CALIFORNIA STATE UNIVERSITY
403(b) Supplemental Retirement Plan (SRP)

LOAN ADMINISTRATION POLICY
January 1st, 2019

This document outlines the rules governing the loan program available through the California State University 403(b) Supplemental Retirement Plan. The Plan document governs loans and outlines the general rules that apply to loans made to Participants.

In accordance with the applicable provisions of the Internal Revenue Code (IRC), and subject to the terms of the underlying Investment Choices and any applicable loan agreement and/or promissory note, loans under the Plan will:

- Be made available to all Participants on a reasonably equivalent basis,
- Not be made available to Highly Compensated Employees or officers in an amount greater than the amount made available to other Employees;
- Bear a reasonable rate of interest; and
- Be adequately secured by the Participant's account balance.

Loan availability is subject to the following:

- Loans under the Plan are limited to no more than one (1) loan outstanding at one time, including loans that have been defaulted and have not been repaid. However, any loans outstanding on the date that this policy is implemented may be repaid in accordance with their original terms.
- New loans are not available to a Participant who has terminated employment.
- Loans can be taken for any reason.
- Elective deferral and rollovers contributed to the Plan are available for loans.
- The availability of loans is subject to the limits set out in the section "Loan Principal Limitations", below.

Only the active 403(b) plan currently recordkept at Fidelity can issue new loans. If a participant is in need of a loan and is in an account that is not recordkept at Fidelity, there are several alternatives:

- If participant is an active CSU employee, the balance can be transferred to the active plan.
- If separated, the participant can rollover balance to new employer plan.
- If over 59.5 or separated, the participant can request a distribution.

Loan Interest Rate: The rate of interest charged under the loan agreement will be determined in accordance with the procedures of the Recordkeeper issuing the loan and will be set out in the Recordkeeper's loan agreement.

Interest rates are updated by the recordkeeper on a quarterly basis. Loan Interest Rate on the Active plan recordkept at Fidelity is based on the Prime Rate as supplied by Reuters combined with a delta of +1%.

Loan Application Procedure: Any Participant eligible for a loan under the terms of the Plan and underlying Investment Choices must provide a completed loan application to the Recordkeeper issuing the loan and paying any required loan application fees.

Loan Principal Limitations:

- The minimum loan amount is $1,000,
- The maximum loan amount is the lesser of 50% of the Participant's vested account balance or $50,000, and
- The maximum aggregate dollar amount of loans outstanding to any Participant from all plans of the employer may not exceed $50,000.

The maximum amount is reduced by the excess of the Participant's highest outstanding balance of all loans on any day during the one (1) year period ending on the day before the loan is made, over the outstanding balance of loans from any plan of the employer on the date the Participant's loan is made **(this includes loan**

balances with the Savings Plus Program administered by the California Human Resources Department). Investment Choices may impose additional restrictions.

Term and Repayment of the Loan: A loan must be repaid in level payments,

- Not less frequently than monthly over a minimum of one year (12 months) term,
- A maximum of five (5) year term, or
- A maximum of fifteen (15) years if for the purchase of the Participant's principal residence and approved by the Plan Administrator.

Loan repayments must be made directly to the Recordkeeper that issued the loan. Upon a Participant's termination of employment, the outstanding loan balance may continue to be paid off by the former employee by payments directly to the Recordkeeper. All repayments will be invested in the same investment funds and in the same proportion as the participant's current investment elections.

Default: A loan is considered delinquent if it has been 30 days or more since the last expected payment. If the delinquency is not resolved, the loan would default at the end of the quarter following the quarter that it became delinquent.

In the event of default, the participant may be limited from taking further loans from the plan in accordance with the limitations described above. If the participant defaults, the entire outstanding loan balance will be taxed, including possible penalties

A loan will be in default in the event of:

- Failure to remit any payment in a timely manner as required under the Loan Agreement
- Breach of any of the participant's obligations or duties under the Loan Agreement
- Termination of employment - there will be a cure period of 60 days from the date that the payment was due during which the payment of the outstanding balance, including interest, may be made and the loan will not be considered in default.

Loan Delinquency: The grace period (or delinquency) is 30 days after a missed payment. (Delinquent is a warning)

> **Example:** October 15th payment was made on time, but November 15th payments was not. On December 15th, The Recordkeeper would look to see if a payment was made. If a payment wasn't made as of December 15th, the loan goes into delinquency.

Loan Default: If the loan defaults, the participant will be taxed on the entire outstanding balance (plus possible penalties) and will be limited from taking further loans from the plan.

> **Example:** Based on the scenario above, the loan wouldn't default until the quarter after the loan becomes delinquent. So, in this case if the delinquent amount is not made up by 3/31 of the following year, the loan will go into default status.

Default means the amount outstanding is now considered taxable income and the participant will receive a 1099R the following January.

Military Service:

- Repayment of loans may be suspended for any period during which the participant is performing qualified service in the uniformed services.

To satisfy the loan repayment requirements, loan repayments must resume upon completion of the military service, and the frequency and the amount of each installment payment upon resumption will not be less than the frequency and amount under the terms of the original loan. The loan must be repaid in full (including the interest that accrues during the period of military service) by the end of the period that equals the original term of the loan plus the period of military service. A loan that was written for less than a five (5) year period may be extended to a five (5) year term plus the period of military service. The interest rate on the loan for the period of military service may not exceed 6% per annum.

Loan Fees:

Loans from the Plan may be subject to fees, payable by the participant.