



DEFENSE FINANCE AND ACCOUNTING SERVICE
ARLINGTON
1851 SOUTH BELL STREET
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OCT 18 2006

DFAS-NP

MEMORANDUM FOR DIRECTOR, ACCOUNTING AND FINANCE POLICY OFFICE OF THE
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
DIRECTOR, FINANCE MISSION AREA, STANDARDS AND
COMPLIANCE DIRECTORATE, DEFENSE FINANCE AND
ACCOUNTING SERVICE

SUBJECT: Interim Change to the Department of Defense Financial Management Regulation
("DoDFMR"), Volume 7A, Regarding the Payment of Basic Allowance for
Housing (BAH) for Members Performing Separation or Retirement Processing
Overseas (DFAS Item #P-74)

Attached is Interim Change 36-06 to Volume 7A, Chapter 26 of the "DoDFMR." This change implements the payment of housing allowance for members who are separating or retiring, completing their out processing overseas, and who do not have a processing station within the United States. These members will be paid BAH based on the leave address provided during their final out processing. This change is effective January 1, 2006.

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

for Patrick T. Beardslee
Richard D. Davis
Director, Policy and Performance
Management

Attachment:
As stated

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

BASIC ALLOWANCE FOR HOUSING

1. Revise Rule 11, Table 26-9 to read:

LOCATION MEMBER'S BAH RATE IS BASED UPON – MEMBERS WITH DEPENDENTS			
	A	B	C
R U L E	If member	and	then the payable BAH rate (for members entitled to BAH) is that which is prescribed for (notes 3 and 4)
11	is processing for separation or retirement		old PDS unless the last PDS was outside the United States, in which case the location for the processing station in the United States will be used. If members complete out-processing outside the United States, the BAH payment will be based on the leave address provided as part of their final out processing.

2. Revise Rule 4, Table 26-10 to read:

LOCATION MEMBER'S BAH RATE IS BASED UPON – MEMBERS WITHOUT DEPENDENTS			
	A	B	C
R U L E	If member	and	then the payable BAH rate (for members entitled to BAH) is that which is prescribed for
4	is processing for separation or retirement	incident to a PCS in the United States	old PDS unless the last PDS was outside the United States, in which case the location for the processing station in the United States will be used. If members complete out-processing outside the United States, the BAH payment will be based on the leave address provided as part of their final out processing.

3. Revise bibliography as follows:

Paragraph

Citation

Table 26-9, Rule 11

PDTATAC Memo, February 6, 2006

Table 26-10, Rule 4

PDTATAC Memo, February 6, 2006



PER DIEM, TRAVEL AND TRANSPORTATION ALLOWANCE
COMMITTEE

HOFFMAN BUILDING 1, ROOM 836
2461 EISENHOWER AVENUE, ALEXANDRIA, VA 22331-1300

PDTATAC

FEB 06 2006

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE,
1931 JEFFERSON DAVIS HIGHWAY, ARLINGTON, VA 22240

SUBJECT: Basic Allowance for Housing (BAH) Entitlement Rules for Members Performing Separation
or Retirement Processing Overseas

1. Under the old VHA rules, the location of the member's duty assignment was the rate determining location. Accordingly, members whose duty station was overseas but who were separating or retiring were paid the VHA rate for their processing station within the United States during their terminal leave (Rule 11, Table 26-9, DoDFMR).
2. Several years ago, Army started allowing separating or retiring members the option to do their final processing at their overseas duty station and travel from there without going to a processing station in the United States. Since these members were never "assigned" to a duty station in the United States, they were not entitled to VHA but were at least paid BAQ during their terminal leave. With the creation of BAH, they were not entitled to BAH but were still paid BAH-II during the transition period to the new law.
3. A rule to prescribe the housing entitlement for these members was not developed before the end of the transition authority and the resultant expiration of authority to continue to pay BAQ/BAH-II as a default. Since subsection (a) of 37 USC 403 states that a member entitled to basic pay is entitled to a housing allowance, paying nothing is not an option. Continuing payment of OHA after the member physically departs the overseas station is not appropriate since OHA is a cost reimbursement system and the member no longer, or did not have, housing costs. However, 37 USC 403(a) no longer requires use of the duty assignment as the rate determinant but uses the term "geographic location". We can determine by policy what "geographic location" will be used to determine the type and amount of housing allowance.
4. Accordingly, please modify the DoDFMR to prescribe that effective with the end of authority to pay BAQ on 31 December 2005, the housing allowance for members who are separating or retiring, complete their outprocessing overseas, and who do not have a processing station within the United States will be based on the leave address provided as part of their final outprocessing.

A handwritten signature in cursive script, reading "S. W. Westbrook", is positioned above the printed name and title.

S. W. Westbrook
Director