

ERISAnswer 401(k) Plan Plan Loan

Please follow the following instructions to obtain a plan loan from your ERISAnswer 401(k) Plan:

- Step 1** Once you have funds in your 401(k) account, you are allowed to borrow the lesser of 50% of the account balance or \$50,000.
- Step 2** Mail the completed *Loan Procedures, Loan Application and a check payable to ERISA Consultants in the amount of \$75 to ERISA Consultants P.O. Box 68, Manlius, New York 13104. **PLEASE REFERENCE YOUR CLIENT NUMBER ON YOUR CHECK** (see original plan documentation or contact our office) - failure to do so may result in your account not being properly credited and a delay in the processing of your loan.
- *Loan Procedures only have to be completed one time. If ERISA Consultants has already been provided with the completed Loan Procedures, it is not necessary to complete this form for future loan request.
- Step 3** Upon receipt of the completed forms, referenced in Step 2, ERISA Consultants will contact the plan's financial consultant and request verification as to the value in the 401(k) account. If the value in the account justifies the loan request, the application will be processed, if not the client will be notified.
- Step 4** ERISA Consultants will prepare and mail the required loan documents (Amortization Schedule, Promissory Note and Security Agreement) directly to the client. The client must sign the required documents prior to receiving the loan proceeds.
- Step 5** Upon receipt of the loan documentation, referenced in Step 4, the client should contact the plan's financial consultant and request the loan proceeds.
- Step 6** The financial consultant should arrange to issue a check and mail directly to the client. If the client does not have enough money in "cash" to cover the loan request, it will be necessary to liquidate a plan asset(s) to generate enough cash to issue the check.

****Important** – It is the responsibility of the client to make the scheduled payment as outlined on the Amortization Schedule and Promissory Note on a timely basis. A loan shall be deemed to be in default when a scheduled installment payment is 45 days late. Please review Section 8 of the Loan Procedures very carefully.

I.LOAN GUIDELINES	
Loan Amount	All loans will be limited to 50% of the participant's vested account balance provided such loan does not exceed \$50,000. The maximum amount will be reduced by the Participant's highest outstanding loan balance in the previous 12 months, even if amounts have been repaid.
Loan Term	Loans must be repaid within 5 years unless the loan is being used to acquire a principal residence (for which an unspecified reasonable limit applies).
Loan Repayment	Repayment must be made in substantially equal installments. The payment must be made not less frequently than quarterly over the term of the loan. <u>Should the participant terminate employment for any reason, including death, the outstanding loan balance is due immediately.</u>
Interest	"Prime Lending Rate" as published in the Wall Street Journal plus 2%. The loan interest is deposited back into the qualified account from which it was withdrawn along with the principal. The loan interest is <u>not</u> tax deductible.
Reasons	You may borrow from your 401(k) account for any reason.
Prepayment	Any prepayment does not reduce the amount due for a subsequent payment; rather it will shorten the period of the loan. You can repay the loan in full at any time.

4. Repayment Procedure

Principal and interest payments will be made weekly, bi-weekly, monthly, bi-monthly or quarterly.

Principal and interest payments shall be made by the means of payroll withholding according to the terms of the promissory note.

5. Fees

Participants will be required to pay a \$75 processing fee. The check should be submitted with the Loan Application.

6. Interest

The rate of interest will be a composite of what persons or institutions in the business of lending money would obtain as compensation for the use of money, which they lend under similar circumstances and for similar purposes. The loan administrator may consider factors pertaining to the opportunity for gain and the risk of loss that professional lenders would consider in setting the rate of interest on a similar arm's-length loan. Under no circumstance should the rate of interest be less than prime plus 2%.

7. Security

Any loan granted hereunder will require a participant to pledge a maximum of 50% of his or her vested account balance as collateral for a loan.

8. Default

A loan shall be deemed to be in default when a scheduled installment payment is 45 days late. If payment has not been made within 15 days of the installment due date, the administrator will send the participant a letter notifying him/her that payment is due within 30 days of the date of the letter. If payment is not received within such stipulated time period, the following will take place:

1. The loan is considered to be in default as of the date the last payment was due.
2. The remaining principal and interest on the loan is due and payable as of the date the last payment was due.
3. The loan is now a taxable event, subject to personal income and penalty taxes, but will not relieve the participant's obligation to repay the loan. Form 1099-R will be completed and given to the participant; however, the loan will not be charged against the participant's vested account balance until he or she terminates service, retires, dies, becomes disabled, attains age 59-1/2 or reaches the earliest date distribution is permitted under the plan.
4. If permitted in the Plan, the loan will be deemed an in-service withdrawal. Such withdrawal will be subject to personal income taxes and penalty. Form 1099-R will be issued to the participant showing such withdrawal.

5. To the extent possible, the loan will be renegotiated and payments made through payroll deduction.

Note: If a participant contacts the loan administrator before the due date of the loan payment, and agrees to item 4 or 5 above, the loan will not go into default.

9. Termination of Employment

In accordance with the plan document, any remaining principal and interest on a participant loan will become immediately due and payable upon termination of employment. Upon termination, the administrator will send the participant a letter demanding full and immediate repayment. If such repayment is not received within thirty (30) days, the participant's vested account balance shall be reduced by the remaining principal and interest. At that point, the remaining principal and interest will be deemed a taxable plan distribution subject to personal income and penalty taxes.

10. Plan Administrator (Employer)

The following person is responsible for the administration of this loan program.

Name: _____

Address: _____

Phone: _____

11. Employer's Authorization

I hereby certify that the above loan provisions will be administered in a consistent and uniform manner for all participants in the plan.

Employer's Signature

LOAN APPLICATION

_____ **401(k) Plan, Client #* _____**
Formal Business Name

*See original plan documentation or
contact our office for your client #.

Participant Name: _____ SSN: _____ Date: _____

Amount of loan requested: \$ _____ Number of years requested to repay _____ (not to exceed 5)

Purpose of Loan: _____ Date of 1st payment: _____

NOTE: You may not borrow against amounts set aside for other payees under a Qualified Domestic Relations Order.

Upon approval of this application, you will receive an amortization schedule of the payments due for the term of the loan as well as a promissory note and security agreement, which must be executed prior to receipt of the approved loan amount.

I hereby request the above participant loan from my vested account balance in the above-referenced Plan and authorize payments to be made via payroll deduction.

Date

Signature of Participant

Date

Signature of Participant's Spouse *

Signature of Notary Public

* This signature must be notarized if your spouse is your named beneficiary. By signing this application, your spouse consents to a possible reduction in the benefit which would otherwise be payable in the event of your death prior to retirement.

Participant's Certification, if not married

I hereby certify that I am not now married and that there are no Plan benefits payable to a former spouse under a qualified domestic relations order.

I hereby certify that I am not now married, however, there may be a reduction in my benefits as a result of a qualified domestic relations order.

Date

Signature of Participant

Signature of Notary Public

Upon termination of employment, your outstanding loan balance is immediately due and payable.

TO BE COMPLETED BY PLAN ADMINISTRATOR (Employer):

1. Present value of vested account balance exclusive of outstanding loan balance(s): \$ _____
2. Enter total of outstanding loan balance(s): \$(_____)
3. Amounts payable to outstanding QDRO's: \$(_____)
4. Subtract lines 2 and 3 from line 1: \$ _____
5. Multiply line 4 by .5: \$ _____
6. Subtract the highest outstanding loan balance in the past twelve months from \$50,000: \$ _____
7. Enter the lesser of line 5 or line 6: \$ _____

This is the maximum loan amount available.

If the loan amount requested by the participant above exceeds the maximum loan amount available on line 7 or if line 7 is less than the minimum loan amount as set forth in the current "Loan Procedures" form, this application should be denied.

The participant loan requested above complies with the guidelines as set forth by the plan document and the current "Loan Procedures" form and, therefore, is approved by signature below.

Date

Signature of Plan Administrator