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GENERAL NEWS

HUD Proposes Changes to FMR Calculation Methodology

In a *Federal Register* [notice](#) today, HUD's Office of Policy Development and Research ([PD&R](#)) proposed changes to its methodology used for calculating fair market rents ([FMRs](#)) for FY 2023. As the notice states:

Since FY 2008, HUD has used data from the Census Bureau's one-year American Community Survey (ACS) as the source for estimates of 40 percentile gross rents paid by recent movers, which is often the most accurate and comprehensive reflection of rents available at the local level. On July 29, 2021, the Census Bureau announced that it would not release standard one-year estimates from the 2020 ACS because of the impacts of the COVID-19 pandemic on data collection. Given this exceptional circumstance, HUD is reconsidering its data sources used to estimate fair market rents, which are required to be statistically valid, and balance timeliness, accuracy, transparency, and soundness of approach. According to numerous private sector rent sources, rents have been rising rapidly in many markets since 2020. The methods used to estimate rent inflation in the consumer price index (CPI) result in delayed measurement of rent increases among recent movers, and local CPI data are only available for 21 large metropolitan areas, so HUD relies on regional CPI data.

Today's notice describes the proposed changes in HUD's methodology for calculating FMRs in response to the change in 2020 ACS data availability and local rent increases that are not fully captured by regional CPI data. "HUD is proposing two material changes to the calculation of FMRs for FY 2023 to: (1) deal with the temporary lack of availability of 2020 ACS one-year data; and (2) provide additional local rent inflation data that better conform FMR estimates to changes in rental markets in the wake of the COVID-19 pandemic." Both proposed changes could narrowly introduce private sector rental data from multiple sources into the FMR calculation process in limited and statistically valid situations where private sector rental data have demonstrated that they more accurately estimate changes in rental markets. The proposed changes to FMR calculation would also affect small area fair market rents ([SAFMRs](#)).

These changes would apply only to FY 2023 FMRs. Comments are due on **August 12, 2022**.



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