ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 8-08

TO: STATE WORKFORCE AGENCIES

FROM: DOUGLAS F. SMALL /s/  
Deputy Assistant Secretary

SUBJECT: Interest Rate on Title XII Advances During Calendar Year (CY) 2008

1. **Purpose.** To announce the rate of interest the U.S. Treasury Department will charge on Title XII advances (loans) during CY 2008.

2. **References.** Sections 303 and 1202 of the Social Security Act (SSA); Section 3304 of the Federal Unemployment Tax Act (FUTA); and 20 CFR Part 606.

3. **Background.** The criteria for establishing the rate of interest to be charged on Title XII advances during any calendar year are described in Section 1202(b)(4) of the SSA. In brief, the interest rate charged for a given calendar year is the earnings yield on the Unemployment Trust Fund for the quarter ending December 31 of the previous calendar year.

4. **Calendar Year 2008 Interest Rate.** The U. S. Treasury Department has established the rate of interest for CY 2008 at 4.8078 percent.

5. **Action Required.** States expecting to request a Title XII advance should take necessary action to establish a mechanism to provide funds for the payment of interest on those advances in accordance with the provisions of Section 1202(b) of the SSA, and subject to the limitations in Section 303(c)(3) and 1202(b)(5) of the SSA and Section 3304(a)(17) of the FUTA.

In summary, interest is due and payable each September 30 and may not be paid from the state’s unemployment fund or from Federal funds. There are exceptions for “cash flow loans” and for “May/September delays.”

To qualify for a cash flow loan, a state must repay (in full) all advances (loans) taken between January 1 through September 30 in a given calendar year on or before September 30 of that year, and not take any additional advances (loans) from October 1 through December 31 of that year.
A state may delay the payment of interest accrued on advances (loans) taken in May, June, July, August, and September of a given calendar year until December 31 of the following calendar year. Interest on the delayed amounts continues to accrue until the interest is paid in full.

For further information see 20 CFR Part 606.

6. **Inquiries.** Questions should be directed to the appropriate Regional Office.