

Summary of Nonpay Status Rules

(Applicable after the TSP has been informed of your nonpay status)

TOPIC	What you need to know	
	If you are in nonpay status for reasons other than military service	If you are in nonpay status to perform military service
Permission to Miss Loan Payments During Nonpay Status	You are allowed to miss loan payments for up to one year of nonpay status.	You are allowed to miss loan payments throughout the entire time you are in nonpay status.
Accrual of Interest	Interest continues to accrue on your loan during the nonpay period.	Interest continues to accrue on your loan during the nonpay period.
Making Loan Payments	Payments are not required during a nonpay period of one year or less. If you want to make loan payments, use a <i>Loan Payment Coupon</i> ,* and send payments directly to the TSP.	Payments are not required during a nonpay period. If you want to make loan payments, use a <i>Loan Payment Coupon</i> ,* and send payments directly to the TSP.
Returning to Pay Status	You or your agency or service must notify the TSP when you return to pay status and provide the ending date of your nonpay status.	You or your agency must notify the TSP when you return to pay status and provide documentation of the ending date of your nonpay status.
Recalculating Your Loan (i.e., reamortizing your loan)	If your loan is not up to date, the TSP will recalculate your loan when you return to pay status or at the end of your one-year time limit, whichever comes first.	If your loan is not up to date, the TSP will recalculate your loan when you return to pay status. The maximum time allowed to pay off your loan will be extended by the length of your military service.
Effect of Recalculation on Your Loan Payments	If your current loan payments will not pay off your loan by the maximum repayment period, your loan payments will increase and you will be notified of the new payment amount.	If your current loan payments will not pay off your loan by the extended maximum repayment period, your loan payments will increase and you will be notified of the new payment amount.
Resuming Loan Payments	If loan payments do not resume through payroll deductions after your loan has been reamortized, you must submit payments yourself (along with <i>Loan Payment Coupons</i> *) to keep your loan from going into default.	If loan payments do not resume through payroll deductions after your loan has been reamortized, you must submit payments yourself (along with <i>Loan Payment Coupons</i> *) to keep your loan from going into default.
Defaulting on a Loan	If you miss payments after you return to pay status, or your loan has been reamortized due to the one-year limit and you default on your loan, a taxable distribution will be declared and you will be subject to tax on the taxable portion of the outstanding loan balance (including any accrued interest). Any Roth earnings included in the distribution will be subject to tax, even if your earnings were already qualified. If you are under age 59½, you may also be subject to an early withdrawal penalty tax.	If you miss payments after you return to pay status and you default on your loan, a taxable distribution will be declared and you will be subject to tax on the taxable portion of the outstanding loan balance (including any accrued interest). Any Roth earnings included in the distribution will be subject to tax, even if your earnings were already qualified. If you are under age 59½, you may also be subject to an early withdrawal penalty tax.

* The *Loan Payment Coupon* (Form TSP-26) is available at tsp.gov.