



Loan Administration

OVERVIEW

When Empower assists in the administration of account reduction loans, eligible participants may request a loan from their retirement account for reasons defined in the Plan's Loan Policy. The following describes the most common loan reasons allowed by retirement Plans:

General purpose loans

- Loans taken from a participant's retirement account for any reason.
- Does not require additional supporting documentation
- Maximum Allowed Repayment Term: 5 Years

Mortgage loans

- Loans taken from a participant's retirement account to purchase a primary place of residence, including:
 - Purchase of a new or existing home
 - Costs associated with building a new home
- Requires additional supporting documentation
- Maximum Allowed Repayment Term: 30 Years

NOTE: Notwithstanding any Plan terms or Plan administrative policy adopted by the Plan Administrator, please note that Empower does not administratively support processing direct rollovers of participant loan obligations to or from other retirement Plans.

The Loan Policy also reflects any additional conditions that must be satisfied in order for participants to take a loan under the terms of the Plan. The following highlights some commonly defined loan conditions:

Condition	Description
Number of Loans Allowed	<ul style="list-style-type: none">• Maximum number of active loans a participant may have at the same time.• Number of new loans that may be requested within a given time period, such as only allowing participants to take a new loan once every 12 months.
Loan Amounts	<ul style="list-style-type: none">• Minimum loan amount, such as \$1,000.• Maximum loan amount if less than the Internal Revenue Service (IRS)-defined maximum.
Refinance Availability	<ul style="list-style-type: none">• Allows a participant to roll the remaining balance of an existing loan into a new loan (for a larger amount) and get the proceeds for the difference.• The maturity date of the existing loan becomes the maturity date of the newly combined loan.

Loan proceeds are generally not taxable except for residents of the state of Florida where loan proceeds are subject to Florida Documentary Stamp Tax.

When participants take a loan, they are required to repay the loan amount plus accrued interest back to their retirement account. Loan payment amounts, schedules, and final maturity date are calculated based on the participant's requested loan amount and selected repayment term.

Once a term is defined and a maturity date is established:

- The maturity date generally cannot be extended unless the participant returns from a qualified Military Leave of Absence (MLOA).
- Payments must be made in the amounts and by the due dates defined in the Amortization Schedule.

Loan Initiation

When allowed by the Plan, participants may typically complete a Loan Application form online or via an Empower Representative. In some cases, loan requests require the participant to complete a Loan Application form. The following identifies the most common scenarios that require a Loan Application form:

- Additional documentation is required, such as primary residence or mortgage loan documentation.
- Spousal consent applies, including if Qualified Joint & Survivor Annuity (QJSA) requirements apply to money sources used to fund the requested loan.

NOTE: Participants may be assessed a one-time loan initiation fee and/or an ongoing loan maintenance fee as outlined in the Plan's Services Agreement and Fee Disclosure notices.

The following loan options may be made available to participants across channels and according to Plan design:

Option	Description
Loan Refinance	<ul style="list-style-type: none">• If a Plan allows participants to refinance a loan, participants may:<ul style="list-style-type: none">– Roll the remaining balance of an existing loan into a new loan.– Receive proceeds for the difference between the existing loan amount and the new loan amount.• NOTE: The maturity date of the existing loan becomes the maturity date of the newly combined loan and the loan term must exceed the minimum term defined by the Loan Policy and/or per Plan provisions.
Payout Options	<ul style="list-style-type: none">• Paper check mailed to the payee's address of record via regular mail.• Paper check mailed to the payee's address of record via express delivery. Additional fees may apply for expedited delivery.• Automated Clearing House (ACH) or direct electronic deposit into an individual bank account. Additional fees may apply• NOTE: Proceeds by ACH option is only available to participants when they meet both of the following conditions:<ul style="list-style-type: none">– Banking information is on file prior to requesting a loan.– Loan request is initiated online or via an Empower Representative.
Spousal Consent	<ul style="list-style-type: none">• When spousal consent applies, married participants must provide notarized spousal consent in order for Empower to process the transaction.• Notarized spousal consent is accepted via the Loan Application form only.
Principal Residence or Mortgage Supporting Documentation	<ul style="list-style-type: none">• For Principal Residence or Mortgage loans, supporting documentation is required for processing.• Purchase of a new home generally requires copies of the closing documents for principal residence purchase, which may include:<ul style="list-style-type: none">– Primary Residence Purchase Agreement– Primary Residence Contract Sale Agreement– Executed Counteroffer for either of above – with signature• Costs associated with building a new home requires evidence of purchase and/or cost of materials, which may include:<ul style="list-style-type: none">– Purchase Agreement– BOTH: Construction Permit Notice and Letter of Instruction indicating:<ul style="list-style-type: none">▪ Itemizing labor, material, and other costs for which the mortgage loan is being requested.▪ Expenses are for building a primary residence.

Loan Processing Authorization

Empower Processes Loans Without Approval

- Empower reviews completed requests to determine if the request is in good order.
- If the request is in good order and meets Plan requirements, then the loan is processed without the Plan Administrator's further approval.
- If the loan request is not in good order, then Empower instructs the participant to contact Empower to provide the missing or corrected information needed for processing.

Plan Administrator Provides Loan Approval

- Empower sends loan requests to the To Do List feature on the Plan Service Center (PSC) for final review and approval.
- The Plan Administrator or designated third-party provides any necessary information needed for processing and approves or cancels the transaction via To Do List.
- **NOTE:** If a signature is required on the form, the Plan Administrator downloads, prints, and signs the form, then returns a copy of the signed form to Empower via To Do List.

Loan Feedback Reports

When Empower assists in the administration of loans, participant loan information is reported to the Plan Administrator via a Loan Feedback report. The Loan Feedback report is generated on a schedule that coincides with the Plan's payroll/loan repayment frequency and provides the following types of loan information for impacted participants:

- Loan payment amounts for new loans and/or reamortized loans
- Loans paid in full
- Loan payments suspended and/or reinstated if applicable

Plan Administrators or designated third parties use this information to update their system and subsequent payroll/contribution submissions with the correct loan payment amount for each participant.

Loan Feedback reports may be delivered in one of the following ways:

Online Loan Feedback

- Empower posts loan payment updates to the Payroll Changes section of the To Do List on the Plan Service Center (PSC) and sends notification indicating a To Do List item has been posted and requires action.
- When such notification is received, the Plan Administrator:
 - Logs into the PSC and navigates to the Payroll Changes section of the To Do List.
 - Selects loan changes under the Action Required heading.
 - Reviews loan payment changes and indicates changes have been updated on the To Do List.

Loan Feedback Files

- Empower creates a file containing loan payment updates in an agreed-upon format and posts to one of the following locations on the PSC:
 - My Reports: Visible only to the specified PSC user.
 - File Sharing: Visible to all PSC users for the Plan with access to view File Sharing reports.
- Empower sends email notification to the Plan Administrator when Loan Feedback files have been delivered.
- When such notification is received, the Plan Administrator retrieves and reviews the applicable file for required loan payment updates.

Loan Payments

Once a loan has been processed, loan payments are accepted via regular payroll deductions. When loan payments are received, the funds are deposited into the participant's account:

- Into the same money source(s) used to originally fund the loan.
- At the same ratio or percentage originally used to fund the loan.
- Reinvested according to the participant's investment elections in effect at the time the payment is received.

Participants may add their banking information to their online account. Once banking information has been established, participants may also submit one-time payments via ACH for partial loan payments, early loan payoffs, or to make up any missed or late payments as described below and as allowed by the Plan.

Payment Type	Description
Late or Missed Payments	<ul style="list-style-type: none">• If a participant has a late or missed payment, any loan payment received is first applied to the oldest outstanding payment due.• Participants may submit a one-time ACH payment to make up any missed or late payments.
Prepayments	<ul style="list-style-type: none">• If the Plan allows, participants may make additional loan payments in advance of their scheduled loan payment due date. To do this, participants may submit a one-time ACH payment online.• If a loan payment is received that is greater than the amount due, the excess or prepayment amount may be applied as follows and as directed by the Plan, unless otherwise directed by the participant:<ul style="list-style-type: none">– Toward the principal loan balance– Toward a future payment up to the maximum number of pay-ahead days defined by the Plan,• If both pre-payment options are allowed by the Plan, then the payment is applied according to the Plan's designated default prepayment method.• If neither option is allowed by the Plan, then the excess or prepayment amount is refunded to the participant.
Loan Paid in Full	<ul style="list-style-type: none">• The terms of the loan are considered fulfilled when the loan is paid in full and when all payments are paid on time and the final payment is received by the loan maturity date.• Failure to make timely payments will result in a loan default. If the loan is defaulted or if an eligible participant chooses to off-set a loan, additional taxation may apply. See Loan Default Administration for additional information.• To pay off a loan in advance of the scheduled loan payoff date, participants must generate a loan payoff quote online or via an Empower Representative. Once the loan payoff quote has been generated, participants may use either of the following methods to submit the loan payoff amount:<ul style="list-style-type: none">– Submit a one-time ACH payment online– Complete a Loan Payoff form and submit to Empower along with a check (preferably, a certified check or money order) according to instructions provided on the form.
Overpayments	If a loan has been paid in full but a trailing payment is received, Empower returns the overpayment back to the participant.

The non-discretionary recordkeeping and administrative services described in this Service Overview are general in nature and reflect the standard service offering. Service descriptions are not specific to any plan provision or administration practice. The recordkeeper may agree to provide an alternate service arrangement, as applicable, if separately requested by the Plan Sponsor. FOR ADVISOR/PLAN SPONSOR OR TPA USE ONLY. Not for use with Plan Participants