STUDENT MANUAL

MILITARY RELOCATION PROFESSIONAL

OFFICIAL CERTIFICATION COURSE

NATIONAL ASSOCIATION OF REALTORS®

MRP

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v2.0

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

(888) 648-8321
mrp@nar.realtor
mrp.realtor

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- **Clarence Zarnes**
  ABR®, CIPS, AHWD®, e-Pro®, MRP, RSPS, SRES®, SFR®, GRI
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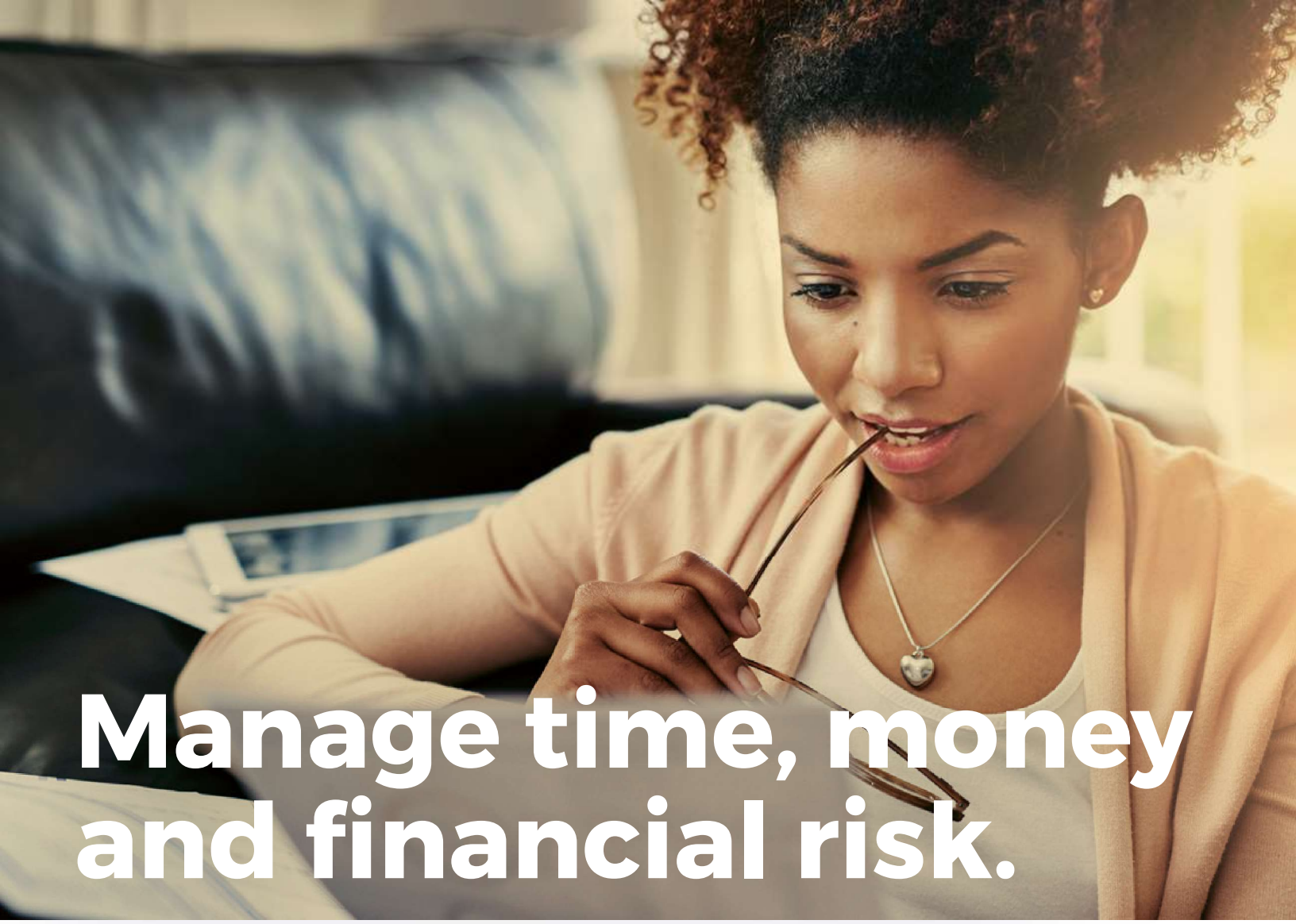

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Introduction

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

Module 1: Understanding the Military Market

- Identify the unique challenges of military service personnel and their families.
- Describe the size and demographics of the military housing market.
- Summarize the military ranks, culture, and career life cycle, as well as the primary types of housing available to military personnel and their families.

Module 2: Understanding Military Families and Their Housing Needs

- Summarize the unique challenges that military families face and ways that you can help support them.
- Describe the factors that influence the housing choices of military families.
- Explain what the basic allowance for housing (BAH) is and how it factors into the housing considerations of military families.

Module 3: PCS—A Deeper Dive

- Describe the basic components of a PCS and how understanding these components can help you better serve your clients.
- Explain the challenges of clients PCS-ing with children and teens, and ways you can help support them.
- Identify the government programs to support military families and children during a PCS.

Module 4: Working With Buyers and Sellers

- Summarize the similarities and differences between military and civilian buyers and sellers.
- Describe the home buying and selling process for military buyers and sellers, and ways in which you can help guide and support your clients in this process.
- Explain aspects of military life that may impact military buyers and sellers, including the decision to rent, sell, or buy; involuntary separations and base closings; and the importance of data privacy.

Module 5: Building a Business and Referral Network

- Explain the importance of referrals in growing your business, and identify the people and organizations that comprise your spheres of influence.
- Discuss ways to adapt your real estate skills to military clients, and list ways to create a respectful online marketing presence.
- Summarize the importance of creating inclusive business practices, and detail one specific way to do so.

Module 6: VA Financing for Active-duty and Veterans

- Identify and remediate misperceptions surrounding VA loan eligibility, coverage, and processes.
- Explain the VA loan process in such a way that your clients would have a clear understanding of their requirements to qualify and their options to make informed financial decisions.
- Articulate a business plan that will ensure you are providing your military clients with the best service to meet their wants and needs.

ABR® Elective

The 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, visit ABR.realtor.

Earn the Military Relocation Professional Certification (U.S. REALTOR® Members)

Follow the below instructions to earn your MRP Certification:

1. Be a member in good standing of the National Association of REALTORS®.
2. Complete the Military Relocation Professional Certification Course.
3. Submit a one-time fee of $195.

MRP is the only military-oriented certification or designation program conferred by the National Association of REALTORS®.

Earn the MRP Certification (Non-U.S. Professionals)

- **Membership Requirements**
  - You are a member in good standing with an association outside of the U.S. ("Cooperating Association") which is a party to a Bilateral Cooperation Agreement with the National Association of REALTORS® (NAR).
  - For more information, and NAR's list of Cooperating Associations, please visit: www.NAR.realtor/global/global-alliances.

Coursework

- Successfully complete the one-day MRP Certification course either online or in a classroom.

Becoming Certified

- After you've completed the coursework, you are eligible to apply for the Certification. Please note that it can take up to 10 business days for our records to be updated with your course information. Once your coursework is in our database, you will receive a "Next Steps" email with a link to submit your one-time fee of USD $195.

Maintaining Your Designations and Certifications

- Once you've earned your NAR Certification you will also be an International REALTOR® Member of NAR for the balance of that calendar year. For more information on your International REALTOR® Membership benefits, please visit https://www.nar.realtor/global/international-realtor-membership.
- Maintaining your NAR International REALTOR® Membership with ONE yearly fee of $75 will keep your MRP Certification, as well as all NAR Designations and Certifications active that you might hold. Please note that if your International REALTOR® Membership goes inactive, so will your NAR Designations and Certifications.

For more information, please visit MRP.realtor.

MRP CERTIFICATION BENEFITS

Below are just some of the benefits included with your MRP Certification:

- 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 www.mrp.realtor 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 peacetime are not eligible for VA benefits.**	**True** **False**

4.	The majority of military families live off base.	True False
5.	The service branch 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 paygrade structure.	True False
10.	The military will pay to move an active-duty service member to a new base but does not cover expenses to move the family.	True False



Understanding the Military Market

LEARNING OBJECTIVES

- Identify the unique challenges of military service personnel and their families.
- Describe the size and demographics of the military housing market.
- Summarize the military ranks, culture, and career life cycle, as well as the primary types of housing available to military personnel and their families.

Serving Those Who Serve This Country

Learning how to serve the military market starts with understanding the market needs, wants, concerns, and the processes and procedures involved in military life. Perhaps most importantly, however, is to learn about the lives of military service members and their families—their hopes and aspirations, as well as their unique challenges and sacrifice.

There is a growing civilian–military divide in the United States. There was once a time in American life where active-duty personnel and veterans comprised a large percentage of the American population. It was common to know family, friends, and members in the community who fought and served in the armed forces. In 1950, 1 in 3 men were veterans. Today, that number stands at 1 in 8, and is projected to dwindle to 1 in 14 by 2040.[1] Similarly, there are far fewer

1 Vespa, Jonathan. (June 2020). "Those Who Served: America's Veterans From World War II to the War on Terror." *U.S. Census.* https://www.census.gov/content/dam/Census/library/publications/2020/demo/acs-43.pdf

members of Congress who have served in the military. In 1967, three-quarters of the House of Representatives were veterans; in 1975, 81 percent of United States Senators were veterans. Today, veterans comprise less than 20 percent of both houses of Congress.[2]

An unfortunate consequence of this divide is that military personnel and their families feel increasingly disconnected from the communities and country for which they serve. A 2023 Blue Star Family survey found that only about a third of military families felt a sense of belonging to their local civilian community, and only about half of the respondents felt their children's school understood the unique challenges faced by miliary children and their families.[3]

With less familiarity and understanding in the general population of the daily lives of military personnel, and fewer representatives in the government, there is a need to bridge this widening gap between the military personnel who serve this country and the civilian population. Knowledgeable and caring real estate professionals who understand and can advocate for our military families can be a vital step in overcoming this gap. It's not simply about the transaction itself but rather going the extra mile to help and support our military members and their families. This course will provide you with all you need to know to do just that.

2 Schaeffer, Katherine. (April 2021). "The changing face of America's veteran population." Pew Research Center. https://www.pewresearch.org/short-reads/2021/04/05/the-changing-face-of-americas-veteran-population/#:~:text=Over%20the%20past%20half%2Dcentury,The%20draft%20ended%20in%201973

3 BlueStarFam.org. https://bluestarfam.org/research/mfls-survey-release-2023/.

An Overview of the Military Market

Despite the shrinking proportion of the military population, there is still a large military market. Worldwide, active-duty service members number more than 1.3 million, with the vast majority stationed in the United States. In addition to active-duty members, there are approximately 800,000 Selected Reserve, for a total force of approximately 2.1 million. Numbering over 2.5 million, dependents—spouses, children, adult dependents, and other dependents—outnumber service personnel.[4]

In addition to active-duty service members and their families, there are an estimated 19.4 million veterans living in the United States (VetPop2020). According to NAR's 2022 Profile of Home Buyers and Sellers, 22 percent of home buyers were veterans. Although they do not receive housing allowance payments or relocation support, retired and former service members, as well as those serving in the Reserve and National Guard, are eligible for VA home mortgage financing. To see the total number of veterans in your state, as well as more detailed demographic data, go to www.va.gov/vetdata/stateSummaries.asp and click on your state. You can also find the number of veterans in your county by going to www.va.gov/vetdata/veteran_population.asp, then clicking on Population Tables. Under the Other Demographics heading, click on Counties to get a report of the current and projected number of veterans for the counties in your area.

All of these groups—active-duty, reserve, and vets, as well as their dependents—add up to a huge potential market with financial stability and buying power. Like all home buyers and sellers, military service members want to feel that they've made good decisions. But unlike civilian home buyers and sellers, military personnel don't have the luxury of time or waiting for the market to turn in their favor. Military families can move as frequently as every 2–3 years; 10 moves over a 20-year career are not unusual. Therefore, it's critical that you are aware of the unique demands and pressures in this market to ensure you can provide your military clients with the very best service they need and deserve.

4 Department of Defense. (2021). "2021 Demographics: Profile of the Military Community." https://demographics.militaryonesource.mil/about

HOUSING: KEY TO FAMILY AND SERVICE MEMBER SUPPORT

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.

Slide:
An Overview of the Military Market (cont'd)

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 income that is protected from inflation by an annual Cost of Living Adjustment (COLA), based on changes in the Consumer Price Index (CPI) as measured by the Department of Labor. This is especially important to consider in these higher inflationary times. To learn more about military retirement plans, the DoD provides a helpful breakdown of military retirement plans and compensation at militarypay.defense.gov/Pay/Retirement.

In addition, retirees have the possibility of beginning a second career. Since 2018, new service members are enrolled automatically in a blended retirement system. 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, and veterans may be entitled to receive VA disability income for any injuries sustained while serving.

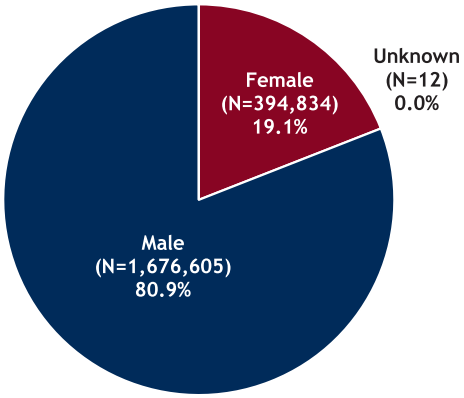
VA HOME LOAN FINANCING

Active-duty personnel, veterans, reserve, 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.

INCREASINGLY DIVERSE FORCE

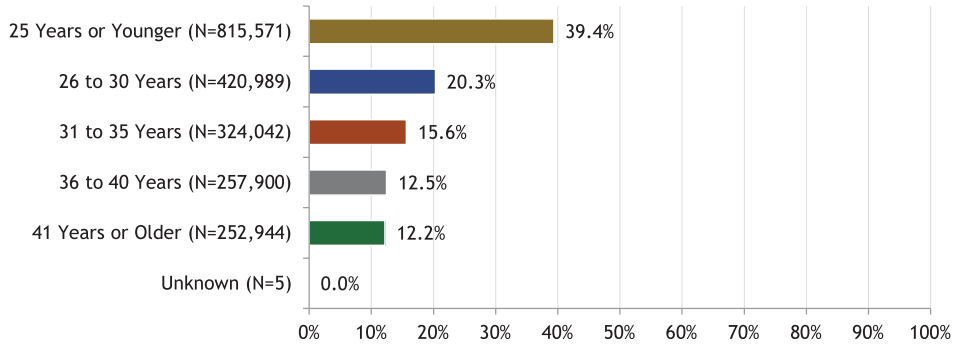
The military market is increasingly diverse. Nearly 20 percent of the total DoD military force is now composed of women. In terms of race and ethnicity, approximately 17 percent identify as Black, another 17 percent identify as Hispanic or Latino, and 6 percent identify as Asian, Native Hawaiian, or Other Pacific Islander. Nearly 40 percent of the active-duty personnel are under the age of 25, with another 35 percent being between the ages of 26 and 35. See the figures for additional details.

Figure 1.1 Gender of the Total DoD Military Force (N=2,071,451)[5]



Note: Data are presented for the total DOD military force; therefore, DHS Coast Guard active duty and DHS Coast Guard reserve are not included.
Note: Displayed percentages may not total 100% due to rounding.
Source: DMDC Active-Duty Military Personnel Master File (September 2022); DMDC Reserve Components Common Personnel Data System (September 2022)

Figure 1.2 Age of the Total DoD Military Force (N=2,071,451)[6]

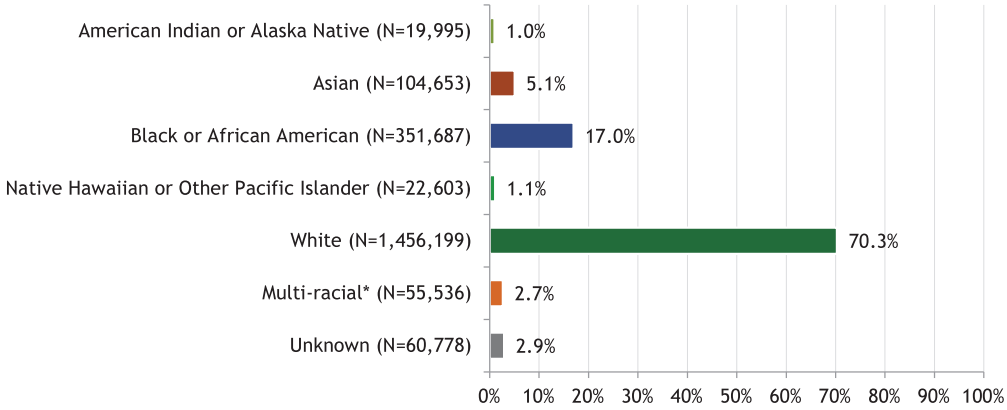


Note: Displayed percentages may not total 100% due to rounding.
Note: Data are presented for the total DOD military force; therefore, DHS Coast Guard active duty and DHS Coast Guard reserve are not included.
Source: DMDC Active-Duty Military Personnel Master File (September 2022); DMDC Reserve Components Common Personnel Data System (September 2022)

5 Department of Defense. (2021). "2021 Demographics: Profile of the Military Community." https://demographics.militaryonesource.mil/about

6 Ibid.

Figure 1.3 Race of the Total DoD Military Force (N=2,071,451)[7]



* The Army and the Army Reserve do not report "Multi-racial."
Note: Displayed percentages may not total 100% due to rounding.
Note: Data are presented for the total DOD military force; therefore, DHS Coast Guard active duty and DHS Coast Guard reserve are not included.
Source: DMDC Active-Duty Military Personnel Master File (September 2022); DMDC Reserve Components Common Personnel Data System (September 2022)

As the military market continues to diversify, it's important that real estate professionals understand and are sensitive to different cultural backgrounds, norms, and lived experiences. We will discuss ways to ensure equitable and inclusive treatment for all military personnel and their families later in this course.

7 Ibid.

Understanding Military Terminology and Ranks

MILITARY ACRONYMS

The military seems to produce a boundless supply of acronyms. In fact, the military, in some ways, has a language all its own. In order to effectively serve your clients, you need to be versed in this language. A typical dialogue with a client might sound something like the following:

> *"My husband and I are PCS-ing. He is currently TDY OCONUS, but he will be back in time for our HHG pack out. We will be driving our POV. His new command has a high OPTEMPO, and he will deploy almost immediately."*

How much of this do you understand? Below are the meanings of these and other common acronyms that you should be familiar with in relation to moving and transfers:

- **PCS: Permanent Change of Station**
  The term for a military transfer from one base to another.
- **BAH: Basic Allowance for Housing**
  A monthly allowance in addition to pay to cover the cost of housing.
- **TDY: Temporary Duty**
  An extended period of time a service member might be assigned to a location away from their permanent base. This period is typically longer than a month and less than 20 weeks.
- **HHG: Household Goods Move**
  The packing and transporting of personal belongings by a government-furnished mover. The mover also often goes by another acronym, TSP, or transportation service provider.
- **PPM: Personally Procured Move**
  When a service member conducts their own move rather than using a mover provided by the government. This is also referred to as a DITY, or Do It Yourself.
- **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.

- **POV: Privately Owned Vehicle**
  Automobile owned by the service member.

- **OPTEMPO: Operations Tempo**
  Operations is the term for a military action or service, and tempo is the rate of activity. Combined, the term means the rate of a service member's actions or missions.

Using these definitions, the quote above would roughly translate to: "My husband and I are moving to another base. He is temporarily stationed abroad but will be back in time for the move. His new command will be very active, and he deploys soon after we get there."

Be sure you understand the correct meaning and usage of these and other acronyms common in military language. A comprehensive list of military acronyms can be found in the Resources section at this end of this course manual. Of course, if a service member uses an acronym or term you don't understand, don't be afraid to ask the meaning. Chances are, if you hear a term once, you'll hear it again.

VIDEO: COMMUNICATING WITH SERVICEMEMBERS, THEIR FAMILIES, AND VETERANS

In this video, Jimmy and Zelda explain how learning military acronyms and terminology helps real estate professionals build rapport with servicemembers and veterans. Using familiar terms like "watching my six," meaning "having my back," demonstrates trust and credibility, which are essential in working with military clients. By speaking the same language, real estate agents can enhance their clients' comfort and confidence throughout the home-buying process.

Scan or click the QR code below to view:

MILITARY RANKS AND GRADES

It's also helpful to be familiar with the ranks in the armed forces. Paygrades, benefits, and allowances are tied to ranks—the Navy term for paygrades 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 paygrade. Because Congress determines service members' compensation, military pay is public information. Military pay tables are available on the internet at militarypay.defense.gov.

These are the primary ranks and paygrades.

- **Non-Commissioned Officers (NCOs) and enlisted personnel**
  NCOs rise through the ranks. They exercise authority, but not direct command. There are nine paygrades: E-1 through E-4 for enlisted personnel, and E-5 through E-9 for NCOs.
- **Warrant Officer**
  Enlisted personnel who have specialized technical or tactical expertise. There are five paygrades for warrant officers: W-1 through W-5. (Note that the Air Force doesn't have the warrant officer position.)
- **Commissioned Officer**
  Graduates of military academies, college ROTC programs, or officer training school. Commissioned by the Commander in Chief, the President of the United States. There are 10 paygrades for commissioned officers: O-1 through 0-10.

Based on these ranks and grades, the highest rank and paygrade is O-10, or that of the highest ranking commissioned officer—an Admiral in the Navy and Coast Guard, and a General in the Army, Air Force, and Marine Corps. The lowest rank and paygrade is E-1, for an entry-level enlisted service member—a Private in the Army and Marine Corps., a Seaman Recruit in the Navy and Coast Guard, and an Airman Basic in the Air Force.

Become familiar with the ranks for the branch of the armed forces that you are most likely to be serving in your area. A complete list of the military ranks and grades can be found in the Resources section at the end of this course manual on page 154.

Military Culture and Career Life Cycle

The military way of life is different in many distinctive ways than civilian life, so it's important to have an understanding of the culture and principles of military life, as well as an understanding of the contours of a military career.

MILITARY CORE PRINCIPLES

The Department of Defense has a set of core principles that infuse all branches of the armed forces. They are as follows: duty, integrity, ethics, honor, courage, and loyalty. Each service branch has its own set of principles (which can be found in the Resources section at the end of this course manual), but they are based on, and sometimes mirror, the principles put forth by the DoD. To embody and enact these principles, there is an emphasis on respect for authority and the chain of command. Importantly, to live these principles, service members must rely on trust—trust in authority, trust in the system, and trust in each other. Be mindful of these values in all of your interactions with service members and their families.

MILITARY CAREER LIFE CYCLE

If you're entering this course with a civilian background, your perspective of a career life cycle might be quite different than that of a military service member. The initial commitment in joining the military is six to eight years. This commitment is a contractual obligation called an MSO, or Military Service Obligation. Typically, a service member must serve four years active-duty and then must serve the remainder of their MSO in the Ready Reserve.

During this time service personnel will gain experience, skills, and promotions that they can leverage if and when they choose to retire or separate from the military. Unlike the civilian conception of retirement, retirement for service members might more closely resemble the start of a civilian career. Upon retirement, many service members may choose to obtain a degree, begin a new career using the job skills obtained through service, or start their own business. This life cycle is illustrated in more detail in Figure 1.4.

Figure 1.4 The Military Life Cycle Model

Phases of Military Life	First Permanent Duty Station	Individual Development Plan	Individual Transition Plan	Separation/ Retirement
Outcomes	➡ Entry-level Training ➡ Establish Military Readiness	➡ Education ➡ Gain Experience ➡ Technical Training ➡ Deployment ➡ Promotion	➡ Higher Education ➡ Career Exploration ➡ Entrepreneurship	➡ Obtain a Degree ➡ Become Employed ➡ Start a Business
			➡ Prepare to Re-enter Civilian Life ➡ DoD Transition Assistance Program	

MILITARY RETIREES

There are about 1.58 million retired military personnel. Military retirees may of course live wherever they wish, but a significant number cluster around military bases in order to take advantage of benefits like health care as well as postmilitary 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.

As a real estate professional serving the military community, it's important you understand that the wants and needs of your clients will vary greatly depending on which stage of their career life cycle they are in.

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 that the private sector can offer secure and convenient housing to its military service members and that their presence in the community provides a positive influence. The DoD, therefore, provides on-base privatized housing or military construction housing only when the private sector cannot provide adequate housing. Overall, the DOD's policy is "to ensure that eligible personnel and their families have access to affordable, quality housing facilities and services consistent with their grade and dependent status, and that the housing generally reflects contemporary community living standards." [8]

Quality military housing—as part of the military quality of life—is a critical component of military readiness and retention. 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.

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.

GOVERNMENT-OWNED 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. 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 "Privatized Military Housing: Update on DOD's Efforts to Address Oversight Challenges" (March 2022). Government Accountability Office (GAO). https://www.gao.gov/assets/720/719872.pdf

PRIVATIZED HOUSING

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 Military Housing Private Initiative (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.

About 7 percent of military families live off base in rental housing developed in partnership with private sector developers through the 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.

In recent years, however, the program has come under intense scrutiny and criticism for lax oversight and enforcement of general housing maintenance and services, which has led to substandard living conditions for military personnel. A series of reforms are being enacted, including an updated MHPI Tenant Bill of Rights that came into effect in 2021, hired more than 600 housing personnel to provide "enhanced, quality assurance, customer care services and advocacy for residents," and increased oversight of the private sector companies that own and operate these housing projects.[9]

9 Vergun, David. (April 2022). "Official Says DOD Is Working to Improve Military Housing." *U.S. Department of Defense News.* https://www.defense.gov/News/News-Stories/Article/Article/2985853/official-says-dod-is-working-to-improve-military-housing/

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.[10] It is for this housing type that you as a real estate professional will be able to provide expertise, guidance, and support to your military clients in buying and selling homes. We will go into further detail about private sector housing in Module 2.

Reflection Exercise

Now that you understand more about the unique lifestyle, challenges, and sacrifices of our service members and their families, in what ways can you use your expertise to provide them with the knowledge and service that they deserve? Take a few minutes to jot down some ideas about how your business can provide value to this market. If time allows, share ideas in small groups, or with the class as a whole.

10 Strochak, Sarah; Choi, Jung Hyun; Goodman, Laurie. (January 2020). "The Impacts of US Military Service on Homeownership and Income." *The Urban Institute*. https://www.urban.org/sites/default/files/publication/101495/the_impacts_of_us_military_service_on_homeownership_and_income_1.pdf



MODULE

2

Understanding Military Families and Their Housing Needs

LEARNING OBJECTIVES

- Summarize the unique challenges that military families face and ways that you can help support them.
- Describe the factors that influence the housing choices of military families.
- Explain what the basic allowance for housing is and how it factors into the housing considerations of military families.

Family Matters: Do We Really Understand?

Although Americans are supportive of and admire the people who serve in the military, few military families feel that their civilian counterparts understand the sacrifices they make. As we discussed at the start of the course, recent surveys of Blue Star Families—the immediate family members of an active-duty service member—have found that a majority of service members feel the general public does not understand the sacrifices made by service members and their families. Unsurprisingly, a majority also feel disconnected from the civilian communities in which they reside.

Deployments exert a very high level of stress on military families. Real estate professionals know that uprooting and moving any family to a new home—across town or across the country—can present challenges. A military family, however, faces all the usual challenges of relocation, but the frequency of such life-changing moves paired with the stress can compound these challenges.

Many families experience frequent separations for months at a time. In a recent survey, housing costs topped the list of financial stressors.[11] The Blue Star Families organization recommends that civilian neighbors offer support through friendships and communication with military families already in the neighborhood. Real estate professionals can do their part, as well, by helping to find the right home to meet their clients' needs and by fostering and promoting avenues of communication and support between military and civilian families in the communities that they serve.

Profile of Military Families

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

MARITAL AND PARENTING STATUS

The rate of active-duty personnel who are married has declined over the past decade, from 56 percent in 2010 to approximately 50 percent in 2022. Just over a third of active-duty personnel have children. See Figure 2.1 and Figure 2.2 for more detail on this data.

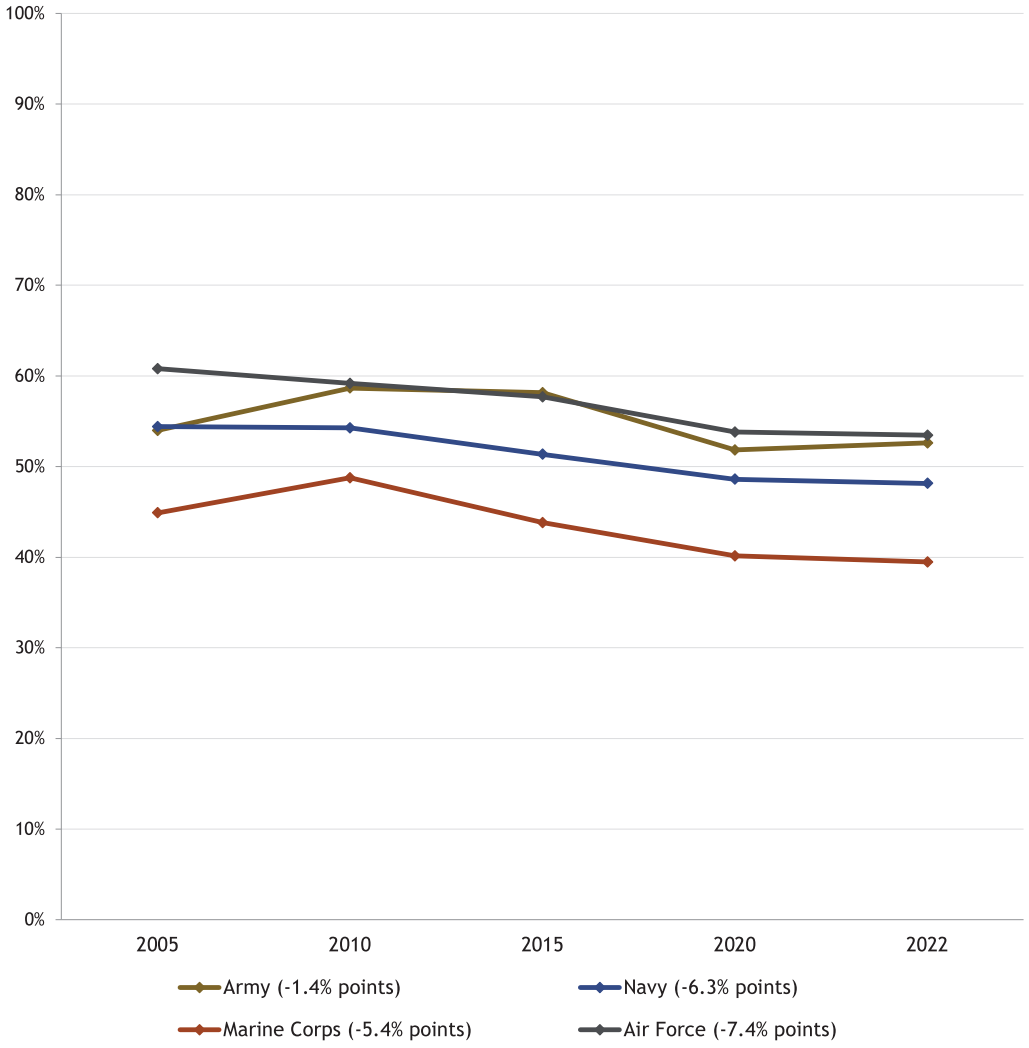
SPOUSAL EMPLOYMENT

Perhaps due to the increase in housing prices in recent years, as well as other cost of living increases, military civilian spousal employment has slowly but steadily increased during this time period, from approximately 33 percent in 2010 to about 50 percent in 2021.[12] Maintaining a job is especially difficult for spouses due to service member transfers and deployments. 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. We will discuss further the issue of military spouse employment a bit later in this module.

11 Blue Star Families. (2023). "Military Families Lifestyle Survey: 2022 Comprehensive Report." https://bluestarfam.org/wp-content/uploads/2023/03/BSF_MFLS_Spring23_Comp_Infographic.pdf

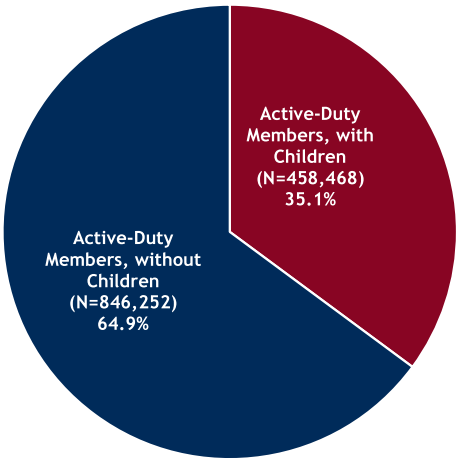
12 Department of Defense. (December 2022). "DoD Releases 2023 Basic Allowance for Housing Rates." https://www.defense.gov/News/Releases/Release/Article/3246410/dod-releases-2023-basic-allowance-for-housing-rates/

Figure 2.1 Marriage Trends by Service Branch: 2005–2022



Source: U.S. Department of Defense. "2022 Profile of the Miliary Community." pp. 130. https://download.militaryonesource.mil/12038/MOS/Reports/2022-demographics-report.pdf

Figure 2.2 Active-Duty Member Parental Status (N=1,304,720)



Note: Children include dependents age 20 or younger and dependents age 22 or younger enrolled as full-time students.
Note: Displayed percentages may not total 100% due to rounding.

Source: U.S. Department of Defense. "2022 Profile of the Miliary Community." pp. 130, 139. https://download.militaryonesource.mil/12038/MOS/Reports/2022-demographics-report.pdf

THE DUAL MILITARY COUPLE

According to the DoD, approximately 93,000, or 14 percent, of active-duty service members are dual military married couples. Most of them marry during their term of service. About 32,000 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 partners 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.

Factors in Choosing Private Sector Housing

As we discussed in Module 1, the majority of military personnel and their families live 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

- **Preferred sense of 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. Either of these can be achieved in off-base housing.

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, leaving spouses home for extended periods of time by themselves. Make sure not to offer your opinion about the safety or quality of any particular neighborhood, but rather refer military clients to reputable websites and sources to find credible data on these aspects of their home search.

Quality of the schools

As is the case for any families with young children, finding good, safe, inclusive schools to meet the social, emotional, and educational needs of their children is a top priority for military families. Here, too, make sure not to offer your opinion about the quality of schools, but rather refer military clients to reputable websites and sources to find credible data on these aspects of their home search.

Commuting time

Commuting time, costs, and difficulty are factors for both the service member and spouse. It is often necessary for military spouses to work to make financial ends meet. 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 trade-off may involve a longer commute to the base or spouse's workplace in order to afford a larger home.

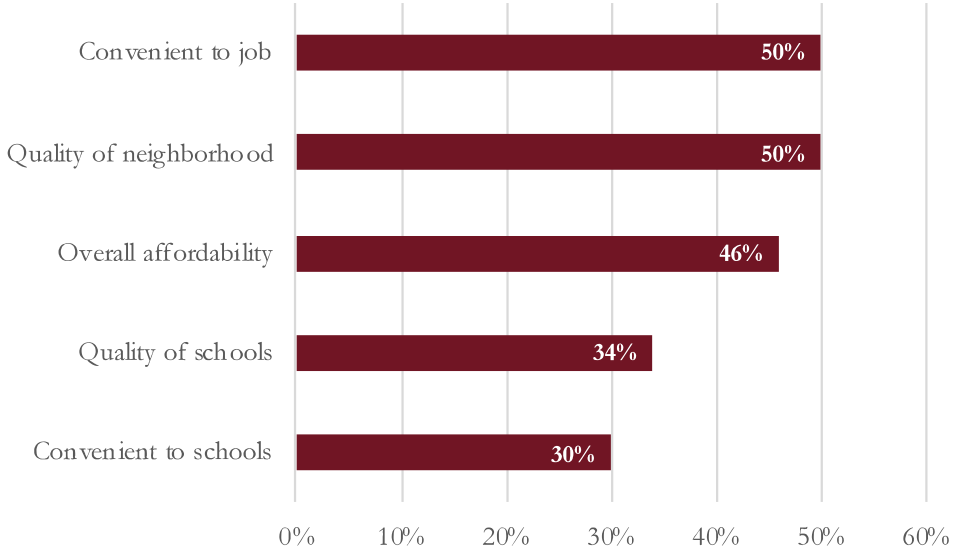
Housing choice not available

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. Sometimes families choose to live off base simply because they can't find adequate housing on base.

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.

Figure 2.3
Top Five Factors Influencing Neighborhood Choice



Source: 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, as you consider your particular market and community.

Factors That Influence Housing Choice:

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

Your Rankings:

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

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

Basic Allowance for Housing

As we discussed in Module 1, the DoD views provision of adequate housing for service members and their families as a troop morale readiness and retention 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 (MHPI) or private sector housing in the community. In addition to rank and number of dependents, BAH rates are adjusted annually as determined by the local costs for rent, utilities, and renter's insurance. In 2023, for example, the BAH was increased 12.1 percent in response to higher cost pressures experienced throughout the country.[13] 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 clients, 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 paygrades and BAH rates will help you identify a range of choices in a variety of neighborhoods. It's important to work with lenders who are knowledgeable about and have experience working with military families.

Also, 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 2023 BAH for San Antonio, Grade E-4 with dependents is $1,863, and the median price for single-family homes in the San Antonio area is $334,100. The monthly payment, not including tax and insurance, for a 30-year fixed rate mortgage at a 7 percent interest rate with $0 down is about $2,223. A

13 Department of Defense. (December 2022). "DoD Releases 2023 Basic Allowance for Housing Rates." https://www.defense.gov/News/Releases/Release/Article/3246410/dod-releases-2023-basic-allowance-for-housing-rates/

family would need to consider if it's worth using all of their BAH as well as out-of-pocket income of $360 (not including taxes and insurance) to start building equity in a new home or lower their monthly housing payment by renting. NAR Research publishes information, updated quarterly, on median single-family home prices in U.S. markets. Go to www.nar.realtor/research-and-statistics/housing-statistics/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 paygrade, 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 at 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 paygrade, 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, California, an E-5, with dependents and four years of service, receives a CONUS COLA allowance of $74 per month. The list of applicable locations is at www.travel.dod.mil/Allowances/CONUS-Cost-of-Living-Allowance/CONUS-COLA-Rate-Lookup/.

- **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.

VIDEO: EXPLAINING BAH RATES

In this video, Mark explains the process of using online resources to calculate a servicemember's income, including BAH and BAS, and demonstrates how to estimate purchasing power for real estate purposes. Two key points are emphasized: BAH is determined by the zip code of the duty station, not the home being purchased, and it should be included as income when calculating affordability. This practical guide equips real estate professionals with essential tools to assess housing budgets for military clients effectively.

Scan or click the QR code below to view:

Internet Field Trip: BAH Allowances

Let's take a look at BAH allowances for service members. Visit www.travel.dod.mil/Allowances/Basic-Allowance-for-Housing/BAH-Rate-Lookup and search for your local market.

What is the BAH for your market area? With or without dependents? For enlisted or officers?

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

Unique Challenges and Considerations

As we've discussed, military families face more unique challenges than those in civilian life. PCS-ing is obviously a hugely impactful and life-altering reality for all service members and their families, and we will examine this in detail in the next module. In this section, we will look at some of the other challenges military families face that can be just as, if not more, stressful (see Figure 2.4), and ways you can help support them.

Figure 2.4 Top Five Issues for Active-Duty Families in 2022



Source: Blue Star Families. (2023). "Military Families Lifestyle Survey: 2022 Comprehensive Report." bluestarfam.org/wp-content/uploads/2023/03/BSF_MFLS_Spring23_Comp_Infographic.pdf

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 very suddenly—48 to 72 hours before deploying. Other times, the service member has a few weeks' advance notice. Operations 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, which is an infantry division based in Fort Liberty, North Carolina, that specializes 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)

The Servicemembers Civil Relief Act (SCRA) was enacted in 2003 to provide a wide range of protections for military personnel serving their country. The SRCA "postpones or suspends certain civil obligations to enable service members to devote their full attention to duty and relieve stress on their families."[14] The most common and perhaps the most impactful protections, as outlined by the DoD, are the following:

- Termination of leases
- Mortgage relief
- Protection from eviction
- 6 percent cap on interest rates
- Stay of proceedings
- Income tax deferment

Let's look at some of these in more detail.

- **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 member's ability to make mortgage payments. Although payments on the principal may be suspended, the service member still owes this amount. Payments resume after completion of 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.

14 Office of the Comptroller of the Currency. "Servicemembers' Civil Relief Act." United States Treasury. https://www.occ.treas.gov/topics/consumers-and-communities/consumer-protection/servicemembers-civil-relief-act/index-servicemembers-civil-relief-act.html

What Can You Do?

Many service members are unaware of the SCRA and the additional protections it provides to them and their families. Helping to inform and educate your military clients about the SCRA can provide value by potentially alleviating financial burdens of families and also the associated stress.

MILITARY SPOUSES

For obvious reasons, we honor and respect the service of the men and women in our armed forces. But the service and sacrifices of military spouses are not as well understood. PCS-ing and deployments provide very unique and stressful challenges for the entire family, and they can be particularly taxing for spouses. Real estate professionals are uniquely positioned to ease this stress and help acclimate military spouses in the community by introducing them to various people throughout the neighborhood.

- **Unemployment**
  As illustrated in Figure 2.4, military spouse employment is a challenging issue for military families. Many military families require two incomes to make ends meet, 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; these jobs include 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 for the major employers in the area.

- **Child care**
  For parents of young children, finding and accessing affordable, quality child care is a top priority. According to the Blue Star Families 2022 Comprehensive Report, two in five active-duty spouses find child care too expensive and list this as a major reason why they're not working. To add to the challenge of child care, extended family, who might typically be a helpful resource, 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. In addition to cost, a majority of military families also report difficulty in finding reliable child care.

  - **What can you do?**
    Provide information on child care facilities, preschools, and baby-sitting services in the area.

- **"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. You can serve as a trusted line of communication and a bridge to the wider community. Find out about volunteer groups that provide military-family support. Helping military spouses find their way in the community builds trust and engenders goodwill, which might also then help you develop a broader network and more frequent referrals.

A Fiancé Is Not a Dependent

All the support and services the military provides for dependents are 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.

ADAPTIVE HOUSING FOR WOUNDED WARRIORS

An unfortunate reality of military duty is the possibility of service members being killed or wounded in action. The VA offers grants to help service members and veterans who become disabled during their military service make the necessary home accommodations for barrier-free living environments. Three types of grants are available:

- **Special Home Adaptation grant**
  The SHA grant is generally used to increase mobility throughout the home. As of 2023, the maximum grant was $22,036.
- **Specially Adapted Housing grant**
  The SAH grant 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. As of 2023, the maximum grant was $109,986.
- **Temporary Residence Adaptation 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 is $7,910 for SHA recipients and $44,299 for SAH recipients.

Grant limits are typically updated annually. 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.

GOVERNMENT INITIATIVES TO ADDRESS THESE CHALLENGES

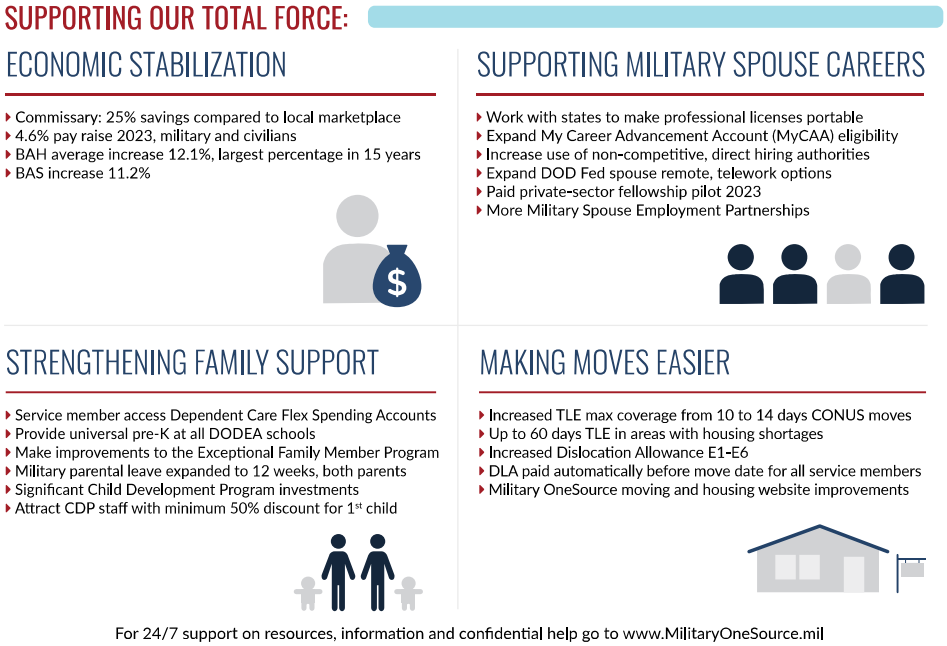
To help address these unique challenges and honor the sacrifice our military personnel and their families are making, the DoD recently launched a comprehensive new initiative, referred to as Taking Care of Our Service Members and Families. It's a multipronged approach that targets four areas critical to the social, emotional, and economic well-being of military families:

- Increasing economic support
- Reducing barriers to spousal employment
- Making moves easier
- Expanding family and child support services

Figure 2.5 provides more detail about specific policies and plans for each of these target areas. As a value-added service to your military clients, stay abreast of how these initiatives are taking shape and being implemented in your area.

Figure 2.5

Department of Defense: Supporting Our Total Force



Source: Department of Defense. "Taking Care of Our Service Members and Families." https://download.militaryonesource.mil/12038/MOS/Infographic/tcop-infographic.pdf

VIDEO: WHAT CHALLENGES DO MILITARY FAMILIES FACE?

In this video, Kayla, an Air Force spouse, explains the challenges military families face when relocating, especially those with special needs members under the Exceptional Family Member Program (EFMP). She highlights the difficulty of ensuring equal care at the new location, managing paperwork, and navigating the relocation process with limited support. Mark discusses the added strain of short-notice deployments, which leave service members with little time to prepare or say goodbye, making it vital for real estate professionals to understand the unique pressures military families experience.

Scan or click the QR code below to view:

Exercise: The Challenges in Your Market

Take a moment to think about the military service members and families in your area. What do you see as the biggest challenges facing your clients? Are they reflected in what's been discussed in this module? Are there additional challenges that you see?

List the top three challenges you see in your market. Then write down three things you can do as a real estate professional to help address and remediate those challenges for your clients.

1. _____
2. _____
3. _____



LEARNING OBJECTIVES

- Describe the basic components of a PCS and how understanding these components can help you better serve your clients.
- Explain the challenges of clients PCS-ing with children and teens, and ways you can help support them.
- Identify the government programs to support military families and children during a PCS.

Opportunities and Challenges

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. On that same note, relocation also brings with it a departure from familiar and possibly comforting surroundings, a separation from established friendships, and the stress of profound changes.

Relocation 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, serve as a source of knowledge and support, and broaden social and business networks. 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.

Getting Ready to PCS—What You Need To Know

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. Let's look at the general process of a PCS move.

WHEN AND WHERE?

The start of a PCS can begin earlier than you might think. In many cases, the earliest phases of a PCS may begin a year out from the actual move. The following timeline provides some benchmarks in relation to how the process may unfold for service members and their families.

- **One Year Out**
  Service members know their current orders will expire and are beginning to think about what comes next. They may have an idea of where they are likely to get stationed, and they may even have been able to provide a "dream sheet" of location choices. Because of this, it might be possible to start early discussions about whether they may want to purchase, rent, or look at base housing.

- **Six Months Out**
  Service members can expect to receive their orders. A military spouse typically takes the primary role of researching the new duty location and beginning their home search. Often their research begins on social media pages dedicated to military moves or community pages dedicated to the duty station. This type of research provides the family an opportunity to ask questions and get recommendations or referrals from families already living at the duty station to which they are moving.

- **Three Months Out**
  Service members and their families intensify the home search and may utilize their allowed house hunting permissive TDY (up to 10 days) to visit the new duty station and view homes to either rent or buy. They will also begin managing their PCS orders and start scheduling appointments with the transportation office for their move.

- **Two Months Out**
  Service members and their family will begin purging household goods (HHG) and completing an inventory of their HHG to determine if a personally procured move (PPM), partial personally procured move (PPM), or HHG move will be most appropriate for their family. At this time, military families will secure on-base privatized housing, a rental property, or will purchase a new home, secure financing, and set a tentative closing date. Family members will also turn in resignation notices for their job, seek a referral letter, and begin updating their resume for future job hunting.

- **One Month Out**
  In most cases, families have secured housing within one month of a PCS and will use this time to verify and confirm move-in dates and delivery dates of HHG. However, in some circumstances temporary housing and storage arrangements may be needed. Military families will switch their focus to the community in which they will be living and begin researching local churches, clubs, and organizations that may support their family and ease the transition.

This timeline reflects a typical PCS move, but the service member's orders ultimately determine the timeline. It's not unusual for this process to be condensed into a few months or even a few weeks. Service members, their families, and the real estate professionals who are serving them must be flexible and well prepared in order to effectively adapt to whatever situation they find themselves in.

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 shorter length of time.

Figure 3.1 Time-on-Station Requirements

First-Term	Careerist
CONUS to CONUS: 24 months **CONUS to OCONUS:** 12 months	**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.

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 (T.O.)

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 TO provides information on moving options, entitlements, and what moving expenses will be paid.

MILITARY MOVERS

The Department of Defense has typically contracted with a number of moving companies to provide relocation services for PCS moves. However, as part of a series of reforms to help make relocations easier and more efficient for service members, the DoD has decided to implement a phased plan to contract with only one moving company, HomeSafe Alliance LLC, based in Houston.[15] The switch to HomeSafe for all domestic and international moves will be complete by 2025.

If the service member opts to have the military's contract mover handle packing and shipping, the transportation office schedules and coordinates the move. The military pays to pack, load, ship, and unload all the household goods at the family's new home. It's important to inform clients of the potential of movers to be late or delayed—especially during peak seasons—so it's important to build some flexibility into schedules.

Weight allowances for shipping HHG vary based on rank and dependents. Figure 3.2 shows the HHG weight allowances in pounds for service members by rank, with and without dependents.

If a family's HHG 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.personallyprocuredmovecalculator.com.

15 Connor, Jon Michael. (August 2023). "Big changes coming to improve PCS process: Pet reimbursements will rise, one company handling all moves." U.S. Army. https://www.army.mil/article/269205/big_changes_coming_to_improve_pcs_process_pet_reimbursements_will_rise_one_company_handling_all_moves#:~:text=A%20memorandum%20dated%20June%2020,for%20a%20PCS%20to%20and

Figure 3.2
2023 Household Goods Weight Allowances (pounds)
(By rank, with and without dependents)

Grade	With Dependents	Without Dependents
Officer Personnel		
0-10 to 0-6	18,000	18,000
0-5/W-5	17,500	16,000
0-4/W-4	17,000	14,000
0-3/W-3	14,500	13,000
0-2/W-2	13,500	12,500
0-1/W-1/Service Academy Graduates	12,000	10,000
Enlisted Personnel		
E-9	15,000	13,000
E-8	14,000	12,000
E-7	13,000	11,000
E-6	11,000	8,000
E-5	9,000	7,000
E-4	8,000	7,000
E-3 to E-1	8,000	5,000
Aviation Cadets	8,000	7,000
Service Academy Cadets/Midshipmen		350

Source: Defense Transportation Regulation.
"It's Your Move." IV-K1-5, July 2023.

HOUSEHOLD GOODS (HHG): WHAT'S INCLUDED

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 include professional books, papers, and equipment, or 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, for example, if the service member's spouse has a home-based business. Also not included are items that would otherwise 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.

PCS and Military Moves is the Department of Defense's portal for planning a PCS move. The portal provides moving guidance and enables service members to set up moving services without a visit to the TO. Visit the site at www.militaryonesource.mil/moving-pcs/plan-to-move/pcs-and-military-moves/.

PERSONALLY OWNED VEHICLE (POV)

When a service member transfers between CONUS locations, the military, with rare exception, is not responsible for shipping a 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 (PPM)

Some PCS-ing military families prefer a PPM, formerly known as a Do-It-Yourself (DITY) move. The decision to do a PPM must be made 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 PPM?

Advantages

- The service member is entitled to 95 percent of what the military would pay a government-contracted mover. If moving expenses are less, the service member gets to keep the difference. In most cases, up to 60 percent of the amount can be received in advance to cover moving expenses.
- Door-to-door control of household goods—the service member always knows the location of the shipment.
- Enables better damage control.
- There are no weight restrictions.
- Maintain 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 potentially 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 a recent Blue Star Families Survey said that they spent $1,000 in unreimbursed expenses during their last move, and 32 percent reported that relocation costs were the biggest contributor to financial stress (BSF, 2023). 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.

There have been attempts by the DoD to relieve some of these economic pressures and the associated financial stress. One new reform that became effective January 1, 2024, is an increase in reimbursement for transporting pets. Reimbursement caps will increase to $550 for CONUS moves and $2,000 for OCONUS moves.

There have also been other reforms implemented recently to relieve the financial burden on service members. The Dislocation Allowance has been increased for all service members, and the Temporary Lodging Expense has been extended from 10 to 14 days for all CONUS moves and from 5 to 7 days for OCONUS.[16] These reforms took effect in 2022.

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 Defense Travel Management Office. (October 2022). "DoD Authorizes an Increase to 2022 PCS Related Allowances." https://www.travel.dod.mil/About/News/Article/Article/3177019/dod-authorizes-an-increase-to-2022-pcs-related-allowances/

- **Per Diem Allowance**
  Reimburses costs for meals and lodging en route 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)**
  Partially reimburses the cost of meals and lodging incurred when temporary housing is needed. TLE can be paid for up to 14 days for CONUS moves and 7 days for OCONUS.

- **PCS Travel Advances**
  Can be requested, depending on the rules of the service branch, for 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 of 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.

VIDEO:
WHAT IS THE MOVING PROCESS LIKE FOR A MILITARY CLIENT?

In this video, Megan, Jimmy, Clarence, and Aaron discuss the complexities of a Permanent Change of Station (PCS) move and how real estate professionals can offer support. They emphasize the importance of being a community ambassador, providing families with resource packets, and establishing trust by prioritizing the client's needs. Families often have limited time to prepare and juggle multiple responsibilities, such as finding schools, medical care, and handling paperwork. By showing empathy and support, real estate agents can make a significant difference during this stressful time.

Scan or click the QR code below to view:

Communicating With and Caring for Children and Teens

There are challenges for service members during any PCS. The basic logistics of moving one's belongings from one place to another can be challenging enough, but when you add in young dependents the picture becomes even more complex. Providing additional support and assistance for clients with dependents can be a great value add and help build trust in the community.

- **Informing Kids About the Move**
  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. 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.[17] 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. 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.

17 Peabody, Caroline. "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. Provide information about local parent Facebook groups or other social media related to caregivers and schools in the area.

Activities for Kids

Military kids are known for their resilience. 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. The more you know, the more helpful a resource you will be.

DoD Programs for Military Families and Children

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. Before the move, kids get acquainted with the new base, its activities for kids, and the community. 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.

INTERSTATE COMPACT ON EDUCATIONAL OPPORTUNITY FOR MILITARY CHILDREN

The Interstate Compact helps kids, especially teens, with transition to a new school by standardizing treatment of transferring students. It covers flexibility in enrollment, extracurricular 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 on to the Compact, implementation varies among states and schools.

FAMILY READINESS SYSTEM (FRS)

The DoD'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.

EXCEPTIONAL FAMILY MEMBER PROGRAM (EFMP)

The Exceptional Family Member Program (EFMP) serves military families with special needs.

The EFMP includes identification of the family member's special needs and enrollment in the program, assignment coordination, and family support. Special needs include special medical, dental, mental health, developmental, or educational requirements, and the requirement for adaptive equipment, assistive technology devices, and services and/or wheelchair accessibility.

Support and resources for families with special needs—exceptional family members—is available at www.militaryonesource.mil/efmp. There have also been ongoing efforts to streamline services and improve communication with military families who have members with special needs. Recent updates to the program can be found at www.militaryonesource.mil/special-needs/efmp/new-efmp-tools-and-resources/.

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

A Military Family Advisory Network's 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 repeatedly experience rebuilding friendships and community connections. 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."

WHAT CAN YOU DO?

As discussed throughout this module, 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.

- Advertise in local military publications and highlight your knowledge of the military lifestyle.
- Stay current 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.

Exercise: Becoming a PCS Resource

Take some time to identify ways that you can help clients PCS. What types of resources can you provide that will help ease the challenges of PCS-ing?



Working With Buyers and Sellers

LEARNING OBJECTIVES

- Summarize the similarities and differences between military and civilian buyers and sellers.
- Describe the home buying and selling process for military buyers and sellers, and ways in which you can help guide and support your clients in this process.
- Explain aspects of military life that may impact military buyers and sellers, including the decision to rent, sell, or buy; involuntary separations and base closings; and the importance of data privacy.

Military Buyers and Sellers—What They Want

When it comes to buying or selling 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.

This module looks more closely at the home buying and selling process for military personnel and their families.

Figure 4.1 Military Buyer and Seller Wants

What Buyers Want	What Sellers 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	■ 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

Understanding the Role of Military Culture in Transactions

As we've discussed, the experience of military life instills a set of distinctive cultural values and behaviors. 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 helps build trusting and constructive 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 typically take an equally objective-oriented approach to finding a home. As we will soon discuss, service members tend to be "power shoppers" because there's usually a compressed time frame to find a home, negotiate an offer, and sign a contract.

- **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.

Asking the Right Questions

Like civilian home buyers and sellers, active-duty service members and veterans are not a homogeneous group. For example, veterans 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. It also helps to determine the seller's motivation, which can help you in negotiations.

- **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. But remember, nothing happens until the PCS orders arrive.

- **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. Be respectful and call your buyers and sellers by the correct rank until they say that you may call them by just their names. Example: "Good morning, Senior Chief Sherman." He replies, "Please, just call me Charles."

- **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 veterans if they plan to use VA financing. There may be some veterans who will not be using their VA. Don't argue with them. Instead present them with the benefits of VA, but if they still decline, respect it and move on to conventional or FHA, USDA and financing. Also for spouses, be sure to engage both partners. In today's increasingly diverse military, it could be either spouse who is the veteran and has VA eligibility.

- **How long before the next PCS?**
  As we've discussed, PCS moves are an expected part of military life. Although timing is the unknown factor, time-on-station and job description 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 new duty station location. All other deadline dates depend on that 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 HHG 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 PPM, moving dates may be more flexible. Don't forget to ask if the family is using government movers or doing a PPM. Schedule the closing for one day and move in on the next day in case of a delay.

- **Door-to-door move 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 HHG into storage or, if possible, notify the moving company not to deliver until later.

- **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 Fort Liberty 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. Some areas may be restricted and would not be accessible at all.

- **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? Who might be dropping off the child(ren)?

- **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 the buyer themselves. 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. Be careful: Check with your broker and closing agent to see if this is possible at all.

- **Mortgage preapproval?**
  Ask buyers, "Have you met with a lender yet? Do you have a mortgage approval or preapproval?" 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.

- **VA financing?**
  Ask buyers, "Are you familiar with VA financing? Do you know your entitlement status? Do you have your certificate of eligibility?" Ask sellers, "Do you currently have a VA mortgage? Is this your first time? How much were your down payment and funding fee going to be?"

- **Client investments**
  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 zero percent down? How can they be strategic with that money versus just breaking even on primary residences over and over?

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 might be 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. You will need to know what your state's default agency is and explain that. Also explain that every state is a bit different. Make sure your client understands the potential differences between them.

VIDEO: COMMUNICATING WITH MILITARY CLIENTS

In this video, Zelda explains the challenges of working with military clients stationed overseas, emphasizing the importance of using technology to conduct virtual home tours. She highlights the need for real estate professionals to be flexible and prepared, accommodating time zone differences and communication challenges. Megan adds a spouse's perspective, stressing the importance of listening to the family's needs and being proactive, as military spouses often manage relocations alone. Flexibility, preparation, and clear communication are critical to effectively serve these clients.

Scan or click the QR code below to view:

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 other considerations go into the decision as well. 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, as we discuss at greater length later in this module. 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 stay current 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 those who need to rent as potential clients 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.

Online calculators can help clients make this determination. Try the calculators at sites like NAR or NerdWallet. These tools will help clients calculate net costs, which compare the total amount of money spent over time minus the potential value if the property is sold in the future.

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. You will also have military members who are looking to buy and keep it as an investment property after they retire. Whatever the case may be, always make sure to let them know you can help them in this process. Give them the figures and data to help them in the decision-making process.

Remember to remind service members that if they decide 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 Module 6.

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. Now is the time to build these relationships. Make sure that whatever arrangement you make with a management company, you have it in writing.

TREATING 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. Some of our military members are doing the same thing, so we need to be prepared to guide and support them as a knowledgeable resource.

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 three to five years, so equity and appreciation are not exit strategies that are 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 in a number of ways:

- creating value through upgrades to the property (flooring, painting, additions),
- creating additional offsets for a property (solar panels, mother-in-law suite turned to short-term rental),
- or turning the property into a long-term rental.

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 buyer's 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 five 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 five 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.

Qualifying a Buyer

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 email 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 do some preliminary estimating about what the client has saved and will be able to pay on a monthly basis by walking them through some basic real estate costs in your market at a given time. The following dialogue provides an example of how the conversation might proceed.

- **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 exactly what those costs are 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."

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 incorrect to assume every lender can make this distinction.

MAINTAINING A GOOD CREDIT RATING

For active-duty service members, prudent financial management and a good credit rating are wise career moves. Financial problems can compromise a service member's security clearance. Make sure to make this point very clear to clients, and perhaps especially potential clients who may only be able to rent when you first meet them.

Get Ready for a More Intense Home Search

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!

- **Very compressed time for viewing homes.**
  Service members have a maximum of 10 days leave to house hunt, but many take less. Do as much work in advance to understand what houses they want to view, and do your best to use the time efficiently.

- **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 their 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 on 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 dos 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.

SHOPPING WHEN A SPOUSE IS ABSENT

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 their own—especially in a compressed time frame. When one spouse is absent, the real estate professional must be hyperalert 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 home buyers 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*
>
> **—VA Home Loan Guaranty Buyer's Guide, p. 23, 2022**

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.

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, 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.

Factors that can strengthen a seller's leverage include:

- 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.

Involuntary Separation and Base Closings

Service branches may sometimes 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 paygrade 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.

TRANSITION ASSISTANCE PROGRAM (TAP) AND PERMISSIVE TEMPORARY DUTY (PTDY)

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 HHG and shipment to a home of the service member's choice. Permissive Temporary Duty (PTDY) 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. Find news about base closings and realignments at www.acq.osd.mil/brac.

HOMEOWNER ASSISTANCE PROGRAM (HAP)

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

A key part of this process is an earnest 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.

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 NAR Toolkit at www.nar.realtor/data-privacy-security/nars-data-security-and-privacy-toolkit. The Center for REALTOR® Development also offers 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.



Building a Business and Referral Network

LEARNING OBJECTIVES

- Explain the importance of referrals in growing your business, and identify the people and organizations that comprise your spheres of influence.
- Discuss ways to adapt your real estate skills to military clients, and list ways to create a respectful online marketing presence.
- Summarize the importance of creating inclusive business practices, and detail one specific way to do so.

The Importance of Referrals

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? In the most recent NAR survey of home buyers and sellers, 47 percent of home buyers found their real estate agent via referral (NAR, 2022). The percentage is even higher (55 percent) for younger buyers, ages 23–31, which is the same age demographic that comprises a large portion of home buyers and sellers in the military (see Figure 5.1).

Figure 5.1 How Buyers Find a Real Estate Agent

	All Buyers	23 to 31	32 to 41	42 to 56	57 to 66	67 to 75	76 to 96
Referred by (or is) a friend, neighbor or relative	47%	55%	48%	45%	40%	45%	44%
Used agent previously to buy or sell a home	13	6	14	14	18	12	17
Inquired about specific property viewed online	7	9	6	7	9	9	6
Website (without a specific reference)	7	8	7	7	6	5	5
Saw contact information on For Sale/Open House sign	5	3	4	6	6	8	7
Referred by another real estate agent/broker	5	4	5	5	6	4	4
Visited an open house and met agent	4	3	3	5	5	5	5
Personal contact by agent (telephone, e-mail, etc.)	3	3	3	2	4	4	5
Referred through employer or relocation company	2	2	2	3	1	1	*
Walked into or called office and agent was on duty	1	*	1	1	1	2	2
Mobile or tablet application	1	1	1	1	1	1	*
Saw the agent's social media page without a connection	1	1	1	1	1	*	*
Crowdsourcing through social media/knew the person through social media	1	1	1	*	*	*	*
Advertising specialty (calendar, magnet, etc.)	*	*	*	*	*	*	*
Direct mail (newsletter, flyer, postcard, etc.)	*	*	*	*	*	*	2
Newspaper, Yellow Pages or home book ad	*	*	*	*	*	*	1
Other	4	4	4	4	2	3	2

Source: NAR, "2022 Home Buyers and Sellers Generational Trends Report."

The bottom line: The military community is close-knit and one that's built on respect and trust. NAR research has found that trustworthiness is the most important factor for all buyers and sellers when choosing an agent (see Figure 5.2). It will be even more so when serving the military community. Therefore, it's vital that you know how to create a network of meaningful and enduring relationships with clients and important stakeholders in the community. In this module we look more closely at how to do this.

Figure 5.2 Most Important Factors When Choosing an Agent

	All Buyers	23 to 31	32 to 41	42 to 56	57 to 66	67 to 75	76 to 96
Agent is honest and trustworthy	20%	25%	24%	19%	17%	16%	14%
Agent's experience	19	18	21	20	20	15	19
Reputation of agent	17	17	15	14	19	20	15
Agent is friend or family member	13	14	12	15	12	13	17
Agent's knowledge of the neighborhood	8	5	5	7	9	12	12
Agent has caring personality/good listener	6	6	6	7	5	6	4
Agent is timely with responses	6	8	6	6	6	4	4
Agent seems 100% accessible because of use of technology like tablet or smart phone	4	3	4	4	5	4	6
Agent's association with a particular firm	1	1	1	2	1	2	4
Active in local community/volunteerism	1	1	1	1	1	1	2
Professional designations held by agent	1	*	1	*	1	1	*
Other	4	2	4	6	4	5	4

Source: NAR, 2022 "Home Buyers and Sellers Generational Trends Report."

TIPS FOR BUILDING A REFERRAL NETWORK

- **Build a sphere of influence.**
  Be sure to socialize 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. Of course, this should be organic to who you are and how you live. Authenticity is critical to building trust and respectful relationships. We discuss the process of building a sphere of influence in more detail later in this module.

- **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.

- **Stay Involved— Offer 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, 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.

- **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.

BECOME AN EXPERT IN YOUR MILITARY MARKET

The quickest way to build trust and respect in your local market is to become as knowledgeable as you can about the active-duty base, the local community, and all that goes on within it. Not only does expertise garner respect and trust, but it also adds value for your clients as well as local businesses and community organizations that are serving military personnel and their families.

You can start to collect information about the current demographics of the community. For example, by using the U.S. Census Quick Facts page, you can put together data on the military presence in the state, as well as in and around a specific base. Visit the site at www.census.gov/quickfacts/.

Oftentimes, you can also find a map of the military base in your area. This helps you get oriented and acquainted with the layout of the area and the services and departments that will be integral to the lives of your military clients. A basic Google search of the base in your market is often a fruitful first step. See, for example, the maps of the Hampton Roads, Virginia, military facilities in Figure 5.3 and Figure 5.4.

Even if maps of your base are not available, you are likely to find with a little online searching information about your military community that will be of help not only to you but also to your clients.

Figure 5.3 Hampton Roads Military and Federal Facilities

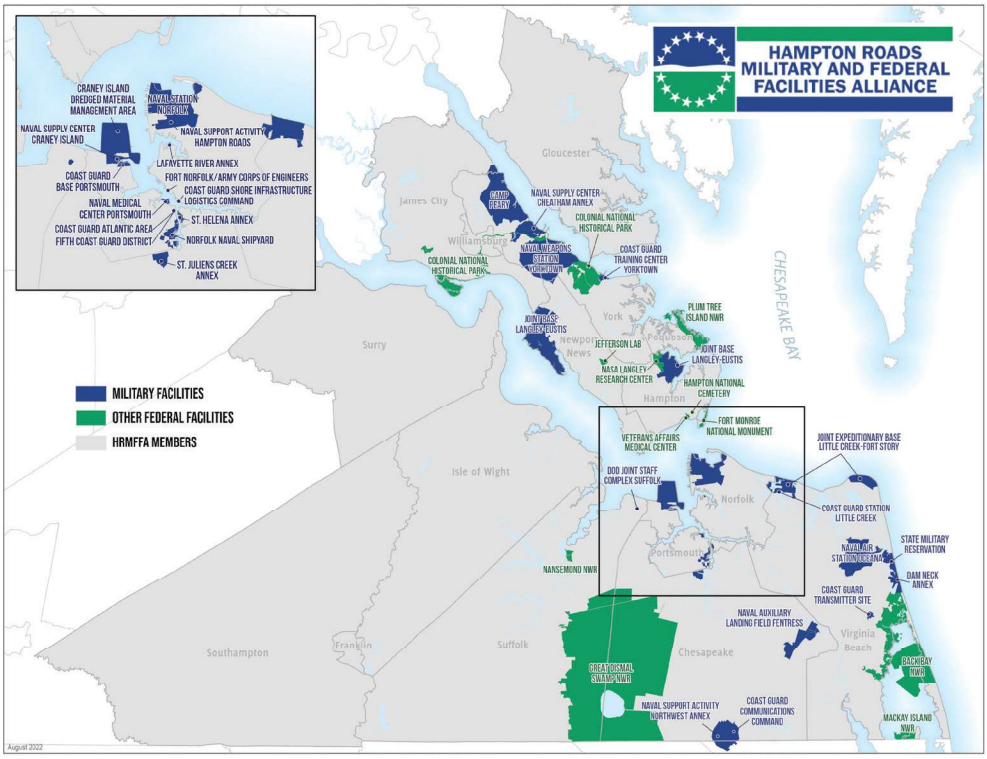
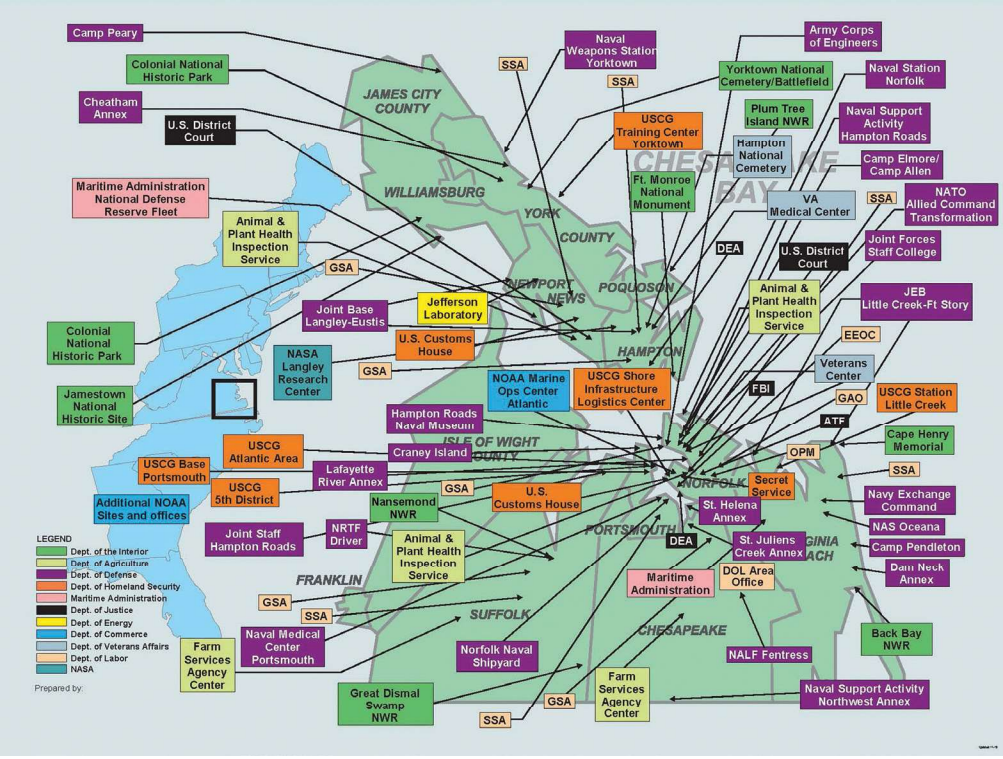


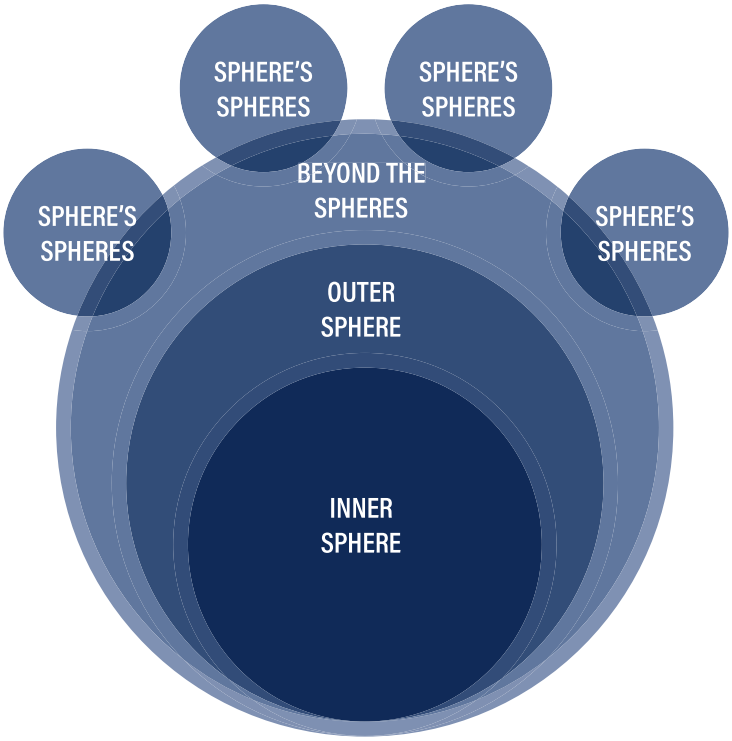
Figure 5.4 Hampton Roads Government Facilities



BUILDING YOUR SPHERE OF influence

Establishing and maintaining respectful and trusting relationships is critical to building your business. Your spheres of influence include everyone you might come in contact with, including family, friends, acquaintances, colleagues, local businesses and community members, and even people you don't yet know. You need to identify who comprises these separate spheres so you can start building stronger, more sustainable relationships that will increase your standing, and therefore influence, in the community. Identifying these spheres also helps you understand how to better communicate and market your business. It's helpful, then, to think about your sphere of influence not as one big sphere but rather as three distinct sphere extending from yourself (see Figure 5.5).

Figure 5.5 Spheres of Influence



- **Inner Sphere**
  The inner sphere consists of your closest networks. It is typically comprised of friends, family, close acquaintances, past clients that you worked very closely with, and people you have strong relationships with in the real estate business, military, and local community. These are the people you can trust to put in a good word for you with people who have influence or prospective military clients.

- **Outer Sphere**
  The outer sphere includes contacts such as any former clients, more distant acquaintances, and people you may know, or know of, in the military and the local community, but not necessarily have strong ties with. This is the sphere you should be actively trying to cultivate, as the more you form stronger ties with those in the outer sphere, the more you are simultaneously bringing them into your inner sphere. The bigger your inner sphere is, the more influence—and therefore clients—you are likely to have.

- **Beyond the Spheres**
  The beyond the spheres zone is composed of anyone who could potentially be in your inner or outer spheres who you do not know or have not met yet. These are military personnel and families who are soon to be in the real estate market, as well as businesses and organizations in the community who you have not considered to be part of your network yet. Here is where your social media and online marketing presence become of more value to you. These are tools you can use to extend beyond your immediate spheres to forge new relationships, extend your network, and expand your influence. We talk more about how to do this in the sections that follow.

Exercise: Who Is in Your Spheres of Influence?

Take a few minutes to start breaking down your spheres of influence. Write down specifically who is already in your inner sphere and outer sphere. Be sure to include all pertinent information: name, relationship to you, industry, and other people of value this person knows. Include lenders, property managers, other agents in other markets/states, military and veteran community members and leaders, military spouses, military organizations, title/attorneys, and community leaders who service and support the military and military families. After filling out the first two spheres, give some thought as to which people, businesses, and organizations that might be just outside of your outer sphere may be part of a broader business plan in the future.

Inner Sphere

Outer Sphere

Beyond the Spheres

Adapt Your Business for Military Buyers and Sellers

You already are well versed in the core real estate skills required to create a successful business that will provide expertise and value for your clients. See below for a quick refresher on what these core skills are.

- Regulatory Knowledge
- Market Knowledge
- Financing
- Networking
- Presentation Skills
- Communication and Listening
- Investment Analysis
- Patience
- Fiduciary Duties
- Follow-Through
- Client Loyalty
- Marketing
- Technology
- Tax Issues
- Value Proposition
- Negotiations

Now that you have a better understanding of the lives, culture, and home buying and selling process of military personnel and families, you need to create a business plan that honors their service and sacrifice, while helping to build and expand your ability to serve them in a meaningful and sustainable way.

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. 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 Zoom?

- **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 (see Module 6)? 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?

- **Communication 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 Zoom conversations with a service member who is stationed a dozen times zones away—in Japan or South Korea, for example?

These are the types of questions and issues you need to consider. We cover or will cover many of these items in this course, but it's vital that the skills and knowledge you learn in this course are cultivated and applied to your business moving forward, and that you continue to refine your plan as you gain more experience working with military buyers and sellers.

ADAPT YOUR SKILLS FOR MILITARY BUYERS

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

  As we discussed in the previous module, 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 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 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, as covered earlier, only one of the spouses may be available for house hunting. Assume this will be the case, rather than a possibility. 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. Such events can't catch you by surprise when working with military clients. You need to be prepared and able to support the needs of the client and family at all times and in all circumstances.

- **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 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 two to three 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 (covered in more detail later in this module) lead you through the calculations. 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.

Marketing for Military Sellers

As you well know, the key to successful marketing is finding a message that appeals to and engages your intended audience. The military market is no different in this regard. You can tailor your listing presentation and services 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. Gaining and sustaining the future business of a client starts with staying in touch now. 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 duty station. 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. If they are transferring out, put them in touch with an agent at the new duty station and remember to keep in touch with that agent so you can help at both ends.

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. Immediately pack away items that are not conveying with the property. Clean the windows, carpets, walls, lighting fixtures, and baseboards to make the house shine. Make sure the house is not only clean, but smells fresh and clean as well.

- **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. Besides getting estimates, also find out the time limit on those estimates and time to get the job done if desired. As an example, many roofers can be as much as two to three months out for putting on a new roof. This might affect or even break the deal. Now is the time to know.

- **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. If none can be found in the house, look them up and print them out.

- **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. 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. Be sure to go over the pros and also the cons of renting and having tenants. A well-informed client tends to be a happier and more appreciative one who is more likely to refer you to others they know.
- **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. However splitting up the family even temporarily, increases the stress and prolongs the PCS process indefinitely.

VIDEO: THE MILITARY IS A TIGHT-KNIT COMMUNITY

In this video, Clarence, Megan, Kayla, and Jimmy emphasize the importance of building trust and rapport with military families by being knowledgeable about their specific challenges and actively engaging with the community. Real estate professionals should familiarize themselves with local resources, including schools and medical services, to better support military families during their moves. By fostering strong, long-term relationships and offering continued guidance, agents can help reduce the burden of relocations and ensure that military families feel well-supported throughout the process.

Scan or click the QR code below to view:

Online Marketing for Military Buyers

NAR research shows that the typical civilian home buyer spends three weeks viewing properties online before contacting a real estate professional. Military families usually begin the home search online too. You want to make sure that you have an online presence where military clients can find you. Importantly, you want to make sure not only that they can find you, but also that they understand that you are attuned to the needs and concerns of PCS-ing military families—that is, you need to make sure your online marketing presence is respectful of the service and sacrifice of our military personnel and their families.

Here are some tips to do just that:

- 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 baby-sitting service.
- Offer detailed property and neighborhood reports using RPR® tools.
- Provide information on convenient overnight accommodations and restaurants.
- Offer a wants-and-needs pre-consultation form.

Exercise: Online Marketing

Consider the tips just given. What have you already incorporated into your website? Which tips could you effectively implement moving forward? Are there other ways you can think of to build your online presence in a way that would be more appealing and engaging for military personnel and their families?

Ultimately, the question is: What would keep military buyers and sellers coming back to your website?

Create Inclusive Business Practices

As we discussed at the beginning of the course, the military is becoming increasingly diverse. It's important, then, that you are mindful of and empathetic to the diverse backgrounds and lived experiences of military personnel and their families.

DATA ON HOMEOWNERSHIP, INCOME, AND HEALTH

Veterans among all racial and ethnic groups have a higher homeownership rate than the general population. Active-duty personnel, meanwhile, have lower homeownership rates, but higher incomes. Overall, both veteran and active-duty military status decrease the homeownership and income gap found in the general population. This gap decreases even further in and around large military bases.[18]

However, according to a recent survey conducted by the Military Family Advisory Network (MFAN), those in lower ranks and from historically marginalized racial and ethnic groups were more likely to report poor family health and were disproportionately affected by food insecurity.[19]

COMMUNICATING WITH DIVERSE POPULATIONS

To help reduce the chances of miscommunications between you and your military clients, and also to help your clients feel welcome and comfortable, cultivate active-listening skills. This is a skill that applies to all clients, but can be especially helpful with clients of diverse cultures and backgrounds.[20]

18 Strochak, Sarah; Choi, Jung Hyun; Goodman, Laurie. (January 2020). "The Impacts of US Military Service on Homeownership and Income." *The Urban Institute*. www.urban.org/sites/default/files/publication/101495/the_impacts_of_us_military_service_on_homeownership_and_income_1.pdf

19 Military Family Advisory Network (MFAN). "2021 Military Family Support Programming Survey." https://www.mfan.org/wp-content/uploads/2022/07/Executive-Summary-MFAN-Programming-Survey-Results-2021.pdf

20 Vaughn, Tim. (2021). "Cross Cultural Communication Strategies." *Poppulo*. https://www.poppulo.com/blog/cross-cultural-communication-strategies

Here is an active listening strategy process to help you engage and communicate with diverse military clients in a way that will foster trust and respect:

1. **Pay attention**
   Take an active interest in what your client says. Listen not just to their wants and needs, but also to their concerns and plans now and for the future. Pay attention to their body language as well. Is their posture or expression saying something that their words are not? In some cultures, for example, the conversation is the message. They prefer talking and interaction, even about tangential topics. This might be especially true of individuals from high-context cultures who are more relationship-oriented. Paying attention will build trust, and their real estate goals will emerge over time.

2. **Withhold judgment**
   People of different cultures and backgrounds will have different tastes, priorities, and concerns. Avoid judging their wants and needs if they might not align with your own. Remember, your job is to guide your client through the process.

3. **Reflect**
   Part of effective listening is not simply assuming that you understand what your client is saying but actively getting confirmation that you understand what your client is saying. You can do this by paraphrasing back to your client what they report to you. The act of reflecting might sound something like this:

   Client: *We're looking for a two-bedroom home because we are planning on having kids soon. We really would like a two-car garage and at least two bathrooms, but we might be flexible about those.*

   Agent: *So what I hear you saying is—two bedrooms is a definite need since you intend to have children. The garage and two bathrooms are more of a want. That is, it would be great if we could get the whole package, but the highest priority are the bedrooms. Am I hearing your correctly?*

   Using the technique of reflection serves three important functions:

   - It helps to ensure that there are no miscommunications between you and your client.
   - Reflecting makes your client feel listened to. It shows them that you are listening and that you are taking the time to get it right.
   - Showing your client that you are carefully considering their wants and needs builds trust.

4. **Clarify**
   Don't feel like you always have to "get it" right away with your client, especially when trying to bridge differing cultural perspectives and norms. Don't be afraid to ask questions and make sure you clarify something that might be confusing to you. Reflecting back what they say helps prevent miscommunication, and so does clarification—that is, asking additional questions yourself. Asking questions of your client will also show that you are interested and that you are making sure you get it right.

5. **Check in**
   As always, it's a good idea to check in with your clients to make sure you are still on the same page. Lengthier searches, especially for military clients, can lead to frustration, concerns, evolving priorities —all things you need to know to effectively serve and support them. And when dealing with diverse populations, you need to be aware that certain cultures rely on interpersonal relationships and building a more personal rapport. Regular check-ins also help in this way.

Marketing and Referral Tools

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

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 blog.narrpr.com. RPR® is 100 percent owned and operated by the National Association of REALTORS® as a member benefit for all REALTORS®.

Exercise: Putting Together a Marketing and Referral Plan

Let's spend some time putting together the outline of a more detailed marketing and referral plan that you can start implementing today.

Identify three ways in which you can become more of an expert about the base in your area and the local community. How will you use this information to help clients and others?

Based on the spheres of influence you filled out earlier, who can you contact today to start building your network? List three people or organizations here.

List three ways in which you can create a respectful online presence that will appeal to and engage the military community.



LEARNING OBJECTIVES

- Identify and remediate misperceptions surrounding VA loan eligibility, coverage, and processes.
- Explain the VA loan process in such a way that your clients would have a clear understanding of their requirements to qualify and their options to make informed financial decisions.
- Articulate a business plan that will ensure you are providing your military clients with the best service to meet their wants and needs.

A Powerful Financial Tool, but Misperceptions Persist

Like their civilian counterparts, service members can find managing finances to be challenging. They grapple to find affordable housing, balance household expenses, manage debt loads, and determine if one income will be enough to sustain the household or if two incomes are needed. 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.

The good news for active-duty and former service members is through their service and sacrifice they have earned the benefit of home mortgage financing guaranteed by the U.S. Department of Veterans Affairs—VA financing, for short. The VA Program was one of the major innovations and most important

parts of the original Servicemen's Readjustment Act of 1944. It was created to diminish, to the greatest possible extent, the economic and sociological problems of postwar readjustments. Since that time, over 28 million service members have purchased a home through the VA loan program.[21]

Yet despite the long history of the VA mortgage loan program and despite the financial benefits it yields in helping secure a home for service members, there are still many misconceptions and misunderstandings surrounding this program. So let's begin this final module by reviewing some of the most common fallacies out there by taking a quick True-False Quiz. Are you ready?

VA Loan Quiz

1.	**VA entitlement guarantees 100 percent of an eligible borrower's mortgage.**	**True** **False**
2.	**The VA provides the funds for lenders to make VA loans.**	**True** **False**
3.	**The VA mortgage entitlement can be used only once.**	**True** **False**
4.	**The VA limits the amount a buyer can borrow.**	**True** **False**

21 Rayford, Krista. (June 2023). "VA Home Loan Program guarantees its 28th millionth loan." *VA News*. https://news.va.gov/120964/va-home-loan-program-guarantees-28th-millionth/

5.	VA mortgages can be used only to purchase, not to refinance.	True False
6.	The VA guarantees all service members qualify for a loan.	True False
7.	The VA guarantee will pay off the mortgage if the borrower dies.	True False
8.	VA financing is always the best deal.	True False
9.	VA financing is available only for single-family homes.	True False
10.	VA purchasers cannot work with buyer's representatives.	True False

If you didn't know all the answers, that's okay. This is a complex topic, and the intent here is not to make you an expert. Rather, this module's intent is to familiarize you with the basic principles and processes of VA financing, such as eligible borrowers and properties, financing costs, and the loan application process, as well as understanding some of the common fallacies that persist around what is and is not allowable or possible through the VA loan.

It's also important to know that many service members and their families are also unclear about VA financing. 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, and think through the pros and cons.

Finally, having knowledgeable VA lenders in your network to help you and your clients navigate this process can prove invaluable. Take some time to ensure that you are working with a lender who really knows the ins and outs of VA loans. Some questions to ask:

- How many VA closings have they done?
- Are they a veteran? Do they have a spouse or family member serving in the military?
- Do they have experience with buyers claiming disability? With a veteran claiming disability?

VIDEO: UNDERSTADING THE VA LOAN

In this video, the speakers discuss the benefits and unique aspects of VA loans, emphasizing that these loans offer significant financial advantages for veterans, such as no down payment, no private mortgage insurance, and competitive interest rates. Real estate professionals are encouraged to work with VA loan specialists to ensure smooth transactions and to educate veterans on how to fully leverage their benefits. The speakers stress that many veterans are unaware of their eligibility, and realtors play a crucial role in guiding them through the process, making the VA loan a powerful tool for homeownership and wealth-building.

Scan or click the QR code below to view:

Know Your VA Loan Client

Let's start by getting a sense of who receives a VA loan. Obviously each of your clients will have unique life experiences, wants, and needs, but Figure 6.1 provides a snapshot of a VA home loan client.

Figure 6.1 National 2022 VA Statistics

Median Debt to Income Ratio	42.9%
Median Credit Score	714
Median Loan Amount	$317,130
Median Gross Income	$7,478/$88,736
Median Assets	$24,006
Average Days from Issuance of VA Case # to VA Guarantee	34.7 Days
VA Clients That Are Previous Home Owners	61%
Clients That Choose to Make a Down Payment	24.5%

Benefits of VA Home Loans

There are numerous benefits to the VA home loans.

- No down payment (as long as there's full entitlement, or the sale price does not exceed the appraised value). This allows service members to buy a home sooner than they typically would be able to.
- Loan-to-value ratio of 100 percent, increasing buying power.
- Back-end debt-to-income (DTI) ratio of 41 percent or more under certain circumstances.[22] In some cases, it can be even higher with a DU or LP approval from the lender.
- No private mortgage insurance (PMI) for loans with less than 20 percent down payment.
- Limits on closing costs, which may be paid by the seller.
- No penalty for early payoff.

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 DTI and residual income. A higher DTI may be permitted if offset by residual income. See the Resources section.

- Loan is assumable by any qualified individual (doesn't have to be military, but that impacts restoration of the seller's entitlement).
- May apply for a new loan two years or sooner after a bankruptcy or foreclosure.

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 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 (COE).
2. **Qualify for the VA home loan.**
   Preapproval 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, VA-approved condo, or maximum four-unit multifamily (owner must occupy one unit). Manufactured homes qualify. No vacation or investment homes, or commercial or working 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 may be paid by the seller or the buyer.

Determine Eligibility and Entitlement

The first step in qualifying for a VA loan is verifying that the service member's or veteran'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 can help you provide general guidelines for informational purposes.

Figure 6.2 Service Member's Eligibility and Entitlements

	Date of Service	Required Length of Service
Active-duty	While service member remains on active-duty	90 days Wartime/181 Peacetime

Figure 6.3 Veteran's Eligibility and Entitlements

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 6.4 Other Eligibilities and Entitlements

Others	Required Length of Service or Eligibility
Reserve and Guard	6 years in selected reserve OR 90 days if the service member has served in Iraq or another area because of mobilization under "Title 10" or Guard under "Title 32."
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 reserve 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 reserve and guard may submit NGB Form 22 and 23, Separation and Record of Service or an annual retirement points summary. For a veteran who served in the reserve 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 veteran'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. The NPRC stores millions of military personnel records from all branches of the services from World War I to the present.

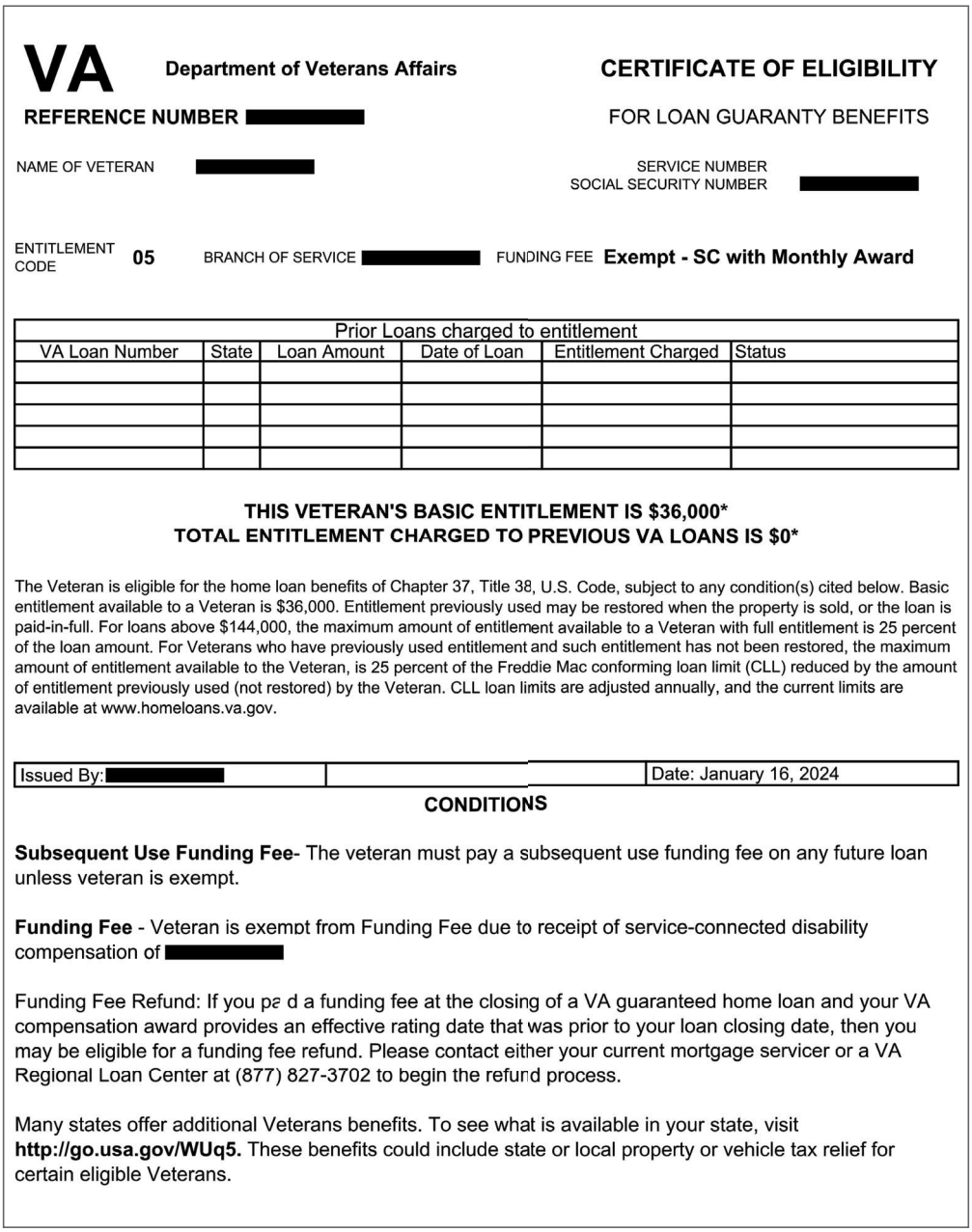
A veteran may contact the NPRC to obtain a Certificate of Military Service, which substitutes for the actual discharge papers. The request for records, GSA Form SF-180, may be initiated online at www.archives.gov/veterans/military-service-records. A follow-up faxed or mailed application with signature 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.

CERTIFICATE OF ELIGIBILITY (COE)

The fastest way to verify eligibility and determine the amount of entitlement is the VA's eBenefits website. The veteran can check loan benefits and entitlement and print out a COE. A lender can assist the veteran 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 the eBenefits contact page.

The COE 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 COE issued by the U.S. Dept. of Veterans Affairs. The certificate is mailed to the applicant. Figure 6.5 provides an example of what the COE looks like with a clear entitlement.

Figure 6.5 Certificate of Eligibility Example #1



VA Department of Veterans Affairs

CERTIFICATE OF ELIGIBILITY

FOR LOAN GUARANTY BENEFITS

REFERENCE NUMBER [redacted]

NAME OF VETERAN [redacted]

SERVICE NUMBER
SOCIAL SECURITY NUMBER [redacted]

ENTITLEMENT CODE **05**

BRANCH OF SERVICE [redacted]

FUNDING FEE **Exempt - SC with Monthly Award**

Prior Loans charged to entitlement					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged	Status

THIS VETERAN'S BASIC ENTITLEMENT IS $36,000*
TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS $0*

The Veteran is eligible for the home loan benefits of Chapter 37, Title 38, U.S. Code, subject to any condition(s) cited below. Basic entitlement available to a Veteran is $36,000. Entitlement previously used may be restored when the property is sold, or the loan is paid-in-full. For loans above $144,000, the maximum amount of entitlement available to a Veteran with full entitlement is 25 percent of the loan amount. For Veterans who have previously used entitlement and such entitlement has not been restored, the maximum amount of entitlement available to the Veteran, is 25 percent of the Freddie Mac conforming loan limit (CLL) reduced by the amount of entitlement previously used (not restored) by the Veteran. CLL loan limits are adjusted annually, and the current limits are available at www.homeloans.va.gov.

Issued By: [redacted]		Date: January 16, 2024

CONDITIONS

Subsequent Use Funding Fee- The veteran must pay a subsequent use funding fee on any future loan unless veteran is exempt.

Funding Fee - Veteran is exempt from Funding Fee due to receipt of service-connected disability compensation of [redacted]

Funding Fee Refund: If you pa d a funding fee at the closing of a VA guaranteed home loan and your VA compensation award provides an effective rating date that was prior to your loan closing date, then you may be eligible for a funding fee refund. Please contact either your current mortgage servicer or a VA Regional Loan Center at (877) 827-3702 to begin the refund process.

Many states offer additional Veterans benefits. To see what is available in your state, visit **http://go.usa.gov/WUq5.** These benefits could include state or local property or vehicle tax relief for certain eligible Veterans.

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 wait time to two years or less depending on the circumstances, compared to a two- to four-year 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 (on a foundation), or a unit in a multifamily building of four or fewer units. It should be noted that a service member may convert this home into an investment property after they've lived in the home for one year and deploy any remaining entitlement toward a new home.

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 homes must:
  - Be classified and taxed as real property.
  - Meet VA minimum property requirements.
  - Conform to applicable building code and zoning requirements for real estate in your state.
  - Be properly affixed to a permanent foundation (mobile home on foundation qualifies).
  - Any other requirements deemed necessary by the state.

CONDOMINIUMS MUST BE VA APPROVED: TRUST BUT VERIFY

The VA requires the borrower to occupy the home as a primary residence.

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 lgy.va.gov/lgyhub/condo-report. In order to search the database, enter the name of the condominium association, not the name of the management company. Or, search by the city, state, or 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 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 speed 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.

OTHER USES FOR A VA LOAN

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.
  - Used in conjunction with VA loans for purchase or refinance, and allows for installation of such items as solar panels, heating or cooling systems, water heaters, insulation, weather stripping/caulking, storm window/doors.
  - A final inspection of improvements is not required; instead the lender certifies that the improvement is complete.
  - The mortgage can be increased by $3,000 based solely on the documented costs of the energy improvements.
  - The mortgage can be increased up to $6,000 max, provided the increase in the monthly mortgage payment does not exceed the likely reduction in the monthly utility costs.
- Buy a manufactured home (mobile home on a foundation) and lot.
- Buy and improve a lot on which to place an already owned and occupied manufactured home for immediate use.
- Refinance a manufactured home loan in order to acquire a lot.
- Refinance to reduce interest rates.
- Refinance to take cash out.

As mentioned earlier, properties not eligible for VA financing include vacation and second homes, businesses, and farm land.

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. This is a question you should ask your lender.

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 Interest Rate Reduction Refinance Loans (IRRRL) 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 loan amount.

Figure 6.6 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
Greater than $144,000	25% of the loan amount

Currently, the VA identifies high-cost markets in specific counties in 20 U.S. states and territories. For up-to-date loan limits, go to https://www.va.gov/housing-assistance/home-loans/loan-limits/.

The 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 maximum, must pay 25 percent of the additional amount as a down payment.

Exercise: Knowing Your Market

If a veteran no longer has full entitlement, they may have a home loan limit. 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? Use the VA Loan Limit Calculator at www.veteransunited.com/education/tools/va-loan-limit-calculator to find out.

MAXIMUM A VETERAN 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 guideline 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. However, this is their decision to make. See Figure 6.7 for an example of how the entitlement would appear on the COE with active VA Loans.

Figure 6.7 Certificate of Eligibility Example #2

VA Department of Veterans Affairs

CERTIFICATE OF ELIGIBILITY

FOR LOAN GUARANTY BENEFITS

REFERENCE NUMBER [redacted]

NAME OF VETERAN [redacted]

SERVICE NUMBER
SOCIAL SECURITY NUMBER [redacted]

ENTITLEMENT CODE **05**

BRANCH OF SERVICE [redacted]

FUNDING FEE **Exempt - SC with Monthly Award**

Prior Loans charged to entitlement					
VA Loan Number	State	Loan Amount	Date of Loan	Entitlement Charged	Status
		$200,807	**08/14/2012**	**$51,713**	**Active**
		$565,397	**06/26/2020**	**$118,200**	**Active**

THIS VETERAN'S BASIC ENTITLEMENT IS $36,000*
TOTAL ENTITLEMENT CHARGED TO PREVIOUS VA LOANS IS $0*

The Veteran is eligible for the home loan benefits of Chapter 37, Title 38, U.S. Code, subject to any condition(s) cited below. Basic entitlement available to a Veteran is $36,000. Entitlement previously used may be restored when the property is sold, or the loan is paid-in-full. For loans above $144,000, the maximum amount of entitlement available to a Veteran with full entitlement is 25 percent of the loan amount. For Veterans who have previously used entitlement and such entitlement has not been restored, the maximum amount of entitlement available to the Veteran, is 25 percent of the Freddie Mac conforming loan limit (CLL) reduced by the amount of entitlement previously used (not restored) by the Veteran. CLL loan limits are adjusted annually, and the current limits are available at www.homeloans.va.gov.

Issued By: [redacted]		Date: January 16, 2024

CONDITIONS

Subsequent Use Funding Fee- The veteran must pay a subsequent use funding fee on any future loan unless veteran is exempt.

Funding Fee - Veteran is exempt from Funding Fee due to receipt of service-connected disability compensation of [redacted]

Funding Fee Refund: If you paid a funding fee at the closing of a VA guaranteed home loan and your VA compensation award provides an effective rating date that was prior to your loan closing date, then you may be eligible for a funding fee refund. Please contact either your current mortgage servicer or a VA Regional Loan Center at (877) 827-3702 to begin the refund process.

Many states offer additional Veterans benefits. To see what is available in your state, visit **http://go.usa.gov/WUq5.** These benefits could include state or local property or vehicle tax relief for certain eligible Veterans.

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. Figure 6.8 provides a sample comparison of VA and conventional financing options.

Figure 6.8 Sample Comparison of VA and Conventional Financing Options

	VA Loan	Conventional Loan
Purchase Price	$600,000	$600,000
Interest Rate	6.75%	7.375%
Down Payment	0% ($0.00)	20% ($120,000)
Upfront Fee	2.15% ($12,900)	0% ($0.00)
Loan Amount	$612,900	$480,000
Payment	$3,975	$3,315

Be sure to know all of the available options in your state or area to ensure that your client has all the options available to them. Check for any specific programs that are in your local area—for example, "bond" money, special financing, VA renovation loans, or even USDA financing. This is the time for you to present all the choices to the service member.

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 requirements (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.

APPRAISER'S ROLE IF VALUATION APPEARS TO BE BELOW THE SALES PRICE BEFORE THEY COMPLETE THE APPRAISAL?

What if the appraiser believes the value is likely to come in below purchase price? The appraiser is required 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 Initiative" and allows appraisers to request additional sale information prior to the appraisal being completed.[23] It opens a window of two business days during which the POC may provide additional information/comps to the appraiser that could help justify a higher value.

The POC can be whomever the requestor believes most appropriate including the real estate professional, 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

23 The "Tidewater Initiative" is named for a policy developed by the VA following a cluster of disputed appraisals originating in Norfolk, Virginia, the Tidewater region. It was established between the real estate professionals in the "Tidewater area of Virginia" and the VA's Roanoke RLC. 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.

Standards of Professional Appraisal Practice, or 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. This is a good thing, not something to be feared.

NOTICE OF VALUE

Once the appraiser submits the appraisal, it is forwarded to the lender's Staff Appraisal Reviewer (SAR). They are responsible for reviewing the appraisal to ensure it was done correctly. If there are technical deficiencies, the SAR will dialogue directly with the appraiser on the technical merits of the appraisal, which may trigger the appraiser to reconsider their opinion. Note: The advantage of this is it is a normal part of the loan approval process; the downside is that there has to be a technical deficiency identified for the SAR to directly address.

Upon completion of the SAR's review, a formal Notice of Value (NOV) will be issued. It 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."[24] In a time of rapid market changes, the VA shortens NOV validity dates to allow reappraisal.

RECONSIDERATION OF VALUE

If, after the completion of the appraisal, SAR's review, and issuance of the NOV, the appraised value of the property is still low, the veteran may request a Reconsideration of Value (ROV). The veteran will state why they believe the value should be something different and request a reconsideration. This is typically sent to the lender, who will provide the ROV to the VA's Construction and Valuations department for the Regional Loan Center of Jurisdiction (the veteran can send their ROV directly if they choose). The VA does not require, but strongly recommends, including additional sales data with the appeal. The ROV process is usually completed within five business days. VA reviews the arguments made, information on the property and surrounding area they can access, along with the information on the original appraisal (the appraiser is not part of this process). The majority of the time ROVs conclude with some increase in value.

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

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.

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.

It's important to note, however, that waiving repairs 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 for the VA buyer to do a VA Renovation Loan. To make this happen, the individual lender must be able to do the renovation loan. Not all VA lenders can or will do them. You can help your client find VA lenders who will. 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

The VA Home Loan Benefit is not a taxpayer-funded program. 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 in Figure 6.9 provides a general guideline; VA Home Loan lenders will have up-to-date information on fees.

Figure 6.9 VA Purchase and Construction Loans

Type of Veteran	Down Payment	FF % First Use	FF % for Subsequent Use
Regular Military and National Guard	0–4.99%	2.15%	3.3%
	5–9.99%	1.5%	1.5%
	10% or more	1.25%	1.25%
Qualifying Disabled Veterans; Purple Heart Recipients; and Some Surviving Spouses	N/A	0%	0%

Figure 6.10 VA Refinances

Type of Veteran/Loan Type	FF % First Use	FF % for Subsequent Use
Cash-Out Refinance	2.15%	3.3%
Interest Rate Reduction Refinance Loans (IRRRLS)	0.50%	0.50%
Qualifying Disabled Veterans; Purple Heart Recipients; and Some Surviving Spouses	0%	0%

Figure 6.11 Other VA Loan Types

Type of Veteran/Loan Type	Funding Fee %
Manufactured Homes (Not Permanently Affixed)	1.00%
Loan Assumptions	0.50%
Vendee Loan, for Purchasing VA-Acquired Property	2.25%
Native American Direct Loan (NADL)—Purchase	1.25%
Native American Direct Loan (NADL)—Refinance	0.50%
Qualifying Disabled Veterans; Purple Heart Recipients; and Some Surviving Spouses	0%

Source: VA Benefits Administration, https://www.benefits.va.gov/homeloans/documents/circulars/26-23-06-exhibitb.pdf

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 PERCENT ORIGINATION FEE

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

ITEMIZED FEES AND CHARGES

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

- VA funding fee
- Appraisal fee
- Discount points
- Compliance inspection
- Credit report
- Recording fees, taxes, and stamps
- Prorated tax and insurance escrow
- Hazard insurance
- Survey and plot plan
- Title insurance, policy, search
- Environmental lien endorsement
- Well, septic inspection
- Express mail fees (refinance only)
- MERS fee
- Local variances authorized by the VA
- Pest inspections when in an area where VA requires a pest inspection for guaranty
- Real estate professional's commission/broker fees

FEES THAT ARE NEVER ALLOWED

Expenses that are never paid by the VA borrower are:

- Attorney fees as a benefit to the lender
- Mortgage broker fee
- Prepayment penalties
- HUD/FHA inspection fees to builders

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, buyer broker compensation, or mortgage points as appropriate to the market.

What Buyer's Reps Need To Know

Until very recently, buyers using VA financing were unable to pay brokerage fees or commissions to buyer representatives directly. Buyer agents of VA buyers could only be compensated through cooperative compensation being offered by the listing broker to the other broker.

Following the announcement of Multiple Listing Service (MLS) Policy changes prohibiting offers of compensation on the MLS platform, on June 11, 2024 the Department of Veterans Affairs announced a policy change allowing Veterans to pay reasonable and customary amounts for any buyer broker charges, including commissions and any other broker-related fees, as long as:

a. the buyer using VA financing is purchasing in an area where listing brokers are prohibited from offering buyer-broker compensation on the MLS, or

b. buyer-broker compensation cannot be established by or flow through the listing broker.

The VA announced it will develop a permanent policy through notice-and-comment rulemaking procedures.[25]

The MLS Policy prohibiting offers of compensation on applicable MLS platforms became effective on August 17, 2024. Not all MLS platforms adopted the policy change prohibiting offers of compensation, therefore brokers and agents representing VA borrowers are encouraged to determine their local rules and advise their clients accordingly. For MLSs that adopted the policy change, it remains an option for listing agents to make offers of cooperative compensation off-MLS through negotiation and consultation with their consumers.

25 https://www.benefits.va.gov/HOMELOANS/documents/circulars/26-24-14.pdf

HOW ARE BUYER'S REPS COMPENSATED?

Consistent with compensation available to buyer brokers representing buyers not using VA financing, compensation to buyer brokers of VA borrowers may take multiple forms, including but not limited to:

- Fixed-Fee commission paid directly by consumers;
- Payment of buyer broker compensation from the seller; and
- Portion of the listing agent's compensation.

As a reminder, the VA does not treat the seller's payment of buyer-broker charges as a seller concession.[26]

WRITTEN BUYER AGREEMENTS

In addition to the MLS Policy change prohibiting offers of compensation on the MLS, a new MLS rule was implemented requiring buyers (including buyers using VA financing) working with buyer representatives to enter into written agreements before touring a home. The written agreement must include the following terms:

- A specific and conspicuous disclosure of the amount or rate of compensation the buyer representative will receive or how this amount will be determined, to the extent that the buyer representative will receive compensation from any source;
- The amount of compensation in a manner that is objectively ascertainable and not open-ended;
- A term that prohibits the Participant from receiving compensation for brokerage services from any source that exceeds the amount or rate agreed to in the agreement with the buyer
- A conspicuous statement that broker fees and commissions are not set by law and are fully negotiable.

26 VA Lenders Handbook M26-7, Chapter 8, Topic 5

While the compensation amount to a buyer broker representing a buyer using VA financing will be determined in the written buyer agreement, it remains an option for listing brokers to offer cooperative compensation off-MLS or for sellers to offer concessions. Not all MLS platforms adopted the policy change requiring written buyer agreements, therefore brokers and agents working with VA borrowers are encouraged to determine their local MLS rules in this area. NAR has been advocating for the use of written agreements for years.

Buyer brokers should communicate with listing brokers to determine whether cooperative compensation is being offered or if cooperative compensation will be considered by the seller. Buyer brokers can ask sellers to cover the buyer-broker fees at closing in the terms of an offer to purchase. All buyer-broker fees charged to buyers using VA-financing must be reasonable and customary within local markets.

CAN THE COMPENSATION BE CHANGED?

A buyer's representative can use the purchase offer to request compensation for buyer broker services in the amount agreed in the written buyer agreement, but a buyer's representative cannot use the purchase offer to increase the amount of compensation agreed in the written buyer agreement or the amount of compensation previously offered 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 previously offered by the listing broker. 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." This could also be considered illegal in some states.

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. Both must happen.
- An eligible borrower has agreed to assume the outstanding loan balance, with VA approval, and substitute their 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 COE 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 buyer 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.

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 their 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.

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—if substituting their entitlement for the seller's.
- If substituting their entitlement, they have to live in the property as a primary residence.

It may be a good strategy to assume a loan with lower than current interest rate and more attractive terms, 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.

Figure 6.3 Advantages and Disadvantages for the Buyer-Assumer

Disadvantages for the Buyer-Assumer:	Advantages 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 ➨ May have to substitute entitlement for the seller's	➨ 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)

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 3.3 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.

Figure 6.4 Loan Assumption Example

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 and 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.

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 sale 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. If more help is needed, NAR's Short Sale and Foreclosure Resource course would be beneficial to take for more information on this process.

WHAT CAN YOU DO?

The real estate professional 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 RCLs 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

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 resume.

- **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
"This We'll Defend" **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).	*"Aim high…fly, fight, win"* **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**
"Non sibi sed patriae" (Not for self but country)* **Honor** "I will bear true faith and allegiance..." **Courage** "I will support and defend..." **Commitment** "I will obey the orders..." *Not official	*"Semper Fidelis" (Always faithful)* **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	
"Semper Paratus" (Always ready) **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

Shipboard 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 a.m., 7:00 a.m., 11:00 a.m., 3:00 p.m., 7:00 p.m., or 11:00 p.m.. The First Watch begins not at daybreak or midnight, but at 2000 (8:00 p.m.).

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
Operations Tempo

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

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 8.11 [27]

No Compensation Offers in MLS:

The MLS must not accept listings containing an offer of compensation in the MLS to other MLS Participants and Subscribers. Further, the MLS may not create, facilitate, or support any non-MLS mechanism (including by providing listing information to an internet aggregator's website for such purpose) for Participants, Subscribers, or sellers to make offers of compensation to buyer brokers or other buyer representatives.

Use of MLS data or data feeds to directly or indirectly establish or maintain a platform of offers of compensation from multiple brokers to buyer brokers or other buyer representatives is prohibited and must result in the MLS terminating that Participant's access to any MLS data and data feeds.

The multiple listing service must not have a rule requiring the listing broker to disclose the amount of total negotiated commission in his listing contract, and the multiple listing service shall not publish the total negotiated commission on a listing which has been submitted to the MLS by a participant. The multiple listing service must prohibit disclosing in any way the total commission negotiated between the seller and the listing broker, or total broker compensation (i.e. combined compensation to both listing brokers and buyer brokers).

The multiple listing service must not have a rule requiring the listing broker to disclose the amount of total negotiated commission in his listing contract, and the multiple listing service shall not publish the total negotiated commission on a listing which has been submitted to the MLS by a participant. The multiple listing service must prohibit disclosing in any way the total commission negotiated between the seller and the listing broker, or total broker compensation (i.e. combined compensation to both listing brokers and buyer brokers).

27 Multiple listing services must give Participants the ability to disclose to other Participants any potential for a short sale. As used in MLS rules, short sales are defined as a transaction where title transfers, where the sales price is insufficient to pay the total of all liens and costs of sale, and where the seller does not bring sufficient liquid assets to the closing to cure all deficiencies. Multiple listing services may, as a matter of local discretion, require Participants to disclose short sales when Participants know a transaction is a potential short sale. (Amended)

MLS POLICY STATEMENT 8.13

Written Buyer Agreements Required

Unless inconsistent with state or federal law or regulation, all MLS Participants working with a buyer must enter into a written agreement with the buyer prior to touring a home. The written agreement must include:

a. a specific and conspicuous disclosure of the amount or rate of compensation the Participant will receive or how this amount will be determined, to the extent that the Participant will receive compensation from any source.

b. the amount of compensation in a manner that is objectively ascertainable and not open-ended.

c. a term that prohibits the Participant from receiving compensation for brokerage services from any source that exceeds the amount or rate agreed to in the agreement with the buyer; and

d. a conspicuous statement that broker fees and commissions are not set by law and are fully negotiable.

Websites

NAR SITES

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

GOVERNMENT AND MILITARY SITES

- **Basic Allowance for Housing Rates**
  www.travel.dod.mil/Allowances/Basic-Allowance-for-Housing/BAH-Rate-Lookup/
- **Blue Star Families**
  www.BlueStarFam.org
- **Certificate of Eligibility (COE), VA Form 26-1880**
  www.va.gov/find-forms/about-form-26-1880/
- **Certificate of Military Service, GSA Form SF-180**
  https://www.gsa.gov/system/files/SF180-22.pdf
- **CONUS COLA Locations**
  www.defensetravel.dod.mil/site/conusCalc.cfm
- **Department of Defense's PCS Moving Portal**
  https://www.militaryonesource.mil/moving-pcs/plan-to-move/pcs-and-military-moves/
- **Exceptional Family Members Support**
  https://www.militaryonesource.mil/family-relationships/special-needs/exceptional-family-member/

- **Military One Source**
  www.militaryonesource.mil
- **Military Paygrades**
  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**
  www.personallyprocuredmovecalculator.com
- **VA Home Loan Circulars**
  www.benefits.va.gov/homeloans/resources_circulars.asp
- **Supplemental Income for Wartime Veterans**
  www.benefits.va.gov/pension/vetpen.asp

Military Ranks and Insignia

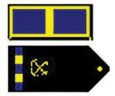
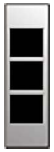
ENLISTED INSIGNIA

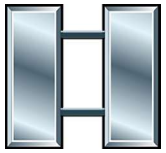
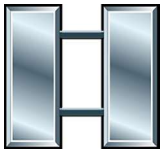
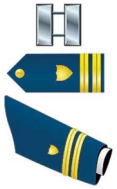
Enlisted Paygrade	Army	Marines	Navy	Air Force	Space Force	Coast Guard
E-1	Private	Private	Seaman Recruit	Airman Basic	Specialist 1	Seaman Recruit
E-2	Private Second Class 	Private First Class 	Seaman Apprentice 	Airman 	Specialist 2 	Seaman Apprentice 
E-3	Private First Class 	Lance Corporal 	Seaman 	Airman First Class 	Specialist 3 	Seaman 
E-4	Specialist  Corporal 	Corporal 	Petty Officer Third Class 	Senior Airman 	Specialist 4 	Petty Officer Third Class 
E-5	Sergeant 	Sergeant 	Petty Officer Second Class 	Staff Sergeant 	Sergeant 	Petty Officer Second Class 

Enlisted Paygrade	Army	Marines	Navy	Air Force	Space Force	Coast Guard
E-6	Staff Sergeant 	Staff Sergeant 	Petty Officer First Class 	Technical Sergeant 	Technical Sergeant 	Petty Officer First Class 
E-7	Sergeant First Class 	Gunnery Sergeant 	Chief Petty Officer 	Master Sergeant  First Sergeant 	Master Sergeant 	Chief Petty Officer 
E-8	Master Sergeant  First Sergeant 	Master Sergeant  First Sergeant 	Senior Chief Petty Officer 	Senior Master Sergeant  First Sergeant 	Senior Master Sergeant 	Senior Chief Petty Officer 

Enlisted Paygrade	Army	Marines	Navy	Air Force	Space Force	Coast Guard
E-9	Sergeant Major 	Master Gunnery Sergeant 	Master Chief Petty Officer 	Chief Master Sergeant 	Chief Master Sergeant 	Master Chief Petty Officer 
	Command Sergeant Major 	Sergeant Major 	Fleet Command Master Chief Petty Officer 	First Sergeant 		Fleet Command Master Chief Petty Officer 
	N/A			Command Chief Master Sergeant 		N/A
	Sergeant Major of the Army 	Sergeant Major of the Marine Corps 	Master Chief Petty Officer of the Navy 	Chief Master Sergeant of the Air Force 		Master Chief Petty Officer of the Coast Guard 

OFFICER INSIGNIA

Officer Paygrade	Army	Marines	Navy	Air Force	Space Force	Coast Guard
W-1	Warrant Officer 1 	Warrant Officer 1 	USN Warrant Officer 1 	N/A	N/A	N/A
W-2	Chief Warrant Officer 2 	Chief Warrant Officer 2 	USN Chief Warrant Officer 2 	N/A	N/A	USN Chief Warrant Officer 2 
W-3	Chief Warrant Officer 3 	Chief Warrant Officer 3 	USN Chief Warrant Officer 3 	N/A	N/A	USN Chief Warrant Officer 3 
W-4	Chief Warrant Officer 4 	Chief Warrant Officer 4 	USN Chief Warrant Officer 4 	N/A	N/A	USN Chief Warrant Officer 4 

Officer Paygrade	Army	Marines	Navy	Air Force	Space Force	Coast Guard
W-5	Chief Warrant Officer 5 	Chief Warrant Officer 5 	USN Chief Warrant Officer 5 	N/A	N/A	N/A
O-1	Second Lieutenant 	Second Lieutenant 	Ensign 	Second Lieutenant 	Second Lieutenant 	Ensign 
O-2	First Lieutenant 	First Lieutenant 	Lieutenant Junior Grade 	First Lieutenant 	First Lieutenant 	Lieutenant Junior Grade 
O-3	Captain 	Captain 	Lieutenant 	Captain 	Captain 	Lieutenant 
O-4	Major 	Major 	Lieutenant Commander 	Major 	Major 	Lieutenant Commander 

Officer Paygrade	Army	Marines	Navy	Air Force	Space Force	Coast Guard
O-5	Lieutenant Colonel 	Lieutenant Colonel 	Commander 	Lieutenant Colonel 	Lieutenant Colonel 	Commander 
O-6	Colonel 	Colonel 	Captain 	Colonel 	Colonel 	Captain 
O-7	Brigadier General 	Brigadier General 	Rear Admiral Lower Half 	Brigadier General 	Brigadier General 	Rear Admiral Lower Half 
O-8	Major General 	Major General 	Rear Admiral Upper Half 	Major General 	Major General 	Rear Admiral Upper Half 
O-9	Lieutenant General 	Lieutenant General 	Vice Admiral 	Lieutenant General 	Lieutenant General 	Vice Admiral 

Officer Paygrade	Army	Marines	Navy	Air Force	Space Force	Coast Guard
O-10	**General** 	**General** 	**Admiral** 	**General** 	**General** 	**Admiral** 
O-10	**General of the Army** *Reserved for wartime only* 	**N/A**	**Fleet Admiral** *Reserved for wartime only* 	**General of the Air Force** *Reserved for wartime only* 	**N/A**	**Fleet Admiral** *Reserved for wartime only* 