

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

Ministers Benefit Association (MBA) has elected to make loans available to our Participants. Under the MBA 403(b) Retirement Plan (Plan), loans will be made available to all Participants 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 as amended.

When allowed by the Participants' employer's written plan, a Participant may borrow from his or her own retirement savings. If the Participant is married, spousal consent will be required. All principal and interest will be repaid to the Participant's account under the Plan except for the 1.0% administrative loan fee paid to MBA. The maximum duration of a loan may not exceed 59 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 \$1,500. In addition, the eligible maximum amount borrowed cannot exceed the following:

- 100% of the vested balance if that balance is under \$10,000; **OR**
- \$10,000 if the vested balance is above \$10,000 but below \$20,000; **OR**
- 50% of the vested balance if it's over \$20,000, with a maximum of \$50,000.

The maximum eligible amount available for loans will be determined based on the current account balances established under the daily valuation system.

MBA allows no more than two loans at a time. Consolidations of loans is allowed.

*Example: Rev. Jones has the following balances in his MBA 403(b) 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:** Determine total vested balance. In this example, the vested balance is \$50,373.49.

**Step 2:** As this balance is greater than \$20,000, multiply \$50,373.49 by 50% = \$25,186 (rounded down to the next whole dollar).

**Step 3:** The amount of \$25,186 has met the \$1,500 minimum limit.

**Step 4:** The amount of \$25,186 is less than the \$50,000 maximum limit.

**Administrator of the Loan Program**

To request a loan, to determine the amount available for a loan or to request a loan packet as well as the current interest rate and the payment amount for a specified term, contact the administrator of the loan program at 1.800.622.7526, extension 2716.

**Application Procedures**

To apply for a loan, the Participant 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 Participant's vested account balances being sufficient to permit such a loan. Participants will be notified as to whether their loan is approved, requires adjustment, or is denied.

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

Approvals. Upon approval, the Participant 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 Participant 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 \$125 application fee or a \$225 application fee for a loan consolidation will be deducted from the Participant's account balance when it is approved. In addition, one percentage point of the interest will be repaid to MBA to cover the expense of administering the loan program.

Denials. All denied loans will include an explanation of why the loan was denied. In general, a loan would be denied if the Participant's account balances are insufficient relative to the requested amount, or if some other plan requirement (such as the \$1,500 minimum loan amount) is not met. A loan may also be denied if the desired term is more than 59 months and/or the Participant has had a prior default with MBA (including personal savings account loans). MBA will make loans upon approval without regard to intended use. If the Participant discloses the intent, such disclosure will not be used to deny the loan.

**Collateral for Loans**

The only collateral that will be accepted for this loan is the Participant'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.

**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 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 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.

## **Default**

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

### **Notice of Default**

Before a loan is declared to be in default, a "Call Letter" will be sent. This means that the Participant 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.

### **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 Participant becomes ineligible for sustained MBA participation.
3. Death of the Participant unless a beneficiary chooses to assume the loan at the earlier of:
  - a. The time of transfer of a balance to the beneficiary name, or
  - b. After the default period as defined earlier.

Only one beneficiary may assume the loan. The beneficiary who assumes the loan must sign an assumption of loan document provided by MBA.

If the loan is not assumed by a beneficiary, the loan will be paid off and the net proceeds will be transferred to the 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.

### **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 Participant is age 59½ or older, is totally or permanently disabled, ceases to be an MBA Participant (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 Participant is under age 59½, 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 (Form 1099-R) will be provided and the Participant will be liable for regular income tax as well as a 10% penalty tax on the unpaid loan balance.
3. If it is deemed necessary or appropriate to retain outside legal counsel in order to proceed

with any remedy described above upon default, the Participant 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.

### **Disbursements**

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

There are two ways to liquidate retirement assets for funding your loan.

- **Method A** will make every attempt to maintain asset allocation. Example: if the Participant's current elections are in a 60% stock/40% fixed income strategy, 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 Participant to designate from which strategies and/or funds to draw/liquidate the loan proceeds. These instructions are not related to the repayment/reinvestment processes. The Participant 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.)**

### **Interest Deduction**

The Internal Revenue Code denies any deduction for the interest paid on this Plan's loan. The Participant 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.)

### **Items Returned Unpaid**

If a payment is returned unpaid, the Participant's retirement account will be charged a \$25 fee for processing the return. The \$25 fee will be due even if the Participant defaults on their loan.

### **Military Service**

As permitted under section 414(u) of the Internal Revenue Code of 1986, as amended, if a Participant with an outstanding Plan loan takes a leave of absence for a period of military service, such Participant 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 Participant must resume making loan repayments in an amount which is not less than the original repayment amount and in installments which are not less 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 MBA Plan and delivered to Plan Administrator, or its designee.

### **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.

### **Rate of Interest for Loans**

The interest rate for Plan loans will be fixed for the life of the loan at 1.0% 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 are 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 Participant's loan proceeds are advanced. All loan payments are to be paid by ACH (bank draft) on the 10<sup>th</sup> or 20<sup>th</sup> of each month. The initial payment must be made within 60 days of receipt of the loan proceeds.

### **Maintenance Fee**

A quarterly maintenance fee of \$5 will be deducted from your retirement account. The fee shall be charged for each loan which has had an outstanding balance at any time during a calendar quarter.

### **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 the member accessing their retirement account on the AG Financial Solutions Web site. This may not include any amounts that have been deducted from the Participant's bank as payments are deposited/invested into their account 5 business days after their payment date. The Participant 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 Participant. Payments made on the loan will be deposited into the investment funds according to the Participant's current fund elections. (A loan does not alter the Participant's ability to participate or change his or her elections.)

### **Repayment of Your Loan**

All principal and all interest (less the 1.0% 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 Participant will be required to repay the loan through ACH bank drafts. The entire unpaid balance may be remitted by check without any prepayment penalty. Deductions will be made once a month on either the 10<sup>th</sup> or 20<sup>th</sup> day commencing not less than 30 days and not more than 60 days after check disbursement (receipt of package). MBA participation (and not necessarily employment) will be the basis of loan eligibility. This means that unemployed Participants will not be denied their loan privileges.

All loans must be repaid to the Plan within 59 months. Full prepayment of the outstanding loan balance may be made at any time without penalty. If the Participant 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 Participant's Social Security Number followed by the word "LOAN".) The Participant may call the MBA office or view their account online to get their outstanding loan balance. Participants will need their user ID and password to access their account online. 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 at one time.**