



National Association of Housing and Redevelopment Officials

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October 1, 2026

U.S. Department of Housing and Urban Development
Office of the General Counsel
Regulations Division 451 7th St. SW, Room 10276
Washington, DC 20410-0500

Re: Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program, and Other Programs Fiscal Year 2027 [Docket No. FR-6553-N-03]

To Whom It May Concern:

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO), I am pleased to offer the following comments in response to the notice titled “Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program, and Other Programs Fiscal Year 2027” (Docket No. FR-6553-N-03), published in the *Federal Register* September 1, 2026.

The National Association of Housing and Redevelopment Officials, which was established in 1933, is a membership organization of approximately 26,000 housing and community development providers and professionals throughout the United States. NAHRO members create and manage affordable housing for low- and middle-income families and support vibrant communities that enhance the quality of life for all. Our members administer more than 3 million homes for more than 8 million people.

This letter includes two main sections. The first lists a background summary of how Fair Market Rents (FMRs) are calculated, while the second makes certain suggestions to HUD. In the letter, NAHRO makes the following suggestions:

- The Department should note when a statistical reliability test fails when calculating a FMR in its publication of FMRs; and
- In its next President’s budget work collaboratively with the Department of Commerce to recommend that Congress allocate additional funding for the American Community Survey to provide more robust sampling.

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Background - FMR Calculation Methodology

At a high level, HUD takes the following steps to calculate FMRs. First, HUD uses base gross rent data from the 5-year American Community Survey. The Department then updates this with recent mover factor data. HUD then applies an inflation factor to bring the data up to 2025 and then applies a trending forward factor to predict the 2027 FMR level. Next, the Department takes the 2-bedroom rates and adjusts them for other bedroom-size units. Finally, HUD adjusts the FMRs to comply with certain regulatory requirements (e.g., not allowing an FMR to drop by more than 10%). The methodology is explained in greater detail below.

Utilizing ACS Data

The FY 2027 FMRs are based on modified metropolitan statistical definitions published by the Office of Management and Budget (OMB). After HUD makes its modifications to OMB's definitions, HUD terms these areas "HUD Metropolitan Fair Market Rent Areas" (HMFAs). The Department uses the U.S. Census Bureau's 5-year American Community Survey (ACS) data collected between 2020 and 2024 as "base rents." HUD then applies a "margin of error" test and a requirement that each estimate be based on more than 100 observations to be used. In instances where the 5-year ACS data for two-bedroom, standard quality gross rents do not pass one of the two previously mentioned statistical reliability tests, HUD will use an average of the 5-year ACS estimates over the three most recent years available if there is data available for at least two of those years. If data is not available, HUD uses data from the next largest geographic area (i.e., the containing metropolitan area or the State non-metropolitan portion). HUD next applies a recent mover factor to these rents. The Department calculates the difference between the 5-year 2020-2024 standard quality two-bedroom gross rent and the 1-year 2024 recent mover gross rent for the recent mover factor area. If the recent-mover factor is less than the 5-year standard quality rent, HUD sets the recent-mover factor to 1. The Department increases the base rent by the recent mover factor. In calculating the recent mover factor, HUD applies the same previously mentioned statistical reliability checks (the "margin of error" test and ensuring there are over 100 observations).

In some instances, other survey data is used. The Department uses certain other data for territorial island areas that are not covered by ACS data like American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands. Additionally, HUD will not use ACS data in instances where it has locally collected survey data which are more recent than the 2024 ACS.

Calculating Inflation Factors

HUD adjusts the recent mover data by applying an inflation factor (i.e., the recent mover factor being applied to the base rents produces data for 2024 which is then updated via an inflation factor to produce 2025 data). The Department calculates a gross rent inflation factor which is composed of a shelter rent inflation factor and a utility inflation factor. In calculating a shelter rent inflation factor, HUD calculates one factor using private data and another using the Consumer Price Index (CPI) rent of primary residence series. For the private data inflation factor, HUD takes the mean of the changes from all available sources for each area. In areas that are not covered by at least 3 private data sources, HUD uses the rental unit-weighted regional average of private inflation factors for the Census region in which the area is located. HUD also uses the CPI rent of primary residence for the 23 areas where the data exist or the regional CPI index in areas without a local index.

HUD also calculates a utility inflation factor. For FY 2027, HUD has changed its methodology here. It now uses a weighted average composite of four household fuel and utility components. These components are electricity, natural gas, fuel oil, and water/sewer/trash to produce a utility inflation factor. State-level data from the U.S. Energy Information Administration (EIA) is used for the electricity, natural gas, and fuel oil components. National-level data from the Bureau of Labor Statistics (BLS) is used for the water/sewer/trash collection costs. The Department adjusts these composites based on population-weighted averages for a given geographic area (i.e., if an area includes multiple states, then each state's price for the state level data is averaged based on population data for that state over the geographic area that covers multiple states). Once each larger geographic unit is assigned utility prices, HUD calculates the year-over-year change in each of the four utility components. HUD then weights the components (using the national CPI-U relative importance weight from the household fuels and utilities series) to produce a final utility inflation factor.

HUD combines the two shelter rent inflation factors (one based on private data and one based on public CPI data) with the utility rent inflation factor to form two gross rent inflation factors. HUD then takes a weighted average of both of these gross rent factors where the private data factor is weighted at 55% and the CPI factor is weighted at 45% to create final gross rent inflation factor. The Department multiplies this final factor with the recent mover rent to create the 2025 estimate.

Trend Factor Forecasting

The Department then “trends forward” the 2025 estimate to FY 2027 using a trend factor based on local or regional forecasts of CPI gross rent data. The Department derives trend factors for certain geographic areas using three different time series models (the National Input model, the Local Input model, and the Pure Time Series model). The trend factors include a composite utility inflation factor (derived above). HUD chooses the trending model for each geographic area based on which model's forecasting best captured actual increases in the FMR in the past.

Bedroom Rent Adjustments

The estimates calculated so far are for 2-bedroom units. HUD calculates the bedroom ratios for each FMR area which relate the prices of smaller and larger units to the cost of two-bedroom units. HUD derives these ratios from three 5-year ACS data series (2018-2022, 2019-2023, and 2020-2024). The Department only uses estimates with a margin of error less than 50% and if an area does not have reliable estimates in at least two of the previous three ACS releases, the Department switches to the encompassing larger geographic unit. The Department also sets bands for the upper and lower limits for bedroom ratios based on an analysis of the range of intervals for all areas with enough samples to permit accuracy. Finally, HUD makes certain changes to permit higher rents for three bedroom and higher bedroom count units.

Regulatory Limitations on FMRs

There are certain limitations on FMRs based on regulations. All FMRs must be at least based on the State or national non-metropolitan area median rent. Additionally, HUD imposes a limit of ten percent on the amount that FMRs may decrease from the prior year. This applies to small area FMRs also.

Small Area FMRs

The methodology for calculation of small area FMRs is unchanged.

General Comments

At this time, NAHRO does not object to the new alternative utility inflation factor that HUD has implemented to use for FY 2027.

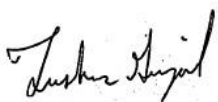
NAHRO commends the Department for its work over the last several years in striving to create more accurate FMRs that take into account the latest on-the-ground rental price increases. We appreciate that the Department is aware that there are certain instances where FMRs are not truly reflective of on-the-ground rental prices. The Department should continue this good work by implementing the suggestions below.

As previously mentioned in NAHRO comment letters, the Department should note any FMRs for a HUD Metropolitan Fair Market Rent Area that failed a statistical check (e.g., a “margin or error test” or a test of having enough observations) in the process used to calculate a given FMR. The rationale behind this request is that those FMRs that have failed statistical checks switch to using sub-optimal data for the area which may lead to greater inaccuracies for that particular FMR. In instances where the methodology required the calculation to use alternative sub-optimal data, housing agencies should consider submitting FMR reevaluation requests. Marking these FMRs will help agencies determine if they should consider reevaluating their FMR.

Additionally, the Department should work with the Department of Commerce to revise the next proposed President’s Budget to include greater funding for more sampling in the American Community Survey. Greater sampling will increase the accuracy of the FMRs as they will be calculated with more data and individual FMRs will be less likely to fail a given statistical check.

The National Association of Housing and Redevelopment Officials thanks the Department for the opportunity to share these comments. If the Department has any questions or comments on these points, or any other issue, please feel free to reach out to me at tgurjal@nahro.org.

Sincerely,



Tushar Gurjal,
Senior Policy Manager