



NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
10 Corporate Woods Drive, Albany, NY 12211-2395

5-YEAR LOAN APPLICATION - ALL TIERS

TO BE ELIGIBLE FOR A LOAN YOU MUST:

- ◆ Have at least \$400 in your Annuity Savings Fund (Tier 1 and 2) **OR** at least \$1,334 in your Contribution Fund (Tier 3 and 4).
- ◆ Have at least one year of member service.
- ◆ Not have received a loan from the System within the current calendar year (Tiers 3 and 4). (Tier 1 and 2 members may only borrow once between Jan. 1 and June 30, and once between July 1 and Dec. 31 in any given year.)
- ◆ Not have an outstanding System loan more than two months delinquent, in default or in a non-performing status.

FINANCE CHARGES:

- ◆ A **\$30.00 service charge** is added to the amount to be repaid.
- ◆ **Interest** is charged at the annual rate of **5%** (Tier 1 and 2) **OR** **7%** (Tier 3 and 4).
- ◆ **Life insurance is charged at the annual rate of .10%. Your loan is fully insured beginning 31 days from the date of issuance. Once your loan is in default, insurance coverage ceases.**
- ◆ A delinquent payment will result in a \$10.00 service charge for every month a loan account is delinquent.
- ◆ A returned check will result in a \$20.00 service charge for each occurrence.

LOAN TERMS:

- ◆ The minimum loan is \$300 (Tier 1 and 2) **OR** \$1,000 (Tier 3 and 4).
- ◆ Your loan may not exceed 75% of your Annuity Savings or Contribution Fund.
- ◆ A new loan will be combined with any existing loan. (**PLEASE NOTE:** Members with an unpaid balance on a current NYSTRS loan who wish to borrow additional funds are reminded that a new federal tax rule could have severe tax consequences on a new, combined loan.)
- ◆ The minimum monthly payment for all tiers is the greater of 2% of your current contract salary divided by 10, or the amount needed to repay the loan within five years. (Tier 1 and 2 members should refer to page **2** for information on loans exceeding five years.)
- ◆ Repayment will be by payroll deduction unless you are not currently employed as a teacher with a participating employer of this System or your employer is unable to deduct the full amount of the loan payment from your compensation.
- ◆ Your employer will take deductions for payroll repayment during each of the months September through June.
- ◆ For direct (coupon) repayment, payment is due one month from the issue date and each month thereafter, September through June. Payments are not due during July and August. Any partial payments received will be applied to your outstanding loan but they will **not** advance your next due date **nor** exempt you from the charges noted above.
- ◆ There is no pre-payment penalty if you repay your loan in full before its scheduled completion date.
- ◆ There are no credit checks involved. If you meet the eligibility requirements, your loan will not be denied.

NON-PAYMENT:

- ◆ For Tier 1 and 2 members, loans uncollectable through payroll deduction are deducted from your Annuity Savings Fund.
- ◆ For Tier 3 and 4 members, loans uncollectable through payroll deduction go into a non-performing status. When this occurs, a portion of your loan balance will be reportable as income for federal income tax purposes. **Such loans continue to accrue interest and will reduce any benefit payable.**
- ◆ If you are making direct payments and your loan becomes four months past due, your loan will go into a default or non-performing status.
- ◆ Once your loan has gone into a non-performing status or been deducted from your Annuity Savings Fund, you forfeit your right to borrow until the balance is repaid by **certified check or money order**.
- ◆ Upon termination of membership, any outstanding loan is deducted from your Annuity Savings Fund (Tier 1 and 2) or Contribution Fund (Tier 3 and 4).

TAX INFORMATION FOR 5-YEAR LOANS

- ◆ **If you are a Tier 3 or 4 member**, you are only eligible for a 5-year loan and must use this loan application.
 - ◆ **If you are a Tier 1 or 2 member**, you may use this loan application, or in some cases, the DISTRIBUTION LOAN APPLICATION (form LON-26.1). The repayment amount on a 5-year loan can be substantial and cannot be reduced once the loan is issued. Contact the System for a DISTRIBUTION LOAN APPLICATION if you want a repayment schedule extending beyond five years or you are filing for a loan against your non-taxable contributions. **If you are retiring**, you may file for a loan equal to the non-taxable portion of your contributions (your pre-1987 contributions) on the 5-YEAR APPLICATION. To avoid any portion of such a loan being subject to federal income tax, file your application so that we receive it no more than 10 days before your retirement date. An application received on or after your retirement date is invalid.
 - ◆ Generally, loans with a 5-year repayment schedule are not distributions for federal income tax purposes unless they fall into one of the following categories:
 - Loans equal to or greater than \$50,000 or if the highest outstanding loan balance during the previous 12 months plus the current loan balance equals or exceeds \$50,000.
 - Loans equal to or greater than \$10,000 which exceed ½ your accrued benefit with this System.
- You will be notified prior to issuance if your loan falls into one of these exception categories.
- ◆ If your loan is a distribution, a portion may be reportable as federal taxable income. In addition, you may be subject to an additional federal tax of 10% on the taxable portion if you are less than 59½ years old at the time of the transaction. You should contact the Internal Revenue Service directly regarding the assessment of the additional federal tax of 10%.
 - **If you are a Tier 1 or 2 member**, the non-taxable portion of your distribution loan is calculated using your pre-1987 contributions, post-1986 contributions and previously taxed interest.
 - **If you are a Tier 3 or 4 member**, the non-taxable portion of your distribution loan is calculated using your pre-July 1989 contributions and previously taxed interest.
 - ◆ If your loan was not a distribution at the time of issuance but your loan is defaulted at retirement and you are at least 55 years old, the transaction may create a taxable event; however, the additional federal tax of 10% would not apply.
 - ◆ If your loan is not repaid within 5 years from the issuance date, a portion of the remaining loan balance may be taxable at that time.

If you have been advised that a portion of your loan will be taxable, please complete, sign and forward this form with your completed loan application (LON-26).

Name _____

EmplId# or Social Security # _____

I talked to a representative of NYSTRS and was advised that a portion of my loan will be taxable.

The taxable amount will be fully reportable as taxable income for Federal income tax purposes. In addition, you may be subject to the 10% additional tax on the taxable amount if you are less than 59½ at the time of the transaction.

- I understand that on a loan of approximately \$_____, the taxability will be approximately \$_____.
- Please process my loan with the following withholding tax election:
_____ withhold federal taxes (10% of the taxable portion)
_____ do not withhold federal taxes.

Signature _____ Date _____