

# 403(b) Plan Loan Agreement and Application – Part I

## Instructions:

This form is used to apply for a loan from a 403(b) Plan account (“403(b) Plan Account”) of my Employer in which I am a participant. The Internal Revenue Code (the “Code”) permits participants in 403(b) Plans to borrow a portion of their accumulated retirement balance. The Code permits loans on 403b Accounts to be excluded from current income taxation if the following conditions are met:

1. The sum of your loans from all 403(b) Plans of the same employer must not exceed the lesser of (a) \$50,000<sup>1</sup>; or (b) one-half the Cash Value.
2. The loan must be repaid in substantially equal payments of principal and interest. Loan payments must be made at least quarterly. The loan must be repaid within five years unless the purpose of the loan is to purchase a dwelling intended to be the participant’s principal residence.
3. The loan will be taken prorata from all investments in your 403(b) Account unless you specify otherwise.

All loans will be made in accordance with the Plan Document and laws and regulations in effect at the time the loan is made. In no instance will any loan be allowed that will exceed the amount permitted by applicable law and regulation. This Loan Agreement and Application shall be automatically amended so as to maintain compliance with all laws and regulations applicable to such loan.

If the required loan payments are not made on a timely basis, the loan will be deemed in default and will no longer enjoy the tax-free benefits provided by the Code. In case of default, the loan will be treated as if the entire outstanding loan balance is a deemed distribution, which will be reported to the Internal Revenue Service (IRS) as taxable income in the year in which the default occurs. No additional loans can be made in the future from your 403b Account until the defaulted loan is repaid.

Any outstanding loan balance in default that remains will be offset by values in the 403(b) Account in accordance with applicable federal and state laws. An actual distribution from the 403(b) Account to offset the defaulted loan will not be made until a qualifying event<sup>2</sup> occurs. Until JEM is notified or is otherwise aware that you are eligible for a distribution to offset the defaulted loan, the loan balance will continue accruing interest, as provided in this Agreement. Such accrued interest will reduce any amount available for a loan under the 403(b) Account, but it will not be reported to the IRS as taxable income.

As you can see, it is very important to comply with the loan repayment requirements of the Code in order to avoid erosion of the remaining balance in your 403(b) Account. **Your Loan Request cannot be processed unless all applicable portions of this form are completed and signed.**

**Please call Customer Service at (800) 943-9179 if you have any questions about the amount available to you as a loan and/or how to complete any portion of this form.**

***Please complete all areas outlined in boxes on both pages***

Employer (Plan Sponsor) Name: \_\_\_\_\_

Participant Name: \_\_\_\_\_ Participant’s Social Security No.: \_\_\_\_\_

Address: (*Street, City, State & Zip Code*) \_\_\_\_\_

Telephone No.: (\_\_\_\_\_) \_\_\_\_\_

As a participant of the 403(b) Plan of the Employer listed above, I hereby request a loan in the amount of *(minimum loan is \$1,000)* \$\_\_\_\_\_ from my 403(b) Account. I understand there is a one-time ***\$30 loan initiation fee***. The loan will be taken prorata from all investments in your 403(b) Account unless you specify otherwise here:

<sup>1</sup> If a loan already exists, the \$50,000 loan limit is reduced by an amount equal to the highest outstanding loan balance from all of a participant’s 403(b) plan accounts during the one year period ending on the day prior to the day the new loan made, less the outstanding loan balance on the 403b Account on the date the new loan is made. Defaulted loans on existing 403(b) plan accounts are considered to be an outstanding loan balance.

<sup>2</sup> A qualifying event for 403(b) plans is defined by the Internal Revenue Code as any one of the following:

- Attainment of age 59 ½
- Severance from employment
- Death
- Complete and total disability
- Financial hardship (as defined by IRS rules)

# 403(b) Plan Loan Agreement and Application – Part II

I hereby represent that the proceeds of this loan are being used in compliance with the terms of this Loan Agreement and Application. I further represent that this loan, when added to all my outstanding loans on all other 403(b) plans of my Employer in which I am a participant, does not exceed the lesser of \$50,000, less any outstanding loan balance, or the greater of (a) one-half the account values of all 403(b) Plan accounts of my Employer in which I am a participant, or (b) \$10,000. I also represent that I have no loan in default under any other 403(b) Plan accounts of my Employer in which I am a participant.

I understand and agree to the following conditions:

1. The Code requires that the loan be repaid over a period of five (5) years or less in at least quarterly installments. A loan for the purpose of purchasing a dwelling may, under certain conditions, have an extended repayment period.
2. My 403(b) Account will serve as security for repayment of the loan. Interest will be payable in accordance with the amortization schedule provided to me by JEM.
3. The loan interest rate that I will pay will be determined by the Plan based on commercial interest rates for comparable loans. The interest rate I pay will be used for the life of the loan I am currently requesting. The loan interest rate of the Plan for future loans will change as applicable commercial interest rates change.
3. The outstanding loan will be deducted from the proceeds paid to me if I receive a distribution of my 403(b) Account value at the time such distribution is made.
4. All persons signing below are of legal age and no proceedings in bankruptcy or insolvency have been instituted or are pending against any of the undersigned persons.
5. I understand that JEM will, on behalf of the Plan, report as income to the IRS in the calendar year of default the total loan balance of any defaulted loan.
6. The loan interest rate, required payment and amortization period is shown on the amortization schedule that will be sent to me. The loan repayment is payable in accordance with this Loan Agreement and Application.

**Please fill in the number of years over which you wish to repay the loan under the applicable type of loan and select the payment method.**

- A. **Non-Residence Loan.** I understand that I must repay this loan within 5 years in substantially equal payments of principal and interest made at least quarterly; I wish to repay this loan over \_\_\_\_\_ years unless this is a loan to purchase primary residence (see C. below).
- B. **Residence Loan.** I hereby represent that this loan qualifies for the exception to the 5-year repayment rule because the proceeds will be used to purchase a dwelling that will be my principal residence. I wish to repay this loan over \_\_\_\_\_ years. **I understand that I must enclose proof of the purchase of this residence with this Loan Application.**
- C. **Method of Payment.** I elect to repay the loan by quarterly installment by check. I understand that I am solely responsible for repayment of the loan and that if I fail to make timely loan repayments my loan will be defaulted in accordance with the terms of this Loan Agreement and Application. If my employer permits repayment of the loan by payroll deduction I may elect to have the loan payments deducted from my pay and repaid in this manner, but I am still responsible for assuring that repayments are made timely and I agree to continue repayments by check if for any reason my repayments are not made timely by payroll deduction by my employer.

**W9: Under penalties of perjury, I hereby certify that:** (1) the number shown on this application is my correct taxpayer identification number; (2) the IRS has never notified me that I am subject to backup withholding, or has notified me that I am no longer subject to such withholding or I am exempt from such withholding; and (3) I am a U.S. citizen or a U.S. resident alien. *You must cross out item 2 if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return.*

I understand that if loan repayments are not made as required by this Loan Agreement and Application, this loan will be defaulted and JEM will report it as a taxable distribution to the IRS. By signing below, I certify that all of the information that I have provided above is correct and complete and that I have read, understand and agree to the terms of this Loan Agreement. JEM may amend this agreement to conform with any changes in applicable federal or state law to keep a loan in compliance with legal requirements.

Signature of Participant: \_\_\_\_\_ Date: \_\_\_\_\_

Signature of Plan Administrator (Required only if the Employer has **not** signed a JEM "Permission of Plan Sponsor to Make Distributions and/or Loans" form):

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_