



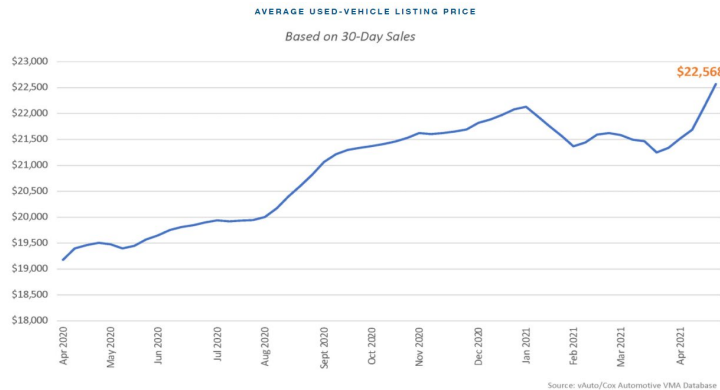
Auto Refinance Opportunities

April 2022



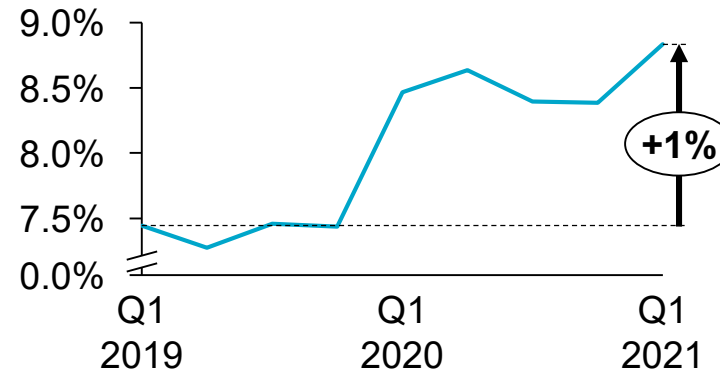
Recent trends in auto lending have created a good environment for refinance

Used auto values up



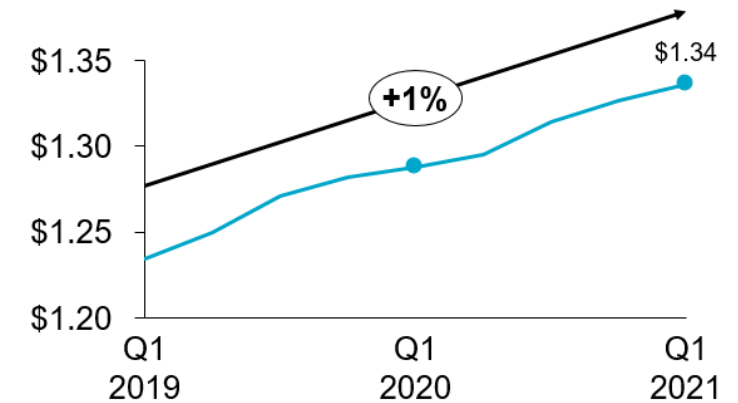
Auto pricing have increased from \$19K to \$22K from April 2020 to April 2021

Used Auto APRs spread up



Spread between average used auto loan APRs vs. 2yr UST rate has increased ~1.5% from Q1 2019 to Q1 2021

Auto loan balances up



The total balances have increased by a percent from Q1 2019 to Q1 2021

Sources:

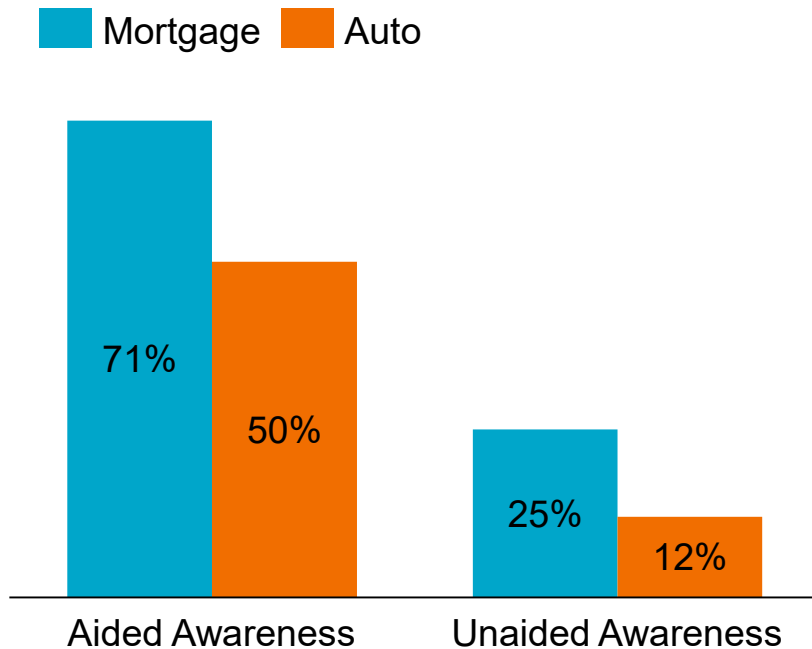
1. Cox Automotive

2. AutoCreditInsight by S&P Global Mobility and TransUnion

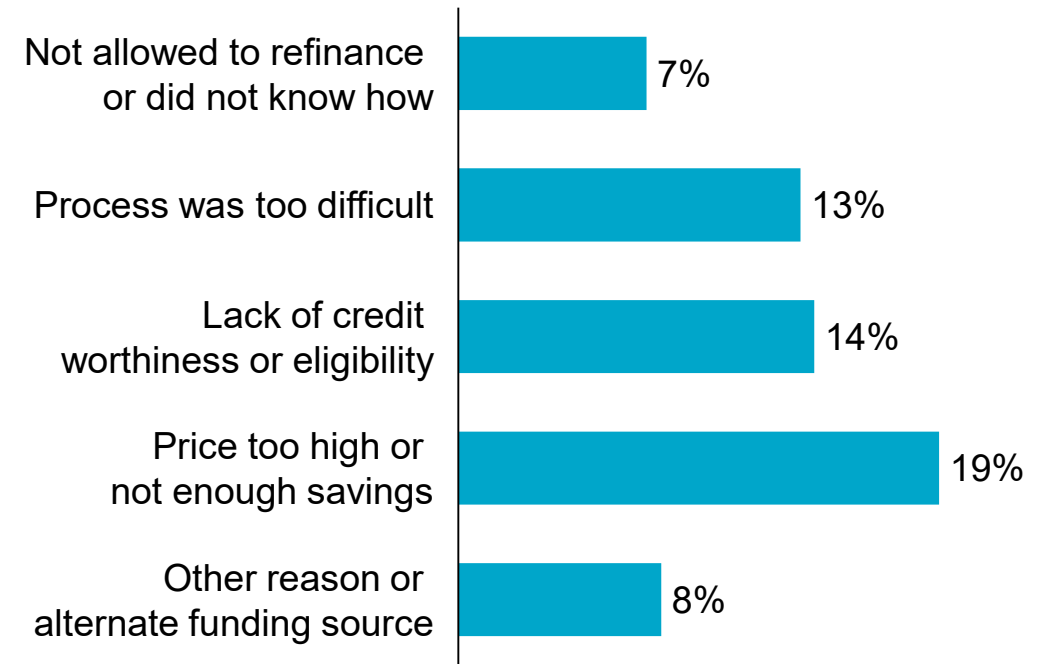
3. St. Louis FRED Research

However, our consumer survey indicated that many borrowers are not aware or misinformed about auto refi opportunities

Both aided and unaided awareness of auto refinancing are lower vs. mortgage refinance



Top reasons why consumers with an auto loan who considered refinancing but decided not to

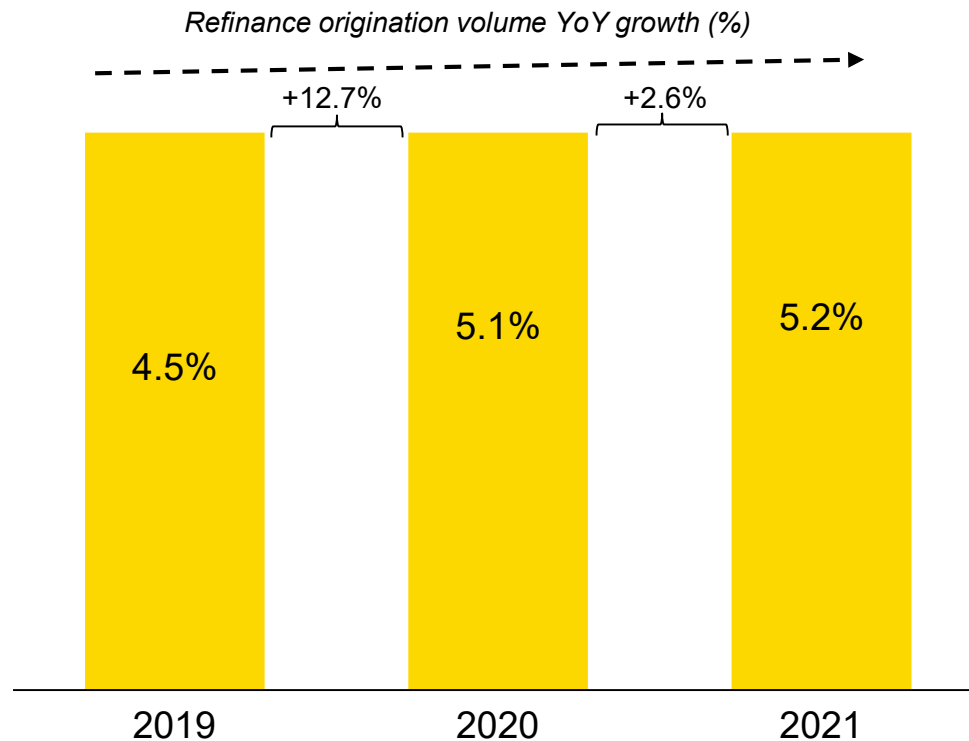


To understand the consumer dynamics of auto
refinance, we looked at auto loan refinances
originated between 2019-2021

Auto loan refinances are a small but growing segment of the auto finance market



Percent of Auto Loan Originations Used for Refi
2019 to 2021



Identifying Auto Refinance Loans

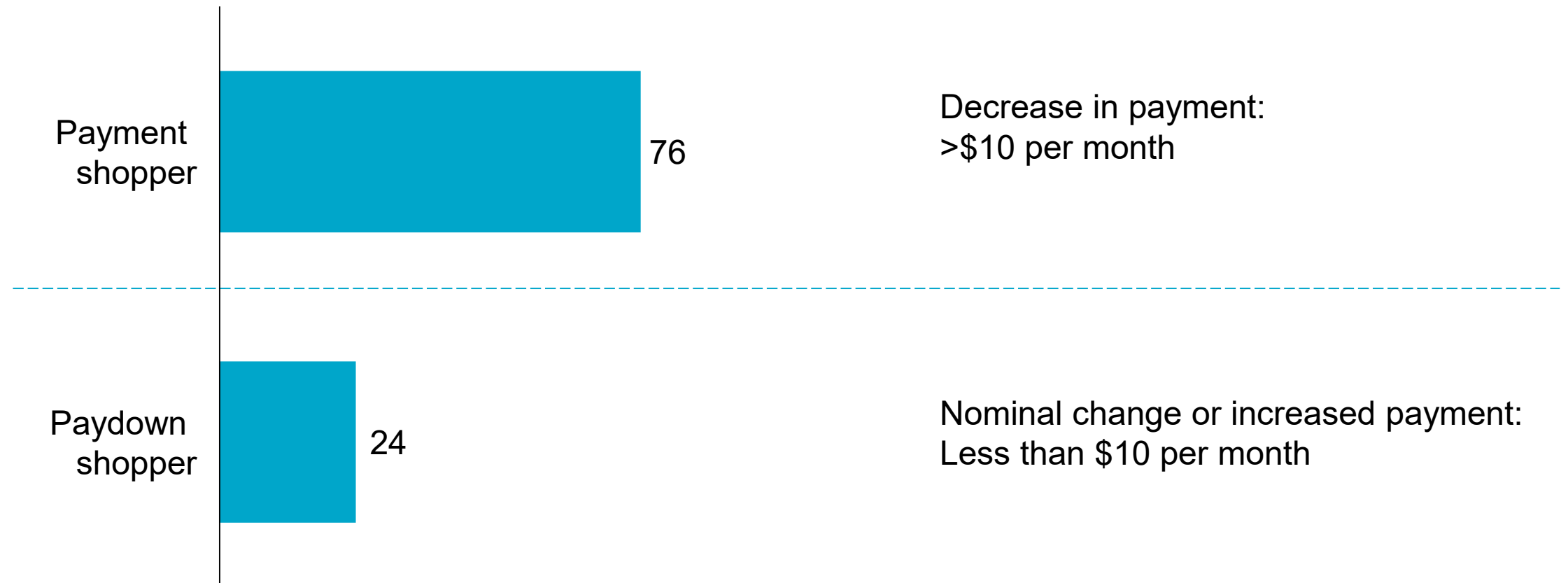
- Opened within a short period of time of the reported closure of another auto loan held by the same consumer
- and-
- Original loan amount approximately the same as the last remaining balance of the prepaid auto loan
- and-
- New loan amount of at least \$5,000



The majority of consumers who refinance their auto loans do so to reduce their monthly payments

% of Total Auto Loans Refinanced in 2021

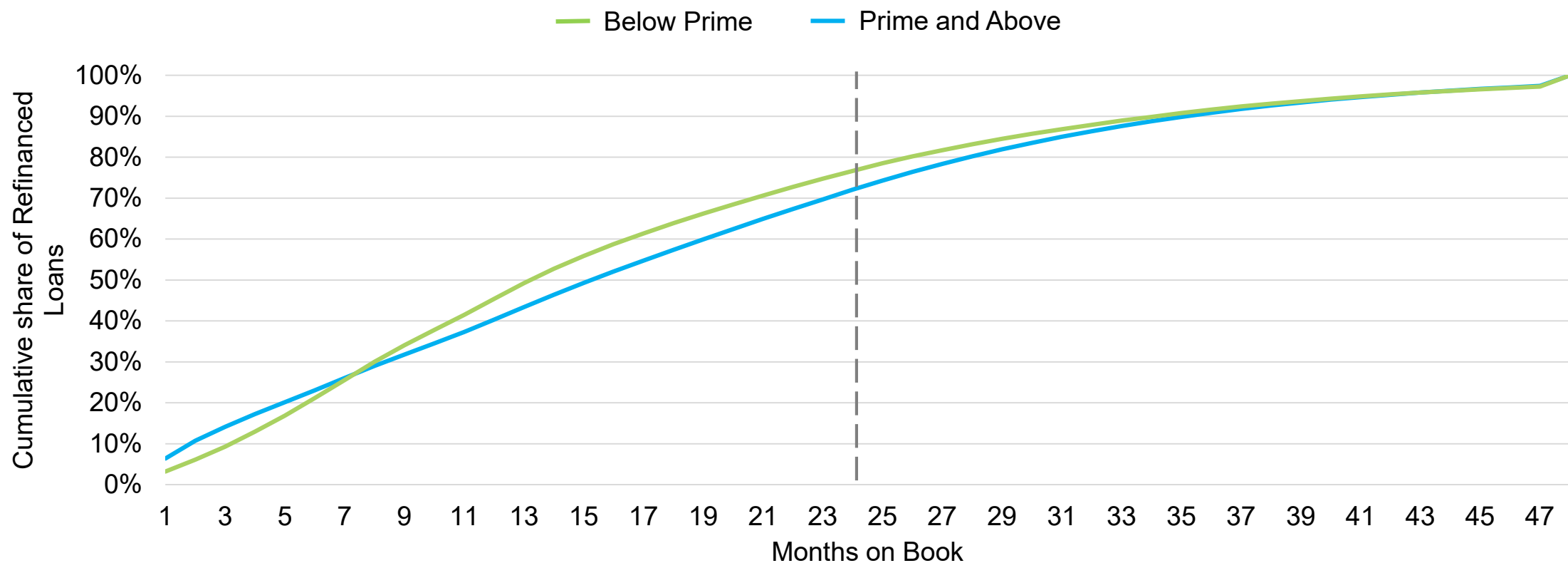
Definition



Refinance activity happens throughout the course of the original loan term, but the majority occur in ~ the first 24 months



Timing of Auto Loan Refinancing



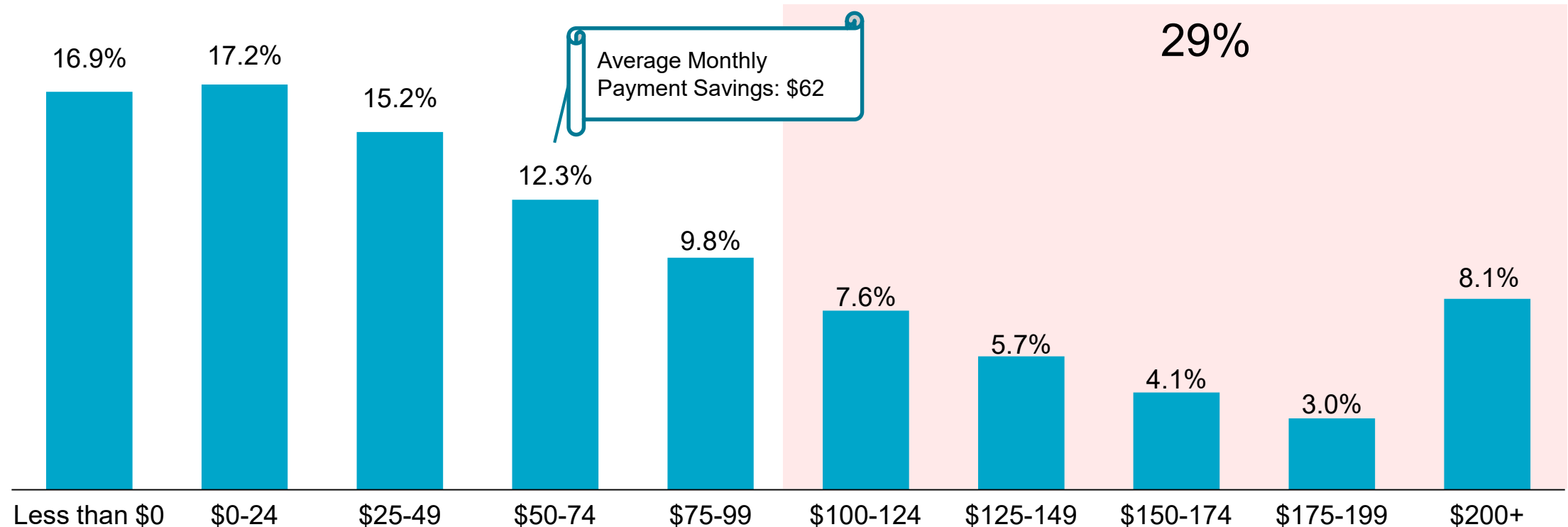
Note: Score bands are defined using VantageScore® 3.0.
Non-Prime: 300-660 or Unscoreable; Prime or Better: 661-850.

Source: TransUnion Consumer Credit Database, Auto Refinance Study Data Set



The average monthly savings in 2021 was \$62 with 29% of refinances resulting in \geq \$100 monthly payment savings

Distribution of Monthly Payment Savings from Auto Refinance Loans in 2021



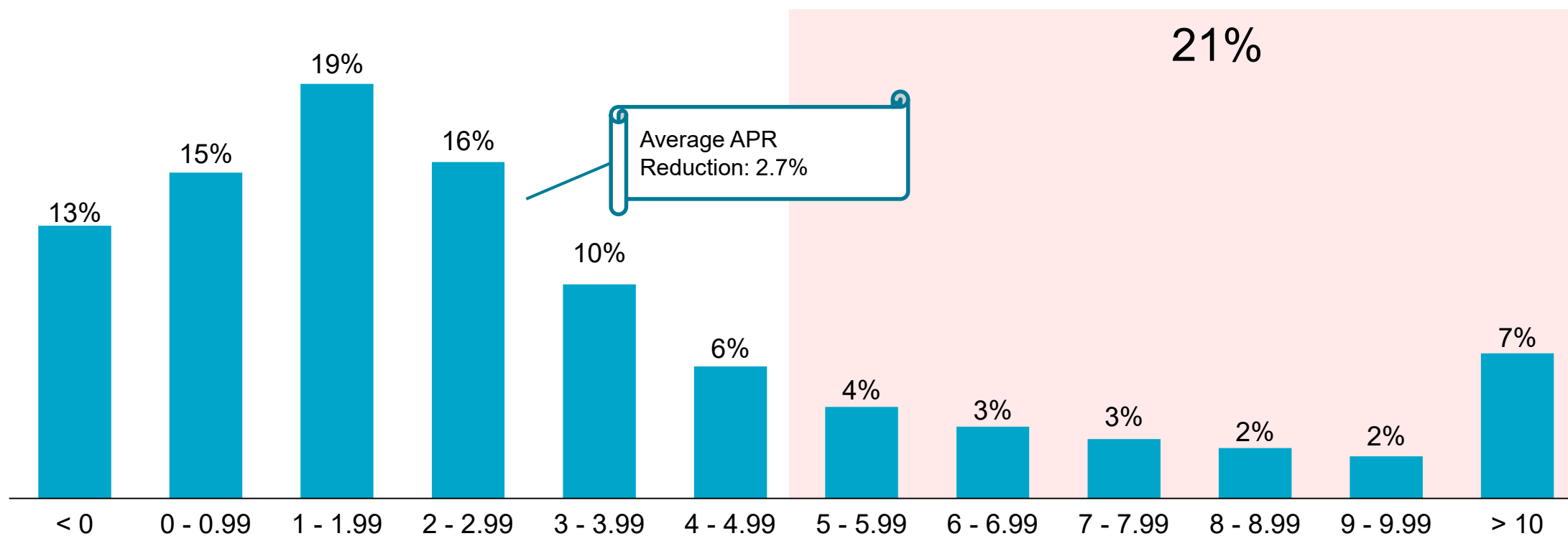
Note: Percentages don't sum to 100 due to rounding.

Source: TransUnion US consumer credit database

On average, borrowers experienced an APR reduction of 2.7% with 21% of refinanced auto loans seeing a reduction $\geq 5\%$



APR Reduction of Refinanced Auto Loans in 2021

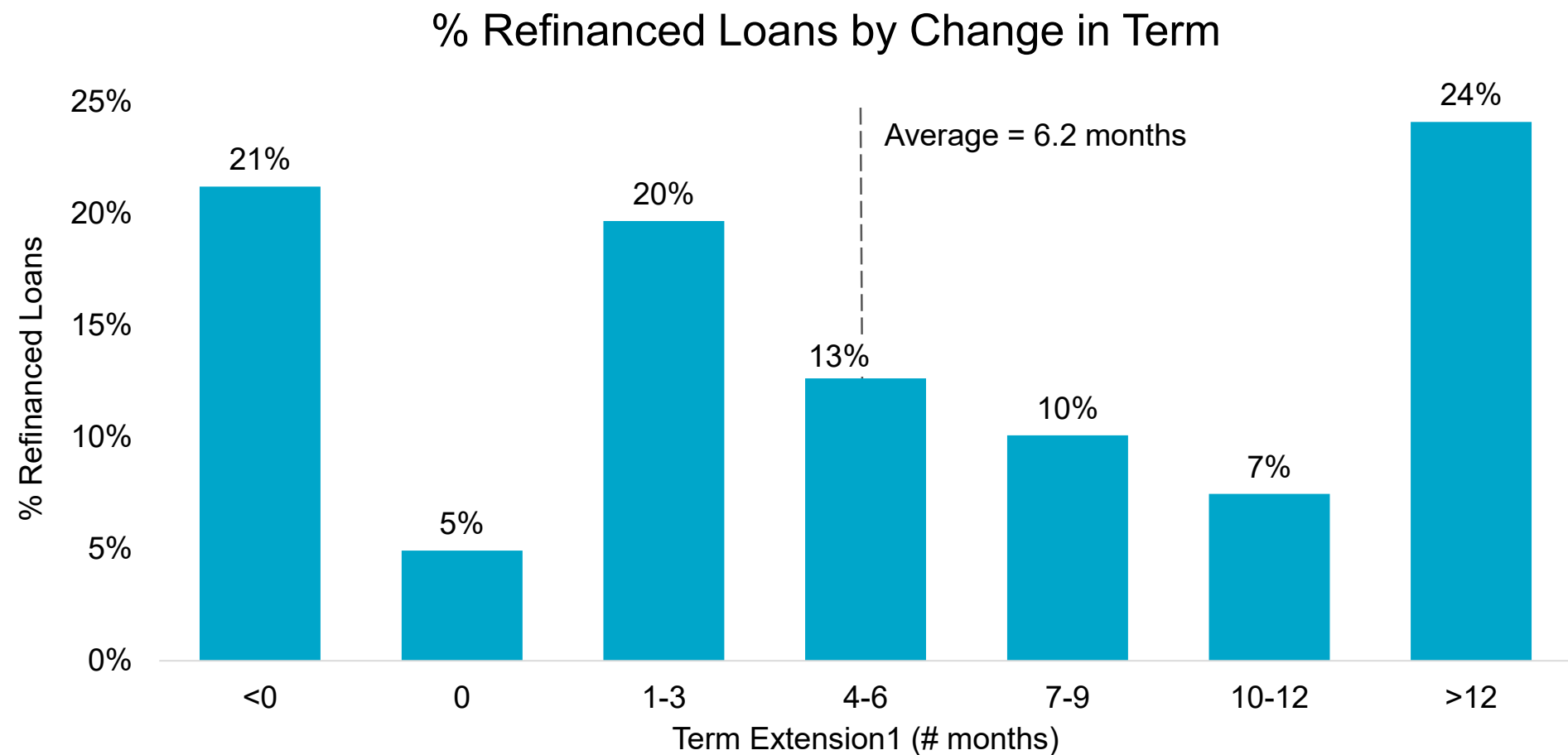


Note: Percentages don't sum to 100 due to rounding.

Source: TransUnion US consumer credit database



Term is still a powerful lever to reduce payment and in 2021 we saw an increase in the average term from 5.4 months to 6.2 months

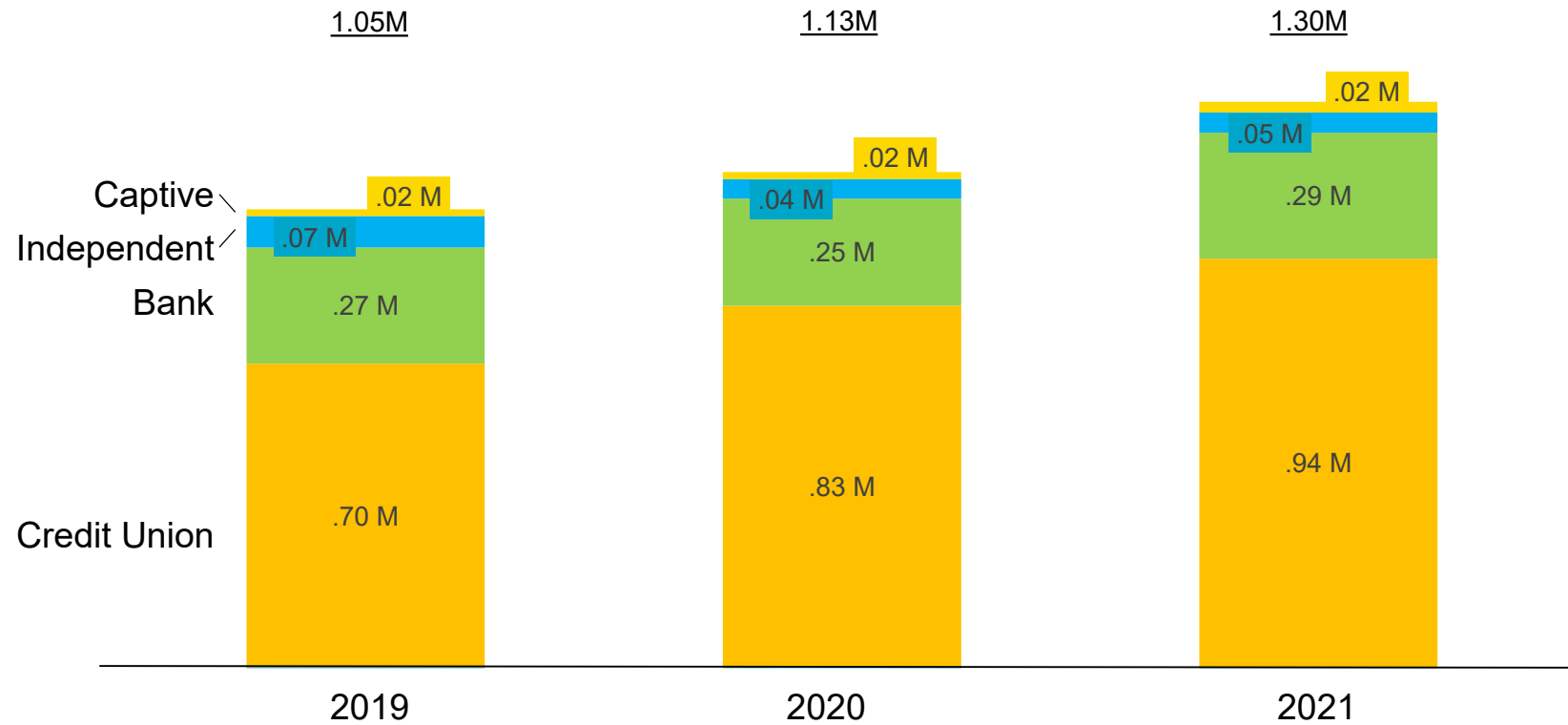


Term extension defined as initial term on refinanced loan less remaining months on original loan

Source: TransUnion consumer credit database

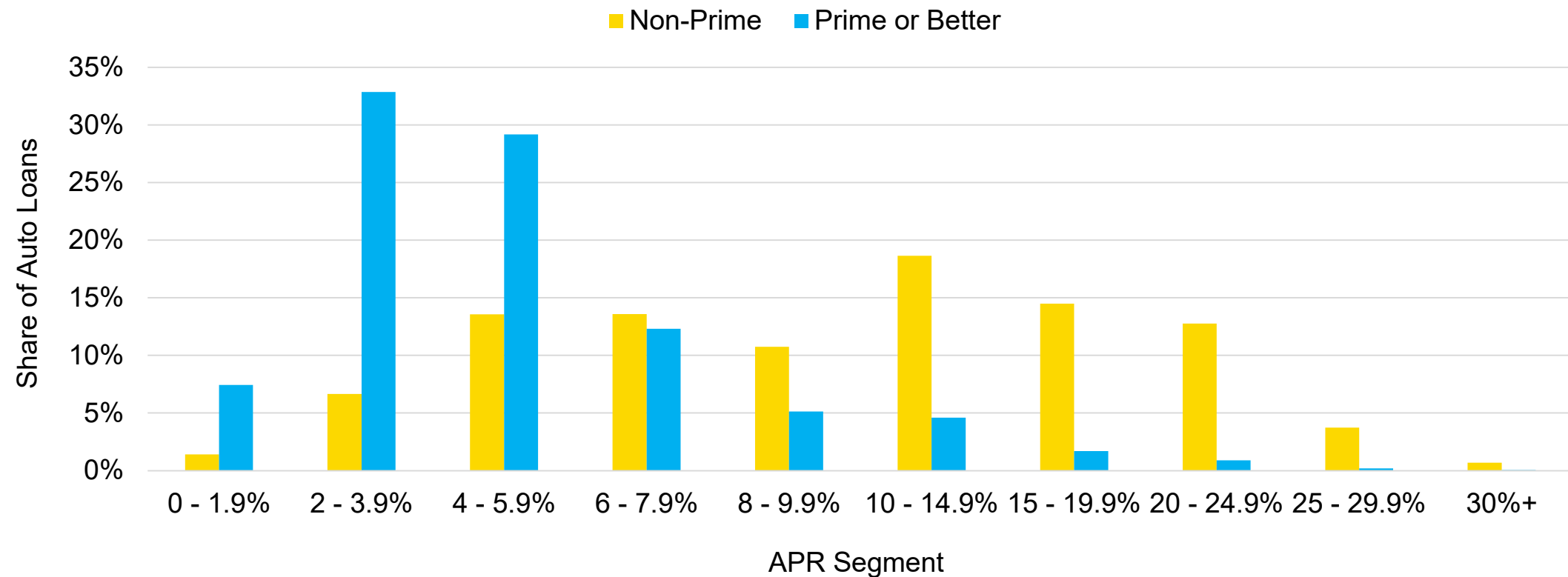
Credit Unions continue to capture the majority of auto refinance market share in recent years

Refinance Origination Volume by Lender Type Share



And the auto loan market presents a wide spectrum of refinance opportunities, both prime and non-prime

APRs of All Currently Open Auto Loans



Source: TransUnion Consumer Credit Database

What is the refinance opportunity for auto lenders?

We considered a borrower to be “in-the-money” for a refinance if the following conditions were met

“In-the-money” condition	As defined by...
Rate reduction opportunity exists	Estimated APR was 1% above the prevailing auto loan refinance APR* for borrower’s credit score range (e.g., prevailing refinance APR was 5.24% for a credit score between 640-699 and the borrower’s credit score was 660 and current estimated APR was 6.25%)
Current on auto loan payments	Not delinquent on auto loan (30+ DPD)
Enough balance worth refinancing	Minimum \$5000 remaining balance
Equity exists in the vehicle	Remaining loan balance was below estimated vehicle value**

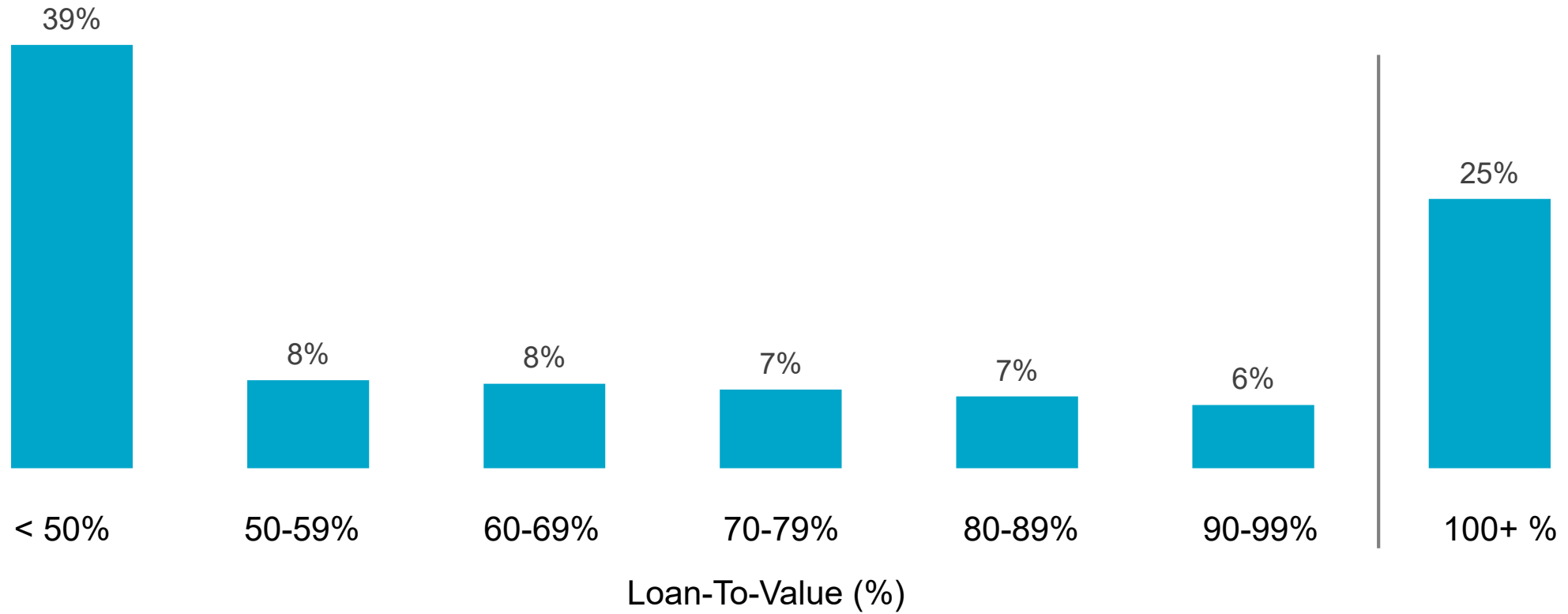
Prevailing auto loan refinance APRs from rategenius as of March 2022

** Estimated vehicle value from Kelley Blue Book as of April 1, 2022

Over 75% of new and used auto loan borrowers have positive equity in their vehicles



Share of New and Used Vehicles by Loan-to-Value (LTV) %

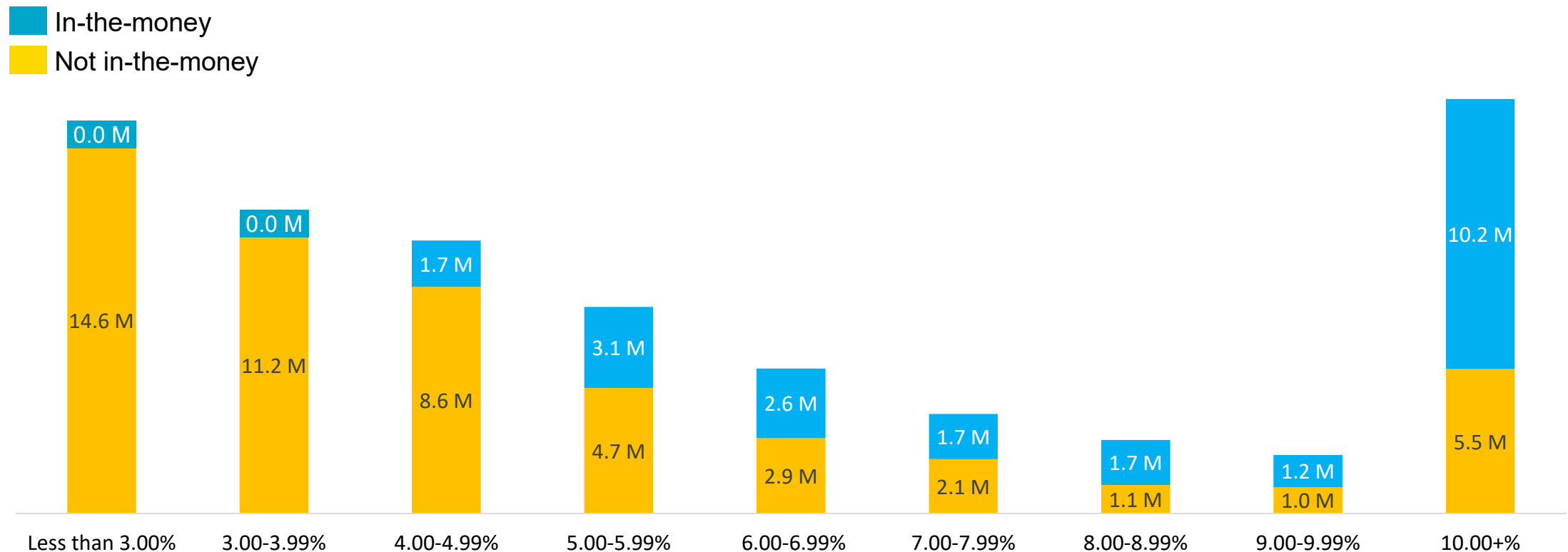


Source: TransUnion US consumer credit database as of March 31, 2022

The refi market presents a large opportunity with an estimated 22M of 75M auto loans (or 30%) in-the-money



All Outstanding Auto Loans “in-the-money” by APR Range (as of March 31, 2022)



Source: TransUnion US consumer credit database as of March 31, 2022

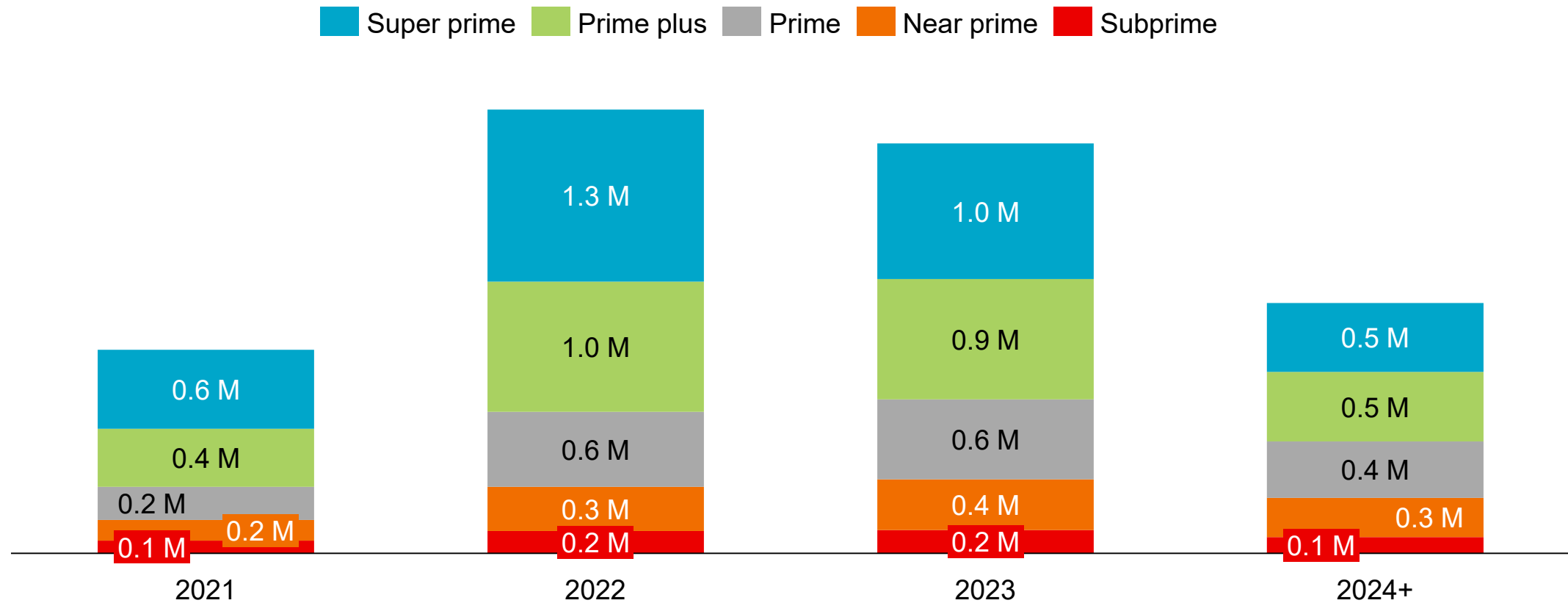
Auto refinance rates from rategenius as of March 2022

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A tremendous opportunity also exists to offer financing to purchase leases with millions ending from now to 2024

Number of Auto Leases by Lease End Year and Credit Tier



VantageScore® 4.0 risk ranges

Subprime = 300-600; Near prime = 601-660; Prime = 661-720; Prime plus = 721-780; Super prime = 781+

Source: TransUnion US consumer credit database as of June 30th, 2021

In Summary

Auto borrowers	TransUnion has	Auto lenders can
<ul style="list-style-type: none"> • Are good candidates to refinance their auto loans for payment savings or paydown • Are experiencing favorable refinance conditions with low APRs and high vehicle values • However, they may not be aware or are misinformed about the opportunity 	<ul style="list-style-type: none"> • Examined the population of “in-the-money” auto borrowers and sized it at ~26 million • Built a propensity model with CreditVision trended data to identify consumers likely to refinance their auto loans • Estimated 200,000 borrowers in market for an auto refinance over the next 2 months 	<ul style="list-style-type: none"> • Target the current auto refinance consumer market immediately to increase originations using the propensity model • Refresh refinance offers over the next 12-18 months as new and used inventory challenges persist • Expand financing offers to borrowers soon to be off-lease



Auto Refinance Best Practices



During origination, lenders must make a compelling refinance offer while minimizing the hassle of switching finance companies

Auto Refinance Best Practices: Origination

Engage

- Engaging consumers shortly after purchase (90-120 days) and at the one-year mark offer the best opportunity for response
- Payment-based offers are more compelling than APR savings
- For APR-based offers, the tipping point for offer acceptance is around 100-200 bps of rate savings
- Many top-tier prime consumers have low rates already due to subvented financing, while non-prime have higher rates and more instances of mark-up

Acquire

- The application process is important – time and complexity lead to adverse selection
- Indirect auto finance is state-level process which adds to the complexity
- It is hard, but not impossible, to get around paper requirements – titling may pose the biggest challenge
 - Title-holding vs. non-title holding states
 - Power of attorney
- Capturing VIN is important for establishing the security of the contract

Titles and pay-off requests are key for customer experience, while repo timing and execution determine recovery success

Auto Refinance Best Practices: Account Management

Manage
<ul style="list-style-type: none"> • Lien perfection <ul style="list-style-type: none"> – State-by-state activity – Interaction with current lender • Payoff & loan closure <ul style="list-style-type: none"> – Lien and title release can involve consumers, dealers or lenders • Insurance coverage <ul style="list-style-type: none"> – Establishing yourself as loss payee ensures payment for a total loss – Period review of coverage helps identify lapsed insurance

Recover
<ul style="list-style-type: none"> • Beyond traditional collections activities, asset recovery and disposition are necessary <ul style="list-style-type: none"> – Repo agent network – Remarketing process • Analytics can help determine the optimal point for repossession; considerations include: <ul style="list-style-type: none"> – Estimate of auction value – Repossession & remarketing costs – Loan modification options

Bringing it all together – establishing a successful auto refinance portfolio



Targeting

- Set broad risk criteria
- Focus on new loans
- Leverage multiple channels including digital marketing to find prospects online
- Understand portfolio loss expectations to build in risk
- Leverage value-added TU's refinance prescreen tools:
 - Auto Refinance program
 - CreditVision Auto Refinance Propensity model
 - LTV Suppression to filter out consumers that may credit qualify but would be declined due to high LTV
 - APR Estimator

Making the Offer



- Minimum 1% APR reduction
- Leverage term extension
- Competitive pricing – optimize APR & term offer for profitability and take rate
- Data needed at time of application
 - Credit data (e.g. open auto that meets criteria)
 - Income
 - Vehicle value and mileage
- Value-added TU services
 - TU Auto Summary and Auto APR Estimator
 - VIN Verification Service
 - Vehicle History Score to ID branded titles

Closing the Sale



- CreditVision Auto Refinance Propensity Score to prioritize leads
- Auto Credit Summary to quickly identify refinance opportunities



TU's Auto Refinance Solutions



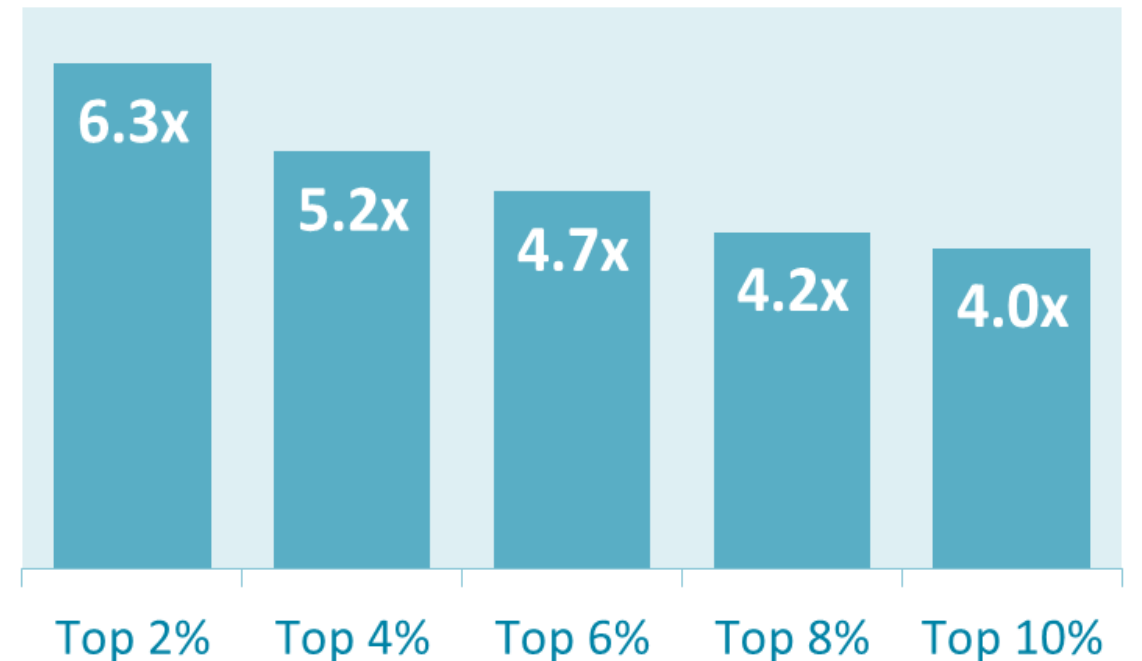
Using CreditVision, TransUnion has created a propensity model to identify those consumers most likely to refinance their auto loan



CreditVision Auto Refinance Propensity Model 2.0

- Designed to identify consumers who will refinance their existing auto loan to one with more favorable terms within 2 – 4 months
- Incorporates CreditVision enriched credit data
- **Consumers in top 10% of the CreditVision Auto Refinance Propensity Model 2.0 range are 4–6x more likely to refinance an auto loan than the eligible population overall**

Identification Lift for Top Scoring Consumers



TransUnion has also developed a variety of acquisition solutions to support Auto Refinance efforts

Solution		Primary Benefit
APR Estimator	Identifies consumer current APR on open auto trade lines	Build an audience you know will likely respond to savings
Enhanced Auto Prescreen with Polk Automotive Solutions by S&P Global Mobility	Apply Polk Audience Models to any prescreen. Choose things like brand loyalty, make/model segments and more	More personalization in messaging to a higher intender audience lowering your overall cost per acquisition
Intelligent ITA	Build credit derived audiences into digital channels without delivering firm offers e.g. lease end customers	Allows for expanded reach without the increased costs of print and postage
CV Auto Refinance Propensity Score 2.0	Reach the most likely consumers who will refinance in the next 6 months	Helps identify the right consumer and can be used across a variety of channels
Loan-to-value Suppression	Suppress high LTV % consumers from prescreen file before marketing to them	Reduces cost per acquisition and operational expenses tied to LTV turn downs

Retailing solutions used effectively create more transparency, personalized experiences, and support marketing budgets

Solution		Primary Benefit
Prequalification	Consumer consent soft pull that uses credit data to personalize the consumer experience	Superior lead generation and greater consumer experience answering consumer affordability questions
Auto Trade Line Summary	Enhanced credit report option that easily calls out open auto trade lines	Present available loans to be refinanced to the consumer improving consumer experience
VIN Verification Service	Uses Year/Make/Model inputs from consumers to verify and supply VIN owned by consumer	Reduces friction and keeps consumer in channel while eliminating mistakes created due to bad data input

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Solution		Primary Benefit
Credit Vision/CV Link- Trended and Alternative Data	30 months of payment history to better understand customer trajectory while also understanding data not usually furnished to CRA	Score more consumers and price more effectively
CV/CV Link Quick Score	Score delivered with intent to better price/score individuals using trended and alternative data	Reduced analytical and IT effort while swapping in/out consumer segments and pricing appropriately
Document Authentication	Easily scan and authenticate Drivers License or other ID documents at time of origination	Further verify identity while easily collecting necessary documents needed to complete a loan
Income/Employment Verification via Payroll*	Collaboration with Payroll Providers to provide income/employment verification via payroll data; strong fit for direct and indirect lending	Remove need for high friction income/employment stipulations to enhance capture rate and reduce fraud
Enhanced VIN Decode*	Receive real time values based off OEM record level data and full 17 characters of VIN	Eliminate dealer fraud and price loans with correct LTV, reducing losses in repossessions

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Thank you!