FY 2018 INCOME LIMITS
Frequently Asked Questions

Income Limits

Q1. 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 sustained Section 8 income limits for certain areas at previously published levels when reductions would otherwise have resulted from changes in median family incomes, housing cost adjustment data, median income 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 2018 income limits, the cap is almost 11.5 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.

Q2. 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 2018 Income Limits are calculated using 2011-2015 5-year American Community Survey (ACS) data, and one-year 2015 data where possible. This is a two-year lag, so more current trends in median family income levels are not available.

Q3. What is the difference between HUD's Median Family Income (MFI) and Area Median Income (AMI)?

HUD estimates Median Family Income (MFI) annually for each metropolitan area and non-metropolitan county. The metropolitan area definitions are the same ones HUD uses for Fair Market Rents (except where statute requires a different configuration). HUD calculates Income Limits as a function of the area's Median Family Income (MFI). The basis for HUD's median family incomes is data from the American Community Survey, table B19113 - MEDIAN FAMILY INCOME IN THE PAST 12 MONTHS.

The term Area Median Income is the term used more generally in the industry. If the term Area Median Income (AMI) is used in an unqualified manor, this reference is synonymous with HUD's MFI. However, if the term AMI is qualified in some way - generally percentages of AMI, or AMI adjusted for family size, then this is a reference to HUD's income limits, which are calculated as percentages of median incomes and include adjustments for families of different sizes.

Q4. Why does my very low-income limit not equal 50% of my median family income (or my low-income limit not equal 80% of my median income)?

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 2018 Income Limits Methodology Document, https://www.huduser.gov/portal/datasets/il//il18/IncomeLimitsMethodology-FY18.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 5) 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 2018 Income Limits Documentation System. The documentation system is available at https://www.huduser.gov/portal/datasets/il.html#2018_query. Once the area in question is selected, a summary of the area's median income, Very Low-Income, Extremely Low-Income, and Low-Income Limits are displayed. Detailed calculations are obtained by selecting the relevant links.

Q5. 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.

Q6. *Why am I unable to access the FY 2018 Income Limits Documentation System using a prior year bookmark, or using the results of web search? Using links from these methods generally result in broken webpages.*

The income limits documentation calculates median family incomes and income limits for each area of the country; therefore, certain parameters must be set for these calculations to be performed correctly. Please access the FY 2018 Income Limits Documentation System using this link: https://www.huduser.gov/portal/datasets/il.html#2018_query

Median Family Incomes

Q7. How does HUD calculate median family incomes?

To calculate the FY 2018 median incomes, HUD uses 2015 ACS or PRCS median family incomes as the basis for FY 2018 medians for all areas designated as Fair Market Rent areas in the US and Puerto Rico. For FY 2018, HUD has updated its definition of statistical validity for ACS data. For an ACS estimate to be considered statistically valid, the estimate must have a margin of error less than half the size of the estimate and the estimate must be based on at least 100 observations. In areas where there is a statistically valid survey estimate using 2015 one-year ACS or PRCS data, that is used. If not, statistically valid 2015 five-year data is used. Where statistically valid five-year data is not available, HUD will average the minimally statistically valid income estimates from the previous three years of ACS or PRCS data. Minimal statistical validity is defined as those ACS estimates where the margin of error of the estimate is less than half the size of the estimate. ACS data from 2015, 2014, and 2013 will be evaluated to determine if it is minimally statistically valid. HUD averages the minimally statistically valid 5-year data which is adjusted to 2015 dollars using the national change in CPI between the ACS year of the data and 2015. For all places in the US and Puerto Rico: All estimates (using either one-year data or five-year data) are then trended from 2015 to the midpoint of FY 2018.

A Consumer Price Index (CPI) forecast as published by the Congressional Budget Office is used in the trend factor calculation to bring the 2015 ACS data forward to the middle of FY 2018.

For additional details concerning the use of the ACS in HUD's calculations of MFI, please see our FY 2018 Median Family Income methodology document, at https://www.huduser.gov/portal/datasets/il/il18/Medians-Methodology-FY18.pdf.

Additionally, full documentation of all calculations for Median Family Income and Income Limits is available in our FY 2018 Income Limits Documentation System. This system is available at https://www.huduser.gov/portal/datasets/il.html#2018_query.

Area Definitions:

Q8. Why do area definitions change for median incomes 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 2018 MFIs and income limits are based on new metropolitan area definitions, defined by OMB using commuting relationships from the 2010 Decennial Census, as updated through 2015. While HUD has maintained its HMFA subareas, there is no longer the five percent FMR or median income 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/il18/area-definitions-FY18.pdf.

Q9. 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.

Q10. What does the term "HMFA" mean?

HUD Metro FMR Area. This term indicates that only a portion of the OMB-defined metropolitan statistical area (MSA) 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 MSAs when the geography is not the same as that established by OMB.

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

Q11. 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 publishes 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.

Q12. How can 60 percent income limits be calculated?

For the Low-Income Housing Tax Credit program, users should refer to the FY 2018 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 median family income; there are too many exceptions made to the arithmetic rule in computing income limits.

Q13. 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 median income. 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.

Q14. 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 2018 non-metropolitan median income is: $58,400 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**
$20,450	***$23,350***	***$26,300***	***$29,200***	***$31,550***	***$33,850***	***$36,200***	***$38,550***