MICHIGAN STATE UNIVERSITY | Human Resources

LOAN POLICY STATEMENT
MICHIGAN STATE UNIVERSITY
403(B) RETIREMENT PLAN

This is an explanation of the rules for applying to take a participant loan from the Michigan State University 403(b) Retirement Plan (Plan). All loans will be made strictly in accordance with the provisions of the Plan and in accordance with this Loan Policy Statement. In the case of any item not covered by this explanation, or in the event of any conflict between this explanation and the Plan or Internal Revenue Code (IRC) regulations, the Plan document or IRC regulations always will control.

For loans issued prior to January 1, 2009, please contact the investment vendor that originally issued the loan for further details, including default and termination of employment.

For loans issued on or after January 1, 2009 the following applies:

1. Plan Administration

MSU Human Resources is responsible for the operation of and ministerial decisions concerning the Loan Program. A participant's loan application must be approved by Human Resources prior to the investment vendor issuing the loan proceeds.

2. Loan Program

   A. Participant loans are available to active employees from both parts of the Plan, i.e. Base and the Supplemental.
   B. As of January 1, 2009, Fidelity is the Plan's only investment vendor allowed to issue new participant loans.
   C. Participants may have a maximum of two (2) outstanding loans at one time.
   D. A participant in default on a loan(s) from the Plan will not be eligible to receive another loan from the Plan until the defaulted loan(s) is repaid in full.
   E. Loans are available only to participants who certify that loan proceeds will be used for one or more of the purposes listed on the MSU 403(b) Loan Application Form and who provide the completed Loan Application.

3. Purpose Criteria

The following are the only purposes (with no exceptions) for which loans will be made from the Plan:

   A. To purchase applicant's principal residence;
   B. To prevent eviction from or foreclosure on applicant's principal residence;
   C. To pay for college tuition expenses for applicant or family member*;
   D. To pay medical expenses for applicant or family member*;
   E. To pay funeral expenses for family member*;
   F. To pay for home repair due to a major disaster to applicant's principal residence;
   G. To pay applicant's expenses if applicant is unable to cover them due to layoff;
   H. To support applicant's structured financial plan to eliminate debt and/or avoid bankruptcy;
   I. To pay for applicant's expenses to adopt a child.

* Note: A family member is defined as 1.) an IRC defined Dependent (Qualifying Child or Qualifying Relative), 2.) a legal spouse, or 3.) an MSU defined Other Eligible Individual. Further information and clarification can be found on the MSU Human Resources Retirement web page at https://www.hr.msu.edu/benefits/other-eligible-individual/index.html.

4. Minimum and Maximum Loan Amounts

The minimum loan amount that a participant may request is $1,000. The maximum loan amount that a participant may request is 50% of the participant's Plan account balance up to $50,000, reduced by the participant's highest prior loan balance within the 12 months prior to the loan request.

5. Repayments

Loan payment requirements are based on the investment vendor's loan application and promissory note.

6. Loan Approval

Generally, a loan will be granted if the applicant duly meets all of the certification requirements set forth in the Plan and this Loan Policy Statement.

7. Interest Rates

A loan will bear the rate of interest as stated in the Plan at the time the loan is made, and will be fixed for the duration of the loan. Loan interest rates are currently set at 1% over the Prime Rate as quoted in the USA Today, updated quarterly.

8. How to take out a loan

Follow the instructions listed on the MSU Human Resources Retirement web page at https://www.hr.msu.edu/benefits/retirement/loan-provisions.html.

9. Security for loan

A loan will be secured by a pledge of up to one-half of the applicant's account balance. If the applicant terminates employment with Michigan State University prior to full repayment of any loan, the investment vendor that issued the loan must be contacted for direction on loan payment. Based on the investment vendor's policies, it is possible that the outstanding loan balance upon termination may be deemed defaulted if the loan is not paid in full within a certain amount of time after the termination date.

10. Default

If the applicant goes on leave or layoff, the applicant is still required to continue making the scheduled loan payments.

If the applicant fails to make a scheduled loan repayment at any time, the investment vendor will send the applicant a notice within 45 days following the due date. If payment is not received in full, the loan will be considered in default at the end of the calendar quarter following the original missed payment date. Upon default, the balance of the loan will become due and payable immediately. Any unpaid balance will be reported to the applicant and the Internal Revenue Service as a taxable distribution.

Applicants on military leave may be granted an exception to this default policy. Loan payments will be suspended, and the time on military leave will be added to the end of the term of the loan even if doing so will extend the term beyond five years.