ISLAND LIVING
OAHU
Keller Williams Honolulu RB-21303

A GUIDE FOR SERVICE MEMBERS AND VETERANS ON OAHU

BAH and Buying on Oahu

What your housing allowance actually reaches here, and why taking over someone else's loan often beats starting a new one.

Funding fees, entitlement rules and assumption timelines are per the U.S. Department of Veterans Affairs. Nothing here is lending or tax advice.

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Three things about BAH that change the math

Most of what matters is not the number itself.

It is not taxed. Basic Allowance for Housing is a non taxable allowance. That matters more than people realise when comparing it to civilian income: a dollar of BAH goes further than a dollar of salary, because the salary gets taxed first and the BAH does not.

Lenders count it as qualifying income. When you apply for a VA loan, your BAH is treated as income you can borrow against. It is stable, documented on your LES, and it does not disappear next month. For a lot of service members it is the single largest piece of what qualifies them.

It is set by location and rank, not by what you actually pay. Your rate is driven by your duty station and your pay grade and whether you have dependents. It does not go up because you chose a more expensive house, and it does not go down because you found a cheaper one. Which means the gap between your allowance and your housing cost is yours either way, in both directions.

That last point is the whole opportunity. If your housing cost is below your allowance, the difference stays with you. If you are renting, that difference is simply smaller rent. If you own, the payment is buying you equity instead of buying your landlord's.

What it is not

BAH is not a housing voucher, and nobody checks what you spend it on. It is also not permanent in the sense people assume. It follows your duty station, so it changes when you PCS, and it ends when you separate. Chapter five covers what that means for a house you own here.

Getting your actual rate

One lookup, about thirty seconds, and it is the same data your lender will use.

Rates are recalculated every year and take effect on January 1, so the number worth having is the live one rather than anything printed in a PDF. The Department of Defense publishes it free, and this is the source lenders pull from.

Look up your rate at the official DoD tool:

travel.dod.mil, under Allowances, Basic Allowance for Housing, BAH Rate Lookup.

You will need three things: your duty station ZIP code, the year, and your pay grade.

A few notes on using it

- Use your **duty station** ZIP, not the ZIP of the house you are looking at. The allowance follows where you work, not where you live.
- Run it twice, with and without dependents, if your situation is about to change. The two numbers are meaningfully different.
- The tool also publishes a component breakdown showing the rent and utilities split for each area. Useful when you are working out what is left over.
- Rates for the coming year are usually published in mid December. If you are buying in the fourth quarter, it is worth checking whether a new rate lands before you close.

What the number does not tell you

Your allowance is built from rental market data, not purchase data. So it tells you what renting a typical home for your pay grade costs in your area. It does not tell you what a mortgage on a specific house will cost, because that depends on the price, the rate, the taxes and the insurance. Those four things are the conversation to have before you shop.

Source: U.S. Department of Defense, Defense Travel Management Office, BAH Rate Lookup. Rates are set annually by DoD and change every January 1.

What BAH does to a VA loan application

Zero down is the headline. It is not the most valuable part.

A VA loan requires no down payment and carries no monthly mortgage insurance. On a conventional loan, putting less than twenty percent down usually means paying mortgage insurance every month until you reach that threshold. A VA loan skips it entirely, which is a real monthly saving for as long as you own the home.

There is a VA funding fee instead, paid once. It can usually be rolled into the loan rather than paid at closing, and it is waived entirely for veterans receiving compensation for a service connected disability.

How your allowance enters the picture

Underwriters treat BAH as qualifying income. Because it is not taxed, some lenders gross it up when calculating your ratios, which can increase what you qualify for. Ask your lender directly whether they do, because it varies and it changes the answer.

What to bring to that first conversation

- Your most recent LES, which documents the allowance.
- Your Certificate of Eligibility, or your lender can pull it.
- Your orders if you have them, plus your best estimate of when you need to be in. An estimate is enough to plan from.
- An honest number for what you want the monthly payment to be, not what you could technically qualify for. Those are rarely the same.

Qualifying for a payment and wanting a payment are different questions. A lender tells you the ceiling. Only you know what you actually want to spend, and on an island where a PCS can arrive with short notice, leaving room matters more than it does most places.

Why taking over a loan often wins here

This is the part most buyers on Oahu do not know is available to them.

A VA loan can be assumed by a financially qualified buyer, and the interest rate goes with it. If a seller is carrying a loan written when rates were low, assuming that loan rather than originating a new one can change your monthly payment by more than any amount of negotiating on price will.

The fee difference is real too

The funding fee on an assumption is **0.5 percent**. On a new VA loan it runs **2.15 to 3.3 percent** depending on your circumstances. On a $750,000 loan that is roughly $3,750 against something in the region of $16,000 to $24,750, paid once either way.

Worth saying plainly: the monthly difference is usually the bigger number. A loan at three percent and a new loan at current rates on the same balance can sit more than a thousand dollars a month apart on an Oahu sized mortgage. Run it with your lender on real numbers before you decide, because rates move and the gap moves with them.

The cost is time

Assumptions commonly take three to six months. That is the single most missed fact about them, and it is the one that decides whether this route works for you. If you are arriving on orders, work backwards from your best estimate of when you need to be in, and revisit it as the date firms up. Most people know the month long before they know the day.

You do not have to be a veteran to assume a VA loan. Any financially qualified buyer can. But whether you have VA entitlement matters enormously to the person selling, which is chapter five.

Funding fee and timeline figures per the VA and the Loan Assumption Guide at islandlivingoahu.com/guide-loan-assumption. Confirm current fees and your own eligibility with your lender.

If you already own here

Two situations, and both of them hinge on entitlement.

Selling, and someone wants to assume your loan

If you let someone without VA entitlement assume your VA loan, whether a non veteran or a veteran with none remaining, **your entitlement stays tied to that loan until it is paid off in full.** Not until you move out. Not until they refinance. Until the loan is gone.

In practice that means you cannot use your VA benefit to buy your next home while that loan is still outstanding. For someone PCSing and planning to buy at the next duty station, that is the whole ballgame.

A VA buyer who substitutes their own entitlement restores yours in full. Same sale, same rate handed over, completely different outcome for you. It is worth knowing which kind of offer you are looking at before you accept one.

PCSing, and deciding whether to keep it

Your allowance follows you to the new duty station. The mortgage here does not follow anything. So the question is whether the house covers itself once you are gone, and that is an arithmetic question with a specific answer, not a feeling.

- What does it actually rent for right now, not what you hope.
- Who manages it, what they charge, and who handles a two in the morning call.
- What the vacancy gap between tenants costs you.
- If you later sell it while living out of state, Hawaii holds back 7.25 percent of what you realize at closing unless a form is filed in advance. There is a separate guide on that.

NEXT STEP

Start with your window, not your budget

How much runway you have decides more than the budget does. An assumption takes three to six months and a conventional purchase takes far less, so which one is even available to you depends on your timing. You do not need an exact date for that conversation. The month is enough, and most people know the month long before the orders firm up.

I will tell you what I do not know and who to ask instead. That is most of the value.

Book twenty minutes at islandlivingoahu.com/strategy

Or reply to the email this guide came in and tell me roughly when you need to be in. No cost, and I will not call you unless you ask me to.

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Economics degree, master's in Digital Marketing, and more than ten years working with homeowners in Hawaii and New York. I analyze the last seventy two months of local sales data before I price anything.

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