401(k) LOANS AND LEAVE OF ABSENCE

COUNTY of VENTURA
Deferred Compensation

Being on a leave of absence, either unpaid or reduced pay, will have an impact on your 401(k) loan. Individual leave of absence circumstances are outlined below:

- If you are on an unpaid leave of 12 months or less and have a loan term of less than 5 years, you do not have to make loan payments during you leave. Fidelity will automatically reamortize your loan when you return to work.
- If you are on an unpaid leave of absence of 12 months or less, and you have a loan term of 5 years but the end of the 5-year term will be after your return to work, you do not have to make loan payments during your leave. Fidelity will automatically reamortize your loan when you return to work.
- If you are on an unpaid leave of absence of 12 months or less, have a loan term of 5 years, and the end of the 5-year term will occur during your leave, you must make loan payments during your leave.
- If you are on an unpaid leave of absence that will last more than 12 months, you must make loan payments during your leave regardless of the length of your loan term.
- If you are on a reduced pay leave but are earning enough to make your full loan payments, you do not need to make additional payments.
- If you are on a reduced pay leave of 12 months or less, are making no loan payments or partial loan payments, and you have a loan term of less than 5 years, you do not have to make loan payments during your leave. Fidelity will automatically reamortize your loan when you return to work.
- If you are on a reduced pay leave that will last more than 12 months and are making no loan payments or partial loan payments, you must make loan payments during your leave regardless of the length of your loan repayment period.

For more information, contact Deferred Compensation at: dererred.compensation@venturacounty.gov or 805/654-2620.

To make loan payments during your leave, contact Fidelity at 800/343-0860.

► If you do not make your loan payments during your leave of absence, your loan will default.◄

► It is your responsibility to make your loan payments and ensure your loan does not default.◄

What Happens if You Default on Your Loan?

A loan default occurs when you stop making payments on your 401(k) loan. This may be during an unpaid or reduced pay leave of absence when the required loan payments are not made, as detailed above. You are obligated to make your loan payments, when you don't make your payments, your loan is defaulted.

The consequences of a loan default are:

- You are taxed on the amount of the outstanding balance. In addition to regular income taxes, you may be responsible for a 10% early withdrawal penalty depending on your age. These taxes and penalties can become a heavy obligation at tax time.
- The defaulted loan will continue to count towards the loan limit (both in maximum number of loans and maximum loan amount) until the defaulted amount is paid off. The defaulted loan, plus accrued interest, will count as if it were an active loan when calculating your future loan eligibility.
- You will not be able to initiate a new 401(k) loan for three years after the date of your default, regardless of whether you repay the defaulted amount or not.

► Fidelity will send out a warning communication if you have stopped making payments on your loan and you are near default. Take action **immediately** by contacting Fidelity - do not ignore this communication! Defaulted loans cannot be reversed, and the consequences outlined above will apply.