

# SENATE . . . . . No. 1105

By Mr. Rosenberg, a petition (accompanied by bill, Senate, No. 1105) of Stanley C. Rosenberg for legislation to establish a program to allow employees of the Commonwealth to borrow against their accumulated contributions to the retirement system for use as the down payment on a home. Public Service.

## **The Commonwealth of Massachusetts**

In the Year One Thousand Nine Hundred and Ninety-Two.

### AN ACT TO ESTABLISH A LOAN PROGRAM FOR STATE EMPLOYEES BASED ON PENSION FUND CONTRIBUTIONS.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Section 1 of Chapter 32 of the General Laws is  
2 hereby amended by adding at the end thereof the following  
3 definition: —

4 "Home", a single family dwelling, townhouse, or condominium  
5 purchased or constructed for use by the applicant as a principal  
6 residence; not including duplex units and other types of multiple  
7 units or apartment structures purchased or constructed for rental  
8 or business use.

1 SECTION 2. Chapter 32 of the General Laws is hereby  
2 amended by inserting after Section 28L the following new  
3 section: —

4 Section 28M. 1. Eligibility. Any member in government  
5 service or on leave of absence who has credit for at least three  
6 years of member service may borrow from the member's own  
7 accumulated contributions in the retirement system. The member  
8 may borrow once during each twelve month period an amount  
9 of not less than one thousand dollars, providing the retirement  
10 board shall approve such a loan.

11 2. Loan Approval. The retirement board shall only approve  
12 loans for a down payment on a home.

13 The total of any such loans shall not exceed:

14 (a) seventy-five percent of a member's own accumulated  
15 contributions; or

16 (b) an amount which, together with interest on any unpaid  
17 balance thereof, cannot be repaid within ten years by doubling  
18 the member's contributions to the pension fund.

19 3. Repayment. The member shall repay any amount so  
20 borrowed, together with interest on any unpaid balance thereof,  
21 in monthly installments through regular payroll deduction.  
22 Monthly installments shall be in such amount as the retirement  
23 board shall approve; however, they shall be at least

24 (a) the amount of interest accrued on the outstanding amount  
25 borrowed, and

26 (b) an amount sufficient to repay the amount borrowed,  
27 together with interest on unpaid balances thereof, within ten years  
28 of the issuance of the loan.

29 The retirement board, at any time, may accept payments on any  
30 loan in addition to the installments fixed for repayment thereof.

31 4. Interest. The rate of interest payable upon loans made  
32 pursuant to this section shall be two percent above the prime  
33 lending rate as set by the federal reserve bank. Any decrease or  
34 increase shall apply from the effective date thereof, to unpaid  
35 balances of loans outstanding on such date and to new loans made  
36 thereafter.

37 5. Default. In the event of default the retirement board shall  
38 be authorized to collect such payments due the retirement board  
39 from the member's employer through payroll deductions. Such  
40 member forfeits all future entitlement to borrow from the  
41 retirement system until the unpaid balance of the loan outstanding  
42 at the time of default is fully paid. In the event of default by a  
43 member who is no longer an employee of the commonwealth, the  
44 retirement board is authorized to demand repayment of principal  
45 and interest according to terms which shall be set by the retirement  
46 board.

47 6. Service Charge. The retirement board shall set a uniform  
48 service charge payable upon loans made pursuant to this section.

49 The service charge shall be in an amount sufficient to cover the  
50 cost to the retirement system of administering the loans. The  
51 retirement board shall deduct such charge from the members  
52 accumulated contributions when the loan is made.

53 7. Withdrawals and retirements when loans is outstanding.  
54 A member becomes entitled to the return of the member's  
55 accumulated contributions whenever the member withdraws from  
56 the system or has become eligible for a death benefit or a  
57 retirement allowance. In determining the amount of the member's  
58 contributions, the amount of any loan outstanding on such date  
59 shall be construed to have been already returned to such member.  
60 The member's accumulated contributions shall be the net amount  
61 of such contributions plus interest thereon standing to his credit  
62 in the annuity savings fund on such date.

63 8. Rules and regulations. The retirement board is authorized  
64 to adopt such rules and regulations as it deems to be necessary  
65 in administering the provisions of this section.

66 9. Discharge Evidence of Loan. The retirement board shall  
67 have the power to discharge any evidence of a loan to a member  
68 pursuant to this section upon satisfaction of the obligation of the  
69 member thereunder.

1 SECTION 3. Severability. The provisions of this act shall be  
2 severable. If any of its provisions, or their application to particular  
3 facts or circumstances shall be held unconstitutional in a court  
4 of competent jurisdiction, the decision of such a court shall not  
5 affect or impair any of the remaining provisions or their  
6 application to any other facts or circumstances.

