



QUALIFIED PLAN LOAN POLICIES & PROCEDURES

The following sample loan documents are included for your information:

Plan Loan Policies and Procedures: This document must be prepared by the Plan Administrator based on the actual policies which will be followed. A copy of the Plan Loan Policies and Procedures Statement should be included with the Summary Plan Description and distributed to all participants.

Sample Loan Forms: Samples of the following forms which may be used to administer a loan program are included:

Plan Loan Application
Plan Loan Note and Security Agreement

These plan loan documents may be completed and modified as necessary. While all documents should be reviewed by legal counsel before use, the sample loan forms should be subjected to critical review to make sure that they meet the requirements of appropriate state law.

Please note that if either credit worthiness or financial need is a factor to be considered in deciding whether a loan will be made, the Plan Loan Application should be modified to request detailed financial information.

PLAN LOAN POLICIES AND PROCEDURES

Part 1: GENERAL PLAN INFORMATION	
Employer Information	Employer Name:
	Address:
	Phone:
	Employer Identification Number:
Plan Information	Plan Name:
	Name of Plan Administrator:
	Address:
	Phone:
	Contact Person:
	Email:
Part 2: ELIGIBILITY FOR LOANS	
<p>Each person who is a party-in-interest with respect to the Plan and Trust as defined in '3(14) of ERISA is eligible to receive a participant loan. This includes active participants, and:</p> <p><input type="checkbox"/> (a) Beneficiaries;</p> <p><input type="checkbox"/> (b) Former Participants; or</p> <p><input type="checkbox"/> (c) Employees who have not met eligibility requirements to enter the plan but have rollover and/or transfer accounts.</p> <p>Loans will be made without regard to race, color, religion, sex, age, or national origin.</p> <p>Participants are permitted to have outstanding loans.</p>	
Part 3: LOAN APPLICATION PROCEDURE	
<p>Any person who is a party-in-interest with respect to the Plan and Trust may apply for a loan (subject to restriction in Part II above) by completing and submitting a loan application to the Plan Administrator on a form available from the Plan Administrator. The Plan Administrator will review the loan application and return it to the individual if it has not been properly completed.</p> <p>Once the loan application is completed, the plan administrator will review the application and determine whether the individual satisfies the participant loan criteria. If the individual meets the criteria, the loan will be approved. If the criteria are not met, the loan will be denied, and the Plan Administrator will notify the individual in writing of the denial and the reasons for such denial.</p>	
Part 4: BASIS ON WHICH LOANS WILL BE GRANTED OR DENIED	
<p>Loans will be made to all eligible participants and beneficiaries on a reasonably equivalent basis. In making loans, consideration will be given only to those factors which would be considered in a normal commercial setting by an entity in the business of making similar types of loans. The following factors will be considered:</p> <p><input type="checkbox"/> Credit worthiness.</p> <p><input type="checkbox"/> Financial Need</p> <p><input type="checkbox"/> Other (specify):</p>	
Part 5: LOAN TERMS	
Minimum Amount of Loan	Select One of the following:
	<input type="checkbox"/> Each loan shall be for a minimum amount of \$ (may not exceed \$1,000).
	<input type="checkbox"/> Not Applicable. There is no minimum loan amount.

Maximum Amount of Loan	<p>Generally, if no other plan loans exist (including a defaulted loan), a participant may borrow up to 1/2 of his or her vested account balance, not to exceed \$50,000. The following chart outlines how this maximum limit works:</p> <table border="0"> <tr> <td style="text-align: left;"><u>Vested Account Balance</u></td> <td style="text-align: left;"><u>Maximum Loan Amount</u></td> </tr> <tr> <td>Less than \$100,000</td> <td>50% of vested account balance</td> </tr> <tr> <td>Over \$100,000</td> <td>\$50,000</td> </tr> </table> <p>However, if the borrower has an outstanding balance on one or more other loans from the plan, then the above limits are reduced by the sum of the outstanding loan balances on the date the new loan is made.</p> <p>In addition, to prevent borrowers from using "bridge loans," the \$50,000 limit must be further reduced by the excess of:</p> <ul style="list-style-type: none"> • The highest outstanding balance of all loans during the 1 year period ending on the date of the loan, over • The outstanding balance of all loans (including any "defaulted loan" amounts, plus accrued interest) from the plan on the date the loan is made. <p>For example, a participant or beneficiary with a vested account balance of \$200,000 borrows \$30,000 from his plan on January 1, 2014. On November 1, 2014 he wishes to borrow an additional amount without triggering a taxable distribution. On November 1, the outstanding loan balance is \$20,000. How much more can he borrow from the plan? The answer is \$20,000, calculated as follows:</p> $\$50,000 \text{ (loan limit)} - (\$30,000^1 - \$20,000^2) - \$20,000^3 = \$20,000$ <p>The Loan Worksheet (Exhibit A) may be used to compute your maximum loan limitation.</p>		<u>Vested Account Balance</u>	<u>Maximum Loan Amount</u>	Less than \$100,000	50% of vested account balance	Over \$100,000	\$50,000
	<u>Vested Account Balance</u>	<u>Maximum Loan Amount</u>						
	Less than \$100,000	50% of vested account balance						
	Over \$100,000	\$50,000						
	<p>If multiple loans (2 or more) have been made during the one-year period, then the highest outstanding balance will be determined as follows (choose one):</p>							
<input type="checkbox"/>	<p><u>General Rule</u>: \$50,000 reduced by the highest outstanding aggregate loan balance of all loans during the one-year period ending the day before the loans, and then reduced by the outstanding balance on the date of the new loan; or</p>							
<input type="checkbox"/>	<p><u>Alternative Rule</u>: \$50,000 reduced by the single highest outstanding loan balance during the one-year period</p>							
	<p>For example, a participant borrowed \$30,000 in February 2017 which was fully repaid in April 2017. In May 2017, the participant borrows the maximum of \$20,000 and repays that loan in July 2017. In December 2017, the participant requests a third loan:</p> <p>If Box 1 is checked, then no loan is available, because $\\$50,000 - \\$30,000 - \\$20,000 = \\0. If Box 2 is checked, an additional loan is permitted, because $\\$50,000 - \\$30,000$ (the highest outstanding loan balance) = \$20,000.</p>							
Maximum Loan Term	<p>Generally a plan loan must be paid within 5 years. However, a longer term is permitted if the loan is made to acquire the borrower's principal residence. In such a case the loan must be paid within:</p>							
	<input type="checkbox"/>	10 years						
	<input type="checkbox"/>	Other (Specify, must be a "reasonable" period of time):						
Repayment Schedule	<p>Loan payments must be made in level amortized payments and must be made at least quarterly. The Plan Administrator may require that loan payments be made by payroll deduction. Loan payments may be made (check all that apply):</p>							
	<input type="checkbox"/>	By Payroll deduction						
	<input type="checkbox"/>	ACH						
<input type="checkbox"/>	By check to the Plan Administrator.							
Suspension of Loan Payments	<p>During periods of military service, loan payments <input type="checkbox"/> will <input type="checkbox"/> will not be suspended under this plan as permitted under section 414(u)(4) of the Code.</p>							

¹ Highest outstanding loan balance during previous 12 months

² Loan balance on date new loan is desired

³ Loan balance on date new loan is desired.

	During any participant's leave of absence, as defined in section 72(p) of the Code, loan payments <input type="checkbox"/> will <input type="checkbox"/> will not be suspended for a period not to exceed one year.	
Security for Loan	As security for the payment of the loan note, the Participant hereby grants the lesser of a 50% security interest in the Participant's account balance, or the loan outstanding principal balance(s), as collateral for the loan. The Plan Administrator may, in its sole discretion, require additional collateral.	
Part 6: DEFAULTING ON LOANS		
If a borrower does not make a loan payment when due (i.e., the borrower defaults on the loan), the borrower will have the following period of time to cure the default:		
<input type="checkbox"/>	Until the end of the calendar quarter following the quarter that the loan payment was due; or	
<input type="checkbox"/>	_____ days after such loan payment is due.	
If a borrower fails to make the loan payment by the end of the cure period (specified above) then the following procedure(s) shall apply (check all that apply to this plan):		
<input type="checkbox"/>	If permitted under the maximum loan limits, a new loan will be created in the amount of the default amount.	
<input type="checkbox"/>	The defaulted amount will be reported as a deemed distribution for the tax year in which the cure period ends.	
The amount of any defaulted loan plus accrued interest will continue to reduce the amount allowable as a subsequent loan.		
Part 7: DETERMINING THE LOAN'S INTEREST RATE		
The interest rate to be paid by the borrower on the loan must be "reasonable." "Reasonable" is defined to be a rate commensurate with the interest rate charged by persons in the business of lending money for loans which would be made under similar circumstances.		
The Plan Administrator shall determine a reasonable rate of interest by:		
<input type="checkbox"/>	Ascertaining the rates being charged for similar loans by at least two financial institutions or other firms in the same geographic area who are in the business of lending money;	
<input type="checkbox"/>	Using the Prime Rate plus _____ %	
<input type="checkbox"/>	Other (Describe): _____	
This process shall be used in determining rates on each day a plan loan is granted. If the loan is renewed, extended, or renegotiated, the interest rate charged for the renewal period must be "reasonable" under the economic conditions prevailing at the time of the renewal.		
The interest rate used shall be compounded _____.		
Part 8: MISCELLANEOUS		
Prepayment	The loan may be prepaid in full without penalty at any time. Partial prepayments are also acceptable. Partial prepayments will be credited to principal, and installments shall continue as scheduled. In the event of a partial prepayment, no reamortization of the loan shall occur.	
Loan Expenses	Any expenses incurred in the making, administering or maintaining a participant's loan shall be: (check one)	
	<input type="checkbox"/>	deducted from such Participant's Account under the Plan;
	<input type="checkbox"/>	paid by the Participant.
Refinancing of Loans	Refinanced loans <input type="checkbox"/> are <input type="checkbox"/> are not permitted.	
Death of Borrower	In the event the Borrower dies, unless otherwise directed in writing by the Borrower, the loan note shall be treated as an asset of the plan. A Beneficiary shall therefore be responsible for the remaining loan payments, and shall be treated as the Borrower with respect to all of the rules and policies hereunder. The Beneficiary may "disclaim" the portion of the assets attributable to the loan, by providing a Qualified Disclaimer described in section 2518 of the Code. In such a case, the loan note, or if less, any portion of the loan disclaimed, shall be treated as a liability of the Participant's estate.	

EXHIBIT A: Loan Worksheet – General Rule	
1. \$50,000	\$50,000
2. Enter the highest outstanding loan balance during previous 1 year period	\$
3. Enter the amount of any unpaid defaulted loans plus accrued interest	\$
4. Add lines (2) and (3), enter sum.	\$
5. Enter current outstanding loan balance on date new loan is requested.	\$
6. Subtract line (5) from line (4)	\$
7. Enter current outstanding loan balance on date new loan is requested.	\$
8. Add Lines (6) and (7), enter sum	\$
9. Subtract line (8) from line (1), enter result	\$
10. Enter total vested account balance, including the value of any outstanding loans	\$
11. Enter 50% of Participant's vested plan balance (50% of line 10)	\$
12. Subtract line (5) from line (11), enter result.	\$
13. Enter lesser of line (9) or line (12)	\$
Amount from Line 13: THIS IS THE ALLOWABLE LOAN AMOUNT AVAILABLE TO PARTICIPANT, WITHOUT TRIGGERING A TAXABLE DISTRIBUTION.	\$
<u>Notes:</u>	
<ul style="list-style-type: none"> • Lines 2, 3 and 7 include the value of deemed distributions of defaulted loans. • The 1 year period referred to in Line 2 ends on the day before the new loan is to be made. • Refinanced Loans that extend the original loan due date are treated as new loans and must satisfy the rules outlined on this worksheet. 	

EXHIBIT B: Loan Worksheet – Alternative Rule	
1. \$50,000	\$50,000
2. Enter the single highest outstanding loan balance during previous 1 year period	\$
3. Enter the amount of any unpaid defaulted loans plus accrued interest	\$
4. Add lines (2) and (3), enter sum.	\$
5. Enter current outstanding loan balance on date new loan is requested.	\$
6. Subtract line (5) from line (4)	\$
7. Enter current outstanding loan balance on date new loan is requested.	\$
8. Add Lines (6) and (7), enter sum	\$
9. Subtract line (8) from line (1), enter result	\$
10. Enter total vested account balance, including the value of any outstanding loans	\$
11. Enter 50% of Participant's vested plan balance (50% of line 10)	\$
12. Subtract line (5) from line (11), enter result.	\$
13. Enter lesser of line (9) or line (12)	\$
Amount from Line 13: THIS IS THE ALLOWABLE LOAN AMOUNT AVAILABLE TO PARTICIPANT, WITHOUT TRIGGERING A TAXABLE DISTRIBUTION.	\$
<u>Notes:</u>	
<ul style="list-style-type: none"> • Lines 2, 3 and 7 include the value of deemed distributions of defaulted loans. • The 1 year period referred to in Line 2 ends on the day before the new loan is to be made. • Refinanced Loans that extend the original loan due date are treated as new loans and must satisfy the rules outlined on this worksheet. 	