

FEDERAL RESERVE BANK
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Current State of the Auto Lending Market

Sharon Tang and Grace Bai
Retail SMT FRB Philadelphia

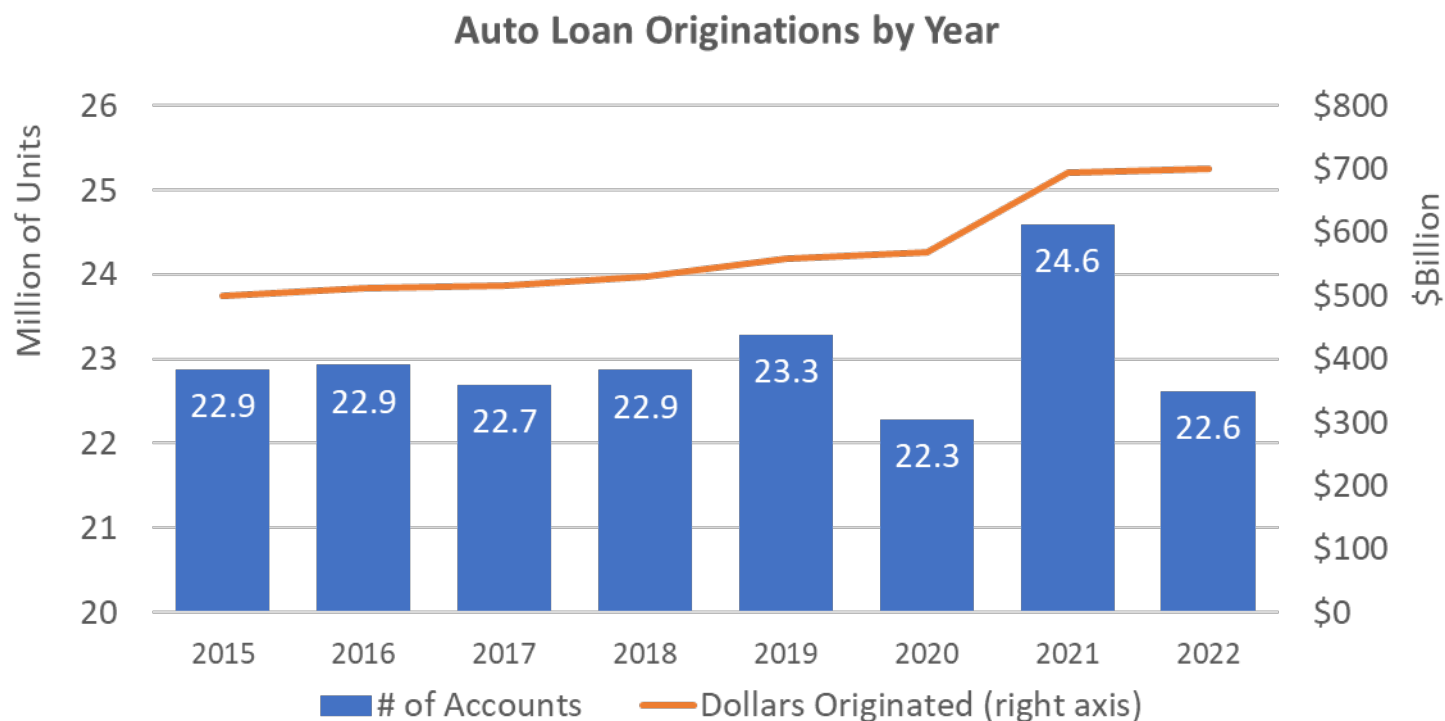
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Auto Loan Originations

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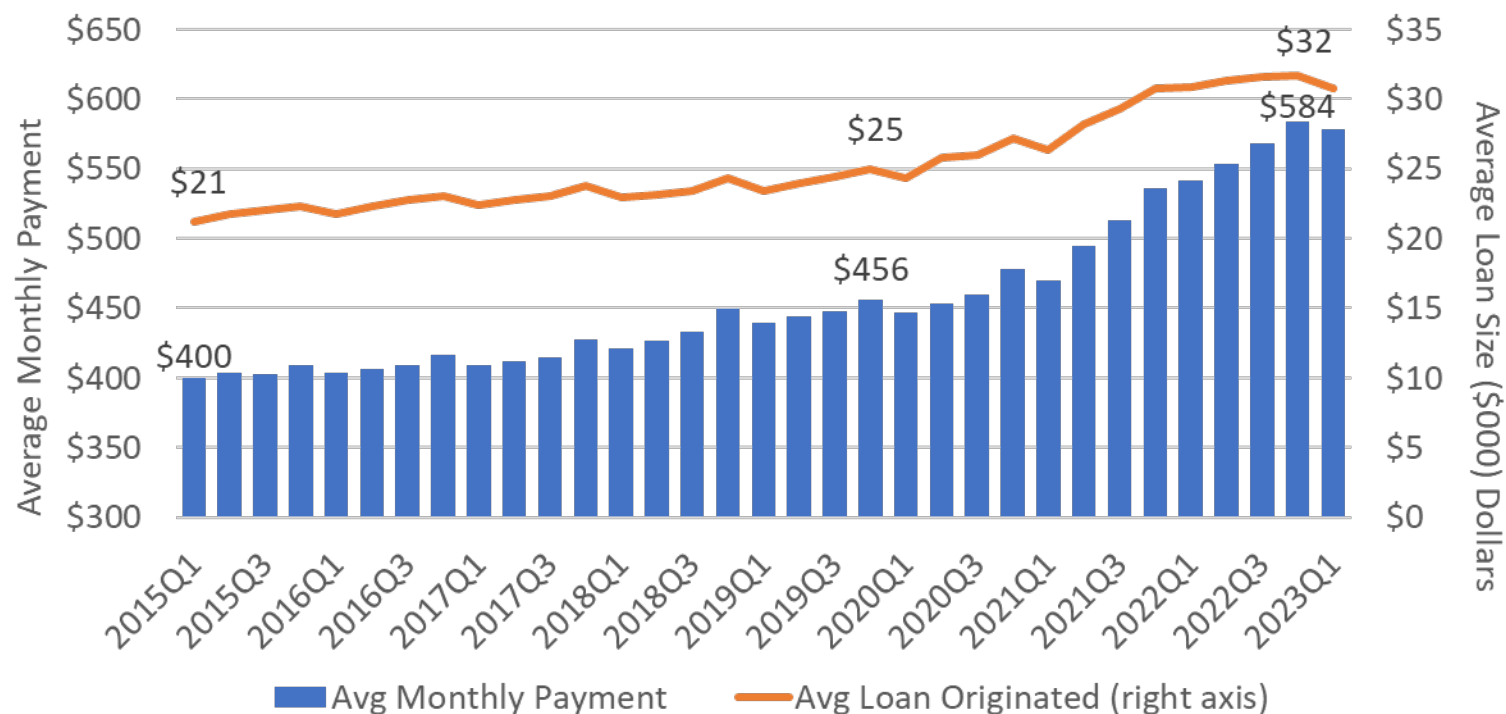
- Auto loan origination balances jumped to a new high in 2021 and have remained elevated despite a lower number of auto loan originations in 2022.



Data source: FRBNY Consumer Credit Panel/Equifax Data

Average Loan Size and Monthly Payment

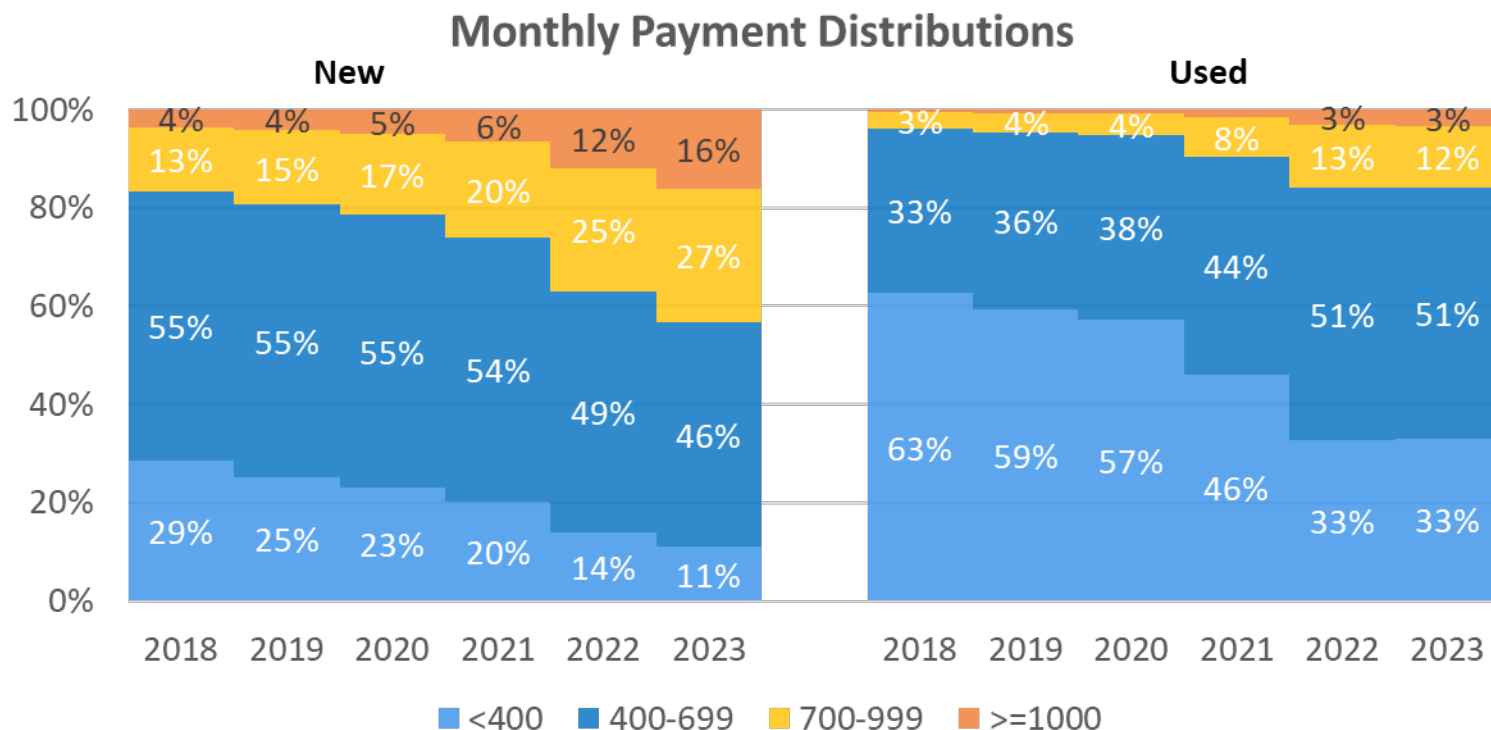
- The average loan size and average monthly payment dipped slightly this most recent quarter, which provided some borrower relief.



Data source: FRBNY Consumer Credit Panel/Equifax Data

Shifts to Higher Monthly Payments

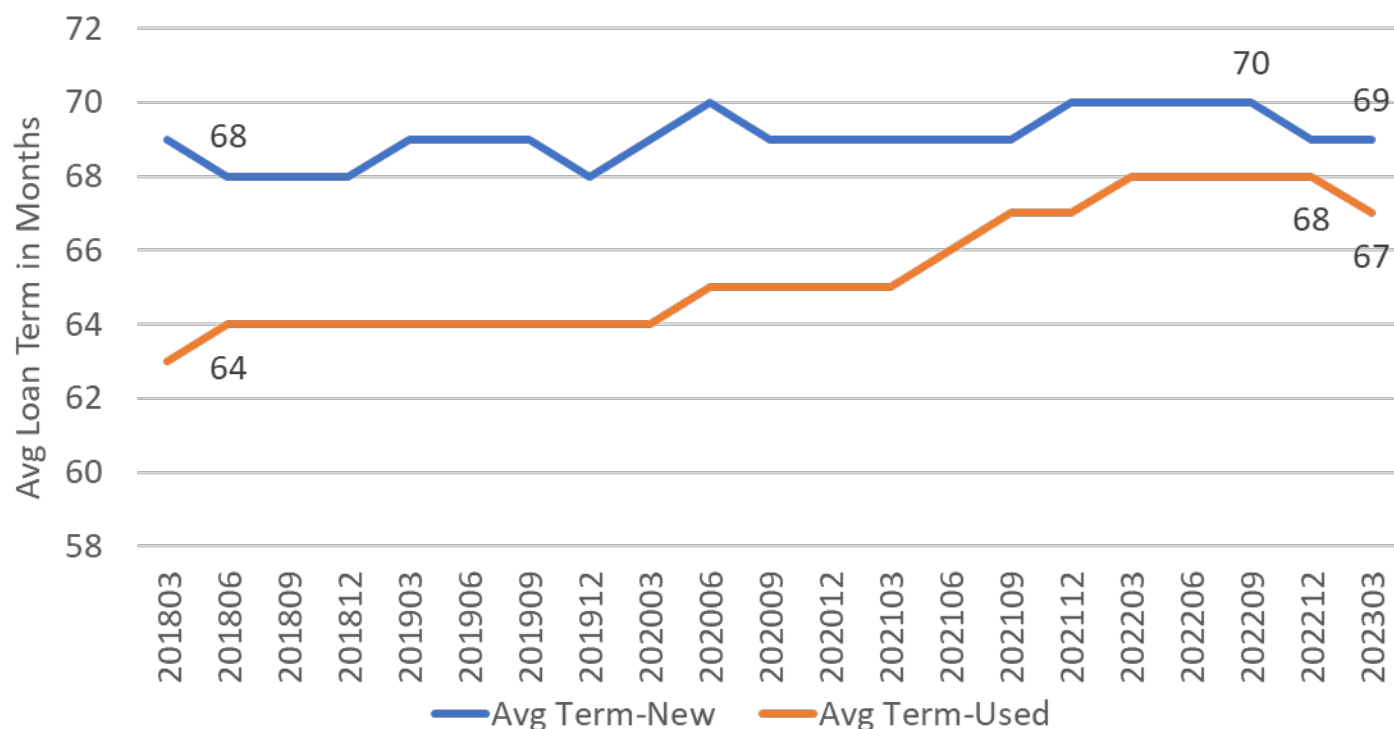
- The percentage of vehicle loans with monthly payments above \$700 have been growing in share over the past three years.



Data source: Experian Velocity/AutoCount

Average Loan Term

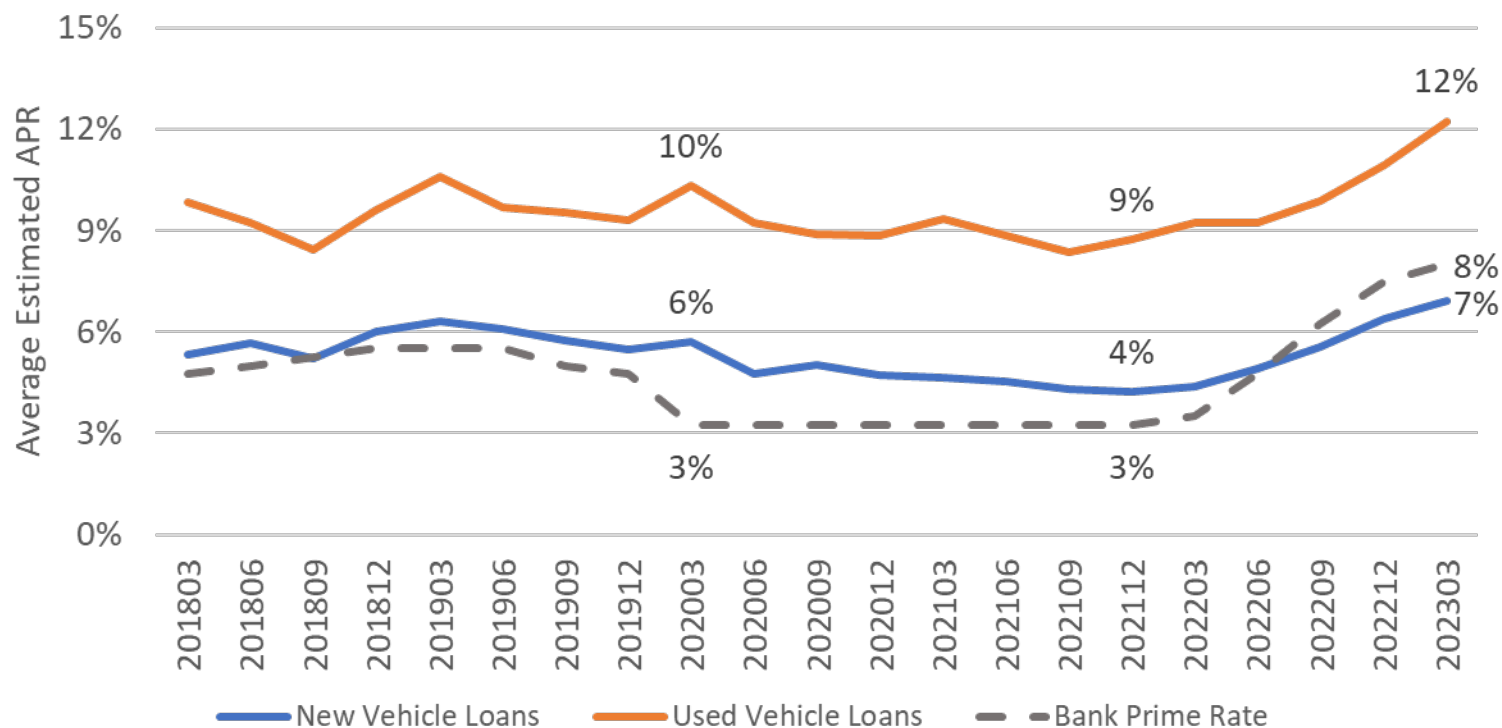
- The average loan term increased by two months for new vehicle loans and four months for used vehicle loans.



Data source: Experian Velocity/AutoCount

Average Estimated APR of New Originations

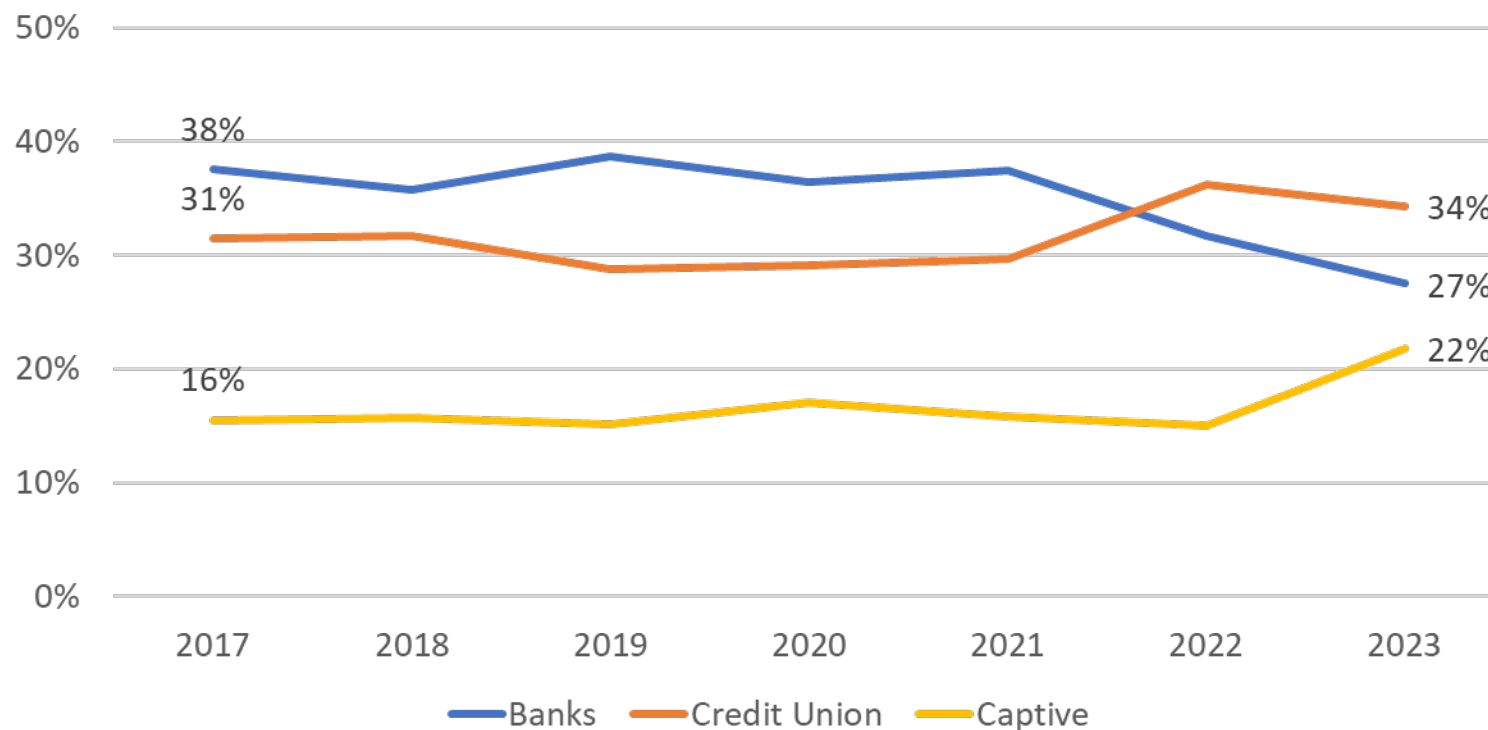
- Auto APRs are lagging the bank prime loan rate.



Data source: Experian Velocity/AutoCount

Auto Loan Originations by Lender Types

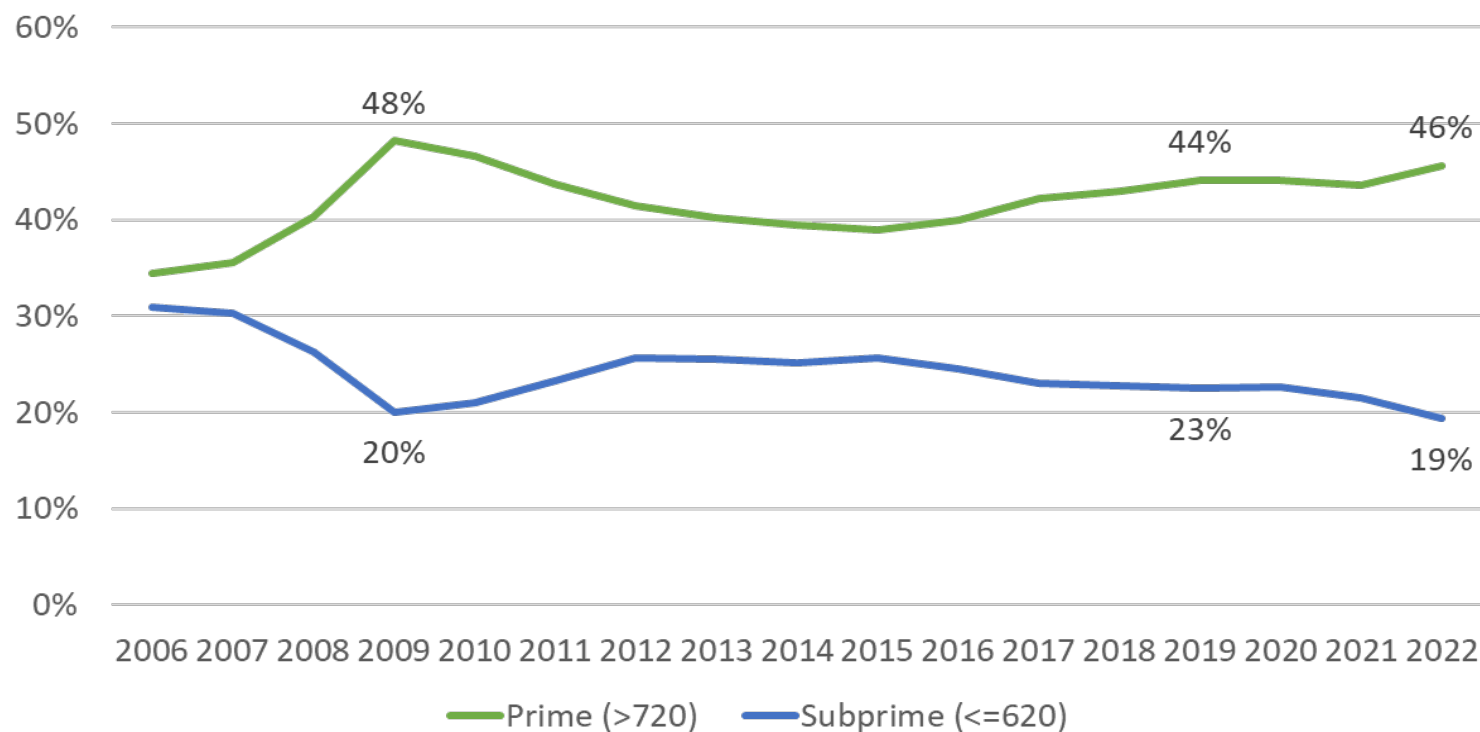
- The Credit Union share of new originations increased in 2022 while the share of Captive firms has shown a large increase in 2023:Q1.



Data source: FRBNY Consumer Credit Panel/Equifax Data

Originations by Risk Segment

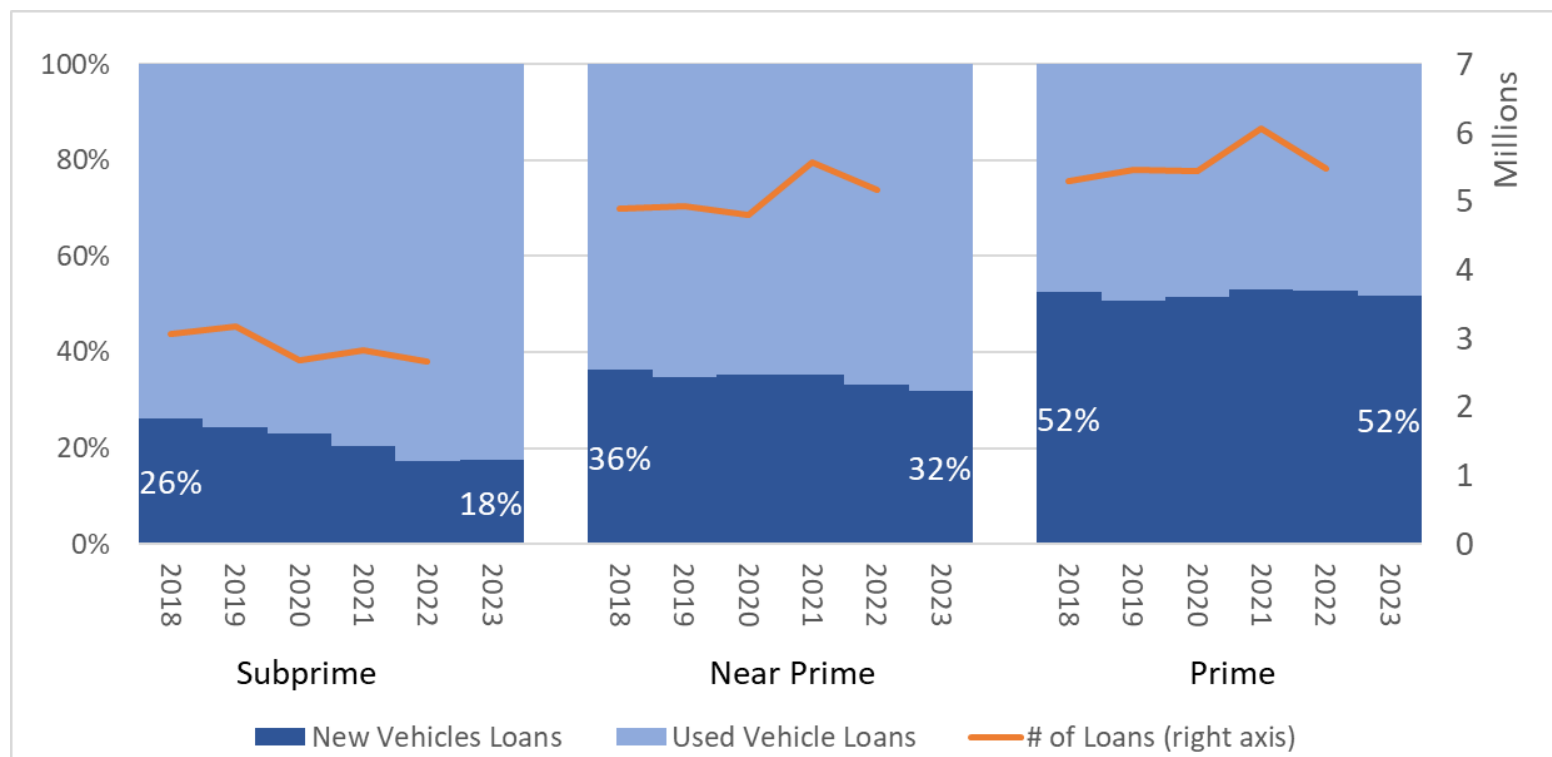
- The share of new originations in the prime segment (Equifax Risk Score > 720) increased while the subprime segment (Equifax Risk Score ≤ 620) share decreased.



Data source: FRBNY Consumer Credit Panel/Equifax Data

Share of Origination by Risk Segment

- Prime segment (Experian Risk Score > 720)
 - The number of originations has been increasing despite the share of new vehicle loans remaining steady.
- Subprime segments (Experian Risk Score <= 620)
 - A significant drop in loan originations, as well as the share of new vehicle loans, was observed.



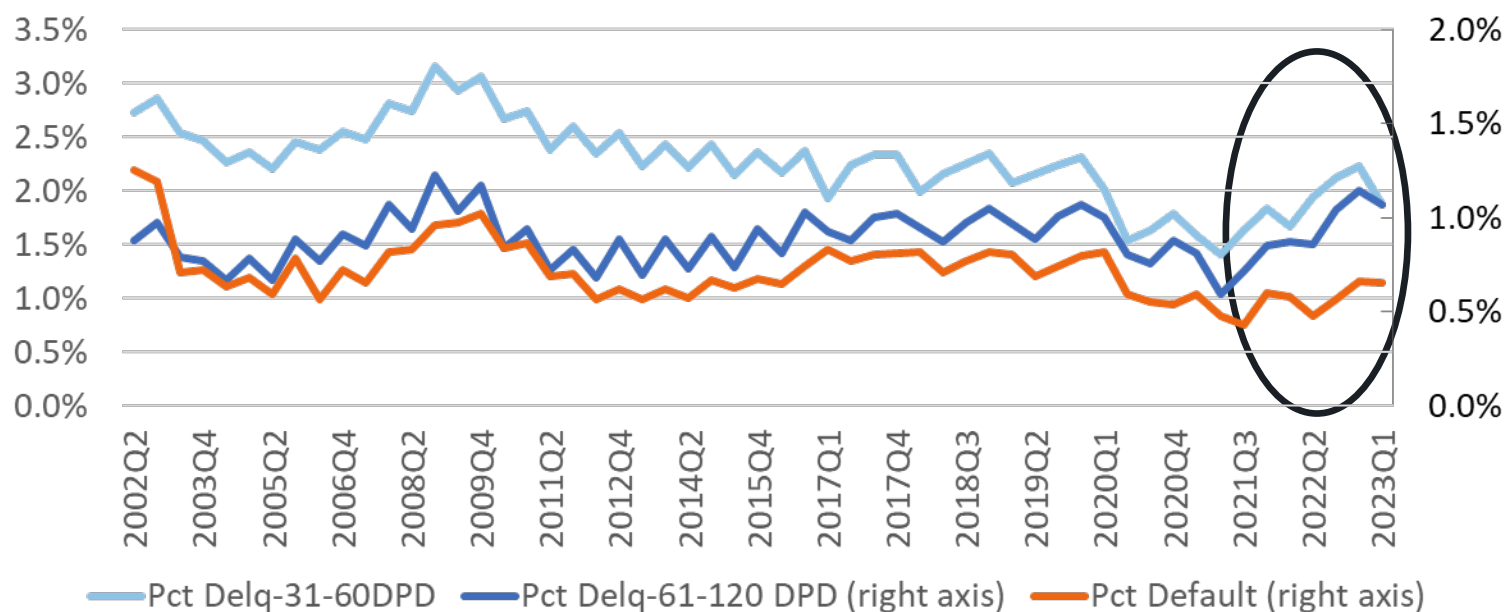
Data source: Experian Velocity/AutoCount

Auto Loan Performance

Auto Loan Performance

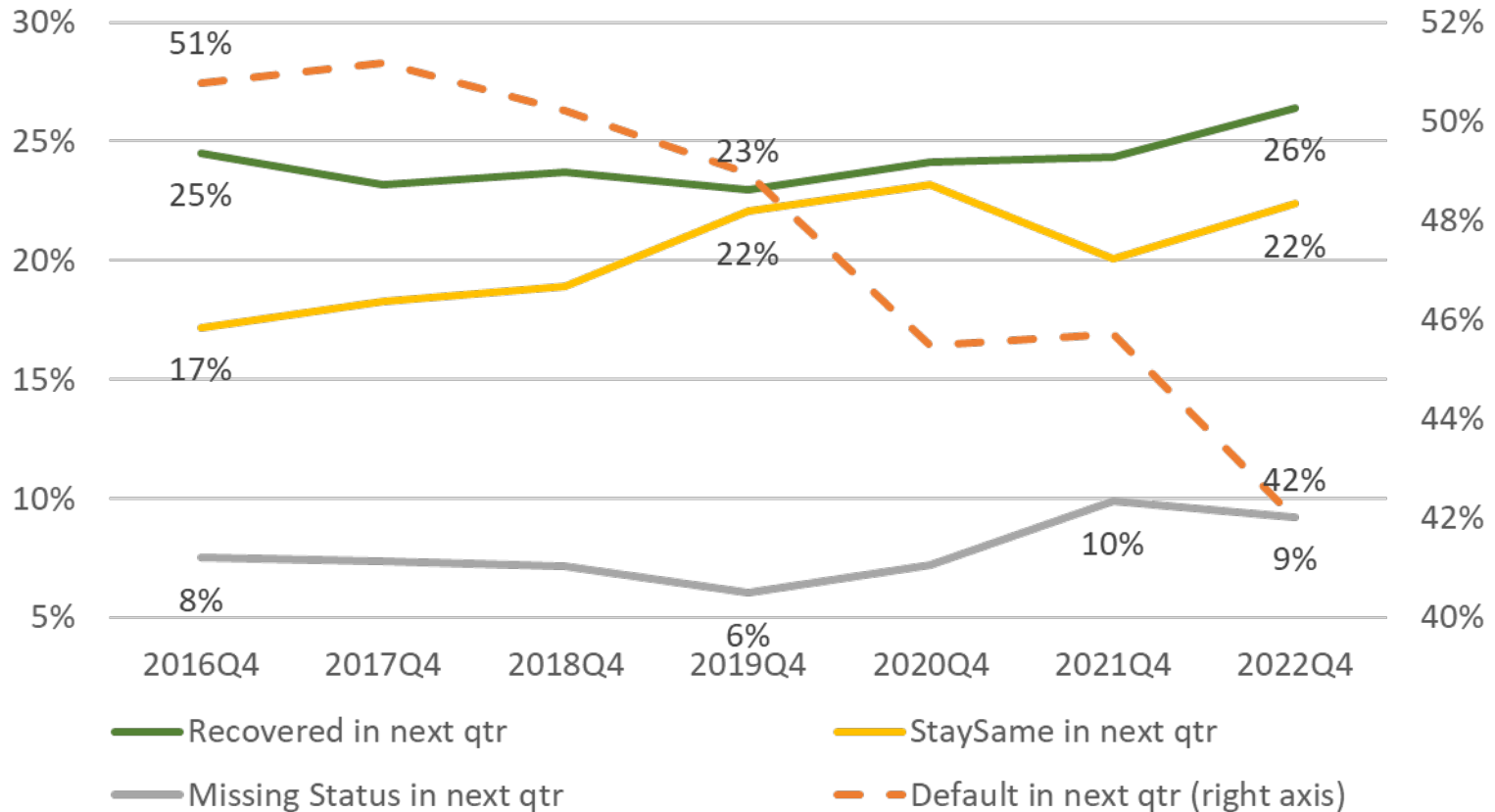
- The 60+ DPD is nearing GFC levels.
- The percentage of accounts transitioning to default is trending upwards.

Portfolio Delinquency and Default Rates



Data source: FRBNY Consumer Credit Panel/Equifax Data

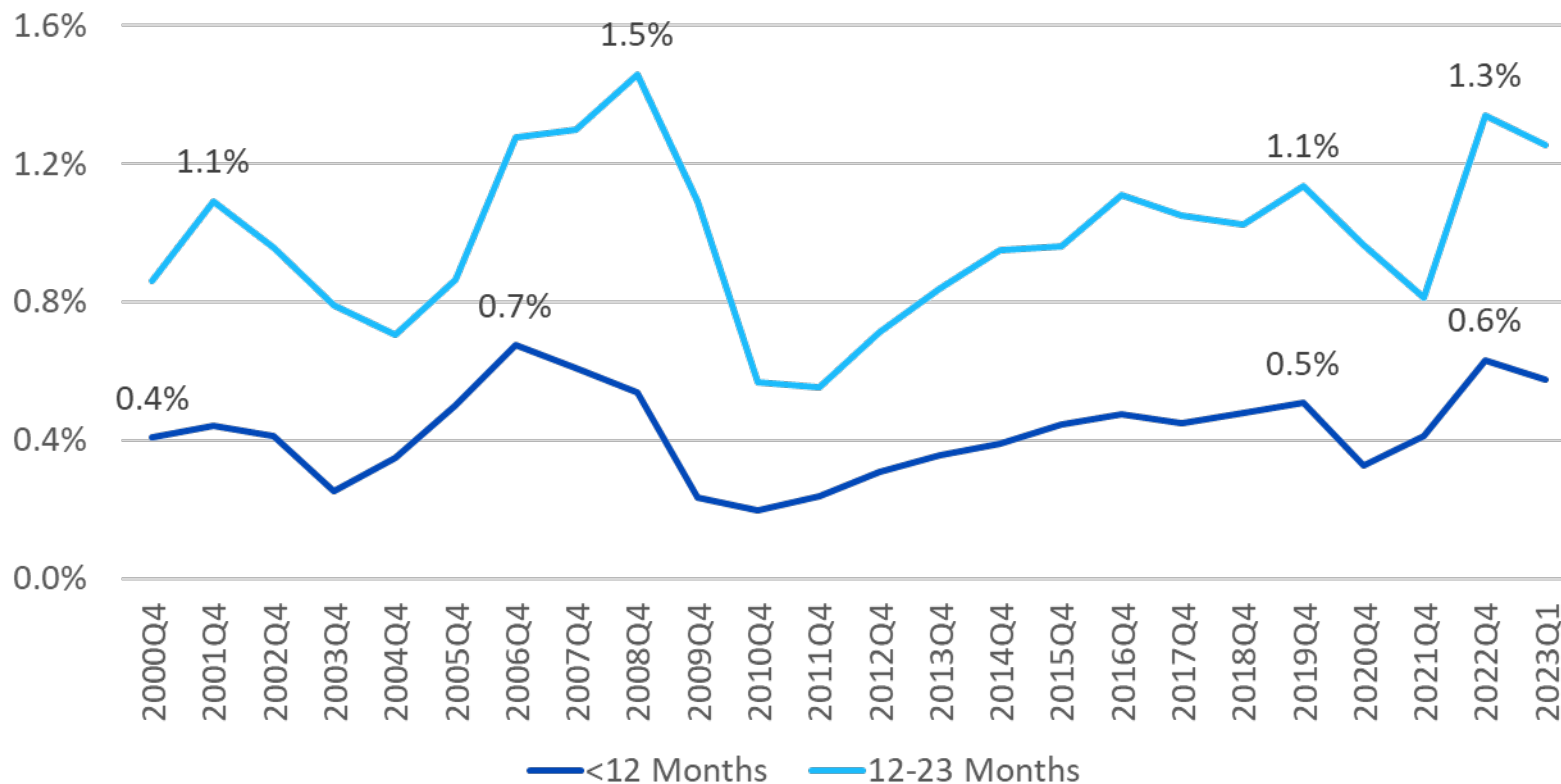
Status Change of Loans in 60+ DPD



Data source: FRBNY Consumer Credit Panel/Equifax Data

Delinquency by Loan Age

Percent of Accounts in 60+ Days Delinquent by Loan Age

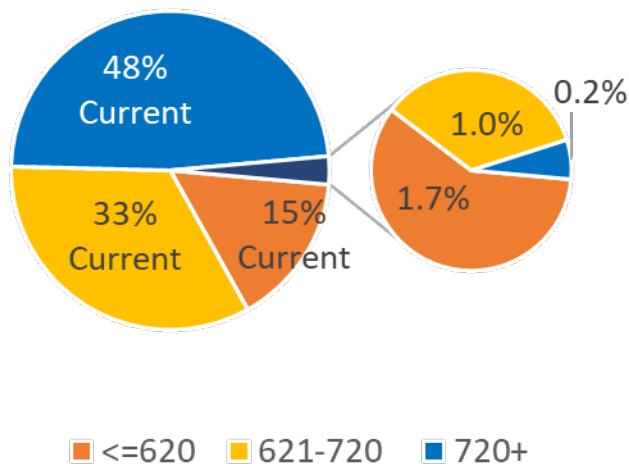


Data source: FRBNY Consumer Credit Panel/Equifax Data

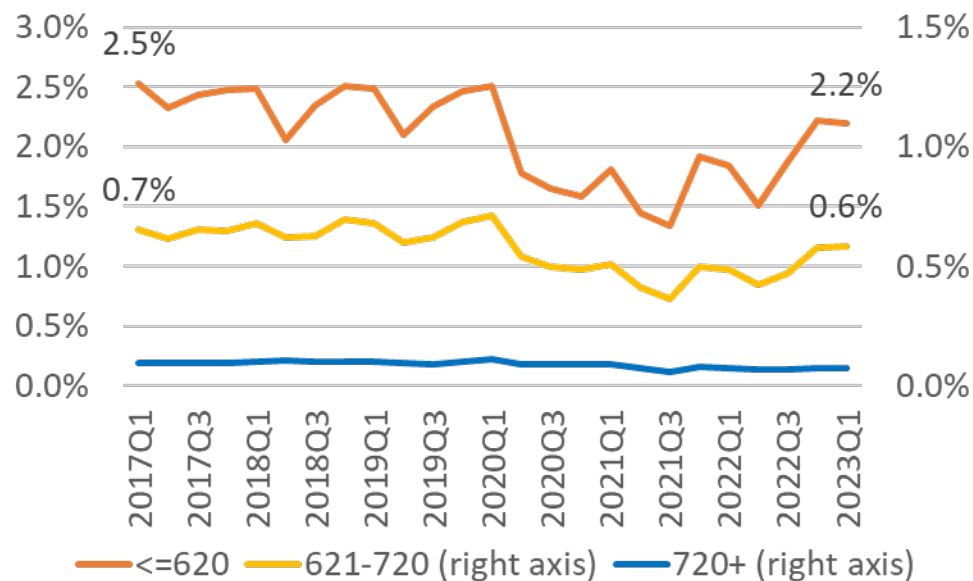
Loan Performance by Origination Risk

- There were \$1.4 trillion of auto loan outstanding balances as of March 2023 and 2.9% of balances were 30+ DPD.
- Default rates are trending towards pre-pandemic levels across all risk segments.

Share of Current and Delinquent Balance by Origination Risk Segment



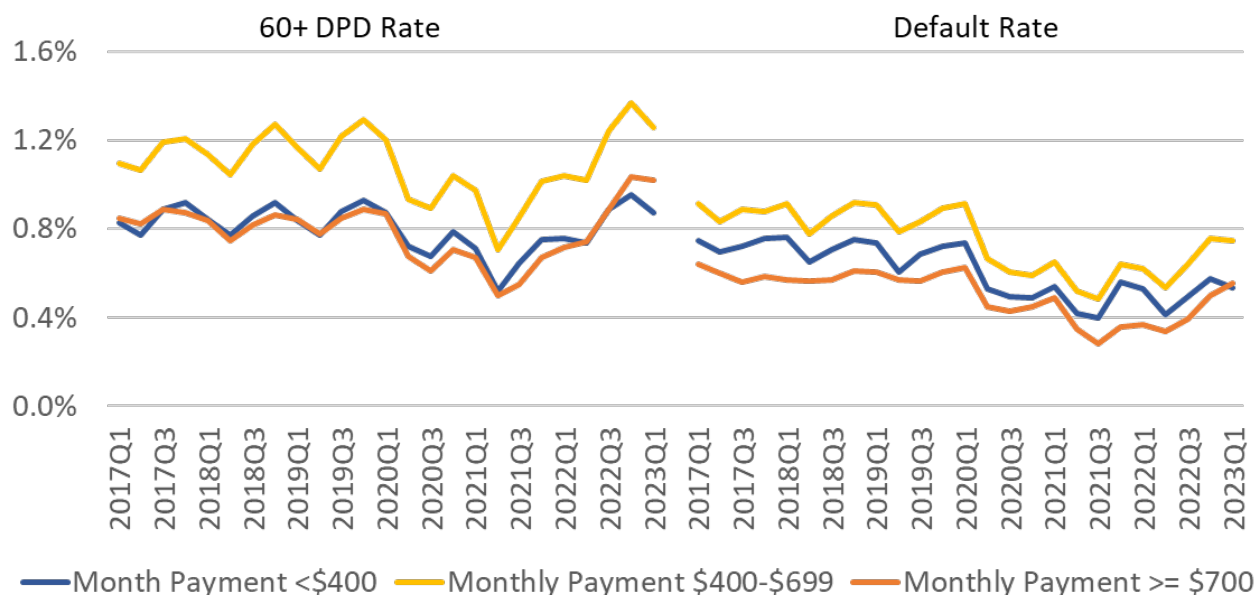
Percent of Accounts Transition to Default



Data source: FRBNY Consumer Credit Panel/Equifax Data

Delinquency and Default by Monthly Payments

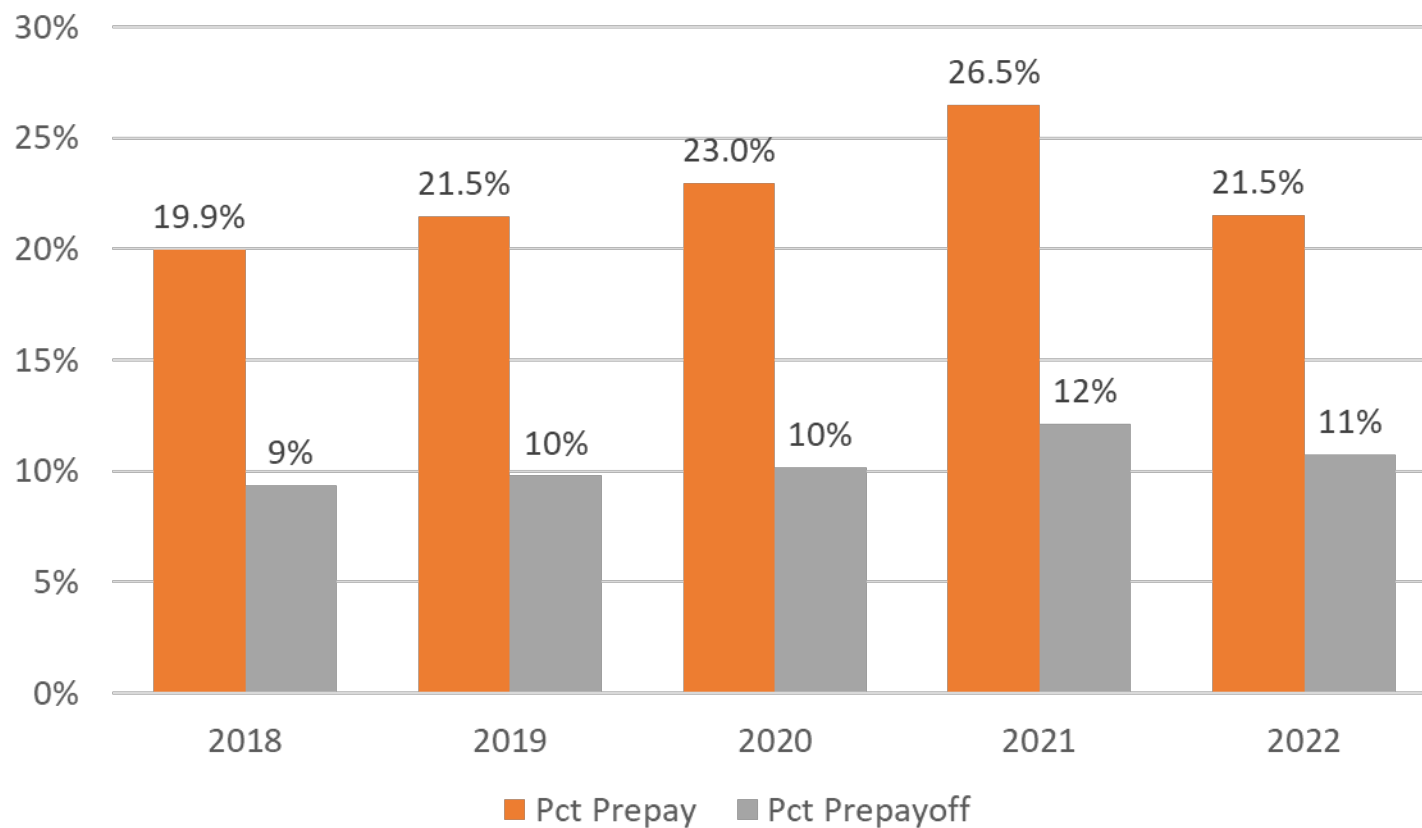
- Accounts with monthly payments between \$400 and \$699 have the highest 60+days delinquent rate and default rate.
- Accounts with monthly payments of less than \$400 have higher default rates than accounts with monthly payments of \$700 and above.



Data source: FRBNY Consumer Credit Panel/Equifax Data

Auto Prepayments

- The percent of accounts with prepayments decreased in 2022.



Data source: FRBNY Consumer Credit Panel/Equifax Data

Auto Consumers

Profile by Product Mix

- 78% of auto borrowers hold a credit card; their average Equifax Risk Score is 8 points higher vis-à-vis the overall auto loan average.
- 40% of auto borrowers also carry a mortgage; on average, they are older and show a significantly higher Risk Score.
- Auto borrowers who are carrying student loans have a much lower Risk Score and tend to be younger.
- 13% of auto borrowers have no other major credit products. These borrowers have the lowest Risk Score, the lowest auto balance outstanding, and the highest 90+ DPD transition rates.

Auto Consumer Profile by Product Mix as of 2023Q1

Product Mix *	Freq	Risk Score	Age**	Auto 90+ Transition	Auto Bal	Card/Mort/ Stu Bal
w/ Card	78%	715	48	0.66%	\$23,726	\$7,578
w/ Mortgage	40%	752	50	0.22%	\$25,948	\$256,100
w/ Student Loan	22%	675	41	0.97%	\$22,417	\$42,397
Auto Only	13%	663	47	2.83%	\$13,062	
All Auto	100%	707	48	0.86%	\$21,581	

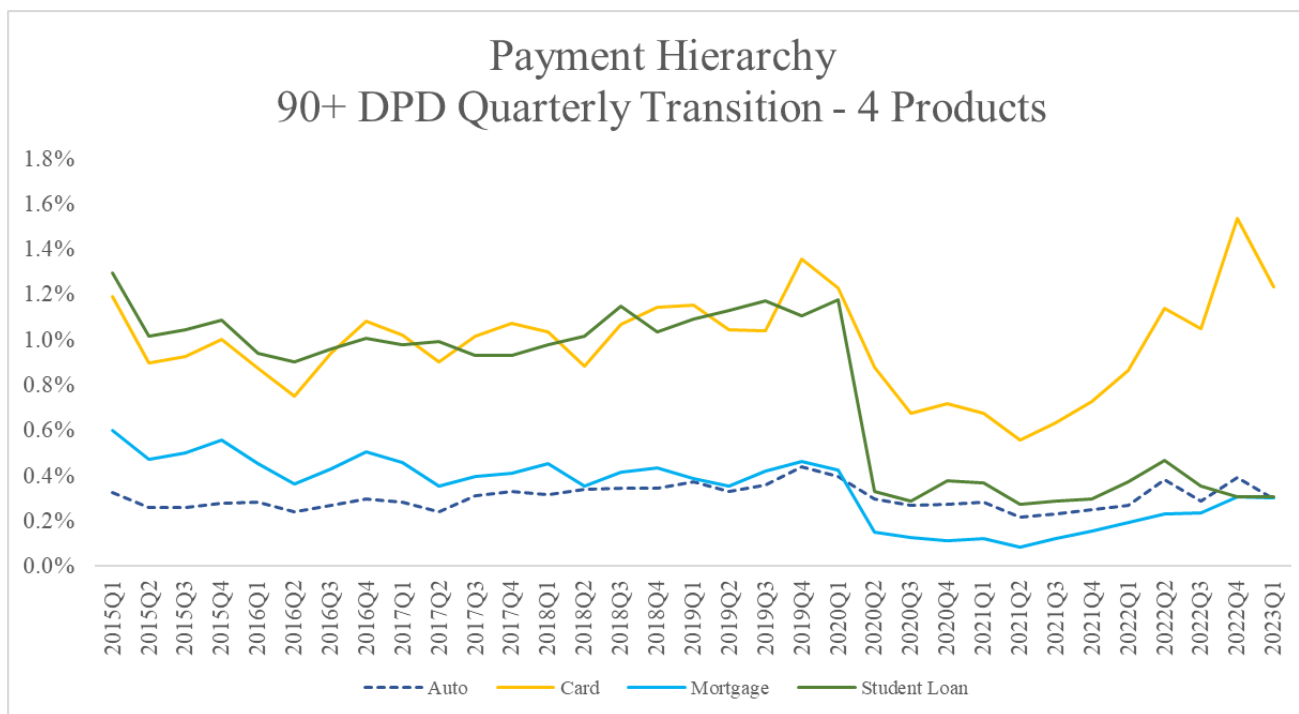
* Not mutually exclusive; consumers can show up in multiple categories

** Approximated based on birth year

Data Sources: FRBNY Consumer Credit Panel/Equifax Data

Payment Hierarchy – 4 Products

- For consumers with auto, card, mortgage, and student loans, auto loans were the last to default leading up to the pandemic.
- The mortgage and student loan default rates saw a significant drop and remained low throughout the pandemic due to loan forbearance.

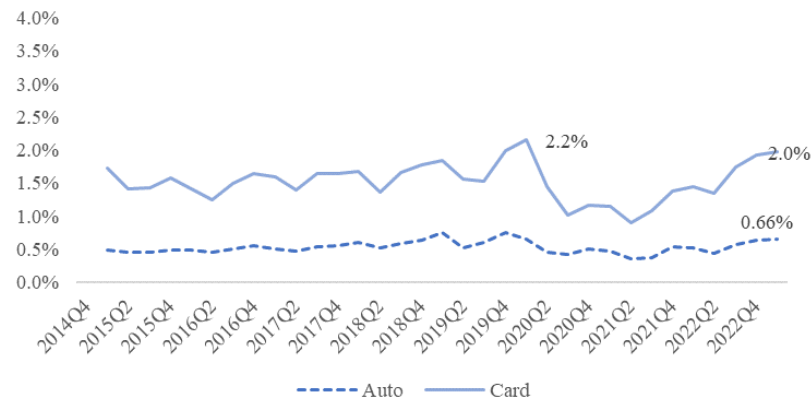


Data Sources: FRBNY Consumer Credit Panel/Equifax Data

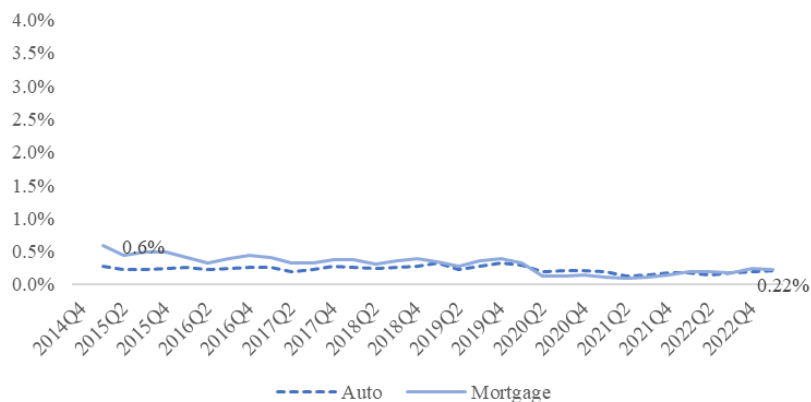
Payment Hierarchy – 2 Products

- 2-product priority patterns are consistent with the 4-product mix.
- In 2023:Q1, auto borrowers with student loans are much more likely to become 90+ DPD than other product mix.

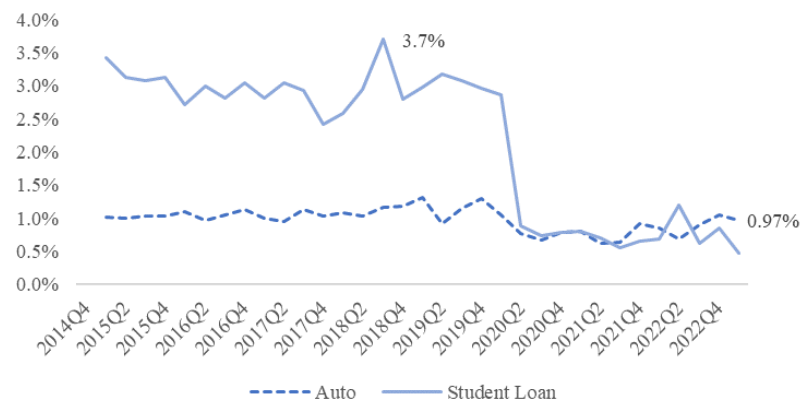
90+ DPD Transition - Card v. Auto



90+ DPD Transition - Mortgage v. Auto



90+ DPD Transition - Student Loan v. Auto



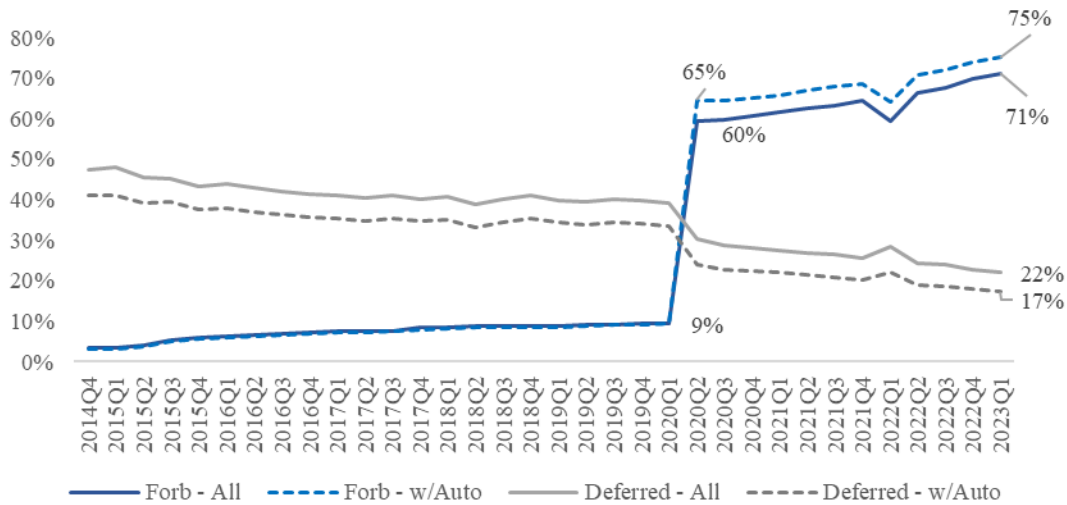
Auto consumers can show up in multiple charts

Data Sources: FRBNY Consumer Credit Panel/Equifax Data

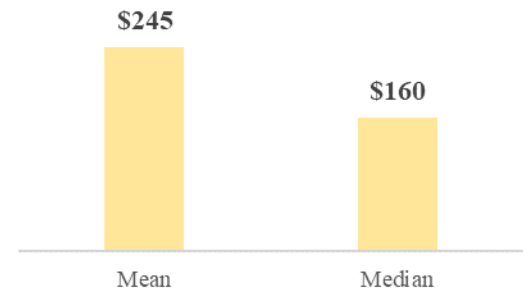
Student Loan Payment Resumption

- Student loan interest will resume accruing in Sept, and payments will be due starting in October.
- Less than 10% of student loans were in non-deferral forbearance (measured by no scheduled payment) prior to the pandemic. The forbearance rate suddenly increased to 60% in 2020:Q2, and it now sits at 71%.
- Overall, adding loans currently in deferment, 90%+ of student loans had no scheduled monthly payment as of 2023:Q1.
- 18% of auto loan borrowers have at least 1 student loan in forbearance. The resumed student loan payment for those consumers could be \$245 on average or \$160 as a median.

% Student Loan under Forbearance and Deferment



Expected Monthly Student Loan Payment after the Resumption - Auto Consumers

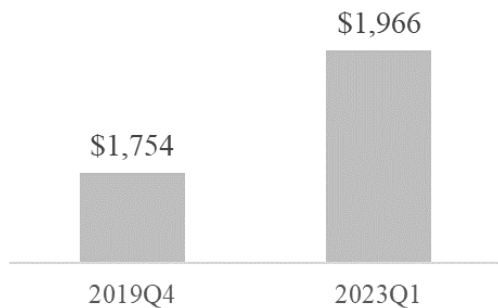


Data Sources: FRBNY Consumer Credit Panel/Equifax Data

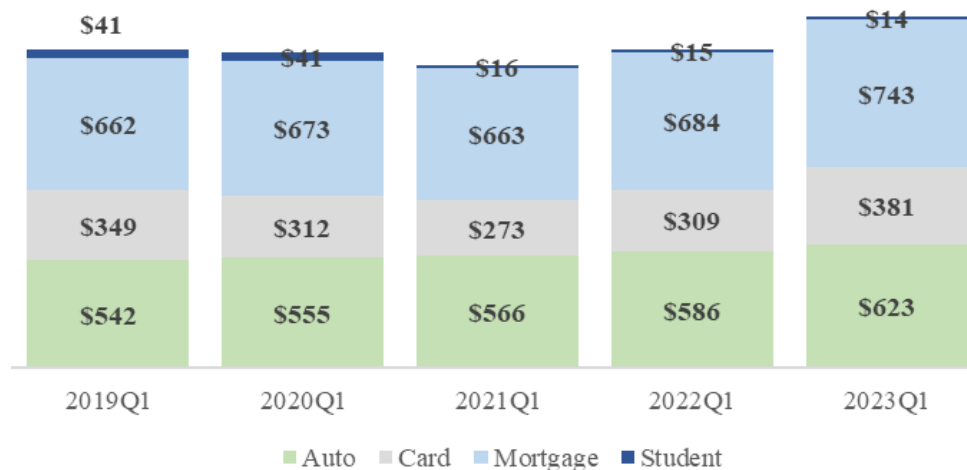
Total Scheduled Payment - Auto Consumers

- Auto loan borrowers' monthly obligations across all tradelines increased during the pandemic; now they are approaching \$2000.
- As of 2023:Q1, average auto consumers were scheduled to pay \$623 on auto loans, \$381 on credit cards, \$743 on mortgages, and \$14 on student loans.

Total Monthly Scheduled Payment - Auto Consumers All Tradelines



Average Monthly Scheduled Payment - Auto Consumers

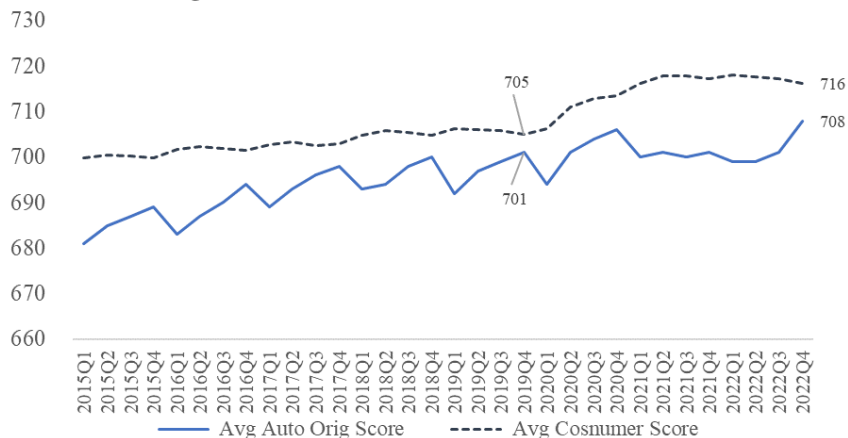


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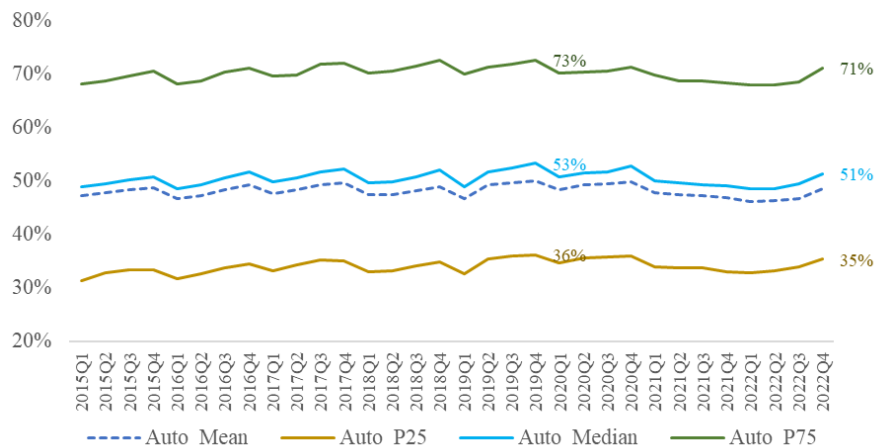
Origination Score Ranking

- The average consumer score migrated to a higher level during and after the pandemic.
- The average auto origination score also increased by 7 points between 2019:Q4 and 2022:Q4.
- The auto origination score’s ranking among all consumers remains stable despite the score migration.
 - Before and after the pandemic, the median auto origination score ranked around the 53rd and the 51st percentile, respectively, among all concurrent consumer risk scores.

Average RiskScore - Auto Loan v. All Consumers



Auto Orig Score Percentile on All Consumer



Data Sources: FRBNY Consumer Credit Panel/Equifax Data

Questions?