

Loan Repayment Instructions

In accordance with the provisions of the plan, a loan has been taken by a participant from their retirement plan account. The participant must begin regularly scheduled payroll deductions to repay their loan to the plan in accordance with the attached amortization schedule.

The schedule is based on payroll frequency for the participant. The schedule includes the payroll date the payment is due and the breakdown of the loan payment between principal and interest.

Each loan payment must be deducted from the participant's payroll as an **after-tax** deduction. The loan payment is a separate deduction from any elected participant 401(k) contributions that may be associated with your plan.

As the plan sponsor, you are able to process these loan payments via the financial institution website. You will see a separate tab to input the loan principal and interest per payroll as provided via the amortization schedule. Please contact our office if you need any assistance when preparing the payroll deposit with loan payments.

Please forward a copy of the amortization schedule to the individual participant as well as to the appropriate personnel responsible for establishing the deduction within your payroll system.

Please note the payment start date to ensure that the loan deductions begin timely.

NOTES:

Loan Default – Pursuant to Internal Revenue Code rules and regulations, if any loan payment due in a calendar quarter has not been made and all payments required to be made by the end of the following calendar quarter have not been made, the loan will be in default. The entire amount, including any accrued interest will be deemed distributed and shall be reported to the participant as taxable income in the year defaulted. An IRS premature withdrawal penalty may also apply. The participant may be unable to obtain any future loan under the plan in the case of a default. The deemed distribution amount of the loan may stay on the books and continue to accrue interest until a distributable event occurs allowing the loan to be offset against a participant's account balance. For more information regarding the provisions of a defaulted loan, please refer to the plan and procedures.

Pre-payment of Loan – If the participant chooses to pay the entire outstanding loan balance early, there is no prepayment penalty. There is also no refund of the loan fee paid at the beginning of the loan process.