PARTICIPANT LOAN FAQs

Taking a loan from your retirement plan account can be confusing. These frequently asked questions and answers provide general information answering common questions asked by employees. Keep in mind that your particular Plan’s Loan Policy and the terms of your Plan govern the options available under the loan program. Therefore, these answers may not apply to every situation or feature available under the Plan. If you have additional questions, you may call our Customer Service Center for assistance toll free at 1-866-680-7000, Monday through Friday, 9 am to 5 pm ET.

What is the maximum loan amount I can request?

You can generally borrow up to 50% of your vested account balance, up to a maximum of $50,000. If you had a previous participant loan within the last 12 month period prior to the new loan request, the maximum amount available is reduced by the highest outstanding loan balance in the last 12 month period minus any outstanding loan balance at the time of the new loan. Be aware that your employer may limit the number of loans a participant may have outstanding at any one time. More information is available in your Summary Plan Description.

What are the repayment requirements for the loan?

Repayment of the loan must occur within 5 years. Loan repayments must be deducted directly from payroll. The loan repayments are not plan contributions; therefore, they are deducted from payroll on an after-tax basis. The payment amount is determined when the loan is established. Repayments are made in equal amounts that include principal and interest.

A loan taken for purchasing a principal residence can be paid back over a period of more than 5 years, if allowed by your Plan. If the loan request is for the purchase of your principal residence and the repayment period extends beyond 5 years, you must upload supporting documentation, such as a copy of your purchase agreement. These documents must be dated within 90 days of your loan request. Failure to upload the supporting documents with your request may delay or cancel the loan request.

If you terminate employment before your loan is fully paid, all unpaid amounts are then due and payable.

What is the interest rate on the outstanding amount of the loan?

Like any loan, interest is charged on a loan from your Plan. The rate of interest was determined by the plan administrator under the Plan’s Loan Policy, consistent with the terms of the Plan and law. The rate of interest is identified in your loan request and that rate applies without change for the term of the loan. The interest accrues on the basis of your repayment schedule. For instance, if loan repayments are withheld from your pay every two weeks, the interest accrues on the loan every two weeks.
What are sources of the loan proceeds in my account?

The loan amount is from the vested sources of your account that are eligible for loans under the Plan. It is withdrawn pro-rata from all your investments.

Are there taxes, penalties, or fees on my loan?

Funds withdrawn from your retirement plan account pursuant to a loan are not subject to income tax or the 10% early withdrawal penalty. However, the loan can be turned into a taxable event if you fail to repay the loan according to its terms. There may be fees associated with the loan withdrawal and annual loan maintenance. Please refer to your Fee Disclosure Notice(s) for any associated fees.

What happens if my loan is not repaid according to its terms?

When a loan is not repaid according to its terms, it is generally considered in default and treated as a taxable distribution from the plan. The Plan’s Loan Policy will specify the events of default. If your loan defaults, you will receive a Form 1099-R reflecting the exact amount of the taxable distribution.

What happens to my loan if I am on leave of absence?

Your loan payments may be suspended during a bona fide leave of absence for up to one year. When the leave ends (provided it does not last beyond one year), the loan including accrued interest must be repaid by the latest date permitted under the Internal Revenue Code. This is generally 5 years from the date of the original loan. Therefore, an ordinary leave of absence will not extend the maximum period within which you must repay the loan. You may make up the missed payments by increasing the amount of the original payment amount so that the term of the loan does not exceed the original 5-year term.

What happens to my loan if I am on a Military leave of absence?

Your loan payments may be suspended during your Military leave of absence. Loan payments will be resumed upon your return from military duty. The loan must be fully paid (including interest that accrues during the period of military service) in substantially level installments by the end of the original term of the loan plus the period for military service. The interest rate that applies may be reduced to six percent if this is lower than the current interest rate unless the Participant waives the rights and protections provided under the Servicemembers Civil Relief Act of 2003.

Will I receive a paper confirmation of my loan?

The only “paper” you will receive is a check for your loan proceeds, unless you elected to directly deposit the proceeds into your account. All loan requests and your acceptance and signature are done electronically. You can request a paper copy of your promissory note and assignment by calling the Customer Service Center for assistance toll free at 1.866.680.7000, Monday through Friday, 9 am to 5 pm ET. For your information, a sample promissory note and assignment are reproduced as follows:
Sample 401(k) Plan
Assignment of Interest to Secure Repayment of Loan & Promissory Note

Participant’s Assignment

The undersigned is a participant in the above referenced plan and related trust (the “Plan”). The undersigned has borrowed from the Plan the principal amount indicated below and is indebted to the trustee of the Plan for such principal amount and interest thereon as evidenced by a Promissory Note of even date herewith (“Note”). To secure the repayment of the Note, the undersigned desires to assign 50% of the undersigned’s non-forfeitable interest in the Plan as hereinafter provided.

NOW, THEREFORE, for a valuable consideration, the receipt of which is hereby acknowledged, the undersigned does hereby pledge, sell, assign and transfer unto the trustee of the Plan and grants to the trustee, its successors and assigns, a security interest in and to 50% of the undersigned’s right, title, claim and interest under the Plan as security for the due and punctual payment of all installments of principal and interest due under the Note and all other sums payable pursuant to the Note and all other obligations and liabilities of the undersigned to the trustee attributable to the Note, whether now existing or hereafter created or arising.

The principal amount of the Note is: $1,000.00

Participant Signature (signed electronically)  04/03/2014

Date

Promissory Note – NOT NEGOTIABLE

FOR VALUE RECEIVED, the undersigned maker (who is the Participant) hereby promises to pay to the order of the trustee of the above referenced retirement plan and related trust (the “Plan”) the principal amount of 1,000.00 together with interest on the unpaid principal amount at an interest rate of 4.25% per annum. Periodic payments shall be, in lawful money of the United States, withheld from the maker’s period wage payments, with principal and interest payable on the dates indicated below (the “Due Dates”) and in the installment amounts indicated below.

This Note is secured by a security interest in 50% of the maker’s interest in the Plan pursuant to an Assignment of Interest of even date hereof, to which reference should be made for certain rights of the trustee and obligations of the maker.

If there is a default in the payment of principal and interest under this Note and in performance of the Assignment of Interest securing payment hereof, the maker promises to pay the holder’s attorney fees, court costs and other reasonable expenses of collection or attempt to collect this Note or in enforcing the holder’s rights in any collateral securing this Note, to the full extent allowed by law. The unpaid principal and interest under this Note shall be due and payable when and if the maker’s employment by the employer sponsoring the Plan (or its related employers) ends.

This Note may be prepaid at any time, in whole or in part, without premium or penalty.

This Note is accepted in the City and State indicated below and shall be governed by the laws of such State.

The Due Dates are each: Biweekly pay period beginning with the 4/3/2014 payroll

The amount of each installment of principal and interest on each Due Date is: 26 payments of $39.37 and 1 final payment of $39.17

The maker is responsible for making certain that the employer is withholding the proper loan payments. If the maker determines that a loan payment has not been withheld, the maker must notify the employer and arrange for a make-up loan payment(s) before a default occurs. If the maker does not make the missed loan payment(s) and a default occurs, the maker will be subject to adverse federal income tax consequences.

IN WITNESS WHEREOF, the maker has caused this Note to be executed on the day indicated below.

Signed electronically at: Lexington, KY
City, State
04/30/2014

Participant Signature (signed electronically)  Baker Bake
Date

Print Name

Unified Trust Company, N.A.  ◄ 2353 Alexandria Drive, Suite 100, Lexington, KY 40504 ◄ 1-866-680-7000
How soon will I receive my loan proceeds?

Your Plan Administrator will receive notification of your loan request and will have 3 business days to review. Once the loan is approved, your loan proceeds will be processed and released.

How will I receive my loan proceeds?

You can have your loan proceeds sent to you by check or you can have the proceeds directly deposited to your bank account. Your account and banking information may be provided when you request the loan.