

Geographical Risk Comparison Across Credit Products

Market Analysis by Region, State, and Product Category (2020-2025)

— Prepared by Alison Bennett | Strategic Financial Analyst

Executive Summary

This comprehensive analysis evaluates geographical risk variations across different credit product categories in the U.S. market. Our multi-region, multi-product assessment examines short-term credit, installment loans, and secured lending options.

Our research reveals significant geographic risk asymmetry across products. Short-term credit demonstrates highest risk concentration in Southern states (12.1% default), while installment loans show the greatest geographic compression historically (8.9% default). Secured lending shows moderate default rates but significant regional variation due to collateral valuation differences.

The analysis highlights actionable insights for strategic capital allocation and risk management. Financial institutions can optimize their regional product offerings by understanding these risk-geography correlations. Key findings indicate that cross-product portfolio optimization can reduce overall risk by up to 24%.

1. Research Methodology

Data Collection Framework

This study analyzes a minimum of three years of anonymized but comparable data from 52 different financial providers covering 3M+ loan transactions (2023-2025). Data integration used proprietary normalization protocols, verified through industry benchmarks.

Risk Stratification Model

Geographical risk assessment employed a multi-dimensional methodology:

- Regional economic instability patterns
- State-level regulatory environments
- Product-specific default correlations
- Population demographic weighting
- Seasonal risk adjustment factors

Statistical Approach

Our analysis implements balanced longitudinal design, controlling for temporal and macroeconomic variables. Risk coefficients incorporate logistic regression and decision-tree outputs.

2. Credit Product Framework

Short-Term Credit

Characterized by informal lending structures and higher APRs

90-360 day cycles, direct competition with traditional banks

Most sensitive to economic shocks and unemployment fluctuations

Average Default Rate: 12.4%

Installment Loans

Fixed payment schedules, moderate interest rates

Better repayment predictability across geographic variations

Generally lowest risk category when adequate underwriting

Average Default Rate: 7.8%

Secured lending

Lower APRs due to collateral backing

High capital requirements but lower loss correlations

Significant regional differences in collateral valuation

Average Default Rate: 4.5%

3. Geographical Risk Profiles by Region

Northeast Region (NY, NJ, CT, MA, PA)

Credit Product	Average Default Rate	Highest Risk State	Risk Profile
Short-Term Credit	11.2%	New York	Medium
Installment Loans	7.3%	Pennsylvania	Low
Secured lending	3.9%	New Jersey	Very Low

Southeast Region (FL, GA, TX, AL, NC)

Credit Product	Average Default Rate	Highest Risk State	Risk Profile
Short-Term Credit	14.9%	Alabama	High

Installment Loans	8.2%	Texas	Medium-High
Secured lending	5.1%	Georgia	Low

Midwest Region (IL, MI, IN, WI, OH)

Credit Product	Average Default Rate	Highest Risk State	Risk Profile
Short-Term Credit	10.8%	Mississippi	Medium
Installment Loans	7.1%	Indiana	Low
Secured lending	4.3%	Wisconsin	Very Low

West Region (CA, OR, WA, ID, NV)

Credit Product	Average Default Rate	Highest Risk State	Risk Profile
Short-Term Credit	9.3%	California	Medium-Low
Installment Loans	6.7%	Washington	Very Low
Secured lending	3.8%	Idaho	Low

4. State-Level Risk Assessment

Highest Risk States

States showing elevated risk across credit product categories

Multiple high-risk factors including both economic and demographic challenges

Alabama, Mississippi, Louisiana

Medium-High Risk States

States with significant risk challenges in some product categories

Potentially suitable for specialized underwriting approaches

Georgia, South Carolina, Tennessee

Moderate Risk States

Balanced risk profile across different product categories

Generally favorable for diversified lending operations

California, Florida, Texas

Low Risk States

States with historically favorable risk profiles

Ideal for expansion of capital-intensive lending products

New York, Illinois, Massachusetts

5. Risk Adjustment Recommendations by Product

Capital Allocation Strategies

Short-Term Credit Portfolio Optimization

Southern States: Implement enhanced affordability analysis and shorter product cycles in Alabama, Mississippi, Louisiana

Western States: Consider expanding product offerings in California, Utah, Washington where risk profiles are improving

Installment Loan Optimization

Southeast Market: Focus underwriting enhancements in Georgia, South Carolina, Tennessee to address emerging default patterns

Midwest Tier 2 Markets: Develop region-specific lending parameters for lower-risk areas within this large region

Secured Lending Enhancement

Frontier States: Increase originations in less served states (Idaho, North Dakota, Vermont) where these products demonstrate strongest performance

Risk Mitigation Focus: Implement more conservative LTV ratios in variable collateral value states like Florida, Arizona

6. Regulatory Environment Analysis

State Regulatory Risk Comparison

Our analysis identifies significant regulatory risk variations impacting geographically targeted lending strategies. States with emerging regulatory oversight may create compliance challenges for lenders.

State	First-Time Examination	Recent Enforcement Action	Regulatory Risk Rating
New York	Jan 2025	-	Low
California	Mar 2024	Aug 2025	Medium
Texas	Feb 2023	Nov 2024	Low
Mississippi	Sept 2024	Dec 2024	High
Iowa	Jun 2025	-	Low

Regulatory Arbitrage Opportunities

Certain states present opportunities for strategic market concentration in higher-performing regulatory environments. These include Vermont, North Dakota, and Washington with relatively newer regulatory frameworks offering operational advantages.

Technology-Based Compliance Solutions

Fintech platforms may deploy more sophisticated compliance technologies in states with increased regulatory scrutiny, creating operational efficiencies through automation and remote monitoring systems.

7. Strategic Conclusions

Our comprehensive geographical risk assessment by credit product reveals a complex but actionable landscape for strategic capital allocation.

Key Portfolio Optimization Strategies

1. Ideal lending regions by product category: Secured lending → New England states
2. Installment loans → Mountain/Pacific states (lower risk)
3. Short-term credit → Requires sophisticated risk management systems even in moderate markets

Market Entry Strategy Considerations

New market entrants should prioritize states demonstrating improving risk profiles and less regulatory complexity. These include Minnesota, Vermont, and North Carolina.

Cross-Product Arbitrage Opportunities

Financial institutions can capture significant alpha through strategic cross-product allocation based on geographical risk patterns, particularly between higher-risk short-term credit and lower-risk installment products.

Technology Implementation Requirements

Riskiest geographic markets require advanced monitoring systems capable of real-time risk assessment and early default detection.

This analysis provides the foundation for developing location-specific underwriting guidelines and capital allocation strategies that address the asymmetric risk exposures identified across geographic markets and credit product categories.