



2025 TransUnion Canada Summit

Engage & Empower

Building Trust Throughout
the Consumer Journey

Auto Growth: A Consumer Perspective on Vehicle Financing

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TransUnion**



Agenda

1. Overview of the auto finance market
2. Underlying drivers of delinquency
3. Shifting consumer behaviour:
loan vs lease
4. Highlight actionable strategies to
consider for the vehicle industry

An overview of the auto finance market



The last three years have been a roller coaster for the auto industry



Supply chain issues led to very tight inventory levels for new and used vehicles



Consumer demand and loan originations remained robust



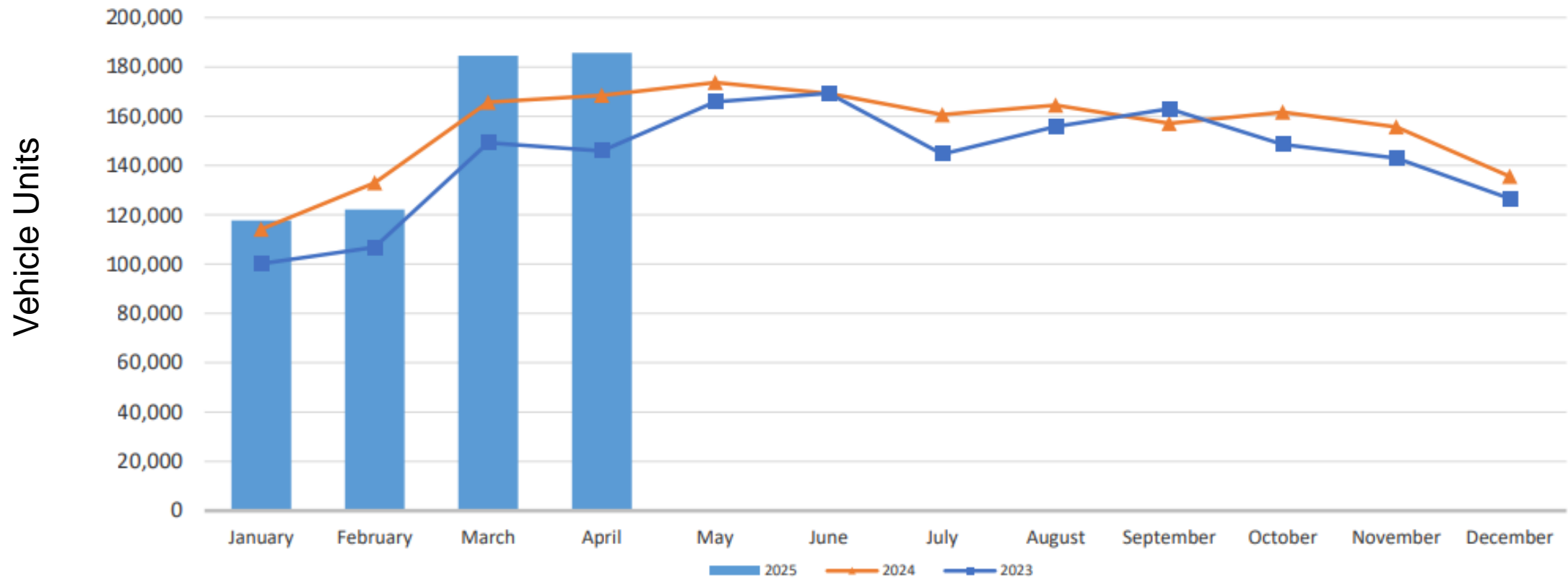
Vehicle prices and values rose to historic levels, and with that, loan amounts and payments also rose to historic levels



Auto delinquencies outperformed pre-pandemic periods, until recently

Vehicle sales have increased recently as some sales are pulled forward to reduce tariff impacts

Light Vehicle Sales – 2023 to Present





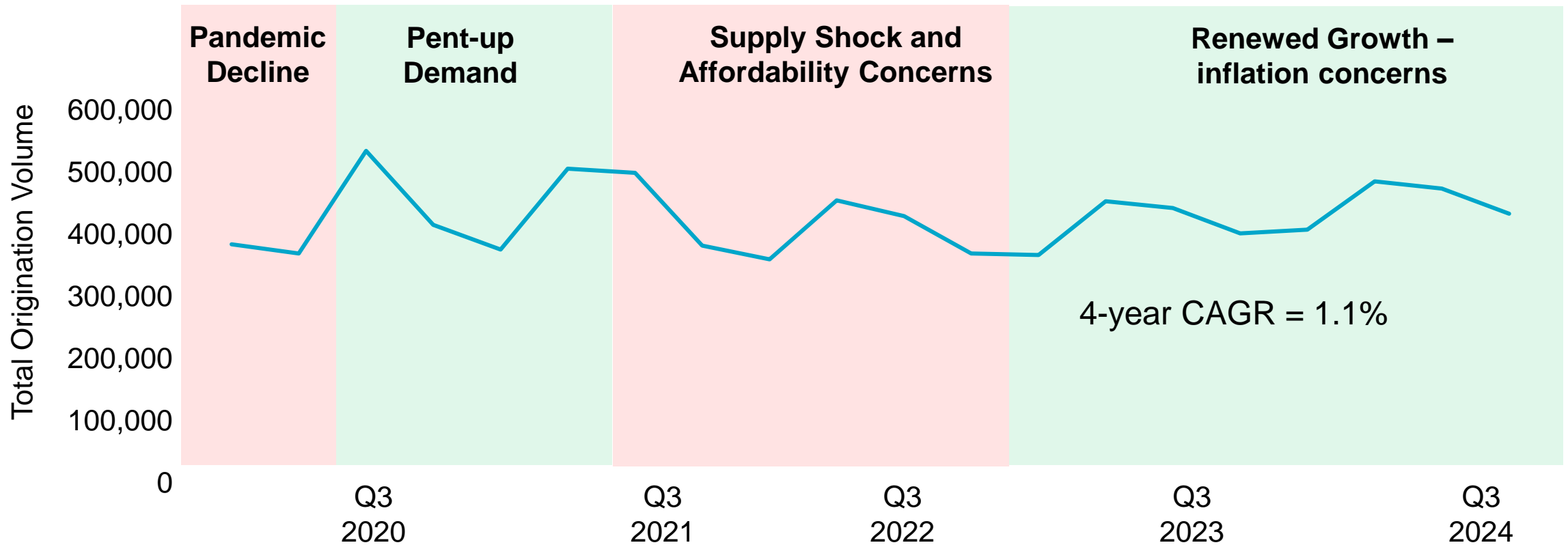
Auto Finance

	Actual Values	YoY Growth
Q4 2024 Originations	433K	7.9%
Q4 2024 Average New Loan Amount	\$41.1K	4.2%
Q1 2025 Outstanding Balances	\$160B	5.1%
Q1 2025 Number of Consumers	7.4M	-0.7%
Q1 2025 Consumer Delinquency (60+ DPD)	0.92%	2 bps



Auto origination volumes have restabilized, as inventories have improved, and supply chains have steadied

YoY Change in Originations (Auto Accounts) — Q1 2020 to Q2 2024



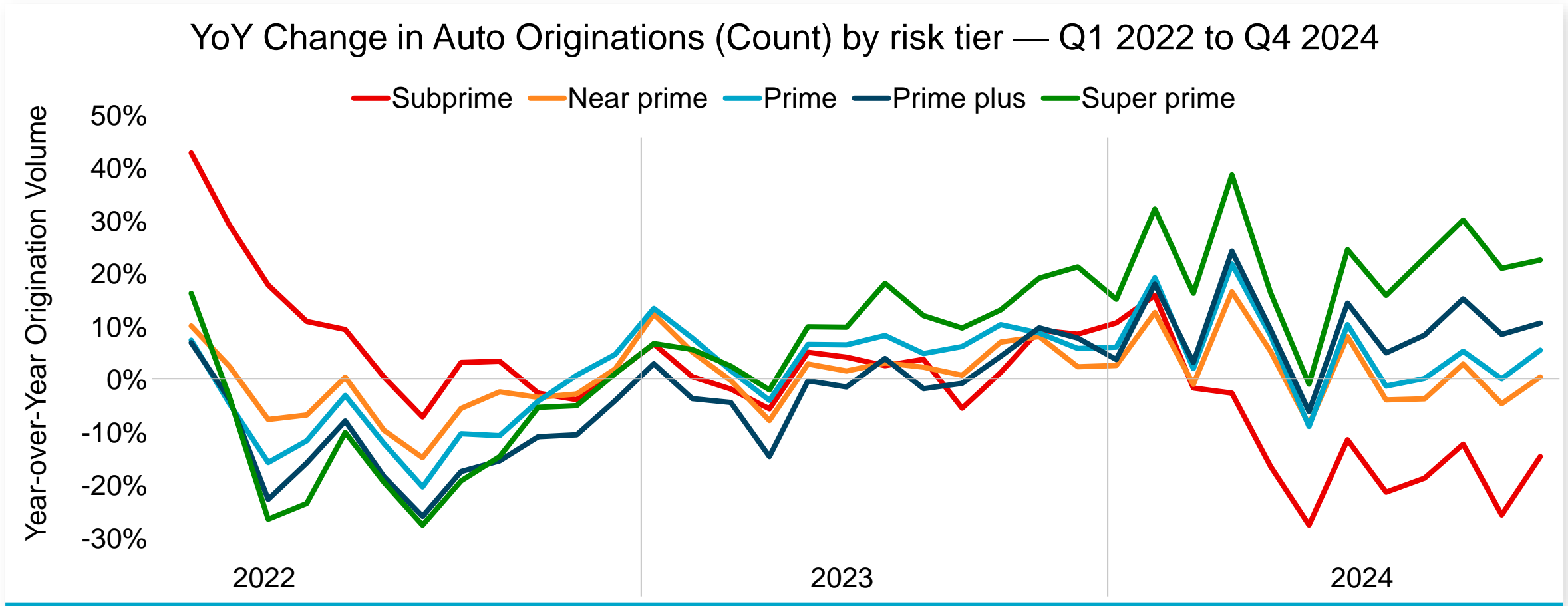
Note: Originations are viewed one quarter in arrears to account for reporting lag.

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Source: TransUnion Canada Consumer Credit Database 8



Prime and better originations are increasingly driving acquisition growth as many auto finance lenders are rebalancing portfolio risk



Note: Originations are viewed one quarter in arrears to account for reporting lag

CreditVision® risk score: Subprime = 300-639; Near prime = 640-719; Prime = 720-759; Prime plus = 760-799; Super prime = 800+;

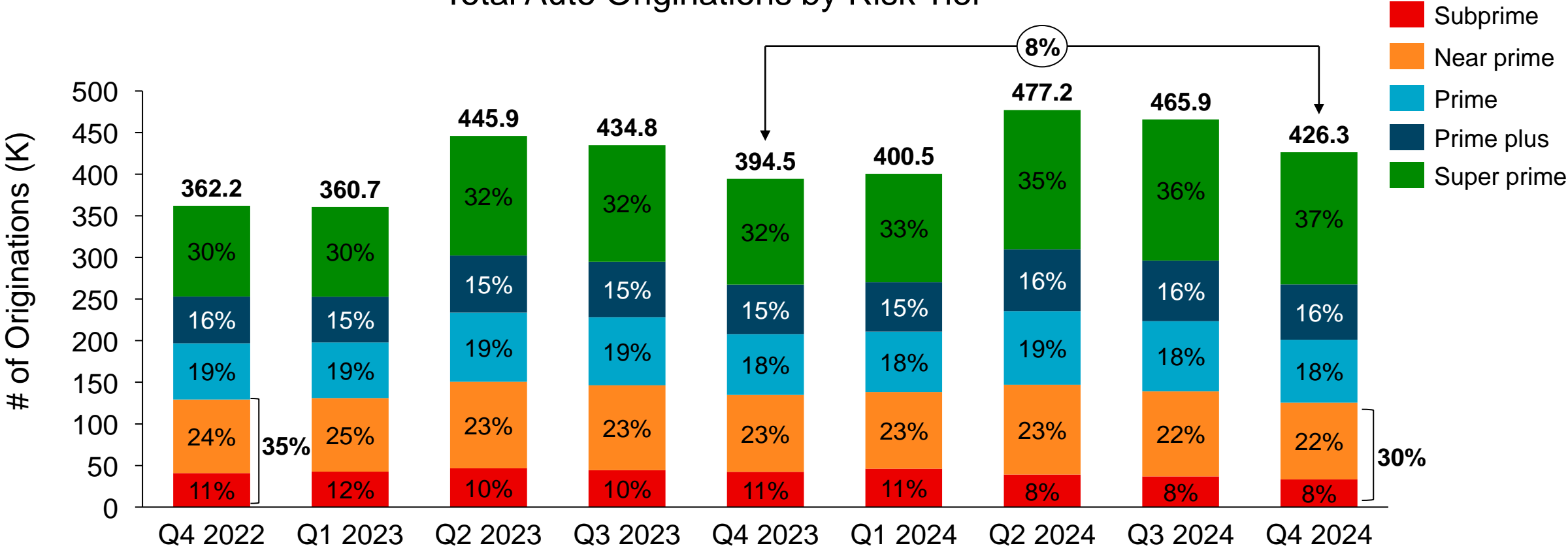


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Source: TransUnion Canada consumer credit database 9

As origination volumes have grown, the overall risk mix has shifted away from below prime more recently

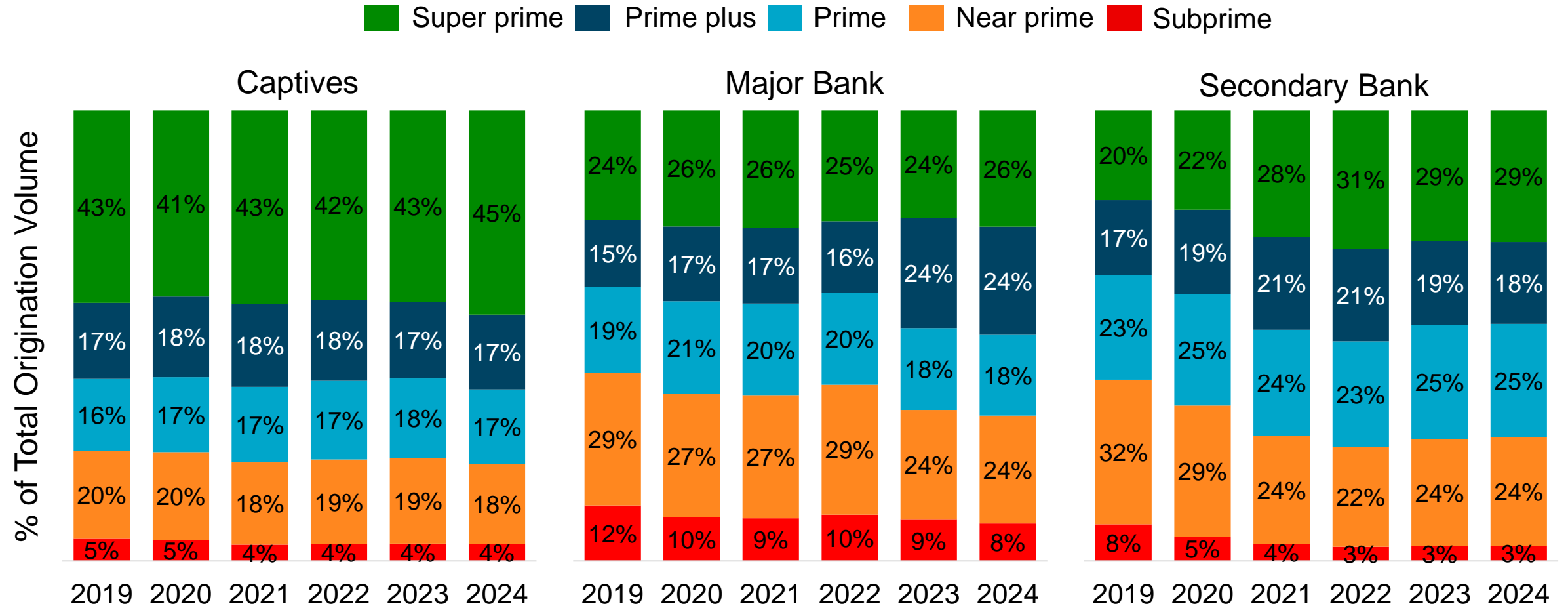
Total Auto Originations by Risk Tier



Note: Originations are viewed one quarter in arrears to account for reporting lag
 CreditVision® risk score: Subprime = 300-639; Near prime = 640-719; Prime = 720-759; Prime plus = 760-799; Super prime = 800+



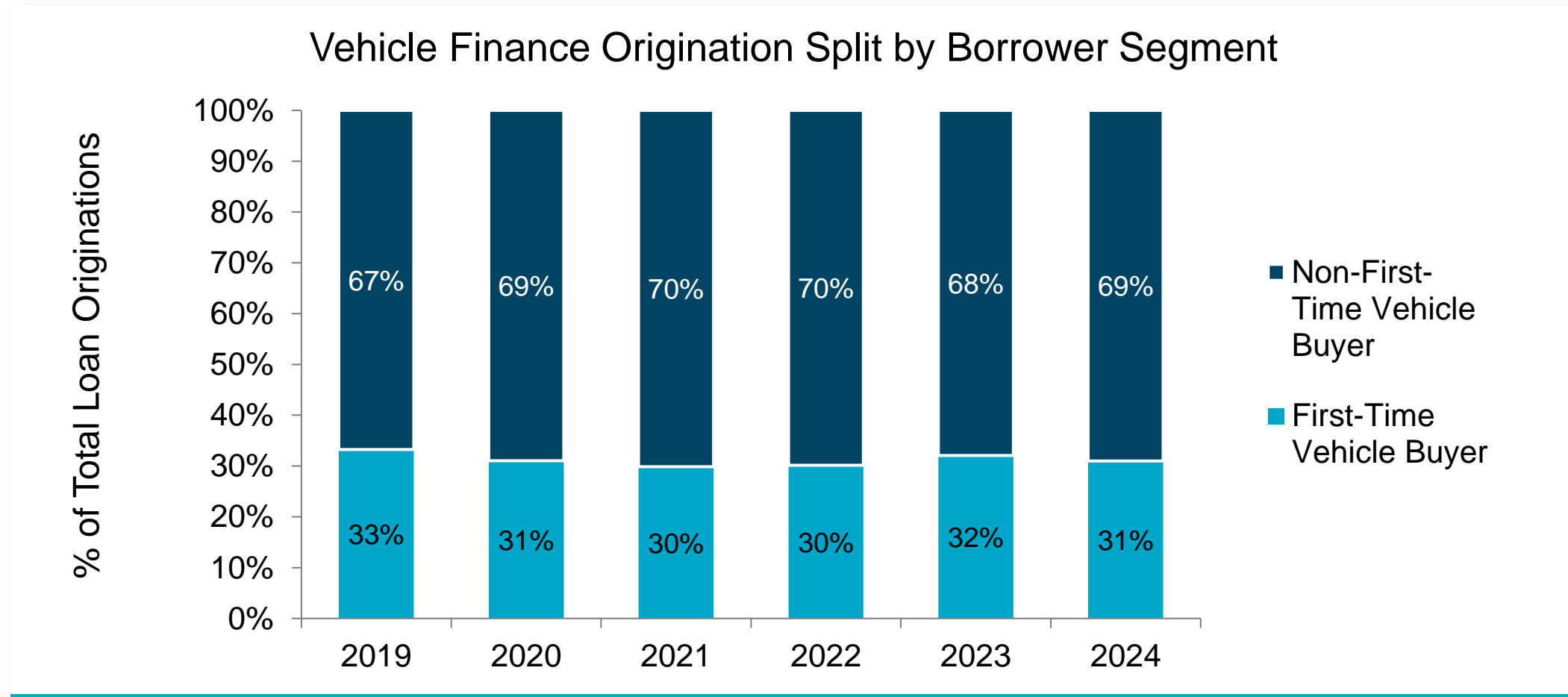
While captives have kept origination risk mix steady, major and secondary banks have shifted risk mix to prime and better recently



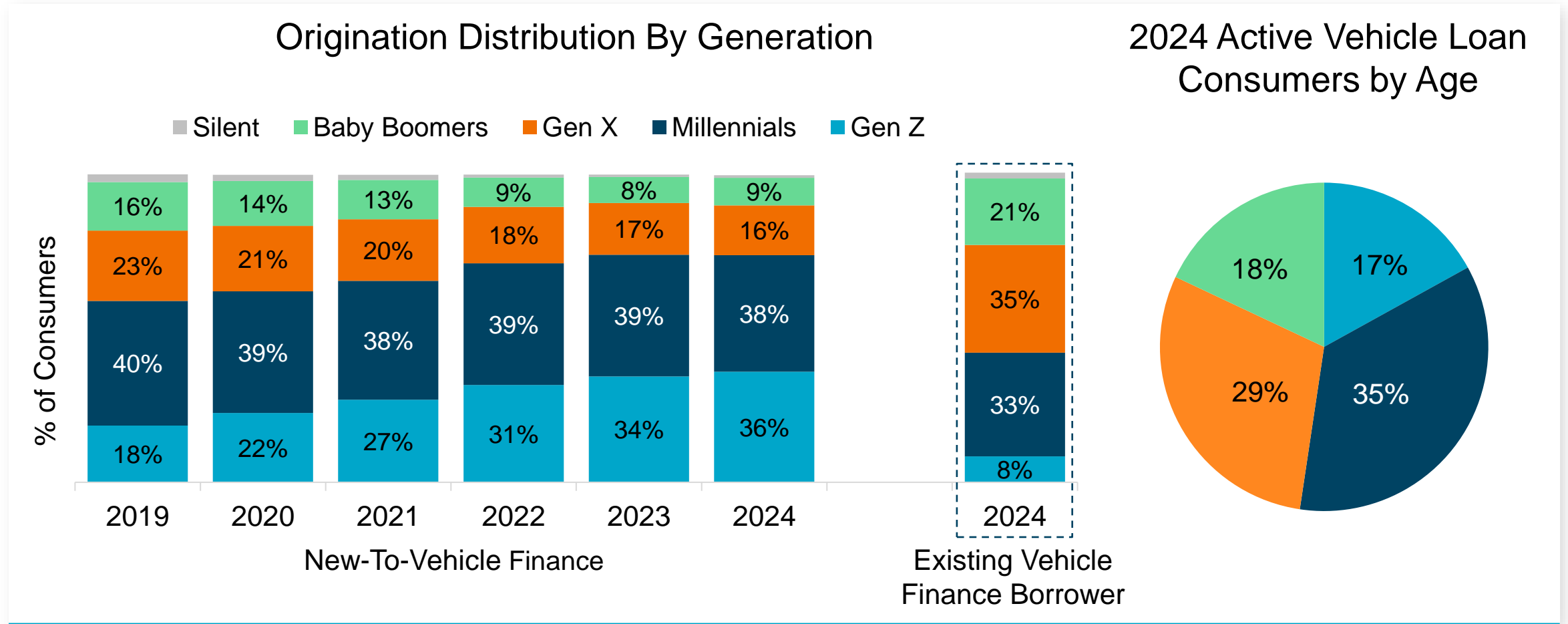
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Consumer affordability continues to be a challenge for first-time vehicle borrowers



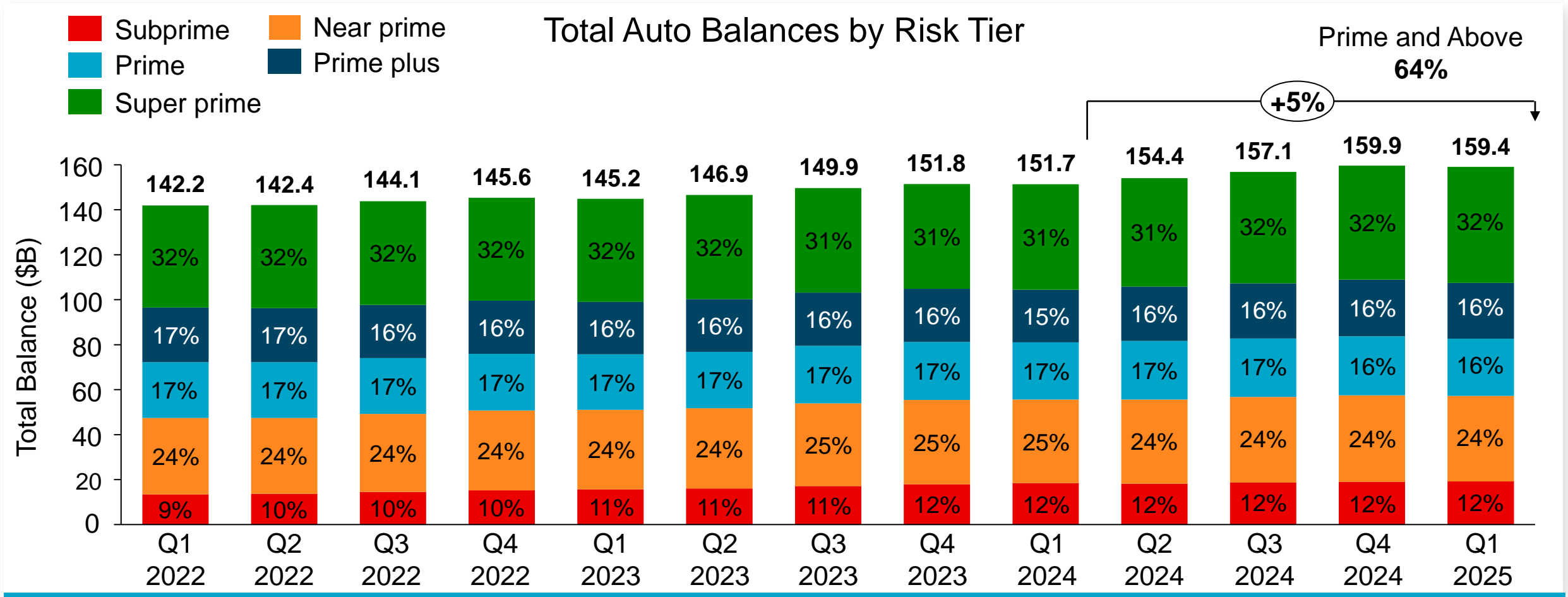
Younger consumers make up an increasing proportion of new originations



TransUnion age distribution: Gen Z (Born 1995 – 2010); Millennials (Born 1980-1994); Gen X (Born 1965-1979); Baby Boomers (Born 1946-1964); Silent (Born Pre-1946);
 New to Vehicle: No previous auto loan ever on file at time of origination



Auto balances remained consistent driven by higher prices and vehicle mix



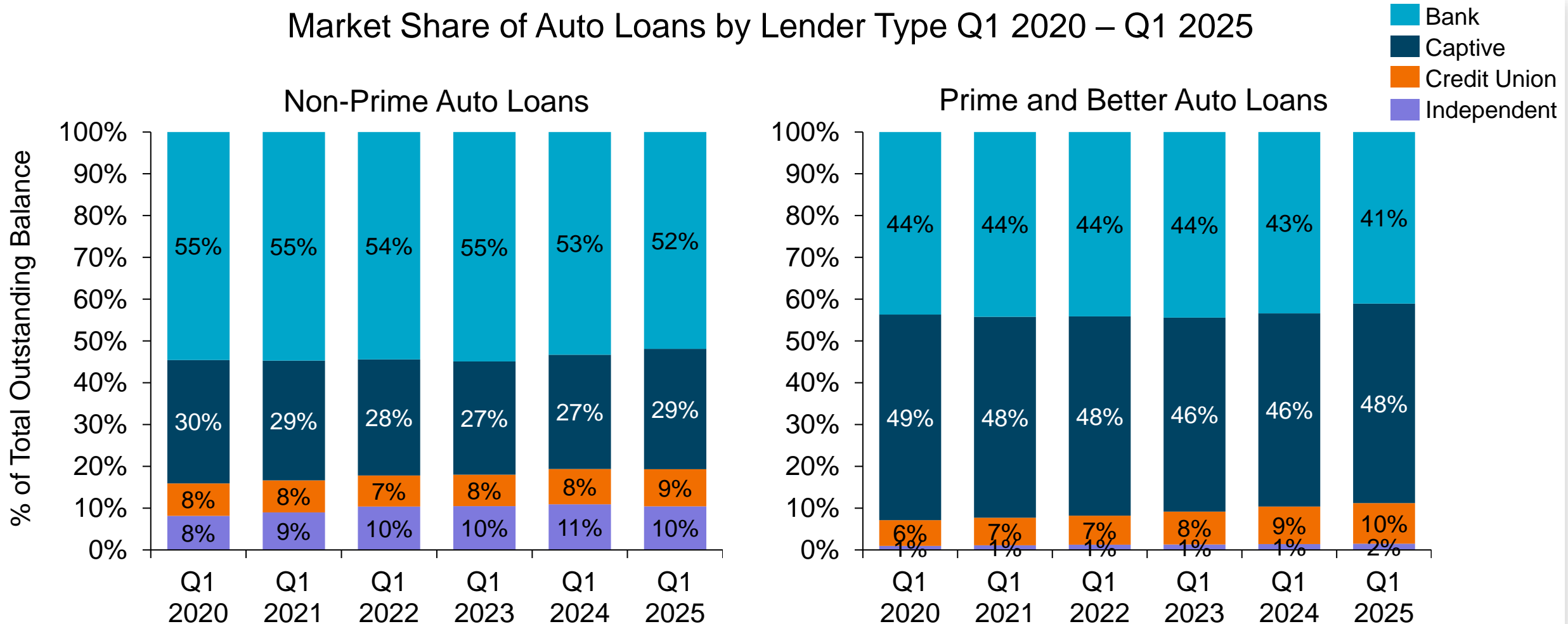
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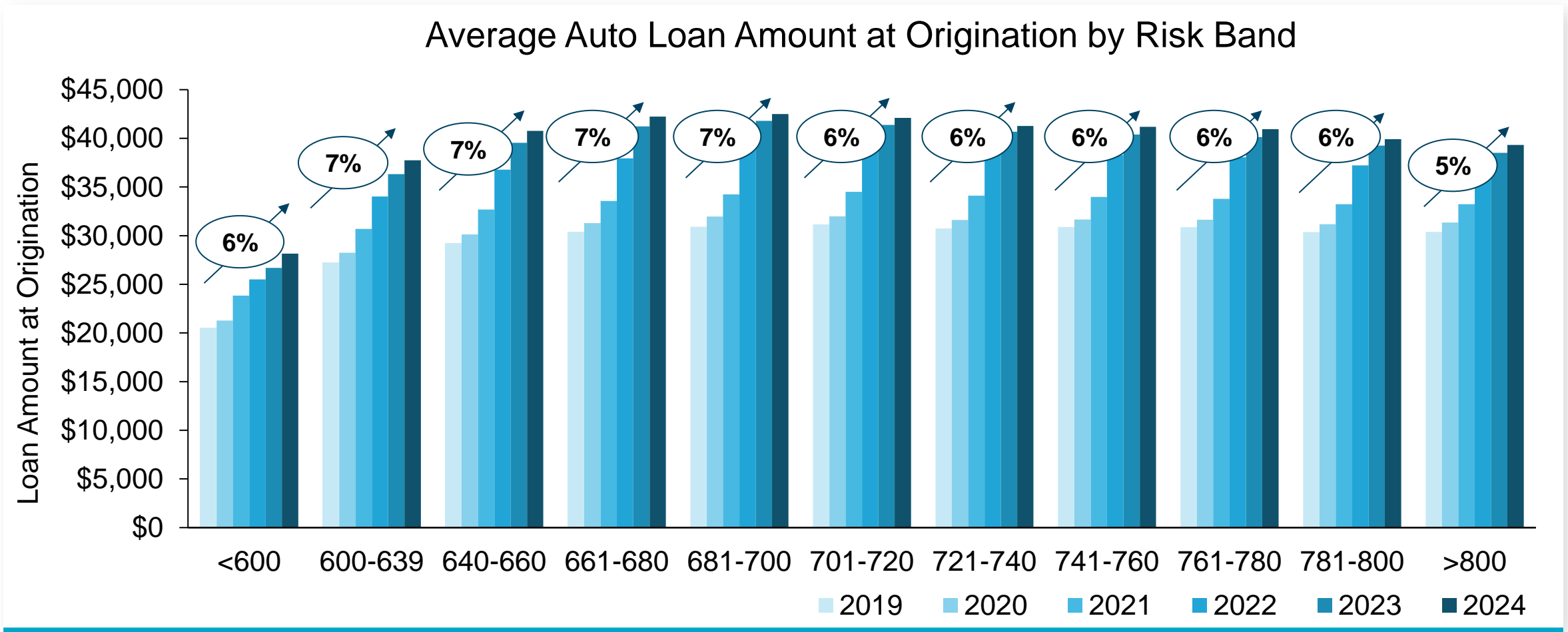
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Credit unions have gained share in prime and better loans, at the expense of major banks

Market Share of Auto Loans by Lender Type Q1 2020 – Q1 2025



While average new loan amounts have generally increased over time, the gap between risk bands is widening



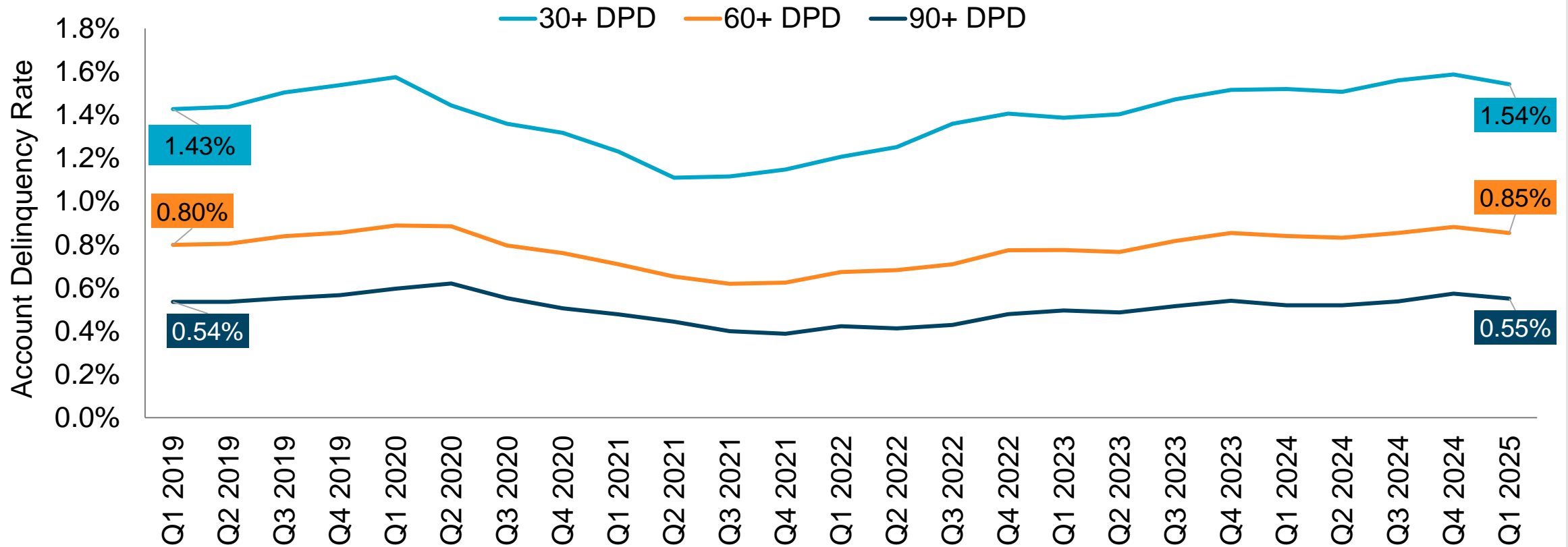
CreditVision™ risk score: Subprime = 300-639; Near prime = 640-719; Prime = 720-759; Prime plus = 760-799; Super prime = 800+



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Point in time auto delinquency rates have continued to rise compared to historic levels

Auto Account Serious Delinquency Rates



To summarize...

- The auto market has stabilized, as sales volumes and originations return to normal as demand has increased
- The shift to higher quality originations has potentially impacted growth. This is especially true for Major and Secondary banks.
- Changing consumer dynamics as first-time vehicle buyers as vehicle affordability remains a concern, and may dampen demand
- Auto loan balances remain high driven by higher prices and interest rates
- Delinquencies are rising slightly signalling signs of borrower stress

Smart Growth Strategies for Lenders:

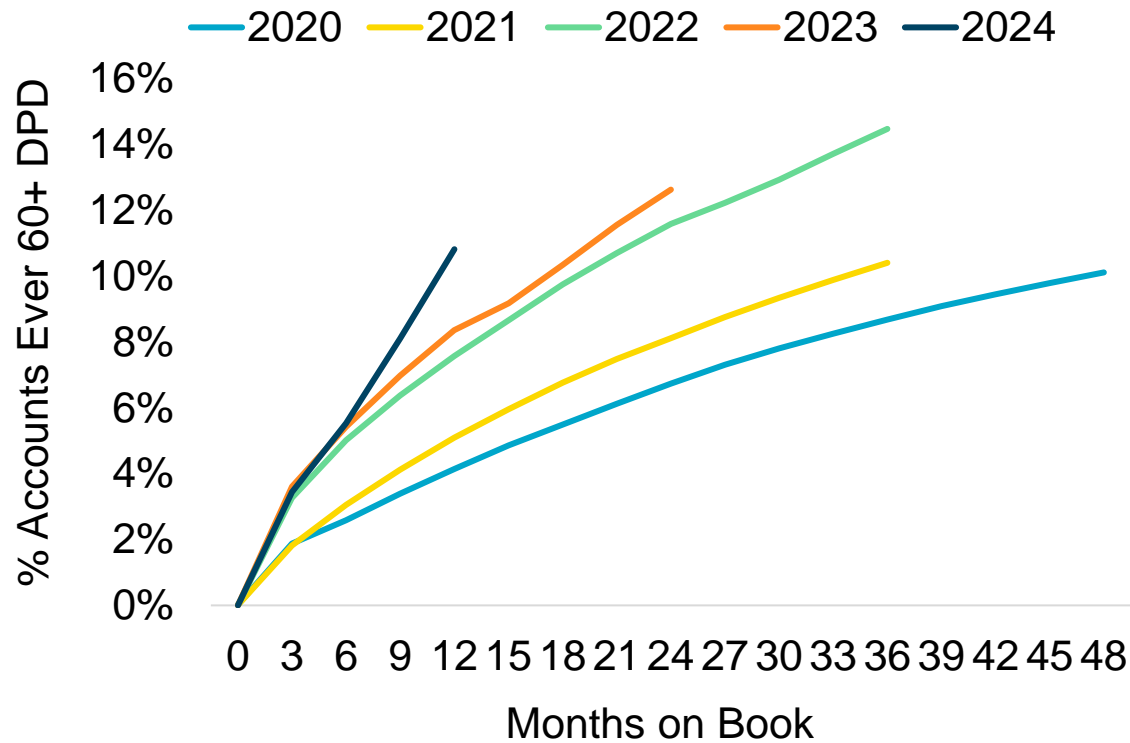
- To maintain volume growth while maintaining higher quality originations, lenders may need to re-think origination strategies
- Refine pricing strategies to better reflect the widening risk gap between credit tiers
- Continue to monitor portfolio risk concentration
- Develop early warning signals and proactive collections strategies to mitigate rising delinquency rates

What are the underlying drivers for rising delinquencies?

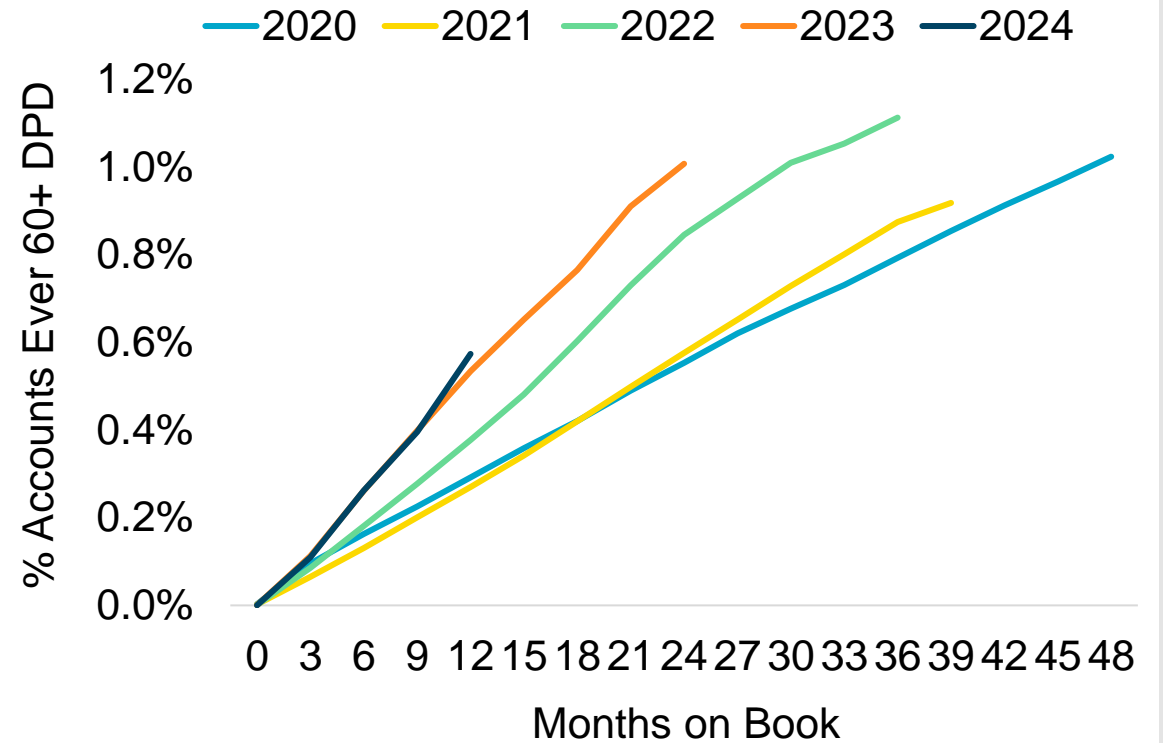


Recent auto vintages show performance deterioration across the risk spectrum

Vintage Delinquency (60+ DPD) of Below Prime Auto Finance Accounts



Vintage Delinquency (60+ DPD) of Prime and Better Auto Finance Accounts

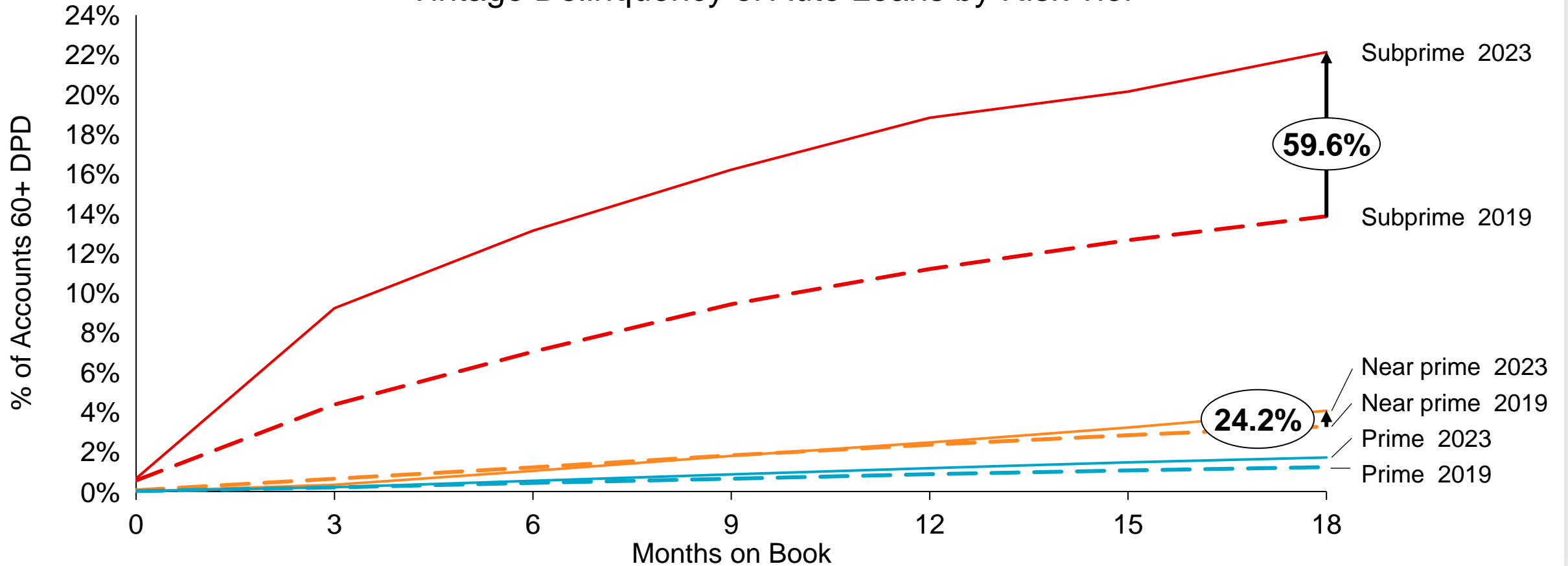


CreditVision™ risk score: Below Prime: 300-719; Prime and Better: 720+



When controlled for credit risk, payment deterioration is most pronounced for subprime vehicle originations

Vintage Delinquency of Auto Loans by Risk Tier



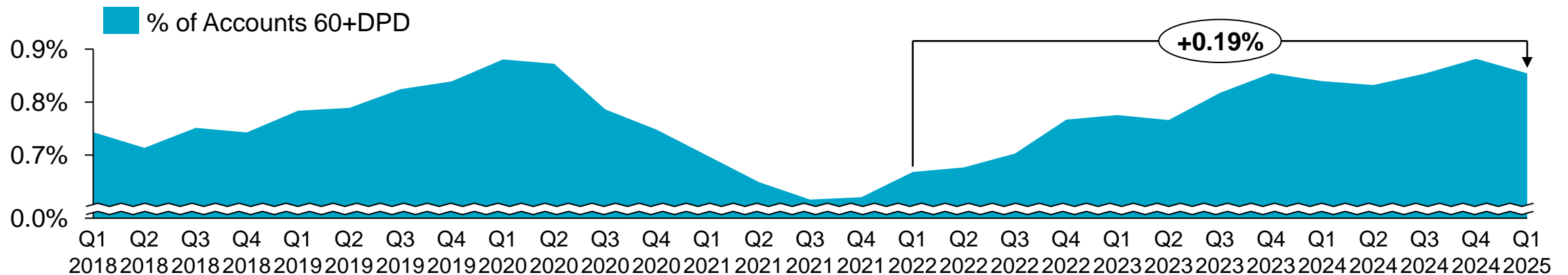
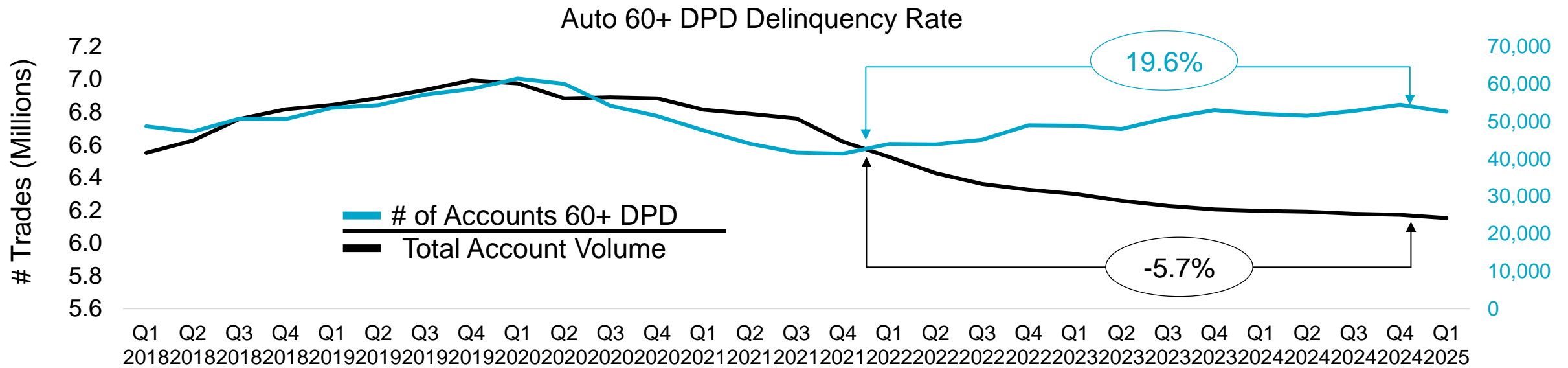
CreditVision™ risk score: Subprime = 300-639; Near prime = 640-719; Prime = 720-759



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Source: TransUnion Canada Consumer Credit Database

While point in time delinquency is higher, the fact that new auto loans have declined may be a contributing factor

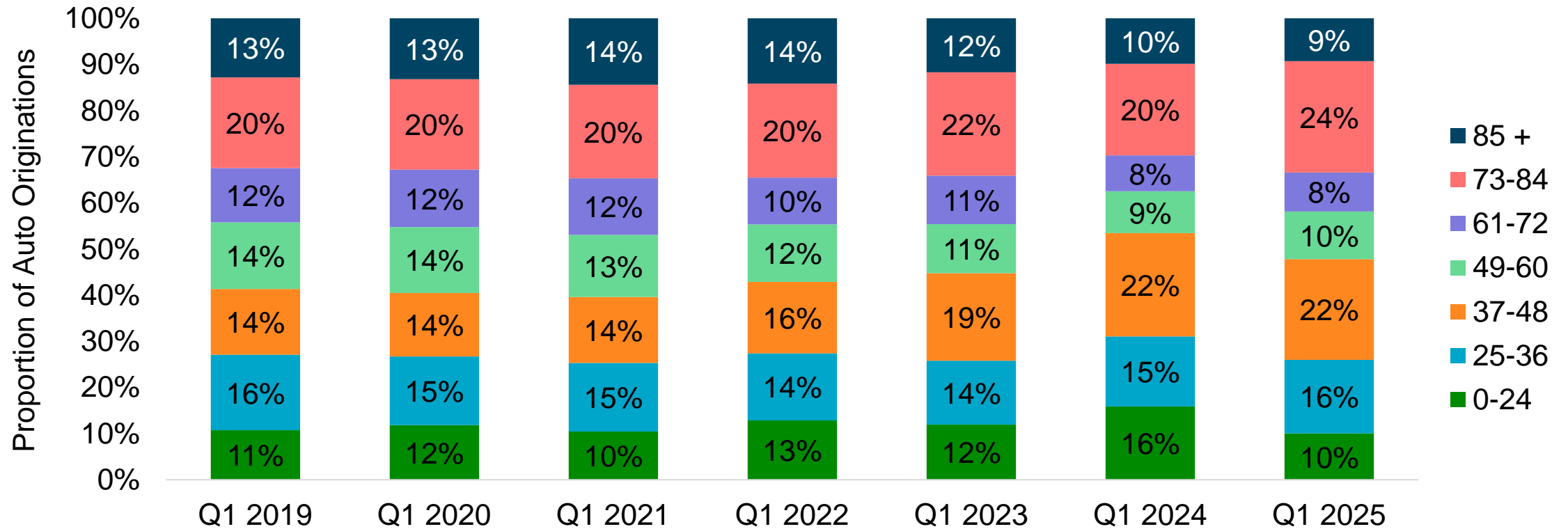


Impact of finance type and term on performance

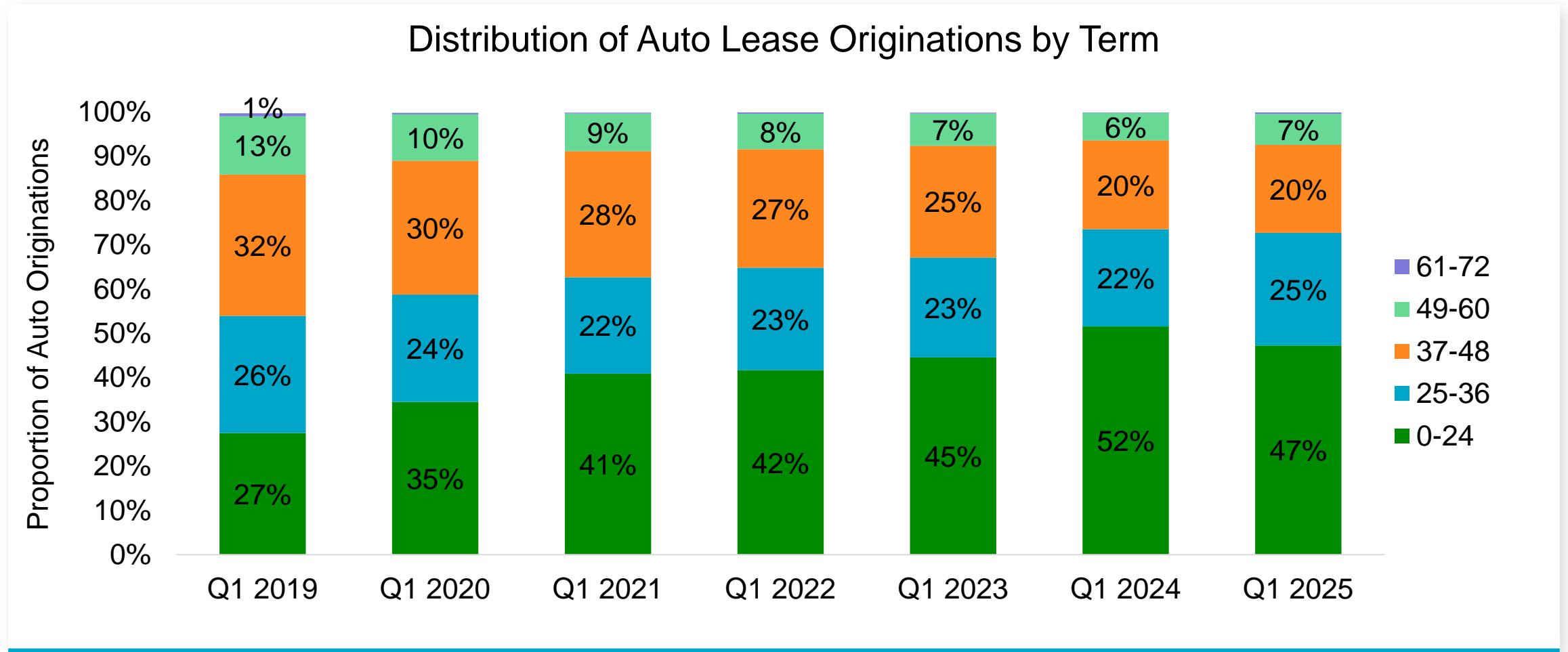


New auto loans have remained relatively consistent with more recent increase in 37 to 48-month term length

Distribution of Auto Loan Originations by Term



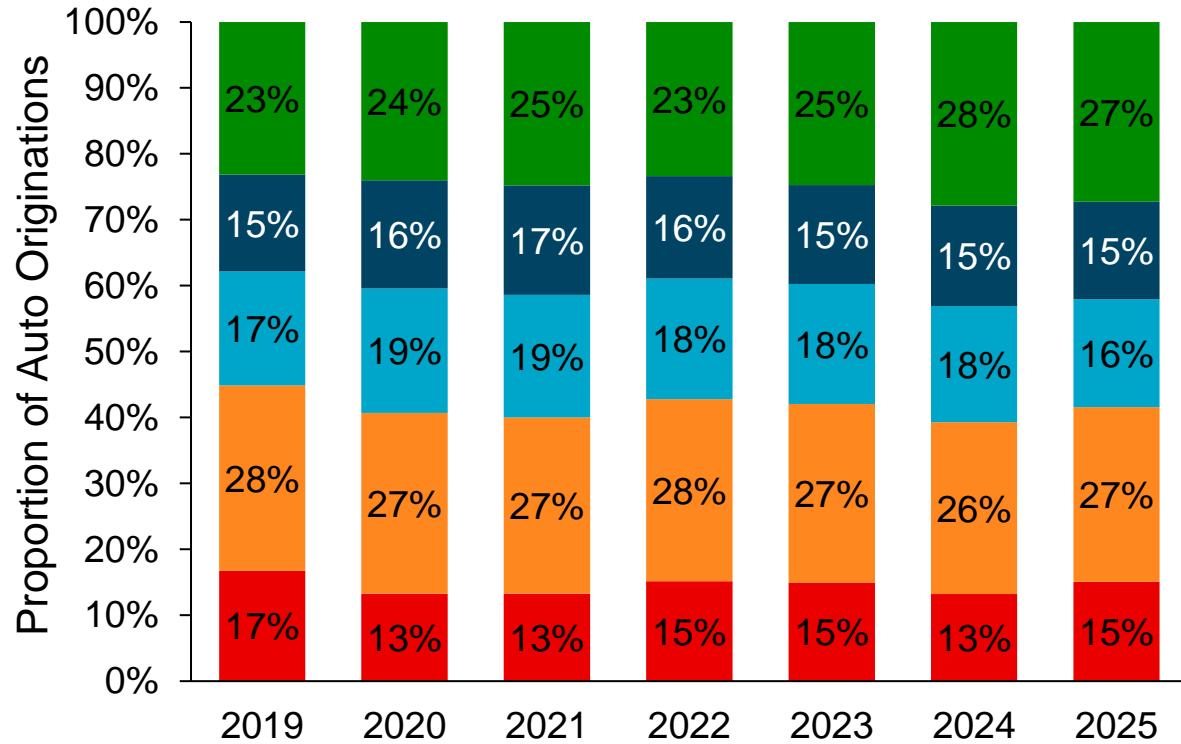
Lease terms have been steadily lowering as interest rates increased and supply chain challenges impacted turnover rates



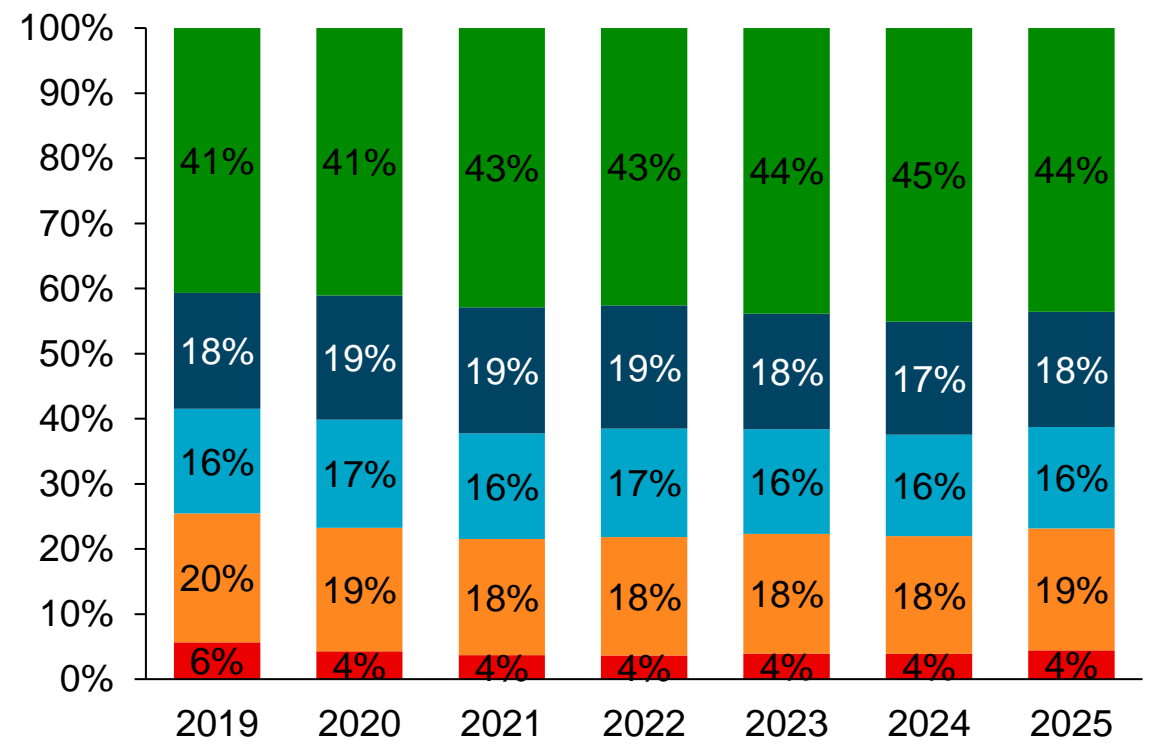
Overall, lease originations skew to less risky borrowers, however, the distribution of risk for loans and leases remains relatively stable

■ Super prime
 ■ Prime plus
 ■ Prime
 ■ Near prime
 ■ Subprime

% of Loan Borrowers by Risk Tier



% of Lease Borrowers by Risk Tier

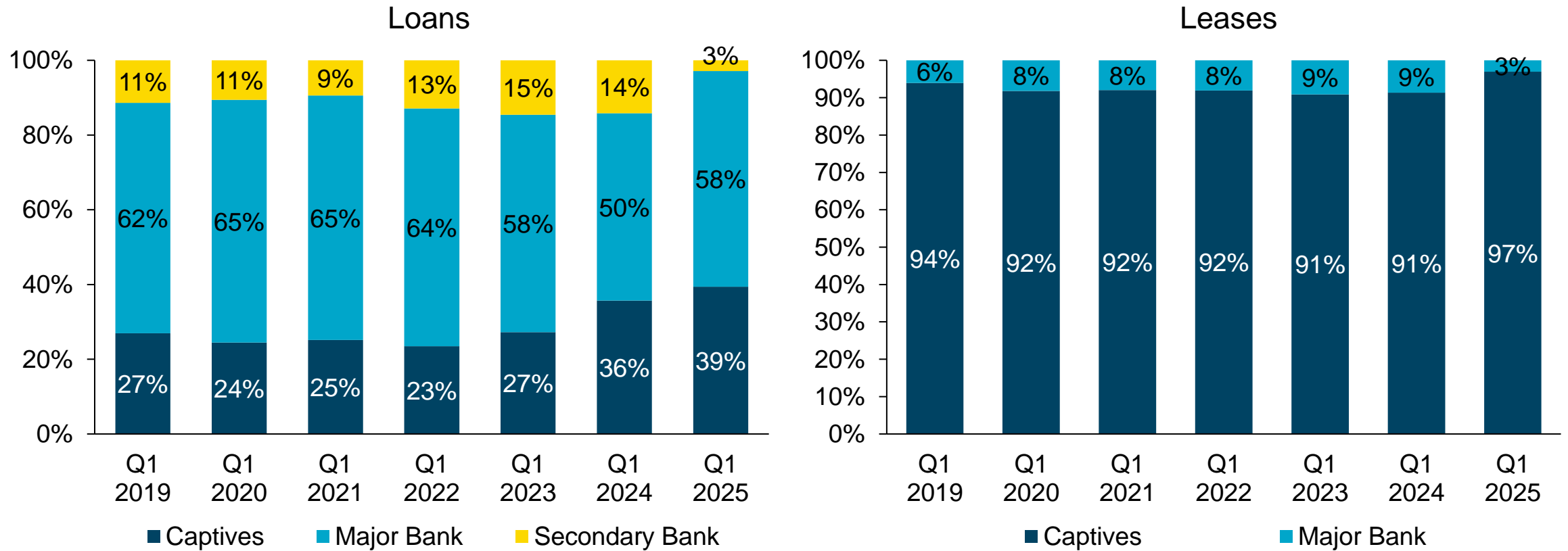


CreditVision™ risk score:
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Captives continue to dominate the auto lease market, while major banks issue majority of auto loan originations

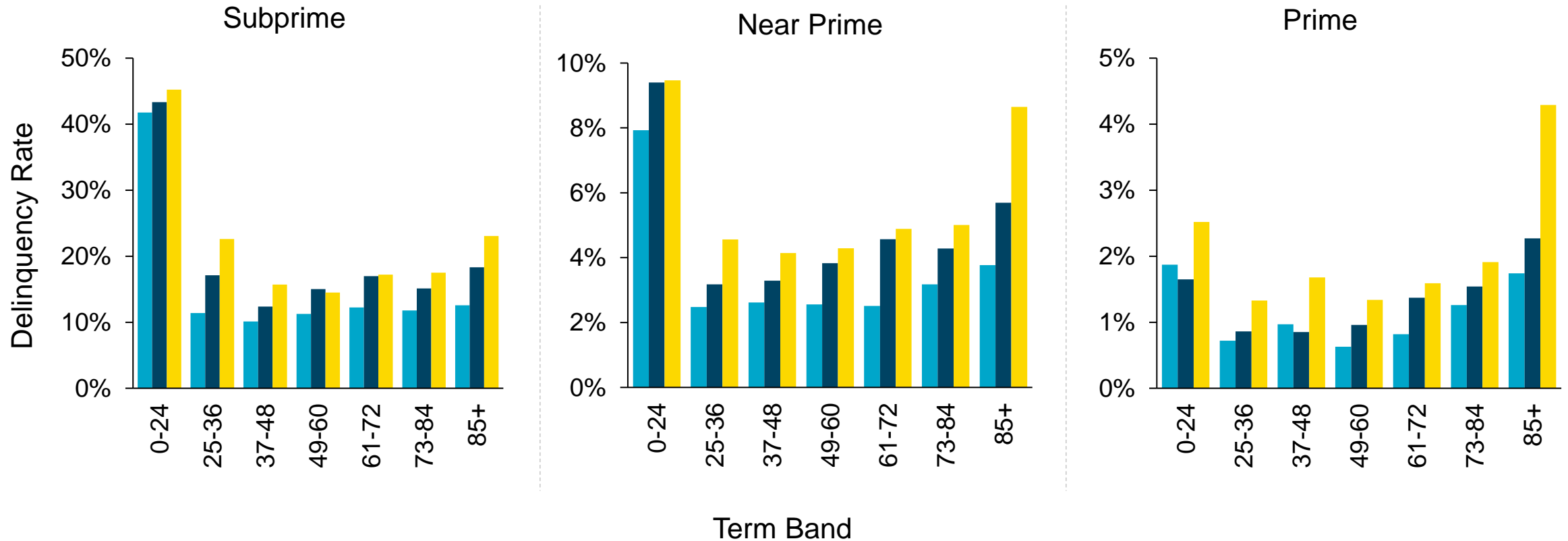
Origination Distribution by Lender Type



Over time, delinquency rates have increased across all terms and risk tiers, with below prime demonstrating significant deterioration

60+ DPD Account-Level Delinquency Rates by Loan Term at 24 MOB

■ Q1 2021 ■ Q1 2022 ■ Q1 2023



CreditVision™ risk score: Subprime = 300-639; Near prime = 640-719; Prime = 720-759; Prime plus = 760-799; Super prime = 800+

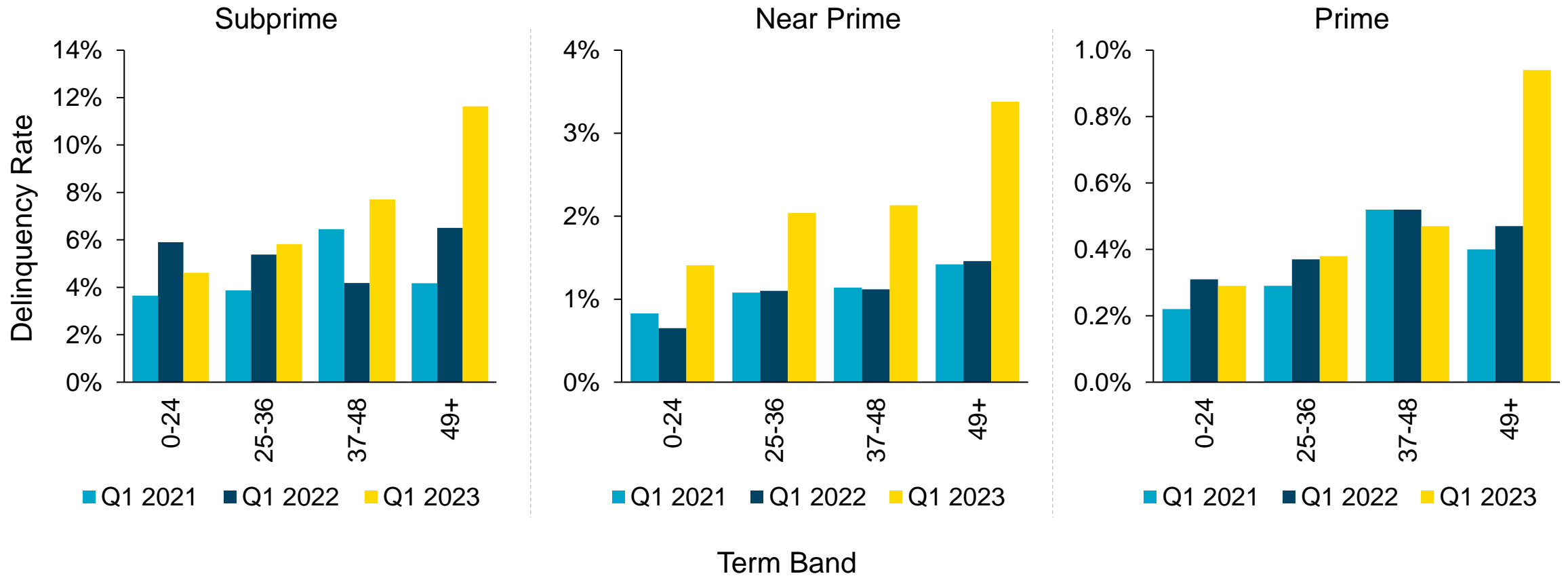


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Source: TransUnion Canada consumer credit database

Longer the lease term, higher the delinquency, especially within subprime borrowers

60+ DPD Delinquency Rates by Lease Term at 24 MOB



CreditVision™ risk score: Subprime = 300-639; Near prime = 640-719; Prime = 720-759; Prime plus = 760-799; Super prime = 800+



To summarize...

- Rising vehicle prices have driven potential affordability issues. This dynamic is reshaping borrower behavior and increasing reliance on extended financing solutions.
- To offset affordability challenges, consumers are increasingly turning to longer loan terms. While these structures reduce monthly payments, they also extend exposure and elevate long-term credit risk.
- 84-month loans are demonstrating a significantly higher vintage delinquency than 60- and 72-month loans.
- Enhanced underwriting criteria and segmentation strategies can help mitigate exposure.
- Leveraging consumer capacity metrics and early warning indicators support smarter portfolio management.









Actionable strategies



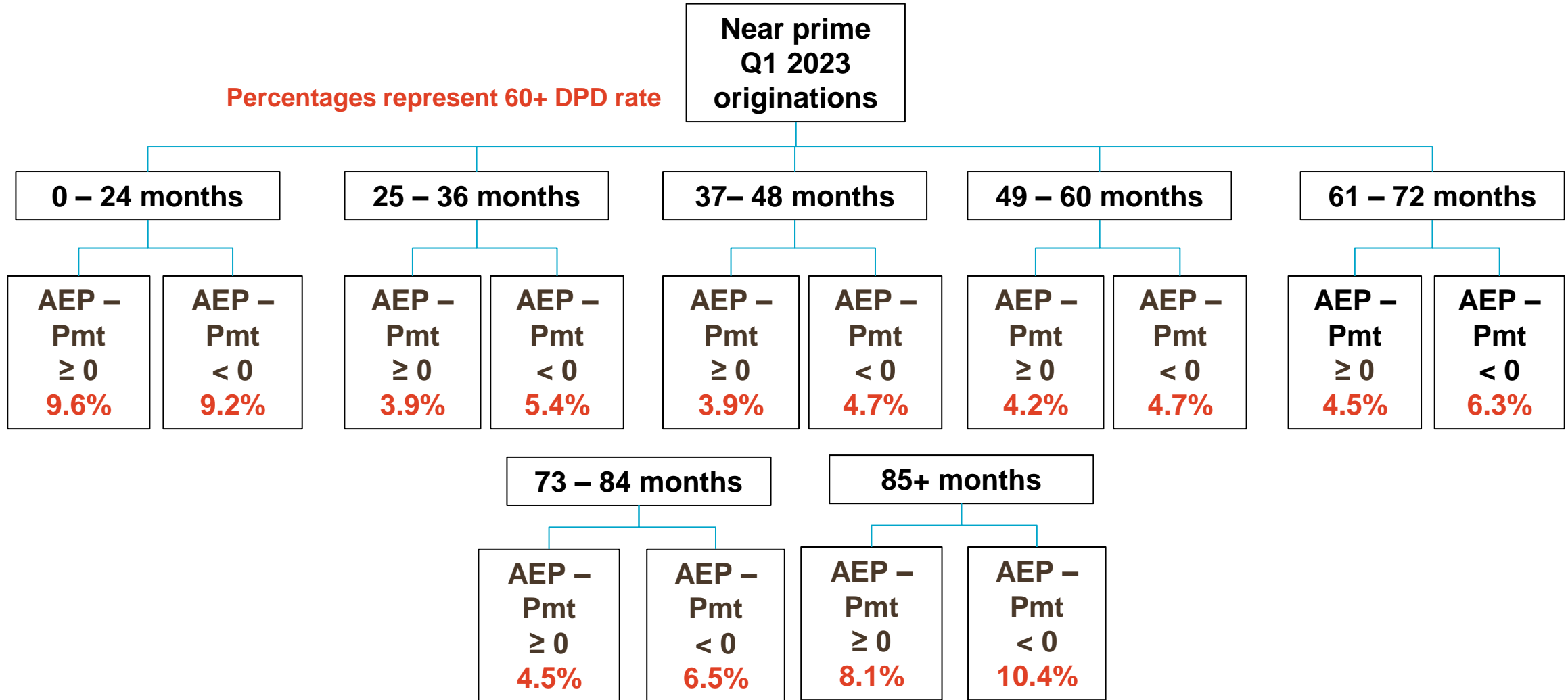
Payment behaviours can help assess a consumer's capacity to pay debts – useful to inform risk and finance strategies

Total Payment Ratio (TPR) – Willingness to pay		Aggregate Excess Payment (AEP) – Capacity to pay	
A consumer's total credit card payments in a time period	÷	A consumer's total minimum amount due on credit cards over the same time	
A consumer's total credit card payments in a time period	–	A consumer's total minimum amount due on credit cards over the same time	

					
Minimum amount due	\$10	\$100	Minimum amount due	\$100	\$1,000
Total payments	\$20	\$200	Total payments	\$200	\$2,000
TPR	2.0		TPR	2.0	
AEP	\$110		AEP	\$1,100	

By using TPR and AEP together: Improve manual adjudication rate and improve cross-sell campaigns by targeting more profitable consumers

When consumers' capacity to absorb the full auto payment is used in conjunction with scores, adverse selection is more predictable



Summary and Implications for Auto Lenders

To summarize our research...

- Auto market stabilizes, as growth slows amid shift to above prime borrowers, especially for major and secondary banks.
- Rising vehicle prices and interest rates strain affordability, especially for first-time buyers, driving extended loan terms.
- Delinquencies are ticking up, signaling early signs of borrower stress.
- Traditional underwriting falls short; smarter segmentation and monitoring are essential.

Lenders should consider:

Underwriting

- Use trended data and AI segmentation to expand access and optimize pricing.
- Extend loan terms to support better payment performance.

Portfolio Management

- Segment by vehicle type and depreciation to guide collections and loss forecasts.
- Apply capacity metrics and dynamic risk models to monitor portfolio health.

Consumer Outreach

- Be prepared with the best consumer contact information in the event of deterioration of existing portfolios.

Thank You!

