

**SUMMARY OF MAJOR CHANGES TO  
DoD 7000.14-R, VOLUME 7C, CHAPTER 8  
“CENTRALIZED PROCESSING OF INVOLUNTARY WITHHOLDING OF  
MEMBER PAY FOR THE SERVICES’ EXCHANGE COMMANDS”**

All changes are denoted by blue font

Substantive revisions are denoted by a ★ preceding the section, paragraph, table,  
or figure that includes the revision

Hyperlinks are denoted by *underlined, bold, italic, blue font*

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is being updated with hyperlinks and formatted to comply with current administrative instruction.	Update
Bibliography	Added Bibliography.	Add

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## CHAPTER 8

**CENTRALIZED PROCESSING OF INVOLUNTARY WITHHOLDING OF MEMBER PAY FOR THE SERVICES' EXCHANGE COMMANDS**0801 GENERAL PROVISIONS080101. Overview

A. Authority. Under [Title 37, United States Code \(U.S.C.\), section 1007\(c\)](#) and regulations prescribed by the Secretary of the Military Department concerned, an amount that a member of the Uniformed Services is administratively determined to owe the United States or any of its instrumentalities may be deducted from this pay in monthly installments; however, after the deduction of pay forfeited by the sentence of a court-martial, if any, or otherwise authorized by law to be withheld, the deductions authorized by this section may not reduce the pay actually received for any month to less than one-third of the pay.

B. Purpose. This [section](#) provides the policy and procedures for collecting in-service debts for the Army and Air Force Exchange Service (AAFES), the Navy Exchange Command (NEXCOM), and the Marine Corps Exchange Command (referred to collectively as "The Exchange Commands"). It applies when active-duty, Reserve, and retired military members are delinquent in repayment of a dishonored check or in their credit plan. Through an automated DoD Form 139 (Pay Adjustment Authorization) process, the Defense Finance and Accounting Service (DFAS) deduct payment from these members.

C. Policy. When a member is indebted to a service exchange, under the authority of [37 U.S.C. 1007\(c\)](#), the creditor agency (AAFES, NEXCOM, and Marine Corps Exchange) may forward to DFAS such determination. DFAS shall honor their request based on certification from the creditor that they complied with appropriate debt-collection procedures noted in Volume 7A, [Chapter 50 of this Regulation](#). Under debt-collection procedures, if restitution has not been made within 60 days after the first notice is sent to the member, then the crediting agency may submit the debt for collection action to DFAS. Upon applying the rules of "precedence of pay deductions and collections" noted in [Chapter 52, Table 52-1 of Volume 7A](#), DFAS shall initiate the pay deduction.

080102. Applicability and Scope

A. These procedures apply to the pay of Army, Navy, Air Force, and Marine Corps members serviced by the Defense Joint Military Pay System and the Marine Corps Total Force System.

B. DFAS shall collect the amounts requested on monthly submissions, as long as the monthly amount does not exceed two-thirds of the member's disposable pay, which includes amounts collected under [5 U.S.C. 5514](#). Monthly collection amounts are reduced when the pay due a member is insufficient to cover authorized deductions or collections. Debt collection is restricted by the priority of deductions and collections presented in [Table 52-1](#).

080103. General Procedures

A. Exchange Commands must certify that the member was provided due process in accordance with Volume 7A, [Chapter 50](#) of this Regulation and Table 50-5. Due process involves trying all means for direct collection from the member by sending demand letters to the member and notifying the member's unit commander, if appropriate, for assistance in obtaining direct payment. Exchange Commands shall maintain "due process" documentation (demand letters) on individual delinquent debt accounts. This documentation constitutes certification.

B. Collection of any portion of the debt remaining uncollected at the time of a member's separation shall be subject to Volume 7A, [Chapter 50](#) of this Regulation.

C. Exchange Commands may collect delinquent debts at a maximum deduction rate of two-thirds of the disposable pay.

D. Exchange Commands advise the members of the potential for maximum deduction on delinquent accounts upon enrollment in their credit plan. DFAS or field [finance/disbursing](#) offices are responsible for protecting one-third of the [member's](#) disposable pay.

E. DFAS or the field [finance/disbursing](#) office may override the debt amount by inputting a transaction to change the deduction. This applies in cases where the repayment amount does not leave the member with the amount required to comply with the statutory one-third pay prescribed by law.

F. DFAS or the field [finance/disbursing](#) office continues to answer inquiries from the member on how exchange debt transactions are reflected on the Leave and Earnings Statement.

080104. Certification

A. Exchange Commands will handle telephone inquiries from a member concerning his or her debts and deduction amounts.

B. Exchange Commands [will not deduct from a member's pay account money](#) for a dishonored check written by a dependent without consent of the member.

C. Exchange Commands use a listing of basic pay rates plus income data received from the member to determine the amount that is equal to or less than two-thirds of the member's pay.

D. If a member separates from active duty or if retired pay is suspended, then any uncollected amount is returned to the Exchange Commands for collection.

E. Exchange Commands are responsible for overpaid debts. When a member has overpaid a debt, the Exchange Commands shall issue a refund immediately to the member for the overpayment.

F. Exchange Commands honor the agreement in cases where a member voluntarily agrees to repay the debt. If the member voluntarily repays the debt (off-line), then the Exchange Command cancels the offset request and notifies DFAS immediately.

G. For audit purposes, Exchange Commands will maintain and ensure the availability of all documentation pertaining to these debts.

080105. System Overview

A. Once a collection action is deemed necessary, the determining Exchange Command will transmit a monthly update transaction requesting a pay deduction. The input should be applied to the pay account in the appropriate sequence (see [Table 52-1](#)).

B. DFAS provides new basic pay rates or other pay data to the Exchange Command as it becomes available.

C. During a processing month, Exchange Commands submit the electronic pay-adjustment transaction, with name, social security number, total debt, and the deduction amount for the month. Exchange Commands electronically submit the information in time to adjust in the payment processing update.

D. The Exchange Command input identifies the balance due and the monthly collection amounts. If the debt is collected off-line after submitting the input, then the exchange is responsible for the refund.

E. If the deduction amount input by the Exchange Command is greater than two-thirds, then DFAS or field finance/[disbursing offices](#) either change the deduction amount or return the debt to the Exchange Command to process. After the deduction is processed, DFAS notifies the Exchange Command of any adjustments.

F. The Exchange Command manages the entire debt amount internally. As such, they are responsible for notifying the member of the debt balance and encouraging the member to voluntarily submit payments. DFAS provides management notices (listing) to the servicing finance/disbursing office, if applicable, which identifies the member's pay account to which the deduction is charged.

G. Rejects are downloaded to the Exchange Commands after each update. Exchange Commands are required to work rejects on a daily basis.

H. At the end of each processing month, DFAS sites wire-transfer the amounts deducted via electronic funds transfer to a central processing location for each Exchange Command identifying the affected members.

**★BIBLIOGRAPHY**

**CHAPTER 8 - CENTRALIZED PROCESSING OF INVOLUNTARY WITHHOLDING OF MEMBER PAY FOR THE SERVICES' EXCHANGE COMMANDS**

**0801 - GENERAL PROVISIONS**

080101	37 U.S.C. 1007(c)
080104	5 U.S.C. 5514