

GAP is a valuable and popular loan protection product that is designed to help protect auto loan borrowers and provide peace of mind. However, some recent industry news has highlighted the risk of sloppy marketing/sales tactics and reinforces the importance of marketing/selling GAP appropriately and accurately.

The following list of “Do’s” and “Don’ts” will help ensure that your borrowers understand the product they are buying, and help keep your institution out of legal and regulatory hot water. ***Please share these best practices with your lending, marketing and compliance colleagues at your institution.***



Lenders should use the following list of “Do’s” and “Don’ts” as a starting point when marketing auto protection products like GAP to their borrowers. We encourage lenders to review all marketing collateral and channels, including your website, product brochures, branch posters and staff sales scripts, to ensure compliance with these best practices.

## GAP Do’s and Don’ts

**DO: Include appropriate disclosures** – Along with highlighting the significant benefits of GAP in all your marketing materials, make sure to **clearly** and **prominently** represent the **costs, restrictions, limitations** and **conditions** of this voluntary protection product. These disclosures should be easy to locate and read within the marketing collateral, and printed in a font size no smaller than the rest of the text.

**Lender Action** – Add required disclosures to all GAP marketing materials and ensure it is clear and prominently placed.

**DON’T: Market GAP as “insurance”** - Guaranteed Asset Protection, or “GAP,” is a voluntary, non-insurance program that may be included as an addendum to the borrower’s loan agreement. GAP is designed to help “waive debt” in the event the borrower’s primary insurance carrier deems the vehicle (your collateral) a total loss. However, GAP is **not** insurance. Please ensure you do not use the term “insurance” when referring to GAP products.

**Lender action** – Review your institution’s website and all marketing materials and remove any use of the word “insurance” in association with GAP.

**DO: Conduct regular staff training** – An ounce of prevention is worth a pound of cure. At Frost, we have heard complaints from borrowers when GAP does not fully pay off the remaining loan balance, including comments like; “Why didn’t my loan officer explain that to me?” or (even worse), “My loan officer said that GAP would pay off my loan!”

**Lender action** – Conduct regular sales practices and product training for all staff involved in GAP marketing and sales. Frost recommends conducting training at least twice a year for all staff, as well as initial education for any employees taking on a new role involving GAP sales. Have staff complete the **GAP certification** course, located in the VisualGAP training section.

**DON'T:** Use statements like “GAP will pay,” “GAP covers the full balance,” or, “GAP will make you whole” – GAP is designed to help “waive” an outstanding debt balance when the primary insurance carrier deems a borrower’s vehicle a total loss, but there is no guarantee that GAP will pay off the entire remaining loan balance after the primary insurance settlement. All GAP programs include limitations and exclusions that can result in the borrower being held responsible for all or part of the deficiency balance.

**Lender action** – Review your institution’s website and all marketing materials and remove any language which implies GAP will always cover the full remaining loan balance.

**Summary** - GAP is a wonderful product that fills an important need in the marketplace. Follow the simple practices outlined above, and you can stand tall when presenting GAP to your borrowers.

**NEW! GAP Marketing Materials**

Frost is pleased to provide a library of materials for your use. These materials may be accessed via the VisualGAP® platform. To access these materials, simply navigate to the GAP Marketing Library which is found in the Resources tab.

While these materials are designed to help lenders avoid common marketing and sales practices that could be considered deceptive, they serve as general guidance only, and do not represent a legal opinion or a guarantee against regulatory action. Frost recommends you review these materials with your compliance experts and legal counsel.

**It's worth \$32,500 on the lot... but only \$27,000 on the street!**

Your NEW car becomes a USED car as soon as you drive it off the lot.

**What is GAP?**  
If the value of your car is less than the balance of your auto loan, you're "upside down," and there is a gap that isn't covered by standard insurance. This difference requires a special type of protection called GAP.

**Do you need GAP protection?**  
A car starts depreciating as soon as you buy it, but never more than when you drive it off the lot — turning it from a "new" car to a "used" car. To estimate the anticipated depreciation and potential GAP risk, please contact your customer representative and ask to receive a GAP Risk Illustration through the VisualGAP system.

Amount you owe on your auto loan  
What insurance company pays after deductible  
The portion that GAP helps waive

**Most Auto Loans Need GAP**

*"We felt that GAP would be a great idea, and it turned out to be a fortuitous decision."  
-Happy Customer*

Primary Insurance Paid: \$7,127  
GAP Paid: \$3,559

**What is GAP? Peace of Mind!**  
If your vehicle is ever totaled or stolen, your primary insurance will usually pay only the current market value of your vehicle, less your deductible.

**Do you need GAP protection?**  
A car starts depreciating as soon as you buy it, but never more than when you drive it off the lot — turning it from a "new" car to a "used" car. To estimate the anticipated depreciation and potential GAP risk, please contact your customer representative and ask to receive a GAP Risk Illustration through the VisualGAP system.

Amount you owe on your auto loan  
Your vehicle's value

\*This is general information only. Please refer to your actual GAP Waiver Addendum for terms, conditions, coverage, limitations, and restrictions. GAP does not replace or eliminate the need for vehicle insurance coverage.