GAP FAQs

Frequently Asked Questions

Vehicle Eligibility Questions...

1) What types of collateral are eligible for GAP?
Eligible collateral types may vary by financial institution, so please refer to your GAP Quick Reference Guide for all eligible collateral types and their associated coverage limits. All financial institutions can offer GAP on cars, trucks, vans, SUVs, motorcycles, ATVs, UTVs, snowmobiles, jet skis and boats as long as you can get the value in the NADA New/Used Car Guide* or the NADA Motorcycle, Powersports & ATV Guide.

2) Can GAP be offered on older vehicles?
Older vehicles are eligible for GAP as long as you can find the values under the NADA New/Used Car Guide*.

Here are the year limitations for the various collateral types:

Private Passenger Vehicles – 20 model years ⌘
Commercial Vehicles – 20 model years
RVs – 53 years
Motorcycles and Misc. Collateral – 20 model years
Watercraft – 59 years

⌘ If age limitation is exceeded on private passenger vehicles, then at claim time we will use Low Retail Value listed in the NADA Classic, Collectible, Exotic or Muscle Car Guide to determine the LTV.

3) Can GAP be sold on Exotic/Collectible or Muscle cars?
No. If you can **only** find the vehicle model (e.g. Mercedes AMG, Maserati Ghibli) in NADA under Classic, Collectible, Exotic or Muscle Cars, then it would not be eligible for GAP.

4) Can GAP be offered on high mileage vehicles?
Yes, there are no mileage restrictions.

5) Can GAP be offered on a vehicle with a salvage title?
No. Salvage, re-built, reconstructed or branded titled vehicles are not eligible for GAP. If you discover there is a title issue after GAP has been sold, then please request a full refund.

6) Can GAP be offered on a balloon note or lease?
Both balloon note loans and leases are not eligible for GAP Coverage. Special balloon note coverage is available upon request.

GAP Coverage Questions...

7) Can the GAP Coverage be cancelled for a refund?
All Frost GAP programs have a **Free Look** period of 60 Days (30 days in Colorado) where the borrower can receive a full refund for any reason. After the Free Look period, it depends on the state and the financial institution charter type. Please refer to your GAP Waiver form for further details about your specific program.

*Kelley Blue Book (KBB) may be used if you have the KBB amendment added to your GAP Policy.

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8) What is the maximum amount that GAP would pay?
The maximum GAP Claim payment is $50,000 for private passenger vehicles. Please refer to your GAP Quick Reference Guide for the other collateral types.

9) Does GAP Cover Towing and Storage Expenses?
No, it does not cover towing and storage expenses.

10) Does GAP replace comprehensive or collision insurance?
No, GAP is not a substitute for comp. and collision coverage.

11) Can a GAP Claim be filed if the borrower is uninsured?
Yes. GAP will pay the difference (less any exclusions) between Actual Cash Value, which will be determined by using the NADA* Used Car Guide with appropriate adjustments for mileage or optional equipment, and the loan balance as of the date of loss.

12) Is the deductible covered by GAP?
The primary insurance deductible (up to $1,000) is waived only to the extent that it is part of the “GAP Amount”. GAP only covers the deficiency loan balance, including any portion of the deficiency caused by the deductible, up to the coverage limit stated on the GAP waiver. The primary insurance deductible is covered in all states other than the state of New York.

13) Will the borrower receive something in the mail after their GAP purchase?
No, the GAP Coverage is defined on their GAP Waiver form which is given to them at the time of financing.

14) Does the person selling the GAP waiver need to be licensed?
No. GAP is not an insurance product, it is considered a debt cancellation product. The lender is charging a fee to add an addendum (the GAP waiver) to the loan agreement.

Loan Requirement Questions…

15) Can GAP be offered on Commercial Loans?
Only if you have the Commercial Endorsement added to your GAP Policy. If so, please refer to our GAP Commercial Use Guide for further details.

16) Can GAP be transferred to a different loan or vehicle?
No, GAP covers the loan and the vehicle that is listed on the loan/retail agreement, and may not be transferred to a new loan or vehicle. But, if the customer gets a different vehicle within the 60-day free look period (30 days in Colorado), then they can get a full refund on the original loan and purchase GAP on the new loan.

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17) Can GAP be sold on a multiple collateral loan?
Yes, but we recommend that GAP not be sold on this type of loan. Loans with multiple pieces of collateral are rather complicated and may result in the loan having a lower than expected LTV. Therefore there may be little to no need for GAP coverage. However, if sold and a claim is filed, then the claim will be adjusted based upon the “proportionate amount” of the remaining loan balance represented by the totaled vehicle. We recommend that you evaluate the benefit of adding GAP on these types of loans. To do so, please refer to the last page of the FAQs question 33.

18) Will it impact the borrowers GAP coverage if they are driving for Uber, delivering pizza or other delivery services?
The coverage should be issued as commercial GAP. Any vehicle used for commercial purposes including but not limited to the involvement of persons, property or goods for hire, compensation, profit, or in the furtherance of a commercial enterprise, which includes but is not limited to one or more of the following:

- Primary insurance for the vehicle is in a Business Auto Policy or Commercial Vehicle Policy
- Loan is in a business name or the vehicle is titled in a business name
- The vehicle is in an individual’s name but is driven “FOR” work
- Can only find the vehicle value in the NADA Commercial Truck Guide
- A business name is permanently displayed on the vehicle,

needs to be issued under our Commercial GAP coverage. If GAP is issued as a private passenger vehicle and a GAP claim is filed, if it’s determined that it was used for commercial purposes it could be denied. Please refer to our GAP Commercial Use Guide for further information.

19) Can GAP be purchased after loan origination?
Yes, they can purchase GAP anytime after loan origination as long as they have not experienced a total loss. However, it is not retroactive and the coverage goes into effect the day the GAP is purchased and covers the remaining term and loan balance.

20) Can funds be added or terms extended to a loan with GAP Coverage?
GAP provides coverage for the term and amount financed as of the GAP policy inception date. If funds are added and/or the term extended the GAP policy will remain inforce, as long as the loan number or suffix stay the same. However, any additional funds or term extensions would not be covered unless they buy a new GAP policy.

21) Should the GAP Waiver Fee be disclosed on our loan/retail agreement?
Yes. The GAP Waiver Fee should be disclosed in the “Amount Paid to Others” section of the loan agreement.

22) Can GAP be offered on a Single-Pay-Note?
No. Single-Pay-Notes are not eligible for GAP coverage.

23) Does the GAP Coverage remain in effect if the loan is refinanced?
No. The GAP Coverage is an Addendum to the loan agreement. If the original loan goes away so does the GAP Coverage.

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GAP Claim Questions...

24) What is the Loan-to-Value (LTV) limitation?
The LTV limitation does not determine how much GAP will pay; it determines how much of the loan is covered by GAP. If the amount financed does not exceed the LTV Limit then the loan is fully covered. If the amount financed does exceed the LTV Limit, then the percentage that is exceeded will not be covered by GAP. Please refer to your GAP Quick Reference Guide for Maximum LTV limits for the various collateral types.

25) Will GAP cover the Extended Warranty or other Insurance Products added to the loan?
GAP will cover the amount financed which may include extended warranties or other insurance products, up to the extent they do not cause the LTV limit to be exceeded. GAP does not cover the refundable portion of any extended warranty or other refundable insurance products, since the borrower can obtain a reimbursement back by canceling the coverage.

26) What if the borrower decides to retain the vehicle as salvage from their insurance company?
If they decide to purchase their totaled vehicle back from their primary insurance provider, the salvage value will be deducted from their GAP Claim amount.

27) Is there a deadline for filing a GAP Claim?
The financial institution has 365 days from the date of the primary carrier's settlement to file the GAP Claim.

28) Who should file the GAP Claim?
The financial institution should file the GAP Claim, because they will have all the necessary paperwork.

29) Should the lender continue to charge interest on the loan balance when there has been a total loss or theft and a GAP Claim reported?
No. It is best to stop the accrual of interest. GAP will only cover the loan balance as of the date of loss.

30) Who receives the GAP Claim payment?
The GAP Claim payment will be sent to the lender to apply to the loan.

31) What happens to the claim if the borrower has delinquent payments?
GAP will cover up to 2 delinquent payments at the time of loss. If there are more than 2, the past due payments will be deducted from the GAP payment.

32) Are skip-a-payments allowed?
Please reference the number of allowed skips on your GAP Waiver form. If a claim is filed and the skip-a-payments are not noted on the loan history, we will need separate documentation of the skip-a-payments.

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Misc. Questions...

33) How do I evaluate the benefit of adding GAP to a multiple collateral loan?

Here are the steps to follow:
Step 1- Complete a GAP form for each piece of collateral
Step 2- Determine the "proportionate" amount financed for each vehicle. To do this:
- Look up the NADA value on both vehicles and then add them together for the "total collateral amount".
- Then take each individual value and divide by the "total collateral amount" to come up with the "proportionate percentage".
- Then take each percentage times the "total amount financed" and this is the amount you should enter on the GAP Waiver form under Amount Financed.

Here is an example:
- A borrower has a Mitsubishi Galant with an NADA value of $3,452.00 and a Honda Accord with an NADA value of $6,500.00; $3,452 + $6,500 = $9,952.00 "Total Collateral Amount".
- The next step is to calculate the "Proportionate Amount" of each piece of collateral. The Mitsubishi value percentage is $3,452 divided by $9,952 = 35%. The Honda value percentage is $6,500 divided by $9,952 = 65%.
- If the total "amount financed" equals $11,000, then you can determine the "proportionate" amount financed on the Mitsubishi by taking the 35% x $11,000 = $3,850 and then the amount financed on the Honda would be 65% x $11,000 = $7,150.

In the event that one of the vehicles is totaled and a GAP claim is filed, the claim will cover the "proportionate amount" of the remaining loan balance represented by that vehicle.

Step 3- Discuss with your borrower that in the event of a total loss, GAP will not be paying off their loan in full since there are multiple vehicles on the loan.

Here is an example where adding more collateral may negate the value of GAP:
Borrower has a current loan or is looking to finance a vehicle and is way upside down. The Financial Institution sees that the borrower has a free title to another vehicle and adds it to the loan to help the borrower qualify and to help protect the Financial Institution.

Vehicle 1 is worth $14,000 and the borrower needs $16,000 to purchase and pay off some negative equity. The Financial Institution sees that the borrower has a clear title to another vehicle (vehicle 2) worth $6,000 and adds it to the loan.

There is now $20,000 worth of combined Collateral and the Amount Financed is only $16,000. The "proportionate percentage" for vehicle 1 is 70% and vehicle 2 is 30%. GAP may not benefit the borrower in this situation because the negative equity is being shared proportionately by each vehicle.