How to apply for a loan

Log on to **Cooperative.com** and click **My Benefits > My Retirement > Manage My 401(k) Account > Loans> Model and Request a Loan**. You can model a variety of scenarios for a loan. Once you decide on loan details that work for you, click "Request Documents." The details of your loan will be automatically filled into the loan application paperwork. Once you have reviewed the paperwork and wish to process the loan, be sure to complete the following steps:

1. **Sign your application.** If you're married, your spouse must also sign the application in front of a notary.
2. **Mail the completed documents to:**
   NRECA
   P.O. Box 6127
   Lincoln, NE 68506

(Please do not use an express or overnight service to return your documents, as these types of services do not deliver to P.O. box addresses.)

Receiving your loan

After receiving your application, NRECA will process your loan within three business days if:

:: Your application is complete
:: You are eligible to receive the loan
:: There is enough money in your 401(k) account

After your loan is approved, the loan amount is taken from each fund proportionally based on how your account dollars are invested. Be sure to inform your benefits administrator that you have taken a 401(k) loan.

You'll receive your payment, minus the one-time $100 administrative fee, within 6-8 business days from NRECA's receipt of the paperwork if you are using direct deposit, or within 14 business days if the check is mailed.

More Questions?

Call NRECA's Member Contact Center at 866.673.2299, from 7 am to 7 pm, CT or email contactcenter@nreca.coop.

NRECA
A Touchstone Energy® Cooperative

4301 Wilson Boulevard
Arlington, VA 22203-1860
www.nreca.coop

RMBR13022 REV. 9/2013

Borrowing From Your 401(k)

NRECA
A Touchstone Energy® Cooperative

Should you take a 401(k) loan?

As you weigh your options, consider some of the pros and cons of 401(k) loans:

Cons

- Funds taken out of your account for a loan are no longer invested in your 401(k) which means you can lose out on potential investment growth
- You lose the benefit of pre-tax investing since you must repay your loan with after-tax dollars
- It may be difficult to repay the loan and contribute to your 401(k) at the same time. If you stop contributing, any employer matching contributions also stop
- Interest is not tax-deductible
- If you leave your job, you must repay the loan within 90 days or your outstanding balance will be subject to taxes and possibly penalties.

Pros

- No credit check
- Competitive interest rate
- Repayments are automatically deducted from your paycheck
- You can take the loan for any reason
- It's convenient

In addition to these items, you should also be aware of the need for spousal consent (if you are married) on any loan you take from the 401(k) Plan as well as any future leaves of absence, including military leave, and the potential impact to your loan.

Repayment

Loan payments—principal and interest—are deducted from your paycheck after taxes are deducted and then credited to your 401(k) account.

You can pay off your loan at any time; there is no pre-payment penalty.

If you leave your job, you must repay your loan in full within 90 days. Otherwise you will owe income tax and possibly a tax penalty on the outstanding loan balance(s).

If you stop repayment of your loan and it becomes 90 days delinquent, your loan is in default and will be treated as a distribution for tax purposes. While in default, your loan can still be repaid until the distribution is processed. Once distribution occurs, you will owe income taxes and possibly penalties on the outstanding amount. Defaulting on a loan could prevent you from being eligible for future 401(k) Plan loans.

Real World Example

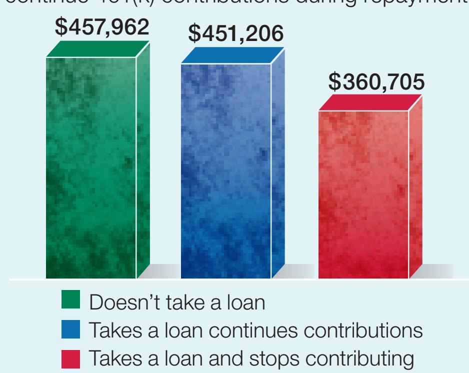
Tammy is 25 years from retirement, with $30,000 saved in her 401(k). Tammy decides to take a $13,250 loan with a repayment period of 60 months. Let's look at the potential impact to her 401(k) account balance at retirement.

$457,962: without taking a loan

$451,206: a loan and continued contributions

$360,705: a loan and no contributions during the repayment period

That $13,250 loan could cost Tammy $90,501 if she wasn't able to continue 401(k) contributions during repayment.



**Example assumes a monthly contribution of $250, a 5% loan interest rate and an 8% average annual return rate. Investment performance is not guaranteed. Investing primarily in Money Market or Short-Term Bond funds would not likely achieve an 8% return, and may earn a higher return with loan repayments.*

401(k) loans at a glance:
a few more facts to consider

- Open to actively employed or disabled participants
- Minimum account balance: $2,000
- Minimum loan amount: $1,000
- Maximum loan amount: the lesser of 50% of your account balance, or $50,000 minus the highest outstanding loan balance for each loan (or loans) over the prior 12 months.
- Loans are issued in $100 increments
- A one-time $100 administration fee is deducted from the proceeds of each loan
- Duration of loan payments can be 12 to 60 months
- Annual interest rate is 1% over the prime rate (announced the first business day of each quarter), and the rate is fixed once the loan is processed
- Loans cannot be taken from Roth 401(k) assets; however Roth assets are used to calculate the amount of the eligible loan

Not all co-ops participating in the 401(k) Plan permit 401(k) loans. If your co-op offers loans, check with your benefits administrator or call NRECA's Member Contact Center for details on your loan program.