



**FROM:** Human Resources

**SUBJECT:** Activision Blizzard 401(k) Plan – Loan FAQ

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### **How does a loan work?**

When you take a loan, you actually borrow money from your 401(k) account, with the promise to repay it. According to the specific plan terms you repay the principal amount you borrowed, plus interest (a rate determined at the time of the loan), using after-tax dollars.

You'll repay your loan through automatic after-tax payroll deductions. If you don't repay your loan on schedule, your loan may be treated as a withdrawal and be subject to income taxes and early withdrawal penalties.

### **How does requesting a loan affect the value of my 401(k) plan?**

Taking a loan may have both short- and long-term consequences.

In the short term, the amount you borrow comes out of your own 401(k) plan account, so your retirement plan balance is reduced by the amount of your loan and any related fees, if applicable.

In the long term, you may have reduced your earnings potential. While you repay your loan at the specified interest rate, you forgo the opportunity for any dividends, interest, or capital appreciation from other plan investment options on the outstanding loan balance since it is not invested.

### **Will I pay taxes or penalties?**

You will not pay taxes or penalties when you initiate a loan and make loan repayments as scheduled or if you pay off your loan early. Keep in mind that loan repayments are made with after-tax dollars.

If you do not repay your loan within the terms of the loan, it will be considered a withdrawal and you'll have to pay taxes on the outstanding loan balance. In addition, if you are under age 59 1/2 you may have to pay a 10% early withdrawal penalty. You may also be subject to other penalties.

### **Can I still make contributions to my account if I take out a loan? Is there a penalty period?**

Yes, you can continue to make contributions if you take out a loan.

### **What happens if my retirement plan value drops?**

Sometimes your 401(k) plan value may drop between the time you request a loan and the time it is processed and, as a result, you may not qualify for the amount requested due to market value fluctuation.

You can often avoid this by requesting a loan for an amount less than the maximum amount available.

### **How much can I borrow? How is the available loan amount calculated?**

The amount you are allowed to borrow is determined by current regulations and the plan's provisions. The maximum you can borrow is the lesser of 50% of your vested balance, or \$50,000 (minus your highest outstanding loan balance during the previous 12 months). Outstanding and previously defaulted loans with an outstanding balance can impact your available amount.

#### *Example - No Outstanding Loan*

*Bea has a plan balance of \$40,000. She is 100% vested, and has never taken a loan. Bea is eligible to take a loan of \$20,000.*

#### *Example - Outstanding Loan*

*Len has a plan balance of \$100,000. He is 100% vested in his balance, and in the past year, has taken a plan loan of \$10,000. Len is eligible to take a plan loan of \$40,000.*

### **What are the loan terms?**

Once you actually take out a loan, the loan terms are set by the IRS and by the plan. Loan terms vary according to the type of loan you would like to take. Loan terms are calculated and presented during the process of modeling or requesting a loan.

### **What is the minimum balance needed to take out a loan?**

The minimum loan amount you can take is \$1,000 and is based on the plan's rules. Additionally, since the minimum you can borrow is the lesser of 50% of your vested balance, or \$50,000, you would need to have \$2,000 vested benefit to get a \$1,000 loan.

### **What if my loan is for the purchase of a principal residence?**

If your loan is for the purchase of your principal residence, you may need to provide a signed copy of your purchase and sales agreement, a construction contract from your builder, a mortgage commitment letter, or other documentation as specified by Activision Blizzard.

If you take a loan for the purchase of your principal residence from your 401(k) plan account, but do not use it to purchase a principal residence, the loan may be treated as a taxable distribution for the year in

which the loan was taken. The loan amount would also be subject to income taxes and may be subject to early withdrawal penalties.

If you accept a loan with a repayment period that exceeds 5 years, you are agreeing that: (1) you will use the proceeds of this loan for the purchase of a home which will become your principal residence within a reasonable period of time; (2) you are obligated to retain and, upon request, to make available to the Plan Administrator or to any regulatory body documentation sufficient to prove that the purpose of this loan was to purchase your principal residence; and, (3) if your loan is not used for the purchase of your principal residence, your loan will be treated as a taxable distribution to you in the year the loan was made and be subject to income taxes and penalties.

### **How long will it take to get my money?**

The amount of time that it will take for you to receive your loan proceeds depends on three things: whether or not additional paperwork is required, the plan's loan approval process and the loan delivery method you choose.

Some types of loans require additional paperwork (in the case of home loans) or your spouse's signature on documentation. The loan documents will be sent to you, and you'll need to complete, sign, and return them according to the instructions provided. More information about whether a loan requires paperwork can be found under the View Details link next to the name of loans available to you.

Loan delivery methods vary. Options available to you may include regular mail (7 to 10 business days), express mail, \$25.00 fee will generally apply (3 to 5 business days), and direct deposit (3 to 5 business days if your bank account is already on file and active). Once your loan request is processed, you'll receive the loan in 7 to 10 business days by regular mail, and 3 to 5 business days if you choose express delivery or direct deposit.

If you request "regular mail" as the delivery method, a signature is not required. If you request "express delivery", a signature may be required upon delivery at the discretion of the overnight carrier.

These timeframes are from the date your loan request is processed.

### **Can I receive my money faster?**

The express delivery fee is \$25.00 (3 to 5 business days) or direct deposit (3 to 5 business days if your bank is already on file and active). These timeframes are from the date your loan request is approved and processed.

### **How do I process a loan online?**

If a loan is available -

1. Check the Loans page to see if you are eligible to take a loan and if so how much you can borrow.
2. Use the "Model a Loan" link to select the type of loan (general purpose or home purchase if available), amount you want to borrow and how long you want to borrow it and click "Calculate".

3. You'll now be able to see a summary of the information on the loan you have modeled i.e. Amount, Length of Loan, Payment Amounts, Interest Rate, Fees, and Repayment Method.
4. You can either start the process of taking the Loan online with "Begin Loan Request", "Model Another Loan" using different amounts/terms, or "Return to the Loans" page.
5. If you choose to take the Loan you can start the process at any time by clicking "Request a Loan".
6. You must provide the amount and the term of the loan and then you will be able to review the payment amounts, interest rate, and fees and submit the request.
7. Your transaction will be processed based on the next market close and you will receive your check generally within 7 to 10 business days by regular mail, and 3 to 5 business days if you choose express delivery or direct deposit. Once your loan request is processed, you'll receive the loan in 7 to 10 business days by regular mail, and 3 to 5 business days if you choose express delivery or direct deposit.

### **How will taking this loan impact my credit score?**

There is no impact on your credit score. Loans taken from your workplace savings plan are not reported to credit bureaus.

### **How do I repay my loan?**

Your loan repayments will be deducted from your pay using after-tax dollars. If your employment status changes, you'll need to repay your loan in full immediately, or over time, depending upon your plan rules.

### **How do I get information about my loan proceeds?**

You can locate information from the Transaction History. Payment History will display payments made from your 401(k) plan account, including loan proceeds. If no status is provided the loan is still in process. Once the check is created and mailed, the status will be displayed.

### **When was my loan check mailed?**

To find out when your loan check was mailed, click Transaction History on the NetBenefits table of contents and then select Payment History from the list of options.

### **Is there a way to have my loan check reissued?**

If it has been more than 10 business days and you have not received your check or you have received your check but it is damaged, you can contact a Customer Services Associate to have the check reissued. You can confirm that your check has been mailed by going to the Transaction History>Payment History section in NetBenefits.

**What is the payoff amount and process for paying off my loan?**

If you would like to pay off your loan in full before the original loan term, look for the "Pay Off Loan" link on the Loans page in NetBenefits. Click Pay Off Loan to view your payoff amount and to find information about how to pay off your loan online.

Your payoff amount may include principal and interest. Please note – you may continue to see one or two payroll deductions even after you have sent your loan payoff amount. That's because the quoted payoff amount assumes that other payroll deductions are scheduled to occur before your full payoff is received. If you end up overpaying your loan, any excess will be refunded to you.

**Why haven't my loan repayments started? When will payments start?**

Your loan payments will usually begin within two pay cycles of your loan processing date. If your loan has been processed, click the loan name to see an estimate of when your first payment will be taken.

**Are the interest payments on loans from the plan tax deductible?**

Generally, no.

**How soon can I take another loan? How much will be available?**

The amount you are allowed to borrow is determined by current IRS and DOL regulations and the plan provisions. Generally the maximum you can borrow is the lesser of 50% of your vested balance, or \$50,000 (minus your highest outstanding loan balance during the previous 12 months). Outstanding and previously defaulted loans with an outstanding balance can impact your available amount.

**Can I take out a new loan once I pay off my existing loan?**

You can check the Loans Landing Page to see if a new loan is available to you.

**Why don't I have a new loan available?**

Check the Loans Landing Page to see if loans may be available to you. Typically a new loan will not be available to you if you have taken the maximum number of loans allowed, if you have reached the maximum dollar amount in loans, or if you are within the 15 day waiting period before a new loan may be taken.

**How many loans can I have outstanding at one time?**

You may have only 2 loans (only one for residential purpose) outstanding at any time.

**Can I refinance or re-amortize later?**

Refinancing, (which involves altering the terms (e.g., amount of the loan, or the loan interest rate ) of your loan once the loan is initiated), is generally not permitted.

There are limited circumstances when you may be able to re-amortize your loan. For instance, you may be able to re-amortize if you have a change in your payroll frequency, an unpaid leave of absence, or separation of service from Activision Blizzard.

**What happens if I do not pay back my loan in a timely manner, in accordance with the terms of the loan?**

The outstanding loan balance will be considered a taxable distribution and in default. It will be subject to ordinary income taxes, and possibly a 10% early withdrawal penalty if you are younger than age 59 1/2.

**If I default on my loan will it affect my credit score?**

There is no impact on your credit score. Loans taken from your workplace savings plan are not reported to credit bureaus. However, it will reduce the retirement benefits payable to you under the plan.

**What happens if I leave Activision Blizzard?**

If your employment status changes, you can continue your scheduled payments by setting up an ACH payment schedule on NetBenefits®. You can also use ACH, cashier's checks or money orders to pay your loan in full. For assistance with setting up an ACH payment, please call Fidelity at 800-835-5095.

If you do not repay your loan within the terms of the loan, it will be considered a withdrawal and you'll have to pay taxes on the outstanding loan balance. In addition, if you are under age 59 1/2 you may have to pay a 10% early withdrawal penalty.

**Why is there a 10 day wait period for address changes?**

The 10 day wait period protects you from unauthorized account activity. Fidelity will send address confirmations to both your old and new addresses so that your address change can be verified.

**Why is there a remaining balance when my loan status is defaulted?**

Based on plan rules, you were not eligible for a withdrawal from your retirement plan at the time your loan default was processed. The defaulted loan amount has been reported to the IRS as a taxable distribution from your retirement plan, and the loan balance still remains outstanding. You may still pay off the balance of the loan if you so choose.

**Why is the remaining balance different from the defaulted amount?**

At the time your loan defaulted, your 401(k) plan rules dictated that your maximum eligible withdrawal amount was less than the defaulted loan amount. The portion of the defaulted amount that was eligible to you as a withdrawal has been re-characterized as a taxable distribution from your plan. The remaining loan default amount still appears as an outstanding loan. You may still pay off the outstanding balance of the loan if you so choose.

**What if my repayment date falls on a weekend or holiday?**

If the date of repayment falls on a weekend or holiday, the repayment would occur on the next business day.

**Questions?**

Call the Fidelity Retirement Benefits Line at 800-835-5095.

Fidelity Investments Institutional Services Company, Inc., 500 Salem Street, Smithfield, RI 02917

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