Final Project

Data set: Fair Market Rents (40th PERCENTILE RENTS) from US Housing and Urban Development

Publication date: Start of every fiscal year.

Citation: Fair market rents (40th percentile rents). Fair Market Rents (40th PERCENTILE RENTS) | HUD USER. Accessed December 3rd, 2023. <https://www.huduser.gov/portal/datasets/fmr.html>

Additional data: Geographic Information of zip code in US

<https://www.unitedstateszipcodes.org/zip-code-database/>

# Motivation

Fair Market Rents (FMRs) are used to determine payment standard amounts for housing rental units. It was meant to enable renters to be able to afford to move to high-opportunity neighborhoods, which include better-performing schools, better transportation, and lower crime rates.

However, a lawsuit in Texas claimed that FMRs created unnecessary barriers for Housing Choice Voucher (HCV) holders, especially people of color, to move to high-opportunity neighborhoods. Small area FMRs (SAFMRs) have been implemented to provide more opportunities for people to acquire higher quality housing by adjusting for individual zip codes rather than for the entire metro areas.

# Composition

Data table

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| File Name | Rows | Columns | SAFMR or not | Year | Variable Name |
| FY2010\_4050\_Final\_PostRDDs.xls | 4763 | 20 | FALSE | 2010 | fmr\_fy2010 |
| FY2023\_FMRs\_revised.xlsx | 4764 | 14 | FALSE | 2023 | fmr\_fy2023 |
| FY2024\_FMRs.xlsx | 4764 | 14 | FALSE | 2024 | fmr\_fy2024 |
| FY2011\_4050\_Final.xls | 4765 | 20 | FALSE | 2011 | fmr\_fy2011 |
| FY2012\_4050\_Final.xls | 4765 | 17 | FALSE | 2012 | fmr\_fy2012 |
| FY2022\_FMRs\_revised.xlsx | 4765 | 14 | FALSE | 2022 | fmr\_fy2022 |
| FY2013\_4050\_Final.xls | 4766 | 18 | FALSE | 2013 | fmr\_fy2013 |
| FY2014\_4050\_RevFinal.xls | 4766 | 18 | FALSE | 2014 | fmr\_fy2014 |
| FY2020\_4050\_FMRs\_rev.xlsx | 4766 | 20 | FALSE | 2020 | fmr\_fy2020 |
| FY2021\_4050\_FMRs\_rev.xlsx | 4766 | 16 | FALSE | 2021 | fmr\_fy2021 |
| FY2019\_4050\_FMRs\_rev2.xlsx | 4767 | 20 | FALSE | 2019 | fmr\_fy2019 |
| FY2015\_4050\_RevFinal.xls | 4769 | 18 | FALSE | 2015 | fmr\_fy2015 |
| FY2017-4050-County-Level\_Data.xlsx | 4769 | 18 | FALSE | 2017 | fmr\_fy2017 |
| FY2018\_4050\_FMRs\_rev.xlsx | 4769 | 20 | FALSE | 2018 | fmr\_fy2018 |
| FY2016F-4050-RevFinal4.xlsx | 4770 | 18 | FALSE | 2016 | fmr\_fy2016 |
| fy2019\_safmrs\_rev.xlsx | 26019 | 18 | TRUE | 2019 | safmr\_fy2019 |
| fy2020\_safmrs\_rev.xlsx | 26090 | 18 | TRUE | 2020 | safmr\_fy2020 |
| fy2021\_safmrs\_revised.xlsx | 27144 | 18 | TRUE | 2021 | safmr\_fy2021 |
| fy2022\_safmrs\_revised.xlsx | 27322 | 18 | TRUE | 2022 | safmr\_fy2022 |
| fy2023\_safmrs\_revised.xlsx | 27331 | 18 | TRUE | 2023 | safmr\_fy2023 |
| fy2024\_safmrs.xlsx | 27446 | 18 | TRUE | 2024 | safmr\_fy2024 |
| zip\_code\_database.csv | 42735 | 15 | FALSE | *NA* | fmr\_zip\_co |

Features:

* **zip**: The area zip code
* **area\_code**: area code for the metro the small area is associated with
* **area\_name**: Full name of the area with state and metro
* **safmr\_0br** to **safmr\_4br**: the small area fair market rents for rooms 0 to 4 bedrooms
* **safmr\_0br\_90**: 0.9 times of the SAFMR value
* **safmr\_0br\_110**: 1.1 times of the SAFMR value
* **year**: the year that the spreadsheet collected data for
* **state**: places in the US
* **area**: name of the area

# Narrative

FMRs are calculated based on Standard Quality (SQ), and Recent Mover (RM) rents. It begins with a new benchmark for SQ rent from the 5-Year ACS. This is the base rent.

The RM adjustment depends on the relationship between the 5-Year SQ and the 1-Year RM rents. Then they find the smallest area with statistically valid 1-Year RM data, examining single-year RMs, then two-year RMs. [2]

The formula for the Benchmark value would be:

The data is then adjusted for gross rent inflation factor (GRIF) by looking at the measured 1-year- change in Gross Rents and Private Rents for Consumer Price Index (CPI) metro areas and 4 Census Regions. They take the weighted average of the two such that the national weighted average change matches that of the national ACS recent mover rent. But because FMRs take so long to calculate, it is mostly based on 2-year-old market data with outdated market inflation predictions. [3]

Then finally it is multiplied again by a predicted growth factor in gross rent trend from a period of 2 years. This is because the FMRs are calculated ahead of each fiscal year and represent the growth change of the upcoming year compared to recent years. [4]

# Distribution

Data format is in .xls and .xlsx and is freely available online. After publication, amendments to the original data are then made for adjusting specific cases and republished under the \_revised tag.

CUSTOM LICENSE:

HUD and the dataset and metadata authors assume no responsibility for the use or misuse of the dataset. No warranty, expressed or implied is made with regard to the accuracy of the spatial accuracy, and no liability is assumed by the U.S. Government in general, the dataset creators or the U.S. Department of Housing and Urban Development specifically, as to the spatial or attribute accuracy of the data.

# Reference

1. “A Guide to Small Area Fair Market Rents (SAFMRs): How State and Local Housing Agencies Can Expand Opportunity for Families in All Metro Areas ”. *Center on Budget and Policy Priorities.* May 4, 2018

<https://www.cbpp.org/research/a-guide-to-small-area-fair-market-rents-safmrs>

1. US Housing and Urban Developement. “Fair Market Rents: Introductory Overview”. *Program Parameters and Research Division Office of Economic Affairs*. 2023.
2. Rinde, Meir. “Unfair Market Rents: How Inflation Is Skewing FMRs.” *Shelterforce* (Montclair, NJ), July 29, 2022.

<https://shelterforce.org/2022/07/29/unfair-market-rents-how-inflation-is-skewing-fmrs/>

1. Reamer, Andrew. “Fair Market Rents FY2024 -- HUD invites comments on proposed changes in calculation methodology (by 7/24).” *American Economic Association*. January 2023

<https://www.aeaweb.org/forum/3822/invites-comments-proposed-changes-calculation-methodology>