



Special Attention of:

NOTICE PDR-2015-03

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

Issued: March 6, 2015
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Cross References:

Subject: Transmittal of Fiscal Year (FY) 2015 Income Limits for the Section 221(d)(3) Below Market Interest Rate rental program, Section 235, and Section 236 Programs

This notice transmits 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” policy¹ but limited all annual decreases to 5 percent and all annual increases to the greater of 5 percent or twice the change in the national median family income (MFI). HUD has maintained these limits to increases and decreases in income limits for FY 2015. For FY 2015 income limits, the national MFI increased by three percent compared with FY 2014, so the cap on increases is set at 6 percent.

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 MFI estimates, which means that income estimates are developed for each metropolitan area, parts of some metropolitan areas, and each nonmetropolitan county. There were no changes to the area definitions used in calculating MFI between FY 2014 and FY 2015. The FY 2015 MFI estimates are based on Office of Management and Budget (OMB) metropolitan area definitions as updated through December 1, 2009, and include HUD modifications that were first used in the determination of FY 2006 FMR areas. The February 28, 2013, OMB Area definition update has not been incorporated due to the timing of the release and the availability of ACS data. HUD

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.

will incorporate these new area definitions into the FY 2016 calculations. HUD Section 8 Income Limits are calculated for every FMR area with adjustments for family size and for areas that have unusually high or low income-to-housing-cost relationships.

The 2008-2012, 5-year American Community Survey (ACS) and Puerto Rico Community Survey (PRCS) income data are the basis of FY 2015 Income Limits for all areas of geography, except for the U.S. Virgin Islands and the Pacific Islands. A Consumer Price Index forecast published by the Congressional Budget Office (CBO) is used to bring the data from mid-2012 to the mid-point of the fiscal year, April, 2015.

The income limits are based on HUD estimates of MFI for FY 2015. 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 MFI for a 4-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 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 (\$65,800 for FY 2015) 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 change 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.

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 4-person limit being set at 95 percent of the local MFI amount, it is set as 95/80ths of the 4-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.

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 2015 income limits are available at <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 2015 Income Limits Briefing Material, which is posted on the income limits website.

/S/
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Acting Assistant Secretary for Housing-
Federal Housing Commissioner, H