Fair Market Rents

Introductory Overview

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Overview

*Fair Market Rents (FMR)*

- What are FMRs?
- Statutory and Regulatory Matters
- How are FMRs Used?
- Timelines
- The Methodology

*Resources, Next Steps, & Questions*
What are FMRs?

• **FMRs = Gross Rent**
  - Cost of the Shelter plus utilities (regardless who pays)
  - Utilities
    - All major utilities except telephone, cable or satellite television, and Internet services
  - Contract rent
    - The rental payment agreed to in a lease - could be Shelter Rent, Gross Rent, or somewhere in between

• **FMRs are calculated across the country for:**
  - OMB Defined Metro Areas and some “HUD Metro FMR Areas - HMFAs”
  - Non-Metropolitan Counties
  - October 1 Effective date
Metropolitan Areas

• OMB defined metropolitan areas based on Core-Based Statistical Areas

• HUD Exceptions to OMB Metropolitan Areas
  - New England: Before 2000, metro areas were based on towns; To prevent large changes in FMRs, HUD maintains the town-based metro area definitions
  - HUD Metro FMR Areas were created where the county added to a metropolitan area that had its own rent or income limit would have a difference of more than five percent
  - New county additions since the FY 2006 FMRs have not been added to a metropolitan area where they have their own usable data
Statutory and Regulatory Matters

• Statute: 42 USC 1437f
  - “Most recent data available”
  - Requests for Re-evaluation
    ○ New FMRs placed on hold during re-evaluation period

• Regulations: 24 CFR 888.113
  - Calculated at the 40th percentile
  - Data sources to include local area surveys
  - Rules for required Small Area FMR use
How are FMRs used?

- HUD uses FMRs primarily to help determine the following:
  - Payment standard amounts for the Section 8 Housing Choice Voucher program (Between 90 percent and 110 percent of the FMR)
  - *Public Housing Flat Rents* *(Must be at 80% of FMR or more)*
  - Renewal Funding Inflation Factor Calculations (Annual FMR Change)
  - Initial renewal rents for some expiring project-based Section 8 contracts.
  - Initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program (Mod Rehab).
  - Rent ceilings in both the HOME rental assistance program and the Emergency Solution Grants program.
  - Calculation of Grant Amounts and establishes maximum rents to Continuum of Care Grantees
FMR Timelines

- FY 2024 FMR Timeline:

  - 2021 ACS Public Data Released: 9/2022 1-Year Data, 12/2022 5-Year Data
  - HUD’s Special Tabulation (HUD’s Geography and Standard Quality Rents) of ACS Data 1Q/23
  - Notice of Proposed FMR Methodology Changes [Must be published with 30-day comment period ending no later than early July]
  - FMRs Calculated in 04-08/2023
  - Calculations Complete NLT 08/2023
  - Federal Register Notice publication NLT 8/31/23
  - Effective 10/1/2023
FMR Methodology

• FMRs are based on Standard Quality (SQ), Recent Mover (RM) Rents

• Most areas begin with a new benchmark
  – A standard quality rent from the 5-Year ACS (Puerto Rico uses the Puerto Rico Community Survey)
  – US Virgin Islands, Pacific Islands (American Samoa, Guam, Northern Marianas) based on Decennial Census data

• Recent Mover Adjustment
  – Relationship between 5-Year SQ and 1-Year RM Rents
  – Find smallest area with statistically valid 1-YR RM data
  – First examine single-year RM, then two-year RM
  – Cannot be less than 1
  – Multiply new benchmark rent (from 5-year SQ data) by Recent Mover Factor, so FMR is based on 1-year data for virtually all metropolitan areas.
FMR Methodology (cont’d)

• **Inflation Adjustment**
  – CPI measured 1-year change in gross rents for CPI metro areas and 4 Census Regions
  – Private rent measured 1-year change in gross rents for metro areas where available and 4 Census Regions
  – Take weighted average of the two such that the national weighted average change matches that of the national ACS recent mover rent

• **Trend Factor**
  – HUD forecast of expected growth in gross rents for CPI Metro areas and 4 Census Regions
FMR Calculations

ACS Based Measure of Gross Rents Paid by Recent Movers (5-year and 1-year) 2021

Gross Rent Inflation Adjustment Private Rent Data & BLS CPI Based 2021 to 2022

HUD Forecasted Expected Growth in Gross Rents Trend Factor 2022 to FY 2024

Available metro areas covered by at least 3 Private Data Sources and BLS Metro Area and Census Region

BLS Metro Area and Census Region

= FY 2024 Fair Market Rent
Small Area FMRs

• Small Area FMRs set by Zip Codes within Metropolitan Areas
  – Provide tenants greater Mobility Options to move to “Opportunity Neighborhoods”
    ✓ Jobs, Transportation, Good Schools
  – Multiple Payment Standards in a Metro Area
    – Reduce undue subsidy in lower-rent areas

• Required in administering the Housing Choice Voucher Program in 24 Metropolitan Areas
Resources

• Fair Market Rents
    o Query Tool Tab: Online Documentation System providing step by step details of FMR Calculations
    o Documents Tab: Official versions of Federal Register Notices, FMR Schedules, and other information
    o Data Tab: Electronic Versions of FMR Data

• FMR Surveys
  - https://www.huduser.gov/portal/datasets/fmr.html#fmrsurvey

• Historical Data
  - https://www.huduser.gov/portal/datasets/fmr.html#history

• OMB Bulletin – Metropolitan Area Definitions
  - https://www.whitehouse.gov/omb/bulletins/
Questions / Concerns

• Contact the staff of the Program Parameters and Research Division at:
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