

Loans



- Borrowing from your Texa\$aver Account
 - Things to Consider
- Taking a Loan from Texa\$aver
 - Types of Loans Available
 - Loan Amounts and Limits
 - Loan Repayment and Defaults
 - Loan Fees
 - Interest Rates
- Applying for a Loan



The Texa\$aver 401(k) and 457 Program



Three ways to Request a Loan

1. Texa\$aver website

Log on to the Texa\$aver website at www.texasaver.com, enter your login information, and select your Plan. Under the My Account tab, click on “Loans,” then “Request a Loan.” You also have an online tool, the Loan Payment Estimator, which can help you determine your repayment schedule. You will be required to provide your Personal Identification Number (PIN).

2. Texa\$aver Information Line

Call the Texa\$aver Information Line at **(800) 634-5091**, option 1 and use the automated service to request a loan. You will be required to provide your Personal Identification Number (PIN).

3. Texa\$aver Customer Service Representative

Call Texa\$aver and speak with a Customer Service Representative, Monday - Friday, 8 a.m. to 7 p.m. CST, except on New York Stock Exchange holidays. You will be required to provide your Personal Identification Number (PIN).

Your loan application will be processed and a check will be mailed usually within two to five business days.

Planning for unexpected expenses can be difficult. Before you decide to tap into your retirement savings, make sure you understand how a loan could impact your retirement savings.



Borrowing from Your Texa\$aver Account

You must be a current, active employee* and a participant in the Texa\$aver 401(k) and/or 457 Plan. You may borrow a portion of your account balance in the form of a loan once you have an account balance of at least \$1,050 in that Plan. A one-time, non-refundable \$50 loan application fee will be applied to each loan. While having the ability to borrow from your retirement accounts in an emergency can provide you with peace of mind today, you must remember that the Texa\$aver Program was established as a long-term savings vehicle to help you prepare for your retirement.

*Retirees may not initiate a new loan from their Texa\$aver Plan(s).

Things to consider

Planning for unexpected expenses can be difficult. Before you decide to tap into your retirement savings, make sure you understand how a loan could impact your retirement savings. Taking a loan could undermine your retirement security in the future. It's important to consider alternate ways to cover your unexpected expenses so that you can maintain the momentum you've established in saving for your retirement.

The pros and cons of taking a loan	
PROS	CONS
You have access to the money in your Plan account.	The amount of the interest may be less than the money you would have earned had you invested the loan balance.
You pay yourself back with interest that may be lower than a bank interest rate.	Your loan payments are made with after-tax dollars.
	The loan balance is due in full immediately upon employment termination, unless you continue to make monthly payments to CitiStreet; otherwise the loan will be defaulted and taxable to you.
	Many participants decrease or stop contributions while paying back a loan. This lapse in contributions can affect your progress in reaching your retirement savings goals.
No credit check.	Taking a loan impacts your retirement nest egg.



Taking a Loan from Texa\$aver

Types of loans available

General loans are available for any reason, and may be taken for a period of 12 to 60 months. These loans are processed without any paperwork. Your signature on your loan check means that you accept the terms of the loan.

Residential loans must be used for the purchase of your primary residence only, and may be taken for a period of 12 to 180 months. You must provide a current executed purchase and sales agreement to request a residential loan.

Loan amounts and limits

Texa\$aver allows a maximum of two loans per plan and your allowable loan amount will be based on outstanding loan balances you have during the one-year period ending on the day before the date the loan is made in both Texa\$aver Plans. You may borrow a minimum of \$1,000 up to a maximum of (i) the lesser of \$50,000 reduced by your highest outstanding loan balance during the past 12 months over the outstanding balance of the loan on the date the loan is made or (ii) 50% of your vested account balance. All loans are based on funds in the Plan's core products, not funds in the PCRA.

Allowable limits

- *If your balance is \$1,000 - \$10,000, you can borrow the entire balance (as long as the \$50 loan application fee is covered).*
- *If your balance is \$10,001 - \$20,000, you can borrow up to \$10,000.*
- *If your balance is \$20,001 and higher, you can borrow 50% of balance, not to exceed \$50,000 (subject to the limits discussed above).*

Amounts borrowed through the loan program are not taxable distributions and are not subject to federal income taxes, unless you do not pay the loan back in full. To the extent a loan is defaulted, the outstanding loan amount and accrued interest will be reported as a taxable distribution for the year of the default and you will receive an IRS Form 1099-R. If you are taking a loan from your 401(k) Plan, in addition to the ordinary income tax, you may also be subject to a 10% early withdrawal penalty if you are under age 59½. Any defaulted loans will continue to accrue interest and will reduce the amount and number of loans available to you. Loans are considered in default if a payment has not been received by the last business day of the quarter following the quarter in which it should have been received.



Loan payment and defaults

Active employees pay their loans back, after tax and with interest, through payroll deductions in equal installments over the duration of the loan. You will not be able to deduct the loan interest on your income tax return. The minimum loan payment amount is determined by the loan amount and length of the loan payment period and will be confirmed at the time you take your loan. You are not permitted to make partial loan payments, and loan refinancing is not available. You have the option to pay your balance in full at any time.

If you take an authorized leave of absence, you may suspend loan payments up to, but not exceeding 12 months, provided that such suspension and revised payment schedule does not cause you to exceed your original loan term.

If you are paying off an existing loan in order to secure a new loan, please understand that a money order or certified bank check will expedite your request. If you are paying with a personal check, your check will take up to 10 business days to clear. Any check remitted that is returned for insufficient funds will be subject to that bank's specific penalties.

If you are called to military duty, your loan payment and the default process will be suspended. The loan payment period is extended for the period of time the participant is on active military duty under the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended 12/19/2005 (USERRA).

You must coordinate with CitiStreet and your benefits coordinator if you are on an authorized leave of absence or military leave. You may submit monthly manual loan repayments through a money order, certified bank check, or personal check directly to CitiStreet at the following address:

CitiStreet
Attn: State of Texas
P.O. Box 55223
Boston, MA 02205-5223

Retiring or terminating employment?

If you retire or terminate employment, your payroll deductions will stop. However, payments on your loan are still due. If you leave employment, you can pay off your loan or continue to make payments to CitiStreet on a monthly basis, provided you have never defaulted on a loan. If you do not pay off your loan or continue to make scheduled payments, the outstanding balance and any accrued interest (pursuant to IRS regulations) will be considered in default. To the extent a loan is defaulted, the outstanding loan amount and accrued interest will be reported as a taxable distribution for the year of the default and you will receive an IRS Form 1099-R. In addition to the ordinary income tax, you may also be subject to a 10% early withdrawal penalty.

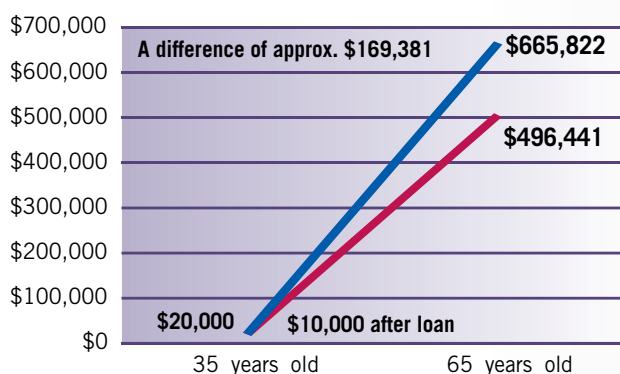
Defaulting on a loan

CitiStreet mails warning confirmations to participants whose loan repayments are in arrears. To the extent you do not make up payments by the prescribed time, your loan will be defaulted. Any defaulted loans will continue to accrue interest. Loans are defaulted as follows:

- *Loans will default if a payment has not been received by the last business day of the quarter following the quarter in which it should have been received;*
- *General loans not paid off within 5 years;*
- *Residential loans not paid off within 15 years.*

To take a loan – or not. The impact on your TexaSaver account can be dramatic.

This chart is for illustrative purposes and demonstrates how a \$10,000 loan can impact your future retirement.



Assumptions:

The participant is earning a \$40,000 annual salary, and is making an annual contribution of 9% (\$3,600). The account balance is currently \$20,000, with an 8% average annual rate of return.

Which path to choose?

- **Without a loan:**
Continue contributing 9% (\$3,600) per year for the next 30 years.
- **Take a \$10,000 loan:**
Pay it back over the next five years at an interest rate of 5%. Contributions to TexaSaver stop during the five year payback period and resume for the next 25 years at 9% (\$3,600) per year.

By finding another way to cover unexpected expenses, you'd have approximately \$169,381 more in your TexaSaver account!



Loan fees

The following fees are associated with taking a loan from your Texa\$aver account:

- *A one-time, non-refundable \$50 loan application fee will be deducted from your account at the time your loan is processed.*
- *A \$2 monthly maintenance fee will be deducted from your paycheck along with your monthly loan repayment amount.*

Interest rates

You will pay interest on your loan and the interest payments will go back into your Texa\$aver account. However, you will not be able to deduct this loan interest on your income tax return.

The interest rate for either a General Loan or a Residential Loan is equal to the prime rate plus 1%, as printed in *The Wall Street Journal* on the last business day of the prior month. The Service Members Civil Relief Act (an update to the Soldiers' and Sailors' Civil Relief Act of 1940) imposes a 6% maximum limit on the interest rate charged to military service members for loans during the duration of active military service. For more information, call Texa\$aver at **(800) 634-5091**.

Applying for a Loan

You may apply for a loan online at **www.texasaver.com** or by calling Texa\$aver at **(800) 634-5091**.

Your loan application will be processed and a check will be mailed usually within two to five business days. The Texa\$aver loan program is "paperless" for general loans. Your signature on the loan check will validate your loan agreement. Residential loans will still require a current executed purchase and sales agreement, promissory note, truth-in-lending statement and other required documents.