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Regulations Division

Office of General Counsel
Department of Housing and Urban Development
451 7th Street SW, Room 10276
Washington, DC 20410-0500

RE: [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

To whom it may concern,

The Council of Large Public Housing Authorities (CLPHA) is a non-profit organization that works to preserve and improve public and affordable housing through advocacy, research, policy analysis, and public education. We support the nation's largest and most innovative public housing authorities (PHAs) by advocating for resources they need to solve local housing challenges and create communities of opportunity. Our members own and manage nearly half of the nation's public housing program, administer a quarter of the Housing Choice Voucher (HCV) program, and operate a wide array of other housing programs.

We appreciate the opportunity to submit comments to the United States Department of Housing and Urban Development (HUD or the Department) 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 2026" published in the Federal Register on August 22, 2025.

Every year, HUD calculates and sets new Fair Market Rents (FMRs) that go into effect on October 1 for many HUD programs. FMRs are an estimate of the amount of money that households need to cover gross rents (combined rent and utility expenses) to rent 40 percent of the rental housing units in their community or more commonly known as "40th Percentile Rents." Additionally, the year-over-year FMR change is one measure of rent inflation used to calculate the Renewal Funding Inflation Factors that affect PHAs' HCV funding eligibility for the calendar year. 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.

The Persistent Gap Between FMRs and Market Reality

Despite HUD's methodological improvements in recent years, including the incorporation of private rental data sources weighing approximately 64 percent alongside Consumer Price Index (CPI) data, CLPHA members continue to report a significant and persistent gap between proposed FMRs and actual market rents in their communities. **HUD's FY2026 FMRs reflect an average of 1 percent increase from FY2025 among member agencies. This average masks substantial variation across markets and fails to capture pace of rent growth in high-cost and rapidly appreciating areas.** For many CLPHA members operating in competitive rental markets, the updated FMRs remain insufficient to meet actual housing costs, forcing agencies to invest in costly and time-consuming rent studies to generate more accurate data and advocate for FMRs that reflect current market conditions.

The Real-World Consequences of Lagging FMRs

The disconnect between published FMRs and actual market rents creates a cascade of negative consequences for PHAs, voucher holders, and the overall effectiveness of the Housing Choice Voucher program:

1. *Administrative and Financial Burdens on PHAs*: When FMRs underestimate prevailing rents, PHAs are forced to redirect limited staff time and financial resources away from core mission activities to pursue exception payment standards, conduct costly rent studies, and navigate the reevaluation request process with HUD. These administrative workarounds consume resources that could otherwise support more families or improve program operations.

2. *Reduced Voucher Utilization and Success Rates:* Artificially low FMRs restrict payment standards to levels that are uncompetitive in the actual rental market, making it extremely difficult or impossible for voucher holders to find landlords willing to participate in the program. This results in lower lease-up rates, longer housing search periods, extended stays in emergency or transitional housing, and increased voucher turnback, all of which undermine the fundamental purpose of the program. CLPHA members consistently report that families in high-cost urban areas routinely require nearly six months to secure housing, far exceeding typical voucher search times and forcing families to request multiple extensions or risk losing their assistance entirely.

3. *Geographic Concentration and Limited Housing Choice:* When FMRs fail to reflect market conditions, voucher holders are effectively restricted to the most distressed neighborhoods where rents fall within outdated payment standards. This perpetuates patterns of economic segregation, limits access to high-opportunity areas with quality schools and employment, and contradicts HUD's own mobility and fair housing goals.

4. *Landlord Participation and Program Reputation:* Outdated FMRs signal to potential landlord partners that HUD's rental assistance programs are not responsive to market conditions, discouraging property owner participation and further limiting housing options for voucher holders. Once landlords exit the program due to uncompetitive rents, they are difficult to recruit back even after FMRs are corrected.

The Structural Problem: Timing and Responsiveness

The fundamental challenge is not merely that FMRs are sometimes inaccurate, but that HUD's current annual update cycle is structurally incapable of keeping pace with rental market dynamics in many communities. Even with the incorporation of private data sources, the methodology still relies on ACS data collected over a five-year period (2019-2023 for FY2026), creating a built-in lag that cannot fully capture recent market shifts. While the inflation adjustment using private data and CPI helps bridge this gap, the adjustment period itself (2023 to 2024) means that by the time FY2026 FMRs take effect in October 2025, they are already reflecting rent conditions from a year prior.

In markets experiencing rapid rent appreciation (whether due to population growth, limited housing supply, economic development, or post-pandemic market corrections) this lag means that FMRs are perpetually behind the curve. The reevaluation process, while available, is a reactive and inefficient mechanism that places the burden on individual PHAs to identify, document, and request corrections to data that HUD could monitor proactively using the same private data sources.

Recommendations

1. ***Continue and Enhance Use of Private Rental Data Sources to Calculate FMRs with Increased Update Frequency***

CLPHA supports HUD's decision to continue its use of private sector rental data from multiple sources in the FMR calculation process, as CLPHA has recommended for many years that HUD should incorporate the use of commercial data to obtain more accurate gross rents. HUD's current methodology, which combines data from six private sources (Apartment List, CoStar Group, Cotality, Moody's, RealPage, and Zillow) weighted at approximately 64 percent and CPI rent data weighted at approximately 36 percent, represents a significant improvement over reliance on ACS data alone. This approach leverages the timeliness of private market data while maintaining the representative sampling and longitudinal stability advantages of the CPI.

Building on this foundation, HUD should further capitalize on the real-time nature of these private data sources by implementing semi-annual or quarterly FMR updates in high-volatility markets. Specifically, HUD should identify rental markets experiencing rapid rent growth (e.g., year-over-year increases exceeding 7-10% as measured by the private data sources HUD already uses) and establish a more frequent update schedule for these areas. Modern data systems and the availability of real-time private rental data make more frequent updates operationally feasible, and the cost of doing so is far less than the combined burden currently imposed on PHAs and voucher holders. The infrastructure for more frequent updates already exists through HUD's current private data partnerships. What is needed is the policy decision to leverage these resources more dynamically to serve markets where annual updates are demonstrably insufficient.

2. Provide Funding Support and Streamline the FMR Reevaluation Process

As provided under Section 8(c)(1)(B) of the U.S. Housing Act, as amended by the Housing Opportunity through Modernization Act (HOTMA), a PHA or other interested party may request HUD conduct a reevaluation of its FMRs. However, the current reevaluation process places significant financial and administrative burdens on PHAs that undermine the accessibility and effectiveness of this critical safeguard mechanism.

Like years past, HUD continues to require that PHAs assume the full financial burden for conducting costly and time-consuming independent surveys to collect more recent rental cost data. These rent studies can cost tens of thousands of dollars (and in large, complex metropolitan markets, can exceed $100,000 or more), representing a significant drain on administrative resources that should be directed toward serving voucher holders. Even for large, well-established PHAs, these costs represent funding diverted from housing counseling, landlord recruitment, program integrity efforts, and other core functions. The requirement that PHAs must independently finance studies to correct FMRs that are inadequate due to limitations in HUD's own methodology is fundamentally inequitable. PHAs should not bear the financial burden of compensating for systemic delays in HUD's national FMR calculation process, particularly when HUD already has access to the same private rental data sources that would support these reevaluations.

CLPHA strongly recommends HUD:

A. Establish a dedicated funding stream or grant program to support PHAs requesting FMR reevaluations. This funding should cover the costs of conducting independent rent studies, hiring qualified consultants, and gathering the necessary documentation to support reevaluation requests.
B. Streamline and expedite the reevaluation approval process, particularly when private data sources already used in HUD's methodology demonstrate the need for adjustment. HUD should establish clear timelines for processing reevaluation requests (e.g., 30-45 days from submission of complete documentation) and provide PHAs with regular status updates throughout the review process. Currently, the lack of defined timelines creates uncertainty for PHAs.
C. Reduce the evidentiary burden for reevaluations when HUD's own data sources support the request. When a PHA's reevaluation request is supported by the same private rental data sources that HUD uses in its FMR calculations, HUD should accept this data as prima facie evidence of need without requiring PHAs to

commission entirely independent rent studies. This would significantly reduce costs while maintaining methodological integrity.

D. Provide technical assistance to PHAs that may lack the capacity to conduct sophisticated rent studies or navigate the reevaluation request process. This could include developing standardized templates, offering webinars on the reevaluation process, or creating a help desk for reevaluation-related questions.
E. Proactively identify markets where reevaluations may be warranted based on HUD's monitoring of private rental data sources and reach out to PHAs in those markets to encourage and support reevaluation requests rather than waiting for agencies to independently identify the need and navigate the process.

The current reevaluation system operates as a reactive, slow, and expensive process. By providing financial support, streamlining procedures, reducing unnecessary evidentiary burdens, and offering proactive technical assistance, HUD can transform reevaluations from an onerous last resort into a functional safety valve that ensures FMRs remain aligned with market reality across all communities.

3. *Increase Transparency, Predictability and Alignment Between FMRs and Renewal Funding Inflation Factors (RFIFs)*

HUD's Fair Market Rent calculations directly impact not only voucher payment standards but also the Renewal Funding Inflation Factors (RFIFs) that determine PHAs' Housing Assistance Payments (HAP) funding eligibility. The interconnection between these two critical funding mechanisms demands greater transparency, earlier notification, and methodological consistency to enable effective PHA planning and budget management.

Background on RFIF Calculation Challenges

To calculate RFIFs, HUD first forecasts a national inflation factor based on the annual change in the national average Per Unit Cost (PUC). HUD then calculates individual area inflation factors 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. However, this methodology has produced persistently inadequate inflation factors that fail to reflect actual rental market conditions experienced by CLPHA members.

As CLPHA and industry partners documented in our October 2024 letter to HUD, RFIFs have been continuously low for our members, with particularly severe consequences following the new RFIF methodology implemented for FY2024. This methodology resulted in drastically underfunded HAP renewals and HUD's second offset of HAP reserves in a single fiscal year, an unprecedented situation that has left many CLPHA members either currently in shortfall or facing imminent shortfall in FY2026.

A critical flaw in the RFIF calculation is that the weighting methodology relies on lower weighting of FMRs in comparison to CPI data. CLPHA argues that FMRs should be weighted more heavily in RFIF calculations because they provide a more accurate picture of inflation in the rental market that PHAs operate within. However, this recommendation is complicated by the fact that FMRs themselves are lagging true market rents, as documented throughout this comment letter. This creates a compounding problem: inadequate FMRs lead to inadequate RFIFs, which in turn create HAP funding shortfalls that force PHAs to restrict voucher issuance, impose waiting list freezes, or draw down reserves to unsustainable levels.

CLPHA strongly recommends HUD:

A. Calculate RFIFs the year prior to their effective date to provide PHAs with adequate time to plan budgets, adjust voucher issuance strategies, and make informed decisions about program management. The current timeline does not allow sufficient lead time for PHAs to respond to funding realities, particularly when RFIFs come in lower than anticipated.
B. Publish comprehensive transparency documentation for both FMR and RFIF calculations, including the underlying data sources, methodologies, and market-by-market calculations used to derive FMRs and RFIFs. This should include the specific private data values and CPI figures for each area, the weighting applied to different data sources, and clear explanations of how individual area inflation factors are adjusted to align with the national inflation factor. This transparency would allow PHAs to better understand how their FMRs and RFIFs are calculated, anticipate changes, and plan accordingly.
C. Provide advance notice of preliminary FMR and RFIF calculations to allow for public comment and data correction before final publication. PHAs operating in local markets have valuable ground-truth knowledge about rental conditions that could inform and improve HUD's calculations. A comment period of at least 30 days would enable meaningful stakeholder input while still maintaining HUD's publication schedule.
D. Revisit the weighting methodology used in RFIF calculations to increase the weight assigned to FMR changes relative to CPI, recognizing that FMRs (despite their limitations) provide a more direct measure of rental market inflation than the broader CPI. As HUD continues to improve FMR accuracy through enhanced use of private rental data sources, the case for greater FMR weighting in RFIFs becomes even stronger.
E. Conduct and publish regular validation analyses comparing RFIF projections to actual HAP expenditure growth across different market types to identify systematic over- or under-estimation patterns. These analyses should inform continuous refinement of the RFIF methodology to improve accuracy and reduce the frequency of mid-year funding shortfalls.
F. Establish clearer guidelines and more accessible processes for PHAs to request RFIF adjustments when local rental market conditions demonstrably exceed the

calculated inflation factor, like the FMR reevaluation process but with recognition that RFIF inadequacy affects the entire voucher program's financial sustainability, not just individual lease-ups.

The opacity and timing of current FMR and RFIF calculation processes leave PHAs operating in a state of uncertainty that undermines effective program planning and financial management. Greater transparency, earlier notification, and methodological improvements to both FMRs and RFIFs are essential to ensure that the HCV program has the resources needed to serve families while maintaining fiscal responsibility.

4. *Eliminate Mandated Small Area Fair Market Rents (SAFMRs) and Restore Local PHA Discretion*

CLPHA requests that HUD eliminate the mandated use of Small Area Fair Market Rents (SAFMRs) and restore local PHA discretion to determine whether SAFMRs or metropolitan-wide FMRs better serve their communities and program objectives.

Policy Intent vs. Operational Reality

HUD implemented mandatory SAFMRs in certain jurisdictions with the intent to decrease the concentration of neighborhood poverty and provide greater economic mobility for low-income families by setting payment standards that reflect rent variations across smaller geographic areas within a metropolitan region. The theory was that higher payment standards in high-opportunity neighborhoods would enable voucher holders to access areas with better schools, lower crime rates, and greater employment opportunities, while lower payment standards in lower-cost areas would prevent overpayment and preserve program resources.

However, the experience of CLPHA members operating under mandatory SAFMRs tells a markedly different story. Rather than facilitating mobility and expanding choice, SAFMRs have created significant operational burdens while demonstrating low effectiveness in achieving the stated policy goals of moving residents to high-opportunity areas.

Operational Burdens and Administrative Complexity

PHAs subject to mandatory SAFMRs report that implementation creates substantial operational challenges:

- *Multiple Payment Standard Calculations*: Staff are forced to calculate and maintain multiple payment standards down to the individual ZIP code level, dramatically increasing administrative complexity. In large metropolitan areas with dozens of ZIP codes, this can mean managing 50 or more distinct payment standards simultaneously, each requiring separate tracking, documentation, and explanation to voucher holders and landlords.

- *Increased Counseling and Explanation Time*: Housing counselors must explain to voucher holders why their payment standard varies based on where they choose to search for housing, and why crossing a ZIP code boundary can dramatically affect their voucher value. This is confusing for families and undermines the simplicity and portability that are core strengths of the HCV program.
- *Systems and Technology Challenges*: Many PHA software systems were designed for metropolitan-wide FMRs and require expensive customization or workarounds to accommodate SAFMR calculations. Smaller systems may lack the capacity to automatically update payment standards based on unit address, forcing manual calculations that increase error rates and staff time.
- *Portability Complications*: When voucher holders move between jurisdictions, some using SAFMRs and others using metropolitan FMRs, the administrative complexity multiplies, creating confusion for both PHAs and families about applicable payment standards.
- *Landlord Confusion and Resistance*: Landlords, particularly those who own properties across multiple ZIP codes, find the varying payment standards confusing and may be less willing to participate in a program that appears arbitrary in its rent determinations.

Limited Evidence of Effectiveness

Perhaps most critically, CLPHA members report that SAFMRs have demonstrated low effectiveness in achieving their stated purpose of moving residents to high-opportunity areas. Several factors explain this disconnect:

- *Baseline Affordability Challenges*: In tight rental markets, even SAFMR-boosted payment standards in opportunity areas remain insufficient to compete for available units, particularly when voucher holders face discrimination, credit barriers, or competition from non-subsidized renters.
- *Landlord Participation Patterns*: Landlords in high-opportunity areas are often the least likely to participate in the voucher program regardless of payment standard levels, due to perceived administrative burdens, tenant screening preferences, or access to non-subsidized tenant pools.
- *Family Preferences and Constraints*: Families' housing choices are shaped by multiple factors beyond payment standards, including proximity to employment, access to transportation, childcare availability, family support networks, and cultural community connections. Higher payment standards alone do not overcome these legitimate considerations.
- *Lower Payment Standards in Familiar Areas*: Conversely, SAFMRs often result in lower payment standards in the neighborhoods where voucher holders currently live or have existing community ties, effectively penalizing families who choose to remain in familiar areas while failing to provide sufficient support to successfully relocate to opportunity areas.

The Case for Local Discretion

CLPHA believes that PHAs should have the option to implement SAFMRs rather than being mandated to do so. Local housing authorities are best positioned to understand their rental markets, community dynamics, and landlord participation patterns, as well as the needs of the families they serve. The decision of whether SAFMRs will be effective in promoting mobility and expanding choice should rest with the agencies that must implement the policy and are accountable to their communities.

Some PHAs may determine that SAFMRs are an appropriate tool for their markets and align with their strategic priorities around mobility and deconcentration of poverty. These agencies should absolutely have the flexibility to adopt SAFMRs voluntarily. However, other PHAs, particularly those in markets where rental cost variation is minimal, where metropolitan-wide FMRs already provide adequate access across neighborhoods, or where operational constraints make SAFMR implementation burdensome, should have flexibility to opt out.

CLPHA strongly recommends HUD:

A. Eliminate mandatory SAFMR requirements and convert all current mandatory SAFMR jurisdictions to voluntary adoption, allowing PHAs to choose the FMR structure that best serves their local context.
B. Provide clear guidance and technical assistance to PHAs that voluntarily choose to implement or maintain SAFMRs, including best practices for counseling voucher holders, managing multiple payment standards, and evaluating effectiveness.
C. Conduct a rigorous, independent evaluation of SAFMR effectiveness across diverse market types before considering any future expansion of SAFMR requirements. This evaluation should examine not only mobility outcomes but also lease-up rates, time to lease, voucher utilization, and administrative costs.
D. If HUD determines that mandatory SAFMRs should continue in any form, establish clear criteria for which markets are subject to the requirement based on empirical evidence of likely effectiveness (e.g., markets with demonstrated rent variation, strong landlord participation across neighborhoods, and realistic mobility opportunities) rather than applying broad mandates.
E. Ensure that any SAFMR policy, whether voluntary or mandatory, is accompanied by adequate administrative fee funding to cover the additional costs of implementation, including system modifications, increased counseling time, and ongoing payment standard maintenance.

Conclusion

CLPHA and our members remain committed to working with HUD to ensure that FMRs and related methodologies accurately reflect current rental market realities. The recommendations outlined in this letter represent not merely incremental adjustments, but essential reforms to address systemic challenges that undermine program effectiveness and impose unnecessary burdens on both PHAs and the families they serve.

The persistent gap between published FMRs and actual market rents, despite HUD's commendable incorporation of private data sources, demonstrates that further action is urgently needed. When FMRs lag behind true market conditions, the consequences cascade throughout the voucher program: families spend nearly six months searching for housing that meets outdated payment standards, PHAs divert hundreds of thousands of dollars from core services to conduct rent studies that correct HUD's own data limitations, landlords decline to participate in a program that appears unresponsive to market realities, and voucher holders remain concentrated in distressed neighborhoods while high-opportunity areas remain effectively inaccessible.

CLPHA's recommendations are designed to transform HUD's FMR system from reactive to proactive, from opaque to transparent, and from rigid to responsive:

- Enhanced use of private rental data with increased update frequency would leverage existing data infrastructure to serve high-volatility markets where annual updates are demonstrably insufficient.
- Funding support and streamlined reevaluation processes would eliminate the burden on PHAs to finance corrections to inadequate FMRs while making the safety valve of reevaluations accessible and efficient.
- Greater transparency in FMR and RFIF calculations would enable PHAs to plan effectively, anticipate changes, and provide meaningful input based on ground-truth knowledge of local rental markets.
- Elimination of mandatory SAFMRs would restore local discretion and allow PHAs to focus resources on mobility strategies that are effective in their specific contexts rather than complying with one-size-fits-all federal mandates that impose costs without demonstrable benefits.

These reforms are operationally feasible and fiscally responsible and would yield substantial returns in program effectiveness. The cost to HUD of implementing more frequent FMR updates, funding reevaluations, and conducting validation studies is modest compared to the combined burden currently imposed on PHAs nationwide and, most importantly, compared to the harm inflicted on low-income families who lose their vouchers, return to homelessness, or settle for substandard housing because payment standards do not reflect the markets in which they must compete.

CLPHA members are the nation's largest and most innovative housing authorities, serving nearly half of all public housing residents and administering a quarter of all HCVs. Our members' experiences across diverse markets offer invaluable insight into what works and what doesn't in FMR methodology. The challenges documented in this letter are not isolated complaints, but rather systematic patterns reported consistently across our membership, representing hundreds of thousands of voucher holders and billions of dollars in federal housing assistance.

The opportunity before HUD is clear: to build on the foundation of recent methodological improvements by implementing reforms that make the FMR system more accurate, more timely, more transparent, and more responsive to the dynamic rental markets that characterize today's housing landscape. These changes would strengthen the HCV program's ability to fulfill its fundamental promise, enabling low-income families to access safe, decent, and affordable housing in communities of their choice.

We appreciate HUD's consideration of these recommendations and look forward to working collaboratively to preserve and expand access to affordable housing nationwide. CLPHA stands ready to provide additional data, technical expertise, and stakeholder perspectives to support the implementation of these critical reforms.

Sincerely,

Sunia Zaterman

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