



Good afternoon. My name is Matthew Nowels and I am here today on behalf of the Guaranteed Asset Protection Alliance in support of House Bill 2845. The Guaranteed Asset Protection Alliance, or GAPA for short, is comprised of companies that offer guaranteed asset protection waivers across the country.

A guaranteed asset protection waiver or “GAP waiver” is offered to a borrower when that person is financing the purchase of a car. As soon as the borrower drives off the dealer’s lot, their new car is diminished in value. Because of this devaluation, the amount the borrower owes exceeds the amount the vehicle is worth. If the Borrower destroys the vehicle at that time, they will owe more than the amount covered by the primary insurer’s proceeds. The additional amounts owed would come out of the borrower’s pocket, unless that person obtained a GAP waiver. If a GAP waiver was purchased, the creditor would waive the amount owed in excess of the primary insurance proceeds;

In Oregon, both federally and state chartered banks and credit unions may already offer this product. Our goal is to create a level playing field where motor vehicle dealers are also able to offer this product at the time of financing. Passage of this legislation will increase consumer choice as well as put in place a regulatory framework for this product that both sets standards for how the product may be sold and creates consumer protections.

Section 1 of HB 2845 sets forth a number of definitions relevant to GAP waiver including defining terms such as creditor, borrower, finance agreement and an evaluation period which permits a borrower to return the product within 30 days for a full refund.

Section 2 specifies that the product may be included within the amount financed and clarifies that this legislation is not applicable to federal or state regulated banks or credit unions.

Section 3 sets forth a series of required disclosures including the cost of the product, the terms of the product, and formula for calculating refunds, and the fact the purchase of this product must be optional.

Section 3(a) sets forth the method for determining how much will be waived in the event of a loss both when the borrower has primary motor vehicle insurance and when primary motor vehicle insurance is not present.

Section 4 specifies applicable cancellation and refund provisions.

Section 5 sets forth a requirement that retail sellers must insure the gap waiver with a contractual liability policy that protects the creditor if a loss occurs and includes various provisions applicable to that policy.

Finally, Section 6 requires that a person who sells a gap waiver may not charge more for the GAP waiver than 5% of the amount financed and states that benefits, terms, conditions, and price may not vary on account of a number of items such as the borrowers race, sex, income, and education.

We support this legislation because it authorizes auto dealers to offer this product while introducing significant consumer protections. We hope you will support it as well. I am happy to take any questions.