Brace for the Impact of Rising Auto Loan Delinquencies, Repossessions, and Bankruptcies

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Delinquency rates continue to rise as high inflation and the loss of government assistance cause severe financial strain on consumers. The latest trends show a rise in auto loan delinquencies, repossessions, and bankruptcies. This trio is cause for concern among financial institutions that lack the bandwidth or talent to maintain the incoming workload. Without proper preparation, a financial institution could find itself in a difficult place with insufficient support for borrowers and staff.

During the pandemic, the automobile market struggled to keep up with consumer demands. Due to the reduced vehicle inventory and high demand, the value and cost of new and used cars have increased significantly. As vehicle supplies stabilized and prices dropped, consumers eagerly purchased the cars they had been waiting for during the pandemic. However, some failed to consider the increased interest rates, resulting in higher-than-normal payments. High costs continue to drive consumers' savings down and their credit card balances up. With the added auto loan expense, many accounts will go delinquent, requiring repossessions of their assets, and in turn, many may file for bankruptcy.

How can your financial institution prepare for the surge of delinquencies, repossessions, and bankruptcies?

Ensure staffing requirements are met. Your financial institution needs enough staff to handle the number of delinquencies, bankruptcies, and repossessions coming in the next year. Evaluate your departments to identify areas that will require additional staff and initiate the recruitment process as soon as possible to get new staff hired and then trained.

Communicate with your staff. Communication is key to remaining effective during difficult times. Ask your staff where they feel that areas of opportunity exist within work processes and work with them to fix problems before it is too late. An organization's staff will know first-hand what is working well and what is not.

Push communication with borrowers. Maintaining consistent communication with borrowers who are struggling or beginning to struggle could make the difference between their accounts getting paid or going delinquent. Provide resources and action plans to assist borrowers where needed.

Outsource. Outsourcing is a great option for financial institutions without the bandwidth or skill to manage all three of these things. Partner with an experienced service provider to extend the service arm of your financial institution, enabling your employees to focus more on accountholder-facing issues and ensure that compliance standards are met.

Continued employee training. A confident workforce is an effective one. Provide frequent training opportunities for your staff to refresh their knowledge and learn new methods or skills to keep them confident in their role.

Not sure where to start with the above recommendations? Consider partnering with a fintech service provider, like TriVerity, a PSCU Company, that offers customizable solutions for bankruptcy, repossession, and various training opportunities. Does your staff know about their rights as creditors in bankruptcy situations? Choose a partner who offers bankruptcy success training to ensure your staff is not limited in their ability to collect what is owed. Take advantage of collections-related conferences that offer presentations on the latest industry and economic trends, audience-driven discussions and the opportunity to join large communities of collectors around the country.

There are plenty of opportunities for a financial institution to prepare for the incoming wave of auto loan delinquencies, repossessions, and bankruptcies. While auto loans are the current accounts to be on the lookout for, delinquencies in all categories are rising. The main point is to act before it is too late for preparations. Be proactive, not reactive, or you may get stuck trying to play catch up, putting unneeded pressure on your financial institution and its staff.

Wendy Elieff has over 23 years of experience in the financial services industry. Wendy oversees the success of the client service and marketing teams at TriVerity, where she is responsible for developing, implementing and monitoring cohesive marketing strategies to increase brand awareness. She is also responsible for building and maintaining client relationships by staying abreast of and responding to changes in the marketplace.