ASSOCIATION OF FREE LUTHERAN CONGREGATIONS
RETIREMENT PLAN
LOAN PROCEDURES

This document contains important information about the procedures for obtaining a loan from the Plan. The following rules shall apply to the loan program:

Procedure for Applying for a Loan. If you are an active Participant in the Association of Free Lutheran Congregations Retirement Plan, you may apply for a loan from the Plan. You must complete a loan application form and submit the completed form and supporting materials to the Plan Administrator. All loan applications will be reviewed on a uniform and nondiscriminatory basis and your loan will be approved if the Plan Administrator determines you have the ability to repay the loan, the loan is adequately secured and the loan meets the other requirements set out below. Loan application forms may be obtained from the Plan Administrator.

Administration of the Plan Loan Program. The Plan loan program is administered by the Plan Administrator.

Promissory Note. If your loan is approved, you will be required to sign a promissory note.

Type and Amount of Loan. The Plan does not restrict the purposes for which loans may be made. However, the Plan does set maximum and minimum limits on the amount of a loan.

Maximum Amount of Loan. A loan cannot be greater than 50% of the vested account balance under the Plan. Additionally, the loan cannot exceed $50,000, reduced by the excess (if any), of the highest outstanding balance of loans from the Plan during the 12-month period ending on the day before the date a new loan is made, over the outstanding balance of loans from the Plan on the date the new loan is made.

Roth Contribution Account. The Plan Administrator will determine whether you may receive a loan from your Roth Contribution Account. If the Plan Administrator allows loans from your Roth Contribution Account, the Plan Administrator will specify an ordering rule for loans. The ordering rule will determine whether loans will be made first or last from your Roth Contribution Account or in any combination of your Roth Contribution Account and any other Account.

Repayment. Loans must be paid in equal payments over a period not extending beyond five years from the date of the loan, unless such loan is used to acquire a dwelling unit which within a reasonable time (determined at the time the loan is made) will be used as your principal residence. If you go on a leave of absence you may be able to suspend loan repayments. Please contact the Plan Administrator to determine whether your leave of absence qualifies. You must repay a loan in accordance with the repayment schedule or you may make a full or partial prepayment. If allowed under IRS regulations you may refinance your loan. The loan will become payable in full on your termination of employment.

Maximum Number of Loans. The maximum number of loans outstanding at any one time is 1.

Minimum Loan Amount. The minimum loan amount is $1,000.

Interest Rate. According to U.S. Department of Labor Regulations, the interest rate for a participant loan from a retirement plan must be comparable to the current interest rates charged by financial institutions for similar loans. The interest that will apply on your loan will be Prime plus one per year. However, you may qualify for a lower interest rate if you are on active duty in the military. If you are on active duty, please contact the Plan Administrator to determine whether you qualify for the lower interest rate.

Collateral. Your vested account balance under the Plan will serve as collateral for the loan. However, a maximum of 50% of your vested account balance may be used as collateral.

Payroll Deduction. Payments will be made through payroll deduction from each regular paycheck.

Fees. The Plan charges an initial loan processing fee of $150 plus any applicable investment provider's fees. The Plan charges an ongoing loan maintenance fee of additional investment provider fees may apply. Any fee may be deducted from the proceeds of the loan and/or charged to your account.

Default. Your loan will be in default if a scheduled payment is not made by the end of the "cure period." The "cure period" is the repayment period allowed by the Plan Administrator which will not extend beyond the last day of the calendar quarter following the calendar quarter during which the last scheduled installment payment was due and not paid. Upon default, the entire balance of the loan will be immediately due and the entire balance will be treated as a taxable distribution to you. Interest on the loan, however, will continue to accrue until you have a distributable event for purposes of determining any future loan availability. In addition, your vested account balance may be reduced by the amount of the outstanding principal and interest on the loan. In other cases, this offset will not occur until you are entitled to receive benefits (for example, upon your termination of employment).

Coordination with Qualified Domestic Relations Orders ("QDROs"). No loan will be approved if the Plan Administrator is reviewing a domestic relations order that may affect your benefit under the Plan.

Special Rules for Military Leave. If you are called into or volunteer for military service, special provisions may apply. You may request a loan suspension during your leave and choose from the following repayment methods upon your return to employment: (a) re-amortize the remaining loan balance; (b) repay all suspended loan payments at the end of your leave; or (c) continue payments under the prior rate and make a balloon payment at the end of the term. If you refinance the loan, you may extend the repayment period to the date that includes the latest date the loan repayment period could have been scheduled for (if the original term was less than five years) plus the period during which the loan was suspended. (See the note above regarding interest rates.)

To fully understand the potential tax consequences in the event of a loan default, you are encouraged to seek professional tax advice before requesting a loan.

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