

Dear NAHMA Members,

Today, HUD published a Federal Register notice adopting **methodological changes to the calculation of Fair Market Rents (FMRs) for Fiscal Year 2018**. The notice adopts HUD's proposed changes and describes the methods used to calculate FY18 FMRs, which are available [here](#).

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 May 2017, HUD proposed three methodological 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).

Methodological Changes to the FMR calculation proposed by HUD in May 2017:

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

HUD proposed 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 proposed 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 proposed 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.

In June 2017, NAHMA submitted comments to HUD regarding the following aspects of Fair Market Rent calculations:

- Impacts of proposed changes on rent levels;
- Effectiveness of the methodological changes, based on HUD's objectives to limit volatility in annual FMR changes; improve the use of local data in calculating the recent mover factor; 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.
- 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.

To read NAHMA's comments to HUD on the proposed changes, please click [here](#).

HUD deemed most of the comments that addressed the proposed methodology changes as favorable to the changes:

Based on the limited number of comments received, which HUD termed “cautiously optimistic” about the changes, HUD has decided to implement each of the proposed methodological changes in the calculation of the FY18 FMRs.

Please submit any additional comments on the adoption of the methodology changes to the FMR calculation to us by Friday, September 22, 2017. To view the attached notice online, please click [here](#).

Thanks,

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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.