Press Release

Auto Loans and the Stability of the Economy

ANDREW EVANS | JANUARY 31, 2020

Some, including presidential candidate Elizabeth Warren, have warned that subprime auto loans threaten the stability of the economy in the same way that subprime mortgages did before the Great Recession. New bipartisan research from the American Action Forum and the Progressive Policy Institute indicates that these concerns are ill-founded and based on misleading data and faulty analogies.

Their findings include:

- Low-income households saw motor vehicle purchases and finance charges fall from 8.5 percent of household budgets in 2000 to 4.9 percent in 2018;
- Over the past five years, the share of auto loans going to low-credit borrowers has remained relatively constant; and
- Newly delinquent auto loans, as a percentage of current balances, have been falling over the past two years.

Subprime auto loans differ significantly from subprime mortgages in ways that make them less likely to threaten economic stability, the authors note. As a result, subprime auto loans are allowing individuals with low credit to purchase automobiles without undermining the economy.

Read the Research

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