TDA Loans

One of the many benefits provided by TRS is your ability to borrow from your Tax-Deferred Annuity (TDA) Program funds. This brochure highlights the important features of this benefit.

ELIGIBILITY

You must meet the following criteria to be eligible for a TDA loan:

- You have participated in the TDA Program for at least one year;
- You are an in-service member or a member on a leave of absence; **or** you have TDA Deferral status; and
- You are not currently in default on a TDA loan.

Within a 12-month-period, you may receive one TDA loan. According to Internal Revenue Service (IRS) regulations, outstanding loan balances may not be combined with new loans. Each loan would be treated independently (*i.e.*, separate loan balances, repayment terms, interest charges, and insurance premiums).

Please note that your request for a loan may be delayed or canceled if TRS does not have your date-of-birth documentation on file.

LOAN AMOUNTS

TDA loans must be taken in multiples of $10. Generally, the minimum TDA loan amount that you may borrow is $1,000. However, you may borrow a minimum of $250 if you have an existing TDA loan; your total outstanding TDA loan balance must be at least $1,000.

The maximum amount you may borrow is restricted by the following conditions:

- If you have at least five years of TRS membership service, the maximum (new) TDA loan amount you may request would be limited to the lesser of the amounts described in restrictions **A** and **B** below; otherwise, the maximum (new) TDA loan amount you may request would be limited to the least of **A**, **B**, and **C**.
- If you apply for a TDA loan at annuitization, the maximum (new) TDA loan amount you may request would be restriction **B** below.

A. $50,000, less your highest combined outstanding TDA loan balance during the previous 12-month period, less your highest combined outstanding Qualified Pension Plan (QPP) loan balance during the previous 12-month period.

B. 75% of the value of your TDA account, less your current outstanding TDA loan balance.

C. The greater of: (i) 50% of the combined value of your TDA and QPP accounts (other than Increased-Take-Home Pay, if applicable), less your current combined outstanding TDA and QPP loan balance; or (ii) $10,000, less your current combined outstanding TDA and QPP loan balance.

Note: If you are an in-service member, your available loan amount may be further limited if your repayment amount would otherwise exceed your net pay.

The value of your accounts is based on your most recent account balances and the most recent unit values of the variable-return Passport Funds (if applicable) available to TRS when your loan is calculated. There may be a two-month lag in the updating of account balances. For example, a loan issued in March may be based on the account balances for January.

Please be advised that any loan balance you may have from a New York City Deferred Compensation Plan (DCP) 401(k) and/or 457 account may affect the loan amounts you may borrow from your TDA account; if you have a DCP loan, your available TDA loan amounts may differ from the estimates provided by TRS before you apply. Also be advised that adverse tax consequences would result if the combined balance of your DCP and TRS loans exceeds $50,000, which is the maximum loan amount allowable under all public employer-sponsored programs. Please note that, since TRS must first verify your DCP loan status and balance before determining the amount you may borrow from your TDA account, the processing of your loan application may be delayed.

For your loan eligibility amounts or loan balances, you may access our website or call our Member Services Center.

LOAN APPLICATIONS

If you are in active service, are on a leave of absence, or have TDA Deferral status, you may apply for a TDA loan by logging in to the secure section of our website. Alternatively, you may file a paper "TDA Loan Application" (code LO15). If you file for a loan at annuitization, you must file a paper "TDA Loan Application."

TRS issues loans each Wednesday; the funds are available the Friday of the same week. Loans are issued in one of two ways:

- **Electronic Fund Transfer (EFT):** You may be eligible to receive your loan via EFT if you are paid on the City of New York payroll and receive your paychecks through direct deposit, or if you receive your monthly advance payments or retirement allowance via EFT. In either case, you may elect that your loan be forwarded via EFT to the account where the above payments are deposited. (Note: City University of New York (CUNY) members paid on the New York State payroll, and Charter School members, cannot receive loans via EFT.)
- **Check:** If you receive your loan by check, TRS is not responsible for any delays or loss through mailing. In the event of a delay and/or the loss of a check, interest charges on your loan would continue to accrue and your repayment schedule would remain unchanged.

Since TRS issues loans on a weekly basis, TRS must generally receive paper loan applications by the close of business on Wednesday of the preceding week. (If a holiday occurs during the week, TRS must receive your paper loan application by the first business day of the week.) Online loan applications must be received by 11:59 p.m. on the Sunday preceding the week they are issued.

If you apply for a TDA loan at annuitization, TRS must receive your application no later than one business day before your effective annuitization date. In this case, your loan check would be issued after your effective annuitization date (generally the third Wednesday after your annuitization) to meet IRS requirements. You may apply for a TDA loan after retirement only if you elected TDA Deferral status when you filed for retirement under the QPP. Your TDA loan amount would be debited from your TDA account.

On the online or paper application, you may designate how your account should be debited to provide funds for your TDA loan. You may elect to have your account debited in any combination of your Passport Funds, provided you have sufficient funds in each investment program you designate. If your election is not valid due to insufficient funds in an investment program, or if you do not designate how your account should be debited, your TDA loan amount (including the service charge) would be debited from your Passport Funds proportionately.

Generally, if you would like to change the loan amount or repayment terms you elected on your application, you must submit a notarized request indicating any changes no later than the next business day after TRS receives your loan application. However, for a loan taken at annuitization, you have until the close of the business day immediately preceding your effective retirement/annuitization date to submit this notarized request.

If you would like to cancel your TDA loan application, TRS must receive a notarized "Request for Withdrawal of Form/Application/Online Filing" (code MI5) by the following deadlines:

- If you filed a paper loan application, TRS must receive your cancellation request no later than the close of the next business day after TRS receives your loan application.

- If you filed an online TDA loan application Monday-Thursday, TRS must receive your cancellation request no later than the close of the next business day.
- If you filed an online TDA loan application Friday-Sunday, TRS must receive your cancellation request by 9:30 a.m. on the first business day following the weekend.
- Failure to file a notarized "Request for Withdrawal of Form/Application/Online Filing" by the appropriate deadline would result in the processing of your loan application, and your loan would be disbursed.

Please note that your loan may not be returned after it has been issued.

INTEREST

You would be charged monthly interest on your outstanding loan balance. The interest rate on your TDA loan is equal to the annual rate of return that you would receive on TDA investments in the Fixed Return Fund. Therefore, for members who are serving in (or retired/resigned from) titles represented by the United Federation of Teachers (UFT), the interest rate on TDA loans would be 7% (for loans issued as of April 16, 2010); for other members, the interest rate would be 8.25%. The interest rate in effect when the loan is issued would be applied for the entire term of the loan. All interest you pay would be credited to your TDA account.

SERVICE CHARGE

A non-refundable service charge would be added to each TDA loan you take, to cover the administrative costs of issuing a loan. At the time this brochure was published, the service charge was $30. You may incur an additional service charge for any requested action that necessitates a recalculation of your repayment amount.

INSURANCE

Your new TDA loan would be fully insured against your death 30 days after your loan is issued. Prior to that date, there would be no insurance coverage.

Insurance premiums of 0.3% would be included in your regular loan payments, as long as you maintain an outstanding balance and your loan is not in default. If you default on a loan, any unpaid insurance fees would be deducted from your TDA account. (See "Defaults" section.)

REPAYMENT

In-Service Members and Members with TDA Deferral Status

Other than the amount representing insurance charges, your TDA loan payments would be credited to your TDA account according to the investment elections in effect at the time your payments are made. If you are a member with TDA Deferral status, you may indicate how loan payments should be credited when applying for a loan; your election on your loan application would also apply to payments for any other TDA loans. Please note that in-service members or members with TDA Deferral status may change how their TDA loan payments are credited in the future, either on our website or by filing a "TDA Investment Election Change Form."

With the exception of a loan taken at annuitization, your TDA loan must be repaid within five years (60 months) of the date the loan was issued. If you are an in-service member, loans are normally repaid through payroll deductions of at least 2% of your contractual salary. **(If your payroll deductions do not commence as indicated on your loan statement, or if they are unexpectedly interrupted, you must immediately notify TRS.)**

Please note that you would be responsible for any interest and insurance charges that accrue during the period when payroll deductions were expected but not received by TRS. (If you are employed by the UFT or the Council of School Supervisors & Administrators (CSA), your union would deduct the appropriate amounts from your paychecks and provide monthly loan payments directly to TRS on your behalf.)

If you are a retiree with TDA Deferral status, you have a choice of how you want to repay any TDA loans: automatic deductions from your monthly retirement allowance or monthly direct payments to TRS. To change your loan repayment method, you may file a "Request to Change TDA Loan Repayment Method" (code LO105).

If you are an in-service member, you may submit a partial lump-sum payment to reduce your loan balance. (However, partial payments will not stop payroll deductions.) This payment would be made in addition to your regularly scheduled payments. To make a partial lump-sum payment, please submit a check payable to the "Teachers' Retirement System of the City of New York" with a written request to have your repayment period changed (if it would not exceed 60 months) and/or to change the amount of your regularly scheduled payments. Once TRS receives your payment and written request, your loan balance would be recalculated. If TRS receives your partial lump-sum payment without a written request, your payment would be applied to your loan balance; however, the amount of your regularly scheduled payments would be unaffected. Please note that, if you request to change the terms of your loan, a service charge would apply.

If you want to repay your total outstanding loan balance in a lump sum, you may file a "TDA Loan Repayment Request Form" (code LO11t). Upon receipt of the form, TRS would calculate the total amount required to repay your outstanding loan balance and send you written notification of the repayment amount and payment instructions.

In certain cases, if you are an in-service member and make a lump-sum payment in June or July (after summer paychecks with loan payment deductions have been issued), you would later be refunded for those summer payments. You may avoid loan payment deductions for the summer months by filing a "TDA Loan Repayment Request Form" by the last business day in February.

Leave of Absence

If you take a leave of absence, you automatically qualify for a 12-month grace period when loan payments need not be made; however, interest and insurance charges would continue to accrue on the unpaid balance. If you have outstanding loans when your leave begins, the grace period would commence upon the receipt of payroll records indicating your change in status. If TRS issues a loan to you during your leave of absence, the grace period would begin upon issuance of the loan, unless you elect on your "TDA Loan Application" to begin making regular payments instead.

If you take advantage of the 12-month grace period, your loan payment amount would include the interest and insurance charges that would accrue during this time. In addition, your payments would be recalculated and you must recommence scheduled loan payments when your grace period ends or you return to active service (whichever is sooner).

However, you may elect to initiate immediate repayment at any time during the grace period. This option would allow you to avoid paying the additional interest and insurance charges that would accrue from the time you make the repayment to the end of the grace period.

If your leave of absence exceeds the 12-month grace period, you must make monthly TDA loan payments after the grace period in order to avoid defaulting on your loan(s). TRS must receive these payments by the 15th of the month. Make your check payable to the "Teachers' Retirement System of the City of New York." Please include the payment voucher attached to your loan statement with your loan payment.

Note: If you transfer your TRS membership to an eligible New York City or New York State public retirement system during your leave of absence, you would be given a 30-day period in which to fully repay any outstanding TDA loan balance to TRS with a lump-sum payment. If you do not fully repay your total outstanding loan balance within 30 days of your notification letter, the total balance would be transferred to your new retirement system—if the system offers a Section 403(b) Plan with a loan provision. If your new retirement system does not offer a Section 403(b) Plan with a loan provision, your loan balance cannot be transferred. In this case, your total outstanding loan balance would be deemed a distribution; this information would be provided to the IRS. (To be eligible to transfer your TRS membership while on a leave of absence, your leave must be unpaid.)

For CUNY Employees Paid on the New York State Payroll

If you are employed by CUNY and are paid on the New York State payroll, TRS would receive payment for only one outstanding TDA loan through automatic payroll deductions. For any additional TDA loan balance, CUNY members must make monthly payments directly to TRS. Payments are due to TRS no later than the 15th of the month. In general, direct monthly payments would be required for the duration of the loan.

LEAVING ACTIVE SERVICE

Retirement

Unless you elect TDA Deferral status, any outstanding TDA loan balance you have on your effective retirement date would not be repaid to TRS and would be deemed a distribution; this information would be provided to the IRS. If you elect TDA Deferral status at retirement, you may maintain an outstanding loan balance and avoid a deemed distribution; monthly direct payments to TRS would then be required.

Any new TDA loan taken at annuitization would not be repaid to TRS. Instead it would be deemed a distribution; this information would be provided to the IRS. You would have the following three choices regarding the disbursement of a TDA loan taken at annuitization:

a) receive the entire loan amount as a Direct Cash Payment;

b) have TRS directly roll over the entire loan amount (minimum $200) to one or more eligible Individual Retirement Arrangements (IRAs) or other successor program(s); or

c) receive a portion of the loan amount as a Direct Cash Payment and have TRS directly roll over the balance. To roll over all or part of your TDA loan, you must file a "TDA Loan Direct Rollover Election Form" (code LO58). (If you elect to have TRS directly roll over your TDA loan, you may not change the rollover institution after your annuitization date.)

Resignation/Termination/Membership Transfer

If you have an outstanding TDA loan balance when you resign or are terminated, you would be given a 30-day period in which to fully repay the balance with a lump-sum payment. If you transfer your TRS membership to an eligible New York City or New York State public retirement system that offers a Section 403(b) Plan with a loan provision, and do not fully repay your total outstanding TDA loan balance within this 30-day period, the total outstanding TDA loan balance would be transferred to your new retirement system.

If your total outstanding balance is not repaid within the 30-day period or transferred to a new retirement system:

- If you are *vested*, you may elect TDA Deferral status by filing a "TDA Deferral Status Election Form (For Vested Members)" (code TD31) with TRS within the 30-day period. If you elect TDA Deferral status, you would have the option to repay your outstanding TDA loan balance through monthly payments, provided that your loan(s) has not been outstanding for five years or longer. If you do not elect TDA Deferral status within 30 days of your notification letter, your outstanding TDA loan(s) would be closed. Your total outstanding TDA loan balance would be deemed a distribution; this information would be provided to the IRS.
- If you are *not vested*, your TDA loan(s) would be closed. Your total outstanding TDA loan balance would be deemed a distribution; this information would be provided to the IRS.

DEFAULTS

With the exception of a TDA loan taken at annuitization, your TDA loan would be in danger of default if you have an outstanding loan balance five years (60 months) after the loan's issuance date, or if your total past due amount is equal to or greater than the equivalent of three regular monthly payments. If either of the above occurs, TRS would request that you submit full repayment of the total outstanding balance (including interest and insurance charges). If TRS does not receive full repayment by the date requested, you would default on your TDA loan(s). Your insurance would be terminated, and any outstanding insurance charges would be deducted from your TDA account balance.

Any defaulted TDA loan balance would be deemed a distribution; this information would be provided to the IRS.

If you have TDA funds available for withdrawal, your TDA loan(s) would be closed; if a portion of those funds are TDA contributions and earnings you had accumulated as of December 31, 1988, those funds would be reduced. If you do not have TDA funds available for withdrawal, your remaining TDA defaulted loan balance would continue to accrue interest until it is either repaid to TRS or TDA funds become available to close the loan(s). You would not be eligible for future TDA loans unless you repay any remaining TDA defaulted loan balance.

TAX CONSEQUENCES OF DISTRIBUTIONS

Generally, loans are not taxable. Please note the following tax information on loans that are deemed distributions:

- The total taxable portion of the deemed distribution is federally taxable and may be subject to state and local taxes; TRS suggests that you consult a tax advisor.
- You may also incur an IRS-imposed 10% penalty on any taxable portion of the deemed distribution if your service is terminated prior to the year in which you reach age 55, or if the distribution occurs before you reach age 59½.

Except for defaulted loans, all or part of the taxable amount of a TDA loan balance that is deemed a distribution may be rolled over to one or more eligible IRAs or other successor program(s) within 60 days of notification by TRS. Any amount that is rolled over would not be taxable until it is distributed to you. If you would like to roll over any portion of your eligible amount, you must provide the funds to do so.

Loans at Retirement

Unless you elect TDA Deferral status at retirement, any outstanding TDA loan balance at retirement that you do not repay within 30 days of the date of TRS' notification letter would be deemed a distribution.

Loans at Annuitization

Please note the following tax information on TDA loans at annuitization:

- If you have an existing outstanding TDA loan balance at annuitization, it would be deemed a distribution.
- New TDA loans taken at annuitization are deemed distributions, and would not be repaid to TRS.
- IRS regulations require TRS to withhold 20% of the taxable amount of a loan taken at annuitization that you do not directly roll over. TRS would send the amount withheld to the IRS as credit toward your federal income taxes for the year of distribution.
- If you have an existing outstanding TDA loan balance at annuitization and you take a new TDA loan, TRS is required to withhold an amount equaling 20% of the taxable portion of any existing loan balance and of any new loan amount that you do not instruct us to directly roll over.
- If you receive a new loan at annuitization as a Direct Cash Payment, withholding from any existing outstanding loan balance must be taken, even if all or part of the new loan is tax-free. If the total withholding amount exceeds the amount of your new loan, TRS would issue you a check in the amount of $10. Any remaining withholding deficit would be applied against a TDA withdrawal you receive in the same tax year; this withholding would be in addition to any withholding that would ordinarily be applied to a TDA withdrawal that you receive directly.

For your convenience, TRS forms and publications are available on our website.
If you require additional assistance, please contact our Member Services Center at 1 (888) 8-NYC-TRS.