

Moving the Metal: The Auto Finance Podcast — Quarterly Insights: Driving Through Q2 Auto Finance Data

Hosts: Brooke Conkle and Chris Capurso

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Brooke Conkle (00:09):

Welcome to *Moving the Metal*, the premier legally focused podcast for the auto finance industry. I'm Brooke Conkle, a partner in Troutman Pepper Locke's Consumer Financial Services practice group.

Chris Capurso (00:20):

And I'm Chris Capurso, an associate in Troutman Pepper Locke's Consumer Financial Services practice group.

Brooke Conkle (00:24):

Today we'll be discussing a recent report from Experian on the trends in auto finance for 2025 quarter two. But before we jump in, let me remind you to please visit and subscribe to our blogs. We have two great ones that may be of interest to you, [TroutmanFinancialServices.com](https://www.troutmanfinancialservices.com) and [ConsumerFinancialServicesLawMonitor.com](https://www.consumerfinancialserviceslawmonitor.com). And also we have a bevy of other podcasts that you might find interesting: [The Consumer Finance Podcast](#), which as you might guess is all things consumer finance related; [The Crypto Exchange](#), devoted to trends, challenges, and legal issues in Bitcoin, blockchain, FinTech and RegTech; [FCRA Focus](#), a podcast dedicated to all things credit reporting; and finally, [Payments Pros](#), a great podcast focused exclusively on the payments industry. All of these insightful shows are available on your favorite podcast platform, so check them out. And speaking of those platforms, if you like what you hear, please leave us a review and let us know how we're doing.

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Chris Capurso (02:06):

Yeah, so these reports are interesting and we're kind of going back to the well a bit because we discussed TransUnion's State of the Auto Finance Market back in May, and that seemed to be a

big hit with everybody. And I think the reason is that we don't have any data insights from particularly the CFPB.

Brooke Conkle (02:24):

We used to get those, didn't we?

Chris Capurso (02:27):

Those were the days. So we kind of have to look to different sources to try to figure out what is happening and then what could be on the horizon from a regulatory perspective or a compliance perspective. And these reports are fantastic resources that give you a snapshot at what the financing market looks like overall. Obviously these aren't the CFPB awards can be like there are this many complaints here and we're seeing action here. No, this is like an actual state of the true auto finance market, but there's some very interesting things in the report. And for those who have not read the report, they split it up into different types of financing. So to start, there's new financing of new vehicles, financing of used vehicles, refinances, and then just general market overview. So I'll start with a little bit of the new financing. And right off the bat, they discuss that financing for new vehicles continues to increase compared to financing of used vehicles As far as a percentage.

So good example, last year they said just over 40% financing for new vehicles versus just under 60% for used vehicles. So 40/60 split, we'll call it that. New to used. Well, this year it's up to 42, basically 58 may not seem like a lot, but a 2% jump in one year is pretty substantial. So we're starting to see as far as the mix of financing that the new market is starting to catch up a little bit to the used market before delving into the specific new financing things. Though the report takes a look at the market share of total financing. We're talking new and used and loan and lease, and there's been a change at the top, the leaderboard. We've got banks moving back to the top over captives, which is quite the comeback. Last year, captives had a 6% lead. Now it's banks with a 1% lead.

So if this reports, this was a pretty big comeback, but we've got the banks coming in at 27.5% of the total market share. We've got captives at 26.63, credit unions at 21.04 finance companies at 15.52 and buy here, pay here, and others at 9.31. So that's talking about the total market share of total financing. So we're talking new and used loan and lease, but now we delve a little bit deeper into the numbers and we look specifically at the new financing. And as far as new financing, it's not even close. The captives have an enormous lead, but with the total financing, that lead is dipping a little bit. So currently captives have a 52.39% market share. New financing, that's loan and lease compared to 25.91 for banks. And everyone else is basically 12% or below. But last year it was captives at almost 61% to 21% for banks.

So banks have a 4% rise and captives have over an 8% decrease. So that's an interesting figure. I mean, obviously the captives still have over half the market of total new financing, which makes sense. But the fact that banks and the others are eating into it is a pretty notable fact. As far as the specifics about the financings, the average amount financed in new financings continues to climb even where the average loan rate has been decreasing. And by decreasing it's not huge. 2024, the average loan rate was 6.85%, 2025, 6.08%. So we're not talking a gargantuan drop, but it's still noticeable that it dropped. But the average new amount financed

increased by a thousand bucks from basically 41,000 to basically 42,000 for new amount financed. So notable fact there, almost surely from rise in vehicle values because the loan rate has gone down, but still notable that one's going up, one's going down. Also notable in this report, and this really jumped out at Maybrook, was over 15% of all new payments loan and lease combined over a thousand bucks.

Brooke Conkle (06:37):

That's significant.

Chris Capurso (06:38):

That was kind of insane to me to see that in a chart.

Brooke Conkle (06:41):

That's a lot of money.

Chris Capurso (06:42):

It's a lot of money. And I'll be honest, it's a very interesting chart. There's leases and there's loans and leases have an interesting chart. It's starting out at nearly a quarter of payments are below 400 and then decreasing in each payment band from 400 to 500, 500, 600 all along the way until a thousand plus jumps up to 9%. The loan chart is very interesting because it looks like what would be a standard distribution where 500 to 600 and 600 to 700 are the bigger percentages, and then it goes down the bell curve outside of that, except the thousand plus payments are up at 17.5%, which is interesting that you would have a standard distribution type graph then out of nowhere, you just have a jump at the end. So very surprising. They also noted that new loan amounts and payment amounts continue to climb among credit tiers.

So obviously the payment amounts themselves differ among credit tiers, but it's the fact that the average amount of those loans has risen for all of the credit tiers, which kind of backs up the original amount that I noted that the amount financed continues to rise generally. And finally, the other fact that backed up that original point is that the average new values of vehicles continues to rise. 2024 was 42,000, 2025, it's 43,000. So we have the basis for those amounts that I mentioned in the beginning, but still very surprising. And again, the fact that 15% of all payments on loans and leases for new vehicles are above a thousand dollars was just a genuinely shocking thing to see. But that's kind of the lay of the land and new financing. Brooke, what's it look like in used financing?

Brooke Conkle (08:27):

So in used financing, one of the first data markers that Experian gives us is the market share for transaction type by dealer. So franchise dealer versus independent dealer and independent dealers are losing market share. So their percentage of deals is decreasing. It has been about a 50/50 split between franchise and independent dealers the past couple of years. In 2025, we're seeing franchise dealers with about a 55 to 45 split. So franchise dealers getting more deals,

independent dealers are getting fewer. Chris, as you mentioned, banks are increasing their market share when it comes to the lender type for loans. And just as you mentioned, credit unions had had a couple good years, '22, '23, '24 saw credit unions leading the way when it came to loans for used vehicles. Banks have moved back into the leader spot with about 28% of the market credit unions just behind them at about 27% of the market finance companies coming in strong around 21% and then buy here, pay here at about 16%, and then captive lenders around 6% for used loans.

Super prime borrowers are the only risk segment that is seeing growth in used loans. So super-prime being sort of the highest tier of loans. Their share of the market right now is about 23%. Prime borrowers about 35% near prime, about 19% subprime also about 19%, and then deep subprime about 3%. And as I mentioned, super-prime, that percentage there at the top is the only risk segment that's growing. The other four are shrinking as of 2025. And then interest rates for used loans are down. But as Chris, I'm going to keep echoing a lot of what you've said. The loan amounts and monthly payments are up for used loans, and it's not a significant amount up, but it still is. We're seeing those kind of incremental growths when it comes to the term of loans and to the monthly payments for used loans. About a third of used vehicle loans have payments under that \$400 mark that we talked about. But then again, Chris, we're seeing that \$1,000 mark again, and there are about 4% of all used vehicle loans that are above and monthly payment of a thousand dollars. We've said it before, we'll say it again, that's a lot of money. Loan to value ratios are down for used vehicles as well. Even as Chris mentioned, vehicle values are continuing to rise. And lastly, most used vehicle loans about 70% have terms that are longer than 61 months. And for those loans, credit scores are rising across most term lengths. So Chris, what's going on with refinancing?

Chris Capurso (11:32):

Yeah, this is one of the areas when I first read this report, I was like, I'm very curious what this says because I feel like we're at the, let's cross our fingers, the beginning of what could potentially be a boom in refinances with the rates or with the prime rate going down, hopefully auto rates following. I was curious to see what it looks like at the beginning this, and it looks like things are picking up in the refinance market. The report notes that refinance volume has increased 11% just quarter over quarter. So we're talking in just 2025, 11% quarter over quarter. And refinance volume has actually increased 29% over the last five years, which five years ago, for all of you who blocked it out of your memory was Q2 2020 when we were all at home. But even so the refinance volume has been steadily increasing basically since the beginning of 2024, which makes sense, especially recently given the rate environment.

But still it's an encouraging sign for those in the refinance market that maybe we're starting to see a rebound as rates start to lower a bit and maybe we'll continue to see it if the primary continues to fall. Another interesting one is that the average months to get to a refinance has been dropping for roughly a year and a half since a high watermark of about 31 months. At the end of 2023, we're now down to just under 26 months in 2025. So folks are refinancing a little bit earlier. Again, when you've been financing at a higher rate 25 months, that's over two years ago, you financed originally at that higher rate. Now we're starting to see even in two years, the rate is low enough that folks are exploring the refinance option. Most refinances are occurring in the prime credit tier, which is interesting.

I mean, I think just reading between the numbers, and obviously we don't have the data or anything like that, we just have the summary report. But you would assume in the super prime level, those folks probably got some pretty good rates to start. And then you're looking at near prime or subprime, maybe those folks aren't getting as good of rates from the refi that they don't feel the need to go through with it. But I mean, it's an overwhelming majority in prime. Over 50% of refis are in the prime credit tier compared to obviously that means under 50% in the other three combined. So that's an interesting thing. I wonder if that'll change as the rates drop more. Maybe right now the kind of incremental changes haven't been enough to push some of the other credit tiers over. But still very interesting in this area, we'll give credit unions the win because we've been talking about them losing their leads and new financing and used financing.

They have an overwhelming majority in the refi market and almost insurmountable lead here. We're talking like New England Patriots, Atlanta Falcons type lead. Maybe not the best comparison because the Falcons blew that lead, but we'll still use that lead as an example. The credit unions currently have over 68% of the refi market, and that's compared to just about 21.5% for banks and 10% for finance companies. So credit unions, and that I should note, that percentage has risen over the last couple of years to be where it is. So credit unions are really taking advantage of the refi market and really solidifying a lead there. Refinance savings have increased since the end of 2023, which makes total sense going along with the rest of the data. As the rates drop, you would assume there would be more savings coming with it. But the thing that I found really interesting in this report is they do a chart discussing refi terms, and by terms I mean the length of the refinance, but also the effective term of financing in general.

And I think that's a very honestly cool way to look at it. You're talking about the actual length of the refinancings, but then what is the length of financing in total when you consider the original and the refinance? And currently the average refi term is about 65 months. So for those of you out here doing calendar math, that's nearly five and a half years, but the effective term is over 90 months. And then we're talking between seven and eight years, which we've talked a few times on this podcast about the increasing terms of credit in general. That seems to be in line with what we're seeing. So I think that's a very interesting way to look at it, where the refinance on average is adding five to six years, but in total, we're still looking at between seven to eight years on average for credit in general, even with a refinance in there. So some very interesting insights into the refinance market at this kind of burgeoning stage. But Brooke, as I mentioned initially, they kind of cap it off with a market overview. What were some interesting notions brought up in that market overview?

Brooke Conkle (16:38):

Yeah, and Chris, it's kind of the same themes that we've talked about with new vehicles, with used vehicles and with refinancing overall auto loan and lease balances are still growing, but that pace has slowed compared to previous years where coming out of 2020, we were seeing balances that we're kind of growing at exponential rates. We're still seeing that growth, but the pace has slowed down. And then for terms of delinquencies, they continue to rise. The delinquency rates are up year over year and remain high, frankly, 60 day delinquencies, that's kind of a rule sort of danger zone. Those are almost double for used vehicles as opposed to new vehicles. Leasing rates are down with cash purchases remain strong, the credit scores required for auto loans continue to rise. And Chris, as we've talked about, banks are picking up

a market share across all segments. We're seeing fewer captives, fewer credit unions with their market share.

Banks are picking up that slack loan amounts and payments are continuing to rise for both used and new vehicles. And then despite higher vehicle values, loan to value ratios are down for both new and used loans. So Chris, we're saying sort of the same themes over and over again here. Banks we're seeing more and more loans going to banks, and the delinquency rates are up year over year with auto loan and lease balances continuing to grow, but with a lesser growth than we've seen in prior years. So Chris, tell us what all of this means for dealers.

Chris Capurso (18:14):

Well, for dealers, I think obviously in both new and used financing, the report identifies that values are increasing of vehicles and rates are going down. So there's opportunity here. Again, I think we're at the beginning, hopefully again, fingers crossed of this kind of rate decrease, which should hopefully spur the market on to maybe look into financing vehicles a little bit more. But we are seeing new and used values continue to increase. So it's obviously something for dealers to keep in mind. The other important thing is this idea of the payment amounts. Obviously that number, we keep citing the significant percentage over \$1,000. I mean, we all know we do it. We look at the monthly payment, right? A lot of folks look at the monthly payment and try to figure out, okay, how does this fit into a monthly budget? And it just reinforces the need to continue to keep your compliance up because how many times do regulators or private litigants look at what the representations were around that monthly payment and trying to say, oh, well, all the dealer or all the F&I guy talked about was, oh, well this will fit into your monthly payment, but then all the things that could possibly be in there or any misrepresentations about what was in there.

So with the rise in these monthly payments, and this is happening even as the terms are increasing. So I mean it's just things are generally increasing across the board. Dealers need to make sure that they have their sales force up to task that they have their F&I up to task that they are representing the payments in a straightforward way that consumers can understand that there's no kind of misrepresentations or kind of misunderstandings about what is in there. Because as these payments increase and they become more and more of a percentage of a person's budget, monthly budget, there's probably going to be more scrutiny on it from consumers wondering, why is it this high? So you want to make sure on the front end that those payments are being represented accurately. That's for the dealers, but again, this is an auto finance report, a lot of insights for auto finance companies. So what does it mean for them, Brooke?

Brooke Conkle (20:34):

Chris, you mentioned one of the things that I think is probably the biggest takeaway for auto finance companies, and that's the average term of loans. Chris, when you and I got into this business, the average term of a loan was about 48 months. And I can remember when that term moved from 48 to 60 months, it felt like a significant shift for the auto finance industry. Now we're hearing about terms just as you mentioned, that are between seven and eight years. That's a long time. And so when you have loan terms that are going on that long from a compliance perspective, you need to be prepared to have a relationship with these customers

for a long time. And part of that is complaint management, figuring out what are the areas that are causing friction with customers? How can we make that right? How can we address complaints?

Because this is not going to be a term of three to four years anymore. This is going to be a significant period of time when you, the auto finance company and the customer are going to be in a relationship. So to me, I think that's the biggest takeaway here, as well as the percentage of the market share that is with super prime borrowers. I find that really interesting and maybe not kind of a bellwether of risk for the auto finance industry if you have sort of a consolidated amount of loans that are with borrowers who are kind of at the top of the pyramid when it comes to credit scores. But it is interesting on a broader economic perspective to see that those borrowers who are probably have the highest ability to obtain financing, they're getting financing. So instead of paying cash, they are taking out a retail installment sales contract for a vehicle. To me, that's a more interesting data point for the economy as a whole, rather than specifically for auto finance.

Chris Capurso (22:31):

And with that, we'll wrap it up for today's podcast. Thank you to our audience for tuning in. Don't forget to check out our blogs where you can subscribe to the entire blog or just the specific content you find most helpful. That's the [ConsumerFinancialServicesLawMonitor.com](https://www.ConsumerFinancialServicesLawMonitor.com) and the [TroutmanFinancialServices.com](https://www.TroutmanFinancialServices.com) blogs. While you're at it, why don't you head on over to [Troutman.com](https://www.Troutman.com) and sign up for our Consumer Financial Services mailing list so you can stay abreast of current issues with our insightful alerts and advisories, and receive invitations to our Industry Insider webinars. And of course, please mark your calendars for this podcast, *Moving the Metal*, which we will be releasing every two weeks in 2025. That'll generally be on the second and fourth Tuesdays of each month. And as always, if you have any questions or if we can help in any way, please reach out to us. Until next time.

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