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Special Attention of:

## **NOTICE** PDR-2008-02

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

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Cross References:

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Subject: Transmittal of Fiscal Year 2008 Income Limits  
for the Public Housing and Section 8 Programs

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. These income limits are listed by dollar amount and family size.

This year's estimates make use of the Census American Community Survey (ACS) results collected in 2006. HUD's Fiscal Year (FY) 2008 median family income (MFI) estimates use the same methodology as used for the FY 2007 MFIs, but instead of using 2005 ACS data, 2006 data are used. The 2000 Census data are updated using the 2006 ACS data in two ways:

- Application of local area ACS 2006 estimates for places with a population of at least 65,000 where such surveys have been published.
- Application of the change between the 2000 Census state MFIs and 2006 ACS state MFIs attenuated by change in local average wages according to Bureau of Labor Statistics data.

On a national level, the FY 2008 MFI is about 4 percent higher than the FY 2007 MFI. Not all areas, however, show an increase in the MFI. In deference to a large number of programs where HUD income limits are directly related to revenues (e.g. Low-Income Housing Tax Credit rent), HUD's policy has been not to allow current year income limits to fall below income limits for the previous year. That policy continues to be applied this year.

Public Housing/Section 8 income limits are used to determine the income eligibility of applicants for the Public Housing, Section 8, and other programs subject to Section 3(b)(2). The revised income limits are based on HUD estimates of median family income for FY 2008.

The most important statutory provisions relating to income limits are as follows:

- very low income is defined as 50 percent of the median family income for the area, subject to specified adjustments for areas with unusually high or low incomes;
- low-income is defined as 80 percent of the median family income for the area, subject to adjustments for areas with unusually high or low incomes or housing costs;
- 30 percent of the area median income is defined as an income targeting standard in the 1998 Act Amendments to the Housing Act of 1937; to avoid inconsistencies with other income limits, it is defined as 60 percent of the four-person family very low-income limit, adjusted for family size, but not allowed to fall below the state Supplemental Security Income (SSI) benefit level for one-person households;
- where the area MFI is less than the state non-metropolitan median family income, income limits are based on the state non-metropolitan median; and
- income limits are adjusted for family size so that larger families have higher income limits.

### **Very Low Income Limits:**

Very low income limits are calculated using a set of formula relationships. The first step in calculating very low income limits is to determine what they would be if the four-person limit is based on 50 percent of the estimated area median income. Adjustments are then made if this number is outside formula constraints.

More specifically, the very low income limit for a four-person family is calculated as follows:

- (1) 50 percent of the area MFI is calculated and tentatively set as the four-person family income limit;
- (2) a minimum four-person income limit is established at the amount required to afford a two-bedroom unit renting at 85 percent of the Fair Market Rent (FMR) if 35 percent of income is used for rent (this adjusts income limits upward for areas where rental housing costs are unusually high in relation to the median income);

- (3) a maximum four-person income limit is calculated as the greater of 80 percent of the U.S. MFI or the income needed to afford a two-bedroom unit renting at 100 percent of the FMR if 30 percent of income is used for rent (this adjusts income limits downward for areas with unusually high incomes and relatively moderate rental housing costs);
- (4) in areas where OMB metropolitan area definitions have changed, income limits are not allowed to fall below the previous year's income limits for the largest old FMR area component of the new FMR/income limit area, which is done to minimize program disruptions; and,
- (5) in no instance are income limits less than if based on the state non-metropolitan median family income level (even if the step 2 calculation produces a lower amount).

### **Low-Income Limits:**

Most four-person low-income limits are the greater of 80 percent of the area median family income or 80 percent of the state non-metropolitan median family income level. Because the very low income limits are not always based on 50 percent of median, however, calculating low-income limits as 80 percent of median would produce anomalies inconsistent with statutory intent (e.g., very low income limits could be higher than low-income limits). To eliminate this problem, the normal calculation is to set the four-person low-income limit at 1.6 (i.e., 80 percent/50 percent) times the relevant four-person very low income limit. The only exception to this practice is that the resulting income limit is not allowed to exceed the U.S. median family income level (\$61,500 for Fiscal Year 2008) 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 low-income limits in areas where the very low income limits have been adjusted because of unusually high or low housing-cost-to-income relationships.

### **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. The nine-person income limit, for example, is set at 140 (132 + 8) percent 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 un-rounded numbers.

**HUD Field Office Responsibilities:**

HUD field offices with assisted housing program functions are responsible for maintaining records of income limits for areas within their jurisdiction. Notification of 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.

FY 2008 income limits are available in multiple formats on the World Wide Web ([www.huduser.org/datasets/il.html](http://www.huduser.org/datasets/il.html)). 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 Fiscal Year 2008 Income Limits Briefing Material, which is posted on the income limits website.

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Attachments