

MAY 31 1994

MEMORANDUM FOR: Ann Cohen, Director, PHD, 3PH  
John Kane, Director, CPD, 3C  
Michael Perretta, Director, HDD, 3HD  
Sidney Severe, Director, Housing, 3H

FROM: Jan Vagassky, Regional Economist, 3SRM

SUBJECT: Fiscal Year 1994 Income Limits  
HUD Notices PDR-94-02 & -03

Attached are the Fiscal Year 1994 Income Limits, transmittal memoranda, and area definitions for the Philadelphia jurisdiction. Income Limits are effective May 31, 1994.

Please note, this year's income limits are the first to use the new metropolitan area definitions, designated by the Office of Management and Budget (OMB). We recommend that copies of the income limits sent to your clients be accompanied by the dated transmittal memorandum and the geographic definitions of income limit areas.

Area EMAS in Region III have been instructed to provide the lists and pertinent information to the local office.





Special Attention of:

**NOTICE** PDR-94-02

Secretarial Representatives,  
State/Area Coordinators, Economists,  
Public & Indian Housing Division Directors,  
Housing Management Division Directors

Issued: May 31, 1994  
Expires: Effective until superseded

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Cross References:

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Subject:

Transmittal of Fiscal Year 1994 Income Limits for  
Low-Income and Very Low-Income Families Under the  
Housing Act of 1937

This notice transmits revisions in the income limits used to define the terms "very low-income" and "low-income" in accordance with Section 3(b)(2) of the United States Housing Act of 1937, as amended, and with Title VIII of Cranston-Gonzalez National Affordable Housing Act of 1990. These income limits are listed by dollar amount and family size, and are provided for each Metropolitan Statistical Area (MSA), Primary Metropolitan Statistical Area (PMSA), and nonmetropolitan county in the attached lists.

Section 8 income limits are used to determine if an applicant for the Public Housing, Section 8, or other program subject to Section 3(b)(2) meets the relevant income eligibility requirement for admission. The revised income limits are based on HUD estimates of median family income for Fiscal Year 1994 which, in turn, are based on updated 1990 Census estimates. These income limits are the first to make use of Section 8 Fair Market Rents and area definitions based on 1990 Census data.

The use of the new metropolitan area definitions leads to both increases and decreases in median family income estimates and income limits. Use of FMRs rebenchmarked with 1990 Census data also produces some changes in income limits. No further rebenchmarking of income limits is anticipated until after the next Census, except due to occasional changes in metropolitan area definitions. The eligibility for continued program participation by those already receiving HUD assistance is not affected by decreases in income limits.

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By statute, the definition of "very low-income" is tied to "50 per centum of median family income" for an area, and the definition of "low-income" is tied to "80 per centum of the median family income" for the area. As required by statute, the meaning of the term "area" is affected by whether the local median family income is less than the respective State's nonmetropolitan median family income. In addition, the statute provides for adjustments to income limits for areas with unusually high or low incomes in relation to housing costs.

Income limits are calculated using formula relationships. The first step is to calculate what they would be if no adjustments are needed for unusually high or low incomes or housing costs. Adjustments are then made only if the resulting income limits are outside of formula constraints. More specifically, the very low-income limit for a four-person family is set as the higher of:

- 50 percent of the area median family income; or,
- 50 percent of the State nonmetropolitan median family income for the State in which all or most of the area is located; or,
- the income at which 35 percent of income would pay for a unit renting at 85 percent of the typical rent for an existing two-bedroom unit in the area, as measured by the Section 8 Fair Market Rent (FMR) standard.

The purpose of the last calculation is to adjust for areas where rental housing costs are unusually high in relation to the median income level. A parallel adjustment to constrain income limits is made for a small number of areas where rental housing costs are unusually low relative to income levels. The guideline used is that the maximum income limit for a four-person very low-income family is set such that 30 percent of that amount will permit a family to afford a unit renting at 120 percent of the FMR (the statutory rent limit in the Section 8 Certificate and Voucher programs). In no instance, however, are income limits set below those based on the State nonmetropolitan median income level.

Most low-income limits are based on 80 percent of the appropriate area median family income estimate. For areas where very low-income limits were adjusted because of unusually high or low income-to-housing-cost ratios, the low-income limits also were proportionately adjusted. As in previous years, the U.S. median family income estimate (\$39,900 for FY 1994) is used as a "cap" on the four-person limit.

The family size adjustment factors required by statute are intended to provide higher income limits for larger families and

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lower income limits for smaller families. The factors used are as follows:

Number of Persons in Family and Percentage Adjustments

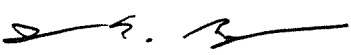
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
70%	80%	90%	Base	108%	116%	124%	132%

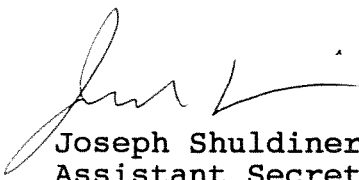
Income limits for families with more than eight persons are not included in the printed lists because of space limitations. For each person in excess of eight, 8 percent of the four-person base should be added to the eight-person income limit. (E.g., the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) All income limits are rounded to the nearest \$50 to reduce administrative burden.

For purposes of HUD programs, income limits approved for Indian Trust Lands remain in effect unless superseded by higher FY 1994 income limits.

HUD field offices with assisted housing program responsibilities are responsible for maintaining complete and up-to-date records of all current income limits established for areas within their jurisdiction. Notice of all income limit revisions should be promptly distributed to program participants, and Field Offices should be prepared to make income limits available to the public upon request.

Requests from the public for sets of national or regional income limits may be referred to HUD USER, whose toll-free number is 1-800-245-2691 (301-251-5154 in the Washington, DC area). Questions related to how these income limits apply to the programs of State and other Federal agencies should be referred to those agencies. Questions concerning the methodology used to develop these income limits are addressed in the briefing material supplied to all HUD field economists and also available through HUD USER.

  
 Nicolas P. Restsinas,  
 Assistant Secretary for Housing -  
 Federal Housing Commissioner, H

  
 Joseph Shuldiner,  
 Assistant Secretary for  
 Public and Indian Housing, P

Attachment







Special Attention of:

## NOTICE PDR-94-01

Secretarial Representatives,  
State/Area Coordinators, Economists

Issued: May 31, 1994  
Expires: Effective until superseded

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Cross References:

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Subject:

Estimated Median Family Incomes for Fiscal Year 1994

This memorandum transmits median family income (MFI) and income distribution estimates for Fiscal Year 1994 (FY 1994) for all Metropolitan Statistical Areas (MSAs), Primary Metropolitan Statistical Areas (PMSAs) and nonmetropolitan counties. The estimated median family income for the United States for FY 1994 is \$39,900. The median increase in local area median family incomes was 2.2 percent. The 1994 national income estimate is only slightly higher than the estimated 1993 median family income estimate, partly due to lower than projected inflation and partly due to a change in the data used for estimates.

The FY 1994 MFI estimates are based on 1990 Census median family income estimates updated to 1994 with a combination of Bureau of Labor Statistics earnings and employment data and Census Divisional P-60 median family income data. Attachment 1 provides an explanation of the methodology used to develop these estimates. Attachment 2 provides median income estimates for States, and Attachment 3 provides local estimates of median family incomes.

All metropolitan area estimates are based on the area definitions used to develop HUD's Section 8 program Fair Market Rents. These area definitions are generally the same as those released by the Office of Management and Budget on June 30, 1993.

Please note that the use of the HUD median family income estimates and income limits is subject to individual program guidelines covering definitions of income and family, family size, effective dates, and other factors. If you have any

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questions concerning these income estimates, please refer them to your Office's economist. Public inquiries may be referred to HUD USER, whose toll-free number is 1-800-245-2691 (use 301-251-5154 in the Washington metropolitan area).



Michael A. Stegman,  
Assistant Secretary for Policy  
Development and Research, T

Attachments



## Attachment 1

### HUD METHODOLOGY FOR ESTIMATING FY 1994 MEDIAN FAMILY INCOMES (ECONOMIC AND MARKET ANALYSIS DIVISION, OFFICE OF ECONOMIC AFFAIRS, PD&R)

FY 1994 HUD estimates of median family income are based on 1990 Census data estimates updated with a combination of local Bureau of Labor Statistics data and Census Divisional data. Separate median family income estimates (MFIs) are calculated for all Metropolitan Statistical Areas (MSAs), Primary Metropolitan Statistical Areas (PMSAs), and nonmetropolitan counties.

The income adjustment factors used to update the 1990 Census-based estimates of MFIs are developed in several steps. Average wage data from the Bureau of Labor Statistics (BLS) were available for 1989 through the end of 1991 at a county level, and were aggregated to the metropolitan area level for multi-county metropolitan areas. Census Divisional level median family and household income estimates were available from the Current Population Report March 1989-93 surveys. These data were then used to update mid-1989 income estimates from the 1990 Census to the middle of 1992. The mid-1992 estimates were then trended forward to mid-FY 1994 using factors based on past P-60 Series trends. The step-by-step normal procedures as well as the exception procedures used are as follows:

- (1) Estimate mid-1989 local median family incomes using 1990 Census data. (Current HUD Section 8 Fair Market Rent (FMR) program definitions are used to define metropolitan areas, which are normally the same as Office of Management and Budget metropolitan area definitions.)

- (2) Calculate the BLS wage change factors for each Census Division for the 1989-91 period as follows:

$$\frac{\text{Census Division BLS Wages (1991)}}{\text{Census Division BLS Employees (1991)}} = \text{2-year BLS wage increase factor for Census Division}$$
$$\frac{\text{Census Division BLS Wages (1989)}}{\text{Census Division BLS Employees (1989)}}$$

- (3) Calculate the change in median family and household incomes for the nine Census Divisions for the 1989-1992 period using Census P-60 series data. (Changes in 1991-92 median household income are used in place of family income changes because of the timing of data availability.)

$$\frac{\text{Census Division P-60 MFI (1992)}}{\text{Census Division P-60 MFI (1989)}} = \text{3-year increase factor for Census Division P-60 Median Family Income}$$

- (4) Compare the BLS and P-60 series Census Divisional factors calculated in steps 2 and 3 to provide a means of adjusting local BLS wage factor changes so that they aggregate to the same change factor as P-60 changes in family incomes.

$$\frac{\text{3-year increase factor for Census Division P-60 MFI}}{\text{2-year increase factor for Census Division BLS Wages}} = \text{3-year ratio of Census Division P-60 MFI to 2-year ratio of Census Division BLS wage changes}$$



- (5) Calculate the 1989-92 increase factors for the individual metropolitan areas and nonmetropolitan counties by applying the Census Divisional index factors from step 4 to local BLS data.

$$\frac{\text{Local BLS Wages (1991)}}{\text{Local BLS Employees (1991)}} * \frac{\text{3- to 2-year ratio of Census Division P-60 MFI to Census Division BLS wages}}{=} = \frac{\text{3-year income adjustment factor for MSA or County}}{=} = \text{1989 to mid-1992 MFI adj. factor}$$

- (6) Convert 1989-92 step 5 change factor to a 1989-1994 change factor by applying an annual trending figure of 4.0 percent to the mid-1992 to April 1, 1994 period. (Use of a trending factor is necessary because of lags in Bureau of Labor Statistics and P-60 Series data availability; the 4.0 percent factor is based on national income change patterns in recent years.)

$$(\text{Step 5 adj. factor}) * 1.04 * 1.03 = \text{1989 to mid- FY 94 adj. factor}$$

- (7) Calculate median family incomes for FY 1994 by multiplying the step 1 Census estimate of median family income by the income adjustment factor derived in Step 6.

$$1990 \text{ Census Median Family Income} * \text{Step 6 factor} = \text{FY 1994 MFI est.}$$

- (8) Compare the MFI estimates from step 7 with median family income estimates based on post-1989 American Housing Survey (AHS) estimates of median family income updated to 1994. Past analysis shows that there is 95 percent likelihood that the true local median family income is within 6 percent of the AHS-based estimate. For areas where an AHS-based estimate differs by more than 6 percent from the Census-based estimate, local MFI estimates are increased or decreased so that they are within 6 percent of the AHS-based estimate.
- (9) Compare the 1994 MFI estimate with the 1993 MFI estimate. If the 1993 estimate is higher, set the 1994 estimate at the 1993 level unless the change is due to a change in the local area's definition (e.g., a county is added to or deleted from a metropolitan area) or to rebenchmarking of income estimates with Decennial Census data (as occurs every 10 years). This policy is intended to minimize disruption in program activities.

In addition to the above procedures, constraints are placed on annual changes in the Census Divisional and BLS change factors based on past experience. These guidelines did not affect any of this year's estimates.





## Attachment 2

FY 1994 MEDIAN FAMILY INCOMES  
FOR STATES, METROPOLITAN AND NONMETROPOLITAN  
PORTIONS OF STATES

	-----FY 1994-----			-----1989-----		
	TOTAL	METRO	NONMETRO	TOTAL	METRO	NONMETRO
ALABAMA	32300	34900	27100	28688	30966	24500
ALASKA	51300	55600	48500	46580	50109	44045
ARIZONA	37500	39700	29600	32177	33623	24989
ARKANSAS	29800	34600	26400	25395	29615	22419
CALIFORNIA	46400	47000	34200	40558	40969	29946
COLORADO	42900	45500	33400	35929	37883	28158
CONNECTICUT	52000	52300	45900	49198	49512	43591
DELAWARE	46600	50500	36000	40251	42237	31112
DIST. OF COLUMBIA	42300	42300	0	36255	36255	0
FLORIDA	37200	37800	29600	32211	32761	25874
GEORGIA	38700	43500	30500	33529	37551	26690
HAWAII	50200	53000	44100	43176	45313	37990
IDAHO	34900	41200	33300	29472	32339	28166
ILLINOIS	46000	48700	34900	38663	40964	29693
INDIANA	40200	42100	35800	34082	35664	30800
IOWA	37000	41500	34400	31658	35618	29303
KANSAS	38600	45200	32600	32965	38356	28067
KENTUCKY	30500	36700	25200	27028	32411	22542
LOUISIANA	30800	33300	24500	26313	28246	21177
MAINE	33700	38300	31800	32421	36629	30719
MARYLAND	52300	53400	39300	45033	45988	33695
MASSACHUSETTS	46500	47000	39300	44366	44728	37765
MICHIGAN	42200	45100	32600	36651	39033	27893
MINNESOTA	43500	48600	34100	36915	41398	28933
MISSISSIPPI	27200	33800	24700	24447	30123	22104
MISSOURI	37300	42500	28600	31837	36166	24338
MONTANA	33200	36000	32200	28042	30151	27349
NEBRASKA	37500	43600	32600	31634	36639	27623
NEVADA	42600	42700	42800	35837	35891	35577
NEW HAMPSHIRE	43200	47400	38500	41628	45429	36623
NEW JERSEY	52800	52800	0	47589	47589	0
NEW MEXICO	32800	37600	27800	27623	31550	23165
NEW YORK	44100	45200	35100	39740	40635	31472
NORTH CAROLINA	36100	39200	31000	31548	34083	27206
NORTH DAKOTA	33400	38000	30400	28707	32677	26194
OHIO	40400	41600	35800	34350	35392	30562
OKLAHOMA	32800	36600	28200	28553	31805	24139
OREGON	37200	39800	31900	32336	34610	28125
PENNSYLVANIA	38700	40200	32000	34856	36147	28934
RHODE ISLAND	40700	40600	42300	39172	39078	40639
SOUTH CAROLINA	35200	37100	30500	30797	32349	26904
SOUTH DAKOTA	32700	38200	30100	27601	32338	25547
TENNESSEE	33500	36300	28200	29546	32129	24935
TEXAS	37000	38900	28700	31553	33231	24585
UTAH	39300	40900	34700	33245	34369	30123
VERMONT	36100	45600	33800	34779	41968	32453
VIRGINIA	43600	48100	33400	38212	41996	28301
WASHINGTON	42500	44600	33000	36794	38495	29671
WEST VIRGINIA	29000	33700	26300	25602	29882	22654
WISCONSIN	41400	44500	35900	35081	37659	30290
WYOMING	37800	38400	37700	32215	32529	32096
UNITED STATES	39900	42900	31100	35224	37650	27280

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NOTE: DEFINITIONS OF METROPOLITAN AREAS ARE CURRENT AS OF JANUARY 1994





Special Attention of:

## NOTICE PDR-94-02

Secretarial Representatives,  
State/Area Coordinators, Economists,  
Public & Indian Housing Division Directors,  
Housing Management Division Directors

Issued: May 31, 1994  
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Cross References:

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Subject:

Transmittal of Fiscal Year 1994 Income Limits for  
Low-Income and Very Low-Income Families Under the  
Housing Act of 1937

This notice transmits revisions in the income limits used to define the terms "very low-income" and "low-income" in accordance with Section 3(b)(2) of the United States Housing Act of 1937, as amended, and with Title VIII of Cranston-Gonzalez National Affordable Housing Act of 1990. These income limits are listed by dollar amount and family size, and are provided for each Metropolitan Statistical Area (MSA), Primary Metropolitan Statistical Area (PMSA), and nonmetropolitan county in the attached lists.

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The use of the new metropolitan area definitions leads to both increases and decreases in median family income estimates and income limits. Use of FMRs rebenchmarked with 1990 Census data also produces some changes in income limits. No further rebenchmarking of income limits is anticipated until after the next Census, except due to occasional changes in metropolitan area definitions. The eligibility for continued program participation by those already receiving HUD assistance is not affected by decreases in income limits.

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By statute, the definition of "very low-income" is tied to "50 per centum of median family income" for an area, and the definition of "low-income" is tied to "80 per centum of the median family income" for the area. As required by statute, the meaning of the term "area" is affected by whether the local median family income is less than the respective State's nonmetropolitan median family income. In addition, the statute provides for adjustments to income limits for areas with unusually high or low incomes in relation to housing costs.

Income limits are calculated using formula relationships. The first step is to calculate what they would be if no adjustments are needed for unusually high or low incomes or housing costs. Adjustments are then made only if the resulting income limits are outside of formula constraints. More specifically, the very low-income limit for a four-person family is set as the higher of:

- 50 percent of the area median family income; or,
- 50 percent of the State nonmetropolitan median family income for the State in which all or most of the area is located; or,
- the income at which 35 percent of income would pay for a unit renting at 85 percent of the typical rent for an existing two-bedroom unit in the area, as measured by the Section 8 Fair Market Rent (FMR) standard.

The purpose of the last calculation is to adjust for areas where rental housing costs are unusually high in relation to the median income level. A parallel adjustment to constrain income limits is made for a small number of areas where rental housing costs are unusually low relative to income levels. The guideline used is that the maximum income limit for a four-person very low-income family is set such that 30 percent of that amount will permit a family to afford a unit renting at 120 percent of the FMR (the statutory rent limit in the Section 8 Certificate and Voucher programs). In no instance, however, are income limits set below those based on the State nonmetropolitan median income level.

Most low-income limits are based on 80 percent of the appropriate area median family income estimate. For areas where very low-income limits were adjusted because of unusually high or low income-to-housing-cost ratios, the low-income limits also were proportionately adjusted. As in previous years, the U.S. median family income estimate (\$39,900 for FY 1994) is used as a "cap" on the four-person limit.

The family size adjustment factors required by statute are intended to provide higher income limits for larger families and



lower income limits for smaller families. The factors used are as follows:

Number of Persons in Family and Percentage Adjustments

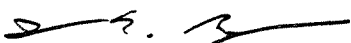
<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
70%	80%	90%	Base	108%	116%	124%	132%

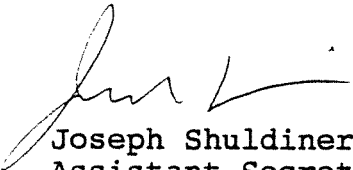
Income limits for families with more than eight persons are not included in the printed lists because of space limitations. For each person in excess of eight, 8 percent of the four-person base should be added to the eight-person income limit. (E.g., the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) All income limits are rounded to the nearest \$50 to reduce administrative burden.

For purposes of HUD programs, income limits approved for Indian Trust Lands remain in effect unless superseded by higher FY 1994 income limits.

HUD field offices with assisted housing program responsibilities are responsible for maintaining complete and up-to-date records of all current income limits established for areas within their jurisdiction. Notice of all income limit revisions should be promptly distributed to program participants, and Field Offices should be prepared to make income limits available to the public upon request.

Requests from the public for sets of national or regional income limits may be referred to HUD USER, whose toll-free number is 1-800-245-2691 (301-251-5154 in the Washington, DC area). Questions related to how these income limits apply to the programs of State and other Federal agencies should be referred to those agencies. Questions concerning the methodology used to develop these income limits are addressed in the briefing material supplied to all HUD field economists and also available through HUD USER.

  
Nicolas P. Restsinas,  
Assistant Secretary for Housing -  
Federal Housing Commissioner, H

  
Joseph Shuldiner,  
Assistant Secretary for  
Public and Indian Housing, P

Attachment







Special Attention of:

## NOTICE PDR-94-03

Secretarial Representatives,  
State/Area Coordinators, Economists,  
Housing Management Division Directors

Issued: May 31, 1994  
Expires: Effective until superseded

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Cross References:

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Subject:

Approval of Revised FY 1994 Income Limits for the  
Section 221(d)(3)BMIR, Section 235, and Section 236  
Programs

This notice transmits revised income limits used to determine the income eligibility of applicants for projects assisted by HUD under Section 221(d)(3)BMIR, Section 235, and Section 236 of the National Housing Act. These income limits, which are listed by dollar amount and family size, are provided for each Metropolitan Statistical Area (MSA), Primary Metropolitan Statistical Area (PMSA), and nonmetropolitan county. The metropolitan area definitions have been revised to be consistent with the area definitions used to establish HUD Section 8 Fair Market Rents (FMRs) for FY 1994. These definitional changes are generally consistent with those issued by the Office of Management and Budget on June 30, 1993.

The revised income limits are based on HUD estimates of median family income for Fiscal Year 1994. Income limits are influenced by changes in area definitions and by FMRs. Changes in metropolitan area definitions usually have little effect on the overall median family income estimate and income limits, but tend to increase income limits for counties added to the metropolitan area and decrease limits for areas that are deleted from a metropolitan area. FMRs are used to adjust income limits in areas where rental housing costs are unusually high or low relative to median family incomes. Decreases in Section 236 income limits do not affect the eligibility of those already receiving HUD housing assistance. Section 235 and Section 221(d)(3)BMIR income limits are never permitted to decline below the previous year's level.

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These income limits are developed in accordance with the requirements of Section 3(b)(2) of the United States Housing Act of 1937, as amended, which establishes the very low-income and low-income limits used in the Public Housing and Section 8 programs. By legislation, the income limits for the Section 236 program are the same as the Section 8 low-income limits. The legislation governing the Section 235 program states that income limits are to be defined as "95 per centum of the median income for the area, as determined by the Secretary with adjustments for larger and smaller families..." The Section 221(d)(3)BMIR program income limits, which are intended to serve "individuals and families of low- and moderate-income," are also set at 95 percent of median, adjusted for family size. In instances where "80 percent of median" is not based on the local median family income estimate, "95 percent of median" is defined in relationship to the "80 percent" number.

The most significant adjustment to these income limits results from a 1987 Housing and Community Development Act amendment to the U.S. Housing Act of 1937. The amendment specifies that income limits for nonmetropolitan areas are never to be set at less than if based on the respective State nonmetropolitan median family income level. Income limits for over half of all nonmetropolitan areas are based on the State non-metropolitan median income level. This adjustment also has been applied to a small number of metropolitan areas which otherwise would have lower income limits than those of nonmetropolitan counties in the States in which the metropolitan areas are primarily located.

For areas of unusually high income, the four-person family maximum income limit for the Section 236 program has been set at the national median family income level of \$39,900 or, if higher, at the State nonmetropolitan median family income level. The maximums for the Section 221(d)(3)BMIR and Section 235 programs have been calculated so as to maintain the 80 to 95 percent statutory relationship.

As required by statute, adjustments have been made in the income limits for smaller and larger families by using the four-person family as a base and applying percentage adjustments for various size families as follows:

Number of Persons in Family and Percentage Adjustments

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
70	80	90	Base	108	116	124	132


Higher income limits apply to families larger than eight persons, although they are not included in the printed State lists because of space limitations. The limits for families



larger than eight persons are determined by using an adjustment of 8 percentage points more for each person beyond the eighth person. For example, the nine-person income limit equals 140 percent of the four-person income limit (i.e., the eight-person limit of 132 percent plus 8 percent for an additional family member). The limits developed by the use of these factors are to be rounded to the nearest \$50.

HUD field offices with assisted multifamily housing program responsibilities are responsible for maintaining complete and up-to-date records of all current income limit ceilings established for areas within their jurisdiction. Notice of all income limit revisions should be promptly distributed to program participants and Field Offices should be prepared to make income limits available to the public upon request.

If you have any questions concerning these new income limits, please contact your HUD Office economist.



Nicolas P. Retsinas,  
Assistant Secretary for Housing -  
Federal Housing Commissioner, H

Attachments



FY 1994  
INCOME LIMITS  
BRIEFING MATERIAL

U.S. Dept. of HUD  
Office of Policy Development  
and Research  
April 1994

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## Income Limits Briefing Material

### Attachments:

1. Overview of HUD Section 8 and Public Housing Income Limits
2. Excerpts From the Housing Act of 1937 Related to Income Limits
3. Methodology for Median Income Estimates
4. Accuracy Test
5. List of Metropolitan Areas with Very Low Income Limits Not Based on 50 Percent of the Area Median Family Income Level
6. List of Metropolitan Areas with Low-Income Limits Not Based on 80 Percent of the Area Median Family Income Level
7. Distribution of FY 1993-94 Changes in Median Income



## Attachment 1

### Overview of HUD Section 8 & Public Housing Income Limits

#### Overview:

The Department of Housing and Urban Development (HUD) is required by law to set income limits that determine the eligibility of applicants for the Department's assisted housing programs. The major active HUD-assisted housing programs are the Public Housing program, the Section 8 programs, and the Section 202 elderly and Section 811 handicapped programs.

Income limits are calculated by family size for each metropolitan area and nonmetropolitan county in the United States and its territories. They are based on the Department's estimates of median family income, with adjustments for areas which have unusually high or low income to housing cost relationships.

The statutory basis for HUD's income limit policies is found in Section 3 of the U.S. Housing Act of 1937, as amended. Attachment 2 provides the key excerpts relevant to income limits, which may be summarized as follows:

- "Low-income families" are defined as families whose incomes do not exceed 80 percent of the median family income for the area.
- "Very low-income families" are defined as families whose incomes do not exceed 50 percent of the median family income for the area.
- Income limits for nonmetropolitan areas may not be less than limits based on the State nonmetropolitan median family income level.
- Income limits must be adjusted for family size.
- Income limits may be adjusted for areas with unusually high or low family income or housing-cost-to-income relationships.
- The Secretary of Agriculture must be consulted prior to establishing income limits for rural areas, since these limits also apply to certain Farmers Home Administration programs.



### Median Income Estimates:

The process of developing income limits involves a number of calculations, starting with the development of estimates of median family income. HUD first calculates area median family<sup>1</sup> income estimates for the 354 metropolitan and 2,355 nonmetropolitan FMR areas, including U.S. territories with assisted housing programs. It then uses these numbers as the starting point for calculating income limits.

FY 1994 median family income estimates do not include modifications based on American Housing Survey metropolitan data or on county-level earnings data. AHS survey results for post-decennial-Census surveys were within estimate confidence interval limits.

The process of developing income limits involves a number of calculations, starting with the development of current estimates of median family income. Attachment 3 provides a detailed explanation of how median family income estimates are calculated. The major steps are as follows:

- 1990 Census data income data were aggregated to the Fair Market Rent area level (i.e., nonmetropolitan counties and metropolitan areas, as defined by HUD), and mid-1989 estimates of median family income derived for those areas. (The Census asks for total income for the previous year, which means that the Census data are actually measuring mid-1989 income levels.)
- Census P-60 series data were used to estimate the median family income levels for the nine Census Divisions for 1989 and 1992 from the March 1990 and March 1993 surveys. Census Divisional and national estimates of change were then calculated for the 1989-92 period. (The P-60-based income estimates are not adequately reliable for income projections below the Census Divisional level.)
- Bureau of Labor Statistics (BLS) series data were used to calculate average wages at the FMR area level, the Census Divisional level, and the national level for the 1989 through 1991 period for which data were available.
- The ratio of 1989-92 P-60 income changes to 1989-91 BLS wage changes was calculated for each Census Division. The resulting factor, when applied to local BLS wage

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<sup>1</sup> "Family" refers to the Census definition of a "householder" and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. It excludes one-person households.



changes, forces these changes to equal the Census P-60 Divisional-level changes for the 1989-92 period.

- The resulting mid-calendar-year 1992 income estimates are then trended forward one and three-fourths years using a 4 percent annual updating factor to produce mid-Fiscal Year 1994 income estimates.

The reliability of HUD income estimates can be measured by comparing 1989 HUD estimates with 1990 Census estimates. (The 1990 Census estimates provide information on mid-1989 income levels; the most comparable HUD estimates are for FY 1989, which have an April 1, 1989, estimation date.) The 1989 HUD estimates were based on 1980 Census data updated with County Business Patterns (CBP), BLS, and Census Current Population Survey data. During the 1980's, incomes increased by over 75 percent.

Attachment 4 provides information on the results of the 1989 HUD/Census estimation comparison. To summarize, it shows the following patterns for HUD income estimates:

- The FY 1989 HUD estimate for the nation as a whole was within .6 percent of the 1989 Census P-60 survey estimate, and 3.5 percent less than the 1989 Census national median family income.
- HUD State nonmetropolitan median income estimates were within 10 percent of the 1990 Census-based estimate for every State except West Virginia. These estimates are of special interest because they serve to establish minimum income limits, and are the basis for income limits for over one-half of all nonmetropolitan counties.
- Standard errors were calculated by comparing HUD estimates with Census estimates. The standard error for nonmetropolitan State median family income estimates, which are used in setting most nonmetropolitan area income limits, was \$1,441. The standard error for HUD metropolitan median family income estimates was \$2,509; the standard error for nonmetropolitan counties was \$2,672.
- Three percent of metropolitan areas had estimates that were 10 percent or more too high, and 16 percent had estimates that were 10 percent or more too low. Ten percent of all nonmetropolitan counties had estimates that were 10 percent or more too high, and 22 percent had estimates that were 10 percent or more too low. The percent of the population with estimates outside of





a 10 percent range was about one-half that suggested using a geographical area count.

The above figures significantly overstate any errors associated with income limit estimates. This is because a large percentage of small nonmetro areas, which tend to have the least reliable median family income estimates, have income limits based on State-level nonmetropolitan median family income estimates. Since HUD State-level estimates were more accurate than HUD's area-specific estimates, there was a measurably lower rate of income limit estimation errors than median family income estimation errors.

Starting this year, HUD has begun to use BLS wage data in place of CBP data in the median family income estimation process. BLS data have broader and more current coverage, including Federal, local, and State government employment not covered by CBP data. A test of the results of using BLS rather than CBP data was conducted for the 1980 to 1990 period, and it was found that use of BLS data improved the reliability of the HUD median family income estimates.

#### Income Limit Calculations:

The first step in developing income limits is to use HUD estimates of median family income to develop tentative income limits. As required by statute, the definition of "very low-income" is tied to 50 percent of the median income for the area, and the definition of "low-income" is tied to 80 percent of the median income for the area. The term "area" is defined such that the higher of the local median income or the State nonmetropolitan median income is used in income limit calculations. Using the appropriate median, a four-person income limit is calculated, and adjustments then made for other family sizes. Also, in accordance with the statute, adjustments are made for areas with unusually high or low incomes or housing costs.

As required by statute, HUD has adjusted income limits for areas of unusually high or low income. The statutory guidance and related adjustments, however, have changed over time. The 1987 Housing Act added the requirement that income limits in nonmetropolitan areas should not be less than if based on the State nonmetropolitan median income amount, which increased income limits in over one-half of all counties in the nation. The other adjustment made to income limits is for areas with unusually high or low housing-cost-to-income relationships. Since passage of the nonmetropolitan State income limit "floor" provision of the 1987 Act, however, only a relatively small number of areas continue to have income- or housing cost-based adjustments.



The first step in calculating income limits is to calculate what the income limit would be if there were no adjustments for unusually high or low incomes or housing costs. Adjustments are made only if the resulting income limits are outside of formula constraints. For instance, the very low-income limit for a four-person family normally is set as the higher of 50 percent of the area median family income or 50 percent of the State nonmetropolitan median family income for the State in which all or most of the area is located. That number then becomes the four-person very low-income limit unless it is outside of income-to-housing-cost guidelines, in which case it adjusted using those guidelines but never set at less than the State-based income limits.

In the various statutes governing Federal housing program income limits, income limits are normally expressed as a percentage of area median family income, adjusted for family size. Numerous redefinitions have been introduced over time. For instance, the Cranston-Gonzalez National Affordable Housing Act of 1990 as well as other recent statutes referencing HUD income limits contain provisions that assume intervals between income limits will be proportional or at least ordered in a manner consistent with their expressed values (e.g., 65% of median family income will be higher than 50% and lower than 80%). The "very low-income" standard is nominally based on 50 percent of area median family income, with adjustments for family size. However, the statutory redefinitions that have been introduced produce income limits that are often not based on the local median family income estimate.

To avoid conflicts with the expressed statutory intent that income limits be ordered in a manner consistent with their stated values, most income limits are now proportionately based on very low-income limits. Thus, the four-person "65 percent" income limit is 130 percent (65/50ths) of the four-person very low-income limit, the four-person low-income limit is 160 percent (80/50ths) of the very low-income limit, and the four-person "95%" Section 235 and Section 221(d)(3)(BMIR) income limits are normally 190 percent (95/50ths) of the four-person very low-income limit. The income limits for other family sizes are based on the four-person income limit, using standard family size adjustment factors.

The increasing number of income limits in use also led to use of the same family size adjustment factors for all income limits. The income limits set at 50, 60, 65, and 80 percent of median overlap if an attempt is made to provide measurable differences in family size adjustments that favor large very low-income families. The U.S. median family income level remains as a "cap" on all income limits based on the low-income standard or lesser standards.



In implementing the 1987 HCD Act amendment that directed the Department to establish minimum income limits for nonmetropolitan areas based on the State nonmetropolitan median family income level, the Department used its discretion to apply this standard to metropolitan areas. It did so because the new provision effectively redefined what the Congress had determined was an acceptable minimum very low-income level, and to not apply this definition to the few metropolitan areas affected would have been inconsistent with the logic of the new provision.

The specific procedures used to develop FY 1994 income limits, and the outcome of these procedures, are as follows:

Basis for Local Income Limit Determinations

	<u># Metro Areas</u>	<u># Non-Metro Counties</u>
<u>For Very Low Income Limits:</u>		
- Limits based on 50% of local median income	293	592
- Limits based on State non-metro median family income	32	1,519
- Limits increased to the amount at which 35 percent of a 4-person family's income equals 85% of the 2-bedroom Sec. 8 Existing FMR	19	18
- Limits decreased to the level at which 30 percent of a 4-person family's income equals 120% of the 2-bedroom FMR	10	180
<u>For Low-Income Limits:</u>		
- Limits based on 80% of local median income	264	576
- Limits based on State nonmetro median family income	32	1,519
- Limits adjusted upward because of high housing-cost-to-income ratios	15	9
- Limits adjusted downward because of low housing-cost-to-income ratios	9	178



- Four-person low-income limit is capped at U.S. median of \$39,700 34 27

**Family Size Adjustments:**

There is a statutory requirement that income limits be adjusted for family size. The starting point for all adjustments is the four-person family income limit. For the very low-income limits, the four-person family "base" is usually set at 50 percent of "area" median income. The "base" for other income limits is calculated using the 50 percent limit as the starting point. For instance, the "80 percent" four-person limit is calculated as 1.6 (80/50) times the very low-income four-person limit unless it is "capped" by the U.S. median family income amount. Once the four-person income limit is established, standard factors are applied as follows:

**Number of Persons in Family and Percentage Adjustments**

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
70%	80%	90%	Base	108%	116%	124%	132%

Income limits for families with more than eight persons are not included in the printed lists because of space limitations. For each person in excess of eight, 8 percent of the four-person base should be added to the eight-person income limit. (E.g., the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) All limits are rounded to the nearest \$50 to reduce administrative burden.

**Income Limit Applications:**

HUD income limits apply to the following programs:

<u>Program</u>	<u>Income Limit Standard</u>
<u>Dept. of HUD:</u>	
All Section 8 programs	Very low-income or low-income standards <sup>2</sup>

<sup>2</sup> Section 16 of the Housing Act of 1937 determines which income limit standard applies.





Section 202 Elderly and Section 811 Handicapped programs	Very low-income or low- income standards
Public Housing	Very low-income or low-income standards*
Section 235 (Homeownership program)	"95 percent" of area median income, or higher cost- based income limits
Section 236 (Rental program)	Low-income standard
Section 221(d)(3)(BMIR) (Below Market Interest Rate rental program)	"95 percent" of area median income, defined as 95/80ths of low-income definition
Community Planning and Development programs	Very low-income or low-income standards for current programs under management
HOME Investment Partnerships Act of 1990	"60 percent of median" and 65 percent of median" are used as income targeting and qualification requirements; both limits are tied to Section 8 income limit determinations
National Homeownership Trust Act of 1990	"95 percent" of median is referenced as the normal eligibility standard, with a "115 percent" of median standard for high cost areas
Low-Income Housing Preservation and Resident Homeownership Act of 1990	Affordability of units for current occupant of "moderate income" affects terms under which mortgage may be prepaid; "moderate income" is defined as 80-95 percent of median, with "80 percent" defined as the Section 8 low-income standard
<u>Farmers Home Administration:</u>	
Rental and ownership assistance programs	Most assistance based on Sec. 8 very low-income or Low- Income standards



Dept. of Treasury:

Low Income Rental Tax  
Credits and Tax-exempt  
Rental Housing Bonds

Current standard is Sec. 8  
Very Low-income standard or  
120% or that definition (i.e.,  
the "60%" of median standard)

Tax-exempt Mortgage  
Revenue Bonds for  
homeownership financing

Generally set at 115% of  
area median income, with  
"115%" defined as 230% of the  
Sec. 8 very low-income  
standard

Resolution Trust Corporation:

Disposition of Multifamily  
Housing to Non-profit and  
Public Agencies

Not less than 35 percent of all  
dwelling units must be made  
available for occupancy and be  
"affordable" for low-income  
families and at least 20 percent  
must be made available for  
occupancy and be affordable for  
very low-income families.  
An "affordable rent" is defined  
as the rent that would be paid  
by a family paying 30 percent of  
income for rent whose income is  
"65 percent of median". The  
"65 percent" figure used is  
defined in relation to the Very  
low-income standard (i.e.,  
normally 65/50ths of the  
standard).

Disposition of Single  
Family Housing

For rentals, priority is given  
to non-profits and public  
agencies that make the dwellings  
affordable available by  
low-income households. House-  
holds who intend to occupy  
occupy a dwelling as their  
primary residence whose adjusted  
income does not exceed 115  
percent of area median income,  
as determined by the Secretary  
of HUD, are given a purchase  
priority for the first 3 months  
a property is for sale.

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Federal Housing Finance Bank:

Rental program funding  
priorities

Very low-income, "60% of median"  
(defined as 120% of very low-  
income), and low-income standards  
used.

Homeownership funding  
priorities

115% and 140% of median figures  
used that parallel those used by  
the Treasury Department

Other Federal Banking Regulatory Provisions:

Targeting of loan funds  
to low-income households  
and areas

Varies institutionally



ATTACHMENT 2

EXCERPTS FROM THE  
HOUSING ACT OF 1937  
(As Amended through 1990)

Section 3:

(a)(1) Dwelling units assisted under this Act shall be rented only to families who are low-income families at the time of their initial occupancy of such units.....

(b) When used in this Act:

(1) The term "low-income housing" means decent, safe, and sanitary dwellings assisted under this Act....

(2) The term "low-income families" means those families whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceiling higher or lower than 80 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low family incomes. The term "very low-income families" means lower income families whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes. Such ceilings shall be established in consultation with the Secretary of Agriculture for any rural area, as defined in section 520 of the Housing Act of 1949, taking into account the subsidy characteristics and types of programs to which such ceilings apply. In determining median incomes (of persons, families, or households) for an area or establishing any ceilings or limits based on income under this Act, the Secretary shall determine or establish area median incomes and income ceilings and limits for Westchester County, in the State of New York, as if such county were an area not contained within the metropolitan statistical area in which it is located. In determining such area median incomes or establishing such income ceilings or limits for the portion of such metropolitan statistical area that does not include Westchester County, the Secretary shall determine or establish area median incomes and income ceilings and limits as if such portion included Westchester County.





HCD Act of 1987 Amendment Affecting Section 3:  
(Section 567. Median Area Income)

"For purposes of calculating the median income for any area that is not within a metropolitan statistical area (as established by the Office of Management and Budget) for programs under title I of the Housing and Community Development Act of 1974, the United States Housing Act of 1937, the National Housing Act, or title V of the Housing Act of 1949, the Secretary of Housing and Urban Development or the Secretary of Agriculture (as appropriate) shall use whichever of the following is higher:

(1) the median income of the county in which the area is located; or,

(2) the median income of the entire non-metropolitan area of the State.

Section 16, as Revised by the Housing Act of 1987 and the Cranston-Gonzalez Housing Act of 1990:

Sec. 16. (a) Not more than 25 per centum of the dwelling units which were available for occupancy under public housing annual contributions contracts and section 8 housing assistance payments contracts under this Act before the effective date of the Housing and Community Development Amendments of 1981, and which will be leased on or after such effective date shall be available for leasing by lower income families other than very low-income families.

(b)(1) Not more than 15 per centum of the dwelling units which became available for occupancy under public housing annual contributions contracts and section 8 housing assistance payments contracts under this Act on or after the effective date of the Housing and Community Development Amendments of 1981 shall be available for leasing by lower income families other than very low income families.

(2) Not more than 25 percent of the dwelling units in any project of any agency shall be available for occupancy by low-income families other than very low-income families. The limitation shall not apply in the case of any project in which, before the date of the enactment of the Cranston-Gonzalez National Affordable Housing Act, such low-income families occupy more than 25 percent of the dwelling units.

(c) In developing admission procedures implementing subsection (b), the Secretary may not totally prohibit admission of lower income families other than very low-income families, and shall establish, as appropriate, differing percentage limitations



on admission of lower income families in separate assisted housing programs that, when aggregated, will achieve the overall percentage limitation contained in subsection (b). The Secretary shall issue regulations to carry out this subsection not later than 60 days after the date of the enactment of the Housing and Community Development Act of 1987, and shall prohibit project owners from selecting families for residence in an order different from the waiting list for purpose of selecting relatively higher income families for residence.

(d)(1) The limitations established in subsection (b) shall not apply to dwelling units made available under section 8 housing assistance contracts for the purpose of preventing displacement, or ameliorating the effects of displacement, including displacement caused by rents exceeding 30 percent of monthly adjusted family income, of lower income families from projects being rehabilitated with assistance from rehabilitation grants under section 17 and the Secretary shall not otherwise unduly restrict the use of payments under section 8 housing assistance contracts for this purpose.

(2) The limitations established in subsections (a) and (b) shall not apply to dwelling units assisted by Indian public housing agencies.



### Attachment 3

HUD METHODOLOGY FOR ESTIMATING FY 1994 MEDIAN FAMILY INCOMES  
(ECONOMIC AND MARKET ANALYSIS DIVISION,  
OFFICE OF ECONOMIC AFFAIRS, PD&R)

FY 1994 HUD estimates of median family income are based on 1990 Census data estimates updated with a combination of local Bureau of Labor Statistics data and Census Divisional data. Separate median family income estimates (MFIs) are calculated for all Metropolitan Statistical Areas (MSAs), Primary Metropolitan Statistical Areas (PMSAs), and nonmetropolitan counties.

The income adjustment factors used to update the 1990 Census-based estimates of MFIs are developed in several steps. Average wage data from the Bureau of Labor Statistics (BLS) were available for 1989 through the end of 1991 at a county level, and were aggregated to the metropolitan area level for multi-county metropolitan areas. Census Divisional level median family and household income estimates were available from the Current Population Report March 1989-93 surveys. These data were then used to update mid-1989 income estimates from the 1990 Census to the middle of 1992. The mid-1992 estimates were then trended forward to mid-FY 1994 using factors based on past P-60 Series trends. The step-by-step normal procedures as well as the exception procedures used are as follows:

- (1) Estimate mid-1989 local median family incomes using 1990 Census data. (Current HUD Section 8 Fair Market Rent (FMR) program definitions are used to define metropolitan areas, which are normally the same as Office of Management and Budget metropolitan area definitions.)

- (2) Calculate the BLS wage change factors for each Census Division for the 1989-91 period as follows:

$$\frac{\text{Census Division BLS Wages (1991)}}{\text{Census Division BLS Employees (1991)}} = \text{2-year BLS wage increase factor for Census Division}$$
$$\frac{\text{Census Division BLS Wages (1989)}}{\text{Census Division BLS Employees (1989)}}$$

- (3) Calculate the change in median family and household incomes for the nine Census Divisions for the 1989-1992 period using Census P-60 series data. (Changes in 1991-92 median household income are used in place of family income changes because of the timing of data availability.)

$$\frac{\text{Census Division P-60 MFI (1992)}}{\text{Census Division P-60 MFI (1989)}} = \text{3-year increase factor for Census Division P-60 Median Family Income}$$

- (4) Compare the BLS and P-60 series Census Divisional factors calculated in steps 2 and 3 to provide a means of adjusting local BLS wage factor changes so that they aggregate to the same change factor as P-60 changes in family incomes.

$$\frac{\text{3-year increase factor for Census Division P-60 MFI}}{\text{2-year increase factor for Census Division BLS Wages}} = \text{3-year ratio of Census Division P-60 MFI to 2-year ratio of Census Division BLS wage changes}$$



- (5) Calculate the 1989-92 increase factors for the individual metropolitan areas and nonmetropolitan counties by applying the Census Divisional index factors from step 4 to local BLS data.

$$\frac{\text{Local BLS Wages (1991)}}{\text{Local BLS Employees (1991)}} * \frac{\text{3- to 2-year ratio of Census Division P-60 MFI to Census Division BLS wages}}{\text{Local BLS Wages (1989)}} = \frac{\text{3-year income adjustment factor for MSA or County}}{\text{Local BLS Employees (1989)}} = \text{1989 to mid-1992 MFI adj. factor}$$

- (6) Convert 1989-92 step 5 change factor to a 1989-1994 change factor by applying an annual trending figure of 4.0 percent to the mid-1992 to April 1, 1994 period (a one and three-fourths year period). (Use of a trending factor is necessary because of lags in Bureau of Labor Statistics and P-60 Series data availability; the 4.0 percent factor is based on national income change patterns in recent years.)

$$(\text{Step 5 adj. factor}) * 1.04 * 1.03 = \text{1989 to mid- FY 94 adj. factor}$$

- (7) Calculate median family incomes for FY 1994 by multiplying the step 1 Census estimate of median family income by the income adjustment factor derived in Step 6.

$$1990 \text{ Census Median Family Income} * \text{Step 6 factor} = \text{FY 1994 MFI est.}$$

- (8) Compare the MFI estimates from step 7 with median family income estimates based on post-1989 American Housing Survey (AHS) estimates of median family income updated to 1994. Past analysis shows that there is 95 percent likelihood that the true local median family income is within 6 percent of the AHS-based estimate. For areas where an AHS-based estimate differs by more than 6 percent from the Census-based estimate, local MFI estimates are increased or decreased so that they are within 6 percent of the AHS-based estimate.
- (9) Compare the 1994 MFI estimate with the 1993 MFI estimate. If the 1993 estimate is higher, set the 1994 estimate at the 1993 level unless the change is due to a change in the local area's definition (e.g., a county is added to or deleted from a metropolitan area) or to rebenchmarking of income estimates with Decennial Census data (as occurs every 10 years). This policy is intended to minimize disruption in program activities.

In addition to the above procedures, constraints are placed on annual changes in the Census Divisional and BLS change factors based on past experience. These guidelines did not affect any of this year's estimates.





## Attachment 4

### COMPARISON OF FY 1989 HUD AND 1990 CENSUS MEDIAN FAMILY INCOME ESTIMATES

#### Procedures:

- All estimates relate to median family incomes. The Census definition of "family" is used (i.e., two or more persons related by blood or marriage). Estimates relate to the universe of all families, and are not intended to apply to a specific family size.<sup>3</sup>
- HUD FY 1989 estimates were based on 1980 Census income data (mid-1979 income levels) updated with Census P-60 Census Division level data, county-level County Business Patterns and Bureau of Labor Statistics data, and American Housing Survey data (available only for a small number of metropolitan areas). Survey data for updating at the time the estimates were prepared were available only through mid-1987. The 1980 Census numbers were therefore updated to mid-1987 and trended to mid-FY 1989.
- The FY 1989 HUD median family income estimates have an estimation date of April 1, 1989. The 1990 Census median family income estimates have an average estimation date of July 1, 1989. HUD estimates were increase by 1.25 percent for the three-month difference. The 1.25 percent figure was used because it equals one-fourth of the annual income trending rate of 5 percent in use in that year.
- The comparison made is between the HUD estimates published for FY 1989, adjusted by 1.25 percent, and median family income estimates for mid-1989 derived from the 1990 Census.

#### Findings:

1. State-level HUD estimates typically were within 10 percent of the Census estimates. All but three HUD State-wide estimates were within 10 percent. All but one HUD nonmetro State estimate (nonmetro West

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<sup>3</sup> For purposes of HUD income limit calculations, median family income estimates are linked to a family size of four persons. For instance, the 50 percent of median, Very Low-Income limit for a family of four is usually set at 50 percent of the median family income for all families. HUD then adjusts this figure to assign higher income limits for larger families and lower income limits for smaller families. Actual median family incomes tend to be lower for larger families despite their higher costs, which is why actual relationships are not used.

