Interest Rate

As previously noted, the interest rate is based on market conditions at the time the loan is processed. Generally, the rate is the "Prime Rate" + 1%.

- "Prime Rate" is defined as the Prime Rate published by The Wall Street Journal two weeks prior to the end of the most recent calendar-year quarter.

Nationwide reserves the right to redefine how the interest rate is calculated by advising the Plan in writing at least 30 days in advance of when the new definition goes into effect.

Payments

You must pay the full amount of each payment (principal and interest) on the specified due date. Non-payment of the full amount by the specified due date will result in the following:

- If you fail to make full payment on the due date, Nationwide will send written notification advising you that you must pay the missed payment plus interest within 30 days after the date of the missed payment.
- If you fail to pay the missed payment plus interest within 30 days after the date of the missed payment, the loan will be placed in default.
- On the date that the loan is placed in default, your account will be assessed a default fee.
- Loans may be repaid in full prior to the term due date without penalty if the payment is made with a lump sum payment.

Defaulted Loans

Once a loan is in default, Federal law requires that the entire loan amount be reported to the Internal Revenue Service as a deemed distribution. This means that the entire amount of the outstanding loan and accrued interest-to-date on the date of default will be includible in your income and is subject to income tax in year of default.

Repayment Schedule

Level payments of principal and interest must be made at least monthly.

- Nationwide will debit the savings or checking account of your choice.
- Payroll deduction is not an option.

Suspension of Payments Due to Military Service

In compliance with USERRA and other applicable laws, Nationwide may suspend a participant's obligation to repay a loan under the Plan during the period in which the participant is serving on Active Duty with the military. At the expiration of this suspension, the outstanding loan balance, including accrued interest and fees, will be re-amortized and the participant will be required to execute an amended loan agreement or repay the recomputed balance in full.

How to Contact Us

Call a customer service representative toll-free at **1-800-769-4457** or contact your local Retirement Specialist:

Visit us on the web at **www.Nationaldeferred.com**.

Retirement Specialists are registered representatives of Nationwide Investment Services Corporation, Member FINRA.

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Give yourself a **helping hand.**

Your guide to the Deferred Compensation Plan loan program

Loan Guide

Nationwide®
On Your Side

Borrowing from your retirement account

Many employers are faced with the same question from employees: "Why can't I use 'my money' in my retirement account to pay down debts, buy a home or help my child through college?"

In the past, the answer was easy — the law didn't allow it. Today, though, the law permits employers to allow employees to take loans from their 457/401(a) defined contribution plans.

Advantages and disadvantages of taking a loan from your retirement account

While the taking of a loan from your Deferred Compensation Plan can be a benefit in the short term, it also can open you to potential liabilities.

Take a moment now to recognize some advantages and disadvantages of borrowing from your retirement account. Having this understanding may help you down the road.

Disadvantages

- Loan repayments are made with after-tax dollars.
- Loans must be repaid with interest. If a default on the loan occurs, the loan is considered to be a distribution, and the entire outstanding loan amount, including accrued interest, is subject to income taxes.
- The true cost of the loan may be more than the interest alone, especially if market gains are greater over the life of the loan than the interest paid less any fees, which means that you could end up with significantly fewer assets for retirement than you planned.
- Retirees may also request loans. However, in the event that you request a payout from your deferred compensation account, you must maintain a balance in your account that will cover the amount of the outstanding loan.
- In addition, taking a loan could force you to liquidate investments at a lower value than their purchase price if market conditions at the time you take the loan are unfavorable.

Advantages

- No credit check – You're borrowing from your vested account balance.
- No taxes to pay, since a plan loan is not considered a distribution when the loan is granted if the loan meets the requirement of the Internal Revenue Code.
- Competitive interest rates – generally "Prime Rate" + 1%.
- You essentially "pay interest to yourself," rather than a conventional lender.
- You can pay off higher interest debt.
- Reasonable repayment terms – one to five years for general purpose loans and up to twenty years for primary residence loans.

How the Loan Program Works

Your plan's loan program is similar to programs that you could find at any lending institution such as a bank or savings-and-loan.

Eligibility

To qualify, you must complete and sign a loan application and acknowledge receiving a Truth-in-Lending document.

Minimum / Maximum Loan Amounts

- The minimum loan amount is $1,000.
- The maximum available loan amount is 50% of your account up to $50,000 less any outstanding loan balance within the last 12 months.
- Systematic payouts are taken into consideration and will reduce the balance of funds available for loan consideration. The exceptions to this policy are Unforeseen Emergency Withdrawals and Purchase of Service Credits, which are addressed separately.

Terms and Number of Loans Allowed

- Primary residence loans are structured to be repaid within fifteen (15) years from the date that the money is disbursed.
- All other loans are structured so that they will be repaid within five years of the date the money is disbursed.
- One outstanding loan from the Plan may be granted at any given time. If a participant has two outstanding loans, a new loan will not be granted prior to full repayment of one of the outstanding loans. If a participant defaults on a loan, (s)he will not be granted another loan from the Plan until the defaulted loan – including accrued interest and fees – is paid in full.

Loan Fees

All loan fees appear as administrative charges on your statements.

- Application fee – $50
- Annual fee – $50, assessed on the anniversary date of the loan while the loan is outstanding
- Default fee – $50, assessed on the date of default and paid annually
- Insufficient Funds Fee - $25 for each insufficient fund payment

Nationwide reserves the right to change the fee amount after advising the Plan in writing at least 30 days in advance of when the new fee schedule goes into effect.