



DEFENSE FINANCE AND ACCOUNTING SERVICE  
ARLINGTON  
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MAY - 9 2006

DFAS-NP

MEMORANDUM FOR DIRECTOR, ACCOUNTING AND FINANCE POLICY AND  
ANALYSIS, OFFICE OF THE UNDER SECRETARY OF  
DEFENSE (COMPTROLLER)  
DIRECTOR, FINANCE, DEFENSE FINANCE AND ACCOUNTING  
SERVICE

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation  
("DoDFMR"), Volume 7A, Regarding the Elimination of the Payment of Basic  
Allowance for Housing (BAH) II When Assigned to Inadequate Quarters  
Effective January 1, 2006 (DFAS Item O-35)

Attached is Interim Change 26-06 to Volume 7A, Chapter 26 of the "DoDFMR." This  
change terminates the payment of BAH II for members that are assigned to inadequate quarters  
and are now entitled to BAH at the permanent duty station rate effective January 1, 2006.

Assignment of the interim change number is the authority for the Director of Finance to  
initiate a procedural modification to implement this change. This office requests that the  
Director for Accounting and Finance Policy and Analysis post a copy of this interim change to  
the "DoDFMR" web site.

Lydia Mosehkin  
Director, Policy and  
Performance Management

Attachment:  
As stated

cc:  
DFAS-AMO (Pat McGriff)  
DFAS-DE/DG  
DFAS-PM/IN (Cindy Garcia)  
DFAS-PMA/CL  
DoD-DHRA/OGC  
ODUSD(MPP)(Comp)  
Service Liaisons  
USCG/NOAA/PHS Liaison

**BASIC ALLOWANCE FOR HOUSING****1. Revise paragraph 260101.E to read as follows:**

E. Basic Allowance for Housing II rates are established by the Secretary of Defense and are determined as set forth in paragraph 260107.

**2. Revise 260303 as follows:**

260303. Quarters Designated as Inadequate. Effective January 1, 2006, members that are assigned to inadequate quarters will be paid BAH based on the permanent duty station location.

A. Entitlement to BAH. A member with dependents may be assigned quarters designated as inadequate on a rental basis without loss of BAH. This does not apply to bachelor officer quarters, visiting officer quarters, guest houses, and similar type facilities, or to assigned quarters undergoing ordinary repairs. Orders stating that quarters were inadequate while repairs were being made does not authorize BAH during the period involved.

B. Effect of Subleasing Inadequate Quarters. The member may share the quarters with others or permit occupancy by others while on leave. The member may also sublet the quarters on a rental basis without loss of BAH, the amount of rent being immaterial.

C. Rental Charge for Inadequate (Sub-standard) Quarters. Collect rent from the member at the fair rental value of the quarters, as established by base housing personnel. The rental charge for the quarters shall be the fair rental value of such quarters, not to exceed 75 percent of the member's with dependents BAH rate. Rental charge is independent of the amount and type of BAH being paid to the member. See also subparagraph 260303.G for assignment of inadequate quarters to members married to one another.

D. Effective Date of BAH and Rental Charge. Basic Allowance for Housing and rental charge begin on the date of the member's assignment to such quarters or on the date the determination of inadequacy is effective, whichever is later.

E. Computation of BAH and Rental Charge. Compute BAH and rental charge on a 30-day month basis and prorate at one thirtieth of the monthly rate for each day inadequate quarters are assigned. Do not pay BAH or charge rent for the 31st day of a month. Pay 3 days' BAH and charge 3 days' rent when inadequate quarters are assigned on the 28th of February. Do not charge rent for the day the assignment is terminated; however, BAH accrues for the day of termination.

F. Inadequate Quarters Redesignated Adequate. Rental charges and BAH cease on the date rehabilitated inadequate quarters are redesignated as adequate government

quarters. If a member's assignment was continued during the period of rehabilitation, the redesignation of adequacy is effective as of the first day of the month following the month in which the rehabilitation was completed.

G. Husband and Wife Entitled to BAH. When a husband and wife are both members who jointly occupy inadequate family quarters on a rental basis, use Table 26-4 to determine their respective BAH entitlements. The rental charge for the quarters shall be the fair rental value of the assigned inadequate family-type quarters, but will never exceed 75 percent of the with dependents BAH rate which would be payable to a member of the same grade and rank as the member under whose eligibility the quarters are assigned. The BAH paid to the respective members does not affect the amount of rent charged, even where a member is receiving BAH at the with dependents rate. Collect BAH in accordance with Service regulations. For inter-Service marriages, the rental charge will be collected in accordance with the regulations of the Service furnishing the quarters.

**3. Add the following citations to the bibliography:**

Paragraph

Citation

260303

37 U.S.C. 403  
Public Law 105-85, Section 603(b),  
November 18, 1997  
Public Law 106-398, Section 603(a),  
October 30, 2000