



**State of Wisconsin**  
*Department of Financial Institutions*

Scott Walker, Governor

Peter Bildsten, Secretary

January 8, 2014

**GENERAL LETTER CU 1-14  
DEALER INDIRECT PAPER**

**TO ALL CREDIT UNIONS:**

This letter updates a letter to credit unions from March 13, 2000, General Letter CU 1-00, Dealer Indirect Paper.

The purpose of this letter is to remind all credit unions of their responsibility regarding the refunding of the unearned Guaranteed Asset Protection (“GAP”) charges and/or credit insurance premiums when an installment sales contract purchased by the credit union prepaids or terminates early.

Section 424.205(3), Wis. Stats., requires a creditor to promptly make or cause to be made an appropriate refund of the unearned credit insurance premium when a consumer credit transaction with credit insurance is prepaid in full or insurance written on a consumer credit transaction terminates prior to its maturity date (i.e. - repossessions or early lease terminations).

In addition, the Bureau of Consumer Affairs of this Department has approved the sale of GAP in connection with credit sales under the authority contained in Section 426.104(4), Wis. Stats. Information regarding the approval of this product can be found on the department website at [http://www.wdfi.org/wca/business\\_guidance/interpretive\\_opinions/default.htm](http://www.wdfi.org/wca/business_guidance/interpretive_opinions/default.htm). As one of the conditions of the approval, the creditor must make an appropriate refund/credit of the unearned GAP charge or must cause to be made an appropriate refund/credit of the unearned GAP charge by instructing in writing the appropriate party to make such refund/credit.

The Department of Financial Institutions – Division of Banking (“division”) conducts routine examinations of licensed motor vehicle dealers in Wisconsin. One of the purposes of the examination is to determine whether the customers are receiving the appropriate refund of the unearned credit insurance premiums and/or GAP charges when accounts are prepaid/terminated. If the creditor is not allowing the refund, the division’s examiners must determine whether a dealership is being properly notified by the creditor when an account is prepaid/terminated.

Sending monthly reports listing all prepaid/terminated accounts, plus a separate letter for each account, is the most effective way to assure the examiners that the dealership is being properly notified that an account has been paid/terminated. When a creditor only sends a separate letter or notice for each paid/terminated account to the dealership, it is difficult to determine/verify whether the dealership is being properly notified.

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In most cases where only an individual notice is sent, the dealer or the examiner typically needs to ask the creditor for additional information, during the examination, to determine which accounts were prepaid/terminated. This is a time-consuming process for the creditor, the dealership, and the examiner.

Please review your procedures regarding notifying dealers when an account with credit insurance and/or GAP prepays or terminates early to ensure that you are in compliance with the above noted Statute and requirements. We also ask that you keep the concerns regarding individual notices in mind as you review your process to determine if any changes are necessary.

If you have any questions regarding this issue, please contact Examiner Don Reichardt at 608-267-3743.

Sincerely,

A handwritten signature in black ink that reads "Kim Santos". The signature is written in a cursive, flowing style.

Kim Santos  
Director  
OFFICE OF CREDIT UNIONS