

June 26, 2017

VIA ELECTRONIC SUBMISSION

Regulations Division
Office of General Counsel
U.S. Department of Housing and Urban Development
Room 10276
451 Seventh Street SW
Washington, DC 20410-0001

Re: Proposed Changes to the Methodology Used For Estimating Fair Market Rents
Docket No. FR-6021-N-01

Ladies and Gentlemen:

The undersigned organizations appreciate the opportunity to comment on the Department of Housing and Urban Development's Notice of Proposed Changes to the Methodology Used for Estimating Fair Market Rents.¹

HUD's tenant-based rental assistance in the Section 8 Housing Choice Voucher (HCV) program serves some 2.2 million households nationwide.² The program is substantially and critically important to all who are served, and our organizations therefore support HUD's efforts to consider and study ways to improve the HCV program.

We would like to commend HUD for its decision to let stakeholders comment on any change in the Fair Market Rent (FMR) methodology. We support the proposed changes to the general methodology for calculating base rents and recent mover factors. Adding the requirement of at least 100 observations to the test for statistical reliability should help limit FMR volatility year-to-year, an important principle we have endorsed in the past. Incorporating all-bedroom rents into the recent-mover factors seems a reasonable way to address the twin goals of statistical reliability and using local market data to the greatest extent possible. We are especially happy to see that HUD is maintaining its policy of not allowing recent mover factors to reduce the standard quality base rent.

Although we appreciate HUD's improvements to the overall FMR methodology, the sweeping changes proposed to the methodology for calculating Small Area Fair Market Rents (SAFMRs) do not assuage our concerns about SAFMRs in general. We have been skeptical of the SAFMR concept from the beginning, believing that zip codes do not represent a valid real estate market. Although we recognize that moving low-income households to areas of opportunity may be a worthwhile objective, and we strongly support the principle of choice in the voucher program, we do not believe HUD has

¹ Docket No. FR-6021-N-01

² HUD's Housing Choice Voucher Program Tenant Characteristics, HUD FY2016 Proposed Budget.

established that SAFMRs are an effective way to accomplish this. That HUD itself now believes the SAFMR methodology requires a major overhaul reinforces our view that the effectiveness of SAFMRs has not been established. We are concerned that HUD continues to use a zip code-level geography without exploration of more appropriate, market-based alternatives.

Our organizations have supported HUD's effort to gather information about the SAFMR demonstration program. In fact, we suggested a number of recommendations to improve the evaluation, which were not adopted. To date, none of HUD's SAFMR demonstration program evaluation has been released publicly, and other notices indicate that the information gathering has not even begun. The continued use, as well as expansion, of an unproven methodology to reach the goal of moving low-income households to areas of opportunity without any specific sound, empirical-based evidence of its success has far-reaching implications for members of the real estate industry and the residents they serve. HUD should not entertain any changes to the SAFMR methodology or any expansion of the program until it has undergone a statistically valid evaluation.

In fact, based on the lack of persuasive evidence that SAFMRs are effective and our continued belief that zip codes do not represent a real estate market, we urge HUD to repeal the SAFMR final rule³ but retain protections from payment standard reductions for tenants under HAP contracts at the time of the repeal. Specifically, payment standard reductions would not take effect until after the family's second annual recertification, and thereafter, PHAs have the options to hold the families harmless from payment standard reductions or gradually reduce them⁴.

Thank you for your consideration of our comments. We look forward to engaging HUD in further discussions on these important matters.

Sincerely,

Council for Affordable and Rural Housing
Institute of Real Estate Management
Mortgage Bankers Association
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders

³ "Establishing a More Effective Fair Market Rent System; Using Small Area Fair Market Rents in the Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs" (FR-5855-F-03) RIN 2501-AD74 (11/16/2016)

⁴ These protections are included in the SAFMR Final Rule noted above.

National Association of Housing Cooperatives
National Leased Housing Association
National Multifamily Housing Council