

TSPBULLETIN for Agency TSP Representatives

Bulletin 20-3

June 15, 2020

CARES Act – Impact to Thrift Savings Plan Loans

The Coronavirus Aid, Relief, and Economic Security (CARES) Act became law on March 27, 2020 (Public Law No. 116-136). The CARES Act allows the Federal Retirement Thrift Investment Board (FRTIB) to create special loan rules for Thrift Savings Plan (TSP) participants affected by COVID-19. In accordance with the CARES Act, the TSP has added the following options to its loan program on a temporary basis:

- A. The maximum amount a participant may borrow for a general purpose loan is increased.
- B. Participants are able to suspend all TSP loan payments until December 31, 2020.

To be eligible to take advantage of either of these options, participants must meet one or more of the following three criteria:

- i. The participant has been diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention.
- ii. The participant's spouse or dependent (as defined in section 152 of the Internal Revenue Code of 1986) has been diagnosed with such virus or disease by such a test.
- iii. The participant is experiencing adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury (or the Secretary's delegate).

Increased Maximum for General Purpose Loans

For participants who meet the criteria of the CARES Act, the total maximum loan amount for a general purpose loan is increased from \$50,000 to \$100,000, and the maximum portion of vested balance increased from 50% to 100%. The increased maximum loan amount is only available through September 22, 2020. **Residential loans are not available under this special program.**

If the participant qualifies as an affected individual under the CARES Act, the participant can use the online tool on the TSP website (tsp.gov) to apply for a CARES Act loan. To access the tool, participants must log into My Account and click on "Loans." This online tool will guide the participant through the request by prompting the participant to answer questions. Based on those answers, the online tool will generate Form TSP-21-G, *Loan Agreement*, which is a summary of the request with the participant's provided information. Depending on the circumstances, the request may be completed entirely online. If signatures or additional information is required, the participant will need to print the form, gather the necessary signatures, have the form notarized, and then send it to the TSP. The *Loan Agreement* must be received by the TSP no later than **September 22, 2020**.

Note: If a participant alters any of the pre-printed information on the TSP-21-G, the form will not be processed.

Suspension of Loan Payments

TSP participants with active loans who meet the criteria listed above from the CARES Act have the option of suspending loan payments until December 31, 2020. In order to suspend loan payments, the participant must submit [Form TSP-46](#) , *CARES Act Loan Suspension Request*, to the TSP. This form must be received by the TSP no later than **November 30, 2020**.

If the participant has two loans, payments will be suspended for both loans. This suspension can also apply to loans not yet taken as long as the loan and the request for suspension are processed by their respective due dates.

Once the request is processed, the TSP will take the following actions:

- A. Send a confirmation notice to the participant.
- B. Notify the payroll office to stop the payments by reporting the participant's loan with a "02" code on the Loan Status Report (TSP Report 19401). Once the payroll office receives this code, it must **stop** the loan payments.
- C. Once the suspension ends on December 31, 2020, remove the participant's loan(s) from suspension. The loan(s) will be reamortized, with the maximum payoff date extended by the length of the suspension. Participants should be aware that their loan payments may increase.
- D. Notify the payroll office to start loan payments by reporting the participant's loan with a "01" code on the Loan Status Report (TSP Report 19401). Once the payroll office receives this code, it should **start** loan payments.

Changes to Loan Status Report (TSP Report 19401)

The Loan Status Report (TSP Report 19401) provides the loan payment amounts that payroll offices must deduct and report to the TSP. This report is issued daily based on participant requests as well as loan maintenance activities (e.g., loan payoffs, taxable distributions).

The following changes have been made to the "01" and "02" transaction codes on this report:

- **01:** Notification to start payments due to either the disbursement of a new loan, or to resume loan payments after a loan payment suspension period ends.
- **02:** Notification to stop loan payments either because the loan has been paid in full, or the loan payments have been suspended.

The "03" transaction code remains unchanged.

Information for Participants

Participants may submit loan payments on their own during the suspension. If a TSP participant separates before the suspension period ends, the suspension will be removed. The participant must then pay the loan amount off within 90 days, or the outstanding balance will be declared a taxable distribution.

Note: Loan suspensions are NOT automatic. Participants must follow the procedures outlined above if they want to suspend payments, even on loans they take after the suspension option becomes available.

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Inquiries: Questions concerning this bulletin should be directed to your Agency Technical Service's Representative.