



Special Attention of:

NOTICE PDR-2006-03

Regional Directors, Field Office Directors,
Economists, Public & Indian Housing
Division Directors, Multifamily Hub Directors,
Multifamily Program Center Directors

Issued: March 8, 2006
Expires: Effective until superseded

Cross References:

Subject: Transmittal of Fiscal Year 2006 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 assistance under three programs authorized by the National Housing Act. These programs are the Section 221(d)(3) Below Market Interest Rate (BMIR) program, the Section 235 program, and the Section 236 program. These income limits are listed by dollar amount and family size, and they are effective on the date issued.

On December 16, 2005, in FR-5011-N-01, HUD proposed new metropolitan areas using revised Office of Management and Budget (OMB) metropolitan statistical area (MSA) definitions developed with 2000 Census data. These definitions were modified by HUD, in some instances, to permit continued use of old metropolitan areas as distinct submarkets with their own Fair Market Rents (FMRs) and income limits. This was done when use of the new OMB area definitions resulted in significant increases or decreases in FMRs or income limits. The intent of the modifications was to minimize disruptive changes and to permit use of more localized estimates consistent with OMB metropolitan area boundaries.

Most areas will receive increases in their income limits in FY 2006, and some households would be adversely affected if HUD waits until the end of the public comment process before implementing FY 2006 income limits. A number of comments have been received, most of which favored use of a hold-harmless policy and the proposed definitional changes for Miami and New York City submarkets. These income limits are therefore being issued on an interim basis pending completion of the comment period associated with the December 16, 2005, Federal Register Notice.

The revised income limits are based on HUD estimates of median family income for Fiscal Year 2006. The income limits used for the Section 236 program are currently

the same as the Public Housing/Section 8 low-income limits, which are defined by Section 3(b)(2) of the United States Housing Act of 1937. These income limits are normally set at 80 percent of area median family income for a four-person family, and adjusted for family size and unusually high or low housing costs. There are, however, situations where they are adjusted upward or downward.

Most four-person Section 236 limits are set at the higher of 80 percent of the area median family income or 80 percent of the state non-metropolitan median family income level. Because the Section 8 very low-income limits are not always based on 50 percent of median, calculating low-income limits as 80 percent of median would sometimes produce anomalies inconsistent with statutory intent (e.g., very low-income limits could be higher than low-income limits, as explained in Notice PDR-02-01). To avoid this, the four-person low-income limit is calculated as 1.6 (80 percent/50 percent) times the four-person very low-income limit. The only exception is that the resulting income limit may not exceed the U.S. median family income level (\$59,600 for FY 2006) except when justified by high housing costs. Use of very low-income limits as a starting point for calculating other income limits has the effect of adjusting other income limits in areas where the very low-income limits have been adjusted because of unusually high or low housing-cost-to-income relationships.

The Section 221(d)(3)BMIR income limits, which serve "individuals and families of low- and moderate-income," are set at 95 percent of median, adjusted for family size. These income limits are also adjusted for unusually high or low area housing costs, and use the HUD low-income limits as a basis for calculations. For instance, rather than the four-person limit being set at 95 percent of the local median family income amount, it is set as 95/80ths of the four-person low income limit.

Section 235 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..." These income limits are identical to Section 221(d)(3)(BMIR) income limits except in instances where the Secretary has used his discretion to permit higher income limits to reflect high area construction costs.

For areas where income limits would otherwise decline (e.g., areas where combining of new geographic area reduced Public Housing/Section 8 income limits), the BMIR and Section 235 income limits are frozen at the previous year's level of the largest new geographic component. This is done to simplify program management.

Family Size Adjustments:

By statute, family size adjustments are required 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, there is the addition of eight percent to the four-person base. (For example, the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) Local agencies may round income limits for nine or more persons to the nearest \$50, or may use the unrounded numbers.

HUD Field Office Responsibilities:

HUD field offices with assisted housing functions are responsible for maintaining records of income limits 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. These income limits are also available on the World Wide Web (www.huduser.org/datasets/il.html).

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

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Brian D. Montgomery
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Housing-Federal Housing
Commissioner, H

Attachments