

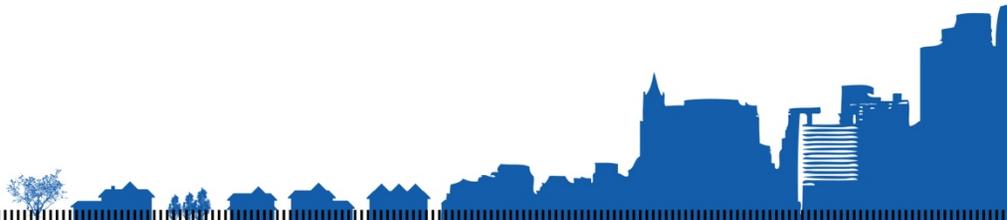
# Impediments to PHA Reimbursement for Surveys and Solutions to Address Delays in HUD's Annual Calculation of Fair Market Rents

Prepared by

U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  
Office of Policy Development and Research



PD&R



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## Introduction

A committee report accompanying the Consolidated Appropriations Act, 2019 (2019 Act) directs the U.S. Department of Housing and Urban Development (HUD) “to identify the statutory, regulatory and cost barriers PHAs [public housing agencies] face in conducting and receiving reimbursements for rent surveys.” In addition, the committee report directs HUD to provide “solutions to address delays in HUD’s annual calculation of FMRs [fair market rents] for rental markets that are rapidly increasing in value.” In accordance with these directives, HUD offers this report, which examines these issues across the following three sections—

- Review of statutory and regulatory provisions governing the use of surveys.
- Assessment of cost barriers PHAs face in conducting and receiving reimbursement for rent surveys.
- Solutions to address delays in HUD’s annual calculation of FMRs for rental markets that are rapidly increasing in value.

## Review of Statutory and Regulatory Provisions Governing the Use of Surveys

The statutory language governing the calculation of FMRs is found in 42 USC 1437f. The text of the statute does not mention local rental market surveys; however, an important clause in the statute allows HUD to accept locally procured survey data when calculating FMRs. Specifically, the statute requires that HUD calculate FMRs “based on the most recent available data.” FMRs are published as gross rents; that is, the cost of the shelter plus the cost of any necessary utilities. The only source of consistently collected information available at a variety of geographic delineations regarding gross rents paid comes from the American Community Survey (ACS). The ACS is conducted annually by the Census Bureau; however, due to timing constraints, the most current ACS data available at the time the FMRs are calculated was

collected in the calendar year 3 years before the fiscal year (FY) for which the FMRs are effective. As an example, the FY 2019 FMRs (released on August 31, 2018, which became effective on October 1, 2018) were calculated in June/July 2018 on the basis of ACS data released by the Census Bureau in September and December 2017, which was collected throughout 2016. Local survey data used to reevaluate the FY 2019 FMRs were generally collected in November and December of 2018. The local survey data are used to reevaluate the FY 2019 FMRs and serve as the basis for the FY 2020 and FY 2021 FMR calculations. The “most recent available data” clause precludes the use of local surveys beyond 3 years, as the ACS data used to calculate the FY 2022 FMRs will have been collected in 2019.

The regulations controlling the calculation of FMRs are found in chapter 24, part 888 of the Code of Federal Regulations. Within 24 CFR 888.113(e)(2), HUD enumerates locally collected survey data as a data source used in the calculation of FMRs.

This review of the statutory and regulatory language concerning the calculation of FMRs provides a framework for local surveys to be used as a replacement for the standard data sources in the calculation of FMRs; however, no language explicitly permits or prohibits PHAs from receiving reimbursement for the cost of conducting these surveys.

As for statutes specific to the voucher program, the language in the 2019 Act and accompanying reports does not support HUD offering rental market survey reimbursement. The Act does support HUD’s existing approach that rental market surveys are an eligible use of PHAs’ ongoing administrative fee funding. To fund a reimbursement program would be a significant departure from HUD’s existing policy as described in FMR Notices over the past 3 years, leaving HUD exposed to challenges given the relative equities of the administrative fee set-aside. PHAs had previously been able to reasonably expect that, after the identified

categories and carefully considered extraordinary/unanticipated costs are funded, remaining funds would be allocated nationally to increase the overall proration.

## Assessment of Cost Barriers PHAs Face in Conducting and Receiving Reimbursement for Rent Surveys

Fair Market Rents are calculated using gross rents paid for standard quality dwelling units occupied by recent movers.<sup>1</sup> The data used to calculate FMRs must be representative both of the different geographic segments of the FMR area and across the myriad types of rental units within the FMR area. Commercial sources of data generally do not capture gross rents (cost of the shelter plus utilities) but instead capture contract rent. Whereas some contract rents may represent full gross rent, other contract rents capture only the cost of the shelter. Because the ACS is the only known source of data that meets these requirements, the data needed to reevaluate an area's FMRs must be a new data collection.

Conducting surveys to collect gross rent data is costly. By 2010, HUD's per-survey cost for random digit dialing (RDD) surveys had ballooned to approximately \$75,000 (HUD, n.d.: 3). For a variety of reasons, research indicated that the best way to capture data to reevaluate the FMRs in a given area is through address-based mail surveys (HUD, n.d.: 5, 6). The primary driver of cost in mail surveys is postage, and mail surveys generally take longer to complete; however, mail surveys ensure that survey recipients live in residential units in the FMR area in question.

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<sup>1</sup> HUD defines a standard quality rental unit as an occupied unit, rented with a monetary payment, that was not constructed in the last 2 years, with complete kitchen and plumbing, on 10 acres or less, and no meals included in the rent. A recent mover is someone who moved into the unit in the year preceding the survey year or during the survey year itself.

Given the costs to conduct surveys, the obvious barrier PHAs face in conducting rent surveys is having a source of funds available to pay for the survey. HUD advised PHAs that the cost of a survey may be paid from the PHA's ongoing administrative fee account or from the administrative fee reserves.

HUD issues a Public and Indian Housing (PIH) notice every year implementing funding for the Housing Choice Vouchers (HCV) program within 60 days of the passage of an Appropriations Act. That funding includes money for administrative fees, and in recent years, a smaller administrative fee set-aside is available to allocate to PHAs with additional needs to administer their HCV programs. HUD accepts applications for unanticipated needs on a case-by-case basis. The remainder of categories that HUD accepts applications for under this category are those directly or indirectly proscribed by Congress.<sup>2</sup> Any funds that remain are then used to increase the national proration, which has been as low as 70 percent in recent years.

Reimbursing PHAs for rental surveys would either potentially crowd out the other categories that are specifically called out in the Appropriations Act, lead to a false expectation of reimbursement or partial reimbursement if the categories called out in the Appropriations Act were prioritized, or lead to a lower national proration at a time when prorations have been significantly lower than needs. Funding PHAs' rental surveys in advance might mean there are insufficient funds in the set-aside to cover the cost of surveys, making the reasonable assumption that funding these surveys would increase their frequency (\$10 million would fund 133 surveys at \$75,000 per survey). That increase in survey frequency could create an unsustainable spiraling up of costs as more PHAs performing surveys, getting reimbursed, and taking an incrementally

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<sup>2</sup> For example, special fees associated with administering a significant number of portability vouchers—for homeownership closings, for PHAs that were affected by disasters, for new PIH housing initiatives, and for housing conversion actions—known as tenant protection vouchers.

larger portion of overall funding would incentivize even more PHAs to attempt to get funding to do surveys to see if they can get any increase beyond what the ACS provides.

On the other hand, reimbursing for past surveys is potentially arbitrary and capricious. HUD electing to reimburse PHAs' past survey costs (for example, 2018) without publicly proposing or vetting that prospect sets up a situation where there is no action a PHA can take to be eligible for reimbursement—either they are among the group that undertook a survey and happen to benefit, or they did not and are not eligible.

## Solutions to Address Delays in HUD's Annual Calculation of FMRs for Rental Markets That Are Rapidly Increasing in Value

The primary data sources used to calculate FMRs come from the Census Bureau's American Community Survey and the Bureau of Labor Statistics Consumer Price Index (CPI). Due to timing constraints, the most current data available on gross rents paid is at least 2 years behind the effective date of the FMRs. For example, FY 2020 FMRs will be based on ACS data on gross rents paid collected in 2017 and CPI data collected through 2018 on the rent of primary residence and fuels and utilities associated with housing. The Senate report accompanying the Consolidated Appropriations Act, 2018 directed HUD to submit a report "describing proposals to update the Fair Market Rent (FMR) formula to more accurately reflect the current housing market."<sup>3</sup> Within that report, HUD included a section labeled "Avenues for Improvement in FMR Calculation." The remainder of this report—up to the conclusion—is a reprint of that section.

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<sup>3</sup> That report is available at <https://www.huduser.gov/portal/publications/Proposals-To-Update-the-Fair-Market-Rent-Formula.html>.

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## Avenues for Improvement in FMR Calculation<sup>4</sup>

*Each FMR may be broken into three components—a base rent representing the 40th percentile gross rent paid by recent movers into standard-quality dwelling units, an inflation-based update factor, and a trend factor. Each of these three components is addressed below beginning with the trend factor and ending with the base rent.*

### *FMR Component: The Trend Factor*

*HUD is required by statute to ensure the FMRs are “trended so the rentals are current for the year to which they apply.”<sup>5</sup> Because HUD calculates FMRs in advance of each fiscal year, HUD currently fulfills this statutory requirement by calculating a forecast of gross rent inflation, known as the “trend factor.” Prior to FY 2016, the trend factor was simply the national average annual rent growth of the past 5 years. In FY 2016, after the economic recession and the corresponding recovery had caused current rent growth to diverge from past trends, HUD replaced this backward-looking measure of rent growth with a forward-looking measure. The current trend factor is calculated based on a forecast model of gross rent with national-level macroeconomic data as predictors.*

*Although the current approach has produced forecasts that are accurate with respect to national changes in gross rent, it will produce inaccurate FMRs for areas that have sharply higher or lower rent growth relative to national changes. For example, Table 3 shows the top and bottom metropolitan areas by actual rent growth, as measured using the gross rent component of the*

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<sup>4</sup> The Avenues for Improvement in FMR Calculation section is reprinted from “Proposals to Update the Fair Market Rent Formula,” Department of Housing and Urban Development, 2018.

<sup>5</sup> “Low-Income Housing Assistance,” 42 U.S.C. 1437(f)(c)(1)(A) effective on January 3, 2012.

Consumer Price Index, compared with the national average trend factor that was used to calculate FMRs in the corresponding period.

**Table 3: Comparison of Rent Inflation Between Selected Metropolitan Areas and the Nation<sup>6</sup>**

<b>Metropolitan Area</b>	<b>2016–2017 Rent of Primary Residence Inflation (%)</b>
<i>Dallas-Fort Worth-Arlington, TX</i>	7.0
<i>Portland-Salem, OR</i>	7.0
<i>Seattle-Tacoma-Bellevue, WA</i>	6.9
<b>National average—CPI</b>	<b>3.8</b>
<b>National average—forecasted prior to 2017</b>	<b>3.6</b>
<i>St. Louis, MO</i>	2.3
<i>Northeast region</i>	2.2
<i>Philadelphia-Camden-Wilmington, PA-NJ-DE-MD</i>	1.9

CPI = Consumer Price Index.

*It is HUD’s intention to replace the national trend factor with a more localized measure of anticipated rent growth. HUD has not determined the exact methodology for these local trend factors. Options range from a naïve approach that would apply the past rate of inflation for a given metropolitan area to a forecasting model like the current national trend factor approach but implemented at the regional and metropolitan area levels. HUD could also assign a trend factor based on rental market categories from a recent comprehensive housing market analysis, where available. A comprehensive housing market analysis report categorizes a rental market as “balanced” where the*

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<sup>6</sup> Table numbering corresponds to table numbering in the original publication: “Proposals to Update the Fair Market Rent Formula.”

quantity of rental units demanded equals the quantity supplied, “tight” where the quantity of rental units demanded is greater than the quantity supplied, and “soft” where the quantity of rental units demanded is less than the quantity supplied. Under these classifications, a balanced market may receive a trend factor equal to the nationally calculated forecast value, a tight market would get a trend factor higher than the national factor, and a soft market would get a trend factor lower than the national factor.

It is important to consider the drawbacks of any proposed change in methodology. First, even accurately calculated local trend factors could introduce more year-to-year volatility in FMRs, as rent changes at the local level are more variable than national average changes. Second, producing accurate forecasts of inflation is more difficult at the local level than at the national level due to the lack of local data for the forecasting model. Finally, for areas where local rent growth has lagged the national average, the switch to a local inflation measure would mean FMRs would grow more slowly than they have in the past, potentially disrupting program operations.

Recent regulatory changes in the calculation of FMRs may address some of these drawbacks. Specifically, 24 CFR 888.113(b) limits decreases in the annual change in FMRs to no more than 10 percent. Although limiting the amount FMRs may decline from one year to the next, this requirement does not eliminate volatility and may cause FMRs to remain artificially high in markets where rents are decreasing rapidly. Program operations in places where rent growth frequently outpaces the national average may benefit from a new methodology.

#### *FMR Component: The Inflation Update Factor*

Prior to adjusting FMRs for forecasted inflation, HUD updates its estimates of gross rent using the most recently available estimates of actual inflation. This update is performed using an inflation adjustment factor that is based on a weighted average of two Bureau of Labor Statistics (BLS)

Consumer Price Index (CPI) estimates: (1) Rent of Primary Residence and (2) Housing Fuels and Utilities Series. HUD is able to calculate and use inflation adjustment factors for the 23 metropolitan areas for which the BLS publishes local measures of inflation. Just under 48 percent of the population live in the metropolitan areas where local inflation adjustment factors are used. For the remainder of the country, HUD uses regional inflation adjustment factors.

The Rent of Primary Residence CPI is based on repeat surveys of a sample of rental housing units over 6-month periods, with adjustments for aging of the units and vacancies. For this reason, it is considered a strongly reliable measure of changes in rents, particularly in those areas for which BLS produces local estimates (BLS, 2009).<sup>7</sup> Table 4 shows a comparison of the most recent 3-year changes in annual gross rent as measured by local CPI compared with the change in gross rent measured by the ACS for the 10 largest metropolitan areas. With the exception of Los Angeles, the difference between these measures is typically less than 1 percentage point.

**Table 4: Comparison of Changes in Area Gross Rent With CPI Regional Gross Rent Factors, Selected Metropolitan Areas**

<b>Metropolitan Area</b>	<b>Average Annual Gross Rent Change 2013–2016 Measured by ACS</b>	<b>Average Gross Rent CPI Factor 2013–2016</b>
New York-Newark-Jersey City, NY-NJ-PA Metro Area	2.7%	2.5%
Los Angeles-Long Beach-Anaheim, CA Metro Area	3.7%	2.4%
Chicago-Naperville-Elgin, IL-IN-WI Metro Area	2.9%	2.0%
Dallas-Fort Worth-Arlington, TX Metro Area	4.0%	3.8%
Houston-The Woodlands-Sugar Land, TX Metro Area	4.3%	3.7%
Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	2.1%	2.8%
Miami-Fort Lauderdale-West Palm Beach, FL Metro Area	4.4%	3.4%

<sup>7</sup> Bureau of Labor Statistics. 2009. “How the CPI Measures Price Change of Owners’ Equivalent Rent of Primary Residence (OER) and Rent of Primary Residence (Rent).” <https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.pdf>.

<i>Atlanta-Sandy Springs-Roswell, GA Metro Area</i>	4.3%	3.6%
<i>Boston-Cambridge-Newton, MA-NH Metro Area</i>	2.9%	3.9%
<i>San Francisco-Oakland-Hayward, CA Metro Area</i>	6.0%	6.1%

ACS = American Community Survey. CPI = Consumer Price Index.

*For many areas, however, the use of a regional inflation adjustment factor will produce inaccuracies similar to those resulting from the use of a national trend factor. Table 5 shows areas without a local CPI adjustment factor, where a retroactive comparison of changes in gross rents with the regional CPI shows marked differences.*

**Table 5: Comparison of Changes in Area Gross Rent With CPI Regional Gross Rent Factors, Selected HUD Metro FMR Areas and MSAs**

<b>FMR Area</b>	<b>Average Annual Gross Rent Change 2013–2016 Measured by ACS</b>	<b>CPI Region</b>	<b>Average Regional Gross Rent CPI Factor 2013–2016</b>
<i>Knoxville, TN HUD Metro FMR Area</i>	0.6%	South	2.6%
<i>Manchester, NH HUD Metro FMR Area</i>	0.6%	Northeast	2.8%
<i>Jacksonville, FL HUD Metro FMR Area</i>	1.0%	South	2.6%
<i>Springfield, OH MSA</i>	5.1%	Midwest	2.0%
<i>Austin-Round Rock, TX MSA</i>	5.8%	South	2.6%
<i>Redding, CA MSA</i>	6.9%	West	2.8%

ACS = American Community Survey. CPI = Consumer Price Index. FMR = Fair Market Rent. MSA = Metropolitan Statistical Area.

*It is important to remember that the results shown in Table 5 represent outliers. Still, the potential for improvement in the calculation of FMRs exists. For example, in 2018, following a geographic revision, the BLS publishes inflation estimates at the Census division level. This revision may enable HUD to replace the four regional CPI areas with nine divisions, making the inflation adjustment more granular. Additionally, for medium-size areas that do not have local CPIs,*

*commercial estimates of rent inflation may be available. As previously discussed, several companies sell measures of market rents for property managers and commercial real estate investors. These rent estimates are not suitable for setting FMRs directly because they do not attempt to represent the entire rental market. For example, several vendors provide rent estimates only for multifamily rental properties of 40 or more units. However, it is possible that these estimates would still be useful in measuring year-to-year rent inflation for areas that are not covered by a local CPI estimate.*

*The same tradeoffs associated with the shift to more localized trend factors would apply to the adoption of different inflation factors—namely, that such a switch would introduce more year-to-year volatility in FMR values. Additionally, HUD has a long commitment to transparency of showing the calculation steps that produce FMRs on its website. The use of commercial data would likely preclude such transparency because data license agreements typically do not allow for the data in question to be freely republished.*

#### *FMR Component: The Gross Rent Basis*

*HUD uses the ACS as the basis for gross rents paid by recent movers because it is the only known source of consistently collected data on gross rents paid that is available nationally at a variety of geographic aggregations.<sup>8</sup> HUD works with the Census Bureau to obtain special tabulations of the ACS to meet the FMR requirements—40th percentile gross rents paid for standard-quality housing*

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<sup>8</sup> HUD must provide a mechanism for PHAs or other interested parties to request a reevaluation of the FMRs per the “Housing Opportunities Through Modernization Act,” 42 U.S.C. 1437(f)(c)(1)(B) enacted on July 31, 2016. To reevaluate an area’s FMRs, HUD needs data more current than the ACS data and BLS inflation data used to calculate the annual FMR. Such data must be sufficiently robust for HUD to be able to calculate a 40th and 50th percentile two-bedroom equivalent recent mover gross rent for the FMR area. HUD does not require a survey to be conducted if such information is available. Should the information not be available, the only method for acquiring such information is via a survey administered across the FMR area.

*units occupied by recent movers. HUD uses a combination of 5- and 1-year ACS tabulations to determine the gross rent basis for each FMR area.*

*As stated previously, FMRs are calculated based on gross rents paid by recent movers. For the recent mover estimates to be timely, HUD must rely solely on the 1-year ACS data product for recent mover rents.<sup>9</sup> One-year ACS data are only available for communities with 65,000 or more in population, and 5-year ACS data are available for all geographies. For those areas with statistically valid 1-year recent mover estimates, HUD uses the ACS estimate directly in the calculation of FMRs. One-year recent mover data is available for FMR areas that account for approximately 70 percent of renter households. All these households are in metropolitan FMR areas. Of the roughly 30 percent of renter households without recent mover rent estimates from the 1-year ACS, about 60 percent live in metropolitan FMR areas. In all FMR areas without statistically reliable 1-year recent mover gross rent estimates, HUD must construct a recent mover estimate using 5-year gross rents paid for standard-quality dwelling units coupled with a recent mover adjustment factor. The recent mover adjustment factor measures the difference in gross rents paid by recent movers and non-recent movers. This factor is computed using the next smallest geographic area that encompasses the FMR area in question and has the necessary 1-year ACS data. This combination of 5- and 1-year data introduces a potential source of measurement error into the FMR process.<sup>10</sup>*

*The Census Bureau's 5-year ACS tabulations aggregate 5 years of ACS responses to generate statistics for the area surveyed. For dollar-denominated statistics such as gross rent, the*

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<sup>9</sup> Using the previous example, 5-year ACS data available for the calculation of FY 2019 FMRs were collected between 2012 and 2016. Respondents from the early range of years are not considered recent movers when these data are used to calculate FMRs.

<sup>10</sup> Each estimate available from the ACS is presented with a margin of error for that estimate. The margin of error measures the error that is attributable to sampling error in the survey. Sampling error is the error caused by estimating a parameter using a sample instead of calculating the parameter from the whole population. Sampling error is the difference between the sample statistic and the actual, but unknown, value being surveyed. The margin of error associated with a specific probability level (for example, Census releases 90 percent margins of error for all estimates) is the range around the estimate that contains the actual value at the specified probability level.

Census Bureau adjusts each survey response from the year of the survey response to the final year of the 5-year aggregation using the change in the Consumer Price Index for All Urban Consumers (CPI-U). For example, to obtain a 2016 value, a survey response from 2013 is multiplied by the ratio of the CPI-U index value from 2016 to the CPI-U index value from 2013. To the extent that the change in gross rents between 2013 and 2016 differs from the change in general prices, the basis for the FMR calculation will be underreported or overreported.

Table 6 illustrates how changes in gross rent can differ from changes in general prices for various intervals within the 5-year period ending in 2016. National inflation is measured using the CPI-U index, and national gross rent inflation is measured using HUD's gross rent index, which is based on CPI rent and utility components.<sup>11</sup>

**Table 6: National Price Inflation and National Gross Rent Inflation**

<b>Years</b>	<b>CPI-U</b>	<b>GR-CPI</b>
2012 to 2016	4.5%	12.3%
2013 to 2016	3.0%	9.3%
2014 to 2016	1.4%	5.7%
2015 to 2016	1.3%	3.0%

CPI-U = Consumer Price Index for All Urban Consumers. GR-CPI = gross rent Consumer Price Index.

HUD cannot directly correct errors in FMRs resulting from differing inflation of gross rents because the data it receives from the Census Bureau for its FMR calculations have already been adjusted using the CPI and weighted to ensure the survey statistics are representative of the overall

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<sup>11</sup> HUD computed a national gross rent inflation index for each year using a weighted average approach, where 80 percent of the value is derived from the Rent of Primary Residence component of the CPI, and 20 percent is derived from the Fuels & Utilities component within the Housing component of the CPI.

population.<sup>12</sup> One way that HUD could adjust for this issue is to multiply each standard-quality base rent by the average of the gross rent inflation factors divided by the national price inflation factors. Before implementing any such adjustment, HUD needs to consult with the Census Bureau to ensure that HUD's adjustment mechanism is reasonable. It is important to remember that a large portion of this error is ameliorated by the implementation of recent mover rents and as described in the following paragraph.

Another potential source of error inherent in HUD's use of ACS data is the adjustment factor that HUD constructs to account for recent mover gross rents in areas with insufficient 1-year data to measure recent mover gross rents paid directly. In these cases, HUD constructs a recent mover adjustment factor by taking the recent mover gross rent from the 1-year tabulation and dividing it by the standard-quality gross rent from the 5-year tabulation from the smallest geographic area encompassing the FMR area in question. The main source of measurement error, in this case, is the difference between the actual growth in recent mover gross rents for the FMR area and the growth in recent mover gross rents for the encompassing area which is large enough to have 1-year data on recent mover gross rents paid. This measurement error is likely largest in nonmetropolitan counties where the next smallest geography unit includes all nonmetropolitan portions of the state. Unfortunately, by the nature of this issue, HUD cannot quantify the magnitude of this potential source of error because the actual statistic (gross rents paid by recent movers) is not available.

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<sup>12</sup> The Census Bureau provides 5-year ACS values that are sample-weighted and CPI-adjusted. The values are constructed from responses that are reweighted each year so that the gross rent statistic is representative of the area's demographics as of the final year of the 5-year period. The gross rent estimate is adjusted to the final year using the ratio method described in the main text using the CPI-U index. A readily available alternative index that is known to introduce less error than the national CPI does not exist.

## ACS Timeliness

*As mentioned previously, HUD bases the FMRs on ACS data because of the survey's high-quality estimates and geographic coverage. Unfortunately, the ACS data are generally collected approximately 3 years before the time that the FMRs take effect. Although HUD has focused on potential sources of error in the FMR estimates in this report, a common criticism of FMRs is that the data used to calculate FMRs are "too old." Even with the "age" of the ACS data, these data still represent the most current information available on actual gross rents paid collected consistently for all FMR areas and remains the best basis for calculating FMRs.*

*The most direct way for HUD "to more accurately reflect the current housing market" would be for HUD to forgo the use of the ACS and undertake its own survey program to collect recent mover gross rents that are more current than those the ACS provide. Depending on the size of HUD's survey program, it may be possible for HUD to collect data that are approximately 1 year more current than what is currently available. At a current cost estimate of approximately \$50,000 to \$80,000 per FMR area, an FMR-focused survey program would represent a significant duplication in the investment of federal dollars in collecting such information between the ACS and HUD survey program.*

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## Conclusion

Current statutes and regulations governing the Housing Choice Voucher program acknowledge that local area rent surveys are an acceptable source of data for calculating Fair Market Rents and are a necessary vehicle to provide an avenue to adjust FMRs when standard tools (such as exception payment standards and success rate payment standards) are inadequate to assist families in finding suitable units to rent. HUD's analysis of the statutes and regulations have led HUD to inform public housing agencies that paying for local area surveys with ongoing

administrative fees or administrative fee reserves is an acceptable use of these two sources of funding. Finally, there are no statutory or regulatory provisions explicitly directing HUD to reimburse PHAs for the cost of these surveys. Doing so through the current HCV program budget accounts would create inequities across PHAs that do not undertake local area rent surveys.

HUD maintains that creating a separate account for HUD to undertake a survey program would represent a significant duplicative federal investment in obtaining gross rent data; nevertheless, should Congress decide that reimbursing PHAs for the cost of locally conducted rent surveys is a desired outcome, the most straightforward way to accomplish this would be to appropriate to HUD the desired amount of funds specifically for the purpose of survey reimbursement.

## Reference

U.S. Department of Housing and Urban Development (HUD). n.d. Principles for Conducting Area Rent Surveys. Washington, DC: HUD. <https://www.huduser.gov/portal/datasets/fmr/PrinciplesforPHA-ConductedAreaRentSurveys.pdf>.

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