Special Attention of:

Secretary's Representatives,
Community Builders, Economists,
Public & Indian Housing Division Directors,
Multifamily Hub Directors, Multifamily
Program Center Directors

NOTICE PDR-99-02

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Cross References:

Subject: Transmittal of Fiscal Year (FY) 1999 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.

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 median family income for FY 1999.

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

- low-income is defined as 80 percent of the median family income for the area, subject to adjustments for areas with unusually high or low incomes or housing costs;

- very low-income is defined as 50 percent of the median family income for the area, subject to specified adjustments for areas with unusually high or low incomes;

- 30 percent of the area median income is a new income targeting standard of the 1998 Act 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;

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- where the local median family income is less than the State nonmetropolitan median family income, 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:

Very low-income limits are calculated using a set of formula relationships. The first step in calculating very low-income limits is to calculate what they would be if the four-person limit is based on 50 percent of the estimated area median family income. Adjustments are then made if this number is outside of formula constraints.

More specifically, the very low-income limit for a four-person family is calculated as follows:

(1) 50 percent of the area median family income is calculated and set as the tentative four-person family income limit;

(2) if it is lower, the four-person income limit is increased to the amount at which 35 percent of it equals 85 percent of the annualized two-bedroom Section 8 FMR (this adjusts income limits upward for areas where rental housing costs are unusually high in relation to the median income);

(3) if it is higher, the four-person income limit is reduced to the amount at which 30 percent of it equals 120 percent of the two-bedroom FMR (this adjusts income limits downward for areas where rental housing costs are unusually low in relation to the median income);

(4) to minimize program management problems, income limits are being held at FY 1998 levels in areas where FMR reductions would have resulted in lower income limits; and,

(5) in no instance are income limits less than if based on the State nonmetropolitan median family income level.

Low-Income Limits:

Most four-person low-income limits are the higher of 80 percent of the area median family income or 80 percent of the State nonmetropolitan median family income level. Because the very low-income limits are not always based on 50 percent of median, 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). The calculation normally used, therefore, is to set the four-person low-income limit at 1.6 (i.e., 80%/50%) times the relevant four-person very low-income limit. The only exception is that the resulting income limit may not exceed the U.S. median family income level ($47,800 for FY 1999) except when justified by high housing costs. 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

1	2	3	4	5	6	7	8
70%	80%	90%	Base	108%	116%	124%	132%

Income limits for families with more than eight persons are not included in the printed lists because of space limitations. For each person in excess of eight, 8 percent of the four-person base should be added to the eight-person income limit. (For example, the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) All income limits are rounded to the nearest $50 to reduce administrative burden.

Income Limit Area Definitions:

HUD income limit areas are the same as FMR areas. HUD normally uses current Office of Management and Budget (OMB) Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions to define income limits areas because they closely correspond to housing market area definitions. The exceptions are counties deleted from six metropolitan areas whose revised OMB definitions encompass areas that were determined to be larger than the housing market areas. These counties have been assigned their own income limits based on county-level data. The six metropolitan areas and the respective counties deleted from them are as follows:

AREA	Counties Deleted from OMB Definition
Chicago, IL:	DeKalb, Grundy and Kendall Counties
Cincinnati-Hamilton, OH-KY-IN:	Brown County, Ohio; Gallatin, Grant and Pendleton Counties in Kentucky; and Ohio County, Indiana
Dallas, TX:	Henderson County
Flagstaff, AZ-UT:	Kane County, Utah
New Orleans, LA:	St. James Parish
Washington, DC-MD-VA-WV:	Berkeley and Jefferson Counties in West Virginia; and Clarke, Culpeper, King George and Warren counties in Virginia

Two changes have been made in the past year that affect FY 1999 income limits. The Census and Office of Management and Budget defined Missoula County, Montana, as a new Metropolitan Statistical Area. In addition, the 1998 Act Amendments direct that Rockland County, New York, which is part of the New York City Primary Metropolitan Statistical Area, should have separate income limits based on data for the county.

HUD Field Office Responsibilities:

HUD field offices with assisted housing program functions are responsible for maintaining records of income limits for areas within their jurisdiction. Notification of income limit revisions should be promptly distributed to program participants, and Field Offices should be prepared to make income limits available to the public upon request.

Requests from the public for sets of national or regional income limits may be referred to the HUD USER Reference Service, whose toll-free number is 1-800-245-2691. In addition, FY 1999 income limits have been placed on the World Wide Web (www.huduser.org\data\factors.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 1999 Income Limits Briefing Material supplied to all HUD field economists. This document is also available from HUD USER.

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