RESERVE DEBT MANAGEMENT

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References

(a) DoD FMR, Vol 16  
(b) Title 31, U.S.C § 3701  
(c) MILPERSMAN 1910-140  
(d) MILPERSMAN 1306-1505  
(e) SECNAVINST 1920.6C  
(f) Title 31, U.S.C § 3716  
(g) Title 5, U.S.C § 5514

1. **Purpose.** To issue guidance and procedures, per reference (a), for debt management attributed to Selected Reserve (SELRES) and Voluntary Training Unit (VTU) Sailors, to include: debt prevention, monitoring, referral, and notification. This article does not provide policy for debt collection, as this responsibility resides with the Defense Finance and Accounting Service (DFAS) as the Debt Collection Office for Reserve Component pay matters.

2. **Definitions**

   a. **Debt.** Per reference (b), debt is an amount of funds or property that has been determined by an appropriate official of the Federal Government to be owed to the United States by a person, organization, or entity other than another Federal agency, which the Government is entitled to receive immediately. Debt examples include unearned portions of bonuses, overpayments for IDT periods that are later adjudicated as absences, erroneous payments, etc.

   b. **Erroneous payments.** An erroneous payment is a payment that was not legal and proper when made. Erroneous payments include, but are not limited to, improper overpayments, duplicate payments, payments to the wrong recipient, payments made in violation of laws or regulations, and payments based on fraudulent or altered documents.

3. **Responsibilities**

   a. **CNRFC (N11) shall:**

      (1) Provide oversight and training to Echelon IV Commands for debt management.

      (2) Establish procedures to identify the causes of indebtedness and take or direct corrective action to mitigate those causes.
(3) Develop standard operating procedures for debt management, which will be posted in ProcessQuik on the Navy Reserve HomePort.

(4) Provide initial written notice to Reserve Sailors of indebtedness upon initiation of recoupment actions for unearned portion of bonuses, as a result of CNRFC (N1) approved separation/loss transactions or bonus termination actions, as discussed in RESPERSMAN 1100-010.

b. Echelon IV Commanders shall:

(1) Provide oversight and training to subordinate commands for debt management.

(2) Track and report any relevant trends in causes for indebtedness or debt management feedback to CNRFC (N11).

(3) Endorse requests (e.g. voluntary IRR requests for Sailors under a drilling obligation, remission of indebtedness applications, etc.) within 10 business days of receipt and forward to CNRFC (N11).

c. Navy Reserve Activities (NRAs) shall:

(1) Provide initial written notice to Reserve Sailors of indebtedness within 5 working days of confirming the debt, if the NRA performed the transaction that resulted in the debt (e.g., correcting an adjudicated IDT period that resulted in an erroneous payment, allowing Reserve Sailors to perform more IDT periods than authorized during their final fiscal year in accordance with RESPERSMAN 1570-010, transferring an officer under a bonus obligation who is an Unsatisfactory Participant to the ASP-IRR per RESPERSMAN 1001-010, etc.).

(2) Ensure corrective actions for all erroneous payments or overpayments are initiated within 5 working days of discovery and that DFAS has been notified. See RESPERSMAN 1570-050 for reports (e.g., Earnings Statement Report) that are useful in identifying erroneous payments or overpayments. For further corrective action guidance, see RESPERSMAN 7220-010 for Reserve pay-related transactions and RESPERSMAN 1100-010 for bonuses.

(3) Assist the Debt Collection Office (normally DFAS) with the prompt collection of debt for Reserve Sailors assigned to the NRA. NRAs will not collect money owed, but will counsel impacted Sailors and may take remedial action, if necessary, in accordance with reference (c).

(4) Respond promptly to any questions raised by the Reserve Sailor in debt, not later than 30 days from the date of receipt of the Sailor’s correspondence. The NRA must provide copies of relevant documents requested by the Sailor, in accordance with reference (a).

(5) Provide Commander’s Endorsement (NRA Commanding Officer (CO), not to be delegated) on all DD Form 2789, Waiver/Remission of Indebtedness Application (blocks 20 through 22), and forward to DFAS, via Echelon IV Command and CNRFC, within 10 days of
receipt. In accordance with reference (d), Enlisted Sailors transitioning from Reserve Component to Active Component (RC2AC) prior to completion of their SELRES incentive obligation may request a remission of indebtedness from Director, Military Personnel Plans and Policy Division (OPNAV) (N13) via their NRA, Echelon IV Command, and CNRFC. NRA CO should provide an honest assessment and recommendation for any waiver request.

(6) Report any relevant trends in causes for indebtedness to Echelon IV Commander.

d. Reserve Sailors shall pay amounts owed to the Department of Defense in accordance with the terms specified in contracts, agreements, or demand letters from DFAS. Sailors who display a set pattern of failure to pay just debts may be subject to administrative separation processing in accordance with references (d) and (e).

4. Initial Debt Notification. In accordance with references (f) and (g), Sailors have the constitutional right of “due process” and must be provided written notice of any debts and the opportunity to dispute the debts. As such, NRAs must issue the initial debt notification letter to the affected Sailor within 5 working days following confirmation of (1) the existence and validity of the debt; (2) the basis of indebtedness; and (3) the amount of the debt. The initial debt notification letter shall include:

a. A statement of facts regarding the debt to include the amount and reason for the indebtedness;

b. Notification of the Sailor’s right to request a waiver or remission of debt via DD Form 2789, Waiver/Remission of Indebtedness Application;

c. Right to inspect records related to the debt; and

d. An NRA point of contact.

A sample debt notification letter can be found on the CNRFC (N11) webpage on the Navy Reserve HomePort. The debt notification letter must be dated the same day the letter is mailed to the Sailor’s last known address or hand-delivered to the Sailor. Also, the debt notification letter shall be maintained in the Sailor’s Individual IDT Folder in Total Records Information Management (TRIM) for 10 years. As the Debt Collection Office for Navy Reserve Sailors, DFAS will normally issue a debt notification letter with specific repayment information.

5. Debt Referral. The Navy Standard Integrated Personnel System (NSIPS) and Reserve Headquarters System (RHS) electronically communicate with Defense Joint Military Pay System- Reserve Component (DJMS-RC) to automatically notify DFAS of most erroneous payments or overpayments that result in debt for Navy Reserve Sailors. However, NRAs shall ensure that all erroneous payments or overpayments have been referred to DFAS. A debt reflecting on a Sailor’s Leave and Earnings Statement (LES) is an indication that DFAS has been systematically notified. If an erroneous payment or overpayment was corrected, but there is no indication that DFAS is aware after 30 days of the correction, then the NRA shall forward a copy
of the initial debt notification letter in Process Management Tool (PMT) to CNRFC (N11) via Echelon IV Command. CNRFC (N11) will refer the debt to DFAS via Defense Workload Operations Web System (DWOWS).

6. **Offsets.** Per reference (a), DFAS may withhold any payment to a Sailor to satisfy a debt. This includes withholding of pay and allowances (i.e., salary offset) by establishing installment deductions at officially established pay intervals from the current pay of the Sailor. Additionally, the Department of Treasury may offset tax refunds, grant payments, benefit payments, and other Federal payments to liquidate a Reserve Sailor’s debt.