



Special Attention of:

NOTICE PDR-2013-02

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

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Cross References:

Subject: Transmittal of Fiscal Year (FY) 2013 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.

Beginning with FY 2010 Income Limits published on May 14, 2010, HUD eliminated its long standing "hold harmless" policy¹ 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 (MFI), whichever is greater. HUD has maintained these limits to increases and decreases in income limits for FY 2013.

HUD Section 8 Income Limits begin with the production of 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 Fair Market Rent (FMR) area with adjustments for family size and for areas that have unusually high or low income-to-housing-cost relationships.

The 2006-2010, 5-year American Community Survey (ACS) income data is the basis of FY 2013 Income Limits for all areas of geography, except for the U.S. Virgin Islands and the Pacific Islands. The Consumer Price Index is used as an update factor to bring the data from mid-2010 to the end of 2011. To estimate MFI at the mid-point of the fiscal year (April 2013), a trend factor is applied for the 15-month period. This trend factor is 1.67 percent per year and is based on the average annual change in incomes between 2005 and 2010. Previously the trend factor was 3 percent per year and based on the average annual change from the 1990 decennial census to the 2000 decennial census. The only change to the area definitions was the addition of a town, Chebeague Island town, in the Portland, ME metropolitan area.

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, MFI update methodology, income limit methodology, or metropolitan area definitions.

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 MFI for FY 2013.

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

- very low-income is defined as 50 percent of the MFI for the area, subject to specified adjustments for areas with unusually high or low incomes relative to housing costs;
- low-income is defined as 80 percent of the MFI 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 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 income limit is less than the state nonmetropolitan MFI, income limits are based on the state nonmetropolitan median; and
- income limits are adjusted for family size so that larger families have higher income limits.

Very Low-Income Limits:

HUD calculates very low-income limits using a set of formulae as follows. 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 4-person family is calculated as follows:

- (1) 50 percent of the area MFI is calculated and tentatively set as the 4-person family income limit;
- (2) a minimum 4-person income limit is established at the amount required to afford a 2-bedroom unit renting at 85 percent of the 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 MFI);
- (3) a maximum 4-person income limit is calculated as the greater of 80 percent of the U.S. MFI or the income needed to afford a 2-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 no instance are income limits less than if based on the state nonmetropolitan MFI level (even if the step 2 calculation produces a lower amount);
- (5) any 4-person income limit that has declined by more than 5 percent is raised to 5 percent below last year’s income limit and any income limit that has increased more than 5 percent is lowered to 5 percent of last year’s income limit, the remainder of this decrease/increase to be implemented next year if the underlying data warrant. In any year that twice the national change in median family incomes is greater than 5 percent, limits will be allowed to increase up to that level if so warranted by the local data. For FY 2013 income limits, the national MFI decreased, so the cap on increases is set at 5 percent.

Low-Income Limits:

Most four-person low-income limits are the greater of: 80 percent of the area MFI, or 80 percent of the state nonmetropolitan MFI 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 two exceptions to this practice are that the resulting income limit is not allowed to exceed the U.S. MFI level (\$64,400 for FY 2013) except when justified by high housing costs; and once adjusted, the four person low-income limit decrease is limited to 5 percent or, if increasing, capped at the greater of 5 percent or twice the national increase in MFI. 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:

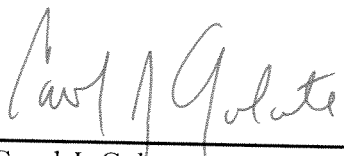
Number of Persons in Family and Percentage Adjustments

<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%

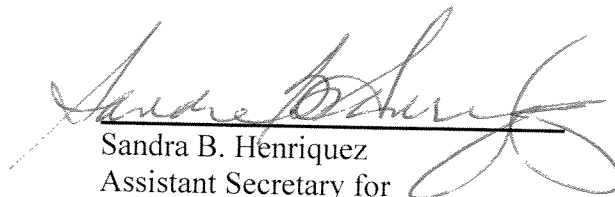
Income limits for families with more than 8 persons are not included in the printed lists because of space limitations. For each person in excess of 8, the income limit for such households is computed by adding an additional eight percent to the 4-person base. The 9-person income limit, for example, is set at 140 (132 + 8) percent of the relevant four-person income limit. Local agencies may round income

limits for 9 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 2013 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 2013 Income Limits Briefing Material, which is posted on the income limits website.



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