

process, payment will be made to the estate of the payee, unless otherwise specified by the legal process. If the participant dies before payment is made pursuant to qualifying legal process, the process will be honored as long as it is received by the TSP before payment of the account, regardless of whether the order was received before the participant's death.

(i) A payment made pursuant to qualifying legal process in accordance with this subpart bars recovery by any other person or entity pursuant to that qualifying legal process.

(j) Payments made pursuant to qualifying legal process will be paid *pro rata* from the TSP investment funds in which the participant is invested, on the date as of which the payment is made. The TSP will not honor provisions of legal process that require payment to be made from specific investment funds.

(k) Unless the qualifying legal process specifically provides, interest or earnings will not be paid on the amount paid to a party or parties pursuant to the qualifying legal process.

[60 FR 45624, Aug. 31, 1995, as amended at 61 FR 18912, Apr. 29, 1996]

## PART 1655—LOAN PROGRAM

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AUTHORITY: 5 U.S.C. 8433(g) and 8474; 50 U.S.C. App. 526.

SOURCE: 55 FR 979, Jan. 10, 1990, unless otherwise noted.

### § 1655.1 Definitions.

*Account* or *Individual Account* means the account established for a participant in the Thrift Savings Plan under 5 U.S.C. 8439(a).

*Agency* means the entity employing a participant with an account in the Thrift Savings Plan.

*Amortization* means the reduction in a loan by periodic payments of principal and interest according to a schedule of payments.

*Board* means the Federal Retirement Thrift Investment Board.

*C Fund* means the Common Stock Index Investment Fund established under 5 U.S.C. 8438(b)(1)(C).

*CSRS* means the Civil Service Retirement System established by subchapter III of chapter 83 of title 5, United States Code or any equivalent retirement system.

*Date of Application* means the date on which the recordkeeper receives the loan application.

*Days* means calendar days except when otherwise stated.

*Employee Contributions* means any contributions made under 5 U.S.C. 8432(a), 5 U.S.C. 8351(a), 5 U.S.C. 8440a or the second 5 U.S.C. 8440a.

*FERS* means the Federal Employees' Retirement System established by chapter 84 of Title 5, United States Code or any equivalent retirement system.

*F Fund* means the Fixed Income Investment Fund established under 5 U.S.C. 8438(b)(1)(B).

*G Fund* means the Government Securities Investment Fund established under 5 U.S.C. 8438(b)(1)(A).

*G Fund Rate* means the interest rate computed under 5 U.S.C. 8438(f)(2).

*Interim Account Balance* means the unvalued account balance of a participant's account on the last business day of the month.

*Loan Issue Date* means the date on which the recordkeeper authorizes a check for the loan principal amount to be issued.

*Loan Process Date* means the date the loan application is processed by the recordkeeper. This is the date that is printed on the Loan Agreement/Promissory Note.

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*Loan Repayment Period* means the number of scheduled payments required to repay a loan in full.

*Monthly Processing Cycle* means the process, beginning on the evening of the fourth business day of the month, by which the recordkeeper allocates the amount of earnings to be credited to participant accounts in the Plan and authorizes disbursements from the Plan.

*Participant* means a person with an individual account in the Thrift Savings Fund.

*Principal* or *Principal Amount* means the amount borrowed by a participant from his or her individual account, or, after reamortization, the amount financed.

*Recordkeeper* means the organization designated by the Board as the Thrift Savings Plan's recordkeeper.

*Required Reamortization* means the mandatory recalculation of periodic payments of principal and interest, made to reduce a loan, at the demand of the Plan.

*Taxable Distribution* means the reporting to the Internal Revenue Service as taxable income the amount of outstanding principal and interest on a loan upon failure by the participant to repay the loan in full according to the terms of the Loan Agreement/Promissory Note.

*Thrift Savings Fund* or *Fund* means the Fund described in 5 U.S.C. 8437.

*Thrift Savings Plan* or *Plan* means the Federal Retirement Thrift Savings Plan established under subchapter III of the Federal Employees' Retirement System Act of 1986, 5 U.S.C. 8431, *et seq.*

*Valuation Date* means the date as of which earnings are allocated to individual accounts. For any month, this date is the last day of the month.

*Vested Account Balance* means that portion of the individual account which is not subject to forfeiture under 5 U.S.C. 8432(g).

*Voluntary Reamortization* means the recalculation of periodic payments of principal and interest, made to reduce a loan, at the request of a participant.

[55 FR 979, Jan. 10, 1990, as amended at 61 FR 58755, Nov. 18, 1996]

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### § 1655.2 Eligibility for loans.

Only a participant who is in pay status with his or her agency and who has at least \$1,000 in employee contributions and attributable earnings in his or her account may receive a loan, subject to the other terms and conditions set forth in this part. A participant who is separated from Government service may not receive a loan. Persons who are eligible to contribute to the Thrift Savings Plan under 5 CFR part 1620 are also eligible to apply for a loan.

[55 FR 979, Jan. 10, 1990, as amended at 61 FR 58755, Nov. 18, 1996]

### § 1655.3 Information concerning the cost of the loan.

Before a loan is issued, the recordkeeper will provide the participant written information concerning the cost of the loan relative to other sources of financing, as well as the lifetime cost of the loan, including the difference in earnings rates between the funds offered by the Thrift Savings Fund and any other effect of the loan on the participant's final account balance.

[61 FR 58755, Nov. 18, 1996]

### § 1655.4 Number of loans.

A participant may have no more than two loans outstanding at any time. Only one of the two loans may be a loan for the purchase of a primary residence.

[61 FR 58755, Nov. 18, 1996]

### § 1655.5 Loan repayment period.

(a) *Minimum.* The minimum loan repayment period of any loan is one year of scheduled payments.

(b) *Maximum.* The maximum loan repayment period of a loan for the purchase of a primary residence is 15 years of scheduled payments. The maximum loan repayment period of any other loan is 4 years of scheduled payments.

### § 1655.6 Amount of loan.

(a) *Minimum amount.* The initial principal amount of any loan may not be less than \$1,000.

(b) *Maximum amount.* The principal amount of a new or reamortized loan,

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when added to any outstanding loan principal, may not exceed any of the following:

(1) The portion of the participant's individual account balance that is attributable to employee contributions and earnings (including any outstanding loan principal).

(2) \$50,000 minus the excess of the highest outstanding loan principal of the participant during the preceding year over the current outstanding loan principal.

(3) The greater of  $\frac{1}{2}$  of the participant's vested account balance (including any outstanding loan principal), or \$10,000.

(c) Subject to the requirement of paragraph (a), a participant may request a loan for the maximum allowable amount as calculated in paragraph (b).

### § 1655.7 Interest rate.

(a) Except as provided in paragraph (b) of this section, loans will bear interest at the G Fund rate in effect on the date the application is received by the recordkeeper (date of application). The interest rate per payment is calculated by dividing this G Fund rate by the number of loan payments/pay periods scheduled in a period of 12 consecutive months.

(b) If the date of application occurs before the G Fund rate has been determined for that month, the loan will bear interest at the G Fund rate in effect during the month preceding the date of application.

(c) The interest rate calculated under this section remains fixed until the loan is repaid, unless the participant informs the TSP record keeper that he or she entered into active duty military service and requests that the interest rate on a loan issued before entry into active duty military service be reduced to an annual rate of 6 percent for the period of such service. The participant must provide the record keeper with the beginning and ending dates of active duty military service.

[55 FR 979, Jan. 10, 1990, as amended at 67 FR 49527, July 30, 2002]

### § 1655.8 Quarterly loan statements.

Each participant with an outstanding loan or loans will receive quarterly

loan statements that will describe the activity relating to each of his or her outstanding loans during the period covered.

### § 1655.9 Effect of loans on individual account.

(a) For purposes of earnings allocation, the amount borrowed will be removed from the participant's account as of the last valuation date prior to the loan issue date. As provided in part 1645, the account will receive no earnings on the amount borrowed for the month in which the loan issue date occurs.

(b) The removal of the principal for earnings allocation purposes described in paragraph (a) of this section will be prorated according to the investment of the portion of the account represented by employee contributions and attributable earnings in the G Fund, the C Fund, and in the F Fund as of the most recent valuation date.

(c) Loan payments, including both principal and interest, will be credited to the individual account of the participant repaying the loan for the month in which the loan payment is processed by the recordkeeper. The loan payments (principal and interest) will be credited *pro rata* to the G Fund, the C Fund, and the F Fund based upon the proportions of the interim account balances of the G Fund, the C Fund, and the F Fund balances in the borrower's account on the last day of the month prior to the month in which the loan payment is processed. Earnings on loan payments will be credited as described in 5 CFR part 1645.

[55 FR 979, Jan. 10, 1990, as amended at 61 FR 58755, Nov. 18, 1996]

### § 1655.10 Loan application.

(a) A participant may apply for a loan by sending a completed and signed application to the recordkeeper.

(b) The participant must sign and date the application. By signing the application, the participant swears that the statements made in the application are true. An unsigned application will not be processed by the recordkeeper.

(c) The application must contain the following information:

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(1) The participant's name, Social Security number, date of birth, current address, and pay cycle;

(2) A statement as to whether the loan is for the purchase of a primary residence as described in §1655.20;

(3) The amount requested and the loan repayment period;

(4) Marital status of the participant and, if married, the name and address of the participant's spouse; and

(5) Any other information that the Executive Director may from time to time prescribe.

[55 FR 979, Jan. 10, 1990, as amended at 61 FR 58755, Nov. 18, 1996]

### § 1655.11 Loan Agreement/Promissory Note.

(a) Upon determining that the application meets the requirements of this part, the recordkeeper will send the participant a Loan Agreement/Promissory Note which will reflect the terms and conditions of the loan and the date it was prepared (loan process date).

(b) By signing the Loan Agreement/Promissory Note, the participant is bound to follow all of its terms and conditions and certifies, to the best of his or her knowledge, under penalty of perjury, to the truth of all statements made and documentation given with the Loan Agreement/Promissory Note.

(c) The recordkeeper must receive the completed Loan Agreement/Promissory Note (including any required supporting documentation) within 45 calendar days of the loan process date or the loan agreement will be cancelled. If the 45th day falls on a Saturday, Sunday, or Federal holiday, the deadline will be the next business day.

(d) The signed Loan Agreement/Promissory Note must be accompanied by:

(1) A completed and signed discretionary payroll allotment form authorizing deductions of all amounts due under the Loan Agreement/Promissory Note, which deduction the participant agrees to maintain through his or her employing agency;

(2) In the case of a loan for the purchase of a primary residence, supporting materials that document the purchase of the residence and the amount requested. This information is described in § 1655.20; and

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(3) Any other information that the Executive Director shall from time to time require.

[55 FR 979, Jan. 10, 1990, as amended at 61 FR 58755, Nov. 18, 1996]

### § 1655.12 Loan approval.

(a) The application will be reviewed by the recordkeeper and will be accepted only if it conforms with the requirements of this part. Upon receipt of the application, the recordkeeper will determine whether:

(1) The participant is qualified to apply for a loan under §1655.2 and has provided all required information;

(2) The participant already has the maximum number of loans outstanding, or if the application is for a residential loan, the participant already has a residential loan outstanding;

(3) The participant already has a pending loan application;

(4) The requested loan exceeds the maximum amounts set forth in §1655.6(b), or is less than the minimum amount set forth in §1655.6(a). If the loan application process date occurs during a month before the monthly processing cycle, the maximum and minimum amounts will be determined using the interim account balance at the end of the prior month. If the loan application process date occurs after the monthly processing cycle but before the end of the month, the maximum and minimum amounts will be determined using the most recent valued account balance;

(5) The applicant is covered by a retirement system that is eligible to participate in the Thrift Savings Plan;

(6) A CSRS participant who is married but does not know the whereabouts of his or her spouse has been granted an exception to the spousal requirement as described in §1655.18; and

(7) The participant has received a taxable loan distribution (as described in §1655.13) from the Thrift Savings Plan within the 12 consecutive month period preceding the date of application, except as a result of a failure to repay the loan upon the participant's separation from service or confirmed non-pay status for a period exceeding one year.

(b) Failure by the applicant to comply with any of the requirements of this part will result in rejection of the loan application.

(c) If the recordkeeper accepts the loan application, a Loan Agreement/Promissory Note will be sent to the applicant, as provided in §1655.11. When the completed Loan Agreement/Promissory Note is returned by the applicant, along with documentation, if required to be submitted under §§1655.11(d) and 1655.20, the loan will be initially approved or denied by the recordkeeper based upon the requirements of this part, including the following conditions:

(1) The participant has signed a promise to pay the loan and a statement that the information provided to the recordkeeper is true and complete to the best of the participant's knowledge;

(2) Processing of the loan would not be prohibited by §1655.19 relating to court orders;

(3) A FERS participant's spouse has consented to the loan or, if the spouse's whereabouts are unknown or exceptional circumstances make it inappropriate to secure the spouse's consent, an exception to the spousal requirement described in §1655.18 has been granted;

(4) The completed Loan Agreement/Promissory Note was received by the recordkeeper within 45 days of the date it was prepared;

(5) The participant has completed and signed a loan payment allotment form; and

(6) Any other conditions that the Executive Director may from time to time prescribe.

(d) The loan issue date will occur within 60 days of the date the loan is initially approved unless the recordkeeper determines that:

(1) A court order would prohibit the loan for the reasons described in §1655.19;

(2) The participant's employing agency has reported the death, retirement, or separation of the participant;

(3) The participant's account balance on the loan issue date does not contain sufficient employee contributions and related earnings to make the loan;

(4) The loan exceeds the maximum loan amount set forth in §1655.6(b) as of the most recent valuation date; or

(5) The loan does not comply with any other criteria that the Executive Director may from time to time prescribe.

(e) Loans will be issued once a month. After the loan issue date, the recordkeeper will provide information to the United States Treasury which will permit the Treasury to mail a check for the principal amount of the approved loan to the participant.

(f) A loan is considered to have been made to a participant on the loan issue date.

[61 FR 58755, Nov. 18, 1996]

#### § 1655.13 Distributions.

(a) The Board will declare the unpaid loan principal, plus unpaid interest, to be a taxable distribution from the Plan if:

(1) A participant is in confirmed non-pay status for a period of one year or more and the participant has not prepaid the loan as provided in §1655.17;

(2) A participant separates from Government service and does not repay the outstanding loan principal and interest in full within a date which is the earlier of:

(i) 90 calendar days after the date of the notice from the recordkeeper to the participant explaining his or her prepayment options that are available upon separation from Government service; or

(ii) 90 calendar days after the date of the notice from the recordkeeper to the participant that, because his or her payments were incorrect or missing for 90 calendar days (pursuant to §1655.15(a)), his or her loan must be reamortized or prepaid in full or a taxable distribution will be declared;

(3) There are incorrect or missing payments (as described in §1655.15) and the participant fails to or is ineligible to exercise one of the reamortization or repayment in full options set forth in §1655.15;

(4) Any material information provided in accordance with §§1655.10 or 1655.11 is found to be false;

(5) The loan is not repaid in full (including interest due) within five years, in the case of any loan other than a

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loan for purchase of a primary residence, or 18 years, in the case of a loan for purchase of a primary residence, of the loan issue date;

(6) The participant dies.

(b) If a distribution occurs in accordance with paragraph (a) of this section, the Board will notify the participant or, in the case of death, the estate of the amount and date of the distribution. The Board will report the distribution to the Internal Revenue Service as income for the year in which it occurs.

[55 FR 979, Jan. 10, 1990, as amended at 61 FR 58756, Nov. 18, 1996]

### § 1655.14 Loan payments.

(a) Loan payments (except for prepayments) may only be made through a discretionary payroll allotment. The allotment must remain in effect for the life of the loan.

(b) The initial payment on a loan is due on or before the 60th day following the loan issue date. The date when the initial payment is due may be adjusted by the Executive Director from time to time.

(c) Subsequent payments are due at regular intervals according to the participant's pay cycle as prescribed in the Loan Agreement/Promissory Note.

### § 1655.15 Incorrect payments.

(a) If correct payments are not processed by the recordkeeper for a period in excess of 90 calendar days from the applicable one of the following dates:

(1) The date of the last correct payment;

(2) The date of the first incorrect payment, if there have been no prior correct payments; or

(3) The date the first payment was due (as calculated under §1655.14(b)), if there have been no payments;

the procedures stated in paragraph (b) of this section will apply.

(b)(1) Interest from the beginning of the 90-day period described in paragraph (a) of this section will be added to the outstanding loan principal and the participant will be required to reamortize the loan. Generally, a reamortization schedule will be calculated to maintain the remaining number of payments scheduled for the loan. The recordkeeper will prepare

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and send a Rider to the Loan Agreement/Promissory Note and a new payroll allotment form to the participant. The recordkeeper must receive from the participant a signed Rider to the Loan Agreement/Promissory Note and a newly signed payroll allotment form within 45 calendar days of the date the Rider is prepared. If the 45th day falls on a Saturday, Sunday, or a Federal holiday, the deadline will be the next business day.

(2) If the remaining number of payments would cause the loan term to extend beyond 18 years less 120 days from the loan issue date for a loan for the purchase of a primary residence, or five years less 120 days from the loan issue date for any other loan, the recordkeeper will reamortize the loan to enable the entire amount of principal and interest to be repaid within those limits. The recordkeeper will prepare and send to the participant a Rider to the Loan Agreement/Promissory Note and a new payroll allotment form. The recordkeeper must receive from the participant, within 45 calendar days of the date the Rider is prepared, the signed Rider to the Loan Agreement/Promissory Note and a newly signed payroll allotment form. If the 45th day falls on a Saturday, Sunday, or a Federal holiday, the deadline will be the next business day.

(3) If no reamortized payments can be calculated under this section to allow the loan to be repaid within the time limit described in paragraph (b)(2) of this section, and the participant does not prepay the loan in full, a taxable distribution will be declared.

(4) If the reamortized loan principal would exceed the maximum loan amount as calculated under §1655.6(b), the loan will not be reamortized. The participant must prepay the loan in full or a taxable distribution will be declared.

(5) If a participant does not sign and return the Rider to the Loan Agreement/Promissory Note, and the participant does not prepay the loan in full, a taxable distribution will be declared.

(6) A reamortization will be calculated based on the assumption that the reamortization will be completed 50 days after the Rider to the Loan

Agreement/Promissory Note is prepared.

(c) If a period of incorrect payments does not exceed the 90-day period described in paragraph (a) of this section, no reamortization is required under paragraph (b) of this section. Any unpaid principal will be paid by additional payments in the same amount as the existing payments added to the term of the loan. Any overpaid principal will cause the loan repayment period to be shortened. If the additional payments would extend the term of the loan beyond five years from the loan issue date (or 18 years from the loan issue date in the case of a loan for the purchase of a primary residence), the participant must either reamortize the loan so as to establish scheduled payments that will repay the loan within those time periods or prepay in full the remaining unpaid amounts. If the participant does neither, a taxable distribution will be declared.

(d) For purposes of this section, incorrect payments include insufficient, excessive, and missing payments.

[55 FR 979, Jan. 10, 1990, as amended at 61 FR 58756, Nov. 18, 1996]

#### § 1655.16 Reamortization.

(a) Reamortization of a loan will occur in the following situations:

(1) Under the rules stated in § 1655.15;

(2) Where a participant transfers between agencies and changes pay schedules, the loan will be required to be reamortized to reflect the changed schedule. A new payroll allotment form must be completed and signed by the participant to reflect this changed schedule;

(3) Where a participant has had his or her loan established on the basis of a particular pay schedule (e.g., bi-weekly), but actual loan payments are made on a different pay schedule (e.g., monthly), the loan will be reamortized to reflect the correct pay schedule. A new payroll allotment form must be completed and signed to reflect the correct pay schedule;

(4) A participant may voluntarily reamortize a loan, subject to the following conditions:

(i) A voluntary reamortization may occur only if the participant is not cur-

rently required to reamortize the loan under the rules stated in this part;

(ii) An outstanding loan may be voluntarily reamortized only once;

(iii) Under a voluntary reamortization, the participant can shorten or extend the loan repayment period, provided that the new loan repayment period, when added to the original loan repayment period, is not shorter than one year of scheduled payments and does not exceed 15 years of scheduled payments, in the case of a loan for the purchase of a primary residence, or four years of scheduled payments, in the case of all other loans.

(b) Before a loan can be reamortized, the recordkeeper must receive from the participant, within 45 days of the date a Rider to the participant's Loan Agreement/Promissory Note was prepared, a signed Rider to his or her Loan Agreement/Promissory Note which describes the estimated terms and conditions of the reamortized loan and a newly signed payroll allotment form. If the 45th day falls on a Saturday, Sunday, or Federal holiday, the deadline will be the next business day.

(c) Upon reamortization, the new principal balance of the loan will equal the unpaid principal on the date of reamortization, plus any interest due on the unpaid principal.

(d) [Reserved]

(e) A loan may only be reamortized if the new principal (as described in paragraph (c) of this section) does not exceed the maximum loan amount calculated under § 1655.6(b).

(f) The interest rate on a reamortized loan will be the same as the interest rate on the original loan.

[55 FR 979, Jan. 10, 1990, as amended at 61 FR 58757, Nov. 18, 1996]

#### § 1655.17 Prepayment.

(a) A participant may prepay a loan in full at any time before the declaration of a distribution under § 1655.13 unless a separated participant has signed a statement that he or she does not intend to prepay. Partial prepayments are not permitted. Prepayment in full means receipt by the recordkeeper of payment of all principal and interest due in the form of a certified or cashier's check, a certified or treasurer's

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draft from a credit union, or a money order.

(b) If a participant returns a loan check to the recordkeeper in order to repay his or her loan, it will be treated as a prepayment in full. However, additional interest may be owed.

[55 FR 979, Jan. 10, 1990, as amended at 61 FR 58757, Nov. 18, 1996]

**§ 1655.18 Spousal rights.**

(a) Within seven calendar days of a CSRS participant's loan application process date, the recordkeeper will send a notice to the participant's current spouse that the participant has applied for a loan.

(b) As a condition for approval of the Loan Agreement/Promissory Note for a FERS participant, the participant must provide the recordkeeper with any evidence the Board requires to demonstrate that the current spouse has consented to the loan for which the participant has applied.

(c) A CSRS participant may obtain a waiver of the spousal requirement described in paragraph (a) of this section if the participant establishes, to the satisfaction of the Executive Director, that the spouse's whereabouts are unknown.

(d) A FERS participant may obtain a waiver of the spousal requirement described in paragraph (b) of this section if the participant establishes, to the satisfaction of the Executive Director that:

(1) The spouse's whereabouts are unknown; or

(2) Exceptional circumstances prevent the obtaining of consent.

(e) The procedures for obtaining an exception to the spousal requirements (including the definition of exceptional circumstances) described in paragraphs (c) and (d) of this section will be the same as the procedures described in 5 CFR part 1650.

(f)(1) By signing the Loan Application and the Loan Agreement/Promissory Note, the participant represents that all information provided to the TSP during the loan process is true and correct, including statements concerning the participant's marital status and spouse's address at the time the application is filed and documenta-

tion that the current spouse has consented to the loan.

(2) If the Board receives a written allegation from the spouse that the participant may have misrepresented his/her marital status or the spouse's address (in the case of a CSRS participant), or that the signature of the spouse of a FERS participant was forged, the Board will submit the questioned document to the spouse and request that he or she state in writing that the information is false or that the spouse's signature has been forged. In the event of an alleged forgery, the Board will also request the spouse to provide at least three signature samples.

(3) If the spouse affirms the allegation in accordance with the procedure set forth in paragraph (f)(2) of this section and the loan has been disbursed, the Board will give the participant an opportunity to repay, within 60 days, the unpaid loan principal, plus unpaid interest. If the loan is repaid, the Board will not investigate the spouse's allegation.

(4) Paragraph (f)(3) of this section will not apply where the participant has received a final divorce decree before the funds are received by the Thrift Savings Plan.

(5) If the unpaid loan principal, plus unpaid interest, is not repaid to the Plan in full within the time period provided in paragraph (f)(3) of this section, the Board will conduct an investigation into the allegation. If the participant has received a final divorce decree before the funds are received by the Thrift Savings Plan, the Board will begin its investigation immediately.

(6) If, during its investigation, the Board finds evidence to suggest that the participant misrepresented his/her marital status or spouse's address (in the case of a CSRS participant), or submitted the Loan Agreement/Promissory Note with a forged signature, the Board will refer the case to the Department of Justice for criminal prosecution and, if the participant is still employed, to the Inspector General or other appropriate authority in the participant's employing agency for administrative action.

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(7) Upon receipt of an allegation described in paragraph (f)(2) of this section, the participant's account will be frozen and no withdrawal or loan will be permitted until after:

(i) 30 days have elapsed since the participant's spouse was sent a copy of the questioned document and no written affirmation of the alleged false information or forgery (together with signature samples in the case of an alleged forgery) has been received by the Board;

(ii) The loan is repaid pursuant to paragraph (f)(3) of this section;

(iii) The Executive Director concludes that the Board's investigation did not yield persuasive evidence that supports the spouse's allegation;

(iv) The Executive Director has been assured in writing by the spouse that any future request for a loan or withdrawal comports with the applicable requirement of notice or consent; or

(v) The participant is divorced.

[61 FR 58757, Nov. 18, 1996, as amended at 63 FR 45391, Aug. 26, 1998]

### § 1655.19 Court orders.

Upon receipt of a document that purports to be a qualifying retirement benefits court order or qualifying legal process relating to a participant's legal obligations to provide child support or make alimony payments, the participant's TSP account will be frozen. After the account is frozen, no loan will be allowed until the account is unfrozen. The Board's procedures for processing retirement benefits court orders and legal processes are explained in 5 CFR part 1653.

[61 FR 58757, Nov. 18, 1996]

### § 1655.20 Loans for the purchase of a primary residence.

(a) A loan for the purchase of a primary residence will be made only for the purchase of the primary residence of the participant or the participant and his or her spouse and for related purchase costs. The participant must actually bear all or part of the cost of the purchase of the primary residence. If the participant purchases a primary residence with someone other than his or her spouse, only the portion of the purchase costs that are borne by the

participant will be considered in making the loan. A loan for the purchase of a primary residence will not be made for the purpose of paying off an existing mortgage or otherwise providing financing for an existing primary residence purchased more than 2 years earlier.

(b) A primary residence must be used by the participant as his or her principal residence. A primary residence does not include a second home or vacation home. A participant cannot have more than one primary residence. A primary residence may include a houseboat, a house trailer, a condominium, or stock held in a cooperative housing corporation.

(c) Purchase of a primary residence means acquisition of the residence through the exchange of cash or other property or through the total construction of the new residence. Construction of an addition to or the renovation of a residence does not constitute "purchase" of a primary residence.

(d) Related purchase costs are any costs that are incurred directly as a result of the purchase or construction of a residence and which can be added to the basis of the residence for Federal tax purposes. However, "points" or loan origination fees charged for a loan, whether or not treated as part of the basis, will not be considered a purchase cost.

(e) The documentation required for a loan under this section is as follows:

(1) For all purchases except for construction, a copy of a home purchase contract or a settlement sheet or estimated settlement sheet;

(2) For construction, a home construction contract. If a single home construction contract is unavailable, additional contracts, building permits, receipts, assessments, or other documentation that demonstrates the construction of an entire primary residence and expenses in the amount of the loan may be accepted.

(f) The documentation provided under this subparagraph must bear a date that is no more than 24 months preceding the date of application.