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CFPB to Monitor Lenders During Expected Increase in Auto Loan Debt

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On February 24, the CFPB posted a blog citing that the recent increase in car prices will result in both the total amount of debt and the average loan size to continue to increase, which will put increased pressure on some consumers' budgets for much of the next decade. According to data from the Bureau of Labor Statistics, the Consumer Price Index (CPI) for used cars and trucks increased 40% percent since January 2021 while the CPI for new cars increased 12 percent. In the face of such challenges, the CFPB plans to focus on:

- **Ensuring affordable credit for auto loans:** Closely monitor lending practices and structures where lenders seem to rely on high interest rates and fees to profit even when consumers fail.
- **Monitoring practices in auto loan servicing and collections:** Work to ensure that incentives are aligned between servicers and consumers, that servicers are making accommodations available to all consumers and that servicer practices treat consumers fairly.
- **Monitoring practices in auto loan servicing and collections:** Better understand potential barriers to competition in the subprime auto lending market that may drive the varying outcomes between subprime and prime borrowers. The CFPB will continue to research auto lending policies and practices that may hinder a fair, transparent, and competitive market and work with the FTC and Federal Reserve to address issues in the market.

Putting into Practice: Look for the CFPB to issue additional requests for comments or orders to auto finance companies under its larger participant supervisory and market monitoring authority under the Dodd-Frank Act. The Bureau adopted a rule in 2015, allowing the CFPB to supervise and examine larger nonbank automobile finance companies. As a result, targeted horizontal reviews of auto finance companies as well as banks under the CFPB's supervision that provide auto loans are one avenue the Bureau could explore to investigate current auto lending practices. In addition, in the past several weeks, the CFPB has made a series of market monitoring inquires to six large technology companies and participants in the "buy now, pay later" space (we discussed these latest activities in previous Consumer Finance and FinTech Blog posts, here, here, and here). If the CFPB's prior activities are any indication, look for the CFPB to leverage its supervisory and monitoring efforts to identify areas of potential enforcement.

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