



November 30, 2021

Representative Roger Hauck, Chair
Committee on Regulatory Reform
House Office Building, Room 519
Lansing, MI

Re: Michigan House Bills 5429, 5430, 5431 and 5432
GAP Waiver, Excess Wear & Use and Vehicle Value Protection Agreements

Dear Representative Roger Hauck:

We write on behalf of the Guaranteed Asset Protection Alliance (GAPA) to urge your **support of House Bills 5429, 5430, 5431 and 5432** when they come before your committee.

GAPA, formed in 2006, is comprised of companies experienced in offering quality motor vehicle financial protection products throughout the country. Our members include insurance companies, lenders, and administrative services companies who, together, bring valuable products to market in a responsible and competitive way. GAPA's mission is to preserve the viability of its industry and promote fair and equitable legislation and regulation of its members and their products so that its members may continue to offer meaningful options to consumers who choose to purchase this protection.

GAPA Model Act: GAPA has obtained passage of the GAP Waiver Model Act ("Model Act") in approximately twenty-four (24) states, with statutory authority for waiver in approximately fifteen (15) states. There are approximately eleven (11) states that have no express statutory authority for GAP waiver. GAPA is simultaneously pursuing expanding the Model Act, or independently pursuing legislative or regulatory changes, to expand into excess wear and use waivers and vehicle value protection agreements. Herein is more detail about what these products are designed to cover.

Gap Waiver is a contract where a creditor, for a fee, waives part or all of the consumer's deficiency balance (e.g., debt) in the event of a total loss (via physical damage or unrecovered theft) of a motor vehicle, which becomes part of the finance agreement. A GAP Waiver may also provide a consumer with a credit or benefit towards the purchase of a replacement motor vehicle. **For example**, if a car is stolen and not recovered, and after the primary insurance carrier's payment, the consumer's outstanding deficiency balance may be waived by the creditor.

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Sample contract language: *“Dealer/Assignee agrees to waive the amount equal to the unpaid net balance less the actual cash value of the covered vehicle, both as defined herein, including the amount of your primary insurance deductible up to one thousand dollars.” Essentially, the benefit covers the deficiency balance the customer owes to the dealer/assignee following a total loss in which the primary insurance carrier’s payment fails to cover the entire loan amount, plus an additional benefit of \$1,000 to put towards the purchase of a new vehicle.*

Excess Wear & Use means a contract where a lessor, for a fee, cancels or waives certain amounts due at the end of the lease term, such as excess mileage costs and interior & exterior damage. **For example**, if the consumer exceeds mileage or has interior rips to the upholstery, these charges would be waived at lease turn in and the consumer would not be responsible for payment.

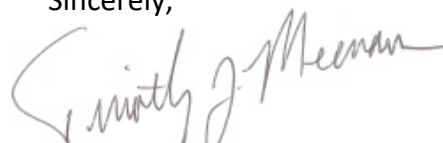
Sample contract language: *“Lessee agrees to waive the excess wear and tear charges assessed at the time you turn in the covered vehicle, if any (including excess mileage charges up to \$XX), up to the maximum of \$XXX dollars total.”*

Vehicle Value Protection Agreements provide the consumer, for a fee, with a benefit due to an event that diminishes, depreciates or obsolesces their motor vehicle that contribute towards the purchase or lease of a replacement motor vehicle. **For example**, if a motor vehicle that has been damaged and fully repaired still yields a lower trade-in value at a local dealership, the depreciated amount may be covered through a trade-in credit benefit to be used for the purchase of a new vehicle.

Sample contract language: *“You will be provided a diminished asset protection credit when the covered vehicle is traded into the selling dealer and may only be applied towards a purchase (cash or finance) or lease of a vehicle from the selling dealer.” See sample TX OCCC bulletin here: [Texas](#). Basically, events that cause a depreciation in value event to a consumer’s motor vehicle may be covered to provide a benefit to the consumer who otherwise is without recourse.*

Thank you for the opportunity to provide feedback on this issue. Again, we encourage you to **support House Bills 5429, 5430, 5431 and 5432** when they come before you for consideration. If you have any questions or would like to discuss this further, please do not hesitate to contact us.

Sincerely,



Timothy J. Meenan
General Counsel

TJM/mc