

OPEN LENDING

Near- and Non-Prime Quarterly Consumer Brief



Executive Summary

The relief many had hoped would come from the Fed has yet to come to fruition. While rates aren't increasing, vehicle prices, borrowing costs, and total costs of ownership remain at levels well above historical trends. And while we wait to see if rates go down this summer, those who fall outside the prime or super-prime credit tiers still face challenges when purchasing a vehicle.

As we identified in our previous [Near- and Non-Prime Consumer Brief](#), we continue seeing disproportionate economic impacts on underserved consumers. While prime and super-prime segments have experienced little disruption in the volume of newly registered vehicles, near- and non-prime newly registered vehicle numbers are experiencing near-record lows.

Our latest Brief also looks at a possible opening for near- and non-prime consumers in the EV market and the increasing tendency of this segment to choose leasing over owning. These insights and updates on near- and non-prime vehicle preferences help ensure lenders are better positioned to serve more deserving yet often overlooked consumers.

Methodology: Data was sourced from S&P Global's AutoCreditInsight™, a business intelligence tool developed by TransUnion in partnership with S&P Global Mobility, looking at newly registered vehicles in the new and used categories through Q4 2023. Registrations that did not have a VantageScore® 4.0 associated with the record were excluded. Open Lending defines near- and non-prime as a VantageScore® 4.0 less than or equal to 659 and prime and above as a VantageScore® 4.0 greater than or equal to 660. Prime and above denoted as VantageScore® 4.0 greater than or equal to 660. Open Lending focuses on consumers in the 580-659 credit range.



CONSUMER BRIEF

The Market



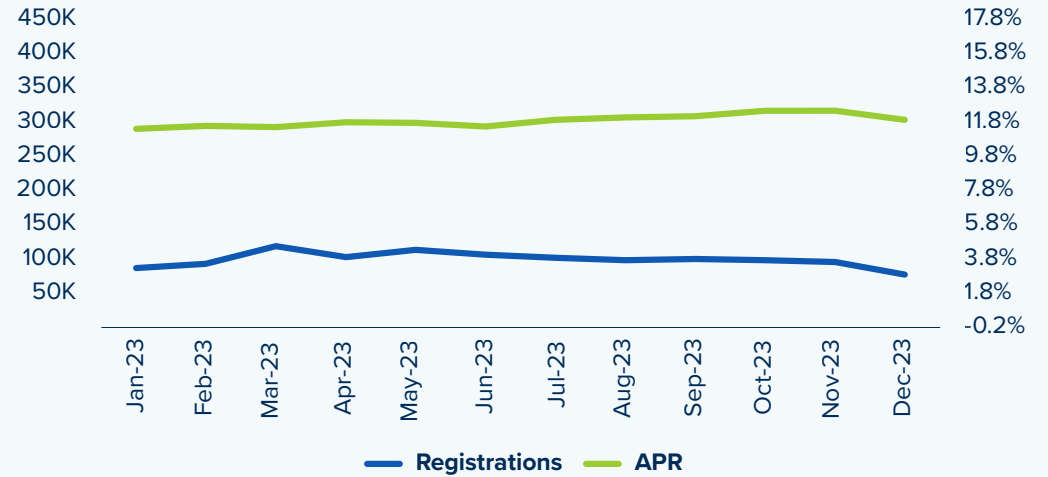
THE MARKET

Registrations Continue to Decline

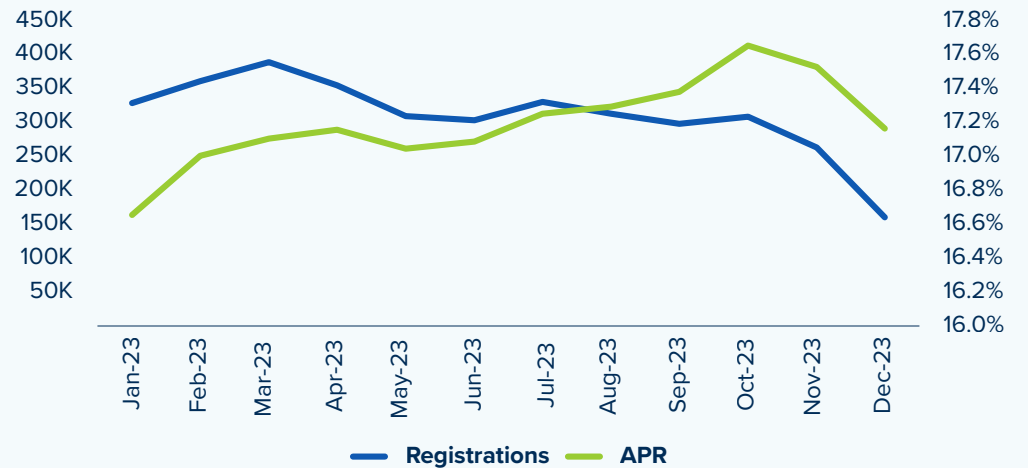
Interest rates on newly registered vehicles have decreased 55 basis points for new automobiles and 37 points for used, but registrations did not increase.



NEAR- AND NON-PRIME NEW VEHICLE REGISTRATIONS (LOANS AND LEASES)



NEAR- AND NON-PRIME USED VEHICLE REGISTRATIONS (LOANS AND LEASES)



THE MARKET

Disproportionate Effects on Near- And Non-Prime Consumers

Used near- and non-prime registrations are down double digits year over year, while new vehicle registrations are starting to stabilize.



NEAR- AND NON-PRIME NEW VEHICLE REGISTRATIONS (LOANS AND LEASES)

	Near- and Non-Prime	Prime and Super Prime
2020	▼ -10%	▼ -8%
2021	▲ 2%	▲ 15%
2022	▼ -30%	▼ -18%
2023	▼ -3%	▲ 1%

NEAR- AND NON-PRIME USED VEHICLE REGISTRATIONS (LOANS AND LEASES)

	Near- and Non-Prime	Prime and Super Prime
2020	▼ -3%	▼ -4%
2021	▲ 7%	▲ 10%
2022	▼ -6%	▼ -6%
2023	▼ -10%	FLAT

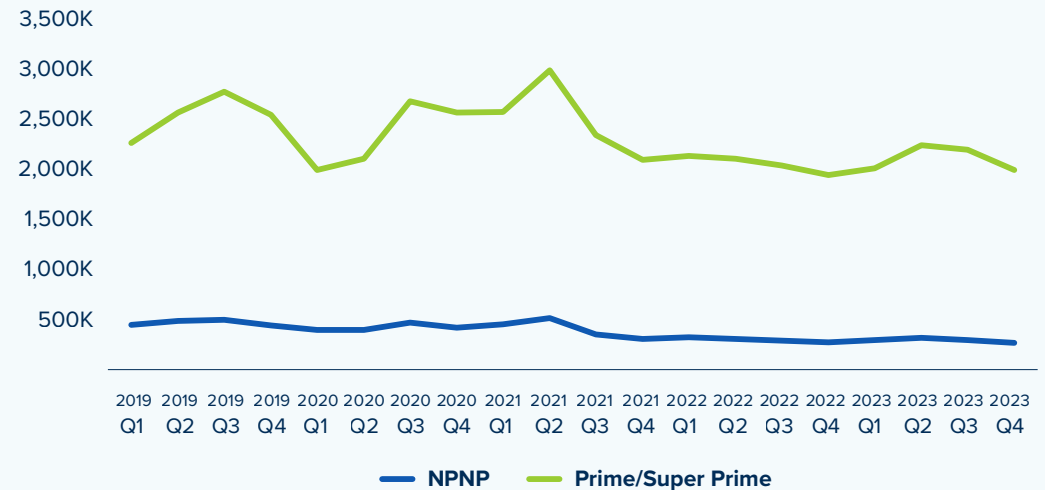
A concerning gap continues to widen.

We're continuing to see that different credit segments are disproportionately affected by high rates. Since the rate increase in the first quarter of 2022, near- and non-prime used vehicle registrations decreased in six out of seven quarters. In comparison, prime and super-prime used vehicle registrations only decreased two quarters during this same time frame.

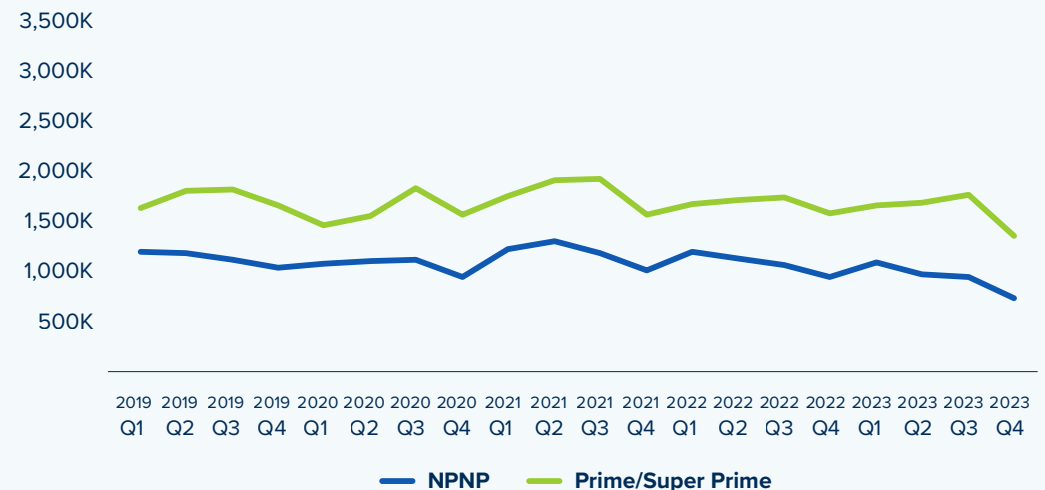


The larger concern is that while prime and super-prime consumers are maintaining access to vehicles, near- and non-prime consumers are slowly being squeezed out of the retail automotive market.

NEW VEHICLE REGISTRATIONS (LOANS AND LEASES)



USED VEHICLE REGISTRATIONS (LOANS AND LEASES)



THE MARKET

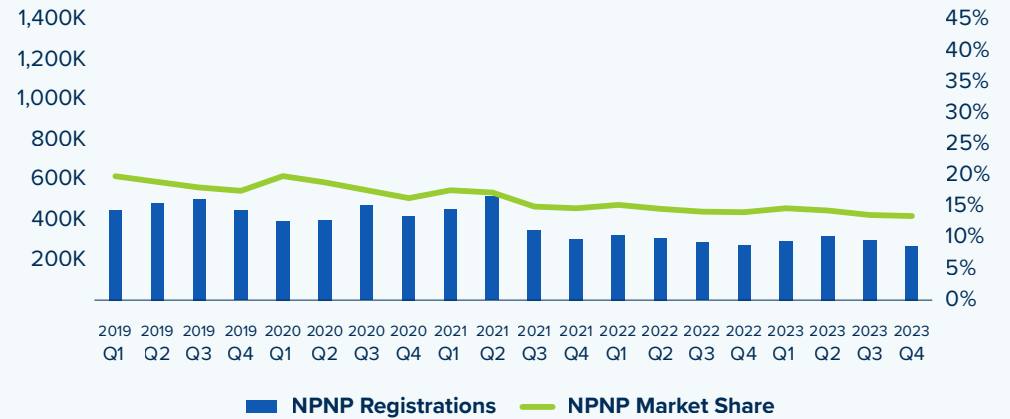
Bottom Line: Near- And Non-Prime Market Share Has Reached a Five-Year Low

In 2019, near- and non-prime consumers represented 20% of new, newly registered vehicles; by the end of 2023, they represented 14%. For used vehicles, near- and non-prime consumers represented 42% of the market and decreased to 35% in 2023. Despite some easing of new car and used car interest rates in late Q4, we have yet to witness any increase in volumes or market share in this credit tier.

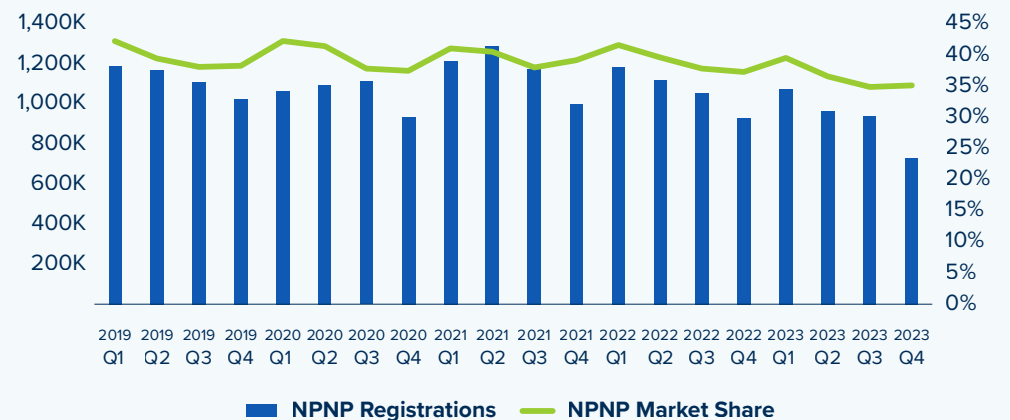
35%

Near- and non-prime market share of newly registered used vehicles in Q4 of 2023.

NEAR- AND NON-PRIME NEW VEHICLE REGISTRATION MARKET SHARE (LOANS AND LEASES)

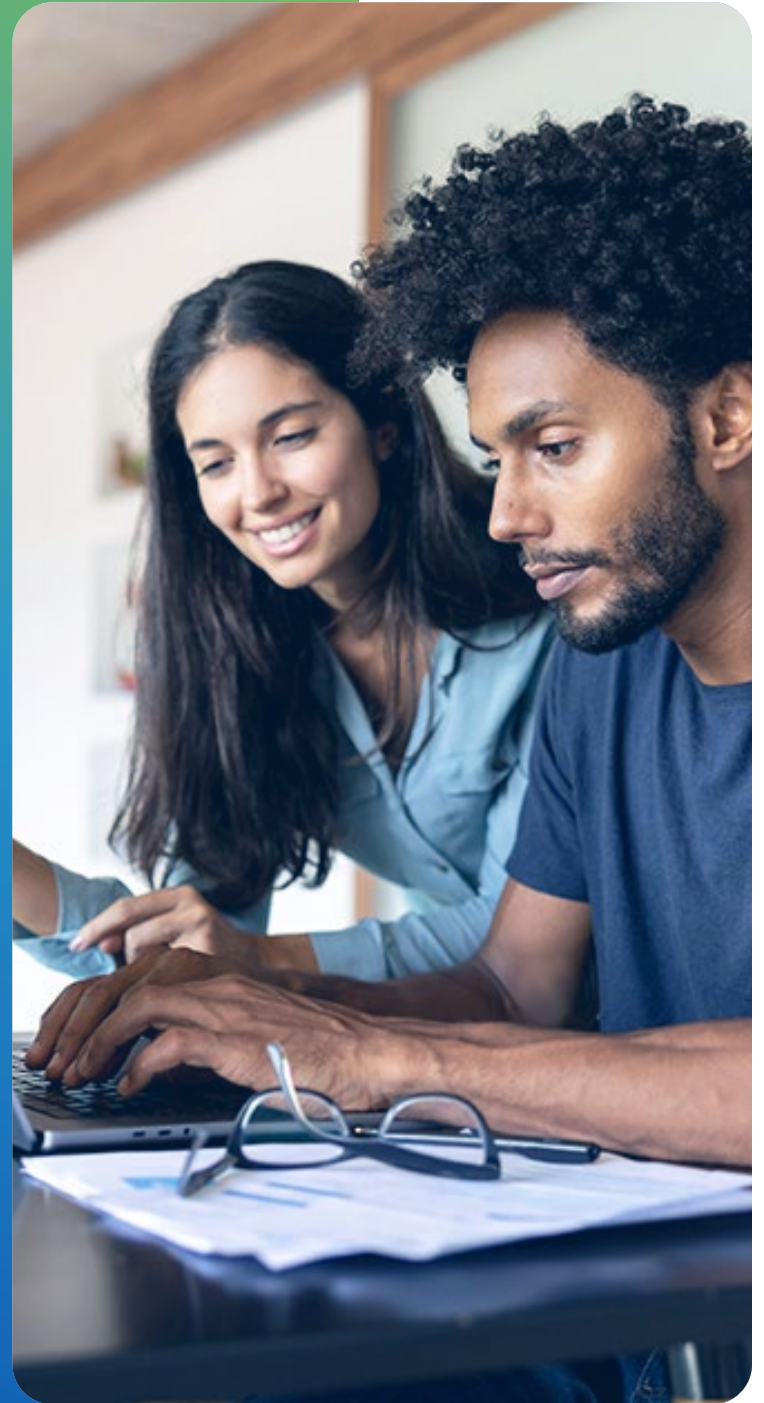


NEAR- AND NON-PRIME USED VEHICLE REGISTRATION MARKET SHARE (LOANS AND LEASES)



CONSUMER BRIEF

Payments



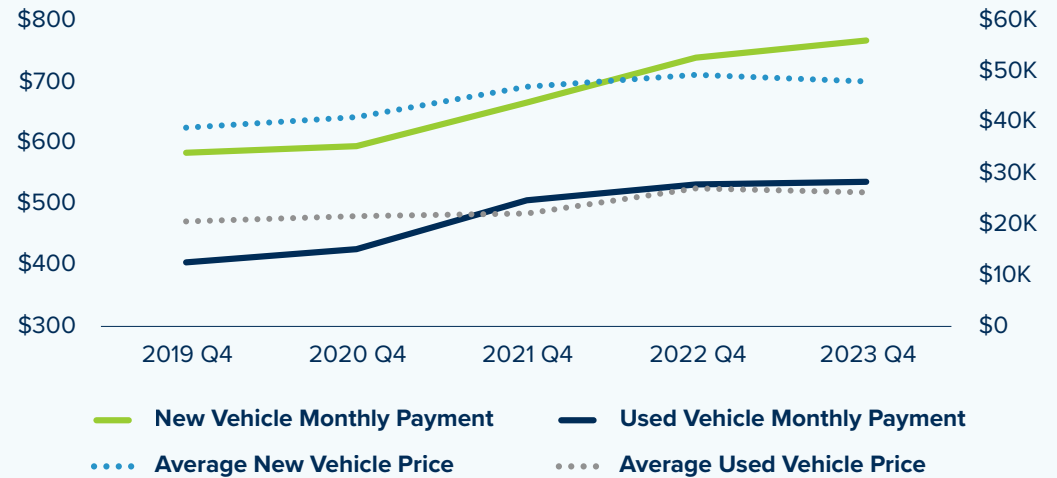
PAYMENTS

Vehicle Prices May Be Starting To Come Down, but Monthly Payments Are Not

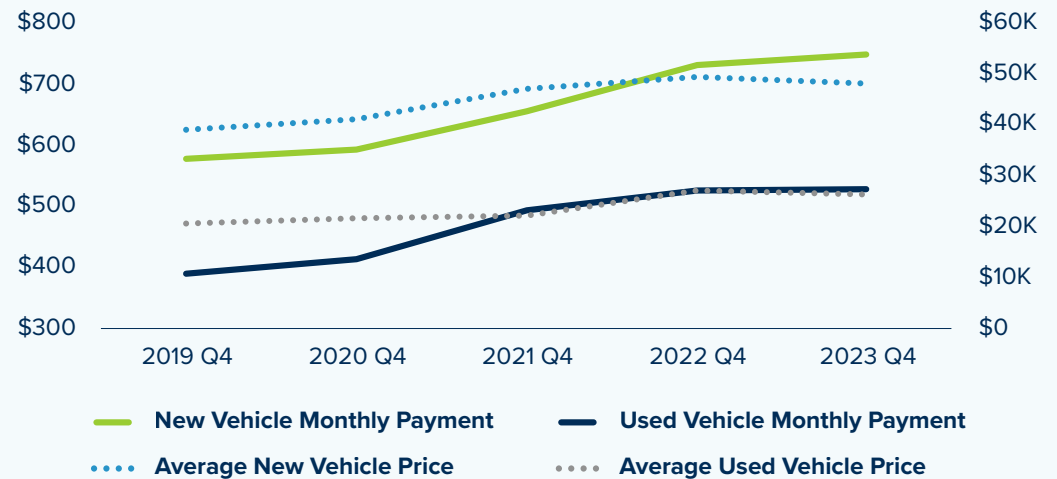
While monthly payments are not decreasing, they are not increasing as fast as in prior years. Still, near- and non-prime consumers have higher monthly payments than prime and super-prime consumers and are likely feeling the impact.



NEAR- AND NON-PRIME AVERAGE MONTHLY VEHICLE PAYMENTS (LOANS)



PRIME AND SUPER PRIME AVERAGE MONTHLY VEHICLE PAYMENTS (LOANS)



PAYMENTS

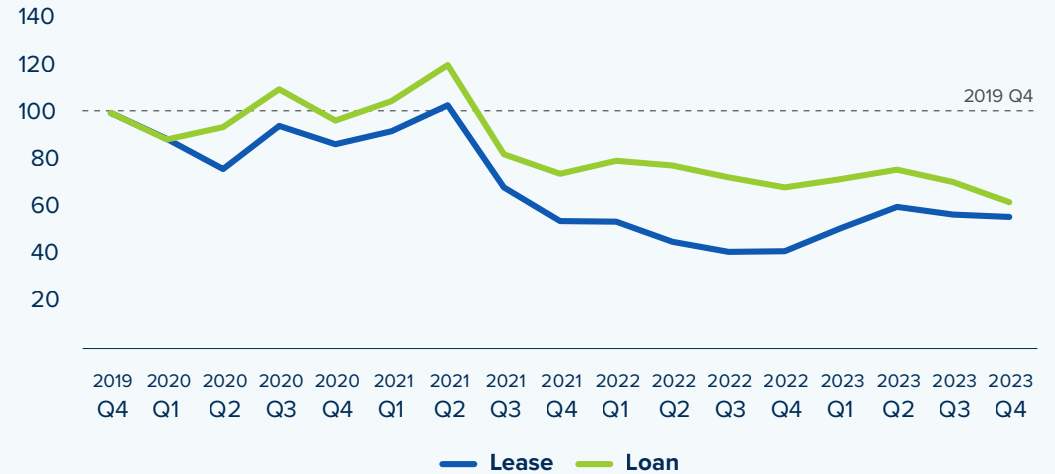
Leasing Is Increasing and Returning as a Viable Option

Near- and non-prime consumers wanting to buy new vehicles may also be showing renewed interest in leasing to offset high interest rates and daunting monthly payments. Although still below pre-pandemic levels, consumers choosing to lease has been ticking upward in recent quarters.



On-lot dealer supply and stabilization of residuals could lead to further interest in leasing with these consumers.

NEAR- AND NON-PRIME NEW VEHICLE INDEX



CONSUMER BRIEF

Electric Vehicles



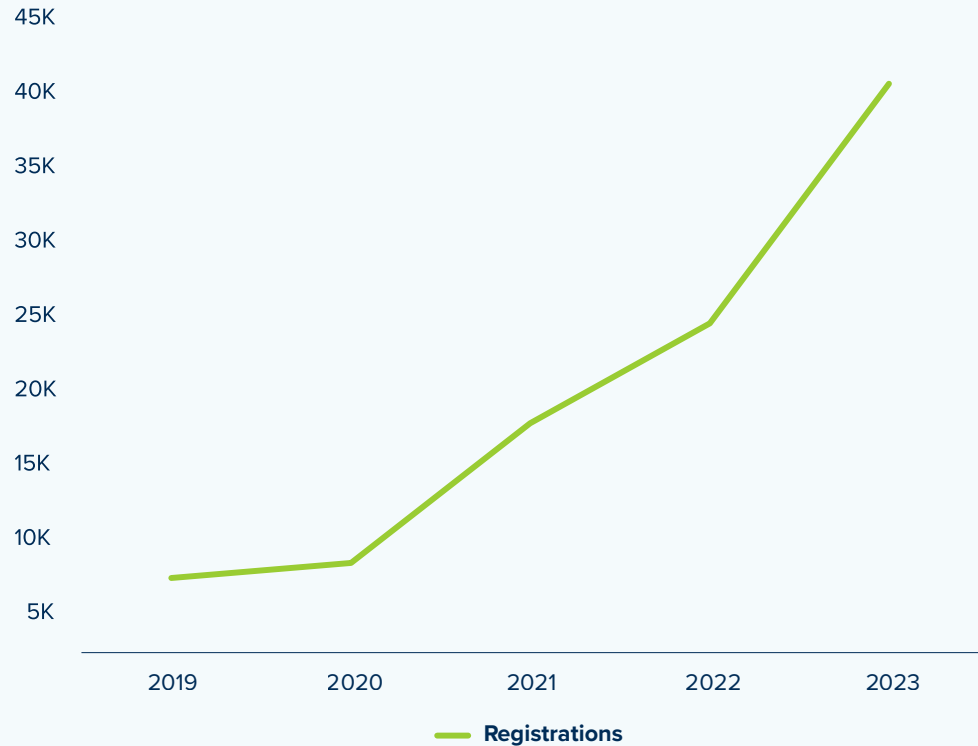
ELECTRIC VEHICLES

EVs May Be Becoming More Accessible To Near- and Non-Prime Consumers

Near- and non-prime EV registrations are growing significantly but still represent only 8% of total EV registrations.



NEAR- AND NON-PRIME NEW & USED ELECTRIC VEHICLE REGISTRATIONS (LOANS AND LEASES)



New EV Registrations

161%

YoY growth in Q4 2023 in the near- and non-prime consumer segment.

Used EV Registrations

~100%

YoY Growth in Q4 2023 in the near- and non-prime consumer segment.

ELECTRIC VEHICLES

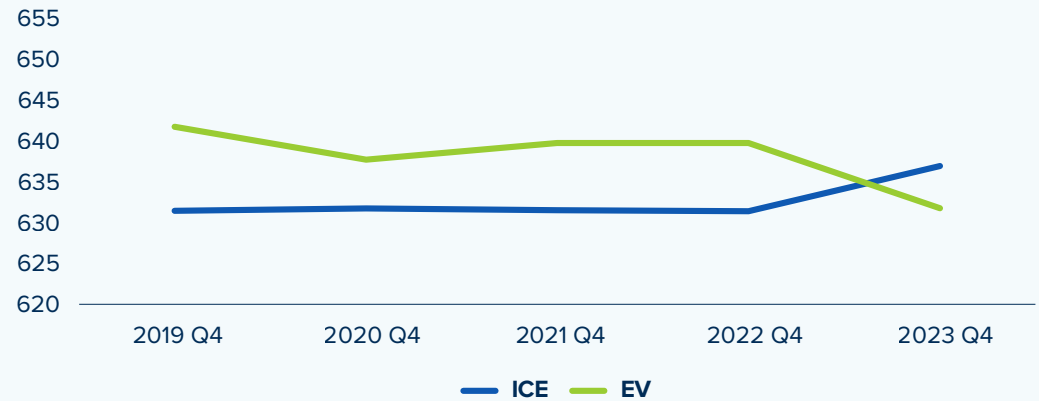
Average
VantageScore® 4.0
on EVs Are Lowering,
While ICE
VantageScore® 4.0
Remain Steady



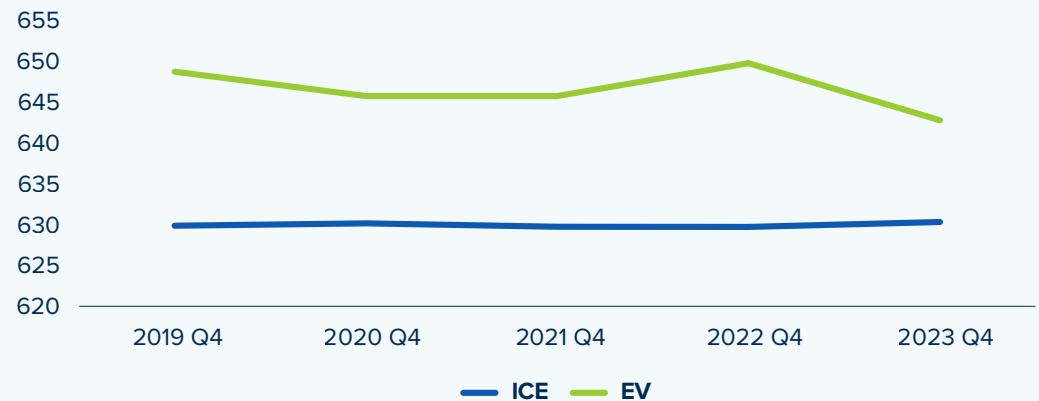
EV Expansion Fast Facts

- **8 Points:** Average VantageScore® 4.0 decrease in in EV registrations from Q4 2022 to Q4 2023.
- **40%** of near- and non-prime new EV consumers are leasing instead of purchasing.
- **121%** increase in newly registered EVs with an MSRP below \$50K since 2022.

NEAR- AND NON-PRIME NEW ELECTRIC VEHICLE AND INTERNAL COMBUSTION ENGINE AVERAGE VANTAGESCORE® 4.0



NEAR- AND NON-PRIME USED ELECTRIC VEHICLE AND INTERNAL COMBUSTION ENGINE AVERAGE VANTAGESCORE® 4.0



CONSUMER BRIEF

Preferences



PREFERENCES

Top Segments, Makes, and Models



Compact utility vehicles remain the top segment for all consumers for **5 YEARS RUNNING.**

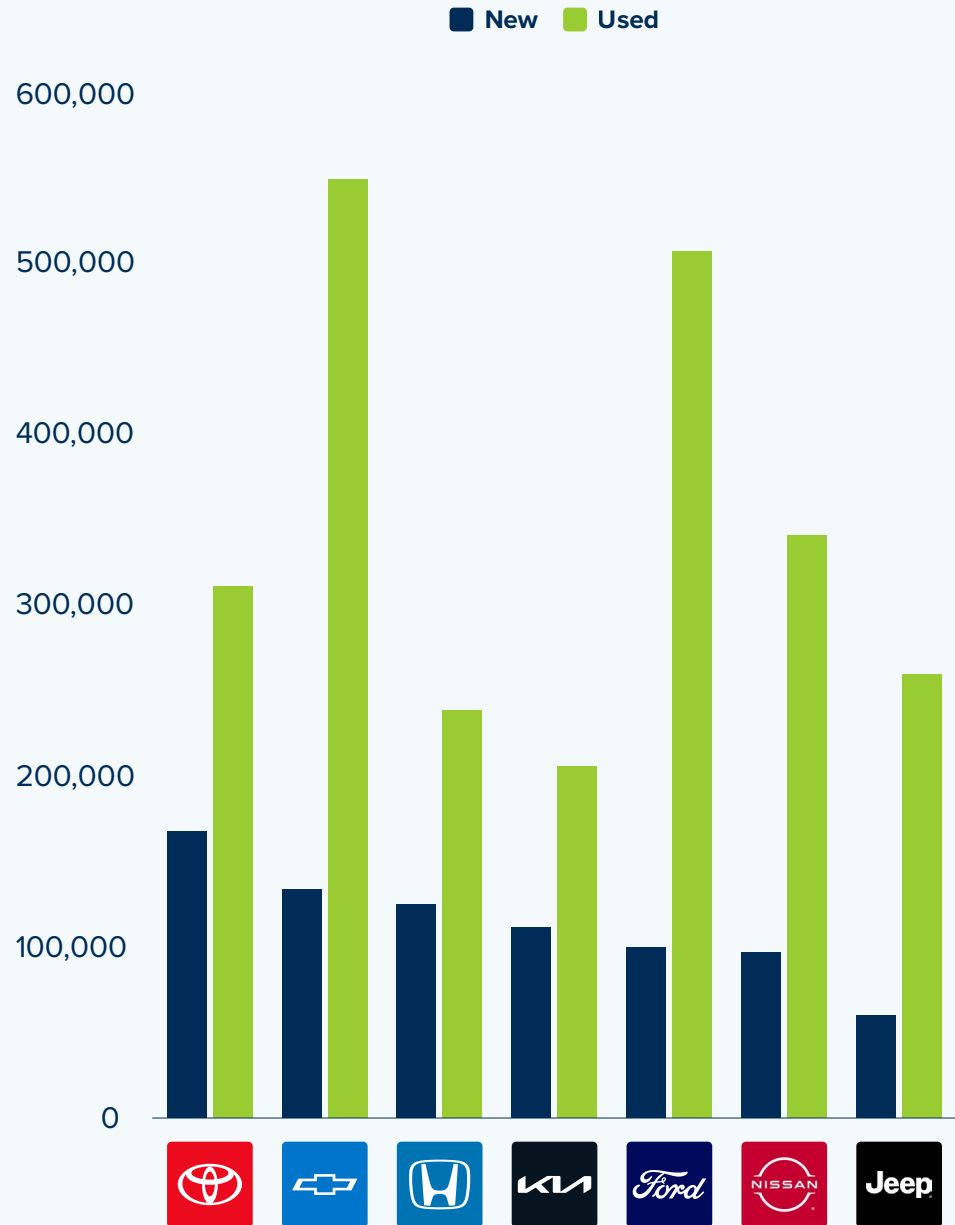


Toyota remains the top new vehicle make.

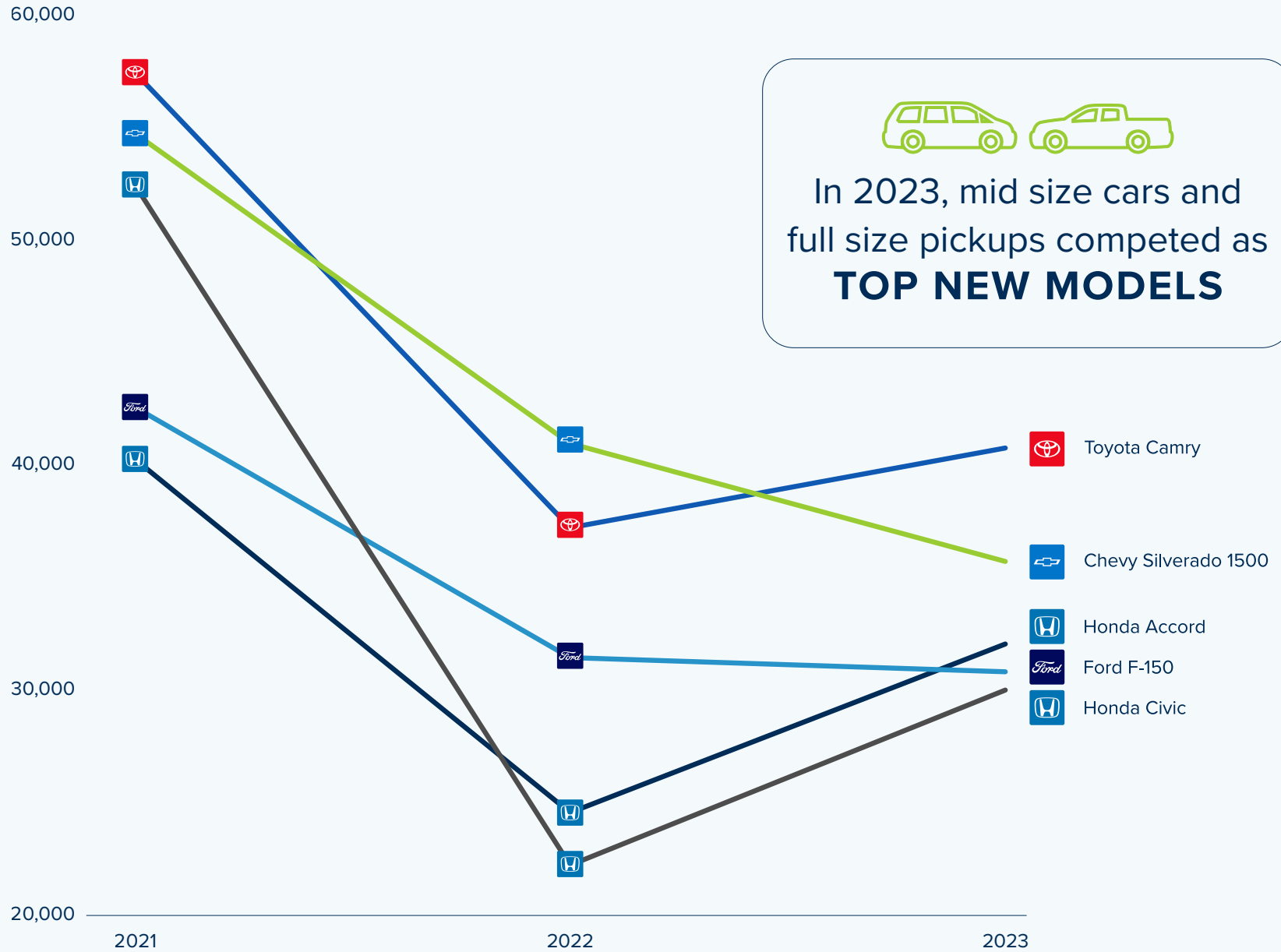


Chevrolet is the top choice for used vehicle make.

NEAR- AND NON-PRIME VEHICLE REGISTRATIONS FOR 2023 (LOANS AND LEASES)

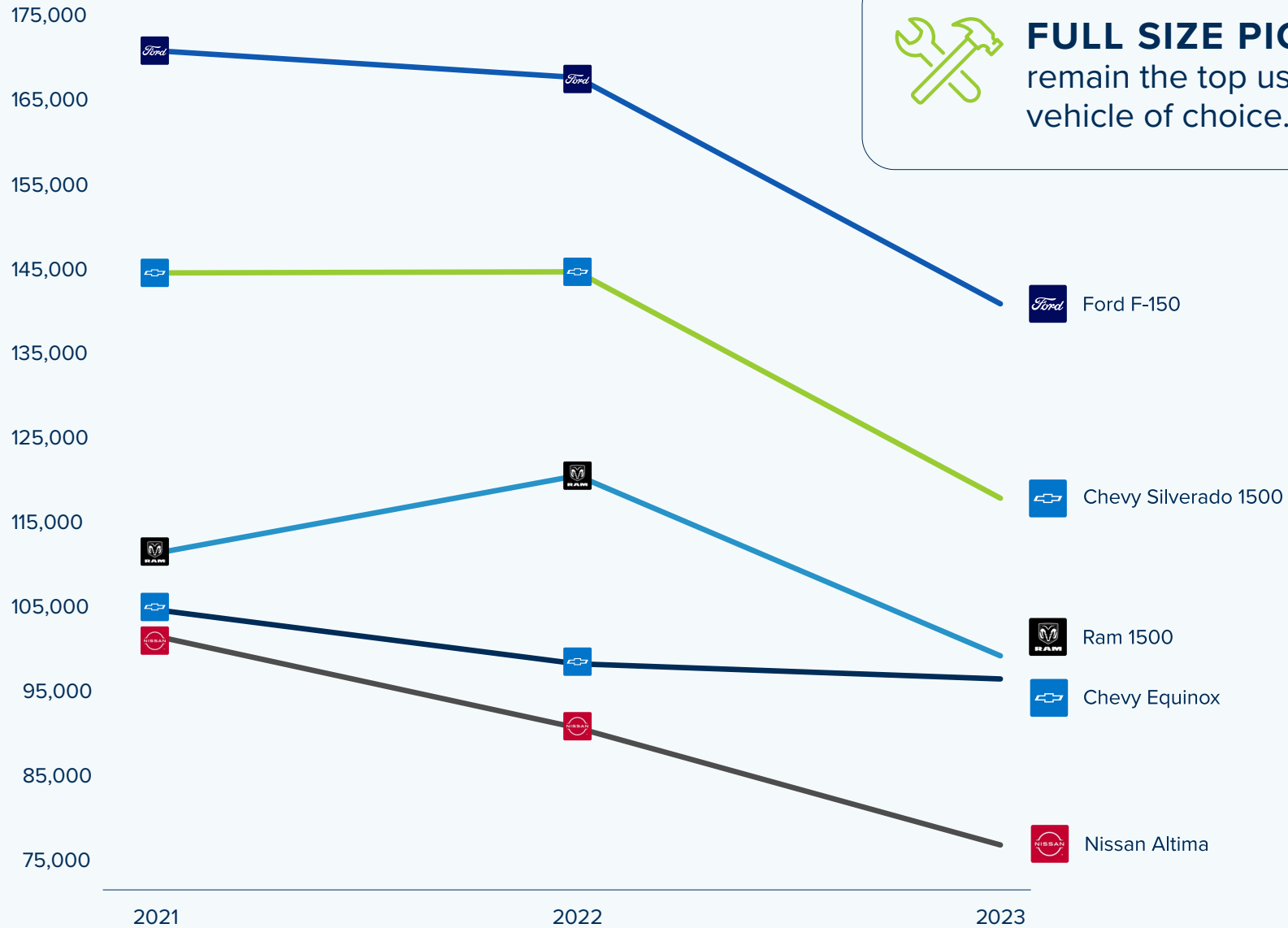


NEAR- AND NON-PRIME NEW VEHICLE REGISTRATIONS
(LOANS AND LEASES)



In 2023, mid size cars and full size pickups competed as **TOP NEW MODELS**

NEAR- AND NON-PRIME USED VEHICLE REGISTRATIONS
(LOANS AND LEASES)



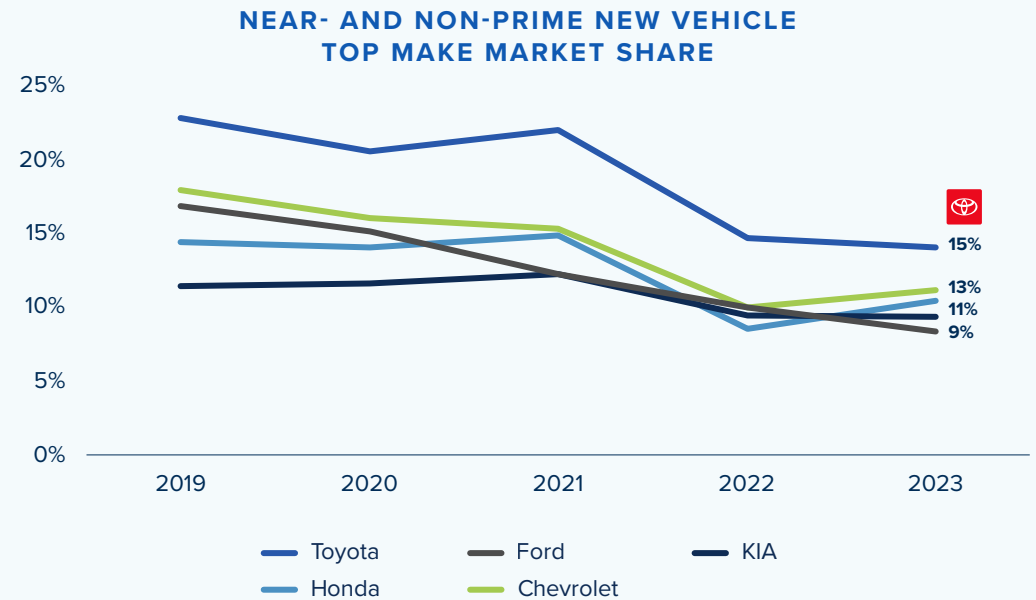
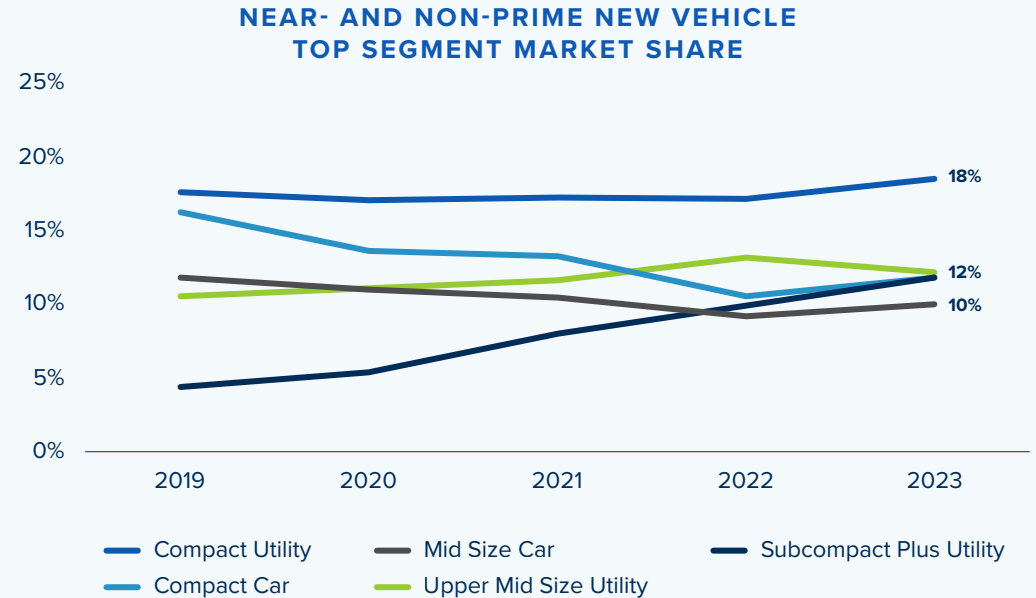
FULL SIZE PICKUPS
remain the top used
vehicle of choice.

PREFERENCES

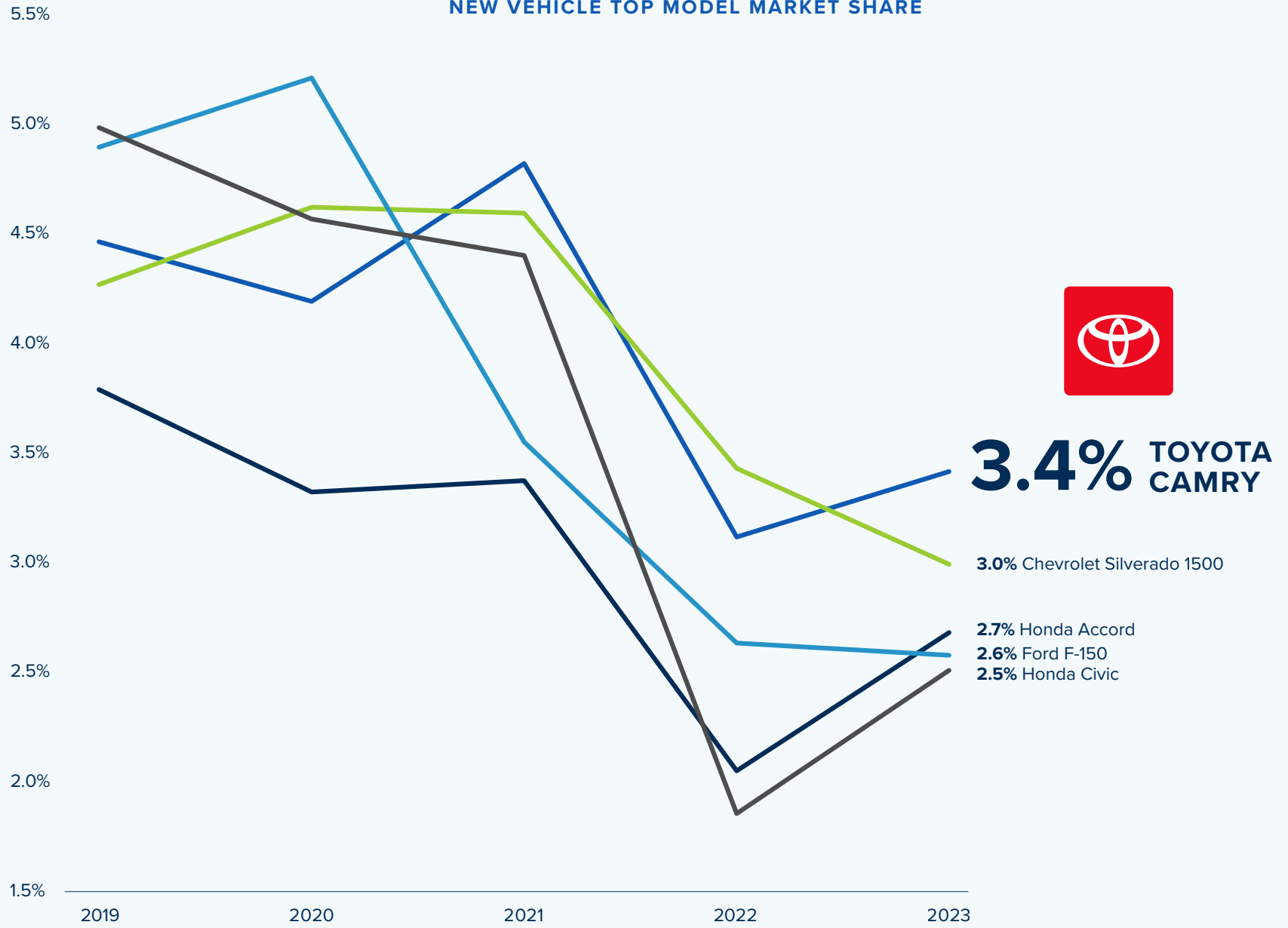
New Vehicle Near- and Non-Prime Market Share Holds Steady

New vehicle market share for top segments and makes have remained relatively constant. Compact utility vehicles occupy a consistent market share of around 18%. Ford has seen a steady decrease in the new make market share, seeing only 8% in 2023 compared to 17% in 2019. In a similar decrease, Toyota had a 23% market share in 2019 and saw a nine-point decrease to 14% in 2023.

Top models continue to fluctuate annually, with the Toyota Camry owning 3% of the market in 2023.



NEAR- AND NON-PRIME NEW VEHICLE TOP MODEL MARKET SHARE



PREFERENCES

Used Vehicle Market Share Remains Consistent

The market share for mid-sized vehicles decreased.



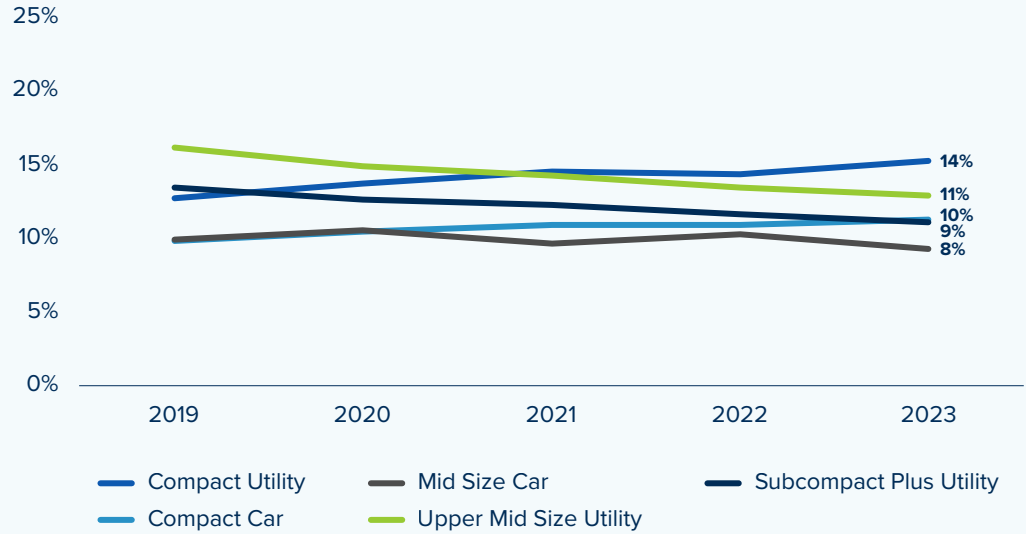
Compact utility vehicles hold the most market share in 2023.



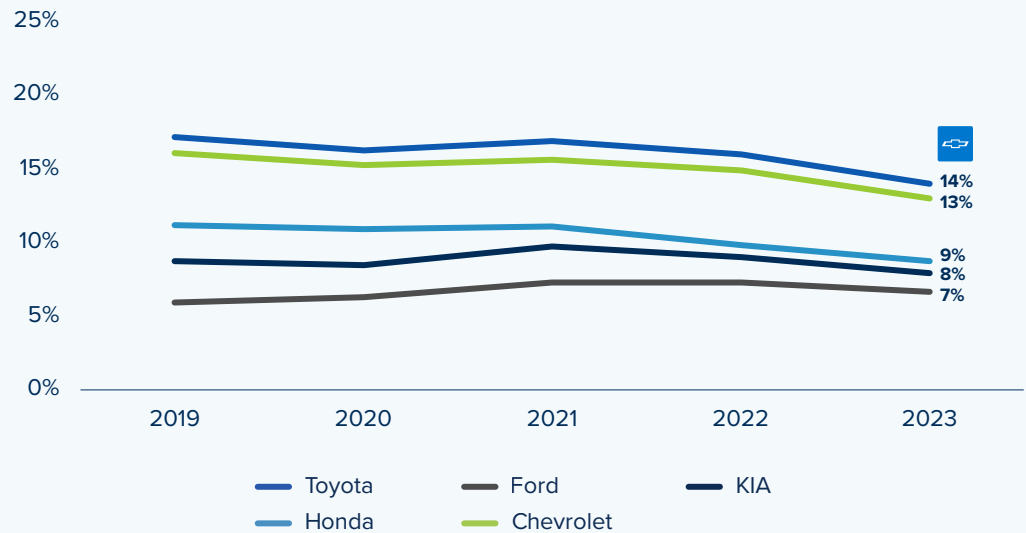
Used vehicle make market share continues to be consistent, with Chevrolet, Ford, and Nissan holding the top three spots

SINCE 2019.

NEAR- AND NON-PRIME USED VEHICLE TOP SEGMENT MARKET SHARE



NEAR- AND NON-PRIME USED VEHICLE TOP MAKE MARKET SHARE



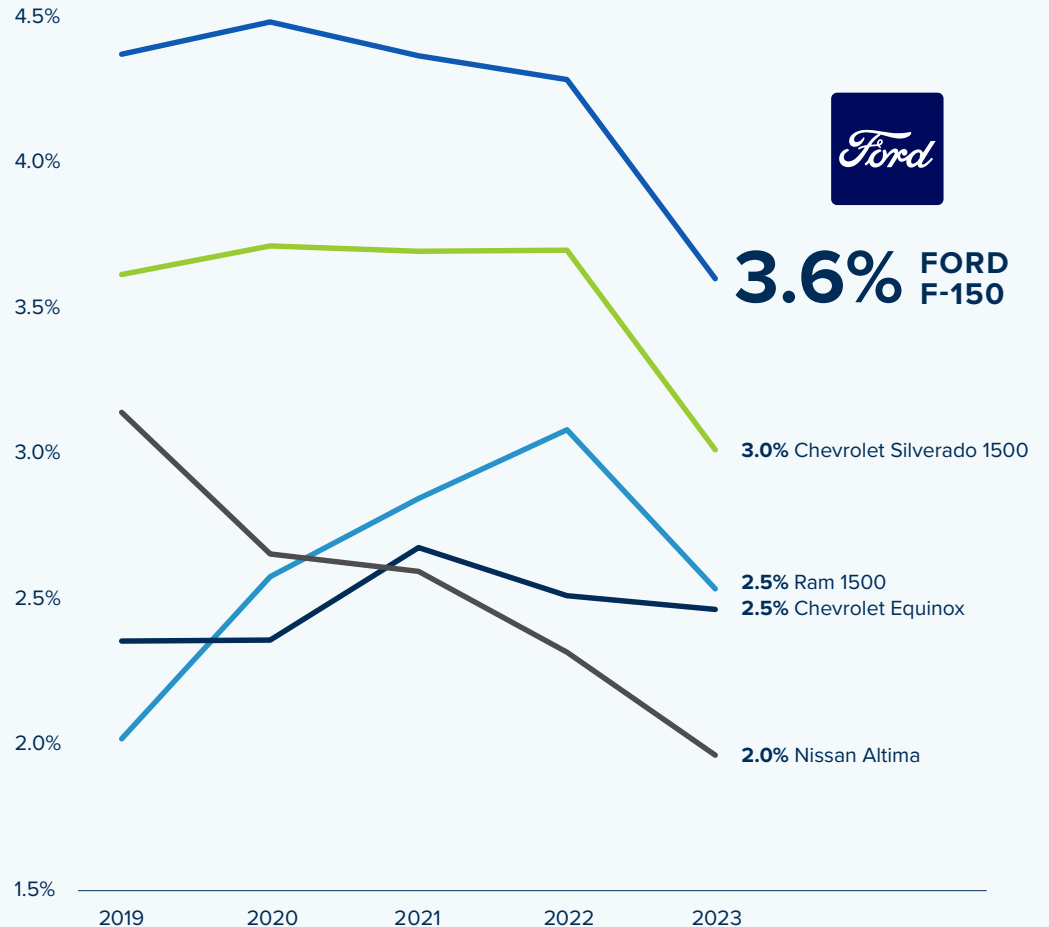
PREFERENCES

Used Vehicle Market Share Remains Consistent



The Ford F-150, Chevy Silverado 1500, and Ram 1500 consistently rank highly within the near- and non-prime segment.

NEAR- AND NON-PRIME USED VEHICLE TOP MODEL MARKET SHARE



Conclusion

Near- and non-prime consumers continue to be at risk of getting priced out of the automotive market entirely. With interest rates and monthly payments largely unchanged, more are looking to leasing as the most viable option. Yes, vehicle prices may be coming down, but vehicle ownership is still out of reach for many.

Knowledge is power when it comes to attracting more creditworthy consumers. Despite economic headwinds, near- and non-prime consumers have more than an appetite to buy a vehicle – they have a real need. With many in this segment using their vehicles for personal and work use, they are looking for lenders who will look beyond their credit scores. Open Lending allows lenders to do just that. We power our industry leading AI platform with the richest proprietary and third-party data to identify creditworthy near- and non-prime consumers who can help lenders capture this segment's untapped value.

Learn about how Open Lending can expand your growth opportunities today. ►



Open Lending (NASDAQ: LPRO) provides loan analytics, risk-based pricing, risk modeling, and default insurance to automotive lenders throughout the United States. For over 20 years, we have been empowering financial institutions to create profitable automotive loan portfolios with less risk and more reward.

