



Military Relocation Professional Certification Course



A Program by the Real Estate Buyer's Agent Council

V 1.2



Introduction



Learning Goals

- Work with current and former military service members to find the housing solutions that best suit their needs
- Provide real estate services—at any stage in the service member's military career

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
- Help service members evaluate the rent-or-buy/sell decision-making

Learning Objectives

- 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
- The Military Organization
- PCS—the Military Relo
- VA Financing for Active Duty—Vets
- Completion exam—30 questions, multiple choice, 80% passing grade

MRP Certification

- Complete the Military Relocation Professional Certification Core Course
- Pass the exam
- Complete two online webinars
- Submit an application and a one-time fee of \$195



Chapter 1

The Military Market



The Military Market

- Huge market
- Stable income plus housing support
- Inflation-protected pensions
- Purchase sooner and with more buyer power with VA financing

Profile of Military Families

- Married
- Children and family responsibilities
- Two-income household
- 88,000 dual military married couples
- Reserves, Guard, Vets

Military Retirees



- 25 % of service members who leave
- 1.5 million retired military
- 20 years = 40–50% pension
- “Young” retiree, guaranteed income
- Skills transfer to a second career

Where Do Military Families Live?



- 88% of active duty are stationed in the U.S.
- The DoD. . .
 - Believes the private sector can offer secure and convenient housing
 - Provides on-base or military construction housing when the private sector cannot

Housing for Military Families



- 22% Military family housing
- 7% Military Housing Private Initiative (MHPI) rental
- 32% Renters in community
- 38% Own their homes

Factors that Influence Housing Choice

- Affordability and opportunity to build equity
- Close to or away from a military community
- Quality of residence and flexibility
- Safety, security, quality of the neighborhood
- Quality of the schools
- Time to commute
- Housing choice not available
- Length of tour

Buy or Rent?

- Real estate professionals know the local rental market
- Stay up-to-date on rental prices
- Even if you don't handle rentals
- Renters are investments in future transactions
- Help buyers make informed decisions
- Use online rent-or-buy calculators
 - [Realtor.com](https://www.realtor.com)
 - [HouseLogic.com](https://www.houselogic.com)

Sell or Rent?

- Cost-benefit of future rental?
- Confident of returning to a location
- Cycling back through the station or after retirement
- Help evaluate the property's rental potential as an investment

Basic Allowance for Housing (BAH)

- Monthly allowance
- Based on:
 - Local costs for rent, utilities, and renter's insurance
 - Rank and number of dependents
- If BAH exceeds costs, service member keeps the difference

More on BAH

- Tax free
- Individual rate protection
- Inflation protected
- Rent or buy
- Dual military married couples
- Cost of living adjusted (COLA)
- Survivor's benefits

Services for Military Buyers & Sellers

How will you:

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



Adapt Your Skills for Military Buyers

- Anticipate a fast and intense property search
- Expect an absentee spouse
- Showcase local market and transaction knowledge
- Demonstrate understanding of the PCS process and procedures

Adapt Your Skills for Military Sellers

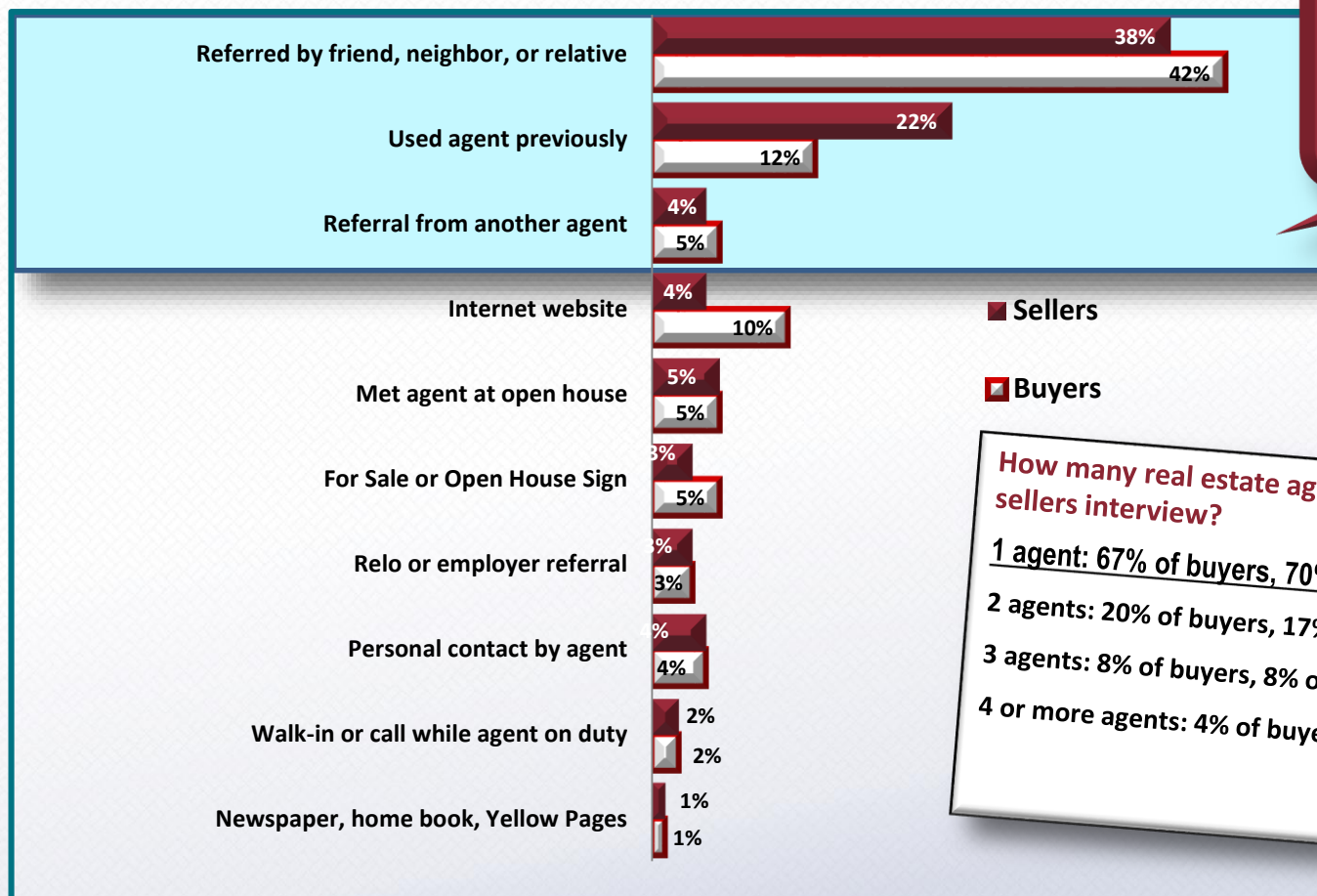
- Stay in touch
- Evaluate resale value
- Tune in to what sellers want
- Do the math—sell or rent
- Advise on preparing a home for sale
- Be a problem solver

RPR® Reports Answer 5 Big Questions

- *Is this the right neighborhood for my family?*
 - Neighborhood Report
- *Is this the right home for my family?*
 - Property Report
- *How much is our home worth?*
 - Seller's Report
- *How is the real estate market?*
 - Market Activity Report
- *Is better to sell or rent?*
 - Property Investment Analysis Tool

<http://blog.narrpr.com/product>

How Buyers and Sellers Find Their Real Estate Agent



64% of seller and 59% of buyer contacts involve people who know you.

How many real estate agents do buyers and sellers interview?

1 agent: 67% of buyers, 70% of sellers

2 agents: 20% of buyers, 17% of sellers

3 agents: 8% of buyers, 8% of sellers

4 or more agents: 4% of buyers, 5% of sellers

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

Build a Referral Base

- Build a sphere of influence
- Blog about real estate topics
- Get involved
 - Altruistic, authentic, and sincere
- Keep up-to-date
- Present real estate seminars
- Ask for referrals and testimonials

What Buyer's Reps Should Know

- *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.*

Changing Compensation?

- Buyer's representative may be compensated by the broker
- Commission split
- Cannot use an offer to change compensation offered by listing broker
- Compensation discussions should be broker to broker



Chapter 2

PCS—The Military Relo



PCS Relocation



- Most PCS moves are CONUS
- Time-on-station requirements set a minimum length of assignment
- ALWAYS—subject to the needs of the service

Getting Ready to PCS



- Starts with PCS orders
- Meet with the base Transportation office
- December–February PCS orders = summer moves
- Peak time: Memorial Day to the July 4th
- Settle in before school starts

Military Movers

- Department of Defense contracts with moving companies
- Pays for packing, loading, shipping, and unloading
- Weight allowances based on rank and dependents
- Use online weigh estimators

Personally Procured Moves (PPM)



- Do it yourself moving
- Advantages and disadvantages
- Service member gets 95% of DoD moving costs
- Service member does the work

Moving Pay and Allowances

- Dislocation Allowance (DLA)
- Monetary Allowance in Lieu of Transportation (MALT)
- Per Diem Allowance
- Temporary Lodging Expense (TLE)
- PCS Travel Advance
- Advance Pay
- Advance BAH

Family Matters



- DoD Family Readiness System
- Pressure to settle in and set up a functioning home fast
- May know PCS procedures but not the community
- Do we really understand?

Deployment



- OPTEMPO
- Service member goes where needed
- Very stressful for the spouse and family if concurrent with a PCS move
- Deployment protections for housing, income tax



Military Spouses

- Unemployment and underemployment
- Child care
- “All the guys are gone”
- *What can you do?*

Fiancé Not a Dependent



- Not a dependent—yet
- Wedding after receiving PCS orders?
- PCS move at single-without-dependents rate

Youngsters and Teens

- Telling kids about the move
- Make PCS moving a family tradition
- Finding good schools
- Activities for kids
- *What can you do?*



Adaptive Housing



- VA grants help disabled service members and veterans
- Achieve barrier-free and level of independent living
- 3 grants
 - Special Housing Adaptation
 - Specially Adapted Housing
 - Temporary Residence Adaptation

Military Buyers and Sellers

Sellers

- 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

Buyers

- Find a home that meets needs and wants
- Better value than renting, better quality than military housing
- Good resale or rental potential
- Door-to-door move

Winning & Marketing Listings

- Use your core listing skills & methods
- Focus on what matters to military sellers
- Stay in touch—next PCS in 2–3 years
- Highlight ability to refer to a real estate professional in the new location

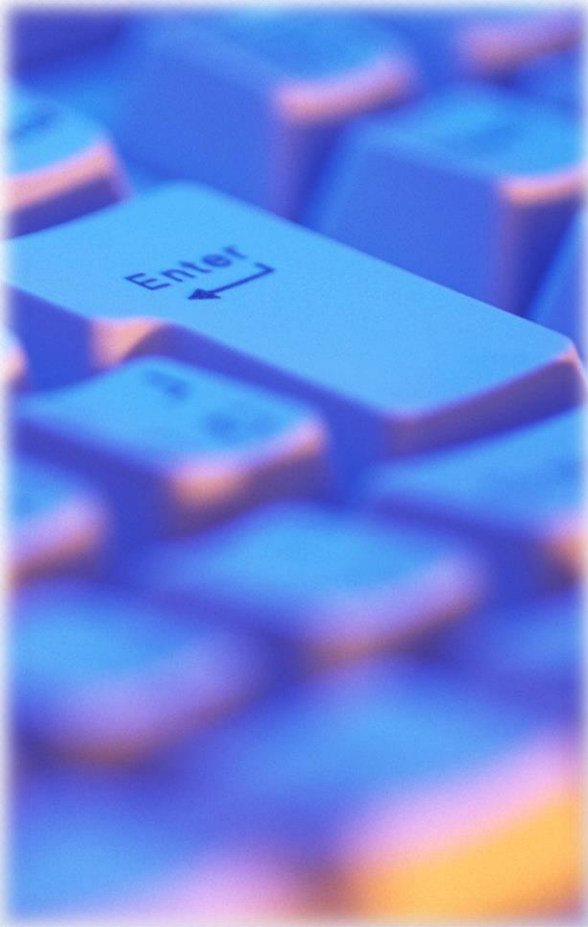
If the Home Doesn't Sell?

- Adjust the price
- Rent the home
- Family stays, service member transfers

Starting the Home Search

- Typical civilian buyer:
 - 2 weeks online search
 - 10 weeks searching, viewing homes
 - 10 homes viewed
- Military Buyers:
 - Begin the home search online
 - VERY compressed time for viewing homes

How Do Military Buyers Find You Online?



- How do buyers know you are attuned to the needs and concerns of PCS-ing military families?
- What does your web presence say?

Ask the Right Questions

- Why are you selling?
- PCS orders received?
- May I ask your rank?
- Are you a veteran?
- How long before the next PCS?
- Time frame for this PCS?
- Moving date?
- Door-to-door or temp housing?
- BAH rate?
- Location?
Commuting?
- Child care?
- Mortgage pre-approval?
- VA Financing?

Plan Ahead

- Lead time for earnest money funds
- Order a check payable to the buyer
- Endorse to escrow or a local bank for cashier's check

Who Do You Represent?

- Agency disclosure
- Timely and meaningful
- What is your state's default?
- Confidential information

Qualifying the Buyer



- Lender pre-approval
 - Establishes an objective standard for the buyer's price range
 - Increase the buyer's negotiation leverage
 - Doesn't obligate the buyer to work with the lender

Estimating Income

- Conservative estimate
- Don't include special pay
- What is the service member's basic pay when at home?
- Dual-military couples—highest ranking BAH
- Don't assume the lender knows

Get Ready to Power Shop

- Block out time
- Remember creature comforts
- Don't look for a dream home
- Jog the memory
- Avoid fixer-uppers
- Avoid REOs, short sales
- Trust first reactions
- Preview properties
- Highlight what's standard
- Inform about local requirements, point of sale regulations
- Stay flexible

Absent Spouse



- One says “as is” is okay
- The other says “no way”
- Try to involve the absent spouse
- Social media, Facebook, Skype
- Power of Attorney

Making an Offer

- May have to leave before knowing if offer accepted
- Recommend Plan A and Plan B
- Keep the transaction moving along
- No time for incremental negotiating
- No simultaneous offers

House Hunting Readiness

- Lender's pre-approval letter
- Leave and Earnings Statements and spouse's pay stubs
- Copies of statements for checking, savings, other accounts
- W-2 forms
- Checkbook
- Power of Attorney for an absent spouse
- Digital camera

Contract Language for VA Buyers

"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."

Negotiation Strategy

For Buyers

- Fast closing date
- Mortgage pre-approval
- Buying “as is” with few contingencies

For Sellers

- Adjust the price
- Pay closing costs
- Fast closing date
- Home warranty
- Mortgage assumption

Contract to Closing

- Monitor transaction progress
- Help buyers complete all steps
- Don't stand in for the buyer during the property inspection
- Schedule a conference call to go over the inspection report

Post-Transaction Support



- Connect military families with community support, services, and contacts
- “It’s okay to call me”
- Be the “go-to” real estate professional

The Last PCS

- Expiration of Term of Service (ETS)
 - Military pays to move service member back to the Home of Record, within 6 months
- Retiree
 - Military pays to move anywhere within the United States including Alaska and Hawaii, within 1 year

Does the Military Downsize?

- Not a layoff-proof career
- Retirement, involuntary separation, reductions in force, denial of re-enlistment
- Base closing and realignment (BRAC) downsizes infrastructure

Involuntary Separation

- Retention control point—move up or move out
- 20 + years, retirement with pension
- Less than 20 years, separation pay
- 180 days in military housing
- Storage, moving for HHG up to one year

Homeowner Assistance Programs



- BRAC announced
- Real estate values drop
- Congress may appropriate funds for losses on home sales

Data Security Planning



1. Take stock
2. Scale down
3. Pitch it
4. Lock it
5. Plan ahead

Download free *NAR Data Security and Privacy Toolkit*



Chapter 3

VA Financing for Active Duty–Vets



Power of VA Financing

- Purchase sooner
 - No money down
 - No mortgage insurance
- Increase buying power
 - 100% loan-to-value ratio
 - 41% debt-to-income ratio



Caution!

- VA lending is a complex process
- Help buyers:
 - Think of VA financing as an option
 - Think through the pros and cons
 - Seek out a knowledgeable lender

Pop Quiz—True or False?

1. The VA entitlement guarantees 100% percent of an eligible borrower's mortgage.
2. The VA mortgage entitlement can be used only once.
3. VA mortgages are assumable by other eligible borrowers.
4. VA mortgages can be used to refinance in order to reduce interest rates.
5. VA mortgages with less than 20 percent down payment require mortgage insurance.

Benefits

- No down payment
- 100% loan-to-value ratio
- 41% debt-to-income ratio
- No private mortgage insurance
- Limits on closing costs
- No penalty for early pay off
- Assumable by a qualified borrower
- Apply for a new loan within 2 years after a bankruptcy

Steps in the Process

1. Determine eligibility and entitlement
2. Find the right home, make an offer, sign a sales contract
3. Arrange home inspections
4. Apply for the VA home loan
5. Request a property appraisal
6. Obtain homeowner insurance
7. Pay fees and closing costs
8. Close the Sale

Eligibility

- Active duty: 90 days
- WW II: 90 days
- Post WW II: 181 days
- Korean: 90 days
- Post Korean: 181 days
- Vietnam: 90 days
- Post Vietnam: 181 days OR 2 years
- Gulf War: 2 years
- Reserves and Guard: 6 years of service OR 90 days if mobilized

Proof of Service

- Active Duty: Statement of active duty
- Guard/Reserves: Proof of participation in the National Guard or Reserves, *NGB Form 22, Separation and Record of Service*
- Veterans: *DD Form 214, Certification of Release or Discharge From Active Duty*

Lost Discharge Papers?

- NPRC stores military personnel records WW I to present
- Contact for *Certificate of Military Service*
- Substitutes for lost or destroyed discharge papers
- *GSA Form SF-180* at www.archives.gov/veterans/evetrecs

Determine Entitlement

- *Certificate of Eligibility (COE)*
- Issued by the Veterans Administration

*“This veteran’s basic entitlement is \$_____.
Total entitlement charged to previous VA Loans is \$_____.”*



Common Misperceptions

- Guaranteed qualification for a loan
- A bad credit report doesn't matter
- Pre-approval or prequalification not necessary
- One-time use

Bankruptcy or Foreclosure

- Doesn't disqualify for future loans
- 2 year bounce-back time
- Need to re-establish credit, record of on-time payment
- Borrower must meet lender standards
- “Lost” entitlement cannot be reused

Find the Right Home

- Single-family home
- Condo unit in approved building
- Multi-family up to 4 units, owner occupied
- No businesses, vacation homes, farms

Property Standards

- Safe, structurally sound, and sanitary
- Meets local standards
- Functional mechanical systems
- Reasonable future utility, durability, economic life

Other Loan Purposes

- Build a new home
- Repair, alter, or improve an existing home
- Simultaneously purchase and improve
- Install energy efficient improvements
- Buy a manufactured home and lot, improve a lot
- Refinance to acquire a lot

Applying for the Loan



- **Prior approval**
 - Lenders submit all loans to the VA for approval
- **Automatic**
 - Lender authorized to make the credit decision without VA's review and approval

What Does the VA Guarantee?

- Home loans made by a private lender
- Protects lender from loss up to the amount of the guaranty
- Borrower can avoid down payment, PMI

Maximum Entitlements

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

**Basic
entitlement**

Rule of Thumb

- Lender's informal standard
- Total of entitlement, down payment, and/or equity should be at least 25%
- Borrower can pay cash if price exceeds value

Is VA Financing Always the Best Choice?

- Good value when buyer lacks the down payment
- Enough time to build equity?
- FHA, conventional financing may be better
- Compare terms, costs

Request the Appraisal



- Lender initiates request online
- WebLGY system assigns the appraiser
- Assesses:
 - Fair market value
 - Compliance with MPRs
 - May identify needed repairs

Appraisal Too Low?

- Appraiser notifies POC if the value will be low
- POC may provide documentation but not discuss
- Not a directive to “come in a value”
- Any party to transaction may request a Reconsideration of Value

Notice of Value (NOV)

- Stays with the property for 6 months
- VA may shorten validity period during rapidly fluctuating market
- Borrower cannot pay for a duplicate service already paid by another

Repairs Needed?

- VA may allow a waiver of some repairs
 - Vet submits a note to the lender requesting a waiver
 - Property must be “safe, sound, and sanitary”
- Lowers appraised value
- Escrow 1½ of cost of repairs



Funding Fee

- Variables: service, down payment, first-time or repeat use, loan purpose
- Purchase and Construction: 1.5% – 3.3%
- Cash-Out and Refinance: 2.15% – 3.3%
- Other Loans: .50% – 1%
- Can add significant cost to loan

Origination Fee

- In addition to funding fee
- 1% origination fee (lender flat fee) OR itemized actual costs
- Lender cannot charge both origination fee and itemized costs
- Expenses borrower never pays:
 - Attorney fees as a benefit to the lender
 - Mortgage broker fee
 - Prepayment penalties
 - HUD/FHA inspection fees to builders
 - Real estate professional's commission

Never Allowed

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

Seller Concessions

- Payment of the VA funding fee
- Prepayment of the buyer's property taxes and insurance
- Gifts, such as a TV or microwave
- Extra points
- Escrowed funds for interest rate buy down
- Pay off of credit balances or judgments on behalf of borrower

4% Limit on Seller Concessions

What Buyer's Reps Should Know

- *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.*

Restoring Entitlement

- Basic restoration of entitlement
 - Property sold, loan paid in full
 - Eligible veteran assumes outstanding loan balance
- Special restoration of entitlement
 - Refinance
 - One-time restoration, loan paid in full but property not sold

Mortgage Assumption

Advantages

- Lower funding fee
- Lower closing costs
- No mortgage points
- Interest rate may be better
- Fewer years to pay on the mortgage

Disadvantages

- Buy seller's equity (not required by VA)
- Larger cash outlay
- No choice of type of mortgage
- ARM rate increases
- Substitute entitlement

No Handshake Deals

Release of Liability

- VA approves assumption
- No release? Seller remains responsible if buyer-assumer defaults

Release of Entitlement

- Buyer-assumer substitutes entitlement for seller's
- No release? Seller's entitlement locked up in the property

Compromise (Short) Sale

Qualifying Hardships

- Major medical expenses
- Decrease in income
- Death of wage earner
- PCS/involuntary relocation

Criteria

- Sold for current market value
- Reasonable closing costs
- Less costly than foreclosure
- No other liens

Borrower Assistance



- VA provides support
- Loan technicians take active role in interceding with the lender
- Work with the lender first
- Call (877) 827-3702
- Before the loan becomes delinquent

How Does a Compromise Sale Work?

- If approved, the VA pays the difference between the mortgage balance and the sale proceeds
- Up to the amount of the maximum guaranty
- Lender files a claim with the VA
- Lender agrees not to pursue the borrower for any unrecovered balance

How You Can Help

- **Compromise sale package**
 - Purchase offer with a contingency
 - Good Faith Estimate (GFE) of closing costs
 - Financial statement with documentation
 - Hardship letter
 - Compromise Sale Agreement
 - Payoff statement from the lender

Fannie Mae & Freddie Mac

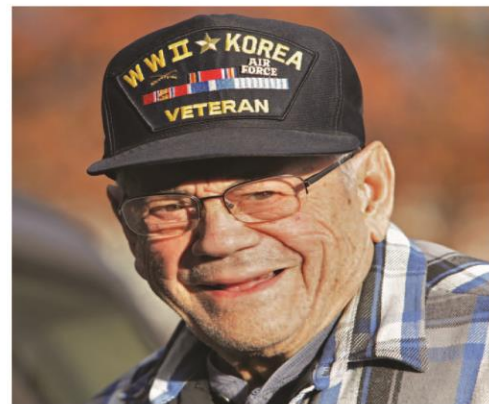
- Properties purchased before 6/30/12
- PCS short sale, service member has Fannie Mae/Freddie Mac mortgage
- Measures make short sales easier
- No deficiency judgment , cash, or promissory note

Thank You

- Thank you for attending
- Completion exam
 - 30 multiple choice questions
 - 80% passing grade (24 correct answers)



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