



DAVID CRAIG

STATE SENATOR

Senate Committee on Financial Services, Constitution and Federalism
Public Hearing, January 9, 2018
Senate Bill 586
Senator David Craig, 28th Senate District

Dear Chairman and Committee Members,

Thank you for taking testimony on Senate Bill 586 relating to guaranteed asset protection (GAP) products sold in connection with vehicle credit sales, loans, and consumer leases.

GAP products typically involve a loan for a car. The product is designed to protect consumers by offering protection between the value of the car at the time of a total loss by damage or unrecovered theft and the balance owed on the loan. A GAP product is not a requirement for the purchase of a vehicle and may be canceled by the borrower at any time without a penalty or fee. If a customer wishes to purchase this product they will have to sign a separate document affirming their intent after receiving written disclosure of the cost and term of the product.

This legislation builds off of a guidance letter issued by the Department of Financial Institutions (DFI) from 2015 stating DFI approved of GAP product sales and the legislation before you seeks to codify it into state law.

Thank you for allowing me to testify on this important piece of legislation. I am happy to take any questions from committee members.



State of Wisconsin
Department of Financial Institutions

Scott Walker, Governor

Ray Allen, Secretary

Wisconsin Consumer Act
Guaranteed Asset Protection ("GAP") Products

(Applicable only for non-depository institutions)

The Department approves the practice of assessing a charge for GAP when sold as debt cancellation agreements in connection with credit sales and loans, if the conditions listed below are met. This approval is made under our authority contained in s. 426.104(4), Wis. Stats.

- 1) The GAP is not required by the creditor and that fact is clearly and conspicuously disclosed in writing to the customer.
- 2) Any customer desiring GAP gives a specific, separately signed, affirmative written indication of the desire after receiving written disclosure of the cost and term of the product.
- 3) In connection with a credit sale and to comply with s. 422.303(1), Wis. Stats., the disclosure requirement under condition (1) and the customers' separately signed written affirmation of their desire to acquire the GAP, along with the cost and term of the GAP, are incorporated within the installment sales contract.
- 4) The GAP agreement indicates that the GAP agreement is between the customer and the creditor that sold the GAP, and after any assignment, between the customer and assignee.
- 5) The GAP agreement may be cancelled at any time by the customer without penalty. The GAP agreement terminates no later than the earliest of the following events; 1) cancellation by the customer, 2) payment in full of the related credit transaction, 3) expiration of any redemption period after a repossession or surrender of the related collateral, 4) upon total loss of the covered collateral after the gap amount is waived or it is determined that no gap amount exists. GAP agreements may also be terminated by the creditor upon other events (e.g., default) that occur earlier than the above events if the GAP agreement so states. If any termination occurs within 30 days of the GAP purchase, the customer is entitled to a full refund of the GAP cost or a full credit of the GAP cost plus the amount of applicable finance charges. If any termination occurs after 30 days, the customer is entitled to a refund/credit of a portion of the GAP cost. At the minimum, the refund allowed shall be calculated by a method no less favorable to the customer than the monthly "Rule of 78." No cancellation fee or similar fee may be assessed. If a GAP benefit has been or will be paid no refund is required. Cancellation provisions shall be disclosed in the GAP agreement. When calculating the refunds for the unearned GAP charges on agreements that contract for the "Rule of 78" method, refunds shall be based on the number of full months earned from the contract date to the actual termination date, counting a fractional month of 16 days or more as a full month. When calculating the refunds for the unearned GAP charge on agreements that contract for a Pro Rata refunding method and a monthly Pro Rata method is used, the number of full months earned shall be counted in a similar manner.

- 6) Upon any termination, the creditor shall make an appropriate refund/credit of the GAP charge or shall cause to be made an appropriate refund/credit by instructing in writing the appropriate party to make such refund/credit.
- 7) The gap agreement complies with the Wisconsin Consumer Act and all terms and conditions are reasonable.

History: Issued 6-6-94, Revised 8-1-04, 10-10-05, 6-5-08, 7-1-15

Important Information:

If the collateral is not covered by Primary Insurance, the Lender will only waive the GAP amount (the difference between the Collateral's Actual Cash Value and the unpaid Net Balance of the loan agreement at the time of loss). This GAP Waiver does not include (1) any refundable additions to amount financed, (2) interest accrued after the Date of Loss, (3) deferred or Missed Payments more than 30 days past due, (4) late charges, fees, extensions and/or funds added after the Loan Agreement inception, (5) primary Insurance deductible more than \$500*, or (6) primary Insurance benefits or other third-party payments already paid to you.

Your purchase of GAP Waiver is optional. It is not a condition for obtaining a loan with OneMain Financial and does not affect the credit decision process.

No waiver will be made (1) if the loss occurred prior to the Effective Date of this Waiver, (2) if the Insurance settlement is equal to or greater than the Unpaid Net Balance, or (3) for losses caused intentionally by you.

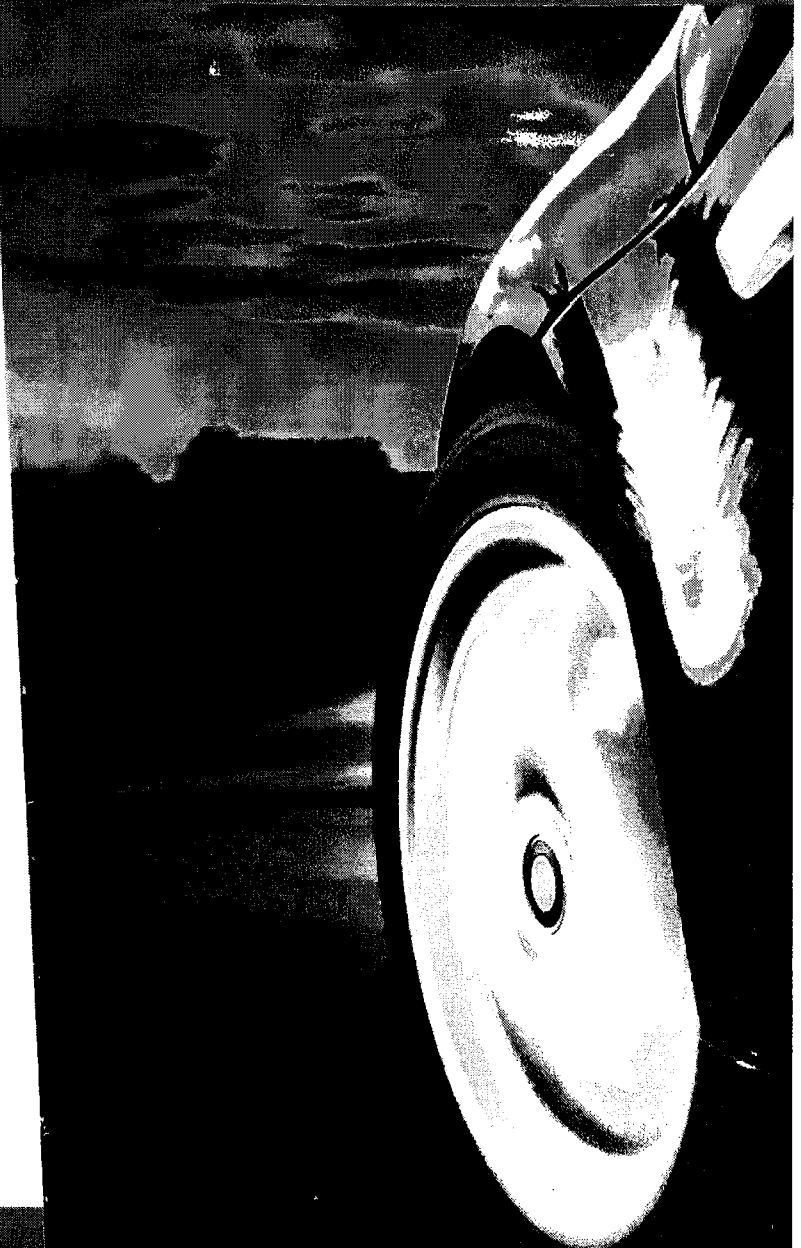
This brochure is intended to provide a general description of some of the benefits of GAP Waiver coverage. **This is not a substitute for the details of the coverage, exclusions or limitations of the GAP Waiver.** Please talk to your branch representative and/or refer to the GAP Waiver should you have any questions about the coverage.

The OneMain Financial GAP program is administered by OneMain Alliance, LLC (P.O. Box 2548, Fort Worth, TX 76113).

*Primary insurance cover deductible coverage is prohibited for installments made on loans originating in New York.

077-00022

OneMain GAP Waiver



 OneMain Financial

OneMain GAP Waiver

How GAP Waiver Works:

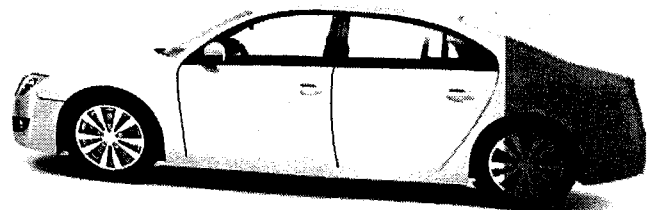
If you suffer a total loss while you are still paying on your vehicle, your automobile insurance may only pay the actual cash value leaving you with a loan balance.

Guaranteed Asset Protection (GAP) coverage will waive the difference between the insurance settlement and the net loan balance you owe at the time of loss.

GAP coverage can...

- Waive your primary insurance deductible up to \$500
- Waive covered losses up to \$50,000
- Provide protection for vehicles financed up to \$100,000
- Provide coverage only for losses that occur during the original loan term

Loan Payoff	\$15,000
Insurance Settlement	- \$11,000
Difference Owed	\$4,000
Total GAP amount waived	- \$4,000
Out-of-pocket expenses	\$0



Car insurance payout

GAP payout

This is only a representation of how GAP coverage works. The amount of the loan that is waived will depend on your specific situation.