LOAN POLICY
ALAMEDA COUNTY 457(b) DEFERRED COMPENSATION PLAN

The Alameda County 457(b) Deferred Compensation Plan permits a loan program in order to provide Plan participants with a readily available and inexpensive source of funds to relieve unforeseen financial need. Deferred Compensation Plan loans are governed under Internal Revenue Code Section 72(p).

The following sets forth the Loan Policy for the Alameda County 457(b) Deferred Compensation Plan. The Loan Policy also sets forth the Plan rules for the loan program.

I. Eligibility :
Only actively employed participants who fall under the following categories:

- participants who are currently making Deferred Compensation contributions.
- participants who are not currently making Deferred Compensation plan contributions, but who maintain account balances in the plan and are eligible to resume making active contributions.

II. Types of Loans:

- **General Loans** are loans that are taken out for any purpose. General loans are payable in 5 years or less.
- **Primary Residence Loans** are loans taken out for the purpose of buying a primary residence. Primary Residence Loans are payable up to 15 years. Participants are required to provide supporting documentation.

III. Loan Application and Terms of Repayment:

- A participant is allowed up to two (2) outstanding loans from the plan, but can only apply for and obtain one (1) loan once every 12 months.
- Every loan must be documented by an enforceable loan agreement or promissory note that sets the terms and conditions of the loan as to: name of borrower; borrowing date and final due date; amount of the loan; interest rate; frequency of payments; amounts of payments; terms and conditions in the event of default; etc.
- Loan repayment is by payroll deduction only, in fully amortized level installment amounts.
- All loans must be repaid in full in 5 years, except that loans made for the purchase of a primary residence can be repaid up to a period of 15 years.

- If loan repayments are suspended under certain qualifying circumstances, the resumed payroll deduction installments may be adjusted to higher amounts in order to fully amortize the remaining account balance during the remaining repayment period, or, if no adjustment is made, a balloon payment for the unpaid balance could be paid at the end of the 5-year period.
- The Plan Administrator will not accept non-scheduled payments “outside” of the payroll deduction arrangement, except when the non-scheduled payment is to pay off the remaining balance of an outstanding loan.
- Loan pay-off quotes are available via Prudential’s IVR or the website and are valid for 7 days. Loan pay-offs must be made via certified checks or money orders only.

IV. Loan Limits:

- The combined total of all loans from the 457(b) Plan account cannot exceed the lesser of $50,000 minus the highest outstanding loan balance in last 12 months or ½ of the vested balance. The vested account balance consists of contributions made directly to the Plan by the participant plus funds rolled-over from other plans.
- The minimum amount of a loan is $1,000.00.
- Loans are funded on a pro-rated basis from participants’ investment accounts.
- The interest rate charged on a loan is the (prevailing) prime rate at the time the loan is made plus 1% (prime +1).
- Loan proceeds are distributed by paper check only.

V. Defaulted Loans :

- The Plan does not expect to experience defaulted loans from actively employed participants because of the Plan’s repayment requirement by payroll deduction only.
- Within 90 days of separation from service, a participant with an outstanding loan who wants to continue making installment payments must make a separate/direct repayment arrangement with the third party plan administrator who administers the loan programs.
- Failure to make a direct separate payment arrangement with the third party plan administrator within 90 days of separation from service would cause the “qualifying event” (separation from service) to be invoked by the third party plan administrator. The “qualifying event” authorizes the third party plan administrator to pay-off the outstanding loan balance by declaring the balance to be “deemed distributed” to the participant. The loan balance that is deemed distributed is taxable.

VI. Loan Payments Suspended:

- Loan payments may be suspended for up to one year for a participant who is on a leave of absence, and up to the conclusion of service, if leave is for military service. The repayment period of the loan remains at the original 5 years, thus, upon resumption of payments, amount could be adjusted higher in order to fully amortize the loan balance or, if not adjusted, a balloon payment could be made at the end of 5 years.

VII. Loan Application and Approval Process:

- Participant must file a loan application directly with Prudential via its website www.prudential.com/online/retirement, following instructions, or with the Prudential Call Center.
- Married participants must complete a spousal consent form prior to loan processing.

VIII. Loan Fees:

- The third party loan administrator charges a one-time set-up fee of $50.00.

IX. No Legal Advice:

The terms and conditions of this Loan Policy constitutes the Alameda County Plan Administration's understanding of the law that permits the implementation of a loan program in the Plan. For legal advice and tax consequences, participants must consult with a professional advisor.

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