

**MEMBER LOAN PROVISIONS
FOR
MINISTERS' RETIREMENT
PLAN**

403(b) RETIREMENT PLAN

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MEMBER LOANS

The Ministers' Retirement Plan (hereinafter referred to as the "MRP" or "Plan"), administered by the Church of God Benefits Board, Inc. ("Benefits Board" or "Board"), has elected to make loans available to our members. Under the Plan and pursuant to this document, loans will be made available to all Members having sufficient funds. The following is a summary of the rules, which will be used to administer the loan program. This document will be used as an addendum to the actual Plan document which was amended and restated as of January 1, 2009. Further, this document implements Section 4 of the Plan document which allows for loans to Members (also referred to as "participants").

Summary of Member Loan Provisions

A participant may borrow from his or her own retirement account. If the participant is married, spousal consent will be required. All principal and interest will be repaid to the participant's retirement account, except for an amount designated in advance that is imposed by the Board for administrative expenses. The maximum duration of a loan may not exceed five years (60 months), even if such is for a primary residence. Each repayment will be reinvested in accordance with the most recent investment selection form on file. A loan from the Plan can be obtained for any purpose.

Limits

The requested loan amount cannot be less than \$1,000. In addition, according to Internal Revenue Service rules and regulations, the maximum amount borrowed within a 365-day period cannot exceed the **lesser** of the following:

- 1.) 50% of member's total account balance, or
- 2.) \$50,000.

The maximum amount available for a member loan will be determined based on the valuation of the participant's account balance on the date the loan is considered.

A participant may have no more than two loans outstanding at a time with the combined balance within the limits set out above. Consolidations of loans are not allowed. The interest rate on member loans will be determined based upon the rate declared by the Board and in effect at the time of application for the loan.

Loan Eligibility

Membership in the Ministers' Retirement Plan (and not necessarily employment) will be the basis of loan eligibility. This means that unemployed participants will not necessarily be denied loan privileges simply because of their employment status.

PROCEDURES FOR MEMBER LOANS

The procedures contained herein, as well as any interpretations or clarifications issued by the Board in the future, shall comprise the operational rules and procedures for the participant loan program. Each participant shall receive a copy of the loan rules upon request.

Loan Application

A participant requesting a Member loan must complete a Loan Application on a form provided by the Benefits Board. Partially completed applications will not be considered.

In applying for a loan, the participant must specify the amount requested and the repayment period (in number of months). The loan request will be approved or denied based on the participant's account balance being sufficient to permit such a loan.

Loan applications will normally be processed within ten (10) days of receipt of the full application package. If approved, the loan proceeds will generally be available within two weeks following approval.

The participant will be required to execute a promissory note to the Benefits Board agreeing to the terms of the loan and a bank draft (ACH) deduction authorization for repayment of the loan. The participant will receive information about his or her loan, including a detailed Amortization Schedule and copies of all signed documents for their records.

By contacting the Benefits Board before making application, the participant can determine the specific amount that is available as a loan, the current interest rate and the projected monthly payment amount for a specified term (not to exceed 60 months).

After submitting a completed application, the participant will be notified by the Board in writing whether the loan has been approved or denied.

Loan Fees

Regardless of loan amount, a \$100 application fee will be deducted from the loan principal when it is approved. There are no other up-front fees.

Approval

If the loan is approved, the following enclosures will accompany the approval letter:

Bank Draft Authorization
Promissory Note

The participant must complete and sign the Bank Draft Authorization and Promissory Note. The loan proceeds will not be disbursed until these documents have been received by the Benefits Board. A copy of the Amortization Schedule, Truth-in-Lending Disclosure Statement, and copies of all documents shall be sent to the participant along with his or

her loan proceeds. The cancelled check shall be the sole proof of receipt of the loan proceeds.

Denial

All denied loans will include a written explanation of why the loan was denied. For example, a loan would be denied if the participant's account balance is insufficient when compared to the requested amount, or if some other plan requirement (such as the \$1,000 minimum loan amount) is not met. A loan may also be denied if the desired term is more than 60 months or if the participant has had a prior default on a Plan loan that was not cured.

Loan approval will be granted or denied without regard to intended use. All forms are designed not to probe as to intended use. If the participant brings up the intended use, such disclosure will not be used to deny or approve the loan.

Term of Loan

The maximum term of a Member loan is 60 months (5 years) regardless of intended use, including the purchase of a home.

Collateral for Loans

The only collateral for the loan is the participant's account balance. In order to obtain a loan, the participant will be required to give the Plan a security interest equal to the borrowed amount, plus any accrued interest, by signing a promissory note.

If there is a severe depreciation in the value of the fund during the period of the loan, additional collateral will not be required. The loan is callable only in the event of default.

Raising Cash

If any of the loan proceeds are derived from equities (stocks), sufficient shares in the equity accounts will be sold at market value at the time the loan is funded and converted to cash so as to provide the loan proceeds.

Loan Disbursements

Participants will be given the opportunity to choose one of the following options to fund the Member loan:

Option "A": the loan proceeds and origination fees will be taken proportionately from the participant's various funds until the requested amount is reached. The Board will make every attempt to maintain asset allocation by making the withdrawals in the same way that the participant's investment allocations are made. For example, if the participant is currently investing 40% in the Trustees Fund, 20% in the Large Capitalization Fund, 20% in the Small Capitalization Fund and 20% in the International Stock Fund, a \$10,000 loan would be funded by taking \$4,000 from the participant's Trustees Fund account, \$2,000

from the Large Capitalization Fund, \$2,000 from the Small Capitalization Fund, and \$2,000 from the International Stock Fund.

Option "B": allows the participant to designate from which funds to draw the loan proceeds. These instructions are not related in any way to the repayment/reinvestment processes. The participant will be able to specify which accounts to draw the funds from as follows:

"Please draw my loan proceeds from the <NAME OF FUND> first. If not sufficient for the amount I have applied for, then continue to draw additional funds from the <NAME OF FUND> next. If the two above named funds are not sufficient for the amount I have applied for, then continue to draw additional funds from the <NAME OF FUND>. If the three above named funds are not sufficient for the amount I have applied for, then continue to draw additional funds from the <NAME OF FUND>.

Default Option: If the participant fails to choose Option "A" or Option "B," the default choice of the plan will be to take the loan funds from the participant's investment in the Trustees' Fund.

Rate of Interest for Loans

The interest rate for Member loans will be fixed for the life of the loan at the rate approved by the Board of Trustees of the Benefits Board and in effect at the time the loan is approved. Any interest collected above and beyond the amount stated by the Board to be returned to the participant's account will be used by the Benefits Board to cover the expenses of administering the loan program. For example, the interest rate may be set by the Board at 7% with 5% to be returned to the participant's account and 2% to be used by the Board to cover the expenses of the Member loan program.

Interest is compounded monthly as detailed in the amortization table provided to participant and will begin accruing on the unpaid balance of the loan as soon as the participant's loan proceeds are advanced.

Repayment of Your Loan

If a loan is received from the Plan, the participant will be required to repay the loan through bank drafts (ACH). No other monthly payment method is permitted. However, the entire unpaid balance may be remitted by check without any prepayment penalty. Bank drafts will be made once a month on the 10th or 20th day of the month (or the closest business day thereto) commencing not less than 30 days and not more than 60 days after the Member loan is funded.

All loans must be repaid to the Plan within 60 months or less. Full prepayment of the outstanding loan balance may be made at anytime without penalty. If the participant wants to pay off his or her loan early, he or she must make his or her check, money order or cashier's check for the outstanding balance on the loan payable to the Church of God

Benefits Board and reference his or her account number. The outstanding balance of the loan can be determined by calling the Benefits Board (1-877-478-7190).

NOTE: Loan payments, included both principal and interest attributable to the participant's account, will be reinvested based upon the participant's most recent investment selection form.

Recordkeeping and Reinvestment

All the principal repayments and a portion of the interest payments (such as designated by the Board) will be deposited directly into the participant's own account; in essence the participant will be "repaying" himself or herself for their future retirement. Desired asset allocation, on invested amounts other than the outstanding loan balance and as chosen by the participant's selection, will be maintained at all times. Option "B" as described above under "Loan Disbursements" will have no effect on repayment/reinvestment whatsoever.

The outstanding balance on the loan will be determined on a daily basis. All payments of principal and interest will be recorded as soon as reasonably possible after receipt by the Benefits Board.

Participants are currently receiving quarterly statements regarding his or her retirement account. Statements may also be provided to show the balance due on personal loans.

The loan amount will be disbursed from funds in accordance with the disbursement allocation option chosen by the participant as discussed above. Payments made on the loan will be deposited into the investment funds according to the participant's current investment selection. A loan does not alter the participant's ability to participate or change his or her investment selections quarterly.

Events of Default

A loan may be found in default if one of the following occurs:

1. Any scheduled installment or a portion of a loan installment remains due and unpaid for a period of more than 90 days after its original due date.
2. A proceeding in bankruptcy, receivership or insolvency is commenced by or against the participant.
3. The participant becomes ineligible for sustained membership in the Ministers' Retirement Plan.
4. Death of the participant (loan will be paid off immediately upon notice and prior to net proceeds being transferred to beneficiary(ies).)

Whether a loan is declared to be in default will depend on the facts and circumstances of each individual case. In making its determination, the Benefits Board will treat all participants in a nondiscriminatory manner. The terms of a loan may not be renegotiated.

Notice of Default

Before a loan is declared to be in default, a "Call Letter" will be sent by the Benefits Board. The participant will be notified in writing and given the opportunity to either (1) make up past due payments, or (2) repay the entire loan balance (if there has been a failure to make a required payment for up to 90 days). If the full loan amount or past due installment(s) is not paid within 10 days after the date of the Call Letter (90 days from the original payment due date), the loan will automatically be in default, and the appropriate remedies described below shall apply.

Remedies Upon Default

Any of the following steps or any other actions that are considered appropriate to collect the remaining unpaid balance and the accrued interest of any loan in default (including the institution of a lawsuit) may be applied:

1. If the participant is age 59½ or older, is totally or permanently disabled, ceases to be a member of the Ministers' Retirement Plan (for whatever reason) or dies, his or her account will be offset by the unpaid balance of the loan (plus accrued interest) and the participant or successors will be liable for regular income tax on this amount.
2. If the participant is under age 59 ½, the law requires the remaining unpaid balance of a defaulted loan will be treated as a taxable distribution to the participant. The appropriate IRS information (Forms 1099-R) will be provided and the participant will be liable for regular income tax **as well as a 10% penalty tax on the unpaid loan balance.**
3. If, in order to proceed with any remedy described above upon default, it is deemed necessary or appropriate to retain outside legal counsel, the participant will be required to reimburse the Plan for any attorney fees and costs incurred by the Plan, and any such amounts may be added to the amount due under the loan as part of the costs of collection.

In the event of a default, any charges resulting from the participant's failure to make payments timely may be assessed as a part of the offset, including reasonable "non-sufficient" funds charges. Under no circumstances may an offset associated with a defaulted loan be treated as Housing Allowance or any other tax-exempt purpose.

Modification of Loan Program

Any change in these Loan Rules will apply only to loans approved after the date of the change, unless the change is required by federal or state law to be applied retroactively to outstanding loans.

Controlling Law

The Ministers' Retirement Plan is governed by the laws of Texas. Rules relating to loans from the plan are found in the Internal Revenue Code of 1986, as amended ("Code"), and in rulings and regulations issued by the Internal Revenue Service. The Code states that loans are a genuine debtor/creditor relationship between the borrower and the lending institution (in this case, the Plan) that should be treated similar to the relationship that would exist if the borrower sought the same loan from an unrelated lending institution operating in a conventional commercial context.

In addition, other federal laws such as the Truth-in-Lending Act, various credit reporting acts, and acts protecting the rights of persons on active duty in the military service of the United States may also apply. Certain state laws may also be applicable to the extent that they are not superseded by federal law. It is intended that this loan program will comply with all applicable federal and state rules and regulations regarding loans from qualified church plans. The Benefits Board does not disclose any account information to outside parties such as credit bureaus or creditors without receiving advanced written consent from the participant.

Military Service

As permitted under section 414(u) of the Internal Revenue Code of 1986, as amended, if a participant with an outstanding Member loan takes a leave of absence for a period of military service, such participant may elect to suspend regular loan payments during such period of military service, regardless of the duration of such service. Upon completion of such military service, the participant must resume making loan repayments in an amount which is not less than the original repayment amount and in installments which are not less frequent than the frequency required under the terms of the original loan. The loan must be repaid in full (including interest that accrues during the period of military service at a rate not to exceed 6% compounded annually) by the last day of the latest permissible term of the loan plus the period of military service. Any balance due and payable at the end of such adjusted loan term must be paid in one lump sum payment. Such lump sum payment may be made by check or other negotiable instrument made payable to the Church of God Benefits Board and must reference his or her account number.

Interest Deduction

Generally, the Internal Revenue Code denies any deduction for the interest paid on a Member loan. The participant should seek the advice of a tax professional who can advise him or her based on the facts of the individual situation. (NOTE: *The Board of Trustees and the staff of the Benefits Board are not engaged in rendering financial advice, legal advice, or other financial planning services. If such advice is desired or required, the services of a competent professional should be sought.*)

Termination of Member Loan Program

The Board may, in its sole discretion, determine that no new loans to Members will be permitted subsequent to a date determined by the Board.

General Terms and Conditions

Amortized Participants: Participants in the Plan who are currently receiving a regular periodic distribution are **not** eligible to receive a Member loan under this program. In addition, before a participant can begin regular installment payments from their account, all outstanding loans must be repaid.

Pledging Collateral: Participants are strictly prohibited from pledging assets held within the plan as collateral. Section 8.02 of the Plan document provides specific guidance on this issue.

Lookback Provision: Any amount available for a loan under this program will be reduced by the largest balance on any previous loans during the past 365 days before approval, even if previous loans are paid in full.

Multiple Plans: The amount available for a Member loan is determined based upon the participant's account balance in the Ministers' Retirement Plan. Funds in other plans (e.g. previous employer plans or other retirement accounts) can not be used to determine the loan limit under this Plan.

Christian Stewardship: In most cases, Christian stewardship principles would suggest that a participant use their internal resources rather than going into a debtor relationship. The Benefits Board suggests that each participant considering a Member loan seek professional advice, as well as Christian guidance, on the advisability of taking such a loan. The Benefits Board will not seek to give such advice and will be held harmless for a participant's decision to incur such debt. In addition, because of the special problems associated with loan defaults and foreclosure and the potential adverse tax consequences of default, a participant is urged to carefully evaluate his or her ability to repay the loan before entering into a loan.

Administrator of the Loan Program

The administrator of the Member loan program for the Ministers' Retirement Plan is the Benefits Board. Ms. Vanessa Vowell of the Benefits Board staff is assigned the primary responsibilities of coordinating the Member loan program. To request a loan, the participant should call Ms. Vowell at (877) 478-7190 or e-mail her at vvowell@benefitsboard.com.

Any additional questions, comments, or clarifications needed after reviewing these rules should be directed to the President and Chief Executive Officer of the Benefits Board at the following address:

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