SECTION 8 HOUSING: FAIR MARKET RENTS

NMHC/NAA Viewpoint

HUD's current method for establishing Fair Market Rents (FMRs) and determining housing assistance payments is a proven, efficient system. The apartment industry opposes any HUD action to move to a Small Area Fair Market Rent (SAFMR) system, which establishes rent rates by ZIP Code. The SAFMR system remains unvetted, less flexible and less reflective of housing providers' needs for participation in assisted housing programs.

The Section 8 Housing Choice Voucher Program provides subsidized rents for qualifying low-income families. The program uses HUD-determined Fair Market Rents (FMRs) to establish maximum allowable rents the government will pay to a private apartment owner who rents to a family with a Section 8 voucher. Most families with a Section 8 voucher pay 30% of their monthly-adjusted income as their portion of the rent. Section 8 pays the difference between this and the FMR.

FMRs are set annually by the U.S. Department of Housing and Urban Development (HUD) and vary based on a number of factors such as local housing supply and demand, local economic conditions and the size of apartment unit. For the most part, FMRs are set at the metro or county level. In 2010, HUD announced a demonstration program using Small Area Fair Market Rents (SAFMRs) for some areas. SAFMRs set rents in smaller geographic areas by ZIP Code rather than at a metro level. The goal of the pilot program was to allow payment standards to more closely reflect neighborhood market conditions.

The apartment industry is concerned that HUD will adopt the concept of SAFMRs as a replacement for metro-level FMRs. While some argue that SAFMRs correct for perceived rent rate differences within existing FMRs, the potential benefits from such a shift may be more than offset by unintended, adverse consequences, namely reduced private owner participation in the housing program.

In 2012, 2.1 million families were assisted through the Section 8 Housing Choice Voucher Program. An estimated 125,000 to 185,000 vouchers will be lost in2014 due to sequestration.

Moving to SAFMRs could result in significant drops in housing assistance payment amounts in certain ZIP Codes. This would potentially reduce the ability of some owners to accept voucher holders as residents and could exacerbate the existing shortage of units available to voucher holders. Moreover, SAFMRs are not necessary. Under the current FMR system, local housing authorities can already adjust payment standards between 90 percent and 110 percent of the regional FMR to address disparities in the price of the jurisdiction's rental market.

Moreover, HUD allows for public comment on proposed FMRs, which is an important part of the vetting process. Finally, the SAFMR system will make the Section 8 voucher program significantly more difficult to administer by requiring local housing authorities to manage dozens of SAFMRs instead of one metro FMR.

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