

## CFS Bites of the Month - 2025 Annual Review - Auto Finance

January 2, 2026 | Patty Covington, Tom Buiteweg, Eric L. Johnson, Justin B. Hosie and Kristen Yarows

In this article, we share a timeline of monthly "bites" for 2025 applicable to the auto finance industry.

### **CFPB Obtains \$42M Judgment Against Auto Servicer**

On January 14, 2025, media outlets reported that the CFPB had obtained a \$42 million default judgment against a defunct auto servicer. Back in August of 2023, the CFPB sued the auto servicer, shortly before it filed bankruptcy along with the dealership group and four other affiliated companies. The CFPB had alleged that the servicer mishandled GAP refunds, double billed for collateral protection insurance (CPI), failed to apply excess customer payments to interest, and illegally repossessed vehicles. The U.S. District Court for the Northern District of Georgia issued an order granting the CFPB's motion for default judgment for \$25.5 million in compensatory damages; \$5.8 million in restitution, plus \$1.2 million in prejudgment interest, and a civil penalty of \$10 million. The court found that the "police power" exception to the bankruptcy automatic stay applied to the continuation of the case and entered the judgment. The order addresses the CFPB's calculations to determine penalties, estimating the harm for wrongful repossession at \$5,000, the harm for erroneous vehicle disablement at \$500, and the harm caused by erroneous warning tones at \$100 per day.

### **CFPB Issues Supervisory Highlights on Advanced Technologies**

On January 17, 2025, the CFPB released a special edition of its supervisory highlights addressing select examinations of institutions that use credit scoring models, including models built with advanced technology commonly marketed as AI/ML technology, when making credit decisions. In addition to credit card findings, CFPB examiners found that auto creditors sometimes used credit scoring models that used more than a thousand input variables, including many that are considered "alternative data." Examiners identified risks associated with the use of such a large number of input variables, including whether they acted as a proxy for prohibited bases under the Equal Credit Opportunity Act ("ECOA"). CFPB examiners reported that auto originators did not sufficiently ensure compliance with adverse action notice requirements and had not validated that their processes for selecting reasons produced accurate results. The CFPB noted that there is no "advanced technology" exception to Federal consumer financial

laws and institutions must comply with the laws when using advanced computational methods.

### **CFPB Takes Action Against Auto Creditor over Credit Reporting**

On January 17, 2025, the CFPB announced an action against an auto creditor, claiming the company inaccurately furnished credit report information during the Covid-19 pandemic, violating the Fair Credit Reporting Act ("FCRA"), Regulation V, and the Consumer Financial Protection Act. The CFPB claimed the company allowed consumers to defer payments during the pandemic, but reported the consumers to as delinquent instead of current. The CFPB also alleged that the company failed to timely complete indirect dispute investigations, failed to implement reasonable written policies and procedures regarding the information it furnished, and failed to conduct reasonable investigations of direct disputes. The consent order requires the company to change its practices, pay \$10.3 million in consumer redress, and pay a \$2.5 million civil money penalty to the CFPB.

### **CFPB Report on Auto Repossession Data**

On January 23, 2025, the CFPB published a report that analyzed data from nine major auto creditors covering accounts with activity between 2018 and 2022. According to the report, the rate of auto repossessions at the end of 2022 surpassed pre-pandemic levels, and creditors were increasingly more likely to use third parties to manage the repossession process. The report's data showed that in December 2022, 0.75% of all outstanding vehicle "loans" were assigned to a repossession, which was a 22.5% increase from December 2019 (0.61%). According to the report, the average repossession costs were higher when a third party was used for the repossession. The report's data showed that some consumers still owed money on their vehicle after it was repossessed and sold by the auto creditor. The average outstanding balance in December 2019 was more than \$10,000, and in December 2022, that average balance increased to more than \$11,000. In its press release, the CFPB wrote that the data showed increasing consumer risk in the auto market.

### **CFPB Publishes Report on Servicemember Auto Finance**

On January 29, 2025, the CFPB published a report on servicemember auto finance, claiming that servicemembers pay higher rates over longer terms. The report analyzed more than 20 million auto transactions originated between 2018 and 2022, noting that servicemembers typically had larger transactions, made smaller down payments, and had higher monthly costs. The report claims that servicemembers financed on average over \$2,200 more than civilians for new vehicles, and almost \$400 more for used vehicles. According to the CFPB, servicemembers faced average annual percentage rates 0.6 percentage points above civilian rates and for longer terms. The report also indicated that over 70% of servicemembers purchased optional products and paid on average about \$140 more for optional products than civilians. The CFPB claims that the most common and expensive category of optional products that servicemembers purchased were warranty, service, and maintenance plans. The CFPB also claims that servicemembers' purchase of GAP products increased sharply in 2020 after the

Department of Defense changed its interpretation of the Military Lending Act.

### **CFPB Publishes Research on Credit Sharing and "Piggybacking"**

On March 25, 2025, the CFPB published empirical research on credit sharing and a term called "piggybacking." The CFPB said that "piggybacking" occurs when individuals with no responsibility for paying an account are made authorized users for the purpose of boosting their apparent creditworthiness. The paper identified two types of piggybacking: "family sharing," in which parents add their young adult children to their credit cards; and "renting" credit card tradelines to strangers. For both types of piggybacking, the CFPB found that authorized user status significantly increases access to credit. In addition, the research found broad evidence that consumers who obtain credit in their own names while piggybacking are more likely to default on the credit in their name. The research also found that with respect to auto "loans," a family-shared authorized user account significantly increased the success rate of an auto "loan" application, and that successful applications were less likely to end in delinquency. The paper also discussed the implications of piggybacking for credit inequality in the United States.

### **CFPB Withdraws from Lawsuit Against Indirect Auto Company**

On April 24, 2025, the CFPB filed a motion to withdraw from a lawsuit it brought with the New York Office of the Attorney General against an indirect auto company. The CFPB and New York Office of the Attorney General had sued the indirect auto company in January 2023. The complaint alleged that the company hid the true cost of credit and incentivized dealerships to manipulate the prices of vehicles sold through their business model. The complaint also alleged that the company set up consumers to fail by providing credit without regard to whether consumers could afford to pay them. The company previously filed a motion to dismiss arguing that the lawsuit seeks to create new law through litigation and asserts legal theories that conflict with established statutes.

### **CFPB Terminates Consent Order with Auto Indirect Company**

On May 12, 2025, the CFPB terminated a consent order that it entered into in 2023 with an auto indirect company. Under the order, the company was required to pay \$12 million penalty, provide \$48 million in consumer redress, stop its alleged unlawful practices, and stop incentive-based employee compensation or performance measurements in relation to add-on products. The CFPB alleged that the company made it unreasonably difficult for consumers to cancel unwanted add-on products, failed to provide refunds for unearned GAP and Credit Life and Accidental Health premiums when consumers paid off their transactions early, and failed to provide accurate refunds to consumers who canceled their vehicle service agreements. The consent order was supposed to remain in place for at least five years for compliance monitoring. The termination of the consent order waived any alleged non-compliance with the order. The CFPB did not say how much the company has paid in consumer redress. The termination did not give a reason and was signed by Acting Director Russell Vought.

### **FTC Drops Disparate Impact Claims Against Auto Dealer**

On August 13, 2025, media outlets [reported](#) that the FTC dropped its claims of discrimination against three Texas-based auto dealerships that allegedly discriminated against Black and Latino customers by charging more for add-on products. In April 2025, President Trump issued an Executive Order that directed federal agencies to "deprioritize" enforcement actions based on disparate impact. The FTC filed a motion to partially lift the stay of administrative proceedings to amend its administrative complaint and drop the disparate impact claims "out of an abundance of caution" to comply with the Executive Order. The administrative law judge ruled that the FTC could remove its disparate impact claims. However, the FTC indicated it would continue pursuing its claims against the auto dealerships regarding alleged hidden fees and unwanted add-on products.

### **California Governor Signs CARS Act**

On October 6, 2025, California Governor Newsom [signed](#) the California Combating Auto Retail Scams (CARS) Act. Earlier this year, the Fifth Circuit vacated the FTC's CARS Rule for procedural reasons. California's CARS Act imposes similar requirements to the now-vacated FTC CARS Rule, including: prohibiting misrepresentations of material information regarding the vehicle sale (costs, financing terms, benefits of voluntary protection products); clear and conspicuous disclosures, including the total price; prohibition on voluntary protection products that do not benefit the purchaser; and retention of documents for two years. The California CARS Act also includes a three-day right to cancel period on certain vehicles. The California CARS Act has an effective date of October 1, 2026.

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