

Guaranteed Asset Protection Plan Agreement and Disclosure

Please read this document carefully. There are terms and conditions on both sides of this document. You are bound by those terms and conditions. Navy Federal Credit Union is identified in this document as “Navy Federal,” “We,” “Our,” or “Us,” and the member will be identified as “Borrower,” “You,” or “Your.” Do not alter this document. Notify Us if a change is necessary.

Guaranteed Asset Protection (also referred to as the “Program”) is voluntary and not required to obtain credit. We will not consider whether or not You elect Guaranteed Asset Protection in making a credit decision. This agreement explains the terms that both You and Navy Federal Credit Union agree to follow for the Program. This agreement contains the conditions upon which We will cancel all or a portion of the Unpaid Net Balance and/or We will cancel interest. It replaces any and all program agreements previously issued with respect to the loan. You should read this agreement carefully and keep it in Your files.

If You elect Guaranteed Asset Protection, the following are the terms, conditions, and disclosures of the Program. Guaranteed Asset Protection is not insurance coverage. We reserve the right to refuse enrollment in the Program to any Borrower, at Our sole discretion. This agreement will be governed by the laws of the Commonwealth of Virginia without giving effect to the principles of conflicts of law.

Definitions

Vehicle means a new, used, or late model used private passenger vehicle built to U.S. specifications, no older than the current year plus seven years of age, that is not used for commercial purposes, which includes four-wheeled autos, vans, pickups, or light trucks not to exceed one-ton load capacity. Motorcycles, recreational vehicles, watercrafts, and vehicles used for taxi, limousine, or “shuttle” service are excluded from the Program.

GAP Amount means the difference between the primary insurance carrier’s physical damage insurance payment for a Loss or Unrecovered Theft or, if uninsured, the Vehicle’s Actual Cash Value, and the Unpaid Net Balance of the installment loan. If You are entitled to collect or receive a payment for Your vehicle from any other source, including, but not limited to, primary insurance or salvage sale, that payment will be subtracted from the GAP Amount. The GAP Amount is subject to further exclusions and limitations set forth below.

Total Loss means a loss where the cost to repair or replace the Vehicle would exceed the Actual Cash Value, as determined by the primary insurance carrier or designated appraiser.

Unrecovered Theft means the Vehicle has been reported as stolen by You to both the police and Your primary insurance carrier, who have made every effort, yet have failed, to find and return the Vehicle.

Actual Cash Value means the amount determined by the primary insurance carrier at the time of the Total Loss or Unrecovered Theft. However, if there is no Primary Insurance at the time of a Total Loss or Unrecovered Theft, then the Actual Cash Value shall mean the retail value of the Vehicle using the National Automobile Dealer’s Association (NADA) Official Used Car Guide with appropriate adjustments for mileage or optional equipment.

Primary Insurance means in-force insurance coverage, required by Us and carried by You, to protect the Vehicle from collision and comprehensive loss, naming Us as Lien holder.

Unpaid Net Balance means the amount owed by You to pay off the outstanding amount of the installment loan as of the close of business on the date of Loss or Unrecovered Theft.

Delinquent Payment means any payment, as described in the Promissory Note, that remains unpaid for a period of more than sixty (60) days after the due date stated in the Promissory Note.

Protected Event includes Total Loss or Unrecovered Theft.

Loan means a closed-end note from Us only financing the Vehicle under the Program.

Late Fee means the fee charged to the Loan for late payment(s).

General Provisions

Proof of a Protected Event. You must notify Us within one (1) year of a Protected Event, or within sixty (60) days of receiving final settlement from the primary or third party insurance carrier, or Your claim will be time-barred. Documentation that You may be required to provide Us in order to show that conditions of the Program are satisfied include, but are not limited to, the following: (1) a copy of the insurance settlement worksheet and check, (2) verification of the insurance deductible, (3) a copy of the police report in the case of an Unrecovered Theft, and (4) Borrower’s verification of purchase price, which may include the bill of sale or the purchase order.

Past Events. The Program does not protect You from events or loss that occurred before Your enrollment in the Program.

Tax Implications. You may be subject to federal, state, and local taxes on the amount of a canceled debt. You should consult Your tax advisor. We are not able to provide You with tax guidance.

Program Fee. The Program fee is the amount You pay for protection under the Program. The cost of this Program for new, used, and late model used vehicles is \$299 in total.

Changing the Terms of This Agreement. We reserve the right to change (including the addition or deletion of) the terms of this agreement at any time. Should changes be made that are not favorable to You, then You will be notified and provided a reasonable opportunity to cancel enrollment without penalty.

Termination of the Program. You may terminate this Program agreement at any time by providing Us with notice at least five (5) business days prior to the requested termination date. If you do so within sixty (60) days of enrolling in the program or fail to provide written confirmation of your agreement to the program, we will credit the outstanding balance of Your Loan for any fees charged for the Program. Termination will not affect benefits for a Protected Event that occurred prior to the termination date as long as an outstanding balance remains on the Loan. After sixty (60) days, the fee is fully earned and non-refundable. In the event of a Loss or Unrecovered Theft of the Vehicle, the enrollment fee will be deemed as fully earned, and therefore, no refund will be due. Your protection under the Program will automatically terminate:

- if Your Loan account is closed for any reason, including, but not limited to, being paid in full or being charged off as a loss;
- if You fail to pay the initial Program fee, or You default on the terms of the Promissory Note, Security Agreement, and Disclosure;
- if You refinance Your underlying installment Loan with Us; or
- for any other reason by giving You notice at least 30 days in advance of the termination (or as required by law).

Errors and Adjustments. If We have inadvertently deviated from the terms of this agreement, We will adjust the balance when the error is discovered. If We issued protection under the Program due to Our own error, and We recognize Our error before a Protected Event occurs, Our obligation to You is limited to return of any Program fee You paid. If

We recognize Our error after a Protected Event occurs, We will provide benefits for the Protected Event that occurred. However, if You misstated a material fact when enrolling for the Program that caused Us to issue protection under the Program when We otherwise would not have, We will return any Program fee upon discovery, and We will not provide any benefits even if an otherwise Protected Event has already occurred.

Waiver of Provisions. We reserve the right to waive any of the requirements described in this agreement at Our sole discretion. Doing so does not obligate Us to waive requirements in any other situation. Our waiver does not and will not constitute a waiver of any other requirements.

Severability. If any provision of this agreement is determined to be unenforceable by a court of law, the remaining provisions will remain in effect.

Protected Events

A Loan is protected according to the terms of this agreement if You are enrolled for the specified Program protection, You have paid the applicable Program fee, and You remain current with Your Loan payments. If You experience a Total Loss or an Unrecovered Theft, Navy Federal may cancel the GAP Amount of the Loan up to a maximum benefit of \$50,000 subject to further limitations below once all required documentation has been submitted by You and approved by Us. Our maximum cancellation amount shall be the GAP Amount, which may include up to \$1,000 for the Primary Insurance deductible if the Vehicle is protected by Primary Insurance. The deductible is included as part of the deficiency balance and is therefore only included if there is a GAP Amount existing on the Loan. If the Vehicle is not protected by Primary Insurance, We may cancel only the GAP Amount obtained by subtracting the Actual Cash Value of the Vehicle from the Unpaid Net Balance. The GAP Amount will not include and We will not cancel that portion of the Unpaid Net Balance attributable to the original installment Loan amount exceeding 150% of the Manufacturer's Suggested Retail Price (MSRP) on new vehicles or exceeding 150% of the Actual Cash Value on used vehicles.

Example: If Your vehicle's Actual Cash Value for a used vehicle or MSRP for a new vehicle is \$10,000, then the maximum Unpaid Net Balance covered by GAP is 150% of the \$10,000 (which is equal to \$15,000). If Your Unpaid Net Balance as of the date of Total Loss is \$20,000, the portion of the Loan above the maximum amount of \$15,000 (which is \$5,000 in this example) is not covered by GAP and remains Your responsibility.

Exclusions and Limitations

This agreement does not apply when the Total Loss or Unrecovered Theft is: (1) resulting directly or indirectly from forgery or any dishonest, fraudulent, or criminal act by You, Your agent, or authorized user; (2) caused intentionally by You, Your agent, or authorized user; or (3) for a vehicle that is part of a fleet that is intended for use as a public or livery conveyance.

The maximum term for Guaranteed Asset Protection will not exceed eighty-four (84) months and the GAP amount canceled shall not exceed \$50,000 in total. Loans in the amount of \$7,500 or less with a term of 12 months or less are not eligible for GAP. The GAP Amount shall not include:

- any refundable additions to amount financed;
- finance charges, fees (except that fee paid on Payment Protection Plan, if applicable), funds, or interest accrued or added after the date of Total Loss;
- Late Fees, as defined above;
- Delinquent Payments, as defined above;
- uncollected service charges;
- refundable prepaid taxes and fees;
- proceeds You can duly recover by canceling insurance coverages, service, contracts, or warranties added to the Loan balance at Loan origination, nor the associated disposition fees, termination fees, or penalty fees with the referenced coverage, contracts, or warranties;
- other items, charges, fees, or funds built into or added to the initial installment Loan;
- any indebtedness of the Borrower arising prior to the effective date of this agreement and which is included in the installment Loan; or
- any deductions made by Your Primary Insurance carrier for Your retained salvage, for damage that has been paid to You, or for any deductions made as a result of Your percent of liability as determined by Your Primary Insurance carrier.

Concurrent Protected Events

If a Protected Event occurs and also results in a payment under a Payment Protection Plan (for example, a protection in the event of death), then the Payment Protection Plan payment will be made first and applied to the Unpaid Balance before the Program is effective. The protection afforded under the Guaranteed Asset Protection Program will only take effect if there is a GAP Amount remaining subsequent to the application of the debt cancellation under the Payment Protection Plan.

Status of the Loan After a Protected Event

During the time it takes to process Your claim, You remain responsible for making at least the minimum payment due on the Loan by the regular payment due date. You are responsible for any difference between the minimum payment due on the Loan and the amount canceled. If You have a valid claim, We will refund the portion of Your payment(s) that should have been canceled or postponed according to the terms of this agreement.

Contact Us with Any Questions About the Program

Contact the following for information about the Program, to enroll in the Program, to make a change in Your existing enrollment, or to make a claim for a Protected Event: toll-free in the U.S. 1-888-842-6328. For toll-free numbers when overseas, visit navyfederal.org. Use 1-703-255-8837 for collect international calls. To obtain status of a claim, provide claim information, or question a claim amount: 1-866-258-7298 M-F, 8:00 am to 4:30 pm, Eastern Time.