U. S. Department of Housing and Urban Development

Special Attention of:

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

NOTICE PDR-2009-02

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Cross References:

Subject: Transmittal of Fiscal Year 2009 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.

This year's estimates are the first to take advantage of the Census Bureau's American Community Survey (ACS) three-year data collected between 2005 and 2007. The ACS is the official replacement for the foundation of median family income information: the decennial census "long form" sample. Three-year estimates represent a significant improvement over the one-year estimates used for FY2007 and FY2008 median family incomes and Income Limits. The advantages of three-year estimates include larger sample sizes and greater population coverage. Because sample sizes are larger, margins of error in survey results are smaller which means there is less survey error. Additionally, three-year estimates are available for geographic areas with 20,000 or more in population; therefore, over 95 percent of the national population is covered by these data. Finally, since they represent data spanning three years, not just data from 2007, these estimates, in general, are not quite as high as they would be if only 2007 data were used. This is important because, due to the lag in data availability, HUD must use 2007 or earlier data, which reflect a time of economic expansion instead of the current economic downturn.

Two additional changes were made to the methodology for updating median family incomes for FY2009. Both changes were made in order to improve the stability of estimates from one year to the next. First, surveys with margins of error between 10 percent and 20 percent are not being used to update medians as they were in FY2007 and FY2008. There are very few areas with survey margins of error in this range, but where the margin of error is greater, the estimates tend to be significantly more variable from one-year to the next. Second, use of Bureau of Labor Statistics (BLS) data is no longer necessary. BLS data were used to generate inter-state variation in estimates for areas without ACS surveys. Because so much of the nation's population is covered by three-year ACS estimates, use of BLS data is no longer necessary.

Historically, HUD has held Section 8 Income Limits harmless primarily so that Low Income Housing Tax Credit (Internal Revenue Code section 42) and bond-financed projects (I.R.C. section 142) would not be subject to reductions in income qualification levels and maximum rents. Low Income Housing Tax Credit

(LIHTC) and tax exempt bond-financed housing project income limits and rents are tied by statute to HUD's area median income estimates, and by regulation to HUD's Section 8 Income Limits.

Section 3009 of HERA provides for immediate holding harmless of "area median gross income" for tax credit and tax-exempt bond-financed housing projects with additional inflation provisions for LIHTC and bond-financed projects held harmless by HUD in 2007 and 2008. Because the new law provides a statutory mechanism for achieving the effect of the income limit hold-harmless policy HUD no longer plans to hold income limits harmless.

HUD plans to issue a Federal Register Notice to this effect but has not yet done so. Consequently, HUD will continue to hold Section 8 income limits at previous year's levels in areas where median family income estimates are lower in FY2009 than in FY2008 but will not continue to do so in future years.

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 2009.

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

- 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;

- 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;

- 30 percent of the area median income is defined as an income targeting standard in 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, but not allowed to fall below the state Supplemental Security Income (SSI) benefit level for one-person households;

- where the area median family income (MFI) is less than the state non-metropolitan median family income, income limits are based on the state non-metropolitan 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 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 four-person family is calculated as follows:

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

(2) a minimum four-person income limit is established at the amount required to afford a two-bedroom unit renting at 85 percent of the Fair Market Rent (FMR) 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 four-person income limit is calculated as the greater of 80 percent of the U.S. MFI or the income needed to afford a two-bedroom unit renting at 100 percent of the FMR 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 areas where OMB metropolitan area definitions have changed, income limits are not allowed to fall below the previous year's income limits for the largest old FMR area component of the new FMR/income limit area, which is done to minimize program disruptions; and,

(5) in no instance are income limits less than if based on the state non-metropolitan median family income level (even if the step 2 calculation produces a lower amount).

Low-Income Limits:

Most four-person low-income limits are the greater of: 80 percent of the area median family income, or 80 percent of the state non-metropolitan median family income level. 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 only exception to this practice is that the resulting income limit is not allowed to exceed the U.S. median family income level ($64,000 for Fiscal Year 2009) 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, there is the addition of eight percent to the four-person base. The nine-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 nine or more persons to the nearest $50, or may use the un-rounded numbers.

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.

FY2009 income limits are available in multiple formats on the World Wide Web (**www.huduser.org\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 FY2009 Income Limits Briefing Material, which is posted on the income limits website.

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