



Section 14: Loans

Loan Eligibility

For details on member loan eligibility, fees, terms, and potential taxability, please see our publication ***Borrowing From Your NYSTRS Contributions***.

NOTE: In all cases, members may borrow only from their own contributions, not from employer contributions.

Loan Repayment

Repayment of a member loan is through payroll deduction. You will receive a monthly loan bill in the Employer Secure Area (ESA) approximately 10 days before the month that you will make the loan deductions. The monthly loan bill will show the monthly payment amount you are required to deduct for each individual on your monthly loan bill.

Both 10-month and 12-month employees will appear on your *monthly loan bill* from September through June. There is no monthly loan bill generated in July or August.

You should review ESA notifications regularly. The notifications will reflect any changes to member payments that are made after the monthly loan bill has been issued.

The amount of the deduction may change for one of the following reasons:

- A new loan may have been issued with a revised payment amount.
- The member may have changed the repayment terms.
- The final payment (usually smaller) may be due.
- The member may have changed to direct repayment.

Payment is due by the 10th of the month following the issuance of the *loan bill*. If you cannot deduct the requested amount (e.g., a member is on leave without pay or no longer employed), indicate the reason in the comments area in ESA. If a member returns from a leave of absence, they should contact our office at 800-348-7298, ext. 6080 regarding their loan payments.

Members may elect to make additional payments in multiples of the required monthly amount at any time without penalty.

We cannot decrease the repayment amount on a loan after the application has been processed. **We strongly urge members to review loan estimates in MyNYSTRS or call our Information & Communication Center at 800-348-7298, ext. 6250 to discuss loan options before applying for a five-year loan.**

Loan deductions should not be stopped unless you are notified by NYSTRS. If a member requests this, please contact the Loan Unit at 800-348-7298, ext. 6080.

Loan Forms

5-Year Loan Application

The **5-Year Loan Application – All Tiers (LON-26)** form is available for downloading from the **Forms/Active Members Forms** page at nystrs.org. **Members may also calculate a loan estimate and apply online with a MyNYSTRS account.**

Loan at Retirement: If Tier 1 or 2 members want to remove (through a defaulted loan) the non-taxable portion of their funds before retiring, they should use the **5-Year Loan Application – All Tiers (LON-26)** form. Members should know the following before filing:

- This System cannot accept a loan application for a loan that would be issued on or after the date of retirement.
- Filing the application more than 30 days before the effective date of retirement may result in some taxable income at default.

Tier 1 members may want to consider a *total withdrawal* of their funds at retirement instead of taking a loan. For more information on withdrawal at retirement, see **Section 17: Refunds**.

Distribution Loan Application

Only Tier 1 and 2 members can use the *Distribution Loan Application for Tier 1 and 2 Members* (LON-26.1) form. Eligible members will receive this application if they call the System for a loan estimate. Loans that are distributions may have the following conditions:

- Extend beyond five years.
- Be taxable at issuance.
- Affect the taxability of future transactions.

The System will include the approximate taxable amount (if any) in the estimate sent to members.

For questions regarding loan issuance or repayment, call 800-348-7298, ext. 6080.

Last updated Nov. 2024