

# State of the Automotive Finance Market

**Presented by: Melinda Zabritski**  
**Q4 2018**



# 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

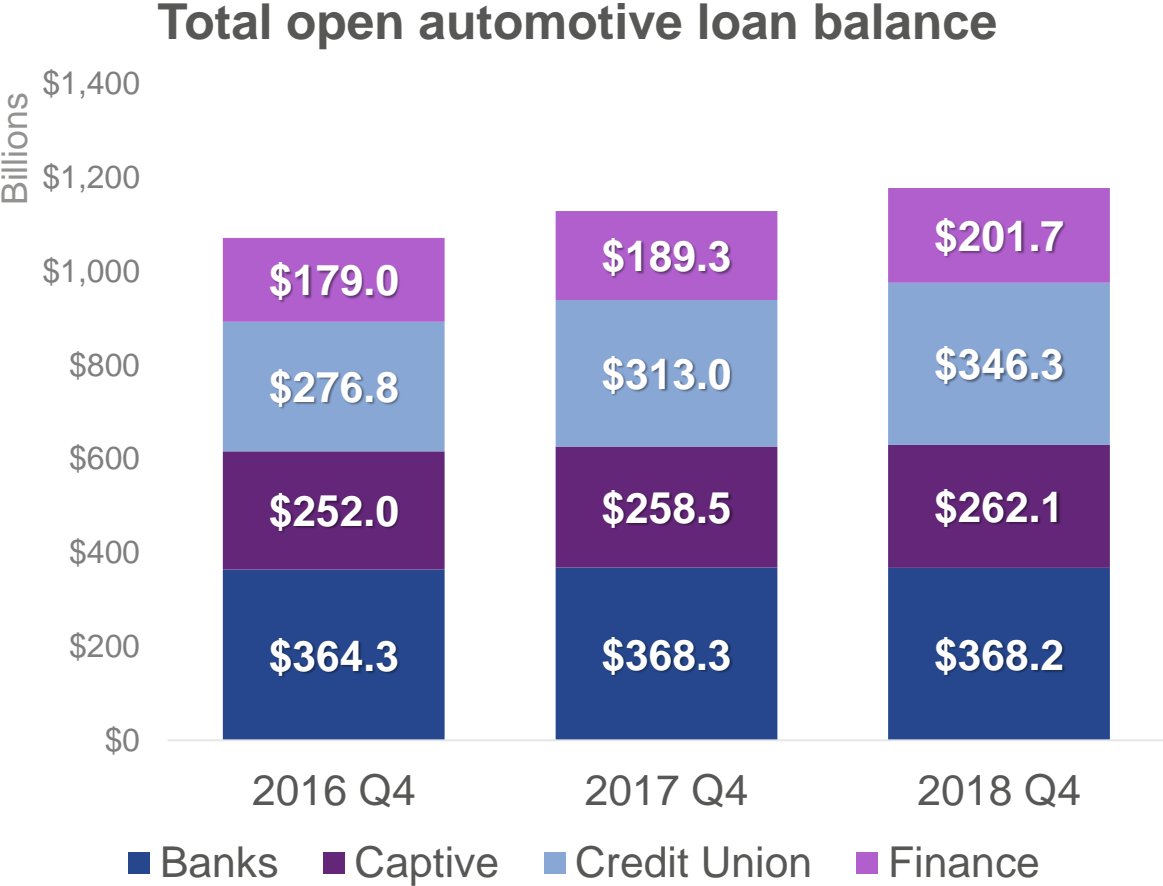
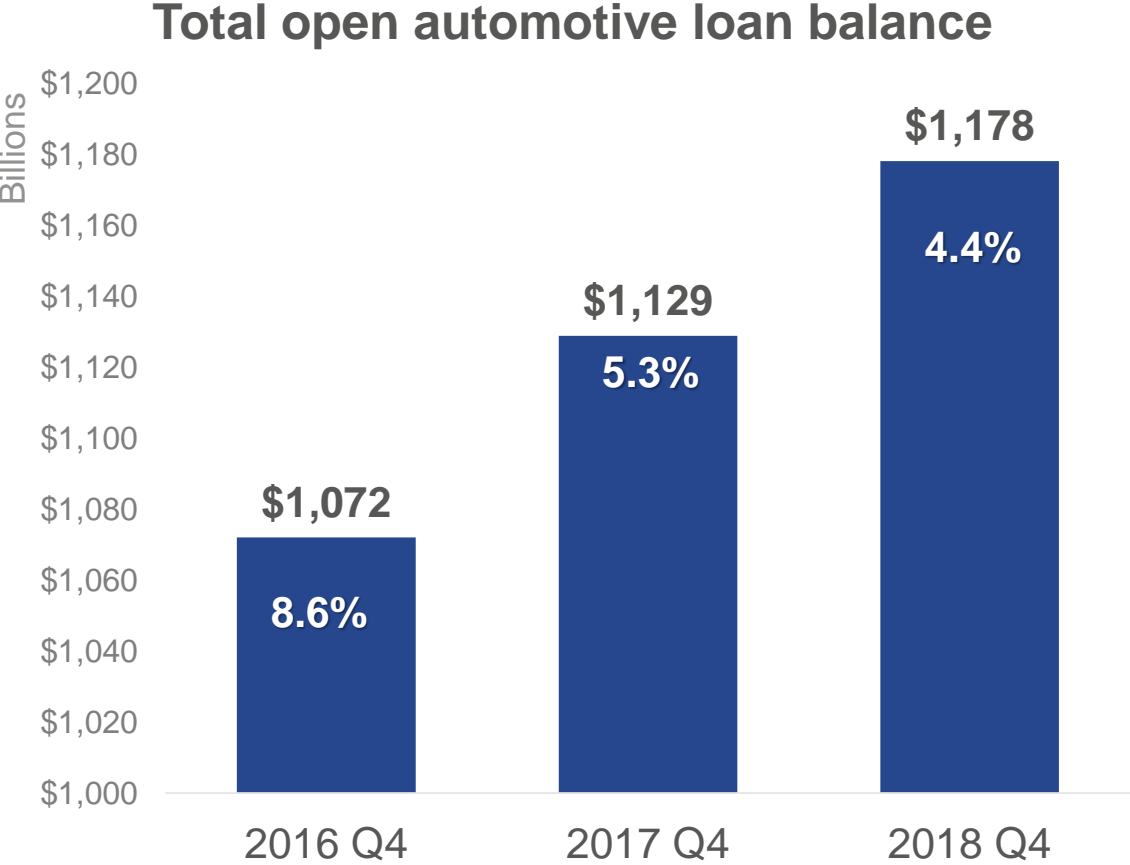
# Overall Automotive Finance Market

A review of all open automotive loans & leases



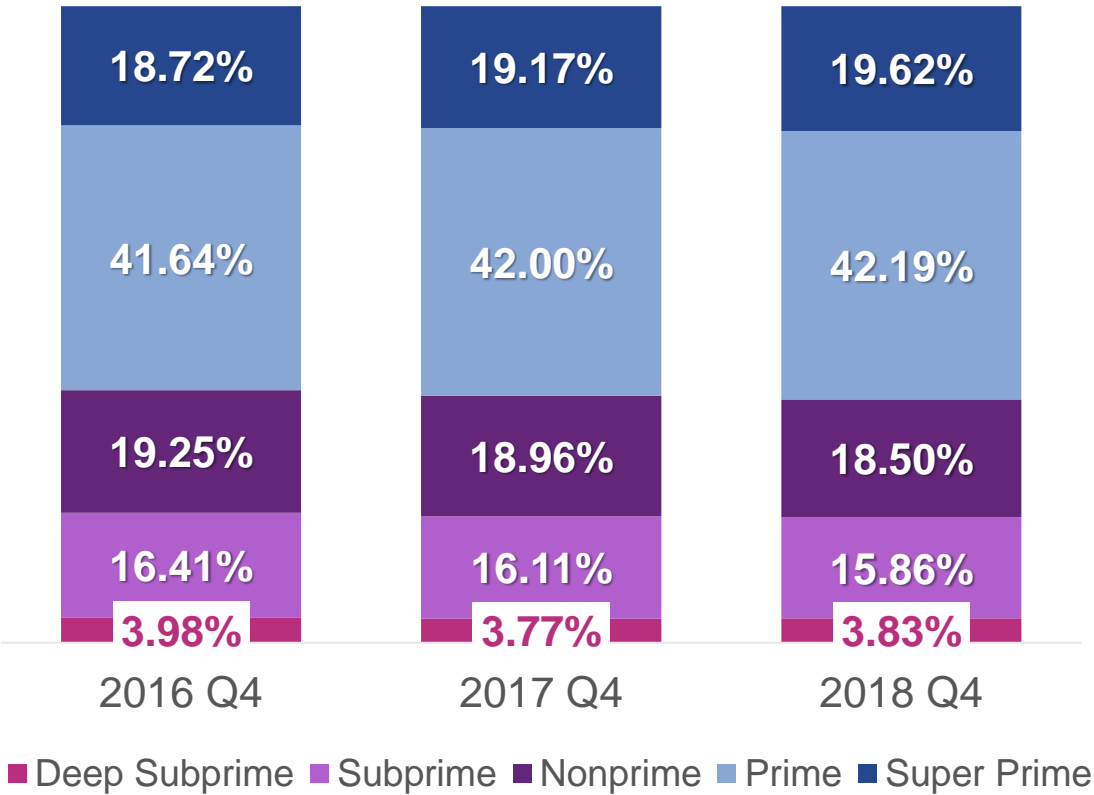


# Loan balances reach another record high with growth across all lender types; Credit Unions maintain double-digit growth

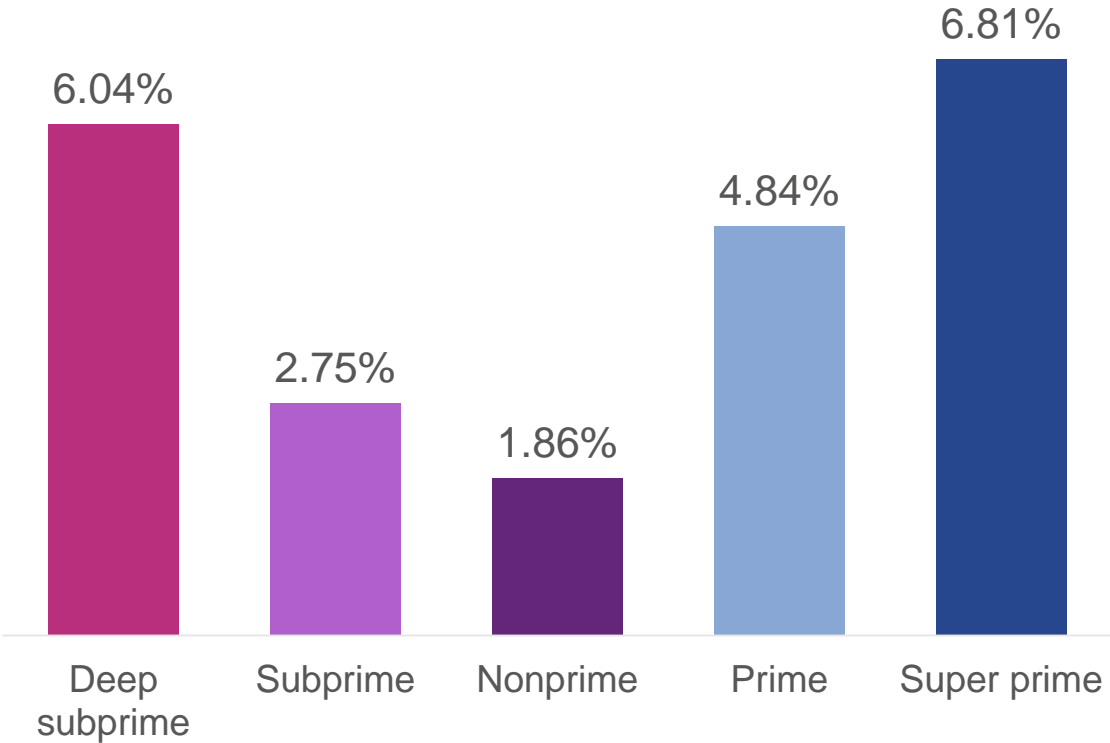


# Percentage of subprime remains below 20% of loan balances with increased balances across all risk segments

Loan balance risk distribution

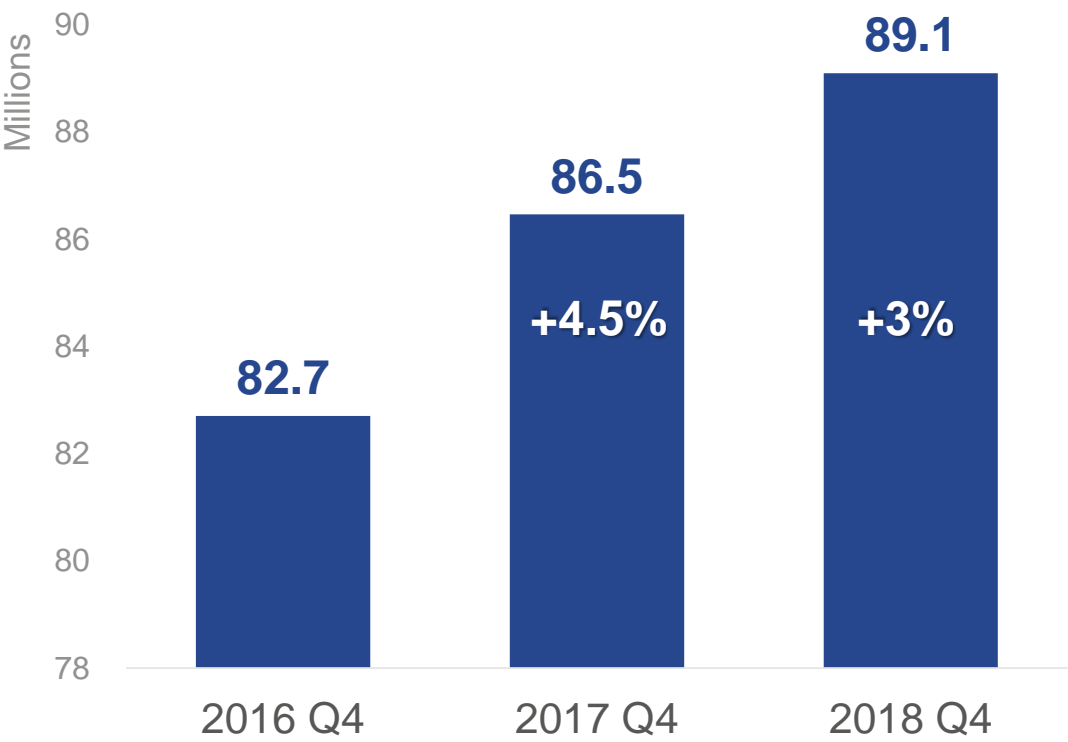


Year-over-year balance change

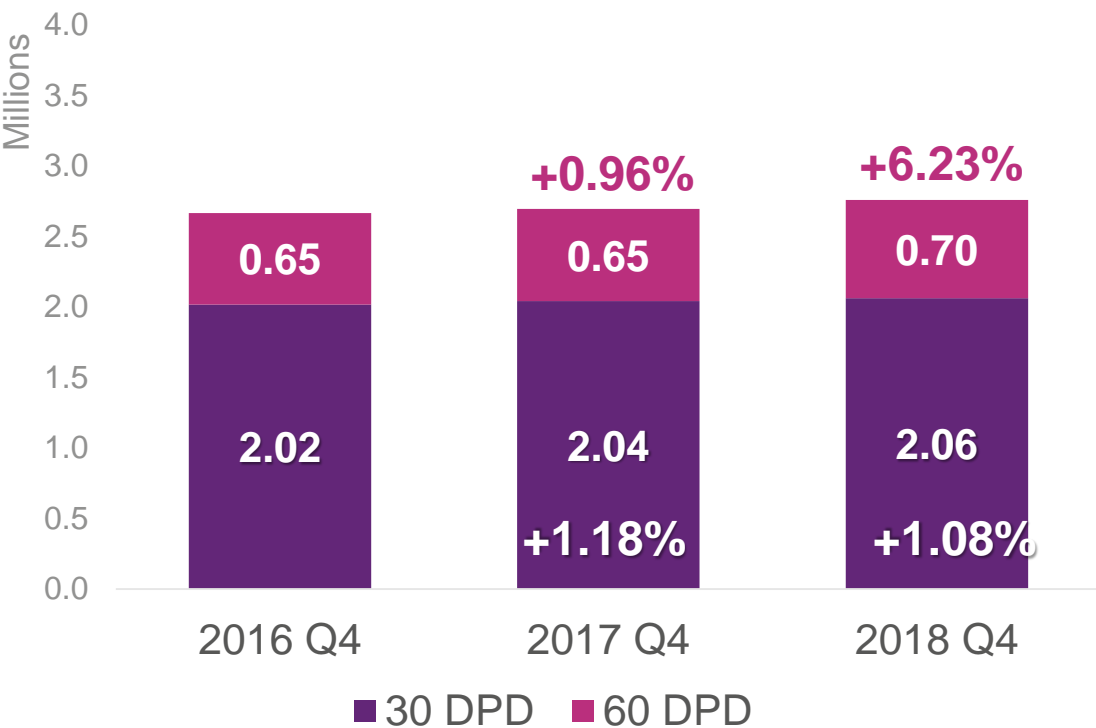


# 2.7 million out of 89 million active automotive loans and leases are either 30 or 60 days delinquent

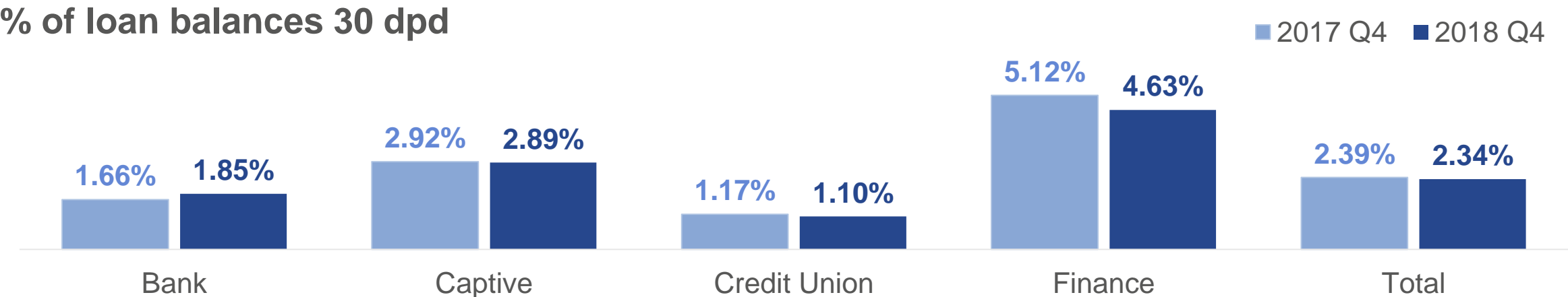
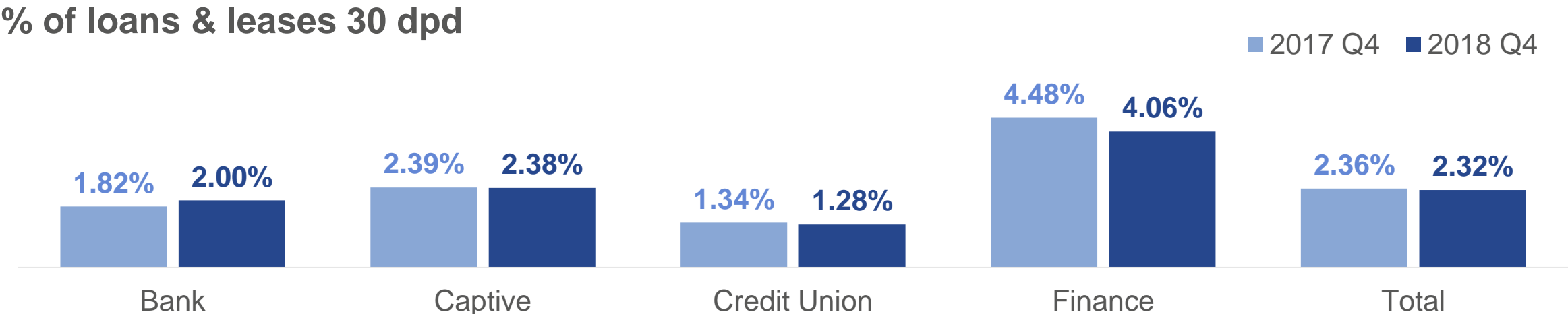
Number of open automotive loans and leases



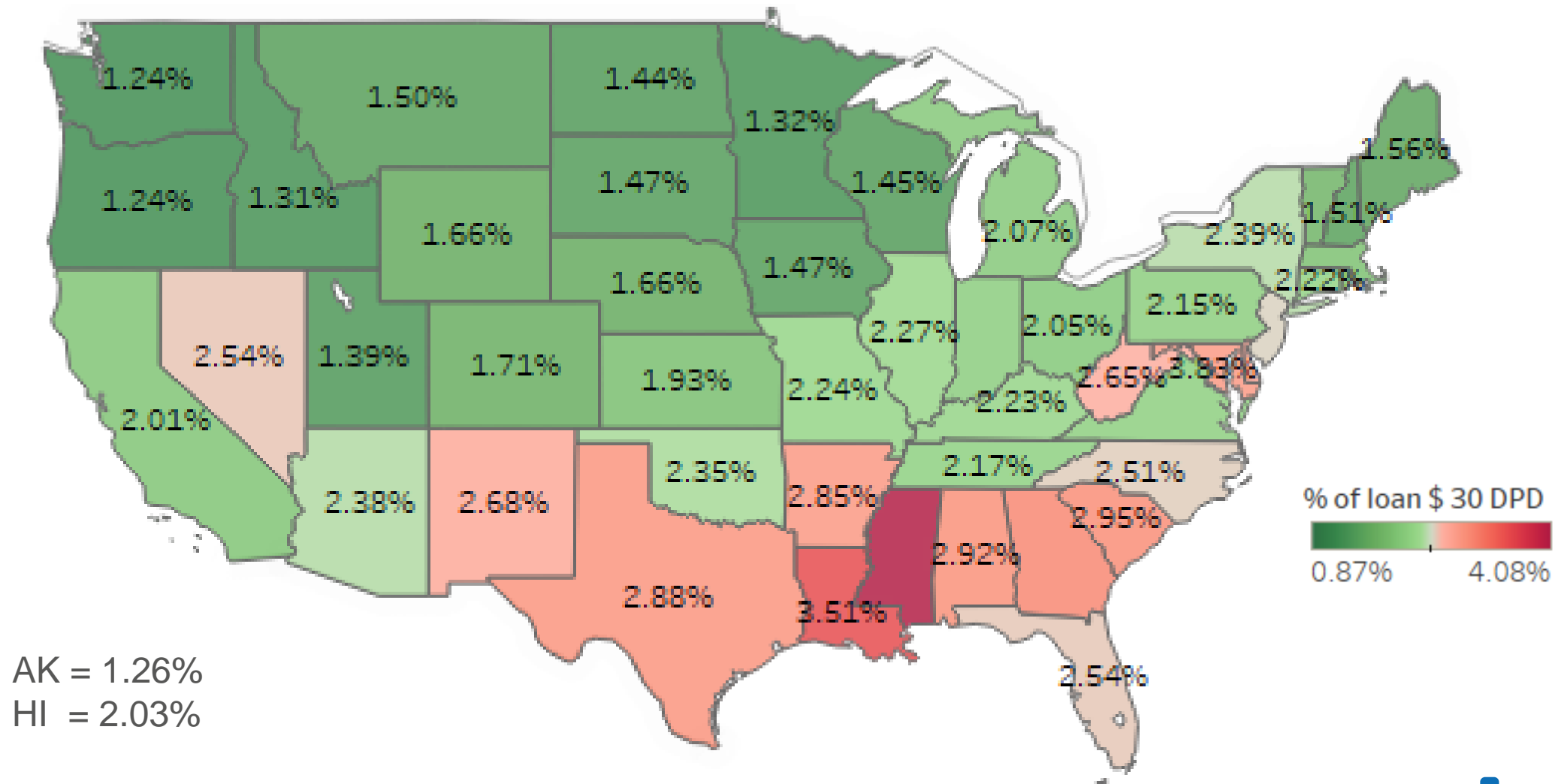
Number of automotive loans and leases that are 30 or 60 DPD



# 30 day delinquency rates improve for all but banks

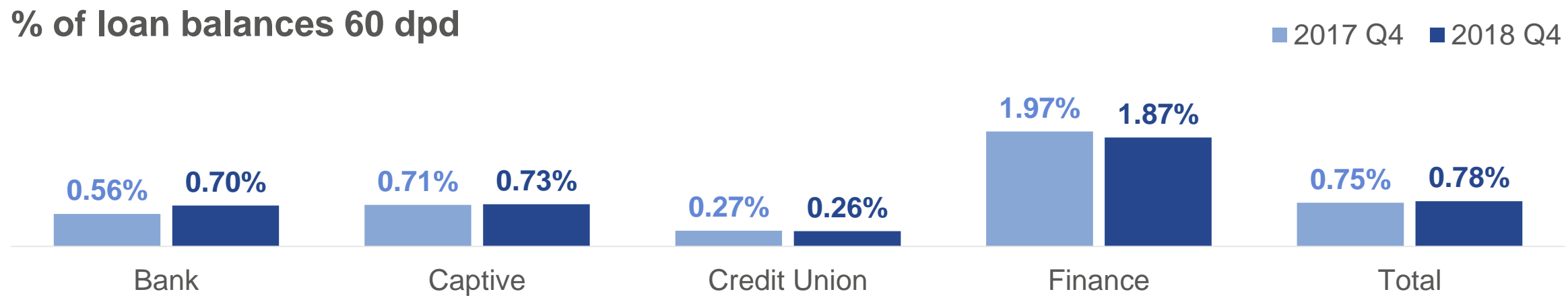
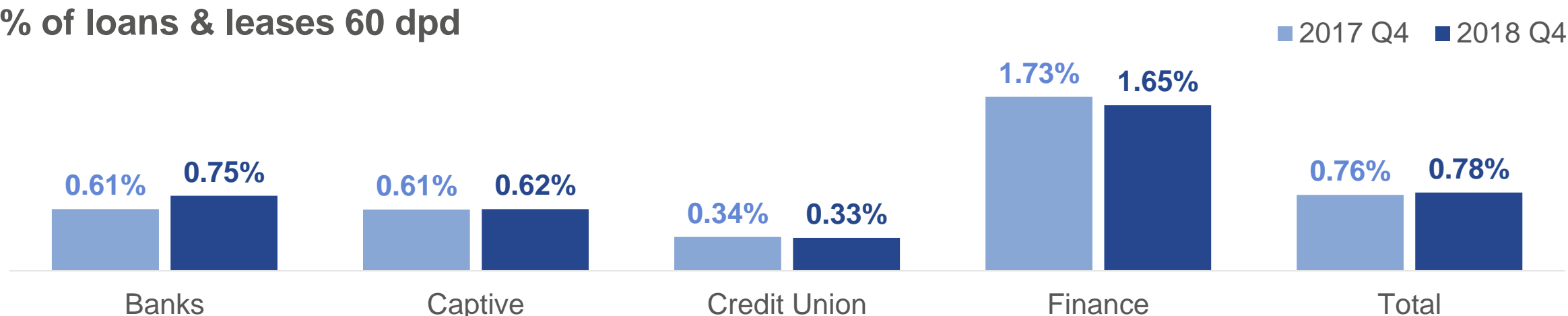


# Percentage of loan balances 30 dpd

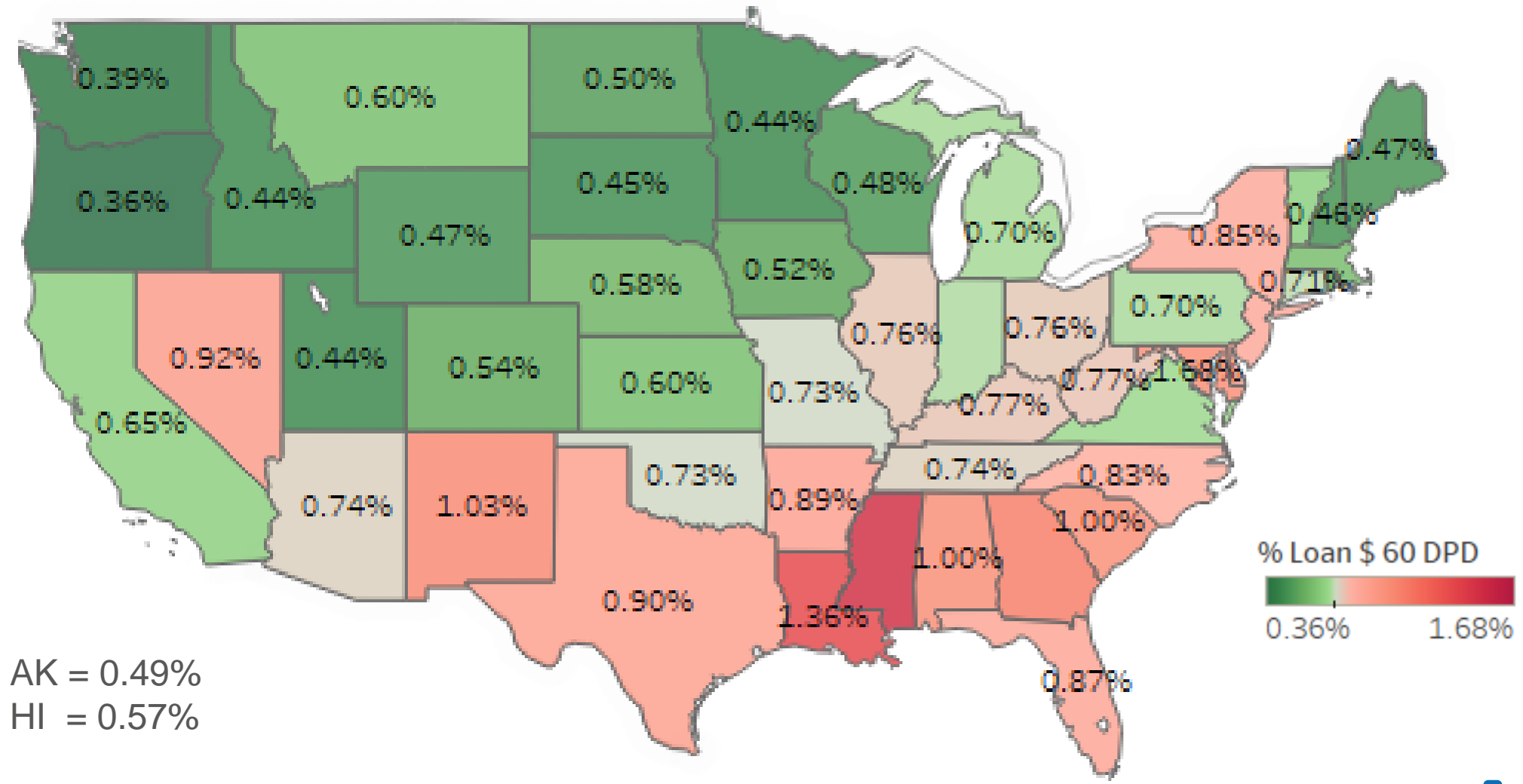




# 60 day delinquency up YOY with improvements in Credit Unions and Finance Companies



# Percentage of loan balances 60 dpd



# Originations in Q4 2018

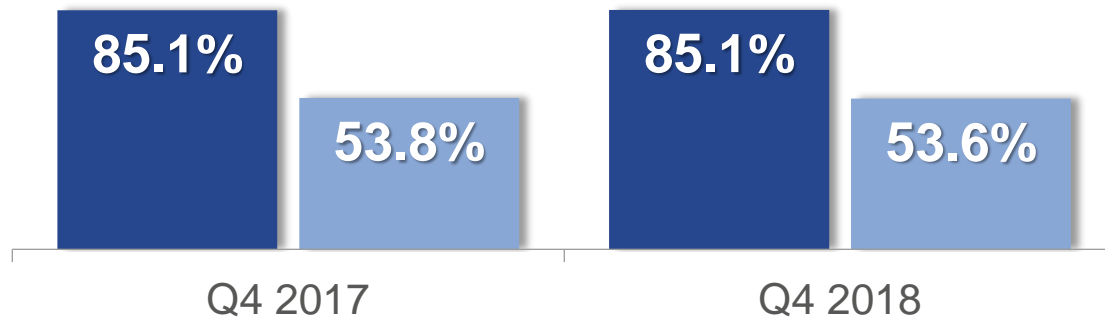
Trends in automotive loan and lease originations



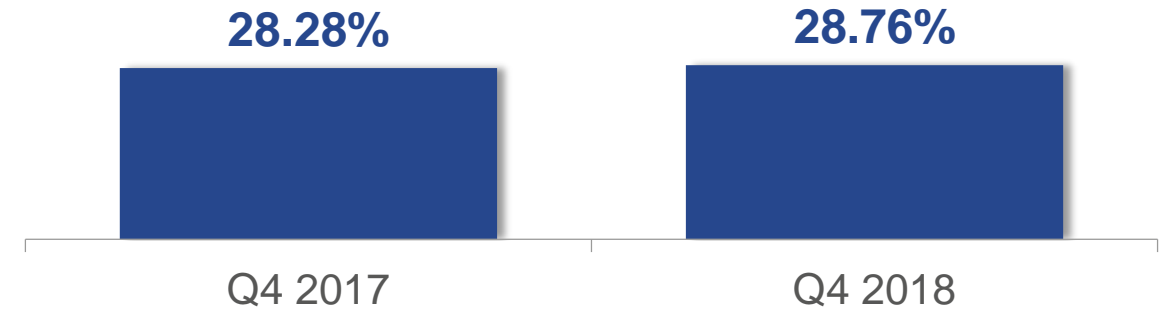
# Automotive financing<sup>1</sup>: snapshot of how and what consumers are financing

Percentage of vehicles with financing

■ New ■ Used

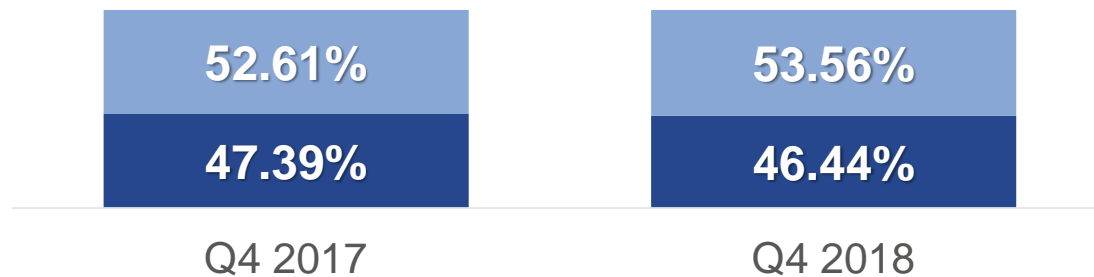


% of all<sup>2</sup> new vehicles that are leased



Finance Market: new v used units

■ New ■ Used



Used % of lease market

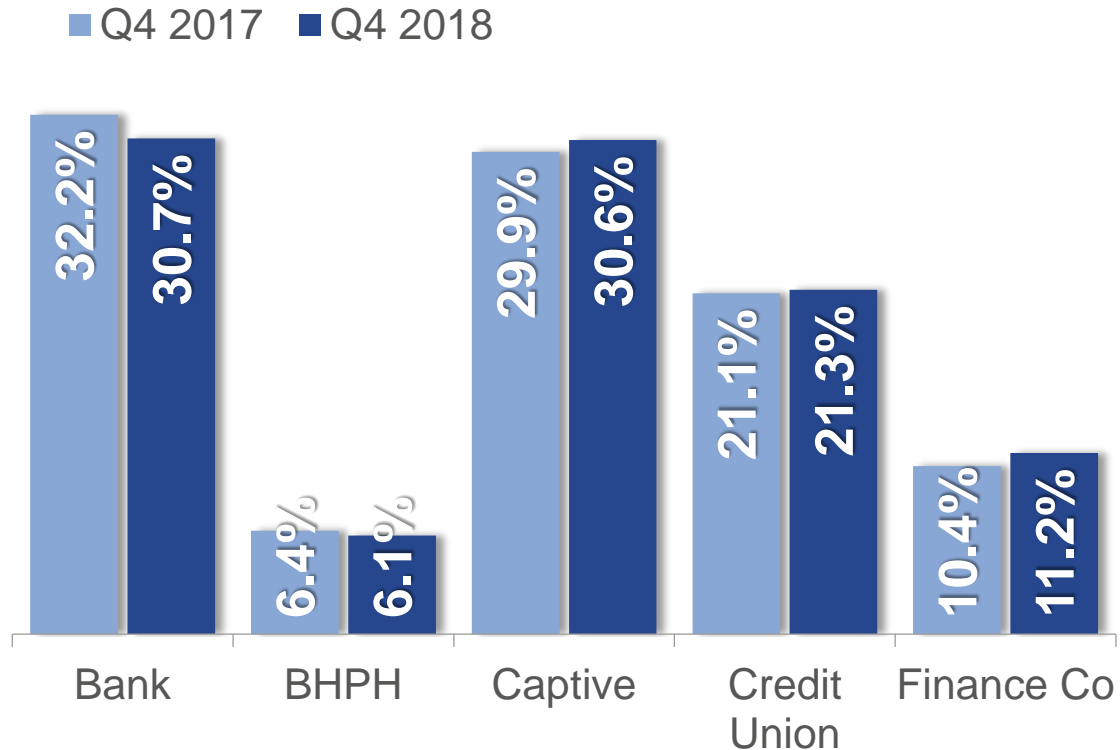


<sup>1</sup> Financing = either a loan or lease is present on the title; <sup>2</sup> All = loan, lease or cash

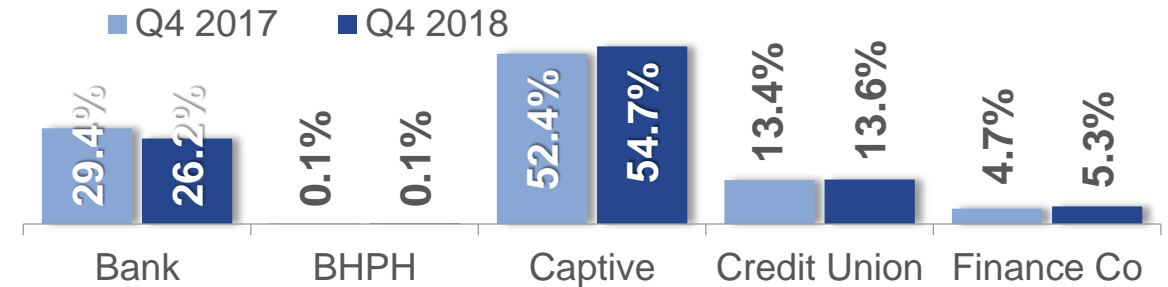
# Market share shifting away from banks

(loan and lease units combined)

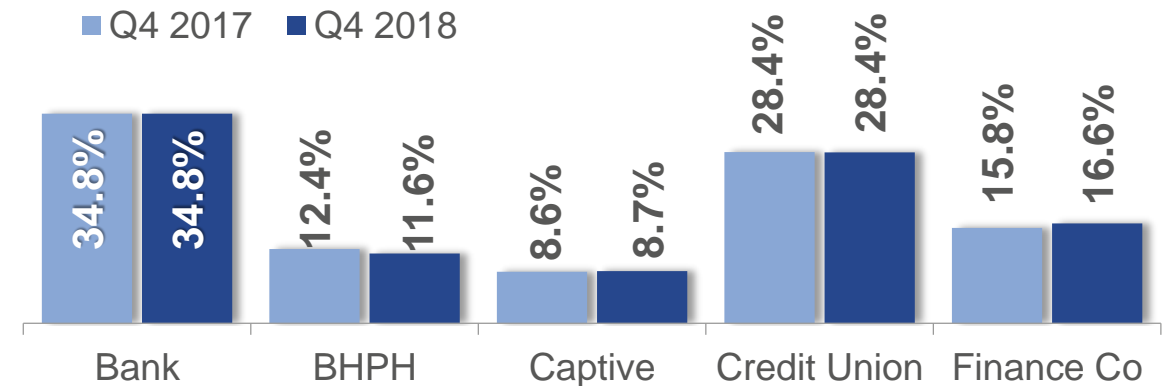
## Market Share of Total Financing (new/used units & loan/lease)



## Market Share of New Financing



## Market Share of Used Financing



# Score range refresh

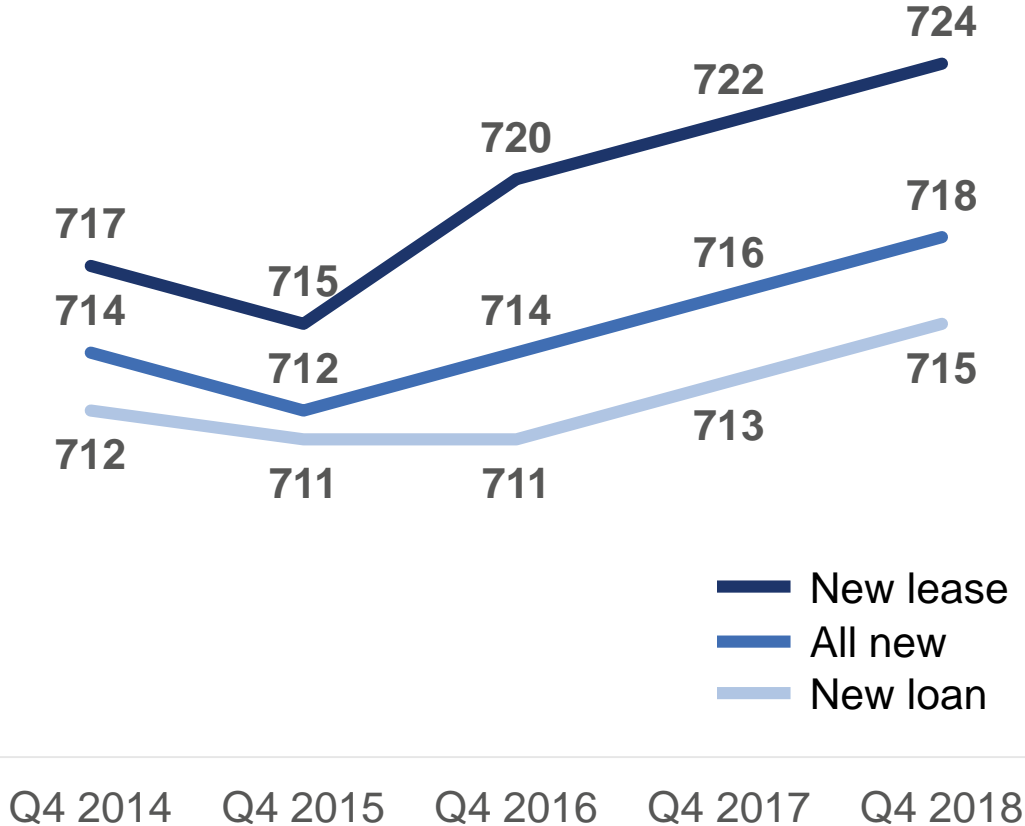
Category	Score Range
Super prime	781 – 850
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**Note:** ranges above are those used by Experian Automotive for automotive finance market analysis and trending purposes. Other industries and lenders may use other ranges based on unique scores, portfolio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

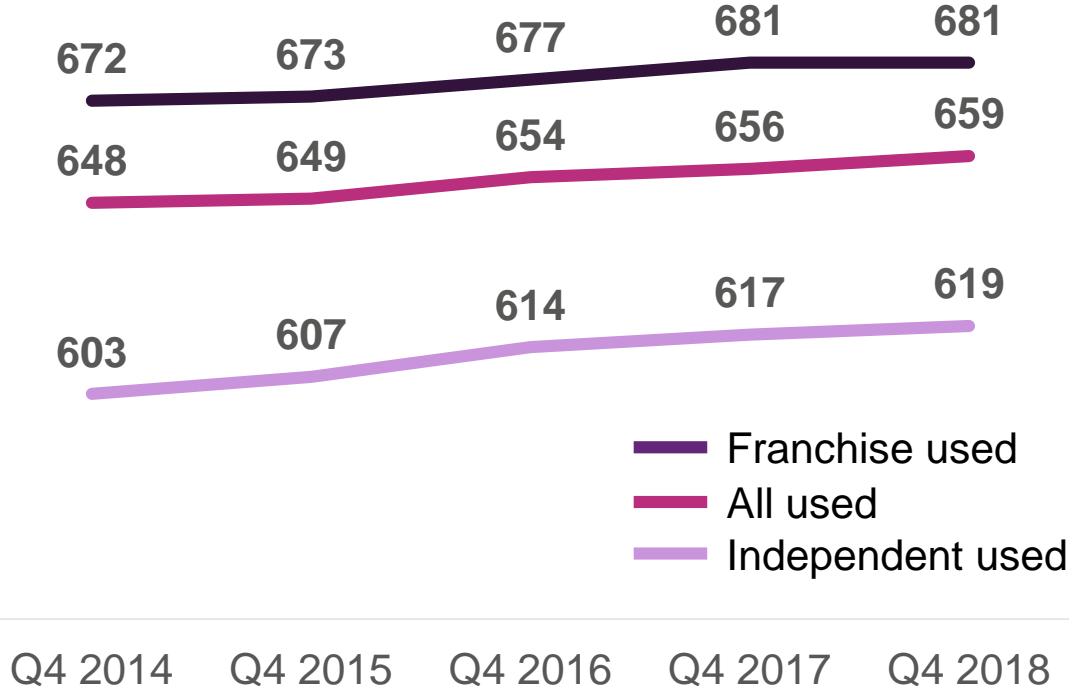


# Credit scores show year-over-year improvement

Average new credit scores

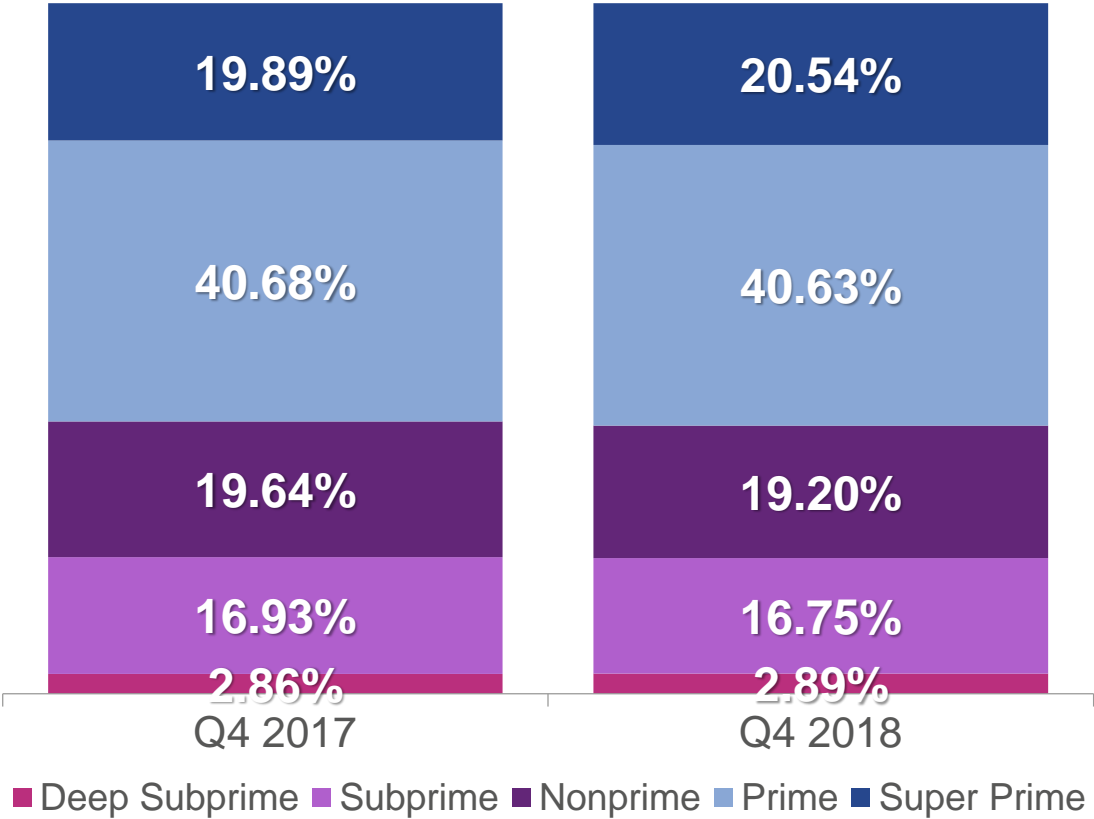


Average used credit scores

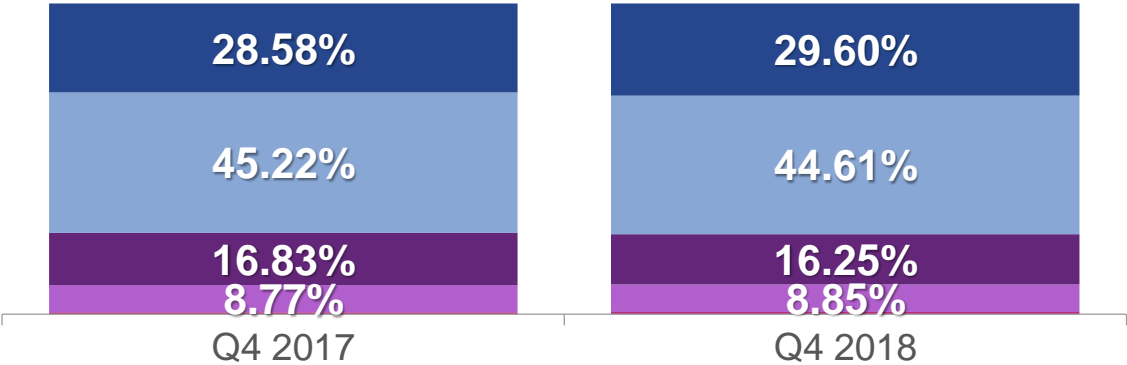


# Overall modest shifts in total financing while used reached record lows in subprime

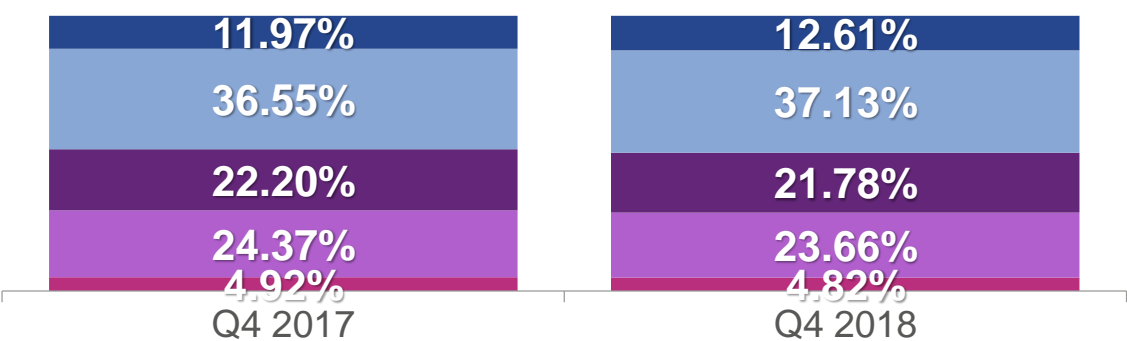
Total (loan & lease/new & used units)  
risk distribution



New (loan/lease) risk distribution

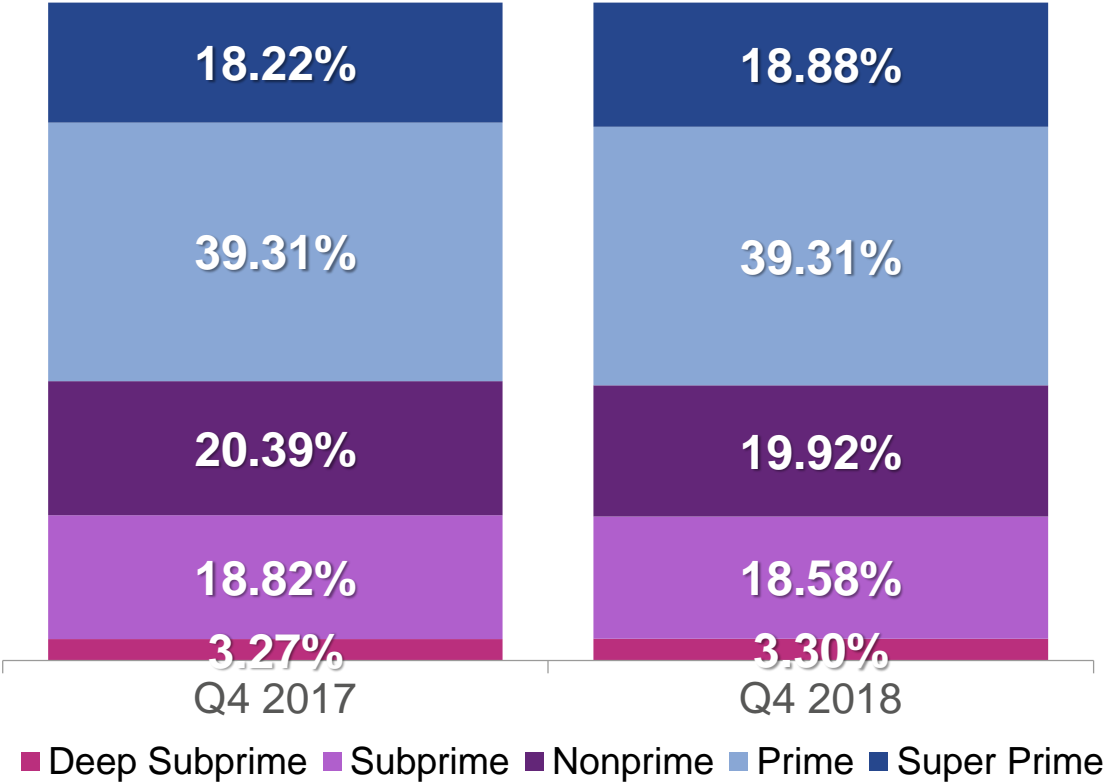


Used (loan/lease) risk distribution

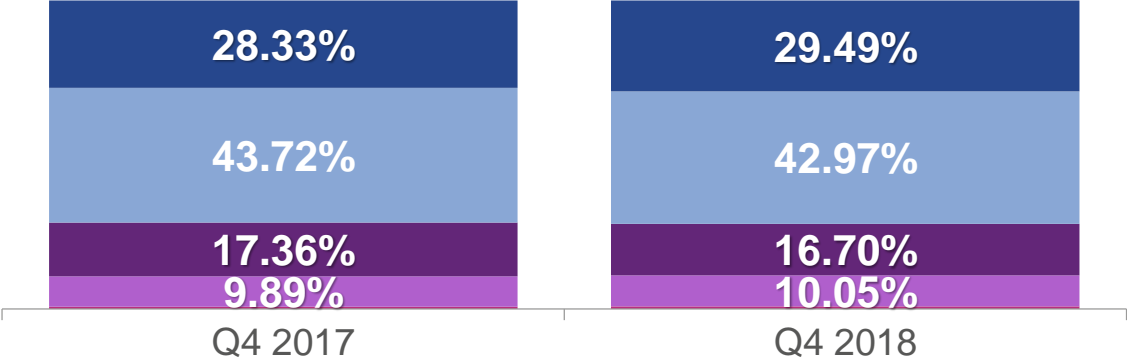


# Subprime hits a Q4 low for total and used loans; super prime grows across both new and used lending

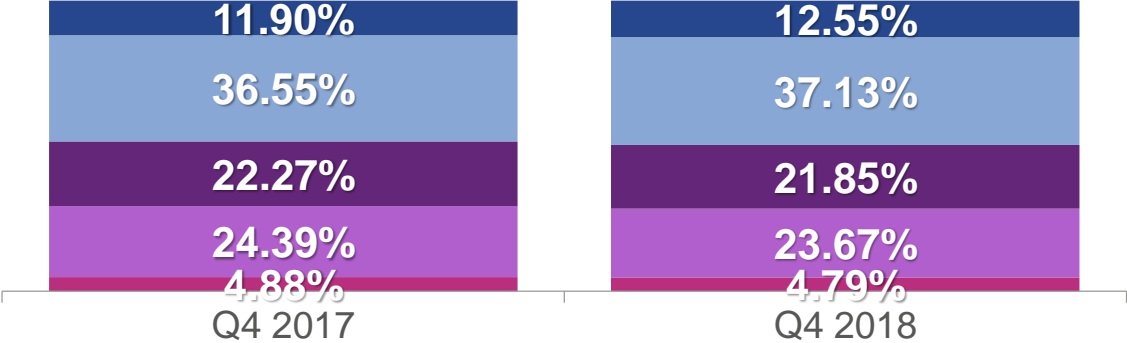
Total (new & used units) loan risk distribution



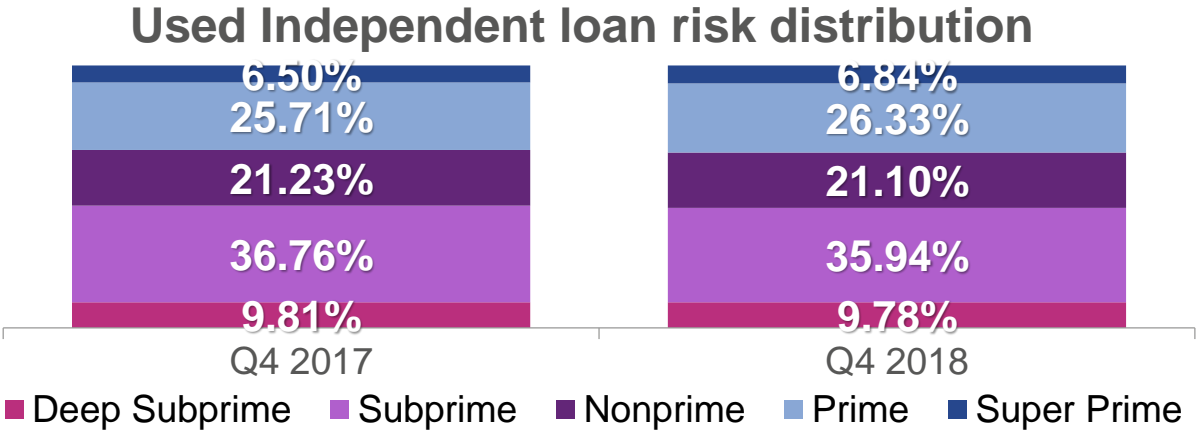
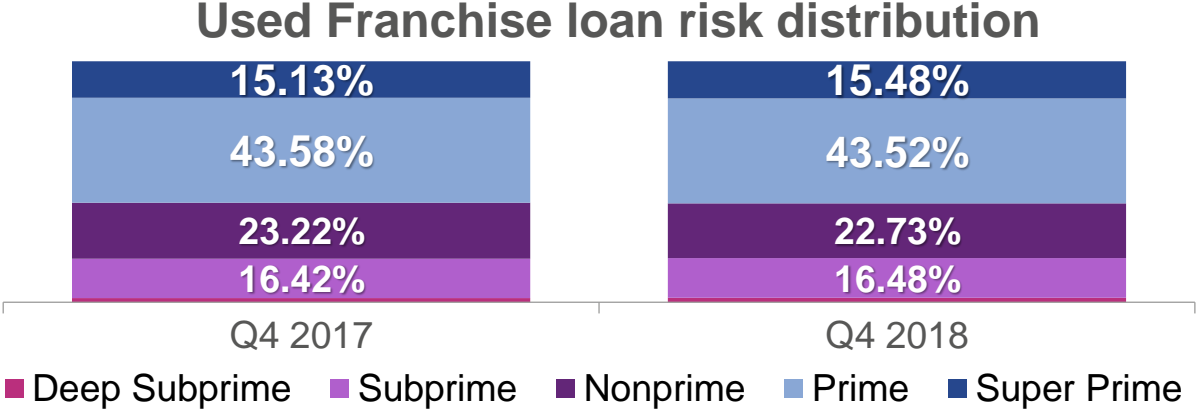
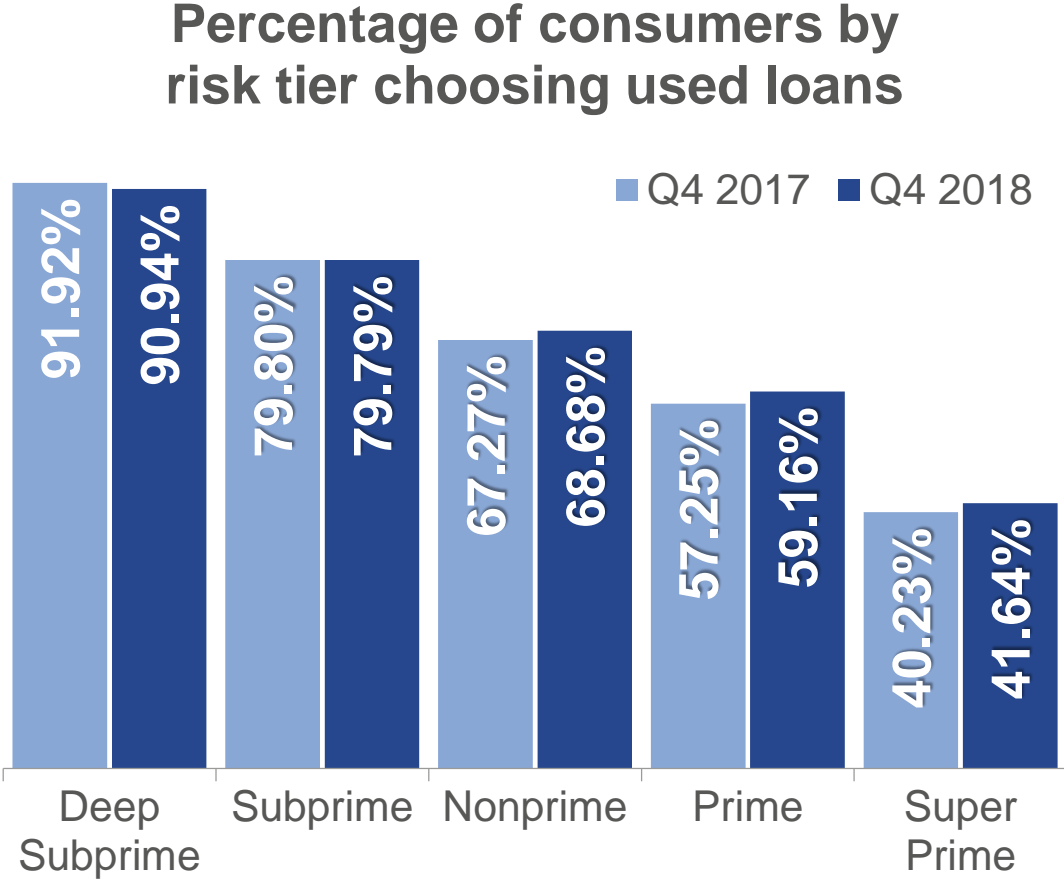
New loan risk distribution



Used loan risk distribution

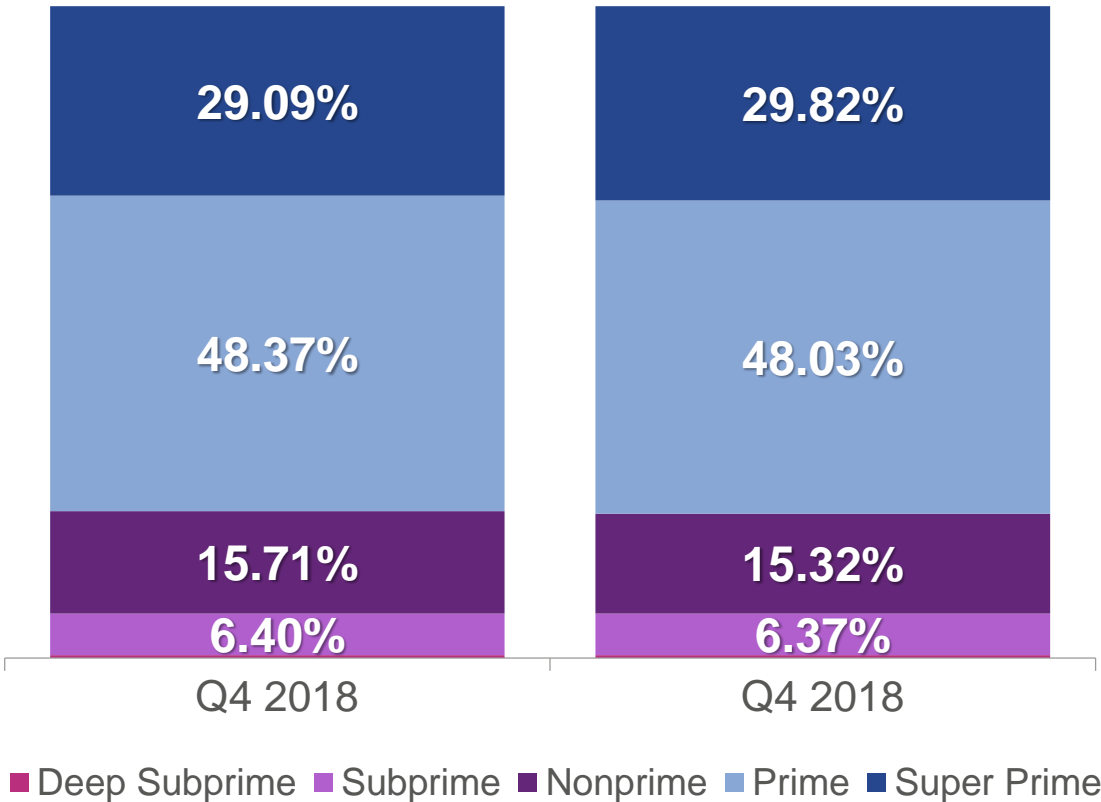


# Continued trend of prime consumers choosing used vehicles

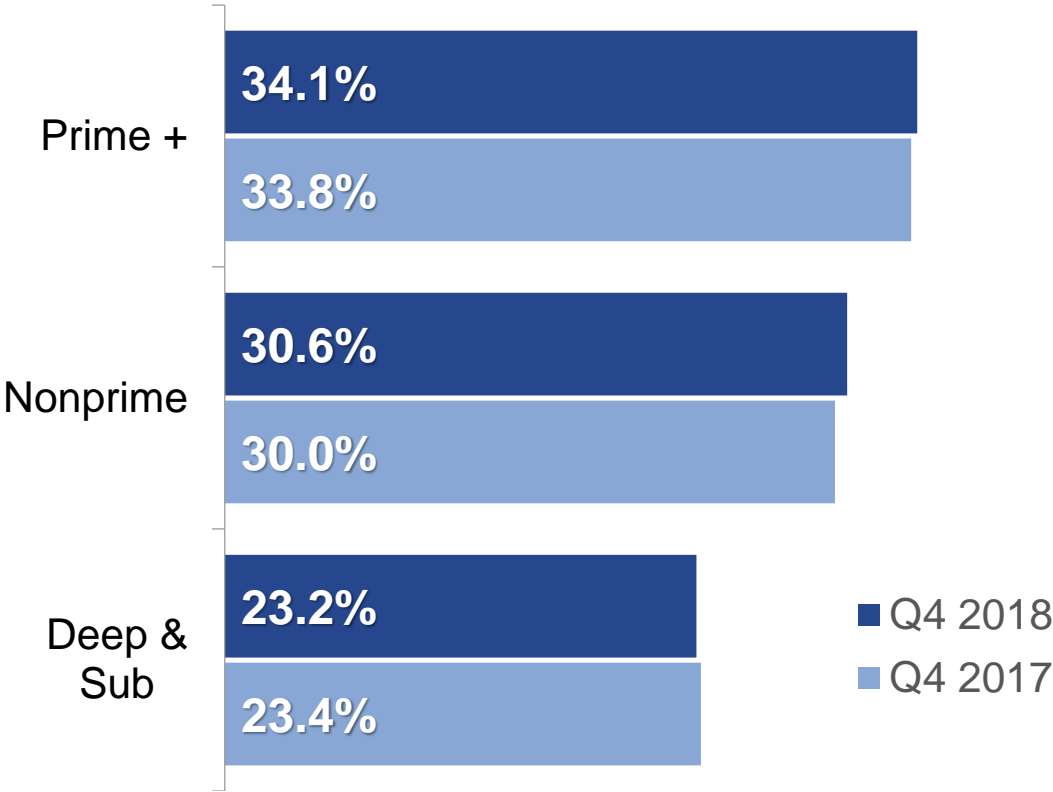


# Leasing shifts into more prime segments as consumers choose leasing at greater rates than 2017

New lease risk distribution

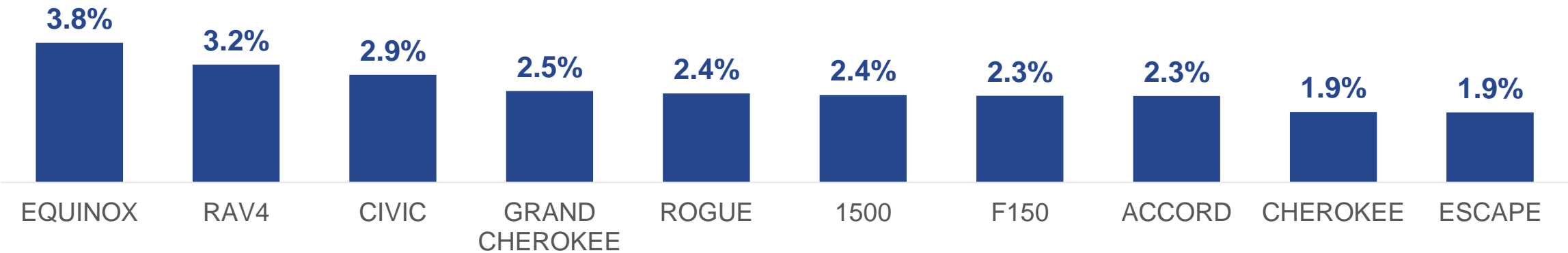


% of new borrowers choosing to lease

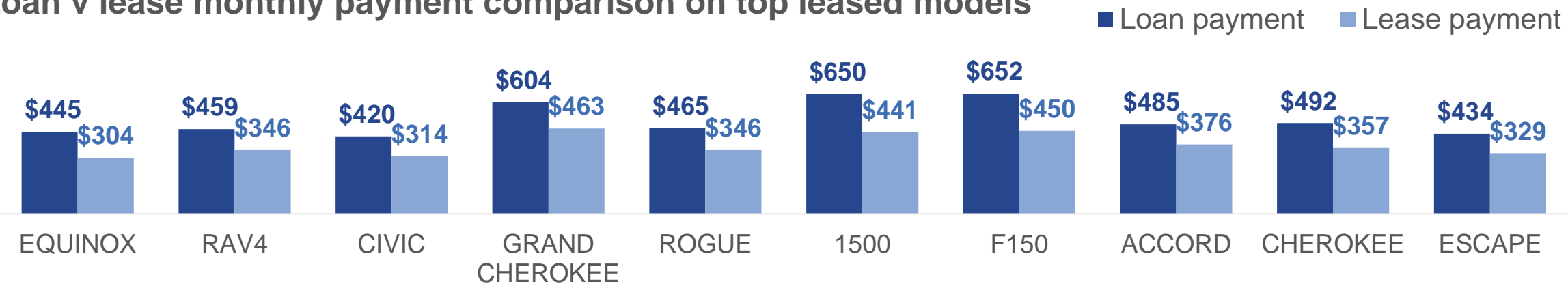


# CUVs and Trucks comprise the majority of the top leased models with average lease savings of \$138

Top 10 new leased models by market share



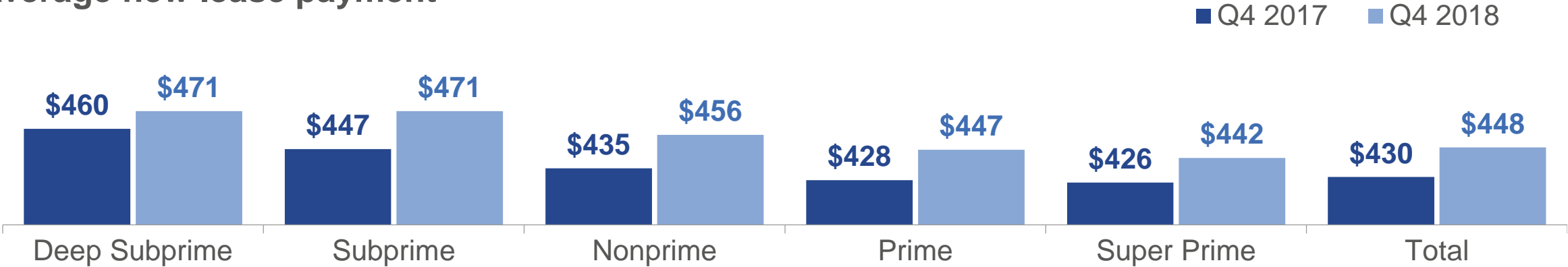
Loan v lease monthly payment comparison on top leased models



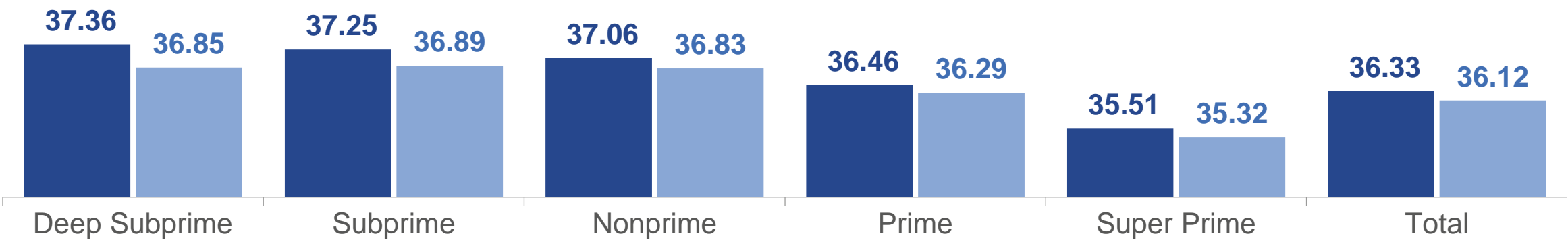


# Leasing payments also rise while terms remain at 36 months

Average new lease payment

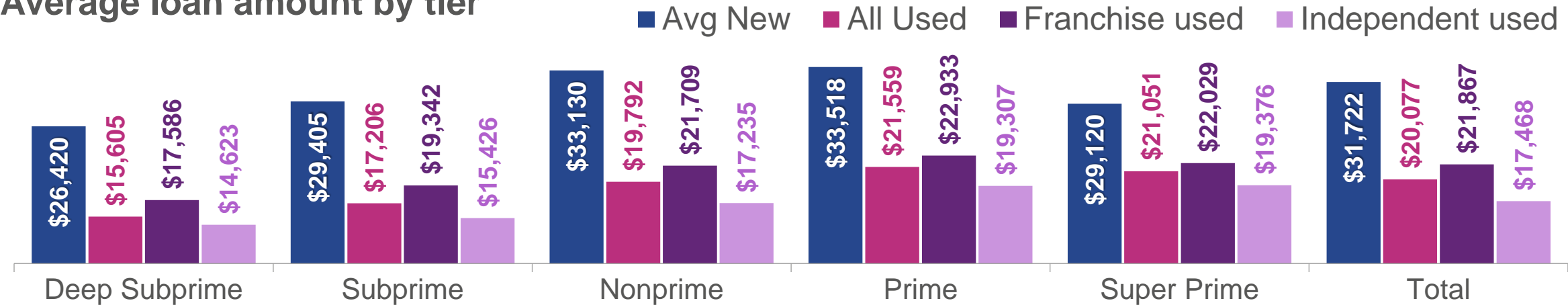


Average new lease term

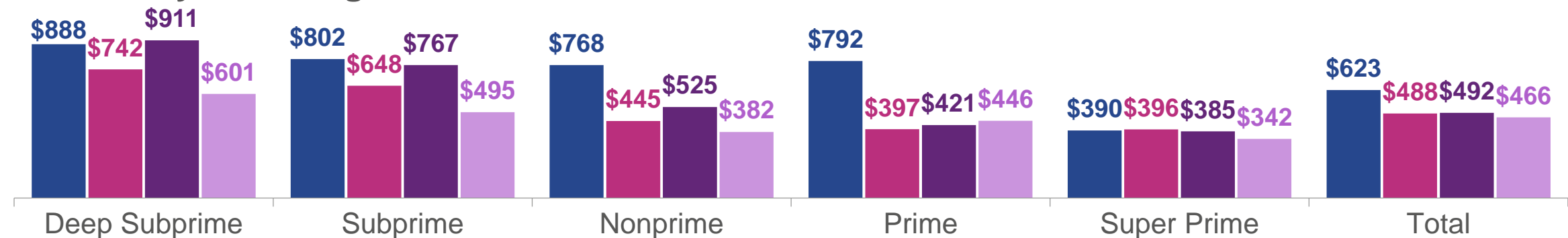


# Record highs for average loan amounts; average used loans surpass \$20k

Average loan amount by tier

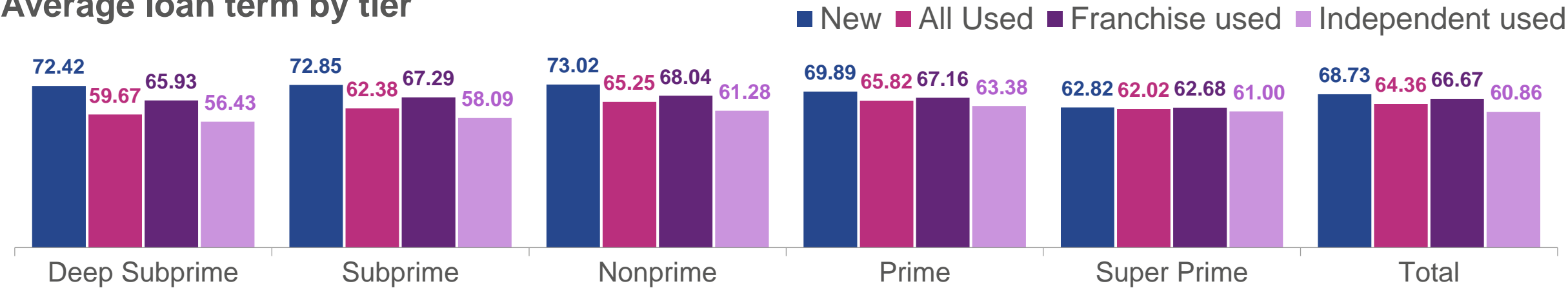


Year-over-year change in balance

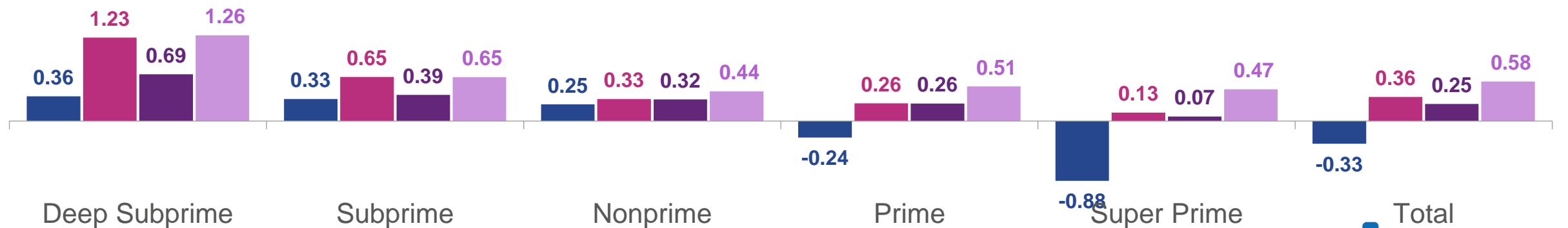


# New loan term decreases; used terms increase

Average loan term by tier

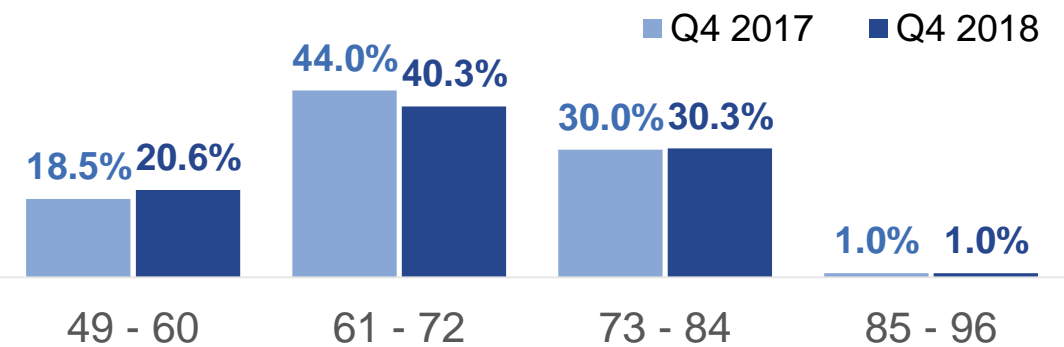


Year-over-year change in used loan term

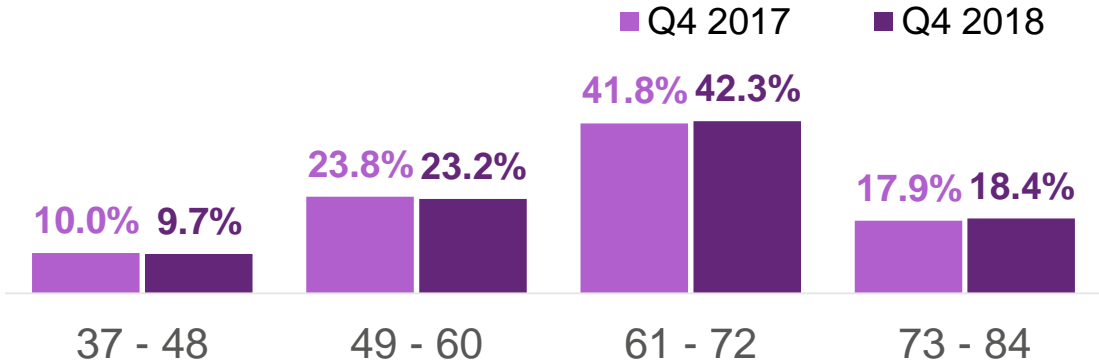


# Longer term loans continue to dominate the market however new loans saw growth in shorter terms

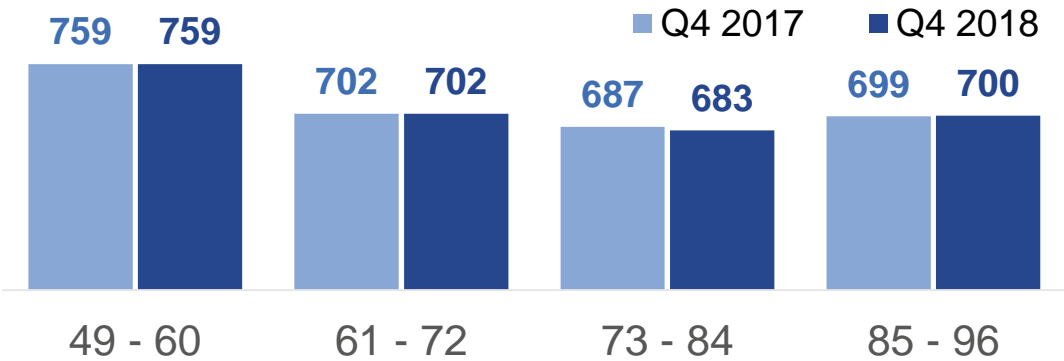
Percentage of new loans by term



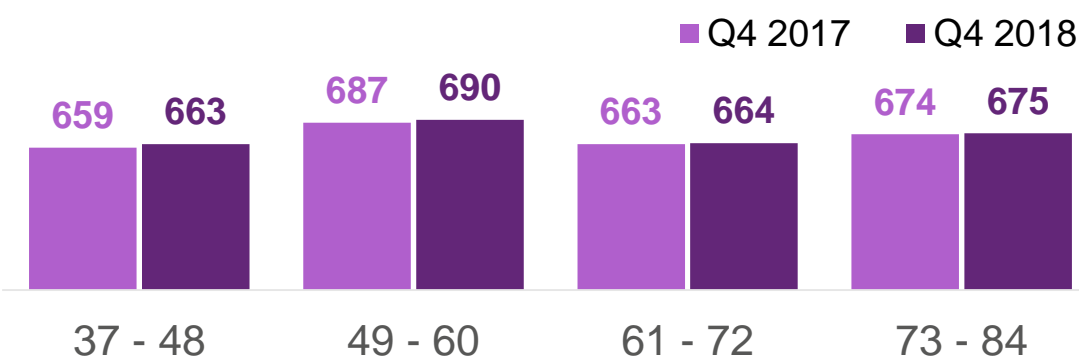
Percentage of used loans by term



Average new score by loan term

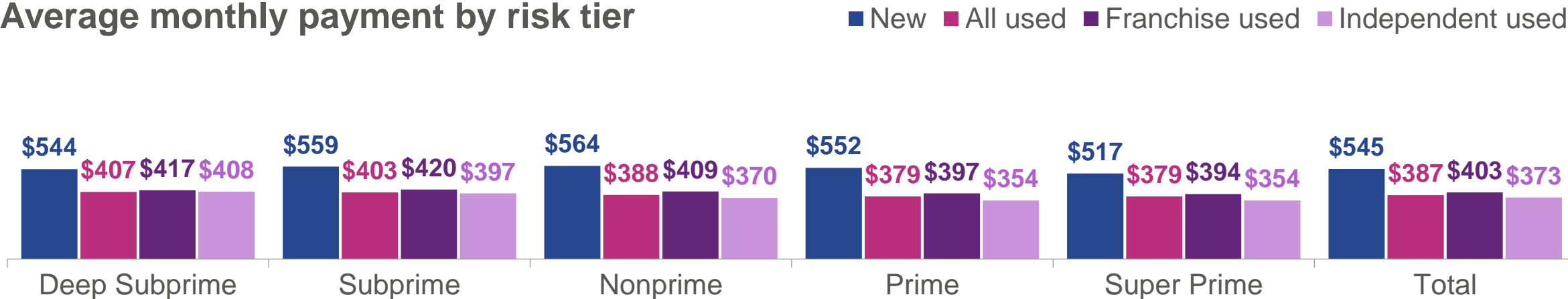


Average used score by loan term

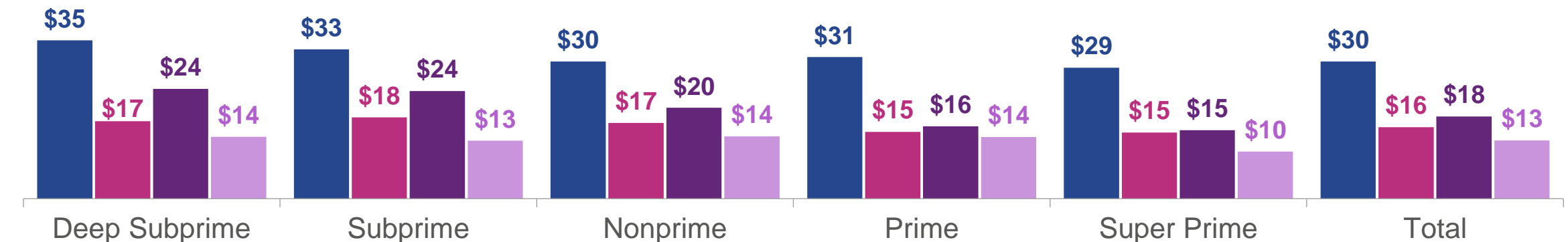


# Payments hit highs; franchise used surpass \$400

Average monthly payment by risk tier

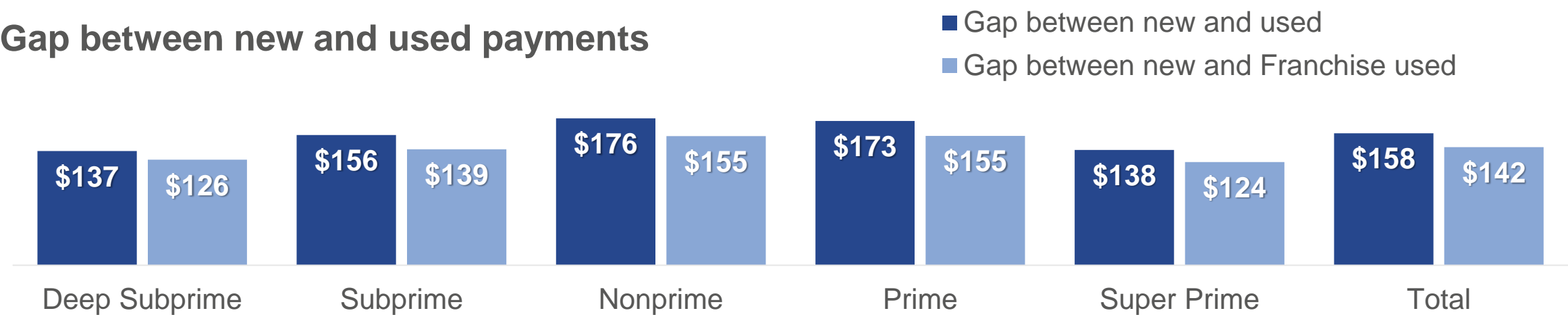


Year-over-year change in payments

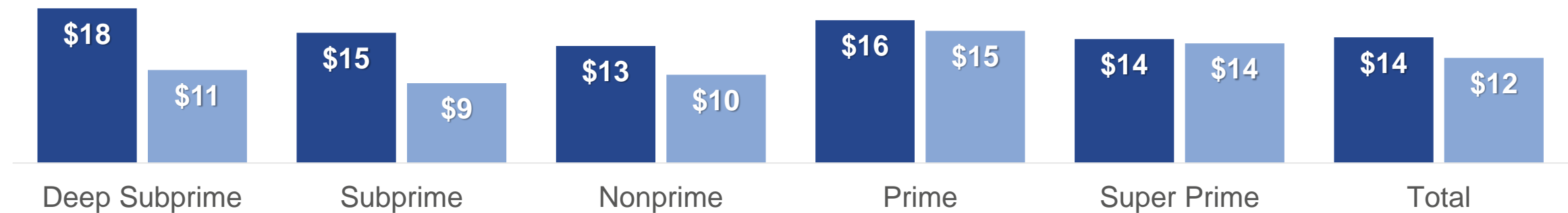


# Gap between new and franchise used payments widen

Gap between new and used payments



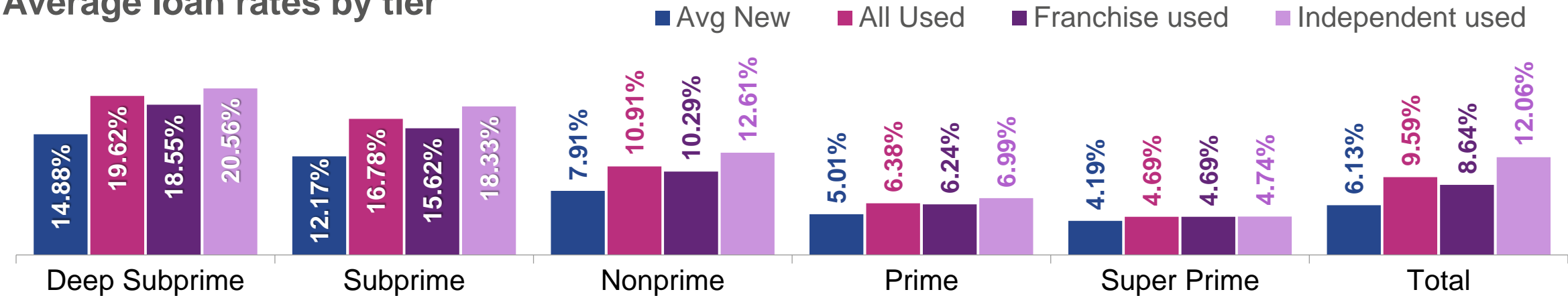
YOY change in payment gap



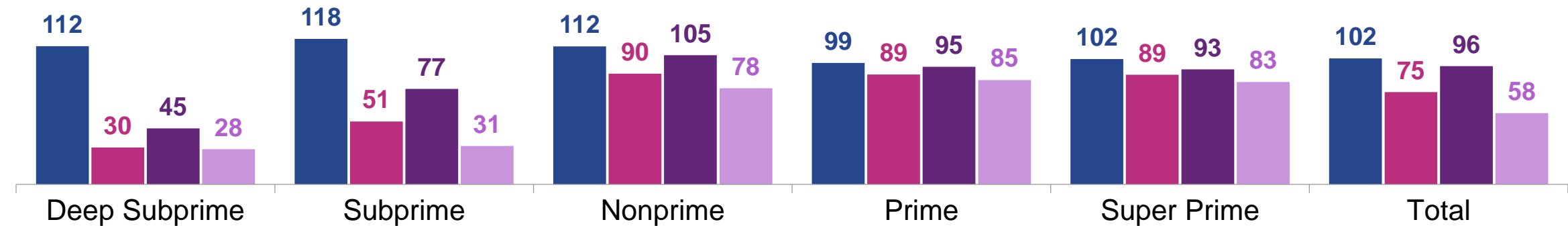


# New rates pass 6% for the first time in 10 years

Average loan rates by tier



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



# Summary

- Q4 continues a series of record highs for loan balances with all lenders experiencing growth
- 30 day delinquency improves YOY; 60 day sees increases
- Overall delinquency trending upward due to prior subprime originations
- Leasing continues to be a highly sought product with growth in prime segments
- Credit scores increase with majority of growth in super prime segments
- Loan amounts hit record highs with monthly payments reaching highs driven by rate increases



