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RE: Owner Frequently Asked Questions: Small Area Fair Market Rents (SAFMR)

On APRIL 1, 2018, Westmoreland County Housing Authority (WCHA) began using Small Area Fair Market Rents (SAFMRs) to determine the payment standard applicable to the Housing Choice Voucher (HCV) program. This handout answers some basic questions about SAFMRs. Please visit our website at [www.wchaonline.com](http://www.wchaonline.com) for contact us at 724-832-7258 for additional information.

#### **WHAT ARE SAFMRs?**

SAFMR stands for "Small Area Fair Market Rent." SAFMRs are estimates of the typical rent for different unit sizes in a specific ZIP code. They are determined by the U.S. Department of Housing and Urban Development (HUD) each year, based on the distribution of all rents for standard quality housing within that ZIP code.

#### **WHAT ARE PAYMENT STANDARDS?**

Payment standards are used to calculate the maximum subsidy WCHA will pay toward rent and utilities for rental units leased to families with HCVs. Under the HCV program, families are generally required to pay 30 percent of their adjusted income toward rent and utilities. WCHA then pays the difference between the family's required contribution and the lower of (a) the payment standard and (b) the gross rent (rent plus estimated utilities) of the unit. HCV families may choose to pay more to live in a unit whose rent and utilities exceed the payment standard, but may not pay more than 40 percent of their adjusted income for rent and utilities when initially signing a lease.

Effective APRIL 1, 2018, WCHA will use different payment standards for different ZIP codes in its jurisdiction. The payment standard will be set as a percent of the SAFMRs for that ZIP Code. Owners and tenants can use the attached SAFMR Payment Standard Table by ZIP Code to determine the payment standard in any neighborhood and Tenant-Furnished Utilities and Other Services chart to calculate the cost of tenant-furnished utilities and other services. **The contract rent plus the cost of tenant-furnished utilities and other services cannot exceed the payment standard.**

#### **WHAT'S NEW ABOUT THIS APPROACH?**

Up until this year, HUD required WCHA to base payment standards on Fair Market Rents calculated for the entire metropolitan area, rather than for specific ZIP codes. This meant that payment standards may have been too low to enable HCV families to rent units in higher-cost areas and may have been higher than market rents in lower-cost areas. Under the new approach, the payment standard is based on the localized rent for each ZIP code. If your property is located in a high-cost neighborhood, it is likely that the share of the rent and utilities we will pay on behalf of the tenant will increase under the new approach. At the same time, the payment standards in many low-cost areas will likely be reduced, meaning tenants may be responsible for a greater share of rent and utility payments, depending on the amount of the rent.

#### **HOW WILL I BE IMPACTED?**

The degree to which you will be impacted by the switch to SAFMRs depends on the location of the properties that you own. The change in methodology used to calculate payment standards means that families with vouchers may now be able to afford units in high-cost parts of town. If you own units in these areas, please consider opening your doors to HCV families. If you currently rent to individuals and families with HCVs, you will receive a letter from WCHA with details about how your properties will be impacted by changing payment standards. As annual reexaminations of income and eligibility for existing HCV households are conducted, the Housing Assistance Payment (HAP) provided by WCHA will be "**held harmless**" – **no reduction in subsidy**. WCHA continues to use the previous payment standard when calculating the family's subsidy, as long as the HAP contract for the unit remains in effect.

#### **WHAT ELSE DO I NEED TO KNOW?**

Please be aware that all Housing Assistance Payment (HAP) contracts will remain subject to rent reasonableness determinations, including in areas where payment standards increase.

Form: Owner Frequently Asked Questions 3/201