

FY 2017 INCOME LIMITS Frequently Asked Questions

Income Limits

1. *Income 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 (HCV) 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 the FY 2016 income limits, the cap is 5 percent. For areas where income limits are decreasing, HUD limits the decrease to no more than 5 percent per year.

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. Income-based rents used in the HOME Investment Partnerships program (HOME) will also be held harmless.

2. *Why don't the income limits for my area reflect recent gains (or losses)?*

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 2017 Income Limits are calculated using 2010-2014 5-year American Community Survey (ACS) data, and one-year 2014 data where possible. This is a two-year lag, so more current trends income trends are not available.

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 2017 Income Limits Briefing Material](#) report,

<https://www.huduser.gov/portal/datasets/il/il17/IncomeLimitsBriefingMaterial-FY17.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 2016 Income Limits Documentation System. The documentation system is available at https://www.huduser.gov/portal/datasets/il/il17/index_il2017.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.

4. *Why is the Extremely Low-Income Limit much higher than in the past and sometimes no different than the Very Low-Income Limit?*

The Quality Housing and Work Responsibility Act of 1998 established a new income limit standard based on 30 percent of median family income (the extremely low income limits), which was to be adjusted for family size and for areas of unusually high or low family income. A statutory change was made in 1999 to clarify that these income limits should be tied to the Section 8 very low-income limits.

The Consolidated Appropriations Act, 2014 further modified and redefined these limits as Extremely Low Family income limits to ensure that these income limits would not fall below the poverty guidelines determined for each family size. Specifically, extremely low income families are defined to be very low-income families whose incomes are the greater of the Poverty Guidelines as published and periodically updated by the Department of Health and Human Services or the 30 percent income limits calculated by HUD. Puerto Rico and other territories are specifically excluded from this adjustment. There are separate poverty guidelines for Alaska and Hawaii. The remaining 48 states and the District of Columbia use the same poverty guidelines. The extremely low income limits therefore are first calculated as 30/50ths (60 percent) of the Section 8 very low-income limits. They are then compared to the appropriate poverty guideline and if the poverty guideline is higher, that value is chosen. If the poverty guideline is above the very low income limit at that family size, the extremely low income limit is set at the very low income limit because the definition of extremely low income limits caps them at the very low-income levels.

Median Family Incomes

5. *How does HUD calculate median family incomes?*

To calculate the FY 2017 MFI estimates, HUD incorporates 2010-2014 5-year ACS data. Specifically, for each metropolitan area, subarea of a metropolitan area, and non-metropolitan county, 2010-2014 5-year ACS data is used as the new basis for calculating MFI estimates. 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.

After using the 2014 ACS income data, a Consumer Price Index (CPI) forecast as published by the Congressional Budget Office brings the 2014 ACS data forward to the middle of FY 2017.

For additional details concerning the use of the ACS in HUD's calculations of MFI, please see our FY 2017 Income Limits Briefing Materials, Attachment 2 at <https://www.huduser.gov/portal/datasets/il/il17/IncomeLimitsBriefingMaterial-FY17.pdf>.

Additionally, full documentation of all calculations for Median Family Income and Income Limits is available in our FY 2017 Income Limits Documentation System. This system is available at the same web address.

Area Definitions:

6. *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 (HMFA), which continue to exist today.

The FY 2017 MFIs and income limits are based on new metropolitan area definitions, based on the 2010 Decennial Census by OMB. While HUD has maintained its HMFA subareas, there is no longer the five percent FMR or MFI test; all counties added to metropolitan areas will be an HMFA with rents and incomes based on their own county data, where available. The disposition of all counties is shown in the Area Definitions report <https://www.huduser.gov/portal/datasets/il/il17/area-definitions-FY17.pdf>.

7. *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 (or 40th percentile rents for 50th percentile FMR areas) 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 exception to the similarity between Fair Market Rent areas and Income Limit areas is Rockland County, NY. By statute, income limits are calculated for Rockland County, NY while separate FMRs are not.

8. *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.

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

The FY 2017 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 2017 Area Definitions report <https://www.huduser.gov/portal/datasets/il/il17/area-definitions-FY17.pdf>.

Multifamily Tax Subsidy Projects (MTSPs) (otherwise known as Low-Income Tax Credit projects (LIHTC) or tax-exempt bond-financed projects)

10. *What are Multifamily Tax Subsidy Projects?*

Multifamily Tax Subsidy Projects (MTSPs), a term coined by HUD, are all Low Income Housing Tax Credit projects under Section 42 of the Internal Revenue Code and multifamily projects funded by tax-exempt bonds under Section 142 (which generally also benefit from LIHTC). These projects may have special income limits established by statute 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, <https://www.huduser.gov/portal/datasets/mtsp.html>.

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

For the Low Income Housing Tax Credit program, users should refer to the FY 2017 Multifamily Tax Subsidy Project income limits available at <https://www.huduser.gov/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.

12. 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 at 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 26 U.S.C. Sec. 42(g)(2)) is 60 percent of the MFI. A rent may not exceed 30 percent of this imputed income limitation under 26 U.S.C. 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)					
Unit Size	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
50% MFI Unit 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
60% MFI Unit 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.

13. *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 2017 non-metropolitan median income is: \$55,200 and the 1-8 person 50-percent income limits based on the non-metropolitan median income are listed below:

1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
<i>\$19,300</i>	<i>\$22,100</i>	<i>\$24,850</i>	<i>\$27,600</i>	<i>\$29,800</i>	<i>\$32,000</i>	<i>\$34,200</i>	<i>\$36,450</i>