

## **457 DEFERRED COMPENSATION**

### **LOAN PROGRAM**

**FULL TIME PLAN ONLY - 305870**

## **FREQUENTLY ASKED QUESTIONS (FAQs)**

### **REGARDING LOAN PROVISIONS**

**Q1. When did the loan provision go into effect?**

A1. January 2, 2007.

**Q2. Who is eligible to apply for a loan?**

A2. Each active full-time employee enrolled in the full-time 457 plan who has the minimum available funds in his or her account on the date of loan application, **and** who does not have an existing loan in default. Only one loan may be applied for during each calendar year regardless of whether or not a prior outstanding loan was paid back in full during the calendar year. The maximum allowed is five loans which have outstanding balances.

**Q3. How much can an employee borrow?**

A3. The minimum loan amount is \$1,000. An employee requesting a loan must have at least \$2,000 in his or her account at the time of loan application.

The maximum amount for any loan requested is the lesser of:

(1) \$50,000, reduced by the excess (if any) of:

- (a) the highest outstanding balance of loans during the one-year period ending on the day before the date a loan is to be made; and
- (b) the outstanding balance of loans on the date the loan is to be made; or

(2) one-half of the participant's account balance.

If a participant has any loans outstanding at the time a new loan is requested, the new loan will be limited to the maximum amount calculated above reduced by the total of the outstanding loans.

**Q4. Does the loan have to be for a specific purpose?**

A4. No.

**Q5. What's the interest rate for a loan?**

A5. **For loans of five years or less**, the interest will be based on prime plus 0.5%.

Interest rates are determined on the last business day of the month preceding the month the loan is disbursed using the Wall Street Journal as the prime interest rate source. The **interest rate is locked in at the time a loan is approved** and remains the same throughout the life of the loan.

**Q6. Are any fees involved payable to ICMA for the loans?**

A6. Fees include a \$75 one time set-up fee and an annual fee of \$50. You should check with ICMA-RC to determine any other fees that may apply to your specific loan.

**Q7. Can I pay off a loan before completion of the amortization schedule?**

A7. Yes. Procedures to pay off your loan early are on the HR website.

**Q8. How do I make payments to repay a loan?**

A8. Payments can be through bi-weekly payroll deduction. If the entire loan balance is to be paid off prior to the scheduled end date of the loan, read and follow the early loan payoff procedures on the HR website. "Extra" or partial payments are not permitted unless the additional payment completely pays off the loan balance.

**Q9. How often can I request a loan?**

A9. You may apply for one loan per calendar year. No participant may have more than five loans with outstanding balances at one time.

**Q10. How do I apply for a loan?**

A10. All loans must be requested on-line by employees through ICMA-RC's Account Access site at [www.icmarc.org](http://www.icmarc.org). There is no paper application form, and there is no other method by which to apply. If you do not have a computer at home, you may access one at work or at a public library.

If you do not currently access your account on-line, you will need to visit the ICMA-RC website to set up your password to access your account. If you have any problem setting up your password, call ICMA at 1-800-669-7400.

**Q11. How do I find out if my loan was approved?**

A11. If you are not eligible for a loan, your on-line request will not process, and you will not be able to click on the "Submit" button to initiate your loan. If you are able to click on the "Submit" button and you receive a confirmation number, your loan was approved. The promissory note, truth-in-lending rescission notice, and disclosure statement are mailed to you along with the issued loan check.

**IMPORTANT:** **Your loan check and other documents will be mailed to your address of record with ICMA-RC. You should verify your address on-line before applying for a loan. If your address needs updating, you should update it at least six (6) working days prior to applying for a loan. If you do not do so, the mailing of your loan check may be delayed.**

**Q12. What happens if I request a loan but change my mind?**

A12. If you request a loan but change your mind after the check has been issued, you must provide a written request to ICMA to rescind your loan within three (3) business days from the date you receive the loan check. You may either use the rescission document provided with your loan check, or you may write your own request. If you rescind a loan, you will not be reimbursed for loan fees and expenses. If you do not provide a written request to ICMA to rescind your loan within three business days after the date you receive the loan check, or if you do not present your loan check for payment, and/or if your check does not clear your bank in sufficient time to permit timely processing of your initial repayment within the 30 days required by the IRS, you will receive a 30 day notice of delinquency from ICMA. To cure the delinquency, you must multiply any repayments due to stay current on your original repayment schedule. If you are still delinquent at 60 days, you will receive a second notice.

If you have not cured the delinquency by 90 days from the date of check issuance, your loan will be in default and you will receive a notice from ICMA that your loan has been deemed distributed and is therefore taxable. You will receive a 1099R for the calendar year for the outstanding amount. A defaulted loan precludes you from applying for another loan until the defaulted loan has been paid in full.

**Q13. Can I re-amortize my loan (change the pay-back time schedule)?**

A13. No.

**Q14. What happens if I have an active loan and my employment ends?**

A14. A loan becomes due and payable when the participant takes a distribution of all of the balance in his/her account after separation from service. If the terms of the loans contain such a provision and the outstanding loan balance is not paid prior to the distribution from the account, the outstanding loan amount will be considered in default upon issuance of the distribution check. The amount of the outstanding loan, including accrued interest, will be reported to the IRS as a distribution that may be subject to taxes.

**Q15. Does my outstanding loan amount or loan repayment history get reported to credit bureaus?**

A15. No information regarding your loan is reported to any credit bureau. If you default on the loan repayment, ICMA reports your default to the IRS. The unpaid balance would then become taxable income, and you would receive a 1099R at the end of the taxable year for that amount.

**Q16. Can I re-finance an existing loan (i.e. apply for more funds and roll the current loan balance into the new loan)?**

A16. No. You cannot refinance an existing loan or request another loan if you already have a loan (paid off or not) that was initiated during the same calendar year. Only one loan is allowed per calendar year to a maximum of five loans which have outstanding balances.

**Q17. Where can I get additional information?**

A17. The customer service line at ICMA-RC is 1-800-669-7400.