

APPENDIX B

Loan Regulations The University of North Carolina Section 403(b) Plan January 1, 2009

Revised December 2009

The intent of these Regulations is to provide Eligible Borrowers (defined below) in the Plan with detailed loan information.

Terms in these Regulations have the same definition as used in the Plan document.

A Current Vendor or Former Vendor is not responsible for providing financial or tax advice to Eligible Borrowers regarding the impact that a loan or a defaulted loan may have on the Eligible Borrowers' accounts. Eligible Borrowers (as defined below) may wish to discuss borrowing money from their retirement plans with their financial and tax advisors.

Definitions

Accounts:

Accounts used to calculate and fund the available loan amount include the following sources within the investments in mutual funds and annuities:

- Elective Deferrals
- Roth 403(b) Contributions
- After-Tax Contributions
- Rollover Contributions

Affiliated Plans:

All other defined contribution plans that are sponsored by the Plan Sponsor or those institutions or entities that are treated as the same employer as the Plan Sponsor under sections 414(b), (c), or (m) and that meet the requirements of Code sections 401(a), 401(k), 403(a), and 403(b).

Current Vendor:

1. Fidelity Investments Institutional Operations Company

2. Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF).

Former Vendor:

A Vendor for any UNC constituent institution or entity prior to January 1, 2009 and that is not a Current Vendor of the Plan.

Plan:

The University of North Carolina Section 403(b) Plan.

1. **Regulations.** The Plan Administrator may promulgate such Regulations, as it deems desirable, concerning loans from the Plan. All such Regulations, as amended from time to time, shall be deemed a part of the Plan for purposes of Internal Revenue Service (IRS) Regulations. This Appendix B may be amended at any time, subject to requirements in the Plan document and IRS regulations.

2. **In General.** Upon the request of an Eligible Borrower in a manner acceptable to a Current or Former Vendor, and subject to the conditions of these Regulations, a Current or Former Vendor shall make a loan from the Plan to the Eligible Borrower.

Manner to Request Loans:

Loans from an Account held by a Current Vendor may be requested as follows:

Fidelity - phone 800-343-0860

TIAA-CREF - phone 800-842-2733

- web www.tiaa-cref.org

Loans from an Account held by a Former Vendor may be requested in a manner permitted by that Vendor.

Eligible Borrower:

To be eligible, a borrower must meet both of the tests below:

- A. The person shall be a member of one or more of the following groups:

- Actively Employed Participant,
- Terminated Participant,
- Beneficiary of a Participant, or
- Alternate Payee under a Qualified Domestic Relations Order

(This is intended to include all Participants); and

B. The person shall be seeking a loan only from a (i) Current Vendor, or (ii) a Former Vendor which has a data aggregator agreement in place with TIAA-CREF and UNC, and which is able and willing to send data to the data aggregator using the industry recognized SPARK standards.

(Exclusion: The extent to which these Regulations apply to a Current or Former Vendor that has not received any contributions on behalf of Participant after January 1, 2005 shall be made by each applicable Current and Former Vendor in accordance with applicable federal law.)

3. *Spousal Consent.* Spousal consent is not required for a loan.

4. *Maximum Loan Amount.* No loan or combination of loans to an Eligible Borrower under the Plan and all Affiliated Plans shall exceed the lesser of (A) and (B):

(A) \$ 50,000, reduced by the excess (if any) of--

(i) The highest outstanding balance of loans from the Plan and all Affiliated Plans during the 1-year period ending on the day before the day on which such loan is made, over

(ii) The outstanding balance of loans from the Plan and all Affiliated Plans on the day on which such loan is made, or

Accounts in The University of North Carolina Optional Retirement Program shall not be included in determining an amount available for a loan.

(B) The greater of

(i) One-half of the Eligible Borrower's vested account in the Plan and all Affiliated Plans except The University of North Carolina Optional Retirement Program, or

(ii) \$10,000.

Loans are included in taxable income under certain conditions, including (i) if the loan, when combined with the balance of all other loans from Affiliated Plans, exceeds the limitations described above, or (ii) if there is a failure to repay the loan in accordance with the repayment schedule. Because the tax treatment of a loan depends on information concerning aggregate loan balances under all annuity contracts and custodial accounts within the Plan and all Affiliated Plans, information about loan balances under the contracts and accounts of other Vendors is needed before making a loan. Prior to making a loan, any Current or Former Vendor shall provide information to, and check the records of, the data aggregator service provided to the Plan through TIAA-CREF.

5. ***Minimum Amount of Loan.*** The minimum amount for any single loan under the Plan is the minimum established by the Vendor.
6. ***Number of Loans.*** The maximum number of loans is that established by the Vendor, if any.
7. ***Note; Security Interest.*** Each loan shall be evidenced by a note or a check signed by the Eligible Borrower and shall be secured by 50% of the Eligible Borrower's vested interest in his/her Account on that day the loan is issued.
8. ***Loan Interest Rate.*** The loan interest rate shall be pursuant to contract or set by the Vendor.

Interest Rate is Updated: The interest rate shall be updated by the Vendor, pursuant to that Vendor's contract or policy, but any such adjustments shall not be applied to outstanding loans.

9. ***Repayment.*** Loans shall be repaid as described below, in the format required by the applicable Vendor, and will be invested according to each Participant's current investment allocations. The documents evidencing a loan shall provide that payments shall be made not less frequently than quarterly and over a specified term as determined by the applicable Vendor. Such documents shall also require that the loan be amortized with principal and interest combined to create level payments. A loan may be repaid in full at any time.

Repayment Method -Standard

Repayment may be allowed by automated clearinghouse (ACH) or such other method acceptable to the Vendor. However, no Employer payroll deduction is allowed.

Repayment Method - Terminated Employees

At the time benefits are to be distributed or an Active Participant separates from service, repayment may be allowed by automated clearinghouse (ACH) or such other method acceptable to the Vendor.

Maximum Payment Period of Loan

- 59 months for Personal Loans, and
- 180 months for Principal Home Purchase Loans

Approved Leave of Absence Suspension

For an approved leave of absence, loan repayment may be suspended for up to 12 months for Non-military Leave of Absence.

Loan repayments by eligible uniformed services personnel may be suspended as permitted under section 414(u)(4) of the Code, provided that the Eligible Borrower has not received a distribution of his or her entire Account under the Plan. Under the suspension, the terms of the loan shall be modified to conform to the requirements of the Uniformed Services Employment and Reemployment Rights Act.

Refinancing

Vendors shall determine what rules apply to refinancing of existing loans, or if refinancing is permitted.

10. ***Death of the Eligible Borrower.*** In the event of an Eligible Borrower's death, all outstanding principal and accrued interest on the loan will be treated as a distribution from the Plan. Any distribution will be offset by the outstanding loan obligation prior to any distribution of the Account to any of the Eligible Borrower's Beneficiaries. The amount of such obligation will be reported as a distribution to the estate of the decedent.
11. ***Default on Loans.*** The Vendor shall treat a loan in default if:
 - (a) Any scheduled repayment remains unpaid at the end of the calendar quarter following the calendar quarter in which the scheduled

repayment was due (unless payment is not required for a Participant who is on an approved leave of absence), or

- (b) An outstanding principal balance exists on a loan after the last scheduled repayment date.

Upon default, the entire outstanding principal and accrued interest shall be immediately due and payable. If a distributable event (as defined by the Code) has occurred, the Vendor shall demand payment of the promissory note and offset the Participant's vested interest in his/her Account by the outstanding balance of the loan. If a distributable event has not occurred, the Vendor shall demand payment on the promissory note and offset the Participant's vested interest in his/her Account as soon as a distributable event occurs.

Determination of Loan Default:

The Vendor shall determine when a loan is in default, as instructed above.

Eligibility for a Loan after a Loan Default:

An Eligible Borrower may apply for any additional loans from the Plan while a loan is in default, subject to loan limitations established by the IRS.

Repayment of a Loan in Default

For any Vendor willing to accept such repayment, once a loan is in default, the Eligible Borrower has the option of making a single payment to pay off the defaulted loan amounts due, including interest. Such payment will be treated as an increase in the Eligible Borrower's cost basis under the Plan.

Tax Reporting of Defaulted Loans

A defaulted loan will result in taxable income to the Eligible Borrower. If the Eligible Borrower is a Participant and is also under age 59 ½ on the date of the default, a 10% early distribution penalty may be imposed by the IRS. Income taxes and the penalty do not apply to any defaulted value that relates to after-tax contributions. If the Eligible Borrower does not have a distributable event on the date of the default, the IRS treats the default as a "deemed default" and the amount of the default is not eligible to be rolled over to an IRA or another retirement plan. In January of the calendar year following the default, an IRS Form 1099-R reporting the distribution will be issued to the Eligible Borrower and the IRS.

The IRS Form 1099-R shall be issued by the Vendor.

12. *Note as Plan Asset.* The note evidencing a loan to an Eligible Borrower under this document shall be an asset of the Plan which is allocated to the Accounts of such Eligible Borrower, and shall, for purposes of the Plan, be deemed to have a value at any given time equal to the unpaid principal balance of the note plus the amount of any accrued but unpaid interest.

13. *Nondiscrimination.* Loans shall be made available under these procedures to all Eligible Borrowers on a reasonably equivalent basis.


14. *Fees.*

Fidelity. A \$50.00 loan application fee will be deducted from the Eligible Borrower's account in order for a loan to be processed. A \$6.25 maintenance fee will be deducted from the Eligible Borrower's Account on a quarterly basis in addition to the loan application fee. These fees shall be paid to the Vendor.

TIAA-CREF. This Vendor does not charge any fee for a loan.

Fees of Former Vendors will be established by each such Vendor.

The University of North Carolina (Plan Sponsor) hereby amends these Regulations, effective on the date of execution, as noted below.

By: 

Erskine B. Bowles
President



Date Signed

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