

“We Woke Up to Them Taking Our Car”

Borrowers’ Experiences with Subprime Auto Lending

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About The Center for Responsible Lending (CRL)

The Center for Responsible Lending (CRL) is a non-partisan, nonprofit research and policy advocacy organization working to promote financial fairness and economic opportunity for all, end predatory lending, and close the racial wealth gap. CRL's expertise gives it trusted insight to evaluate the impact of financial products and policies on the wealth and economic stability of families of color, women, rural, military, low-wage, low-wealth, and early-career workers and communities. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. We work in partnership with national and local consumer, faith, and civil rights organizations.

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Executive Summary

For many Americans, owning a car is essential for commuting to work, accessing education, caring for family members, and participating in daily life. Yet purchasing a vehicle has become increasingly expensive and defined by long-standing industry practices that harm consumers. By 2025, the average price for a new car approached \$50,000, while used cars averaged over \$25,000.¹ While economic pressures during the pandemic pushed prices higher, long-standing structural issues within the auto sales and financing marketplace have also driven up costs for consumers. Many of the troubling practices CRL identified in the 2010s — price discrimination, interest rate markups, add-on product financing, weak underwriting, and rising repossessions — still harm consumers today.²



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Dealers and lenders have long engaged in predatory practices that extract money from consumers, through tactics that are difficult for consumers to detect or avoid. During the sales process, lenders may engage in high-pressure tactics, misleading claims about vehicle features or conditions, and aggressive upselling of overpriced add-ons and services. These practices often obscure the true cost of the vehicle and limit consumers' ability to make informed decisions. Beyond the sale, financing exposes consumers to interest rate markups, hidden fees, and unaffordable loan terms.³

High prices and predatory practices have pushed millions of buyers into longer and more burdensome auto loans. Outstanding auto loan debt reached \$1.67 trillion in 2025, making it the second largest household debt after mortgages.⁴ As loan balances and terms grow, borrowers are increasingly falling behind: delinquencies, defaults, and repossessions have reached the highest levels since the Great Recession.⁵



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Subprime borrowers, who are more likely to face higher interest rates and predatory practices, are particularly vulnerable. In 2025, subprime borrowers paid roughly double the interest rate of prime borrowers for both new and used vehicles, with an average APR of 20%.⁶ When borrowers fall behind, repossession can happen quickly and the subsequent loss of transportation often triggers further financial instability, including job loss and reduced income.

This paper examines the predatory harm lower-income borrowers with subprime credit scores face when purchasing and financing a car. Drawing on a series of focus groups and in-depth interviews, it documents borrowers' firsthand experiences with the tactics dealers and lenders use, the challenges of managing an unaffordable loan, and the consequences of repossession. What borrowers shared aligns with a substantial body of existing research documenting the predatory nature of auto sales and the auto lending marketplace. Borrowers' experiences reinforce what other studies have previously shown and underscore the need for regulatory reforms that address these systemic harms.

Key Experiences from Our Focus Groups Include:

1. **“They can be a little shady” — Dealers used high-pressure tactics to increase costs and steer borrowers into costly loans.** All participants described feeling pressured by dealers in some way to make a purchase. Most borrowers took out costly loans they didn’t fully understand.
2. **“I had no choice” — Borrowers were offered limited loan options and felt compelled to accept loans with unaffordable terms.** Most participants were told they only qualified for one loan, which they felt compelled to accept, given their financial situation and need for transportation. They also described dealers that withheld critical information or misrepresented the value of add-on products and warranties.
3. **“I’m kind of in a bind” — Borrowers struggled to repay unaffordable loans.** Borrowers described hardship even from the outset of the loan, coping mechanisms like getting a side job to repay unaffordable loans, and surprise fees like deferred interest charges.
4. **“We woke up to them taking our car” — Borrowers described aggressive repossessions and “kill switches.”** Many focus group participants described the hardship of the repossession process and how it negatively impacted their lives.

Background

The current structure of the car-buying market systematically disadvantages consumers by enabling dealers and lenders to use sales tactics and financing practices that extract profits at the buyer’s expense. Consumers enter the transaction with limited visibility into a vehicle’s true cost and condition, and information asymmetry shapes every stage of the purchase. Dealers routinely exploit information gaps — misrepresenting vehicle condition, charging different buyers markedly different prices for similar cars, and inflating the final cost through overpriced add-ons and services, including junk fees imposed without the buyer’s knowledge and consent.⁷ Transactions intentionally unfold over many hours and involve interacting with multiple salespeople, a process designed to exhaust consumers and weaken their decision-making.⁸

Under the current financing-driven business model, dealers are incentivized to sell vehicles at the highest possible price because this produces the highest profit. Larger loan amounts generate more revenue on the financing because the dealer markup is based on a percentage of the loan amount. Most car buyers rely on financing to purchase a vehicle, and roughly 90% of car loans are made at the dealership through indirect auto lending.⁹ In this arrangement, a dealer secures financing from a third-party lender, such as a bank or finance company, and is compensated for originating the loan through interest rate markups. Consumers are offered an interest rate above the lender rate, and the dealer keeps the difference.

The practice of dealer markups is widespread and disproportionately harms low-income borrowers and borrowers of color, who are more likely to receive higher interest rates and prices.¹⁰ A study by the National Fair Housing Alliance found that non-white test shoppers were given more expensive financing 62.5% of the

time compared to white testers with equivalent or worse credit.¹¹ Research from CRL also finds that dealer markups increased the likelihood of default and repossession for subprime borrowers.¹²

Auto finance companies target subprime borrowers with these high-cost, high-risk loans. Finance companies issue loans to borrowers with lower incomes and lower credit scores than those typically served by banks and credit unions, and they do so at higher interest rates.¹³ These loans frequently exceed what a borrower can afford, setting them up for financial distress from the outset. Research from the Consumer Financial Protection Bureau (CFPB) found the likelihood of a subprime auto loan becoming at least 60 days delinquent within three years to be 25–40% for finance company borrowers, compared to 15% for bank borrowers.¹⁴ When borrowers inevitably fall behind on payments, lenders frequently employ aggressive collection and repossession tactics that strip families of their mode of transportation and deepen financial instability.¹⁵

Finance companies have faced significant scrutiny and legal action for their deceptive and harmful practices in violation of federal and state laws. Attorneys general in multiple states have filed lawsuits against companies alleging they misrepresented loans terms, placed borrowers into loans with high likelihoods of default, and mishandled servicing and collections.¹⁶ In its past examinations of finance companies, the CFPB found consumers failed to receive accurate disclosures, had incorrect payment information reported to credit bureaus, were deceived about add-on products, and experienced wrongful repossessions.¹⁷ In recent years, the CFPB filed enforcement actions against auto finance companies.¹⁸ Similarly, the Federal Trade Commission (FTC) brought several lawsuits against car sellers and proposed a rule that was not implemented — Combating Auto Retail Scams — to prohibit certain sales tactics and junk fees while requiring price transparency.¹⁹ However, under the Trump administration, both the CFPB and the FTC have significantly curtailed their oversight and enforcement efforts, putting consumers at even greater risk in this market.

State Enforcement Protects Subprime Borrowers

In 2020, after a 5-year multistate investigation led by Illinois, a coalition of 35 attorneys announced a settlement with Santander Consumer USA Inc., the largest subprime auto financing company in the country. This settlement provided at least \$550 million in relief for consumers. Based on the investigation into Santander’s subprime lending practices, the coalition alleged that the company exposed borrowers to high levels of risk through high loan-to-value ratios, high payment-to-income ratios, and significant back-end fees. The coalition also alleged that Santander engaged in deceptive servicing practices and misled consumers about their rights related to loan extensions and partial payments. Under the settlement, Santander was required to provide relief to consumers in a variety of forms, including immediate forgiveness of some loans and deficiency waivers. Moving forward, the terms of the agreement required Santander to, among other stipulations, factor ability to repay into its underwriting procedures, and barred Santander from requiring dealers to sell ancillary products.

States such as Massachusetts and New York have also taken individual action against subprime lenders, providing millions in debt relief and credit repair to consumers.

Methodology

To better understand borrowers' experiences purchasing and financing vehicles, we conducted focus groups with borrowers who had purchased a vehicle within the past three years and obtained financing through a dealership from a non-captive auto finance company. The majority had credit scores below 600. Participants were recruited with the help of a contracted researcher (The Life of a Scholar, LLC) and a community partner (Exodus Lending) through a paid online platform (User Interviews). After completing a brief survey, potential participants were screened for eligibility and invited to participate in a focus group if they had purchased a vehicle in the past three years, had a credit score of 660 or lower,²⁰ and had taken out a loan with a finance company. Participants were compensated for their time.

Four focus groups with 18 total participants, and one semi-structured interview with a single participant, took place online between May and June 2025. Conversations were facilitated, recorded, and analyzed by a contracted researcher. Borrower profiles were written from focus group transcripts and observer notes. A pseudonym was attributed to each borrower to maintain anonymity. These focus groups provided insights into the knowledge base and decision-making processes of a subset of consumers when purchasing and financing a vehicle. Due to limited size and geographical scope, the focus groups may not be representative of the experiences of all consumers. As described below, however, our findings in terms of consumers' key experiences are consistent with other research on subprime auto lending. Most participants identified as female, Black, between 45 and 65, and with household income below \$60,000. More details about participants' demographics are available in Appendix 1.

Key Experiences

The experiences shared in our focus groups, though limited in size and geographic scope, are broadly reflective of the challenges and harms consumers with low credit scores are facing in the current auto loan market. Across focus groups, borrowers described the pressure tactics used by dealers to exploit vulnerabilities, the difficulties of managing an unaffordable loan, and the harmful effects of repossession. Key experiences are described in greater detail in the following sections and supported by participant quotes and borrower stories.

BORROWER STORY: Brandi

Brandi is a Black woman in her early 50s who lives in Minneapolis, Minnesota. She works at a nonprofit organization focused on ending homelessness, where she earns less than \$50,000 a year. Brandi found herself urgently needing a vehicle as she went through a separation in which her former spouse kept their car.

Car Buying Experience: Brandi’s car-buying process was driven by necessity; she needed reliable transportation to get to work. Relying on a friend’s recommendation, she went to a small dealership in Saint Paul, where she bought a truck with 200,000 miles on it.

“It was a nice, nicer truck, but it had a lot of mileage. And one of the things that he sold me too was one of the warranties on the engine.”
The warranty added an additional \$2,000 to her purchase and was rolled into the financing.

Financing Process: Brandi financed the truck through Credit Acceptance, a company that she had used before to finance a vehicle that was ultimately repossessed. Unbeknownst to Brandi, the remaining balance on the repossessed vehicle was added to her loan.

“I thought I was making payments to the new truck. And they had just combined it, so they added that other four or five grand that I owed them to the loan.” The new loan was for \$19,000 and had an interest rate of 24% and a 48-month term.

Repayment Process: For the first couple months, Brandi was able to make the full payment on time, but then she experienced mechanical issues with her vehicle. A failing engine, fuel pump, and water pump required costly repairs not fully covered by the warranty. Additionally, her car does not have heat, and winter temperatures are regularly below freezing in Minneapolis. Brandi has struggled financially since purchasing the vehicle. She makes partial payments when she cannot pay in full but is not making a dent in her loan balance.

“They know the car is really not worth anything, so I think they’d rather get the \$200 than get nothing. But it’s still \$12,000 for a truck that has no heat. I mean, she’s pretty, but she’s not worth nothing in the wintertime, right?”

Harms and Consequences: At this point, Brandi owes more on her car than it’s worth, but she needs a way to get to work. Making payments has been a struggle and on a few occasions, the car has been taken away due to late payments.

“You pay that and nothing, nothing ever changes. And even when it reports on the credit bureau, it says that I’m still past due, like, 31 payments, and they’ve come, they’ve taken the truck. I pay when I’m past due, and they give it back to me. So, it’s a vicious cycle.”

KEY EXPERIENCE 1:

“They can be a little shady” — Dealers use high-pressure tactics to increase costs for borrowers and rush purchases.

Dealers take advantage of consumers’ financial vulnerabilities and urgent need for transportation to raise the overall cost of the transaction. They rely on tactics such as inflating the sales price, stretching loan terms to lower the monthly payment while increasing total costs, and aggressively selling add-on products, among others. These practices exploit information gaps, time pressures, and the financial constraints many buyers face. The dealership process itself is designed to be lengthy and emotionally draining, leaving buyers eager to sign just to end the experience.

“Walt” captured this dynamic clearly in his description of dealers:

“I’m not a fan of the dealerships and the salespeople like I kind of mentioned before, you know... they can be a little shady. And if they can withhold information from you, they will. They’re not always completely transparent.”

Participants in our focus groups — like nearly 70% of Americans — needed a car to get to work, drive their children to school, and run errands, so buying a vehicle was a necessity.²¹ Because of their credit histories, tight budgets, and compressed timeline, they felt they had few real choices and little ability to shape the terms of the transaction. This sense of powerlessness is consistent with broader research by the CFPB and FTC. In focus groups with consumers, the CFPB found many buyers enter the market because of an urgent transportation need and very few attempted to negotiate financing or interest rates.²² The FTC similarly found most buyers focused on the possible monthly payment rather than long-term costs, were unaware they could negotiate their loan terms, did not understand add-ons associated with their loans, and did not fully grasp the terms of their contracts.²³

Dealers exploit these conditions to steer consumers into higher-cost products and financing contracts that maximize their profit. Research suggests that dealer discretion in pricing can create opportunities for discrimination, with one study finding that non-white car buyers were often offered worse financing terms than equally or less-qualified white buyers.²⁴

“Rebecca’s” experience captures the pressures many participants described:

“My previous car died, and I was in a scramble to get it replaced. I had a lot of family stuff happen all at once, so I went with the first place that would give me zero down and a payment that was higher than I wanted, but I could still scrape by and afford most months. And so that’s why it was sheer desperation.”

Nearly every participant reported experiencing some form of pressure from their salesperson, and many left the dealership feeling deceived and misled. Salespeople used a range of escalating tactics — from omitting critical information about the car to misrepresenting the need for guaranteed asset protection (GAP) insurance — to intimidate and confuse borrowers.

“Imani” described how these tactics affected her purchase:

“I felt pressured into buying my car that day, I had wanted to go look at a couple more options, but the dealer guy was very, I would say, persistent, and I wasn't too experienced, and it was my first time buying my own car, and he insisted other people were looking at it, and basically it would be gone tomorrow. And I had gone to a couple other dealerships where I'd experienced that the car I wanted was gone the next day. So, I felt okay, you have to act now. And I felt a little bit pressured into buying the car and also spending more money on the down payment, which actually inevitably went to the dealership, and not my financing overall, which I did not know either.”

Some participants were sold vehicles with serious undisclosed problems. “Brandi,” in Minnesota, was sold a car with no heat, while another participant bought a vehicle that hadn’t been fully inspected. Many were pushed into purchasing GAP insurance, which increased the amount financed. GAP insurance is meant to cover the difference between the amount owed on a car loan and the actual cash value of the car if it stolen or totaled, but it’s often sold at an inflated price by dealerships who receive financial incentives for adding it to the sale. Optional insurance, warranties, and other add-on products are marked up by a far higher percentage than the cars themselves and make up a large share of dealer profits.²⁵ A few participants left the dealership without fully understanding what they had agreed to purchase.

“Maria” was led to believe her financing offer required purchasing a warranty.

“They told me that to get this company to finance my car that I had to get [an] extended warranty through them, which is not true; you don't have to. But he told me that was the only way, because, like I said, he took advantage of the position and... I exposed to him that I was desperate. So anyhow, I had no choice.”

The financial consequences of these tactics were significant for many participants, shaping not only the cost of the vehicle but their broader financial stability in the months and years that followed.

KEY EXPERIENCE 2:

“I had no choice” — Dealers only disclosed one loan offer, compelling borrowers to accept unaffordable loans.

Auto loans operate with far less direct regulatory oversight than other major forms of consumer credit; this allows dealers and lenders to charge interest rates and add-on costs that frequently exceed a borrower's ability to repay. Unlike mortgages, where lenders must document a borrower's ability to repay, or certain small dollar products that are subject to interest rate caps and underwriting standards, auto loans have no ability-to-repay requirement. The absence of a consistent regulatory framework contributes to substantial variation in interest rates and pricing across lenders. This leave borrowers — especially those with lower credit scores — paying more than their risk profile warrants. A CFPB study found that difference in borrower risk explains only part of the variation across auto-lending channels, with subprime borrowers paying 9% at banks versus 13% at buy-here-pay here dealerships, which added almost \$900 in interest over the life of the loan.²⁶

Inflated sale prices also drive high rates of negative equity, where the amount owed on the car exceeds the value, putting borrowers at risk of a deficiency balance if they are unable to pay the loan in full. Between 2018 and 2022, 11.6% of borrowers financed negative equity from a prior loan. These loans were also associated with higher loan balances, payments, and interest rates.²⁷

In the second quarter of 2025, the average loan size among subprime borrowers topped \$22,500.²⁸ On average, those same borrowers saw an interest rate of 18.9% over a loan term of five and a half years, with a monthly payment of \$547. One participant's loan contract illustrates the terms and conditions subprime borrowers often receive. With no down payment, she purchased a 2020 Ford EcoSport with 84,095 miles priced at \$15,829. As a subprime borrower, she was quoted an interest rate of 23.25% for 68 months, which means she will end up paying \$13,204 in interest — almost as much as the amount financed per the TILA disclosure. According to Kelley Blue Book, the current private value of the vehicle, assuming good condition, is between \$9,000 and \$11,500, which means the borrower was likely underwater from the beginning, a common experience among subprime auto borrowers.²⁹

Car loans are installment loans with fixed monthly payments, typically lasting 60 to 72 months. Loans are secured by the vehicle, which means the lender can repossess the car if the borrower cannot pay. Down payment, trade-in, and add-ons impact the amount borrowed, while interest rate, fees, and loan term determine monthly payment amounts and total costs. Car loan contracts show the annual percentage rate charged, but do not show the dealer markup over the interest offered by the lender.

See Figure 1 (next page) for an examination of a retail installment contract.

Figure 1. A Closer Look at a Retail Installment Contract

High APR makes this loan expensive

Kelley Bluebook Value at \$8,200, so borrower is underwater

Borrower will pay almost 2x the amount financed because of interest payments

Borrower will be assessed a late fee

DocuSign Envelope ID: [REDACTED]

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This is a copy view of the Authoritative Copy held by the designated custodian
MN-102 8/1/2024

Retail Installment Contract and Security Agreement

Seller Name and Address CARVANA, LLC [REDACTED]	Buyer(s) Name(s) and Address(es) [REDACTED]	Summary No. 2002967400 Date 08/09/2024
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Business, commercial or agricultural purpose Contract.

Truth-In-Lending Disclosure

Annual Percentage Rate	Finance Charge	Amount Financed	Total of Payments	Total Sale Price
The cost of your credit as a yearly rate. 23.250% 23.250 %	The dollar amount the credit will cost you. \$ 13,203.96	The amount of credit provided to you or on your behalf. \$16,094.31 \$ 16,094.31	The amount you will have paid when you have made all scheduled payments. \$29,298.27 \$ 29,298.27	The total cost of your purchase on credit, including your down payment of \$ 0.00 \$ 29,298.27

Payment Schedule. Your payment schedule is:

No. of Payments	Amount of Payments	When Payments are Due
68	\$ 425.00	Monthly Beginning 09/09/24
1	\$ 398.27	05/09/30
N/A	\$ N/A	N/A

Security. You are giving us a security interest in the Property purchased.

Late Charge. If a payment is more than 10 days late, you will be charged the greater of 5% of the unpaid installment, or \$9.00 (or the highest amount allowed by law under Minn. Stat. § 47.59).

Prepayment. If you pay off this Contract early, you will not have to pay a penalty.

Contract Provisions. You can see the terms of this Contract for any additional information about nonpayment, default, any required repayment before the scheduled date, and prepayment refunds and penalties.

Description of Property

Year	Make	Model	Style	Vehicle Identification Number	Odometer Mileage
2020	Ford	EcoSport	Sport Utility	[REDACTED]	84,095

New
 Used
 Demo

Other: N/A

Description of Trade-In

N/A

N/A

Conditional Delivery

Conditional Delivery. If checked, you agree that the following agreement regarding securing financing ("Agreement") applies: N/A

N/A. The Agreement is part of this Contract. The Agreement will no longer control after the assignment is accepted. If there are any conflicts between the terms of the Agreement and the Contract, the terms of this Contract will apply.

Sales Agreement

Payment. You promise to pay us the principal amount of \$ 16,094.31 plus finance charges accruing on the unpaid balance at the rate of 23.250 % per year from the date of this Contract

until paid in full. You agree to pay this Contract according to the payment schedule and late charge provisions shown in the *Truth-In-Lending Disclosure*. You also agree to pay any additional amounts according to the terms and conditions of this Contract.

Down Payment. You also agree to pay or apply to the Cash Price, on or before the date of this Contract, any cash, rebate and net trade-in value described in the *Itemization of Amount Financed*.

You agree to make deferred down payments as set forth in your Payment Schedule.

Loan Administrative Fee. You agree to pay an additional loan administrative fee of \$25.00 that will be paid in cash. financed over the term of the Contract.

Initial [REDACTED]

Retail Installment Contract-MN Not for use in transactions secured by a dwelling.
©2024 The Reynolds and Reynolds Company
THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO CONTENT OR FITNESS FOR PURPOSE OF THIS FORM. CONSULT YOUR OWN LEGAL COUNSEL.

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All the focus group participants received financing at the dealership from subprime-focused auto finance companies: Bridgecrest, Credit Acceptance, Exeter, or Santander Consumer. These companies hold a larger market share of subprime loans — and typically charge higher interest rates — than banks or credit unions, even for borrowers with similar credit profiles.³⁰ These lenders have been the subject of repeated lawsuits and enforcement actions for issuing loans they knew borrowers could not afford, packing loans with hidden and unnecessary fees, and aggressive collection practices.^{31, 32}

“Dana” who financed her vehicle through Bridgecrest, described how the high interest rate has made it extremely difficult to reduce the loan balance, especially after falling behind.

“It was through Bridgecrest, so there was no shopping.... I think it’s 72 months and the interest rates are extremely high. I’m one month behind and nothing is moving. It’s actually getting higher.”

For participants in our study, the combination of inflated prices, high interest rates, and aggressive lender-dealer partnerships meant the only financing made available to them was unaffordable from the outset. Dealers and lenders are not required to disclose all the loan offers a borrower may qualify for, which puts consumers at a disadvantage. Under tight time and budget constraints, borrowers described feeling powerless. Told they only had one loan option, they were pressured to sign quickly and left with contracts they didn’t fully understand. Some knowingly accepted costly loans but hoped they could “make it work” or be able to refinance later.

“Imani” recounted how misleading sales tactics left her with a much more expensive loan than she expected:

“I feel like I was definitely swindled.... I went in to buy a car under 10k. I left paying a \$1,200 down payment, and the car is going to cost me \$11,000 for a car that was supposed to be under \$7,000 because it was used.... They told me it would be \$200 a month for four years, but that wasn’t true. I feel like they preyed on my naivety.”

“Grace” explained how she exhausted every available resource to make the purchase possible:

“It ended up being like \$558 a month for a 2017 Nissan Altima.... The interest rate is 23.7%. I’ve already deferred it twice.... They took my old car, gave me \$1,000 for it. I put that down. I used my credit card for the rest. Whatever they told me, I just said, I need it. I’ll deal with it later.”

While focus group participants were able to leave the lot with a vehicle, the terms and conditions of their loans were hard to reconcile with limited household budgets.

KEY EXPERIENCE 3:

“I’m kind of in a bind” — Borrowers struggle to repay unaffordable loans.

Due to the unaffordability of their loans, borrowers in this study found themselves falling behind on payments quickly, which resulted in deferments, delinquency, and in some cases default and repossession. The repayment experiences of borrowers in this study follow national trends. During the three-year period in which most focus group participants took out their loans, delinquency and default rates increased, after

a substantial decline during and shortly after the pandemic. As of December 2024, the percent of subprime auto loan balances that were 30+ days delinquent reached 8.9%, up from 4% in June 2021 — and higher than the 7.2% delinquency rate observed in December 2019.³³ Although borrowers used an array of strategies to avoid falling behind, their unaffordable loans put them at risk of delinquency, default, and repossession.

When borrowers fall behind on payments, lenders often extract additional fees on late payments or offer deferments, both of which increase the price of the loans. A deferment lets a borrower skip a payment, but the skipped amount is added to the end of the loan along with additional interest. Lenders often describe deferments as just moving a payment to the end and do not disclose the true costs of doing so. However, the accumulating interest means borrowers end up paying more than the deferred payment and may become even more underwater as the car depreciates while the loan balance grows. A ProPublica analysis of one lender's practices found that most of its loans are at least three payments behind schedule and the company allowed as many as 12 deferments over the course of a 72-month loan.³⁴

"Isabelle", a journalist in Florida, experienced this firsthand with her car loan.

"What they [the lender] did is they deferred payment, as they call it, so they put it to the back of the loan. The problem with that is like they charge a daily interest, and you never catch up. Because I did that a couple of times, I was paying my car and then the payoff amount would not change at all, because the interest is so high, plus all those daily fees and everything. So, I didn't have a choice. I had to do it. I do not recommend [it] if you can stretch and maybe borrow some money from family, friends, or whatever, because it's better than to do that."

"Grace" tried to avoid deferring her payment as long as possible, even though she started falling behind. The fear of losing her car led her to ask for an extension.

"I'm never going to be able to catch up. They're going to come take it before I can catch up. So that's when I reached out, and I was like, I need help. I can't. I can't do what I was doing anymore. And then once they deferred it, basically, it's like, starting over."

Other borrowers in our study recognized the high cost of their loans and attempted to refinance. However, many discovered refinancing wasn't an option because of their credit histories and the rapid depreciation of their car. With no alternative, they remained locked into high-cost loans that drained their budgets month after month.

"Danielle" was stuck in one such loan, struggling to make payments.

"My monthly payment is damn near \$600 for a Nissan. So, it's just, it's hard, and I can't even refinance because of my credit score, so I'm kind of stuck with it."

Subprime auto lenders structure loans in ways that often exceed borrowers' repayment capacity, which generates significant profits for the industry. For borrowers in this study, trying to remain current on these unaffordable loans caused financial strain, emotional stress, and repeated disruptions to their household stability. Despite borrowers' efforts to meet their obligations, the design of these loans makes delinquency and default more likely and limits the alternatives borrowers can pursue to lower their payments. Missed payments lead to additional negative consequences and destabilizing outcomes for consumers, including the possibility of losing their vehicles.

KEY EXPERIENCE 4:

“We woke up to them taking our car” — Aggressive collection and repossession tactics cause borrowers significant distress and instability.

Nationally, as loan delinquency continues to weigh on auto borrowers’ finances, repossessions have exceeded pre-pandemic levels and are now approaching levels not seen since the end of the 2008 financial crisis.³⁵ Repossession rates at the end of 2024 stood at 2.3%, comparable to the pre-pandemic 2017 high of 2.4%, after dropping to just 1.5% in 2021.³⁶ The CFPB also continues to see increases in the number of complaints related to repossession. Over 5,000 consumers reported problems related to repossession in 2025, a nearly sevenfold increase since 2023, with repossessions now ranking as the number one reason consumers contact the CFPB about an auto loan.³⁷

Many focus group participants described the hardship of the repossession process and how it negatively impacted their lives. Some had their vehicles repossessed on the same day they fell behind.

“Imani” explained how a series of life stressors led to her car being taken while she slept:

“My cat had passed away. My mom had passed away in the same month. I had a bunch of bills. My husband had needed emergency eye surgery to make sure he didn't go blind. Basically, we were broke despite both working. So while we qualified for the car, a few months into having it, I believe we were a couple months behind. They called us. We answered. We [were] able to catch back up. Few months later, we fell behind again, we woke up to them taking our car, we went and paid it that very same day, we got it back and, this has been over a year, but I'm hoping to never have that happen again. They repossessed me, and then they gave it back and said, ‘Don't let it happen again.’”

Many auto lenders have also turned to start interrupter devices, or “kill switches,” that can remotely disable vehicles if a borrower falls behind.³⁸ Borrowers describe how these devices put them at financial and physical risk.

“Marissa,” a graduate student from North Carolina explained:

“If you were 10 days out from making your car payment, it would just shut the car off. You wouldn't get any notice. You could be somewhere, and then the car would be off.”

Similarly, “Wendy’s” car was disabled while she was driving:

“I forgot that they have the GPS thing installed. My car is jerking and I'm on the side of the road. And so when I called roadside, they were like, we can't help you. It's this [start interrupter device] I'm like, you couldn't send me an email? Like, you see my payment history. What if I was on the freeway, and not only just a regular street?”

Repossessions are a significant disruption to a household’s stability. They can jeopardize a family’s ability to get to work, school, and medical appointments and often trigger a cascade of negative financial consequences, from a decreasing credit score to losing a job. For borrowers in our focus groups, a purchase that was meant to increase economic opportunity ultimately added to their debt and financial strain.

Recommendations Based on the Described Consumer Experiences

The harms documented in this paper are not the isolated results of individual bad actors but instead reflect a market structure that allows dealers and lenders to aggressively and often unfairly extract profit from the consumers least able to afford it. The borrower experiences described here — high-pressure sales, inflated prices, unaffordable terms, deferments that deepen debt, and aggressive repossessions — track closely with what existing research, regulatory examinations, and enforcement actions have repeatedly found. Federal and state policymakers have the tools to curb these abuses. What has been missing is the political will to deploy them consistently, particularly as the current administration retreats from oversight of this market. The following recommendations identify specific interventions to protect consumers and bring the subprime auto market in line with the standards that already govern comparable forms of consumer credit.

1. End the Sales and Pricing Tactics that Inflate the Cost of the Transaction

- **Finalize and implement the Federal Trade Commission's Combating Auto Retail Scams (CARS) Rule and pass similar state-level protections.** The rule's core protections — prohibiting bait-and-switch advertising, banning charges for add-ons that provide no benefit, requiring upfront disclosure of the offering price, and requiring express informed consent for any charges — are the floor for a functioning marketplace. The FTC should reissue and defend the rule, and Congress should codify its core provisions to insulate them from administrative reversal. States should also enact laws — as California did in 2025 — modeled after the FTC rule.
- **Prohibit or strictly limit dealer interest rate markups.** A flat-fee compensation model — paying dealers a fixed amount per loan originated rather than a percentage of the marked-up rate — eliminates the incentive to push borrowers, particularly borrowers of color, into more expensive financing. States can act here independently of federal regulators.
- **Require itemized, written pricing of add-on products** (including GAP insurance, service contracts, extended warranties, and window etching) with the dealer's cost disclosed alongside the price charged and prohibit conditioning financing approval on the purchase of add-ons. Give the buyer the right to cancel any add-on product within 60 days.
- **Impose reasonable caps on interest rates and fees for car finance.** States should revise appropriate statutes (such as Retail Installment Sales Acts or Motor Vehicle Retail Installment Acts) as necessary to cap finance charges.

2. Establish Basic Affordability Standards for Auto Loans

- **Create an ability-to-repay (ATR) requirement for auto lending.** The absence of any ATR standard is the single largest regulatory gap in the auto lending market. Lenders should be required to verify income, assess existing debt obligations, and document that the borrower can reasonably afford the loan payment alongside vehicle operating costs, while meeting other obligations.
- **Set guardrails against loan terms that keep borrowers in negative equity.** Loans with terms that exceed the likely useful life of the car can lock borrowers into negative equity for years.

3. Stop Servicing Practices that Deepen Distress

- **Include guardrails around the kinds of deferments a lender can offer, and require lenders to provide alternative loss mitigation options** — including loan modifications that reduce the amount owed — before further deferments. Require accurate, plain-language disclosure of the true costs of deferments, including any additional interest that accrues, any extension of the loan term, and the impact on the payoff balance.
- **Improve pathways to refinancing borrowers out of high-cost loans**, including supporting community lender options for refinancing and funding nonprofit refinance programs, and prohibiting prepayment penalties.

4. Curb Aggressive Collection and Repossession Practices

- **Prohibit or sharply curtail surveillance practices of car buyers, such as starter interrupter devices ("kill switches") and GPS tracking.** At minimum: prohibit their use while a vehicle is in motion, require advance notice before activation, require GPS data to be deleted after loan payoff, and treat them as a covered debt collection practice under federal and state law.
- **Require a meaningful pre-repossession notice period and right to cure**, so borrowers are not waking up to find their vehicles gone after a single missed payment.

5. Restore and Strengthen Oversight of This Market

- **Use the CFPB's supervisory and enforcement authority over nonbank auto finance companies.** The Bureau's larger-participant rule covering this market remains essential, and its supervisory examinations have repeatedly surfaced the abuses documented in this paper. The CFPB should withdraw its 2025 proposed revision of the larger-participant rule. Withdrawing from this market leaves a regulatory vacuum that state attorneys general should not be left to fill alone.
- **Restart the CFPB auto finance data pilot and expand data collection to detect discrimination and egregious practices.** Expand fair lending enforcement against discriminatory pricing in auto lending. Build the data infrastructure to detect discrimination through robust data reporting requirements for auto lenders. Ensure repossession data include volumes, geographies, demographics, and reasons for repossession.
- **Increase FTC enforcement against deceptive auto sales practices** and use the agency's existing authority to bring cases against the dealers and finance companies most responsible for the harms documented here.
- **Expand state-level enforcement and oversight.** State attorneys general and state legislatures should act, using state UDAAP authority, licensing regimes, and cost caps (such as interest rate limits), along with authority to challenge unfair, deceptive, or abusive acts and practices under the federal Consumer Financial Protection Act.
- **Prohibit mandatory arbitration clauses in auto finance contracts.** Allow individuals and organizations acting in the interest of their members or the public to bring lawsuits and enforce laws designed to protect consumers in auto sales and financing.

Conclusion

Borrowers in our focus groups experienced a wide range of harms that have become pervasive within the auto finance market — from high-pressure sales tactics and interest rate markups to costly loan extensions and repossessions. Participants' pressing transportation needs limited their ability to comparison shop, negotiate, or fully understand the long-term consequences of their loans. Many reported purchasing vehicles that required substantial maintenance shortly after purchase, compounding financial strain and undermining the value of the investment. Dealers and lenders exploited consumers' vulnerabilities, trapping borrowers who were already cash-strapped in high-cost loans they could not afford. When borrowers were unable to repay their loans or recover from short-term hardships, they faced aggressive repossession practices, high fees, and novel repossession practices such as starter interrupter devices that made their cars inoperable.

These experiences are not isolated. They reflect a market where the cost of new and used vehicles continues to climb, interest rates remain elevated, and delinquency, default, and repossession have erased the financial stability gains of the post-pandemic recovery. They also reflect a regulatory retreat: the federal tools designed to detect and prevent these exact practices have been dismantled or paused when they are needed most.

None of this is inevitable. The harms documented in this paper are the product of policy choices — the absence of an ability-to-repay standard for auto lending, the tolerance of dealer interest rate markups, the lack of meaningful guardrails on repossession and remote disablement, and the retreat from federal oversight of the lenders that dominate this market.

The recommendations above point to a different set of choices. They draw on protections that already exist in adjacent credit markets, on rules the FTC has already developed but not implemented, and on enforcement authorities that federal agencies and state attorneys general can wield today. Auto lending is the second-largest source of household debt in the country. Allowing it to remain a wealth-stripping market for the borrowers least able to absorb the costs is a policy failure — and it is one we can fix.

Appendix 1: Focus Group Participants' Characteristics

Recruitment Channel	
Life of a Scholar	1
Exodus Lending	2
User Interviews	16
Gender	
Male	5
Female	14
Race/Ethnicity	
Black or African American	13
Hispanic or Latino	2
White	4
Age	
25–34	5
35–44	5
45–65	8
65+	1
Household Income	
<\$30,000	1
\$30,000–\$59,999	10
\$60,000–\$89,999	7
>\$90,000	1
Credit Scores	
Near Prime (601–660)	5
Subprime (501–600)	11
Deep Subprime (300–500)	3

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