Household Auto Loan Payments Are At An All Time High

July 31, 2022 - I remember the first car that I financed. It was a used '78 Chevy Camaro and my monthly payment was $74. For a kid in college, it was a big commitment, or so I thought at the time. But it is nothing compared to what cars cost today. The average amount of a new auto loan payment now is $678. That's about 9 times what I was spending, and as I said, that's just the average. A lot of people now have car payments that exceed $1,000 monthly.

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To be fair, since the car I purchased was used, I should probably have compared my payment to the average used car loan made today. But that number is still high. It now stands at $554.

If you think the current numbers are high, you are correct. The reasons for this are varied. They include the fact that manufacturers have been experiencing supply chain difficulties, reducing the number of cars they can produce. And the fact that the government now regulates a lot of the equipment that has to be installed on new cars. All of these things have driven prices through the roof.

The result is higher down payment amounts, and higher monthly payments. Nearly 13% of new car buyers now have a payment of more than $1,000. That's about double the number receiving such a high monthly payment just on year ago. Anyone considering the purchase of a new or used car right about now could have their stomach tied in knots as soon as they look at the costs.

All we can say is that we don't expect this to last much longer. Increased interest rates are driving a lot of people out of the market. And the poor economy has driven auto loan delinquencies through the roof. If you read our piece from earlier this month, then you'll see that we expect there to be a glut of used cars on the market within the next few months. This will drive prices... and monthly payments... down.

So if you don't have to purchase a car immediately, your best bet is to hold off. Waiting just a few months at this point could save you a boat load of money.
by Jim Malmberg
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