Agenda

COVID-19 Impact
Market Conditions and Economic Outlook

Consumer and Dealer Behavior Insights
Business Continuity Strategies

Legislative and DMV Impact and Response – What Lenders Need to Know

Jonathan Smoke
VP / Chief Economist,
Cox Automotive

Will Blackson
AVP Lender Solutions,
Dealertrack

Sarah Hunsicker
Dir. Government Affairs,
Dealertrack RTS/CMS
COVID-19 Local Impact Assessment

[Map showing the impact assessment of COVID-19 across the United States with different color levels indicating the intensity of the pandemic]
Sales Impact Varies by DMA as Evidenced by Unique Credit Apps

April 5th

June 8th

Impact Category:
- Unaffected
- Affected Low
- Affected Medium
- Affected High
- Severely Affected

Source: Cox Automotive
Continuing Claims at 20.1 Million Nationally

Data as of June 11, 2020

Continuing Claims % of Jobs by State

© 2020 Mapbox © OpenStreetMap

Source: U.S. Department of Labor
Consumer Sentiment Again Volatile Last Week

Morning Consult’s Index of Consumer Sentiment on Monday was down 21% since February 29

ICS VALUE (7-DAY AVERAGE)

Source: Morning Consult
Delinquency Rates Declined in February and March, but…

**AUTO LOAN SEVERE DELINQUENCIES UNIT RATE**

- Subprime 60+ Unit Rate
- All 60+ Unit Rate (RH Axis)
- 12 per. Mov. Avg. (Subprime 60+ Unit Rate)
- 12 per. Mov. Avg. (All 60+ Unit Rate (RH Axis))

Source: Equifax
10-YEAR VS. MORTGAGE AND NEW AUTO LOAN RATES

Source: Bankrate.com, US Federal Reserve, Bloomberg; Dealertrack
Zero Percent Financing Continues to Decline

Source: Cox Automotive
Wholesale Prices Are Now Higher than Start of Year

Source: Cox Automotive
Leading Indicators and Outlook

Autotrader
Kelley Blue Book
Dealertrack
Nextime

49%↑
Dealers Have Adjusted Inventory and Pricing as a Result of COVID-19

INVENTORY LEVEL ADJUSTMENTS

New Vehicles
- Franchise: 44% (49% last week)
- Independent: 34%

Used Vehicles
- Franchise: 3% (54%)
- Independent: 62%

CPO Vehicles
- Franchise: 2% (49%)
- Independent: 49%

RETAIL PRICE ADJUSTMENTS

New Vehicles
- Franchise: 21% (33%)
- Independent: 65%

CPO Vehicles
- Franchise: 18% (34%)
- Independent: 69%

USED Vehicles
- Franchise: 20% (59%)
- Independent: 47% (59%)
Portfolio Management Is Multi-faceted

Identify the Risks

Liquidity
Maintenance
Securitization
Unpacking the Dealer/Lender Processes

**DEALERS**
- **Onboarding**
  - Engage (Shop)
  - Structure (Credit App)
  - Transact (Contract)
  - Deliver (Registration)

**LENDEERS**
- **Disposal (Portfolio Management)**
- **Lien Perfection (Lien & Title)**
- **Maintenance (Collateral Management)**
- **Engage (Drive Leads)**
- **Structure (Decision)**
- **Transact (Finance)**

**Processes**
- **Onboarding**
- **Maintenance**
- **Disposal**
Digital Workflows Have Kept Auto Sales Moving

LEAD
2 of 3 Ready to Buy Online

STRUCTURE
94% Increase in Dealer Adoption

TRANSACTION
~2X Increase in Dealer Utilization

"...staff always wants the digital retailing lead because it's much more likely to produce a sale.”

Cole Frankman, Chief Operating Officer, Frankman Motors

Source: 2020 Cox Automotive COVID-19 Dealer Impact Study
Sources: Dealertrack sales and transaction data
After the Customer Takes Possession and the Dealer Moves to the Next Deal...

How Do You Protect Your Investment?
How Have You Protected Your Investment?

Bad Scenario: Minor Repair

Is the aftermarket contract in effect?
How Have You Protected Your Investment?

Worse Scenario: Total Loss

What is the insurer willing to pay you?
How Have You Protected Your Investment?

Worst Scenario: Repossession

How much reconciling do you need to do?
How Have You Protected Your Investment?

Best Case: Ideal Registered Owner

What’s your lien & title perfection process?
DMV & COVID-19 Impact on Title Processing

Risk for lienholders

Vehicle finance legislative trends

40+ States
Where DMVs closed temporarily*

134K
Number of title transactions through DMV per day*

*2020 Internal Cox Auto Gov't Affairs research

*2019 Statista
ELT is Electronic Lien & Title for LENDERS
ERT is Electronic Registration for LENDERS & DEALERS

TODAY

24 States
ELT-enabled

30 States
ERT-enabled
The 2021 ELT/ERT Road Map

- States accepting electronic signatures: 14
- Utilizing/Launching ELT by 2021: 31
- Utilizing/Launching ERT by 2021: 34

*Internal Cox Automotive Govt Affairs Data*
The Way Forward

DMV Responses to COVID-19
Other Economic Indicators
Operational Strategies
Compliance and Risk Mitigation Strategies