



Military Relocation Professional Certification Course



A Program by the Center for Specialized REALTOR® Education

Student Manual

V 1.1



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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 Learning Objectives

- Learn the processes and procedures involved in a military relocation and how these impact service members’ relocation and housing choices.
- Use demographics of the military market to formulate business strategies and determine service offerings.
- Provide information to help service members through a rent or buy/sell decision-making process.
- Enhance your sensitivity to the emotional issues involved when a military family relocates.
- Identify and provide services that help service members find and purchase suitable homes.
- Apply knowledge of the PCS process to guide service members through the real estate transaction.
- Explain the basics of VA financing.
- Recognize situations in which a buyer is eligible for VA financing.

Course Structure

Introduction

1. The Military Market
2. PCS—the Military Relo
3. VA Financing for Active Duty–Vets

Completion Exam

At the conclusion of the course, participants will take a 30-question multiple-choice exam to demonstrate achievement of learning objectives. Passing grade is 80 percent (minimum of 24 correct answers).

ABR® Elective

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

Acknowledgments

In practice and in spirit, the development of this program has been a collaborative journey. The Center for Specialized REALTOR® Education would like to express appreciation to the following REALTORS® for their participation and contributions.

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In addition, we thank the **New York State Association of REALTORS® (NYSAR)** for the adaptation of content from the *Housing Our Military with Excellent Service* (HOMES) Certificate program.

Earn the Military Relocation Professional (MRP) Certification



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

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

MRP Certification Benefits

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

For more information on Certification Program requirements and benefits, go to www.militaryrelocationpro.org.

Test Your Military Services IQ

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

- | | |
|--|---------------|
| 1. All U.S. military service recruits are volunteers. | True
False |
| 2. Of the service branches under the Department of Defense, the one with the fewest active duty personnel is the Air Force. | True
False |
| 3. Service members who serve during peace time are not eligible for VA benefits. | True
False |
| 4. The majority of military families live off base. | True
False |
| 5. The service with the highest percentage of women is the Air Force. | True
False |
| 6. The Department of Homeland Security oversees the Coast Guard during peacetime. | True
False |
| 7. More service members are stationed in foreign countries than in the United States. | True
False |
| 8. The Department of Defense does not allow dual military married couples to serve at the same base. | True
False |
| 9. All of the service branches have the same pay grade structure. | True
False |
| 10. The military will pay to move an active duty service member to a new base but does not cover expense to move the family. | True
False |
-



1. The Military Market



The Military Market

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

Huge Market¹

Worldwide, active duty service members number more than 1.4 million. At 2.4 million, dependents—spouses, children, immediate family—outnumber active duty personnel. More than eight out of 10 (87 percent) active duty personnel are stationed in the United States. Troop strength levels for the service branches are:

- Army: 546,057
- Navy: 314,339
- Marines: 198,820
- Air Force: 328,812
- Coast Guard: 43,327
- **Total Active Duty: 1,431,355**
- **Dependents (all service branches): 2,044,532**

In addition to active duty service members and their families, the military market includes:

- Reserves: 1,078,621
- Guard: 468,900
- Retirees: 1,545,521
- Vets: 22,600,000

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

¹ *Total Military Personnel and Dependent End Strength as of September 30, 2012*, U.S. Department of Defense, Statistical Information Analysis Division, <http://siadapp.dmdc.osd.mil/personnel/MILITARY>

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

Stable Income Plus Housing Support

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

Inflation-Protected Pensions

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

Purchase Sooner and With More Buying Power

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

Fast Facts About Military Service Members and Families

Average Age

	Officers	Enlisted
Army	34.9	28
Navy	35.4	27.6
Marines	33.2	24.5
Air Force	34.5	28

Gender

Enlisted:
85% male
15% female

Officers:
84% male
16% female

- One-quarter of officers are age 41 or older.
- Almost half of enlisted (49%) are age 25 or younger.
- The Marines have the youngest cadre of officers and enlisted.
- The Air Force has the highest percentage of women enlisted (19%) and officers (19%).
- The Marines have the lowest percentage of women enlisted (7%) and officers (6%).

Marital Status

(All service branches)

Married: 70%

Never married: 26%

Divorced: 4%



By Rank

By Service	By Rank			
	Enlisted		Officers	
Army	60%	E1-E4 36%	W1-W5	83%
Navy	54%	E5-E6 71%	O1-O3	55%
Marines	48%	E7-E9 84%	O4-O6	86%
Air Force	58%		O7-O10	97%

Children

Service members with children		Children's ages	
Married	36.7%	0-5 years	42.6%
Dual military married	2.8%	6-11	30.7%
Single	5.3%	12-18	22.4%
Total	44.2%	*19-22	4.3%

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

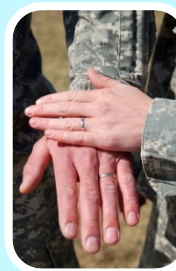
- 1.9 million children have a parent serving in the military.
- Service members in enlisted pay grades E5-E9 are parents of 52% children age 0-5, 65% of children age 6-11, and 65% of teenagers age 12-18.
- Officers in pay grades O1-O6 are parents of 16% of the children age 0-5, 20% of children age 6-11, and 24% of teenagers age 12-18.
- About 21% of service members at pay grades E1-E4 are parents.
- About 5% of service member parents are single.
- Average age of active duty service member parents at the birth of their first child—25 years.



Dual Military Marriages

By Service Percentage of dual-military marriages	By Pay Grade Distribution of dual military marriages by pay grade			
	Enlisted		Officers	
	Army	5.3%	E1-E4 29%	W1-W5
Navy	5%	E5-E6 41%	O1-O3	10%
Marines	4%	E7-E9 12%	O4-O6	6%
Air Force	11.6%		O7-O10	*%

Almost half (47.3%) of the married women serving in the military on active duty are in dual military marriages: Army 40%, Navy 41%, Marines 64%, Air Force, 57%. About three out of 10 dual military married couples are parents.



Family Responsibilities

Service members with family responsibilities

	Enlisted	Officers
All services	63.5%	70%
Army	63.5%	71.5%
Navy	53%	69.1%
Marines	46.3%	69.1%
Air Force	55.7%	68.9%

- About 10,000 active duty service members have adult (non-spouse) dependents. Dependents include parents, grandparents, former spouses, siblings, disabled older children.



Spouse Employment

(includes service members)

All Services	Enlisted Spouses	Officer Spouses
Employed	49%	49%
Unemployed	12%	8%
Not looking for employment	38%	43%

Retirement

Retired personnel *

Army	467,594
Navy	416,356
Marines	108,142
Air Force	553,429
Total	1,545,521

- * Retired personnel include non-disability, temporary and permanent disability. About 10% of retired personnel are temporarily or permanently disabled.

Separations

2011 Separations

Voluntary	86,532
Retirement	45,128
Involuntary	51,597
Death	1,227
Total Separations	184,484

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

Military Retirement

Active duty service members who began their military service after 1980 have two choices for retirement plans: High-36 (sometime referred to as High-3) or REDUX. Both plans calculate retirement pay on the 36 months of highest pay and use multipliers to determine retirement pay. The REDUX system provides a substantial career status bonus payment—\$30,000 in 2013—at year 15 in return for a commitment to complete a 20-year term of service and a lower initial multiplier. Retirement at full pay requires 40 years of service. Retired military personnel are also eligible to receive Social Security payments starting at age 62.



Years of service	10	15	20	25	30	35	40
High-36	25%	37.5%	50%	62.5%	75%	80%	100%
REDUX	NA	NA	40%	57.5%	75%	80%	100%

Source: 2011 Demographics Profile of the Military Community, Updated, November 2012, Office of the Deputy Under Secretary of Defense (Military Community and Family Policy), U.S. Department of Defense, www.defense.gov.

Profile of Military Families

Take a look at the demographic facts (starting on page 10) about active duty service members. What story do the numbers present?

■ **Married**

For the enlisted ranks, the story is one of young parents with young children. Across all of the service branches and pay grades, service members are more likely to be married than their civilian counterparts—70 percent compared to about 56 percent of civilians.

■ **With children and family responsibilities**

About 44 percent of military family households include children, which is about the same as civilian households. Across all branches and pay grades, however, the majority of service members have family responsibilities that may include parents, siblings, former spouses, and others.

■ **Two-income household**

The majority of military families are two-income households. When the service member is transferred, the military spouse faces the challenge of finding a new job.

The Dual Military Couple

According to the DoD, about 84,000 active duty service members are dual military married couples. Most of them marry during their term of service. About 36,000 of them have children.²

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. Coassignment is easier when both husband and wife are in the same service branch. Although the service tries to keep dual military married couples together, there is no guarantee. Consequently, about 20 percent of couples serve at different bases—sometimes distant or overseas.

² A special waiver is required for a couple with children to enlist. A single parent is not accepted for enlistment.

Military Retirees

In 2011, about 130,000 service members ended their military career through retirement or voluntary separation, such as expiration of term of service. About one-quarter of service members who leave the service are retirees. Currently, there are about 1.5 million retired military personnel.

A service member who retires after 20 years of service receives a cost-of-living-protected pension of 40–50 percent of pay (see page 11). An additional five years of service earns a pension of 57.5–62.5 percent. 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.

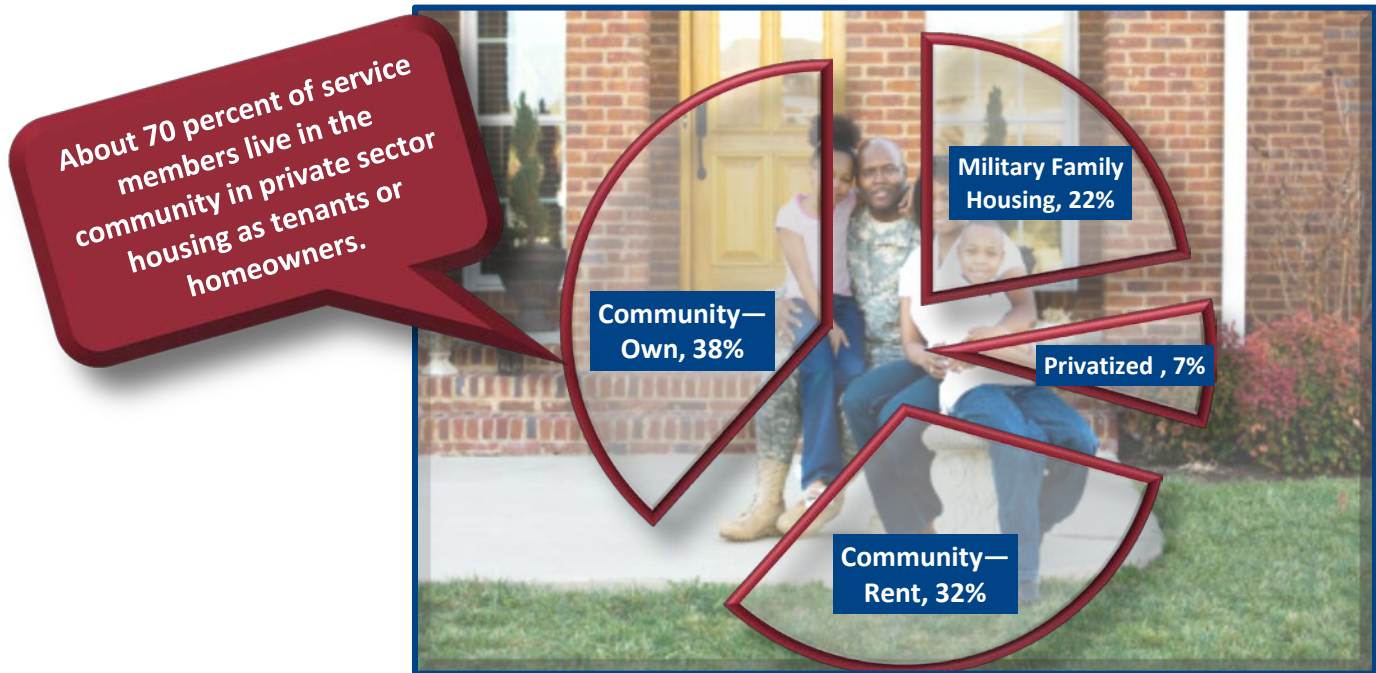
Of course, military retirees may live wherever they wish, but a significant number cluster around military bases in order to take advantage of benefits like healthcare as well as post-military job opportunities. Skills acquired during military service can transfer easily to jobs in security, logistics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

Where Military Families Live

Most military families live in their communities in private sector housing—as renters or homeowners. “DoD believes the private sector can offer secure and convenient housing to its military personnel and that the military personnel’s presence in the community is a positive influence. Therefore, DoD provides on-base privatized housing or military construction housing only when the private sector cannot provide adequate affordable housing.”³

³ *Military Housing Privatization*, Office of the Deputy Under Secretary of Defense, Installations and Environment, www.acq.osd.mil/housing.

Housing for Military Families⁴



Housing for Military Families

According to the DoD, “the quality of military housing—as part of the military quality of life—is a key component of military readiness. ... Today’s service members want to live in communities that offer stability and continuity as a backdrop for deployment, reassignment, and day-to-day life.” Quality housing correlates with retention; DoD statistical tracking shows that bases with top-quality housing have a retention rate about 15 percent higher than those with lower quality housing.⁵

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

■ Military family housing

About 22 percent of military families live in DoD housing on or off base. Military housing is rent free but doesn’t allow the service

⁴ *Military Families and Their Housing Choices, Report HCS80T2*, LMI Consulting for Office of the Secretary of Defense, Housing and Competitive Sourcing, Department of Defense, February 2010.

⁵ *Military Housing Privatization*, Office of the Deputy Under Secretary of Defense, Installations and Environment, www.acq.osd.mil/housing.

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.

The Military Housing Private Initiative (MHPI)

In the early 1990s, as a result of extensive evaluation of the adequacy of military housing, the DoD found that a substantial share of on-base housing (about 60 percent) was seriously subpar and close to obsolete. If the DoD undertook to refurbish and build new housing, the cost would exceed \$20 billion and take more than 30 years to complete. Acknowledging that housing was not one of its core competencies, the DoD turned to the private sector for the expertise to develop and manage housing. The MHPI (included in the 1996 National Defense Authorization Act) enabled 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.

An honor guard parades the colors to open the ribbon-cutting ceremony at Whitehurst near the Naval Amphibious Base Little Creek, Norfolk, Virginia. The MHPI development is a partnership with KB Homes.



■ Privatized housing

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

removal, lawn maintenance, snow removal, and a standard renter's insurance package.

■ **Private sector housing in the community**

The third option for service members is private sector housing in the community as a renter or homeowner. About 70 percent of military families take advantage of this option; 32 percent rent and 38 percent own their homes.

Living Off Base in Private Sector Housing

When military families look for a home off of the base, their choices are influenced by many of the same factors that influence their civilian counterparts. A 2010 study of military families' housing choices found the following factors were important to military families.

■ **Affordability and opportunity to build equity**

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

- Choosing a short amortization period—15 years instead of 30—or applying additional payments directly to the principal
- Making property improvements that add value
- Increasing the amount of down payment
- Paying cash

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

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

■ **Quality of residence and flexibility**

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

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

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

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

■ **Quality of the schools**

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

■ **Time to commute**

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

■ **Housing choice not available**

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

■ **Length of tour**

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

Exercise: What Influences Housing Choices?



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

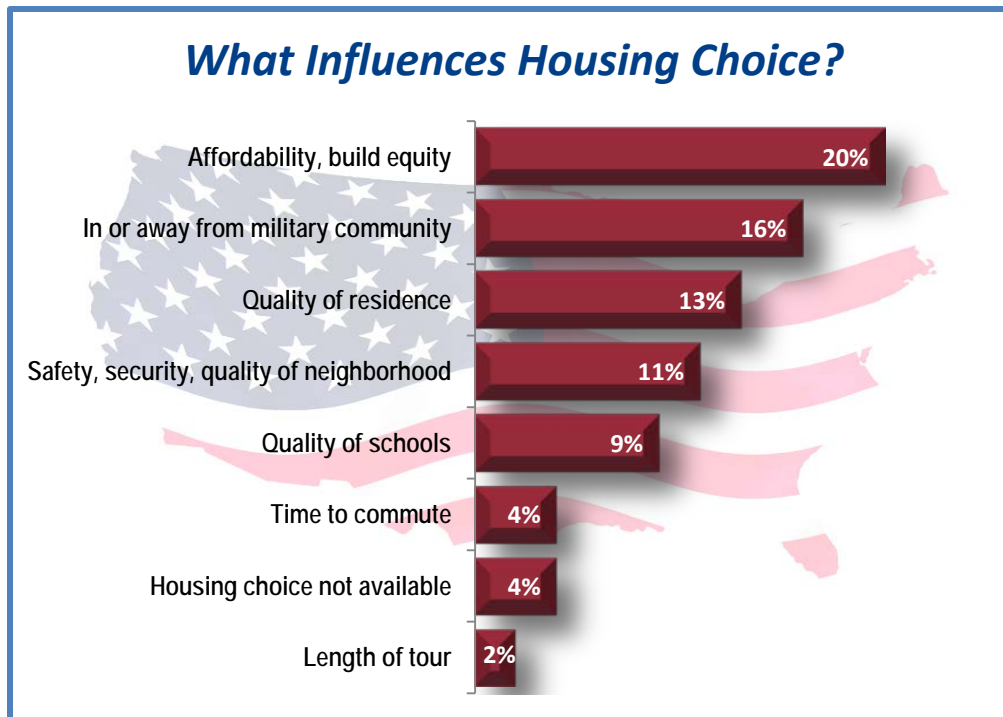
Factors that influence housing choice:

- Affordability and building equity
- 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

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

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

How do the priorities compare with civilians' housing preferences?



Source: *Military Families and Their Housing Choices, Report HCS80T2*, LMI Consulting for Office of the Secretary of Defense, Housing and Competitive Sourcing, Department of Defense, February 2010.

Rent or Buy?

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

The highs and lows of recent housing markets have definitely created a perception among the military community that renting is less risky than buying. The lessons and consequences of 2007–2008 housing market meltdown are still painfully fresh for those who are underwater on their mortgages; they are afraid of getting caught again in a money-losing position. A buyer who used 100 percent VA financing and paid a funding fee plus closing costs and then saw housing values drop may have to bring cash to the closing table. Or, the service member's equity, or available cash, may be tied up until a previous home sells or rents.

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

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

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
- MHPI privatized housing
- Military shared rentals
- Temporary housing




AHRN.com is not a marketing channel for advertising brokers' listings or your real estate business.

Rent-or-Buy Calculators

An online search for rent-or-buy calculators yields a myriad of choices. Try out online calculators to find the one that works best for you and your market. Try the calculators at sites like [Realtor.com](https://www.realtor.com), [HouseLogic.com](https://www.houselogic.com), [Smartmoney.com](https://www.smartmoney.com), [AARP.com](https://www.aarp.com), and [FreddieMac.com](https://www.freddiemac.com).

Rent-or-Buy Calculator at Realtor.com



Finance Calculators



Rent vs. Buy Rent or Buy? ▾

This calculator will help you to compare the costs of renting to the costs of buying a home. Since there are all kinds of forces at work behind the scenes (interest, property taxes, tax savings, appreciation, opportunity costs, closing costs, selling costs, etc.), comparing the cost of renting to the cost of buying is a lot more complicated than just comparing the monthly mortgage payment to the monthly rent payment. This calculator attempts to forecast the net effects of all the hidden forces so you can make an informed decision.

Your Results Recalculate

	\$44,695.76	Estimated Cost of Renting
	\$39,947.48	Estimated Cost of Buying

*As of 06/01/2017 per my realtor.com

Required Information

Monthly Rent	\$ 1,200	
Monthly Rental Insurance	\$ 25	
Expected Annual Inflation Rate	2	%
Purchase Price of Home	\$ 250,000	
Down Payment Amount	\$ 1	
Length of Mortgage Term	30	YRS
Annual Interest Rate of Mortgage	4.5	%
Discount Points	0	%
Origination Fees	3	%
Other Loan Costs	\$ 1,500	
Mortgage Insurance (PMI)	0	%
Homeowner's Insurance Rate	1	%
Monthly Association Dues	\$ 0	
Average Monthly Maintenance	\$ 200	
Annual Property Tax	\$ 2,000	
State plus Federal Income Tax Rate	30	%
Interest Rate on Savings	1	%
Home Appreciation Rate	3	%
Number of Years Expected at Property	3	YRS
Realtor Commission Rate		%

Rent vs Buy Calculator supplied by ezLoanApply.com Calculate

Online tools compare renting with buying. Find the one that works best for you and your market.

Practitioner Perspective: Karen Hall



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Alexandria, Virginia
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The Washington, D.C. area has all the service branches, including the Coast Guard and the Pentagon. It's the largest concentration of military personnel of anywhere in the country. The military presence is so heavy here that you don't have to seek out networks to find military families. You bump into them at the pool and at kids' activities. I was a military spouse and my family members have military backgrounds, so I understand the lifestyle and the lingo.

The typical military buyers or sellers are working on compressed time frames. Their house hunt is often more about necessity-based shelter than perfect wood floors and granite. Storage is important and room for their furniture and personal items. Some

have bought unique furniture while being based overseas and those special pieces must fit in the property. Storage and stairwell width become important in such situations. Because they get transferred every two or three years, some might be landlords in California and Texas, and now they're buying a house in the D.C. area.

My Hummer H2 gets me noticed. It appeals to military types, and they often want a ride in it. Also, it's branded with business information that identifies me as a military real estate specialist.

You need to build your knowledge base to serve the military market.

Learn the lingo and acronyms, such as DITY moves and BAH. Stay on top of changes to BAH.

Learn about how all the military departments work with one another and the required paperwork, especially when it comes to housing allowance.

Read about military life. The *Handbook for a New Military Spouse* gives fantastic insight into the life and the way the military operates.

Stay up-to-date on VA loans and learn how they work. You may need to explain them to other agents. Find lenders who know the loan product and who can work with your military clients.

Think ahead. Military clients likely will be moving in two or three years. They'll want to know how easily they'll be able to sell a property when it's time to move. Others will want to know the rentability of a property and the rental ROI if they decide to hold the property as an investment.

Respect the rank. Learn military titles, such as Colonel, Major, Sergeant, and so forth, and use them properly. When you first meet a client, use the title until clients say, "Call me Mary" or "Call me Bill."

Sell or Rent?

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

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

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

Basic Allowance for Housing (BAH)

The DoD views provision of adequate housing for service members and their families as a troop morale and readiness issue. Therefore, in addition to base pay, service members authorized to live off base receive a monthly basic allowance for housing (BAH) payment to cover the cost of privatized (MPHI) or private-sector housing in the community. BAH rates are determined by the local costs for rent, utilities, and renter's insurance as well as rank and number of dependents. Service members with dependents and with higher ranks receive larger housing allowances. If adequate on-base housing is not available, single and unaccompanied personnel may receive permission to live off base and receive BAH payments.

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

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

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 2013 BAH for San Antonio, Grade E-4 with dependents is \$1,398, and the median price for single-family homes is \$156,700.⁶ The monthly payment, not including tax and insurance, for a 30-year fixed rate mortgage of \$156,700 at 4.5 percent with \$0 down is about \$793.

More Facts About BAH

- **Tax free**

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

- **Individual rate protection**

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

⁶ Median single-family home price for San Antonio is \$156,700 per NAR Research *Quarterly Metropolitan Median Area Prices and Affordability Report*, Q1, 2013. www.Realtor.org/metropolitan-median-area-prices-and-affordability/data.

housing allowance they 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**

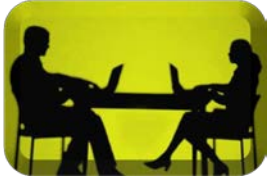
If a dual military married couple does not have children, each spouse receives the single BAH rate. That means if one spouse is deployed and assigned to a barracks, the stay-at-home spouse receives only the single BAH. If the couple has children, one spouse—usually the highest ranking—receives the with-dependent 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)**

During their careers, service members may be assigned to a variety of low- to high-cost locations. When assigned to a base in a designated high-cost area, BAH rates are adjusted for the cost of living. The COLA varies by pay grade, years of service, and dependents. CONUS COLA is a taxable supplemental allowance designed to help offset higher prices in specific locations that exceed the costs of average CONUS locations by 8 percent or more. The list is indexed with a supplement paid for each index point. For example, an E-6, with dependents and 10 years of service, receives \$32 per month for each COLA index point. Index points currently range from one to 11 points. The list of applicable locations is at www.defensetravel.dod.mil.

■ **Survivor's benefits**

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



Internet Field Trip

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

Basic Allowance for Housing Rates

www.military.com/benefits/military-pay/basic-allowance-for-housing

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

Services for Military Buyers and Sellers

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

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

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

- **Technology:** How would you use technology tools to overcome communication challenges when a buyer is several states or time zones away? Or one spouse is absent? What technology tools would help speed up the property search or facilitate a closing?
- **Tax issues:** Do you know which military pay and allowances are taxable and which are not? (Hint: BAH is not taxed.) Do you know how a gain on the sale of a home is taxed when the seller is on active duty?
- **Financing:** Do you know the basics of VA financing? Do you know which area lenders welcome military borrowers and are knowledgeable about VA financing?
- **Negotiations:** What are the typical negotiation position strengths and weaknesses for military buyers or sellers? How would you help a military buyer or seller formulate a negotiation strategy? How does VA financing impact negotiation leverage?
- **Communications and listening:** Do you ask the questions your competitors don't think to ask? How can you demonstrate that you understand the stresses military families often experience when moving to a new location?

Core Real Estate Skills



Adapt Your Skills for Military Buyers

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

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

■ **Expect an absentee spouse.**

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

■ **Showcase your local market and transaction knowledge.**

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

■ **Demonstrate your understanding of the PCS process and procedures.**

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

Adapt Your Skills for Military Sellers

■ **Stay in touch.**

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

■ **Evaluate resale value.**

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

■ **Tune in to what sellers want.**

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

■ **Do the math—sell or rent.**

You can help sellers crunch the numbers to decide if renting makes more sense—or cents—than selling. You don’t have to be a commercial real estate guru to lead sellers through a basic return-on-investment analysis. RPR® investment analysis tools lead you through the calculations (see page 31). 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.

RPR® Reports Answer Five Big Questions

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.



Is this the right home for my family?

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

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.

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.

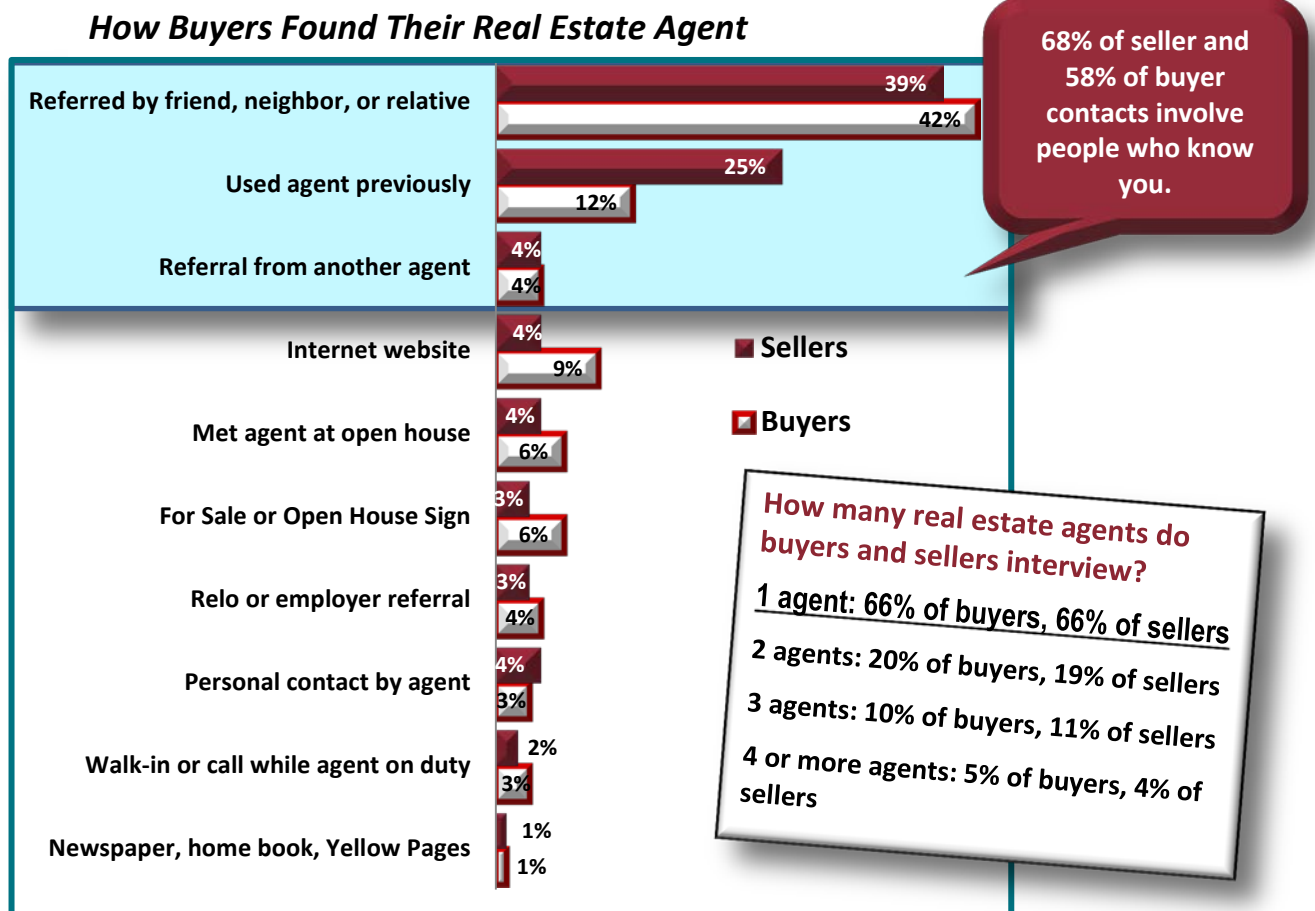
Is better to sell or rent?

The **Property Investment Analysis Tool** examines different property investment scenarios such as rent, resell or live-in. The analysis compares aggressive, moderate, and conservative scenarios. Results can be exported to an Excel® spreadsheet.

All RPR® reports can be customized, branded, printed, downloaded, and e-mailed to buyers and sellers. View reports on computers, smart phones, and tablets. Take RPR® for a test drive at <http://blog.narrpr.com/product>.

Build a Referral Base

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



Source: 2013 Profile of Home Buyers and Sellers, National Association of REALTORS®, www.Realtor.org/Research.

■ **Build a sphere of influence.**

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

- **Blog about real estate topics.**

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

- **Get involved.**

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

- **Keep up-to-date.**

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

- **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.

What Buyer's Reps Need to Know

Although Chapter 3 covers more details about VA financing, at this point it is important to address the issue of compensation for buyer's representatives when the transaction involves VA financing. When a buyer plans to use VA financing, the VA's policy regarding compensation for buyer's representatives is quite specific. The *VA Lender's Handbook* states:

Brokerage Fees

*Fees or commissions charged by a real estate agent or broker in connection with a VA loan may not be charged to or paid by the veteran-purchaser. While use of "buyer" brokers is not precluded, veteran-purchasers may not, under any circumstances, be charged a brokerage fee or commission in connection with the services of such individuals. Since information on property available for purchase and financing options is widely available to the public from a variety of sources, VA does not believe that preventing the veteran from paying buyer-broker fees will harm the veteran.*⁷

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

How Are Buyer's Reps Compensated?

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

Can the Compensation Be Changed?

A buyer's representative cannot use the purchase offer to increase the amount of compensation paid by the listing broker. For example, when

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

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

Cooperating brokers are responsible for finding out whether and how much they're going to be paid. Any discussion about changing the amount of offered compensation must be broker to broker. Standard of Practice 3-1 states that, *"terms of compensation, if any, shall be ascertained by cooperating brokers before beginning efforts to accept the offer of cooperation."* The time to discuss increased cooperative compensation is well in advance of writing a purchase offer, preferably before showing a property. Any change should be documented by a separate written compensation agreement with the listing broker.

Refer to page 116 in the Resource section of this manual for the relevant MLS Policy Statement and Code of Ethics Standards of Practice. Or, go to www.realtor.org/governance/governing-documents/the-code-of-ethics.



2. PCS—The Military Relo



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

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

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

PCS Relocation—When and Where?

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

<i>Time-on-Station Requirements</i>	
<ul style="list-style-type: none">■ First-term<ul style="list-style-type: none">■ CONUS to CONUS: 24 months■ CONUS to OCONUS: 12 months	<ul style="list-style-type: none">■ Careerist<ul style="list-style-type: none">■ CONUS to CONUS: 36 months■ CONUS to OCONUS: 24 months
OCONUS tours are for 24 months if single, 36 months if married.	

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

Getting Ready to PCS

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

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

Meeting With the Base Transportation Office

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

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

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

Military Movers

The Department of Defense contracts with a number of moving companies to provide relocation services for PCS moves. If the service member opts to have one of the military's contract movers handle packing and shipping, the transportation office schedules and

coordinates the move. The military pays the contracted carrier to pack load, ship, and unload all the household goods at the family’s new home.

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

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

If a family’s household goods exceed the weight allowance, charges for excess weight can add significant cost to a move. Although it is not a substitute for actual weighing, a weight estimator is available at www.move.mil, click on ***Before You Move/Weight Allowance***.

Household Goods

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

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

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



Personally Owned Vehicle

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

DITY Moves

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

■ Advantages

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

■ Disadvantages

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

Partial DITY Move

Another option is a partial DITY move. 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 DITY shipment too.

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.

Per Diem Allowance reimburses costs associated for meals and lodging en route to the new duty station. The military uses 350 miles per day as the standard one-day travel distance to compute per diem payments. To determine the maximum number of days for which per diem is payable, the official mileage between duty stations is divided by 350. An additional day of travel is allowed if the remainder is 51 miles or more. Per diem rates vary by age. Each family member receives a different percentage of the applicable per diem rate on the eligible days. The total per diem reimbursement for the move is the sum of the allowable per diems for each family member.

Temporary Lodging Expense (TLE) reimburses the cost of meals and lodging incurred when temporary housing is needed. TLE can be paid for up to 10 days for CONUS moves.

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

Advance Basic Pay is an interest-free loan for a PCS move. A service member may draw up to three months basic pay in advance.

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

Family Matters

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

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

Do We Really Understand?

A study by the Pew Research Center found that Americans are supportive and admire the men and women who serve in the military. Americans recognize that military families in the post-9/11 era have been called on to make greater sacrifices than their civilian counterparts. The same study found, however, that the majority of Americans may not understand the problems that those in the military face; 79 percent of surveyed veterans responded that the American people do not understand the problems service members face.⁸ When asked about their surrounding community, 41 percent of military families felt their civilian communities do not embrace opportunities to help military children deal with the challenges of having a service member parent deployed.⁹

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

⁸ *The Military-Civilian Gap: War and Sacrifice in the Post-9/11 Era*, Pew Research Center, Social & Demographic Trends, Washington, D.C., October 2011, www.pewsocialtrends.org.

⁹ *2012 Military Family Lifestyle Survey*, Blue Star Families, Department of Research and Policy, Washington, D.C., www.BlueStarFam.org.

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 and questions about deployment should be very tactful.

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

Deployment Protections—Servicemember Civil Relief Act (SCRA)

- **Residential leases:** The SCRA allows a service member to terminate a residential lease when PCS or deployment orders will cause an absence of 90 days or more.
 - **Mortgage payments:** The SCRA provides a three-month grace period during which mortgage lenders may not foreclose or seize property for a failure to pay a mortgage debt. Furthermore, the lender must be able to show, in a court proceeding, that the deployment does not affect the service members' ability to make mortgage payments. Although payments on the principal may be suspended, the service member still owes this amount. Payments resume after completion for the deployment.
 - **Income tax:** The federal Internal Revenue Service (and state tax authority if applicable) will defer collection of income tax up to 180 days after completion of the deployment. No interest or penalties accrue during the deferment period.
-

Military Spouses

■ Unemployment

Most military families are two-income households (see page 11), but military spouses often deal with unemployment and underemployment. Although service members generally do not have to worry about job loss, employed spouses don't have the same job security and they must find a new job with every transfer. Some jobs require reestablishing credentials in a new state, such as nurses, beauticians, dental hygienists, teachers, and real estate agents. Unemployment rates are high, almost 25 percent, for military spouses and frequent career disruptions mean that they tend to earn significantly less than civilians.

- ***What can you do?*** Provide a list with contact information of the major employers in the area.

■ Child care

For parents of young children, finding and accessing affordable, quality child care is a top priority. Extended family who might help with child care usually lives far away. Many military bases offer top-notch child care services on the base, called Child Development Centers, but often have waiting lists. Providing quality child care is a top concern for the DoD but current capacity meets only about 60 percent of the need.

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

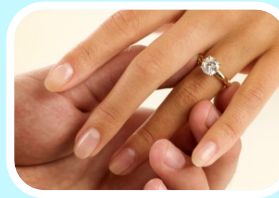
■ "All the guys are gone."

When a whole unit deploys (usually the men), there's no one around to do the handyman jobs around the house.

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

A Fiancé Is Not a Dependent

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



Youngsters and Teens

■ **Telling kids about the move**

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

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

■ **Moving—a family tradition?**

Caroline Peabody, former president of The Military Family Network, suggests that making the PCS move a family tradition can ease the transition for both young children and teens.¹⁰ A family tradition could include rituals for stages of the move—before, during, and after—such as saying goodbye to the rooms of a house.

- ***What can you do?*** Consider providing a scrapbook where kids can keep pictures of friends and places as well as document the

¹⁰ Caroline Peabody, “From Sea to Shining Sea,” in *Your Military Family Network*, by The Military Family Network, 99–106, Capital Books, Herndon, VA, 2008.

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.

■ 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.

The screenshot shows the Military OneSource website interface. At the top, there's a navigation bar with the Military OneSource logo, social media links, and menu items like 'PHASES OF MILITARY LIFE' and 'BRANCH OF SERVICE'. Below the navigation bar, there's a search bar and a 'Call. Click. Connect.' slogan. The main content area is titled 'EFMP/Special Needs' and features a large photo of a diverse family. To the right, there's a 'THE LATEST' section with a featured article titled 'The Exceptional Advocate April 2013'. Below the main content, there are several links under 'The Basics' and 'Federal Programs' sections. A red speech bubble on the right side of the screenshot contains the text: 'Support and resources for families with special needs—exceptional family members—is available at www.militaryonesource.mil/efmp.'

■ Activities for kids

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

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

Adaptive Housing: Help for Wounded Warriors

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

Special Housing Adaptation (SHA) grant

The SHA grant of up to \$64,960 is generally used to create a wheelchair-accessible home.

Specially Adapted Housing (SAH) grant

The SAH grant is limited to \$12,992 and can be used to assist veterans with mobility throughout their homes when the need is due to blindness or the loss of the use of hands or arms.

Temporary Residence Adaptation (TRA) grant

The TRA grant is available to eligible veterans and seriously injured active duty service members who are temporarily living in a home owned by a family member. Under the TRA program, veterans and service members may combine SAH and TRA grants up to \$28,518, or SHA and TRA grants up to \$5,092.

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



For information on grants, 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/housing/accessible_housing.

Military Sellers and Buyers—What They Want

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

■ **What sellers want**

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

■ **What buyers want**

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

Winning and Marketing Listings

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

Did you help the seller buy the current home? Remember, when a military family buys a home it's almost guaranteed that the home will be

back on the market in a couple of years. Winning the future business starts with staying in touch. Military sellers are especially concerned about the value appreciation of their homes. You could offer a yearly CMA and home evaluation. That gives you the opportunity to stay up-to-date on the condition of the house and any improvements or changes to the property.

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

As part of your listing presentation, highlight your ability to make a referral to a real estate professional in the new location. Use RPR® neighborhood and market reports (see page 117) and even reports on specific properties to help the sellers house-hunt at the new location and learn about the community.

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

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

- **Arrange a presale home inspection.**

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

- **Organize and clean.**

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

- **Get replacement estimates.**

Get estimates on the cost of replacing big-ticket items, such as roofing, carpeting, or an appliance, even if the seller doesn't plan to replace

the item. The figures will help buyers determine if they can afford the home and will be handy when negotiations begin.

■ **Find warranties and user manuals.**

Gather up the warranties and user manuals for the furnace, AC, washer and dryer, dishwasher, and any other items that will remain with the house.

■ **Spruce up the curb appeal.**

Trim the lawn and bushes and neaten flower beds. Make sure the address is clearly visible. Mend cracks in walkways and clear obstacles from the entrance.

What If the Home Doesn't Sell?

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

■ **Adjust the price.**

A price drop may make the home more competitive compared to similar homes on the market and get the attention of home shoppers.

■ **Rent the home.**

Renting the home out produces a stream of income to help with mortgage payments.

■ **Family stays, service member transfers.**

If neither adjusting the price, nor renting out the home are workable options, the family can remain behind until the home sells while the service member transfers to the new location. Splitting up the family, however, even temporarily, increases the stress and prolongs the PCS process indefinitely.

Starting the Military Buyer's Home Search

NAR research shows that the typical civilian home buyer spends 2 weeks viewing properties online before contacting a real estate professional, 12 weeks searching for a home, and looks at 12–15 homes.¹¹ Military families usually begin the home search online too.

How Do Military Buyers Find You Online?

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

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

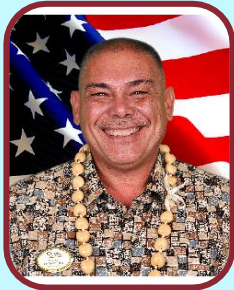
¹¹ *2012 Profile of Home Buyers and Sellers*, National Association of REALTORS®, www.Realtor.org/research.



Discussion Question

What would attract military buyers and sellers to your website?

Practitioner Perspective: Ken Gines



**Ken Gines, GRI, ABR®, CRS,
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The economy here is closely tied to active duty personnel and civilian contractors. I have the Hawaii franchise of GoArmyHomes.com but I work all the bases, including the Army, Navy, and Coast Guard. I'm the son of a Korean War vet and my brother-in-law and sister-in-law are in the military now. I can relate to military clients and know about the moves, the stress, and about driving across the country with a car full of stuff. Everyone on my team of REALTORS® has some connection to the military. There is an immediate connection when they meet military buyers and sellers because they already have something in common.

Military clients are different in a lot of ways, but they have some things in common. Buyers come on a mission. They need a house in a rush. Ideally, they'd like to move during the summer so the kids have a smooth transition to their new school. Time is of the essence and they want to see a number of houses and make an offer all during one trip. Maintaining a good credit rating is important because if they don't they can lose their security clearance. Sellers are very proactive. They know it takes time to sell so they call me two to three months before they're going to move. The hope is that it gets sold right away, but sometimes the non-military spouse stays behind to get the property sold. They are tech savvy. They communicate by text and Skype, so it's important to know how to use those.

I do social media like crazy. I know that Craigslist is one of the first places people visit for housing when they're moving to a new place, so I post there. I make videos of houses that I have for sale. That serves a dual purpose. I send it to the deployed spouse so that person gets a sense of the house, and I also put it up on YouTube where it gets even wider exposure. I would advise building a military-focused website and use Craigslist and other social media to drive traffic to it.

Asking the Right Questions

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

■ **Why are you selling?**

Ask the seller about circumstances causing the sale—PCS transfer, end of term of service, retirement, base closing? The reason for selling impacts the seller’s timeline as well as military benefits.

■ **PCS orders received?**

The service member may know about the assignment to a new base before receiving actual orders. A seller may not accept an offer that is contingent on PCS orders actually being received. Sellers may list in anticipation of a PCS.

■ **May I ask your rank?**

Service members work to earn their ranks and are proud of their accomplishments. Rank determines moving benefits like weight allowance and DLA as well as BAH rates.

■ **Are you a veteran?**

Ask if the buyer is a vet and plans to use VA financing.

■ **How long before the next PCS?**

PCS moves are an expected part of military life. Although timing is the unknown factor, time-on-station guidelines lend some ability to plan ahead. Will there be enough time for equity appreciation?

■ **Time frame for this PCS?**

PCS orders state when the service member must report for duty at the gaining location. All other deadline dates depend on the reporting date.

■ **Moving date?**

Has the family reserved a moving date? If government movers are handling the packing and shipping, it is very difficult to change a moving date once it is set. Buyers may schedule the movers to deliver their household goods on the afternoon of a morning closing. It can be tough to reschedule all of the PCS “moving parts” if the closing is delayed. If the family opts for a DITY move, moving dates may be more flexible.

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

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

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

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

■ **Location**

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

■ **Child care easily accessible**

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

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

Ask if the buyer has an account at a local bank or needs lead time in order to obtain earnest money funds. For example, USAA provides many financial services for military personnel. The company offers convenience and discounted services, but does not have branch offices anywhere, so all business is done online or by phone. This can be a problem if the buyer needs certified funds. Build in lead time for mail or transfer to a local branch bank for earnest money, deposits, and down payments. When the buyer starts looking for a home, suggest ordering the earnest money check made payable to himself. When ready to make an offer, the buyer can endorse the check to an escrow account or to a local bank in exchange for the necessary cashier's check.

■ **Mortgage preapproval**

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

■ **VA Financing**

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

Who Do You Represent?

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

Qualifying the Buyer

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

If the Buyer Hasn't Met With a Lender

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

Agent: "Have you talked with a lender about financing?"

Buyer: "No. Do we have to do that now? We are really eager to look at this list of houses."

Agent: "At some point you will need to talk with a lender. A preapproval letter will strengthen your offer and negotiation leverage. For now, just to be sure we're in the ballpark, may I ask you a few questions?"

Buyer: "Sure."

Agent: "Have you thought about how much money you plan on using as your down payment?"

Buyer: "We've got about 5 percent to put down."

Agent: "Okay. Let's use this home's list price of \$180,000 for an example. That would mean a \$9,000 down payment, leaving you with a \$171,000 mortgage. You'll need some additional funds for closing costs and other expenses. I'll cover those later, but I just want to be sure we've got all the bases covered."

Buyer: "Yes, we have other funds saved for that."

Agent: "Then let's calculate the payment on the \$171,000 mortgage. At 5 percent interest we're looking at about \$5.00 per thousand per month for principal and interest. That comes to \$855. Taxes on the property are \$3,000 a year and insurance will be about \$1,200, which brings us to a total of about \$1,205 a month. Based on what you were planning to spend, would that work?"

Buyer: "That will work and we would really like to start looking at houses."

Agent: "Great. Let's go look at some of the houses on your list. When we get back, we can talk about meeting with a lender to fine-tune all of the numbers."

PenFed Foundation Dream Makers Grants for First-Time Home Buyers

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

■ **Eligibility**

- Military (Active Duty, Reserve, National Guard or Veteran), a Department of Defense employee, or a Department of Homeland Security employee.
- First-time home buyer, have not owned a home for the last three years, or lost a home through divorce or disaster.
- The gross annual income of all applicants used to qualify for mortgage is no more than the greater of \$55,000 or 80 percent of area median income, adjusted for family size.

■ **Dream Makers Grant Application Process**

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



An applicant can apply for a Dream Makers grant online—even before starting to look for a home or selecting a mortgage company. For more information on eligibility (including applicable median income and contribution limits), the application process, and seminars, go to www.pentagonfoundation.org and select ***Dream Makers***.

Estimate Income Conservatively

The conservative approach is to calculate how much the buyer can afford on the basis of base salary and applicable BAH rate. Incentive pay, such as for deployment and hazardous duty, won't always be available. Base the figure on what the service member would be paid when at home.

Likewise with a dual military couple: they each receive BAH pay at home, but one spouse's BAH pay is lost when deployed and assigned to base housing (see page 25). A look at the last couple of Leave and Earnings Statements might not tell the whole story if the service member is deployed and it would be wrong to assume the every lender can make this distinction.

Maintaining a Good Credit Rating—A Wise Career Move

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

Get Ready for Power Shopping

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

■ **Block out time.**

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

■ **Remember creature comforts.**

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

■ **Don't look for a dream home.**

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

■ **Jog the memory.**

You'll be looking at a lot of houses in a short time and remembering the details can be daunting. Consider asking a colleague to come along to video or photograph houses; this is especially helpful if one spouse is looking on her own—the 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 has to move to a new home sight unseen, offer to preview properties (on a hold-harmless basis) and send videos. Be sure the videos are posted in a secure site that can be viewed only by the buyer, such as private videos on YouTube.

■ **Highlight what's standard.**

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

■ **Inform about local requirements.**

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

■ **Stay flexible.**

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

Social Media for House Hunting

If you plan to post property photos and videos on social media, make sure the site is secure and viewable only by the buyers. Emphasize to buyers the importance of treating the information respectfully and making sure it doesn't fall into the hands of someone with bad intentions. Remove images from websites when no longer needed.



Absent Spouse

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

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

Power of Attorney

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

Practitioner Perspective: Jo Anne Littleton



**Jo Anne Littleton, ABR®,
MRP**

Prudential John Brabham
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As military spouse, I've been there and done it. I've made nine moves over a 16-year period with my husband, who was an Air Force pilot, and daughter. I've done a short notice, two-week move and know what it's like to get everything into place to move and then to arrive in a place and find a church, schools, and activities for children. My daughter was a competitive gymnast and finding a gym for her was important.

I try to help new arrivals settle as quickly as possible. For example, I have names of people and service providers to help, like hair stylists and landscapers and lawn mowing services. I ask what activities and sports kids are involved with and find out how to get them into their favorite activities when they arrive. The happier the kids are, the happier the parents are.

When military buyers get orders to move, it's a short time frame and you're lucky if you have three months. Sometimes you get a last-minute notice and you have only two weeks before the military spouse needs to leave. The military member tries to get away for a long weekend, and over a four-day period we may look at 20 to 30 houses. House shopping starts online so pictures are important. When we were moving and looking online, if a house didn't have images of interiors, we moved on to the next one. I usually include 25 images—interiors and exteriors, the grounds, and the street—to give a full picture of houses.

When you are looking at so many houses, it's hard to keep them straight. I try to do a process of elimination. I ask, "Of those first four, which did you like best? Among those top five, which ones?" Throughout the process I help clients track and eliminate houses and keep focused. At the end, you hope to have three favorites—one to bid on and two others as a Plan B.

Sellers usually know that their next move is coming up at the 2½-year mark and that they have about six months to get the house ready to sell. I outline all the options and potential outcomes. Some put the house on the market in anticipation of moving. But if it sells before they're ready to leave, they have to find temporary housing and storage for their furniture. Others wait until closer to the departure and price the house more aggressively to be certain it gets sold. If it doesn't sell, they may consider turning it into a rental. I don't handle property management, but I refer it to our rental department. Even if they rent it for a while, they end up working with me to sell the house.

Word-of-mouth referrals are the key to this business. Military members who've worked with me in the past refer friends who are moving here to me. We came here in 2003 and several military wives became REALTORS®. My husband retired and we stayed, but the others moved away. Some are now at pilot training bases and they refer to me like crazy. If you know the wives, you get the business. I send mailings to pilots doing F-16 training and to the F-16 class leaders. Then when pilots are sent here, they're already familiar with my name.

You have to know and love military clients and not consider them transients. If you're good to them and understand and like them, they'll be good to you and they'll refer others to you.

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 (see page 64)
- Digital camera, video camera, or smartphone

No Multiple Offers

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

Contract Language for VA Buyers

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

It is expressly agreed that, notwithstanding any other provisions of this contract, the purchaser shall not incur any penalty by forfeiture of earnest money or otherwise be obligated to complete the purchase of

*the property described herein, if the contract purchase price or cost exceeds the reasonable value of the property established by the Department of Veterans Affairs. The purchaser shall, however, have the privilege and option of proceeding with the consummation of this contract without regard to the amount of the reasonable value established by the Department of Veterans Affairs.*¹²

This escape 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 and goals and realistic expectations.

Strategies for Buyers

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

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

Factors that can weaken a buyer's leverage include:

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

¹² *Lenders Handbook—VA Pamphlet 26-7*, Chapter 9, U.S. Dept. of Veterans Affairs, www.benefits.va.gov/homeloans.

Strategies for Sellers

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

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

Factors that can weaken a seller's leverage include:

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

Contract to Closing

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

Property Inspections

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

Post-Transaction Support

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

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



Discussion Question

What post-transaction support would keep you top-of-mind with military buyers and sellers?

The Last PCS

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

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

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

Practitioner Perspective: Jerry Newman



Jerry Newman, ABR®, GREEN, MRP
Green Home Realty
San Antonio, Texas
www.jerrynewmanrealestate.com

If you have a military background, it's always good to promote it and the branch you served in. Because I'm retired Army myself, I can relate to military clients. When military prospects read my resume online, they single me out because I'm a veteran.

I work a lot with military officers looking for homes in neighborhoods within commuting distance of their bases. They look for a trusted real estate adviser in me. They want to know how the market is going, what areas are most active, and whether it's a sellers' or buyers' market. If they bought recently in a new community and don't have lots of equity and when they get transferred, they're often competing against builders who are still offering new homes. When they can't sell, they end up as landlords. I have relationships with some property

management companies and refer the business to them. But I never lose touch with clients who rent out a house; they come back to me when they decide to sell.

When service members come to town, their first stop is at the base housing office for advice. By visiting the bases and leaving my materials, business cards, and flyers, I've established myself as someone who provides reliable real estate service to military personnel.

Ninety percent of clients are shopping online and I've positioned myself to receive Internet traffic. Social media is important. People see that I'm all over the Internet—Facebook, Twitter, REALTOR.com®, Trulia, and so forth. Although it's a rare occurrence, some people buy houses sight unseen. I had a client who was stationed in Guam and bought a house based on photos and information that I sent to her. She saw the house for the first time on the day she picked up the keys.

I distinguish myself with my online presence and by blogging; and most people find me through Google searches and my blog. I do lots of hyper-local blog posts about homes for sale. I use keywords associated with the market, such as Military City USA and Lackland Air Force Base, so that Google picks them up and people find the blog. Blogs stay up and they're findable until you take them down. I wrote a blog post two years ago that someone came across and called me to buy a house.

Does the Military Downsize?

Although military service appears to be a layoff-proof career choice, the military does downsize and service members can be forced out through retirement, reductions in force, denial of reenlistment, and base closings.

How does the military decide to downsize? The service chiefs (Joint Chiefs of Staff) send manning numbers and budget requirements to the U.S. Congress, which mandates end strength goals based on anticipated needs. The decreasing level of U.S. military involvement in Iraq and Afghanistan along with federal budget cutting portend a period of downsizing. In fact, the DoD has already announced plans to reduce the Army's troop strength to 450,000 by 2017. A base closing review is proposed for 2015; monitor news about base closings and realignments at www.defense.gov.

Involuntary Separation

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

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

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

A service member with 20 or more years of service can be forced into retirement and begin receiving pension benefits. There are, however, no pension benefits for a service member with less than 20 years of service. Service of 6–20 years merits an involuntary separation (severance)

payment based on rank and number of years of service. Separation pay is reduced by half for less than six years of service.

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

Base Realignment and Closing (BRAC)

The military downsizes its infrastructure through base closings and consolidations as well as relocation of groups of personnel. Bases that contribute little to the military mission or have shortcomings such as civilian encroachment that hamper training or environmental restrictions are prime candidates for closing.

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, the Congress may appropriate funds for a Homeowner Assistance Program (HAP).

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

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

- **Private sale**

HAP pays the difference between 95 percent of the home's fair market value prior to the public announcement date and the selling

price. HAP may reimburse customary closing costs including a real estate commission.

■ **Government acquisition**

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

■ **Foreclosure**

HAP pays the lien holder for legally enforceable liabilities.

Data Security Planning

Real estate professionals often collect a lot of personal information about clients and customers in the course of finding the right home. In this age of digital recordkeeping, your office policies should include standards and procedures for collecting, sharing, destroying, and protecting customer and client information. A data security plan includes protecting the security, confidentiality, and integrity of data as well as disposing of it properly when no longer needed. 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 educate real estate agents and brokers, associations, and MLSs about data security issues. The Toolkit provides information about state laws and pending federal regulations as well as guidance and checklists for drafting a security program tailored to the operations of the company. Download a copy of the Toolkit at www.REALTOR.org/law-and-ethics/nars-data-security-and-privacy-toolkit.

Exercise: Case Studies

Dennis and Roberta Galloway

Lieutenant Commander Dennis Galloway is within 2–3 years of retiring after an exemplary Navy career. Dennis and Roberta have moved more than a dozen times during his career. Their children, a son and a daughter, are now married with children of their own. Their son Darren lives in Arlington, Virginia, and their daughter Rebecca lives in Rockville, Maryland. Lt. Commander Galloway, currently stationed near Washington, D.C., just received PCS orders. This transfer will probably be the last change of station before retirement. After retirement, the Galloways want to settle down close to their children and grandchildren. Starting a new career as a defense contractor consultant is a possibility too. They are trying to decide if it is better to sell their current home and buy or rent in the new location. Or, rent out their current home and return to it after retirement. Their current housing allowance is based on a high-cost location (Washington, D.C.) and is considerably higher than the housing allowance in the new duty station.

- **What are the issues involved in this scenario?**
 - **What questions would you ask?**
 - **What factors should the Galloways consider in making their decisions?**
-
-

Carl and Cora Maddox

The Maddox family has moved with Army Master Sergeant Maddox to duty stations all around the country. Each of their three children was born in a different state. Carson (age 13), Caroline (age 10), and Christopher (age 5) are very resilient Army kids and have learned how to make friends quickly whenever and wherever the family moves. Carson is into sports and plays on the school basketball and baseball teams. Caroline's ballet teacher has encouraged her to continue lessons and develop her natural talent. Cora is a stay-at-home mom but supplements the family income with a home-based cosmetics sales business. Although not official yet, orders for the next PCS are imminent. Cora has started cleaning out closets and organizing the packing. They have been through the move many times and know the procedures, but each new station involves a learning curve and the challenge of finding schools and activities for the kids and making new contacts and friends. As sellers, they need a quick sale at the right price. As buyers, they need to find a real estate professional in the new location, find the right home, settle in fast, and set up a functioning home.

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

Ed and Marlene Brooks

Ed and Marlene met and married while serving in the Air Force. Ed is a Technical Sergeant and Marlene is a Senior Airman. Despite PCS-ing twice since getting married, they have been fortunate to be assigned to the same base. Soon after getting married, they bought a home using conventional financing. They took a loss on the sale when PCS orders came and they didn't have cash left to put toward the next purchase. They decided to stay as renters at their current location. Now, they are transferring to a base in your market area. They are thinking of buying again, as prices and mortgage interest rates are low, but they don't want to risk losing money on a home sale. Should they remain renters or buy a home?

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

Michael and Jennifer Reyes

Corporal Michael and Jennifer Reyes, a young couple in their 20s, have been married for four years and are the parents of a toddler, Anna Marie. Corporal Reyes, although not currently deployed, serves in a Marine unit that has a reputation for fast deployments. Jennifer is a bookkeeper in a medical office. Anna Marie is enrolled in a child development center on the base; her dad drops her off in the morning and her mom picks her up in the afternoon. They currently rent an apartment in military family housing, but it is cramped and short on both storage and parking space. They need room to park two cars plus the new motorcycle Michael just purchased. Jennifer has been studying the numbers. They don't have a lot of savings, but with the combination of two incomes and housing allowance plus no-money-down VA financing, they might be able to buy a home.

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



3. VA Financing for Active Duty–Vets



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

Despite support provided to military families, active duty service is not a high-paying job for most service members. For example, a corporal (grade E-4) stationed at Ft. Bragg with four years of experience and dependents earns a little over \$40,000 a year including BAH.

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

- **Purchase sooner.**

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

- **Increase buying power.**

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

Caution

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

Pop Quiz: VA Financing

Mark the **best** answer.

1. The VA entitlement guarantees 100 percent of an eligible borrower's mortgage.	True False
--	---------------

2. The VA mortgage entitlement can be used only once.	True False
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3. VA mortgages are assumable by other eligible borrowers.	True False
--	---------------

4. VA mortgages can be used to refinance in order to reduce interest rates.	True False
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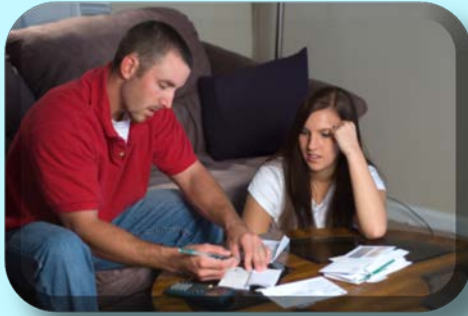
5. VA mortgages with less than 20 percent down payment require mortgage insurance.	True False
--	---------------

Benefits of VA Home Loans

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

Steps in the VA Home Loan Process

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

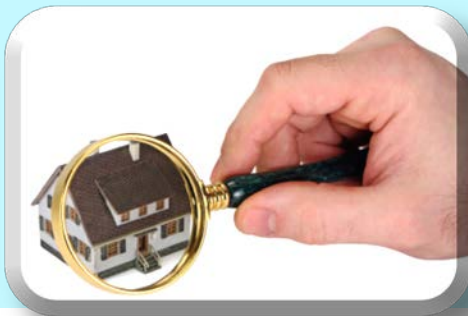


1
*Determine
eligibility
and
entitlement*

Obtain a Certificate of Eligibility and proof of service.

The home must be a primary residence, single-family, condo, or maximum four-unit multifamily (owner must occupy one unit). Manufactured homes qualify. No vacation homes, businesses, or farms.

2
*Find the right
home, make an
offer, sign a
sales contract*

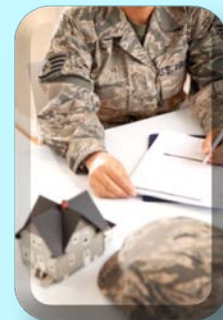


3
*Arrange
home
inspections*

The property must be safe, structurally sound, and have functioning mechanical systems. The buyer should accompany the inspector. Not required by the VA.

Prequalification can speed up the approval process. See the sample worksheet on page 114. Buyers should look for lenders who welcome military borrowers and know VA financing procedures. It pays to compare loan costs and terms.

4
*Apply for the VA
home loan*



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.

Like conventional loans, homeowner's insurance is a requirement for closing.

6

Obtain homeowner's insurance



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.

The buyer pays the VA funding fee and lender's origination fee or itemized expenses (see page 97). The real estate professional's commission must be paid **only** by the seller.

8

Close the sale



Determine Eligibility and Entitlement

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

Service Members		
	Date of Service	Required Length of Service
Active duty	While service member remains on active duty	90 days (181 days during peacetime)

Veterans, Honorably Discharged		
Era	Date of Service	Required Length of Service
WW II	9/16/1940 to 7/25/1947	90 days
Post WW II	7/26/1947 to 6/26/1950	181 days
Korean	6/27/1950 to 1/31/1955	90 days
Post Korean	2/1/1955 to 8/4/1964	181 days
Vietnam	8/5/1964 to 5/7/1975	90 days
	2/28/1961 to 5/7/1975 for those who served in the Republic of Vietnam	
Post Vietnam Enlisted	5/8/1975 to 9/7/1980	181 days
	9/8/1980 to 8/1/1990	2 years *
Post Vietnam Officers	5/8/1975 to 10/16/1981	181 days
	10/17/1981 to 8/1/1990	2 years *
Gulf War	8/2/1990 to Present	2 years *

* The veteran must have served 2 years, or the full period called or ordered to active duty (at least 90 days during wartime and 181 days during peacetime).

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

Proof of Service

■ Active Duty

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

■ Reserve and Guard (discharged)

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

■ Veterans

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

Lost or Destroyed Discharge Papers?

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

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

Determine Entitlement

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

Certificate of Eligibility

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

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

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

3. VA Financing for Active Duty–Vets

Instructions for registration are at:
www.benefits.va.gov/home_loans/documents/docs/veteran_registration_coe.pdf

The screenshot shows the eBenefits website interface. At the top, there is a navigation bar with links for 'view my STATUS', 'access my DOCUMENTS', 'browse benefits LINKS', and 'career CENTER'. Below this, the main heading is 'Apply for Benefits'. A text block explains that eBenefits Premium Account holders can apply for various benefits. There are 'Log in' and 'Register' buttons. Under 'Examples of Available Benefits', three options are listed: 'Apply for Veterans Benefits via VONAPP', 'VONAPP Direct Connect with Guided Assistance', and 'VA Home Loan Certificate of Eligibility'. The 'VA Home Loan Certificate of Eligibility' option is circled in red and includes a 'Register!' link.

Misconceptions About VA Financing

Common misconceptions about VA eligibility and entitlement include:

- Eligibility for VA financing means guaranteed qualification for a loan, even with bad credit.
- A bad credit report doesn't matter because the VA guarantees 100 percent of the loan if the borrower defaults on the payments.
- A preapproval or prequalification isn't needed when the buyer plans to use VA financing.
- VA financing can be used only once. Veterans who had a VA loan in the past may still have remaining entitlement to use for another VA loan. Selling the property and paying off the loan restores entitlement.

Does Bankruptcy or Foreclosure Disqualify a Borrower?

Another misperception about VA financing is that bankruptcy or foreclosure disqualifies a VA borrower for future loans. Foreclosures and bankruptcies do not automatically disqualify borrowers for future loans. In fact, VA financing guidelines shorten the bounce-back time two years or less depending on the circumstances, compared to a 2–3 year wait time for conventional loans.

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

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

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

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

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

Find the Right Home

The VA requires the borrower to occupy the home as a primary residence. The property can be a single-family home, condo, townhome, manufactured home, or a unit in a multi-family building of four or fewer units. A condo unit must be in a VA-approved project. Check condo approval at <https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch>.

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

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

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

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

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

Apply for the Loan

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

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

- **Prior approval**

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

- **Automatic**

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

What Does the VA Guarantee?

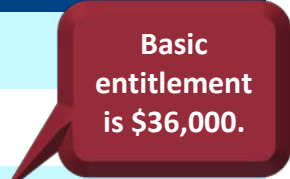
The VA guarantees the home loans that are made by private lending institutions, such as a mortgage company, savings and loan, credit union, or bank. The VA stands behind the home loan made by a private lender by guaranteeing a portion of the loan. The guaranty assures the lender

that losses, up to the amount of the guaranty, will be covered if the borrower cannot make the payments. Because the VA offers this guaranty to lenders, borrowers can avoid a down payment, provided they have sufficient entitlement available.

How Much Is the Guaranty?

The guaranty is not 100 percent of the loan amount. The basic entitlement amount is \$36,000. A second tier of entitlement is available if the loan amount exceeds \$144,000, up to a maximum entitlement of 25 percent of the Freddie Mac conforming loan limit for a single-family residence (currently \$417,000 and \$625,500 in Alaska, Hawaii, Guam, and U.S. Virgin Islands) or 25 percent of the VA county loan limit.

Loan Amount	Maximum Potential Guaranty
Up to \$45,000	50% of the loan amount
\$45,000 to \$56,250	\$22,500
\$56,251 to \$144,000	40% of the loan amount up to \$36,000
\$144,000–\$417,000	25% of the loan amount
Greater than \$417,000	Lesser of 25% of the VA county loan limit, OR 25% of the loan amount



Currently, the VA identifies high-cost markets in specific counties in 20 U.S. states and its territories. The VA publishes a loan limit chart, updated yearly.



Internet Field Trip

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

VA County Loan Limits

www.benefits.va.gov/homeloans/documents/docs/2013_county_loan_limits.pdf

Maximum a Vet Can Finance?

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

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

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

VA Financing as an Option?

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

Request the Appraisal

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

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

VA appraisers assess two aspects of the property:

- Fair market value
- Compliance with MPRs

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

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

Valuation Too Low?

What if the property valuation seems too low? VA policy requires the appraiser to notify the Point of Contact (POC)—usually the lender—when there are issues with the valuation (regarding comparable properties).

The POC has the opportunity to provide documentation that can help the appraiser complete the report.

This policy does not allow the appraiser to discuss anything regarding the actual report, such as comps used or how low the value is; such a discussion violates Uniform Standards of Professional Appraisal Practice (USPAP). Nor is it a tacit directive to appraisers to try to “come in at value.” The policy allows parties of interest the opportunity to assist the appraiser in obtaining the best available data, thus facilitating the process and avoiding Reconsideration of Value situations that slow the loan approval process.

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

Notice of Value

The Notice of Value (NOV) issued by a VA or a lender’s Staff Appraisal Reviewer (SAR) is valid, and stays with the property, for six months. Specifically, VA rules state, “a notice of value for property appraised as existing or new construction is valid for six months. Rapidly fluctuating real estate market conditions may temporarily dictate the use of a shorter validity period. ...”¹³

The VA specifically states that the borrower may not pay a duplicate fee for services that have already been paid for by another party. If an appraisal is completed on a property and paid for by a prospective VA-purchaser, but the sale is never completed, a second VA-purchaser who applies for a loan within the NOV validity period may not be charged for an appraisal, if a new one is not ordered. VA rules state:

A new VA appraisal must not be requested for any property which already has a valid VA notice of value. However, an additional appraisal made by a VA fee appraiser not assigned by VA can be used

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

*to support a request for an increase in value, provided the veteran purchaser was not required to pay any portion of the cost of that additional appraisal.*¹⁴

In a time of rapid market changes, the VA shortens NOV validity dates to allow reappraisal.

What If the Property Needs Repairs?

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

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

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

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

¹⁴ Ibid.

Pay Funding Fees and Closing Costs

In order to defray costs of administering the VA Home Loan program, borrowers pay a funding fee at time of closing. Fees differ based on type of military service, down payment, first-time or repeat use, and loan purpose. The funding fee may be financed in the loan amount but no other fees or discount points may be included. The following schedule of fees provides a general guideline; VA Home Loan lenders will have up-to-date information on fees.

Funding Fees—Purchase and Construction

Service	Down Payment	First-Time Use	Subsequent Use
Regular Military & Vets	None	2.15%	3.30%
	5% or more (up to 10%)	1.50%	1.50%
	10% or more	1.25%	1.25%
Reserves and National Guard	None	2.40%	3.30%
	5% or more (up to 10%)	1.75%	1.75%
	10% or more	1.5%	1.5%

Funding Fees—Cash-out and Refinance

Service	First-Time Use	Subsequent Use
Regular Military & Vets	2.15%	3.30%*
Reserves and National Guard	2.40%	3.30%*

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

3. VA Financing for Active Duty–Vets

Funding Fees—Assumptions and Other Loans	Percentage*
Interest Rate Reduction Refinancing Loan (IRRRL)	0.50%
Manufactured Home (not permanently affixed)	1.00%
Loan Assumptions†	0.50%

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

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

Origination Fee

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

Fees That Must Be Included in the 1% Origination Fee		
<ul style="list-style-type: none"> ▪ Additional appraisals and inspections ▪ Settlement fee ▪ Escrow, closing fee ▪ Document preparation ▪ Underwriting fee ▪ Processing fee ▪ Application fee 	<ul style="list-style-type: none"> ▪ Attorney fees (work other than title) ▪ Assignment fee ▪ Photocopying ▪ E-mail or fax ▪ Photographs ▪ Postage 	<ul style="list-style-type: none"> ▪ Amortization schedule ▪ Notary fee ▪ Commitment 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:

<ul style="list-style-type: none">▪ VA funding fee▪ Appraisal fee▪ Discount points▪ Compliance inspection▪ Credit report▪ Recording fees, taxes, and stamps	<ul style="list-style-type: none">▪ Prorated tax and insurance escrow▪ Hazard insurance▪ Survey and plot plan▪ Title insurance, policy, search▪ Environmental lien endorsement	<ul style="list-style-type: none">▪ Well, septic inspection▪ Express mail fees (refinance only)▪ MERS fee▪ Local variances authorized by the VA
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Fees That Are Never Allowed

Expenses that are never paid by the VA borrower are:

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

Closing the Sale

Seller Concessions

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

Seller concessions include, but are not limited to:

- Payment of the VA funding fee
- Prepayment of the buyer's property taxes and insurance

- Gifts, such as a TV or microwave
- Payment of extra points to provide a permanent interest rate buy down
- Provision of escrowed funds to provide a temporary interest rate buy down
- Payoff of credit balances or judgments on behalf of the buyer

Seller concessions do not include payment of the buyer’s closing costs or mortgage points as appropriate to the market.¹⁵

Real Estate Commissions

The first chapter of this course addressed the issue of who pays the real estate professional’s commission (see page 35). A buyer’s representative may be compensated only by the listing broker. To reiterate:

Brokerage Fees

*Fees or commissions charged by a real estate agent or broker in connection with a VA loan may not be charged to or paid by the veteran-purchaser. While use of “buyer” brokers is not precluded, veteran-purchasers may not, under any circumstances, be charged a brokerage fee or commission in connection with the services of such individuals. Since information on property available for purchase and financing options is widely available to the public from a variety of sources, VA does not believe that preventing the veteran from paying buyer-broker fees will harm the veteran.*¹⁶

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:

¹⁵ *VA Lenders Handbook, Chapter 8, “Borrower Fees and Charges and the VA Funding Fee,”* VA Pamphlet 26-7, Revised, U.S. Dept. of Veterans Affairs, www.benefits.va.gov/homeloans.

¹⁶ *Ibid.*

■ **Basic restoration of entitlement**

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

■ **Special restoration of entitlement**

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

■ **Unused Entitlement**

- If the entire entitlement is not locked up in the borrower's current home, unused entitlement may be used for a subsequent loan.
- The Certificate of Eligibility (see page 86) states the amount of remaining entitlement, if any.

Sale with VA Mortgage Assumption

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

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

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

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

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

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

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

- Possible need for extra cash or another loan to buy the seller's equity (down payment, accumulated principal payments, and value appreciation)¹⁷
- 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 interests rates could increase
- Required to substitute entitlement for the seller's

Compared to the fee for a mortgage origination, the funding fee for a loan assumption is a bargain. For a repeat buyer who would be facing a 3.3 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,

¹⁷ The VA does not require the buyer to pay for the seller's equity and in some cases the veteran may just want to be free of the debt.

property value appreciated at an annual rate of 3 percent. The amount of cash necessary to buy out the seller's equity would be about \$29,919.

Loan Assumption	Purchase with New Mortgage
\$7,837 principal payments for 3 years + \$13,909 value appreciation <u>+ \$7,500 down payment</u> = \$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 <u>+ 2 mortgage points \$3,114</u>
Potential cash outlay \$29,919	Total cash outlay \$13,644

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

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

No Handshake Deals

The VA or an authorized lender must approve assumptions of loans made after March 1, 1988. Failure to obtain the necessary approvals for a loan assumption can have dire consequences: it could trigger a due-on-sale clause or immediate foreclosure. Some lenders—usually high-volume VA lenders—have automatic authority to approve loan assumption transactions. If the lender does not have automatic authority, a complete credit package must be submitted to the VA for underwriting.

Release of Liability and Entitlement

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

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

VA Compromise (Short) Sale

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

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

Qualifying hardships include:

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

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

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

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

VA Home Loan Borrower Assistance

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

How Does a Compromise Sale Work?

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

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

What Can You Do?

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

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

Fannie Mae and Freddie Mac Short Sales

In addition to the VA compromise sale program, Fannie Mae and Freddie Mac instituted measures to make short sales easier for military service members when they receive PCS orders. Military service members must have a Fannie Mae or Freddie Mac loan to be eligible for favorable treatment. Under the short sale policy, military service members who receive PCS orders are eligible to sell their homes in a short sale even if they are current on their mortgage. Also, Fannie Mae and Freddie Mac will not pursue a deficiency judgment or any cash contribution or promissory note from PCS-ing service members who purchased properties before June 30, 2012.

Practitioner Perspective: Lorraine Santirosa



Lorraine Santirosa, MRP
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San Diego, California
www.sandiegohousingoffbase.com

My husband was in the Navy so I understand the stress of moving, the challenges clients face, and the military acronyms. The combination of my real estate and military background is a huge asset—it all creates instant rapport with clients.

Military clients tend to be very proactive and focused. No matter how difficult the transaction, they do what they need to do to keep it moving. That makes them great to work with. They're coming with a different agenda and game plan than other buyers because they're arriving on orders and they need to find a place to live in a certain time frame. The time limit can be a matter of a month or up to two to three months. Sometimes it's shorter. I send listings in advance so they can eliminate the ones they're not interested in. That way, we can be more efficient when they're here and maximize the house-hunting time.

I encourage buyers to take advantage of the military housing allowance and put the money toward a home purchase to build wealth, rather than applying the money to a rental. The properties buyers are interested in often depend on their rank. There are lots of first-time buyers who use their housing allowance for condos in lower price points. Senior officers often look in more affluent communities. A house may not be their dream home, but they need to think for the longer term and find a house that they can sell or rent when they need to move.

I know how to go to bat for clients. For example, when there are multiple offers on a house, sellers may prefer cash offers or conventional financing more than VA financing. There are lots of misconceptions about VA financing, so I call the listing agent to educate them about the advantages and the process. I also team up with knowledgeable lenders who can guarantee that the deal will close.

Most of us who live in military communities come in contact with military families day-to-day. You could start building your business base with friends, family, church members, and so forth, and let them know you're in real estate and that you represent military members. Develop your expertise and be a resource for other agents. Become the military housing go-to person in the community. I get calls from other agents about VA loans and I'm always willing to answer their questions. And team up with knowledgeable lenders who understand VA loans and the military.

Resources

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Military Acronyms

AAFES Army and Air Force Exchange Service

ACSIM Assistant Chief of Staff for
Installation Management

AFC Army Family Covenant

AFSA Air Force Service Agency

AHRN Automated Housing Referral
Network

AIP Assignment Incentive Pay

BAH Basic Allowance for Housing

BAS Basic Allowance for Subsistence

BDU Battle Dress Uniform

BEQ Bachelor Enlisted Quarters

BX Base Exchange (Air Force)

CAC Common Access Card

CDC Child Development Center

CO Commanding Officer

COE Certificate of Eligibility (VA financing)

COLA Cost-of-Living Adjustment

CONUS Continental United States

DECA Defense Commissary Agency

DEERS Defense Enrollment Eligibility
Reporting System

DITY Do-It-Yourself Move

DLA Dislocation Allowance

DoD Department of Defense

DPS Defense Personal Property System

ETS Expiration of Term of Service

FRG Family Readiness Group

HDP Hardship Duty Pay

HDIP Hazardous Duty Incentive Pay

HFP Hostile Fire Pay

HHG Household Goods

HQ Headquarters

IDP Imminent Danger Pay

LES Leave and Earnings Statement

MALT Monthly Allowance in Lieu of
Transportation

MCX Marine Corps Exchange

MFH Military Family Housing

MHPI Military Housing Private Initiative

MOB Mobilization

MPR Minimum Property Requirements

MWR Morale, Welfare, Recreation

NCO Non-Commissioned Officer

NOV Notice of Value

NPRC National Personnel Records Center

OCONUS Outside the Continental United
States (includes Alaska and Hawaii)

OPTEMPO Pace of Deployment

OTH Other Than Honorable Discharge

PAO Public Affairs Office

PBP&E Professional Books, Papers, and
Equipment

PCS Permanent Change of Station

POA Power of Attorney

POV Privately Owned Vehicle

PPM Personally Procured Move

PPO Personal Property Office

PX Post Exchange (Army)

RAP Relocation Assistance Program

ROTC Reserve Officer Training Corps

SCRA Servicemembers Civil Relief Act

S&I Special and Incentive Pay

TDY Temporary Duty

TLE Temporary Living Expenses

TMO Traffic Management Office,
Transportation Management Office

TO Transportation Office

Tricare Military Health Insurance Provider

VA U.S. Dept. of Veterans Affairs

Military Grades/Rates

Commissioned Officers

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

Warrant Officers: Ranks 1–5

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

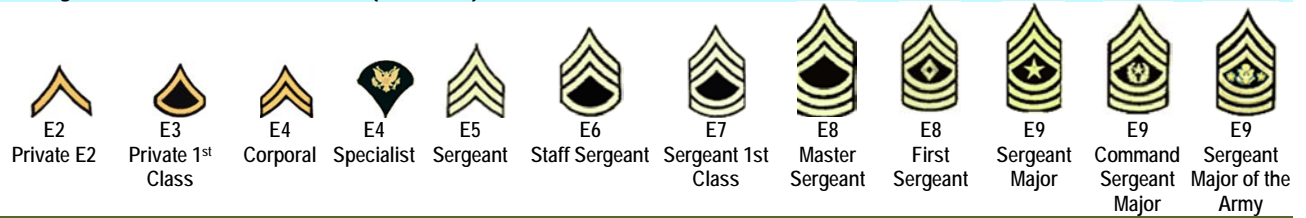
Non-Commissioned Officers and Enlisted Personnel

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

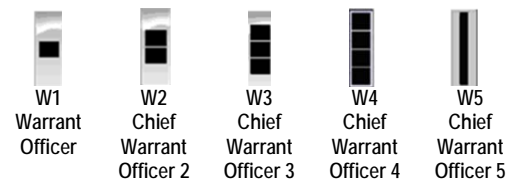
Source: U.S. Department of Defense, www.defense.gov.

Military Ranks and Insignia

Army Enlisted and NCO (E2-E9)



Army Warrant Officers (W1-W5)



Army Officers (O1-O10)



Navy ranks are referred to as Rates

Navy and Coast Guard Enlisted and NCO (E1-E9)



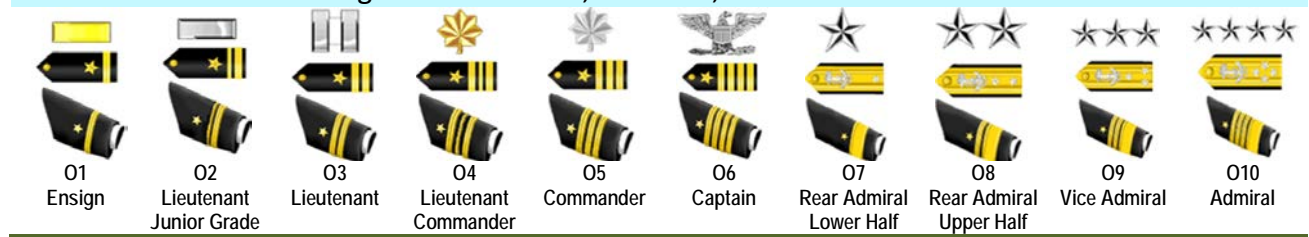
Navy and Coast Guard Warrant Officers (W1-W2)

Warrant officers wear different insignia on the collar and shoulder

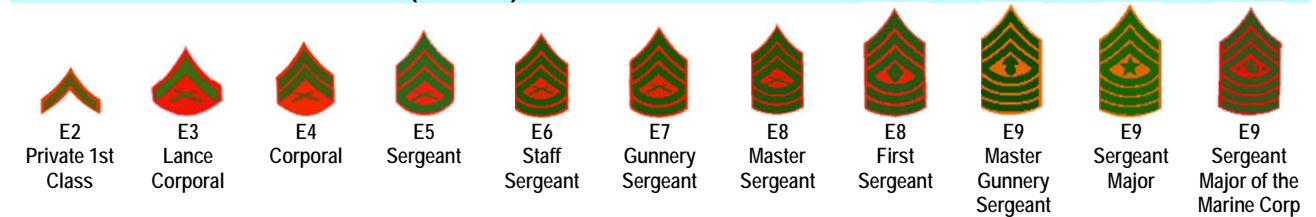


Navy and Coast Guard Officers (O1-O10)

Officers wear different insignia on the collar, shoulder, and sleeves



Marine Enlisted and NCO (E2-E9)



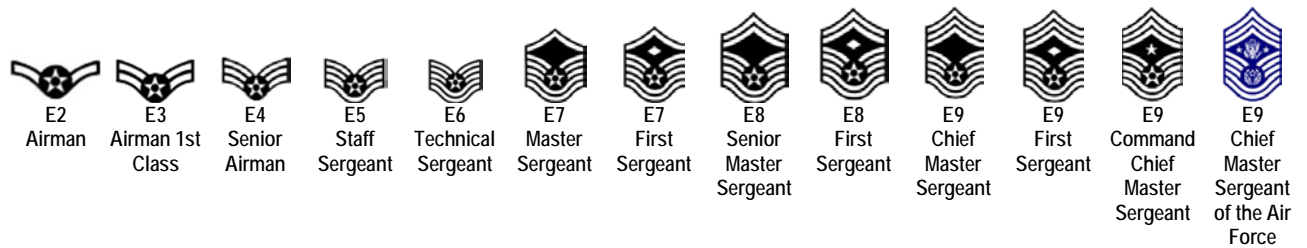
Marine Warrant Officers (W1-W2)



Marine Officers (O1-O10)



Air Force Enlisted and NCO (E2-E9)



No Air Force Warrant Officers

Air Force Officers (O1-O10)



Commander in Chief, President of the United States

Department of Defense				Homeland Security*	
Army Active: 546,057 	Navy Active: 314,339 	Air Force Active: 328,812 	Marines Active: 198,820 	Coast Guard Active: 43,327 	
Reserve† 651,098 	Reserve 102,349 	Reserve‡ 97,087 	Reserve 218,350 	Reserve 9,737 	
Army National Guard 362,000 		Air National Guard‡ 106,900 			

Sources: U.S. Department of Defense, Statistical Information Analysis Division.
 Military Reserve Personnel: 1995 to 2010, National Security and Veterans Affairs, Statistical Abstract of the United States, 2012, U.S. Census Bureau.

Living Veterans (2010)	WWII	Korean Conflict	Vietnam	Gulf-present	Peacetime
Total: 22.6 million	1,981,000§	2,448,000	7,526,000	5,737,000	5,792,000

Source: Veterans Living by Period of Service, Age, and Sex; 2010, National Security and Veterans Affairs, Statistical Abstract of the United States, 2012, U.S. Census Bureau.

* The Coast Guard is under the Department of Homeland Security during peacetime. During times of war, command is transferred to the Navy.
 † Reserve refers to ready reserves; stand-by and retired reserves not included.
 ‡ During peacetime, state governors oversee the National Guard. The President may activate the National Guard to participate in federal missions. The Air National Guard provides tactical airlift, air refueling tankers, general purpose fighters, rescue and recovery, weather flights, strategic airlift, special operations capabilities, and medical evacuation units. The Army National Guard may be called into action during local or statewide emergencies, such as storms and civil disturbances.
 § Data based on the 2010 census. The number of WWII veterans is quickly dwindling. Most are in their 80s and the VA estimates 600–1,000 die every day, making the number of living veterans in 2012 about 1.2 million.

VA Home Loan Prequalification Worksheet

NAME:			
FAMILY SIZE:			
MORTGAGE AMOUNT:			
1. Gross Monthly Income			
(1)			\$0
2. Monthly Housing Expense (PITI)			
Interest %			
a. Payment Factor (From P&I Chart)			
b. Principal and Interest Payment		\$0.00	
c. Property Taxes			
d. Homeowners Insurance			
e. HOA Dues			
(2)		Total	\$0
3. Monthly Debts and Obligations			
a. Car(s)			
b. Revolving Charge Accounts			
c. Installment Loans			
d. Child Care Expenses		\$0	
e. Other			
(3)		Total	\$0
4. Monthly Maintenance & Utilities			
a. Total Square Footage			
b. Square Footage X 14 cents per sq. ft.		\$0	
(4)		Total	\$0
5. Monthly Taxes			
a. Federal Income Tax (from pay stubs)			
b. State Income Tax (from pay stubs)			
c. Social Security (salaried or SE'd)			
(5)		Total	\$0
6. Residual Income			
a. Amount Required (Per Residual Chart)			
b. Actual (1) minus (2), (3), (4) & (5)			\$0
7. Debt-to-Income Ratio (VA guideline 41%)			
(2) + (3) divided by (1)			#DIV/0!

VA Income Guidelines - Present and anticipated income of a VA loan applicant can be determined adequate by two considerations: residual income and the debt-to-income ratio. If a loan analysis indicates that one guideline will not be met, it may still be possible to use the other guideline to counterbalance the shortcoming.

Credit - Applicant must have a minimum of 12 months (preferably 2 years) paid-as-agreed credit. Two years of satisfactory credit following Chapter 7 bankruptcy. Satisfactory payment for 12 months following Chapter 13 bankruptcy and Trustee or Bankruptcy Judge approval of the new credit.

Employment Stability - Evidence of two years employment with current employer. If less than two years, verify prior employment plus present employment covering a total of two years. For self-employment to be considered stable, applicant must have been in business at least two years.

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			

Residual Incomes by Region For loan amounts of \$80,000 and above				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$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

To be effective, 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. (Amended 1/10)

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)

MLS Policy Statement 7.23

In filing a property with the multiple listing service of a Board of REALTORS®, the participant makes a blanket, unilateral offer of compensation to the other MLS participants and shall therefore specify on each listing filed with the service the compensation being offered by the listing broker to the other MLS participants. This is necessary because cooperating participants have the right to know what their compensation will be prior to commencing their efforts to sell. (Revised 11/02)

Realtors Property Resource®

Realtors Property Resource® (RPR®) is a member benefit, which means it is already included in the dues you pay to the National Association of REALTORS®.¹⁸ What can RPR® do for you? REALTORS® can tap into a unique decision-making tool to help military buyers make informed choices and focus the property search in a hurry.

Does this sound familiar? You are driving around to view properties when the buyer spots an interesting property and says something like “What about that house? Could I see that one?” Imagine this scenario—while you are in your car with the buyer, you use your smartphone or tablet to search the home’s address and download the RPR® Property Report, Mini Property Report, or Neighborhood Report, with a wealth of information (all public) like sales¹⁹ and financing history, square footage, number of rooms, lot size, and other facts. On-the-spot access to RPR® Property Report data means you can present facts about the property immediately and determine if the home might meet the buyer’s needs and wants. If the answer is yes, you can contact the agent or seller immediately to learn the list price and arrange a viewing. Where sales data is publicly reported, RPR® aggregates data on recent and current sales to calculate an estimated value for the property; this estimate can indicate if the home is over, or underpriced in comparison to similar properties in the neighborhood.

You can view RPR® reports online as well as in downloadable PDF format. The full-color report, with your contact information and personal or company branding, takes only a couple of minutes to generate and arrives in the buyer-client’s e-mail or on the client’s smartphone or tablet.

The Realtors Valuation Model® (RVM®)

If your MLS shares its data with RPR®, reports include values calculated by the RVM® from real-time, real-world data. If you’ve ever compared price estimates from some of the online valuation sites like Zillow® or Trulia, you know that the estimates can be quite wide—over or under real-world property values.

All REALTORS® have access to RPR® as a member benefit, but only those who participate in MLSs that share data have the benefit of the RVM®. If your MLS does not share data, value estimates are calculated by an automated valuation model using publicly available information on past sales. Find out if your MLS shares data, register, and take the RPR® application for a test drive at www.narrpr.com. You’ll also find information on continuing education credit training classes online and in classrooms, as well as free tutorials.

¹⁸ RPR® applications and reports are available to members of the National Association of REALTORS® practicing in the United States.

¹⁹ Except in nondisclosure states.

Neighborhood Report

RPR® Property and Neighborhood Reports contain all the facts about the property, the market, and comps as well as quality of life factors and school ratings.

Property Report
Walnut Creek, CA 94595

Extended Home Facts

Property Photos

Property History

Estimated Home Values

Sales and Financing Activity

Price Change History

Agent Description

Presented by Jane Smith

12-Month Change in Estimated Value

Price Change History

Agent Description

Investment Analysis Tools

RPR® Investment Analysis provides a handy online tool for analyzing a property's investment value; the online app quickly calculates all the variables to help the buyer make an informed decision. The results can be exported to an Excel® spreadsheet.

Learn more about RPR® at <http://blog.narrpr.com/training>.

Websites

Military Relocation Professional

www.MilitaryRelocationPro.org

National Association of REALTORS®

www.Realtor.org

Real Estate Buyer's Agent Council, www.Rebac.net

Real Estate Education, www.training4re.com

REALTOR® Team Store, www.Realtor.org/programs/realtor-benefits/program/marketing/realtor-team-store

Realtors Property Resource® (RPR®)

www.narrpr.com

Basic Allowance for Housing Rates,

www.military.com/benefits/military-pay/basic-allowance-for-housing

Blue Star Families, www.BlueStarFam.org

Certificate of Eligibility (COE), VA Form 26-1880,

www.ebenefits.va.gov/ebenefits-portal/ebenefits.portal

Certificate of Eligibility, VA Form 26-1880,

www.vba.va.gov/pubs/forms/vba-26-1880-ARE.pdf

Certificate of Military Service, GSA Form SF-180,

www.archives.gov/veterans/military-service-records/

CONUS COLA locations, www.defensetravel.dod.mil

Department of Defense's PCS moving portal,

www.move.mil

Exceptional Family Members Support,

www.militaryonesource.mil/efmp

Military Housing Privatization,

www.acq.osd.mil/housing

Military One Source, www.militaryonesource.mil

Military Pay Grades, www.military.com/benefits/military-pay/charts

National Personnel Records Center (NPRC),

www.archives.gov/veterans/military-service-records

National Resource Directory,

wounded warriors' housing needs, www.nrd.gov/housing/accessible_housing

Pew Research Center, Social & Demographic Trends, www.pewsocialtrends.org

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

VA County Loan Limits,

www.benefits.va.gov/homeloans/documents/docs/2013_county_loan_limits.pdf

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

Weight Estimator for household goods, www.move.mil, click on Before You Move/Weight Allowance

