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LendingTree Study Indicates Subprime 'Auto Bubble' Unlikely

Analysis of Borrowers' Credit Scores Show Upward Trend in 2014

CHARLOTTE, N.C., March 13, 2015 /PRNewswire/ -- LendingTree, the nation's leading online [loan marketplace](#), has released a new study analyzing the credit scores of subprime auto loan borrowers for loans originated in 2014. LendingTree found that over the one year period ending December 31, 2014, the monthly average of borrower credit scores for loans closed by LendingTree's network of lenders increased by 10 points. The monthly median credit score of those closed by network lenders rose by 12 points. The subprime auto loan borrower is typically defined as those with credit scores at or below 640.



Images:

[2014 Average Credit Score of Closed Borrowers](#)

[2014 Median Credit Score of Closed Borrowers](#)

This trend indicates that lenders are not necessarily taking part in the risky lending practices that could lead to a bubble as some reports claim, although they are originating a larger number of subprime loans. If industry lenders were taking on substantially higher risk, the data would likely reveal lower credit standards needed for approval, with approved aggregate credit scores declining over time. Instead, LendingTree data shows an upward trend, suggesting lenders are potentially being more selective within the subprime segment.

"Our data does not substantiate the likelihood of an upcoming crisis," stated Rick Finch, General Manager of LendingTree Autos. "While the current concern over subprime auto loans that end up defaulting is reminiscent of the mortgage meltdown stemming from mortgage backed securities, the defaults are being monitored and controlled by the lending market. Although auto backed securities increasingly contain subprime loans, loan defaults are not rising at a rate that signal imminent danger."

[Wells Fargo](#), one of the largest subprime auto lenders, recently announced it would now place a dollar volume cap on its subprime auto loans, with these originations limited to 10% of the bank's overall auto loan originations, which totaled \$29.9 billion last year. This could be a signal of a larger cooling trend within the subprime auto loans segment. Since the financial mortgage crisis, Wells Fargo has developed a positive reputation for risk management, and its current actions could be followed by other major auto loan lenders. This would indicate lenders are aware of the market risk and are taking preventative measures against a bubble.

In another [recent release by Equifax](#), one of the three major consumer credit bureaus, Equifax also refutes the impending subprime auto bubble instead citing borrowers who originated a subprime auto loan had a median consumer credit score increase of 52 points over a three-year time period. Auto lenders have better tools today with more data and technology to assist them in making safer decisions.

Rick Finch of LendingTree Autos further explains, "The mentality of someone paying for a car is different than someone paying a mortgage. The inability to afford a mortgage and losing a house results in the consumer looking for more affordable housing in the rental market, or seeking friends or family for help. Missing car payments affects one's ability to get to work and continue earning a paycheck. People are more likely to make auto payments a priority based on need, and most seek to remedy car financing issues quickly."

About LendingTree

LendingTree, LLC is the nation's leading online loan marketplace, empowering consumers as they comparison-shop across a full suite of loan and credit-based offerings. LendingTree provides an online marketplace which connects consumers with multiple lenders that compete for their business, as well as an array of online tools and information to help consumers find the

best loan. Since inception, LendingTree has facilitated more than 32 million loan requests. LendingTree provides access to lenders offering home loans, personal loans, student loans, business loans, auto loans and more. LendingTree, Inc. is headquartered in Charlotte, NC and maintains operations solely in the United States. For more information, please visit www.LendingTree.com. LendingTree, LLC is a subsidiary of LendingTree, Inc. For more information go to www.lendingtree.com, dial 800-555-TREE, join our [Facebook page](#) and/or follow us on Twitter [@LendingTree](#).

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