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# Why Getting an Auto Loan Might Be Harder in 2024



By Tony Rached

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As the calendar turns to 2024, many Americans are finding that securing an auto loan has become a more daunting task than in previous years.

A recent survey conducted by the Federal Reserve has shed light on a trend that's causing prospective car buyers to adjust their expectations: banks are likely to maintain, and in some cases, tighten their auto loan lending standards.

This shift in lending practices could significantly impact consumers looking to purchase vehicles in the coming year.



### **The Federal Reserve's Findings**

The winter survey by the Federal Reserve, which draws insights from senior loan officers across the country, indicates a cautious stance among banks when it comes to auto loans.

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Despite a stable or increasing demand for car loans, banks are overwhelmingly planning to keep their lending standards unchanged through 2024. A select few even plan to implement stricter criteria.

This cautious approach is attributed to concerns over late payments and charge-offs, even among prime credit borrowers.

## The Numbers Speak

The survey, which included responses from 46 to 53 banks, revealed that more than one-third of lenders anticipate an uptick in loans with late payments or requiring charge-offs in 2024.

This statistic underscores the financial institutions' wariness amidst economic uncertainties, prompting them to hedge against potential losses by tightening lending standards.

## Big Banks vs. Small Banks

Interestingly, the survey differentiates the responses between larger banks (with assets  $\geq$  \$100B) and smaller banks (with assets  $<$  \$100B).

While five of the larger banks had already tightened their lending standards in the three months leading up to the survey, two expressed intentions to somewhat ease their policies.

This slight divergence highlights the varying strategies employed by banks based on their size and market positioning.

## What This Means for Consumers

For the average consumer, these developments could translate into a more challenging path to securing auto financing.

Higher credit score requirements, larger down payments, and more stringent income verifications are potential hurdles that prospective borrowers might face.

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Additionally, the cost of borrowing could increase as banks look to widen the interest rate spread to mitigate their risks.

### The Silver Lining

Despite the tightening landscape, the survey does offer a glimmer of hope. Nearly two-thirds of banks expect consumer demand for auto loans to remain steady throughout 2024.

This stability in demand, coupled with a careful approach to lending, could foster a healthier auto loan market in the long run.

Furthermore, banks' reliance on advanced analytics and strategic lending practices might lead to more tailored and sustainable lending solutions for consumers.

### Looking Ahead

As we venture into 2024, prospective auto loan applicants must vigilantly watch their credit scores, delve into a variety of financing avenues, and perhaps ponder over increasing their down payment to boost their loan approval odds.

Grasping the lending parameters set by banks and gearing up in advance could be the deciding factor between clinching a loan and having to delay buying a car.

In a year marked by cautious optimism and financial prudence, the journey to acquiring a new vehicle may be fraught with challenges, but it's not insurmountable.

With the right approach and preparation, finding a suitable auto loan in 2024 is still within reach.

The question remains: are you ready to navigate the tighter lending landscape to make your car ownership dreams a reality?