

Borrowing From Your NYSTRS Contributions



If a Loan Is Not Repaid

If you have an outstanding loan, you should contact the System prior to retirement to discuss your situation. If you are a Tier 3–6 member and don't repay your loan within 30 days after your retirement, your retirement benefit will be permanently reduced.

Additional Unpaid Loan Facts:

- Once a loan is four months past due; has been deducted from the Annuity Savings Fund (Tier 1 or 2); or is in a non-performing status (Tier 3–6), you cannot borrow again until the unpaid balance at the time of default is repaid by certified check or money order.
- Interest penalties are assessed annually on unpaid loans and continue to accrue until either the loan is repaid in full or the membership terminates as a result of retirement or withdrawal.
- Failure to repay a loan:
 - Will reduce the return from your Annuity Savings Fund for Tier 1 & 2 members.
 - May significantly reduce your pension for Tier 3–6 members.
- All or a portion of the unpaid balance may become subject to federal tax.

Did You Know:

- You can track your existing loan online with your MyNYSTRS account, or in your *Benefit Profile*, provided to you annually.
- There is no pre-payment penalty if you repay your loan in full before the end of its term.
- If you are using the direct repayment method, you are required to make the first payment one month from the loan's issue date and each month thereafter during the school year (September through June). Payments are not due in July and August.

The Application Process

Before applying, we urge you to use the loan estimator within MyNYSTRS on our website. (If you do not have a MyNYSTRS account, you will need to create one.) Performing calculations online allows you to see how tax consequences are minimized by reducing the amount of your request, increasing payment amounts and/or condensing the payment schedule.

If you decide to apply, you can:

- Apply online through MyNYSTRS; or
- Obtain a loan application from the Forms page of nystrs.org or call our Hotline at 800-782-0289.

Once the loan payment is processed for disbursement (usually within 24 hours), the loan becomes final and irrevocable. Payment will be made upon processing completion. Processing could take up to five days during periods of peak volume such as January and July.



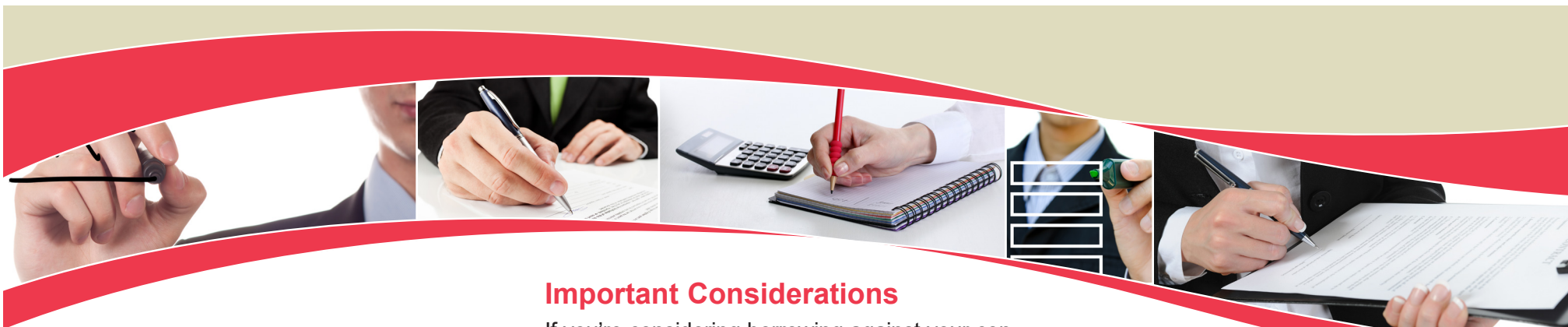
Contact NYSTRS

Hotline: 800-782-0289
Loan Inquiries: 800-348-7298, ext. 6080
Email: communit@nystrs.org

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM
10 CORPORATE WOODS DRIVE
ALBANY, NEW YORK 12211-2395
nystrs.org
April 2023

**New York State
Teachers' Retirement
System**





Please Note:

Due to IRS regulations, you could face severe tax consequences if you borrow from your NYSTRS contributions. We urge you to read this information carefully before making your decision.

Eligibility Requirements

Active members who have contributed to the Retirement System may be eligible to borrow against their contributions and interest earned. This includes Tier 3–6 members who have made mandatory required contributions, and a small number of Tier 1 and 2 members who have an Annuity Savings Fund (ASF). Members may borrow only from their own contributions, not from employer contributions.

You must have at least one year of service credit and you may not have an existing loan more than two months' delinquent or in default.

Tier 3–6 members may borrow once per calendar year (Jan. 1–Dec. 31). Members who joined prior to July 1, 2022 must have a minimum of \$1,334 in their member contributions fund; members who joined on or after July 1, 2022 must have a minimum of \$2,000. Loans are made against your contributions, but you will continue to earn 5% interest on all contributions you made to NYSTRS. However, failure to fully repay a loan from NYSTRS will negatively impact your pension at retirement.

Tier 1 and 2 members must have a minimum of \$400 in their ASF and may borrow once between Jan. 1 and June 30, and once between July 1 and Dec. 31. You can find personal loan information in your annual *Benefit Profile*.

Important Considerations

If you're considering borrowing against your contributions, you should carefully weigh your options because a loan from NYSTRS may not be your best choice. The interest rate attached to a NYSTRS loan may be higher than that available through a private lender.

Additionally, IRS regulations require that the amount of a combined loan be added to the remaining balance of the original loan to test for taxable distributions. Therefore, members with an unpaid balance on a current NYSTRS loan who wish to borrow additional funds are cautioned that federal tax rules may impose severe tax consequences on a new, combined loan.

Before issuing a taxable loan, NYSTRS requires you to acknowledge awareness of the tax liability and to make a withholding election.

Furthermore, the IRS requires you to disclose to NYSTRS if you have an existing loan with a deferred compensation (457) or tax sheltered annuity (403(b)) plan. The System is required to consider these loan balances when calculating the taxability of a loan. Note that this may result in significant tax consequences on your loan from NYSTRS.

How Much You Can Borrow

Members who joined the System on or after July 1, 2022 may borrow up to 50% of their total contribution balance or \$50,000, whichever is less. Members who joined the System prior to July 1, 2022 may borrow up to 75% of their total contribution balance. If you have an existing loan and request a new one, the combined total loan cannot exceed the maximum you are allowed, based on your membership date.

What It Costs

The fixed interest rates on loans are:

- 5.95% for Tier 3–6 members
- 5% for Tier 1 and 2 members

There is a \$30 service charge added to your balance for each loan granted.

A life insurance premium is charged at an annual rate of 0.10%. This means a loan is fully insured after 30 days (unless it is in default). If you die 30 days or more after the loan was issued, it is considered repaid, and will not affect the death benefit or contribution refund paid to your beneficiary(ies).

How It's Repaid

Loans for Tier 3–6 members must be repaid in five years or less. Loan terms of greater than five years are available to Tier 1 and 2 members. Call NYSTRS at 800-348-7298, ext. 6080 for further details.

Minimum monthly payments are either 2% of your current contract salary, divided by 10, or the amount needed to repay the loan within five years, whichever of the two amounts is greater.

Repayment Example for a Tier 4 Member With a Contract Salary of \$45,000:

A \$5,000 loan to be paid back over five years would have a minimum monthly payment of \$121.

Repayment is by payroll deduction September through June. If you are not currently employed as a teacher by a NYS public school outside of New York City, a direct repayment program will be implemented.