§ 512-b. Loans. 1. Any member in active service or on leave of absence who has credit for at least one year of member service may borrow from his accumulated contributions in the retirement system once during each six month period an amount of not less than three hundred dollars providing the retirement board shall approve such loan. The total of any such loans shall not exceed seventy-five per centum of his accumulated contributions.

2. Repayment. An amount so borrowed, together with interest on any unpaid balance thereof, shall be repaid in equal installments which shall be made by the borrower directly to the retirement board or, with the consent of the employer, through regular payroll deduction. The state comptroller is authorized to provide through regular payroll deduction for such repayment of loans made by employees of the state of New York. Such installments shall be in such amount as the retirement board shall approve; however, they shall be at least (a) two percent of the member's contract salary, and (b) sufficient to pay the interest on the unpaid balances thereof. In the event that a member is on leave of absence without pay or is not regularly employed by an employer subject to the provisions of this article, any such outstanding loan shall be repaid in such installments of principal and interest as the retirement board shall determine. In the event of default the retirement board shall be authorized to collect such payments due from the employer of such member through payroll deduction and such member shall forfeit all future entitlement to borrow from the retirement system until the unpaid balance of the loan outstanding at the time of default is fully paid. The retirement board, at any time, may accept payments on account of any loan in addition to the installments fixed for repayment thereof. All payments of principal and interest at the minimum rate permitted pursuant to subdivision three of this section made by the member shall be credited to his accumulated contributions. Any additional interest paid by the member shall be credited to the pension accumulation fund.

3. Interest. The rate of interest payable upon loans made pursuant to this section shall be set by the retirement board. The retirement board shall have power, from time to time and at any time, to decrease such rate to not less than that currently being credited on the member's

accumulated contributions or to increase the same to not more than six per centum per annum. Any such decrease or increase shall apply, from the effective date thereof, to unpaid balances of loans outstanding on such date and to new loans made thereafter.

4. Service Charge. A uniform service charge payable upon loans made pursuant to this section shall be set by the retirement board in an amount sufficient to cover the cost to the retirement system of administering the loans. Such charge shall be deducted from the member's accumulated contributions when the loan is made or in equal annual installments over the period the loan is outstanding.

5. Insurance. Each loan made pursuant to this section shall be insured against the death of the member in an amount equal to the amount of the loan outstanding at any given time; with the exception that until thirty days have elapsed after the making thereof no part of the loans shall be insured. Such insurance shall be provided by the retirement board through the retirement system. Upon the death of the member the amount of insurance so payable shall be credited to his accumulated contributions. The premium payable by the member for such insurance shall be set by the retirement board at a rate of not to exceed one per centum of the amount loaned.

A premium of one per centum per annum of the amount loaned, prorated to July first next, shall be deducted from the accumulated contributions of the member when the loan is made. Thereafter, a premium of one per centum per annum of the present value of the outstanding loan as of July first shall be deducted from the accumulated contributions of the member each succeeding year until such loan is repaid or the member is retired.

The retirement board in its discretion on any July first may increase or reduce the premium, modify the terms or conditions of coverage, or discontinue the insurance of loans. In no event shall this subdivision impose any obligation upon the retirement board to continue to insure loans of members upon the terms and conditions herein provided or upon any other terms or conditions.

6. Special Funds. The retirement board is authorized to establish such funds as may be necessary to carry out the provisions of subdivisions four and five of this section.

7. Withdrawals and retirements when loan is outstanding. Whenever a member becomes entitled to the return of his accumulated contributions because of withdrawal from the system or because of having become eligible for a death benefit or a retirement allowance or because of an election to withdraw his accumulated contributions pursuant to subdivision six of section five hundred sixteen of this article the amount of any loan outstanding on such date shall be construed to have been already returned to such member and the accumulated contributions to which he shall then be entitled shall be the net amount of such contributions together with interest thereon standing to his credit in the annuity savings fund on such date.

8. Rules and Regulations. The retirement board is authorized to adopt such rules and regulations as it finds to be necessary in administering the provisions of this section. Anything in this section notwithstanding, the retirement board is authorized to adopt rules and regulations permitting a loan at any time prior to retirement to a teacher who is not in active service or on leave of absence, provided such loan would otherwise be permitted under this section and under applicable provisions of the Internal Revenue Code relating to loans from pension plans.

9. The retirement board shall have the power to discharge any evidence of a loan to a member pursuant to this section upon the satisfaction of the obligation of the member thereunder.