

Guaranteed Asset Protection

Sierra Pacific Federal Credit Union

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GAP Overview

WHAT IS GUARANTEED ASSET PROTECTION (GAP)?

Guaranteed Asset Protection (GAP) is a voluntary, non-insurance product designed to waive the remaining loan balance not covered by the borrower's primary insurance carrier settlement in the event of a total loss or unrecovered theft, subject to limitations and exclusions, including but not limited to loan-to-value (LTV) maximum, delinquent payments, late charges, refundable service warranty contracts and other insurance related charges.

GAP covers the difference between the borrower's outstanding loan balance and the actual cash value (ACV) of the vehicle up to the maximum LTV %.

GAP covers up to \$1,000 of the borrower's deductible if there is a "gap" after the primary insurance settlement is paid. The deductible is covered as part of the deficiency balance settlement. It is not paid directly to the borrower. (Not available in NY or AK)

GAP ADVANTAGE

GAP Advantage provides your borrower with \$1,000 towards the financing of a replacement vehicle. To receive the \$1,000, there must be a total loss and a new loan must be made for the replacement vehicle within 90 days from the borrower's primary insurance carrier settlement date or the date of loss if there was no primary insurance.

Please Note: GAP Advantage is not available in all states.

When Can GAP Be Purchased?

GAP may be purchased at any time during the term of the loan, as long as there is a potential GAP benefit to the borrower, and the collateral has not already been totaled or stolen. Coverage will be effective on the date purchased, and will be based on the loan balance, remaining loan term and LTV% based on the MSRP/Kelley Blue Book valuation on the date of purchase.

Realizing The Importance Of GAP

To understand and appreciate the importance of offering GAP to your borrowers, it is important to see the impact of taking a loan without GAP protection.

Assume for example, one year after purchase, a vehicle is totaled. The borrower's primary insurance company pays a claim based on the Actual Cash Value (ACV) of the vehicle, not the outstanding loan balance. Let's take a look at what the claim settlement may look like:

Insurance Settlement:

Vehicle ACV	=	\$11,000
Insurance Deductible	=	\$1,000
Insurance Settlement	=	\$10,000

Loan Settlement:

Outstanding balance	=	\$15,000
Insurance Settlement	=	\$10,000
Deficiency balance	=	\$5,000

With GAP, the deficiency balance, which could include up to \$1,000 of the borrower's deductible, would be waived and your borrower would owe nothing. Without GAP protection, the borrower would remain liable for the \$5,000 deficiency balance.

How Actual Cash Value Is Determined

The borrower's primary insurance carrier determines the Actual Cash Value (ACV) of the vehicle. If the borrower is uninsured, the ACV will be determined by using the Kelley Blue Book value of the vehicle at the time of loss. Adjustments are made for options or equipment, but not for condition or mileage. Since there is no primary carrier involved in determining if the vehicle is a total loss, an appraisal is required from the borrower showing the vehicle is deemed a total loss. If the borrower is unable to produce an appraisal, the lender may provide pictures to Allied Solutions' Claim Office for review by an appraiser for determination of a total loss. When Allied Solutions provides this service for the lender, there will be no charge invoiced to the lender, but the expense incurred will be applied to the lender's losses. The financial institution/borrower is responsible for any loan balance remaining after the GAP settlement is applied.

EXPLANATION OF COVERAGE

GAP Program Parameter Chart

Eligible Collateral	Loan/Lease Eligibility		Coverage Limitations			
	Max Loan Term	Max Loan Amount	Max Term Coverage	Max LTV% (MSRP/Kelley Blue Book)	Delinquent Payments* (Life of Loan)	Debt Consolidation
Autos, Vans, Light Trucks	84 months	\$100,000	84 months	125%	180 days	Excluded
Motorcycles	240 months	\$50,000	84 months	125%	180 days	Excluded
All-Terrain (ATV's)	240 months	\$50,000	84 months	125%	180 days	Excluded
Jet Ski's	240 months	\$50,000	84 months	125%	180 days	Excluded
Golf Carts	240 months	\$50,000	84 months	125%	180 days	Excluded
Snowmobiles	240 months	\$50,000	84 months	125%	180 days	Excluded
Boats	240 months	\$125,000	84 months	125%	30 days	Excluded
Motorhome (RV)	240 months	\$125,000	84 months	125%	30 days	Excluded
Travel Trailers	240 months	\$125,000	84 months	125%	30 days	Excluded

The GAP Amount waived on all eligible collateral shall not exceed \$50,000.
*This includes any lender approved skipped payments.

Eligible Collateral

- 1 Private Passenger Vehicles include: four-wheeled autos, vans or light trucks
- 1 Travel Trailers include: conventional trailers 12 to 35 feet in length with living quarters, fifth-wheel trailers, folding camping trailers, or truck camper units
- 1 Boats include: boats from 7 to 50 feet in length, inboards, outboards, inflatables, jet drives, houseboats, sailboats, stern drives and trailers
- 1 Motor Homes include: recreational vehicles (RV) or motor vehicles equipped with living quarters

Older Vehicles and Classic Cars

If the vehicle is too old to be listed in a Kelley Blue Book publication, an appraisal can be used in determining value. The appraisal must be less than six months old at loan origination and must be done by a certified appraiser. A copy of the appraisal will need to be provided if a GAP claim is filed. **GAP is not recommended for true classic cars, as these tend to appreciate in value rather than depreciate.**

Conversion Vans

Conversion vans are eligible for GAP only if the conversion package was included in the purchase price at the time of the loan. If the conversion is added after the initial purchase, an appraisal will need to be completed in order to determine the new value.

Explanation of LTV Limit

GAP waives amounts up to the maximum LTV listed in the GAP Program Parameter Chart. LTV is determined by dividing the total amount financed by the value of the vehicle (MSRP for new vehicles or Kelley Blue Book value for used vehicles) at the time of loan origination. Be sure to explain to the borrower that GAP does not waive any amount financed above the maximum LTV.

GAP should not be sold to borrowers who are unlikely to derive any benefit from the product, i.e. borrowers with a low LTV wherein there is no potential "gap" to cover.

Delinquent Payments

Means any payment, as described in the installment loan, which remains unpaid for a certain number of days after the due date stated in the installment loan. For example, GAP will cover up to 180 days of delinquent or missed payments on autos, light trucks, and vans. Payments deferred as part of a lender-approved Skip-A-Pay Program are treated the same as delinquent payments. See program parameter chart above for the other collateral delinquent/missed coverage.

Debt Consolidation

Debt Consolidation refers to debts rolled into the vehicle purchase loan unrelated to the vehicle purchase, such as credit card debt or a signature loan, and is covered, by GAP up to the maximum loan-to-value (LTV) percentage of the collateral.

Note: Negative equity from a borrower's previous car loan that is rolled over into the new loan is not considered debt consolidation, and is automatically protected up to the allowed maximum loan-to-value (LTV) percentage.

Negative Equity

Negative equity is when a borrower is upside down in a previous vehicle loan and elects to finance the remaining balance of the first loan into the new vehicle loan. Negative Equity is covered by GAP up to the maximum loan-to-value (LTV) percentage of the collateral.

Non-Purchase Loans

A non-purchase loan is a loan where the funds are not used to purchase a vehicle; however, the lender secures the loan with an eligible collateral title. Non-purchase loans are generally eligible for GAP, up to the maximum loan-to-value (LTV) percentage. Non-purchase loans secured by more than one eligible collateral are not eligible for GAP.

Multiple Collateral Loans

A multiple collateral loan means a loan for which two or more pieces of eligible collateral are secured under the loan agreement. This means that the entire unpaid balance will not be paid in full if this collateral suffers a loss.

We recommend that GAP not be offered on these loans. However, if GAP is offered, a GAP Waiver Addendum should be purchased for each piece of collateral in case a loss should occur on any.

When filling out the GAP Waiver Addendum the amount financed should be the percentage of the loan amount represented by that vehicle, not the entire amount financed. This should be the same amount as listed on the loan agreement.

If either vehicle is totaled or stolen, the outstanding balance at the time of the claim will be adjusted to the percentage of the loan balance secured by that vehicle. The GAP settlement will then be based on the difference between the primary insurance company settlement and this adjusted balance. The remaining amount of the loan that is secured by the other vehicle(s) will still be outstanding.

Refinances, Loan Add-Ons and Modifications

GAP covers the terms of the loan under which it was sold. Therefore, if a loan covered by GAP is refinanced resulting in modifications that increase the loan balance, cause the loan to pay down more slowly, or extend the original loan term, a new GAP Waiver Addendum must be purchased in order for the refinanced loan to be fully protected.

If the borrower chooses not to purchase a new GAP Waiver Addendum at the time of loan modification or refinance, the original GAP Waiver Addendum sold will remain in force, however, it must be understood that in the event of a claim, GAP will not recognize any change and will settle the claim under the terms and conditions of the original loan. The borrower will be responsible for any remaining balance. A note should be added into IQQ under the original GAP sale that references the new loan. In addition to the note, a copy of the original GAP Waiver Addendum should be placed with the new loan documents. Exception: If CPI premium is added to the loan balance and the loan payments have been increased proportionately.

Repossession Coverage

In the event you repossess a vehicle covered by GAP, the protection will continue for up to 60 days after the date of repossession. A total loss or theft that occurs while the vehicle is in your possession is covered by GAP, subject to normal policy limits.

Deductible Coverage

GAP may waive up to \$1,000 of the borrower's auto insurance deductible as part of the GAP claim settlement if an unpaid net loan balance exists after the settlement from the primary insurance carrier. **There must be a deficiency balance in order for the deductible to be covered.**

Compare the two examples below.

Example #1 illustrates GAP settlement with deductible protection. The payment from the primary insurance carrier (\$10,500) was reduced by the amount of the deductible (\$500). The deduction by the primary insurance carrier increases the amount of the GAP so the deductible amount is picked up as part of the deficiency balance (\$4,500).

Primary Insurance Settlement:

Vehicle ACV	\$11,000
Insurance Deductible	\$500
Insurance Settlement	\$10,500

GAP Settlement:

#1: With Deductible Protection	
Outstanding Loan Balance	\$15,000
Insurance Settlement	\$10,500
Deficiency Balance	\$4,500
GAP Waived	\$4,500
Remaining Loan Balance	\$0

Important: In cases where the primary insurance settlement pays off the loan in full, there is no "reimbursement" of the deductible to the borrower. The borrower is not out of pocket for the deductible, and they have been relieved of the debt.

Example #2 illustrates GAP settlement without deductible protection. If deductible protection were not available through GAP, the \$500 deductible would be left on the loan for the borrower to pay. **Important:** In cases where the primary insurance settlement pays off the loan in full, there is no "reimbursement" of the deductible to the borrower. The borrower is not out of pocket for the deductible, and they have been relieved of the debt.

GAP Settlement:

#2: Without Deductible Protection	
Outstanding Loan Balance	\$15,000
Insurance Settlement	\$10,500
Deficiency Balance	\$4,500
GAP Waived	\$4,000
Remaining Loan Balance	\$500

GAP Advantage Benefit

If a borrower experiences a total loss, they may be eligible to receive an additional \$1,000 toward the financing of a replacement with your institution. This \$1,000 benefit will be applied as a credit to the new vehicle loan.

To be eligible, the borrower must finance a replacement vehicle with your institution within 90 days from the date the covered collateral is deemed to be a total loss (the primary carrier's settlement), or within 90 days of the date of loss if there isn't primary insurance coverage, and the claim must be filed within 95 days.

If the borrower's primary insurance settlement pays off the original loan balance in full, the borrower is still eligible for this benefit provided that the conditions outlined above are met. Please see the chart below for replacement vehicle options. Each column outlines what is considered like collateral. For example, if GAP had been purchased on an Auto, the borrower could purchase a Motorcycle for their replacement vehicle.

Autos	ATV's	Watercraft
Light Truck	Jet Skis	Travel Trailer
Vans	Snowmobiles	RV
Motorcycles	Golf Carts	Motor Home

EXCLUSIONS

Please be sure to explain these exclusions to the borrower to help ensure complete understanding of the protection provided by the GAP product.

GAP does not cover:

- | Any refundable additions to amount financed,
- | Interest accrued after the date of loss,
- | Delinquent or missed/skipped payments over the maximum amount allowed, (see program parameter chart above for delinquent/skipped payment coverage)
- | Late charges, fees or funds added after loan inception,
- | Any amounts due to a loan modification or refinance that would increase the balance, cause the loan to pay down more slowly, or extend the original loan term,
- | Any amounts due to the extension of the original loan term resulting from lender-approved, skipped payments,
- | Deductions made by primary carrier for legal expenses or fees, towing fees, salvage purchase, or for prior damage already paid to borrower,
- | Primary insurance deductible,
- | Commercial vehicles titled partially or entirely under a business, used to deliver goods, or carry passengers for compensation (taxi, cabs, and limos); this includes personal car rental services (such as Turo). Uber and Lyft are not considered commercial,
- | Debt Consolidation amounts of the Borrower/Debtor added to the original financing of the vehicle. This exclusion does not apply to Non-Purchase loans or to Debt Consolidation amounts added in a refinance or loan modification (up to the maximum LTV), when a new GAP Waiver is purchased,
- | Any collateral with a branded title such as salvaged, rebuilt or reconstructed, lemon law, buyback or title issued with any other symbol or word(s) signifying a similar branding,
- | Losses due to any dishonest, fraudulent, or criminal act,
- | Any loss resulting from wear and tear, freezing, mechanical or electric breakdown,
- | Leases or Balloon Notes

GAP ADMINISTRATION

Enrolling A Borrower

To complete enrollment of the optional GAP protection, the GAP Waiver Addendum must be completed in full by the loan officer and signed by the borrower. If the loan has a co-borrower, we recommend that the co-borrower also sign the GAP Waiver Addendum. Incomplete forms could jeopardize eligibility for the protection.

Once the GAP Waiver Addendum is completed, distribute:

- ▮ Copy to the borrower
- ▮ Copy to the loan file
- ▮ Copy to Allied Solutions (only if not using an online system or data file to report sales)

Cancellation

All GAP cancellation refunds are netted out of the next remittance report; the next monthly remittance will be less any refund amounts due. Please note, it is the lender's responsibility to initiate a refund of the GAP fee to the borrower in the event of early loan payoff, including the appropriate percentage of any fees retained by the lender at time of sale.

Nonrefundable After 60 Days

A Nonrefundable After 60 Days GAP Waiver Addendum may be cancelled at any time during the first 60 days for a full refund. If a cancellation request is received after 60 days from the GAP effective date, the GAP Waiver Addendum fee is nonrefundable.

Premium Reporting

All GAP enrollments must be reported to Allied Solutions on a monthly basis. **Reporting of covered collateral and payment of premiums are due by the 15th of the month for the previous month's enrollments.** For example, if a GAP Waiver Addendum were signed in September, this would be remitted to Allied Solutions, along with all the other September enrollments, by October 15th.

Payment can be made via ACH or check made payable to Allied Solutions, LLC for the Grand Total of Payment Due listed on the remittance report in iQQ. No other Allied Solutions product or service fee should be included with the GAP payment.

The check should be made payable to:

Allied Solutions, LLC

Attn: GAP Accounting

350 Veterans Way, Suite 200

Carmel, IN 46032

Changes To The GAP Waiver After Remittance

If a change to the collateral or loan information needs to be made after the GAP sale has been remitted to Allied Solutions, please contact (800) 981-5689, or via cssc@alliedsolutions.net. The following changes require documentation: entire vehicle being switched (year/make/model), amount financed, term, and release of co-borrower. Acceptable documents include: Security Agreement, Loan Modification Form, Collateral Identification and Subsequent Action Form.

GAP Claims on CenterPoint

CENTERPOINT LOGIN

Go to <https://centerpoint.alliedsolutions.net/Account>, enter your assigned **username** and **password** and click **Sign in**. Credentials are case sensitive.

If you need assistance with your CenterPoint credentials or getting access, please contact your financial institution's CenterPoint System Administrator.

If you do not know who the CenterPoint System Administrator is, contact Allied's CenterPoint support team at techsupport.cp@alliedsolutions.net

FILING A GAP CLAIM

Claim Widget

On the front page, choose **GAP** from the **Policy Type** dropdown, choose a **Claim Type** (GAP, GAP Advantage or Total Loss, as applicable for your institution) from the dropdown, enter the **VIN**, then click **Start a Claim**.

Start a search

File a New Claim

Enter your policy type, claim type, and VIN to begin. Keep in mind that different policies allow you to submit different types of claims.

Policy Type

- Select a policy type
- CPI
- GAP**
- REPO PLUS

Claim Type

- Select your claim type
- GAP**
- Gap Advantage

VIN

Start A Claim

Complete the Claim Form

- 1 If the VIN is found, the claim form will be populated with the borrower and collateral information.
- 1 VINs for GAP sales that have not yet been remitted and processed by Allied Solutions will not be found. If the VIN is not found, a message will display that the loan couldn't be found and a blank claim form will display. Fill out the **required fields**. Optional fields are indicated.
- 1 For **Collateral Details**, please select the closest make/model and enter the **Vehicle Identification Number (VIN)**.

The screenshot shows the 'Collateral Details' section of the claim form. It contains four input fields: 'VIN' with the value '1g1bbt5d0110719', 'Year' with a dropdown menu showing 'Select a Year', 'Make', and 'Model'.

- 1 Using the drop-down boxes, select **GAP** for the **Policy Type** and make the appropriate selection for **Claim Type** (GAP, GAP Advantage or Total Loss Assistance, as applicable for your institution).
- 1 If the settlement check needs to be sent to a specific location, please enter a note in the **Claims Comments**. Include payable to and address.

The screenshot shows the 'Policy Information' section of the claim form. It contains four input fields: 'Policy Type' with a dropdown menu showing 'GAP', 'Claim Type' with a dropdown menu showing 'GAP', 'Next Due Date' with a date picker showing 'mm/dd/yyyy', and 'Date Of Loss' with a date picker showing 'mm/dd/yyyy'. Below these fields is a 'Claim Comments' text area with a character count of '255 characters remaining (Optional)'.

- 1 A **Confirmation Email** will be sent to the address entered under **Submitter Information**.
- 1 Check that you **certify the information is accurate**.
- 1 Click the **Next** button to file the claim.

The screenshot shows the 'Review and Certify' section of the claim form. It contains two input fields: 'Submitter's Name' and 'Receive email updates about this claim'. To the right of these fields is a checkbox and a paragraph of text: 'I certify this information is correct, and I have read and acknowledge the specific Fraud Warning for the state in which the claim is being made. I understand any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.'

Confirmation and Attachments

You will be taken to the confirmation page that will allow required documents to be attached. Drag file to the drop area or click browse to search for attachments. (Individual file size limit of 20mb)

Required Documents

The following documents are required for **GAP** claims:

- | **Finance Contract** – copy of original
- | **Signed GAP Waiver Addendum** – all pages
- | **Payment History Record** – complete record
- | **Auto Physical Damage Worksheet and Check** – the amounts need to match
- | **Color Photos** – from primary insurance claim adjuster
- | **Original Appraisal** – from insurance claim adjuster which totaled the vehicle
- | **Police Report** – if unrecovered theft
- | **Mechanical Breakdown Protection (MBP) or Service Contract Refund** – if applicable
- | **New loan agreement** – for the borrower's replacement vehicle, if also filing a GAP Advantage claim
- | **Bill of Sale** – upon request
- | **GAP Claim Reporting Form** (optional)

If your financial institution utilizes Allied's **Total Loss Assistance** service in advance of a GAP claim, the following documents are required:

- | **Total Loss ACV Valuation**
- | **Settlement Breakdown**
- | **Color Photographs of the Collateral, if available**
- | **Appraisal and/or Estimate, if available**

You may attach any of the available required documents for the subsequent GAP claim with the Total Loss claim documents.

If your financial institution sells GAP Advantage, the following documents are required for a **GAP Advantage** claim:

- ▮ **New loan agreement*** – for the replacement vehicle
- ▮ **Finance Contract** – copy of original for total loss vehicle
- ▮ **Auto Physical Damage Worksheet and check**

**This is the only document needed if a GAP claim was filed prior*

Attach a file and enter the **file description**. If you have additional files to attach, repeat the previous steps.

Once you have finished uploading your documents click the **Finish** button.

If no documents are attached, the adjuster will try to contact the lender three times. If there is still no response, the claim will be closed and the lender will be notified. A new claim will have to be filed.

Claim Acknowledgement Letters

After clicking on the **Finish** button, the claim has been submitted. An acknowledgement letter is sent to the borrower and lender to confirm receipt of the claim within 1-2 business days.

SEARCH WIDGET

Note: Only the 'GAP Enrollments' and 'Claims' tab have application to GAP.

GAP Enrollments Search

Users set up with 'Claims User' and 'GAP Enrollment' roles may search for their financial institution's GAP enrollments that have been remitted and processed by Allied Solutions. On the Home page, click **Search**. A **Search Results** screen will display. Click on **GAP Enrollments**, then you can click to **File a Claim**.

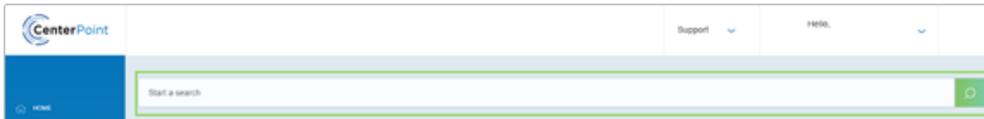


Claims Search

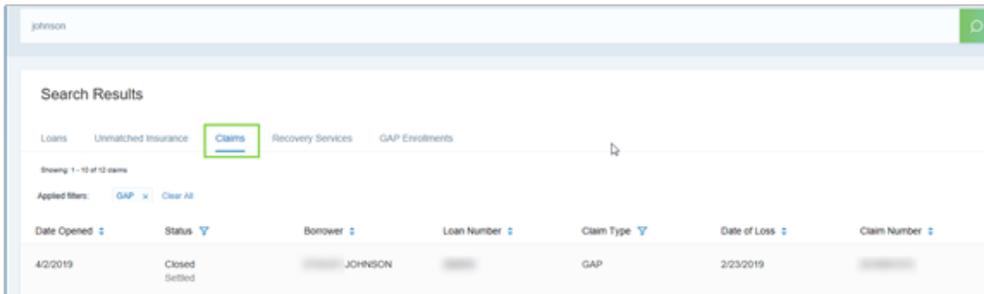
You can search for a previously submitted claim, by clicking **Claims** and entering any of the following into the search bar:

- | Borrower Name
- | Borrower Address
- | Loan Number
- | Property Address
- | VIN
- | Collateral Description
- | Policy Number
- | Notice Reference ID
- | Confirmation Number

Enter the criteria and click on the magnifying glass.

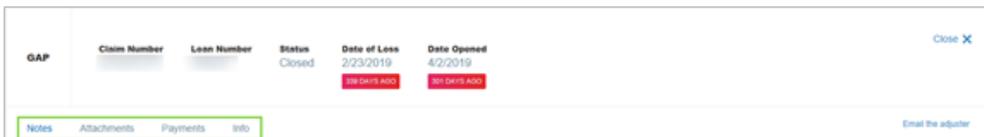


The results will display. Click on the **Claims** tab. All the claims matching the search criteria will display.



You can sort the results by clicking on any of the column headers. Columns with a funnel icon next to them will allow you to filter the results displayed in that column.

Click on the desired record to display the details about it. There are tabs for Notes, Attachments, Payments and Info. Click on them as needed to see the associated information.



CenterPoint Support

Click on Support on the upper bar for additional resources. Links to Claims Chat is listed here now also.

If you need additional assistance, contact our CenterPoint support team at techsupport.cp@alliedsolutions.net.



Understanding Claims Settlement

CLAIMS SETTLEMENT

All claims are settled after satisfactory proof of loss and submission of all necessary documentation.

GAP Claim Severity	\$2,500 or Less	\$2,501 - \$4,999	\$5,000 or more*
Claim Cycle Time	10 – 12 days	10 – 14 days	10 – 21 days

*Claims over \$5,000 are reviewed for recovery and require additional assessment. These claims cannot be paid without all required documentation from the insurance carrier.

GAP Settlement Calculation

Upon receipt of a GAP claim, the GAP claims adjuster will first determine the maximum LTV % per the GAP Waiver Addendum that was issued to the borrower. The bottom of page 1 and top of page 4 of the GAP Waiver Addendum explains the limits of liability and which valuation guide is being used (Kelley Blue Book).

In this example, the maximum LTV is 125% using NADA.

GAP Waiver Addendum (page 1)

*LTV % is based on the total amount financed inclusive of any ancillary products financed, and will be confirmed for accuracy by calculation performed by the GAP administrator at time of claim. The amount financed at loan origination exceeding 125% of the Manufacturer's Suggested Retail Price (MSRP) on new Eligible Collateral, or 125% of National Automobile Dealers Association (NADA) Official Used Car Guide on used Eligible Collateral will not be waived under this GAP Waiver Addendum. If GAP is purchased at the time a loan is modified, refinanced, or any time after loan origination, the LTV % is calculated as of the GAP Effective Date.

GAP Waiver Addendum (page 4)

Additionally, this Waiver does not include the following:

- Any refundable additions to amount financed.
- Interest accrued after Date of Loss.
- Delinquent Payments or any missed payments more than 30 days past due on Eligible Collateral.
- Late charges, fees or funds added after Installment Loan inception.
- Any amounts due to an Installment Loan modification or refinance that would increase the balance, cause the Installment Loan to pay down more slowly, or extend the original Installment Loan term.
- Any amounts due to extension of the original Installment Loan term resulting from Lender approved Skipped
- Deductions made by Primary Insurance carrier for legal expenses or fees, towing fees, storage fees, salvage purchase, or for prior damage that has already been paid to you.
- Primary Insurance deductible in excess of \$1,000.
- Portion of the original Installment Loan amount that exceeds 125% of MSRP on new Eligible Collateral, or 125% of NADA Clean Retail on used Eligible Collateral, including amounts financed for ancillary products. If GAP is purchased at the time a loan is modified, refinanced, or any time after loan origination, the LTV % is calculated as of the GAP Effective Date.

Note: if GAP is purchased at the time a loan is modified, refinanced, or any time after loan origination, the LTV % is calculated as of the GAP effective date.

Determining The Retail Value Of The Vehicle

Using the information provided by the financial institution in conjunction with the Loan Security Agreement and appraisal, the claims adjuster will use a valuation guide (Kelley Blue Book) to determine the retail value for the vehicle(s) as of the GAP effective date.

Determining The Maximum Of Liability

Using the retail value of the vehicle as of the date of purchase along with the maximum LTV %, the adjuster is now able to determine the maximum limit of liability of the loan.

In this example, the equation to determine the maximum limit of liability would be as follows:

$$\mathbf{\$25,500 \text{ (retail value)} \times 125\% \text{ (maximum LTV)} = \mathbf{\$31,875 \text{ (maximum limit of liability)}}$$

Now that the maximum limit of liability has been determined, it will be compared to the total amount financed found on the Loan Security Agreement. If the total amount financed is less than the maximum limit of liability, the loan is amortized based on the terms of the loan contract and history to calculate the GAP payment (see *GAP Claims Settlement Worksheet section*).

Example Loan Security Agreement

ANNUAL PERCENTAGE RATE: The cost of your credit as a yearly rate. 5.16%	FINANCE CHARGE: The dollar amount the credit will cost you. \$5,028.28 e	Amount Financed: The amount of credit provided to you or to your behalf. \$25,500.00	Total of Payments: The amount you will have paid after you have made all payments as scheduled. \$38,635.66 e	Total Sale Price: Total cost of your purchase on credit, including your down payment of \$ \$
Your payment schedule will be:				
NUMBER OF PAYMENTS	AMOUNT OF PAYMENTS	WHEN PAYMENTS ARE DUE		
65	\$550.51	Monthly	2-1-2015	
1	\$550.42 e		7-1-2020	
Security: You are giving a security interest in: <input checked="" type="checkbox"/> The goods or property being purchased. <input checked="" type="checkbox"/> Your shares and/or deposits in the credit union Collateral for other loans will also secure this loan. <input type="checkbox"/> Other Describe:				

OVERLOANS

An **overloan** occurs when the total amount financed divided by the retail value of the vehicle exceeds the maximum limit of liability based on the maximum loan-to-value percentage (LTV %) allowed under the GAP Waiver Addendum.

Once a loan has been determined to be **overloan**, the GAP claims adjuster will re-amortize the loan in order to determine what the starting balance of the loan *should have been* based on the maximum limit of liability.

Let's look at another example:

$$\mathbf{\$9,325 \text{ (retail value)} \times 130\% \text{ (maximum LTV)} = \mathbf{\$12,122.50 \text{ (maximum limit of liability)}}$$

So, if the amount financed was **\$13,065.50**, since it is greater than the **\$12,122.50** maximum limit of liability covered by the GAP Waiver Addendum, it would be considered an **overloan**.

The actual LTV % for this overloan is determined by dividing the total amount financed by the clean NADA retail value as of date of purchase.

$$\mathbf{\$13,065.50 \text{ (total amount financed)} / \$9,325 \text{ (retail value)} = 140\% \text{ LTV}}$$

GAP Claim Amortization Calculation For Overloan

To determine what the starting balance should have been as of the date of loss, the adjuster uses an amortization calculator in conjunction with the maximum limit of liability (example \$12,122.50) and the Security Agreement (loan terms and conditions).

The Loan Security Agreement in this case states the payment start date was 04/29/2018. The date of loss was 07/20/2019. Using these dates along with the amortization calculator there should have been 16 payments made by the borrower as of the date of loss. The outstanding loan balance as of the date of loss used to calculate the GAP claim is now **\$9,156.28**.

DISCLOSURES REQUIRED UNDER THE FEDERAL TRUTH IN LENDING ACT		
ANNUAL PERCENTAGE RATE:* 4.590%		
The cost of my credit sale as a yearly rate.		
FINANCE CHARGE: The amount my credit sale will cost me: ** \$ 2,646.50		
Amount Financed: The amount of credit provided to me or on my behalf. \$ 13,065.50		
Total of Payments: The amount I will have paid after I have made all payments as scheduled. \$ 14,712.00		
Total Sales Price: The total cost of my purchase on credit (including my down payment of \$ N/A) \$ 14,712.00		
Payment Schedule: My credit sale is repayable as follows:		
Number of Payments	Amount	When Payments Are Due
59 equal installment payments	\$ 245.00	Monthly beginning 04/29/18
One final payment of	\$ 254.00	Due on 03/29/23
Late Charge: If a payment is late more than 27 days, I will be charged 30% of the interest due with a minimum charge of \$05.		

NORMAL AMORTIZATION SCHEDULE				
	Monthly Payment	Interest Paid	Principal Repaid	Outstanding Principal
0	226.50			12,122.50
1	226.50	46.37	180.13	11,942.37
2	226.50	45.68	180.82	11,761.56
3	226.50	44.99	181.51	11,580.05
4	226.50	44.29	182.20	11,397.84
5	226.50	43.60	182.90	11,214.94
6	226.50	42.90	183.60	11,031.35
7	226.50	42.19	184.30	10,847.04
8	226.50	41.49	185.01	10,662.04
9	226.50	40.78	185.71	10,476.32
10	226.50	40.07	186.42	10,289.90
11	226.50	39.36	187.14	10,102.76
12	226.50	38.64	187.85	9,914.91
13	226.50	37.92	188.57	9,726.34
14	226.50	37.20	189.29	9,537.04
15	226.50	36.48	190.02	9,347.02
16	226.50	35.75	190.74	9,156.28
17	226.50	35.02	191.47	8,964.81
18	226.50	34.29	192.21	8,772.60
19	226.50	33.56	192.94	8,579.66

WHAT IS A MULTIPLE COLLATERAL LOAN?

A multiple collateral loan means an installment loan secured by two or more pieces of eligible collateral. The entire unpaid net balance will not be paid in full if the collateral listed on the GAP Waiver Addendum suffers a loss. In the event of a multiple collateral loan, we will not pay more than a proportionate share of the total unpaid net balance that each piece of eligible collateral represents to the total loan. The borrower will be responsible for the remaining amount of the unpaid net balance that is secured by the other collateral.

Determining The Retail Values Of The Vehicles

Using the information provided by the financial institution in conjunction with the Loan Security Agreement and appraisal, the claims adjuster will use a valuation guide (Kelley Blue Book) to determine the retail value for the vehicles as of the GAP effective date.

Pull the Retail Value for both vehicles

• Vehicle 1	\$19,895.00
• Vehicle 2	\$64,195.00
Total Value of Both	\$84,090.00

Assigning Percentage Of Amount Financed To Each Vehicle

To determine the percentage of the loan each vehicle represents:

First divide the NADA by the total retail value.

• Vehicle 1	$\$19,895.00 / \$84,090.00 = .24$ (24%)
• Vehicle 2	$\$64,195.00 / \$84,090.00 = .76$ (76%)
	\$84,090.00 1.00

Then multiply the percentage of the vehicle by the total amount financed.

Amount Financed \$82,053.26

• Vehicle 1	$\$82,053.26 \times .24 = \$19,693.00$
• Vehicle 2	$\$82,053.26 \times .76 = \$62,360.26$
	\$82,053.26

Determining Percentage Of The Current Loan Balance For Each Vehicle

In order to determine what portion of the balance is attributable to the vehicle on which the claim is being made, the total loan balance on the date of loss is multiplied by the percentage of the amount financed assigned to each vehicle.

Loan Balance on Date of Loss:	\$62,433.07
Total Loss Vehicle 1:	$\\$62,433.07 \times .24$ (24%) = \$14,983.00
Vehicle 2	$\$62,433.07 \times .76$ (76%) = \$47,450.07

Determining The Maximum Limit Of Liability

Using the retail value of the vehicle as of the date of purchase along with the maximum LTV %, the adjuster will be able to determine the maximum limit of liability of the vehicle on which the claim is being made.

Total Loss Vehicle 1: Retail value \$19,895.00 x 125% = \$24,686.75 maximum liability

The maximum limit of liability will be compared to the actual amount financed.

Amount financed (secured by Vehicle 1): \$19,693.00

Amount financed \$19,693.00 / Vehicle value \$19,895.00 = **99% LTV**

The amount financed secured by Vehicle 1 is less than the maximum limit of liability for Vehicle 1. Had the amount financed exceeded the maximum limit of liability, this would have been considered an **overloan**, and the GAP payment calculation would be processed as outlined in the GAP Claim Amortization Calculation for Overloan section.

Verification Of Completed Claims

Allied Solutions reviews completed GAP claims to verify the accuracy of the total loss settlement by the primary insurance carrier. In some cases, the insurance carrier left off certain options and features which lessened their settlement amount, resulting in a larger GAP payment by us. To recover the overpaid amount, Allied Solutions pursues recoveries from the primary insurance carrier. Recovered claim dollars from the total loss insurance carrier will be credited against your GAP loss experience to help maintain a healthy loss ratio and stabilize GAP rates.

In most cases, the overpayment will be sent to Allied Solutions. However, there may be times the check will be mistakenly sent to you by the primary insurance carrier. If this occurs, we ask for your cooperation in sending payment back to Allied Solutions when you receive it.

Learn More

UNINSURED BORROWERS

If a borrower is uninsured at the time of total loss, GAP covers the difference between the actual cash value of the vehicle (ACV) and the outstanding loan balance. The ACV is determined using Kelley Blue Book at the time of loss. Adjustments are made for options or equipment, but not for condition or mileage.

Since the primary carrier's settlement is not involved in determining if the vehicle is a total loss, an appraisal from a licensed appraiser is required from the borrower verifying the vehicle to be a total loss. If the borrower does not want or cannot find an appraiser, Allied Solutions can provide the name and contact of the appraisal firm Allied Solutions uses and the lender or borrower can obtain the appraisal; or Allied Solutions can arrange the appraisal and have it directed back to the Allied Solutions claims adjuster. If the lender or borrower obtains the appraisal, they would be charged directly by the appraisal company. If Allied Solutions obtains the appraisal, it will be paid by Allied Solutions and charged against the lender's loss experience.

VEHICLE VALUATION DETERMINATION (NEW VS USED)

Vehicle valuations should be obtained on the GAP effective date based on VIN, mileage and applicable documented vehicle options using the appropriate valuation program for your institution's GAP program (Kelley Blue Book). MSRP should only be used as the valuation when there are no other valuations available.

Following the above procedure does not guarantee a settlement based on the actual valuation amount that was obtained, as other factors that impact the value such as vehicle options must be verified. Valuations for the GAP effective date will be verified at time of claim as outlined in this guide, and the appropriate vehicle valuation will be applied to determine the available GAP settlement.

If the original vehicle valuation was obtained on the GAP effective date based only on year, make and model rather than VIN, the vehicle valuation for the GAP effective date will be obtained at time of claim using the VIN, and the valuation amount returned will be used to determine the available GAP settlement.

LOAN-TO-VALUE (LTV) AND ANCILLARY PRODUCTS

When a claim is filed, the GAP claims adjuster will validate the LTV percentage as of the GAP effective date. The maximum limit of liability is calculated by dividing the total amount financed by the value of the vehicle as of the GAP effective date. The amount financed used in the LTV calculation is the total amount financed including all ancillary products.

LOAN AMORTIZATION ON LOANS WITH OTHER THAN MONTHLY PAYMENTS

GAP Waiver Addendums are sold in terms of months, and payments scheduled more frequently than monthly (bi-weekly, weekly) will be converted to monthly during claim processing in order to determine coverage and settlement.

Loans with scheduled payments less frequently than monthly are not eligible for GAP.

GAP COVERAGE WITH COLLATERAL PROTECTION INSURANCE (CPI) IN FORCE

CPI acts as the "primary carrier." If there is still an outstanding balance after the CPI payment is applied to the loan, the lender should file a GAP claim. GAP will be settled based on the terms of their GAP Waiver Addendum, factoring in the normal exclusions, one of which is the CPI premium that was added to the loan and the impact that had on the loan amortization.

GAP COVERAGE WITH CREDIT INSURANCE OR DEBT PROTECTION

If single premium credit insurance is added to the loan, any refundable portion would be deducted from the GAP settlement. With monthly outstanding balance the premium charged monthly varies because it is based on the loan balance at the time premium is added. If the CL/CD premium is added monthly into the loan, this is covered by GAP in the outstanding loan balance. GAP does not cover CL/CD added to the loan after inception when the lender has not increased the monthly payment to pay it off within the estimated loan term.

However, in the case of an overloan (amount financed exceeds the maximum LTV limit covered by GAP), the loan balance as of the date of loss is reamortized from inception starting with the maximum limit of liability. If the loan payments originally were not increased enough to cover the monthly CL/CD premium, the GAP settlement will be based on the amortized balance, which will be lower than the actual balance. Therefore, there will still be a balance remaining after the GAP payment has been applied.

GAP ISSUANCE AND CLAIMS PROCESS FOR PRE-APPROVAL DRAFTS

1. At the time the pre-approval draft is issued, the borrower's election of GAP must be documented via acknowledgement on the draft or on a GAP quote document dated to match the pre-approval draft issuance date.
2. Upon receipt of the pre-approval draft documents from the dealer, the financial institution will issue the GAP sale through iQQ, backdating the effective date to match the date of pre-approval draft. Institutions are able to backdate up to 45 days. Beyond 45 days, please contact the GAP team at for assistance.
3. A claim should not be filed until the GAP sale has been issued in iQQ. Doing so will result in initial denial.
4. In the event of a total loss, the financial institution should submit a copy of the pre-approval draft, the backdated GAP Waiver Addendum that was issued in iQQ and the loan agreement (which may likely have a different effective date than the pre-approval draft), along with all other documents normally required when submitting a GAP claim.

Note: If your institution provides the Auto Advantage Program with ADR as a complimentary benefit with the purchase of GAP, the effective date of the program will be the date the documents are finalized and issued in iQQ. Backdating will not be applied, and may therefore have a different effective date than GAP.

AUTO ADVANTAGE AUTO DEDUCTIBLE REIMBURSEMENT (ADR)

ADR claims are filed by the covered borrower directly with the provider, AssurancePlus. For instructions on how to file an ADR claim or for more information on ADR, please see the Auto Advantage (ADR) Display Card located under Forms & Documents.