

# SFA Research Corner

## Auto ABS Speeds Ahead, Fueled by Nonprime Loans and Leasing Demand

October 10, 2024

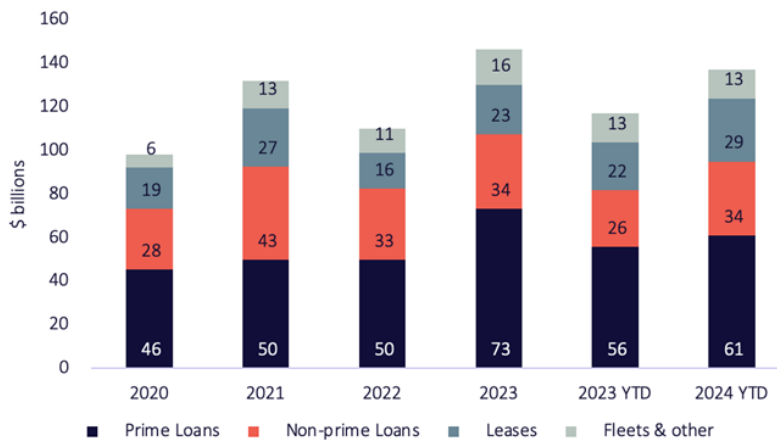


### Auto ABS Speeds Ahead, Fueled by Nonprime Loans and Leasing Demand

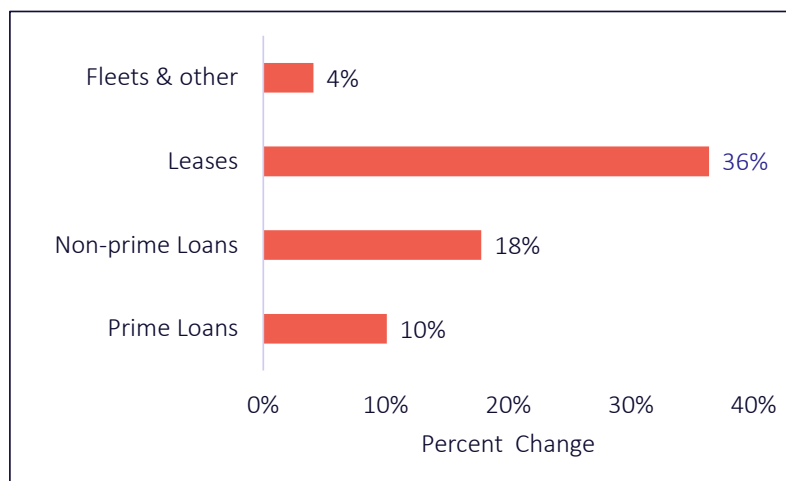
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By the end of Q3, new issuance of auto asset-backed securities (ABS) reached \$137 billion, a 17% increase compared to the same period last year, according to JP Morgan, and just \$9 billion shy of 2023's total issuance. Prime and nonprime auto loan collateral made up 69% of the total auto ABS issued. While prime issuance grew by 9%, nonprime issuance saw a stronger surge, increasing by 31%. ABS backed by auto leases also saw strong growth, up 32% year-to-date reflecting increased leasing activity.

#### Auto ABS Issuance Reaches \$137 billion in 3Q, Up 17% YOY



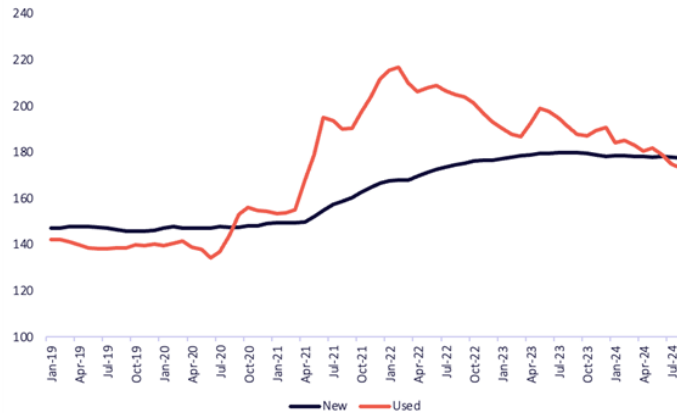
#### Strong YOY Growth Led by Leases and NonPrime Loans



Source: J.P. Morgan Securities LLC

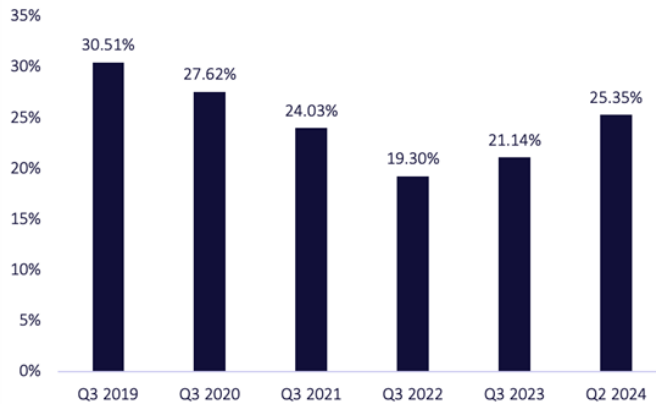
Leasing was a hot topic at the Auto Finance Summit 2024, offering consumers an alternative to buying as new vehicle prices surged. With lower monthly payments and smaller down payments, leasing has become especially attractive as new vehicle prices, measured by the Consumer Price Index (CPI), rose 20-25% between 2020 and 2024. According to Kelley Blue Book, the average transaction price for new vehicles rose from about \$36,000 in 2020 to over \$47,000 by 2024, driven by supply chain disruptions, inventory shortages, and rising raw material costs. Higher interest rates have also made vehicle financing more expensive, further enhancing the appeal of leasing.

**Consumer Price Index: New and Used Vehicles**

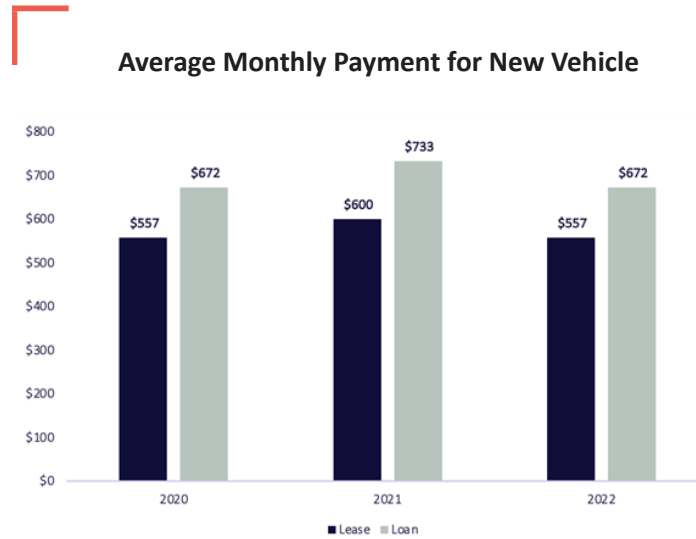


Index 1982-1984=100  
 Source: U.S. Bureau of Labor Statistics, Not Seasonally Adjusted, Retrieved from FRED

**Per Cent of All New Vehicles That are Leased**

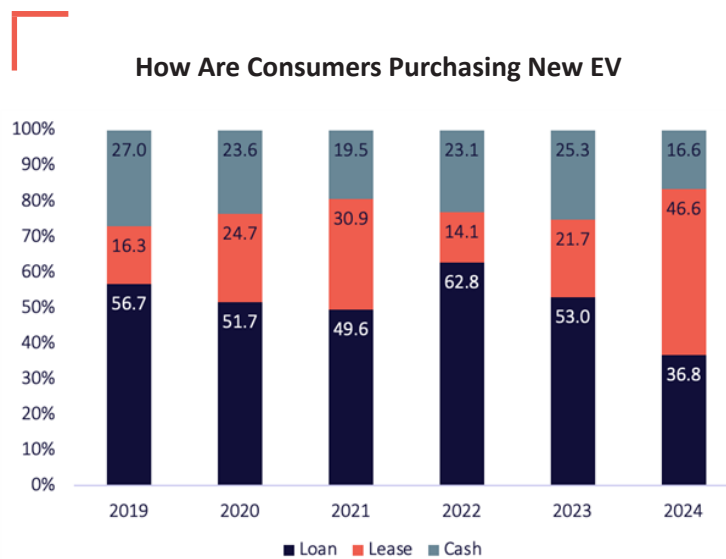


Source: Experian State of the Automotive Finance Market



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Leasing’s growth has been particularly notable in the electric vehicle (EV) market, where nearly half of all new EV acquisitions are now financed through leases, up from 21.7% in 2023 and 14.1% in 2022. Despite the average price of a new EV exceeding \$56,000, according to Kelley Blue Book, leasing provides a more cost-effective option. The \$7,500 Federal tax credit, which is easier to apply to leases than purchases due to fewer restrictions on vehicle origin, price, and income, along with dealer incentives, can make leasing an EV about \$250 cheaper per month than financing, according to Experian. Additionally, leasing offers flexibility, allowing customers to experience EVs without the long-term commitment of ownership, making it an appealing choice in a rapidly evolving market.



Source: Experian State of the Automotive Finance Market