GAP Waiver Blog Post

Title: What is a GAP waiver, and why do I need one?

Losing your shiny new car to theft or a car accident is stressful enough, but then owing more than insurance will pay for a car you can no longer drive adds insult to injury.

When it comes to buying or leasing a vehicle, you want to do everything possible to protect yourself against costly, unexpected expenses. By purchasing a GAP waiver, you can have peace of mind in knowing that what you owe will be fully covered if your car is lost or damaged.

A guaranteed asset protection (GAP) waiver protects borrowers whose vehicle is labeled a total loss due to unanticipated events. A GAP waiver, also referred to as a debt cancellation agreement, removes the borrower’s obligation to pay the remaining balance between a vehicle’s actual cash value and the loan balance.

Many drivers don’t realize the necessity of GAP coverage until it’s too late. Most standard auto insurance policies only cover the actual value of a vehicle that is damaged or stolen, which is often lower than the remaining balance owed on the lease or loan with the difference, or “gap,” not covered by insurance. Thus, the loan’s remaining balance becomes the borrower’s obligation and can cause financial hardship.

For example, say you bought a new car, financed it for $30,000, and a few months after purchasing it the vehicle was stolen from a parking garage. Your auto insurance policy would pay only the car’s actual value at $25,000, leaving you on the hook for $5,000. However, if you had a GAP waiver, the remaining $5,000 would be waived entirely or significantly reduced.

Purchasing a GAP waiver gives you the peace of mind you need to protect yourself against the unanticipated events with your motor vehicle. You can buy a GAP waiver at the dealership or your financial institution when you buy or lease the car. For a list of GAPA members, click [here](https://gapalliance.org/about/members/).