

Give yourself a helping hand.

Your guide to the Nationwide Plan loan solution.
457(b) Loan Options

Loan Guide

NRM-3195AQ2

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Borrowing from your retirement account

Many employers are faced with the same question from employees: "Why can't I use 'my money' in my retirement account to pay down debts, buy a home or help my child through college?"

In the past, the answer was easy — the law didn't allow it. Today, though, some employers have elected to allow employees to take loans from their 457(b) Deferred Compensation Plan. Your employer has adopted this option on behalf of its employees.

Advantages and Disadvantages of Taking a Loan from your Retirement Account

While taking a loan from Deferred Compensation Plan can be a benefit, it also can open you to potential liabilities.

Take a moment now to recognize the advantages and disadvantages of borrowing from your retirement account and you'll avoid any misunderstanding on down the road.

Disadvantages

- Loan repayments are made with after-tax dollars. Because repayments are made with after-tax dollars, you may be on taxed twice: once on the repayments dollars and again when you take distributions from the plan.
- Loans must be repaid with interest. If a default on the loan occurs, the loan is considered to be a distribution, and the entire outstanding loan amount, including accrued interest, is subject to income taxes.
- The true cost of the loan may be more than the interest alone, especially if the market gains significantly over the life of the loan, which means that you could end up with significantly fewer assets for retirement than you planned.

Advantages

- No credit check – You're essentially "borrowing from yourself."
- No taxes to pay, since a Plan loan is not considered a distribution when the loan is granted
- Competitive interest rates – generally "Prime Rate" + 1%.

- You essentially "pay interest to yourself," rather than a conventional lender.
- You can pay off higher interest debt.
- Reasonable repayment terms – one to five years for general purpose loans and up to fifteen for primary residence loans.

How the Loan Program Works

Your Plan's loan program is similar to programs that you could find at any lending institution such as a bank or savings-and-loan.

Eligibility

To qualify, you must complete and sign a loan application, pay an application fee and acknowledge receiving a Truth-in-Lending document.

Minimum / Maximum Loan Amounts

- The minimum loan amount is \$1,000.
- The maximum available loan amount is 50% of your account up to \$50,000.
- Systematic payouts are taken into consideration and will reduce the balance of funds available for loan consideration.

Nationwide representatives don't give tax or legal advice. You should consult your attorney or tax advisor for answers to specific questions.

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Terms and Number of Loans Allowed

- Primary residence loans are structured to be repaid within fifteen (15) years from the date that the money is disbursed.
- All other general purpose loans are structured so that they will be repaid within five (5) years of the date the money is disbursed.
- Only one outstanding loan from the Plan may be granted at any given time. A new loan will not be granted prior to full repayment of any outstanding loan. If a participant defaults on a loan, (s)he will not be granted another loan from the Plan until the defaulted loan – including accrued interest and fees – is paid in full.

Loan Fees

All loan fees appear as administrative charges on your statements.

- Application fee – \$50, nonrefundable
- Annual fee – \$50, assessed on the anniversary date of the loan while the loan is outstanding
- Insufficient Funds Fee – \$25 for each insufficient fund payment
- Default fee – \$50, at the time of the default

Nationwide reserves the right to change the fee amount after advising the Plan in writing at least 30 days in advance of when the new fee schedule goes into effect.

The amount of any loan balance will be subject to the maximum Variable Account Annual Expense Fee applicable under the Plan at the time the loan is issued.

Interest Rate

As previously noted, the interest rate is based on market conditions at the time the loan is processed. Generally, the rate is the "Prime Rate" + 1%.

- "Prime Rate" is defined as the Prime Rate published by The Wall Street Journal two weeks prior to the end of the most recent calendar-year quarter.

Nationwide reserves the right to redefine how the interest rate is calculated by advising the Plan in writing at least 30 days in advance of when the new definition goes into effect.

NRS may adjust the loan interest rate for participants entering active duty in the military services as may be required by law.

Payments

You must pay the full amount of each payment (principal and interest) on the specified due date. Level payments of principal and interest are made monthly through payroll deduction with after-tax dollars. Non-payment of the full amount by the specified due date will result in the following:

- If you fail to make one full payment on the designated due date, Nationwide will send written notification advising you that you must pay the missed payments plus interest within 30 days after the date of the missed payment.
- If you fail to pay the missed payments plus interest within 30 days after the date of the missed payment, the loan will be placed in default.
- Loans may be repaid in full prior to the term due date without penalty if the payment is made with a lump sum payment.
- Loans must be repaid at termination of employment.*
*(Exception: Retirees may continue to repay an existing loan through an automatic banking deduction process.)
- In the event of death, the amount of the outstanding loan will affect your beneficiary's tax status and amount of receipt of account assets.

Defaulted Loans

Once a loan is in default, Federal law requires that the entire loan amount be reported to the Internal Revenue Service as a deemed distribution. This means that

the entire amount of the outstanding loan and accrued interest-to-date on the date of default will be includible in your income and is subject to income tax.

If NRS is unable to process a payment on the date due because you fail to have sufficient funds in your account on that date, NRS will assess a fee of \$25.00 that will be deducted from your account and will send written notification to you. You shall be in default for the entire amount of the loan UNLESS you do each of the following:

1. contact NRS at the Deferred Compensation Service Center,
2. mutually agree with NRS on a date, which is within 30 days of the missed payment on which funds sufficient to cover the missed payment will be in the account and;
3. actually pay the missed payment. Failure to make such a payment through mutually agreeable terms shall cause you to be in default for the entire amount of the loan.

Once the loan is in default, no future loans may be granted to you from the Plan until the defaulted loan has been repaid in full, including accrued interest and fees. Also, at the time of default, a default fee of \$50.00* will be charged to your account.

Suspension of Payment Due to Military Service*

In compliance with USERRA and other applicable laws, Nationwide may suspend a participant's obligation to repay a loan under the Plan during the period in which the participant is serving on Active Duty with the military. At the expiration of this suspension, the outstanding loan balance, including accrued interest and fees, will be re-amortized and the participant will be required to execute an amended loan agreement or repay the recomputed balance in full.

* May also apply to Medical Leave of Absence.

Contact Nationwide to initiate the loan and approval process. To talk personally with a representative, please call ☎ 1-877-677-3678. Visit us on the web at ☎ NRSforu.com.