Taking a loan from your 401(k)

Frequently asked questions

Effective Feb. 1, 2016, loans will be available through the Walmart 401(k) Plan. Here are answers to several questions you may have about taking out a loan.

Q. WHEN CAN I TAKE OUT A LOAN?

A. You may apply for a loan starting Feb. 1, 2016.

Q. HOW DO I TAKE OUT A LOAN?

A. Access your account on Benefits OnLine® at **www.benefits.ml.com**, and then choose 401(k) Plan > Loans. You'll see the amount of any loans available to you, the type(s) of loans available (general purpose or residential), the interest rate to be charged on the loan and any fees involved. If you're ready to take a loan, you'll need to indicate:

- The type of loan you want
- The amount of the loan
- The length of the loan
- The delivery method for the check—for example, standard mail or overnight (for an additional fee)

You'll see a summary of your request along with your expected payments. You'll need to re-enter your Password to submit your request.

Keep in mind that you will not see any information about loans on Benefits OnLine, or be able to process a loan through the Customer Service Center, before Feb. 1, 2016.

Q. WHAT IS THE INTEREST RATE ON THE LOAN?

A. The interest rate on the loan will be 1 percent above the prime lending rate. The prime lending rate is established by the Federal Reserve.

Q. HOW MUCH DOES IT COST TO TAKE OUT A LOAN?

A. There is a $50 loan origination fee at the time you take out the loan. If you request a loan to purchase a home, there is also a $45 residential loan fee to review your paperwork. This $45 fee will be charged each time you submit new or updated paperwork for your residential loan request. In addition, if you request that your loan check be overnighted to you, there will be an additional fee of $25. Any fees associated with a loan will be deducted from your account.

Q. HOW DO LOANS WORK?

A. You borrow money from your Walmart 401(k) Plan account and pay the loan (including interest) back to your account through after-tax payroll deductions. Loan repayments begin with the first pay period following the date of the loan or as soon as administratively practicable thereafter.

You may have up to two loans outstanding at a time, but only one of each type of loan: one general purpose loan and one loan to purchase your primary residence. You can repay a general purpose loan over a period of up to 5 years. A loan for the purchase of your primary residence can be repaid over a period of up to 15 years.

Before you take out a loan, make sure your take-home pay is enough to cover your entire loan payment. *Partial loan payments cannot be accepted.*

Q. ONCE MY LOAN IS APPROVED, HOW WILL I RECEIVE THE MONEY?

A. Your loan check will be mailed to the address Merrill Lynch has on file for you. For an extra fee, you can request overnight mail service.

Q. HOW WILL TAKING A LOAN AFFECT MY REGULAR CONTRIBUTIONS TO MY ACCOUNT?

A. Unlike a hardship withdrawal, taking a loan will not automatically suspend your regular 401(k) contributions to your account. You may continue making contributions while you're paying back the loan, and will still receive your company matching contributions if you're eligible. These contributions will not be credited as loan repayments, which are deducted separately. When considering a loan, you'll want to think about how much you can afford to have taken out of your paycheck (both your 401(k) contribution and your loan repayment).

Q. HOW MUCH CAN I BORROW FROM MY ACCOUNT?

A. The minimum amount you can borrow is $1,000. The maximum amount you can borrow is the lesser of 1) $50,000 minus your highest outstanding loan balance in the past 12 months, or 2) 50 percent of your vested account balance minus any outstanding loan balance. For example, if your vested account balance is $10,000, the maximum amount you can borrow from your account is $5,000. If your vested account balance is less than $2,000, you will not have enough to borrow the minimum loan amount.

Q. CAN I TAKE OUT MORE THAN ONE LOAN?

A. Yes, you may have up to two loans outstanding at a time (one of each type of loan): one general purpose loan and one loan to purchase your primary residence. However, you may request only one loan within any three-month period. You must wait at least 15 calendar days after the final payment of a loan balance before you may request a new loan.

Q. IF I ALREADY HAVE A GENERAL PURPOSE LOAN OUTSTANDING, CAN I TAKE OUT A NEW GENERAL PURPOSE LOAN?

A. No. You can only have one general purpose loan at one time.

Q. WHAT HAPPENS IF I HAVE AN OUTSTANDING LOAN AND LEAVE WALMART?

A. If you leave Walmart with an outstanding loan, you will have to pay off your loan by the last day of the calendar quarter following the quarter in which the last payment was due (or the date your account is distributed, if earlier). If you don't, your loan will be in default and the outstanding loan balance may be considered a taxable distribution. You may also be subject to a 10 percent additional federal tax if you are under age 59½.

Payment will not be accepted after the default date. If you repay your loan balance in full from an individual bank account, a fee of $25 will be charged to your plan account if your loan payment is rejected due to insufficient funds. Note that payments must be made by ACH debit from your bank account, cashier's check or money order. *Personal checks will not be accepted*.

Q. CAN I TAKE A LOAN WHILE ON A LEAVE OF ABSENCE?

A. Yes, associates can initiate a loan while on a leave of absence.

Q. WHAT HAPPENS TO MY LOAN IF I TAKE A LEAVE OF ABSENCE?

A. You must continue to pay your loan payments by payroll deduction while you are on a leave of absence as long as you are receiving sufficient pay to cover the loan payment. If you are on an approved continuous leave of absence without pay or your pay is insufficient to cover the amount of the required loan payment, your loan payments will be suspended for up to one year (but not beyond the maximum 5-year or 15-year repayment period, as applicable). When you return from the leave, your loan will be re-amortized. This means your loan will be extended by the period of the leave, but not longer than the original maximum 5-year or 15-year repayment period, as applicable. (Note: Special rules apply in the event you were late on your loan payments at the time you commenced your leave. In that case, in no event can a period of leave suspend more than 12 months of loan payments, which could include loan payments due before your leave.)

Keep in mind that you may repay your loan in full while you are on a leave of absence. Partial payments are not permitted. Note that payment must be made by ACH debit from your bank account, cashier's check or money order. *Personal checks will not be accepted*. Contact Merrill Lynch if you wish to repay your loan while you are on a leave of absence.

Q. CAN I REPAY MY LOAN BEFORE IT'S DUE?

A. Yes. You can pre-pay the full outstanding balance of your loan at any time. Partial pre-payments are not allowed. Pre-payments can be made by ACH debit from your bank account, cashier's check or money order. If you want to make a pre-payment, contact Merrill Lynch for further instructions.

Q. WHAT HAPPENS IF I CAN'T PAY BACK MY LOAN?

A. If you do not have enough money in your paycheck for your full loan payment, you will be behind in your payments, and will need to make up all missed payments to avoid default. You can catch up by making payments directly to Merrill Lynch for the full amount of the missed payment(s). If you are in this situation, you will receive a notice from Merrill Lynch that explains how to avoid default.

Q. WHAT HAPPENS IF I DEFAULT?

A. If you default, you will be taxed on the amount of the outstanding loan amount, including a possible 10 percent additional federal tax if you are under age 59½. In addition, the defaulted loan stays on the books until you pay it off. This means you cannot take another loan of the same type until you pay off the defaulted loan.

Q. MY WIFE NEEDS MEDICAL TREATMENT THAT'S NOT COVERED BY INSURANCE. CAN I APPLY FOR A HARDSHIP WITHDRAWAL BEFORE A LOAN?

A. No. Starting Feb. 1, 2016, as required by IRS guidelines, you'll need to take out a loan from the plan before applying for a hardship withdrawal.

Q. CAN I TAKE A HARDSHIP WITHDRAWAL IF I REQUEST IT BEFORE FEB. 1, 2016, BUT IT IS NOT COMPLETED BY THAT DATE?

A. No. If you apply for a hardship withdrawal before Feb. 1, 2016, but it has not been approved for payment by that date, your request will be denied and you will be required to take a loan first.

Q. WHO REGULATES 401(k) LOANS?

A. The Internal Revenue Service (IRS) and the Department of Labor (DOL) both regulate how loans operate within a 401(k) Plan. For example, they generally set the maximum amount that a participant can borrow.

Q. WHAT SHOULD I CONSIDER BEFORE TAKING A LOAN FROM MY 401(k)?

A. Here are some important things to consider:

- If you don't repay the loan, you will have defaulted and the remaining loan balance will be treated as a withdrawal. You could be in for a surprise at tax time, owing federal and possibly state income taxes, plus a possible 10 percent additional federal tax if you're under age 59½.
- You'll need to make regular repayments through payroll deductions from your after-tax pay. This will reduce your current take-home pay but not your current taxable income.
- Because loans are repaid in regular installments over a period of time, it usually takes several years to pay back a loan.
- If you leave Walmart with a loan outstanding, you must repay the entire loan by the last day of the calendar quarter following the quarter in which the last payment was due (or before the date your account is distributed, if earlier).
- Will you be able to handle the loan repayments and continue to make regular contributions at your current contribution rate? If you need to reduce your plan contributions to afford the loan repayments, you'll be contributing less toward your retirement and could miss out on some of the company match.
- The money you borrow will no longer have the potential for tax-deferred compounding until it's repaid to your account.

Even considering all the drawbacks, there are instances when taking a loan from your 401(k) balance could be beneficial. If you're considering purchasing a home, in some cases a higher down payment could potentially lower the interest rate on your mortgage. And you could borrow against your 401(k) to pay off your credit card balance, which may carry a much higher interest rate than your loan.

But be sure to consider alternative money sources before borrowing from your 401(k). You don't want to take money out of your account today, only to realize you don't have what you need tomorrow. And, if you do take a loan from your account, repay it as quickly as you can and try not to cut back on your plan contributions.