**Auto loan origination and servicing in the US banking system**

**Auto Loan Origination in the US Banking System**

Auto loan origination has been a relatively stable part of the US financial services industry over the past decade, with indirect financing through dealership networks accounting for around three-quarters of total consumer financing volume. However, the industry has seen a sharp increase in demand recently, with auto loan origination growing 20% in 2021.To stay competitive, banks should consider taking advantage of market tailwinds to increase origination and evaluate initiatives to improve profitability and establish greater dealer stickiness.

**Some key strategies include:**

* Holistically engaging with dealers across pricing, commercial financing, dealer incentives, and frontline-employee incentives
* Focusing on used-car prime and higher-yield, near-prime customers
* Using a clean-sheet approach to pricing that takes a clinical view of current prices versus the competition and makes dynamic changes in response to external factors
* Investing in digital, analytics, and automation across the value chain

Modern auto loan origination software is making it easier than ever for banks to respond to loan applications rapidly and boost their chances of capturing loans.

**Key capabilities to look for in an auto loan origination system include:**

* Auto structuring to quickly make well-informed lending decisions by systematically altering lending terms to arrive at an acceptable deal structure
* Fraud detection to reduce risk by identifying fraudulent applications
* Integrated analytics to monitor portfolio performance and adjust lending strategies in response to market dynamics

By incorporating these capabilities, banks can improve process efficiency, increase revenue and productivity through automation, and deliver a better experience for customers.

**Auto Loan Servicing**

While auto financing has typically witnessed lower delinquencies and charge-offs compared to other consumer asset classes, lenders still need to keep a close eye on any increases amid factors like inflation and interest rate hikes.

**Strategies for effective auto loan servicing include:**

* Heightening focus on delinquency rates and charge-offs in the current uncertain economic environment
* Investing in digital and analytics tools to optimize operating margins and gain a pricing advantage in a competitive market

**The auto loan origination and servicing landscape in the US banking system shows the following key statistics:**

**Auto Loan Origination**

* Auto loan origination grew 20% in 2021 compared to the previous year .
* The consumer price index (CPI) for both new and used vehicles declined in March 2024, after surging in 2022 and reaching a high in mid-2023 .
* The average car payment for new vehicles was a record-high $738 per month in Q4 2023, a 2.5% increase from the same period in 2022. The average payment for leased vehicles increased by 2.4%, while for used vehicles it increased by only 0.4% .
* U.S. consumers owe $1.607 trillion in auto loan debt in 2024, which is 9.2% of consumer debt .
* 4.2% of outstanding auto debt was at least 90 days late in Q4 2023, up 11.8% from the same quarter of 2022. The percent of auto loans that fell to 30 days due was 7.7% in Q4 2023, up 15.8% from 6.6% in the same quarter of 2022 .

**Auto Loan Servicing**

* U.S. auto loan ABS issuance rose to a record $120 billion in 2023, led by a 13% increase in retail auto sales .
* Auto loan rates in the U.S. have seen a substantial increase since early 2022, according to historical data .

**Auto Loan Origination Statistics**

|  |  |
| --- | --- |
| Metric | Value |
| Auto Loan Origination Growth (2021) | 20% |
| Consumer Price Index (CPI) for New/Used Vehicles (March 2024) | Declined |
| Average Car Payment for New Vehicles (Q4 2023) | $738 per month (2.5% increase from Q4 2022) |
| Average Car Payment for Leased Vehicles (Q4 2023) | 2.4% increase from Q4 2022 |
| Average Car Payment for Used Vehicles (Q4 2023) | 0.4% increase from Q4 2022 |
| Total Auto Loan Debt (2024) | $1.607 trillion (9.2% of consumer debt) |
| Auto Loans at Least 90 Days Delinquent (Q4 2023) | 4.2% (11.8% increase from Q4 2022) |
| Auto Loans 30 Days Delinquent (Q4 2023) | 7.7% (15.8% increase from Q4 2022) |

**Auto Loan Servicing Statistics**

|  |  |
| --- | --- |
| Metric | Value |
| U.S. Auto Loan ABS Issuance (2023) | $120 billion (record high) |
| Retail Auto Sales Growth (2023) | 13% |
| Auto Loan Rates | Substantial increase since early 2022 |

This data highlights the growth in auto loan origination, rising delinquency rates, and the increase in auto loan securitization and interest rates in the US banking system.

In conclusion, the auto loan origination and servicing landscape in the US banking system has experienced significant growth and evolution.

**The key crux is:**

* Auto loan origination grew 20% in 2021, driven by strong consumer demand, but delinquency rates have also risen amid economic uncertainty.
* Banks are leveraging modern loan origination software with capabilities like auto structuring, fraud detection, and analytics to improve efficiency, reduce risk, and deliver better customer experiences.
* Auto loan servicing strategies focus on closely monitoring delinquency rates and charge-offs, while investing in digital tools to optimize operations and pricing.
* Overall, the auto lending market continues to be a dynamic and competitive space, requiring banks to adapt their origination and servicing strategies to stay ahead.