



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 (Tiers 1 and 2) **OR** at least \$1,334 in your Contribution Fund (Tiers 3, 4 and 5).
- ◆ Have at least one year of member service.
- ◆ Not have received a loan from the System within the current calendar year (Tiers 3, 4 and 5). (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% (Tiers 1 and 2) **OR** 7% (Tiers 3, 4 and 5).
- ◆ 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 (Tiers 1 and 2) **OR** \$1,000 (Tiers 3, 4 and 5).
- ◆ Your loan may not exceed 75% of your Annuity Savings or Required Contributions 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 cautioned that current federal tax rules could impose 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.
- ◆ It is your responsibility to continue loan payments regardless of your employment status. Repayment will typically be made by payroll deduction. However, if you are not currently employed as a teacher with a participating employer of the System or your employer is unable to deduct the full amount of the loan payment from your compensation, a direct (coupon) repayment will apply.
- ◆ 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.
- ◆ You can make an additional loan payment at any time. Such payments are applied to interest and insurance charges, before being applied to the outstanding principal balance. An extra payment reduces the **number** of your remaining payments, but does not change the **amount** of your ongoing payroll deductions nor the next due date of your loan payments.
- ◆ 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 will continue to accrue interest and are deducted from your Annuity Savings Fund at retirement.
- ◆ For Tier 3, 4 and 5 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. In addition, a late payment charge of \$10 will be added to your loan balance for each delinquent payment.
- ◆ Upon termination of membership, any outstanding loan is deducted from your Annuity Savings Fund (Tiers 1 and 2) or Required Contributions Fund (Tiers 3, 4 and 5).

TAX INFORMATION FOR 5-YEAR LOANS

- ◆ 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 \$10,000 which exceed half your accrued benefit with this System;
 - Loans equal to or greater than \$50,000; or,
 - Loans where the highest outstanding loan balance during the previous 12 months plus the current loan balance equals or exceeds \$50,000.

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 this additional federal tax penalty.
- ◆ If you are a Tier 1 or 2 member, the non-taxable portion of your distribution loan is calculated using your member contributions and previously taxed interest.
- ◆ If you are a Tier 3, 4 or 5 member, the non-taxable portion of your distribution loan is calculated using your pre-July 1989 member 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.



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OFFICE SERVICES ONLY

5-YEAR LOAN APPLICATION - ALL TIERS

INSTRUCTIONS: Type or print in blue or black ink. Review all pages before completing this form. The employer's completion of Part B may increase the loan you are eligible to receive. If you are employed by more than one district, each should provide salary information on a separate sheet, and sign and attach it to this application. If you have questions about the completion of this form, please call (800) 348-7298, Ext. 6250. Completed forms must be mailed (not faxed) to the address above.

PART A: TO BE COMPLETED BY MEMBER. LOAN WILL BE DELAYED FOR MISSING OR INVALID INFORMATION. (Generally, a valid loan application will be processed in five business days.)

Form with fields: EMPLID, DATE OF BIRTH, SOCIAL SECURITY NUMBER, LAST NAME (FIRST, MI), PHONE NUMBER, STREET, CITY, STATE, ZIP CODE, Are you currently employed by a participating employer of this System?, YES/NO, Employer Name, IS THIS A PERMANENT ADDRESS TO BE USED BY THE SYSTEM? YES/NO

LOAN AMOUNT REQUESTED - CHECK ONE BOX ONLY (If the amount requested exceeds the maximum allowed by law, a check will be issued for the maximum allowable loan.)

Form with checkboxes for loan amounts: Maximum loan available, Loan in the amount of \$, Maximum non-taxable loan available. Includes a dashed box for federal income tax withholding: If your loan is taxable, do you want 10% federal income tax withheld from your loan check? YES/NO

REPAYMENT TERM - SELECT ONE ONLY

Form with checkboxes for repayment terms: 5 Years, 4 Years, 3 Years, 2 Years, 1 Year. Includes 'OR' options and a field for Specific Monthly Repayment of \$. Includes a note: * YOUR REQUESTED REPAYMENT WILL BE INCREASED TO THE MINIMUM, IF NECESSARY

I understand that this loan is subject to the conditions indicated on this application and must be repaid pursuant to the laws, rules and regulations governing loans and any changes thereto. Also, I am hereby authorizing my employer to withhold the legal deductions until such loan is repaid.

SIGNATURE OF MEMBER

PART B: TO BE COMPLETED BY EMPLOYER IF APPLICABLE AND IF REQUESTED BY MEMBER.

Table with columns: SCHOOL YEAR, ANNUAL CONTRACT SALARY, CONTRIBUTIONS **. Includes rows for Previous School Year and Current School Year. Includes fields for DISTRICT NAME, DISTRICT NUMBER, PHONE NUMBER, DATE, and SIGNATURE OF AUTHORIZED SCHOOL OFFICIAL.

Instructions: 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 purposes. In addition, I may be subject to the 10% additional tax on the taxable amount if I am 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 _____