

RETIREMENT & BENEFIT PLAN SERVICES

April 13, 2020

CARES Act – Answers to frequently asked questions regarding 401(k) loan provisions

On April 3, 2020 we notified you about how we can support the Coronavirus Related Distributions (CRDs) provisions of the Coronavirus Aid, Relief, an Economic Security Act (CARES Act). This follow up message answers frequently asked questions related to the 401(k) loan provision.

1Q What are the 401(k) loan provisions in the CARES Act?

- 1A There are two optional 401(k) loan provisions in the CARES Act that may be available in your plan:
- Increase in maximum loan limit for coronavirus related loans to the lesser of \$100,000 or 100% of the eligible participant’s vested balance; effective for 180 days from March 27, 2020.
 - For new and existing loans, repayments due from March 27, 2020 to December 31, 2020, may be delayed for a year.

2Q Who is eligible for a 401(k) loan?

- 2A To be eligible for a CARES Act loan, a participant must be an individual:
- who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention, or
 - whose spouse or dependent (as defined in the Internal Revenue Code) is diagnosed with such virus or disease, or
 - who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, or closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or
 - other factors as determined by the Secretary of the Treasury.

3Q Can a plan elect loan limits that are less than \$100,000 or 100% of the participants vested balance?

- 3A No, the election must conform to the CARES Act loan provision of \$100,000 or 100% of the eligible participants vested balance.

4Q Does a plan have to allow for both provisions of the CARES Act – availability of larger loan amounts and relief for loan repayment?

- 4A The loan provisions are separate and optional. A plan could suspend loan repayments and due dates in 2020 by a year, but not offer the CARES ACT related loan with the higher percentage of vested assets and larger loan amount. A plan can choose to offer one, both or none of the loan provisions.

5Q When will a participant be able to request a CARES Act loan?

- 5A If you decide to offer a CARES Act loan, participants will be able to request a new loan the later of April 14 or when your election form is returned and processed. We anticipate offering online transactional functionality for CARES Act loans on Benefits OnLine® (BOL) (website only) on or after May 15, 2020. If a plan participant needs to make a request sooner, they may call the contact center starting April 14, 2020 (or such later date after your election form is received and processed) to request manual processing. The expected turnaround is 10 business days but can fluctuate due to volumes.

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We strongly encourage participants to use the online channels, when available. Attached is the BOL flyer that you can use to remind participants of the 24/7 online access. Please include the BOL flyer in any employee communications and publish on your intranet site.

6Q How will participants certify that they meet the eligibility requirements?

6A Participants will need to certify that they meet the eligibility requirements on a recorded telephone line with a Contact Center representative. On or after May 15 participants will be able to certify eligibility on Benefits OnLine.

7Q Will participants be allowed to take another loan if they have maxed out on the number of loans allowed in the plan?

7A Participants are subject to existing plan limitations as far as the number of available loans. Participants can use Benefits OnLine to determine their loan availability or refer to the Plan's loan policy statement.

8Q When will participants be able to suspend their loan repayments?

8A If the plan elects to offer a loan relief for existing loans, participants will be able to suspend their loan repayments on the later of April 14, 2020 or when your election form is returned and processed. A participant may call the contact center starting April 14 (or such later date after your election form is received and processed) to request the suspension of their loan payments.

9Q How will plan sponsors be notified to stop loan payments via payroll if a participant has elected to defer their loan payments?

9A Plan sponsors will receive a weekly report detailing the participants who have elected to defer loan repayments. The report is planned to be distributed by Client Service Managers each Thursday, and will show elections made from the prior week (Wednesday of prior week through Tuesday of current week). Plan sponsors are responsible for providing the information to their payroll provider to stop the loan repayments.

10Q What is the responsibility of plan sponsors in regards to payroll changes that will be needed to implement loan repayment relief?

10A Plan sponsors will need to work with their payroll provider to implement changes to support the loan repayment relief. On the Employer CARES Act Loan Provision Election Form, plan sponsors will be asked to acknowledge they have confirmed a process with their payroll provider to stop loan repayments.

11Q Can participants suspend loan payments on any of their outstanding loans?

11A Yes, if deemed eligible under the CARES Act, a participant is allowed to suspend loan payments due from March 27, 2020 until December 31, 2020 for up to one year on any eligible outstanding loan. Loans eligible for loan repayment deferment will be those that are not in default status or are within the plan's cure period.

12Q What happens if a participant took out a loan prior to the passing of the CARES Act because of an urgent need for money due to coronavirus? Can this loan be reclassified as a distribution versus a loan?

12A Additional guidance from the IRS would be needed to determine if this is possible. We will continue to monitor for additional regulatory guidance.

13Q Will participants pay new loan issuance fees for loans issued under the CARES Act Relief?

13A Plan participants will not be charged loan issuance fees on loans taken under the CARES Act Relief.

14Q How can plan sponsors increase the existing number of loans available in the plan?

14A All of the existing loan provisions established for each plan continue to apply. If you wish to make any changes to your plan's loan provisions please contact your Client Service Manager for next steps.