



**City of Fresno
Deferred Compensation Plan**

LOAN PROGRAM INFORMATION

For more information about your Deferred Compensation Plan, go on-line at www.netbenefits.com/fresno or call a Fidelity representative at 1-800-343-0860

As an active City of Fresno employee and a participant in the City’s Deferred Compensation Plan you have the option of borrowing from your deferred compensation plan account. This handout is to provide you with basic Loan Program information, and also to alert you to some of the consequences of taking a loan from your Deferred Compensation account.

Types of Loans

General Loans are available for any reason, and must be repaid in 5 years. Residential loans must be used for the purchase of your primary residence only and must be repaid in 15 years. Neither a General nor a Residential loan is tax deductible.

Minimum and Maximum Loan Amounts

Participants must have a vested balance of at least \$2,000 to request a loan. You may borrow up to 50% of your vested account balance, not to exceed \$50,000. You may have only one loan at a time.

Fidelity Account Balance	Maximum Amount You may Borrow
\$0 to \$1,999	\$0
\$2,000 to \$100,000	Up to 50% of 457(b) Fidelity Account Balance
Over \$100,000	Up to \$50,000

For example: If your Fidelity account balance is \$200,000, your maximum amount you may borrow is \$50,000; the lesser of: 50% of your Fidelity account balance or \$50,000.

However, it’s important to note that the Internal Revenue Service (IRS) prohibits the sum of any loans to be in excess of \$50,000 in any 12 month period. Therefore, if you paid off a loan anytime in the 12 months prior to requesting a new loan, the IRS maximum amount of \$50,000 would be reduced by the amount of your highest loan balance from the prior 12 months.

For example: Your Fidelity account balance is \$200,000 and your highest loan balance in the previous 12 month period was \$20,000, the maximum amount you may borrow would be \$30,000; the lesser of: 50% of your Fidelity account balance which equals \$100,000 or the max loan amount of \$50,000-\$20,000=\$30,000.

Loan Fees

There is a one-time non-refundable \$35 loan application fee, and a quarterly maintenance fee of \$3.75 for all outstanding loans.

Interest Rate

The interest rate for a general or principle residence loan is Prime plus 1%.

Loan Payment

When you complete loan documents with Fidelity, you will set-up a checking or savings account from which ACH loan payments will be deducted. There is no penalty for paying your loan off early.

Military Leave

Loan payments shall be suspended without penalty for any period during which a participant is serving in active duty in the uniformed services of the United States. Upon return to employment, participant may elect to pay a one-time payment equal to the total amount that accumulated during the suspension or reamortize the loan within the remaining term.

Authorized Unpaid Leave

In the event of an employer approved unpaid leave of absence for any other reason, the participant may suspend principal installments and interest payments for the duration of the leave or one year, whichever is shorter.

Loan Default

A loan is deemed to have defaulted when any portion of the scheduled payment is not received within 60 days of the loan payment due date, or if there remains an outstanding loan balance 60 days after the end of the term of the loan.

For example: If your Fidelity loan payment is due Jan 1st and you don't make a payment for 60 days, your loan will be defaulted. Or, suppose during the term of the loan you changed checking accounts and inadvertently missed a couple of payments. At the end of the term of the loan, you would have an outstanding loan balance. Allowing the outstanding balance to remain unpaid 60 days after the end of the term of the loan would also constitute a default.

A loan default has serious consequences. A loan default constitutes a taxable event and is reported to the Internal Revenue Service (IRS). A 1099, for the outstanding loan balance and interest accrued from the date of the last loan payment to the deemed distribution date, will be issued for the tax year in which the default occurred. For loans comprised of Roth contributions, a 1099 for the accumulated earnings and interest accrued from the date of the last loan payment to the deemed distribution date will be issued for the tax year in which the default occurred.

Once a participant defaults on a loan, no future plan loans will be allowed. Interest will continue to accrue on a "deemed distributed" defaulted loan, and accrued interest will be included in the amount to be repaid should a participant elect to pay back their defaulted loan. The quarterly maintenance fee of \$3.75 continues on all outstanding loans including a "deemed distributed" defaulted loan.

Requesting A Loan

You can apply for a loan on line at www.netbenefits.com/fresno or call Fidelity at **1-800-343-0860**. All loan documents are handled directly by Fidelity, including but not limited to, pledge of security, spousal consent and acknowledgement of the loan terms.

Consider Your Retirement Security

While you have the ability to borrow from your Fidelity Plan account, please keep in mind that the City of Fresno 457 Plan was established to help you prepare for your retirement. Some of the disadvantages of taking a loan include:

- You're giving up the benefit of compounding—the ability of your savings to build earnings on top of previous earnings;
- You may end up with twice as much debt as before if you used the loan to pay off debt and then acquire more debt; and
- Defaulted loans are reported to the IRS as a distribution and subject to ordinary income tax in the year of default.

Therefore tapping into your retirement savings today may undermine your retirement security in the future.

Fidelity offers an online loan calculator that can help you determine whether it makes sense for you to take a loan from your Plan. Log on at www.netbenefits.com/fresno and click on Quick Links. A representative can also help you understand your plan's loan guidelines and the impact on your account before you initiate a loan.

For more information about your Deferred Compensation Plan, call a Fidelity representative at 1-800-343-0860, Monday through Friday, 5:00 a.m. to 9:00 p.m. Pacific Time

This Loan Program document has been prepared to describe the main features of the Plan loan in general terms, so that you can better understand the loan provisions and Internal Revenue Code (IRC) rules governing qualified plan loans. We have tried to summarize the significant Loan provisions as accurately as possible. However, in the event of any omissions or ambiguities, or if there is any conflict between this information, the Plan document or IRC, the latter will govern.