



Nationwide Retirement Solutions, Inc. ("Nationwide") agrees as the Administrative Service Provider to administer loans pursuant to the terms of the \_\_\_\_\_ ("Plan") and in accordance with the terms of the Plan Loan Program (including the attached Addendum A - Plan Election Worksheet) as approved by the Employer/Plan Administrator/Plan Sponsor, herein collectively referred to as "Plan Sponsor".

The Plan Sponsor directs Nationwide to administer loans in accordance with this document. The Plan Sponsor may amend or terminate the Plan Loan Program at any time within any constraints placed by Nationwide. The Plan Sponsor is encouraged to consult with its legal counsel and/or its tax advisors in determining whether the procedures identified herein are appropriate for the Plan.

The Plan Sponsor acknowledges that Nationwide may need to make changes from time-to-time to the procedures set forth herein and may request amendments to the Plan documents to maintain compliance of the Plan's Loan Program with Internal Revenue Service ("IRS") guidelines. In such a case, Nationwide will provide Plan Sponsor with timely notice of such changes as they become necessary.

**1. Loan Administration** - Plan Sponsor delegates to Nationwide certain administrative duties and responsibilities, as a non-discretionary third-party administrator and record keeper for the Plan Sponsor regarding the administration of loans from the Plan, which are set forth herein and which may be modified by Nationwide upon timely notice to and acceptance by the Plan Sponsor.

**2. Loan Eligibility** - Any Plan participant, who falls into one of the employee statuses that the Plan Sponsor has elected in Addendum A, may apply for a loan from the Plan. Each participant is entitled to one outstanding loan from the Plan at any time. Nationwide will process or deny the participant's loan request based on the terms of the Plan Loan Program.

**3. Loan Initiation and Loan Application** - To receive a loan from the Plan, an eligible participant must complete all required documents provided in the Loan Packet and return them to Nationwide. Before a loan is issued, the participant must enter into a legally enforceable Loan Agreement as provided by Nationwide in the Loan Packet. A loan initiation fee will be deducted from the participant's account after the loan has been funded by the participant's account. Loan Repayment information will be supplied to the Employer Plan Sponsor via electronic file for Payroll Deduct Loans.

**4. Loan Security** - The Plan will require that adequate security be provided by the participant before a loan is granted. For this purpose, the Plan will only consider a participant's interest under the Plan to be adequate security. By accepting a loan, the participant is giving the Plan a security interest in his or her vested account balance equal to the total loan amount, but not to exceed 50% of the participant's vested account balance.

**5. Loan Money Source** - A loan shall be modeled considering the participant's vested Plan account balance. Loans shall be funded pro-rata from all available participant account money sources within the Plan. To the extent a participant has a self-directed brokerage account, no funding from such self-directed brokerage account shall be permitted.

**6. Minimum and Maximum Loan Term** - The minimum and maximum loan term over which a general-purpose loan may be repaid is the term elected by the Plan Sponsor in Addendum A. Except as otherwise provided herein, the maximum loan term shall not exceed five years for a general-purpose loan or, if elected by the Plan Sponsor in Addendum A, for the purchase of the participant's principal residence.

**7. Minimum/Maximum Loan Amount** - The minimum loan amount permitted shall be the amount elected by the Plan Sponsor in Addendum A. The maximum amount of any loan permitted under the Plan shall comply with Section 72(p) of the Internal Revenue Code ("IRC") and (when added to the outstanding balance of all other loans from all plans sponsored by the same employer) is the lesser of (i) \$50,000, reduced by the excess (if any) of (A) the highest outstanding balance of loans from all plans sponsored by the same employer, during the one-year period ending on the day before the date on which the loan was made over (B) the outstanding balance of loans from all plans sponsored by the same employer, on the date on which the loan is made, or (ii) one half of the present value of the participant's vested account balance.

**8. Loan Amortization** - Each loan shall be amortized with interest accruing immediately, with repayments beginning approximately 30 days from the date the loan is processed, in substantially equal repayments consisting of principal and interest during the term of the loan. Repayments of principal and interest shall be made in a manner and pursuant to the terms set forth in the Loan Agreement. The amount of the final payment may be higher or lower depending upon the participant's repayment history.

**9. Loan Repayment** - Repayment of any loan made to a participant shall be made in a manner and pursuant to the terms set forth in the Loan Agreement. Loans must be repaid according to the repayment method elected by the Plan Sponsor in Addendum A. If payroll deduction is selected as the repayment method, then the Plan Sponsor will ensure the timely set-up of payroll deduction for loan repayments in accordance with the loan amortization schedule. A participant receiving a loan that is being repaid via ACH shall be required to furnish the information and authorization necessary to effectuate the foregoing repayments prior to the commencement of a loan. In the event that an employed participant with an outstanding loan takes a distribution from the Plan, the distribution event does not alleviate the requirement to continue to repay on the outstanding loan balance.

**10. Loan Prepayment** - The entire amount of a loan, including outstanding principal and any accrued interest, may be paid without penalty prior to the end of the term of the loan in the manner prescribed by Nationwide.

**11. Loan Overpayment** - In the event Nationwide receives a loan overpayment, any amount over the repayment amount due will be applied or refunded according to the administrative policies of Nationwide.

**12. Cure Period** - If a participant fails to make a loan repayment when due, the missed repayment must be made within the cure period elected by the Plan Sponsor in Addendum A.

**13. Default/Deemed Distribution** - If the participant fails to make up a missed loan repayment within the cure period the outstanding loan balance, including accrued interest, will be defaulted and treated as a deemed distribution, effective as of the end of the cure period elected by the Plan Sponsor. A deemed distribution is treated as a distribution from the Plan for federal (and possibly state or local) income tax purposes. Therefore, amounts treated as a deemed distribution will be subject to federal, state and/or local income taxes, and may be subject to an additional 10% early withdrawal tax. A Form 1099-R will be issued to the participant reflecting the deemed distribution. The participant shall remain obligated to repay the loan, including accrued interest, even after a deemed distribution has occurred. Any payment made on a defaulted loan will be applied to the outstanding balance of the loan including accrued interest. Such repayment(s), following the date of default, will be treated as after-tax amounts and the participant will receive tax basis in his or her Plan account for such amounts. The outstanding loan balance will be offset upon notification to Nationwide of the death of such participant.

A participant who has defaulted on a previous loan shall not be eligible for another loan from the Plan until all such defaulted loans are repaid in full, including accrued interest. In addition, a Plan loan which is in default, even if the defaulted loan was treated as a "deemed distribution" under federal regulations, shall be treated as an outstanding loan until such outstanding loan is repaid in full including accrued interest.

**14. Loan Offset** - A loan offset is a reduction of the participant's account balance by the outstanding loan balance and represents an actual distribution from the participant's account. A loan offset which does not follow a deemed distribution will be subject to ordinary income tax and maybe subject to an additional 10% early withdrawal tax. A Form 1099-R will be issued to the participant reflecting the loan offset. A loan offset which follows a deemed distribution will not be subject to taxation.

For Plans who have elected to make repayments via Payroll Deduct, upon severance of employment, the entire amount of the outstanding loan balance, including accrued interest, will become due and payable. If the loan is not repaid in full prior to the end of the cure period in which the severance of employment occurred, the loan will be treated as a loan offset.

**15. Loans Offered from Other Administrative Service Providers/Multiple Vendor Arrangements** - The IRC requires the maximum loan amount be applied in the aggregate to all loans made under any plan sponsored by an employer. In the event the employer offers this Plan through multiple service providers or has other Plans at multiple vendors, the Plan Sponsor and/or participant and not Nationwide shall at all times remain responsible for ensuring that any loan received under this Plan is in accordance with the limits defined above in 7. Nationwide shall apply the maximum loan amount limit and any other limits imposed under the IRC without regard to any other loans received by the participant from any other administrative service provider(s) under this Plan or any other plan maintained by the Plan Sponsor.

Any tax reporting required as a result of the receipt by a participant of a loan that exceeds the limits imposed by federal regulations shall not be the responsibility of Nationwide, unless it is determined that such limits were exceeded solely as a result of a loan made through Nationwide as the sole service provider. Consequently, Nationwide shall not be required to account for loans made pursuant to a plan other than this Plan or loans made under this Plan that are made by another provider.

## **16. Suspension of Loan Repayments**

**a. Military Leave of Absence** - A participant's obligation to repay any loan under the Plan may be suspended, as may be required by law, during the period in which the participant is performing service in the United States military. A participant may elect to continue making repayments during the suspension period by submitting a check for the regularly scheduled repayment amount. The participant must resume repayment of the loan upon his or her completion of military service and the outstanding loan balance, including any accrued interest and fees, must be repaid and may be re-amortized over a period that does not exceed the latest permissible term for a loan under the regulations plus the period of the military service. While the participant is on active duty in the United States military, the interest rate on the loan shall not exceed 6%, compounded annually unless the participant elects in writing during or after his or her military leave of absence to have the loan's higher existing interest rate, if applicable, apply to the loan. The Plan Sponsor assumes responsibility to notify Nationwide when a participant begins and returns from a military leave of absence.

b. **Non-Military Leave of Absence** - A participant's obligation to repay any loan under the Plan may be suspended during the period (not to exceed one (1) year) while the participant is on an approved non-military leave of absence and the participant provides requested documentation regarding the non-military leave of absence. A participant may elect to continue making repayments during the suspension period by submitting a check for the regularly scheduled repayment amount. The participant must resume repayment of the loan upon the earlier of his or her return from approved non-military leave of absence, or one (1) year of suspension. At such point the outstanding loan balance, including any accrued interest and fees, must be repaid or may be re-amortized over a period that does not exceed the latest permissible term for a loan under the regulations. The Plan Sponsor assumes responsibility to notify Nationwide when a participant begins and returns from an approved non-military leave of absence.

**17. Loan Interest Rate** - The interest rates for a loan shall be commensurate with interest rates being charged by entities in the business of lending money under similar circumstances. The loan interest rate will be the Prime Rate plus an additional amount expressed as a percentage elected by the Plan Sponsor in Addendum A, plus any other administrative and/or asset fees, as applicable. The Prime Rate shall be the prime rate published by the Wall Street Journal two weeks prior to the end of the most current calendar-year quarter and the new rate will be effective on the first day of the new calendar quarter and the new rate will be effective on the first day of the new calendar quarter. The loan interest rate may be adjusted for participants performing service in the United States military as may be required by law (See Section 16a.)

**18. Fees** - Fees described in these loan procedures will appear as administrative charges on participant statements. These fees are subject to change by Nationwide upon reasonable notice to the Plan Sponsor.

a. **Loan Initiation Fee** - A loan initiation fee of \$50 will be deducted from the participant's account at the time the loan is funded.

b. **Annual Maintenance Fee** - An annual loan maintenance fee of \$50 will be deducted from the participant's account on the anniversary date of the original loan initiation, until the loan is repaid in full or the loan has defaulted. In the event that the loan defaults, the annual loan maintenance fee will no longer be assessed, and the annual loan default fee described below (See Section 18f) will be applied.

c. **Asset Fees** - The amount of the outstanding loan balance will be subject to the maximum asset fee, administrative charge or such other fees Nationwide is entitled to receive under its separate agreement with the Plan Sponsor.

d. **Insufficient Funds Fee** - If Nationwide is unable to process an ACH debit repayment or personal check on the date due, through no fault of Nationwide, a fee of \$25 will be deducted from the participant's account.

e. **Loan Default Fee** - At the time a loan is treated as a deemed distribution, a \$50 fee will be deducted from the participant's account.

**19. Loan Correction** - In the event an error occurs in the administration of a loan, at the Plan Sponsor's direction, Nationwide may undertake corrections of the error in accordance with methods prescribed by the IRS or through any IRS correction program.

**20. Adoption of Plan Loan Procedures** - The undersigned Plan Sponsor hereby adopts these procedures effective for loans issued on or after the Effective Date set forth below and instructs Nationwide to administer loans made to Plan participants in accordance with these terms and the elections made on the attached "Plan Election Worksheet" (See Addendum A).

The Plan Sponsor acknowledges the following: (i) that the Plan Sponsor has decided to offer loans under the Plan and is instructing Nationwide to administer loans under the Plan in a nondiscriminatory manner; (ii) it understands that, as a result of offering loans under the Plan, the Plan participants could be subject to adverse tax consequences upon default of the loan; (iii) the Plan Sponsor has independently weighed these risks, and despite the risks has determined that offering loans under the Plan is in the best interest of Plan participants; (iv) any previous loan procedures or loan reference documents, are hereby superseded by these procedures; and (v) Nationwide shall not be liable for any adverse tax consequences described in (ii), except as specifically stated under paragraph 15 herein, resulting from the Plan Sponsor's decision to offer loans under the Plan.

**Plan Sponsor Name ("Sponsor")**(please print): \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Plan Name ("Plan"): \_\_\_\_\_

Plan Number: \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Title:** \_\_\_\_\_

Date of Adoption: \_\_\_\_\_ Effective Date: \_\_\_\_\_

(If different than Date of Adoption)

**An executed copy of this Program (including the attached Addendum A - Plan Election Worksheet) should be returned to Nationwide Retirement Solutions.**

**Addendum A - Plan Election Worksheet**

Plan Name: \_\_\_\_\_

The following sections identify Plan elections which are incorporated and made a part of the attached "Plan Loan Program." In the event that an election is not made within any section, Nationwide Retirement Solutions will administer the loan program according to current Nationwide policies as listed under each section below. The current Nationwide policies may be changed by Nationwide at any time. If Nationwide policies change, the Plan Sponsor will be notified in a timely manner. Unless otherwise specified, only one election is allowed per section.

The elections contained herein apply solely to the Plan. Any sections, including limitations, do not extend to any other plans offered by the Plan Sponsor.

**1. Loan Eligibility:**

Plan Sponsor elects to allow the following participants the ability to initiate a loan under the Plan. The Plan Sponsor is solely responsible for informing Nationwide of any future changes in the participant's employment status (check all that apply).

- ☐ Employed  
☐ Approved Non-Military Leave of Absence  
☐ Military Leave of Absence  
☐ Disabled (only available for ACH)  
☐ Retired (only available for ACH)  
☐ Terminated (only available for ACH)

**Current Nationwide Policy:** All listed participant employment statuses are eligible to initiate a loan if ACH is the elected repayment method. If the repayment method elected is Payroll Deduction, the only eligible participant employment status is Employed, Approved Non-Military Leave of Absence and Military Leave of Absence.

**2. General Purpose Loan Terms:**

a. **Minimum Loan Term** - Plan elects the following minimum loan term:

- ☐ One year  
☐ Other - Specify minimum loan term: \_\_\_\_\_ (not to be less than six months)

**Current Nationwide Policy:** The minimum loan term is one year

b. **Maximum Loan Term** - Plan elects the following maximum loan term:

- ☐ Five years  
☐ Other - Specify maximum loan term: \_\_\_\_\_ (not to exceed a term of five years)

**Current Nationwide Policy:** The maximum loan term is five years

**3. Minimum Loan Amount:**

Plan elects to have a minimum loan amount of:

- ☐ \$1,000  
☐ Other - Specify minimum loan amount: \$\_\_\_\_\_ (not to be less than \$500)

**Current Nationwide Policy:** The minimum loan amount is \$1,000.

**4. Repayment Method:**

Plan elects to provide participants with one of the following loan repayment methods:

- ☐ Monthly Automated Clearing House ("ACH")  
☐ Payroll Deduction (Plan Sponsor will be required to provide a payroll calendar.)  
     (This repayment method is limited to Employed status - see Section 1)  
☐ Allow Disabled/Retired/Terminated participants to continue repaying outstanding loans via "ACH"

**Current Nationwide Policy:** Monthly ACH is the repayment method.

**5. Cure Period:**

If a participant misses a scheduled loan repayment, the missed repayment must be received by the end of the specified cure period. Plan elects to apply a cure period with the following length:

- ☐ 31 Days  
☐ 62 Days  
☐ 93 Days  
☐ Calendar quarter following the calendar quarter in which the scheduled repayment was missed

**Current Nationwide Policy:** The cure period is 31 days when ACH is the elected repayment method. The cure period is Calendar quarter following the calendar quarter in which the scheduled repayment was missed when the repayment method elected is Payroll Deduction.

**6. Loan Interest Rate:**

Plan elects the following interest rate for participant loans:

- ☐ Prime Rate plus 2% plus applicable fees  
☐ Prime Rate plus 1% plus applicable fees  
☐ Prime Rate plus \_\_\_\_\_% (not to be lower than 0%) plus applicable fees

**Current Nationwide Policy:** Prime Rate plus 2% plus applicable fees

**7. Loans for the Purchase of a Principal Residence:**

a. Plan elects to permit loans for the purchase of the participant's principal residence:

- ☐ Yes  
☐ No

In the event Plan elects to allow Principal Residence loans, only one Principal Residence loan outstanding at a time is permitted. The Principal Residence loan is included in the maximum number of outstanding loans (See Section 2 of the Plan Loan Program). Additionally, the participant will be required to sign a Principal Residence Certificate and provide Nationwide with sufficient additional documents to support the purchase of a principal residence. Internet initiation is not available for Principal Residence loans.

**Current Nationwide Policy:** Principal Residence loans are not allowed

b. Minimum Loan term: Plan elects to have a minimum loan term for Principal Residence loans of:

- ☐ Five years  
☐ Other - Specify minimum loan term: \_\_\_\_\_ (not to be less than one year)

**Current Nationwide Policy:** Principal Residence loans have a minimum term of five years.

c. Maximum Loan Term: Plan elects to have a maximum loan term for Principal Residence loans of:

- ☐ 15 years  
☐ Other - Specify maximum loan term: \_\_\_\_\_ (not to exceed a term of 30 years)

**Current Nationwide Policy:** Principal Residence loans have a maximum term of 15 years.

**8. Internet Utilization:**

Plan elects to allow participants to use Internet for:

- ☐ Only the modeling of loans  
☐ Both modeling and initiation of loans  
☐ Plan declines the use of the Internet for either the modeling or initiation of loans

**Current Nationwide Policy:** Participants can use the Internet for modeling and initiation of loans. Loan initiation on the Internet is limited to General Purpose loans. Principal Residence loans will not be initiated electronically.