

MEMO# 9148

August 8, 1997

IRS ISSUES LETTER ON PLAN LOANS

[9148] August 8, 1997 TO: PENSION MEMBERS No. 32-97 PENSION OPERATIONS ADVISORY COMMITTEE No. 28-97 RE: IRS ISSUES LETTER ON PLAN LOANS

_____ The Internal Revenue Service recently issued a letter regarding "paperless" loan transactions for retirement plans. The letter requested general information pertaining to proposed regulation section 1.72(p)-1, Q&A-3(b) regarding the requirement that a loan be ". . . evidenced by a legally enforceable agreement . . . set forth in writing . . ." Specifically, the letter requested guidance whether a written loan agreement must be signed by the plan participant in order to satisfy this requirement. The IRS letter, dated June 26, 1997, stated that the requirements of the proposed regulations under section 1.72(p)-1, Q&A-3(b) will not fail to be satisfied merely because the participant does not sign the document containing the terms of the loan, as long as the loan agreement is legally enforceable and the other requirements of the loan are satisfied. The letter does not address other loan requirements under section 72(p) or under other provisions of the Code or ERISA. We will keep you informed of developments. Kathryn A. Ricard Assistant Counsel - Pension Attachment (in .pdf format)

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