

TDA Loans



One of the many benefits provided by TRS is your ability to borrow from your Tax-Deferred Annuity (TDA) Program funds. Loans are deducted from your TDA account, and payments on the loan are credited to your TDA account. This brochure highlights the important features of the TDA loan program.

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.

You may take one TDA loan within a 12-month period, and you may have up to five outstanding TDA loans at once. According to Internal Revenue Service (IRS) regulations, outstanding loan balances may not be combined with new loans. Each loan will be treated independently (*i.e.*, separate loan balances, repayment terms, and interest charges).

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.

Note: TDA loans are available from members' traditional TDA accounts. Loans are not available from Roth accounts, which TRS introduced for 2026. All references to TDA in this brochure refer to the traditional TDA accounts.

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.

- In general, the maximum new TDA loan amount you may request is limited to the *least* of the amounts described in restrictions **A**, **B**, and **C** below.
- If you take a loan at annuitization, the maximum is the amount described in restriction **B** below.
 - A.** \$50,000, less your highest combined loan balance during the previous 12-month period from the TDA, Qualified Pension Plan (QPP), and New York City Deferred Compensation Plan (DCP) loan programs.
 - B.** 75% of your TDA account balance, less any outstanding TDA loan balance.
 - C.** The greater of (i) 50% of the combined value of all your TRS accounts (TDA and QPP), less any outstanding QPP and TDA loan balances, or (ii) \$10,000, less any outstanding TDA and QPP loan balances.

TRS will also limit your maximum loan amount so that the total per-installment payment amount on all TRS loans does not 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 DCP 401(k) 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 will 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, 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.

To find out the amount you are eligible to borrow or any loan balances, please log in to the secure section of our website.

LOAN APPLICATIONS

You can apply for a TDA loan in the secure section of TRS' website. Alternatively, you may file a paper "TDA Loan Application" (LO15), but the processing time may be longer. If you file for a TDA loan in conjunction with annuitizing your TDA funds, you must file a paper "TDA Loan Application" or e-form equivalent.

Loans are paid by Electronic Fund Transfer (EFT) to the bank account on file with TRS. For non-retired members paid on the City of New York payroll, that is normally the account that receives your paychecks. For retirees, it is normally the account that receives your retirement allowance.

If TRS does not have EFT information on file for you, your loan may be issued by check but processing may be delayed.

TRS issues loans each Friday. Generally, loans are issued within two weeks of receipt of the member's

application. The cutoff for online applications is Sunday at 11:59 p.m. The cutoff for paper filings is Wednesday (or the first business day of the week in the case of a holiday).

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 will be issued after your effective annuitization date (generally the third Wednesday after your annuitization) to meet IRS requirements.

On your 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. If your election is not valid due to insufficient funds in an investment program, your TDA loan amount will 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.

If you would like to cancel your TDA loan application, TRS must receive a notarized "Cancellation Request Form" (code MI5) or e-form equivalent 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.

If your cancellation request is not received by the appropriate deadline, TRS will process your loan application.

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

INTEREST

You will 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 will 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 will be 7%; for other members, the interest rate will be 8.25%. The interest rate in effect when the loan is issued will be applied for the entire term of the loan. All interest you pay will be credited to your TDA account.

SERVICE CHARGE

A non-refundable service charge will be added to each TDA loan you take, to cover the administrative costs of issuing a loan. Effective December 1, 2025, the service charge is \$55. You may incur an additional service charge if you request a recalculation of your repayment amount.

INSURANCE

TDA loans issued on or after October 5, 2024 are not insured. Insurance coverage and premiums of 0.3% remain in effect for TDA loans issued before this date.

REPAYMENT

In-Service Members and Retirees with TDA Deferral Status

Loan payments are 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 will also apply to payments for any other TDA loans. You can change how incoming TDA funds such as contributions and loan payments are allocated in the secure section of TRS' website.

In general, 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 notify TRS immediately.

Please note that you will 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 will 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) or online equivalent.

If you do not repay your loan through deductions from your paycheck or retirement allowance, you must make monthly payments directly to TRS. TRS will provide you monthly loan statements with payment instructions. Online payments are recommended, but you may also pay by check.

Partial Payments: To reduce your loan balance, you may make a partial payment in addition to your regularly scheduled payments. Partial payments will not stop payroll deductions (if applicable) and will not change the amount of your regularly scheduled payments. You can make partial payments online in the secure section of our website.

Reamortization Requests: If you want to change the terms of your loan (e.g., amount or duration of payments), you must submit a written request to TRS. A service charge will be applied to the reamortization of your loan.

Loan Payoff: 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) or online equivalent. Upon receipt of the form, TRS will calculate the total amount required to repay your outstanding loan balance and send you written notification of the repayment amount and payment instructions.

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 charges will continue to accrue on the unpaid balance. If you have outstanding loans when your leave begins, the grace period will 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 will begin upon issuance of the loan, unless you elect on your loan application to begin making regular payments instead.

If you take advantage of the 12-month grace period, your loan payment amount will include the interest and insurance charges that will accrue during this time. In addition, your payments will 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 allows you to avoid paying the additional interest and insurance charges that accrues 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 loans. TRS will provide you monthly loan statements with payment instructions. Online payments are recommended, but you may also pay by check.

Transferring Membership While on Leave: 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 will be given a 30-day period in which to fully repay any outstanding loan balance. If you do not make full payment, the total balance will 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 will be considered a distribution; this information will 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

TRS will 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. TRS will provide monthly loan statements with payment instructions. Online payments are recommended, but you may also pay by check. In general, direct monthly payments will be required for the duration of the loan.

LEAVING ACTIVE SERVICE

Retirement

During retirement, you may maintain an outstanding loan balance and avoid a distribution; monthly direct payments to TRS will then be required.

If you annuitize your TDA account and take a loan at that time, your loan will not be repaid. Instead it will be considered a distribution; this information will be provided to the IRS. You will have the following three options 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 programs;
- c)** Or receive a portion of the loan amount as a Direct Cash Payment and have TRS directly roll over the balance.

Resignation/Termination/Membership Transfer

If you have an outstanding TDA loan balance when you resign or are terminated, you will be given a 30-day period in which to repay the full balance. 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 will 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 will have the option to repay your outstanding TDA loan balance through monthly payments, provided that your loan 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 loans would be closed. Your total outstanding TDA loan balance will be considered a distribution; this information will be provided to the IRS.
- If you are *not vested*, your TDA loans will be closed. Your total outstanding TDA loan balance will be considered a distribution; this information will be provided to the IRS.

DEFAULTS

A TDA loan is in danger of default if a member has an outstanding loan balance five years (60 months) after the loan’s issuance date, or if the total past due amount is equal to or greater than the equivalent of three regular monthly payments.

If either of the above occurs, TRS will request full repayment of the total outstanding balance (including interest and insurance charges). If TRS does not receive full repayment by the date requested, the loan will be considered in default. Insurance will be terminated, and any outstanding insurance charges will be deducted from the member’s TDA account balance.

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

If the member has TDA funds available for withdrawal, any TDA loans will be closed; if a portion of those funds are TDA contributions and earnings you had accumulated as of December 31, 1988, those funds will be reduced. If you do not have TDA funds available for withdrawal, your remaining TDA defaulted loan balance will continue to accrue interest until it is either repaid to TRS or TDA funds become available to close the loans. You will 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 considered distributions:

- The total taxable portion of the 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 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 considered a distribution may be rolled over to one or more eligible IRAs or other successor programs within 60 days of notification by TRS. Any amount that is rolled over will 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. Defaulted loans (which are classified as “deemed distributions”) are not eligible for rollover.

In general, TRS will notify you by letter and provide a 30-day repayment period to prevent having an outstanding TDA loan balance become a taxable 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 will be considered a distribution.
- New TDA loans taken at annuitization are considered distributions, and will 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 will send the amount withheld to the IRS as credit toward your federal income taxes for the year of distribution.
- If you have an 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 directly roll over.

- If you receive a new loan at annuitization as a Direct Cash Payment, withholding from any 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 will issue you a payment in the minimum amount of \$10. Any remaining withholding deficit will be applied against a TDA withdrawal you receive in the same tax year; this withholding will be in addition to any withholding that will ordinarily be applied to a TDA withdrawal that you receive directly.

This publication should not be solely relied upon, as it is based on currently available information that is subject to change. In all cases, the specific provisions of the governing laws, rules, and regulations prevail.



Teachers' Retirement System of the City of New York
55 Water Street, New York, NY 10041

www.trsnyc.org • 1 (888) 8-NYC-TRS •

