The University of Central Florida
403(b) Plan Loan Policy

2010

About This Material

This Loan Policy is adopted by The University of Central Florida, the Plan Administrator of The University of Central Florida 403(b) Plan (the "Plan"), and is effective as of the date of execution. This Loan Policy outlines the rules under which this Loan Policy shall be administered. Generally, all such loans shall be made in compliance with the Internal Revenue Code of 1986 (the "Code"), and applicable regulations.

This Loan Policy describes loans provided to eligible employees under The University of Central Florida 403(b) plans and their rights under the Plan. The Loan Policy is based on official Plan documents. It is not, nor is it intended to be, the official Plan document, or a contract between UCF and any employee or contractor. Every effort has been made to ensure the accuracy of this information. In the unlikely event that there is a discrepancy between the Loan Policy and the official Plan document, the official Plan document will control. UCF reserves the right to amend, suspend, or terminate the Plan(s) or program(s) at any time. UCF has the discretionary authority to interpret the terms of the Plan(s) summarized in this document and determine your eligibility for loans under its terms.

How Loans Work

Withdrawals vs. Loans

Withdrawals and loans let you take money out of your 403(b) retirement account. However, they affect your account balance in different ways.

Withdrawals:
When you take a withdrawal, you take money out of your account permanently. You may need to pay taxes on the amount you withdraw. You may also need to pay a penalty tax if the withdrawal is considered an early distribution from the Plan.

Loans:
When you take a loan, you borrow money from your account and pay your account back with interest. Your account is not permanently reduced and you won’t be taxed on your loan as long as you repay it.

Taking a Loan

Active and inactive employees may borrow money from their voluntary 403(b) plan for any reason. All such loans shall be made without regard to any individual's race, color, religion, sex, age, or national origin.

You cannot have more than one (1) outstanding loan at a time. If you already have the maximum number of outstanding loans, you must pay off one of your outstanding loans before requesting a new one.

Types of Loans

Two types of loans are available:

- General purpose
- Primary residence

General Purpose Loan:
You can take a general purpose loan for any reason. You must repay the loan within five (5) years.

Primary Residence Loan:
You can take a primary residence loan to purchase a primary residence for yourself. Your primary residence can be a house, condominium, co-op, mobile home, or a new home constructed by a builder or yourself.
You must repay the loan within 15 years.

Amount You Can Borrow

The minimum amount you can borrow is $1,000.

The maximum amount you may borrow is 50% of your vested account balance or $50,000, whichever is less.

Exceptions:

- If you already have an existing loan balance, your available loan amount will be reduced by the amount of your outstanding loan.
- If your account balance is $10,000 or less, you are permitted to borrow 100% of your account balance.

Examples:

- John’s vested account balance is $120,000. John may take a loan up to $50,000, which is the lesser of 50% of his vested account balance ($60,000) or $50,000.
- Sandy’s account balance is $90,000. Sandy may take a loan up to $45,000, which is the lesser of 50% of her vested account balance ($45,000) or $50,000.
- Haresh’s account balance is $8,000. Haresh may take a loan up to $8,000, because his account balance is no more than $10,000.

How to Request a Loan

- Step 1: To request a loan, contact Retirement Manager via website (https://www.myretirementmanager.com/?UCF) or telephone (1-866-294-7950) to generate a distribution eligibility certificate.
- Step 2: After the distribution eligibility certificate has been generated, you will need to provide your certificate to your investment provider as well as complete the other necessary loan application paperwork. If you are eligible for the loan, the Loan Application will be authorized and processed by your investment company.

Timing of Loan Checks

When you request a loan, you can choose to have the loan check **either:**

- Direct deposited to your account at a financial institution
- Mailed to you

After the loan is processed, your loan amount will be direct deposited or mailed, depending on your choice and options offered by your investment company.

Loan Interest and Fees

The interest rate and any applicable loan processing fees are determined by your investment company and your particular investment funds.

Loan Funding

Loan balances are prorated by your investment company across your investment funds at the time the loan is issued. Because this loan program is intended not to place other plan participants at risk, the portion of your account balance equal to the outstanding principal balance of the loan will be administered as an investment.

Loan Rollovers

The Plan will not accept a rollover of a loan promissory note from another plan.

Repaying Your Loan

Loan Repayments

When you request a loan, you can choose to repay the loan on a monthly/quarterly basis through **either:**

- Repayment Coupons
- Direct Debt/Automatic Payment from your account at a financial institution

Loan repayment options depend on availability offered by your investment company.
You are responsible for your loan repayments because deductions ***are not*** taken from your UCF paycheck.

You pay principal and interest with each loan repayment. Your loan repayments are deposited back into your investment funds in the order determined by your investment company.

When you don't make a loan repayment as scheduled, your outstanding loan balance is in default and may be taxable. (See Loan Defaults and Foreclosures)

Military Service

Under the Soldiers and Sailors Relief Act, loan repayments will be suspended for the time that you are on military leave. When you return from your leave, your loan term will be extended by the time you were on leave.

Interest on any loans will continue to accrue while you are on a military leave. For a loan taken prior to your leave, interest will continue to accrue at the lower of the following:

- 6% interest rate
- Your original loan interest rate

If you take a new loan after the start of your leave, interest will accrue at the reduced interest rate. As a result of accruing interest, your loan repayment amount will increase when you return.

Once your active duty has ended, you must contact your investment company to resume loan repayments.

Leave of Absence

You are required to continue your scheduled loan repayments.

Paying Off Your Loan Early

You can repay your loan in full at any time with no prepayment penalties. To do this, you can request an early loan payoff from your investment company. If eligible, you can request another loan after your repayment is posted.

Termination From Employment

You are required to continue your scheduled loan repayments.

Loan Defaults

When a Loan Goes Into Default:
Your loan is considered to be in default when you miss a loan repayment.

What Happens to Loans in Default:
If you miss a loan repayment, IRS regulation allows a grace period to make up the missed repayment.

You have until the end of the calendar quarter following the calendar quarter that the loan repayment was missed to pay the total overdue amount. If you default on a loan balance, you are no longer eligible for a new loan until the default is paid in full.

If you default from Roth 403(b), the loan amount will not be subject to income taxation. However, the earnings on the Roth 403(b) contributions will be subject to taxation, even though they might have otherwise qualified for tax-free treatment.

If you do not make up the missed repayment within the grace period, your outstanding loan is considered a deemed distribution and subject to taxes like a withdrawal. However, unlike a withdrawal, a deemed distribution is not an eligible rollover distribution. Besides the income taxes that may be due, the deemed distribution may be subject to an additional 10% penalty tax on early distributions.

The amount of the deemed distribution is your outstanding principal balance plus any interest on the loan repayments that would have been made through the date of taxation had the loan not been in default.

If your investment company does not consider the deemed distribution an outstanding obligation and allow you to repay it in full, it will not count against your total number of outstanding loans and you will be eligible to request a new loan.