

The Impact of the Housing Crisis on Home-Ownning Marines

Captain AM Durning

Major EE Cobham, CG 6

19 February 2009

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 19 FEB 2009		2. REPORT TYPE		3. DATES COVERED 00-00-2009 to 00-00-2009	
4. TITLE AND SUBTITLE The Impact of the Housing Crisis on Home-Ownning Marines				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) United States Marine Corps,Command and Staff College, Marine Corps University,2076 South Street, Marine Corps Combat Development Command,Quantico,VA,22134-5068				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 14	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Over 1.5 million houses were listed as a new foreclosure last year.¹ For the first time in sixteen years, unemployment has eclipsed a national average of 6.5 percent with 400,000 jobs lost in November 2008 alone.²³ American auto makers face near certain bankruptcy as sales slump by 21% from a year ago.⁴ In just one year, consumer food prices have risen by 6.1%.⁵ The stock market at large has hit an eleven year low with the Standard & Poor's 500 losing over 50% of its value.⁶ Not since the great depression has the United States economy seen more perilous times. If current trends continue, the economy will worsen before it improves. "We're in the deep portion of the economic trough," stated Richard Yamarone, chief economist of Argus Research.⁷

The infrastructure of our economy is weakening; its pillars are showing signs of decay. According to the Center for Reliable Lending, 2,164,000 new homes are expected to foreclose through late 2009 with 40.6 million homes suffering property value

¹ David Cook, "HUD Chief Sees 'Improvement' for Housing Crisis in '09," *The Christian Science Monitor*, September 16, 2008, sec E.

² Marisol Bello, "States' Jobless Funds Squeezed, Many Weighing Higher Taxes on Employers," *USA Today*, November 21, 2008, sec A.

³ Barbara Hagenbaugh & Sue Kirchhoff, "Economic Sectors Slump Around Nation," *USA Today*, December 4, 2008, sec B.

⁴ G. Chambers Williams III, "Saturn Could Survive Beyond GM," *USA Today*, December 4, 2008, sec B.

⁵ Ylan Q. Mui and Annys Shin, "The Frugal Gourmets, Value Is the Watchword as Shoppers Search for Supermarket Bargains," *The Washington Post*, November 21, 2008, sec D.

⁶ Matt Krantz, "Stocks Shatter Bear Lows," *USA Today*, November 21, 2008, sec B.

⁷ Neil Irwin and David Cho, "Stocks Slump As Signs Point To Harder Times," *The Washington Post*, November 20, 2008, sec A.

declines because of their proximity to foreclosed homes. The total decrease in home values is expected to surpass \$352 billion.⁸ This crisis is systemic across the spectrum of American society, including home-owning military families.

Department of Defense (DoD) directive 4165.63 requires DoD personnel eligible for housing allowance "to rely on the private sector as the primary source for housing accompanied and unaccompanied."⁹ Because of this mandate, many Marines privately own homes. As such, Marines, like their civilian counterparts, face a real threat of financial ruin which could have second and third order effects on career progression. The Marine Corps and the DoD at large, must acknowledge this emerging threat. More specifically, when requiring home-owning Marines to move, Headquarters Marine Corps (HQMC) and Marine Corps Manpower Management Division must weigh the negative impact of the housing crisis on Marines' career progression opportunities, its potential to compound wartime strains on Marine families, and its potential to erode mission readiness.

⁸ Center for Responsible Lending, September 2008, <http://www.responsiblelending.org/issues/mortgage/research/updated-projections-of-subprime-foreclosures-in-the-united-states-and-their-impact-on-home-values-and-communities.html>.

⁹ Department of Defense, "Department of Defense Directive 4165.63," DoD Housing, (Washington DC: 2008), 1-4.

Career Path Woes

According to MCO 1300.64A, "The Marine Corps has not established an expected or preferred career pattern for officers."¹⁰ However, it is widely understood that to be competitive for promotion beyond Major, Marine officers must not only be Military Occupational Specialty (MOS) credible, but must also be diverse across the war fighting functions of the Marine Corps, or in essence, be perceived as a marine air ground task force (MAGTF) officer. In other words, Marine officers must be experts within their own field, and be able to lead in all other Marine Corps occupational fields. This experience is most commonly attained by taking staff positions which, more often than not, require military moves.

Like Marine officers, career enlisted Marines must not only be experts within their occupational specialty but must also reach certain benchmarks in order to be competitive for promotion. According to the enlisted counseling portion of the Marine Manpower and Reserve Affairs web page, in order for enlisted Marines to be "more competitive" and "add muscle" to their record, they must consider the following special duties:

¹⁰ Department of the Navy, Headquarters United States Marine Corps, *MCO 1300.64A, Command Screening Program*, (Quantico, Va.: 2004), 1-6.

recruiter, drill instructor, Marine security guard, security forces, or Marine combat instructor.¹¹

In order for officers and enlisted Marines to be competitive for career advancement, they must be flexible enough to seek opportunity wherever it is available. For military families being flexible is synonymous with being transient. Unfortunately, the housing crisis places Marines in a dilemma: either seek-career enhancing opportunities and face potential financial ruin, or jeopardize career advancement by taking any available local job to prevent a move.

While the Marine Corps completely funds the military move of personnel from freight moving expenses and overnight lodging to fuel compensation and moving allowances, the current orders process does not weigh the financial impact of uprooting home-owning personnel and moving them to a new duty station based on the "needs of the Marine Corps." Even if the majority of home-owning Marines are not facing foreclosure, homes purchased during the peak of the housing boom are now worth 19% less than when they were bought, based on national averages.¹²

Marine families seeking a new duty station for career enhancing opportunities, who purchased a home during the housing

¹¹ USMC Manpower and Reserve Affairs, "Performance Outside MOS," *Enlisted Moves to Enhance Career*, http://www.manpower.usmc.mil/portal/page?_pageid=278,1937721&_dad=portal&_schema=PORTAL.

¹² Dennis Cauchon, "Why home values may take decades to recover" *USA Today*, December 12, 2008, front page.

boom, face a financial challenge. With the total decrease in home values expected to surpass \$352 billion, many home-owning Marines moving to new duty stations will take a financial loss if they try to sell.¹³ Similarly, if they try to rent their home, the rent will not likely cover the cost of the mortgage as foreclosed homes have saturated the market with cheap available housing. Moreover, base housing has only a 33% capacity for military families DoD wide.¹⁴ Therefore, base housing is not necessarily an option as most military bases have a waiting list. If government housing is available at their new duty station, Marine families forfeit their housing allowance in order to take up residence on base. Consequently, Marines will be forced to absorb the financial burden of paying for the lost value of their previous home from their base pay. For example, home-owning Marines moving from the Camp Pendleton area to the Camp Lejeune area could face devastating shortfalls due to the enormous housing allowance deficit between the two coasts.

If the Marine Corps is to be a good steward of its most valuable assets, its Marines, then HQMC must first be responsive to the emerging threat the housing crisis poses. The Manpower

¹³ Center for Responsible Lending, *New Foreclosure and Spillover Projections*, <http://www.responsiblelending.org/issues/mortgage/research/updated-projections-of-subprime-foreclosures-in-the-united-states-and-their-impact-on-home-values-and-communities.html>.

¹⁴ Lisa Marinelli, "Military Housing at a Glance," *The San Diego Union-Tribune*, July 25, 2004, http://www.signonsandiego.com/uniontrib/20080725/news_1hs25milside.html.

Management Division must then weigh the needs of the Marine Corps against the financial burden Marines in today's economy face. Lastly, the Marine Corps must recognize that this crisis will undoubtedly force some Marines to pursue a less desirable career path in order to avert financial ruin. If HQMC is to empower the Marine Corps with the very best and most qualified leaders for the future, then HQMC must re-examine how it qualifies "the best," lest its future leaders be those who are financially fortunate rather than tried and tested men and women of unlimited potential burdened by uncontrollable economic circumstances.

An Emerging Retention Dynamic

The financial burdens Marines face due to the housing crisis only compound the stress they currently endure in this protracted Global War on Terror. The current deployment tempo serves as one example. The ideal deployment tempo for the average Marine is known as "1-to-2," deployment for seven months with fourteen months of dwell time back in the States.¹⁵ For some MOS's, the deployment tempo is closer to "1-to-1," seven months deployed with seven months of dwell time. Unfortunately, "dwell time" does not mean family time. Marines must immediately begin

¹⁵ Kimberly Johnson, "OP Tempo Hurts Aircraft Training, Maintenance," *Marine Corps Times*, March 4, 2008, sec. The Corps.

retraining for the next deployment with three to four of those "dwell" months spent in the field conducting pre-deployment training. Chuck Hagel, Republican Senator of Nebraska, warns, "We are grinding down our force structure to the point where we have no force structure."¹⁶ General Conway, Commandant of the Marine Corps, echoes Senator Hagel's concern stating "The young families, Marines (and) Sailors may say it's more than they are willing to bear."¹⁷

Surprisingly, Marines with dependents have a much higher retention rate than single Marines, according to the Center of Naval Analysis (CNA).¹⁸ However, the CNA's research on Marine Corps retention rates during the War on Terror was conducted in 2005, the height of the housing boom, and does not include the impact of the housing crisis and the current economic recession. This financial crisis presents a new dynamic to the Marine retention paradigm.

A study conducted by the National Military Family Association (NMFA) found that "seven in 10 military families believe that having a family member in the military, particularly on active duty, places an extra financial burden on

¹⁶ Dave Moniz, Matt Kelley, and Steven Komarow, "War's Strain Wearing on Army Troops, Tools," *USA Today*, November 25, 2005,

¹⁷ Jim Garamone, "Ops Tempo May Require Larger Marine Corps, Commandant Says," *American Forces Press Service*, November 22, 2006.

¹⁸ Aline Quester, and others, "Marine Corps Deployment Tempo and Retention in FY05", CNA (Alexandria, Va.: 2006), 20.

the entire family."¹⁹ Moreover, a study by PBS found the following: military families seeking emergency assistance doubled in 2007; active-duty personnel are three times more likely than civilians to take out a "pay-day loan"; one in five military families applies for food stamps; approximately 16,000 active duty personnel file for bankruptcy each year.²⁰

While the Marine Corps currently enjoys a relatively high retention and recruitment rate, clearly an already stressed Corps is threatened by the financial strain the housing crisis places on individual Marines.²¹ Home-owning Marines deciding to stay in the Marine Corps will be under enormous financial pressure as they seek to advance their career and balance their budget. Marine families must be vigilant to recognize the warning signs of financial stress lest these families be torn apart by its effects.

A mission readiness reducer

Critical to mission success is the degree of a Marine's mission readiness, or the extent to which a unit and or individual Marine is trained, equipped, and ready to deploy.

¹⁹ JPMorganChase online. "Chase Unveils Military-Tailored Support in Advance of Veteran's Day," (2007): <http://www.investor.shareholder.com/jpmorganchase/press/releasedetail.cfm?releaseid=274846>

²⁰ PBS online. "Financial Pressures on Military Families," <http://www.pbs.org/now/shows/337/military-families.html>.

²¹ US Military online. "Recruiting and Retention Statistics," American Forces Press Service, <http://www.usmilitary.about.com/od/joiningthemilitary/a/recruitgoals.htm>.

For Marines with families, family readiness is synonymous with mission readiness. There are, however, a myriad of personal issues that reduce a Marine's readiness, regardless of rank. Divorce, bankruptcy, domestic violence, suicide, and substance abuse are all side effects of stress and divert a Marine's focus away from the mission, prevent pre-deployment training, and ultimately reduce mission readiness. For example "financial worries have been cited as the leading cause of chronic stress, causing 25% of Americans to miss approximately 16 days a year of work."²² Notwithstanding the enormous wartime strains of prolonged and frequent family separation, pre- and post-deployment anxiety, and PTSD, the financial stressors home-owning Marines face serve only to exacerbate the complexity of issues that reduce mission readiness.

The loss of a Marine to suicide is an obvious mission readiness reducer in terms of manpower. However, divorce, domestic violence, and substance abuse can yield the same result. For example "financial difficulties and the stress that accompanies them, are the leading cause of divorce . . . divorce is the number one reason for filing bankruptcy."²³ Marines tied up in divorce court proceedings and criminal court, in the case

²² Alex Fender, "Financial Stress and the Effects on Your Health," http://www.EzineArticles.com/?expert=alex_Fender

²³ Joe Larson, "Financial Stress Is the Number One Cause of Divorce," http://www.EzineArticles.com/?expert=Joe_Larson.

of domestic violence and substance abuse, result in lost man hours and unit mission focus.

The reality of the housing crisis is that Marines who typically did not fit the at-risk demographic for suicide will. Eighty percent of divorces can be directly linked to financial stress as a contributing factor.²⁴ Traditionally, suicide rates spike during times of economic uncertainty and are "highest among the divorced or separated."²⁵ The housing crisis has and is destroying families and heightening stressors nationwide; Marines are not exempt.

Marine leaders need to understand this emerging threat and its impact on their home-owning Marines. Divorce, suicide, and financial stress are human experiences that do not exist in isolation. They are linked. While at war, HQMC can do little to ease the deployment tempo. The housing crisis and economic recession must run its course. However, the Marine Corps can influence the impact of the housing crisis on its Marines by including the Marines in the orders process and exhausting all efforts to reduce financial stress on home-owning Marines by limiting unnecessary moves. This will save Marines and the

²⁴ Jennifer Baxt, "How Financial Stress Threatens a Marriage," http://www.EzineArticles.com/?expert=Dr._Jennifer_Baxt,_DMFT

²⁵ American Association of Suicidology online. "AAS Suicide Fact Sheet," *Suicide in the United States*, <http://www.suicidology.org/displaycommon.cfm?an+1&subarticlenbr=185>

Marine Corps money, increase mission readiness, and improve the quality of life of Marine Families.

Conclusion

Traditionally, mission success has been the sole priority of the Marine Corps. Therefore, Marines are selected for orders based on the needs of the Marine Corps, not the unfortunate paralysis of the economy or private economic endeavors of Marines. However, the uncertain national economy and the precipitous housing crisis are a new dynamic that could limit career opportunities, compound wartime strains and erode mission readiness. As such, compassion, creative leadership and a vested interest in the quality of life that Marines and their families enjoy is central to keeping the Marine Corps vibrant, strong, and focused on mission success.

1917 words

Bibliography

- Alex Fender, "Financial Stress and the Effects on Your Health."
http://www.EzineArticles.com/?expert=alex_Fender
- Aline Quester, and others. "Marine Corps Deployment Tempo and Retention in FY05." CNA. Alexandria, Va.: 2006.
- American Association of Suicidology online. "AAS Suicide Fact Sheet." *Suicide in the United States*.
<http://www.suicidology.org/displaycommon.cfm?an+1&subarticlenbr=185>.
- Barbara Hagenbaugh & Sue Kirchhoff. "Economic Sectors Slump Around Nation." *USA Today*, December 4, 2008, sec B.
- Center for Responsible Lending. September 2008.
<http://www.responsiblelending.org/issues/mortgage/research/updated-projections-of-subprime-foreclosures-in-the-united-states-and-their-impact-on-home-values-and-communities.html>.
- David Cook. "HUD Chief Sees 'Improvement' for Housing Crisis in '09." *The Christian Science Monitor*, September 16, 2008, sec E.
- Dave Moniz, Matt Kelley, and Steven Komarow. "War's Strain Wearing on Army Troops, Tools." *USA Today*, November 25, 2005.
- Department of Defense. "Department of Defense Directive 4165.63." *DoD Housing*. Washington DC, 2008.
- Dennis Cauchon. "Why home values may take decades to recover." *USA Today*, December 12, 2008, front page.
- G. Chambers Williams III. "Saturn Could Survive Beyond GM." *USA Today*, December 4, 2008, sec B.
- Jennifer Baxt, "How Financial Stress Threatens a Marriage."
http://www.EzineArticles.com/?expert=Dr._Jennifer_Baxt,_DMFT.

Jim Garamone "Ops Tempo May Require Larger Marine Corps, Commandant Says." *American Forces Press Service*, November 22, 2006.

Joe Larson, "Financial Stress Is the Number One Cause of Divorce." http://www.EzineArticles.com/?expert=Joe_Larson.

JPMorganChase online. "Chase Unveils Military-Tailored Support in Advance of Veteran's Day." (2007).
<http://www.investor.shareholder.com/jpmorganchase/press/releasedetail.cfm?releaseid=274846>.

Kimberly Johnson. "OP Tempo Hurts Aircraft Training, Maintenance," *Marine Corps Times*, March 4, 2008, sec. The Corps.

Lisa Marinelli. "Military Housing at a Glance." *The San Diego Union-Tribune*, July 25, 2004,
http://www.signonsandiego.com/uniontrib/20080725/news_1hs25milside.html.

Marisol Bello. "States' Jobless Funds Squeezed, Many Weighing Higher Taxes on Employers." *USA Today*, November 21, 2008, sec A.

Matt Krantz. "Stocks Shatter Bear Lows." *USA Today*, November 21, 2008, sec B.

Neil Irwin and David Cho. "Stocks Slump As Signs Point To Harder Times." *The Washington Post*, November 20, 2008, sec A.

PBS online. "Financial Pressures on Military Families."
<http://www.pbs.org/now/shows/337/military-families.html>.

US Military online. "Recruiting and Retention Statistics." *American Forces Press Service*.
<http://www.usmilitary.about.com/od/joiningthemilitary/a/recruitgoals.htm>.

Ylan Q. Mui and Annys Shin. "The Frugal Gourmets, Value Is the Watchword as Shoppers Search for Supermarket Bargains." *The Washington Post*, November 21, 2008, sec D.