



AUTOMOTIVE INDUSTRY INSIGHTS

# Finance Market Report

## Q4 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

- 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



# Q4 2020 Originations

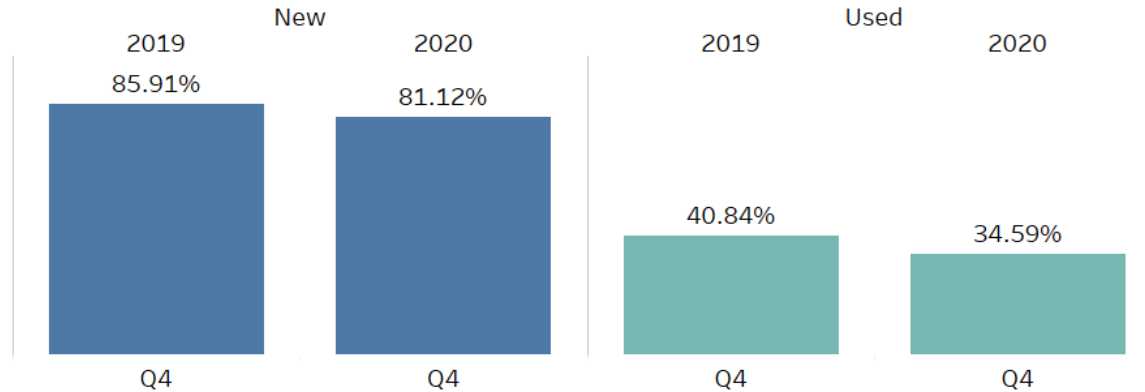
Trends in automotive loan and  
lease originations



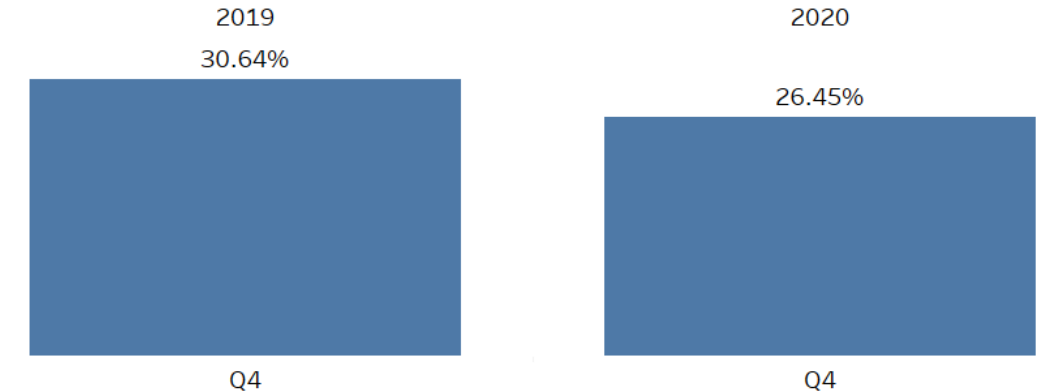
# Automotive financing<sup>1</sup>

Snapshot of how and what consumers are financing

Percentage of vehicles with financing



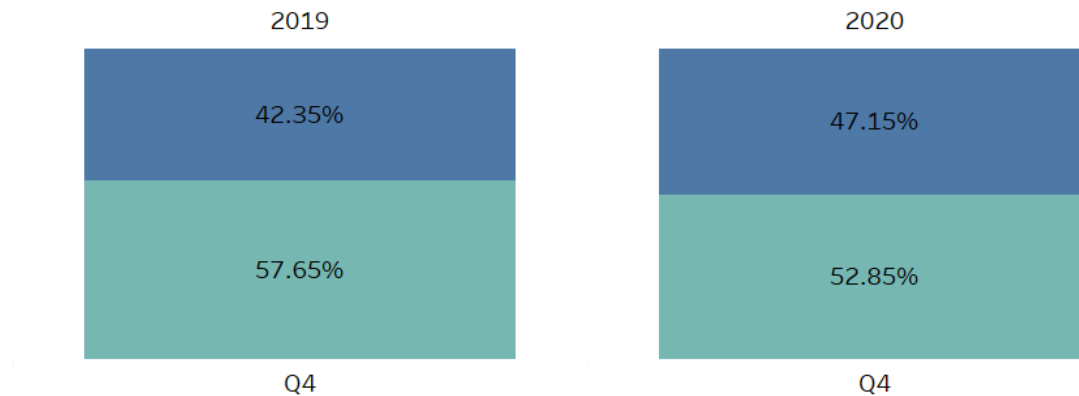
% of all new vehicles that are leased



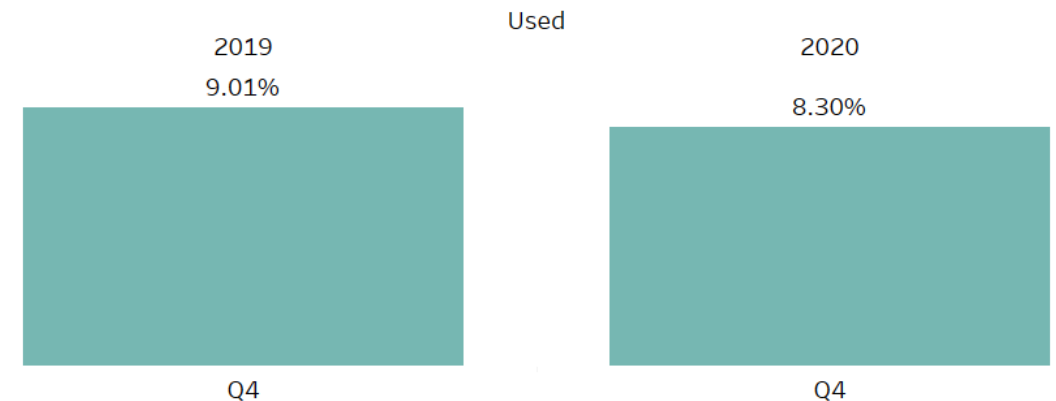
New/Used percentage of financing

■ New

■ Used



Used vehicle % of total lease market

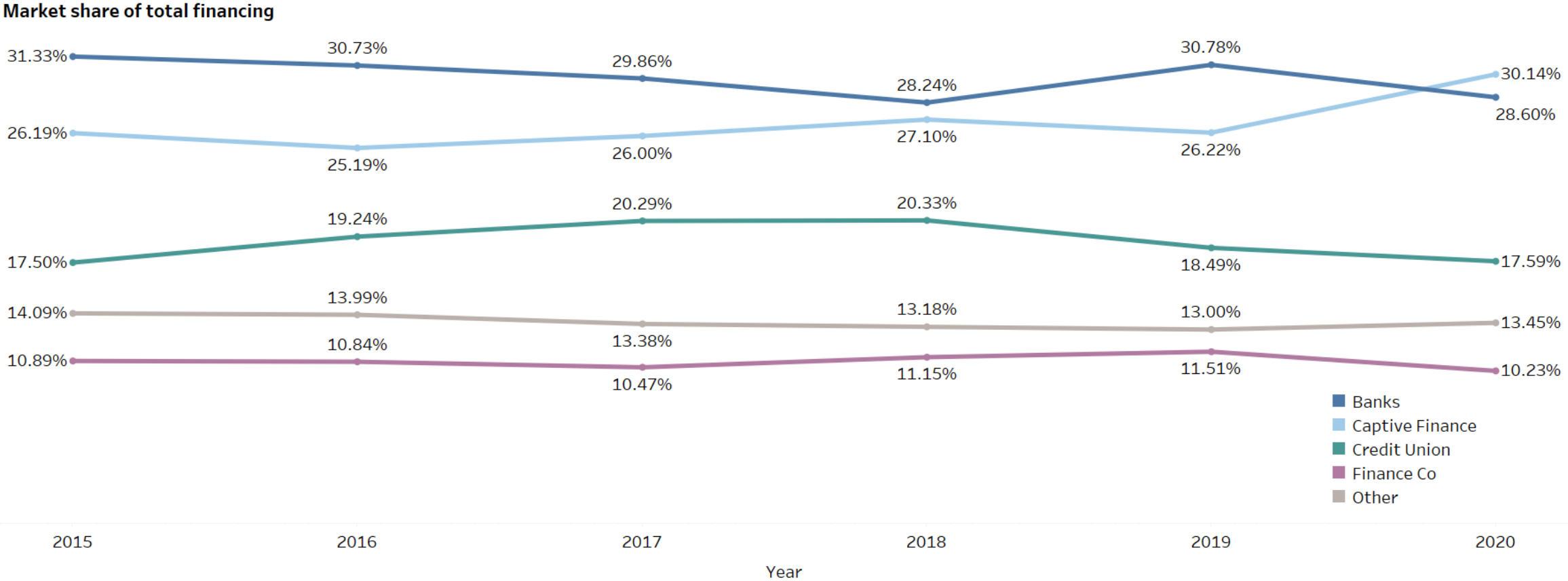


<sup>1</sup> Financing = either a loan or lease is present on the title; <sup>2</sup> All = loan, lease or cash



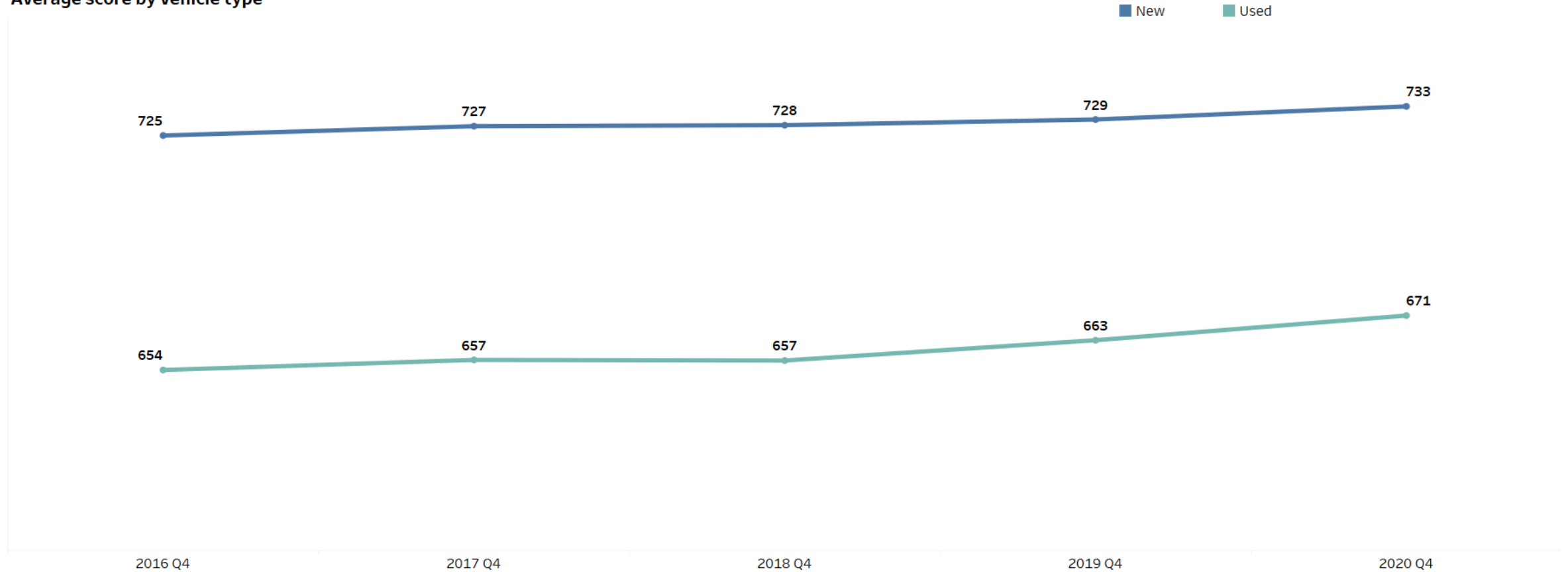


# Captives continue to increase market share



# Average scores increase 4 points for new and 8 for used vehicles

Average score by vehicle type

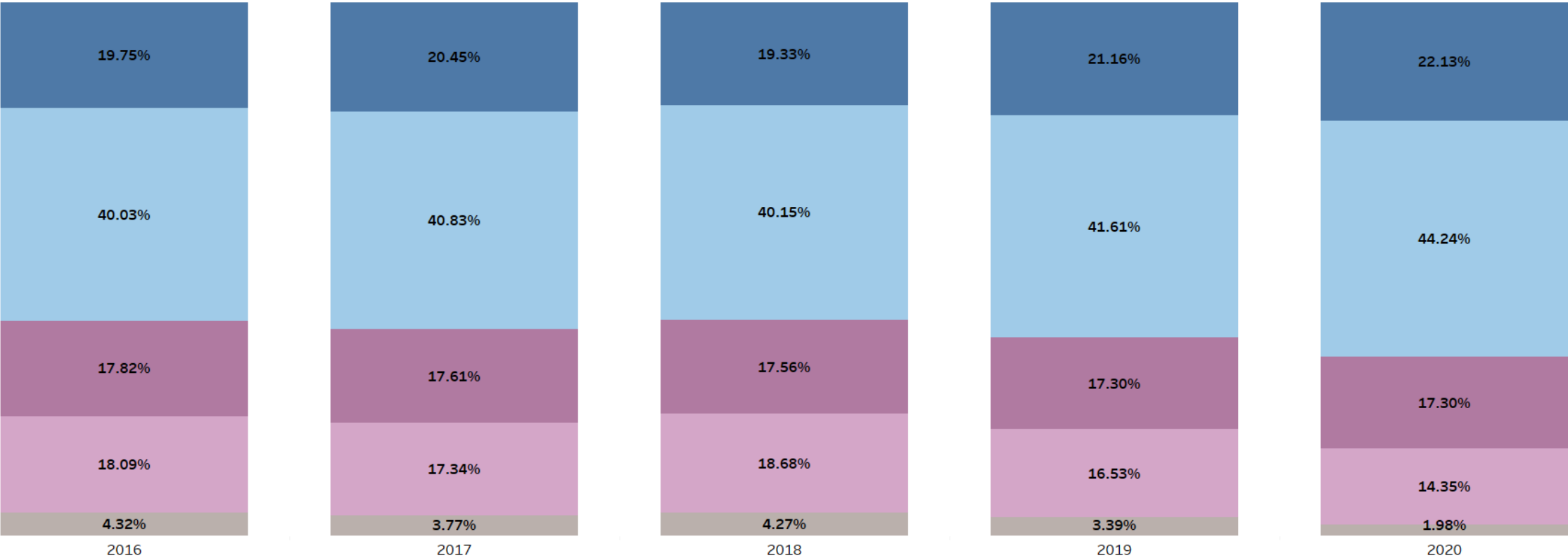


# Subprime segments reach record lows

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

■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subpr..

Q4



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



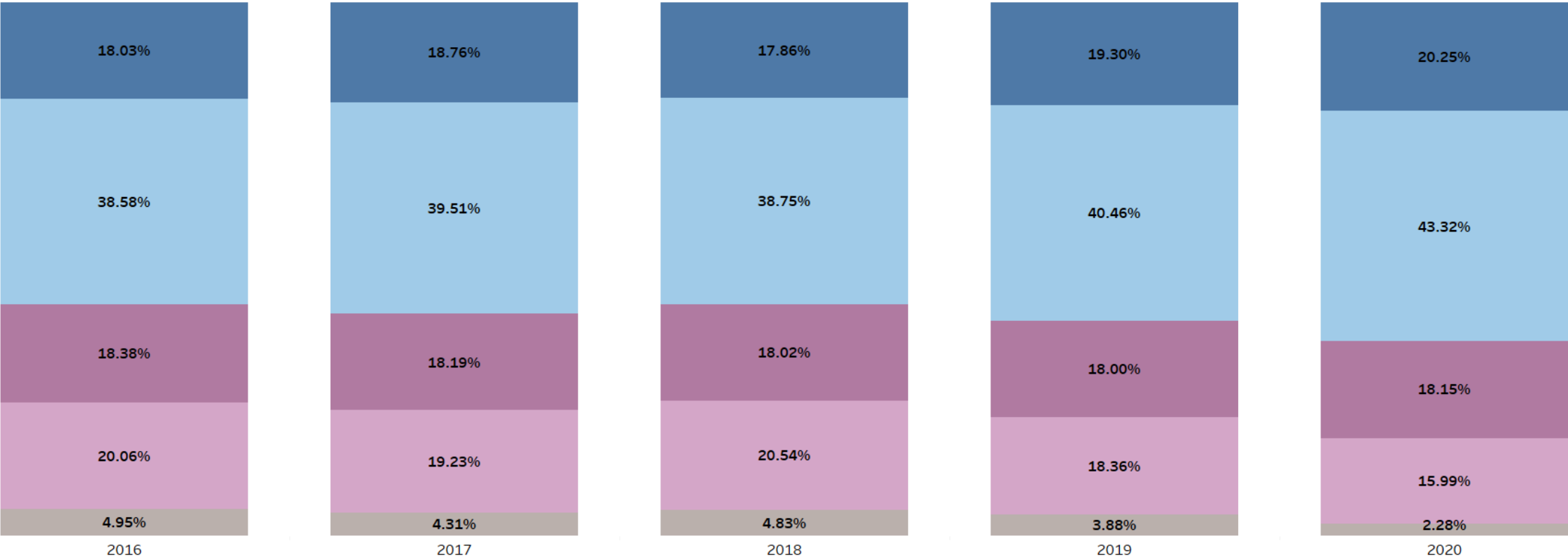


# Deep subprime loans hit another record low

Total loan risk distribution

■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subpr..

Q4



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



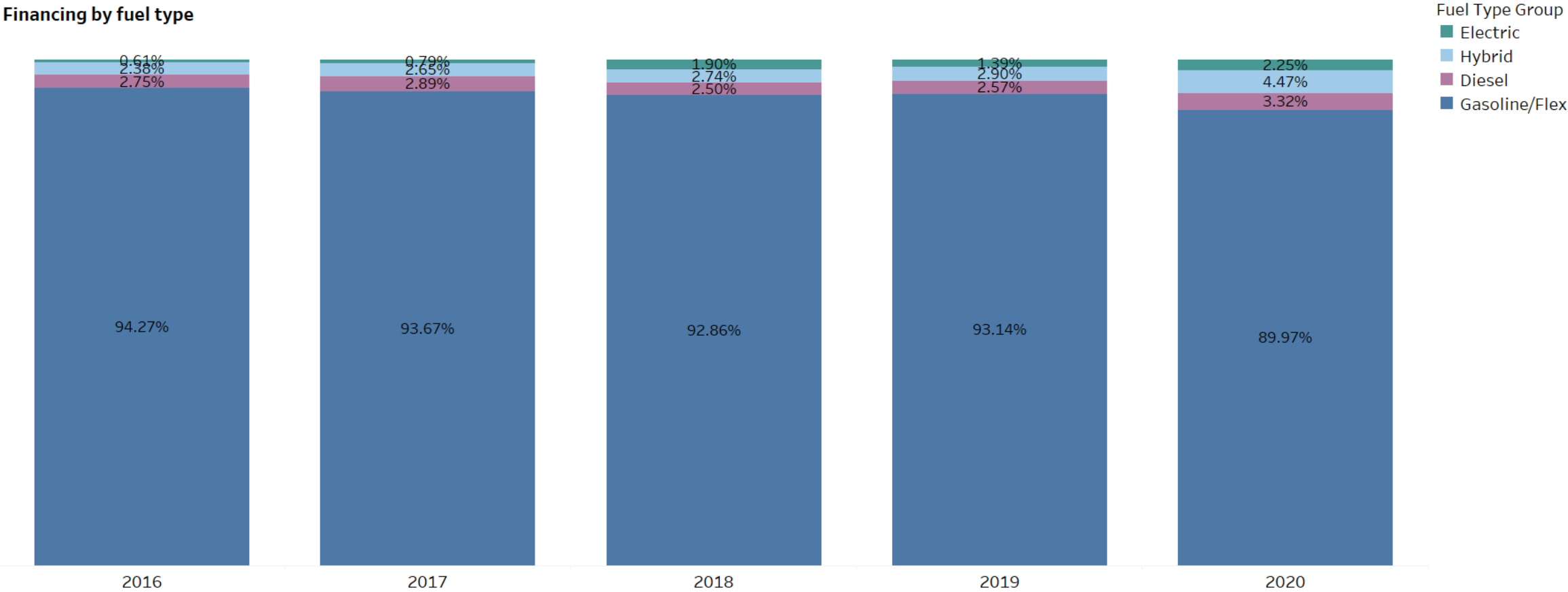
# Quarterly Spotlight

A look at financing for alternative fuel  
vehicles



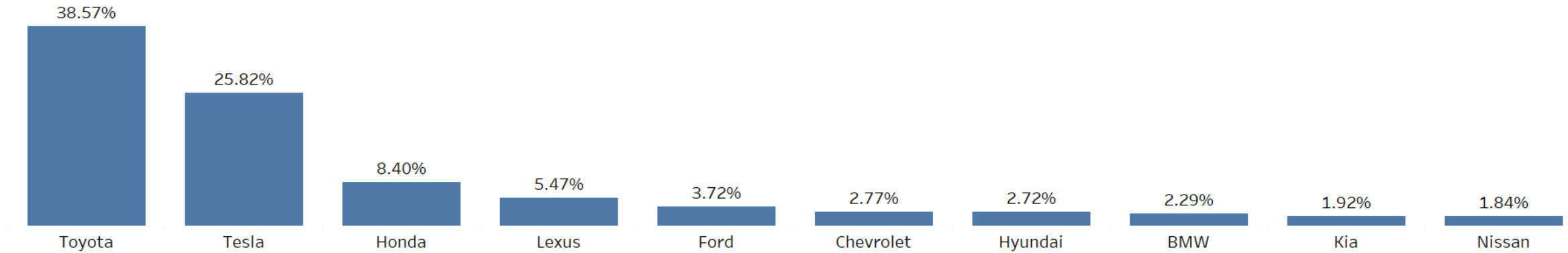
# Electric & hybrid now make up 6.7% of new financing

Financing by fuel type

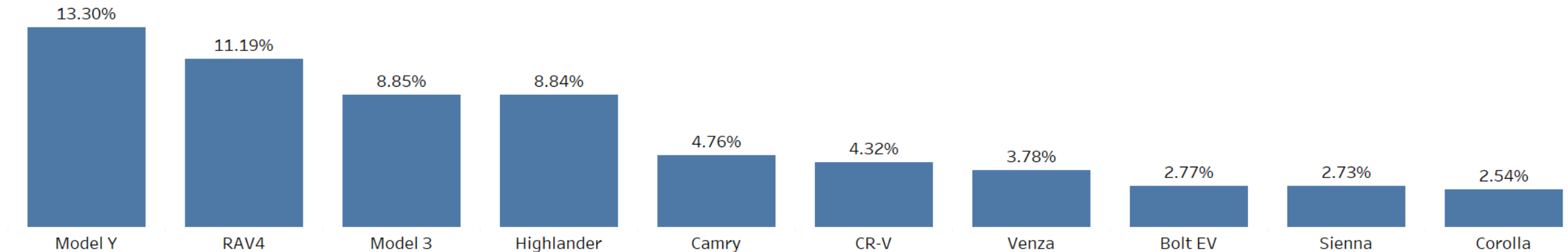


# Toyota leads with the greatest share of the electric & hybrid market while the Model Y is the most popular model

Top 10 electric & hybrid makes

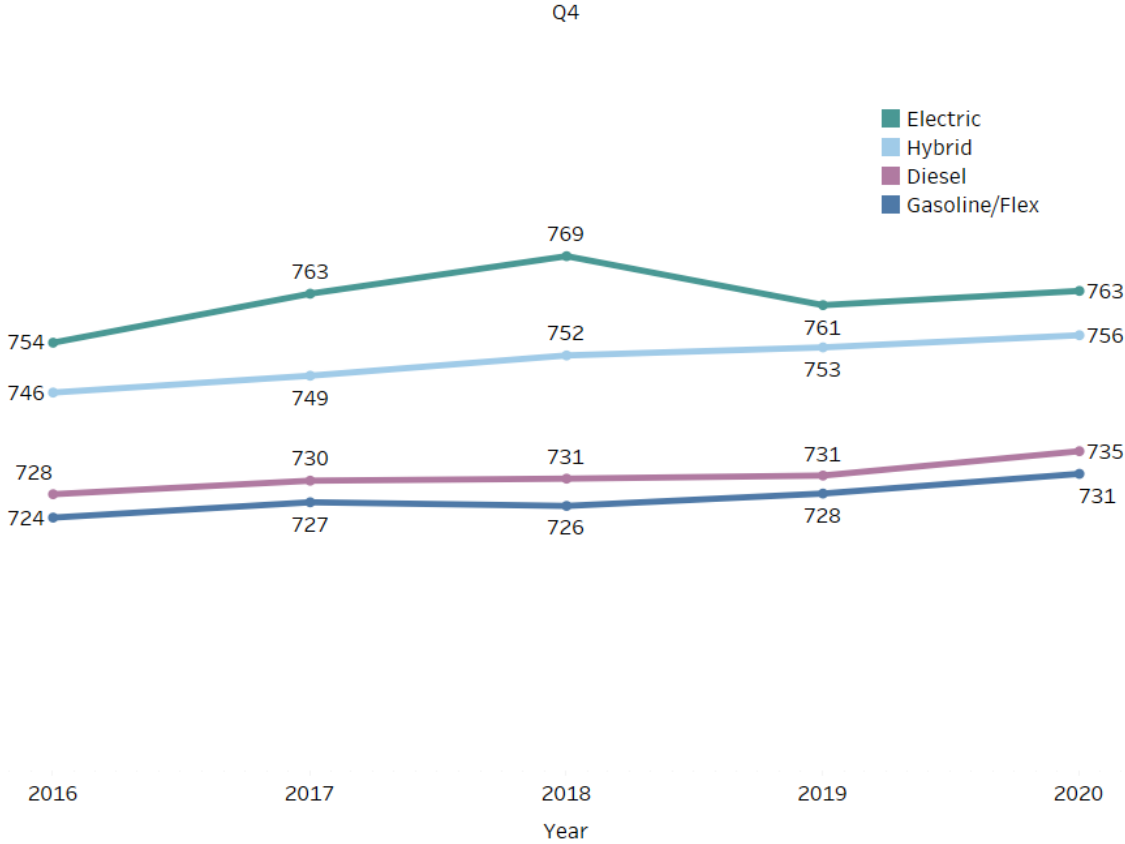


Top 10 electric & hybrid models

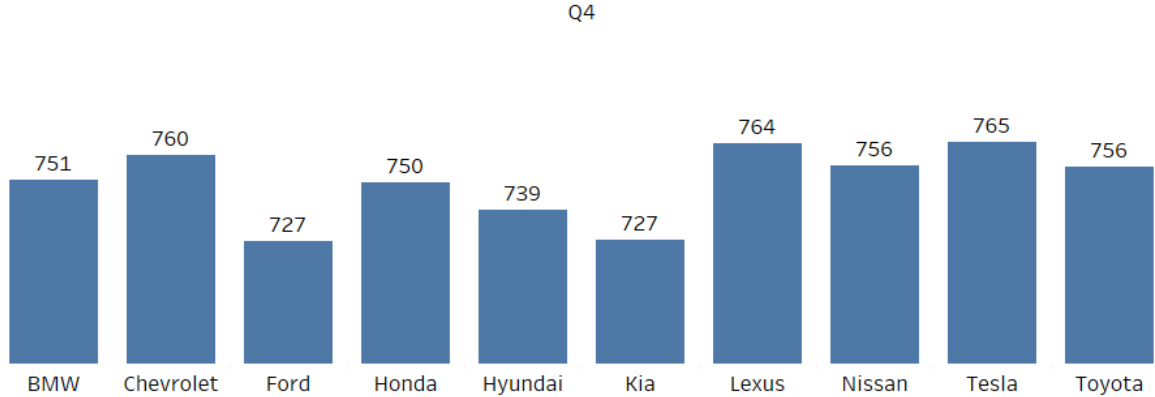


# Electric vehicles have the highest credit scores with BMW and the Model Y generating the highest by Make & Model

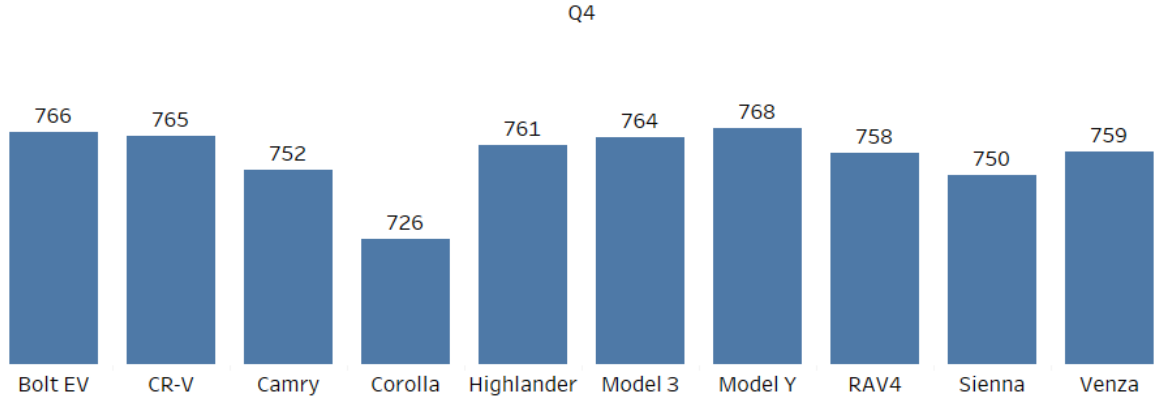
Average new score by fuel type



Average new score on top electric & hybrid makes

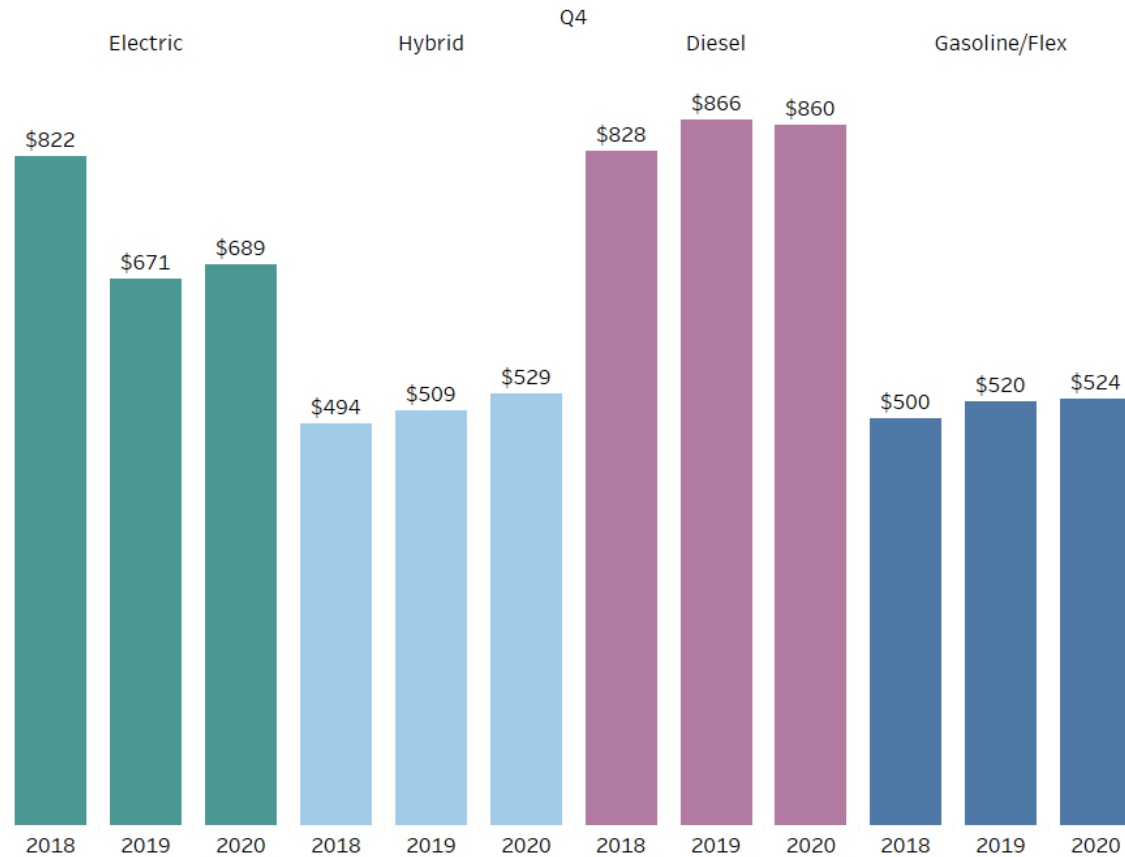


Average new score on top electric & hybrid models

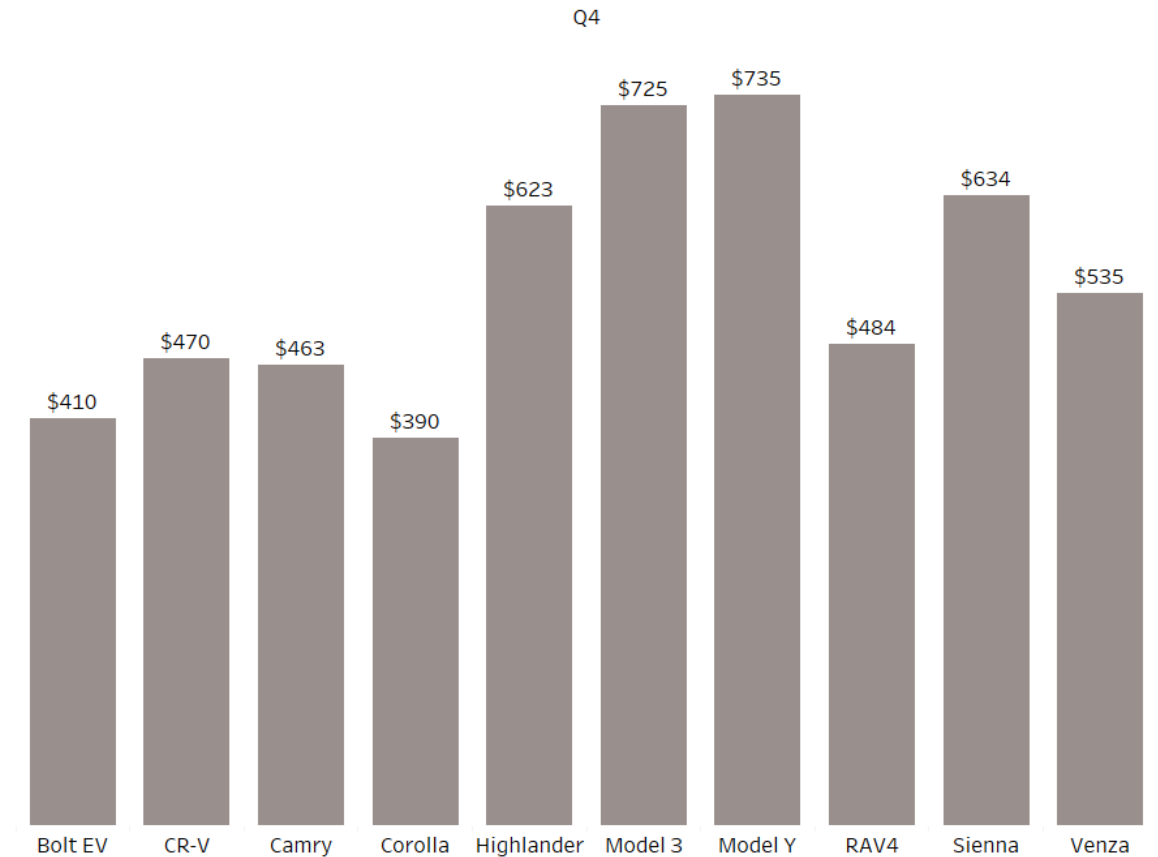


# Avg monthly payment trend & top 10 models

Average new loan monthly payment by fuel type



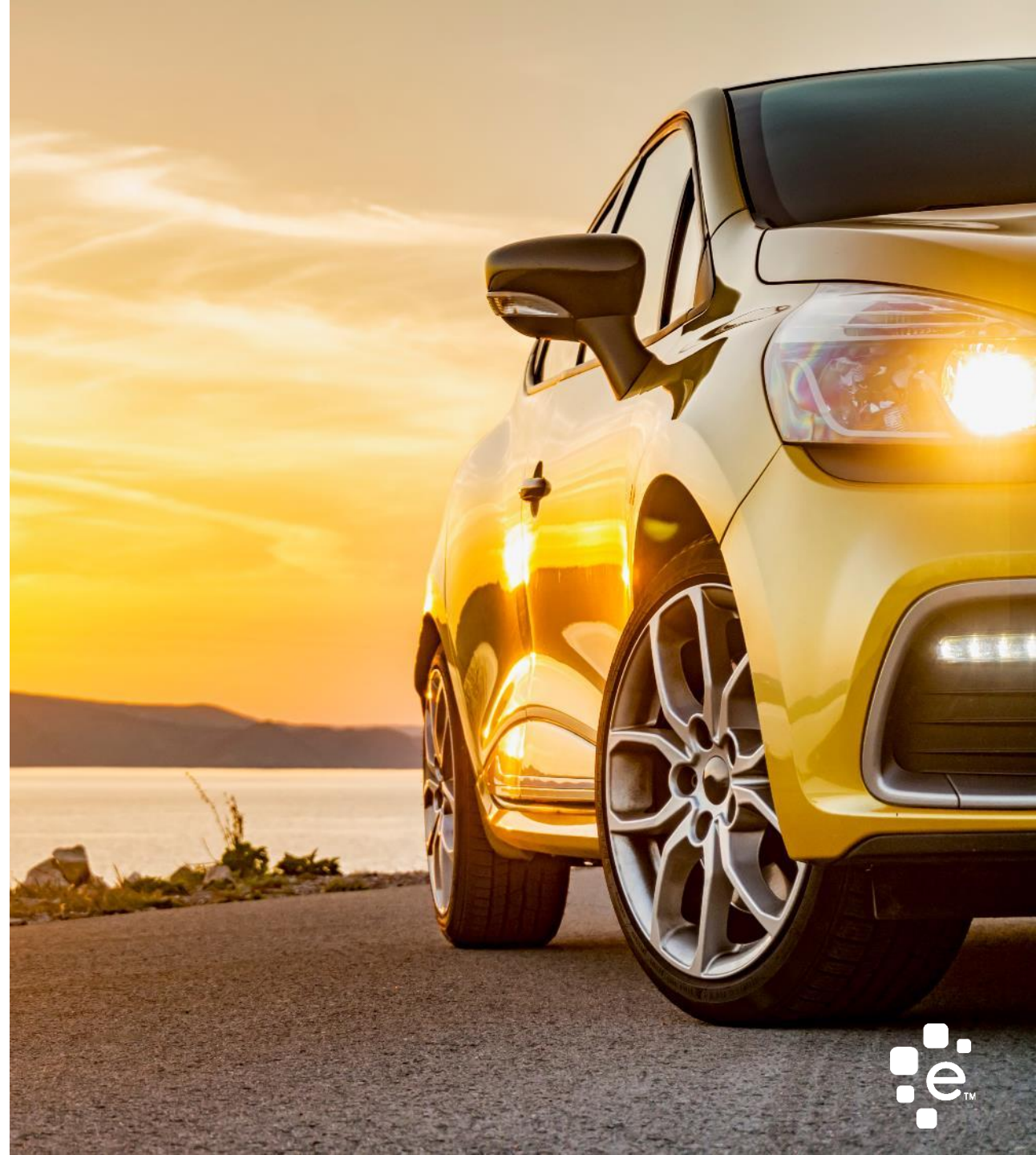
Average monthly payment on new top electric & hybrid models



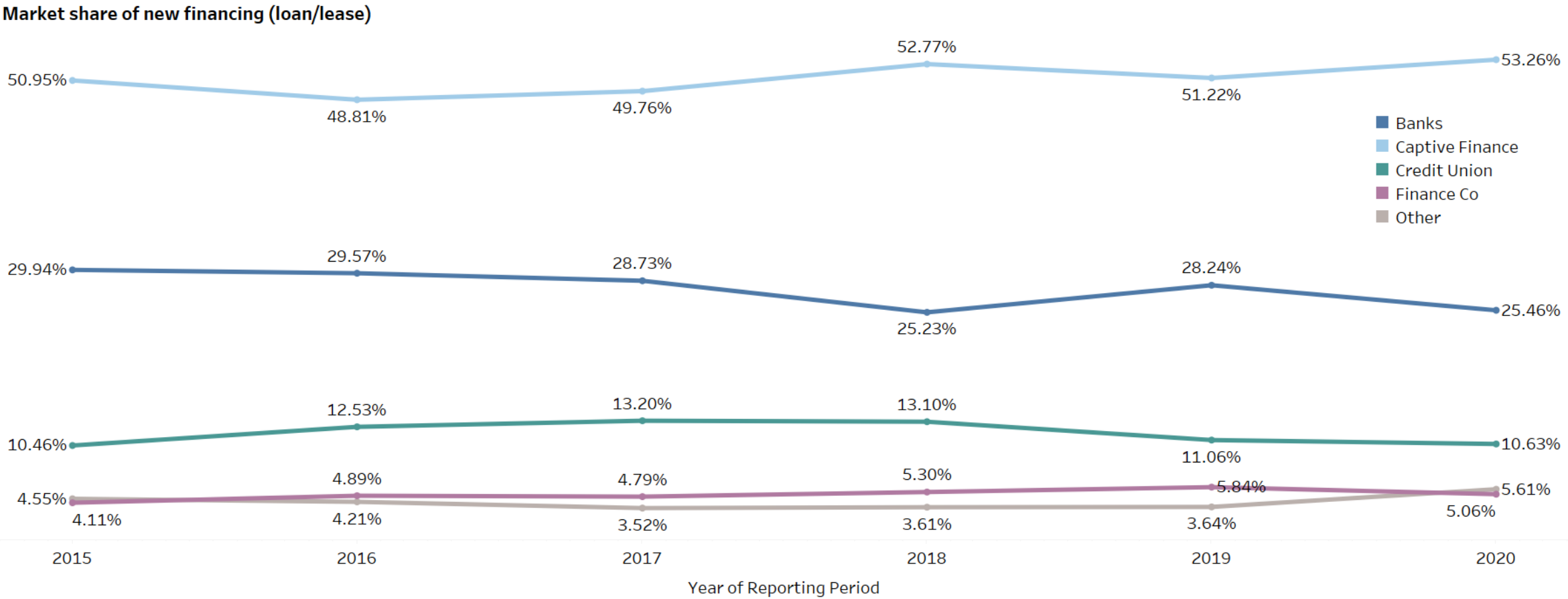


# New financing

A look at new lease & loan trends

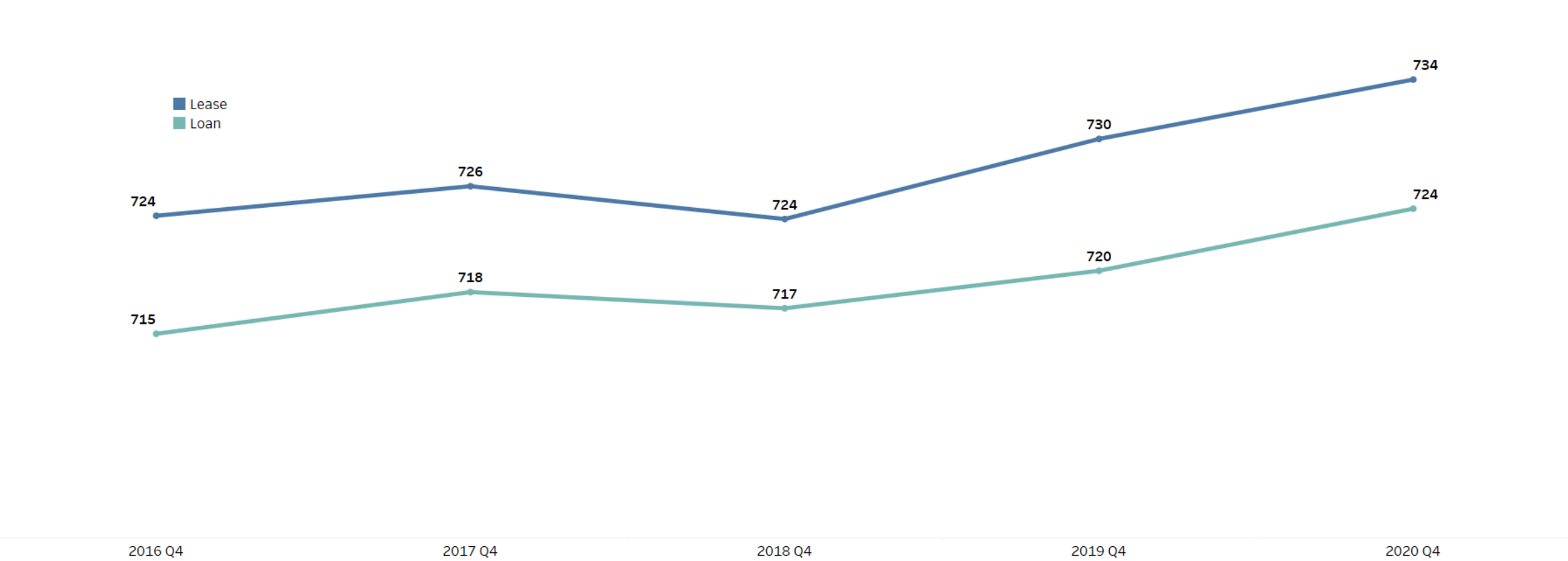


# Captives show large share increase for new financing



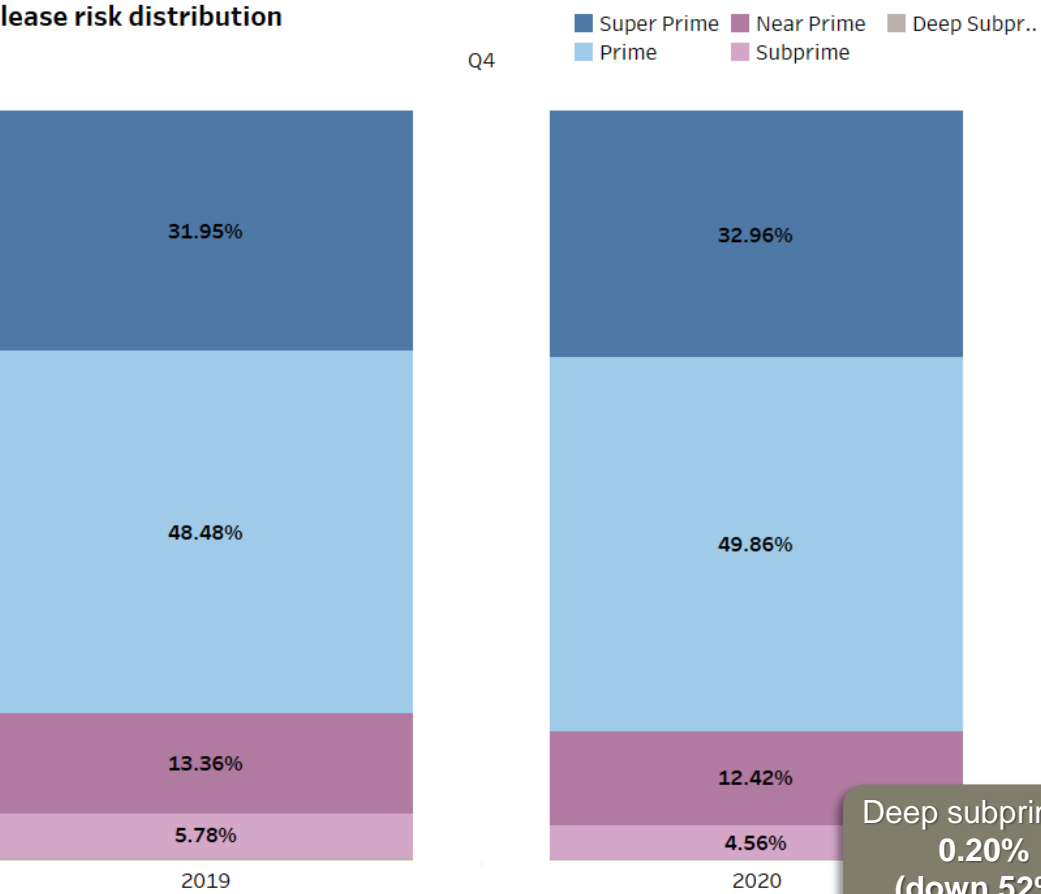
# New financing maintains steady increase in scores

Average new score by transaction type

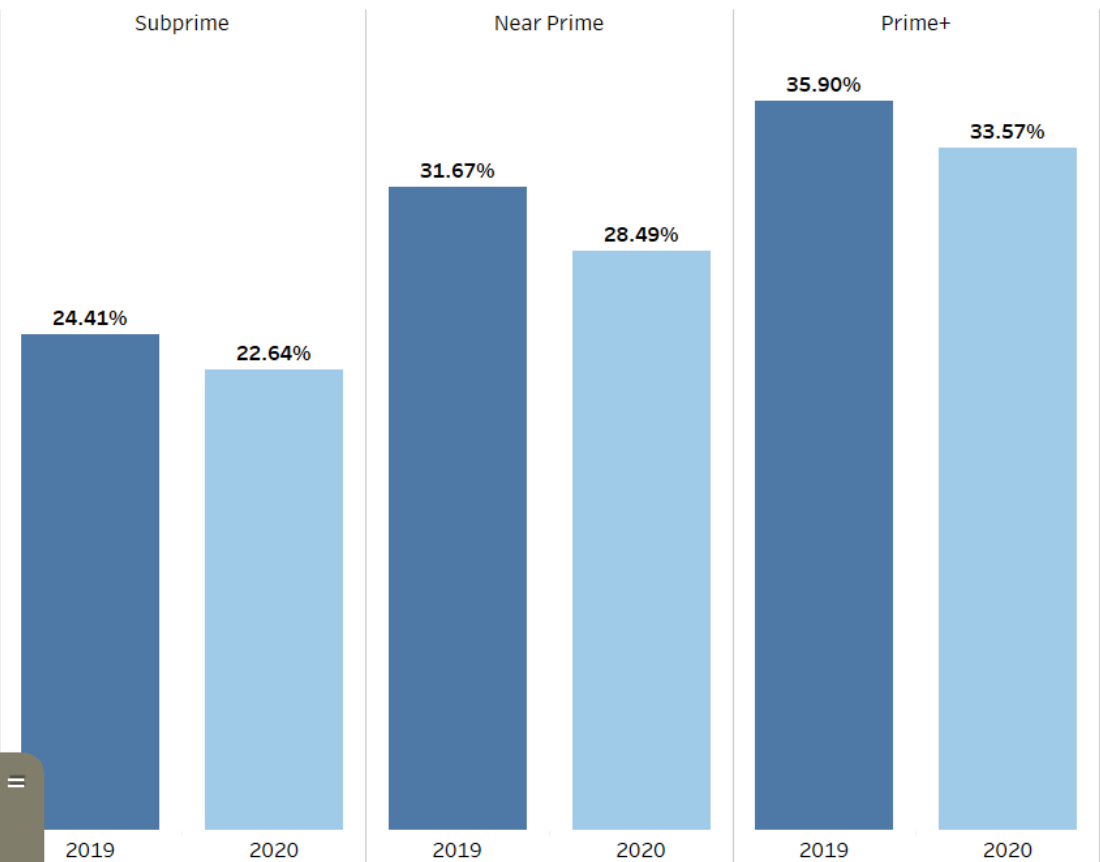


# Subprime leasing continues it's decline while prime+ still lease over a third of the time

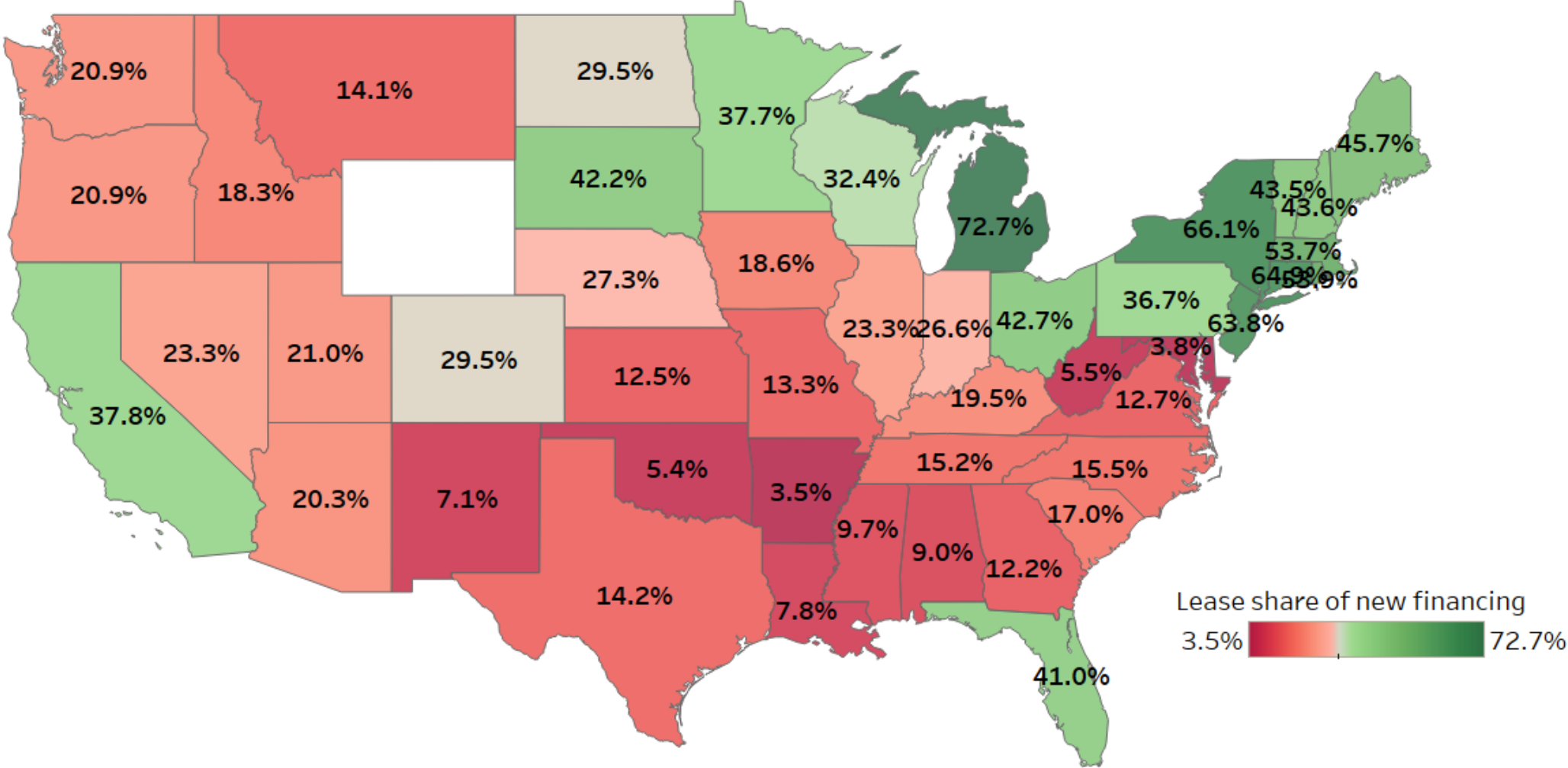
New lease risk distribution



% of borrowers choosing to lease

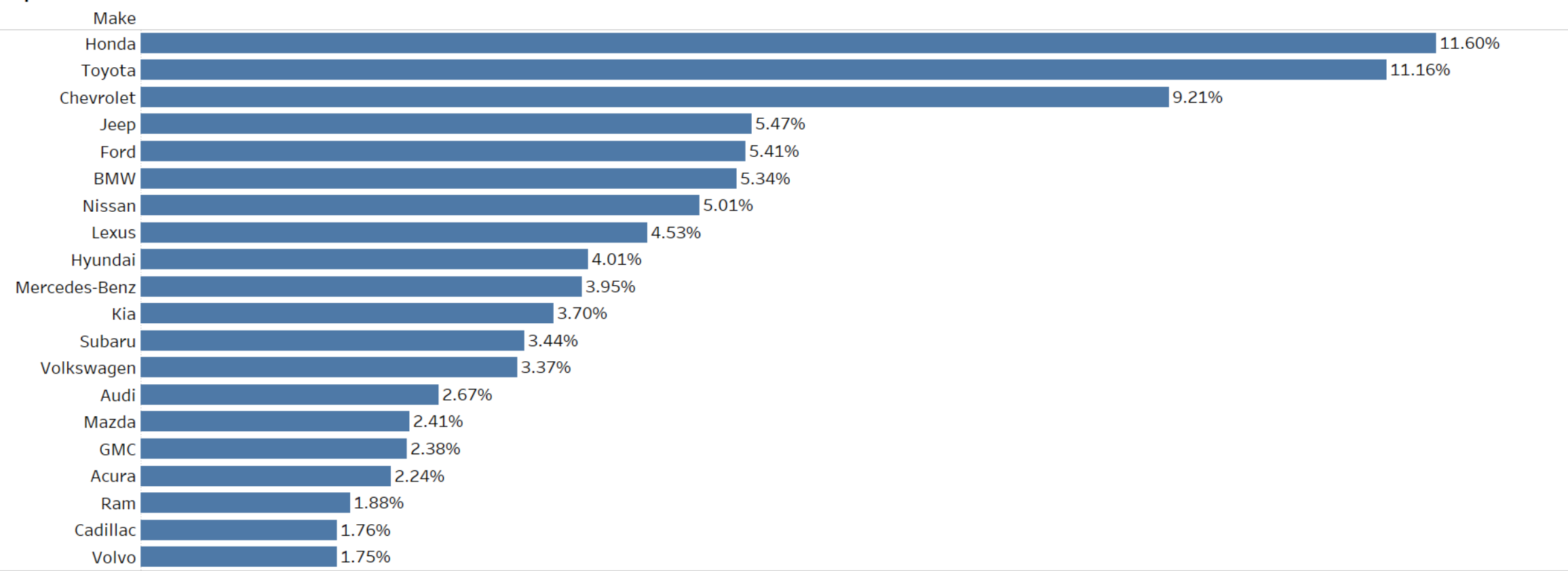


# Michigan and the Northeast have the greatest share of new state financing as lease



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

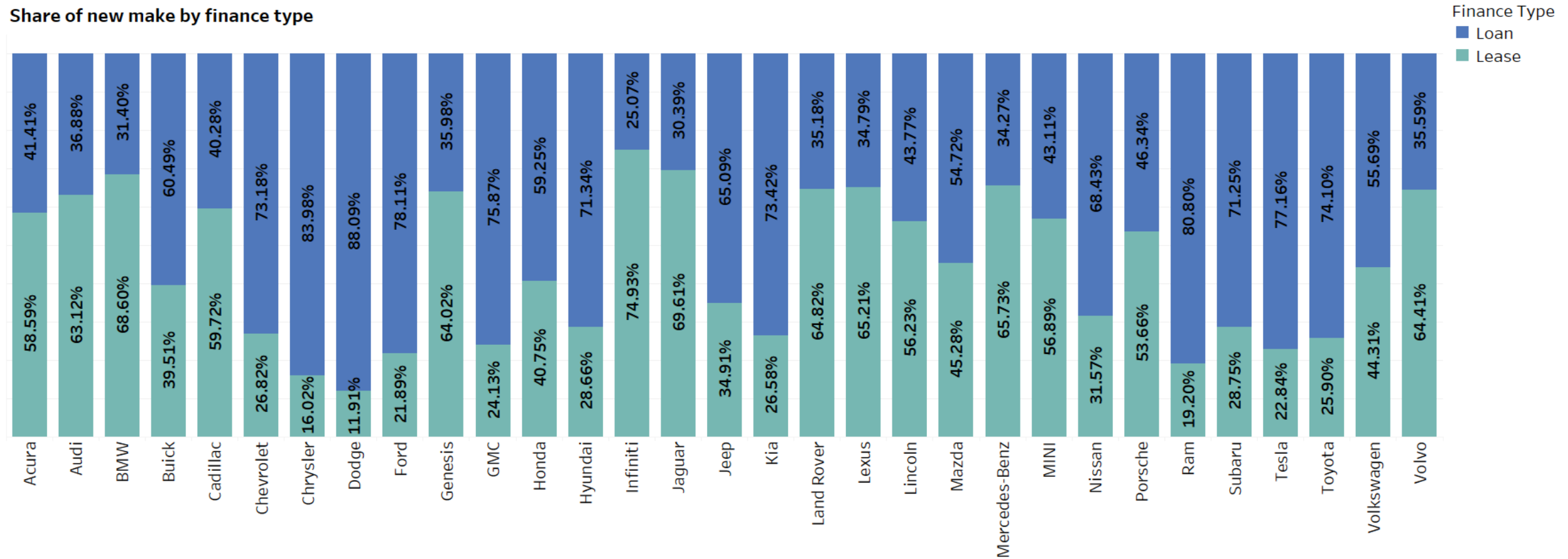
Top 20 leased new makes





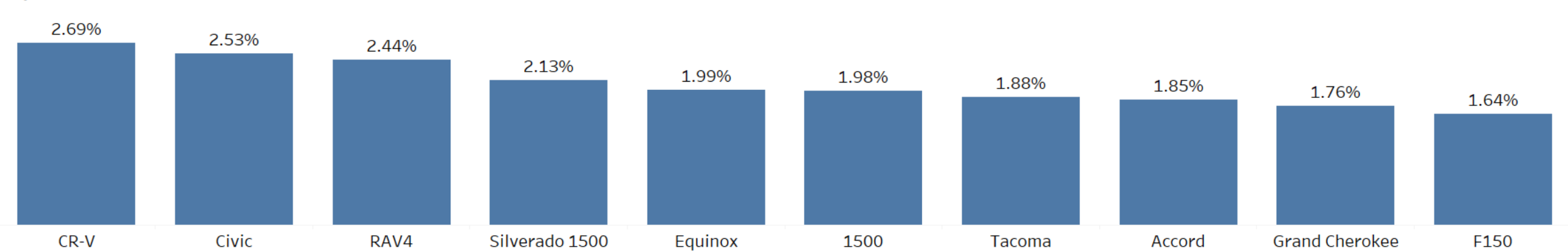
# Finance type among top 20 leased new makes

Share of new make by finance type

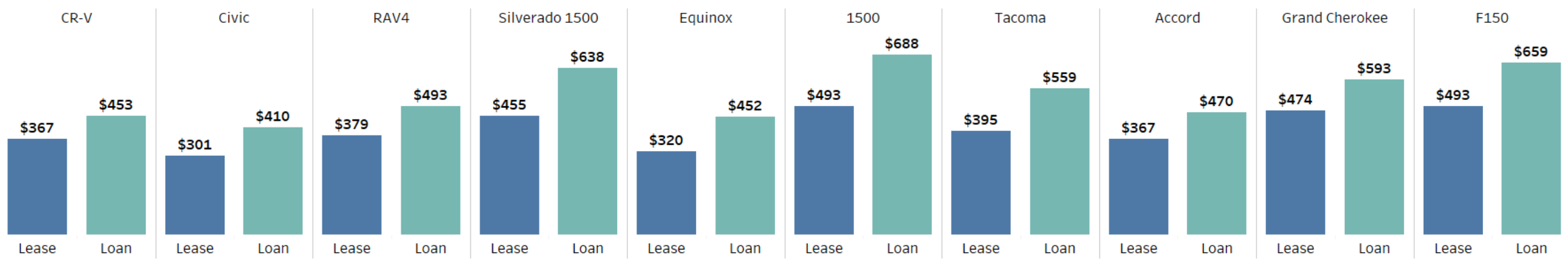


# Mix of car, truck and CUV make up the top 10 most leased vehicles with average payment difference of \$116

Top 10 leased models



Average monthly payment on top leased models

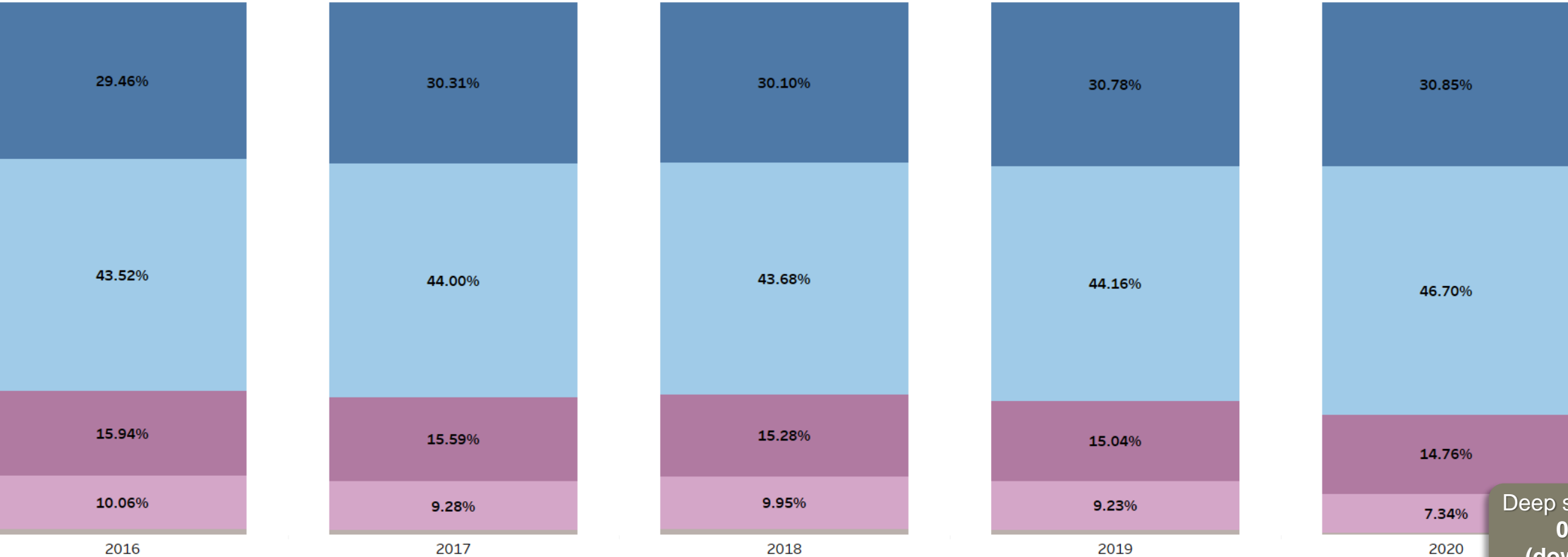


# Subprime new originations reach recession levels

New loan risk distribution

■ Super Prime ■ Prime ■ Near Prime ■ Subprime ■ Deep Subpr..

Q4

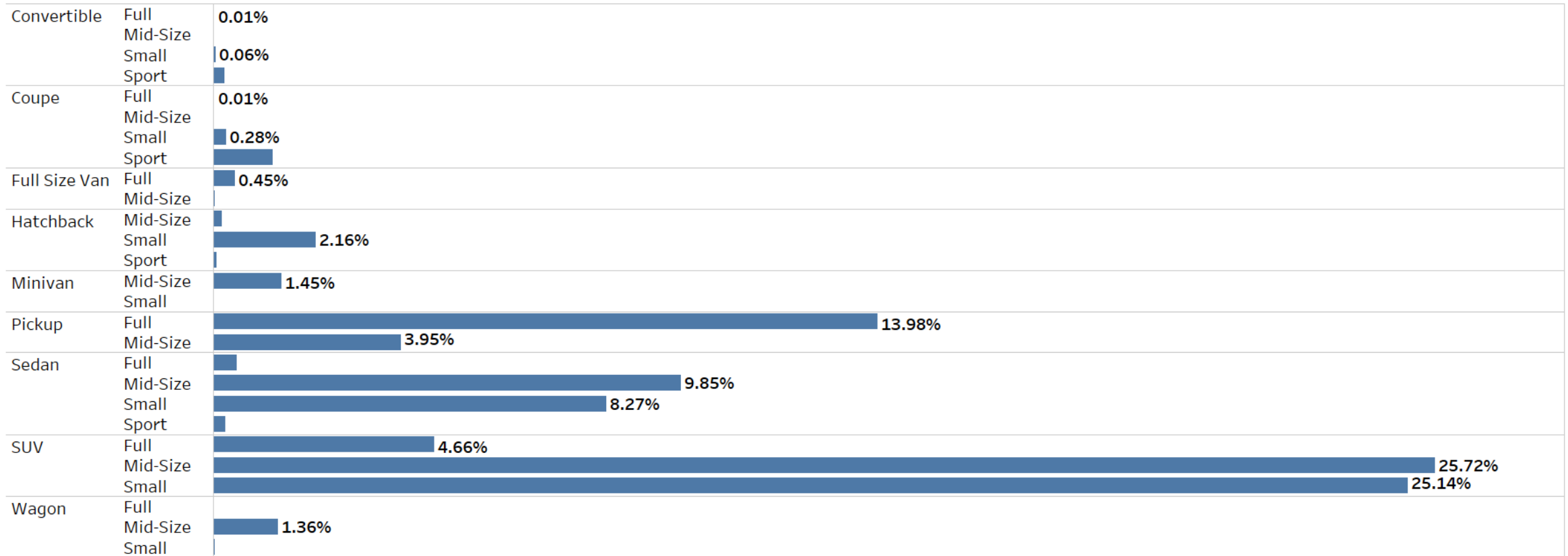


Deep subprime =  
0.36%  
(down 54%)



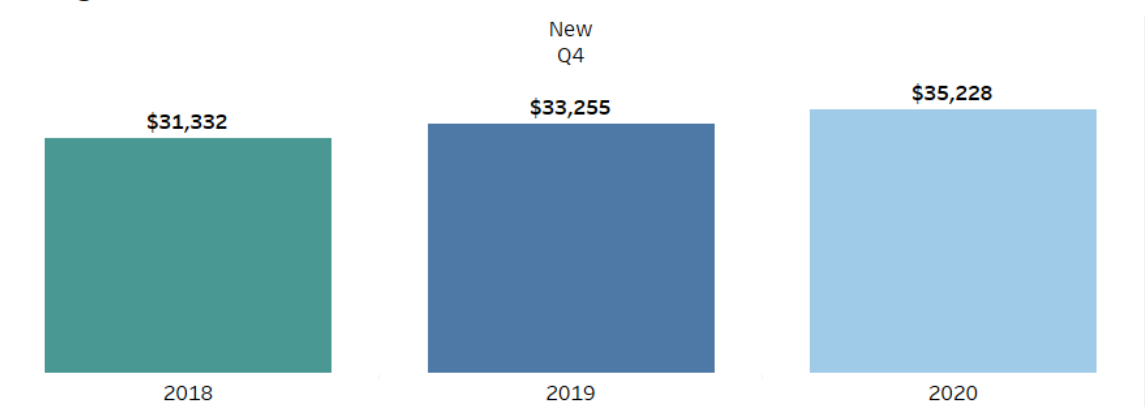
# What are consumers financing? Over 55% of new vehicles financed are SUVs

## New vehicles by segment

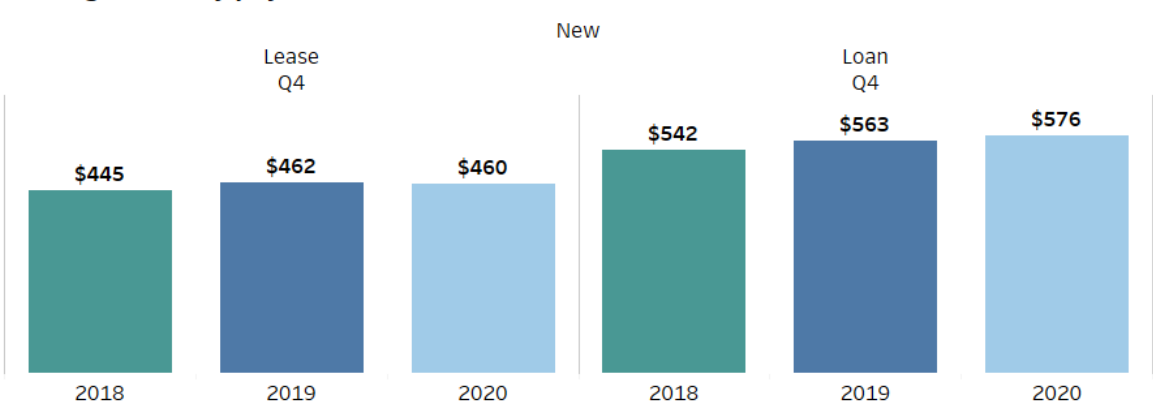


# New loan attribute summary: payments reach record high

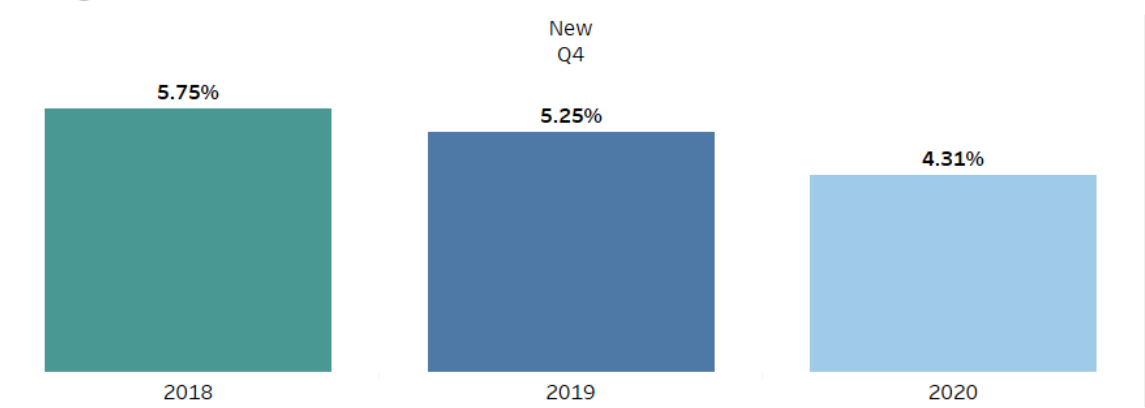
Average amount financed



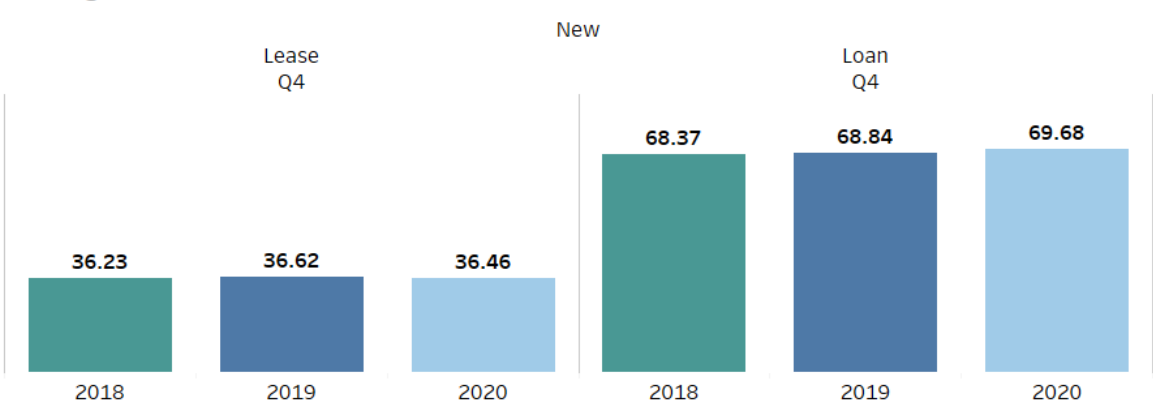
Average monthly payment



Average loan rate

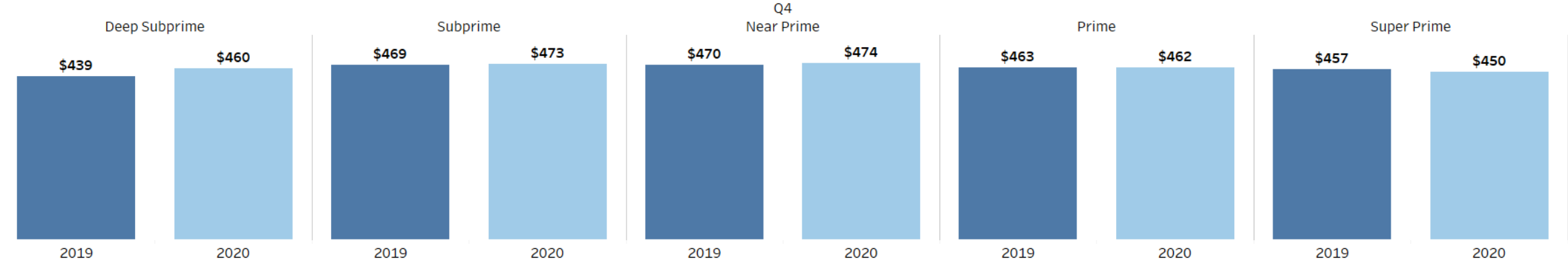


Average loan term

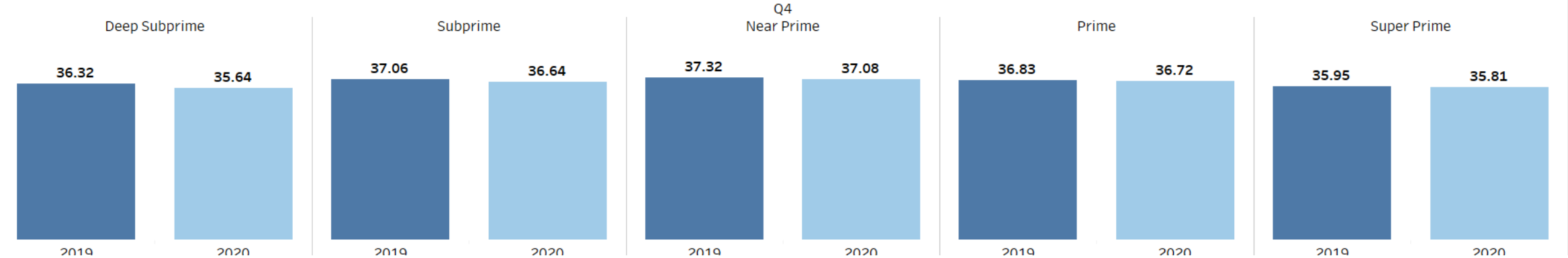


# Leasing payments and terms increase YOY

Average lease payment by risk tier



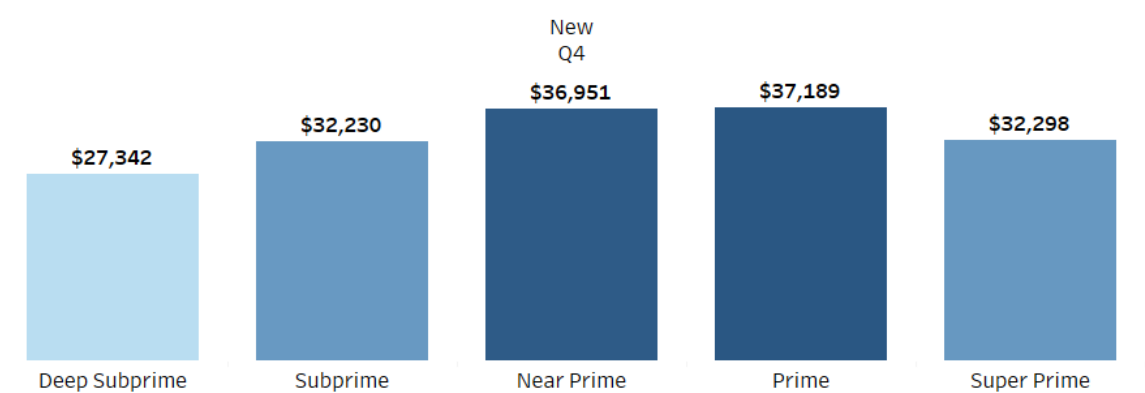
Average lease term by risk tier



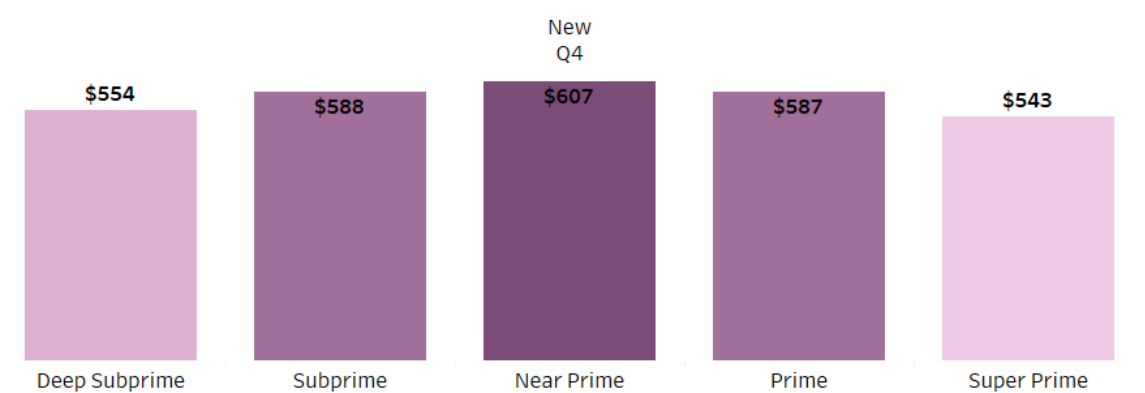


# Payments and loan amounts climb

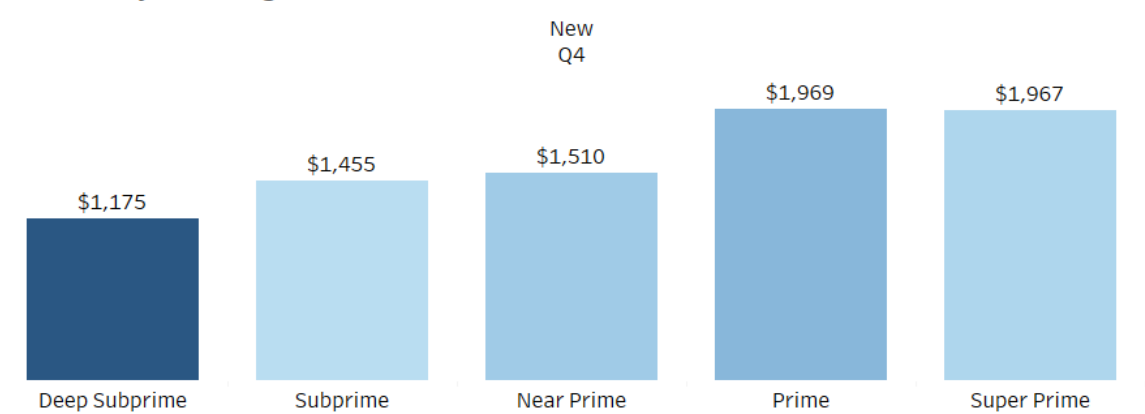
Average loan amount financed by risk



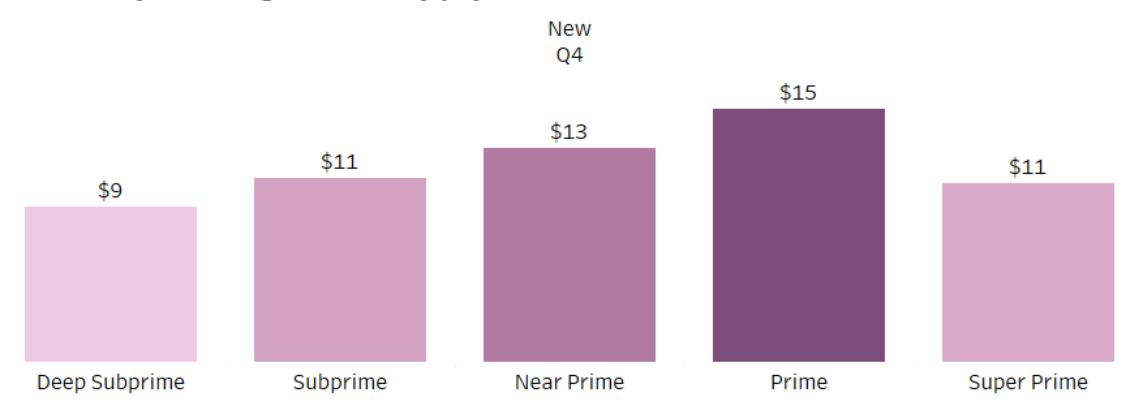
Average loan monthly payment by risk



Year-over-year change in loan amount

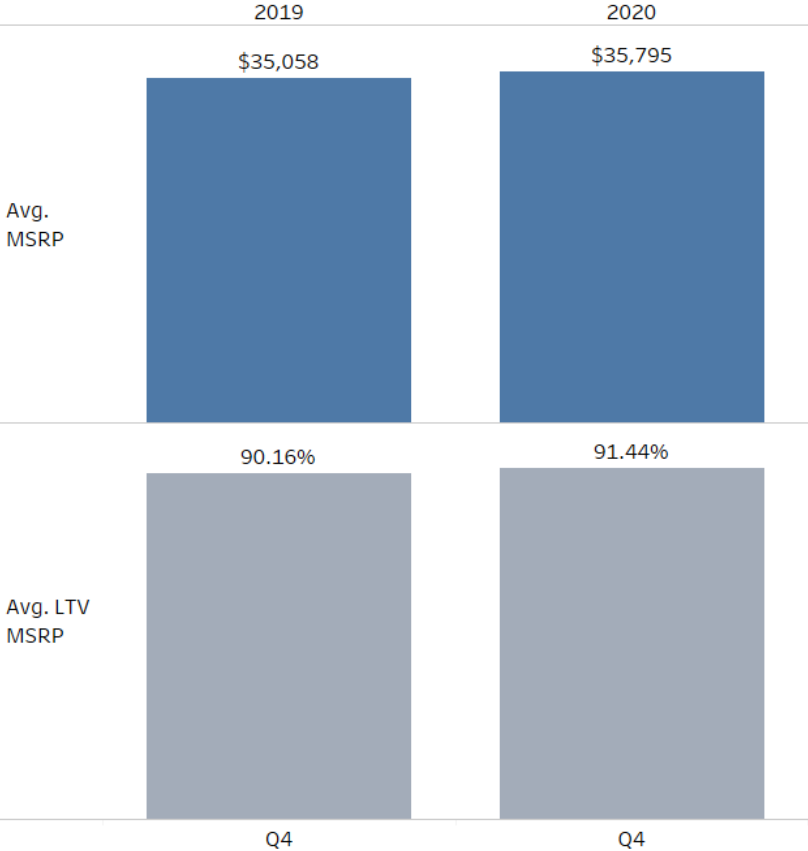


Year-over-year change in monthly payment

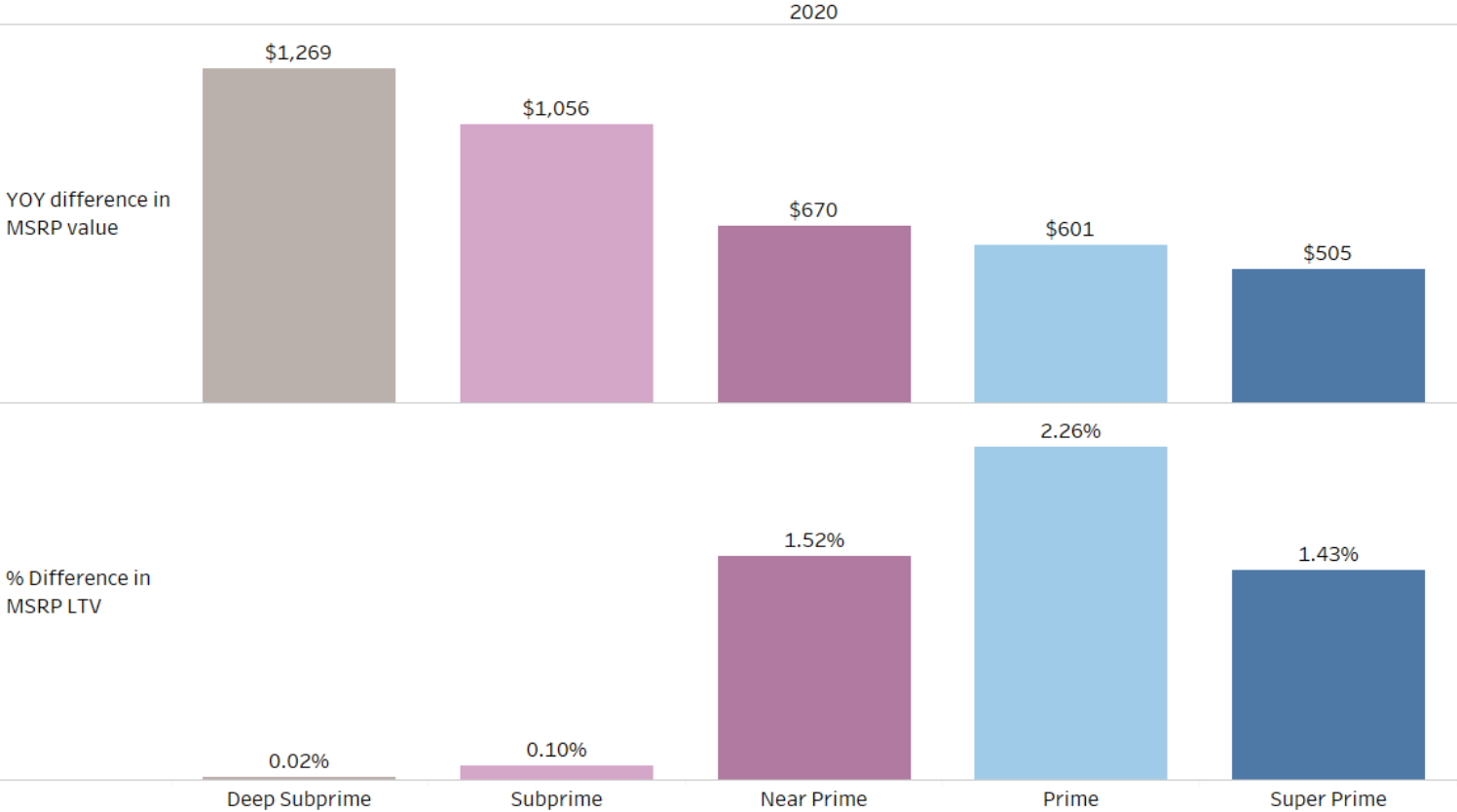


# Vehicle values and LTV increase

Avg New Values

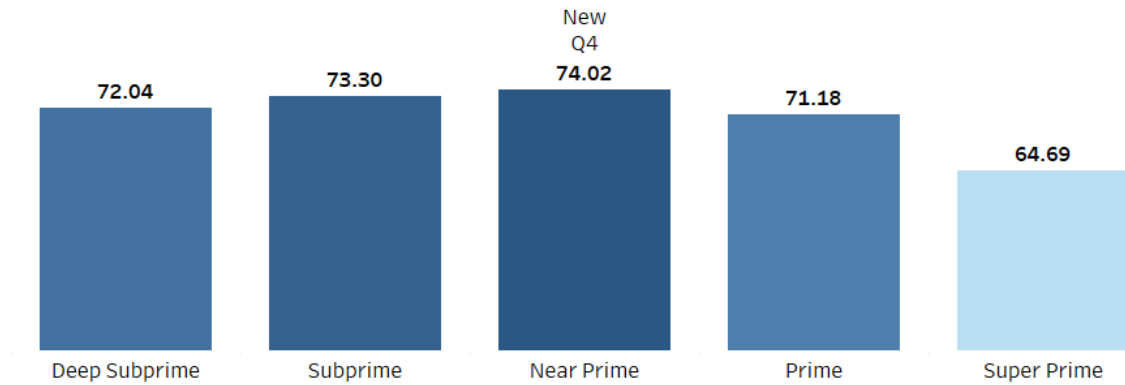


YOY change in new values

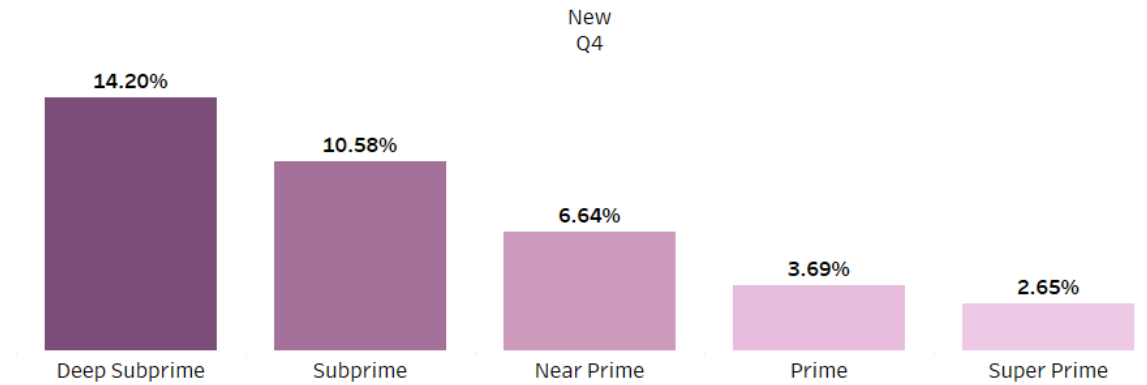


# Terms rise across most risk tiers while rates fall for all tiers

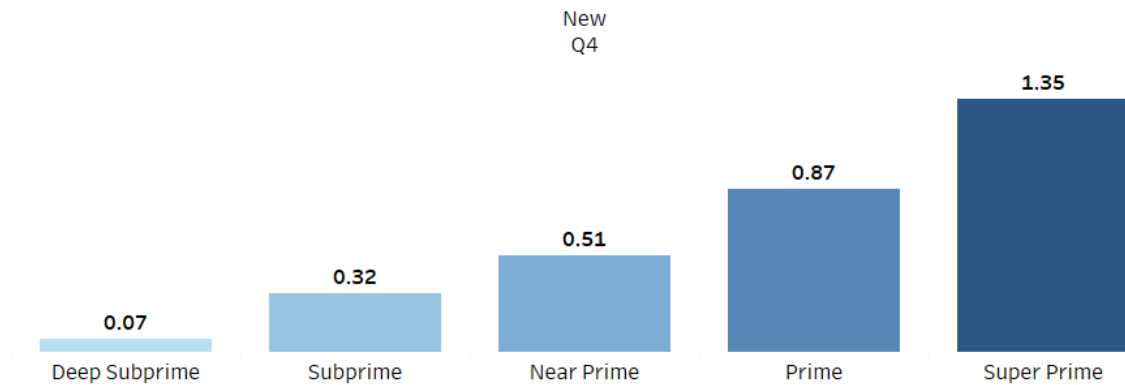
Average loan term by risk



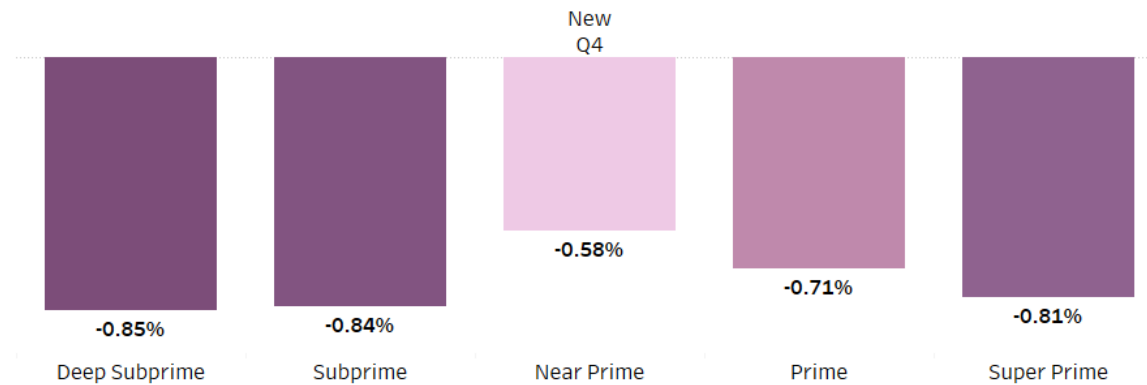
Average loan rate by risk



Year-over-year change in loan term

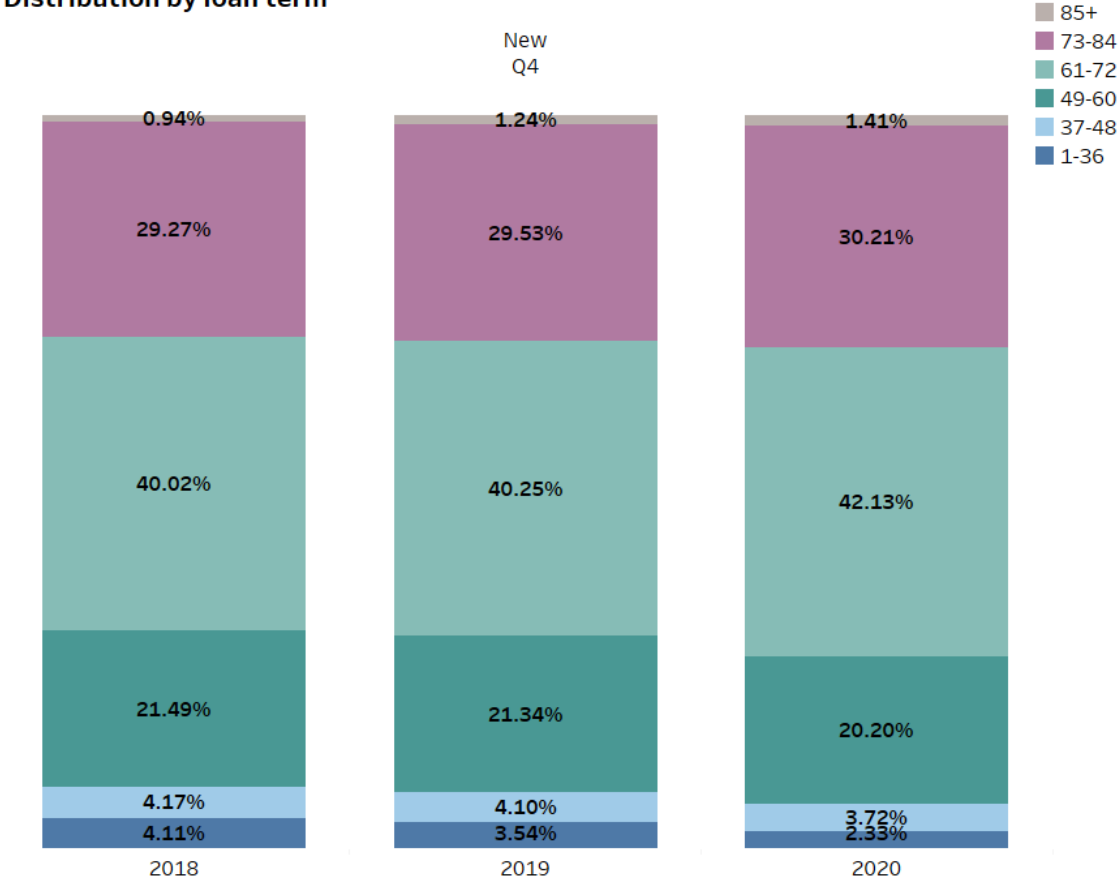


Year-over-year change in rate

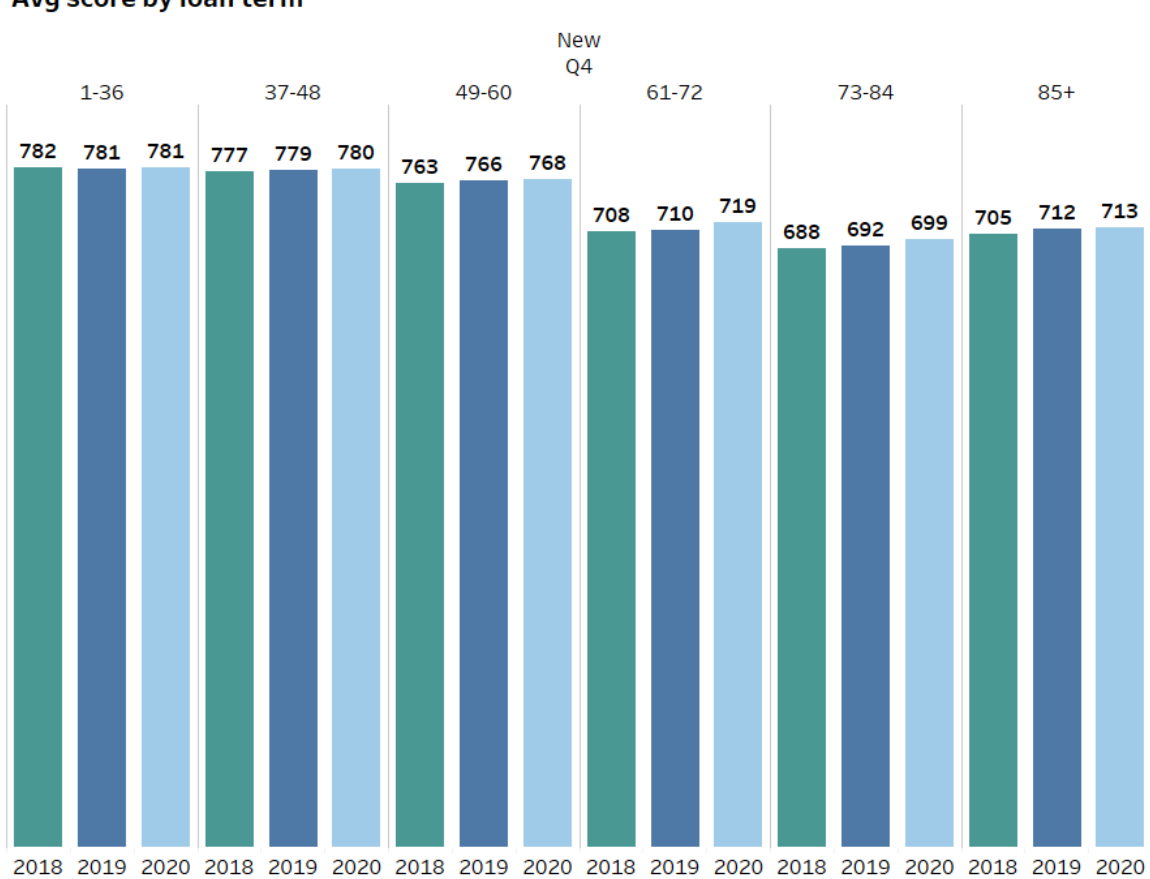


# 72-month loans dominate the quarter

Distribution by loan term



Avg score by loan term



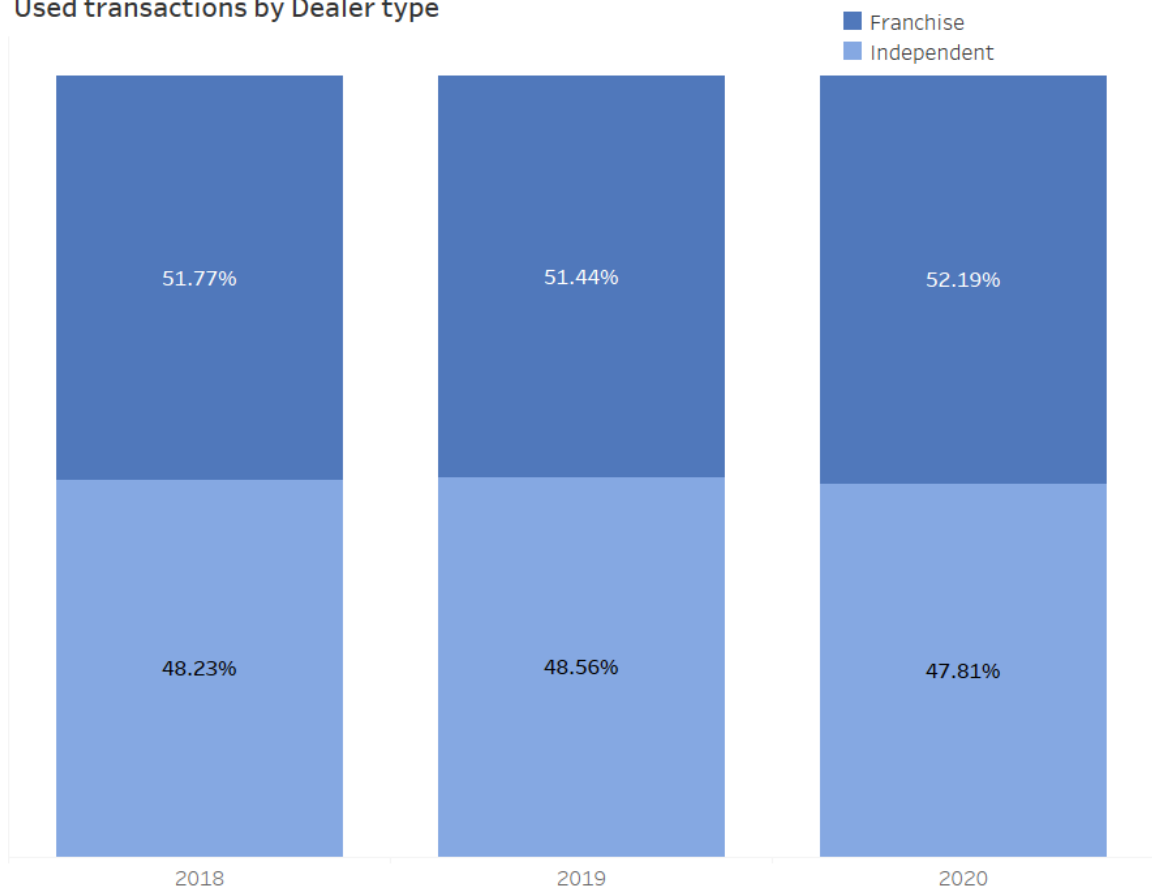
# Used financing

A look at used automotive loan trends

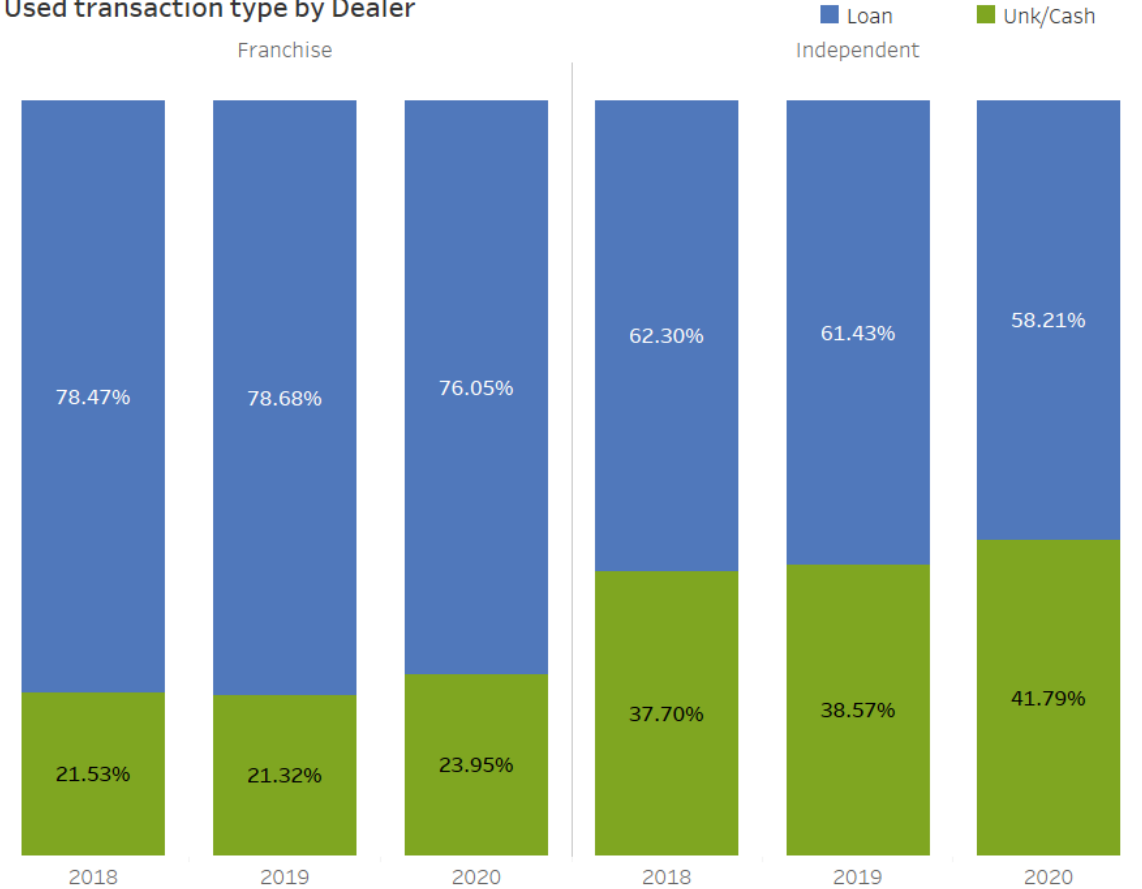


# Franchise dealers source the majority of transactions

Used transactions by Dealer type



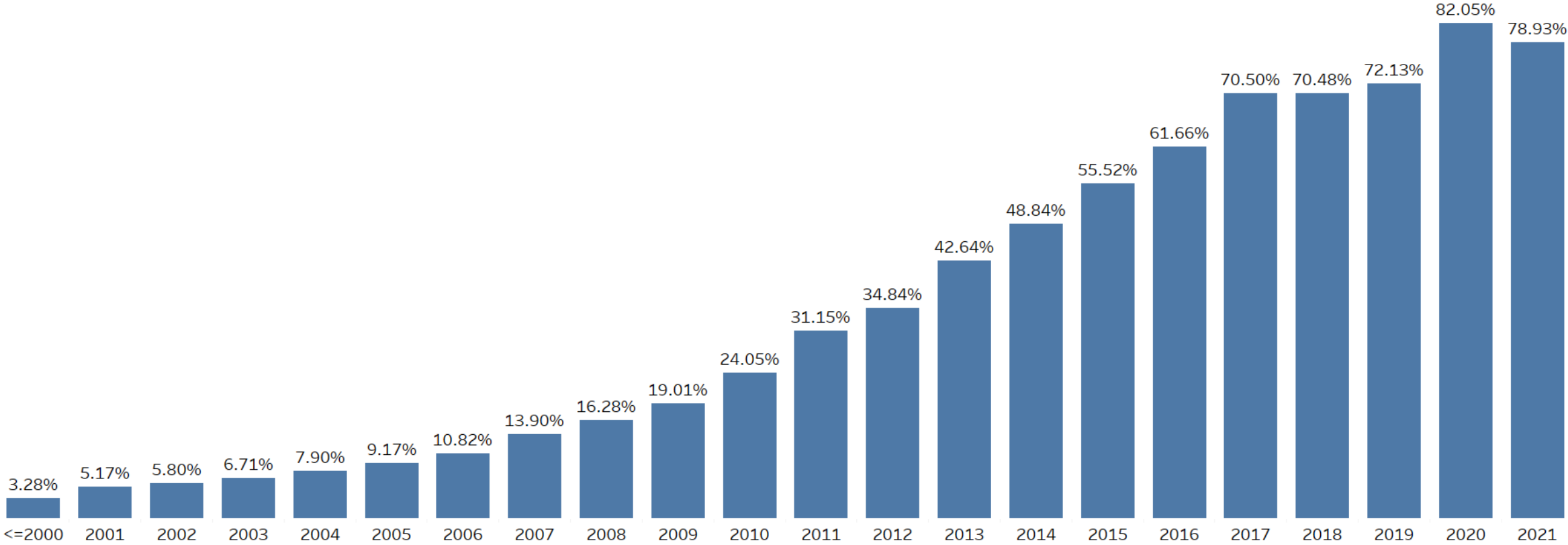
Used transaction type by Dealer



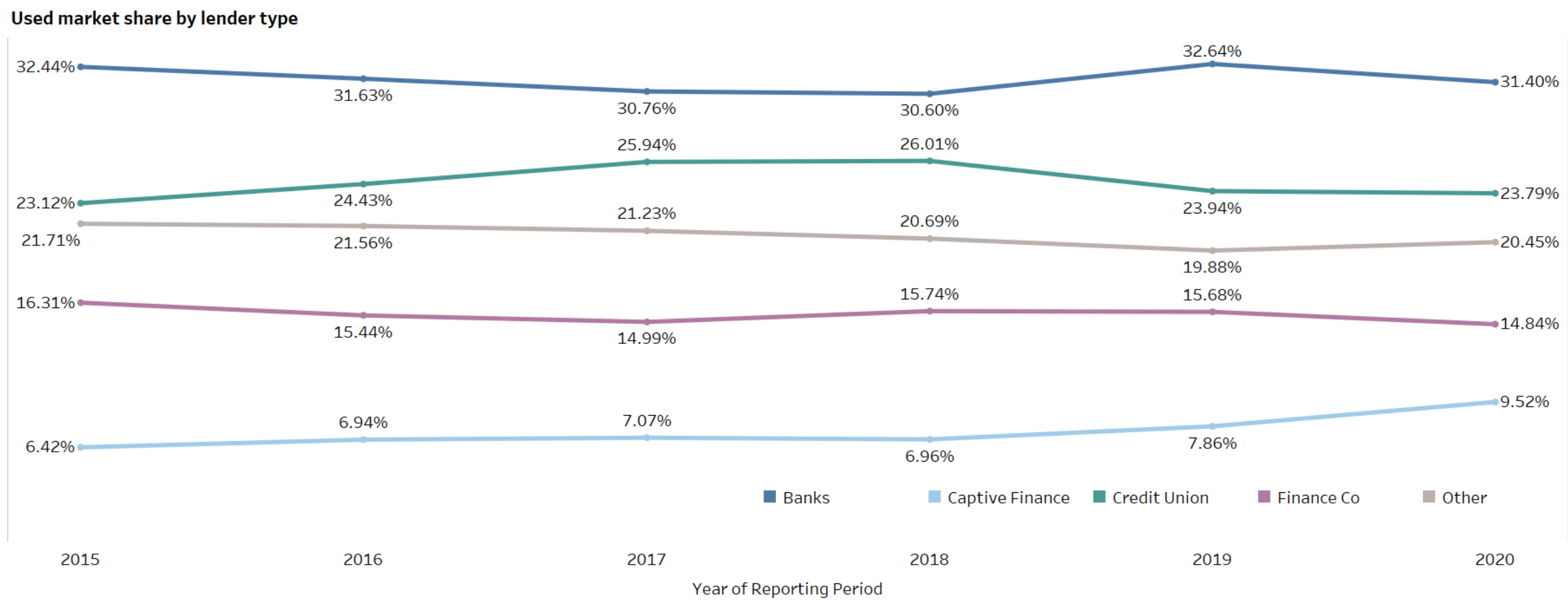


# Over 88% of current + 8MY vehicles have financing (69% not including 2021MY)

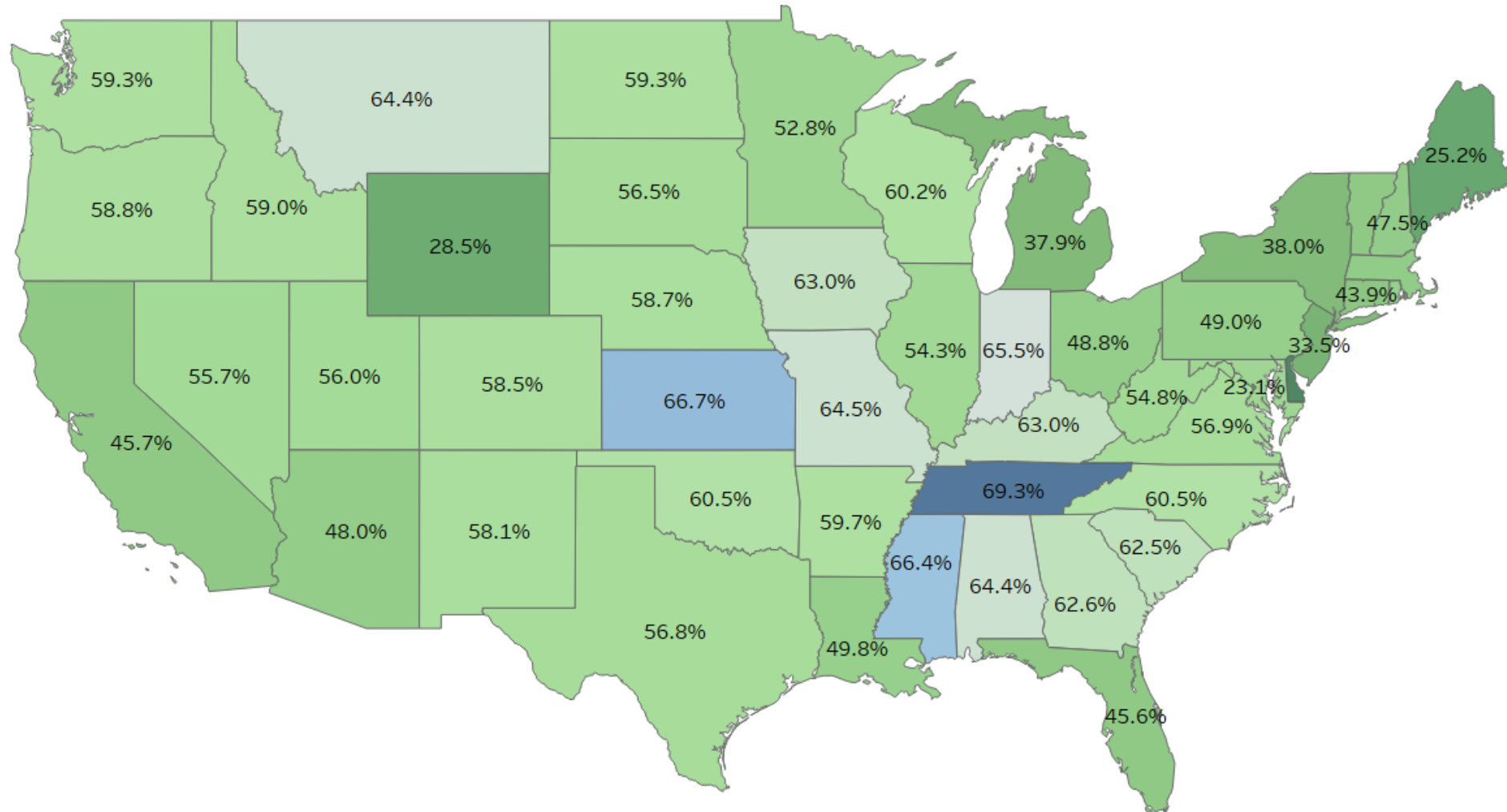
Percentage of vehicles by model year with financing



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

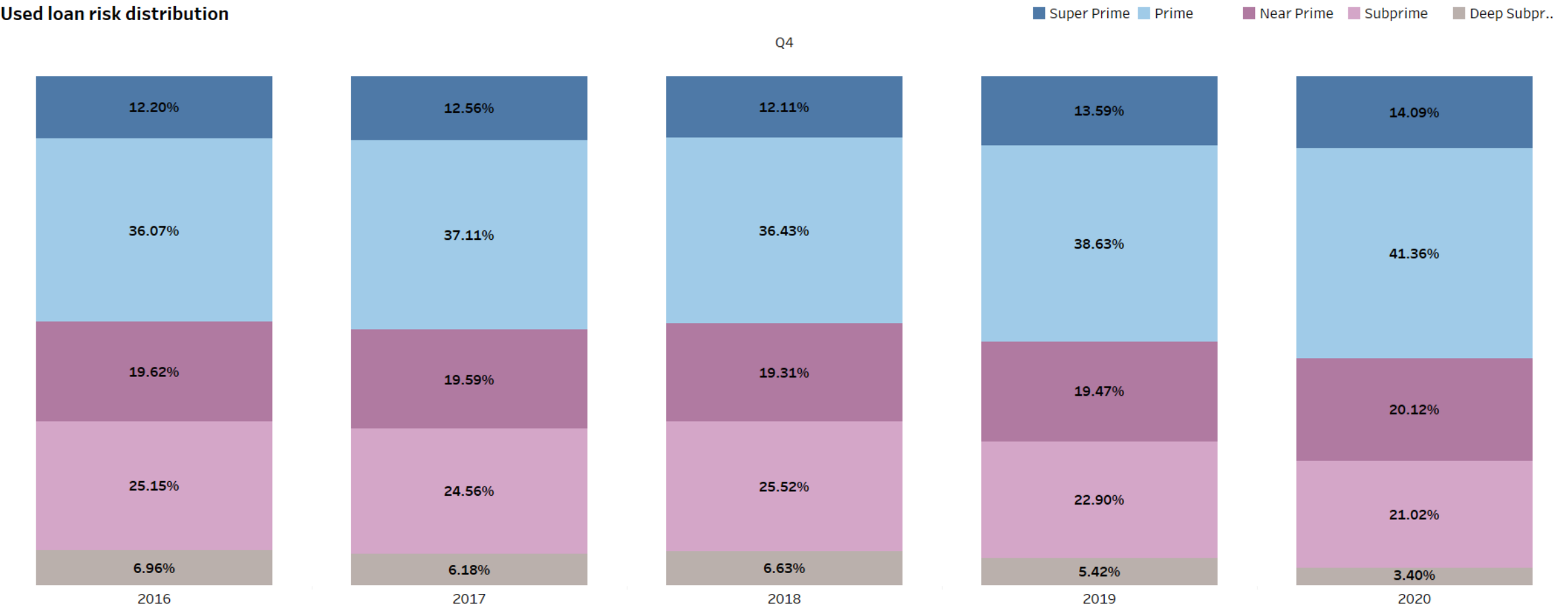


# Tennessee leads with the largest percentage of loans for used cars; Maine has the lowest



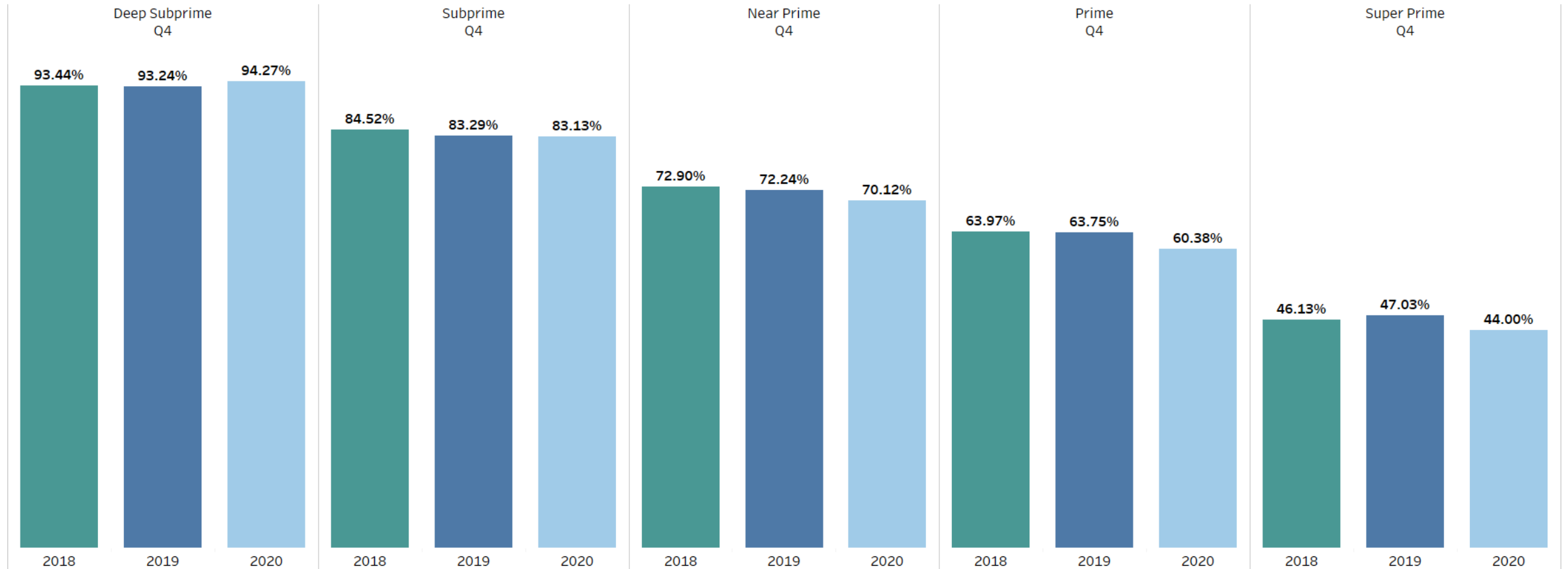
# Deep subprime & subprime used loans fall to record lows

Used loan risk distribution



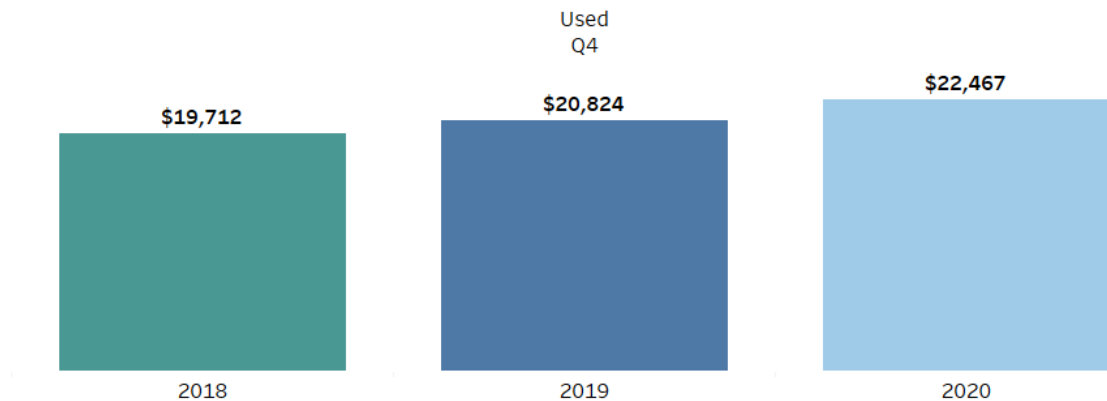
# 2020 disrupted the shift of prime borrowers to used vehicles

## Consumers choosing used loans

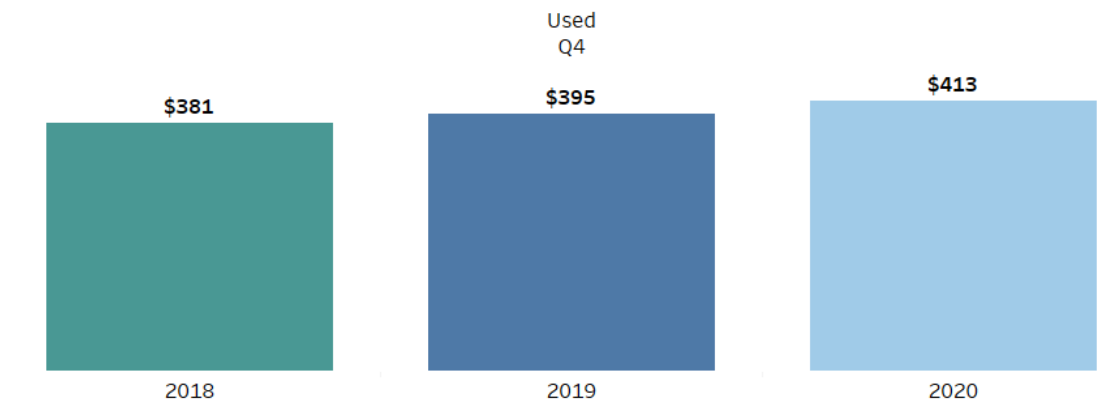


# Used loan attribute summary: used loan amounts & term hit record highs while payments surpass \$400 for the first time

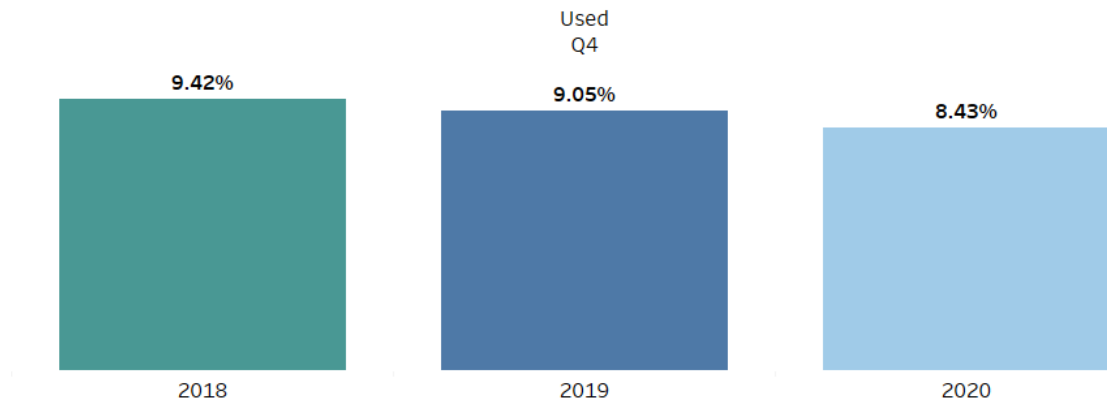
Average amount financed



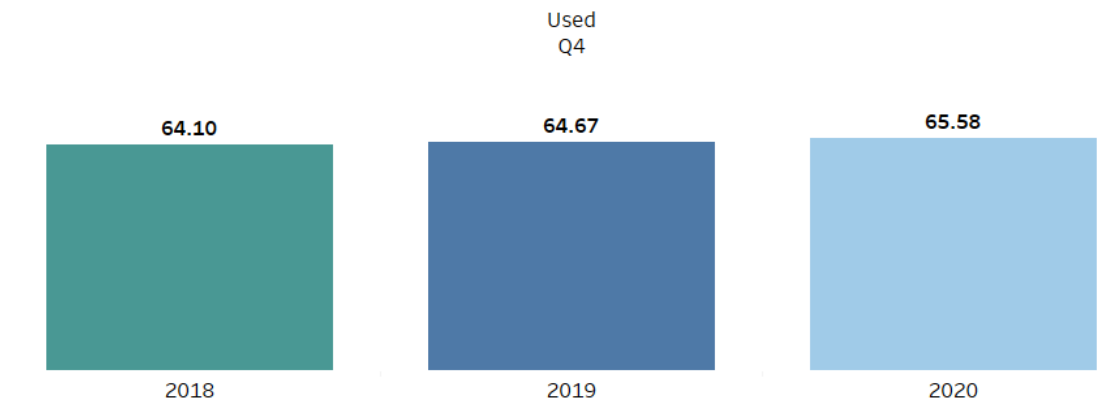
Average monthly payment



Average loan rate

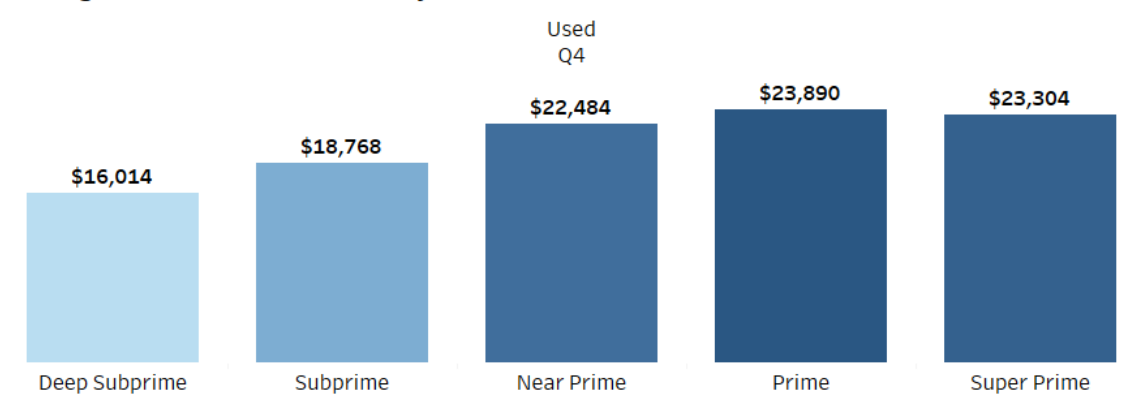


Average loan term

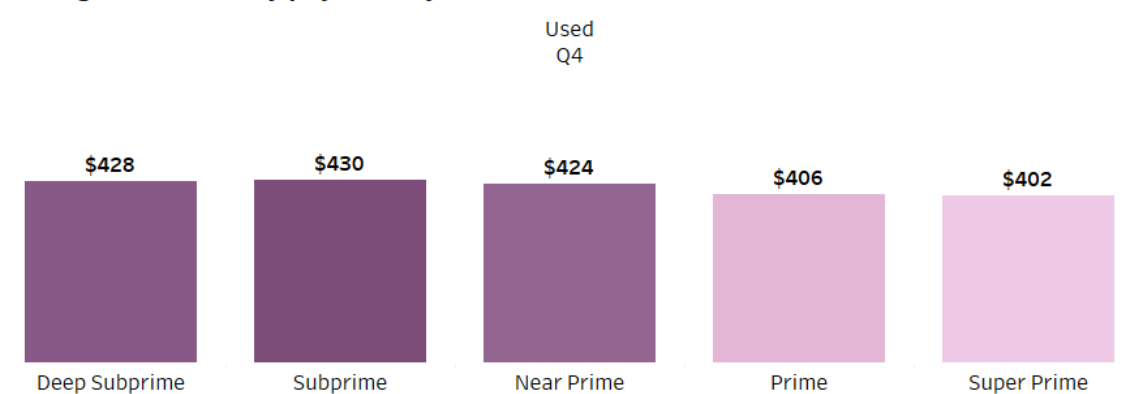


# Used loan amounts and payments rise

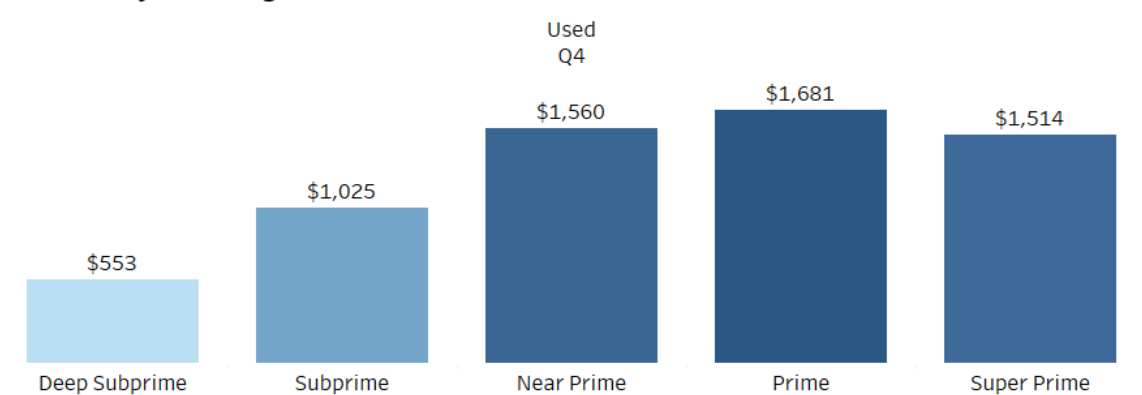
Average loan amount financed by risk



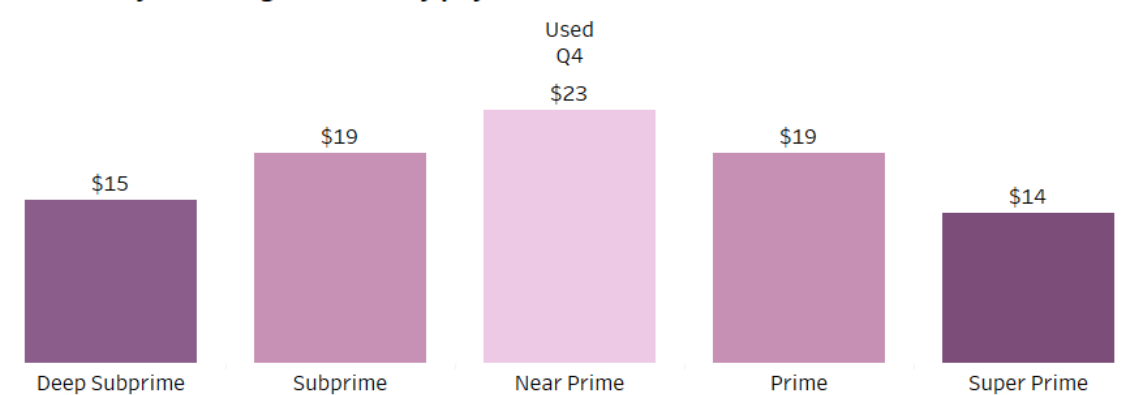
Average loan monthly payment by risk



Year-over-year change in loan amount

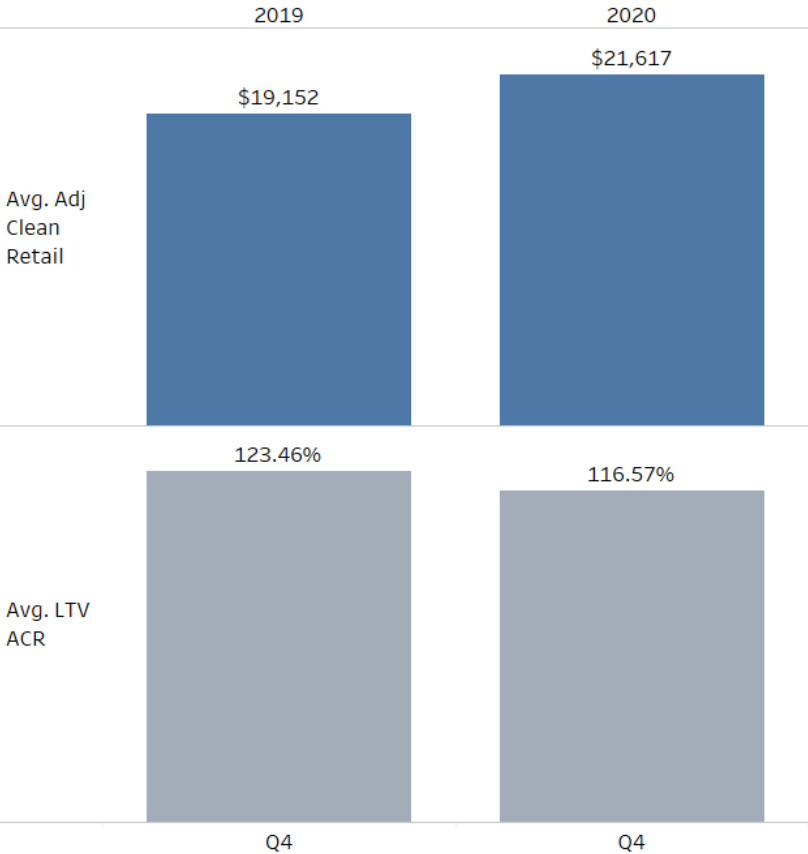


Year-over-year change in monthly payment

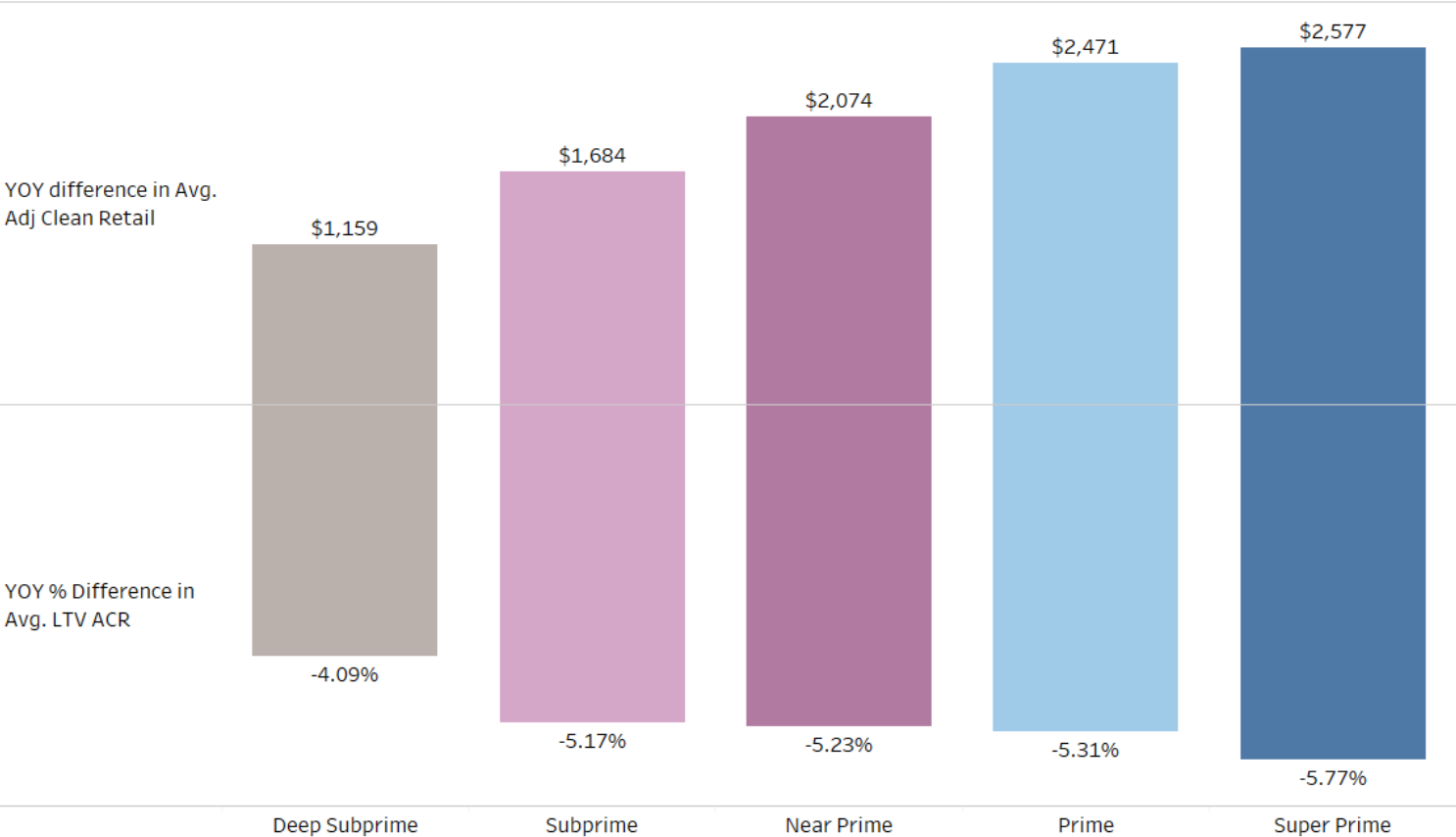


# Used values increase while LTV drops

Avg Used Values



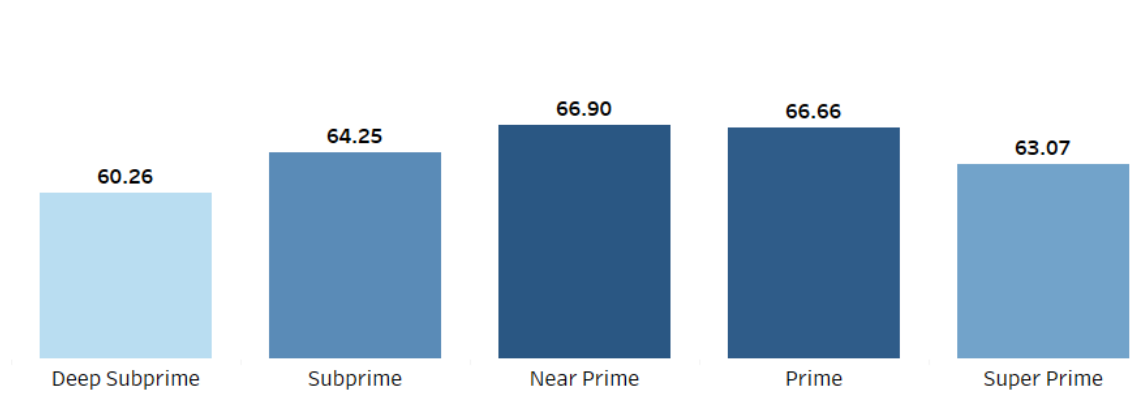
YOY change in used values



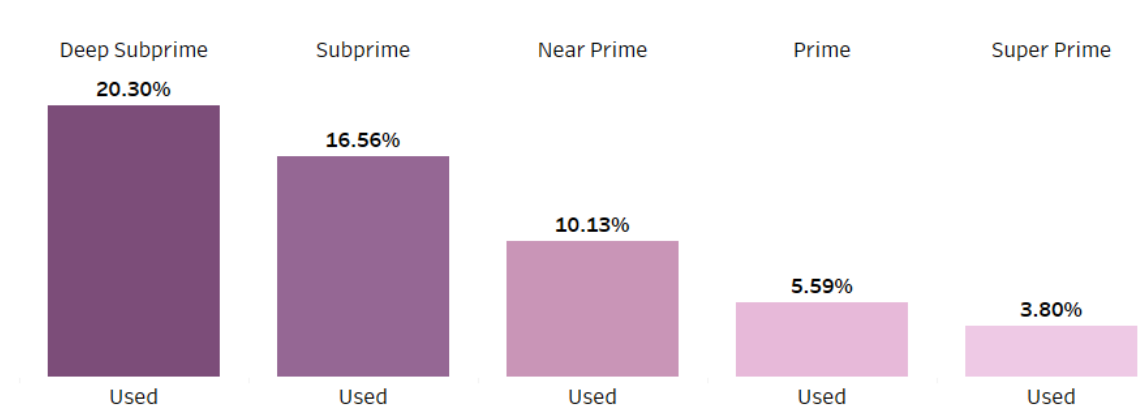


# Terms increase while rates drop for all but deep subprime

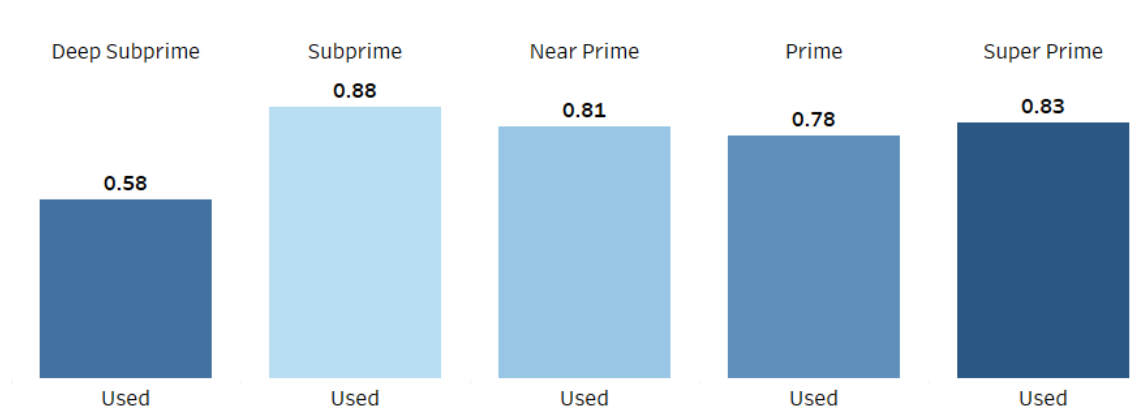
Average loan term by risk



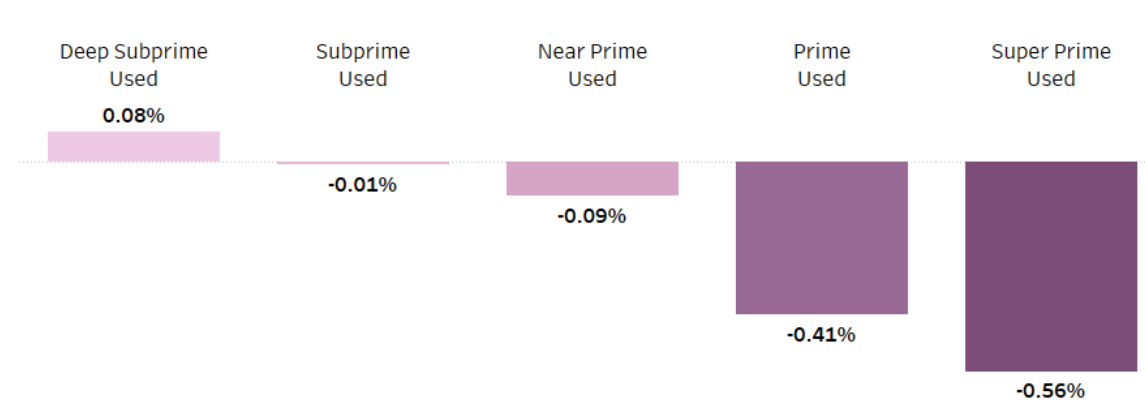
Average loan rate by risk



Year-over-year change in loan term

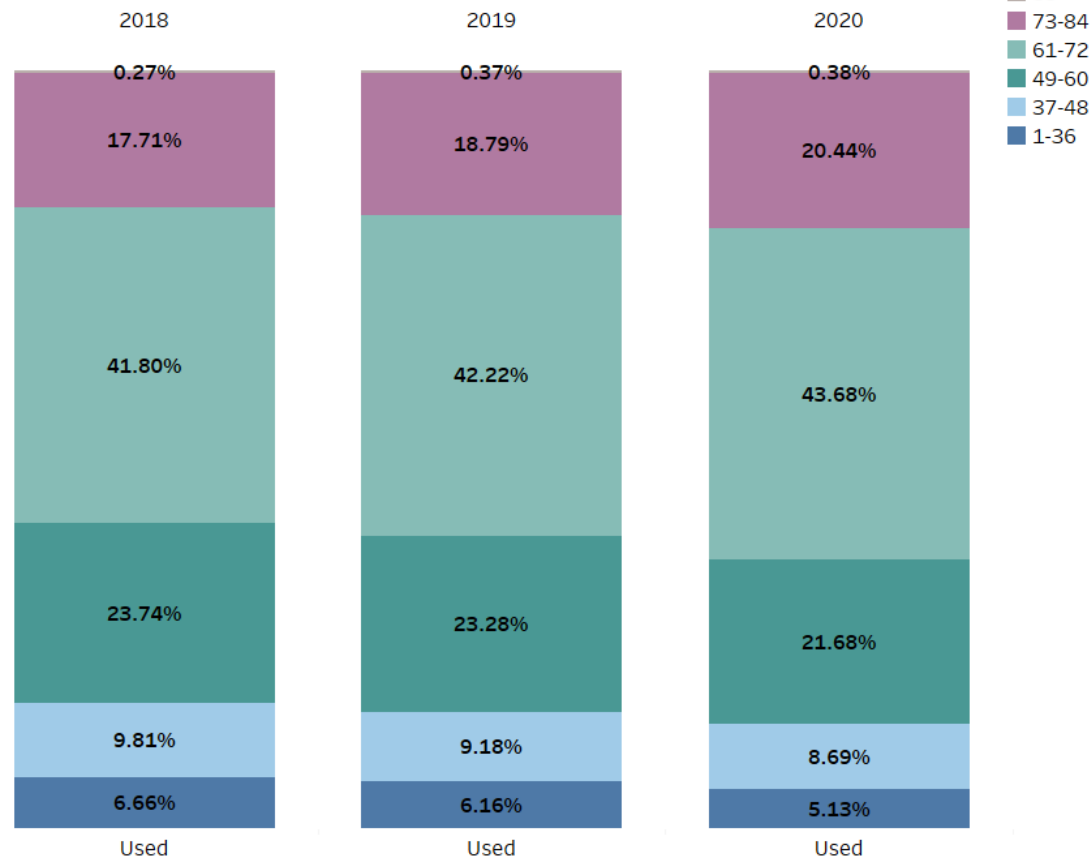


Year-over-year change in rate

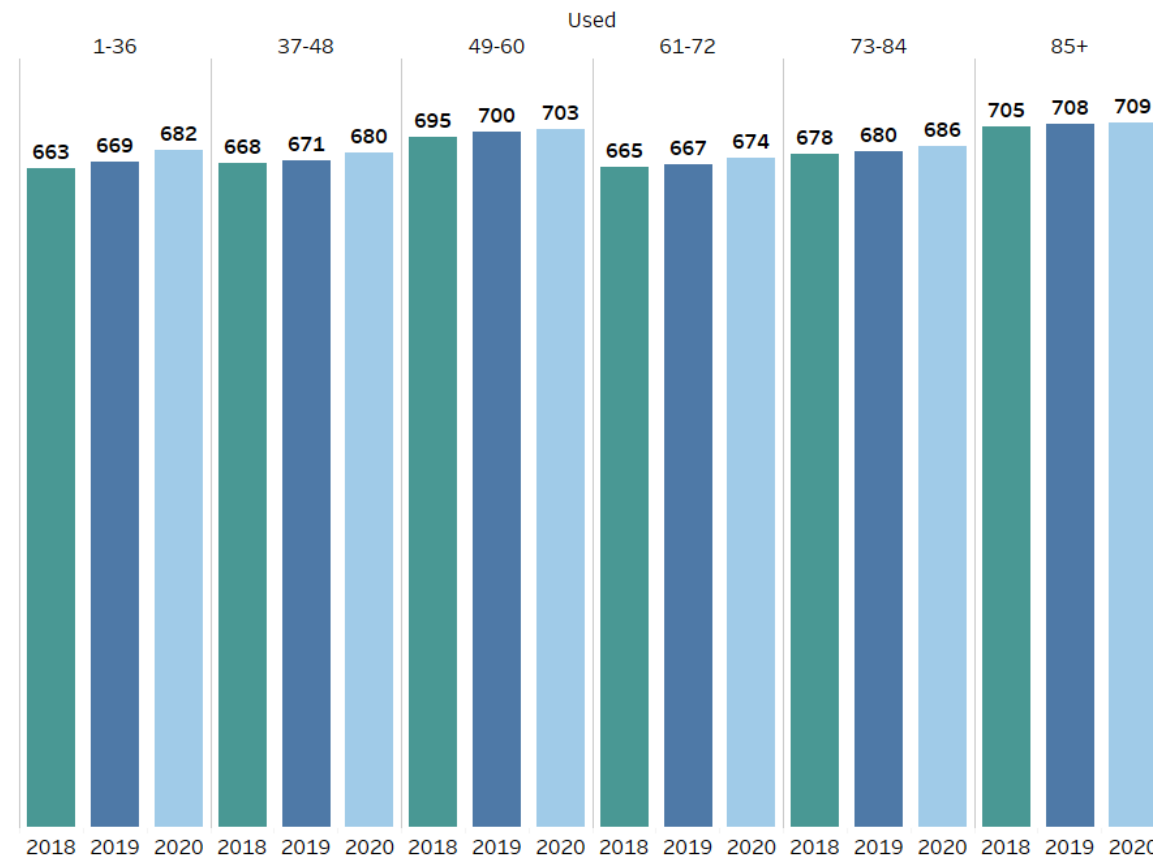


# 73+ month terms grow along with average credit scores for longer terms

Distribution by loan term



Avg score by loan term



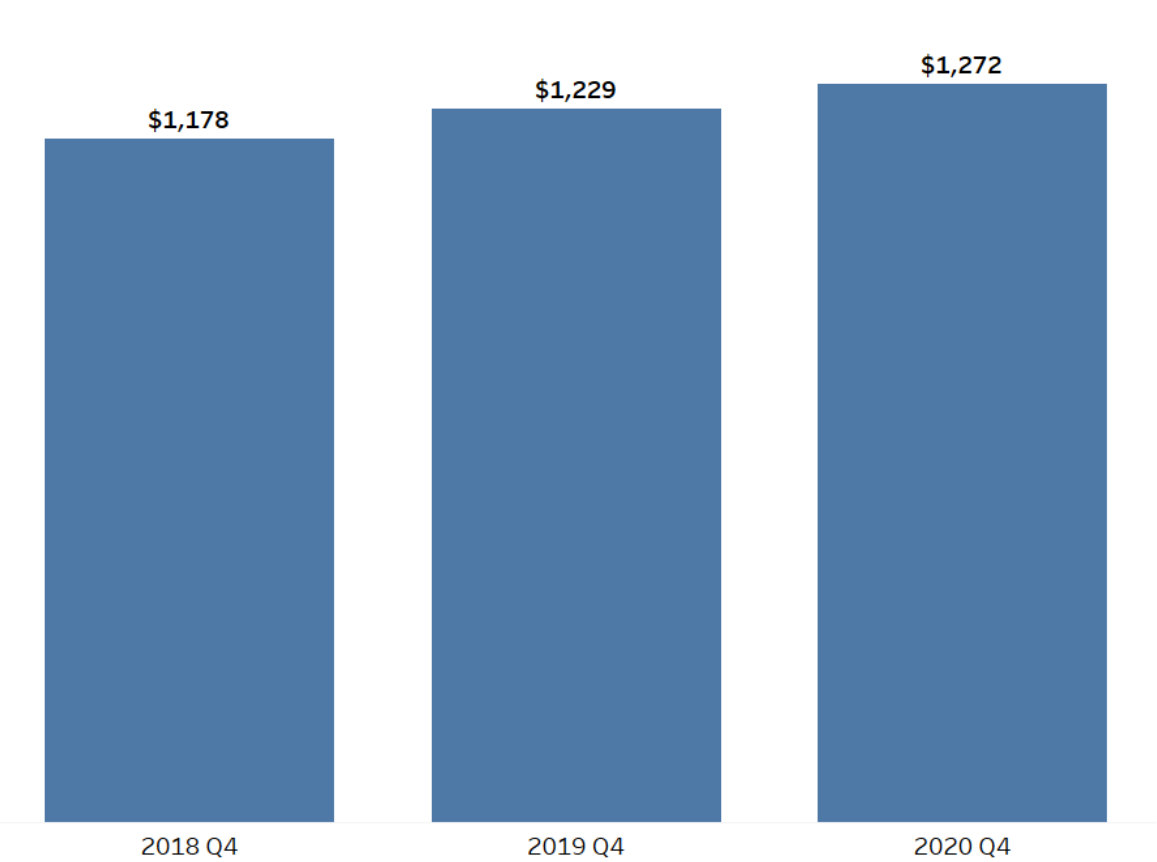
# Market Overview

All open auto loans & leases

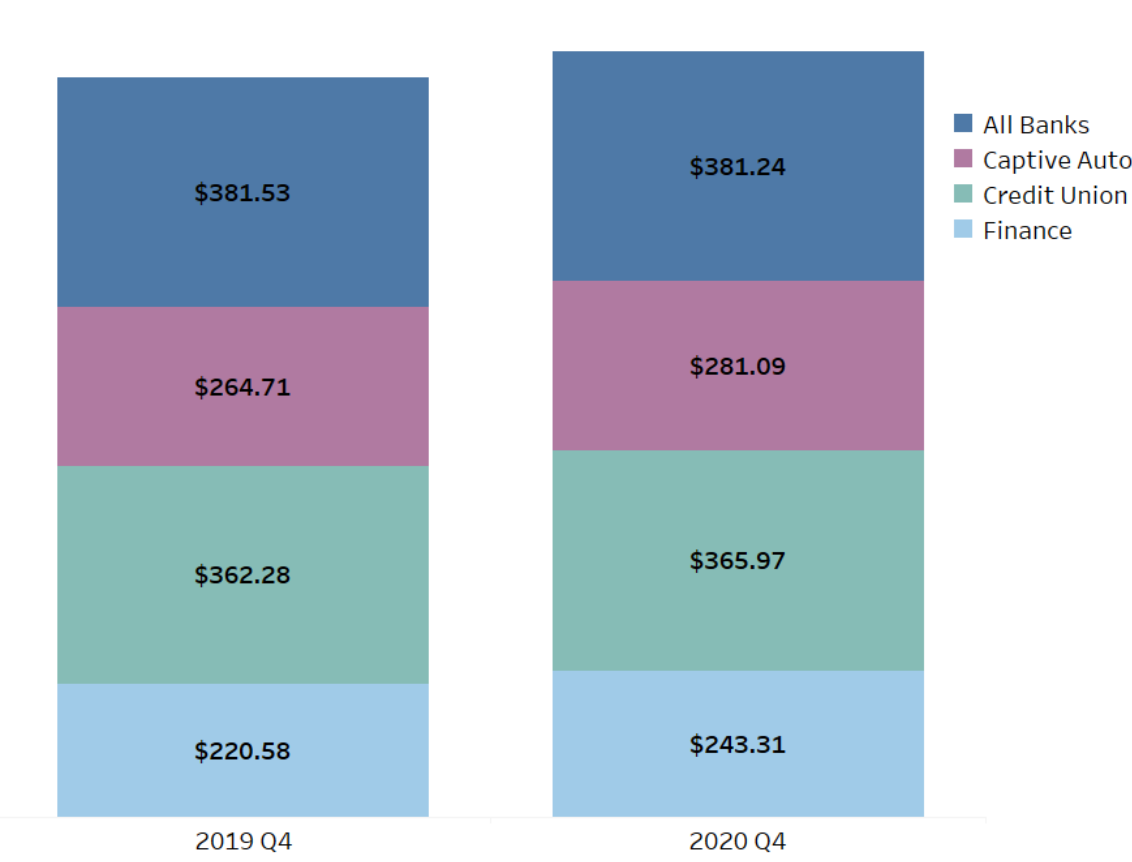


# Overall loan balances (in billions) grew 3.5% YOY with banks experiencing a slight decrease

Total open automotive loan balance

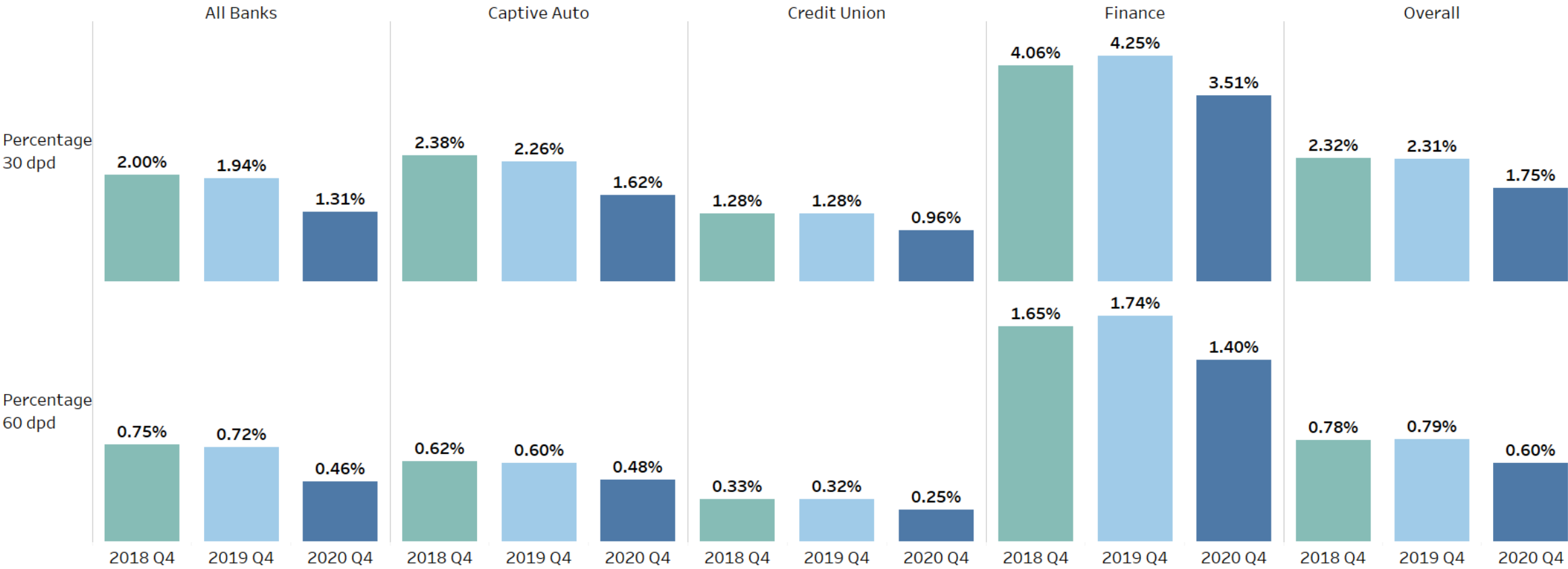


Total open automotive loan balance by lender type



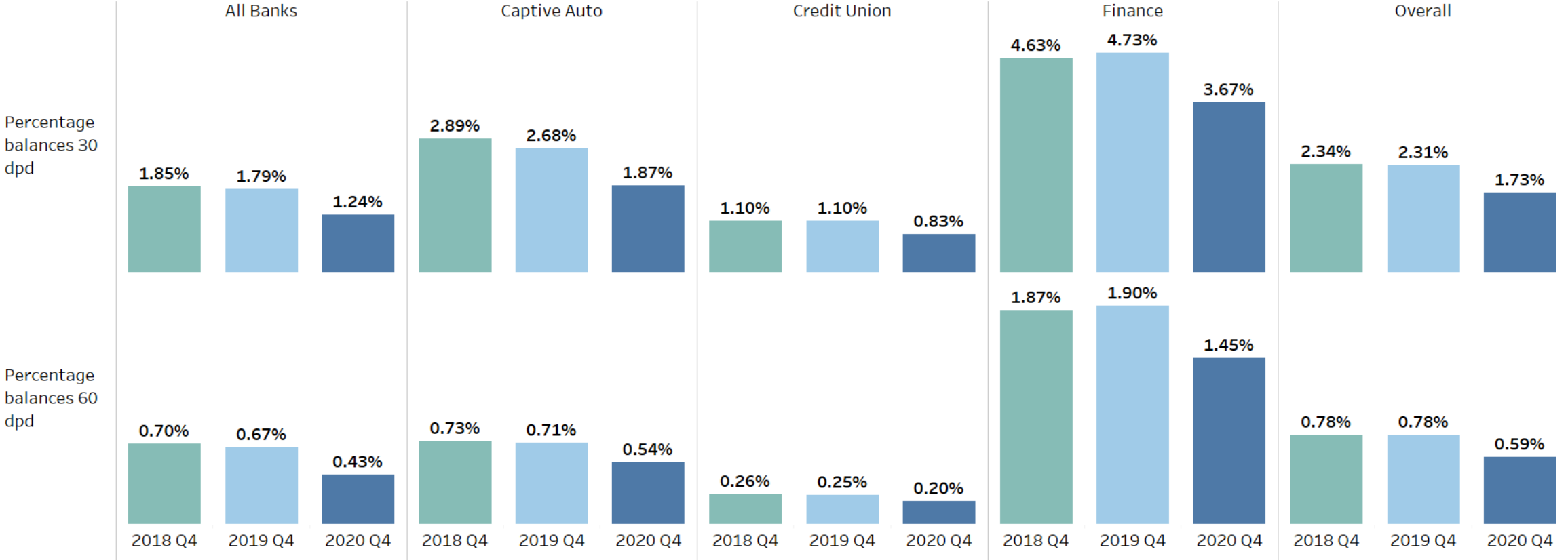
# Percentage of loans & leases that are delinquent decreased as some accounts remain in deferment

% Loan and Leases 30 and 60 days delinquent

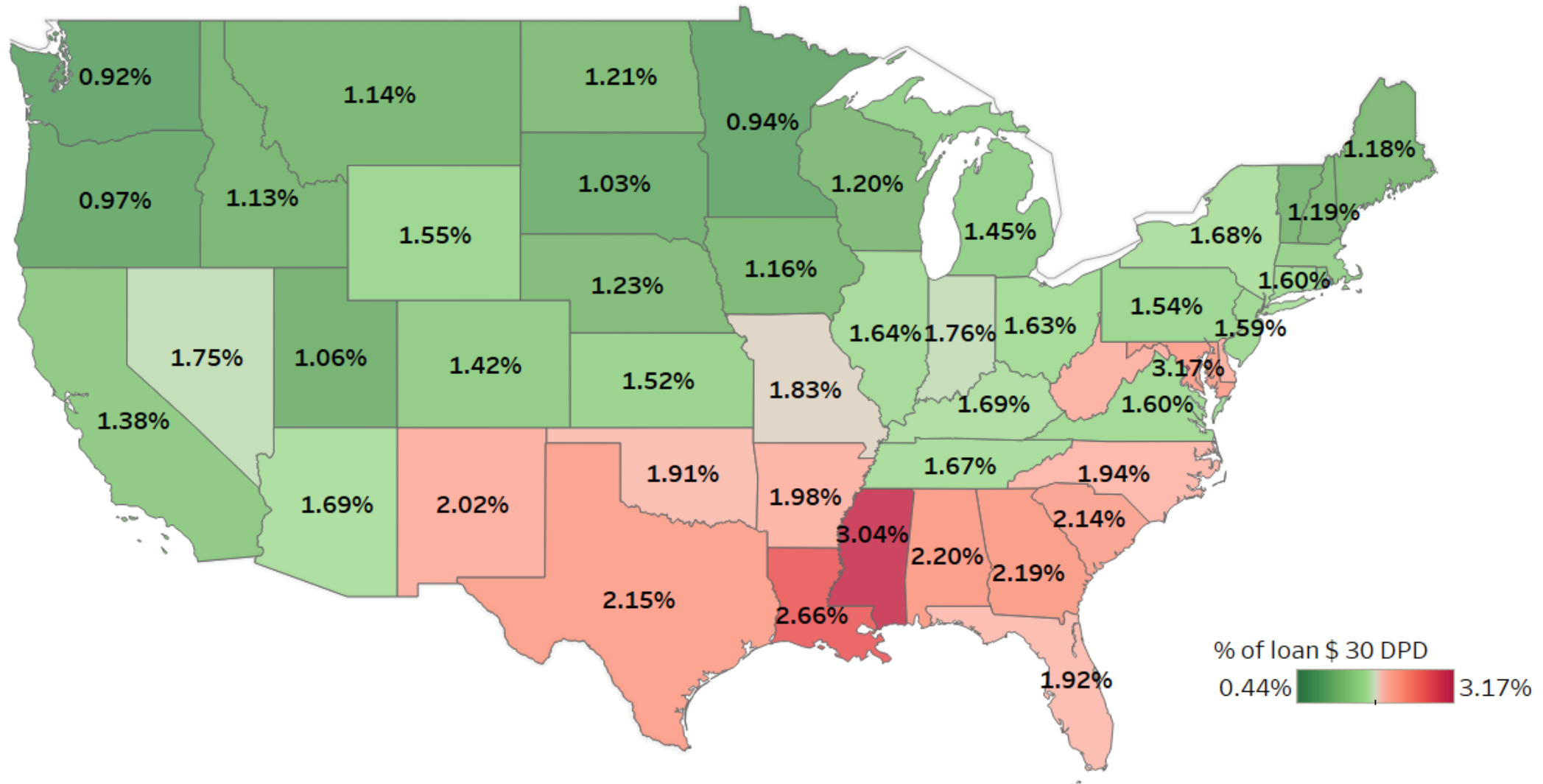


# Delinquent loan balances decrease year-over-year as some accounts remain in deferment

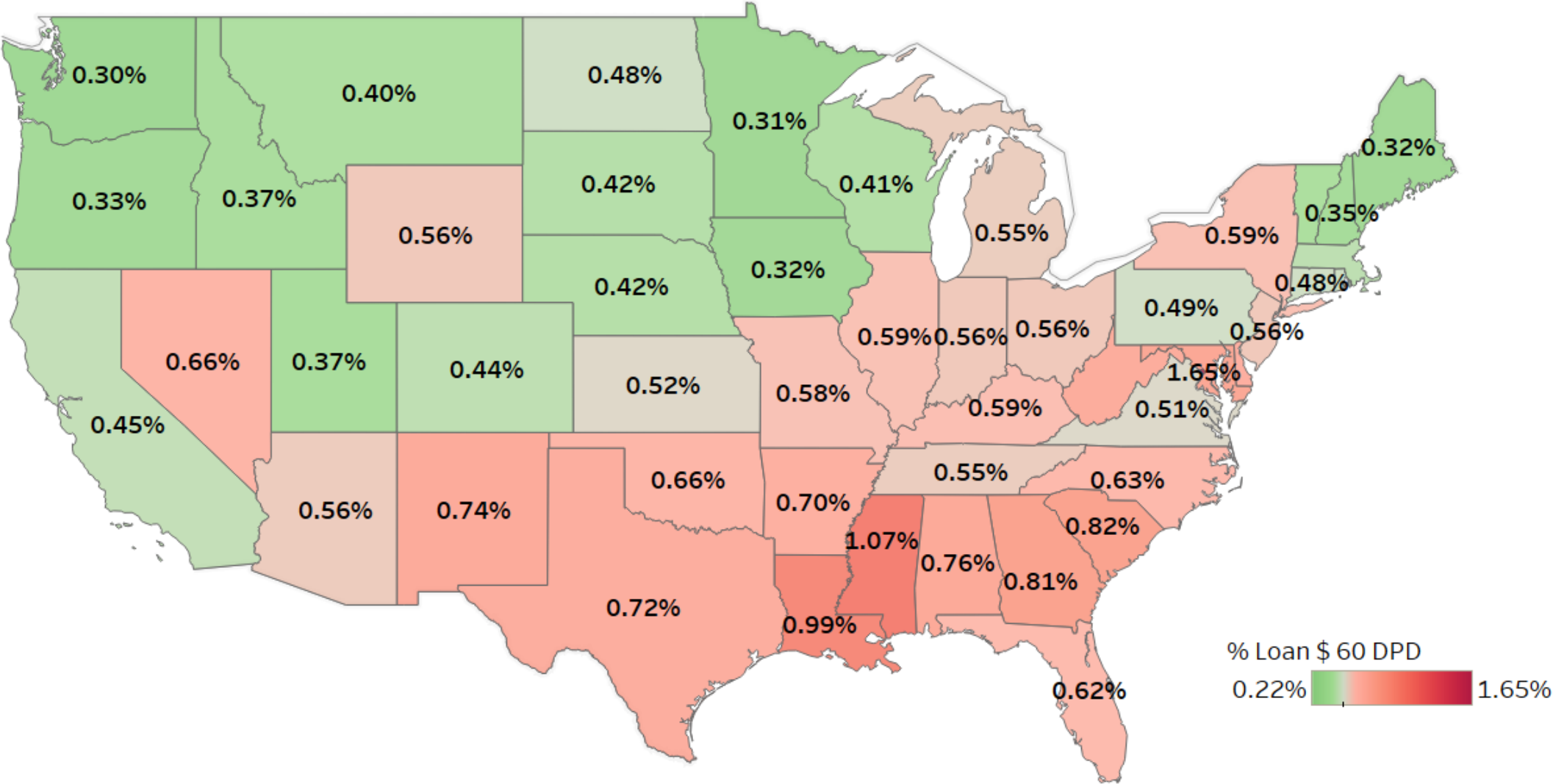
% Loan balances 30 and 60 days delinquent



# Percentage of loan balances 30 dpd per state



# Percentage of loan balances 60 dpd per state





# Q4 Summary

- Leasing remains low yet, financing overall has decreased
- Subprime continues to reach record lows for automotive financing
- Loan amounts, vehicle values and terms continue to grow while LTVs remain in check
- Used payments surpassed \$400 for first time
- Overall balances climb and delinquencies remain low



