

NAHMA HUD Update: Comments requested on proposed changes to Fair Market Rent (FMR) calculation

Dear NAHMA Members,

HUD is requesting public comment on recently proposed **methodological changes to Fair Market Rents (FMRs)**. Please submit comments to us regarding the attached Federal Register notice by **Wednesday, June 21st, 2017**.

An area's Fair Market Rent is the amount that would be needed to pay rent plus utility costs of privately owned, non-luxury, decent, and safe rental housing. HUD's FMR calculations are used to determine maximum monthly subsidy amounts in the Housing Choice Voucher (HCV) program; initial renewal rents for some expiring project-based Section 8 contracts; initial rents for housing assistance payment (HAP) contracts in the Mod Rehab program; rent ceilings for the HOME program; flat rent levels in Public Housing units; and homeless grant programs.

In response to accuracy, timeliness, and specificity concerns, HUD has proposed three methodical changes to the FMR calculation process, two of which apply to all FMRs and one of which applies only to Small Area Fair Market Rents (SAFMRs).

Proposed changes to the FMR calculation

1. Change the manner in which HUD uses American Community Survey (ACS) estimates

HUD is proposing to require that each ACS estimate used in the calculation of FMRs be based on at least 100 survey responses, in addition to the current criterion regarding the error ratio of the ACS data. If both criteria are not met, HUD will use an average of the three most recent years of data.

2. Change the way that HUD calculates the "recent mover factor"

HUD is proposing the use of "all-bedroom" recent mover rents as the basis for the recent mover factor when the two-bedroom recent mover rents are not statistically reliable, before moving to a larger encompassing geography for the recent mover factor.

3. Change the method HUD uses to estimate SAFMRs

HUD is proposing to use the gross rent estimates calculated by ZIP Code Tabulation Areas (ZCTAs) to estimate SAFMRs directly, rather than the "ratio" method HUD used in FY 2017 and earlier SAFMR estimates.

To view the attached notice online, please click [here](#).

As stated in the notice, HUD is requesting feedback on the following:

- Comments on proposed changes. Hypothetical FY17 FMRs and SAFMRs calculated using the proposed methodology can be viewed [here](#) and [here](#).
- Comments on these methodological changes, based on HUD's objectives to:

- Limit volatility in annual FMR changes by adding an observation count requirement of at least 100, and by averaging prior year rent data when the new requirements for statistical reliability are not met;
- Improve the use of local data in calculating the recent mover factor by allowing the use of “all-bedroom” observations in the calculation of the recent mover factor before using data from a larger area; and
- Involve the use of more local data in the calculation of Small Area FMRs when possible, including by using ZCTA gross rents and making changes to the rent ratio calculation.
- Comments on the possible effects of changes in FMR methodology on the achievement of fair housing and other civil rights goals and objectives, including increasing mobility of low-income persons to areas of high opportunity and lower poverty, and whether other methodological changes might better ensure appropriate fair housing outcomes.

Please send us your comments by Wednesday, June 21st, 2017.

Thanks,

Juliana

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NAHMA is the leading voice for affordable housing management, advocating on behalf of multifamily property managers and owners whose mission is to provide quality affordable housing.*

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