Loan Request

AAFMAA
COMPASSION • TRUST • PROTECTION

A separate loan request must be submitted for each policy.

If you have questions, contact AAFMAA Policy Services at 1-800-336-4538.

1. OWNER	Policy Number
Name *(Last, First MI)*	Policy Issue Date
Mailing Address	Phone (☐ *Cell* ☐ *Home* ☐ *Work)*

2. LOAN AMOUNT. Loan cannot exceed 75% of policy cash value. Contact AAFMAA for available loan amount.

☐ Maximum amount available

☐ Amount of $____________________

3. PAYMENT. Select one. Payment must be sent to address or account of owner.

☐ Check by mail: ☐ First Class ☐ USPS Priority* ☐ FedEx* *(next business day, no P.O. Boxes)*
** $7.00 fee deducted from loan. Fee subject to change without notice.*

☐ Electronic transfer to checking account. **Include check marked "VOID"** (not deposit slip) with account numbers.
$10.00 fee deducted from loan. Your bank may charge other fees. Fee subject to change without notice.

4. SIGNATURE. You must initial the boxes below.

I, the owner of the policy listed above, hereby request a loan against the policy cash value.

☐ I have read, understand and agree to the AAFMAA Policy Loan Statement.

*The Statement says, in part, that while you are not required to repay a loan because it is secured by the cash value of your policy, we **strongly recommend** that you pay at least the annual interest when billed. This will prevent your policy from becoming "overloaned". A policy becomes overloaned when the principal and accrued interest become greater than the cash value of the policy. When this occurs, the policy lapses. A policy lapse will trigger a taxable event if the cash value is greater than the policy premiums paid. If this policy is a Modified Endowment Contract (MEC), discuss tax and penalty consequences with a tax advisor before taking a loan.*

*If this is a **MEC policy**, AAFMAA is required to withhold 10% of the total distribution IAW IRS code 3405 and applicable US Treasury Regulation unless you elect not to do so. By initialing this box, I do not want any Federal income tax withheld from this distribution. I understand I can revoke this election at any time, the election remains effective until revoked, and I am liable for payment of Federal income tax on the taxable portion of the distribution and any penalties that may be incurred.*

Owner Signature	Date Signed *(mm/dd/yyyy)* / /

5. NOTARIZATION. Required ONLY if the address stated above is different from your address on file.

The person stated above, personally known to me (or proved by satisfactory evidence), signed this document before me.

Seal	Date	State	County	My commission expires
	Notary Public Name		Notary Public Signature	

When completed, email to: PolicyServices@aafmaa.com or fax to: 1-888-210-4882.

07/2015

American Armed Forces Mutual Aid Association • 1856 Old Reston Ave, Ste 200, Reston, VA 20190 • 1-800-522-5221 • www.aafmaa.com

Policy Loan Statement

This statement explains AAFMAA's policy loan procedure for Value-Added Whole Life policies. Please read it carefully and copy it for your records before submitting the Policy Loan Request on the reverse side of this page.

Loans

A loan can be taken by the policy owner against the cash value of ***each*** Value-Added Whole Life policy. You can borrow up to 75% of the cash value of each policy. Loans are not made in the aggregate; that is, not across the cash value of all policies. Each loan is issued against an individual policy.

Interest Rates

Interest is charged at a variable rate and is indexed to the crediting rate. The crediting rate is set each year, or more frequently, by AAFMAA. The policy loan rate is 1% (100 basis points) above the crediting rate, and may change each year of the loan, or more frequently, if the crediting rate changes. Interest accrues daily and is billed annually in the month preceding the anniversary date of when the loan was issued. If unpaid, the interest will be capitalized (added to the loan principal) at the end of the month in which it is due. Interest will then begin to accrue on the new, larger principal balance.

CAUTION: While you are not required to repay a loan because it is secured by the cash value of your policy, we ***strongly recommend*** that you pay at least the annual interest when billed. This will prevent your policy from becoming “overloaned”. A policy becomes overloaned when the principal and accrued interest become greater than the cash value of the policy. When this occurs, the policy lapses. A policy lapse will trigger a taxable event if the cash value is greater than the policy premiums paid. **This gain is considered taxable ordinary income by the IRS, and AAFMAA is required to send Form 1099R to the IRS for this gain.**

Repayment of Loans

Repayments may be made at any time, in any amount. A loan may be repaid in full or in part. Effective 1 January 2002, all loan payments will be credited to accrued interest first and then to the principal. If you have more than one policy with loans outstanding, please indicate to which policy and which loan, fixed or variable rate, you intend the payment to be applied. Otherwise, the payments will be credited first against the interest on all policy loans, oldest policy first, then against the principal of all policies, oldest policy first.

Outstanding Indebtedness

Any outstanding indebtedness will be deducted from the proceeds if the policy is surrendered for the cash value or when the death benefit is paid to the beneficiary.

Tax Implications

If your policy is identified as a Modified Endowment Contract (MEC) it comes under the provisions of the Technical and Miscellaneous Revenue Act (TAMRA) of 1988. Unless you are disabled, TAMRA may impose ordinary income tax implications on MEC policy distributions, i.e. loans, withdrawals or cash surrenders, regardless of your age. Also, if you are under age 59 ½ a 10% penalty tax may apply to distributions. **The tax and penalty apply only to distribution of interest earnings.** The IRS sequence for distributions is interest earnings first and then principal. No income tax or penalty is applicable to principal. Principal is the cost basis of the policy. Cost basis is premiums paid plus any taxable distributions made from the policy. You may want to seek professional tax advice.

Remember that a policy loan from AAFMAA is one of the most flexible loans available. Members should always feel free to use this benefit, ***BUT*** should ***make interest payments*** to avoid both taxes on a portion of the loan and the risk of losing insurance coverage and/or membership.