

New DoD Policy on Allotments
FACT SHEET
November 21, 2014

Announcement of Allotment Policy Change

In June 2013, Secretary Hagel directed the Comptroller to form an interagency team in response to a major enforcement action by the Consumer Financial Protection Bureau (CFPB). The team assessed if changes were needed in our military allotment system to prevent unscrupulous businesses from taking advantage of service members. Getting service members to buy things using allotments, even though they may not be able to afford them, is attractive to unscrupulous companies because payments made by allotment are virtually guaranteed. The Secretary of Defense approved changes to the allotment system on September 29, 2014, that were recommended by the Under Secretary of Defense (Comptroller) following collaboration with an interagency team. The DoD Financial Management Regulation (FMR) will be amended to prohibit the use of allotments to purchase, lease or rent personal property. The effective date for this change is January 1, 2015.

The policy change prohibits starting new allotments to purchase, lease, or rent personal property. Existing allotments are not affected. It does not prohibit allotments made to: savings accounts, support dependents, pay insurance premiums, mortgages, rents or investments. This policy change does not apply to military retirees or DoD civilians. It applies only to active duty service members.

The Secretary wanted to preserve the ease of use and the flexibility of the system for service members while eliminating the aspects most likely to be abused by unscrupulous commercial lenders. Ultimately, this change will significantly improve service member protections while not significantly reducing the flexibility to use allotments for a number of useful purposes. This policy change affords additional protection to all active duty service members and their families.

Q1. What type of allotments will be prohibited by the policy change? What type of allotments are allowed currently?

A1. The DoD FMR will list the allotments that are PROHIBITED, to include but not limited to, allotments for payments for or to, or deposits to:

- Vehicles (e.g., automobiles, motorcycles, boats);
- Appliances or household goods (e.g., washer, dryer, furniture);
- Electronics (e.g., laptop, tablets, cell phone, television); or
- Other consumer items that are tangible and movable.

Allotments that remain authorized for service members to make include, but are not limited to, payments to dependents and relatives, payment of premiums for insurance, repayment of indebtedness to the U.S. Government, mortgages, and savings account deposits (for other than prohibited purposes described above) and for Combined Federal Campaign charitable contributions.

Q2. When will the change go into effect?

A2. The update is effective January 1, 2015.

Q3. What about current allotments for these purposes?

A3. Current allotments are not affected.

Q4. How will this change be implemented? What changes will service members experience when starting a new allotment?

A4. In order to start a new allotment using myPay, a service member will see a new banner asking the service member to certify the following: “Under penalty of the Uniform Code of Military Justice, I certify that this allotment is NOT for the purchase, lease, or rental of personal property of or payment toward personal property.” Without acknowledging this certification, the service member cannot start a new allotment. For manual allotment changes, the DD Form 2558, “Authorization to Start, Stop or Change an Allotment,” is also being modified to require the same certification.

Q5. Will Congress need to approve the changes?

A5. No. This is a change to a DoD regulation. The Secretary has the authority to make these changes to the allotment system through changes to the DoD Financial Management Regulation (DoD 7000.14-R, Volume 7A, Chapters 40 and 42). No action by Congress is required.

Q6. Who made up the “interagency team?”

A6. The interagency team consisted of DoD representatives from the OUSD (Comptroller), Defense Finance and Accounting Service (DFAS), OUSD (Personnel and Readiness), and General Counsel offices within the Office of the Secretary of Defense, along with the Joint Staff. Non-DoD participants included representatives from the Federal Deposit Insurance Corporation (FDIC), the Consumer Financial Protection Bureau (CFPB), the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), and the National Credit Union Administration (NCUA).