

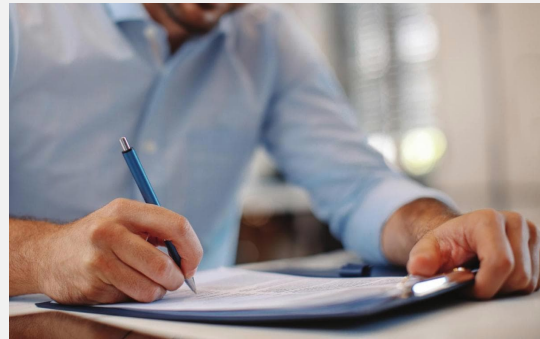
## Negative Equity Is Climbing

Edmunds Q3 Negative Equity Data

Year	Share of New Vehicles Purchased with a Trade-In	Share of Trade-ins with Negative Equity	Average Amount of Negative Equity	Average Trade-in Age (Years)
2024	43.2%	24.2%	\$6,458	3.6
2023	44.4%	18.5%	\$5,808	3.2
2022	45.2%	15.5%	\$4,894	2.9
2021	48.6%	19.4%	\$4,200	3.2
2020	48.3%	31.6%	\$4,964	3.5
2019	45.9%	34%	\$5,251	3.6

Yikes...A recent *Edmunds* article states that negative equity is on the rise and more than 1 in 5 vehicle trade-ins with negative equity are underwater by \$10,000 or more! All those loans made when used car values were highly inflated are now hitting consumers when they want to trade. The same trend that is crushing the GAP market is now making things very challenging for borrowers and lenders. By clicking the button below, you can dive into the full insights of *Edmunds'* Q3 data.

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## Letters of Guarantee (LOG) & Legal Jeopardy

How does the routine and common practice of signing a Letter of Guarantee with your borrower's physical damage insurance company become a legal nightmare for you? Simple. You signed up for it.

As is standard procedure, when a borrower totals his or her car, the insurance company sends the lien holder a summary letter and a document called a Letter of Guarantee (LOG). The Letter of Guarantee details what they will pay in return for releasing the title of the totaled auto. This letter is written by the insurance company and is, naturally, designed to protect their interests; however, it has the potential to jeopardize the interests, legal and financial, of you and your borrower - if you sign it!

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## Auto Lending Industry Outlook

Here is a recent article from *Cox Automotive* that discusses the growing problem of access to credit for auto loans. There have been lots of angst about the financial health of consumers over the last year. Between liquidity challenges and increasing signs of strain on the consumer, many lenders are tightening their lending standards. This is certainly a prudent response but may have a negative impact on consumers that need vehicles to meet their transportation needs. To read the article in its entirety, click the button below.

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### Helpful Hint

#### When Can GAP Be Purchased?

For borrowers navigating challenging financial circumstances, GAP can serve as a lifeline, providing essential support and peace of mind. Notably, GAP coverage can be introduced at any stage of the loan term, as long as the vehicle has not been totaled, making it a flexible and timely solution for those who may require additional financial assistance. This presents a valuable opportunity for lenders to offer GAP coverage. By proactively presenting this option, you can not only help your clients safeguard their investments but also strengthen your relationship with them, fostering a sense of loyalty and satisfaction that ultimately benefits both the borrower and your financial institution.



## GAP Claim Profile

### Oh Boy, It's Expensive To Fix A Bumper!

This Range Rover was in excellent condition and worth around \$54K at the time of loss. The cost to repair the front end from a minor accident (no airbags) was enough to result in a total loss. These nice vehicles come loaded with all sorts of great features and of course, the primary insurance company did not give full credit for them, so we will have to take the time and effort to try to collect the shorted settlement.

The loan was made in June 2024 and the member only made one payment before the accident in August 2024. The member paid just \$499 for GAP with his credit union loan and the Claim is over \$12K. This nice ride will eventually be back on the road as there was no mechanical damage.

## Upcoming Frost Industry Events

- **October 25** - Ohio CU Foundation Clay Classic
- **November 3-6** - Americas Credit Union Lending Conference

## Contest Corner

### October Contest

**1st Prize - Apple Watch Series 10**

2nd Prize- AirPods Pro 2nd Generation

3rd Prize - Belkin Boost Charge Pro 3-in-1 Charging Pod

4th Prize - Apple Air Tags Pack of 4

5th Prize - Homepod Mini



[Click Here for Current Contest Prizes](#)

## Last Month's Winners

1st Prize - BioLite Smokeless Fire Pit

**Winner - Arnol Rojas - OneAz Credit Union, AZ**

2nd Prize - Set of 2 Folding Adirondack Chairs

**Winner - Kyle Kissinger - Union State Bank, KS**

3rd Prize - 3 in 1 Outdoor Porch Swing

**Winner - Hannah Ponce - ACFCU, TX**

4th Prize - Retractable Side Awning

**Winner - Bridget Schalk - Unity Equity Credit Union, IL**

5th Prize - 5G WiFi Bluetooth Projector

**Winner - Antonio Sandy - Democracy Federal Credit Union, VA**

*You can win great prizes by entering our VisualGAP contests! You will be awarded an entry in the contest each time you sell a GAP waiver. The more GAP waivers you sell through VisualGAP, the more opportunities you have to win.*

For fifty years, our success has been based on “listening to our clients and understanding their needs”. Our goal is to become a trusted business partner by delivering solutions that combine old fashioned personal service with best of market products.

~ Frost Team



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