Basic Allowance for Housing

Basic Allowance for Housing (BAH)

BAH DATA COLLECTION AND RATE-SETTING PROCESS OVERVIEW

This BAH primer explains how the Department of War (DoW) determines housing allowances for Uniformed service members stationed in the U.S. The topics outlined in this primer are the most important aspects of the program based on feedback from service members and military housing offices during visits to installations throughout the country.

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BASIC ALLOWANCE FOR HOUSING

PURPOSE AND GOAL

The Basic Allowance for Housing (BAH) is a fundamental component of the military compensation package that pays approximately $30 billion in tax-free housing allowances each year to approximately one million Service members nationwide. When government quarters are unavailable, BAH rates serve as a form of compensation to help members find adequate rental housing near their duty location. The BAH program is designed to compensate members for the local median rental costs and the average cost of utilities for civilians with comparable incomes to each military pay grade. As such, private sector civilian rental housing costs are the basis for computing BAH rates. Distinct BAH rates are set for each permanent duty location, and service members' BAH payments are based on their geographic location, pay grade, and dependency status (i.e., whether or not a member has at least one dependent).

DESIGN OF THE BASIC ALLOWANCE FOR HOUSING PROGRAM

Congress, DoW, and the Services designed the BAH program to track the market price of rental housing and utility costs across the U.S., and set housing allowances to offset a large proportion of those costs.[1] The BAH program measures the cost of available, adequate rental housing in the local civilian market each year rather than measuring the housing consumption patterns of Service members. This method ensures BAH rates reflect and react to annual trends in rental markets, rather than to changes in Service member preferences or other non-housing related factors.[2]

BAH rates are also based exclusively on rental markets, not home purchase markets. While members are free to use BAH for mortgage payments, BAH is not intended to track or reflect home purchase markets as they are distinct markets that fluctuate on a variety of additional factors such as individual credit history and interest rate changes. While rental and home purchase markets are correlated, it is not a 1:1 relationship; the two markets may fluctuate at different times, and at different rates, over a given period.

[1] See FAQ, "Does BAH Cover 100% of Housing Costs for every Service member?" for more information about what proportion of housing costs BAH is intended to cover.

[2] Basing BAH only on member-reported rents could lead to a downward spiral in allowances, as members trying to economize by renting housing at prices below the given allowance drive down the allowance for all members. The BAH program avoids this by tracking actual market rents and limiting use of member-reported rents. This method allows service members the freedom to rent below or above the allowance without negatively influencing the accuracy of the allowance itself.

INDIVIDUAL RATE PROTECTION

Housing costs can fluctuate significantly and unpredictably from year-to-year for any given housing market based on demographic, economic, and housing construction trends. BAH rates are designed to reflect those changes (both price spikes and valleys) to capture an accurate picture of true market conditions; as such, BAH rates may fluctuate up or down from one year to the next.[3]

To protect against the effects of any decrease, DoW administers a BAH rate protection policy. Individual rate protection allows members to receive any newly published BAH increase, and prevents a member from receiving a lower BAH rate than the previous year, as long as the BAH eligibility 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 when area 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 dependency status[4]

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

TYPES OF DATA COLLECTED

The BAH computation includes local price data for:

- Median rent of adequate units
- Average utility costs (including electricity, heating fuel, water, & sewer).

[3] Like many commercial and government housing market estimation programs, the BAH program applies a regression-based smoothing model to limit any undue cost estimate volatility caused by potential sampling error. The model is designed to apply greater statistical weight to higher quality data to ensure that any large BAH changes are driven by real-world market fluctuations rather than statistical aberrations.

[4] DoW pays higher BAH rates for members with dependents to cover the increased housing costs associated with family households. As such, a change in dependency status requires a new BAH rate and rate-protection no longer applies.

Annually, DoW collects nationwide rental housing cost data for approximately 300 military housing areas (MHAs) across the United States, including Alaska and Hawaii, to ensure BAH reflects local market condition changes. Data collection in MHAs (which represent housing market surrounding major military installations or metropolitan areas and that typically house more than 100 active BAH recipients) occurs during peak PCS season in the spring and summer when housing markets are most active.

BAH HOUSING STANDARD EXPECTATIONS/CIVILIAN HOUSING EXPENDITURE EQUIVALENTS

DoW collects rental costs for different types of rental units (i.e., apartments, townhouses/duplexes, and single-family homes of varying bedroom sizes) called "housing profiles." The Department links the rental housing costs collected for each housing profile with each military paygrade, based on the average housing expenditures of local civilians with incomes comparable to each grade.

In other words, each paygrade receives a BAH rate based on the average amount that local civilians with the same income pay for housing and the type of home those civilians typically rent. [5,6] DoW determines income equivalency based on Regular Military Compensation (RMC), which produces comparisons to higher income bracket civilians (i.e., resulting in higher BAH standards and rates) than a civilian equivalency comparison using basic pay would.

The six standard BAH "anchor points" (the direct linkages between housing profile and pay grade), from which BAH rates are calculated, are listed in the table below.[7] Referencing the chart, Service members with no dependents at grade E-4 receive a BAH rate based on the cost of a 1-bedroom

[5] This civilian cost equivalency is required in law by 37 U.S. Code, Section 403 (b): https://uscode.house.gov/view.xhtml?req=granuleid:USC-1999-title37-section403&num=0&edition=1999

[6] It is also important to note that BAH statute requires BAH to be determined based on the costs of "adequate" housing for local civilians (rather than simply average costs). This means that while BAH housing profiles are based on civilian equivalencies, the housing cost data collected for each of those profiles (which is used to determine final BAH rates) undergoes extensive quality control processes to ensure each housing unit meets adequacy standards across factors like local crime rate, housing size, housing type availability to service members, etc. Because of these high BAH adequacy standards (discussed in more detail throughout this primer), recent studies have found that average BAH rates significantly exceed average civilian housing expenditures (included for reference below).

Congressional Budget Office Report, "How the Military's Basic Allowance for Housing Compares With Civilian Housing Costs." (2024): https://www.cbo.gov/publication/59570

14th Quadrennial Review of Military Compensation, Volume 1 (2025): https://militarypay.defense.gov/Portals/3/Documents/QRMC_14_Vol1_final_web.pdf

apartment. This is because single civilians with incomes comparable to the RMC of single E-4s typically live in 1-bedroom apartments. Likewise, an O-5 with dependents receives a BAH rate based on the cost of a 4-bedroom single family home, since civilians with dependents and incomes similar to the RMC of a O-5 typically live in 4-bedroom single family homes.

BAH Anchor Point Chart:

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

A detailed breakdown of the linked housing profiles for all pay grades is provided in the "Housing Profiles and Standards" section of this primer.

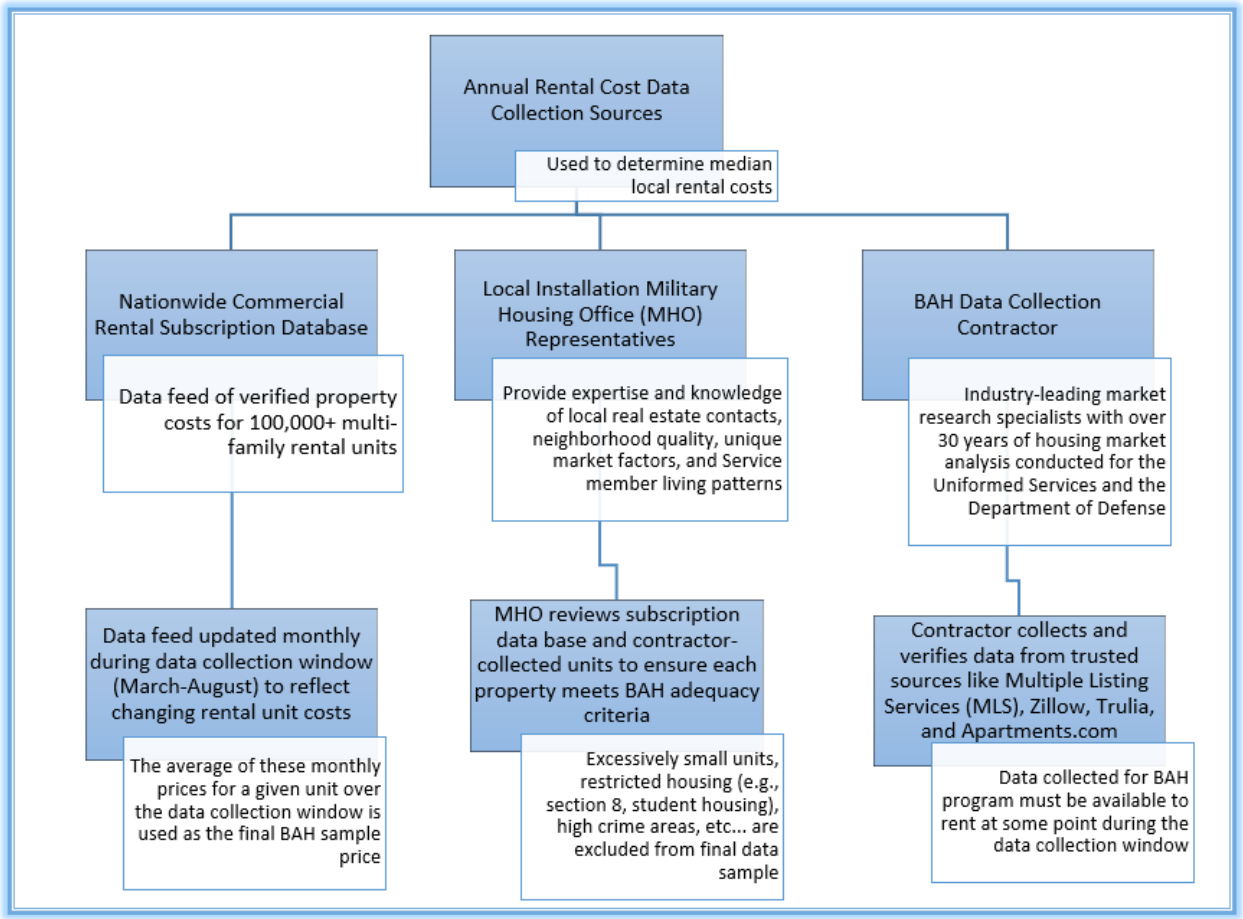
RENTAL DATA SOURCES AND VALIDATION – CHECKS AND BALANCES APPROACH

Current rental costs are essential to set accurate BAH rates. DoW uses data from a wide variety of sources to provide a "checks and balances" approach to collecting the BAH data sample. This includes verified, available residential vacancy listings from sources like online multiple listing services (MLS), subscription-based commercial rental housing datasets, widely used web-based listing platforms (e.g., Zillow, Trulia, etc.), and local real estate property management companies.

Where available, DoW works with military housing office (MHO) staff who provide housing and off-base referral services to incoming service members to source local rental listings, verify their adequacy, and gain insights into the local concerns of our members.

The graphic below maps out the sources from which BAH data is collected.

Rental Cost Data Source Map:



Each property collected and used in the annual BAH sample undergoes additional screening and validation processes. Rental property data submitted from the above sources is confirmed by an independent contractor.[8] The contractor validates the data by:

- Establishing the availability and location of each unit in the survey sample
- Verifying the current rental rates
- Identifying utilities included in the rental rates
- Determining price differences for different lease terms (BAH uses a standard 12-month lease price for its data collection when available)

To ensure BAH rates do not include the (typically lower) cost of housing unavailable to, or inadequate for service members, DoW does not collect prices for the following types of housing units:

[8] The Department currently employs Robert D. Niehaus, Inc. (RDN) as the BAH data collection contractor. RDN has decades of experience analyzing housing markets and performing economic research studies for the Uniformed Services and other Federal and State agencies. RDN does not determine BAH policy. Any BAH policy inquiries should be directed via your appropriate Service chain of command.

- Mobile homes
- Efficiency apartments
- Furnished units
- Subsidized or low-income housing
- Age-restricted facilities
- Seasonal or short-term rental units
- Housing in high-crime neighborhoods

DoW aims to gather enough data to attain a 95% statistical confidence that the estimated median rent is within 10% of the true median rent in the local market (an industry-standard confidence level and margin of error for housing cost analyses). This target typically translates to collecting sample sizes of between 30 and 75 rental listings per housing profile in each MHA. There are six data samples per MHA, one for each BAH anchor point, which reflect the local price trends of different market segments/housing profiles.

While the target margin of error is the same across the country (10%), the target sample size fluctuates based on the degree of variation in housing prices in each market. For example, if the range in rental prices for 1-bedroom apartments in housing market A is small (e.g., only a $100 gap between the 25th percentile and 75th percentile price), a relatively small sample size is needed to achieve the target margin of error. In contrast, if the range in rental prices for 1-bedroom apartments in housing market B is large (e.g., a $1,000 difference between the 25th percentile and 75th price), DoW must collect more data in market B (compared to market A) to achieve the same margin of error and produce an accurate housing estimate.[9] Regardless of sample size, most BAH samples meet the 10% target statistical confidence level. [10]

In some areas of the country (remote or vacation rental-heavy MHAs), there are not enough local residential properties available to collect a statistically valid sample using rental listing data alone (e.g., if a housing market only has 11 single family homes listed for rent during a given year, DoW can collect all 11 prices but will still not have enough for a statistically valid sample). In these cases, DoW uses several methods to supplement data samples to determine accurate BAH rates. One such method is the rent estimate process, which involves surveying local property managers of occupied housing in markets with limited availability to determine the market value of their rental properties

[9] The DoW BAH contractor continuously monitors price variances within samples for each housing area throughout the annual data collection and adjusts target sample sizes as needed.

[10] 84% of BAH anchor points met or exceeded this target in the 2026 BAH data sample. For areas of the country where there is such a limited supply of adequate rental housing available that the target sample size cannot be met, DoW has a wide variety of quality assurance processes in place to ensure BAH rates are still set at fair levels. See the "Cost Estimate Quality Assurance" section for more details.

if they were currently available for rent. In some cases, DoW will also work with the local MHO to survey military members about their rental housing costs to validate that DoW's cost estimates are in line with service members' actual expenses.

Another method involves using cost trends for housing profiles with larger samples to estimate the cost for housing profiles with smaller samples in the same MHA. For instance, if an MHA has few 2-bedroom townhouses, but plenty of 2-bedroom apartments and 3-bedroom townhomes, DoW can use the cost data for 2-bedroom apartments and 3-bedroom townhouses (and the differences between each housing profile) to develop reliable estimates for 2-bedroom townhomes.

These enhanced processes, along with BAH's data smoothing model discussed in the "Cost Estimate Quality Assurance" section of this primer, ensures data is collected in a consistent manner across the entire United States, while allowing for flexibility in responding to the unique challenges of remote or otherwise challenging markets.

UTILITIES

BAH utility cost estimates are not collected directly by the DoW (like BAH rental costs), but rather derived from an existing reliable source of nationwide utility cost data—The U.S. Census Bureau's American Community Survey (ACS), which is an annual survey that samples one-percent of U.S. households each year. Specifically, BAH estimates are developed using the latest available Integrated Public Use Microdata Series (IPUMS)[11] for the ACS.[12]

The BAH contractor (RDN) matches ACS data to BAH MHAs by Public Use Microdata Areas (PUMA). PUMAs comprise non-overlapping areas by state of about 100,000 people. For each MHA, RDN weights the observations for each PUMA by the PUMA's share of the total population inside the MHA boundary. The utility estimates are thus specific to each local MHA.[13]

The ACS collects detailed information on the costs of electricity, gas, water, and fuel (oil, coal, kerosene, and/or wood) that a representative sample of households pays over the course of a year. These annual values are converted to average monthly values so that they may be used to calculate total monthly housing costs.

There is a time lag between data years in the latest five-year ACS sample and the current data collection year. To account for this and ensure BAH utility estimates are based on current costs, RDN escalates the nominal ACS-based utility estimates to the current year based on the "Fuels &

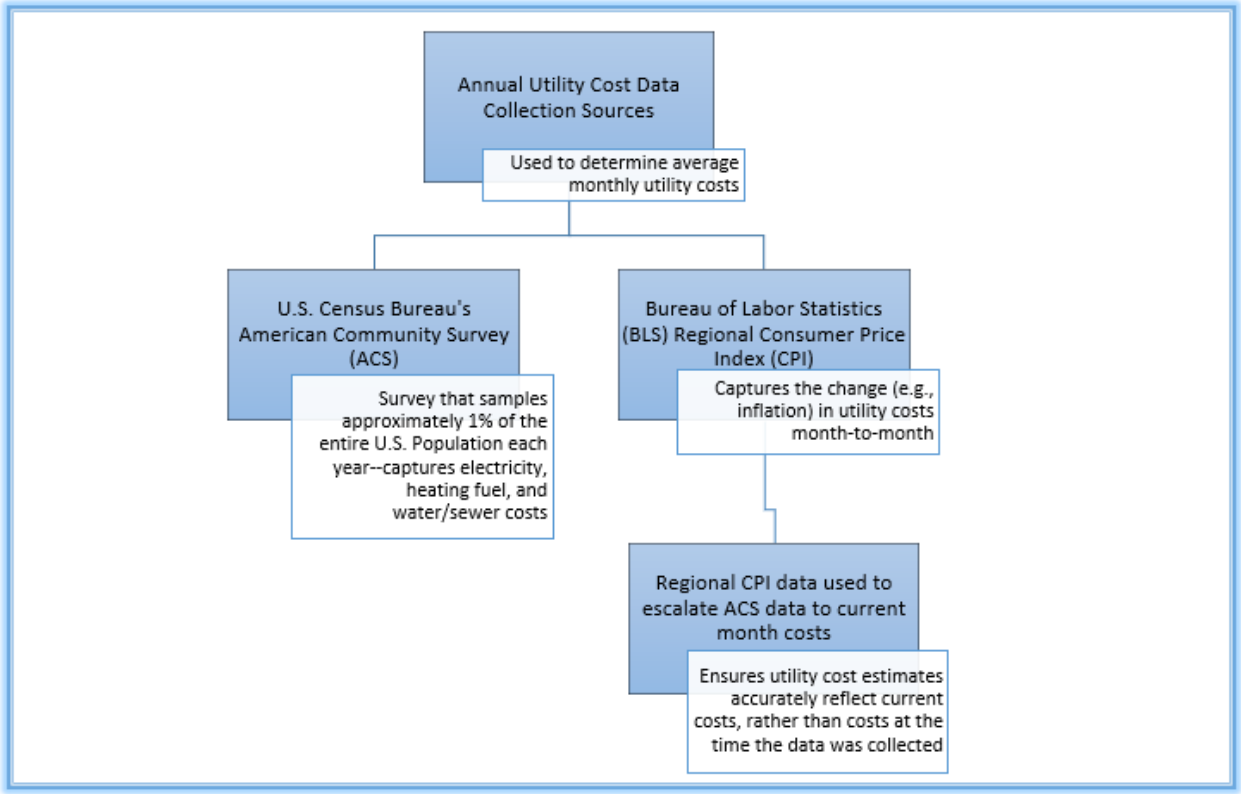
[11] IPUMS USA, University of Minnesota, www.ipums.org.

[12] For more information about the ACS, please visit: https://www.census.gov/programs-surveys/acs/about.html

[13] For more information about PUMAs, including maps, please visit: https://www.census.gov/programs-surveys/geography/ guidance/geo-areas/pumas.html.

Utilities" component of the Consumer Price Index (CPI) published by the U.S. Bureau of Labor Statistics (BLS) for the U.S. Census Region containing the MHA.

Utility Cost Data Source Map:



DATA COLLECTION QUALITY ASSURANCE

The Department optimizes efforts to obtain maximum reliability at each step of the BAH data collection process to ensure accurate cost estimates. DoW uses a multi-tiered screening process, outlined in the steps below, when selecting specific units for the BAH sample.

STEP 1: ENSURE EACH UNIT MEETS BAH ADEQUACY AND SUITABILITY STANDARDS

- Each unit must meet building code safety standards, be in good repair, etc.) and meet all adequacy criteria outlined in the Rental Data Sources and Validation section above
    - Local military installation housing officials have full visibility on all BAH data and can review and flag units that do not meet the program's adequacy standards.

STEP 2: EXCLUDE DATA COLLECTION IN HIGH-CRIME AREAS

- BAH data reflects the cost to live in safe neighborhoods
    - The BAH program automatically excludes any census tract with over 2X the national average crime rate from data collection.

- Crime exclusions are based on the ESRI Crime Indexes dataset, which are primarily derived from the Federal Bureau of Investigation (FBI) Uniform Crime Reports (UCR).
  - Crime indexes are further weighted by minimal federal sentencing guidelines to ensure more serious crimes have a greater impact on crime risk assessment[14]

STEP 3: TARGET DATA COLLECTION TO REFLECT SERVICE MEMBER RESIDENCY PATTERNS

- The Department targets rental data collection in the ZIP codes within an MHA where most service members live; these ZIP codes are collectively called the "effective market area" (EMA).
  - To construct the EMA boundaries, the BAH program sorts the ZIP codes in each MHA by their distance from the weighted center of the MHAs' duty station(s) and then sequentially adds each of the next closest ZIP codes until the combined area contains the residency ZIP codes for at least 80% of service members who live off base).
    - This method (starting with the duty station) ensures that data is collected within a reasonable commuting distance of the installation where members most members choose to live.
    - Installation housing officers, relying on their local expertise, can collect rental data outside the effective market area when needed to supplement the contractor-led data collection inside the EMA.
    - The BAH data collection contractor is restricted from collecting data outside of the effective market area to ensure BAH data is targeted to cover both: 1) the areas where most members live, and 2) the suitable areas closest to military duty stations.

STEP 4: USE AN INCOME SCREENING PROCESS TO EXCLUDE AREAS WHERE TYPICAL CIVILIAN INCOMES ARE NOT COMPARABLE TO SERVICE MEMBERS' INCOMES

- The BAH program compares civilian salary equivalents to each pay grade's Regular Military Compensation, which consists of basic pay, average BAH, Basic Allowance for Subsistence (BAS), and the tax advantage derived from BAH and BAS being untaxed.
  - For example, a census tract filled with primarily subsidized housing would typically be excluded from BAH data collection because the average household income would fall well below the income ranges for military pay grades.

As another quality assurance step, DoW and the Services conduct on-site evaluations for a rotating group of approximately 25 MHAs each year. These reviews confirm the reliability and accuracy of

[14] For example, a violent felony-level offense (e.g. assault) raises an area's crime index much more than a misdemeanor-level crime (e.g. shoplifting).

the rental data collected for BAH. During these visits, the Department also validates the criteria used for screening neighborhoods and areas.

TAPPING LOCAL EXPERTISE

DoW and the Services value local expertise in the data collection process, and contact local military housing offices (MHOs) and command leadership at each installation to provide them the opportunity to contribute to the BAH data collection effort.

Housing referral offices and installation leadership have the opportunity to:

- Provide local rental housing referrals
- Review and, if necessary, flag any rental properties collected by the contractor deemed unsuitable for inclusion.

Most MHAs have both primary and secondary MHOs (often representing the two largest military installations in the local area, each with resources dedicated to the BAH data review process) dedicated and trained to assist with the BAH data collection process. However, 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 an MHA (typically, housing markets with a minimum of 100 active BAH recipients assigned to the local area), these remote offices likely do not have the resources to fully participate in the BAH data collection process and thus do not typically serve as an MHO for the MHA.

If a remote office is located outside an MHA, BAH rates are determined through a process that links US counties that have similar rental costs according to data published by the Department of Housing and Urban Development. This method uses BAH data collected within MHAs to set BAH rates for remote counties with similar housing costs located outside of MHAs. Just like BAH rates for MHAs, BAH rates for these locations, called County Cost Groups (CCGs), are adjusted annually to keep pace with recent rental housing market trends. See the FAQ, "What Method Does DoW Use to Calculate BAH in Locations that are not in an MHA?" for further discussion of this rate determination process.

Any questions from geographically separated activities regarding BAH data collection should be routed through a Service member's chain of command (local finance office > installation commander > BAH Regional Service Representative) to Service headquarters. Final approval for any MHO requests is obtained from each Service's Military Compensation office. Refer to the Obtaining More Information section for contact information.

INDIVIDUAL SERVICE MEMBER INPUT

The BAH process does not require data input from individual service members like the overseas housing allowance (OHA) and overseas cost of living allowance (OCONUS COLA). Service members with questions or issues regarding BAH rates should submit questions to their MHO or through their Service chain of command. Housing offices are the best resources for BAH questions as they can

provide information quickly and efficiently, as well as escalate questions to the appropriate Service representatives.

COST ESTIMATE QUALITY ASSURANCE

STATISTICAL SAMPLE DESCRIPTION

Any statistical sample (whether estimating television viewership for a football game, political polling numbers, or housing costs, etc.) has an associated margin of error. A sample statistic, by definition, is an estimate of the population parameter being studied, and the goal of a statistical sample is to limit the margin of error (i.e., ensure the statistic is as close as possible to the true population parameter) by achieving a pre-determined level of statistical confidence.

For BAH housing cost estimation, the sample statistic is the median cost of adequate, long-term rental units for sampled units, and the population parameter is the true median rent of all adequate rental housing. BAH rates are determined based on the annual collection of approximately 1,800 distinct statistical samples of rental housing costs nationwide. For the 2026 BAH rates, the Department collected samples in 6 different BAH housing types for 299 BAH MHAs in which BAH rates are set. A common industry standard for statistical accuracy is having 95% confidence that the sample statistic is within 10% of the true population parameter. This is also the standard used for the BAH data collection program.

To reduce the effect of potential sampling error on final BAH rates (i.e., ensure that sample estimate changes from year to year are driven by real market changes rather than statistical aberrations), the Department applies data smoothing quality assurance processes to all BAH samples.

BAH HYBRID DATA SMOOTHING MODEL

The BAH smoothing model takes a hybrid approach by combining elements of both statistical regression analysis and algorithmic data smoothing. In the first step, a regression model is applied to the raw (un-smoothed) housing cost estimates, which outputs adjusted estimates for the current year that leverage historical trends within each MHA over the last five years to minimize unsubstantiated variances over time or across housing profiles.[15] In other words, the model is designed to output adjustments that better reflect the underlying housing cost changes driven by real-world market forces, not statistical noise.

[15] It is important to note that previous year price data is not used in the current year sample; new price data samples are collected every year. The 5-year sample data in the regression model mentioned here is used to identify baselines (e.g., typical sample sizes and price trends) so that deviations from that baseline can be adjusted when necessary (i.e., when raw data sample size or quality is relatively low)

The adjusted cost estimates output by the regression model are fed into an iterative smoothing algorithm designed to address any remaining data anomalies and ensure the final outputs conform to BAH program requirements. This includes ensuring that cost estimates for each anchor point within an MHA conform to the ordering implied by the BAH Interpolation Table. For example, the adjusted median total housing cost for a 3-bedroom single-family home must be greater than the adjusted median total housing cost for a 3-bedroom townhome/duplex in the same MHA.[16]

ALTERNATE HOUSING COST ESTIMATE COMPARISONS

Once the regression model and algorithm discussed above are complete, the Department compares these BAH estimates to housing cost estimates from a variety of commercial and government sources to further validate their accuracy. These include proprietary commercial real estate databases, as well as publicly available cost estimates derived from the American Community Survey (ACS) and the Department of Housing and Urban Development's (HUD) 50th percentile rent estimates.

If the housing cost ratios between BAH estimates and these independent data sources diverge significantly for a given MHA, the cost estimates for that MHA undergo further review by DoW economists. These independent cost estimates thus can thus serve as "floor rates" (beneath which BAH estimates do not drop) for the rare occasions in which a) alternate cost estimates exceed BAH estimates and b) BAH sample quality is relatively low.

RATE COMPUTATIONS

While most of the document above focuses on the housing cost estimation aspect of BAH, it is important to keep in mind that BAH is fundamentally a form of military compensation. This means that once BAH cost estimates have passed the quality assurance processes described above, they must be transformed into rates of pay; this section describes that transformation process.

HOUSING PROFILES AND STANDARDS – BAH INTERPOLATION TABLE

Per U.S. Code Title 37 § 403, BAH rates must be based on the housing costs of "civilians with comparable income levels [to Service members] in the same area." As such, DoW uses housing standards that correlate to the types of housing typically rented by civilian households with incomes equivalent to Service members' regular military compensation (RMC) in different pay grades.

DoW determines standard profiles for each "anchor point" (which represents the linkage between a housing profile and a given pay grade) as shown in the interpolation table below. For these anchor

[16] The algorithm addresses such data issues by producing estimates for a given housing type using the data collected for all other housing types in the local area. This process is described in the last few paragraphs of the "rental data sources and validation – checks and balances approach" section.

point pay grades, the local median housing cost of that profile is equal to the local median housing cost for the particular pay grade. Local median costs for all other pay grades (those that are not anchor points) are determined by interpolating between the anchor points (i.e., a statistical 'filling-in' of data between points along a trend line). To interpolate rates for non-anchor pay grades, the Department calculates the difference between anchors and adds a percentage of that difference to the lower anchor's rate.

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

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

BAH HOUSING STANDARDS AND INTERPOLATION BETWEEN ANCHOR POINTS

With Dependents		Determine cost difference between anchors. Add % of difference to anchor	Without Dependents		Determine cost difference between anchors. Add % of difference to anchor
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%

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

The E-4 anchor points (both with and without dependents) represent the minimum housing standard, and also apply to pay grades E-1 to E-3. As shown in the chart, all BAH rates for Service members with dependents are based, at a minimum, on housing costs for multi-bedroom units. The minimum standard for single service members means BAH rates are based, at a minimum, on costs of 1-bedroom units (members are not expected to have roommates or live in excessively small units like studio apartments).

75TH PERCENTILE WITHOUT DEPENDENT FLOOR RATE

Once the interpolation table above has been applied to transform housing cost estimates into pay grade-specific dollar amounts, the BAH program then raises any 'without dependent' rate that initially falls below 75% of the 'with dependent' rate for a given MHA/pay grade to equal 75% of the 'with dependent' rate.[17]

ABSORPTION RATE/SERVICE MEMBER COST-SHARING COMPONENT

Since the inception of the BAH program in the late 1990s, there have been periods where the nominal housing cost estimates have been reduced due to DoW budget constraints or at the direction of Congress, resulting in amounts that Service members are expected to pay out of pocket for housing on top of their BAH. The size of this 'cost-sharing component' has varied significantly over time. Initially, members were expected to pay 20% of housing costs out of pocket (i.e., from basic pay or other incomes sources). Over time, this percentage was phased out to 0% by the mid 2000s.

To balance the growth in compensation costs across all BAH stakeholders and based on authority provided in the Fiscal Year (FY) 2015 and FY2016 National Defense Authorization Acts, a one percent member cost-sharing element was reintroduced into the BAH rates in 2015. This cost-sharing element increased by one percent annually (i.e., 2% in 2016, 3% in 2017, 4% in 2018) until it was capped at 5% in 2019, where it remains today.

The cost-sharing element is administered by using an 'absorption rate', which is computed to ensure members in the same pay grade/dependency status are expected to pay the same average amount out-of-pocket regardless of their duty 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 and to the "Supplemental Documents" lookup tool on the BAH website for the specific monthly absorption rate dollar values[18]).

[17] 'Without dependent' rates are never lowered to meet the 75% threshold. If the 'without dependent' rate is more than 75% of the 'with dependent' rate, the 'without dependent' rate remains at the higher rate.

[18] Select "National BAH Out-of-Pocket Amounts" from the "Supplemental Documents" lookup tool page. This tool can also be used to download breakdowns of utility vs. rental components of BAH for each MHA, as well as non-locality BAH rates (e.g., BAH-RC/T, BAH-Diff, and BAH-Partial). The "All BAH Rates" lookup tool can be used to download text files for all BAH MHA boundaries and BAH rates.

ANNUAL BAH RATE DETERMINATION TIMELINE

Task	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
MHO BAH Training Sessions	→	→	→	→									
Data Collection (MHO and Contractor)		→	→	→	→	→	→	→					
DoW Housing Costs Quality Review								→	→	→			
Services Housing Costs Review									→	→			
DoW BAH Rate Calculation										→	→		
Services Coordinate on Final BAH Rates											→	→	
DoW Approves Final BAH Rates											→	→	
BAH Rates Released												→	
New BAH Rates Effective													→

FREQUENTLY ASKED QUESTIONS

DOES BAH COVER ALL 100% OF HOUSING COSTS FOR EVERY SERVICE MEMBER?

A common misconception is that BAH is intended to cover all of a service member's housing costs. In addition to the 5% member cost sharing expectation discussed in the Absorption Rate/Service Member Cost-Sharing Component section, individual housing preferences and choices also play a role in how much of a member's housing costs BAH may cover.

For example, if a Service member chooses a bigger or more costly residence than the median cost of local housing for civilians with similar incomes, the member should expect to incur larger out-of-pocket expenses than the 5% cost- sharing amount. The opposite is true as well, if a service member chooses to economize by renting a smaller or less costly residence, a member can pocket any remaining BAH not used for housing costs. Please see the Does BAH cover a Service member's mortgage payments? Section for more detail on how homeownership may affect out of pocket expenses.

DOES BAH COVER A SERVICE MEMBER'S MORTGAGE PAYMENTS?

While a member may choose to use BAH to purchase a home or make mortgage payments, the BAH program does not consider mortgage or homeownership costs in BAH determination. BAH is designed to offset the costs of housing that is available to most of these members when they PCS to a new duty station – rental housing.

There is also a practical concern with using homeowner costs. Homeowners' monthly mortgage payments do not necessarily relate directly to rental housing cost changes, as mortgage payments are affected by non-housing cost related factors such as:

- 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 individual financial circumstances of any given Service member. Members are free to use BAH in any way they see fit, but out-of-pocket expenses may be greater for Service members who purchase homes.

WHY IS BAH BASED ON DUTY STATION RATHER THAN WHERE SERVICE MEMBERS 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.

The opportunity for service members to choose their off-base housing is important to DoW. Each member has the freedom to decide how to allocate his or her income (including the 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 3-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.

DO BAH RATES COMPENSATE FOR THE SAME SIZE AND/OR QUALITY HOME A SERVICE MEMBER COULD QUALIFY FOR ON BASE?

In some housing markets, government housing (especially privatized housing) can exceed typical local community housing in quality, size, or both. In other cases, the average housing quality off-base may exceed on-base housing standards significantly. Because BAH is designed to compensate service members living off base in the local market economy, BAH reflects that off-base market, not the particular amenities available in on-post housing.

A second contributing factor is that family size is the basis for on-base housing assignment. That is, the Services house families with more dependents in units with more bedrooms. The BAH approach is based on comparing a member's compensation with that of civilians who earn the same. Members in higher pay grades receive BAH based on more bedrooms and larger dwelling types. The only distinction is with or without dependents, not the number of dependents.

WHAT IS THE BASIS FOR DEFINING MHA BOUNDARIES?

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 and captured implicit housing preferences along factors such as school district, proximity to entertainment areas, and commuting distance.

Because populations, neighborhoods, construction trends, crime rates, and housing conditions can change over time, DoW continues to account for these factors by targeting annual data collection within MHA boundaries to current service member residency patterns. The Department collects data where members are actually living within each MHA. As such, MHA boundaries are considered only as outer limits for where housing data can be collected for a given market. Just because a zip code is included within an MHA boundary does not mean data is collected in that zip code.

WHAT METHOD DOES DOW 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 only small numbers of active service members (e.g., Reserve Officer Training Corps detachments, recruiters, small field stations), DoW still estimates local housing costs and determines BAH rates for these locations (and for every zip code in the U.S.). Direct, DoW-led collection of rental data for all such locations is not practical or efficient from a resource and manpower perspective. So, to determine annual BAH rate adjustments in these situations, the Department groups all U.S. counties by housing cost, from lowest cost to highest cost, using Fair Market Rent data published annually by the Department of Housing and Urban Development.

After pooling the data using a machine learning algorithm to ensure appropriate grouping, the result is a set of counties with comparable housing costs called a County Cost Group (CCG). There are 39 distinct CCGs, which allows for granular specificity in housing cost groupings (i.e., counties are only grouped with counties with extremely similar average housing costs).

CCGs include counties both within and outside of MHAs; therefore, CCGs serve as a direct data crosswalk linking housing costs in areas where the DoW directly collects data (inside MHAs) to areas where the DoW does not directly collect data (outside MHAs). BAH rates are calculated for each CCG using the BAH data collected in MHAs linked to each CCG. This allows CCG BAH rates to fluctuate in tune with housing market trends affecting similar housing markets across the country. Although half the U.S. counties (about 1,500) receive CCG BAH rates, these counties contain less than 2 percent of military members eligible to receive BAH.[19]

HOW ARE BAH METHODS/POLICIES REVIEWED?

A staff of economists at the Office of the Undersecretary of Defense for Personnel and Readiness (P&R) study, evaluate, and update BAH methodologies and policies each year to ensure the BAH program continues to keep pace with recent technological improvements, academic research, and evidence-based best practices in the fields of housing cost estimation and compensation policy. Policy changes are made in coordination with each of the Uniformed Service headquarters' compensation chiefs and with approval from P&R leadership (and from congress, if the proposed policy requires a statutory language change).

BAH methods are also frequently evaluated by audit agencies like the General Accountability Office (GAO), reviewed by Congressional Armed Services Committees, and studied by independent consultants to help the Department develop cutting-edge housing market estimation solutions.[20]

Service members with questions about BAH policy should direct all questions through their chain of command to their Service compensation headquarters representative (contact information available below).

[19] It is important to emphasize that HUD data is only used as an initial step to group similar cost areas, not to determine final CCG BAH rates. BAH's adequacy standards tend to result in CCG rates that are significantly higher than HUD median cost estimates. In other words, members in CCGs are not disadvantaged when compared to their peers in MHAs (BAH adequacy standards apply to both methods, whether directly or by proxy).

[20] See Congressional Budget Office (CBO) report on BAH (https://www.cbo.gov/publication/59570) and 14th QRMC Report (https://militarypay.defense.gov/Portals/3/Documents/QRMC_14_Vol1_final_web.pdf) for the most recent BAH evaluations.

OBTAINING MORE INFORMATION

BAH INFORMATION LINKS

- For an overview of BAH, visit: https://www.travel.DoW.mil/Allowances/Basic-Allowance-for-Housing/
- Individual BAH rates are located using the BAH Calculator at: https://www.travel.DoW.mil/Allowances/Basic-Allowance-for-Housing/BAH-Rate-Lookup/
- Additional BAH Frequently Asked Questions are located at: https://www.travel.DoW.mil/Support/Frequently-Asked-Questions/#BAHFAQs
- To review the BAH regulations, refer to the DoW Financial Management Regulation, Volume 7A, Chapter 26 at: https://comptroller.defense.gov/Portals/45/documents/fmr/Volume_07a.pdf
- To review the BAH Statute, refer to Title 37 USC § 403 at: http://uscode.house.gov

BAH SERVICE REPRESENTATIVE CONTACT INFORMATION

For issues regarding your BAH, contact your Service Compensation Representative ***THROUGH YOUR CHAIN OF COMMAND (local finance office < installation commander < regional BAH Service Representative < Headquarters BAH Service Compensation Representative).***

Service	Office	COM Phone	DSN	Email
Air Force	**AF/A1PA, Military Compensation Policy**	**240-612-4354**	**612-4354**	**af.a1pa.workflow@us.af.mil**
Army	**DCS, G-1, Compensation and Entitlements**	**703-692-5256**	**222-5256**	**usarmy.pentagon.hqda-dcs-g-1.mbx.dape-prc@army.mil**
Coast Guard	**U.S. Coast Guard (CG-1M12)**	**202-475-5398**	**N/A**	**compensation@uscg.mil**
Marine Corps	**Manpower Plans and Policy Division, Military Policy Section**	**703-784-9386**	**278-9388**	**mpo@usmc.mil**
Navy	**Pay and Policy**	**703-604-5477**	**664-4990**	**nxag_n130c@navy.mil**