

Fair Market Rents

Introductory Overview

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Overview

Fair Market Rents (FMR)

- What are FMRs?
- Statutory and Regulatory Matters
- How are FMRs Used?
- Timelines
- The Methodology

Resources, Next Steps, & Questions



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What are FMRs?

- **FMRs = Gross Rent**
 - **Cost of the Shelter plus utilities (regardless who pays)**
 - **Utilities**
 - **All major utilities except telephone, cable or satellite television, and Internet services**
 - **Contract rent**
 - **The rental payment agreed to in a lease - could be Shelter Rent, Gross Rent, or somewhere in between**
- **FMRs are calculated across the country for:**
 - **OMB Defined Metro Areas and some “HUD Metro FMR Areas - HMFAs”**
 - **Non-Metropolitan Counties**
 - **October 1 Effective date**



Metropolitan Areas

- **OMB defined metropolitan areas based on Core-Based Statistical Areas**
- **HUD Exceptions to OMB Metropolitan Areas**
 - **New England: Before 2000, metro areas were based on towns; To prevent large changes in FMRs, HUD maintains the town-based metro area definitions**
 - **HUD Metro FMR Areas were created where the county added to a metropolitan area that had its own rent or income limit would have a difference of more than five percent**
 - **New county additions since the FY 2006 FMRs have not been added to a metropolitan area where they have their own usable data**



Statutory and Regulatory Matters

- **Statute: 42 USC 1437f**
 - “Most recent data available”
 - Requests for Re-evaluation
 - New FMRs placed on hold during re-evaluation period
- **Regulations: 24 CFR 888.113**
 - Calculated at the 40th percentile
 - Data sources to include local area surveys
 - Rules for required Small Area FMR use



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How are FMRs used?

- **HUD uses FMRs primarily to help determine the following:**
 - **Payment standard amounts for the Section 8 Housing Choice Voucher program (Between 90 percent and 110 percent of the FMR)**
 - ***Public Housing Flat Rents (Must be at 80% of FMR or more)***
 - **Renewal Funding Inflation Factor Calculations (Annual FMR Change)**
 - **Initial renewal rents for some expiring project-based Section 8 contracts.**
 - **Initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program (Mod Rehab).**
 - **Rent ceilings in both the HOME rental assistance program and the Emergency Solution Grants program.**
 - **Calculation of Grant Amounts and establishes maximum rents to Continuum of Care Grantees**



FMR Timelines

- FY 2024 FMR Timeline:**

2021 ACS Public Data Released: 9/2022 1-Year Data, 12/2022 5-Year Data

HUD's Special Tabulation (HUD's Geography and Standard Quality Rents) of ACS Data 1Q/23

FMRs Calculated in 04-08/2023

Federal Register Notice publication NLT 8/31/23

2022 CPI Data Available 01/2023

Notice of Proposed FMR Methodology Changes [Must be published with 30-day comment period ending no later than early July]

Calculations Complete NLT 08/2023

Effective 10/1/2023



FMR Methodology

- **FMRs are based on Standard Quality (SQ), Recent Mover (RM) Rents**
- **Most areas begin with a new benchmark**
 - A standard quality rent from the 5-Year ACS (Puerto Rico uses the Puerto Rico Community Survey)
 - US Virgin Islands, Pacific Islands (American Samoa, Guam, Northern Marianas) based on Decennial Census data
- **Recent Mover Adjustment**
 - Relationship between 5-Year SQ and 1-Year RM Rents
 - Find smallest area with statistically valid 1-YR RM data
 - First examine single-year RMs, then two-year RMs
 - Cannot be less than 1
 - Multiply new benchmark rent (from 5-year SQ data) by Recent Mover Factor, so FMR is based on 1-year data for virtually all metropolitan areas.



FMR Methodology (cont'd)

- **Inflation Adjustment**
 - **CPI measured 1-year change in gross rents for CPI metro areas and 4 Census Regions**
 - **Private rent measured 1-year change in gross rents for metro areas where available and 4 Census Regions**
 - **Take weighted average of the two such that the national weighted average change matches that of the national ACS recent mover rent**
- **Trend Factor**
 - **HUD forecast of expected growth in gross rents for CPI Metro areas and 4 Census Regions**



FMR Calculations

ACS Based Measure of
Gross Rents Paid by
Recent Movers
(5-year and 1-year)
2021

X

Gross Rent Inflation
Adjustment
Private Rent Data &
BLS CPI Based
2021 to 2022

X

HUD Forecasted
Expected Growth in
Gross Rents Trend
Factor
2022 to FY 2024

Local Estimates

Available metro areas
covered by at least 3
Private Data Sources
and BLS Metro Area
and Census Region

BLS Metro Area and
Census Region

=

FY 2024
Fair Market Rent



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Small Area FMRs

- **Small Area FMRs set by Zip Codes within Metropolitan Areas**
 - Provide tenants greater Mobility Options to move to “Opportunity Neighborhoods”
 - ✓ Jobs, Transportation, Good Schools
 - Multiple Payment Standards in a Metro Area
 - Reduce undue subsidy in lower-rent areas
- **Required in administering the Housing Choice Voucher Program in 24 Metropolitan Areas**



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Resources

- **Fair Market Rents**

- <http://www.huduser.org/portal/datasets/fmr.html>

- Query Tool Tab: Online Documentation System providing step by step details of FMR Calculations

- Documents Tab: Official versions of Federal Register Notices, FMR Schedules, and other information

- Data Tab: Electronic Versions of FMR Data

- **FMR Surveys**

- <https://www.huduser.gov/portal/datasets/fmr.html#fmrsurvey>

- **Historical Data**

- <https://www.huduser.gov/portal/datasets/fmr.html#history>

- **OMB Bulletin – Metropolitan Area Definitions**

- <https://www.whitehouse.gov/omb/bulletins/>



Questions / Concerns

- Contact the staff of the Program Parameters and Research Division at:

– pprd@hud.gov



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