Freddie Mac MULTIFAMILY

Housing Choice Vouchers and Access to Opportunity

December 2024

The Housing Choice Voucher (HCV) program is one of the federal government's primary ways of helping low-income families, the elderly and disabled people afford homes. Nationally, 5.4% of renters use a voucher, representing 2.4 million households and 5.2 million people.[1] The program receives funding from the federal government through the Department of Housing and Urban Development but is administered at the local level through public housing agencies (PHAs). PHAs set the voucher amount for each family, and after a unit is chosen, inspected and approved by the PHA, families will typically spend 30% of their income on rent. The remainder of the rent is paid to the property owner by the PHA.

To be eligible, a participating household's income typically cannot exceed 50% of the area median income (AMI), and PHAs must allocate at least 75% of vouchers to households earning at or below 30% AMI. Unlike most other housing subsidy programs, qualifying families can select a wide range of rental housing options, including apartments, single-family houses and townhomes, and their selection is not limited to federally subsidized properties. This flexibility allows for a greater degree of geographic freedom and access to opportunity.[2]

Even though the program's intent is to allow renters flexibility in their choice of a home, obstacles remain for the renters. Prior research on the HCV program identifies many of those challenges including voucher acceptance by property operators, administrative and bureaucratic hurdles, connecting tenants with resources to navigate the system, and difficulty in finding affordable units in areas of opportunity.

This research explores where vouchers are used today and more specifically their use in high opportunity areas and areas of concentrated poverty as defined under the Federal Housing Finance Agency's Duty to Serve regulation.[3] We also focus on the relationship between voucher usage and affordability, as well as the relationship between voucher amounts and market rents. While the program adjusts voucher rent limits on a local level, there are still instances where rental rates are prohibitively expensive for families. Our goal is to investigate how the efficacy and utility of HCVs varies across the country and how feasible it is for voucher amounts to cover market rent based on geography.

Below are some of the key findings of our research:

- Vouchers are used less frequently in high opportunity areas and more frequently in areas of concentrated poverty.
- Voucher usage is disproportionately higher in areas with lower rents compared with areas with higher rents.
- Higher rent areas tend to have fewer units that are considered affordable to voucher holders.
- Even if voucher amounts increased, renting in expensive neighborhoods may still be cost prohibitive due to high market rents.
- We illustrate our findings with three metro-level case studies in which we show the relationship between voucher amount and median rent. Within a metro, some areas are generally affordable, others can be relatively more affordable by modifying voucher amounts, while in other areas market rents may be simply too high even with higher voucher amounts.

[1] Freddie Mac tabulations of HUD's 2022 Picture of Subsidized Housing Data and 2022 5-Year American Community Survey (ACS) Data
[2] U.S. Department of Housing and Urban Development - Housing Choice Voucher Program Section 8
[3] FHFA's Duty to Serve Eligibility Data

Where Vouchers Are Used Today

The Housing Choice Voucher (HCV) program is one of the nation's largest federal housing subsides. Nationally, 5.4% of renters use a voucher, representing 2.4 million households and 5.2 million people. Despite the program's large size, housing advocates argue that the program is underfunded. Three out of every four renters who qualify for the HCV program do not receive a voucher or any other form of federal rental assistance.[4]

Vouchers are used in all 50 states and the District of Columbia. Usage rates as a percentage of all renters range from 2.7% (Arizona) to 11.6% (Vermont). However, usage in most states is close to the national average, with 25 states being within 1% of the national rate of 5.4%. Voucher usage is more prevalent in urban areas. Only 13.2% of voucher holders in the U.S. live in rural areas while 16.5% of renter households live in a rural area.

Limitations of Voucher Usage

Vouchers are intended to allow tenants to choose their housing options, giving more flexibility than a government subsidized property. However, this does not always work in practice. There are several ways in which voucher holders still face constraints in using their voucher that limits where they can live. There are reasons that are administrative, such as time constraints in finding a unit[5], source of income standards[6] and process delays in receiving vouchers. There are also affordability constraints that can be quantified, such as voucher limits compared with market rents.

Administrative Hurdles

When families receive a voucher, they have a limited time to find housing, and this can be a significant challenge. This time window varies by public housing agencies (PHA) but is generally within 180 days. A Department of Housing and Urban Development study from 2021 showed that only 61% of people who received a voucher in 2019 were able to find housing within 180 days.[7] Renters who were unable to find a unit in this time are at risk of losing their voucher, since PHAs will commonly reclaim unused vouchers and allocate them to another family.

Voucher holders must navigate the private rental market, and some find this experience to be difficult. Each PHA has different rules regarding eligibility of unit types, which can cause confusion and ambiguity when searching for a unit.[8] In addition, renters can only rent units that are affordable with a voucher. Depending on the voucher amount and the local market, this can be a formidable task.[9]

Research suggests that limited voucher acceptance or other source of income (SOI) standards held by some property operators are a significant hurdle to finding housing in the HCV program.[10,11] In some cases, voucher holders cannot rent a unit due to their SOI, and the use of income source as a screening

[4] Center on Budget and Policy Priorities - Housing Vouchers in Economic Recovery Bill Would Sharply Cut Homelessness, Housing Instability
[5] HUD - Using HUD Administrative Data to Estimate Success Rates and Search Durations for New Voucher Recipients
[6] HUD - A Pilot Study of Landlord Acceptance of Housing Choice Vouchers
[7] See footnote 5
[8] See footnote 5
[9] HUD - Landlord Participation Study
[10] HUD - Discrimination Against Voucher Holders and the Laws to Prevent It: Reviewing the Evidence on Source of Income Discrimination
[11] See footnote 6

tool is not prohibited by the Fair Housing Act.[12] There are 22 states and the District of Columbia, along with numerous counties and cities across the nation, that have SOI laws that ban or discourage the use of SOI in tenant screening. As of September 2024, roughly 57% of all renters are covered under such SOI laws.[13] However, in areas without these laws, landlords have the right to refuse to rent to voucher holders. Housing advocates argue that rejection based on SOI is unjust since it prevents voucher holders from renting units for which they would otherwise qualify.[14]

Property operators argue that there are burdensome hurdles and time delays for accepting a voucher. For example, units for HCV holders are subject to inspection and approval by PHAs, which has been noted by some property owners in a report by HUD[15] to be burdensome. These inspections leave units vacant for longer than they would if they were rented in the open market. In addition, property operators complain about the administrative process of dealing with PHAs. There could be additional paperwork required from landlords that can lengthen the leasing process. As a result, while the move-in process could take only 2-3 days with other renters, the process for voucher holders is at least a week and a half, according to one PHA. Payment from PHAs can also take longer than payment directly from tenants in the open market.[16]

Affordability Constraints

Even without administrative obstacles, voucher holders are constrained based on the dollar amount of their voucher. PHAs set the voucher limit based on their estimate of market rents in an area. While the intent generally is to equalize the effect of rent differences across the PHA's service area, this is inevitably challenging.

Voucher amounts are based on Fair Market Rent (FMR), which HUD defines as the "40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in a local housing market".[17] FMR is calculated at a metro level for unit types ranging from studios to four bedrooms. In some areas, a different metric called Small Area Fair Market Rent (SAFMR) is used. SAFMR is calculated at the ZIP code level and is particularly useful in areas where rent levels in some neighborhoods can differ significantly from the metro average. Currently, there are 24 metro areas that are required to use SAFMR.[18] PHAs outside of these metros can choose to use SAFMR but are not required by law.

The payment standard is based on the FMR or SAFMR and is the maximum monthly amount given to voucher holders. Payment standards are typically between 90% and 110% of the FMR or SAFMR, but HUD may approve a payment standard higher or lower than this range.[19] Data exists to identify areas that use FMR or SAFMR[20], but data on payment standards is highly decentralized and not available by tract in the aggregate.

The voucher holder is required to pay 30% of their monthly income for utilities and rent. If the monthly rent is higher than the payment standard, the voucher holder must pay the remaining balance, but legally cannot pay more than 40% of their monthly income toward rent (please see the Appendix for more detail on this calculation). While PHAs can adjust voucher amounts upward or downward based on local rent

[12] See footnote 6
[13] PRRAC - Appendix B: State, Local, and Federal Laws Barring Source-of-Income Discrimination
[14] Utah Law Review - Second-Generation Source of Income Housing Discrimination
[15] HUD - Urban Landlords and the Housing Choice Voucher Program
[16] See footnote 9
[17] HUD - U.S. Housing Market Conditions Summary
[18] Center on Budget and Policy Priorities - A Guide to Small Area Fair Market Rents (SAFMRs)
[19] eCFR :: 24 CFR 982.503 -- Payment standard areas, schedule, and amounts.
[20] HUD - Small Area Fair Market Rents

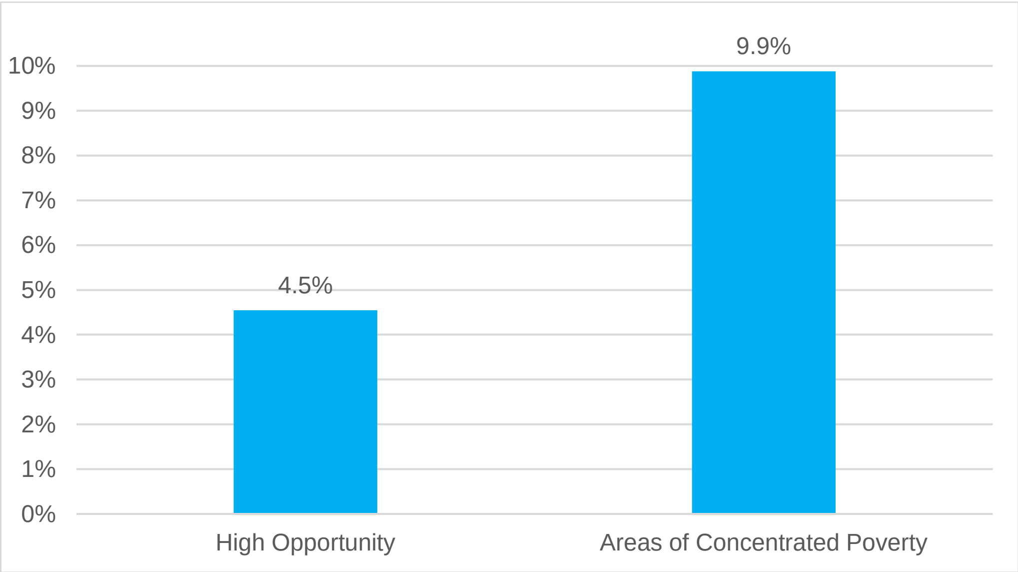
levels, budget constraints and the highly heterogeneous nature of rental markets makes complete equalization not only impractical but practically impossible.

Usage in Areas of Opportunity and High Rents

High opportunity areas[21] refer to places that offer residents a high degree of upward economic mobility. These areas commonly have high income, low poverty, high-rated schools, and greater-than-average access to public transportation and job opportunities. Across the U.S., 11.6% of voucher usage was reported in high opportunity areas, which is lower than the share of rental units in high opportunity areas at 18%.

Voucher usage is higher in areas of concentrated poverty (ACPs), which are areas that have high poverty rates or a high share of households that earn substantially below their respective metro area's median income.[22] Just over half (52.3%) of vouchers were reported in ACPs, which is significantly higher than the total renter household share of 34.7%.[23] Furthermore, 9.9% of renters in ACPs use a voucher, as seen in Exhibit 1. Meanwhile, high opportunity areas are underrepresented with a voucher share of just 4.5%. Prior research suggests that landlords deny voucher holders in low poverty areas more often than in high poverty areas.[24] High opportunity areas also tend to have higher rents which can be cost prohibitive for voucher holders, even with high payment standards.

Exhibit 1: Rate of Voucher Usage by Geography



Source: Freddie Mac tabulations of HUD's Picture of Subsidized Households data

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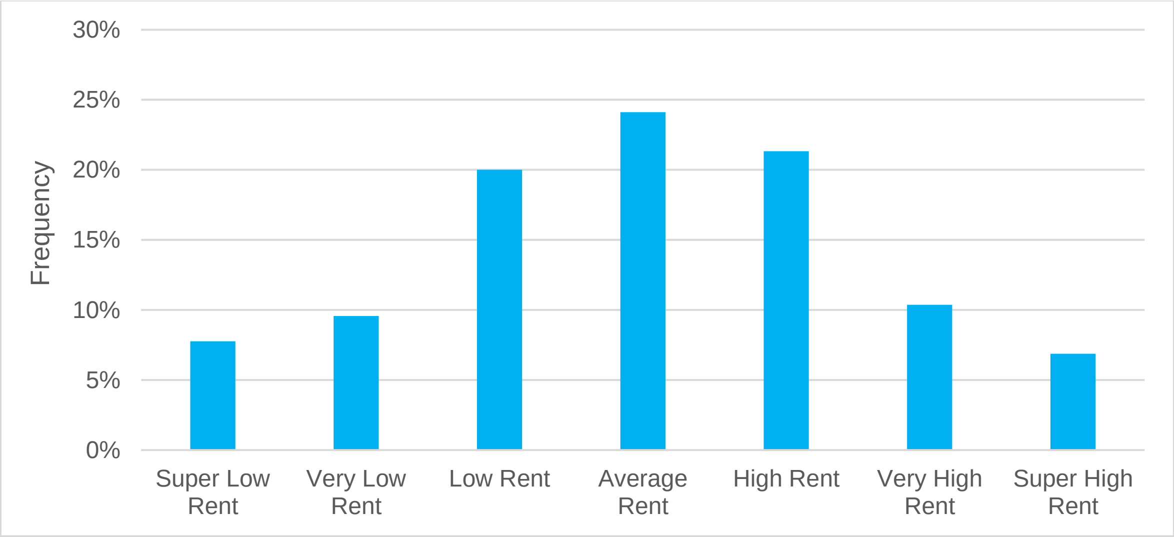
[21] See the appendix for more detail on how we define high opportunity areas.
[22] See this FHFA link for the full definition of ACPs: 2022 Areas of Concentrated Poverty File
[23] Freddie Mac tabulations of HUD's 2022 Picture of Subsidized Housing Data, 2022 5-Year ACS Data, and FHFA's Duty to Serve Eligibility Data
[24] See footnote 6

Overall, high opportunity areas have fewer affordable units than other areas. A unit is considered affordable to a voucher holder if its rent amount[25] is below its respective tract's estimated two-bedroom payment standard. We assume that the payment standard is exactly equal to the FMR or SAFMR (depending on which one is used in the tract).[26] A tract's affordability rate is determined by dividing the number of affordable units by the total number of rental units.

The relative unaffordability in high opportunity areas could partially explain why voucher usage is lower in these areas. We estimate that 40.5% of rental units are affordable in high opportunity areas compared with 49.1% outside of these areas and 57.4% in ACPs. As a general rule, tracts with a higher percentage of affordable units are more likely to have higher voucher usage.

To examine this relationship more granularly, we group census tracts based on their relative rent level. We created seven groups ranging from lowest rent to highest rent, with values computed as the median tract rent minus the median county rent. We set the thresholds so that the groups, based on all tracts nationally for which we have data, resemble a normal distribution, as shown in Exhibit 2.

Exhibit 2: Rent Groups – Tract Aggregation Based on Tract Rent Minus County Rent



Source: Freddie Mac tabulations of Census's 5-Year American Community Survey (ACS) data

Analyzing the voucher usage and affordability in these groups has led us to three key conclusions:

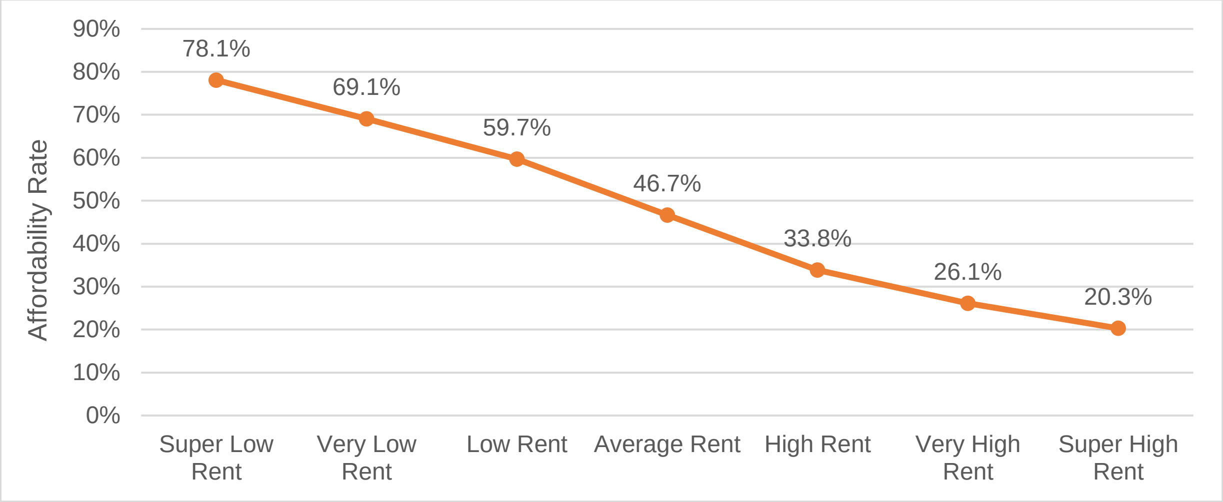
1. Tracts with higher rents tend to have fewer units affordable per the voucher limits.
2. Tracts with higher rents tend to have lower voucher usage as a share of all rental units.
3. Tracts with higher rents tend to have higher voucher usage as a share of affordable rental units

Exhibit 3 shows affordability rates aggregated by rent groups. In the Super Low Rent group, nearly 80% of units are affordable. In contrast, in the Super High Rent group, only about 20% of units are affordable.

[25] Data comes from Census's ACS. We use all occupied rental units with cash-paying tenants. This includes units with any number of bedrooms, not just two-bedroom units since we are not able to isolate units based on number of bedrooms in this analysis. However, although there is significant deviation on a tract level, median two-bedroom rent and overall median rent are generally similar, so we don't expect that the results will be materially different if we were able to isolate two-bedroom units.
[26] Assuming that payment standard is equal to either FMR or SAFMR is not the reality in most areas. However, since we do not have comprehensive data to identify where payment standards are different, this is the best estimate that we have. In aggregate, we expect that since some areas will have payment standards higher than FMR or SAFMR and other areas will have lower payment standards, there will be some degree of canceling out. The section below titled "Sensitivity Testing" examines how changing the payment standard affects affordability.

Payment standards generally increase in more expensive tracts. However, the downward sloping line indicates that the rate at which median market rent increases outpaces the rate at which payment standards increase (in the Sensitivity Testing section below, we examine how this trend line can change based on different payment standard assumptions).

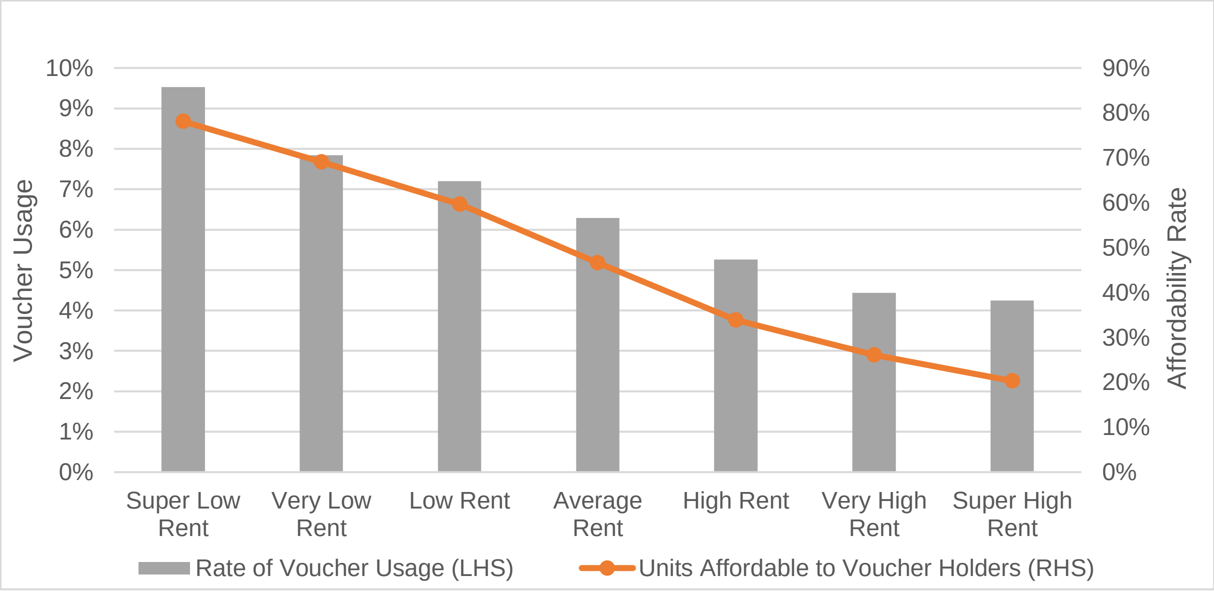
Exhibit 3: Affordability by Rent Group



Sources: Freddie Mac tabulations of Census's 5-Year ACS data and HUD's FMR data

Voucher usage declines considerably as rents become more expensive. The relationship, depicted in Exhibit 4, shows there are fewer affordable units available for voucher holders and less overall voucher usage in higher rent areas. In Super High Rent areas, only 4.3% of renters use vouchers, compared with 9.5% in Super Low Rent areas. Since there are fewer units affordable in higher rent areas, the lower voucher usage could be caused in part by an insufficient supply of affordable units.

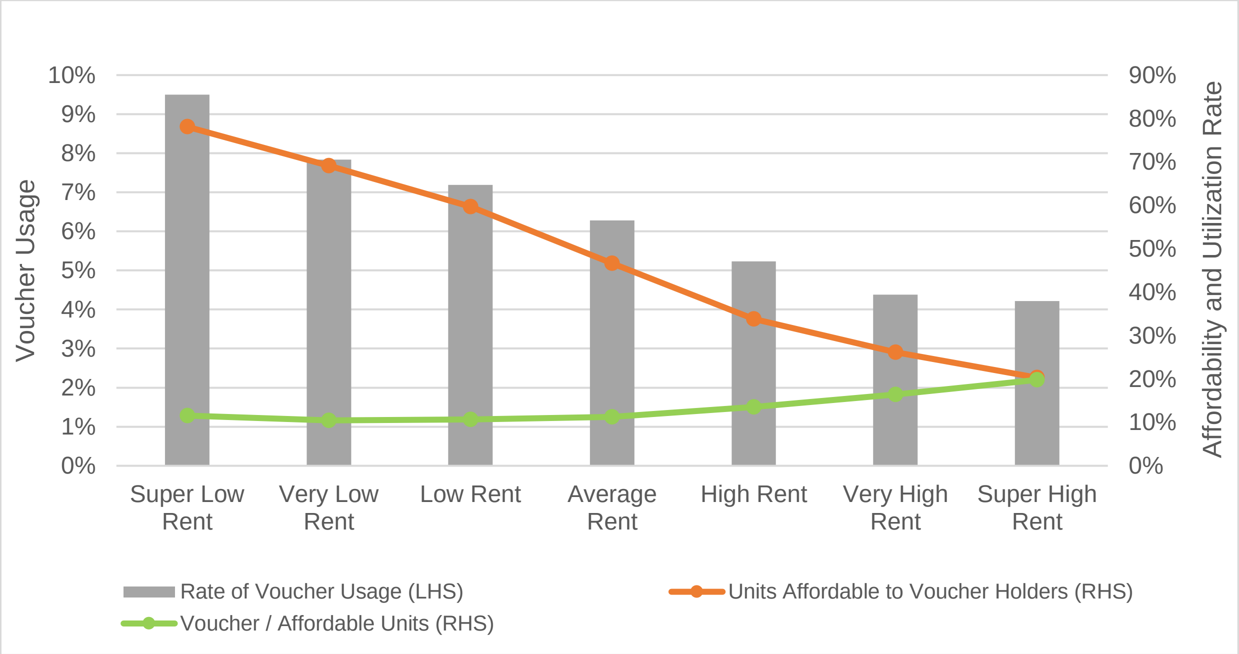
Exhibit 4: Voucher Usage vs. Affordability by Rent Group



Sources: Freddie Mac tabulations of HUD's Picture of Subsidized Households data, and Census's 5-Year ACS data, and HUD's FMR data

The utilization rate of vouchers is represented by the green line in Exhibit 5. This is computed by taking the vouchers in each tract divided by the total number of affordable units. The rate increases at higher rent areas; utilization is 11.6% in Super Low Rent areas and 19.5% in Super High Rent Areas. Based on these calculations, the affordable units in higher rent areas tend to have a higher share of voucher holders compared with lower rent areas. However, both the rate of overall usage and affordable units is still much lower in higher rent areas, as depicted by the declining trend in Exhibit 4.

Exhibit 5: Voucher Usage vs. Affordability by Rent Group (with Utilization Rate)



Sources: Freddie Mac tabulations of HUD's Picture of Subsidized Households data, and Census's 5-Year ACS data, and HUD's FMR data

Sensitivity Testing

If PHAs were to increase the amount that each family receives for rental assistance (that is, increase the payment standard), it would increase the number of units that are considered affordable for voucher holders. But there is a trade-off to increasing payment standard. Since PHA budgets do not increase as a result of a higher payment standard, fewer vouchers would be available for families. Furthermore, higher payment standards are not necessarily feasible in all areas. For example, in a low-cost area, it may make sense to lower the payment standard if the FMR or SAFMR being used allows for adequate usage and will enable more families to benefit from the program. Conversely, more expensive areas may require higher payment standards for families to find units at the expense of less families receiving vouchers.

In Exhibit 6, we consider several payment standard scenarios based on rent group, thus creating dynamic payment standards within PHAs. All three scenarios use graduated payment standards, meaning that low-rent tracts get downward adjustments to payment standard whereas high-rent tracts get upward adjustments. Scenario 1 makes relatively small adjustments, Scenario 2 makes larger adjustments and Scenario 3 makes very large adjustments. These provide a hypothetical analysis on how affordability changes based on the payment standard but does not capture the unintended consequences of fewer vouchers available at higher payment standards.

Exhibit 6: Payment Standard Scenarios by Rent Group

	Baseline	Scenario 1	Scenario 2	Scenario 3
Super Low Rent	100%	90%	80%	70%
Very Low Rent	100%	90%	90%	80%
Low Rent	100%	100%	90%	90%
Average Rent	100%	100%	100%	100%
High Rent	100%	100%	110%	120%
Very High Rent	100%	110%	120%	130%
Super High Rent	100%	120%	130%	140%

As the payment standard becomes more graduated, the rate of affordable units flattens across rent groups, as seen in Exhibit 7. However, this analysis shows that even by using the dynamic payment standard of Scenarios 1 and 2, the overall trend stays the same. The payment standard would have to be adjusted based on Scenario 3, with rates ranging from 70% to 140%, in order for each rent group to have roughly the same percentage of units affordable to voucher holders. This scenario lowers the voucher amount in low-rent areas, which makes fewer units affordable (when compared with the baseline). On the other end of the spectrum, voucher amount increases in high-rent areas, thus increasing the number of units affordable to voucher holders.

Exhibit 7: Dynamic Payment Standards

Source: Freddie Mac tabulations of Census's 5-Year ACS data and HUD's FMR data

Case Studies

The rate of affordable units in metropolitan statistical areas (MSAs) can change drastically depending on the payment standard used. Using SAFMR will generally provide better chances of market rents being affordable to voucher holders in high-cost neighborhoods, as will increasing the multiplier to 110% or higher. Nationally, we estimate 43.9% of census tracts are affordable based on voucher limits when using FMR. Adjusting to SAFMR, 46.8% of census tracts are affordable while there are 64.9% tracts estimated to be affordable when using 110% of SAFMR.

However, in some areas, even if payments standards were increased as much as reasonably possible, market rents are still prohibitively expensive to be affordable with a voucher.

We examine three metro areas to show how FMR and SAFMR relate to median gross rent[27] by census tract. We calculate the percentage of census tracts' median gross rent that is affordable based on the voucher limits set by the PHA. If the census tract's median gross rent is at or below the voucher limit, the tract is deemed affordable. If the median gross rent is above the voucher limit, the tract is deemed not affordable in this analysis. Additionally, we calculate how this changes with hypothetical adjustments to the payment standards.

These three metros are broadly representative, as they use different strategies for payment standards and represent a range of affordability.

1. **Providence, RI** – With an upward adjustment to the payment standards, the analysis shows materially improved percentage of census tracts that become affordable based on voucher limits.
2. **Santa Cruz, CA** – Based on in-place FMR payment standards, the metro has a relatively high percentage of affordable tracts.
3. **Jackson, MS** – SAFMR and a payment standard of 110% increases the percentage of affordable tracts when compared with only using FMR, but overall the percentage of affordable tracts remains below the national average.

Case Study #1: Providence, RI

The Providence MSA is served by 34 PHAs, which is a relatively high number of PHAs given the MSA's size.[28] Based on data from HUD, we estimate that eight of the PHAs use SAFMR in at least some of their ZIP codes whereas the other 26 use FMR.[29] In terms of census tracts, this translates to a split of 63% FMR and 37% SAFMR.

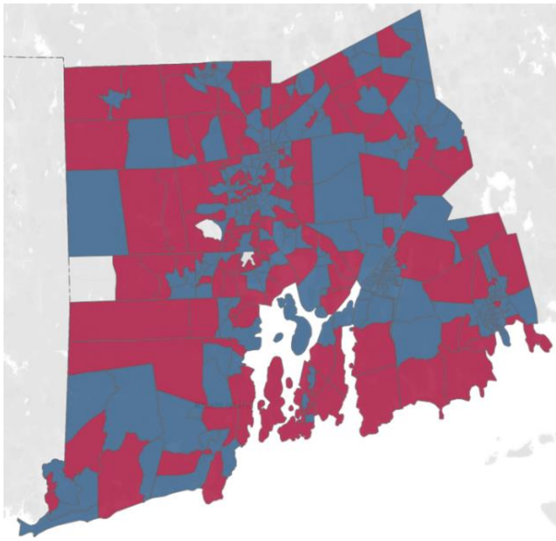
If the whole MSA used only FMR as their payment standard, then we estimate that 55% of tracts would have median rents that are at or below the two-bedroom FMR. In other words, the median unit is affordable to a voucher holder in 55% of tracts. When we layer in the tracts that use SAFMR, the affordability rate increases to 63%. This is seen in Map #1 below.

Hypothetically, if all PHAs in Providence were to use SAFMR as the payment standard with a 110% adjustment, then the affordability rate increases to 82%, as seen in Map #2. This example shows that while the affordability rate in Providence is already above average if only FMR were used, it can be improved by using SAFMR in some or all areas and by increasing the payment standard. However, a

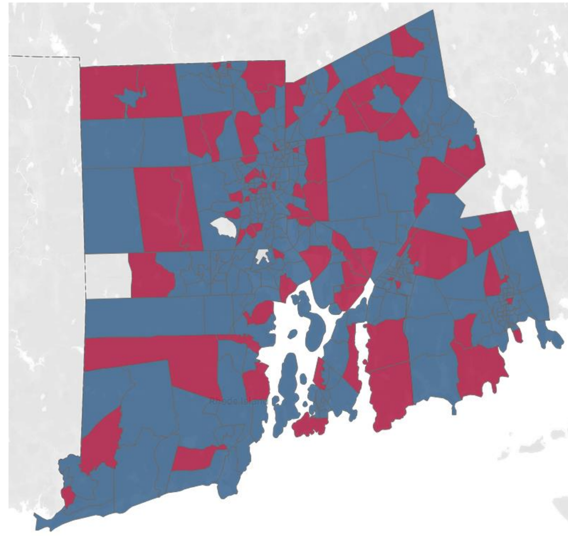
[27] Median gross rent and FMR measure rent at different percentiles and using different methodologies. Please see the Appendix for more detail on our use of median gross rent.
[28] HUD - Estimated Housing Authority Service Areas
[29] See footnote 20

higher payment typically translates into fewer vouchers allocated, as the trade-off of a higher payment standard is that the budget does not cover as many tenants.

Map #1: Providence with mix of FMR and SAFMR



Map #2: Providence with 110% SAFMR

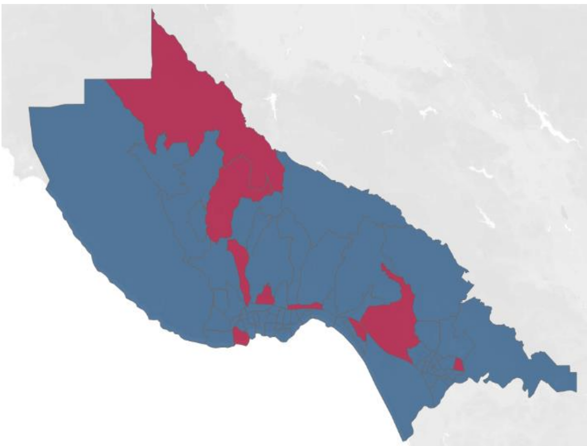


Sources: Freddie Mac tabulations of HUD's Picture of Subsidized Households data, and Census's 5-Year ACS data, and HUD's FMR data

Case Study #2: Santa Cruz, CA

From our research, only one PHA serves Santa Cruz and the payment standard is based on FMR.[30] The estimated affordability rate is 87%, meaning that a two-bedroom voucher covers median gross rent in 87% of tracts in Santa Cruz. This rate is well above the national average of 43.9% when using FMR. If SAFMR is used as the payment standard with a 110% adjustment, the rate increases to 97%. While this is a meaningful increase, there remains the trade-off that fewer vouchers could be allocated if payment standards are increased.

Map #3: Santa Cruz with FMR



Map #4: Santa Cruz with 110% SAFMR

Sources: Freddie Mac tabulations of HUD's Picture of Subsidized Households data, and Census's 5-Year ACS data, and HUD's FMR data

[30] The actual payment standards for 2022 differ slightly from FMR and can be found in this document from the Housing Authority of the County of Santa Cruz. Santa Cruz also considers "rent reasonableness" when determining voucher amount for a unit, which will often lower the actual amount tenants can receive. This is done on a case-by-case basis and therefore cannot be incorporated in our analysis.

Case Study #3: Jackson, MS

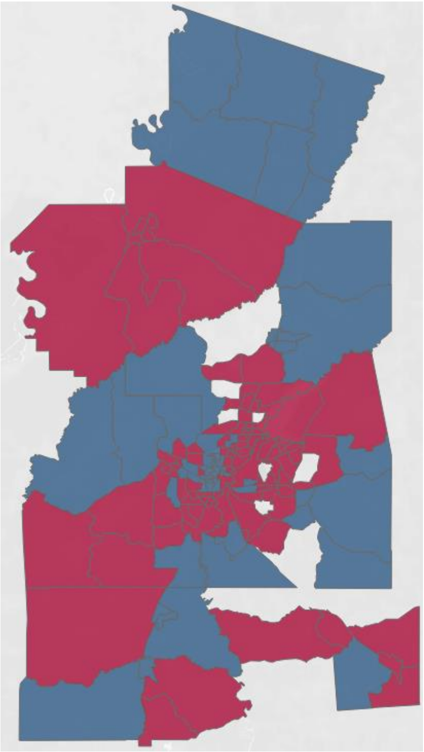
Jackson, Mississippi is one of the 24 metro areas that are required to use SAFMR. We estimate that there are six PHAs in the Jackson MSA and they have chosen to use a payment standard that is 110% of the SAFMR, which helps to bolster affordability, especially in the most expensive areas. With this adjustment, affordability improves but continues to trail the national average.

Map #5 shows a hypothetical situation of using FMR as the payment standard across the entire Jackson MSA. Under this scenario, only 39.4% of tracts have median rents that are affordable for voucher holders. This is about average compared with the nation, but still implies large portions of the MSA are unaffordable based on voucher limits.

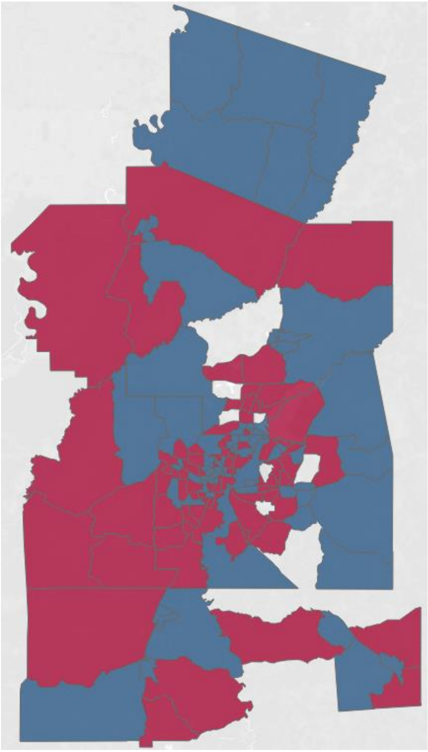
Applying 110% of the SAFMR as the payment standard, affordability noticeably improves, up to 50.4% of tracts. However, this is below the national 110% SAFMR average of 64.9%. While the percentage of affordable tracts improves, nearly half of the metro's census tracts remain unaffordable based on voucher limits.

This demonstrates that even when increasing payment amounts, the rate of affordability may still remain relatively low. While the payment standard can be increased above 110% with an exception from HUD, this would mean that there could be fewer families that receive a voucher.

Map #5: Jackson with 100% FMR



Map #6: Jackson with 110% SAFMR



Sources: Freddie Mac tabulations of HUD's Picture of Subsidized Households data, and Census's 5-Year ACS data, and HUD's FMR data

Conclusion

The HCV program helps millions of families rent a home that they otherwise could not afford without spending over 30% of their income on rental payments. Vouchers follow renters which gives them greater geographic flexibility than other subsidy programs. However, as with any housing assistance program, there are several adoption and usage challenges in the program. Areas of high poverty and relatively low rent represent an outsized share of voucher usage while usage in high opportunity areas is relatively low. There are various administrative, acceptance and tenant-based factors that can inhibit voucher usage in some instances, as well as cost-prohibitive factors. In higher cost areas, voucher amounts are intended to be higher to match the higher rent, but the voucher limit may not be commensurate with market rents in some areas.

Achieving complete parity between payment standards and market rent is not feasible given the lack of perfect data and heterogeneity of rental markets. Voucher usage was found to be lower in higher rent areas compared with lower rent areas. Additionally, some neighborhoods with very high market rent levels may be less likely to have units that are affordable per the voucher program. By examining select metro areas, we show how changes to payment standards can in theory improve affordability substantially, whereas in other cases, moderate adjustments to payments standards are not enough to significantly alter a metro area's affordable profile.

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For more insights from the Freddie Mac Multifamily Research team, visit https://mf.freddiemac.com/research

Appendix

High Opportunity Areas

To measure high opportunity, we use the definition established by the Federal Housing Finance Agency (FHFA), Freddie Mac's conservator and regulator. FHFA defines high opportunity as an area identified as such by a state or local Qualified Action Plan (QAP) or an area designated by the Department of Housing and Urban Development as a Difficult Development Area (DDA). High opportunity areas must also have a poverty rate that is less than 10% for metropolitan areas and 15% non-metropolitan areas. The definition uses census tracts as the geographic unit, and under the 2022-2024 Duty to Serve classification, 20,762 of 84,414 tracts nationwide (24.6%) are designated as high opportunity. Both subclassifications of high opportunity (DDA and QAP) are considered equal; if a tract satisfies one or both criteria, it will be labeled high opportunity[31].

Calculating Rent Payment with a Voucher

Payments given to the landlord are calculated by the following two scenarios:

1. If rent for a unit is equal to or lower than the payment standard:

$$\textit{Total Payment} = 30\%\ \textit{of Tenant's Income} + \textit{PHA Payment}$$

2. If rent for a unit is higher than the payment standard:

$$\textit{Total Payment} = 30\%\ \textit{of Tenant's Income} + \textit{PHA Payment} + \textit{Remaining Balance}$$

The remaining balance paid by the tenant cannot be so large that it brings the tenant's total payment to more than 40% of their income.

Median Rent Data Notes

We use median rent amount across all unit types, not just two-bedroom units. The reason for this is that the median across all bedrooms provides a much larger sample than limiting the scope to two-bedrooms. Although there is significant variation across tracts, these two metrics are generally close to each other, so we believe it is a valid proxy.

The calculation for Fair Market Rent (FMR) differs from median gross rent, but both are ultimately derived from Census' American Community Survey (ACS) rent figures. Therefore, we would expect for comparisons between the two to have some level of natural correlation. However, ACS median gross rent is the most comprehensive rent metric that we have and allows for us to compare how FMR aligns with estimated market rents across geographies. We explored this alignment with private vendor data but the sample size was not large enough for robust results.

Timing of Data

We used the most recent Housing Choice Voucher data available, which is 2023 data using 2020 census tract boundaries. For rent, 2022 5-Year ACS data is the most recent tract-level data available and while 2024 FMR data was available to us, we used the 2022 data to keep the year consistent.

[31] Freddie Mac - Duty to Serve: High Opportunity Spectrum

We used HUD's SAFMR Dashboard[32] and Estimated Housing Authority Service Areas[33] data to determine which public housing agencies (PHAs) use Small Area Fair Market Rent (SAFMR) and which geographic region they cover. This data was pulled in August 2024 and since we don't have access to historical data (if it exists), there may be some changes since 2022. We are unable to account for this, but it's unlikely that the data has changed meaningfully in the last two years.

ZIP Code to Tract Mapping

SAFMR data is only available for ZIP codes. Our analysis is on the tract level because this is the most granular data that HUD provides for HCVs and because other important geographies, such as ACPs and high opportunity areas, are defined by census tract. We used the HUD USPS ZIP Code Crosswalk File to convert ZIP code to tract. For each tract, we determine which ZIP code it falls in. If it falls in more than one, then we compute which ZIP code has the highest number of residential addresses, as determined by the RES_RATIO variable in HUD's file. For example, if a tract spans two ZIP codes and the first has 60% of residential addresses and the second has 40%, then the tract will be assigned to the first ZIP code. Due to these boundary mismatches, mapping between ZIP code and tract is imperfect.

40th Percentile of Rent vs. Median Rent

In several areas of the paper, we compare FMR and SAFMR with median gross rent as reported by ACS. The methodology for deriving each rent figure is different and we therefore do not expect for them to align. Furthermore, FMR measures the 40th percentile of rents which is lower than the 50th percentile for the ACS rent. FMR is not targeting the same segment of the rental market as the ACS median rent due to the percentile difference as well as other factors. For example, ACS rent considers the entire renter population, whereas FMR is limited to recent movers who normally pay 6% more on rent than other households, according to HUD.[34]

Median rent is the best and most comprehensive rent metric that we have to compare with FMR, which is why we chose to use it. The biggest takeaway from an analysis comparing these two metrics is how they relate to each other based on a different set of inputs and assumptions. For example, in the Case Studies section, we are most focused on how the relationship between FMR and median rent changes based on metro and based on what we use for the payment standard.

Case Study Data Notes

We are unable to determine payment standard on a national basis since the data is highly decentralized. Narrowing our scope to specific metro areas simplifies the estimation process, but challenges remain. We used data from PHA websites to determine payment standard, and we found this to be helpful for two of the case studies (Santa Cruz and Jackson). Providence, on the other hand, has an estimated 34 PHAs and their boundaries often overlap, according to a HUD analysis that attempted to map out the service areas of PHAs.[35]

Even determining which areas use FMR and which use SAFMR is not a straightforward exercise. HUD maintains a SAFMR Dashboard that shows which PHAs use SAFMR. There are some PHAs for which it is known with certainty that they use SAFMR for all areas since they are legally mandated to use SAFMR instead of FMR. Other PHAs can opt in to SAFMR usage, but sometimes only some ZIP codes in the PHA service area use SAFMR as exception payment standards. It is not comprehensively known which

[32] See footnote 20
[33] See footnote 28
[34] See footnote 17
[35] See footnote 28

ZIP codes use FMR and which use SAFMR, so HUD assumes that all ZIP codes use SAFMR for such PHAs. We use the same assumption. This overestimates the ZIP codes that use SAFMR, but without more complete data, it is the most reasonable assumption that we can make.

Providence, RI

Given the number of PHAs and the degree of geographic overlap, we are not able to accurately estimate either the FMR and SAFMR mix or the payment standards. We estimate that there are 34 PHAs that serve the Providence metropolitan statistical area (MSA) based on data from HUD's Estimated Housing Authority Service Areas map.[36] Eight of the PHAs use SAFMR, one is labeled as "Opt-in" by HUD and the other seven are labeled "EPS". These seven might not use SAFMR throughout the entire service area, but we assume they do. In Map #1, we assume the payment standard does not differ from FMR or SAFMR. In other words, the areas that use FMR are assumed to have a payment standard exactly equal to FMR, and the same goes for SAFMR. There are likely instances where these assumptions do not hold; however, there is also likely some degree of deviation from FMR and SAFMR in both directions, so the net effect of an incorrect assumption is likely not severe.

Santa Cruz, CA

From our research, we found that the Housing Authority of the County of Santa Cruz is the only PHA that serves the Santa Cruz MSA. The 2022 payment standard for the MSA is published on their website.[37] Most of the county uses the same payment standard but there are select ZIP codes that differ.

Jackson, MS

From our research, we found that there are six PHAs that serve the Jackson MSA. We are using data from HUD's Estimated Housing Authority Service Areas data and the entire MSA is not covered. Therefore, it is possible that we are missing some smaller PHAs.

Nevertheless, from the PHAs that we know serve the area, we pulled ZIP code level data for payment standards. Jackson is required to use SAFMR, but the Jackson metro area as defined by HUD is smaller than the Jackson MSA as defined by the Office of Management and Budget. From our research, we found that even the three counties that are excluded from HUD's Jackson metro area definition still use SAFMR. Payment standard data can be found on the Mississippi regional Housing Authority VI[38] and Jackson Housing Authority[39] website (effective years are 2023 and 2024, respectively, but we are able to determine their calculation and apply to 2022 SAFMR). We did find some conflicting information on the website but chose to go with the higher payment standard to be conservative.

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[36] See footnote 28
[37] See footnote 30
[38] City Archive - MS Regional Housing Authority VI MS Regional Housing Authority VI
[39] Jackson Housing Authority - 2024 Fair Market Rents & Payment Standards