



**SHEET METAL WORKERS' LOCAL 292
FRINGE BENEFIT FUNDS
P.O. Box 189
Troy, MI 48099-0189
(248) 641-4992 (888) 646-6565**

IMPORTANT NOTICE REGARDING YOUR ANNUITY FUND LOAN

October 5, 2015

TO: All Participants with Outstanding Loan Balances.

The Board of Trustees of the Sheet Metal Workers Local Union No. 292 Annuity Fund has adopted the following Plan amendment to bring the Fund's loan provisions in compliance with applicable Federal regulations:

Effective January 1, 2015

The Plan's loan repayment provisions were amended to provide that if any full monthly payment is not received when due (together with all accrued late charges), the loan shall be in default. However, you will have until the last day of the calendar quarter following the quarter in which a missed payment was due to cure the default. If you make the payment as stated above, your loan will no longer be in default and you can resume making monthly payment as scheduled. If a missed payment (together with all subsequent payments due and all accrued late charges) is not made on or before the last day of the calendar quarter following the quarter in which the missed payment was due, the whole outstanding balance of the loan (including all accrued interest and all accrued late charges) will be a "deemed distribution" and will be reported to IRS as such.

Before this change, the Plan provided that if you were four months in arrears, your loan would be considered in default and you would have two months to pay the loan in full (including all accrued interest and all accrued late charges) before it would be reported to IRS as deemed distribution. The Plan did not allow for the resumption of monthly repayments after you were four month in arrears.

The new provision allows you to cure a missed payment by the end of the quarter following the quarter the first payment was missed. This change allows for the possibility that you could be more than four months in arrears and as long as you pay back any outstanding monthly payments (together with all subsequent payments due and all accrued late charges) before the end of the quarter following the quarter you first missed a payment, you will not suffer a deemed distribution and you can resume making monthly payment as scheduled. You would not be required to pay back the entire outstanding balance of the loan.

Enclosed is an updated "Frequently Asked Question" regarding information on loans.

If you have any questions regarding these matters, please feel free to contact the Fund Office.

Board of Trustees,

Sheet Metal Workers Local Union No. 292 Annuity Fund

Enclosure

SHEET METAL WORKERS' LOCAL NO. 292 ANNUITY FUND
FREQUENTLY ASKED QUESTIONS ON LOANS

Who is eligible for a plan loan?

To be eligible for a Plan loan, you must be a Participant in the Fund.

Is there a maximum and a minimum amount I can borrow?

Yes. The maximum amount you can borrow is 50% of your Accrued Benefit Account at the time of loan distribution, but no more than \$50,000. For purposes of determining the maximum amount you can borrow, the amount of your Accrued Benefit Account which will be considered will be reduced by any amount which an alternate payee has an interest in pursuant to a qualified domestic relations order. Also, the \$50,000 figure shall be reduced by your highest outstanding loan balance over the twelve months preceding this new loan.

The minimum amount you can borrow is \$1,000.

Where is the money I borrow from?

The money you borrow is from the Fund. However, your own Accrued Benefit Account secures your loan. Your loan is treated as one of your investments in the Fund's Self-Directed Investment program. The principal and the interest you pay are credited to your account.

Do I need a special reason to get a loan?

No.

Is my spouse involved when I take a loan from my Accrued Benefit Account?

Yes. No loan may be granted unless your spouse consents, in writing, before a notary public or a Fund representative. Your spouse's consent must be given no sooner than 30 days and no longer than 90 days prior to the date the loan is issued.

What if my spouse had died or I am divorced?

If your spouse is deceased, you must present the Plan Administrator a certified copy of the death certificate. If you are divorced, you must present the Plan Administrator a true copy of your divorce decree, which will be reviewed to see if your spouse was granted any interest in your benefit.

What if a Court assigns a portion of my Accrued Benefit Account?

If the Court assigns a portion of your Accrued Benefit Account (such as in the course of a divorce) after you receive a loan, the amount securing the loan will not be available for assignment until the entire balance, including interest and late payment assessments, if any, is repaid. If the Order is entered and benefits assigned to another person before you receive a loan, it could reduce the maximum amount you can borrow because the amount you can borrow is limited by the amount in your Account.

What documents must I sign to take a loan from my Accrued Benefit Account?

To apply for a loan, you must first fill out a Loan Application. If the Loan Application is approved, you

must then sign a Promissory Note and a Participant Consent with the Fund. If you are married, your spouse must sign a Spousal Consent Form. All of the documents necessary for the loan must either be signed before a Fund representative, with proper identification being produced.

How often can I borrow from the Fund?

There is no limit as to how often you can borrow from the Fund. However, only one loan may be outstanding at any time and no loan shall be made to a Participant who has ever failed to repay a loan, which was reported to IRS as deemed distribution.

What is the interest rate on loans from the Annuity Fund?

The interest rate on your loan is the prime interest rate for the Fund's custodial bank, plus 2%, on the last day of the month prior to the month your loan is issued. That rate is fixed for the duration of the loan. While the Fund has the self-directed investment program in place, your loan is treated as one of your investments, and your account is credited with all of the interest you pay as if it was investment return.

What is the payback period for my loan?

In general, all loans must be repaid within five (5) years of the date the loan is made. However, monthly payments will not be arranged for less than \$50 per month. Therefore, if you borrow less than approximately \$3,000 (depending on the current interest rate), your payback period may be shorter.

Are there any costs to borrowing from the Fund?

The Fund's recordkeeper, Merrill Lynch, will deduct from your accrued benefit account \$50 as a loan origination fee and \$50 each year as a loan maintenance fee. These amounts are not part of the loan and are not repayable.

Are there any penalties for late payment and insufficient funds?

Yes. A payment received after the due date will be assessed a \$10.00 late charge. An additional \$10.00 will be added for each month the payment remains unpaid. Late charges collected are **not** credited to your account. They are retained by the Fund as a whole to pay for the increased administrative costs to the Fund for processing late payments. Late charges will be taken out of any subsequent payments you make **first**. If you fail to pay a late payment or fail to add it to your next payment, you risk underpaying your monthly payment and defaulting on your loan, so in order not to default on your loan, be certain that your next payment includes all of your late charges.

Also, if you remit a payment that is invalid (that is, a check you submit bounces), there is a \$25 NSF charge, *and all of your future loan repayments must be submitted in certified funds*. NSF charges collected are **not** credited to your account. They are retained by the Fund as a whole to pay for the increased administrative costs to the Fund for processing NSF payments. NSF payments will be taken out of any subsequent payments you make **first**. If you fail to pay a NSF payment or fail to add it to your next payment, you risk underpaying your monthly payment and defaulting on your loan, so in order not to default on your loan, be certain that your next payment includes all of your NSF charges.

How do I repay my loan?

Repayment of all loans are by scheduled full monthly payments by personal check payable to the Fund. Full monthly payments are due on or before the fifteenth day of each calendar month. Partial payments shall not be accepted, and there is no grace period for payments due. As noted above, if you remit a payment that is invalid (that is, if a check you submit is returned (it “bounces”) due to insufficient funds), there is a \$25 NSF charge, *and all of your future loan repayments must be submitted in certified funds.*

If the loan is granted, the funds will available no sooner than the 15th day of the month following the month in which all required documents have been provided to the Fund and your first payment will be due on the fifteenth of the next calendar month after the calendar month in which the Fund Office issued your loan.

Can I prepay my loan?

Yes. The Fund will accept payment in full of the outstanding balance (which the Fund will determine at your request) at any time. However, you may not partially prepay your loan and you cannot make multiple monthly payments at one time.

Will I default on my loan if I miss one payment?

Yes, but there is a cure period you may take advantage of. If any full monthly payment is not received, together with all accrued late charges when due, the loan shall be in default. However, you will have until the last day of the calendar quarter following the quarter in which a missed payment was due to cure the default. You must pay any missed payments (including all subsequent payments due and all accrued late charges) in full to take advantage of the cure period. If you make the payment as stated above, your loan will no longer be in default and you can continue making monthly payment as scheduled.

How can I cure a default?

If more than one monthly payment is due at the time you make a payment to the Fund, the Fund will only accept a payment in the amount of all of your outstanding payments due (the missed payment and all subsequent payments due), including late fees. Payments in any other amount will be considered “partial payments” and the Fund will not accept them. You will be notified of the amount you need to pay to cure your default.

Example: If you missed the December 15, 2014 payment and you make one monthly payment on January 15, 2015, that payment will be considered a partial payment and will be returned to you. The Fund will only accept a payment in the amount of the December 15, 2014 and January 15, 2015 plus any late fees. If you do not make such payment, your missed payments would be outstanding and you would have until March 31, 2015 to make up those payments, and subsequent missed payments, before your loan is reported to IRS as a “deemed distribution”.

What happens if I don't cure a default?

If a missed payment (together with all subsequent payments due and all accrued late charges) is not made on or before the last day of the calendar quarter following the quarter in which the missed payment was due, the whole outstanding balance of the loan (including all accrued interest and all accrued late charges) shall be a “deemed distribution” and it will be reported to IRS as such. Furthermore, your Accrued Benefit Account will be reduced by the amount reported to the IRS as deemed distribution and you will never be allowed to receive another loan from the Fund. This could result in serious tax consequences to you and your family.