

403(b) Retirement Plan Loan Policy Document

The intent of this Procedure is to outline the parameters of the loan program available through the Gonzaga University 403(b) Retirement Plan (Plan). This document forms part of the Plan.

The Loan Administrator and the Recordkeeper are not responsible for providing financial or tax advice to Eligible Borrowers regarding the impact that a loan or a defaulted loan may have on the Eligible Borrowers' accounts. Borrowers should discuss borrowing money from their retirement plans with their financial and tax advisors. You may also contact the Recordkeeper for additional information.

Definitions:

<i>Loan Administrator:</i>	The person or persons in the Gonzaga University Benefits Office responsible for administering and approving loans, as defined and appointed by the Plan Sponsor.
<i>Recordkeeper:</i>	TIAA
<i>Eligible Borrowers:</i>	Participants, either active or terminated, in the Gonzaga University 403(b) Retirement Plan who have voluntary deferrals (employee pre-tax contributions) in the Plan.
<i>Plan:</i>	Gonzaga University's 403(b) Retirement Plan.
<i>Accounts:</i>	Roth and Pre-tax salary contributions are used to calculate the loan amount available to the borrower. Employer contributions and mandatory employee contributions are not an available fund source for loans. Accounts used to fund the loan include the following sources: Salary deferrals (voluntary contributions – pre-tax only) and any rollover contributions. Such amounts may be the TIAA and CREF Group Supplemental Retirement Annuity, Supplemental Retirement Annuity, Retirement Annuity or Group Retirement Annuity Contracts. The loan interest rate and collateral requirements vary depending on your contract(s). To find out which contract(s) you have, contact TIAA at 1 800 842.2252.

Notwithstanding the foregoing, for the period of February 2, 1998 to December 31, 2014, Participants were permitted to take loans against their mandatory

contribution accounts, as well as their voluntary salary deferrals. For the period of January 1, 1997 to December 31, 2014, Participants whose accounts were held with Fidelity Investments were permitted to take loans against their mandatory contribution accounts, as well as their voluntary salary deferrals.

1. **Rules and Procedures.** The Loan Administrator shall provide such rules and procedures as it deems necessary to carry out the availability of loans from the plan named above. All such rules and procedures shall be deemed a part of the Plan for purposes of Internal Revenue Service (IRS) Regulations and where appropriate Department of Labor (DOL) Regulations. This Procedure may be changed at any time subject to rules in the retirement plan document and IRS or DOL rules.
2. **In General.** Upon the request of an Eligible Borrower in a manner acceptable to the Recordkeeper, and subject to the conditions outlined in this document.
 - a. **Loan Request Process:**
 - a. Request a loan either online at www.TIAA.org/gonzaga after logging into your account, or by phone by calling TIAA at 1 800 842-2252.
 - b. Completed forms should be returned to TIAA for approval.
 - b. **Eligible Borrower:** Active, retired, and terminated participants who have voluntary deferral assets in the Plan.
3. **Spousal Consent.** Participants must obtain the consent of his or her spouse prior to taking a loan. Spousal consent shall be obtained no earlier than the 90-day period prior to the loan effective date. The consent must be in writing on the form provided, acknowledging the effect of the loan, and witnessed by a Plan representative or notary public. Such consent shall thereafter be binding with respect to the consenting spouse or any subsequent spouse with respect to that loan.
4. **Maximum Amount of Loan and Collateral.**

Generally, the maximum loan amount is least of the following:

 - The lesser of 45% of your combined Voluntary TIAA and CREF or eligible account balances up to \$50,000.

An amount equal to 110% percent of the loan must be kept as collateral in the TIAA Traditional Annuity account, where it earns interest.

For more details on the maximum loan amount and collateral requirement, please contact TIAA.
5. **Minimum Amount of Loan.** The minimum loan for any single loan under the Plan is \$1,000.
6. **Number of Loans.** The number of loans that may be outstanding at any one time is **two (2)**.

7. **Type of Loans.** Loans may be taken as general purpose loans or for the purchase of a principal residence.

8. **Loan Interest Rate.**

The loan interest rate is variable and is based on the Moody's Corporate Bond Yield Average. Depending on which contract or contracts you have with TIAA, the interest rate can change each quarter or annually. You will be notified at least 10 days in advance of the change. The interest rate will be at least 4%.

Because this is a collateralized loan where you are borrowing against TIAA and not your own account, the interest is paid to TIAA and not your own account. For more details on how the interest rate is calculated and paid, please contact TIAA.

9. **Costs Associated with Loans*:**

There is no initiation or annual fee.

****Interest rates associated with loans should be confirmed with TIAA before taking a loan.***

10. **Repayment**

a. **Loans shall be repaid by:**

1. Repayments may be made monthly or quarterly by ADT (automatic debit bank account withdrawal) or by check directly to TIAA. An amount equal to 110% of the loan must be kept as collateral in the TIAA Traditional Account for the outstanding loan amount. Repayment must be made within 60 months (5 years) for general purposes, and up to 180 months (15 years) for principal home purchases.
- b. The documents evidencing a loan shall provide the payment schedule and such documents shall also require that the loan be amortized with level payments of principal and interest. A loan may be repaid in full at any time directly through the Recordkeeper.
- c. **Leave of Absence Suspension.** Only allowed for Period of Active Duty suspension for Military Leave of Absence.

Loan example:

Example #1- you have \$100,000 in the GSRA contract which holds only employee voluntary contributions. The maximum you can borrow is the lesser of \$50,000 or 45% of your total accumulation in that contract. In this example, the most you can borrow would be \$45,000. You would also need to have at least 110 percent of the loan amount kept as collateral in the TIAA Traditional Annuity.

Example #2- you want to borrow \$10,000. That means you would need to have \$11,000 in the TIAA Traditional Annuity. If you don't have enough in TIAA Traditional to meet the collateral requirement, you can transfer funds to TIAA Traditional to meet the collateral requirement. As you repay your loan, you may reduce the amount in the TIAA Traditional Annuity.

For more details on the maximum loan amount and collateral requirement, please contact TIAA.

11. Default.

a. The Recordkeeper shall treat a loan in default if:

1. If the recordkeeper does not receive a loan repayment by the last day of the month it's due, the outstanding loan balance will be in default (unless payment is not required due to a participant who is on an approved Military Leave of Absence). If the total overdue amount is not paid by the end of the calendar quarter following the calendar quarter in which the repayment was due (i.e., the grace period), the outstanding loan balance (including accrued interest) will be deemed a distribution and reported to the IRS as current taxable income.

b. Determination of Loan Default. Recordkeeper determines.

12. Eligibility for a Loan after Loan Default. The outstanding value of a deemed defaulted loan, increased by interest, shall be used to determine the availability of a new loan under the rules in item 4 above. If you default on your loan, you will not be permitted to take another loan until the defaulted loan is repaid. Upon repayment of a defaulted loan, you will not be permitted to take another loan for a period of **90 days** after repayment. A defaulted loan will count toward the 2 loan maximum available to the Borrower.

a. Repayment of a Loan in Default. The borrower is permitted to repay the defaulted loan.

b. Tax Reporting of Defaulted Loans. A defaulted loan will result in taxable income to the borrower. If the borrower is a participant and is also under age 59-1/2 on the date of the default, an IRS 10% early distribution penalty may apply. Income taxes and the penalty do not apply to any defaulted value that relates to after-tax contributions. If the borrower does not have a distributable event on the date of the default, the IRS treats the default as a "deemed default" and the amount of the default is not eligible to be rolled over to an IRA or another retirement plan. In January of the calendar year following the default an IRS Form 1099-R will be issued by the Recordkeeper to note the amount of taxable income and the IRS will be provided this information.

13. Note as Plan Asset. The note evidencing a loan to an Eligible Borrower under this document shall be an asset of the Plan which is allocated to the Accounts of such Eligible Borrower, and shall for purposes of the Plan be deemed to have a value at any given time equal to the unpaid principal balance of the note plus the amount of any accrued but unpaid interest.

Resolution

Resolved, Gonzaga University hereby adopts this Procedure, effective March 28, 2018.

By:

Joseph P. Smith
(Name)

Chief Financial Officer
(Title)

509-313-6801
(Telephone)

