

§ 1655.9

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:

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

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(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

(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;