

**ARCHDIOCESE OF CINCINNATI**  
**401(K) PLAN**  
**LOAN POLICY STATEMENT**  
**(as of January 1, 2021)**

This document outlines the parameters of the loan program available through the Archdiocese of Cincinnati 401(k) Plan (the “Plan”). This document forms part of the Plan and shall be maintained by the Archdiocese of Cincinnati, Office of Finance. The person authorized to administer the loan program is the Plan Administrator or its representative.

1. In accordance with the provisions of the law, loans will:
  - (a) be made available to all employee-participants on a reasonably equivalent basis, and eligibility for loans will be determined without discrimination among participants; loans are available to all Plan participants and beneficiaries without regard to any individual’s race, color, religion, sex, age or national origin;
  - (b) not be made available to highly compensated employees in an amount greater than the amount made available to other employees;
  - (c) be made in accordance with the provisions of the Plan;
  - (d) bear a reasonable rate of interest; and
  - (e) be adequately secured by the participant’s vested account balance.
  
2. This document outlines:
  - (a) the loan application procedure;
  - (b) the basis on which loans will be approved or denied;
  - (c) limitations, if any, on the types and amounts of loans;
  - (d) the procedure for determining a reasonable rate of interest;
  - (e) the collateral which will secure the loan;
  - (f) the events constituting default; and
  - (g) the steps that will be taken to preserve Plan assets in the event of a default.
  
3. **CARES Act and Loan Provisions Effective for March 27 – December 31, 2020.** Notwithstanding any provision of this Loan Policy Statement or the Plan to the contrary, the CARES Act provided special rules for new loans and for the repayment of loans outstanding for the period from March 27, 2020 through December 31, 2020. These CARES Act special plan loan provisions applied only with respect to a participant who was a “Qualified Individual” as defined by the CARES Act, which includes and individual:

- who was diagnosed with the virus SARS–CoV–2 or with coronavirus disease 2019 (COVID–19) by a test approved by the Centers for Disease Control and Prevention;
- whose spouse or dependent (as defined in section 152 of the Internal Revenue Code of 1986) was diagnosed with such virus or disease by such a test, or
- who experienced adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury (or the Secretary's delegate).

The Archdiocese as Plan Administrator, Empower Retirement as recordkeeper and Fifth Third Bank as trustee, were entitled to rely on an employee's certification that the employee satisfied the conditions required to meet the above definition in determining whether an individual is a Qualified Individual.

Qualified Individuals were eligible to apply for a suspension of loan repayments until January, 2021 for any participant loan repayments that were otherwise due on or after March 27, 2020 and before January 1, 2021. This suspension of loan repayment obligations applied to both repayments for prior loans (originating before March 27, 2020) and to a new loan that began on or after March 27, 2020. The suspension applies only for repayments due before January 1, 2021, so Qualified Individuals should plan to begin making repayments immediately after January 1, 2021.

Following the end of the suspension period, the loan is re-amortized to adjust the remaining payments (plus interest accrued during the suspension period) over the original period of the loan, plus the suspension period. This loan suspension generally permitted a participant requesting a new loan to have more than five (5) years to repay the loan (i.e., the 5-year period plus the length of the suspension), with the first post-suspension payment occurring immediately after January 1, 2021.

For example, a participant who is a Qualified Individual, with no prior loans and a vested account balance of \$75,000, may have applied for a loan on June 1, 2020 in the amount of \$75,000, and immediately requested a suspension of loan payments for all payments due before January 1, 2021. If payments are due on the first day of each calendar month, the participant's first payment may be due January 1, 2021. The plan loan would be reamortized (including interest accrued during the suspension period) so as to include the suspended payments from June 1, 2020 through December 31, 2020, with the last day of the reamortized loan repayments occurring no later than December 31, 2025.

The other provisions of this Loan Policy Statement apply to the extent that they do not conflict with this Section 3 for loans to Qualified Individuals.

4. Empower Retirement as recordkeeper and Fifth Third Bank as Trustee exercise no discretion or authority with respect to the approval or denial of a loan.

- (a) **Loan Application.** A participant must apply for each loan using an application (electronic or paper) specifying the amount of the loan desired, the requested duration, and the source of security of the loan. The Plan Administrator will not approve any loan if a participant is not creditworthy. In applying for the loan from the Plan, each participant gives full authority to investigate his or her creditworthiness.

Loans are initiated when the participant applies for a loan via paper application, on-line at Empowermyretirement.com or the Empower Retirement's Customer Care Line at 866-467- 7756. The Promissory Note and Loan Check are combined into one document, eliminating the need to return the signed Promissory Note prior to issuing the Loan Check. By endorsing the check, the participant agrees to the terms of the Note and the repayment obligation.

A loan set-up fee of \$50.00 and quarterly maintenance fee of \$6.25 may be deducted from the participant's account. The set-up fee and quarterly maintenance fee shall be deducted from the loan amount approved. An additional charge may apply if a participant requests a loan check to be sent express delivery.

Loans shall be made available only to participants who are employees of the Employer.

- (b) **Limitation on Loan Amount/Purpose of Loan.** The Plan Administrator will not approve any loan to a participant which exceeds 50% of his or her nonforfeitable account balance. The maximum aggregate dollar amount of all loans outstanding to any participant may not exceed \$50,000. This maximum amount is reduced by the excess of the participant's highest outstanding balance of all loans on any day during the one (1) year period ending on the day before the loan is made, over the outstanding balance of loans from the Plan on the date the participant's loan is made.

A participant may not request a loan for less than \$1,000. The number of outstanding loans that a participant can have at one time is one (1).

- (c) **Source of Loan Proceeds.** If no elections are made with regard to the sequence of contribution types available and the sequence of investments to be liquidated, the contribution sources and investment vehicles will be available and liquidated on a pro-rata basis; provided, however, effective October 1, 2017, in no event shall loans be made available from matching contributions and associated earnings.

- (d) **Evidence and Terms of Loan.** The Plan Administrator will document every loan in the form of a promissory note for the face amount of the loan. A commercially reasonable rate of interest will apply. The Plan Administrator will determine the appropriate interest rate by obtaining at least one quote from a financial institution, chosen by the Plan Administrator, which is in the business of lending money. The interest rate quote(s) must take into account the term of the loan, the security on that loan, whether the interest rate is adjustable during the term of the loan, and the intended use of the loan proceeds. The interest rate will reflect a commercially reasonable rate for the geographical region in which the participant lives. If participants in the plan live in different geographical regions, the Plan Administrator

may establish a uniform commercially reasonable interest rate applicable to all regions based on information obtained from at least one region in which participants live. The Plan Administrator will reevaluate interest rates for loans made more than one month since the last loan made by the plan. The Plan Administrator will determine whether the interest rate is commercially reasonable at the time it approves the loan and, in the case of an adjustable rate loan, at the time of each scheduled adjustment.

The loan is contingent upon the loan being paid through payroll deductions, provided that the Plan Administrator may allow payment by other means for prepayment in full and payment by participants without sufficient payroll for making repayment, such as participants on an authorized leave of absence. The participant may obtain a loan payoff quote by calling Empower Retirement's Customer Care Line at 866-467-7756. The loan must provide at least quarterly payments under a level amortization schedule. In the discretion of the Plan Administrator and in accordance with regulations under Code Section 72(p), a uniform grace period for late payments may be permitted for all participants, and a suspension of repayments for a period of up to one year may be permitted for participants who are on a leave of absence.

The Plan Administrator may fix the term for repayment of a home loan for a period exceeding five (5) years but not to exceed thirty (30) years. A home loan is a loan used to acquire a dwelling unit which, within a reasonable time, the participant will use as a principal residence; other loans cannot exceed five (5) years.

Any loan (other than a home loan) not scheduled to be repaid within five years after the date of the loan is treated as a taxable distribution at the time the loan is made, unless it is corrected under the Internal Revenue Service's Employee Plans Compliance Resolution Program. If a participant extends beyond five years a non-home loan having a five-year or less repayment term, the balance of the loan at the time of the extension is a taxable distribution to the participant.

- (e) **Security for Loan.** A participant secures each loan with an irrevocable pledge and assignment of 50% of the nonforfeitable amount of the borrowing participant's account balance under the plan, or other security the Plan Administrator accepts and finds to be adequate. The Plan Administrator may request the borrowing participant to secure each loan with additional collateral acceptable to the Plan Administrator or to substitute collateral given for the loan.
- (f) **Form of Pledge.** Because the participant secures the loan wholly or partly with up to 50% of his or her vested account balance, the pledge and assignment of that portion of his or her account balance is used as collateral for the loan. Generally, security must be adequate to cover the loan principal and interest in the event the participant defaults on the loan. The security is required to cover only the loan principal if the loan is backed by the participant's vested interest and is made from a plan in which earnings are allocated to participants' individual accounts.
- (g) **Loan Proceeds Availability.** The proceeds of a loan shall be distributed to the participant as soon as administratively feasible after the loan is processed. As a condition of the loan, the participant must:

- (1) execute a completed promissory note (which is combined with the loan check) for the amount of the loan, including interest payable to the Plan;
- (2) assign to the Plan a vested interest in his accounts; and
- (3) if required, by signature of the check, authorization to the participant's employer to make payroll deductions in order to repay his loan to the Plan. The promissory note shall be duly acknowledged and executed by the participant, and shall be held as an asset of the participant's loan account.

Until the loan has been satisfied, the participant may not make any withdrawals which would reduce the vested portion of the net value of his accounts to an amount which is less than the amount of his outstanding loan.

A loan account shall be established for each participant with an outstanding loan. Each loan account shall be comprised of a participant's completed promissory note and installment payments of principal and interest.

(h) **Default/Risk of Loss.** The Plan Administrator may treat this loan in default in the event of:

- (1) any scheduled payment remaining unpaid when due, subject to any uniform grace period for late payment applied by the Plan Administrator, but not later than the last day of the calendar quarter following the calendar quarter when payment was originally due;
- (2) any representation or statement to the plan by or on behalf of the participant which is false in any material respect when made or furnished;
- (3) loss, theft, damage, destruction, sale, or encumbrance to or of any of the collateral, or a levy seizure or attachment thereof or thereon;
- (4) death, dissolution, insolvency, business failure, appointment of receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws of, by, or against, the participant; or
- (5) the participant terminates employment with the Employer and either: (a) does not voluntarily repay the entire unpaid balance of the loan and interest due within 30 days of the last pay date after he or she terminates employment, subject to any grace period described in (1) above.

If the loan remains in default, the Plan Administrator has the option of foreclosing on any other security it holds or, to the extent a distribution to the participant is permissible under the plan, to offset the participant's vested account balance by the outstanding balance of the loan. The Plan Administrator will treat the note as repaid to the extent of any permissible offset. Pending final disposition of the note, the participant remains obligated for any unpaid principal and accrued interest.

Loans are in arrears and delinquent when any payment is missed. If the loan is not paid up-to-date by the end of the calendar quarter after the calendar quarter in which

a payment is first delinquent, the loan will be in default. In that event, the entire outstanding loan balance, consisting of the missed payments, remaining principal and all accrued but unpaid interest, will be reported to the IRS as taxable income on a Form 1099-R for the year in which the loan was deemed distributed. Thereafter, the loan will be considered a deemed distribution.

As required by federal tax regulations, a participant's deemed loan will remain in the investment account until a qualifying distributable event occurs, even though income previously was reported to the IRS. Loan payments may be made on a defaulted loan. Loan payments will be recognized as after tax cost basis for the purposes of taxation at the time the participant takes a distribution.

Despite any grace periods permitted with respect to late loan payments, if a loan has not been fully repaid by the end of its term, the outstanding balance will be treated as a "deemed distribution" and will be reported to the IRS as taxable income.

If a borrower has had a plan loan default in the past and has not made full restitution for the outstanding loan, the borrower will be deemed to be "not creditworthy." Borrowers that are "not creditworthy" will not be permitted to take a new or additional loan.

If a participant with a loan account is no longer on the payroll of the employer but has not incurred a termination of service, he or she shall pay the principal or the unpaid balance thereof, and interest on such outstanding loan by cashier's or certified check to his or her employer for payment to his loan account in equal monthly installments.

The value of the participant's accounts available for distribution to the participant or a beneficiary shall mean the value after the satisfaction of the entire unpaid interest, thereon.

The plan intends that this loan program does not place other participants at risk with respect to their interests in the plan. In this regard, the Plan Administrator may administer any participant loan as a participant-directed investment of that portion of the participant's vested account balance equal to the outstanding principal balance of the loan. The plan will credit that portion of the participant's interest with the interest earned on the note and with principal payments received by the participant. The plan also will charge that portion of the participant's account balance with expenses directly related to the organization, maintenance, and collection of the note.

- (i) **Loan Repayment.** All loans to active employees shall be repaid through payroll deductions. The portion of the participant's vested interest used as a security interest held by the plan by reason of a loan outstanding to the participant shall be taken into account, in accordance with this Article, for purposes of determining the amount of the vested interest payable at the time of death or distribution.
- (j) **Compliance with USERRA.** Participant loans will be suspended for any period during which an employee is performing service in the uniformed services regardless of whether the service is qualified military service under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). Any such suspension may exceed one year. To satisfy the loan repayment requirements, loan

repayments may resume upon completion of the military service, and the frequency and the amount of each installment payment upon resumption is not less than the frequency and amount under the terms of the original loan. The loan must be repaid in full (including the interest that accrues during the period of military service) by the end of the period which equals the original term of the loan plus the period of military service.