



Special Attention of:

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

## **NOTICE PDR-2022-03**

Issued: May 15, 2023

Expires: Effective until superseded

---

Cross References:

---

**Subject:** Transmittal of Fiscal Year (FY) 2023 Income Limits for the Section 235,  
and Section 236 Programs

This notice transmits 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) rental 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 later of April 1, 2023 or the date issued.

All of HUD's income limits are derived from the HUD Section 8 Income Limits, which begin with the calculation of median family incomes for each area. HUD uses the Fair Market Rent (FMR) area definitions in developing medians, which means that median family incomes are developed for each metropolitan area, parts of some metropolitan areas, and each nonmetropolitan county. For FY 2023, the geographic definitions incorporate all changes published by the Office of Management and Budget (OMB) through the September 14, 2018 bulletin.<sup>1</sup> HUD first implemented these changes through the calculation and publication of FY 2022 Fair Market Rents, issued August 6, 2021. See Section III of the *Federal Register* [notice](#) for a discussion of changes to metropolitan area definitions.

HUD uses the 2021 American Community Survey (ACS) and Puerto Rico Community Survey (PRCS) median family income data (as opposed to household income data) as the basis of FY 2023 Income Limits for all areas of geography, except for the U.S. Virgin Islands and the Pacific Islands (Guam, American Samoa, and the Northern Mariana Islands). HUD uses actual data from the Consumer Price Index (CPI) published by the Bureau of Labor Statistics through February 2023 to bring the ACS and PRCS data forward from 2019 to the fiscal year 2023. Previously, HUD has relied on inflation forecasts from the Congressional Budget Office (CBO) in updating ACS estimates. However, at the time of FY 2023 median family income calculation, CBO had not issued an updated CPI forecast suitable for use by HUD. The inflation factor,

---

<sup>1</sup> OMB Bulletin NO. 18-04

representing the cumulative change in the CPI from 2021 through February 2023, is approximately 1.122.

Since FY 2010<sup>2</sup> HUD has limited annual decreases in the low and very-low income limit to five percent and all annual increases to the greater of five percent or twice the change in the national median family income. HUD has maintained these limits to increases and decreases in income limits for FY 2023. For 2023, HUD is using the annualized change in the national median family income as measured by the ACS from 2019 to 2021 because of the lack of ACS 2020 estimates as previously discussed. Twice this change is approximately 5.92 percent, which is greater than five percent, so for FY 2023, the income limits “cap” is 5.92 percent.

HUD bases the median family incomes and income limits for the U.S. Virgin Islands and the Pacific Islands on 2020 Decennial Census data which is the most current information available. The decennial data for the U.S. Virgin Islands and the Pacific Islands reports 2019 median family incomes. HUD trends these incomes forward using the change in national median family incomes between 2019 and 2021 (from the ACS). HUD then applies the same CPI adjustment used in ACS areas from 2021 to fiscal year 2023.

The income limits used for the Section 236 program are currently 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 the median family income for a four-person family, adjusted for family size and adjusted for unusually high or low housing costs. There are, however, situations where HUD makes additional upward or downward adjustments.

Most four-person low-income limits are the greater of 80 percent of the area median income, or 80 percent of the state nonmetropolitan median income. Because HUD does not always base the very low-income limits on 50 percent of median, however, calculating low-income limits as 80 percent of the 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, HUD’s normal calculation is to set the four-person low-income limit at 1.6 (i.e., 80 percent/50 percent) times the relevant

---

<sup>2</sup> Prior to FY 2010, HUD maintained a “hold harmless” policy, whereby Section 8 income limits for certain areas were held at previously published levels when reductions would otherwise have resulted from changes in housing cost, median income, or income limit methodologies, or changes in metropolitan area definitions.

four-person very low-income limit. The two exceptions to this practice are that the resulting four-person income limit is not allowed to exceed the U.S. median family income (\$96,300 for FY 2023) except when justified by high housing costs; and once adjusted, HUD limits decreases in the four-person low-income limit to five percent or, and caps increases at the greater of five percent or twice the national change in median income. In FY23, the cap is twice the annualized change in median family income from ACS 2019 to ACS 2021, which is 5.92 percent. 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.

The Section 221(d)(3) BMIR Income Limits, which serve "individuals and families of low- and moderate-income," are set at 95 percent of median income, 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, it is set at 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 family 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.

### **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

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
70%	80%	90%	Base	108%	116%	124%	132%

HUD does not include income limits for families with more than 8 persons in the printed lists because of space limitations. For each person over eight-persons, the four-person income limit should be multiplied by an additional eight percent. (For example, the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit). Income limits are rounded up to the nearest \$50. Local agencies may round income limits for nine or more persons to the nearest \$50, or they may use the un-rounded numbers. HUD does not re-test family size-adjusted income limits for compliance with the cap and floor policy. Rounding anomalies produce some family size-adjusted income limits whose annual change is slightly larger or smaller than the five percent decline and the 5.92 percent increase allowed for FY 2023.

FY 2023 income limits are available at <https://www.huduser.gov/portal/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 FY 2023 Income Limits Methodology, or the documentation system for income limits and median family incomes, which are on the income limits website.

/s/

---

Julia R. Gordon  
Assistant Secretary for Housing and  
Federal Housing Commissioner, H