



Processing Loans and Hardship Withdrawals

General Loan and Hardship Withdrawal Information

- A participant may borrow from their accounts in the 403(b) Savings Plan—the Tax-Deferred Account, Rollover Account, Roth Account, or Roth Rollover Account. If the participant has more than one type of account, the loan will be distributed proportionately from all of their accounts in the 403(b) Savings Plan.
- The maximum amount they may borrow is 50% of their total account balances in the 403(b) Savings Plan, or \$50,000, whichever is less— further reduced by the highest outstanding balance of any other loans from the Plan during the last 12 months. The minimum amount they can borrow is \$1,000.
- Only one loan can be taken at a time. Once a loan is paid off, the participant can take a new loan.
- The normal processing time for a loan is at least 14 business days, assuming that all required paperwork is received on time and in good order.
- For a full list of rules, visit our website: www.yretirement.org

Managing Loan Repayments

- Once an employee has been approved for a loan, Y Retirement will notify you, the LPA, via email indicating the repayment amounts and schedule for repayments.
- Loan repayment is done via a post-tax deduction and is taken directly from payroll. If an employee does not have enough money in their paycheck to cover the loan payment, Y Retirement will accept a direct payment from the employee in the form of a check.
- After each pay date, it's important to remit loans payments as soon as possible. If a loan payment is not received within 90 days of its due date, the loan will go into default, which will be reported to the IRS by Y Retirement and is considered taxable income to the employee for the year of default.
- If the loan defaults while the participant is employed with you, the loan balance that is not attributable to rollover contributions (including the amount that was already withheld from their check and not transmitted to Y Retirement via YERDI) is deemed a distribution.
- The employee can still pay off a deemed distribution, but will also have to pay the interest that continued to accrue on the defaulted loan. A loan payoff after a deemed distribution does not reverse the employee's tax liability, but will return the borrowed funds to the employee's 403(b) Savings Plan accounts to use for retirement. It will also allow them to take out a new loan. They will not be able to take out another loan until their defaulted loan is paid in full.
- For an employee who turns 59½, terminates or passes away, whichever comes first, the 403(b) Savings Plan balance is automatically reduced by the defaulted loan, which is referred to as an "offset". Any portion of a loan originating from rollover money is also automatically removed from the balance upon default. After any of these situations occurs, the defaulted loan can no longer be paid back.
- There is no penalty for paying off your loan early. If you wish to pay off your loan early, contact Customer Service for your loan payoff information including balance and payment method.

Processing Loans and Hardship Withdrawals Continued

Hardship Withdrawals

An employed participant under the age of 59½ who has made contributions to the Tax-Deferred Account or the Roth Account within the 403(b) Savings Plan may withdraw these contributions and credited interest if they have a financial hardship.

A participant is not required to take a loan from the 403(b) Savings Plan before applying for a hardship withdrawal. However, the participant is required to first withdraw any other currently available retirement, savings and welfare benefits sponsored by the Y. This means all amounts in the Rollover Account and Roth Rollover Account in the 403(b) Savings Plan, and the After-Tax Account in the 401(a) Retirement Plan, must be completely withdrawn for the participant to be considered eligible for a hardship withdrawal.

A participant is considered to be having a financial hardship if the participant is experiencing one of the qualifying financial needs listed below and the participant does not have other sufficient resources available to meet that need.

- **Medical expenses** incurred or to obtain medical care not covered by health insurance for themselves, their spouse, their dependents, or their designated primary beneficiary.
- **Costs directly related to the purchase of a principal residence** (excluding mortgage payments).
- **Tuition and other related educational fees and expenses** for the next 12 months of post-high school education for themselves, their spouse, their children, their dependents, or their designated primary beneficiary.
- To **prevent eviction from or foreclosure** upon their principal residence.
- Payments for **burial or funeral expenses** for their deceased spouse, parent, child, dependent, or designated primary beneficiary.
- Expenses for the **repair of damage to their principal residence** that qualify for a casualty deduction under IRC Section 165 (determined without regard to whether the damage is related to a Federally declared disaster as described in IRC Section 165(h)(5) and whether the loss exceeds 10% of the participant's adjusted gross income).
- **Expenses and losses they incurred due to a Federal Emergency Management Agency (FEMA) declared disaster** and their principal residence or principal place of employment was located in the FEMA-designated disaster area eligible for individual assistance.

Contributions Following a Hardship Withdrawal



A hardship withdrawal does not affect a participant's eligibility to contribute to the 403(b) Saving Plan.

Initiating a Hardship Withdrawal

An employee can request a hardship withdrawal form from Y Retirement by contacting a Pension Representative at 800-738-9622 between 9:00 am and 5:00 pm ET, Monday through Friday.

Once the employee has completed and submitted the application (and any additional required documentation), Y Retirement can process the withdrawal.

