



Special Attention of:

NOTICE PDR-2011-02

Regional Directors, Field Office Directors,
Economists, Public & Indian Housing
Division Directors, Multifamily Hub Directors,
Multifamily Program Center Directors

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Cross References:

Subject: Transmittal of Fiscal Year 2011 Income Limits
for the Public Housing and Section 8 Programs

This notice transmits revisions in the income limits used to define the terms "very low-income" and "low-income" in accordance with Section 3(b)(2) of the United States Housing Act of 1937, as amended. These income limits are listed by dollar amount and family size.

Beginning with FY 2010 Income Limits published on May 14, 2010, HUD eliminated its long standing "hold harmless" policy¹ but limited all annual decreases to 5 percent and will limit all annual increases to 5 percent or twice the change in the national median family income, whichever is greater. HUD has maintained these limits to increases and decreases in income limits for FY 2011.

HUD Section 8 Income Limits begin with the production of Median Family Income (MFI) estimates. HUD uses the Section 8 program's Fair Market Rent (FMR) area definitions in developing MFIs, which means that income estimates are developed for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county. HUD Section 8 Income Limits are calculated for every FMR area with adjustments for family size and for areas that have unusually high or low income-to-housing-cost relationships.

There were no changes to the area definitions used in calculating MFI between FY 2010 and FY 2011. However, HUD updated the methodology used to produce FY 2011 MFI estimates to take advantage of new data available from the Bureau of the Census' American Community Survey (ACS). In December 2010, the first set of 5-year ACS data was published. These 5-year aggregations, covering surveys administered in 2005 through 2009, are unique because they are available for most areas of geography².

¹ HUD's "hold harmless" policy maintained Section 8 income limits for certain areas at previously published levels when reductions would otherwise have resulted from changes in median family income estimates, housing cost adjustment data, median family income update methodology, income limit methodology, or metropolitan area definitions.

² The ACS covers the 50 United States, and a separate survey called the Puerto Rico Community Survey (PRCS) covers Puerto Rico. The US Virgin Islands and the Pacific Islands (American Samoa, Commonwealth of the Northern Mariana Islands, and Guam) are not covered by the ACS or PRCS. Detailed demographic and socio-economic information covering these island areas have been collected by a special Long Form survey conducted in conjunction with the 2010 Decennial Census. These data are scheduled to be available in the Fall of 2012. For FY 2011 median family income calculations, HUD continues to use the change

Because of the increase in the geographic coverage of the 5-year data, HUD's methodology for calculating FY 2011 MFI no longer is based on 2000 Decennial Census data, but rather, is now based on the 2005 – 2009 ACS data. The factor used to trend the 2009 estimates to the midpoint of FY 2011 MFIs is unchanged at 3 percent per year³.

Public Housing/Section 8 income limits are used to determine the income eligibility of applicants for the Public Housing, Section 8, and other programs subject to Section 3(b)(2). The revised income limits are based on HUD estimates of median family income for FY 2010.

The most important statutory provisions relating to income limits are as follows:

- very low-income is defined as 50 percent of the median family income for the area, subject to specified adjustments for areas with unusually high or low incomes relative to housing costs;
- low-income is defined as 80 percent of the median family income for the area, subject to adjustments for areas with unusually high or low incomes or housing costs;
- 30 percent of the area median income is defined as an income targeting standard in the 1998 Act Amendments to the Housing Act of 1937; to avoid inconsistencies with other income limits, it is defined as 60 percent of the four-person family very low-income limit, adjusted for family size, but not allowed to fall below the state Supplemental Security Income (SSI) benefit level for one-person households;
- where the area MFI is less than the state non-metropolitan median family income, income limits are based on the state non-metropolitan median; and
- income limits are adjusted for family size so that larger families have higher income limits.

Very Low-Income Limits:

Very low-income limits are calculated using a set of formula. The first step in calculating very low-income limits is to determine what they would be if the four-person limit is based on 50 percent of the estimated area median income. Adjustments are then made if this number is outside formula constraints.

More specifically, the very low-income limit for a four-person family is calculated as follows:

- (1) 50 percent of the area MFI is calculated and tentatively set as the four-person family income limit;
- (2) a minimum four-person income limit is established at the amount required to afford a two-

in the national median income between the 2000 Decennial Census and the latest ACS data as the update factor for the US Virgin Islands and the Pacific Islands.

³ This average annual trend factor is unchanged from last year and relies on a comparison of the nation ACS income in 2000 compared with the income for 2008. HUD is currently evaluating alternative trend factors and may update or change this trend factor for next year, after this evaluation has been completed.

bedroom unit renting at 85 percent of the Fair Market Rent (FMR) if 35 percent of income is used for rent (this adjusts income limits upward for areas where rental housing costs are unusually high in relation to the median income);

- (3) a maximum four-person income limit is calculated as the greater of 80 percent of the U.S. MFI or the income needed to afford a two-bedroom unit renting at 100 percent of the FMR if 30 percent of income is used for rent (this adjusts income limits downward for areas with unusually high incomes and relatively moderate rental housing costs);
- (4) in no instance are income limits less than if based on the state non-metropolitan median family income level (even if the step 2 calculation produces a lower amount);
- (5) any four-person income limit that has declined by more than 5 percent is raised to 5 percent below last year's income limit and any income limit that has increased more than 5 percent is lowered to 5 percent of last year's income limit, the remainder of this decrease/increase to be implemented next year if the underlying data warrant. In any year that twice the national change in median family incomes is greater than 5 percent, limits will be allowed to increase up to that level if so warranted by the local data. For FY 2011 income limits, the national MFI fell, so the cap is set at 5 percent.

Low-Income Limits:

Most four-person low-income limits are the greater of: 80 percent of the area median family income, or 80 percent of the state non-metropolitan median family income level. Because the very low-income limits are not always based on 50 percent of median, however, calculating low-income limits as 80 percent of median would produce anomalies inconsistent with statutory intent (e.g., very low income limits could be higher than low-income limits). To eliminate this problem, the normal calculation is to set the four-person low-income limit at 1.6 (i.e., 80 percent/50 percent) times the relevant four-person very low-income limit. The two exceptions to this practice are that the resulting income limit is not allowed to exceed the U.S. median family income level (\$64,200 for Fiscal Year 2011) except when justified by high housing costs; and once adjusted, the four person low-income limit decrease is limited to 5 percent or, if increasing, capped at the greater of 5 percent or twice the national change in median family income, currently 5 percent. Use of very low-income limits as a starting point for calculating other income limits has the effect of adjusting low-income limits in areas where the very low-income limits have been adjusted because of unusually high or low housing-cost-to-income relationships.

Family Size Adjustments:

By statute, family size adjustments are required to provide higher income limits for larger families and lower income limits for smaller families. The factors used are as follows:

Number of Persons in Family and Percentage Adjustments

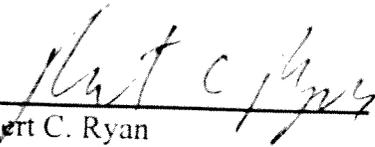
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
70%	80%	90%	Base	108%	116%	124%	132%

Income limits for families with more than eight persons are not included in the printed lists because of space limitations. For each person in excess of eight, the income limit for such households is computed by adding an additional eight percent to the four-person base. The nine-person income limit, for example, is set at 140 (132 + 8) percent of the relevant four-person income limit. Local agencies may round income limits for nine or more persons to the nearest \$50, or may use the un-rounded numbers. Family size-adjusted income limits are not re-tested for compliance with the 5 percent rule. Rounding anomalies produce some family size-adjusted income limits whose annual change is slightly larger or smaller than 5 percent.

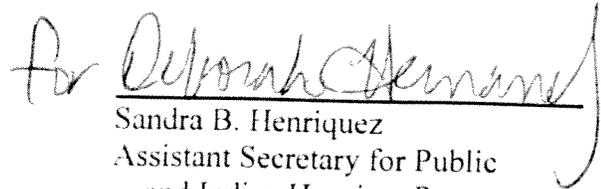
HUD Field Office Responsibilities:

HUD field offices with assisted housing program functions are responsible for maintaining records of income limits for areas within their jurisdiction. Notification of income limit revisions should be promptly distributed to program participants, and field offices should be prepared to make income limits available to the public upon request. These income Limits are also available on the World Wide Web (<http://www.huduser.org/portal/datasets/il.html>)

FY 2011 income limits are available in multiple formats on the World Wide Web (<http://www.huduser.org/portal/datasets/il.html>). Questions related to how these income limits apply to the programs of state and other federal agencies should be referred to those agencies. Questions concerning the methodology used to develop these income limits are addressed in the FY 2011 Income Limits Briefing Material, which is posted on the income limits website.



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