Podcast: *Moving the Metal: The Auto Finance Podcast*
Episode: 13 Years and Counting: The Rise of the Forever Car in America
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, of counsel in Troutman Pepper Locke's Consumer Financial Services Practice Group.

Brooke Conkle (00:25):
Today, with a high five to our summer associate, Sarah Johnson, we'll be discussing the 13-year-old car, how longer ownership is remaking auto finance. 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 and 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.

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Chris Capurso (02:14):
I'll be honest, this data really blew my mind. It wasn't something that I had really considered, just how old cars are getting. So the average U.S. vehicle age as of 2025

was almost 13 years old, which made me think, okay, 2025, 13 years, we're going back to 2012. I was graduating from college, starting law school, which... Brooke is shaking her head at me, but I'm just thinking back to that time and those cars and the fact that that's the average age. We're not talking an upper bound. There were cars older than that on the roads, obviously cars younger than that, but the average is at 13, which is crazy to me, and then the passenger cars' average age is higher. That's 14 and a half. So then we're talking from 2025, we use the half year, we're talking sometime in 2010, there was a great World Cup, the 2010 World Cup, the South Africa World Cup. So, just thinking about how long ago that was and that is the average age of cars on the road, it's staggering. Why would this be? Why are things going up? You would hope the answer is, well, cars, they are just made better and they just last forever. And in some cases, that is true. Cars do last a very long time, but there are obviously macroeconomic factors in play. Obviously, everything is going up in price. Cars are not excluded from that. Not only in terms of car prices, just the prices of vehicles both new and used are going up, but financing costs are going up.

As evidenced by the fact that we've talked about this continuously, the average length of a retail installment contract continues to rise. Our collective mentor, Alan Wingfield, used to say five felt like a long one. Now we're looking at eight? Seven to eight being kind of the norm, and obviously that takes down the monthly payment, but it does raise the overall financing costs the longer it goes on. Rates are very high right now. Just all of these things contributing to this general idea that it is very expensive to buy a car right now, and more people are just holding on to them. To be frank, we're probably going to see something similar in the housing market, people don't want to leave their lower rates. In this case, people don't want to leave their working cars to get into financings or even cash sales of cars that are just more expensive than what they would want and more expensive than what they are accustomed to the last time they purchased a car. So these are all things that seem to be leading to this idea that the American fleet, as it were, is getting older by average age, but these cars are still out there. So, Brooke, I talked a little bit about the financing part of it, but what are the actual specifics of why financing has gotten so much more expensive over these last several years?

Brooke Conkle (05:13):
Chris, I think the answer is in sort of the loan data. When we look at that loan data, that's where the alarm bells start to go off. Just as you mentioned, the average new vehicle loan term is now just under 70 months, so nearly six years, and about 30% of new loans are in the 73 to 84 month range. That's almost seven years. That is a long time, and seven-year car loans on vehicles that people are already keeping for 13 years. So you have a borrower financing a vehicle for the first seven years and then a 13-year ownership cycle, and the depreciation math on that is pretty brutal, and the delinquency data is also another factor that plays into this. Currently, the 90-day delinquency rate is at 5.2%. The all-time peak was 5.3%, which was set in the fourth quarter of 2010. So that data was in the middle of a financial crisis. That's tough data to

hear, isn't it, Chris? And to be clear, we're not the Fed. We're not claiming we're in a recession, but the auto loan stress indicators are behaving, frankly, like we are. And that can tell all of us something about the structural strain in this market that goes sort of behind the macroeconomics.

Additionally, Chris, subprime is a big part of the story. Subprime borrowers made up about 15% of total vehicle financing in the fourth quarter of 2025, and that's the highest fourth quarter subprime share since 2021. Deep subprime borrowers are paying 16% on new loans and over 21% on used. So these rates we're talking about for seven years on a depreciating asset, and that is a tough formula when it comes to a negative equity crisis. And we are seeing some of those impacts already, about 30% of trade-in borrowers are currently underwater on their existing loan when they come in to buy a new vehicle. The average negative equity shortfall is just over $7,000. That's up 46% in five years, and what happens with that shortfall, in many cases, it's gonna get rolled into the new loan. And the CFPB looked at over three million loans in their 2024 negative equity report and found strong correlations between long loan terms, negative equity, delinquency, geography, and credit score. That CFPB report was one that was super interesting for us, but Chris, tell us a little bit about how do dealers deal with this? What should they be looking for for protection products? And how do we confront this at the deal stage?

Chris Capurso (08:09):
Yeah, it's an interesting question because, you think of, okay, cars are getting older, people are not buying them as much or buying more used cars. The thought from the dealer standpoint would be, oh, well, we got to find a way to sell the new vehicles or to sell the more recently used vehicles. But there are opportunities in this, and I'm sure dealers out there know this, that there are different avenues to gain revenue, one being just by virtue of cars being older. And by virtue of the financing contracts getting longer, there's opportunity there with vehicle service contracts, gap waivers, add-on products just in general, because if you've got a longer-term financing contract, you've got an older vehicle, the consumer consciousness would be, oh, well, maybe we should be thinking a little bit more about the service aspect. Maybe we should be thinking more about gap incase something happens during this longer term financing than what we're accustomed to than maybe the five or less, those are opportunities. Another big one is just in the service and repair area, obviously most dealerships do have something like that, but we're talking older vehicles. I mean, just... It's nature that these cars are gonna have something happen to them, right? We're talking about cars that are thirteen to fifteen years old on average, right, so there's going to be issues at some point. Even the best made car has something happened to it, you can't predict everything.

And what better than to be the dealership that has the repair facility that has helped this customer out so that you fix that thing for as long as you can and then when time has come and they are to head to the big garage in the sky, we've got to figure out, okay, maybe a new car and I'm the dealer for you. So, I mean, these are all avenues to look at positively. I know there are some negative outlook on it that, oh, people aren't buying cars, but there's opportunity out there and I think that's something that dealers need to think about is, and I'm sure they are because this is not a new thing. I mean, we dealt with the prices increasing during COVID when the inventory was really low and all the prices went up. At that time, the financing costs were lower at the beginning of COVID. Obviously, when they raised the rates, that kind of changed that, but at the very beginning of COVID, that was kind of the situation. And we found a way through that, and now we're at this point where, okay, both financing and vehicle costs are high, but there are opportunities, there are ways to get through this. Brooke, we've talked the general opportunity for dealers, we've talked about the way vehicles generally are aged, but there are some vehicles that are not 13 to 15 years old, and though... The ones I'm specifically thinking about are EVs, what does the EV market look like in all this?

Brooke Conkle (11:04):
That's exactly right. Chris, just as you mentioned, we're seeing EVs with a greater and greater market share, and yet we just don't have this data on what an aging EV fleet looks like. EV history is about to collide with everything that we've been discussing, and the number that jumps out at me is 300,000. That is the projected number of off lease EV returns in 2026. That is up more than 200% year over year. It's a massive wave of used EVs about to hit the market and the infrastructure for valuing, financing and warranting those vehicles is still being built. And really, the crux of this issue is battery degradation. For a gasoline vehicle, we have a century of real data on how engines and drivetrains age. For EV batteries, we have virtually none. So lenders are setting residual values, gap underwriters pricing their products, and VSC providers scoping coverage, all without this information. So regulators are already signaling that EV-specific disclosures and underwriting standards need to be developed. And what does it mean to represent a good battery to a consumer? What disclosures are required around degradation?

All of these are unsettled questions, and the window to get ahead of those questions, Chris, that window is closing, and degradation disputes are already in litigation. There are class actions around represented versus actual range, warranty exclusions that consumers say were not clearly disclosed, and residual value disputes between lessees and lessors. So the service market question also applies here. Who captures the EV service revenue? Is it dealers? Mobile providers? Is it subscription entrants? Whoever it is, the legal framework around that market, though, that's still forming. We still don't know what that's really going to look like. For lenders and dealers, the near-term action item is to audit your current policies and see if you're simply assuming that EV collateral behaves like a standard passenger vehicle collateral, that's a tough assumption. And the cost of finding out in an enforcement action or a class action is much higher than the cost of a policy review right now. So, Chris, tell us a little bit, what are the practical compliance takeaways?

Chris Capurso (13:37):
Yeah, so I think, in terms of the opportunities that I discussed earlier, as far as ancillary products like vehicle service contract gap waivers, as all of you know, these are very heavily regulated items, not only in terms of the documents, but in terms of the substantive requirements on how you operationalize these things, how you sell them. I mean, we have talked several times about whether states require consent for the add-ons, the idea of valueless add-ons, disclosing the costs, all of these types of things. I'll go into this, and it's a great opportunity. It's also a risk if you don't do it right. So, you need to make sure that everything is bound up. We're gonna say the things that we always say, make sure your policies and procedure is in place to ensure that the sales process goes the way it's supposed to, they are advertising these types of things, go the way they're supposed to. That consumers consent to the things that they're supposed to, and also that your employees are trained on all of this so that nothing falls through the crux and you end up with some kind of lawsuit or regulatory action or something on a process that you had covered that just wasn't implemented correctly.

So, like I said, there's opportunity but you have to have the infrastructure there to seize that opportunity. You can't just go full bore, oh, we're gonna deal with these ancillary products. We're going to have an explosion of the amount we sell and then not have the processes in place to kind of back that up from a compliance standpoint. And I think just going off of what you had mentioned about EVs, I think it's very interesting. Like you said, 100 years of history on gas-powered vehicles, a decade maybe of meaningful information on EVs, if that. And the EV market is interesting, because it seems to be a little bit more wild in the winds because obviously, there's concern when the incentives disappeared. New EVs are gonna go anywhere, why would anybody buy a used EV if there's no tax incentive to do so unless they're very interested in protecting the environment, and then the gas prices go crazy, right? Now all of a sudden there is an increase in the amount of EVs being sold, both used and new, even without the tax incentive to make it financially worthwhile because there is another financial incentive there.

Being that you're not gonna have to pay for the gas. So, it's gonna be interesting to see how that goes, that's another area where you wanna have things buttoned up. As you noted, the regulatory infrastructure on that is not as evolved as it is with the gas powered market, but you wanna be on top of it. You wanna have, the process is in place to understand if you operate in one state, what is that state doing, EVs? Are they doing anything in particular? If you're a multi-state, well, you got to have that buttoned up too because, as you know as a dealer, what you do in one state is not gonna just automatically permeate into the next state. It's a state by state grind. So on the dealership side, you got to make sure all that stuff is there. And then for finance companies, for both of the things that I just talked about, you're gonna be taking on paper from these dealers. So, there's obviously some service provider oversight that you need to do and make sure the dealers that you do work with have a compliance culture, that they have all of these things buttoned up and that you're not buying paper that's gonna subject you to risk, you noted Brooke, like the Holder rule... Like any number of other theories that maybe a regulator could provide under a UDAAP theory because as we've noted, it's the squishy standard. You never know what kind of unfair deceptive or depending on your state, abusive act or practice an AG could dig up based on you activities as the financing company.

So, I think all of these things are opportunities but considerations. I think that's the key, there's opportunity but you have to consider a lot of things to pursue that opportunity. And with that, that will 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 over to troutman.com and sign up for our Consumer Financial Services mailing list so that you can stay abreast of current issues, whether insightful alerts and advisories or receive invitations to our industry insight or webinars. And of course, please mark your calendars for this podcast, *Moving the Metal*, which we will be releasing every two weeks in 2026. That will be generally on the second and fourth Tuesdays of each month. As always, if you have any questions or if we can help in any way, please reach out to us. Until next time!
