



Special Attention of:

NOTICE PDR-2018-02

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

Issued: April 1, 2018
Expires: Effective until superseded

Cross References:

Subject: Transmittal of Fiscal Year (FY) 2018 Income Limits
for the Public Housing and Section 8 Programs

This notice transmits income limits used to define the terms “very low-income”, “low-income” and “extremely 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, and they are effective on the date issued.

Since FY 2010¹ HUD has limited all annual income limit decreases to five percent and all annual increases to the greater of five percent or twice the change in the national median income. HUD has maintained these limits to increases and decreases in income limits for FY 2018. The national median income for the United States for FY 2018 is \$71,900, an increase of 5.7 percent compared with the national median income in FY 2017. Twice this change is greater than five percent, so this higher value is used as the cap on increases, or almost 11.5 percent.

HUD Section 8 Income Limits begin with the calculation of medians. HUD uses the Section 8 program’s Fair Market Rent (FMR) area definitions in developing medians, which means that median incomes are developed for each metropolitan area, parts of some metropolitan areas, and each nonmetropolitan county. There were no changes to the geographic area definitions used last year in the calculation of the FY 2017 median incomes. 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.

¹ Prior to FY 2010, HUD maintained a “hold harmless” policy, whereby Section 8 income limits for certain areas were held at previously published levels when reductions would otherwise have resulted from changes in housing cost, median income, or income limit methodologies, or changes in metropolitan area definitions.

The 2015 American Community Survey (ACS) and Puerto Rico Community Survey (PRCS) median family income data (as opposed to household income data) are the basis of FY 2018 income limits for all areas of geography, except for the U.S. Virgin Islands and the Pacific Islands. The Consumer Price Index forecast published by the Congressional Budget Office (CBO) is used to bring the ACS and PRCS data forward from mid-2015 to the mid-point of the fiscal year, April 2018. The median incomes and income limits in the U.S. Virgin Islands and the Pacific Islands (Guam, American Samoa and the Northern Marianas) are based on 2010 Decennial Census data which is the most current information available. The decennial data used for the U.S. Virgin Islands and the Pacific Islands is trended forward using the change in national median incomes between 2009 (which is the year of the income in the decennial census) and 2015 (from the ACS). The same CBO forecast is then applied from mid-2015 to the mid-point of the fiscal year, April 2018.

Public Housing/Section 8 Income Limits are used to determine the income eligibility of applicants for Public Housing, Section 8, and other programs subject to 42 USC 1437a(b)(2). The revised income limits are based on HUD medians for FY 2018.

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

- very low-income family is defined as low-income families whose incomes do not exceed 50 percent of the median income for the area, subject to specified adjustments for areas with unusually high or low incomes relative to housing costs;
- low-income family is defined as those families whose incomes do not exceed 80 percent of the median income for the area, subject to adjustments for areas with unusually high or low incomes or housing costs;
- extremely low-income family is defined as a very-low income family whose income does not exceed the higher of the poverty guidelines as determined by the Department of Health and Human Services or 30 percent of the median income for the area.;
- where the area income limit is less than those derived from the state nonmetropolitan median, 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 median income 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 40th percentile rent for the FMR area 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 4-person income limit is calculated as the greater of 80 percent of the U.S. median income or the income needed to afford a 2-bedroom unit renting at 100 percent of the 40th percentile rent 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 median income (even if the step 2 calculation produces a lower amount);
- (5) any 4-person income limit that has declined by more than five percent is raised to five percent below last year's income limit and any income limit that has increased more than 11.5 percent is lowered to an increase of 11.5 percent over 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 five percent, limits will be allowed to increase up to that level if so warranted by the local data. For FY 2018 income limits, twice the increase in the national median income compared to the FY 2017 median income is almost 11.5 percent, so the cap on increases is set at almost 11.5 percent.

Low-Income Limits:

Most four-person low-income limits are the greater of 80 percent of the area median income, or 80 percent of the state nonmetropolitan median income. 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 4-person income limit is not allowed to exceed the U.S. median income (\$71,900 for FY 2018) except when justified by high housing costs; and once adjusted, the four-person low-income limit decrease is limited to five percent or, if increasing, capped at the greater of five percent or twice the national change in median income (which is almost 11.5 percent for FY 2018). 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.

Extremely Low-Income Limits:

The Consolidated Appropriations Act, 2014, amended Sec. 238. (a) Section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a) as follows:

(C) The term extremely low-income families means very low-income families whose incomes do not exceed the higher of—

- (i) The poverty guidelines updated periodically by the Department of Health and Human Services under the authority of section 673(2) of the Community Services Block Grant Act applicable to a family of the size involved (except that this clause shall not apply in the case of public housing agencies or projects located in Puerto Rico or any other territory or possession of the United States); or*
- (ii) 30 percent of the median family income for the area, as determined by the Secretary, with adjustments for smaller and larger families (except that the Secretary may establish income ceilings higher or lower than 30 percent of the median for the area on the basis of the Secretary's finding that such variations are necessary because of unusually high or low family incomes).*

HUD calculated the extremely low-income limits for all areas in the U.S. using the 2018 Poverty Guidelines for the 48 contiguous states and the District of Columbia (Lower-48 States), for Alaska and for Hawaii. These poverty guidelines were published in the Federal Register by HHS on January 18, 2018.

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, shown below, are applied to the very low-income limits and the low-income limits but not the extremely low-income limits set at the poverty income threshold, 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%

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