

## PRE-APPLICATION ACCEPTANCE PERIOD

Beginning **September 9, 2013 thru September 13, 2013** applications can be obtained from PFRS website: [www.pfrsdetroit.org](http://www.pfrsdetroit.org). During this time, completed applications may be submitted to First Independence Bank, **ONLY** by fax, 586-329-7260 or by email to [PFRSLoans@FirstIndependence.com](mailto:PFRSLoans@FirstIndependence.com). **FIB branches are unable to provide or accept applications during the PRE-APPLICATION ACCEPTANCE PERIOD.**

All applications submitted by fax or email, must be accompanied by a copy of at least 2 pieces of identification from the list below.

- Valid Driver's License or State I.D Card
- Employer's Work Badge (with photo)
- Social Security Card
- U.S. Passport

## OFFICAL LOAN PROGRAM KICKOFF

Beginning **September 16, 2013 thru September 20, 2013** applications can be obtained from PFRS website: [www.pfrsdetroit.org](http://www.pfrsdetroit.org) and submitted by fax, 586-329-7260 or email, [PFRSLoans@FirstIndependence.com](mailto:PFRSLoans@FirstIndependence.com). Applications can also be obtained and submitted at one of FIB's temporary central application processing areas which will be located at:

FELLOWSHIP CHAPEL (Village Dome)  
7077 W Outer Drive  
Detroit, MI 48235

FIRST INDEPENDENCE BANK  
38880 Garfield Road  
Clinton Twp., MI 48038

Applicants should follow the schedule listed below based on last names when turning in their applications at Fellowship Chapel or the Garfield office:

<b>A thru D – Monday, September 16, 2013</b>	<b>09:00 – 12:00 noon</b>
<b>E thru G – Monday, September 16, 2013</b>	<b>12:00 – 03:00 pm</b>
<b>H thru J – Tuesday, September 17, 2013</b>	<b>09:00 – 12:00 noon</b>
<b>K thru M – Tuesday, September 17, 2013</b>	<b>12:00 – 03:00 pm</b>
<b>N thru P – Wednesday, September 18, 2013</b>	<b>09:00 – 12:00 noon</b>
<b>Q thru S – Wednesday, September 18, 2013</b>	<b>12:00 – 03:00 pm</b>
<b>T thru V – Thursday, September 19, 2013</b>	<b>09:00 – 12:00 noon</b>
<b>W thru Z – Thursday, September 19, 2013</b>	<b>12:00 – 03:00 pm</b>
<b>FRIDAY – September, 20, 2013 Open to All</b>	<b>09:00 – 03:00 pm</b>

After **September 20, 2013** completed applications can be obtained & submitted at any FIB location below:

- 44 Michigan Avenue, Detroit, MI 48226
- 7020 W Seven Mile, Detroit, Michigan 48221
- 12200 Livernois, Detroit, Michigan 48204

Note: Completed applications can **always** be submitted by fax, 586-329-7260 or email at [PFRSLoans@FirstIndependence.com](mailto:PFRSLoans@FirstIndependence.com). For further questions please call 313-256-8434.

# Questions and Answers

## FOR THE

### Police and Fire Retirement Systems Annuity Savings Fund (“1974 DEFINED CONTRIBUTION PLAN”)

### LOAN PROGRAM

#### *Police and Fire Retirement Systems of the City of Detroit*

*This is a brief overview of the Police and Fire Systems of the City of Detroit Retirement Loan Program and is subject to change based on Board policy and Federal regulations.*

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Please Note: This booklet does not constitute the offering of investment, financial, tax or legal advice or other expert advice. The material contained in this booklet is for informational purposes only. You may wish to consult a professional financial planner, investment advisor, legal counsel or other expert before reaching any decisions. In addition, the material in this booklet is subject to the terms of the 1974 Defined Contribution Plan for Employees of the City of Detroit and any other applicable federal, state and local laws and regulations. In the event of any conflict between the 1974 Defined Contribution Plan for Employees of the City of Detroit and applicable law or regulations, then the applicable laws and regulations shall govern.

## Questions and Answers for the 1974 Defined Contribution Plan Loan Program

### Who is eligible for a Plan loan?

Any active or inactive police or fire city employee (coded active and paid on City payroll or off payroll) who is **or has been** a participant in the 1974 Defined Contribution Plan (annuity savings fund) may be eligible. These members are eligible to apply for a loan if the account balance in their 1974 Defined Contribution Plan is \$2,000 or more at time of application.

### How does taking out a loan impact my Plan investments?

Your loan is funded directly from your 1974 Defined Contribution Plan (annuity savings fund) account. The withdrawal will be deducted from funds in your account.

When you repay your loan, your loan payment is in after-tax dollars and is applied to the loan interest and finally to the loan principal, thereby reducing the balance owed on the loan.

The money borrowed is not considered part of the Plan assets until repaid, and is ineligible for any special dividends or interest paid to the Plan.

### What is the minimum amount of a loan?

The minimum loan amount available from the 1974 Defined Contribution Plan is \$1,000.

### What is the maximum loan amount I can borrow?

The maximum loan amount a participant may obtain is the lesser of (i) one-half (50%) of the account value in the 1974 Defined Contribution or (ii) \$15,000 reduced by the outstanding balance of loans from the trust on the date which the loan is made, whichever is less.

### What amount can I borrow?

Loans may be made in any even dollar amounts from the minimum of \$1000 up to the maximum amount allowed.

### May I have more than one loan at a time?

Yes. If you originally borrowed less than the maximum allowed, and now want to borrow up to the full amount, you may do so in a second loan. You may borrow until the total of the two loans is up to the maximum allowed. You may only borrow in a second loan if you are current on the first.

A member may not borrow funds again if they have ever defaulted on a 1974 Defined Contribution Plan loan in the past.

If you have paid off your original loan, a member may request a loan of the same type once 60 days from the payoff have expired.

### What if I borrowed the maximum allowed in my first loans?

Once that original loan is paid down, you may borrow back up to maximum if you so desire.

### Do I have to put up collateral and qualify for a loan in the same way I would at a bank?

No, the remaining balance in your 1974 Defined Contribution Plan account will secure your loan, as long as it equals or exceeds the amount borrowed.

### How are loans treated for tax purposes?

Funds borrowed from the Plan under these conditions are not treated as distributions, **provided they are repaid in accordance with the terms of the loan.** Therefore, no taxes are withheld or due when a loan is received.

### May I deduct the interest I pay on the loan from my taxable income if I itemize deductions?

No. Under federal tax law, no deduction is permitted for interest paid on a loan from the plan, regardless of the purpose of the loan.

### Are there other tax issues I should be aware of?

The participant is strongly advised to address any questions regarding the tax consequences of loans or loan limits to a qualified, independent tax advisor before submitting an application for a loan.

### How is the interest rate determined for Plan loans?

The interest rates for Plan loans will be based on the rate chosen by the Police and Fire System [prime plus one percent] plus 1% which shall be a loan administrative fee applied as interest to cover the internal costs. The loan rate is fixed for the life of the loan.

Loans initiated at different times may bear different interest rates, where, in the opinion of the Board, the

# Questions and Answers for the 1974 Defined Contribution Plan Loan Program

difference in rates is supported by a change in market interest rates or a change in the current assumed rate of return to the pension trust. The rate will not change more frequently than annually.

Bear in mind that the interest paid in by you, except for the 1% administrative fee, gets posted back to your account as interest with each payment.

It is essentially a self-directed investment.

## What are the loan initiation and processing fees?

A loan origination fee in the amount of \$75.00 shall be deducted from the loan amount approved. A \$2.50 per payment processing fee will be added to the loan repayment amount to cover the third party administrator (TPA) fees. A \$.30 fee is also added by the City's Payroll Audit department to handle the deduction. The TPA for the loan program is First Independence Bank. Since with Police and Fire members, active employment is not a requirement of borrowing, those members, or members that cease employment may make payments over the counter ("OTC") at a higher rate of \$3.50 per payment. There is no City fee for OTC payments.

## What are the terms of the loan?

That depends on the type of loan. There are two types:

1. General Purpose Loan – A repayment period of one to five (1-5) years. A General Purpose Loan can be used for any purpose. Proof of the reason for the Loan is not required.

Or

2. Residential Loan – A repayment period of one to fifteen (1-15) years. A Residential Loan can be used only for the purchase or construction of a primary residence. Proof of purchase or a construction agreement is required.

## Can I take a residential loan to refinance or pay off an existing mortgage?

No. Residential loans are *only* for home purchase or new construction.

The Participant Member can obtain a residential loan for constructing a new residence or purchasing an existing residence, but not for refinancing or repaying an existing mortgage, renovations, or buying out another person's share in their current residence or for the purchase of land only.

## What are loan repayment rules?

You are required to repay your loan in full. Loans are due and payable upon the expiration of the loan term or your severance from employment with the City, whichever occurs first. You may, however, elect to continue to keep your loan active with OTC payments upon separation instead of paying the loan off in full. You must make arrangements with the Bank to do OTC payments and remain current with those OTC payments, just as you would have to stay current if you were active and paying through payroll deductions.

When you sign your loan documents, you must agree to a specific loan term. While you are actively employed, regular loan repayments must be made through payroll deduction.

If you are an active employee your repayments will be deducted from your paycheck on a bi-weekly basis, beginning shortly after you receive the loan proceeds. If you are not active an equivalent OTC payment plan must be agreed to with the bank.

Partial repayments may be made at any time to reduce the loan balance. You may also change your payroll deduction amount to increase your bi-weekly payment so that the loan is paid off early.

If you wish to fully prepay your loan, you may pay off your loan with a certified check or money order made payable to the First Independence Bank indicating the 1974 Defined Contribution Plan. Contact the Plan Administrator prior to submitting any full prepayment to confirm the total amount due.

## What if I take a leave of absence?

Participants who take a leave of absence without pay for a period of greater than one month, but not exceeding one year may request that his or her loan repayments be suspended during the leave of absence through the submission of a Loan Change Form.

Interest will continue to accrue during the suspension period. The loan repayment period may not be extended but the loan payment amount may be recalculated at the end of the participant's loan suspension period.

Another Loan Change Form must be submitted upon completion of the leave of absence to resume loan payroll deductions. Participants who take a leave of absence without pay for a period of one year or greater

# Questions and Answers for the 1974 Defined Contribution Plan Loan Program

must continue to make loan payments, in accordance with the original loan repayment schedule, by submitting them directly to the Plan Administrator.

If a Participant takes a leave of absence from the City of Detroit because of service in the military, and does not receive a distribution of his/her account, such time period shall not be taken into account as part of the loan period even if the length of military service is greater than the original term of the loan. Upon completion of military service, the loan shall be recalculated and repaid over the original term of the loan.

You may also continue to make payments in an OTC fashion if desired while on leave, with the higher per transaction fee applied.

Notwithstanding the above, during the military service period, the rate of interest shall not be greater than 6% compounded annually. You must submit a Loan Change Form prior to commencement of military leave and upon return.

## What If I fail to make a required loan payment?

A participant will first be notified with a "Past Due Notice Letter" that the required loan payment was not made by the due date. This first occurs when two or more payments are missed. If the Plan Administrator does not receive the payment by the last day of the calendar quarter in which it was due, the participant's loan is delinquent and the Plan Administrator will send the participant a "Delinquent Status Letter". The "Delinquent Status Letter" is the second notice to the participant of the delinquency on or before default date. The default date is defined as the last day of the calendar quarter following the calendar quarter for which the missed payment occurred.

To cure the delinquency, the participant must submit the amount due, via bank check or money order, directly, to the Plan Administrator in accordance with the cure period as set forth in the "Delinquent Status Letter".

## What are the consequences of a loan default?

If the Plan Administrator has not received the delinquent loan payment(s) by the date set forth in the "Delinquent Status Letter" (see definition in the answer to the question above), the loan is defaulted and the participant shall receive a "Notice of Default". The "Notice of Default" is a confirmation to the participant that the Plan Administrator did not receive the past due loan

payment(s) to cure the delinquency by the specified date and, therefore, the following have taken place:

- The entire outstanding balance of the loan, including accrued, but unpaid, interest up to the date of default will be a deemed distribution and is includible in gross income, subject to mandatory federal withholding requirements and reported on Form 1099-R. You may also owe a penalty to the IRS for premature withdrawal if you are under 59 ½ in addition to the taxes owed.
- The participant will be precluded from applying for future loans from his or her 1974 Defined Contribution Plan account, even if the defaulted loan is fully paid off.

## How do I estimate a loan repayment amount?

You can estimate a loan repayment amount to be about \$9 bi-weekly for each \$1000 borrowed for a general purpose loan where the payback is 5 years. The loan repayment amount may be estimated to be about \$4 bi-weekly for each \$1000 borrowed for a residential purchase loan where the payback is 15 years. The \$2.50 TPA fee and the \$.30 city fee are added to the loan repayment amount for each deduction. If a payment is made without the normal payroll deduction and is a regularly scheduled over the counter payment (OTC) the TPA fee would be \$3.50 per payment. There is no city fee for OTC payments.

If the required loan repayment amount would exceed 25% of your net pay the loan amount will be reduced till the required payment is below that threshold. Also, keep in mind that your minimum payment is \$20 bi-weekly regardless of the amount borrowed.

## It's my money, why do I even have to pay it back?

Short Answer: The IRS rules require you to repay the loan.

Explanation: These monies are to be used for retirement and no taxes have been paid on the earnings.

The Government wants to ensure that the funds YOU have set aside for retirement are there when you retire. It is the same reason that they charge a premature distribution fee for taking refunds out of the 1974 Defined Contribution Plan before you have reached retirement age.

## Okay, so I have to pay it back, why can't I just offset the loan with the annuity (1974 Defined Contribution

# Questions and Answers for the 1974 Defined Contribution Plan Loan Program

## Plan) monies I have?

Participants are never eligible to directly “offset” their loans (payoff by using the remaining balance in the 1974 Defined Contribution Plan). The IRS would consider the offset a violation of the plan unless a member is eligible for an annuity refund.

## What about a refund, if I have a loan?

The 1974 Defined Contribution Plan does not allow in-service distributions except for the refunds that you may take after 20 or 25 years depending on the rules of withdrawal for your bargaining unit.

Participants who have an outstanding Plan loan balance will still be eligible for the twenty or twenty-five year withdrawal providing they meet all of the following criteria:

- (a) The participant is currently employed as a City of Detroit employee.
- (b) The participant is current with their outstanding plan loan, and
- (c) The remaining balance in the participants account after the issuance of their refund benefit is not less than the outstanding loan balance at the time the benefit is paid.

## What happens if I get disabled, there is a layoff, or I need to quit?

When a Plan participant experiences a severance from City service, the participant will be sent an “Employment Separation Letter” where they will be given a choice of having the loan treated as a “deemed distribution” which would result in a taxable distribution to the participant on a Form 1099-R for the outstanding loan amount.

Alternately, the participant can pay the loan **in full** in which case no taxable event for the loan would occur, or continue to make payments as OTC transactions with the higher transaction fee per payment.

Disability retirement status will be treated like a separation from service.

## What if I DROP while I have a loan?

For loan purposes being on DROP is NOT a separation status. You are still being actively paid. You must continue loan payments and cannot have the loan declared a “deemed distribution”.

## I still feel I want a loan. How do I apply for a loan?

You may submit your application at any First Independence Bank branch office, by telefax or email.

## What is the sequence of events in the loan process?

- A completed 1974 Defined Contribution Plan loan application is received by the Plan Administrator.
- The Plan Administrator verifies the participant's eligibility for a loan and the amount of the loan.
- If verified, the Plan's record keeper issues a report to the Board which reviews the loan request and authorizes disbursement.
- Subsequently loan proceeds are issued by the Bank to the participant (funds are disbursed at closing from the Bank to the participant usually within a week or two after the participants loan has been approved by the Board).
- Repayments will be deducted from your paycheck on a bi-weekly basis, beginning shortly after you receive the loan proceeds.

## Wait... have you considered everything?

Before deciding to take a loan from your 1974 Defined Contribution Plan account, make sure you understand how taking a loan can affect your retirement savings. Taking a loan from your 1974 Defined Contribution Plan account can greatly impact your future account balance. Therefore, you should consider other ways to cover your unexpected expenses.

**SAMPLE INFORMATION ONLY**

**Police & Fire Retirement System City of Detroit Annuity  
Savings Fund (AKA 1974 Defined Contribution Plan)  
Payment Estimator & Loan Criteria**

RATE: 5.25%

PAYMENTS PER YEAR: 26

**General Purpose Loan Time Periods**

**Residential Purpose Loan Time Periods**

Total Payments \$ Borrowed / Years	General Purpose Loan Time Periods					Residential Purpose Loan Time Periods									
	26 1	52 2	78 3	104 4	130 5	156 6	182 7	208 8	234 9	260 10	286 11	312 12	338 13	364 14	390 15
1,000	(39.52)	(20.28)													
2,000	(79.04)	(40.55)	(27.74)	(21.34)											
3,000	(118.56)	(60.83)	(41.61)	(32.01)	(26.26)	(22.44)	(19.71)	(17.68)							
4,000	(158.08)	(81.11)	(55.48)	(42.68)	(35.02)	(29.92)	(26.29)	(23.57)	(21.47)	(19.79)	(18.42)	(17.29)			
5,000	(197.59)	(101.39)	(69.35)	(53.35)	(43.77)	(37.40)	(32.86)	(29.46)	(26.83)	(24.74)	(23.03)	(21.62)	(20.43)	(19.41)	(18.54)
6,000	(237.11)	(121.66)	(83.22)	(64.02)	(52.52)	(44.88)	(39.43)	(35.36)	(32.20)	(29.69)	(27.64)	(25.94)	(24.51)	(23.29)	(22.24)
7,000	(276.63)	(141.94)	(97.09)	(74.69)	(61.28)	(52.35)	(46.00)	(41.25)	(37.57)	(34.63)	(32.24)	(30.26)	(28.60)	(27.17)	(25.95)
8,000	(316.15)	(162.22)	(110.96)	(85.36)	(70.03)	(59.83)	(52.57)	(47.14)	(42.93)	(39.58)	(36.85)	(34.59)	(32.68)	(31.06)	(29.66)
9,000	(355.67)	(182.50)	(124.83)	(96.03)	(78.78)	(67.31)	(59.14)	(53.03)	(48.30)	(44.53)	(41.46)	(38.91)	(36.77)	(34.94)	(33.37)
10,000	(395.19)	(202.77)	(138.70)	(106.70)	(87.54)	(74.79)	(65.71)	(58.93)	(53.67)	(49.48)	(46.06)	(43.23)	(40.85)	(38.82)	(37.07)
11,000	(434.71)	(223.05)	(152.56)	(117.37)	(96.29)	(82.27)	(72.28)	(64.82)	(59.03)	(54.42)	(50.67)	(47.56)	(44.94)	(42.70)	(40.78)
12,000	(474.23)	(243.33)	(166.43)	(128.04)	(105.05)	(89.75)	(78.86)	(70.71)	(64.40)	(59.37)	(55.27)	(51.88)	(49.02)	(46.59)	(44.49)
13,000	(513.74)	(263.61)	(180.30)	(138.71)	(113.80)	(97.23)	(85.43)	(76.60)	(69.77)	(64.32)	(59.88)	(56.20)	(53.11)	(50.47)	(48.20)
14,000	(553.26)	(283.88)	(194.17)	(149.38)	(122.55)	(104.71)	(92.00)	(82.50)	(75.13)	(69.27)	(64.49)	(60.52)	(57.19)	(54.35)	(51.90)
15,000	(592.78)	(304.16)	(208.04)	(160.05)	(131.31)	(112.19)	(98.57)	(88.39)	(80.50)	(74.21)	(69.09)	(64.85)	(61.28)	(58.23)	(55.61)

**Criteria:**

1. Active, Separated, (including terminated & laid off), Duty Disabled & Retired Participants are eligible to participate in pension loan program
2. Unions must be approved to be eligible to participate in pension loan program
3. Minimum loan amount allowed to borrow \$1,000.00
4. Minimum loan payment amount of \$20.00 per pay period
5. Maximum loan amount equal to the lesser of 50% of pension balance or \$15,000
6. Maximum time period allowed to payback general purpose loan is 5 years
7. Maximum time period allowed to payback residential loan is 15 years - **MUST PROVIDE RESIDENTIAL PURCHASE OR CONSTRUCTION AGREEMENT**

Mr. Smith has a pension balance total of \$15,575. Mr. Smith would like to borrow \$10,000 to purchase an automobile and pay the loan back over 6 six years. In this example, Mr. Smith can borrow a maximum of 50% of his pension balance or \$7,787.50 and since the proceeds are not being used to purchase a residence, the maximum time period allowed is 5 years.

# Police and Fire Retirement System of the City of Detroit Annuity Savings Fund (AKA 1974 Defined Contribution Plan) LOAN APPLICATION

## INSTRUCTIONS

1. Participant must Complete Sections 1, 2 and 3.
2. Participant must Review Loan Provision Agreement in Section 4, then Sign and Date.
3. Return the completed application along with a copy of a valid driver's license or other state issued I.D. card to one of the following First Independence Bank ("FIB") branch locations in person, or by **email or telefax** (see Section 4, Item 15). Also, please mark the box of the FIB branch you wish to close your loan.

Main Office Branch  
44 Michigan Avenue  
Detroit, MI 48226

Garfield Branch  
38880 Garfield Rd  
Clinton Twp., MI 48204

Seven Mile Branch  
7020 W. Seven Mile  
Detroit, MI 48221

4. For questions about completing or submitting this application form, please call (313)256-8434.

## SECTION 1: PARTICIPANT INFORMATION

Name: \_\_\_\_\_

Social Security #: \_\_\_\_\_ Date of Birth \_\_\_\_\_

Address (Street, City, State, Zip): \_\_\_\_\_  
\_\_\_\_\_

Phone Number: 1. \_\_\_\_\_ 2. \_\_\_\_\_

Email Address: \_\_\_\_\_

YES  NO I currently have an outstanding loan with the Plan

I am  I am not subject to an Eligible Domestic Relations Order (EDRO) or a Qualified Domestic Relations Order (QDRO)

## SECTION 2: LOAN AMOUNT REQUESTED – \$15,000 MAXIMUM INCLUSIVE OF ALL OUTSTANDING LOANS

(Minimum \$1,000 & a maximum of 50% of the Annuity Savings Fund account value or \$15,000, whichever is less, for all outstanding loans)

I request a loan amount of \$ \_\_\_\_\_ minus a \$75.00 origination fee= \$ \_\_\_\_\_  
Participant's Initials \_\_\_\_\_

I request a loan in the maximum amount permitted by the Plan minus a \$75.00 origination fee.  
Participant's Initials \_\_\_\_\_

## SECTION 3: LOAN TERMS

YES  NO I intend to use the loan proceeds to purchase or construct my primary residence. (If you check "Yes" you are requesting a Residential Loan. If you check "No" or you fail to check either box, you are requesting a General Purpose Loan.)

Residential Loan: If you checked "YES", indicate your requested Loan Repayment Period: \_\_\_\_\_ year(s) / \_\_\_\_\_ months  
(NOTE: the maximum repayment period for a Residential Loan is 15 years. Failure to request a shorter repayment period shall result in a 15-year repayment period being selected.)

OR

General Purpose Loan: If you checked "NO", indicate your requested Loan Repayment Period \_\_\_\_\_ year(s) / \_\_\_\_\_ months. (NOTE: the maximum repayment period for a General Purpose Loan is 5 years. Failure to request a shorter repayment period shall result in a 5-year repayment period being selected.)



# **Police and Fire Retirement System of the City of Detroit Annuity Savings Fund (AKA 1974 Defined Contribution Plan) LOAN APPLICATION**

## **SECTION 4: Loan Provision Agreement**

### **I Understand And Agree To The Following Loan Provisions:**

1. Only members who are active, separated, duty disabled or retired participants are eligible to apply for a 1974 Defined Contribution Plan loan if their 1974 Defined Contribution Plan monies are unencumbered. Non-duty disability participants, retirees or Deferred Retirement Option Program ("DROP") participants who annuitized their 1974 Defined Contribution Plan monies are all ineligible.
2. I may only have two outstanding loans at a time. There is a 60-day waiting period upon payoff of a loan prior to applying for a new loan.
3. I must sign a promissory note at First Independence Bank before the loan amount will be issued. Funds borrowed from the Plan are not treated as a Plan distribution, provided they are repaid in accordance with the terms of the Plan and note.
4. My remaining account balance in the 1974 Defined Contribution Plan after the loan proceeds have been withdrawn will serve as security interest (subject to applicable law) for any unpaid loan administration and/or fees associated with my loan.
5. The loan interest rate will be fixed at prime rate plus 1% plus 1% for the administration of the loan. Interest paid on the Plan loan is not deductible for tax purposes in accordance with federal tax law, regardless of the purpose of the loan.
6. A loan origination fee of \$75.00 will be deducted from the loan proceeds for each loan application. A \$2.50 per payment processing fee will be added to each loan repayment amount to cover the loan processing fees. Also, a \$.30 payroll withholding fee is charged by the City's payroll department to handle each loan deduction, for a total fee of \$2.80 per payroll period. A fee of \$3.50 per transaction will be assessed for each loan payment made over-the-counter ("OTC").
7. Loan payments will be made through regular payroll deductions, on a minimum bi-weekly or semi-monthly basis for active employees. Loan payments will be made OTC at First Independence Bank on a minimum bi-weekly or semi-monthly basis for separated or non-active employees. The payroll deduction cannot be less than \$20.00 for any two-week period. The minimum payment will be required for all over the counter payments as well. I may increase my payroll deduction to pay-off the loan early. If I choose, I may elect to fully payoff my loan at any time with a certified check or money order made payable to the First Independence Bank indicating the 1974 Defined Contribution Plan. I should contact the Bank prior to submitting any full prepayment to confirm the current amount due.
8. A residential loan can be used only for the purchase or construction of a primary residence. Proof of purchase or a construction agreement is required to be included with this application. The documentation provided must be from a third party, be a signed copy of either the home purchase contract or settlement sheet or for new construction, a home construction contract. The documentation must show me as the borrower or co-borrower, detail the purchase or construction price, list the address of the residence purchased or constructed and bear an executed date no earlier than 45 days for a purchase of a residence and 180 days for a new construction, from the closing date of the loan. Refinanced or home equity loans do not qualify for the provisions of this Plan.
9. My loan shall be delinquent if any loan payment is not made on the due date. Upon delinquency, the Bank will send me a loan "Late Letter" notifying me of the delinquency and how to avoid default status. To avoid the loan being placed in default status, I must submit the amount due, via a certified check or money order, directly to the Bank within the period stated in the loan "Late Letter". If I do not remit the loan payment by the due date identified in the loan "Late Letter", the loan is deemed defaulted and I will receive a loan "Default Letter". As a result the following will occur: i) The entire outstanding balance will be a taxable distribution and reported on Form 1099-R and I will be subject to income taxes and may be subject to a penalty for premature withdrawal; ii) The defaulted loan will continue to accrue interest until the loan is fully repaid or I experience a distributable event; iii) I will be precluded from applying for future loans from the 1974 Defined Contribution Plan even if the defaulted loan is repaid. If my employment status or position changes, I must notify First Independence Bank. If my employment is terminated, I must notify First Independence Bank.

**Police and Fire Retirement System of the City of Detroit**  
**Annuity Savings Fund**  
**LOAN APPLICATION**

**SECTION 4: Loan Provision Agreement - Continued**

**I Understand And Also Agree To The Following Loan Provisions:**

10. If I default on one of my outstanding loans, it will not necessarily constitute a default on my second loan. I may continue to make loan payments on any other outstanding Plan loan either via payroll deductions or with a certified check or money order made payable to First Independence Bank indicating the 1974 Defined Contribution Plan at a Bank branch.
11. If I take a leave of absence from the City without pay for a period of greater than one month, but not exceeding one year, I may request that my loan repayments be suspended during the leave through the submission of an "Employee Status Change Form". If I fail to pay all delinquent payments owed on my loan(s) prior to the date of my approved leave it will result in a delinquency and possibly a default of my loan(s) in accordance with IRS provisions. Interest will continue to accrue during the suspension period. I must complete another "Employee Status Change Form" when returning to work and resume the payroll deductions. If I take a leave of absence without pay for a period of one year or greater, I must continue to make my loan payments in accordance with the original loan repayment schedule and submit the certified check or money order directly to the Bank. Failure to submit an "Employee Status Change Form" may result in a loan default.
12. If I take a leave of absence from the City because of military service and I do not receive a distribution from my account, such period of absence shall not be taken into account as part of the loan period even if the length of military service is greater than the original term of the loan. Upon completion of military service, the loan shall be recalculated and repaid over the original term of the loan. Also, during the absence for military service, the rate of interest shall not be greater than 6% compounded annually. I must complete and submit an "Employee Status Change Form" both prior to the commencement of my military leave and upon my return.
13. I am required to repay my loan in full. While I am an active City employee, my repayments will be deducted from my paycheck on a bi-weekly basis, beginning shortly after I receive the loan proceeds. While I am not an active City employee, I must make equivalent over the counter ("OTC") payments to First Independence Bank and I must remain current with those OTC payments just as I would have to stay current if I were active and paying through payroll deductions. OTC payments must be in the form of certified check or money order made payable to First Independence Bank and cannot be less than \$20.00 for any two-week period.
14. I will have 30 business days after my loan is approved to close the loan. I acknowledge that, if I do not close the loan within 30 days of its approval, I may lose interest on annuity funds in my account and I will have to re-apply for the loan.
15. To apply for a Plan loan, I must complete this application form and submit it to First Independence Bank. I may submit my completed application, along with a copy of a valid driver's license or state issued I.D. card, at any of the above-listed First Independence Bank branch offices, by telefax to (586) 329-7260, or by email to PFRSLoans@FirstIndependence.com. **I acknowledge and agree that email and telefax transmissions, even if a secure telephone line is used, are not secure or confidential, are subject to corruption, interception, misdirection, unauthorized amendment, unauthorized forwarding, viruses and delays. I agree that First Independence Bank cannot be and shall not be responsible for any corruption, interception, misdirection, unauthorized amendment, unauthorized forwarding, viruses or delay incurred to your application, nor for the completeness or timeliness of my application, if I choose to deliver it to First Independence Bank by email or telefax transmission.**

I agree to comply with the terms and conditions of the Plan. These terms and conditions are in accordance with federal guidelines. Should I fail to make the required repayments, the unpaid balance will be considered a distribution from my retirement account subject to the distribution rules under Section 72(p) of the Internal Revenue Code. I certify that I am an active participant in the 1974 Defined Contribution Plan. I accept full responsibility for the completeness, accuracy and use of information contained in this application whether delivered in person, by telefax or by email transmission.

**Participant's Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_