

## GLOSSARY OF RENT DETERMINATION TERMS

- 1. Fair Market Rents (FMRs):** FMRs are not the rents the Housing Authority is required to pay landlords. FMRs are HUD gross rent limits that include shelter rent plus the cost of utilities. HUD annually estimates and publishes FMRs for metropolitan areas and non-metropolitan counties throughout the country. Housing Authorities who operate a Housing Choice Voucher (HCV) Program are required to use FMR limits to establish Payment Standards. In establishing FMRs the HUD goal is to ensure that the area rental limits established will result in a sufficient supply of rental units being available to program participants. Therefore, the rents HUD establishes must be high enough to ensure a broad selection of units and neighborhoods and low enough to serve as many families as possible with available HUD funding. In achieving this goal HUD has selected rents in the 40<sup>th</sup> percentile, this is the dollar amount below which 40% of the standard rental units are rented. In making annual estimates of FMRs, HUD uses decennial census data updated by Consumer Price Index information for utilities and rent. The actual rent paid to landlords can vary significantly from the FMRs established by HUD. FMRs will vary from metropolitan area to metropolitan area and from Non-metro County to Non-metro County. However, the FMRs will be the same in the same metro or non-metro area for every Housing Authority operating in the area. Even when the FMR is the same, the actual rents paid to landlords will not be the same.
- 2. Payment Standards:** Payment Standards are not the rents that Housing Authorities are required to pay to landlords. Payment Standards are gross rent limits that include shelter rent and utilities. HUD requires Housing Authorities to develop Payment Standards that are based upon the FMRs and range from 90%-110% of the FMRs. They represent the maximum subsidy payment for a family before deducting the family contribution. The tenant pays contract rent in excess of the Payment Standard. However, tenants are prohibited from paying more than 40% of their income for initial rent. In the past, Housing Authorities could apply for exception Payment Standards in areas where they could demonstrate that rents at 110% were insufficient in the rental market to enable program participants to select rental units. Exception Payment Standards can be up to 120% of the FMRs but the HUD area office is no longer approving exception Payment Standards due to the new funding limitations. Housing Authorities must appeal to the HUD central office. Payment Standards will vary from Housing Authority to Housing Authority in the same metropolitan area.
- 3. Reasonable Rents:** HUD regulations require Housing Authorities to pay landlords "reasonable rents." Reasonable rents are defined as rents that are no more than the rent charged for comparable units in the private unassisted market and/or the rent for comparable unassisted units in the premises. These rents are determined by Housing Authorities and are based upon the rental market in the area in which the unit is rented. In establishing reasonable rents Housing Authorities must consider the location, quality, size, unit type, age, amenities, housing services, maintenance and unit utilities. Reasonable rents may vary significantly from the HUD FMRs and the Housing Authority's Payment Standard. Reasonable rents will also vary from Housing Authority to Housing Authority because of jurisdictional market differences, the rental units used in the rent sample, the time the sample is taken, and the method used in performing the rent analysis (whether manual or automated, and/or which system of automation is used). Some landlords in Cook County are impacted by reasonable rent requirements because they believe they should get more rent money for renting to a voucher client and this is not the case.

