

Auto Loan Origination Trends During the COVID-19 Pandemic —

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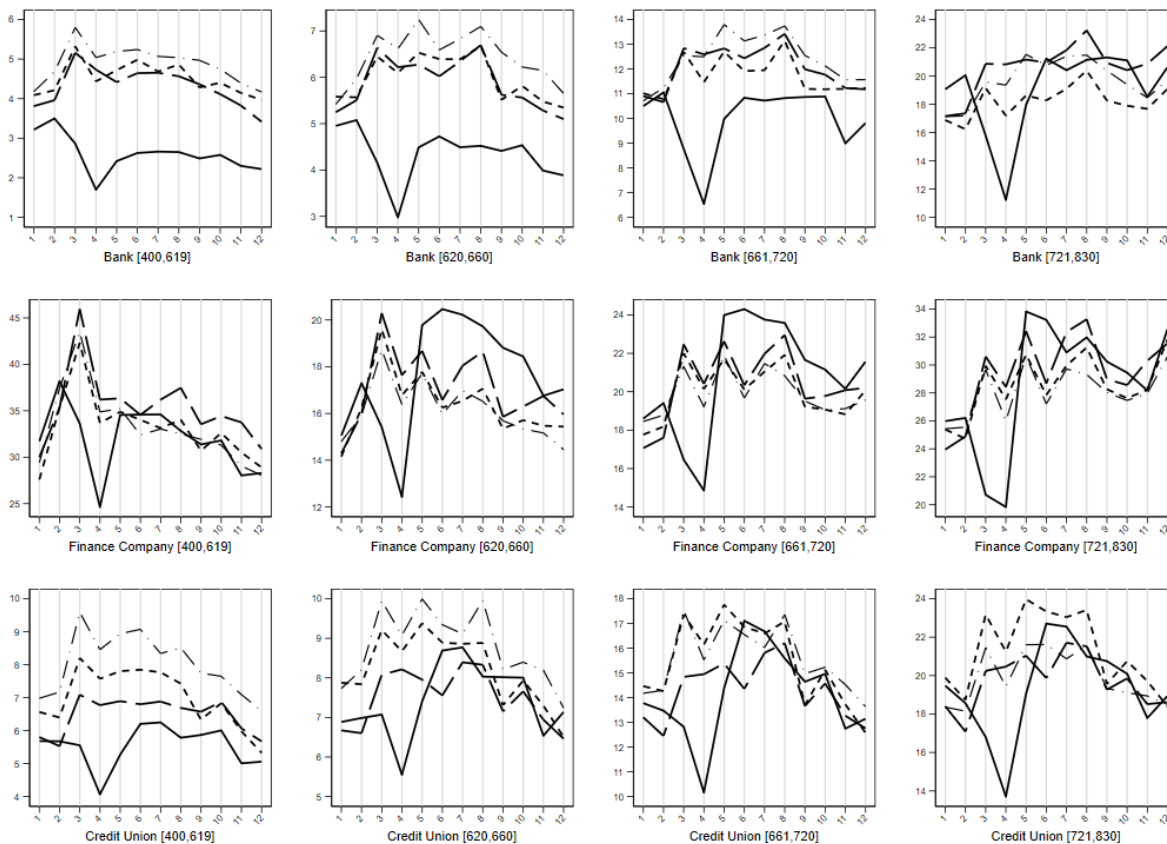
In this *Supervisory Research Forum (SURF)* brief, we review salient findings from our recent working paper on “COVID-19 and Auto Loan Origination Trends.”¹ The paper leverages several data sources. The primary sources include the FRBNY Consumer Credit Panel/Equifax (FRBNY CCP/Equifax), complemented with monthly auto tradeline data and other external data sources.

A review of the data up to December 2020 highlight several important trends:

- Auto loan originations were significantly impacted by the pandemic, as depicted in Figure 1. We observe a significant drop in Auto loan originations in March-April followed by a near-rebound in May-June.
- The impact was also heterogeneous across lending channels, Equifax Risk Score (Risk Score) and geography. We document the largest drop and the smallest rebound for the subprime Risk Score segment. For banks, the drop in auto loan originations was particularly significant and the recovery sluggish, especially among subprime borrowers.
- Originations remained slightly depressed until October and fell again in November-December.
- The pandemic impact on auto loan originations intensified some ongoing trends. Specifically, Banks have continued to lose overall market share, especially for the subprime borrower group.
- Looking at more recent data, we observe a strong recovery starting with March 2021. An in dept analysis of the “re-opening” will be the subject of a future SURF brief.

¹ A full analysis of auto loan origination trends during the pandemic can be found in Canals-Cerdá and Brian Jonghwan Lee (2021) “COVID-19 and Auto Loan Origination Trends,” https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3897908.

Figure 1: Monthly Auto Lending Evolution in 2017–2020 for Banks, Finance Companies, and Credit Unions



Note: The graphs represent number of monthly originations in tens of thousands across Risk Score segments for banks, finance companies, and credit unions, for the years 2020 (solid line), 2019 (long dash), 2018 (short dash), and 2017 (dash dot).

Source: FRBNY Consumer Credit Panel/Equifax (CCP)