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Do Recent Auto Loan Delinquency Rates Overstate Borrower Distress?

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Introduction

Headlines about record-high auto loan delinquencies paint a worrying picture of American consumers under increasing financial strain.[1] But how much of that picture reflects a genuine *increase* in distress — and how much reflects how we measure it?

After considering several possible explanations, we focus on deconstructing the severe delinquency rate — the number of auto loans that are 60 or more days delinquent — to better understand what is driving the increase in this rate. We find that while the stock of severe auto delinquencies is rising, the flow of new delinquencies into this stage is fairly stable. A possible explanation for the difference between these two trends may be that account management (e.g., forbearance practices) for distressed auto loans has evolved. An open question is whether further adjustments will be made to these practices if the U.S. market experiences a deterioration in the macroeconomic environment.

Under the Hood: Record Highs, Concentrated Risk

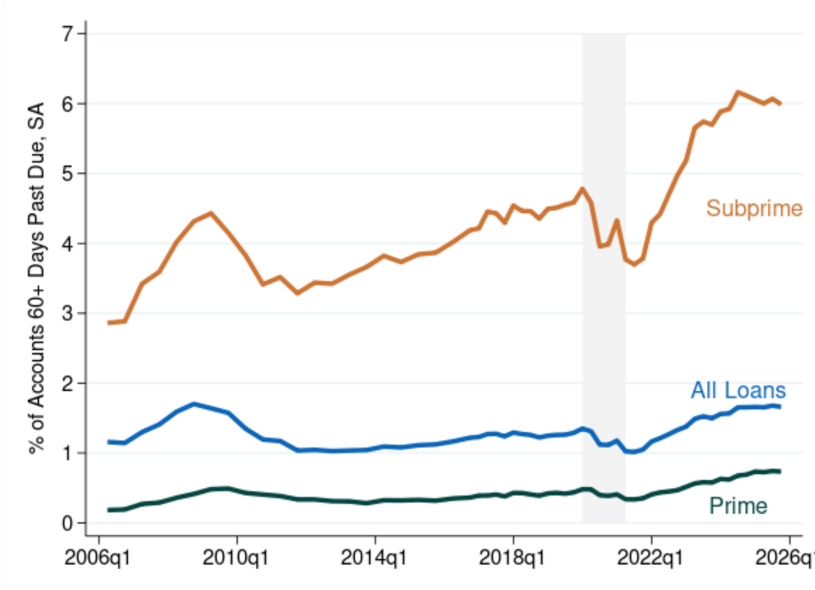
In the third quarter of 2025, the seasonally adjusted share of auto loans at least 60 days past due peaked at 1.68 percent — the highest level since 2008 (Figure 1, blue line). Although subprime borrowers (those with credit scores below 620 at the time of origination) hold just 17 percent of all active auto loan accounts, they account for nearly two-thirds of all delinquent loans.[2] The subprime delinquency rate (orange line) hovered around 6 percent from mid-2024 to late 2025, the highest level seen in over 20 years of data collection.

* We thank Grace Bai, Neil Bhutta, Jeremy Cohn, Andrew Hertzberg, Alan Huang, Bill Ploog, and Masud Rahman for conversations that helped us develop the ideas and content in this report.

[1] Ben Glickman and Ryan Felton, "Americans Are Falling Behind on Their Car Payments," *The Wall Street Journal*, October 10, 2025, www.wsj.com/business/autos/auto-loans-subprime-late-payments-1d8bb33c; Daniel Ackerman, "A Record Number of Americans Are Behind on Their Auto Loans," *Marketplace*, November 12, 2025, www.marketplace.org/story/2025/11/12/a-record-number-of-americans-are-behind-on-their-auto-loans.

[2] Source: Authors' calculations based on Federal Reserve Bank of New York Consumer Credit Panel/Equifax Data Auto Tradelines. Credit scores used in this report are Equifax Risk Scores.

Figure 1: Auto Loan Performance by Credit Score at Origination



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax Data Auto Tradelines. Note: Data are semiannual until 2016 Q4 and quarterly thereafter. Calculations exclude accounts charged off or in repossession. Data are based on a 10 percent random sample, adjusted for joint accounts and seasonality. Shaded area (2020 Q2-2021 Q2) reflects pandemic-era credit reporting, when lenders commonly placed borrowers in COVID-related forbearance. Last quarter plotted: 2025 Q4.

Why have we seen such notable increases in auto delinquencies? We use data from the Federal Reserve Bank of New York Consumer Credit Panel/Equifax Data Auto Tradelines to investigate possible explanations.

What Factors Contribute to Auto Delinquencies?

Several factors may help explain why auto loan performance deteriorated in the 2020s. Recent research has documented that auto loans originated in 2022 and 2023 are riskier than those from earlier years. A 2024 analysis find that loans from these vintages are more likely to become at least 30 days delinquent at some point during their life, and that higher monthly payments — driven primarily by elevated vehicle prices rather than higher interest rates — account for roughly 40 percent of the increase in the two-year delinquency rate between the end of 2019 and the end of 2022.[3] Over 62 percent of auto loans in default at the time of this report were originated during 2021–2023, vintages characterized by higher debt-to-income ratios at origination across the credit score spectrum.

Compounding these challenges, many borrowers carry loans that exceed the current value of their vehicle: In the fourth quarter of 2025, 29.3 percent of new vehicle trade-ins involved negative equity — the highest share since Q1 2021.[4] While used car prices have stabilized over the past one to two years,[5] the overhang of negative equity may make it difficult for some borrowers to sell or trade their way out of a loan they can no longer afford.

Shifts in how consumers prioritize repayment across different types of debt could, in principle, also contribute to divergent delinquency trends. Research on payment prioritization has documented meaningful changes over time in the order in which borrowers choose to repay competing obligations.[6] However, absent a macroeconomic shock, these shifts tend to evolve gradually, and there is no clear evidence of a recent deprioritization of auto loan repayment in favor of other forms of debt.

[3] Robert Adams, Vitaly Bord, and Haja Sannoh, "Rising Auto Loan Delinquencies and High Monthly Payments," *FEDS Notes*, September 26, 2024, doi.org/10.17016/2380-7172.3623.
[4] Ivan Drury, "Falling Underwater on a Car Loan Is Becoming More Common and Expensive Than Ever," *Edmunds Car News*, January 15, 2026, www.edmunds.com/car-news/edmunds-q4-2025-insights-report.html
[5] Cox Automotive, "Manheim Used Vehicle Value Index: January 2026 Trends," February 6, 2026, www.coxautoinc.com/insights-hub/manheim-used-vehicle-value-index-january-2026-trends/
[6] William J. Arnesen, Jacob Conway, and Matthew Plosser, "Who Pays What First? Debt Prioritization during the COVID Pandemic," *Liberty Street Economics* (blog), March 29, 2021, libertystreeteconomics.newyorkfed.org/2021/03/who-pays-what-first-debt-prioritization-during-the-covid-pandemic.html.
Jacob Conway, Natalia Fischl-Lanzoni, and Matthew Plosser, "When the Household Pie Shrinks, Who Gets Their Slice?" *Liberty Street Economics* (blog), March 6, 2025, libertystreeteconomics.newyorkfed.org/2025/03/when-the-household-pie-shrinks-who-gets-their-slice/.
Jacob Conway and Matthew Plosser, "When Debts Compete, Which Wins?" *Liberty Street Economics* (blog), March 1, 2017, libertystreeteconomics.newyorkfed.org/2017/03/when-debts-compete-which-wins.html.

Riskier vintages in 2022–2023 and negative equity are real factors, but they do not fully account for the continued climb in delinquency rates — particularly given the recent stability or improvement in origination characteristics. This raises the question of whether the headline auto delinquency measure itself may be providing an incomplete story. To investigate, we examine which loans are behind the rising delinquency rate and, critically, why they remain there.

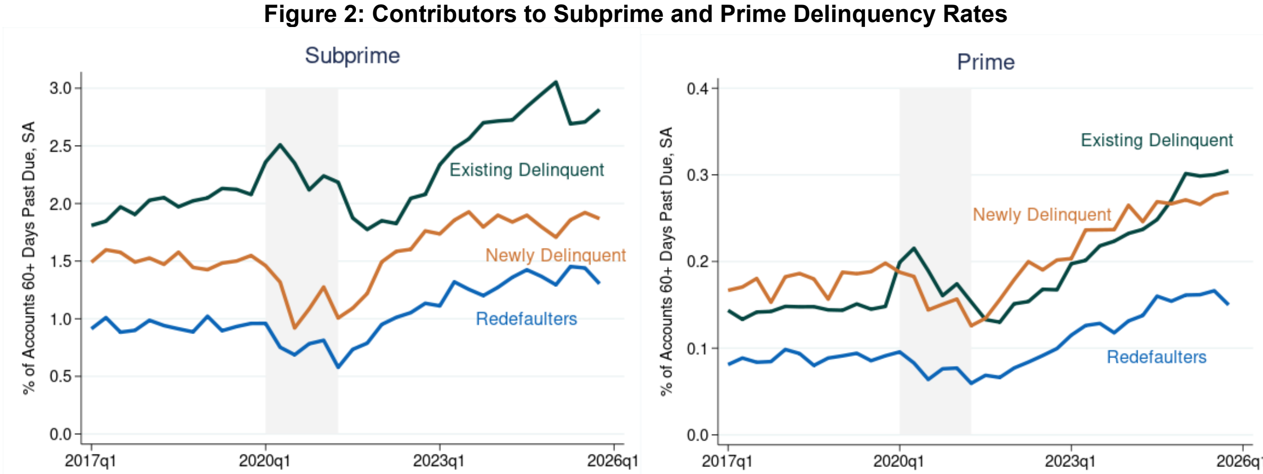
Decomposing Prime and Subprime Delinquency Rates: Stock Versus Flow

At any point in time, the pool of delinquent loans consists of three groups: borrowers entering delinquency for the first time (*newly delinquent*), borrowers who have been delinquent across multiple quarters (*existing delinquent*), and borrowers who previously returned to good standing but have since fallen behind again (*redefaulters*). The distinction matters. A rising delinquency rate could reflect a growing wave of newly distressed borrowers — a clear sign of deteriorating financial health — or it could reflect an accumulation of existing delinquencies that are simply not resolving.

Figure 2 shows the decomposition of the 60+ days past due delinquency rate for prime consumers (right panel) and subprime consumers (left panel). Since the third quarter of 2022, the largest increase in the subprime delinquency rate has come from loans that remain delinquent across multiple quarters (shown in green). The rate at which subprime borrowers enter delinquency for the first time has been relatively stable over the past three years (shown in orange), showing no sustained upward trend since late 2022. Prime borrowers, whose delinquency rate is an order of magnitude lower, had increases both in loans that remained in delinquency status for multiple quarters and in newly delinquent loans, but the growth in new delinquencies slowed beginning early 2024. Redefaulters (shown in blue) have also increased, rising about 50 percent above pre-2020 levels for both subprime and prime borrowers.

In short, the recent record headline delinquency rate does not appear to be driven primarily by a growing inflow of newly struggling consumers, nor is it driven solely by borrowers in the subprime segment. Instead, it is being driven by the accumulation of borrowers who entered delinquency in prior periods and have not yet exited through charge-offs or repossessions.

Figure 2: Contributors to Subprime and Prime Delinquency Rates



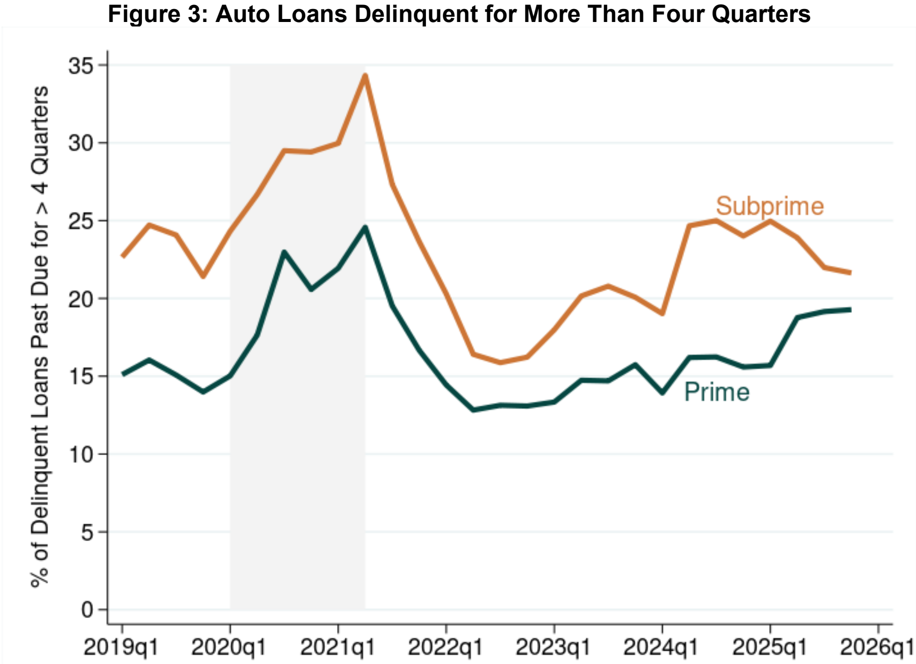
Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax Data Auto Tradelines. Note: depicts the share of the 60+ delinquency rate attributable to newly delinquent loans, recent redefaulters, and the stock of delinquent loans carrying over from the prior quarter. Data are based on a 10 percent random sample, adjusted for joint accounts and seasonality. Last quarter plotted: 2025 Q4. Shaded area (2020 Q2–2021 Q2) reflects pandemic-era credit reporting, when lenders commonly placed borrowers in COVID-related forbearance.

Why Are Delinquent Loans Taking Longer to Resolve?

If the flow of newly delinquent borrowers has stabilized, why does the stock continue to grow? One possibility is that changes in how lenders manage troubled accounts have contributed to the buildup. If auto lenders have expanded their use of loss mitigation tools such as loan extensions, which typically allow a borrower to defer one or more payments to the end of the loan term, this would be consistent with the patterns we observe. Indeed, data from loans bundled into asset-backed securities show that the share of subprime loans receiving an extension reached approximately 3.5 percent last year, roughly 100 basis points above the level from three years earlier.[7]

These practices may explain the rise in redefaulters: If extensions temporarily return borrowers to current status, but many borrowers subsequently fall behind again, the result is a cycle that keeps loans in the delinquent population longer. More direct evidence comes from examining loans that have been at least 60 days past due but remain unresolved — not charged off, not repossessed, and not cured — for a year or more, based on quarter-end data.[8] As shown in Figure 3 below, the share of such loans spiked during the pandemic as a byproduct of forbearance programs, fell as those programs wound down, then climbed again. For roughly three years, delinquent loans held by both subprime and prime borrowers have been staying in default for longer before reaching a final resolution. However, in the past year, this trend has reversed for subprime borrowers but has continued for prime borrowers.

Figure 3: Auto Loans Delinquent for More Than Four Quarters



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax Data Auto Tradelines. Note: depicts the share of loans 60+ days past due that were not current in the prior four quarters (as of quarter-end; see footnote 8). Data are based on a 10 percent random sample, adjusted for joint accounts and seasonality. Last quarter plotted: 2025 Q4. Shaded area (2020 Q2–2021 Q2) reflects pandemic-era credit reporting, when lenders commonly placed borrowers in COVID-related forbearance.

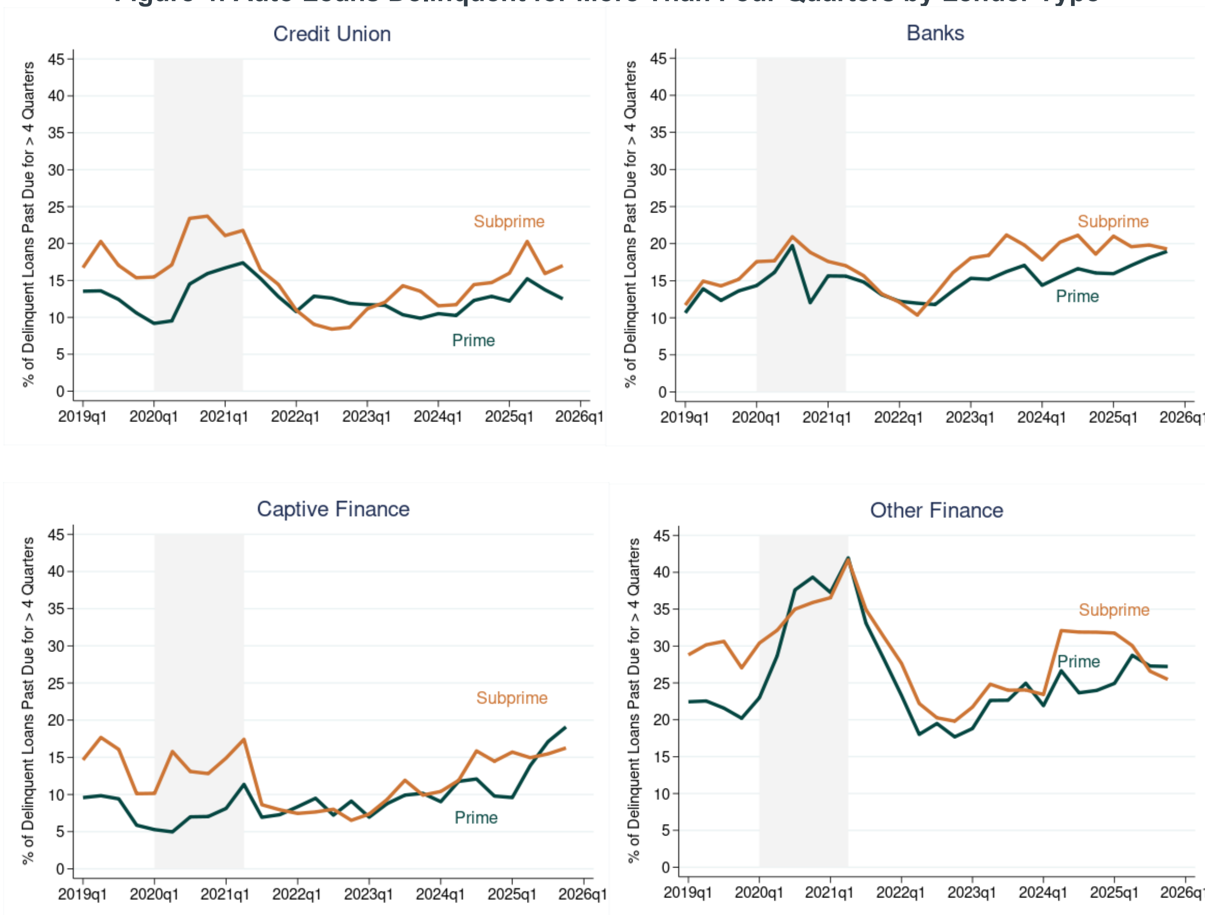
Figure 3 also shows that greater shares of delinquent subprime borrowers linger in default, compared with prime borrowers. Part of this gap may be driven by differences in the practices of the lenders who serve these borrower populations. Figure 4 breaks down the data by type of auto lender and shows that, within lender type, similar shares of delinquent subprime and prime borrowers spent long periods past due coming out of the pandemic.

However, some types of lenders tend to have larger shares of delinquent borrowers (both prime and subprime) spending long periods in default.[9] This is particularly true for *other finance* lenders, shown in the bottom right panel of Figure 4. These lenders are a group of nondepository institutions that are independent (that is, not affiliated with auto manufacturers), and they have a large subprime market share: In 2025 Q4, they held about 40 percent of subprime borrowers' auto accounts but just 11 percent of the prime market.[10] The longer delinquency timelines for other finance lenders' auto loans and their concentration in

[7] Data sourced from Intex Solutions.
[8] In this calculation, we consider a loan as curing if it is reported to be current or less than 30 days delinquent as of the end of each quarter: March, June, September, and December of each year. Loans delinquent in these quarter-end months for five consecutive quarters are coded as long-time delinquent loans. Short-term cures (of two months or less before redefault) starting in earlier months of each quarter and returning to default by quarter-end may be included in the group of long-time delinquent loans reflected in Figures 3 and 4.
[9] Prior research has found that that these lenders, who are more likely to provide loans for used cars, experienced the largest rise in delinquency rates in recent years. Source: Andrew Haughwout, Donghoon Lee, Daniel Mangrum, Joelle Scally, and Wilbert van der Klaauw, "Breaking Down Auto Loan Performance," *Liberty Street Economics* (blog), February 13, 2025, libertystreeteconomics.newyorkfed.org/2025/02/breaking-down-auto-loan-performance/.
[10] Other types of lenders hold smaller shares of the subprime market. As of 2025 Q4, banks held 31 percent, credit unions held 14 percent, and captive finance companies, those affiliated with auto manufacturers, held 16 percent. In comparison, these types of lenders held market shares of 32 percent, 31 percent, and 25 percent of prime loans in the market, respectively.

the subprime market help explain the prime-subprime gap shown in Figure 3, as well as its narrowing in 2025.

Figure 4: Auto Loans Delinquent for More Than Four Quarters by Lender Type



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax Data Auto Tradelines. Note: depicts the share of loans 60+ days past due that were not current in the prior four quarters (as of quarter-end; see footnote 8). Data are based on a 10 percent random sample, adjusted for joint accounts and seasonality. Last quarter plotted: 2025 Q4. Shaded area (2020 Q2–2021 Q2) reflects pandemic-era credit reporting, when lenders commonly placed borrowers in COVID-related forbearance.

Conclusion

The auto loan delinquency rate is a stock measure, and like any stock measure, it reflects both the pace of loans entering (or reentering) delinquency and the speed at which currently delinquent loans resolve, either through cures, charge-offs, or repossessions. Our analysis suggests that in the last few years the headline auto loan delinquency rate is primarily driven by a decline in the rate of exit from delinquency, rather than a growing proportion of newly distressed borrowers — delinquent accounts are persisting longer in delinquency before charge-off or repossession. This may be, in part, due to expanded loss mitigation efforts.

While changes in the risk profile of recent loan vintage warrant continued attention, the headline delinquency rate, taken at face value, likely overstates the degree to which auto borrowers' financial health is currently deteriorating. Policymakers and analysts interpreting these data should look beyond the headline to distinguish between a market in which more borrowers are falling behind versus one in which troubled loans are taking longer to resolve, while taking into account concurrent changes in macroeconomic conditions.[11]

[11] It is also important to monitor changes in the composition of lenders making auto loans: banks, credit unions, finance companies or other types of lenders. See, for example, José Canals-Cerdá and Brian Jonghwan Lee, "Who Provides Credit in Times of Crisis? Evidence from the Auto Loan Market," Federal Reserve Bank of Philadelphia working paper 25-06, 2025, www.philadelphiafed.org/consumer-finance/consumer-credit/who-provides-credit-in-times-of-crisis-evidence-from-the-auto-loan-market.

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