U. S. Department of Housing and Urban Development

Special Attention of:

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

NOTICE PDR-2005-03

Issued: February 11, 2005
Expires: Effective until superseded

Cross References:

Subject: Transmittal of Fiscal Year 2005 Income Limits for the Section 221(d)(3)BMIR, Section 235, and Section 236 Programs

This notice transmits revised income limits used to determine the income eligibility of applicants for assistance under three programs authorized by the National Housing Act. These programs are the Section 221(d)(3) Below Market Interest Rate (BMIR) program, the Section 235 program, and the Section 236 program. These income limits are listed by dollar amount and family size, and they are effective on the date issued.

The revised income limits are based on HUD estimates of median family income for Fiscal Year 2005. The income limits used for the Section 236 program currently are the same as the Public Housing/Section 8 low-income limits, which are defined by Section 3(b)(2) of the United States Housing Act of 1937. These income limits are normally set at 80 percent of area median family income for a four-person family, and adjusted for family size and unusually high or low housing costs.

The Section 221(d)(3)BMIR income limits, which serve "individuals and families of low- and moderate-income," are also set at 95 percent of median, adjusted for family size. These income limits are also adjusted for unusually high or low area housing costs, and use the HUD low-income limits as a basis for calculations. For instance, rather than the four-person limit being set at 95 percent of the local median family income amount, it is set as 95/80ths of the four-person low income limit.

Section 235 states that income limits are to be defined as "95 per centum of the median income for the area, as determined by the Secretary with adjustments for larger and smaller families..." These income limits are identical to Section 221(d)(3)(BMIR) income limits except in instances where the Secretary has used his discretion to permit higher income limits to reflect high area construction costs.

Most four-person Section 236 limits are set at 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 Section 8 very low-income limits are not always based on 50 percent of median, calculating low-income limits as 80 percent of median would sometimes produce anomalies inconsistent with statutory intent (e.g., very low-income limits could be higher than low-income limits, as explained in Notice PDR-02-01). To avoid this, the four-person low-income limit is calculated as 1.6 (80 percent/50 percent) times the four-person very low-income limit. The only exception is that the resulting income limit may not exceed the U.S. median family income level ($58,000 for FY 2005) 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 other income limits in areas where the very low-income limits have been adjusted because of unusually high or low housing-cost-to-income relationships.

For areas where income limits would otherwise decline (e.g., areas where Census rebenchmarking reduced Public Housing/Section 8 income limits), the BMIR and Section 235 income limits are frozen at the previous year's levels. This is done to simplify program management.

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, 8 percent of the four-person base should be added to the eight-person income limit. (For example, the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) All income limits are rounded to the nearest $50 to reduce administrative burden.

Income Limit Area Definitions:

HUD has not yet implemented the new OMB metropolitan and micropolitan area definitions released in mid-2003. HUD Section 8 income limits are established in accordance with Section 8 of the U.S. Housing Act of 1937, as amended. HUD is required by statute to publish revisions to Section 8 FMRs and area definitions in proposed form for public comment prior to implementing any proposed changes. In response to public comments on the proposed FMRs, the Fiscal Year 2005 Income Limit area definitions used in this notice use the old Office of Management and Budget (OMB) Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions.

HUD uses OMB definitions to define income limits areas because they closely correspond to housing market area definitions. The exceptions are counties deleted from six metropolitan areas whose previously revised OMB definitions encompass areas that were determined to be larger than the housing market areas. These counties have been assigned their own income limits based on county-level data. The six metropolitan areas and the respective counties deleted from them are as follows:

AREA	Counties Deleted from OMB Definition
Chicago, IL:	DeKalb, Grundy and Kendall Counties
Cincinnati-Hamilton, OH-KY-IN:	Brown County, Ohio; Gallatin, Grant and Pendleton Counties in Kentucky; and Ohio County, Indiana
Dallas, TX:	Henderson County
Flagstaff, AZ-UT:	Kane County, Utah
New Orleans, LA:	St. James Parish
Washington, DC-MD-VA-WV:	Berkeley and Jefferson Counties in West Virginia; and Clarke, Culpeper, King George and Warren Counties in Virginia

The Fiscal Year 2005 area definitions used in this Notice are identical to those used in the same Notice for Fiscal Year 2003.

HUD Field Office Responsibilities:

HUD field offices with assisted housing functions are responsible for maintaining records of income limits for areas within their jurisdiction. Notice of all 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 (**www.huduser.org/datasets/il.html**).

If you have any questions concerning these new income limits, please contact your Field Office economist.

John C. Weicher
Assistant Secretary for
Housing-Federal Housing
Commissioner, H

Attachments