



AUTOMOTIVE INDUSTRY INSIGHTS

# Finance Market Report

## Q3 2020

Presented by

**Melinda Zabritski**

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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

## Origination trends

- Overall financing
- New loans & leases
- Used financing

## Overall portfolios

- Outstanding balances
- Risk distributions
- Delinquency

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



# Q3 2020 Originations

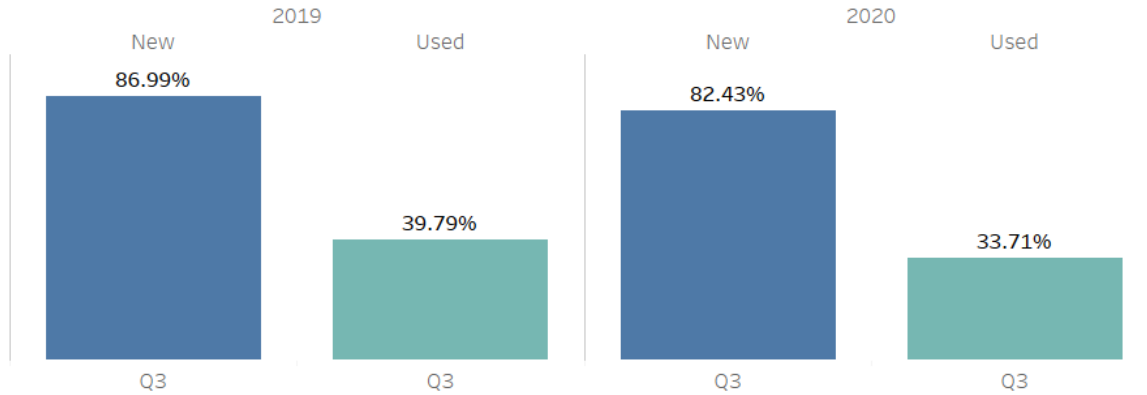
Trends in automotive loan and  
lease originations



# Automotive financing<sup>1</sup>

## Snapshot of how and what consumers are financing

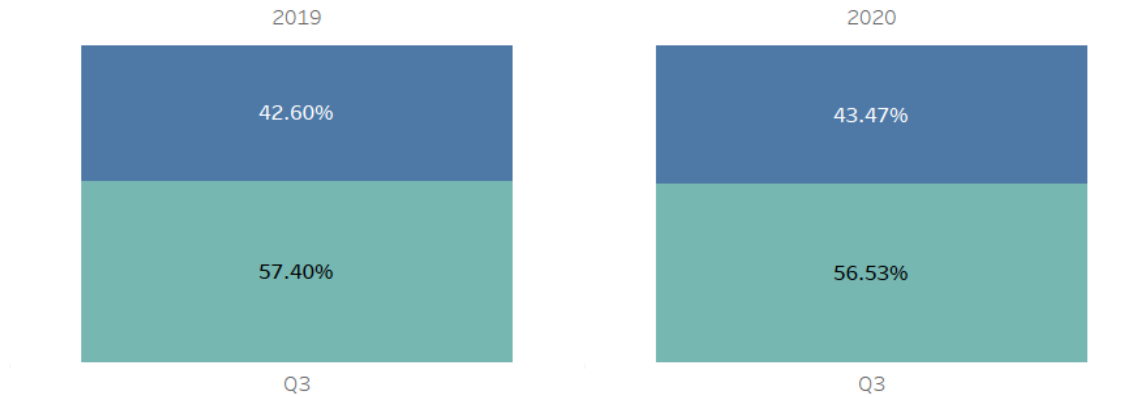
Percentage of vehicles with financing



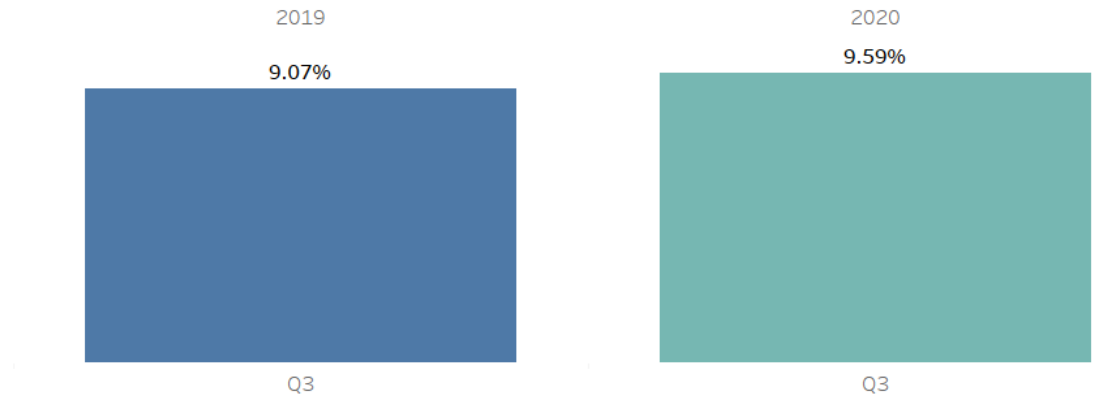
% of all<sup>2</sup> new vehicles that are leased



New/Used percentage of financing



Used % of lease market

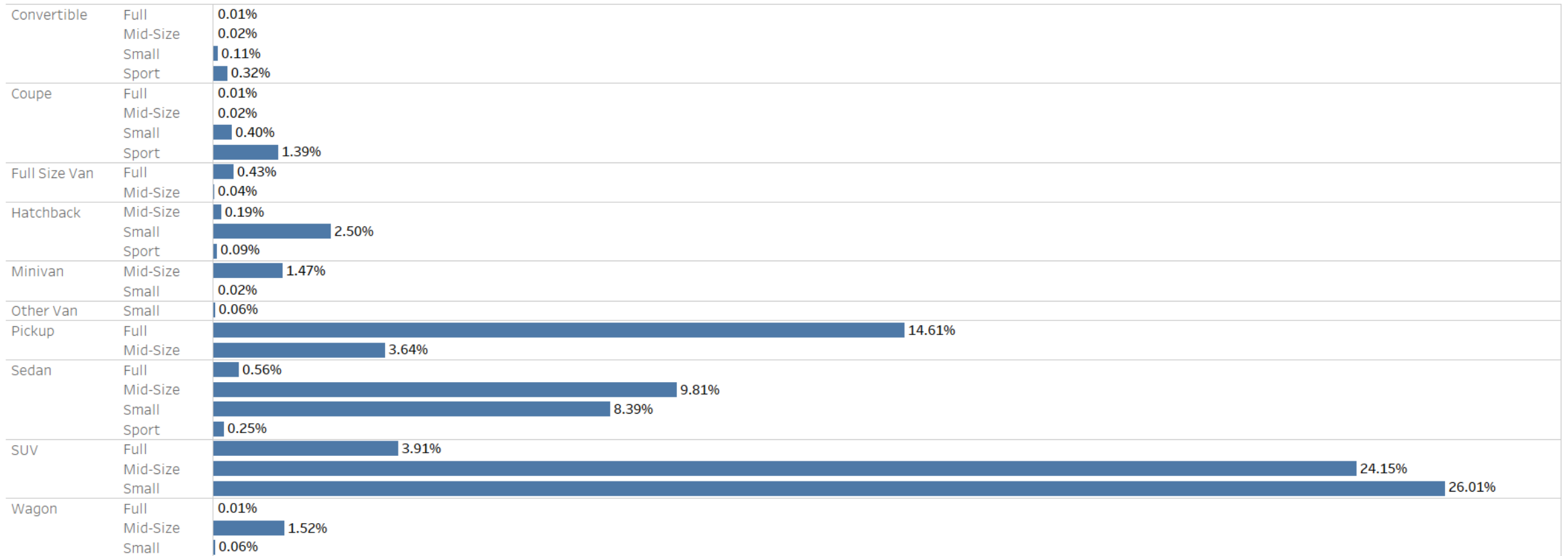


<sup>1</sup> Financing = either a loan or lease is present on the title; <sup>2</sup> All = loan, lease or cash



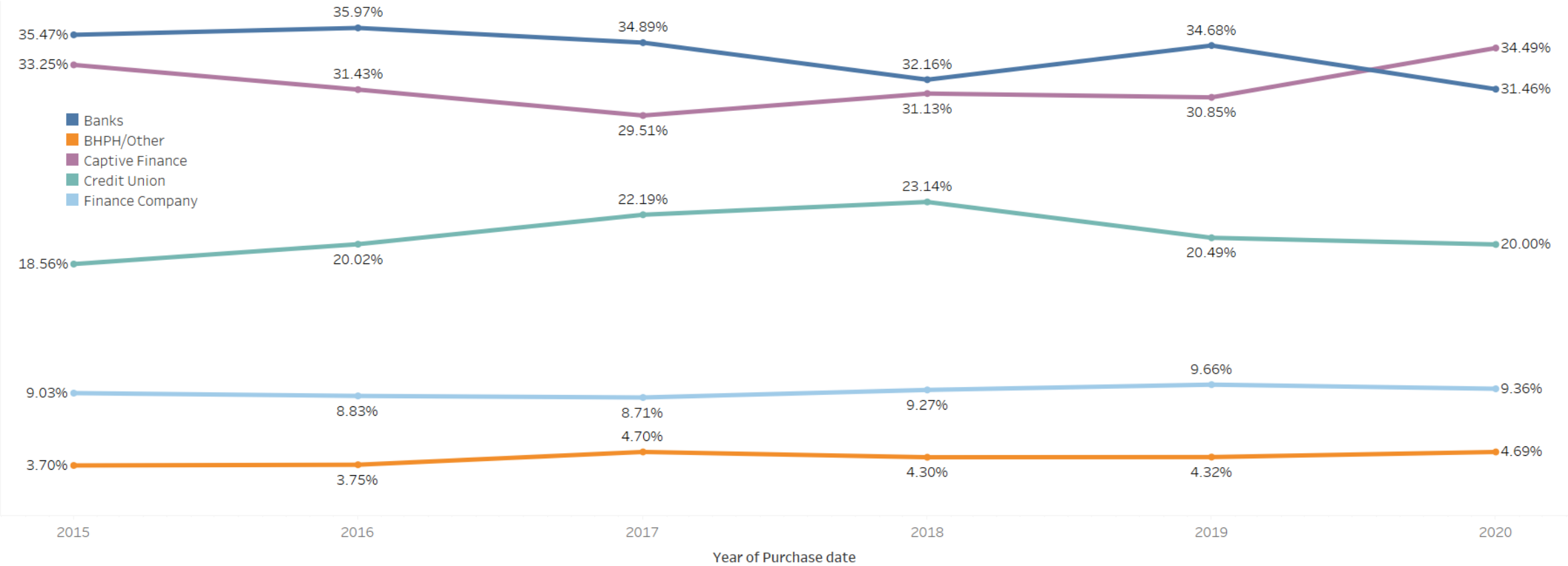
# What are consumers purchasing? Small SUVs returned to the most purchased new vehicle by consumers

## New vehicles by segment



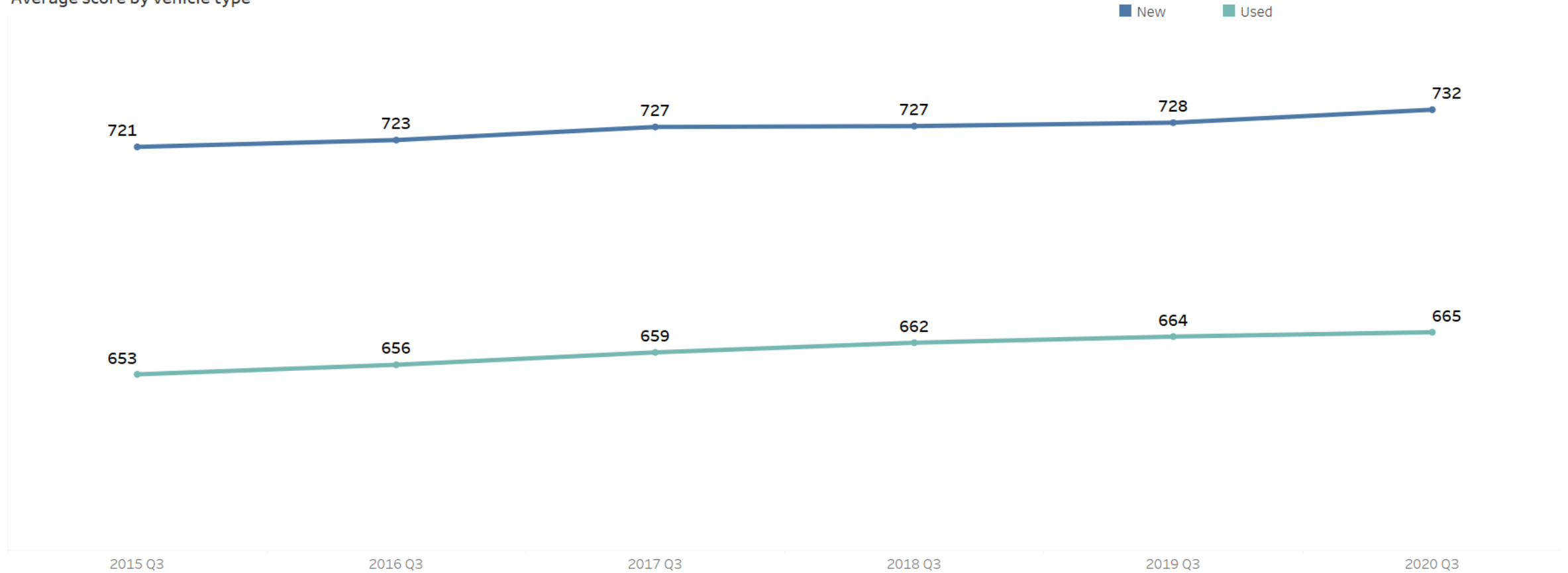
# Captives continue to increase market share

Overall market share by lender type



# Average credit scores show steady increase

Average score by vehicle type



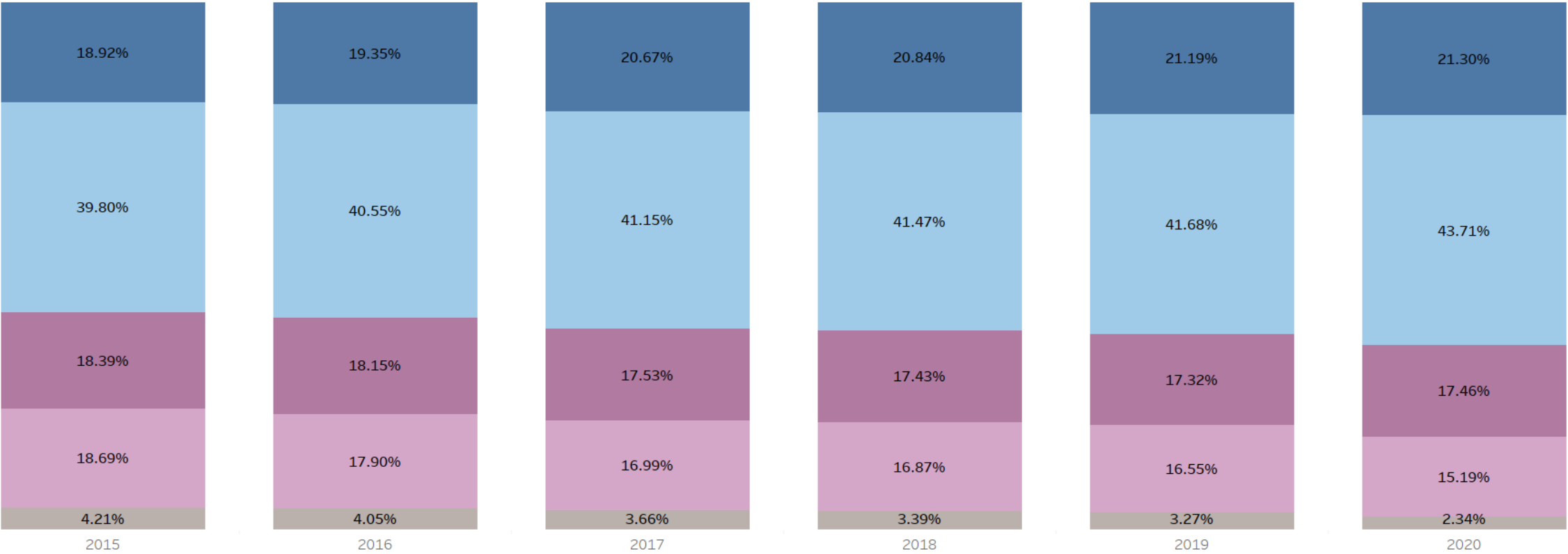


# Subprime segments remain at record lows

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

■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subp..

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<sup>1</sup>Total financing = loan and lease transactions on both new and used vehicles

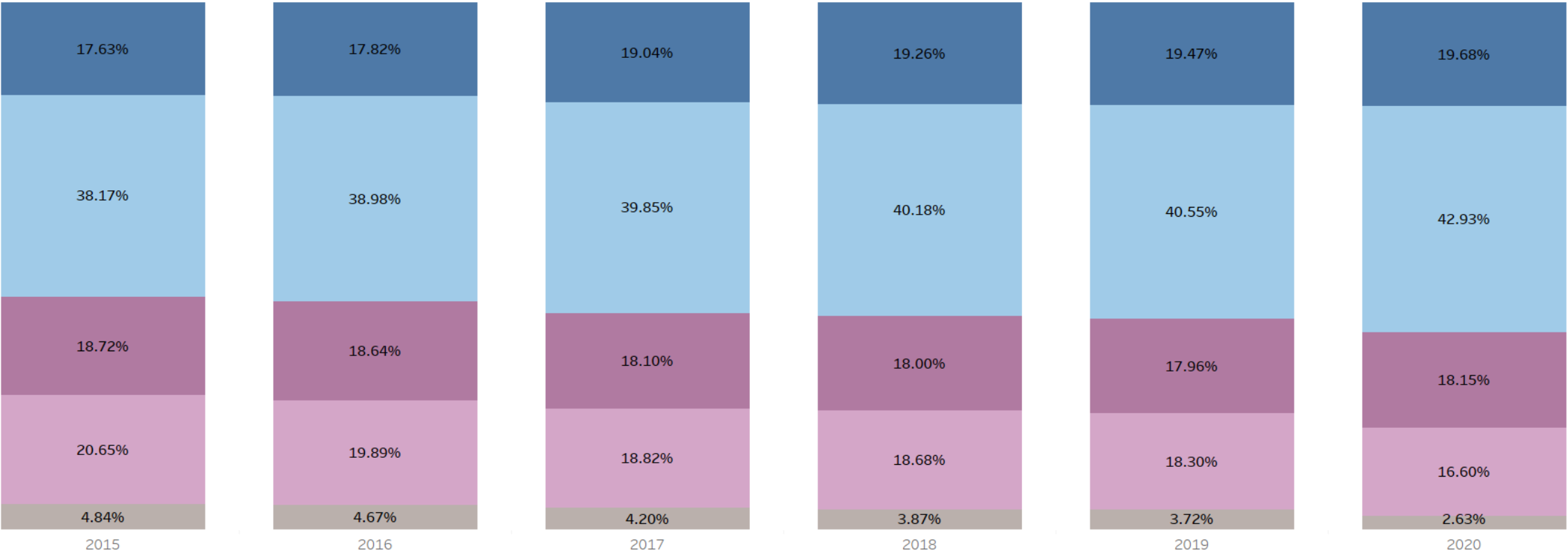


# Deep subprime loans remain under 3% and reaches record low

Total loan risk distribution

■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subp..

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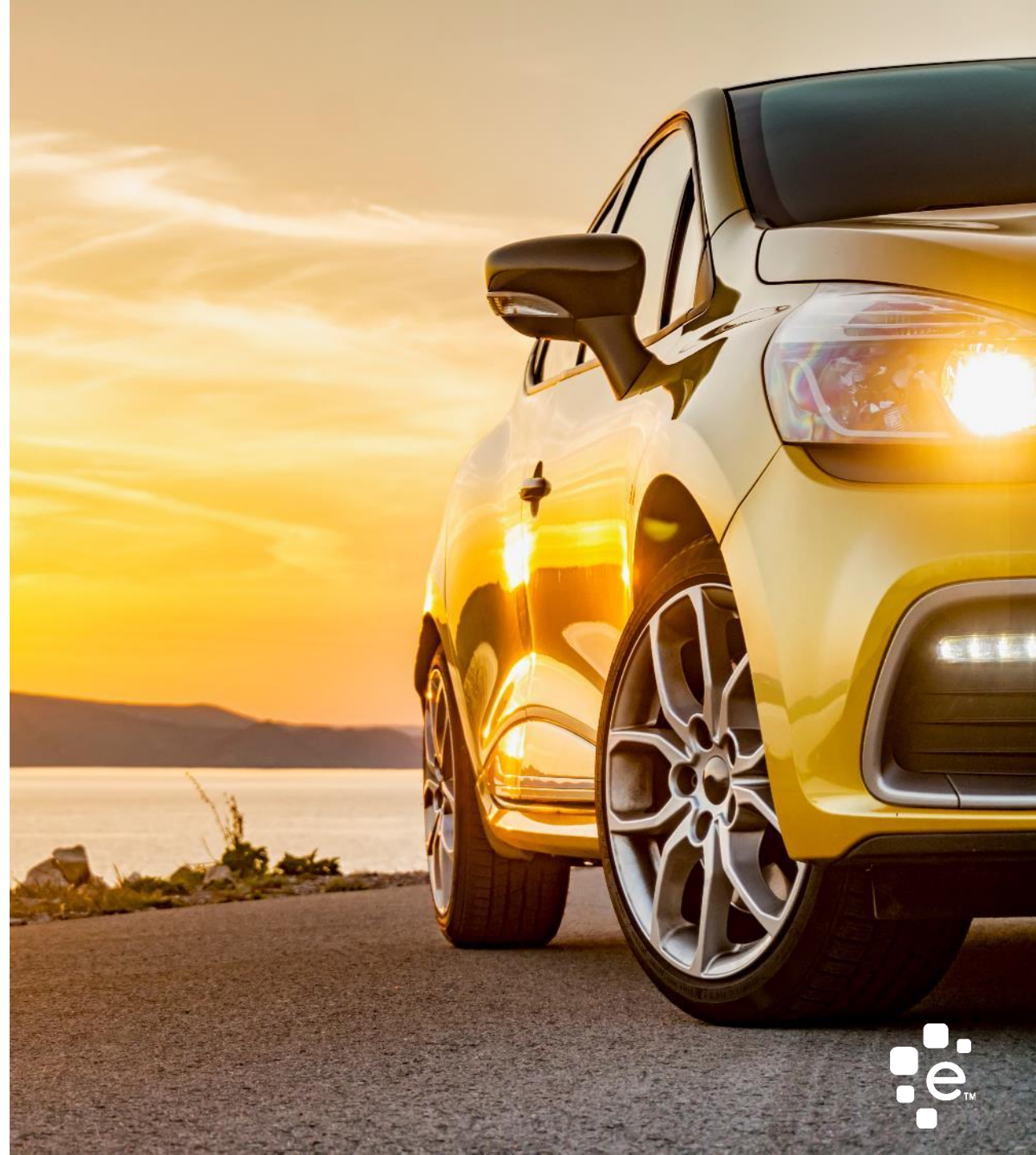


<sup>1</sup>Total financing = loan transactions on both new and used vehicles



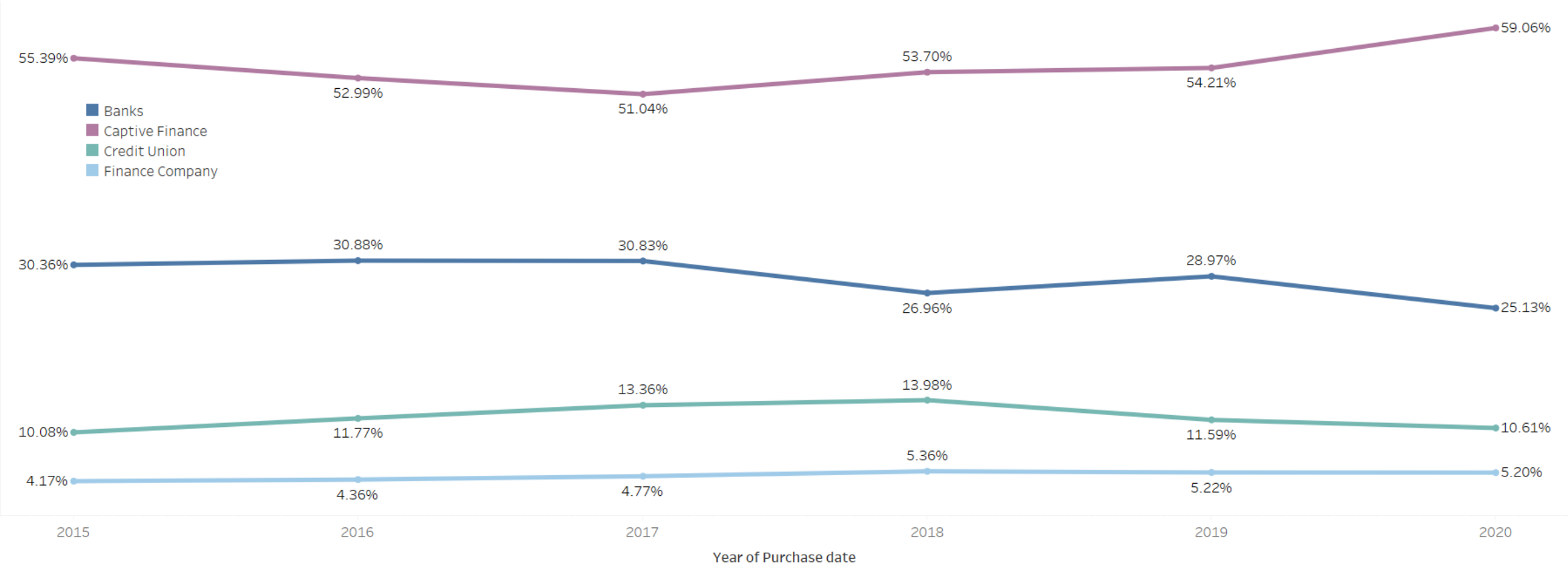
# New financing

A look at new lease & loan trends



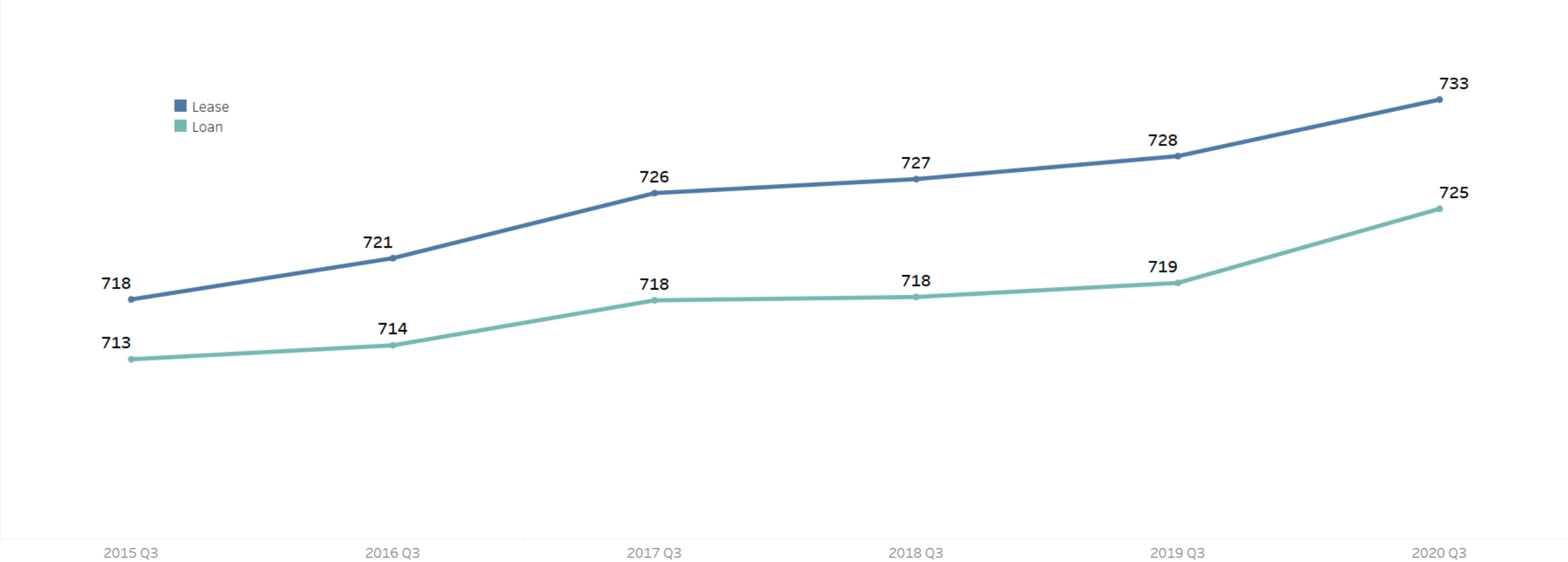
# Captives show large share increase for new financing

New loan/lease market share by lender type



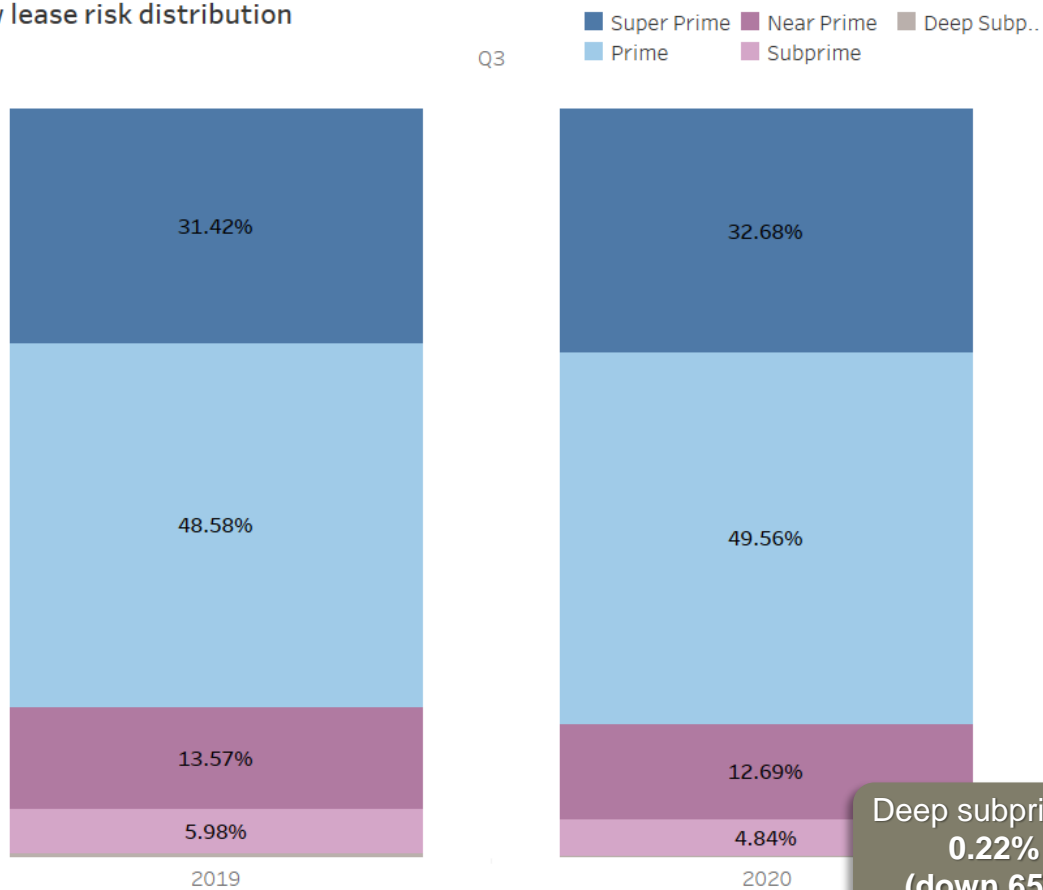
# Credit scores see sharp increase for new financing

Average new score by transaction type

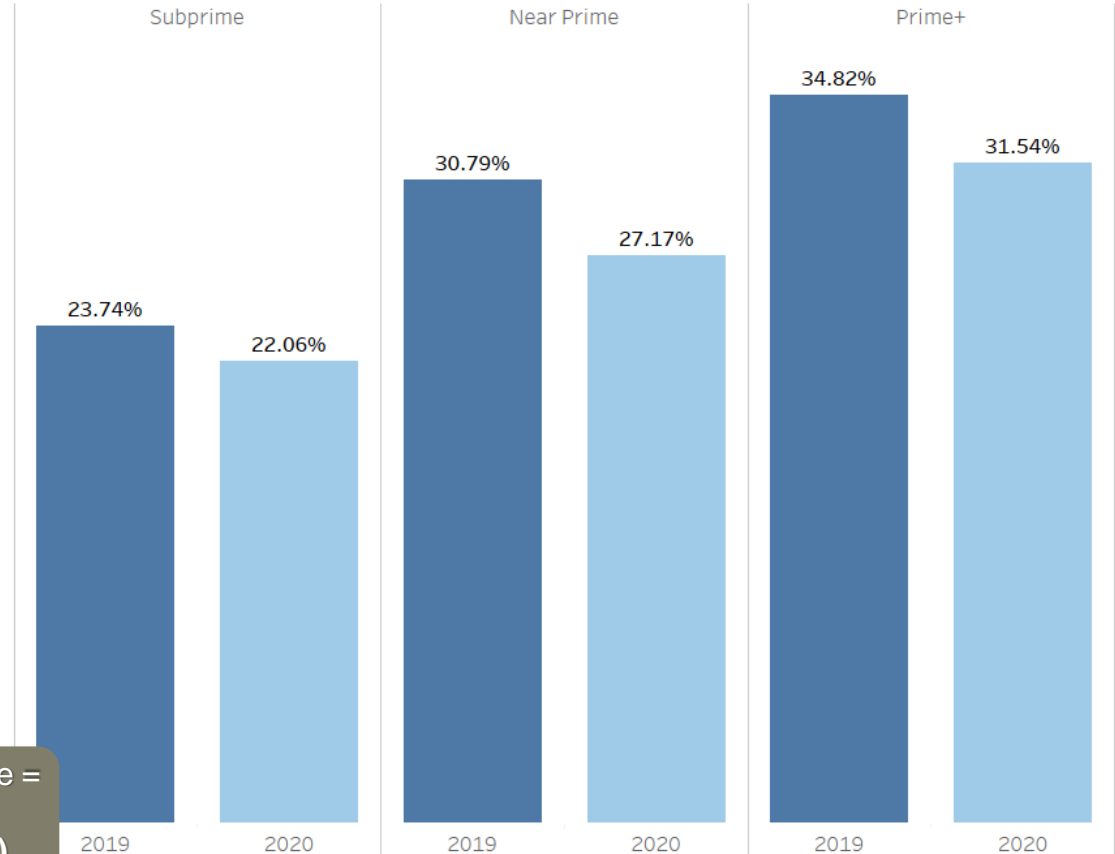


# Subprime leasing takes a sharp decrease to just over 5% while leasing share among risk segments also drops

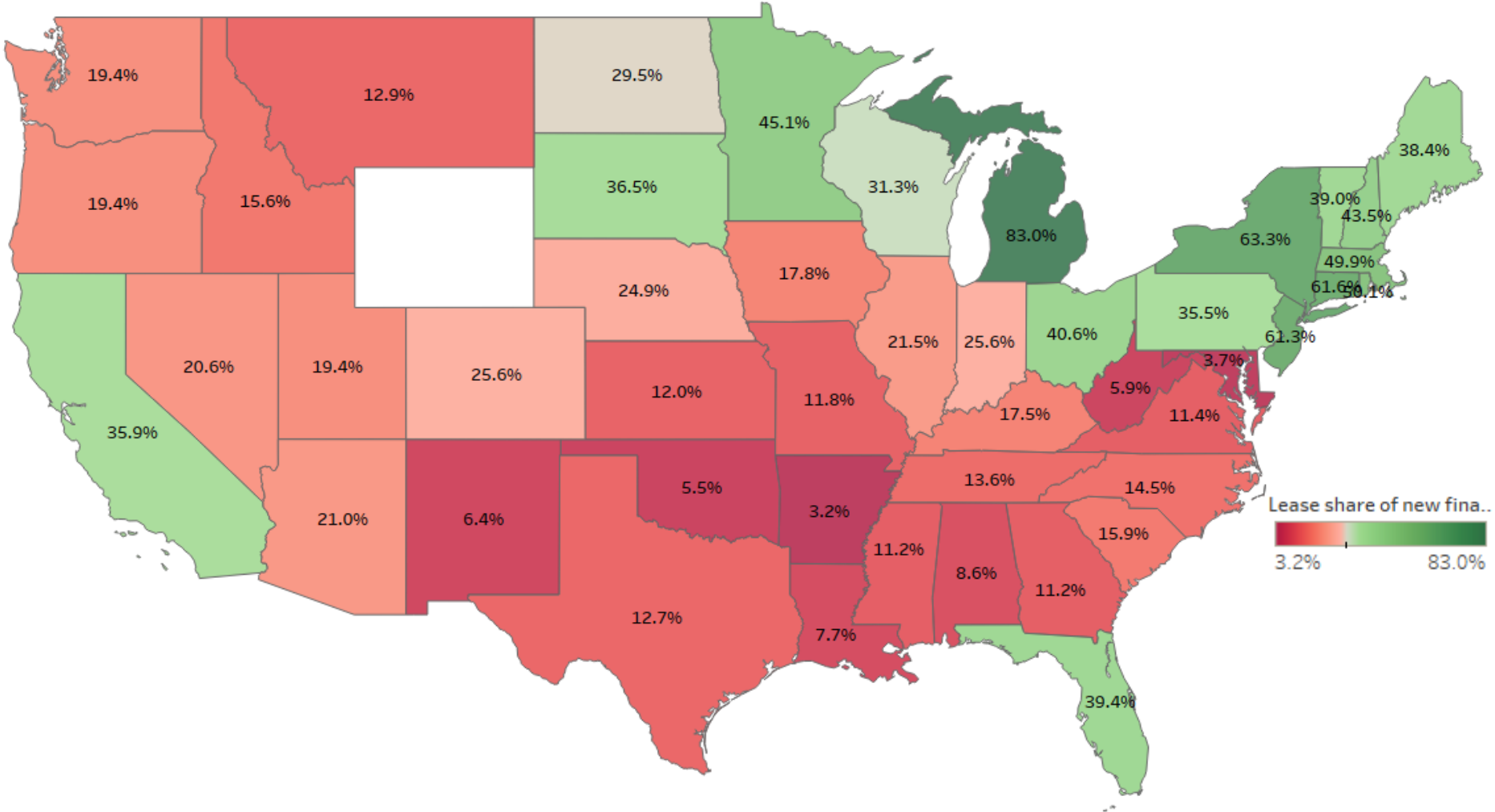
New lease risk distribution



% of borrowers choosing to lease

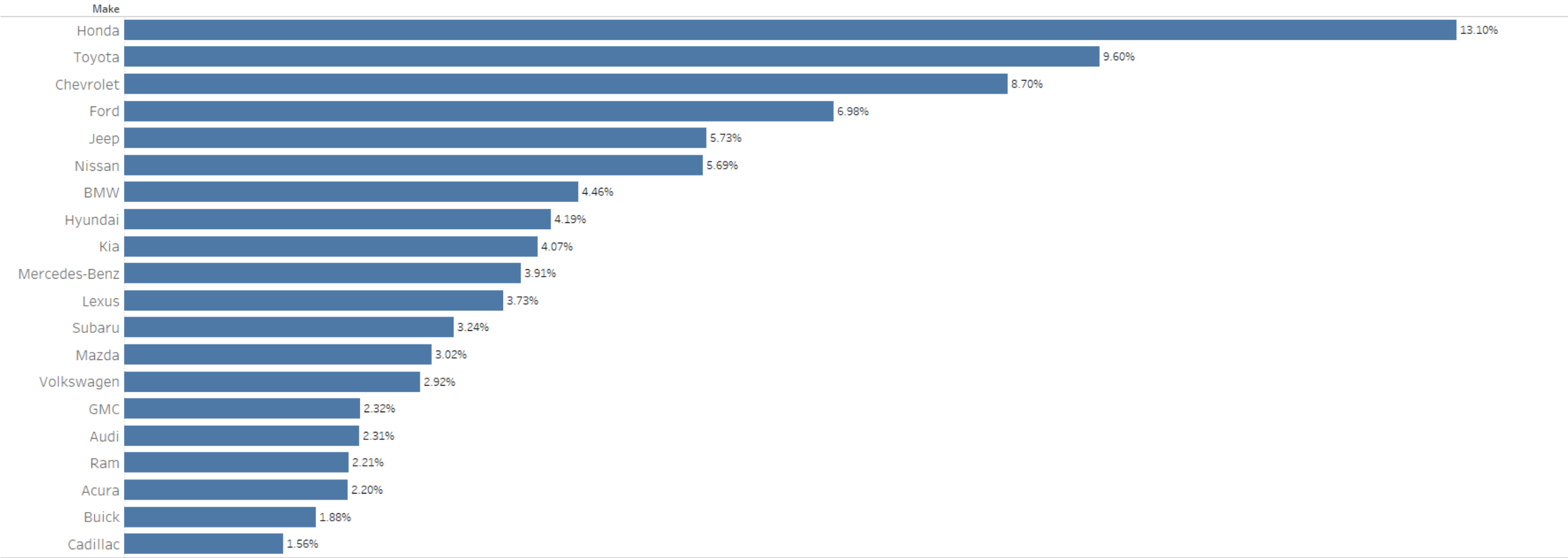


# Michigan and the Northeast have the greatest share of new state financing as lease



# Honda maintains it's lead as the most leased make

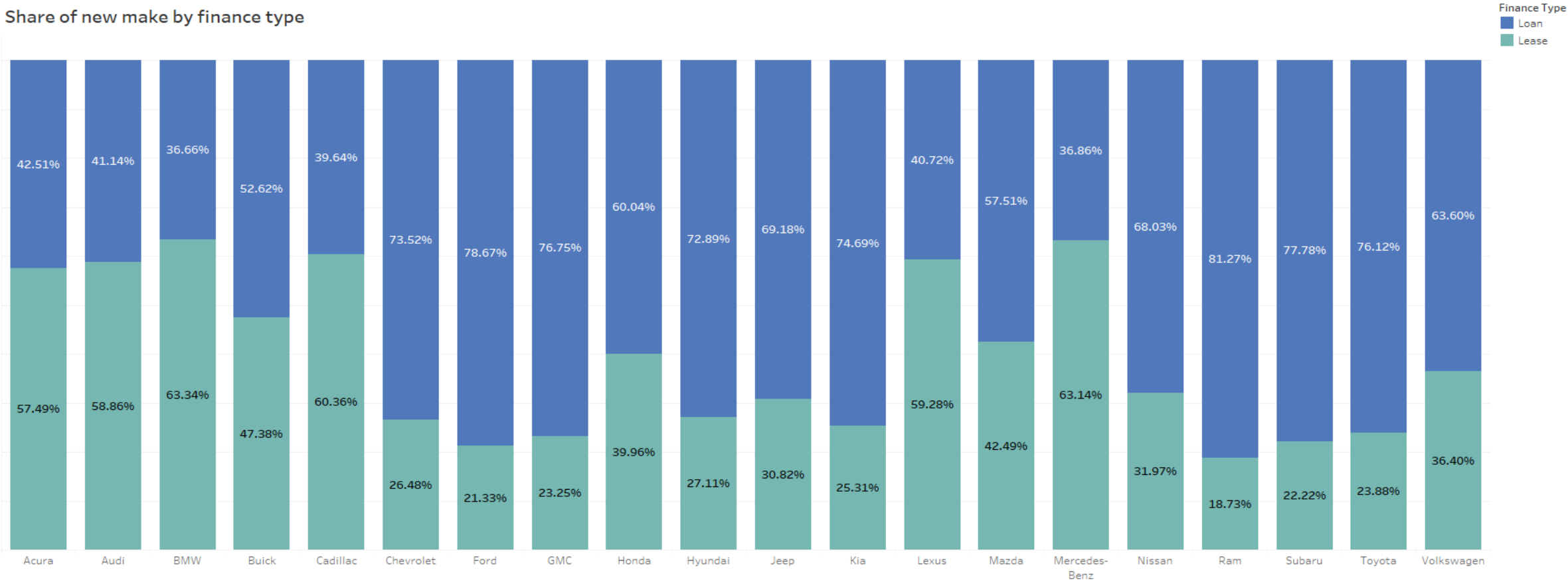
Top 20 leased new makes





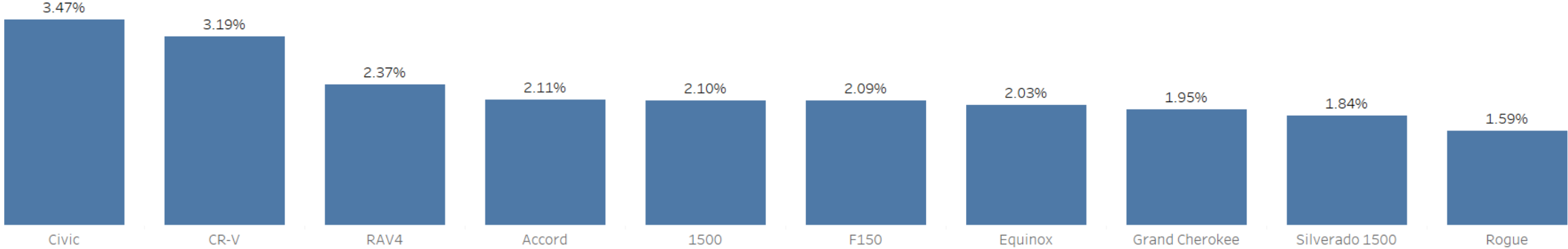
# Finance type among top 20 leased new makes

Share of new make by finance type

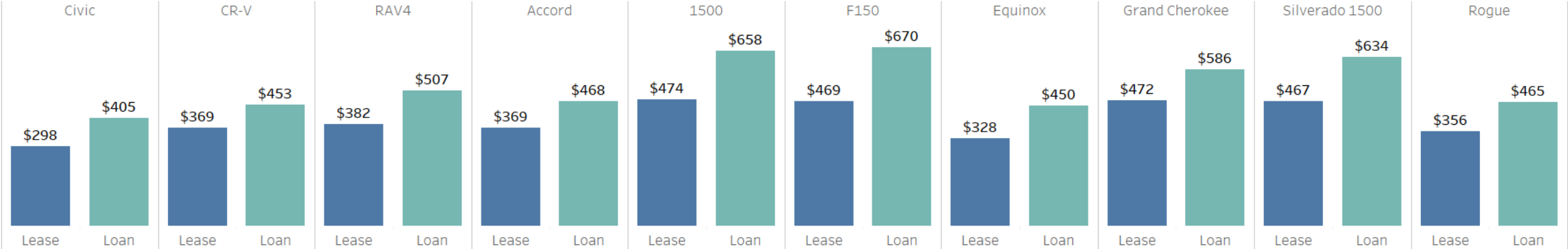


# Mix of car, truck and CUV make up the top 10 most leased vehicles with average payment difference of \$110

Top 10 leased new models

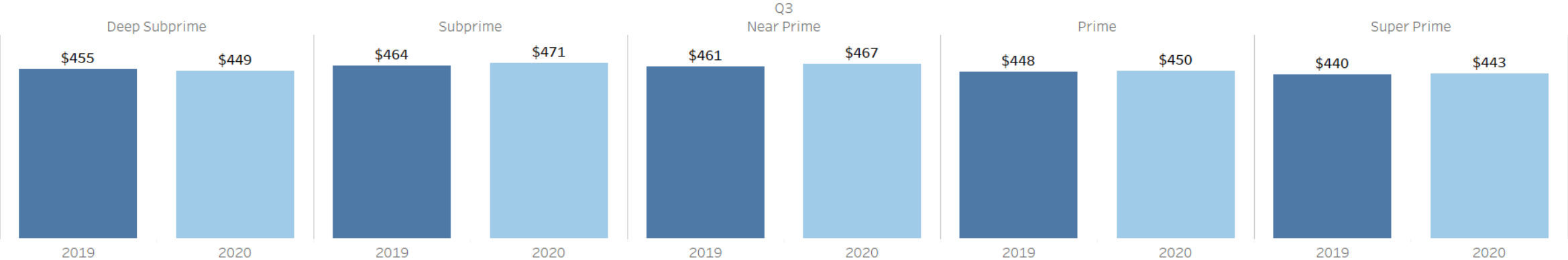


Average monthly payment on top leased models

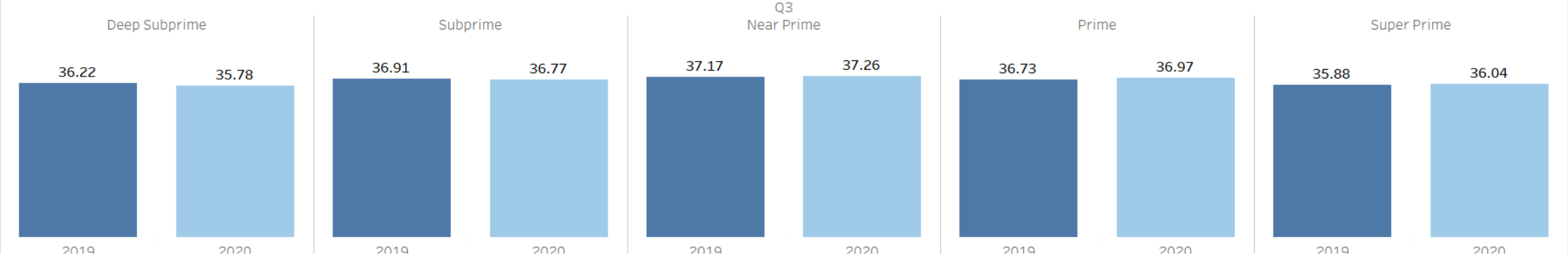


# Leasing payments and terms increase YOY

Average lease payment by risk tier



Average lease term by risk tier

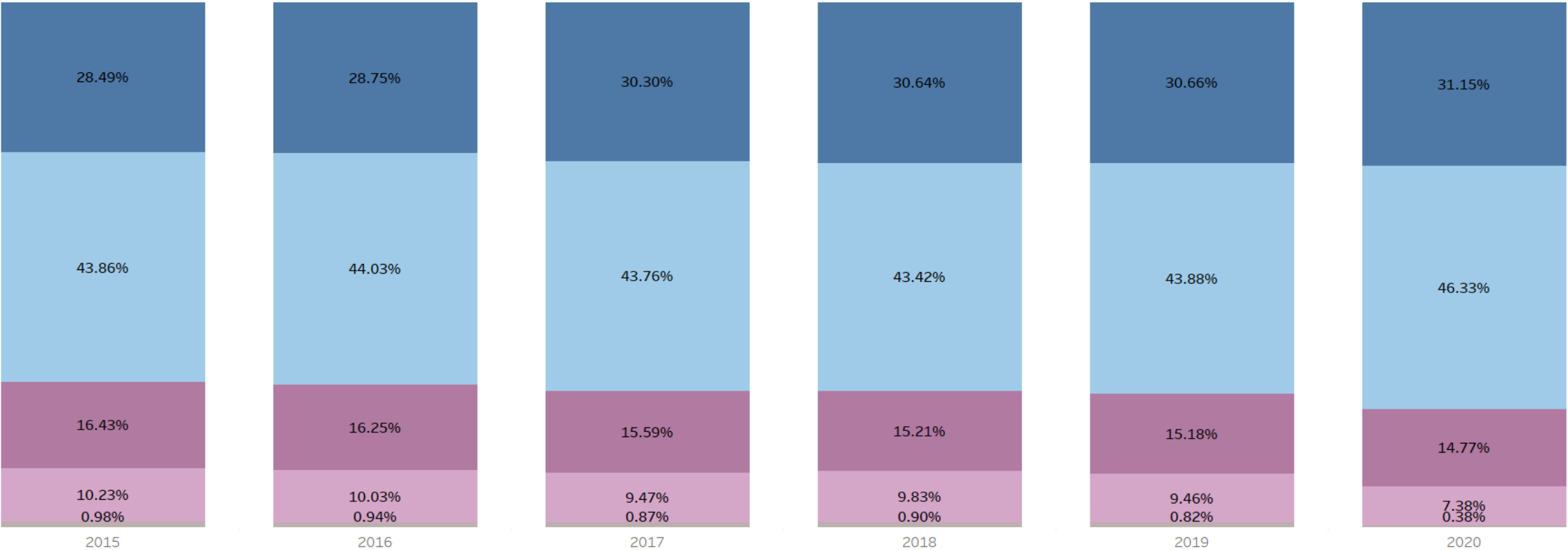


# New subprime loans fall to under 8%; over 77% are prime+ a 9-year high

New loan risk distribution

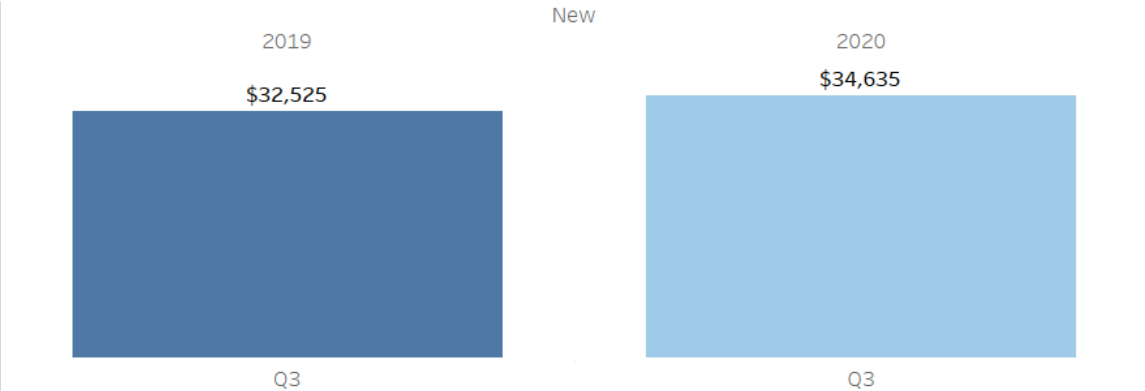
■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subp..

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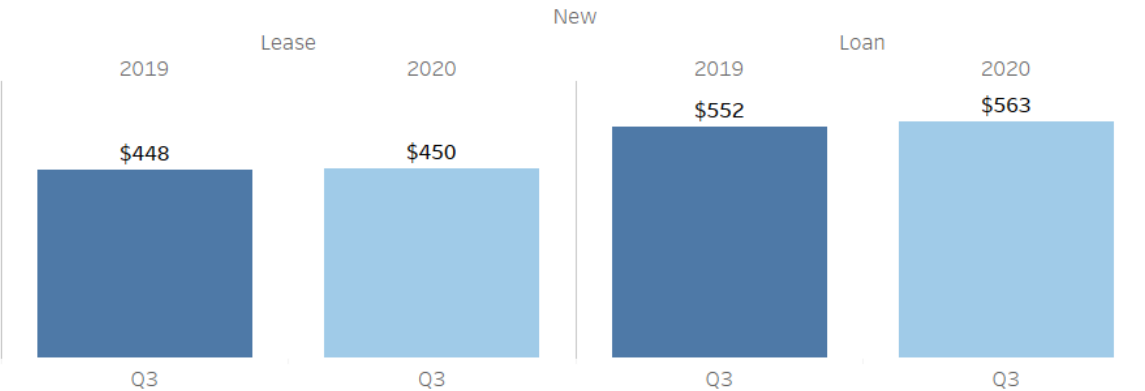


# New loan attribute summary

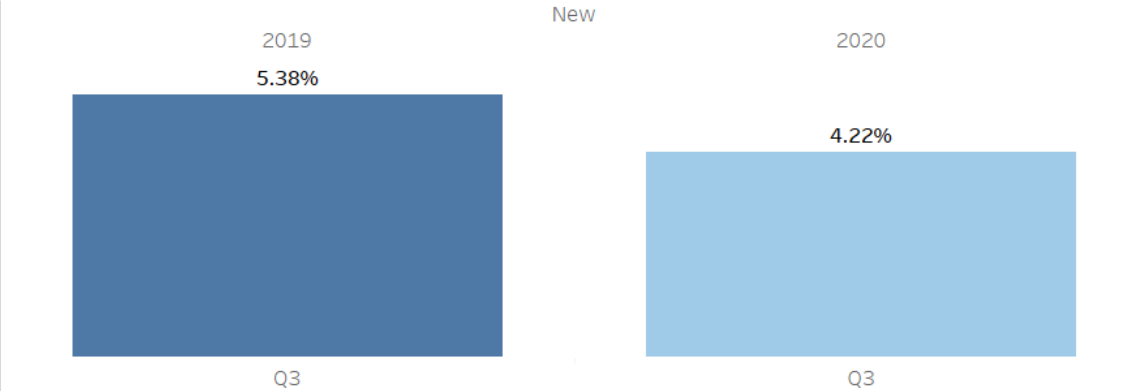
Average amount financed



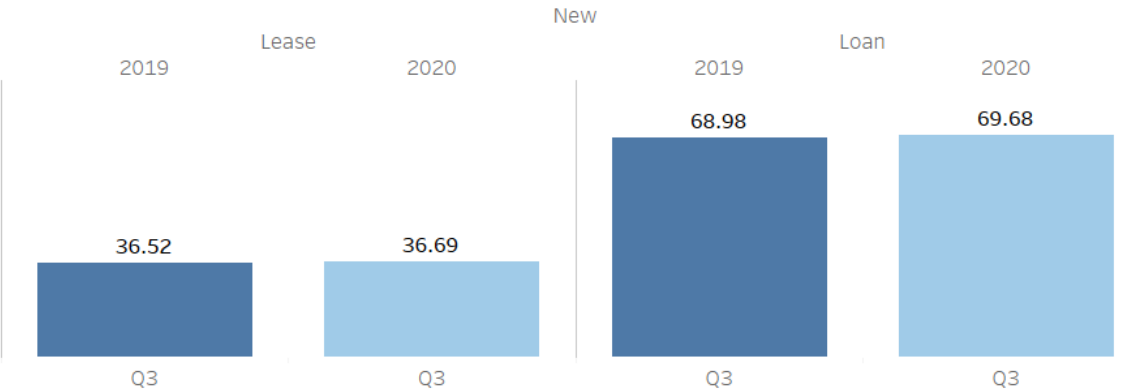
Average monthly payment



Average loan rate

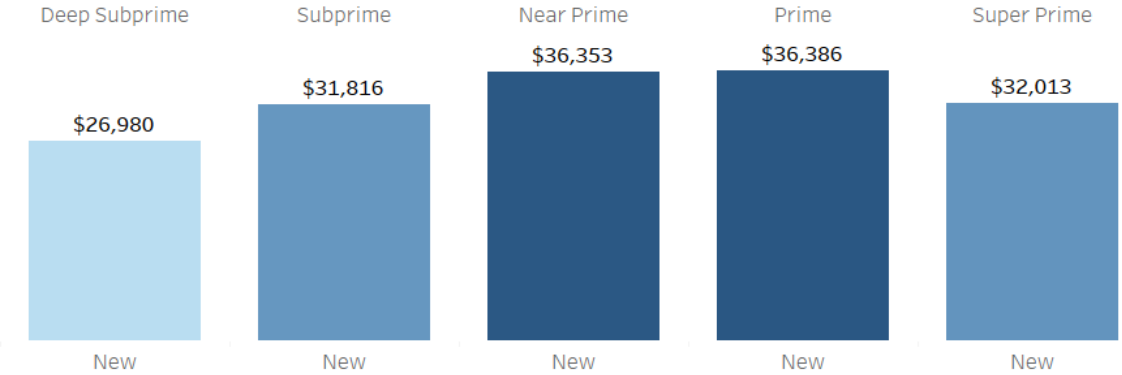


Average loan term

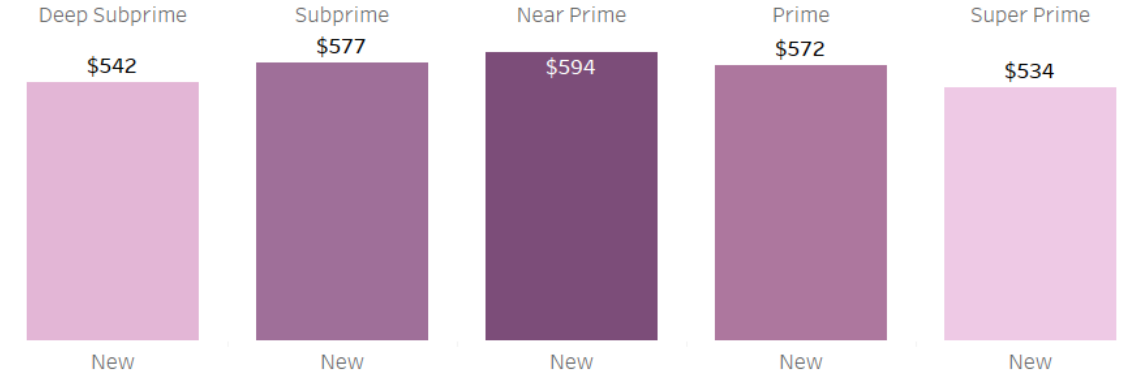


# Payments and loan amounts climb

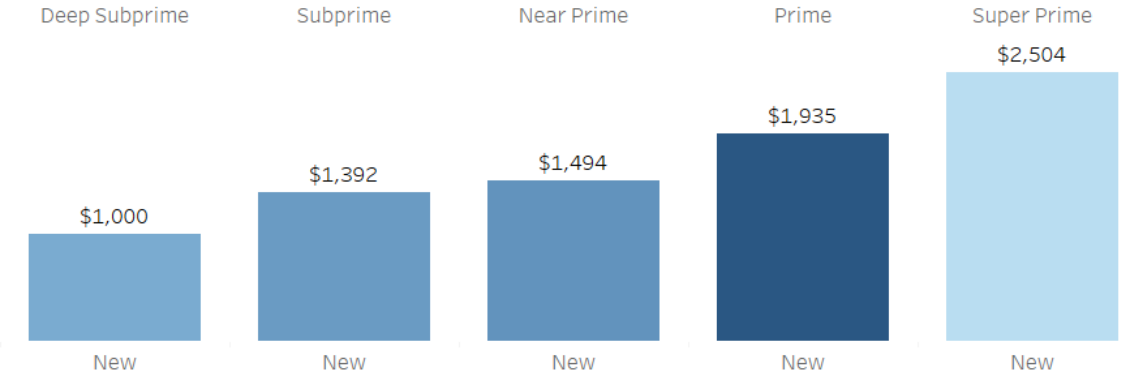
Average loan amount financed by risk



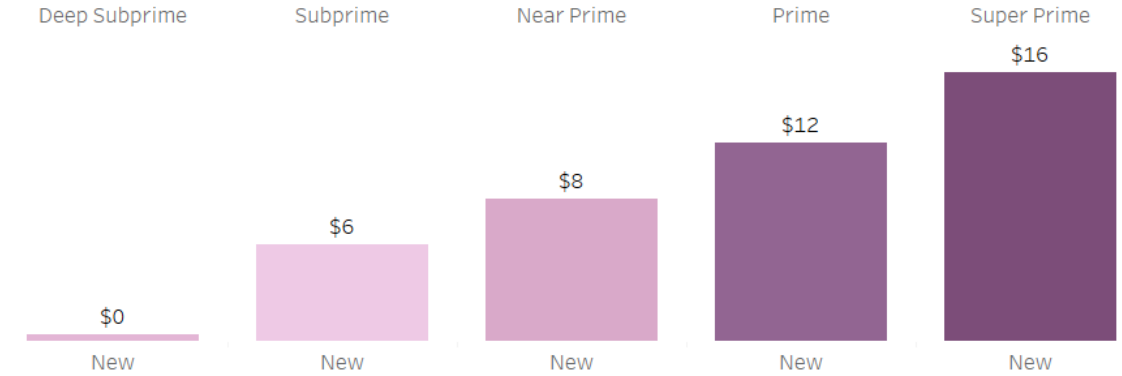
Average loan monthly payment by risk



Year-over-year change in loan amount

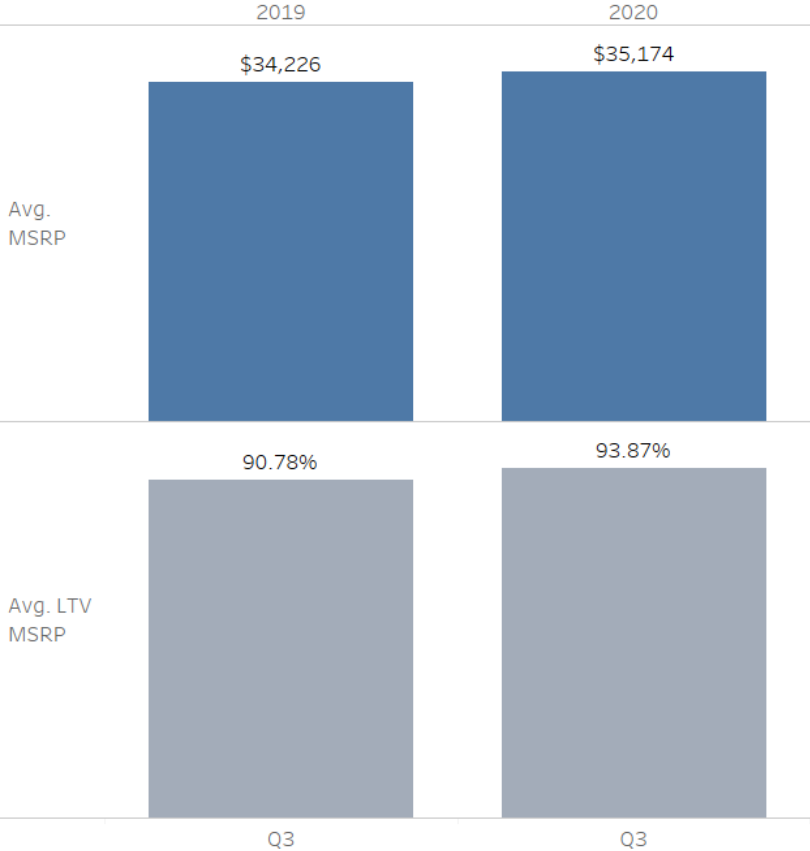


Year-over-year change in monthly payment

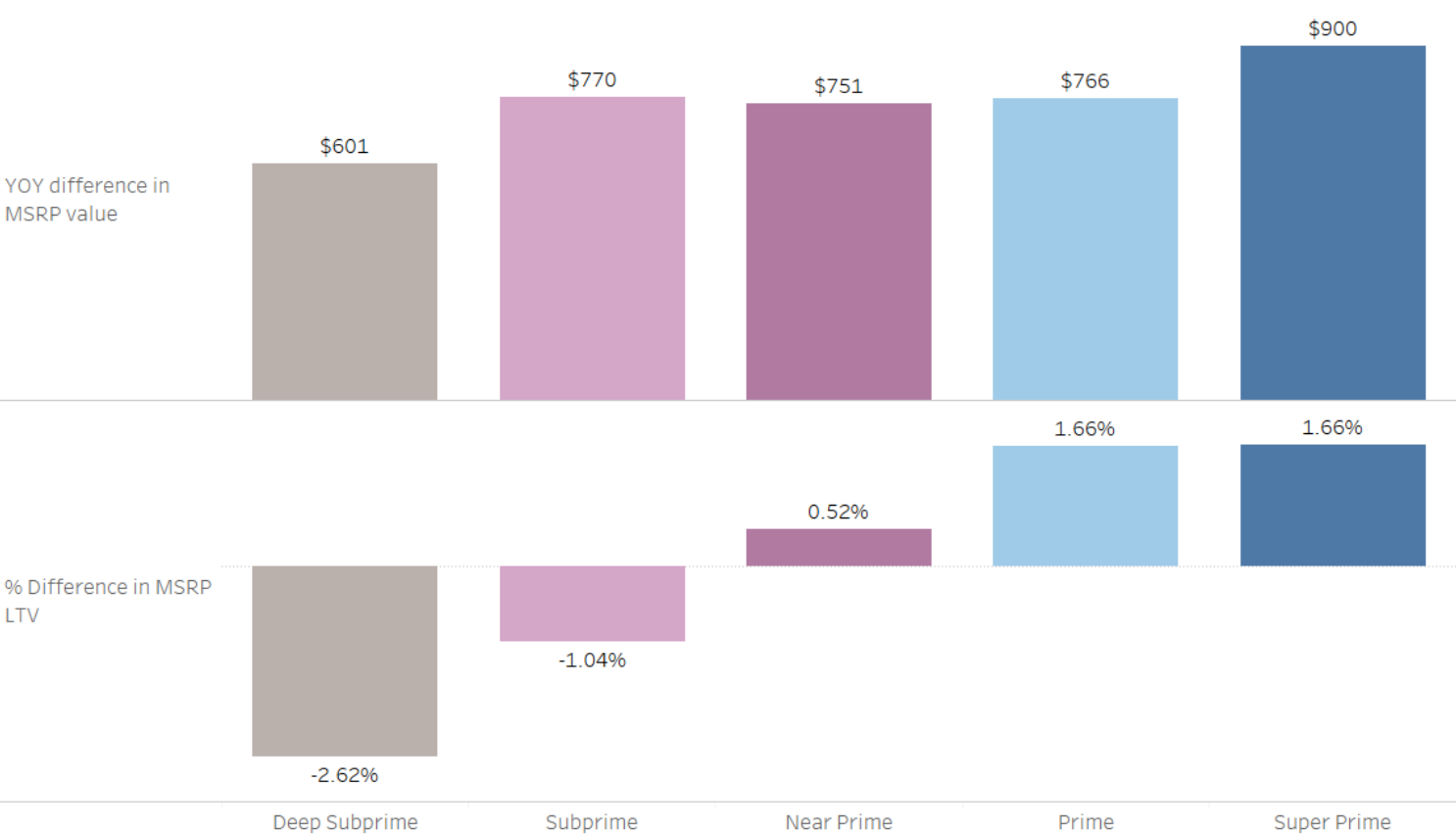


# Vehicle values increase while loan-to-value (LTV) falls outside of prime

Avg New Values

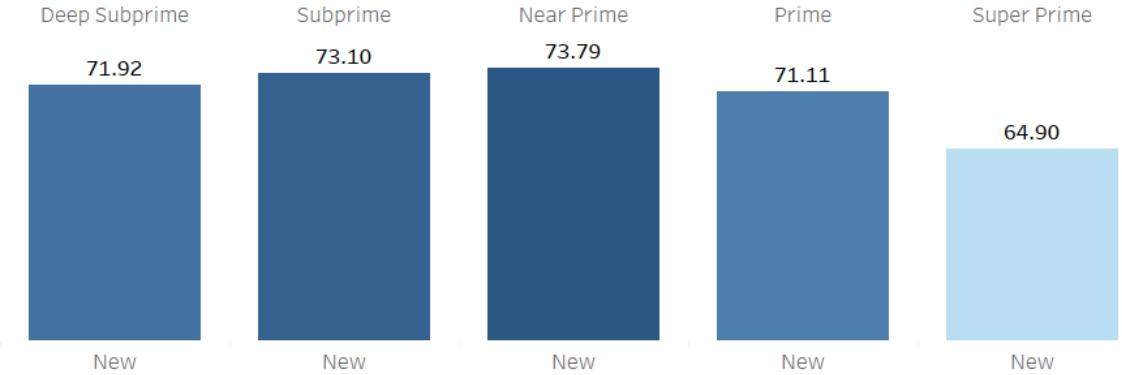


YOY change in new values

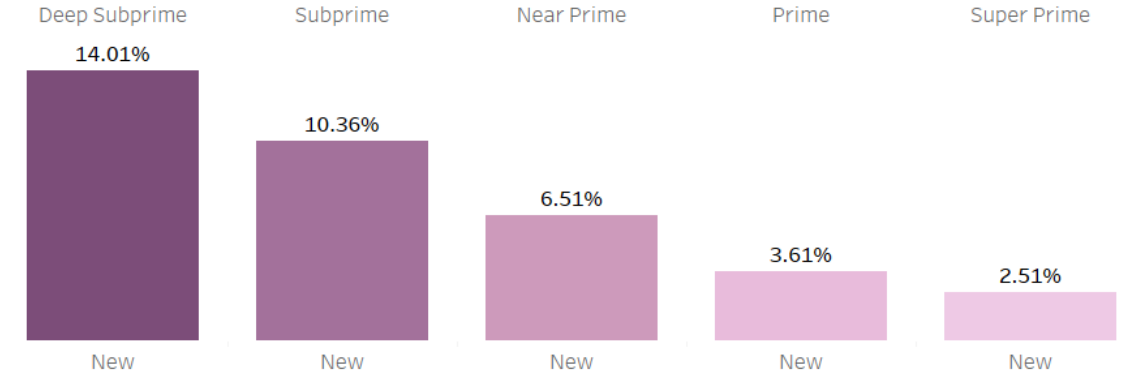


# Terms rise across most risk tiers while rates fall for all tiers

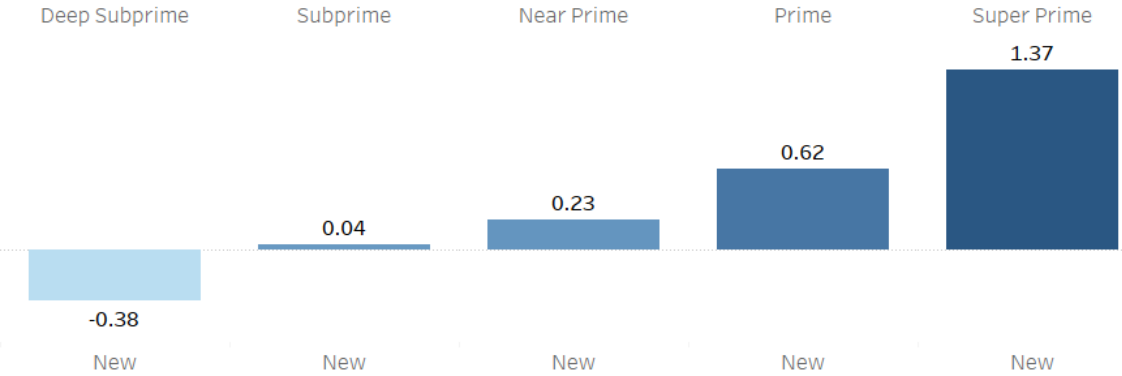
Average loan term by risk



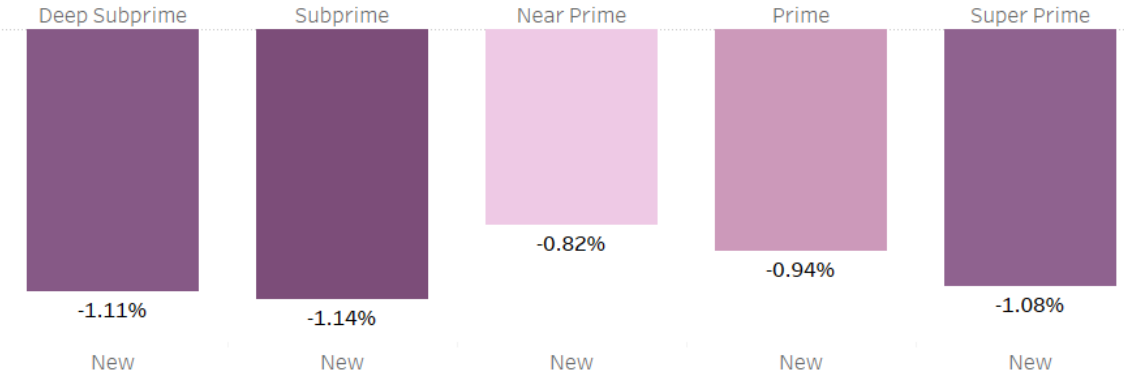
Average loan rate by risk



Year-over-year change in loan term



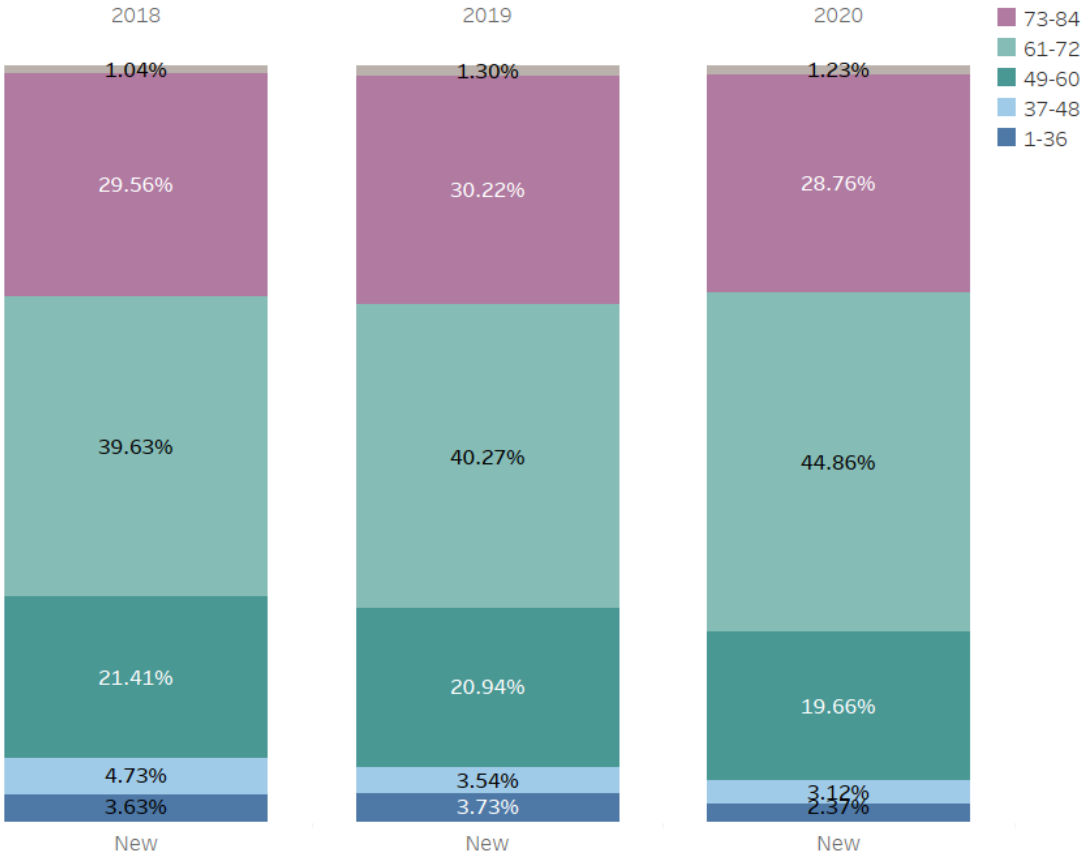
Year-over-year change in rate



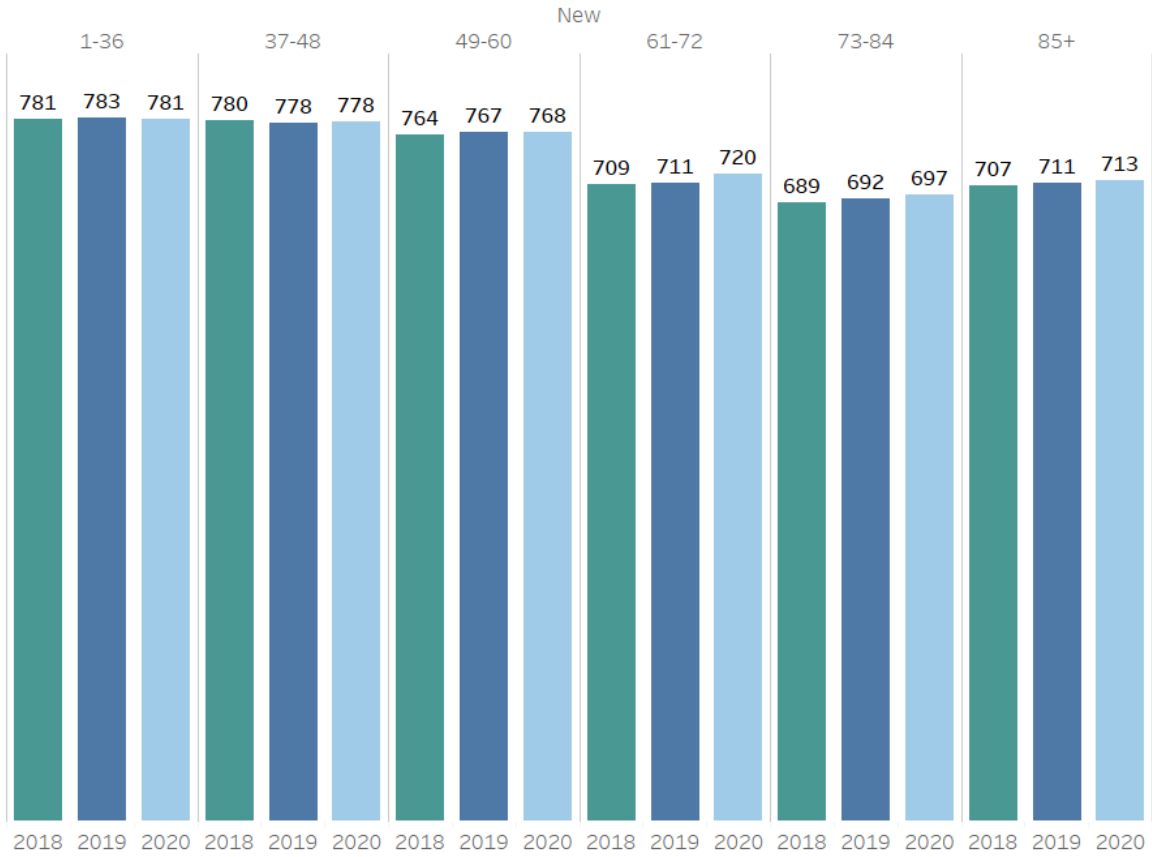


# 72-month loans dominate the quarter

Distribution by loan term



Avg score by loan term



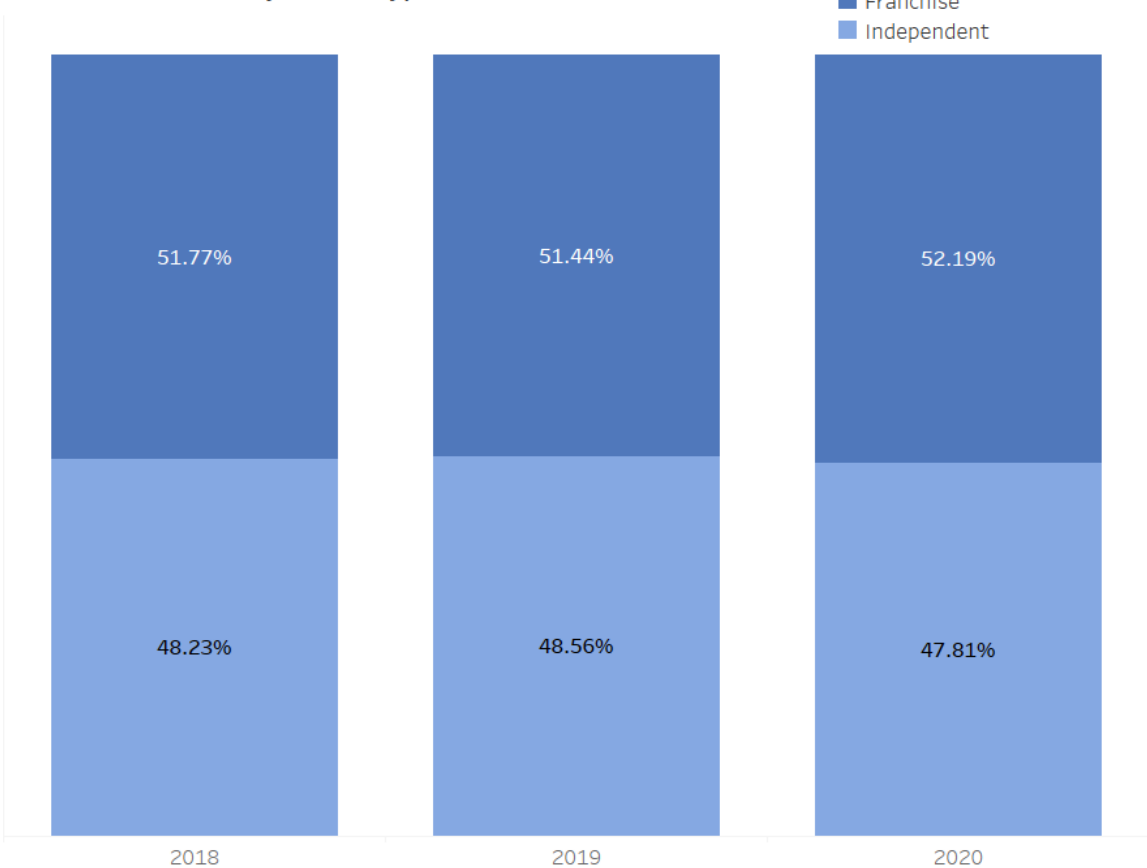
# Used financing

A look at used automotive loan trends

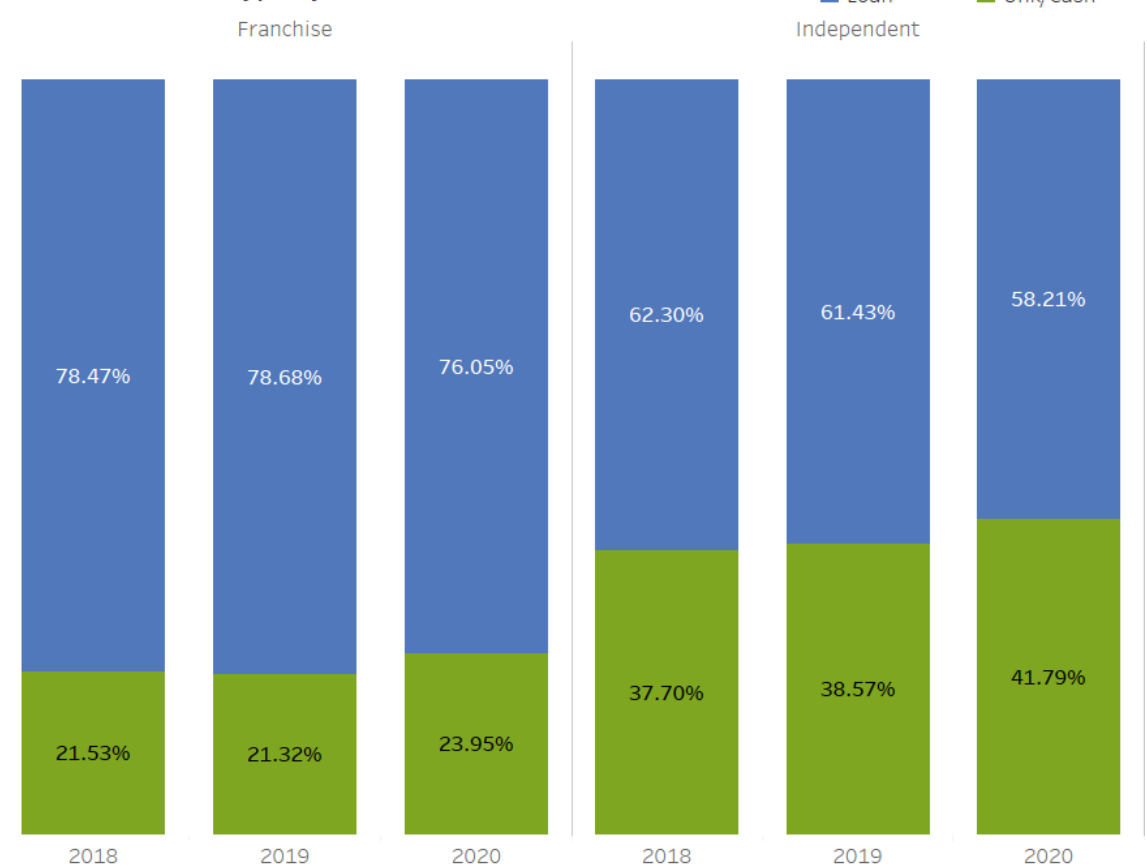


# Franchise dealers source the majority of transactions

Used transactions by Dealer type

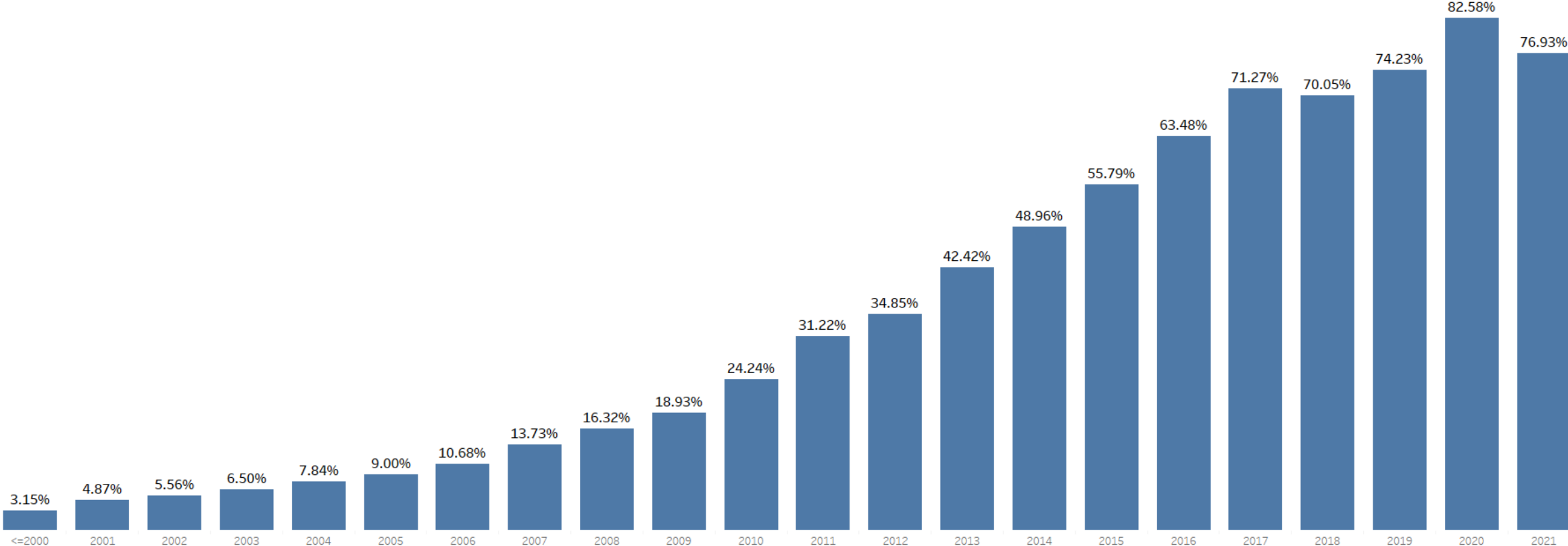


Used transaction type by Dealer



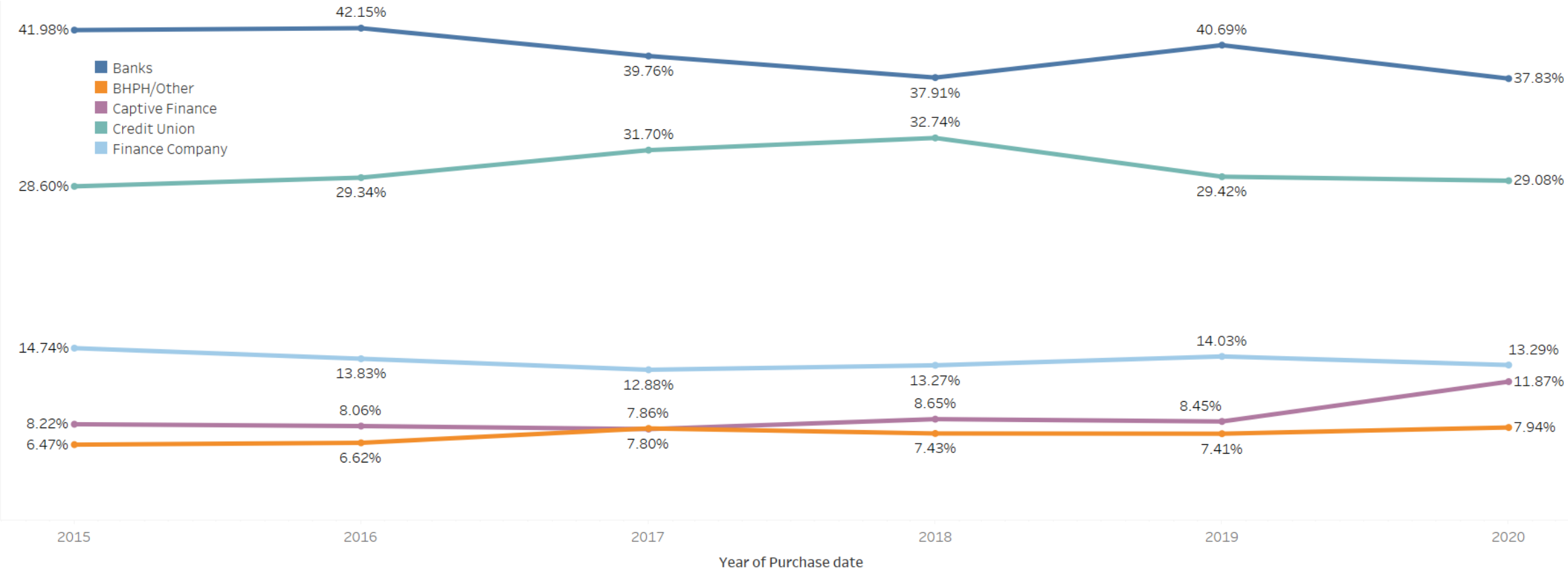
# Over 73% of current + 8MY vehicles have financing

Percentage of vehicles by model year with financing

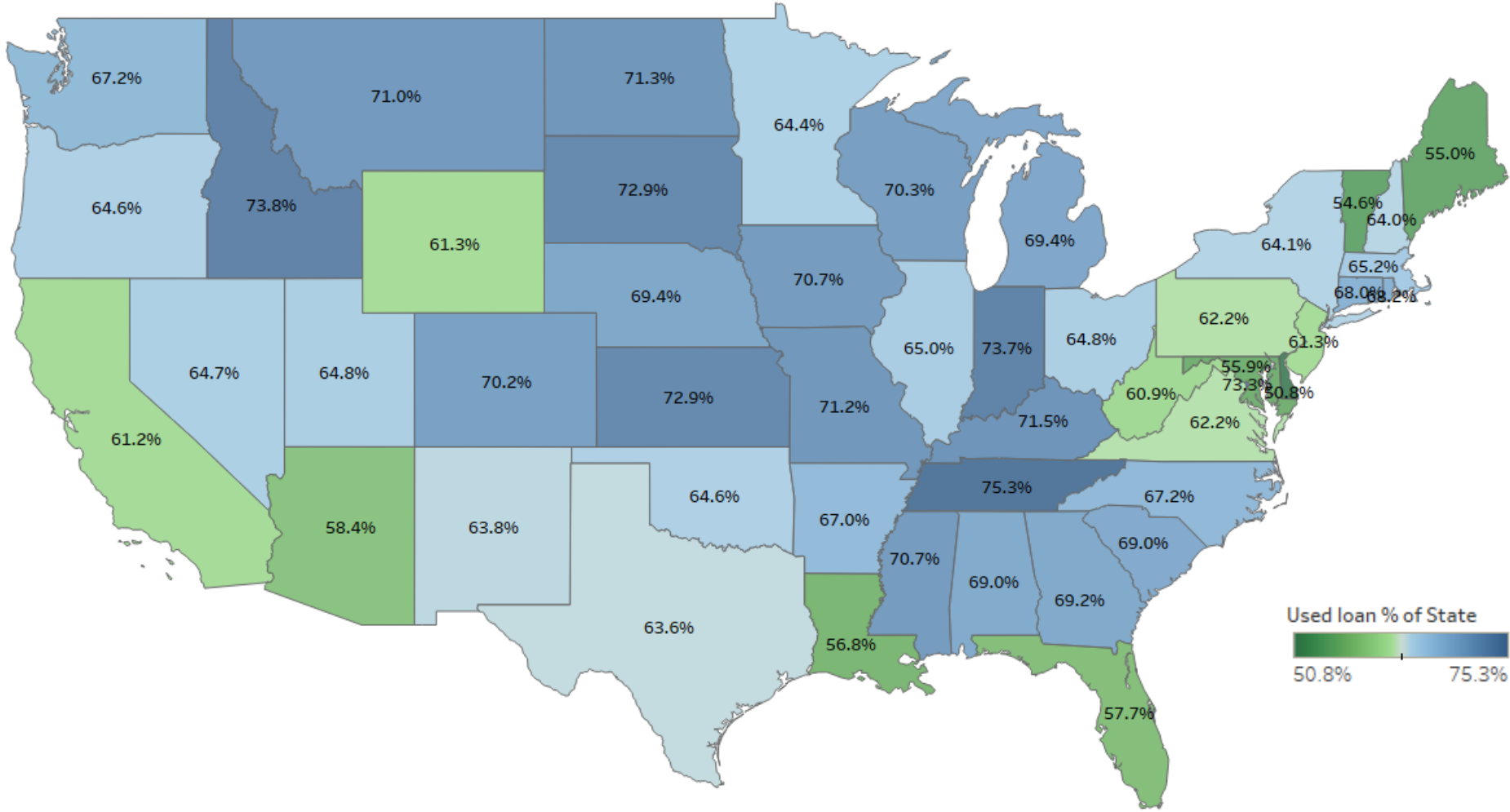


# Most lender types experience slight decreases in used loan share while captives increase

Used loan market share by lender type



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

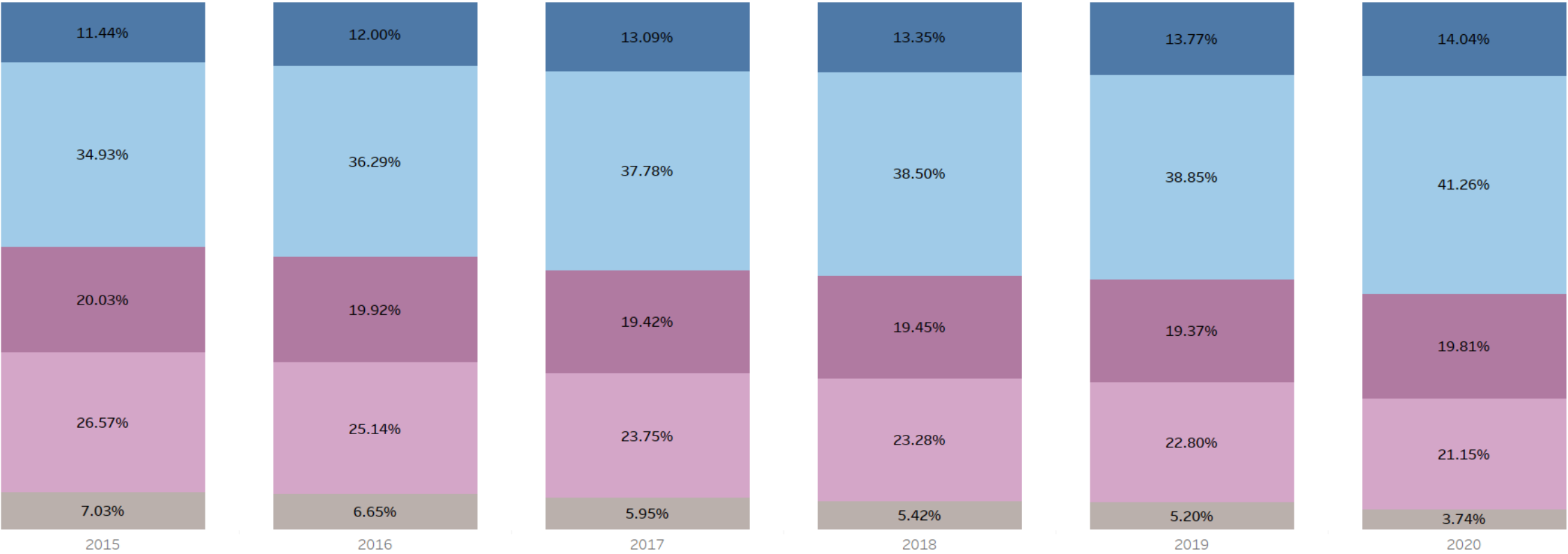


# Deep subprime & subprime used loans fall to record lows and record highs for prime+

Used loan risk distribution

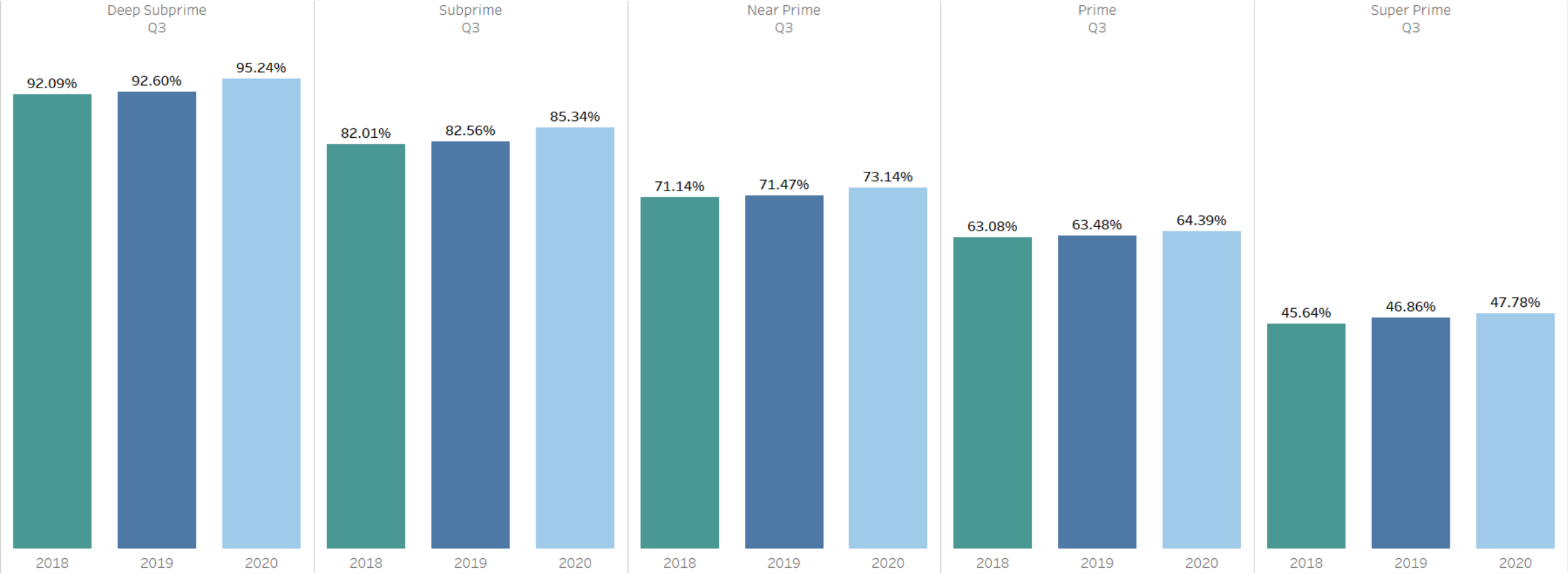
■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subp..

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# Consumers shift back into used vehicles

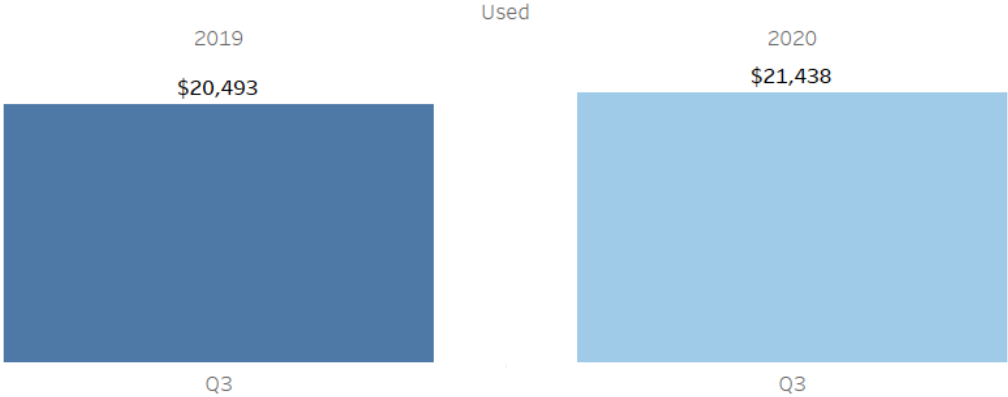
Consumers choosing used loans



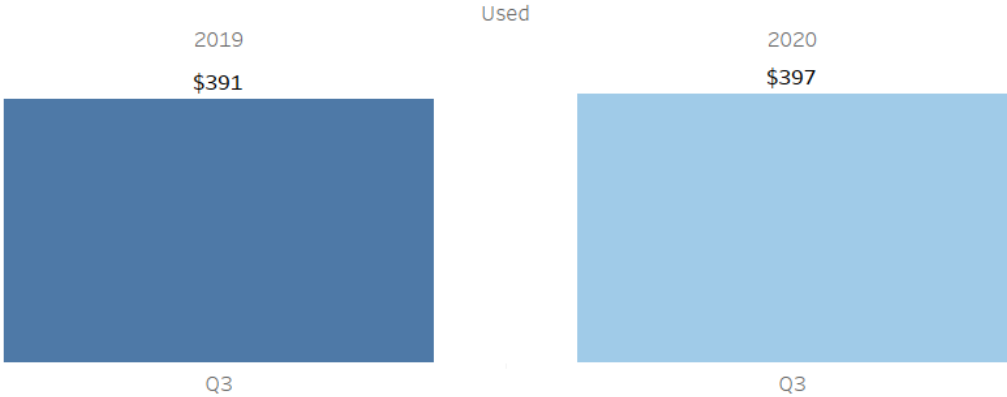


# Used loan attribute summary: used loan amounts and payments reach record highs

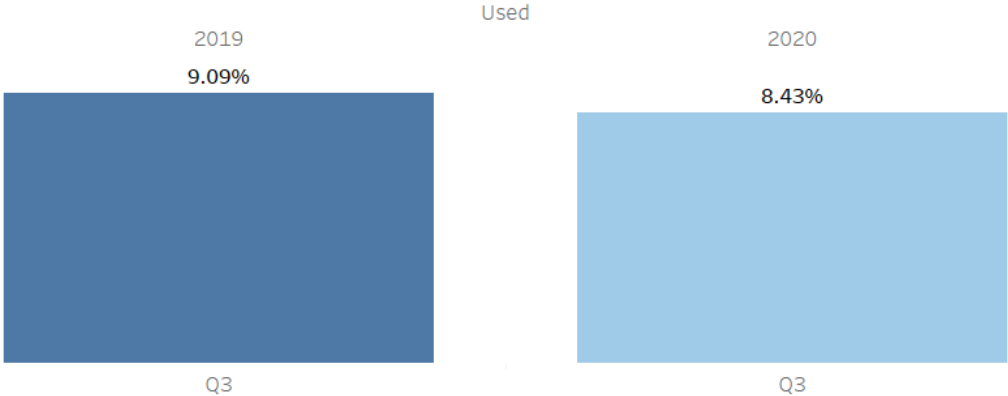
Average amount financed



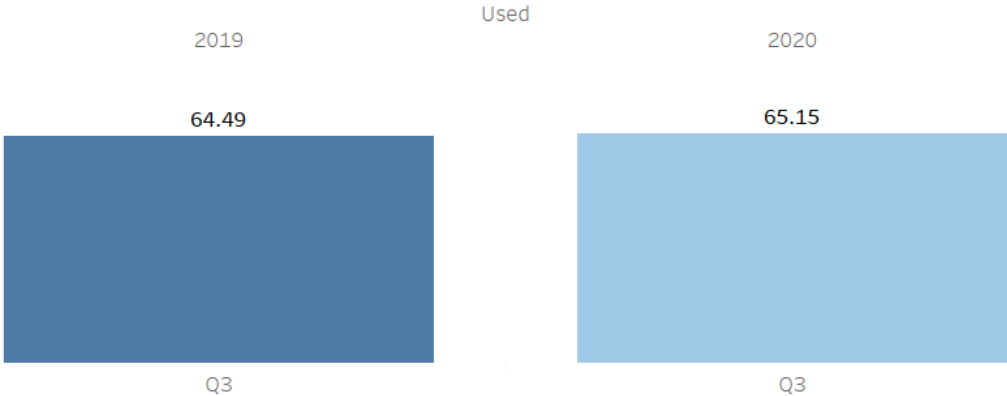
Average monthly payment



Average loan rate

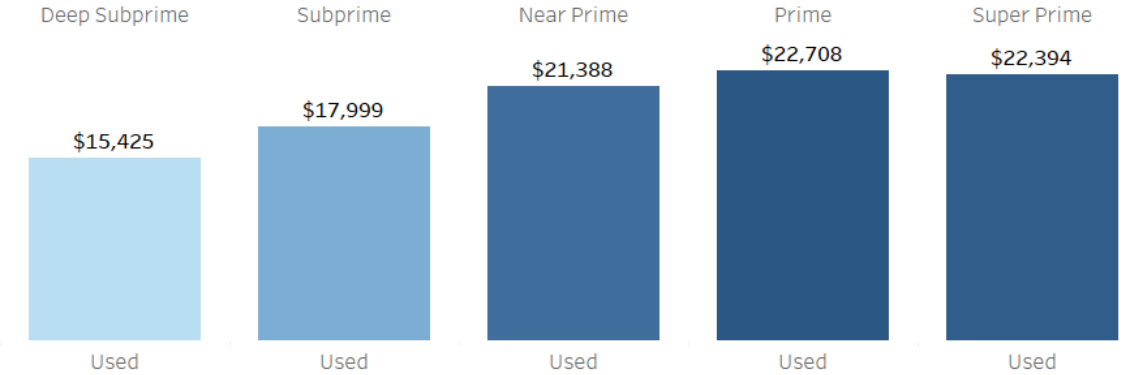


Average loan term

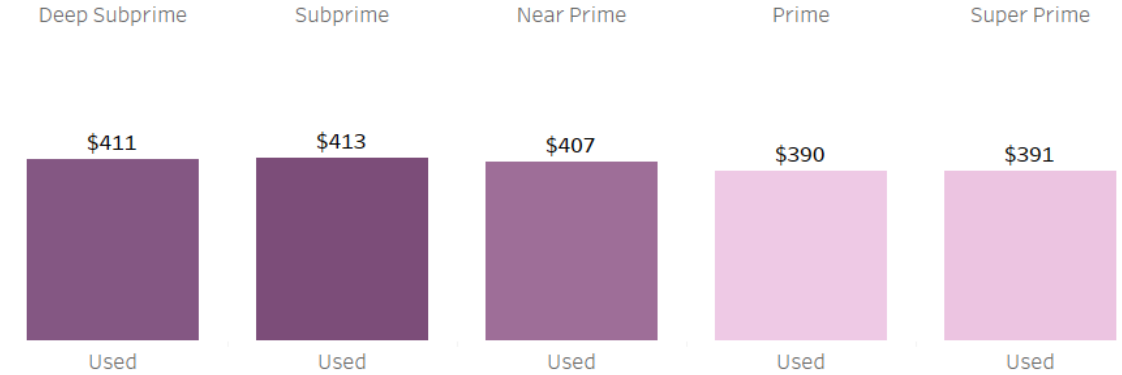


# Used loan amounts and payments rise

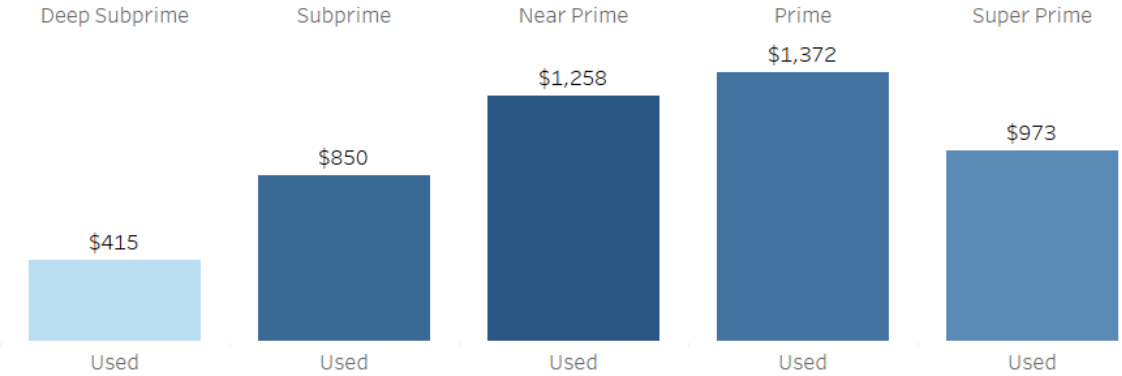
Average loan amount financed by risk



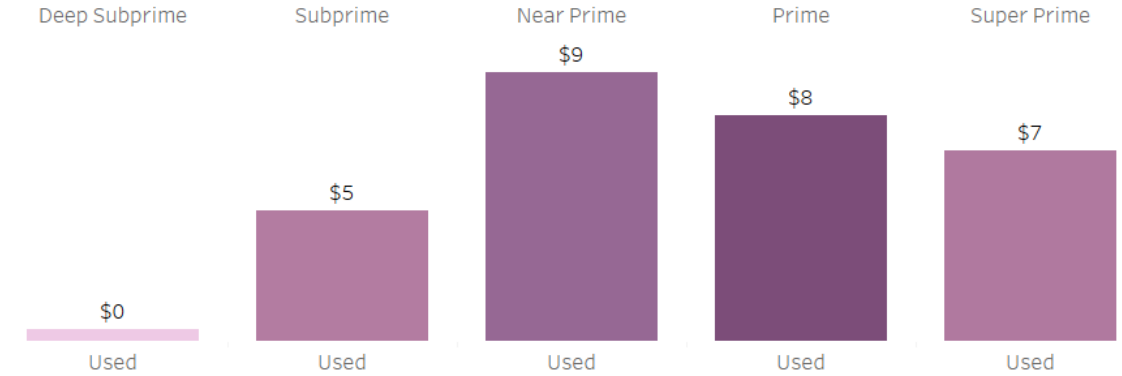
Average loan monthly payment by risk



Year-over-year change in loan amount

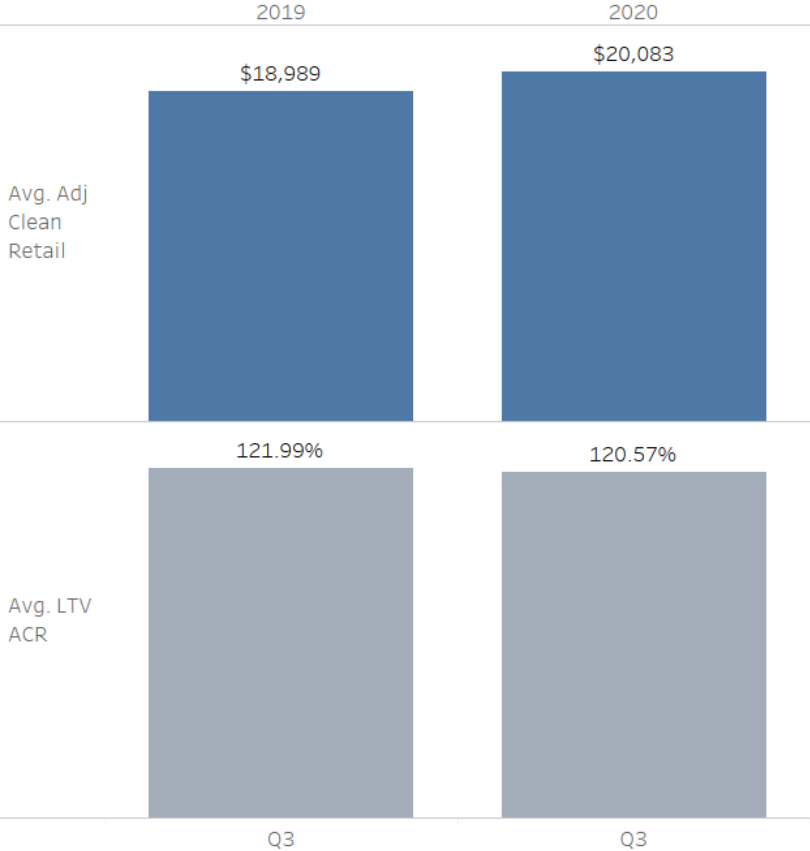


Year-over-year change in monthly payment

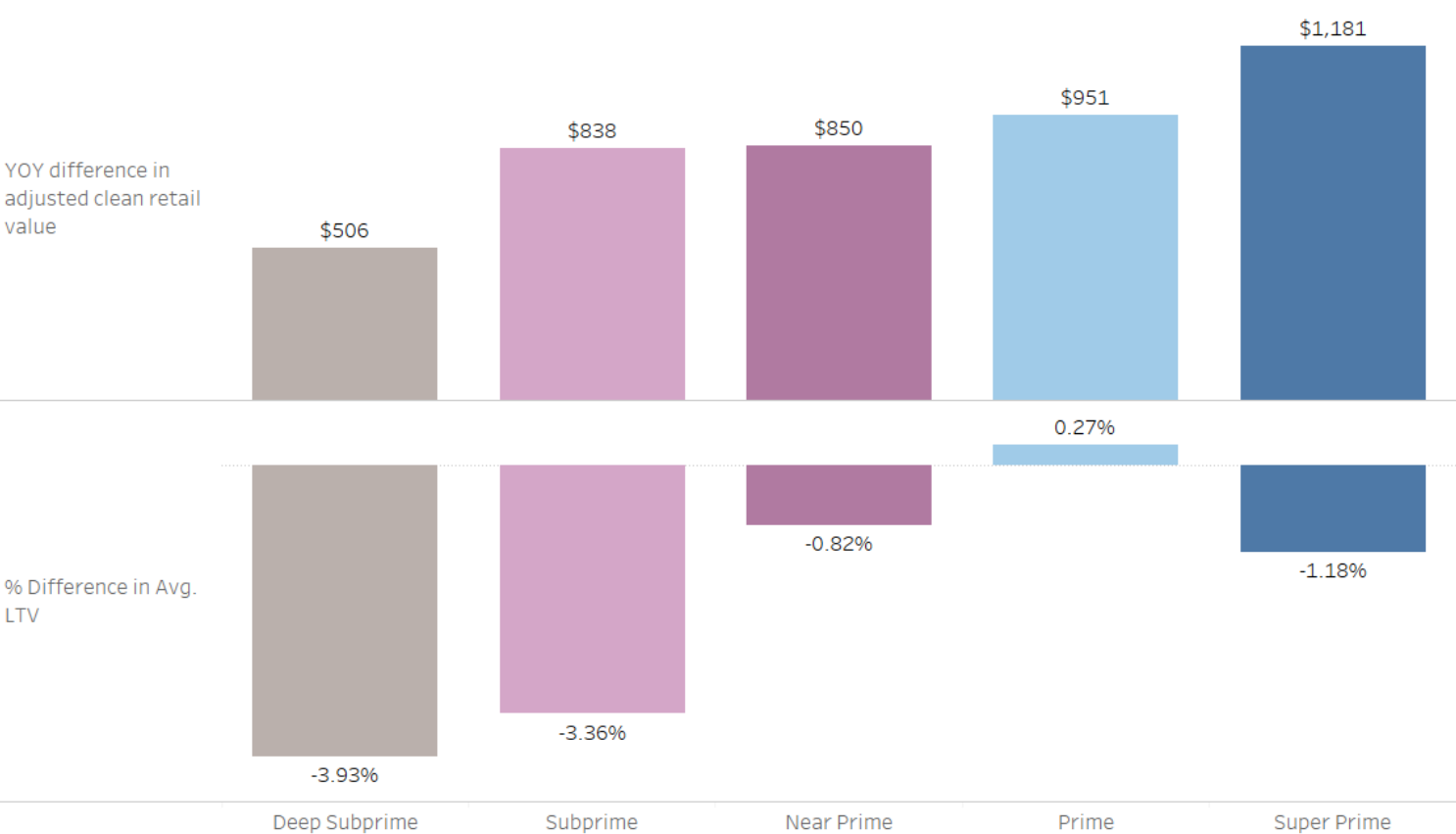


# Used values increase while LTV drops

Avg Used Values

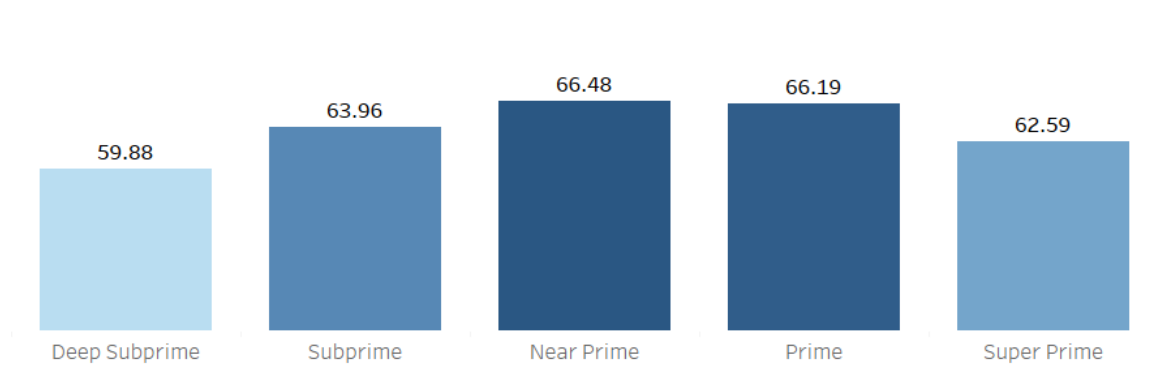


YOY change in used values

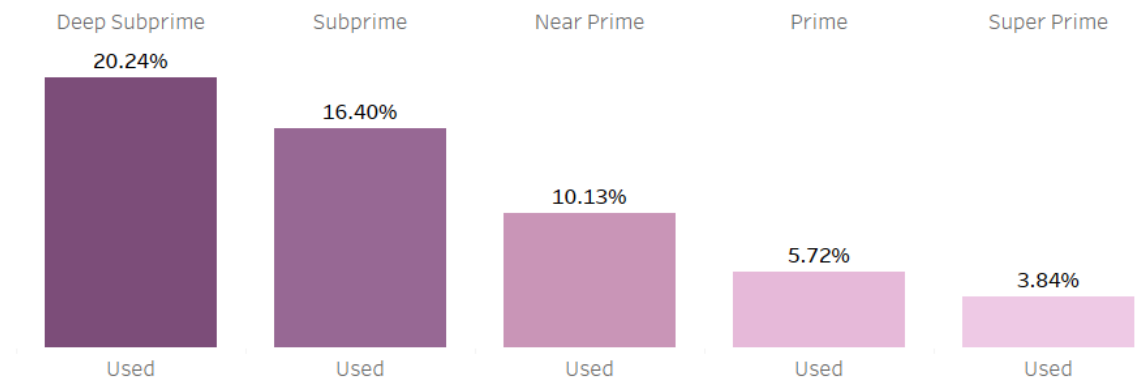


# Terms increase while rates drop for all but deep subprime

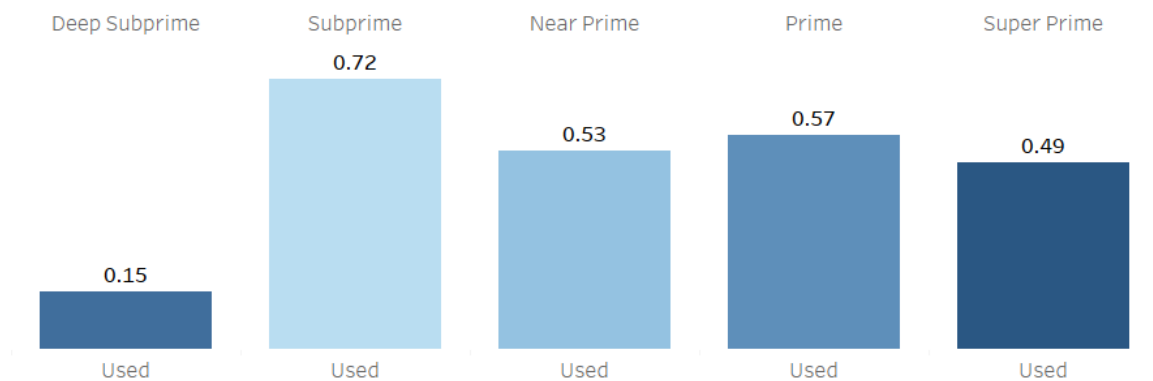
Average loan term by risk



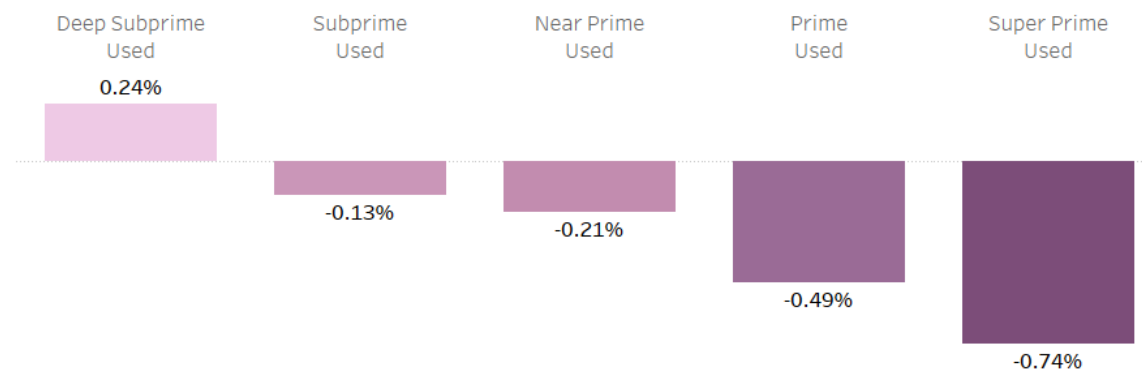
Average loan rate by risk



Year-over-year change in loan term

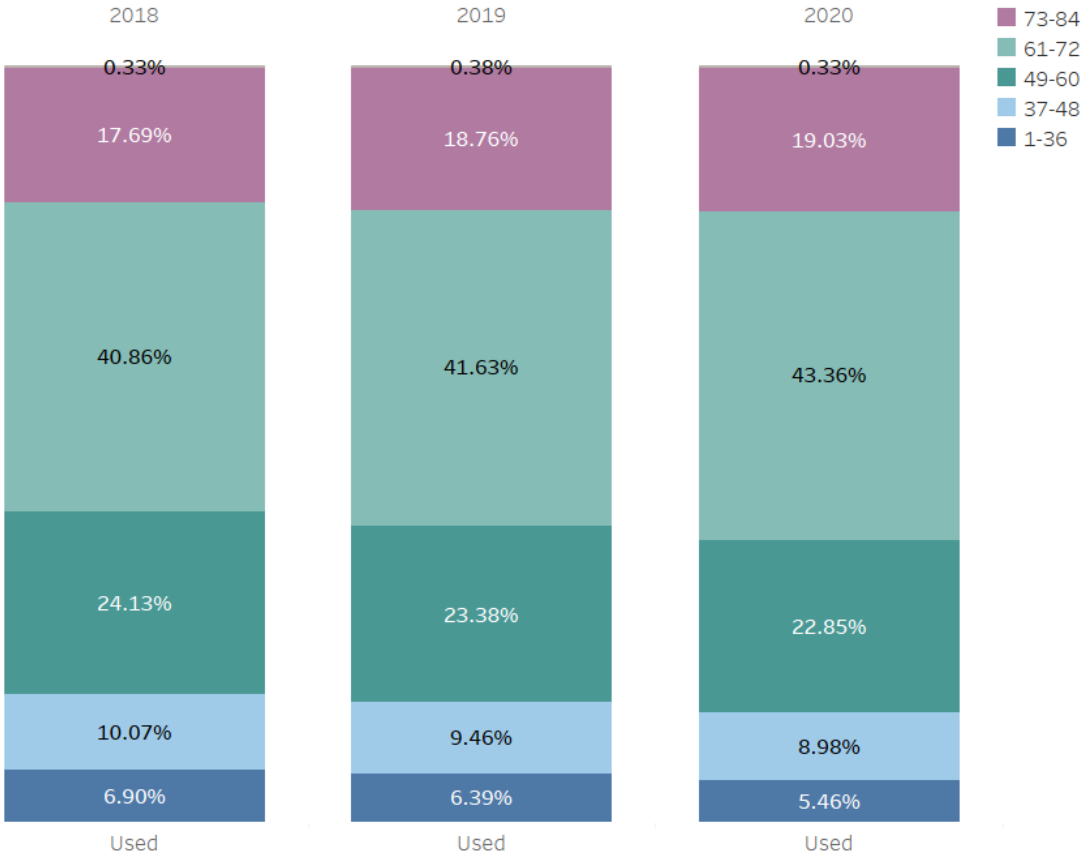


Year-over-year change in rate

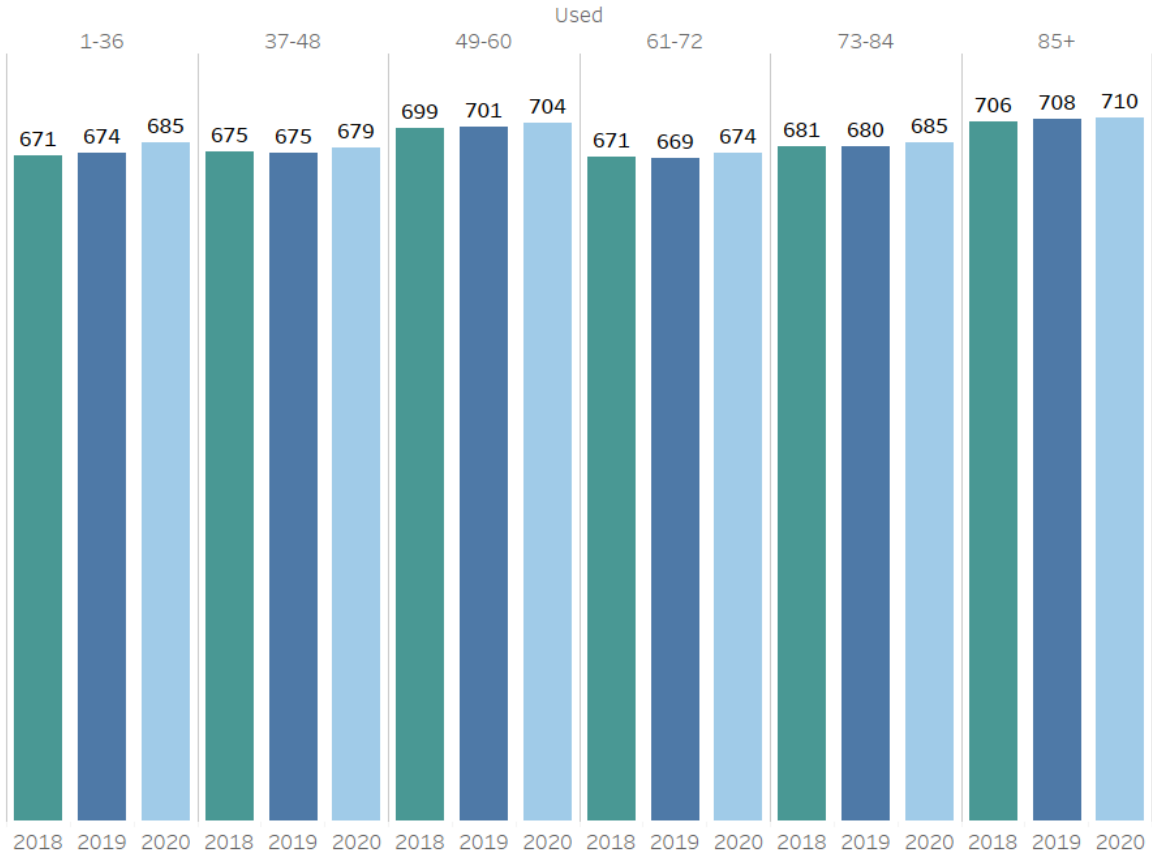


# 73+ month terms grow along with average credit scores for longer terms

Distribution by loan term



Avg score by loan term



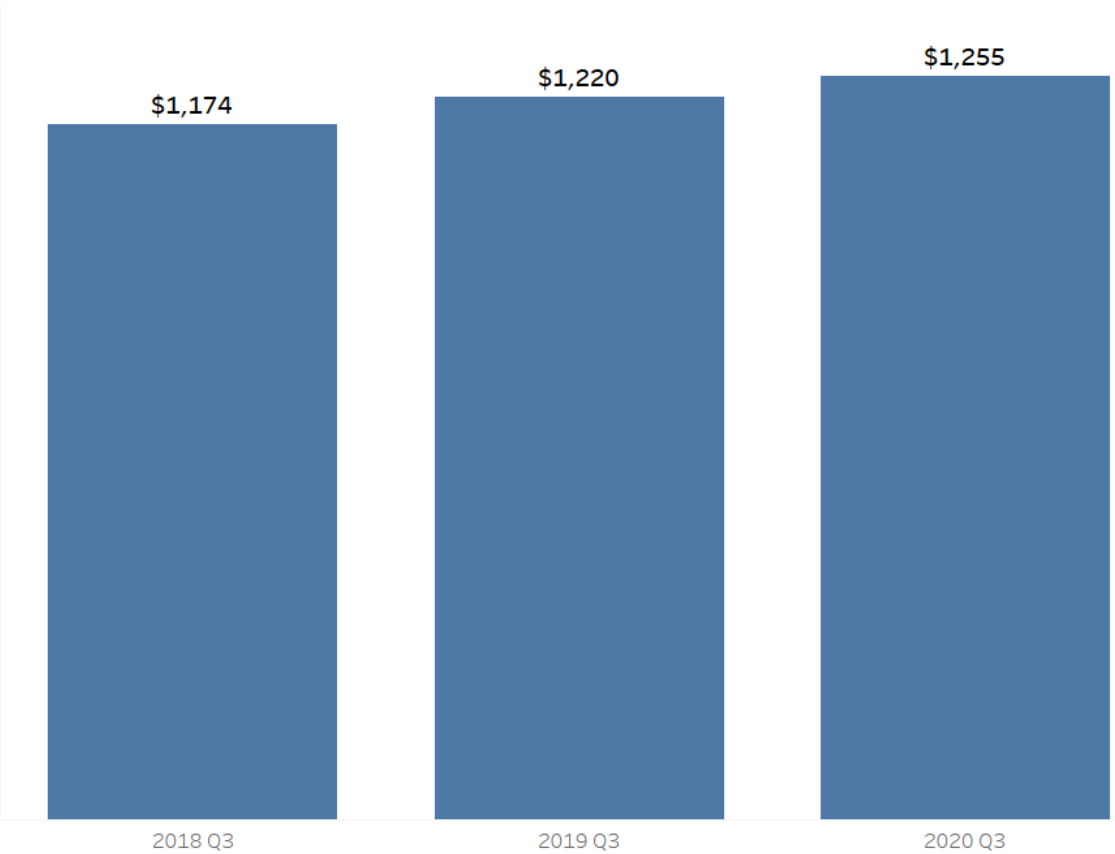
# Market Overview

All open auto loans & leases

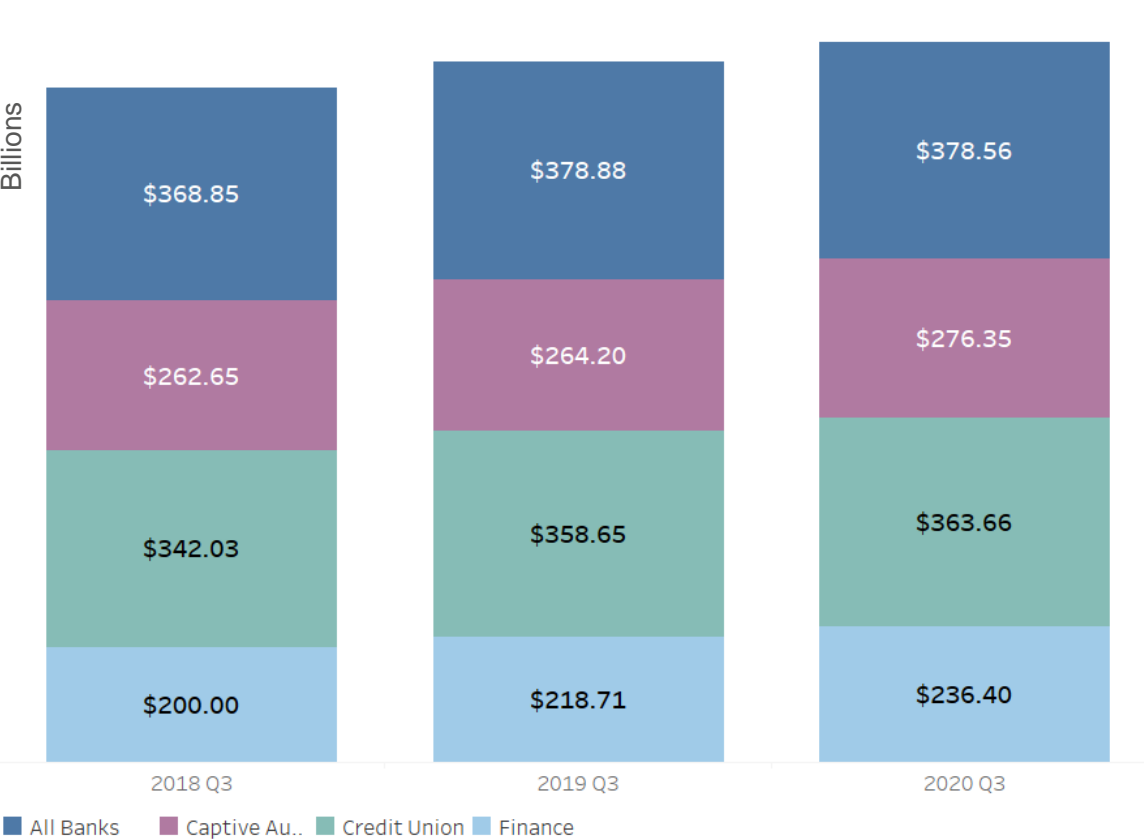


# Overall loan balances grew 2.8% YOY with banks experiencing a slight decrease

Total open automotive loan balance

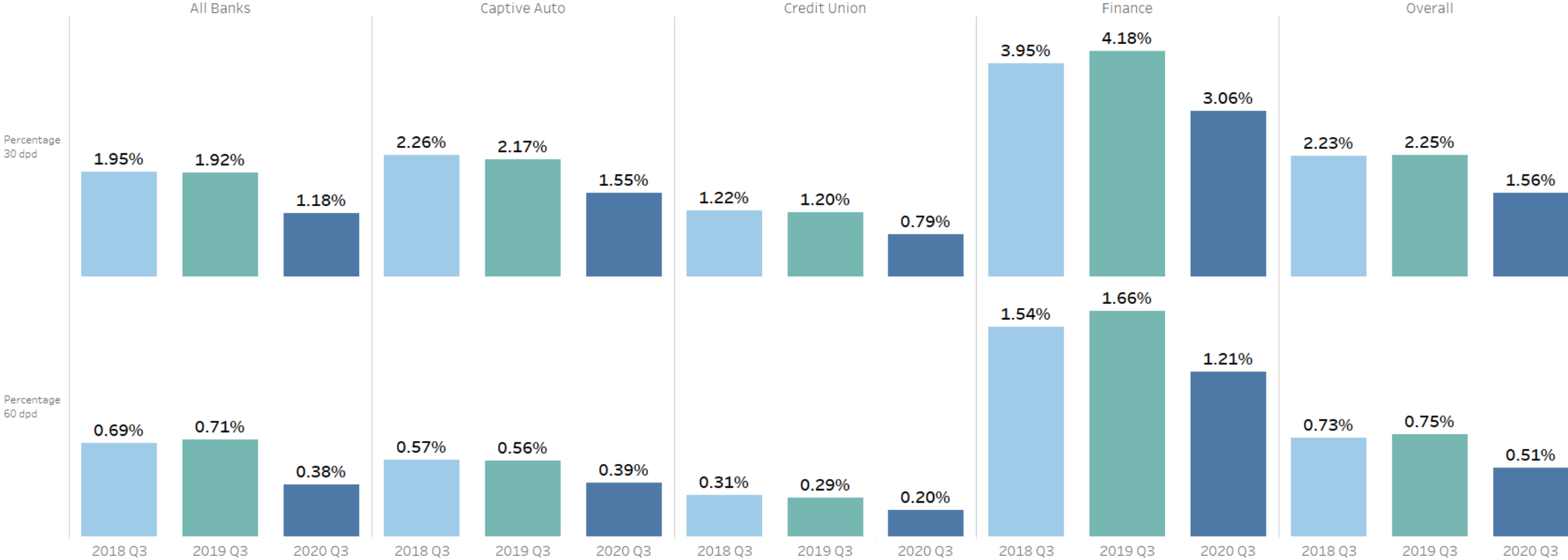


Total open automotive loan balance by lender type



# Percentage of loans & leases that are delinquent decreased as CARES Act remains an impact

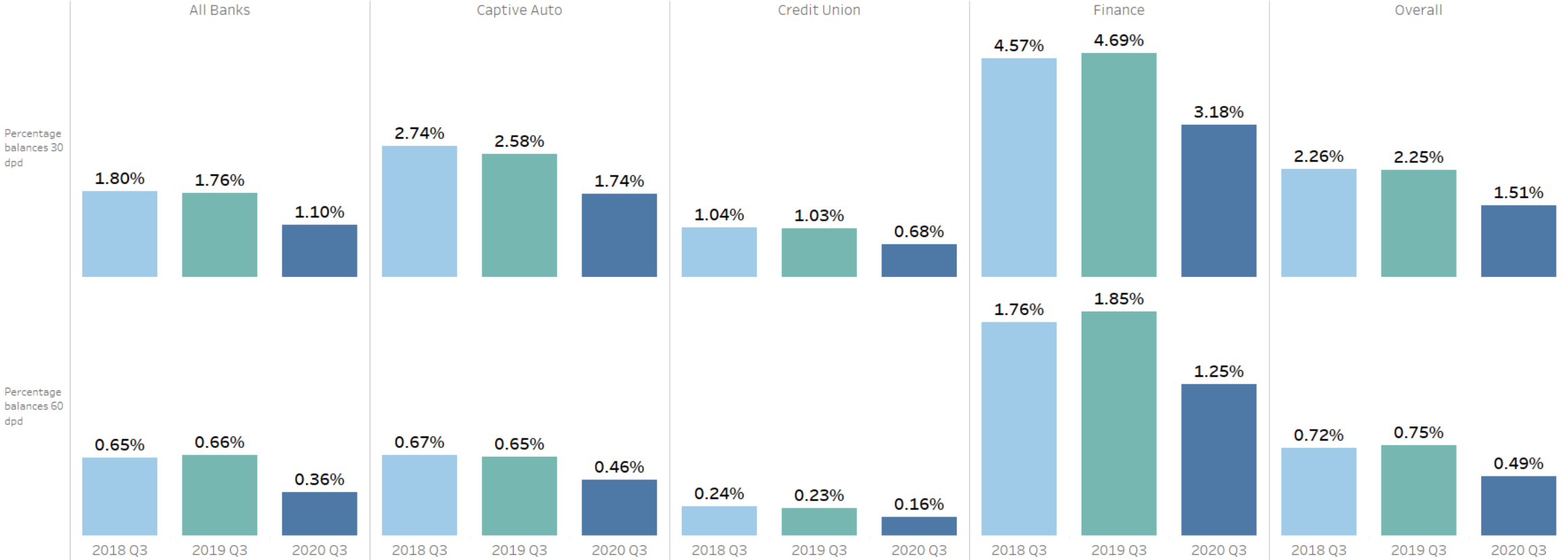
% Loan and Leases 30 and 60 days delinquent



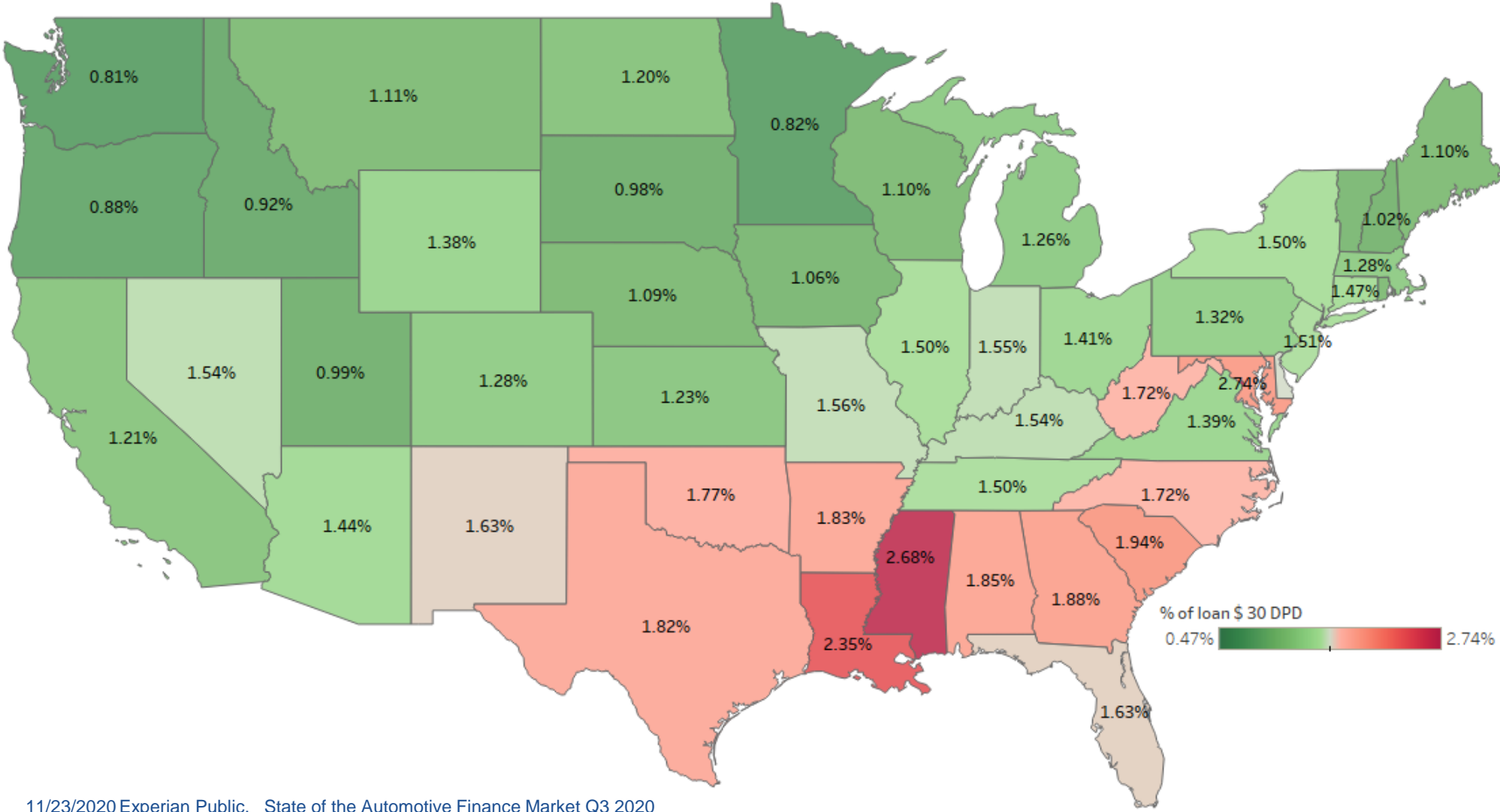


# Delinquent loan balances decrease year-over-year as CARES Act remains an impact

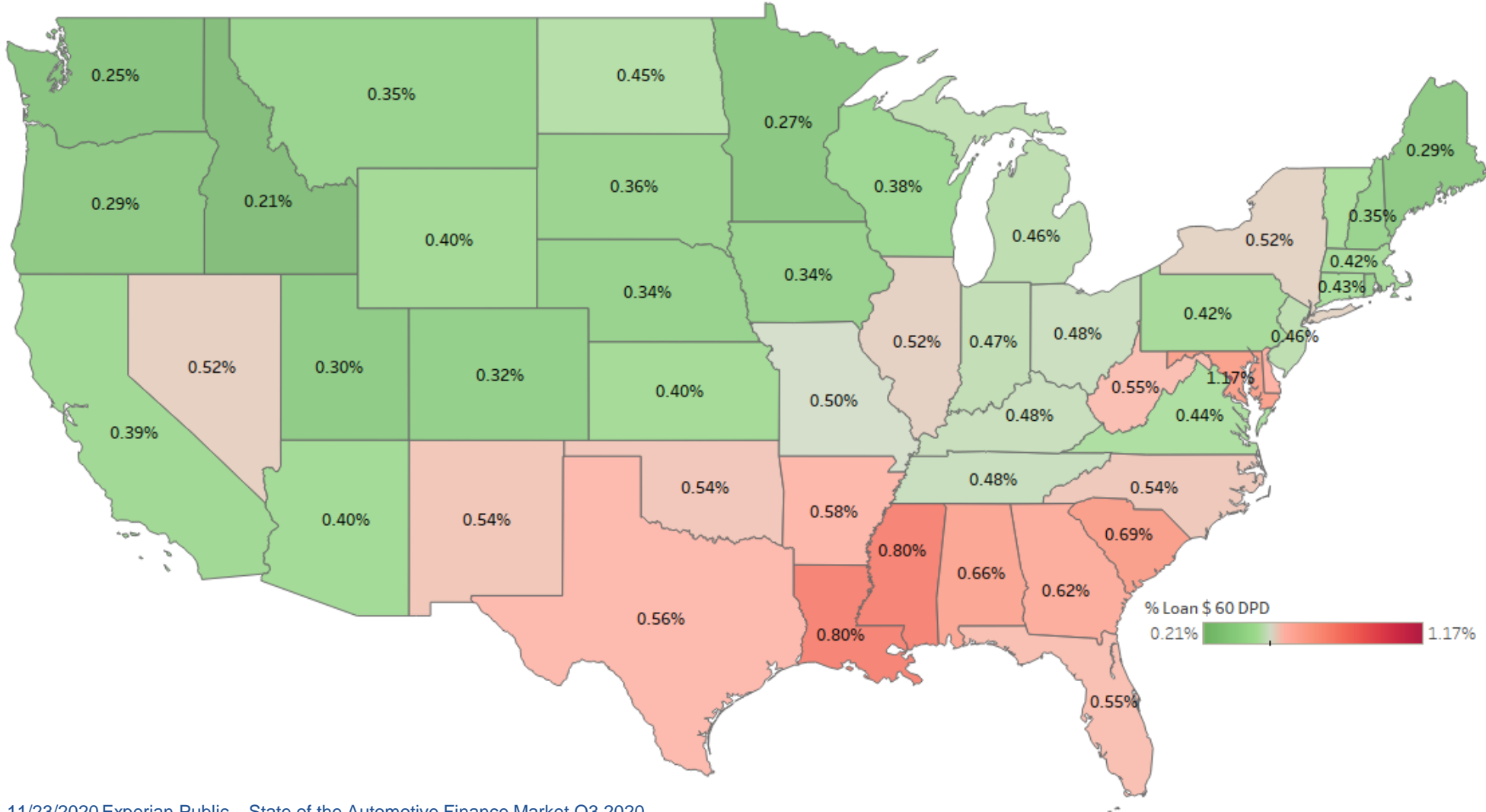
% Loan balances 30 and 60 days delinquent



# Percentage of loan balances 30 dpd per state



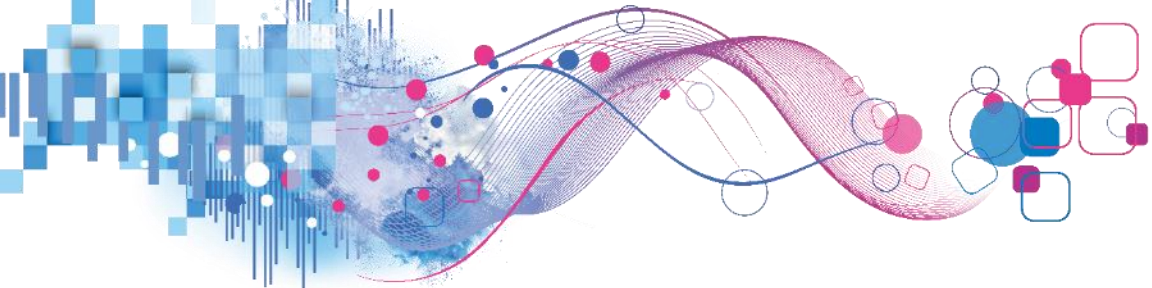
# Percentage of loan balances 60 dpd per state



# Q3 Summary

- Subprime continues to reach record lows for automotive financing
- Leasing returns to near pre-pandemic percentages
- Consumers return to CUVs as leading vehicle purchases
- Loan amounts, vehicle values and terms continue to grow while LTVs remain in check
- Overall balances climb while subprime balances drop and delinquencies remain low





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