



U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

Special Attention of:
Public Housing Directors;
Field Economists; Public Housing
Agencies Administering Section 8
Programs

Notice PIH 2002-20 (HA)

Issued: August 15, 2002

Expires: Indefinite

Cross References:
Notice PIH 2000-46 (HA)

**Subject: Housing Choice Voucher Program - Area Exception
Payment**

Standard Review and Reporting Instructions

1. **PURPOSE.** This Notice explains how area exception payment standard amounts are determined and reviewed, and provides an overview of changes specified in the housing choice voucher program. Also, included are reporting instructions for approved area exceptions.

An "exception payment standard amount" is a payment standard amount on the public housing agency (PHA) payment standard schedule that exceeds 110 percent of the published fair market rent (FMR). The exception payment standard amount is used for units in a designated part of an FMR area. Use of an exception payment standard amount must be approved by HUD.

2. **APPLICABILITY.** This Notice is applicable to public housing agencies (PHAs) administering the housing choice voucher program.

3. **DEFINITIONS.**

Basic range. Payment standard amount at a level between 90 percent and 110 percent of the published FMR.

Exception area. A designated part of an FMR area.

Exception payment standard amount. A payment standard amount that exceeds 110 percent of the published FMR.

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

Place. An incorporated place or a U.S. Census designated place. An incorporated place is established by State law and includes cities, boroughs, towns and villages. A U.S. Census designated place is the statistical counterpart of an incorporated place.

Special exception. Exception payment standard amount at a level above 120 percent of the published FMR.

Upper range. Exception payment standard amount at a level from above 110 percent to 120 percent of the published FMR.

4. **POLICY.** HUD publishes the FMRs for each market area in the United States. The PHA must adopt a payment standard schedule that establishes voucher payment standard amounts for each FMR area in the PHA jurisdiction. For each FMR area, the PHA must establish payment standard amounts for each unit size (number of bedrooms). The PHA voucher payment standard schedule shall establish a single payment standard amount for each unit size. For each unit size, the PHA may establish a single payment standard amount for the whole FMR area, or may establish a separate payment standard amount for designated parts of the FMR area.

Under the housing choice voucher program (24 CFR 982.503(b)), the PHA may establish the payment standard amount at any level between 90 percent and 110 percent of the published FMR (basic range) for all or any part of the FMR area. The HUD field office, upon request from a PHA, may approve a payment standard amount below 90 percent of the published FMR or from above 110 percent to 120 percent of the published FMR (upper range) for a designated part of the FMR area (called an exception area). In addition, the law now permits exceptions above 120 percent of the published FMR ("special exceptions") for a designated part of the FMR area. Special exceptions must be approved by the Assistant Secretary for Public and Indian Housing.

Further, exception payment standards may be approved for manufactured home space rentals.

Use of exception payment standard amounts results in increased per unit costs for the PHA housing choice voucher program. These increased costs will be reflected in the amount of budget authority for renewal funding increments approved by HUD in accordance with the Renewal of Expired Annual Contributions Contracts Final Rule,

published in the Federal Register on October 21, 1999. The PHA must monitor its program expenditures to ensure that it continues to operate within the funding levels available under its consolidated annual contributions contract.

The following summarizes major provisions of the housing choice voucher program rule on HUD approval of exception payment standard amounts (attachment 1 contains the full rule text):

a. Field Office Approval of Exception Payment Standard Amounts from 110 Percent to 120 Percent of Published FMR.

- (1) Upon request from a PHA, the HUD field office may approve an exception payment standard amount from above 110 percent to 120 percent of the published FMR for a designated part of the FMR area.
- (2) The HUD field office may approve an exception payment standard amount for all units or for all units of a given unit size (number of bedrooms) leased in a designated exception area.
- (3) The total population of all exception payment standard areas in an FMR area may not include more than 50 percent of the total population of the FMR area.
- (4) The field office will determine area exception payment standards by either of the two following methods.
 - (a) Median Rent Method. The HUD field office may approve an exception payment standard amount (not exceeding 120 percent of the published FMR) equal to the amount calculated by multiplying the FMR by the ratio of the median gross rent of the exception area to the median of the entire FMR area.
 - (b) 40th or 50th Percentile Rent Method. The HUD field office may approve an exception payment standard amount (not exceeding 120 percent of the published FMR) that equals either the 40th or 50th percentile of rents for standard quality rental housing in the exception area. The HUD field office determination of the 40th or 50th percentile rent amount must be based on statistically representative rental housing survey data provided by the PHA. The 40th or 50th percentile rent method can be used if the field office believes that rent

relationships between the exception area and the entire FMR area have changed substantially since the most recent census.

- (5) HUD will not approve an area exception payment standard amount unless it is needed for the following program-related reasons:
 - (a) To enable families to find housing outside areas of high poverty (this provision may also apply to families seeking to retain housing in areas outside high poverty areas); or
 - (b) Because voucher holders have trouble finding housing for lease under the program within the term of the voucher.
- (6) Any PHA with jurisdiction in the exception area may use the HUD-approved exception payment standard amount.
- (7) HUD may withdraw or modify any approved area exception payment standard.

b. Headquarters Approval of Special Exception Payment Standard Amounts Above 120 Percent of the Published FMR.

- (1) At the request of a PHA, the Assistant Secretary for Public and Indian Housing (PIH) may approve a special exception above 120 percent of published FMR for the **total area** of a county, PHA jurisdiction, or place if it is determined that all of the following are applicable:
 - (a) such approval is necessary to prevent financial hardship for families,
 - (b) such approval is supported by census rent differentials or statistically representative rental housing survey data (as described in paragraph 4a(4), above) to justify HUD approval in accordance with the methodology described in 24 CFR Part 888.113, and

- (c) such approval is also supported by an appropriate program-related justification listed under paragraph 4a(5) above.
- (2) The population within all exception rent areas in an FMR area may not include more than 50 percent of the total population of the FMR area. This limitation includes all exceptions of more than 110 percent of the published FMR, including special exceptions of more than 120 percent, but excluding exceptions for manufactured home space rents.
- (3) HUD will not approve an exception payment standard amount unless the area exception payment standard is needed for the following program-related reasons:
 - (a) To enable families to find housing outside areas of high poverty (this provision may also apply to families seeking to retain housing in areas outside high poverty areas); or
 - (b) Because voucher holders have trouble finding housing for lease under the program within the term of the voucher.
- (4) Use of a special exception payment standard may not result in the participants paying less than total tenant payment. If the gross rent is less than the special exception payment standard, the housing assistance payment is equal to the gross rent minus the total tenant payment.
- (5) HUD will only approve a special exception after 6 months from the date of HUD approval of a 120 percent exception payment standard for the total area of a county, PHA jurisdiction, or place.
- (6) The PHA must submit documentation that demonstrates approval of the special exception is necessary to prevent financial hardship for families in the exception area, e.g., the number of program participants residing in the exception area(s) as well as the average rent burden for these families.

- (7) Any PHA with jurisdiction in the exception area may use the HUD-approved exception payment standard amount.
- (8) HUD may withdraw or modify any approved area exception payment standard.

c. Field Office Approval of Exception Payment Standard Amounts Below the Basic Range.

- (1) The HUD field office may approve an exception payment standard amount that is lower than the basic range (below 90% of the published FMR) upon request by a PHA. The data sources (census or survey) used to justify an approval of exception payment standard amounts below the basic range are the same as the data used for exception payment standard amounts from 110 percent to 120 percent of the published FMR.
- (2) The HUD field office will consider appropriate factors, including rent burden of participant families. The HUD field office will not approve a payment standard below the basic range if the family share for more than 40 percent of the participants in the PHA's voucher program for applicable unit sizes exceeds 30 percent of adjusted monthly income. The field office may use the PHA's most recent examinations of family income to make this determination.

d. Exceptions for Manufactured Home Space Rents.

- (1) The PHA may set the payment standard within 90 to 110 percent of the published FMR for manufactured home spaces, for any or all of the space rentals in its area, without HUD approval. The PHA must request HUD approval of exception payment standard amounts below 90 percent or above 110 percent of the published FMR.
- (2) Geographic area exception payment standards for manufactured home spaces may be set for areas not to exceed 50 percent of the FMR area's population, in the range from above 110 to 120 percent of the fair market rent for manufactured home space rentals. Such exception payment standards must be supported by current survey information covering all or most of the manufactured home spaces in the exception area. The exception payment standard is the 40th or

50th percentile of the distribution of gross pad rents—pad rent plus the cost of tenant-paid utilities. If desired, the survey may use the expected cost of utilities based on the PHA's utility allowance schedule.

- (3) The 50 percent population limitation for manufactured home space rents is managed separately from the 50 percent population limitation for the regular housing choice voucher program.

5. ROLES AND RESPONSIBILITIES.

- a. **Approval of Payment Standard Amounts from 110 to 120 percent of Published FMR.** Area exception payment standard amounts are to be approved by the HUD field office public housing director based on the field economist's review and determination that the PHA documentation supports an increase in payment standard amounts. Public housing staff will determine if the program-related reason for the request is justified. The field economist will provide the relevant census rent data to the PHA upon request and review the PHA submission for consistency with these data. The field economist will also review and recommend approval of requests for which rental housing survey data are submitted to document the current 40th or 50th percentile rent of the exception area.

The field economist will notify the public housing director of the percent of the population of the FMR area that is included in the exception area. After approval, the public housing staff will notify all PHAs having jurisdiction in the exception area of the approved exception payment standard amounts.

- b. **Approval of Special Exception Payment Standard Amounts Above 120 percent of Published FMR.** The roles and responsibilities of the field office public housing director and the field economist in reviewing the PHA request for exception payment standard amounts are the same except that field economists are responsible only for reviewing the requirements cited in paragraphs 4b(1)(b) and (2). Field office public housing staff will conduct the review for the other requirements in paragraph 4b. When the field office review is completed, the package must be forwarded to the Assistant Secretary for PIH, Office of Public and Assisted Housing Delivery, Attention: Real Estate and Housing

Performance Division (REHPD) for approval. The cover memorandum must provide a brief discussion of the issues, justification for the request and the field

office's recommendation. The cover memorandum must also include a signature block for the Assistant Secretary's approval or disapproval. REHPD will notify the Director of the Office of Public Housing of the approval or disapproval of the request or of modifications, if any, to the request. After approval, the public housing staff will notify all PHAs having jurisdiction in the exception area of the approved exception payment standard amounts.

6. **REVIEW INSTRUCTIONS FOR ALL EXCEPTION PAYMENT STANDARD AMOUNTS ABOVE AND BELOW THE BASIC RANGE.** All requests for area exception payments standard amounts will be reviewed to ensure that the following requirements are met:

- a. The PHA has identified the area covered by the exception payment standard amount(s). The exception area should be generally equivalent to a submarket of the FMR area, and must be defined in terms of census boundaries, e.g., a county within a multi-county FMR area, an incorporated place, a minor civil division, or an aggregation of contiguous census tracts (with a list of the individual tracts). An exception area should not consist of a single census tract, except possibly in a nonmetropolitan area where one tract may comprise a major part of the community or a relatively large area comparable to a submarket. The field economist can assist the PHA if help is needed in relating the exception area to census geography.
- b. After the PHA has identified the exception area, the field economist will inform the PHA and PIH staff of the 1990 census rent differential between the exception area and the FMR area. The basis for this comparison is the ratio of the median gross rent (including utilities) of all rental units in the exception area to the median gross rent of all units in the FMR area. When several areas are being combined into one exception area, a weighted average of the median gross rent should be computed, using the number of occupied rental units as the weight. Requests may be for all bedroom size categories or for individual bedroom size categories. If the sample size permits, it is acceptable to compute exception payment standards for specific bedroom sizes.

See Attachment 2A for sources of Census data.

- c. In most cases, PHAs will find that 1990 Census rents can be used to document the exception percentage. If the PHA has a strong reason to believe that the rent relationship between the exception area and the FMR area has changed significantly since the 1990 Census, it may conduct a rental housing survey of the area it wishes to have approved as an exception area. Such surveys generally are to be carried out in accordance with the statistical survey standards for FMR comments. Before advising the PHA to undertake one of these surveys, the field economist should contact Headquarters EMAD to discuss the specific circumstances and survey alternatives. If the exception area is relatively small, the survey standards possibly can be relaxed. Also, if the area has had a random digit dialing (RDD) survey, it may be possible to use the results as the basis for an exception.
- d. For areas with FMRs based on State minimum FMRs, the area exception rent percentage will be the difference between the census relationship and the State minimum adjustment. (For example, if a county's FMR has already been increased by 5% through use of the State minimum, and the census gross rent for the exception area is 16% above the entire FMR area, the exception can only be for 11%.) Headquarters EMAD will supply a list of these adjustments.
- e. The PHA request must document the program-related reason why the payment standard exception is being requested and provide supporting information.
 - (1) For area exception payment standard amounts intended to help families move from high poverty areas, the PHA must provide information showing that program units are being found mostly in high poverty areas, that there are very few assisted families in the area for which the exception is being requested, and that voucher holders cannot find units in the area.
 - (2) For area exception payment standard amounts requested because voucher holders are having difficulty finding housing, the PHA will want to include documentation showing that the percentage of units under lease is low and has been falling. A leasing rate below 90 percent is generally considered to be low. A historic series showing the monthly experience of the current year and the annual experience of recent

years can be used to make this point. Another scenario for documenting the need for this type of exception would be to show that the success rate of voucher holders is low. Based on the last major study, the national experience has been that 87 percent of voucher holders become participants. PHAs may also want to document that a large percentage of voucher holders have been granted voucher term extensions in a recent period, for example the last 6 months to a year, and how the percentage has increased from previous experience.

- (3) For area exception payment standards amounts requested to prevent financial hardships for program participants, the PHA will want to include documentation on rent burdens for all program families residing in the exception area and in the PHA jurisdiction outside any requested or approved exception areas. This documentation should show what the projected rent burdens for these families would be if the requested area exception payment standard amounts are approved.

The preceding is illustrative of the types of information HUD considers acceptable for documenting the need for area exception payment standard amounts. It is not meant to be definitive and should not preclude the evaluation of other relevant information submitted by PHAs.

However, a program-related reason cannot be to raise payment standards to satisfy the FMR requirements of a specific project. Area exceptions payments standard amounts are intended to help voucher holders expand their areas of housing opportunities, not to provide relief for individual projects.

- f. The request must be reviewed by the field economist to ensure that no more than 50 percent of the population of the FMR area will be covered by the requested exception area and all existing exception areas. **(This review is not required for exception areas for which exception payment standard amounts are approved below the basic range).** If the exception area is included within the jurisdiction of more than one HUD office, the field economists will have to coordinate with each other to ensure that all exceptions approved for the exception area do not exceed 50 percent of the population. In exception areas where there are likely to be more

requests for exceptions than can be approved, the
field economists and public housing

directors should prioritize these requests, for example, by giving priority to PHAs with large numbers of program units and the highest prevailing rent levels.

- g. Each exception approved below the basic range (below 90 percent) or in the upper range (from 110 to 120 percent), and the associated information, are to be entered by the field economist on one of the worksheets attached to this notice. Copies of the worksheet must be sent to the Supervisory/Regional Economist and to Headquarters EMAD at the time of the approval. Supervisory/Regional Economists are responsible for monitoring all exceptions approved to ascertain that they comply with the above requirements.

9. **EFFECTIVE DATE AND RENEWAL.**

- a. Area exception payments standards are effective upon the approval date. At the request of the PHA, they may be renewed at the Census rent differential or RDD-based percentage differential when higher FMRs are published for effect in the Federal Register if the PHA provides documentation describing that program-related circumstances continue to require the exception.
- b. In accordance with the program rule, HUD may withdraw or modify approval to use an exception payment standard amount at any time. Among the reasons that HUD may choose to modify an exception payment standard amount are:
 - (1) the PHA has provided new information about program needs;
 - (2) there is new information about rent relationships among sub-areas of the FMR area;
 - (3) or there are competing exception areas that would result in over 50 percent of the FMR area's population being covered.

The field office public housing director has the authority to withdraw or modify all exceptions.

10. **RELATIONSHIP OF CURRENT EXCEPTIONS TO REDUCTIONS IN FMR LEVEL OR STANDARD.**
- a. When FMRs are reduced, the field economist should monitor each FMR area to assure that previously approved exceptions based on census intervals are reduced proportionately. In this instance, approval letters must be re-issued to PHAs.
 - b. Exceptions for areas that have documented their actual rents through a survey should remain at the same dollar level, even if the FMR decreases and the exception percentage goes over 120 percent.
11. **CURRENT LIST OF APPROVED AREA EXCEPTION RENTS.** A current list of approved area exception rents entered in the Headquarters EMAD database can be obtained by contacting the local HUD field office.
12. **FURTHER INFORMATION.** Any program-specific questions pertaining to the housing choice voucher program should be addressed to the Real Estate and Housing Performance Division in the Office of Public and Assisted Housing Delivery, at (202) 708-0477. Questions related specifically to the approval of area exception payment standards (e.g., rental housing survey data, exception areas) should be directed to the Economic and Market Analysis Division in the Office of Economic Affairs, at (202) 708-0590.

_____/s/_____
Michael Liu, Assistant Secretary
for Public and Indian Housing

Attachments

Attachment 1 is an excerpt of the housing choice voucher program rule.

Attachment 2 provides three versions of the worksheet and instructions for reporting the exceptions.

Attachment 2A is the form that has been used in the past. It is most useful when there is only one exception area in an FMR area. If desired, this form may be filled out in Excel format.

Sources of census data are shown in the instructions below. However, even if there is only one exception area in an FMR area, the use of Attachments 2B or 2C which contain the same information in a form that is easier for HUD's record keeping is recommended.

Attachment 2B and 2C are Excel worksheets intended for reporting multiple exceptions within an FMR area (they may also be used to report single exceptions). In addition to summarizing all exceptions in one easy-to-read page, it greatly simplifies data entry and processing for all concerned. It can also be printed and filled out manually, but the range and edit checks built into the Excel spreadsheet would then be inactive. In Attachment 2B, the exception percent is entered, and the worksheet computes the exception dollar amounts. Attachment 2C is similar except that the exception dollar amounts are entered, and the worksheet computes the percentages.

Attachment 1: Excerpts from housing choice voucher program rule¹

Section 982.503 Voucher tenancy: Payment standard amount and schedule

...

(c) HUD approval of exception payment standard amount.

(1) HUD discretion. At HUD's sole discretion, HUD may approve a payment standard amount that is higher than the basic range for a designated part of the fair market rent area (called an ``exception area''). HUD may approve an exception payment standard amount in accordance with this paragraph (c) of this section for all units, or for all units of a given unit size, leased by program families in the exception area. Any PHA with jurisdiction in the exception area may use the HUD-approved exception payment standard amount.

(2) Above 110 percent of FMR to 120 percent of published FMR. (i) The HUD Field Office may approve an exception payment standard amount from above 110 percent of the published FMR to 120 percent of the published FMR (upper range) if the HUD Field Office determines that approval is justified by either the median rent method or the 40th or 50th percentile rent method as described in paragraph (c)(2)(i)(B) of this section (and that such approval is also supported by an appropriate program justification in accordance with paragraph (c)(4) of this section). The PHA may establish an exception payment standard amount from above 110 percent of the published FMR to 120 percent of the published FMR, in accordance with paragraph (c)(2)(iii) of this section, without requesting approval from HUD.

(A) Median rent method. In the median rent method, HUD determines the exception payment standard amount by multiplying the FMR times a fraction of which the numerator is the median gross rent of the exception area and the denominator is the median gross rent of the entire FMR area. In this method, HUD uses median gross rent data from the most recent decennial United States census, and the exception area may be any geographic entity within the FMR area (or any combination of such entities) for which median gross rent data is provided in decennial census products.

(B) 40th or 50th percentile rent method. In this method, HUD determines that the area exception payment standard amount equals either the 40th or 50th percentile of rents for standard quality rental housing in the exception area. HUD determines whether the 40th or 50th percentile rent applies in

¹ 24 CFR Parts 982 Section 8 Tenant-Based Assistance: Housing Choice Voucher Program, Code of Federal Regulations, April 1, 2002.

accordance with the methodology described in Sec. 888.113 of this title for determining FMRs. A PHA must present statistically representative rental housing survey data to justify HUD approval.

(ii) The HUD Field Office may approve an exception payment standard amount within the upper range if required as a reasonable accommodation for a family that includes a person with disabilities.

(iii) Until September 30, the PHA may establish an exception payment standard amount for all or part of an FMR area in accordance with maximum payment standard amounts published in the Federal Register between September 25, 2000 and September 30, 2001 without requesting HUD approval, under the following conditions:

(A) The payment standard amounts referenced in paragraph (c)(2)(iii) are the maximum payment standard amounts until October 1, 2001 unless HUD has approved the PHA's establishment of a higher payment standard amount;

(B) The PHA's establishment of the maximum payment standard amounts in paragraph (c)(2)(iii)(A) of this section does not result in a payment standard amount that is greater than 120% of the published FMR;

(C) The PHA has adopted a new utility allowance schedule after October 1, 2000 which reflects that the total cost of all utilities for a typical two-bedroom unit has increased by more than ten percent based on the difference between the new utility allowance schedule and the previous schedule; and

(D) The current payment standard amounts are not adequate to meet increased utility costs at 100% of the FMR.

(3) Above 120 percent of FMR. (i) At the request of a PHA, the Assistant Secretary for Public and Indian Housing may approve an exception payment standard amount for the total area of a county, PHA jurisdiction, or place if the Assistant Secretary determines that:

(A) Such approval is necessary to prevent financial hardship for families;

(B) Such approval is supported by statistically representative rental housing survey data to justify HUD approval in accordance with the methodology described in Sec. 888.113 of this title; and

(C) Such approval is also supported by an appropriate program justification in accordance with paragraph (c)(4) of this section.

(ii) For purposes of paragraph (c)(3) of this section, the term "place" is an incorporated place or a U.S. Census designated place. An incorporated place is established by State law and includes cities, boroughs, towns, and villages.

A U.S. Census designated place is the statistical counterpart of an incorporated place.

(4) Program justification. (i) HUD will only approve an exception payment standard amount (pursuant to paragraph

(c)(2) or paragraph (c)(3) of this section) if HUD determines that approval of such higher amount is needed either:

(A) To help families find housing outside areas of high poverty, or

(B) Because voucher holders have trouble finding housing for lease under the program within the term of the voucher.

(ii) HUD will only approve an exception payment standard amount (pursuant to paragraph (c)(3) of this section) after six months from the date of HUD approval of an exception payment standard pursuant to paragraph (c)(2) of this section for the area.

(5) Population. The total population of HUD-approved exception areas in an FMR area may not include more than 50 percent of the population of the FMR area.

(6) Withdrawal or modification. At any time, HUD may withdraw or modify approval to use an exception payment standard amount.

(7) Transition: Area exception rents approved prior to merger date. Subject to paragraph (c)(6) of this section, the PHA may establish an exception payment standard amount up to the amount of a HUD-approved area exception rent in effect at the merger date.

(d) HUD approval of payment standard amount below the basic range. HUD may consider a PHA request for approval to establish a payment standard amount that is lower than the basic range. At HUD's sole discretion, HUD may approve PHA establishment of a payment standard lower than the basic range. In determining whether to approve the PHA request, HUD will consider appropriate factors, including rent burden of families assisted under the program. HUD will not approve a lower payment standard if the family share for more than 40 percent of participants in the PHA's voucher program exceeds 30 percent of adjusted monthly income. Such determination may be based on the most recent examinations of family income.

(e) HUD approval of success rate payment standard amounts. In order to increase the number of voucher holders who become participants, HUD may approve requests from PHAs whose FMRs are computed at the 40th percentile rent to establish higher, success rate payment standard amounts. A success rate payment standard amount is defined as any amount between 90 percent and 110 percent of the 50th percentile rent, calculated in accordance with the methodology described in Sec. 888.113 of this title.

(1) A PHA may obtain HUD Field Office approval of success rate payment standard amounts provided the PHA demonstrates to HUD that it meets the following criteria:

(i) Fewer than 75 percent of the families to whom the PHA issued rental vouchers during the most recent 6 month period for which there is success rate data available have become participants in the voucher program;

(ii) The PHA has established payment standard amounts for all unit sizes in the entire PHA jurisdiction within the FMR

area at 110 percent of the published FMR for at least the 6 month period referenced in paragraph (e)(1)(i) of this section and up to the time the request is made to HUD; and

(iii) The PHA has a policy of granting automatic extensions of voucher terms to at least 90 days to provide a family who has made sustained efforts to locate suitable housing with additional search time.

(2) In determining whether to approve the PHA request to establish success rate payment standard amounts, HUD will consider whether the PHA has a SEMAP overall performance rating of "troubled". If a PHA does not yet have a SEMAP rating, HUD will consider the PHA's SEMAP certification.

(3) HUD approval of success rate payment standard amounts shall be for all unit sizes in the FMR area. A PHA may opt to establish a success rate payment standard amount for one or more unit sizes in all or a designated part of the PHA jurisdiction within the FMR area.

(f) Payment standard protection for PHAs that meet deconcentration objectives. Paragraph (f) of this section applies only to a PHA with jurisdiction in an FMR area where the FMR had previously been set at the 50th percentile rent to provide a broad range of housing opportunities throughout a metropolitan area, pursuant to Sec. 888.113(c), but is now set at the 40th percentile rent.

(1) Such a PHA may obtain HUD Field Office approval of a payment standard amount based on the 50th percentile rent if the PHA scored the maximum number of points on the deconcentration bonus indicator in Sec. 985.3(h) in the prior year, or in two of the last three years.

(2) HUD approval of payment standard amounts based on the 50th percentile rent shall be for all unit sizes in the FMR area that had previously been set at the 50th percentile rent pursuant to Sec. 888.113(c). A PHA may opt to establish a payment standard amount based on the 50th percentile rent for one or more unit sizes in all or a designated part of the PHA jurisdiction within the FMR area.

(g) HUD review of PHA payment standard schedules. (1) HUD will monitor rent burdens of families assisted in a PHA's voucher program. HUD will review the PHA's payment standard for a particular unit size if HUD finds that 40 percent or more of such families occupying units of that unit size currently pay more than 30 percent of adjusted monthly income as the family share. Such determination may be based on the most recent examinations of family income.

(2) After such review, HUD may, at its discretion, require the PHA to modify payment standard amounts for any unit size on the PHA payment standard schedule. HUD may require the PHA to establish an increased payment standard amount within the basic range.

INSERT ATTACHMENT 2

**ATTACHMENT 2A
WORKSHEET INSTRUCTIONS FOR REPORTING AREA FMR EXCEPTIONS**

- Line 1. Field Office Name.
- Line 2. Name of the FMR area in which the exception area is located (PMSA, MSA, or nonmetro county and State abbreviation).
- Line 3. Name of the exception area, recording its definition in terms of census boundaries; for example, a listing of the county, incorporated place, minor civil division, or census tracts. If the area requires more than 24 characters to describe, summarize in 24 characters or less and, on a separate sheet, describe the area precisely.
- Line 4. Date the exception was approved.
- Line 5. Population of the exception area. You should use the 1990 census population, because that number is used for database-matching purposes. (Do not use updated numbers, as they cause confusion.)

Census data may be obtained in several ways:

1. The Census Bureau's Web site
(<http://venus.census.gov/cdrom/lookup>, STF3A tables P3 (persons) and H43A (median gross rent));
2. Headquarters EMAD mainframe system for STF3A;
3. Census publications:
 - CP-1: Population, except metropolitan areas
 - CP-1-1B: Population, metropolitan areas
 - CH-2: Gross rent, except metropolitan areas
 - CH-2-1B: Gross rent, metropolitan areas
4. Community 2020 mapping software

- Line 6. Population of the entire FMR area (see Line 5 for data sources.)
- Line 7. Calculate the percentage of population in the exception area to the population in the FMR area (line 5 divided by line 6.)

- Line 8. Total population of all approved exception areas within the FMR area.
- Line 9. Calculate the percentage of population of all exception areas within the FMR area to the population of the entire FMR area (line 8 divided by the line 6).
- Line 10. Enter the approved exception rents for the area on line 10a. Enter the FMRs in effect at the time the exception was approved on line 10b. Calculate the percentage by which the exception exceeds the FMR by bedroom size (a divided by b) and enter the results on line 10c.
- Line 11. Check the basis of this exception—census or local survey data?

INSERT ATTACHMENTS 2a, 2b, and 2c