

NLIHC ANALYSIS OF INTERIM HTF RULE'S TENANT RENT PROVISION

June 2021

Wherever the federal poverty guideline is higher than 30% of AMI, renters with household income at 30% of AMI will be cost burdened by the maximum rent. Table 1 shows the HTF maximum rent standard by unit size across metropolitan and non-metropolitan HUD Fair Market Rent (FMR) areas. Maximum rents are set at 30% of the federal poverty guideline in 49.6% and 87.7% of FMR areas for one-bedroom and two-bedroom apartments, respectively. The vast majority of metropolitan and non-metropolitan FMR areas have maximum rents based on the federal poverty guideline for apartments larger than one bedroom. Maximum rents based on the federal poverty guideline, however, are even more common in non-metro FMR areas than in metro FMR areas. **Absent rental assistance, households at 30% AMI renting units with at least two bedrooms will be cost-burdened by maximum HTF rents in most HUD FMR areas. This is particularly concerning given the 30% standard of affordability already overestimates what poorer and larger households can afford in terms of housing costs.**

Table 1: Distribution of HTF Maximum Rent Standards by HUD FMR Area and Unit Size						
Unit Size	All HUD FMR Areas (2,597)		Metro HUD FMR Areas (626)		Non-Metro HUD FMR Areas (1,971)	
	Rent Set at 30% of 30% AMI*	Rent Set at 30% of Federal Poverty Guideline	Rent Set at 30% of 30% AMI*	Rent Set at 30% of Federal Poverty Guideline	Rent Set at 30% of 30% AMI*	Rent Set at 30% of Federal Poverty Guideline
0 Bedroom	67.4%	32.6%	82.6%	17.4%	62.6%	37.4%
1 Bedroom	50.4%	49.6%	69.2%	30.8%	44.4%	55.6%
2 Bedroom	12.3%	87.7%	29.9%	70.1%	6.7%	93.3%
3 Bedroom	5.2%	94.8%	15.8%	84.2%	1.9%	98.1%
4 Bedroom	3.3%	96.7%	10.5%	89.5%	1.0%	99.0%

*Note: Includes areas where rents set at 30% of 30% of AMI and 30% of the federal poverty guideline are equal.

To further illustrate the affordability challenge posed by using the federal poverty guideline to set rents, we calculated the potential cost burden for a 3-person family with income at 30% of AMI in each FMR area at the maximum HTF rent for a two-bedroom apartment. We did the same for a hypothetical 1-person household renting an efficiency unit at the maximum HTF rent. In the median FMR area where the maximum rent is based on the federal poverty guideline, the 3-person family at 30% AMI could spend 37.1% of their income on rent, while the 1-person household could spend just 32.6%. In the worst cases, it would be 50% or 38% for the hypothetical 3-person and 1-person households, respectively. The poorest areas, where the federal poverty guideline is much higher than 30% of AMI, have the highest potential cost burdens.

Table 2: HCIRs for Example 1 and 3 Person Households Earning 30% AMI Renting HTF Units at Current Maximum Rent Based on Federal Poverty Guideline						
	All HUD FMR Areas		Metro HUD FMR Area		Non-Metro HUD FMR Areas	
	HCIR for 1p 30% AMI household Renting 0BR HTF Unit	HCIR for 3p 30% AMI household Renting 2BR HTF Unit	HCIR for 1p 30% AMI household Renting 0BR HTF Unit	HCIR for 3p 30% AMI household Renting 2BR HTF Unit	HCIR for 1p 30% AMI household Renting 0BR HTF Unit	HCIR for 3p 30% AMI household Renting 2BR HTF Unit
Mean	32.5%	37.9%	31.9%	36.3%	32.6%	38.3%
Median	32.6%	37.1%	31.5%	35.5%	32.6%	37.4%
Minimum	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Maximum	38.0%	50.0%	38.0%	50.0%	38.0%	50.0%

Utilizing the federal poverty guideline to set maximum rents for HTF units is problematic. This policy disproportionately impacts larger, poorer households who already have greater difficulty affording rents limited to 30% of their income. The negative impacts, moreover, are most apparent in the poorest communities where the federal poverty guideline is much higher than 30% of AMI.

Therefore, HUD should amend the interim HTF rule to read:

The HTF rent plus utilities of an extremely low-income tenant shall not exceed **the lesser of 30** percent of the federal poverty line or 30 percent of the income of a family whose annual income equals 30 percent of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit. HUD will publish the HTF rent limits on an annual basis.