

MILITARY



RELOCATION



PROFESSIONAL

**OFFICIAL
CERTIFICATION
COURSE**



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Center for Specialized REALTOR® Education

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Center for Specialized REALTOR® Education
430 North Michigan Avenue
Chicago, Illinois 60611

Military Relocation Professional Certification
mrp@nar.realtor
888-648-8321
www.militaryrelocationpro.org
www.nar.realtor/designations-and-certifications/mrp

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Course Learning Goal and Objectives

The goal of the Military Relocation Professional Certification Course is to educate real estate professionals about working with current and former military service members to find the housing solutions that best suit their needs and take full advantage of military benefits and support. Students will learn how to provide the real estate services—at any stage in the service member's military career—that meet the needs of this niche market and win future referrals.

Course Structure and Learning Objectives

INTRODUCTION

1. THE MILITARY MARKET

- Use demographics of the military market to formulate business strategies and determine service offerings.
- Learn how Department of Defense policies impact service members' housing choices.
- Compare military basic allowance for housing (BAH) rates to market area home prices, mortgage rates, and rents.

- Provide information to help service members through a rent or buy/sell decision-making process.
- Adapt core real estate skills to serve military buyers, sellers, and renters.
- Build and expand a referral base for military clients and customers.

2. PCS—THE MILITARY RELO

- Identify and provide services that help service members find and purchase suitable homes.
- Apply knowledge of the PCS processes and procedures to guide service members through the real estate transaction.
- Enhance your sensitivity to the emotional issues involved when a military family relocates.
- Plan strategies to help military clients make transaction decisions when one spouse is deployed.
- Identify issues involved in military families PCS move by asking the right questions and provide guidance to address and resolve issues.
- Monitor Department of Defense decisions that impact military service members and their families.

3. VA FINANCING FOR ACTIVE DUTY-VETS

- Explain the basics of VA financing.
- Recognize situations in which a buyer is eligible for VA financing.
- Connect prospective buyers with sources of information and lenders for VA financing.
- Distinguish types of properties and transactions that are eligible for VA financing.
- Describe the qualifying criteria and process for a VA compromise sale.
- Use information sources to keep up-to-date on VA loan limits and regulations.

ABR® Elective

Military Relocation Professional Certification Course qualifies as an elective course for the Accredited Buyer's Representative Designation offered by the Real Estate Buyer's Agent Council (REBAC). For information on earning the ABR® Designation go to www.Rebac.net.

Earn the Military Relocation Professional Certification

- Be a member in good standing of the NATIONAL ASSOCIATION OF REALTORS®.
- Complete the Military Relocation Professional Certification Course.
- Complete two online webinars.
- Submit an application and a one-time fee of \$195.

MRP is the only military-oriented certification or designation program conferred by the NATIONAL ASSOCIATION OF REALTORS®.

MRP Certification Benefits

- Education in classroom and online formats
- Use of the MRP logo on your marketing materials to promote your Certification
- Free webinars that you can download anytime and anywhere
- Downloadable MRP certificate
- Differentiation as an MRP at Realtor.org and Realtor.com®
- Access to an exclusive online referral network to locate other Military Relocation Professionals for referrals, networking, and information sharing
- Monthly email updates
- MRP lapel pin available for purchase through the REALTOR® Team Store
- No annual certification dues (although you must maintain membership with NAR to use the MRP Certification)

Certification requirements and benefits are subject to change. For up-to-date information, go to <http://www.militaryrelocationpro.org> or www.nar.realtor/designations-and-certifications/mrp.

Test Your Military Services IQ

Test your knowledge of the U.S. military. Mark the best answer.

- | | | |
|----|--|-----------------------------|
| 1. | All U.S. military service recruits are volunteers. | True
False |
| 2. | Of the service branches under the Department of Defense, the one with the fewest active duty personnel is the Air Force. | True
False |
| 3. | Service members who serve during peace time are not eligible for VA benefits. | True
False |
| 4. | The majority of military families live off base. | True
False |
| 5. | The service with the highest percentage of women is the Air Force. | True
False |
| 6. | The Department of Homeland Security oversees the Coast Guard during peacetime. | True
False |
| 7. | More service members are stationed in foreign countries than in the United States. | True
False |

8. The Department of Defense does not allow dual military married couples to serve at the same base. **True**
False

9. All of the service branches have the same pay grade structure. **True**
False

10. The military will pay to move an active duty service member to a new base but does not cover expense to move the family. **True**
False



The Military Market

All home buyers and sellers want to feel that they've made good decisions. Military service members are no different, but they don't have the luxury of time or waiting for the market to turn. Military families move every 2–3 years; 10 moves over a 20-year career are not unusual. Learning how to serve the military market starts with understanding the market needs, wants, concerns, and learning about the processes and procedures.

HUGE MARKET

Worldwide, active duty service members number more than 1.3 million.¹ At close to 1.6 million, dependents—spouses, children, immediate family—outnumber active duty personnel. About 88 percent of active duty personnel are stationed in the United States.²

¹ DoD Personnel, *Workforce Reports & Publications*, December 31, 2020 www.dmdc.osd.mil/appj/dwp/dwp_reports.jsp.

² *Number of Military and DoD Appropriated Fund (APF) Civilian Personnel Permanently Assigned By Duty Location and Service/Component*, November 6, 2020, *Workforce Reports & Publications*, www.dmdc.osd.mil/appj/dwp/dwp_reports.jsp.

Figure 1.1 Troop Strengths by Military Branch³

Army: 482,343	Air Force: 334,371
Navy: 346,570	Coast Guard: 41,412
Marines: 181,031	Total Active Duty: 1,382,727
Dependents (all service branches): 1,591,942	

In addition to active duty service members and their families, the military market includes: ^{4, 5}

- **Reserves (includes National Guard):** 779,942
- **Retirees:** 1,588,636
- **Vets:** 19.1 million

Although they do not receive housing allowance payments or relocation support, retired and former service members, as well as those serving in the Reserves and National Guard, are eligible for VA home mortgage financing.

All of these groups—active duty, retired, reserves, guard, and vets—add up to a huge potential market with financial stability and buying power.

STABLE INCOME PLUS HOUSING SUPPORT

Active duty service members seldom experience job loss or reduced income, unless demoted or involuntarily separated from the service, and they receive financial support for housing expenses. Service members authorized to live off base receive a monthly basic allowance for housing (BAH) payment to cover the costs of off-base housing.

INFLATION-PROTECTED PENSIONS

Retirees have a stable, guaranteed, inflation-protected income plus the possibility of a second career.

³ *2019 Demographic Profile of the Military Community*, Department of Defense (DoD), Office of the Deputy Assistant Secretary of Defense for Military Community and Family Policy (ODASD (MC&FP)), <https://demographics.militaryonesource.mil>.

⁴ Ibid.

⁵ *The Veteran Population Projection Model 2018 (VetPop2018)*, www.va.gov/vetdata/veteran_population.asp. VetPop2016, an actuarial projection model, is the official Veteran population projection from the Department of Veterans Affairs..

PURCHASE SOONER AND WITH MORE BUYING POWER

Active duty personnel, veterans, reserves, and guard can take advantage of VA home loan financing. Zero down payment and relaxed debt ratio and loan-to-value underwriting standards mean purchasing sooner and with more buying power.

Fast Facts About Active Duty Military Service Members and Families

AGE & GENDER

Figure 1.2 Average Age⁶

	Officers	Enlisted
Army	35	28
Navy	35	27
Marines	35	24
Air Force	34	27

Figure 1.3 Gender⁷

Officers	Enlisted
83% male	84% male
17% female	16% female

- One-quarter of officers are age 41 or older.
- Half of enlisted (52.3%) are age 25 or younger.
- The Marines have the youngest cadre of officers and enlisted.
- The Air Force has the highest percentage of women enlisted (20.8%) and officers (21.8%).
- The Marines have the lowest percentage of women enlisted (8.9%) and officers (8.2%).

⁶ 2019 Demographics Profile of the Military Community, Office of the Deputy Under Secretary of Defense (Military Community and Family Policy), U.S. Department of Defense, www.militaryonesource.mil/data-research-and-statistics/military-community-demographics

⁷ Ibid.

MARITAL STATUS

(All service branches)

- **Married:** 50.7%
- **Never Married:** 44.4%
- **Divorced:** 4.7%

Figure 1.4

Percentage of Service Members Married by Service and Pay Grade

By Service		By Pay Grade			
		Enlisted		Officers	
Army	53%	E1-E4	29%	W1-W5	84%
Navy	50%	E5-E6	65%	O1-O3	52%
Marines	40%	E7-E9	84%	O4-O6	87%
Air Force	54%			O7-O10	96%

DUAL MILITARY MARRIAGES

About 45% of the married women serving in the military on active duty are in dual military marriages: Army 37%, Navy 42%, Marines 59%, Air Force, 54%. About 2.4% of dual military married couples are parents.

Figure 1.5

Percentage of Dual Military Marriages by Service and Pay Grade

By Service		By Pay Grade			
		Enlisted		Officers	
Army	5%	E1-E4	30%	W1-W5	1%
Navy	7%	E5-E6	38%	O1-O3	12%
Marines	4%	E7-E9	13%	O4-O6	7%
Air Force	11%			O7-O10	*%

CHILDREN

Figure 1.6

Service Members with Children

Married	30%
Dual military married	2.4%
Single	4%
Total	36.4%

Figure 1.7

Children's Ages

0–5 years	42%
6–11	32%
12–18	22%

*Children ages 21–22 must be full-time students to be considered dependents.

- 977,191 children have a parent serving in the military.
- Service members in enlisted pay grades E5–E9 are parents of 58% children age 0–5, 67% of children age 6–11, and 67% of teenagers age 12–18.
- Officers in pay grades O1–O6 are parents of 21% of the children age 0–5, 22% of children age 6–11, and 25% of teenagers age 12–18.
- About 12% of service members at pay grades E1–E4 are parents.
- About 4% of service member parents are single.
- Average age of active duty service member parents at the birth of their first child—25 years.

FAMILY RESPONSIBILITIES

About 8,135 active duty service members have adult (non-spouse) dependents. Dependents include parents, grandparents, former spouses, siblings, disabled older children

Figure 1.8

Service Members with Family Responsibilities

Service Branch	# with Family Repsonsibilities
Army	4,721
Navy	1,225
Marines	336
Air Force	1,849

SPOUSE EMPLOYMENT IN CIVILIAN WORKFORCE

About 64% of military spouses are in the civilian workforce. A significant number are unemployed.

- **Employed:** 49%
- **Unemployed:** 14%
- **Not looking for employment:** 36%

SEPARATIONS

Figure 1.9

Total Separations and Percentages

Separation Type	
Total Separations	164,775
Voluntary	44%
Retirement	25%
Involuntary	30%

- Retirement includes disabled and non-disabled.
- Voluntary separations include expiration of term of service (ETS) and early release
- Involuntary separations involve reduction in force levels or issues of performance, behavior, or conduct.

RETIREMENT

Figure 1.10

Retired Personnel by Branch

Retired personnel *	
Army	539,213
Navy	39,587
Marines	120,011
Air Force	529,825
Total	1,588,636

* Retired personnel include non-disability, temporary and permanent disability. About 12% of retired personnel are temporarily or permanently disabled.

MILITARY RETIREMENT

From 2018 onward, new service members are enrolled automatically in a blended retirement system. (Those who joined between 2005 and 2018 could stay with the current system or opt into the new one.) The blended system includes a Thrift Savings Plan (TSP) system, similar to a 401k plan, with matching funds up to 5 percent; a continuation bonus at 12 years for an additional 3 years of service; and retirement pay at 20 years. Retirement pay is calculated by multiplying 2 percent times years of service times base pay (highest 36 months). A service member who enlisted at age 18–20 and retires after 20 years of service is a very young retiree with a guaranteed income plus plenty of years in which to launch a second career. In addition to pension benefits, military retirees are eligible for Social Security benefits.

Officer Grades and Ranks

COMMISSIONED OFFICERS

Graduates of military academies, college ROTC programs, or officer training school. Commissioned by the Commander in Chief, the President of the United States.

Grade	Army	Navy & Coast Guard	Air Force	Marine Corps
O-10	General	Admiral	General	General
O-9	Lieutenant General	Vice Admiral	Lieutenant General	Lieutenant General
O-8	Major General	Rear Admiral (U)	Major General	Major General
O-7	Brigadier General	Rear Admiral (L)	Brigadier General	Brigadier General
O-6	Colonel	Captain	Colonel	Colonel
O-5	Lieutenant Colonel	Commander	Lieutenant Colonel	Lieutenant Colonel
O-4	Major	Lieutenant Commander	Major	Major
O-3	Captain	Lieutenant	Captain	Captain
O-2	1st Lieutenant	Lieutenant (JG)	1st Lieutenant	1st Lieutenant
O-1	2nd Lieutenant	Ensign	2nd Lieutenant	2nd Lieutenant

WARRANT OFFICERS: RANKS 1-5

Enlisted personnel who have specialized technical or tactical expertise.

Grade	Army	Navy & Coast Guard	Air Force	Marine Corps
W-5	Chief Warrant Officer 5	Chief Warrant Officer 5	No warrant officers	Chief Warrant Officer 5
W-4	Chief Warrant Officer 4	Chief Warrant Officer 4		Chief Warrant Officer 4
W-3	Chief Warrant Officer 3	Chief Warrant Officer 3		Chief Warrant Officer 3
W-2	Chief Warrant Officer 2	Chief Warrant Officer 2		Chief Warrant Officer 2
W-1	Warrant Officer 1	Warrant Officer 1		Warrant Officer 1

NON-COMMISSIONED OFFICERS (GRADES E5-E9) AND ENLISTED PERSONNEL (E1-E4)

NCOs rise through the ranks. They exercise authority, but not direct command.

Grade	Army	Navy & Coast Guard	Air Force	Marine Corps
E-9	Sergeant Major	Master Chief Petty Officer	Chief Master Sergeant	Sergeant Major/ Master Gunnery Sgt.
E-8	1st Sergeant/ Master Sergeant	Senior Chief Petty Officer	Senior Master Sergeant	1st Sergeant/Master Sergeant
E-7	Sergeant 1st Class	Chief Petty Officer	Master Sergeant	Gunnery Sergeant
E-6	Staff Sergeant	Petty Officer 1st Class	Technical Sergeant	Staff Sergeant
E-5	Sergeant	Petty Officer 2nd Class	Staff Sergeant	Sergeant
E-4	Corporal	Petty Officer 3rd Class	Senior Airman	Corporal
E-3	Private 1st Class	Seaman	Airman 1st Class	Lance Corporal
E-2	Private	Seaman Apprentice	Airman	Private 1st Class
E-1	Private	Seaman Recruit	Airman Basic	Private

Source: U.S. Department of Defense, www.defense.gov

PAY GRADES

Pay grades, benefits, and allowances are tied to ranks—the Navy term for pay grades is rates—and seniority. Rank determines both pay and housing allowance—higher ranks receive a larger housing allowance payment. Although ranks may have different titles in different branches of the services, there is one pay table for all branches of the military. Thus, an Army Private First Class, a Navy or Coast Guard Seaman, an Airman First Class, and a Marine Lance Corporal are all at the E-3 pay grade. Because Congress determines service members' compensation, military pay is public information. Military pay tables are available on the Internet at militarypay.defense.gov.

FAMILY SUPPORT—A STRATEGIC ISSUE

In 1973 the U.S. Department of Defense ended the draft and transitioned to an all-volunteer military service. In order to attract and retain enough recruits and officers to the all-volunteer force, the military had to rethink pay scales and benefits and family support became increasingly important to meeting recruitment and retention goals. Provision of quality housing is recognized as a key contributor not only to family well-being, but also to troop morale and readiness.

Profile of Military Families

Look at the demographic facts about active duty service members. What story do the numbers present?

MARRIED

Across all service branches and pay grades, service members are slightly less likely to be married than their civilian counterparts—50.7 percent compared to about 53 percent of civilians. The percentage of married service members has trended downward since 2010.

WITH CHILDREN AND FAMILY RESPONSIBILITIES

For the enlisted ranks, the story is one of young parents with young children. About 36 percent of military family households include children under age 18, which is about the same as civilian households.

TWO-INCOME HOUSEHOLD

The majority of military families are two-income households—78 percent of military spouses are in the civilian workforce. When the service member is transferred, the military spouse faces the challenge of finding a new job—a significant factor in the high unemployment rate.

THE DUAL MILITARY COUPLE

According to the DoD, about 90,000 active duty service members are dual military married couples. Most of them marry during their term of service. About 34,000 of them have children.

Dual military married couples face the challenge of assignment to the same base or nearby. Through the DoD's Join Spouse program, the service tries to assign couples to the same base or within 100 miles and the program works for about eight out of 10 couples. Co-assignment is easier when both husband and wife are in the same service branch. Although the service tries to keep dual military married couples together, there is no guarantee. Consequently, about 20 percent of couples serve at different bases—sometimes distant or overseas.

MILITARY RETIREES

In 2019, about 164,775 service members ended their military career through retirement or voluntary separation, such as expiration of term of service. About 25 percent of service members who left the service were retirees. Currently, there are about 1.58 million retired military personnel.

Of course, military retirees may live wherever they wish, but a significant number cluster around military bases in order to take advantage of benefits like healthcare as well as post-military job opportunities. Skills acquired during military service can transfer easily to jobs in security, logistics management, project management, communications technology, business training, and human resources. Service members' security clearance and familiarity with government procedure make them good candidates for jobs with defense and government contractors.

Four Important Acronyms

The military seems to produce a boundless supply of acronyms. Be sure you understand the correct meaning and usage of acronyms. If a service member uses an acronym or term you don't understand, don't be afraid to ask the meaning. The course manual includes a glossary of some military acronyms. In order to begin the discussion of military housing and transfer, you should know these:

- ▶ **BAH: Basic Allowance for Housing**
A monthly allowance in addition to pay to cover the cost of housing.
- ▶ **CONUS: Continental United States**
Military bases located within the 48 contiguous states.
- ▶ **OCONUS: Outside the Continental United States**
Military bases located in Hawaii, Alaska, and foreign countries.
- ▶ **PCS: Permanent Change of Station**
The term for a military transfer from one base to another.

Where Military Families Live

Most military families live in their communities in private sector housing—as renters or homeowners. The Department of Defense (DoD) “...believes the private sector can offer secure and convenient housing to its military personnel and that the military personnel’s presence in the community is a positive influence. Therefore, DoD provides on-base privatized housing or military construction housing only when the private sector cannot provide adequate affordable housing.”⁸

According to the DoD, “the quality of military housing—as part of the military quality of life—is a key component of military readiness. Today’s service members want to live in communities that offer stability and continuity as a backdrop for deployment, reassignment, and day-to-day life.” Quality housing correlates with retention; DoD statistical tracking shows that bases with top-quality housing have a retention rate about 15 percent higher than those with lower quality housing.⁹

Housing for Military Families

The military relies on three types of housing for military families: on- or off-base government-owned military family housing, privatized housing, and private sector housing in the community.

MILITARY FAMILY HOUSING

About 22 percent of military families live in DoD housing on or off base. Military housing doesn’t allow the service member any choice in terms of size, location, or quality.¹⁰ It is assigned based on the size of the family and can range in quality from very poor to very nice. At many bases, however, there are months-long waiting lists. The service can require certain personnel to live on base for reasons such as military necessity, readiness, training missions, discipline, and to make use of underutilized housing. Single and unaccompanied service members usually live on the base in barracks or dormitories.

⁸ Military Housing Privatization, Office of the Deputy Under Secretary of Defense, Installations and Environment, www.acq.osd.mil/housing.

⁹ Ibid.

¹⁰ Housing on military bases is based on zip code, rank, and dependents. This can be complicated to navigate. In your initial client interview, ask your client for their rank, base assignment, and if they know what their allowance will be.

THE MILITARY HOUSING PRIVATE INITIATIVE (MHPI)

In the early 1990s, as a result of extensive evaluation of the adequacy of military housing, the DoD found that a substantial share of on-base housing (about 60 percent) was seriously subpar and close to obsolete. If the DoD undertook to refurbish and build new housing, the cost would exceed \$20 billion and take more than 30 years to complete. Acknowledging that housing was not one of its core competencies, the DoD turned to the private sector for the expertise to develop and manage housing. The MHPI enables the DoD to partner with private developers through loans and guarantees, incentives, joint ventures, long-term leases, and management contracts to construct and manage off-base housing for military families.

PRIVATIZED HOUSING

About 7 percent of military families live off base in rental housing developed in partnership with private sector developers through the Military Housing Private Initiative (MHPI). Rent for MHPI housing is pegged to the housing allowance rates, which allows the family to live almost rent-free. Service members who choose to live in privatized housing provided by the developer pay rent that is usually, but not always, equal to the basic allowance for housing. In turn, the developer uses the rental income to pay for housing improvements, home maintenance and property management expenses, and other costs such as utilities and the developer's management fees. Services typically covered under the rental agreement include utilities, trash removal, lawn maintenance, snow removal, and a standard renter's insurance package.

PRIVATE SECTOR HOUSING IN THE COMMUNITY

The third option for service members is private sector housing in the community as a renter or homeowner. About 70 percent of military families take advantage of this option; About 43 percent of active-duty military personnel own their own homes.¹¹

¹¹ The Impact of US Military Service on Homeownership and Income, Urban Institute, 2020, www.urban.org/research/publication/impacts-us-military-service-homeownership-and-income.

THE AUTOMATED HOUSING REFERRAL NETWORK

The Department of Defense sponsors the Automated Housing Referral Network (AHRN.com) to help service members locate available housing at their duty station. AHRN.com connects service members with available housing options including:

- Off-base rentals
- Homes for sale
- MHPI privatized housing
- Military shared rentals
- Temporary housing

Market with AHRN

Real estate professionals can list homes for sale (fee per listing) as well as purchase display advertising. The “Featured Real Estate Agent” advertising spots direct referrals from AHRN to the real estate professional. For information on rates and availability, go to <https://blog.ahrn.com/grow-military-marketing-program-advertise-ahrn-com>.

Living Off Base in Private Sector Housing

When military families look for a home off base, their choices are influenced by many of the same factors that influence their civilian counterparts. A study of military families’ housing choices found the following factors were important to military families.

- **Affordability and opportunity to build equity**
Affordability and value appreciation are crucial for military homeowners because of the short time before the next move. When it’s time to sell, military families want at least enough gain to cover costs of the sale and purchase of a new home. Like any home seller, the goal is to walk away from the closing table with cash in hand or at least break even. Military homeowners don’t have time on their side for building equity through long-term value appreciation or waiting out a market downturn. For buyers, however, a down market may provide the opportunity to purchase a home below market value and achieve a built-in equity boost from the start. Other ways to build equity are:
 - Choosing a short amortization period—15 years instead of 30—or applying additional payments directly to the principal

- Making property improvements that add value
- Increasing the amount of down payment
- Paying cash

➤ **Close to or away from a military community**

Some families prefer to live in military-oriented communities or neighborhoods surrounded by people who share the experience of military life. Others prefer to put some distance—physical and mental—between family and military life.

➤ **Quality of residence and flexibility**

Like their civilian counterparts, military homeowners have personal needs and wants for their home. They also want the flexibility to choose the size and layout of the home. Important property features include:

- Adequate, secured parking space for the family's cars, boats, motorcycles, and other vehicles
- Storage space
- Accommodation for family pets

➤ **Safety, security, quality of the neighborhood**

A safe neighborhood is high on every homeowner's list, but it is even more so for military families when deployments take service members away from home.

➤ **Quality of the schools**

For military families with school-age children educational needs and concerns are top priority.

➤ **Time to commute**

Commuting time, costs, and difficulty are factors for both the service member and spouse. The majority of military spouses are employed. Drive time to reach the base may be a factor for accessing on-base services, such as child care and shopping at on-base stores. The housing allowance compensates service members for typical housing costs (rent, utilities, and renter's insurance) within a reasonable commuting distance of their duty location—within 20 miles or a one-hour drive in rush hour traffic. A tradeoff may involve a longer commute to the base or spouse's workplace in order to afford a larger home.

➤ **Housing choice not available**

Take a look online at sites for base housing offices and you will see that months-long waiting lists for military housing are not uncommon.

► **Length of tour**

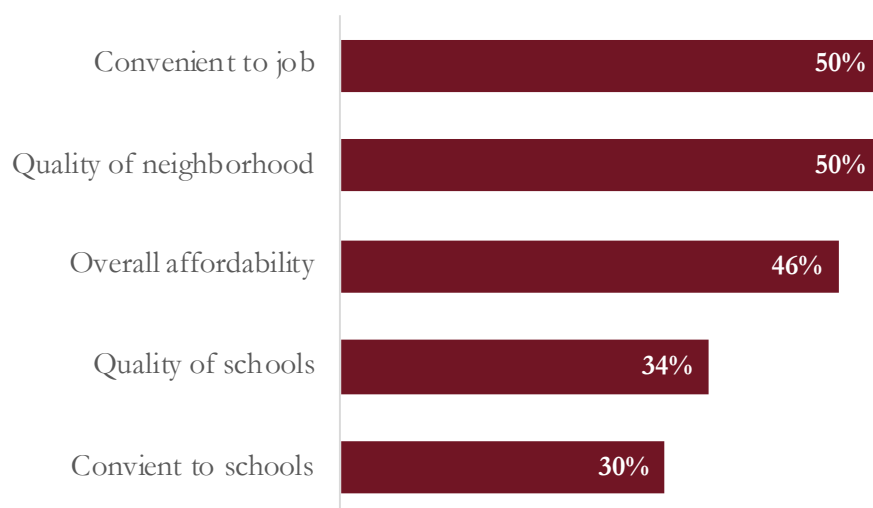
The length of time a service member expects to be stationed at a particular location certainly impacts the rent-or-buy decision.

► **Top 5 Reasons Military Families Choose to Live Off Base¹²**

1. Personal needs
2. Military status/reasons
3. Issues with military housing
4. Financial concerns
5. Location

Figure 1.11

Top 5 Factors Influencing Neighborhood Choice¹³



¹² Military Family Support Survey Results, Military Family Advisory Network. <https://military-familyadvisorynetwork.org/>

¹³ Veterans & Active Military Home Buyers and Sellers Profile, National Association of REALTORS®, Research, www.nar.realtor/research-and-statistics

Exercise: What Influences Housing Choices?

Review the factors described on the preceding pages. Based on your experience (or intuition) of working with military home buyers and sellers in your area, arrange the following factors in order from most to least important.

Factors that influence housing choice:

- | | |
|--------------------------------------|-------------------------------|
| ➤ Affordability and building equity | ➤ Quality of schools |
| ➤ In or away from military community | ➤ Time to commute |
| ➤ Quality of residence | ➤ Housing choice availability |
| ➤ Safety, security of neighborhood | ➤ Length of tour |

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

Are there other factors that influence the housing choices of military families?

How do the priorities compare with civilians' housing preferences?

Rent or Buy?

When military families move to a new location, they must decide whether to rent or buy. Of course, anticipated length of stay and making the numbers work are decisive factors. But based on the preceding factors that influence the housing decision, other considerations go into the decision. For example, the service member's equity, or available cash, may be tied up until a previous home sells. Anticipation of military downsizing can affect the rent-or-buy decision too. During a time of downsizing, the military encourages service members to leave voluntarily or eases them out. When there is a climate of downsizing, military buyers may avoid buying and opt for renting.

Because real estate professionals know the local market dynamics, they can help buyers make informed decisions. You need to be up-to date on rental prices in your market area, even if you don't handle rentals. You also need to keep up-to-date on local BAH rates in comparison to rental and utility costs.

You may meet prospects who want to buy but really need to become or remain renters. Unfortunately, some agents miss this opportunity because they don't see the tenant relationship as potential future business. Consider renters as investments in future transactions. If you work with renters and protect their interests as you would a buyer-client, they will remember you and refer business to you when they or their friends or family are ready to buy or sell.

RENT-OR-BUY CALCULATORS

An online search for rent-or-buy calculators yields a myriad of choices. Try out online calculators to find the one that works best for you and your market. Try the calculators at sites like Realtor.com, nar.realtor/buying-vs-renting, AARP.com, and FreddieMac.com.

Net costs compare the total amount of money spent over time, minus the potential value if the property is sold in the future. The interactive graph shows rent or buy scenarios over time and the point at which buying is cheaper than renting. Go to www.realtor.com/mortgage/tools/rent-or-buy-calculator.

Sell or Rent?

For both sellers and buyers, the cost-benefit of future rental income may be part of the decision to sell a home or keep and rent it. For example, service members who are confident of returning to a location—cycling back through the station—may consider buying a home and renting it during the time away. Or, a service member nearing retirement may purchase and rent in anticipation of returning to a location to settle down or start a new career.

If a service member decides to keep a home purchased with VA financing and rent it, there could be a potential downside. The service member's entitlement will stay locked up in the property until it is sold or the loan paid off. However remaining entitlement, if any, can be used toward purchase of a home in the new location. We'll take a more in-depth look at how VA financing and entitlements work in Chapter 3.

The real estate professional who knows both the sales and rental sides of the market can help a seller or buyer evaluate the property's investment potential as a rental. If your company does not handle rentals, your referral network should include a reliable property management firm.

WHY YOU SHOULD TREAT EVERY MILITARY PURCHASE LIKE IT'S AN INVESTMENT PROPERTY

Every home purchase should have an exit strategy. For most civilian buyers the exit strategy is to hold as long as possible to build equity, and to sell when a change of life circumstance or desire arises AND the market is favorable - mostly relying on equity and appreciation to create value.

Due to the fast turnover of military living situations, military home buyers need to consider different exit strategies. Waiting until the market is favorable to sellers isn't always feasible and change of life circumstances is guaranteed to come within 3-5 years, so equity and appreciation are not exit strategies most beneficial to military purchasers. Military buyers want their real estate purchases to benefit them the same way that civilians do - with long-term equity and appreciation. This can be created a number of ways: creating value through upgrades to the property (flooring, painting etc), creating additional offsets for a property (solar panels, mother in law suite turned to short term rental), or turning the property into a rental long term.

With the purchasing power afforded veterans by the VA loan, buyers have more options than they would have otherwise in terms of pricing, giving you an opportunity to educate buyers on the legacy building options they have in purchasing a property that will convert easily into a rental. Real estate agents can find additional education on how to perfect an investment focused home buyers consultation through ADPI and ADPIrealty.com's educational information.

CAPITAL GAINS TAX EXCLUSION EXTENSION

We all know that the capital gains exclusion means that taxpayers can exclude some of the profit from the sale of their home from their taxable income as long as the home was their primary residence for two out of the last 5 years. But did you know that the IRS provides a military extension of the capital gains exclusion? Active duty military members who are away from their property due to PCS orders can extend that 5 years an additional 10 years. This means that eligible military members can exclude their capital gains from their taxable income as long as they lived in the home as their primary residence for two out of the 15 years prior to the sale.¹⁴

Basic Allowance for Housing (BAH)

The DoD views provision of adequate housing for service members and their families as a troop morale and readiness issue. Therefore, in addition to base pay, service members authorized to live off base receive a monthly basic allowance for housing (BAH) payment to cover the cost of privatized (MPHI) or private-sector housing in the community. BAH rates are determined by the local costs for rent, utilities, and renter's insurance as well as rank and number of dependents. BAH rates are intended to cover 95 percent of these costs with service members paying 5 percent out-of-pocket.

Service members with dependents and with higher ranks receive larger housing allowances. If adequate on-base housing is not available, single and unaccompanied personnel may receive permission to live off base and receive BAH payments.

The service member is free to decide how to allocate the BAH—toward rental or purchase. If the BAH is less than the monthly outlay for housing expenses, the service member must pay the difference out of pocket. If the BAH is more than monthly housing costs, the service member keeps the difference.

Why is it important to know this? As you work with military prospects, knowledge of pay scales and local BAH rates will help you qualify the buyer. Combining knowledge of price ranges of properties in your market area with information on local BAH rates and the buyer's rank and family size, you can suggest properties that are a good fit with the buyer's price range. Of course, when qualifying buyers you should not tell them that they cannot afford a particular home or neighborhood because such a statement could be considered steering. But a basic knowledge of pay grades and BAH rates will help you identify a range of choices in a variety of neighborhoods.

¹⁴ IRS. Eligibility Steps. https://www.irs.gov/publications/p523#en_US_2020_publication100073089.

Although BAH rates are based on rental costs, not mortgage payments, the monthly allowance can put home ownership within service members' reach. For example, the 2021 BAH for San Antonio, Grade E-4 with dependents is \$1,643, and the median price for single-family homes is \$264,900. The monthly payment, not including tax and insurance, for a 30-year fixed rate mortgage of \$231,800 at 3 percent with \$0 down is about \$1,117. NAR Research publishes information, updated quarterly, on median single-family home prices in U.S. markets. Go to [www.nar.realtor/ topics/metropolitan-median-area-prices-and-affordability](https://www.nar.realtor/topics/metropolitan-median-area-prices-and-affordability).

MORE FACTS ABOUT BAH

- **Tax free**

Although military pay is subject to income tax withholding, BAH payments are received tax free.

- **Individual rate protection**

Although BAH rates fluctuate based on prevailing median market rents, individual rate protection prevents any decrease in the monthly allowance as long as the service member's status remains unchanged. A change in status might be due to a Permanent Change of Station (PCS), reduction in pay grade, or change in dependent status. When new BAH rates take effect at the duty station, rate protection guarantees that the service member will receive any published increase, but no decrease. BAH rates will be as least as much as on the date of reporting to the base.

- **Inflation protected**

BAH rates are updated on a yearly basis. Service members are entitled to the BAH rates published on January 1 or the amount of housing allowance received on December 31, whichever is larger.

- **During basic training**

Service members in basic training (boot camp) who have dependents receive BAH. The rate is based on the location where their dependents reside until completion of basic training and assignment to a permanent location.

■ **Dual military married couples**

If a dual military married couple does not have children, each spouse receives the single BAH rate. That means if one spouse is deployed and assigned to a barracks, the stay-at-home spouse receives only the single BAH. If the couple has children, one spouse—usually the highest ranking—receives the with-dependent BAH rate and the other receives the single rate. When figuring affordability for a dual military couple, a conservative approach would be to take only one BAH payment into consideration.

■ **Cost-of-living adjustment (COLA)**

When assigned to a base in a designated high-cost area, BAH rates are adjusted for the cost of living. The COLA varies by pay grade, years of service, and dependents. CONUS COLA is a taxable supplemental allowance designed to help offset higher prices in specific locations. For example, in Oakland, CA, an E-5, with dependents and 4 years of service, receives a CONUS COLA allowance of \$74 per month. The list of applicable locations is at www.defensetravel.dod.mil/site/conusCalc.cfm.

■ **Survivor's benefits**

Dependents of military members who die in the line of duty may be permitted to remain in assigned government-owned housing free for 365 days after the member's death or continue to receive the housing allowance for that time.

Internet Field Trip

Let's take a look at BAH allowances for service members. What is the BAH for your market area? With or without dependents? For enlisted or officers?

Basic Allowance for Housing Rates

<https://www.defensetravel.dod.mil/site/bah.cfm>

How do BAH rates compare with average monthly mortgage costs in your market area?

CORE REAL ESTATE SKILLS



Services for Military Buyers and Sellers

Now that you know some facts about where military homeowners prefer to live and factors that influence their housing decisions, how do you:

- Use your core real estate skills to serve this market?
- Distinguish yourself from competitors?
- Demonstrate your value proposition?
- Build a productive referral base

Real estate professionals who work with military buyers and sellers attest that they use their core real estate skills to serve the market. The difference lies in how these skills are applied and the specialized knowledge needed. Consider the illustration of core real estate skills on page 28. Think about how you would adapt your skills and services to work with military home buyers and sellers. For example:

► **Technology:**

How would you use technology tools to overcome communication challenges when a buyer is several states or time zones away? Or one spouse is absent? What technology tools would help speed up the property search or facilitate a closing? Do you Skype?

► **Tax issues:**

Do you know which military pay and allowances are taxable and which are not? (Hint: BAH is not taxed.) Do you know how a gain on the sale of a home is taxed when the seller is on active duty?

► **Financing:**

Do you know the basics of VA financing? Do you know which area lenders welcome military borrowers and are knowledgeable about VA financing?

► **Negotiations:**

What are the typical negotiation position strengths and weaknesses for military buyers or sellers? How would you help a military buyer or seller formulate a negotiation strategy? How does VA financing impact negotiation leverage?

► **Communications and listening:**

Do you ask the questions your competitors don't think to ask? How can you demonstrate that you understand the stresses military families often experience when moving to a new location? Are you ready for after-midnight phone or Skype conversations with a service member who is stationed a dozen time zones away—in Japan or South Korea for example?

ADAPT YOUR SKILLS FOR MILITARY BUYERS

- ▶ **Anticipate a fast and intense property search.**

Are you ready to work with a buyer who wants to see 25 homes, make an offer, and seal a deal in the space of a long weekend? Or, if house hunting is combined with a temporary duty (TDY) “working” trip to the new base, the service member may work all day and want to look at houses after hours. Understand the time pressure that military families experience during a PCS move as well as the moving procedures and allowances. Learn to move quickly—it’s not unusual for a military family to look at houses (could be a couple of dozen) and make an offer within a few days. Be willing to go above and beyond, to show a lot of houses, work fast, and facilitate appointments with lenders, appraisers, and inspectors. For example, you could develop a procedure to recap houses viewed, keep detailed notes, present pros and cons objectively, and recall the property’s details. Develop an “as is” checklist—especially helpful when one spouse is absent.

- ▶ **Expect an absentee spouse.**

The needs of the services take precedence over the needs of service members’ families. Consequently, only one of the spouses may be available for house hunting. You have probably experienced situations when civilian spouses’ conflicting needs and wants complicate the property search. Imagine what can happen when one spouse is absent—deployed to a war zone, on sea duty aboard a submarine, or just unable to arrange leave for house hunting?

- ▶ **Showcase your local market and transaction knowledge.**

Military families may know the procedures for making a PCS move, but they don’t know the community and they rely on your knowledge to guide them in making a good housing choice. Local practices, procedures, and paperwork involving real estate transactions can vary considerably across the country. Be ready to explain the steps in the transaction as well as differences between the roles of the listing agent and the buyer’s representative. Even a retiree could be a first-time home buyer.

- ▶ **Demonstrate your understanding of the PCS process and procedures.**

Get to know the PCS process and procedures, allowances, and support services, and keep up-to-date on market-area BAH rates for your market area.

ADAPT YOUR SKILLS FOR MILITARY SELLERS

- **Stay in touch.**

Remember, there is almost a guarantee that service members will move in 2–3 years. You want to be the “go-to” real estate professional they call to list and sell their home.

- **Evaluate resale value.**

What is the first question sellers usually ask you? Is it, “How much is my home worth?” For military sellers, resale value is even more important than for civilian sellers because PCS-ing sellers can’t wait for a down market to turn. When you help a military buyer find the right home, consider offering a yearly CMA; it keeps homeowners in the know about resale value and gives you a leg up on the listing when PCS orders come.

- **Tune in to what sellers want.**

Like PCS-ing home buyers, sellers are under time pressure to sell their homes, plan the move, pack up, and relocate to the new duty station. In addition to a quick sale, a military seller wants to walk away from the closing table with enough cash to purchase a home in the new location.

- **Do the math—sell or rent.**

You can help sellers crunch the numbers to decide if renting makes more sense—or cents—than selling. You don’t have to be a commercial real estate guru to lead sellers through a basic return-on-investment analysis. RPR® investment analysis tools lead you through the calculations (see page 55). If your company doesn’t handle rentals, be sure that your referral network includes a reliable property management company.

- **Advise on preparing a home for sale.**

When a military homeowner receives PCS orders, there probably isn’t time for major improvements. Real estate professionals know that even a small-scale spruce-up like a thorough cleaning, decluttering, fixing minor repairs, and a landscaping refresh can enhance a home’s appeal.

- **Be a problem solver.**

Try to anticipate challenges and find ways to accelerate and ease the process of selling a home. Show that you understand the challenges and time pressures by sharing examples of how other military families have coped with similar situations.

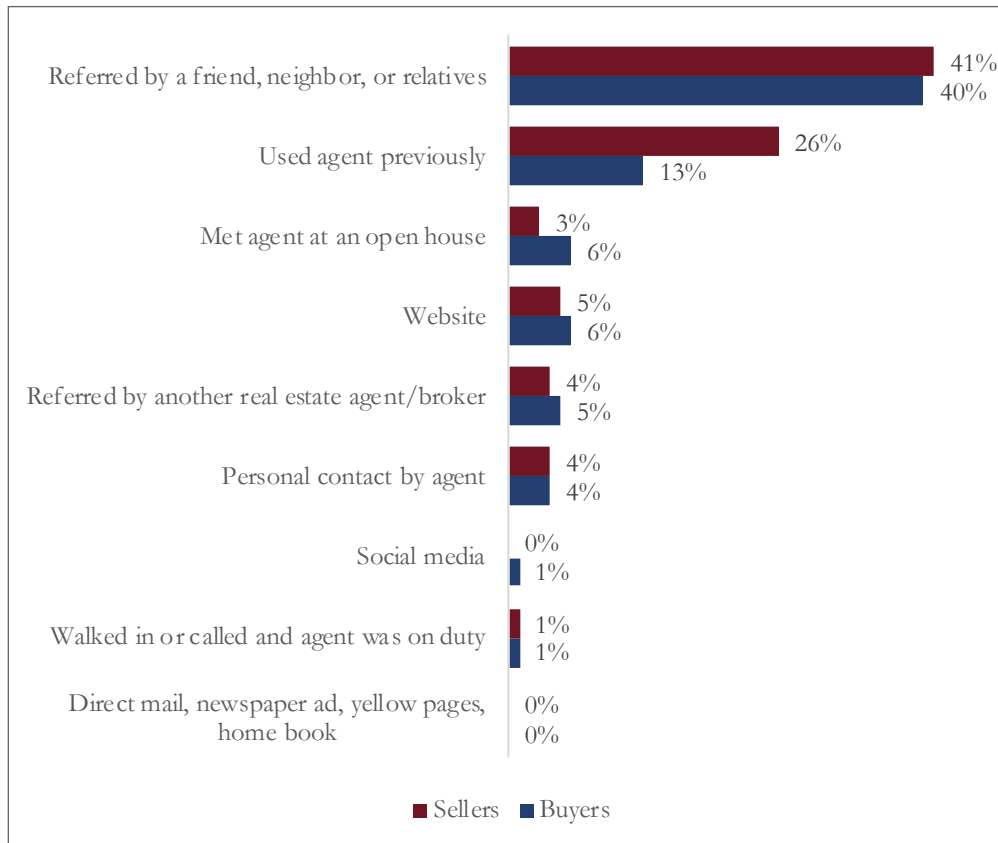
- **Offer a referral at the next location.**

Extend your services by referring sellers to a real estate professional in the new location.

Build a Referral Base

Real estate professionals who work with military home buyers and sellers attest that it is a referral-based business niche. Word-of-mouth and sphere-of-influence referrals are often the most successful marketing methods. How important are referrals to real estate business? Look at the statistics in the following chart.

Figure 1.12
How Buyers and Sellers Found a Real Estate Agent¹⁵



¹⁵ 2020 Profile of Home Buyers and Sellers, National Association of REALTORS®, Research and Statistics, <https://store.realtor/2020-nar-profile-of-home-buyers-and-sellers-download>.

► **Build a sphere of influence.**

Hang out where military spouses and families do—it could be a book club, a running group, or kids' sports teams. Even one contact—a satisfied client, a friend in the service—can plant the seed for developing a sphere of influence.

► **Blog about real estate topics.**

Blog about the local community and real estate topics. Include topics that interest military buyers and sellers like VA financing, buying a property to live in now and rent later, making the rent-or-buy decision, preparing a home for sale, making home improvements that add value, or frequently asked questions about real estate transactions. You could add a military-market page to your website with links to information about the base and rent-or-buy calculators with some scenarios based on local listings and BAH rates.

► **Get involved.**

Get to know about military support groups in your community. For example, some Chambers of Commerce have military committees. Look around your community for involvement opportunities. Your participation and interest, however, must be altruistic, authentic, and sincere.

► **Keep up-to-date.**

Keep up-to-date on issues of importance to service members. Read what they read, such as online newsletters and e-zines, blogs, and social media.

► **Present real estate seminars for buyers or sellers.**

Presenting a seminar enhances your reputation as a real estate professional and provides an opportunity for attendees to check you out without making a commitment. It's a good way to demonstrate your professionalism and sensitivity to the needs and interests of military buyers and sellers. But you don't have to wait to be invited as a guest speaker: you can schedule your own seminar. Creating a program opportunity could be as simple as contacting an organization's leadership or administration and offering to make a presentation on a real estate topic.

► **Ask for referrals and testimonials.**

Not asking for a referral (or testimonial) is the biggest opportunity real estate professionals miss out on. You can feature testimonials on your website or blog and in marketing materials.



PCS-ing (relocation) is an accepted part of military life. Relocation to a new duty station always involves some excitement and anticipation, as well as apprehension. Each move offers an opportunity to see new places, create new friendships, and establish new relationships.

Relocation, however, impacts nearly every aspect of life from education to finances, employment to child care, and more. It can affect emotional health and stability, life plans and goals, and interpersonal relationships. All of the service branches try to address these issues by offering support services, programs, and resources for moving and family readiness.

For the real estate professional, each move provides the opportunity to be part of the relocation process, generate new business, and create new clients. But in order to serve this market successfully, real estate professionals need to know how military moves happen and understand the challenges for PCS-ing military families.

Fast Facts About Military Families

- 72% of military families lived in community for less than 2 years[†]
- 54% have moved in the past 2 years[†]
- 31% have moved more than 5 times, 15% moved 6-8 moves[†]

- 53% want greater opportunities to meet people, make friends, and build their professional networks in the civilian community*
- 51% feel they don't belong in their local civilian community*
- 62% of military children attend public schools off base†
- 43% couples chose to live apart at some point to avoid disruption of children's education or spouse's career†
- 80% report PCS moves cause a high degree of financial stress†

†Military Family Support Survey 2017 Results, Military Family Advisory Network, www.militaryfamilyadvisorynetwork.org.

*2018 Blue Star Families Military Family Lifestyle Comprehensive Report, Encinitas, California, www.bluestarfam.org.

PCS Relocation—When and Where?

Under normal circumstances, time-on-station requirements set a minimum length of assignment to a particular location before a service member can be relocated to another station. Different rules apply for first-term service members and careerists who have reenlisted at least once. All assignments and length of tours are always subject to the needs of the service, which means a service member can remain at a particular base for a longer or briefer length of time.

TIME-ON-STATION REQUIREMENTS

First-term

- **CONUS to CONUS:**
24 months
- **CONUS to OCONUS:**
12 months

Careerist

- **CONUS to CONUS:**
36 months
- **CONUS to OCONUS:**
24 months

OCONUS tours are for 24 months if single, 36 months if married.

The majority of service members, about 87 percent, serve at CONUS bases, which means that most PCS moves take place within the continental United States. Hawaii and Alaska are considered OCONUS as these states are not within the continental United States.

Getting Ready to PCS

Whether the service member is a home seller or a buyer, the military's PCS relocation procedures and support are the same. The more you understand about the PCS relocation process, the better you will be able to provide the services and support that military home buyers and sellers need.

The PCS starts when the service member receives orders. The orders detail who and what will be moved, time frame, and if dependents will accompany the service member. Although PCS orders can come at any time, peak season tends to be December through February so that military families can move during the summer and get resettled before the start of the school year. In fact, from Memorial Day to the July 4th holiday is the busiest time for PCS moving. Movers, trucks, and storage space may be in short supply during peak moving times.

MEETING WITH THE BASE TRANSPORTATION OFFICE

One of the first steps in a PCS move is a meeting with the base transportation office (TO). Each service branch has a different title for this function:

- **Army:**
Installation Transportation Office
- **Navy and Marine Corps:**
Personal Property Shipping Office
- **Air Force:**
Traffic Management Office
- **Coast Guard:**
Household Goods Shipping Office
- **Department of Defense:**
Joint Personal Property Shipping Office

The transportation office provides information on moving options, entitlements, and what moving expenses will be paid.

MILITARY MOVERS

The Department of Defense contracts with a number of moving companies to provide relocation services for PCS moves. If the service member opts to have one of the military's contract movers handle packing and shipping, the transportation office schedules and coordinates the move. The military pays the contracted carrier to pack load, ship, and unload all the household goods at the family's new home.

Weight allowances for shipping household goods (HHG) vary based on rank and dependents. For example, following is a sample of HHG weight allowances in pounds for service members with dependents.

If a family's household goods exceed the weight allowance, charges for excess weight can add significant cost to a move. Although it is not a substitute for actual weighing, a weight estimator is available at www.move.mil/resources/weight-estimator.

Figure 2.1
Sample Household Goods Weight Allowances (pounds)
(By rank with dependents)

Enlisted rank	Allowance	Officer rank	Allowance
E1–E4	8,000	O-1/W-1	12,000
E-5	9,000	O-2/W-2	13,500
E-6	11,000	O-3/W-3	14,500
E-7	13,000	O4/W-4	17,000
E-8	14,000	O5/W-5	17,500
E-9	15,000	06-O10	18,000

HOUSEHOLD GOODS

<https://move.mil/resources/weight-estimator>

Household goods (HHG) include all the items you would expect to find in a home—furniture, linens, books, toys, hobby items, appliances, personal items—plus some larger items. For example, HHG can include recreational vehicles such as golf carts, motorcycles, mopeds, jet skis, snowmobiles, and small boats along with their trailers.

HHG also includes professional books, papers, and equipment (PBP&E) that service members use in the course of their work, such as a diving suit, computer equipment, helmets, and band uniforms. These items are not included in the weight allowance.

HHG do not include items for resale or commercial use if, for example, the service member's spouse has a home-based business. Also not included are items that otherwise would qualify as HHG but are acquired after the effective date of PCS orders, unless replacing an item that wore out, broke down, or became unserviceable after receiving PCS orders.

Move.mil is the Department of Defense's portal for planning a PCS move. The portal enables service members to self-counsel and set up moving services without a visit to the Transportation Office. Go to <https://move.mil>.

PERSONALLY OWNED VEHICLE

When a service member transfers between CONUS locations, the military, with rare exception, is not responsible for shipping a personally owned vehicle (POV). The service member receives a mileage reimbursement for driving the car to the new location. If the PCS move involves an OCONUS duty station (including Hawaii and Alaska), the military will pay to ship one POV.

PERSONALLY PROCURED MOVES

Some PCS-ing military families prefer to a Personally Procured Move (PPM), formerly known as a Do-It-Yourself (DITY) move. The decision to do a PPM must be in consultation with the TO and meet certain criteria. If the military will pay for a government contracted mover to do all the work, why would a service member opt for a do-it-yourself move?

Advantages

- The service member is entitled to 95 percent of what the military would pay a government-contracted mover. In most cases, up to 60 percent of the amount can be received in advance to cover moving expenses. If moving expenses are less, the service member gets to keep the difference.
- Door-to-door control of household goods—you always know the location of the shipment.
- Enables better damage control.
- There are no weight restrictions.
- Keep your own timetable with no waiting for movers to pack, ship, and unpack.

Disadvantages

- Unless carefully managed, expenses can exceed the 95 percent entitlement and the service member pays out of pocket.
- The service member must find a weighing station to weigh the truck or trailer empty and again when loaded.
- It could be a long wait for reimbursement of expenses.
- Must make arrangements to transport extra vehicles to the new location.
- It's not really a freebie—the government pays the service member to do all the work.

PARTIAL PPM

Another option is a partial PPM. Assuming the weight allowance has not been exceeded, the military will pay for anything the family moves, including items carried in the family car on the cross-country drive. There is some work involved—the service member must find a place to weigh vehicles empty and loaded—but it can put some extra cash in the service member's pocket. In order to set up basic housekeeping until the movers arrive, some families pack a small tow-behind utility trailer with items like mattresses, a crib, pillows and basic linens, towels, folding table and chairs, a few pots and pans, dishes, and silverware. Packing a few familiar things, like favorite toys, can make the move easier for children. Valuable items that need to stay safe should be part of the PPM shipment too.

PCS MOVES—FINANCIAL STRESS

Although the military provides a variety of reimbursements and advances to cover the expense of a PCS move, 31 percent of service families responding to the 2018 Blue Star Families Survey said that they spent \$1,000 in unreimbursed expenses during their last move. Items not covered by reimbursements include school fees, school sport team registrations, vehicle licensing and registration, security and utility deposits, and household items and supplies for the new home.¹⁶

MOVING PAY AND ALLOWANCES

■ **Dislocation Allowance (DLA)**

Helps with miscellaneous moving costs that are not covered by other allowances. In general, it is paid once per PCS move. It is based on rank and dependent status. DLA is not paid on a local move, unless movement of household goods has been authorized. DLA is not paid if the service member is assigned to government quarters at the new duty station and is not accompanied by family members. DLA is not paid for end of service term or retirement moves.

■ **Monetary Allowance in Lieu of Transportation (MALT)**

“Mileage” reimburses the cost of driving to the new duty station, based on the DoD Table of Distances. MALT can typically be paid for one or two vehicles.

¹⁶ 2018 Blue Star Families Military Family Lifestyle Comprehensive Report, www.bluestarfam.org.

► **Per Diem Allowance**

Reimburses costs associated for meals and lodging enroute to the new duty station. To determine the maximum number of days for which per diem is payable, the official mileage allowance is based on 400 miles for the first day of travel and another day of travel for every additional 350 miles. Per diem rates vary by age. Each family member receives a different percentage of the applicable per diem rate on the eligible days. The total per diem reimbursement for the move is the sum of the allowable per diems for each family member.

► **Temporary Lodging Expense (TLE)**

Reimburses the cost of meals and lodging incurred when temporary housing is needed. TLE can be paid for up to 10 days for CONUS moves.

► **PCS Travel Advances**

Can be requested, depending on the rules of the service branch, up to 100 percent of DLA, MALT, and per diem. A travel voucher must be filed at the gaining installation after the move is complete to substantiate the advances. Travel advances can go a long way toward paying the initial cost of setting up a household in the new location. If an advance is not requested, entitlements will be paid after completing the move and filing the travel voucher. Payment can take several weeks.

► **Advance Basic Pay**

An interest-free loan for a PCS move. A service member may draw up to three months basic pay in advance.

► **Advance Basic Allowance for Housing**

An advance against the normal BAH to help cope with the costs of rental housing off base. Up to three months of advance BAH is available for CONUS moves and up to 12 months for OCONUS moves. The advance must be authorized by the unit commander. Payback requirements are determined by the length of the tour.

Family Matters

The Department of Defense's Family Readiness System (FRS) supports military families through a network of programs, services, contacts, and agencies. The resources available can help a military family tackle many of the challenges involved in moving or any other stage of military life. Go to www.militaryonesource.mil/family-relationships/family-life/keeping-your-family-strong/family-readiness-system.

When a military family relocates to a new base, the pressure is on to settle in and set up a functioning home. Military families may know the procedures for PCS moves but they do not know the community to which they are moving. Because real estate professionals know the community, neighborhoods, and quality of homes available, they are in a unique position to help military families find the right house and settle into the new community.

DO WE REALLY UNDERSTAND?

Although Americans are supportive of and admire the men and women who serve in the military, few military families feel that their civilian counterparts understand the sacrifices they make. A study by Blue Star Families found that only 18 percent of service members feel the general public understands the sacrifices made by service members and their families.¹⁷ A similar percentage (19%) feel that the general public is aware of the significant challenges military service places on families. Deployments exert a very high level of stress on military families—close to half (40%) have experienced more than 6 months of separation within the last 18 months. Military families who get involved in their communities are happier but more than half (67%) feel little sense of belonging in their civilian community.¹⁸ The Blue Star Families organization recommends that civilian neighbors can offer support through friendships and communication with military families already in the neighborhood.

Real estate professionals know that uprooting and moving a family to a new home—across town or across the country—can present challenges. A military family faces all the usual challenges of relocation, plus some you may not know about.

¹⁷ 2018 *Blue Star Families Military Family Lifestyle Comprehensive Report*, Encinitas, California, www.bluestarfam.org.

¹⁸ 2019 *Military Family Lifestyle Survey Comprehensive Report*, Blue Star Families, Department of Applied Research, <https://bluestarfam.org/survey>.

DEPLOYMENT

In contrast to PCS relocation, deployment takes the service member away from home base to serve where needed. A deployment that happens shortly after or concurrent with a PCS move is very stressful for the spouse and family who must move and settle in on their own. Plus, the family experiences the added uncertainty and anxiety of separation and potential loss of a spouse and parent when a service member deploys to a hostile environment. Deployment can be a sensitive and emotion-laden issue for military families who often don't know the "if, when, or where possibilities" of it. Discussion about deployment should be very tactful or even avoided unless the service member or spouse mentions it.

Deployment orders can come at the drop of a hat—48 to 72 hours. Other times, the service member has a few weeks' advance notice. Operational tempo (OPTEMPO) is the frequency with which a unit deploys or goes to the field. Some units have a reputation for fast deployment, like the Army's 82nd Airborne Division, based on Ft. Bragg, North Carolina, which is an infantry division specializing in parachute landing operations. Length of deployment can be fluid—shorter or longer based on the needs of the service, accomplishment of objectives, and command decisions.

Deployment Protections—Servicemembers Civil Relief Act (SCRA)

- **Residential leases:**

The SCRA allows a service member to terminate a residential lease when PCS or deployment orders will cause an absence of 90 days or more.

- **Mortgage payments:**

The SCRA provides a grace period during which mortgage lenders may not foreclose or seize property for a failure to pay a mortgage debt. Furthermore, the lender must be able to show, in a court proceeding, that the deployment does not affect the service members' ability to make mortgage payments.

Although payments on the principal may be suspended, the service member still owes this amount. Payments resume after completion for the deployment.

- **Income tax:**

The federal Internal Revenue Service (and state tax authority if applicable) will defer collection of income tax up to 180 days after completion of the deployment. No interest or penalties accrue during the deferment period.

MILITARY SPOUSES

► **Unemployment**

Most military families are two-income households, but military spouses often deal with unemployment and underemployment. Although service members generally do not have to worry about job loss, employed spouses don't have the same job security and they must find a new job with every transfer. Some jobs require reestablishing credentials in a new state, such as nurses, beauticians, dental hygienists, teachers, and real estate agents. Unemployment rates are high for military spouses and frequent career disruptions mean that they tend to earn significantly less than civilians.

■ **What can you do?**

Provide a list with contact information of the major employers in the area.

► **Child care**

For parents of young children, finding and accessing affordable, quality child care is a top priority. Extended family who might help with child care usually lives far away. Many military bases offer top-notch child care services on the base, called Child Development Centers, but often have waiting lists. Providing quality child care is a top concern for the DoD but current capacity falls short of the need. Almost three-fourths (74%) of military families report difficulty in finding reliable childcare.¹⁹

■ **What can you do?**

Provide information on child care facilities, preschools, and baby-sitting services.

► **“All the troops are gone.”**

When a unit deploys there is one less person around the house to perform the day to day responsibilities and maintenance.

■ **What can you do?**

Provide information on service providers in the community. Make sure the family knows that it's okay to call you after the transaction for information. Find out about volunteer groups that provide military-family support. Helping military spouses find their way in the community engenders goodwill and future referrals.

¹⁹ Military Family Support Programming Survey 2019 Results, Military Family Advisory Network (MFAN), <https://militaryfamilyadvisorynetwork.org/military-family-support-programming-survey>.

A Fiancé Is Not a Dependent

All the support and services the military provides for dependents is intended for spouses and children. A fiancé is not considered a dependent. If a service member marries after receiving PCS orders, the weight allowances, entitlements, and reimbursable expenses will be at the rate for singles without dependents.

YOUNGSTERS AND TEENS

► Telling kids about the move

Moving is a fact of military life and not unexpected, although the future time and place are unknown. Young children and teens react differently to the news that the family must move to a new location. For small children, who live in the present, the move means a loss of the familiar—friends and environment. Teenagers may understand rationally why the family must move, but still react emotionally: “Where’s that? Why do I have to move, I didn’t enlist!” As with adults, learning about the new location and picturing life there in a positive way helps alleviate some of the anxiety and powerlessness kids may feel when service member parents receive inevitable PCS orders.

■ What can you do?

Prepare information packets for kids and teens. Post information and links on Facebook. Do you have teenagers at home? Ask for their help in identifying what’s cool for other teens.

► Moving—a family tradition?

Caroline Peabody, former president of The Military Family Network, suggests that making the PCS move a family tradition can ease the transition for both young children and teens.²⁰ A family tradition could include rituals for stages of the move—before, during, and after—such as saying goodbye to the rooms of a house.

■ What can you do?

Consider providing a scrapbook where kids can keep pictures of friends and places as well as document the current and future moves. Do you have personal PCS experience? Share tips on what you or other families did to ease the transition for kids.

²⁰ Caroline Peabody, “From Sea to Shining Sea,” in *Your Military Family Network*, by The Military Family Network, 99–106, Capital Books, Herndon, VA, 2008.

► **Finding good schools**

The quality of neighborhood schools influences housing choice for military families. Information on school locations and ratings helps inform choices. It's also why the summer months are peak season for PCS-ing. Families want to avoid midyear enrollments so their children can start classes on time with the rest of their future classmates.

■ **What can you do?**

Provide sources of information about neighborhood schools and programs. Use RPR® Neighborhood Report tools to show proximity and ratings for schools.

► **Activities for kids**

Military kids are known for their resilience and ability to make friends quickly. The adjustment is easier if they can get involved with activities—sports teams, scout troops, music lessons, gymnastics, and other interests—they participated in at the previous location. School sports teams, however, may hold once-a-year tryouts at the beginning of the school term; kids who transfer to the school midyear could be at a disadvantage.

■ **What can you do?**

Ask what activities kids were involved in at the previous location. Provide information on sports teams, scout troops, and instruction for a variety of interests. Find out about off-season sport team tryout possibilities.

Support and resources for families with special needs—exceptional family members—is available at www.militaryonesource.mil/efmp.



DoD Programs for Military Kids

- ▶ **Youth Sponsorship for Military Kids**

The DoD Youth Sponsorship Program helps ease the transition of PCS moves for kids by connecting them with kids at the new bases. kids get acquainted with the new base, its activities for kids, and the community before the move. When the family arrives at the new duty station, kids already have a connection to help them meet other kids, get involved in youth activities, and learn the ropes.

- ▶ **DoD Interstate Compact on Educational Opportunity for Military Children**

The Compact helps kids, especially teens, with transition to a new school by standardizing treatment of transferring students. It covers flexibility in enrollment, extra-curricular activity participation, recognition of course work, placement in advanced and special courses, transfer of records, and absence related to parental deployment. Although all states have signed onto the Compact, implementation varies among states and schools.

Kid Connect helps military kids network with kids their own age at other military bases, <https://militarykidsconnect.health.mil>.

Adaptive Housing: Help for Wounded Warriors

The VA offers grants to help service members and veterans disabled during their military service. Three types of grants are available:

- **Special Housing Adaptation (SHA) grant**
The SHA grant of up to \$20,215* is generally used to increase mobility throughout the home.
- **Specially Adapted Housing (SAH) grant**
The SAH grants up to \$100,896* and can be used to assist veterans with mobility throughout their homes when the need is due to blindness or the loss of the use of hands or arms.
- **Temporary Residence Adaptation (TRA) grant**
The TRA grant is available to eligible veterans and seriously injured active duty service members who are temporarily living in a home owned by a family member. The current temporary grant for SHA recipients is \$7,256* and \$40,637* for SAH recipients.

The goal of all three grant programs is to provide a barrier-free living environment that offers a level of independent living for disabled service members and vets. Yearly adjustments to grants may be made based on construction costs.

For information on grants go to www.va.gov/housing-assistance/disability-housing-grants. For information on home adaptations and links to organizations and volunteer groups that provide support for wounded warriors' housing needs, go to the National Resource Directory at www.nrd.gov.

*as of January 2021, maximum grant amount adjusts annually.

Military Sellers and Buyers—What They Want

When it comes to selling or buying a home, service members are not very different from their civilian counterparts. Every family—civilian or military—has specific needs and wants in a home. A big difference, however, is a compressed time frame for the transaction. Both buyers and sellers are motivated to conclude the transaction quickly and move on to the new location or move in to the new home. A military buyer or seller usually can't wait around for markets to go up or down or for a better offer to come along. Whether buying or selling, the ideal move for a military family is door-to-door without the need for temporary housing or for a family member to stay behind until the home sells while the service member goes ahead to the new duty station.

Thoughts to consider: For a military member, proceeds of the sale of a home don't necessarily need to go straight into a new home purchase. Questions for an agent to consider: could it be more beneficial for them to use the VA loan again at 0% down? How can they be strategic with that money vs. just breaking even on primary residences over and over? Be sure to work with a lender who understands mortgage strategy and can support the buyer in making a decision that prepares them for their long-term goals.

WHAT SELLERS WANT

- ▶ Quick sale at the right price
- ▶ Enough net sale proceeds for the next home purchase
- ▶ No need to bring cash to the closing table
- ▶ Door-to-door move

WHAT BUYERS WANT

- ▶ A home that meets needs and wants
- ▶ Door-to-door move, settle in and set up a functioning home quickly
- ▶ A home that offers better value than renting and better quality than military housing
- ▶ Good resale or rental potential

A Mission to Make the PCS Move Easier

By **Ken Robbins** and **Alison Wisnom**

“After 20 years of Army moves, I started MILLIE in order to reduce the stress and anxiety on military families that result from the PCS process. By helping real estate professionals communicate more effectively with military families, we are improving the overall experience for everyone.” —**Ken Robbins**

UNDERSTANDING YOUR MILITARY CLIENT

Like any client, service members—including veterans—and their families want to work with real estate professionals who understand their needs and concerns and can help solve their problems. While PCS moves involve common challenges and circumstances, service members, especially younger members, want to be treated as individuals and not as a “tough case.”

That means adapting business processes to start working with them long before their arrival, and alleviating stress by creating a plan. It means being knowledgeable and having a positive attitude about VA financing. And it means recognizing that work schedules, deployments, and family separations often mean one member of a couple may speak for the other.

SCOUTING A NEW DUTY STATION

The Military Family Advisory Network’s 2018 Survey found that when military families are on the move, they want information support, help adjusting to new communities, and communication about resources. One way that the MILLIE network meets this need is through the Scouts program. Military families making a PCS move can link up with a military-spouse Scout at the new duty station via an online job board. Scouts connect military families with information on neighborhoods, schools, commute times, and community resources, and help address a top complaint about military moves: spouse unemployment.

BRINGING MILITARY FAMILIES HOME, BUILDING COMMUNITY

Military families move seven times more often than civilian families and tend to move long distances. Over the span of a military career, families experience rebuilding friendships and community connections repeatedly. Kellie Artis, an Army spouse and COO of MILLIE draws on her own experience to work with service members. “Basic, foundational needs like shelter, work, and friendships are continually challenged every few years with each PCS. Every time Orders come, uncertainty threatens our emotional safety and knocks us back down to lower levels of our psychological ‘ladders.’ Our success and failure at a new duty station can hinge on our ability to climb back up the ladder swiftly.”

Real estate professionals can support military clients not only by helping them find a home, but also by connecting them to resources and networks within their new community. Alison Wisnom, Agent Intel Director for MILLIE, focuses on helping military families integrate into a new community. “I’ve matched several new families with others in the same school district, so they could set up playdates and ask questions before school started. I’ve even been a wedding guest for recent transplants who had no family nearby. All of those things are over and above selling houses, but they’re invaluable to service members settling in an unfamiliar place. I look at the connections I facilitate as weaving new friends into the community.”

WHAT CAN YOU DO?

What can real estate professional do to make the PCS move less stressful for military families?

- Advertise in local military publications and highlight your knowledge of the military lifestyle.
- Stay up-to-date on news and issues affecting military families.
- During client interviews, ask questions about common PCS-related concerns, such as short timelines, stressful temporary living situations, and upcoming family separations.
- Learn military terminology—including acronyms—and train your staff too.
- Share your community network—be a matchmaker for more than homes.
- Offer lists of providers for a full range of services, including rentals and property management.
- Connect clients with the local military community by familiarizing yourself with its resources for health care, education, child care, and family support.
- Learn about VA financing and encourage other real estate professionals to promote its value.
- Tune up your video skills for showing homes to people from afar.
- Extend your referral network to other military communities so you can entrust your clients to an experienced real estate professional.

DOES MILITARY CULTURE AFFECT TRANSACTIONS?

The experience of military life inculcates a set of distinctive cultural values and behaviors. Look at the statements of core value in the Resources section. When these values are lived out in day-to-day military life, they shape interactions with others, whether on or off base. How might military culture find its way into your interactions with military clients and customers?

- **Structure, standardization, discipline**

While civilians may chafe at some of the processes involved in a real estate transaction, service members understand and seldom question the standardization of procedures. The military has a long-standing policy barring fraternization (casual contact) between officers and enlisted personnel; close proximity in a neighborhood can be a problem if casual contact compromises discipline.

- **Respect**

Respect for officers and fellow service members shapes respectful and courteous interactions with all. Because service members respect the chain of command, they will understand if some aspect of a transaction requires your broker's approval.

- **Objective oriented**

Accustomed to following orders ("Your objective is..."), service members take an equally objective-oriented approach to finding a home. Service members are "power shoppers" when the pressure is on to find a home, negotiate an offer, and sign a contract in the span of a few days.

- **Integrity**

Integrity—doing the right thing even when no one else is looking—runs deep in military culture. Adherence to a code of ethical conduct and standards of practice is respected and understood. For service members, integrity means "my word is my bond."

- **Loyalty**

Your loyalty to your military clients and customers will usually be rewarded with loyalty, future business, and referrals.

- **Service before self**

The demands of the service come first, which means sacrifices for the family. Military families expect to move frequently and experience the separations of deployments.

► **Tech-savvy**

Today's military is extremely technologically advanced. Tech-savvy service members, like their civilian counterparts, expect you to use up-to-date technologies, especially for communications; your next military client could be half-a-world and a dozen time zones away.

Social Media and Data Privacy

Service members use social media apps to connect with family and friends especially during deployments. Social media also offer a way for service members to stay informed on DoD, base, and unit news and policies. The military even uses apps like Facebook and Instagram as recruiting tools.

Data privacy and security is a concern for social media users whether civilian or military. Service members and their families, however, face additional data privacy challenges. Service members must be careful about sharing information about unit locations and operation plans. Enemies of the U.S. have been known to threaten service members and their families through social media. Data breaches can expose confidential information and orders stored on home computers or smartphones.

DATA SECURITY PLANNING

Real estate professionals collect a lot of personal information about clients and customers in the course of finding the right home. Your office policies should include standards and procedures for collecting, sharing, destroying, and protecting customer and client information. The Federal Trade Commission recommends five key principles for a sound data security program:

1. **Take stock:**
Know what personal information is in office files and computers and who has access.
2. **Scale down:**
Keep only what is needed for business.
3. **Pitch it:**
Properly dispose of information that is no longer needed.
4. **Lock it:**
Protect the information that is kept.
5. **Plan ahead:**
Create a plan to respond to security breaches.

NAR offers a free *Data Security and Privacy Toolkit* to help real estate professionals plan and implement a data security system. Download a copy of the Toolkit at <https://www.nar.realtor/data-privacy-security/nars-data-security-and-privacy-toolkit>. The Center for REALTOR® Development offers education courses to educate real estate professionals about effective online strategies and data privacy: the e-Pro® Certification Program and Data Privacy: Protecting Your Clients and Your Business. For more information on courses, go to <http://training4re.com>.

REALTORS PROPERTY RESOURCE® REPORTS ANSWER FIVE BIG QUESTIONS

1. Is this the right neighborhood for my family?

The **Neighborhood Report** helps buyers picture living in the neighborhood. It contains people data, such as residents' average income, age, occupations, educational level, and voting trends, plus quality of life data, such as climate and commuting information.

2. Is this the right home for my family?

The **Property Report** helps a buyer evaluate the purchase of a specific property. It can be used to perform background research on any property of interest to a buyer.

3. How much is our home worth?

The **Seller's Report** helps prepare for listing a property or listing presentation. In addition to comps, the report contains housing data, such as median estimated home value, median list price, median sales price, listing volume, sales volume, and sales counts.

4. How is the real estate market?

The **Market Activity Report** is a snapshot of all the changes in a local real estate market. It shows active, pending, sold, expired, and distressed properties, as well as recent price changes.

5. Is it better to keep this property as an investment?

The **Valuate** suite of tools lets practitioners do real-time, interactive analysis of the potential investment value of a property. The analysis compares scenarios from short to long term to show potential ROI as well as adjust assumptions about property income and expenses.

All RPR® reports can be customized, branded, printed, downloaded, and emailed to buyers and sellers. View reports on computers, smart phones, and tablets. Take RPR® for a test drive at <https://blog.narrpr.com>. RPR is 100% owned and operated by the National Association of REALTORS® as a member benefit for all REALTORS®.

Winning and Marketing Listings

Real estate professionals who have experience with military market rely on their core skills for winning listings. As with any niche market, however, you can tailor your listing presentation to focus on what matters most to the military seller.

Did you help the seller buy the current home? Remember, when a military family buys a home it's almost guaranteed that the home will be back on the market in a couple of years. Winning the future business starts with staying in touch. Military sellers are especially concerned about the value appreciation of their homes. You could offer a yearly CMA and home evaluation. That gives you the opportunity to stay up-to-date on the condition of the house and any improvements or changes to the property.

Think about how you could customize your listing presentation for military sellers. What would distinguish your business from your competitors? For example, a brochure with testimonials and photos of past clients is a compelling tool for gaining the seller's confidence. The photos might even be someone your prospect knows.

As part of your listing presentation, highlight your ability to make a referral to a real estate professional in the new location. Use RPR® neighborhood and market reports and even reports on specific properties to help the sellers house-hunt at the new location and learn about the community.

Will the property appeal to other military buyers? Ask the sellers why they chose their house and location. Their reasons may help you market the listing to military buyers by highlighting the location as a good choice for military families, lots of storage, parking space, privacy, or good schools.

Advise on fixes that will enhance the home's appeal. Service members probably don't have the time to make a lot of changes or improvements to enhance the home's value, but some simple steps can help. Five easy actions to prepare for the sale are:

- **Arrange a presale home inspection.**

An inspection will reveal trouble areas that will stand out to potential buyers. The seller may be able to make repairs before showings begin or adjust the sale price accordingly.

- **Organize and clean.**

Clear away clutter and pack up seldom-used items, such as countertop appliances and other kitchen tools, out-of-season clothes, toys, and exercise equipment. Put items in storage or pack them in boxes neatly arranged in the garage or basement. Clean the windows, carpets, walls, lighting fixtures, and baseboards to make the house shine.

- **Get replacement estimates.**
Get estimates on the cost of replacing big-ticket items, such as roofing, carpeting, or an appliance, even if the seller doesn't plan to replace the item. The figures will help buyers determine if they can afford the home and will be handy when negotiations begin.
- **Find warranties and user manuals.**
Gather up the warranties and user manuals for the furnace, AC, washer and dryer, dishwasher, and any other items that will remain with the house.
- **Spruce up the curb appeal.**
Trim the lawn and bushes and neaten flower beds. Make sure the address is clearly visible. Mend cracks in walkways and clear obstacles from the entrance.

WHAT IF THE HOME DOESN'T SELL?

Military homeowners, like their civilian counterparts, don't want their equity for the next purchase tied up in a home that won't sell. As we'll learn later in the course, if the home was purchased with VA financing, the owner's entitlement stays locked up in the home until it is sold. What are the options for home sellers?

- **Adjust the price.**
A price drop may make the home more competitive compared to similar homes on the market and get the attention of home shoppers.
- **Rent the home.**
Renting the home out produces a stream of income to help with mortgage payments.
- **Family stays, service member transfers.**
If neither adjusting the price, nor renting out the home are workable options, the family can remain behind until the home sells while the service member transfers to the new location. Splitting up the family, however, even temporarily, increases the stress and prolongs the PCS process indefinitely.

Starting the Military Buyer's Home Search

NAR research shows that the typical civilian home buyer spends 3 weeks viewing properties online before contacting a real estate professional, 8 weeks searching for a home, and looks at 9 homes. Military families usually begin the home search online too.

HOW DO MILITARY BUYERS FIND YOU ONLINE?

When military buyers search online for homes and community information, how could they find you online? How would they know that you are attuned to the needs and concerns of PCS-ing military families?

- Add a page on your website for military buyers.
- Blog about the local property market and military buyers' experiences.
- Provide answers to military buyers' FAQs.
- Offer links to local lenders who make VA loans.
- Offer links to community information, activities for kids and teens, little league sports teams, school websites.
- Showcase your professional designations and certifications, like Military Relocation Professional.
- Ask past military clients to write or record a testimonial about the service you provided and post it to your website.
- Describe how you work with military buyers, such as setting aside a block of time, previewing listings, or offering babysitting service.
- Offer detailed property and neighborhood reports using RPR® tools.
- Provide information on convenient overnight accommodations and restaurants.
- Offer a wants-and-needs preconsultation form.

Discussion Question

What would attract military buyers and sellers to your website?

Asking the Right Questions

Like civilian home buyers and sellers, active duty service members and vets are not a homogeneous group. For example, vets live everywhere, and military retirees could be first-time home buyers. Whether you are working with a buyer or seller, the difference in working with service members is in asking the right questions.

- **Why are you selling?**
Ask the seller about circumstances causing the sale—PCS transfer, end of term of service, retirement, base closing? The reason for selling impacts the seller's timeline as well as military benefits.
- **PCS orders received?**
The service member may know about the assignment to a new base before receiving actual orders. A seller may not accept an offer that is contingent on PCS orders actually being received. Sellers may list in anticipation of a PCS.
- **May I ask your rank?**
Service members work to earn their ranks and are proud of their accomplishments. Rank determines moving benefits like weight allowance and DLA as well as BAH rates.
- **Have you served in the military?**
Ask if the buyer has served in the military. Some think they are not veterans if they haven't served in combat. Ask vets if they plan to use VA financing.
- **How long before the next PCS?**
PCS moves are an expected part of military life. Although timing is the unknown factor, time-on-station guidelines lend some ability to plan ahead. Will there be enough time for equity appreciation?
- **Time frame for this PCS?**
PCS orders state when the service member must report for duty at the gaining location. All other deadline dates depend on the reporting date.
- **Moving date?**
Has the family reserved a moving date? If government movers are handling the packing and shipping, it is very difficult to change a moving date once it is set. Buyers may schedule the movers to deliver their household goods on the afternoon of a morning closing. It can be tough to reschedule all of the PCS "moving parts" if the closing is delayed. If the family opts for a personally procured move, moving dates may be more flexible.

► **Door-to-door or temporary housing?**

The ideal move is from door to door, but it doesn't always work out that way. Military buyers often wait until after arrival at the new duty station to close on the new home; after arrival, they expect to close within a couple of days. In the meantime, they stay in temporary housing on the base. If a home sells and closes before the family is ready to move, they may need to find temporary housing and put household good into storage.

► **BAH rate—this location or another?**

Will the BAH rate be the one assigned to your market area or a different location? If a service member is deployed, the spouse and children may prefer to move closer to extended family. The service member still receives a BAH but it is for the base deployed from, not the area the family moves to.

► **Location**

Consult a map that shows the communities or neighborhoods close to base entrances. For a big base like Ft. Bragg that is very spread out and has several entrances, ask buyers "What entrance do you need to be near? Where do you go every day?" Driving around or across a large base can add significant time to a daily commute.

► **Child care easily accessible**

Will the family need to access the base Child Development Center? Which entrance is closest to the CDC? Is commuting time an issue?

► **Lead time for earnest money funds?**

Ask if the buyer has an account at a local bank or needs lead time in order to obtain earnest money funds. For example, USAA provides many financial services for military personnel. The company offers convenience and discounted services, but has few branch offices, so most business is done online or by phone. This can be a problem if the buyer needs certified funds. Build in lead time for mail or transfer to a local branch bank for earnest money, deposits, and down payments. When the buyer starts looking for a home, suggest ordering the earnest money check made payable to himself. When ready to make an offer, the buyer can endorse the check to an escrow account or to a local bank in exchange for the necessary cashier's check.

► **Mortgage preapproval**

Ask buyers, "Have you met with a lender yet? Do you have a mortgage preapproval?"

► **VA Financing**

Ask buyers, "Are you familiar with VA financing? Do you know your entitlement status?" Ask sellers, "Do you have a VA mortgage? How much were your down payment and funding fee?"

WHO DO YOU REPRESENT?

Although certainly not unique to working with military buyers and sellers, you should make the state-required agency disclosure early in interactions with prospects. If you are the listing agent, the seller is clearly your client and you represent the seller's interests. If you are working with a buyer, you need to know your state's default position and be prepared to explain buyer representation. In states that presume buyer agency (you are automatically the agent of the person with whom you are working), the explanation differs from that in states where buyers must consent and sign a representation agreement. Explain that as the buyer's representative you maintain buyer confidentiality and represent only the buyer's interests. On the other hand, you should caution buyers about sharing confidential information with you if a buyer-client relationship is not established—by default or agreement.

Qualifying the Buyer

Whenever possible, it is to everyone's advantage if the buyers can meet face-to-face with the lender. A lender preapproval is always the best criterion for determining how much the buyer can afford. Furthermore, a preapproval from a local bank can increase the buyer's negotiation leverage and make an offer more attractive for a seller. Meeting with a lender for a preapproval doesn't commit the buyers to working with that lender—buyers can and should explore all the options for rates and terms—but it does establish an objective standard for the buyer's price range. Even a prequalification by phone or e-mail can help. When time for house hunting is limited, a prequalification or preapproval avoids the problem of looking at homes the buyer may not be able to afford.

IF THE BUYER HASN'T MET WITH A LENDER

What if a buyer hasn't met with a lender, but is eager to start looking at houses. You can use a dialogue like the following to estimate the buyer's price range.

- **Agent:**
“Have you talked with a lender about financing?”
- **Buyer:**
“No. Do we have to do that now? We are really eager to look at this list of houses.”
- **Agent:**
“At some point you will need to talk with a lender. A preapproval letter will strengthen your offer and negotiation leverage. For now, just to be sure we're in the ballpark, may I ask you a few questions?”

- **Buyer:**
“Sure.”
- **Agent:**
“Have you thought about how much money you plan on using as your down payment?”
- **Buyer:**
“We’ve got about 5 percent to put down.”
- **Agent:**
“Okay. Let’s use this home’s list price of \$180,000 for an example. That would mean a \$9,000 down payment, leaving you with a \$171,000 mortgage. You’ll need some additional funds for closing costs and other expenses. I’ll cover those later, but I just want to be sure we’ve got all the bases covered.”
- **Buyer:**
“Yes, we have other funds saved for that.”
- **Agent:**
“Then let’s calculate the payment on the \$171,000 mortgage. At 5 percent interest we’re looking at about \$5.00 per thousand per month for principal and interest. That comes to \$855. Taxes on the property are \$3,000 a year and insurance will be about \$1,200, which brings us to a total of about \$1,205 a month. Based on what you were planning to spend, would that work?”
- **Buyer:**
“That will work and we would really like to start looking at houses.”
- **Agent:**
“Great. Let’s go look at some of the houses on your list. When we get back, we can talk about meeting with a lender to fine-tune all of the numbers.”

PENFED FOUNDATION DREAM MAKERS GRANTS FOR FIRST-TIME HOME BUYERS

The Pentagon Federal Credit Union Foundation offers first-time military home buyers two-to-one matching grants up to \$5,000 for down payments and closing costs. The home buyer doesn't have to be a PenFed member to benefit from Dream Makers, and the grant can apply to a mortgage from any financial institution.

► Eligibility

- Military (Active Duty, Reserve, National Guard or Veteran), a Department of Defense employee, or a Department of Homeland Security employee.
- First-time home buyer, have not owned a home for the last three years, or lost a home through divorce or disaster.
- The gross annual income of all applicants used to qualify for mortgage is no more than 80 percent of area median income, adjusted for family size.

► Dream Makers Grant Application Process

- Applicants start by deciding the amount of money they can contribute in down payment and closing costs. The minimum applicant contribution is \$500.
- The applicant's contribution plus the Dream Makers grant must be at least 3 percent of mortgage amount.
- The Dream Makers program matches the applicant's contribution two to-one, up to a maximum of \$5,000.
- Applicants must attend a home-buying educational seminar in the area or online.

An applicant can apply for a Dream Makers grant online—even before starting to look for a home or selecting a mortgage company. For more information on eligibility (including applicable medium income and contribution limits) and the application process, go to <https://penfedfoundation.org/apply-for-assistance/dream-makers>.

ESTIMATE INCOME CONSERVATIVELY

The conservative approach is to calculate how much the buyer can afford on the basis of base salary and applicable BAH rate. Incentive pay, such as for deployment and hazardous duty, won't always be available. Base the figure on what the service member would be paid when at home. Likewise, with a dual military couple: they each receive BAH pay at home, but one spouse's BAH pay is lost when deployed and assigned to base housing. A look at the last couple of Leave and Earnings Statements might not tell the whole story if the service member is deployed and it would be wrong to assume every lender can make this distinction.

MAINTAINING A GOOD CREDIT RATING— A WISE CAREER MOVE

For active duty service members, prudent financial management and a good credit rating are a wise career moves. Financial problems can compromise a service member's security clearance.

Get Ready for Power Shopping

Military families want to make the most of their time and resources for house hunting. The military allows the service member up to 10 days of permissive leave for house hunting at the new location. Expenses for the trip, however, are not reimbursed, so the service member must pay the trip expenses out of pocket. Some service members may wait until they have signed out of the losing station and signed in at the gaining station to schedule house-hunting leave while they stay in temporary housing. Sometimes a family isn't able to make a house-hunting trip before arriving at their new base. When that happens, the family may be living in very cramped on-base temporary lodging—typically a one-bedroom, one-bath apartment with a small kitchen area and living area. Imagine what it's like for a family with children, especially infants or toddlers, to fit a crib into the already cramped space, use a pull-out couch for additional sleeping space, and try to house-hunt too. They will want to get settled into a home quickly. Often the service member may stay behind and the spouse (usually the wife) travels to the new station for house hunting on her own. Whatever the circumstances, the combination of a limited time off and out-of-pocket travel expenses ups the ante on finding a home—fast!

- **Block out time.**

PCS-ing buyers tend to be power shoppers—decisive and objective oriented. They may arrive at your office with a list of properties they want to see. They have a lot to accomplish in a short time, so block out time for them.

- **Remember creature comforts.**

Be sure to schedule breaks for snacks and meals during an intense day of house hunting. If the family has small children, offer to help arrange a baby-sitting service so that the parents can focus on looking at properties.

- **Don't look for a dream home.**

Given the compressed time frame most military families have for making a PCS move, there isn't time to spend weeks looking for a "dream home." The objective is to find a suitable home and set up a functioning household.

- **Jog the memory.**

You'll be looking at a lot of houses in a short time and remembering the details can be daunting. Consider asking a colleague to come along to video or photograph houses. Be sure to ask for the seller's permission before photographing the interior. This is especially helpful if one spouse is looking on her own—images and videos can be shared with the absent service member. Come up with a memorable label for various properties, such as the "pink kitchen" or the "picket fence."

➤ **Avoid fixer-uppers.**

Military families need to set up a functioning home fast so a home that needs a lot of repairs probably isn't the best choice, particularly if deployment is likely. Furthermore, if the buyer plans to use VA financing, the mortgage may not be approved if major repairs are needed.

➤ **Avoid REOs or short sales.**

Military buyers usually don't have the time to get involved in a distressed property sale—REO, foreclosure, or short sale—especially if the property is in run-down condition.

➤ **Trust first reactions.**

When looking at houses, don't linger if a particular house doesn't feel right, move on. And don't be reticent if you think the buyers are looking in the wrong area; they need your input.

➤ **Preview properties.**

For a family who must move to a new home sight unseen, offer to preview properties (on a hold-harmless basis) and send videos. Be sure the videos are posted in a secure site that can be viewed only by the buyer, such as private videos on YouTube.

➤ **Highlight what's standard.**

What are standard property features in the area and what fetches a premium? For example, central air conditioning may be a standard property feature in hot climates, but not in cooler ones.

➤ **Inform about local requirements.**

Make the buyer aware of local regulations, such as required inspections and point-of-sale requirements. Help the buyers learn how to live in the environment by providing information on environmental do's and don'ts, water restrictions, allergy and air quality, and precautions during extreme weather events.

➤ **Stay flexible.**

The buyer's preferences and wants may change during the experience of viewing available properties.

Absent Spouse

When spouses are house shopping together, each usually has things that are important to them that the other really doesn't care about or consider deal-killers. One says "as is" is okay, the other says "no way." Imagine what can happen when the service member's spouse must conduct the house search on her own. When one spouse is absent, the real estate professional must be hyper alert to the condition of the house and point out the potential issues with the property.

Whenever possible, find ways to involve the absent spouse. For example, Facebook is a popular way for military families to stay in touch. A survey by the Blue Star Families organization found that more than 70 percent of military families use social media for communicating with their absent service members during deployments.

POWER OF ATTORNEY

When the service member is absent, the spouse will need a power of attorney in order to make an offer or sign a purchase contract. Deploying service members routinely sign a general power of attorney before departure. State regulations, however, may require a more specific power in order to commit to and close the transaction or apply for a mortgage. You also should know your state's regulations on acceptability of electronic signatures on real estate documents. Knowing your state's regulations will help you guide buyers and sellers and streamline the transaction process when the service member is absent.

Making an Offer

When a military family has a brief window of time to house-hunt, they may have to leave before knowing if an offer has been accepted. In order to keep the transaction moving along, recommend military buyers have Plan B and Plan C property offers prepared in case Plan A falls through.

PACK A HOUSE-HUNTING READINESS KIT

Military buyers need to be prepared to move fast when they find the right house.

Suggest that buyers bring the following:

- ▶ Lender's preapproval letter
- ▶ W-2 forms (member and spouse) for the past two years
- ▶ At least the two most recent months of Leave and Earnings Statements and spouse's pay stubs

- ▶ Copies of statements for at least the two most recent months of savings and checking accounts and any other accounts that may be used for earnest money and down payments
- ▶ Checkbook
- ▶ General or real estate specific power of attorney for an absent spouse
- ▶ Digital camera, video camera, or smartphone

NO MULTIPLE OFFERS

Novice homebuyers may think that it's a good idea to make several simultaneous offers and see which gets accepted first. Make sure that they understand that an accepted offer is a contract and simultaneous offers could leave the buyers on the hook for every acceptance.

CONTRACT LANGUAGE FOR VA BUYERS

If the buyer intends to use VA financing, the purchase contract must contain the following clause:

It is expressly agreed that, notwithstanding any other provisions of this contract, the purchaser shall not incur any penalty by forfeiture of earnest money or otherwise be obligated to complete the purchase of the property described herein, if the contract purchase price or cost exceeds the reasonable value of the property established by the Department of Veterans Affairs. The purchaser shall, however, have the privilege and option of proceeding with the consummation of this contract without regard to the amount of the reasonable value established by the Department of Veterans Affairs.²¹

This VA Option clause allows the VA borrower to back out of a deal without penalty if the property appraises for less than the sales price or reasonable value. If the buyer decides to switch from VA financing to a conventional mortgage, this escape clause may not offer protection.

²¹ Lenders Handbook—VA Pamphlet 26-7, Chapter 9, U.S. Dept. of Veterans Affairs, www.benefits.va.gov/homeloans.

Negotiation Strategy

Military buyers generally do not have a lot of time for incremental negotiations. A couple of rounds of negotiations may be okay, but protracted back-and-forth negotiation uses up valuable time. The real estate professional can help buyers or sellers plan a negotiation strategy with specific time frames and goals and realistic expectations.

STRATEGIES FOR BUYERS

When buyers have a short time to find a home and negotiate a purchase contract, help them develop Plan A, B, and C offers. If the buyers have to leave town before receiving an acceptance or response to the Plan A offer, Plan B and C offers will be ready to implement.

Strengthen buyers' leverage by:

- Offering a fast closing date
- Obtaining a mortgage preapproval (if applicable)
- Buying “as is” with few contingencies

Factors that can weaken a buyer's leverage include:

- Time pressure
- Request for seller to help with closing costs
- Low cash reserves

STRATEGIES FOR SELLERS

Help sellers formulate a pricing and negotiation strategy based on realistic expectations of time on market and the competition—how many similar homes are on the market at the same time? Ask how much equity the seller has in the home and how much is needed in net sale proceeds for the next purchase.

Strengthen sellers' leverage by:

- Adjusting the price for cost of repairs or replacement of major items
- Contributing toward the buyer's closing costs
- Offering a fast closing
- Offering a home warranty
- Offering a mortgage assumption to qualified buyers

Factors that can weaken a seller's leverage include:

- ▶ Low equity with little room for price negotiations
- ▶ Delayed maintenance
- ▶ Competition from similar properties on the market

Contract to Closing

Real estate professionals can provide a valuable service for military buyers who cannot be present to monitor all the steps between contract and closing. The real estate professional can help make sure the buyers complete all the necessary steps to bring the transaction to an on-time close.

PROPERTY INSPECTIONS

A real estate professional can provide a list of local inspectors and facilitate scheduling and access to the property but should not stand in for the buyer during the inspection. After the inspection is completed, schedule a conference call with the buyer and the inspector to go over the report.

Post-Transaction Support

You can help military families settle into the new community by connecting them with community support, services, and contacts. Base support services do a good job of dealing with military issues, like holdups in pay or allowances, but they aren't equipped to handle handyman issues or house maintenance of private homes. Make sure military buyers know that you can help them find services for home repairs and maintenance as well as community services, such as local support groups for military families.

The military family you help with a home purchase today will likely be a home seller in a couple of years. When they think real estate, you want to be the “go-to” real estate professional.

The Last PCS

When a service member completes a service commitment—Expiration of Term of Service (ETS)—the military will pay for a move back to the Home of Record, usually where the service member joined up, within six months of the date of separation. Relocation benefits for retirees are more generous. Retirees have one year to take advantage of moving benefits and the military will pay for a move anywhere within the United States including Alaska and Hawaii. DLA is not paid on the last move.

Whether the service member moves to or from your market area or retires in place, there are business opportunities for the real estate professional. For many service members, retirement means ending their military service, but not their work life. For example, a retiree may choose to stay close to the base to take advantage of second-career possibilities with defense-oriented businesses and contractors in the area. Retirees can also take advantage of base services like health care and commissary and PX shopping.

Is there an opportunity for real estate professionals when service members retire in place? A service member could have lived in military housing for an entire service career and be a first-time home buyer upon retirement.

Involuntary Separation

On an individual basis the service branches may downsize through attrition—retirements and end of service term—or forcing service members out through involuntary separation or denial of reenlistment.

Service members cannot stay at the same rank and pay grade indefinitely. If not promoted within the time frame known as retention control point or high year of tenure, the service member must leave. Promotions from grades E-1 through E-4 are usually automatic, but promotions to E-5 upward depend not only on personal qualifications and performance but also quotas and available vacancies. The service member is “in line for a promotion” until someone else is promoted or leaves. Furthermore, reenlistment is not an entitlement; it must be approved by an Enlistment Retention Board, which can deny the service member’s application.

A reduction in force can come unexpectedly and on very short notice, even when the service member’s performance is good. As when civilians are laid off, an involuntary separation has serious and immediate financial consequences, notably loss of pay, housing allowance, and military family support.

A service member with 20 or more years of service can be forced into retirement and begin receiving pension benefits. Service members with 6—20 years of service may be eligible for severance pay based on rank and number of years of service.

The base Transition Assistance Program (TAP) guides the service member through the steps and processes for separation. Space permitting, service members and their families may remain in military housing for up to 180 days after the separation date. For one year after separation, the military will pay for storage of household goods and shipment to a home of the service member’s choice. Permissive Temporary Duty (TDY) may be authorized to facilitate transition to private sector employment and accomplish relocation activities like house hunting.

BASE REALIGNMENT AND CLOSING (BRAC)

The military downsizes its infrastructure through base closings and consolidations as well as relocation of groups of personnel. Bases that contribute little to the military mission or have shortcomings such as civilian encroachment that hamper training or environmental restrictions are prime candidates for closing. News about base closings and realignments at www.acq.osd.mil/brac.

What Happens If a Base Closes?

A base closing—announced or imminent—sends local real estate values into a tailspin. Military homeowners, forced to sell in a declining market, face big losses on the market value of their homes.

HOMEOWNER ASSISTANCE PROGRAM (HAP)

If a base closure or realignment action is announced and a drop in real estate values can be directly attributed to the announcement, the Congress may appropriate funds for a Homeowner Assistance Program (HAP).

A key part of the process is an effort to sell the home at the best possible price. The home must be listed, actively marketed, and available for purchase for a minimum of 120 days. In fact, HAP participants are encouraged to list their homes with real estate professionals to increase chances of finding buyers.

If an applicant is eligible and funding is available, HAP may provide financial assistance under one of the following three circumstances:

- **Private sale**

HAP pays the difference between 95 percent of the home's fair market value prior to the public announcement date and the selling price. HAP may reimburse customary closing costs including a real estate commission.

- **Government acquisition**

HAP pays the greater of 75 percent of the home's fair market value prior to the public announcement date or the mortgage(s) payoff amount. No real estate commission is paid for a government acquisition.

- **Foreclosure**

HAP pays the lien holder for legally enforceable liabilities.

- What are the issues involved in this scenario? As buyers? As sellers?
- What questions would you ask?
- If the Maddox family is your buyer-client, what would you do to help them settle into the new community?

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on the right side, suggesting it's resting on a surface.

- ▶ What are the issues involved in this scenario?
- ▶ What questions would you ask?
- ▶ How would you help Ed and Marlene analyze the rent-or-buy decision?

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Corporal Michael and Jennifer Reyes, a young

- What are the issues involved in this scenario?
- What questions would you ask?
- What guidance would you offer the Reyes family as first-time home buyers?

- [illegible]



Like their civilian counterparts, service members sometimes struggle to manage family finances. They grapple to find affordable housing, balance household expenses, manage debt loads, and maintain a two-income household. Many of the newly enlisted service members are young, away from home, on their own, and receiving a regular paycheck for the first time, but have little experience with personal financial management.

Despite support provided to military families, active duty service is not a high-paying job for most service members. For example, a corporal (grade E-4) stationed at Ft. Bragg with four years of experience and dependents earns a little over \$44,000 a year including BAH.

The good news for active and former service members is the availability of home mortgage financing backed by the U.S. Department of Veterans Affairs—VA financing, for short. VA financing puts home ownership within reach by enabling service members to:

- **Purchase sooner.**

In an era of tight underwriting standards, VA financing is one of the few options available for no-money-down mortgage financing. The service member doesn't need to save up a stash of cash for a down payment.

- **Increase buying power.**

Allowable loan-to-value and debt-to-income ratios are more generous than for conventional financing.

VA Home Loans—Some Misperceptions?

- **VA entitlement guarantees 100 percent of an eligible borrower's mortgage.**
The VA guarantees a portion of the loan—up to 25 percent--so that the borrower can avoid making a down payment.
- **The VA provides the funds for lenders to make VA loans.**
The VA guarantees the home loans that are made by lenders but does not provide the funds or purchase the mortgage from the lender.
- **The VA mortgage entitlement can be used only once.**
When the home securing the loan is sold and the loan paid off, the borrower's entitlement is restored for a future transaction. Veterans who had a VA loan in the past may still have remaining entitlement to use for another VA loan.
- **The VA limits the amount a buyer can borrow.**
VA does not limit loans, only a maximum that can be borrowed with zero down payment.
- **VA mortgages can be used only to purchase, not to refinance.**
The VA Interest Rate Reduction Loan (IRRL) enables refinancing.
- **The VA guarantees all service members qualify for a loan.**
Borrowers must be credit worthy and meet the lender's criteria.
- **The VA guarantee will pay off the mortgage if the borrower dies.**
The surviving spouse, co-borrower or deceased borrower's estate assumes responsibility for paying off the mortgage.
- **VA financing is always the best deal.**
Usually, but not always. VA funding fees, in addition to the lender's fees, may make the VA loan the most expensive option.
- **VA financing is available only for single-family homes.**
The property can be a condo, townhome, or manufactured home.
- **VA purchasers cannot work with buyer's representatives.**
VA-purchasers may be represented by, but cannot compensate, buyer's representatives.

WHAT YOU NEED TO KNOW

Presentation of the following content is not intended to make students experts in VA financing. The focus of the chapter is on familiarizing real estate professionals with the basic principles and processes of VA financing, such as eligible borrowers and properties, financing costs, and the loan application process. As a real estate professional, you can perform a valuable service by helping buyers and sellers recognize and evaluate situations in which VA financing could be a factor, think through the pros and cons, and seek out a knowledgeable lender.

Benefits of VA Home Loans

- No down payment as long as the sale price does not exceed the appraised value
- Loan-to-value ratio of 100 percent
- Back-end debt-to-income ratio of 41 percent or more under certain circumstances²²
- No private mortgage insurance
- Limits on closing costs, which may be paid by the seller
- No penalty for early payoff
- Loan is assumable by another qualified veteran borrower
- May apply for a new loan two years or sooner after a bankruptcy

²² The VA relies on residual income—the money left over after payment of all major expenses—in place of a back-end ratio. Lenders, however, look at both debt-to-income (DTI) and residual income. A higher DTI may be permitted if offset by residual income. See the Resources section.

Steps in the VA Home Loan Process

Aside from the upfront paperwork to prove eligibility and entitlement and use of a VA appraiser, the application process for a VA financing is not much different from any other type of mortgage loan. The basic steps in the process are:

- 1. Determine eligibility and entitlement**
Obtain a Certificate of Eligibility and proof of service.
- 2. Qualify for the VA home loan**
Prequalification can speed up the approval process. Buyers should look for lenders who welcome military borrowers and know VA financing procedures. It pays to compare loan costs and terms.
- 3. Find the right home, make an offer, sign a sales contract**
The home must be a primary residence, single-family, condo, or maximum four-unit multifamily (owner must occupy one unit). Manufactured homes qualify. No vacation homes, businesses, or farms.
- 4. Arrange home inspections**
The property must be safe, structurally sound, and have functioning mechanical systems. The buyer should accompany the inspector. Not required by the VA.
- 5. Request a property appraisal**
The VA Regional Office assigns an appraiser. The appraiser may or may not know the local market. If the appraised value is less than the loan amount, the borrower can make up the difference in cash.
- 6. Obtain homeowner's insurance**
Like conventional loans, homeowner's insurance is a requirement for closing.
- 7. Pay fees and closing costs**
The seller may provide concessions up to 4 percent of the property's value, including the funding fee, and pay closing costs.
- 8. Close the sale**
The buyer pays the VA funding fee and lender's origination fee or itemized expenses. The real estate professional's commission must be paid only by the seller.

Determine Eligibility and Entitlement

The first step in qualifying for a VA loan is verifying that the service member's or vet's term of service meets requirements. In general, a peacetime service requires a longer term of service than war time. Veterans must have an honorable discharge. Only the VA can determine eligibility, but the following charts provide general guidelines for informational purposes.

Figure 3.1 Service Members

	Date of Service	Required Length of Service
Active duty	While service member remains on active duty	90 days

Figure 3.2 Veterans, Honorably Discharged

Era	Date of Service	Required Length of Service
WW II	9/16/1940 to 7/25/1947	90 days
Post WW II	7/26/1947 to 6/26/1950	181 days
Korean	6/27/1950 to 1/31/1955	90 days
Post Korean	2/1/1955 to 8/4/1964	181 days
Vietnam	8/5/1964 to 5/7/1975	90 days
	2/28/1961 to 5/7/1975 for those who served in the Republic of Vietnam	
Post Vietnam	5/8/1975 to 9/7/1980 Enlisted 5/8/1975 to 10/16/1981 Officers	181 days
24 month rule	9/8/80 to 8/1/1990 Enlisted 10/17/81 to 8/1/1990 Officers	24 continuous months or full period (minimum of 181 days) on active duty
Gulf War	8/2/1990 to Present	24 continuous months or full period (minimum of 181 days) on active duty

Figure 3.3 Others

Others	Required Length of Service or Eligibility
Reserves and Guard	6 years in selected reserves OR 90 days if the service member has served in Iraq or another area because of mobilization under “Title 10.”
Surviving unmarried spouse	No time requirement. Veteran must have died on active duty or from a service-connected disability. A spouse who remarries after age 57 and/or after 12/16/2003 may also be eligible.
Spouses of POWs and MIAs	Spouse of an active duty service member listed as MIA or a POW for at least 90 days. Provision limited to one time only.

PROOF OF SERVICE

Active Duty

Active duty service members, as well as active reserves, and guard, must obtain a statement of service signed by the adjutant, personnel office, or commander of the unit. There is no specific form used by the military for a statement of service, but it is typically on military letterhead and often computer generated. The statement must include the service member’s full name, Social Security number, entry date on active duty, and the name of the command providing the information.

Reserve and Guard (discharged)

Discharged members of the reserves and guard may submit NGB Form 22, Separation and Record of Service or an annual retirement points summary. For a veteran who served in the reserves or National Guard the only acceptable discharge is honorable.

Veterans

Discharged veterans must obtain DD Form 214, Certification of Release or Discharge from Active Duty. Veterans must have an honorable or general discharge from the service in order to qualify for VA financing. An other-than-honorable discharge does not automatically disqualify a veteran for benefits; the VA reviews these on a case-by-case basis to determine the conditions of the individual’s service and release.

LOST OR DESTROYED DISCHARGE PAPERS?

What if the vet's discharge papers have been lost or destroyed? Upon separation from military service, the service member's Field Personnel File is sent to the National Personnel Records Center (NPRC) in St. Louis, Missouri. The NPRC stores millions of military personnel records from all branches of the services from World War I to the present.

A vet may contact the NPRC to obtain a Certificate of Military Service, which substitutes for the actual discharge papers. The request for records, GSA Form SF-180, may be initiated online at www.archives.gov/veterans/military-service-records. A follow-up faxed or mailed application with signature will be required. If mailed, use the address specified in the instructions on GSA Form SF-180. This form is **not** processed by the VA.

Determine Entitlement

The fastest way to verify eligibility and determine the amount of entitlement is the VA's eBenefits website. (www.ebenefits.va.gov/ebenefits/homepage). The vet can check loan benefits and entitlement and print out a Certificate of Eligibility (COE). A lender can assist the vet in obtaining a copy of the COE through WebLGY, the Loan Guaranty Service's system of records. If the veteran is unable to obtain the COE through one of these methods, then the loan applicant may contact the VA Eligibility Center by mail at P.O. Box 100034, Attn. COE (262), Decatur, GA 30331. For more assistance options, including online chat, the veteran can go to www.ebenefits.va.gov/ebenefits/contact.

CERTIFICATE OF ELIGIBILITY

The Certificate of Eligibility serves as a determination of eligibility and the amount of entitlement—how much the VA will guarantee on the loan. The borrower's maximum available entitlement is verified by means of *VA Form 26-1880 Certificate of Eligibility* (COE) issued by the U.S. Dept. of Veterans Affairs. The certificate is mailed to the applicant.

The amount of entitlement available is clearly stated on the COE. For example:

This veteran's basic entitlement is \$_____. Total entitlement charged to previous VA Loans is \$_____.

Does Bankruptcy or Foreclosure Disqualify a Borrower?

Another misperception about VA financing is that bankruptcy or foreclosure disqualifies a VA borrower for future loans. Foreclosures and bankruptcies do not automatically disqualify borrowers for future loans. In fact, VA financing guidelines shorten the bounce-back time two years or less depending on the circumstances, compared to a 2–4 year wait time for conventional loans.

During the time-out period the borrower must do more than just wait around. Because bankruptcies and foreclosures sink credit ratings and hang around on the credit history, concerted efforts must be made to re-establish credit and demonstrate an on-time payment record.

Some lenders distinguish between Chapter 7 and Chapter 13 bankruptcies. The wait time after a Chapter 7 bankruptcy (liquidation of assets and discharge of unsecured debts) is usually two years. A Chapter 13 bankruptcy (reorganization and repayment of debts) generally requires a one-year time-out. Following either type of bankruptcy, the borrower must show a good history of on-time payments, with certain exceptions.

Approval in less than one year is unlikely unless the circumstances causing the financial difficulties are beyond the borrower's control, such as unemployment or medical bills.

Ultimately, the lender makes the loan, not the VA. Regardless of the VA's guidelines, the borrower must meet the lender's standards for creditworthiness, and the lender decides whether to approve or deny the loan.

After a foreclosure, the amount of entitlement that was used to finance the home cannot be reused, unless the veteran repays the debt established as a result of the claim paid to the lender. Remaining entitlement, if any, can be used for a new loan.

Find the Right Home

The VA requires the borrower to occupy the home as a primary residence. The property can be a single-family home, condo, townhome, manufactured home, or a unit in a multi-family building of four or fewer units.

VA Minimum Property Requirements (MPRs) require the property to:

- Be safe, structurally sound, and sanitary with adequate capacity and quality.
- Comply with the standards considered acceptable for a permanent home in its locality.
- Have mechanical systems that are safe to operate and protected from destructive elements.
- Have reasonable future utility, durability, and economic life.
- Manufactured home must:
 - Be classified and taxed as real property.
 - Meet VA minimum property requirements.
 - Conform to applicable building code and zoning requirements for real estate.
 - Be properly affixed to a permanent foundation.

In addition to a home purchase, a VA-guaranteed loan may be used to:

- Build a new home.
- Repair, alter, or improve a home.
- Simultaneously purchase and improve a home.
- Install energy-efficiency improvements.
- Buy a manufactured home and lot.
- Buy and improve a lot on which to place an already owned and occupied manufactured home.
- Refinance a manufactured home loan in order to acquire a lot.
- Refinance to reduce interest rates.
- Refinance to take cash out.

Properties **not** eligible for VA financing include second and vacation homes, businesses, and farm land.

CONDOMINIUMS MUST BE VA-APPROVED

Condominium projects must be VA approved in order to qualify for financing. The condo or homeowners association applies through the VA Regional Loan Center (RLC) which conducts the review. Approved condominium projects are listed in a central database. Once approved, a condo is approved for life unless there are substantive changes.

VA approved condominiums are listed in an online database at <https://lgy.va.gov/lgyhub/condo-report>. In order to search the database, enter the name of the condominium association, not name of management company name. Or, search by the city, state, county and look through the “Summary” list. Listings may be by condo association name, address, tax ID number, or parcel or map number. If the status is “Accepted Without Conditions”, the condo is VA-approved. If the status is “Unaccepted”, the condo was reviewed and rejected for VA-approval. If it is not listed, the condo association may have chosen not to apply or never applied for approval.

Two factors that can prevent VA approval include leasing restrictions and right of first refusal or option on sales. Leasing restrictions may include factors such as a leasing cap, board review of leases, a minimum ownership period before renting, or rental terms of less than one year. A condo association that reserves the right to deny a sale or purchase a unit at the contract price may opt not to apply for VA approval.

The VA does not charge a fee for reviewing an application for approval, however an attorney’s services usually speeds up the review process. The list of documents to be included in the application package can be found in Chapter 16 of the VA Lender’s Handbook. Response time, which varies between RLCs, may be a few weeks to a few months. The applicant can contact the RLC for the state for information on expected response time.

Applying for the Loan

The complexity of VA financing requires a lender who is familiar with the systems and procedures. High-volume lenders may be authorized by the VA to approve loans, which can speed up the application process.

There are two ways a lender can process the loan approval:

- **Prior approval**

Lenders without automatic approval must submit all loans to the VA for prior approval, except for IRRLs made to refinance loans that are not delinquent. All lenders must submit loan packages on certain types of VA loans. The lender takes the application, requests a VA appraisal, and verifies the veteran's eligibility, income, and credit record. All this information is assembled in a loan package and sent to the VA for review. If approved, the VA issues a guaranty commitment to the lender. The lender then closes the loan and reports the closing to the VA. Assuming the loan meets VA requirements, the lender receives a Loan Guaranty Certificate (LGC).

- **Automatic**

Automatic lenders participate in the Lender Appraisal Processing Procedure (LAPP) which expedites processing of VA appraisals. In automatic processing, the lender still orders a VA appraisal, but has the authority to make the credit decision on the loan without VA approval. With the LAPP, the lender's own VA-authorized Staff Appraisal Reviewer (SAR) reviews the appraisal report online using the Central Appraisal Management System and issues the Notice of Value. The biggest difference between prior approval and automatic processing is the time saved waiting for the VA's approval before loan closing.

What Does the VA Guarantee?

The VA guarantees the home loans that are made by private lending institutions, such as a mortgage company, savings and loan, credit union, or bank. The VA stands behind the home loan made by a private lender by guaranteeing a portion of the loan. The guaranty assures the lender that losses, up to the amount of the guaranty, will be covered if the borrower cannot make the payments. Because the VA offers this guaranty to lenders, borrowers can avoid a down payment, provided they have sufficient entitlement available.

HOW MUCH IS THE GUARANTY?

The guaranty is not 100 percent of the loan amount. The basic entitlement amount is \$36,000. A second tier of entitlement is available if the loan amount exceeds \$144,000, up to a maximum entitlement of 25 percent of the FHA conforming loan limit for a single-family residence or 25 percent of the VA county loan limit. VA loan limits are the same as the FHA limits

Figure 3.4 Potential Guaranty Amount

Loan Amount	Maximum Potential Guaranty
Up to \$45,000	50% of the loan amount
\$45,000 to \$56,250	\$22,500
\$56,251 to \$144,000	40% of the loan amount up to \$36,000
\$144,000–\$484,350	25% of the loan amount
Greater than \$484,350	Lesser of 25% of the VA county loan limit, OR 25% of the loan amount

Currently, the VA identifies high-cost markets in specific counties in 20 U.S. states and its territories. For up-to-date loan limits, go to are www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp.

VA has no loan limits, only a maximum that can be borrowed with zero down payment. A buyer who wants to borrow more than the loan limit, must pay 25 percent of the additional amount as a down payment.

Internet Field Trip

Let's take a look at VA County Loan Limits. Is your market in a designated high-cost county? What is the maximum VA loan limit for your market area?

VA County Loan Limits

www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx

MAXIMUM A VET CAN FINANCE?

The VA will issue a guaranty on any mortgage amount (if it is supported by the appraisal) that a lender is willing to loan. However, the amount of guaranty is limited. Although the VA does not cap the amount of a loan, several factors combine to establish effective loan limits:

- ▶ Amount of borrower's entitlement
- ▶ Size of loan
- ▶ Location of the property

The "rule of thumb" among lenders is that the VA entitlement, or a combination of the entitlement plus down payment and/or equity, must cover at least 25 percent of the loan. If the purchase price exceeds the reasonable value of the property, the borrower may make up the difference in cash. The veteran, however, should not be encouraged to purchase a property that is appraised for less than the purchase price.

VA FINANCING AS AN OPTION?

VA financing offers many advantages, but service members and veterans should not rule out other types of home loans. It's always a good idea to compare the costs and terms of the VA loan with FHA and conventional financing. The VA loan may be a good value if the buyer does not have cash for a down payment. On the other hand, if a military buyer has adequate cash and can qualify for a conventional loan, making a down payment and avoiding the funding fee may be a better choice.

Request the Appraisal

As with any mortgage application, an appraisal establishes the value of the property. For VA home loans, the VA's WebLGY system assigns the appraiser.

Although anyone (buyer, seller, real estate professional, or lender) can request a VA appraisal, the lender usually initiates the request online through WebLGY. When the request is submitted, WebLGY informs the lender who will do the appraisal and sends the order to that appraiser. Appraisers are assigned on a rotational basis; lenders cannot assign or request a specific appraiser.

VA appraisers assess two aspects of the property:

- ▶ Fair market value
- ▶ Compliance with minimum property values (MPRs)

Although the VA appraisal may identify needed repairs, it is not a substitute for a property inspection and does not guarantee that the house is free of defects.

When the appraisal is completed, the appraiser uploads the completed appraisal report into WebLGY and bills the requester according to a VA-approved fee schedule.

VALUATION BELOW THE SALES PRICE?

What if the market value opinion in the appraisal is below the sales price? VA policy requires the appraiser to notify the Point of Contact (POC)—usually the lender—when it appears that the sales price is not supported by the market data analyzed by the appraiser. This is known as the “Tidewater Process” and allows appraisers to request additional sale information prior to the appraisal being completed. The POC can be whomever the requestor believes most appropriate including the realtor, loan officer/originator, etc. This policy does not allow the appraiser to discuss anything regarding the actual report, such as comparables analyzed or the market value opinion, as such a discussion violates Uniform Standards of Professional Appraisal Practice (USPAP). Nor is it a tacit directive to appraisers to try to “come in at value.” The policy allows parties of interest the opportunity to provide additional sales data that may support the contract price, thus facilitating the process and avoiding Reconsideration of Value situations that slow the loan approval process.

If, after the completion of the appraisal, the appraised value of the property is still low, any party in the transaction may request a Reconsideration of Value. The request must be in writing and sent directly to the appraiser by the lender. VA does not require, but strongly recommends, including additional sales data with the appeal. However, an additional appraisal made by a VA fee appraiser not assigned by the VA can be used to support a request for an increase in value, provided the veteran-purchaser was not required to pay any portion of the cost of the additional appraisal.

THE TIDEWATER INITIATIVE

When it appears that an appraisal will come in lower than the contracted sale price, the appraiser may invoke the “Tidewater Initiative.” This is a VA code word for a procedure that opens a two-day window during which the POC may provide information to the appraiser that may impact the valuation of the property. The “Tidewater Initiative” is named for a solution developed by the VA after a cluster of disputed appraisals originating in Norfolk, Virginia, the Tidewater region. The Tidewater Initiative aims to limit the number of appraisal rebuttals, as well as allow an opportunity—before the completion of the appraisal—to provide information that the appraiser might have missed.

NOTICE OF VALUE

The outcome of the appraisal process is a notice of value (NOV). The NOV issued by a VA or a lender’s Staff Appraisal Reviewer (SAR) is valid, and stays with the property, for six months. Specifically, VA rules state, “a notice of value for property appraised as existing or new construction is valid for six months. Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period. ...A notice of value for a property appraised as proposed or under construction is valid for 12 months.”²³ In a time of rapid market changes, the VA shortens NOV validity dates to allow reappraisal.

APPRAISAL “STICKS” TO THE BORROWER

The appraisal “sticks” with the prospective VA buyer/borrower. If the VA borrower does not go through with the transaction, a new appraisal is done for a future buyer.

²³ *VA Lenders Handbook, Chapter 13, Value Notices*, VA Pamphlet 26-7, Revised, U.S. Dept. of Veterans Affairs, www.benefits.va.gov/warms/pam26_7.asp.

WHAT IF THE PROPERTY NEEDS REPAIRS?

The VA may allow a waiver of some repairs. For example, the veteran may not have time or want to complete repairs identified on the NOV prior to closing on the property. In such instances, the veteran may submit a note to the lender requesting a waiver of the specified repairs. The lender sends the note, along with a note of concurrence, to the VA, who determines if the waiver can be granted. The VA will generally waive minor repairs that do not affect the “safe, sound, and sanitary” rule.

Waiving repairs, however, could lower the appraised value of the property. Since the appraised value assumes completion of repairs, the property value will be reduced by the contributory value of the waived repairs.

Another option is to escrow funds to pay for the repairs after closing. An amount equal to one and a half (1.5) times the estimated cost of repairs must be placed in escrow. For example, if repairs are estimated at \$1,000, the escrowed amount would be \$1,500. After repairs are done, a compliance inspection verifies completion and the funds are released. The lender should contact the VA Valuation Department for approval of escrowing repair funds before closing.

A distressed property in need of extensive repairs probably won't qualify for a VA loan, even if the buyer agrees to purchase the property “as is.”

Pay Funding Fees and Closing Costs

In order to defray costs of administering the VA Home Loan program, borrowers pay a funding fee at time of closing. Fees differ based on type of military service, down payment, first-time or repeat use, and loan purpose. The funding fee may be financed in the loan amount. The following schedule of fees provides a general guideline; VA Home Loan lenders will have up-to-date information on fees.

Figure 3.5 Funding Fees—Purchase and Construction

Service	Down Payment	First-Time Use	Subsequent Use
Veterans, active-duty service members, and National Guard and Reserves	Less than 5%	2.30%	3.60%
	5% or more (up to 10%)	1.65%	1.65%
	10% or more	1.40%	1.40%

Figure 3.6 Funding Fees—Cash-out and Refinance

Service	First-Time Use	Subsequent Use
Veterans, active-duty service members, and National Guard and Reserves	2.30%	3.60%*

* The higher subsequent use fee does not apply if the only prior use of entitlement was for a manufactured home.

Figure 3.7 Funding Fees—Assumptions and Other Loans Percentage*

	Percentage*
Interest Rate Reduction Refinancing Loan (IRRRL)	0.50%
Manufactured Home (not permanently affixed)	1.00%
Loan Assumptions†	0.50%

* The fee is the same for either type of borrower as well as first-time or subsequent use.

† The lender may charge a processing fee of up to \$300 for a loan assumption application plus the cost of a credit report; \$50 of the fee covers the cost of revising ownership records.

Origination Fee

In addition to the VA funding fee, lenders may charge a 1 percent loan origination fee, sometimes called a lender's flat fee, to cover costs like document preparation. The lender may, however, choose not to charge the flat fee and itemize actual costs, which cannot exceed 1 percent of the loan amount. The lender may not do both—charge the 1 percent origination and itemize actual costs. However, the lender may charge the 1 percent flat fee plus the reasonable and customary amounts for any of the “Itemized Fees and Charges” specified by the VA.

FEES THAT MUST BE INCLUDED IN THE 1% ORIGATION FEE

- | | | |
|---|---|-------------------------|
| ■ Additional appraisals and inspections | ■ Interest rate lock-in | ■ Amortization schedule |
| ■ Settlement fee | ■ Attorney fees (work other than title) | ■ Notary fee |
| ■ Escrow, closing fee | ■ Assignment fee | ■ Commitment fee |
| ■ Document preparation | ■ Photocopying | ■ Marketing fee |
| ■ Underwriting fee | ■ E-mail or fax | ■ Trustee fee |
| ■ Processing fee | ■ Photographs | ■ Truth-in-lending fee |
| ■ Application fee | ■ Postage | ■ Tax service fee |

ITEMIZED FEES AND CHARGES

The borrower may pay the following itemized fees in addition to the 1% origination fee:

- | | | |
|-------------------------------------|-------------------------------------|--|
| ■ VA funding fee | ■ Prorated tax and insurance escrow | ■ Well, septic inspection |
| ■ Appraisal fee | ■ Hazard insurance | ■ Express mail fees (refinance only) |
| ■ Discount points | ■ Survey and plot plan | ■ MERS fee |
| ■ Compliance inspection | ■ Title insurance, policy, search | ■ Local variances authorized by the VA |
| ■ Credit report | ■ Environmental lien endorsement | |
| ■ Recording fees, taxes, and stamps | | |

FEES THAT ARE NEVER ALLOWED

Expenses that are never paid by the VA borrower are:

- Attorney fees as a benefit to the lender
- HUD/FHA inspection fees to builders
- Mortgage broker fee
- Real estate professional's commission
- Prepayment penalties

Closing the Sale

SELLER CONCESSIONS

The VA regards seller concessions as anything of value—added to the transaction by the seller or builder—for which the buyer pays nothing additional and that the seller is not customarily expected to pay or provide. Seller concessions cannot exceed 4 percent of the established reasonable value of the property (not the loan amount). The VA views concessions of more than 4 percent as excessive and unacceptable.

Seller concessions include, but are not limited to:

- Payment of the VA funding fee
- Prepayment of the buyer's property taxes and insurance
- Gifts, such as a TV or microwave
- Payment of extra points to provide a permanent interest rate buy down
- Provision of escrowed funds to provide a temporary interest rate buy down
- Payoff of credit balances or judgments on behalf of the buyer

Seller concessions **do not** include payment of the buyer's closing costs or mortgage points as appropriate to the market.

What Buyer's Reps Need to Know

When a buyer plans to use VA financing, the VA's policy regarding compensation for buyer's representatives is quite specific. The VA Lender's Handbook states:

► Brokerage Fees

Fees or commissions charged by a real estate agent or broker in connection with a VA loan may not be charged to or paid by the veteran-purchaser. While use of "buyer" brokers is not precluded, veteran-purchasers may not, under any circumstances, be charged a brokerage fee or commission in connection with the services of such individuals.

Does this mean that a VA financing buyer cannot work with a buyer's representative? The above policy states clearly that VA-purchasers may be represented by, but cannot compensate, buyer's representatives.

HOW ARE BUYER'S REPS COMPENSATED?

The buyer's representative is compensated only by the listing broker through a commission split. Policy Statement 7.23 of NAR's MLS handbook clearly states that "in filing a property with the multiple listing service of a Board of REALTORS®, the participant makes a blanket, unilateral offer of compensation to the other MLS participants and shall therefore specify on each listing filed with the service the compensation being offered by the listing broker to the other MLS participants."

CAN THE COMPENSATION BE CHANGED?

A buyer's representative cannot use the purchase offer to increase the amount of compensation paid by the listing broker. For example, when filling out the contract form to make an offer, the buyer's representative cannot write in a higher commission than that stated by the listing broker. Remember, the purchase offer is a contract between the buyer and seller, not the brokers or their agents. Professional Standards Article 16, Standard of Practice 16-16 states that a REALTOR® "shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation." Refusing to present an offer unless the listing broker agrees to increase the compensation also runs afoul of this Standard of Practice: "...nor make the submission of an executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation."

Cooperating brokers are responsible for finding out whether and how much they're going to be paid. Any discussion about changing the amount of offered compensation must be broker to broker. Standard of Practice 3-1 states that, "terms of compensation, if any, shall be ascertained by cooperating brokers before beginning efforts to accept the offer of cooperation." The time to discuss

increased cooperative compensation is well in advance of writing a purchase offer, preferably before showing a property. Any change should be documented by a separate written compensation agreement with the listing broker.

Refer to the Resource section of this manual for the relevant MLS Policy Statement and Code of Ethics Standards of Practice.

Selling Restores Entitlement

Some borrowers believe (incorrectly) that the VA entitlement can be used only once. In fact, when the home securing the loan is sold and the loan paid off, the borrower's entitlement is restored for a future transaction. A veteran's entitlement can be restored and reused for future VA loans under the following conditions:

Basic restoration of entitlement

- The property securing the VA-guaranteed loan has been sold and the loan has been paid in full.
- An eligible borrower has agreed to assume the outstanding loan balance, with VA approval, and substitute his entitlement for the same amount originally used on the loan.

Special restoration of entitlement

- The prior VA loan has been paid in full and the veteran applies for a refinance loan to be secured by the same property that secured the prior VA loan.
- If the prior VA loan has been paid in full but the property has not been disposed of, the veteran may obtain a one-time restoration of the entitlement used on the prior loan in order to purchase a different property. This one-time restoration will be reflected on the veteran's COE. Any future restoration will require disposal of all property obtained with the VA loan. This option is helpful when a transferred service member wants to purchase a new home before the prior home is sold.

Unused Entitlement

- If the entire entitlement is not locked up in the borrower's current home, unused entitlement may be used for a subsequent loan.
- The Certificate of Eligibility states the amount of remaining entitlement, if any.

Sale with VA Mortgage Assumption

A benefit of a VA loan is the possibility of assumption by another eligible VA or any qualified borrower. During times of high interest rates and tight credit, an assumable mortgage can make a home more attractive to VA buyers.

A loan assumption doesn't pave the way for a buyer with credit problems to qualify for a loan and purchase a home. The buyer-assumer must:

- ▶ Qualify in terms of income and creditworthiness.
- ▶ Have enough entitlement to substitute for the seller's entitlement.
- ▶ Intend to live in the property as a primary residence.

Assuming a loan with a lower than current interest rate and more attractive terms may be a good strategy, but the buyer needs to weigh the pros and cons. If cash outlay exceeds 20 percent and interest rates are higher than currently available, it's probably not a good deal.

- ▶ **Advantages for the buyer-assumer:**

- Lower funding fee
- Closing costs may be lower, no mortgage points
- Possible to obtain a better interest rate than current rates
- Fewer years to pay off the mortgage (the seller has already been paying on the mortgage for a number of years)

- ▶ **Disadvantages for the buyer-assumer:**

- Possible need for extra cash or another loan to buy the seller's equity (down payment, accumulated principal payments, and value appreciation)
- Cash outlay could be larger than making a down payment
- No choice of the type of mortgage—ARM or FRM
- If the mortgage is an ARM interest rates could increase
- Required to substitute entitlement for the seller's

Compared to the fee for a mortgage origination, the funding fee for a loan assumption is a bargain. For a repeat buyer who would be facing a 3.6 percent funding fee, the opportunity to assume a mortgage for a .50 percent funding fee on the remaining mortgage balance offers a significant savings. The buyer-assumer should, however, compare interest rates, down payment, closing costs, and the funding fee for a new loan with the cash outlay for buying out seller's equity, funding fee, interest rate and terms of the assumed mortgage, and remaining term on the loan.

Let's look at an example. A buyer purchased a home for \$150,000 with a 5 percent down payment and took out a 30-year fixed-rate mortgage for \$142,500 at 4 percent. In the three years the buyer has owned the home, property value appreciated at an annual rate of 3 percent. The amount of cash necessary to buy out the seller's equity would be about \$29,919.

Loan Assumption	Purchase with New Mortgage
\$7,837 principal payments for 3 years + \$13,909 value appreciation + \$7,500 down payment = \$29,246 seller's equity + .50% funding fee \$673 (on unpaid balance)	\$163,909 appreciated value 5% down payment \$8,195 + 1.5% funding fee \$2,335 + 2 mortgage points \$3,114
Potential cash outlay \$29,919	Total cash outlay \$13,644

The VA doesn't require the buyer-assumer to buy out the seller's equity, but the seller may expect it. On the other hand, the seller may just want to get out of debt.

Of course, both scenarios involve closing costs not reflected in the example. Although closing costs for a new loan usually exceed costs for an assumption, the latter may require the buyer-assumer to come up with significantly more cash at closing.

NO HANDSHAKE DEALS

The VA or an authorized lender must approve assumptions of loans. Failure to obtain the necessary approvals for a loan assumption can have dire consequences: it could trigger a due-on-sale clause or immediate foreclosure. Some lenders—usually high-volume VA lenders—have automatic authority to approve loan assumption transactions. If the lender does not have automatic authority, a complete credit package must be submitted to the VA for underwriting.

RELEASE OF LIABILITY AND ENTITLEMENT

An assumption involves both a release of liability and a release of entitlement for the seller.

- Release of liability happens when the VA or authorized lender approves the assumption. Without a release of liability the seller remains responsible for the mortgage if the buyer-assumer defaults on the loan.
- The release of entitlement happens when the buyer-assumer substitutes his own entitlement for that of the seller. Without the release, the seller's entitlement stays locked up in the property and reduces the amount available for the next transaction.

VA Compromise (Short) Sale

A compromise sale is the VA terminology for a short sale. The VA compromise sale program can help a borrower out of a tough financial situation and saves the VA the trouble and expense of a foreclosure.

The main requirement for VA approval of a compromise sale is severe financial hardship that prohibits a borrower from meeting mortgage obligations and forces a sale for less than the balance due on the mortgage.

Qualifying hardships include:

- Major medical expenses
- Decrease in income
- Death of one of the principal wage earners in the household
- PCS/involuntary relocation

In addition to the hardship requirement, the sales must meet the following criteria:

- The home must be sold for current market value.
- Closing costs must be “reasonable and customary.”
- The compromise sale must be less costly for the VA than foreclosure.
- The home must have no other liens—other lien holders must agree to write off or convert the lien to personal debt.

If the borrower has any significant assets, the VA may require that they be sold or cashed in to help offset the mortgage deficiency.

HOW DOES A COMPROMISE SALE WORK?

When a qualifying homeowner must sell and the home's current market value falls below the loan payoff amount, the homeowner can ask the VA to approve a compromise sale. High-volume lenders usually have a Loss Mitigation Department authorized by the VA to review, approve, and process compromise sales. If approved, the VA will pay the difference between the mortgage balance and the sale proceeds.

The VA pays the mortgage company the difference between the sale proceeds and the mortgage balance up to the amount of the maximum guaranty. The lender files a claim after the sale is complete. The lender agrees not to pursue the borrower for any unrecovered balance.

WHAT CAN YOU DO?

The real estate professionals can perform a valuable service by helping the seller assemble the compromise sale package. The package should include:

- Purchase offer with a contingency stating that the sale is subject to VA approval and that the home is listed at current market value
- Good Faith Estimate (GFE) of closing costs
- Financial statement with supporting documentation
- Hardship letter
- Compromise Sale Agreement (available from the lender)
- Payoff statement from the lender

VA HOME LOAN BORROWER ASSISTANCE

When a VA-guaranteed home loan becomes delinquent, the VA provides supplemental servicing assistance to help cure the default. The lender (servicer) has the primary responsibility to resolve the default. However, in cases where the lender is unable to help the veteran borrower, the VA loan guaranty office has loan technicians in eight regional loan centers who take an active role in interceding with the lender to explore all options to avoid foreclosure. Veterans with VA-guaranteed home loans can call (877) 827-3702 to reach the nearest loan guaranty office where loan technicians can discuss potential ways to help save the loan.

FANNIE MAE AND FREDDIE MAC SHORT SALES

In addition to the VA compromise sale program, Fannie Mae and Freddie Mac make short sales easier for military service members who receive PCS orders. The service member doesn't have to be delinquent to qualify for the workout, which saves the borrower's credit rating. Under the short-sale policy, a military borrower who has a Fannie Mae or Freddie Mac loan and receives PCS orders qualifies for a short sale even if current on the mortgage.



RESOURCES

Military Service Branches

Commander in Chief, President of the United States									
Department of Defense								Homeland Security*	
Army Active: 482,343		Navy Active: 346,570		Air Force Active: 334,371		Marines Active: 181,031		Coast Guard Active: 41,412	
Reserve† 188,128		Reserve 58,578		Reserve‡ 69,481		Reserve 35,468		Reserve 6,217	
Army National Guard 334,741				Air National Guard‡ 107,129					

Sources: U.S. Department of Defense, Statistical Information Analysis Division. January 2017, https://www.dmdc.osd.mil/appj/dwp/dwp_reports.jsp.

Living Veterans (2019)	WWII	Korean Conflict	Vietnam	Gulf-War Era	Peacetime
Total: 19.1 million	240,329§	954,032	6 million	8.2 million	4.2 million

Source: *The Veteran Population Projection Model 2018 (VetPop2018)*, www.va.gov/vetdata/veteran_population.asp. VetPop2016, an actuarial projection model, is the official Veteran population projection from the Department of Veterans Affairs..

* The Coast Guard is under the Department of Homeland Security during peacetime. During times of war, command is transferred to the Navy.

† Reserve refers to ready reserves; stand-by and retired reserves not included.

‡ During peacetime, state governors oversee the National Guard. The President may activate the National Guard to participate in federal missions. The Air National Guard provides tactical airlift, air refueling tankers, general purpose fighters, rescue and recovery, weather flights, strategic airlift, special operations capabilities, and medical evacuation units. The Army National Guard may be called into action during local or statewide emergencies, such as storms and civil disturbances.

§ The number of WWII veterans is quickly dwindling. The VA estimates 600–1,000 die every day.

Where Are U.S. Military Service Members Stationed?

CONTINENTAL U.S., HAWAII, ALASKA

- ▶ **Active Duty:** 90%
- ▶ **Army:** 90%
- ▶ **Navy:** 89%
- ▶ **Marines:** 84%
- ▶ **Air Force:** 83%
- ▶ **Coast Guard:** 97%

PACIFIC & EAST ASIA

- ▶ **Active Duty:** 6.4%
- ▶ **Army:** 4.1%
- ▶ **Navy:** 7.3%
- ▶ **Marines:** 11.7%
- ▶ **Air Force:** 6.9%

EUROPE & FORMER SOVIET UNION

- ▶ **Active Duty:** 3.8%
- ▶ **Army:** 5.2%
- ▶ **Navy:** 2%
- ▶ **Marines:** ≤1%
- ▶ **Air Force:** 5.7%

AFRICA, MIDDLE EAST, SOUTH ASIA

- ▶ **Active Duty:** ≤1%

SOUTH & CENTRAL AMERICA, CARIBBEAN

- ▶ **Active Duty:** ≤1%

UNSPECIFIED

- ▶ **Active Duty:** ≤1%

Source: Military and Civilian Personnel by Service/Agency by State/Country, <https://dwp.dmdc.osd.mil/dwp/app/dod-data-reports/workforce-reports>

Types of Discharges

Why is the type of discharge an important factor? When a service member leaves military service, the type of discharge determines whether veteran benefits, like VA financing, will be available. There are five types of discharges.

ADMINISTRATIVE DISCHARGES

- ▶ **Honorable—All Benefits**

An honorable discharge says the service member completed all duties with admirable personal and professional conduct. The service member is eligible for full benefits and often has an easier time finding employment. An honorable discharge is a plus on a résumé.

- ▶ **General—Some Benefits**

A general discharge under honorable conditions is a step down from honorable. It can result from illness, injury, or other circumstance that prevents the service member from fulfilling duties. However, unacceptable behavior can also bring about a general discharge. When the service member leaves under a general discharge, the commander makes known the reason in writing. A general discharge makes the service member ineligible for some benefits, such as GI Bill education benefits.

- ▶ **Other Than Honorable—No Benefits**

An other-than-honorable (OTH) discharge is deemed appropriate when the service member's pattern of behavior differs significantly from the standard of conduct or when actions or omissions endanger the military service, fellow service members, or other people. In some market areas (Madison, Wisconsin, for example), OTH discharge is a fair housing protected class.

PUNITIVE DISCHARGES (COURT MARTIAL)

- ▶ **Bad Conduct**

No Benefits

- ▶ **Dishonorable Discharge**

No Benefits

U.S. Military Core Values

Army	Air Force
<i>"This We'll Defend"</i> Loyalty Bear true faith and allegiance to the U.S. Constitution, the Army, your unit, and other soldiers. Duty Fulfill your obligations. Respect Treat people as they should be treated. Selfless Service Put the welfare of the nation, the Army, and your subordinates before your own. Honor Live up to Army values. Integrity Do what's right—legally and morally. Personal Courage Face fear, danger, or adversity (physical or moral).	<i>"Aim high...fly, fight, win"</i> Integrity First ...integrity, courage, and conviction. Service Before Self ...professional duties always take precedence over personal desires. Excellence In All We Do ...continual improvement in self and service.
Navy	Marines
<i>"Non sibi sed patriae"* (Not for self but country)</i> Honor "I will bear true faith and allegiance..." Courage "I will support and defend..." Commitment "I will obey the orders..." *Not official	<i>"Semper Fidelis" (Always faithful)</i> Honor ...personal integrity and honor guide those who do the right thing when no one is looking. Courage ...the guardian of all other values—mental, physical, and ethical strength. Commitment ...the spirit of determination.
Coast Guard	
<i>"Semper Paratus" (Always ready)</i> Honor Integrity is our standard...uncompromising ethical conduct and moral behavior in all of our personal actions... Respect ...fairness, dignity, and compassion.... Devotion to Duty ...seek responsibility, accept accountability.... We exist to serve.	

Military Time

What time is fifteen hundred? What time is six bells? The military 24-hour time clock prevents ambiguity about a.m. or p.m. times. For example, seven in the morning is “oh seven hundred,” but seven in the evening is “nineteen hundred.” Midnight is zero.

“Oh dark thirty” is slang for the crack of dawn or any other unpleasantly early time.

1:00 am	0100	1:00 pm	1300
2:00 am	0200	2:00 pm	1400
3:00 am	0300	3:00 pm	1500
4:00 am	0400	4:00 pm	1600
5:00 am	0500	5:00 pm	1700
6:00 am	0600	6:00 pm	1800
7:00 am	0700	7:00 pm	1900
8:00 am	0800	8:00 pm	2000
9:00 am	0900	9:00 pm	2100
10:00 am	1000	10:00 pm	2200
11:00 am	1100	11:00 pm	2300
12:00 pm	1200	12:00 am	00

Ship board tradition calls for ringing of bells to mark the hours and half-hours of each four-hour watch. There are seven watches throughout the 24-hour day: Mid, Morning, Forenoon, Afternoon, Dogs (divided into two two-hour watches), and First. Eight bells signal the end of one watch and the start of a new one—“Eight bells and all is well!” Six bells could be 3:00 am, 7:00 am, 11:00 am, 3:00 pm, 7:00 pm, or 11:00 pm. The First Watch begins not at daybreak or midnight, but at 2000 (8:00 pm).

1 bell:	0030, 0430, 0830, 1230, 1630, 2030
2 bells:	0100, 0500, 0900, 1300, 1700, 2100
3 bells:	0130, 0530, 0930, 1330, 1730, 2130
4 bells:	0200, 0600, 1000, 1400, 1800, 2200
5 bells:	0230, 0630, 1030, 1430, 1830, 2230
6 bells:	0300, 0700, 1100, 1500, 1900, 2300
7 bells:	0330, 0730, 1130, 1530, 1930, 2330
8 bells:	0400, 0800, 1200, 1600, 2000*, 00

* First Watch

NAR Recognizes REALTOR Veterans and Military Families

Commemorative pins, available from NAR, recognize the service and sacrifices of REALTOR® veterans and those with family members in military service. Commemorative pins for REALTOR® veterans denote the brand of service. Pins for REALTOR® military families include: Gold Star (lost a family member in service), Blue Star (family member on active duty), and Silver Star (wounded, ill, and injured veterans). Pins are available online through the REALTOR® Team Store, at www.narteamstore.realtor/MilitaryVeteranPins.



Military Acronyms

AAFES

Army and Air Force Exchange Service

ACSIM

Assistant Chief of Staff for Installation Management

AFC

Army Family Covenant

AFSA

Air Force Service Agency

AHRN

Automated Housing Referral Network

AIP

Assignment Incentive Pay

BAH

Basic Allowance for Housing

BAS

Basic Allowance for Subsistence

BDU

Battle Dress Uniform

BEQ

Bachelor Enlisted Quarters

BX

Base Exchange (Air Force)

CAC

Common Access Card

CDC

Child Development Center

CO

Commanding Officer

COE

Certificate of Eligibility (VA financing)

COLA

Cost-of-Living Adjustment

CONUS

Continental United States

DECA

Defense Commissary Agency

DEERS

Defense Enrollment Eligibility Reporting System

DITY

Do-It-Yourself Move

DLA

Dislocation Allowance

DoD

Department of Defense

DPS

Defense Personal Property System

ETS

Expiration of Term of Service

FRG

Family Readiness Group

HDP

Hardship Duty Pay

HDIP

Hazardous Duty Incentive Pay

HFP

Hostile Fire Pay

HHG

Household Goods

HQ

Headquarters

IDP

Imminent Danger Pay

LES

Leave and Earnings Statement

MALT

Monthly Allowance in Lieu of Transportation

MCX

Marine Corps Exchange

MFH

Military Family Housing

MHPI

Military Housing Private Initiative

MOB

Mobilization

MPR

Minimum Property Requirements

MWR

Morale, Welfare, Recreation

NCO

Non-Commissioned Officer

NOV

Notice of Value

NPRC

National Personnel Records Center

OCONUS

Outside the Continental United States (includes Alaska and Hawaii)

OPTEMPO

Pace of Deployment

OTH

Other Than Honorable Discharge

PAO

Public Affairs Office

PBP&E

Professional Books, Papers, and Equipment

PCS

Permanent Change of Station

POA

Power of Attorney

POV

Privately Owned Vehicle

PPM

Personally Procured Move

PPO

Personal Property Office

PX

Post Exchange (Army)

RAP

Relocation Assistance Program

ROTC

Reserve Officer Training Corps

SCRA

Servicemembers Civil Relief Act

S&I

Special and Incentive Pay

TDY

Temporary Duty

TLE

Temporary Living Expenses

TMO

Traffic Management Office, Transportation Management Office

TO

Transportation Office

Tricare

Military Health Insurance Provider

VA U.S.

Dept. of Veterans Affairs

Military Ranks and Insignia

UNITED STATES ARMY RANKS (ORDERED BY SENIORITY)

E-1	Army Private	
E-2	Army Private Second Class	
E-3	Army Private First Class	
E-4	Army Specialist	
E-4	Army Corporal	
E-5	Army Sergeant	
E-6	Army Staff Sergeant	
E-7	Army Sergeant First Class	
E-8	Army Master Sergeant	
E-8	Army First Sergeant	
E-9	Army Sergeant Major	
E-9	Army Command Sergeant Major	
E-9	Army Sergeant Major of the Army	

United States Army Ranks (Ordered By Seniority), cont.		
W-1	Army Warrant Officer 1	
W-2	Army Chief Warrant Officer 2	
W-3	Army Chief Warrant Officer 3	
W-4	Army Chief Warrant Officer 4	
W-5	Army Chief Warrant Officer 5	
O-1	Army Second Lieutenant	
O-2	Army First Lieutenant	
O-3	Army Captain	
O-4	Army Major	
O-5	Army Lieutenant Colonel	
O-6	Army Colonel	
O-7	Army Brigadier General	
O-8	Army Major General	
O-9	Army Lieutenant General	
O-10	Army General	
O-10	Army General of the Army	

UNITED STATES NAVY RANKS (ORDERED BY SENIORITY)

(Navy ranks are referred to as Rates.)

E-1	Navy Seaman Recruit	No Insignia
E-2	Navy Seaman Apprentice	
E-3	Navy Seaman	
E-4	Navy Petty Officer Third Class	
E-5	Navy Petty Officer Second Class	
E-6	Navy Petty Officer First Class	
E-7	Navy Chief Petty Officer	
E-8	Navy Senior Chief Petty Officer	
E-9	Navy Master Chief Petty Officer	
E-9	Navy Command Master Chief Petty Officer	
E-9	Navy Master Chief Petty Officer Of The Navy	
W-2	Navy Chief Warrant Officer 2	
W-3	Navy Chief Warrant Officer 3	
W-4	Navy Chief Warrant Officer 4	
W-5	Navy Chief Warrant Officer 5	

United States Navy Ranks (Ordered By Seniority), cont.		
O-1	Navy Ensign	
O-2	Navy Lieutenant Junior Grade	
O-3	Navy Lieutenant	
O-4	Navy Lieutenant Commander	
O-5	Navy Commander	
O-6	Navy Captain	
O-7	Navy Rear Admiral Lower Half	
O-8	Navy Rear Admiral	
O-9	Navy Vice Admiral	
O-10	Navy Admiral	
O-11	Navy Fleet Admiral	

UNITED STATES MARINE CORPS RANKS (ORDERED BY SENIORITY)

E-1	Marine Corps Private	
E-2	Marine Corps Private First Class	
E-3	Marine Corps Lance Corporal	
E-4	Marine Corps Corporal	
E-5	Marine Corps Sergeant	
E-6	Marine Corps Staff Sergeant	
E-7	Marine Corps Gunnery Sergeant	
E-8	Marine Corps Master Sergeant	
E-8	Marine Corps First Sergeant	
E-9	Marine Corps Master Gunnery Sergeant	
E-9	Marine Corps Sergeant Major	
E-9	Marine Corps Sergeant Major Of The Marine Corps	

United States Marine Corps Ranks (Ordered By Seniority), cont.		
W-1	Marine Corps Warrant Officer 1	
W-2	Marine Corps Chief Warrant Officer 2	
W-3	Marine Corps Chief Warrant Officer 3	
W-4	Marine Corps Chief Warrant Officer 4	
W-5	Marine Corps Chief Warrant Officer 5	
O-1	Marine Corps Second Lieutenant	
O-2	Marine Corps First Lieutenant	
O-3	Marine Corps Captain	
O-4	Marine Corps Major	
O-5	Marine Corps Lieutenant Colonel	
O-6	Marine Corps Colonel	
O-7	Marine Corps Brigadier General	
O-8	Marine Corps Major General	
O-9	Marine Corps Lieutenant General	
O-10	Marine Corps General	

UNITED STATES COAST GUARD RANKS (ORDERED BY SENIORITY)

E-1	Coast Guard Seaman Recruit	
E-2	Coast Guard Seaman Apprentice	
E-3	Coast Guard Seaman	
E-4	Coast Guard Petty Officer Third Class	
E-5	Coast Guard Petty Officer Second Class	
E-6	Coast Guard Petty Officer First Class	
E-7	Coast Guard Chief Petty Officer	
E-8	Coast Guard Senior Chief Petty Officer	
E-9	Coast Guard Master Chief Petty Officer	
E-9	Coast Guard Command Master Chief Petty Officer	
E-9	Coast Guard Master Chief Petty Officer Of The Coast Guard	
W-2	Coast Guard Chief Warrant Officer 2	
W-3	Coast Guard Chief Warrant Officer 3	
W-4	Coast Guard Chief Warrant Officer 4	

United States Coast Guard Ranks (Ordered By Seniority)		
O-1	Coast Guard Ensign	
O-2	Coast Guard Lieutenant Junior Grade	
O-3	Coast Guard Lieutenant	
O-4	Coast Guard Lieutenant Commander	
O-5	Coast Guard Commander	
O-6	Coast Guard Captain	
O-7	Coast Guard Rear Admiral Lower Half	
O-8	Coast Guard Rear Admiral	
O-9	Coast Guard Vice Admiral	
O-10	Coast Guard Admiral	

UNITED STATES AIR FORCE RANKS (ORDERED BY SENIORITY)

E-1	Air Force Airman Basic	
E-2	Air Force Airman	
E-3	Air Force Airman First Class	
E-4	Air Force Senior Airman	
E-5	Air Force Staff Sergeant	
E-6	Air Force Technical Sergeant	
E-7	Air Force Master Sergeant	
E-8	Air Force Senior Master Sergeant	
E-9	Air Force Chief Master Sergeant	
E-9	Air Force Command Chief Master Sergeant	
E-9	Air Force Chief Master Sergeant Of The Air Force	

United States Air Force Ranks (Ordered By Seniority), cont.		
O-1	Air Force Second Lieutenant	
O-2	Air Force First Lieutenant	
O-3	Air Force Captain	
O-4	Air Force Major	
O-5	Air Force Lieutenant Colonel	
O-6	Air Force Colonel	
O-7	Air Force Brigadier General	
O-8	Air Force Major General	
O-9	Air Force Lieutenant General	
O-10	Air Force General	
O-10	Air Force General of the Air Force	

VA Home Loan Prequalification Worksheet

Visit <https://www.benefits.va.gov/ROROANOKE/rlc/formsrlc/prequal-04.xls> for interactive copy.

NAME:		
FAMILY SIZE:		
MORTGAGE AMOUNT:		
1. Gross Monthly Income		
(1)	GMI	\$
2. Monthly Housing Expense (PITI)		
Interest %		
a. Payment Factor (From P&I Chart)		
b. Principal and Interest Payment		
c. Property Taxes		
d. Homeowners Insurance		
e. HOA Dues		
(2)	Total	\$
3. Monthly Debts and Obligations		
a. Car(s)		
b. Revolving Charge Accounts		
c. Installment Loans		
d. Child Care Expenses		
e. Other		
(3)	Total	\$
4. Monthly Maintenance & Utilities		
a. Total Square Footage		
b. Square Footage X 14 cents per sq. ft.		
(4)	Total	\$
5. Monthly Taxes		
a. Federal Income Tax (from pay stubs)		
b. State Income Tax (from pay stubs)		
c. Social Security (salaried or SE'd)		
(5)	Total	\$
6. Residual Income		
a. Amount Required (Per Residual Chart)		
b. Actual (1) minus (2), (3), (4) & (5)		\$
7. Debt-to-Income Ratio (VA guideline 41%)		
(2) + (3) divided by (1)	FINAL TOTAL	

Residual Incomes by Region

FOR LOAN AMOUNTS OF \$79,999 AND BELOW

Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$867
5	\$921	\$902	\$902	\$1,004
Over 5	Add \$75 for each additional member up to a family of 7			

FOR LOAN AMOUNTS OF \$80,000 AND ABOVE

Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$775	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	1,039	\$1,039	\$1,158
Over 5	Add \$80 for each additional member up to a family of 7			

Northeast:

Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont

Midwest:

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

South:

Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, Virginia, West Virginia

West:

Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

What Buyer's Representatives Need to Know

STANDARD OF PRACTICE 3-1

REALTORS®, acting as exclusive agents or brokers of sellers/landlords, establish the terms and conditions of offers to cooperate. Unless expressly indicated in offers to cooperate, cooperating brokers may not assume that the offer of cooperation includes an offer of compensation. Terms of compensation, if any, shall be ascertained by cooperating brokers before beginning efforts to accept the offer of cooperation. (Amended 1/99)

STANDARD OF PRACTICE 3-2

Any change in compensation offered for cooperative services must be communicated to the other REALTOR® prior to the time that REALTOR® submits an offer to purchase/lease the property. After a REALTOR® has submitted an offer to purchase or lease property, the listing broker may not attempt to unilaterally modify the offered compensation with respect to that cooperative transaction. (Amended 1/14)

STANDARD OF PRACTICE 3-3

Standard of Practice 3-2 does not preclude the listing broker and cooperating broker from entering into an agreement to change cooperative compensation. (Adopted 1/94)

STANDARD OF PRACTICE 16-16

REALTORS®, acting as subagents or buyer/tenant representatives or brokers, shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation to subagents or buyer/tenant representatives or brokers nor make the submission of an executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation. (Amended 1/04)

- www.nar.realtor/about-nar/governing-documents/code-of-ethics/2019-code-of-ethics-standards-of-practice

MLS POLICY STATEMENT 7.23

In filing property with the multiple listing service, participants make blanket unilateral offers of compensation to the other MLS participants and shall therefore specify on each listing filed with the service the compensation being offered by the listing broker to the other MLS participants. This is necessary because cooperating participants have the right to know what their compensation will be prior to commencing their efforts to sell.* (Revised 11/04)

*Relates to Point No. 2 of the MLS antitrust compliance policy.

- www.nar.realtor/sites/default/files/documents/HMLP-2018-Amended-Aug.pdf

Websites

NAR SITES

- **Military Relocation Professional**
www.militaryrelocationpro.org/
- **National Association of REALTORS®**
www.nar.realtor
- **Real Estate Buyer's Agent Council**
www.Rebac.net
- **Real Estate Education**
www.training4re.com
- **REALTOR® Team Store**
www.narteamstore.realtor/
- **Realtors Property Resource® (RPR®)**
www.narrpr.com

GOVERNMENT & MILITARY SITES

- **Basic Allowance for Housing Rates**
www.defensetravel.dod.mil/site/bahCalc.cfm
- **Blue Star Families**
www.BlueStarFam.org
- **Certificate of Eligibility (COE), VA Form 26-1880**
www.ebenefits.va.gov/ebenefits-portal/ebenefits.portal
- **Certificate of Military Service, GSA Form SF-180**
www.archives.gov/veterans/military-service-records/
- **CONUS COLA Locations**
www.defensetravel.dod.mil/site/conusCalc.cfm
- **Department of Defense's PCS moving portal**
<https://move.mil>
- **Exceptional Family Members Support**
<https://www.militaryonesource.mil/family-relationships/special-needs/exceptional-family-member/>
- **Military One Source**
www.militaryonesource.mil

- **Military Pay Grades**
www.dfas.mil/militarymembers/payentitlements/Pay-Tables/military-pay-charts.html
- **National Personnel Records Center (NPRC)**
www.archives.gov/veterans/military-service-records
- **National Resource Directory**
www.nrd.gov/
- **SAH/SHA Housing Adaptation Grants**
www.va.gov/housing-assistance/disability-housing-grants
- **U.S. Department of Defense**
www.defense.gov
- **VA County– Loan Limits**
<https://www.va.gov/housing-assistance/home-loans/loan-limits/>
- **Lenders Handbook—VA Pamphlet 26-7**
www.benefits.va.gov/warms/pam26_7.asp
- **Weight Estimator for Household Goods**
<https://move.mil/>
- **VA Home Loan Circulars**
www.benefits.va.gov/homeloans/resources_circulars.asp
- **Supplemental Income for Wartime Veterans**
www.benefits.va.gov/pension/vetpen.asp

