

WATKINS ROSS

SAFE HARBOR HARDSHIP WITHDRAWAL GUIDELINES

Requirements and Documentation

The items listed below serve as general guidelines for the safe harbor hardship withdrawal requirements. Under a “safe harbor” in IRS regulations, a participant is automatically considered to have an “immediate and heavy financial need” if the distribution is for the purchase of a primary residence, payment of unreimbursed medical/dental expenses, payment of funeral and/or burial expenses, payment of tuition and related educational expenses, prevention of eviction or foreclosure from the participant’s principal residence or to repair damage to the participant’s principal residence.

Purchase of Principal Residence

BASIC REQUIREMENTS

- **Withdrawal Request:** Must be for costs directly related to the purchase of the principal residence (excluding any mortgage payments).
- **Cash Sale:** If you are not obtaining a loan, submit a copy of the deed that reflects the address of the property and the name of the current property owner. If the deed is not available, you must submit other evidence of title.

REQUIRED DOCUMENTATION

FOR PURCHASE OF EXISTING HOUSE/TOWNHOUSE/CONDOMINIUM/MOBILE HOME OR MANUFACTURED HOME

- **Sales Contract:** Must identify the buyer’s (participant or participant’s spouse) name and signature, closing date (subsequent to the date of the hardship distribution), seller’s signature or signature of authorized representative of company selling the property, current date, purchase price and the property address.
- **Good Faith Estimate:** Must include buyer’s (participant or participant’s spouse) name and signature, current date, amounts (ex. closing costs and deposits) required to be paid at closing to purchase property, and the property address.

FOR CONSTRUCTION OF PRINCIPAL RESIDENCE

- **Contract:** Must identify the buyer’s (participant or participant’s spouse) name and signature, contractor’s signature, anticipated completion date (and, if applicable, proof of extension), current date, building costs, copy of construction loan reflecting loan approved costs, and the property address.

PURCHASE OF LAND FOR CONSTRUCTION OF PRINCIPAL RESIDENCE OR PLACEMENT OF MOBILE OR MANUFACTURED HOME

- **Contract:** Must identify buyer’s (participant or participant’s spouse) name and signature, closing date (subsequent to the date of the hardship distribution), seller’s signature, current date, purchase price, address or location of the property and the construction loan agreement.
- **Documentation by Contractor:** Must include the building permits, blue prints and the documentation showing intent for construction of principal residence within one year time frame

NON-ELIGIBLE EXPENSES

THE FOLLOWING EXPENSES ARE NOT ELIGIBLE FOR A HARDSHIP WITHDRAWAL

- Refinancing of the mortgage of a principal residence.
- Amount necessary to purchase a rental property

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Payment of Unreimbursed Medical and Dental Expenses

BASIC REQUIREMENTS

- **Eligible Expenses:** Must be medical and/or dental expenses for the diagnosis, cure, mitigation, treatment, or prevention of disease; or for the purpose of treating any structure or function of the body.
- **Amount:** Must (1) not be covered by insurance and (2) not paid in its entirety by insurance

REQUIRED DOCUMENTATION

FOR MEDICAL EXPENSES INCURRED

- **Copy of Itemized Bill(s):** Must identify name of participant or dependent, service rendered, date of service, billed amount, amount paid by insurance (if applicable), and outstanding amount. Note, the "balance due" statement from providers or notices from collection agencies are not acceptable.
- **Explanation of Benefits (EOBs) From Insurance Carriers:** Must indicate what portion of each itemized charge insurance has paid. If you are applying for a withdrawal for medical expenses for a spouse or dependent who has other coverage, you must also provide a copy of the EOBs from their insurance carrier.
- **No Insurance Coverage:** If you did not have any insurance at the time the services were performed, you must submit that in writing.

FOR MEDICAL EXPENSES NOT YET INCURRED

- **Doctor/Hospital Statement:** A statement on the doctor's/hospital's letterhead identifying the name of the participant or dependent, service to be rendered and the estimated cost of the service.
- **Letter from Insurance Carrier (if applicable):** Must identify the amount to be paid by insurance or if they are denying coverage.

NON-ELIGIBLE EXPENSES

THE FOLLOWING EXPENSES ARE NOT ELIGIBLE FOR A HARDSHIP WITHDRAWAL

- Cosmetic surgery (unless required due to accident or medical condition).

Payment of Funeral and/or Burial Expenses

BASIC REQUIREMENTS

- **Expenses:** Funeral and/or burial expenses must be for the participant's deceased parent, spouse, child or dependent.

REQUIRED DOCUMENTATION

- **Copy of Applicable Bills:** Funeral/burial bill and/or other bills (example: headstone/grave marker, florist, luncheon) relating to the funeral must identify name of family member (i.e., deceased parents, spouse, child or dependent) and the billed amount or the outstanding balance.
- **Original Certified Death Certificate**

NON-ELIGIBLE EXPENSES

THE FOLLOWING EXPENSES ARE NOT ELIGIBLE FOR A HARDSHIP WITHDRAWAL

- N/A

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Payment of Tuition and Related Educational Expenses

BASIC REQUIREMENTS

- **Eligible Expenses:** Tuition and/or related educational fees must be for a post-secondary education at an accredited college, university or trade school (which requires an individual to have a high school diploma or GED) for either the participant, participant's spouse or participant's dependents.
- **Timeframe:** Expenses must be for the current semester or for the next 12 months of education.

REQUIRED DOCUMENTATION

TUITION AND BOARD

- **Copy of Tuition and/or Room and Board Bill:** Must include name of student, the name/address/telephone number of educational institution, fee for tuition (may be broken down by class) for the current or next semester, and the fee for the room and board for the current or next semester.

NON-ELIGIBLE EXPENSES

THE FOLLOWING EXPENSES ARE NOT ELIGIBLE FOR A HARDSHIP WITHDRAWAL

- Payment of outstanding student loans
- Book fees
- Payment of prior semesters

Prevention of Eviction or Foreclosure From the Participant's Principal Residence

BASIC REQUIREMENTS

- **Withdrawal Request:** Must be for costs directly related to the eviction or foreclosure on the participant's principal residence
- **Date:** The date of eviction or foreclosure must be in the future.

REQUIRED DOCUMENTATION

FOR EVICTION FROM APARTMENT COMPLEX OR PROPERTY RENTED BY INDIVIDUAL

- **Original Eviction Notice or Court Order:** Must identify tenant's (participant or participant's spouse) name and address, amount needed to prevent eviction, date on which amount must be paid, and signed and dated by the owner or representative of the apartment complex or landlord.

FOR FORECLOSURE

- **Foreclosure Notice:** Must be from mortgage company, other appropriate agency, or state or local taxing authority; identify the name of participant or participant's spouse, provide participant's address, amount needed to prevent foreclosure, date on which amount must be paid; signed and dated by the authorized representative of the mortgage company, other appropriate agency and/or taxing authority; and specifically state that foreclosure proceedings will begin if the amount is not paid.

Note: the address on the eviction or foreclosure notice must be the same as the address on the participant's account, unless the participant has a P.O. Box. If the address on the account is a P.O. Box, submit a copy of a utility bill that shows the physical address matches the address on the eviction or foreclosure notice.

NON-ELIGIBLE EXPENSES

THE FOLLOWING EXPENSES ARE NOT ELIGIBLE FOR A HARDSHIP WITHDRAWAL

- Past due utility, water, and property tax bills. EXCEPTIONS: Property tax bills that may lead to the sale of the principal residence if bill is not paid and utility/water bills that are included in an eviction notice can be included.

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Payment for the Repair of Damage to the Participant's Principal Residence

BASIC REQUIREMENTS

Withdrawal Request: Must be for costs directly related to damage to the participant's principal residence from sudden, unexpected or unusual events that qualify for the Casualty Deduction for income tax purposes (examples: tornadoes, tree damage, earth quakes, fires, floods, landslides). Note, your insurance deductible amount may qualify for a hardship.

REQUIRED DOCUMENTATION

FOR PAYMENT OF UNREIMBURSED COSTS OF QUALIFYING CASUALTIES

- **Contractor's Bill of Services:** The contractor should state the cause of the casualty and provide a breakdown of the cost on the bill.
- **Insurance Carrier Statement:** The insurance carrier statement should show evidence of coverage.

FOR PREPAYMENT OF CERTAIN REPAIR/CONSTRUCTION COSTS

- **Contractor's Estimate:** The contractor should state the cause of the casualty on the estimate.
- **Insurance Carrier Statement:** The insurance carrier statement should show evidence of coverage.

FOR BUILDING YOUR PRINCIPAL RESIDENCE DESTROYED BY THE CASUALTY

- **Executed Contract:** The executed contract with the contractor should state the cause of the casualty and may include amounts and dates of periodic distributions to the contractor.
- **Insurance Carrier Statement:** The insurance carrier statement should show evidence of coverage.

NON-ELIGIBLE EXPENSES

THE FOLLOWING EXPENSES ARE NOT ELIGIBLE FOR A HARDSHIP WITHDRAWAL

- Payment for repair of damage due to normal progressive deterioration (examples: new roof, termite/moth damage, losses caused by drought, burst water heater). Note, with a burst water heater, the rust and water damage to drapes and rugs does qualify as a casualty.
- Claims denied by the insurance company because the carrier has labeled the loss due to "normal wear and tear"