



Special Attention of:

NOTICE PDR-2021-01

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: Estimated Median Family Incomes for Fiscal Year (FY) 2021

This memorandum transmits median family incomes for FY 2021. HUD uses the Section 8 program's Fair Market Rent (FMR) area definitions for its median family incomes, which means that medians are developed for each metropolitan area, parts of some metropolitan areas, and each nonmetropolitan county. For FY 2021, the geographic definitions incorporate all changes published by the Office of Management and Budget through the April 10, 2018 bulletin. A new metropolitan area was formed in 2018, Twin Falls, ID MSA, which means that the two nonmetropolitan counties in this MSA (Jerome County and Twin Falls County) are now metropolitan counties and identified by HUD as HUD Metro FMR Areas (HMFAs).

The national median family income for the United States for FY 2021 is \$79,900, an increase over the national median family income in FY 2020 of \$78,500. When twice the change in national median incomes is greater than five percent, this higher value is used as the cap on increases in the calculation of income limits. Last year the cap was 7.9 percent. This year the cap will be five percent because this is greater than twice the change between FY 2020 and FY 2021, which is 3.6 percent.

The 2018 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 2021 median family incomes for all areas of geography, except for the U.S. Virgin Islands and Guam, American Samoa, and the Northern Marianas (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-2018 to the mid-point of the fiscal year, April 2021. HUD bases the median family incomes and income limits in the U.S. Virgin Islands and the Pacific Islands on 2010 Decennial Census data which is the most current information available. The decennial data for the U.S. Virgin Islands and the Pacific Islands reports 2009 median family incomes. HUD trends these incomes forward using the change in national median family incomes between 2009 and 2018 (from the ACS). HUD then applies the same CBO forecast from 2018 to the mid-point of the fiscal year, April 2021.

Last year HUD discussed considering a change that would replace the CBO forecast with the economic forecast of the Office of Management and Budget (OMB), beginning with the calculation of the FY 2021 Medians. This OMB forecast would have matched the economic assumptions used in the calculation of HUD median family income estimates with assumptions used in the formulation of the Administration's Budget and with the economic assumptions used in the calculation of Fair Market Rents (FMRs). However, the OMB economic assumptions were not used in the calculation of the FY 2021 FMRs. CBO forecast assumptions were used because they were based on more recent economic data that measured early economic impacts of the pandemic. HUD will still consider using OMB forecasts instead of CBO forecasts next year.

An explanation of the procedures used to develop FY 2021 median family incomes and related documents are attached. Attachment 1 provides an explanation of the estimation methods; Attachment 2 provides state-level median family income estimates. The Section 8 Income Limits and income limits for the Section 221(d)(3) Below Market Interest Rate (BMIR) rental program, the Section 235 program, and the Section 236 program are not part of this transmittal notice, but we can provide them to you or your staff upon request.

Please note that the use of the HUD median family incomes is subject to individual program guidelines covering definitions of income and family, family size, effective dates, and other factors. If you have any questions concerning these matters, please refer them to our website at <http://www.huduser.gov/portal/datasets/il.html>.

HUD median estimates are also available at the Department's Internet site, which provides a menu from which you may select the year and type of data of interest <https://www.huduser.gov/portal/datasets/il.html>.

Todd M. Richardson
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Attachments

ATTACHMENT 1

HUD PROCEDURE FOR ESTIMATING FY 2021 MEDIAN FAMILY INCOMES

In estimating FY 2021 median family incomes, HUD uses the median family¹ income data (as opposed to median household income data) from the 2018 American Community Survey (ACS) and the Puerto Rico Community Survey (PRCS). HUD uses the Consumer Price Index (CPI) forecast published by the Congressional Budget Office (CBO) to bring the ACS and PRCS data forward from mid-2018 to the mid-point of the fiscal year, April 2021. HUD calculates these medians for each metropolitan and nonmetropolitan area using the Fair Market Rent (FMR) area definitions applied in the Section 8 Housing Choice Voucher Program.

As mentioned above, the FY 2021 median family incomes incorporate the 2018 ACS and PRCS data into the calculation process. Specifically, for each metropolitan area, subarea of a metropolitan area (designated as a HUD Metro FMR Area (HMFA), and nonmetropolitan county, HUD determines if a statistically valid one-year ACS income estimate is available. If one-year data is not available, then HUD uses statistically valid five-year ACS data (data collected from 2014 through 2018). There are cases where statistically valid five-year ACS data is not available. In those cases, HUD uses an average of at least two of the past three years of income estimates. If at least two years of median income estimates are not statistically valid, HUD uses the state nonmetro median.

Statistically Valid Estimate

For the FY 2021 medians, HUD requires that the margin of error be less than half of the estimate **and** that the survey median is based on at least 100 responses (as identified by a count indicator value of 4 or more in HUD's special tabulations of ACS data). If the current year estimate does not meet both conditions, the current and previous years' estimates must meet the margin of error condition for HUD to use them in averaging. In the few cases where the statistical confidence interval for the 5-year ACS estimate of median family income is greater than half the estimate for more than one of the three years HUD uses in averaging (the current year and the two previous years), HUD assigns the state nonmetropolitan median.

CPI Inflation and Trend Factor

HUD uses a CPI forecast from CBO to inflate the 2018 ACS data to the mid-point of FY 2021. HUD uses the CBO projection of fiscal year CPI, published in February 2021, to inflate the 2018 data.

Last year HUD discussed considering a change that would replace the CBO forecast with the economic forecast of the Office of Management and Budget (OMB), beginning with the calculation of the FY 2021 Medians. This OMB forecast would have matched the economic assumptions used in the calculation of HUD median family income estimates with assumptions used in the formulation of the Administration's Budget and with the economic assumptions used in the calculation of Fair Market Rents (FMRs). However, HUD did not use the OMB economic assumptions in the

¹ Family refers to the Census definition of a family, which is a householder with one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The definition of family excludes one-person households and multi-person households of unrelated individuals.

calculation of the FY 2021 FMRs. HUD uses CBO forecast assumptions because they were based on more recent economic data that measured early economic impacts of the pandemic. HUD will still consider using OMB forecasts instead of CBO forecasts next year.

Median Calculations

Median family incomes start with the development of median family incomes for the nation (with national metropolitan and nonmetropolitan median family incomes) for each state and territory (again including national metropolitan and nonmetropolitan median family incomes) and for each metropolitan area and nonmetropolitan area using the FMR geographic area definitions for the United State and its territories.

The major steps are as follows:

HUD uses 2018 ACS or PRCS median family incomes as the basis for FY 2021 medians for all areas designated as Fair Market Rent areas in the United States and Puerto Rico.² In areas where there is a statistically valid 2021 one-year survey estimate, HUD uses it. If not, HUD uses statistically valid 2018 five-year data. Where statistically valid five-year data is not available, HUD averages the valid income estimates from the current (where there is valid margin of error of the estimate) and two previous years of ACS or PRCS data or for at least two of these three years.

HUD considers the 2017 five-year data and the 2016 five-year data valid if the margin of error of the estimate is less than one-half of the estimate. These are inflated to 2018 using the change in national CPI calculated between 2016 or 2017 and 2018.

For all places in the United States and Puerto Rico:

HUD trends all estimates (using either one-year data or five-year data) from 2018 to April 2021 using the CPI forecast produced by CBO.

For the non-Puerto Rico Insular Areas of the United States,³ which currently lack the annual survey of ACS or PRCS, HUD uses 2010 Decennial Census data which collected 2009 median family incomes. These data were first incorporated into HUD's medians with the FY 2016 median family incomes and income limits. This continues to be the basis of the FY 2021 median family incomes and income limits. HUD uses national ACS median family income changes to update the 2009 median family income data to 2018. HUD then applies the same CBO forecast from mid-2018 to the mid-point of the fiscal year, April 2021.

² When HUD's Fair Market Rent area definitions match a standard census geography, the ACS data HUD uses to calculate median family income estimates may be obtained from ACS table B19113: Median Family Income in the Past 12 Months.

³ The areas without ACS coverage are the U.S. Virgin Islands, Guam, American Samoa, and the Northern Marianas Islands. Puerto Rico is covered by the ACS-equivalent Puerto Rico Community Survey.

ATTACHMENT 1
FY 2021 Median Family Incomes for States,
Metropolitan and Nonmetropolitan Portions of States

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	TOTAL	METRO	NONMETRO
Alabama	66700	70400	55100
Alaska	93900	99500	80600
Arizona	73200	74300	51900
Arkansas	60700	66900	54100
California	90100	90600	69700
Colorado	93000	96500	73500
Connecticut	102600	102500	102900
Delaware	83000	83000	63400*
District of Columbia	123100	123100	63400*
Florida	70000	70600	55400
Georgia	74700	79700	54900
Hawaii	99800	104700	81100
Idaho	69000	72500	59500
Illinois	85000	88400	67900
Indiana	73300	75300	66800
Iowa	79500	85400	71800
Kansas	77400	85200	65100
Kentucky	65100	74400	54300
Louisiana	64700	68300	48400
Maine	75700	85100	63600
Maryland	106000	107000	72000
Massachusetts	106200	106500	84100
Michigan	75300	78500	64500
Minnesota	93100	99600	74500
Mississippi	60000	68200	53100
Missouri	72300	78900	56300
Montana	72100	73800	71000
Nebraska	79400	85600	70300
Nevada	75100	74500	80100
New Hampshire	98200	106200	85300
New Jersey	106000	106000	63400*
New Mexico	61400	64500	54600
New York	87100	89500	69400
North Carolina	70900	75000	58500
North Dakota	90100	93000	85800
Ohio	75300	78200	66300
Oklahoma	67000	71400	59300
Oregon	81200	85000	65800
Pennsylvania	81000	83800	65100
Rhode Island	88000	88000	63400*
South Carolina	68700	71300	53600
South Dakota	75500	82000	70100
Tennessee	68600	72800	56400
Texas	75100	77400	60900
Utah	85300	86500	74100
Vermont	84100	95900	78800
Virginia	93000	99500	59700
Washington	91600	95200	71300
West Virginia	60300	63800	54800
Wisconsin	80300	84400	71800
Wyoming	81900	83200	81000
US	79900	82800	63400

* US nonmetropolitan median