

# 401(k) Loan Process: Eligibility, Terms, and Repayment

## ▪ **PURPOSE**

- Describe the Parameters Around Obtaining a 401(k) Loan and the Repayment Options.

## ▪ **Eligibility**

1. Teammates must have a vested Balance of at least \$2,000 in the McLane Company Profit Sharing 401(k) Plan to be eligible for a loan.
2. Teammates may request a loan if they have a rollover balance of at least \$2,000 in the McLane Company Profit Sharing 401(k) Plan if they are not eligible to participate due to the 90-day waiting period.
3. Teammates may have one loan at a time in the McLane Company Profit Sharing 401(k) Plan.
4. Must be an Active Teammate with McLane with an account balance. Terminated teammates are not eligible for loans.
5. Teammates who have paid off the outstanding loan may request a subsequent loan 7 days after paying off their prior loan (subject to the limits set out below).
6. Loans are permissible while on an approved Leave of Absence.

## ▪ **Maximum & Minimum Loan**

1. The minimum loan amount that Teammates may request is \$1,000.
2. The maximum loan amount that Teammates may request is the lesser of 50% of their vested account balance or \$50,000 minus the highest outstanding loan balance in the past 12 months per IRC section 72(p)(2)(A).

## ▪ **Fees or Interest Rates**

1. The non-refundable loan application fee is \$50.
2. The interest rate on the loan is equal to the current commercial prime-lending rate of the Wall Street Journal prime lending rate plus 1%. (This interest rate may be lower if the Teammate is on active military service.) The interest will be applied to the Teammate's 401(k) account.

## ▪ **Requesting A Loan**

1. Teammates must call Merrill at (800) 228-4015 or apply online at [benefits.ml.com](https://benefits.ml.com) to request a loan. Teammates will need their User Id, Password or Social Security Number and PIN when they request a loan.
2. To obtain a loan, you must complete certain legally enforceable documents such as a promissory note.

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3. After the loan documentation is transmitted and approved, a check will be issued by Merrill Lynch within a minimum of two business days that the stock market is open if the Teammate applies by the close of the stock market.
4. When the Teammate transmits the loan documentation and receives and signs the check, he or she is signifying his or her agreement to all terms and conditions of the loan.

## ▪ **Maximum Amount of Time Given to Pay Back a Loan**

1. Teammates have a maximum of 5 years to pay back their loan.
2. Except for leaves of absence, as explained below, the repayment of the loan is through payroll deductions, which begins on the next paycheck from the date on which the loan is requested.
3. Loan deductions will be taken from the Teammate's bi-weekly or weekly paycheck until the loan is paid off.
4. Teammates cannot make extra payments during the period of the loan. Teammates can, however, payoff the balance of the loan in its entirety at any time during the repayment period.
5. Teammates paying off the balance of the loan prior to the scheduled end date must call Merrill Lynch to verify the payoff amount. Teammates will need their SS# and PIN when they call Merrill.
6. If the loan payments are not made as required, the loan may be defaulted, with the result that the outstanding loan amount will become taxable to the Teammate. Special rules apply to Roth contributions. The Teammate will still be responsible for repaying the loan since it will still be a debt owed to the Plan.

## ▪ **Payment Options**

1. Teammates can pay off their loan balance, make loan payments or make a one lump sum loan payment to bring the account current while on Leave of Absence, via a check or money order, using the following process:
2. The money order, cashier's check, or certified check must be made payable to:
  - **Trustee for the McLane Company Inc. Profit Sharing Plan**
3. Mail the payment to (via USPS or FedEx/UPS):
  - **Merrill Retirement & Benefit Plan Services**  
**1400 American Drive, Mail Stop NJ2-140-03-50**  
**Pennington, NJ 08534.**
4. If paying off the loan, Teammates **MUST** include a loan payoff form with their check, which is available on the Merrill website, My McLane under Forms (401K Plan-Loan Payoff Form.pdf), or by contacting the Merrill call center.

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5. If the Teammate is on a leave of absence for one (1) year or less and not receiving pay from McLane, he or she may defer making payments on the loan while on leave. Interest will continue to accrue during the deferral period. The Teammates loan payment will be recalculated upon returning from the leave of absence. The term of the loan cannot be extended past 5 years from the original date of the loan, so the loan payment after the leave of absence may be higher than the loan payment before the leave.
6. If the Teammate prefers to set up their loan payoff, loan payments or a lump sum payment while on a leave of absence via ACH, the Teammate will need to log into their Merrill account and follow the instructions below:
  1. **Select “My Accounts”**
    - Select “Account Preference Tab”
    - Click on “Manage Accounts”
    - Check the blue box to link Bank of America
    - Click “Save”
  2. **Validate external bank information**
    - Enter Routing Number
    - Enter Bank Name
    - Enter Account Number & Re-enter Account Number
    - Check Account Type (Checking or Savings account)
    - Enter Email Address & Verify Email Address entered
7. If the Teammate does not return from leave within one (1) year from the date of the commencement of the leave and does not pay off the loan while on leave, the loan will be deemed a distribution, and the Teammate will receive a 1099 for their tax filing.
8. If a Teammate is on a Military Leave of Absence (Active Duty), the loan payments can be suspended for the length of time the Teammate is on “Active Duty”. Once the Teammate returns to work the loan may be extended for the amount of time they were on Active Duty.
  - **Example:** If the Teammate was called to Active Duty for 9 months, they may extend the repayment period by 9 months.

## ▪ **Separation from Employment While Paying on a Loan**

The Teammate must call Merrill to pay off the loan in full within 90 days of the date of his or her separation. Failure to pay the loan off in full within 90 days of separation from employment will result in the loan being taxable to the Teammate.

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- **Amendment and Termination**

McLane specifically reserves the right to amend this Loan process from time to time or to terminate all or part of this process at any time.