U. S. Department of Housing and Urban Development

Special Attention of:

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

NOTICE PDR-2021-03

Issued: April 1, 2021
Expires: Effective until superseded

Cross References:

Subject: Transmittal of Fiscal Year (FY) 2021 Income Limits for the Section 221(d)(3) Below Market Interest Rate rental program, Section 235, and Section 236 Programs

This notice transmits income limits used to determine the income eligibility of applicants for assistance under three programs authorized by the National Housing Act. These programs are the Section 221(d)(3) Below Market Interest Rate (BMIR) rental program, the Section 235 program, and the Section 236 program. These income limits are listed by dollar amount and family size, and they are effective on the later of April 1, 2021 or the date issued.

Since FY 2010[1] HUD has limited all annual income limit decreases to five percent and all annual increases to the greater of five percent or twice the change in the national median family income. HUD has maintained these limits to increases and decreases in income limits for FY 2021. The national median family income for the United States for FY 2021 is $79,900, an increase of almost two percent over the national median family income of $78,500 in FY 2020. Twice this change is 3.6 percent which is less than five percent, so for FY 2021 income limits the cap is five percent.

All of HUD's income limits are derived from the HUD Section 8 Income Limits, that begin with the calculation of median family incomes for each area. HUD uses the Fair Market Rent (FMR) area definitions in developing medians, which means that median family incomes are developed for each metropolitan area, parts of some metropolitan areas, and each nonmetropolitan county. For FY 2021, the geographic definitions incorporate all changes published by the Office of Management and Budget through the April 10, 2018 bulletin. A new metropolitan area was formed in 2018, Twin Falls, ID MSA, which means that the two nonmetropolitan counties

[1] Prior to FY 2010, HUD maintained a "hold harmless" policy, whereby Section 8 income limits for certain areas were held at previously published levels when reductions would otherwise have resulted from changes in housing cost, median income, or income limit methodologies, or changes in metropolitan area definitions.

in this MSA (Jerome County and Twin Falls County) are now metropolitan counties and identified by HUD as HUD Metro FMR Areas (HMFAs). Income limits are calculated for every FMR area with adjustments for family size and for areas that have unusually high or low income-to-housing-cost relationships.

HUD uses the 2018 American Community Survey (ACS) and Puerto Rico Community Survey (PRCS) median family income data (as opposed to household income data) as the basis of FY 2021 Income Limits for all areas of geography, except for the U.S. Virgin Islands and Guam, American Samoa, and the Northern Marianas (the Pacific Islands). HUD uses the Consumer Price Index (CPI) forecast published by the Congressional Budget Office (CBO) in February 2021 to bring the ACS and PRCS data forward from mid-2018 to the mid-point of the fiscal year, April 2021. HUD bases the median family incomes and income limits in the U.S. Virgin Islands and the Pacific Islands on 2010 Decennial Census data which is the most current information available. The decennial data for the U.S. Virgin Islands and the Pacific Islands reports 2009 median family incomes. HUD trends these incomes forward using the change in national median family incomes between 2009 and 2018 (from the ACS). HUD then applies the same CBO forecast from 2018 to the mid-point of the fiscal year, April 2021.

Last year HUD discussed considering a change that would replace the CBO forecast with the economic forecast of the Office of Management and Budget (OMB), beginning with the calculation of the FY 2021 Medians. This OMB forecast would have matched the economic assumptions used in the calculation of HUD median family income estimates with assumptions used in the formulation of the Administration’s Budget and with the economic assumptions used in the calculation of Fair Market Rents (FMRs). However, HUD did not use the OMB economic assumptions in the calculation of the FY 2021 FMRs in the summer of 2020. HUD used CBO forecast assumptions because they were based on more recent economic data that measured early economic impacts of the pandemic. HUD will still consider using OMB forecasts instead of CBO next year.

The income limits used for the Section 236 program are currently the same as the Public Housing/Section 8 Low-Income Limits, which are defined by Section 3(b)(2) of the United States Housing Act of 1937. These income limits are normally set at 80 percent of the median family income for a four-person family, adjusted for family size and adjusted for unusually high or low housing costs. There are, however, situations where HUD makes additional upward or downward adjustments.

Most four-person low-income limits are the greater of 80 percent of the area median income, or 80 percent of the state nonmetropolitan median income. Because HUD does not always base the very low-income limits on 50 percent of median, however, calculating low-income limits as 80 percent of the median would produce anomalies inconsistent with statutory intent (e.g., very low-income limits could be higher than low-income limits). To eliminate this problem, HUD’s normal calculation is to set the four-person low-income limit at 1.6 (i.e., 80 percent/50 percent) times the relevant four-person very low-income limit. The two exceptions to this practice are that the resulting four-person income limit is not allowed to exceed the U.S. median income ($79,900 for FY 2021) except when justified by high housing costs; and once adjusted, HUD limits decreases in the four-person low-income limit to five percent or, and caps increases at the greater of five percent or twice the national change in median income. For FY 2021 the cap is set at five percent because twice the national change in median income is 3.6 percent. Use of very low-income limits as a starting point for calculating other income limits has the effect of adjusting low-income limits in areas where the very low-income limits have been adjusted because of unusually high or low housing-cost-to-income relationships.

The Section 221(d)(3) BMIR Income Limits, which serve "individuals and families of low- and moderate-income," are set at 95 percent of median income, adjusted for family size. These income limits are also adjusted for unusually high or low area housing costs, and use the HUD low-income limits as a basis for calculations. For instance, rather than the four-person limit being set at 95 percent of the local median family income, it is set at 95/80ths of the four-person low-income limit.

Section 235 states that income limits are to be defined as "95 per centum of the median family income for the area, as determined by the Secretary with adjustments for larger and smaller families..." These income limits are identical to Section 221(d)(3) BMIR Income Limits except in instances where the Secretary has used his discretion to permit higher income limits to reflect high area construction costs.

Family Size Adjustments:

By statute, family size adjustments are required to provide higher income limits for larger families and lower income limits for smaller families. The factors used are as follows:

Number of Persons in Family and Percentage Adjustments

1	2	3	4	5	6	7	8
70%	80%	90%	Base	108%	116%	124%	132%

HUD does not include income limits for families with more than 8 persons in the printed lists because of space limitations. For each person over eight-persons, the four-person income limit should be multiplied by an additional eight percent. (For example, the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) Income limits are rounded up to the nearest $50. Local agencies may round income limits for nine or more persons to the nearest $50, or they may use the un-rounded numbers. HUD does not re-test family size-adjusted income limits for compliance with the with the cap and floor policy. Rounding anomalies produce some family size-adjusted income limits whose annual change is slightly larger or smaller than the five percent change in the floor and the five percent change in the cap allowed for FY 2021.

FY 2021 income limits are available at https://www.huduser.gov/portal/datasets/il.html. Questions related to how these income limits apply to the programs of state and other federal agencies should be referred to those agencies. Questions concerning the methodology used to develop these income limits are addressed in the FY 2021 Income Limits Methodology, or the documentation system for income limits and median family incomes, which are on the income limits website.

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