



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-6553-N-01]

Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program, and Other Programs Fiscal Year 2026

AGENCY: Office of the Assistant Secretary for Policy Development and Research, Department of Housing and Urban Development, HUD.

ACTION: Notice of Fiscal Year (FY) 2026 Fair Market Rents (FMRs).

SUMMARY: Section 8(c)(1) of the United States Housing Act of 1937 (USHA), as amended by the Housing Opportunity Through Modernization Act of 2016 (HOTMA), requires the Secretary to publish FMRs not less than annually, adjusted to be effective on October 1 of each year. This notice describes the methods used to calculate the FY 2026 FMRs and lists the procedures for Public Housing Agencies (PHAs) to request reevaluations of their FMRs as required by HOTMA.

DATES: Comments are due by: [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

Effective Date: October 1, 2025, unless HUD receives a valid request for reevaluation of specific area FMRs as described below.

ADDRESSES: HUD invites interested persons to submit comments regarding the FMRs and to request reevaluation of the FY 2026 FMRs. Communications must refer to the above docket number and title and should contain the information specified in the “Request for Public Comments and FMR Reevaluations” section. There are two methods for submitting public comments or reevaluation requests:

1. *Electronic Submission of Comments.* Interested persons may submit comments or reevaluation requests electronically through the Federal eRulemaking Portal at <https://www.regulations.gov>. HUD strongly encourages commenters to submit comments or

reevaluation requests electronically. Electronic submission of comments or reevaluation requests allows the author maximum time to prepare and submit a comment or reevaluation request, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the <https://www.regulations.gov> website can be viewed by other submitters and interested members of the public. Commenters or reevaluation requestors should follow the instructions provided on that site to submit comments or reevaluation requests electronically.

2. Submission of Comments by Mail. Members of the public may submit comments or requests for reevaluation by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW, Room 10276, Washington, DC 20410-0500.

Note: To receive consideration as public comments or reevaluation requests, comments or requests must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the notice.

No Facsimile Comments or Reevaluation Requests. HUD does not accept facsimile (FAX) comments or requests for FMR reevaluation.

FOR FURTHER INFORMATION CONTACT: Adam Bibler, 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 on the methodology used to develop FMRs or a listing of all FMRs, please call the HUD User information line at 800-245-2691 or access the information on the HUD User website at <https://www.huduser.gov/portal/datasets/fmr.html>. HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as from 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>.

Questions related to the use of FMRs or voucher payment standards should be directed to the respective local HUD program staff or the Office of Public and Indian Housing Customer Service Center at https://www.hud.gov/program_offices/public_indian_housing/about/css. Questions on how to conduct FMR surveys may be addressed to the electronic mailbox for the Program Parameters and Research Division at pprd@hud.gov.

Electronic Data Availability. This *Federal Register* notice will be available electronically from the HUD User page at <https://www.huduser.gov/portal/datasets/fmr.html>. *Federal Register* notices also are available electronically from <https://www.federalregister.gov/>, the U.S. Government Printing Office website. Complete documentation of the methodology and data used to compute each area's FY 2026 FMRs is available at https://www.huduser.gov/portal/datasets/fmr.html#2026_query. FY 2026 FMRs are available in a variety of electronic formats at <https://www.huduser.gov/portal/datasets/fmr.html>, including in PDF and Microsoft Excel. Small Area FMRs for all metropolitan and nonmetropolitan areas are available in Microsoft Excel format at: <https://www.huduser.gov/portal/datasets/fmr/smallarea/index.html>. For informational purposes, HUD also publishes 50th percentile rents for all FMR areas at <https://www.huduser.gov/portal/datasets/50per.html>.

SUPPLEMENTARY INFORMATION:

I. Background

Section 8 of the USHA (42 U.S.C. 1437f) authorizes housing assistance to aid low-income families in renting safe and decent housing. Housing assistance payments are limited by FMRs established by HUD for different geographic areas. In the Housing Choice Voucher (HCV) program, the FMR is the basis for determining the “payment standard amount” used to calculate the maximum monthly subsidy for an assisted family. See 24 CFR 982.503. In addition, the year-over-year FMR change is one measure of rent inflation used to calculate the Renewal Funding Inflation Factors that affect PHAs' Housing Choice Voucher funding eligibility for the

calendar year. HUD also uses the FMRs to determine initial renewal rents for some expiring project-based Section 8 contracts, initial rents for housing assistance payment contracts in the Moderate Rehabilitation Single Room Occupancy program, rent ceilings for rental units in both the HOME Investment Partnerships program and the Emergency Solution Grants program, calculation of maximum award amounts for Continuum of Care recipients and the maximum amount of rent a recipient may pay for property leased with Continuum of Care funds, and calculation of flat rents in Public Housing units. The FMR is also used to determine the Performance Based Contract Administration Fee in Multifamily Housing. In general, the FMR for an area is the amount that a tenant would need to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities. HUD's FMR calculations represent HUD's best effort to estimate the 40th percentile gross rent paid by recent movers into standard quality units in each FMR area. In addition, all rents subsidized under the HCV program must meet reasonable rent standards.

HUD's methodology for calculation FMRs is described in Section III. HUD first adopted this methodology for the calculation of FY 2024 FMRs, and it is unchanged for FY 2026.

II. Publication of FMRs

Section 8(c)(1) of the USHA,¹ as amended by HOTMA (Pub. L. 114–201, enacted July 29, 2016), requires the Secretary of HUD to publish FMRs not less than annually. Section 8(c)(1)(A) states that each FMR “shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so the rentals will be current for the year to which they apply. . . .” Section 8(c)(1)(B) requires that HUD publish, not less than annually, new FMRs on the World Wide Web or in any other manner specified by the Secretary, and that HUD must also notify the public of when it publishes FMRs by *Federal Register* notice. After notification, the FMRs “shall become effective no earlier than 30 days after the date of such publication,” and HUD must provide a procedure for the public to comment and request a

¹ 42 U.S.C. 1437f.

reevaluation of the FMRs in a jurisdiction before the FMRs become effective. Consistent with the statute, HUD is issuing this notice to notify the public that FY 2026 FMRs are available at <https://www.huduser.gov/portal/datasets/fmr.html> and will become effective on October 1, 2025. This notice also provides procedures for FMR reevaluation requests.

III. FMR Methodology

This section provides a brief overview of how HUD computed the FY 2026 FMRs. For complete information on how HUD derives each area's FMRs, see the online documentation at https://www.huduser.gov/portal/datasets/fmr.html#2026_query.

A. Geographic Area Definitions

The FY 2026 FMRs are based on the updated metropolitan statistical area (MSA) definitions published by the Office of Management and Budget (OMB) on July 21, 2023, and newly incorporated by the Census Bureau into the 2023 American Community Survey (ACS) data. However, in many cases, HUD has split metropolitan statistical areas into smaller subareas, which HUD designates as "HUD Metropolitan Fair Market Rent Areas (HMFAs)." This is meant to minimize volatility in the year to year change in FMRs based on geographic revisions, and to tailor FMRs to local housing markets.

Since FY 2016, HUD's process for determining HMFA boundaries following revisions by OMB has been as follows:

- When a county is newly added to an existing metropolitan area, the county is instead treated as a single-county HMFA, and its metropolitan area is labeled as a HMFA.
- When a county is removed from an area, the area becomes a single non-metropolitan county, and is removed from its prior FMR area.
- When multiple counties are grouped into a new metropolitan area, they are instead treated as separate, single-county HMFAs.
- When a county switches metropolitan areas, it is instead treated as a single-county HMFA and its new metropolitan area is labeled as a HMFA.

- HUD maintains FMR area boundaries in the six New England states that are based on groupings of towns rather than counties, following the metropolitan area definitions used prior to 2003.

HUD has maintained these criteria for FY 2026 FMRs. However, there are two exceptions. First, the state of Connecticut has officially changed its county-equivalent geographic units from legacy counties with no active government functions to planning regions. The 2023 OMB MSA definitions are based on these planning regions. Because the planning regions do not match the boundaries of the former counties, HUD must adopt the new MSA definitions for Connecticut rather than maintaining its previous HMFA definitions. Second, HUD does not designate single-municipio areas in Puerto Rico in cases where a municipio is added, removed, or switched metropolitan areas.

Because of the limit on FMR decreases described at the end of Section III, towns or municipios that have switched or are otherwise newly added to MSAs in Connecticut and Puerto Rico may end up with different FMRs than other towns or municipios within the same MSA. In these cases, HUD has retitled the affected areas as “Exception Areas” using the name of the town or municipio and will maintain these designations until the FMRs for the affected areas converge with the rest of the MSA.

B. Base Year Rents

For FY 2026 FMRs, HUD uses the U.S. Census Bureau’s 5-year ACS data collected between 2019 and 2023 as the “base rents” for the FMR calculations. These data are the most current ACS data available at the time that HUD calculates the FY 2026 FMRs. HUD pairs a “margin of error” test² with an additional requirement based on the number of survey observations supporting the estimate to improve the statistical reliability of the ACS data used in the FMR calculations. The Census Bureau does not provide HUD with an exact count of the

² HUD’s margin of error test requires that the margin of error of the ACS estimate is less than half the size of the estimate itself.

number of observations supporting the ACS estimate; rather, the Bureau provides HUD with categories of the number of survey responses underlying the estimate, including whether the estimate is based on more than 100 observations. Using these categories, HUD requires that, in addition to meeting the “margin of error” test, ACS rent estimates must be based on at least 100 observations to be used as base rents.

For areas in which the 5-year ACS data for two-bedroom, standard quality³ gross rents do not pass the statistical reliability tests (i.e., have a margin of error ratio greater than 50 percent or fewer than 100 observations), HUD uses an average of the base rents over the three most recent years⁴ (provided that there is data available for at least two of these years),⁵ or if such data are not available, using the two-bedroom rent data within the next largest geographic area. For a metropolitan subarea, the next largest area is its containing metropolitan area. For a non-metropolitan area, the next largest area is the state non-metropolitan portion.

C. Recent-Mover Factors

Following the assignment of the standard quality two-bedroom rent described above, HUD applies a recent-mover factor to these rents. HUD calculates the recent-mover factor as the change between the 5-year 2019-2023 standard quality two-bedroom gross rent and the 1-year 2023 recent mover gross rent for the recent mover factor area. HUD does not allow recent-mover factors to lower the standard quality base rent; therefore, if the 5-year standard quality rent is larger than the comparable 1-year recent mover rent, HUD sets the recent-mover factor to 1. When the recent-mover factor is greater than one and calculated for the same geographic area as the base rent, HUD is, in effect, replacing the base rent with the recent-mover rent for that area.

³ The definition of a standard quality unit is one with complete plumbing and kitchen facilities; meals not included in rent; and situated on ten acres or less of land. HUD no longer excludes new construction units from the standard quality universe pursuant to the amended regulations at 24 CFR § 888.113.

⁴ For FY 2026, the three years of ACS data in question are 2021, 2022 and 2023. HUD adjusts the 2021 and 2022 data to be denominated in 2022 dollars using the growth in Consumer Price Index (CPI)-based gross rents measured between those years and 2023.

⁵ To be used in the three-year average calculation, the 5-year estimates must be minimally statistically qualified; that is, the margin of error of the estimates must be less than half the size of the estimate.

In determining the recent mover factor, HUD first considers the rents of households who moved into their unit only in the current ACS year. For ACS 2023, this means that the maximum length of time for a household to have lived in its current unit and still be considered a recent mover under this definition would be 11 months. HUD applies the same two statistical reliability checks to each ACS recent mover estimate as it does for the base rent estimate. First, the estimate must be supported by at least 100 sample cases from the ACS. Second, the estimate must have a margin of error that is smaller than half the estimate itself. HUD first considers the estimate for two-bedroom units, then for units of all bedroom counts. For areas without an ACS estimate meeting these criteria, HUD next checks the estimate tabulated from two-year recent movers. If the local two-year recent mover estimates are not reliable, HUD considers the estimates for increasingly larger areas of geography.

D. Other Rent Survey Data

HUD calculates base rents for the insular areas using data collected during the 2020 decennial census of American Samoa, the Northern Mariana Islands, and the US Virgin Islands.⁶ HUD updates the 2020 base year data to 2023 using the growth in national ACS data over that period.

HUD does not use ACS data to establish the base rent or recent-mover factor in cases where it has locally collected survey data which are more recent than the 2023 ACS. For larger metropolitan areas that have valid ACS one-year recent-mover data, survey data may not be any older than the mid-point of the calendar year for the ACS one-year data. Since the ACS one-year data used for the FY 2026 FMRs is from 2023, in larger areas with valid one-year recent mover data HUD does not use other survey data collected before June 30, 2023 for the FY 2026 FMRs. In areas without statistically reliable 1-year ACS data, HUD continues to use local survey data until the mid-point of the 5-year ACS data is more recent than the local survey. For FY 2026

⁶ The ACS is not conducted in the Pacific Islands (Guam, Northern Mariana Islands and American Samoa) or the US Virgin Islands. As part of the 2020 Decennial Census, the Census Bureau conducted “long-form” sample surveys for these areas. HUD uses the results gathered by this long form survey for the FY 2026 FMRs.

FMRs, the following are Metropolitan Statistical Areas (MSAs), HUD Metro FMR Areas, or non-metropolitan counties that have FMRs based on local ad hoc surveys collected prior to 2024:

1) HUD uses survey data from 2021 to calculate the FMRs for Iron County, UT; and Transylvania County, NC.

2) HUD uses survey data from 2022 to calculate the FMRs for Hawaii County, HI; Hood River County, OR; and Wasco County, OR.

3) HUD uses survey data from 2023 to calculate the FMRs for Santa Cruz-Watsonville, CA MSA.

4) HUD uses survey data from 2024 for Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area; New York, NY HUD Metro FMR Area; San Luis Obispo-Paso Robles-Arroyo Grande, CA MSA; Santa Maria-Santa Barbara, CA MSA; Santa Rosa, CA MSA; and all areas in the state of Montana.

5) HUD uses survey data from 2025 for Kahului-Wailuku-Lahaina, HI HUD Metro FMR Area; and San Benito County, CA HUD Metro FMR Area.

E. Gross Rent Inflation Factors

The ACS recent mover rent estimates as described above produce a rent value that is “as of” 2023. To account for inflation, HUD adjusts this value using an inflation factor that captures rent growth from 2023 to 2024. HUD uses a local measure of private rent inflation for markets that are covered by at least three of the six available sources of private rent data. HUD combines this local measure of rent inflation with either the local metropolitan area Consumer Price Index (CPI) rent of primary residence for the 23 areas where such data exist, or the regional CPI rent in areas without a local index.

HUD uses both private data and the CPI in an attempt to fully and accurately measure recent mover rent inflation. Research has shown that private data often provide a timelier measure of recent mover rent inflation than the CPI, which is constructed by measuring the rents of both in-place and new tenants. However, the CPI provides other advantages as a measure of

rent inflation, such as consisting of a representative sample of all housing units, measuring rent in the same units over time (a “repeat rent” sample), and adjusting for the aging of units.

The private measures of rent used by HUD are the Apartment List Rent Estimate, CoStar Group average effective rent, Cotality, Inc., single-family combined 3-bedroom median rent, Moody’s average market rent, RealPage average effective rent per unit, and Zillow Observed Rent Index. In calculating a measure of inflation from these data, HUD first takes the annual average of each statistic, then its year-to-year change. HUD then takes the mean of the changes from all available sources for each area.

Next, HUD takes an average of this private-sector measure of rent inflation with rent inflation as captured by the CPI for the area, where the private-sector measure is weighted at approximately 64 percent and the CPI rent inflation measure is weighted at approximately 36 percent. HUD has determined and updated these weights by comparing the national average of the private rent changes and changes in CPI rent of primary residence to changes in the national average of recent mover rent changes from the ACS from 2018 through 2023. HUD weights the private data averages and overall CPI rent of primary residence in such a way as to minimize the root mean squared error between the resulting average and the complete history of ACS recent mover rent changes.

For areas without at least three of the six private rent data sources available, HUD uses a regional average of private rent inflation factors alongside the regional CPI rent of primary residence using the nationally derived weights described above. HUD constructs the regional average by taking the rental unit weighted average of the change in rents of each area in a region that does have private rent data coverage. This ensures that smaller areas which are not covered by the private sources directly still have current rental market conditions taken into account in the calculation of the rent inflation factor for such areas.

Finally, HUD averages the result of this step with the year-to-year change in the CPI housing fuels and utilities series for the area to make the resulting inflation measure reflective of gross rents. The results of this step are gross rent estimates that are “as of” 2024.

F. Trend Factor Forecasts

Following the application of the appropriate gross rent inflation factor, HUD trends the gross rent estimate from 2024 to FY 2026 using a trend factor which is based on local or regional forecasts of CPI gross rent data. HUD derived a trend factor for each Class A CPI area and Class B/C CPI region using time series models based on national inputs (National Input Model or NIM), local inputs (Local Input Model or LIM), and historical values of the predicted series (Pure Time Series – PTS). HUD chose the actual model used for each CPI area’s trend factor based on which model generates the lowest Root Mean Square Error statistic and applied the trend factors to the corresponding FMR areas. HUD established the type of model for each forecast (NIM, LIM, or PTS) for the FY 2020 FMRs. HUD had previously stated it would reassess the model selections during the calculation of the FY 2025 FMRs. However, due to the high degree of volatility that occurred in rental markets from 2020-2023, HUD believes that evaluating model performance during this period will not result in the best long term model selection. More details on the trend factor forecasts are available in the June 5, 2019 *Federal Register* notice (84 FR 26141) and are available at <https://www.federalregister.gov/documents/2019/06/05/2019-11763/proposed-changes-to-the-methodology-used-for-estimating-fair-market-rents>.

G. Bedroom Rent Adjustments

HUD uses two-bedroom units for its primary calculation of FMR estimates. This is generally the most common size of rental unit and, therefore, the most reliable to survey and analyze. After estimating two-bedroom FMRs, HUD calculates bedroom ratios for each FMR area, which relate the prices of smaller and larger units to the cost of two-bedroom units. The bedroom ratios HUD uses in the calculation of FY 2026 FMRs are calculated from three five-

year ACS data series (2017-2021, 2018-2022, and 2019-2023). HUD only uses estimates with a margin of error ratio of less than 50 percent. If an area does not have reliable estimates in at least two of the previous three ACS releases, HUD uses the bedroom ratios for the area's larger parent geography.

To ensure an adequate distributional fit in these bedroom ratio calculations for individual FMR areas, HUD establishes bedroom interval ranges which set upper and lower limits for bedroom ratios nationwide, based on an analysis of the range of such intervals for all areas with large enough samples to permit accurate bedroom ratio determinations. In the calculation of FY 2026 FMR estimates, HUD sets the bedroom interval ranges as follows: efficiency FMRs are constrained to fall between approximately 0.69 and 0.87 of the two-bedroom FMR; one-bedroom FMRs must be between 0.76 and 0.91 of the two-bedroom FMR; three-bedroom FMRs (prior to the adjustments described below) must be between 1.10 and 1.28 of the two-bedroom FMR; and four-bedroom FMRs (again, prior to adjustment) must be between 1.23 and 1.56 of the two-bedroom FMR. Given that these interval ranges partially overlap across unit bedroom counts, HUD further adjusts bedroom ratios for a given FMR area, if necessary, to ensure that higher bedroom-count units have higher rents than lower bedroom-count units within that area.

HUD further adjusts the rents for three-bedroom and larger units to reflect HUD's policy to set higher rents for these units.⁷ This adjustment is intended to increase the likelihood that the largest families, who have the most difficulty in leasing units, will be successful in finding eligible program units. The adjustment adds 8.7 percent to the unadjusted three-bedroom FMR estimates and adds 7.7 percent to the unadjusted four-bedroom FMR estimates.

HUD derives FMRs for units with more than four bedrooms by adding 15 percent to the four-bedroom FMR for each extra bedroom. For example, the FMR for a five-bedroom unit is 1.15 times the four-bedroom FMR, and the FMR for a six-bedroom unit is 1.30 times the four-

⁷ As mentioned above, HUD applies the interval ranges for the three-bedroom and four-bedroom FMR ratios prior to making these adjustments. In other words, the adjusted three- and four-bedroom FMRs can exceed the interval ranges but the unadjusted FMRs cannot.

bedroom FMR. Similarly, HUD derives FMRs for single-room occupancy units by subtracting 25 percent from the zero-bedroom FMR (i.e., they are set at 0.75 times the zero-bedroom [efficiency] FMR).⁸

H. Minimum FMRs

All FMRs are subject to a minimum rent based on state or national non-metropolitan area median rent. HUD calculates a population-weighted median two-bedroom FMR across all non-metropolitan counties or county-equivalents of each state, which, for the purposes of FMRs, is the state minimum rent. State-minimum rents for each FMR area are available in the FY 2026 FMR Documentation System, available at https://www.huduser.gov/portal/datasets/fmr.html#2026_query. HUD also calculates the population weighted median FMR rent across all non-metropolitan areas of the country, which, for the purposes of FMRs, is the national non-metropolitan rent. For FY 2026, the national non-metropolitan rent is \$973. The applicable minimum rent for a particular area is the *lower* of the state or national non-metropolitan median. Each area's two-bedroom FMR must be no less than the applicable minimum rent.

I. Limit on FMR Decreases

HUD's regulations at 24 CFR 888.113 include a limit on the amount that FMRs may annually decrease. The current year's FMRs resulting from the application of the bedroom ratios, as discussed in Section (E) above, may be no less than 90 percent of the prior year's FMRs for units with the same number of bedrooms. Accordingly, if the current year's FMRs are less than 90 percent of the prior year's FMRs as calculated by the above methodology, HUD sets the current year's FMRs equal to 90 percent of the prior year's FMRs. For areas where HUD has required the use of Small Area FMRs in the administration of their voucher programs, the FY 2026 Small Area FMRs may be no less than 90 percent of the FY 2025 Small Area FMRs. For

⁸ As established in the interim rules implementing the provisions of the Quality Housing and Work Responsibility Act of 1998 (Title V of the FY 1999 HUD Appropriations Act; Pub. L. 105-276) in 24 CFR 982.604.

all other metropolitan areas, the FY 2026 Small Area FMRs may be no less than 90 percent of the greater of the FY 2025 metropolitan area wide FMRs or the applicable FY 2025 Small Area FMR.

PHAs operating in areas where the calculated FMR is lower than the published FMR (i.e., those areas where HUD has limited the decrease in the annual change in the FMR to 10 percent) may request payment standards below the basic range (24 CFR 982.503(d)) and reference the “unfloored” rents (i.e., the unfinalized FMRs calculated by HUD prior to application of the 10-percent-decrease limit) depicted in the FY 2026 FMR Documentation System (available at: https://www.huduser.gov/portal/datasets/fmr.html#2026_query).

IV. Small Area FMRs

A. SAFMR Methodology

The methodology for calculating SAFMRs is unchanged from FY 2025. First, HUD calculates Small Area FMRs directly from the standard quality gross rents provided to HUD by the Census Bureau for ZIP Code Tabulation Areas (ZCTAs) when such data are statistically reliable. The ZCTA two-bedroom equivalent 40th percentile gross rent is analogous to the standard quality base rents set for metropolitan areas and non-metropolitan counties. For each ZCTA with statistically reliable gross rent estimates, using the expanded test of statistical reliability first used in FY 2018 (i.e., estimates with margins of error ratios below 50 percent and based on at least 100 observations), HUD calculates a two-bedroom equivalent 40th percentile gross rent using the first statistically reliable gross rent distribution data from the following data sets (in this order): two-bedroom gross rents, one-bedroom gross rents, and three-bedroom gross rents. If either the one-bedroom or three-bedroom gross rent data are used because the two-bedroom gross rent data are not statistically reliable, HUD converts the one-bedroom or three-bedroom 40th percentile gross rent to a two-bedroom equivalent rent using the bedroom ratios

for the ZCTA's parent metropolitan or non-metropolitan area. To increase stability to these Small Area FMR estimates, HUD averages the latest three years of gross rent estimates.⁹

For ZCTAs without usable gross rent data by bedroom count, HUD calculates Small Area FMRs using the rent ratio method. To calculate Small Area FMRs using a rent ratio, HUD divides the median gross rent across all bedrooms for the ZCTA by the similar median gross rent for the metropolitan or non-metropolitan area of the ZCTA. If a ZCTA does not have reliable rent data at the all-bedroom level, HUD will then check to see if the ZCTA borders other ZCTAs that themselves have reliable rent data. If at least half of a ZCTA's "neighbors" have such data, HUD will use the weighted average of those estimates as the basis for the Small Area FMR rather than a county proxy, where the weight is the length of the shared boundary between the ZCTA and its neighbor. In small areas where the neighboring ZCTA median gross rents are not statistically reliable, HUD substitutes the median gross rent for the county containing the ZIP code in the numerator of the rent ratio calculation. HUD multiplies this rent ratio by the current two-bedroom FMR for the metropolitan or non-metropolitan area containing the small area to generate the current year two-bedroom FMR for the small area.

HUD continues to use a rolling average of ACS data in calculating the Small Area FMR rent ratios. HUD believes coupling the most current data with previous year's data minimizes excessive year-to-year variability in Small Area FMR rent ratios due to sampling variance. Therefore, for FY 2026 Small Area FMRs, HUD has updated the rent ratios to use an average of the rent ratios calculated from the 2017-2021, 2018-2022, and 2019-2023 5-year ACS estimates.

HUD limits each two-bedroom Small Area FMR to be no more than 150 percent of the two-bedroom FMR for the metropolitan or non-metropolitan area where the ZIP code is located.

B. SAFMR Mandatory Use

⁹ For example, for FY 2026 Small Area FMRs, HUD averages the gross rents from 2021, 2022, and 2023 5-Year ACS estimates. The 2021 and 2022 gross rent estimates are adjusted to 2023 dollars using the metropolitan area's gross rent CPI adjustment factors.

On November 16, 2016, HUD published a final rule entitled "Establishing a More Effective Fair Market Rent (FMR) System; Using Small Area Fair Market Rents (Small Area FMRs) in Housing Choice Voucher Program Instead of the Current 50th Percentile FMRs" (81 FR 80567) ("final rule" or "Small Area FMRs final rule"). Based on that rule, HUD has required public housing agencies (PHAs) operating in certain metropolitan areas to use Small Area Fair Market Rents in determining payment standards used in the housing choice voucher program. For FY 2026 FMRs, the implementation of new metropolitan statistical area definitions as described in Section III has resulted in changes to the boundaries of two mandatory SAFMR areas. First, Calvert County, MD has been removed from the Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area. Second, the towns of Bristol, Burlington, Hartland, and Union have been removed from Hartford-West Hartford-East Hartford, CT HUD Metro FMR Area. In both instances, PHAs operating in the county or towns removed remain required to use SAFMRs. Additionally, the towns of Clinton, Deep River, Essex, Killingworth, Lyme, Old Lyme, Old Saybrook and Westbrook have been newly added to the Hartford-West Hartford-East Hartford, CT MSA. HUD has examined data for the revised Hartford MSA and found that it would still meet the selection criteria of the Small Area FMRs final rule. Therefore, PHAs operating within these towns newly added to the Hartford-West Hartford-East Hartford, CT MSA must have their payment standards aligned with the Small Area FMRs in their operating areas by January 1, 2027. This timeframe is consistent with the implementation period provided to the newly identified mandatory areas announced in the October 25, 2023 *Federal Register* noticed "Small Area Fair Market Rents in the Housing Choice Voucher Program Metropolitan Areas Subject to Small Area Fair Market Rents" (88 FR 73352).

V. Notice of Proposed Material Changes for FY 2027 FMRs

As previously stated, HUD uses the CPI housing fuels and utilities series in its calculation of the gross rent inflation factor. In November 2024, the Bureau of Labor Statistics announced it would discontinue CPI fuels and utilities data at the metropolitan area and regional

levels starting January 2025, affecting HUD's ability to inflate ACS gross rents for FY 2027 FMRs which would rely on the 2024 to 2025 increase in the index.

To address this, HUD proposes using an alternative utility inflation factor based on a weighted average composite of four separate household fuel and utility components: electricity, natural gas, fuel oil, and water/sewer/trash. The measure is designed to approximate the CPI-based utility index for each of the 23 self-representing Primary Sampling Units (PSUs) in the CPI sample, as well as the four Class B/C Census regions.

HUD proposes using state-level data from the U.S. Energy Information Administration (EIA) surveys for residential electricity, natural gas, and fuel oil prices, along with national-level data on changes in residential water, sewer, and trash collection costs from the U.S. Bureau of Labor Statistics (BLS). Because EIA data is primarily available at the state level, HUD assigns state-level prices to each PSU based on the state in which the PSU is located, assuming uniform pricing behavior across Core-Based Statistical Areas (CBSAs) within the state. For PSUs that span multiple states, HUD assigns a utility price based on a population-weighted average of the relevant state-level utility prices, using the population of each county within the PSU as weights. For example, the Washington-Arlington-Alexandria, DC-VA-MD-WV PSU spans three states and the District of Columbia and includes 25 counties; HUD calculates a weighted average utility price for each component using population data from these counties. Similarly, for the Class B/C Census regions, HUD computes a population-weighted average utility price across all non-self-representing PSU areas, consistent with the BLS approach to constructing the regional CPI for Class B/C areas.

Once each PSU and Census region is assigned a utility price series, HUD would calculate the year-over-year change in each of the four utility components. These changes are then combined into a composite utility inflation factor using national CPI-U relative importance weights from the household fuels and utilities (SAH2) series. This composite utility factor would

replace the current utility factor in the calculation of the gross rent inflation factors and trend factor forecasts as described in Section III, subsections E and F.

HUD has calculated hypothetical utility inflation factors based on this proposed methodology. Using these factors, HUD has also calculated hypothetical FY 2026 FMRs and compared them to the actual FY 2026 FMRs in order to assess the impact and accuracy of the proposed alternate methodology. The average absolute difference between the two sets of FMRs is less than \$5. The maximum increase in any area's two-bedroom FMR is \$38, and the maximum decrease is \$27. HUD is publishing these alternate FMRs on https://www.huduser.gov/portal/datasets/fmr.html#data_2026 so stakeholders can assess the impact of this proposal.

VI. Request for Public Comments and FMR Reevaluations

HUD accepts public comments on the methods HUD uses to calculate FY 2026 FMRs and requests for reevaluation of FMRs for specific areas for 30 days after the publication of this notice. HUD lacks the resources to conduct local surveys of rents to address comments filed regarding the FMR levels for specific areas. PHAs may continue to fund such surveys independently, as specified below, using ongoing administrative fees or their administrative fee reserve if they so choose. HUD continually strives to calculate FMRs that meet the statutory requirement of using "the most recent available data" while also serving as an effective program parameter.

In response to this notice, HUD specifically requests comment on the alternate utility inflation factor methodology intended for FY 2027 FMRs described in Section V. Additionally, as described in Section I, HUD has now updated FMR area boundaries in Connecticut to match the latest MSA definitions. HUD requests comment as to whether areas in the remaining five New England states should be updated to base FMR areas on county-based CBSAs for FY 2027 FMRs. HUD notes that maintaining the old boundaries in the interest of preserving local housing

market variation in FMRs may no longer be necessary with the availability of Small Area FMRs, which did not exist when HUD elected to maintain the existing New England boundaries.

A. FMR Reevaluations

42 U.S.C. 1437f(c)(1)(B) includes the following: “The Secretary shall establish a procedure for public housing agencies and other interested parties to comment on such fair market rentals and to request, within a time specified by the Secretary, reevaluation of the fair market rentals in a jurisdiction before such rentals become effective.”

Typically, PHAs request a reevaluation of FMRs solely to ensure that they can establish adequate payment standards. HUD reminds PHAs that FMRs are also an underlying component of their annual HCV Renewal Funding Inflation Factors (RFIFs), and potential concerns regarding the adequacy of the RFIF are an important consideration when determining whether to request an FMR Re-evaluation.

PHAs or other parties interested in requesting HUD’s reevaluation of their area’s FY 2026 FMRs, as provided for under section 8(c)(1)(B) of USHA, must follow the following procedures:

1) By the end of the 30-day comment period, PHAs or other parties must submit reevaluation requests through <https://www.regulations.gov/> or directly to HUD as described in the Addresses section above. The area’s PHA or, in multi-jurisdictional areas, PHA(s) representing at least half of the voucher tenants in the FMR area, must agree that the reevaluation is necessary.

2) The requestor(s) must supply HUD with data more recent than the 2023 ACS data used in the calculation of the FY 2026 FMRs. HUD requires data on gross rents paid in the FMR area for occupied standard quality rental housing units. Occupied recent mover units (defined as those who moved in the past 24 months, although a shorter definition may also be used at the requestor’s discretion) provide the best data. The data delivered must be sufficient for HUD to calculate a 40th percentile two-bedroom gross rent. Should this type of data not be available,

requestors may gather this information using the survey guidance available at <https://www.huduser.gov/portal/datasets/fmr/NoteRevisedAreaSurveyProcedures.pdf> and <https://www.huduser.gov/portal/datasets/fmr/PrinciplesforPHA-ConductedAreaRentSurveys.pdf>.

3) Areas where valid reevaluation requests are submitted **may** continue to use FY 2025 FMRs or **may** use the FY 2026 FMRs. Commenters should indicate whether they wish to maintain the FY 2025 or implement the FY 2026 FMR during the reevaluation period as part of their reevaluation request. PHAs requesting reevaluation in areas newly designated as SAFMR areas must adopt SAFMRs, but they may be the FY 2025 SAFMRs or FY 2026 SAFMRs during the reevaluation period. Following the comment period, HUD will post a list, at <https://www.huduser.gov/portal/datasets/fmr.html>, of the areas requesting reevaluations where FY 2025 FMRs remain in effect.

4) PHAs or other parties must supply data for reevaluations to HUD no later than Friday, January 9, 2026. All survey responses of rental units gathered as part of the survey efforts should be delivered to HUD via email. **As in FY 2025, HUD requests that survey responses include the ZIP Code or comparable small-area identifier (such as Census tract) of the housing unit.** In addition to the survey data, HUD requires a current utility schedule to evaluate the survey responses. Finally, HUD encourages PHAs to evaluate their survey data to ensure the survey supports their request. Should PHAs or their contractors undertake this evaluation, HUD requests that this analysis also be submitted.

HUD will use the data delivered by January 9, 2026, to reevaluate the FMRs and following the reevaluation, HUD will post revised FMRs in April of 2026 with an accompanying *Federal Register* notice stating the revised FMRs are available, which will include HUD's responses to comments filed during the comment period for this notice. By January 16, 2026, HUD will post at <https://www.huduser.gov/portal/datasets/fmr.html>, a listing of the areas that requested FMR reevaluations and continued effect of the FY2025 FMRs but did not deliver data, making the FY 2026 FMRs effective in these areas. HUD will incorporate any data supporting a

change in FMRs supplied after January 9, 2026 into the FY 2027 FMRs. Questions on how to conduct FMR surveys may be addressed to the Program Parameters and Research Division at pprd@hud.gov.

For small metropolitan areas without one-year ACS data and non-metropolitan counties, HUD has developed a method of using mail surveys that is discussed on the FMR webpage: https://www.huduser.gov/portal/datasets/fmr.html#survey_info. This method allows for a PHA to submit a valid survey consisting of as few as 100 one-bedroom, two-bedroom, and three-bedroom units.

Other survey methods are acceptable in providing data to support reevaluation requests if the survey method can provide statistically reliable, unbiased estimates of gross rents paid throughout the entire FMR area and small area identifiers for the survey responses. In general, recommendations for FMR changes and supporting data must reflect the rent levels that exist within the entire FMR area and should be statistically reliable.

PHAs in non-metropolitan areas are required to obtain 100 eligible survey responses which means they may need a sampling frame of at least 5,000 rental units, taking into account survey non-response rates and the fact that some units will fail to qualify. PHAs may conduct surveys of groups of non-metropolitan counties to increase the number of rental units that are surveyed, but HUD must approve all county-grouped surveys in advance. HUD cautions that the resulting FMRs may not be identical for the counties surveyed; each individual FMR area will have a separate FMR based on the relationship of rents in that area to the combined rents in the cluster of FMR areas. In addition, HUD advises that in counties where FMRs are based on the combined rents in the cluster of FMR areas, HUD will not revise their FMRs unless the grouped survey results show a revised FMR statistically different from the combined rent level.

Survey samples should preferably be randomly drawn from a complete list of rental units for the FMR area. If this is not feasible, the selected sample must be drawn to be statistically representative of the entire rental housing stock of the FMR area. Surveys must include units at

all rent levels and be representative by structure type (including single-family, duplex, and other small rental properties), age of housing unit, and geographic location. The current 5-year ACS data should be used as a means of verifying if a sample is representative of the FMR area's rental housing stock. HUD staff are available to work with PHAs in areas requesting re-evaluations to provide the minimum number of survey cases required to ensure that data submitted for re-evaluation represent a statistically valid sample. In cases where a submitted sample is not representative, HUD may attempt to weight the sample cases prior to calculating 40th percentile rent estimates.

A PHA or contractor that cannot obtain the recommended number of sample responses after reasonable efforts should consult with HUD before abandoning its survey; in such situations, HUD may find it appropriate to relax normal sample size requirements, but in no case will fewer than 100 eligible cases be considered.

VII. Environmental Impact

This notice involves the establishment of FMR schedules, which do 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).

Accordingly, the Fair Market Rent schedules, which will not be codified in 24 CFR part 888, are available at <https://www.huduser.gov/portal/datasets/fmr.html>.

John Gibbs

Principal Deputy Assistant Secretary for Policy Development and Research

Fair Market Rents for the Housing Choice Voucher Program

Schedule B -- General Explanatory Notes

Arrangement of FMR Areas and Identification of Constituent Parts

a. The Metropolitan and Non-Metropolitan FMR Area Schedule lists FMRs alphabetically by state, by metropolitan area and by non-metropolitan county within each state and are available at <https://www.huduser.gov/portal/datasets/fmr.html>.

b. The schedule lists the constituent counties (and New England towns and cities) included in each metropolitan FMR area immediately following the listings of the FMR dollar amounts. All constituent parts of a metropolitan FMR area that are in more than one state can be identified by consulting the listings for each applicable state.

c. The schedule lists two non-metropolitan counties alphabetically on each line of the non-metropolitan county listings.

d. Similarly, the schedule lists the New England towns and cities included in a non-metropolitan county immediately following the county name.

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