

**VOLUME 7B, CHAPTER 32: “RECOVERY OF PAYMENTS MADE TO A
FINANCIAL ORGANIZATION”**

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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

The previous version dated **November 2013** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and reformatted to comply with current guidance.	Revision

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CHAPTER 32

RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

3201 GENERAL

320101. Purpose

By accepting a recurring benefit payment from the government, a receiving financial institution agrees to the provisions of Title 31 of the Code of Federal Regulations, Part 210 ([31 CFR 210](#)), including the reclamation actions and debiting of the financial institution's Federal Reserve Bank account for any reclamation for which it is liable. The government's right to reclaim funds is established in 31 CFR 210, Subpart B, Section 210.10(a).

320102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3202 LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS

320201. Liability of Financial Institution

A financial institution is liable for all benefit payments received after the death or legal incapacity of a recipient or death of a beneficiary unless the financial institution meets the qualifications for limiting its liability under paragraph 320203.

320202. Reclamation

Upon the notification of the death of a military retiree or annuitant, the Defense Finance and Accounting Service (DFAS)-Cleveland Disbursing Officer will contact the decedent's financial institution to request the return of all payments made since the retiree's or annuitant's death.

A. Reclamation must be initiated within 120 days after receipt of notification of death of retiree. The financial institution is not liable for payments made more than 6 years prior to date of reclamation.

B. Effective January 2, 2008, the Department of the Treasury, Financial Management Service (FMS) established a policy for the reclamation of federal payments disbursed electronically through the Automated Clearing House (ACH). Federal Agencies have 3 years from the date of the FMS-133, Notice of Reclamation, to submit an ACH reclaim via the FMS-135, Request for Debit. Attempts to pursue payments that are 3 years past the date of the FMS-133 will not be made. See the Department of the Treasury's [Green Book](#) for detailed instructions on the reclamation procedures.

Note: On October 7, 2012, the Financial Management Service and the Bureau of the Public Debt were consolidated into the Bureau of the Fiscal Service.

320203. Limiting Liability

A financial institution may qualify to limit its liability by full compliance with the regulations if it:

A. Had no actual or constructive knowledge of the death at the time of the deposit of any post-death benefit payments;

B. Returns all post-death benefit payments it receives after it learns of the death of a retiree or annuitant; and

C. Responds to the reclamation to ensure that it is received by the Disbursing Office within 60 days of the date on the reclamation.

320204. Calculating Limited Liability Amount

If a financial institution qualifies for limited liability, the amount which can be debited from the financial institution is the amount of the account balance at the time it first receives notice of death plus the lesser of the outstanding balance due (after any collection from the withdrawers) or the 45-day amount. The 45-day amount is the dollar amount of the post-death benefit payments received within 45 calendar days following the death. See the Department of the Treasury's Green Book for examples of calculating the limited liability amount.

3203 LIABILITY OF DISBURSING OFFICER

The accountability of the financial institution does not affect the liability of the disbursing officer for any amounts not recovered. The disbursing officer may be relieved of liability for amounts not recovered when the officer has shown that he or she did not know and could not have known of a retiree's or annuitant's death prior to making payments after the date of death.

BIBLIOGRAPHY

CHAPTER 32 – RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

3202 - LIABILITY OF FINANCIAL ORGANIZATION FOR DIRECT DEPOSIT PAYMENTS

31 CFR 210
Department of Treasury
Green Book, May 2013 Revision

3203 - LIABILITY OF THE DISBURSING OFFICER

59 Comp Gen 597