



## **A Primer on the Basic Allowance for Housing (BAH) for the Uniformed Services**

The purpose of this Basic Allowance for Housing (BAH) primer is to explain to members how their housing allowances are determined. We have sought to write for a broad audience and to cover the entire process. We have focused on what we believe to be the most important aspects of the program based on feedback obtained from service members and housing office professionals during our visits to installations throughout the country. We welcome comments on how this document can be more useful to both members and housing officials.

## Table of Contents

<b>Basic Allowance for Housing</b> .....	<b>1</b>
1. Purpose and Goal .....	1
2. Benefits of BAH.....	1
3. Individual Rate Protection .....	1
<b>Data Collection</b> .....	<b>2</b>
4. Types of Data Collected .....	2
5. Rental Data Sources & Validation.....	2
5.1 Utilities .....	3
5.2 Quality Assurance .....	3
<b>Local Input in the Data Collection Process</b> .....	<b>4</b>
6. Tapping Local Expertise .....	4
7. Typical Data Collection Timeline .....	4
8. Geographically Separated Activities.....	4
9. Individual Service Member Input .....	4
<b>Rate Computations</b> .....	<b>5</b>
10. Housing Profiles and Standards.....	5
11. BAH Housing Standards & Interpolation Between Anchor Points .....	6
12. Setting the Rates .....	7
13. Absorption.....	7
<b>Frequently Asked Questions</b> .....	<b>8</b>
14. Why doesn't BAH cover all my housing costs, or my mortgage payment? .....	8
15. How will the out of pocket impact service members?.....	8
16. Why is BAH based on my duty station rather than where I live?.....	8
17. Why can I get a bigger or better residence on-base/post?.....	9
18. What is the basis for the current definition of my MHA? .....	9
19. What method do you use to calculate BAH in locations that are not in an MHA?.....	9
<b>Obtaining More Information</b> .....	<b>11</b>

## Basic Allowance for Housing

### 1. Purpose and Goal

The purpose of the Basic Allowance for Housing (BAH) program is to provide fair housing allowances to service members. The goal of the program is to help members cover the costs of housing in the private sector; therefore, rental-housing costs in the private sector are the basis for the allowance. Members receive a housing allowance when government quarters are not available. DoD determines an equitable housing allowance to enable members to afford suitable rental housing near their duty location. The allowance is set based on geographic duty location, pay grade, and dependent status.

### 2. Benefits of the Basic Allowance for Housing

The Department of Defense and the Services designed the BAH program to provide accurate housing allowances based on the market price of rental housing rather than member-reported rents. The BAH program measures rental-housing costs in the civilian market rather than measuring how much members spend on housing. This method ensures a more accurate correlation between allowance payments and rental prices.

### 3. Individual Rate Protection

Individual rate protection prevents decreases in housing allowances (due to the incorporation of an out-of-pocket expense, declining rental/utility prices in the area, or a combination of the two), as long as the status of a service member remains unchanged. This ensures that members who have made long-term commitments in the form of a lease or contract are not penalized if the area's housing costs decrease. Service members are entitled to the BAH rates published 1 January or the amount of housing allowance they received on 31 December, whichever is larger. Rate protection continues unless the status of a service member changes due to:

- Permanent Change of Station (PCS)
- Reduction in paygrade
- Change in dependent status

BAH distinguishes between with-dependents and without-dependents, not the number of dependents.

After a service member arrives at a new duty station, rate protection applies. The service member will receive any published increase, but no decrease, in BAH if their status remains the same.

---

*The definition of change in status does not include promotions. If a service member is promoted, and is in a location where the current published BAH rate for the new grade is lower than the BAH amount received before, they continue to receive the higher BAH amount.*

---

## Data Collection

### 4. Type of Data Collected

In computing BAH, DoD includes local price data for:

- rental housing
- utilities (including electricity, heating fuel, water, & sewer)

We employ a contractor to collect the data annually for approximately 300 Military Housing Areas (MHAs) in the United States, including Alaska and Hawaii. DoD and the Services define these MHAs by sets of ZIP Codes. Nation-wide data collection occurs in the spring and summer when housing markets are most active. Rental costs are collected for apartments, townhouses/duplexes, and single-family rental units of varying bedroom sizes. The different types of units are referred to as “profiles” or “anchor points.” DoD uses housing profiles to link rental costs with particular paygrades. The six standard housing profiles used as anchor points for BAH are:

Profile	Grade With Dependents	Grade Without Dependents
<b>1 Bedroom Apartment</b>		E-4
<b>2 Bedroom Apartment</b>		O-1
<b>2 Bedroom Townhouse/Duplex</b>	E-5	O-1E
<b>3 Bedroom Townhouse/Duplex</b>	E-6	O-3E
<b>3 Bedroom Single Family Detached House</b>	W-3	O-6
<b>4 Bedroom Single Family Detached House</b>	O-5	

### 5. Rental Data Sources and Validation

Current, valid rental costs are crucial to accurate BAH rates. We use data from multiple sources to provide a "checks and balances" approach. This ensures reliability and accuracy. We obtain current residential vacancies from online listing services, local newspapers, and real estate rental listings on various platforms. We also contact apartment and real estate management companies to identify units for rental pricing.

We consult with real estate professionals in each MHA to confirm market rental prices and obtain additional data. Where available, we also contact fort/post/base housing referral offices and installation leadership. We tap the local housing office knowledge and gain insights into the concerns of our members.

Each property used in the BAH sample is subjected to additional screening and validation processes. Property rent information collected from any of the above sources is confirmed by an independent housing contractor using up-to-date rental information from telephone interviews with property managers and owners or actively managed property websites. This validation includes:

- Establishing the availability and location of each unit in the survey sample
- Verifying the current rental rates
- Identifying any utility inclusions in the rental rates
- Determining if discounts are available when signing a year’s lease

We do not include inadequate units in determining allowances, such as

- Mobile homes
- Efficiency apartments
- Furnished units
- Income-subsidized complexes
- Age-restricted facilities
- Seasonal units

The target goal of the BAH program is to gather enough data to attain a 95% statistical confidence that the estimated median rent is within 10% of the true median rent. This typically represents about 30-75 sample housing units per anchor point in each MHA. Of course, in remote or low-housing stock MHAs that have few available rental properties, the number of housing units collected for the sample will be correspondingly lower.

### **5.1 Utilities**

The Bureau of the Census conducts an annual American Community Survey (ACS). We use data from the ACS to determine average expenditures for utilities specific to each dwelling type in each MHA. All data is sensitive to local housing conditions, geography, and climate.

### **5.2 Quality Assurance**

We recognize the importance of accurate rates and make every effort to obtain maximum reliability. At each step in the process, we:

- Employ numerous levels of quality assurance
- Analyze statistics to spot problems
- Apply common sense tests to the data

For example, we employ a multi-tiered screening process when we select specific units to measure. We ensure units are suitable and appropriate, and that they are geographically distributed in approximately the same manner as the civilian population. We automatically exclude the BAH contractor from collecting data in high-crime areas so that BAH rates reflect the cost to live in safe neighborhoods. We also use an income screening process to identify appropriate neighborhoods. We then eliminate locations where the typical civilian income is not comparable to members' incomes. For comparison purposes, civilian salary equivalents are compared to each pay grade's Regular Military Compensation, which consists of basic pay, average BAH, Basic Allowance for Subsistence (BAS), and the tax advantage that comes with BAH and BAS being untaxed.

As another quality assurance step, DoD and the Services conduct on-site evaluations at selected locations. These reviews confirm the reliability and accuracy of the rental data. During these visits, we also evaluate the criteria used for screening neighborhoods and areas.

## Local Input in the Data Collection Process

### 6. Tapping Local Expertise

DoD and the Services value local expertise in the data collection process. We contact the local military housing office (MHO) and command leadership at each installation to provide them the opportunity to contribute to the BAH data collection effort. The expertise and knowledge of the referral office is crucial, and the information they provide is critical to the process.

Housing referral offices and installation leadership have the opportunity to:

- Provide local rental housing referrals, excluding any inadequate units
- Flag rental properties collected by the contractor that are not adequate or suitable

### 7. Typical Data Collection and Rate-setting Timeline

Task	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
MHO BAH Workshops		v	v										
1st MHO submission					v								
2nd MHO submission						v							
3rd MHO submission							v						
BAH contractor compiles data								v					
DoD begins BAH rate calculation									v				
Services begin BAH rate review									v	v			
All Services approve new BAH rates											v		
BAH rates released to public												v	
DoD begins paying new BAH rates													v

### 8. Geographically Separated Activities

In some instances, a geographically isolated command (such as a recruiting office or a Military Entrance Processing Station in a remote location) does not have a housing referral office. If located within a Military Housing Area, these remote offices may submit data on their own behalf during the data collection process. They may also collaborate with the closest MHO. However, they should request approval to do so through their chain of command to Service headquarters. Final approval is obtained from each Service's Military Compensation office. (Refer to the [Obtaining More Information](#) section for contact information.)

### 9. Individual Service Member Input

The BAH process does not require input from individual service members. Service members with questions or issues regarding BAH rates should submit questions through their chain of command to their Service Compensation Representative or submit questions to their MHA's military housing office.

## Rate Computations

### 10. Housing Profiles and Standards

The Services have agreed to housing standards that allow members to receive a BAH that correlates to what civilians who earn comparable amounts would pay for housing. That is, we use housing standards to link housing costs with a particular paygrade. Of course, members are free to choose where to live and in what type of dwelling. The standards are necessary to enable the Services to forecast BAH costs for budgeting purposes. Actual member choices, however, do not influence the *determination* of rates.

We determine standard profiles for each anchor point as shown below. For these anchor point paygrades, the local median housing cost of that profile is the local median housing cost for the particular paygrade. Local median costs for other paygrades, that are not anchor points, are determined by interpolating (or ‘filling in’) between the anchor points. The standards for E-4 personnel (both with and without dependents) are the minimum and apply to grades E-1 to E-3. To interpolate rates for non-anchor grades, we calculate the difference between anchors and add a percentage of that difference to the lower anchor rate.

For example: From the housing standards table, we can determine that an E-7 with dependents should receive an allowance for a three-bedroom townhouse, plus 36% of the difference between the next lowest profile, a 3 bedroom townhouse (TH), and the next higher, a 3-bedroom single family dwelling (SFD). To calculate the BAH for an E-7 with dependents, we first identify the rate for the neighboring anchor points: the E-6 with dependents and the W-3 with dependents. Second, we calculate the dollar difference between the two anchor points. Next, we apply the specified percentage to the lower anchor point to determine the dollar difference, which we add to the lower anchor point.

Description	Formula	Example
<b>E-6 with dependents local housing cost (3br TH):</b>	A	1000
<b>W-3 with dependents local housing cost (3br SFD):</b>	B	1200
<b>Difference:</b>	C: B – A	1200 - 1000 = 200
<b>36% of that difference:</b>	D: C x %	200 x .36 = 72
<b>E-7 with dependents interpolation:</b>	A + D	1000 + 72 = 1072

Effective 1 January 2008, the Quadrennial Review of Military Compensation recommended that the Without Dependent rate be at least 75% of the With Dependent rate. The Without Dependent rate may be higher than the floor percentage for any given pay grade and MHA, and the floor percentage increment does not imply a mandatory percentage increase in all Without Dependent rates each year.

## 11. BAH Housing Standards & Interpolation between Anchor Points

With Dependents		Calculate local cost difference between anchors. Add % of difference to anchor.	Without Dependents		Calculate local cost difference between anchors. Add % of difference to anchor. Raise to With rate floor if lower.
Grade	Housing Type	BAH Interpolation	Grade	Housing Type	BAH Interpolation
E-1	2br	Midpoint of 2br APT and 2br TH	E-1	1br APT	Same as E-4
E-2	2br		E-2	1br APT	Same as E-4
E-3	2br		E-3	1br APT	Same as E-4
E-4	2br		E-4	1br APT	Anchor
E-5	2br TH	Anchor	E-5	1br APT	67%
O-1	2br TH	11%	O-1	2br APT	Anchor
O-2	2br TH	98%	E-6	2br APT	7%
E-6	3br TH	Anchor	W-1	2br APT	31%
W-1	3br TH	1%	E-7	2br APT	53%
E-7	3br TH	36%	O-2	2br APT	83%
O-1E	3br TH	44%	O-1E	2br TH	Anchor
W-2	3br TH	52%	W-2	2br TH	19%
E-8	3br TH	75%	E-8	2br TH	20%
O-2E	3br TH	93%	O-2E	2br TH	44%
O-3	3br TH	98%	E-9	2br TH	51%
W-3	3br SFD	Anchor	W-3	2br TH	54%
E-9	3br SFD	16%	O-3	2br TH	64%
W-4	3br SFD	22%	O-3E	3br TH	Anchor
O-3E	3br SFD	26%	W-4	3br TH	9%
W-5	3br SFD	48%	O-4	3br TH	40%
O-4	3br SFD	58%	W-5	3br TH	45%
O-5	4br SFD	Anchor	O-5	3br TH	63%
O-6	4br SFD	1%	O-6	3br SFD	Anchor
O-7	4br SFD	2%	O-7	3br SFD	2%

\* APT – Apartment; TH – Townhouse/Duplex; SFD – Single Family Dwelling

## 12. Setting the Rates

After rental and utility data are collected and median housing costs are calculated, DoD and the Services:

- Review the local median housing costs for each MHA
- Evaluate MHA and profile-specific utility data
- Prescribe BAH rates based on data input and DoD housing standards policy

To calculate BAH rates, we:

- 1) Determine the total housing costs (median rent + average utilities) for each MHA for all the anchor points.
- 2) Calculate (using the Housing Standards table above) a separate BAH rate for each of twenty-seven distinct pay grades that correspond to military ranks for members with and without dependents.

## 13. Absorption

In an effort to continue balancing the growth in compensation costs, the 2015 BAH program incorporated a change in BAH rates.

Based on authority provided in the Fiscal Year 2015 and Fiscal Year 2016 National Defense Authorization Acts, a member cost-sharing element (out-of-pocket expense) of one percent was introduced into the housing allowance rates in 2015. This out-of-pocket expense will increase by one percent annually until it is capped at 5%. Thus, out-of-pocket expenses are/were 2% in 2016, 3% in 2017, 4% in 2018 and 5% in 2019, 2020, and 2021. The out-of-pocket is administered using an absorption rate, which is computed to ensure members of a similar pay grade/dependent status pay the same amount out-of-pocket regardless of their location. However, depending on members' actual housing choices, they may or may not actually have to pay out of pocket for their housing. (Refer to the [Frequently Asked Questions](#) section for more information on the implementation of these changes.)

The Department of Defense (DoD) is committed to the preservation of a compensation and benefit structure that provides members with a suitable and secure standard of living to sustain a trained, experienced, and ready force now and in the future.

## Frequently Asked Questions

### 14. Why doesn't BAH cover all my housing costs, or my mortgage payment?

One of the common misconceptions regarding BAH is that it is intended to cover all of a service member's housing costs. The original BAH law stated that the allowance could cover no more than 80% of calculated housing costs. Accordingly, the average service member had at least 20% of out-of-pocket expenses subtracted from their allowance calculation. In 2000, the Secretary of Defense committed to reducing the planned average out-of-pocket expense for the median member to zero by 2005. In 2015, the planned out-of-pocket expense was reintroduced at a rate of 1% of national average costs per grade. In 2019, it is 5%.

As previously noted, the actual out-of-pocket expense for an individual may be higher or lower than the typical, based on his/her actual choice of housing. For example, if a service member chooses a bigger or more costly residence than the median, he or she will have larger out-of-pocket expenses. The opposite is true if a service member chooses to occupy a smaller or less costly residence. Only for the member with median costs do we say that the out-of-pocket expense is the same for a given pay grade and dependent status in any location in the United States.

By design, BAH does not consider mortgage costs. Homeowners' monthly mortgage payments do not necessarily relate directly to rent, so we do not use them in the calculations. Mortgage payments are affected by:

- Expected appreciation in the value of the residence
- Amount of down payment
- Opportunity costs of interest from down payments
- Settlement costs
- Tax savings due to the deduction of interest payments

In contrast, BAH reflects current rental market conditions, not the historical circumstances surrounding existing mortgage loans.

### 15. How will the out of pocket impact service members?

The actual impact of the changes to Basic Allowance for Housing computations will vary depending on a member's housing choices. Members who rent a median-priced property will have to pay a small amount above their Basic Allowance for Housing rate. Members who choose to economize in their housing choices may have all their housing expenses covered by Basic Allowance for Housing. Some members, renting properties above the median price for the area, have already been paying some housing costs out of pocket.

### 16. Why is BAH based on my duty station rather than where I live?

BAH compensates members for typical housing costs surrounding their duty station. Once the duty station is known, the BAH is fixed, regardless of where the member chooses to live. If the location of the member's residence were used as a basis for the entitlement, members who commute from lower cost areas would have lower BAH rates, even though their commuting expenses were higher. The BAH rate is determined by the duty station so that members may live near their duty location,

but they remain free to live where they choose. Actual member choices, remember, do not influence the calculation of rates.

The opportunity for service members to choose their off-base housing is important to DoD. Each member has the freedom to decide how to allocate his or her income (including housing allowance) without a penalty for deciding to conserve some dollars on rent to pay other expenses.

One such choice that members frequently make is to “trade-off” a longer commute to work for either a larger or less expensive house in an outlying area. For example, two members assigned to a downtown duty station may make drastically different housing choices. One member may choose to use all of his or her housing allowance to rent an apartment in the city, with a commute time of only 10 minutes to the downtown duty station. The second member might prefer to rent a less expensive three-bedroom house in an outlying neighborhood and commute to that same downtown duty station from 20 or 30 miles away. Both members are free to choose the situation that best suits them.

#### **17. Why can I get a bigger or better residence on-base/post?**

Two reasons. First, government housing (especially privatized housing) often surpasses typical local community housing in quality and size. Second, family size is the basis for on-base housing assignment. That is, Services house families with more dependents in units with enough bedrooms to meet their family needs. The BAH approach is based on comparing a member’s compensation with that of civilians who earn the same. Members at higher grades receive BAH based on more bedrooms and larger dwelling types. The only distinction is with or without dependents, not the number of dependents.

#### **18. What is the basis for the current definition of my MHA?**

MHAs were originally defined using the Defense Enrollment Eligibility Reporting System (DEERS) data. DEERS data provided information on where members at each installation were living. This created a data set that naturally excluded undesirable neighborhoods, which members had already avoided. However, DoD and the Services realize that populations, neighborhoods, and housing conditions can change over time. Periodic re-examining of MHA boundaries is an important and on-going part of the BAH process. A comprehensive review of MHA boundaries was conducted in 2011-2012; boundary changes resulting from this review accounted for closed and realigned installations, and military and civilian demographic shifts.

#### **19. What method do you use to calculate BAH in locations that are not in an MHA?**

BAH is defined for every location in the United States, even though some locations may have no military population, because we must be prepared to pay BAH in case a member or dependent ever establishes eligibility in that location. Collecting rental data for all such locations is not practical. To handle these situations, we combine these areas with other MHAs of similar cost for which we have sufficient rental cost data. Pooling the data in this manner gives us sufficient data to establish statistically reliable housing costs and BAH rates.

We determine comparable housing costs using Fair Market Rents (FMRs) published annually for all counties by the Department of Housing and Urban Development (HUD). After grouping or pooling

the data, the result is a set of counties with comparable housing costs and BAH rates called a County Cost Group (CCG). There are 39 CCGs. We then calculate average housing costs by size and type of dwelling for each CCG using the BAH rates associated with MHA-based counties in each group. Although half the U.S. counties (about 1,500) are in County Cost Groups, these counties contain less than two percent of military members eligible to receive BAH.

### Obtaining More Information

For an overview of BAH, visit <https://www.defensetravel.dod.mil/site/bah.cfm>. You can look up individual rates using the BAH Calculator and review additional Frequently Asked Questions regarding the program.

To review the BAH section of the Joint Travel Regulations, read Chapter 10 at <http://www.defensetravel.dod.mil/site/travelreg.cfm>

To review the BAH Law, refer to Title 37 USC § 403 at <http://uscode.house.gov>

For issues regarding your BAH, contact your Service Compensation Representative ***THROUGH YOUR CHAIN OF COMMAND***:

Service	Office	COM Phone	DSN
<b>Air Force</b>	AF/A1PA, Military Compensation Policy	240-612-4354	612-4354
<b>Army</b>	DCS, Army G-1, Compensation & Entitlements	703-692-6819 or -5946	222-6819 or -5946
<b>Coast Guard</b>	U.S. Coast Guard (CG-1332)	202-475-5398	N/A
<b>Marine Corps</b>	Manpower Plans and Policy Division, Military Policy Section	703-784-9386	278-9388
<b>Navy</b>	Pay & Policy	703-604-5477	664-4990

