



Thrift Savings Plan BULLETIN

for Agency TSP Representatives

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

Date: June 27, 2002

This bulletin outlines the procedures that agencies must use to report Thrift Savings Plan (TSP) loan payments to the TSP after the new record keeping system is implemented in September 2002. It updates TSP Bulletin 99-14, which was issued July 15, 1999. Although the two methods of reporting loan payments will remain the same as the current methods, the record layouts and Form TSP-2-L, Certification of Transfer of Funds and Journal Voucher for Loan Payments (which must be used by agencies that report loan payments by the journal voucher method), have been modified.

Section IV of this bulletin also contains a new requirement which is effective immediately.

I. Agency Responsibilities

- A. Agencies must deduct loan payments from the pay of their participants and report the payments to the TSP, as discussed in Section II of this bulletin.
- B. Agencies must stop loan payments for a participant upon receiving a legal document showing that the participant has filed a **chapter 13** bankruptcy petition. As discussed in Section IV of this bulletin, **this is a new requirement that is effective immediately** (i.e., agencies should not wait until September 2002 to implement this requirement).

(continued on next page)

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 99-14, Processing Thrift Savings Plan Loan Payments in the New Record Keeping System, dated July 15, 1999; and TSP 89-3, Processing Multiple Loans, dated January 17, 1989. When the new record keeping system is implemented, this bulletin supersedes TSP Bulletins 88-26, Alternative Procedures for Processing Thrift Savings Plan Loan Payments, dated June 9, 1988; 88-25, Guidelines for Reporting Payroll Office Numbers for Loan Payment Allotments, dated June 7, 1988; 88-24, Changes to the Routing Number and Check Digit for Form TSP-22, dated May 13, 1988; and 88-16, Guidelines for Reporting Thrift Savings Plan Loan Repayments, dated April 7, 1988.

II. Deducting and Submitting Loan Payments

A. Deducting loan payments

When a TSP loan is disbursed, the participant's payroll office will receive the Loan Status Report (Report TSP 19401) to show the loan payment amount that must be deducted from the participant's pay.¹ If a loan is reamortized, the payroll office will receive Report TSP 19401 to show the new loan payment amount. When the loan is paid in full, the payroll office will receive 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.

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).

There are no changes to this method of submitting loan payments. The record format for the payroll file (Attachment 1), which is administered by the Department of Treasury, has not changed. **However,**

- a. if a participant has two outstanding loans, the payroll office must **now** report the loan payments separately (i.e., submit two allotment amounts for the participant each pay period). Agencies were first asked to implement this requirement in July 1999; **after July 15, 2002**, the TSP will not accept combined loan payments.
- 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. In the daily valued record keeping system, the TSP record keeper will not be responsible for "cleaning up" agency submissions. The

¹ Report TSP 19401 will be issued daily and will replace all reports, forms (including Form TSP-22, Loan Payment Allotment), and notices that agencies now receive regarding loans. See TSP Bulletin 02-16, dated June 12, 2002, for more information about this report.

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.² The loan records must be accompanied by Form TSP-2-L and a header and trailer record.

a. Loan payment record

(1) Purpose

The loan payment record (Attachment 2) 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.

(2) Changes to loan payment record

- The loan payment record number will be changed to L-6.
- Dates required by the record must be reported using four-digit years.
- The last "filler" field (58-80) is now 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 TSP Bulletin 02-16 for more information about reports.)

(3) Determining "as of" date

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."

² There are special procedures for remitting the funds for agencies that do not have clearing accounts.

b. Header and trailer records – loan payments

Attachments 3 and 4 are the header and trailer records that must accompany automated journal voucher submissions. The field on the header record now called “TSP-Payroll-Date” has been changed to “Current Pay Date,” and the field “TSP-Clearing-Acct” has been eliminated. In addition, the “Current Pay Date” must be reported using a four-digit year. There are no changes to the trailer record.

c. Form TSP-2-L

(1) Loan payment records submitted by the journal voucher method must be accompanied by Form TSP-2-L (Attachment 5) to certify the accuracy of the data on the records and to authorize the transfer of funds from the payroll office to the TSP.

(2) Changes to Form TSP-2-L

(a) The format has been changed to parallel the format of Form TSP-2, Certification of Transfer of Funds and Journal Voucher, which must accompany contributions submissions.³

(b) The data element now called “Date Payroll Paid” has been changed to “Current Pay Date.”

(c) The certification has been modified to acknowledge that the TSP will calculate breakage for late loan payments and to indicate if the posting date is more than 2 business days after the “current pay date” for current loan payments.

III. 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.⁴ If the submission contains late

³ See TSP Bulletin 02-19, dated June 27, 2002, for information about submitting contributions to the TSP after the new record keeping system is implemented.

⁴ In the new record keeping system, the posting of loan payments submitted via journal voucher will no longer be delayed until the “current pay date” reported on the header record (and journal voucher). After the submission is processed, the payroll office will receive Report TSP 1802, Payroll Office Recap of Loan Journal Voucher Processing and, as applicable, other reports discussed in TSP Bulletin 02-16.

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 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 2 business 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.⁵ 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 TSP Bulletin 02-19, for more information about breakage, including its definition and how it is calculated.

IV. Stopping Loan Payments Due to Chapter 13 Bankruptcy⁶

Effective immediately, agencies must stop TSP loan payments for a participant upon receipt of a legal document showing that the participant has filed a chapter 13 bankruptcy petition, unless the bankruptcy court issues an order that expressly permits the loan payments to continue.

A bankruptcy court order, however, cannot change the timing or the amount of the participant's loan payments. If a court order permits loan payments, the payroll office must deduct and submit the amount that was provided on Report TSP 19401. If a court order permits the payments but changes the amount of the payments or the payment schedule, the agency must stop the payments.

For more information about the effect of a bankruptcy petition on TSP loans, see the Fact Sheet *Bankruptcy Information*, which is available from the TSP Web site at www.tsp.gov.

⁵ If certain unique circumstances prevent timely submission or posting, breakage will not be calculated for current loan payments.

⁶ A chapter 7 bankruptcy action does **not** affect a participant's obligation to repay a TSP loan. If a participant is a debtor in a chapter 7 bankruptcy action, the payroll office must continue to deduct and report TSP loan payments for the participant.

V. Other Changes to TSP Loan Payment Rules

- A. Participants may make payments by submitting checks directly to the TSP.

After the new record keeping system is implemented, participants may also make loan payments by submitting checks directly to the TSP. These direct payments will be in addition to the payments that are required through payroll deduction; the payroll office must still continue to deduct and submit the amount that was provided on Report TSP 19401.

- B. Participants may voluntarily reamortize their loans with no restriction on the number of reamortizations.

After the new record keeping system is implemented, participants will no longer be restricted to one voluntary reamortization per loan. As explained in the booklet *TSP Loan Program*, participants may elect to decrease or extend their loan repayment period, within the parameters of the TSP minimum and maximum repayment periods. If they decrease the period, their loan payments will increase; if they increase the period, their loan payments will decrease. When a loan is reamortized, the payroll office will receive the new loan payment amount on Report TSP 19401.

- C. Participants who miss payments will be subject to the latest Internal Revenue Service (IRS) rules on missing payments.

The TSP will implement the revised IRS rules regarding missing loan payments when it implements the new record keeping system. Consequently, if in the new record keeping system a participant misses a loan payment in one calendar quarter of the year, the TSP must declare a taxable distribution of the loan at the end of the following calendar quarter **unless** the participant makes up the missing amount (by submitting a check to the TSP) **or** unless the TSP is notified that the participant is in an approved nonpay status (as explained in TSP Bulletin 02-6, dated April 3, 2002, which will be updated for the new record keeping system by the time of its implementation).



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Attachments: 1-FRB Record Format
2-Loan Payment Record
3-Header Record
4-Trailer Record
5-Form TSP-2-L, Certification of Transfer of Funds and Journal
Voucher for Loan Payments

**FRB Record Format for TSP Loan Payments
(PPD - Entry Detail Record)**

FD TSPS130-FRB-FILE
 LABEL RECORDS ARE STANDARD
 RECORD CONTAINS 94 CHARACTERS
 RECORDING MODE IS F
 BLOCK CONTAINS 0 RECORDS.

01 FRB-RECORD.

05 FRB-DETAIL-RECORD.

10	FRB-TYPE-CODE	PIC 9(01).	("6" - Detail Record)
10	FRB-TRANS-CODE	PIC 9(02).	("32" for Loan Payment)
10	FRB-TRANS-ROUT-NO	PIC X(08).	(TSP Routing Transit Number)
10	FRB-TRANS-ROUT-CHK	PIC 9(01).	(Check digit for TSP RTN)
10	FRB-DFI-ACCT-NO.		(Loan account number)
	15 FRB-DFI-ACCT-7	PIC X(07).	(first 7 characters (numeric))
	15 FRB-DFI-ACCT-8	PIC X(01).	(eighth character (alpha))
	15 FRB-DFI-ACCT-9	PIC X(01).	(not used by TSP - leave blank)
	15 FRB-DFI-REST	PIC X(08).	(not used by TSP - leave blank)
10	FRB-DTL-AMT	PIC 9(8)V99.	(Loan payment amount)
10	FRB-IND-ID-NO.		
	15 FRB-IND-ID-NO-SSN	PIC 9(09).	(Social Security number)
	15 FRB-IND-ID-NO-PAY	PIC X(06).	(first six characters of payroll office number)
10	FRB-IND-NAME	PIC X(22).	(participant's name - not edited by TSP)
10	FRB-DISC-DATA	PIC X(02).	(last two characters of payroll office number)
10	FRB-ADDENDA-ID	PIC 9(01).	("0" - no addenda records)
10	FRB-TRACE-NO	PIC 9(15).	(positions 0-8 - RTN of originator positions 9-15 - Unique number in ascending sequence)

Loan Payment Record - L6

APPLICATION		FILE ORGANIZATION				RCD SIZE	BLOCK SIZE		
THRIFT SAVINGS PLAN SYSTEM		FIXED BLOCK				80			
DESCRIPTION	FORMAT	9(09)	9(04)	9(02)	9(02)	9(04)	9(02)	9(02)	X(02)
TSP Loan Payment Record	D A T A	SSN	Date Of Birth			"As Of" Date			Record Type "L6"
			Year	Month	Day	Year	Month	Day	
RECORD NUMBER "L6"	LENGTH	9	4	2	2	4	2	2	2
	POS	01-09	10-13	14-15	16-17	18-21	22-23	24-25	26-27

X(08)	S9(05)V99	X(02)	X(02)	X(11)	X(23)
TSP Loan Account Number	Loan Payment Amount	Department Code	Agency Code	Filler	Agency Use Only
8	7	2	2	11	23
28-35	36-42	43-44	45-46	47-57	58-80

Civilian Header Record - Loan Payments

APPLICATION		FILE ORGANIZATION		RCD SIZE			BLOCK SIZE	
THRIFT SAVINGS PLAN SYSTEM		FIXED BLOCK		80				
DESCRIPTION	FORMAT	X(04)	X(06)	9(04)	9(02)	9(02)	9(08)	X(30)
FORM TSP-2L Header Record	D A T A	"LHD6"	Journal Voucher Number	Current Pay Date			Payroll Office Number	Payroll Office Contact Name
				Year	Month	Day		
	LENGTH	4	6	4	2	2	8	30
POS	01-04	05-10	11-14	15-16	17-18	19-26	27-56	

9(03)	9(03)	9(04)	X(14)
Payroll Office Contact Phone Number			FILLER
Area Code	Exchange	Number	
3	3	4	14
57-59	60-62	63-66	67-80

Civilian Trailer Record - Loan Payments

APPLICATION		FILE ORGANIZATION			RCD SIZE	BLOCK SIZE
THRIFT SAVINGS PLAN SYSTEM		FIXED BLOCK			80	
DESCRIPTION	FORMAT	X(04)	S9(08)	S9(09)V99	X(57)	
FORM TSP-2L Trailer Record	D A T A	"LTLR"	Total Number of Loan Payment Records	Loan Payments Total	FILLER	
	LENGTH	4	8	11	57	
	POS	01-04	05-12	13-23	24-80	



THRIFT SAVINGS PLAN

CERTIFICATION OF TRANSFER OF FUNDS AND JOURNAL VOUCHER FOR LOAN PAYMENTS

TSP-2-L

I. IDENTIFICATION

To: Thrift Savings Plan National Finance Center P.O. Box 61500 New Orleans, LA 70161-1500 Telephone: (504) 255-5110 Fax Number: (504) 255-4132		1. From:	
2. Payroll Office Number		3. Journal Voucher Report Number <u> L </u>	4. Current Pay Date (mm/dd/yyyy)
6. Reel Number		7. Reel Date (mm/dd/yyyy)	8. Back-up Number (if applicable)
		9. Back-up Date (mm/dd/yyyy)	
5. Type of Media <input type="checkbox"/> Electronic Submission <input type="checkbox"/> Tape <input type="checkbox"/> Disk <input type="checkbox"/> Form TSP-5-L			

II. RECORDS SUBMITTED

10. Number of Loan Payment Records _____ 11. Total Loan Payment Amount \$ _____

III. CERTIFICATION

I certify that (1) prudent measures have been taken to ensure that the TSP transactions associated with this voucher are correct according to applicable law and TSP procedures; and (2) the amount in Block 11 is available to be credited to the TSP receipt account.

In addition, I understand that (1) if this payroll submission reports late loan payments, the TSP System will calculate the associated breakage and charge this agency's Treasury account with the amount calculated; and (2) if this payroll submission is processed more than two business days after the "Current Pay Date," the TSP System will calculate breakage on current loan payments as of the "Current Pay Date" and charge this agency's Treasury account with the amount calculated. Such additional charges will be reversed only if it is established that the late processing was caused by TSP record keeper error.

12. _____ Typed or Printed Name of Authorized Administrative or Certifying Officer	14. () _____ Telephone (Area Code and Number)
13. _____ Signature of Authorized Administrative or Certifying Officer	15. () _____ Telefax (Area Code and Number)
	16. _____ Date Certified

INSTRUCTIONS

Type the requested information.

- Item 1** identifies the address of the payroll office responsible for submitting the loan payment records.
- Item 2** identifies the number of the payroll office responsible for submitting the loan payment records.
- Item 3** is the 6-position report number. The first position is "L". The next two positions represent the calendar year of the reporting pay period. The last three positions represent a sequential number beginning with 001.
- Item 4** is the date the payroll is paid.
- Item 5** should indicate whether the data are submitted electronically, on magnetic tape, on diskette, or on Form(s) TSP-5-L.
- Item 6 through Item 9** should be completed if the detail data are submitted on magnetic tape.
- Item 10** should equal the number of loan payment records submitted with this journal voucher.
- Item 11** should equal the total dollar amount of all loan payment records submitted with this journal voucher.
- Item 12 through Item 16** must be completed. This form must be certified by the agency in order to be processed. Forms that are not signed will be returned unprocessed.