Loans from 401(k) Plans: How Many, How Large?

WASHINGTON—How many participants have taken loans from their 401(k) plan? How large are those loans?

The latest update of the EBRI/ICI database shows that, at year-end 2008, less than one-fifth of participants had loans from their 401(k) plan. The average loan balance was down at the end of 2008 compared with year-end 2007.

The details:
- Among participants with outstanding 401(k) loans at the end of 2008, the average unpaid balance was $7,191, compared with $7,495 in the year-end 2007 database. The median (mid-point, half above and half below) loan balance outstanding was $3,889 at year-end 2008, compared with $4,167 in the year-end 2007 database.
- With account balances generally pulled down by the stock market in 2008, the ratio of the loan outstanding to the remaining account balance edged up in 2008, although within ranges seen in other years of analysis. Similar to year-end 2002, loan balances as a percentage of account balances (net of the unpaid loan balance) for participants with loans was 16 percent at year-end 2008.
- Fifty-nine percent of the 401(k) plans for which loan data were available in the 2008 EBRI/ICI 401(k) database offered a plan loan provision to participants. The loan feature was more commonly associated with large plans (as measured by the number of participants in the plan). Ninety-three percent of plans with more than 10,000 participants included a loan provision, compared with 33 percent of plans with 10 or fewer participants.

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<tbody>
<tr>
<td>Average</td>
<td>$6,717</td>
<td>$6,856</td>
<td>$6,659</td>
<td>$6,946</td>
<td>$6,821</td>
<td>$7,292</td>
<td>$7,495</td>
<td>$7,191</td>
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<tr>
<td>Median (mid-point)</td>
<td>$3,902</td>
<td>$3,824</td>
<td>$3,700</td>
<td>$3,893</td>
<td>$3,661</td>
<td>$4,089</td>
<td>$4,167</td>
<td>$3,889</td>
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</tbody>
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Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Collection Project.

Note: Average and median 401(k) loan amounts are calculated among participants with 401(k) loans. The EBRI/ICI 401(k) database, the largest of its kind, is a joint project of the nonpartisan Employee Benefit Research Institute (EBRI) and the Investment Company Institute. Additional information about 401(k) loan activity, asset allocation, and account balances appears in the October 2009 EBRI Issue Brief, available at www.ebri.org

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