



[Docket No. FR-6224-N-02]

**Fair Market Rents for the Housing Choice Voucher Program,
Moderate Rehabilitation Single Room Occupancy Program, and Other Programs
Fiscal Year 2021; Revised**

AGENCY: Office of the Assistant Secretary for Policy Development and Research, HUD.

ACTION: Notice of Revised Fiscal Year (FY) 2021 Fair Market Rents (FMRs) and Discussion of Comments on FY 2021 FMRs.

SUMMARY: This notice updates the FY 2021 FMRs for four areas based on new survey data: Houston-The Woodlands-Sugar Land, TX HUD Metro FMR Area (HMFA), Knox County, ME, Lincoln County, ME, and Waldo County, ME. Further, HUD responds to comments received on the FY 2021 FMRs.

DATES: The revised FY 2021 FMRs for these four areas are effective on **April 1, 2021.**

FOR FURTHER INFORMATION CONTACT:

Questions related to use of FMRs or voucher payment standards should be directed to the respective local HUD program staff.

For technical information on the methodology used to develop FMRs or a listing of all FMRs, please call the HUD USER information line at 800-245-2691 (toll-free) or access the information on the HUD USER website: <https://www.huduser.gov/portal/datasets/fmr.html>.

Individuals with speech or hearing impairments may access this number through TTY by calling the Federal Relay Service at 800-877-8339 (toll-free number). The FY 2021 EXCEL files have been updated to include these revised FMRs and this data is included in our query system by FMR area. For informational purposes, the 50th percentile rents for all FMR areas are updated and published at <https://www.huduser.gov/portal/datasets/50per.html>.

SUPPLEMENTARY INFORMATION:

On August 14, 2020 HUD published the FY 2021 FMRs, requesting comments on the FY 2021 FMRs, and outlining procedures for requesting a reevaluation of an area's FY 2021 FMRs (85 FR 49666). This notice revises FY 2021 FMRs for four areas based on data provided to HUD. In addition to providing revised FY 2021 FMRs, this notice also provides responses to the public comments HUD received on the notice referenced above.

I. Revised FY 2021 FMRs

The FMRs appearing in the following table supersede the use of the FY 2020 FMRs for the four areas that provided statistically valid data. The updated FY 2021 FMRs are based on surveys conducted by the area public housing agencies (PHAs) and reflect the estimated 40th percentile rent levels trended to April 1, 2021.

Stamford-Norwalk, CT, CT HMFA and Transylvania County, NC also provided survey data and have continued to use FY 2020 FMRs while survey data was evaluated. However, the survey data provided by these areas could not be used to revise their FY 2021 FMRs. Effective April 1, 2021, the FMRs for these two areas are the FY 2021 FMRs as originally calculated.

The FMRs for the affected area are revised as follows:

2021 Fair Market Rent Area	FMR by Number of Bedrooms in Unit				
	0 BR	1 BR	2 BR	3 BR	4 BR
Houston-The Woodlands-Sugar Land, TX HUD Metro FMR Area	\$908	\$983	\$1,176	\$1,576	\$2,010
Knox County, ME	\$771	\$815	\$967	\$1,329	\$1,365
Lincoln County, ME	\$797	\$802	\$1,021	\$1,270	\$1,642
Waldo County, ME	\$836	\$841	\$1,001	\$1,251	\$1,712

The FY 2021 FMRs are amended and are available on the HUD USER website:

<https://www.huduser.gov/portal/datasets/fmr.html>. The FY 2021 Small Area FMRs (SAFMRs)

for metropolitan areas with revised FMRs have also been updated commensurate with the

metropolitan area revisions and may be found at

<https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html>.

II. Public Comments on FY 2021 FMRs

A total of 13 comments were received and posted on regulations.gov, <https://www.regulations.gov/document?D=HUD-2020-0055-0001>. Of the 13 comments received, 11 were reevaluation requests for nine FMR areas. HUD granted requests for reevaluation for the nine FMR areas. Three areas elected to conduct a joint survey of the combined three-county area. See: <https://www.huduser.gov/portal/datasets/fmr/fmr2021/FY-2021-Reevaluation-areas.pdf>

Public housing agencies in the nine areas where HUD agreed to reevaluate the FY 2021 FMRs continued to use FY 2020 FMRs during the reevaluation period as mandated by the Housing Opportunities Through Modernization Act. Six of these nine areas have continued to use FY 2020 FMRs since January 11, 2020 because they either provided valid survey data or requested additional time to collect survey results because of mail delays attributed to the COVID-19 pandemic. FY 2021 FMRs became effective on January 11, 2021 for the three areas where local survey data was not submitted by the January 8, 2021 cut-off date. HUD published a list of the three FMR areas not providing data at the following link:

<https://www.huduser.gov/portal/datasets/fmr/fmr2021/FY-2021-FMR-Areas-without-Reevaluation-Data.pdf>. This notice provides the reevaluated FY 2021 FMRs for the four areas requesting reevaluation that provided valid survey data and requires the use the FY 2021 FMRs as originally published for two areas that requested reevaluation but were unable to provide valid survey data.

General Comments

Most of the comments not related to specific areas requesting a reevaluation discussed inaccuracies of the FMRs and a need for more current and local data. These comments and their responses are discussed in greater detail below.

Comment: Several commenters suggested that HUD should provide additional funding to PHAs who undertake local area surveys. One comment noted that the cost for address-based mail surveys is in the \$5,000 to \$10,000 range.

HUD Response: HUD reminds PHAs that paying for local area rent surveys is an eligible expense to be paid from on-going administrative fees or their administrative fee reserve account. The estimate of \$5,000 to \$10,000 per survey is too low, based on the 2012 survey study of small metropolitan areas and is much higher based on recent experiences of these small metropolitan areas and rural counties. The estimate was never appropriate for rental markets in large and complex metropolitan FMR areas. In general, the cost of the survey increases with the size of the FMR area, the size of the rental market and the availability and cost of good rental market lists.

Comment: HUD's reliance on setting FMRs at the 40th percentile is flawed because this only works if there is a normal distribution of rental units. Sub-standard housing should be removed from the distribution when calculating a 40th percentile rent.

HUD Response: The purpose of using a percentile instead of an average is to account for abnormal distributions. HUD removes responses from the American Community Survey (ACS) when the respondent reports the unit does not have a complete kitchen or complete plumbing to address sub-standard units. In addition, HUD determines a "public housing cut-off rent" to eliminate the bottom end of the distribution of rental units from the ACS before the 40th percentile rent is calculated as a proxy to remove units with low rents that are likely in non-market transactions (e.g., rented from relatives), subsidized (ACS does not ask whether households receive rental subsidies), or are otherwise inadequate in some manner not measured by the ACS. HUD uses a consistent method to calculate this distribution cut off for each HUD region. HUD continues to explore alternatives for removing assisted units from the ACS responses before the 40th percentile rent is calculated for the purpose of calculating FMRs.

Comment: HUD needs to conduct its *own* analysis or research to address market

anomalies and account for erratic fluctuations in FMRs between years and by bedroom size.

HUD Response: HUD did conduct research into different methods of calculating the trend factor and implemented metropolitan and regional forecasting into the calculation of the trend factor beginning with the FY 2020 FMRs.

To correct erratic fluctuations in FMRs year over year, HUD has implemented steps to attenuate the fluctuations found in the annually updated survey data. HUD has made methodology changes that call for averaging bedroom ratios over three years of data and averaging base rents over the same period when the data is limited. The statutory directive to use the most recent data available compels HUD to update the data behind each area's FMR calculation when new data is released. Consequently, FMRs will change from year to year in accordance with changes in the underlying survey data. HUD emphasizes that the primary data source for FMRs is a survey (ACS) and while surveyors do their best to select unbiased random samples of the population, sampling error persists within survey statistics.

In addition, HUD has awarded three research grants, and each will evaluate potential methodology changes for the calculation of FMRs in areas with rapidly rising rents. The proposed methodology changes resulting from these three studies will be presented in a Federal Register Notice of material change in methodology that will be published for comment in early- to mid-2022.

HUD reminds agencies that payment standard regulations allow for a payment standard that is between 90 percent and 110 percent of the FMR. Therefore, PHAs may in many cases adopt payment standards that have "smoother" changes over time than the FMRs.

Comment: Along with inadequate administrative fees, inadequate FMRs result in voucher underutilization nationwide. HUD's methodology for setting FMRs also often results in a reduction of choice and in many places relegates voucher holders to the poorest areas.

HUD Response: HUD's methodology for calculating FMRs has been revised to improve choice in metropolitan areas through the use of Small Area FMRs and in all FMR areas by the

use of local or regional trend factors as opposed to one national trend factor

Comment: HUD should create new administrative mechanisms to cope with inaccurate FMRs, specifically the current flexibilities should be expanded.

HUD Response: HUD does have procedures that provide flexibility in the voucher program that allow PHAs to keep payment standards constant when FMRs decline. For areas where rents increase more rapidly than what is captured by the most recent data available to HUD in calculating FMRs, the department provides a mechanism for more recent data collected in a survey to be supplied to HUD. Additionally, HUD has eased the exception payment standard regulations in metropolitan areas to allow for the use of up to 110 percent of the Small Area FMR as an exception payment standard with no approval needed from HUD. The only requirement is for PHAs to notify HUD of their use of Small Area FMRs in this manner. New administrative procedures would have to be developed by the programs other than the Housing Choice Voucher program to allow for use of payment standards to provide additional flexibility. Each program required to use FMRs without similar flexibility to payment standards would have to amend its regulations to allow for flexible application of FMRs if statute permits.

Comment: HUD should continue to refine its methodology for calculating FMRs. A high priority should be placed on improving the data that is used to derive more accurate FMRs. HUD should explore “scraping” local rent data and use more timely data when calculating FMRs

HUD Response: HUD is looking at incorporating scraped rental data and other more recent data in its current studies of improving FMR calculations in areas of rapidly rising rents.

Comment: HUD should use the 2017 American Community Survey data to compare the gross rent by FMR area to the FY 2017 FMRs to determine accuracy of FMRs and report back to the industry.

HUD Response: HUD undertook an analysis such as this and reported the results in a recent report to Congress. Please see the section labeled “Accuracy of FMRs” in HUD’s report “Proposals To Update the Fair Market Rent Formula”, page 3, available at

<https://www.huduser.gov/portal/sites/default/files/pdf/Proposals-To-Update-the-Fair-Market-Rent-Formula.pdf>. Between 2009 and 2016 for areas with sufficiently large ACS recent mover rental unit samples, the ACS-measured 40th percentile gross rents were within 90 to 110 percent of the published FMRs in 83.4 to 94.3 percent of cases. These results do not adjust for more recent improvements in the FMR estimation method.

III. Environmental Impact

This Notice involves a statutorily required establishment of fair market rent schedules and does not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this Notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

Todd M. Richardson,

General Deputy Assistant Secretary,

Office of Policy Development and Research.

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