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# Why More People Than Ever Are Paying Over \$1000 a Month for New Cars

By DICCON HYATT Published October 04, 2023



Michael Nagle / Bloomberg via Getty Images

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A record number of people are paying \$1,000 or more for their monthly auto loan payments, and it's not just because of high prices.

The percentage of buyers who financed their vehicles with a monthly payment of \$1,000 or more rose to 17.5% in the third quarter, up from 17.1% in the second quarter, auto market data company Edmunds said this week. That's more than quadruple the percentage before the pandemic, and the highest since at least 2019, as the chart below shows.

## Prices for new and used vehicles surged during the pandemic when high

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“Spiked interest rates remain the biggest impediment to affordability in both the new and used car markets today,” Jessica Caldwell, Edmunds' head of insights, said in a press release accompanying the data. “And while the Federal Reserve held off on raising the federal funds rate in their most recent session, the expectation is rates will remain high or even increase slightly through the end of the year, which may help tame inflation in the long run but is inflating monthly payments for now.”

As of the second quarter, 64.5% of buyers with payments over a grand had longer-term loans between 67 and 84 months, meaning they're paying thousands in interest over the life of their car loans. A smaller, savvy group—some 15.6%—had shorter-term loans of 31-48 months, minimizing their total interest payments at the cost of having a higher monthly payment in the short run, Edmunds said.

There's also been a trend among auto manufacturers towards bigger, more expensive trucks and SUVs, with U.S. automakers having [all but abandoned the small car market](#). Payments over \$1,000 are now the norm for large luxury vehicles, according to Edmunds.

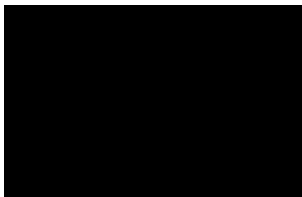
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Even a handful of buyers with subcompact cars have four-figure payments, likely due to having shorter loan terms, poor credit, and still owing money on previous car loans, according to Edmunds analysts.

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