

# A Guide to Small Area Fair Market Rents (SAFMRs)

## How State and Local Housing Agencies Can Expand Opportunity for Families in All Metro Areas



May 4, 2018

State and local housing agencies have important new tools to help families with housing vouchers move to high-opportunity neighborhoods with low crime and strong schools, which tend to have higher rents. A November 2016 Department of Housing and Urban Development (HUD) rule expands use of Small Area Fair Market Rents (SAFMRs), which set voucher amounts at the neighborhood rather than metro level – letting vouchers pay more in high-rent neighborhoods and less in low-rent neighborhoods. Under the new policy:

- agencies in 24 metropolitan areas are required to use SAFMRs, beginning no later than April 1, 2018; and
- agencies in all other metro areas have new flexibility to either:
  1. set payment standards based on SAFMRs in some or all of the higher-rent zip codes they serve without seeking HUD approval; or
  2. request HUD approval to fully adopt SAFMRs in place of metro FMRs.

SAFMRs can expand opportunity for low-income families with Housing Choice Vouchers, but their effectiveness will depend on steps that voucher program administrators and others take at the local level. This guide provides background on SAFMRs and information on how agencies can implement them. It answers these questions:

## **1** What are SAFMRs?

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## **2** What are the benefits of using SAFMRs?

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- Access to high-opportunity areas
- Making the voucher program more cost-effective

## **3** What is HUD's new policy? Includes information for:

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- Agencies in metro areas required to use SAFMRs
- Agencies in other metro areas interested in using them voluntarily

## **4** What are key issues that implementing agencies and advocates should know about?

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- Setting payment standards
- Helping families move to high-opportunity areas
- Protecting families in low-rent zip codes
- Project-based vouchers
- Managing voucher funds

## 1 What are SAFMRs?

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Housing voucher subsidies are capped based on fair market rents (FMRs) that HUD estimates each year for modest housing units in a geographic area. A family with a voucher pays about 30 percent of its income for rent and utilities, and the voucher covers the remainder up to a payment standard set by the state or local housing agency. The payment standard generally must be within 10 percent of the FMR, although agencies may set higher or lower standards if they meet certain criteria and get HUD approval.<sup>1</sup> Families may rent reasonably priced units above the payment standard, but they must pay the extra rent themselves, on top of the 30 percent of their income they would otherwise pay.<sup>2</sup>

Historically, HUD has established a single set of FMRs for units of various sizes in each metro area or rural county. In recent years, however, HUD has tested SAFMRs, which are based on rents in particular zip codes and therefore reflect neighborhood rents more accurately than metro-level FMRs. SAFMRs were first used in the Dallas area in fiscal year 2011 following settlement of a lawsuit claiming that metro-wide FMRs prevented minority voucher holders from moving to predominantly white neighborhoods with higher rents. Two years later, HUD initiated an SAFMR demonstration allowing five agencies in other parts of the country to test the approach. After early results suggested that SAFMRs were effective at helping voucher holders in these areas move to higher-opportunity neighborhoods without undue administrative burdens, HUD issued the 2016 expansion regulation with the goal of providing similar opportunities to families in other parts of the country.

## 2 What are the benefits of using SAFMRs?

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SAFMRs have two main benefits:

- they can provide voucher holders greater access to high-opportunity areas; and
- they can make the voucher program more cost-effective.

Both of these benefits stem from having payment standards that more accurately reflect neighborhood rents. Payment standards based on the broader metro-level FMRs are often too low to cover rents in some neighborhoods and higher than needed in others. When the payment standard is too low — as is often the case in neighborhoods with low poverty, low crime, and high-performing schools — families will struggle to find units they can rent with their voucher. When the payment standard is too high, families can afford units that are larger or have more amenities than they need, and owners can potentially charge above-market rents (unless housing agencies strictly enforce rules requiring that rents be reasonable in the local market). Such excessive payments reduce the voucher program's cost-effectiveness and encourage families to use vouchers — and owners to accept them — in lower-rent, higher-poverty neighborhoods.

Research shows that SAFMRs have worked well at helping families move to higher-opportunity neighborhoods. In August 2017, HUD released an interim evaluation of SAFMR implementation at two Dallas-area agencies and the five SAFMR demonstration agencies. During the period SAFMRs were used, the share of voucher holders who lived in high-opportunity neighborhoods rose at SAFMR agencies but not at a group of comparison agencies that didn't use SAFMRs. (Researchers identified high-opportunity neighborhoods through an index that considered poverty rate, school quality, access to jobs, and exposure to environmental toxins.)<sup>3</sup> Earlier research also found that SAFMRs in Dallas enabled voucher holders to move to neighborhoods with less crime.<sup>4</sup> These findings have important implications for families' well-being, since research shows moving to lower-poverty neighborhoods can lead to major improvements in adults' health and children's long-run earnings and chances of attending college.<sup>5</sup>

SAFMRs have also made the voucher program more cost-effective. The interim evaluation found that average subsidy costs fell 13 percent at SAFMR agencies from 2010 to 2015, because the total subsidy reductions from using SAFMRs in low-rent neighborhoods exceeded increases in high-rent neighborhoods. Costs also fell at comparison agencies (partly because budget cuts during this period caused many agencies to lower subsidy levels), but by less than half as much. The effects of SAFMRs on costs at individual

agencies will depend on a range of factors, including how SAFMRs compare to metro FMRs in their jurisdiction, what kinds of tenant protections the agency adopts, and how many families move to higher-rent areas. To the extent that SAFMRs reduce per-voucher costs, they can enable agencies to provide vouchers to more families with their limited funds. (One risk is that savings could come at the expense of increasing rents for families already using vouchers in low-rent neighborhoods, but as discussed below, HUD’s rule gives agencies strong tools to protect those families.)<sup>6</sup>

In addition to helping low-income families access higher-opportunity neighborhoods and potentially extending assistance to more families, SAFMRs can also benefit housing agencies in other ways. SAFMRs can help an agency boost its performance under the Section Eight Management Assessment Program (SEMAP) by making it easier to earn “deconcentration bonus” points for enabling voucher holders to move to low-poverty neighborhoods,<sup>7</sup> meet its obligation to affirmatively further fair housing by providing families access to more racially integrated neighborhoods, and help avoid excessive concentration of voucher holders in a small number of neighborhoods (which in some cases may reduce community support for the agency and the voucher program).

Agencies may experience higher administrative costs to implement SAFMRs for items such as modifying automated systems, training agency staff, and setting payment standards. But the results from the interim evaluation suggest that these costs were modest and consisted mainly of one-time or transitional expenses, and HUD has indicated that it may provide added administrative funding to cover at least some such costs.<sup>8</sup> Moreover, SAFMRs may enable agencies serving jurisdictions with high rents relative to their metropolitan area to raise the share of voucher recipients who successfully lease housing, which could lower their administrative costs by reducing the rate at which they must reissue returned vouchers.

### 3 What is HUD's new policy?

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HUD issued a final regulation on November 16, 2016 expanding use of SAFMRs.<sup>9</sup> The regulation requires agencies in certain metro areas to use SAFMRs and allows agencies in the remaining metro areas to use SAFMRs voluntarily. (HUD does not publish SAFMRs for non-metropolitan areas, so agencies there will continue to use county FMRs.) On January 17, 2018, HUD published guidance on how agencies can implement the regulation.<sup>10</sup> HUD has also made available other materials to support SAFMR implementation (see box), including an implementation guidebook, answers to frequently asked questions, case studies of SAFMR implementation at two local agencies, and sample documents that agencies can use in implementing SAFMRs.<sup>11</sup>

#### HUD Resources for Implementing SAFMRs

HUD Exchange's [SAFMR page](#) includes:

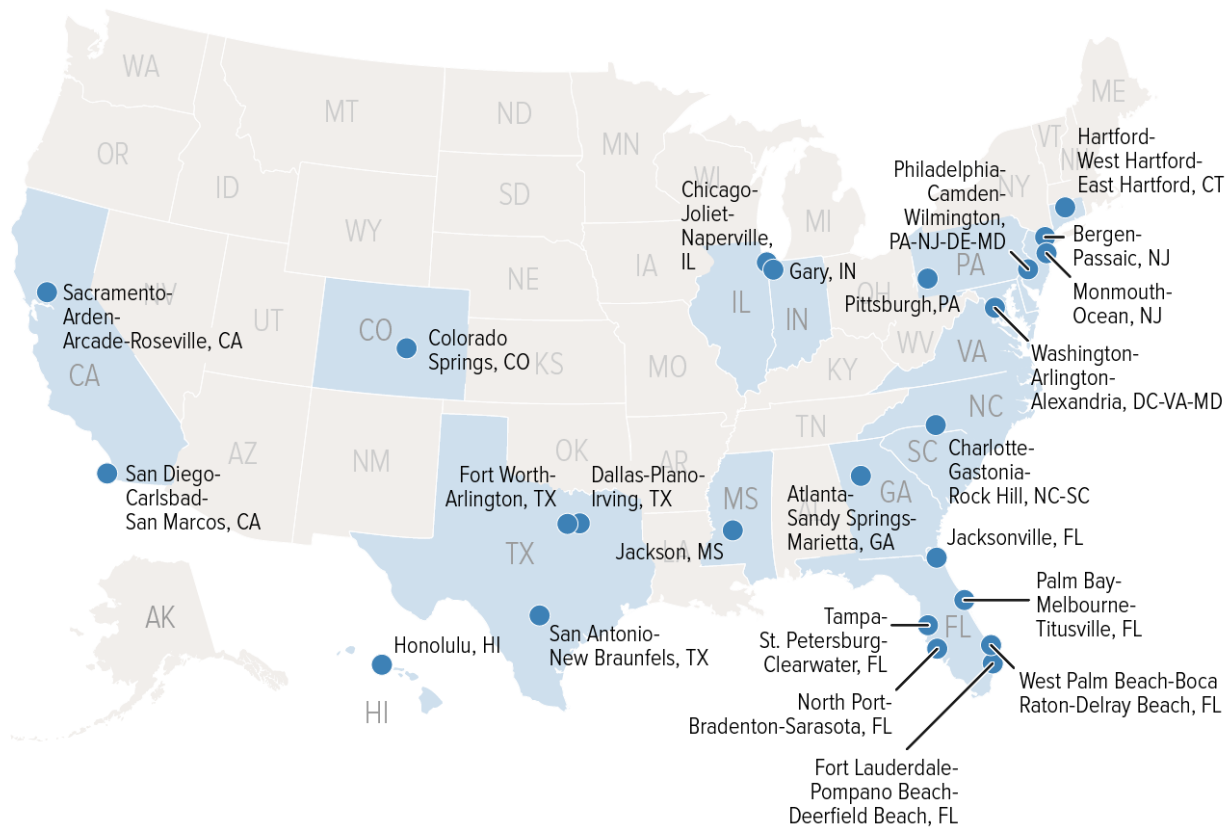
- [Implementation guidebook](#)
- [FAQs](#)
- [Case studies](#)
- [Sample implementation documents](#)

The 2016 rule required housing agencies to use SAFMRs for their tenant-based vouchers in 24 metro areas (see map below) – including the Dallas area, where SAFMRs have been required since 2011. These SAFMR designations became effective on October 1, 2017, and agencies in the 23 new SAFMR areas were to be required to begin using SAFMR-based payment standards by January 1, 2018.

In practice, implementation was delayed for three months by a failed HUD effort to suspend mandatory SAFMRs for two years.<sup>12</sup> On December 23, 2017 a federal judge ruled that HUD's delay was unlawful. HUD's new guidance states that agencies will now be expected to complete implementation by adopting SAFMR-based payment standards – that is, payment standards that fall between 90 and 110 percent of the SAFMR in all of the zip codes they serve – no later than April 1, 2018.

The new payment standards will then apply immediately to voucher holders who are new to the program or move to a new unit. For voucher holders who remain in place, payment standard increases will apply at the family's next annual review and reductions will apply no sooner than the second annual review (and as discussed below, agencies have broad flexibility to delay this further).<sup>13</sup> Agencies in mandatory SAFMR areas do not need to amend their voucher administrative plans to adopt SAFMR-based payment standards (although, as discussed below, some policies related to SAFMRs but not required for initial adoption must be documented in the administrative plan).<sup>14</sup>

## Metropolitan Areas Where Housing Agencies Are Required to Use SAFMRs



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HUD selected these 24 metro areas because they met criteria designed to identify areas where SAFMRs would be most effective: (1) vouchers were disproportionately concentrated in low-income neighborhoods; (2) many of the area’s rental units were in zip codes with SAFMRs above 110 percent of the metro FMR; (3) the rental vacancy rate exceeded 4 percent; and (4) at least 2,500 vouchers were in use in the metro area. (See text box: “SAFMR Requirements Target Areas That Need Them.”) Mandatory SAFMR designations will remain in place indefinitely, although HUD can suspend them for a particular area or agency due to a natural disaster or other unusual circumstance. HUD may add new mandatory SAFMR areas every five years.

## SAFMR Requirements Target Areas That Need Them

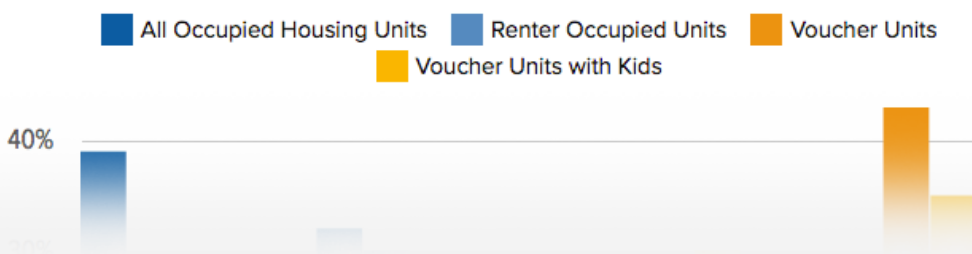
See [interactive](#) showing that in metro areas where SAFMRs are required, voucher holders are likelier than other renters to live in high-poverty, high-minority neighborhoods.<sup>a</sup>

Atlanta-Sandy Springs-Roswell, GA HUD Metro FMR Area

TABLE 1

### Distribution of Housing Units

Unit Type	Total Units	Percent of Units by Neighborhood Poverty Rate			
		Less than 10%	10%-19.9%	20%-29.9%	30% or Higher
All Occupied Housing Units	1,924,963	39%	32%	17%	12%
Renter Occupied Units	704,659	25%	30%	24%	21%
Voucher Units	37,239	8%	23%	26%	43%
Voucher Units with Kids	19,283	9%	27%	30%	35%



<sup>a</sup> Center on Budget and Policy Priorities, “Housing Voucher Policy Designed to Expand Opportunity Targets Areas that Need It,” January 9, 2018, <https://www.cbpp.org/research/housing/housing-voucher-policy-designed-to-expand-opportunity-targets-areas-that-need-it>.

HUD has taken the position that agencies participating in the Moving to Work (MTW) demonstration that operate in a mandatory SAFMR area may exercise their flexibility under MTW to establish an “alternative payment standard policy” rather than implementing SAFMRs, if that policy appears in an MTW plan approved by HUD.<sup>15</sup> MTW agencies are subject to the Fair Housing Act, however, so they must ensure that any alternative policy is as effective as SAFMRs in providing opportunities to racial and ethnic minorities and other protected groups to live in communities of their choice, including in areas where their racial or ethnic group does not predominate. In the absence of an approved alternative policy, MTW agencies are subject to the same requirements to implement SAFMRs as other agencies.



## Opportunities to Use SAFMRs Voluntarily

HUD's rule also allows agencies to use SAFMRs voluntarily if they are located in a metro area where SAFMRs are not required. Agencies can do this in two ways.

- **Agencies may set payment standards up to 110 percent of the SAFMR in particular zip codes even if this is above 110 percent of the metro-area FMR, without the HUD approval normally required for exception payment standards.** This offers substantial new flexibility, since in high-cost zip codes 110 percent of the SAFMR can be as much as several hundred dollars above 110 percent of the metro FMR. An agency could take this step for any combination of zip codes in its service area, but the higher payment standards must always cover the full area of each zip code.<sup>16</sup> (Agencies using this option must still seek HUD approval and meet certain criteria to set payment standards below 90 percent of the metro FMR in low-rent zip codes.)

The higher payment standards set under this option are considered “exception payment standards.” But unlike most types of exception payment standards they *do not require HUD approval*, they do not require agencies to submit data justifying the increase, and they are exempt from a cap that limits other exception payment standards to areas with no more than half of a metro area's population. To exercise this option, an agency need only send an email to [SAFMRs@hud.gov](mailto:SAFMRs@hud.gov) notifying HUD that it has adopted an SAFMR-based exception payment standard.<sup>17</sup>

- **Agencies can request approval from HUD to adopt SAFMRs in place of metro FMRs.** The request must state that the agency has completed a four-part comparison of SAFMRs to metro FMRs described in HUD's guidance notice, and should also be sent to [SAFMRs@hud.gov](mailto:SAFMRs@hud.gov).<sup>18</sup> If HUD approves the request, the agency must revise its administrative plan to state that it will operate using SAFMRs.

The first option is simpler and generally more flexible, since it requires no action beyond what would be needed for any other payment standard change (except a brief notification email to HUD) and allows an agency to choose whether to adopt SAFMR-based payment standards in all of the zip codes it serves or only in some. By contrast, the second option would require the agency to seek HUD approval, revise its administrative plan, and use SAFMR-based payment standards throughout its service area. The second option, however, is more flexible in three respects: it would allow the agency to set different SAFMR-based payment standards for different parts of a zip code, to apply SAFMRs to tenant-based vouchers but not project-based vouchers, and to set SAFMR-based payment standards below 90 percent of the *metro* FMR without meeting certain criteria and seeking special HUD approval.

Neither option would compel other agencies in the metro area to use SAFMR-based payment standards (even when the jurisdictions of two or more agencies overlap). Families that receive vouchers from agencies using SAFMRs may have difficulty renting in high-opportunity neighborhoods in the jurisdictions of agencies that continue to use metro FMRs, since when a family moves outside the jurisdiction of the agency that issued its voucher, the agency in the destination community then administers the voucher using its own payment standards under the voucher program’s “portability” rules. Agencies could seek to avoid this outcome by encouraging other agencies in the area to also adopt SAFMR-based payment standards, or by entering regional partnerships or consortia to coordinate aspects of voucher program administration. In addition, housing agencies in some states are permitted to directly administer vouchers beyond their regular service areas. HUD’s November 2016 rule permits such agencies to use either of the two options described above to set SAFMR-based payment standards for any metropolitan zip code where they are administering vouchers.

## What are key issues that implementing agencies and advocates should know about?

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A series of implementation decisions will influence how effective SAFMRs are in expanding opportunity and avoiding hardship for voucher holders.

### Setting Payment Standards

Agencies using SAFMRs in place of metro FMRs may set payment standards anywhere from 90 to 110 percent of the SAFMR in each zip code, just as other agencies can with metro- or county-level FMRs. HUD plans to issue a notice establishing procedures for requesting exception payment standards above 110 percent of the SAFMR, which would give agencies greater flexibility to raise payment standards.<sup>19</sup> In addition, agencies using SAFMRs in place of metro FMRs can set payment standards up to 120 percent of the SAFMR for individual families that include a person with a disability, if needed to enable the family to rent suitable housing (just as other agencies can set payment standards up to 120 percent of the metro FMR for this purpose).

- **The simplest option will be for agencies to establish payment standards at 100 percent of the SAFMR in each zip code**, which allows the agency to simply adopt the published SAFMR schedule as its payment standard schedule. SAFMRs are designed to be adequate to cover housing costs for 40 percent of recently rented, standard-quality units in each zip code, so in many areas payment standards at the SAFMR will give voucher holders a reasonable range of rental options. Several local agencies that have tested SAFMRs have taken this approach, such as the Plano (Texas) Housing Authority, which set payment standards at the SAFMR throughout the period covered by the interim evaluation. One advantage of this was that Plano avoided any administrative costs from determining payment standards for each zip code, which HUD's interim SAFMR evaluation found was one of the main drivers of added administrative costs at some agencies.
- **Agencies may also wish to review SAFMRs each year and set payment standards above or below the SAFMR where warranted**, for several reasons.
  - In some cases, SAFMRs (like metro FMRs) do not accurately represent market rents in an area, most commonly because they can lag behind rapid market changes. One agency that implemented SAFMRs, the Long Beach Housing Authority, raised all of its payment standards to 110 percent of the SAFMR in 2015 out of concern that SAFMRs had fallen below market rents and that

payment standards set at 100 percent of the SAFMR made too few units available to voucher holders.

- Agencies could also use their flexibility to consolidate zip codes whose SAFMRs are similar but not identical into larger areas with a single payment standard. For example, the Cook County (Illinois) Housing Authority has consolidated the 130 zip codes it serves into 21 payment standard zones to simplify administration and make the program easier for voucher holders and landlords to understand. Agencies should, however, take caution in setting payment standards *below* the SAFMR in higher-rent zip codes for the purpose of consolidating them with lower-rent zip codes, since doing so could make it significantly more difficult for voucher holders to rent in the higher-rent zip codes, defeating one of the primary goals of the new rule. An added complication is that agencies may frequently need to reassign zip codes from one payment standard zone to another due to changes in annual SAFMRs.
- Finally, agencies that use SAFMRs in place of metro FMRs for their entire area of operation can set different payment standards for portions of a single zip code. This may be appropriate when a zip code includes multiple neighborhoods with distinct rental markets.

Agencies that adopt SAFMR-based exception payment standards only for selected zip codes would have many of the same choices, including whether to group high-rent zip codes into larger payment standard zones. These agencies must, however, always apply SAFMR-based exception payment standards to the full area of each zip code. In addition, agencies using SAFMR-based exception payment standards may wish to consider lowering or freezing payment standards in neighborhoods where the current, metro-FMR-based payment standard is above typical market rents, to reduce the risk of overpaying landlords and offset any added costs from higher payment standards in high-rent neighborhoods.

All agencies should continuously monitor outcomes such as rent burdens, success rates, total housing assistance payment expenditures, and the share of voucher holders renting in high-opportunity areas to determine if adjustments to payment standards or other policies are needed. Agencies are permitted to adjust payment standards at any time.

### **Helping Families Move to High-Opportunity Areas**

SAFMRs will expand opportunity more effectively if they are accompanied by other steps to help families rent in low-poverty neighborhoods that the higher payment standards make potentially accessible. For example:

- As soon as feasible, agencies should notify all families currently using a voucher about the new, SAFMR-based payment standards (rather than merely meeting the legal requirement described below to notify families affected by declines), so that families are aware of the opportunities available to them under the new policy.
- Housing agencies can support mobility through policies such as allowing adequate voucher search times<sup>20</sup> and forming regional partnerships or simple portability agreements to facilitate cross-jurisdictional moves.
- Agencies, state and local governments, and other organizations can conduct outreach and provide incentives to encourage landlords to accept vouchers, particularly in areas where it was previously difficult to use vouchers because of high rents.
- Agencies or other organizations can provide families support such as:
  - information on schools and other characteristics of high-opportunity communities, and the benefits of living in those areas;<sup>21</sup>
  - help in addressing credit problems, particularly if landlords in high-opportunity areas tend to do credit checks on applicants;
  - lists of vacancies and willing landlords in high-opportunity neighborhoods (including properties assisted under the Low-Income Housing Tax Credit, which are prohibited from discriminating against voucher holders);
  - funds for security deposits and moving expenses to higher-cost neighborhoods (in some places, these costs are supported by local foundations);
  - counseling on rights under fair housing and voucher non-discrimination laws, and referrals to enforcement agencies when appropriate;
  - community tours and housing search assistance;
  - advice on transitional issues such as setting up utilities and registering for new schools; and
  - post-move check-ins to help families stay in low-poverty areas.
- Local and state governments can adopt policies that support voucher mobility, including laws prohibiting landlords from discriminating against voucher holders and zoning policies that encourage rental housing in a wide range of neighborhoods.

Some of these actions (such as revising agency policies) would carry little or no cost, while the others could be funded through voucher administrative fees (including fee reserves), other federal grants such as HOME and Community Development Block Grants (CDBG), or contributions from philanthropies or local governments.<sup>22</sup>

## Protecting Families in Low-Rent Zip Codes

Lower payment standards in low-rent neighborhoods can raise rent burdens for voucher holders there, but HUD's November 2016 rule includes new measures that limit increases in rent burdens and give housing agencies the ability to prevent them entirely for voucher holders who remain in place.

First, HUD adopted a policy limiting FMR declines to no more than 10 percent per year. In the 23 new mandatory SAFMR metro areas, this means the 2018 SAFMRs are no lower than 90 percent of the 2017 metro FMR, and in each future year the SAFMR will be no lower than 90 percent of the previous year's SAFMR. In the lowest-rent neighborhoods, SAFMRs will therefore phase down gradually rather than dropping abruptly.<sup>23</sup>

Second, agencies may choose to delay the impact of lower payment standards on families that continue to use a voucher in the same unit. The new HUD rule allows agencies to adopt any of four policies to apply payment standard reductions to families in place at the time the payment standard becomes effective:

- Maintain the regular practice of applying reductions at the second annual review, which gives families one to two years of notice before the new payment standard goes into effect;
- Phase the payment standard reduction in gradually, for example by applying a 15 percent payment standard reduction in three increments of 5 percent per year (with the first part of the reduction going into effect no sooner than the second annual review);
- Permanently hold families harmless by continuing to use the previous, higher payment standard for as long as a family remains in the same unit;
- Applying a portion of the reduction and then holding families harmless after that, for example by applying only 5 percentage points of a 15 percent reduction (again no sooner than the second annual review).<sup>24</sup>

Agencies can adopt different policies for different portions of their service areas. For example, an agency could apply reductions at the second annual review in most zip codes but institute a permanent hold-harmless in neighborhoods where market rents are rising rapidly and are expected to soon surpass the SAFMR. Agencies must, however, use the same policy for all households in a particular geographic area. For example, they are not permitted to adopt a hold-harmless for all elderly and disabled households in a specified zip code, but not for other households in the same zip code.<sup>25</sup> (As noted above, however, they may provide exception payment standards up to 120 percent of the SAFMR when needed to

enable people with disabilities to rent suitable housing — including in cases where families need such exceptions to remain in their current homes.)

Agencies must include in their administrative plans the particular policies they plan to follow to implement reduced payment standards (but they are permitted to make the needed administrative plan changes after the payment standard changes have become effective).<sup>26</sup> In addition, they are required to notify voucher holders whose current payment standard is set to decline at least 12 months before they will be affected, so they can plan ahead and potentially move.

### **Project-Based Vouchers**

Housing agencies are permitted to “project-base” some of their vouchers — that is, to enter into long-term agreements with owners requiring that the vouchers be used in specified developments. Applying SAFMRs to project-based vouchers could have important benefits, including making it easier to place project-based vouchers in high-opportunity neighborhoods.

Under HUD’s rule, when an agency uses SAFMRs in place of the metro FMR, project-based vouchers are not automatically subject to SAFMRs. (By contrast, when agencies adopt SAFMR-based exception payment standards for particular zip codes, those apply to project-based vouchers in the same way that other voucher payment standards do.) The rule gives agencies the option to apply SAFMRs to *new* project-based voucher developments. To do this, the agency must adopt a policy applying SAFMRs to all project-based voucher developments where the notice of owner selection is issued after the policy’s adoption and incorporation in the administration plan. Agencies may also apply SAFMRs to existing project-based voucher developments with the owner’s agreement, but agencies are under no obligation to do so. Even if an agency applies SAFMRs to all new project-based voucher developments going forward, it could continue to use metro FMRs for some or all existing developments.

### **Managing Voucher Funds**

As noted, SAFMR implementation on the whole has been accompanied by lower per-voucher costs. As a result, agencies implementing SAFMRs should usually be able to serve as many or more families as they would have without SAFMRs. However, some agencies may face higher per-voucher costs, based on the choices they make, and agencies should assess the likely impact of SAFMRs on per-voucher costs based on their individual circumstances. Of course, where needed, higher per-voucher costs are not necessarily a bad thing — especially if they expand family access to higher-opportunity areas (and promote fair housing goals), or protect tenants on fixed incomes who need to stay in lower-rent neighborhoods.

Agencies could see per-voucher costs rise if they use the flexibility described above to sharply limit the impact of payment standard declines, or if they choose to adopt SAFMR-based exception payment standards in high-rent neighborhoods but do not reduce payment standards in low-rent neighborhoods. In addition, agencies whose service areas consist mainly of high-rent zip codes could experience significant average per-voucher cost increases due to SAFMRs (which would also likely reduce rent burdens for many of the families they assist). HUD has authority to provide added voucher renewal funding to agencies that serve high-cost jurisdictions in mandatory SAFMR areas, but has not indicated whether it will do so.

## Conclusion

HUD's SAFMR rule gives housing agencies major new tools that can substantially alter how the voucher program operates in communities around the country. Research shows that those changes can deliver major benefits for low-income families and children.<sup>27</sup> Whether those benefits are realized, however, will depend on the actions agencies and others take to implement the new tools and help families make the most of the opportunities they offer.

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<sup>1</sup> Agencies using SAFMRs in place of metro FMRs will not be able to set payment standards above 110 percent of the SAFMR until HUD issues a planned notice establishing procedures for requesting payment standards at that level.

<sup>2</sup> Families are not permitted to pay a total of more than 40 percent of their income for rent and utilities at the time they first rent a unit with a voucher, although they may remain if the rent increases to the point that their costs rise above that percentage. 42 U.S.C. § 1437f(o)(3). This policy is intended to prevent families from taking on rent burdens that force them to divert resources from other basic needs or place them at risk of eviction if they face unexpected expenses or income loss, and to encourage housing agencies to set payment standards high enough to enable families to afford housing without taking on excessive burdens.

<sup>3</sup> Meryl Finkel *et al.*, "Small Area Fair Market Rent Demonstration Evaluation: Interim Report," prepared for U.S. Department of Housing and Urban Development, August 2017, <https://www.huduser.gov/portal/publications/SAFMR-Interim-Report.html>.

<sup>4</sup> Robert A. Collinson and Peter Ganong, "How Do Changes in Housing Voucher Design Affect Rent and Neighborhood Quality?" *American Economic Journal: Economic Policy*, Vol. 10, No. 2, May 2018.

<sup>5</sup> Raj Chetty, Nathaniel Hendren, and Lawrence Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review* 106, No. 4 (2016): 855–902. Lisa Sanbonmatsu *et al.*, "Moving to Opportunity for Fair Housing Demonstration Program: Final Impacts Evaluation," National Bureau of Economic Research, November 2011, <http://www.huduser.gov/portal/publications/pubasst/MTOFHD.html>.

<sup>6</sup> For additional discussion of the benefits of SAFMRs for low-income families, see Will Fischer, "Trump Administration Blocks Housing Voucher Policy that Would Expand Opportunity and Reduce Costs," Center on Budget and Policy Priorities, September 7, 2017, <https://www.cbpp.org/research/housing/trump-administration-blocks-housing-voucher-policy-that-would-expand-opportunity>.

<sup>7</sup> 24 C.F.R. § 985.3(h).



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<sup>8</sup> Recently enacted 2018 appropriations legislation increased the amount of voucher administrative funding HUD can allocate outside the regular formula to \$30 million (up from \$10 million in 2017), so HUD will have ample flexibility to provide added funds to agencies required to adopt SAFMRs.

<sup>9</sup> The regulation became effective on January 17, 2017. “Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in the Housing Choice Voucher Program Instead of the Current 50<sup>th</sup> Percentile FMRs,” *Federal Register*, Vol. 81, No. 221, November 16, 2016, pp. 80567-80587, <https://www.federalregister.gov/documents/2016/11/16/2016-27114/establishing-a-more-effective-fair-market-rent-system-using-small-area-fair-market-rents-in-the>.

<sup>10</sup> Department of Housing and Urban Development, “Guidance on Recent Changes in Fair Market Rent (FMR), Payment Standard, and Rent Reasonableness Requirements in the Housing Choice Voucher Program,” PIH Notice 2018-01, January 17, 2018, <https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2018-01.pdf>.

<sup>11</sup> See <https://www.hudexchange.info/programs/public-housing/small-area-fair-market-rents/>.

<sup>12</sup> *Open Communities Alliance v. Carson*, Civ. No. 17-2192 (D.D.C. 2017). The lawsuit did not affect the substance of the rule in any way — it only stopped the two-year suspension. Once the rule was reinstated, HUD gave public housing agencies in the mandatory SAFMR regions an extra three months to implement the new procedures.

<sup>13</sup> HUD’s SAFMR implementation guidebook says (on page 14) that when adoption of SAFMRs results in a payment standard increase, the agency must adjust the family’s housing assistance payment (HAP) based on the new standard no later than the next annual review and “the family’s payment standard/HAP calculation must be adjusted retroactively to the effective date of the payment standard change.” Payment standard decreases, by contrast, are only applied prospectively, starting no sooner than the second annual review after the effective date of the payment standard change.

<sup>14</sup> PIH Notice 2018-01, p 7. Agencies must include in their administrative plans policies for applying payment standard declines to voucher holders remaining in place, applying SAFMRs to project-based vouchers, and adopting SAFMRs in place of metro FMRs in metro areas where this is not mandatory.

<sup>15</sup> PIH Notice 2018-01, p 12.

<sup>16</sup> PIH Notice 2018-01, p 5.

<sup>17</sup> PIH Notice 2018-01, p 5.

<sup>18</sup> PIH Notice 2018-01, p 8.

<sup>19</sup> PIH Notice 2018-01, p 5.

<sup>20</sup> Housing agencies must allow families at least 60 days to search for housing with a voucher, but they may allow a longer search time or grant extensions to individual families. (24 CFR 982.303).

<sup>21</sup> HUD regulations require agencies to provide families with information about the advantages of areas that do not have a high concentration of low-income families and a landlord list or other housing search tool that covers areas without high levels of poverty or minority concentration (24 CFR 982.301).

<sup>22</sup> For additional information, see Molly Scott *et al.*, “Expanding Choice: Practical Strategies for Building a Successful Housing Mobility Program,” Urban Institute and Poverty and Race Research Action Council, February 2013, <http://www.prrac.org/pdf/ExpandingChoice.pdf>; and Barbara Sard and Douglas Rice, “Realizing the Housing Voucher Program’s Potential to Enable Families to Move to Better Neighborhoods,” Center on Budget and Policy Priorities, January 12, 2016, <https://www.cbpp.org/research/housing/realizing-the-housing-voucher-programs-potential-to-enable-families-to-move-to>.

<sup>23</sup> HUD will treat areas where SAFMRs are not required differently, setting the SAFMR in 2018 and later years no lower than 90 percent of the higher of the metro FMR or the SAFMR in the prior year. The significance of this is that in those metro areas — unlike mandatory SAFMR areas — SAFMRs in low-rent neighborhoods will never fall more than 10 percent below the previous year’s metro FMR. (This would change if HUD later designated the metro area as a mandatory SAFMR area. HUD would then apply the same phase-down policy it applies to other mandatory areas.)

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<sup>24</sup> The last option — a permanent, partial hold-harmless — is not mentioned in HUD’s notice or guidebook, but is permitted by the applicable regulation. 24 C.F.R. § 982.505(c)(3)(ii).

<sup>25</sup> Agencies could use geographic areas other than zip codes for this purpose. For example, an agency could use neighborhood boundaries that don’t run along zip code boundaries, which could result in portions of a single zip code having different policies because the zip code is split among multiple neighborhoods.

<sup>26</sup> PIH Notice 2018-01, p 6. Agencies can modify their Housing Choice Voucher administrative plan at any time with approval of their Board of Directors or equivalent body; HUD approval is not required. 24 C.F.R. § 982.54.

<sup>27</sup> Sard and Rice, 2016.