

# Fair Market Rents

## Introductory Overview

Prepared By:

Program Parameters and  
Research Division

Office of Economic Affairs



# Overview

## *Fair Market Rents (FMR)*

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

## *Resources, Next Steps, & Questions*



# 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 through 2018 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 40<sup>th</sup> percentile
  - Data sources to include local area surveys
  - Rules for required Small Area FMR use



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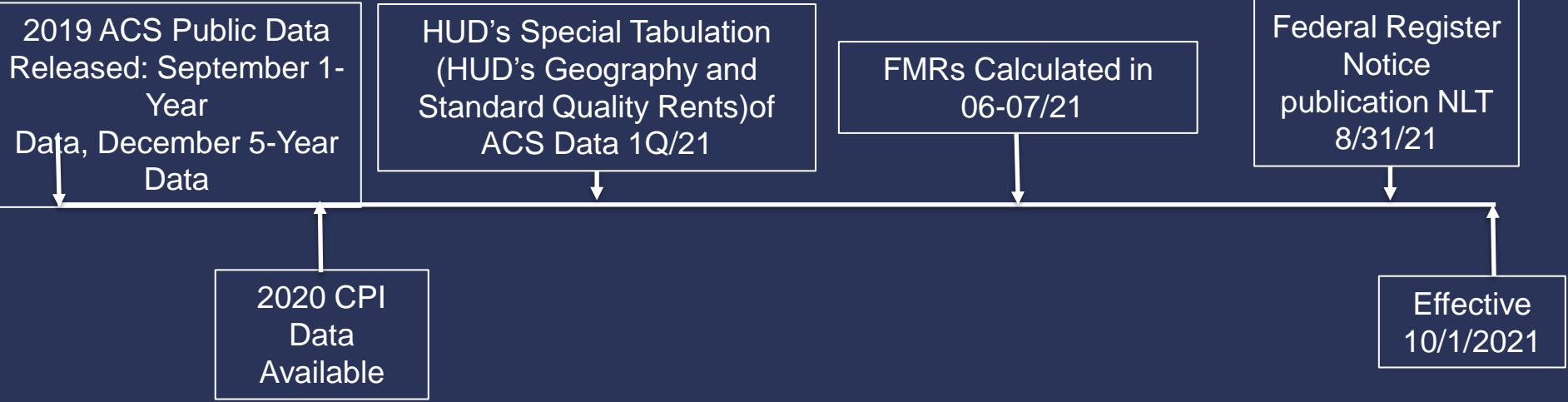
# How are FMRs used?

- **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 2022 FMR Timeline:**



# 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
  - 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.



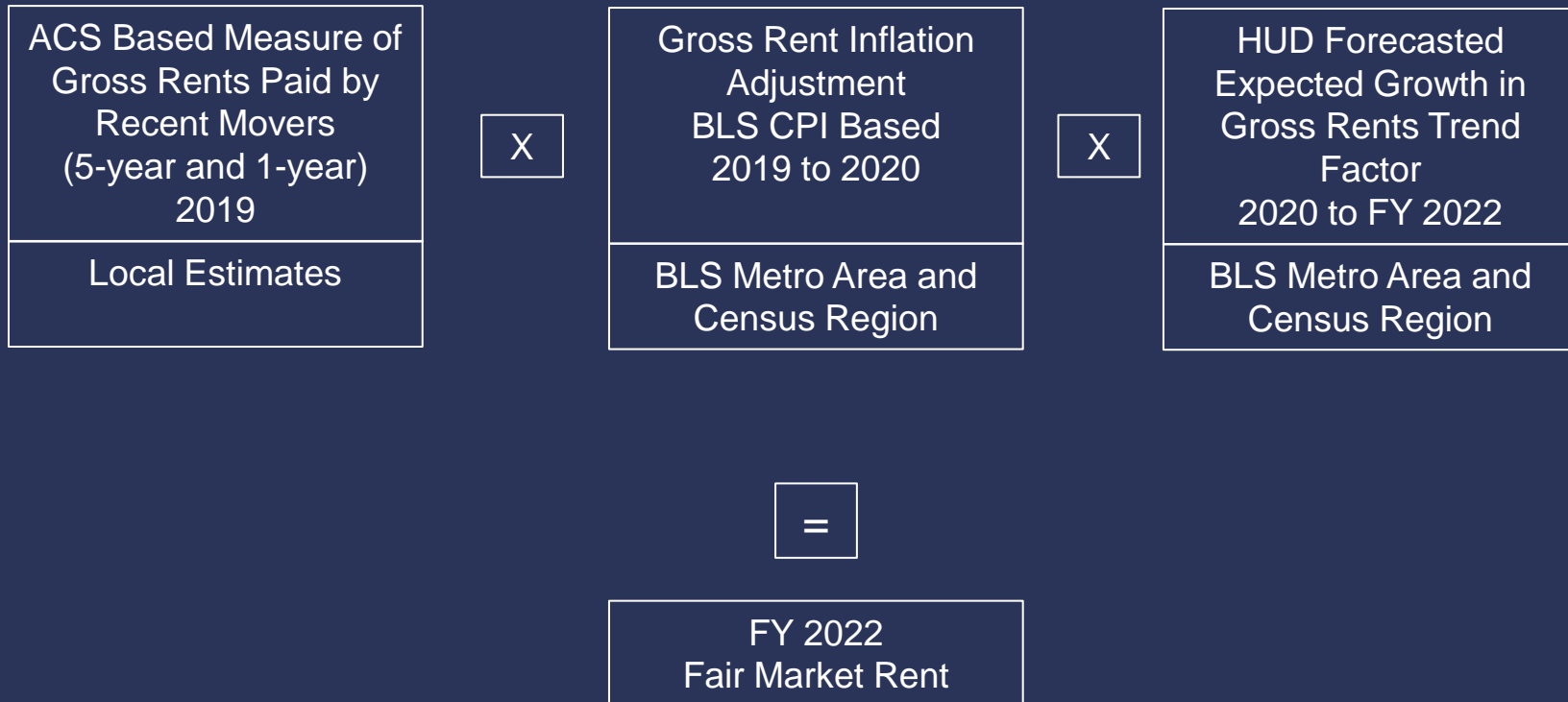


# FMR Methodology (cont'd)

- **CPI Adjustment**
  - CPI measured 1-year change in gross rents for CPI metro areas and 4 Census Regions
- **Trend Factor**
  - HUD forecast of expected growth in gross rents for CPI Metro areas and 4 Census Regions



# FMR Calculations



# 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](mailto:pprd@hud.gov)



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