

# How do I manage participant loans?

## What you should know

The Plan Administrator is responsible for administering participant loans in accordance with Internal Revenue Code (IRC) Section 72(p) and governing regulations, the Fidelity Basic Plan Document, and the Participant Loan Policy & Procedures contained in the Service Agreement.

Fidelity's *Automated Loan Default Service* is intended to assist Plan Sponsors in the tracking of delinquent loans. The service provides certain loan information via monthly reports to the Plan Sponsor and provides warning letters to Participants who have outstanding loans deemed delinquent on the Fidelity Participant Recordkeeping System.

The service will also automatically default outstanding loans if past due loan repayments are not made before the end of the cure period, in accordance with the plan's Participant Loan Policy and Procedures, and the participant will be sent a default letter. In addition, Fidelity will issue IRS Form 1099-R for the distribution or deemed distribution by January 31st of the following calendar year.

## Manage Loans and Withdrawals

*Understanding how to effectively manage the loans and withdrawals process through Fidelity Plan Sponsor WebStation<sup>®</sup> (PSW<sup>®</sup>)*

PSW allows you to manage a variety of distributions or payments to participants, including periodic cash or total cash distributions, rollovers, minimum required distributions (MRDs), and corrective distributions.

- [Loans and Withdrawals](#)  (3 minutes)

The Contribution and Loan payment process involves a few steps, including sending data, addressing any data issues, and funding the file.

**Sending Data:** Employee and employer contributions, as well as loan payments deducted from employee paychecks, are sent after the payroll cycle is completed. The most common process includes the payroll provider sending an electronic feed or file to Fidelity. Other methods include file uploads or manual entry in PSW by the Plan Sponsor.




**Data Accuracy:** The Plan Sponsor reviews the file(s) and addresses any errors on the file(s). See this video for error types and how to address them.

- [Contribution Files and Loans - Errors](#) 

**Funding:** Once the file is error free, the Plan Sponsor completes the funding step. See the video on how to apply funding and funding options. Note – Contributions and loan payments should be sent each payroll cycle.

- [Funding Method - Funding Files](#) 

Please see these videos for additional file submission processes:

- [Contribution Files and Loans - Creating Layouts](#) 
- [Contribution Files and Loans - File Upload Process](#) 
- [Contribution Files and Loans - Manual Upload](#) 

## Loan Delinquency Report

The PSW Loan Default Service Report is available each month and provides a list of past due participant loans. This report informs you of loans that may be at risk of default in accordance with the records maintained and **should be reviewed regularly**. The employer is responsible for notifying Fidelity of any past due loans that are not reflected on the report and confirming that the report is up-to-date and accurate.

Report Field	Explanation
Last Pay Date	When the last payment was received
Total Past Due Delinquent amount	Amount required to be paid (in addition to normal scheduled payments) to avoid default by the default date. Note, the participant must stay current on payments per the amortization schedule, in addition to paying the total past due amount before the end of the month, to avoid additional accrued interest
Warning Letter Date	When a Warning Letter will be sent to the participant
Default Letter Date	When the loan will default if the delinquency amount is not fully satisfied

## Cure Period

The IRS loan regulations permit a cure period for a participant's failure to make a scheduled loan repayment. The cure period cannot extend beyond the last day of the calendar quarter following the calendar quarter in which the scheduled repayment was due, and must be consistently applied to all participants.

**Example of a Cure Period:** If a participant failed to make a scheduled loan repayment on May 1, 2024, the Participant would be permitted to make the past-due loan repayment(s) until September 30, 2024 (the last day of the cure period). If the loan repayment is not made by September 30, 2024, the loan will be in default (a deemed distribution or loan offset). The accrued interest and all past due payments must be included.

*Note: The payment should be deposited to the Plan's Trust by the final business day of the cure period to prevent default.*

If you need additional assistance, please dial 833-FI-WORKS (833-349-6757) to reach your Fidelity Service Team.

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**Fidelity Investments Institutional Operations Company, LLC.**  
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