

## **North America Used Car Financing Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 70 pages | Mordor Intelligence

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### **Report description:**

The North American Used Car Financing Market is valued at USD 259.71 billion and is expected to reach USD 413.23 billion over the coming five years, with a combined CAGR of 8.26% during the same period.

During COVID-19, North America's used car financing witnessed a steady decline, owing to the spread of the virus, and people avoided purchasing cars amid an economic slowdown. In addition, markets, showrooms, and auction events were closed as strict lockdown measures were imposed by the regional government. Although, after Q1 2021, everything was again on track, with the used car financing business back to a growth phase again.

The region is dominated by luxury car sales, which has been the key factor driving the used car financing marketplace. The consumer who opts to purchase luxury cars looks for a used car option to witness a reduction in the overall cost. This has helped the financiers to offer better interest rates and get ownership of the same. Several factors have influenced the growth of the market, including the pandemic, changing demographics and ambitions, the addition of first-time buyers, and the availability of various financing options by companies across the used car landscape.

Considering these factors, the United States is anticipated to hold the highest growth rate in the used car financing market in North America. People in the United States exhibit the highest income and are more exposed to owning luxury sedans in the used car segment. This has elevated the combined demand for financing services to ease the financial burden on individuals.

Considering these factors, the demand for used car financing in North America is expected to witness a high growth rate during the forecast period.

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## North America Used Car Financing Market Trends

### OEM based Financing to Gain Traction

OEM-certified used cars are getting traction among consumers. Different dealer channels are emerging in North America and consumers refer to them in the view of greater quality, longer-term assurance, and better sales reliability.

By working with multi- and auto-financing businesses, OEM-certified used car dealers reduce their exposure to buyers' financial concerns. Cars older than ten years are not eligible for financing because of their reduced lifespan, increased risk of damage, and diminished value. When compared to new car purchases, there is a higher proportion of cash payments because the price can be 20-30% lower.

North American countries, including the United States, Canada, and Mexico, have more than 200 multi-finance companies, with auto and bank-owned companies continuing to eat into market share. Bank-owned businesses can offer more competitive lending rates because of their parent firm's support, whereas auto-owned businesses can rely on strong dealer relationships. This has helped the OEM to understand and establish longer-term relations with the key financiers in the market, offering mutual growth opportunities of both companies in the used car marketplace. For instance, in July 2022, AutoNation, an American automotive retailer based in Fort Lauderdale, Florida, announced its plans to acquire the captive business of auto lender CIG Financial in order to support its standalone growth in the used vehicles financing landscape across the region.

Further, consumers over time have felt the risk of fraud has been increasing with the financing of these cars, thus they are likely to rely upon the OEM-based financiers available at the showroom in order to keep the process seamless. In addition, these financiers offer much more effective installment amounts at competitive interest rates. Moreover, the consumer feels safe and secured while availing financing services for the used cars from OEM as they offer better service and maintenance offers, along with attractive loan benefits together.

Thus, considering these potential advantages and factors, the OEM-based financing is expected to boost the demand for used car financing in North America during the longer-term forecast period.

### Canada is Expected to Register a Higher CAGR

Canada has been the heart of the North American auto sector after the United States. The region holds immense potential for the growth of the used car marketplace. This became more predominantly visible post-COVID-19 when people became more concerned about their financial stability, which led them to own used cars instead of buying new cars owing to the cost affordability factor. In addition, the regional market has flourished, with individuals looking for budget-friendly and comfortable cars, resulting in their growing interest in owning used SUVs. Further, the cost of SUVs has invited them to own them based on financing benefits from the used car retailers available across the country.

The growing consumer trend toward personal vehicles due to increased mileage and less dependence on public transport and car sharing is likely to increase the demand for used SUVs across the country. Cars, including Nissan, Ford, and General Motors, are most widely financed under the used car category in the region.

Coast Capital, Clutch Car Loan, Splash Auto finance, Go Auto, and CarsFast are some of the leading non-banking financial firms offering effective interest rates for used cars. These companies are offering loans for a period of 12-96 months based on the cost of the car, down payment, and interest rates. On similar lines, many major banks offer used car financing in Canada including Scotiabank, CIBC, TD Canada Trust, and BMO. The consumer can get their used cars easily financed from these banks on attractive EMI.

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Moreover, OEM certified has gained much interest over used car financing, owing to consumer preferences, as a majority of used car buyers prefer OEM certified. Thus, these OEMs try to get the financing opportunity backed.

Considering these factors and advantages, the demand for used car financing in Canada is anticipated to have high potential during the forecast period.

#### North America Used Car Financing Market Competitor Analysis

The market for used car financing across North America is moderately consolidated. The presence of many organized and unorganized players has created such a market scenario. Also, most auto manufacturers, apart from offering their own financing, have tie-ups with banks and other financial institutions, offering a wider choice for their customers. But the relatively easier procedures to procure a loan from various NBFCs are expected to tilt the market in their favor. Moreover, in the competitive arena, the majority of the used car financing business is ruled by banks and financial companies.

Financiers, including OEMs, banks, and NBFCs, have made strategic forefront in order to witness improved sales bars in the market. For instance, in September 2022, Mexico-based used car platform, Kavak, announced that it engaged USD 675 million in financing from HSBC bank to support its car loan offering.

Additional Benefits:

The market estimate (ME) sheet in Excel format  
3 months of analyst support

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