Rent Payment Process for Privatized Housing

The purpose of this information is to explain the rent payment services that Military Assistance Company, LLC (MAC) provides to the Air Force and Project Owners.

Background

In 2001, Fort Knox National Company (d.b.a. Military Assistance Company or MAC) was awarded a pilot project contract by the Baltimore Corps of Engineers to develop and implement a rent payment product for the privatization of family housing at Fort Hood, Texas. The Army required a system that would start allotments at the rate of rent equal to the Basic Allowance for Housing (BAH), adjusted as needed for changes to a tenant's BAH, to relieve local Finance of this burdensome workload. In addition, at the time of conversion, the Army requested that BAH for all tenants in housing start as well. MAC's unique Accounting and Disbursing Station Number (ADSN) from the Defense Finance and Accounting Service (DFAS) identifies the company as an entity certified and capable of transmitting transactions directly into the pay systems of Army, Air Force and Navy.

In December 2004 the Executive Steering Group (ESG) approved the Air Force to become a partner on the Army's contract with MAC for allotment processing. This offers project owners of Air Force privatization projects the option to subcontract, at their expense, with MAC. The cost of these services is born by the project and has no effect on tenant rents.

Project Conversion

To accurately transmit the large number of transactions to DFAS at project conversion in the short time available, MAC works with the project owner to verify the accuracy of the current tenant data. During pre-conversion, it is most important to correct as much data as possible to ensure no inaccurate transactions negatively affect a tenant's pay.

Therefore, prior to the conversion date, the project sends MAC a file with all of the tenant information. MAC compares this data to the DFAS pay records and sends data corrections back to the project. The project corrects their database and sends MAC another file. MAC compares this data again and sends corrections to the project. This process continues until the beginning of the conversion month.

MAC verifies data in the following areas to identify data discrepancies:

1) Determines whether the tenant's BAH will be on at time of conversion
2) Verifies accuracy of tenant's Social Security Number, name, pay grade and branch of service

Any of these data discrepancies not corrected prior to conversion could have an adverse impact on starting the allotment.

In the month of conversion, the project sends MAC an updated conversion file, which contains information for all tenants in the housing units on the first day of the conversion month. MAC accepts the file, populates the database, and creates allotment start transactions. After the DFAS mid-month cut-off date, MAC uploads these transactions directly to Defense Joint Military Pay Systems (DJMS) through File Transfer Protocol (FTP). Within 24-48 hours, DFAS produces a Suspense Account Report (SAR), or reject report which MAC downloads and sends to the project. These reports detail why a transaction rejected. Until a correction is reloaded into the system, the tenant's allotment will not start in that month. When a project receives a SAR report, they research the error, and retransmit the tenant record back to MAC. MAC creates a new transaction and directly uploads it to DFAS. Again, within 24-48 hours, a SAR report is ready for download and will indicate whether the transaction has been accepted or rejected. If it rejects again, the same process is followed: the report is sent to the project, it is researched and re-submitted.

To help facilitate the reject corrections, a MAC representative visits the project in the month of conversion and assists in the resolution of these transactions. This time is also utilized to reinforce the process to the project's bookkeeper or accountant as needed.

At the end of this month and every month, MAC sends the project a Payment Workbook and a Posting File. The posting file is ready to upload into the project's property management system to post all of the allotment payments immediately, thereby quickly identifying all tenant payments not yet received.

The conversion file is uploaded to DJMS after the DFAS mid-month cut-off date (usually around the 6th of the month), to allow more time for reject correction before the EOM cut-off date (usually the 22nd of the month). (DFAS cut-off dates vary from month to month.)

Monthly Processing

After the month of conversion, the project sends MAC a file of all tenants that have moved in or out of family housing. For all move-ins, MAC creates a transaction to start an allotment; for all move-outs, MAC creates a transaction to stop an allotment. Again, any rejects received are sent to the project for research and resolution.

During the month, additional activities happen that the project must be aware of and possibly act on:

1) DFAS sends promotion/demotion data (optional module to the process). Covering the past 30 days, DFAS sends a file of all actions that have resulted in a pay grade increase or decrease for the tenants in a particular project. The file also contains the effective date of promotion. With this date, MAC is able to calculate whether the tenant owes any back BAH differential, and if so, MAC will send a transaction to DFAS to increase the allotment for the amount of the back BAH owed (the following month, MAC sends a transaction to decrease the allotment to the new pay grade amount). For promotions not in arrears, MAC simply sends a transaction to DFAS to increase the allotment to the new pay grade amount.

2) DFAS sends comparison data. DFAS sends a file for each project detailing the tenants' actual BAH entitlement and pay grade. MAC compares this data to the allotment amount and pay grade in the database and sends all discrepancies to the project. The project is responsible for reviewing this report. If any errors are found with the amount of the allotment, the project must change the data causing the discrepancy via MAC's secure website. This website allows both inquiry and edit access, and gives the project the opportunity to change pay grade, duty postal code or dependent status information, so the allotment will be adjusted to bring it in line with the BAH.

Utility Allowance (optional module)

BAH contains three elements: rent, renter's insurance and utility allowance. Some Air Force privatized projects are designed to collect only the rent & renter's insurance portions of BAH, and leave the utility allowance in the resident's pay so that they may be billed and directly pay the utility companies. In this case, a Utility Allowance module is available so that only the rent & renter's insurance portion of BAH is collected through the allotment. A property manager simply assigns a designator to a unit, and loads an allowance or amount for that designator through the website. When a resident is moved in and an allotment started, the system will calculate the BAH, reference the table to determine the allowance for the utility via the table, and initiate an allotment start for BAH minus utility allowance.

Rent in Advance

Regardless if a property collects rent in arrears or rent in advance, the system works the same. The difference is how the payments are posted. However, there are some differences in procedure that you will need to remember:

1) Rent Collection at Move-In. Under 'rent in advance,' the project will need to collect the partial month rent due for the month of move-in, plus collect (prior to or on the 1st of the next month) a full month's rent payment. The project will not receive an allotment payment until the start of the 2nd full month of resident occupancy.
2) Promotion rent adjustment. The optional promotion module runs in arrears, so if a resident is promoted, the first increased amount the project receives is 30 days after the promotion was effective. To ensure the resident's account is not delinquent, the project will have to collect the portion of BAH differential directly from the resident.
3) BAH table adjustments. DFAS does not release the official table updates until the last week in December of each year. Therefore, the rent allotments are not adjusted until the first week of January, and the higher payment is not received by the project until the 1 Feb payment. **Again, to ensure there are no delinquent accounts, the project must collect the BAH differential for the January 1st payment directly from the resident.**
4) Allotment stops. Since the rent payment is one month in advance, the project must send MAC a move-out record to stop the allotment the first of the month of the resident's move out from the unit.

DFAS Operating Guidelines

Each month, DFAS follows a mid-month cut-off date and an end-of-month cut-off date schedule. These dates are set the month prior but are usually around the 6th and 22nd of each month (MAC's Rent Department sends DFAS cut-off date notices each month). If a transaction is accepted prior to the mid-

month cut-off date, that transaction will be reflected in the service member's mid-month pay. If the transaction is accepted prior to the EOM cut-off date that transaction will be reflected in the service member's EOM pay. Most projects send their main MIMO file prior to the mid-month cut-off date. Since BAH is paid in arrears, the allotment should be started or stopped as soon as possible in the month after move-in or out. These files are processed by MAC and rejects are returned to the individual projects. Prior to the EOM cut-off date, projects send a second file to MAC with the reject re-submissions and any other transactions that were missed on the previous file. (Multiple files can be sent throughout the month.)

If a tenant moves out of the unit, the allotment should be stopped prior to the following month's mid-month cut-off date. If this does not happen, the service member's mid-month pay will continue to reflect the allotment deduction. If the stop is processed between mid-month and EOM cut-off dates, the money withheld from the service member's mid-month pay will be returned to the tenant by DFAS in the EOM pay. If the allotment is still not stopped prior to the EOM cut-off date, the money will be sent to the project at EOM.

Issues and Resolutions

Over the past few years, MAC has identified issues that may adversely impact the receipt of rent payment allotments. For each of these issues, MAC has provided suggested resolutions:

1) A transaction to start an allotment returns as a reject with the notation that this transaction would cause the tenant's pay to be over-allotted. *Suggested Resolution:* Counsel the tenant to stop other allotments so that the rent payment allotment will be accepted by DFAS.
2) DFAS misses promotions on the monthly promotion report. Although rare, a promotion has been occasionally missed in the monthly report. *Suggested Resolution:* Review the monthly comparison report. If it is noted that a tenant was promoted but that promotion did not appear on the promotion file, correct the pay grade information on the secure website so that the allotment can be increased to the correct amount.
3) Soon to retire tenants. At some point in the process, a soon-to-retire tenant's allotment transactions are sent to retiree pay. At that time, MAC can no longer stop this transaction, as there is no retiree pay access. *Suggested Resolution:* Send a move-out record to MAC prior to the tenant's allotment transactions being sent to the retiree pay office. Accept payment directly from the tenant until they vacate the unit. Or, have the tenant inform the retiree pay office when the allotment should stop.
4) Transactions on non-tenants. During the pre-conversion process, many times a project owner receives information from housing that may not be correct (or the information has not been passed from one office to another). Occasionally, a former tenant's information is included on the conversion file sent from the project owner to MAC. MAC has no method of determining who actually resides in family housing and therefore simply creates start transactions for every individual listed on the file. If the individual has moved out prior to the project converting to privatized housing, an allotment may be started in error. *Suggested Resolution:* The project owner and housing office staff must compare the conversion file records with all signed lease agreements.
5) No Coast Guard or Marine Corps access. MAC currently has access to only the Army, Air Force and Navy pay systems and therefore cannot start allotments or BAH for Coast Guard or Marine

Corps tenants. *Suggested Resolution:* Contact the tenant's supporting finance office and coordinate the start of the BAH and allotment as needed.

Miscellaneous Notes

1) The rent allotment is only collected for full months' amounts. Therefore, partial months' collections at both move-in and move-out are handled at the installation level. For move-ins, the allotment is started the month following. For the partial month the tenant occupies the unit, collection of rent is handled on-site by the project owner (for projects under 'advance' payment policies, the partial month of move-in and the next full month must be collected on site). For move-outs, the allotment is stopped the month after move-out, and MAC receives a full month's rent allotment at the end of that month. The entire amount is sent directly to the project owner, and the project owner makes arrangements to refund the over-payment to the former tenant.

2) Allotment start amounts are determined by the information contained in the file received from the project owner. In this file, the project owner sends pay grade, duty postal code and dependent status on each tenant. From these three data elements, MAC determines the BAH the tenant should be receiving and creates a transaction to start a privatized rent allotment that equals that amount.

3) If any of the data sent by the project owner is incorrect, the comparison report the following month will identify that discrepancy which the project owner can correct through input via MAC's secure website.

4) Congress usually mandates new BAH tables on 1 January of each year. When these tables are released, MAC loads them into the database. For any BAH increases' resulting from these table changes, MAC creates allotment increase transactions and submits to DFAS (rate protection applies).

5) Although the process is fully automated, customer service representatives are available to answer questions, research issues, accept suggestions for future enhancements, et cetera. This group can be reached at (877) 586-4579 or by email at rent@fknc.com.

6) The allotment is authorized by the tenant through the signed resident lease. It is not necessary for the tenant to complete and sign a DD Form 2558 (Authorization to Start, Stop or Change an Allotment) nor is it advised. When these forms are completed, at times they have been inadvertently sent to the local Finance office, and have been processed in error.

7) The local Finance at each installation will start BAH during the month of conversion.

8) MAC can also create and upload the following allotment transactions:
    a. A101 – to start an allotment;
    b. A102 – to stop an allotment;
    c. A107 – to increase an allotment;
    d. A108 – to decrease an allotment.

9) Upon award of the first contract, MAC was assigned a unique ADSN (3250) from DFAS for identification and processing purposes. In addition, each of the employees with access to the system has completed an SF-85P (Questionnaire for Public Trust Positions).

10) Once the employee is approved for access, MAC completes and sends a DISA Form 41 (User Access) along with a DD Form 2875 (System Authorization Access Request). MAC has also designated an individual to serve as the TASO (Terminal Area Security Officer). Again, MAC has access to Army, Air Force and Navy pay systems only.

Benefits

Through the rent payment process and refinements added over time, this program provides numerous benefits to the project owner, the tenant, local finance entities and the project overall:

1) Ensures the rent allotment equals BAH (Service Member doesn't enter delinquent status or undue financial hardship)
2) Ensures the allotment is started on time, the rent is paid on time & the allotment matches BAH even when the Service Member is away from home station
3) Saves Service Member from spending time away from place of duty to start, stop and continually change the allotment
4) Saves Finance from processing thousands of transactions manually
5) Saves the project owner time in contacting tenants to increase the allotment at the first of every year
6) Ensures money due to the project as agreed (future renovation/building funds available as planned)
7) Protects the interests of the Service Member – program does not allow for multiple allotments for one tenant
8) Saves labor hours; provides more control to receiving payments; & brings more money to the project

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