Why Subprime Auto Buyers Are Getting Squeezed in 2026

Market Data · Greenlight Insights

If it feels harder to get subprime and near-prime buyers financed in 2026, it isn't your imagination. Several forces are converging on exactly this group of customers at once — and the data tells a stark story.

For dealerships, this isn't just macroeconomic background noise. The subprime and near-prime buyer is often the customer standing in your showroom getting declined. Understanding the squeeze they're under is the first step to recovering them.

Delinquencies are at a 32-year high

Start with the headline. **Subprime 60+ day auto-loan delinquencies reached a 32-year record high in January 2026** — the worst reading since January 1994, according to data published by Fitch Ratings. That's a 385-month record.

For context, Fitch's figures put prime-borrower delinquencies near 0.39% in the same period. The gap between prime and subprime performance is now more than tenfold. Throughout 2025, subprime 60+ day delinquency ran between roughly 5.5% and 6.8%; the early-2026 reading pushed to a generational extreme.

Repossession activity has intensified alongside it — Cox Automotive estimated roughly **1.73 million vehicles repossessed** in the prior year, the highest total since 2009.

The approval bar keeps rising

As delinquencies climb, lenders get more cautious — and the credit bar to get approved rises. The **average credit score for a new-vehicle loan approval climbed to 753 in Q4 2025, up from 746 in 2021** (Experian). While overall auto-credit access improved in parts of 2026, approvals **decreased sharply for subprime borrowers** in several months even as the broader market loosened (Bankrate, 2026).

This is the squeeze in a sentence: the customers most likely to be under financial stress are exactly the ones lenders are pulling back from. The subprime buyer isn't being met halfway — the bar is moving away from them.

Affordability is the underlying driver

Why are so many buyers falling below the line? Because cars have become brutally expensive to finance:

- The **average new-vehicle monthly payment hit a record $770** in Q1 2026 (Experian), up 2.9% year-over-year. Used-vehicle payments averaged $531.
- Notably, the highest average payments fall on **nonprime and subprime buyers** — those with scores in the 601–660 range paid $811 on average for a new vehicle, and 501–600 buyers paid $792 — *more* than super-prime buyers, who paid $753. The customers least able to afford it are paying the most.
- To manage those payments, buyers are stretching terms: **35.55% of new-vehicle loans now exceed six years** (an all-time high), and the average new-vehicle loan term reached 69.5 months (Experian, Q1 2026).
- Longer terms correlate with higher delinquency — extending the very risk that's making lenders cautious. It's a self-reinforcing cycle.

The subprime paradox for dealers

Here's what makes this a *dealership* problem rather than just an economic one. Subprime buyers are being squeezed out of approvals — but they haven't stopped needing cars. And notably, subprime *share* of financing has actually risen year-over-year in some measures (Experian put subprime at 15.75% of financing in Q1 2026, up from 14.40%), meaning lenders are still writing these loans — just more selectively, and to the buyers who present better.

The implication: a subprime customer declined *today* is often approvable *later* — if their credit profile improves, their down payment grows, or their debt load eases. The window between "no" and "yes" is real, and it's frequently a matter of 30 to 90 days of the right guidance.

But that window is fragile. Every additional application and hard inquiry during it tends to weaken their profile further. Left alone, a declined subprime buyer often gets *less* approvable over time, not more — and eventually buys wherever someone finally says yes.

What this means for your store

The squeeze creates a large, recurring population of customers who:

- genuinely want to buy,
- can't get financed today,
- *could* get financed with the right structured help over a few months, and
- will otherwise degrade their credit and buy from a competitor.

That's not a lost cause. It's an opportunity — but only for the dealership disciplined enough to stay present through the window. The subprime squeeze isn't going away in 2026; forward estimates suggest subprime performance will remain elevated rather than meaningfully improve. The dealerships that build a process to recover these buyers will have a growing, under-served pool to work with.

The bottom line

Subprime buyers in 2026 are caught between record-high delinquencies, a rising approval bar, and record affordability stress. For most dealerships, that means more declines and more customers walking out. For disciplined ones, it means a large and growing population of recoverable buyers — customers who can get to "yes" with the right help, and who will otherwise take their business elsewhere.

The squeeze is real. So is the opportunity to be the dealership that stays present through it.

Go deeper. For the full data picture — approval trends, affordability, and the economics of recovering declined buyers — read our white paper, *The Post-Decline Gap*. Or see what recovery could be worth at your store: **app.greenlightrecover.com/roi**

Sources: Fitch Ratings subprime auto ABS delinquency (Jan 2026); Experian State of the Automotive Finance Market (Q4 2025, Q1 2026); Cox Automotive (2026); Bankrate (2026).