

PHYSICAL DAMAGE INSURANCE DISCLOSURE AND ELECTION FORM

Your lender's contract requires that you do the following:

- Provide adequate proof of physical damage coverage;
- Name your lender as loss payee;
- Have coverage effective at the time your contract closes; and
- Maintain the insurance coverage until your loan is paid off.

If you do not obtain the insurance or do not keep it in force consistent with the above, you are in default under the lender's contract. If you default, the contract says the lender may choose an insurer and charge you the insurance premium as part of the unpaid balance of your contract.

Your lender highly recommends that you obtain insurance naming the lender as loss payee to the extent of its interest in the collateral. If you provide evidence of this coverage from an acceptable insurance company and you keep the insurance in effect until your loan is paid off, then nothing more is required.

If you choose not to provide your own insurance at closing, the **lender's** insurance requirement may be satisfied by listing your collateral as insured property under your lender's Collateral Protection Single Interest (CPSI) master policy. The premium for such is based upon the net amount owed. This premium charge may be financed and incur interest at the same rate as your loan contract. Some important points of this coverage which you should fully understand are:

1. **Your lender is the Named Insured.** This is "Lender's interest only" coverage and does not protect your interest. This coverage does not protect you as if you had purchased insurance from an agent or company of your choice. If the collateral for your loan is scheduled under the lender's CPSI master policy, you will have no protection that will satisfy any financial responsibility law. It will not protect any equity you may have in the property, nor will it provide any liability coverage against bodily injury, property damage, loss or damage to contents, medical payments or uninsured motorist claims.
2. **Because CPSI is high risk insurance, the premium that will be charged to your account may be considerably more expensive than coverage purchased from an agent of your choice. This coverage may expire before your contract with the lender is paid off.**
3. Your lender, a master policyholder or other entity may receive compensation from part of the premium charged you for scheduling this coverage.
4. You may cancel the CPSI insurance at any time by purchasing your own insurance from the agent of your choice naming this lender as loss payee and sending the lender proof of this coverage. The unused portion of the CPSI premium will be credited to your account. **We highly recommend that you purchase your own coverage from an agent or company of your choice.**

If your collateral is scheduled under the CPSI coverage, only Limited Physical Damage coverage (LPD) is provided. This coverage will never provide loss or damage payments to you personally. LPD loss payment will not exceed the lesser of:

1. the actual cash value of the covered collateral as of the date of loss;
2. the cost of repairing or replacing the covered collateral; or
3. the net current balance of the borrower's loan at the time of loss.

The net current balance does not include payments more than 90 days past due. It includes refunds of unearned insurance, finance and other charges appropriate for the borrower's loan and charges and penalties added during the loan. The salvage value of the covered collateral at the time of loss is

deducted from any payment made under this coverage. Also, a deductible applies to each loss. The covered collateral is described below. In the even of a loss, notify your lender.

LPD is designed to fulfill the insurance requirement of the lender's contract and protect the lender's interest only in the collateral.

By initialing here _____, I (we) elect to satisfy the physical insurance requirement through insurance now carried by me (us) or through insurance I (we) will obtain from an insurer chosen by me (us). In the event that such coverage cancels, expires, or non-renews at any time and we fail to replace such coverage, I (we) hereby authorize the lender at its option to schedule LPD coverage under its CPSI master policy to protect its interest and add the cost of such insurance to my loan balance, bearing the same interest rate as my loan.

By initialing here _____, I (we) elect to schedule LPD through the lender's CPSI policy on my (our) behalf because I (we) will not provide my (our) own physical damage insurance.

Coverage Amount \$ _____ LPD Premium \$ _____ Loan # _____

Deductible \$ _____

COLLATERAL DESCRIPTION(S):

1. Year: _____ Make: _____ Model: _____

Serial #: _____

2. Year: _____ Make: _____ Model: _____

Serial #: _____

3. Year: _____ Make: _____ Model: _____

Serial #: _____

I (we) having read and understood the foregoing information, acknowledge receipt of a completed copy of this form. I (we) agree any refunds of unearned premium shall be credited to the unpaid balance of the lender's contract.

Borrower(s):

Printed Name Signature Date

Borrower(s):

Printed Name Signature Date

Cosigner(s):

Printed Name Signature Date