

ADVOCATES' GUIDE TO VOLUNTARY ADOPTION OF SMALL AREA FMRs

What are Small Area Fair Market Rents?

Small Area Fair Market Rents (SAFMRs) are the Department of Housing and Urban Development's (HUD) calculation of fair market rents for zip codes. Normally, HUD sets one fair market rent (FMR) for a large geographic region, resulting in a subsidy level that often does not match local rents. HUD's use of large geographic areas to set FMRs makes it harder for families to rent outside low-rent neighborhoods.

SAFMRs are intended to capture more granular discrepancies in rent across neighborhoods and therefore more accurately reflect market rents. SAFMRs allow voucher families to move to higher rent, lower poverty neighborhoods, giving voucher holders access to communities that are more likely to have quality jobs, lower crime rates, and high performing schools – communities that voucher families would be unable to afford if the housing authority applied regular FMRs.

How can a Housing Authority Voluntarily Adopt SAFMRs?

HUD is *requiring* housing authorities in 65 metro areas to adopt SAFMRs, pursuant to the Small Area FMR rule adopted in November 2016 and expanded in October 2023. However, the rule also *permits* any housing authority (including housing authorities outside the 65 metro areas) to adopt SAFMRs for its entire area of operation or in one or more zip codes as exception payment standards. As of January 2024, approximately 12 PHAs have voluntarily adopted SAFMRs and 73 PHAs have adopted exception payment standards based on SAFMRs.

If a housing authority seeks to adopt SAFMRs in selected zip codes within its area of operation via exception payment standards, it must amend its Section 8 Administrative Plan and notify HUD, via email (SAFMRs@HUD.gov), that it has adopted an exception payment standard based on SAFMRs. Housing authorities can select a payment standard between 90-110% of the SAFMR for each of the zip codes it has selected.

In the event that a housing authority or group of housing authorities seek to adopt SAFMRs for an *entire* metro area, HUD approval is required.

What Factors Must a Housing Authority consider before Adopting SAFMR?

The Housing Authority should consider the following factors:

- If adoption of SAFMRs in higher rent neighborhoods would give voucher families access to a larger and more diverse choice of housing units, schools, and other neighborhood amenities;
- If adoption of SAFMRs in the lower rent areas of the housing authority's jurisdiction would have an adverse effect on the housing availability and affordability for program participants and applicants;
- If the housing authority will hold the voucher holder harmless from payment standard reductions in their current units;
- If the housing authority will apply SAFMR to its project-based voucher program (expanding the ability to finance developments in high opportunity zip codes)

How will this impact my clients?

The SAFMR rule could result in a change to your client's rent: Depending on your client's zip code, the payment standard may increase or decrease based on the implementation of SAFMRs. If the payment standard decreases, your client could see an increase in rent at the family's second annual recertification, unless the housing authority takes additional protective actions (see below). If the payment standard increases and your client was paying the difference between the payment standard and the rent, your client's rent could decrease at the next annual recertification – plus your client may have expanded housing options in lower poverty neighborhoods.

New housing opportunities may arise in areas that were formerly considered unaffordable: Because SAFMRs more accurately reflect market rent there may be neighborhoods throughout your region that were previously difficult or impossible for voucher tenants to access but are now affordable because the SAFMR is higher than the FMR. Advocates should become familiar with those areas, educate voucher families about the opportunity to move into new areas, and urge their housing authorities to educate voucher families about new housing opportunities.

What can I do?

Advocates should seek to engage housing authorities early and throughout the implementation process. The Final Rule provides a large amount of discretion to housing authorities in determining how to implement the Rule. Advocates should work with their housing authority to implement the following policies:

- For housing authorities that elect to apply SAFMRs to lower rent neighborhoods, **demand safeguards to protect tenants** that experience a reduction in the payment standard. Advocate for the housing authority to implement a policy that holds all current tenants who remain in their unit harmless from rent increases with implementation of SAFMRs. The policy must be included in the housing authority's Administrative Plan. Sample Admin Plan language:

Where the new SAFMRs are decreasing, the housing authority will hold the families harmless who are already living in the unit with a HAP contract and the housing authority will apply the current existing payment standard to the family as long as they stay in the same unit.

Where the new FMRs are increasing, the housing authority will implement the change at the next annual recertification.

If housing authorities are unwilling to consider a 100% hold harmless policy, they also have the option of phasing in the payment standard decreases for families who remain in their current unit (for example, 2% per year after the second annual recertification), or setting a cap on the total decrease (for example, 5%)

- Request that the housing authority **provide notice of the new and old payment standards** for all families participating in the voucher program including families whose search term extends beyond the effective date of the new payment standard schedule. Advocates should request to review the notices. Notices should be sent out well in advance of the families' lease renewal date, to give them time to consider their new options. HUD regulations also require housing authority staff to inform their HCV clients about the benefits of moving to a lower poverty neighborhood.
- **Review the data for your region to ensure that payment standards accurately reflect rents.** Housing authorities have flexibility under the rule to set unique payment standards for individual zip codes between 90-110% of the SAFMR.

For example, if SAFMRs result in rents that are too low for a gentrifying neighborhood where rents are rapidly increasing, encourage the housing authority to set the payment standard at 110% of SAFMR.

- Housing Authorities are allowed to use the 90-110% payment standard flexibility to "group" zip codes into similar payment standard ranges when implementing SAFMRs. **Advocates should carefully scrutinize any rent-setting methods that use groupings because it could minimize the impacts of SAFMRs for clients and create greater costs for housing authorities.**
- **Encourage your housing authority to report its new payment standards to HUD.** PHAs that adopt exception payment standards based on SAFMRs are required to notify HUD via email.

Where can I find out more information?

- Contact Deborah Thrope (dthrope@nhlp.org) or Lila Gitesatani (lgitesatani@nhlp.org) at NHLP (dthrope@nhlp.org) or Philip Tegeler at PRRAC, ptegeler@prrac.org for technical assistance.
- [NHLP SAFMR Memo To HJN](#)
- [HUD Exchange SAFMR webpage](#), for PHA implementation guidance (i.e. Guidebook, sample documents, etc.)
- [CBBP-PRRAC Guide to SAFMRs](#)