



# Getting started with payroll deduction loans



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# Introduction

Processing retirement plan loans online can be convenient and efficient for both your employees and you.

Your employees can submit a request to borrow from their retirement plan account from their account on **TIAA.org**, and then use payroll deductions for repayment in accordance with your plan rules.

You can monitor, review and approve transactions, if required, using PlanFocus®, TIAA's plan sponsor website.

Whether you are new to TIAA or are transitioning from collateralized loans to the retirement plan loan offer, TIAA can work with you to set up and manage the process. This guide explains the setup steps and other aspects of retirement plan loans.

Click to be  
taken to  
any section.



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## Setting up payroll deductions for retirement plan loans

How do you handle payroll deductions for your employees' retirement plan contributions?

The remittance process you use for contributions will also be the way you'll implement loan repayments. To get started, TIAA will meet with you to discuss your existing remittance process. Keep in mind, administrators will need to be set up with the correct access in PlanFocus in order to view or edit contribution information.

If you use:

### Contributions and Census dashboard

There's a prepopulated field for the loan repayment amount. You'll also find this repayment information in the loan feedback file for your reference.

**Contributions and Census: Edit Remittance List** EXPORT HELP

**ABC ORGANIZATION 403(B) DEFINED CONTRIBUTION RETIREMENT PLAN – 03/15/2019 – Bi-Weekly**

Fields marked with an asterisk (\*) are required.  
 \* Payroll Date:

Enter Participant name (or) SSN to search  Sort by SSN Manage Participants

**Contributions** Compensation

Review the contributions and loan repayments of the participants listed below, and make any necessary changes. Please note: Zeroing out a loan repayment(s) could put the participant(s) at risk of defaulting on the loan.

C = CHANGED

Results Per Page:  Previous | Page  of 100 Go | Next

PARTICIPANT	EMPLOYER MATCH (\$)	EMPLOYEE PRE-TAX (\$)	EMPLOYEE AFTER-TAX MATCH (\$)	LOAN REPAYMENT (\$)
<b>ZANIDINE, ZIDANE</b> XXX-XX-5001				
: ABC ORGANIZATION 403(B) DEFINED I CONTRIBUTION RETIREMENT PLAN - 111111				
RA – D100056 <span style="color: orange;">C</span>	<input type="text" value="0.00"/>	<input type="text" value="58.56"/>	<input type="text" value="0.00"/>	
I GRA – D787778	<input type="text" value="55.40"/>	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	
Loan – 787778 – 001 <span style="color: orange;">C</span>				<input type="text" value="125.00"/>

### Remittance file or SFTP

You'll need to update your file format to include the following information:

- Loan number (to be provided by TIAA via the loan feedback file)
- Loan repayment amount
- Participant payroll frequency (see FAQ section for additional details)

Then, your TIAA representative will work with you to test the file and subsequent processes. Once completed, you will receive a file testing certification indicating you are ready to move forward with payroll deductions.

The testing process includes the following steps:

1. Once an employee submits a new loan request through their account on **TIAA.org**, TIAA will process the request and issue the amount.
2. TIAA will update the loan feedback file, available on PlanFocus, which alerts you to the new loan being issued. It will include the loan number and repayment amount.
3. You will update your remittance file with the loan number and payment amount, and submit to TIAA.
4. You will receive a confirmation from TIAA, with an effective date to begin using the new remittance file. Testing is complete.

### Loan feedback file

The loan feedback file is a critical piece of the payroll deduction process. It's available on PlanFocus for download. It will be your source for loan statuses. Authorized users will receive an email notification when the file is available.

### File content

The loan feedback file provides loan details for active participants and will alert you to a few key items:

- Loan number (you will need to include this on your remittance file)
- Loan amount (you will need to include this on your remittance file)
- Loan status (Initiation, Last, Paid off)
  - Initiation: Alerts you to a new loan. This may appear up to three times before the start date, and stops once the start date passes. This also serves as notification to include the loan in your remittance file.
  - Last: Informs you that this is the last loan payment. No action required.
  - Paid off: Lets you know it's time to remove the loan repayment from your remittance file.

## Getting started with payroll deduction loans

Click on **field definitions** for more details around each field provided in the loan feedback file.

Below is an illustration of a sample loan feedback file:

EMPLOYEE	Plan Number	SSN#	Loan Number	Loan Status	Start Date	Loan Payment Amount (\$)	Outstanding Loan Amount (\$)	Total Expected Interest (\$)	Interest Rate (%)	Loan Payment Frequency	Last Payment Date	Principal Residence	Number of Scheduled Payments
Employee, Jane	123456	XXX-XX-1234	F58953A0-001	Initiation	03/19/19	12.61	1,376.13	237.95	6.50	Biweekly	30-Jan-24	No	128
Employee, John	123456	XXX-XX-2345	F59213E5-003	Initiation	03/05/19	30.88	1,500.00	105.76	6.50	Biweekly	16-Feb-21	No	52
Sample, Mary	123456	XXX-XX-3456	F51816G9-006	Initiation	03/19/19	157.81	3,950.00	153.06	6.50	Biweekly	03-Mar-20	No	26
Librarian, Susan	123456	XXX-XX-4567	F57790A9-003	Last	04/04/17	92.82	553.12	238.34	4.75	Biweekly	19-Mar-19	No	52
Professor, Joseph	123456	XXX-XX-5678	F57576A9-001	Initiation	03/19/19	24.11	1,698.97	181.61	6.50	Biweekly	01-Mar-22	No	78

The frequency of the loan feedback file can be configured to match your payroll cycle.

### File frequency

You have a variety of options for choosing when to receive the loan feedback file. Working with your TIAA representative, you'll first need to confirm the following for date of first use:

- Payroll frequency
- The day or date of the month that you would like to receive the file

Thereafter, you can select to receive updates:

- Quarterly
- Monthly
- Semimonthly
- Biweekly
- Weekly

### File formats

The loan feedback file is available in two formats:

**Excel**—For users who manually input data into their payroll systems

**Text file**—Easier for importing into an automated payroll system

## Accessing the loan feedback file

TIAA will provide a loan feedback file via PlanFocus. Log in to PlanFocus, and under the *Administration* tab, select *View Uploaded Files* under *File Exchange*:

The screenshot shows the PlanFocus Administration Overview page. The navigation bar includes HOME, ADMINISTRATION (highlighted), REPORTING, COMPLIANCE, RESOURCES, and DOCUMENT CENTER. The main content area is titled 'Administration: Overview' and contains several sections:

- Contributions and Census**
  - Contributions and Census Dashboard
  - Submit Contributions via File
  - View Contribution History
- Funding**
  - Remit Funding
  - View Bank Account Information
- File Exchange** (highlighted with a red box)
  - Upload File
  - View Uploaded Files
- Plan Document Services**
  - Manage TIAA 403b/401a Documents
- Participant Transactions**
  - Manage Participant Requests
  - View Participant Request History
  - Manage Small Benefit Distributions
  - Manage Forced Required Minimum Distributions
- Eligibility and Enrollment**
  - Add Eligible Employee
  - Enroll an Employee
  - Manage Access Codes
  - Customize Participant Enrollment
  - Saved Enrollments
  - Submitted Enrollments
- PlanFocus Users**
  - Manage PlanFocus Users
  - Review Access Requests
- Investments**
  - View Investment Performance and Research
  - Manage Custom Portfolios
  - View Investment Data Center
- Plan Accounts**
  - Manage Revenue Credit Accounts
  - Manage Forfeiture Accounts
- Participant Communications**
  - Manage Default eDelivery

Select the *View* button next to *Loans Data from TIAA*:

The screenshot shows the 'View Uploaded Files' page. It includes a header 'View Uploaded Files' and a sub-header 'Select the type of file you wish to view. You will be directed to the appropriate PlanFocus page.' Below this is a blue information bar: 'This redirect page will be available for a limited time only. Please note the page on which you can directly view your data.' The main content area lists several data types, each with a 'View' button:

- Remittance Data**: Information about your new employees and their contributions. [View]
- Employee Data**: Contact & demographic information about your employees.
- TDA Calculations Data**: Calculations of eligible contributions to tax-deferred annuities. [View]
- Miscellaneous Data**: Non-standard information about your employees and/or plans. [View]
- Data from TIAA**: Documents uploaded by your TIAA support team. *Can be directly accessed through Document Center > Administration folder*.
- Loan Data from TIAA** (highlighted with a red box): Loan-related documents uploaded by your TIAA support team. *Can be directly accessed through Administration > Contributions & Census Dashboard*. [View]

## Getting started with payroll deduction loans

If your plan is enabled on the Contributions and Census dashboard:

DATE UPLOADED	FILE TYPE	PLANS	FILE FORMAT	LAST ACTION BY	ACTIONS
02/28/2019, 9:30 AM ET	<a href="#">Loan Feedback</a>	ABC ORGANIZATION 403(B) DEFINED CONTRIBUTION RETIREMENT PLAN – 111111	XLS, TXT	TIAA User, 03/12/2019, Viewed	ACTIONS ▾
02/15/2019, 10:30 AM ET	<a href="#">Loan Feedback</a>	ABC ORGANIZATION EMPLOYEE VOLUNTARY PLAN – 222222	XLS, TXT	John Doe, 03/09/2019, Viewed	ACTIONS ▾
01/31/2019, 11:30AM ET	<a href="#">Loan Feedback</a>	ABC ORGANIZATION RETIREMENT HEALTHCARE PLAN – RV0001	XLS, TXT	John Doe, 03/07/2019, Viewed	ACTIONS ▾

If your plan is *not* enabled on the Contributions and Census dashboard:

FILE NAME	FILE TYPE	FILE SIZE	DATE UPLOADED ▾	UPLOADED BY	STATUS	ACTIONS
065285_406363_20171101_PAL_Consolidated_Report.xls	Loan Data from TIAA-CREF	14 KB	11/01/2017	TIAA-CREF	Ready	<a href="#">View Details</a>   <a href="#">Download</a>

## First repayment due date

Once an employee takes a loan, the due date for their first repayment will depend on the payroll frequency that you establish with your TIAA representative. Generally, repayments begin within four to six weeks after the loan is issued and all required documentation is received. If it is:

- **Weekly remittance**—Next expected repayment date + five remittance cycles (weekly)
- **Biweekly remittance**—Next expected repayment date + two remittance cycles (biweekly)
- **Semimonthly remittance**—Next expected repayment date + two remittance cycles (semimonthly)
- **Monthly remittance**—Next expected repayment date + one remittance cycle (monthly)
- **Quarterly remittance**
  - If next payroll cycle is more than one month away → first repayment date = next remittance cycle (quarterly)
  - If next payroll cycle is less than one month away → first repayment date = next expected repayment date + one remittance cycle (quarterly)

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# Employment status

## Active employees

Loan repayments will be made through payroll deductions as long as the loan is active and the employee is employed. You will be made aware of any new loans issued via the loan feedback file, which will alert you to begin including loan repayments in your remittance file.

## Terminated employees

If and when the employee terminates, and has an active loan, you'll need to update the participant's employment status and stop sending loan repayments. The employee will have four options:

### 1. Set up monthly ACH repayments from their bank account

If the plan allows for ACH repayments at termination, employees will receive the following message once TIAA receives their terminated status:

Dear John Q. Loan\_Payoff\_Stmt:

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**IMPORTANT NOTICE REGARDING YOUR LOAN**

John Q. Employer informed us that you are no longer employed with them. Loan (Loan Number: Loan Nbr 12345) allows repayments through electronic bank drafts (ACH). In order to continue repaying your loan, please update your repayment method and add a bank account within 60-days of this letter. For directions, please go to [TIAA.org/MyAccountNav](https://TIAA.org/MyAccountNav).

If you have any questions, please contact us at 800-842-2252 and reference the loan number above. Consultants are available weekdays from 8 a.m. to 10 p.m. and Saturday from 9 a.m. to 6 p.m. (ET).

Have you signed up for eDelivery? Go green and simplify your life. For directions, please go to [TIAA.org/MyAccountNav](https://TIAA.org/MyAccountNav).

The employee will need to go to their account on **TIAA.org** to set up monthly ACH repayments or repay the loan in full. Once the participant sets up ACH repayments, the loan will no longer appear in the loan feedback file.

### 2. Pay off the loan in full

If monthly ACH repayments are not an option for the plan, the employee will receive a notification similar to what's outlined below. The employee will then be required to pay the loan in full, or default. If the participant pays off the loan, it will appear in the loan feedback file with a status of "Paid off."

**IMPORTANT NOTICE REGARDING YOUR LOAN**

John Q. Employer has informed us that you are no longer employed with them. Loan (Loan Number: ) only allows repayments while employed. Upon termination of employment, the outstanding loan balance becomes due.

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**LOAN REPAYMENT DETAILS**

- Name of Employer: **John Q. Employer**
- Loan Number:
- Final Payoff Amount is \$
- If you do not make a full repayment by the last business day before **09/30/2017**, your loan will be in default. The Internal Revenue Service will treat the total amount in default as though received by you as ordinary income and you will be taxed accordingly. This amount may also be subject to a 10% early withdrawal penalty tax if you are not yet age 59 1/2.

#### Note:

It's important for plan administrators to provide employment status to ensure the best employee experience. Ultimately, this will mitigate the risk of default by triggering the notification and providing the ability for them to set up monthly ACH repayments.



### 3. Roll over the loan offset amount to another qualifying plan or IRA

The 2017 Tax Cuts and Jobs Act extends the rollover period from 60 days to the participant's tax return filing date (including extensions) for the year in which the offset distribution occurred.

### 4. Default and tax consequences

If ACH repayments are not available and the employee is unable to pay the outstanding loan balance in full, the loan will default. The employee will receive a 1099-R form and will incur any tax consequences on the default amount. Once the loan defaults and the last payment date passes, the loan will appear in the loan feedback file with a status of "Paid off." **See a sample** notice for more details.

## Leaves of absence

### Military leave

If an employee has an active loan and goes on military leave, you will need to suspend loan repayments during that time. Below is an outline of how the process works.

1. Employee goes on leave.
2. You will:
  - a. Provide "leave" **employment status** and **date** to TIAA via your remittance process or via Single participant view in PlanFocus.
  - b. Stop the payroll deduction for loan repayments
3. TIAA will defer loan repayments for up to one year while the employee is on leave (military leave can be longer). The employee will **not** go into default unless the loan hits maturity while on leave (in which case we can't legally extend the term of the loan).
4. Once the employee returns from leave, you will update to "**active**" **employment status**, provide the effective **date** and then alert TIAA to the status change via your remittance process or via Single participant view in PlanFocus.
5. TIAA will reamortize the loan and determine the first repayment date and amount.
6. You'll be notified via the loan feedback file of the new loan repayment date and amount, so you can begin providing the loan repayment. A reamortized loan will be listed under the "Initiation" status.

### Nonmilitary leave

Suspension of nonmilitary loan repayments is not generally supported by TIAA. Our standard process around general leaves of absence is outlined below.

#### Paid leave:

You are expected to continue making loan repayments through the standard remittance process.

### Unpaid leave:

Since the participant isn't getting a paycheck, no loan payment can be submitted using the standard remittance process. Therefore, the participant will be responsible for making loan payments directly to TIAA while on unpaid leave by doing the following:

1. Make one-time loan repayments by check or ACH via their account on **TIAA.org** or by calling **800-842-2776**.

If the participant fails to make the expected loan repayments, the loan will be delinquent and could default. See the next section for details.

Once the participant returns from leave, you need to resume including the loan payments as part of the standard remittance process.

## Loan delinquency and default

Participants may become delinquent on a loan when they go on unpaid leave, have part-time hours or don't have enough money to cover the expected loan payment via payroll deduction for any other reason.

### Delinquency

A late repayment notice is issued on or near the first business day of the month, after the repayment has been delinquent for at least 30 days. For example, if a participant fails to make the expected loan repayments on and after February 22, a late repayment notice will be issued around April 1. See a **sample notice** for more details.

### Default

If there is an outstanding repayment at the end of a calendar quarter, the loan will default at the end of the next quarter. For example, if a participant fails to make the expected loan repayment on February 22 and fails to catch up by March 31, the loan will default on June 30 and the participant is notified. See a **sample notice** for more details.

Once a loan defaults, the outstanding balance is taxable and is reported to the IRS and a 1099-R for that amount is issued to the participant.

## Plan sponsor FAQs

### 1. How is the loan number configured for the payroll system?

The loan number will be generated by TIAA. The first eight digits reflect the employee's TIAA contract number. The digits following the hyphen indicate if there's more than one loan. Let's look at this example: F0054123-001.

"F0054123" is the contract number TIAA assigns. The "001" at the end of the loan number shows this is the employee's first loan. If this were a second loan, it would end in "2." Note: The number reflects both current and previous loans. Even if your plan only allows for two outstanding loans per employee, it is still possible to see "003" or "004," etc., if the employee has repaid earlier loans.

**2. What if an employee's paycheck is not enough to cover the expected loan repayment amount (e.g., part-time employees)?**

TIAA requires the loan repayment to be the expected amount; we cannot accept partial loan repayments. If there is not enough to cover the full loan repayment, the loan will go into a default status. Should an employee's employment status change (e.g., move to part-time from full-time) during the term of an existing loan, please contact your TIAA representative.

**3. Can employees with a nine-month payroll cycle double or triple loan payments?**

Yes, but additional amounts received will reduce the principal balance and allow the employee to pay off the loan sooner—the additional amounts can't be applied to payments during the three months the employee is not receiving a paycheck. Monthly repayments for the expected amount still need to be made via ACH in order to avoid default. You should inform an employee with a nine-month payroll cycle that it is their responsibility to initiate these monthly payments via their account on **TIAA.org**, or by calling the National Contact Center at **800-842-2776**.

**4. Can employees make additional loan repayments, outside of the payroll deduction process?**

Yes, employees can make one-time additional repayments for the required amount or multiples of it. Or they can pay off their loan early, in which case, you will be notified via the loan feedback file. Employees can do this from their account on **TIAA.org** or by calling the National Contact Center at **800-842-2776**.

**5. Do we need to remit funding once for contributions and once for loans? Or can we include funding for both contributions and loans?**

You must split out funding separately for the contributions and loan repayments. The one exception is if you use the Contributions and Census dashboard without remitting funding.

**6. What if my plan allows multiple payroll frequencies?**

TIAA can support multiple payroll frequencies per plan, just inform your TIAA representative. You'll need to provide the participant's payroll frequency in your remittance file.

**7. What if a participant repays their loan directly with TIAA and the plan also submits the expected repayment?**

In this case the participant will have overpaid their loan. Any loan overpayments will be held up to seven days, then will be refunded directly to the participant.



**Need help? Contact your TIAA representative, or if your plan is serviced by the Administrator Telephone Center, call 888-842-7782, weekdays, 8 a.m. to 8 p.m. (ET).**



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