

## ALAMEDA COUNTY 457 (b) DEFERRED COMPENSATION PLAN LOAN PROGRAM QUESTIONS AND ANSWERS

### LOAN APPLICATION QUESTIONS

<b>1. How do I apply for a loan?</b>	You can apply on Prudential's participant website at <a href="http://www.prudential.com/online/retirement">www.prudential.com/online/retirement</a> or by calling a Prudential Customer Service Representative at 1800 833-5761. (Representatives are available weekdays, from 8:00 a.m. to 9:00 p.m., Eastern Time.)
<b>2. Is a credit check required to take a loan?</b>	No credit check will be performed.
<b>3. If I have an account balance, but I'm not currently contributing to the Plan, can I still apply for a loan?</b>	Yes.
<b>4. Is there a loan processing fee?</b>	Yes, Prudential requires a one-time loan processing fee of \$50.00.
<b>5. What is the maximum borrowing limit?</b>	You can borrow the lesser of \$50,000 or one-half of your vested account balance. To accept the loan, you must typically agree to begin paying back the loan during your next pay period. This is done via payroll deduction from your paycheck.
<b>6. Can I ever borrow more than \$50,000?</b>	No, the IRS sets limits on how much you can borrow from your account.
<b>7. Is there a minimum borrowing limit?</b>	Yes, the minimum amount of a loan is \$1,000.
<b>8. If my balance is \$2,000, because there is a \$50.00 loan application fee, can I still qualify for a \$1,000 loan?</b>	No, you can qualify for one-half of your vested account balance, but must have an amount to cover the loan processing fee which would require a balance of \$2,050, and if you want the check sent to you by express mail you would add \$25.00 and need to have an account balance of \$2,075.00 to borrow \$1,000.
<b>9. What is the interest rate for the loan?</b>	The interest rate is fixed at the prevailing prime rate + 1 percent as of the date of the loan.
<b>10. Is the interest rate fixed for the term of the loan?</b>	Yes.
<b>11. Can I model a loan based on what I can afford?</b>	Yes, you can indicate what you can afford to repay on a bi-weekly basis and the Prudential website loan calculator or a Prudential Customer Service Representative will tell you what loan amount you can borrow so that your bi-weekly payment does not exceed the proposed repayment amount you entered.
<b>12. Does my spouse have to consent to the loan?</b>	Yes, because California is a community property state and half of a married person's property belongs to the other spouse, spousal consent is required for married couples before the loan is approved.
<b>13. Can an authorized plan representative sign the Spousal Consent Form instead of using a notary?</b>	Yes, an authorized plan representative can sign the DC loan Spousal Consent Form instead of a notary public, if the authorized plan representative witnesses the spouse sign the form. The spouse must present some form of picture identification verifying who they are.
<b>14. If Prudential requests a spousal consent and I am not married, what do I do?</b>	You must go to your Department HR Representative and ask to have your status corrected in the HR system. If you were married and now divorced, you will need to provide your divorce decree. If Prudential receives the decree, they will forward the update to their system.
<b>15. What supporting documents will I need to provide Prudential if I am applying for a primary residence loan?</b>	Prudential will accept either of the following: <ul style="list-style-type: none"> <li>• A copy of the purchase and sales agreement which must be signed by you and the seller.</li> <li>• Other documentation signed by you and the seller (e.g., deed of trust) dated within the last 90 days, showing your acquisition of property</li> </ul> The agreement or other documentation must: <ul style="list-style-type: none"> <li>• Show a closing date not less than 90 days of the receipt of your loan request or show a future closing date not more than 90 days of the receipt of your loan request.</li> <li>• Identify the physical structure (not the land) and the price of the physical structure.</li> </ul>
<b>16. Will the interest I pay on the primary residence loan be tax deductible?</b>	No, the loan interest is not tax deductible. It is considered a consumer loan, so there is no tax advantage.
<b>17. What investment funds will the loan come from?</b>	Loan funds are distributed across all funds.
<b>18. Is there an IRS code section that governs deferred compensation loans?</b>	Yes, provisions of the deferred compensation plan loans are governed under Internal Revenue Code Section 72(p).

19. Where can I find a copy of the deferred compensation Loan Policy?	At the Treasurer-Tax Collector's website Deferred Compensation page, by going to <a href="http://www.acgov.org/treasurer/deferred.htm">http://www.acgov.org/treasurer/deferred.htm</a>
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**LOAN APPROVAL QUESTIONS**

20. When will I know if my loan is approved?	Immediately, for a general loan, and for a primary residence loan, once supporting documentation is received by Prudential in good order.
21. How long will it take for me to get a check once the loan is approved?	Once your loan is approved and processed, a check will be mailed to your address on file within one business day. The check should be received 3 to 5 business days after the check is issued; if you request express mail (\$25.00 fee), 1 to 2 business days after the check is issued.

**LOAN REPAYMENT QUESTIONS**

22. How do I repay the loan?	Through payroll deduction.
23. What if my loan is paid off and deductions are still being made?	If due to timing, Prudential receives a loan payment after the loan is paid off in their system, their system will automatically issue a refund check to you.
24. Can I make bi-weekly loan payments by check?	No, while employed, repayment installments must be made by payroll deduction.
25. If I don't have enough salary to cover my loan payment for a pay period, will payroll take a partial payment?	No, partial payments are not accepted. In this situation, you must send the payment to <b>Prudential at 30 Scranton Office Park, Scranton, PA 18507-1789</b> . Your payroll deductions will continue as usual. This would prevent your loan from being re-amortized.
26. What do I do if I have to take a leave of absence? Will my loan default?	To prevent your loan from defaulting, your loan payments may be suspended for up to one year for a participant who is on a bona fide leave of absence. If you unexpectedly have to take, or plan on taking a leave of absence, contact your Deferred Compensation Plan Representative <u>immediately</u> to discuss loan payment suspension. Failure to notify your Plan Representative may result in loan default where your entire loan balance will be subject to taxation. (DC Plan Rep will discuss suspension with Prudential)
27. If I take out a loan and then decide to retire before my loan is paid off, can I continue to pay on the loan?	If you do not take a full distribution at retirement and have a balance in your Prudential account, you can call Prudential and have them send you payment coupons so that you can continue to pay on your loan. You will be charged a \$100 loan coupon conversion fee, and will be required to make quarterly payments. If you retire or terminate and request a full distribution, zeroing out your balance, Prudential will include the loan balance in your distribution and it will become subject to federal and state income tax.
28. If I am called to military duty, and payroll deductions stop, will my loan default?	Loan payments may be suspended up to conclusion of service for a participant who is on military leave.
29. What if I want to pay off my loan early?	You can send a check to Prudential to pay off the loan ahead of schedule. Your name will appear on the Start/Stop report and Plan Representatives /Sub Plan Representatives will stop deducting the loan payment amount and stop sending payments to Prudential.
30. When I repay my loan, how are the loan payments distributed to my investment funds?	Loan repayment is distributed across all funds.
31. How long do I have to pay off the loan at termination?	Your entire loan is due within 90 days of termination or you can arrange with Prudential to continue your payments. If you default on making your payment, the remaining loan balance becomes subject to federal and state income tax.
32. Is the loan payment pre-taxed?	No, loan payments are not pre-taxed. They are taxed and then applied to the loan (after-tax dollars). (Note: Yes, a participant could be doubled taxed when they take a distribution.)
33. Can I pay off my existing loan by taking another deferred compensation loan?	You may be able to take a second loan and use the funds to pay off the first loan. See the section "Taking a Second Loan".

**CONTRIBUTION QUESTION**

<b>34. If I take out a loan, can I continue to contribute to my account?</b>	Yes, contributions to your account are independent of a loan.
<b><u>TAKING A SECOND LOAN</u></b>	
<b>35. How many loans can I take out on my account?</b>	You are allowed up to two (2) outstanding loans from the plan, but can only apply for and obtain one (1) loan once every 12 months.
<b>36. How much can I borrow if I take out a second loan?</b>	The combined total of all loans from your deferred compensation account cannot exceed the lesser of \$50,000 minus the highest outstanding loan balance in the last 12 months or ½ of the vested balance.
<b><u>QUESTION ABOUT WHETHER TO TAKE OUT A LOAN</u></b>	
<b>37. Is it a good idea to take a loan on my Deferred Compensation?</b>	While a loan has some benefits, its significant negatives ought to be avoided except during a genuine financial emergency. Still, if your only other source of money in an emergency is an outright distribution of your money, a loan is the preferable option. Make sure you consider all of your other options first and have a full understanding of what borrowing from your retirement plan will really cost you. Note: Emergency withdrawal distributions only apply to 457(b) Plan contributions.