

Moving the Metal: The Auto Finance Podcast — From Showroom to Server Room: AI in Auto Finance

Hosts: Brooke Conkle and Chris Capurso

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Brooke Conkle (00:10):

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 of Counsel in Troutman Pepper Locke's Consumer Financial Services Practice Group.

Brooke Conkle (00:26):

That's right. And that's a change for 2026. Congratulations, Chris.

Chris Capurso (00:29):

Thank you very much.

Brooke Conkle (00:31):

Today we'll be discussing AI in auto finance for 2026. 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).

(00:49):

And also we have a bevy of other podcasts that you might find interesting. We have [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.

(01:23):

And speaking of those platforms, if you like what you hear, please leave us a review and let us know how we're doing. We'd love to hear from you. Alternatively, please feel free to reach out to us directly. Our contact information can easily be found on the firm's website, [troutman.com](https://www.troutman.com).

(01:39):

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(02:03):

For today, as I mentioned, we're starting a new segment on [*Moving the Metal*](#), following the trends of AI and how they impact auto finance. And Chris, today we're going to do kind of a brief overview of some of the key areas where AI is impacting auto finance kind of the most. So tell us first a little bit about one key area.

Chris Capurso (02:22):

Sure. And I think for the listeners out there who keep with us year round, we may come back to some of these throughout the year. Obviously, this is a fast moving area and this one truly, by the time we record, there could be something wildly different out there. But we're going to try to keep tabs on this through 2026 and really try to see what's going on.

(02:42):

The first area I'm going to talk about is advertising. And it's broader than just seeing the banner ad online. We're talking about representations related to vehicles, whether that's in the financing or in the initial sale. The first one I want to talk about is kind of the idea of chatbots. We're seeing chatbots everywhere. And they are getting more and more sophisticated. They're able to do more and more as far as answering consumers questions about vehicles or about anything at a dealership or at the financing level or whatever.

(03:15):

And much like anything else with AI, there has to be some kind of oversight of that because you can imagine a scenario where, say in the chatbot context, somebody asked the chatbot about a car. What does it have? Chatbot sends it back. It has this. It has this feature. But does it really have that feature? We got to be careful. We don't want it to be saying, "Oh, this has a state-of-the-art infotainment system." When it doesn't even have a radio. I mean, that's an extreme, but that type of thing. Because it was pulling the information from some database and it made some kind of match in its logic and just spit that result back out. And then all of a sudden you have a misrepresentation because it doesn't actually have that. And what happens if the person goes into the dealership and wants to buy the car based on that misrepresentation? I mean, probably not the radio, but different types of things could potentially lead a consumer into going that way. And then you're talking unfair, deceptive acts or practices.

(04:18):

So you really want to make sure that much like any AI you're going to put into any kind of process, there needs to be some kind of human oversight because we all know it can make some wild mistakes. We see it in the legal field all the time, people citing made up cases and then getting dinged for it by the court. You see it all over with just random AI hallucinations or mistakes. And nothing is safe from that in AI. It's the nature of the beast. And the way you can mitigate that is overseeing those processes and making sure that, in this example, like a chatbot isn't throwing out their information that's not true or could be seen as a true misrepresentation or even deception.

(05:07):

We also would want to talk about, say, targeted advertising. Folks use AI in their contact management systems, things like that, trying to find the right person for the right type of offer. Again, you want to make sure that, say it's a credit offer or something and you're using AI to target somebody with certain terms. Make sure they're the right terms being put out there. If the AI pulls it from the wrong spot, are you all of a sudden giving great credit terms to a horrible credit risk? Or vice versa and then it's a consumer who has wonderful credit. They're like, "What on earth is this?"

(05:41):

Just like those kinds of reputational things on top of any kind of UDAP risk or just things you want to be cognizant of whenever you're using AI. I mean, obviously AI can be a great tool. We see it a lot in the legal field, different ways to use AI now to make work more efficient. But you have to be careful because just like any type of research, like going to Google and searching, the top answer on Google is not necessarily the right one. And I think that's the way you should look at AI generally is just because it spits something back, doesn't mean it's automatically correct. You got to do a little due diligence. It just may be that you spend less time on it than you would if you were doing it from scratch. It's an efficiency tool.

(06:23):

So you just want to be careful and make sure somebody is overseeing the AI processes and advertising. Because the last thing you want is a UDAP claim because obviously we all know UDAP laws at the state level, there's a lot in motor vehicle advertising specifically in those UDAP statutes, very specific requirements that dealers have to comply with. And it's just if one of those areas where state attorney general or if there's a private right of action to enforce those types of laws, there are very sophisticated advertising rules for motor vehicle sales. And you don't want to run a follow that simply because you relied a little bit too much on AI. So I think that's an important thing to remember when you're talking about advertising and using AI.

(07:09):

But Brooke, that's kind of on the initial sale aspect. There could be some financing to it. But is there anything at the financing level where you're seeing folks use AI and potential pitfalls of that?

Brooke Conkle (07:22):

Absolutely, Chris. Historically, the loan application process has been a paper process and we've seen that move towards an electronic process even without AI. But certainly with AI, it's likely moving towards an entirely digital process. And with sort of the AI options, consumers are potentially getting better loan options or loan matches because the AI technology can take more variables into account. So you have that bonus of really streamlining the customer experience. But with that streamlining, we've also got that tension of, is the AI consistent with federal or state regulatory initiatives? Are we following all of the fair lending laws that are applicable? How are we using AI? Does the AI itself have an inherent bias that a human might not? How has the AI been deployed? How has it been created? What sort of markers is AI using to offer particular loan terms or loan options to consumers?

(08:30):

And what's interesting is as we move towards an electronic process, we're moving away from paper. Chris, it's funny. We talk about the cars rule in particular, which really had a fundamental ... Looked at the car buying process and said that all of the paperwork was a fundamental flaw in the car buying process. And of course, as we know, the solution to that fundamental flaw was more paperwork. So moving all of the paperwork away from the process and shifting everything towards an electronic experience may not necessarily be in line with federal regulatory initiatives.

(09:10):

And also we have historic CFPB commentary on AI. And just reminders that all of the bureaus, at least the prior administration's bureau, felt that all of the rules and commentary that the bureau had produced on fair lending and really on anything also applied to AI as well. And so taking that into account and figuring out, one, how does AI fit into the loan application process? And two, if it does and where it does, are the parameters being used by that AI consistent with federal and state regulatory initiatives?

(09:50):

And then a third area where we're really seeing the impacts of AI is in fraud detection. And Chris, one of the things that we talked about for 2025 was a big problem in the industry is identity theft. And so with AI implementation, dealers and auto finance companies are no longer having to rely solely on human review to detect fraud, to detect potential bad actors in the process. You have automated pattern recognition. And so the technology is able to pick up on things that the average Joe and Josephines are not able to pick up on. And so you have more variables, so you have a better chance of catching fraud. But also does that lead to more false

positives? You've got more variables in the system and more things for the AI technology to consider. All of it is working towards a good thing, but with that, you've got some serious customer friction if you've got a false positive.

(10:52):

And then just as the technology advances, so does the fraud. We're seeing more and more instances where the technology in some cases is not able to keep up with fraudsters. And while we have AI that can potentially be used for fraud detection, the criminals and the bad guys are using it just as quickly to be able to evade detection and to create profiles that look more and more realistic.

Chris Capurso (11:18):

Yeah. So I guess what are the overall takeaways? Obviously, I think the number one thing for any talk of AI, and I'll just reiterate it from the beginning is human oversight, just making sure that you know what's going on. And this is on obviously the business's end. You just want to make sure that you are having some kind of insight into the outputs to be able to assess if something is going wrong, to assess if there's like a bridge in the logic that doesn't quite make sense and could potentially open things up to regulatory risk. It just, you can't let the AI run amuck. I mean, if Terminator has taught us anything, you cannot let the AI run amuck.

(11:59):

But doomsday scenarios aside, AI is obviously here to stay. And it is obviously a tool to really increase efficiency. It's allowing more and more deals to go through because you've got AI automation in almost every process of the car buying and financing process. So you've now got speedier transactions potentially because you're not waiting forever for underwriting or you're not waiting forever for the transaction to go through.

(12:30):

Any type of scenario where the automation can be used, you're seeing efficiencies and speed. So what does that mean? It means quicker buying process. But what does that mean for consumers? I mean, obviously most consumers are going to be thrilled that the process is going to be quicker, that they've got a car. It's not going to take them as long as it maybe used to, maybe 10 years ago. But with that, is there buyer's remorse? I mean, obviously a car, it's not like buying a Coke. It's not quite buying a house, but it is a very big expenditure for most, it's probably the second-biggest expenditure. And a speedier process with such an expensive thing could lead to more buyer's remorse and you could end up with more customers coming back and being like, "I don't want this." Or God forbid, you get the, "I felt pressured because it was so fast." Or anything like that.

(13:21):

There could be more of those types of complaints. Which is ironic because we talked about previously, one of the issues with the car's rule is you add the paperwork, as Brooke said, and

then you have a longer transaction and that's not what anybody wants. But then if there's a short one, there could be more consumers saying, "Oh, well, really didn't want to do this. I just got excited." So that's something to be on the lookout for, especially with your complaint management. We hammer that over and over again being on top of your complaint management.

(13:49):

And another part of AI, and this kind of goes along with the human oversight. But there is almost instinctively just less transparency with AI. Not everybody understands how all these algorithms and machine learning and everything behind the scenes work. And the company's selling the AI probably won't say because that's proprietary knowledge. So there are these processes being employed at the dealership level, at the finance company level that are not totally understandable and will never be totally understandable. So there's a little bit of black box nature to it, and in some cases, things may not be as explainable. Obviously less transparency.

(14:32):

So this kind of goes back into that human element of having oversight of what you can have oversight of and trying to mitigate the risks as much as humanly possible. And just to have somebody in your business overseeing the AI and making sure, again, you may not understand exactly why it's doing what it's doing. But you can try to fix what it's doing if you can see the trends and if you can see the potential issues popping up.

(15:00):

So those are kind of some overall takeaways. Again, we may be coming back to a lot of these throughout 2026 because it's an evolving area that is exploding. So you've got the quick evolution and you've got the quick adoption. So we're going to be seeing a lot of talk about this in the coming year and we'll probably be coming back to these topics throughout 2026.

(15:23):

But that'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 and the TroutmanFinancialServices.com blogs. And while you're at it, why don't you head on over to Troutman.com and sign up for our Consumer Financial Services mailing list, so that you can stay abreast of current issues with our insightful alerts and advisories, and receive invitations to our industry insider webinars.

(15:52):

And of course, please mark your calendars for this podcast, *Moving the Metal*, which we would be releasing every two weeks in 2026. That will be generally 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. Until next time.

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