

**Police and Fire Retirement System of the City of Detroit
Annuity Savings Plan (Component I or Component II)
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 along with a copy of a valid driver's license or other state issued I.D. card to one of the following First Independence Bank ("FIB") branch locations in person, or by **email or fax** (see Section 4, Item 15). Also, please mark the FIB branch you wish to close your loan.

Main Office Branch
7310 Woodward Ave., #101
Detroit, MI 48202

Garfield Branch
38880 Garfield Rd.
Clinton Twp., MI. 48038

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

4. For questions completing the form, please call (313) 256-8434.

SECTION 1: PARTICIPANT INFORMATION

Name: _____

Social Security #: _____ Date of Birth _____

Address (Street, City, State, Zip): _____

Phone Number: 1. _____ 2. _____

Email Address: _____

Yes No 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 Annuity Savings Fund account value or \$15,000, 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 _____

Annuity Savings Plan (choose one): Component I (Hybrid Plan) Component II (Legacy Plan)

SECTION 3: LOAN TERMS

YES NO *I intend to use the loan proceeds to purchase my primary residence or construct my primary residence. (If you check "Yes" you are requesting a Residential Loan. If you check "No" or you fail to check either box, you requesting a General Purpose Loan.)*

Residential Loan: If you checked "YES", indicate your requested Loan Repayment Period: ____ year(s) / ____ months

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(NOTE: the maximum repayment period for a Residential Loan is 15 years. Failure to request a shorter repayment period shall result in a 15-year repayment period being selected.)

OR

- General Purpose Loan: If you checked “**NO**”, indicate your requested Loan Repayment Period Loan Repayment Period ___year(s) / ___months. (NOTE: the maximum repayment period for a General Purpose Loan is 5 years. A failure to request a shorter repayment period shall result in a 5-year repayment period being selected.)

SECTION 4: LOAN PROVISION AGREEMENT

I understand and agree to the following loan provisions:

1. Only members who are active, separated, duty-disabled or retired participants are eligible to apply for an Annuity Savings Plan (Component I or Component II) loan if their Annuity Savings Plan (Component I or Component II) monies are unencumbered. Non-duty-disability participants, retirees or Deferred Retirement Option Program (“DROP”) participants who annuitized their Annuity Savings Plan (Component I or Component II) monies are all ineligible.
2. A participant may only have two outstanding loans at a time. **There is a 30-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 Annuity Savings Plan (Component I or Component II) 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 prime 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. A fee of \$3.50 per transaction will be assessed for each loan payment made over-the-counter (“OTC”).**
7. Loan payments will be made through regular payroll deductions, on a bi-weekly or semi-monthly basis for active employees. Loan payments will be made OTC at First Independence Bank on a minimum bi-weekly or semi-monthly basis for separated or non-active employees. The payroll deduction cannot be less than \$20.00 for any two-week period. The minimum payment will be required for all OTC payments, as well. 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 cash, certified check or money order made payable to First Independence Bank indicating the Annuity Savings Plan (Component I or Component II). 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

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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". 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 Annuity Savings Plan (Component I or Component II) 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.
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 cash, a certified check or money order made payable to First Independence Bank indicating the Annuity Savings Plan (Component I or Component II) 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 cash, 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 required to repay their loan in full. While they are an active City employee, their repayments will be deducted from their paycheck on a bi-weekly basis, beginning shortly after they receive the loan proceeds. While they are not an active City employee, they must make equivalent over the counter ("OTC") payments to First Independence Bank and they must remain current with those OTC payments just as they would have to stay current if they were active and paying through payroll deductions. OTC payments must be in the form of cash, certified check or money order made payable to First Independence Bank and cannot be less than \$20.00 for any two-week period.
14. Applicant has 30 business days to accept loan approval. If the participant does not respond within 30 days, they are willing to accept possible lost interest on annuity funds and will have to re-apply for the loan.

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15. To apply for a Plan loan, participant must complete this application form and submit it to First Independence Bank. **Participant may submit the completed application, along with a copy of a valid driver's license or state issued I.D. card, at any of the above-listed First Independence Bank branch offices, by fax to (586) 329-7260, or by email to PFRSLoans@FirstIndependence.com.**

16. **By signing below, participant acknowledges and agrees that email and telefax transmissions, even if a secure telephone line is used, are not secure or confidential, are subject to corruption, interception, misdirection, unauthorized amendment, unauthorized forwarding, viruses and delays. Participant agrees that First Independence Bank cannot be and shall not be responsible for any corruption, interception, misdirection, unauthorized amendment, unauthorized forwarding, viruses or delay incurred to this application, nor for the completeness or timeliness of this application, if participant chooses to deliver to First Independence Bank by email or fax transmission.**

I agree to comply with the terms and conditions of the Plan. These 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 Annuity Savings Plan (Component I or Component II). I accept full responsibility for the completeness, accuracy and use of information contained in this application whether delivered in person, by fax or by email transmission.

Participant's Signature: _____

Date: _____