

**College of Micronesia – FSM (COM – FSM)
Retirement Plan - Loan Policy**

The Trustees and Plan Administrator of the College of Micronesia – FSM Retirement Plan (Plan) has adopted the following loan provision to assist Plan Participants in raising funds to meet their financial needs. Participants in the Plan will be entitled to apply for a loan in accordance with the following rules:

1) Application

Only Participants of the College's Retirement Plan who are actively employed by College of Micronesia – FSM may apply for a loan.

All loan applications will be made on forms provided by the Plan Administrator. Each form will be completed in its entirety before being considered for approval. Each application will be reviewed on a nondiscriminatory basis. The Plan Administrator will evaluate each application based on, but not limited to, the Participant's ability to repay the loan through payroll deduction, credit worthiness and past loan experience (if any).

2) Loan Amount

All loans will be limited to 50% of the Participant's account balance in which he/she is 100% vested, provided such loan does not exceed \$50,000.

The minimum loan amount is \$1,000.

3) Term Period of Loans

Only two (2) loans may be outstanding at any time. Each loan cannot exceed 60 months (5 yrs). However, if the loan is to purchase a primary residence, the term of the loan may be extended to 20 years. A Participant may only have one primary residence loan outstanding at any time.

A Participant can accelerate payments to pay off the balance sooner than the original term of the loan (see section number 7). A Participant may be allowed to refinance an existing loan (see section number 8).

4) Repayment Procedure

Principal and interest payments shall be made by payroll deduction according to the schedule that is set in Promissory Note. If the Participant refinances an existing loan, the new payments shall be based according to the new terms of the agreement.

If the Participant is on leave without pay, it is his/her responsibility to continue making the loan payments to COM – FSM Business Office.

Participants may continue to make salary deferrals into their retirement plan account and will still be eligible for Employer contributions during the term of the loan.

Balance of the loan will be due upon termination of employment. However, the Participant may elect to pay all the balance of the loan and remain enrolled in the Plan if the balance of the Retirement Fund is over \$5,000 after deducting the loan.

5) Interest Rate

The standard rate to be used for all Participant loans will be based on the prime interest rate prevailing at the time the loan is granted, plus one (prime+1) and shall remain fixed for the life of the loan.

6) Loan Default

A loan shall be deemed to be in default when no schedule payments are made for at least 90 days. If payment(s) have not been made within 30 days, the Plan Administrator will notify the Participant that payment(s) is due within 30 days of the notice. If payment(s) is still not received within such stipulated time period, the Participant will be given a second notice that all delinquent payments are due within 30 days. If payment is still not received, the following will take place:

- The loan is considered to be in default and the remaining principal and interest on the loan is immediately due and payable.

A Participant may be denied future loans if he or she defaulted on a previous loan. If another loan is granted, the Participant's available loan balance will be reduced by the amount of the defaulted loan.

7) Accelerated Loan Payments

A Participant may request once each Plan Year to increase the loan payment amount every pay period. Any additional request to increase or restore the payment amount may be subject to processing fees and/or loan refinance procedures (see section number 8).

8) Loan Refinancing Procedures

Participant may be allowed to refinance an existing loan once each Plan Year, however the new term cannot be extended past 60 months from the original date of the loan. The new interest rate will be based on the prime interest rate prevailing at the time the refinancing is granted, plus one (prime+1) and shall remain fixed for the remaining life of the loan. Furthermore, any request to refinance must be approved by the Plan Administrator.

9) Administration Fees

The Participant is responsible for the one-time loan application fee of USD\$100.00 to be charged against the loan. In addition, a quarterly maintenance fee of USD\$15.00 will be charged to the Participant's account. The Participant will be charged USD\$100.00 for loan refinancing. The Participant is permitted to accelerate or restore the loan payment amount once a Plan Year without any charge. Any additional requests to accelerate or restore a loan payment in the same Plan Year will be charged \$15 for each change.

This Loan Policy shall be effective immediately and is subject to administrative feasibility and may be amended at any time without notice.

Signed: College of Micronesia - FSM

By: 

Its: President

Date: 