

**FY 2002  
HUD INCOME LIMITS  
BRIEFING MATERIAL**

U.S. Dept. of HUD  
Office of Policy  
Development & Research  
Revised: December 27, 2001

## FY 2002 INCOME LIMITS BRIEFING MATERIAL

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## I. OVERVIEW OF HUD PUBLIC HOUSING/ SECTION 8 INCOME LIMITS

### Overview

The Department of Housing and Urban Development (HUD) is required by law to set income limits that determine the eligibility of applicants for HUD's assisted housing programs. The major active assisted housing programs are the Public Housing program, the Section 8 Housing Assistance Payments program, and Section 202 housing for the elderly and Section 811 housing for persons with disabilities.

Income limits are calculated for metropolitan areas and non-metropolitan counties in the United States and its territories using the Fair Market Rent (FMR) area definitions used in the Section 8 program. They are based on HUD estimates of median family income, with adjustments for family size. Adjustments are also made for areas that have unusually high or low income to housing cost relationships.

The statutory basis for HUD's income limit policies is Section 3 of the U.S. Housing Act of 1937, as amended. Attachment 1 provides the key excerpts relevant to income limits, which may be summarized as follows:

- Low-income families are defined as families whose incomes do not exceed 80 percent of the median family income for the area.
- Very low-income families are defined as families whose incomes do not exceed 50 percent of the median family income for the area.
- The 1998 Act amendments establish a 30 percent of median family income program targeting standard.
- Income limits for non-metropolitan areas may not be less than limits based on the State non-metropolitan median family income level.
- Income limits are adjusted for family size.
- Income limits are adjusted for areas with unusually high or low family income or housing-cost-to-income relationships.
- The Secretary of Agriculture is to be consulted prior to establishing income limits for rural areas, since these limits also apply to certain Rural Housing and Community Development Service programs.

## Median Income Estimates

Income limits start with the development of estimates of median family<sup>1</sup> income for the 356 metropolitan areas and 2,324 non-metropolitan FMR/income limit areas (including U.S. territories). Attachment 2 provides a detailed explanation of how median family income estimates are calculated. The major steps are as follows:

- 1990 Census income data are aggregated to the FMR/income limit area level, and mid-1989 estimates of median family income are derived for those areas. (The Census asks for total income for the previous year, which means that the Census data are actually measuring mid-1989 income levels.)
- Census P-60 series data are used to estimate the median family income levels for the nine Census Divisions for 1989 and the most current survey. Census Divisional and national estimates of change are then calculated to estimate the change between 1989 and the current survey data year. (The P-60-based income estimates do not provide precise enough estimates for this purpose below the Divisional level.)
- Bureau of Labor Statistics (BLS) series data are used to calculate average wages for areas, for Census Divisions, and for the nation as a whole for 1989 and the most current year for which data are available.
- The changes in average incomes and average wages between 1989 and the most recent year for which data are available are calculated using Census P-60 and BLS data. The ratios of P-60 to BLS changes are then calculated for each Census Division.
- The change in local area wages between 1989 and the most current data year is then multiplied by the P-60/BLS Census Divisional ratio to obtain an estimate of the increase in local median family incomes since the Census. Use of this procedure forces the sum of changes in local median family incomes to equal the P-60 Census Divisional change through the date of the most recent P-60 survey data (March 2001).

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<sup>1</sup> Family refers to the Census definition of a family, which is a householder with one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The definition of family excludes one-person households.

- A trending factor of 4 percent per year is then applied to update the mid-calendar year 2000 estimates twenty-one months to produce mid-FY 2002 estimates.

#### Accuracy of Median Income Estimates

The reliability of HUD income estimates can be measured by comparing 1989 HUD estimates with 1990 Census estimates<sup>2</sup>. The 1989 HUD estimates were based on 1980 Census data updated with County Business Patterns (CBP), BLS, and Census Current Population Survey data. During the 1980's, family income increased by over 75 percent.

Attachment 3 provides information on the results of these comparisons. To summarize, it shows the following patterns for HUD income estimates:

- The FY 1989 HUD estimate for the nation as a whole was within 3.5 percent of the 1990 Census national median family income.
- HUD State non-metropolitan median income estimates were within 10 percent of the 1990 Census-based estimate for every State except West Virginia. The State estimates are of special interest because they are used to establish minimum income limits for about 60 percent of all non-metropolitan counties whose income limits would otherwise be lower.
- Standard errors were calculated by comparing HUD estimates with Census estimates. The standard errors were:
  - \$1,441 for State non-metropolitan median family income estimates;
  - \$2,509 for metropolitan areas; and,
  - \$2,672 for non-metropolitan counties.
- Forty-six percent of the metropolitan areas had estimates within 5 percent of the Census estimate, and 80 percent had estimates within 10 percent. Eighty-eight percent of the State non-metropolitan areas had estimates within 5 percent of the Census estimates and all were within 10 percent.

Since 1993, HUD has used BLS wage data in place of County Business Patterns (CBP) data in the median family income estimation process. BLS data have broader and more current coverage, including Federal, local, and State government

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<sup>2</sup> The 1990 Census provides information on 1989 year-end income amounts, which should be thought of as approximating mid-year point estimates of income, whereas the HUD FY 1989 estimates are for a three month earlier point estimate of income.

employment not covered by CBP data. Use of BLS rather than CBP data was tested for the 1980 to 1990 period, and it was found that use of BLS data would have improved the reliability of the HUD median family income estimates.

#### Income Limit Calculations

HUD's Public Housing/Section 8 very low-income and low-income limits are calculated in accordance with Section 3(b)(2) of the U.S. Housing Act of 1937, as amended. The very-low income (50 percent of median) limits are considered to have the strongest statutory basis, partly because they are so well-defined and have been the subject of specific legislative adjustments, and partly because other income limits are linked to their calculation. Because there are currently several legislated income limit standards (e.g., 30%, 50%, 60%, 65%, 80%, 95%, 100%, 115%, 125%) which were intended to have progressive relationships, the very low income limits have been used as the basis for deriving other income limits (e.g., otherwise low-income limits would be less than very low income limits in areas where very low income limits had been adjusted upward by more than 60 percent because of unusually low area median family incomes).

Very Low-Income Limits: Very low-income limits are calculated using a set of formula relationships. The first step is to calculate a four-person income limit equal to 50 percent of the estimated area median family income. Adjustments are then made if this estimate is outside formula constraints.

More specifically, the very low-income limit for a four-person family is calculated as follows:

- (1) 50 percent of the area median family income is calculated and set as the preliminary four-person family income limit;
- (2) if it is lower, the four-person income limit is increased to the amount at which 35 percent of it equals 85 percent of the annualized two-bedroom Section 8 FMR (this adjusts income limits upward for areas where rental housing costs are unusually high in relation to the median income);
- (3) if it is higher, the four-person income limit is reduced to the greater of the amount at which 30 percent of it equals 100 percent of the two-bedroom FMR or 80 percent of the U.S. median family income level (this adjusts income limits downward for areas of unusually high median family incomes);

- (4) to minimize program management problems, income limits are held at FY 2001 levels for areas where lower income limits would result because of FMR reductions; and,
- (5) in no instance are income limits less than if based on the State non-metropolitan median family income level.

In implementing the 1987 HCD Act amendment that established minimum income limits for non-metropolitan areas based on the State non-metropolitan median family income level, HUD used its discretion to apply this standard to metropolitan areas. This avoids the inequitable anomaly of assigning higher income limits to a non-metropolitan county than are assigned to an adjacent metropolitan area whose median family income is less than the State non-metro level but above the non-metro county's level.

Low-Income Limits: Most four-person low-income limits are the higher of 80 percent of the area median family income or 80 percent of the State non-metropolitan median family income level. Because the very low income limits are not always based on 50 percent of median, calculating low income limits as 80 percent of median would produce anomalies inconsistent with statutory intent (e.g., very low income limits could be higher than low income limits). The calculation normally used, therefore, is to set the four-person low-income limit at 1.6 (i.e., 80%/50%) times the relevant four-person very low-income limit. The only exception is that the resulting income limit may not exceed the U.S. median family income level (\$54,400 for FY 2002) except when justified by high housing costs. Use of very low-income limits as a starting point for calculating other income limits tied to Section (3)(b)(2) of the U.S. Housing Act of 1937 has the effect of adjusting income limits in areas where the very low income limits have been adjusted because of unusually high or low housing-cost-to-income relationships.

HUD has adjusted low-income limits for areas of unusually high or low income since passage of the 1974 legislation that established the basic income limit system now used. Underlying the decision to set minimum and maximum low-income limits is the assumption that families in unusually poor areas should be defined as low-income if they are unable to afford standard quality housing even if their incomes exceed 80 percent of the local median family income. Similarly, families in unusually affluent areas are not considered low-income even if their income is less than 80 percent of the local median family income level unless justified by area housing costs.

30 Percent of Area Median Family Income Limits: The Quality Housing and Work Responsibility Act of 1998 established a new income limit standard based on 30 percent of median family income. The Act specified that the standard could be adjusted for areas of unusually high or low family income. A further change in this provision was made in 1999 to clarify that these

income limits would be tied to the Section 8 very low-income limits. The 30 percent income limits are calculated as 60 percent of the Section 8 very low-income limits. In a small number of areas, however, 30 percent of median family income is very close to or below the Supplemental Security Income (SSI) benefit level, which is the minimum entitlement income for elderly and disabled households. For such areas, and HUD has increased the one-person income limits so that households solely dependent on SSI income fall within the 30 percent standard.

#### Family Size Adjustments

The statutory guidance governing income limits requires that income limits are to be higher for larger families and lower for smaller families. The same family size adjustments are used for all income limits. They 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 eight persons are not included in the printed lists because of space limitations.

For each person in excess of eight, 8 percent of the four-person base should be added to the eight-person income limit. (For example, the nine-person limit equals 140 percent [132 + 8] of the relevant four-person income limit.) Income limits are rounded to the nearest \$50.

#### Summary of Income Limit Determinations for FY 2001

	<u># Metro Areas</u>	<u># Non- Counties</u>
<u>For Very Low Income Limits:</u>		
· Limits based on 50% of local median income	312	956
· Limits based on State non-metro median family income	30	1329
· Limits increased to the amount at which 35% of a 4-person family's income equals 85% of the 2-bedroom Sec. 8 Existing FMR	4	11
• Limits decreased to the greater of 80% of the U.S. median family or the amount at which 30% of a 4-person		



family's income equals 100% of the 2-bedroom Sec. 8 Existing FMR	6	1
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- |   |   |   |
|---|---|---|
| • Limits maintained at last year's<br>level where they would otherwise<br>be slightly decreased because of<br>decreases in FMRs | 4 | 0 |
|---|---|---|

For Low-Income Limits:

- |  |     |      |
|--|-----|------|
| · Limits based on 80% of local<br>median income  | 280 | 944  |
| · Limits based on State non-metro<br>median family income  | 30  | 1329 |
| · Limits adjusted upward because of<br>high housing-cost-to-income ratios  | 11  | 11   |
| · Limits adjusted downward because of<br>unusually high median family incomes  | 0   | 0    |
| · Four-person low-income limit is<br>capped at the higher of the U.S.<br>median of \$54,400 or 80/50ths of<br>the minimum four-person very low<br>income limit | 31  | 13   |
| • Limits maintained at last year's<br>level where they would otherwise<br>be decreased because of<br>decreases in FMRs   | 4   | 3    |

Income Limit Applications

HUD income limits apply to the following programs:

<u>Program</u>	<u>Income Limit Standard</u>
Dept. of HUD:	
Public Housing	Very low-income or low-income standards
All Section 8 programs	Very low-income or low-income standards
Indian Housing (1996 Act)	"Low-Income" is defined as the greater of 80% of the median

	family income for the Indian area or of the U.S. national median family income
Section 202 Elderly and Section 811 Handicapped programs	Very low-income or low-income standards
Section 235 (Homeownership program)	"95 percent" of area median income, or higher cost-based income limits
Section 236 (Rental program)	Low-income standard
Section 221(d) (3) (BMIR) (Below Market Interest Rate rental program)	"95 percent" of area median income, defined as 95/80ths of low-income definition
Community Planning and Development programs	Very low-income or low-income standards for current programs under management
HOME Investment Partnerships Act of 1990	"60 percent of median" and "65 percent of median" are used as income targeting and qualification requirements; both limits are tied to Section 8 income limit determinations
National Homeownership Trust Act of 1990	"95 percent" of median is referenced as the eligibility standard, with a "115 percent" of median standard for high cost areas
Low-Income Housing Preservation and Resident Homeownership Act of 1990	Affordability of units for current occupant of "moderate income" affects terms under which mortgage may be prepaid; "moderate income" is defined as 80-95 percent of median, with "80 percent" defined as the Section 8 low-income standard
Rural Housing and Community Development Service:	
Rental and ownership assistance programs	Assistance based on HUD Sec. 8 very low-income or low-income standards, or income limits tied to these standards

Dept. of Treasury:

Low Income Rental Tax  
Credits and Tax-exempt  
Rental Housing Bonds

Current standard is Sec. 8  
very low-income standard or  
120% of that definition (i.e.,  
the "60%" of median standard)

Tax-exempt Mortgage  
Revenue Bonds for  
homeownership financing

Generally set at 115% of area  
median income, with "115%"  
defined as 230% of the Sec. 8  
very low-income standard

"Difficult-to-Develop"  
Area Designation

Areas with the worst housing cost  
problems use the FMR-to-median  
family-income ratio as an  
indicator ratio an indicator of  
problems; this designation is  
awarded to 20 percent of the metro  
and non-metro areas (using HUD  
area definitions) with the most  
severe problems and is  
recalculated annually; such areas  
receive special additional tax  
benefits under this program.

"Qualified Census Tract"  
(Tax Credit Program  
Definition)

Areas, as defined by the Census,  
where 50% of all households have  
incomes less than 60 percent of  
the area median family income,  
adjusted for household size; such  
areas receive special additional  
tax benefits under this program;  
this calculation is based on 1990  
Census data and income limit  
policies and area definitions in  
effect as of the date estimates  
are prepared

"Qualified Census Tract"  
(Mortgage Revenue Bond  
Program)

Areas, as defined by the Census,  
where 50% of all families  
have incomes less than 80 percent  
of the area median family income,  
based on 1990 Census data

Federal Deposit Insurance Corporation:

Disposition of Multifamily  
Housing to Non-profit and  
Public Agencies

Not less than 35 percent of all  
dwelling units must be made  
available for occupancy and be  
affordable for low-income  
families, and at least 20 percent  
must be made available for

occupancy and be affordable for very low-income families. An "affordable rent" is defined as the rent that would be paid by a family paying 30 percent of income for rent whose income is "65 percent of median". This 65 percent figure is defined in relation to the very low-income standard (i.e., normally as 65/50ths of the standard).

Disposition of Single  
Family Housing

For rentals, priority is given to non-profits and public agencies that make the dwellings affordable by low-income households. Households who intend to occupy a dwelling as their primary residence whose adjusted income does not exceed 115 percent of area median income, as determined by the Secretary of HUD, are given a purchase priority for the first 3 months a property is for sale.

Federal Housing Finance Board:

Rental program funding  
Priorities

Very low-income, "60% of median" (defined as 120% of very low-income), and low-income standards used

Homeownership funding  
priorities

115% and 140% of median family income limits are used

Other Federal Banking Regulatory Provisions:

Targeting of loan funds  
to low-income households  
and areas

Varies by agency

ATTACHMENT 1

U.S. HOUSING ACT OF 1937 PROVISIONS  
RELATED TO INCOME LIMITS  
(As Amended through 1998)

Section 3:

(a) (1) Dwelling units assisted under this Act shall be rented only to families who are low-income families at the time of their initial occupancy of such units.....

(b) When used in this Act:

(1) The term "low-income housing" means decent, safe, and sanitary dwellings assisted under this Act....

(2) The term "low-income families" means those families whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceiling higher or lower than 80 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low family incomes. The term "very low-income families" means lower income families whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes. Such ceilings shall be established in consultation with the Secretary of Agriculture for any rural area, as defined in section 520 of the Housing Act of 1949, taking into account the subsidy characteristics and types of programs to which such ceilings apply. In determining median incomes (of persons, families, or households) for an area or establishing any ceilings or limits based on income under this Act, the Secretary shall determine or establish area median incomes and income ceilings and limits for Westchester and Rockland Counties, in the State of New York, as if each such county were an area not contained within the metropolitan statistical area in which it is located. In determining such area median incomes or establishing such income ceilings or limits for the portions of such metropolitan statistical area that does not include Westchester or Rockland Counties, the Secretary shall determine or establish area median incomes and income ceilings and limits as if such portion included

Westchester and Rockland Counties. In determining areas that are designated as difficult development areas for the purposes of the low-income housing tax credit, the Secretary shall include Westchester and Rockland Counties, New York, in the New York City metropolitan area.

Section 16:

Sec. 16. (a) Income Eligibility for Public Housing

(2) (A) Targeting.—Except as provided in paragraph 4, of the public housing dwelling units of a public housing agency made available for occupancy in any fiscal year by eligible families, not less than 40 percent shall be occupied by families whose incomes at the time of commencement of occupancy do not exceed 30 percent of the area median income, as determined by the Secretary with adjustments for smaller and larger families.

(4) (D) Fungibility Floor.—Notwithstanding any authority under subparagraph (A), of the public housing dwelling units of a public housing agency made available for occupancy in any fiscal year by eligible families, not less than 30 percent shall be occupied by families whose incomes at the time of commencement of occupancy do not exceed 30 percent of the area median income, as determined by the Secretary with adjustments for smaller and larger families; except that the Secretary may establish income ceilings higher or lower than 30 percent of the area median income on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes.

Sec. 16. (b) Income eligibility for Tenant-Based Section 8 Assistance

(1) IN GENERAL.—Of the families initially provided tenant-based assistance under section 8 by a public housing agency in any fiscal year, not less than 75 percent shall be families whose incomes do not exceed 30 percent of the area median income, as determined by the Secretary with adjustments for smaller and larger families; except that the Secretary may establish income ceilings higher or lower than 30 percent of the area median income on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes.

Sec. 16. (c) Income Eligibility for Project-based Section 8 Assistance

(1) Pre-1981 Act Projects.-Not more than 25 percent of the dwelling units that were available for occupancy under section 8 housing assistance payments contracts under this Act before the effective date of the Housing and Community Development Amendments of 1981, and which will be leased on or after such effective date shall be available for leasing by lower income families other than very low-income families.

(2) Post-1981 Act Projects.-Not more than 15 per cent of the dwelling units which became available for occupancy under section 8 housing assistance payments contracts under this Act on or after the effective date of the Housing and Community Development Amendments of 1981 shall be available for leasing by lower income families other than very low income families.

(3) Targeting.-For each project assisted under a contract for project-based assistance, of the dwelling units that become available for occupancy in any fiscal year that are assisted under the contract, not less than 40 percent shall be available for leasing only by families whose incomes at the time of commencement of occupancy do not exceed 30 percent of the area median income, as determined by the Secretary with adjustments for smaller and larger families.

(5) Exception.-The limitations established in paragraphs (1), (2), and (3) shall not apply to dwelling units made available under project-based contracts under section 8 for the purpose of preventing displacement, or ameliorating the effects of displacement.

Section 567 of the HCD Act of 1987 Amendment Affecting Section 3 of the 1937 Act:

"For purposes of calculating the median income for any area that is not within a metropolitan statistical area (as established by the Office of Management and Budget) for programs under title I of the Housing and Community Development Act of 1974, the United States Housing Act of 1937, the National Housing Act, or title V of the Housing Act of 1949, the Secretary of Housing and Urban Development or the Secretary of Agriculture (as appropriate) shall use whichever of the following is higher:

(1) the median income of the county in which the area is located; or,

(2) the median income of the entire non-metropolitan area of the State.

ATTACHMENT 2

HUD METHODOLOGY FOR ESTIMATING FY 2002  
MEDIAN FAMILY INCOMES  
(ECONOMIC AND MARKET ANALYSIS DIVISION,  
OFFICE OF ECONOMIC AFFAIRS, PD&R)

FY 2002 HUD estimates of median family income are based on 1990 Census data estimates updated with a combination of local Bureau of Labor Statistics data and Census Divisional data. Separate median family income estimates (MFIs) are calculated for all Metropolitan Statistical Areas (MSAs), Primary Metropolitan Statistical Areas (PMSAs), and nonmetropolitan counties.

The income adjustment factors used to update the 1990 Census-based estimates of MFIs are developed in several steps. Average wage data from the Bureau of Labor Statistics (BLS) were available for 1989 through the end of 1998 at a county level, and were aggregated to the metropolitan area level for multi-county metropolitan areas. Census Divisional level median family and household income estimates were available from the Current Population Report (CPS) March 1990-2001 surveys, which measure incomes from mid-1989 through mid-2000. These data were then used to update mid-1989 income estimates from the 1990 Census to the middle of 2000. The mid-2000 estimates were trended forward to mid-FY 2002 using a factor based on past P-60 Series trends. The step-by-step normal procedures as well as the exception procedures used are as follows:

1. Estimate mid-1989 local median family incomes using 1990 Census data. (Current HUD Section 8 Fair Market Rent (FMR) program definitions are used to define metropolitan areas, which are normally the same as Office of Management and Budget metropolitan area definitions.)
2. Calculate the BLS wage change factors for each Census Division for the 1989-99 period as follows:

$$\frac{\text{Census Division BLS Wages (1999)}}{\text{Census Division BLS Employees (1999)}} = \text{10-year BLS wage increase factor for Census Division}$$
$$\frac{\text{Census Division BLS Wages (1989)}}{\text{Census Division BLS Employees (1989)}}$$

3. Calculate the change in median family and household incomes for the nine Census Divisions for the 1989-2000 period using Census P-60 series data, as follows:

$$\frac{\text{Census Division P-60 MFI (2000)}}{\text{Census Division P-60 MFI (1989)}} = \text{11-year increase factor for Census Division P-60 Median Family Income}$$

4. Compare the BLS and P-60 series Census Divisional factors calculated in steps 2 and 3 to provide a means of adjusting local BLS wage factor changes so that they aggregate to the same change factor as P-60 changes in



family incomes plus contain an added year of CPS trending.

$$\frac{\text{11-year increase factor for Census Division P-60 MFI}}{\text{10-year increase factor for Census Division BLS Wages}} = \frac{\text{Ratio of Census Division P-60 MFI to ratio of Census Division BLS wage changes}}{\text{Ratio of Census Division P-60 MFI to ratio of Census Division BLS wage changes}}$$

- Calculate the 1989-2000 increase factors for the individual metropolitan areas and nonmetropolitan counties by applying the Census Divisional index factors from step 4 to local BLS data.

$$\frac{\text{Local BLS Wages (1999)}}{\text{Local BLS Employees (1999)}} * \frac{\text{Ratio of Census Division P-60 MFI to Census Division BLS wages}}{\text{Ratio of Census Division P-60 MFI to ratio of Census Division BLS wage changes}} = \frac{\text{11-year income adjustment factor for MSA or County}}{\text{1989 to mid-2000 MFI adj. factor}}$$

- Convert 1989-2000 step 5 change factor to a 1989-2002 change factor by applying an annual trending figure of 4.0 percent to update the mid-2000 estimate to mid-2001, and applying a 3.0 percent factor (3/4ths of 4.0 percent) to the mid-2001 to April 1, 2002 period. (Use of a trending factor is necessary because of lags in Bureau of Labor Statistics and P-60 Series data availability; the 4.0 percent factor is based on national income change patterns in recent years.)

$$(\text{Step 5 adj. factor}) * 1.04 * 1.03 = \text{2000 to mid-FY 2002 adjustment factor}$$

- Calculate median family incomes for FY 2002 by multiplying the step 1 Census estimate of median family income by the income adjustment factor derived in Step 6.

$$\text{1990 Census Median Family Income} * \text{Step 6 factor} = \text{FY 2002 MFI est.}$$

- For American Housing Survey areas, compare the MFI estimates from step 7 with median family income estimates based on post-1989 American Housing Survey (AHS) estimates of median family income updated to 2002. Past analysis shows that there is 95 percent likelihood that the true local median family income is within 6 percent of the AHS-based estimate. For areas where an AHS-based estimate differs by more than 6 percent from the Census-based estimate, local MFI estimates are increased or decreased so that they are within 6 percent of the AHS-based estimate.

- Compare the 2002 MFI estimate with the 2001 MFI estimate. If the 2001 estimate is higher, set the 2002 estimate at the 2001 level. (This policy is applied except when

estimates are revised with decennial Census data, and serves to minimize disruption in program activities due to temporary decreases in income estimates.)

In addition to the above procedures, constraints are placed on annual changes in the Census Divisional and BLS change factors based on past experience. These guidelines constrain increases for a small number of areas with unusually high increases.

### ATTACHMENT 3

## COMPARISON OF FY 1989 HUD AND 1990 CENSUS MEDIAN FAMILY INCOME ESTIMATES

### Procedures:

- All estimates relate to median family incomes. The Census definition of "family" is used (i.e., two or more persons related by blood or marriage). Estimates relate to the universe of all families, and are not intended to apply to a specific family size.<sup>3</sup>
- HUD FY 1989 estimates were based on 1980 Census income data (mid-1979 income levels) updated with Census P-60 Census Division level data, county-level County Business Patterns and Bureau of Labor Statistics data, and American Housing Survey data (available only for a small number of metropolitan areas). Survey data for updating at the time the estimates were prepared were available only through mid-1987. The 1980 Census numbers were therefore updated to mid-1987 and trended to mid-FY 1989.
- The FY 1989 HUD median family income estimates have an estimation date of April 1, 1989. The 1990 Census median family income estimates have an average estimation date of July 1, 1989. HUD estimates were increase by 1.25 percent for the three-month difference. The 1.25 percent figure was used because it equals one-fourth of the annual income trending rate of 5 percent in use in that year.
- The comparison made is between the HUD estimates published for FY 1989, adjusted by 1.25 percent, and median family income estimates for mid-1989 derived from the 1990 Census.

### Findings:

1. State-level HUD estimates typically were within 10 percent of the Census estimates. All but three HUD State-wide estimates were within 10 percent. All but one HUD non-metro State estimate (non-metro West Virginia, which was 16 percent too high) was within a 10 percent range of the Census-based estimates. The highest estimation difference was 16 percent.
2. The standard error for State-level non-metropolitan

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<sup>3</sup> For purposes of HUD income limit calculations, median family income estimates are linked to a family size of four persons. For instance, the 50 percent of median, Very Low-Income limit for a family of four is usually set at 50 percent of the median family income for all families. HUD then adjusts this figure to assign higher income limits for larger families and lower income limits for smaller families. Actual median family incomes tend to be lower for larger families despite their higher costs, which is why actual relationships are not used.

estimates, which are used as the basis for setting income limits for over half the areas in the country, was \$1,441.

3. The standard error for all metropolitan areas was \$2,509 on a base of \$37,900. This error accumulated over a 10-year estimation period during which incomes increased by over 75 percent. The non-metropolitan standard error was \$2,672 on a base of \$27,600. When these estimates are weighted by the number of families in the respective areas, errors were about one-third less.
4. A summary comparison of HUD and Census median family income estimates shows the following:

FY 1989 HUD INCOME ESTIMATES COMPARED  
WITH 1990 CENSUS MEDIAN FAMILY INCOME ESTIMATES\*

PERCENTAGE DIFFERENCE	# TOTAL AREAS	# METRO AREAS	PERCENT METRO	# NONMETRO AREAS	PERCENT NONMETRO
25%+ HIGH	16	0	0.00%	16	0.70%
20-25% HIGH	25	0	0.00%	25	1.00%
15-20% HIGH	69	5	1.50%	64	2.70%
10-15% HIGH	134	7	2.10%	127	5.30%
5-10% HIGH	293	26	7.70%	267	11.10%
WITHIN 5%	1,085	156	46.40%	929	38.60%
5-10% LOW	525	87	25.90%	438	18.20%
10-15% LOW	310	39	11.60%	271	11.20%
15-20% LOW	162	12	3.60%	150	6.20%
20-25% LOW	64	4	1.20%	60	2.50%
25%+ LOW	62	0	0.00%	62	2.60%
TOTALS:	2,745	336	100.00%	2,409	100%

5. Eighty percent of all HUD metropolitan area estimates were within 10 percent of the Census median income figures. The most significant estimate bias was an under-estimate of incomes for metropolitan areas in the States of New York and New Jersey surrounding New York City.
6. Sixty-eight percent of all HUD non-metropolitan estimates were within 10 percent of the Census median income figures. Over 90 percent of all estimates were within 20 percent of the Census estimates.

Areas which had the largest errors had one or more of the following characteristics:

- a. Relatively small populations (i.e., less than 5,000 families).

- b. Were located on or near the fringe of a growing metropolitan area.
- c. Had a large percentage of family heads commuting to other counties.

Several of the most extreme estimation errors were for counties west of the Denver metropolitan area. Clear Creek, Gilpin, Pitkin, Park and Teller counties are all located west of the Denver metropolitan area. All are relatively sparsely populated, have grown significantly since the 1980 Census, and have a large percentage of family heads commuting to the Denver area.

Clear Creek County, Colorado, which had the highest income estimation error in the country (the 1989 HUD estimate was 62 percent of the Census median), is a good example of areas with high estimation errors. It had all three of the characteristics noted above, as did most of the other counties with the largest estimation errors. Clear Creek had a 1990 total of 2,096 families, many of whom had moved to the county since 1980 but work in the Denver metropolitan area. The county-level updating procedure used does not capture earnings that do not occur within a county, since data are reported by place of employment rather than place of residence.

FY 1989 HUD INCOME ESTIMATES COMPARED  
WITH 1990 CENSUS MEDIAN FAMILY INCOME ESTIMATES\*

PERCENTAGE DIFFERENCE	# TOTAL AREAS	# METRO AREAS	PERCENT METRO	# NON-METRO AREAS	PERCENT NON-METRO
25%+ HIGH	39	0	0.0%	16	0.7%
20-25% HIGH	33	0	0.0%	25	1.0%
15-20% HIGH	84	5	1.5%	64	2.7%
10-15% HIGH	126	7	2.1%	127	5.3%
5-10% HIGH	272	26	7.7%	267	11.1%
WITHIN 5%	1,096	156	46.4%	929	38.6%
5-10% LOW	581	87	25.9%	438	18.2%
10-15% LOW	322	39	11.6%	271	11.2%
15-20% LOW	131	12	3.6%	150	6.2%
20-25% LOW	44	4	1.2%	60	2.5%
25%+ LOW	17	0	0.0%	62	2.6%
TOTALS:	2,745	336	100.0%	2,409	100%

## Attachment 4

## AREAS WITH ADJUSTED FY 2002 VERY LOW INCOME LIMITS

METROPOLITAN AREA	FY02 MEDIAN INCOME	50% OF MEDIAN	4-PERSON VLI LIMIT	TYPE OF VLI ADJUSTMENT
Gadsden, AL	39200	19600	19650	STATE MEDIAN BASED
Las Vegas, NV-AZ	54300	27150	28250	STATE MEDIAN BASED
Redding, CA	39000	19500	19600	STATE MEDIAN BASED
San Francisco, CA	86100	43050	50900	HIGH HOUSING COST
Visalia-Tulare, CA	37400	18700	19600	STATE MEDIAN BASED
Boulder-Longmont, CO	87900	43950	43500	LOW HOUSING COST
Grand Junction, CO	42700	21350	23000	STATE MEDIAN BASED
Pueblo, CO	39400	19700	23000	STATE MEDIAN BASED
Danbury, CT	98100	49050	43700	LOW HOUSING COST
New London-Norwich, CT-RI	58600	29300	29950	STATE MEDIAN BASED
Stamford-Norwalk, CT	115500	57750	55350	LOW HOUSING COST
Washington, DC-MD-VA	91500	45750	43500	LOW HOUSING COST
Honolulu, HI	62600	31300	32300	HISTORICAL EXCEPTION
Kendall County, IL	88900	44450	43500	LOW HOUSING COST
Muncie, IN	48900	24450	25150	STATE MEDIAN BASED
Terre Haute, IN	47400	23700	25150	STATE MEDIAN BASED
Waterloo-Cedar Falls, IA	48700	24350	24700	STATE MEDIAN BASED
Cumberland, MD-WV	38800	19400	27400	STATE MEDIAN BASED
Hagerstown, MD	53500	26750	27400	STATE MEDIAN BASED
New Bedford, MA	47500	23750	26050	STATE MEDIAN BASED
Pittsfield, MA	50400	25200	26050	STATE MEDIAN BASED
Providence-Fall River, RI-MA	54100	27050	28100	STATE MEDIAN BASED
Springfield, MA	50700	25350	26050	STATE MEDIAN BASED
Middlesex-Somerset, NJ	90000	45000	43500	LOW HOUSING COST
Jamestown, NY	40800	20400	21800	STATE MEDIAN BASED
Rockland county, NY	88200	44100	43500	LOW HOUSING COST
Utica-Rome, NY	42500	21250	21800	STATE MEDIAN BASED
Jacksonville, NC	40100	20050	21850	STATE MEDIAN BASED
Steubenville-Weirton, OH-WV	39400	19700	24350	STATE MEDIAN BASED
Youngstown-Warren, OH	46400	23200	24350	STATE MEDIAN BASED
Johnstown, PA	35000	17500	20550	STATE MEDIAN BASED
Sharon, PA	39500	19750	20550	STATE MEDIAN BASED
Sumter, SC	39900	19950	21850	STATE MEDIAN BASED
Johnson City-Kingsport, TN-VA	41800	20900	21300	STATE MEDIAN BASED
Brownsville-Harlingen, TX	29100	14550	18050	STATE MEDIAN BASED
Laredo, TX	32200	16100	18050	STATE MEDIAN BASED
Mc Allen-Edinburg-Mission, TX	29200	14600	18050	STATE MEDIAN BASED
Kane County, UT	37500	18750	21450	STATE MEDIAN BASED
Casper, WY	46200	23100	23600	STATE MEDIAN BASED
Aguadilla, PR	14400	7200	9450	HISTORICAL EXCEPTION
Arecibo, PR	14200	7100	13700	HISTORICAL EXCEPTION
Caguas, PR	17400	8700	11550	HIGH HOUSING COST
Mayaguez, PR	15300	7650	11050	HIGH HOUSING COST
Ponce, PR	13900	6950	13400	HISTORICAL EXCEPTION
San Juan-Bayamon, PR	18800	9400	14700	HIGH HOUSING COST

## Attachment 5

## AREAS WITH ADJUSTED FY 2002 LOWER INCOME LIMITS

METROPOLITAN AREA	FY02 MEDIAN INCOME	80% OF MEDIAN	4-PERSON LI LIMIT	TYPE OF LOWER INC. LIMIT ADJUSTMENT
Gadsden, AL	39200	31350	31450	STATE MEDIAN BASED
Las Vegas, NV-AZ	54300	43450	45200	STATE MEDIAN BASED
Oakland, CA	74500	59600	58000	HIGH HOUSING COST
Orange County, CA	75600	60500	54400	CAPPED BY US MEDIAN
Redding, CA	39000	31200	31350	STATE MEDIAN BASED
San Francisco, CA	86100	68900	81450	HIGH HOUSING COST
San Jose, CA	96000	76800	74250	HIGH HOUSING COST
Santa Cruz-Watsonville, CA	69000	55200	54800	HIGH HOUSING COST
Ventura, CA	74700	59750	54400	CAPPED BY US MEDIAN
Visalia-Tulare-Porterville, CA	37400	29900	31350	STATE MEDIAN BASED
Boulder-Longmont, CO	87900	70300	54400	CAPPED BY US MEDIAN
Denver, CO	69900	55900	54400	CAPPED BY US MEDIAN
Grand Junction, CO	42700	34150	36800	STATE MEDIAN BASED
Pueblo, CO	39400	31500	36800	STATE MEDIAN BASED
Bridgeport, CT	75000	60000	54400	CAPPED BY US MEDIAN
Danbury, CT	98100	78500	54400	CAPPED BY US MEDIAN
New London-Norwich, CT-RI	58600	46900	47900	STATE MEDIAN BASED
Stamford-Norwalk, CT	115500	92400	64550	HIGH HOUSING COST
Wilmington-Newark, DE-MD	75900	60700	54400	CAPPED BY US MEDIAN
Washington, DC-MD-VA	91500	73200	54400	CAPPED BY US MEDIAN
Naples, FL	69800	55850	54400	CAPPED BY US MEDIAN
Atlanta, GA	71200	56950	54400	CAPPED BY US MEDIAN
Honolulu, HI	62600	50100	51700	HISTORICAL EXCEPTION
Bloomington-Normal, IL	69300	55450	54400	CAPPED BY US MEDIAN
Chicago, IL	75400	60300	54400	CAPPED BY US MEDIAN
Grundy County, IL	69500	55600	54400	CAPPED BY US MEDIAN
Kendall County, IL	88900	71100	54400	CAPPED BY US MEDIAN
Muncie, IN	48900	39100	40250	STATE MEDIAN BASED
Terre Haute, IN	47400	37900	40250	STATE MEDIAN BASED
Waterloo-Cedar Falls, IA	48700	38950	39500	STATE MEDIAN BASED
Cumberland, MD-WV	38800	31050	43850	STATE MEDIAN BASED
Hagerstown, MD	53500	42800	43850	STATE MEDIAN BASED
Boston, MA-NH	74200	59350	58300	HIGH HOUSING COST
Lowell, MA-NH	75200	60150	54400	CAPPED BY US MEDIAN
New Bedford, MA	47500	38000	41700	STATE MEDIAN BASED
Pittsfield, MA	50400	40300	41700	STATE MEDIAN BASED
Providence-Fall River, RI-MA	54100	43300	44950	STATE MEDIAN BASED
Springfield, MA	50700	40550	41700	STATE MEDIAN BASED
Ann Arbor, MI	76000	60800	54400	CAPPED BY US MEDIAN
Detroit, MI	69900	55900	54400	CAPPED BY US MEDIAN
Minneapolis-St. Paul, MN-WI	76700	61350	54400	CAPPED BY US MEDIAN
Rochester, MN	74300	59450	54400	CAPPED BY US MEDIAN
Nashua, NH	71100	56900	54400	CAPPED BY US MEDIAN
Bergen-Passaic, NJ	78900	63100	54400	CAPPED BY US MEDIAN
Middlesex-Somerset-Hunterdon, NJ	90000	72000	54400	CAPPED BY US MEDIAN
Monmouth-Ocean, NJ	69900	55900	54400	CAPPED BY US MEDIAN
Newark, NJ	78700	62950	54400	CAPPED BY US MEDIAN
Trenton, NJ	74100	59300	54400	CAPPED BY US MEDIAN
Dutchess County, NY	68100	54500	54400	CAPPED BY US MEDIAN
Jamestown, NY	40800	32650	34900	STATE MEDIAN BASED
Nassau-Suffolk, NY	83000	66400	57350	HIGH HOUSING COST
Westchester County, NY	91400	73100	55750	HIGH HOUSING COST
Rockland County, NY	88200	70550	54400	CAPPED BY US MEDIAN
Utica-Rome, NY	42500	34000	34900	STATE MEDIAN BASED
Jacksonville, NC	40100	32100	34950	STATE MEDIAN BASED
Raleigh-Durham-Chapel Hill, NC	71300	57050	54400	CAPPED BY US MEDIAN
Steubenville-Weirton, OH-WV	39400	31500	38950	STATE MEDIAN BASED
Youngstown-Warren, OH	46400	37100	38950	STATE MEDIAN BASED
Johnstown, PA	35000	28000	32900	STATE MEDIAN BASED
Sharon, PA	39500	31600	32900	STATE MEDIAN BASED
Sumter, SC	39900	31900	34950	STATE MEDIAN BASED
Johnson City-Kingsport, TN-VA	41800	33450	34100	STATE MEDIAN BASED
Austin-San Marcos, TX	71100	56900	54400	CAPPED BY US MEDIAN

Brownsville-Harlingen, TX	29100	23300	28900	STATE MEDIAN BASED
Laredo, TX	32200	25750	28900	STATE MEDIAN BASED
Mc Allen-Edinburg-Mission, TX	29200	23350	28900	STATE MEDIAN BASED
Kane County, UT	37500	30000	34300	STATE MEDIAN BASED
Seattle-Bellevue-Everett, WA	77900	62300	54400	CAPPED BY US MEDIAN
Madison, WI	71300	57050	54400	CAPPED BY US MEDIAN
Casper, WY	46200	36950	37750	STATE MEDIAN BASED
Aguadilla, PR	14400	11500	15150	HISTORICAL EXCEPTION
Arecibo, PR	14200	11350	21900	HISTORICAL EXCEPTION
Caguas, PR	17400	13900	18500	HIGH HOUSING COST
Mayaguez, PR	15300	12250	17700	HIGH HOUSING COST
Ponce, PR	13900	11100	21450	HISTORICAL EXCEPTION
San Juan-Bayamon, PR	18800	15050	23500	HIGH HOUSING COST



Attachment 6

-- FY 2001-2002 DISTRIBUTION OF CHANGES IN AREA MEDIAN INCOME --  
 (100 PERCENT = FY 2001 INCOME LEVEL)

STATE	LT.	100% NO CHANGE	100-102%	102-104%	104-106%	106-108%	108-110%	GT. 110%	MEDIAN
AL	0	14	14	30	4	4	1	0	2
AK	0	21	1	0	1	0	2	0	0
AZ	0	2	2	5	5	1	0	0	3
AR	0	10	40	17	4	4	0	0	1
CA	0	10	24	14	6	3	1	0	2
CO	0	5	6	7	21	13	11	0	5
CT	0	1	3	15	6	0	0	0	3
DE	0	0	0	1	2	0	0	0	5
DC	0	0	0	0	0	1	0	0	7
FL	0	3	8	22	24	6	4	0	4
GA	0	7	12	37	36	49	18	0	5
HI	0	0	3	1	0	0	0	0	1
ID	0	6	2	16	11	5	4	0	4
IL	0	8	14	21	26	27	6	0	5
IN	0	1	4	15	35	27	10	0	6
IA	0	28	35	25	5	1	5	0	1
KS	0	34	30	25	10	5	1	0	1
KY	0	36	33	31	10	7	3	0	2
LA	0	42	13	8	1	0	0	0	0
ME	0	3	4	11	4	0	0	0	3
MD	0	0	1	3	14	6	0	0	5
MA	0	1	4	14	8	3	2	0	3
MI	0	2	7	19	28	20	7	0	5
MN	0	8	26	38	12	2	1	0	3
MS	0	30	31	13	7	1	0	0	1
MO	0	23	43	37	6	5	1	0	2
MT	0	11	11	12	12	6	4	0	3
NE	0	30	27	24	10	1	1	0	1
NV	0	1	1	3	8	1	3	0	5
NH	0	1	3	10	4	1	0	0	3
NJ	0	0	0	1	12	7	1	0	6
NM	0	6	6	7	11	2	1	0	4
NY	0	2	2	20	27	8	3	0	5
NC	0	1	1	9	51	34	4	0	6
ND	0	14	21	11	5	0	2	0	1
OH	0	2	4	23	43	13	3	0	5
OK	0	29	32	12	3	0	1	0	1
OR	0	9	14	12	1	0	0	0	1
PA	0	0	2	10	38	14	3	0	5
RI	0	0	1	7	0	0	0	0	2
SC	0	1	5	7	11	18	4	0	6
SD	0	19	20	14	11	0	2	0	2
TN	0	26	43	15	8	1	2	0	1
TX	0	103	73	47	13	2	16	0	1
UT	0	0	5	8	11	5	0	0	5
VT	0	1	4	12	0	0	0	0	3
VA	0	6	4	12	45	43	10	0	5
WA	0	11	10	11	4	3	0	0	2
WV	0	7	4	17	13	9	5	0	4
WI	0	1	1	16	30	20	4	0	5
WY	0	4	3	10	2	2	2	0	4
US	0	580	657	755	659	380	148	0	3

## Attachment 7

FY 2002 MEDIAN FAMILY INCOMES  
FOR STATES, METROPOLITAN AND NONMETROPOLITAN  
PORTIONS OF STATES

	-----FY 2002-----			-----1989-----		
	TOTAL	METRO	NONMETRO	TOTAL	METRO	NONMETRO
ALABAMA	47000	50600	39300	28688	31005	24084
ALASKA	54000	60400	50100	46580	50109	44045
ARIZONA	51900	54500	34200	32177	33536	23997
ARKANSAS	39800	46400	34200	25395	29425	22208
CALIFORNIA	60800	61500	39200	40558	40969	29946
COLORADO	61500	64800	46000	35929	37461	28257
CONNECTICUT	72500	74000	59900	49198	49512	43591
DELAWARE	67500	71600	49600	40251	42237	31112
DIST. OF COLUMBIA	64100	64100	0	36255	36255	0
FLORIDA	51800	52800	40200	32211	32761	25874
GEORGIA	56700	64200	42200	33529	37551	26690
HAWAII	59300	62500	52400	43176	45313	37990
IDAHO	46500	53600	41400	29472	32220	27799
ILLINOIS	66500	70900	46700	38663	40964	29693
INDIANA	56400	59200	50300	34082	35664	30800
IOWA	53700	60500	49400	31658	35618	29303
KANSAS	55100	65300	44200	32965	38356	28067
KENTUCKY	45200	55400	36300	27028	32411	22542
LOUISIANA	39600	42600	31600	26313	28246	21177
MAINE	43100	49200	40500	32421	36629	30719
MARYLAND	73000	74600	54800	45033	45988	33695
MASSACHUSETTS	66000	66900	52100	44366	44728	37765
MICHIGAN	60600	65100	44800	36651	39033	27893
MINNESOTA	64500	73200	48500	36915	41398	28933
MISSISSIPPI	40200	48200	36000	24447	29496	21994
MISSOURI	52800	60500	40600	31837	36252	24324
MONTANA	41700	45800	39600	28042	30207	26977
NEBRASKA	55100	65100	45800	31634	36639	27623
NEVADA	57500	57600	56500	35837	35891	35577
NEW HAMPSHIRE	58800	64600	51000	41628	45429	36623
NEW JERSEY	73400	73400	0	47589	47589	0
NEW MEXICO	42800	50200	33700	27623	31550	23165
NEW YORK	61800	63600	43600	39740	40635	31472
NORTH CAROLINA	53400	58300	43700	31548	34083	27206
NORTH DAKOTA	46600	53300	41700	28707	32677	26194
OHIO	56400	58400	48700	34350	35392	30562
OKLAHOMA	40800	45400	34200	28553	31805	24139
OREGON	48900	53300	38300	32336	34637	27616
PENNSYLVANIA	51400	53500	41100	34856	36147	28934
RHODE ISLAND	54500	54400	56200	39172	39078	40639
SOUTH CAROLINA	49200	51300	43700	30797	32349	26904
SOUTH DAKOTA	48000	55300	44800	27601	32338	25547
TENNESSEE	50700	54900	42600	29546	32092	24937
TEXAS	51400	54500	36100	31553	33231	24585
UTAH	52700	55700	42900	33245	34322	30183
VERMONT	46800	57300	43400	34779	41968	32453
VIRGINIA	63900	71200	43000	38208	42000	28301
WASHINGTON	60600	64800	40200	36794	38495	29671
WEST VIRGINIA	37200	44000	32400	25602	29882	22654
WISCONSIN	59200	63800	50800	35081	37659	30290
WYOMING	47200	47200	47200	32215	32529	32096
UNITED STATES	54400	58600	39700	35224	37617	27255

