



# Thrift Savings Plan BULLETIN for Agency TSP Representatives

**Subject:** Change to the Thrift Savings Plan Loan Program

**Date:** November 20, 1996

On September 30, 1996, legislation was enacted that removed the restrictions on the purposes for which participants can borrow from their Thrift Savings Plan (TSP) accounts. This bulletin contains information about this change to the loan program. The Loan Application (Form TSP-20) and the booklet *Thrift Savings Plan Loan Program* will be revised shortly, and future bulletins will announce their revisions and availability. (For information about other TSP changes that resulted from Public Law 104-208, see TSP Bulletin 96-33, Legislative Changes to the Thrift Savings Plan, dated November 6, 1996.)

## I. Types of TSP Loans

There are now two types of TSP loans: general purpose and residential.

**General purpose loans** can be obtained for any purpose. The repayment period for general purpose loans is from one to four years. Documentation to support requests for general purpose loans is not required.

**Residential loans** can be obtained for the purpose of purchasing a primary residence. The repayment period for residential loans is from one to fifteen years. Documentation to support requests for residential loans is required. (This requirement has not changed and is described in the January 1990 and August 1996 Loan Booklets.)

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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 96-21, Thrift Savings Plan Hardship Loan Application, Form TSP-20-H, dated August 9, 1996; 88-11, Introduction of Form TSP-21-M, Thrift Savings Plan Medical Loan Documentation, dated March 11, 1988; and 88-10, Introduction of Form TSP-21-E, Thrift Savings Plan Educational Loan Documentation, dated March 11, 1988.

## **II. Other Provisions of the TSP Loan Program**

All other provisions and requirements of the TSP loan program remain the same. For example, to be eligible to obtain a TSP loan, participants must be currently employed by the Government (separated participants cannot borrow from their TSP accounts), and they must have at least \$1,000 of Employee Contributions and associated earnings in their TSP accounts.

In addition, the amount participants may borrow continues to be governed by the Internal Revenue Code. The maximum loan amount is described in Part III of the Loan Booklet. Participants may obtain their maximum loan amounts by calling the ThriftLine, or they may use the worksheet in Appendix 3 of the Loan Booklet to estimate these amounts.

## **III. Loan Application Process**

### **A. Loan Application (Form TSP-20)**

Participants must complete the Loan Application (Form TSP-20) and submit it to the TSP recordkeeper. Agencies must provide Form TSP-20 to all participants who request loan applications. The Financial Hardship Loan Application, Form TSP-20-H, is obsolete and supplies of Form TSP-20-H should be discarded immediately.

Until the current Form TSP-20 is revised, however, agencies should instruct participants to leave item 13 (loan purpose) blank if they are applying for general purpose loans. Participants must complete item 13 if they are applying for residential loans.

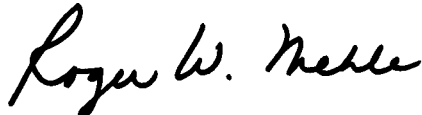
### **B. Loan package**

Upon accepting the Loan Application, the TSP recordkeeper will send the participant a loan package. Each package will include:

- Form TSP-21, Thrift Savings Plan Loan Agreement/Promissory Note (see TSP Bulletin 88-9, dated March 11, 1988);
- Form TSP-22, Thrift Savings Plan Loan Payment Allotment Form (see TSP Bulletins 88-14, dated March 11, 1988; 88-24, dated May 13, 1988; and 91-22, dated August 8, 1991);
- *The Cost of TSP Loans* (see Attachment 1). This is a new item that illustrates for participants the effects of borrowing from their TSP accounts; and
- Until the reprogramming of the TSP Loan System is completed, *Important Information About This TSP Loan Package* (see Attachment 2). This item explains the changes to the loan program and the interim processing procedures for general purpose loans. (Specifically, until new automated procedures can be implemented, the TSP is issuing education loan packages for

general purpose loans, and the loan packages of participants who apply for general purpose loans will also include Form TSP-21-E, Thrift Savings Plan Educational Loan Documentation. However, documentation is not required, and participants are instructed to return only the completed Forms TSP-21 and TSP-22.)

In addition, the loan package of a participant who applied for a residential loan will include Form TSP-21-R, Thrift Savings Plan Residential Loan Documentation. (See TSP Bulletin 88-13, dated March 11, 1988.) Participants must submit documentation for residential loans.



ROGER W. MEHLE  
Executive Director

Attachment: *The Cost of TSP Loans*  
*Important Information About This TSP Loan Package*