



# State of the Automotive Finance Market Q1 2023

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**Melinda Zabritski**

Senior Director, Product Management

June 1, 2023

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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 and 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 credit and loan/lease characteristics across vehicle metrics
- Review loan performance by origination attributes, vehicle and dealers

## 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

A group of people in a meeting, with one person signing a document. The image is overlaid with a purple tint.

# Q1 2023 Originations

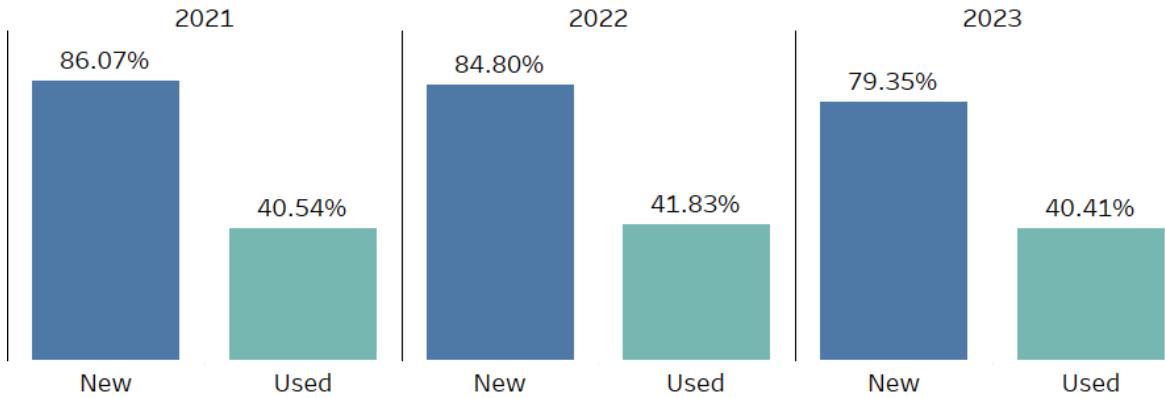
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Trends in automotive loan and lease originations

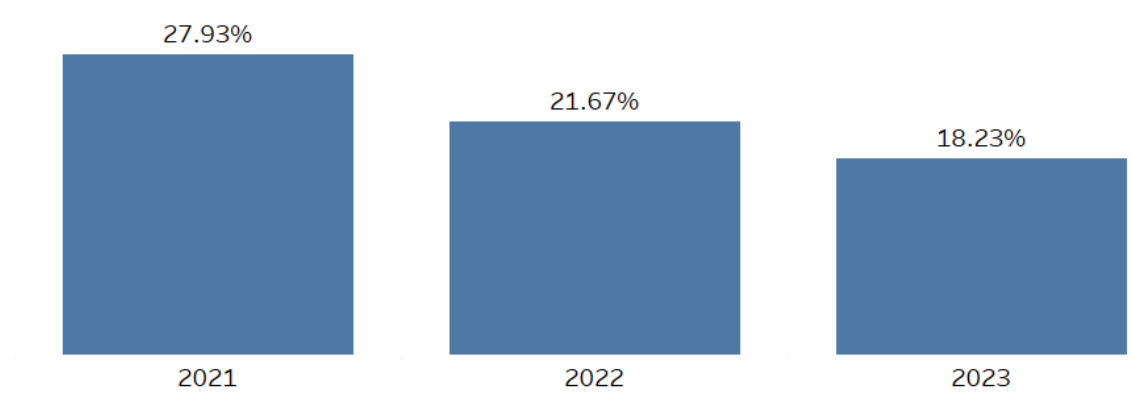
# Automotive financing

Snapshot of how and what consumers are financing

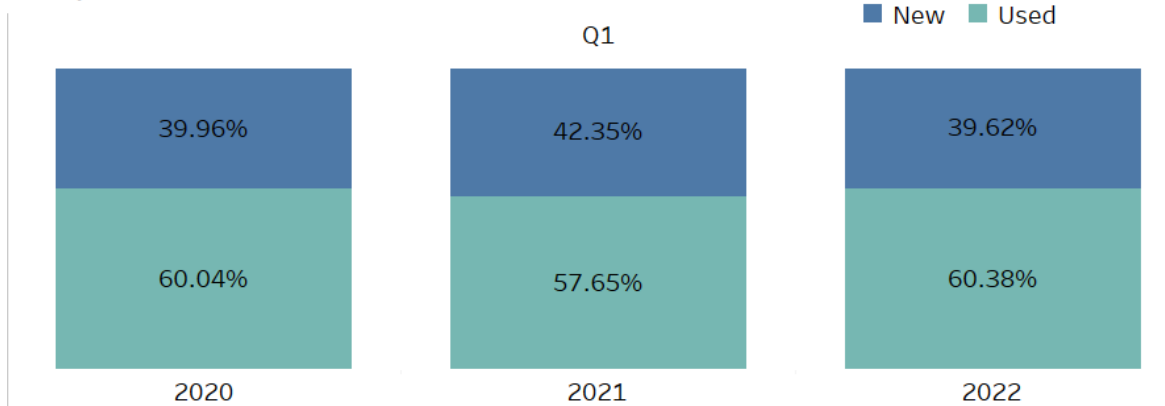
Percentage of vehicles with financing



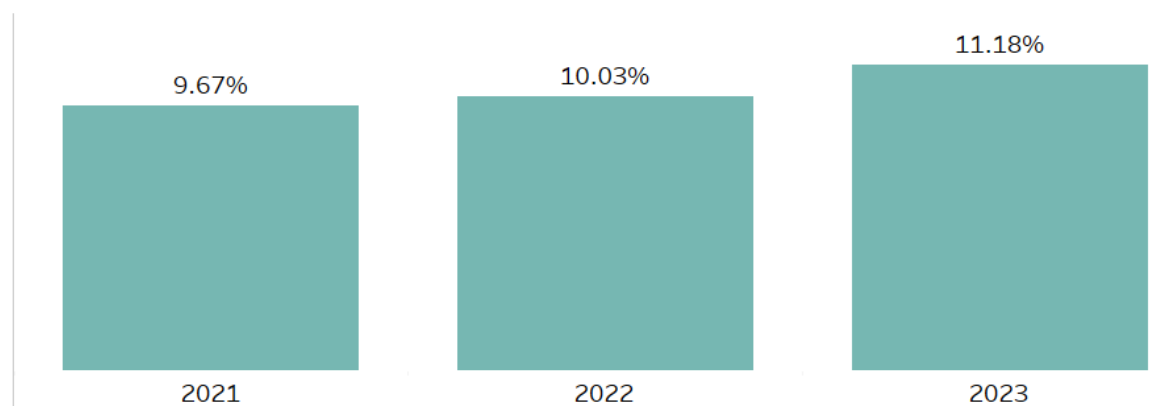
% of all new vehicles that are leased



New/Used percentage of financing

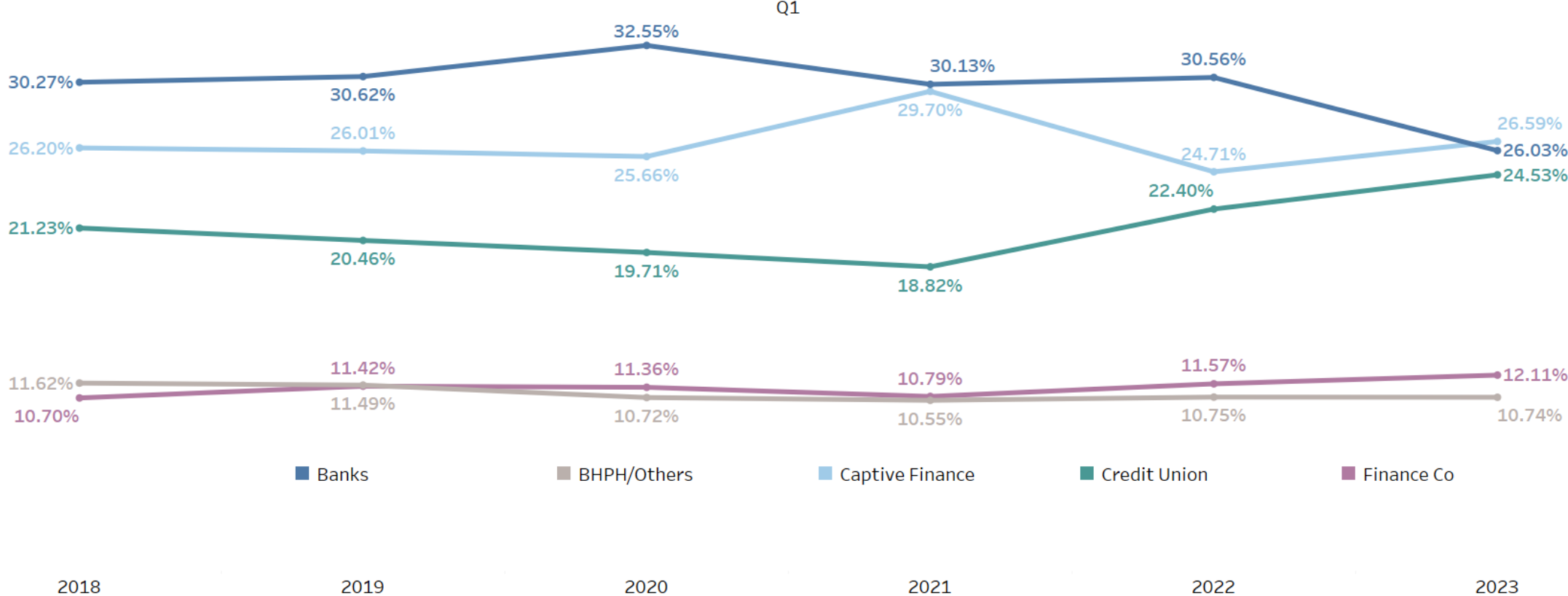


Used vehicle % of total lease market



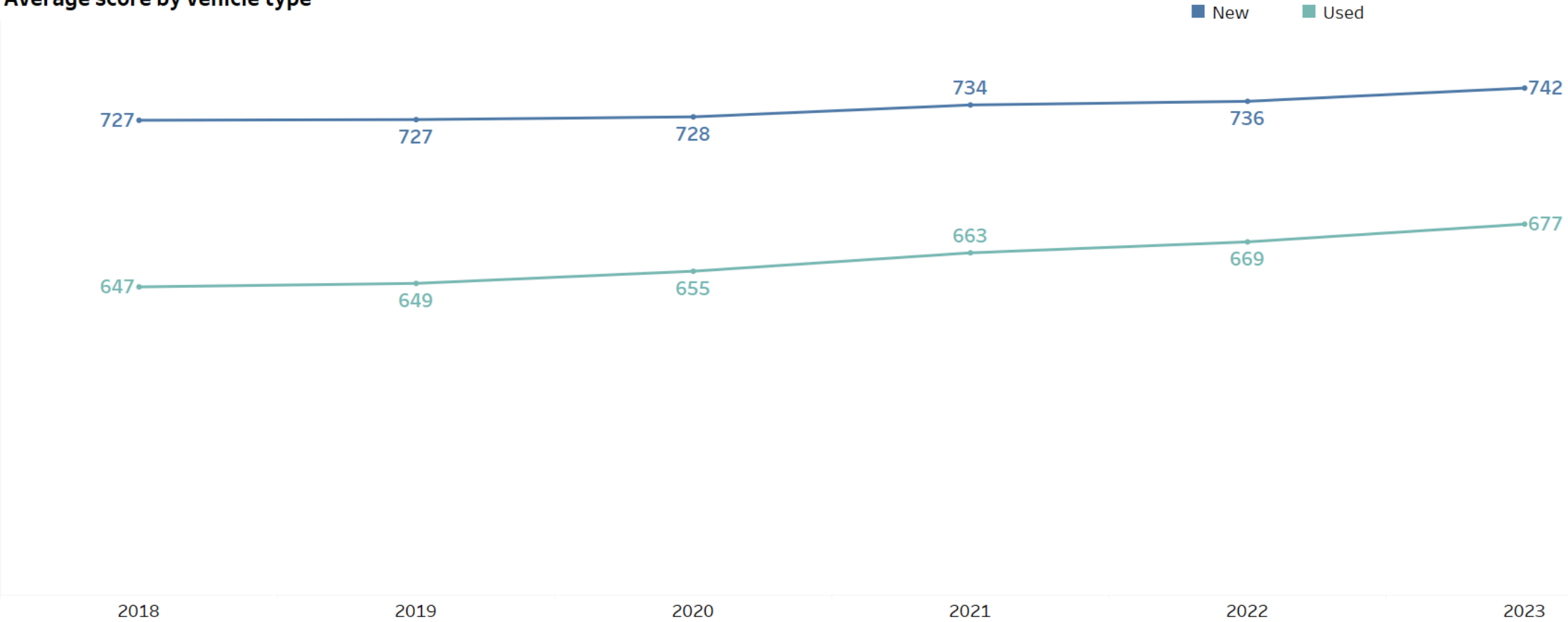
# Captives move to largest share type for total financing

Market share of total financing



# New scores increase 6 points while used are up 8 YOY

Average score by vehicle type

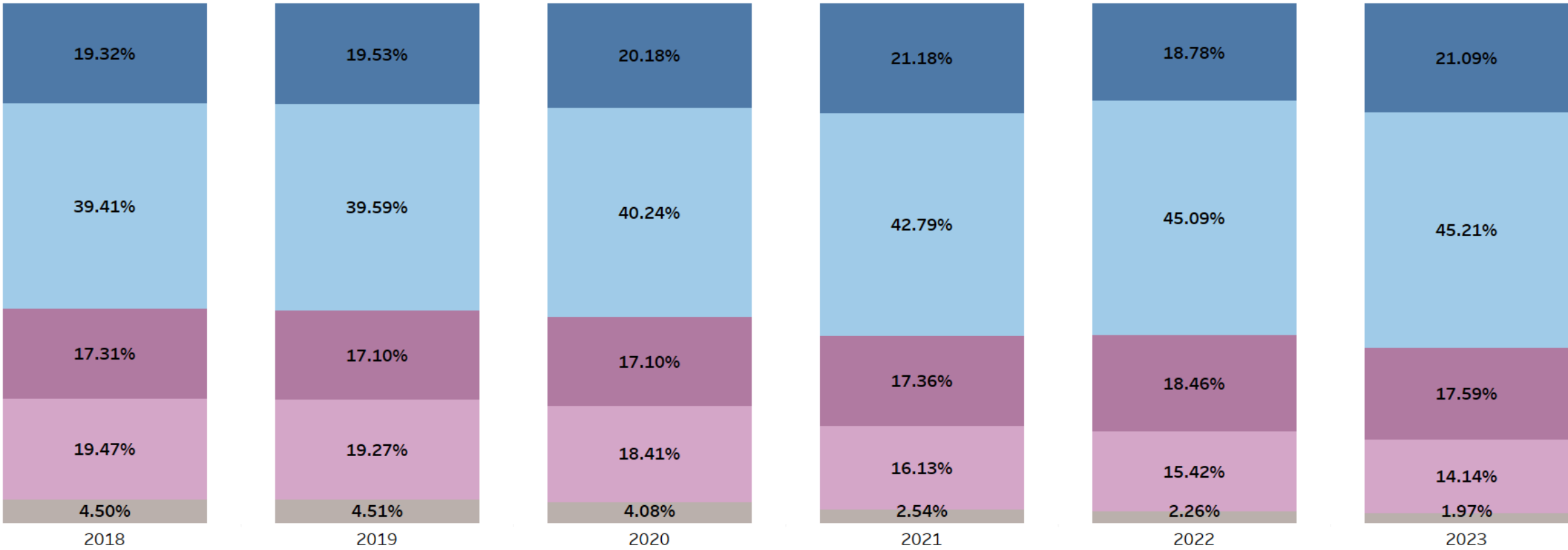




# Prime is over 66% of total financing, while subprime falls to just over 16%

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

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



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

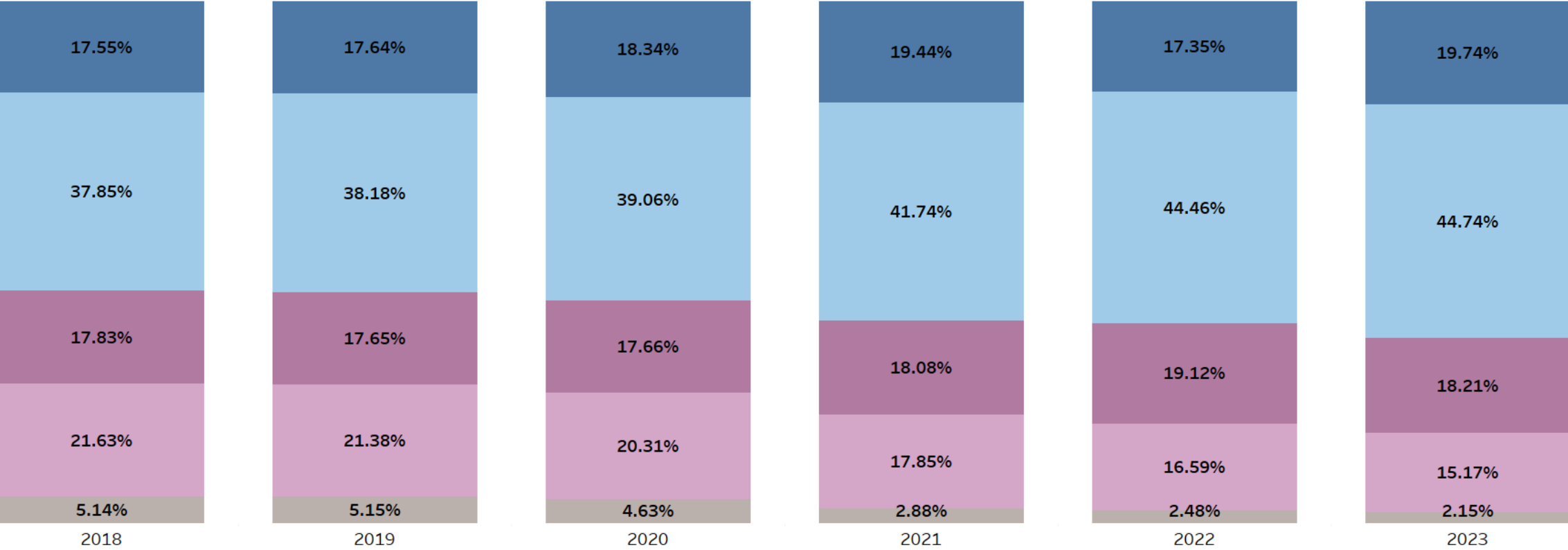


# Prime+ is over 64% of total loans while total subprime just above 17%

## Total loan risk distribution

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

Q1





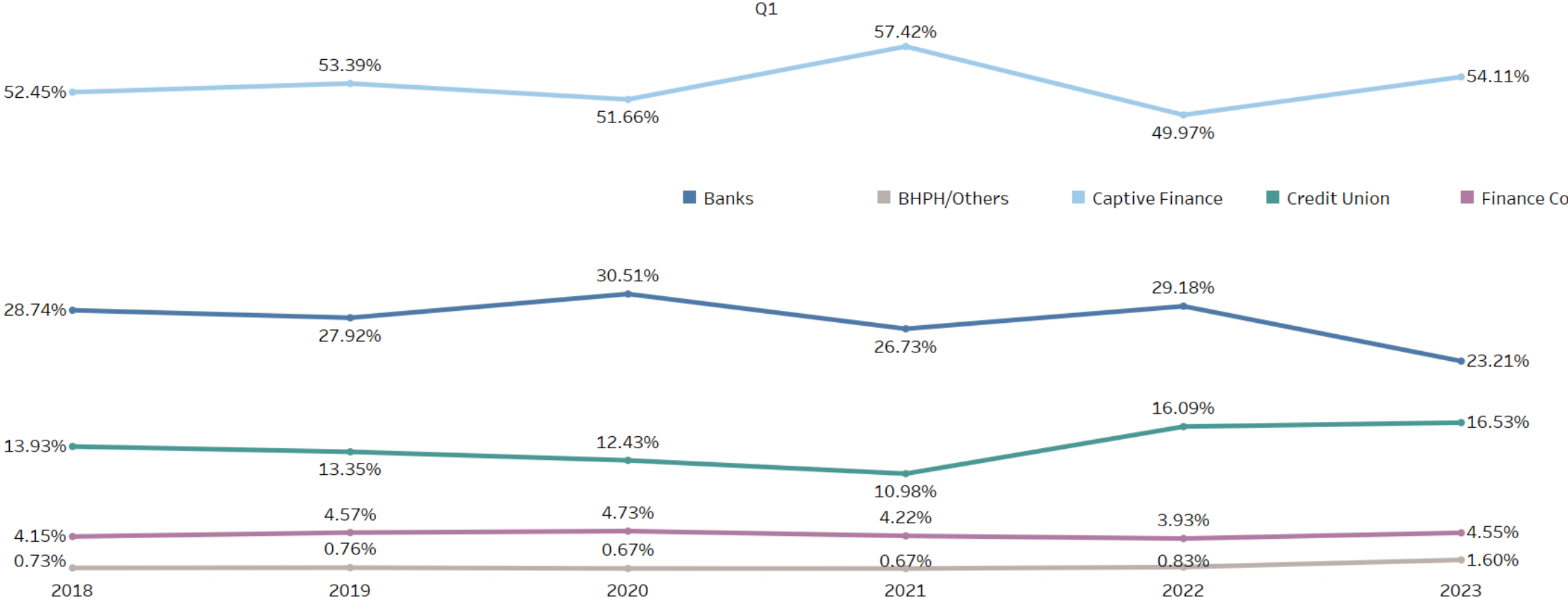
# Q1 2023 New financing

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A look at new lease & loan trends

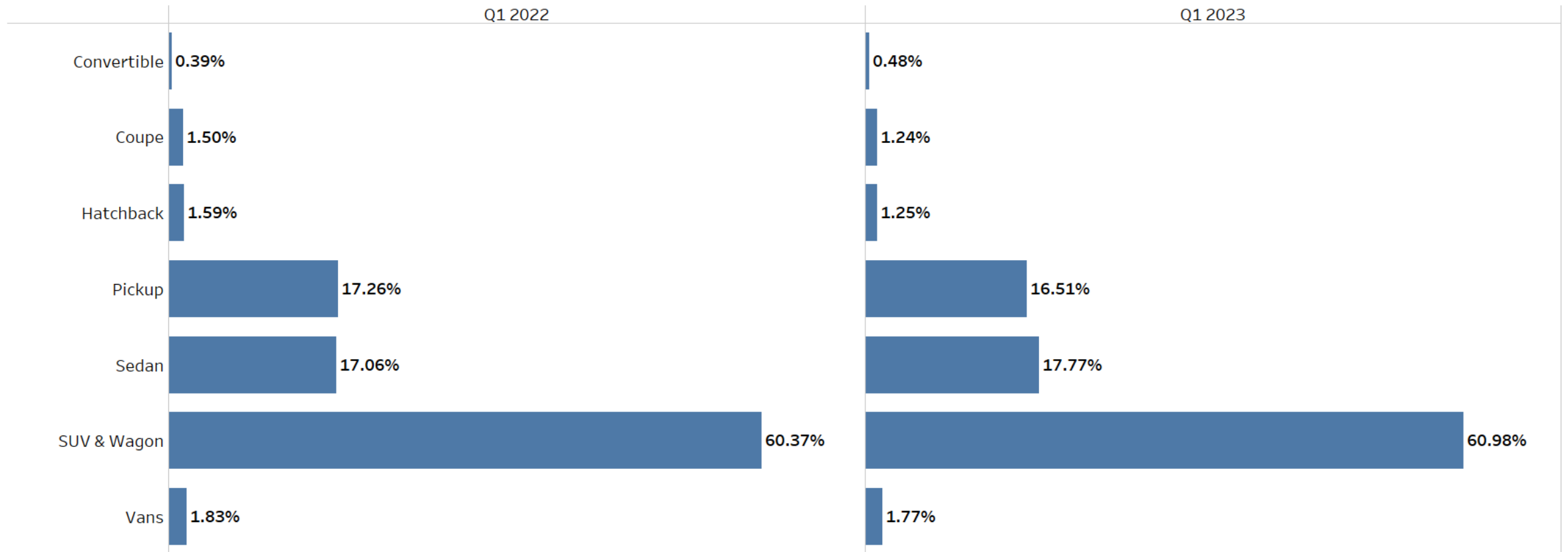
# Captive share climbs for new financing

Market share of new financing (loan/lease)



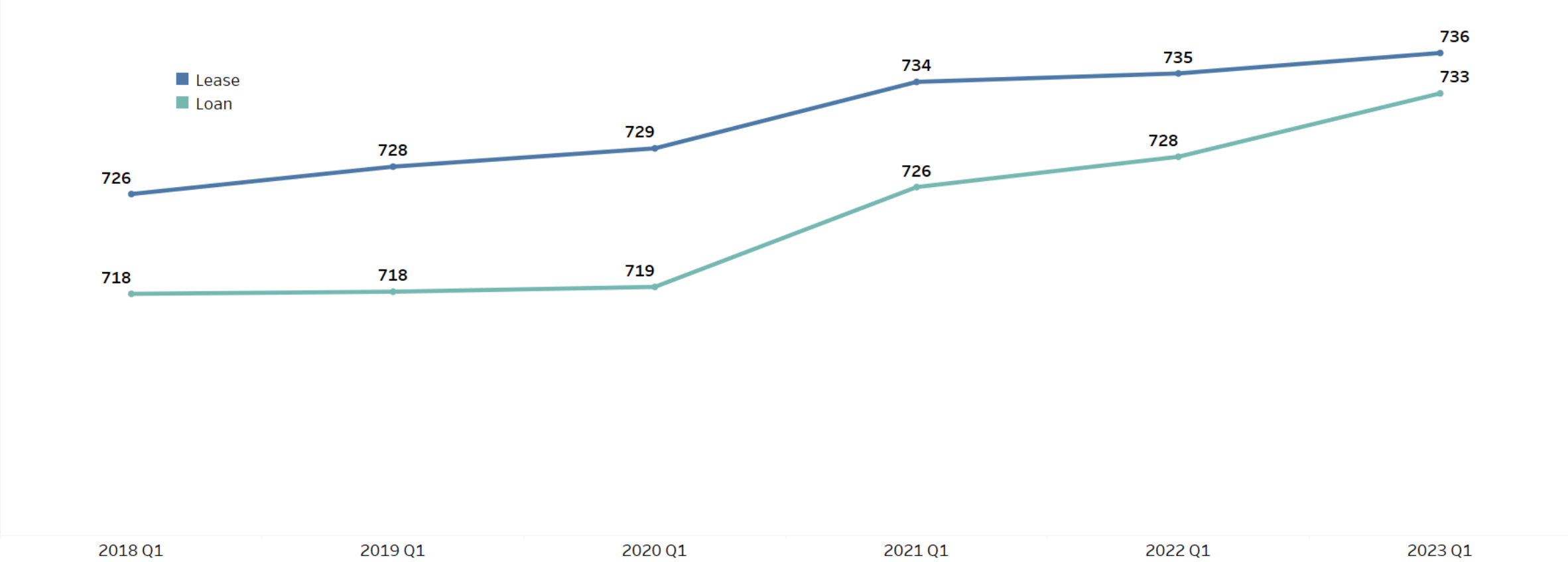
# SUVs gain more share while sedans gain over pickups

Percentage of new financing by segment



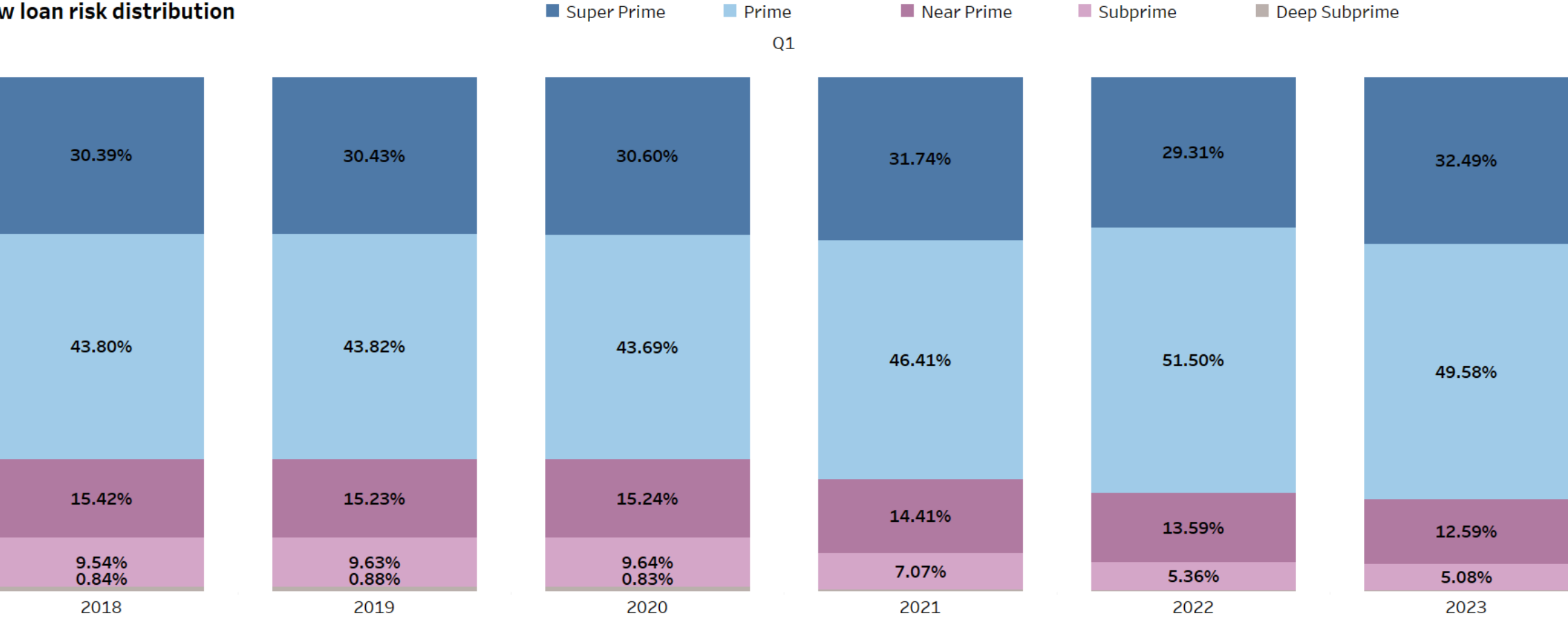
# New leasing score up 1 point while loans gain 5 points YOY

Average new score by transaction type



# Prime+ reaches 82% with most growth occurring in Super Prime

## New loan risk distribution

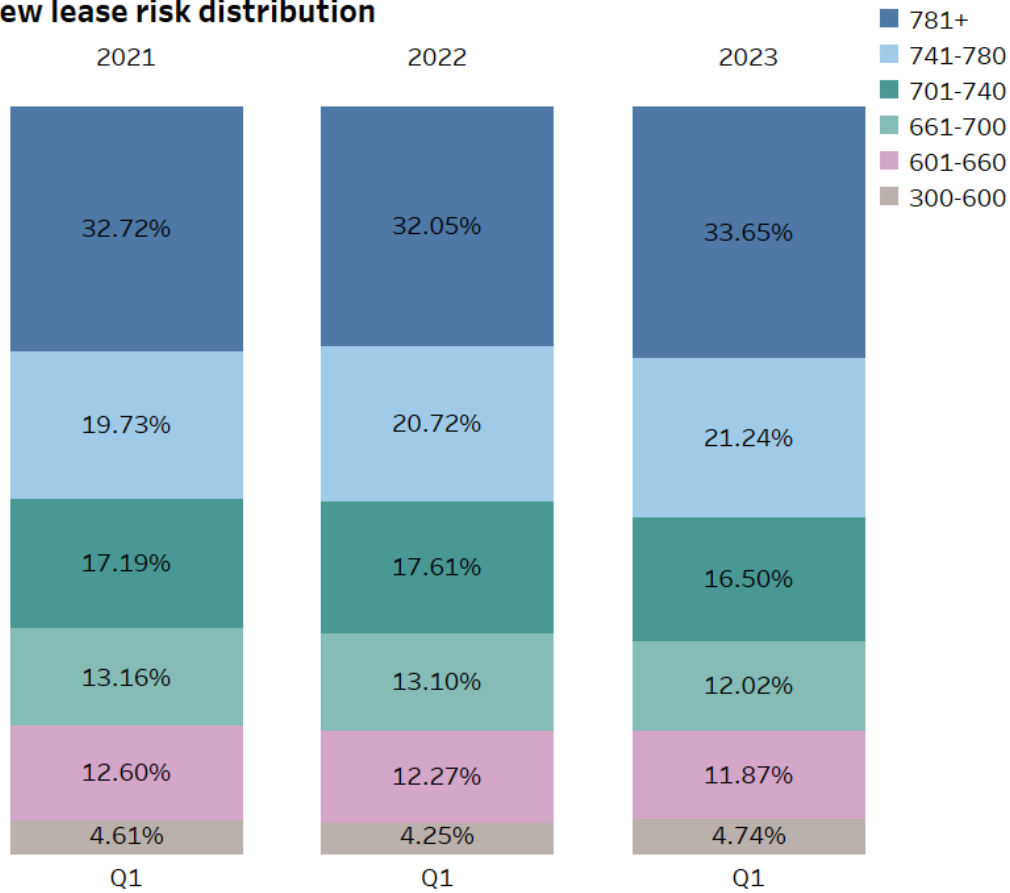


Deep subprime = 0.25%

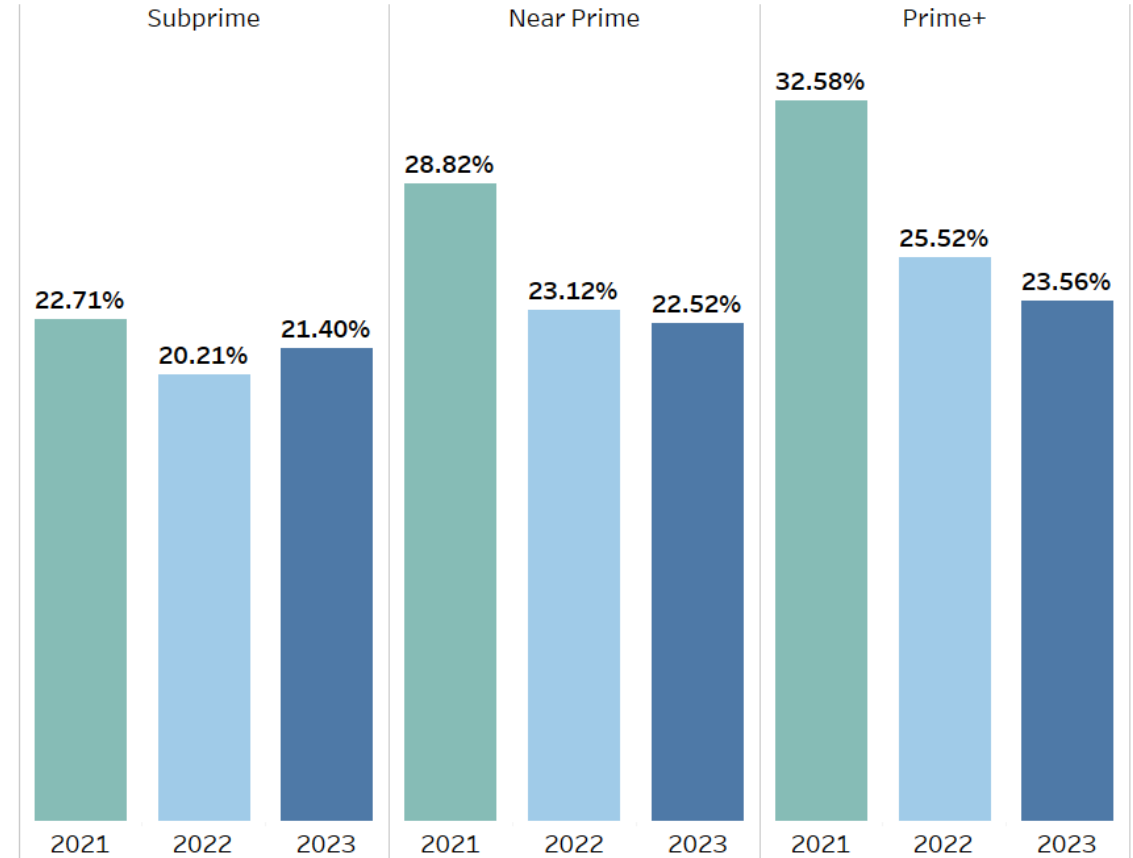


# Over half of leasing is 741+ while fewer consumers choose to lease

**New lease risk distribution**

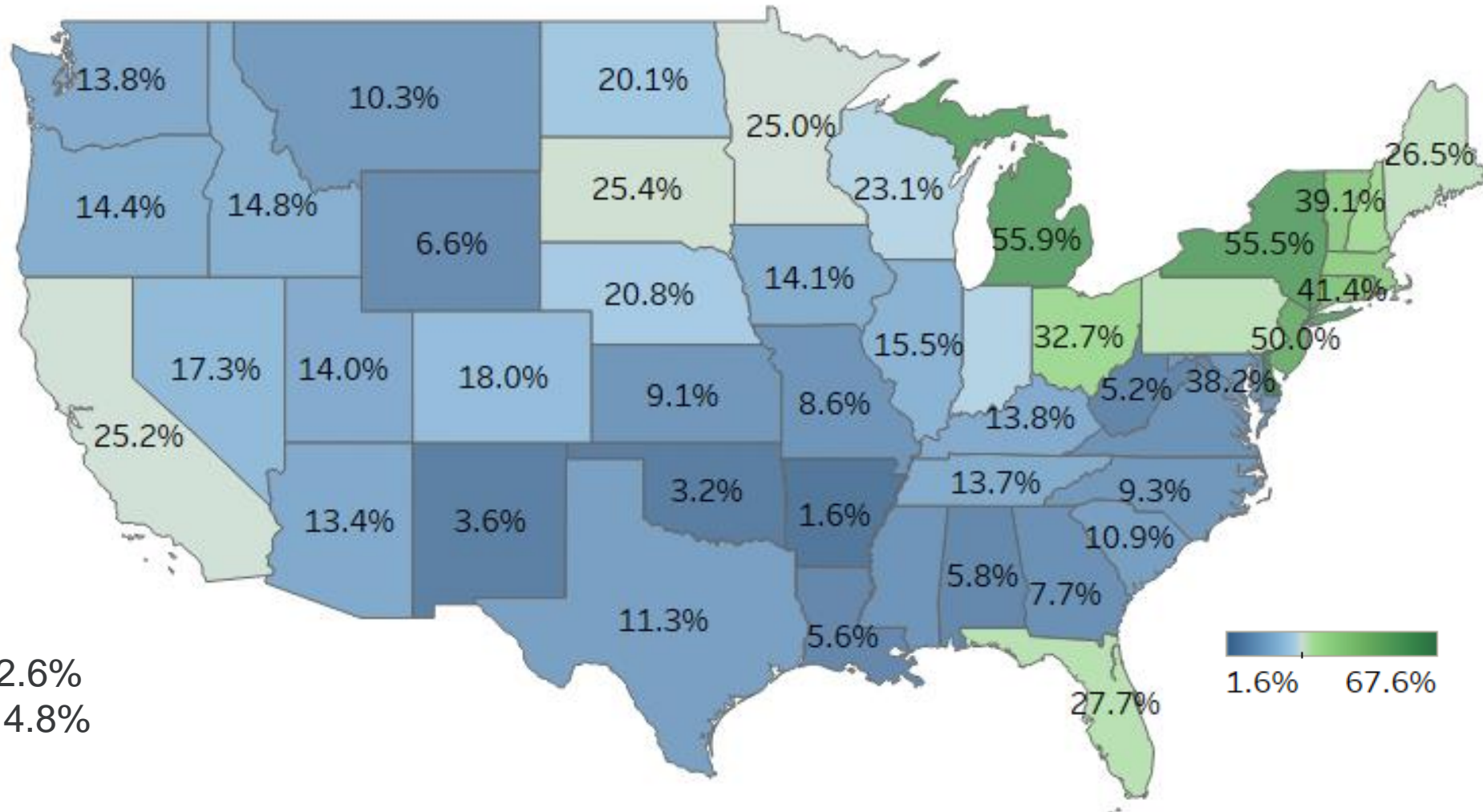


**% of borrowers choosing to lease**





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

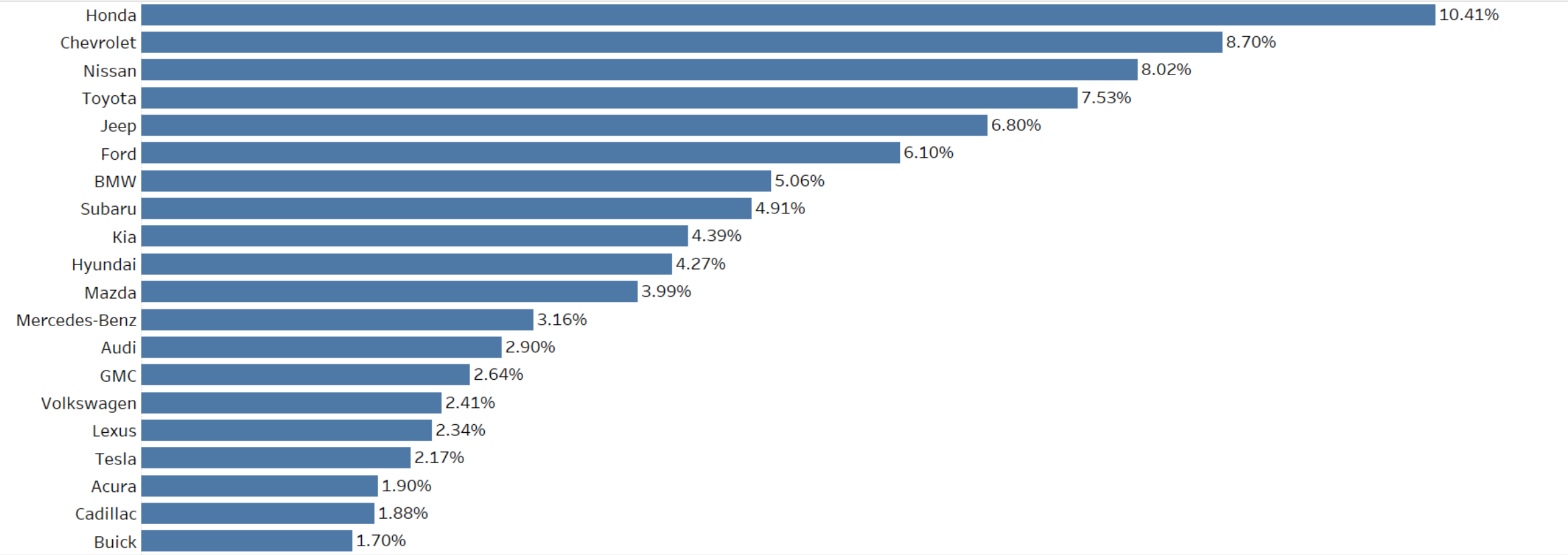


AK = 2.6%  
HI = 14.8%



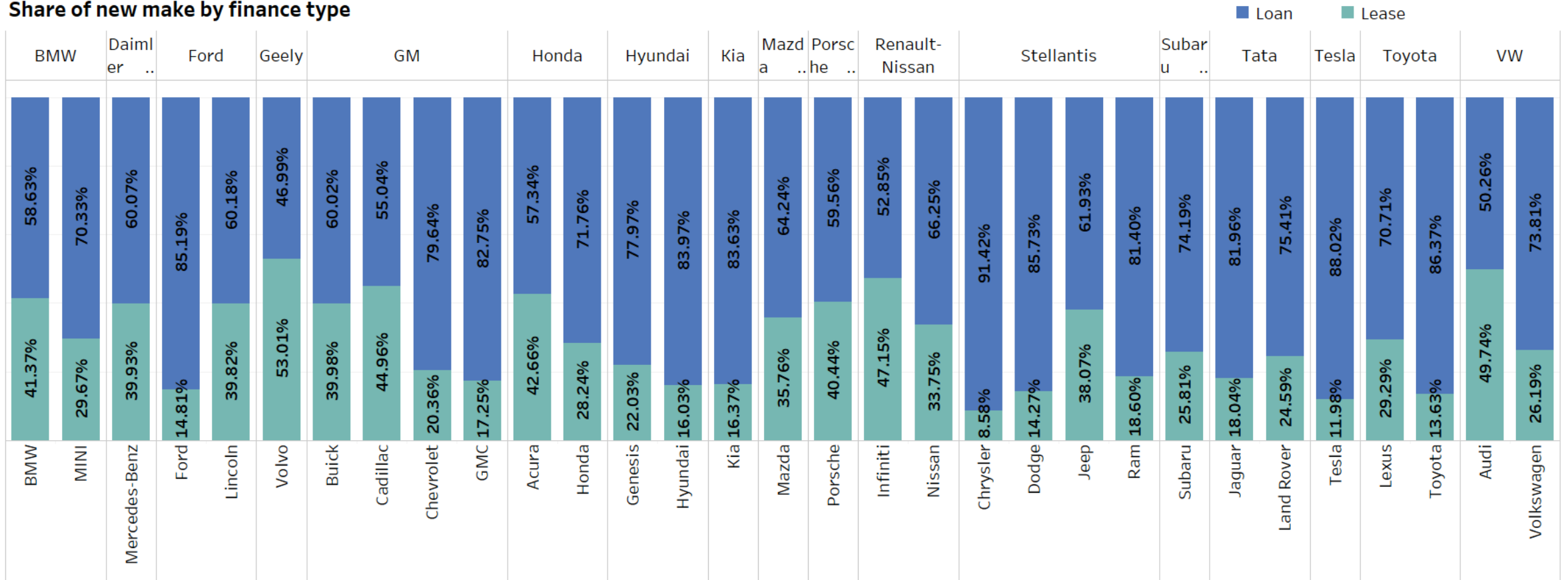
# Honda leads as the #1 leased make for Q1

## Top 20 leased new makes



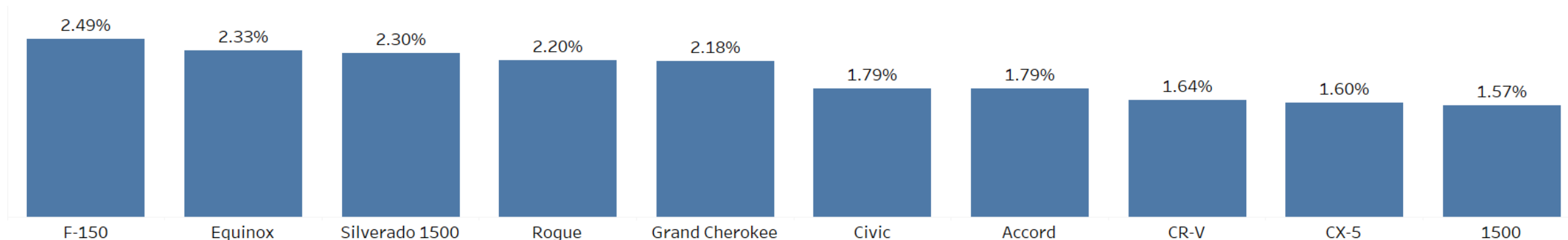
# Finance type by make

Share of new make by finance type

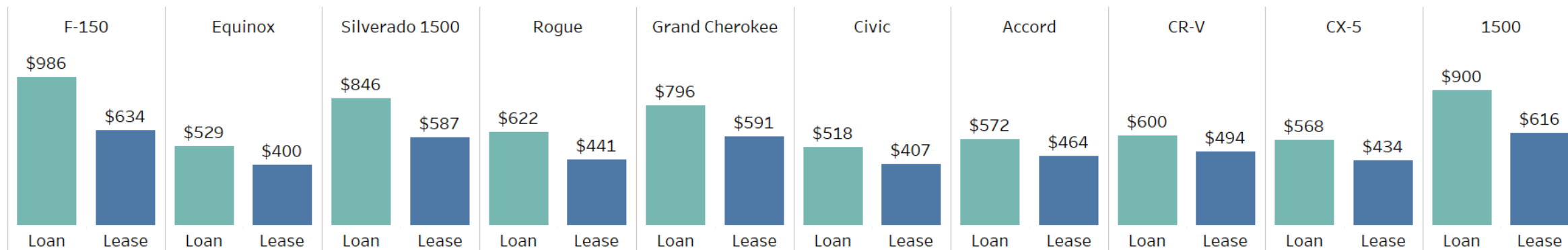


# Two sedans return to top leased vehicles; average payment difference of \$139

## Top 10 leased models

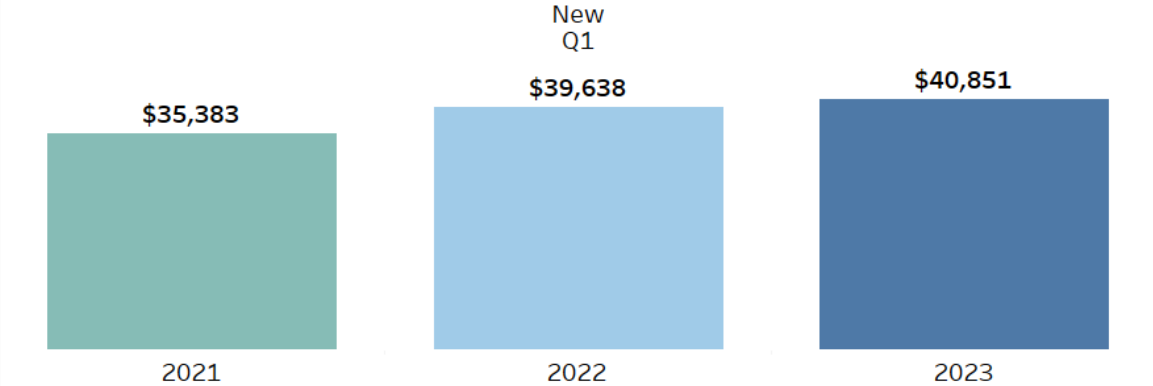


## Average monthly payment on top leased models

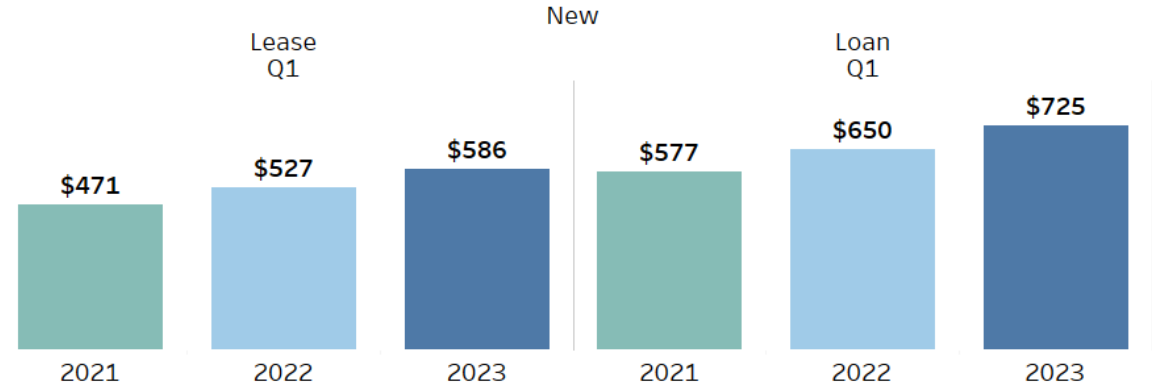


# New loan attribute summary: new loan amount up only 3% while terms decrease

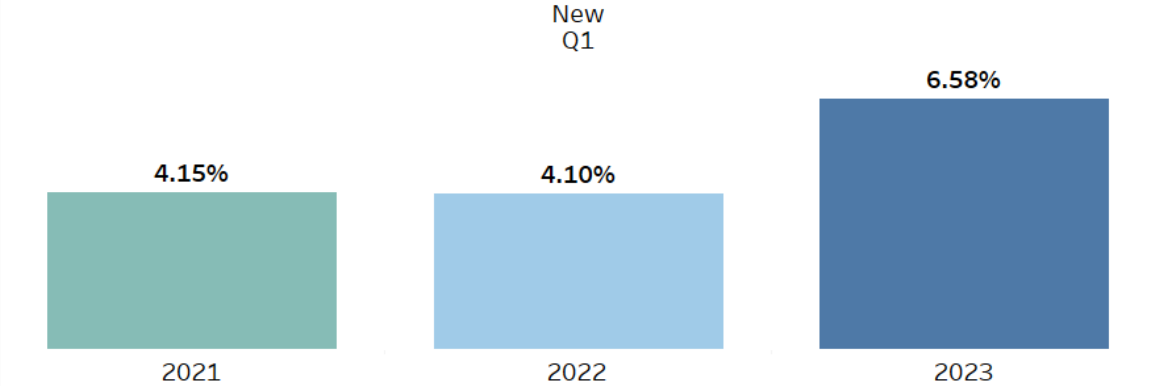
Average amount financed



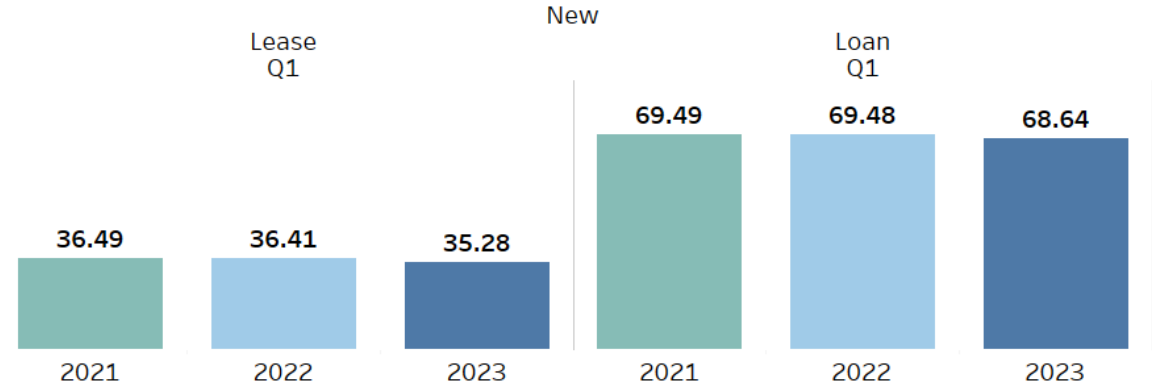
Average monthly payment



Average loan rate

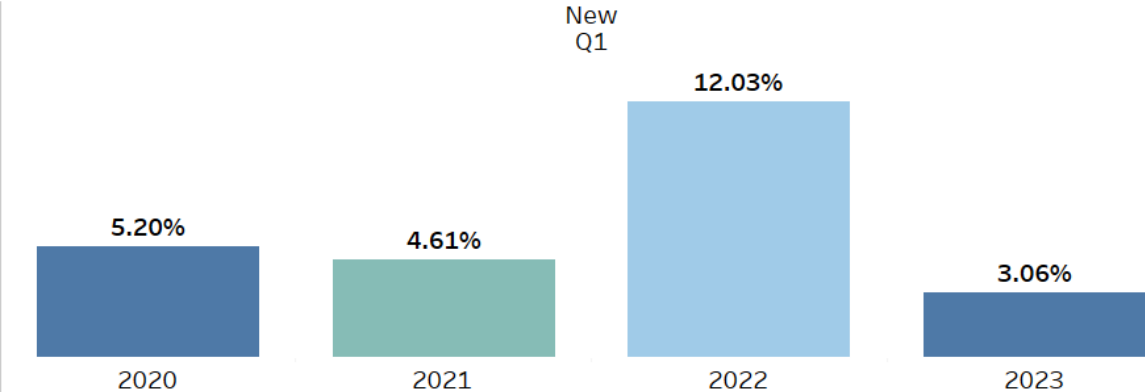


Average loan term

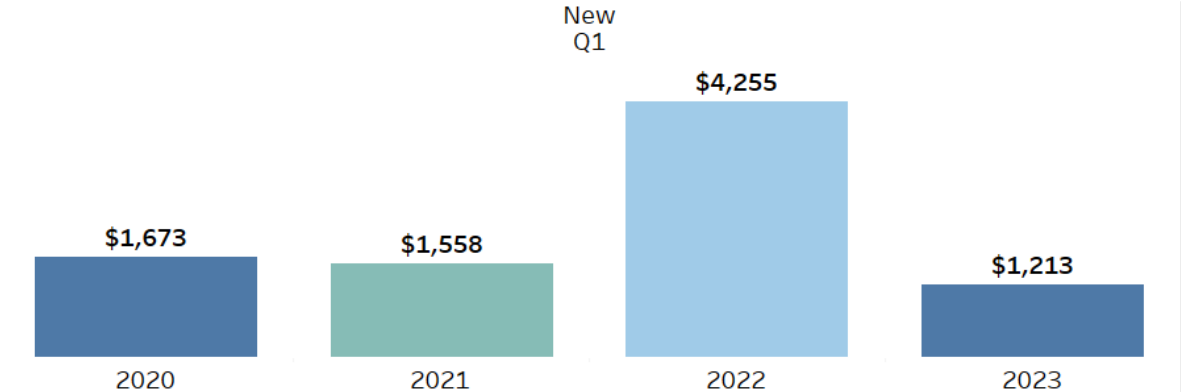


# Increase in average loan amounts is tapering off

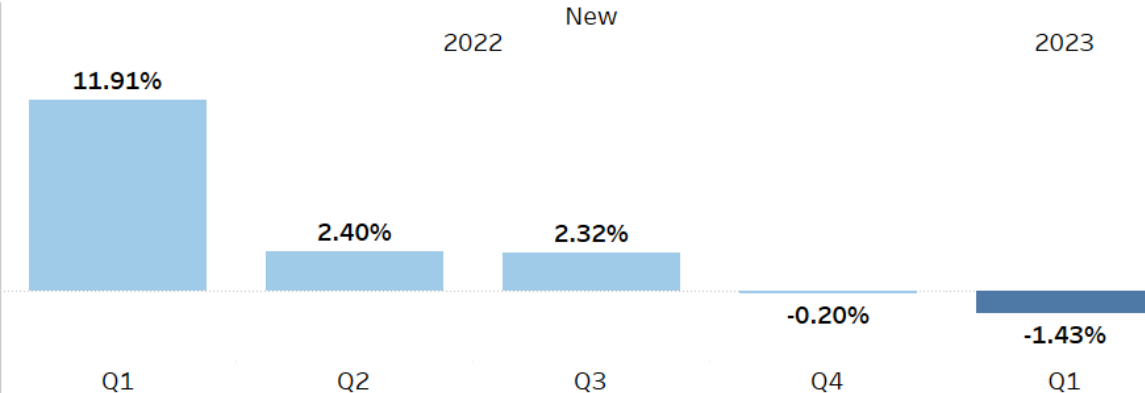
**YOY growth in average new loan amount**



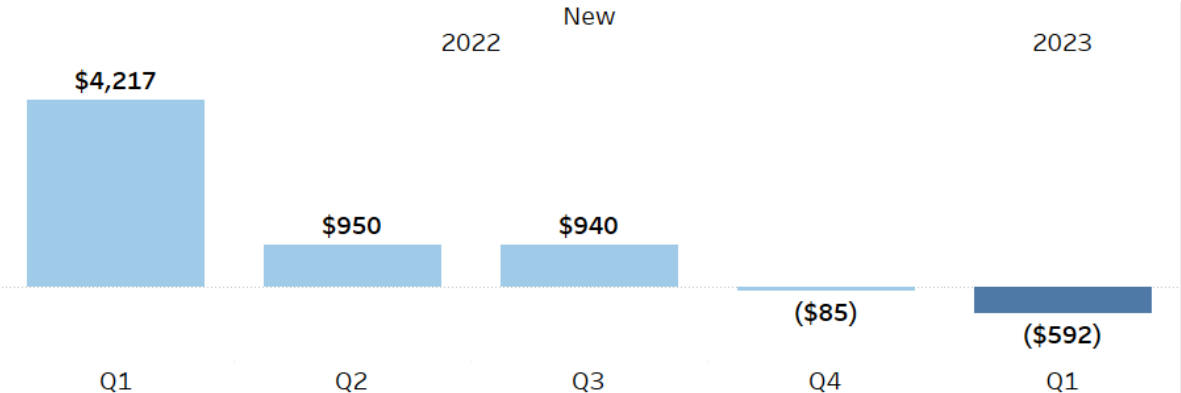
**YOY \$ difference in average new loan amount**



**QOQ growth in average new loan amount**

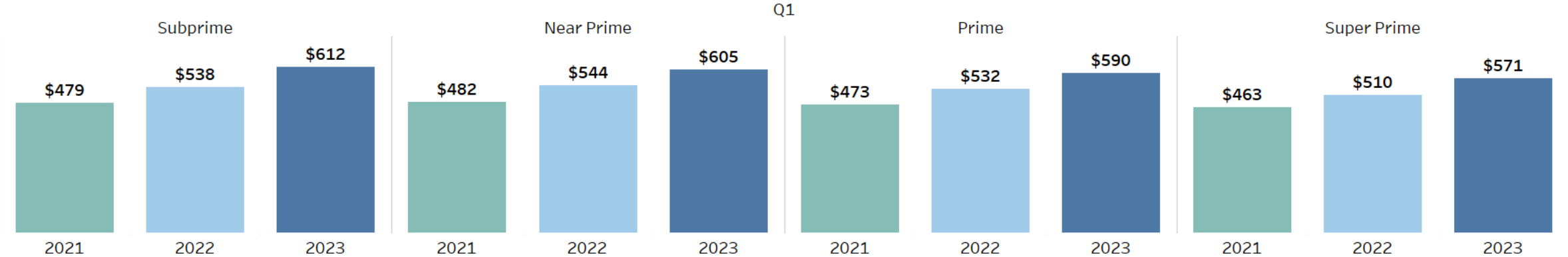


**QOQ \$ difference in average new loan amount**

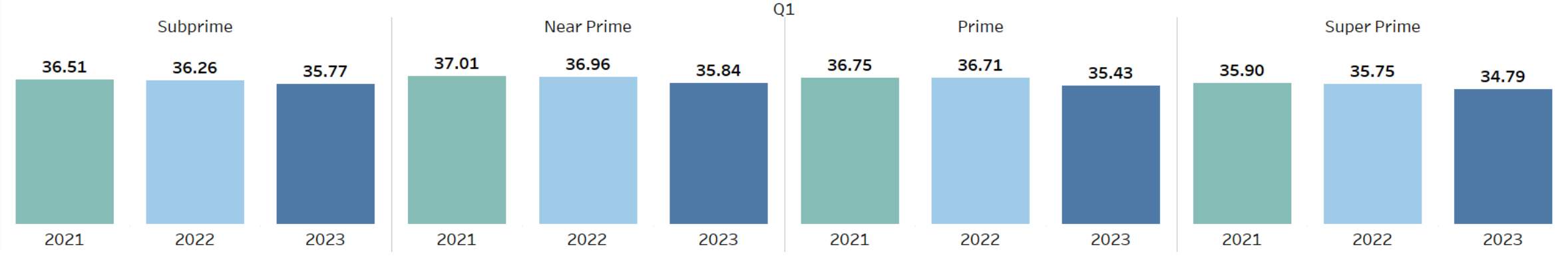


# Leasing payments rise while terms drop YOY

Average lease payment by risk tier

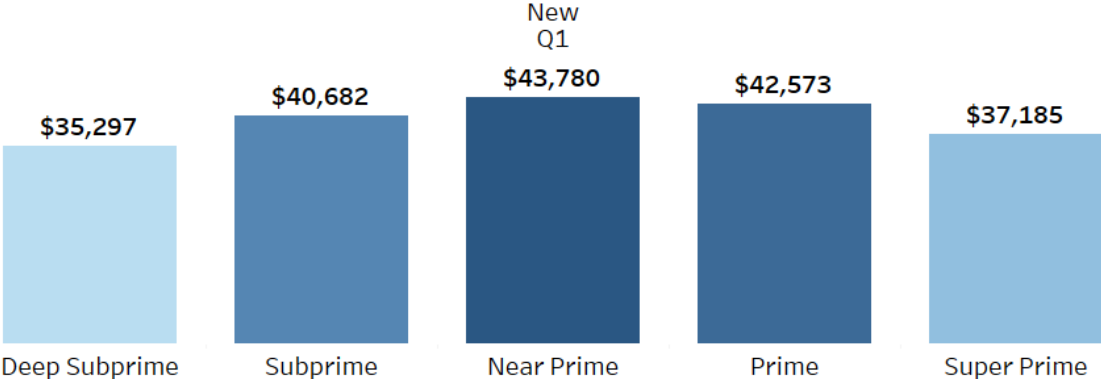


Average lease term by risk tier

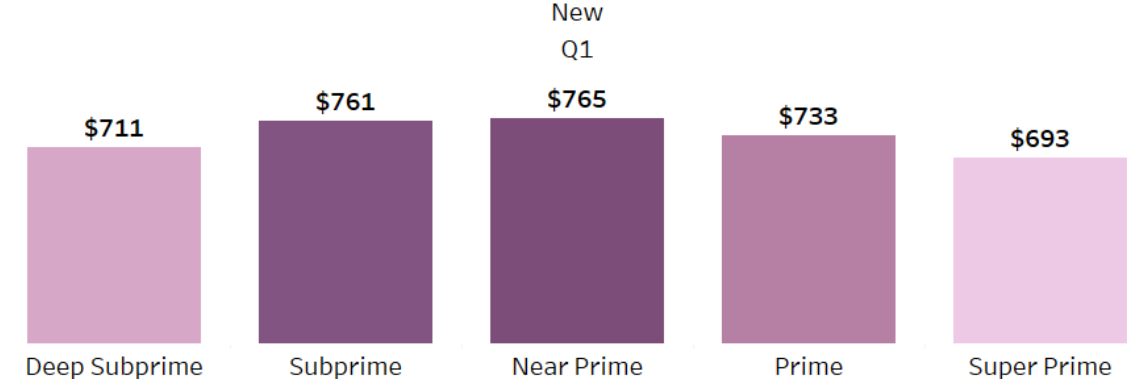


# Payments and loan amounts experience YOY increases across all risk segments

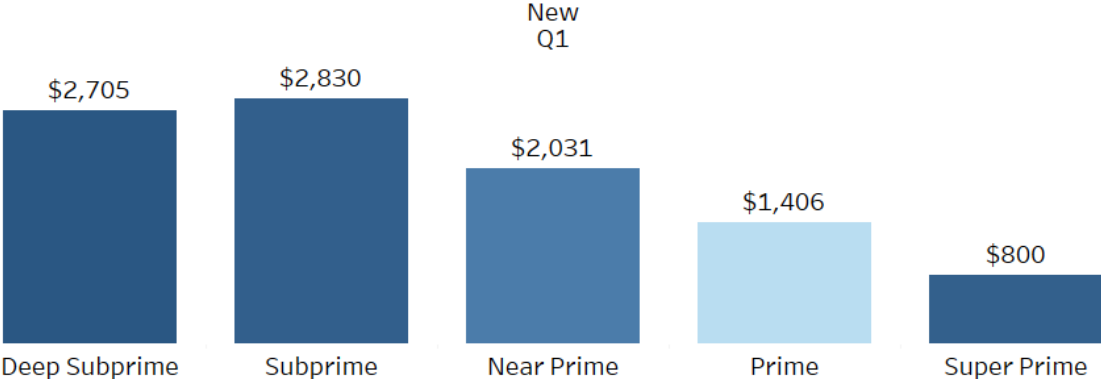
Average loan amount financed by risk



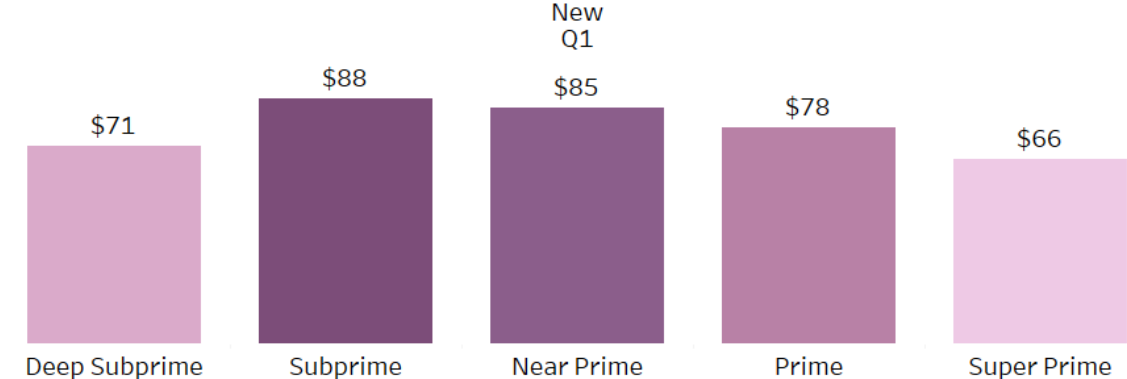
Average loan monthly payment by risk



Year-over-year change in loan amount



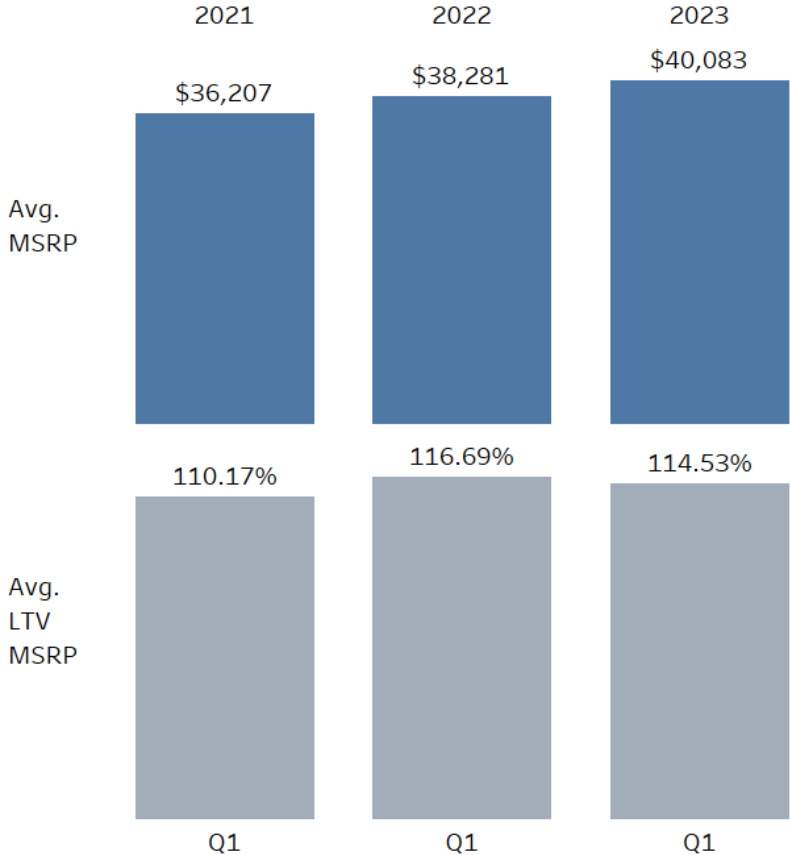
Year-over-year change in monthly payment



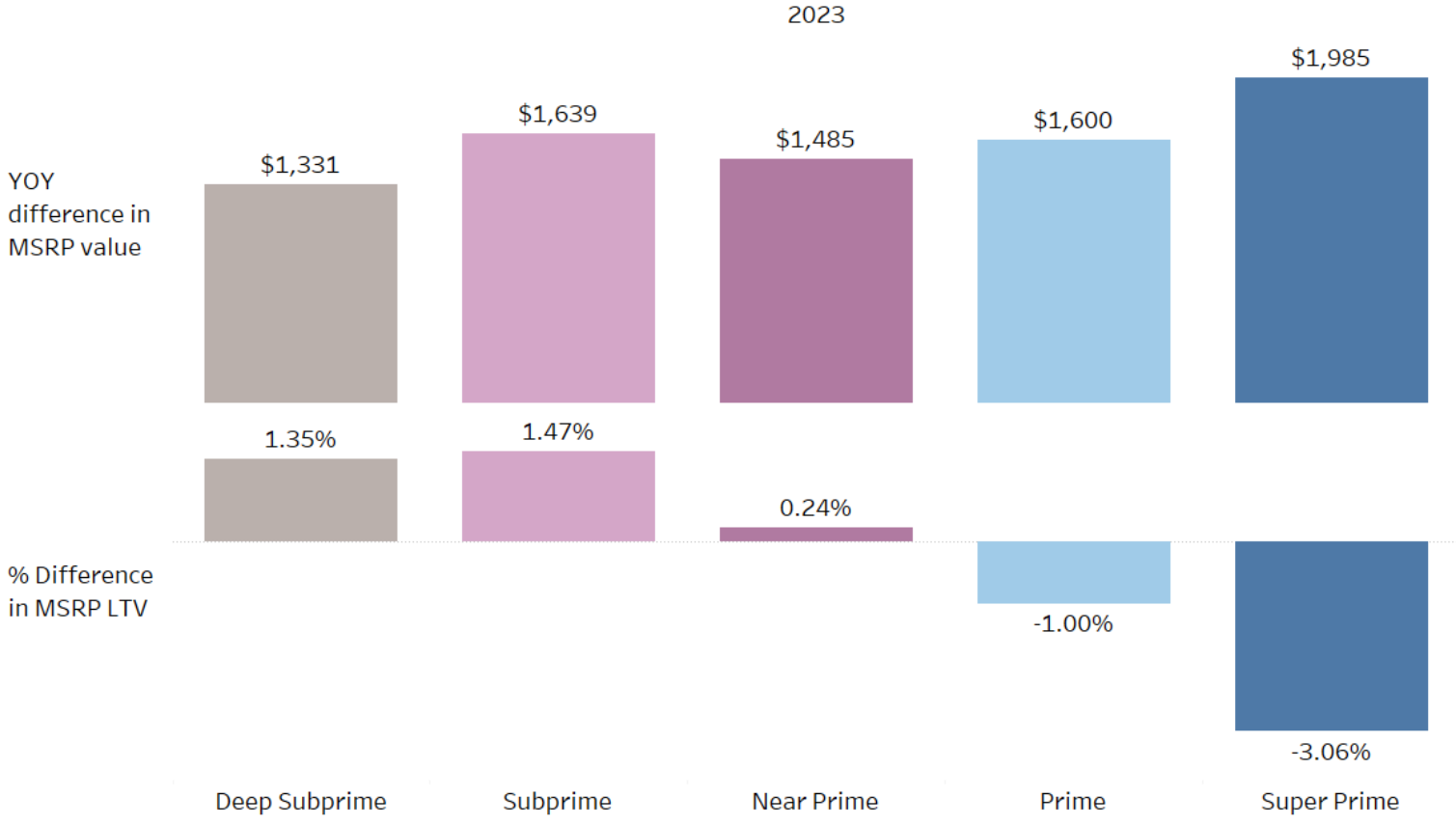


# New values continue to climb while LTV decreases

**Avg New Values**

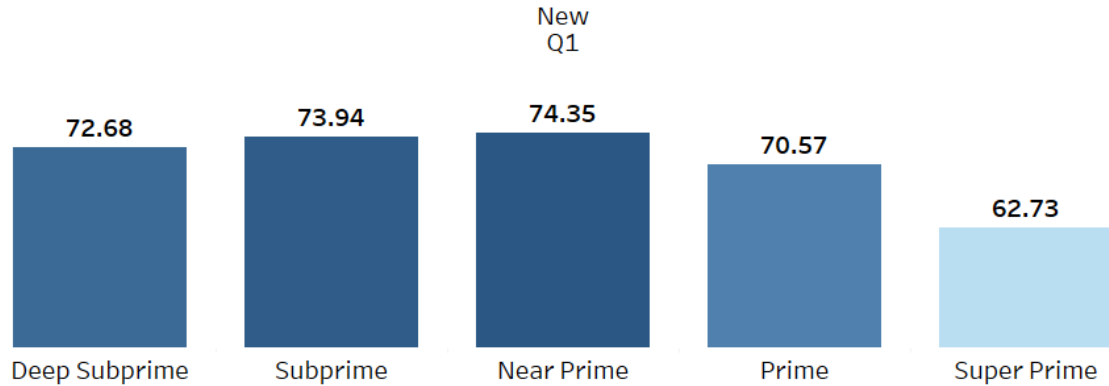


**YOY change in new values**

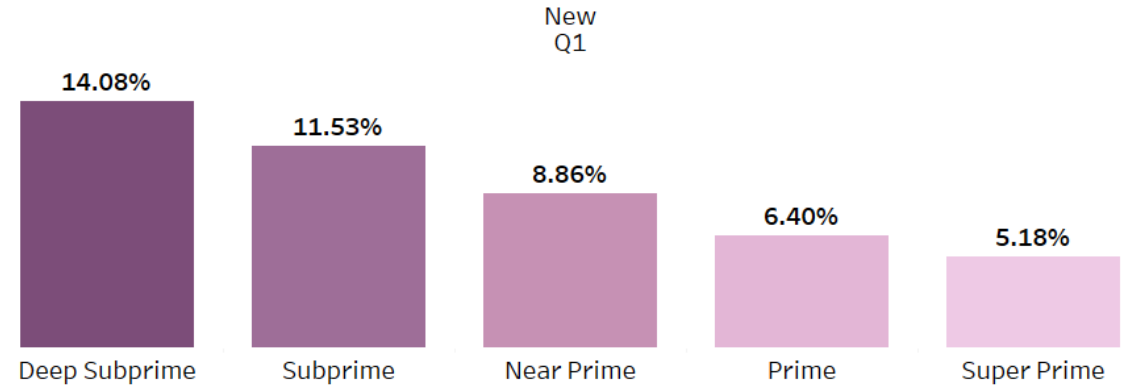


# Terms decrease in super prime while rates rise

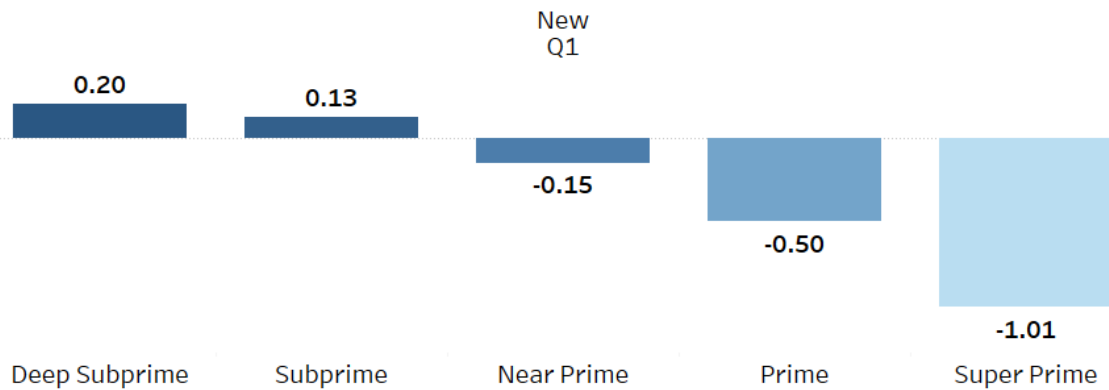
Average loan term by risk



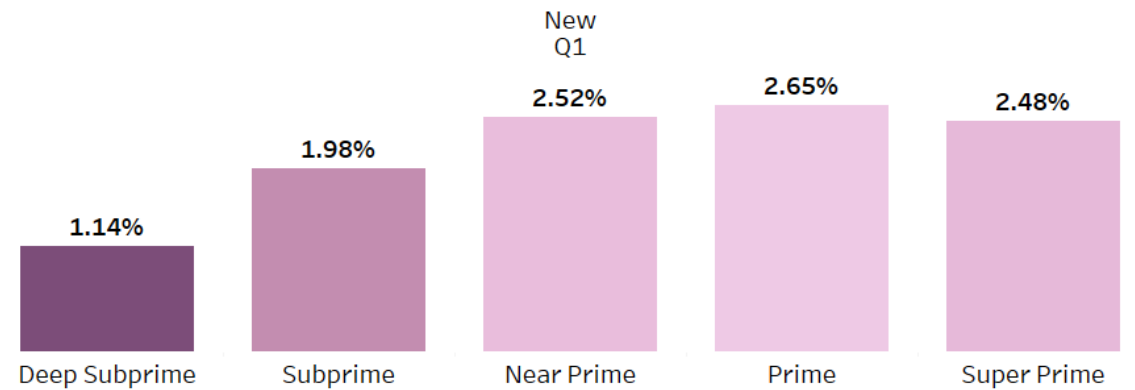
Average loan rate by risk



Year-over-year change in loan term

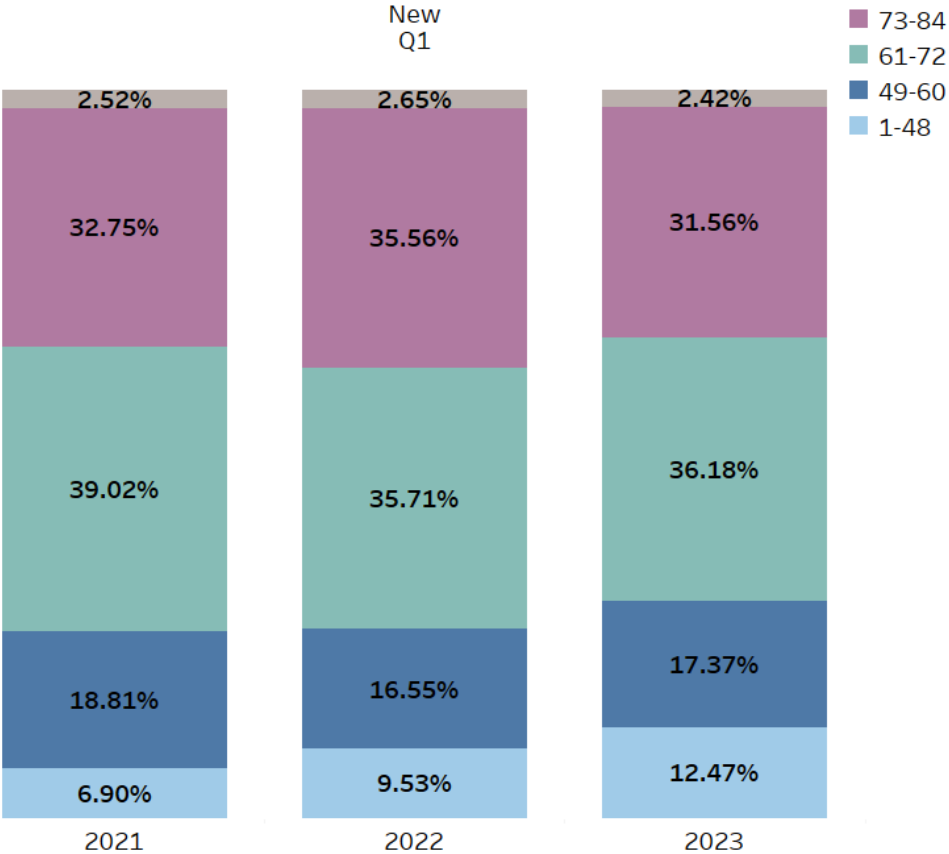


Year-over-year change in rate

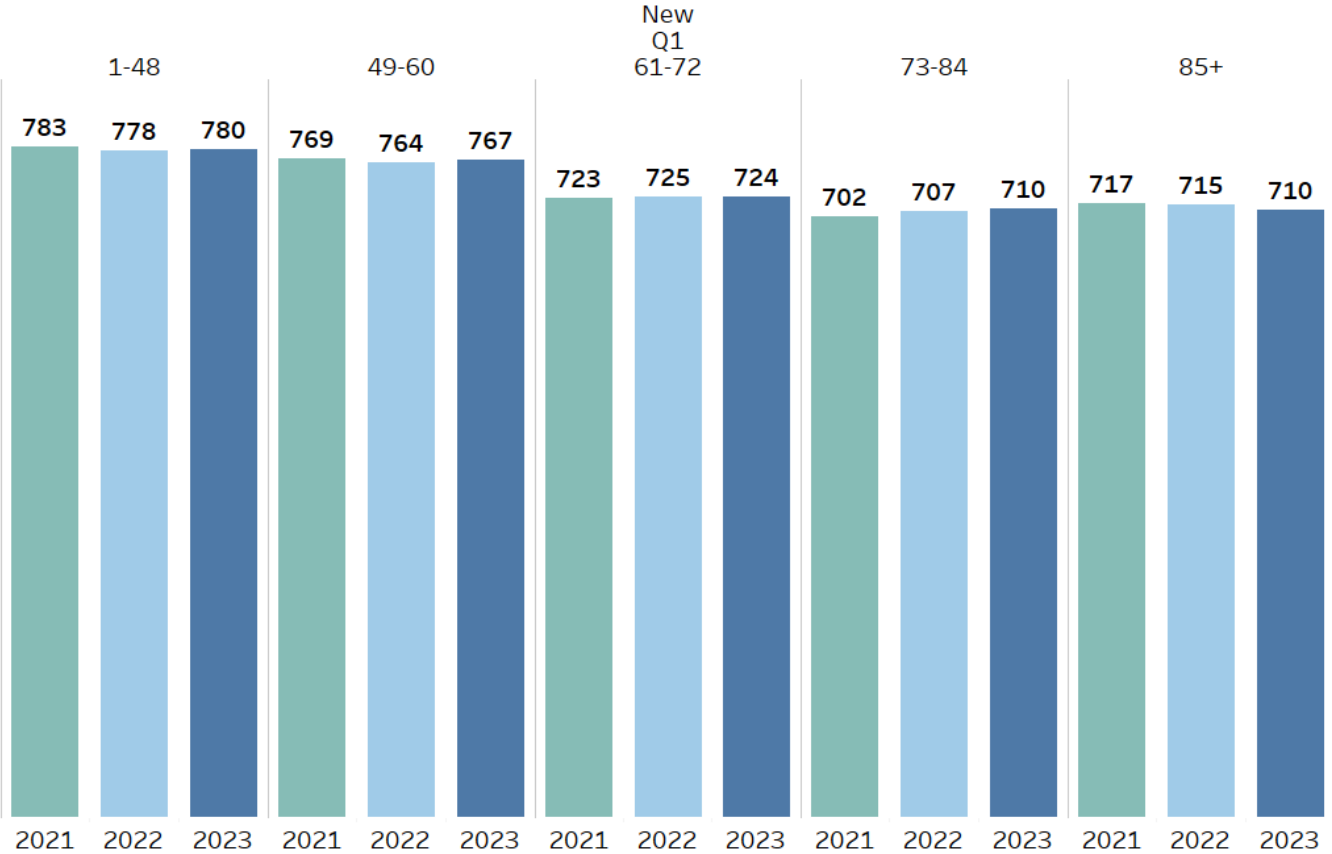


# Growth occurring in shorter term loans

Distribution by loan term



Avg score by loan term



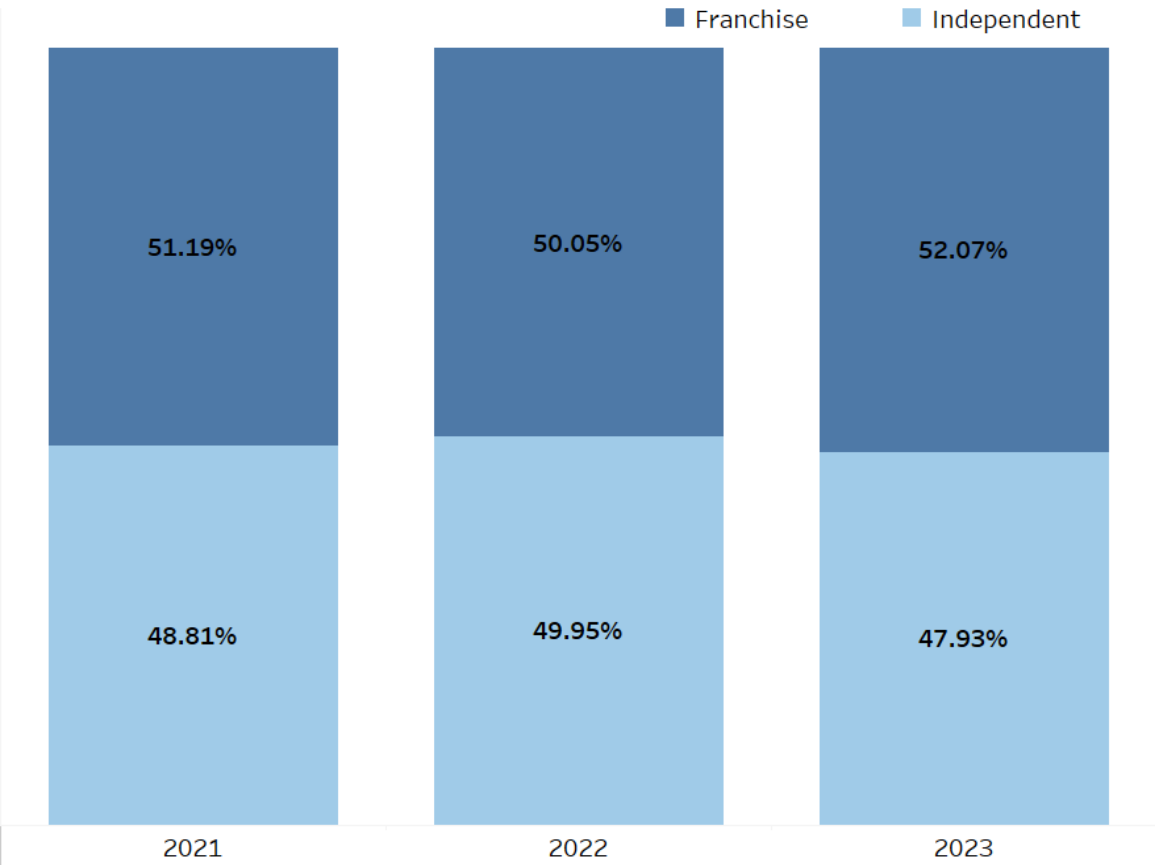
# Q1 2023 Used financing

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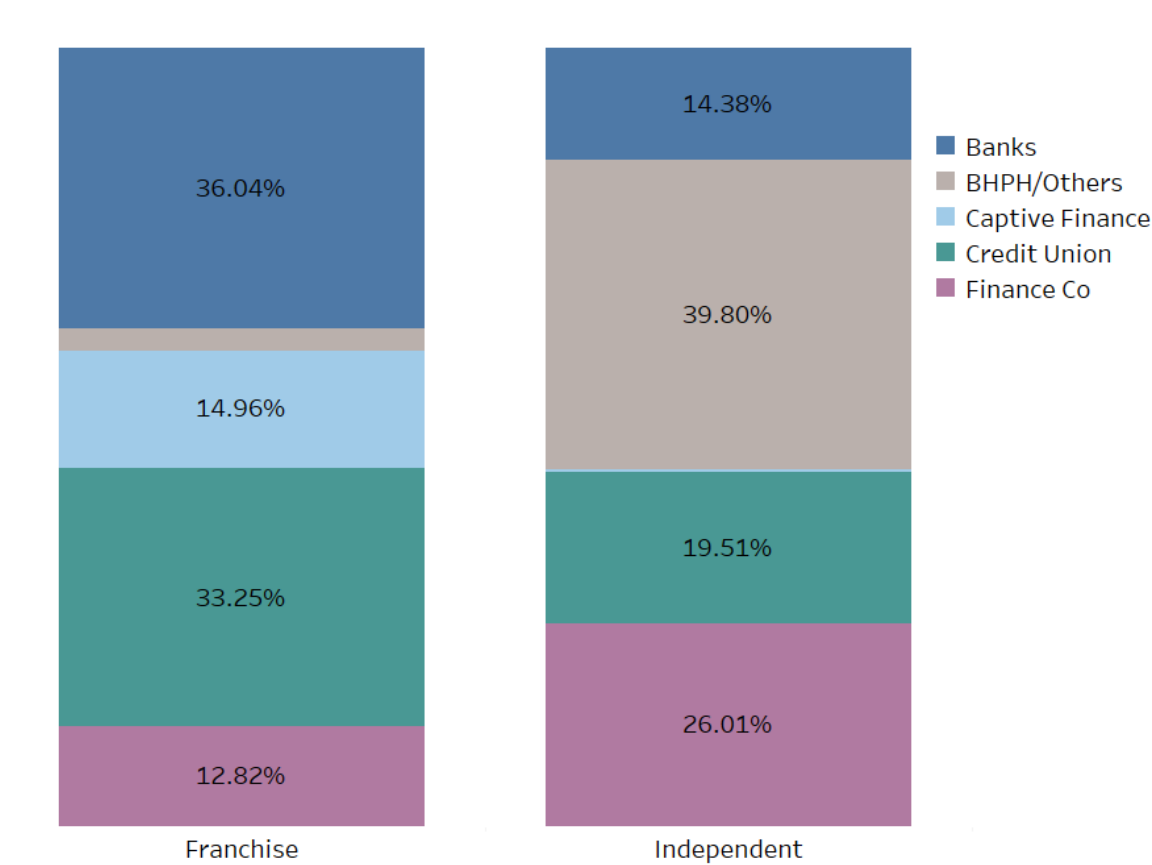
A look at used automotive loan trends

# Dealer type snapshot: Franchise Dealers gain share YOY

Used transactions by Dealer type

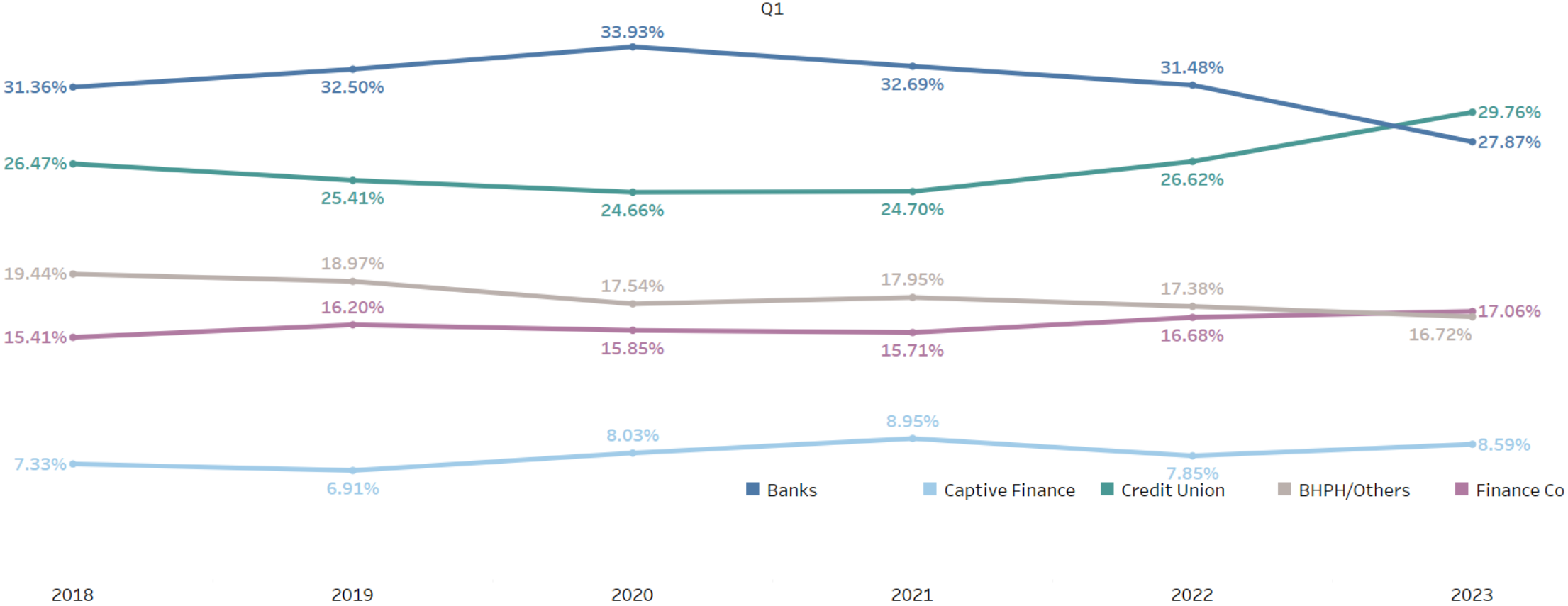


Used loans by lender type and Dealer

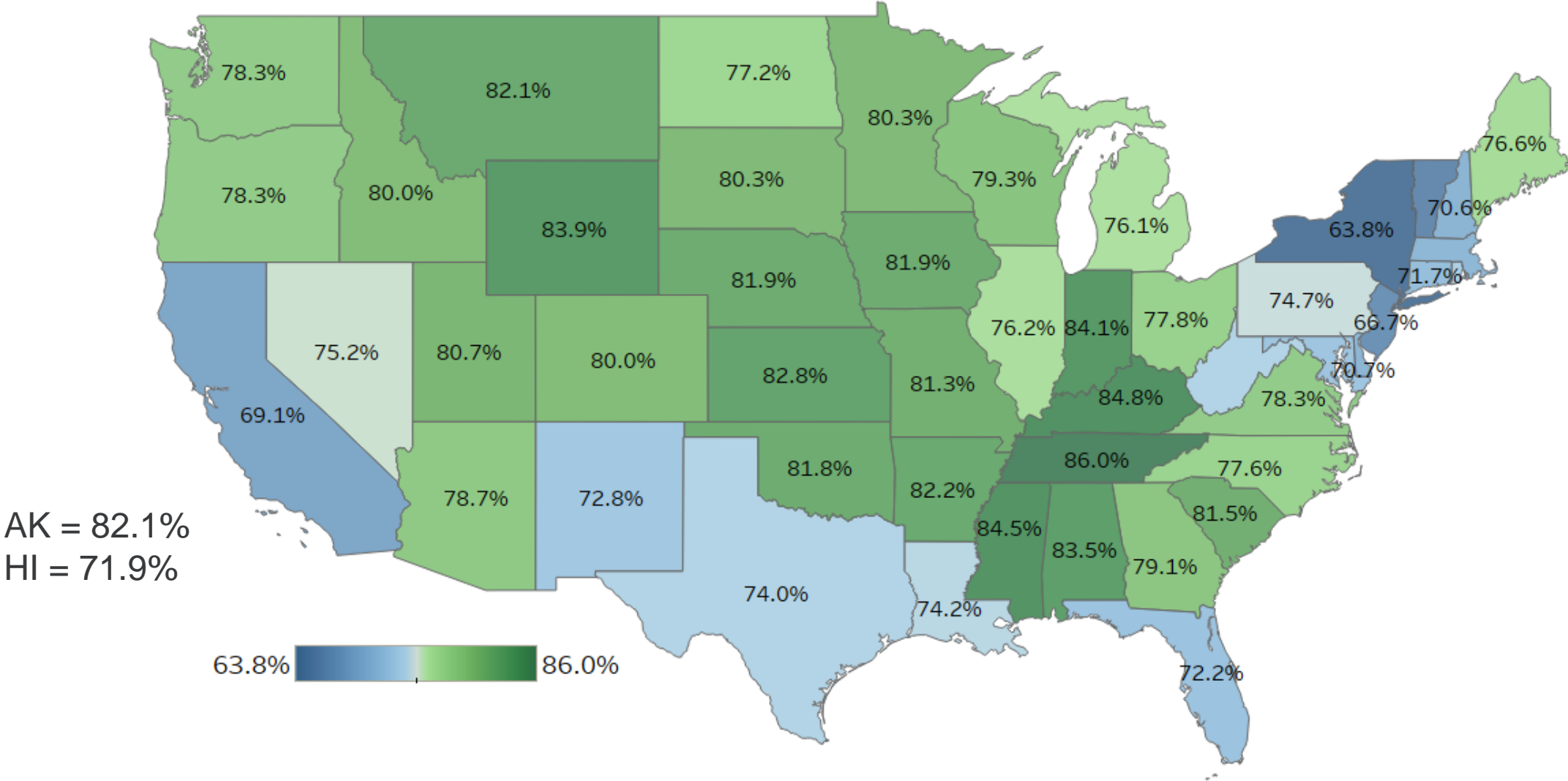


# Credit Unions continue to lead as largest used loan lender type

Used market share by lender type



# TN (86%) leads with the largest percentage of loans for used cars; NY (63.8%) has the lowest

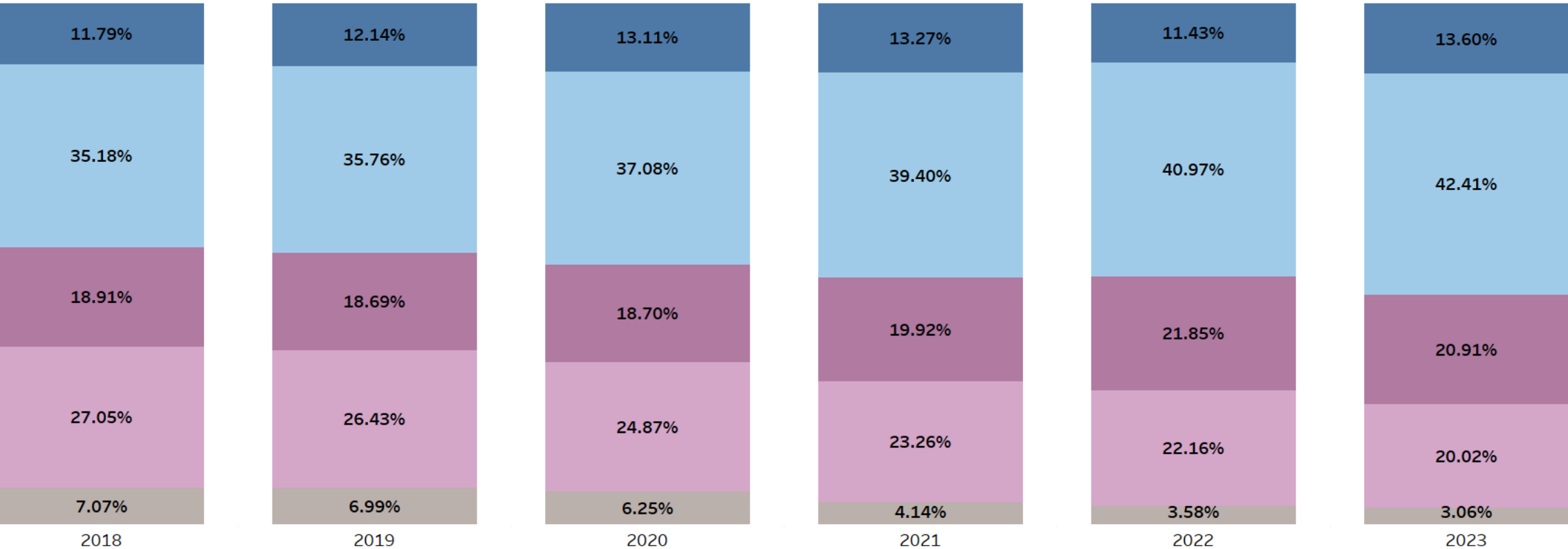


# Subprime used loans continue near record lows with prime+ over 56%

Used loan risk distribution

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

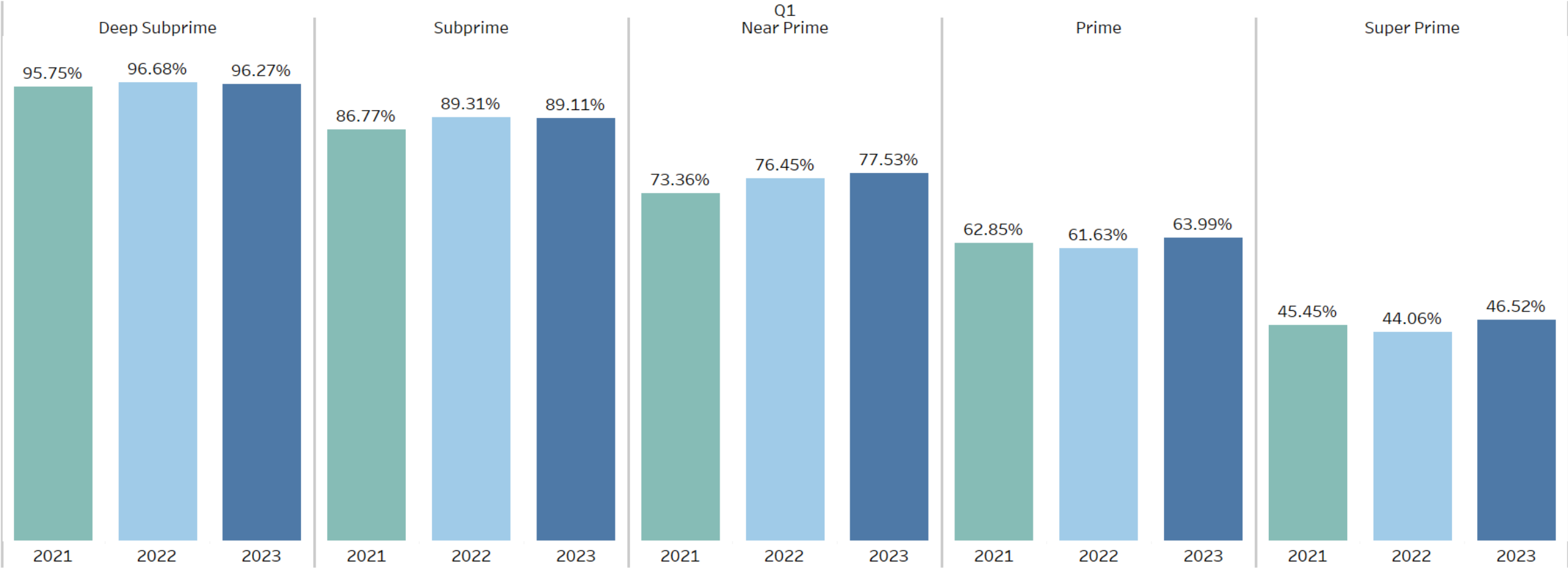
Q1





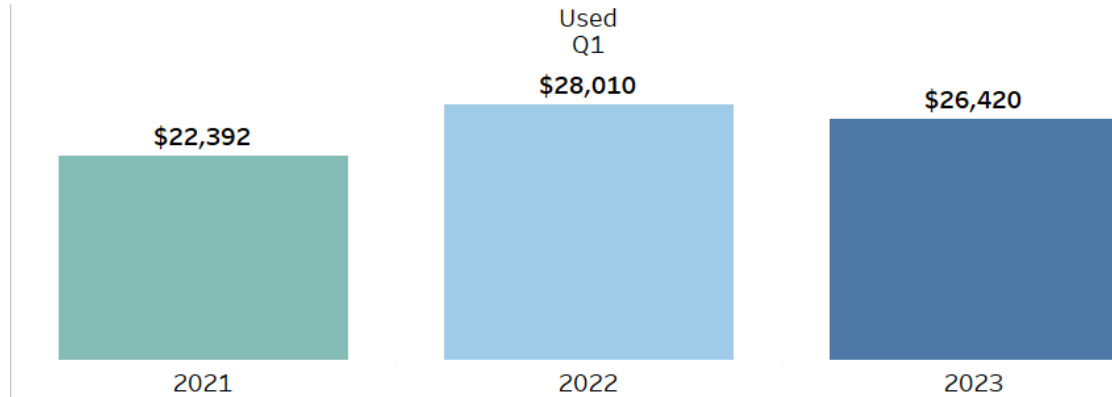
# Consumers shifting back to financing used vehicles at increasing rates

## Consumers choosing used vehicles

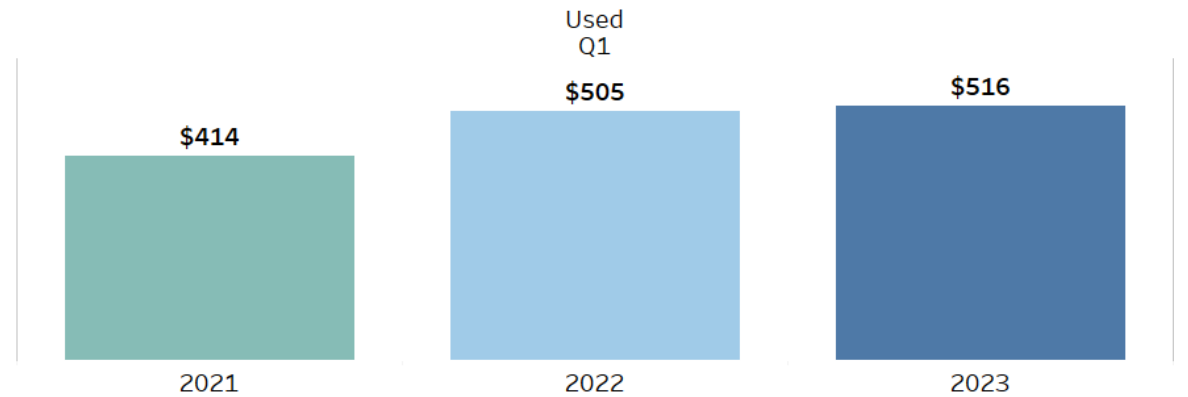


# Used loan attribute summary: rate increases, and shorter terms continue to cause payments to rise despite lower loan amounts

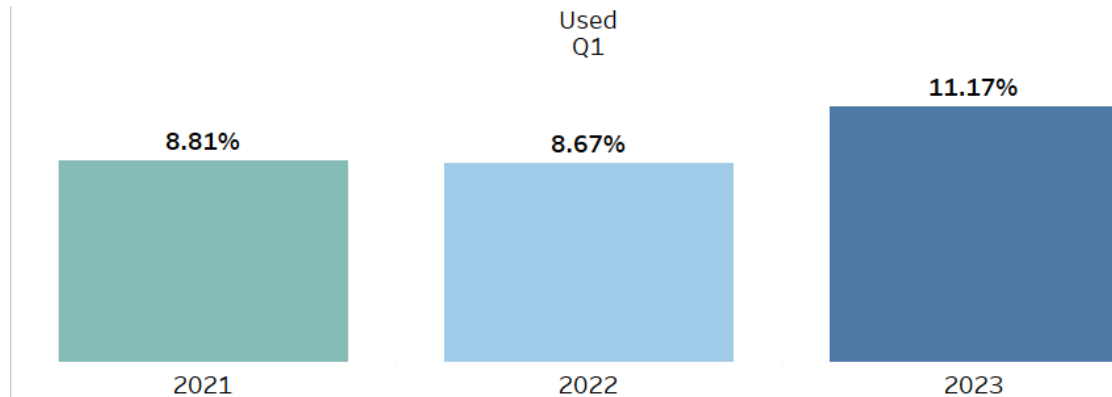
## Average amount financed



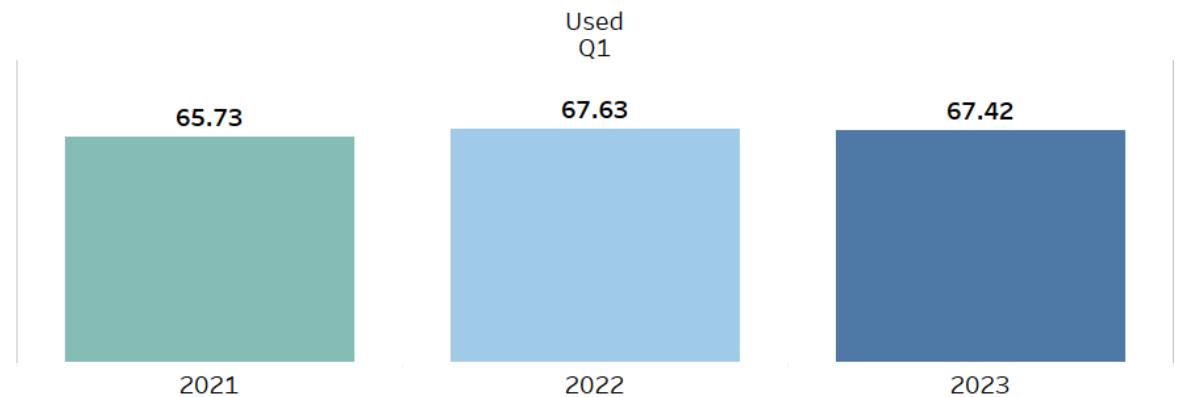
## Average monthly payment



## Average loan rate

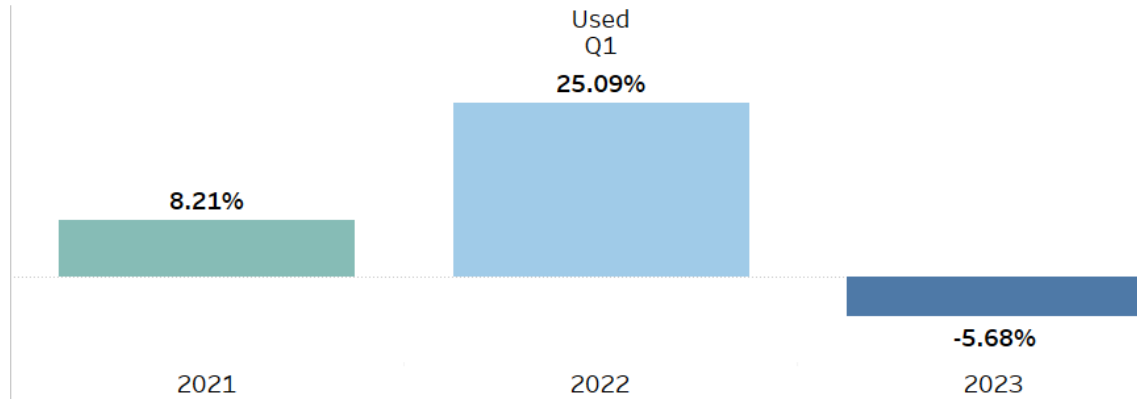


## Average loan term

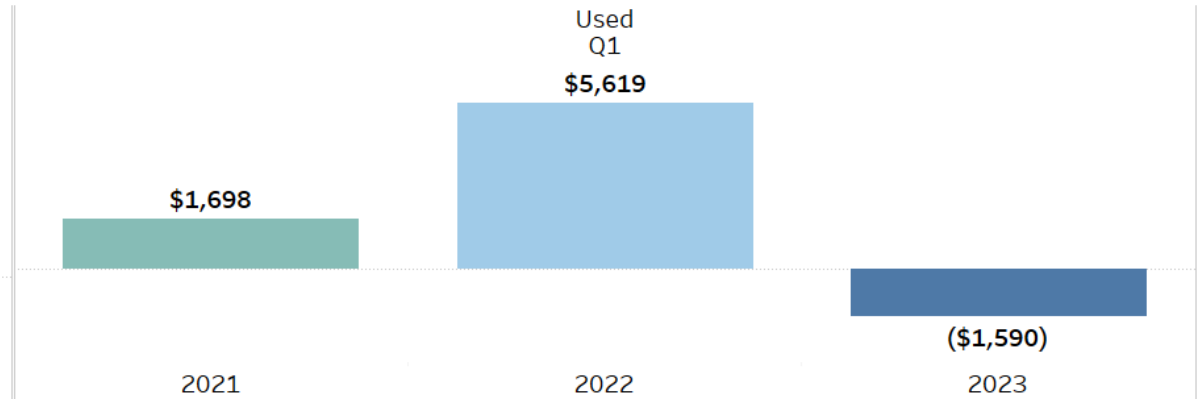


# Loan amounts begin to decrease both year-over-year and quarter-over-quarter

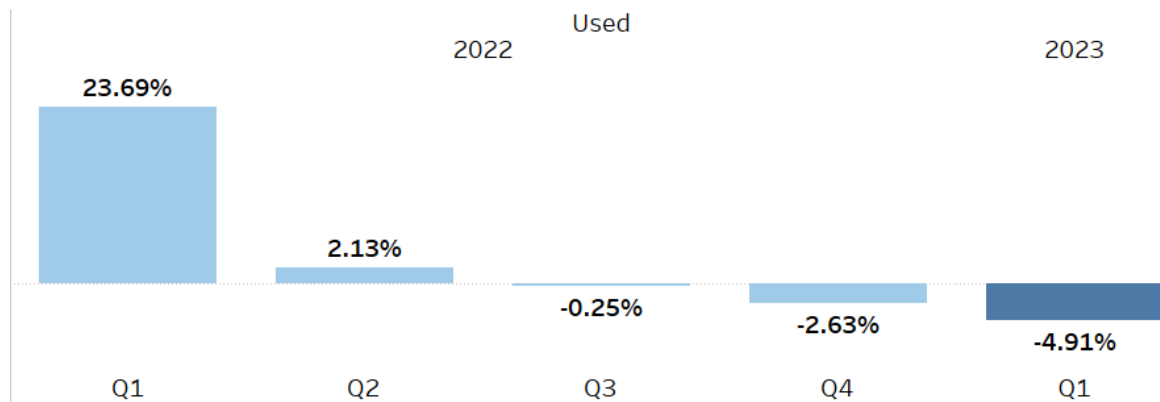
YOY growth in average used loan amount



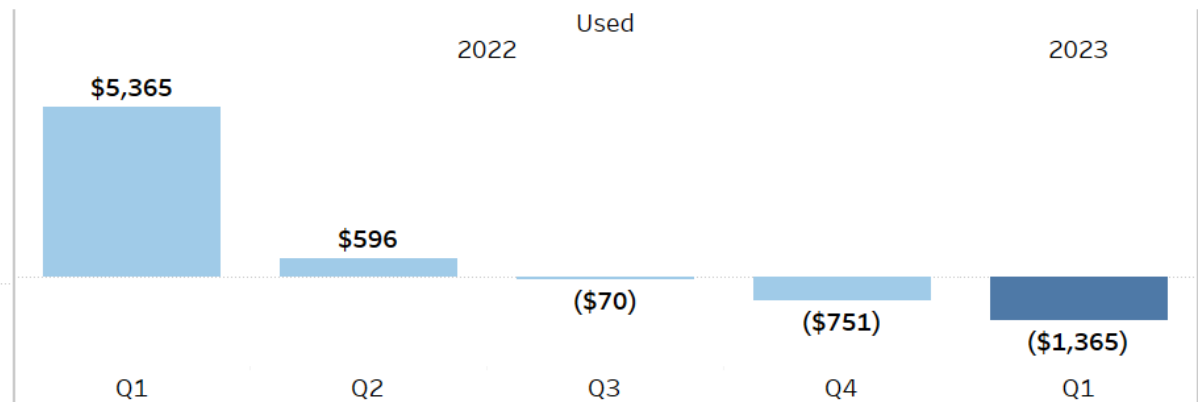
YOY \$ difference in average used loan amount



QOQ growth in average used loan amount

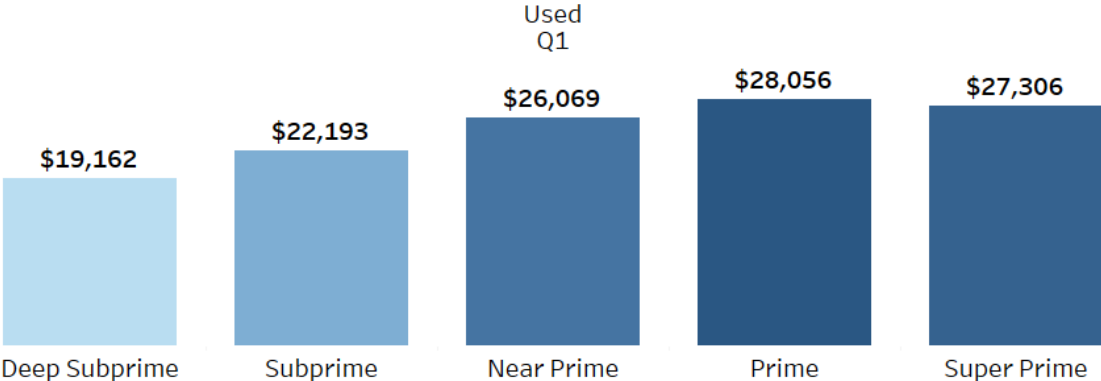


QOQ difference in average used loan amount

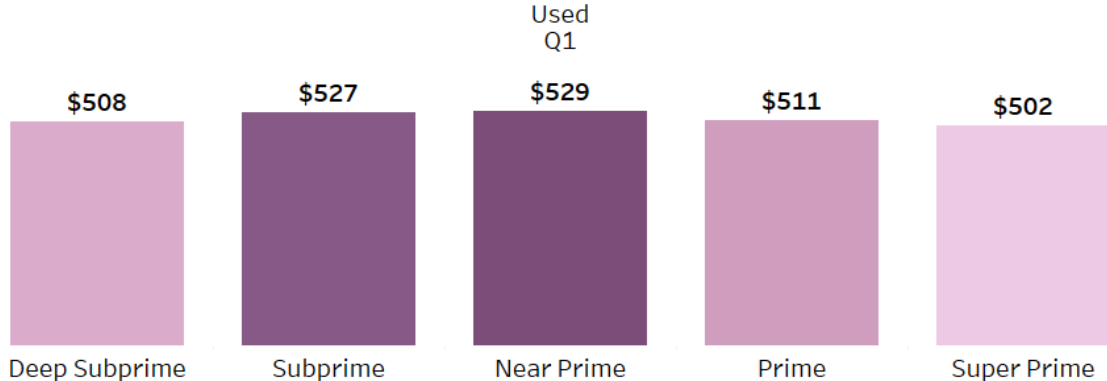


# Used loan amounts fall across all risk segments while payments rise

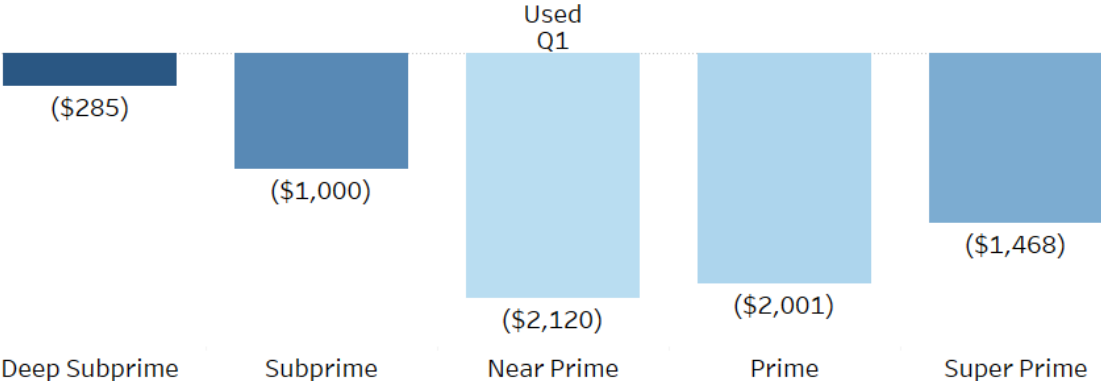
Average loan amount financed by risk



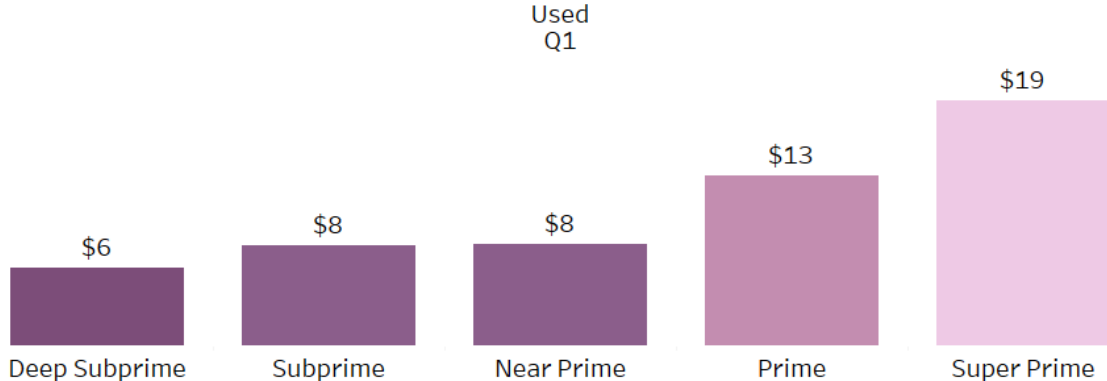
Average loan monthly payment by risk



Year-over-year change in loan amount

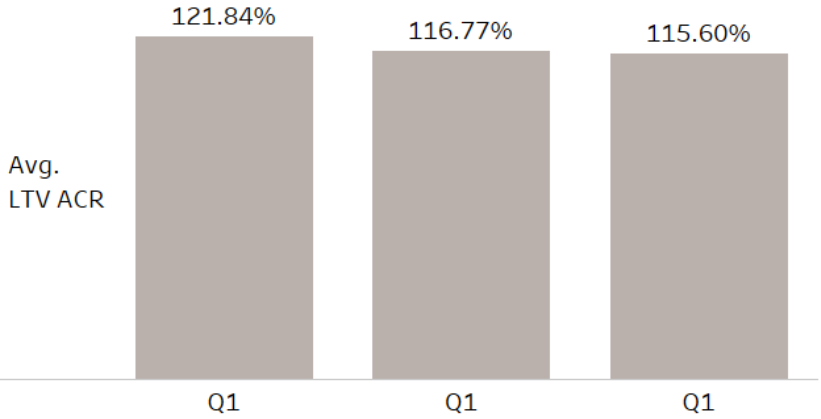
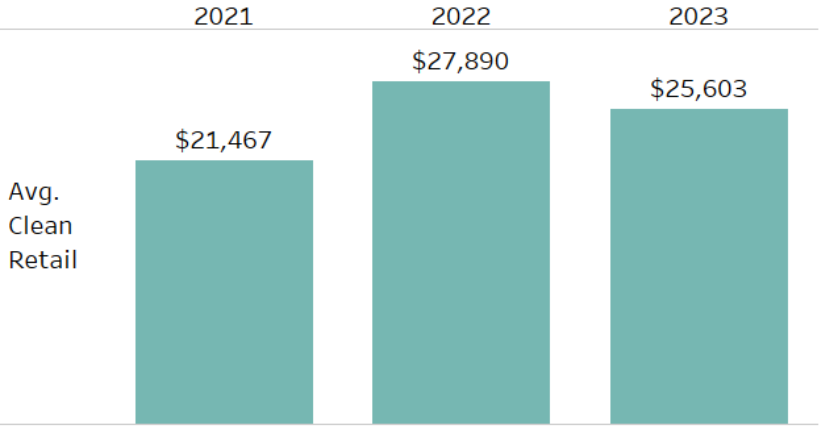


Year-over-year change in monthly payment

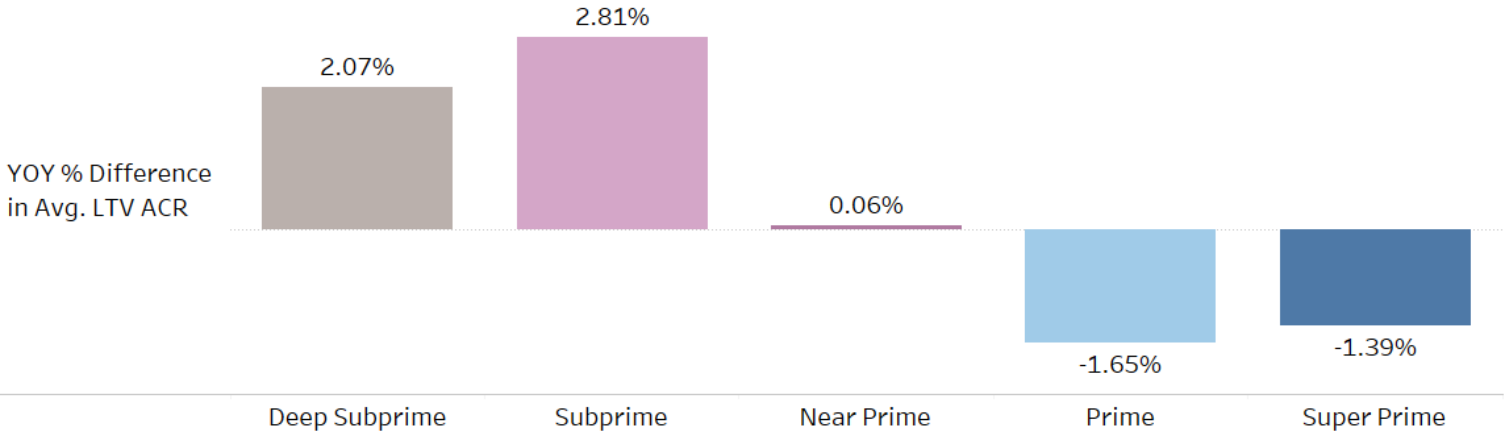
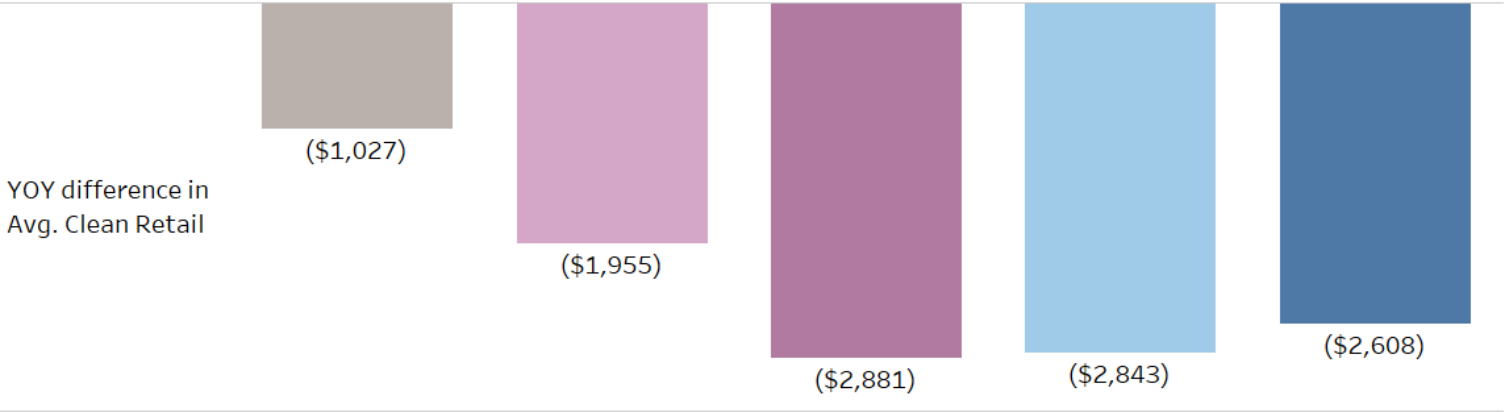


# Values and LTVs fall for used vehicles

**Avg Used Values**

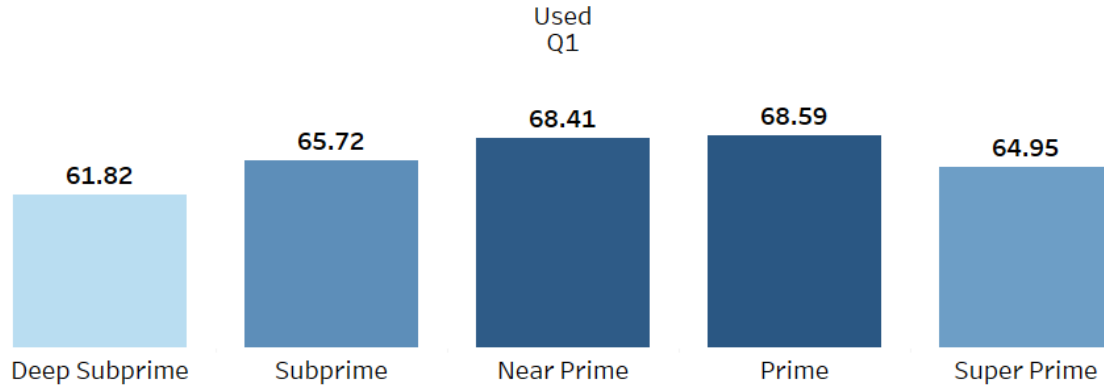


**YOY change in used values**

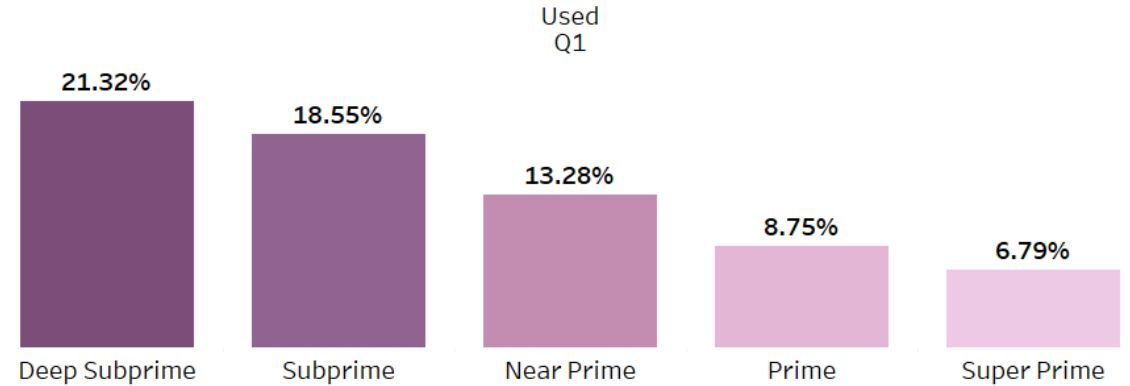


# Terms increase for lower scoring segments while rates climb

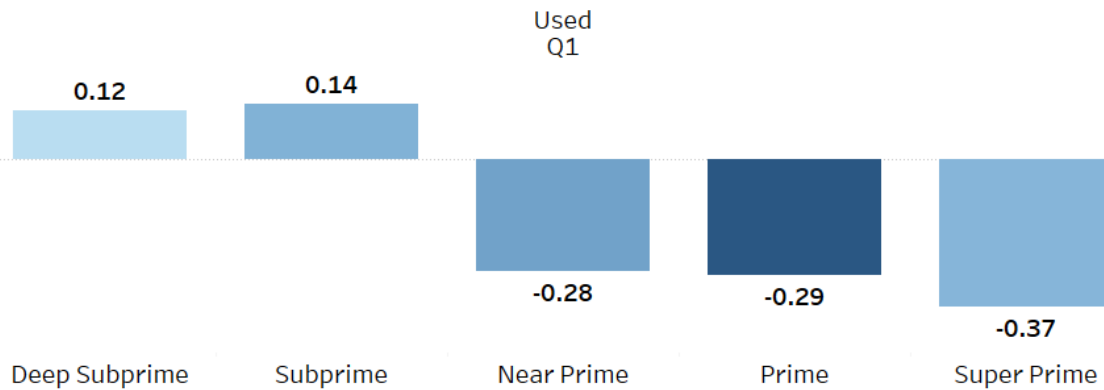
Average loan term by risk



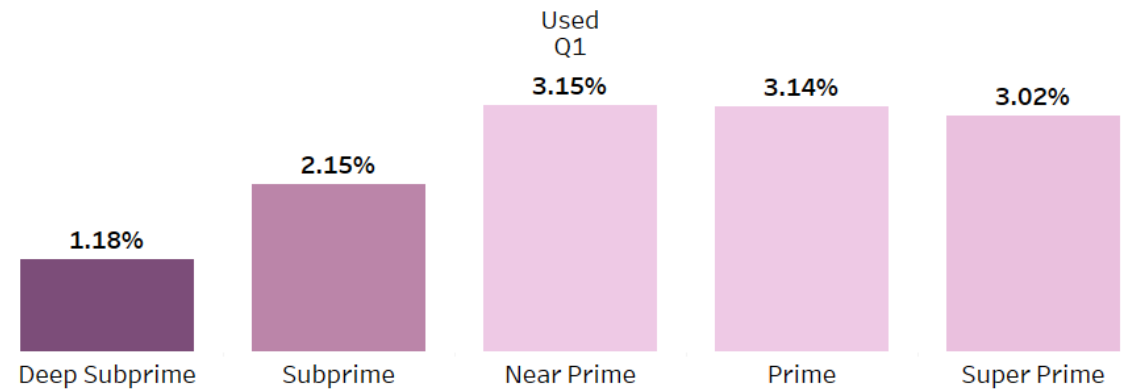
Average loan rate by risk



Year-over-year change in loan term

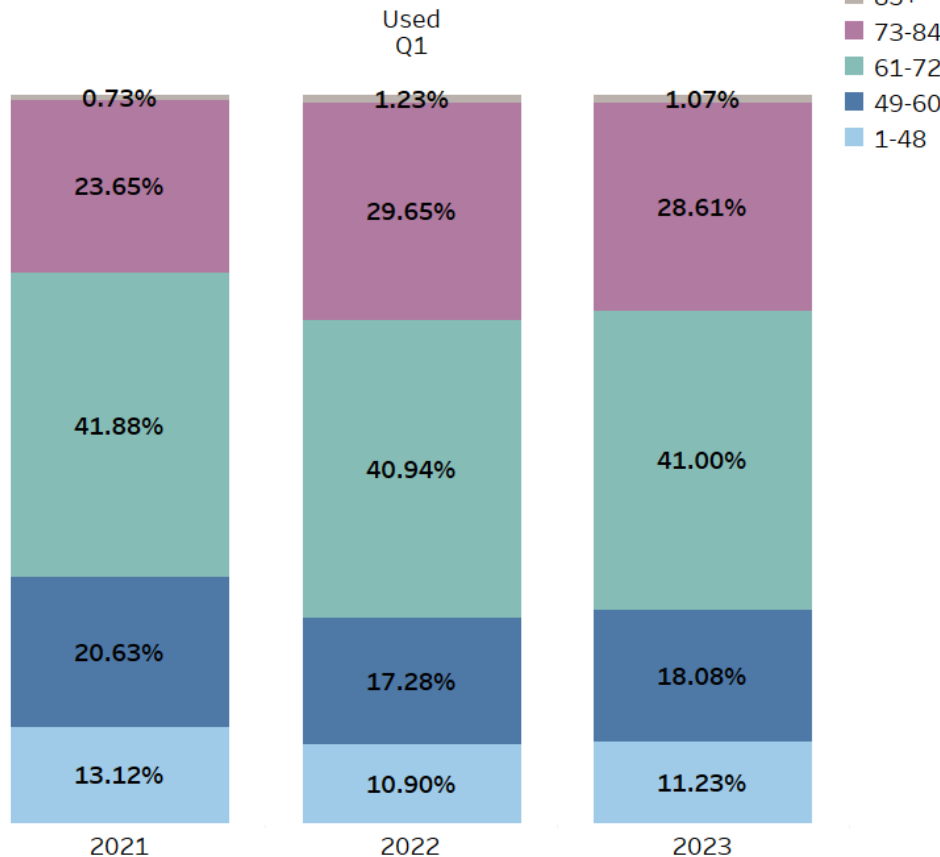


Year-over-year change in rate

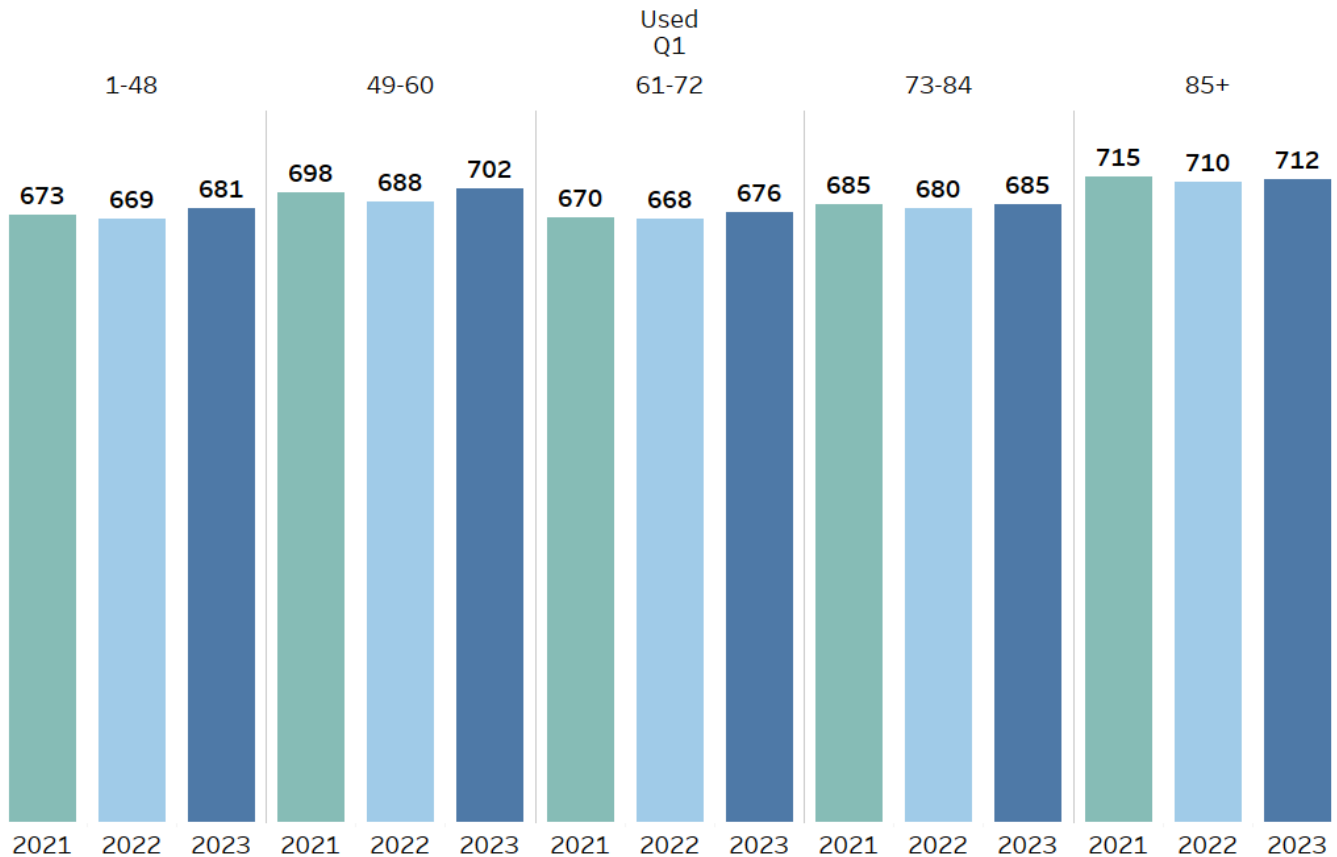


# Shorter term loans grow for used vehicles

Distribution by loan term



Avg score by loan term



# Q1 2023 Market overview

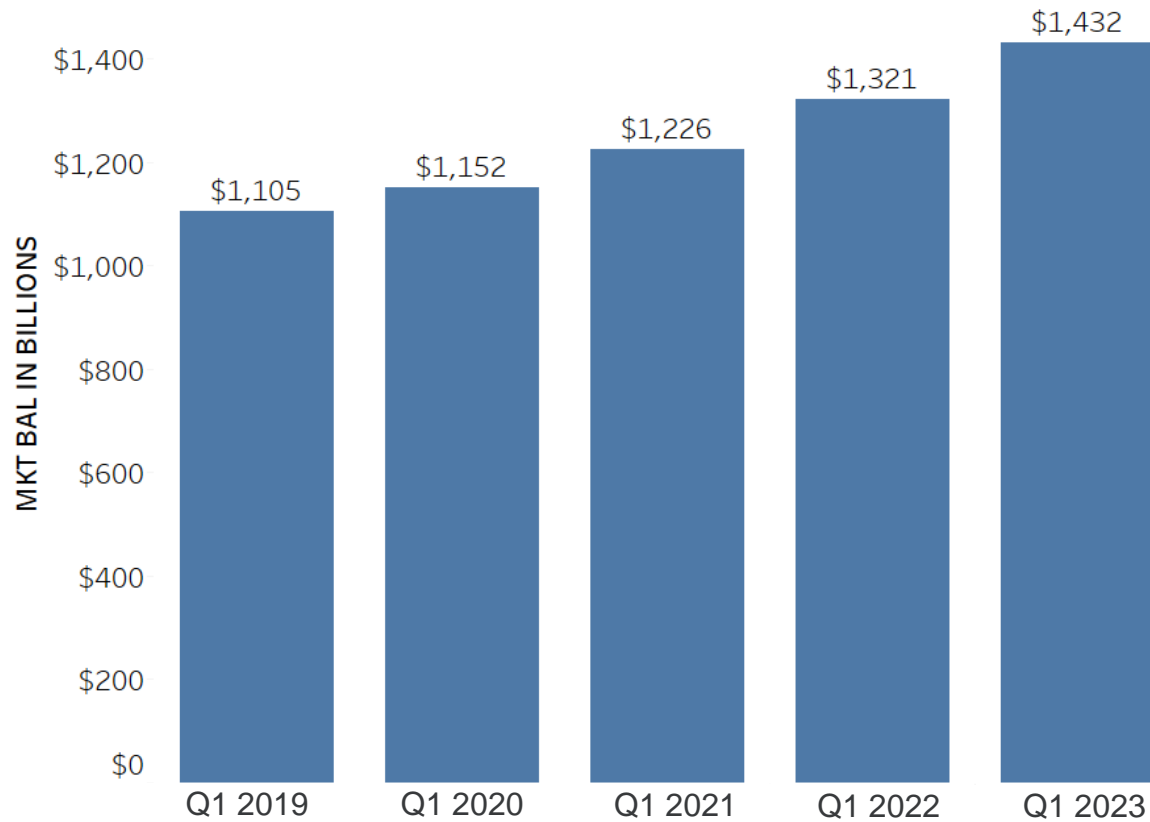
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Balances and delinquency on all open auto  
loans & leases

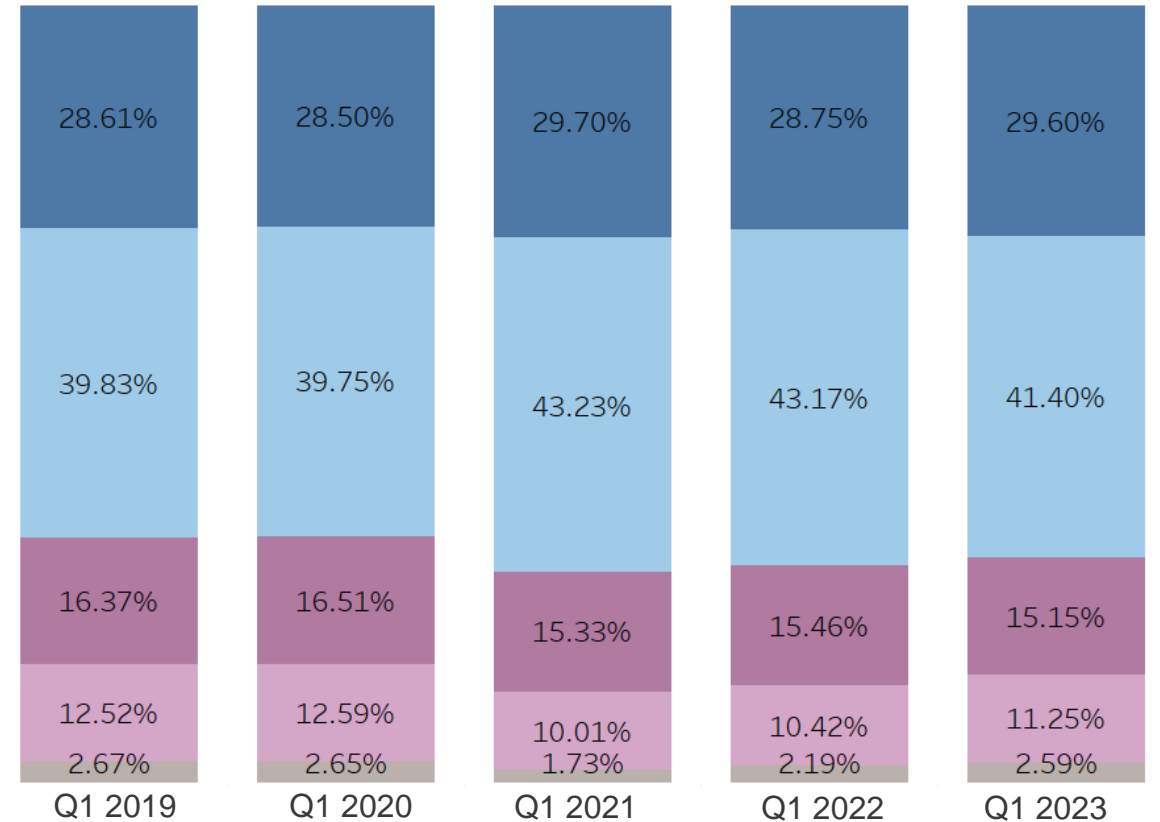


# Overall loan balances (in billions) grew 8.4% YOY with share growth in deep subprime and prime segments

Outstanding automotive loan balance

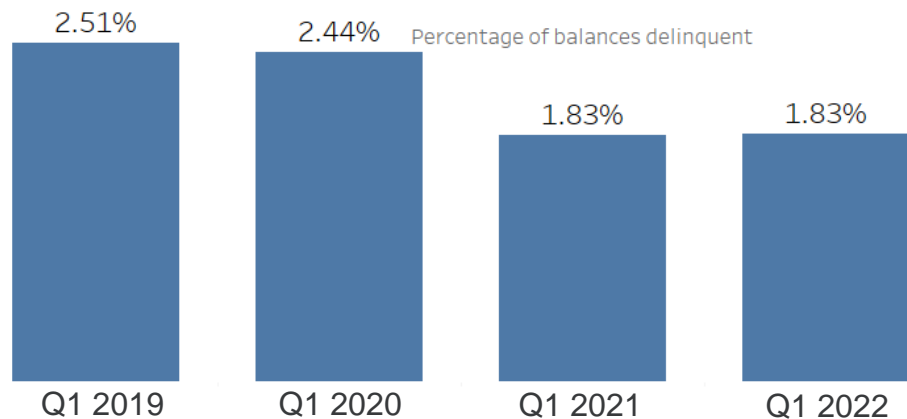
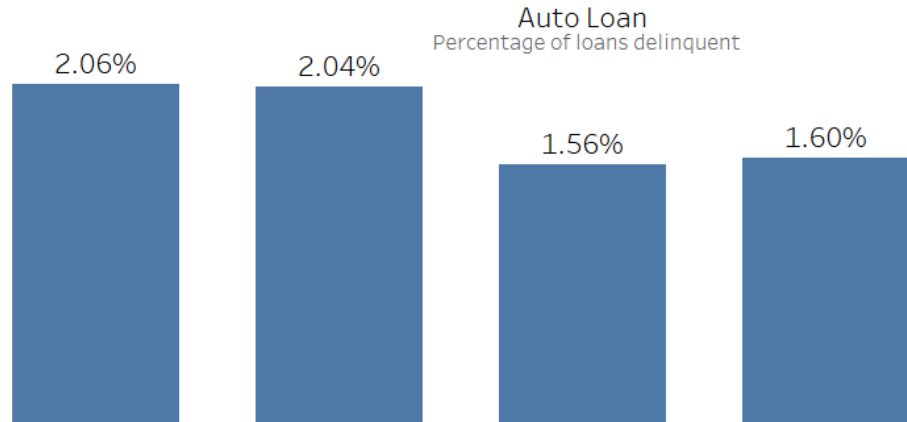


Auto loan balances by score band

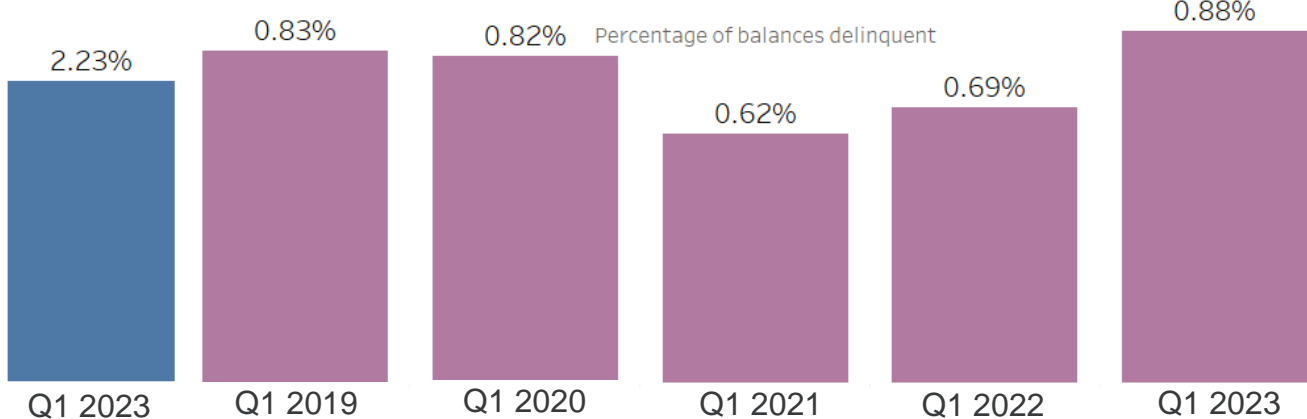
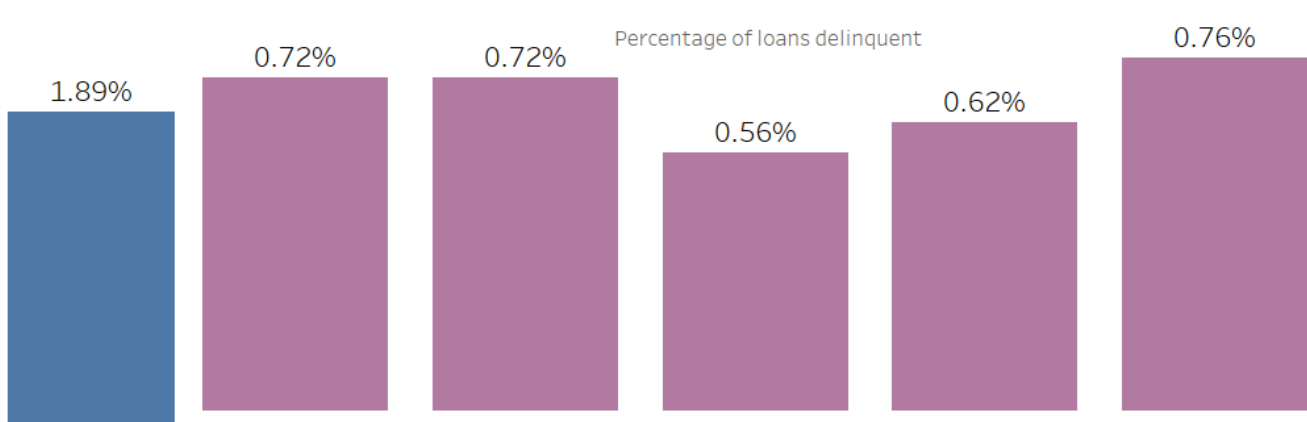


# Delinquencies rise past pre-COVID levels

30 day delinquency

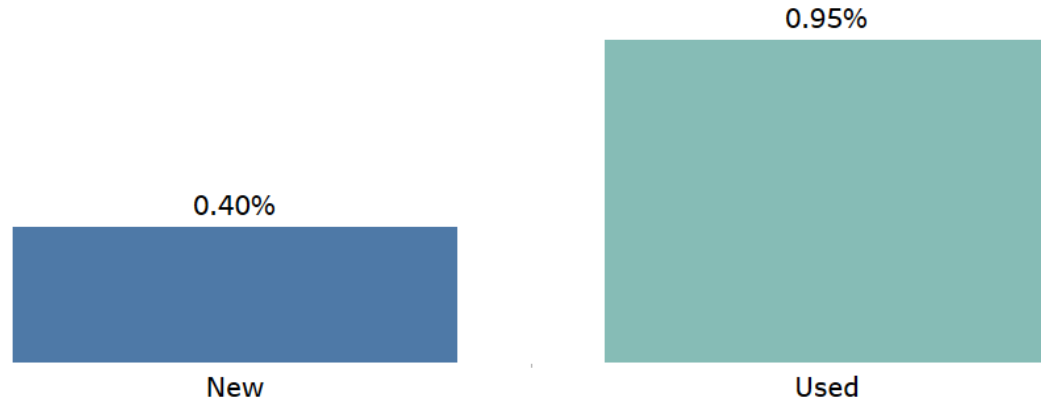


60 Day delinquency

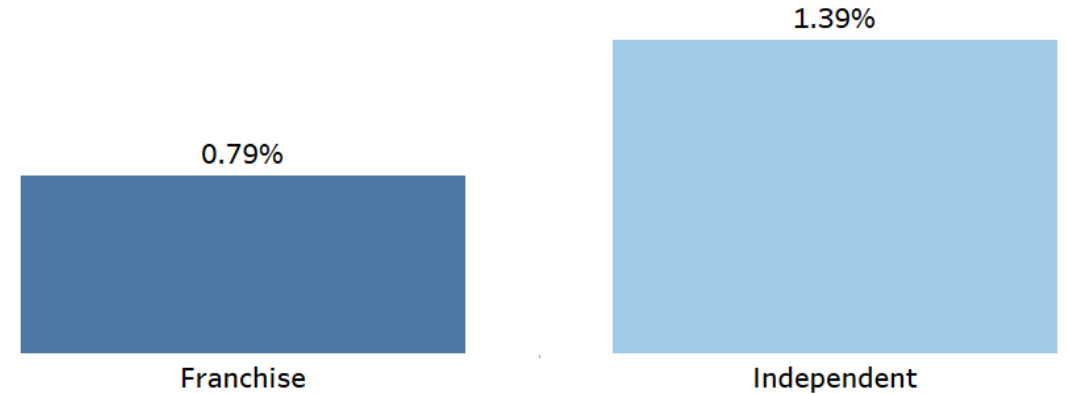


# 60-day delinquency rate dashboard (originations 2018+)

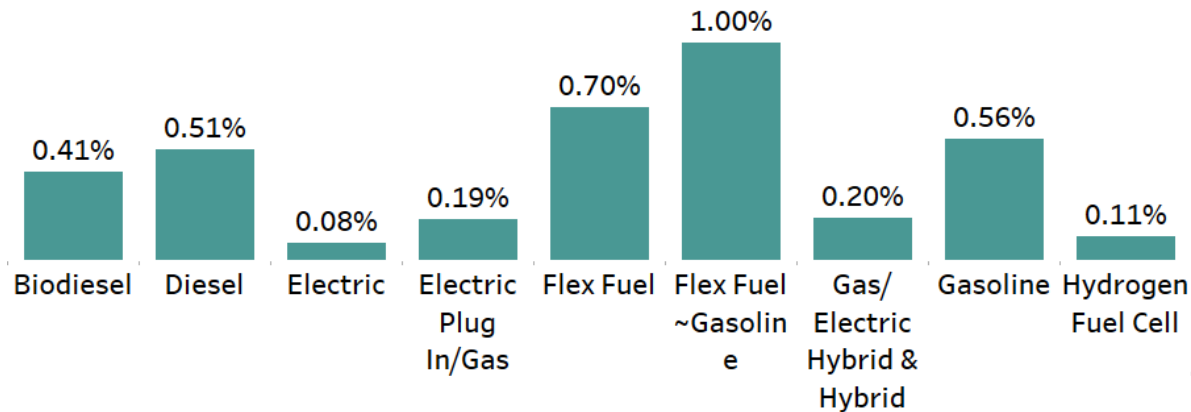
Current 60 day delinquency rate by new/used



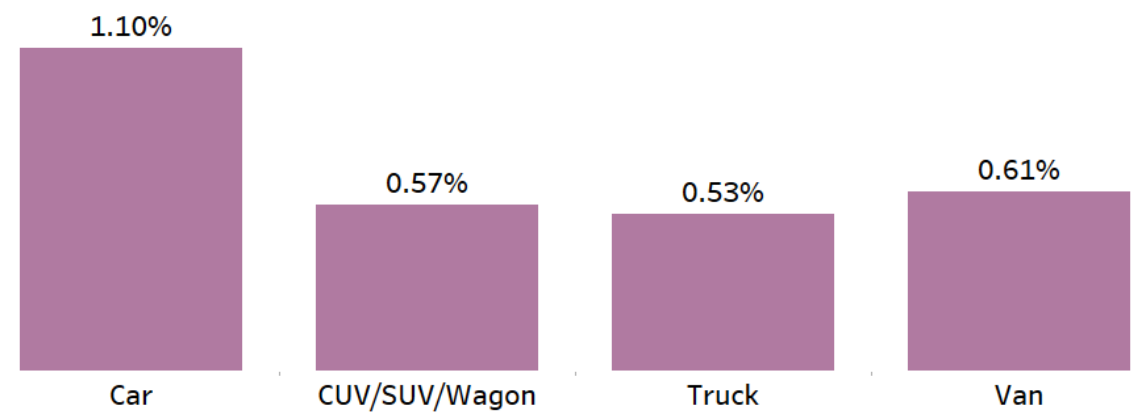
Current 60 day delinquency rate by dealer type on used loans



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



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



# Q1 Summary

- Leasing remains low yet, financing overall has decreased for new vehicles
- Subprime continues to reach record lows for automotive financing
- New loan amounts and payments continue to climb while rates increase, and terms decrease
- Used loan amounts begin to decline yet payments rise with increased rates and shortened terms
- Overall balances climb while delinquencies surpass pre-COVID levels



# Q1 2023 We Power Auto

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**We help you find, reach and retain customers like no one else.**  
Let us prove it to you.



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