

## ROOFERS UNION LOCAL NO. 70 PENSION PLAN LOAN RULES

This is an explanation of the rules applicable to all plan loans from the Roofers Union Local No. 70 Pension Plan ("Plan"). All loans are made in accordance with the provisions of the plan and in accordance with the rules set forth in this explanation. These rules comply with all applicable provisions of federal law.

1. Applying for a Loan. You may apply for a loan at any time by completing a loan application and returning it to the plan committee. The committee's decision to approve or not approve the loan will be based upon the amount of the loan request and your hours worked during the past 12 months. The loan must be approved by at least two Trustees, one Employer and one Union Trustee.

Your Loan Request must be received by the First (1<sup>st</sup>) day of the Month to be considered by the Trustees at their meeting.

Your loan, if approved by the committee, will be disbursed to you as soon as possible after the committee approves your application and funds become available.

### **You must be a vested Participant in order to obtain a loan.**

2. Current availability of Funds for Loans. Due to the nature of the pension plan investments, it may not be possible to immediately make all requested loans. At certain times of the year, it is possible that the plan will not have cash available on hand to make all loans that have been approved. Should there not be adequate cash available to meet all loan requests, the loans will be made in the same order in which they were received.
3. Amount you can borrow. The amount of any loan to you from the plan may not exceed the least of:
  - (a) \$50,000, reduced by the highest outstanding balance of plan loans to you during the one year period ending the day before the loan is made,
  - (b) 50% of your vested account balance under the Plan, and
  - (c) the number of hours worked during the last twelve months multiplied by ten

### EXAMPLE (member without an existing loan)

John Doe has a vested account balance of \$35,000 as of the date he requests a loan and has worked 1,600 hours in the last twelve months. The maximum amount of a loan for him is **\$16,000** which is the least of:

- a. \$50,000
- b. ½ of \$35,000 or \$17,500

c. 10 x 1,600 or \$16,000

The principal amount of the loan will be distributed to you from your Plan account and will not earn any of the general plan investment gains or losses for the period of the year it is outstanding.

4. Repayment. Each loan must repaid in substantially equal payments of principal and interest within five (5) years of the date of the loan. Repayments may be withheld by the Employer from your paychecks if you approve. If no withholding is made or your employer fails to remit your withholding, you will be responsible to make payments by mail or in person when due. You are ultimately responsible for all Loan payments.

The committee may agree to a loan term in excess of five years if the loan is used to acquire your principal residence. In these cases, the committee may agree to a fifteen (15) year repayment. You will receive a payment schedule from the committee upon approval of your loan with the payment frequency you request no less frequently than quarterly. Prepayment in full or in part may be made at any time without penalty

5. Default. Should you fail to make any required loan repayments, the Committee may declare your loan in default. The Committee may grant a grace period for late payments up to the balance of the current calendar quarter plus one full calendar quarter. Upon default, the entire amount of the outstanding loan will become taxable income. Finally, defaulting on a loan from the Plan will make you ineligible to receive a new loan from the Plan for seven years after the first default. If a second loan default occurs you will be permanently ineligible to receive any further loans.
6. Interest Rate. The loan will bear a reasonable rate of interest equal to the prime rate charged by the Federal Reserve Bank as listed in the Wall Street Journal on the first business day of the month in which the loan is granted plus two (2%) percent. All interest you pay on the loan will be allocated to your Plan account. This is the only earnings the loan will receive during the year. In years when the plan has general earnings of greater than the interest rate charged on the loan, your earnings percentage will be lower than the members without loans.
7. Security for the Loan. All loans must be evidenced by a promissory note furnished by the committee and signed by you. The note will grant to the Plan Trustee a security interest in your Plan account balance, up to an amount equal to 50% of your vested balance. Should you default on the loan, your account will be reduced by the amount of the defaulted loan. If authorized by you, your Employer will be requested to withhold adequate amounts from your paychecks to make the loan repayments. You are ultimately responsible for all Loan payments.
8. Plan's Administrative Fees. The Plan may charge the cost of processing any loan, including any document preparation fee to you. This amount can be paid out of the loan proceeds or paid by you directly. The current charge for the loan processing is

\$50.00. Additionally, the Plan may charge an annual fee for the loan administration. The current annual charge for the loan administration is \$50 per year unless your loan balance on December 31<sup>st</sup> is less than \$1,000.

If on the second request for a Loan, neither the first nor the second loan is closed there is a One-Hundred (100.00) dollar fee that will be deducted from your account at the end of the year.

9. Other Rules related to the loan. The loan is also subject to the following rules:
- a.) Any loan request must be for at least \$1,000.
  - b.) If you are married at the time the loan is made, you must obtain your spouse's consent to the loan.
  - c.) Generally only one loan can be outstanding at any time.
  - d.) **LOANS MAY ONLY BE MADE FOR THE PURPOSE OF PURCHASING A PRINCIPAL RESIDENCE.** You must provide evidence of the purchase satisfactory to the Trustees in order to receive a loan. The check will be issued to the party responsible for issuing the 1099-S to report the sale proceeds.
  - e.) The interest you pay on the loan will be credited to your account balance in the pension plan. This will be the only investment income that the loan balance will earn while the loan is outstanding. All principal payments will be credited to your account balance and will share in the general investment earnings of the pension plan.