

# **CONTRA COSTA COUNTY DEFERRED COMPENSATION PLAN – LOAN PROVISION EFFECTIVE JULY 1, 2012**

**Who is eligible for a Plan loan?** An active employee who is a Participant in the Contra Costa County Deferred Compensation Plan (I.R.C. §457) (Plan), and, whose Collective Bargaining Unit (if any) has elected to include the loan provision, is eligible to apply.

**What is the minimum loan amount?** The minimum loan amount is \$1,000.00.

**What is the maximum loan amount?** The maximum loan amount is the lesser of:

1. 50% of the Participant's vested account balance as of the day immediately preceding the date on which such loan is processed; or
2. \$50,000 reduced by the highest outstanding loan balance (if any) during the last twelve months ending on the day before the date the loan is processed.

**What is the maximum number of loans allowed?** The Plan allows for one loan to be outstanding at any time. The Plan does not allow for a new loan to be granted that incorporates the amount due on an existing loan.

**What is the loan interest rate?** The interest rate for loans is based on the Prime rate plus one percent (1%). The rate is fixed for the duration of the loan.

**What is the loan application process?** The loan application is:

1. Call The Hartford Customer Service Office at 1-800-528-9009, Monday through Friday between 8 AM and 8 PM EST. The Hartford Customer Service associate reviews the account and generates a loan quote based on the Participant's request and the terms within the Plan's loan provision.
2. The loan quote and *Loan Application & Agreement* form are sent to the Participant based on the Participant's request for mailing, faxing or electronic delivery.
  - a. The *Loan Application & Agreement* form is also available on-line at <http://www.cccounty.us/index.aspx?NID=3395>.
3. The participant reviews the loan quote, completes and signs the loan application.
4. The participant takes the completed *Loan Application & Agreement* form, the loan quote from The Hartford and their County picture ID Card or other legal form of current picture identification to the Employee Benefits Services Unit at 651 Pine Street, 5<sup>th</sup> Floor, Martinez, CA for verification of employment and

authorization. The completed and authorized form is then sent to The Hartford at the address at the top of the form.

**Note:** Please call the Employee Benefits Services Unit at 925-335-1746 to ensure that an authorized staff member is available.

5. Loan proceeds are in the form of a check that is mailed to the Participant with a confirmation statement and amortization schedule.

**Is spousal consent required for the loan?** No, spousal consent is not required.

**What types of loans does the Plan allow?** The Plan allows for general purpose loans that can be used for any reason and have a maximum repayment period of 5 years.

**How does having a loan impact my Deferred Compensation Plan account?** The loan is funded directly from the Participant's deferred compensation account. The loan amount will be deducted proportionately from all funds in the account, except for those funds, if any, in the Self Directed Brokerage Account (SDBA). When the Participant repays the loan, the payroll deduction loan payment is made with after-tax dollars and is applied to the principal and interest on the loan, reducing the loan balance. Repayments are directed to the Participant's current investment allocation in the same manner as deferral contributions.

**Does a Participant have to qualify for a loan or have collateral in the same way as at a bank or credit union?** No. The remainder of the Participant's Plan account serves as collateral as required by Federal law.

**Are loans treated the same as distributions for tax purposes?** Loans from the Plan and within the terms of the loan program are not treated as distributions as long as the loan is repaid within the terms of the loan. No taxes are withheld or due when a loan is received.

**Is the interest paid on the loan tax deductible?** No. The Participant pays interest to their own account; therefore, interest is not tax deductible, as it might be with a commercial loan.

**What are the loan fees?** Loan fees are charged by the loan administrator (currently The Hartford) and the County Auditor/Controller's Office. The fees are:

1. The Hartford will charge a one-time loan processing fee of \$50. This amount will be deducted from the Participant's Plan account.

2. The Hartford will charge a maintenance fee of \$12.50 for each quarter in which you have a loan balance. This amount will be deducted from the Participant's Plan account.
3. The Hartford will charge an additional one-time fee of \$75 for reprocessing only if a loan is initiated and then cancelled after The Hartford has issued the check but before the check is cashed.
4. The Contra Costa County Auditor/Controller will charge a one-time loan repayment set-up fee of \$25. This amount will be deducted from the pay warrant.
5. The Contra Costa County Auditor/Controller will charge a loan maintenance fee of \$1.50 per month for each month you have a loan repayment. This amount will be deducted from the pay warrant.

**How are loans repaid?** Loans are required to be repaid in full. Loan repayments are due and payable in accordance with the executed loan documents. While actively employed, loan repayments must be made through monthly payroll deduction on the pay warrant on or about the 10<sup>th</sup> of each month. Early repayment in full is allowed; however, partial prepayments are not allowed.

**What effect does an unpaid leave of absence have on an outstanding loan?** During any period of time when a participant is not receiving a salary or amounts paid in lieu thereof (such as certain periods of layoff or leaves of absence) or the salary or other payment is insufficient to make the required repayment, the repayment is still required. During such periods repayments may be made by personal check payable to The Hartford. "*Loan Repayment- 060002*" must be noted on the check. Checks may be mailed to: The Hartford, Retirement Plan Service Center, P.O. Box 1583, Hartford, CT 06144-1583.

**What happens if a required loan repayment is not made on the repayment due date?** If a required repayment is not made by the end of the calendar quarter following the calendar quarter in which the repayment was due, the Loan plus any accrued interest will be in default and will be reported as taxable to the extent permitted by law.

**What happens to the loan at the time of separation of service from Contra Costa County?** Upon separation of service from Contra Costa County (retirement, termination, resignation, layoff, etc.), the loan becomes due and payable no later than the last day of the month immediately following the month in which the employee receives final compensation.

**For additional information, please contact The Hartford Customer Service Center at 1-800-528-9009.**