

Please read this document carefully. There are terms and conditions on both sides of this document. 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.

Guaranteed Asset Protection (the "Program" or "GAP") is voluntary and not required to obtain credit. We will not consider whether or not You elect GAP in making a credit decision. This agreement explains the terms for the Program. This agreement contains the conditions upon which We may cancel all or a portion of the Unpaid Net Balance and/or We may

cancel interest. There are eligibility requirements, conditions, and exclusions described herein that could prevent You from receiving benefits under the plan. 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 terms, conditions, and disclosures of the Program are described below. GAP 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 Virginia.

Definitions

Actual Cash Value means the amount determined by the primary insurance carrier at the time of the Total Loss or Unrecovered Theft.

Collection Refinance means when the terms (*including, but not limited to, payment amount*) of Your original Loan with Us have been modified or changed due to a Loan workout, which results in the termination of the Program for the Loan.

Date of Loss means either (i) the date that Your Vehicle was involved in an accident that resulted in the Vehicle being deemed a Total Loss or (ii) the date that Your Vehicle was stolen, which resulted in the Vehicle being deemed an Unrecovered Theft.

GAP Amount means the difference between (i) the primary insurance carrier's physical damage insurance payment for a Loss or Unrecovered Theft, and (ii) the Unpaid Net Balance of the installment Loan. If You are entitled to collect or receive any payment(s) for Your Vehicle from any other source, including, but not limited to, primary insurance or salvage sale, any and all such payment(s) will be deducted from the GAP Amount. You are permitted to have one or more insurance coverages that will be applied before Your GAP Amount is paid. The GAP Amount shall not exceed \$50,000 and is subject to further exclusions and limitations set forth below, including, but not limited to, Late Fees.

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

Loan means the financing of the Vehicle, governed by a closed-end note from Us, for the purchase or refinance of the Vehicle with a minimum term of 12 months and a maximum term of 84 months. Loan does not include a Collection Refinance.

Loan-to-Value means the ratio of the Loan to the clean retail value of the Vehicle using the NADA Official Used Car Guide.

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.

Protected Event includes Total Loss or Unrecovered Theft.

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.

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.

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.

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. Commercial purposes include activities such as ride-sharing and food delivery. Motorcycles, recreational vehicles, watercrafts, and vehicles used for taxi, limousine, or "shuttle" service are excluded from the Program.

General Provisions

Proof of a Protected Event. You must notify Us 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(s) and check(s), (2) verification of the insurance deductible, (3) a copy of the police report in the case of an Unrecovered Theft, (4) Borrower's verification of purchase price, which may include the bill of sale or the purchase order, and (5) signed and initialed Promissory Note.

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 \$399, which you may pay in one lump sum or finance as part of Your Loan. Adding the fee to your loan will increase the cost of the Program.

Changing the Terms of This Agreement. We reserve the right to change 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. If you terminate this program 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. If you terminate this Program, you may re-enroll only one time during the life of the Loan.

After sixty (60) days of enrollment, the fee is fully earned, non-refundable, and GAP will not be canceled. 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 and no benefits will be paid for any Protected Event:

- 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 another financial institution, so that Your Loan account is paid in full and there is no Loan amount to deduct;
- if you have a Collection Refinance of Your Loan through Us as there is no GAP product offered for such Loans;
- if you default on the terms of this agreement, such as by using the Vehicle for commercial purposes; 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 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.

Neither Borrower nor Navy Federal may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that

arises from the other party's actions pursuant to this agreement or that alleges that the other party has breached any provision of, or any duty owed by reason of, this agreement, until such party has notified the other party of such alleged breach and afforded the other party a reasonable period after the giving of such notice to take corrective action.

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.

Examples

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 the

Exclusions and Limitations below once all required documentation has been submitted by You and approved by Us. The GAP Amount may include up to \$1,000 for the Primary Insurance deductible. 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.

Example 1: Your car is involved in an accident and is considered a Total Loss by your insurance company. Your insurance company calculates the Actual Cash Value of Your car at \$10,000 and provides You an insurance payment in that amount. Your Unpaid Net Balance at the Date of Loss is \$13,000. You have a past-due payment on your loan in the amount of \$550.00. GAP will pay the \$2,450.00 and the past due payment of \$550.00 will be Your responsibility.

Example 2: Your car is involved in an accident and is considered a Total Loss by Your insurance company. Your insurance company calculates the Actual Cash Value of Your car at \$15,000 and provides You an insurance payment in that amount. Your Unpaid Net Balance at the Date of Loss is \$18,500. Your primary insurance deductible is \$2,000.00 which is over the allowed deductible covered by GAP of \$1,000. GAP will pay \$2,500.00 and the remaining insurance deductible of \$1,000.00 will be Your responsibility.

The following shows this example:

- Actual Cash Value (ACV) of Vehicle = \$10,000
- Unpaid Net Balance at Time of Loss = \$13,000
- Total payment from your insurance carrier = \$10,000
- Outstanding Balance after insurance payment = \$3,000
- Past-due payment amount = \$550.00
- GAP amount = \$2,450.00
- Not covered/Your responsibility = \$550.00

The following shows this example:

- Actual Cash Value (ACV) of Vehicle = \$15,000
- Unpaid Net Balance at Time of Loss = \$18,500
- Total payment from insurance or other source = \$15,000
- Outstanding Balance after insurance payment = \$3,500
- Insurance deductible over \$1,000 = \$1,000
- GAP Amount = \$2,500.00
- Not covered/Your responsibility = \$1,000

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 loan term for Guaranteed Asset Protection will not exceed 84 months, and the GAP amount canceled shall not exceed \$50,000 in total. Primary Insurance must be maintained on the vehicle. Auto Loans in the amount of \$7,500.00 or less with a term of 12 months or less are not eligible for GAP. If the Loan to Value ratio of your vehicle is less than 70%, your Loan will not be eligible for the Program. Enrollment is subject to Our verification that the loan and vehicle meet these eligibility requirements. 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;

- any payment that was due and owing on Your payment due date, including any past-due payments;
- Late Fees;
- 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 products, items, charges, fees, or funds built into or added to the initial 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.

Enrollment in or cancellation of the Program: 1-888-842-6328

To initiate a claim for a protected event: 1-866-258-7298, Option 1

To obtain status or questions regarding a claim: 1-866-258-7298, Option 2

To provide required claim documents:

Fax to: 1-800-973-0584

Send via Secured Website Upload -

<https://digitaluploads.navyfederal.org/uploadportal/sdu/gap>

For toll-free numbers when overseas, visit navyfederal.org.