

NAVY MUTUAL AID ASSOCIATION

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RADM BRUCE B. ENGELHARDT, USN, Ret.
President



Please process the following Loan Agreement on Permanent 'Plus'® plan # _____.

Policy Owner: _____

Rank Full Name Service Status

Address: _____

Please check if address above is your permanent mailing address

* * * * *

NMAA Member: _____

Insured: _____

If this Policy has a Modified Endowment Contract Designation: I understand that any loan processed against plan **may be** considered a distribution from a Modified Endowment Contract, and as such would be subject to taxation on any interest income included in the distribution. A portion of any loan processed on this plan may be considered taxable income for the calendar year the loan is approved.

The loan value information on this benefit plan as of _____ is as follows:

Current Loan Value: \$ _____

Less Outstanding Loan: \$ _____

Desired Loan Amount:

Available Loan Amount: \$ _____

Rate of Interest: _____ %

\$ _____

— LOAN AGREEMENT – PART I —

NOTE!!! This Loan Agreement must be reviewed in conjunction with the enclosed LOAN PROVISION – PART II, a separate form containing standard loan information.

This is to Certify that I, _____, am the owner of this benefit plan, and that this day I am applying to borrow from the Navy Mutual Aid Association the stated amount against this benefit plan. I have read and understand both Part I and II of the Loan Agreement. I can be reached at _____.

I further understand and authorize the Navy Mutual Aid Association to verify all information provided on this Loan Request, including my signature, prior to processing and approving this request. Any information which must be verified may delay or terminate the processing of this request. Also, I authorize the Navy Mutual Aid Association to revise the 'Available Loan Amount', 'Rate of Interest', 'Desired Loan Amount', as necessary to not exceed authorized amounts.

Owner Signature Required _____ Date _____

Please return this form to NMAA after indicating loan amount desired.

Application Not Valid Unless Signed by Policy Owner.

NMAA reserves the right to make any appropriate changes to this request to ensure its validity, particularly with regard to the 'Available Loan Amount', 'Rate of Interest', 'Desired Loan Amount' and its MEC status.

If we can be of any further assistance, please call us at the above phone number.



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— LOAN PROVISION – PART II —

NOTE!!! This Loan Provision must be reviewed in conjunction with LOAN AGREEMENT – PART I, a separate cover letter containing individual benefit plan (policy) information.

This is to Certify that I am the owner of the Membership Certificate(s) listed on Part I of this Loan Agreement, and that this day I have borrowed from the Navy Mutual Aid Association the sum(s) listed on Part I, and hereby assign said Membership Certificate to the Association to secure the repayment of this amount plus any existing unpaid loan balance secured by this Membership Certificate, interest accrued on such prior loan balance and any interest that becomes due and accrues on this loan, in accordance with the terms and conditions of this agreement.

I have read and understand the loan information on the back of this form and the terms set forth below to which I agree:

FIRST: The rate of interest in effect on the date of this loan is stated on Part I of this Loan Agreement and this rate of interest shall apply also to any existing loan balance on this date secured by this Certificate which shall be added to this loan to constitute a new loan. * Interest is computed on the outstanding balance of the loan and will be billed annually on the Benefit Plan anniversary date unless there is activity prior to that anniversary date. Interest will be added to the outstanding balance of the loan on the date that one of the following activities occurs: (i) a payment is made by me on the loan; (ii) I obtain a new loan; (iii) an automatic loan is made by NMAA to pay premiums that are in default under the Certificate; or, (iv) interest due on the Benefit Plan anniversary date is rolled over to the loan balance after I failed to pay it on or before that date. The “outstanding balance of the loan” is the total amount unpaid on any date that interest is added and includes the unpaid principal amount of any loans and accrued interest. The Benefit Plan anniversary date is each calendar year subsequent to the Benefit Plan Origination Date shown below.

SECOND: Interest that accrues between Benefit Plan anniversary dates, or since interest was added to the loan balance on a date on which one of the activities listed in paragraph FIRST above, occurs, is payable on the Benefit Plan anniversary date. If I do not pay the interest that is due on or before the Benefit Plan anniversary date it will be added to the outstanding balance of the loan on that date. The rate of interest on the outstanding balance of the loan on the anniversary date (including any unpaid interest added to the loan) shall be the rate in effect on that date, as set by the Board of Directors.

THIRD: If I should surrender this Benefit Plan or if it should lapse because the premiums are not paid timely, I understand that the outstanding balance of the loan secured by this membership shall be deducted from the surrender value of this Benefit Plan.

FOURTH: If this Benefit Plan terminates for any other reason, including payment of the death proceeds, the outstanding balance of the loan secured by this Membership shall be deducted from the amount otherwise payable by the Association.

FIFTH: I understand that the outstanding balance of the loan may at some point in time exceed the cash surrender value of my Benefit Plan. By way of example and not by way of limitation, this occurs if interest is not paid when due or an automatic loan is made to pay premiums. In that event I understand that the Association shall have to suspend my Benefit Plan commencing on that date and that notice of that event sent to me at my latest known address on the books of the Association shall be sufficient notice of Benefit Plan termination.

SIXTH: Each payment I make shall be applied to the outstanding balance of the loan on the day the remittance is received by the Association.

SEVENTH: This Loan Agreement supersedes any and all loan agreements I have made with respect to prior loans on the Membership Certificate listed above, whether those loans have previously been repaid or currently have an unpaid outstanding balance.

*** If a loan that already exists against this benefit plan is at a lower interest rate and originated prior to 1 June 1999, the interest rate in effect will not change.**

A REMINDER: BENEFIT PLAN LOANS WILL REDUCE THE RATE OF GROWTH IN CASH VALUES AND DEATH BENEFITS!

LOAN INFORMATION

LOAN AMOUNT AVAILABILITY: A PERMANENT BENEFIT PLAN OWNER MAY BORROW UP TO 75% of current cash surrender value reduced by any outstanding loans and unpaid premiums. Term Benefit Plans do not have loan values.

LOAN FEATURES: Each new loan taken out against a Benefit Plan will be combined with any existing loan plus accrued interest to date. This combined loan will accrue interest at the interest rate in effect on the date of the new loan. When the owner fails to pay premiums or loan interest when due, the amount due is added to the outstanding loan as a new loan. The new balance bears interest at the interest rate in effect on the date the unpaid premiums or interest are added to the loan. Payments made against an outstanding loan reduce the total outstanding balance (existing loan plus accrued interest to date of payment).*

INTEREST: The current rate of interest on new loan amounts is shown on this agreement. This rate is periodically established by the Board of Directors as set forth in Article VIII, Section 7 of the Bylaws. The loan interest rate may decrease or increase on this loan depending upon Board action. Interest on loans is payable on the anniversary date of the Benefit Plan and when the loan is paid in full. Interest on outstanding loans, which includes the existing loan plus accrued interest and unpaid premiums, is computed on a compound basis. Loan interest not paid within 30 days of the due date will be added to the current loan as of the due date at the interest rate in effect on the due date.* Accrued interest is added to the previous loan balance any time there is activity on the Benefit Plan that affects the loan (e.g. interim loan payment, annual interest rollover, automatic premium loan for unpaid premiums, new loan etc.).

PAYMENTS: Payments on loans may be made at any time. When making payments on a loan, please be sure the member's name and Benefit Plan certificate number are readable and that the check indicates it is for the purpose of loan repayment. There is no penalty for early repayment of loans. Any payment received is then applied to the total outstanding loan amount (existing loan plus accrued interest) as of the date of receipt of payment. When a loan is paid in full, the interest is figured to the date payment is received in this office. For this reason, if you plan to pay the loan in full, it is suggested that you pay the existing loan amount and let us bill you for the interest due. This will obviate the necessity of small refund checks or requests for additional money. Please note, as explained under INTEREST, above, that a loan payment is an activity that will result in accrued interest being added to the loan balance.

In the event that you borrow the maximum loan value, premiums should be paid by the due dates to avoid any possibility of suspension of your Benefit Plan.

LOAN OPERATION: A member loan is an advance on the cash surrender value of a Permanent Benefit Plan. When a loan is taken out, the unborrowed portion of the cash surrender value of the Benefit Plan continues to be credited with interest at the current crediting rate. The amount of the cash value that is borrowed against will be credited interest at a rate that is 0.5% less than the current member loan interest rate. In effect therefore, the actual cost of taking out a member loan (without consideration of cash flow impacts) is the difference between the current crediting rate and the existing loan rate less 0.5%.

MODIFIED ENDOWMENT CONTRACTS (MEC): Any loan processed against a Benefit Plan that is classified as a MEC for IRS purposes, is considered to be a distribution from a Modified Endowment Contract and as such, would be subject to taxation on any interest income included in the distribution. All income included in the Benefit Plan to date, up to the amount of the loan, would be subject to taxation. In addition, if the loan is processed prior to the owner's age 59 1/2, the taxable interest may be subject to a 10% penalty (payable to the IRS on year end income tax). Further, if a member has multiple MEC Benefit Plans that were all issued within the same calendar year, a loan on any one of them exposes the total interest of all plans to taxation, up to the amount of the loan. Consult with your tax advisor if this situation applies to you.

*** If a loan that already exists against this benefit plan is at a lower interest rate and originated prior to 1 June 1999, the interest rate in effect will not change.**