



403(b) LOAN RULES

Ministers Benefit Association (“MBA”) has elected to make loans available to our members. Under the Select 403(b) Retirement Plan (“Plan”), loans will be made available to all members having sufficient funds. The following is a summary of the rules, which will be used to administer the loan program. This document will be used as an addendum to the actual Plan document dated February 3, 2003.

A member may borrow from his or her own retirement savings. If the member is married, spousal consent will be required. All principal and interest will be repaid to the member’s account under the Plan, except for 1% loan expense imposed by MBA for administrative expenses. The maximum duration of a loan may not exceed five years (60 months). Each repayment will be reinvested in accordance with the most recent investment elections (strategies) on file. A loan from the Plan can be obtained for any purpose.

Limits

The requested loan amount cannot be less than \$2,500. In addition, the eligible maximum amount borrowed cannot exceed the lesser of 1.) 50% of his or her total vested account balances (that is 100% of employee deferrals plus 100% of all vested employer contributions) or 2.) \$50,000. The maximum eligible amount available for loans will be determined based on the current account balances determined under the daily valuation system.

MBA allows members to have no more than two loans at a time. Consolidations are allowed. The interest rate on the loan will be determined based upon the rate declared by the MBA Board for the MBA Fixed Income Fund and in effect at the time of application for the loan. *Example: Rev. Jones has the following balances in his MBA 403(b) SELECT Plan, Employee Deferrals \$11, 759.28, Rollover contributions \$18,305.05, Vested Employer Contributions \$20,309.16 for a total of \$50,373.49. Calculation to determine the maximum eligible loan amount:*

Step 1: Employee Deferrals \$11,759.28
Rollover contributions \$18,305.05
Plus vested Employer Contributions \$20,309.16
Total vested eligible amount \$50,373.49

Step 2: Multiply \$50,373.49 by 50% = \$25,186 (rounded down to the next whole dollar).

Step 3: This is more than the \$2,500 minimum limit

Step 4: This is less than 50% of the total balance of \$50,373.49.

Step 5: This is less than the \$50,000 maximum limit.

Each active MBA member shall receive a copy of the Loan Rules upon request.

Loan Application

A member requesting a loan must complete a Loan Application.

By calling the Select 403(b) plan information number (1-800-622-7526), the member can determine the specific amount that is available as a loan, as well as the current interest rate and the payment amount for a specified term (not to exceed 60 months).

The Loan Approval Checklist will always be used to determine if the loan is approved or denied.

The participant will always be notified in writing whether the loan has been approved or denied.

Approval

The approval letter should be sent with the following enclosures:

- ACH (Bank Draft) Authorization
- Promissory Note

The member must sign the ACH (Bank Draft) Authorization and Promissory Note. The loan funds will not be disbursed until these have been received by MBA. A copy of the Amortization Schedule, Truth-in-Lending Disclosure Statement, and copies of all documents will be mailed to the participant.

Denial

All denied loans will include an explanation of why the loan was denied. In general, a loan would be denied if the member's account balances are insufficient relative to the requested amount, or if some other plan requirement (such as the \$2,500 minimum loan amount) is not met. A loan may also be denied, if the desired term is more than 60 months, the member has had a prior default with MBA (including personal savings accounts). MBA will make loans upon loan approval without regard to intended use. In fact, all forms and interviews are designed to omit/avoid probing as to intended use. If the participant brings it up, such disclosure will not be used to deny the loan.

Default

If the participant fails to repay the loan within thirty days of a "Call Letter" being sent (up to 90 days elapsed time), the entire unpaid loan balance will be treated as distributed. It will be considered a taxable distribution if the member is age 59½ or older or has terminated employment and the account balance will be offset by the total amount then due under the loan. If the member is not otherwise eligible for a distribution from the Plan, then it will still be taxable, but the offset will occur only when the member terminates employment or reaches age 59½, whichever occurs first. In either case, a Form 1099-R will be issued to the participant showing the taxable distribution resulting from the loan default.

Term of Loan

The maximum term of a loan is 60 months (5 years) regardless of intended use, including the purchase of a new home.

Collateral for Loans

The only collateral that will be accepted for this loan is the member's vested account balance. In order to obtain a loan, the participant will be required to give the Plan a security interest equal to the borrowed amount.

If there is a severe depreciation in the value of the fund during the period of the loan, additional collateral will not be required. The only way this loan is callable is in the event of default.

Loan Disbursements

If any of the loan proceeds are derived from equities (stocks) or bonds, they will be sold at the market and converted to cash.

Method "A" will make every attempt to maintain asset allocation. Example: if the member's current elections are in a 60% stock/40% fixed income strategy, then the loan proceeds and origination fees will be taken proportionately from the various funds until the requested eligible amount is reached.

Method "B" allows the member to designate from which strategies and/or funds to draw/liquidate the loan proceeds. These instructions are not related in any way to the repayment/reinvestment processes. The member will be able to specify up to three strategies and/or funds in successive order as follows:

"Please draw/liquidate my loan proceeds from the <NAME OF STRATEGY> first. If not sufficient for the amount I have applied for, then continue to draw/liquidate additional funds from the <NAME OF STRATEGY> next. If the two above named strategies or funds are not sufficient for the amount I have applied for, then continue to draw/liquidate additional funds from the <NAME OF STRATEGY>.

Method "A" will be utilized if the first three designations under method "B" prove to be insufficient.

Rate of Interest for Loans

The interest rate for Plan loans will be fixed for the life of the loan at 1% above the rate for MBA's Fixed Income Fund approved by MBA's Board and in effect at the time of the loan application. (Additionally, all rates quoted by MBA that turn out to be lower than the new declared rate will be honored for 10 calendar days from the quote.) Interest is compounded monthly as detailed in the accompanying amortization table and will begin accruing on the unpaid balance of the loan as soon as the member's loan proceeds are advanced. All loan payments are to be paid by ACH (bank draft) on the 10th or 20th of each month. The initial payment must be made within 60 days of receipt of the loan proceeds.

Repayment of Your Loan

All principal and all interest (less the 1% paid to MBA) will be deposited directly into the member's own accounts; in essence the participant will be "repaying" himself or herself for their future retirement. Desired asset allocation, on invested amounts other than the outstanding loan balance and as chosen by the participant's elections, will be maintained at all times. Method "B" as described above under "Loan Disbursements" will have no effect on repayment/reinvestment whatsoever.

If a loan is received from the Plan, the member will be required to repay the loan through ACH bank drafts. No other payment vehicle can be supported. The entire unpaid balance may be remitted by check without any prepayment penalty. Deductions will be made once a month either on the 10th or 20th day commencing not less than 30 days and not more than 60 days after check disbursement (receipt of package). MBA membership (and not necessarily employment) will be the basis of loan eligibility. This means that unemployed members will not be denied their loan privileges.

All loans must be repaid to the Plan within 60 months or less. Full prepayment of the outstanding loan balance may be made at anytime without penalty. If the member wants to pay off his or her loan early, he or she must make his or her check, money order or cashier's check for the outstanding balance on the loan payable to MBA and reference his or her MBA account number. (Which is the member's social security number followed by the word "LOAN".) You may call the MBA office or view your account online to get your outstanding loan balance. To access your account online you will need your user id and password. (The balances reflected may not include any amounts that have been deducted from the participant's bank account, but not yet posted. The payments are deposited monthly.)

As previously stated, a participant may have no more than two loans.

Military Service

As permitted under section 4 14(u) of the Internal Revenue Code of 1986, as amended, if a member with an outstanding plan loan takes a leave of absence for a period of military service; such member may elect to suspend regular loan payments during such period of military service, regardless of the duration of such service. Upon completion of such military service, the member must resume making loan repayments in an amount which is not less than the original repayment amount and in installments which are not less frequent than the frequency required under the terms of the original loan. The loan must be repaid in full (including interest that accrues during the period of military service at a rate not to exceed 6% compounded annually) by the last day of the latest permissible term of the loan plus the period of military service. Any balance due and payable at the end of such adjusted loan term must be paid in one lump sum payment. Such lump sum payment may be made by check or other negotiable instrument (not cash) made payable to the SELECT Plan and delivered to Plan Administrator, or its designee.

Administrator of the Loan Program

The administrator of the loan program is Stephine Hendrix. To request a loan, the member should call her at 1-800-622-7526, extension 2716, to determine the amount available for a loan or to request a loan packet.

Application Procedures

To apply for a loan, the member must complete an application form specifying the amount requested and the repayment period (in number of months). The loan request will be approved or denied based on the member's vested account balances being sufficient to permit such a loan. Members will be notified as to whether their loan is approved, needs to be adjusted, or is denied.

Loan applications will be processed immediately. If approved, the loan proceeds will be available within two weeks following approval.

The member will be required to execute a promissory note agreeing to the terms of the loan and an ACH (bank draft) deduction authorization for repayment of the loan. The member will receive information about his or her loan, including a detailed Amortization Schedule and copies of all signed documents for their records. Regardless of loan amount, a \$100 application fee will be deducted from the loan principal when it is approved. In addition, one percentage point of the interest will be repaid to MBA to cover MBA's expenses of administering the loan program.

Recordkeeping

The outstanding balance on the loan will be determined on a daily accounting system. All payments of principal and interest will be recorded after each payment is made. Posted payments can be verified by accessing your retirement account on the AG Financial Web site. This may not include any amounts that have been deducted from your bank as payments are deposited/invested into your account 5 business days after your payment date. The member will also receive quarterly statements regarding his or her account.

These statements will show the balance due on the loan for that quarter.

The loan amount will be disbursed from funds in accordance with the disbursement allocation method chosen by the member. Payments made on the loan will be deposited into the investment funds according to the member's current fund elections. (A loan does not alter the member's ability to participate or change his or her elections up to twice quarterly).

Events of Default

A loan may be found in default if one of the following occurs:

1. Any scheduled installment or a portion of a loan installment remains due and unpaid for a period of more than 90 days after its original due date.
2. The member becomes ineligible for sustained MBA membership.
3. Death of the member (loan will be paid off immediately upon notice and prior to net proceeds being transferred to beneficiary(ies)).

Whether a loan is declared to be in default will depend on the facts and circumstances of each individual case. In making its determination, MBA will treat all participants in a nondiscriminatory manner. The terms of a loan may not be renegotiated.

Notice of Default

Before a loan is declared to be in default, a "Call Letter" will be sent. This means that the member will be notified in writing and given the opportunity to either (1) make up past due payments, or (2) repay the entire loan balance (if there has been a failure to make a required payment for up to 90 days). If the full loan amount or past due installment(s) is not paid within 30 days after the date of the Call Letter (90 days from the original payment due date), the loan will automatically be in default, and the appropriate remedies described below shall apply.

Remedies Upon Default

Any of the following steps or any other actions that are considered appropriate to collect the remaining unpaid balance and the accrued interest of any loan in default (including the institution of a lawsuit) may be applied:

1. If the member is age 59 1/2 or older, is totally or permanently disabled, ceases to be an MBA member (for whatever reason) or dies, his or her account will be offset by the unpaid balance of the loan (plus accrued interest) and the participant or successors will be liable for regular income tax on this amount.
2. If the member is under age 59 1/2, the law requires the remaining unpaid balance of a defaulted loan will be treated as a taxable distribution to the participant. The appropriate IRS information (Forms 1099-R) will be provided and the member will be liable for regular income tax **as well as a 10% penalty tax on the unpaid loan balance.**
3. If, in order to proceed with any remedy described above upon default, it is deemed necessary or appropriate to retain outside legal counsel, the member will be required to reimburse the Plan for any attorney fees incurred by the Plan, and any such amounts may be added to the amount due under the loan as part of the costs of collection.

Please note: under no circumstances will the offset associated with a defaulted loan be treated as Housing Allowance or any other tax-exempt purpose.

Modification of Loan Program

Any change in these Loan Rules will apply only to loans approved after the date of the change, unless the change is required by federal or state law to be applied retroactively to outstanding loans.

Controlling Law

The Plan shall be governed by the laws of Missouri. Rules relating to loans from this plan are found in the Internal Revenue Code of 1986, as amended ("Code"), and in rulings and regulations issued by the Internal Revenue Service. The Code reflects the fact that loans are a genuine debtor/creditor relationship between the borrower and the lending institution (in this case, the Plan) that should be generally similar to the relationship that would exist if the borrower sought the same loan from an unrelated lending institution operating in a conventional commercial context.

In addition, other federal laws such as the Truth-in-Lending Act, various credit reporting acts, and acts protecting the rights of persons on active duty in the military service of the United States may also apply. Certain state laws may also be applicable to the extent that they are not superseded by federal law. It is intended that this loan program will comply with all applicable federal and state rules and regulations regarding loans from qualified church plans. MBA does not disclose any account information to outside parties such as credit bureaus or creditors without receiving advanced written consent from the participant.

Interest Deduction

It may be helpful for the participant to know that the Internal Revenue Code denies any deduction for the interest paid on this Plan's loan. The member may want to seek the advice of a tax professional who can advise him or her based on the facts of the individual situation. (NOTE: It is MBA's practice to specifically refrain from giving any tax or investment advice.)