

## **E&C College Tuition Assistance Benefit (C-TAB) Frequently Asked Questions (FAQs)**

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**What is a C-TAB?** C-TAB stands for College Tuition Assistance Benefit. C-TAB is made up of a series of up to ten loans, over a nine year period, on a line of credit with a \$32,000/\$48,000 maximum per child, per course of study, depending on the member's choice. The C-TAB is available through E&C to Local 3 members who have been employed by a contributing employer for at least five years and who are currently employed by a contributing employer; or, if currently unemployed, registered as available for work.

### **Why is the C-TAB limited to a maximum of ten loans over nine years?**

In order to be able to charge the lowest interest rate possible under applicable IRS regulations, the C-TAB must be paid back in full within nine years. The ratio of nine loans over ten years assures that the \$32,000/\$48,000 maximum line of credit per child can be paid back fully within nine years assuming \$80/\$120 minimum weekly payments.

### **Is the C-TAB available for my natural or legally adopted children?** Yes.

**What is a line of credit?** A line of credit means that you have a maximum amount of funds available to you incrementally over a period of time. Thus, if you are eligible, you will have available to you a \$32,000 line of credit (should you take out semester loans for a child that *never* exceed \$4,000) or a \$48,000 line of credit (should you take out semester loans for a child that *ever* exceed \$4,000 – i.e., \$4,001-\$6,000) to put towards a course of study (undergraduate or graduate) that your child undertakes; however, you will borrow or “drawdown” on a \$32,000 line of credit in no more than \$4,000 increments per college semester (Fall and/or Spring only) and on a \$48,000 line of credit in no more than \$6,000 increments per college semester (Fall and/or Spring only). The funds available on a line of credit will be permanently reduced by each drawdown that you take against that line of credit.

**How do I apply for a C-TAB?** You, your spouse and your child must each sign a Master Promissory Note (MPN) making each of you responsible for the timely repayment of any loan taken from the \$32,000/\$48,000 line of credit. Applications for Fall semester loans may be submitted from May 1<sup>st</sup> through October 1<sup>st</sup>; applications for Spring semester loans may be submitted from November 1<sup>st</sup> through March 15<sup>th</sup>.

**Is there anything else that I or my spouse must do regarding the Master Promissory Note (MPN)?** Yes, you and your spouse must each execute beneficiary designations in favor of E&C, which will allow E&C to collect any outstanding loan balance from your Annuity or Deferred Salary Plan (DSP) funds before any other distribution is made. Although these beneficiary designations must be revocable in order

to comply with U.S. Treasury Regulations, the terms of the MPN specify any such revocation constitutes a default on the instrument, which renders the total outstanding balance immediately callable and extinguishes any remaining line of credit.

**What is a Loan Rider?** A Loan Rider is the paper that you sign for each loan or drawdown you take on an MPN.

**What is the “outstanding balance” on a C-TAB?** The outstanding balance on a C-TAB is calculated based on the funds that have been actually disbursed by E&C to your child’s college but have yet to be repaid by you.

**What is the interest rate on my C-TAB?** The interest rate on your C-TAB is pegged to the mid-term “Applicable Federal Rate” or “AFR” that is set by the IRS on a monthly basis. We use the mid-term AFR set in May for MPNs executed to commence in the Fall semester and November for MPNs executed to commence in the Spring semester. Once fixed, the mid-term AFR assigned to an MPN applies for the nine-year life of the \$32,000/\$48,000 line of credit.

**Do I pay interest on the full \$32,000/\$48,000 line of credit from the time that I sign the Master Promissory Note?** No, you only pay interest on the outstanding balance, which is comprised of funds actually disbursed to your child’s college but not yet repaid by you.

**What is the approximate amount of total interest that I will pay on a C-TAB?** The amount of total interest paid on a C-TAB depends on the applicable interest rate, the utilization of the line of credit, and the timeliness of repayment. Assuming by way of example only that, hypothetically: (a) the interest rate is 2%; (b) you take out loans for the maximum of \$32,000 in increments of \$4,000 per semester; and (c) you make timely minimum weekly payments of \$80 for the nine-year duration of the C-TAB -- then the approximate total amount of interest you would pay on that C-TAB would be \$1,452.

**Is there a penalty for paying off my C-TAB in less than nine years?** No, there is no pre-payment penalty associated with the C-TAB and you only pay interest on, and for the period of time you have, an outstanding balance on the C-TAB.

**Is the check issued for a loan disbursement payable to me or my child?** No, each check issued on the MPN is delivered to you but made payable to the college that your child is attending. It is your responsibility to forward the check to your child’s college and provide E&C with a copy of the bursar’s receipt.

**Can the C-TAB be used to pay any expense related to college enrollment?** Yes, as long as that expense is billed directly by the college.

**Is the C-TAB limited to undergraduate college enrollment?** No, the C-TAB can be used to pay for expenses related to undergraduate or graduate college enrollment. You may take out a C-TAB for each course of study that your child undertakes, both undergraduate and graduate, each with a \$32,000/\$48,000 maximum line of credit secured by separate master promissory notes.

**How do I repay loan(s) taken on a Master Promissory Note?** The outstanding balance – i.e., the loan or loans taken but not yet repaid -- on each MPN must be repaid through payroll deduction at the minimum rate of \$80 per week for a \$32,000 MPN and \$120 per week for a \$48,000 MPN; or, if you are unemployed or have retired, by direct payment to E&C. Each MPN must be repaid in full within nine years of the MPN origination date.

**Does that mean that I have to pay a minimum of \$80 per week per drawdown on a \$32,000 MPN, or \$120 per week per drawdown on a \$48,000 MPN, so that if, for example, I took out one loan in the Fall and another in the Spring for the same child, I would be paying either \$160 or \$240 per week (depending on the amount of the MPN) from the Spring semester on?** No, you are only responsible for a weekly minimum payment of \$80/\$120 per active \$32,000/\$48,000 MPN regardless of how many loans you have taken out under a particular MPN. That means that if you have one child with only one active C-TAB, on which you have drawn down four loans, your minimum weekly payment will be \$80/\$120 depending on the type of MPN. However, if you have more than one child and you have signed separate MPNs for each of them – or you have one child with an undergraduate C-TAB followed by a graduate C-TAB -- then you must make a weekly minimum payment of \$80/\$120 per active MPN regardless of how many such MPNs you may have active. For example, if you have one child only with an active undergraduate C-TAB based on a \$32,000 MPN and another child with two active C-TABs, for both undergraduate and graduate courses of study, each based on \$48,000 MPNs, you will have signed three separate MPNs, requiring a weekly aggregate minimum payment of \$320 – i.e.,  $(\$80 \times 1 = \$80) + (\$120 \times 2 = \$240) = \$320$ .

**Do I have to keep making the minimum weekly payment if I'm unemployed?** Yes.

**When is my minimum weekly payment on a C-TAB due.** The date of your initial minimum payment (\$80/\$120) on any loan will be reflected in the Loan Rider you sign. Generally, the initial minimum payment on a C-TAB loan is due one week from the origination of that loan. Subsequent minimum payments are due on a weekly basis.

**When would I become delinquent on my C-TAB loan?** Generally, you become delinquent on your C-TAB loan if you are behind six or more weeks in weekly minimum payments (\$80/\$120). However, if you have been unemployed for more than

two weeks within the twelve-month period immediately preceding a delinquency, and you are registered as available for work, you will not be deemed delinquent or in default on your C-TAB loan until you fall behind eight weeks or more on your weekly minimum payments.

**What happens if I become delinquent on my C-TAB loan?** If you are delinquent on a C-TAB loan you are ineligible to take out any additional loans. If you become delinquent on a C-TAB loan for eight weeks or more, your account will be referred for legal action, which can include defaulting the loan, accelerating repayment on the loan, and suing to collect on the loan.

**How can I cure a delinquency on my C-TAB loan?** By paying down the outstanding balance on your C-TAB loan to current status.

**What happens to my C-TAB loan(s) if (a) I become unemployed and deemed no longer registered as available for work, (b) move out of Local 3's jurisdiction, or (c) formally leave the electrical industry and/or Local 3?** Under any of these circumstances, the outstanding balances on all of your C-TAB loans must be paid in full within sixty days. If any outstanding balance is not paid in full within 60 days, interest will continue to accrue on, and legal action will be commenced to collect, all outstanding balances due.

**Is each minimum weekly payment I make apportioned between principal and interest?** Yes, according to the terms of the MPN.

**For how long is an MPN active?** An MPN is active for as long as it has an outstanding balance. An MPN must be repaid in full within nine years of the MPN origination date.

**Are there limits on the number and total amount of loans or drawdowns I can take per college semester?** Yes, while you can activate an MPN for each of your college-attending children, as well as each course of study (undergraduate or graduate) undertaken by your child, you may take out loans for no more than two children or courses of study per semester, at a maximum of \$4,000/\$6,000 per loan – i.e., a total loan amount of no more than \$8,000/\$12,000 per semester.

**How many loans or drawdowns can I take for each MPN I have active?** You can take up to ten separate loans or drawdowns per active MPN, with no more than one such loan or drawdown occurring each semester, and for no more than \$4,000/\$6,000 per loan or drawdown, up to the cap of \$32,000/\$48,000 for that line of credit. For example, you can take out eight loans of \$4,000 for eight semesters, which total \$32,000; or you can take out four loans of \$2,000 for four semesters and six loans of \$4,000 for six semesters, which also total \$32,000. The same configuration applies to \$48,000 MPNs.

**Is there an overall limit to the amount of credit I have available under the C-TAB?** Yes, regardless of the number of college-attending children you may have, the number of MPNs you may have active, or the number of loans you have taken on any MPN, the total of your aggregate outstanding balance across all loans cannot exceed \$56,000. Thus, for example, if you have three college-attending children that each have a C-TAB, for an aggregate line of credit of \$96,000 (3 x \$32,000), and each child has an outstanding loan balance of \$18,000 on his or her C-TAB, the next loan you take out for any child cannot exceed \$2,000 because  $3 \times \$18,000 = \$54,000$  and  $\$56,000 - \$54,000 = \$2,000$ . As the total of your aggregate outstanding loan balance decreases, you can borrow more on each subsequent loan (up to \$4,000 per loan, per semester). The same configuration applies to \$48,000 MPNs.

**When did the C-TAB take effect?** The C-TAB requirements that (a) promissory notes must be signed by Local 3 members, their spouses, and their children and (b) the aggregate outstanding balance across all loans cannot exceed \$56,000 became effective as of the Spring 2015 college semester. The rest of the C-TAB rules became effective as of the Fall 2015 college semester, with the exception of the term of \$6,000 per semester/\$48,000 MPN payable at a minimum of \$120, which will become effective in the Fall 2016 college semester.

**Do the C-TAB rules automatically apply to my prior (legacy) college tuition loans (CTLs)?** No, while CTLs became no longer available as of the 2015 Fall college semester, any CTL made prior to that time remains in effect and does not automatically become a C-TAB. However, with the 2015 Fall college semester, no C-TAB will be issued to a Local 3 member who has an outstanding CTL, unless that CTL is fully paid off or converted to a C-TAB.

**Does that mean that I cannot take out a C-TAB without either fully paying off any outstanding CTL that I have, or converting that CTL to a C-TAB?** Yes, you must first either convert your CTL(s) to C-TAB(s), or pay them off completely, before taking out any loans under the C-TAB program.

**How does my CTL convert to a C-TAB?** If, starting with the 2015 Fall college semester, you apply for a C-TAB and elect to have any outstanding CTL balance converted -- as opposed to just paying it off -- *E&C will convert all of your outstanding CTL(s) to C-TAB(s)*. Any accrued interest on your CTL will be carried over to your C-TAB during the conversion and will be posted in your C-TAB as a one-time "administrative fee." The maximum administrative fee per converted student loan is \$80.00.

**What are the various scenarios for converting CTLs to C-TABs of \$4,000 or less versus CTABs of over \$4,000, as well as C-TABs of \$4,000 or less to CTABs of over \$4,000?** A member who has CTLs can no longer take

out such loans effective the 2015 Fall college semester and must convert all existing CTLs to C-TABs in order to take out a CTAB student loan. Accordingly, a member who has two children with CTLs and wishes to take a C-TAB of over \$4,000 for child A and nothing for child B, will see child B's CTL automatically convert to a C-TAB of \$4,000 or less with a \$32,000 MPN requiring a weekly minimum payment of \$80. Similarly, a member taking a C-TAB of over \$4,000 for child A will not have child B's outstanding C-TAB of \$4,000 or less (with a \$32,000 MPN requiring a weekly minimum payment of \$80) automatically converted to a C-TAB of over \$4,000 (with a \$48,000 MPN requiring a weekly minimum payment of \$120). However, a member who has an outstanding a C-TAB of \$4,000 or less with a \$32,000 MPN requiring a weekly minimum payment of \$80 for his child cannot take out a C-TAB of over \$4,000 for that same child without converting whatever balance remains to a \$48,000 MPN requiring a weekly minimum payment of \$120.