

Appraiser Blog

The Rise of Used-Vehicle Interest Rates to 11.7% in Q1 2024



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Once upon a time, opting for a used car felt like grabbing a winning ticket—affordable, practical, and just a tad worn. However, as the calendar flipped to the early months of 2024, buyers stepping into the market encountered a new scene: a daunting average interest rate of 11.7% on used vehicles. More than just digits on a paper, this figure was a clear indicator of shifting economic winds, evolving consumer predicaments, and a market bracing for the impact of these changes.



Understanding the Numbers

The leap in interest rates for used vehicles from 11.6% in the previous quarter to 11.7% in Q1 2024 might seem small at first glance, but it's part of a broader trend that deserves a closer look.

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Table 1: Key Used-Vehicle Financing Metrics

Metric	Q1 2024	Q4 2023	Q1 2023
Average Loan Term (months)	69.7	69.9	69.9
Average Monthly Payment (\$)	\$546	\$561	\$561
Average Amount Financed (\$)	\$27,774	\$28,643	\$28,643
Interest Rate (%)	11.7	11.6	11.6
Average Down Payment (\$)	\$4,133	\$4,122	\$4,122

These figures show a slight decrease in the amount financed and monthly payments, yet the interest rate continued its upward crawl. This change represents not just a cyclical adjustment but a structural shift in the used vehicle finance market.

Factors Driving the Increase

Several factors have contributed to the rising interest rates on used vehicles:

- **Economic Conditions:** Inflation and changes in monetary policy often lead to higher interest rates across the board, including auto loans.
- **Credit Market Adjustments:** Lenders are reacting to higher risk levels by increasing rates to offset potential losses.
- **Supply and Demand Dynamics:** With new car inventories still recovering from previous disruptions, used cars remain in high demand, allowing lenders to charge more.

What Does This Mean for Buyers?

For those looking to purchase a used vehicle, the landscape has certainly become more challenging. Here are a few tips on navigating this high-interest environment:

- **Shop Around for the Best Rates:** It's more crucial than ever to compare offers from multiple lenders.

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- **Consider Shorter Loan Terms:** While this may increase monthly payments, it significantly reduces the amount of interest paid over the life of the loan.
- **Look into Certified Pre-Owned (CPO) Deals:** As Edmunds analysts suggest, incentives on CPO vehicles might offer more favorable financing options.

Conclusion

As we navigate through 2024, the car buying journey seems more like a strategic game, one that requires knowledge, preparation, and a bit of luck. The rise in used-vehicle interest rates is a pivotal part of this story, influencing decisions and budgets for many. How will this affect your car buying strategy?