



Special Attention of:

**NOTICE** PDR-2013-03

Regional Directors, Field Office Directors,  
Economists, Multifamily Hub Directors,  
Multifamily Program Center Directors

Issued: December 11, 2012  
Expires: Effective until superseded

---

Cross References:

---

Subject: Transmittal of Fiscal Year (FY) 2013 Income Limits for  
the Section 221(d)(3) Below Market Interest Rate rental program,  
Section 235, and Section 236 Programs

This notice transmits revised 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 date issued.

Beginning with FY 2010 Income Limits published on May 14, 2010, HUD eliminated its long standing “hold harmless” policy<sup>1</sup> but limited all annual decreases to 5 percent and all annual increases to 5 percent or twice the change in the national median family income, whichever is greater. HUD has maintained these limits to increases and decreases in income limits for FY 2013.

HUD Section 8 Income Limits begin with the production of Median Family Income (MFI) estimates. HUD uses the Section 8 program’s Fair Market Rent (FMR) area definitions in developing MFIs, which means that income estimates are developed for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county. HUD calculates Section 8 Income Limits for every FMR area with adjustments for family size and for areas that have unusually high or low income-to-housing-cost relationships.

The 2006-2010, 5-year American Community Survey (ACS) income data is the basis of FY 2013 Income Limits for all areas of geography, except for the U.S. Virgin Islands and the Pacific Islands. The Consumer Price Index is used as an update factor

---

<sup>1</sup> HUD’s “hold harmless” policy maintained Section 8 income limits for certain areas at previously published levels when reductions would otherwise have resulted from changes in median family income estimates, housing cost adjustment data, median family income update methodology, income limit methodology, or metropolitan area definitions.

to bring the data to from mid-2010 to the end of 2011. To estimate MFIs at the midpoint of the fiscal year (April 2013), a trend factor is applied for the 15-month period. This trend factor is 1.67 percent per year and is based on the average annual change in incomes between 2005 and 2010. Previously the trend factor was 3 percent per year and based on the average annual change from the 1990 decennial census to the 2000 decennial census. The only change to the area definitions was the addition of a town, Chebeague Island town, in the Portland, ME metropolitan area.

The revised income limits are based on HUD estimates of MFI for FY 2013. 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 area MFI for a 4-person family, and adjusted for family size and unusually high or low housing costs. There are, however, situations where they are adjusted upward or downward.

Most four-person Section 236 limits are set at the greater of: 80 percent of the area MFI, or 80 percent of the state nonmetropolitan MFI level. Because the Section 8 Very Low-Income Limits are not always based on 50 percent of median, calculating low-income limits as 80 percent of median would sometimes produce anomalies inconsistent with statutory intent (e.g., very low-income limits could be higher than low-income limits). To avoid this, the 4-person low-income limit is calculated as 1.6 (80 percent/50 percent) times the 4-person very low-income limit. The two exceptions are that the resulting income limit may not exceed the U.S. MFI level (\$64,400 for FY 2013) except when justified by high housing costs; and once adjusted, the 4-person low-income limit decrease is capped at 5 percent or, if increasing, capped at 5 percent or twice the national change in median family income, whichever is larger. Use of very low-income limits as a starting point for calculating other income limits has the effect of adjusting other 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, 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 4-person limit being set at 95 percent of the local MFI amount, it is set as 95/80ths of the 4-person low-income limit.

Section 235 states that income limits are to be defined as "95 per centum of the median 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:**

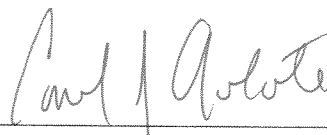
By statute, family size adjustments are required to provide higher income limits for larger families and lower income limits for smaller families. The factors used are as follows:

Number of Persons in Family and Percentage Adjustments

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

Income limits for families with more than 8 persons are not included in the printed lists because of space limitations. For each person in excess of 8, the income limit for such households is computed by adding an additional 8 percent to the 4-person base. The 9-person income limit, for example, is set at 140 (132 + 8) percent of the relevant 4-person income limit. Local agencies may round income limits for 9 or more persons to the nearest \$50, or may use the un-rounded numbers. Family size-adjusted income limits are not re-tested for compliance with the 5 percent rule. Rounding anomalies produce some family size-adjusted income limits whose annual change is slightly larger or smaller than 5 percent.

FY 2013 income limits are available in multiple formats on the World Wide Web <http://www.huduser.org/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 2013 Income Limits Briefing Material, which is posted on the income limits website.




---

Carol J. Galante  
Acting Assistant Secretary for  
Housing-Federal Housing  
Commissioner, H