

## INCOME LIMITS Frequently Asked Questions

### Income Limits

1. *Incomes limits have fallen in my area but haven't done so in the past, why did this happen?*

Beginning with FY 2010 Income Limits, HUD eliminated its long standing “hold harmless” policy. 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 (MFI) estimates, housing cost adjustment data, MFI update methodology, income limit methodology, or metropolitan area definitions. HUD eliminated the “hold harmless” policy to ensure better alignment between an area’s most recent income experience and the income thresholds for housing assistance.

Furthermore, in an effort to minimize disruptions in the operation of the section 8 Housing Choice Voucher program, HUD instituted maximum thresholds for the amount income limits can change from year to year. The new policy limits annual increases in income limits to 5 percent or twice the change in the national median family income, whichever is greater. For areas where income limits are decreasing, HUD limits the decrease to no more than 5 percent per year.

HOME Investment Partnerships program (HOME) rents, based in part on HUD Section 8 Income Limits, will continue to be held harmless and income limits for rural housing programs will continue their current hold-harmless policy at the request of the Rural Housing Service, because these limits are based on area definitions and program rules specified by the Rural Housing Service of the Department of Agriculture.

2. *Given the recession that our area has experienced in recent years, why have income limits increased?*

Although HUD uses the most recent data available concerning local area incomes, there is still a lag between when the data are collected and when the data are available for use. For example, FY 2012 Income Limits are calculated using 2005-2009 5-year American Community Survey (ACS) data. The effects of the latest recession on local area incomes are most likely to be detected in 2009, but this represents only 20 percent of the survey sample. In areas where there is sufficient sample for a one-year update, the 2009 data does generally show a decline in incomes.

3. *Why does my very low income limit not equal 50% of my median family income (MFI) (or my low-income limit not equal 80% of my MFI)?*

There are many exceptions to the arithmetic calculation of income limits. These include adjustments for high housing cost relative to income, the application of state

nonmetropolitan income limits in low-income areas, and national maximums in high-income areas. These exceptions are detailed in the FY 2012 Income Limits Briefing Material report, at the following site:

[http://www.huduser.org/portal/datasets/il/il12/IncomeLimitsBriefingMaterial\\_FY12.pdf](http://www.huduser.org/portal/datasets/il/il12/IncomeLimitsBriefingMaterial_FY12.pdf)

Please review this report and pay special attention to Attachments 3 and 4 that list the exceptions for metropolitan areas. Please also note that Tables 1 and 2 (beginning on page 7) show that most nonmetropolitan area income limits are based on state nonmetropolitan area medians.

For further information on the exact adjustments made to any area of the country, please see our FY 2012 Income Limits Documentation System. The documentation system is available at: [http://www.huduser.org/portal/datasets/il/il12/index\\_il2012.html](http://www.huduser.org/portal/datasets/il/il12/index_il2012.html). Once the area in question is selected, a summary of the area's MFI, Very Low-Income, Extremely Low-Income, and Low-Income Limits are displayed. Detailed calculations are obtained by selecting the relevant links.

### Median Family Incomes

#### 4. *How does HUD calculate median family incomes?*

To calculate the FY 2012 MFI estimates, HUD incorporates 2005-2009 5-year ACS data. Specifically, for each metropolitan area, subarea of a metropolitan and non-metropolitan county, 5-year ACS data is used as the new basis for calculating MFI estimates. HUD is incorporating the 5-year data in this way to eliminate the reliance on the data collected during the 2000 Decennial Census as it is more than a decade old. In areas where there is a valid 1-year ACS survey MFI result, HUD endeavors to use this data as well to take advantage of more recent survey information. By using both the 5-year data and the 1-year data, where available, HUD is establishing a new basis for median family income estimates while also capturing the most recent information available.

This ACS data was also used for the FY 2011 MFI estimates. The FY 2012 MFI estimates vary from the FY 2011 MFI in that HUD uses an additional year of CPI and updated FY 2012 Fair Market Rents (FMRs) for high housing cost determinations. Area definitions were not changed.

For additional details concerning the use of the ACS in HUD's calculations of MFI, please see our FY 2012 Income Limits Briefing Materials, Attachment 2 at the following web address:

[http://www.huduser.org/portal/datasets/il/il12/IncomeLimitsBriefingMaterial\\_FY12.pdf](http://www.huduser.org/portal/datasets/il/il12/IncomeLimitsBriefingMaterial_FY12.pdf).

Additionally, full documentation of all calculations for Median Family Income and Income Limits is available in our FY 2012 Income Limits Documentation System. This system is available at this web address:

[http://www.huduser.org/portal/datasets/il/il12/index\\_il2012.html](http://www.huduser.org/portal/datasets/il/il12/index_il2012.html).

## Area Definitions:

### 5. *Why do area definitions change for MFI and income limits?*

HUD follows Office of Management and Budget (OMB) definitions of metropolitan areas with some exceptions. In 2006, when HUD implemented the widespread area definition changes OMB made based on the 2000 Decennial Census, exceptions were made to the new OMB area definitions when FMR or MFI changes for new areas were greater than five percent. HUD created exception subareas, called HUD Metro FMR Areas, which continue to exist today. .

Since 2006, OMB updated its metropolitan area definitions based on updated population counts and updated commuting data collected by the Bureau of the Census. There have been no changes in area definitions since the FY 2010 Income Limits. For a complete description of the area definitions a used in the FY 2012 Income Limits, please review the Area Definitions report:

[http://www.huduser.org/portal/datasets/il/il12/area\\_definitions.pdf](http://www.huduser.org/portal/datasets/il/il12/area_definitions.pdf).

### 6. *What is the relationship between Fair Market Rent areas and Income Limit areas?*

With minor exceptions, FMR areas and Income Limit areas are identical. HUD uses FMR areas in calculating income limits because FMRs are needed for the calculation of some income limits; specifically to determine high and low housing cost adjustments. Also, the two sets of area definitions are linked in statutory history. The two exceptions to the similarity between Fair Market Rent areas and Income Limit areas are Columbia, MD and Rockland County, NY. Due to historical precedent, independent FMRs are calculated for Columbia, MD, but income limits are not. By statute, income limits are calculated for Rockland County, NY while separate FMRs are not. Furthermore, depending on when OMB releases new area definitions, HUD may be able to incorporate these changes into income limits before they are implemented into FMRs.

### 7. *What does the term “HMFA” mean?*

HUD Metro FMR Area. This term indicates that only a portion of the OMB-defined core-based statistical area (CBSA) is in the area to which the income limits (or FMRs) apply. HUD is required by OMB to alter the name of metropolitan geographic entities it derives from the CBSAs when the geography is not the same as that established by OMB.

### 8. *How can you tell if the entire CBSA or just the subarea (SA) is used to calculate the income limits?*

The FY 2012 Income Limits Area Definitions report places a “CBSA” in front of those areas where all counties in the CBSA are used in the calculation; an “SA” is placed in front of those areas where only the counties or towns of the subarea are used. Note that HUD Metro FMR Areas (HMFAs) are not the same as CBSAs, but that an HMFA’s income limits may be based on CBSA data. To determine if income estimates are based

on the subarea or CBSA income, please review the FY 2012 Area Definitions report at: [http://www.huduser.org/portal/datasets/il/il12/area\\_definitions.pdf](http://www.huduser.org/portal/datasets/il/il12/area_definitions.pdf)

Multifamily Tax Subsidy Projects (MTSPs) (otherwise known as Low-Income Tax Credit projects (LIHTC))

9. *What are Multifamily Tax Subsidy Projects?*

Multifamily Tax Subsidy Projects (MTSPs), a term coined by HUD, are all Low Income Housing Tax Subsidy projects under Section 42 of the I.R.S. Code and multifamily projects funded by tax-exempt bonds under Section 142. These projects may have special income limits so HUD has published them on a separate webpage. If you are a tax credit developer or resident in an MTSP, please go to the following site to determine what the appropriate income limits are:

<http://www.huduser.org/portal/datasets/mtsp.html>.

10. *How can 60 percent income limits be calculated?*

For the Low Income Housing Tax Credit program, users should refer to the FY 2012 Multifamily Tax Subsidy Project income limits available at <http://www.huduser.org/portal/datasets/mtsp.html>. The formula used to compute these income limits is as follows: take 120 percent of the Very Low-Income Limit. Do not calculate income limit percentages based on a direct arithmetic relationship with the MFI; there are too many exceptions made to the arithmetic rule in computing income limits.

11. *How are maximum rents for Low Income Housing Tax Credit projects computed from the very low income limits?*

Please consult with the state housing financing agency that governs the tax credit project in question for a determination of official maximum rental rates. A list of state housing finance agencies can be found [http://lihtc.huduser.org/agency\\_list.htm](http://lihtc.huduser.org/agency_list.htm). The Low Income Housing Tax Credit program is a U.S. Treasury Department program; therefore, HUD has no official authority over setting maximum rental rates. The following table is included for informational purposes only.

The imputed income limitation (as defined in 26USC Sec. 42(g)(2)) is 60 percent of the MFI. A rent may not exceed 30 percent of this imputed income limitation under 26USC Sec. 42(g)(2). Unit rents by number of bedrooms are derived from Very Low Income Limits (VLILs) for the different household sizes according to the following table:

**LIHTC Maximum Rent Derivation from HUD Very Low Income Limits (VLILs)**

<b>Unit Size</b>	<b>0 Bedroom</b>	<b>1 Bedroom</b>	<b>2 Bedroom</b>	<b>3 Bedroom</b>	<b>4 Bedroom</b>
<b>50% MFI Unit</b> Maximum Monthly Rent is 1/12 of 30% of:	1-Person VLIL	(1-Person VLIL + 2- Person VLIL)/2	3-Person VLIL	(4-Person VLIL + 5- Person VLIL)/2	6-Person VLIL
<b>60% MFI Unit</b> Maximum Monthly Rent is 1/12 of 30% of:	120% of 1- Person VLIL	120 % of [(1- Person VLIL + 2-Person VLIL)/2]	120% of 3- Person VLIL	120 % of [(4-Person VLIL + 5- Person VLIL)/2]	120 % of 6- Person VLIL

NOTE: Maximum rents for larger units are set by assuming an additional 1.5 persons per bedroom.

12. *What is the national non-metro median to be used to calculate the floor on rural LIHTC rents?*

Section 3004 of the Housing and Economic Recovery Act (HERA) specifies that any project for residential rental property located in a rural area (as defined in section 520 of the Housing Act of 1949) use the maximum of the area median gross income or the national non-metropolitan median income. The FY 2012 non-metropolitan median income is: \$52,400.

GO Zones:

13. *What are the income limits that are used in certain provisions of the Gulf Opportunity Zone (GO Zone) Act of 2005 (also based on the non-metropolitan median income of \$52,400)?*

The 1-8 Person 50% Income Limits are as follows:

<b>1 Person</b>	<b>2 Person</b>	<b>3 Person</b>	<b>4 Person</b>	<b>5 Person</b>	<b>6 Person</b>	<b>7 Person</b>	<b>8 Person</b>
\$18,350	\$20,950	\$23,600	<b>\$26,200</b>	\$28,300	\$30,400	\$32,500	\$34,600