



State of the Automotive Finance Market Q2 2022

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Director, Product Management

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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

- Overall origination trends
- 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, Risk & Performance

- 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 and performance 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



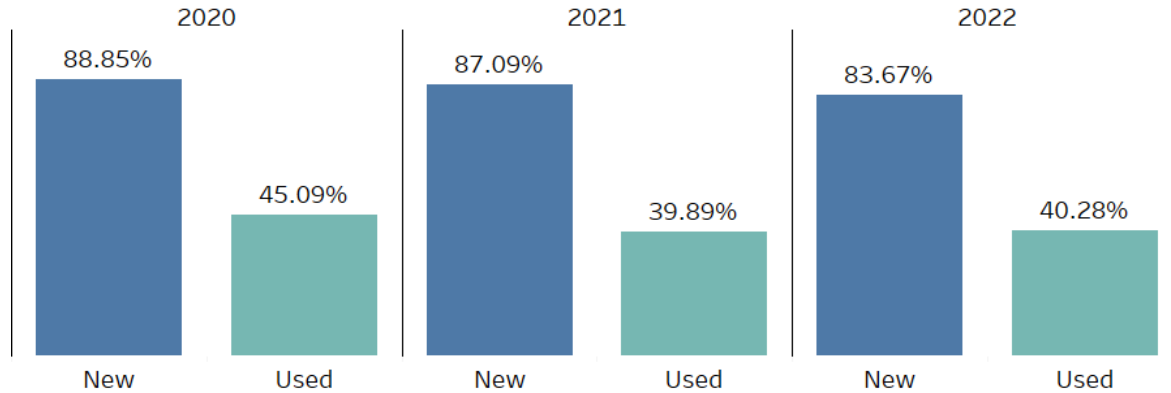
Q2 2022 Originations

Trends in automotive loan and lease originations

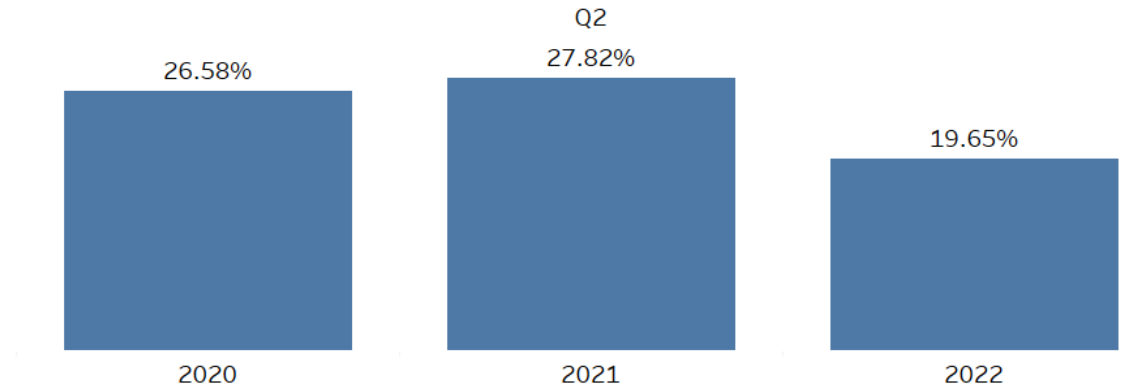
Automotive financing

Snapshot of how and what consumers are financing

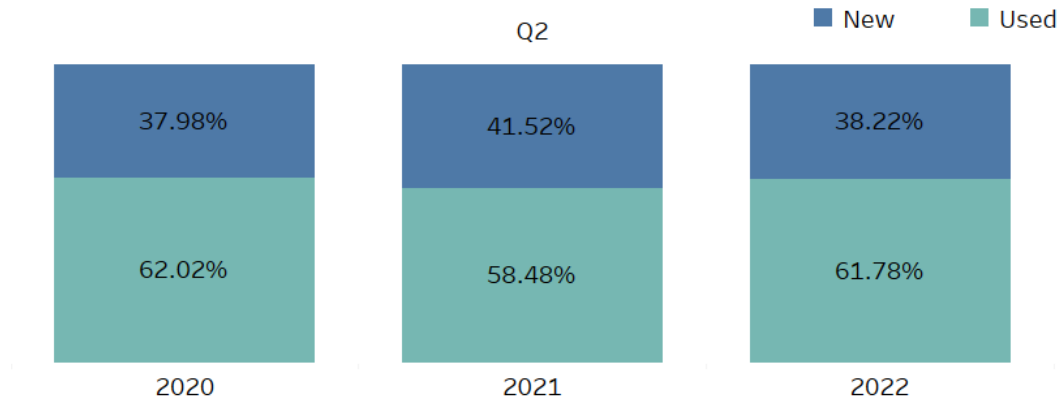
Percentage of vehicles with financing



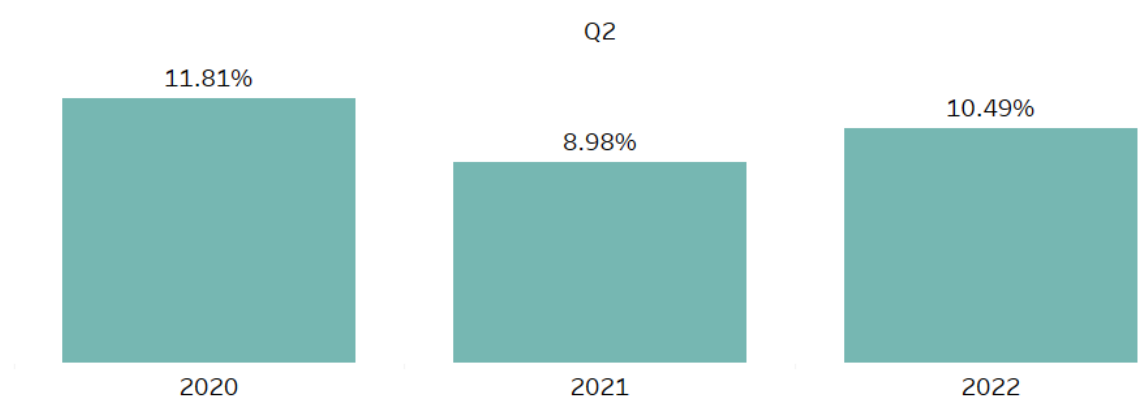
% of all new vehicles that are leased



New/Used percentage of financing

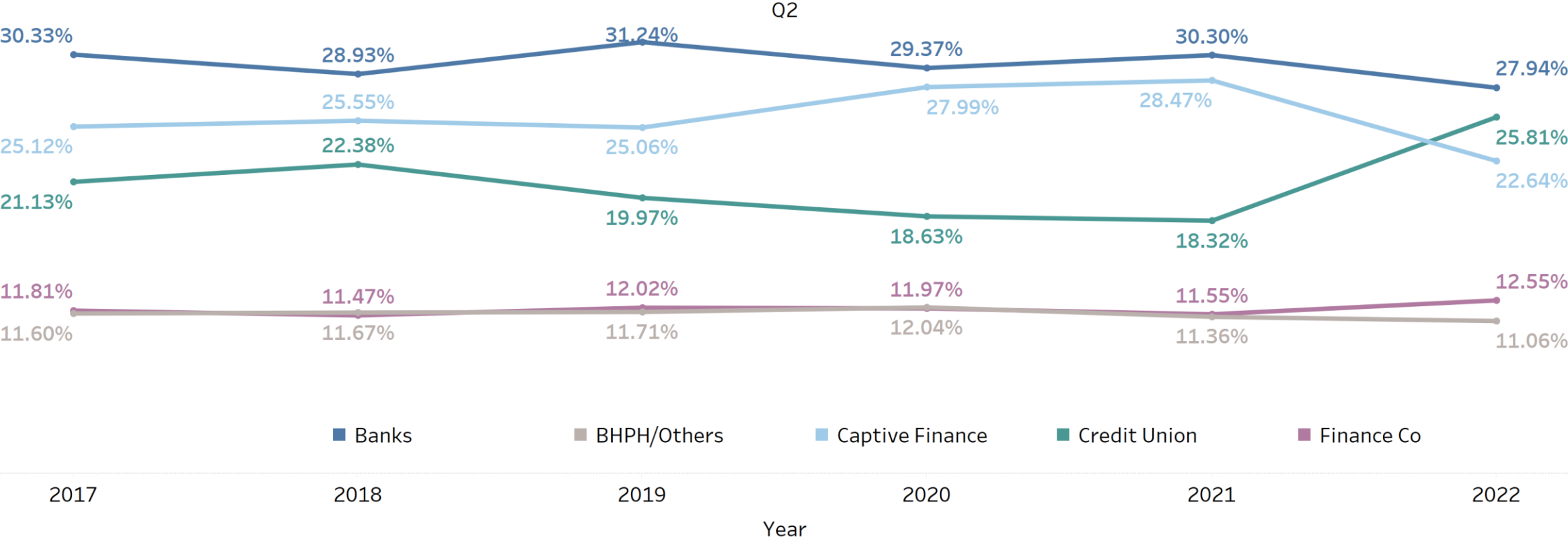


Used vehicle % of total lease market



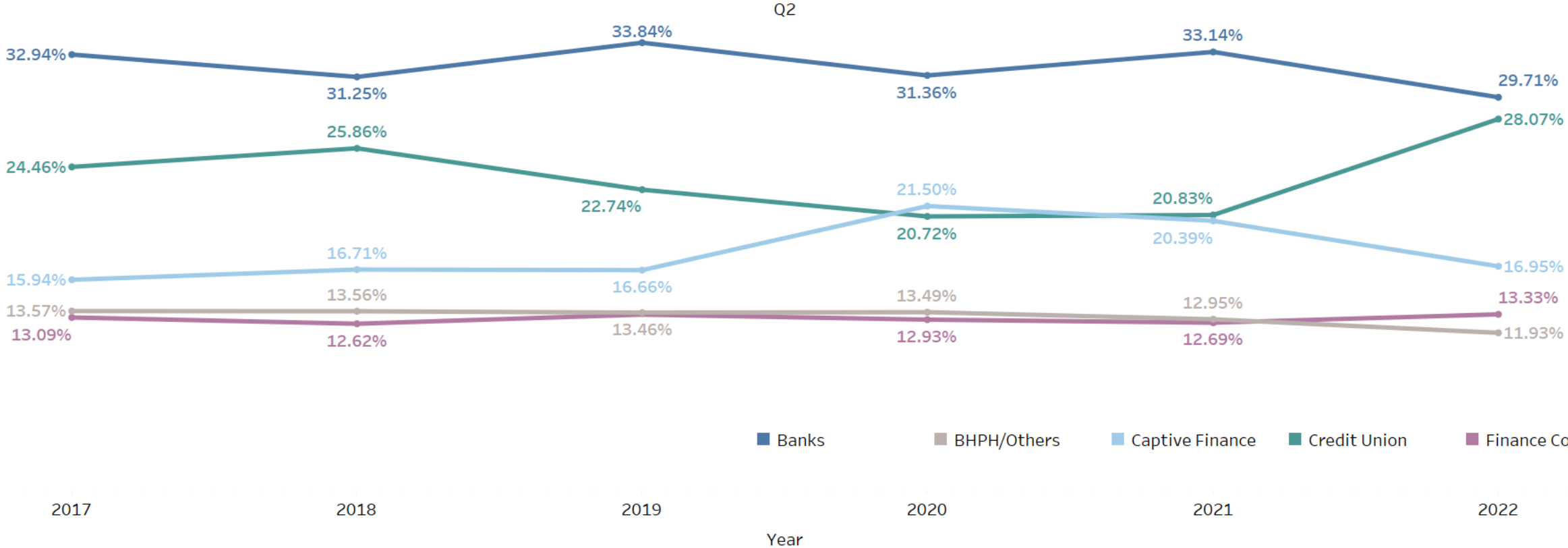
Credit unions experience highest total share in five years

Market share of total financing



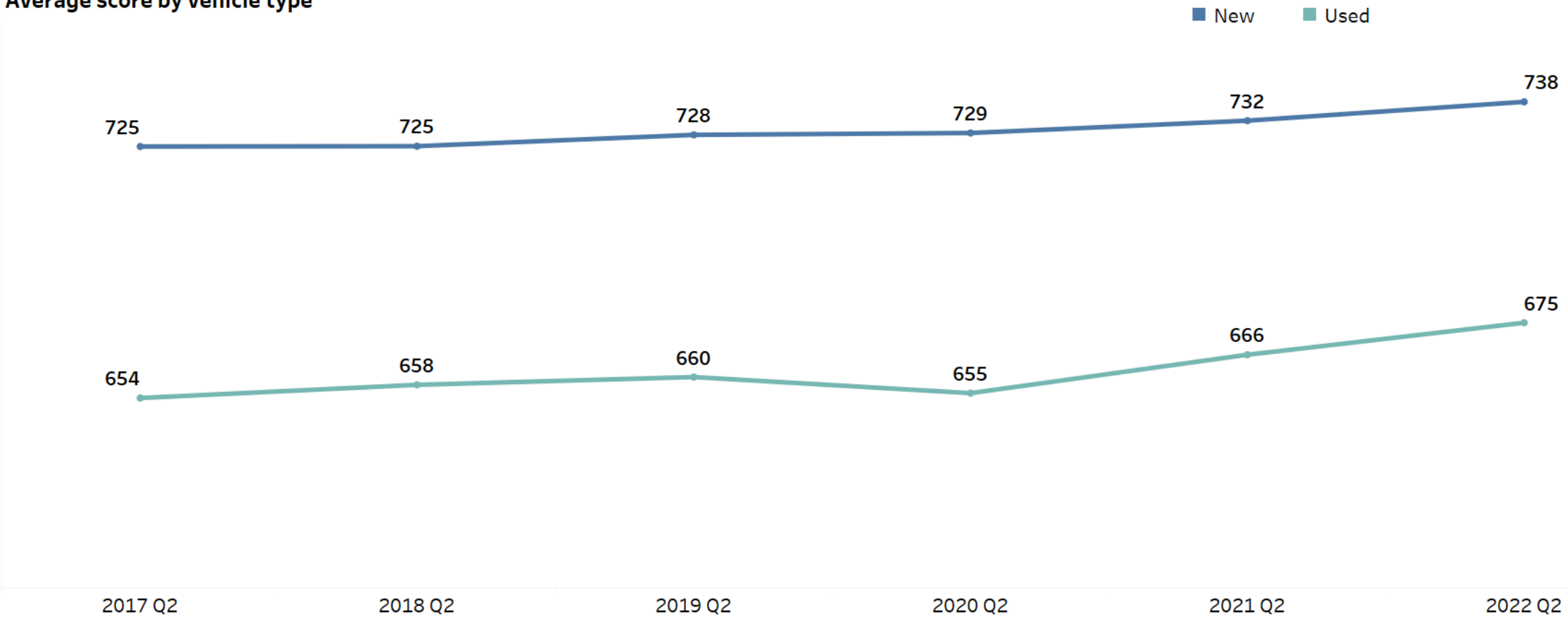
Credit Union loan share increases

Total loan market share



New scores increase 6 points while used are up 9 YOY

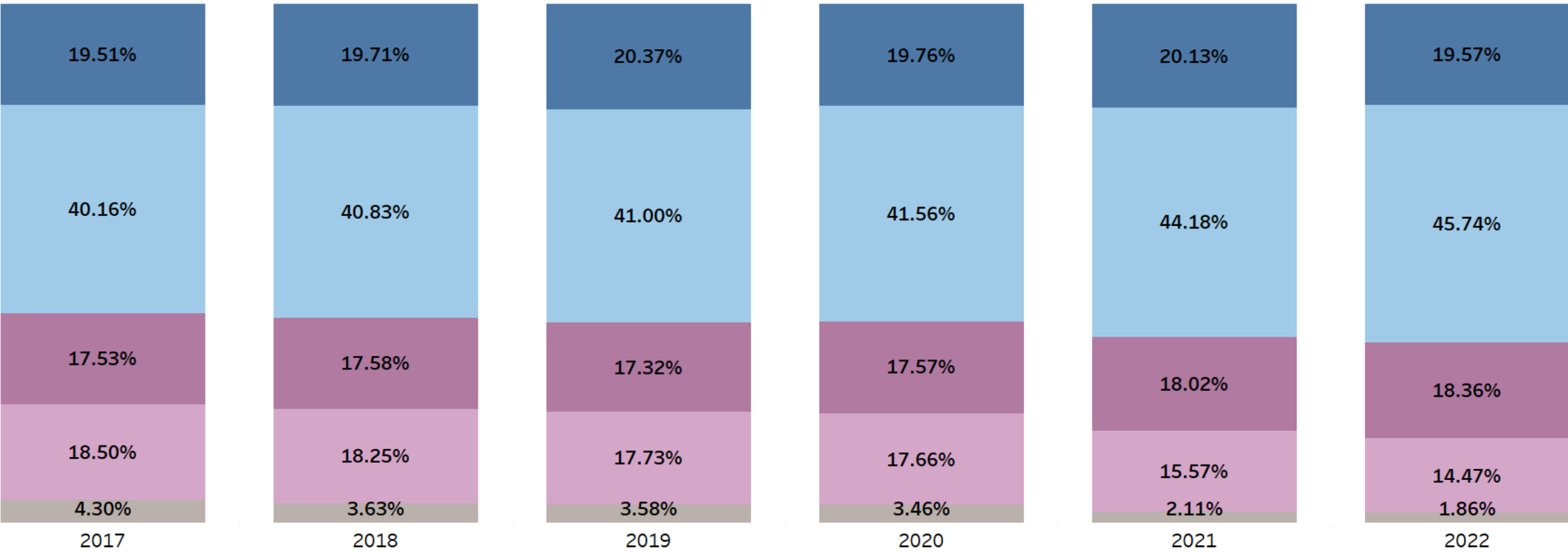
Average score by vehicle type



Prime is over 65% of total financing, while subprime falls to under 17%; most growth occurring in Prime

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

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

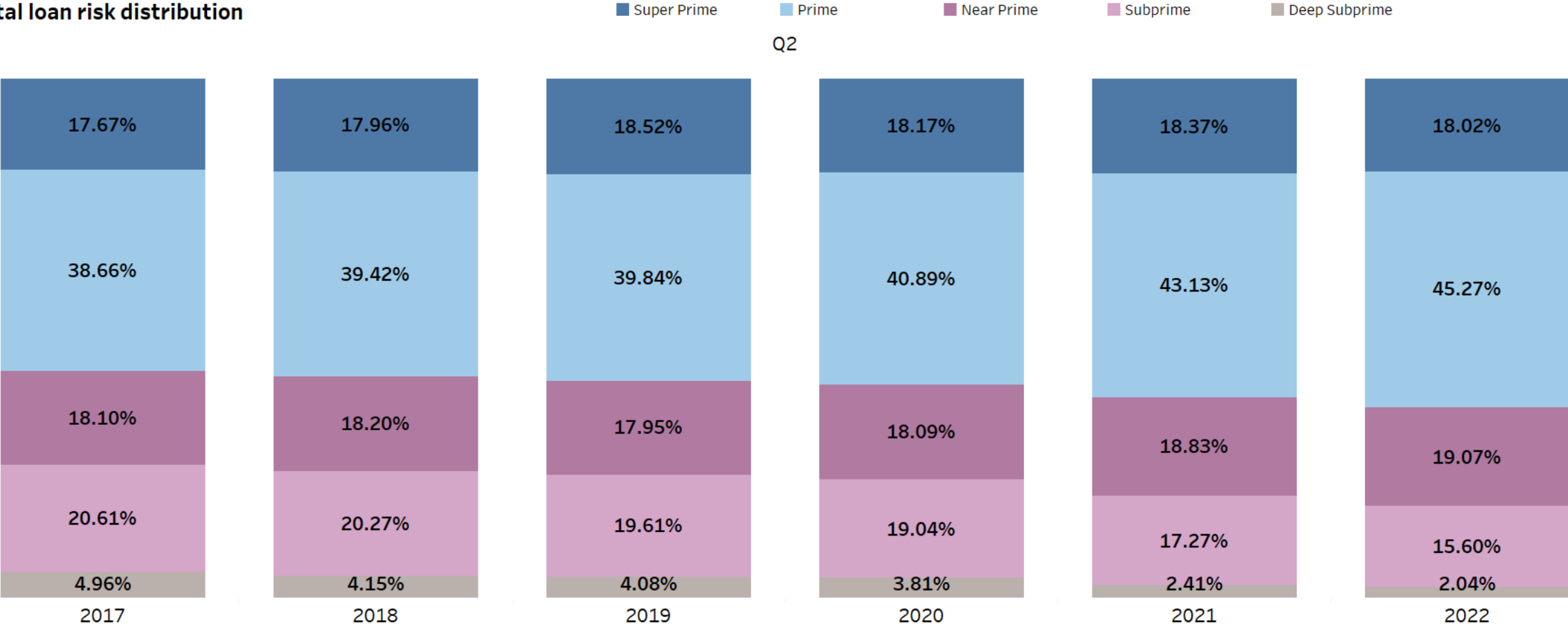


¹Total financing = loan and lease transactions on both new and used vehicles



Continue to see growth for loans in Prime and Near Prime; all other risk tier share decreases

Total loan risk distribution



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



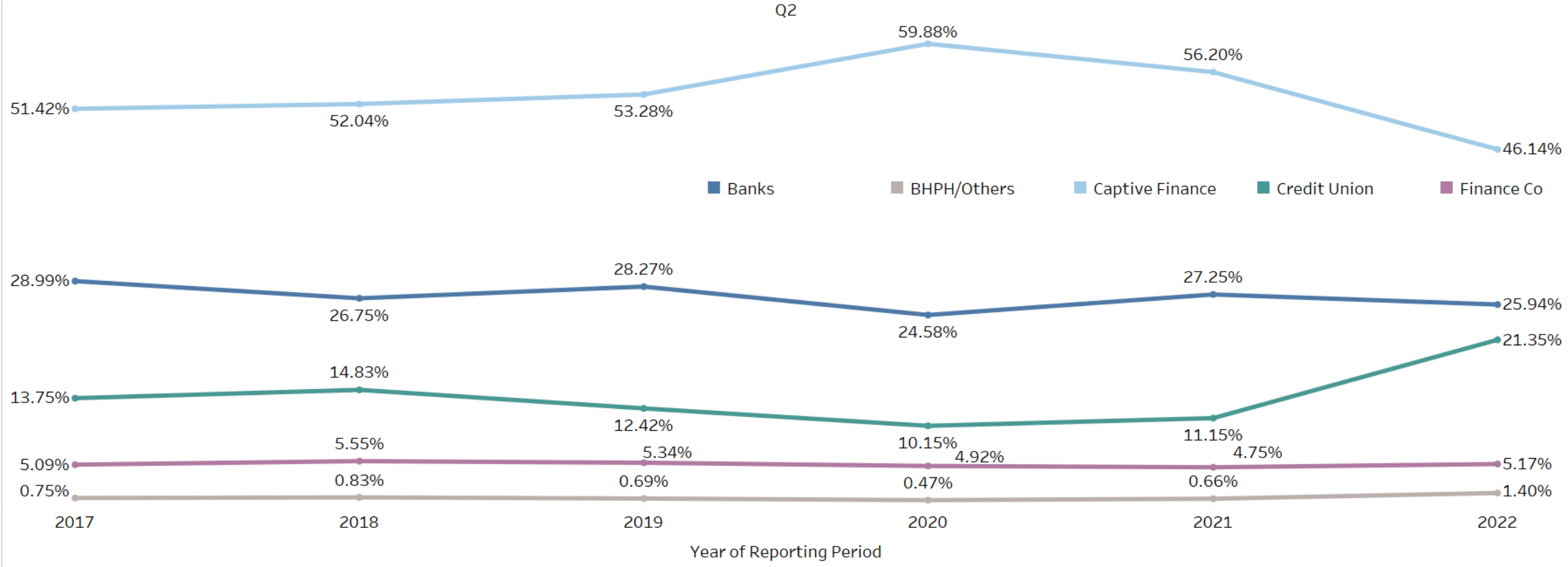


Q2 2022 New financing

A look at new lease & loan trends

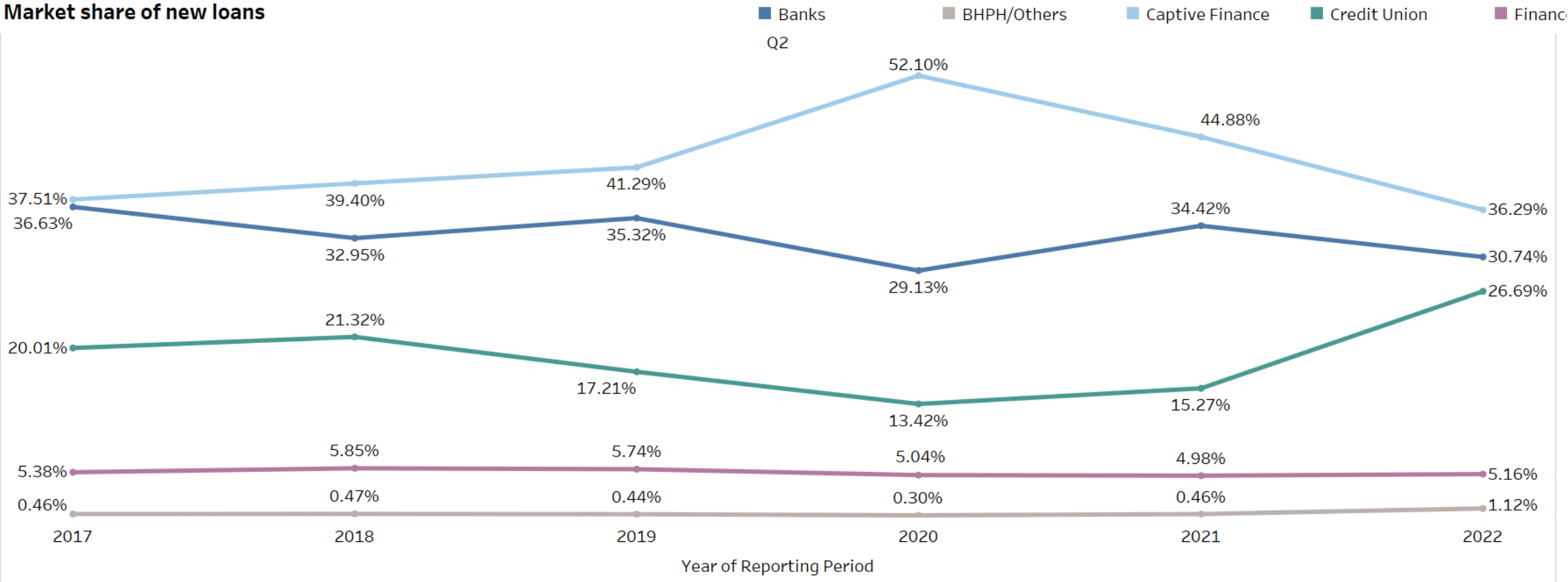
New financing is still led by Captives, yet Credit Unions see the largest growth

Market share of new financing (loan/lease)



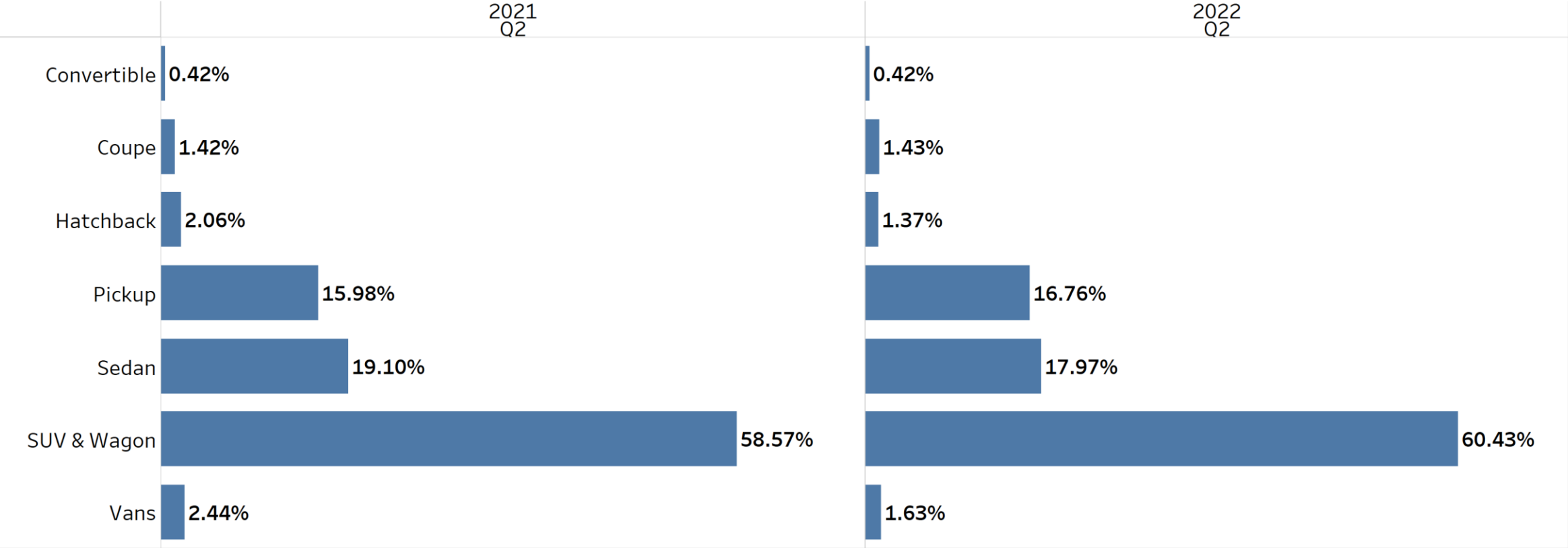
Credit Unions reach nearly 27% share of new loans

Market share of new loans



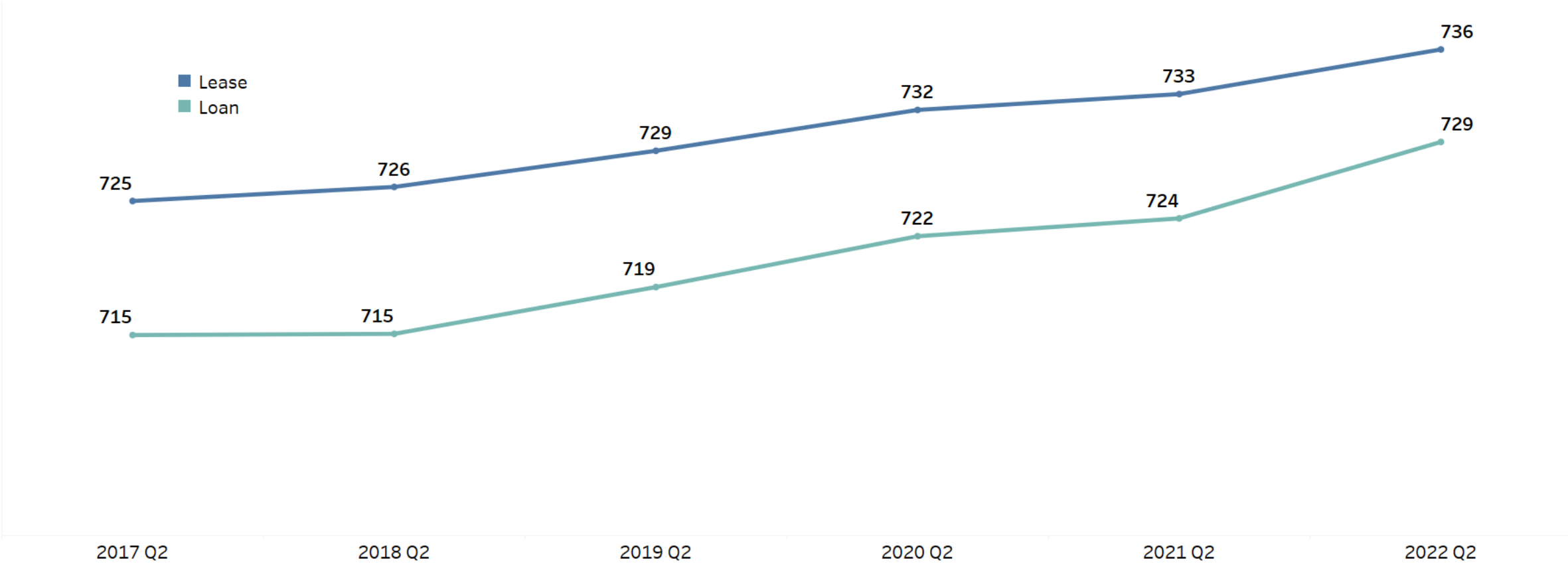
SUVs surpass 60% of financing

Percentage of financing by segment



New scores increase year-over-year

Average new score by transaction type

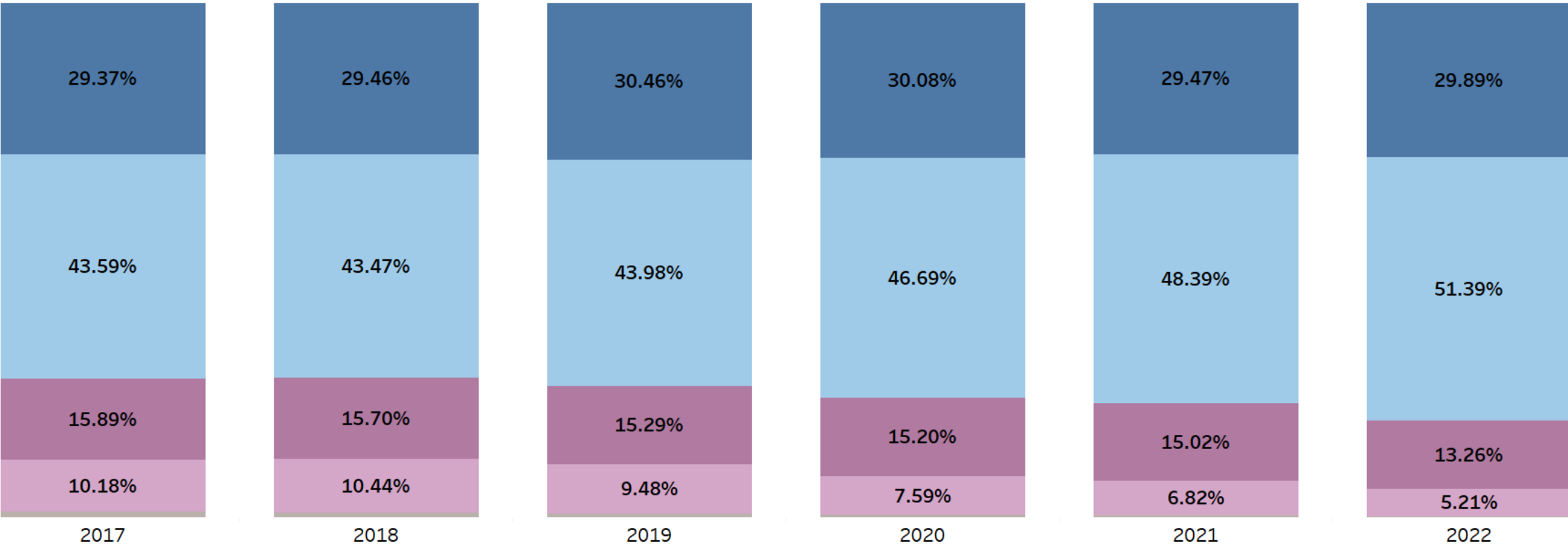


Prime+ reaches 81.3% with most growth occurring in 661-780 segment; subprime segments only 5.46%

New loan risk distribution

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

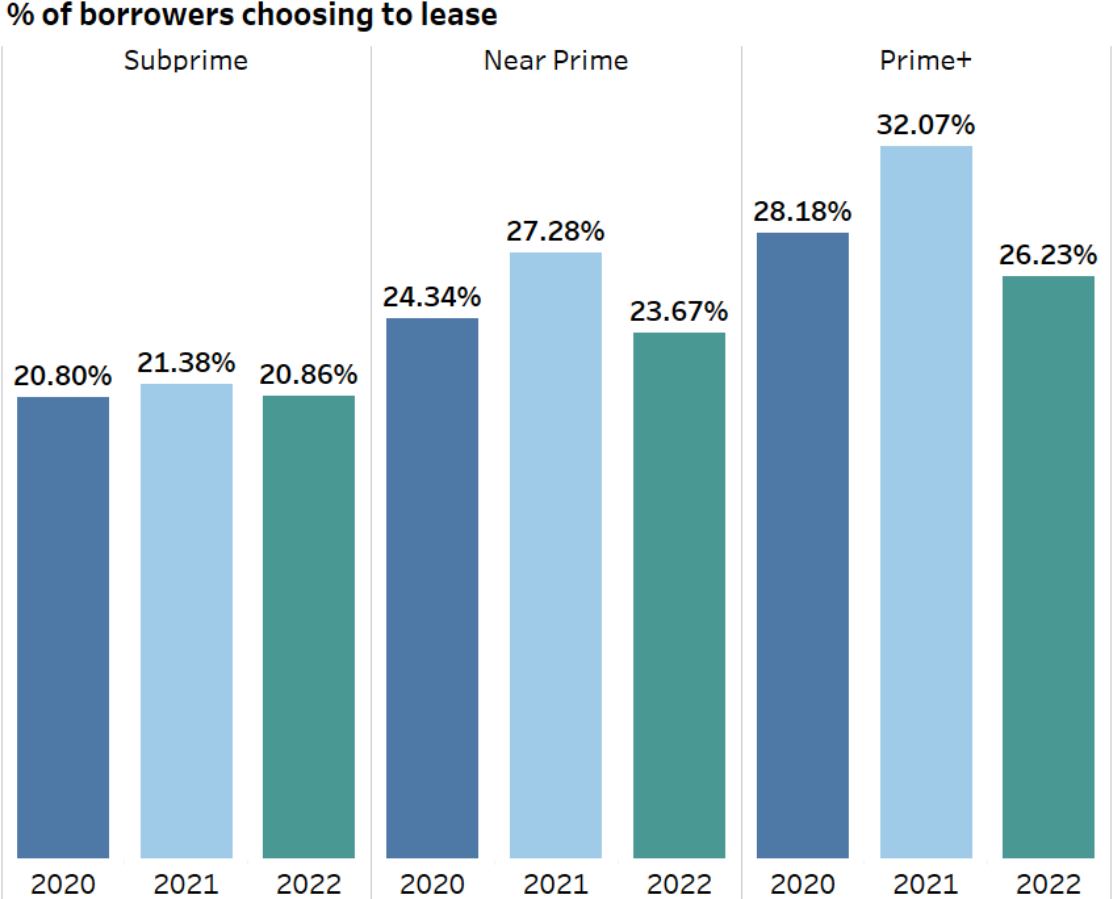
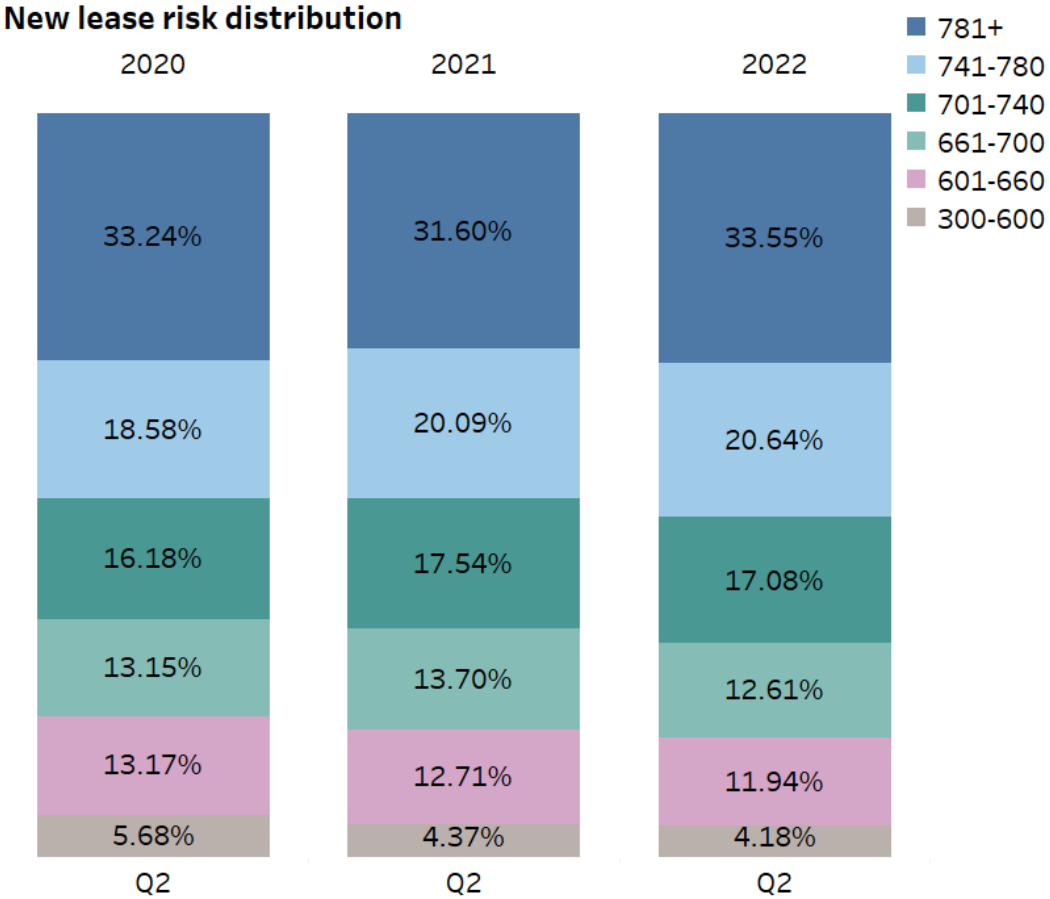
Q2



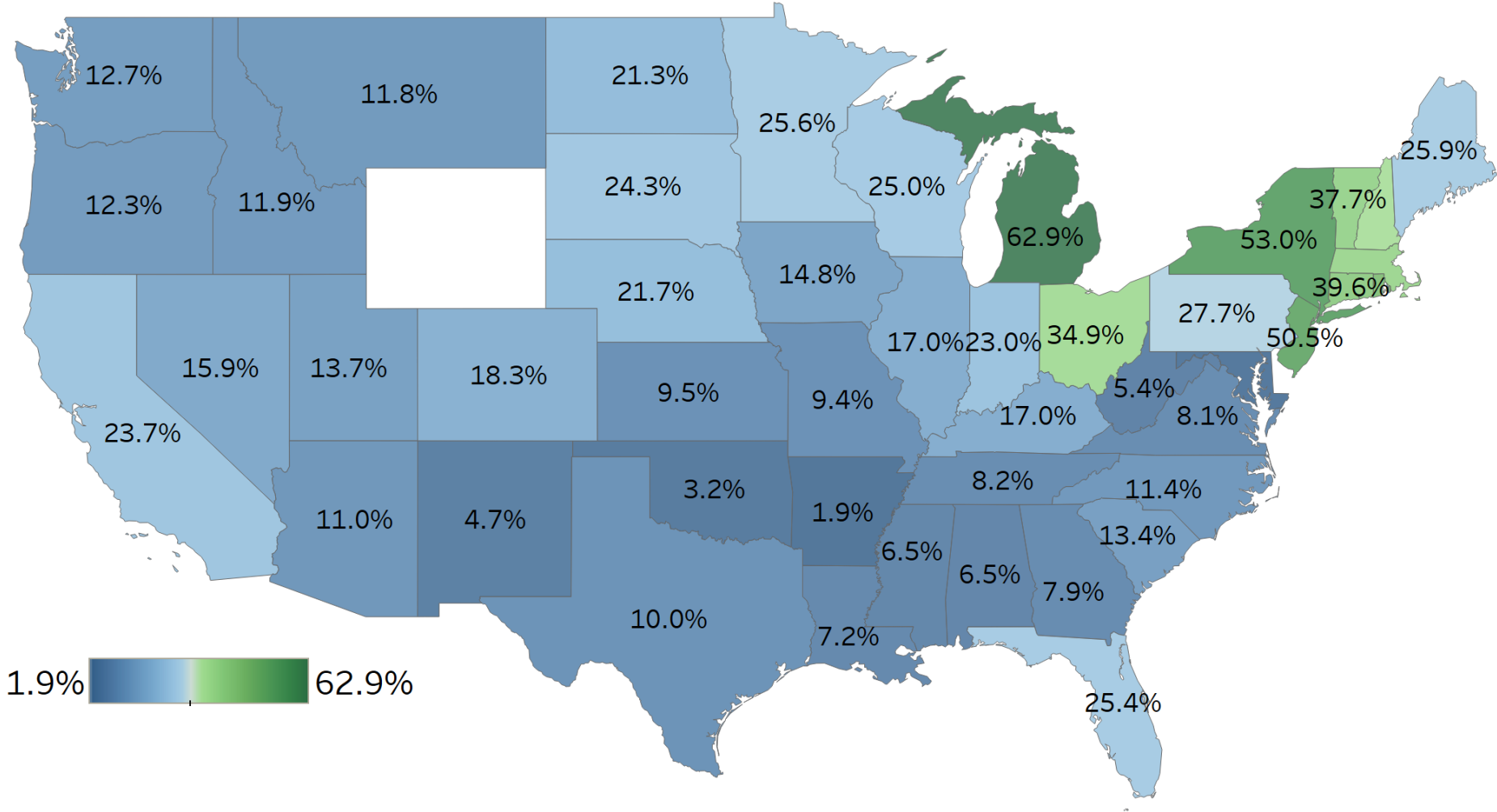
Deep subprime = 0.25%



Majority of leasing is 741+ and leasing rates drop across all risk segments

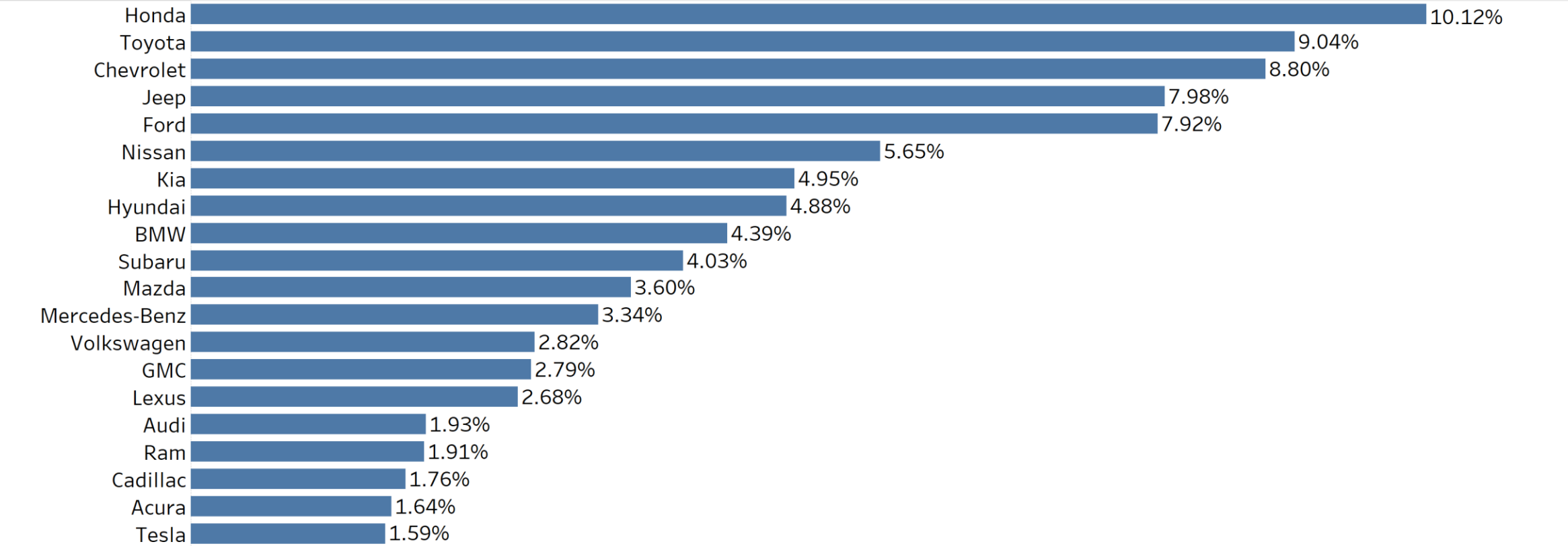


Michigan and NY continue to lead with the greatest share of new state financing as lease



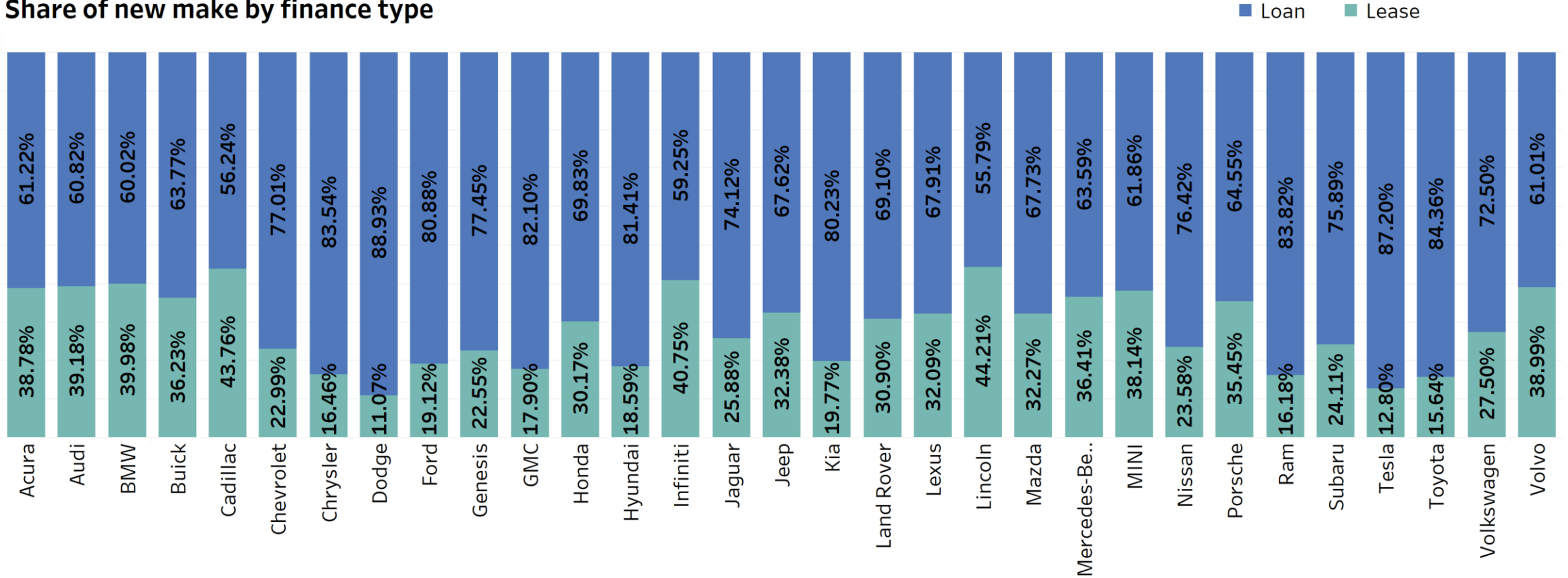
Honda leads as the #1 leased make

Top 20 leased new makes



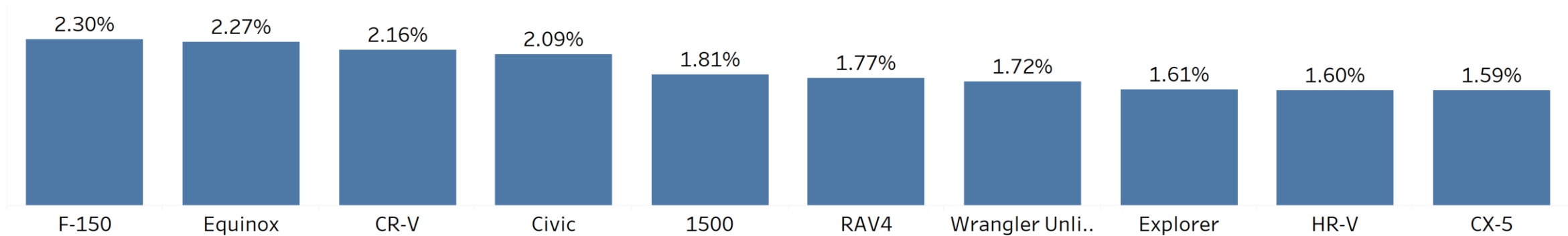
Finance type by make

Share of new make by finance type

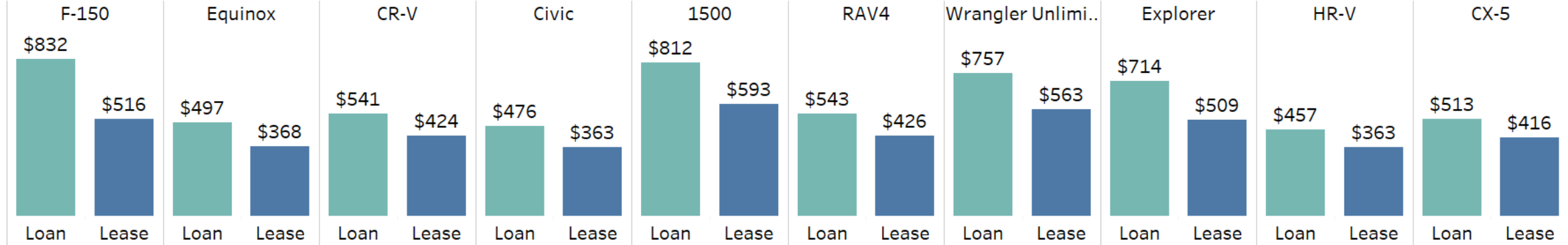


Only one sedan among top leased vehicles; average payment difference of \$127

Top 10 leased models

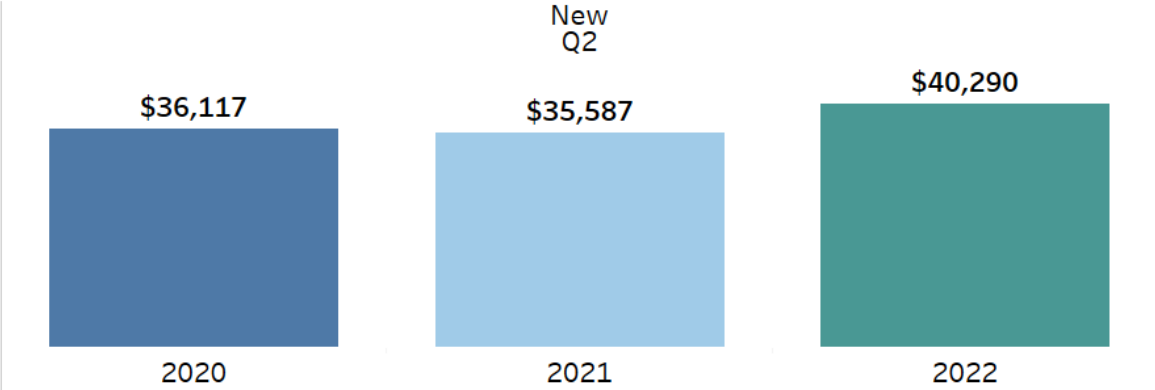


Average monthly payment on top leased models

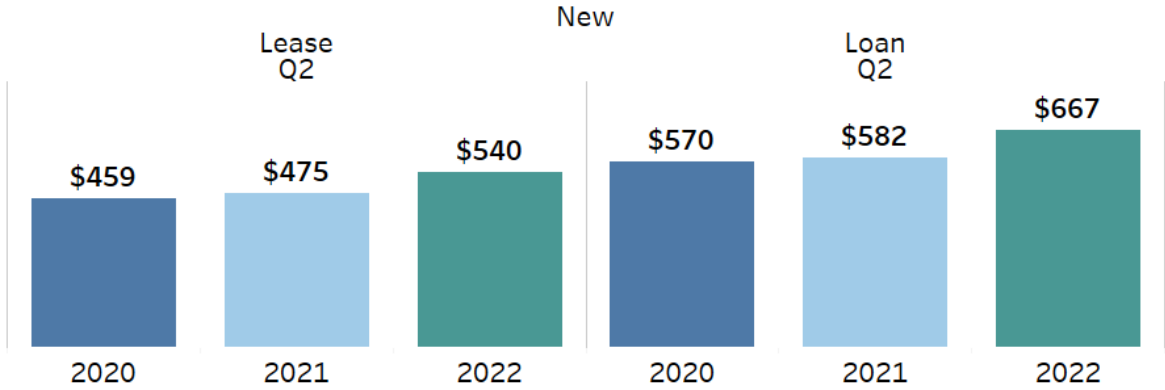


New loan attribute summary: new loan amount up 13% resulting in record high finance amount and new loan payment

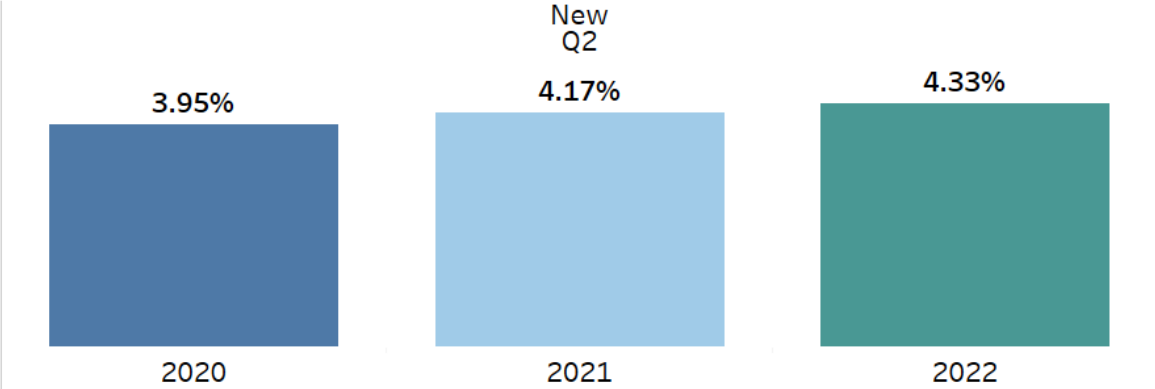
Average amount financed



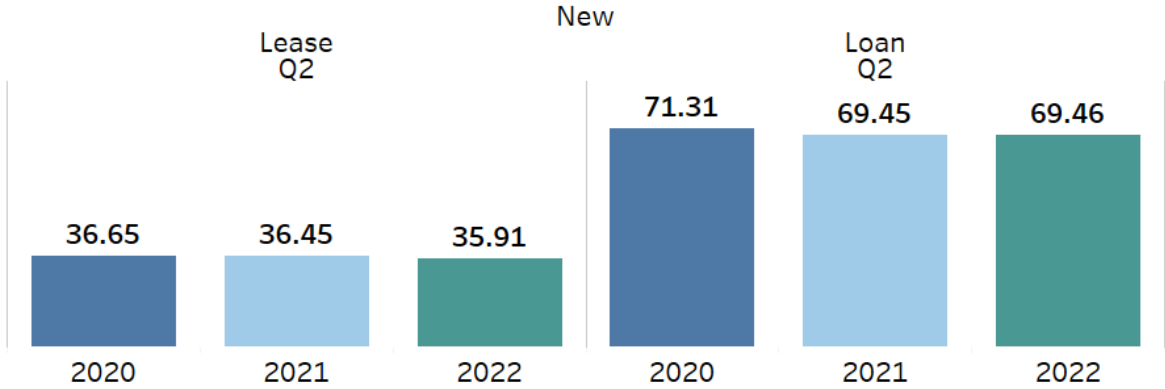
Average monthly payment



Average loan rate

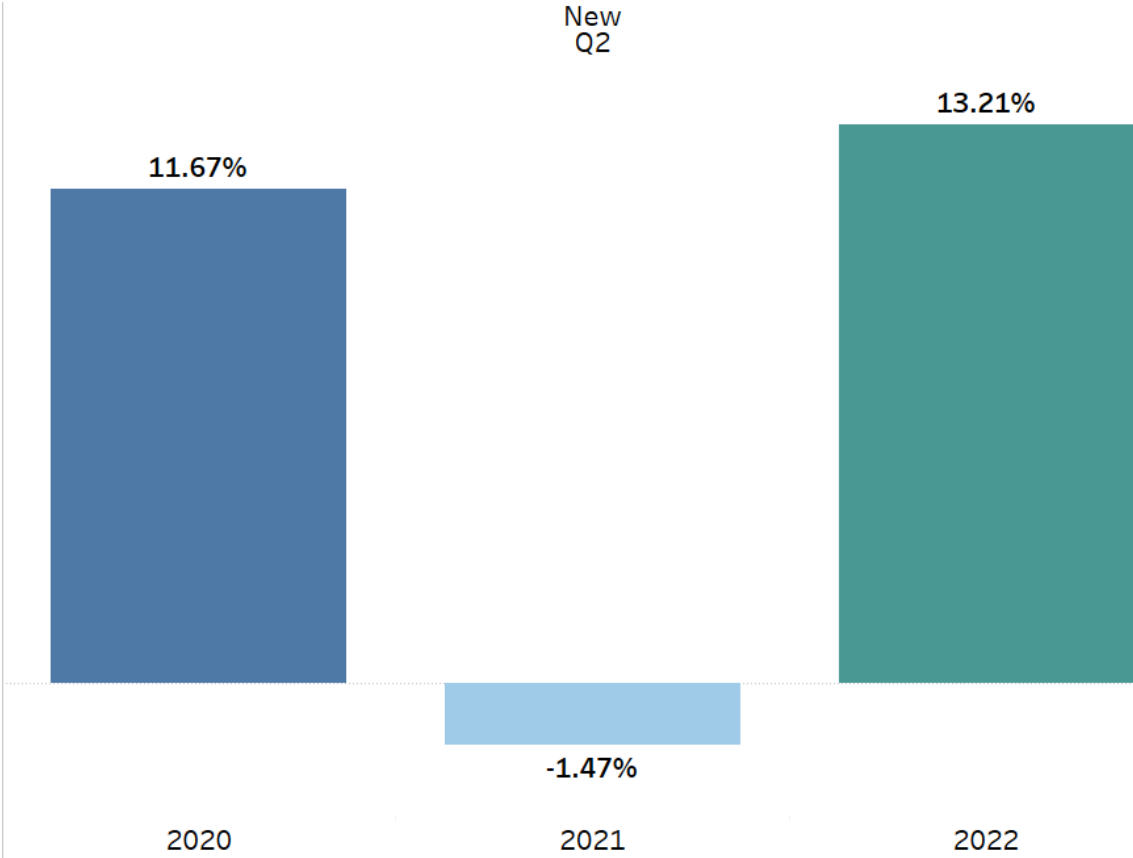


Average loan term

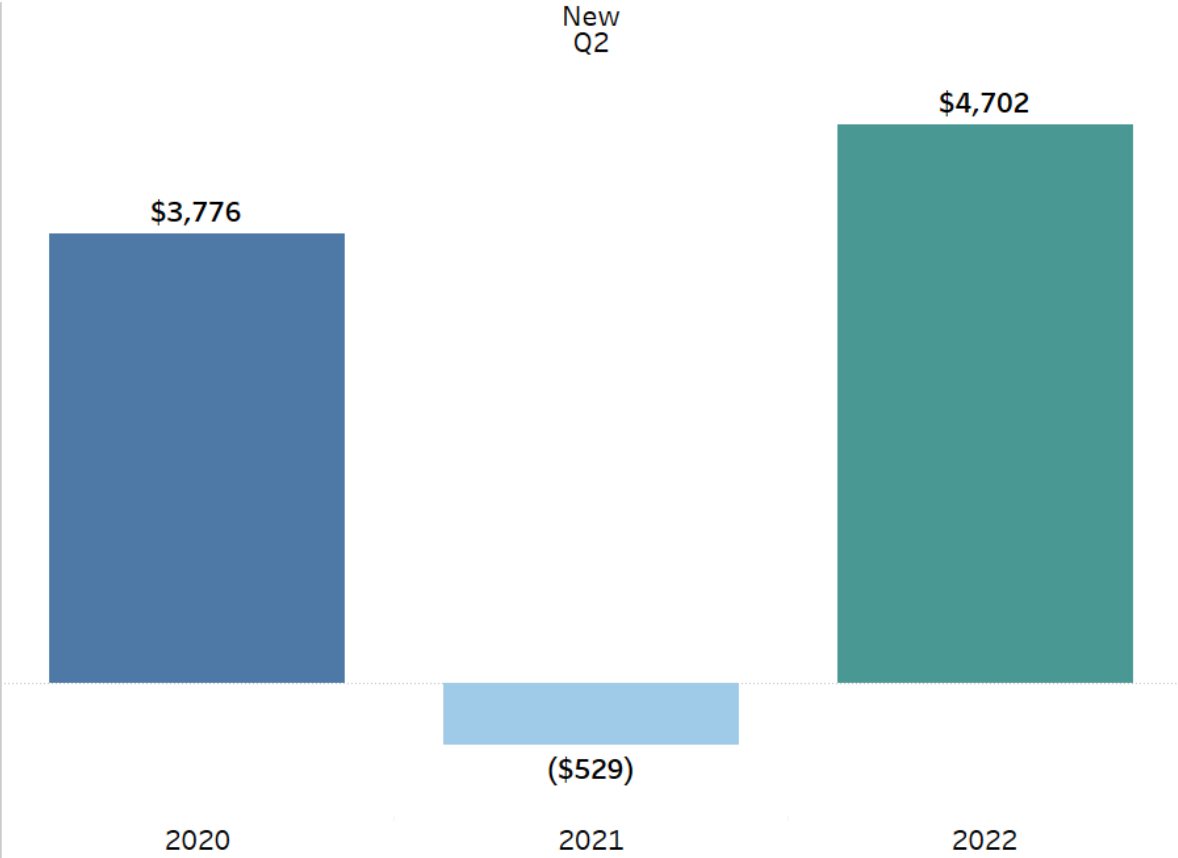


Significant YOY increases in loan amounts continue

YOY growth in average new loan amount

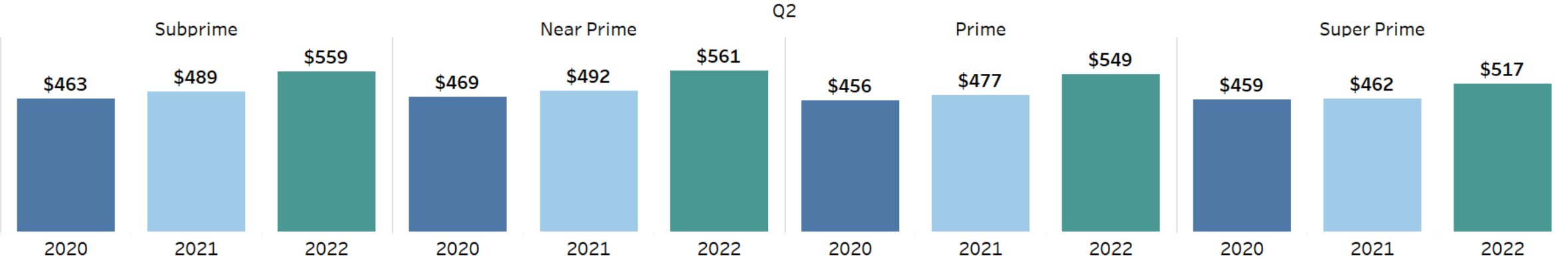


YOY \$ difference in average new loan amount

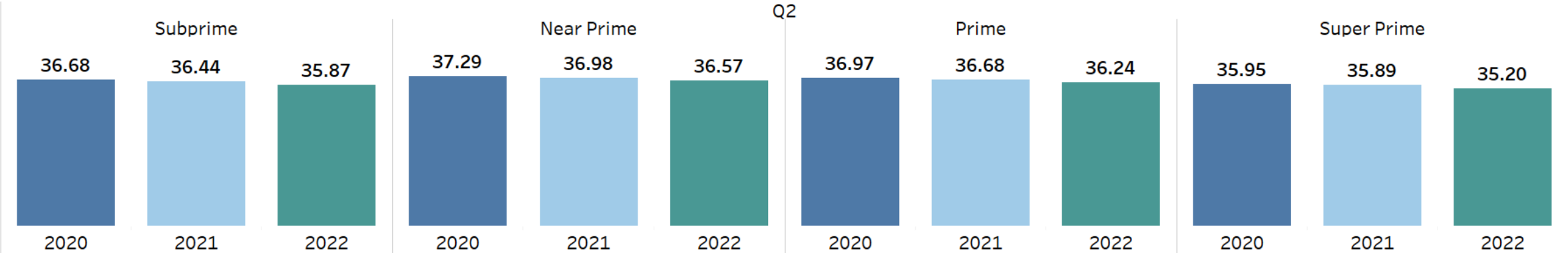


Leasing payments and terms increase YOY

Average lease payment by risk tier

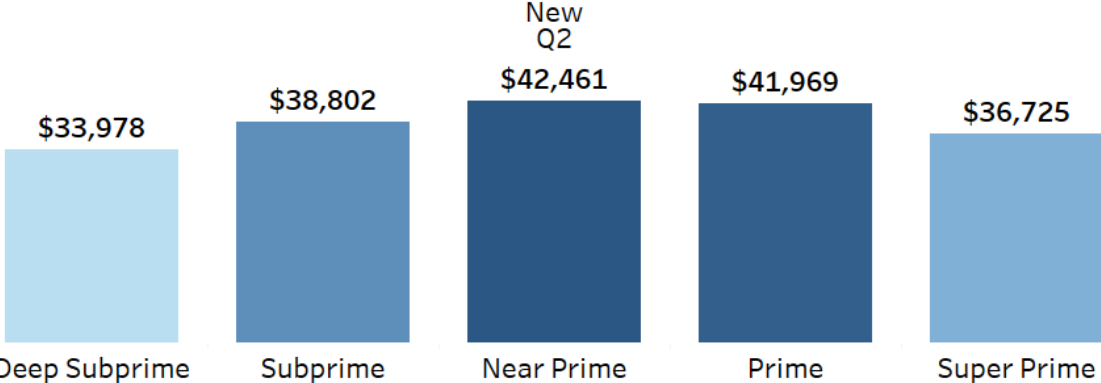


Average lease term by risk tier

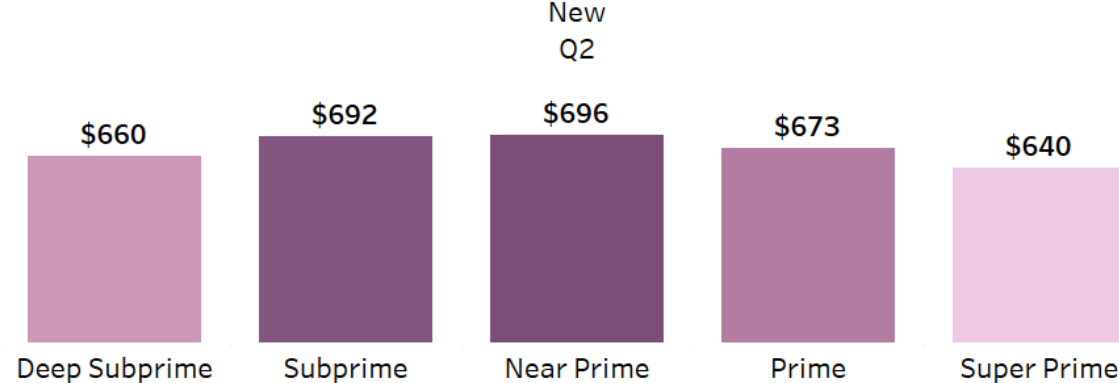


Payments and loan amounts experience share YOY increases across all risk segments

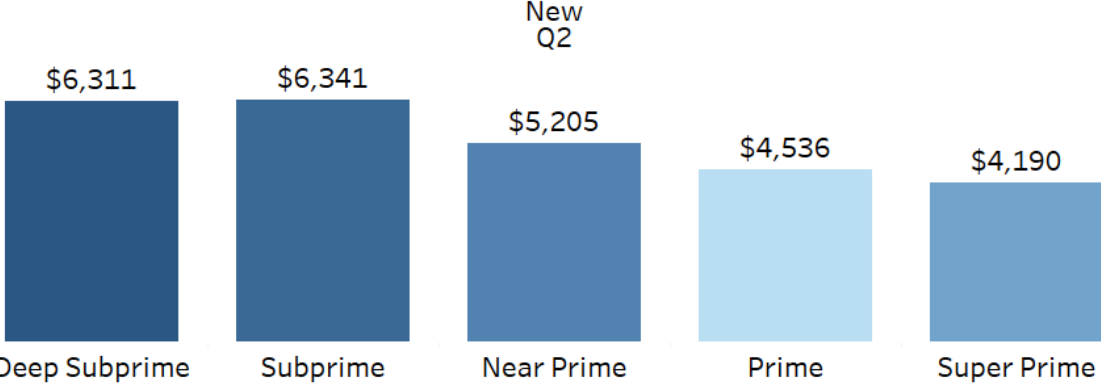
Average loan amount financed by risk



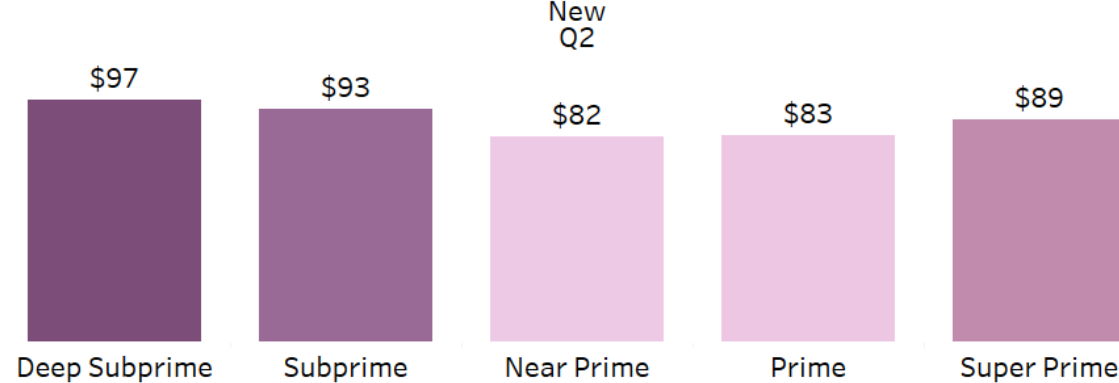
Average loan monthly payment by risk



Year-over-year change in loan amount

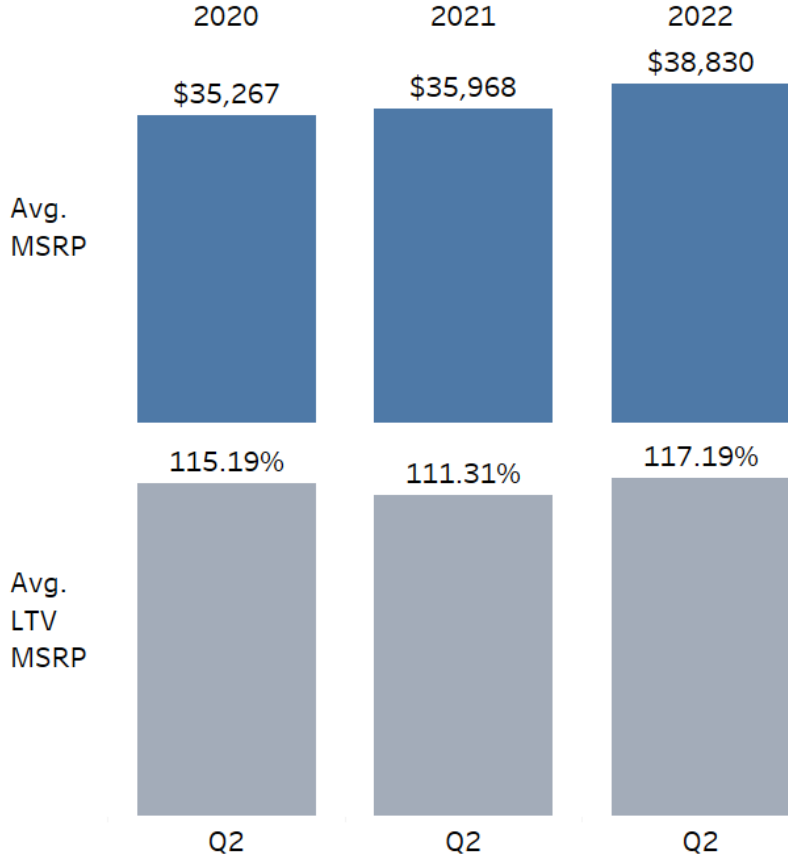


Year-over-year change in monthly payment

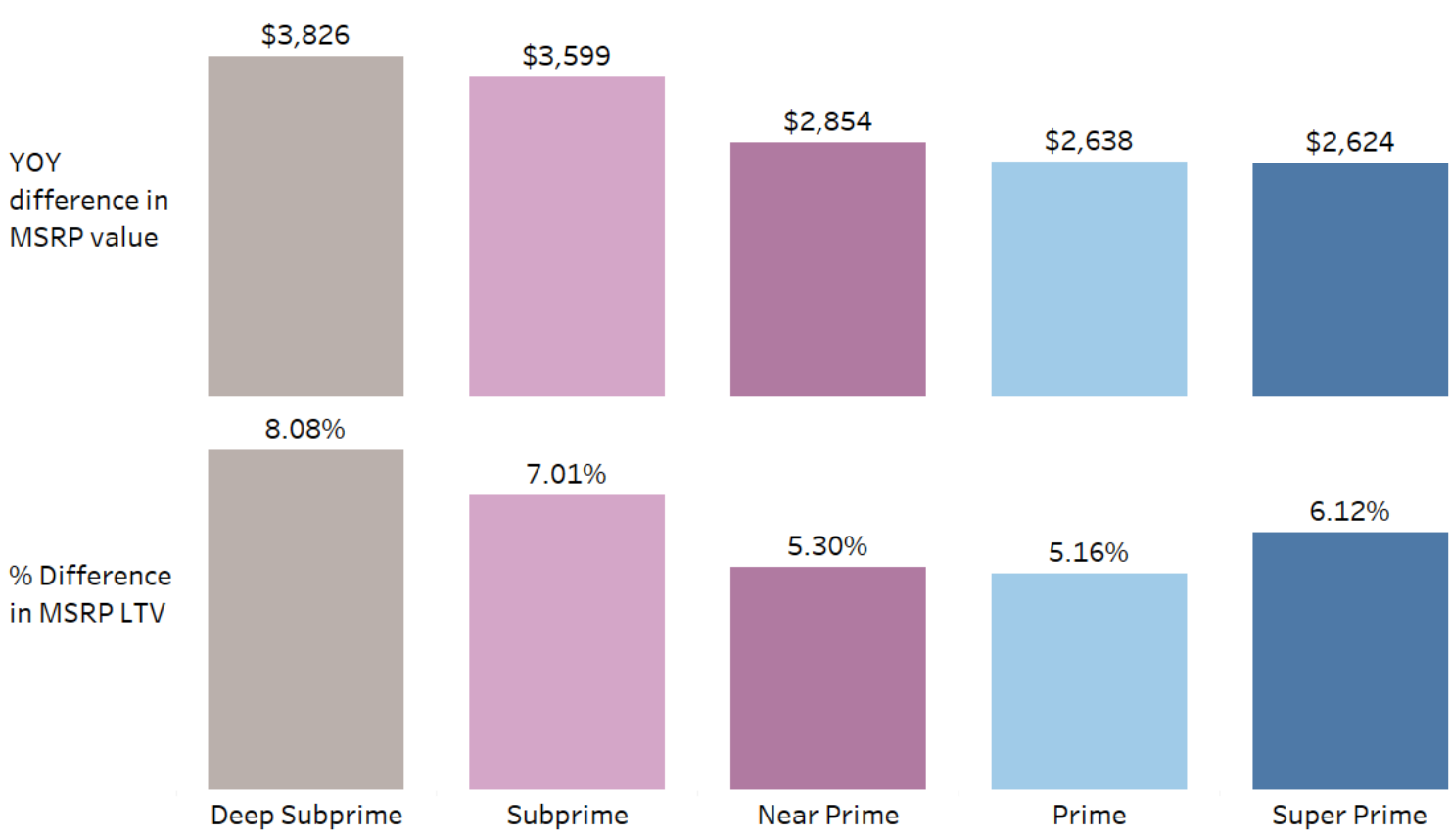


New values up nearly 8% and LTVs increase YOY

Avg New Values

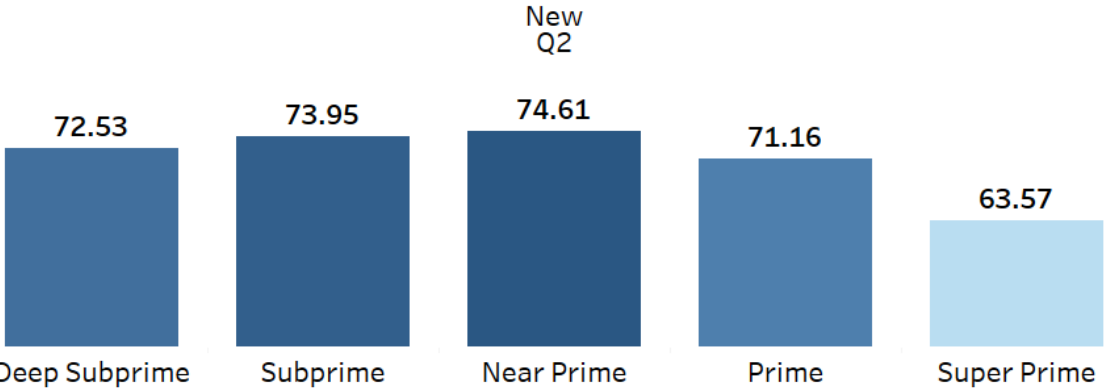


YOY change in new values

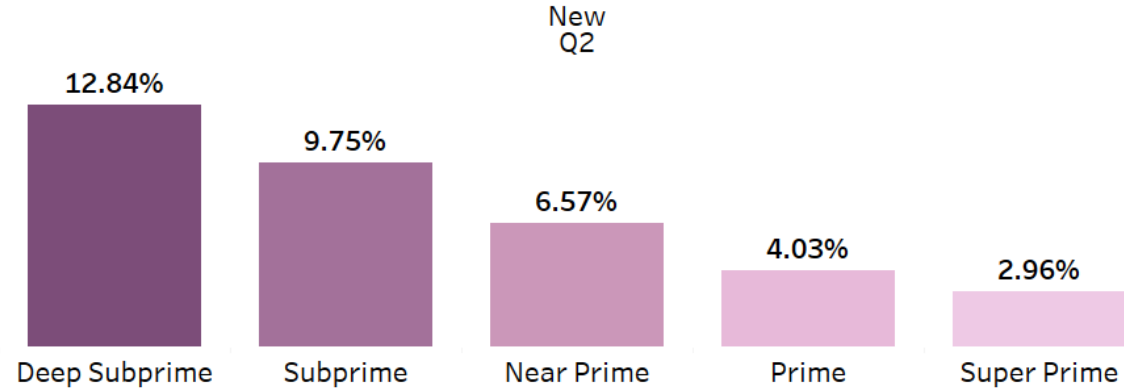


Terms decrease in Super prime while rates decrease outside of Prime+

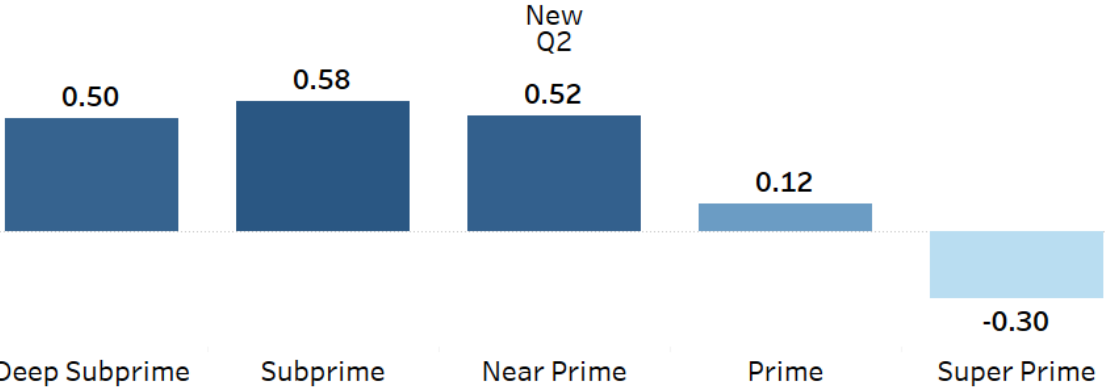
Average loan term by risk



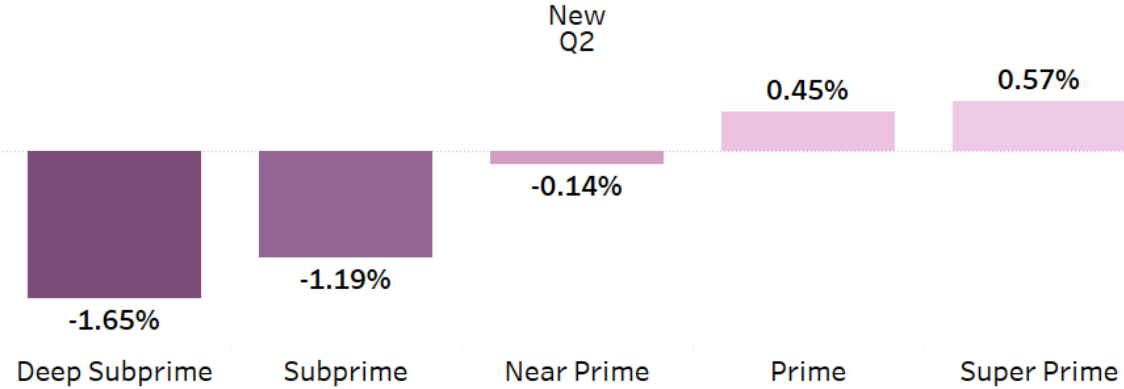
Average loan rate by risk



Year-over-year change in loan term

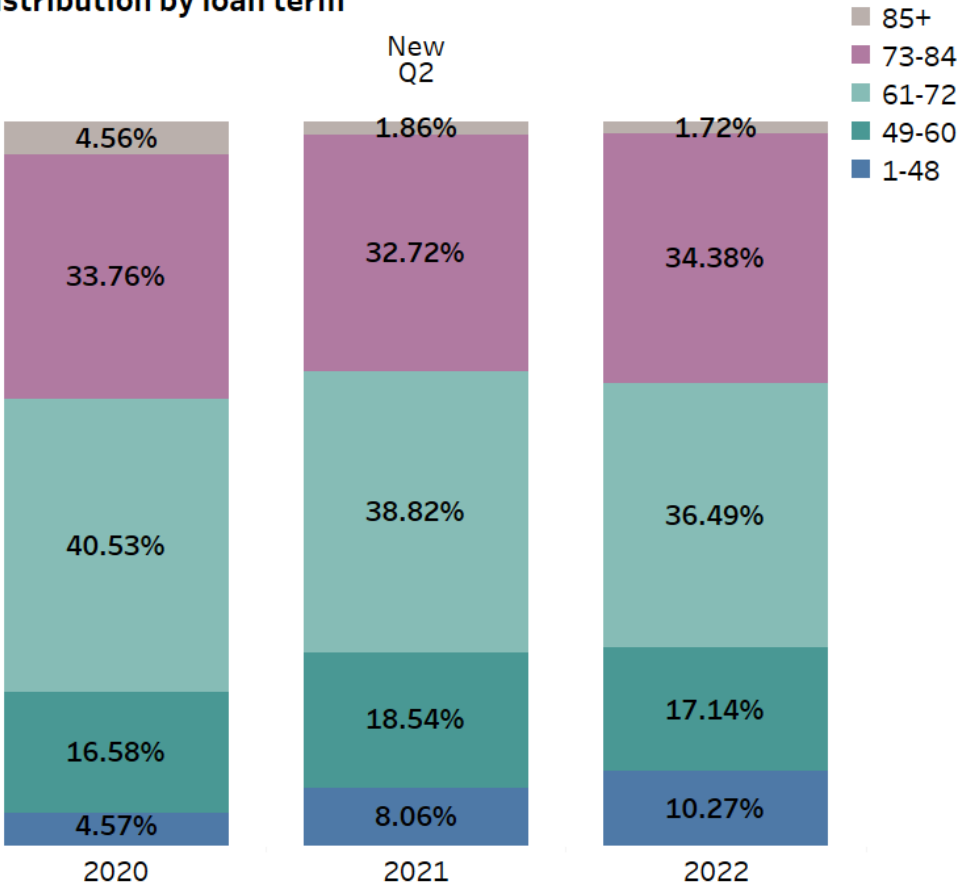


Year-over-year change in rate

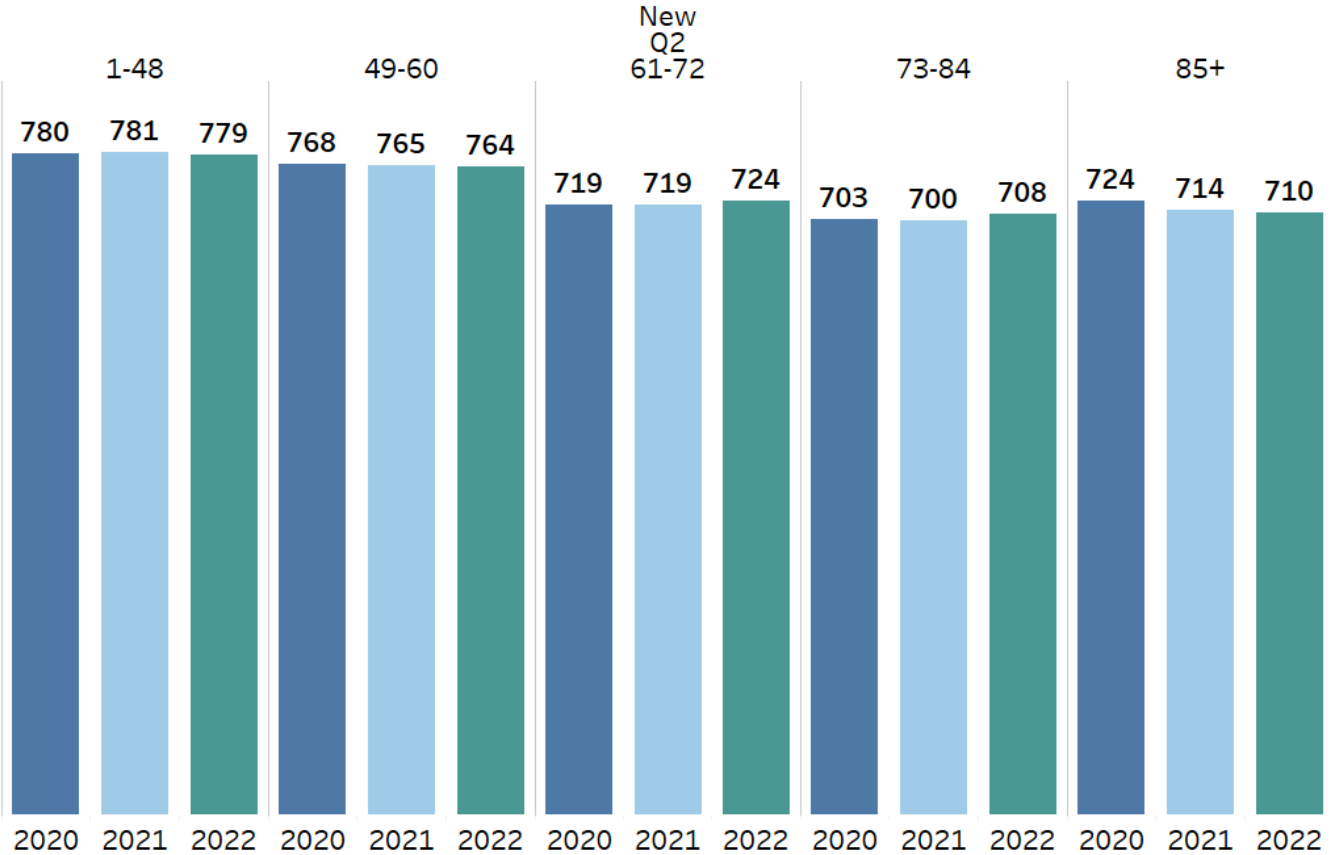


Growth continues to occur in longer term loans; 85+ terms shrink

Distribution by loan term



Avg score by loan term



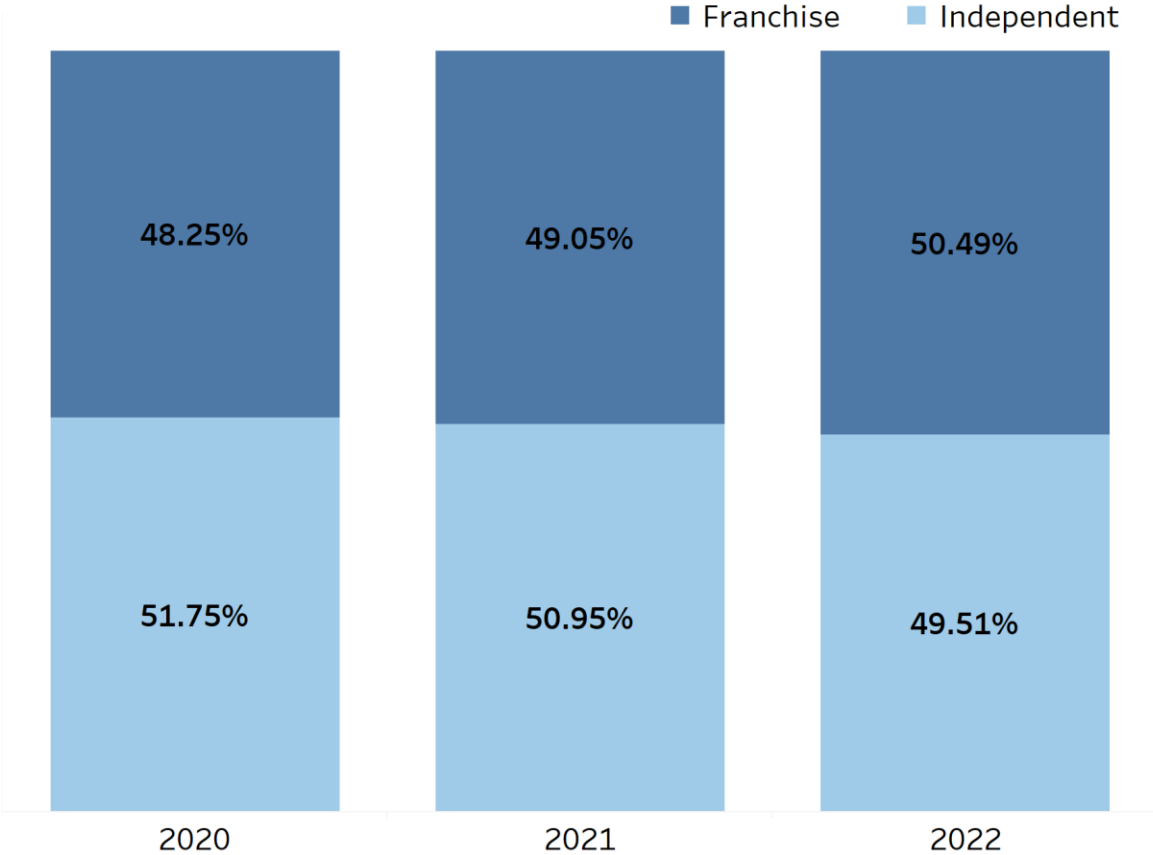


Q2 2022 Used financing

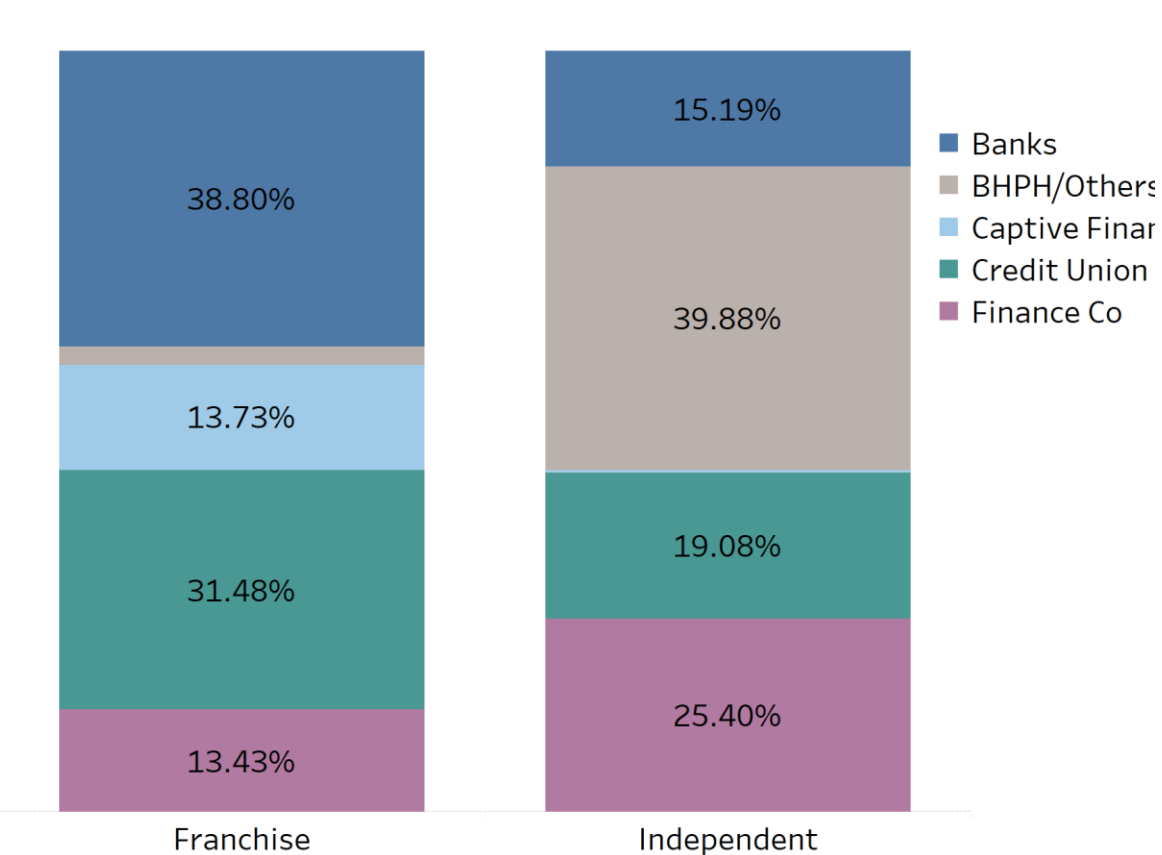
A look at used automotive loan trends

Dealer type snapshot: Independent Dealers gain share YOY

Used transactions by Dealer type

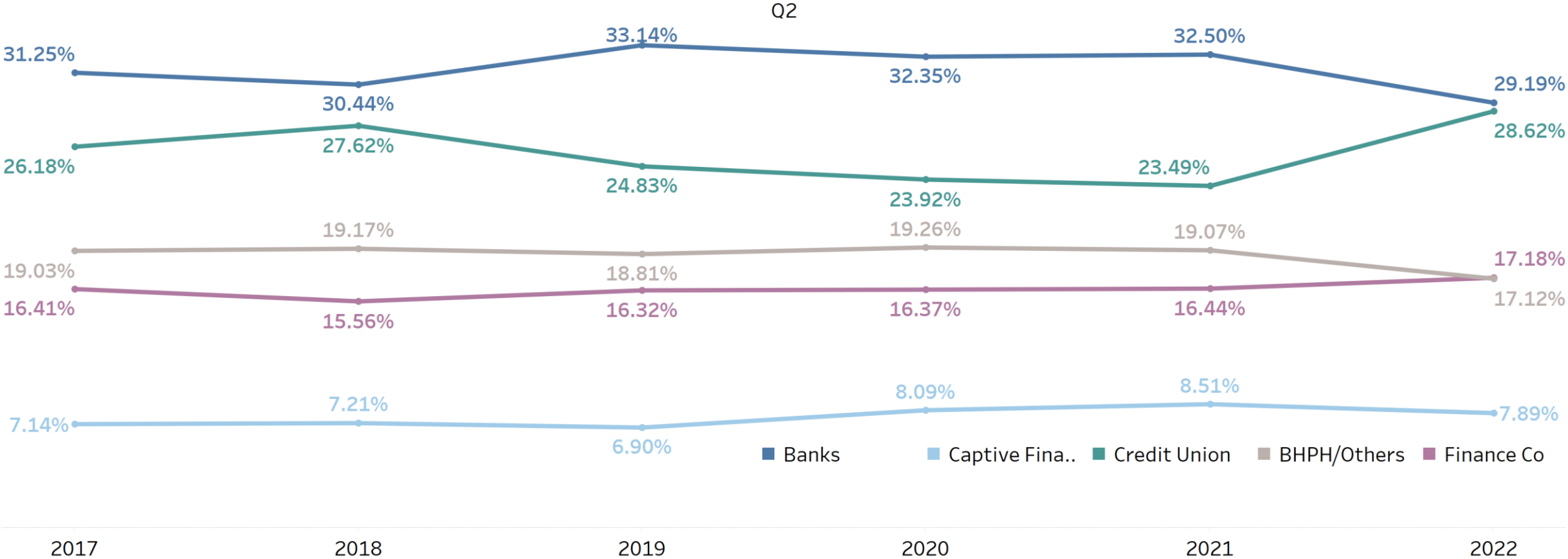


Used loans by lender type and Dealer

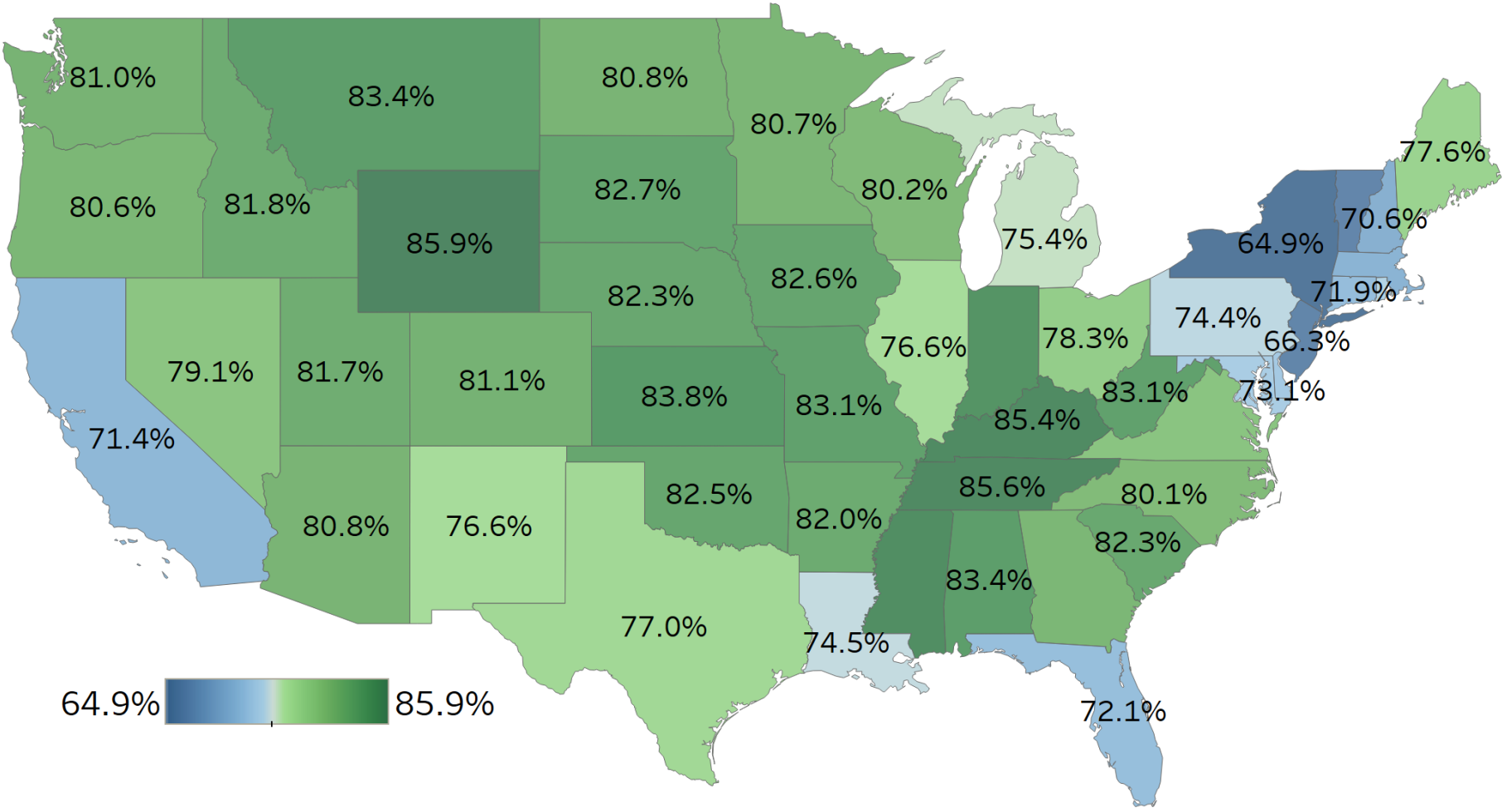


Credit unions and finance companies increase share

Used market share by lender type



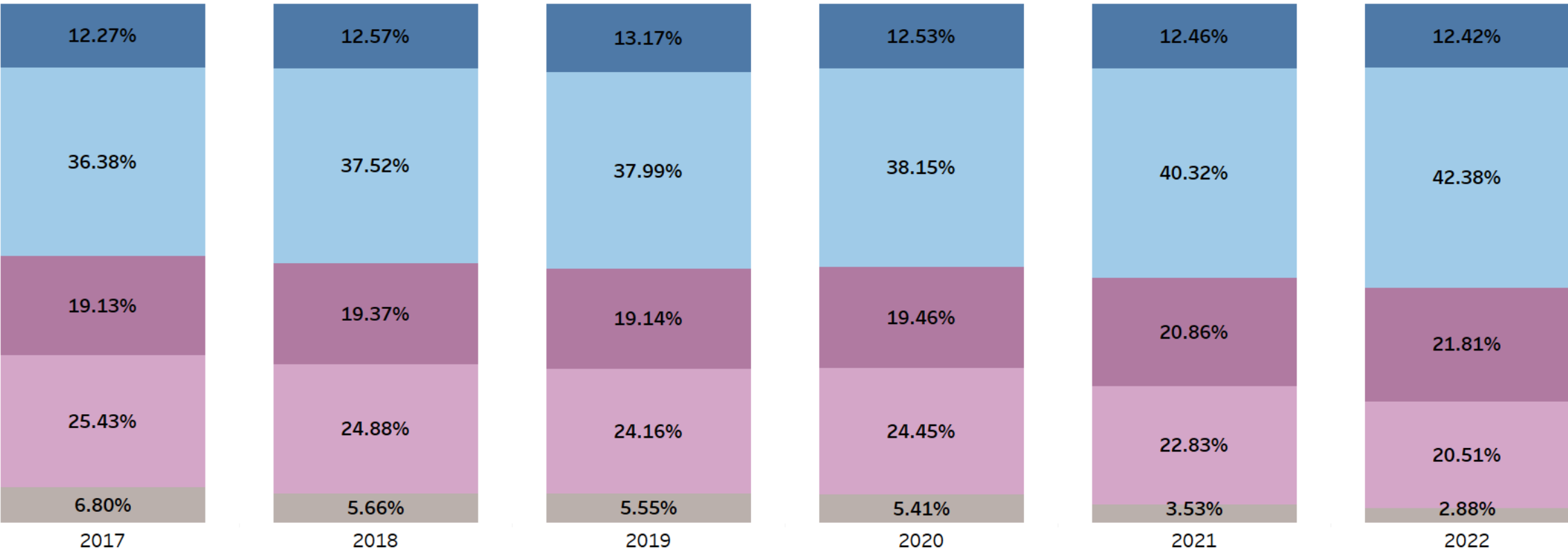
WY (85.9%) leads with the largest percentage of loans for used cars; NY (64.9%) has the lowest



Deep subprime & subprime used loans remain near record lows with prime+ nearly 55% of used loans

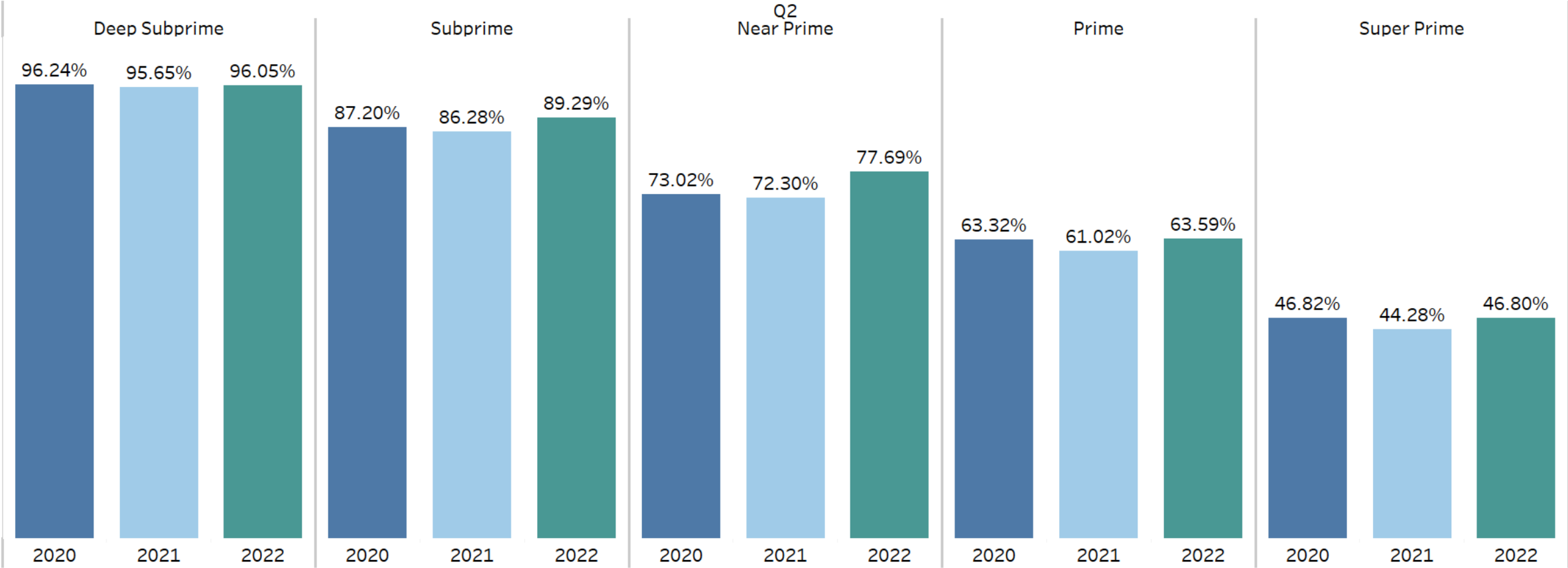
Used loan risk distribution

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



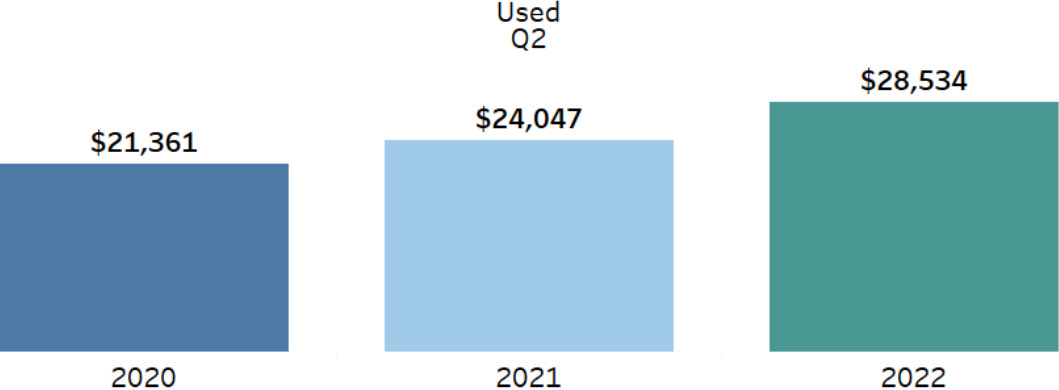
Consumers shifting back to financing used vehicles at increasing rates

Consumers choosing used vehicles

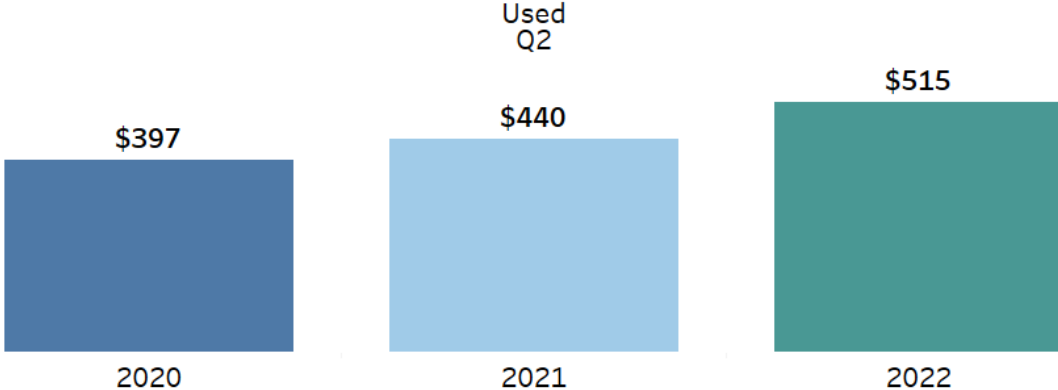


Used loan attribute summary: loan amount, payment and term reach record high

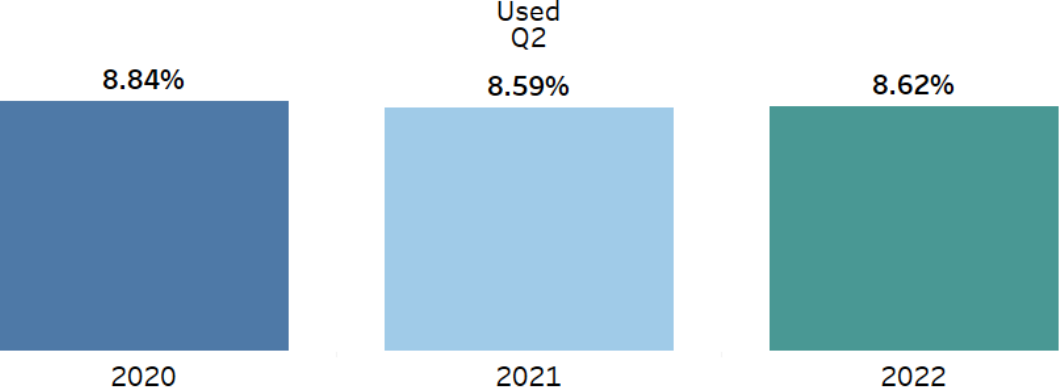
Average amount financed



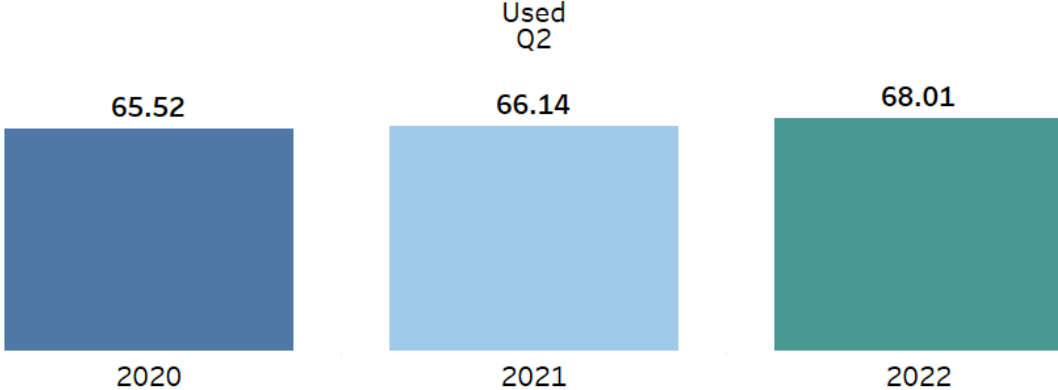
Average monthly payment



Average loan rate

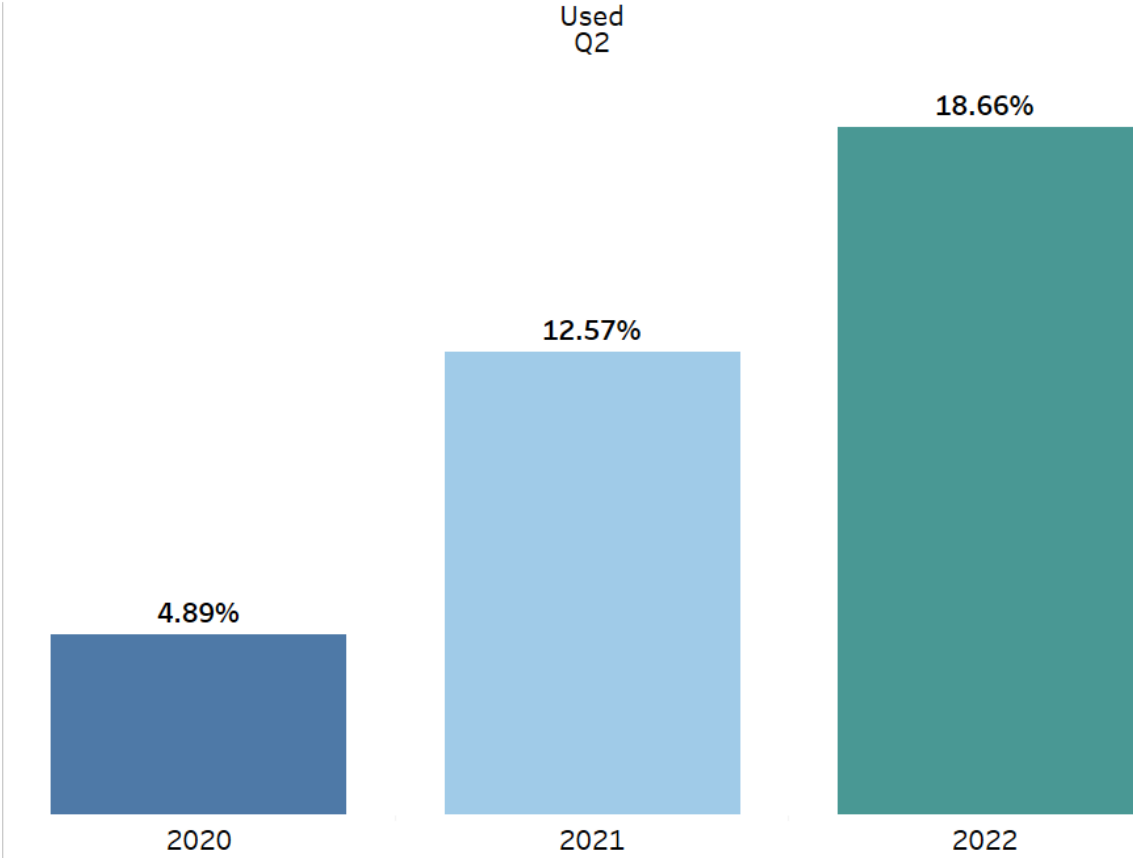


Average loan term

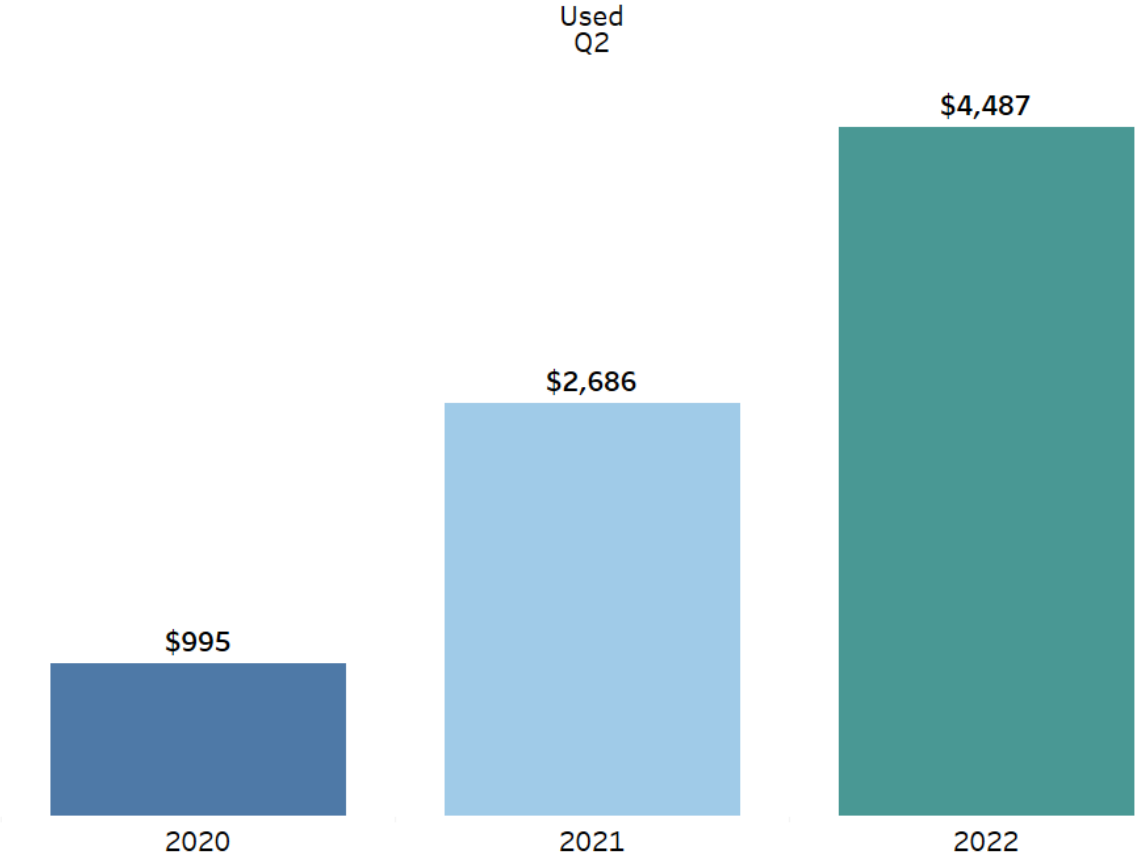


YOY increase surge for used loan amounts

YOY growth in average used loan amount

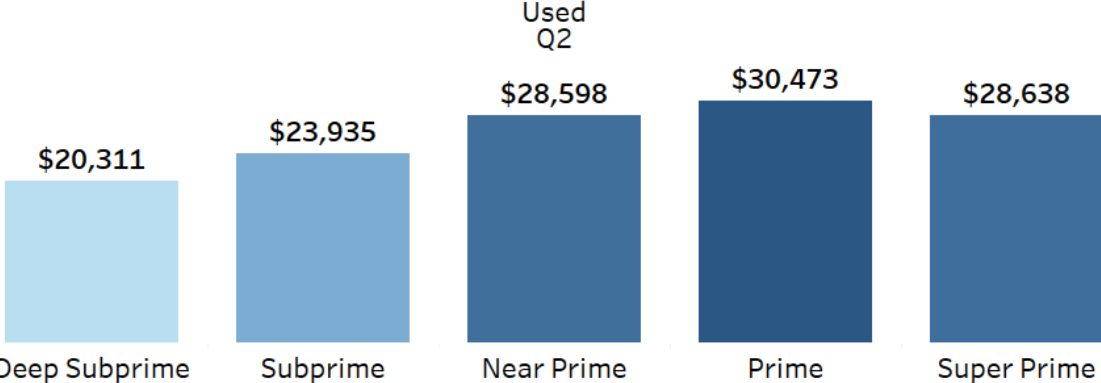


YOY \$ difference in average used loan amount

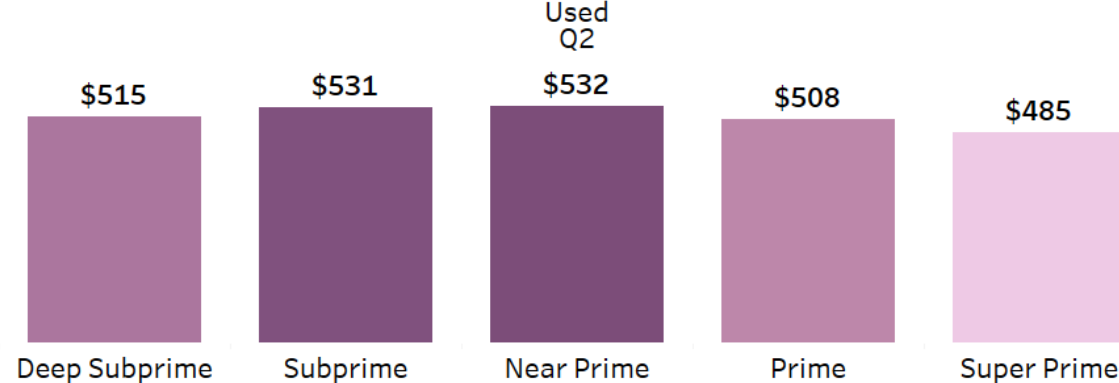


Used loan amounts and payments increase across all risk segments

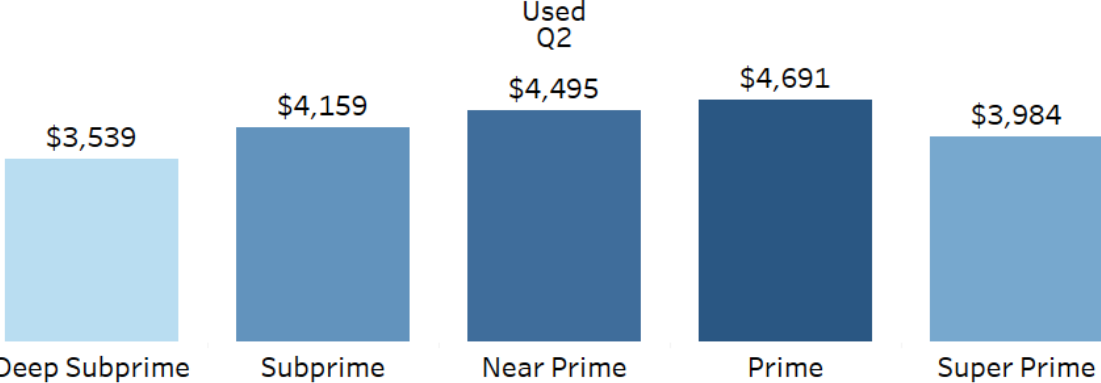
Average loan amount financed by risk



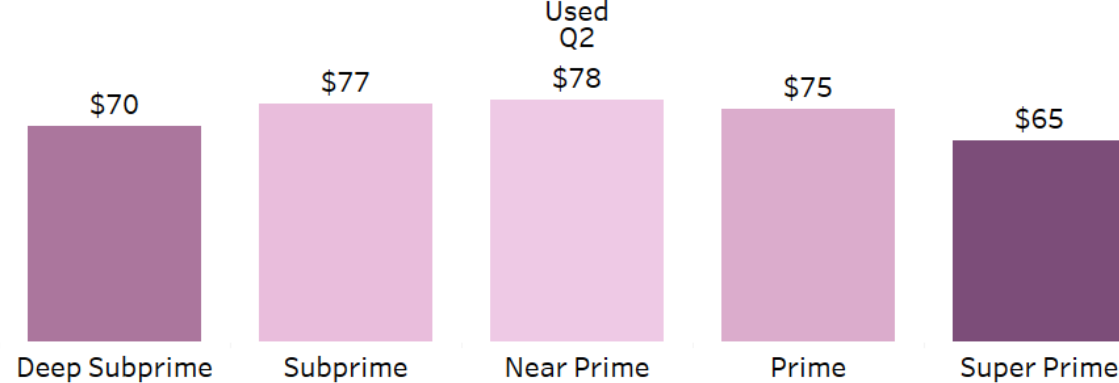
Average loan monthly payment by risk



Year-over-year change in loan amount

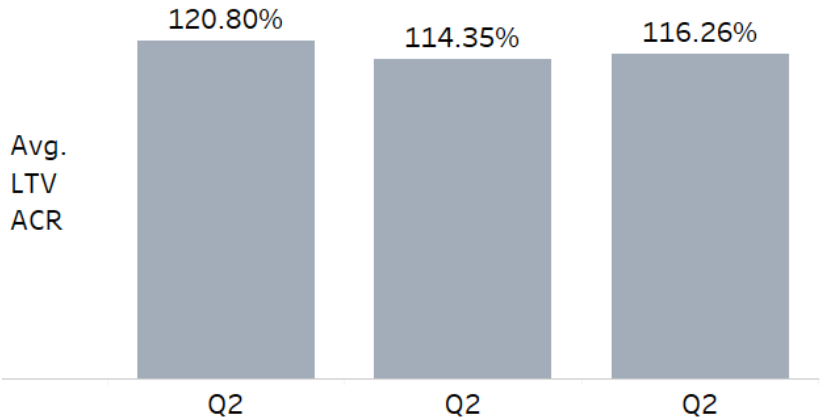
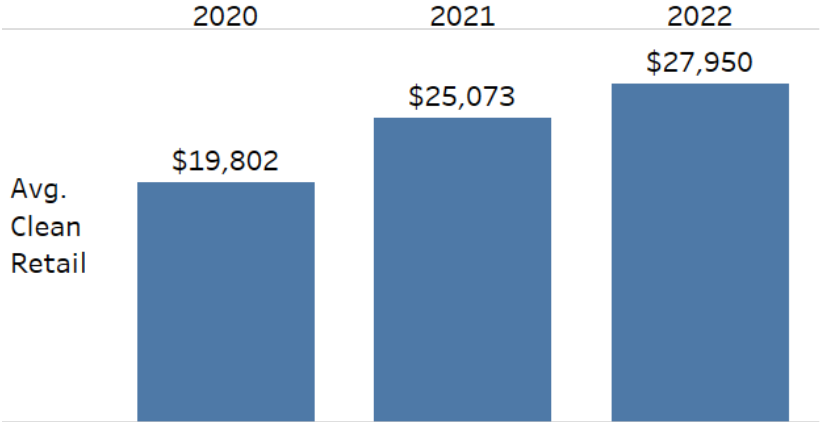


Year-over-year change in monthly payment

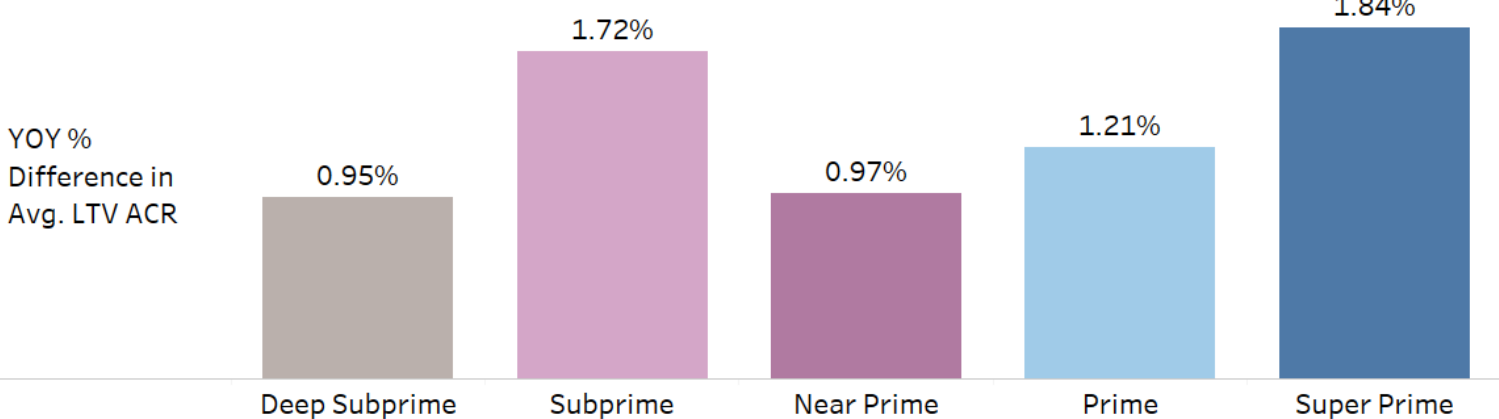
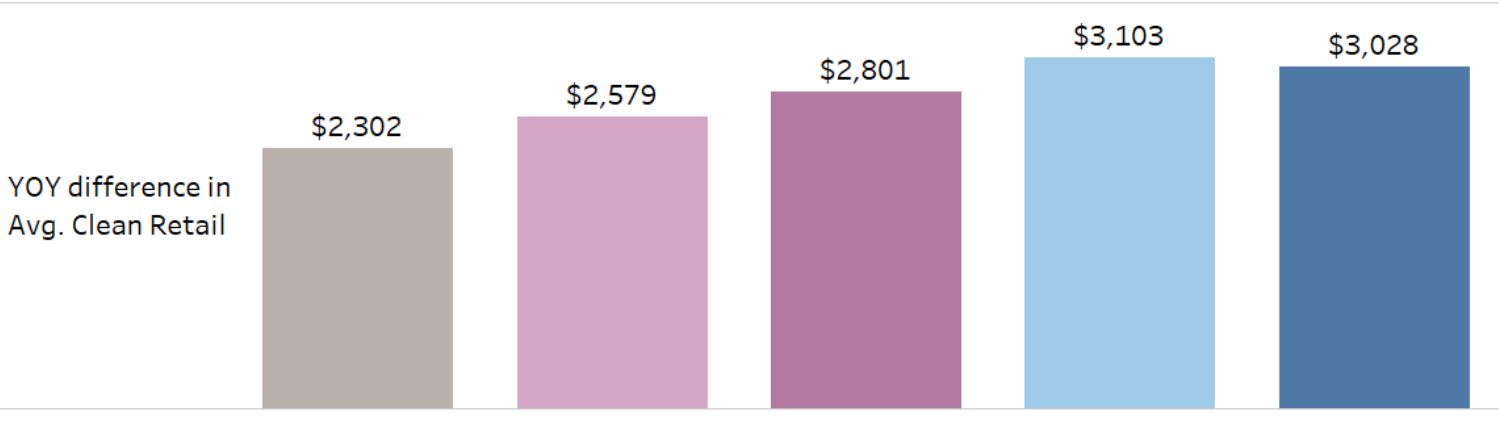


Values jump and LTVs drop significantly on used loans

Avg Used Values

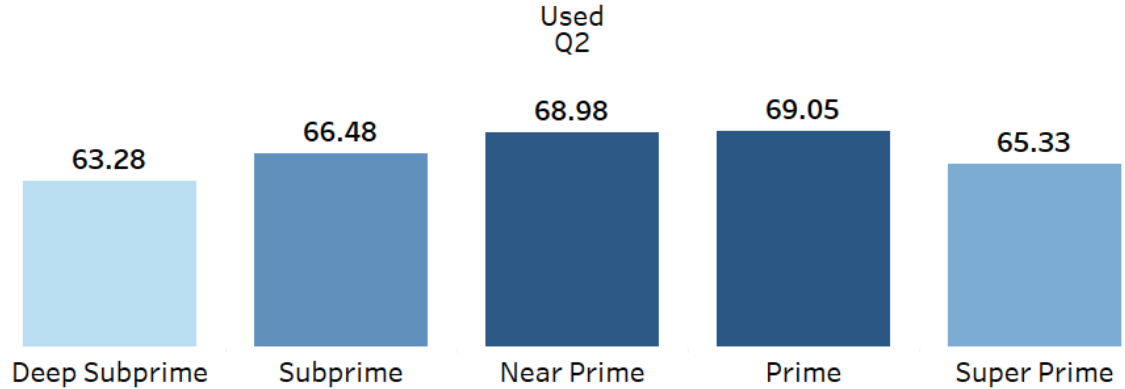


YOY change in used values

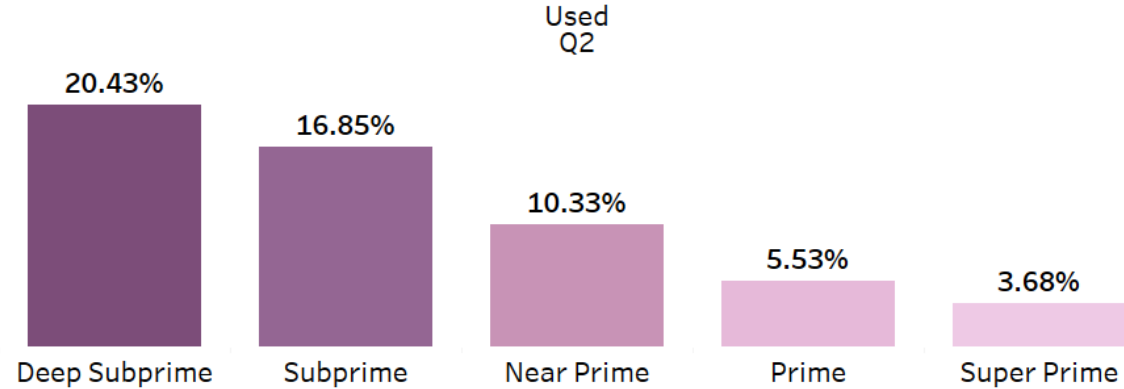


Terms increase while rates rise for Prime and Super Prime

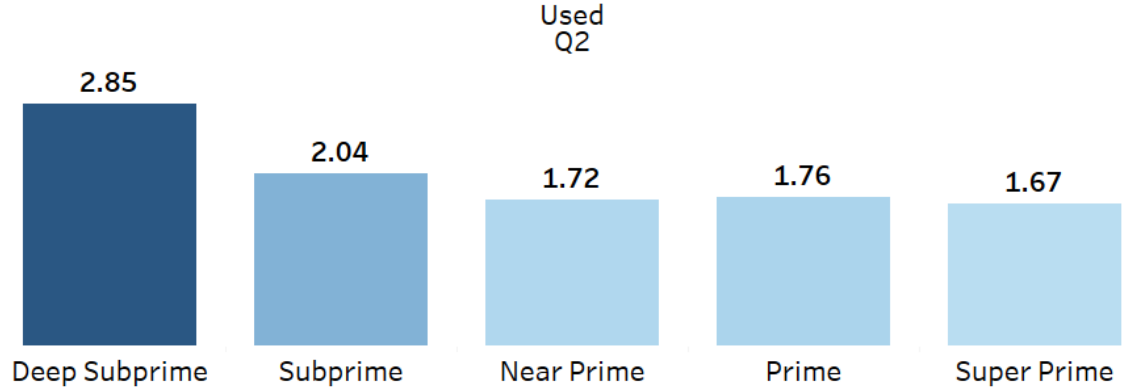
Average loan term by risk



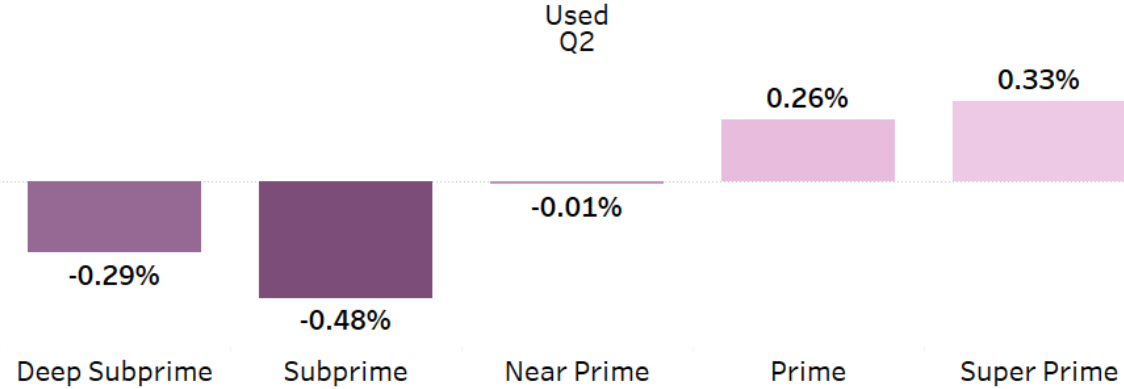
Average loan rate by risk



Year-over-year change in loan term

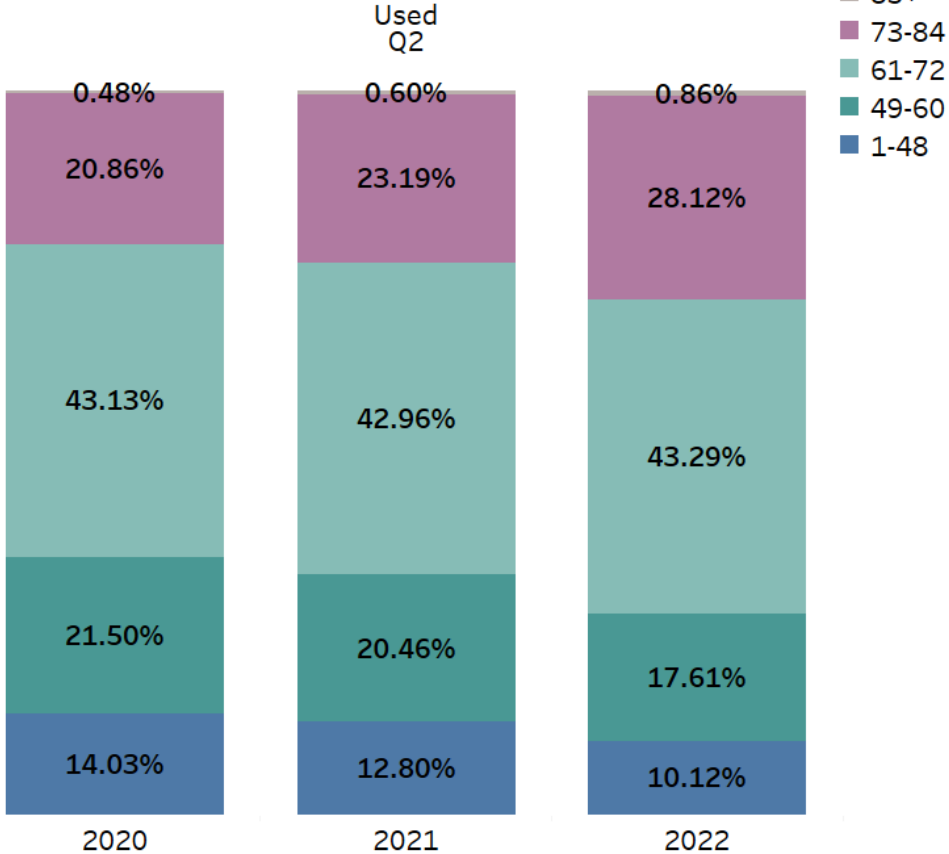


Year-over-year change in rate

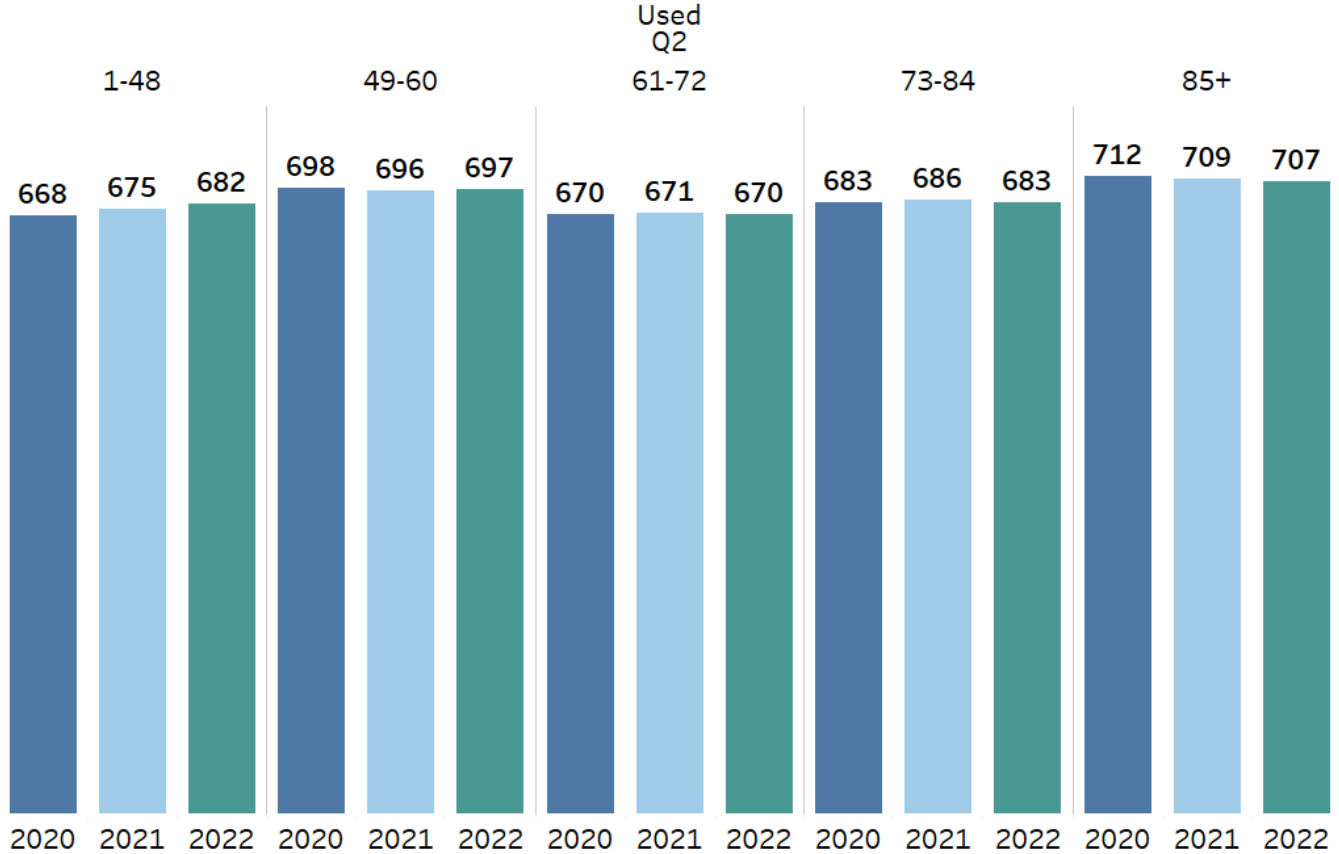


Large growth in 73-84 month loans

Distribution by loan term



Avg score by loan term



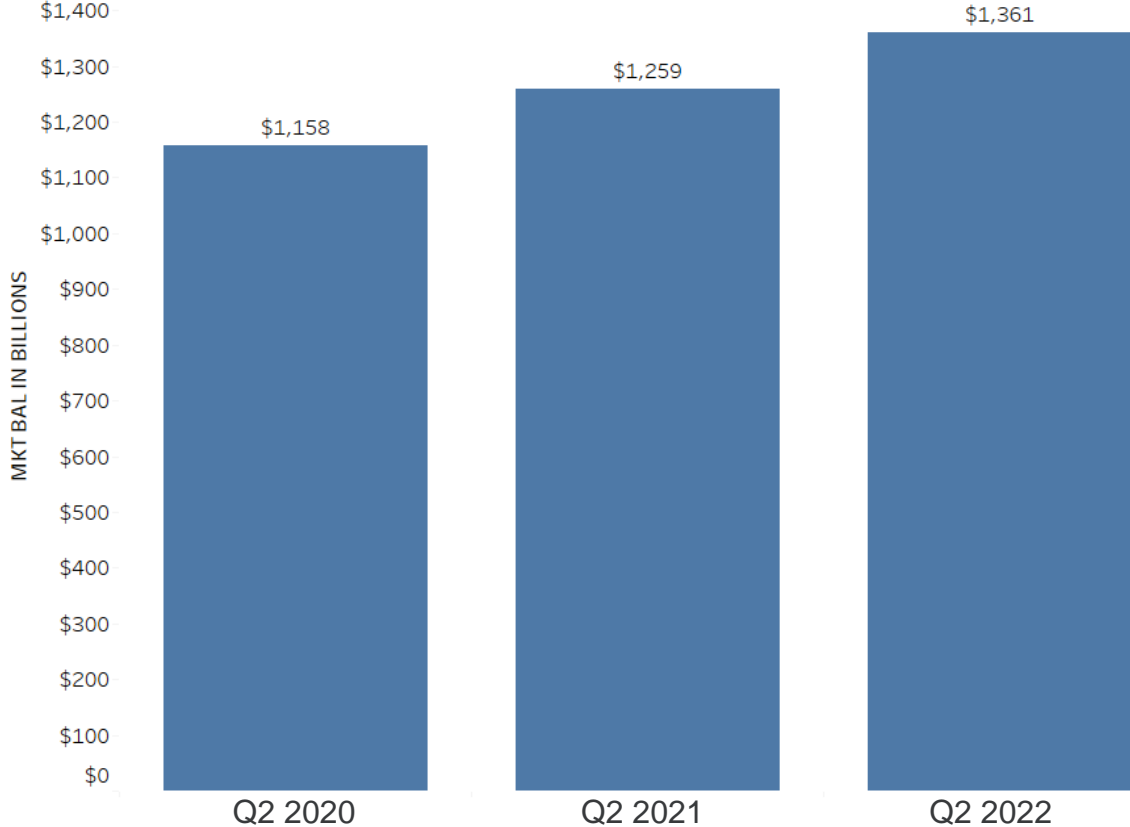
Q2 2022 Market overview

Balances and delinquency on all open auto
loans & leases

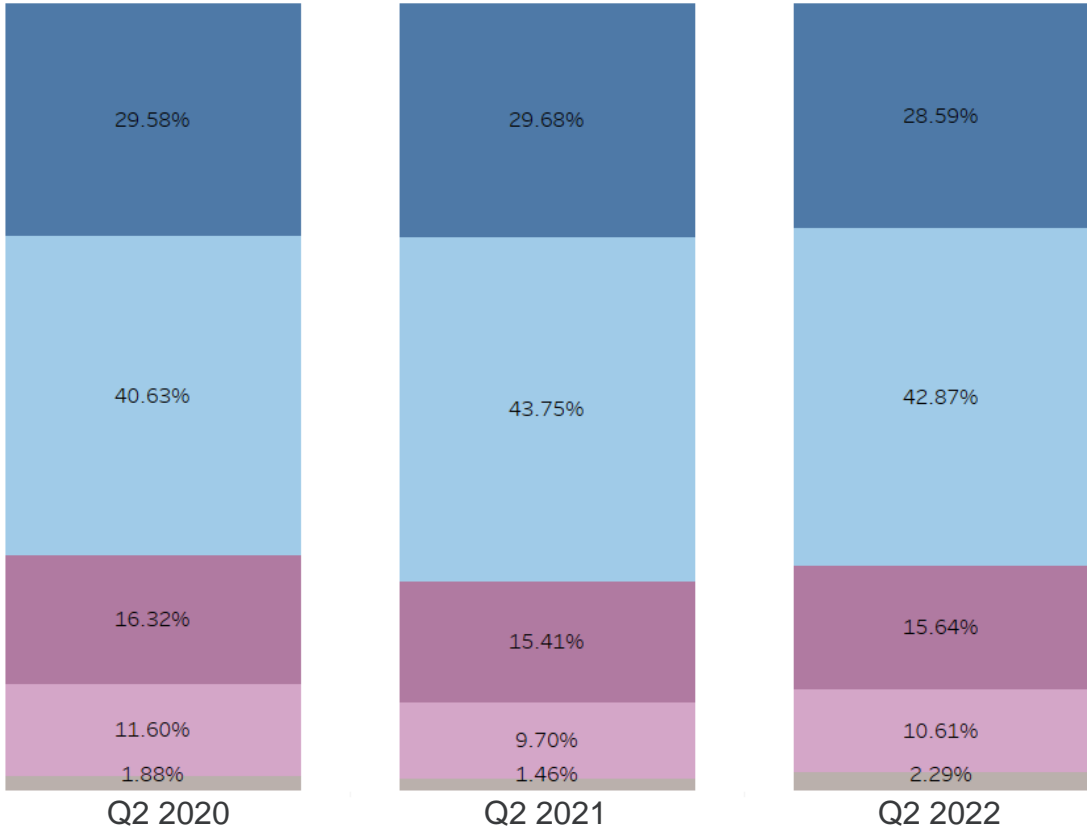


Overall loan balances (in billions) grew 8%

Outstanding automotive loan balance

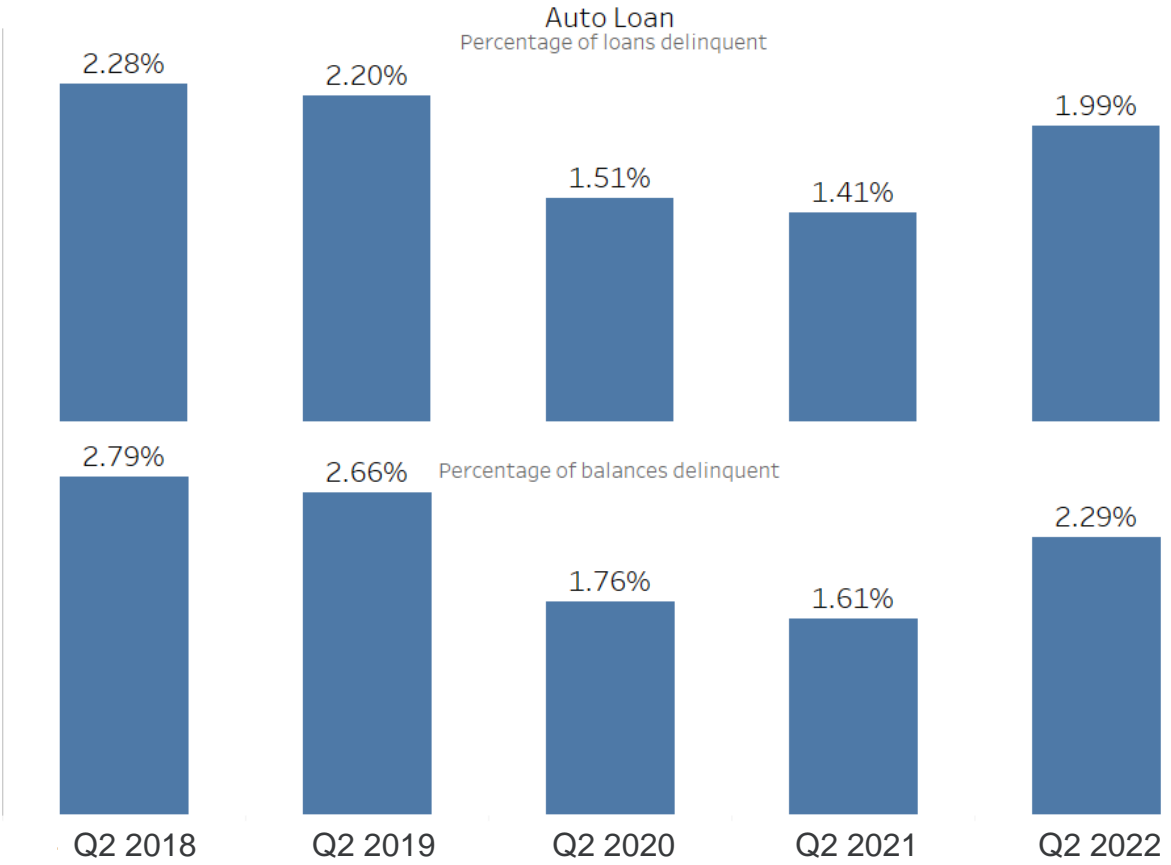


Auto loan balances by score band

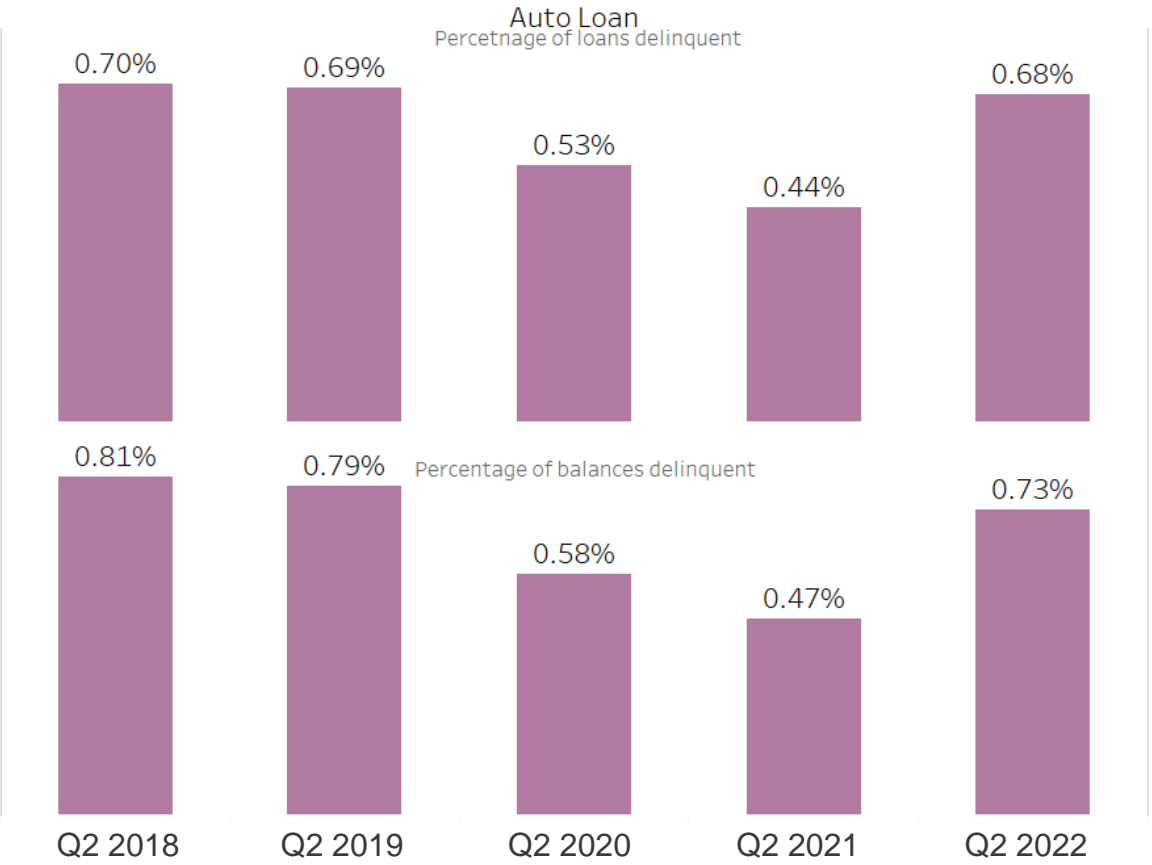


Delinquencies begin to rise

30 day delinquency

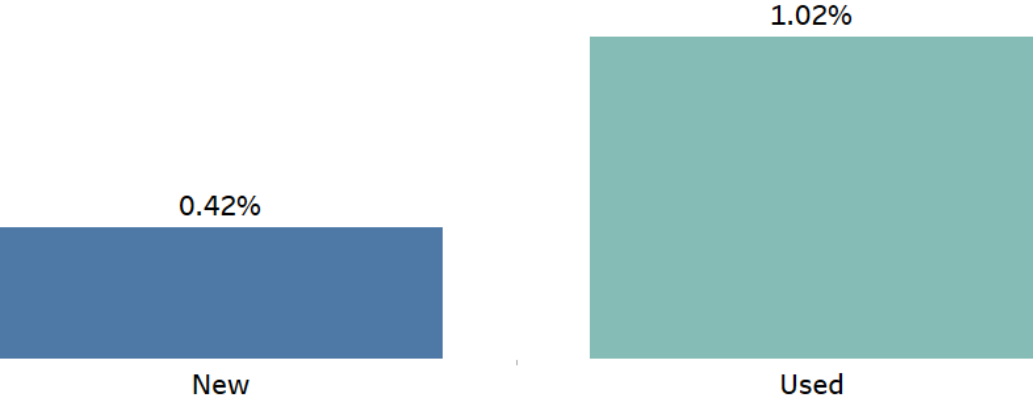


60 Day delinquency

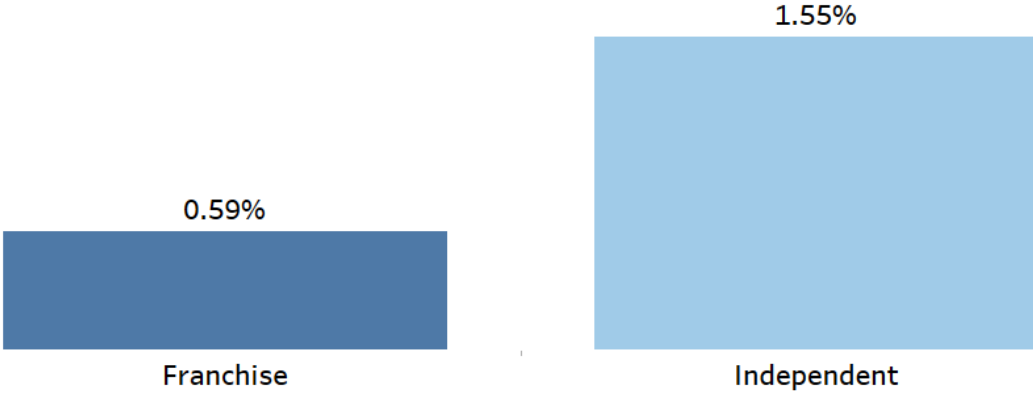


60-day delinquency rate dashboard (originations 2017+)

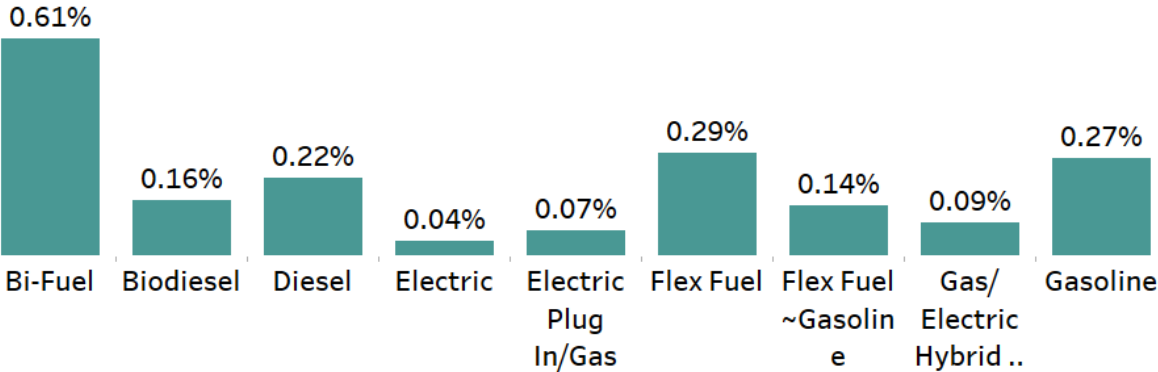
Current 60 day delinquency rate by new/used



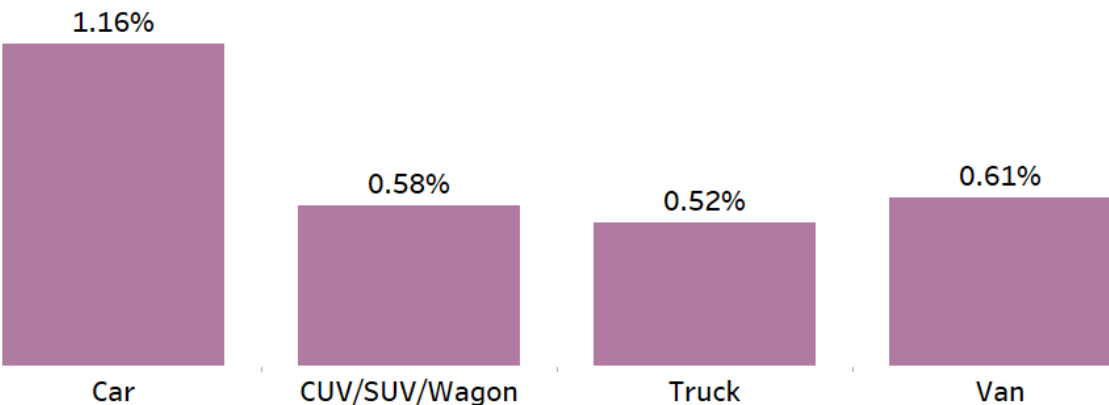
Current 60 day delinquency rate by dealer type



Current 60 day delinquency rate by fuel type (bought new)



Current 60 day delinquency rate by vehicle type (bought new & used)



Summary

- Leasing rates remain lower than prior years
- Credit Unions experience significant growth
- Subprime financing remains at near-record lows and overall consumer credit shifts to more prime
- Loan amounts skyrocket while increased used values help reduce loan-to-value
- Monthly payments continue to soar
- Overall outstanding balances increase, and delinquencies begin to rise yet remain lower than pre-COVID levels



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