



Request for Policy Loan and Loan Agreement 403(b) Tax-Sheltered Annuity

(Not available for Roth 403(b) Annuities)

Service E-mail: lswwservice@nationallife.com • Web Address: www.lsw.net

Service: 800-579-2878 • Fax No: 214-638-9162

Your Plan Administrator's signature is required on this form prior to sending to LSW.

Instructions:

This form is used to apply for a loan from a 403(b) Tax-Sheltered Annuity Policy or Certificate issued by Life Insurance Company of the Southwest (LSW). The Internal Revenue Code (IRC) and Regulations permit participants in 403(b) plans to borrow a portion of their accumulated retirement balance. While a loan against an annuity Policy or Certificate is normally treated as a taxable distribution, IRC Section 72(p) permits loans on 403(b) Tax-Sheltered Annuities to be excluded from current income taxation if the following conditions are met:

1. The sum of a participant's loans from all 403(b) accounts and all qualified plans from the same employer must not exceed the lesser of (a) \$50,000¹ or (b) one-half the Cash Surrender Value of all 403(b) and qualified accounts maintained on behalf of the same employer. However, up to \$10,000² may be borrowed even if it exceeds one-half the sum of all the participant's 403(b) accounts; (c) If the participant's 403(b) account balance includes contributions made with employer-provided funds, the maximum loan may not exceed one-half the participant's account balance.
2. The loan must be repaid in substantially equal payments of principal and interest. Loan payments must be made at least quarterly. The loan must be repaid within five years unless the purpose of the loan is to acquire a dwelling intended to be the participant's principal residence.

LSW reserves the right to determine, in its sole discretion, the amount that it will loan from a Policy or Certificate. In making this determination, LSW will consider the amount it believes is necessary to provide it with adequate security for the loan. In no instance will any loan be allowed that will exceed the amount permitted by applicable law and regulation. The Loan Agreement shall be automatically amended so as to maintain compliance with all laws and regulations applicable to such loan.

If the required loan payments are not made on a timely basis, the loan will be deemed in default and will no longer enjoy the tax-free benefits provided by IRC Section 72(p)³. In case of default, LSW will treat the entire outstanding loan balance as a deemed distribution, which will be reported to the Internal Revenue Service (IRS) as taxable income in the year in which the default occurs. If your Policy or Certificate has an unpaid defaulted loan, please contact your Plan Administrator to determine loan availability.

If the 403(b) plan participant's account had value on December 31, 1988, that value will be distributed from the Accumulation Value in the Policy or Certificate and used to reduce the outstanding loan balance in default. Any outstanding loan balance in default remaining will be offset by the Accumulation Value in the Policy or Certificate in accordance with IRC and Regulations. An actual distribution from the 403(b) account to offset the defaulted loan will not be made until a qualifying event⁴ occurs. Until LSW is notified or is otherwise aware that the participant is eligible for a distribution to offset the defaulted loan, the loan balance will continue accruing interest, as provided in the Policy or Certificate's terms. Such accrued interest will reduce any amount available for loan under the Policy or Certificate, but it will not be reported to the IRS as taxable income.

It is very important to comply with the loan repayment requirements of IRC Section 72(p), in order to avoid erosion of the remaining balance in the participant's 403(b) account.

**Please contact our Call Center at the above number if you have any questions
about the amount available to you as a loan and/or how to complete any portion of this form.**

¹ The \$50,000 loan limit is reduced by an amount equal to the highest outstanding loan balance from all the participant's 403(b) plans and other qualified plans during the one year period ending on the day prior to the day the new loan is taken out, less the outstanding loan balance on the Policy or Certificate on the date the new loan is taken out. Defaulted loans on existing 403(b) plans and qualified plans of a participant are considered to be an outstanding loan balance.

² On certain Policy/Certificate Forms, the requested loan amounts up to \$10,000 must not exceed one-half the Cash Surrender Value. See your Policy/Certificate Loan Provision or Rider for specific restrictions on amounts available for loan.

³ In addition to income tax, the distribution may also be subject to a 10% premature distribution penalty imposed by the IRS.

⁴ A qualifying event is defined by the IRC as any one of the following:

- Attainment of age 59½
- Severance from employment with the employing organization sponsoring the 403(b) plan
- Death of the 403(b) plan participant
- Disability (as defined in the Code and Regulations) of the 403(b) plan participant
- Plan Termination (Requires letter from employer stating the entire plan has terminated)
- Active-Duty reservist as defined in the Pension Protection Act of 2006



Loan Agreement 403(b) Tax-Sheltered Annuity
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Policy or Certificate No. Owner Owner's Social Security No.
Mailing Address City, State Zip Phone

☐ New Address?

Employer _____

As owner of the above captioned 403(b) Policy or Certificate, issued by LSW, I hereby request a loan in the amount of \$ _____. Please determine the type of loan which is applicable and select the payment method. Check the boxes that apply.

- ☐ I understand that I must repay this loan within 5 years in substantially equal payments of principal and interest made at least quarterly. I wish to repay this loan: (The loan will be set up for quarterly repayment if a selection is not indicated.)
☐ monthly Preauthorized Check (PACP) ☐ quarterly Preauthorized Check (PACP); OR ☐ quarterly installment by check

Exception to 5 year repayment:

- ☐ I hereby represent that this loan qualifies for the exception to the 5 year repayment rule because the proceeds will be used to purchase a dwelling which will be my principal residence. Proof of the purchase must be included with the completed loan form.

I wish to repay this loan in _____ years. The maximum number of years for repayment is determined by the amount of the loan.

Table with 2 columns: Loan Amount Range and Repayment Term. Rows include \$500 - \$5,000 (5 Years), \$5,001 - \$10,000 (10 Years), \$10,001 - \$15,000 (15 Years), \$15,001 - \$20,000 (20 Years), and \$20,001 - \$50,000 (25 Years).

I hereby represent that the proceeds of this loan fall under IRC Section 72(p). I further represent that this loan, when added to all my outstanding loans on all other 403(b) plans and other qualified plans from the same employer in which I am a participant, does not exceed the lesser of \$50,000, less the highest outstanding loan balance in the past twelve months, or the greater of (a) one-half the Cash Surrender Value of all 403(b) accounts, or (b) \$10,000². If your Policy or Certificate has an unpaid defaulted loan, please contact your Plan Administrator to determine loan availability.

I understand and agree to the following conditions:

- 1. IRC and Regulations require that the loan be repaid over a period of five years or less in at least quarterly installments. A loan for the purpose of acquiring a dwelling may, under certain conditions, have an extended repayment period.
2. The Policy or Certificate is assigned to LSW as security for repayment of the loan. Interest is payable at the times and in the manner provided in the loan provision of the Policy or Certificate. If interest is not paid when due, it will be added to the loan balance and will bear interest at the same rate. If the amount owed to LSW becomes more than the Cash Surrender Value of the Policy or Certificate, or if it exceeds the limits permitted under IRC Section 72(p), the Cash Surrender Value of the Policy or Certificate will be treated as a distribution in accordance with IRS regulations.
3. The outstanding loan will be deducted from the proceeds upon settlement by LSW of any claim under this Policy or Certificate.
4. All persons signing below are of legal age, and no proceedings in bankruptcy or insolvency have been instituted or are pending against any of the undersigned persons.
5. I understand that LSW will report as income to the IRS in the calendar year of default the total loan balance of any defaulted loan. Please refer to Page 1 for tax treatment of loans made against a 403(b) Policy or Certificate.
6. The loan interest rate, required payment, and amortization period are shown on the amortization schedule which will be sent to me. The loan is payable according to the Policy or Certificate's loan provision.

I further understand that LSW is furnishing this form and participating in this loan transaction at my specific request. I also understand that LSW, its employees, agents, and other representatives cannot give legal, accounting, or tax advice. I understand that if loan repayments are not made as required by the IRC and Regulations, this loan will default and LSW will report it as a taxable distribution to the IRS. The Loan Agreement shall be automatically amended so as to maintain compliance with all laws and regulations applicable to such loan.

W9: Under penalties of perjury, I hereby certify that: (1) the number shown on this application is my correct Taxpayer Identification Number; (2) the IRS has never notified me that I am subject to backup withholding, or has notified me that I am no longer subject to such withholding or I am exempt from such withholding; and (3) I am a U.S. person (including a U.S. resident alien). You must cross out item 2 if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return.

Dated at (City, State) _____ this _____ day of (month & year) _____, _____.

Owner's Signature: _____

Spouse's Signature⁵: _____

Plan Administrator's Signature & Title: (Required) _____

A Notary Signature for the Owner is optional. (Signature guaranteed acceptable)

Personally appeared before me, _____, known to me to be the person described in and who executed the forgoing instrument, who acknowledges to me that he/she executed the same freely and voluntarily and for the uses and purposes therein mentioned. Witness my hand and official seal.

Notary Signature: _____ Date: (mm/dd/yyyy) _____

5 Your spouse's signature is required on any 403(b) policy covered by ERISA and on all 403(b) loans in the following states: AZ, CA, ID, LA, NM, NV, TX, WA, WI. If you have a change in marital status, you must provide a certified copy of the legal document (i.e. name change, divorce decree, death certificate).

My commission expires _____, 20 _____.



Request For Preauthorized Check Plan "PACP"

Service E-mail: lswservice@nationallife.com • Web Address: www.lsw.net

Service: 800-579-2878 • Fax No: 214-638-9162

I hereby request and authorize Life Insurance Company of the Southwest (LSW) to periodically charge my account at the depository institution named below, for the purpose of making payments on the LSW Policy or Certificate shown below.

Name of Bank or Depository Institution:

Address: *(Street, City, State & Zip Code)*

Policy/Certificate No:

Owner:

I understand the amount and day loan repayments will be charged to my account each month will be shown on the amortization schedule. If I have requested a specific draft date, my loan will not be processed until that day.

Conditions of Preauthorized Check Payment Method

This authorization is subject to the following conditions:

- (1) This method shall not in any way modify any provision in the Policy or Certificate;
- (2) This method may be discontinued by LSW or by me upon thirty (30) days written notice. LSW may automatically discontinue this method and require payment by quarterly installment if any check is dishonored by the depository institution upon presentation unless it is the result of error by LSW or the depository institution.

For Checking Accounts: Please Write "Void" on a blank check (Deposit slips or starter checks not acceptable), which shows the routing number and account number.

For Savings Accounts: Please Write "Void" on a blank withdrawal slip (Deposit slips not acceptable), which shows the routing number and account number.

Authorization To Honor Checks Drawn By LSW

I hereby request and authorize the above mentioned Bank or Depository Institution to pay and charge to my account for checks (either electronic or paper) drawn on my account by Life Insurance Company of the Southwest (LSW), provided there are sufficient funds in said account. I agree that your rights with respect to each such check shall be the same as if it were a check drawn on you and personally signed by me. This authority shall remain in effect until revoked in writing by me and until you actually receive such written notice. I agree that you shall be fully protected in honoring any such check. I further agree that if any such check be dishonored, whether with or without cause and whether intentionally or inadvertently, you will be under no liability whatsoever even though such dishonor results in forfeiture of insurance coverage.

Account No.: _____

Routing No.: _____

Account Type: Checking Savings

Depositor's Name: *(Please Print)*

Depositor's Name: *(Please Print)*

Depositor's Signature:

Depositor's Signature:

Dated this _____ day of: *(month & year)* _____

PLACE PREPRINTED VOIDED CHECK
OR
PREPRINTED SAVINGS WITHDRAWAL SLIP HERE
(PLEASE DO NOT USE STAPLES)



Request for Direct Deposit

Service E-mail: lswservice@nationallife.com • Web Address: www.lsw.net

Service: 800-579-2878 • Fax No: 214-638-9162

Instructions:

Use this form to request direct deposit of annuity payments and withdrawals from your LSW annuity to your checking or savings account on your behalf. If payments from LSW will go to a checking account, please attach a blank check on which you write "void." If payments will go to a savings account, please attach a blank withdrawal slip that includes an encoded routing number.

Note: Deposit slips are not acceptable for deposits to checking or savings accounts.

It takes 3 business days from the payment date for the direct deposit to be processed by the banking institution.

Annuity Payments:

1. It takes approximately 30 days to open, change, or discontinue a direct-deposit agreement. Therefore, the initial payment, or payment following a change may be made with a physical check.
2. If at some point in the future you change your mind or want the payments to go to a different institution, simply complete another request and send it to us.

LSW Policy No.:

Policyowner:

Name of Institution:

Routing No.:

Address: *(Street, City, State, Zip Code)*

Checking account No.:

Savings account No.:

PLACE PREPRINTED VOIDED CHECK
OR
PREPRINTED SAVINGS WITHDRAWAL SLIP HERE
(PLEASE DO NOT USE STAPLES)

I authorize LSW to deposit annuity payments or withdrawals directly into the above account. I also authorize LSW to debit my account for any deposit that they have made in error.

Sign below exactly as your signature appears on the records of the Institution named above.

Policy Owner's Signature:

Date: *(mm/dd/yyyy)*

Please print your name:

Joint Owner Signature: *(if applicable)*

Date: *(mm/dd/yyyy)*

For Home Office Use Only:

Processed by:

Verified by: