

# HUD Releases FY10 FMRS, Announces Consideration of Future Changes

## *NLIHC Memo to Members, July 31*

On July 29, HUD posted its proposed FY10 Fair Market Rents (FMRs) for public comment on the website [www.huduser.org](http://www.huduser.org). Once the notice is formally published in the Federal Register, likely to be August 4, advocates will have 30 days with which to comment on the methodology or the rent levels in a specific area. Final FMRs must be released by HUD on or before October 1.

FMRs are primarily used to determine payment standards and rent levels in the Section 8 Housing Choice Voucher program, but they are used in a variety of ways by a number of federal programs. According to the preface to the data, FMRs are meant to reflect “the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities.” Practically, FMRs are generally set at a level that HUD determines is the 40<sup>th</sup> percentile rent for standard quality rental in a metropolitan area or rural county.

In some metropolitan areas, where vouchers and affordable units appear to be concentrated in a limited number of neighborhoods, the FMR is set at the 50<sup>th</sup> percentile, to increase the number and the geographic distribution of the units a voucher holder can afford. HUD regularly assesses whether given areas meet the criteria for a 50<sup>th</sup> percentile FMR. This year HUD reviewed Baltimore; Bergen Passaic, NJ; Dallas; Fort Lauderdale; Grand Rapids, MI; New Haven, CT; Philadelphia; Providence, RI; Sacramento; San Diego; Washington, DC; and West Palm Beach.

As a result of this review, Grand Rapids became eligible for 50<sup>th</sup> percentile status this year. Fort Lauderdale and West Palm Beach, already designated 50<sup>th</sup> percentile areas, continued to be eligible. In addition, three cities enrolled in the Moving to Work program that had been removed from the 50<sup>th</sup> percentile list for a lack of data, Baltimore, New Haven, and Philadelphia, were included this year after providing additional data on their voucher holders. HUD determined that Washington, DC, which was also in this category, did not produce sufficient data and would remain at the 40<sup>th</sup> percentile unless it provided data prior to October 1. Under HUD regulations, an area designated a 50<sup>th</sup> percentile area that does not show progress toward deconcentrating its voucher holders geographically within three years becomes ineligible for the designation and can not be reevaluated for another three years. Under this provision, Dallas loses its 50<sup>th</sup> percentile FMR designation and will be eligible again only with the release of the FY13 FMRs.

HUD made only one methodological change to the FMRs for FY10, related to the way in which HUD determines whether a variation in rents between 2006 and 2007, as indicated by the Census Bureau’s American Community Survey, is in fact significant. This year, HUD is using a formal test of statistical significance. If a change between 2006 and 2007 data is determined not to be statistically significant, the 2006 rent is used, to minimize fluctuations from year to year. NLIHC will continue to assess the data, but the impact of this change appears to be minor.

With the release, however, HUD also announced that it is considering future reforms to how FMRs are calculated that are not reflected in the proposed FY10 FMRs. HUD will publish a future Federal Register notice outlining these reforms and asking for public comment. Though the notice does not reveal the nature of the changes being considered, pressure has been building on HUD for some time to reform the way FMRs are calculated, particularly to better reflect the often extreme variations in rent within large metropolitan areas and large counties.

The proposed FY10 FMRs, along with supporting material, historical data, and a system to see how individual areas' FMRs are determined can be found at:

<http://www.huduser.org/datasets/fmr.html>