Payment Standards

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Changes from Previous Version

Page	Description of Change	Date Change Made
5	Added applicable FMRs to Section 2	June 2025
7	Added new Section 2.2 on payment standard groupings	June 2025
8	Added Section 2.3 on SAFMRs and Project Based Vouchers (PBV)	June 2025
10	Added Section 2.7 on inapplicability of SAFMRs to other HUD programs	June 2025
10	Added Section 2.8 on suspension of SAFMRs or temporary exemption	June 2025
12	Added guidance on phase-out of success rate payment standards to Section 3.3	June 2025
12	Updated Section 3.4 on payment standards below the basic range to align with 24 CFR 982.503(e) and include information PHAs are encouraged to provide to HUD in its request	June 2025
13	Updated Section 3.5 on exception payment standards to incorporate regulatory changes in 24 CFR 982.503(d) which resulted from the publication of 89 FR 38224 (May 7 ,2024)	June 2025
18	Updated Section 3.7 on establishing payment standard to include flexibilities related to HUD-VASH and EHV	June 2025
22	Updated Sections 5.1 and 5.2 with guidance on payment standard increases and decreases during the HAP contract term to incorporate changes to 24 CFR 982.505(c)(3) which resulted from 89 FR 38224 (May 7, 2024)	June 2025

25	Added Section 5.3 on change in family voucher size during a HAP contract term to provide guidance in accordance with 24 CFR 982.505(c)(6)	June 2025
25	Reorganized and updated Section 6 to include reference to Notice PIH 2025-12 and added guidance on applicable FMR for reasonable accommodation exception payment standards (RA EPS), HUD-VASH RA EPS, and calculations for shared housing	June 2025
27	Added Section 7 to include information on reevaluation of HUD-published FMRs/SAFMRs	June 2025
28	Added Section 8 to include a summary of administrative plan requirements regarding payment standards	June 2025
29	Added the term "applicable FMR" to the glossary	June 2025

1 Chapter Overview

In the Housing Choice Voucher (HCV) program, payment standards are used in the calculation of the housing assistance payment (HAP) that the Public Housing Agency (PHA) pays to the owner on behalf of the family leasing the unit.[1] 24 CFR 982.4 defines payment standard as the maximum monthly assistance payment for a family assisted in the voucher program (before deducting the total tenant payment by the family).

The payment standard for a family is the lower of:[2]

- Payment standard for the family unit size indicated on the voucher; or
- Payment standard for the size of the unit leased by the family.

If the unit is located in an exception area, the PHA must use the appropriate payment standard for that exception area.[3]

The level at which the payment standard is set directly affects the amount of subsidy a family will receive, and, therefore, the amount of rent paid by program participants. If the family leases a unit with a gross rent at or below the payment standard for the family, the family's share of the rent plus an allowance for utilities will be equal to the family's total tenant payment (TTP) (see Income Determination chapter). If the gross rent for the unit is higher than the payment standard, the family is responsible for the difference. In this case, the total family share will be higher than the family's TTP.

Payment standards should be a balance between efficient use of HAP dollars and allowing subsidized families to be competitive in the open rental market. If the PHA's payment standards are too low:

- Families may pay more in rent.
- Families may have a hard time finding acceptable units, or units in more desirable areas and housing choice will be narrowed.

[1] This chapter is inapplicable to the Project Based Voucher (PBV) program except in sections specific to the PBV program.
[2] 24 CFR 982.505(c)(1)
[3] 24 CFR 982.505(c)(2)

If the payment standard is too high, the PHA may not be housing as many families as it could with its current HAP budget.

Payment standards should be high enough to allow families a reasonable selection of decent, safe, and sanitary housing in a range of neighborhoods in the PHA's jurisdiction. To meet that objective and to support families wishing to move to areas with lower concentrations of low-income and minority households, a PHA may establish higher payment standard schedules for certain areas within its jurisdiction so that HCV families can rent units in more opportunity areas.

The PHA's procedures for establishing and revising its payment standard schedule must be set in its administrative plan.[4]

2 Metropolitan Area Fair Market Rents and Small Area FMRs

The term Fair Market Rents (FMRs) refers to metropolitan area/non-metropolitan county and small area FMRs (SAFMRs). In the HCV program, the FMR is the basis for determining the "payment standard amount," which is the maximum monthly subsidy payment for a voucher household.[5] HUD establishes FMRs for different geographic areas and calculates FMRs for all non-metropolitan counties and metropolitan areas.[6] Generally, the FMR for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities.[7] Both types of FMRs are calculated annually by HUD's Office of Policy Development and Research (PD&R) and published in the Federal Register (FR) with an effective date of October 1st. HUD also makes them available through the HUD User Web site.[8] FMRs are established based on the 40th percentile of rents charged for standard rental housing in the FMR area.

HUD delineates metropolitan area/non-metropolitan county FMRs and small area FMRs differently, as described below:

- **Metropolitan area/non-metropolitan county FMRs.** For the purpose of delineating metropolitan area FMRs, HUD uses the metropolitan areas established by the Office of Management and Budget (OMB), and in some instances, subdivides OMB's defined metropolitan areas into smaller HUD Metropolitan Fair Market Rent Areas (HMFAs) along historical metropolitan boundaries to preserve continuity of FMR estimates. HUD also establishes FMRs for all non-metropolitan counties.
- **Small area FMRs.** HUD establishes SAFMRs at the ZIP Code level. SAFMRs are intended to result in payment standards that align more closely with local rental costs, particularly in higher-cost areas. HUD adopted SAFMRs via a Final Rule published on November 16, 2016, for the express purpose of providing HCV-assisted families with access to "areas of high opportunity and lower poverty." Starting in FY 2025, HUD began publishing SAFMRs for non-metropolitan counties, in addition to metropolitan areas. Along with the guidance provided in this chapter, HUD has a

[4] 24 CFR 982.54(d)(14)(i)
[5] 24 CFR 982.505(a)
[6] 24 CFR 888.113(d)
[7] 24 CFR 888.111(b). In addition, all rents subsidized under the HCV program must meet rent reasonableness standards. Rent
reasonableness is determined by PHAs with reference to rents for comparable unassisted units.
[8] https://www.huduser.gov/portal/datasets/fmr.html

dedicated webpage on SAFMRs, which can be found at: https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/safmr

Within each of these FMR areas, the applicable FMR for the HCV program is:[9]

- The HUD-published SAFMR;
- The HUD-published metropolitan FMR for any other metropolitan area;[10] or
- The HUD-published non-metropolitan county FMR for any other non-metropolitan county.[11]

Please note that program regulations at 24 CFR 982.503 refer to the "applicable FMR" on numerous occasions. It is important to understand that the "applicable FMR" will be the HUD published SAFMR for PHAs in mandatory SAFMR areas[12] or for those PHAs that have opted-in to using the SAFMR.[13]

2.1 Designated and Opt-In SAFMR PHAs

A designated SAFMR PHA is an agency that directly administers HCV assistance to a family that resides in a metropolitan area where the use of SAFMRs is mandatory. HUD sets SAFMRs for certain metropolitan FMR areas for use in the administration of tenant-based rental assistance under the HCV program. HUD established the selection values used to determine those metropolitan areas through a Federal Register notice on November 16, 2016, and may update the selection values through a Federal Register notice, subject to public comment. Currently, the selection criteria used to determine those metropolitan areas are:[14]

- The number of vouchers under lease in the metropolitan FMR area;
- The percentage of the standard quality rental stock, within the metropolitan FMR area is in small areas (ZIP Codes) where the SAFMR is more than 110 percent of the metropolitan FMR area;
- The percentage of voucher families living in concentrated low-income areas;
- The percentage of voucher families living in concentrated low-income areas relative to the percentage of all renters within these areas over the entire metropolitan area; and
- The vacancy rate for the metropolitan area.

Every five years, at the beginning of the federal fiscal year, HUD designates metropolitan areas where the use of SAFMRs is mandatory. The first such areas were designated in 2016 for Federal fiscal year 2018.[15] In 2023, 41 new metropolitan areas were designated effective federal fiscal year 2025.[16] A list of the

[9] 24 CFR 982.503(a)(1)(i); 24 CFR 982.503(a)(1)(ii); 24 CFR 982.503(a)(1)(iii)
[10] The applicable FMR for a PHA that has adopted exception payment standards based on the SAFMR but administers in a metropolitan FMR area is the metropolitan FMR.
[11] The applicable FMR for a PHA that has adopted exception payment standards based on the SAFMR but administers in a non-metropolitan county is the non-metropolitan county FMR.
[12] Please note that HUD designates metropolitan areas as Small Area FMR under 24 CFR 888.113(c)(4). PHAs located in those areas are considered "mandatory SAFMR" PHAs. The term "designated" and "mandatory" may be used interchangeably.
[13] PHAs administering in a metropolitan or non-metropolitan area that have adopted exception payment standards based on the SAFMR are not considered "opt-in" PHAs.
[14] 24 CFR 888.113(c)(1)
[15] "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; Final Rule," published in the Federal Register on November 16, 2016 (81 FR 80567).
[16] "Small Area Fair Market Rents in the Housing Choice Voucher Program Metropolitan Areas Subject to Small Area Fair Market Rents," published in the Federal Register on October 25, 2023 (88 FR 73352)

metropolitan areas where the use of SAFMRs is mandatory as of Federal fiscal year 2018 and 2025 can be found in Appendix A of Notice PIH 2023-32.

Mandatory SAFMR PHAs must use SAFMRs for any part of its jurisdiction located in the SAFMR area.[17] For example, a statewide PHA may operate in a designated SAFMR area, and in areas subject to the published metropolitan and non-metropolitan county FMR. This PHA is required to use SAFMRs only for the portion of its jurisdiction designated as mandatory SAFMR. Non-metropolitan counties will not be designated as mandatory SAFMR areas.[18]

The regulations at 24 CFR 888.113 discuss "voluntary" adoption of the SAFMRs, which is also known as "opt-in." PHAs located in metropolitan and non-metropolitan counties may opt-in to using the SAFMR. An opt-in SAFMR PHA refers to PHAs that are not required to use SAFMRs in an FMR area within its jurisdiction but choose to do so voluntarily. PHAs not located in a designated SAFMR area may voluntarily "opt-in" to SAFMRs for one or more of the FMR areas in which the PHA administers vouchers.[19] In other words, a PHA that exercises this option in one metropolitan area or non-metropolitan county is not required to exercise this option in other metropolitan areas or non-metropolitan counties. A PHA that voluntarily uses SAFMRs for the entire jurisdiction, even if that jurisdiction consists of only one ZIP Code, or for an entire FMR area, is considered an "opt-in SAFMR" PHA.

For a PHA that has fully opted in to the SAFMRs, the "applicable FMR" is the SAFMR.[20] This is distinct from a PHA that only uses SAFMRs as exception payment standards (see section 3.5 for information on SAFMRs as exception payment standards).

As a best practice, when considering whether to opt-in to SAFMRs, PHAs should consider a variety of factors such as:

- Whether adoption of SAFMRs is likely to have a positive or adverse effect on the availability of rental housing that is both affordable and available to program participants and applicants
- The effect of SAFMR adoption on family rent burdens, and whether to adopt the hold harmless or gradual reduction in subsidy options
- Areas where the SAFMR is lower than the published FMR by 10 percent[21] and opt-in will therefore trigger the need for rent reasonableness determinations[22]
- Whether to apply SAFMRs to the PBV program, if applicable

An agency that chooses to adopt SAFMRs must submit a written notification to HUD in accordance with Notice PIH 2024-34, or its successor notice. The notification must indicate the PHA's proposed effective date. Prior to implementing SAFMRs, the opt-in PHA must amend its Administrative Plan, stating that the PHA will establish payment standards based on SAFMRs and include any policies the PHA has adopted with respect to SAFMRs (e.g., applying SAFMRs to its PBV program and hold harmless policy when the payment standard amount decreases during the HAP contract term).

Exception payment standards that were approved prior to the adoption of SAFMRs may remain in effect, subject to the conditions in the approval letter. In some cases, the amounts previously approved may now fall

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[17] 24 CFR 888.113(c)(3)
[18] 24 CFR 888.113(c)(3)
[19] 24 CFR 888.113(c)(3)
[20] 24 CFR 982.503(a)(1)(i)(B)
[21] 81 FR 80567 (November 16, 2016) limits the annual decrease in Small Area FMRs to no more than 10 percent of the area's FMR in the prior fiscal year.
[22] 24 CFR 982.507(a)(2)(ii)

within the SAFMR basic range, and therefore, will no longer be exceptions. Any amounts that remain above the basic range must be maintained unless an agency subsequently elects to reduce its payment standards or otherwise seeks to establish a higher payment standard, in which case another waiver must be requested and approved before the new, higher payment standard may be adopted. This includes amounts previously approved as a reasonable accommodation for a household that includes a person with disabilities.

PHAs that opt-in to SAFMRs may subsequently opt out, returning to the use of the published FMR, through revision of the Administrative Plan and written notification to HUD in accordance with procedures in PIH Notice 2024-34 after taking into consideration any potential disruptions to its program, families, and owners.

2.2 Payment Standard Groupings

PHAs may choose to establish separate payment standards for each ZIP Code area but are not required to do so. In lieu of establishing a unique payment standard schedule for each ZIP Code area within its jurisdiction, a PHA may wish to establish payment standard schedules for "grouped" ZIP Code areas. For example, a PHA could establish a payment standard schedule that falls within the basic range for a group of Zip Code areas and identify that group of Zip Code areas as Group A, another as Group B, and so on.

ZIP Code	SAFMR	Basic Range	Payment Standard	Group
90012	$1,490	$1,341-1,639	$1,440	A
90013	$1,630	$1,467-1,793	$1,630	B
90014	$1,810	$1,629-1,991	$1,630	B
90015	$1,110	$999-1,221	$1,000	C
90016	$1,340	$1,206-1,474	$1,440	A
90017	$1,090	$981-1,199	$1,000	C

Adopting groups, as illustrated above, may help to minimize the administrative burden of managing multiple payment standard areas.

2.3 SAFMRs and Project Based Vouchers (PBV)

PHAs located in a mandatory SAFMR area, or that have fully opted in to SAFMRs may elect to, but are not required to, apply SAFMRs to its PBV program. PHAs that choose to apply SAFMRs to its PBV program must[23]

[23] 24 CFR 888.113(c)(5)

adopt such a policy in the Administrative Plan.[24] If the PHA adopts such a policy, then SAFMRs apply to projects in the following circumstances:

- Where the proposal or project selection date under 24 CFR 983.51(g) was on or before the effective dates of either or both the SAFMR designation/implementation and the Administrative Plan policy, the PHA and owner may mutually agree to apply the SAFMR. The owner and PHA may not subsequently choose to revert back to the use of the metropolitan area or nonmetropolitan county FMRs for the PBV project.; or
- Where the proposal or project selection date under 24 CFR 983.51(g) was after the effective dates of both the SAFMR designation/implementation and the Administrative Plan policy, the SAFMR shall apply to the PBV project if the Administrative Plan provides that SAFMRs are used for all future PBV projects. An owner and the PHA may not subsequently choose to apply the metropolitan area or non-metropolitan county FMR to the project, regardless of whether the PHA subsequently changes its Administrative Plan to revert to the use of metropolitan or nonmetropolitan county FMR for future PBV projects.

In considering whether to adopt SAFMRs for its PBV program, PHAs may want to consider the following:

- In what ZIP Code areas are the existing PBV projects located, and are the SAFMRs in those areas higher or lower than the metropolitan or non-metropolitan county FMR?
- How would SAFMRs impact the budget authority and the number of families the PHA can serve in the HCV program?
- Will adopting SAFMRs be a disincentive for owners of future PBV projects if the SAFMRs are lower than the FMRs?
- Will adopting SAFMRs help the PHA achieve its affordable housing goals?
- Will adopting SAFMRs and applying SAFMRs to only future projects create a discrepancy in the rent to owner between proposals and projects previously selected and future PBV projects in the SAFMR same area?

A PHA's decision to apply the SAFMR to the PBV program (whether for upcoming projects or by mutual agreement for projects underway before the PHA decision) impacts the maximum rent to owner for individual projects, because that decision dictates whether the "applicable FMR" for purposes of PBV rent determination rules is the SAFMR versus the metropolitan area or non-metropolitan county FMR.

For the PBV program, except for certain tax credit units, the amount of rent to owner must not exceed the lowest of:[25]

- An amount determined by the PHA in accordance with the Administrative Plan, not to exceed 110 percent of the applicable FMR (or the amount of any applicable exception payment standard), minus any utility allowance;
- The reasonable rent; or
- The rent requested by the owner.

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[24] 24 CFR 983.10(b)(23)
[25] 24 CFR 983.301(b). Please also note that additional rent limitations may apply; for instance, the subsidy layering review may cap the rent for a PBV project below the amount normally allowable under 24 CFR 983.301 if the project is determined to be over-subsidized based on the subsidy layering review thresholds. See 24 CFR 983.304-983.305.

As a result, the maximum rent that the PHA may permit for any PBV project located in an area without an exception payment standard is 110 percent of the applicable FMR, minus the utility allowance, where this amount is equal to or lower than the reasonable rent and the owner-requested rent.[26]

2.4 Portability and SAFMRs

The vouchers of families who port will be administered according to the policies of the receiving PHA (as the term is used for portability purposes). If the receiving PHA is operating under SAFMRs, then the family's voucher will be administered using SAFMRs. If the receiving PHA has not adopted SAFMRs, then the family's voucher will not be administered using SAFMRs (regardless of whether the initial PHA uses SAFMRs).

2.5 Special Housing Types and SAFMRs

If use of the SAFMR has been designated for a metropolitan area or a PHA has voluntarily opted in to using SAFMRs, the SAFMRs apply to all tenant-based vouchers, including special housing types, with the exception of manufactured home space rentals under 24 CFR 982.622 through 982.624. Manufactured home space rentals are exempt from SAFMRs, and payment standards for manufactured home space rentals continue to be based on metropolitan area FMRs in accordance with 24 CFR 888.113(g).

All other special housing types are subject to the SAFMRs. For example, under the Single Room Occupancy (SRO) special housing type, the payment standard is 75 percent of the 0-bedroom payment standard amount on the PHA payment standard schedule. If the PHA revised the payment standard schedule because of the applicability of SAFMRs, the payment standard for SRO units would likewise be revised to reflect 75 percent of the applicable 0-bedroom payment standard amount.

Revisions to the payment standard as a result of the implementation of SAFMRs also apply to the voucher homeownership program at 24 CFR 982.625 through 982.642. The PHA must use the same payment standard schedule and payment standard amounts for the homeownership option as for the rental voucher program.[27] The same protections that the PHA may employ for families under HAP when the payment standard decreases would apply to families assisted under the voucher homeownership option. Furthermore, the payment standard for a voucher homeownership family is always the greater of the payment standard used at the commencement of homeownership assistance for occupancy of the home or current payment standard in effect at the most recent regular reexamination.[28]

2.6 Applicability of SAFMRs to Moving to Work (MTW) agencies

MTW PHAs can set alternative rent policies, outside of the standard regulations governing the use of FMRs in setting payment standards with approval from HUD. MTW PHAs administering the HCV program can exercise flexibility when establishing rent in accordance with the terms of its respective MTW Agreement and approved Annual MTW Plan or MTW Supplement to the Annual PHA Plan. However, MTW PHAs cannot set payment

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[26] For tax credit units that meet the criteria of 24 CFR 983.301(c)(1), including the criterion that the tax credit rent exceeds the applicable FMR or any exception payment standard, the maximum rent is the lowest of (i) An amount determined by the PHA in accordance with the Administrative Plan, not to exceed the tax credit rent minus any utility allowance; (ii) The reasonable rent; or (iii) The rent requested by the owner. See also additional rent limitations at 24 CFR 983.304-983.305.

[27] 24 CFR 982.635(b)(4)

[28] 24 CFR 982.635(b)(3)

standards for Special Purpose Vouchers (SPVs) that are inconsistent with the requirements in the Notice of Funding Opportunity (NOFO)/operating requirements.[29] MTW PHAs that choose to adopt alternative payment standards are strongly encouraged to ensure that HCV program participants have similar access to a wide range of communities as they would under SAFMRs. If an MTW PHA has not exercised flexibility through its Annual MTW Plan or MTW Supplement to the Annual PHA Plan, the SAFMR requirements will apply to the MTW PHA, and the MTW PHA will be required to use SAFMRs in place of metropolitan-wide FMRs if the PHA jurisdiction is located within a designated Small Area FMR metropolitan area. Any MTW PHA that does not operate in a metropolitan area where the use of SAFMRs is mandatory may choose to adopt SAFMRs, following the procedures outlined in Notice PIH 2024-34.

2.7 Inapplicability of SAFMRs to Other HUD Programs

SAFMRs do not apply to any programs other than the HCV program, unless otherwise noted in Section 3.6 of this chapter. Other programs that use FMRs (e.g. HOME Investment Partnerships Program) continue to use metropolitan FMRs regardless of whether SAFMRs have been designated for the HCV program within the same metropolitan area. Please follow the requirements of those programs regarding the use of FMRs.

2.8 Suspension of SAFMR Designation or Temporary Exemption

In rare cases, HUD may suspend an SAFMR designation from a metropolitan area or may temporarily exempt a PHA in a designated SAFMR area from the use of SAFMRs, when HUD makes a documented determination, through public notice, that such action is warranted.[30] The process for reviewing whether a suspension or temporary exemption is warranted may be initiated by HUD or at the request of a PHA. The PHA's request for suspension or exemption must be emailed to SAFMRs@hud.gov.

A PHA may request either:

- Suspension of the SAFMR designation for a metropolitan area.
    - Only PHAs, or a combination of PHAs, that administer more than 50 percent of the vouchers leased in the metropolitan area may make this request.
- Temporary exemption from the use of SAFMRs for an individual PHA.

In both cases, the request must be based on a documented finding of an adverse rental housing market condition specific to the area or PHA. Adverse rental housing market conditions may include, but are not limited to:

- Current vacancy rates falling below four percent (insufficient supply);
- A sudden and significant influx of families into the metropolitan area (demand shock);
- A sudden and significant loss of rental units (supply shock);
- A rapid increase in the PHA's per unit costs (PUC) causing the PHA to experience a funding shortfall (supply or demand shocks).

Adverse rental housing market conditions may apply to the broad rental housing market or may apply to the part of the rental market that is affordable and available to HCV families. For example, declining success rates and increasing rent burdens, despite PHA owner outreach efforts, may be evidence of adverse rental market conditions for HCV families due to lack of units that are both affordable and owned by owners willing

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[29] 85 FR 53444 (August 28, 2020) and as further edited by 90 FR 13189 (March 20, 2025)
[30] 24 CFR 888.113(c)(4)

to participate in the HCV program. There may be other circumstances that could cause adverse rental market conditions, and HUD will review the submitted documentation of these conditions on a case-by-case basis.

If HUD determines it is necessary to suspend an area's SAFMR designation or temporarily exempt an individual PHA from use of the SAFMRs, HUD will issue a Notice of Suspension or Exemption with information on the adverse rental market condition that is the reason for the suspension, the duration and timing of the suspension, and any other details as HUD determines necessary.

3 Establishing Payment Standards

PHAs are required to establish payment standards for each unit size in an FMR/SAFMR area.[31] Unit size is measured by the number of bedrooms in a unit. For each unit size, the PHA may establish a single payment standard for the whole FMR area or establish a separate payment standard amount for each designated part of the FMR area. For a PHA that employs SAFMRs, each ZIP Code will be considered a "designated part" of the FMR area. These payment standard amounts comprise the PHA's payment standard schedule.

The payment standards may be within several ranges depending on facts about the rental market. Payment standards may be established:

- Within the "basic range," which is between 90 percent to 110 percent of the published applicable FMR.
- As exception payment standards above 110 percent of the published FMR. See Section 3.5 of this chapter for guidance as there are varying requirements (either HUD notification or HUD approval) depending on the exception payment standard amount requested, the PHA's success rate, and the rent burden of families in the PHA's HCV program.
- Payment standards below 90 percent of the published applicable FMR. See Section 3.4 of this chapter for guidance as this requires HUD approval.

In areas transitioning from FMRs to SAFMRs, HUD will compare the preliminary SAFMRs with the final FMRs from the prior year and establish the final SAFMRs at a level that is not less than 90 percent of the prior-year FMRs.[32]

3.1 Payment Standards within the Basic Range

PHAs may establish a payment standard amount within the basic range without HUD approval or prior notification to HUD.[33] The basic range is between 90 percent and 110 percent of the applicable FMR. The PHA's basic range payment standard amount for each unit size may be based on the same percentage of the published FMR (i.e., all payment standard amounts may be set at 100 percent of the FMR), or the PHA may establish different payment standard amounts for different unit sizes (for example, 90 percent for efficiencies, 100 percent for 1-bedroom units, 110 percent for larger units).[34]

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[31] 24 CFR 982.503(b)
[32] 24 CFR 888.113(b)
[33] 24 CFR 982.503(c)(1)
[34] 24 CFR 982.503(c)(2)

Whenever the FMR increases or decreases, the PHA must ensure that its payment standards remain within the basic range. PHAs must revise its payment standard amounts and schedule no later than 3 months following the effective date of the published FMR if revisions are necessary to stay within the basic range.[35]

3.2 Rounding the Payment Standard

The normal rounding rules will generally apply when determining the payment standard amount from the FMR. However, while rounding the payment standards to a whole dollar amount, the PHA must ensure that the rounded figures are within the basic range. For example, assuming that the applicable FMR is $798:

- 110% of $798 is $877.80. The PHA may not round the payment standard to $878 as this exceeds 110% of FMR. The payment standard must be rounded down to $877.
- 90% of $798 is $718.20. The PHA may not round the payment standard down to $718 since this is less than 90% of FMR. The payment standard must be rounded up to $719.

3.3 Phase-out of Payment Standards Based on the 50th Percentile Rent: Success Rate

As of June 6, 2024, HUD will no longer approve success rate payment standards.[36] PHAs that had a HUD approved success rate payment standard prior to June 6, 2024, may continue to use the approved payment standard amount.[37] However, the actual dollar amount of the approved success rate payment standard may never exceed the amount established by the PHA as of June 6, 2024. The approved success rate payment standard may remain in effect until the applicable FMR exceeds the approved amount. PHAs are encouraged to assess whether they should transition to the applicable FMR when that amount exceeds the maximum payment standard the PHA established under its success rate payment standards.

3.4 Payment Standards Below 90 percent of the Applicable FMR

PHAs may request approval from HUD to establish payment standards below 90 percent of the published FMR for any unit size. PHAs experiencing financial difficulties may request that HUD approve the request for good cause, such as the inability of a PHA to avoid terminating the HAP contracts of current participants without the proposed reduction in payment standards.

At HUD's sole discretion, HUD may approve a PHA's request to establish a payment standard lower than the basic range.[38] In determining whether to approve the PHA request, HUD will consider appropriate factors, including rent burden of families assisted under the program. Unless it is necessary to prevent termination of program participants, HUD will not approve a lower payment standard if the proposed payment standard would cause the family share for more than 40 percent of participants with tenant-based rental assistance to exceed 30 percent of adjusted monthly income, based on analysis of currently available data.

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[35] 24 CFR 982.503(c)(3)
[36] 89 FR 38224 (May 7, 2024)
[37] Please note that success rate payment standards are not exception payment standards and are never used for determination of rent to owner in the PBV program.
[38] 24 CFR 982.503(e)

PHAs requesting a payment standard lower than the basic range must submit its request in accordance with instructions in Notice PIH 2024-34.

The PHA's request should, at a minimum, include an explanation or reasoning for the request and include the calculation used to arrive at the projected shortfall in funding and cost-savings measures the PHA has already taken or will take in the future. Requests should include an analysis by the PHA on the impact the reduction in payment standards below the basic range will have on a family's opportunity to lease units throughout the PHA's jurisdiction. As part of this analysis, PHAs are encouraged to provide to HUD the following information as part of the request to expedite review:

- Applicable FMR and payment standard for the prior three years for the areas for which the PHA is requesting to establish payment standards below 90 percent of the applicable FMR;
- Rent burden percentage estimate for the whole program after applying the proposed payment standard;
- Current rent burden percentage (percent of families paying over 30 percent of adjusted monthly income) in the area where the PHA would like to set payment standards below 90 percent;
- Future rent burden in those areas if those payment standards were used;
- The PHA's success rate in these areas;
- Number of current families this change will impact;
- PHA's policy for decreases in the payment standard; and
- Any rental market data that would support the payment standard to be set lower than 90 percent of the applicable FMR.

In addition, as a condition of the approval, HUD may require the PHA to raise payment standards and apply the new payment standards at such time that the PHA receives additional funding.

3.5 Exception Payment Standards

PHAs may establish a payment standard amount that is higher than the basic range. This is known as an exception payment standard. The exception payment standard may be for a designated part of the FMR area, called an exception area or the entire FMR area.[39] So long as the exception area is smaller than the applicable FMR area, but no smaller than a census tract block group, the PHA may determine what the requested exception area is (e.g. census tract, census tract block group, county, city, town, neighborhood, ZIP Codes (for PHAs not in mandatory SAFMR areas or that have not opted-in to SAFMRs)).

Listed below are several options available to increase payment standards above the basic range:

- Exception payment standards based on SAFMRs in ZIP Codes where the SAFMR is higher than the applicable metropolitan or non-metropolitan county FMR;[40]
- Payment standards greater than 110 percent up to 120 percent of the applicable FMR;[41]
- Payment standards over 120 percent of the applicable FMR; and
- Payment standards necessary as a reasonable accommodation (see Section 6 of this chapter).

[39] 24 CFR 982.503(d)
[40] Note that SAFMR exception payment standards are different from "opt-in" SAFMRs, which are discussed in the prior section.
[41] 24 982.503(a)(1)

The exception payment standard may be for all units in the exception areas, or for all units of a given bedroom size in these areas. The exception area may be no smaller than a census tract block group.[42] Any PHA with jurisdiction in the exception areas may use the HUD-approved exception payment standards without requesting specific HUD approval. A PHA that adopts an exception payment standard area must revise its briefing materials to make families aware of the exception payment standard and the area that it covers.[43]

3.5.1. Exception Payment Standards Based on SAFMRs in ZIP Codes Where the SAFMR is Higher Than the Applicable Metropolitan or Non-Metropolitan County FMR

A PHA that is not in a designated SAFMR area or has not opted voluntarily to implement Small Area FMRs under 24 CFR 888.113(c)(3) may establish exception payment standards for a ZIP code area that exceed the basic range for the metropolitan area or county FMR as long as the amounts established by the PHA do not exceed 110 percent of the HUD published SAFMR for the applicable ZIP code.[44] PHAs that pursue this option must notify HUD through an electronic DocuSign submission. The DocuSign form can be found in Notice PIH 2024-34, or its successor notice. If an exception area crosses one or more FMR boundaries, then the maximum exception payment standard amount that the PHA may adopt for the exception area without HUD approval is 110 percent of the ZIP Code area with the lowest SAFMR to ensure that all areas are within the basic range. A PHA that adopts an exception payment standard pursuant to this authority must apply it to the entire ZIP Code area.

For the PBV Program, if a PHA has adopted SAFMR based exception payment standards under this section, the amount of rent to owner determined by the PHA for PBV projects in the exception area, except for certain tax credit projects that meet the criteria of 24 CFR 983.301(c)(1),[45] may not exceed the exception payment standard minus utility allowance, rather than the normally applicable 110 percent of FMR minus utility allowance limitation,[46] and the rent reasonableness requirements continue to apply.

3.5.2 Simplified Process for Exception Payment Standards Greater than 110 percent up to 120 percent of the Applicable FMR

All PHAs that meet at least one of the two specified criteria below may establish an exception payment standard amount greater than 110 percent up to 120 percent of its applicable FMR[47] upon notification to HUD:

- **Success rate** - Fewer than 75 percent of the families to whom the PHA issued tenant-based vouchers during the most recent 12-month period for which there is success rate data available have become participants in the voucher program; and/or

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[42] 24 CFR 982.503(a)(3)(ii)
[43] 24 CFR 982.301(b)(2)
[44] 24 CFR 982.503(d)(2)
[45] For tax credit units that meet the criteria of 24 CFR 983.301(c)(1), including the criterion that the tax credit rent exceeds the applicable FMR or any exception payment standard, the maximum rent is the lowest of (i) An amount determined by the PHA in accordance with the Administrative Plan, not to exceed the tax credit rent minus any utility allowance; (ii) The reasonable rent; or (iii) The rent requested by the owner. See also additional rent limitations at 24 CFR 983.304-983.305.
[46] 24 CFR 983.301(b) and (f)(3)(i); see also additional rent limitations at 24 CFR 983.304-983.305
[47] As a reminder, the applicable FMR is the metropolitan FMR, non-metropolitan county FMR, or SAFMR for PHAs in designated SAFMR areas or PHAs that have "opted-in" to the SAFMR.

- **Rent burden -** More than 40 percent of families with tenant-based vouchers administered by the agency pay more than 30 percent of adjusted income as the family share.[48]

PHAs must submit notification to HUD through an electronic DocuSign submission, which can be found in Notice PIH 2024-34. In the DocuSign notification, PHAs will certify that they meet at least one of the two required criteria. The duration in which the PHA may use the exception payment standard after proper notification to HUD is:

- Until the effective date of the first newly published FMRs following 12 consecutive months of a sustained tenant-based success rate at 75 percent or higher, if the PHA qualified for the exception payment standard based on the success rate criteria above; or
- Until the effective date of the first newly published FMRs following 12 consecutive months of the PHA maintaining a rent burden where fewer than 40 percent of tenant-based voucher families are paying more than 30 percent of adjusted income as the family share, if the PHA qualified for the exception payment standard based on the rent burden criteria above.

PHAs that adopt this option may revert back to the basic range at any time without notification to HUD. PHAs are reminded that if there are changes in the applicable FMR and the PHA's payment standard exceeds 120 percent of the newly applicable FMR, the PHA would need to reduce its payment standard to be 120 percent or lower than the newly applicable FMR.

The PHA may use the exception payment standard for all units, or for only units of a particular size. The exception payment standard may be established for a designated part of the FMR area (called an "exception area") or for the entire FMR area.[49] Exception areas typically are county, city, town, ZIP Code, or census tract. However, so long as the exception area is no smaller than census tract block group, the PHA may select the area for the exception area.[50]

PHAs that establish exception payment standards based on the SAFMR, may go up to 120 percent of the SAFMR if the PHA meets at least one of the two specified criteria in this section.[51] The PHA must submit notification to HUD through an electronic DocuSign submission outlined in Notice PIH 2024-34, or its successor notice. Prior to doing so, however, HUD encourages (but does not require) PHAs to first assess whether the SAFMR exception payment standard achieves the programmatic goals of the PHA.

If a PHA that is not in a designated Small Area FMR area or has not opted voluntarily to implement SAFMRs under 24 CFR 888.113(c)(3) has adopted an exception payment standard greater than 110 and up to 120 percent of the applicable FMR under this section, the amount of rent to owner determined by the PHA for PBV projects in the exception area, except for certain tax credit projects that meet the criteria of 24 CFR 983.301(c)(1)[52] may not exceed the exception payment standard minus utility allowance, rather than the

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[48] Program regulations at 24 CFR 982.503(d)(3)(iii) also provide HUD discretion to establish additional criteria by Notice. HUD has not opted to establish additional criteria at this time.
[49] 24 CFR 982.503(d)(1)
[50] 24 CFR 982.503(a)(3)(ii) and (d)(1)
[51] 24 CFR 982.503(d)(2) and (3)
[52] For tax credit units that meet the criteria of 24 CFR 983.301(c)(1), including the criterion that the tax credit rent exceeds the applicable FMR or any exception payment standard, the maximum rent is the lowest of (i) An amount determined by the PHA in accordance with the Administrative Plan, not to exceed the tax credit rent minus any utility allowance; (ii) The reasonable rent; or (iii) The rent requested by the owner. See also additional rent limitations at 24 CFR 983.304-983.305.

normally applicable 110 percent of FMR minus utility allowance limitation,[53] and the rent reasonableness requirements continue to apply.

If a PHA is in a mandatory SAFMR area or has opted voluntarily to implement SAFMRs under 24 CFR 888.113(c)(3), then the exception payment standard will only apply for purposes of rent determination for PBV projects in the exception area if the PHA has adopted a policy in its Administrative Plan to apply SAFMRs to its PBV program and met all other requirements in accordance with 24 CFR 888.113(h)[54] (See Section 2.3 above). For example, an opt-in PHA would use the exception payment standard for determining the rent to owner of a PBV project in the exception area if that PBV project was selected after the PHA opted in to SAFMRs and adopted a policy applying SAFMRs to all future PBV projects. When an exception payment standard is applicable to a PBV project, the rent to owner may not exceed the exception payment standard (rather than the normally applicable 110 percent of FMR) minus utility allowance, and the rent reasonableness requirements continue to apply.[55] However, certain tax credit projects that meet the criteria of 24 CFR 983.301(c)(1) may set the rent to owner above the exception payment standard (not to exceed the tax credit rent minus any utility allowance) if the tax credit rent exceeds the exception payment standard.[56]

3.5.3 Exception Payment Standards That Require HUD Approval

Most PHAs will find that the simplified exception payment standard process described above for greater than 110 and up to 120 percent of the applicable FMR, or exception payment standards based on the SAFMR, generally helps ensure its payment standards are competitive in the rental market. However, there may be some circumstances where the simplified exception payment standard process does not meet the PHA needs. Examples of these circumstances include:

- Situations where PHAs do not meet the criteria to receive an exception payment standard of up to 120 percent as described in Section 3.5.2 above and determine the applicable FMR is not in line with local rental market demands or
- Situations where 120 percent of the applicable FMR is still not high enough to reflect the local rental market demands

PHAs may request approval from HUD to establish an exception payment standard amount that exceeds the basic range of the applicable FMR.[57] The request must be submitted to HUD in accordance with Notice PIH 2024-34.

The PHA's request must be for an exception area within the applicable FMR area or for the entire FMR area.[58] The information required to be submitted is different for each type of request.

- **Exception Area Requests** - To request approval for an exception payment standard that applies to an exception area, the PHA must identify the exception area in its request and provide to HUD the

[53] 24 CFR 983.301(b) and (f)(3)(i); see also additional rent limitations at 24 CFR 983.304-983.305
[54] 24 CFR 983.301(f)(3)(ii)
[55] 24 CFR 983.301(b); see also additional rent limitations at 24 CFR 983.304-983.305
[56] For tax credit units that meet the criteria of 24 CFR 983.301(c)(1), including the criterion that the tax credit rent exceeds the applicable FMR or any exception payment standard, the maximum rent is the lowest of (i) An amount determined by the PHA in accordance with the Administrative Plan, not to exceed the tax credit rent minus any utility allowance; (ii) The reasonable rent; or (iii) The rent requested by the owner. See also additional rent limitations at 24 CFR 983.304-983.305.
[57] 24 CFR 982.503(d)(4)
[58] 24 CFR 982.503(d)(1)

rental market data demonstrating that the requested exception payment standard amount is needed for families to access rental units. The rental market data must include a rent estimate for the applicable FMR area compared with a rent estimate for the proposed exception area (e.g. census tract, census tract block group, county, etc.). As an example, a PHA in a mandatory SAFMR area would submit a rent estimate for the exception area, which must be a smaller geography than the applicable FMR area (ZIP Code). Typically, for mandatory SAFMR PHAs, the exception area would be a census tract but could be a different geography so long as it is no smaller than a census tract block group. The PHA would also submit a corresponding rent estimate for the applicable FMR area (ZIP Code).

For all exception area requests, the rent estimate must consist of a standard metric, such as an average or median rent, measured across a representative portion of the rental market by a reputable source. The rent estimates must include the two years preceding the current FMR year. For example, in FY 2025, the rent estimates should be for 2023 and 2024.

- **Entire FMR Area Requests** - A PHA may determine that they want to request an exception payment standard for the entire FMR area. For example, a PHA in a mandatory SAFMR area may want to request an exception payment standard for an entire ZIP Code. As another example, a PHA in a non-metropolitan county may want to request an exception payment standard for the entire county. PHAs requesting exception payment standards for an FMR area must submit estimates of the typical rent paid in the FMR area. The rent estimate must consist of a standard metric, such as an average or median rent, measured across a representative portion of the rental market by a reputable source. The rent estimates must include the two years preceding the current FMR year. The PHA must provide data that demonstrates the annual percentage of inflation change for the entire FMR area is greater than the rental inflation adjustment factor in the published FMR. For example, in FY 2025, the rent estimates should be for 2023 and 2024, with the annual percentage of inflation change reflecting the percentage increase from 2023 to 2024. HUD currently publishes the rental inflation factor on the HUD user webpage.[59]

  Please note that the exception payment standard process for an entire FMR area is different than a reevaluation of HUD's determination of FMRs. That process is discussed further in Section 7 of this chapter.

3.5.4 Impact of HUD-Approved Exception Payment Standards on PBV Rent Determination

Under no circumstances can the PHA establish an exception payment standard only for a specific PBV project. Exception payment standards must apply to a specific geographic area.[60]

For PBV projects that are located in a mandatory SAFMR area or are located in a ZIP Code where the PHA has opted in to the SAFMR, any exception payment standard amount approved under 24 CFR 982.503(d)(3)-(4) will apply to the PHA's determination[61] for the PBV project only if the PHA has adopted a policy applying SAFMRs to its PBV program and met all other requirements in accordance with 24 CFR 888.113(h).[62] If the PHA has not applied the SAFMRs to its PBV program and met all other requirements in accordance with 24 CFR 888.113(h), 110 percent of the metropolitan area or non-metropolitan county FMR minus the utility

[59] For FY 2025, the rental inflation adjustment factors can be found here under the "data" tab for the applicable year: https://www.huduser.gov/portal/datasets/fmr.html
[60] 24 CFR 982.503(d)(1)
[61] 24 CFR 983.301(b)(1) and 24 CFR 983.301(c)(1)(iv)
[62] 24 CFR 983.301(f)(3)(ii)

allowance remains the applicable limit on the amount determined by the PHA when calculating rent to owner for the project,[63] regardless of whether any exception payment standard is in effect under 24 CFR 982.503(d)(3)-(4). In either case, the rent must also meet the rent reasonableness and other requirements.[64]

For PBV projects that are not located in a mandatory SAFMR area or are not located in a ZIP Code where the PHA has opted in to the SAFMR, any exception payment standard amount approved under 24 CFR 982.503(d)(2)-(4) applies for purposes of establishing the maximum rent for the PBV project or determining if the project qualifies for a different maximum rent for certain tax credit projects.[65] The amount of rent to owner determined by the PHA may not exceed the exception payment standard minus utility allowance, rather than the normally applicable 110 percent of FMR minus utility allowance limitation,[66] and the rent reasonableness requirements continue to apply. However, certain tax credit projects that meet the criteria of 24 CFR 983.301(c)(1) may set the rent to owner above the exception payment standard (not to exceed the tax credit rent minus any utility allowance) if the tax credit rent exceeds the exception payment standard.[67]

3.6 Establishing the Payment Standard Schedule

Like the FMR, the payment standard schedule is established by bedroom size category. With the possible exceptions to HUD-VASH and EHV (see below), the payment standard schedule applies to all voucher units administered by the PHA regardless of the voucher type (e.g., standard HCVs, Family Unification Program (FUP), Non-elderly disabled (NED) vouchers) or the date on which the vouchers were awarded by HUD.

The PHA may establish one or more separate payment standards within the basic range for designated parts of an FMR area. This may be appropriate where a PHA has determined that its general payment standards are too low to allow families seeking housing in areas with low poverty and minority concentrations to lease in these areas.

3.7 Payment Standards for Special Purpose Voucher Programs

HUD-Veterans Affairs Supportive Housing (HUD-VASH) - On August 13, 2024, HUD published Federal Register Notice titled "Section 8 Housing Choice Vouchers: Revised Implementation of the HUD-Veterans Affairs Supportive Housing Program" with updated operating requirements for the HUD-VASH program administered by local PHAs that have partnered with local Veterans Affairs (VA) medical facilities.[68] In the notice, HUD allows PHAs to establish a separate HUD-VASH exception payment standard without HUD approval or notification.

Additionally, PHAs' HUD-VASH exception payment standards may go up to, but no higher than 120 percent of the published metropolitan area-wide FMRs or SAFMRs (based on the PHA's applicable FMR) specifically for its HUD-VASH program without approval or notification to HUD. PHAs that want to establish a HUD-VASH exception payment standard over 120 percent, as allowed by 24 CFR 982.503(d)(4), must still request

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[63] Except for certain tax credit projects that meet the criteria of 24 CFR 983.301(c)(1).
[64] See 24 CFR part 983, subpart G for requirements applicable to setting PBV rents.
[65] 24 CFR 983.301(f)(3)(i)
[66] 24 CFR 983.301(b)(1); see also additional rent limitations at 24 CFR 983.304-983.305
[67] For tax credit units that meet the criteria of 24 CFR 983.301(c)(1), including the criterion that the tax credit rent exceeds the applicable FMR or any exception payment standard, the maximum rent is the lowest of (i) An amount determined by the PHA in accordance with the Administrative Plan, not to exceed the tax credit rent minus any utility allowance; (ii) The reasonable rent; or (iii) The rent requested by the owner. See also additional rent limitations at 24 CFR 983.304-983.305.
[68] 89 FR 65769 (August 13, 2024)

approval from HUD through the regular process for exception payment standards over 120 percent of the applicable FMR outlined in Section 3.5.3 of this chapter.

Exception payment standards implemented by the PHA for HUD-VASH also apply in determining rents under 24 CFR 983.301(b) for PBV projects only when the project is comprised solely of units exclusively made available to HUD-VASH families. This is because there can only be one contract rent for similar units per PBV project. All rent reasonableness requirements at 24 CFR 982.507 continue to apply.

Emergency Housing Vouchers (EHV) - HUD issued guidance in Notice PIH 2021-15 which established an alternative requirement permitting PHAs to establish separate higher payment standards for the EHVs in order to increase the potential pool of available units for EHV families. The separate EHV payment standard must comply with all other HCV requirements under 24 CFR 982.503 with the exceptions discussed below.

Establishing a separate EHV payment standard is at the discretion of the PHA, and the PHA is not required to do so. PHAs are not permitted to establish a separate payment standard for the EHVs that is lower than the regular HCV payment standard. If the PHA is increasing the regular HCV payment standard, the PHA must also increase the EHV payment standard if it would be otherwise lower than the new regular HCV payment standard. In addition, HUD established an alternative requirement to allow the PHA to establish a payment standard amount for a unit size at any level between 90 percent and 120 percent (as opposed to 110 percent) of the published FMR for that unit size. HUD approval is not required to establish an EHV payment standard within this range.

PHAs may also still request approval for exception EHV payment standards above 120 percent of the applicable FMR/SAFMR from HUD. All rent reasonableness requirements at 24 CFR 982.507 continue to apply to EHV units, regardless of whether the PHA has established an alternative or exception EHV payment standard.

Stability Vouchers (SV) - HUD issued guidance in Notice PIH 2022-24 which established an alternative requirement permitting PHAs to establish separate higher payment standards for SVs to increase the potential pool of available units for SV families. The separate SV payment standard must comply with all other HCV requirements under 24 CFR 983.503 with the exceptions discussed below.

Establishing a separate SV payment standard is at the discretion of the PHA and the PHA is not required to do so. PHAs are not permitted to establish a separate payment standard for the SVs that is lower than the regular HCV payment standard. For PHAs administering both SVs and EHVs, the SV payment standard must not be less than the EHV payment standard. If the PHA increases the regular HCV payment standard, the PHA must also increase the SV payment standard if it would be otherwise lower than the new regular HCV payment standard. In addition, HUD established an alternative requirement to allow the PHA to establish a payment standard amount for a unit size at any level between 90 percent and 120 percent (as opposed to 110 percent) of the published FMR for that unit size. HUD approval is not required to establish an SV payment standard within this range.

PHAs may also still request approval for exception SV payment standards above 120 percent of the applicable FMR/SAFMR from HUD if needed. All rent reasonableness requirements at 24 CFR 982.507 continue to apply to SV units, regardless of whether the PHA has established an alternative or exception SV payment standard.

4 Revising the Payment Standards

Prior to the effective date of any new FMRs, the PHA must review its payment standard schedule and amend it as needed to ensure that the payment standards remain within the basic range (90 percent to 110 percent of the new FMR).[69] If the applicable FMR increases, the PHA is required to ensure that the payment standards for each unit size are at least 90 percent of the new FMR. Similarly, if the FMR decreases, the PHA is required to be sure that the payment standards are not more than 110 percent of the new FMR.

PHAs have up to three months from the date when the new FMRs are published by HUD and go into effect to update its payment standards if a change is necessary to fall within the basic range of the new FMRs.[70] For example, if the new FMR went into effect on October 1, 2024, the PHA would need to update its payment standards if necessary to fall within the basic range of the new FMRs no later than January 1, 2025.

For reexaminations of income with an effective date prior to the effective date of the new payment standard schedule, the old payment standard schedule will be used.

For reexaminations of income that are effective on or after the effective date of the new payment standard schedule, the new payment standard will be used if there's an increase in payment standard. Decreases in payment standard will be applied in accordance with the PHA's policy on decreases in the payment standard amount during the HAP contract term. See Section 5 of this chapter for more information on applying payment standard increases and decreases.

The payment standard used for a newly issued voucher will depend on the effective date of the HAP contract. If the effective date of the HAP contract is before the effective date of the new payment standard schedule, then the old payment standard schedule is used. If the effective date of the HAP contract is on or after the effective date of the new payment standard schedule, then the new payment standard schedule is used.

To ensure that families are informed about the effect of payment standard changes, HUD recommends that PHAs provide both the old and the new payment standard schedules to families who have been issued a voucher and whose search term will extend beyond the effective date of the new payment standard schedule. PHAs are strongly encouraged to post its payment standard schedule on its website for transparency to applicants, participants, landlords and the public.

4.1 Annual Review of Payment Standards

At least annually, PHAs must review its payment standards in accordance with its policy to determine whether adjustments are needed for some or all unit sizes.[71] The PHA must describe in its Administrative Plan the process for applying changes in payment standard amounts during a HAP contract term, establishing and revising voucher payment standards, including whether the PHA has voluntarily adopted the use of SAFMRs.[72] If the PHA establishes different payment standard amounts for designated areas within its jurisdiction, including exception areas, then the criteria used to determine the designated areas and the payment standard amounts for those designated areas must be included in the PHA's Administrative Plan.[73] All such areas must be described in the PHA's Administrative Plan or payment standard schedule. Since the PHA uses its applicable FMRs to determine its payment standards, and FMRs are published annually by HUD, the PHA must review its payment standards when the new FMRs are published to ensure the payment standards fall within the basic range of 90 percent to 110 percent of the new FMRs.[74] When reviewing the adequacy of its payment standards, PHAs are encouraged to consider the following non-exclusive list of items:

[69] 24 CFR 982.503(c)
[70] 24 CFR 888.115(a)
[71] 24 CFR 982.503(c)(3)
[72] 24 CFR 982.54(d)(14)
[73] 24 CFR 982.503(a)(3)
[74] 24 CFR 982.503(c)(3)

- **Assisted Families' Rent Burdens.** The PHA should review the percentage of income families with vouchers use to pay rent to determine the extent to which rent burdens exceed 30 percent of income due to the fact that gross rent levels are above the PHA's payment standards. This information can be obtained from the rent burden subsection of the Key Management Indicators report in IMS/PIC, or its successor system.
- **Availability of Suitable Vacant Units with Rents Below the Payment Standards.** The PHA should review its rent reasonableness data, vacancy rate data, and other relevant information to determine whether there is an ample supply of vacant units with rents below the payment standards, particularly in areas with low concentrations of poor and minority families.
- **Size and Amenities of Units Selected.** The PHA should review the size and amenities of units selected by assisted families before concluding that there is a need for a change in the payment standards. Payment standard increases should be made only when they are needed to access units of adequate size and amenities in the rental market.
- **Time to Locate Housing.** The PHA should review the average time required for voucher holders to find units. If the PHA determines that the amount of time required is excessive (i.e. 90 days or more), an increase in the payment standard may be needed.
- **Vouchers Expired without Leasing.** PHA should also review the number of voucher holders whose vouchers expire without leasing a unit. While some barriers to successfully lease a unit are to be expected, the fact that there are a substantial number of families unable to lease units with assistance under the HCV program suggests that the payment standards may be too low.
- **Large Numbers of Families Moving Out of the PHA's Jurisdiction.** The PHA may review the number of families exercising the portability option to lease in other jurisdictions. While some exercise of portability is to be expected and may indicate that the PHA is meeting its objectives in expanding housing opportunities for participating families, an excessively high number of families moving out may be an indicator that the PHA's payment standards are too low.

4.2 Lowering the Payment Standard

A PHA's analysis may indicate that the payment standards are too high, in which case, the PHA should lower its payment standard to an appropriate amount within the basic range. For new HAP contracts, the PHA applies the payment standard in effect at the time of HAP contract execution. For decreases in payment standard amount during the HAP contract term, when the decreased payment standard is applied depends on the PHA's policy. See Section 5.2 of this chapter, which provides guidance on how to apply a decrease in payment standard amounts during the HAP contract term.

4.3 File Documentation

PHAs are encouraged to retain documentation of its review of the payment standards schedule to support a determination to change or not to change the payment standards on the payment standard schedule.

4.4 Applying the Payment Standard

The payment standard is used to calculate the monthly HAP paid on behalf of a family under the HCV program. The HAP is determined by taking the lower of the:[75]

[75] 24 CFR 982.505(b)

- Payment standard minus the TTP; or
- Gross rent for the unit minus the TTP.

Under the HCV program, if the gross rent for the unit is lower than the payment standard, the family's share will be the full TTP. If the gross rent for the unit is higher than the payment standard, the family's share will be the TTP plus the amount by which the gross rent exceeds the payment standard. However, at initial lease up, the family's share cannot exceed 40 percent of the family's adjusted gross income.[76]

If during the term of the HAP contract the owner changes the rent for a unit, the HAP will be recalculated using the lower of the payment standard or the gross rent for the unit minus the TTP. During the initial term of the lease, the owner may not raise the rent to owner.[77] Also, PHAs are required to re-determine whether the rent is reasonable before any increase in the rent to owner (see the Rent Reasonableness chapter).

If during the term of the HAP contract, the rent to owner changes, the PHA may only change the payment standard used in the recalculation of the HAP in accordance with Section 5 of this chapter.

5 Changes in Payment Standard Amounts

5.1 When the Payment Standard Increases

The payment standard in place on the effective date of the HAP contract remains in place for the duration of the contract term unless the PHA increases or decreases its payment standards.

If a payment standard is increased, the PHA must use the increased payment standard amount to calculate the monthly housing assistance payment for the family beginning no later than the earliest of:[78]

- The effective date of an increase in the gross rent that would result in an increase in the family share;
- The family's first regular or interim reexamination; or
- One year following the effective date of the increase in the payment standard amount.[79]

The PHA may apply a payment standard increase at any earlier date, so long as that policy is included in the PHA Administrative Plan, and the policy is applied consistently to all families.[80]

5.2 When the Payment Standard Decreases

As mentioned earlier in the chapter, if a PHA lowers its payment standards, the payment standard applies immediately to all new admissions and moves. When a PHA's payment standard decreases while the family continues to reside in the unit for which the family is receiving assistance, and there is no change in family unit size (voucher size) during the HAP contract term, the PHA may adopt one of three policy options:[81]

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[76] 24 CFR 982.508
[77] 24 CFR 982.309(a)(3)
[78] 24 CFR 982.505(c)(4)
[79] MTW PHAs may have an approved MTW activity in its Annual MTW Plan or MTW Supplement to the Annual PHA Plan to apply the increased payment standard at a different time
[80] 24 CFR 982.505(c)(5)
[81] 24 CFR 982.505(c)(3)

- Hold harmless: The PHA may choose not to reduce the payment standard amount used to calculate the subsidy for a family for as long as the family continues to reside in the unit for which the family is receiving assistance.
- Gradual reduction: Upon proper notification (as described below) to the family, the PHA may gradually reduce the payment standard amount used to calculate the family's subsidy, phasing in the reduction. The initial reduction in payment standard cannot take place earlier than two years following the effective date of the decrease in the payment standard.
- Two years after effective date: Upon proper notification to the family, the PHA may choose to reduce the payment standard amount used to calculate such a family's subsidy no earlier than two years following the effective date of the decrease in the payment standard.

A PHA's Administrative Plan must indicate how it will handle decreases in the payment standard amount for families under HAP contract and be applied consistently to all families.[82]

If a PHA chooses to reduce the payment standard for a family under HAP contract, the initial reduction in payment standard cannot take place earlier than two years following the effective date of the decrease in payment standard and then only if the family has received the notice required under 24 CFR 982.505(c)(3)(iii). In accordance with 24 CFR 982.516(a), PHAs must conduct a reexamination of family income and composition at least annually. The requirement to conduct an annual reexamination is in effect even if the PHA implements a streamlined income determination for fixed-income families, as is currently permitted under 24 CFR 982.516(b). Even if the PHA conducts a full income recertification only every three years, the PHA will review the family's payment standard annually as part of the streamlined annual reexamination.

If a new HAP contract is executed due to changes in the lease requirements that require a new HAP contract, such as change in utility responsibility, the provisions in 24 CFR 982.505(c)(3) on applying decreases in payment standard apply as long as the family continues to reside in the unit for which the family is receiving assistance, and there is no change in the family's voucher size. This means, if the PHA adopts a hold harmless policy, they must continue to use the higher payment standard. If the PHA plans to apply decreases in payment standards two years after the effective date of the decrease or implement a gradual reduction, any reduction to the family's payment standard amount cannot be applied earlier than two years after the payment standard decrease.[83]

If the PHA has an established policy to reduce the payment standard, the PHA must provide the family with at least 12 months' written notice of any reduction in the payment standard amount that will affect the family if the family remains in place. This notice is required for any reduction in payment standard, even if the PHA chooses to reduce the payment standard gradually. In the written notice, the PHA must state the new payment standard amount, explain that the family's new payment standard amount will be the greater of the amount listed in the current written notice or the new amount (if any) on the PHA's payment standard schedule at the end of the 12-month period, and make clear where the family will find the PHA's payment standard schedule.[84]

Listed below are tips for PHAs on the language to include in any written notice to families who will experience a reduction in subsidy due to a decrease in the payment standard.

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[82] 24 CFR 982.505(c)(3)(iv)
[83] 24 CFR 982.505(c)(3)(i)
[84] 24 CFR 982.505(c)(3)(iii)

- Provide a simple, clear letter, mailed directly to the family. This approach is preferable to a general meeting or training, even if all families are invited.
- Provide the notice at least one year in advance of the effective date of the lower payment standard and change in the HAP calculation for the family.
- In the letter, clearly define and explain the term "payment standard," and explain how a change in the payment standard is likely to affect the family's subsidy. Do not assume that the family understands what is meant by "payment standard" or the connection between a change in the payment standard and a change in their subsidy. Include a sample calculation to illustrate the likely effect of the change.
- Identify a point of contact for families who have questions or wish to seek new housing, given the change. Make clear whom families may contact if they have questions, as well as how to contact that person.

All materials provided to residents communicating a change in their subsidy must be presented in a manner that is accessible for those with hearing and/or vision impairment, in addition to those with limited English proficiency, as described below.

- **Effective Communication Requirements** - All notices and communications must be provided in a manner that is effective for persons with hearing, visual, and other communication-related disabilities consistent with Section 504 of the Rehabilitation Act, Title II of the ADA, and implementing regulations. Effective communication is generally provided through the use of appropriate auxiliary aids and services, such as interpreters, computer-assisted real time transcription (CART), captioned videos with audible video description, visual alarm devices, a talking thermostat, accessible electronic communications and websites, documents in alternative formats (e.g., Braille, large print), or assistance in reading or completing a form, etc.

  This requirement applies to all oral, written, audible, visual, and electronic communications, including letters, notices, emails, social media, internet websites, forms, leases, rules, and other written documents and electronic media, as well as oral communications that occur in person, over the telephone, over the internet, and in interviews, meetings, training classes, hearings, and public presentations, when communicating with an individual with a disability or when such communications are expected.

  Under the effective communication requirement, steps must be taken to ensure that communications are provided in the most integrated setting appropriate for the individual with a disability. It is also necessary to give primary consideration to the means of communication preferred by the individual with a disability. See 24 CFR 8.6, 28 CFR 35.160 for additional information.

- **Limited English Proficiency (LEP) Requirements** - Recipients of HUD funds must take reasonable steps to ensure meaningful access to their programs and activities to LEP individuals. See HUD's published Final Guidance to Federal Financial Assistance Recipients: Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons (LEP Guidance), 72 Fed. Reg. 2732, and HUD's FHEO website on Limited English Proficiency for more information.

5.3 Change in Family Unit (Voucher) Size During the HAP Contract Term

If the family voucher size either increases or decreases during the HAP contract term, the new family voucher size may be used to determine the payment standard amount for the family immediately but no later than the family's first regular reexamination following the change in family unit size.[85]

PHAs may establish different policies on when to apply the new voucher size and associated payment standard based on whether the voucher size increases versus decreases, and/or when the family voucher size changes due to a change in family composition versus change in voucher size due to PHA's change in subsidy standard policy. The PHA's policies must be applied consistently to all families based on the circumstances as outlined in the PHA's Administrative Plan.

6 Exception Payment Standard as a Reasonable Accommodation

On a case-by-case basis, PHAs are required to provide reasonable accommodation exception payment standards for a person with a disability in accordance with 24 CFR part 8. PHAs may, without HUD notification or approval, establish an exception payment standard of up to and including 120 percent of the applicable FMR as a reasonable accommodation for a family that includes a person with a disability.[86]

Examples of circumstances that may qualify for an exception payment standard as a reasonable accommodation include, but are not limited to:

- Special features such as ADA compliant bathrooms or larger doorways
- Access to ground level units or elevators for wheelchair users
- Units outfitted for hearing or visual impairments
- Proximity to medical or other services.

As mentioned earlier in this chapter, the annually published FMRs are effective October 1st of each year or no earlier than 30 days after the date the notice is published in the Federal Register if HUD fails to publish FMRs 30 days before October 1st.[87] When evaluating a reasonable accommodation exception payment standard (RA EPS), PHAs are to use the current applicable FMR to determine if HUD approval is required, even when the PHA's updated payment standard schedule is not yet in effect.

6.1 Reasonable Accommodation Exception Payment Standard Requiring HUD Approval

If a payment standard higher than 120 percent of the FMR/SAFMR for the unit size is necessary as a reasonable accommodation, the PHA must request HUD approval through its local HUD field office for an exception payment standard for the unit.[88] For HUD-VASH, PHAs may approve, on a case-by-case basis, a

[85] 24 CFR 982.505(c)(6)
[86] 24 CFR 982.503(d)(5)
[87] 24 CFR 888.115(a)
[88] 24 CFR § 982.503(d)(5)

reasonable accommodation exception payment standard up to 140 percent of the applicable FMR without HUD notification or approval.[89]

When HUD's approval is required, the PHA is required to provide the following documentation to HUD:[90]

- The head of household's first and last name;
- Whether the family is an applicant or participant family;
- Address of the unit requested for the RA EPS. The family must have submitted a Request for Tenancy Approval for a specific unit;
- Number of household members including a live-in aide(s);
- Family unit size (voucher size) the family is issued under the PHA's subsidy standards or any exception to those standards granted through a reasonable accommodation request. Note: HUD will not approve RA EPS requests where the voucher size is smaller than the unit size. PHAs must provide a larger subsidy standard if necessary as a reasonable accommodation.[91] PHAs do not need HUD approval to grant an exception to its subsidy standards, and must make that determination prior to submitting a reasonable accommodation exception payment standard request to HUD;[92]
- The FMR or SAFMR (whichever the PHA is using in the area where the unit is located) for the actual unit size;
- Contract rent and utility allowance for the unit;
- The family's monthly adjusted income;
- A description of the nexus between the features of the unit and the disability-related needs of the family. When either the disability or the need for the requested accommodation is not known or readily apparent, a statement from a doctor or other medical professional, a peer support group, a non-medical service agency, or a qualified third party who is in a position to know about the individual's disability and provide enough information to establish the nexus between the individual's disability and the features of the unit. If the disability-related need is known or readily apparent, the PHA must include a statement to that effect and therefore third-party documentation is not required. Statements from a reliable third party that simply state a higher rent is needed without explaining the nexus is not acceptable justification;
- A statement from the PHA that the unit has the feature/s required to meet the needs of the person with disabilities as noted in the statement from the qualified third party in cases where such statement is necessary;
- A statement from the PHA that there is a lack of more affordable units that meet the family's disability-related needs;
- The calculation for the exception payment standard request; and
- A statement from the PHA that it has determined that the rent for the unit is reasonable in accordance with 24 CFR 982.507.

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[89] 89 FR 65769 (August 13, 2024)
[90] Notice PIH 2025-12
[91] PHAs must make an exception to its subsidy standards as a reasonable accommodation if necessary as a reasonable accommodation when the unit meets the disability related needs of the family. In some cases, the reason that a higher bedroom size is needed is that the features necessary to meet the accommodation are not available in the family's current voucher size.
[92] 24 CFR 982.402(b)(8)

PHAs have the regulatory flexibility to grant an exception to its established subsidy standards if the PHA determines that the exception is justified by age, sex, health, handicap, or relationship of family members or other personal circumstances.[93] Therefore, when the PHA submits a request for an exception payment standard above the 120 percent threshold, the bedroom size on the voucher issued by the PHA should be the same size as the unit size which requires the exception payment standard. For example, if a PHA issues the family a 2-bedroom voucher, the request for the exception standard must also be a 2-bedroom unit. Conversely, if the PHA issued the family a 2-bedroom voucher and the request for an exception payment standard as a reasonable accommodation is for a 3-bedroom voucher, the request will be denied because the PHA has the flexibility it needs under the current regulatory structure to meet the family's reasonable accommodation needs.

For additional guidance on reasonable accommodation exception payment standards, see Notice PIH 2025-12.

6.2 Reasonable Accommodation Exception Payment Standard Calculation for Shared Housing

For shared housing, the threshold for requiring HUD approval of an RA EPS is based on the FMR/SAFMR of the voucher size approved for the family. The pro-rata calculation required for shared housing only applies to the payment standard and utility allowance. The pro-rata calculation should not be applied to the FMR/SAFMR. The payment standard for a family that resides in shared housing is the lower of: (1) The payment standard amount on the PHA payment standard schedule for the family unit size; or (2) The pro-rata portion of the payment standard amount on the PHA payment standard schedule for the size of the shared housing unit.[94] Refer to the Special Housing Types chapter for further information on how to calculate the payment standard for special housing types.

7 Reevaluation of HUD-published FMRs/SAFMRs

PHAs may request a reevaluation of its published applicable FMR following the procedures established in the Federal Register notice, which is typically published in August of each year.[95] While the procedures are subject to change annually, typically the reevaluation procedures require:

- The area's PHA, or in multi-jurisdictional areas, PHA(s) representing at least half the voucher tenants in the FMR area must agree that the reevaluation is necessary.
- The requester to supply HUD with data more recent than the American Community Survey (ACS) data used in the calculation of the applicable year's FMRs/SAFMRs. HUD requires data on gross rents paid in the area for occupied standard quality rental housing units. Occupied recent mover units provide the best data. The data delivered must be sufficient for HUD to calculate a 40th and 50th percentile two-bedroom gross rent.

[93] 24 CFR § 982.402(b)(8)
[94] 24 CFR 982.617(c)
[95] 24 CFR 888.115(a)

  - If this data is not available, requestors may gather this information using the survey guidance at www.huduser.gov/portal/datasets/fmr/NoteRevisedAreaSurveyProcedures.pdf and www.huduser.gov/portal/datasets/fmr/PrinciplesforPHA-ConductedAreaRentSurveys.pdf

The above information was provided exclusively for informational purposes. PHAs should always follow the instructions in the most recent Federal Register notice.

8 Administrative Plan Requirements

The PHA Administrative Plan must address:[96]

- The process for establishing and revising payment standards, including policies on administering increases and decreases in the payment standard during the HAP contract term.
- PHA policy on payment standard increases if the PHA chooses to adopt a policy to apply a payment standard increase at any time earlier than the date calculated according to 24 CFR 982.505(c)(4).
- Criteria used to determine the designated areas and payment standard amounts for those areas.
- A PHA that chooses to adopt SAFMRs must amend its administrative plan to state that it will employ SAFMRs in the operation of its HCV program. A PHA that is required to adopt SAFMRs need not amend its administrative plan solely for this purpose.
- Protection of in-place participants. The adoption of SAFMRs may have the effect of pushing current payment standards outside of the basic range. For example, if the FMR is high relative to the SAFMR, the adoption of the SAFMR may result in the current payment standard amount exceeding 110 percent of the SAFMR. When the PHA's payment standard decreases while the family continues to reside in the unit for which the family is receiving assistance, the PHA has three options:
  - Hold harmless: The PHA may choose not to reduce the payment standard amount used to calculate the subsidy for a family for as long as the family continues to reside in the unit for which the family is receiving assistance.[97]
  - Gradual reduction: Upon proper notification (as described below) to the family, the PHA may gradually reduce the payment standard amount used to calculate the family's subsidy, phasing in the reduction. The initial reduction in payment standard cannot take place earlier than two years following the effective date of the decrease in the payment standard.[98]
  - Two years after effective date: Upon proper notification to the family, the PHA may choose to reduce the payment standard amount used to calculate such a family's subsidy no earlier than two years following the effective date of the decrease in the payment standard.[99]
- Applicability to PBV program. All PHAs have discretion regarding whether to employ SAFMRs in its project-based voucher (PBV) program, if they operate such a program.

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[96] 24 CFR 982.54, 983.10(b)(23) and (b)(19)
[97] 24 CFR 982.505(c)(3)
[98] 24 CFR 982.505(c)(3)(i) and (ii)
[99] 24 CFR 982.505(c)(3)(i)

9 Glossary

The following terms are used in this Chapter:

Applicable FMR for tenant-based HCVs means the HUD-published SAFMR for PHAs in mandatory SAFMR areas or for those PHAs that have opted-in to using the SAFMR, and the HUD-published metropolitan FMR for any other metropolitan area or the HUD-published FMR for any other non-metropolitan county. Applicable FMR for the PBV program means the HUD-published metropolitan FMR for any metropolitan area or the HUD-published non-metropolitan county FMR for any non-metropolitan county unless the PBV project is located in a mandatory SAFMR area or a ZIP code where the PHA has opted in to the SAFMR, and the PHA has also adopted a policy applying SAFMRs to its PBV program and met all other requirements in accordance with 24 CFR 888.113(h).

Basic Range means payment standards between 90 percent and 110 percent of the 40th percentile FMR.

Exception Area means a designated part of an FMR area.

Exception Payment Standard means payment standard below 90 percent or above 110 percent of the 40th percentile FMR, with HUD's approval if necessary.

Fair Market Rent (FMR) is the rent, including the cost of utilities (except telephone), as established by HUD for units of varying sizes (by number of bedrooms), that must be paid in the housing market area to rent privately owned, existing, decent, safe and sanitary rental housing of modest (non-luxury) nature with suitable amenities.

Family Share is the portion of rent and utilities paid by the family.

Family Unit Size means the appropriate number of bedrooms for a family, as determined by the PHA under the PHA subsidy standards.

Gross Rent is the entire housing cost and is calculated by adding the rent to the owner and the utility allowance for the unit. Note: If all the utilities are included in the rent, the rent to the owner and the gross rent will be the same.

Housing Assistance Payment is the monthly assistance payment by a PHA, which includes: (1) a payment to the owner for rent to the owner under the family's lease; and (2) an additional payment to the family if the total assistance payment exceeds the rent to owner.

Maximum Family Share means, at initial occupancy (when the family initially moves into the unit or signs the first assisted lease for a unit), 40 percent of the family's adjusted monthly income (in cases when the gross rent of the unit exceeds the applicable payment standard for the family).

Payment Standard is the maximum monthly assistance payment for a family assisted in the voucher program (before deducting the total tenant payment by the family).

Payment standard schedule is a schedule that establishes payment standard amounts by unit size (number of bedrooms) for each FMR area in the PHA jurisdiction.

Rent to Owner is the total monthly rent payable to the owner under the lease for the unit. Rent to owner covers payment for any housing services, maintenance and utilities that the owner is required to provide and pay for.

Success Rate refers to the percent of applicants with issued vouchers who successfully find and lease a unit that meets HCV program requirements before the voucher expires.

Total Tenant Payment (TTP) is the minimum family contribution to the gross rent and is calculated as the greater of 1) 30 percent of monthly adjusted income; 2) 10 percent of monthly income; 3) the welfare rent (in as-paid states only); or 4) the PHA minimum rent.

Utility Allowance means, if the cost of utilities (except telephone) and other housing services for an assisted unit is not included in the rent to owner but is the responsibility of the family occupying the unit, an amount equal to the estimate made or approved by a PHA or HUD of the monthly cost of a reasonable consumption of such utilities and other services for the unit by an energy-conservative household of modest circumstances consistent with the requirements of a safe, sanitary, and healthful living environment.