



# Exploring Changes to HUD and Census Data

National Council of Housing Market Analysts  
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# HUD Data

- [American Housing Survey](#)
- [US Housing Market Conditions](#)
- HUD Tenant Data
- [LIHTC Property/Tenant Data](#)

Parameters in support of Affordable Housing Program Operations

- [Fair Market Rents](#)
- [Median Family Incomes and Income Limits](#)
- [Qualified Census Tracts/Difficult to Develop Areas \(QCTs/DDAs\)](#)
- Operating Cost Adjustment Factors



# What are FMRs?

Fair Market Rents (FMRs) are estimates of gross rents for standard quality units within a geographic market area.

- **Gross Rent** - cost of the shelter plus utilities for a standard quality unit
  - **Contract rent** - The rental payment agreed to in a lease (this could be shelter rent, gross rent, or somewhere in between)
  - **Utilities** - All major utilities except telephone, cable or satellite television, and internet services
- **Standard Quality** - occupied rental unit paying cash rent; specified renter on 10 acres or less; with full plumbing; with full kitchen; unit more than 2 years old; and meals not included in rent.
- **Recent Mover** - renter households that moved to their present residences within the past 2 years.
- Used mainly in the Housing Choice Voucher program to determine “payment standards” (normally from 90-110% of FMR), but also used in other HUD programs





# Statutory and Regulatory Matters

- Statute: [42 USC 1437f \(regarding low-income housing assistance\)](#)
  - FMRs must be published no less than annually
  - FMRs must utilize most recent data available
  - Requests for Re-evaluation
    - New FMRs placed on hold during re-evaluation period
- Regulations: [24 CFR 888.113](#)
  - FMRs will be calculated at the 40th percentile
  - FMRs will use accurate and current data (ACS, local surveys, etc.)
  - FMRs will include estimates for units with a various number of bedrooms
  - Rules for required Small Area FMR use



# FMR Geographies

- **Metro Areas**
  - Generally based on OMB Core-Based Statistical Areas
  - HUD Metro FMR Areas (HMFAs) are created as an exception in certain cases
    - Pre-2003 PMSA boundaries
    - When a new county added to a metropolitan area
    - New England: Before 2000, metro areas were based on towns; To prevent large changes in FMRs, HUD maintains the town-based metro area definitions
- **Non-Metropolitan Counties**
- **U.S. Postal Service ZIP code areas within metropolitan areas (SAFMRs)**



# Typical Methodology

## 1. Base Rent

- Start with an area's 5-year ACS estimate of standard quality rent

## 2. Recent Mover Adjustment

- Adjust rents to a more recent estimate using the 1-year ACS recent mover rent

## 3. Inflation Adjustment

- Adjust recent rents to the current year with the CPI's 1-year change in gross rents for CPI metro areas and 4 Census Regions

## 4. Trend Factor

- Forecast rent estimates for the upcoming fiscal year based on expected growth in gross rents



# FY 2023 FMR challenges

- Cancellation of the 1-year 2020 ACS estimates
- High volatility in the rental housing market



# Cancellation of the 1-year 2020 ACS estimates

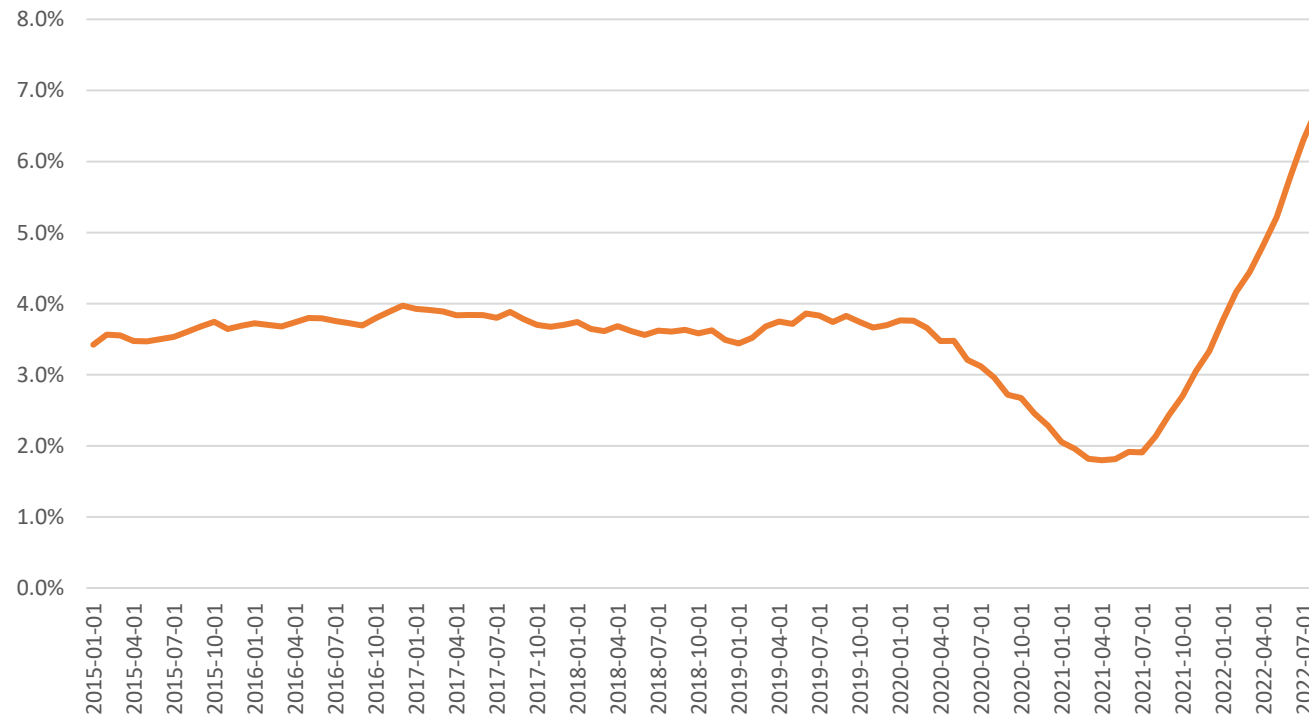
- HUD relies on the 1-year American Community Survey (ACS) for FMR recent mover adjustments
- In late 2021, the U.S. Census Bureau announced that it will not release its standard 1-year estimates from the 2020 ACS because of the COVID-19 impact on data collection
- Instead, Census produced a limited set of experimental estimates at the national and state level, but not HUD's special tabulations, which rely on metropolitan-level data





# High volatility in the rental housing market

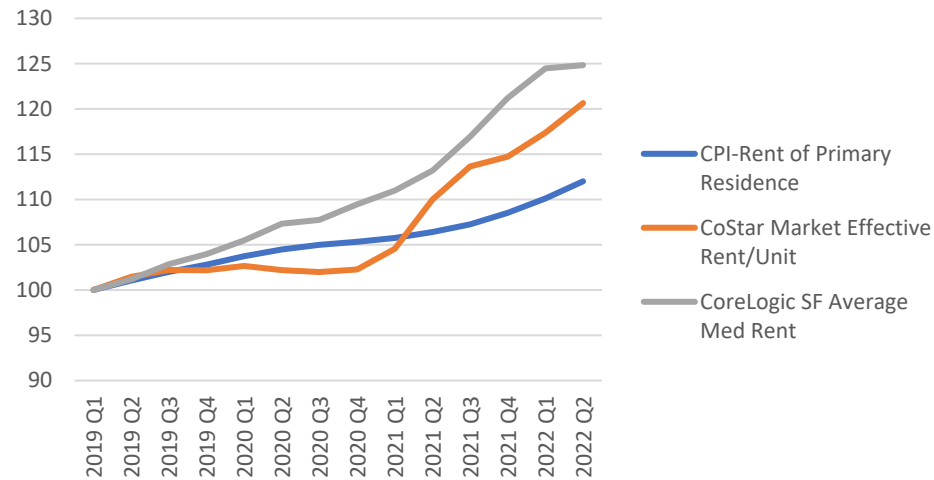
CPI Rent of Primary Residence – Year over Year Percent Change



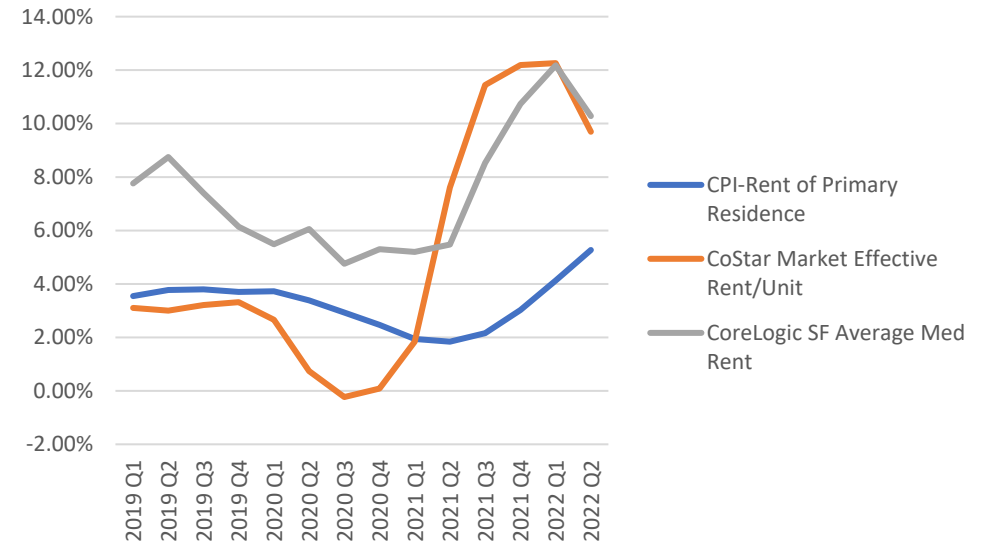


# High volatility in the rental housing market

Rent Comparison – 2019 = 100

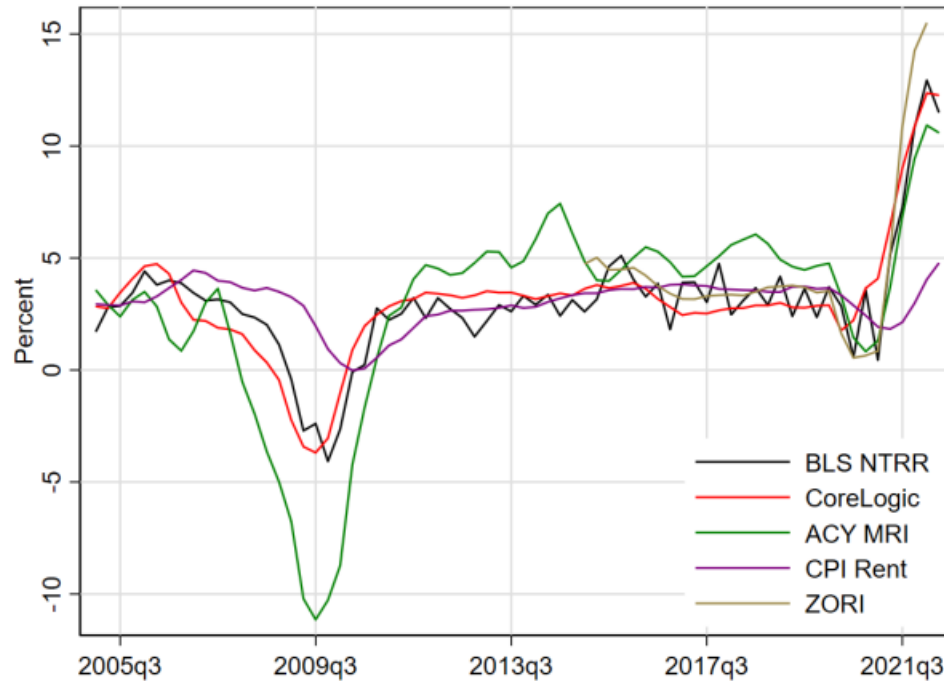


Rent Comparison – Year over Year growth





# High volatility in the rental housing market

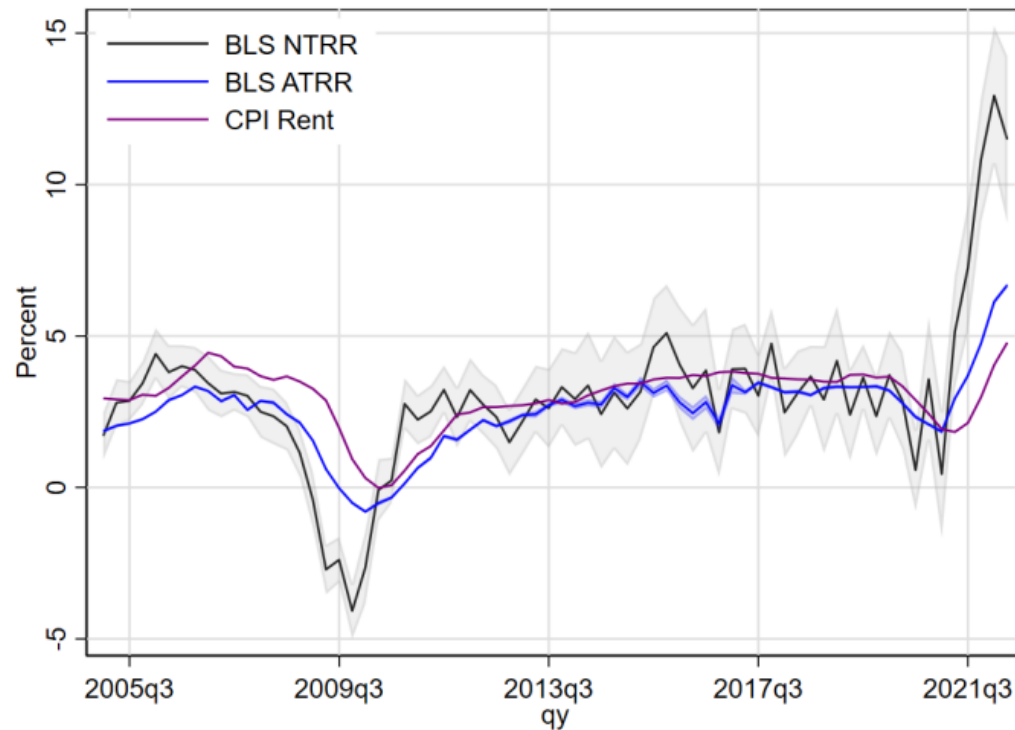


Source: “[Disentangling Rent Index Differences: Data, Methods, and Scope](#)” Adams, Loewenstein, Montag, Verbrugge.

**Figure 1.** COMPARISONS OF RENT INDICES. *Note:* A comparison of BLS Shelter Index, Publicly Available Rent Indices, and Our New-Tenant Repeat Rent Index whose construction is described in Section 3. *Source:* BLS Housing Survey, Corelogic SFRI, Zillow (ZORI) and Ambrose et al. (2022) for the ACY MRI.



# High volatility in the rental housing market



Source: “[Disentangling Rent Index Differences: Data, Methods, and Scope](#)” Adams, Loewenstein, Montag, Verbrugge.

**Figure 2.** NTRR VERUS ATRR. Note: CPI Rent is rent of primary residence. The construction of ATRR and NTRR are described in Section 3. Source: BLS Housing Survey.



# Changes in Methodology

Private sector rent estimate data is used in conjunction with public data in two FMR calculation steps

2) Recent Mover Adjustment

3) Inflation Adjustment



# Private Rent Data

- Several private companies provide estimates of market rents. These estimates are often much timelier than the ACS and CPI.
- Research has shown that the change in rents captured by these sources are a reasonable proxy for the change in rent measured by the ACS and CPI.
- HUD used private rent data in designating areas with significant rental market fluctuations for expedited exception payment standard waivers in [PIH Notice 2022-09](#)
- HUD only uses private rent data in calculating FMRs in areas that are covered by at least 3 sources (out of 6 considered)



# Recent Mover Adjustment

- Why is it changed for FY 2023?
  - Impacted by the unavailability of ACS 2020 1-year estimates
- Method for FY 2023
  - Retain ACS 2019 1-year recent mover rent estimate:
    - Where private sector rent data is available, inflate the 2019 estimate by the annual percent change in gross rents by using a weighted average of private sources (60%) and the CPI (40%)
    - Where private sector data is not available, we use only the CPI
  - Take the average of the recent mover factor calculated using the inflated 2019 rent and the ACS 2020 **5-year** recent mover estimate



# Inflation Adjustment

- What does the inflation adjustment do?
  - Calculates rents "as of" 2021
- Why is it changed for FY 2023?
  - Impacted by the unusually rapid rise in rents in 2021
- New method
  - Where private data is available, we calculate the relevant (regional or local) 2020 to 2021 annual percent change in gross rent using a weighted average of private sources (60%) and the CPI (40%)
  - Where private data is not available, we use only the CPI





# Inflation Adjustment

- Private data allows for increased “localization” of inflation adjustments
- Old method – Nashville, Memphis, Knoxville, Chattanooga, Kingsport, etc. – all used the South Region CPI Adjustment
- New method – each of these metro areas has its own inflation factor
  
- About 83% of the country (by population) covered by private data, compared to 39% for local CPI



# Request for Public Comment

- On July 13, HUD published a notice of Proposed Changes and solicited comments from the public
- Received 67 comments from municipal housing authorities, housing nonprofits, research centers, and current voucher holders
- Many commenters support the use of private data sources, with some supporting continued use after FY 2023. Some expressly stated their belief that private data sources more accurately reflect the current prices in the rental market.
- There was concern that current calculation methods cause FMR amounts to consistently lag behind actual rent amounts.



# Revised FY 2023 Methodology

## 1. Base Rent

- Start with an area's 5-year ACS estimate of standard quality rent

## 2. Recent Mover Adjustment

- Adjust rents to a more recent estimate with the previous year's 1-year ACS recent mover rent and a combination of CPI inflation data and private data, where available, along with 5-year ACS 2020 recent mover data

## 3. Inflation Adjustment

- Adjust recent rents to the current year with the CPI's 1-year change in gross rents for CPI metro areas and 4 Census Regions and private data, where available

## 4. Trend Factor

- Forecast rent estimates for the upcoming fiscal year based on expected growth in gross rents



# FMR Area with Private Data

## 2. Recent Mover Adjustment Factor Calculation

Since Columbus, OH HUD Metro FMR Area is covered by at least 3 private data sources, the calculation of the recent mover adjustment factor is as follows:

Area	ACS <sub>2019</sub> 1-Year Adjusted Standard Quality Recent-Mover Gross Rent	Average of Private Sources Annual Rent % Change 2019-2020	CPI Shelter Rent % Change 2019-2020	Combination of Private Sources and CPI (Shelter Rent Change)	Gross Rent Inflation Factor Calculation (Weighted Average of Shelter Rent and Utilities Changes)	ACS <sub>2019</sub> Recent Mover Rent Inflated to 2020	ACS <sub>2020</sub> 5-year All Mover Rent	Ratio
Columbus, OH HUD Metro FMR Area	\$966	1.03938	1.03173	$(1.03938 * 0.6) + (1.03173 * 0.4) = 1.03632$	$(1.03632 * 0.80863) + (0.99854 * 0.19137) = 1.02909$	$\$966 * 1.02909 = \$994$	\$948	$\$994 / \$948 = 1.04852$

Area	ACS <sub>2020</sub> 5-Year Adjusted Standard Quality Recent-Mover Gross Rent	ACS <sub>2020</sub> 5-year All Mover Rent	Ratio
Columbus, OH HUD Metro FMR Area	\$1,014	\$948	$\$1,014 / \$948 = 1.06962$

Area	Average of Recent-Mover Ratios	Final Recent-Mover Adjustment Factor
Columbus, OH HUD Metro FMR Area	$(1.06962 + 1.04852) / 2 = 1.05907$	$1.05907 \geq 1.0$ Use calculated Recent-Mover Adjustment Factor of 1.05907





# FMR Area with Private Data

### 3. Inflation Adjustment Factor Calculation

Since Columbus, OH HUD Metro FMR Area is covered by at least 3 private data sources, the calculation of the inflation adjustment factor is as follows: Compute the average change in rent measured by available private sector rent data sources between 2020 and 2021, compute the change in shelter rent between 2020 and 2021 measured by CPI local or regional CPI, compute a weighted average of the private and CPI rent changes, then compute the gross rent inflation factor as a weighted average of the combined private and CPI shelter rent increases and local or regional CPI utility price increases. The result inflates gross rents to be "as of" 2021.

	Average of Private Sources Annual Shelter Rent % Change 2020-2021	CPI Shelter Rent % Change 2020-2021	Combination of Private Sources and CPI (Shelter Rent Change)	Gross Rent Inflation Factor Calculation (Weighted Average of Shelter Rent and Utilities Changes)	Type
Inflation Update Factor	1.06784	1.03003	$(1.06784 * 0.6) + (1.03003 * 0.4) = 1.05272$	$(1.05272 * 0.79141) + (1.08649 * 0.20859) = 1.05976$	Private Sources + CPI Update Factor



# FMR Area without Private Data

## 2. Recent Mover Adjustment Factor Calculation

Since Barbour County, AL is not covered by at least 3 private data sources or does not have a local 2019 recent mover estimate, the calculation of the recent mover adjustment factor is as follows:

Area	ACS <sub>2019</sub> 1-Year Adjusted Standard Quality Recent-Mover Gross Rent	CPI Gross Rent % Change 2019-2020	ACS <sub>2019</sub> Recent Mover Rent Inflated to 2020	ACS <sub>2020</sub> 5-year All Mover Rent	Ratio
Barbour County, AL	\$646	1.02916	$\$646 * 1.02916 = \$665$	\$588	$\$665 / \$588 = 1.13095$

Area	ACS <sub>2020</sub> 5-Year Adjusted Standard Quality Recent-Mover Gross Rent	ACS <sub>2020</sub> 5-year All Mover Rent	Ratio
Barbour County, AL	\$645	\$588	$\$645 / \$588 = 1.09694$

Area	Average of Recent-Mover Ratios	Final Recent-Mover Adjustment Factor
Barbour County, AL	$(1.09694 + 1.13095) / 2 = 1.11394$	$1.11394 \geq 1.0$ Use calculated Recent-Mover Adjustment Factor of 1.11394



# FMR Area without Private Data

### 3. Inflation Adjustment Factor Calculation

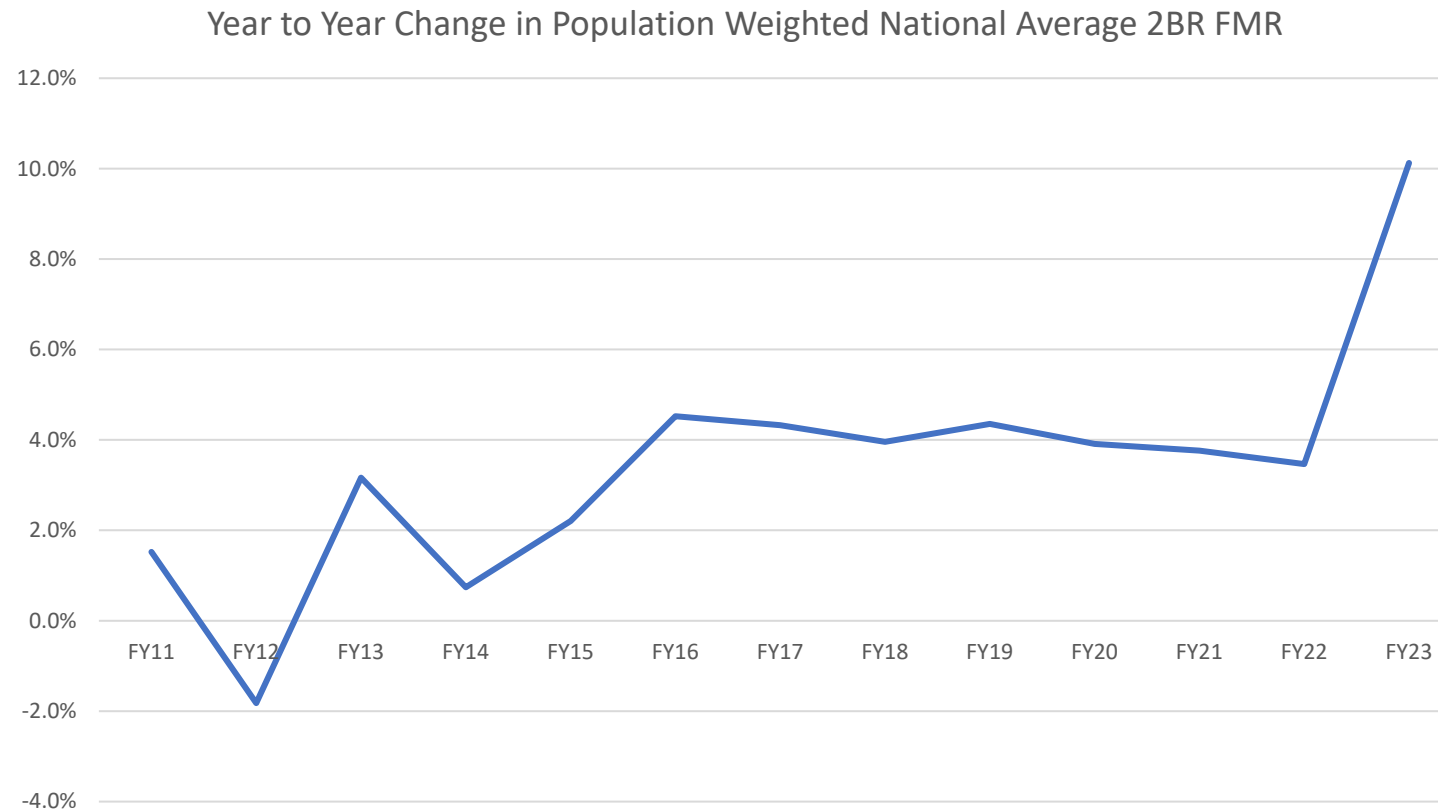
Since Barbour County, AL is not covered by at least 3 private data sources, the calculation of the inflation adjustment factor is as follows: HUD updates the 2020 intermediate rent with the ratio of the annual 2021 local or regional CPI to the annual 2020 local or regional CPI to establish rents as of 2021.

	Update Factor	Type
Inflation Update Factor	<a href="#">1.0319</a>	Region CPI



# Large Rent Increases Nationwide

The population-weighted national average two-bedroom FMR increased 10.4%, from \$1,284 to \$1,418. Since 2015, the average increase has been ~4%, so this is more than double a typical year.







# Additional Program Flexibilities

HUD NOTICE PIH 2022-30 – Extends the authority for PHAs to receive expedited approval of payment standards above 110% and up to 120% of the FMR

[https://www.hud.gov/sites/dfiles/PIH/documents/PIH%202022-30\\_Streamlined\\_Payment\\_Standard\\_HCV\\_Waivers\\_Notice.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/PIH%202022-30_Streamlined_Payment_Standard_HCV_Waivers_Notice.pdf)



# Changes: Next Year

- Methodology changes only apply to *this year*. Next year, return to using the ACS 2021 1-year recent mover rent estimate



# Resources, Comments and Questions

- General questions [pprd@hud.gov](mailto:pprd@hud.gov)
- FMRs online:  
<https://www.huduser.gov/portal/datasets/fmr.html>
  - Use the button 'Click Here For FY2023 FMRs' to access detailed calculation explanations



# 2023 HUD Median Family Incomes and Income Limits



# Calculating Median Family Income

## Step 1: Calculate estimate of MFI for the fiscal year

Median family income (MFI) data from the American Community Survey ([Table B19113](#)) is the basis for HUD's 4-person VLIL. However, at the time of collection the data is not of the current fiscal year. Therefore, it must be trended forward using an inflation factor using the steps below:

- A. Determine Base Estimate
  - Use 1-year data - check for reliability using (margin of error and sample count); or
  - Use 5-year data – if there is not a reliable 1-year estimate
  - Still, if there is not a reliable 5-year estimate, use average last 3 years of 5-year estimates (only minimally reliable estimates are used or MOEr test – see below)
  - If no minimally reliable estimates from the last 3 years, use higher geography
  - **Reliability criteria:** The margin of error for the estimate must be less than 50% of the estimate itself and the ACS estimate must be based on at least 100 survey cases
- B. Calculate an inflation factor to trend the ACS forward to the current fiscal year
- C. Apply inflation factor to ACS MFI base estimate for the current fiscal year; round to the nearest \$100.



# ACS Estimates of Median Family Income

- In recent years, HUD has used the data from the ACS year that is 3 years behind the fiscal year. FY 2022 Income Limits were based on ACS 2019 data.
- This means that FY 2023 Income Limits would ordinarily be based on ACS 2020 data.
- However, as discussed previously, the Census Bureau did not release ACS 2020 1-year data.



# ACS Estimates of Median Family Income

- Although 5-year estimates of Median Family Income exist, when comparing the 5-year estimate to the 1-year estimate for the same area, the 5-year estimate is lower on average.

	2015	2016	2017	2018	2019
	Difference = MFI_2015_5Y R - MFI_2015_1Y R	Difference = MFI_2016_5Y R - MFI_2016_1Y R	Difference = MFI_2017_5Y R - MFI_2017_1Y R	Difference = MFI_2018_5Y R - MFI_2018_1Y R	Difference = MFI_2019_5Y R - MFI_2019_1Y R
Mean	-2.7%	-3.7%	-3.7%	-2.4%	-3.8%



# 2023 HUD Median Family Incomes and Income Limits

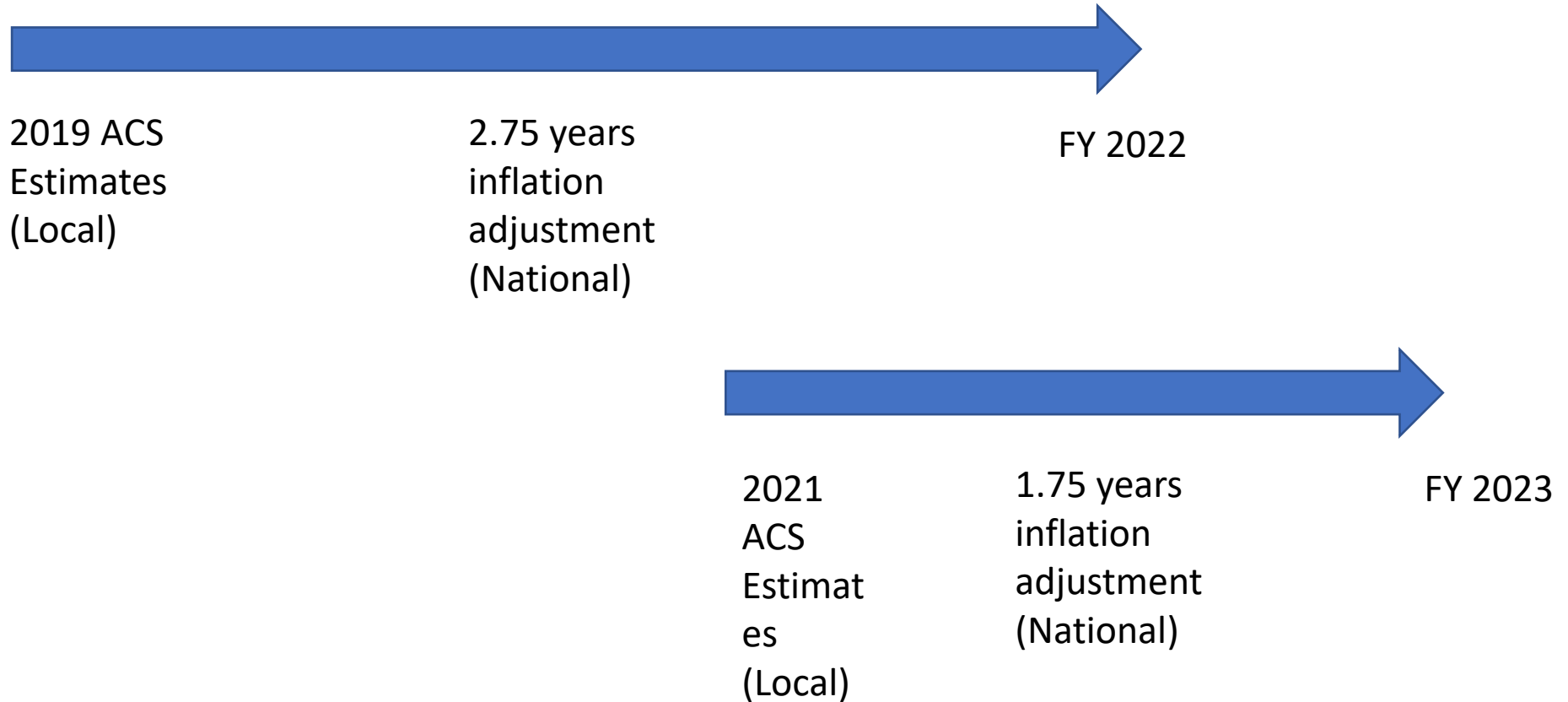
- For 2023, HUD is electing to “skip” the ACS 2020 and use ACS 2021 data.
- In order to allow the additional time needed to obtain the ACS 2021 data and calculate the resulting parameters, HUD is targeting a **May 15, 2023** release date for FY 2023 Income Limits.

<https://huduser.gov/portal/datasets/il/il23/Statement-on-FY-2023-Income-Limits.pdf>





# Changing ACS basis reduces length of national inflation adjustment





# Policy Context

- HUD serves over 4 million low-income families through the “big” rental assistance programs – Housing Choice Voucher, Public Housing, and Project Based Rental Assistance
- Income limits define eligibility for these programs as well as for many of HUD’s grant programs
- Income limits should define a similar share of households as HUD-eligible year after year
- Nationally, about 40% of households are Low Income; 25% are Very Low Income
- HUD evaluates this through the “CHAS” data
  - <https://www.huduser.gov/portal/datasets/cp.html>