

## QUICK GUIDE

# The Electric Vehicle Market: Charged for Growth

**After years of minimal change in the market, electric vehicle (EV) sales doubled in 2021, resulting in 5% of all new vehicle registrations that year<sup>1</sup>. With most manufacturers (OEMs) now releasing or planning to release new EV models, S&P Global Mobility has forecasted EVs will make up the majority of new vehicle registrations by 2033.**

Given this significant competitive shift, auto lenders must be prepared to finance this unique collateral – which means taking a closer look at the EV consumer. To that end, TransUnion conducted a study – The Electric Vehicle Market: Charged for Growth – that examined the EV landscape and answered questions, such as:

- Which segments and geographies are experiencing the highest EV penetration?
- What are EV buyers' relationships to credit, and how are they financing EVs?
- Do EV brands appeal more to those who currently own luxury or mainstream vehicles?

The recent TransUnion study looked at approximately 33M US new light vehicle registrations for EV and internal combustion engine (ICE) vehicles between 2019 and 2021. Using TransUnion credit data and S&P Global Mobility's vehicle registration information and industry forecasting, the study explored EV market trends, future growth prospects, and impact on household vehicle brand loyalty. To enable lenders to tailor EV underwriting strategies, comparisons were drawn between EV and ICE loans, consumer profiles and behavioral characteristics. As well, 60+ days past due (DPD) performance was considered for 2019 and 2020 originations in order to assess risk.

Finally, TransUnion commissioned a survey of roughly 1,500 US vehicle owners to gather information on what potential EV buyers were most interested in, as well as their shopping and finance preferences.

## What were the key findings?

- ✔ New EV market share is expected to grow from ~5% to ~40% by 2031
- ✔ While Tesla dominates the market today, it's predicted to fall below 20% of market share by 2025 as new makes enter the EV space
- ✔ Consumers who own or are considering purchasing EVs are far more likely to go online to see what they can afford and complete financing
- ✔ More than half of EV owners/considerers would like to finance their next EV home charging station
- ✔ Mainstream EV owners today have nearly identical high-quality credit profiles as luxury vehicle owners

## How can auto lenders identify, target and capture EV consumers?

As the US auto market continues to evolve, meeting the unique demands of EV buyers will become a business imperative for lenders – and preordering EVs, subvented financing and direct-to-consumer captive business models may give captive lenders an edge against non-captive lenders. According to the study's findings, non-captive lenders may need to target consumers earlier in the sales funnel; online prequalification at the start of the shopping process may help lenders capture more EV buyers. Mainstream EV models will continue to see indirect financing through dealerships, making it critical for lenders to partner with dealers for end-to-end, digital retailing. Plus, consumer desire to finance charging stations will create additional credit and product creation opportunities for lenders.

AutoCreditInsight® – a business intelligence tool powered by S&P Global Mobility and TransUnion – allows lenders to benchmark auto originations based on vehicle and fuel type, and ultimately identify EV financing opportunities. Lenders can further utilize S&P Global Mobility's Garage Loyalty BI tool (including a TransUnion credit data overlay) to research vehicle brands and models with growth potential. As mentioned, online prequalification early in purchase journey may help lenders capture more EV buyers.

While most EVs are only available to preorder, lenders can get ahead of the digital shopping curve with TransUnion's Auto Payment Shopper® and empower EV consumers early in the buying process. By combining financing offers with dealer inventory, consumers can self-select EVs of interest during their search. Additionally, the integration of prequalification offers reduces friction in the buying process while meeting evolving market needs.

### LEARN MORE

Contact your TransUnion representative or call us at **844-245-4071** to learn how we can specifically help you profitably grow your auto finance business