



[Docket No. FR-6526-N-01]

## **Section 8 Housing Assistance Payments Program-Fiscal Year (FY) 2025 Inflation Factors for Public Housing Agency (PHA) Renewal Funding**

**AGENCY:** Office of the Assistant Secretary for Policy Development and Research, HUD.

**ACTION:** Notice.

**SUMMARY:** This notice establishes Renewal Funding Inflation Factors (RFIFs) to adjust Fiscal Year (FY) 2025 renewal funding for the Housing Choice Voucher (HCV) Program of each public housing agency (PHA), as required by the Full-Year Continuing Appropriations and Extensions Act, 2025. The notice apportions the expected percent change in national Per Unit Cost (PUC) for the HCV program, 4.71 percent, to each PHA based on the change in Fair Market Rents (FMRs) for their operating area to produce the FY 2025 RFIFs. HUD has refined its FY 2025 methodology to adopt a national PUC forecast by changing the gross rent component in a manner that empirically weights projected recent mover rents as measured by the FMR with an independent forecast of all-mover rents as measured by the Consumer Price Index (CPI).

**DATES:** Applicability Date: [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

**FOR FURTHER INFORMATION CONTACT:** Miguel A. Fontanez, Director, Housing Voucher Financial Division, Office of Public Housing and Voucher Programs, Office of Public and Indian Housing, Room 4222, U.S. Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC, 20410; telephone (202) 422-0278 (this is not a toll-free number). Adam Bibler, Program Parameters and Research Division, Office of Policy Development and Research, Room 8208, U.S. Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC, 20410; telephone (202) 402-6057 (this is not a toll-free number), for technical information regarding the development of the schedules for specific areas or the methods used for calculating the inflation factors. HUD welcomes and is prepared to

receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

## **SUPPLEMENTARY INFORMATION:**

### **I. Background**

The Full-Year Continuing Appropriations and Extensions Act, 2025, generally, appropriates amounts “under the authority and conditions provided in applicable appropriations Acts for fiscal year 2024.” This includes the 2024 Consolidated Appropriations Act, which provided “renewal funding for each public housing agency (PHA) based on validated voucher management system (VMS) leasing and cost data for the prior calendar year and by applying an inflation factor as established by the Secretary, by notice published in the Federal Register.” This notice announces the FY 2025 inflation factors and describes the methodology for calculating them. Tables in PDF and Microsoft Excel formats showing Renewal Funding Inflation Factors (RFIFs) by HUD Fair Market Rent Area are available electronically from the HUD data information page at: <https://www.huduser.gov/portal/datasets/rfif/rfif.html>.

### **II. Methodology**

RFIFs are used to adjust the allocation of Housing Choice Voucher (HCV) renewal funds to PHAs for local changes in rents, utility costs, and tenant incomes. To calculate the RFIFs, HUD first forecasts a national inflation factor, which is the annual change in the national average Per Unit Cost (PUC). HUD then calculates individual area inflation factors, which are based on the annual changes in the two-bedroom Fair Market Rent (FMR) for each area. Finally, HUD adjusts the individual area inflation factors to be consistent with the national inflation factor.<sup>1</sup>

Since FY 2017, HUD’s method of projecting the national average PUC has been based on independent forecasts of gross rent and tenant income. Each forecast is produced using historical and forecasted macroeconomic data as independent variables, where the forecasts are

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<sup>1</sup> See 42 U.S.C. 1437f(dd).

consistent with the Economic Assumptions of the Administration’s FY Budget. The forecast for gross rent is itself based on forecasts of the Consumer Price Index (CPI) Rent of Primary Residence Index and the CPI Fuels and Utilities Index. Forecasted values of gross rent series were then applied to the relevant FY national average two-bedroom FMR to produce a CY value. Finally, a “notional” PUC is then calculated as the difference between gross rent value and 30 percent of tenant income (the standard for tenant rent contribution in the voucher program). HUD uses a notional PUC as opposed to the actual PUC to project costs that are consistent with PHAs leasing the same number and quality of units.

In FY 2024 FMR calculation,<sup>2</sup> HUD permanently began to supplement the use of the CPI in part with rates of rental inflation as captured by private sector rent data. This was done as the FMR is required by regulation to reflect rents paid by “recent movers” and to better capture the divergence between recent mover rents and overall rents as seen in the years following the COVID-19 economic recession. “Recent movers” are generally renter households that moved to their present residences within the past one or two years, depending on data availability. For purposes of forecasting Per Unit Costs however, the gross rent component should represent all types of tenants in the Housing Choice Voucher program including new admissions and recent movers, as well as those staying in place. To better reflect the composition of tenants in the Housing Choice Voucher program, HUD developed two independent methods of projecting the national average PUC to reflect both recent movers and all-mover rents. In the first approach, HUD develops a gross rent inflation factor using a weighted average of the established CY FMR projection and independent CY CPI gross rent index forecast methodology where the weights were determined empirically in a manner that best predicts the historical average voucher tenant gross rents. Under the second approach, HUD takes a weighted average of the CY FMR projection and independent CY CPI gross rent index forecast, where the weights are based on the

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<sup>2</sup> See 24 CFR § 888.113. Regulations citing FMRs are based on 40th percentile rents drawn from distribution of recent movers.

historical composition of new admissions and recent movers based on HUD administrative data. Because each novel approach was based on independent assumptions and limitations, HUD elected to take the average of both approaches to estimate a CY 2024 PUC.

For FY 2025, HUD is electing to permanently adopt the first approach, whereby HUD determines the FMR and CPI weights empirically in a manner that best predicts the historical average voucher tenant gross rents. This approach is consistent with HUD's process of calculating FMR gross rent inflation factors based on CPI and private sector rent data. Furthermore, HUD's analysis of more than 20 years of historical voucher PUC, FMR, and CPI rent data found that this weighted method does the best job of predicting actual voucher rents, which suggests that it will be the most accurate and cost-effective method for program-wide and PHA-level budgeting. By considering the time series of actual rents, these weights are likely capturing important dynamics of the real-world dynamics of the voucher program. There is also evidence to suggest that even non-movers in the voucher program may experience higher rates of rent inflation, such as existing tenants having rents exceeding payment standards or landlords pricing units based on FMR regardless of unit turnover. While recent market trends have suggested a convergence in recent mover and all mover rents, HUD expects this methodology to most appropriately capture any sudden rental market dynamics between the two data measures should they arise.

For FY 2025, HUD develops a gross rent inflation factor using a weighted average of the established CY FMR projection and independent CY CPI gross rent index forecast methodology, where the FMR is weighted at approximately 56 percent and the CPI gross rent inflation index measure is weighted at approximately 44 percent. HUD determined the weights empirically in a manner that best predicts the historical average voucher tenant gross rents.<sup>3</sup> The change between

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<sup>3</sup> Specifically, HUD attempted to predict each year's tenant gross rent using a weighted average of FMR and CPI change, then compared the predicted gross rent to the actual historical gross rent. HUD then generated an error measure as the difference between the predicted and actual rent. HUD then solved for the weights that minimize the root mean squared error of the predicted and actual rents.

the forecasted CY 2025 notional PUC and the CY 2024 notional PUC is the expected national change in PUC, or 4.71 percent.

HUD's forecasts of the Consumer Price Index (CPI) Rent of Primary Residence Index, CPI Fuels and Utilities Index and HUD tenant incomes remain consistent with the Economic Assumptions of the Administration's FY 2026 Budget. For more information on HUD's forecast methodology, see 82 FR 26710 (June 8, 2017).

The inflation factor for an individual geographic area is based on the annualized change in the area's FMR between FY 2024 and FY 2025. These changes in FMRs are then scaled such that the voucher-weighted average of all individual area inflation factors is equal to the national inflation factor, i.e., the expected annual change in national PUC from CY 2024 to CY 2025, and such that no area has a factor less than one. For PHAs operating in multiple FMR areas, HUD calculates a voucher-weighted average inflation factor based on the count of vouchers in each FMR area administered by the PHA as captured in HUD administrative data as of December 31, 2024.

### **III. The Use of Inflation Factors**

HUD subsequently applies the calculated individual area inflation factors to eligible renewal funding for each PHA based on VMS leasing and cost data for the prior calendar year.

### **IV. Geographic Areas and Area Definitions**

As explained above, inflation factors based on area FMR changes are produced for all FMR areas and applied to eligible renewal funding for each PHA. The tables showing the RFIFs, available electronically from the HUD data information page, list the inflation factors for each FMR area on a state-by-state basis. The inflation factors use the same OMB metropolitan area definitions, as revised by HUD, that are used in the FY 2025 FMRs. PHAs should refer to the Area Definitions Table on the following webpage to make certain that they are referencing the correct inflation factors: [http://www.huduser.org/portal/datasets/rfif/FY2025/FY2025\\_RFIF\\_FMR\\_AREA\\_REPORT.pdf](http://www.huduser.org/portal/datasets/rfif/FY2025/FY2025_RFIF_FMR_AREA_REPORT.pdf). The Area Definitions Table lists areas in

alphabetical order by state, and the counties associated with each area. In the six New England states, the listings are for counties or parts of counties as defined by towns or cities. HUD is also releasing the data in Microsoft Excel format to assist users who may wish to use these data in other calculations. The Excel file is available at <https://www.huduser.gov/portal/datasets/rfif/rfif.html>. Note that, as described earlier, the actual renewal funding inflation factor applied to agency funding will be the voucher-weighted average of the FMR area factors when the PHA operates in multiple areas.

## **V. Environmental Impact**

This notice involves a statutorily required establishment of a rate or cost determination which does not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

**John Gibbs,**  
*Principal Deputy Assistant Secretary for Policy  
Development and Research.*

**Billing Code: 4210-67**

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