U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

SPECIAL ATTENTION OF:
Office Directors of Public Housing; Regional Directors; Public Housing Agencies

NOTICE PIH 2024-34
Issued: September 30, 2024

Expires: This notice remains in effect until amended, superseded or rescinded.

Supersedes: Notice PIH 2018-01 (HA)

Cross References: Notice PIH 2023-32, 88 FR 73352, 81 FR 80567, Notice PIH 2013-18

Subject: Updated and Consolidated Policy Guidance on Housing Choice Voucher (HCV) Program Payment Standards

Table of Contents

I. Purpose

This Notice provides consolidated and comprehensive guidance to public housing agencies (PHAs) on payment standards that incorporates recent regulatory and policy guidance. While this Notice discusses regulatory changes implemented through the "Housing Opportunity Through Modernization (HOTMA) Act of 2016—Housing Choice Voucher (HCV) and Project-Based Voucher (PBV) Implementation; Additional Streamlining Changes" (FR-6092-F-03), it also covers regulations that were not changed, and other policy guidance previously issued that remains in effect. As a result, this Notice consolidates guidance for PHAs on payment standards.

II. Background

Program regulations at 24 Code of Federal Regulations (CFR) 982.503 and 888.113 describe how PHAs must implement payment standards for their HCV programs. Payment standards are used in the calculation of the housing assistance payment (HAP) that the PHA pays to the owner on behalf of the family leasing the unit. The payment standard amount is the maximum monthly assistance payment that can be paid on behalf of an HCV family.

On October 25, 2023, HUD expanded the required use of SAFMRs to a total of 65 metropolitan areas[1], an increase of 41 metropolitan areas, from the original 24 that were established in 2016.[2] In addition, on May 7, 2024, HUD updated its payment standard regulations through a final rule, "HOTMA Act of 2016—HCV and PBV Implementation; Additional Streamlining Changes," hereafter "May 2024 Final Rule." (FR-6092-F-03). A summary of selected regulatory changes made by the May 2024 Final Rule is provided in Appendix A.

III. Fair Market Rents, Small Area Fair Market Rents, and Payment Standards

A. Overview of FMRs and SAFMRs

The HCV program helps low-income families rent eligible units in the private market, by subsidizing a portion of the rent that is paid by the PHA directly to the landlord. Generally, the FMR for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature

[1] Small Area Fair Market Rents in the Housing Choice Voucher Program Metropolitan Areas Subject to Small Area Fair Market Rents, October 25, 2023 (88 FR 73352)
[2] Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in the Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs; Final Rule, November 16, 2016 (81 FR 80567)

with suitable amenities.[3] Each year, HUD updates FMRs and publishes them on HUD's website.[4] In the HCV program, the FMR is the basis for determining the "payment standard amount" used to calculate the maximum monthly subsidy for a voucher household.[5] The PHA pays a HAP on behalf of an assisted family equal to the difference between the lower of the gross rent of the unit or the payment standard established by the PHA and the family's Total Tenant Payment (TTP), which is generally 30 percent of the household's adjusted monthly income.[6] Participants in the voucher program can choose to live in units with gross rents higher than the payment standard but are required to pay the full cost of the difference between the gross rent and the payment standard, in addition to their TTP.[7]

In the PBV program, the FMRs are used in determining the maximum rent to owner that may be permitted by the PHA for the PBV project. Except for certain tax credit units, the rent to owner must not exceed an amount determined by the PHA, not to exceed 110 percent of the applicable FMR (or any exception payment standard approved by HUD) for the unit bedroom size minus any utility allowance.[8] The rent to owner must also not exceed the reasonable rent determined in accordance with 24 CFR 983.303 or the actual rent requested by the owner. In general, SAFMRs do not apply to PBVs regardless of whether HUD designates the metropolitan area or approves the PHA for SAFMRs.[9] The exceptions to this general rule are covered in section 12 of this Notice, "PBVs."

HUD establishes FMRs for different geographic areas and calculates FMRs for all non-metropolitan counties and metropolitan areas.[10] FMRs represent the 40th percentile gross rent for typical non-luxury, non-substandard rental units occupied by recent movers in a local housing market.[11] Each year, HUD publishes FMRs in the Federal Register (FR) and also makes them available on the HUD website[12] with an effective date of October 1.[13] HUD initially published FMRs for metropolitan areas and non-metropolitan counties, and more recently also published FMRs for ZIP Codes areas, known as SAFMRs:

---

[3] In addition, all rents subsidized under the HCV program must meet rent reasonableness standards. Rent reasonableness is determined by PHAs with reference to rents for comparable unassisted units.
[4] https://www.huduser.gov/portal/datasets/fmr.html
[5] 24 CFR 982.503(a)(2)
[6] 24 CFR 5.628
[7] Please note that at initial lease up, the family's share cannot exceed 40 percent of the family's adjusted monthly income. 24 CFR 982.508
[8] 24 CFR 983.301(b) and (f)
[9] 24 CFR 888.113(h)
[10] 24 CFR 888.113(d)
[11] 24 CFR 888.111(b) and 888.113(b)
[12] FMRs are posted here: https://www.huduser.gov/portal/datasets/fmr.html and SAFMRs are posted here: https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html
[13] 24 CFR 888.115(a). HUD will publish a notice announcing the publication of the FMRs in the Federal Register, to be effective October 1 of each year, and provide for a minimum of 30 days of public comments and requested for reevaluation of the FMRs in a jurisdiction. The FMRs will become effective no earlier than 30 days after the date the notice publishes in the Federal Register (*e.g.*, if HUD fails to publish FMRs 30 days before October 1, the effective date will be 30 days after publication), except for areas where HUD receives comments during the minimum 30-day comment period requesting reevaluation of the FMRs in a jurisdiction. After HUD reviews a request for reevaluation, HUD will post on the World Wide Web the final FMRs for the areas that have been reevaluated and publish a notice in the Federal Register announcing the publication and the effective date.

- *Metropolitan area FMRs:* HUD uses the metropolitan areas established by the Office of Management and Budget (OMB) and, in some instances, subdivides OMB's defined metropolitan areas into smaller HUD Metropolitan FMR areas (HMFAs) along historical metropolitan boundaries to preserve continuity of FMR estimates.
- *Non-metropolitan county FMRs:* HUD establishes FMRs for all non-metropolitan counties.
- *ZIP Code Areas (SAFMRs):* HUD establishes SAFMRs at the ZIP Code level. Recognizing the variation in rents that occur within large metropolitan areas, SAFMRs are intended to result in payment standards that align more closely with localized rental costs, including higher-cost areas for the express purpose of providing HCV-assisted families with access to areas of high opportunity and lower poverty. In FY 2025, HUD began publishing SAFMRs for non-metropolitan counties in addition to metropolitan areas.

Within each of these FMR areas, the applicable FMR[14] for the HCV program is:

- The HUD-published SAFMR;
- The HUD-published metropolitan FMR for any other metropolitan area;[15] or
- The HUD-published FMR for any other non-metropolitan county.[16]

Please note that program regulations at 24 CFR 982.503 refer to the "applicable FMR" on numerous occasions. It is important to understand that the "applicable FMR" will be the HUD-published SAFMR for PHAs in mandatory[17] SAFMR areas or for those PHAs that have opted-in to using the SAFMR.[18]

B. Establishing Payment Standard Amounts

The PHA must adopt a payment standard schedule that establishes voucher payment standard amounts for each FMR area in the PHA's jurisdiction.[19] In many cases a single FMR area will cover the PHA's entire jurisdiction. Some PHAs' jurisdictions include more than one FMR area. PHAs administering the HCV program in mandatory SAFMR areas are required to use the SAFMRs when establishing payment standards for those areas (Mandatory SAFMR areas).

For FMR areas that are not mandatory SAFMR areas, the published metropolitan or non-metropolitan county FMRs are used by the PHA to establish the payment standard amounts.

---

[14] 24 CFR 982.503(a)(1)(i-iii)

[15] The applicable FMR for a PHA that has adopted exception payment standards based on the SAFMR but administers in metropolitan FMR area is the metropolitan FMR.

[16] The applicable FMR for a PHA that has adopted exception payment standards based on the SAFMR but administers in non-metropolitan county is the non-metropolitan county FMR.

[17] Please note that HUD designates metropolitan areas as Small Area FMR under 24 CFR 888.113(c)(4). PHAs located in those areas are considered "mandatory SAFMR" PHAs. The term "designated" and "mandatory" may be used interchangeably.

[18] PHAs administering in a metropolitan or non-metropolitan area that have adopted exception payment standards based on the SAFMR are not considered "opt-in" PHAs. Please see section 5 of this notice for more discussion on "opt-in" PHAs.

[19] 24 CFR 982.503(a)(2)

However, PHAs may opt-in and use SAFMRs for some or all of those FMR areas (Opt-in SAFMR areas). Alternatively, PHAs may elect to use SAFMRs as the basis for exception payment standards in some or all of those non-mandatory SAFMR areas that cover or are within their jurisdictions (see section 5, “Exception Payment Standards”).

<u>Example 1: Examples of Payment Standards in Multiple FMR Areas</u>

The Statewide PHA administers vouchers in the following FMR areas:

- Jefferson City Metropolitan FMR Area
    - Payment standards are within the basic range of the published FMR, except where the PHA has chosen to implement exception payment standards based on the SAFMR for ZIP Codes where the SAFMR is higher than the FMR.
- Central City Metropolitan FMR Area
    - Payment standards are within the basic range of published FMR.
- Lake City Metropolitan FMR Area
    - Payment standards are within the basic range of the published SAFMR since Lake City Metropolitan FMR is designated as a mandatory SAFMR area.
- Falls Non-metropolitan County
    - Payment standards are within the basic range of published FMR.
- River Non-metropolitan County
    - Payment standards are within the basic range of the published FMR, except where the PHA has chosen to implement exception payment standards based on the SAFMR for ZIP Codes where the SAFMR is higher than the FMR.
- Brook Metropolitan FMR Area
    - Payment standards are within the basic range of the published SAFMR because the PHA has chosen to opt-in to using SAFMRs.

1. Payment Standard Areas

The PHA may designate payment standard areas within each FMR area. For example, these could be census tract areas or groupings of those areas, and the PHA establishes payment standard amounts for such designated areas.[20] If the PHA designates payment standard areas, then it must include the criteria used to determine the designated areas and the payment standard amounts for those areas in the Administrative Plan.[21] A PHA-designated payment standard area may be no smaller than a census tract block group.[22] The PHA’s established payment standards within the payment standard area always must be within the basic range (discussed in detail in

[20] 24 CFR 982.503(a)(3)
[21] 24 CFR 982.54(d)(14)
[22] 24 CFR 982.503(a)(3)(ii)

the next section) of the applicable FMR area, or any HUD-approved exception payment standard.[23]

For each payment standard area, the PHA must establish a payment standard amount for each unit size, measured by number of bedrooms (zero-bedroom, one-bedroom, and so on).[24] These payment standard amounts comprise the PHA's payment standard schedule.

Example 2: Census-Tract Based Payment Standard Area

The Reservoir PHA is located in a mandatory SAFMR area and typically sets payment standards based on 100 percent of the published SAFMR for each of the four ZIP Code areas in the jurisdiction.

Recently, a large multifamily rental community opened at one end of the ZIP Code area and rents there are closer to 110 percent of the SAFMR, while the other end of the ZIP Code sees rents closer to 90 percent of the SAFMR. The ZIP Code is comprised of three unique census tracts, with one tract covering the area where the multifamily rental community is located, and the other two covering the rest of the ZIP Code.

The PHA elected to establish a census-tract based payment standard for all three census tracts within the impacted ZIP Code, and to continue to use ZIP Codes areas for the rest of their jurisdiction:

Payment Standard Area	Percent of Applicable FMR	Payment Standard Amount
ZIP Code 12345	100 percent	$1000
ZIP Code 23456	100 percent	$1000
ZIP Code 35124	100 percent	$1000
Census Tract 00001	90 percent	$900
Census Tract 00002	90 percent	$900
Census Tract 00003	110 percent	$1100

2. Basic Range

PHAs must set a payment standard within the basic range of at least 90 percent, but no more than 110 percent of the applicable FMR, unless the PHA has received HUD approval for a higher exception payment standard or a payment standard lower than the basic range (see section 5, "Exception Payment Standards," section 8, "Payment Standards Lower than the Basic Range," and section 11 "Reasonable Accommodation Exception Payment Standards" of this Notice).[25]

The PHA's basic range payment standard amount for each unit size may be based on the same percentage of the published FMR (e.g., all payment standard amounts may be set at 100 percent of the FMR), or the PHA may establish different payment standard amounts for different unit

[23] 24 CFR 982.503(c) and (d)
[24] 24 CFR 982.503(b)
[25] 24 CFR 982.503(c)

sizes (for example, 90 percent for efficiencies, 100 percent for one-bedroom units, 110 percent for larger units).[26]

PHAs must revise the payment standard amount no later than three months following the effective date of the published FMR if a change is necessary to stay within the basic range. In other words, the PHA must adjust the payment standard's actual dollar value where the current payment standard dollar value falls outside of the basic range. For more information on payment standard increases and decreases, see section 9, "Applying Increases in the Payment Standard" and 10, "Applying Decreases in the Payment Standard" of this Notice.

Example 3: Changing Payment Standards with Newly Published FMRs

The Ocean County PHA (OHA) uses the published metropolitan area FMR to establish payment standards.

	1-bedroom	2-bedroom	3-bedroom
2023 FMR	$1,000	$1,200	$1,300
Current payment standard	$1,000	$1,320	$1,430
Current percentage payment standard is of FMR	100%	110%	110%
2024 FMR	$1,300	$1,400	$1,500
Current payment standard's percentage of 2024 FMR	76%	94%	95%

In this example, the published FMR increased between 2023 and 2024. The OHA must assess whether current payment standards are within the basic range of the newly published FMR. In this example, the OHA must adjust the one-bedroom payment standard to be within the basic range of the FMR. Although the two- and three-bedroom payment standards do not need to be adjusted because they remain within the basic range, as a best practice, the OHA will want to consider whether increasing the payment standard is necessary to ensure that a range of rental units are available to families.

3. Payment Standard Schedule Availability

PHAs are strongly encouraged to post their payment standard schedule on their website for transparency to applicants, participants, landlords and the public. PHAs are reminded that they must[27] provide a copy of the payment standard schedule as part of their voucher briefing materials.

[26] 24 CFR 982.503(c)(2)
[27] 24 CFR 982.301(b)(2)

IV. SAFMRs: Mandatory and Opt-in

SAFMRs are FMRs calculated at the ZIP Code level, rather than for an entire metropolitan or non-metropolitan county.[28] Setting payment standards at a local level helps more assisted households to find and afford rental units in a broader range of neighborhoods, including in lower-poverty areas. Greater access to the rental market is expected to benefit both individual families and areas as a whole. For example, individual families are benefited through greater access to high-performing schools or safer neighborhoods, and areas benefit as a whole through reducing concentrated neighborhood poverty.

Mandatory and opt-in SAFMR PHAs must use the SAFMR for their HCV program, including special housing types (e.g. congregate housing, shared housing, homeownership)[29] with the exception of manufactured home space rental.[30] Mandatory and opt-in SAFMR PHAs do not use SAFMRs for their PBV program unless the PHA implements a policy through their administrative plan to apply SAFMRs to all future PBV projects located in the same areas where the SAFMRs are in effect for the PHA's HCV program.[31] Please see section 12 of this Notice, "PBVs" for further information on SAFMRs and PBV applicability.

The vouchers of families that move under portability will be administered according to the policies of the receiving PHA.[32] If the receiving PHA is operating under SAFMRs, then the family's voucher will be administered using SAFMRs (regardless of whether the initial PHA uses SAFMRs). Likewise, if an initial PHA operates in a SAFMR area, and the family moves to a receiving PHA located in a metropolitan FMR area, the family's voucher is administered using the metropolitan FMR.

A. Mandatory SAFMRs

HUD designates new SAFMR areas as new data becomes available in accordance with program regulations.[33] HUD identifies which metropolitan areas are required to use SAFMRs based on significant voucher concentration challenges and market conditions.[34] HUD initially designated the first set of metropolitan areas that must use SAFMRs in 2016.[35] HUD designated a second set of metropolitan areas in 2023.[36] PHAs that operate within those designated metropolitan areas are known as "mandatory SAFMR PHAs."

---

[28] 24 CFR 888.113(d)(2)
[29] For more information on calculating payment standards for special housing types, please see the HCV Guidebook chapter:
https://www.hud.gov/sites/dfiles/PIH/documents/Special_Housing_Types_Updated_November%202020.pdf
[30] 24 CFR 888.113(g)
[31] 24 CFR 888.113(h) and 983.10(b)(23)
[32] These portability policies are applicable to mandatory SAFMRs and exception payment standard SAFMRs.
[33] 24 CFR 888.113(c)(4)
[34] Ibid
[35] "Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in the Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs; Final Rule," published in the Federal Register on November 16, 2016 (FR-5855-F-03).
[36] "Small Area Fair Market Rents in the Housing Choice Voucher Program Metropolitan Areas Subject to Small Area Fair Market Rents," published in the Federal Register on October 25, 2023 (88 FR 73352)

Mandatory SAFMR PHAs must use the SAFMR for any part of their jurisdiction located in the SAFMR area.[37] For example, a statewide PHA may operate in a designated SAFMR area, and also in areas subject to the published metropolitan and non-metropolitan county FMR. This PHA is required to use the SAFMR only for the portion of their jurisdiction designated as mandatory SAFMR.

Non-metropolitan counties will not be designated as mandatory SAFMR areas.[38]

1. Applicability to Moving to Work (MTW) PHAs

An MTW PHA, including both Initial and Expansion MTW agencies, that operates in a mandatory SAFMR area may be exempt from use of SAFMRs. An individual MTW PHA is exempt from the requirement to use SAFMRs if that agency has an alternative payment standards policy in the PHA's HUD-approved Annual MTW Plan or MTW Supplement to the Annual PHA Plan. An MTW PHA in a mandatory SAFMR area that does not have such policy in the PHA's HUD-approved Annual MTW Plan or MTW Supplement is required to use SAFMRs.[39]

MTW PHAs that choose to adopt alternative payment standards are strongly encouraged to ensure that HCV program participants have similar access to a wide range of communities as they would under SAFMRs.

2. Inapplicability of SAFMRs to Other HUD programs

SAFMRs do not apply to any programs other than the HCV program. Other programs that use FMRs (e.g. HOME Investment Partnerships Program) continue to use metropolitan FMRs regardless of whether SAFMRs have been designated for the HCV program within the same metropolitan area. Please follow the requirements of those programs regarding the use of FMRs.

3. Suspension of SAFMRs or Temporary Exemption

In rare cases, HUD may suspend a SAFMR designation from a metropolitan area or may temporarily exempt a PHA in a SAFMR metropolitan area from the use of SAFMRs, when HUD makes a documented determination, through public notice, that such action is warranted.[40] The process for reviewing whether a suspension or temporary exemption is warranted may be initiated by HUD or at the request of a PHA. The PHA's request for suspension or exemption must be emailed to SAFMRs@hud.gov.

A PHA may request either:

- Suspension of the SAFMR designation for a metropolitan area

---

[37] 24 CFR 888.113(c)(3)
[38] 24 CFR 888.113(c)(3)
[39] "Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in the Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs; Final Rule," published in the Federal Register on November 16, 2016 (FR-5855-F-03).
[40] 24 CFR 888.113(c)(4)

    - Only PHAs, or a combination of PHAs, that administer more than 50 percent of the vouchers leased in the metropolitan area may make this request.
- Temporary exemption from the use of SAFMRs for an individual PHA.

In both cases, the request must be based on a documented finding of an adverse rental housing market condition specific to the area or PHA. Adverse rental housing market conditions may include, but are not limited to:

- Current vacancy rates falling below four percent (insufficient supply)
- A sudden and significant influx of families into the metropolitan area (demand shock)
- A sudden and significant loss of rental units (supply shock);
- A rapid increase in the PHA's per unit costs (PUC) causing the PHA to experience a funding shortfall (supply or demand shocks).

Adverse rental housing market conditions may apply to the broad rental housing market or may apply to the part of the rental market that is affordable and available to HCV families. For example, declining success rates and increasing rent burdens despite PHA owner outreach efforts may be evidence of adverse rental market conditions for HCV families due to lack of units that are both affordable and owned by owners willing to participate in the HCV program. There are likely to be other circumstances that cause adverse rental market conditions, and HUD will review the documentation of these conditions on a case-by-case basis.

If HUD determines it is necessary to suspend an area's SAFMR designation or temporarily exempt an individual PHA from use of the SAFMRs, HUD will issue a Notice of Suspension or Exemption with information on the adverse rental market condition that is the reason for the suspension, the duration and timing of the suspension, and other details as HUD determines necessary.

B. Opt-in SAFMR

Upon notification to HUD, a PHA that is not located in a designated SAFMR area, may voluntarily adopt SAFMRs (also known as "opt-in") for one or more of the FMR areas in which the PHA administers vouchers.[41] In other words, a PHA that exercises this option in one metropolitan area or non-metropolitan county is not required to exercise this option in other metropolitan areas or non-metropolitan counties. A PHA that voluntarily uses SAFMRs for the entire jurisdiction, even if that jurisdiction consists of only one ZIP Code, is considered an "Opt-in SAFMR" PHA. PHAs located in metropolitan and non-metropolitan counties may opt-in to using the SAFMR.

Please note, the regulations at 24 CFR 888.113 discuss "voluntary" adoption of the SAFMR, which is also known as "opt-in." For a PHA that has fully opted-into the SAFMRs, the "applicable FMR" is the SAFMR.[42] This is distinct from a PHA that only uses SAFMRs as

[41] 24 CFR 888.113(c)(3)
[42] 24 CFR 982.503(a)(1)(i)(B)

exception payment standards, which is discussed further in section 5, “Exception Payment Standards.”[43]

As a best practice, when considering whether to opt-in to SAFMRs, PHAs should consider a variety of factors such as:

- Whether adoption of SAFMRs is likely to have a positive or adverse effect on the availability of rental housing that is both affordable and available to program participants and applicants
- The effect of SAFMR adoption on family rent burdens, and whether to adopt the hold harmless or gradual reduction in subsidy options (See section 10, “Applying Decreases in the Payment Standard.”)
- Areas where the SAFMR is lower than the published FMR by exactly 10 percent and opt-in will therefore trigger the need for rent reasonableness determinations
- Whether to apply SAFMRs to the PBV program, if applicable (See section 12 “PBVs”)

An agency that chooses to adopt SAFMRs must submit a written notification to HUD through a DocuSign electronic submission, which can be accessed here. [44] The notification must indicate the PHA’s proposed effective date. Prior to implementing SAFMRs, the opt-in PHA must amend the Administrative Plan, stating that the PHA will establish payment standards based on SAFMRs and also include any policies the PHA has adopted with respect to SAFMRs (e.g., applying SAFMRs to its PBV program and payment standard decrease hold harmless policies).

A PHA that opts in to SAFMRs may subsequently opt out, returning to the use of the published FMR, through revision of the Administrative Plan and notification to HUD through a DocuSign electronic submission which can be accessed here after taking into consideration any potential disruptions to its program, families, and owners.

V. Exception Payment Standards

Although HUD uses the best available data to establish FMRs and SAFMRs, PHAs may find that payment standards within the basic range are not high enough to meet programmatic goals such as high utilization and success rates, landlord participation, and/or reasonable rent burdens for program participants. There are several options available to increase payment standards above the basic range, known as exception payment standards:

- Payment standards based on SAFMRs in ZIP Codes where the SAFMR is higher than the applicable metropolitan or non-metropolitan county FMR[45]
- Payment standards greater than 110 percent up to 120 percent of the applicable FMR[46]
- Payment standards over 120 percent of the applicable FMR

[43] 24 CFR 982.503(d)(2)
[44] 24 CFR 888.113(c)(3)
[45] Note that SAFMR exception payment standards are different from “opt-in” SAFMRs, which are discussed in the prior section.
[46] Note that the applicable FMR is defined as the metropolitan FMR, non-metropolitan FMR, or the SAFMR for PHAs in designated SAFMR metropolitan areas or for PHAs that have “opted in” to the SAFMR

- Payment standards necessary as a reasonable accommodation (see Section 11 of this notice)

An exception payment standard may be established for a designated part of the FMR area, called an exception area, or for the entire FMR area.[47] The exception area may be no smaller than a census tract block group.[48] Please see section 12, "PBVs" for applicability of exception payment standards to the PBV maximum rent.

A. Exception Payment Standards Based on SAFMRs in ZIP Codes Where the SAFMR is Higher Than the Applicable Metropolitan or Non-Metropolitan County FMR

PHAs subject to the HUD-published FMR in a metropolitan or non-metropolitan area may choose to establish an exception payment standard using the published SAFMR upon notification to HUD through a DocuSign electronic submission, which can be accessed here. The exception payment standard may be up to 110 percent of the SAFMR. If an exception area crosses one or more FMR boundaries, then the maximum exception payment standard amount that the PHA may adopt for the exception area without HUD approval is 110 percent of the ZIP Code area with the lowest SAFMR to ensure that all areas are within the basic range.[49]

Example 4: SAFMR Exception Payment Standards

The Mountain Housing Authority administers HCVs in eight ZIP Codes, with three ZIP Codes having a SAFMR greater than the FMR. They notified HUD that they will adopt SAFMR exception payment standards in those three ZIP Codes. The published FMR for a two-bedroom unit is $1,200. The published SAFMR for a two-bedroom unit in ZIP Code 56789 is $1,400, for ZIP Code 09876 is $1,350, and for 44556 is $1,600. The PHA decides to establish exception payment standards for those ZIP Code areas at 110 percent of the applicable SAFMR and payment standards at 110 percent of the FMR for other ZIP codes.

ZIP Code	12345	67891	23456	56789	09876	54321	44556	66778
Payment Standard (110 percent of FMR/SAFMR)	$1,320	$1,320	$1,320	$1,540	$1,485	$1,320	$1,760	$1,320

B. Simplified Process for Exception Payment Standards Greater than 110 percent up to 120 percent of the Applicable FMR

[47] 24 CFR 982.503(d)(1)
[48] 24 CFR 982.503(a)(3)(ii)
[49] 24 CFR 982.503(d)(2)

All PHAs that meet at least one of the two specified criteria below may establish an exception payment standard amount greater than 110 percent up to 120 percent of their applicable FMR[50] upon notification to HUD:

- *Success rate:* Fewer than 75 percent of the families to whom the PHA issued tenant-based vouchers during the most recent 12-month period for which there is success rate data available have become participants in the voucher program; and/or
- *Rent burden:* More than 40 percent of families with tenant-based vouchers administered by the agency pay more than 30 percent of adjusted income as the family share.[51]

PHAs must submit a notification to HUD through a DocuSign electronic submission, which can be accessed here. In the DocuSign notification, PHAs will certify that they meet at least one of the two required criteria.

The duration in which the PHA may use the exception payment standard after proper notification to HUD is:

- Until the effective date of the first newly published FMRs following 12 consecutive months of a sustained tenant-based success rate at 75 percent or higher, if the PHA qualified for the exception payment standard based on the success rate criteria above; or
- Until the effective date of the first newly published FMRs following 12 consecutive months of the PHA maintaining a rent burden where fewer than 40 percent of tenant-based voucher families are paying more than 30 percent of adjusted income as the family share, if the PHA qualified for the exception payment standard based on the rent burden criteria above.

The PHA may revert back to the basic range at any time without notification to HUD. PHAs are reminded that if there are changes in the applicable FMR and the PHA's payment standard exceeds 120 percent of the newly applicable FMR, the PHA would need to reduce its payment standard to be 120 percent or lower than the newly applicable FMR.

The PHA may use the exception payment standard for all units, or for only units of a particular size. The exception payment standard may be established for a designated part of the FMR area (called an "exception area") or for the entire FMR area[52]. Exception areas typically are county, city, town, ZIP Code, or census tract. However, so long as the exception area is no smaller than census tract block group, the PHA may select the area for the exception area[53].

If the PHA has adopted an exception payment standard greater than 110 and up to 120 percent of the applicable FMR under this section, the amount of rent to owner determined by the PHA for PBV projects in the exception area may not exceed the exception payment standard minus utility

---

[50] As a reminder, the applicable FMR is the metropolitan FMR, non-metropolitan county FMR, or SAFMR for PHAs in designated SAFMR areas or PHAs that have "opted-in" to the SAFMR.
[51] Program regulations at 982.503(d)(3)(iii) also provide HUD discretion to establish additional criteria by Notice. HUD has not opted to establish additional criteria at this time.
[52] 24 CFR 982.503(d)(1)
[53] 24 CFR 982.503(a)(3)(ii) and (d)(1)

allowance, rather than the normally applicable 110 percent of FMR minus utility allowance limitation,[54] and the rent reasonableness requirements continue to apply.

PHAs may combine exception payment standards based on the SAFMR, and exception payment standards greater than 110 and up to 120 percent[55]. Prior to doing so, however, HUD encourages (but does not require) PHAs to first assess whether the SAFMR exception payment standard achieves the programmatic goals of the PHA.

<u>Example 5: Exception Payment Standards Greater than 110 and up to 120 percent of FMR</u>

The Beach Housing Authority (BHA) administers vouchers in three counties: one in a city, one in a suburban county, and one in an exurban county, and is not in a mandatory SAFMR area. The BHA has determined that the published FMR for the suburban county is not high enough for families to access and afford a significant portion of the available rental units. The BHA has noticed that they have particularly struggled to maintain reasonable rent burdens for families renting units in this area as landlords have raised rents consistently by 10 percent each year. The BHA looked at the data and determined that 45 percent of families with tenant-based assistance are paying more than 30 percent of their adjusted income as their family share. Using the required DocuSign link, BHA notified HUD that the BHA would adopt a payment standard greater than 110 and up to 120 percent for the suburban county within the jurisdiction. BHA's new payment standards, based on a three-bedroom FMR of $1,500 are as follows:

Geography	3-bedroom Payment Standard	Percent of FMR
City	$1,500	100%
Suburban County	$1,725	115%
Exurban County	$1,575	105%

C. Other Exception Payment Standards

Most PHAs will find that the simplified exception payment standard process described above for greater than 110 and up to 120 percent of the applicable FMR, or exception payment standards based on the SAFMR, generally helps ensure their payment standards are competitive in the rental market. However, there may be some circumstances where the simplified exception payment standard process does not meet the PHA needs. Examples of these circumstances include:

- Situations where PHAs do not meet the criteria to receive an exception payment standard of up to 120 percent as described in section 5b above and determine the applicable FMR is not in line with local rental market demands or

[54] 983.301(b)
[55] 24 CFR 982.503(d)(2) and (3)

- Situations where 120 percent of the applicable FMR is still not high enough to reflect the local rental market demands

PHAs may request approval from HUD to establish an exception payment standard amount that exceeds the basic range of the applicable FMR under 24 CFR 982.503(d)(4). The request must be submitted to paymentstandards@hud.gov.

The PHA's request must be for an exception area within the applicable FMR area or for the entire FMR area.[56] The information required to be submitted is different for each type of request.

Exception Area Requests

An exception area is a designated part of the applicable FMR area.[57] So long as the exception area is smaller than the applicable FMR area but no smaller than a census tract block group, the PHA may determine what the requested exception area is. This is a non-inclusive list of potential exception areas:

- Census tract
- Census tract block group
- County
- City
- Town
- Neighborhood
- ZIP codes (for PHAs not in mandatory SAFMR areas or that have not opted-in to SAFMRs)

To request approval for an exception payment standard that applies to an exception area, the PHA must provide HUD rental market data demonstrating that the requested exception payment standard amount is needed for families to access rental units. The rental market data must include a rent estimate for the applicable FMR area compared with a rent estimate for the proposed exception area (e.g. census tract, census tract block group, county, etc.). As an example, a PHA in a mandatory SAFMR area would submit a rent estimate for the exception area, which must be a smaller geography than the applicable FMR area (ZIP code). Typically for mandatory SAFMR PHAs, the exception area would be a census tract but could be a different geography so long as it is no smaller than a census tract block group. The PHA would also submit a corresponding rent estimate for the applicable FMR area (ZIP code).

For all exception area requests, the rent estimate must consist of a standard metric, such as an average or median rent, measured across a representative portion of the rental market by a reputable source. The rent estimates must include the two years preceding the current FMR year. For example, in FY 2025, the rent estimates should be for 2023 and 2024.

---

[56] 24 CFR 982.503(d)(4)
[57] 24 CFR 982.503(d)(1)

Example 6: Town-based Exception Payment Standard Over 120 percent

Greenville is a suburban town within the Franklin City Metropolitan Statistical Area. The prevailing rents in Greenville are significantly higher than in other parts of the MSA. To better help voucher holders find units within the town, the Greenville PHA requests exception payment standards for addresses within the town of Greenville. According to the Census Bureau’s American Community Survey, the most recent estimate of median gross rent for the town of Greenville is $1,250. The most recent survey also showed that the median gross rent for all of the Franklin City MSA is $1,000. The Greenville PHA is eligible for exception payment standards of 125 percent of the Franklin City MSA FMRs, as $1,250 divided by $1,000 is 1.25.

Example 7: Neighborhood-based (Census Tract) Exception Payment Standard Over 120 percent

The Hill County PHA operates within the Harrison Metropolitan Statistical Area, a mandatory SAFMR area. The PHA has identified University Heights, a popular neighborhood, as an area where HCV families have difficulty in finding units. difficulty for voucher holders in finding units in University Heights, a popular neighborhood. The SAFMR for the area in which the neighborhood is located (01234), although higher than the metropolitan FMR, is still not as high as the prevailing rents in the neighborhood because the ZIP Code also includes other adjacent neighborhoods. University Heights corresponds with Census Tracts 107.01, 107.02, and 107.03. According to the Census Bureau’s American Community Survey, the most recent estimate of median gross rent for these Census Tracts is $1,300, $1,350, and $1,400, respectively. The most recent survey also showed that the median gross rent for all of ZIP Code 01234 is $1,000. The PHA is therefore eligible for payment standards of 130 percent, 135 percent, and 140 percent for Census Tracts 107.01, 107.02, and 107.03 respectively, as these represent the ratios of the median rents for the tracts to the median rent of the ZIP Code.

Should the PHA wish to have a single payment standard for the entire neighborhood of University Heights, it may calculate a rental unit-weighted average of the Census Tract median rents. In this case, the weighted average of tracts 107.01, 107.02, and 107.03 is $1,350, meaning the PHA would be eligible for a payment standard of 135 percent throughout the neighborhood.

Entire FMR Area Requests

A PHA may determine that they want to request an exception payment standard for the entire FMR area. For example, a PHA in a mandatory SAFMR area may want to request an exception payment standard for an entire ZIP Code. Or, in another example, a PHA in a non-metropolitan county may want to request an exception payment standard for the entire county.

PHAs requesting exception payment standards for an FMR area must submit estimates of the typical rent paid in the FMR area. The rent estimate must consist of a standard metric, such as an average or median rent, measured across a representative portion of the rental market by a reputable source. The rent estimates must include the two years preceding the current FMR year. The PHA must provide data that demonstrates the annual percentage of inflation change for the entire FMR area is greater than the rental inflation adjustment factor in the published FMR. For example, in FY 2025, the rent estimates should be for 2023 and 2024, with the annual percentage of inflation change reflecting the percentage increase from 2023 to 2024. HUD currently publishes the rental inflation factor on the HUD user webpage.[58]

<u>Example 8: Entire FMR Area Exception Payment Standard</u>

The Sunny County PHA operates in the Sunny County FMR area. According to data from MetroEstimators, a reputable rent data service provider, the median asking rent of a typical unit in Sunny County increased 30 percent from 2023 to 2024, or an inflation factor of 1.30. Theinflation factor from 2023 to 2024 that HUD used in calculating the FY 2025 FMR was 4 percent (1.04). Based on the information provided by the PHA in their request for an exception payment standard, HUD approved an exception payment standard of 125 percent of the FY 2025 FMRs for Sunny County, as 1.30 divided by 1.04 percent is 1.25.

Once HUD has approved an exception payment standard for a requesting PHA, any other PHA with jurisdiction in the HUD approved exception area, or FMR area, may also use the exception payment standard amount.

Please note that the exception payment standard process for an entire FMR area is different than a reevaluation of HUD's determination of FMRs. That process is discussed further in section 14, "Reevaluation of HUD-published FMRs/SAFMRs."

VI. Phase-out of Success Rate Payment Standards

Under the May 2024 Final Rule, HUD will no longer approve success rate payment standards.[59] Success rate payment standards allowed qualifying PHAs to adopt a payment standard based on the 50th percentile FMR. PHAs that had an approved success rate payment standard prior to June 6, 2024 (the effective date of the May 2024 Final Rule) may continue to use the approved payment standard amount.[60] However, the actual dollar amount of the approved success rate payment standard may never exceed the amount established by the PHA as of June 6, 2024. The approved success rate payment standard may remain in effect until the applicable FMR exceeds

---

58 For FY 2025, the rental inflation adjustment factors can be found here under the "data" tab for the applicable year: https://www.huduser.gov/portal/datasets/fmr

59 "Housing Opportunity Through Modernization Act of 2016—Housing Choice Voucher (HCV) and Project-Based Voucher Implementation; Additional Streamlining Changes," hereafter "May 2024 Final Rule." (FR-6092-F-03). See discussion on page 38229. See also 24 CFR 982.503(f).

60 Please note that success rate payment standards are not exception payment standards and are never used for determination of rent to owner in the PBV program.

that approved amount. PHAs are encouraged to assess whether they should transition to the applicable FMR should that amount exceed the maximum payment standard the PHA established under their success rate payment standards.

VII. Deconcentration Payment Standards

Prior to 2018, some FMR areas had been set at the 50th percentile rent to provide a broad range of housing opportunities throughout a metropolitan area.[61] After 2018, all FMR areas are now set at the 40th percentile rent. PHAs not in a designated SAFMR that were in these areas, could have received a "deconcentration payment standard" based on the 50th percentile rent through HUD Field Office approval of a payment standard amount if the PHA scored the maximum number of points on the deconcentration bonus indicator in 24 CFR 985.3(h) in the prior year, or in two of the last three years. PHAs with an approved deconcentration payment standard may continue to use that payment standard. PHAs are encouraged to assess whether they should transition to the applicable FMR should that amount exceed the maximum payments standard the PHA established under their deconcentration payment standards.

VIII. Payment Standards Lower than the Basic Range

PHAs may request approval to establish a payment standard amount that is lower than the basic range.[62] At HUD's sole discretion, HUD may approve PHA establishment of a payment standard lower than the basic range. In determining whether to approve the PHA request, HUD will consider appropriate factors, including rent burden of families assisted under the program. Unless it is necessary to prevent termination of program participants, HUD will not approve a lower payment standard if the proposed payment standard would cause the family share for more than 40 percent of participants with tenant-based rental assistance to exceed 30 percent of adjusted monthly income, based on analysis of currently available data.

PHAs requesting a payment standard lower than the basic range must submit their request to paymentstandards@hud.gov.

IX. Applying Increases in the Payment Standard

For new HAP contracts, the PHA applies the payment standard in effect at the time of HAP contract execution.

For existing HAP contracts, when the PHA's payment standard increases, the PHA must use the increased payment standard amount to calculate the monthly housing assistance payment for each program participant beginning no later than the earliest of:

- *Change in Gross Rent/Family Share*: The effective date of an increase in the gross rent that would result in an increase in the family share;[63]

---

[61] 24 CFR 888.113(i)(3)
[62] 24 CFR 982.503(e)
[63] 24 CFR 982.505(c)(4)(i)

- *Interim or annual reexamination*: The family's first regular or interim reexamination;[64] or
- *One year after effective date*: One year following the effective date of the increase in the payment standard amount.[65]

The PHA may apply a payment standard increase at any earlier date, so long as that policy is included in the PHA Administrative Plan, and the policy is applied consistently to all families.[66]

If the family unit size either increases or decreases during the HAP contract term, the new family unit size may be used to determine the payment standard amount for the family immediately but no later than the family's first regular reexamination following the change in family unit size.[67]

<u>Example 9: Applying a Payment Standard Increase</u>

The Plains Housing Authority (PHA) increased their payment standards on November 1, 2025. Ms. Maria Rosa's annual reexamination is due on July 1, 2026. Her landlord requested a rent increase after the initial lease term, which PHA approved, with an effective date of January 1, 2026. When the PHA processed the rent increase, the PHA also applied the increase of the payment standard.

Prior annual reexamination		Interim reexamination effective January 1	
Gross rent	$850	Gross rent	$950
Payment standard	$855	Payment standard	$975

X. Applying Decreases in the Payment Standard

For new HAP contracts, the PHA applies the payment standard in effect at the time of HAP contract execution.

When the PHA's payment standard decreases while the family continues to reside in the unit for which the family is receiving assistance, the PHA has three options:

- *Hold harmless*: The PHA may choose not to reduce the payment standard amount used to calculate the subsidy for a family for as long as the family continues to reside in the unit for which the family is receiving assistance.[68]
- *Gradual reduction*: Upon proper notification (as described below) to the family, the PHA may gradually reduce the payment standard amount used to calculate the family's

[64] 24 CFR 982.505(c)(4)(ii)
[65] 24 CFR 982.505(c)(4)(iii)
[66] 24 CFR 982.505(c)(5)
[67] 24 CFR 982.505(c)(6)
[68] 24 CFR 982.505(c)(3)

subsidy, phasing in the reduction. The initial reduction in payment standard cannot take place earlier than two years following the effective date of the decrease in the payment standard.[69]

- *Two years after effective date*: Upon proper notification to the family, the PHA may choose to reduce the payment standard amount used to calculate such a family's subsidy no earlier than two years following the effective date of the decrease in the payment standard.[70]

The option the PHA selects must be documented in the PHA Administrative Plan and be applied consistently to all families.[71] If the PHA has an established policy to reduce the payment standard, the PHA must provide the family with at least 12 months' written notice of any reduction in the payment standard amount that will affect the family if the family remains in place. In the written notice, the PHA must state the new payment standard amount, explain that the family's new payment standard amount will be the greater of the amount listed in the current written notice or the new amount (if any) on the PHA's payment standard schedule at the end of the 12-month period, and make clear where the family will find the PHA's payment standard schedule.[72]

<u>Example 10: Applying a Payment Standard Decrease</u>

The River Housing Authority (RHA) reduced the payment standard on November 1, 2025. The three-bedroom payment standard was $1,300 but was reduced to $1,250. Mr. Andrew Chin's annual reexamination is due on February 1, 2026. The RHA has adopted a "hold harmless" policy in the Administrative Plan. When the RHA processed Mr. Chin's reexamination, they did not reduce the payment standard.

Prior reexamination		New reexamination effective February 1, 2026	
Gross rent	$1,200	Gross rent	$1,200
Payment standard	$1,300	Payment standard	$1,300

XI. Reasonable Accommodation Exception Payment Standards

On a case-by-case basis, PHAs are required to provide reasonable accommodation exception payment standards for a person with a disability in accordance with 24 CFR part 8. For exception payment standards that do not exceed 120 percent of the applicable FMR, the PHA establishes the exception payment standard without prior notification to HUD or HUD approval.[73] For exception payment standards greater than 120 percent of the applicable FMR as

[69] 24 CFR 982.505(c)(3)(i) and (ii)
[70] 24 CFR 982.505(c)(3)(ii)
[71] 24 CFR 982.505(c)(3)(iv)
[72] 24 CFR 982.505(c)(3)(iii)
[73] 24 CFR 982.503(d)(5)

a reasonable accommodation for a person with a disability in accordance with 24 CFR part 8, the PHA must first request and receive HUD approval.[74]

Recognizing the importance of providing comprehensive guidance to PHAs on providing reasonable accommodation exception payment standards, HUD provides separate guidance through PIH Notice 2013-18. In response to changes brought about by the HOTMA,[75] HUD will publish an update to that notice soon.

XII. PBVs

A. PBVs and SAFMRs

PHAs located in a mandatory SAFMR area, or that have fully opted-in to the SAFMR may elect to, but are not required to, apply the SAFMR to their PBV program. A PHA that chooses to apply SAFMRs to the PBV program must[76] adopt such policy in the Administrative Plan.[77] If the PHA adopts such a policy, then SAFMRs apply to projects in the following circumstances:

- Where the PHA notice of owner selection under 24 CFR 983.51(d) was made on or before the effective dates of either or both the SAFMR designation/implementation and adoption of the Administrative Plan policy, the PHA and owner may mutually agree to apply the SAFMR. The owner and PHA may not subsequently choose to revert back to the use of the metropolitan area FMRs for the PBV project.
- Where the PHA notice of owner selection under 24 CFR 983.51(d) was made after the effective dates of both the SAFMR designation/implementation and adoption of the Administrative Plan policy, the SAFMR shall apply to the PBV project if the Administrative Plan provides that SAFMRs are used for all future PBV projects. An owner and the PHA may not subsequently choose to apply the metropolitan area FMR to the project.

In considering whether to adopt SAFMRs for the PBV program, HUD recommends that PHA compare the HAP contract rents of current PBV-assisted projects within the jurisdiction with what the rents would be under the SAFMRs.

B. PBV Maximum Rent and the Relationship to Exception Payment Standards

Under no circumstances can the PHA establish an exception payment standard only for a specific PBV project. Exception payment standards must apply to a specific geographic area as described in section 5, "Exception Payment Standards."

---

[74] 24 CFR 982.503(d)(5) and Notice PIH 2013-18. Please note that HUD anticipates updating Notice PIH 2013-18 soon, and PHAs are encouraged to ensure they are using the latest version of guidance on Reasonable Accommodation Exception Payment Standards.
[75] Pub. L. 114-201, 130 Stat. 782
[76] 24 CFR 888.113(c)(5)
[77] 24 CFR 983.10(b)(23)

For the PBV program, except for certain tax credit units, the amount of rent to owner must not[78] exceed the lowest of:

- An amount determined by the PHA, not to exceed 110 percent of the applicable FMR (or the amount of any HUD approved exception payment standard for the area in which the project is located), minus utility allowance
- The reasonable rent; or
- The owner-requested rent.

As a result, the maximum rent that the PHA may permit for any PBV project located in an area without an approved exception payment standard is 110 percent of the applicable FMR, minus the utility allowance, where this amount is equal to or lower than the reasonable rent and the owner-requested rent.[79]

For PBV projects that are located in a mandatory SAFMR area or are located in a ZIP code where the PHA has opted in to the SAFMR, any exception payment standard amount approved under 24 CFR 982.503(d)(3)-(4) will apply to the maximum rent limit for the PBV project only if the PHA has adopted a policy applying SAFMRs to its PBV program and met all other requirements in accordance with 24 CFR 888.113(h).[80] If the PHA has not applied the SAFMRs to its PBV program, 110 percent of the metropolitan area or non-metropolitan county FMR minus the utility allowance remains the applicable limit on the amount determined by the PHA, regardless of whether any exception payment standard is in effect under 24 CFR 982.503(d)(3)-(4). In either case the rent must also meet the rent reasonableness requirements.

For PBV projects that are not located in a mandatory SAFMR area or are not located in a ZIP code where the PHA has opted in to the SAFMR, any exception payment standard amount approved under 24 CFR 982.503(d)(2)-(4) applies for purposes of establishing the maximum rent for the PBV project.[81] HUD will not approve a different payment standard amount for use in the PBV program. The amount of rent to owner determined by the PHA may not exceed the exception payment standard minus utility allowance, rather than the normally applicable 110 percent of FMR minus utility allowance limitation,[82] and the rent reasonableness requirements continue to apply.

XIII. Administrative Plan Requirements

The PHA Administrative Plan must[83] address:

---

[78] 24 CFR 983.301(b). Please also note that the subsidy layering review may cap the rent for a PBV project below the amount determined by these regulations if the project is determined to be over-subsidized based on the subsidy layering review thresholds.
[79] For tax credit units that meet the criteria of 24 CFR 983.201(c)(1), the maximum rent is the lowest of (i) An amount determined by the PHA in accordance with the Administrative Plan, not to exceed the tax credit rent minus any utility allowance; (ii) The reasonable rent; or (iii) The rent requested by the owner.
[80] 24 CFR 983.301(f)(3)(ii)
[81] 24 CFR 983.301(f)(3)(i)
[82] 983.301(b)(1)
[83] 24 CFR 982.54, 983.10(b)(23) and (b)(19)

- The process for establishing and revising payment standards, including policies on administering increases and decreases in the payment standard during the HAP contract term.
- Policy to apply payment standard increase at the earliest of a change in gross rent/family share, first regular or interim re-examination, or one year after the effective date.
- Policy to apply payment standard decrease using hold harmless, gradual reduction, or two years after the effective date of the decrease.
- Criteria used to determine the designated areas and payment standard amounts for those areas
- Policies concerning application of SAFMRs to project-based voucher units.

XIV. Reevaluation of HUD-published FMRs

PHAs may request a reevaluation of their published applicable FMR following the procedures established in the annual Federal Register notice, which typically is published in August.[84] While the procedures are subject to change annually, typically the reevaluation procedures require:

- The area's PHA, or in multi-jurisdictional areas, PHA(s) representing at least half the voucher tenants in the FMR area must agree that the reevaluation is necessary.
- The requester to supply HUD with data more recent than the American Community Survey (ACS) data used in the calculation of the applicable year's FMRs/SAFMRs. HUD requires data on gross rents paid in the area for occupied standard quality rental housing units. Occupied recent mover units provide the best data. The data delivered must be sufficient for HUD to calculate a 40th and 50th percentile two-bedroom gross rent.
    - If this data is not available, requestors may gather this information using the survey guidance at www.huduser.gov/portal/datasets/fmr/NoteRevisedAreaSurveyProcedures.pdf and www.huduser.gov/portal/datasets/fmr/PrinciplesforPHA-ConductedAreaRentSurveys.pdf

The above information was provided exclusively for informational purposes. PHAs should always follow the instructions in the most recent Federal Register notice.

XV. Resources

There are numerous resources available to assist PHAs with establishing payment standards that meet the local rental market. For further information, please review the following:

- SAFMR Implementation Guidebook
- HCV Landlord Strategies Guidebook: Matching Local Rental Markets
- HCV Overview Webinars

[84] 24 CFR 888.115(a)

- *Housing Choice Voucher Program Guidebook*, Payment Standards Chapter[85]
- *Housing Choice Voucher Program Guidebook*, Rent Reasonableness Chapter

XVI. Paperwork Reduction Act

The information collection requirements contained in this Notice have been approved by the OMB in accordance with the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. §§ 3501-3520) and have been assigned the following OMB control number –2577-0169. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

XVII. Further Information

Questions concerning this notice should be submitted by email to the following Office of Housing Voucher Programs mailbox: paymentstandards@hud.gov. In this email, PHAs should CC their portfolio management specialist in the field office.

Richard J. Monocchio
Principal Deputy Assistant Secretary
Office of Public and Indian Housing

[85] At the time of this notice's publication, the HCV Guidebook Chapter on Payment Standards has not yet been updated to reflect the regulatory changes in the May 2024 Final Rule. PHAs should be aware that the May 2024 Final Rule governs should there be any conflict between current program regulations and the HCV Guidebook chapter.

Appendix A: Summary of Selected Regulatory Changes Effective in 2024

On May 7, 2024, HUD published in the Federal Register a final rule called Housing Opportunity Through Modernization Act (HOTMA) of 2016—Housing Choice Voucher (HCV) and Project-Based Voucher (PBV) Implementation; Additional Streamlining Changes (FR-6092-F-03). This May 2024 Final Rule made changes to payment standard regulations, including at 24 CFR 888 subpart A, 982.503, and 982.505. This Appendix discusses the major change to those program regulations that are reflected in this Notice. For a full discussion of the changes, please review the May 2024 Final Rule publication in the Federal Register which discusses changes at length.

Streamlined Process to Adopt an Exception Payment Standard of up to 120 percent of the FMR/SAFMR

HUD revised 24 CFR 982.503 to allow PHAs to go up to 120 percent of the applicable FMR upon notification to HUD so long as the PHA meets the required thresholds as set forth in 24 CFR 982.503(d)(3). Under the final rule, PHAs no longer must submit supporting data for exception payment standard requests greater than 110 and up to 120 percent of the FMR if they notify HUD that they meet certain criteria, which had been a longstanding regulatory option. In recent years, HUD has provided a streamlined regulatory waiver process for PHAs to establish payment standards greater than 110 up to 120 percent of the FMR.

Phase-out of Success Rate Payment Standards

HUD revised 24 CFR 982.503 to eliminate the option to establish success rate payment standards. HUD determined that the new flexibility provided in the final rule to set payment standards up to 120 percent of the FMR makes the success rate payment standards option unnecessary. Success rate payment standards were set at the 50^{th} percentile of the FMR. PHAs now have a simplified option to go up to 120 percent of the 40^{th} percentile of the FMR. While these calculations may result in slightly different final payment standards, they would be substantially similar.

Non-metropolitan Counties SAFMR Publication and Voluntary Usage

HUD revised 24 CFR 888.113 and 982.503 to increase flexibility for PHAs operating in non-metropolitan areas. The final rule provides PHAs the option in the HCV program to use SAFMRs in a non-metropolitan county with notification to HUD. This provides PHAs operating in non-metropolitan counties the same opportunity to establish payment standards that better align with rents that vary significantly between ZIP Code areas within the non-metropolitan counties. HUD will publish non-metropolitan county SAFMRs for the first time in FY 2025. Previously, HUD did not publish, nor could PHAs use, non-metropolitan county SAFMRs.

Increase in Payment Standard Application Requirements

HUD revised 24 CFR 982.505 to require PHAs to apply an increase in payment standard no later than the earliest of (1) the effective date of an increase in the gross rent will result in an increase in the family’s share, (2) the family’s first regular or interim reexamination, or (3) one year following the effective date of the increase in the payment standard amount. PHAs can also adopt a policy, at their option, to apply an increase in the payment standard before these events occur. This approach provides participating families the benefit of these increases more consistently and helps ensure that their portion of the rent remains affordable.

Changes in Family Unit Size
HUD revised 24 CFR 982.505 to state that irrespective of any increase or decrease in the payment standard amount, if the family unit size either increases or decreases during the HAP contract term, the new family unit size may be used to determine the payment standard amount for the family immediately but no later than the family's first regular reexamination following the change in family unit size. Previously, the PHA was only allowed to apply the change in unit size at the first regular reexamination and did not have the option to apply it earlier.

Clarifications Regarding SAFMRs and PBVs
HUD revised 24 CFR 888.113, and 983.301 to clarify policies related to the application of SAFMRs in the PBV program. The final rule makes clear that PHAs located in a mandatory SAFMR area, or that have fully opted-in to the SAFMR may elect to, but are not required to, apply the SAFMR to their PBV program.

Appendix B: Examples for Grouping Payment Standards

PHAs using the SAFMR, and/or exception payment standards may find themselves with numerous payment standards based on specific geographies. With so many options for establishing payment standards, including at the ZIP Code level and other geographies, PHAs may want to consider grouping payment standards. A grouping strategy enables the PHA to better approximate their payment standard to the private rental market. This option may be especially useful for PHAs with both high- and low-income neighborhoods within their jurisdiction.

Payment standards for a group of ZIP Codes (or other geographies) must remain within the basic range of the applicable FMR for each ZIP Code area (or other geographies) in the group. However, a PHA does not need to apply the same percentage of the applicable FMR to each ZIP Code area (or other geography) within a payment standard area. In the examples below, which is of a PHA operating in a mandatory SAFMR area, the PHA is considering three options:

- Option A: Six separate payment standards—one for each of the ZIP Code areas
- Option B: Three payment standard groups grouping the six ZIP Codes into three separate groups
- Option C: Two payment standard groupings, grouping the six ZIP Codes into two separate groups

While other options potentially exist for the PHA, there could not be fewer than two payment standard groupings since the basic range for the lowest SAFMR does not overlap with the basic range for the highest SAFMR.

Option A: Six separate payment standards—one for each of the ZIP Code areas

	Efficiency			One-bedroom			Two-bedroom			
ZIP Code	SAFMR	Payment Standard	Percentage of SAFMR	SAFMR	Payment Standard	Percentage of SAFMR	SAFMR	Payment Standard	Percentage of SAFMR	Grouping
12345	1,490	1,490	100%	1,600	1,600	100%	1,820	1,820	100%	Group 1
23456	1,490	1,490	100%	1,600	1,600	100%	1,820	1,820	100%	Group 2
34567	1,480	1,480	100%	1,590	1,590	100%	1,810	1,810	100%	Group 3
45678	1,060	1,060	100%	1,140	1,140	100%	1,300	1,300	100%	Group 4
56789	1,070	1,070	100%	1,150	1,150	100%	1,310	1,310	100%	Group 5
67890	1,040	1,040	100%	1,120	1,120	100%	1,270	1,270	100%	Group 6

Option B: Three payment standard groups, grouping the six ZIP Codes into three separate groups

	Efficiency			One-bedroom			Two-bedroom			
ZIP Code	SAFMR	Payment Standard	Percentage of SAFMR	SAFMR	Payment Standard	Percentage of SAFMR	SAFMR	Payment Standard	Percentage of SAFMR	Grouping
12345	1,490	1,490	100%	1,600	1,590	99%	1,820	1,820	100%	Group 1
23456	1,490	1,490	100%	1,600	1,590	99%	1,820	1,820	100%	Group 1
34567	*1,480*	*1,480*	*100%*	*1,590*	*1,580*	*100%*	*1,810*	*1,800*	*100%*	*Group 2*
45678	1,060	1,040	98%	1,140	1,150	101%	1,300	1,310	101%	Group 3
56789	1,070	1,040	97%	1,150	1,150	100%	1,310	1,310	100%	Group 3
67890	1,040	1,040	100%	1,120	1,150	103%	1,270	1,310	103%	Group 3

Option C: Two payment standard groupings, grouping the six ZIP Codes into two separate groups

	Efficiency			One-bedroom			Two-bedroom			
ZIP Code	SAFMR	Payment Standard	Percentage of SAFMR	SAFMR	Payment Standard	Percentage of SAFMR	SAFMR	Payment Standard	Percentage of SAFMR	Grouping
12345	1,490	1,490	100%	1,600	1,590	99%	1,820	1,820	100%	Group 1
23456	1,490	1,490	100%	1,600	1,590	99%	1,820	1,820	100%	Group 1
34567	1,480	1,490	101%	1,590	1,590	100%	1,810	1,820	101%	Group 1
45678	1,060	1,040	98%	1,140	1,150	101%	1,300	1,310	101%	Group 2
56789	1,070	1,040	97%	1,150	1,150	100%	1,310	1,310	101%	Group 2
67890	1,040	1,040	100%	1,120	1,150	103%	1,270	1,310	103%	Group 2