



Special Attention of:

NOTICE PDR-2019-03

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) 2019 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.

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 2019. The national median income for the United States for FY 2019 is \$75,500, an increase of five percent over the national median income in FY 2018. Twice this change is 10 percent which is greater than five percent, so this higher value is used as the cap on increases.

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. For FY 2019, there are two changes to the geographic area definitions used last year. First, the two counties (islands) that comprise the Kahului-Wailuku-Lahaina, HI no longer have separate income limits; there is one income limit throughout the metropolitan area for FY 2019. Second, Enid, OK is a new metropolitan area, formed out of nonmetropolitan Garfield County. 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 2016 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 2019 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-2016 to the mid-point of the fiscal year, April 2019. 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 1999 (which is the year of the income in the decennial census) and 2016, (from the ACS). The same CBO forecast is then applied from mid-2016 to the mid-point of the fiscal year, April 2019.

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 income for a 4-person family, adjusted for family size and adjusted for unusually high or low housing costs. There are, however, situations where they are additional upward or downward adjustments.

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 the 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 four-person income limit is not allowed to exceed the U.S. median income (\$75,500 for FY 2019) 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 10 percent for FY 2019). 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 income, 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 median income 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 they 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 the five percent change in the floor and the 10 percent change in the cap allowed for FY 2019.

FY 2019 income limits are available at <http://www.huduser.gov/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 2019 Income Limits Methodology, or the documentation system for income limits and median, which are on the income limits website.

/s/

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