



DEFENSE SECURITY COOPERATION AGENCY

201 12TH STREET SOUTH, STE 203
ARLINGTON, VA 22202-5408

MAR - 7 2016

**MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
INTERNATIONAL AFFAIRS
DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR
DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
INTERNATIONAL PROGRAMS
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE
AND ACCOUNTING SERVICE – INDIANAPOLIS OPERATIONS
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE LOGISTICS INFORMATION SERVICE
DIRECTOR, DEFENSE REUTILIZATION AND MARKETING
SERVICE
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY**

**SUBJECT: Stand-Alone Letter of Offer and Acceptance (LOA) Requirement for Foreign
Military Financing (FMF) Loans, DSCA Policy 16-17 [SAMM E-Change 304]**

This policy memorandum updates the Security Assistance Management Manual (SAMM) by revising the section on LOA methods of financing. Current policy in SAMM C9.8.2.2 states that the purchaser may choose to supplement available Military Assistance Program (MAP) Merger and/or FMF with its own national funds. Due to the complexity associated with requirements for financial reporting for FMF loans, we direct the community not to co-mingle FMF loan funds with other sources of funding. Keeping these funds on a separate LOA will enable the Security Cooperation Community to identify and track disbursements that are accruing interest, which is a requirement of FMF loans.

Effective immediately, the Implementing Agencies (IAs) must use a stand-alone Letter of Offer and Acceptance (LOA) for the initial implementation and utilization of funds for all FMF loans. These cases may not be later amended to supplement funding for delivery or performance from other sources of funds.



For questions concerning the policy, please contact Mr. Glenn Anderson, DSCA DBO/FPA, glenn.e.anderson22.civ@mail.mil, (703) 697-8863. For questions regarding the SAMM, contact Mr. Kent Bell, DSCA STR/SPI, eddie.k.bell.civ@mail.mil, (703) 604-6612.



James A. Worm
Principal Director
Business Operations

Attachments:
As stated

cc:
STATE/PM-RSAT
AFRICOM
CENTCOM
EUCOM
JFCOM
NORTHCOM
PACOM
SOCOM
SOUTHCOM
TRANSCOM
USASAC
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ATTACHMENT
Security Assistance Management Manual (SAMM), E-Change 304

1. Revise C.9.7. as follows:

C9.7. - Methods Of Financing.

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C9.7.2.9.2.2. Implementation and Management of FMF Loans and Grants. Within DSCA, DSCA (Business Operations Directorate) implements and manages loans and grants. DSCA (Business Operations Directorate) prepares the loan and grant agreements (See Appendix 3) and obtains signatures. DFAS Indianapolis disburses loan and grant funds, bills the borrower, and collects payments.

C9.7.2.9.2.2.1. Terms of sale for FMF Loan Funds.

C9.7.2.9.2.2.1.1. For all FMF loans, the IAs must use a stand-alone LOA for the initial implementation and utilization of funds.

C9.7.2.9.2.2.2. Commitment of FMF Funds.

C9.7.2.9.2.2.2.1. DSCA commits FMF funds to approved purchases. DSCA policy requires the FMF funds to be committed to loans and grants in their order of issuance. This encourages commitments within the normal expiration period of each loan/grant, reduces the volume of loan/grant records that must be maintained in an active status, and permits older loans/grants to be closed out.

C9.7.2.9.2.2.2.2. DSCA records commitments against a specific Fiscal Year loan, grant, or MAP-merger program. This information is maintained in DSCA records but does not appear on LOA documents.

C9.7.2.9.2.2.2.3. For new LOAs, DSCA immediately commits FMF (or MAP-merger funds) during the countersignature process. DSCA adjusts commitments as required based on Amendments or Modifications or case closures.

C9.7.2.9.2.3. Disbursement of FMF Loan Funds.

C9.7.2.9.2.3.1. General Policy. While DSCA records and maintains commitments of FMF funds by specific loan, this commitment by specific loan is used as a planning function and does not mean that the borrowing country must cite that specific loan when disbursement of funds is required.

C9.7.2.9.2.3.2. Expiration of Disbursement (Federal Financing Bank (FFB) Loan Commitment) Period. Section 1.1 of FFB and DoD loan agreements (See Appendix 3) define the period through which funds may be disbursed under the loan. In the case of FFB loans, this is called the loan commitment period. The term “commitment

period,” in this context, means the period through which the FFB is committed to disburse loan funds. Loan funds remaining undisbursed after the expiration date are lost from the borrower’s use.

C9.7.2.9.2.3.3. Requests for Disbursement of Loan Funds. All requests for disbursement of FMF funds must be submitted to DFAS Indianapolis by the borrowing country in the letter format set forth in the applicable FMF agreement. Each request for disbursement of FMF funds for amounts due on FMS cases must indicate the FMS case designator(s) and the dollar amount(s) to be disbursed for each case. Procedures for requesting disbursements to commercial suppliers are discussed in Section C9.7.3.