



---

Special Attention of:

## NOTICE PDR-2005-02

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

Issued: February 11, 2005  
Expires: Effective until superseded

---

Cross References:

---

Subject: Transmittal of Fiscal Year 2005 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 Fiscal Year 2005.

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 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;

---

: Distribution: W-3-1

- where the local median family income 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 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 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 tentatively set as the four-person family income limit;
- (2) a minimum four-person income limit is calculated as 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. median family income or the income needed to afford a two-bedroom unit renting at 100 percent of the Fair Market Rent (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) to minimize program management problems, income limits are not allowed to fall below previous year 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 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 higher 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 (\$58,000 for Fiscal Year 2005) 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

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>
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. The nine-person income limit, for example, is set at 140 (132 + 8) percent 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 has not yet implemented new OMB metropolitan and micropolitan area definitions released in mid-2003. HUD Section 8 income limits are established in accordance with Section 8 of the U.S. Housing Act of 1937, as amended. HUD is required by statute to publish revisions to Section 8 FMRs and area definitions in proposed form for public comment prior to implementing any proposed changes. The Fiscal Year 2005 Income Limit area definitions used in this notice reflect old Office of Management and Budget (OMB) Metropolitan Statistical Area (MSA) and Primary Metropolitan Statistical Area (PMSA) definitions.

HUD has used OMB definitions to define income limits areas because they closely correspond to housing market area definitions. The only current exceptions are counties deleted from six metropolitan areas whose previously revised OMB definitions encompassed 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:

<u>AREA</u>	<u>Counties Deleted from OMB Definition</u>
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

### **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, Fiscal Year 2005 income limits are available in multiple formats on the World Wide Web ([www.huduser.org/datasets/il.html](http://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 Fiscal Year 2005 Income Limits Briefing Material, which is posted on the income limits website.

If you have questions concerning these income limits, please contact your Field Office economist.

---

John C. Weicher  
Assistant Secretary for  
Housing-Federal Housing  
Commissioner, H

---

Michael M. Liu  
Assistant Secretary for  
Public and Indian Housing, P

Attachments