



**Resource Document**  
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# How to Establish a Risk Management Strategy That Protects Your Business

*A collateral risk management program is an effective part of a lender's overall risk mitigation strategy. Rising purchase and maintenance costs, longer loan terms, and higher premiums and interest rates demonstrate the importance of a risk management program that minimizes losses and protects collateral.*

## Why manage risk with insurance tracking and verification?

*Timely and compliant insurance verification attempts result in lower force placement activity and remain focused on the borrower.*

## Notable 2022 Trends



Purchases prices for collateral and housing continued to rise



Continued increase of personal and commercial automobile deductibles



Rising median home prices combined with rising interest rates



# Looking ahead to 2023, let's evaluate industry trends.

	2019	2020	2021	2022
<b>AUTO</b>				
Total U.S. Consumer Debt Balance (Trillions) <sup>1</sup>	\$13.7	\$14.9	\$15.6	\$16.2
Average Vehicle Loan Amount <sup>2</sup>	\$32,480 (New)	\$35,228 (New)	\$39,721 (New)	\$40,290 (New)
	\$20,446 (Used)	\$22,467 (Used)	\$27,291 (Used)	\$28,534 (Used)
Average New Vehicle Loan Term (Months) <sup>2</sup>	69.28	69.68	69.66	69.46
<b>HOUSING</b>				
Median Home Price <sup>3</sup>	\$327,100	\$358,700	\$423,600	\$440,300
Average Mortgage Debt <sup>4</sup>	\$210,263	\$215,655	\$229,242	Unknown
30-Year Interest Rate <sup>5</sup>	3.7%	2.7%	3.1%	6.9%
Average Annual New Residential Sales (adjusted in thousands) <sup>3</sup>	685	821	720	469
<b>ECONOMIC</b>				
Late Stage (90+ days) Delinquency Rate <sup>4</sup>	6.6%	3.8%	2.5%	Unknown
U.S. Unemployment Rate <sup>6</sup>	3.5%	6.7%	3.9%	3.5%
U.S Median Household Income <sup>7</sup>	\$69,560	\$67,521	\$70,784	Unknown
Consumer Confidence <sup>8</sup>	100.7	98.70	99.2	6.5
U.S. GDP (\$ Billions) <sup>9</sup>	\$21,433.23	\$21,073.20	\$23,315.80	Unknown

The data points to a volatile economy with ongoing consumer and lender constraints. With concerns of a looming recession, these trends indicate the heightened importance of a strong, strategic collateral protection program.

# 5 Reasons Allied Solutions is Your Best Risk Management Partner

With a volatile economic environment, you need to remain informed and review how your current insurance tracking and placement program is working to protect your portfolio. Investing in the right partnership can help navigate the road ahead and manage portfolio risk exposure.



## **Reason #1: We Understand the Economic Environment**

With over 40 years of experience and the lowest false placement rate in the industry, we understand the importance of a proactive CPI strategy. Throughout and beyond the pandemic we have proactively anticipated new challenges, efficiently reacted to our clients' needs, and are committed to being a flexible partner for the road ahead.



## **Reason #2: We Are Proactive in Confirming Insurance Status**

We efficiently confirm insurance coverage with agents and carriers through Electronic Data Interchange (EDI), automated web verifications, and emails prior to asking borrowers to take action.



## **Reason #3: We Protect both Borrowers and Your Portfolio**

At Allied, we have a strong commitment to remain up-to-date on changing regulations, and a process for interacting with regulators. We protect both lenders and consumers by ensuring insurance coverage is consistent and adequate.



## **Reason #4: We Empower Borrower Action**

The goal of our program is for borrowers to take action so that lender placement occurs as a last resort, not a first response. Utilizing predictive analytics and multiple digital channels, we identify low- and high-risk borrowers to increase insurance verifications and minimize contact with low-risk borrowers.



## **Reason #5: We Find a Solution that Meets Business Needs**

Allied Solutions offers proprietary technologies for CPI coverage on vehicle, mortgage, and commercial collateral. Our solutions seamlessly integrate with flood determinations, loan monitoring, insurance tracking, and digital communication solutions. Through expert consultation we help you find the right level of protection for your portfolio.

# About Allied Solutions

Allied Solutions is one of the largest providers of insurance, lending, risk management, and data-driven solutions to financial institutions in the US. Allied Solutions uses technology-based solutions customized to meet the needs of 4,000 banks and credit unions, along with a portfolio of innovative products and services from a wide variety of providers. Allied Solutions is headquartered in Carmel, Indiana and maintains several offices strategically located across the country. Allied Solutions is a wholly owned and independently operated subsidiary of Securian Financial Group.

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## Sources and Citations

- <sup>1</sup> Federal Reserve Bank of New York. Household Debt and Credit Report. Q2 2022.
- <sup>2</sup> Experian. State of Automotive Finance Market. Q2 2022.
- <sup>3</sup> US Census Bureau. Median Household Income. September 2022.
- <sup>4</sup> Experian. State of Credit 2021: Rise in Scores Despite Pandemic Challenges.
- <sup>5</sup> FRED Economic Data. 30-Year Fixed Rate Mortgage Average in the United States. 2022.
- <sup>6</sup> Bureau of Labor Statistics. Unemployment Rate. September 2022.
- <sup>7</sup> United States Census Bureau. Median Household Income. 2022.
- <sup>8</sup> OECD Data. Consumer Confidence Index. September 2022.
- <sup>9</sup> Bureau of Economic Analysis. Gross Domestic Product. 2022.



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