

Information Required to Complete a PERA 401(k) Plan Loan Request



Voya Financial
Attn: Colorado PERA 401(k) Plan
PO Box 389
Hartford, CT 06141
Fax: 1-888-310-6019

Please read all of the following information carefully. **Your loan will not be approved or issued until you properly complete the attached information and return it to Voya at the address above.** The *401(k) Loan Automatic Payment and Direct Deposit Authorization* and the *401(k) Loan Affidavit* must be submitted in order for the loan to be processed.

If you are changing banks on an existing loan payment: You only need to go online to update your information or complete the *401(k) Loan Automatic Payment and Direct Deposit Authorization* and send it to Voya. This will also change your direct deposit banking information for loan issuances and future distributions.

Information About 401(k) Loans

Loans from your PERA 401(k) Plan account are allowed for any reason and must be repaid according to the terms of the Promissory Note.

Loans have two significant drawbacks: (1) The loan amount is left uninvested and (2) double taxation applies when repaying pre-tax loans with after-tax wages.

Application Fee

There is a nonrefundable \$75 loan application fee, which will be deducted from your account.

Minimum Loan Amount

The minimum loan amount is \$1,000. Your account balance needs to be at least \$1,132 to accommodate a 5% reduction for market fluctuation and the fee.

Maximum Loan Amount

If your 401(k) Plan account available balance is:
\$1,132 to \$10,000
\$10,001 to \$20,000
More than \$20,000

You may borrow (less the 5% cushion and the \$75 loan fee):
The entire balance
Up to \$10,000
Up to 50% of your account (not to exceed \$50,000)

The maximum outstanding loan balance in any 12-month period is \$50,000. This limit includes loans you have with a 403(b) tax-sheltered annuity and/or a 457 deferred compensation plan with your current employer.

If you have funds invested in the Self-Directed Brokerage Account (SDBA), those funds will be taken into account when calculating the maximum amount you may take as a loan. You are required to keep \$500 invested outside of the SDBA prior to issuance of your loan. In addition, Voya cannot transfer funds out of the SDBA on your behalf to fulfill your loan. If you would like to take a loan that includes amounts invested in the SDBA, you must transfer funds out of your SDBA prior to the time that your loan is issued. Voya will not delay processing of your loan, so transfers should be made prior to requesting a loan.

Number of Loans

You may have two outstanding loans from your PERA 401(k) account at any given time, up to the maximum dollar limits. If you have a defaulted loan, you may not take a new loan.

Interest Rate

The interest rate is the "prime rate" as quoted in the *Wall Street Journal* in effect at the time you apply for the loan, plus 1%.

Loan Payments

The minimum monthly payment is \$100. Loans are repaid in monthly payments to amortize the loan over its lifetime. Loans must be repaid via automatic deductions from your checking or savings account on the fifth of each month. A new loan affidavit form must be completed for each new loan.

Repayment Period

General loans may be repaid for a period up to five years. Loans for the purchase of a principal residence may be repaid over 15 years. (For a home loan, you must send a copy of the current signed sales contract to Voya before the loan will be processed.)

Investment Distribution

The amount of your loan will be withdrawn proportionately from Roth and tax-deferred balances in your account and all investment funds in which your account is invested (with the exception of your SDBA). Payments are credited back to investment funds in accordance with the investment election you have in place for your account at the time payments are received.

Delinquent Payments/Default

Loans are in default when three monthly payments are not received. Any missed payment is carried forward and PERA will attempt to take all payments due the next month. Subsequent payments are applied to the oldest due date. The loan may also be defaulted if it is not paid in full by the pay-off date on the Promissory Note.

If you default on a loan, an IRS Form 1099-R will be issued making the unpaid balance taxable income to you in the year the default occurs and subject to the IRS 10% early withdrawal penalty. The IRS requires that the defaulted loan remain part of your 401(k) record, thus it will always show on your quarterly statement.

If you default on a 401(k) loan, you will not be allowed to take another loan. If you default on a loan, you have the option of repaying the loan in a lump sum. The amount due will be the unpaid loan balance plus the interest that has accrued since the default. If you have more than one defaulted loan, all of them must be paid off at the same time. Payments will be deposited in your 401(k) account and treated as defaulted after-tax repayments. Income taxes and penalties on the default will still apply.

Loan Forms

Except for the *401(k) Loan Automatic Payment and Direct Deposit Authorization* and the *401(k) Loan Affidavit*, the loan forms sent to you are for your records and do not need to be signed and returned. Negotiating (endorsing, cashing, or depositing) the loan check means you are legally bound by the terms of the loan.

Loan Proceeds

Your loan proceeds will be sent via direct deposit as soon as administratively possible after your properly completed *401(k) Loan Automatic Payment and Direct Deposit Authorization* and *401(k) Loan Affidavit* have been received by Voya.

Repayment Upon Your Death

Should you die before your loan is repaid in full, the outstanding balance is due in full immediately upon your death.

Refinancing

Loans, all or in part, cannot be refinanced, unless specifically authorized by law.

To Apply

Call 1-800-759-7372 and select the PERAPlus option. You may also access the 401(k) Plan website through www.copera.org by logging in with your User ID and password.

401(k) Loan Automatic Payment and Direct Deposit Authorization

Can I make additional loan payments?

Yes. The additional payments must be made using a certified check, cashier's check, or money order in an amount at least equal to one monthly payment. See the *401(k) Plan Loan Partial Prepayment* form for more information.

Can I deduct payments for more than one loan from the same account or use a different bank for each loan?

You must specify only one bank account for all outstanding loans and direct deposits.

What if I decide to change banks?

If you change banks or accounts, go online to update your information or complete a new *401(k) Loan Automatic Payment and Direct Deposit Authorization* form and mail it to Voya at the address listed at the top of the form. You may call Voya to request the form. The form must be received by Voya on or before the 22nd of the month to ensure that the change will take place on the fifth of the following month. If the form is received after the 22nd, the bank change may be made prior to the next payment deduction but cannot be guaranteed. Your initial deduction will continue until the new information has been processed by Voya. Since the 22nd is the monthly cut-off for making changes/additions, multiple payments will continue to be deducted based on your previous financial account.

401(k) Loan Automatic Payment and Direct Deposit Authorization



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Use this form to authorize withdrawal of your 401(k) loan payments from your checking or savings account and direct deposit of any loan proceeds or future distributions. This will apply to all current and future loans and direct deposits. Please note that no distributions or loan proceeds can be deposited into your account for seven business days after you add or change your account information. Type or print legibly using black ink, sign, and mail to Voya. Do not staple or glue items to this form.

Check one: ☐ Request new automatic payment ☐ Change existing automatic payment

SSN

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Name _____ Daytime Telephone (____) _____
Last First M.I.

Address _____
Street City State ZIP Code

Email Address _____

Authorization

Automatic deduction is mandatory for all new loans.

I **authorize** deduction of my 401(k) loan payments from the designated checking or savings account indicated on the attached voided check. I also authorize the financial institution to debit such account each month until I terminate this authorization.

I **understand** these payments will be deducted from my account automatically on the 5th day of every month or the next banking day if the 5th is a non-banking day.

I **understand** that the amount to be deducted will be the monthly payment amount as specified in my Promissory Note.

I **understand** that if any loan payment deduction is rejected due to insufficient funds, Voya will not resubmit the deduction until the following month. I understand that any loan payment deduction not honored by my financial institution will be considered not paid and could result in default of my loan.

I **understand** that this authorization will remain in effect until Voya receives a new *401(k) Loan Automatic Payment and Direct Deposit Authorization* form from me or until the loan is paid off. I understand that these instructions will apply to all currently active 401(k) loans.

I **authorize** PERA's 401(k) Plan to automatically deposit future distributions and/or loan proceeds to my account listed below and authorize and request this financial institution to accept any adjusting entries initiated by Voya. I understand that PERA's 401(k) Plan will make deposits to a personal checking or savings account, but not to a trust, money market, managed fund, or brokerage account. I understand I may cancel this authorization at any time by notifying Voya in writing, and that such change will become effective within 10 days of Voya receiving the notification.

Sign Here →

Participant Signature _____ Date _____

Bank Information

Account Type: ☐ Deduct from my checking account ☐ Deduct from my savings account

Tape a voided check here. Write "VOID" in large letters across the check.

.....
If you do not have a check to attach, please complete the following information. Your financial institution can provide the routing number for you.

Name of Financial Institution

9-Digit Routing Number of Institution

Your Account Number

Name Shown on Account

Telephone Number of Institution

401(k) Loan Affidavit



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This form must be completed and reviewed by Voya before your loan proceeds will be issued. Incomplete forms will be returned and your loan proceeds will be delayed.

SSN

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Name _____ Daytime Telephone (____) _____
Last First M.I.

Loan Information

Proposed Loan Amount: \$ _____

Loan Type (check one): ☐ General Loan ☐ Residential Loan (a signed purchase and sale agreement dated within 90 days must be attached)

Loan Period: _____ months* (58-month maximum for a general loan, 178-month maximum for a residential loan)

* If the loan period you request does not allow for a minimum loan repayment of \$100, Voya will calculate the loan period so that the minimum loan repayment amount can be attained.

Date Loan Requested: ____ / ____ / ____

Have you previously, or do you currently participate in a 403(b) tax-sheltered annuity and/or a 457 deferred compensation plan with your current employer?

☐ Yes ☐ No

If yes, continue to complete the remainder of the affidavit. If no, you do not need to complete the rest of the affidavit, just sign below.

Have you had any loans outstanding from any tax-deferred plan sponsored by your current employer during the last 12 months?

☐ Yes ☐ No

If yes, complete the following table (you may need to call your plan vendor for the requested information except for information on loans from PERA's 401(k) Plan):

List the names of the plan(s) from which all loans were outstanding or defaulted at any time during the 12-month period ending on the day before you requested this new loan (including PERA 401(k) loans).	Highest outstanding loan balance during the one-year period ending on the day before you requested this new loan.	Outstanding loan balance and unpaid balance on defaulted loans on date new loan was requested.	Total current account balance on date new loan was requested.
Total			

I hereby affirm that the information above is correct and complete to the best of my knowledge. I understand that if it is later determined that this information is incorrect, my loan will become invalid and I will owe income taxes and penalties on the full loan amount.

Sign Here →

Participant Signature _____ Date _____

PERA provides you with this *401(k) Loan Worksheet* so that you may determine the maximum loan that may be taken as of the day you request your loan. The *401(k) Loan Worksheet* is optional and should not be sent to Voya since Voya will perform the calculations below.

- A. Maximum statutory loan amount \$ _____
- B. Total highest outstanding loan balance during the one-year period before the loan was requested (this is the second column on the *401(k) Loan Affidavit*) \$ _____
- C. Total current outstanding balance of all loans on the date the new loan was requested (the third column on the *401(k) Loan Affidavit*) \$ _____
- D. Subtract Line C from Line B B – C \$ _____
- E. Subtract Line D from Line A to get the reduced maximum statutory loan amount A – D \$ _____
- F. Balance of all accounts on date loan was requested (fourth column on the *401(k) Loan Affidavit*) plus your 401(k) account balance if not already included (including outstanding loans) \$ _____
- G. Multiply Line F by 0.95 F x 0.95 \$ _____
- H. Subtract the \$75 loan processing fee from Line G G – \$75 \$ _____
- I. Enter the maximum loan limit. Use the table below.

Line H	Loan Limit	
\$10,000 or less	Entire Amount	
\$10,000 to \$20,000	\$10,000	
\$20,000 to \$100,000	50% of balance	
Over \$100,000	\$50,000	\$ _____

- J. Enter the lesser of Line E or Line I \$ _____
- K. Subtract Line C from Line J for the maximum new loan amount J – C \$ _____

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This form is for participant use only, do not return to Voya.