DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Secretary

24 CFR Part 888

[Docket No. FR-3699-N-04]

Section 8 Housing Assistance Payments Program; Fair Market Rent Schedules for Use in the Rental Certificate Program, Loan Management and Property Disposition Programs, Moderate Rehabilitation Single Room Occupancy Program and Rental Voucher Program

AGENCY: Office of the Secretary, HUD. **ACTION:** Final fiscal year (FY) 1995 fair market rents.

SUMMARY: Section 8(c)(1) of the United States Housing Act of 1937 requires the Secretary to publish Fair Market Rents (FMRs) annually to be effective on October 1 of each year. FMRs are used for the Section 8 Rental Certificate program (part 882, subparts A and B), including space rentals by owners of manufactured homes under the Section 8 Rental Certificate program (part 882, subpart F) and project-based Certificate assistance (part 882, subpart G); the Section 8 Moderate Rehabilitation program (part 882, subparts D and E); Section 8 housing assisted under part 886, subparts A and C (Section 8 Loan Management and Property Disposition programs); and to determine payment standard schedules in the Rental Voucher program (part 887).

There have been several Federal **Register** publications leading to this final publication of the FY 1995 FMRs at the 40th percentile rent level. On June 23, 1994, HUD published separate sets of proposed FMRs at the 45th and the 40th percentile rent levels. The proposed 40th percentile FMRs were included in that publication to alert the public that the Administration was considering lowering the FMR standard as a cost saving measure. On July 13, the FMR comment period was extended to October 14 to give small PHAs in nonmetropolitan areas the opportunity to use HUD's recently issued rental housing survey guide. Because of the extended comment period, HUD could not review the comments in time to meet the October 1 deadline for publishing the final FMRs. On September 28, therefore, HUD published final 45th percentile FMRs for all areas at the proposed FMR levels and announced that there would be a later publication that would include revised FMRs for the areas whose rental housing surveys were still being evaluated.

On March 2, 1995, HUD published the proposed rule to revise 24 CFR part 888 to change the FMR rent standard from the 45th to 40th percentile rent level. The comment period ended on April 3, 1995, and, in a separate **Federal Register** publication on August 15, 1995, the changes were published.

This document concludes the process by providing final FY 1995 FMRs at the 40th percentile level. Included in this publication are increased FMRs for 131 areas that submitted rental housing surveys that HUD determined provided a sufficient basis for revising the FMRs. Five areas also are being added to Schedule D on the basis of surveys submitted on manufactured home space rentals in these areas. In addition, HUD has increased the FMRs for 325 nonmetropolitan counties after discovering that the original analysis of 1990 Census data comparing low rent nonmetropolitan counties with minimum rent values computed for States had led to an unintended result. HUD is continuing to study this issue, and is considering a further change in the way the State minimums are determined in the FY 1996 proposed FMRs.

EFFECTIVE DATE: The FMRs published in this document are effective on September 14, 1995.

FOR FURTHER INFORMATION CONTACT: Gerald Benoit, Rental Assistance Division, Office of Elderly and Assisted Housing, telephone (202) 708–0477 or TDD: (202) 708–0850. For technical information on the development of schedules for specific areas or the method used for the rent calculations, contact Michael R. Allard, Economic and Market Analysis Division, Office of Economic Affairs, telephone (202) 708– 0577 or TDD: (202) 708–0770. (These are not toll-free numbers.)

SUPPLEMENTARY INFORMATION: Section 8 of the United States Housing Act of 1937 (the Act) (42 U.S.C. 1437f) authorizes housing assistance to aid lower income families in renting decent, safe, and sanitary housing. Assistance payments are limited by FMRs established by HUD for different areas. In general, 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, safe, and sanitary rental housing of a modest (non-luxury) nature with suitable amenities.

Method Used to Develop FMRs

FMR Standard

The FMRs are gross rent estimates; they include shelter rent and the cost of utilities, except telephone. HUD sets FMRs to assure that a sufficient supply of rental housing is available to program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard quality rental housing units rent. The 40th percentile rent is drawn from the distribution of rents of units which are occupied by recent movers (renter households who moved into their unit within the past 15 months). Public housing units and newly built units less than two years old are excluded.

Data Sources

HUD used the most accurate and current data available to develop the FMR estimates. Three sources of survey data were used for the base-year estimates. They are: (1) the 1990 Census; (2) RDD telephone surveys conducted of individual FMR areas since the 1990 Census; and (3) the post-1990 Census American Housing Surveys (AHSs) available at the time the FMR estimates were prepared. The base-year FMRs were then updated using Consumer Price Index (CPI) data for rents and utilities or the HUD regional rent change factors developed from RDD surveys. Annual average CPI data are available individually for 103 metropolitan FMR areas. RDD regional rent change factors are developed annually for the metropolitan and nonmetropolitan parts of each of the 10 HUD geographic regions (a total of 20 separate factors). The RDD factors are used to update the base year estimates for all FMR areas that do not have their own local CPI survey.

The decennial Census provides statistically reliable rent data for use in establishing base-year FMRs. AHSs are conducted by the Bureau of the Census for HUD and have accuracy comparable to the decennial Census. These surveys enable HUD to develop between-census revisions for the largest metropolitan areas on a revolving schedule. The RDD telephone survey technique is based on a sampling procedure that uses computers to select random samples of rental housing, dial and keep track of the telephone numbers and tabulate the responses.

Manufactured Home Space FMRs

Manufactured home space FMRs are established at 30 percent of the