

Terms and Conditions:

I understand that the purchase of the GAP Waiver Addendum is voluntary and is not required by PenFed to obtain credit. I understand that this GAP Waiver Addendum is not an offer of insurance coverage. I understand that by purchasing the GAP Waiver Addendum for my loan that PenFed waives, in the event of a Total Loss, Constructive Total Loss or Unrecovered Theft, its contractual right to hold me liable for the GAP Amount, subject to the provisions and exclusions identified below. I understand the maximum term for this Addendum shall not exceed 84 months.

*This Waiver **does not** include: (1) Any refundable additions to amount financed; (2) Interest accrued after Date of Loss; (3) Delinquent payments or any skipped payments more than 30 days past due; (4) Late charges, fees or funds added after installment sales contract/loan/lease inception; (5) Deductions made by primary insurance carrier for salvage purchase or for prior damage that has already been paid to you; (6) Primary insurance deductible in excess of \$1,000 (The deductible is paid as part of the deficiency balance and is therefore only paid if there is a "GAP" to pay on the loan); (7) Portion of installment sales contract/loan/lease that exceeds 125% of MSRP (new vehicles) or 125% of average NADA retail book value (used vehicles)

This waiver **does not** include indebtedness of the borrower arising prior to the effective date of this waiver and which is included in the sales contract/loan/lease.

DEFINITIONS: "We", "us", and "our" refer to the seller/lender/lessor; "you" and "your" mean the borrower/debtor/buyer or lessee shown on the reverse side of this form. For the purposes of this Loan GAP Waiver Addendum, the following words are defined and their meanings will be as follows:

"GAP Amount" means the difference between the primary carrier's physical damage insurance payment for a theft or total loss or, if uninsured, the collateral's Actual Cash Value, and the unpaid net balance of the installment sales contract, loan or lease. If you are entitled to collect the same from others, including but not limited to, primary and other insurance, or salvage sale, that portion of the payment will not be covered in the GAP settlement. GAP does not cover deductions made by the primary insurance carrier for prior damage that has already been paid to you. Amount waived shall not exceed \$50,000 in total.

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

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

"Actual Cash Value" means the amount determined by the primary insurance carrier at the time of loss. However, if there is no primary insurance at the time of a loss, Actual Cash Value shall mean the retail value of the collateral using the National Automobile Dealer's Association (NADA) Official Used Car Guide with appropriate adjustments for mileage or optional equipment.

"Primary Insurance" means inforce insurance coverage, required by us, and carried by you to protect the covered collateral from collision and comprehensive loss, naming us as Lienholder.

"Unpaid Net Balance" means the amount owed by you to clear the outstanding installment sales contract, loan or lease upon the date of loss. This amount may not include finance charges or interest added after the date of loss; late charges; delinquent payments; uncollected service charges; refundable prepaid taxes and fees. It cannot include proceeds you can duly recover by canceling insurance coverages, service contracts or warranties, nor disposition fees, termination fees or penalty fees; other items built into or added to the initial installment sales contract, loan or lease; or any indebtedness of the lessee/borrower arising prior to the effective date of this waiver and which is included in the installment sales contract/loan/lease.

"Delinquent Payments" means any payment, as described in the installment sales contract, loan or lease instrument, which remains unpaid for a period of more than thirty (30) days after the due date stated in the installment sales contract, loan or lease instrument. This includes loan payment payment deferrals or skipped payments offered by the lender.

LOAN GAP WAIVER ADDENDUM: In consideration for the payment of the cost shown on the reverse side of this form, we will waive the GAP Amount due to a Total Loss, Constructive Total Loss or an Unrecovered Theft to the collateral shown on the reverse side of this form. Our maximum waiver shall be the GAP Amount including, if the collateral is protected by primary insurance, up to \$1,000 for the primary insurance deductible. The deductible is paid as part of the deficiency balance and is therefore only paid if there is a "GAP" to pay on the loan. If the collateral is not protected by primary insurance, we will waive only the GAP Amount obtained by subtracting the Actual Cash Value of the covered collateral from the unpaid net balance and you will remain responsible for the Actual Cash Value of the collateral. For autos, vans, pick-ups and light trucks, we will not waive that portion of the unpaid net balance attributable to the original installment sales contract/loan/lease amount exceeding 125% of the Manufacturer's Suggested Retail Price (MSRP) on new vehicles or 125% of the average retail book value on used vehicles.

GAP ADVANTAGE PROTECTION: In the event of a total loss to your vehicle, you may be eligible to receive an additional credit from us, in the amount shown on the reverse side of this form. In order for you to receive this additional benefit, you must finance, within ninety (90) days from the date the vehicle is determined to be a total loss, a replacement vehicle with PenFed. The GAP Advantage Protection benefit has no cash value and will only be paid by us in the form of a credit towards the amount financed of your replacement vehicle.

CANCELLATION: This Installment Sales Loan/Lease GAP Waiver Addendum may be canceled for a full refund within sixty (60) days of the Origination Date. However, in the event of a Total Loss, Constructive Total Loss or Unrecovered Theft of the covered Vehicle, the GAP Waiver Addendum fee will be deemed as fully earned and therefore, no refund will be due. This Loan GAP Waiver Addendum is non-refundable after sixty (60) days from the Origination Date.

EXCLUSIONS: Salvage title vehicles are excluded from GAP coverage. This GAP Waiver does not apply when the total loss or theft is: (1) resulting directly or indirectly from forgery or any dishonest, fraudulent or criminal act by you; (2) caused intentionally by you; (3) to a vehicle that is part of a fleet that is intended for use as a public or livery conveyance.

NOTICE OF LOSS: You must notify PenFed within 30 days of receiving final settlement from the primary or third party insurance carrier and provide the following: (a) copy of the insurance settlement, (b) verification of the insurance deductible, (c) copy of police report in the case of an unrecovered theft.