U. S. Department of Housing and Urban Development

Special Attention of:

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

NOTICE PDR-2012-03

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Cross References:

Subject: Transmittal of Fiscal Year 2012 Income Limits for the Section 221(d)(3) Below Market Interest Rate rental program, 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) rental 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.

Beginning with FY 2010 Income Limits published on May 14, 2010, HUD eliminated its long standing "hold harmless" policy[1] but limited all annual decreases to 5 percent and all annual increases to 5 percent or twice the change in the national median family income, whichever is greater. HUD has maintained these limits to increases and decreases in income limits for FY 2012.

HUD Section 8 Income Limits begin with the production of Median Family Income (MFI) estimates. HUD uses the Section 8 program's Fair Market Rent (FMR) area definitions in developing MFIs, which means that income estimates are developed for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county. HUD calculates Section 8 Income Limits for every FMR area with adjustments for family size and for areas that have unusually high or low income-to-housing-cost relationships.

There were no changes to the area definitions for the FY 2012 income limits. HUD continues to use the 2005-2009, 5-year American Community Survey (ACS) income data as the basis of FY 2012 Income Limits for all areas of geography, except

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[1] HUD's "hold harmless" policy maintained Section 8 income limits for certain areas at previously published levels when reductions would otherwise have resulted from changes in median family income estimates, housing cost adjustment data, median family income update methodology, income limit methodology, or metropolitan area definitions.

for the US Virgin Island and the Pacific Islands. This is the same data that HUD used in calculating the FY 2011 Income Limits; more current ACS data has not been released. An additional year of the Consumer Price Index update factor and the use of FY 2012 FMRs for high housing cost adjustments will result in the changes between the FY 2011 and the FY 2012 income limits. The factor HUD uses to trend the 2009 estimates to the midpoint of FY 2012 Income Limits is unchanged at 3 percent per year[2].

The revised income limits are based on HUD estimates of MFI for FY 2012. 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 greater 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). 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 two exceptions are that the resulting income limit may not exceed the U.S. median family income level ($65,000 for FY 2012) except when justified by high housing costs; and once adjusted, the four-person low-income limit decrease is capped at 5 percent or, if increasing, capped at 5 percent or twice the national change in median family income, whichever is larger. 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.

[2] This average annual trend factor is unchanged from last year and relies on a comparison of the nation ACS income in 2000 compared with the income for 2008. HUD is currently evaluating alternative trend factors and may update or change this trend factor for next year, most likely using a methodology similar to the method for calculating the trend factor in the FY 2013 Fair Market Rent calculations.

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.

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

1	2	3	4	5	6	7	8
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, the income limit for such households is computed by adding an additional 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. Family size-adjusted income limits are not re-tested for compliance with the 5 percent rule. Rounding anomalies produce some family size-adjusted income limits whose annual change is slightly larger or smaller than 5 percent.

FY 2012 income limits are available in multiple formats on the World Wide Web (**http://www.huduser.org/portal/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 FY 2012 Income Limits Briefing Material, which is posted on the income limits website.

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