



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

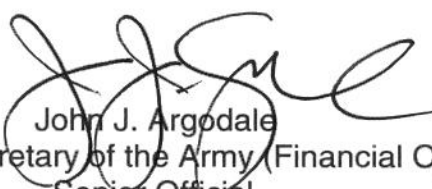
OCT 6 2009

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: On-Base Financial Institutions (FI): Operating Agreements (OAs) and Over Draft Programs (ODP)

1. Reference Department of Defense Financial Management Regulation (DoDFMR) Volume 5, Chapter 34, paragraphs 340410, 340508 (E) and (F).
2. Garrison Commanders with an on-base bank or credit union should have an updated Operating Agreement signed by the commander and the bank or credit union manager. Garrison bank and credit union liaison officers should work with all parties to ensure compliance with the operating agreement. The Operating Agreement should follow the DoDFMR, articulate terms and conditions under which the bank or credit union operate, and identify the nature and amount of all fees assessed to account holders.
3. A key element of operating agreements is the fee structure; particularly fees associated with debit card and check overdrafts. During the annual review of the operating agreement between the commander and the bank or credit union manager, the liaison officer should focus on the nature and amount of overdraft fees. Liaison officers and commanders should be familiar with the enclosed brochure and other information or disclosures financial institutions provide to account holders. It is also important to share this knowledge with the Army Community Services Financial Readiness Program Managers as they provide one-on-one financial counselings to service members and their families.
4. We appreciate your attention to the operating agreements. Specific attention paid to overdraft fees, ensuring account holders understand how the programs work, and the options available to reduce or eliminate overdraft fees is also appreciated. The banks, credit unions, liaison officers, and financial readiness program managers should ensure account holders have the necessary information to make sound financial decisions.
5. Commanders or liaison officers with technical banking questions or issues should work directly with the Army Banking Officer, CPT (P) Marocco Roberts, at marocco.roberts@us.army.mil, (703) 693-2698 or DSN 223-2698. He will coordinate with the appropriate to address any issues.

Enclosures


John J. Argodale
Deputy Assistant Secretary of the Army (Financial Operations) and
Senior Official

Federal Reserve Board Overdraft Pamphlet
Sample Operating Agreement

DISTRIBUTION:

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Director, DFAS DoD Banking and Credit Union Office

Chief, Army National Guard Bureau (NGB)

on the interest rate on your credit card and how long you take to pay back the advance.

The choice is yours. Consider these ways to cover your overdrafts:

Ways to cover your overdrafts	Example of possible cost for each overdraft*
Good account management	\$0
Link to savings account	\$5 transfer fee
Overdraft line of credit	\$15 annual fee + 12% APR
Link to cash advance on credit card	\$3 cash-advance fee + 18% APR
Courtesy overdraft-protection plan	\$20 to \$30
Bounced check	\$40 to \$60 (\$20 to \$30 bank fee + \$20 to \$30 merchant fee)

*These costs are only examples. Ask your bank, savings and loan, or credit union about its fees.

What should you do if you have a problem or complaint about courtesy overdraft-protection, or bounce coverage, plans?

If you have a complaint, first try to resolve the problem directly with your bank, savings and loan, or credit union. If you are unable to resolve the problem, you may want to file a complaint with one of the state or federal agencies responsible for enforcing consumer banking laws.

For information on filing a complaint about a bank, savings and loan, or credit union, contact one of the following federal agencies, depending on the type of institution you bank at.

State-chartered banks that are members of the Federal Reserve System

Board of Governors of the Federal Reserve System
Division of Consumer and Community Affairs
Mail Stop 801
20th and C Streets NW
Washington, DC 20551

888-851-1920 (TTY: 877-766-8533)

www.federalreserve.gov

See *How to File a Consumer Complaint about a Bank* on the Board's web site for more information.

State-chartered banks that are not members of the Federal Reserve System

Federal Deposit Insurance Corporation
Consumer Response Center

2345 Grand Boulevard, Suite 100

Kansas City, MO 64108

1 (877) 275-3342, toll-free

www.fdic.gov

Federally chartered credit unions (those with "federal" in the name)

National Credit Union Administration
Office of External Affairs

1775 Duke Street

Alexandria, VA 22314-3428

(703) 518-6330

www.ncu.gov

For state-chartered credit unions, contact your state's regulatory agency.

National banks (banks with "national" in the name or "N.A." after the name)

Office of the Comptroller of the Currency
Customer Assistance Unit

1301 McKinney Street, Suite 3450

Houston, TX 77010

1 (800) 613-6743, toll-free

www.occ.treas.gov

Federal savings associations and some state savings associations

Office of Thrift Supervision

Consumer Programs

1700 G Street NW

Washington, DC 20552

1 (800) 842-6929, toll-free

www.ots.treas.gov

What do you need to know about courtesy overdraft-protection, or bounce coverage, plans?

- Avoid using these plans as short-term loans—they are costly forms of credit.
- If you overdraw your account, get money back into your account as soon as possible. Remember that you need to put enough money back into your account to cover *both* the amount of your overdraft and any bank fees.
- Even if you have one of these plans, there is no guarantee that your bank will cover your checks, ATM withdrawals, and debit card and other electronic transactions that overdraw your account.
- Good account management is the lowest-cost way to protect your hard-earned money. If you need overdraft protection every now and then, ask your bank about the choices and services that are right for you.

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision

Protecting Yourself from Overdraft and Bounced-Check Fees



FRB-25000-0904

How do overdrafts and bounced checks happen?

When you

- write a check,
- withdraw money from an ATM,
- use your debit card to make a purchase, or
- make an automatic bill payment or other electronic payment

for more than the amount in your checking account, you overdraft your account. Your bank (or your savings and loan or credit union) has the choice to either pay the amount or not. If it pays even though you don't have the money in your account, you may be charged an "overdraft" fee.

If your bank returns your check without paying it, you may be charged a "bounced-check," or "nonsufficient funds," fee. And the person or company that you wrote the check to—for example, a store, your landlord, or the phone company—may charge you a "returned-check" fee *in addition to* the fee your bank charges you.

How can you avoid overdraft and bounced-check fees?

The best way to avoid overdraft and bounced-check fees is to manage your account so you don't overdraft it.

- Keep track of how much money you have in your checking account by keeping your check register up-to-date. Record all checks when you write them and other transactions when you make them. And don't forget to subtract any fees.

- Pay special attention to your electronic transactions. Record your ATM withdrawals and fees, debit card purchases, and online payments.

- Don't forget about automatic bill payments you may have set up for utilities, insurance, or loan payments.
- Keep an eye on your account balance.

Remember that some checks and automatic payments may not have cleared yet.

- Review your account statements each month. Between statements, you can find out which payments have cleared and check your balance by calling your bank or by checking online or at an ATM. Be sure to find out the actual amount in your account—your account balance not including any funds available to you through "courtesy overdraft-protection," or "bounce coverage," plans.

Sometimes mistakes happen. If you do overdraft your account, deposit money into the account as soon as possible to cover the overdraft amount plus any fees and daily charges from your bank. Depositing money into your account can help you avoid additional overdrafts and fees.

What are "courtesy overdraft-protection," or "bounce coverage," plans?

Many banks (as well as savings and loans and credit unions) offer "courtesy overdraft-protection," or "bounce cover-

age," plans so that your checks do not bounce and your ATM and debit card transactions go through. With these plans, you'll still pay an overdraft fee or a bounce coverage fee to the bank for each item. But you will avoid the merchant's returned-check fee and will stay in good standing with the people you do business with.

How much do courtesy overdraft-protection, or bounce coverage, plans cost?

Plans vary, but most banks charge a flat fee (often \$20 to \$30) for *each item* they cover.

And many set a dollar limit on the total amount your account may be overdrawn at any one time. For example, the bank might cover overdrafts up to a total of \$300, *including* all the fees. In addition, some banks charge a daily fee—say \$5 a day—for every day your account is overdrawn.

Example: Suppose you forgot that you had only \$15 in your account and wrote a check for \$25, used an ATM to get \$40 cash, and used your debit card to buy \$30 worth of groceries. In these 3 transactions you've spent a total of \$95—and overdrawn your account by \$80 (\$95 - \$15 = \$80). *How much will your forgetfulness cost you?*

If you have a courtesy overdraft-protection plan, your bank may decide to cover all 3 transactions. And each of the 3 overdrafts will trigger a fee. You will owe your bank the \$80 that you spent even though it wasn't in your account, *plus* the 3 overdraft fees. If your overdraft fee is

\$25 per overdraft, you will owe your bank \$155: \$80 + \$75 (3 x \$25).

What are some other ways to cover overdrafts?

Banks, savings and loans, and credit unions may provide other ways of covering overdrafts that may be less expensive. Ask your bank about these options before making your choice. You may be able to:

- Link your checking account to a savings account you have with the bank. If you overdraft your checking account, the bank can transfer funds from your savings account to your checking account. Ask your bank about transfer fees.
- Set up an overdraft line of credit with the bank. You need to apply for a "line of credit" just as you would apply for a regular loan. If you overdraft your account, the bank will lend you the funds by using your line of credit to cover the overdraft. You will pay interest on this loan, and there may be an annual fee. But the overall costs may be less than the costs for courtesy overdraft-protection plans.

- Link your checking account to a credit card you have with the bank. If you link your account to a credit card, any overdraft amount becomes a cash advance on your credit card. You will probably be charged a cash-advance fee, and interest charges on the advance will start immediately. The cost of this option depends

APPENDIX C

**SAMPLE OPERATING AGREEMENT BETWEEN
MILITARY INSTALLATIONS AND FINANCIAL INSTITUTIONS**

NOTE: The following operating agreement template identifies general arrangement and content. Content of the actual operating agreement may vary according to the circumstances of each installation.

Operating Agreement Between (*Name of Installation*), (*State or Country Installation Located*) and (*Name of Financial Institution*).

This Agreement is made and entered into this day by and between the installation commander of (*name of installation*) in his or her official capacity as installation commander, hereinafter referred to as the "commander" and the (*name of financial institution*), having its principal office at (*location of home office*) hereinafter referred to as the "financial institution," together hereinafter referred to as "the parties." Whereas the commander and the financial institution enter into this Operating Agreement upon the mutual consideration of the promises, covenants, and agreements hereinafter contained.

1. The parties understand and agree that this Agreement shall in no way modify, change, or alter the terms and conditions of Lease Number (*number of lease*) covering the use of real property described therein, and this Agreement shall continue, subject to the termination provisions herein-after set forth, during the terms of said lease and any extensions thereof. In the case of a banking institution operating a military banking facility (MBF) overseas, this agreement will not change the conditions of the contract between the banking institution and the Department of Defense.

2. The financial institution agrees to operate a (federally or state) chartered office on-base in accordance with the policies and procedures set forth in DoD Instruction 1000.11, "Financial Institutions on Military Installations;" and Volume 5, Chapter 34, of the DoD Financial Management Regulation as codified in Title 32 of the Code of Federal Regulations; and, in addition for the Overseas Military Banking Program (OMBP), the policies and procedures set forth in the applicable DoD contract. The hours of operations shall be between (*hour office opens*) and (*hour office closes*), and on the following days (*week days office open*), except on government holidays when the financial institution may be closed. The Program Office for the OMBP shall notify the commander of any changes to the DoD contract.

3. The financial institution shall provide the following services:

a. Services for Individuals

- (1) Demand (checking) account services

- (2) Cashing personal checks and government checks for accountholders
- (3) Maintaining savings accounts and (any other interestbearing accounts)
- (4) Selling official checks, money orders, and traveler's checks
- (5) Selling and redeeming United States savings bonds
- (6) Providing direct deposit service
- (7) Loan Services
- (8) Electronic banking (i.e., automated teller machines, internet banking).

b. Services for Disbursing Officers

- (1) Furnishing cash (if the financial institution's terms for doing so is consistent with sound management practices)
- (2) Accepting deposits for credit to the Treasury General Account (where the financial institution has entered into an agreement with the Department of the Treasury).

c. Services for Nonappropriated Fund Instrumentalities and Private Organizations

- (1) Demand (checking) account services, including wire transfers
- (2) Savings accounts and nonnegotiable certificates of deposit or other interestbearing accounts offered by the banking institution
- (3) Currency and coin for change.

4. Service charges shall be as follows:

a. Service for Individuals

- (1) No fees shall be charged to individuals for the services listed in subparagraphs 3.a.(2), and 3.a.(5), above, except for subparagraph 3.a.(2), wherein checks drawn on other financial institutions may be treated in accordance with the financial institution's established policy. Any charge to cash a government check shall not exceed that typically charged by financial institutions in the vicinity of the

installation. Fees assessed to accountholders and nonaccountholders for use of automated teller machines shall be the customary service charges of the financial institution or those negotiated for base personnel per the attached schedule.

(2) Checking and savings accounts. Fees for individual checking and savings accounts shall be the customary service charges of the financial institution or those negotiated for base personnel per the attached schedule.

(3) Sale of official checks, money orders, traveler's checks and other types of financial paper. Charges for these services shall be the customary charges of the financial institution operating the on-base office.

b. Service for Disbursing Officers. No charge shall be made for the services listed in subparagraph 3.b.(2), above. Compensation to the financial institution shall be per its separate agreement with the Department of the Treasury. Charges, if any, for the services stated in subparagraph 3.b.(1) shall be as locally negotiated with the financial institution.

c. Nonappropriated Fund Instrumentalities and Private Organizations. State the charges or refer to a schedule of charges for funds and organizations that do not participate in a central banking program. For those activities participating in a central banking program, determine the compensation to the financial institution by account analysis.

5. It is agreed that the financial institution shall:

a. Notify the commander or designated representative of any proposed changes to the attached schedule of fees and services at least 30 days prior to implementation.

b. Follow the requirements in Volume 5, Chapter 34, of the DoD Financial Management Regulation, and any changes thereto.

c. Comply with Department of the Treasury requirements for establishment and operation of a Treasury General Account where the financial institution agrees to act as a depository for government funds.

d. Absolve the (*Military Service*) and its representatives of responsibility or liability for the financial operation of the financial institution; and for any loss (including losses due to criminal activity), expenses, or claims for damages arising from financial institution operations.

e. Indemnify, and hold harmless the United States from (and against) any loss, expense, claim, or demand, including attorney fees, court costs, and costs of litigation, to which the government may be subjected as a result of death, loss, destruction, or damage in connection with the use and occupancy of (*Military Service*)

premises occasioned in whole or in part by officers, agents or employees of the financial institution operating an office of the financial institution.

f. Favorably respond, whenever feasible, to reasonable local command requests for lectures and printed materials to support consumer credit education programs, financial management program and newcomer's briefings.

g. Prominently post in the lobby of the financial institution the name, duty telephone number of the (Bank or Credit Union) Liaison Officer.

h. Accept the government travel card in all on-base ATMs operated by the financial institution.

i. Abide by the installation fire protection program, including immediate correction of fire hazards noted by the installation fire inspector during periodic fire prevention inspections.

6. The commander shall provide the following space and support:

a. Space requirements for financial institution operations shall be administered in accordance with the existing outgrant (i.e., lease, permit or license). (*Show Number of Outgrant*).

b. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating and air conditioning, intrastation telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) on a reimbursable basis.

c. DoD housing and minor dependent education in overseas locations for MBF and credit union personnel in accordance with Volume 5, Chapter 34, subparagraphs 340603.A.1.c, 340603.A.1.d, 340803.B, and 340803.C of the DoD Financial Management Regulation.

7. Termination of this Agreement shall be consistent with the termination provision of the real property lease and Volume 5, Chapter 34, of the DoD Financial Management Regulation. The Secretary of the (*Military Department*) shall have the right to terminate this Agreement at any time. Any termination of the right of the financial institution to operate on the installation shall render this Agreement terminated without any applicable action by the commander.

8. Any provision of this Agreement that is contrary to or violates any laws, rules, or regulations of the United States, its agencies, or the state of (*state in which the financial institution is located*) that apply on federal installations shall be void and have no force or effect; however, both parties to this Agreement agree to notify the other party promptly of any known or suspected continuing violation of such laws, rules, or regulations.

9. So long as this Agreement remains in effect, it shall be reviewed jointly by the commander and the financial institution at least once every 5 years to ensure compatibility with current DoD issuances and to determine if any changes are required to the Agreement.

IN WITNESS WHEREOF, the commander, and the financial institution, by their duly authorized office, have hereunto set their hands this day of *(month, day, year)*

FINANCIAL INSTITUTION OFFICIAL

INSTALLATION COMMANDER