

Rising Auto Lending Risk in 2026

What It Means for Vehicle Owners and Insurance Claims

Ralph Mureti, Licensed Appraiser · March 31, 2026 · Appraisal Engine Inc.

The automotive market is shifting again, and this time the pressure is coming from financing. The latest Black Book report points to a clear trend: lending risk is rising in 2026, with more borrowers falling behind on payments and carrying higher levels of negative equity. At first glance, this may seem like a problem limited to lenders. In reality, it directly affects vehicle owners — especially when it comes to insurance claims, vehicle value, and how much money is actually recoverable after a loss.

What the Black Book Report Is Showing

The Black Book 2026 Auto Lending Risk Brief highlights a growing imbalance in the market. Loans are becoming harder to sustain, and more drivers are rolling existing debt into new financing. This creates a fragile situation: vehicles continue to depreciate, but loan balances don't follow the same pace. Over time, the gap widens — and that gap becomes critical the moment something goes wrong.

How Negative Equity Is Quietly Growing

Negative equity is no longer a rare situation. Many drivers now owe more than their vehicles are worth, especially after refinancing or trading in vehicles with existing debt. That difference might not feel urgent during normal ownership. It becomes very real after an accident or total loss.

"Insurance companies base payouts on market value, not loan balances — leaving many owners to cover the shortfall themselves."

Scenario	Financial Impact
ACV payout matches loan balance	No out-of-pocket cost
ACV lower than loan balance	Owner covers the difference
No GAP coverage in place	Full shortfall absorbed by owner

Why Vehicle Values Are Becoming Harder to Trust

Vehicle pricing has become more volatile over the past few years. Inventory changes, interest rates, and shifting demand have made it harder to pin down consistent values. One issue gaining attention is the growing spread between wholesale and retail pricing. That gap affects how insurance companies calculate settlements — and can quietly reduce what owners receive after a claim.

The Role of Electric Vehicles in Market Risk

Electric vehicles are adding another layer of complexity. Their depreciation patterns have been more aggressive than many buyers expected. For owners who financed EVs at higher price points, this creates additional exposure — a claim filed today may reflect a market value that has dropped faster than anticipated.

What Changes for Insurance Claims

As financial pressure builds in the lending space, the impact shows up directly in claims. The difference between what a vehicle is worth and what is owed becomes a source of friction during settlements. Offers may not reflect the full financial picture, especially when valuation methods rely on limited or outdated data. Without proper context, many owners accept payouts that fall short of their actual loss.

Why Proper Valuation Has Become Essential

In a more unstable market, accurate valuation is no longer a formality — it plays a central role in protecting your financial position. An independent appraisal provides a data-backed view of your vehicle's real market value. This becomes especially important when financing, depreciation, and claim negotiations all intersect. The more volatility there is in the market, the more valuable reliable data becomes.

The Bottom Line

The increase in auto lending risk is reshaping how vehicles are financed, valued, and ultimately settled after a loss. Higher exposure, less predictability, and more financial pressure on vehicle owners are the defining trends of 2026. For anyone with a financed vehicle, understanding these dynamics is no longer optional — it is part of making informed decisions, especially when a claim is involved.

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