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Driven to Debt: Social Reproduction and (Auto)Mobility in Los Angeles

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Driven to Debt: Social Reproduction and (Auto)Mobility in Los Angeles

Jane Pollard, Evelyn Blumenberg, Stephen Brumbaugh • 2020

Issue

Automobile ownership is, for all intents and purposes, necessary for a decent quality of life in metropolitan areas like Los Angeles that have been built around the automobile. Households with regular access to cars can reach many more jobs and manage their personal lives more efficiently than those who rely on other transportation modes. This is especially true for women, who are more likely than men to juggle household responsibilities and jobs, requiring multiple-destination journeys more easily accomplished by automobile than by transit or on foot.

But obtaining and maintaining a personal vehicle is expensive. More than 80% of new car purchases and over half of used car purchases are financed through loans. In fact, auto loans are the third largest source of consumer debt in the U.S. Consumers with credit issues or lower incomes are frequently offered subprime loans with high interest rates. Such deals now account for one-quarter of all auto loans. The costs of these loans are particularly onerous for Angelenos already struggling financially.

There is much to be learned about the growth in subprime lending and the types of policy solutions that could be adopted to reverse this trend. This brief draws lessons from feminist political and economic scholarship and research in the fields of transportation and geography to shed light on auto lending in the context of “the financialization of everyday life.”

Study Approach

The study explores the relationship between gender, race, class, and urban life, using automobile ownership and

predatory lending to expose the fault lines and consequences of inequality. The research investigates how the financial stresses of auto debt can replicate and exacerbate economic inequalities in auto-dependent, unequal cities like Los Angeles.

The researchers provide a comprehensive overview of lenders and borrowers in the subprime auto loan market. Due to difficulties and sensitivities involved in identifying and talking with individual consumers, their analysis centered on testimonies from industry and consumer stakeholders. They conducted interviews with Los Angeles-based car dealers, industry and consumer advocates, and journalists familiar with subprime auto lending. From this primary research came anecdotes, personal views, and data that are often unavailable from other sources. Additionally, to complement these interviews, the researchers reviewed secondary sources, including trade directories, web sources, and industry trade press.

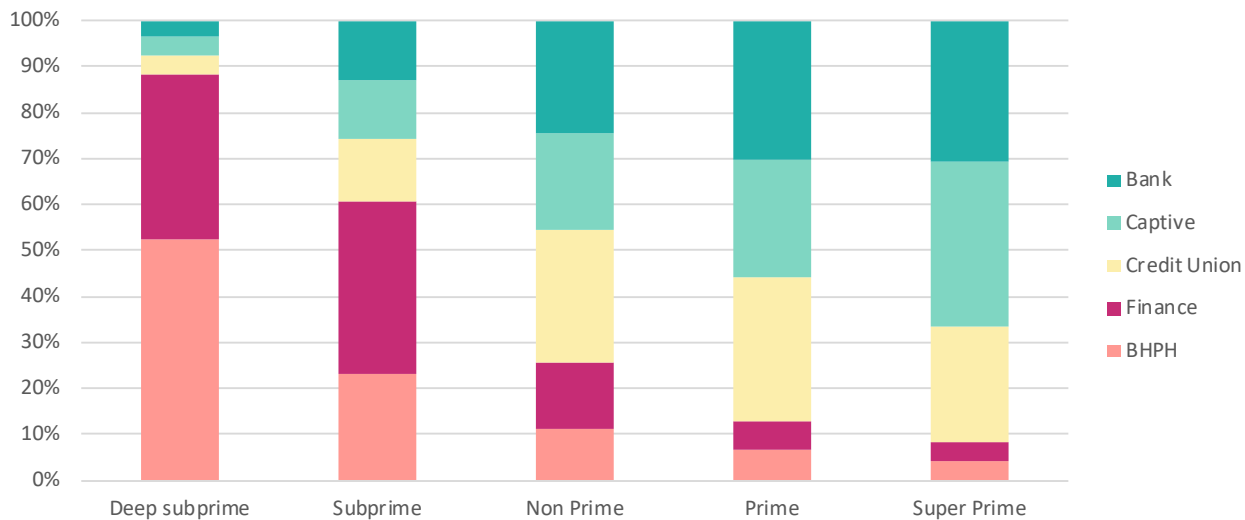
Main Findings

Their findings highlight the role of auto lending in reproducing inequality in cities like Los Angeles:

- Car ownership rates are rising among all population groups in the U.S.
- Most vehicle trips are for personal reasons, particularly for women.
- Subprime auto loans have risen substantially since the 2007-08 housing crash, yet they are understudied.
- “Mom and pop” Buy Here Pay Here (BHPH) dealerships are a significant part of the subprime auto loan market (Figure 1).

Figure 1.

Loan risk distribution by lender type, 2015 Source: Experian 2015



BHPH = Buy Here Pay Here

- New subprime lenders are becoming increasingly visible, operating on a much larger financial and spatial scale than BHPH dealers.
- Aggressive lending practices include prioritizing volume over loan quality, placing low-income customers in expensive vehicles, and targeting women and people of color in poor financial shape.
- Other more unsavory tactics include charging higher interest rates for women and people of color, selling vehicles with hidden defects, and loan packing (loading on add-on products).

The research shows that some unscrupulous lenders are more interested in collecting debt than selling vehicles. In these cases, lenders actively promote debt accumulation, negative equity, and auto loan defaults, often among the most financially precarious households.

Conclusions & Recommendations

Sparked by the housing market crash and the bursting of the subprime mortgage bubble, the 2008 financial crisis demonstrated that such business models not only have serious risks, but also pose dangers for the economy as a whole. Since 2008, the practice of subprime auto lending has expanded with, as the authors note, significant gendered, racialized, and geographical contours. While the authors do

not propose specific policy recommendations, they urge further research into subprime lending practices, the financial lives of subprime borrowers, and the need for affordable credit given the necessity of auto ownership in cities structured around the automobile.

About the Author

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More Information

This brief is based on Pollard, J., Blumenberg, E., & Brumbaugh, S. (2020). Driven to Debt: Social Reproduction and (Auto)Mobility in Los Angeles. *Annals of the American Association of Geographers*. <https://doi.org/10.1080/24694452.2020.1813541>