

Fair Market Rents

Introductory Overview

Prepared By:

Program Parameters and
Research Division

Office of Economic Affairs



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 through 2016 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



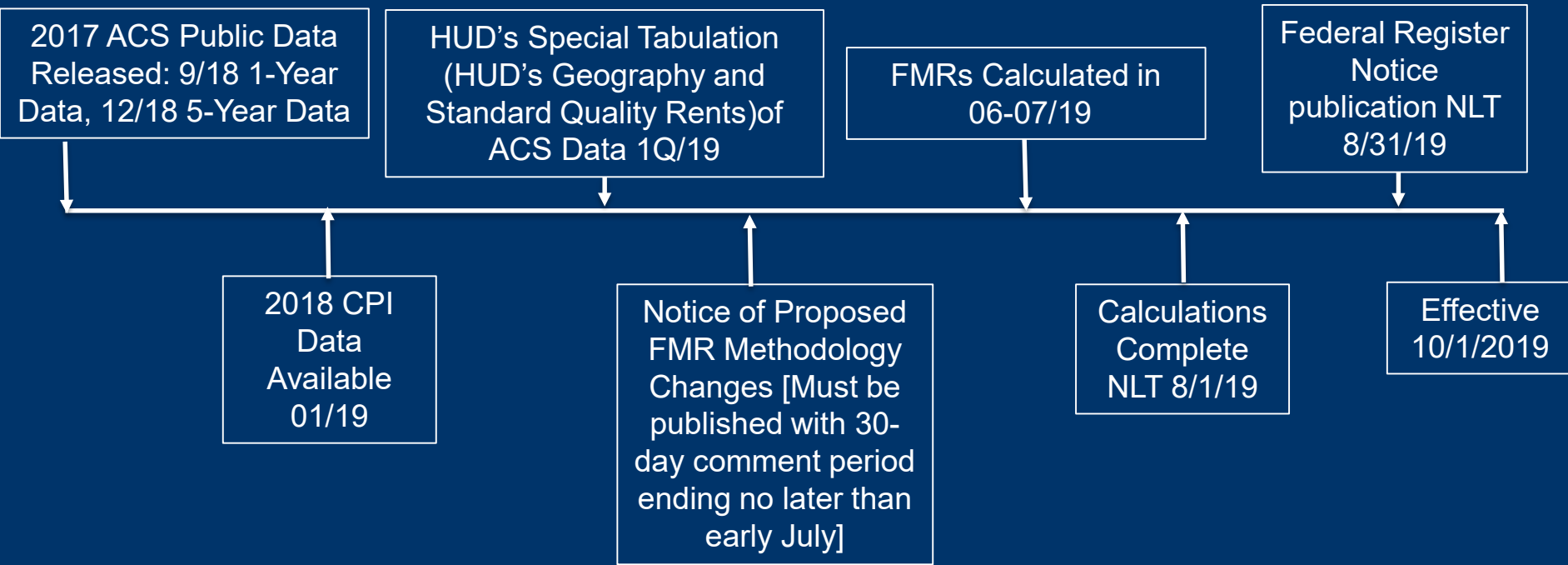
How are FMRs used?

- **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 2020 FMR Timeline:**



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
 - 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.

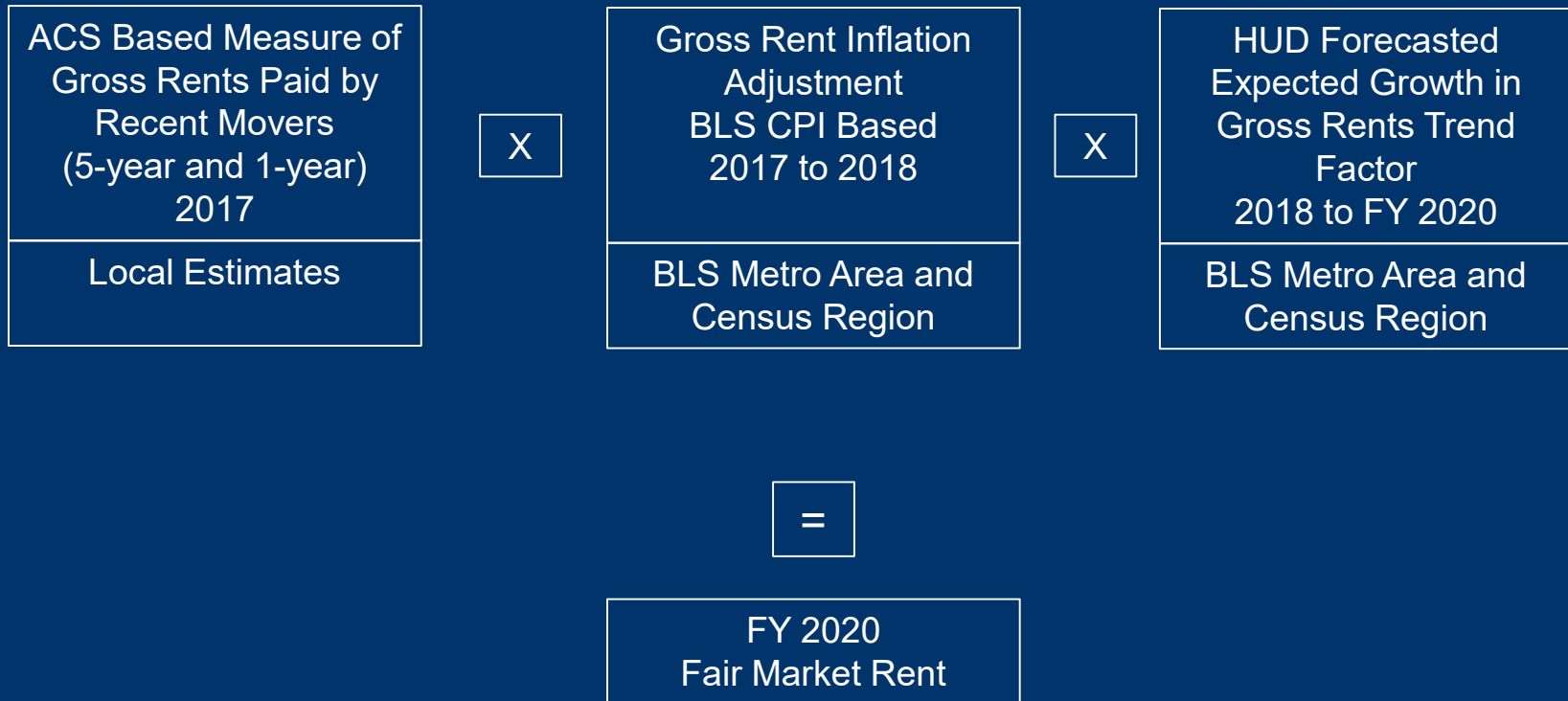


FMR Methodology (cont'd)

- **CPI Adjustment**
 - CPI measured 1-year change in gross rents for CPI metro areas and 4 Census Regions
 - New area definitions for CPI used in FY 2020 FMRs
- **Trend Factor**
 - HUD forecast of expected growth in gross rents for CPI Metro areas and 4 Census Regions



FMR Calculations



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**
 - <http://www.huduser.org/portal/datasets/fmr.html>
 - Query Tool Tab: Online Documentation System providing step by step details of FMR Calculations
 - Documents Tab: Official versions of Federal Register Notices, FMR Schedules, and other information
 - 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:

- pprd@hud.gov



PD&R