Car Debt Crisis Deepens: Rising Defaults Squeeze Borrowers and Lenders Alike

October 23,2025 - Across the United States, the car market is showing new signs of financial strain. Auto-loan delinquencies have surged to levels not seen since before the 2008 financial crisis, repossessions are rising fast, and now even some lenders are feeling the pain.

Subprime borrowers - those with weak or limited credit - are being hit the hardest. Data from Fitch Ratings show that 6.4 percent of subprime auto loans were at least 60 days past due in August, up sharply from pre-pandemic levels. The Recovery Database Network reports more than 7.5 million repossession assignments so far this year, a figure that could top 10 million by December. Analysts estimate roughly 3 million vehicles may be repossessed in 2025 - a record since 2009 - as Americans owe an unprecedented $1.66 trillion in car loans.

The pain isnâ€™t evenly distributed. Studies show the South is bearing the brunt: Mississippiâ€™s delinquency rate is 9.8 percent, followed by Louisiana at 8.4 percent and Georgia at 7.8 percent. Younger borrowers - especially Gen Z and millennials - also report the highest late-payment rates, with many already juggling student-loan and credit-card debt. Rising prices are partly to blame: the average new vehicle cost is now approaching $50,000 and even used-car payments hover near $530 a month.

When a car is lost, the consequences reach far beyond transportation. For most Americans, especially in areas with little public transit, a vehicle is essential for getting to work, buying groceries, and earning a paycheck. Once a repossession occurs, families often see cascading setbacks - lost income, damaged credit, and higher borrowing costs - that deepen their financial fragility and curb local spending.

Now the strain is spreading to lenders. This month, PrimaLend Capital Partners, a Texas-based subprime auto-finance company, filed for Chapter 11 bankruptcy after missing debt payments. It follows similar collapses of Tricolor and First Brands, raising fears of broader contagion in the sector. Even large automakers are feeling pressure: Ford has begun offering subprime loans to keep sales moving.

Economists warn that this double-sided squeeze - consumers struggling to pay and lenders struggling to stay solvent - could ripple through the broader economy. Delinquencies often signal weakening household finances before other data do, and when transportation falters, so does employment and retail spending. As one financial historian put it, auto delinquencies are a "canary in the coal mine" for consumer health.

For borrowers, the message is simple: avoid over-stretching for a car, shop aggressively for financing and insurance, and build a modest savings buffer if possible. For lenders and policymakers, the challenge is broader - how to stabilize a market that sits at the intersection of credit, employment, and mobility.

by Jim Malmberg