U. S. Department of Housing and Urban Development

Special Attention of:

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

NOTICE PDR-2006-02

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Cross References:

Subject: Transmittal of Fiscal Year 2006 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.

On December 16, 2005, in FR-5011-N-01, HUD proposed new metropolitan areas using revised Office of Management and Budget (OMB) metropolitan statistical area (MSA) definitions developed with 2000 Census data. These definitions were modified by HUD, in some instances, to permit continued use of old metropolitan areas as distinct submarkets with their own Fair Market Rents (FMRs) and income limits. This was done when use of the new OMB area definitions resulted in significant increases or decreases in FMRs or income limits. The intent of the modifications was to minimize disruptive changes and to permit use of more localized estimates consistent with OMB metropolitan area boundaries.

Most areas will receive increases in their income limits in FY 2006, and some households would be adversely affected if HUD waits until the end of the public comment process before implementing FY 2006 income limits. A number of comments have been received, most of which favored use of a hold-harmless policy and the proposed definitional changes for the Miami and New York City submarkets. These income limits are therefore being issued on an interim basis pending completion of the comment period associated with the December 16, 2005, Federal Register Notice.

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 Fiscal Year 2006.

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

- 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;

- 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;

- 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 local median family income 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 relationships. 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 family 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 median family income 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-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. median family income or the income needed to afford a two-bedroom unit renting at 100 percent of the Fair Market Rent (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 areas where OMB metropolitan area definitions have changed, income limits are not allowed to fall below the previous year’s income limits for the largest old FMR area component of the new FMR/income limit area, which is done to minimize program disruptions; and,

(5) 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).

Low-Income Limits:

Most four-person low-income limits are the higher 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 only exception to this practice is that the resulting income limit is not allowed to exceed the U.S. median family income level ($59,600 for Fiscal Year 2006) except when justified by high housing costs. 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

1	2	3	4	5	6	7	8
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, there is the addition of 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 unrounded numbers.

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.

Requests from the public for sets of national or regional income limits may be referred to the HUD USER Reference Service, whose toll-free number is 1-800-245-2691. In addition, Fiscal Year 2006 income limits are available in multiple formats on the World Wide Web (**www.huduser.org\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 Fiscal Year 2006 Income Limits Briefing Material, which is posted on the income limits website.

If you have questions concerning these income limits, please contact your field office economist.

/s/
Brian D. Montgomery
Assistant Secretary for
Housing-Federal Housing
Commissioner, H

/s/
Orlando J. Cabrera
Assistant Secretary for
Public and Indian Housing, P

Attachments