

Procedures for Loans

	Procedure
<p style="text-align: center;"><u>Loan</u></p> <p>Loans are optional. The District will establish through the District’s Written Plan and Adoption Agreement whether Loans are allowed or disallowed in the District’s Plan.</p> <p>If allowed</p> <p>The District does not determine whether an employee qualifies for a loan or not. That decision is made by the Product Provider and Aviben.</p> <p><u>Loan Rules:</u> If an employee has defaulted on a loan from any retirement plan or deferred compensation arrangement sponsored by the Employer and has not repaid the loan, in full, the employee shall not be permitted to take a loan from his/her Account.</p> <p><u>Maximum Loan Amount</u> \$50,000 reduced by any outstanding balance on any loan; <i>OR</i>, one half of the value of the participant’s vested account balance</p>	<p>Representative is defined as the investment provider’s local representative or the employee if the employee is self-administering his/her 403(b) Plan.</p> <ol style="list-style-type: none"> 1. Representative completes loan application provided by the investment provider. 2. Representative shall complete the “Transaction Processing Form” along with forms from the investment company ALONG WITH AN ACCOUNT STATEMENT SHOWING FUND BALANCE and submit to Aviben for Signature. 3. If no outstanding loans, Aviben shall sign and return to Representative. 4. Representative shall submit loan application to investment provider. 5. Aviben shall enter loan information into the ACS software system.

Aviben’s Process for Authorization and Calculation of Loans.

1. **Review the Plan in question to confirm that Loans are included**
2. **Acquire employee’s account information from school/Aviben**
3. **If there are no Defaulted loans indicated, then proceed to Step 4.** If there is a defaulted loan indicated, the Plan Document indicates that *“An Employee who has previously defaulted on a loan from any retirement plan or deferred compensation arrangement sponsored by the Employer and who has not repaid the loan, in full, shall not be permitted to take a loan from his Account under the Plan.”* Therefore, in the case of a default, the loan must be declined unless the investment provider provides in writing, proof that the *“employee who defaulted, has repaid the loan in full.”*
4. **Acquire employee’s account information from investment providers.**
 - a. **Total Account Balance** _____
 - b. **Outstanding Loan Amounts as of today:** _____
 - c. **Highest Outstanding Loan Balance in the last 12 months:** _____
 - d. **Adjusted Total Account Balance** - if not already included, add “Outstanding Loan Amounts as of Today” to the “Total Account Balance” amount, otherwise enter line a: _____

5. To Determine Available Loan amount, enter the following information:

	Investment Provider Name/Account Number	Adjusted Total Account Balance	Current Outstanding Loan Amount	Highest Outstanding Loan Amount in last 12 Months
Account/Loan #1				
Account/Loan #2				
Account/Loan #3				
Account/Loan #4				
Account/Loan #5				
Grand Totals:				

Note: If more than five (5) loans, add extra rows by placing the cursor in the row for Account/Loan #5, Right-click, Select “Insert” → Insert Rows Below”

6. Enter the grand-total of the “Total Account Balance”: _____
7. Enter the grand-total of the “Current Outstanding Loan Amount”: _____
8. Enter the grand-total of the “Highest Outstanding Loan Amount in last 12 Months”: _____
9. Subtract the total in Line 7 from the total in Line 8: _____
10. Subtract the total in Line 9 from \$50,000.00: _____
11. Take the total in line 6 and multiply by %50: _____
12. Enter in the lesser of Lines 10 and 11: _____
13. Subtract the total from Line 7 from Line 12: _____: ←This is the Approved Loan Amount

Appendix 1: The Actual Plan Document Language

- 4.1 **Loans.** If authorized in the Adoption Agreement, loans shall be permitted under the Plan to the extent permitted by and in accordance with the Individual Agreements controlling the Account assets from which the loan is made and by which the loan will be secured. An Employee who has previously defaulted on a loan from any retirement plan or deferred compensation arrangement sponsored by the Employer and who has not repaid the loan, in full, shall not be permitted to take a loan from his Account under the Plan.
- 4.2 **Information Coordination Concerning Loans.** Each Vendor is responsible for all information reporting and tax withholding required by applicable federal and state law in connection with distributions and loans. To minimize the instances in which Participants have taxable income as a result of loans from the Plan, the Administrator shall take such steps as may be appropriate to coordinate the limitations on loans set forth in Sections 4.1 and 4.3, including the collection of information from Vendors, and transmission of information requested by any Vendor, concerning the outstanding balance of any loans made to a Participant under the Plan or any other plan of the Employer. The Administrator shall also take such steps as may be appropriate to collect information from Vendors and transmission of information to any Vendor, concerning any failure by a Participant to repay timely any loans made to a Participant under the Plan or any other plan of the Employer.
- 4.3 **Maximum Loan Amount.** No loan to a Participant under the Plan may exceed the lesser of (a) or (b) below:
- (a) \$50,000, reduced by the greater of:
- (1) the outstanding balance on any loan from the Plan to the Participant on the date the loan is made or
 - (2) the highest outstanding balance on loans from the Plan to the Participant during the one-year period ending on the day before the date the loan is approved by the Administrator (not taking into account any payments made during such one-year period).
- (b) one half of the value of the Participant's vested Account Balance (as of the valuation date immediately preceding the date on which such loan is approved by the Administrator).
- For purposes of this Section 4.3, any loan from any other plan maintained by the Employer and any Related Employer shall be treated as if it were a loan made from the Plan, and the Participant's vested interest under any such other plan shall be considered a vested interest under this Plan; provided, however, that the provisions of this paragraph shall not be applied so as to allow the amount of a loan to exceed the amount that would otherwise be permitted in the absence of this paragraph.
- 4.4 **Loan Repayments For Employees in Military Service.** Notwithstanding any other provision of the Plan or any Annuity Contract or Custodial Account, loan repayments by eligible uniformed services personnel maybe suspended as permitted under section 414(u)(4) of the Code and the terms of any loan shall be modified to conform therewith

Loans in IRC 72(p)(2)*

For example, IRC Section 72(p)(2) applies to:

1. A loan that, by its terms, is to be repaid over not more than five years.
There is an exception to this limitation for certain mortgages.

2. A loan that, by its terms, is to be paid in substantially level installments that include principle and interest.

3. A loan that does not exceed the lesser of:

a. \$ 50,000, reduced to the extent that the participant's or beneficiary's highest balance for plan loans outstanding during the preceding 12 months exceeds the current balance for plan loans, or

b. 50 percent of the participant's or beneficiary's non-forfeitable benefit (or \$10,000 if greater).

These limits apply by treating the loans from all plans of the employer's controlled group as one loan.

*The law sets the minimum requirements regarding loans, but individual Plans can set more restrictive rules in regards to loan availability.