

# Qualified Retirement Plan Loan Policy

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As the Employer offering a plan that allows loans to be taken from this Plan's assets, it is your responsibility to set forth the terms of this Plan's loan program.

**NOTE:** Unless otherwise specified in this Plan's SPD or on this loan policy, options selected for Pre-Tax Elective Deferrals will apply to Qualified Nonelective Contributions, Qualified Matching Contributions, ADP Test Safe Harbor Contributions, QACA ADP Test Safe Harbor Contributions, and Employer Prevailing Wage Contributions designated as Qualified Nonelective Contributions, as applicable. Options selected for Matching Contributions will apply to ACP Test Safe Harbor Contributions and QACA ACP Test Safe Harbor Contributions, as applicable. Distribution options selected for Employer Profit Sharing Contributions will apply to Employer Prevailing Wage Contributions designated as Employer Profit Sharing Contributions, as applicable.

## PLAN INFORMATION

Employer Name \_\_\_\_\_

Plan Name \_\_\_\_\_

Plan Sequence Number \_\_\_\_\_

Plan Year End \_\_\_\_\_

Plan ID Number \_\_\_\_\_

## EFFECTIVE DATE

The effective date of this Plan's loan program is \_\_\_\_\_.

## LOAN ADMINISTRATOR

The person responsible for administering the loan program is \_\_\_\_\_

Business Address \_\_\_\_\_

Business City \_\_\_\_\_ Business State \_\_\_\_\_ Business Zip \_\_\_\_\_

Business Telephone Number \_\_\_\_\_

## LOAN APPLICATION PROCEDURE

To apply for a loan under this Plan, an applicant must complete and return to the loan administrator a *Loan Application*, furnishing all information requested and pay any required loan application processing fees. In addition, they must follow the procedures described below (*specify*).

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## LIMITATIONS ON TYPES OF LOANS

Loans from this Plan may be used for the following purposes:

- any.
- purchase of a principal residence.
- post-secondary tuition for the borrower or their immediate family.
- medical expenses for the borrower or their immediate family.
- rent or mortgage payments to prevent eviction from or foreclosure on the borrower's principal residence.
- funeral expenses.
- uninsured damage to principal residence (under Internal Revenue Code Section 165).
- other (*specify*): \_\_\_\_\_

**NOTE:** If no option is selected, loans will be allowed for any purpose.

## LIMITATIONS ON LOANS BY MONEY TYPE – SECURITY

All money types will be allowed to secure a loan except for the money types checked below.

- pre-tax deferrals.
- Roth elective deferrals.
- matching contributions.
- profit-sharing contributions.
- other (*specify (e.g., safe harbor contributions, QNECs, rollovers)*): \_\_\_\_\_

## LIMITATIONS ON LOANS BY MONEY TYPE – DISTRIBUTION

All money types will be available to fund a loan distribution except for the money types checked below.

- pre-tax deferrals.
- Roth elective deferrals.
- matching contributions.
- profit-sharing contributions.
- other (specify (e.g., safe harbor contributions, QNECs, rollovers)): \_\_\_\_\_.

## LIMITATIONS ON LOANS BY INVESTMENT TYPE

Loans from this Plan can be taken from the following investment types:

- all Plan assets.
- mutual funds.
- other (specify (e.g., company stock, brokerage accounts)): \_\_\_\_\_.

**NOTE:** If no option is selected, loans will be allowed from all Plan assets.

## LOAN APPROVAL STANDARDS

Decisions approving or denying loans from this Plan will be based on the following criteria:

- the value of the applicant's vested individual account balance.
- other (specify): \_\_\_\_\_.

**NOTE:** The loan approval standard selected must not cause loans to be made available on a discriminatory basis. If no option is selected, the loan decision will be based on the value of the vested individual account balance.

## NUMBER OF LOANS

The maximum number of outstanding loans the borrower may have at any time is \_\_\_\_\_.

**NOTE:** If no number is specified, the maximum number of loans will be unlimited.

## LOAN PRINCIPAL LIMITATIONS

Loans from this Plan shall be in a minimum amount of \_\_\_\_\_ (should not exceed \$1,000\*).

**\*NOTE:** If no amount is specified, the minimum amount will be \$1,000. The Department of Labor (DOL) has not set the \$1,000 as a hard and fast upper limit for the minimum loan amount. The DOL will determine the suitability of the limit using a facts and circumstances test. The DOL has said that as long as the limit is not above \$1,000 they will assume it meets this test. It is possible that a plan may choose a higher limit but may have a discrimination issue if the plan is ever audited by the DOL.

Loan limitations include (select all that apply):

- the maximum amount of all loans outstanding cannot exceed the lesser of one-half of the borrower's vested individual account balance (reduced by the current outstanding loan balance, if any) or \$50,000 (reduced by the highest outstanding loan balance in the previous 12 months).
- other (specify): \_\_\_\_\_.

## INTEREST CALCULATIONS

Interest on loans from this Plan will be computed on the following basis:

- prime rate (as specified in the Wall Street Journal).
- prime rate (as specified in the Wall Street Journal) plus \_\_\_\_\_ percent.
- other (specify): \_\_\_\_\_.

**NOTE:** If no option is selected, the interest rate will be the prime rate. The interest rate must be comparable to that charged by commercial lenders in a similar transaction. Any loan renewals are subject to interest rate modification.

## COLLATERAL PLEDGE

A percentage of the borrower's vested account balance equal to the amount borrowed divided by their vested individual account balance is pledged as security for repayment of loans under this program.

- This plan will allow the borrower to pledge outside collateral for loan amounts in excess of one half of their vested individual account balances.

## DEFAULT PROVISIONS

The following will be considered acts of default under this Plan's loan program.

- Failure to remit payment in a timely manner as required under the loan agreement (required).
- Breach of any of the borrower's obligations or duties under the loan agreement (required).
- Separation from service.
- other (specify): \_\_\_\_\_.

## CURE PERIOD AFTER DEFAULT DUE TO FAILURE TO REMIT PAYMENTS

Will this Plan allow for a cure period when a loan is in default due to a failure to remit payments in a timely manner?

- yes, this Plan allows for a cure period. The loan will not be treated as a taxable distribution until the end of the quarter following the quarter in which the default occurred.
- yes, this Plan allows for a cure period. The loan will not be treated as a taxable distribution until *(specify)*:

\_\_\_\_\_

*(cannot be later than the end of the quarter following the quarter in which the default occurred).*

- no, this Plan does not allow for a cure period. The loan will be treated as a taxable distribution on the date the default occurs.

**NOTE:** *If no option is selected, the loan will be treated as a taxable distribution at the end of the quarter following the quarter in which the default occurred.*

## CURE PERIOD AFTER DEFAULT DUE TO SEPARATION FROM SERVICE

If this Plan defaults loans due to separation from service, will this Plan allow for a cure period before the loan is treated as a taxable distribution?

- yes, this Plan allows for a cure period after separation from service. The loan will not be treated as a taxable distribution until the end of the quarter following the quarter in which the default occurred.
- yes, this Plan allows for a cure period after separation from service. The loan will not be treated as a taxable distribution until *(specify)*:

\_\_\_\_\_

*(cannot be later than the end of the quarter following the quarter in which the default occurred).*

- no, this Plan does not allow for a cure period after separation from service. Unless paid in full immediately, the loan will be treated as a taxable distribution upon separation from service.

**NOTE:** *If no option is selected, the loan will be treated as a taxable distribution at the end of the quarter following the quarter in which the default occurred.*

## OFFSET PROVISIONS

When will the loan administrator offset a loan?

- upon separation from service *(only if separation from service is a distribution trigger under this Plan)*.
- upon a lump sum distribution following separation from service.
- other *(specify)*: \_\_\_\_\_

**NOTE:** *The borrower must have reached a distribution trigger under this Plan in order for a loan to be offset. The borrower may request a loan offset upon any distribution event. If no option is selected, the Plan will offset loans upon lump sum distribution following separation from service.*

## SUSPENSION PROVISIONS

Will this Plan allow for the suspension of loan payments during a bona fide leave of absence?

- yes, for \_\_\_\_\_ months *(no more than 12)* for a bona fide leave of absence.
- yes, for the entire time the borrower is on qualified military leave.
- no.

**NOTE:** *If no option is selected, the Plan will allow for suspension of loan payments for 12 months during a bona fide leave of absence and for the entire time the borrower is on military leave.*

## ROLLOVER PROVISIONS

Will this Plan allow for the rollover of loans?

- yes, this Plan will accept rollovers of loans into this Plan.
- yes, this Plan will allow rollovers of loans out of this Plan.
- no.

**NOTE:** *If no option is selected, the Plan will not allow for rollover of loans.*

## TRANSFER PROVISIONS

Will this Plan allow for the transfer of loans?

- yes, this Plan will accept transfers of loans into this Plan.
- yes, this Plan will allow transfers of loans out of this Plan.
- no.

**NOTE:** *If no option is selected, the Plan will not allow for transfer of loans.*

## REFINANCE PROVISIONS

Will this Plan allow for the refinancing of loans?

- yes.
- no.

**NOTE:** *If no option is selected, the Plan will allow for the refinancing of loans.*

### **PAYROLL DEDUCTION REQUIREMENT**

Must the borrower make loan payments on a non-deemed loan through a payroll deduction arrangement?

- yes.
- no.

**NOTE:** *If no option is selected, the Plan will require loan payments to be made through a payroll deduction arrangement.*

### **LOAN REPAYMENT SCHEDULE**

How often must loan payments be made?

- quarterly.
- monthly.
- bi-weekly.
- weekly.
- on a payroll basis.
- other (specify): \_\_\_\_\_.

**NOTE:** *Payments must be made at least quarterly. If no option is selected, the Plan will require payments to be made on a payroll basis.*