



Auto Financing: A Historical Perspective

Increased competition in the auto finance industry and improved information available to both consumers and creditors have both increased the availability of credit to consumers and improved the price of that credit over the last 30 to 40 years.

GOVERNMENT

Consumer Credit Protection Act of 1968

required creditors to disclose effective costs of financing to consumers.

The Federal Reserve Board issued regulations and specified that consumers must receive **Truth in Lending** forms to review the terms of the financing.

CONSUMERS TAKE CHARGE

Consumers are **more financially astute** than they were 40 years ago, and actively shop around to obtain the best terms on financing.

Research shows that most consumers **shop around** before financing an auto, through the Internet or visits to multiple dealerships.

The relatively large number of consumers who do their homework have effectively **lowered rates for all consumers.**

Today, studies show the vast majority of consumers indicate that they felt they received **adequate information** from their creditor with which to make their financing decisions.

AUTO FINANCE INDUSTRY ADVANCES

Thirty to 40 years ago, one could secure auto financing only through a dealership or bank. The introduction of **multiple sources of financing** for automobile purchases—credit unions, savings banks, loans from stock brokerage firms, home equity loans, and even the Internet—has created a highly competitive marketplace, resulting in lower rates for all consumers.

The improved **availability of credit information** makes it easier and less costly to gauge a consumer's credit worthiness than years ago. This administrative savings is reflected in lower finance rates over the years.

Dealerships have access to tremendous funding power, with financing sources that can borrow at **lower wholesale rates**—savings that can be passed on to consumers.

With information on financing rates so readily available, and with such intense inter-dealership competition, credit sources (including dealers) have no choice but to **offer competitive rates**, or risk alienating potential customers.

