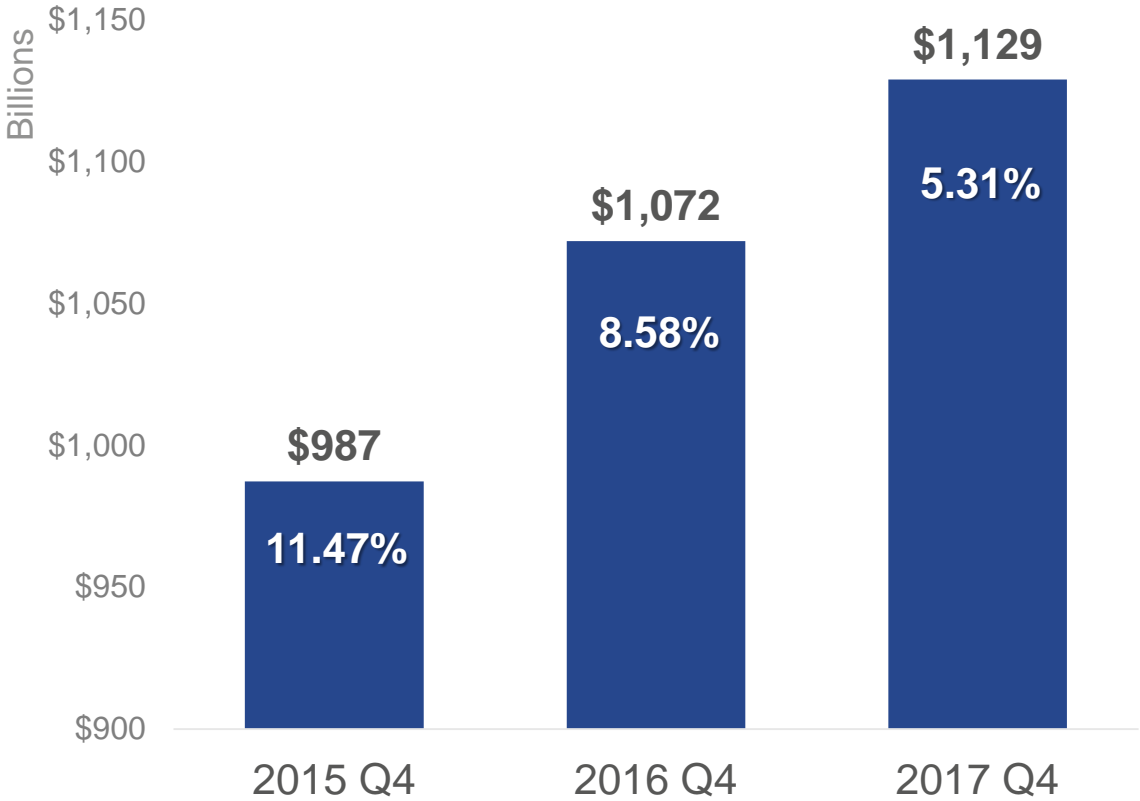
# Overall Automotive Finance Market

A review of all open automotive loans & leases

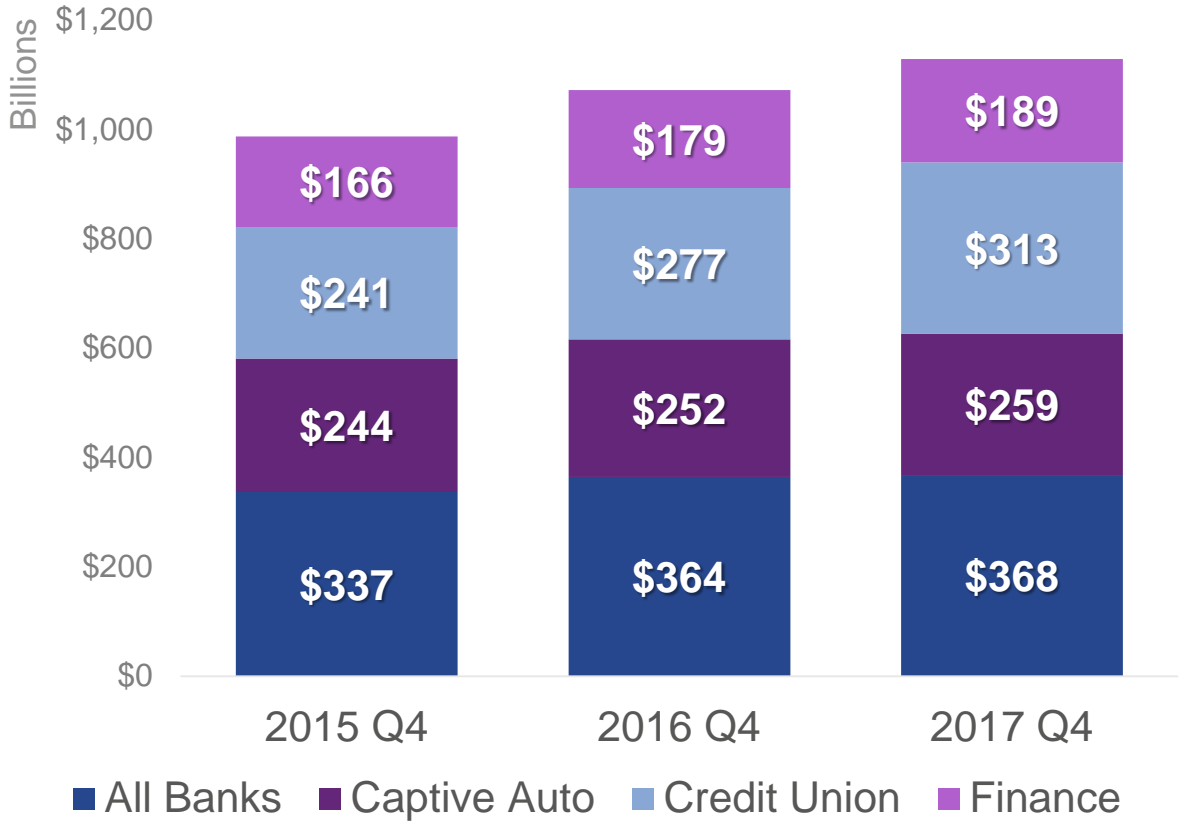


# Loan balances reach another record high-yet experience slowing growth; Credit Unions see highest growth

Total open automotive loan balance

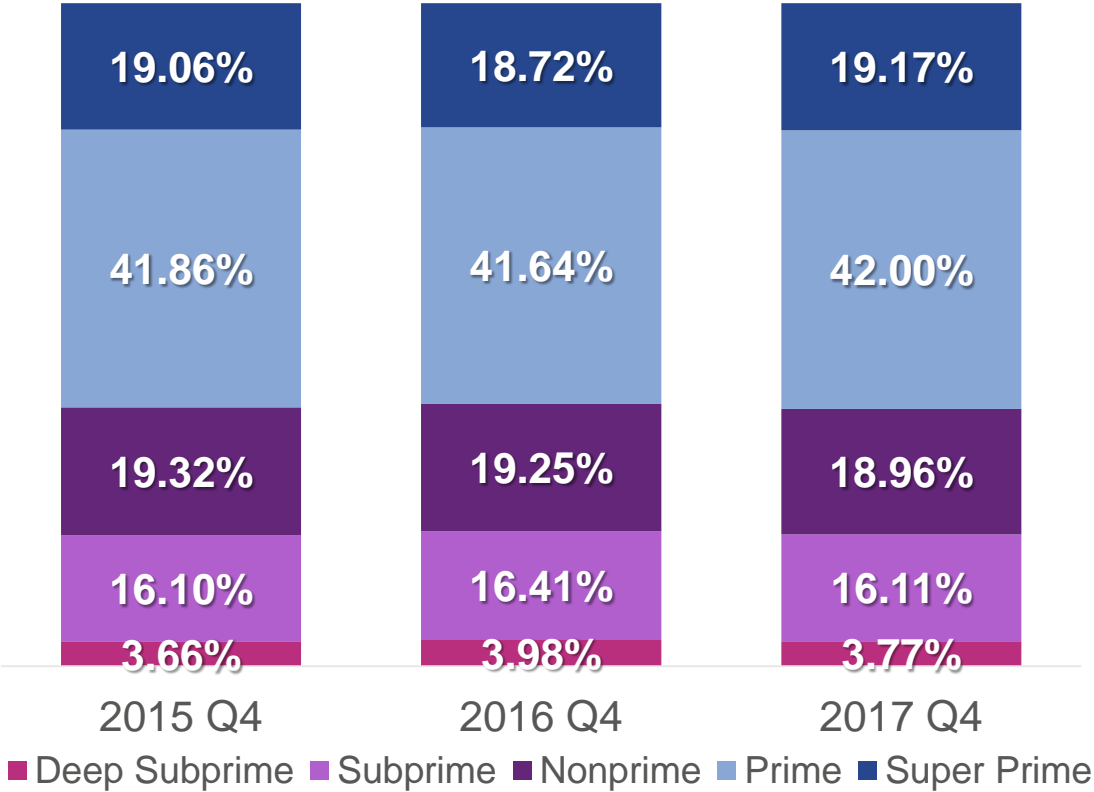


Total open automotive loan balance

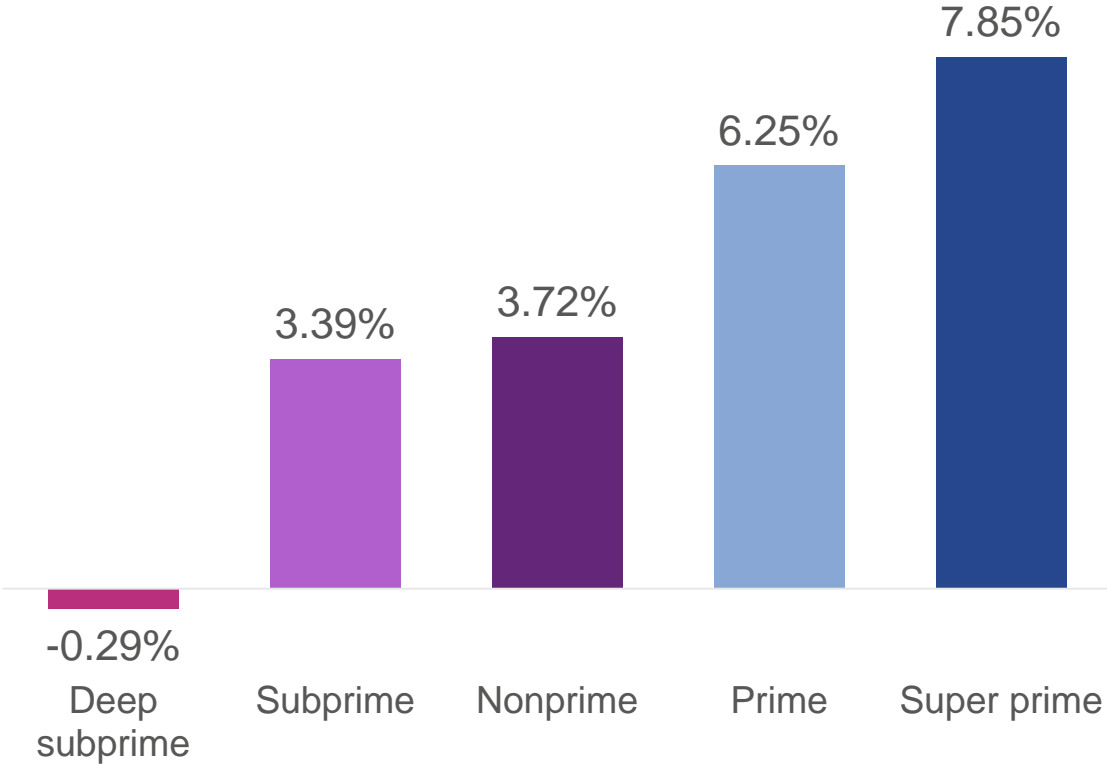


# Percentage of subprime shrinks as prime+ reaches nearly 61% of outstanding auto loan balances

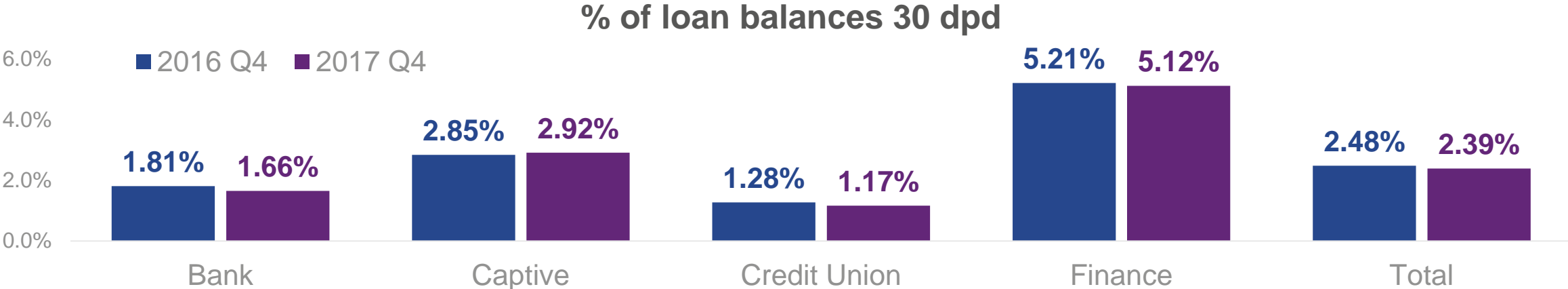
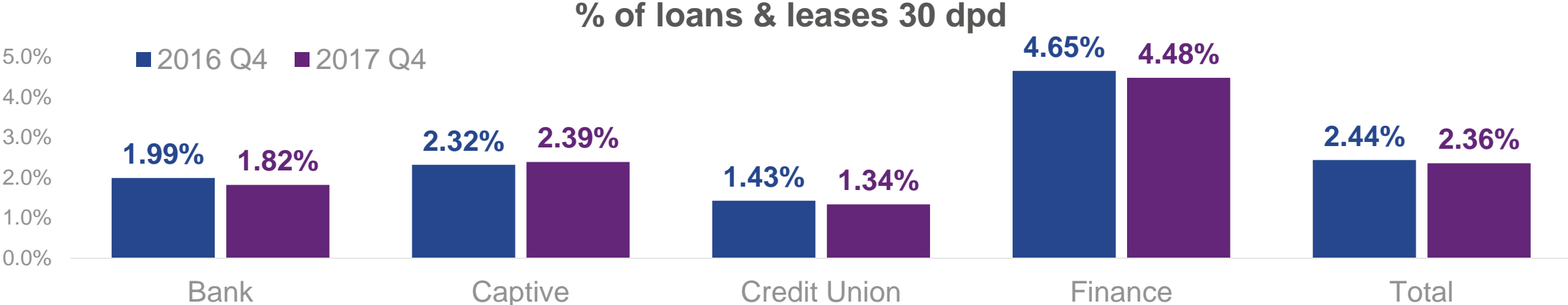
Loan balance risk distribution



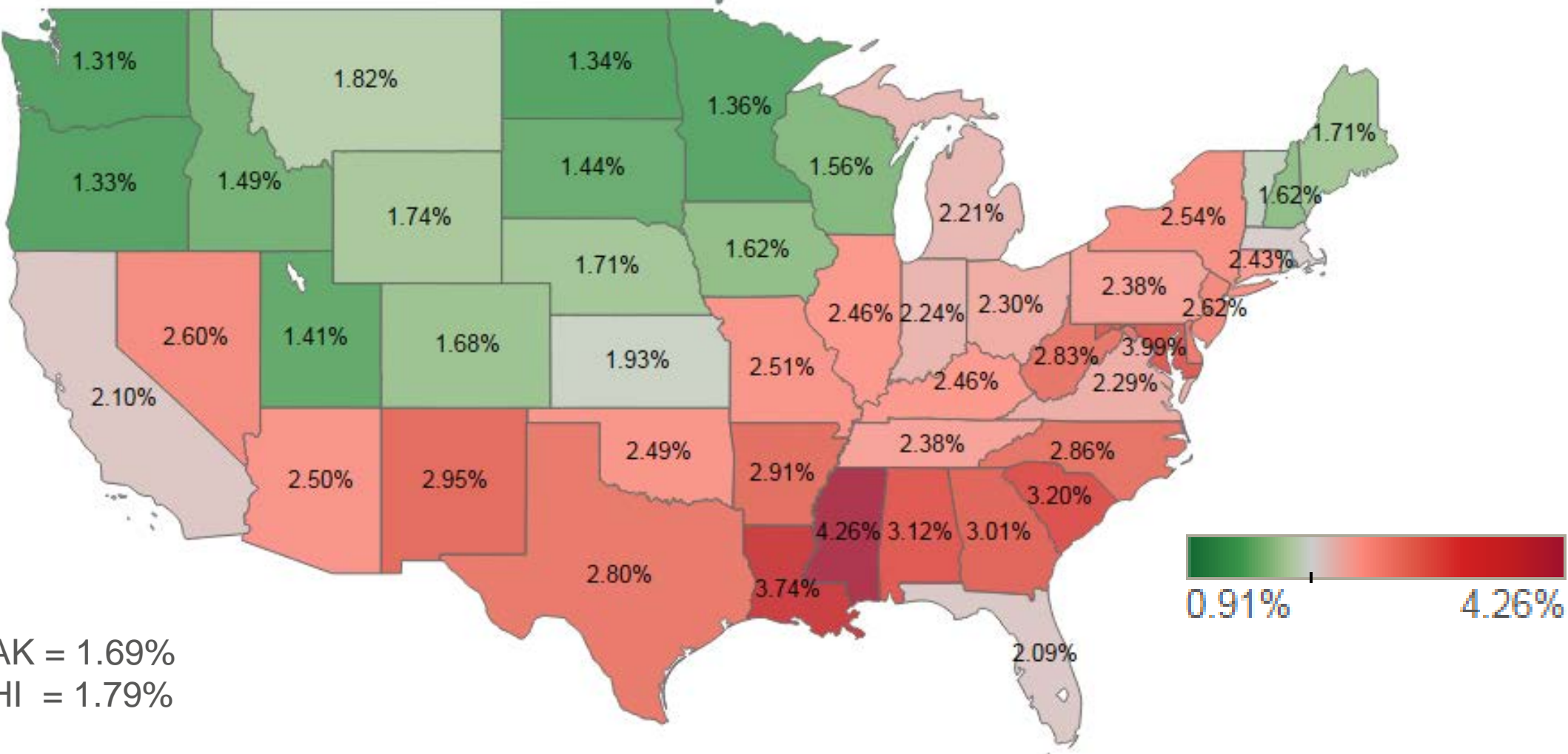
Year-over-year balance change



# 30 day delinquency rates are improving



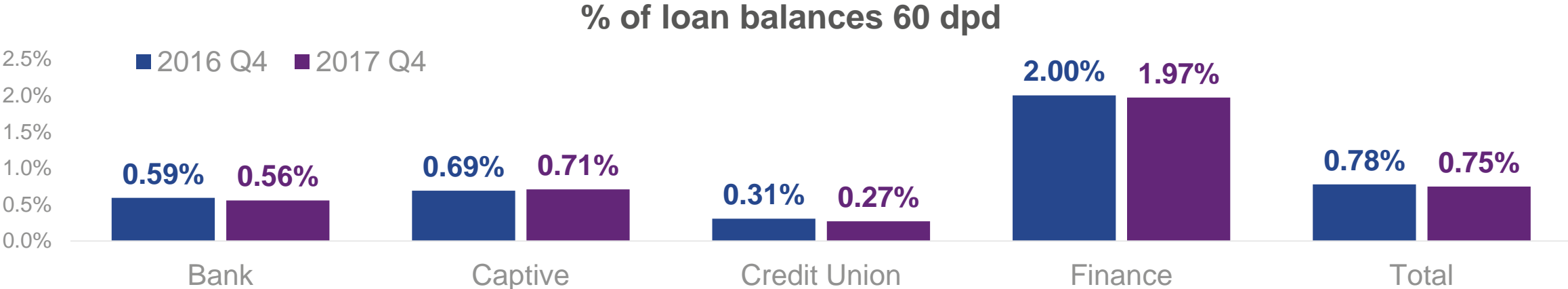
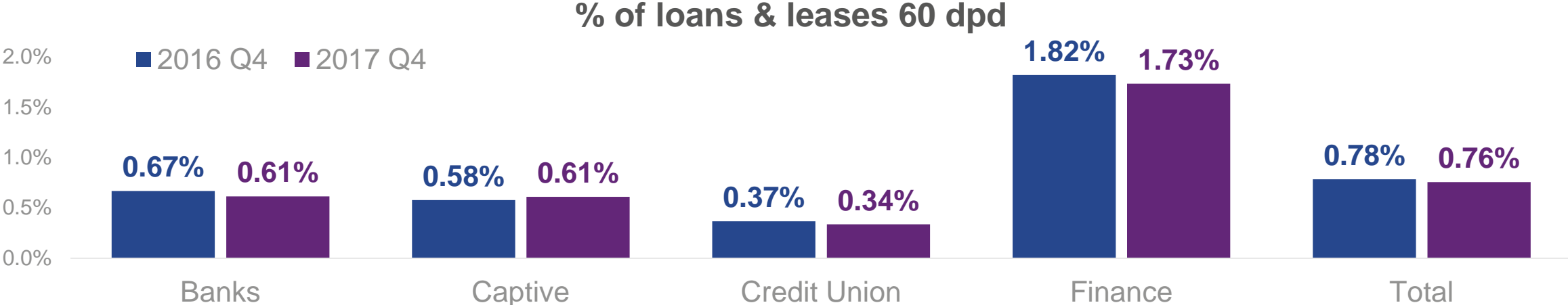
# Percentage of loan balances 30 dpd



AK = 1.69%  
 HI = 1.79%

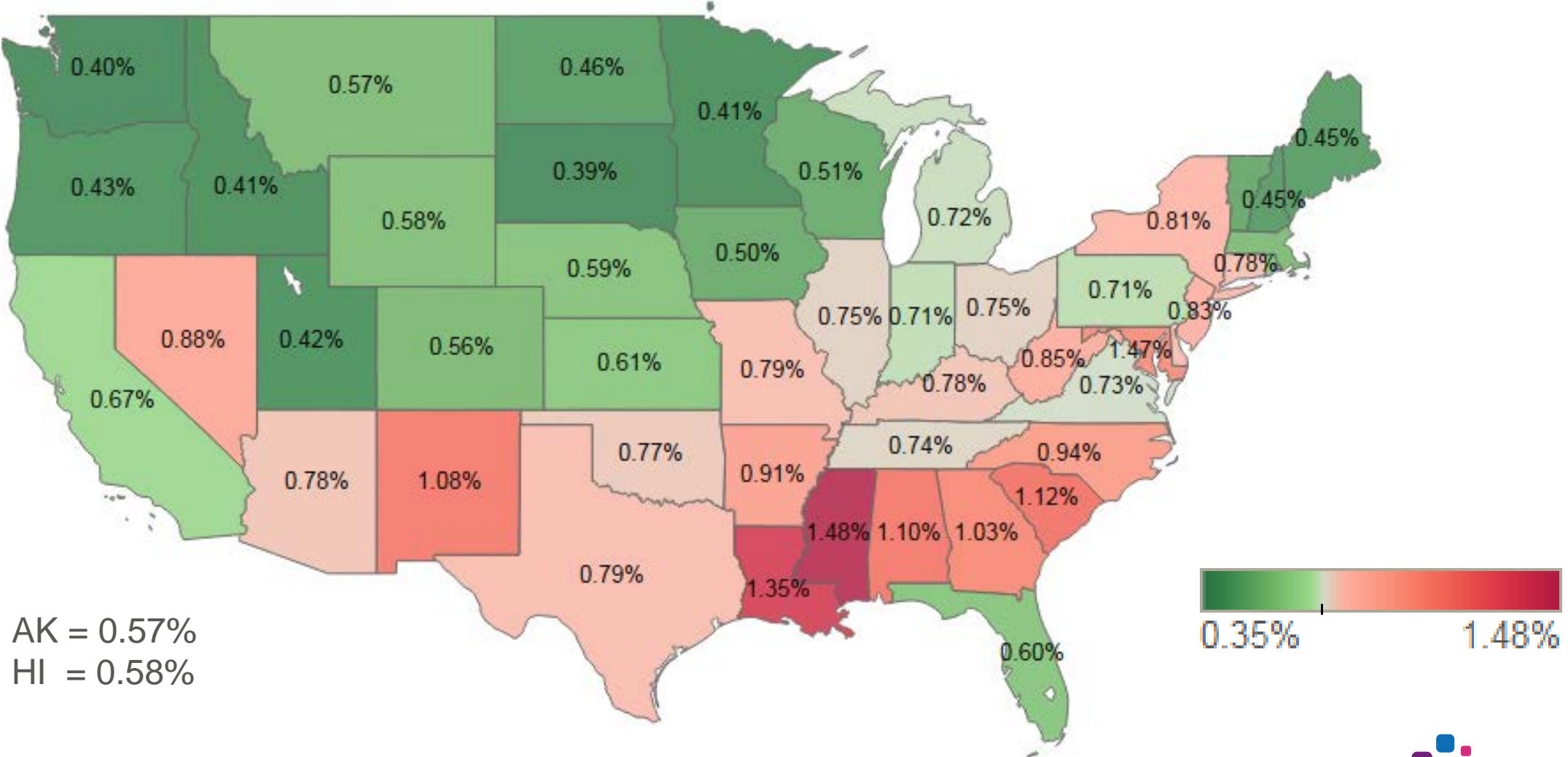


# 60 day delinquency rates also improve





# Percentage of loan balances 60 dpd

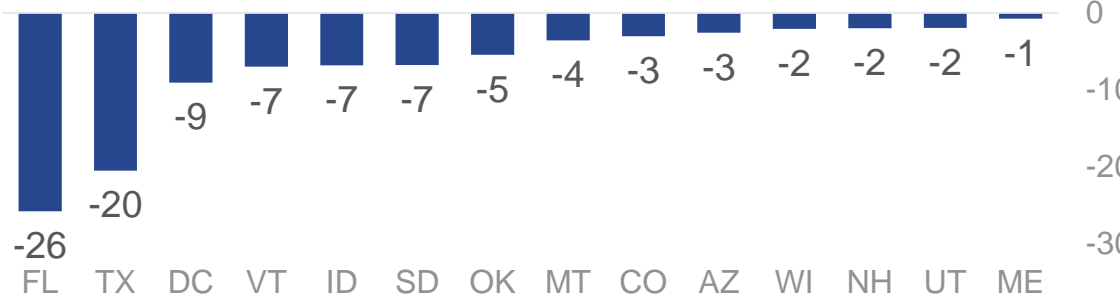


AK = 0.57%  
 HI = 0.58%

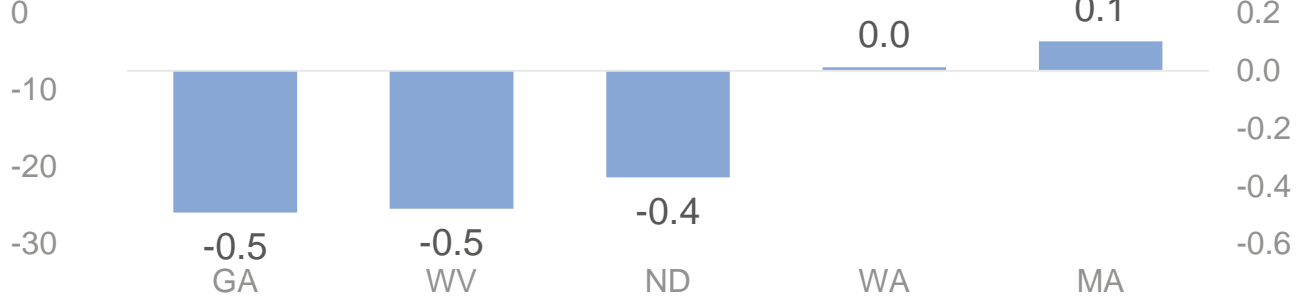


# Delinquency improvement in some of the larger states is driving overall 60 DPD balance decreases

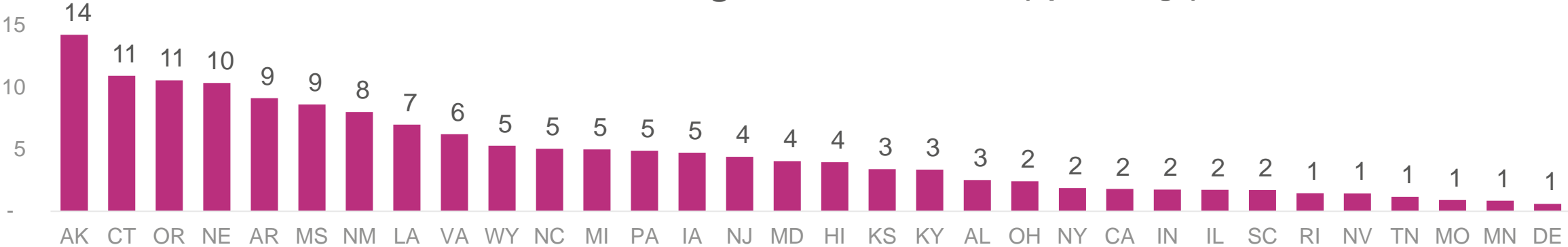
States with decreasing 60 DPD balances (bps change)



States with <1 bps change in 60 DPD balances



States with increasing 60 DPD balances (bps change)



# Originations in Q4 2017

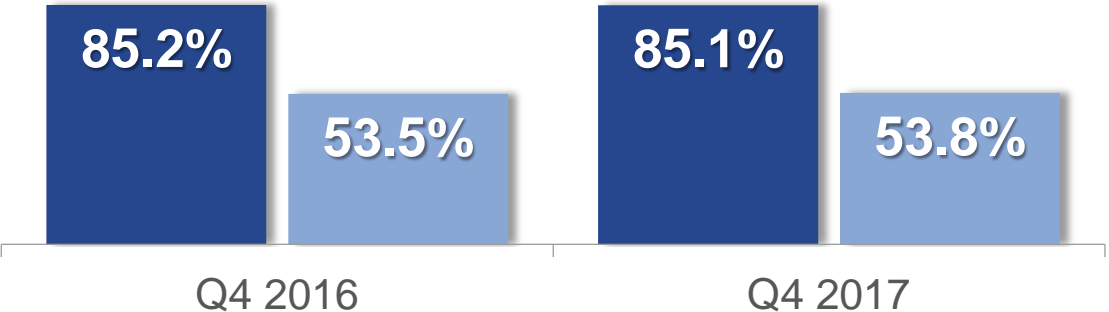
Trends in automotive loan and lease originations



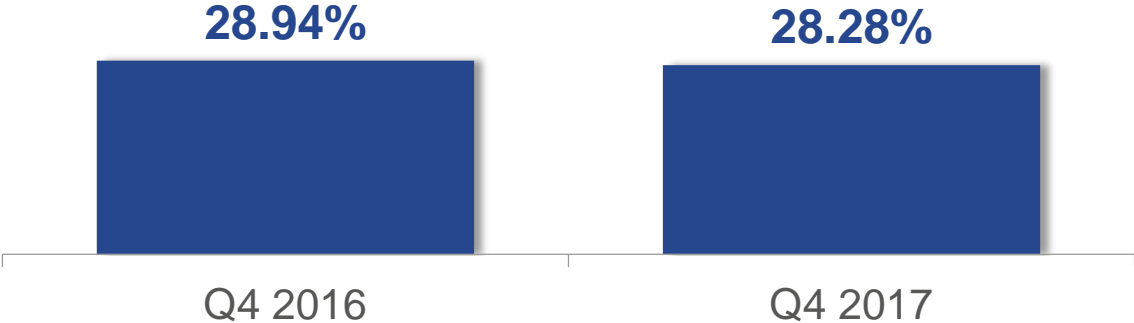
# Automotive financing: snapshot of how and what consumers are financing

Percentage of vehicles with financing

■ New ■ Used

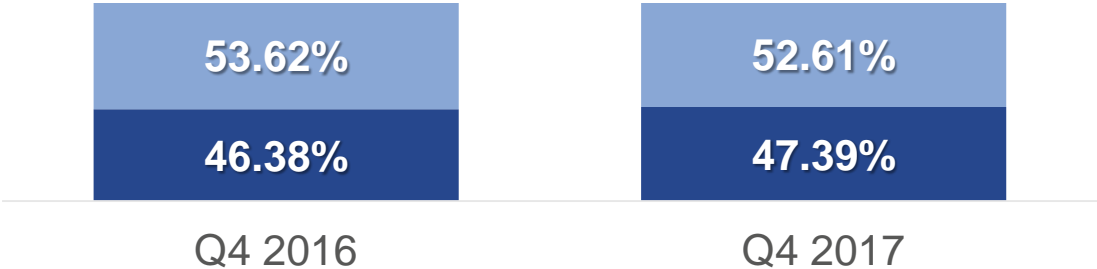


% of all new vehicles that are leased



Finance Market: new v used units

■ New ■ Used



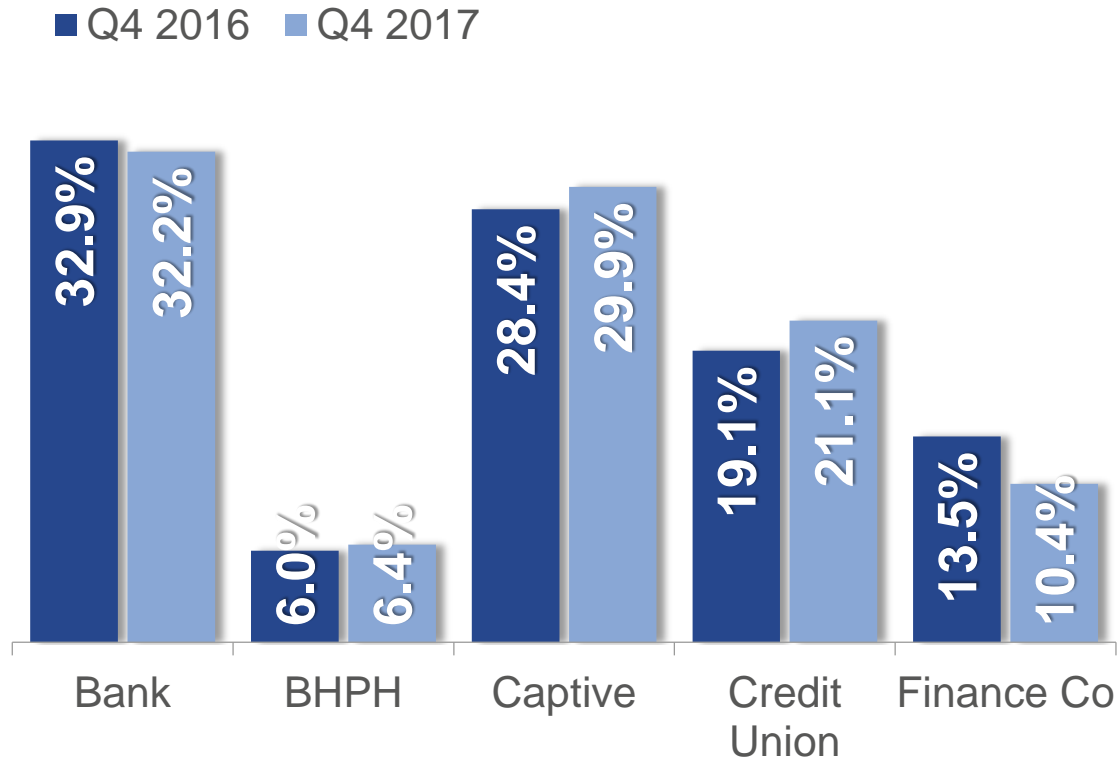
Used % of lease market



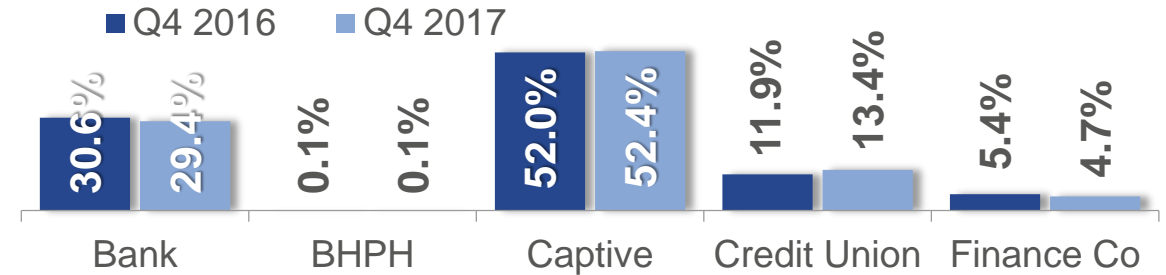
# Captives and Credit Unions continue to gain market share

(loan and lease units combined)

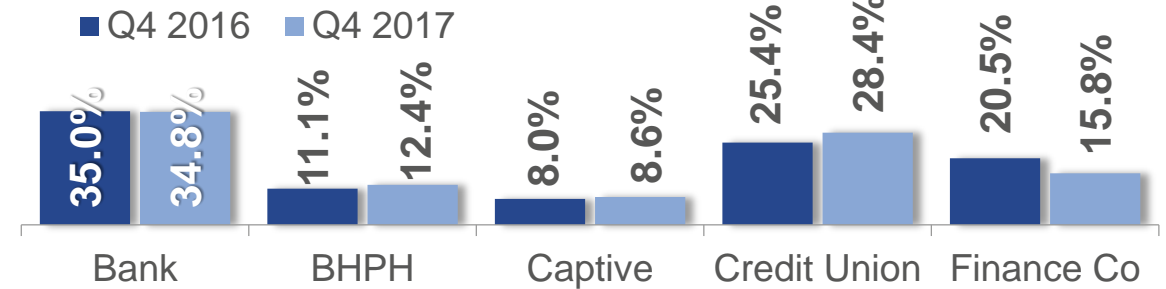
### Market Share of Total Financing (new/used units & loan/lease)



### Market Share of New Financing



### Market Share of Used Financing



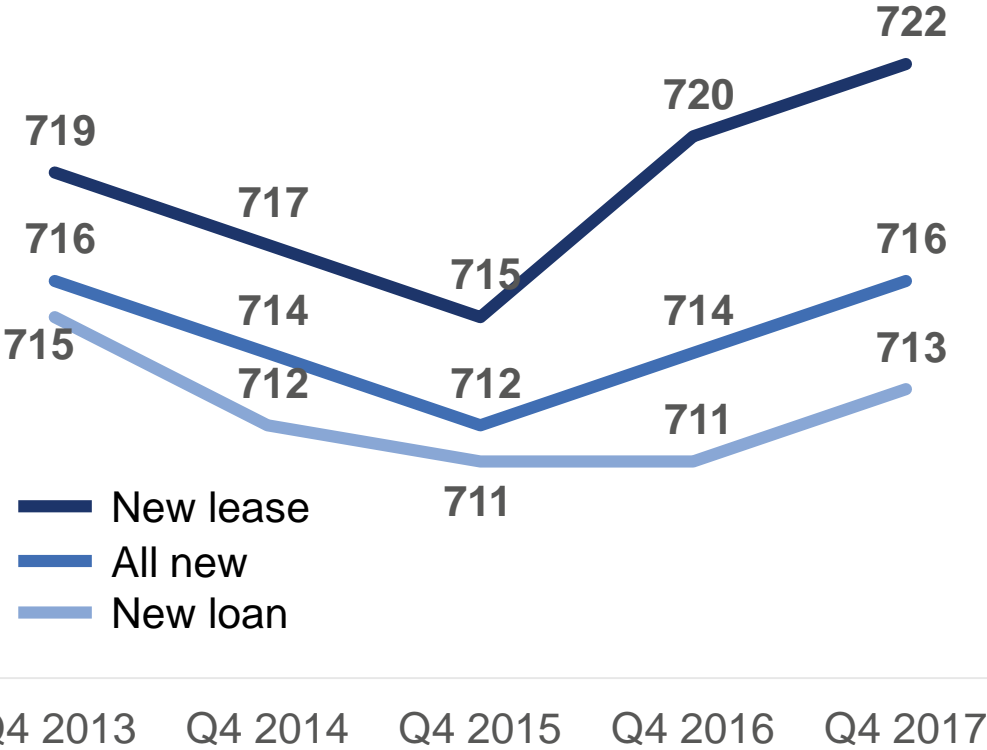
# Score range refresh

Category	Score Range
Super prime	781 – 850
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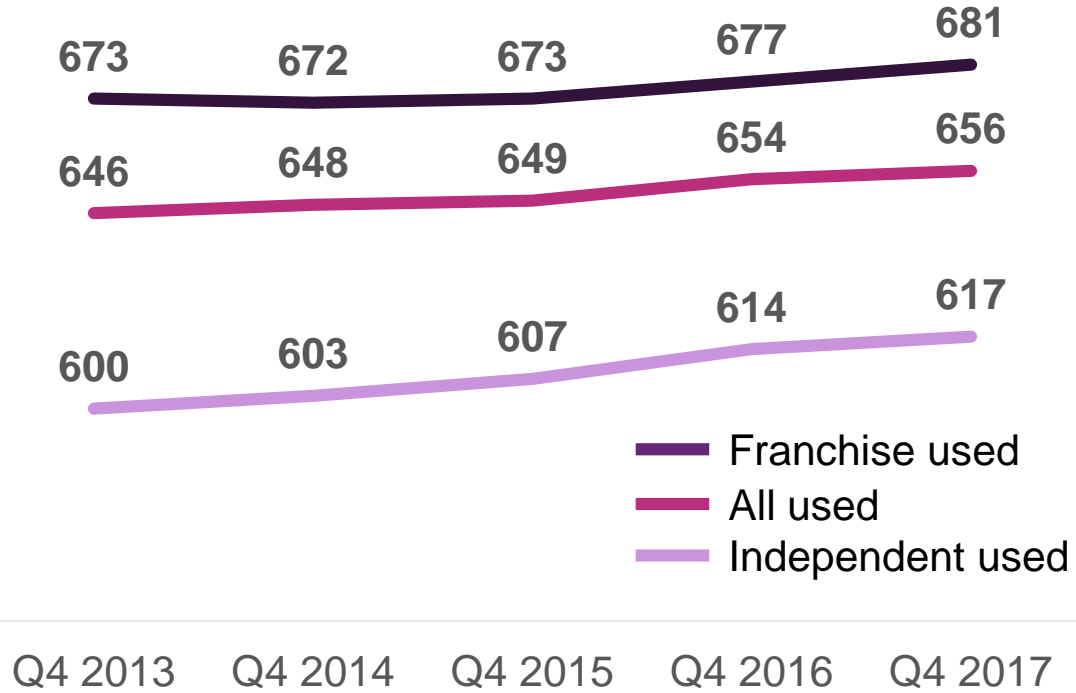
**Note:** ranges above are those used by Experian Automotive for automotive finance market analysis and trending purposes. Other industries and lenders may use other ranges based on unique scores, portfolio and industry trends.

# Credit scores show year-over-year improvement

### Average new credit scores

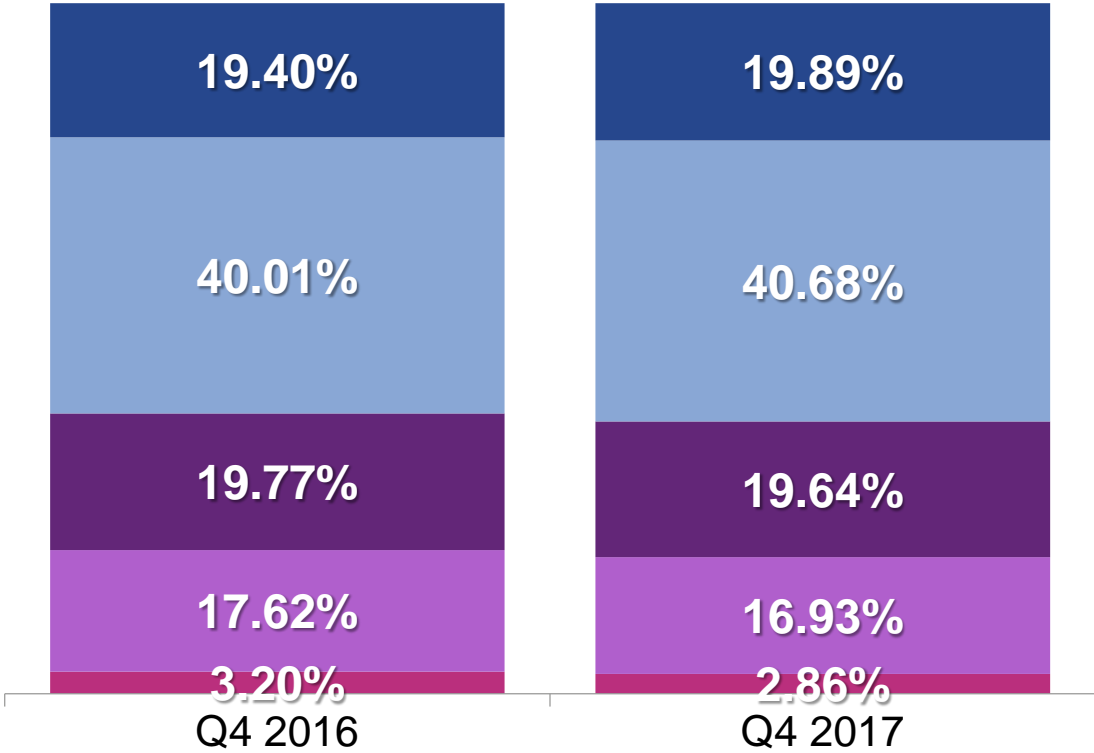


### Average used credit scores



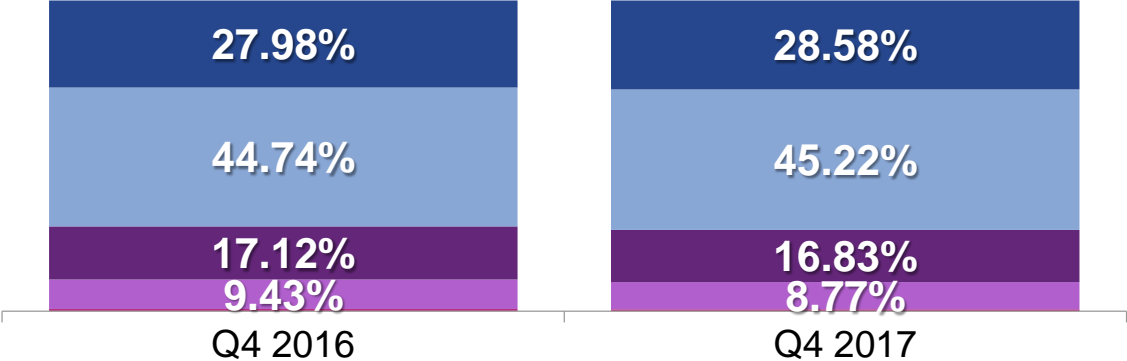
# Total finance (loan & lease) market remains at record, or near record lows for subprime financing

**Total (new & used units) risk distribution**

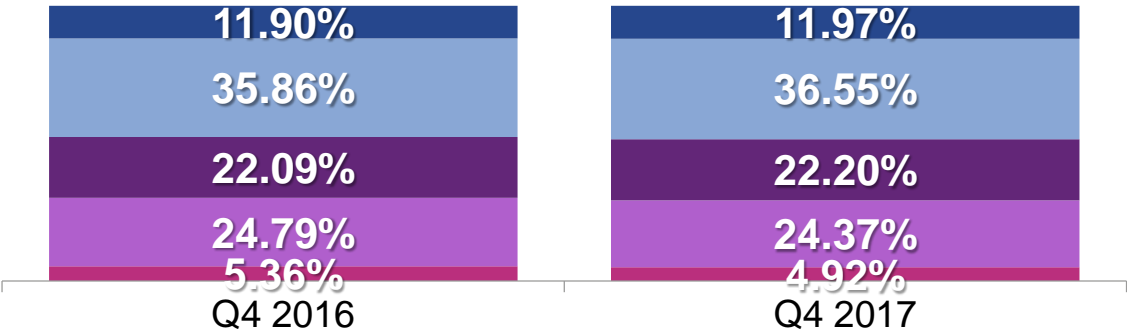


■ Deep Subprime ■ Subprime ■ Nonprime ■ Prime ■ Super Prime

**New risk distribution**



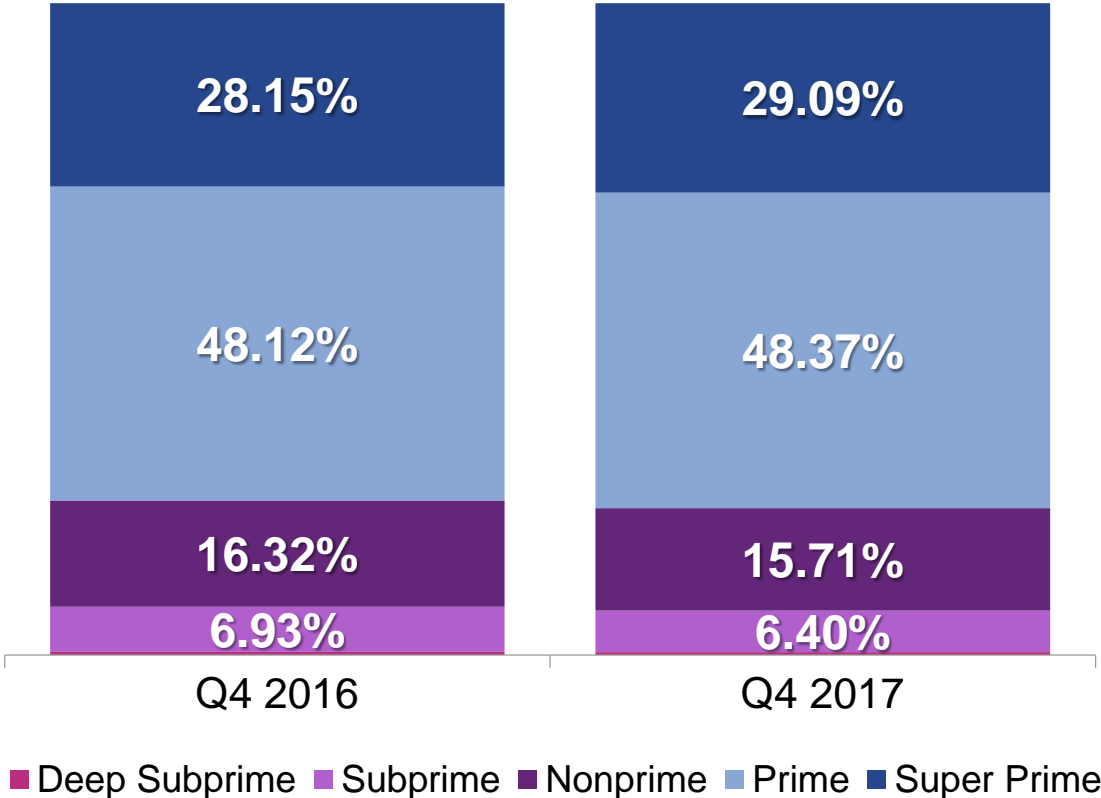
**Used risk distribution**



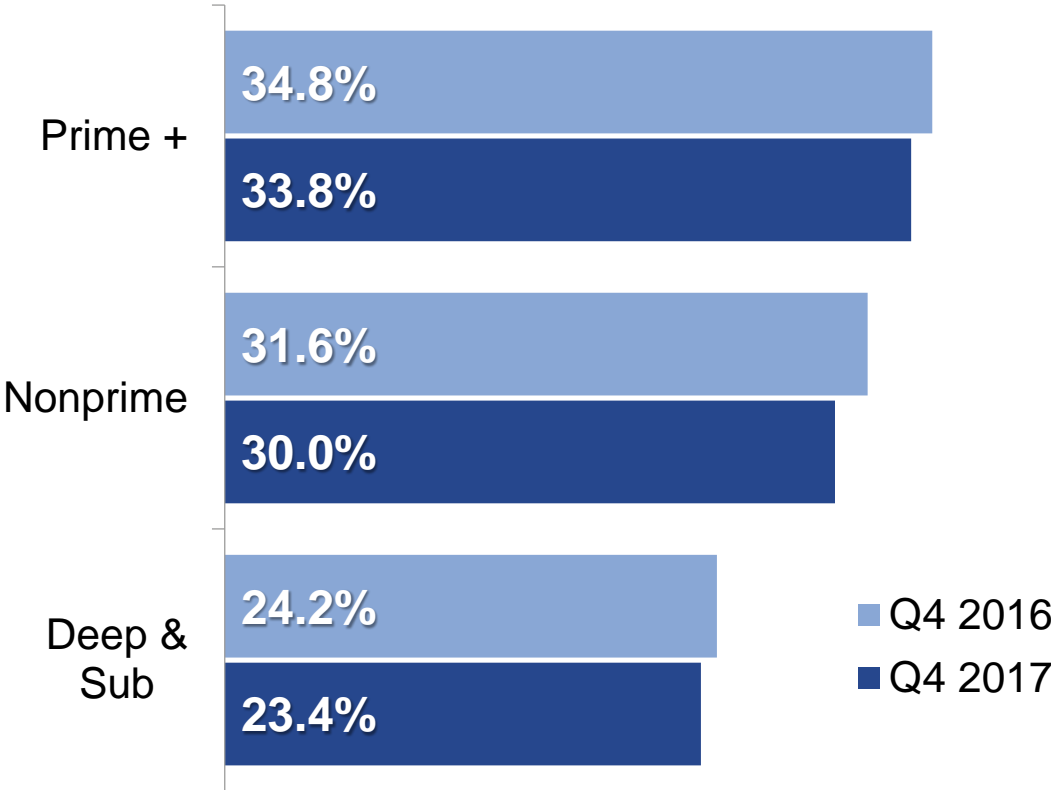


# Leasing remains very prime despite a drop in prime consumers choosing to lease

**New lease risk distribution**

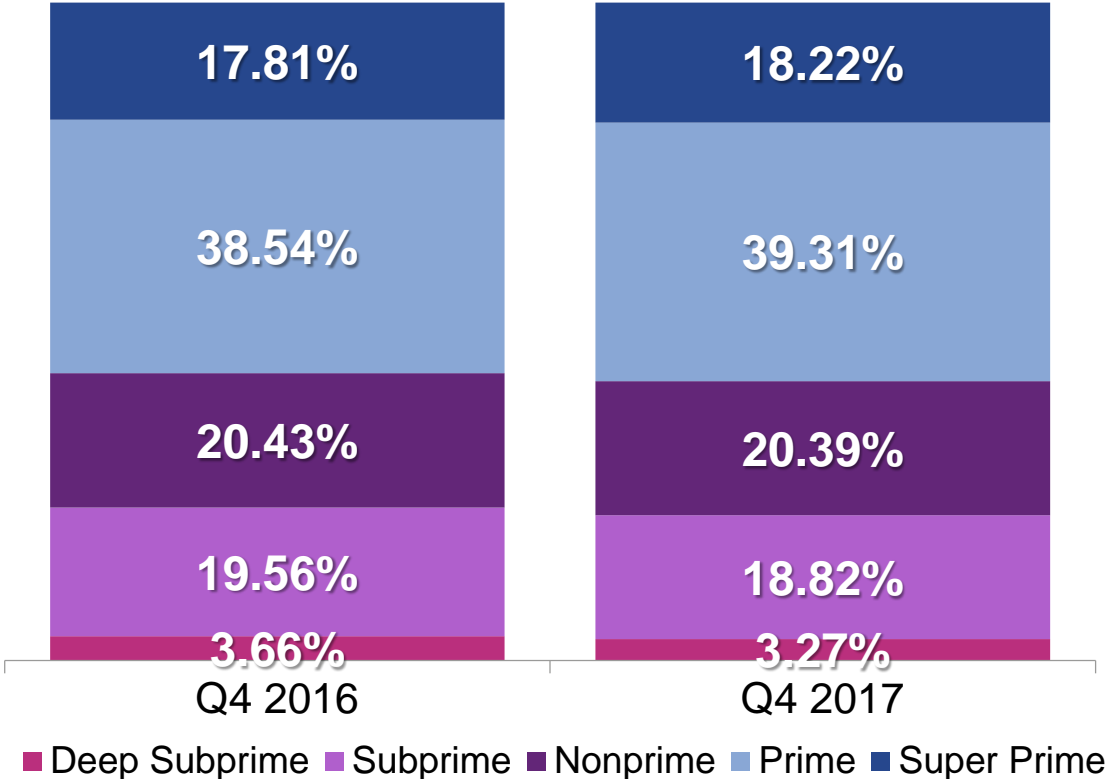


**% of new borrowers choosing to lease**

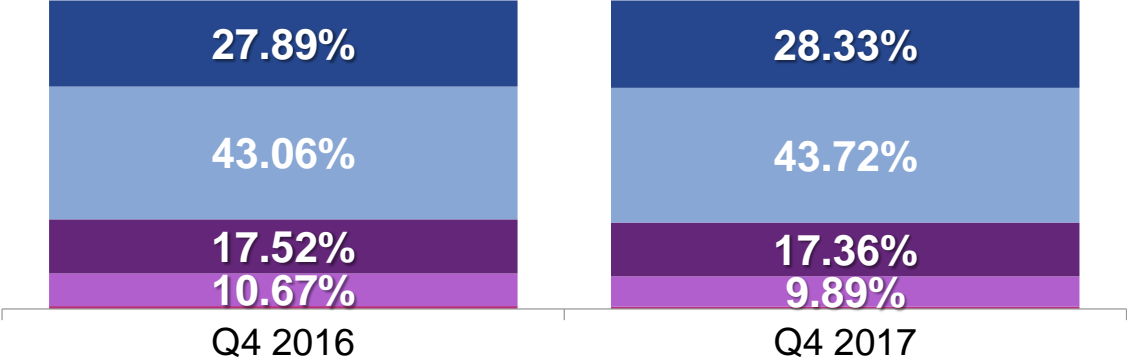


# Record low for deep subprime in the total and used loan markets

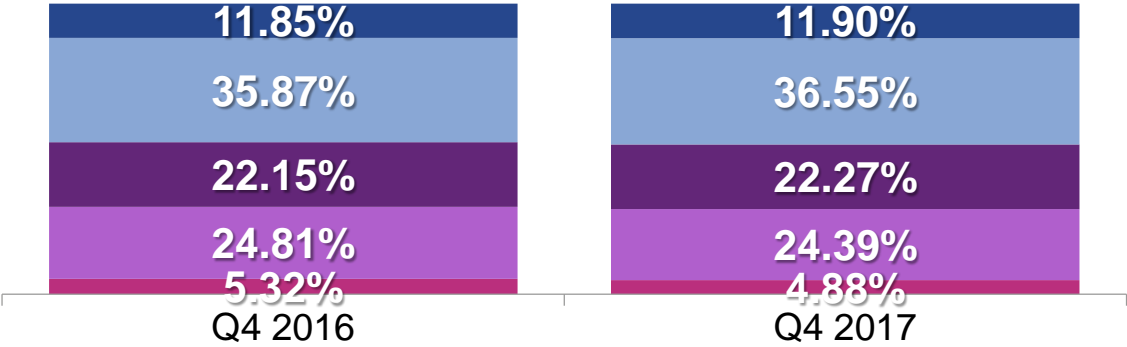
**Total (new & used units) loan risk distribution**



**New loan risk distribution**

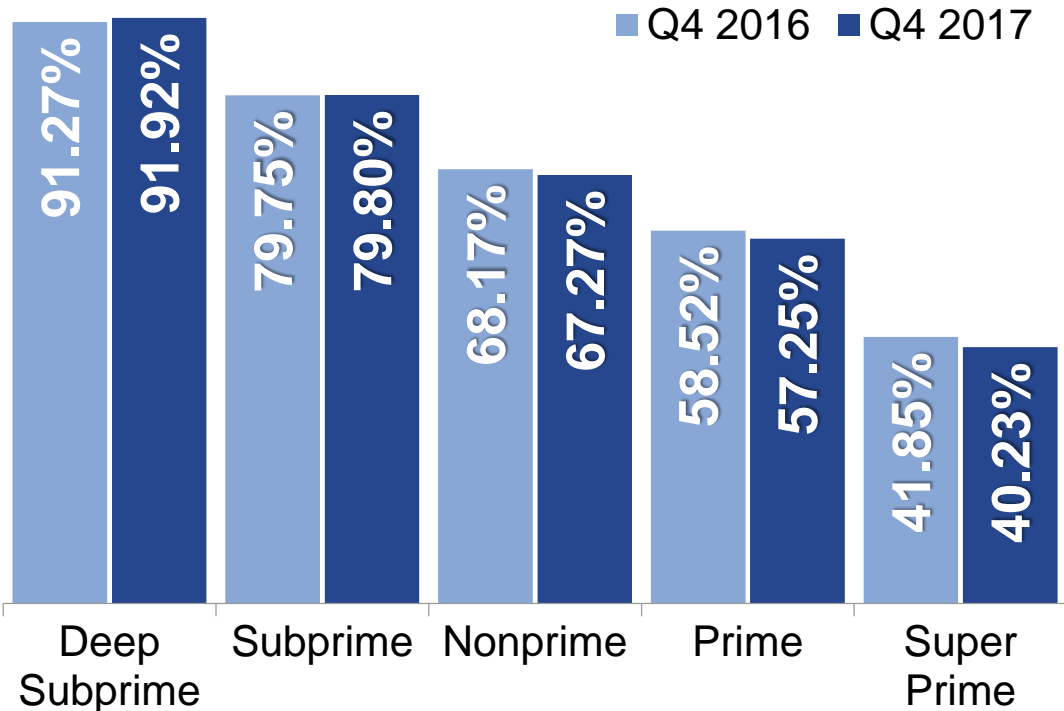


**Used loan risk distribution**

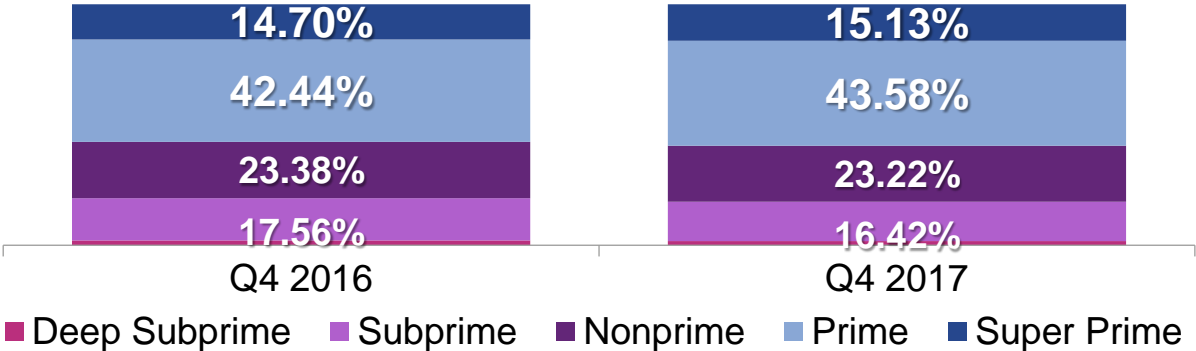


# Prime consumers shift slightly away from used vehicles yet used subprime financing remains at record lows

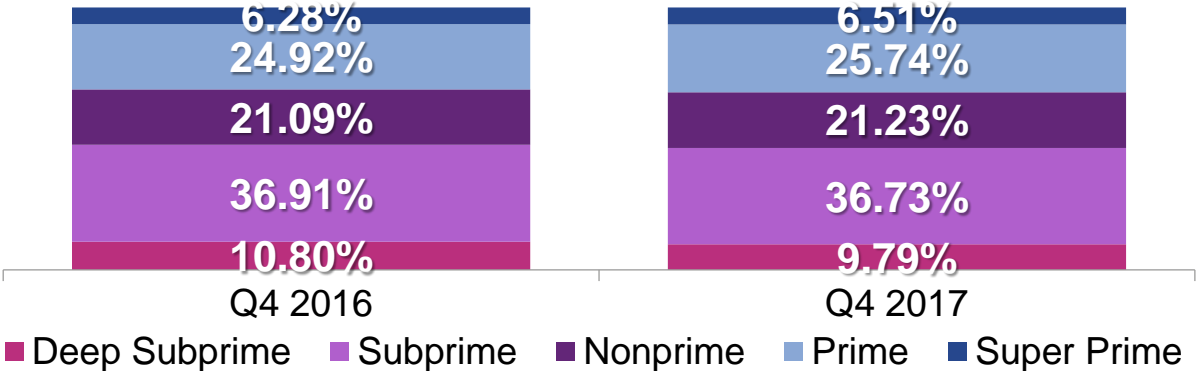
**Percentage of consumers by risk tier choosing used loans**



**Used Franchise loan risk distribution**



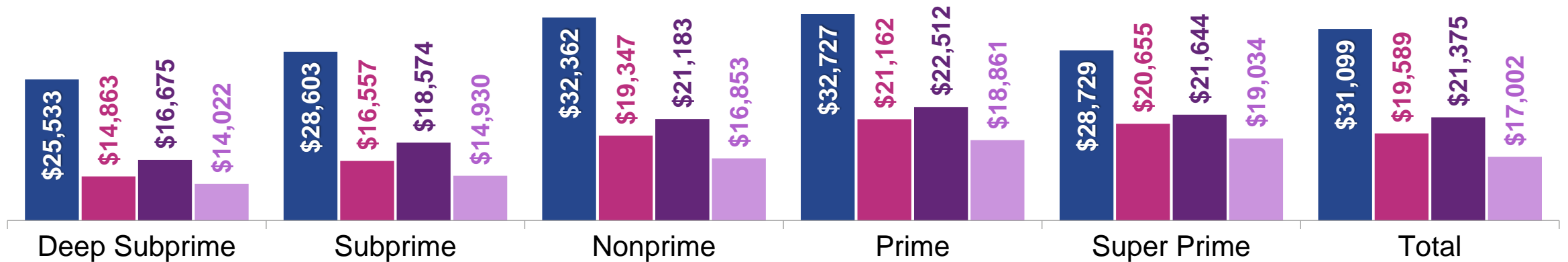
**Used Independent loan risk distribution**



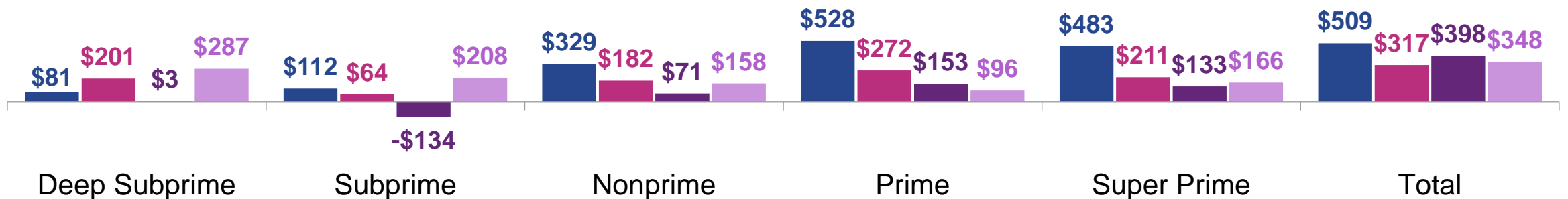
# Record highs for average new and used loan amounts

## Average loan amount by tier

■ Avg New ■ All Used ■ Franchise used ■ Independent used

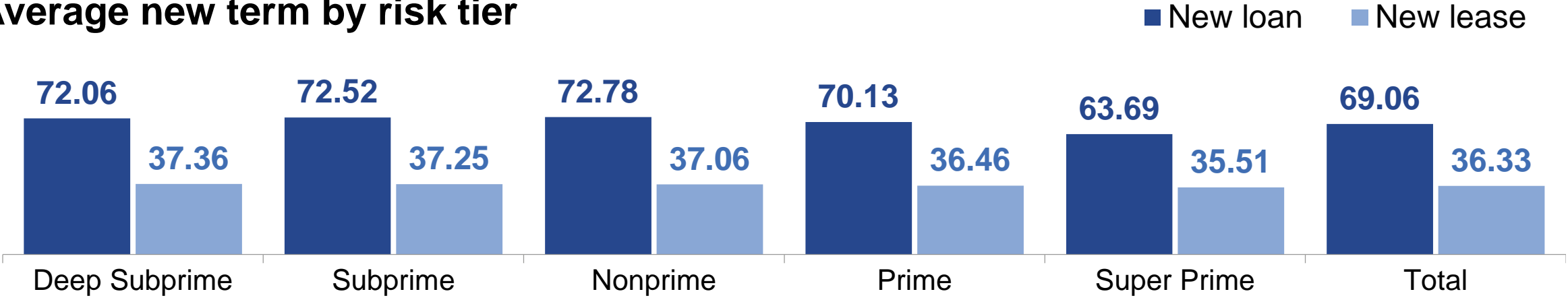


## Year-over-year change in balance

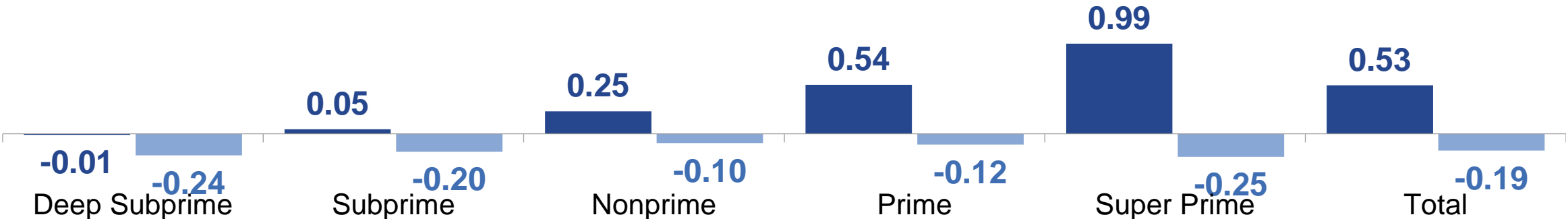


# New loan term at 69 months and show increases in higher credit tiers

## Average new term by risk tier

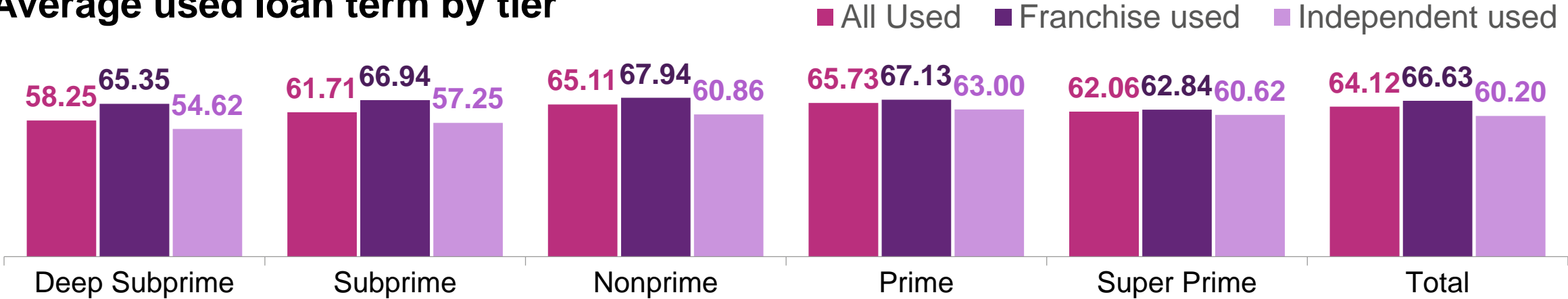


## Year-over-year change in term

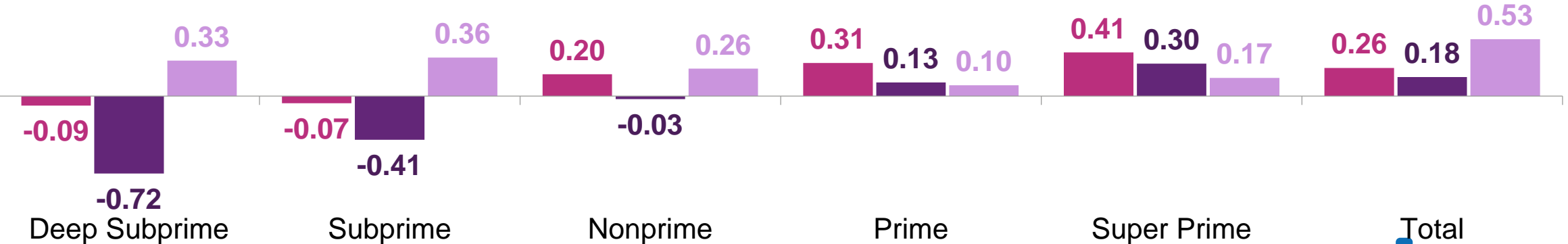


# Used loan terms rise, yet decrease for high risk franchise used loans

## Average used loan term by tier

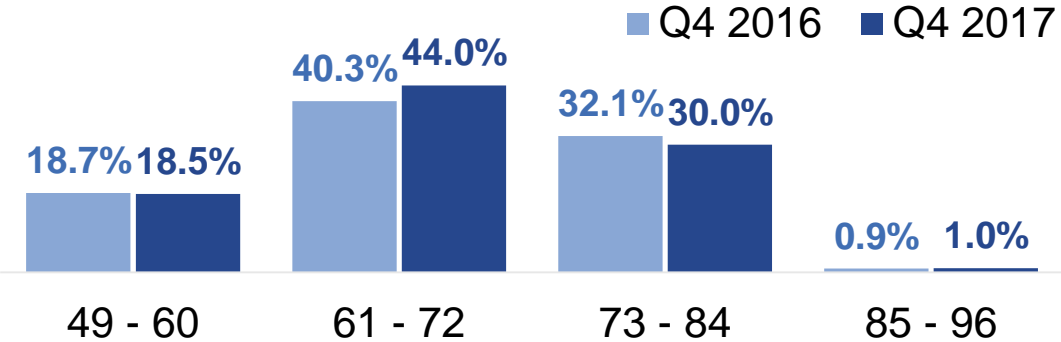


## Year-over-year change in used loan term

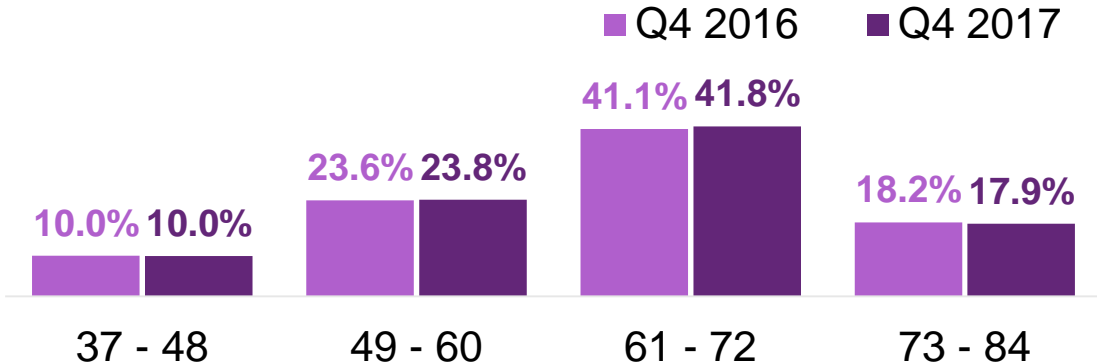


# Longer term loans continue to dominate the market

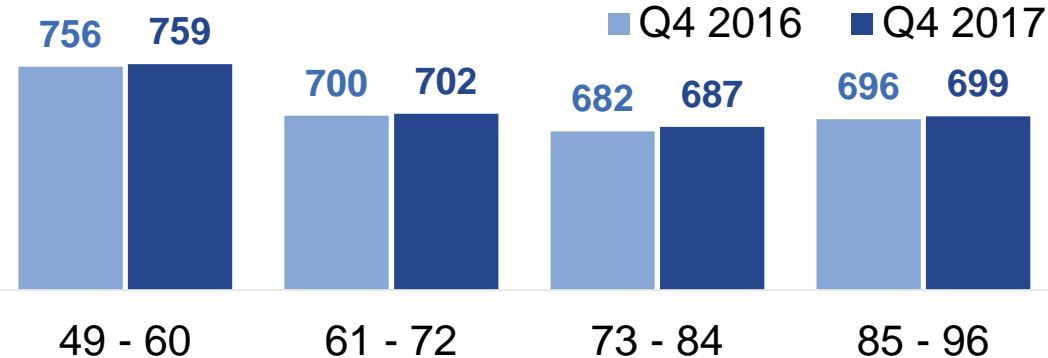
Percentage of new loans by term



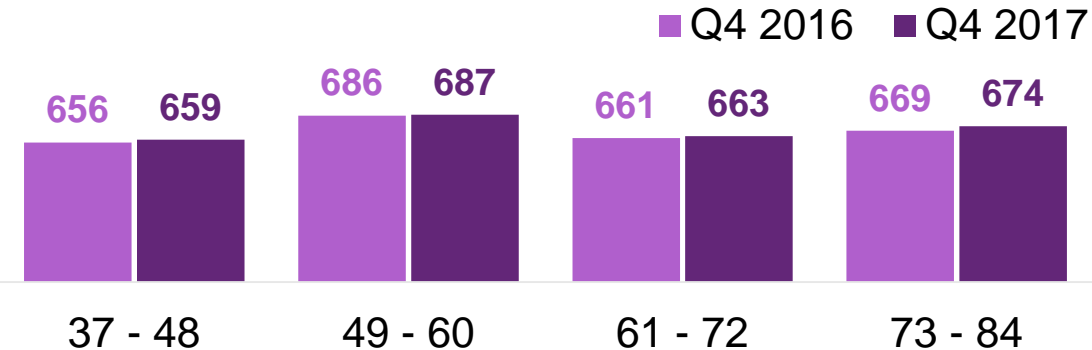
Percentage of used loans by term



Average new score by loan term

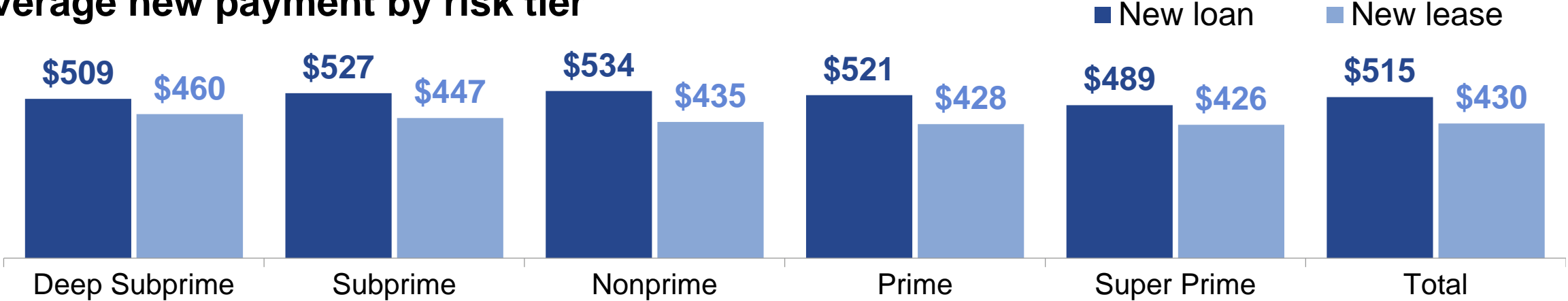


Average used score by loan term

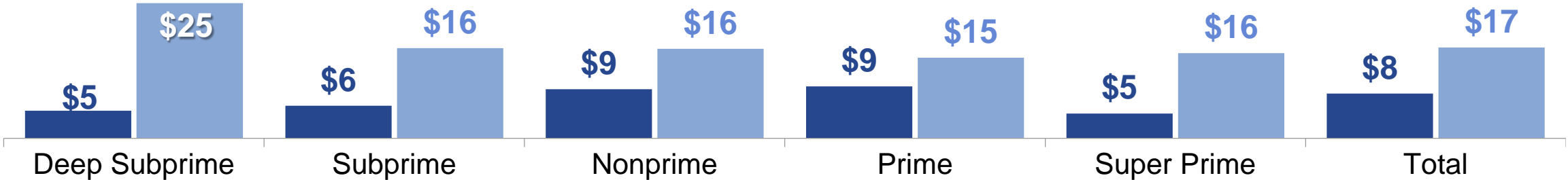


# New monthly payments leap to \$515 hitting all time high

## Average new payment by risk tier



## Year-over-year change in new payment

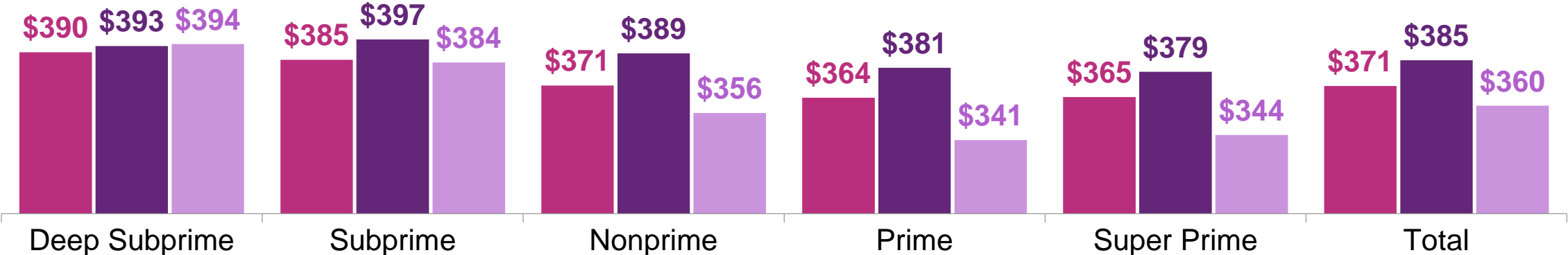




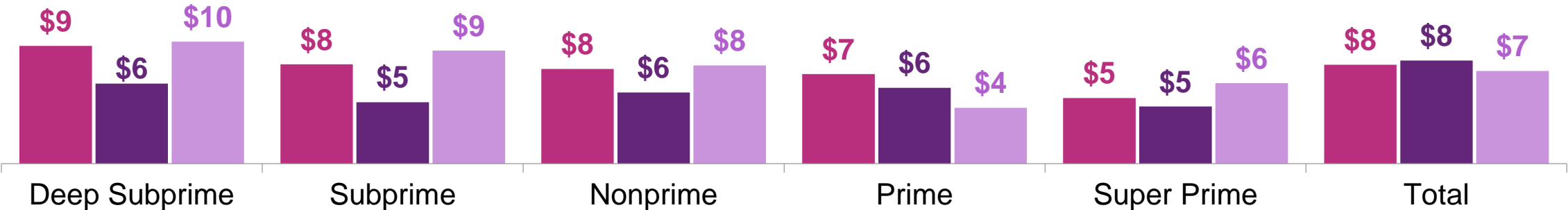
# Average used payments reach record highs

## Average used payment by risk tier

■ All used ■ Franchise used ■ Independent used



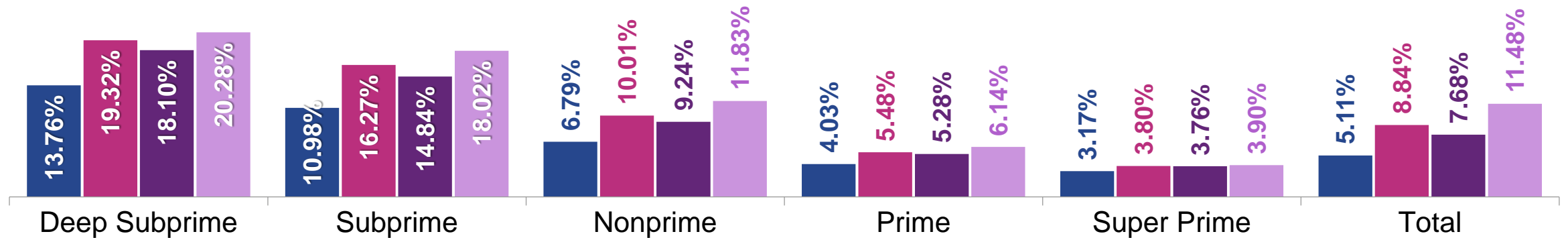
## Year-over-year change in used payment



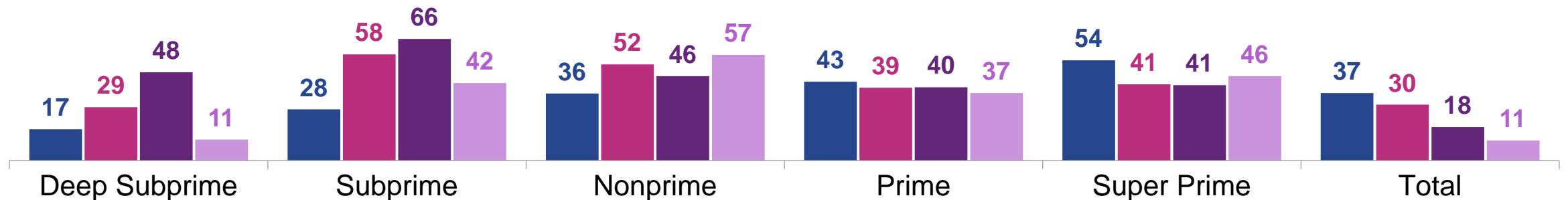
# Rates rise across the entire automotive loan market

## Average loan rates by tier

■ Avg New ■ All Used ■ Franchise used ■ Independent used



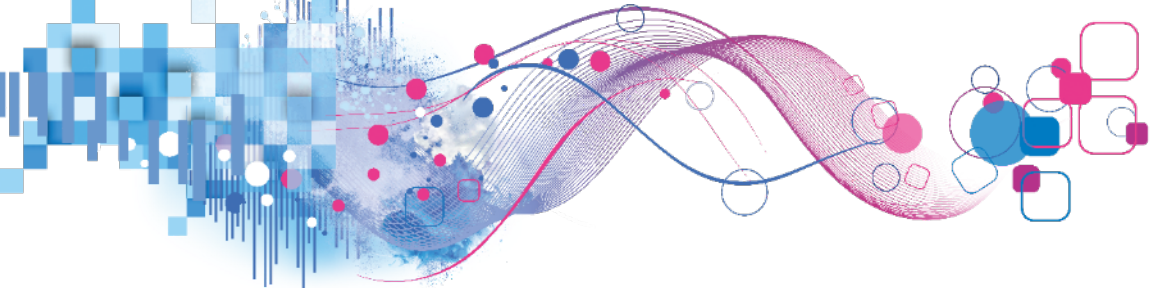
## Year-over-year change (bps) in loan rate



# Summary

- Outstanding loan balances continue to set record highs
- Delinquency rates beginning to improve
- Leasing remains strong with over 28% of all new consumer vehicle sales
- Credit scores improve as lending continues to shift into more prime segments
- Deep subprime reaches record lows in used lending
- Loan amounts and payments reach record highs for both new and used vehicle financing
- While longer term loans remain the norm, there's a decrease in 72-84 month loans in both new and used financing; while new sees slight growth in 85+





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