



## NEW LOAN/REFINANCE APPLICATION FORM (DIRECT)

### ONLINE REQUESTS

Most plans allow you to submit loan requests electronically, enabling ICMA-RC to process your request immediately and help you realize the benefits of a more secure paperless process.

Follow the steps shown below to ensure we are able to process your request in a timely fashion.

1. Access your account online at [www.icmarc.org/login](http://www.icmarc.org/login)
2. Select your plan from Access My Account
3. Click the Loans link on the left-hand side
4. Click Model a Loan and then follow the steps to complete your request

Benefits of Submitting Loan Requests electronically via Account Access

1. Streamlined, electronic processing that allows for faster processing of loan applications based on plan rules
2. No need to mail or fax any paperwork
3. Automated Clearing House (ACH) option for faster receipt of loan proceeds at no additional cost
4. Increased security by eliminating the need for paperwork containing Social Security numbers, personal information, and bank account numbers (if applicable)
5. Clearer messaging and notifications to more easily obtain the status of your application
6. Ability to model and save a loan application until ready to submit the request
7. Ability to upload supporting documentation; e.g., spousal waivers, residential purchase agreements, and hardship

### PAPER REQUESTS

If your plan does not allow you to submit your loan requests electronically, you can submit paper forms to initiate your loan request. Follow the steps shown below to ensure we are able to process your request in a timely fashion.

**After your loan application has been reviewed, you will be requested to go online to complete the loan request process.**

To initiate a paper loan request you must review the disclosures in the Additional Information section of this packet, complete the Maximum Loan Worksheet (this is automatically calculated for you when using Account Access), complete each section of the enclosed *New Loan/Refinance Application Form*, and fax or mail the completed form to ICMA-RC. Note that all fields on the form are required and incomplete or illegible submissions could delay processing of your loan request. **The e-mail address field is required to provide communications to you regarding your loan request.** Please keep a copy of the completed form for your records.

### TIMEFRAME FOR PAYMENTS

Provided that your request is received in good order, with all required information, the loan proceeds and associated loan documents will be sent within 3 business days. If you submit your request electronically via Account Access prior to market close, your proceeds will likely be sent the following business day (pending any review of your application that may be needed).

**At ICMA-RC, we take security of our participants retirement assets seriously. We have stringent security measures in place and we continuously apply enhancements to safe guard your assets.**

**Additional precautions are taken when processing loan requests. Adding new or changing existing information on file with ICMA-RC will result in verification of the entry which may delay your loan.**

# RETIREMENT PLAN LOAN CHECKLIST

Taking out a loan from your employer-sponsored retirement plan is generally preferable to an emergency or hardship withdrawal, which is subject to income taxes and results in a loss of tax-advantaged growth potential. And knowing a loan is an option can help you confidently save more for your future.

Just make sure you understand a loan's potential pitfalls and how it works. Use this checklist as a guide.

## A Retirement Plan Loan May Be a Good Option

- Avoid a home eviction or foreclosure
- Pay major medical bills
- Pay down high interest rate debt
- Make a down payment to qualify for a mortgage or a lower mortgage rate

## But Remember a Loan Can Have Costs, Too

- If you reduce your retirement plan contributions, you reduce your future savings.
- Even if you maintain your contributions, the growth of your account may be less because the outstanding loan balance is no longer invested.
- If you default on a loan, the outstanding loan balance is treated as a taxable withdrawal and removed from your account.
- Initial and ongoing fees.

## Explore Pros and Cons of Other Available Options

- Non-retirement account investments
- Cash value life insurance
- Home equity loan or line of credit
- Government benefit programs — [www.benefits.gov](http://www.benefits.gov)
- Reducing other expenses

## Understand How Your Retirement Plan Loan Program Works\*

- Eligibility rules — typically, you may not borrow more than 50% of your account balance, up to \$50,000, and the minimum loan amount is \$1,000.
- Interest rate — generally, loan rates are set monthly, a fixed rate applies for the length of the loan term, and the specific rate depends on whether or not the loan is for a principal residence.
- Time period — loans must generally be repaid within 5 years, or within up to 30 years for a principal residence (depending on your plan rules).
- Repayment options — made via automatic bank account transfer (ACH) and/or payroll deduction (depending on your plan rules).
- One-time origination and ongoing annual fees typically apply.
- Loan default scenarios

\* Loan rules can vary by plan

To learn more about your retirement plan's loan program and to apply for a loan, log into your account at [www.icmarc.org/login](http://www.icmarc.org/login), select your plan from "Access My Accounts" and then select "Loans" from the left-hand menu.

To learn more, contact your ICMA-RC representative.

# Maximum Loan Amount Worksheet

(this is automatically calculated for you when applying online via Account Access)

The maximum amount you can borrow from your account is \$50,000 or 50% of the account balance, *whichever is less*. However, the amount must be reduced by your highest outstanding loan balance over the past 12 months (which, only applies if you have previously taken a loan from a 457 or qualified 401 plan). The minimum amount you can borrow is \$1,000.

## EXAMPLE 1

Michael has never taken a loan from his account before and his 457 plan account balance at the close of business yesterday was \$84,000. To calculate the maximum loan amount he is eligible to receive, we need to determine if 50% of his account balance ( $\$84,000 \times 50\% = \$42,000$ ) is greater than or less than \$50,000. In this case, 50% of his account balance is less than \$50,000, so the maximum loan amount Michael is eligible to receive is \$42,000 (the lesser of the two amounts).

## EXAMPLE 2

Kathy has never taken a loan from her account before and her 401 plan account balance at the close of business yesterday was \$240,000. In this case, 50% of Kathy's balance ( $\$240,000 \times 50\% = \$120,000$ ) is greater than \$50,000, so the maximum loan amount Kathy is eligible to receive is \$50,000 (the lesser of the two amounts).

## EXAMPLE 3

Pam took a \$15,000 loan from her account eight months ago (in the previous calendar year) and her 457 plan account balance at the close of business yesterday was \$130,000. In this case, 50% of Pam's balance ( $\$130,000 \times 50\% = \$65,000$ ) is greater than \$50,000, but that amount must also be reduced by her highest outstanding loan balance over the past 12 months, so the maximum loan amount Pam is eligible to receive is \$35,000. ( $\$50,000 - \$15,000 = \$35,000$ )

### MAXIMUM LOAN AMOUNT WORKSHEET

Worksheet Template		Example (using numbers from Example 3 above)
1) Enter 50% of your total plan account balance.	1) \$ _____	1) \$65,000
2) Enter the answer to #1 or \$50,000, <i>whichever is less</i> .	2) \$ _____	2) \$50,000
3) Enter your highest outstanding loan balance over the past 12 months (from all of your plans combined), if applicable.	3) - \$ _____	3) - \$15,000
4) Subtract #3 from #2 and you have the maximum amount you are eligible to receive as a new loan or loan refinance.	4) \$ _____ (maximum loan amount)	4) \$35,000

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# NEW LOAN/REFINANCE APPLICATION FORM (DIRECT)

- Use this form to apply for a new loan or to refinance an existing loan.
- Please note all fields are required.
- You will be notified of the status of your loan request via email.
- Please print legibly in black or blue ink if you are not completing this form electronically.

## 1 PARTICIPANT INFORMATION

Employer Plan Number: \_\_\_\_\_ Employer Plan Name: \_\_\_\_\_ Marital Status  
 Married  Single

Social Security Number: \_\_\_\_\_ Daytime Phone Number: (\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_ Email Address (required): \_\_\_\_\_

Full Name of Participant: \_\_\_\_\_  
LAST FIRST M.I.

Mailing Address (required): \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

## 2 NEW LOAN/REFINANCE INFORMATION

A. New Loan or Refinance (Select One): .....  New Loan **OR**  Refinance (Loan # \_\_\_\_\_)

B. Amount (Select One): .....  Maximum amount available **OR**  \$ \_\_\_\_\_

If the dollar amount requested exceeds the amount available for a loan from your account, the loan will be processed for the maximum amount available based on your current account balance.

C. Loan Term Requested (Select One): .....  Maximum term available **OR**  \_\_\_\_ (enter number of months)

D. Loan Type (Select One): .....  Conventional  Primary Residence Loan (attach signed Buyer/Seller agreement)

E. Purpose of Loan or Hardship Reason: \_\_\_\_\_

F. Repayment Method (Select One):  
 Payroll Deduction: Payroll Frequency:  Weekly (52)  Bi-Weekly (26)  Semi-monthly (24)  Monthly (12)  
 ACH Debit (Monthly) — You will be prompted to provide ACH information in Account Access if your plan allows for repayments via ACH. Your loan repayments will typically be debited from your bank account on the 1st or 15th of each month. Please review the Additional Information section for more information.

## 3 PARTICIPANT SIGNATURE

I hereby apply for a loan, subject to and in accordance with the terms and provisions of my employer's plan. I understand that this application will result in a loan origination fee being deducted from my account balance, if such fee is applicable to my employer's plan. I also understand that any amortization schedule or loan data received prior to receipt of the actual loan documents was for illustrative purposes only.

As required by law and under penalty of perjury, I certify that the Social Security Number (Taxpayer Identification Number) I provided is correct and that I have read the Additional Information section of this form.

Participant Signature: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

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## ADDITIONAL INFORMATION

The plan sponsor establishes the rules for the plan's loan program. If you have questions about the loan rules applicable to your plan, please contact ICMA-RC.

### Eligibility

Only active employees are eligible to request a new loan or refinance an existing loan. The plan sponsor may allow loans to be taken for any reason or restrict loans to hardship situations only.

### Maximum Number of Loans\*

You may receive one new loan or refinance one loan per calendar year. Plans may allow up to five loans to be outstanding at one time.

### Loan Amount

The maximum amount of all loans to a participant from the Plan *and all other plans* that are either 457(b) plans or qualified employer plans under Section 72(p)(4) of the Code (e.g., 401(a) plans) shall not exceed the lesser of:

- (1) \$50,000, or
- (2) One-half of the value of your account.

When calculating the maximum amount you are eligible to borrow, the lesser value of (1) or (2) above must be reduced by your highest outstanding loan balance over the last 12 months. The minimum loan amount is \$1,000.\*

### Repayment Method

Loan repayments will be made by payroll deduction or by ACH debit from your bank account.

1. **Payroll Deduction** — With this option, loan repayments are deducted from your pay by your employer. After your loan is issued, repayments should begin within two payroll cycles.
2. **ACH Debit** — With this option, loan repayments are paid directly from your bank account each month. Loan repayments will generally be collected on the 1<sup>st</sup> or 15<sup>th</sup> of each month, depending on the day of the month when your loan request is received.
  - **Requests received on the 1<sup>st</sup>–15<sup>th</sup>** — Repayments will typically be paid from your account on the 15<sup>th</sup> day of the month, beginning with the first month following your request.
  - **Requests received after the 15<sup>th</sup>** — Repayments will typically be paid from your account on the 1<sup>st</sup> day of the month, beginning with the second month following your request. For example, if your request is received on April 21, your first loan repayment will be collected on June 1.

### Example of When Your First Loan Payment Will be Due

If We Receive Your Loan Application On...	Then the Due Date for Your First Repayment Is...
Apr. 1 (or any day from Apr. 1 through Apr. 15)	May 15
Apr. 21 (or any day from Apr. 16 through Apr. 30)	June 1

## DISCLOSURES

### Origination and Annual Maintenance Fees

A \$75\* origination fee is charged when your loan request is processed and a \$50\* maintenance fee is charged annually. These fees are deducted directly from your retirement plan account. You may want to consider other sources for small loans, as the fees for taking a loan from your

\*May differ for some plans.

employer-sponsored retirement plan may be significant in relation to the size of the loan.

### ACH Repayment Rejected Fee

If a loan repayment scheduled to be paid via ACH debit is rejected due to insufficient funds, invalid bank account information, or account closure, a fee will be charged to your account. The fee is \$20 for the first occurrence and \$50 for each subsequent occurrence.

### Loans from Other Plans

Outstanding loans from employer-sponsored retirement plans, including those with ICMA-RC and any plans with other providers, may reduce the amount you are eligible to borrow. IRS regulations require that you take any such loans into consideration when determining the amount you are eligible to borrow.

### Deemed Distributions

If a scheduled repayment is still unpaid at the end of the calendar quarter following the calendar quarter in which the repayment was due, any outstanding loan amount will be treated as a distribution. The principal balance and accrued interest will be reported to the IRS as a taxable distribution. Plan sponsors are obligated to comply with federal regulations regarding the administration of the plan's loan program and must monitor loan repayments to help prevent against loans being treated as distributions.

### Loan Repayment Terms

The repayment terms, including the interest rate, amount and frequency will be based on the options you select and **cannot be changed** once you accept the loan terms. Loan repayments reduce the outstanding loan balance by the amount of the repaid principal. Interest paid is credited as earnings on the investment in the note.

Please be aware that if you elect to make loan repayments via payroll deduction, you will not be able to change to ACH debit repayments after separating from service with the plan sponsor.

### Paying Your Loan Off Early

You may elect to make additional loan repayments to completely pay off an outstanding loan without being subject to a penalty or additional fee. Please note that no repayment date may be "skipped." Repayments made ahead of schedule will not be refunded. If you elect to **completely pay off** your current outstanding loan balance, no further interest will accrue.

To submit pre-payments, please use the Loan Payment/Payoff Coupon form found in Account Access or by contacting ICMA-RC.

## SPECIAL CIRCUMSTANCES

### Qualified Joint and Survivor Annuity

*(Applies to some 401 Plans only)*

If you are a married participant withdrawing assets from a 401 plan, and the employer has selected the Qualified Joint and Survivor Annuity as the default form of payment, you and your spouse must also complete the *Waiver of Qualified Joint and Survivor Annuity Form*. This form is available online at [www.icmarc.org/forms](http://www.icmarc.org/forms) or by contacting ICMA-RC.

### Roth Assets *(if applicable)*

If your 457 or 401(k) plan allows Roth contributions, any Roth assets in your account will be included when calculating the amount you are eligible to borrow, but these amounts are generally not available to be included as part of the actual loan.

## **Summary Description**

This publication provides a summary of the rules governing the loan options available in ICMA-RC 457 or 401 plan accounts. The actual rules governing the plan are contained in state retirement laws and the federal tax code. This publication is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this publication and what is contained in the law, the applicable law will govern.