

# General Retirement System of the City of Detroit 1973 Defined Contribution Plan LOAN APPLICATION

## INSTRUCTIONS

1. Participant must Complete Sections 1, 2 and 3.
2. Participant must Review Plan Provision Agreement in Section 4, then Sign and Date
3. Return the completed application to one of the following First Independence Bank branch locations. Also, please mark the box of the branch that you elect the loan closing to occur.

Main Office Branch  
44 Michigan Avenue   
Detroit, MI 48226

Livernois Branch  
12200 Livernois   
Detroit, MI. 48204

Seven Mile Branch  
7020 W. Seven Mile   
Detroit, MI. 48221

4. For questions completing the form, please call (313)256-8488.

## SECTION 1: PARTICIPANT INFORMATION

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

Social Security #: \_\_\_\_\_ Date of Birth \_\_\_\_\_

Address (Street, City, State, Zip): \_\_\_\_\_  
\_\_\_\_\_

Phone Number: 1. \_\_\_\_\_ 2. \_\_\_\_\_

Email Address: \_\_\_\_\_

I currently have an outstanding loan with the Plan

I am  I am not subject to an Eligible Domestic Relations Order ('EDRO) or a Qualified Domestic Relations Order ("QDRO")

## SECTION 2: LOAN AMOUNT REQUESTED – \$10,000 MAXIMUM INCLUSIVE OF ALL OUTSTANDING LOANS

(Minimum \$1,000 & a maximum of 50% of the account value or \$10,000, whichever is less, for all outstanding loans)

I request a loan amount of \$ \_\_\_\_\_ minus a \$75.00 origination fee= \_\_\_\_\_  
Participant's Initials \_\_\_\_\_

I request a loan in the maximum amount permitted by the Plan minus a \$75.00 origination fee.  
Participant's Initials \_\_\_\_\_

## SECTION 3: LOAN TERMS

I intend to use the loan proceeds to purchase my primary residence.  YES  NO  
*A failure to check a box means NO.*

Residential Loan: If you checked **YES**, indicate your Loan Repayment Period: \_\_\_\_\_ year(s) / \_\_\_\_\_ months  
*A failure to enter a repayment period shall result in a 15-year repayment period being selected. NOTE: the maximum repayment period for a Residential Loan is 15 years.*

OR

General Purpose Loan: If you checked **NO above**, indicate your Loan Repayment Period (not to exceed 5 years):  
\_\_\_\_\_ year(s) / \_\_\_\_\_ months  
*A failure to enter a repayment period shall result in a 5-year repayment period being selected.*

# General Retirement System of the City of Detroit

## 1973 Defined Contribution Plan

### LOAN APPLICATION

#### **SECTION 4: Loan Provision Agreement**

#### **I Understand And Agree To The Following Loan Provisions:**

1. Only an active general city employee who is a participant in the 1973 Defined Contribution Plan ("1973 DC Plan") may apply for a 1973 DC Plan loan. Additionally, you must either be a non-union employee or a member of a union that has formally adopted the provisions of the loan program.
2. A participant may only have two outstanding loans at a time. There is a 60-day waiting period upon payoff of a Plan loan prior to applying for a new loan.
3. A promissory note must be signed at First Independence Bank before the loan amount is issued. Funds borrowed from the Plan are not treated as a Plan distribution, provided they are repaid in accordance with the terms of the Plan and note.
4. Your remaining account balance in the 1973 Defined Contribution plan after the loan proceeds have been withdrawn will serve as security interest (subject to applicable law) for any unpaid loan administration and/or fees associated with your loan.
5. The loan interest rate will be a fixed rate set at the Plan's actuarial rate plus 1% for the administration of the loan. Interest paid on the Plan loan is not deductible for tax purposes in accordance with federal tax law, regardless of the purpose of the loan.
6. **A loan origination fee of \$75.00 will be deducted from the loan proceeds for each loan application. A \$2.50 per payment processing fee will be added to each loan repayment amount to cover the loan processing fees. Also, a \$.30 payroll withholding fee is charged by the City's payroll department to handle each loan deduction, for a total fee of \$2.80 per payroll period.**
7. Loan payments will be made through regular payroll deductions, at a minimum bi-weekly. The payroll deduction cannot be less than \$20.00 for any two-week period. If the required loan repayment amount exceeds 25% of your net pay, your loan proceeds will be reduced to an amount that will ensure your payroll deduction is below that threshold. You may increase your payroll deduction to pay-off the loan early. If you choose, you may elect to fully payoff your loan at any time with a certified check or money order made payable to the First Independence Bank indicating the 1973 Defined Contribution Plan. You should contact the Bank prior to submitting any full prepayment to confirm the current amount due.
8. A residential loan can be used only for the purchase or construction of a primary residence. Proof of purchase or a construction agreement is required to be included with this application. The documentation provided must be from a third party, be a signed copy of either the home purchase contract or settlement sheet or for new construction, a home construction contract. The documentation must show the participant as the borrower or co-borrower, detail the purchase or construction price, list the address of the residence purchased or constructed and bear an executed date no earlier than 45 days for a purchase of a residence and 180 days for a new construction, from the closing date of the loan. Refinanced or home equity loans do not qualify for the provisions of this Plan.
9. A participant's loan shall be delinquent if any loan payment is not made on the due date. Upon delinquency, the Bank will send the participant a loan "Late Letter" notifying the participant of the delinquency and how to avoid default status. To avoid the loan being placed in default status, the participant must submit the amount due, via a certified check or money order, directly to the Bank within the period stated in the loan "Late Letter" letter. If the participant does not remit the loan payment by the due date in the loan "Late Letter", the loan is deemed defaulted and the participant will receive a loan "Default Letter". As a result the following will occur: i) The entire outstanding balance will be a taxable distribution and reported on Form 1099-R and the participant will be subject to income taxes and may be subject to a penalty for premature withdrawal; ii) The defaulted loan will continue to accrue interest until the loan is fully repaid or the participant experiences a distributable event; iii) The participant will be precluded from applying for future loans from the 1973 Defined Contribution Plan even if the defaulted loan is repaid. If an employee position change occurs, First Independence Bank must be notified. If terminated, First Independence Bank must be notified.

# General Retirement System of the City of Detroit 1973 Defined Contribution Plan LOAN APPLICATION

## SECTION 4: Loan Provision Agreement - Continued

### I Understand And Also Agree To The Following Loan Provisions:

10. A participant's default of one outstanding loan does not constitute a default of a second. A participant may continue to make loan payments on any other outstanding Plan loan either via payroll deductions or with a certified check or money order made payable to the First Independence Bank indicating the 1973 Defined Contribution Plan at a Bank branch.
11. A participant who takes a leave of absence from the City without pay for a period of greater than one month, but not exceeding one year may request that their loan repayments be suspended during the leave through the submission of an "Employee Status Change Form". Any delinquent payments owed prior to the date of the participant's approved leave, must be paid by the participant, or failure will result in a delinquency and possibly a default of their loan in accordance with IRS provisions. Interest will continue to accrue during the suspension period. The participant must complete another "Employee Status Change Form" when returning to work and resume the payroll deductions. Participants who take a leave of absence without pay for a period of one year or greater must continue to make their loan payments in accordance with the original loan repayment schedule and submit the certified check or money order directly to the Bank. Failure to submit an "Employee Status Change Form" may result in a loan default.
12. A participant who takes a leave of absence from the City because of military service and does not receive a distribution of his or her account, such period of absence shall not be taken into account as part of the loan period even if the length of military service is greater than the original term of the loan. Upon completion of military service, the loan shall be recalculated and repaid over the original term of the loan. Also, during the absence for military service, the rate of interest shall not be greater than 6% compounded annually. The participant must complete and submit an "Employee Status Change Form" both prior to commencement of military leave and upon return.
13. A participant is ineligible to continue in the Plan's loan program upon separation from employment from the City. Pursuant to the rules defined under this program, the outstanding loan balance is due and payable in full. A participant has the option of either making full payment by certified check or money order to First Independent Bank to payoff the loan, or authorize a loan default which will result in a taxable distribution on a Form 1099-R, and subject to income taxes and may be subject to a penalty for premature withdrawal.
14. Applicant has 45 business days to accept loan approval. If the participant does not respond within 45 days, they are willing to accept possible lost interest on annuity funds and will have to re-apply for the loan.

I agree to comply with the terms and conditions of the Plan. There terms and conditions are in accordance with federal guidelines. Should I fail to make the required repayments, the unpaid balance will be considered a distribution from my retirement account subject to the distribution rules under Section 72(p) of the Internal Revenue Code. I certify that I am an active participant in the 1973 Defined Contribution Plan.

**Participant's Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**REVISED – 11/06/2011**

Internal Use Only					
Application Received:	Log entered:	Approved or declined:	Reason:	Declination Mailed:	Closing Date & Branch