

## Common VSI/LSI Questions

### **1. What is VSI/LSI and who does it protect?**

Vendors Single Interest (VSI), also referred to as Lenders Single Interest (LSI), protects the lender only; against the risk of financial loss when the borrower fails to maintain proper insurance on the collateral.

### **2. What is the lender's responsibility under the VSI/LSI policy regarding the borrower's primary insurance?**

The lender must require borrowers to insure collateral against physical damage and theft, plus the borrower must agree to maintain insurance on the collateral.

### **3. Must the lender monitor borrower compliance with maintaining insurance on collateral?**

No, the lender is not required to track borrower insurance.

### **4. Is theft covered under the VSI/LSI policy?**

Yes, theft and physical damage are covered losses.

### **5. Is mechanical breakdown or failure covered by VSI/LSI?**

Mechanical breakdown or failure is only covered when it directly results from a covered peril such physical damage caused by an accident.

### **6. If there is more than one piece of collateral on the note, is the VSI/LSI fee charged on each piece of collateral?**

No. There is only one VSI/LSI charge per note, regardless of how many pieces of collateral are listed.

### **7. The borrower has wrecked their vehicle, but has not defaulted on their loan payments; can the lender file a claim under their VSI/LSI insurance?**

No, the borrower must default on payments before a claim can be filed.

**8. Must the lender repossess collateral in order to file a physical damage VSI/LSI claim?**

Yes, before the lender can file a physical damage claim they must legally repossess all listed collateral on the note.

**9. When there are two or more pieces of collateral on a note, and only one vehicle has been damaged, can the lender file a VSI/LSI claim on just the damaged vehicle?**

Yes, but all collateral listed on the note must be repossessed before any claim can be filed.

**10. Are dealer loans covered by VSI/LSI?**

Yes, providing there is no full recourse agreement.

**11. Upon repossessing damaged collateral it is discovered the borrower had primary insurance on the date of loss, can the lender file a VSI/LSI claim?**

Possibly, after the primary insurance is settled. VSI/LSI is excess coverage over any primary insurance, subject to policy limits.

**12. Can the lender sell collateral while awaiting a VSI/LSI claim settlement?**

We discourage selling the collateral until the VSI/LSI claim has been settled.