

## 401K Loan Rules

There are 2 types of loans available ( if you qualify) to take from your 401K account; the first is a regular loan in which you must have a monthly or bi-weekly amount (which is determined by how long you want to take to re-pay yourself back) deducted from your paycheck.

In order to qualify for this type of loan you can not have an outstanding loan currently (only one outstanding loan at a time), you must have at least \$2095.00 in your account balance and the minimum loan amount is \$1000.00 (maximum amount of loan can not exceed 50% of your account balance including the administrator's loan processing fee of \$95.00). You can decide how long you want to pay the loan back up to 5 years. If you leave the company, the loan will be considered "in default" and you will receive a 1099 (it is the same as a W-2) at the end of the year and the balance of the outstanding loan is considered a distribution).

The second type of loan is a "hardship" loan. With this type of loan, you do not pay it back and is automatically considered a taxable distribution as describe in the paragraph above. There are several rules that you must satisfy before you can get a hardship loan. You must first see if you qualify for a regular loan and then if you do not and you need the funds for specific reasons, you can apply for the hardship. A hardship loan can be requested for reasons below and the amount requested can not exceed the amount needed and documentation of the need must be provided:

- Expenses for medical care incurred by you, your spouse or your dependents or necessary medical care for you, your spouse or your dependents.
- Cost directly related to the purchase of your principal residence (not including mortgage payments).
- Tuition, related educational fees, and room and board expenses for the next twelve (12) months of post-secondary education (college) for you, your spouse or dependents.
- Funds needed to prevent your eviction from you home or foreclosure on your home.
- Funds needed for burial or funeral expenses for your deceased parent, spouse, children or other dependents.
- Funds needed for the repair of damage to your principal residence that would qualify for the IRS casualty deduction.

There is a \$75.00 administration fee once the loan is approved and will be deducted from your account balance. The only funds available for a hardship are the money you contributed to the plan, not the matching employer funds. Further you may not contribute to your 401K for 6 months following the distribution of the hardship loan.

Finally, you may at any time during the plan year (1/1 – 12/31) stop your 401K payroll deductions. You may re-join the plan every 6 months (January or July) and you will receive an offer to do so as in the past.