



AUTO FINANCE INSIGHTS

**State of the Automotive Finance Market
Q1 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

Q1 2021 Originations

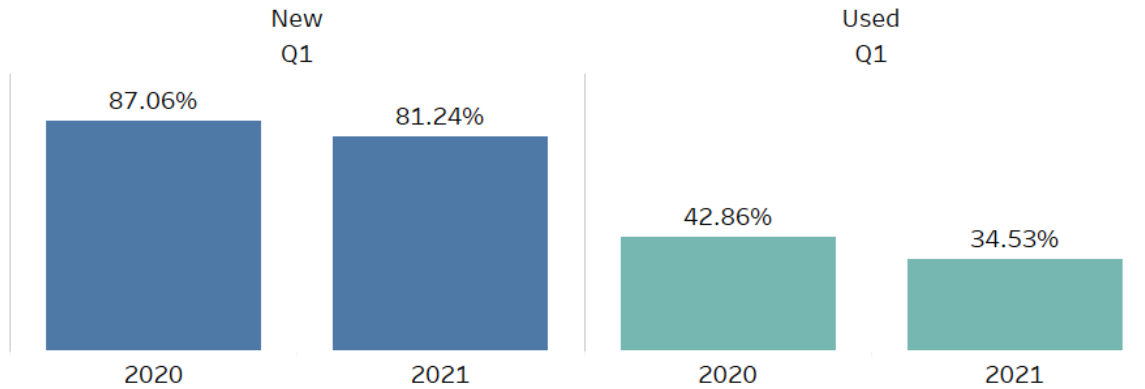
Trends in automotive loan and
lease originations



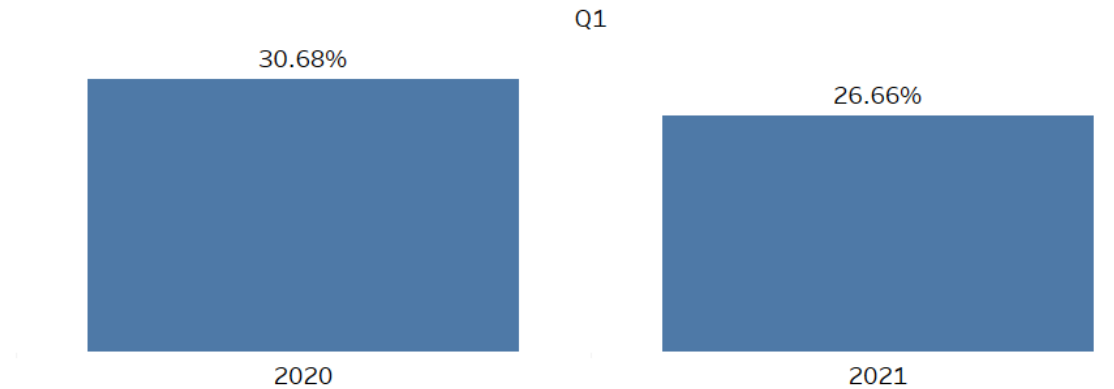
Automotive financing¹

Snapshot of how and what consumers are financing

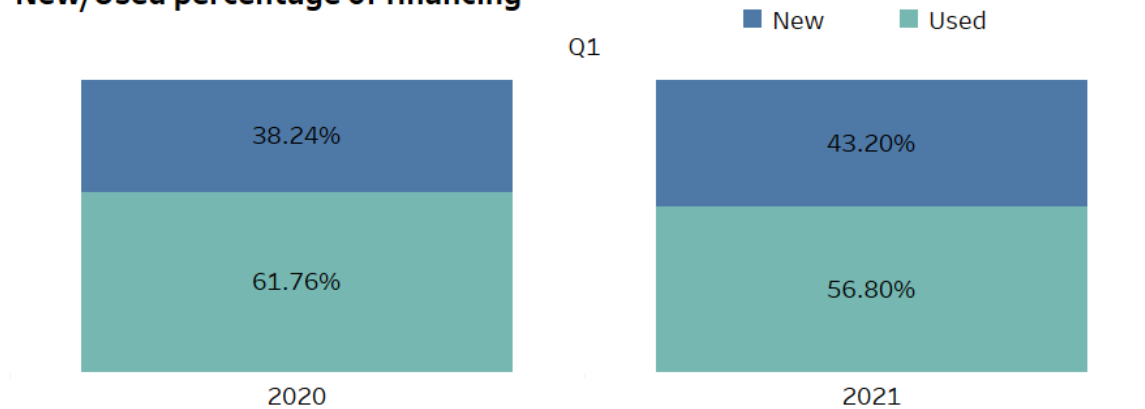
Percentage of vehicles with financing



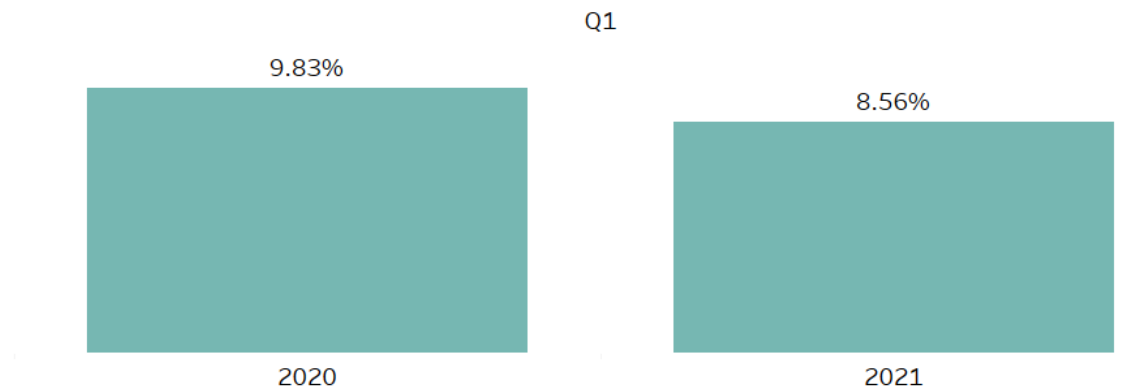
% of all new vehicles that are leased²



New/Used percentage of financing



Used vehicle % of total lease market

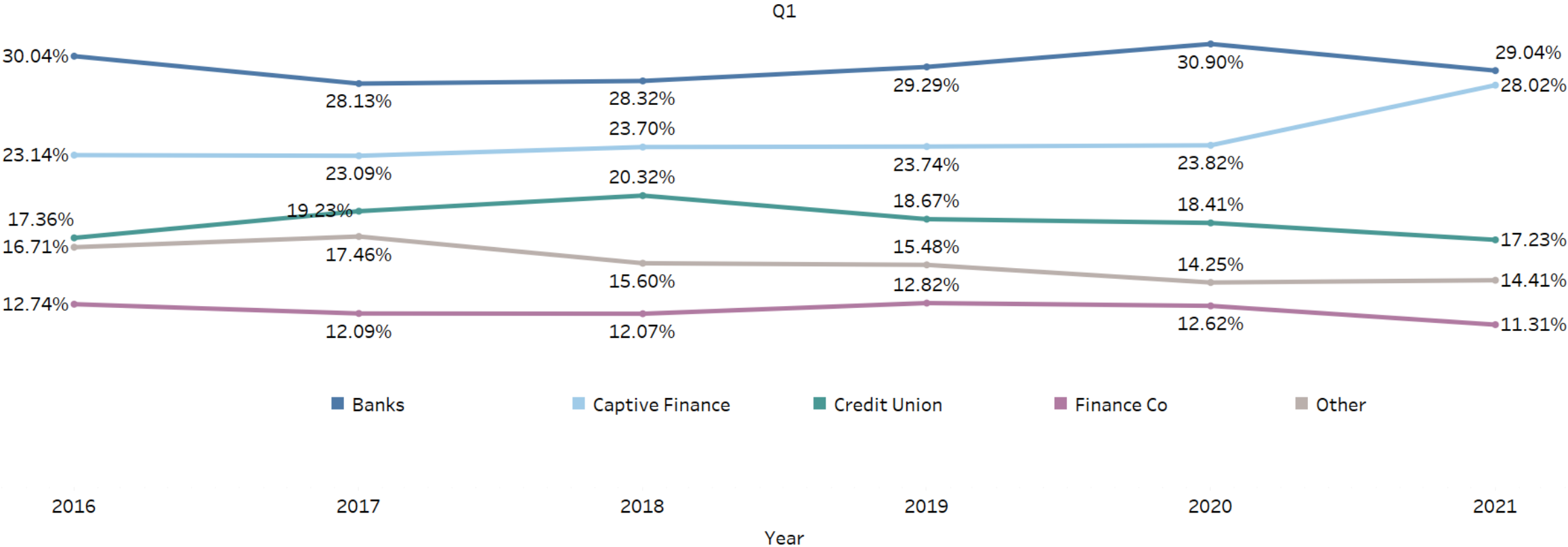


¹ Financing = either a loan or lease is present on the title; ² All = loan, lease or cash



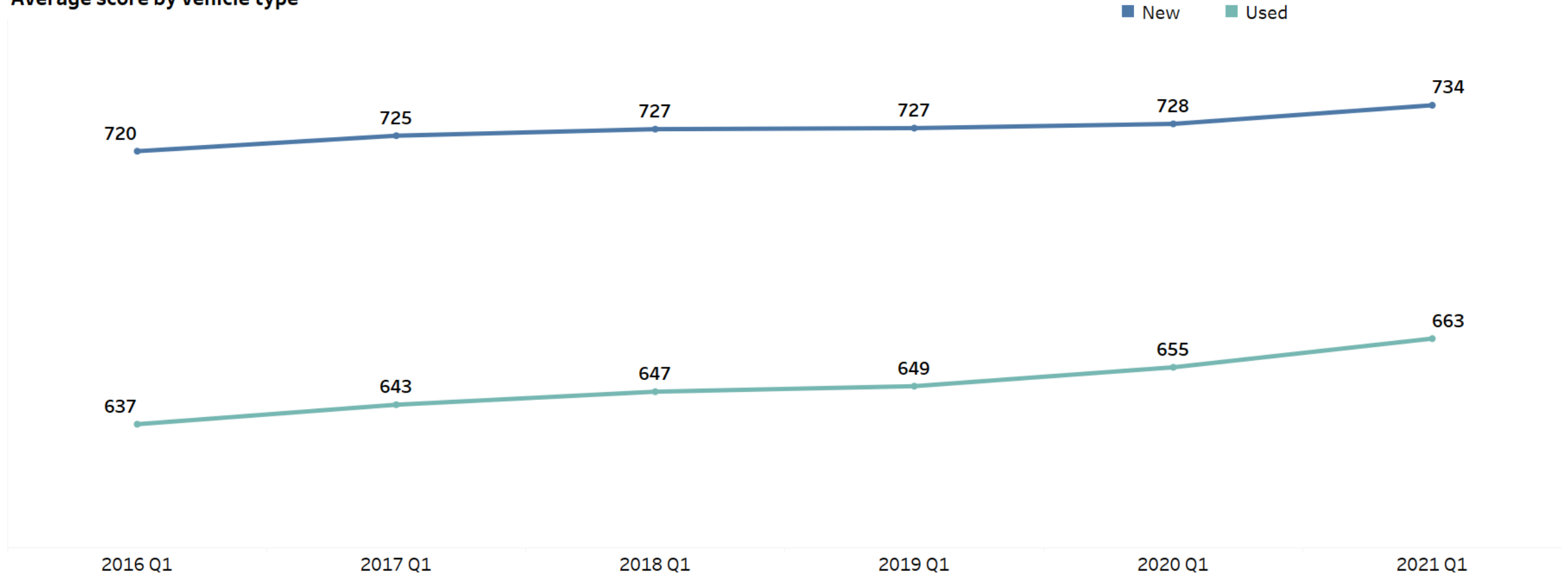
Captives continue to increase market share

Market share of total financing



Average scores increase 6 points for new and 8 for used vehicles

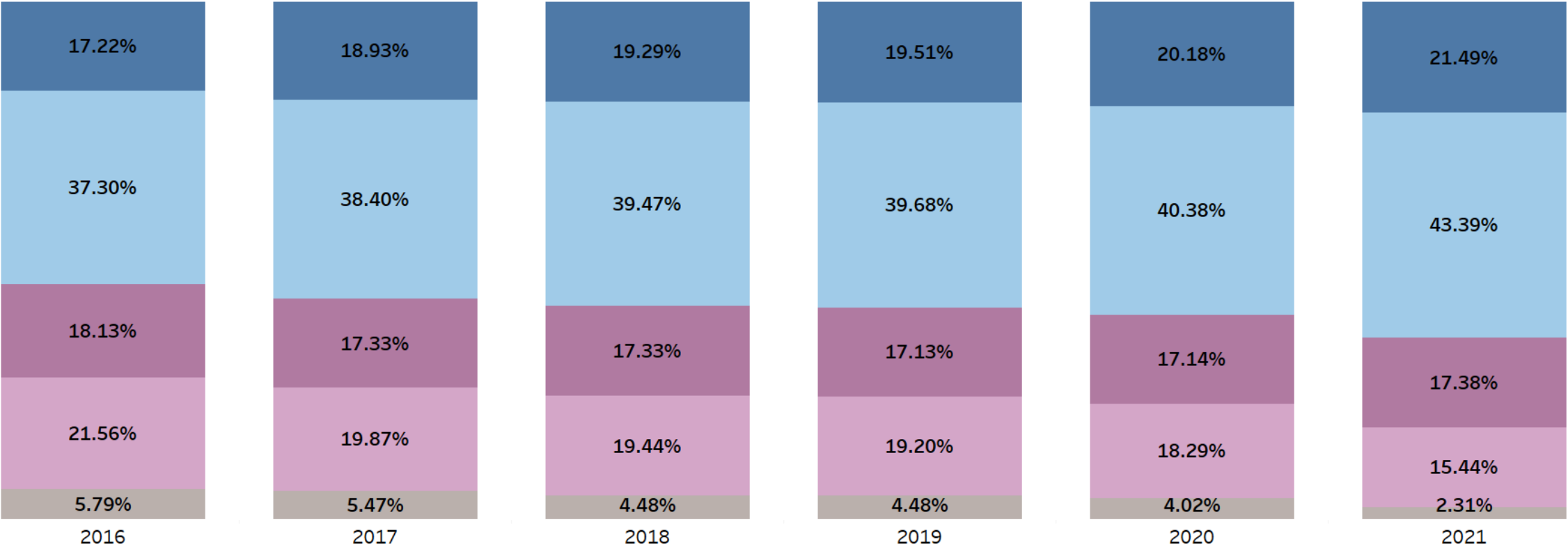
Average score by vehicle type



Prime approaching 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..
Q1



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

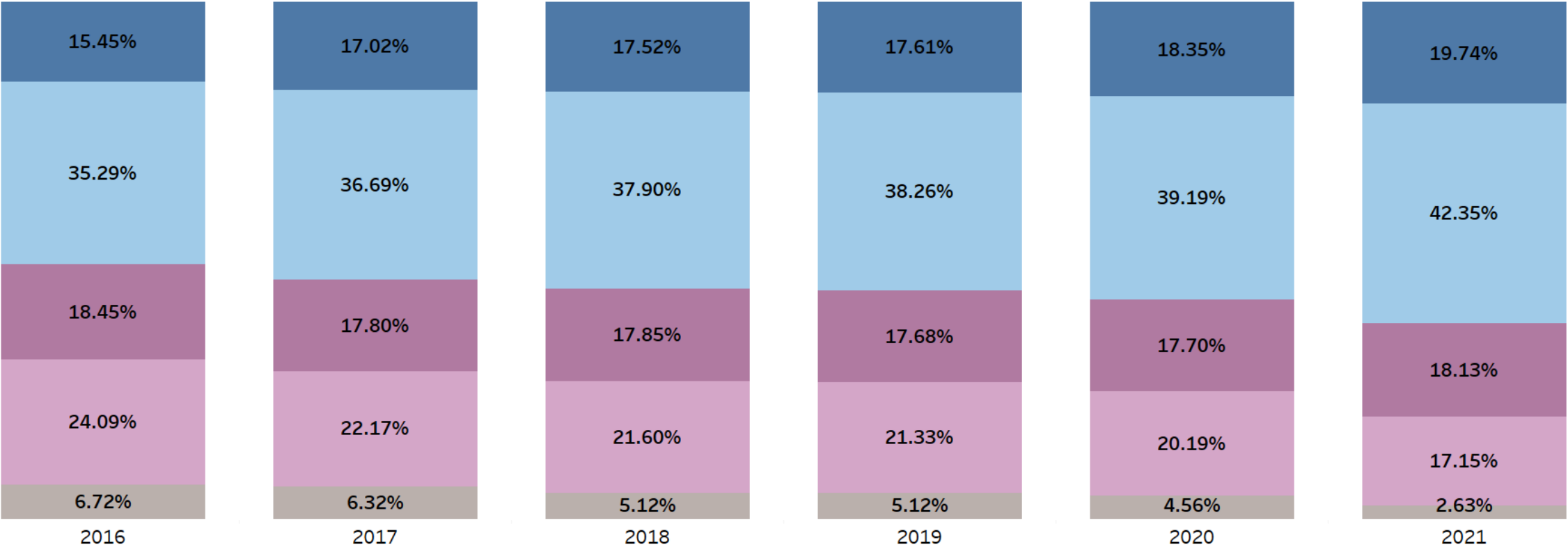


Prime+ is now over 62% of total loans while total subprime dropped nearly 20%

Total loan risk distribution

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

Q1



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

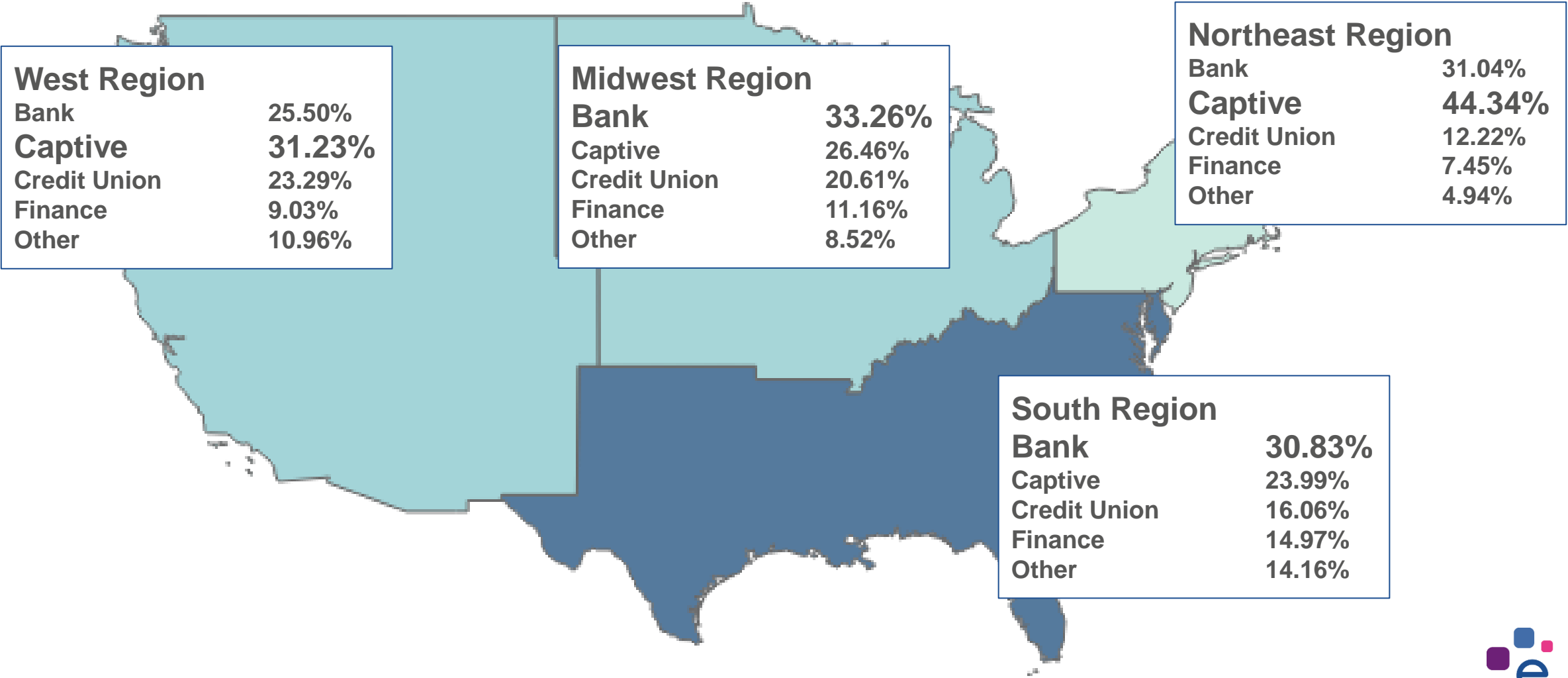


Quarterly Spotlight

How does geography have a role in auto financing?

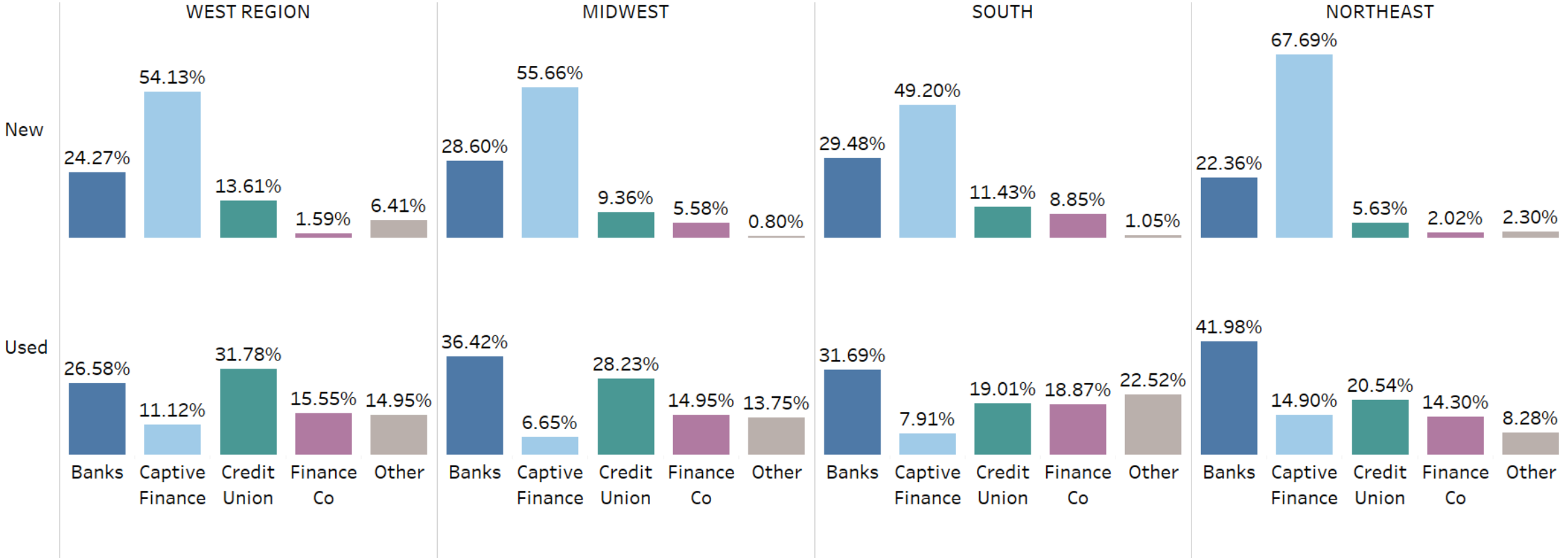


Total auto finance market share by Census Region: Banks lead in the Midwest and South; Captives in the West & Northeast

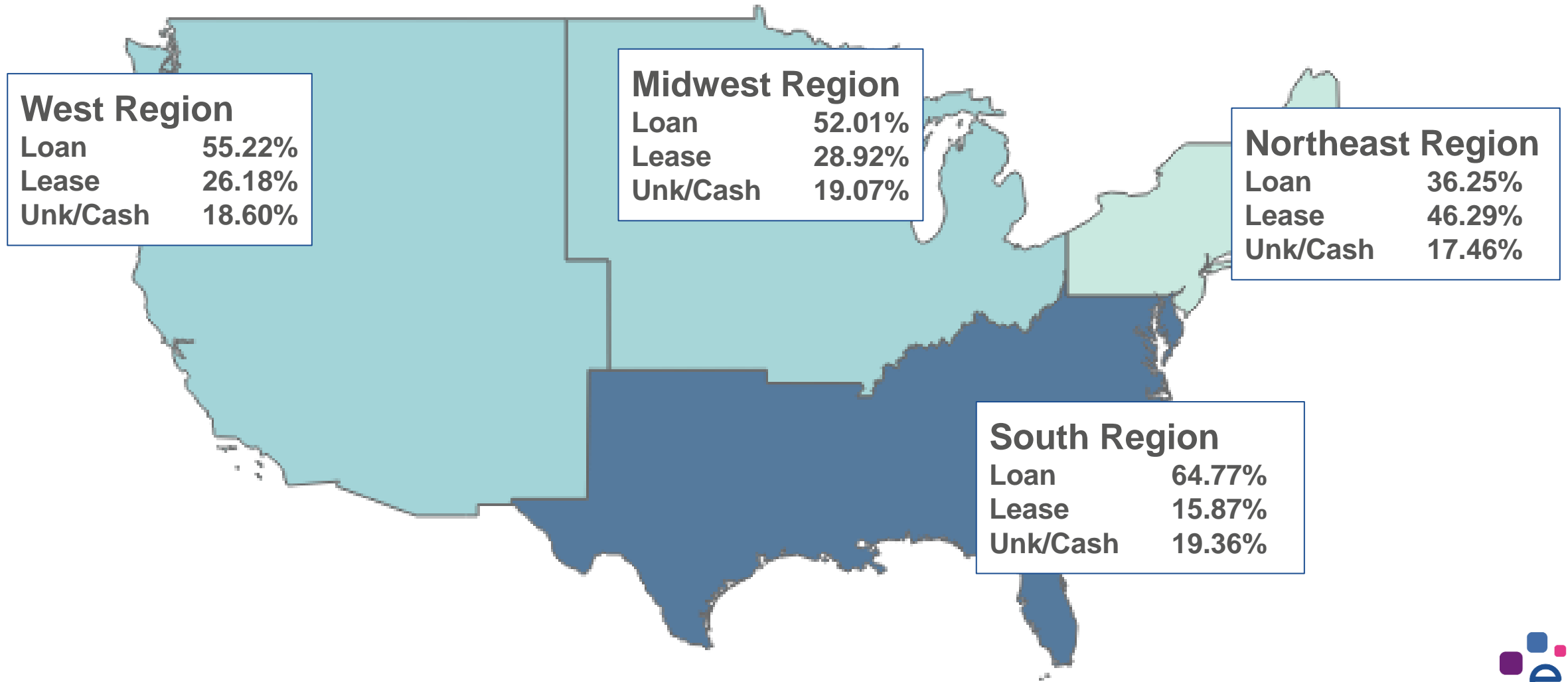


Captives lead on new financing and far outpace in the Northeast; Credit Unions maintain strong position in the West for used financing

Total finance market share by lender type

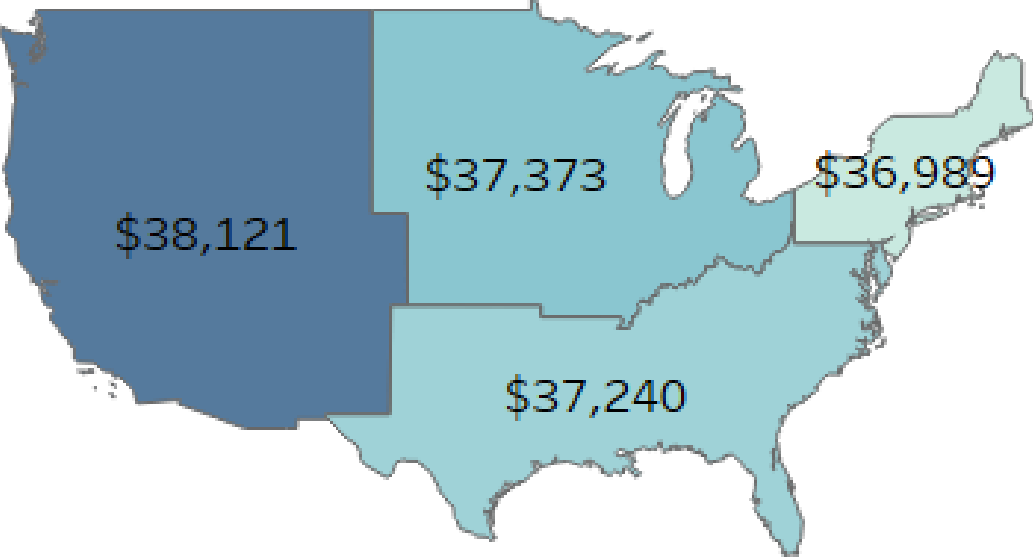


New vehicle finance type by Census Region: Northeast features heavy leasing while the South favors loans

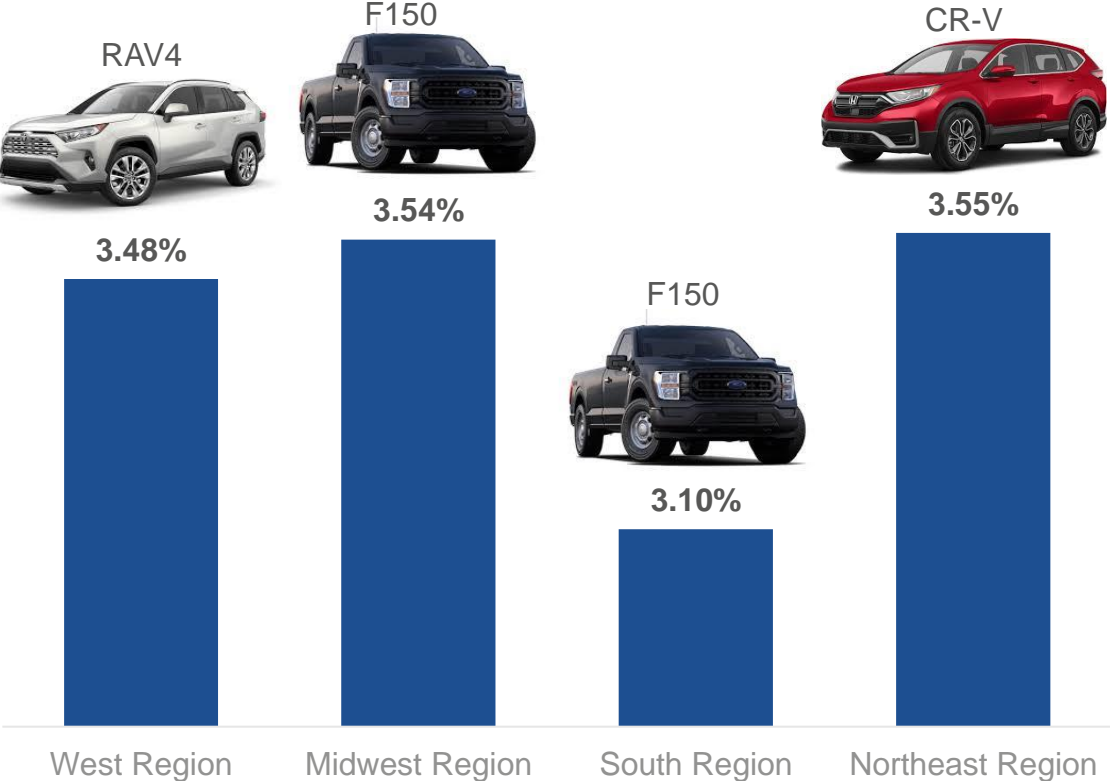


Average MSRP on new vehicles are slightly higher in the West while the F150 leads financing in the Midwest & South

Average MSRP on new vehicles

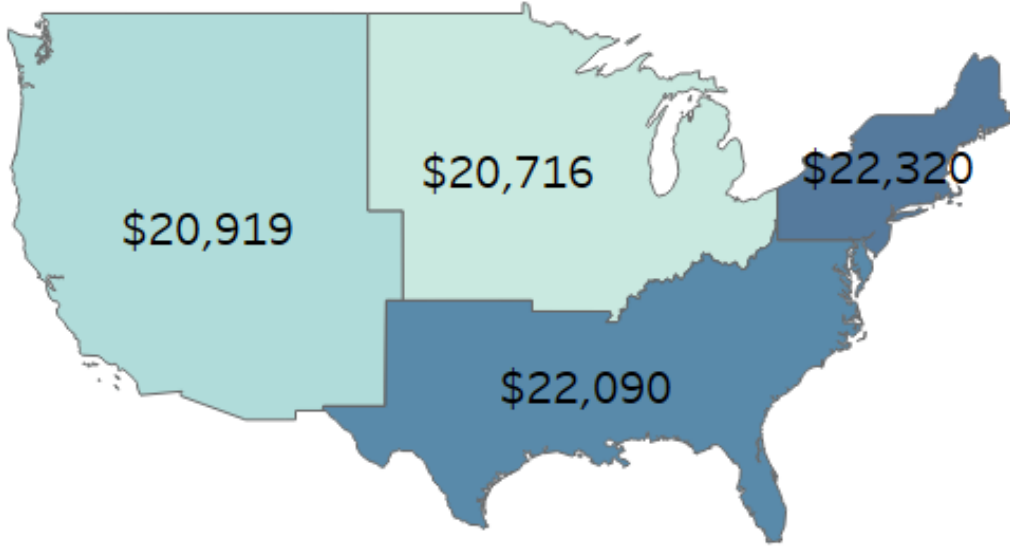


Number 1 financed new vehicle

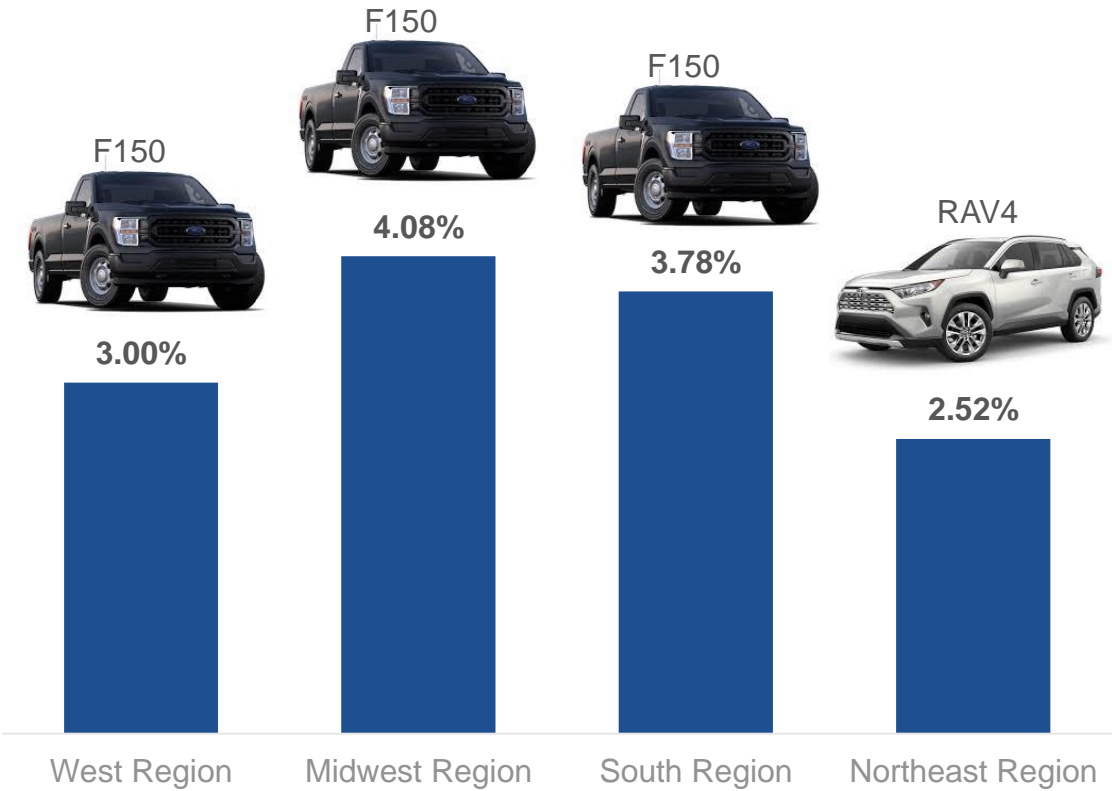


Adjusted clean retail value on used vehicles is highest in the South

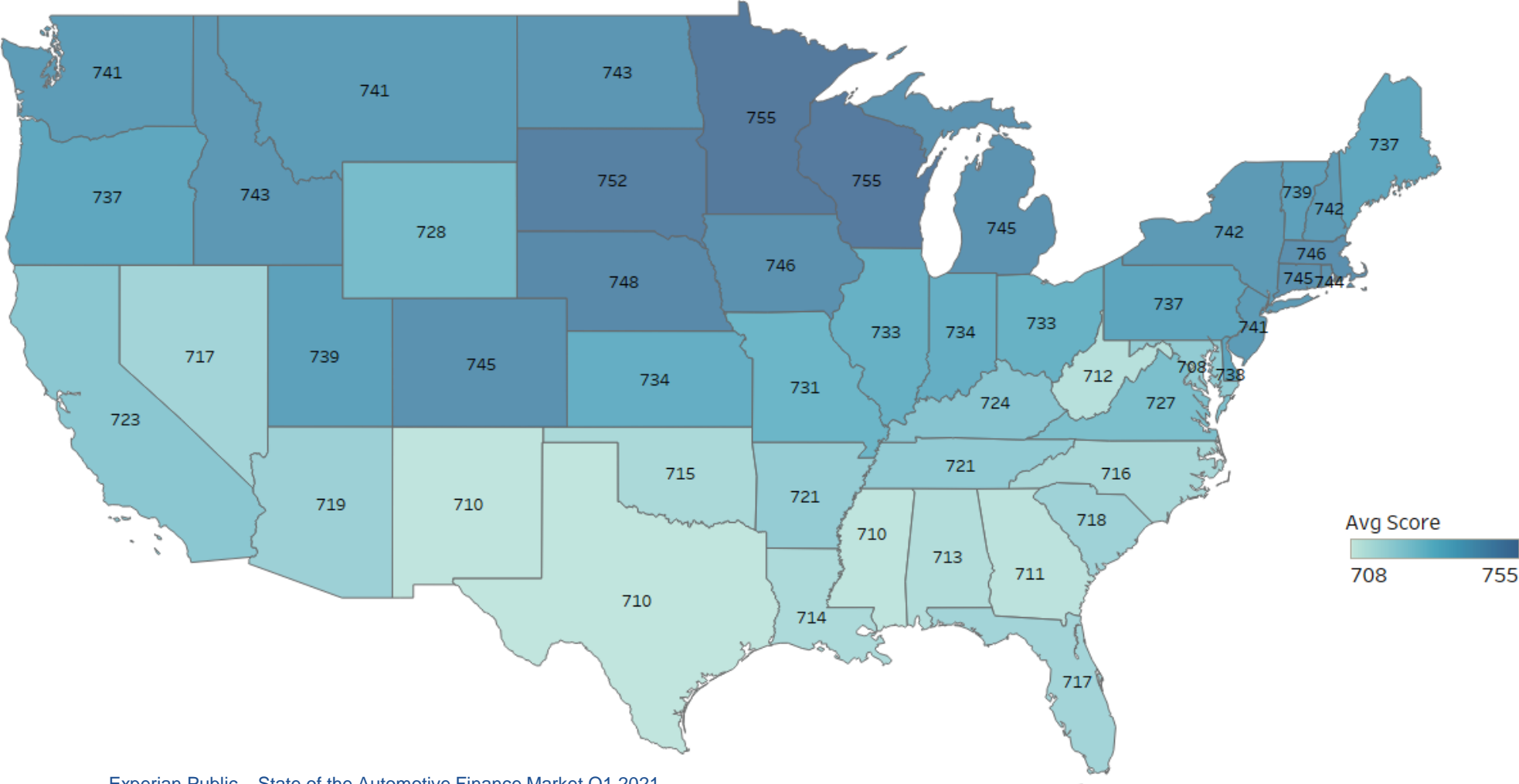
Average Adj. Clean Retail on used vehicles



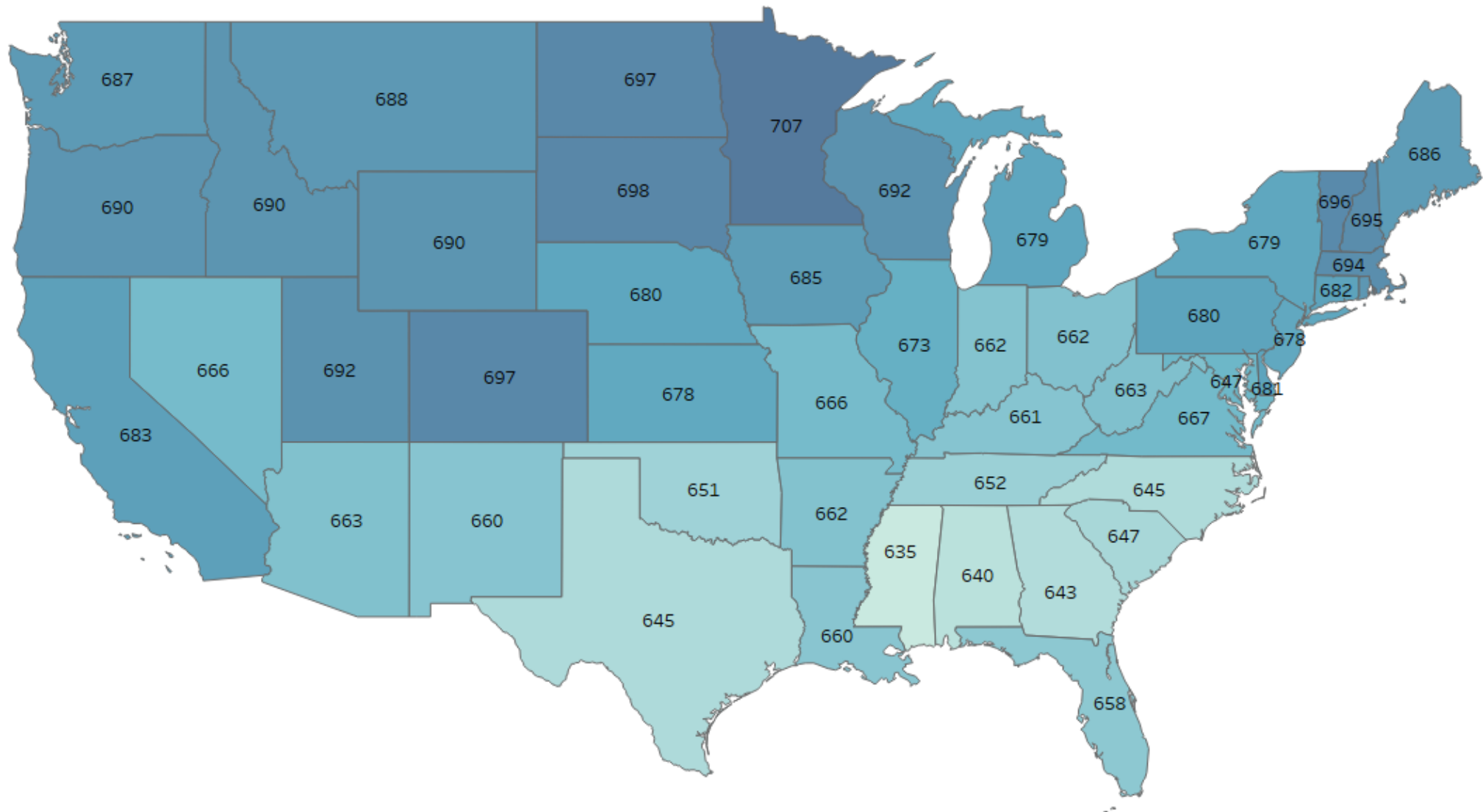
Number 1 financed used vehicle



Average new score by state: Midwest generally has higher credit scores on new vehicles

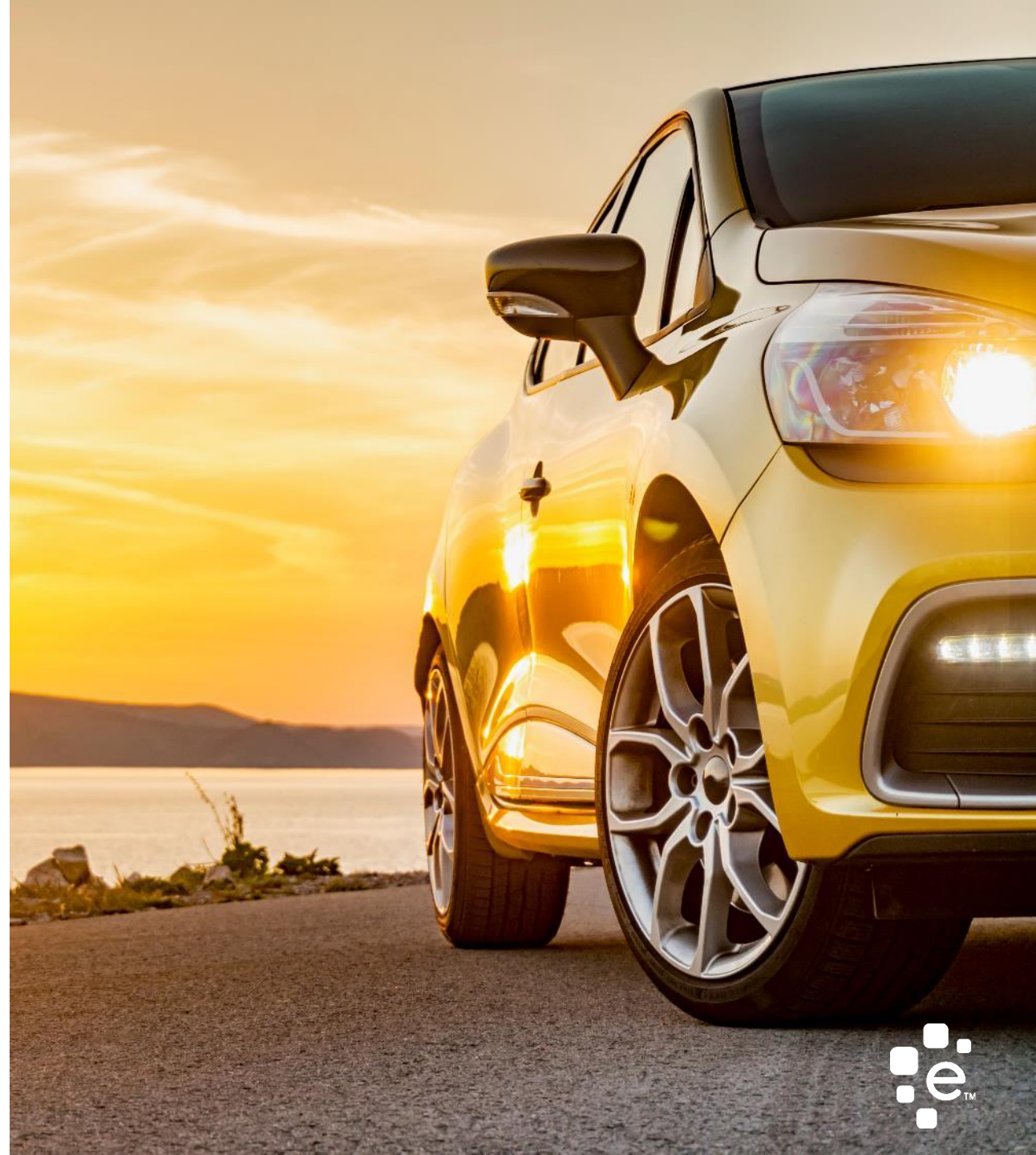


Average used loan scores are also higher in the Midwest



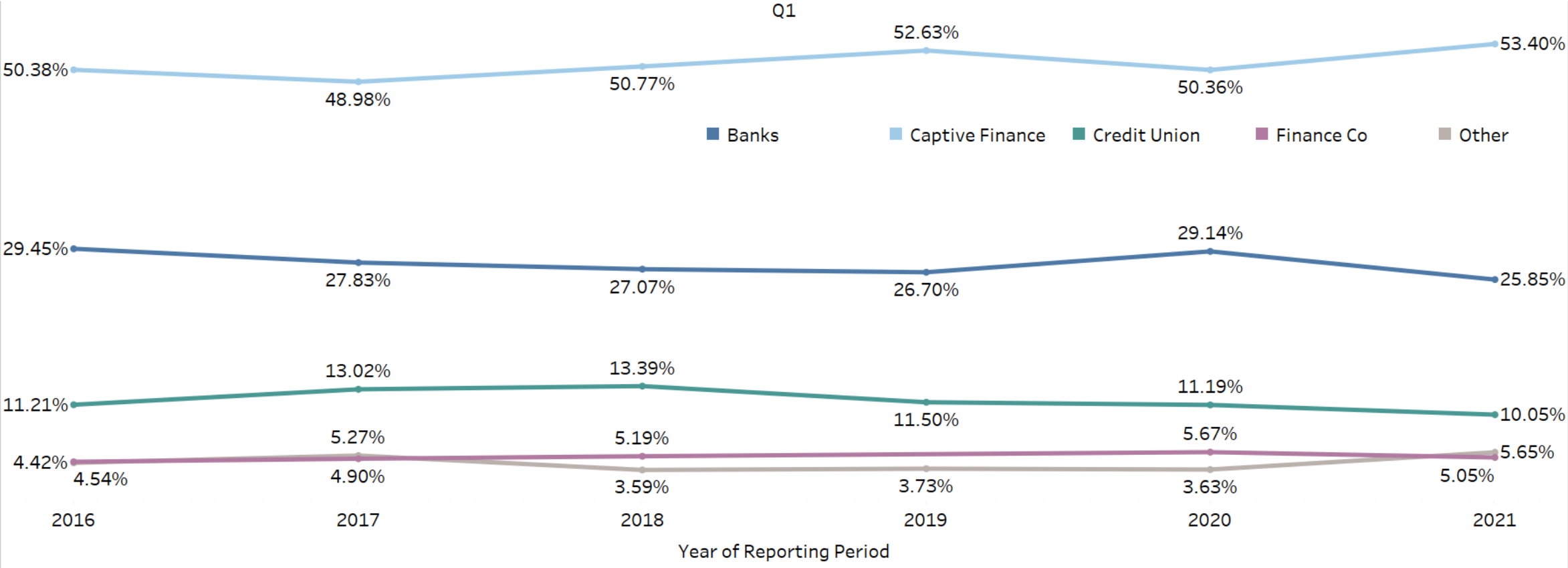
New financing

A look at new lease & loan trends



Captives show large share increase for new financing

Market share of new financing (loan/lease)



What are consumers financing? Over 56% of new vehicles financed are SUVs

New vehicles by segment

Convertible	Full	0.01%
	Mid-Size	0.02%
	Small	0.08%
	Sport	0.25%
Coupe	Full	0.01%
	Mid-Size	0.02%
	Small	0.32%
	Sport	1.26%
Full Size Van	Full	0.43%
	Mid-Size	0.05%
Hatchback	Mid-Size	0.28%
	Small	2.26%
	Sport	0.09%
Minivan	Mid-Size	1.75%
	Small	0.02%
Pickup	Full	13.08%
	Mid-Size	3.86%
Sedan	Full	0.37%
	Mid-Size	8.89%
	Small	8.32%
	Sport	0.28%
SUV	Full	4.78%
	Mid-Size	26.20%
	Small	25.94%
Wagon	Full	0.01%
	Mid-Size	1.40%
	Small	0.03%

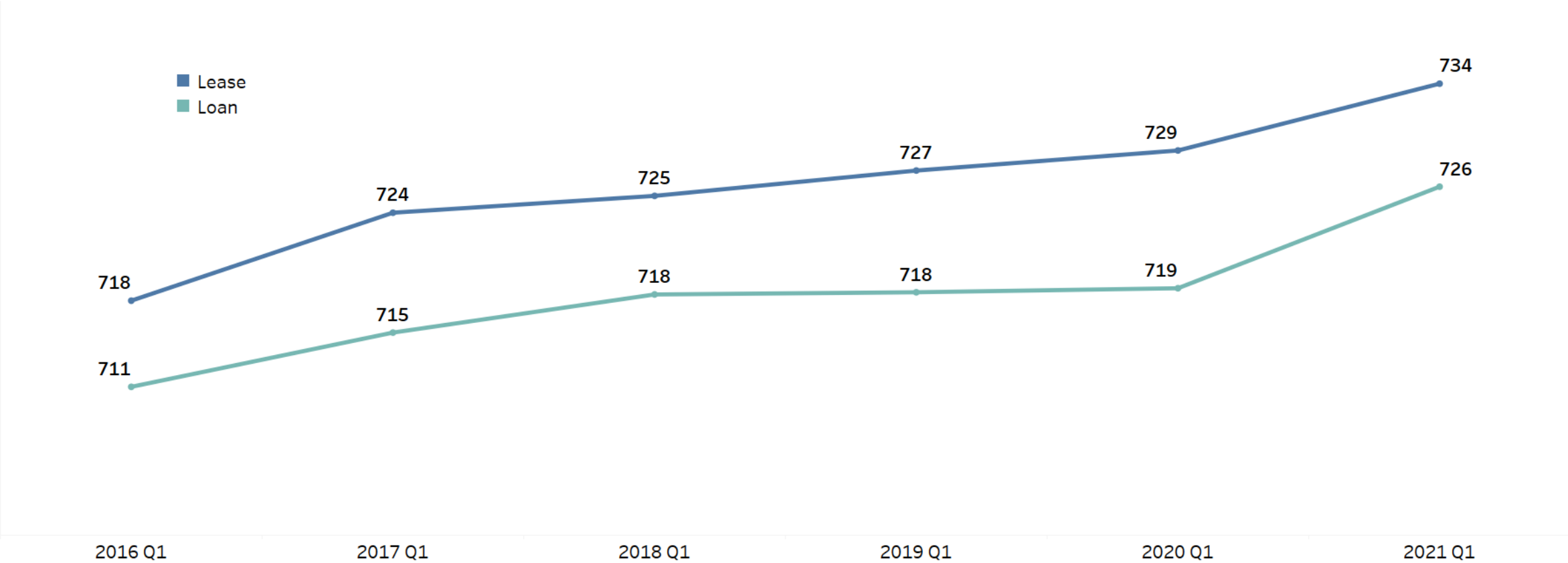
YOY change in financing by segment

Convertible	Full	-38.2%
	Mid-Size	-1.6%
	Small	-36.1%
	Sport	26.5%
Coupe	Full	10.0%
	Mid-Size	-3.3%
	Small	-26.2%
	Sport	13.7%
Full Size Van	Full	41.0%
	Mid-Size	65.5%
Hatchback	Mid-Size	20.7%
	Small	-7.0%
	Sport	9.5%
Minivan	Mid-Size	39.5%
	Small	7.7%
Pickup	Full	7.4%
	Mid-Size	26.8%
Sedan	Full	-27.4%
	Mid-Size	4.1%
	Small	-5.9%
	Sport	46.8%
SUV	Full	54.7%
	Mid-Size	40.0%
	Small	21.2%
Wagon	Full	28.0%
	Mid-Size	19.3%
	Small	-22.1%



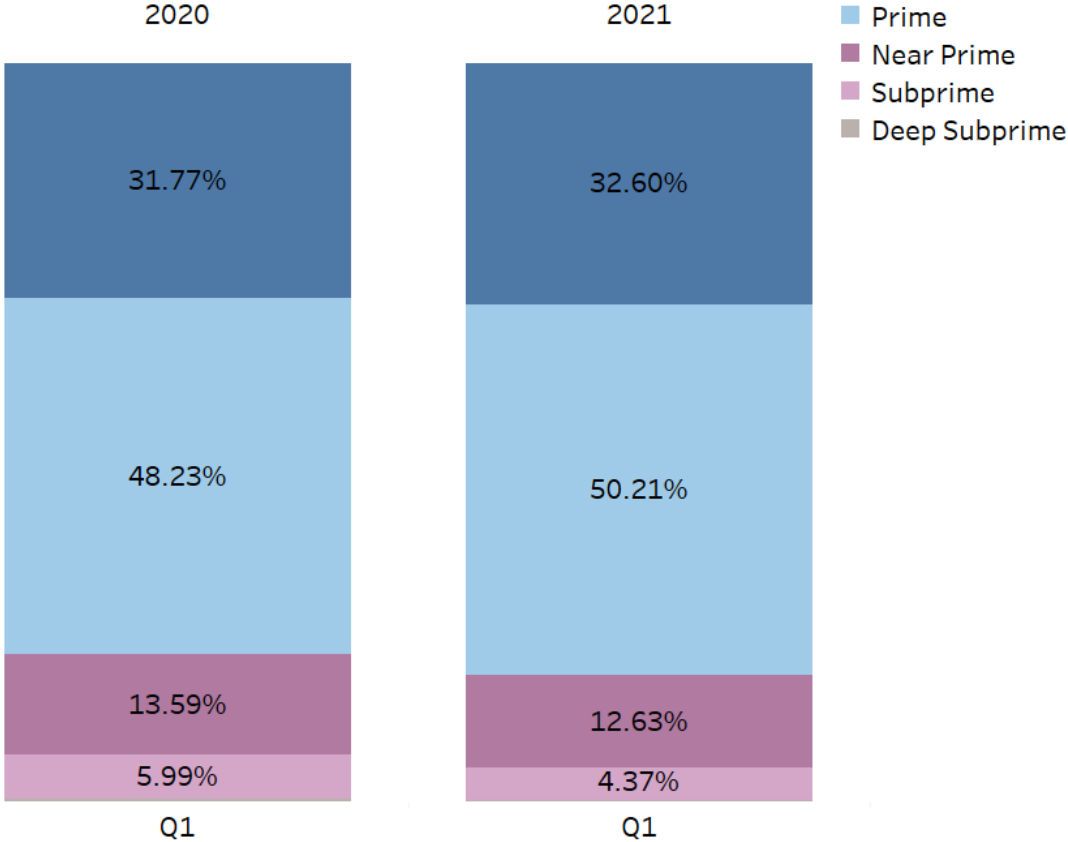
New financing maintains steady increase in scores

Average new score by transaction type

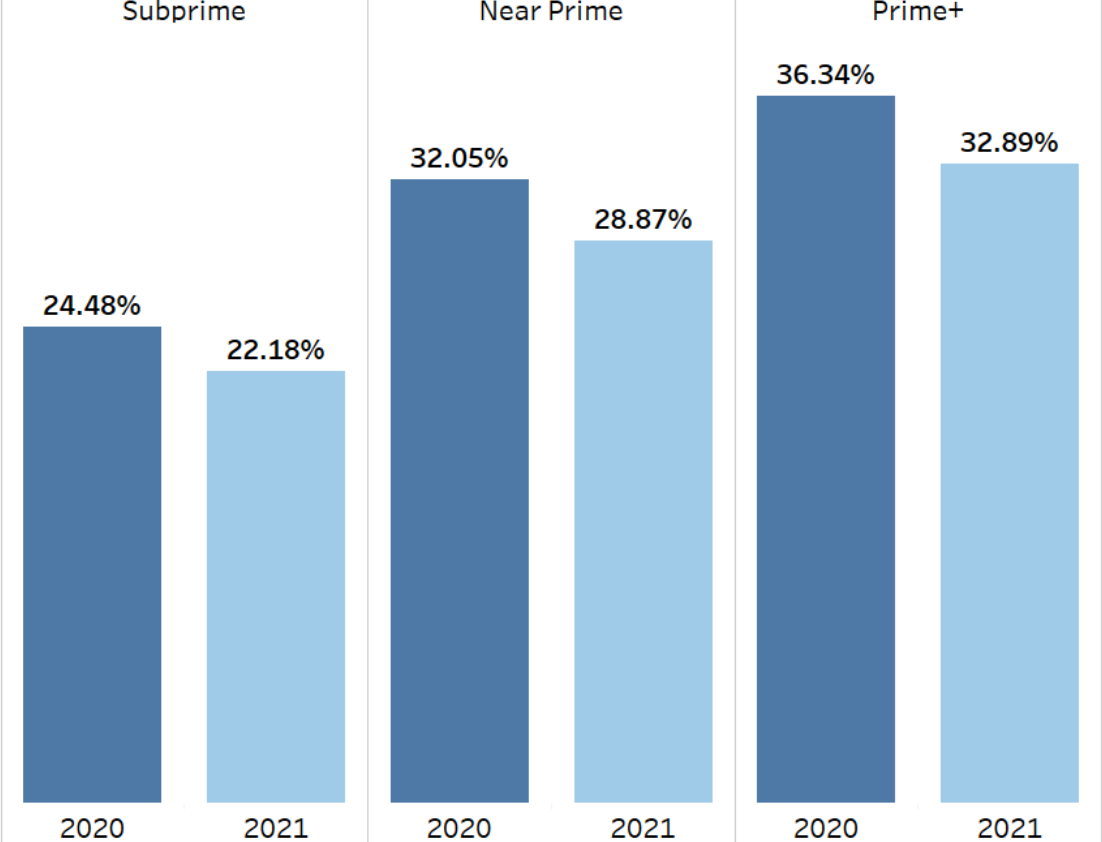


Subprime leasing continues its decline while prime+ still lease over a third of the time

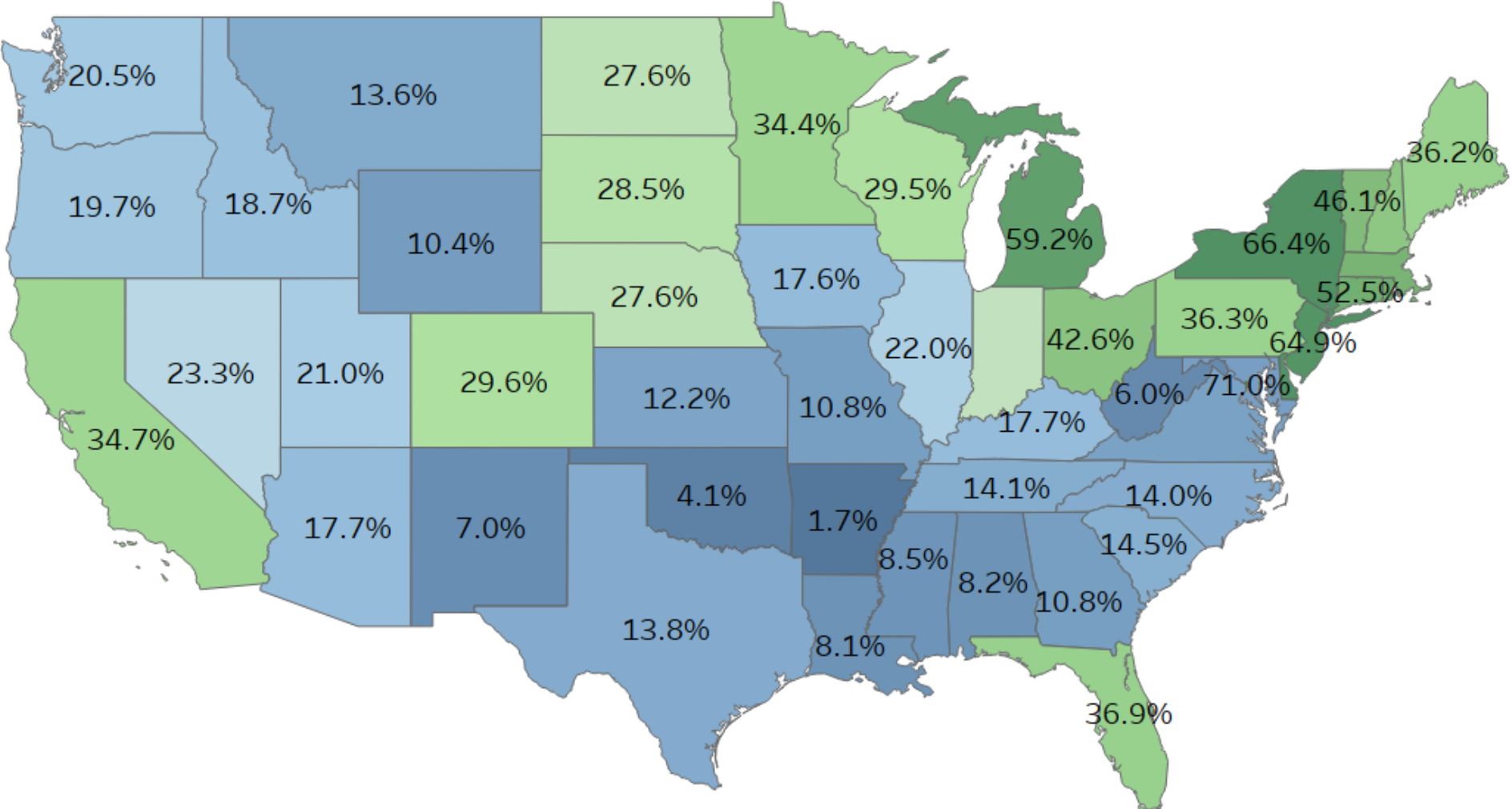
New lease risk distribution



% of borrowers choosing to lease

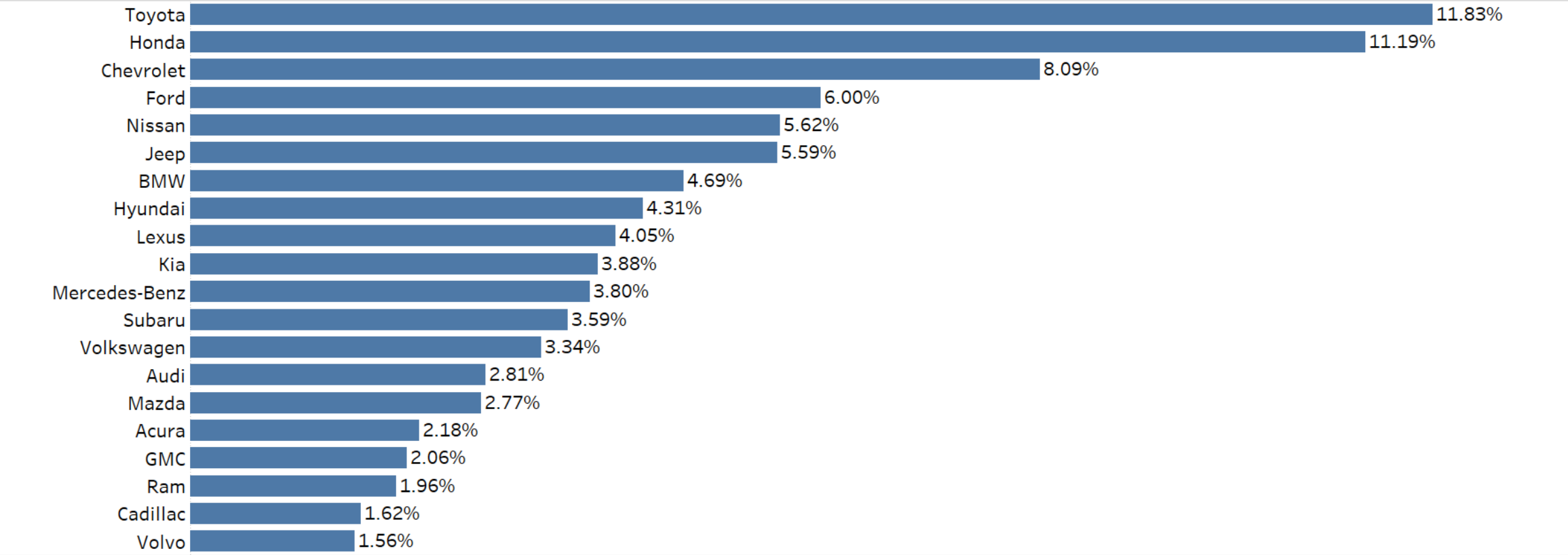


New York and New Jersey lead with the greatest share of new state financing as lease



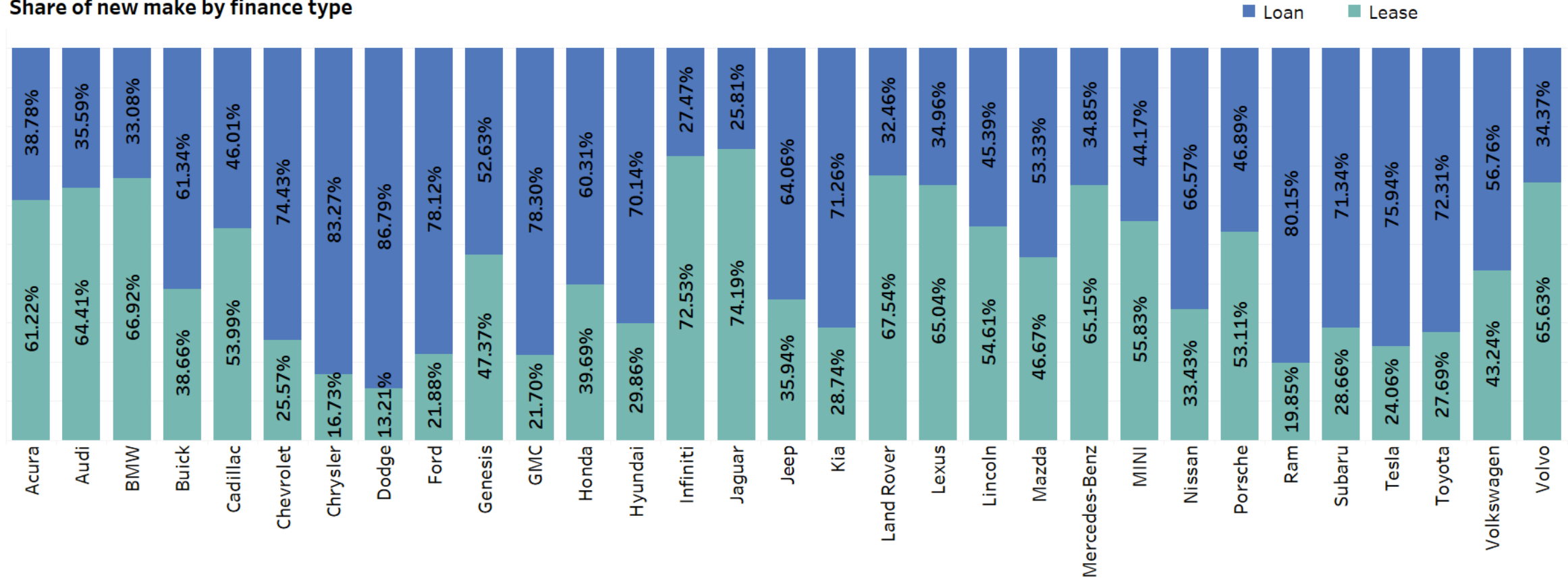
Toyota returns as the most leased new make

Top 20 leased new makes



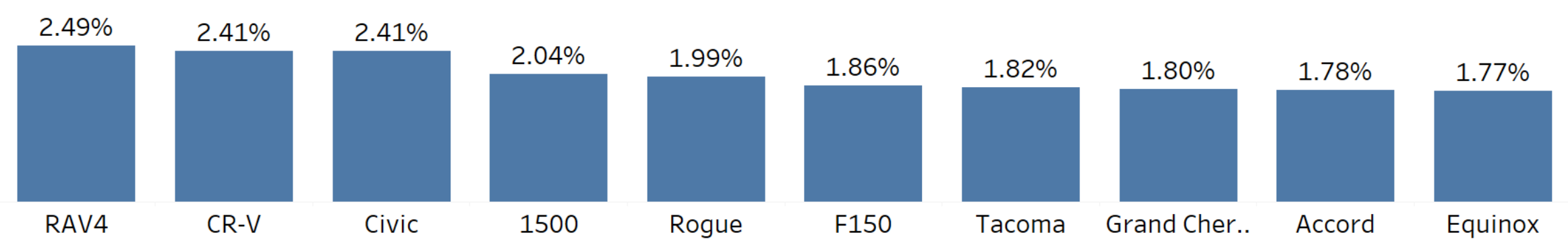
Finance type among top 20 leased new makes

Share of new make by finance type

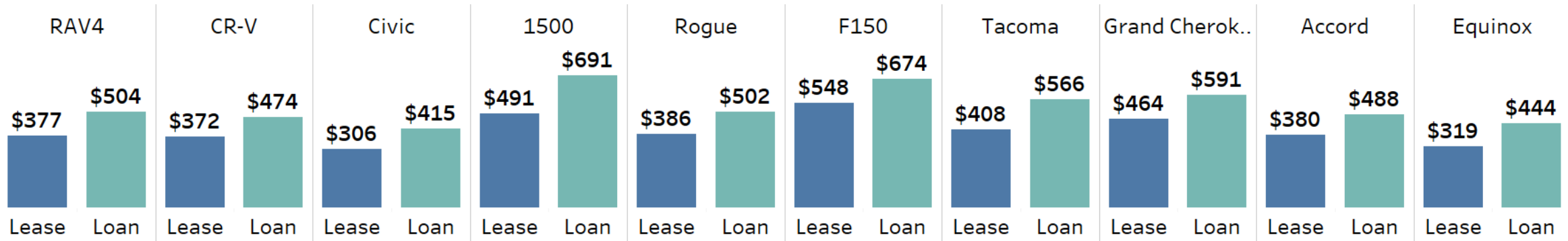


Half of the top 10 most leased vehicles are SUVs with average payment difference of \$108

Top 10 leased models



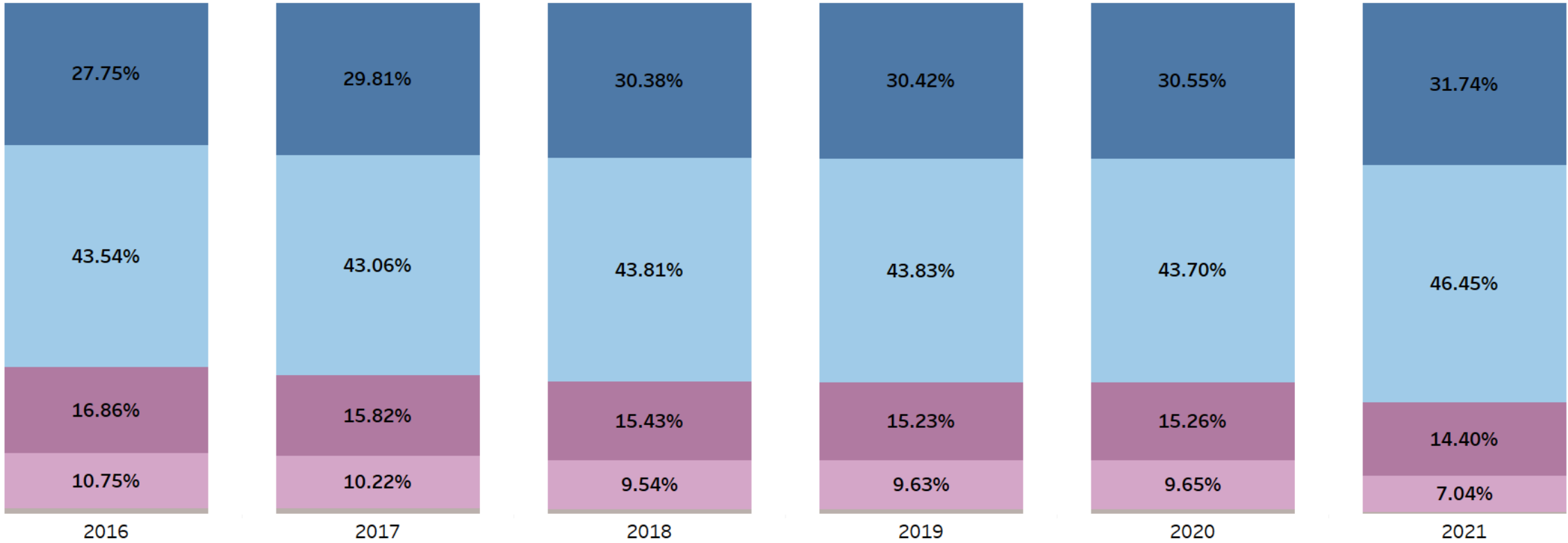
Average monthly payment on top leased models



Prime continues to grow for new loans

New loan risk distribution

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

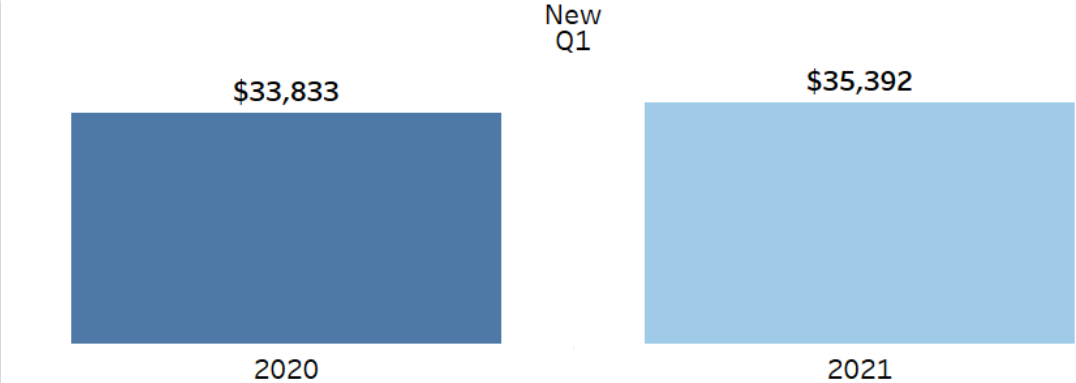


Deep subprime =
0.36%
(down 57%)

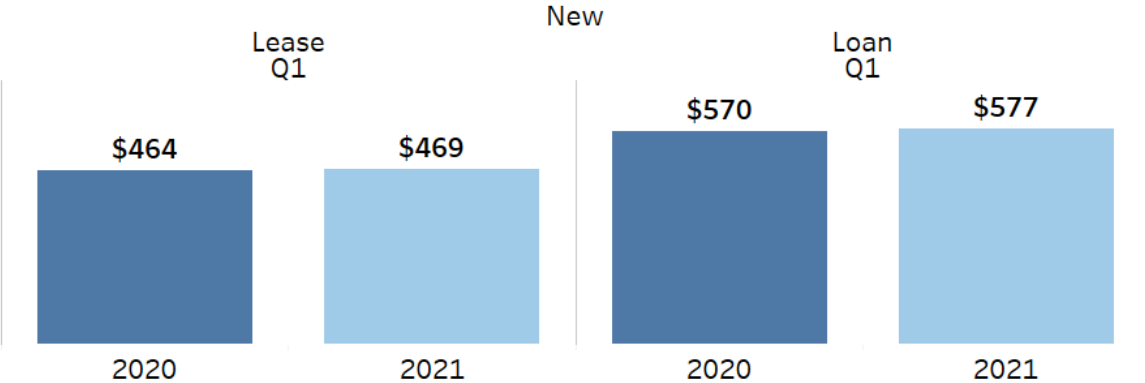


New loan attribute summary

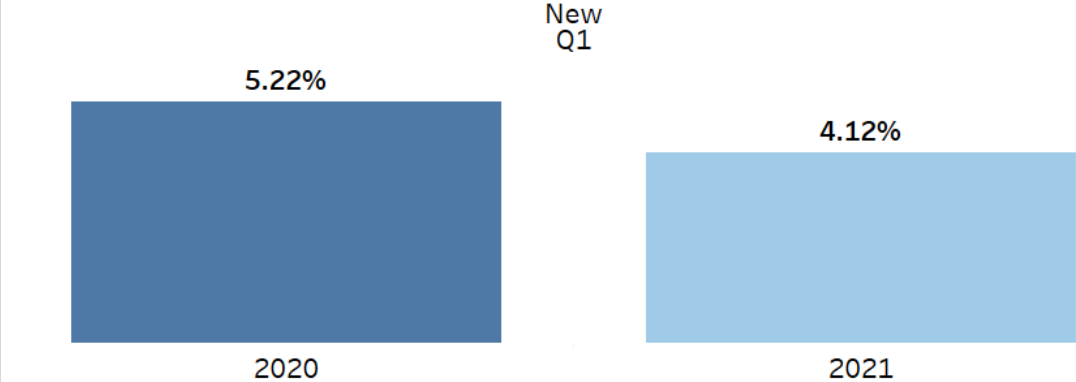
Average amount financed



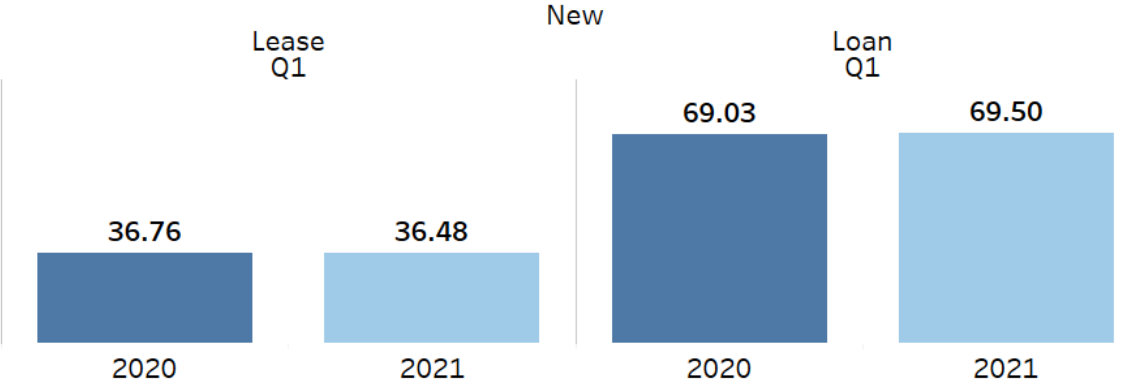
Average monthly payment



Average loan rate

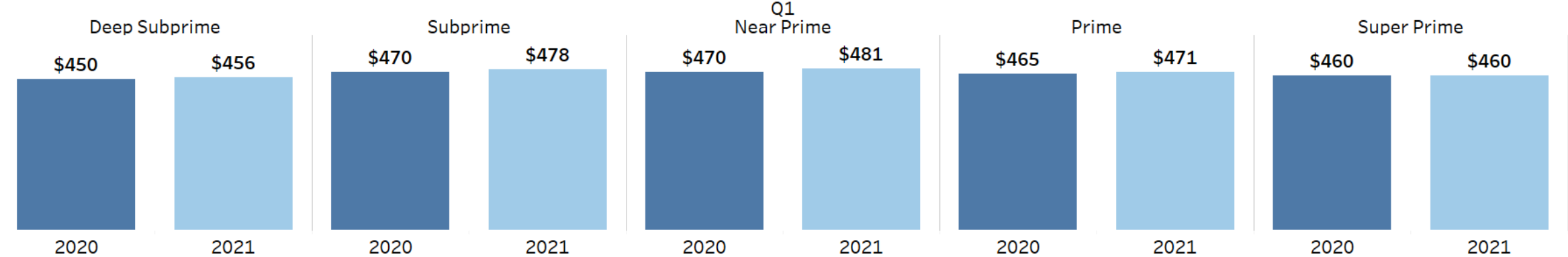


Average loan term

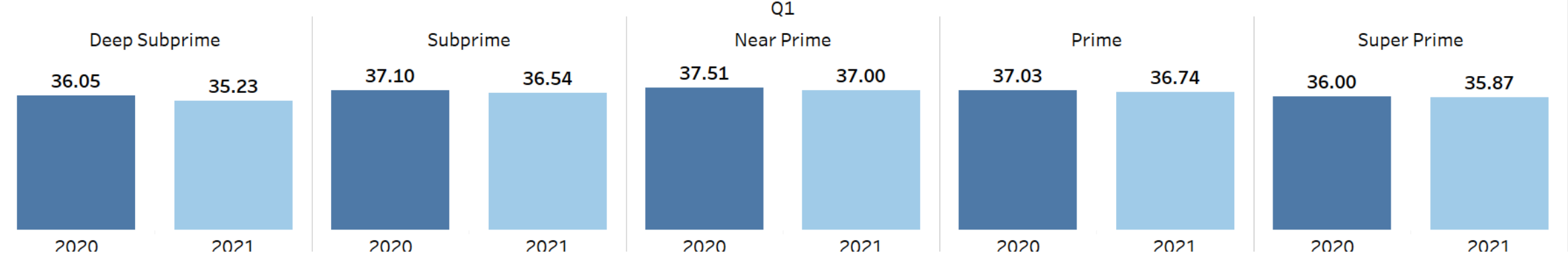


Leasing payments rise for most segments while terms decrease

Average lease payment by risk tier

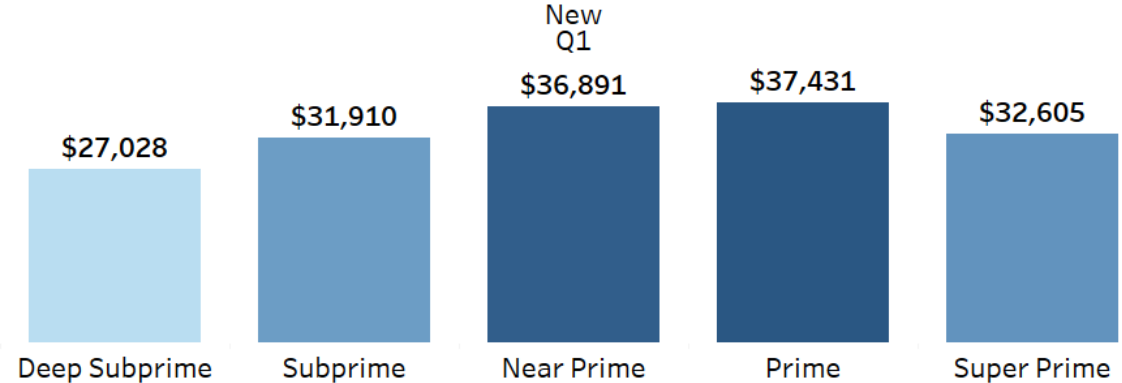


Average lease term by risk tier

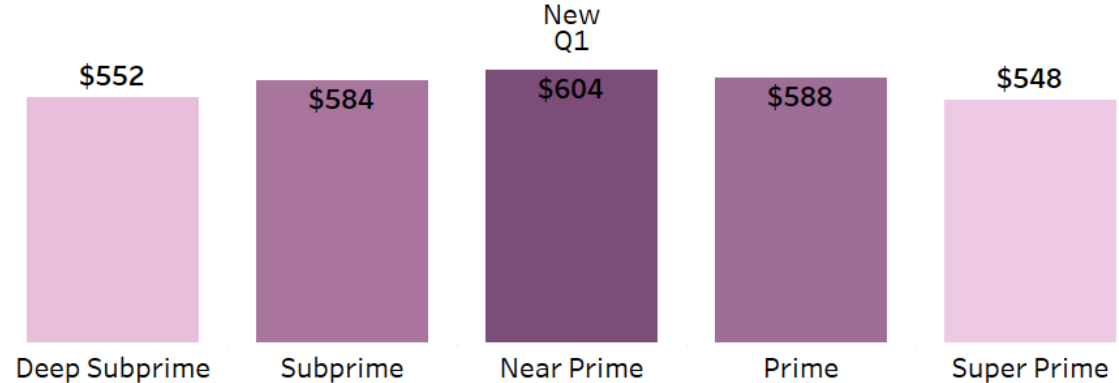


Payments and loan amounts climb

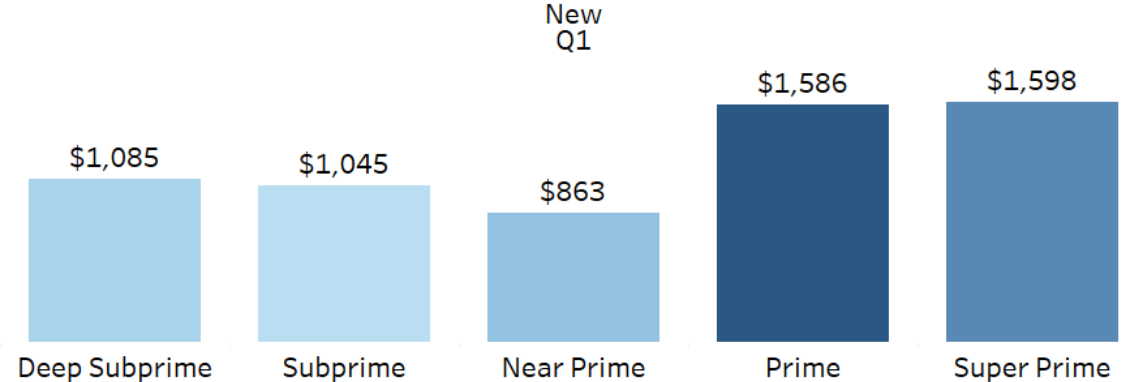
Average loan amount financed by risk



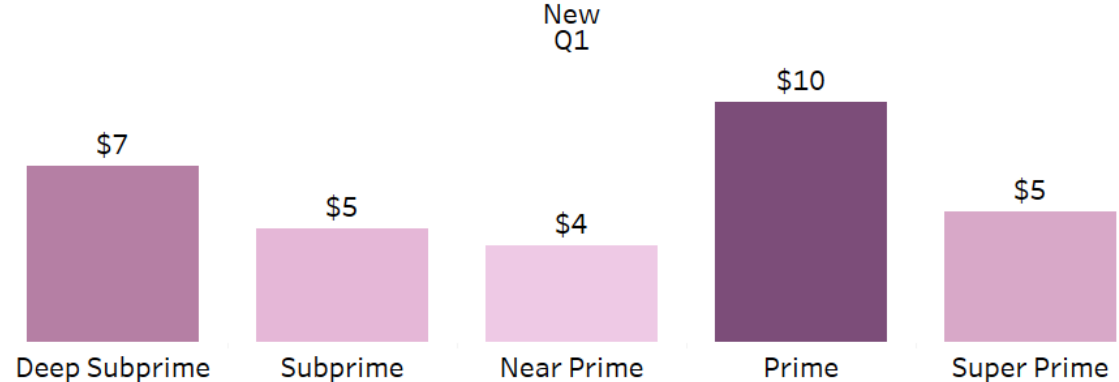
Average loan monthly payment by risk



Year-over-year change in loan amount

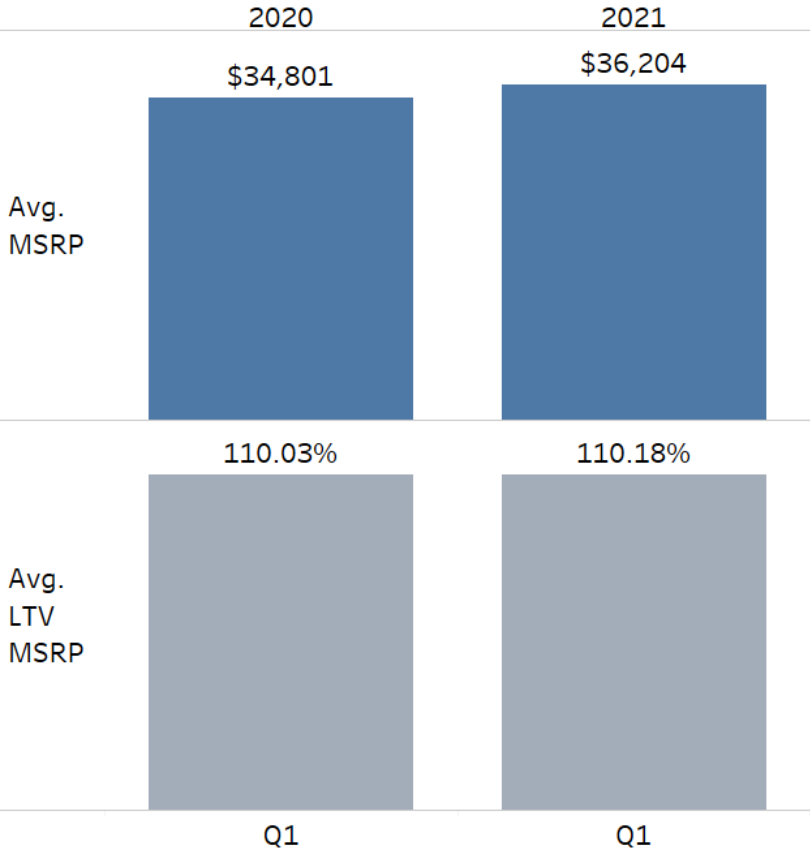


Year-over-year change in monthly payment

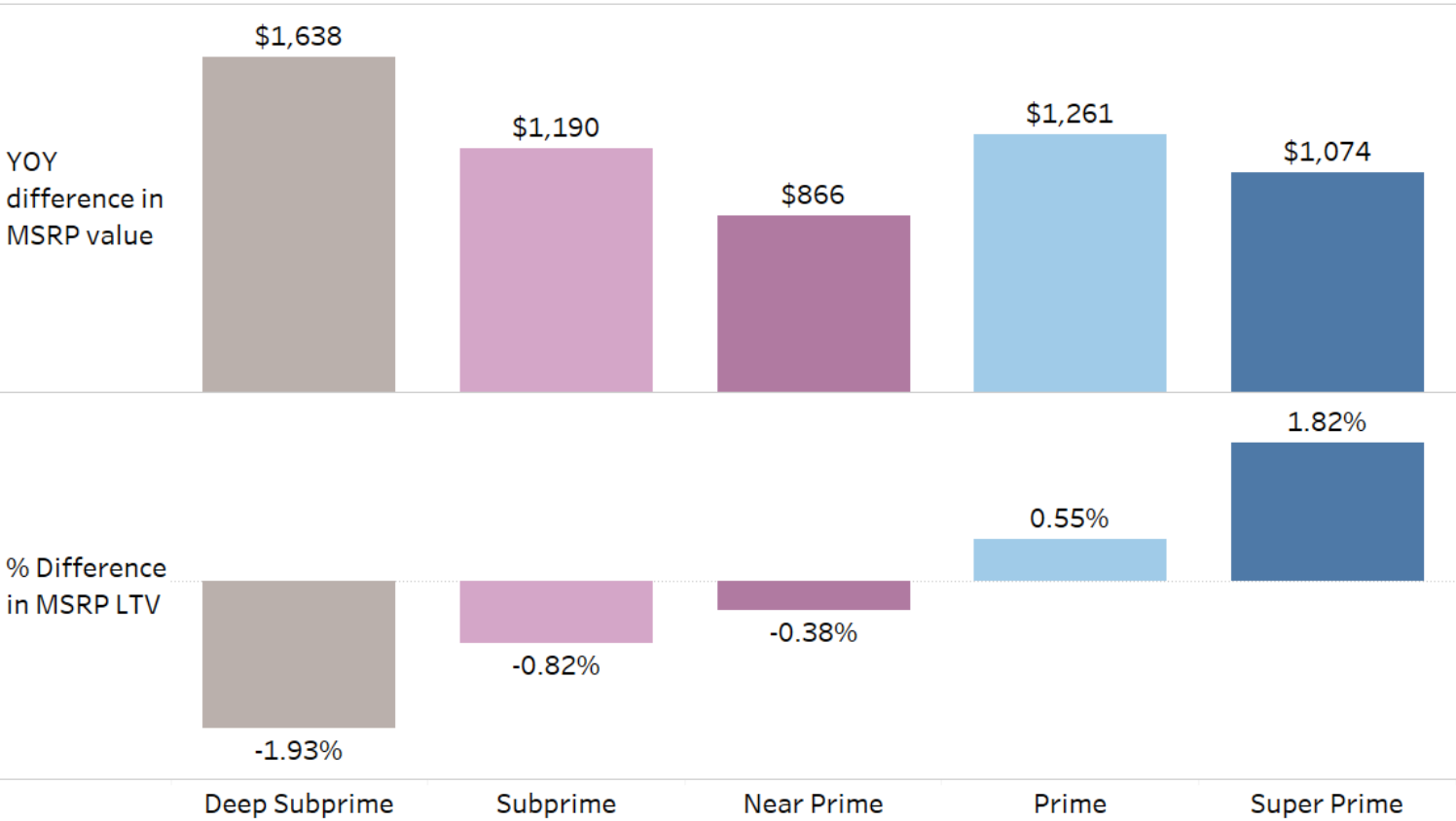


Vehicle values and LTV increase

Avg New Values

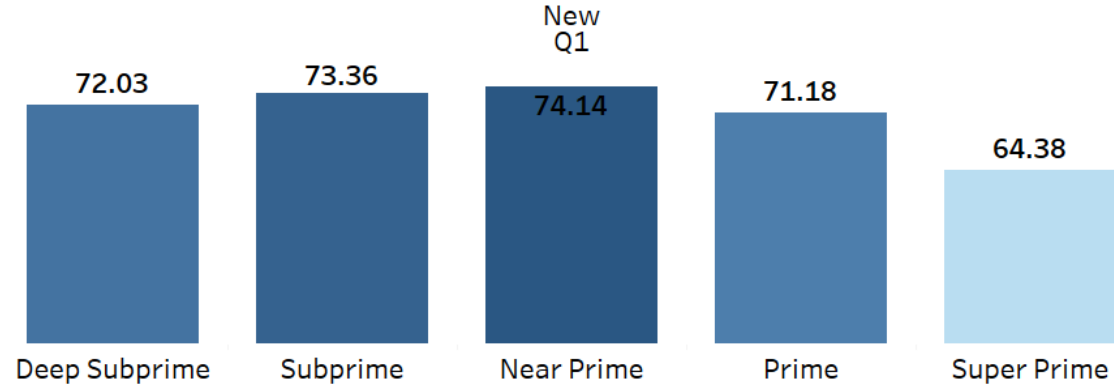


YOY change in new values

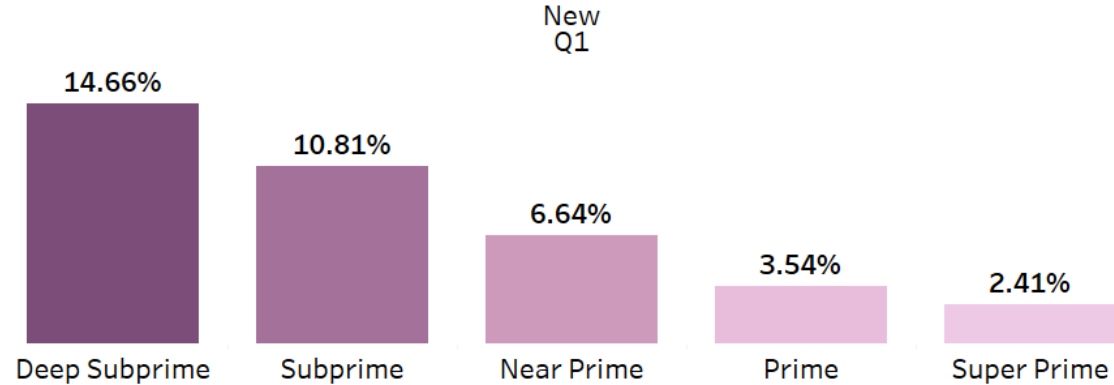


Terms rise across most risk tiers while rates fall for all tiers

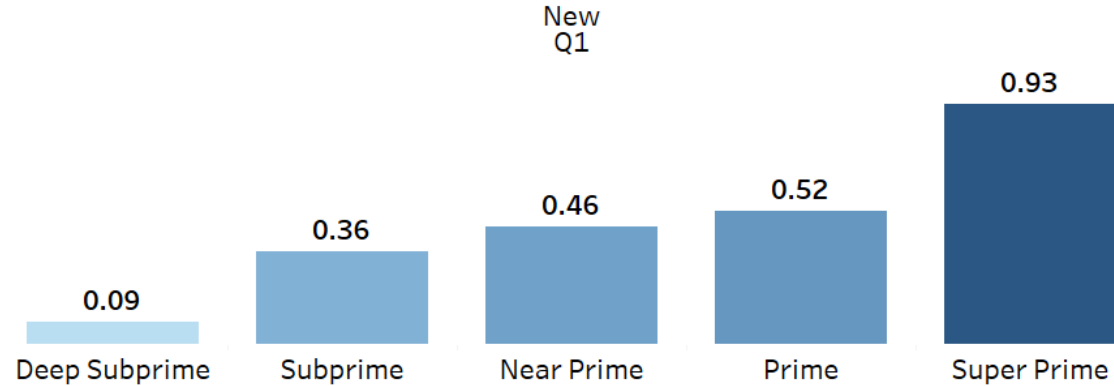
Average loan term by risk



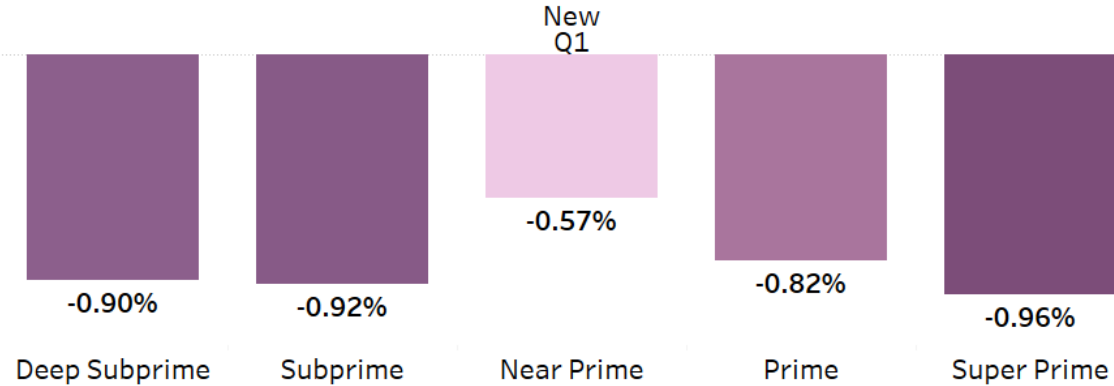
Average loan rate by risk



Year-over-year change in loan term

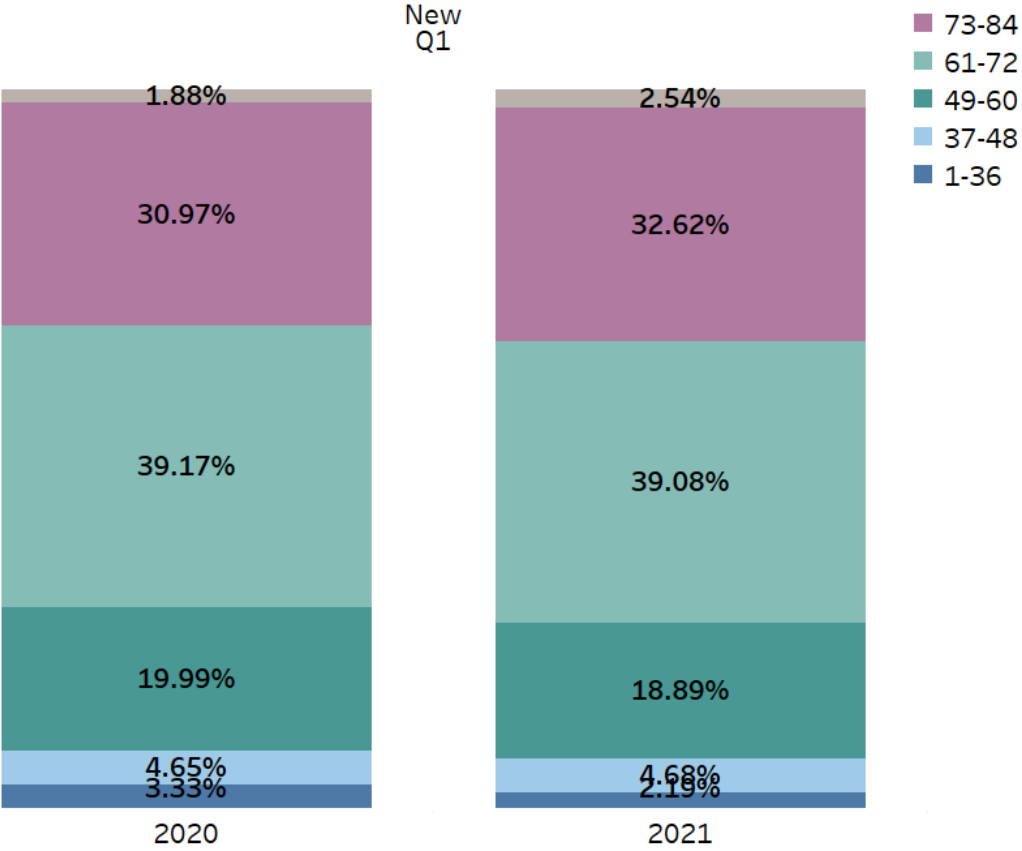


Year-over-year change in rate

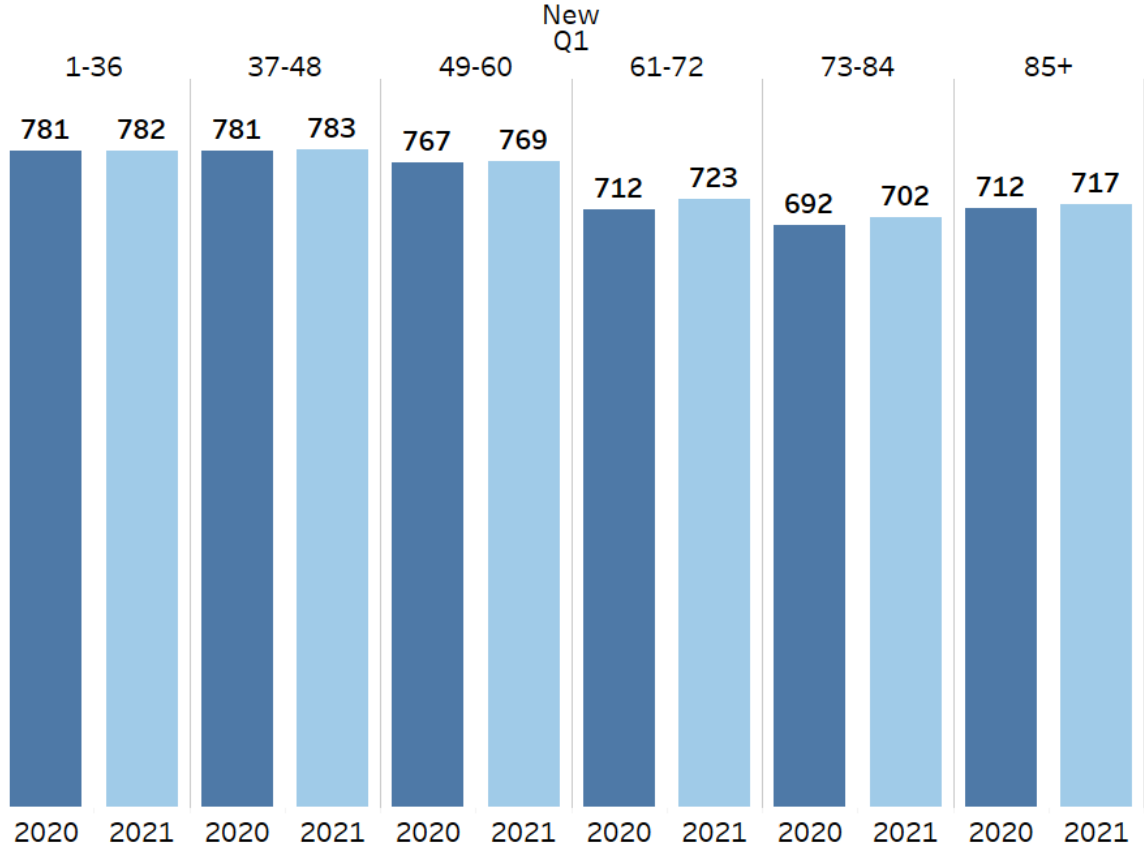


Growth occurring with 73+ month loans

Distribution by loan term



Avg score by loan term



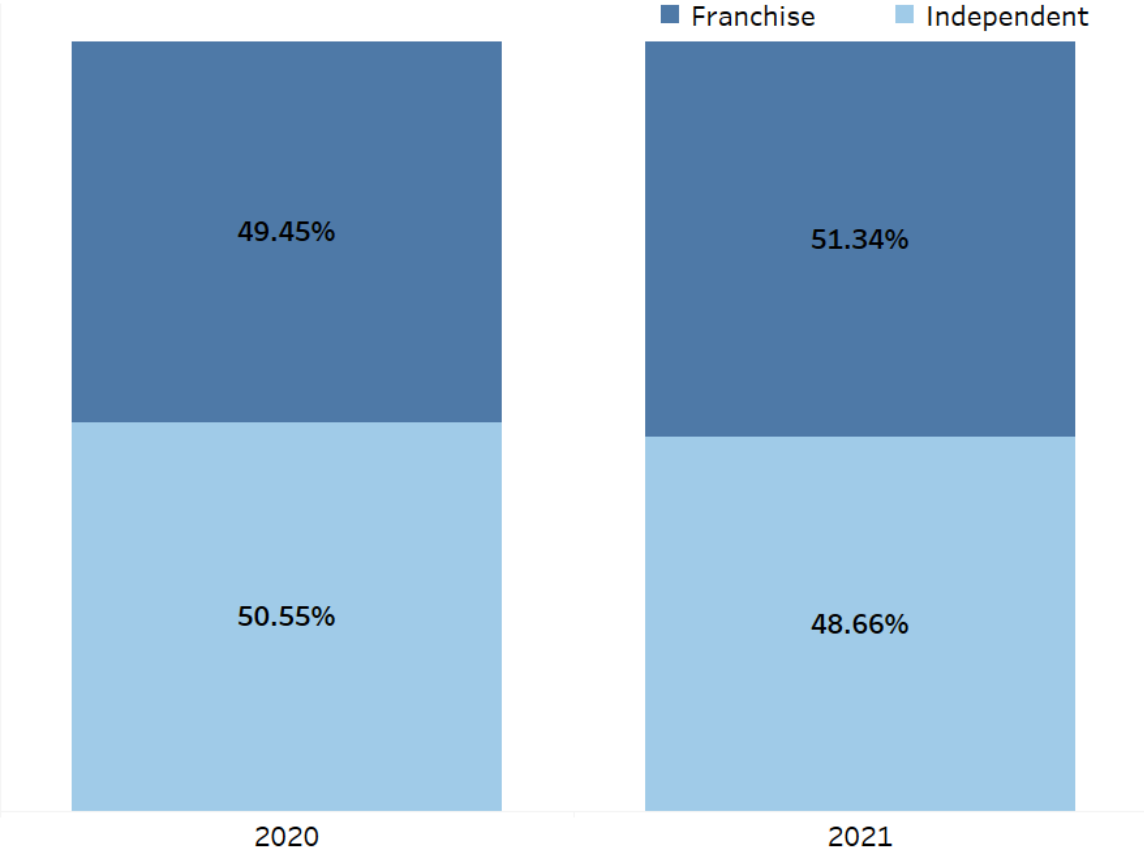
Used financing

A look at used automotive loan trends

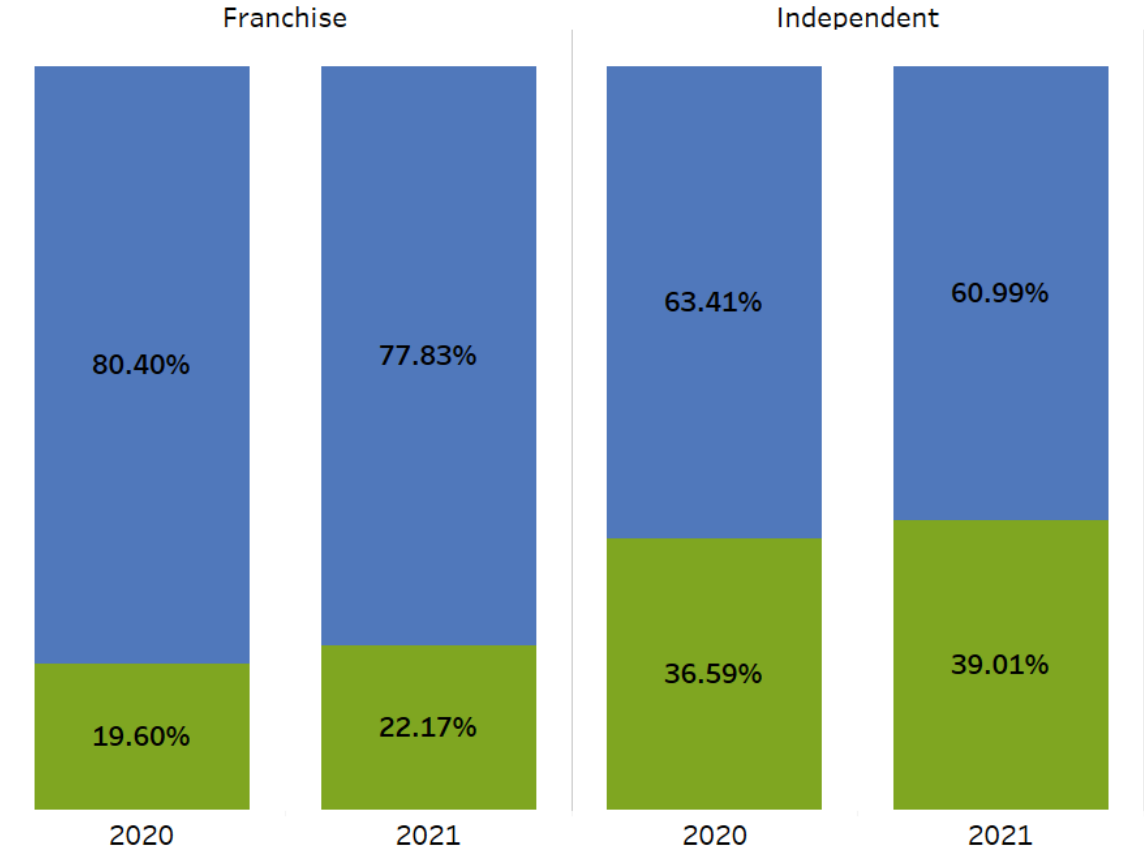


Franchise dealers source the majority of transactions

Used transactions by Dealer type

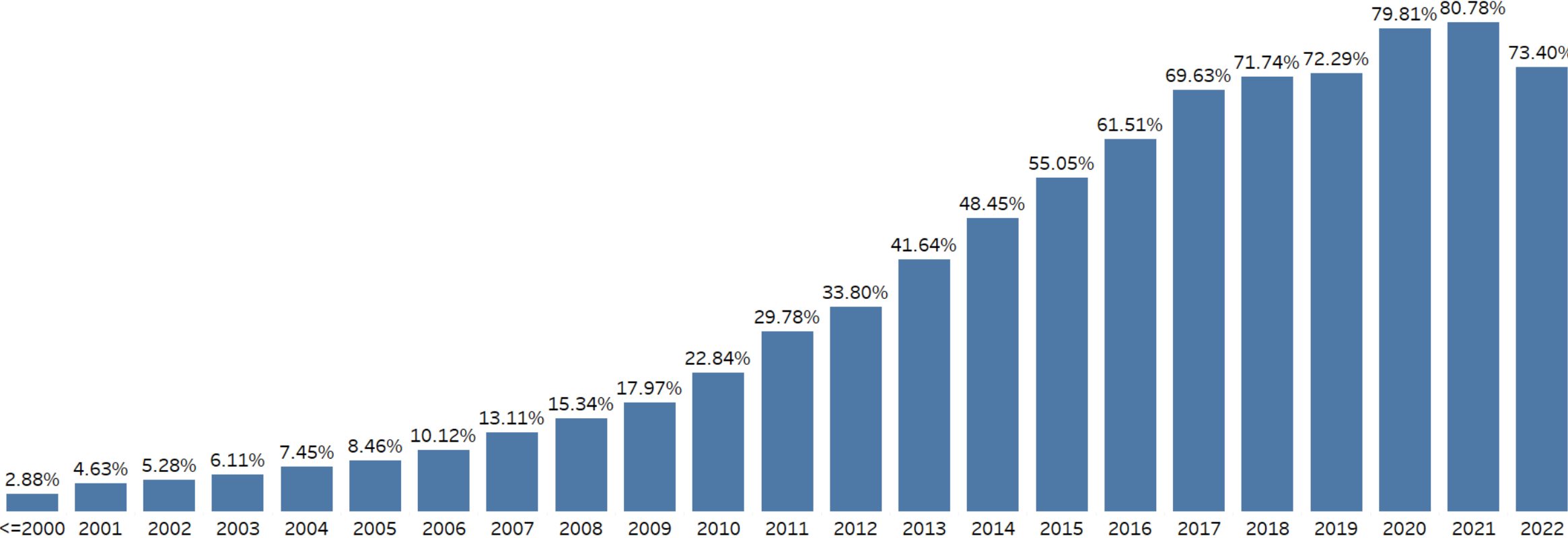


Used transaction type by Dealer



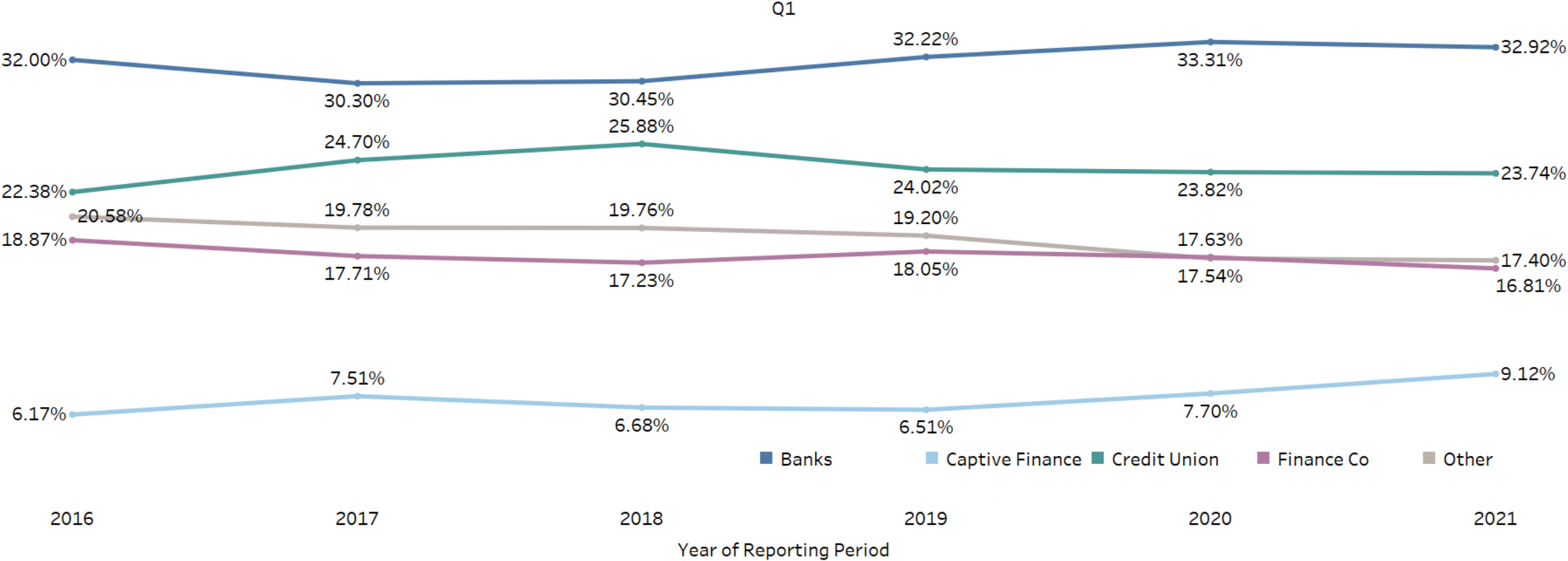
Over 88% of current + 8MY vehicles have financing (54% not including 2021MY)

Percentage of vehicles by model year with financing

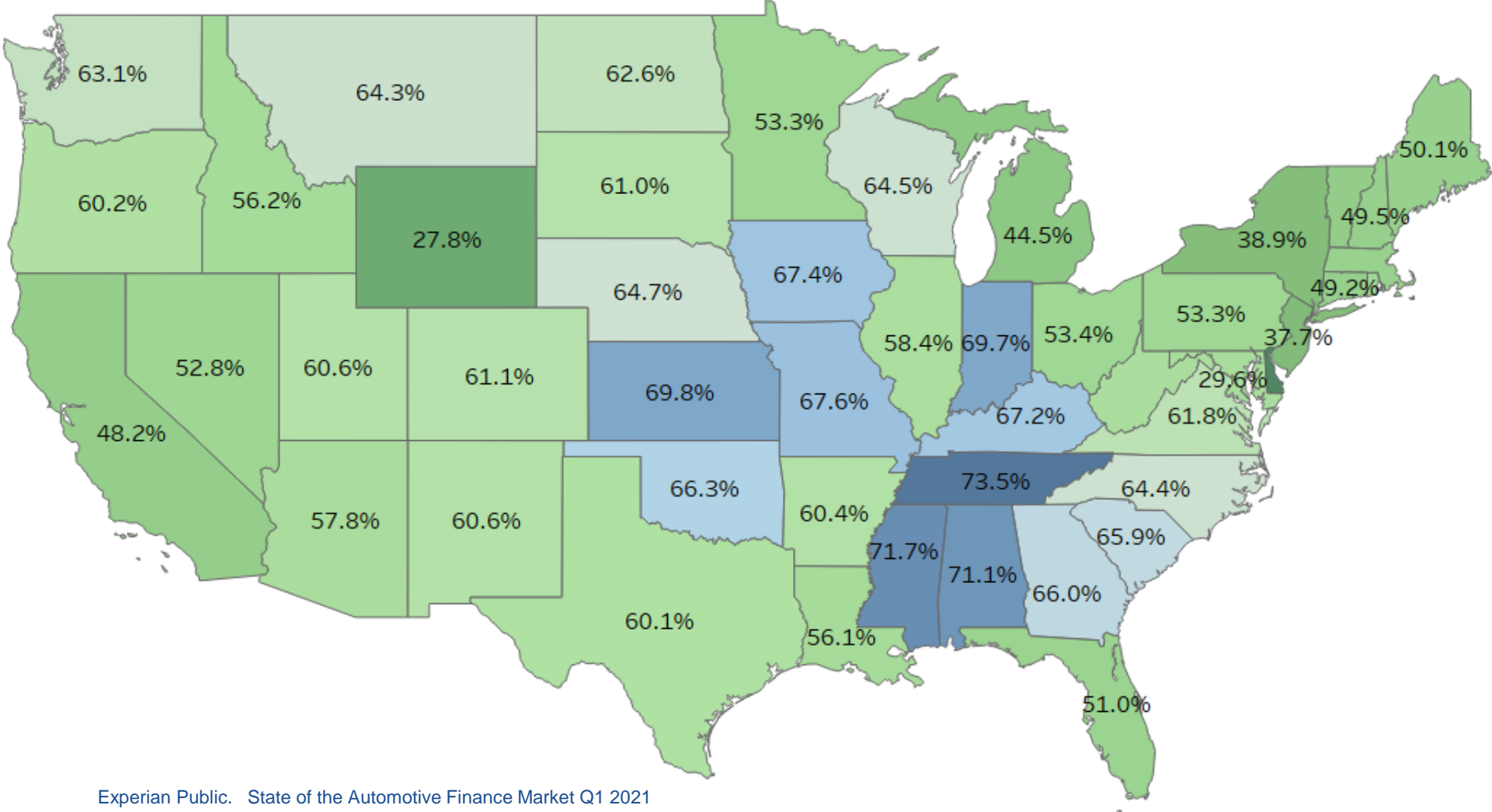


Most lender types experience slight decreases in used loan share while captives increase

Used market share by lender type



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

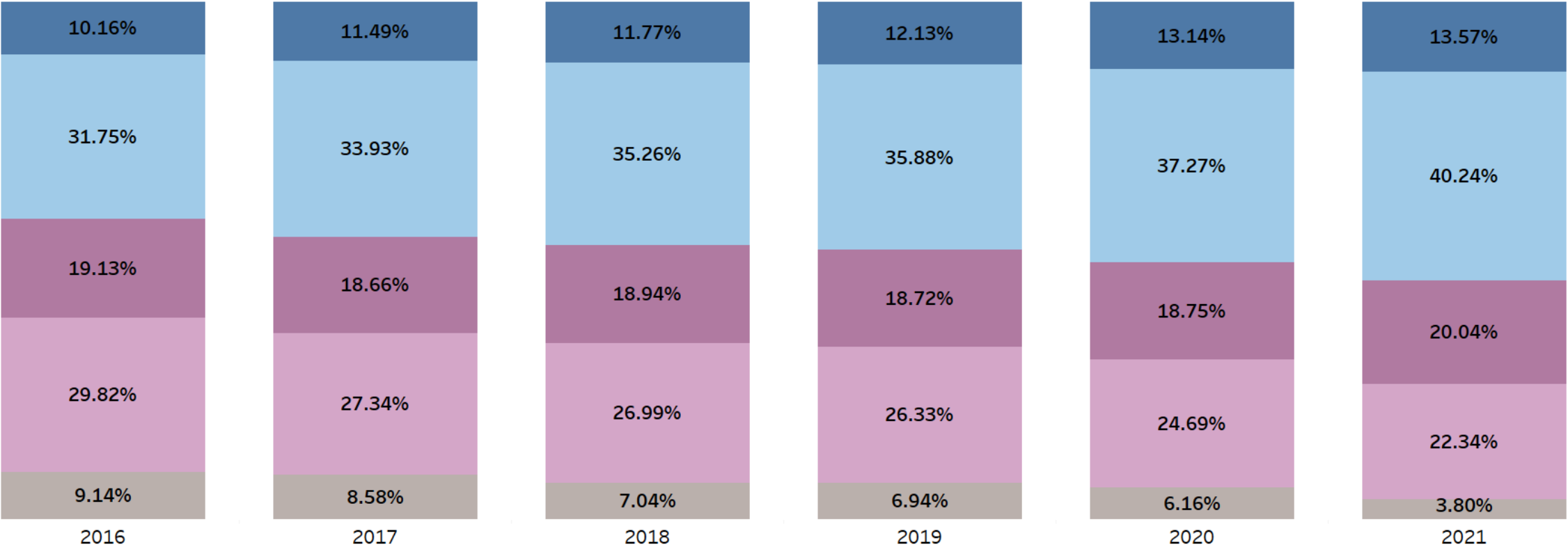


Deep subprime & subprime used loans remain near record lows with prime+ nearly 54% of used loans

Used loan risk distribution

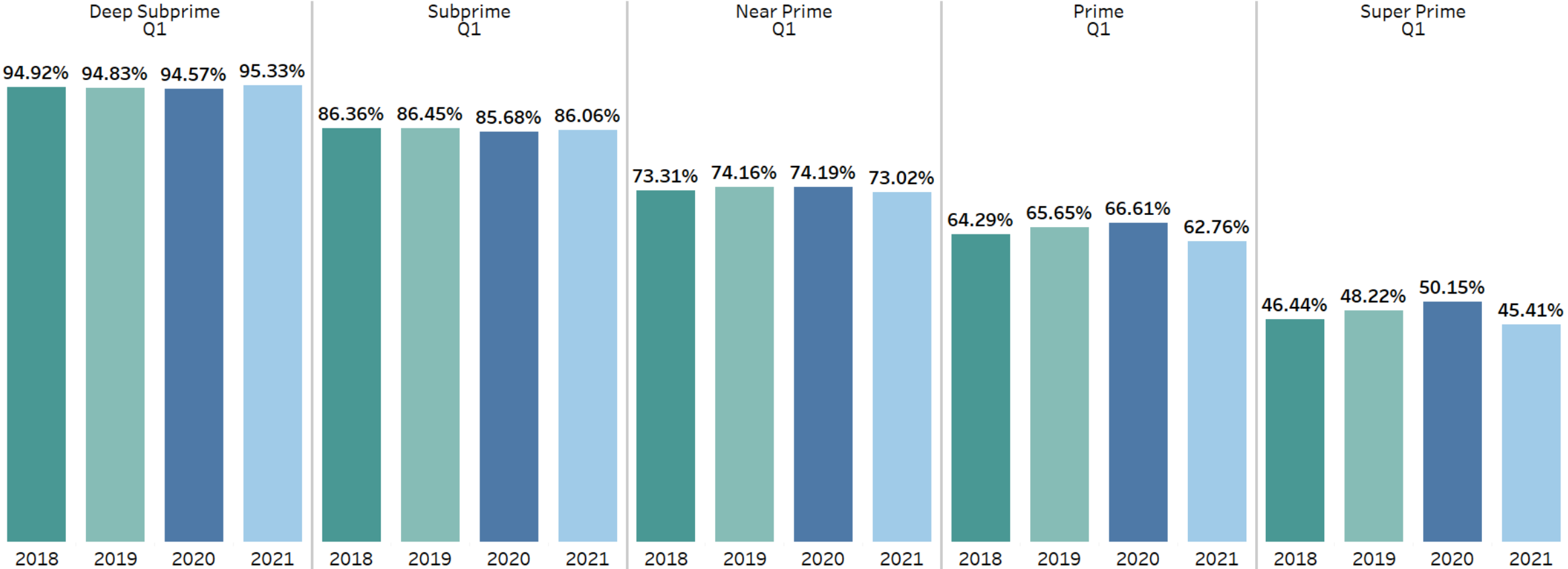
■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subprime

Q1



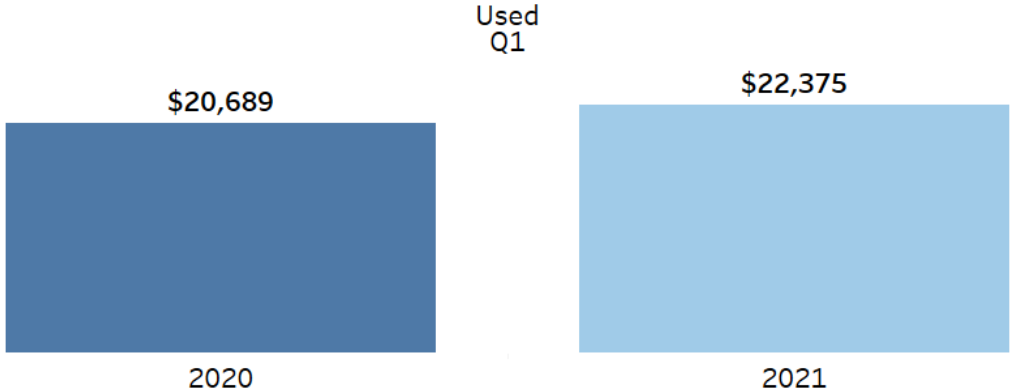
2020 disrupted the shift of prime borrowers to used vehicles and continues into 2021

Consumers choosing used loans

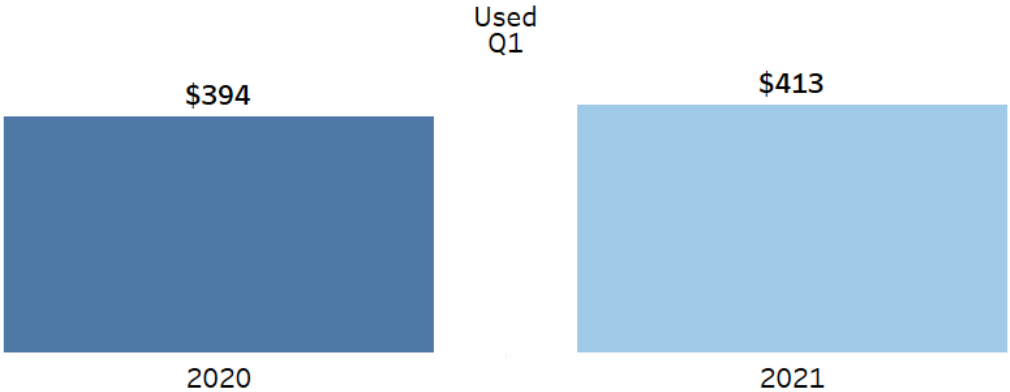


Used loan attribute summary: used loan terms set a new high

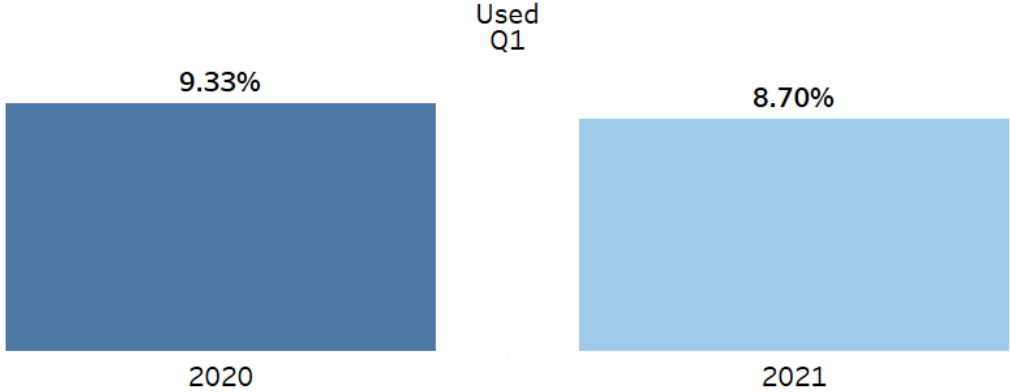
Average amount financed



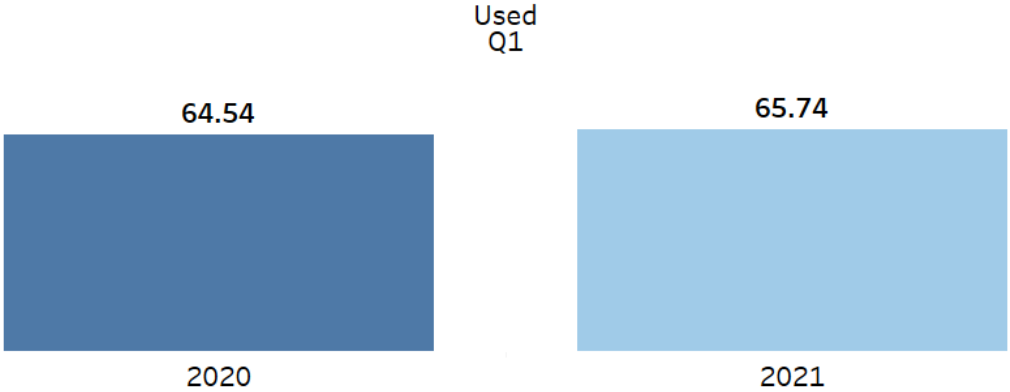
Average monthly payment



Average loan rate

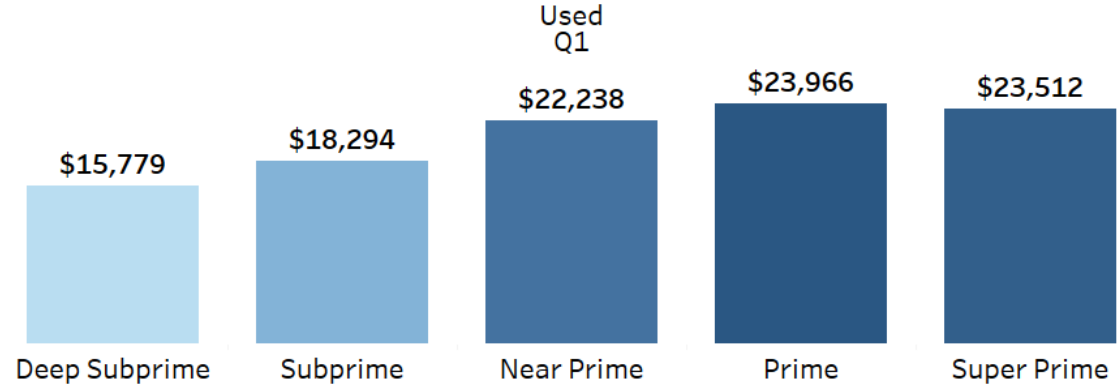


Average loan term

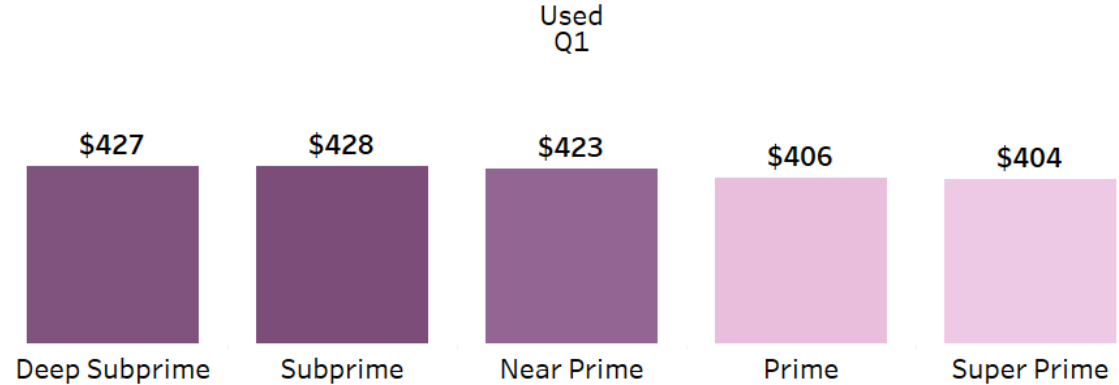


Used loan amounts and payments increase across all risk segments

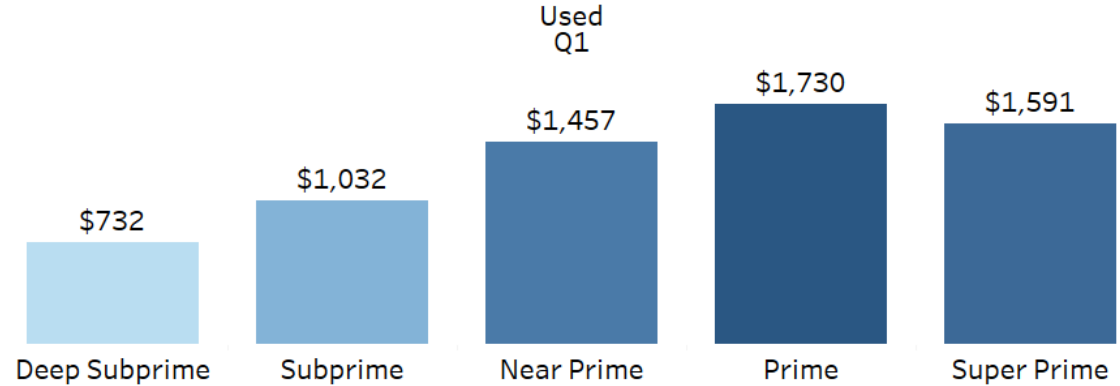
Average loan amount financed by risk



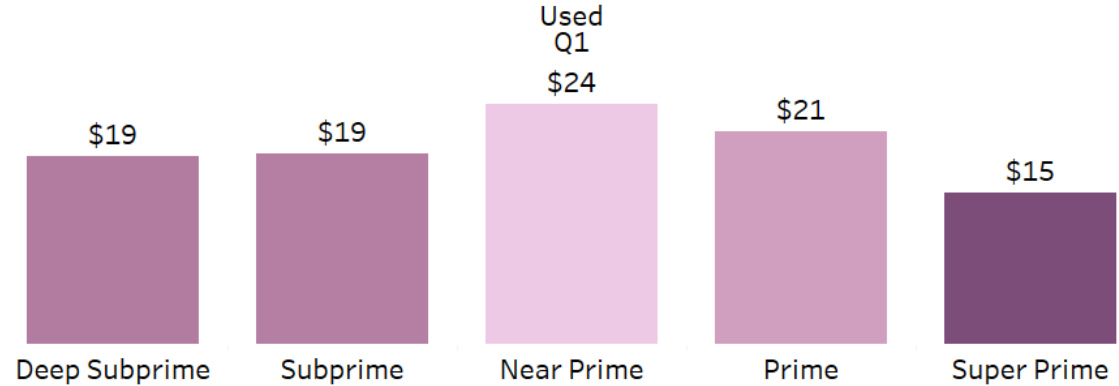
Average loan monthly payment by risk



Year-over-year change in loan amount

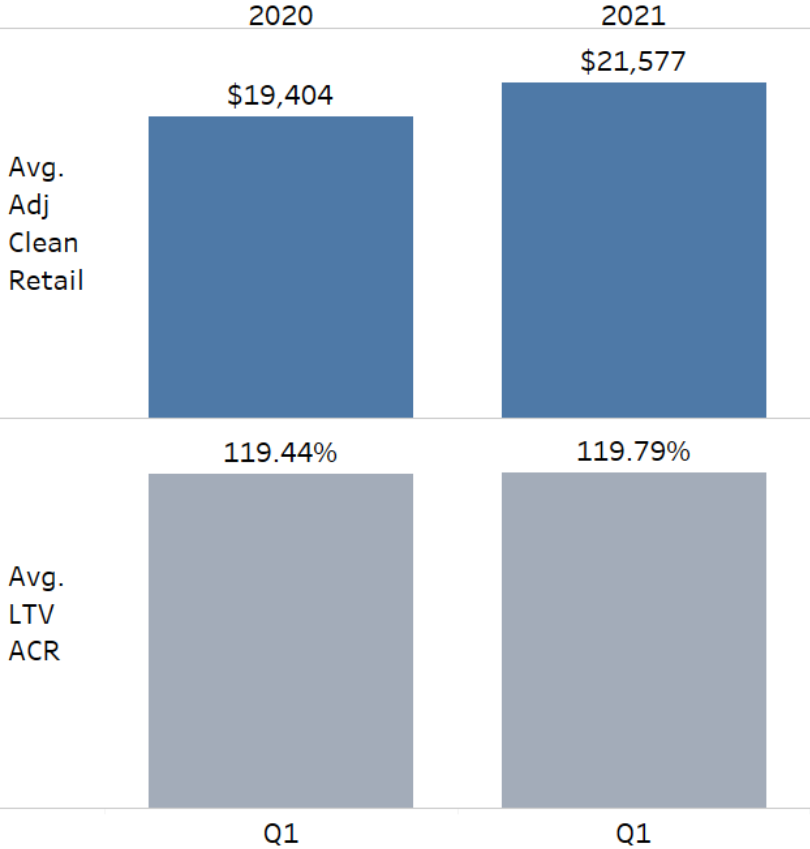


Year-over-year change in monthly payment

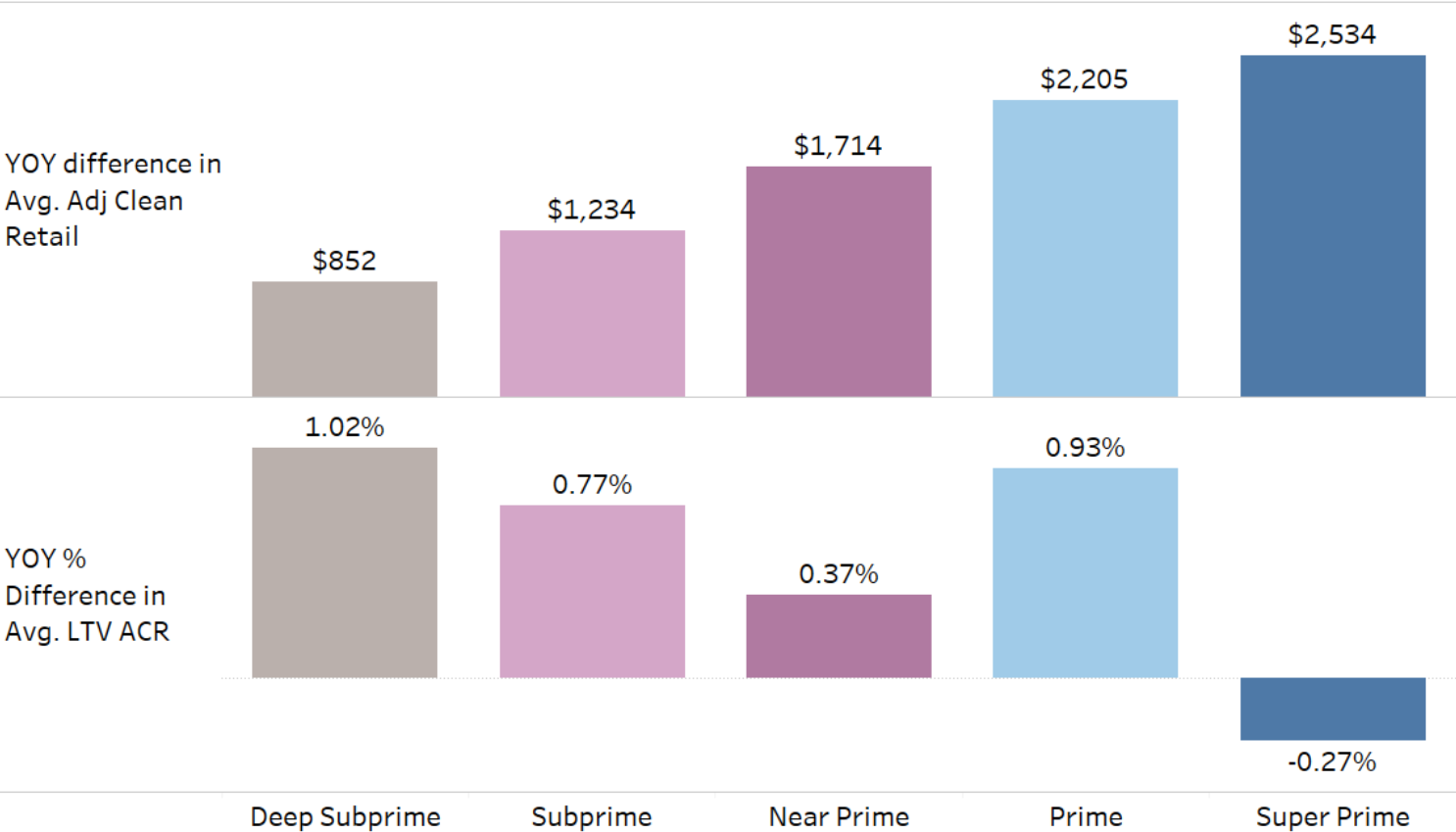


Values rise and LTV sees a slight increase on used loans

Avg Used Values

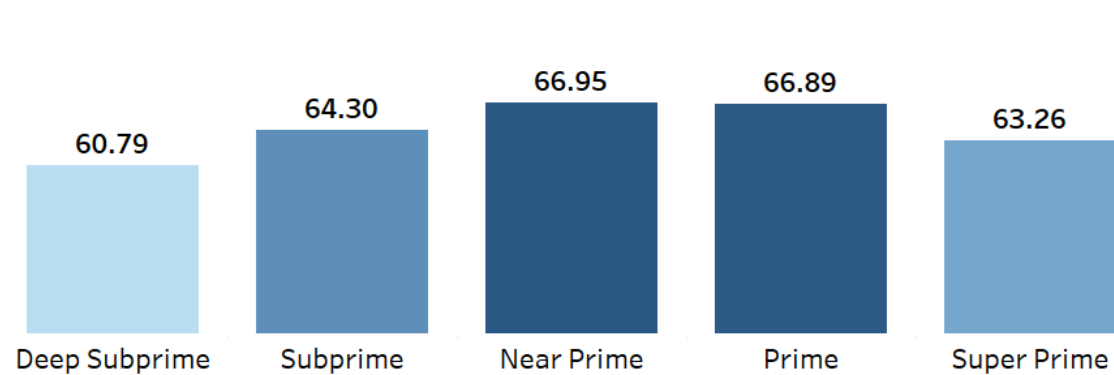


YOY change in used values

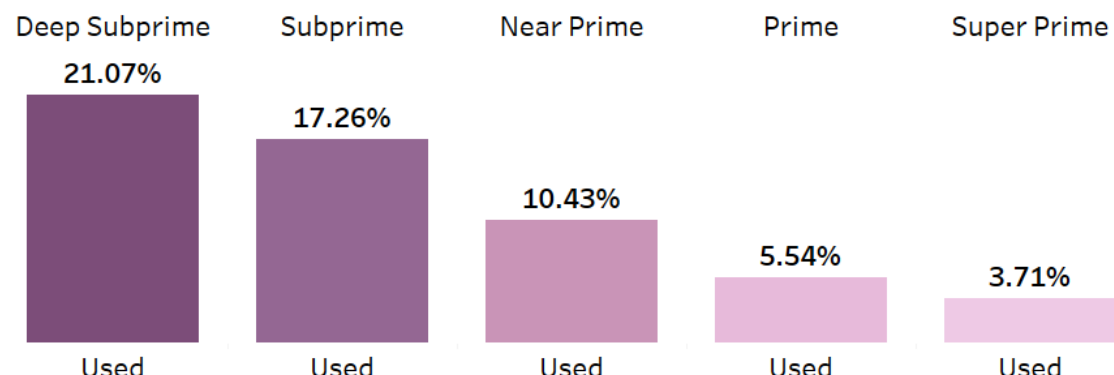


Terms increase while rates drop for all but deep subprime and a slight increase in near prime

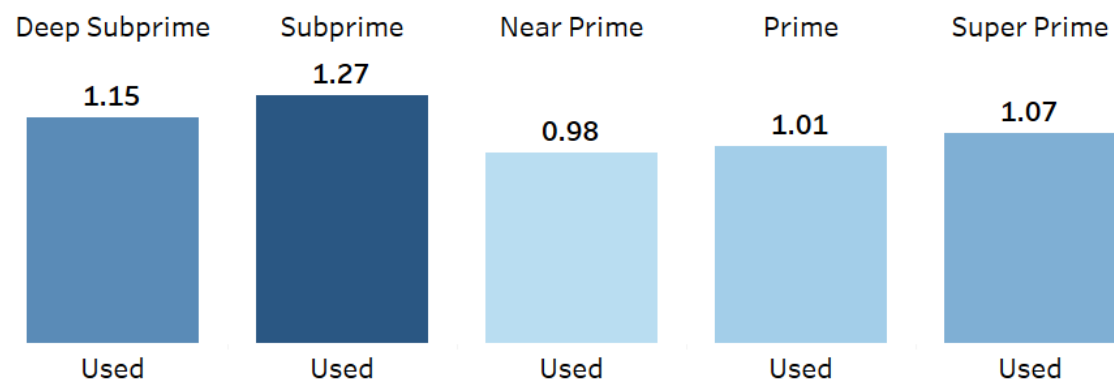
Average loan term by risk



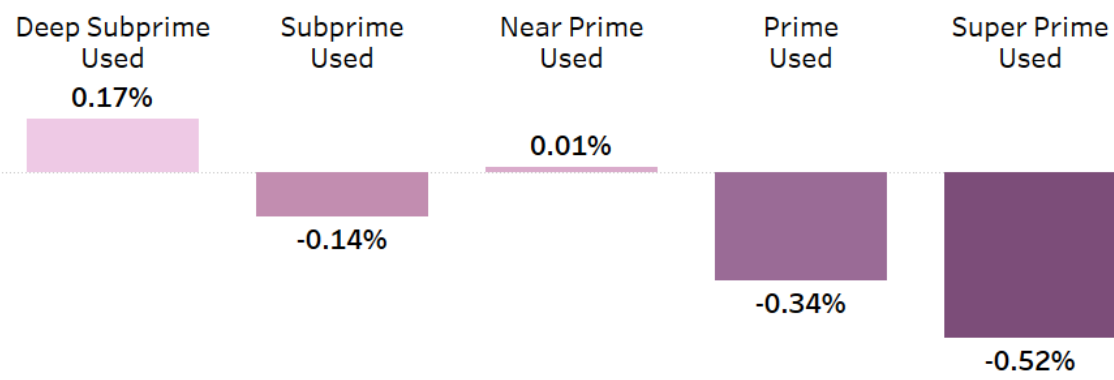
Average loan rate by risk



Year-over-year change in loan term

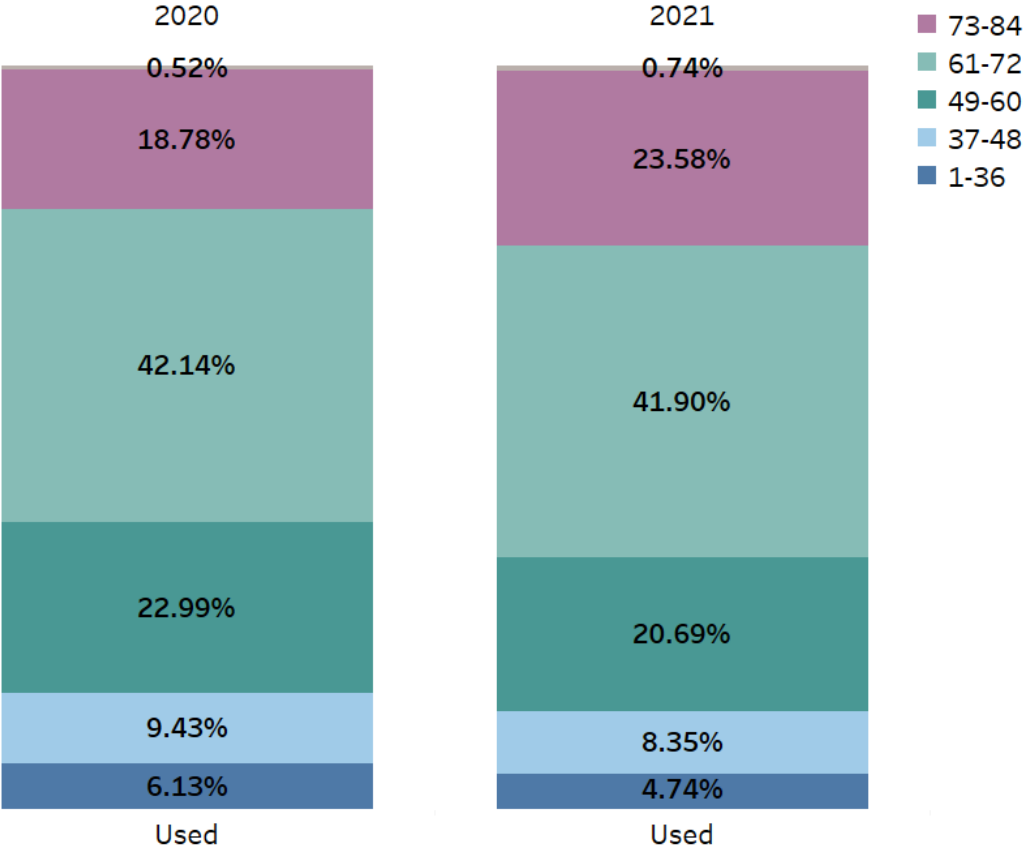


Year-over-year change in rate

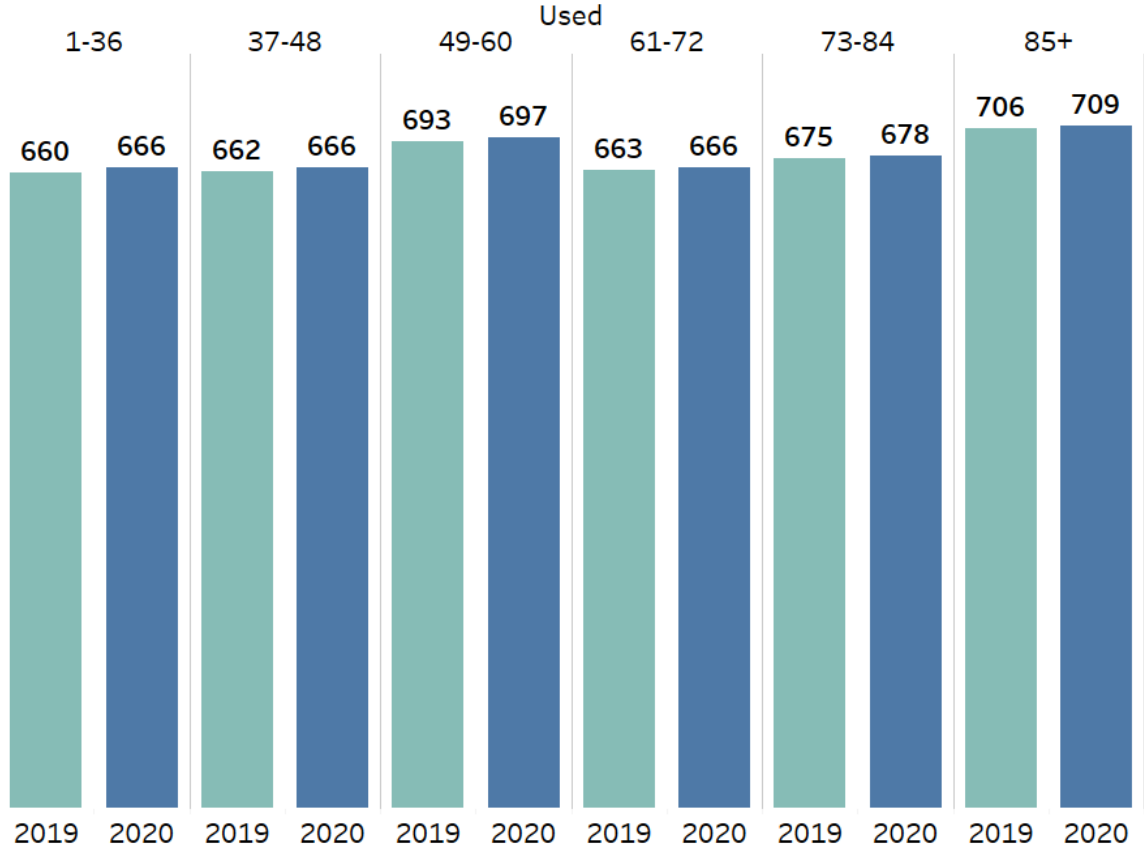


73+ month terms grow along with average credit scores for longer terms

Distribution by loan term



Avg score by loan term



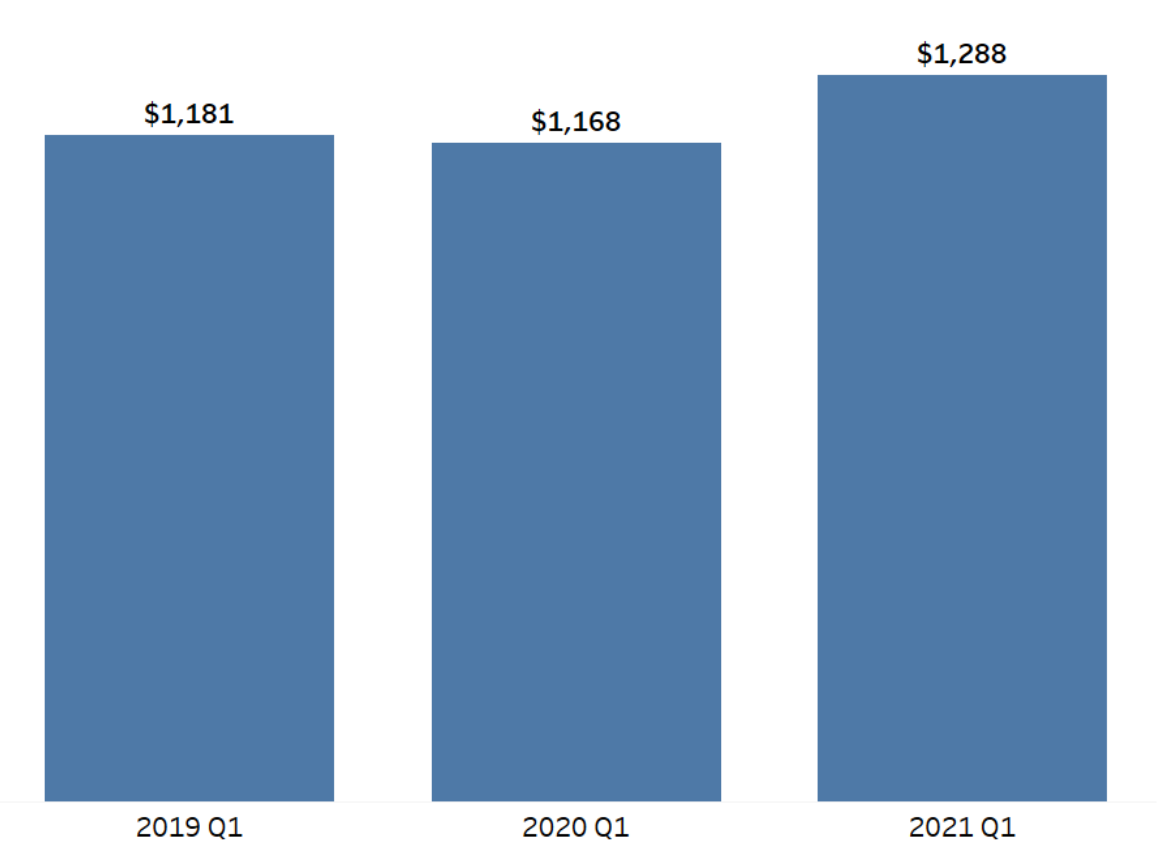
Market Overview

Balances and delinquency on all open auto
loans & leases

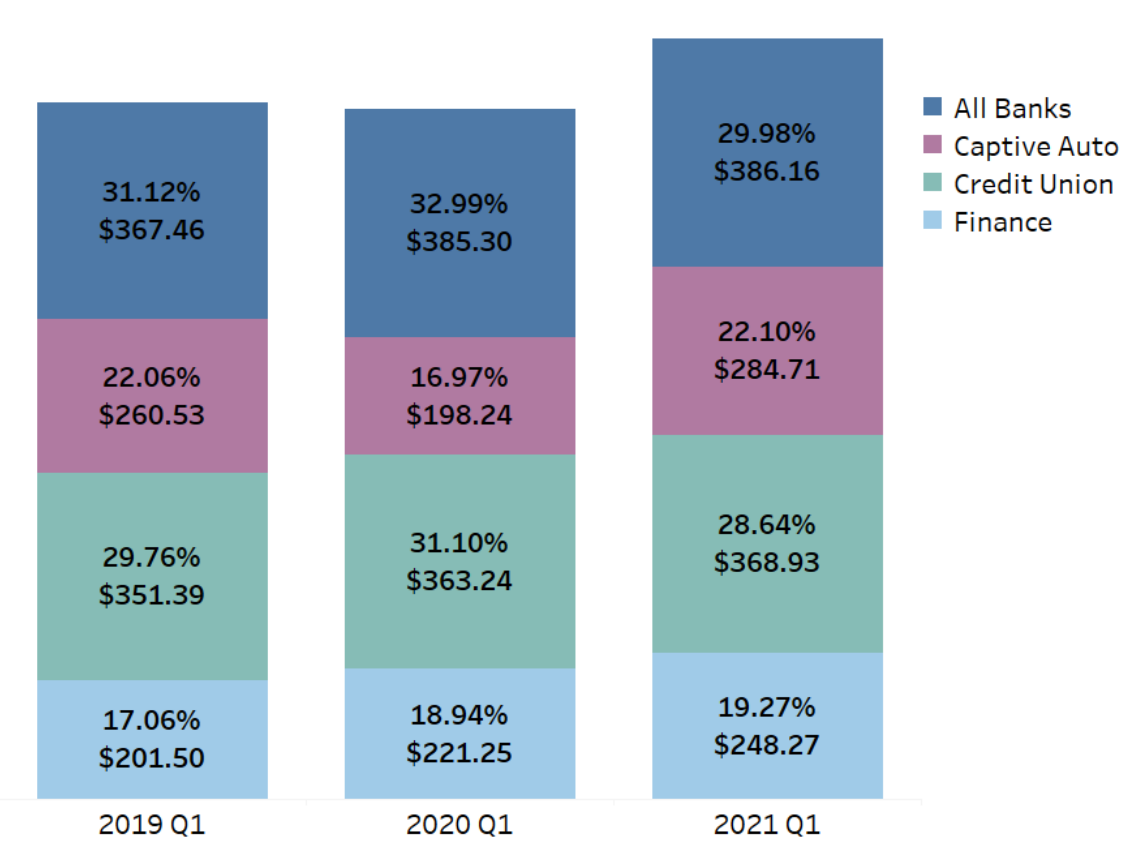


Overall loan balances (in billions) grew 10.3% YOY with all lenders increasing

Total open automotive loan balance

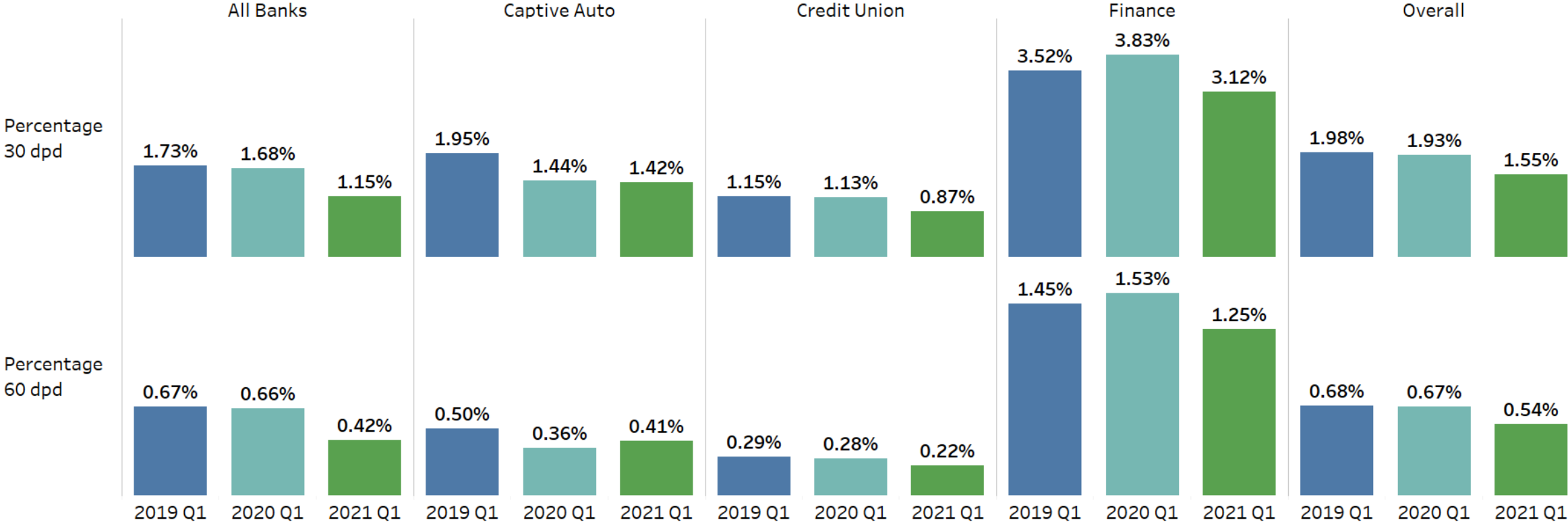


Total open automotive loan balance by lender type



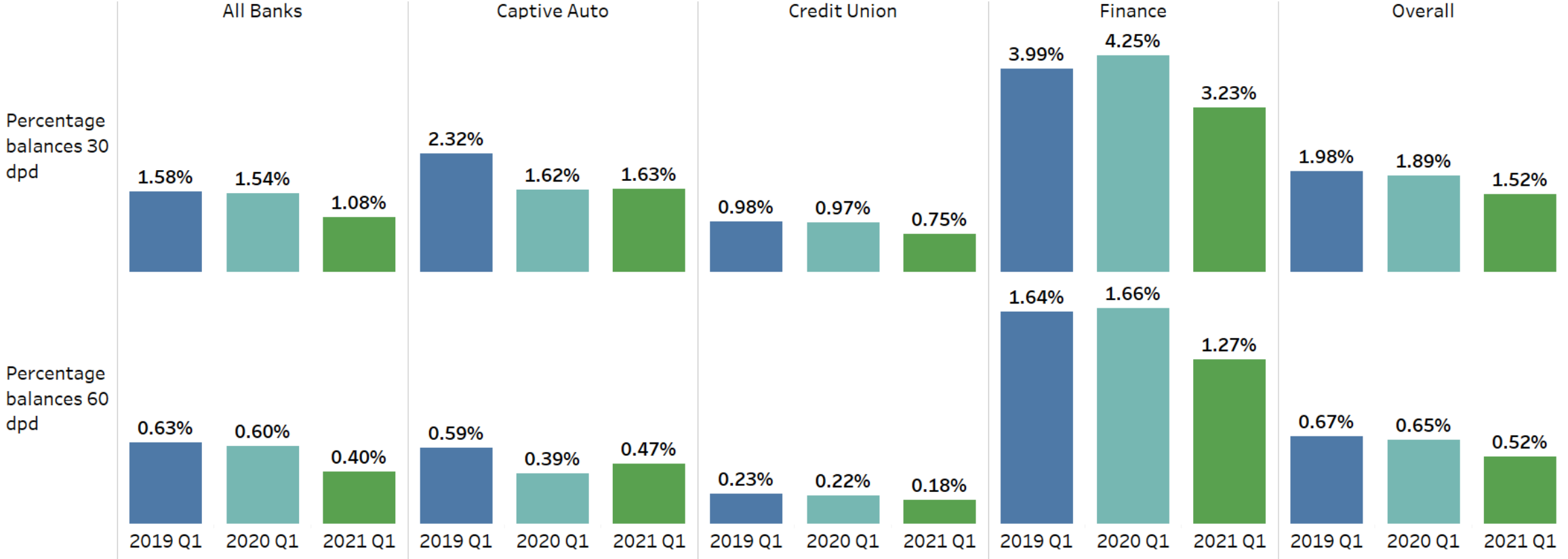
Percentage of loans & leases that are delinquent decreased across the market

% Loan and Leases 30 and 60 days delinquent

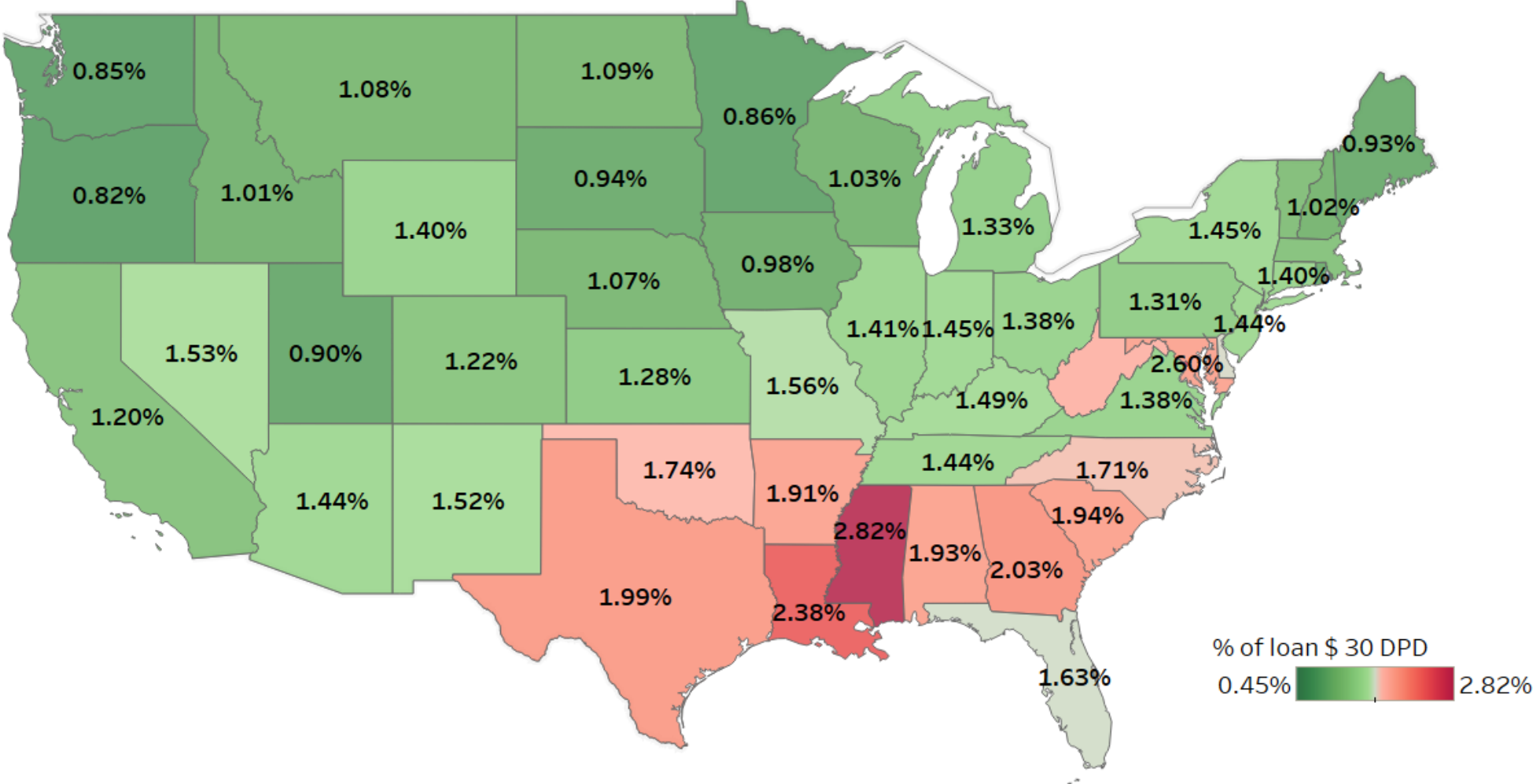


Delinquent loan balances decrease for nearly all lenders

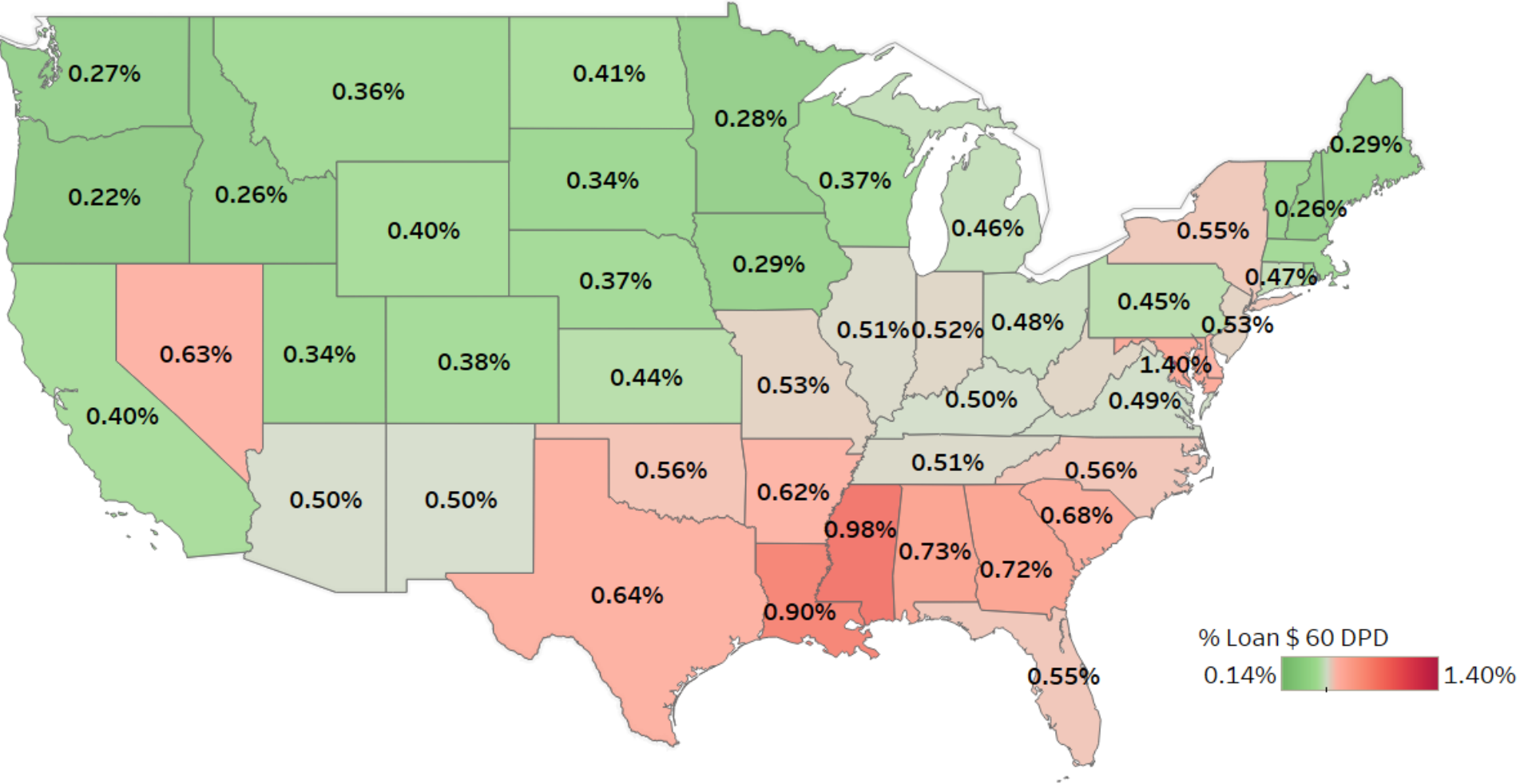
% Loan balances 30 and 60 days delinquent



Percentage of loan balances 30 dpd per state



Percentage of loan balances 60 dpd per state



Q1 Summary

- Leasing remains low yet, financing overall has decreased
- Captives continue momentum with increased market share
- Subprime financing remains at near-record lows while prime increases across all transaction types
- Loan amounts and payments remain at near-record highs while vehicle values and terms continue to grow; LTVs remain steady
- Overall outstanding balances increase, and delinquencies remain low

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