



# Thrift Savings Plan

# BULLETIN for Agency TSP Representatives

**Subject:** Processing Thrift Savings Plan Loan Payments in the TSP Record Keeping System

**Date:** November 8, 2005

This bulletin outlines the procedures that agencies must use to report Thrift Savings Plan (TSP) loan payments to the TSP. It supersedes TSP Bulletin 02-20 to announce a change to the rules regarding TSP loan payments under chapter 13 bankruptcy. As addressed in Section III, payroll offices must **continue** making TSP loan payments for participants who have filed chapter 13 bankruptcy petitions on or after October 17, 2005.

## I. Deducting and Submitting Loan Payments

Agencies must deduct loan payments from the pay of their participants and report the payments to the TSP, as discussed below.

### A. Deducting loan payments

When a TSP loan is disbursed, the participant's payroll office receives the Loan Status Report (Report TSP 19401) to show the loan payment amount that must be deducted from the participant's pay. If a loan is reamortized, the payroll office receives Report TSP 19401 to show the new loan payment amount. When the loan is paid in full, the payroll office receives Report TSP 19401 to show a loan payment amount of \$0.

Accordingly, the payroll office must make the deductions from the participant's pay and submit loan payments to the TSP each pay period. If the loan payment amount is \$0, the payroll office must stop the loan payment deductions. If, however, a payroll office submits a loan payment for a participant whose loan is paid in full, the TSP will refund the payment directly to the participant.

### B. Submitting loan payments

To submit payments to the TSP, payroll offices may use either the discretionary allotment method or the journal voucher method.

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**Inquiries:** Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1460**.

**Chapter:** This bulletin may be filed in Chapter 8, Loan Program.

**Supersedes:** This bulletin supersedes TSP Bulletins 02-20, Processing Thrift Savings Plan Loan Payments in the New Record Keeping System, dated June 27, 2002.

1. Discretionary allotment method

Loan payments submitted by the discretionary allotment method are reported on an agency's payroll file in accordance with procedures administered by the Department of Treasury's Financial Management Service. The payments are made to the TSP by an electronic transfer of funds via a Federal Reserve Bank (FRB). The record format for the payroll file is administered by the Department of Treasury.

- a. If a participant has two outstanding loans, the payroll office must report the loan payments separately (i.e., submit two allotment amounts for the participant each pay period).
- b. If the file transmits erroneous data (e.g., a reported payment does not match a participant's Social Security number and loan account number), the loan payment will be returned to the payroll office via the FRB. The payroll office must ensure that it submits correct loan payment data (as reflected on Report TSP 19401).

2. Journal voucher method

Loan payments submitted by the journal voucher method are reported on loan payment records, and the funds are transferred from agencies' clearing accounts to the TSP. (There are special procedures for agencies that do not have clearing accounts.) The loan records must be accompanied by Form TSP-2-L and a header and trailer record.

a. Loan payment record

The loan payment record reports a participant's loan payment amount. If a participant has two outstanding loans, the loan payments must be reported on separate loan payment records.

If the record is reporting a loan payment that is being deducted from the participant's salary for the current pay date (as reported on the header record and journal voucher accompanying the submission), the "as of" date should be blank.

If, however, the record is reporting a loan payment that had been deducted from the participant's salary on an earlier pay date but was not reported or was not processed by the TSP then because the record contained errors, the "as of" date is the pay date that the payment was deducted. Such payments will be referred to as "late loan payments."

The last field of the record (58-80) is an "agency use only" field. Payroll offices may enter any data they choose in this field or they may leave this field blank. If the field contains data, this data will be shown on

breakage reports that the payroll office receives. (See the TSP bulletin Payroll Office Reports Procedures by TSP Record Keeping System for more information about reports.)

b. Form TSP-2-L

Loan payment records submitted by the journal voucher method must be accompanied by [Form TSP-2-L](#) to certify the accuracy of the data on the records and to authorize the transfer of funds from the payroll office to the TSP.

## II. Processing Agency Submissions

A. Investing loan payments

The TSP will invest all loan payments according to the participant's contribution allocation on the posting date. Loan payments submitted by the discretionary allotment method will be posted on the settlement date provided by the FRB and, generally, will not incur breakage.

Loan payments submitted by the journal voucher method will be posted as soon as the requisite system edits are passed. If the submission contains late loan payments or if the submission is late (as described below), the breakage incurred will also be invested according to the participant's contribution allocation on the posting date.

B. Determining breakage (journal voucher submissions)

1. Loan payment records

If the L-6 record contains an "as of" date that is more than 30 days earlier than the current pay date reported on the header record, the TSP will calculate breakage based upon the share prices for the fund(s) in which the participant would have invested on the "as of" date.

2. Late submissions

If loan payments on a journal voucher submission are posted more than 30 calendar days after the "current pay date" reported on the header record (and journal voucher), the submission is considered late. Generally, in cases of late submissions, the TSP will also calculate breakage on all current loan payments contained in the submission. The calculation will be based on the share prices for the fund(s) in which the participant would have invested on the reported current pay date.

3. See the TSP bulletin Processing Agency Submissions in the TSP Record Keeping System for more information about breakage, including its definition and how it is calculated.

### III. Loan Payments And Bankruptcy Petitions

Under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, TSP loan payments are not affected by bankruptcy petitions filed on or after October 17, 2005. Although this has always been true for loans made by participants who have filed chapter 7 bankruptcy petitions, it is now also true for participants who have filed chapter 13 bankruptcy petitions.

Consequently, if an agency receives a bankruptcy petition that was filed after October 16, 2005, by a participant with a TSP loan, the agency must continue deducting and reporting the participant's loan payments. If the petition was filed before October 17, 2005, and it is filed under chapter 13, the TSP loan payments should be stopped. Unless the filing date is apparent from the face of the order, or the agency has actual knowledge of the filing date, TSP accounts identified in bankruptcy notices received after October 16, 2005, should be treated as if the participants had filed for bankruptcy after October 16.

As always, a bankruptcy action order cannot change the timing or the amount of the participant's loan payments.

For more information about the effect of a bankruptcy petition on TSP loans, see the Fact Sheets *Bankruptcy Information — Petitions filed on or after October 17, 2005 and Bankruptcy Information — Petitions filed before October 17, 2005*, which are available from the TSP Web site under Forms & Publications.



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