



Special Attention of:

NOTICE PDR-2025-03

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

Issued: April 1, 2025
Expires: Effective until superseded

Cross References:

Subject: Transmittal of Fiscal Year (FY) 2025 Income Limits for the Section 235, Section 221(d)(3), and Section 236 Programs

Introduction

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, 2025 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 2025, the geographic definitions for the first time incorporate all changes published by the Office of Management and Budget (OMB) through the July 21, 2023 bulletin.¹

HUD uses the 2023 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 2025 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). In the past, HUD has used the Consumer Price Index (CPI) forecast published by the Congressional Budget Office (CBO) to bring the ACS and PRCS data forward from the year of the ACS to the current fiscal year. For FY 2025 and going forward, HUD will use an inflation factor based on the most recent projected change in national per capita wages published by the CBO in an attempt to improve the accuracy of its median family income estimates.² The inflation factor, representing the projected change in national per capita wages from FY 2023 through FY 2025, is

¹ OMB Bulletin No. 23-01.

² For a recent assessment of median family income accuracy, please see here:

<https://archives.huduser.gov/portal/pdredge/pdr-edge-spotlight-article-051424.html>. HUD will continue to assess its accuracy following this change.

approximately 1.08 (an 8 percent increase).

Since FY 2010³ HUD has limited annual decreases in the low- and very low-income limits to five percent and all annual increases to the greater of five percent or twice the change in the national median family income. Starting in FY 2024, HUD specified that the cap should be measured using the annual change in the unadjusted national median family income subject to an absolute cap of 10 percent. HUD first announced this methodology on January 10, 2024 in a [Federal Register Notice](#). For 2025, the annual change measured by the ACS from 2022 to 2023 is approximately 4.6 percent. Twice this change is approximately 9.2 percent, which is less than the ten percent absolute cap. So, for FY 2025, the income limits “cap” is 9.2 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 2023 (from the ACS). HUD then applies the same national per capita wages inflation adjustment used in ACS areas from FY 2023 to FY 2025.

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. However, because HUD does not always base the very low-income limits on 50 percent of median, 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 four-person very low-income limit. 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 two exceptions to this practice are that the resulting four-person income limit is not allowed to exceed the U.S. median family income (\$104,200 for FY 2025) except when justified by high housing costs; and, once adjusted, HUD limits decreases in the four-person low-income limit to five percent, and caps increases at the greater of five percent or twice the annualized change in the unadjusted national median family income. Starting in FY 2024, increases have been subject to an absolute cap of 10 percent. For FY 2025 income limits, twice the annualized increase in the unadjusted national median family income as measured from the 2022 to 2023 ACS is approximately 9.2 percent, so the cap on increases is set at 9.23 percent.

³ 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.

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 eight 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, unless rounding up would cause the year-to-year change in income limits to exceed the cap. Local agencies may round income limits for nine or more persons to the nearest \$50, or they may use the un-rounded numbers.

FY 2025 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 2025 Income Limits Methodology, or the documentation system for income limits and median family incomes, which are on the income limits website.

/s/
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