

e.g., permitting electronic submission of responses.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-6343-N-01]

Fair Market Rents for the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program, and Other Programs, Fiscal Year 2023

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

ACTION: Notice of Fiscal Year (FY) 2023 Fair Market Rents (FMRs).

SUMMARY: The United States Housing Act of 1937 (USHA), as amended by the Housing Opportunities 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 announces the availability of FY 2023 FMRs, describes the methods used to calculate the FY 2023 FMRs, responds to comments submitted on the notice of Proposed Changes to the Methodology Used for Calculating Fair Market Rents, and enumerates the procedures for Public Housing Agencies (PHAs) and other interested parties to request reevaluations of their FMRs as required by HOTMA.

DATES:

Comment Due Date: October 3, 2022.

FY 2023 Fair Market Rents Effective Date: October 1, 2022, 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 2023 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:

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 or reevaluation requests 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 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. Due to security measures at all federal agencies, however, submission of comments by standard mail often results in delayed delivery. To ensure timely receipt of comments or reevaluation requests, HUD recommends that comments or requests submitted by standard mail be submitted at least two weeks in advance of the deadline. HUD will make all comments or reevaluation requests received by mail available to the public at <https://www.regulations.gov>.

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:

Questions on this notice may be addressed to Adam Bibler, Director, Program Parameters and Research Division, Office of Economic Affairs, Office of Policy Development and Research, HUD Headquarters, 451 7th Street SW, Room 8208, Washington, DC 20410, telephone number (202) 402-6057; or via email at pprd@hud.gov. Persons with hearing or speech impairments may access HUD numbers through TTY by calling the Federal Relay Service at 800-877-8339 (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>.

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 and files containing FMR values 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 methods and data used to compute each area's FY 2023 FMRs is available at https://www.huduser.gov/portal/datasets/fmr.html#2023_query. FY 2023 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 FMR 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: Section 8(c)(1) of the United States Housing Act of 1937 (USHA), as amended by the Housing Opportunities 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.

I. Background

Section 8 of the USHA (42 U.S.C. 1437f) authorizes housing assistance to aid lower-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. 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. 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. The FMR is also used to determine the Performance Based Contract Administration Fee in Multifamily Housing. HUD's FMR calculations represent HUD's best effort to estimate the 40th percentile gross rent¹ 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.

On July 13, 2022, HUD published a notice of Proposed Changes to the Methodology Used for Calculating Fair Market Rents.² For FY 2023 FMRs, HUD is implementing the two proposed changes described in that notice. The first affects how HUD determines the "recent mover adjustment factor" to meet its regulatory objective of setting the FMR from the distribution of rental units occupied by recent movers. The second change affects how HUD inflates the recent mover rent to the most recent full calendar year using a Gross Rent Inflation Adjustment Factor. The methodology used in each of these steps is described in more detail in the following section and will apply only to FY 2023 FMRs.

II. Procedures for the Development of FMRs

Section 8(c)(1) of the USHA,³ 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

¹ HUD also calculates and posts 50th percentile rent estimates for the purposes of Success Rate Payment Standards as defined at 24 CFR 982.503(e) (estimates available at: <https://www.huduser.gov/portal/datasets/50per.html>).

² 87 FR 41739.

³ 42 U.S.C. 1437f.

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 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 2023 FMRs are available at <https://www.huduser.gov/portal/datasets/fmr.html> and will become effective on October 1, 2022. This notice also provides procedures for FMR reevaluation requests.

III. FMR Methodology

This section provides a brief overview of how HUD computes the FY 2023 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#2023_query.

A. Geographic Area Definitions

The FY 2023 FMRs are based on the updated metropolitan area definitions published by the Office of Management and Budget (OMB) on September 14, 2018 and first incorporated by the Census Bureau into the 2019 American Community Survey (ACS) data, and the corresponding FY 2022 FMRs. The FY 2023 FMRs include two newly created non-metropolitan county-equivalents in Alaska: Chugach Census Area and Copper River Census Area; and the corresponding abolishment of the Valdez-Cordova Census Area, AK.

B. Base Year Rents

For FY 2023 FMRs, HUD uses the U.S. Census Bureau's 5-year ACS data collected between 2016 and 2020 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 2023 FMRs. HUD pairs a "margin of error" test⁴ 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 number of observations supporting the ACS

⁴ 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.

estimate; rather, the U.S. Census 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 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 quality 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 will use an average of the base rents over the three most recent years⁵ (provided that there is data available for at least two of these years),⁶ 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. Measures of Rent Inflation Calculated From Private-Sector Data

As described in the following sections, HUD attempts to make the FMRs "as of" the current fiscal year by accounting for inflation from the vintage of the ACS estimates to the present. In previous years, HUD has only used rent inflation as measured by the Consumer Price Index, as reported by the Bureau of Labor Statistics. In its calculation of FY 2023 FMRs, however, HUD is using the CPI in conjunction with measures of rent as reported by several private companies to better capture local rent inflation dynamics, as the CPI is only available at the metropolitan level for the nation's largest metropolitan areas. The measures of rent used by HUD are the RealPage (formerly Axiometrics) average effective rent per unit, Moody's Analytics REIS average market rent, CoStar Group average effective rent, CoreLogic, Inc. single-family combined 3-bedroom median rent, ApartmentList Rent Estimates, 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

⁵ For FY 2023, the three years of ACS data in question are 2018, 2019 and 2020. HUD adjusts the 2018 and 2019 data to be denominated in 2020 dollars using the growth in Consumer Price Index (CPI)-based gross rents measured between 2018 and 2020.

⁶ 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.

mean of 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 60 percent and the CPI rent inflation measure is weighted at 40 percent. Finally, HUD averages the result of this step with the year-to-year change in the CPI housing fuels and utilities index for the area in order to make the resulting inflation measure reflective of gross rents.

D. 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 traditionally calculates the recent-mover factor as the change between the 5-year ACS standard quality two-bedroom gross rent and the 1-year ACS recent mover gross rent for the recent mover factor area. HUD has changed the calculation of the FY 2023 recent mover factor from previous years due to the unavailability of ACS2020 1-year estimates. The U.S. Census Bureau did not release standard 1-year estimates from the 2020 American Community Survey (ACS) due to the impacts of the COVID-19 pandemic on data collection.

To replace missing 2020 ACS 1-year rent data, HUD uses a multi-prong approach. While the U.S. Census Bureau will not provide 1-year tabulations of 2020 ACS data at the FMR-area level, the U.S. Census Bureau does provide a special tabulation of the 5-year ACS data for 2020 of the rents paid for standard quality units by persons who moved into their units in 2019 and 2020 and responded to the 2019 or 2020 ACS surveys. This differs from the usual recent mover tabulation of 1-year ACS data as in the regular tabulation, in which all respondents come from a single ACS year and are included if they had moved into their unit during the prior 2 years. While the 40th percentile rents estimated from these two samples are similar, the estimates from the 5-year ACS sample tend to be slightly lower than those from the usual 1-year tabulations.

To correct for the tendency for the recent mover estimate derived from ACS 5-year data to be lower than that derived from ACS one-year data, as well as any error that may be introduced by relying heavily on the part of the 5-year ACS collected in 2020, HUD takes the average of the recent mover factor calculated with 2019 1-year ACS recent mover rent inflated by the 2019–2020 gross rent change, and the recent mover factor from the 2020 5-year ACS recent

rent. HUD calculates the 2019–2020 gross rent change in different ways depending on the availability of data. For example, in areas where private sources of rental data provide sufficient coverage (3 or more sources), HUD uses the composite private sector and CPI inflation measure described in the previous section. For areas without private data coverage, HUD uses the 2019–2020 gross rent CPI change.

The ACS rent estimates used in the recent mover factor calculation must meet the same statistical quality checks used in evaluating the base rent estimate, specifically, it must have a margin of error of less than half the estimate, and a sample size of at least 100 survey cases. If an area's recent mover estimate does not meet these criteria, HUD uses the estimate for the next larger area of geography containing the FMR area.

HUD does not allow recent-mover factors to lower the standard quality base rent; therefore, the recent mover factor cannot be less than 1. Applying the recent-mover factor to the standard quality base rent produces an “as of” 2020 recent mover two-bedroom gross rent for the FMR area.

E. Other Rent Survey Data

HUD calculates base rents for the insular areas using data collected during the 2010 decennial census of American Samoa, the Northern Mariana Islands, and the Virgin Islands beginning with the FY 2016 FMRs.⁷ HUD updates the 2010 base year data to 2020 using the growth in national ACS data for the FY 2023 FMRs. Note that while the 2010 decennial census also included Guam, HUD uses the result of a more recent rent survey in calculating the FMRs for Guam, as discussed in the following paragraph.

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 2019 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 2023 FMRs is from 2019, larger areas with valid one-year recent mover data may not use other survey data collected before June 30, 2019 for the FY 2023 FMRs. Areas

without statistically reliable 1-year ACS data may continue to use local survey data until the mid-point of the 5-year ACS data is more recent than the local survey. For FY 2023 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:

- HUD uses survey data from 2018 to calculate the FMRs for Coos County, OR; Curry County, OR; and Douglas County, OR.
- HUD uses survey data from 2019 to calculate the FMRs for Kauai County, HI; Eugene-Springfield, OR MSA; Worcester, MA HUD Metro FMR Area; and Guam.
- HUD uses survey data from 2020 to calculate the FMRs for Houston-The Woodlands-Sugar Land, TX HUD Metro FMR Area, Knox County, ME; Lincoln County, ME; and Waldo County, ME.
- HUD uses survey data from 2021 to calculate the FMRs for Asheville, NC HUD Metro FMR Area; Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area; Bremerton-Silverdale, WA MSA; Iron County, UT; New York, NY HUD Metro FMR Area; Portland, ME HUD Metro FMR Area; Portland-Vancouver-Hillsboro, OR-WA MSA; San Diego-Carlsbad, CA MSA; Santa Maria-Santa Barbara, CA MSA; Seattle-Bellevue, WA HUD Metro FMR Area; and Transylvania County, NC.
- HUD uses survey data from 2022 to calculate the FMRs for Salinas, CA MSA; San Benito County, CA HUD Metro FMR Area; and Santa Cruz-Watsonville, CA MSA.

F. Gross Rent Inflation Adjustment Factors

HUD ordinarily updates the latest ACS-based rent estimates with one year of gross rent inflation measured with the 23 local and 4 regional CPI components rent of primary residence and household fuels and utilities depending on the location of the FMR area. For FY 2023, HUD augments the CPI methodology by including available private data sources along with CPI data in calculating a weighted average gross rent inflation factor that is used to update the ACS-based “as of” 2020 rent through 2021. HUD applies a weight of 60 percent to the average of the change in private data sources and 40 percent to the annual change in CPI gross rents. For example, in areas without Bureau of Labor Statistics (BLS) metro CPI data but that do have a sufficient number of private sector data sources (at least 3), the calculation of the gross rent inflation factor includes the weighted average change in private rent data (60 percent) along with regional CPI data (40

⁷ 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 2010 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 2023 FMRs.

percent). In areas covered by BLS Class A metropolitan CPI data, HUD calculates the inflation adjustment as the weighted average of changes in rents from all available private data sources for the area (60 percent) and the change in rents measured by the metropolitan CPI (40 percent). In places without sufficient private rent data sources, the actual inflation adjustment process using regional CPI data is unchanged from FY 2022 and prior FMR vintages. In all cases, rent change information is blended with CPI fuels and utilities changes to estimate changes in gross rents.

G. Trend Factor Forecasts

Following the application of the appropriate gross rent inflation factor, HUD trends the gross rent estimate from 2021 to FY 2023 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 (RMSE) 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 and is keeping it constant for 5 years. HUD will reassess the model selections during the calculation of the FY 2025 FMRs. 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>.

H. Bedroom Rent Adjustments

HUD updates the bedroom ratios used in the calculation of FMRs annually. The bedroom ratios HUD uses in the calculation of FY 2023 FMRs are calculated from three, five-year ACS data series (2014–2018, 2015–2019, and 2016–2020). 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.

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. 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 2023 FMR estimates, HUD sets the bedroom interval ranges as follows: efficiency FMRs are constrained to fall between 0.67 and 0.87 of the two-bedroom FMR; one-bedroom FMRs must be between 0.76 and 0.89 of the two-bedroom FMR; three-bedroom FMRs (prior to the adjustments described below) must be between 1.12 and 1.31 of the two-bedroom FMR; and four-bedroom FMRs (again, prior to adjustment) must be between 1.25 and 1.58 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 also further adjusts the rents for three-bedroom and larger units to reflect HUD's policy to set higher rents for these units.⁸ 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-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).⁹

I. 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 2023 FMR Documentation System, available at https://www.huduser.gov/portal/datasets/fmr.html#2023_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 2023, the national non-metropolitan rent is \$826. 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.

J. Limit on FMR Decreases

Within the Small Area FMR final rule published on November 16, 2016,¹⁰ HUD amended 24 CFR 888.113 to 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 use of Small Area FMRs in the administration of their voucher programs is required, the FY 2023 Small Area FMRs may be no less than 90 percent of the FY 2022 Small Area FMRs. For all other metropolitan areas, the FY 2023 Small Area FMRs may be no less than 90 percent of the greater of the FY 2022 metropolitan area wide FMRs or the applicable FY 2022 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

⁸ 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.

⁹ 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.

¹⁰ 81 FR 80567.

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 2023 FMR Documentation System (available at: https://www.huduser.gov/portal/datasets/fmr.html#2023_query).

IV. Small Area FMRs

HUD lists Small Area FMRs for all metropolitan areas in the Small Area FMR Schedule. Metropolitan PHAs operating in areas where the use of Small Area FMRs is not mandated should contact their local HUD field office to request approval for using Small Area FMRs in the operation of their Housing Choice Voucher program.

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 area. To increase stability to these Small Area FMR estimates, HUD averages the latest three years of gross rent estimates.¹¹

For ZCTAs without usable gross rent data by bedroom size, 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 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 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 2023 Small Area FMRs, HUD has updated the rent ratios to use an average of the rent ratios calculated from the 2014–2018, 2015–2019, and 2016–2020 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 area where the ZIP code is located.

V. Response to Comments on Proposed Changes to FMR Calculation

In response to HUD's July 13, 2022, notice of Proposed Changes to the Methodology Used for Calculating Fair Market Rents, HUD received 67 public comments. HUD responds to the public comments received below.

A. Public Comments Supporting the Proposed Changes to the Methodology Used for Calculating FMRs

Numerous commenters expressed support of the proposed changes to utilize private data sources in the methodology used for calculating FY 2023 FMRs, with some commenters supporting the use of private data sources in subsequent FMR calculations after FY 2023. Other commenters expressed general support of changing the methodology used for calculating FMRs without commenting substantively on the proposed methodology used for calculating FMRs.

Some commenters expressly stated their belief that private data sources

more accurately reflect the current prices in the rental market. Other commenters supported the proposed changes to the methodology used for calculating FMRs because the commenters believe that current calculation methods cause FMR amounts to consistently lag behind actual rent amounts. Multiple commenters recommended that HUD use the proposed inflation adjustment of the average of changes in rents from all available private data sources for the area and the change in rents measured by the Bureau of Labor Statistics (BLS) metropolitan CPI.

One commenter expressed agreement with HUD's proposed strategy to replace the missing 2020 ACS 1-year rent data. The commenter also expressed that the 5-year ACS sample tends to be lower than the usual 1-year tabulation and that private data sources can provide sufficient coverage to more accurately track changes in certain types of rental markets than CPI. The commenter further stated its agreement with HUD's proposed strategy to augment the CPI methodology by including private data sources, along with CPI, in the calculation of the average gross rent inflation factor in the limited situations proposed by HUD.

HUD Response: For the calculation of FY 2023 FMRs, HUD is augmenting inflation data from the CPI with measures of rent inflation calculated from private-sector data. HUD is making this change in response to the lack of availability of ACS 2020 data and the changes in rental markets that have occurred following the COVID–19 pandemic. HUD feels that inflation factors based on the CPI and, where available, at least three and up to six of the private-sector data sources previously mentioned will provide the best estimate of the 40th percentile gross rent paid by recent movers for FY 2023. HUD will continue to evaluate both the impacts of these specific changes and its overall FMR calculation methodology and determine the best methodology to use in future years.

B. Public Comments Recommending Additional Changes or Alterations to the Proposed Changes to the Methodology Used for Calculating FMRs

i. Suggestions To Use Additional Private Data Sources

Multiple commenters expressed support for the use of additional private data sources beyond those proposed in the Notice of Proposed Changes for Calculating Fair Market Rents. Some commenters specifically requested that HUD consider using additional private

¹¹ For example, for FY 2023 Small Area FMRs, HUD averages the gross rents from 2018, 2019, and 2020 5-Year ACS estimates. The 2018 and 2019 gross rent estimates would be adjusted to 2020 dollars using the metropolitan area's gross rent CPI adjustment factors.

data sources for both large metropolitan statistical areas (MSA) and submarkets to MSAs.

HUD Response: The six sources considered by HUD represent a range of metrics which, when taken together and augmented with the CPI, should provide a reasonable measure of rent inflation. The measures of rent used by HUD are the RealPage (formerly Axiometrics) average effective rent per unit, Moody's Analytics REIS average market rent, CoStar Group average effective rent, CoreLogic, Inc. single-family combined 3-bedroom median rent, ApartmentList Rent Estimates, and Zillow Observed Rent Index. HUD requires at least three private data sources to ensure that no single source unduly influences the FMR calculation.

ii. Suggestions To Use Alternative Private Data Sources

One commenter, citing a study conducted by 2M Research (2019), suggested that HUD use Axiometrics (RealPage) data, rather than Zillow data, to estimate the Autoregressive Integrated Moving Average. The commenter advised that this approach lends more geographic resolution to trend factors and could lead to more accurate FMRs. Further citing the 2M Research study, the commenter stated that the Axiometrics (RealPage) data, compared to American Community Survey (ACS) data, provided results that indicate the Axiometrics (RealPage) measure “*erent*” is a viable option for estimating trends in FMR.

One commenter recommended the use of data produced by Zillow for setting FMR amounts, while another commenter suggested that data from Zillow be excluded from use with FMR calculations. One commenter recommended the use of data sourced from Craigslist for calculating FMR amounts.

Commenters stated that each year several HCV programs conduct local rental housing costs surveys to contest HUD's published FMRs. The commenter suggested that HUD allow these studies to be used for FMR calculation methodology. Commenters also encouraged HUD to assess the feasibility of using observed CPI data or private data sources to adjust rents forward from the 2020 ACS to 2022, rather than 2021.

Another commenter stated that HUD should consider using the commenter's data in the methodology used for calculating FMRs. The commenter stated that it collects extensive data that includes hundreds of data points that corroborate all nine factors required for comparability in determining if rent is

reasonable, as described in 24 CFR 982. The commenter also advised that its data is used by hundreds of public housing agencies in determining rent reasonableness in the HCV Program.

HUD Response: As previously stated, the six sources HUD uses in its FY 2023 FMR calculation should provide a broad measure of rent inflation. HUD will continue to evaluate these and other sources of rent data to assess the accuracy of its FMR calculation, although it should be noted Craigslist does not make available aggregate rent statistics based on its rental listings to HUD.

HUD continues to use PHA-sponsored survey data in FMR calculation and PHAs may continue to submit such data. HUD is committed to continuing to assess its FMR calculation and make improvements when warranted; however, at this time HUD is not including the private measures of rent inflation in the trend factor component of FMR calculation, as the forecasting of rent levels is a complex process and HUD does not have an evidenced-based method for doing so. In addition, when HUD established the practice of forecasting local and regional CPI data for the FY 2020 FMRs, it committed to using the same model structure initially selected for each area through the FY 2024 FMRs. Estimating new forecasting models including private rent data would not be consistent with HUD's previous commitment.

iii. Suggestions Regarding Changes That Should Be Made Based on the Data in the Private Data Sources Identified in the Proposed Changes to the Methodology Used for Calculating FMRs

One commenter stated that HUD must calculate utilities in FMRs the way it has done previously because utility data is not listed within the private data sources. Another commenter stated that, for each private data source that uses ACS data that is not available for 2020, HUD should account for this lag in accurately capturing rising rent costs.

One commenter expressed concern that HUD's forecast of gross Consumer Price Index (CPI) as the trend factor should also be augmented by private data sources. The commenter stated that the private data sources being used are limited to data using 2020 and 2021 data but not factoring 2022 and 2023 forecast. The commenter expressed concern that this lack of factoring will not reflect the necessary increase in FMRs.

Another commenter stated that private data sources may introduce more volatility in annual FMR changes. The commenter encouraged HUD to

protect participants from the loss of housing due to dramatic declines of FMRs. One commenter recommended that HUD could use private data sources, which are collected in real time, to monitor the performance of the published FMRs. HUD could then use that monitoring data to update FMRs more frequently than annually, if market data crossed set thresholds.

HUD Response: Each inflation-adjustment portion of the FMR calculation is a gross rent adjustment, meaning it is a weighted average of shelter rent inflation and utility inflation as reported by the CPI fuels and utilities series. As previously stated, HUD is not including the private measures of rent inflation in the trend factor component of FMR calculation as it does not have an evidenced-based method for doing so. Per HUD regulations, FMRs may not decline by more than 10 percent from the prior year, in order to protect against dramatic declines. Additionally, Public Housing Agencies administering the Housing Choice Voucher program may adopt policies that limit a decline in payment standards for in-place households.

iv. Suggestions and Comments Regarding Recommendations Related to the Use of American Community Survey (ACS) Data

One commenter recommended that HUD use more localized data for calculating FMRs because it provides more accurate information than that provided by ACS. Some commenters expressed that 5-year ACS data does not sufficiently capture current rental prices. One commenter recommended the use of an additional inflation multiplier to account for the lagged inflationary data. Another commenter stated that the 1-year ACS adjusted for inflation using the CPI consistently understates the 40th percentile for gross rents in their locality.

HUD Response: HUD's changes to its calculation methodology incorporate more local rental market inflation data than it has used in the past. As described previously, HUD performs a “recent mover adjustment” to all areas to account for the time lag of the 5-year ACS. The cumulative inflation adjustments used in the FMR calculation process make the FMRs the best estimate of rents “as of” FY 2023; therefore, HUD feels no further inflation adjustment is warranted.

v. Comments Regarding the Reduction of or Recipient Disagreement With Calculated FMR Amounts

One commenter encouraged HUD to consider increasing the hold harmless

provision to 100 percent of the prior year FMR because of the current uncertainty in the rental market. Another commenter stated that, for any areas where the use of private data sources would result in inflation adjustments lower than the standard CPI adjustment, HUD should continue to use the CPI data in those instances for FY 2023. A separate commenter urged HUD to limit any year to year decreases in FMRs to 5 percent.

Another commenter stated that HUD should consider revisiting the amount by which FMRs can decrease year over year, but that the commenter believes that FMR accuracy is the primary concern of HCV program sponsors. Another commenter stated that HUD should consider ways to account for the added volatility that could be introduced by private data sources. The commenter recommended that HUD consider further tightening the 10 percent yearly FMR decrease floor or to introduce an additional multi-year limit on the amount an FMR may decrease.

One commenter expressed concerns that new development properties placed into service in FY 2023 will not be eligible for the hold harmless policy, and therefore will see a corresponding decrease in Low Income Housing Tax Credit rent limits should Income Limits decrease. One commenter encouraged HUD to allow communities to use private sector data to supplement FMR survey results when appealing HUD calculated FMR, while another commenter asked HUD to verify that PHAs will continue to have the opportunity to use the same FMR reevaluation process, under 24 CFR 888.115(a), notwithstanding the use of the proposed methodology. The commenter stated that to evaluate whether an FMR is accurate, localities will need increased transparency into the coverage of the private data sources used in calculating the FMR.

HUD Response: Per HUD regulations, FMR may not decline by more than 10 percent from the prior year, in order to protect against dramatic declines; however, HUD must consider the most recent data available and may reduce FMRs by up to 10 percent should the data warrant it. Additionally, Public Housing Agencies administering the Housing Choice Voucher program may adopt policies that limit a decline in payment standards for in-place tenants. For the calculation of FY 2023 FMRs, HUD is using an average of both private sources and CPI to avoid any undue volatility in the resulting FMR.

With respect to Low Income Housing Tax Credit Rent Limits, HUD believes that the changes to its FMR

methodology for FY 2023 will produce the best estimate of 40th percentile gross rents paid by recent movers to support high- and low- housing cost adjustments to income limits.

PHAs may continue to submit ad hoc rental market surveys in support of reevaluation requests as described in section VI of this Notice. Ad hoc surveys provide a measure of the 40th percentile gross rent paid by recent movers, while the private sources HUD uses in its FY 2023 FMR calculation provide a measure of rental market inflation.

C. Public Comments Regarding Suggestions for the Methodology Used for Calculating FMRs After FY 2023

When updating recent mover calculations after FY 2023, commenters recommend that HUD work with other federal agencies to explore the feasibility of using existing public data sources as an alternative to the CPI. Another commenter asked HUD to consider changing the methodology used for calculating FMRs after FY 2023 in a way that is more reflective of local realities and the current rental market, such as using different rental data sets used in private data sources.

Beyond FY 2023, one commenter does not support the use of private data sources as an alternative to the CPI-based inflation adjustments because of concerns over the lack of methodological transparency inherent in the private data sources. Should HUD adopt the use of private data sources beyond 2023, the commenter stated that the methodology and estimates of the private data sources should be made readily available by either HUD or the data provider.

One commenter stated that it did not understand HUD's decision to make these changes only effective for FY 2023 because the issues leading to HUD's decision to propose the changes to the methodology used for calculating FMRs is likely to continue past FY 2023.

HUD Response: HUD will continue to evaluate its FMR calculation and determine the best methodology and data sources to use each year. This includes examining current data sources and working with public and private partners to obtain new data sources. HUD is committed to transparency in its FMR calculation and maintains a website where interested parties may see the calculation steps for any area's FMR. For FY 2023, this includes the average of the private measures of rent inflation where applicable. HUD is presenting the average in order to protect the proprietary data of those

companies that do not make their data publicly available.

D. Public Comments Opposing or Expressing Concerns With the Proposed Changes to the Methodology Used for Calculating FMRs

i. Comments Regarding the Lack of Transparency of Private Data Sources

One commenter expressed skepticism of the utility of the listed private data sources because of the high cost and lack of transparency involved with the use of private data, which make it impossible for industry stakeholders to evaluate the data. According to the commenter, this lack of transparency means that the statistical reliability is unknown and data validation is not possible with the private data proposed for use. Due to the lack of control and transparency of private data sources, another commenter stated that HUD should work with other federal agencies to identify and evaluate novel methodologies to estimate recent mover rents.

One commenter expressed that HUD should make available an explanation of its criteria on how the private data sources were selected and will be selected in the future. Commenters encouraged HUD to increase public access to the private data sources if the private data sources will continue to be used past FY 2023. One commenter urged HUD to negotiate data transparency with each of the private data sources.

Other commenters do not necessarily support the use of private data indefinitely after FY 2023 because of the lack of transparency and a lack of public oversight. One commenter expressed concerns with the lack of transparency of what private data sources are being considered and how HUD is defining various factors involved in HUD's intentions in utilizing private data sources, including how "narrowly," how "limited," and what is the meaning of "statistically valid" is for HUD's purpose. The commenter also questions how HUD will determine the accuracy of private data sources in estimating rental market changes. Another commenter encouraged HUD to develop transparent, comprehensive public sources of up-to-date recent mover data to eventually take the place of private data sources.

A commenter stated that HUD should announce exactly how it plans to use private sector datasets, how it will apply changes to estimation and trending approaches, which datasets it plans to use, which geographic areas these changes may affect, and at least a

sample of FMRs produced by these changes. One commenter urged HUD to harmonize the private data sources used in terms of anomalies such as rent concessions and control for differences that may appear in the various sources, as well as share publicly how it adjusts for the differences.

HUD Response: Both HUD's research and external research has shown that the private sources of data HUD is using for FY 2023 are a reasonable measure of rent inflation. There are limitations in each data source, including that they may not cover the entirety of a given market in terms of geographic area, type of unit, or unit quality. For these reasons, HUD requires an area to be covered by at least three private data sources before incorporating any private data sources in the FMR estimates. Further, HUD takes the average of the private data sources along with the CPI in constructing a shelter rent inflation factor. HUD cannot guarantee the accuracy of its FMR calculations as there is no universally accepted benchmark to compare the FY 2023 FMRs against. However, HUD feels the methodology it is adopting for FY 2023 FMRs is fundamentally sound and appropriate for producing the best estimate of the 40th percentile rent paid by recent movers. HUD has selected the data sources it uses in the FY 2023 FMRs in part by its past use of such data by HUD field economists, which includes evaluating the methodology of the data sources and using them to evaluate rental market conditions throughout the country. HUD is committed to transparency in its FMR calculation and maintains a website where interested parties may see the calculation steps for any area's FMR. For FY 2023, this includes the average of the private measures of rent inflation where applicable. HUD is presenting the average in order to protect the proprietary data of those companies that do not make their data publicly available.

ii. Comments Recommending Alternative Approaches and Expressing Concerns Regarding the Proposed Changes to the Methodology Used for Calculating FMRs

Commenters recommended use of the CPI without the private data sources to trend FMRs to the current year and to calculate Recent-Mover factors without using private data sources. The commenters recommend two alternative methodology approaches from that proposed. First, the commenters said one method to calculate FMRs is to take the Recent-Mover rent from the previous year, 2019 (*i.e.*, the rent obtained by

applying the 2019 Recent-Mover factor to the 2019 base rent) and adjust it forward to 2020 using a CPI-based inflation factor. Alternatively, the commenters said FMRs could be determined by calculating base rents from the 2016–2020 5-year ACS estimates in the usual way, apply a Recent-Mover factor calculated from the 5-year data, then compensate for the tendency of 5-year Recent-Mover factors to be lower with data from the previous year. The Commenters stated that this would mean multiplying the 2020 Recent-Mover rent by the ratio of the 1-year Recent-Mover factor to the 5-Year Recent-Mover factor from the previous year.

Another commenter stated that a proposed implementation of localized rent inflation could potentially increase the number of areas that have been deemed "lower opportunity areas," leading to lower payment standards and remove rental options in those areas.

HUD Response: With respect to the recent mover factor, HUD is addressing the lack of the typical 1-year ACS data by using both inflated 2019 ACS 1-year recent-mover data, and 2020 ACS 5-year recent-mover data. While HUD is using private sources of rent inflation data where available, it is always doing so in conjunction with the CPI to capture as broad a measure as possible of rental market inflation.

HUD is making no designation of "high" or "low" opportunity areas in this Notice.

iii. Comments Expressing Concerns That the Private Source Data Is Not Reflective of the Relevant Rental Markets

One commenter stated that any private data sources selected for use should be representative of the entire rental housing market. Commenters expressed concern that the selected data sources may only be representative of single-family homes or rental listings representative of the higher end of the rental market.

Another commenter stated their concern that the use of the private data sources introduces biases into FMRs that may affect HUD's relative distribution of housing assistance payments. The commenter referenced a study by the University of Puerto Rico titled "The Effects of HUD's Area Median Income and Fair Market Rent Limits on Puerto Rico's Rental Market, Workforce and Economy" that the commenter stated the study determined that the current method for calculating FMRs has had a positive effect on reducing rent burdens for low-income households. The commenter stated that the proposed private data sources do not

reflect the rental market of their territory because the percentage of households classified as non-cash paying renters varies significantly from many other states. Further, the commenter claimed that a higher percentage of landlords in their territory own one or two rental units, meaning these rental units are less likely be captured in private data sources.

Commenters expressed skepticism over the use of private data sources in the calculation of FMRs; however, the commenters indicated their support of the proposal within the Notice of Proposed Changes for Calculating Fair Market Rents if HUD could demonstrate persuasively that the use of private data produces a significantly more accurate estimate of market-based rents.

Commenters expressed concerns with how representative the private data is of the entirety of rental markets. One commenter identified that CoreLogic's data does not include multifamily data and should be combined with other data; Zillow's data is weighted based on how often properties are viewed on Zillow and the commenter advises that HUD should adjust for this weighting; and ApartmentList's Rent Estimates does not make clear if it uses price tiers and HUD should ensure that low priced units are usually excluded so as to not lead to an underestimation of rent costs.

Another commenter expressed that the proposed changes to the methodology used for calculating FMRs will not help voucher recipients in their area because the private data sources do not include data on the commenter's rental market.

HUD Response: HUD recognizes the concern that any single measure of rent inflation may be based on an unrepresentative sample of a market and may therefore introduce bias into the FMR calculation. HUD attempts to address this in the calculation of FY 2023 FMRs by requiring at least three private data sources to ensure that no single source unduly influences the FMR calculation, and by averaging rent inflation captured by private sources with the CPI to capture as broad a measure as possible of rental market inflation.

For Puerto Rico, HUD does not use any private measures of rent inflation, and instead uses gross rent inflation reported by the Puerto Rico Department of Labor and Human Resources (DTRH), Bureau of Statistics.

With respect to the representativeness of the private sources of rent inflation data, HUD attempts to address this in the calculation of FY 2023 FMRs by requiring at least three private data sources to ensure that no single source

unduly influences the FMR calculation, and by averaging rent inflation captured by private sources with the CPI to capture as broad a measure as possible of rental market inflation.

iv. Comments Concerning the Effect of Private Source Data on Flat Rents

Some commenters expressed concern about the effect on Flat Rents from the use of private data sources for calculating FMRs. The commenters requested that PHAs be given the ability to freeze Flat Rents based on the 2022 FMRs/SAFMRs until the ACS is updated and the impacts of the pandemic have waned from the rental market.

HUD Response: HUD believes that the methodology it is adopting for the calculation of FY 2023 FMRs produces the best estimates of 40th percentile gross rents paid by recent movers. PHAs may continue to apply for exception flat rents as described in PIH Notice 2021-27.

E. Public Comments Concerning the Effective Date and Evaluations

i. Request for Analysis and Evaluation of the Effectiveness of the Proposed Changes

Some commenters requested that HUD retrospectively evaluate the FY 2023 FMR data to determine if the proposed changes provided more accurate information on rental markets. One commenter urged HUD to do a historical comparison of rent trends shown in the private data sources that are eventually set for FY 2023 with those documented by the 2010 and 2020 Census.

A commenter stated that HUD should assess the effectiveness of the use of private data sources used in FY 2023 and should discontinue the use of any private data source that does not further the goal of improving the accuracy of FMRs. The commenter expressed that the assessment of the effectiveness of the private data should focus on the accuracy of the private data sources and the improvement of the leasing experience for voucher holders.

Commenters stated that HUD should make its assessment of the accuracy of data in setting FMRs public. One commenter stated that HUD should annually produce a public report regarding the accuracy of private data sources in setting FMRs. Other commenters requested that HUD provide funding to PHAs to conduct local studies on rental data.

HUD Response: Given that FMRs are calculated ahead of each fiscal year, there is inherent uncertainty in the FMR

calculation process. HUD is committed to assessing the accuracy of its FMR calculations including through the use of retrospective analysis, backtesting of new methods and data, and independent research.

HUD's ability to provide funds to PHAs for local rental market surveys is dependent on the availability of funds and their authorized uses specified in annual appropriations statutes.

ii. Comments Regarding Impacts to Grant Recipients From the Timing of the Effective Date of the FY 2023 FMRs

Commenters stated concerns about the timeliness of the publication of the Notice of Proposed Changes for Calculating Fair Market Rents, encouraging HUD to implement the proposed changes to the methodology for calculating FY 2023 FMRs no later than October 1, 2022. One commenter indicated that, should the FY 2023 FMRs be finalized after October 1, 2022, FMR amounts should be applied retroactively to the start of the HUD FY. Another commenter encouraged HUD to publish any future changes to its FMR methodology in time to permit both thoughtful public comments and input concerning those comments, to allow for HUD's consideration of those comments along with potential changes to its proposals.

One commenter stated that the October 1, 2022 effective date of the FY 2023 FMRs would generally not allow grants with an application deadline prior to October 1, 2022 to receive an increase in FMR amounts caused by the proposed changes. The commenter indicated that grant awards could be increased based on FMR levels; but said HUD's scoring system in the Continuum of Care (CoC) competitive process encourages reallocation of funds. According to the commenter, this scoring process discourages communities from seeking the full FMR levels because the community is incentivized to reduce total budget per project. The commenter also stated that, while grant recipients can seek increases in FMR levels, the grant awards are based on increases that HUD allows and sometimes are not raised to the actual FMR levels.

Other commenters stated that the yearly change of FMR amounts in October does nothing to assist grant recipients for programs that have already submitted budgets based on a previous year's FMRs. The commenters encouraged HUD to correct for this situation. One commenter urged HUD to announce changes to its methodology for FY 2024 in the first half of calendar year 2023.

HUD Response: This Notice announces new FMRs for 2023 in line with previous years' publication of FMR updates. HUD is committed to allowing for public input in future changes to its FMR calculation, including through comment on this Notice.

Additionally, this Notice is limited to the announcement of new FMRs, and the methodology used in their calculation. HUD is required by statute to update FMRs not less than annually and strives to make these updates effective at the start of each federal fiscal year. Grants programs, including the Continuum of Care grant program, will provide separate guidance on the use of FMRs within those programs, and will consider the appropriate timing of budget submissions with respect to the annual update of FMRs.

F. Public Comments That Address Alternative FMR Calculations and the Determination of FMR Amounts

i. Comments Concerning the FMR Amounts

Multiple commenters indicated that FMR values are currently too low, causing individuals and families to be unable to find housing or requiring displacement of people, potentially to unsafe and unhealthy areas.

HUD Response: In the Housing Choice Voucher program, PHAs may set payment standard amounts at up to 110 percent of the FMR as part of their normal program operations. Additionally, PHAs have a variety of options beyond setting payment standards at 110 percent of the FMR. PHAs may pursue exception payment standards above 110 percent of FMR, including through the expedited waiver process described in PIH Notice 2021-34. PHAs may apply for success rate payment standards, which allow for setting payment standards using the 50th percentile estimates of rent. PHAs may, with HUD approval, establish an exception payment standard of more than 120 percent of the published FMR if required as a reasonable accommodation in accordance with 24 CFR part 8 for a family that includes a person with a disability after approval from HUD. Finally, PHAs may adopt Small Area FMRs (or use Small Area FMRs as the basis for exception payment standards), which may allow for payment standards of up to 160 percent of the metropolitan FMR in high-rent ZIP Codes.

ii. Comments Suggesting Alternative FMR Calculation Methodology

One commenter stated that HUD should increase the flexibilities given to

public housing agencies because local agencies can better match rental prices than any national methodology. Another commenter recommended that HUD utilize its regulatory authority or recommend the issuance of an Executive Order or legislation to declare an emergency 20 percent increase to all current FMR schedules as they apply to HCV programs. The commenter advised that this emergency action could be discontinued after the rental market crisis abates.

One commenter encouraged the use of a “rent reasonableness” approach in the setting of FMR amounts, rather than the method currently used to set FMR rates.

Some commenters recommended that HUD should consider vacancy rates as part of the methodology used to calculate FMRs to address adverse rental housing market conditions, as defined by HUD. Another commenter recommended that FMRs be calculated based on a combination of the number of persons in a household, number of bedrooms in the household, the household income, and then multiplied by a percentage of the household income. One commenter recommended that within every ZIP code, each PHA should reserve a certain percentage of housing for Section 8 tenants.

Another commenter submitted numerous recommendations for calculating FMRs and improving housing services for residents, including: considering household incomes in real time; creating information for rental programs that detail who is eligible for programs; establishing diversity in renting rates versus properties available for rent; establishing market rental rates corelated with the average income of the state or territory; allocating HUD funding based on region rather than nationwide; creating affordable housing opportunities for low and moderate income tenants who are single parents or young; identifying more viable properties for affordable housing inventory; creating and promoting educational opportunities for diverse populations on topics of budget management, student loans, renting and homeownership; increasing rental program assistance reflective of actual market conditions; requiring renting counseling as an eligibility requirement for rental assistance programs; requiring evidence of job placement searches to receive assistance; promoting job placement opportunities; establishing specific funds for rental programs for victims of domestic violence; creating programs that support local residents by providing tools for rental and homeownership.

One commenter suggested that entire ZIP codes not be deemed as “lower opportunity areas” and that a more defined concept be used to allow for census tracts to be considered as an option specifically in these areas so that affordable housing opportunities are not lost. Another commenter recommended that the methodology used for calculating FMRs be simplified.

One commenter recommended that, in addition to the number of bedrooms, FMR calculations should also consider square footage of the rental unit. The commenter also recommended that there be greater flexibility for the tenants in making unit selections. Finally, the commenter stated that setting FMR amounts by ZIP code can lead to unusual results in that ZIP codes that are geographically next to each other and contain comparable housing quality will have FMR amounts that are greatly different.

Another commenter recommended revising FMR and HUD Income Limit calculation methods by basing the amounts on the current minimum wage of the respective jurisdiction. A separate commenter urged HUD to explore more responsive and accurate FMR calculation methodologies that would consider additional factors, such as vacancy rates. A separate commenter stated that the current method for calculating FMRs unfairly punishes housing authorities and tenants who work.

One commenter recommended that HUD revise the FMR methodology to use more months of actual inflation data and fewer months of trend factor-based projects. Separately, the commenter stated that HUD should modify the trend factor to project changes in recent mover rents rather than rents overall. Finally, the commenter advised that HUD should allow FMR revisions when new inflation data show that trend factor-based projections were inaccurate.

One commenter stated that, beginning with FY 2023, HUD should include internet services in FMR calculations. The commenter expressed that this change would be in line with the priorities of the current presidential administration and congress.

HUD Response: With respect to the suggested programmatic changes, this Notice is limited to the announcement of new FMRs, and the methodology used in their calculation. HUD will continue to assess the overall performance of its housing assistance programs and make any necessary regulatory or policy changes to ensure success of its mission.

“Rent reasonableness” generally means comparing the rent of one unit to comparable units based on unit characteristics. By contrast, the FMR is meant to be the 40th percentile rent of the distribution of all units.

While low vacancy rates may be associated with higher rent growth, HUD believes that its direct calculation of gross rent inflation adjustment factors is the best approach for FY 2023. HUD will continue to evaluate its FMR calculation in the future including the use of other variables.

HUD’s regulations allow for separate FMRs for units of different bedroom counts. Given the heterogeneous nature of housing, units will necessarily differ by a range of other features, including square footage. HUD believes that setting the FMR at the 40th percentile of gross rents will allow for an adequate selection of units by size.

In its calculation of “trend factors,” HUD uses the most recent available inflation data at the time of calculation, which for FY 2023 is the second quarter of 2022.

With respect to ZIP code-level variation in rents for areas required to use Small Area FMRs, it is possible for rents to vary by ZIP code even with similar unit quality, as rents often capture other location amenities. HUD provides the same payment standard flexibilities for PHAs for areas mandated to use Small Area FMRs as it does for PHAs not subject to the mandatory use of Small Area FMRs.

The FMR is meant to be a gross rent, and therefore to measure the cost of the shelter plus the necessary utilities to live in the home. Internet services are not defined as a utility in HUD’s regulations, nor are the costs included in the gross rent data provided by the Census Bureau and Bureau of Labor Statistics.

iii. Comments Urging Additional HUD Actions

Commenters encouraged HUD to respond to congressional concerns regarding the volatility of rents and lagging FMRs by publishing and responding to the studies that HUD has commissioned to recommend alternative strategies. A commenter recommended that HUD work in collaboration with people who are directly impacted by FMR calculations when addressing FMR calculations for the long term.

HUD Response: HUD is committed to constantly evaluating its FMR methodology and making all such research available to the public, including its grant-funded reports. HUD routinely responds to congressional

concerns concerning its FMR calculations. HUD is also committed to working with people who are directly impacted by its FMR calculations, including by soliciting comments through this Notice.

G. Public Comments Regarding the Methodology Used for Calculating FMRs in Small Area FMRs, Non-Metropolitan Areas, and Rural Areas

i. Concerns Regarding the Lack of Available Private Data Sources for Small Area FMRs, Non-Metropolitan Areas, and Rural Communities

One commenter stated that HUD does not adequately describe how the proposed methodology will be adapted for smaller rural FMR areas, and that HUD's proposed approach is concerning because the private data sources are not available for rural geographies and 1-year ACS data consistently underestimates rent for rural areas.

Other commenters stated that the proposed private data sources will likely not include rental data for Small Area FMR P.O. Box-only, this lack of data limits the information to the physical address where the rental unit exists.

Other commenters stated their concern that they were not able to vet the proposed private data sources. One commenter said that, except for one source, all the data were "pay-walled." For the one source the commenter was able to review, the commenter said that the source did not provide data even for the largest metropolitan area in the commenter's state and that worried the commenter.

One commenter encouraged HUD to explore alternative methods for supplementing the ACS in nonmetro areas where private data sources are unavailable or scarce, such as modifying the inflation adjustment calculation to account for the reduced reliability of the private data or finding ways to incorporate rental data collected by PHAs.

Another commenter stated that data produced by the Census Bureau and HUD for rural communities in states with concentrations of rural poverty is not reflecting the reality in these places.

One commenter stated that for Small Area FMRs it is important for HUD to use data that is both highly accurate and granular to further strengthen confidence in the final Small Area FMR calculations.

HUD Response: For FY 2023, HUD is using measures of rent inflation calculated from private-sector sources in conjunction with the CPI as part of the recent-mover factor and gross rent

inflation adjustment factor portions of the FMR calculation. In areas without at least three such sources, HUD will use the CPI alone. The CPI remains a reasonable measure of rent inflation calculated from repeat rents of a representative sample of housing units.

Assessing the accuracy of FMRs is difficult because at any given time the true 40th percentile rent paid by recent movers is unknown. Survey-based estimates of rent are subject to sampling and non-sampling error, a challenge which is true in both urban and rural areas. For the Voucher program, HUD's policy addresses these sources of uncertainty by allowing the payment standard to be set from 90 to 110 percent of the FMR, as well as above 110 percent of the FMR through the use of exception payment standards.

ii. Comments Suggesting That HUD Employ Alternative Methodology for Calculating FMRs for Small Area FMRs, Non-Metropolitan Areas, and Rural Communities

One commenter suggested that HUD engage in a longer term, more robust project to update the FMR methodology for small metropolitan and rural FMR areas.

One commenter expressed concern that the proposed changes to the methodology used for calculating FMRs will have little or no impact on rural places and that HUD is proposing solutions that only benefit densely populated portions of America. The commenter was concerned that the private data will only benefit densely populated cities and may not even capture all MSAs, let alone more rural regions. The commenter also stated that the State Nonmetropolitan Median is a specific issue that impacts disadvantaged rural, persistently impoverished places. According to the commenter, nonmetropolitan counties, because of the State Nonmetropolitan Median, are prevented from having dramatically lower FMRs compared to their neighbors by a state-floor mechanism, causing states with a concentrated rural poverty to have a depressed median. The commenter encouraged HUD to review the methodology used for calculating FMRs with a lens toward rural parity, which the commenter stated is in line with Executive Order 13987 on Advancing Racial Equity and Support for Underserved Communities.

HUD Response: HUD is committed to improving the accuracy of its FMR calculation for all areas, including for rural areas. For FY 2023, HUD is using inflation factors based on private sources of rental data in the calculation

of recent mover factors and gross rent inflation factors in cases where at least three of the six data sources provide data for the FMR area, in conjunction with the area's inflation factor from the CPI. In cases without such sources, HUD is using a CPI-based inflation factor for the area's region alone. HUD is using the private sources of inflation where available because it believes it will produce a more accurate FMR on average; however, it is not the case that this "benefits" areas with private sources of data, as whether the resulting FMR is higher or lower than it would be with the CPI alone depends on the specific rental market dynamics in the area. HUD has no control over the availability of rental data from the public and private sources used in FMR calculation and no longer receives a designated appropriation to conduct its own rent surveys in support of FMR estimates.

iii. Concerns Regarding the Methodology Used for Calculating FMR Amounts in Rural Communities That Are Geographically Near Public Lands or Amenity Regions

One commenter expressed concerns that FMR calculations for non-metropolitan towns that are located near public lands or amenity regions that draw large amounts of visitors (described as "gateway towns" by the commenter) are not calculated properly. The commenter indicated that areas of a county that are less accessible to public lands or amenities artificially deflate the rent values for gateway towns, which are more accessible to public lands or amenities and typically possess higher property values. The commenter stated that this situation creates an affordability burden on persons who work at the public lands or amenities regions because they are not able to live close to their jobs. The commenter expressed that this problem is further exacerbated because properties in gateway towns are in high demand and are disproportionately purchased by non-resident wealthy persons as vacation homes. In addition to concerns over the setting of the appropriate FMR value in gateway towns, the commenter expressed environmental justice concerns for residents of gateway towns. The commenter said that gateway towns located near public lands are perceived as more climate safe. Commenter said this perception leads to the displacement of low- and middle-income residents to areas perceived as less climate safe. To address both the FMR values methodology calculation concern and the climate justice issues,

the commenter suggested that the methodology used for calculating FMRs be altered to include the layering of (1) data related to the year-over-year growth and/or real estate value increase and (2) the type of economy that exists in the non-metropolitan county (e.g., mining, recreation, agriculture). The commenter said the layering of this data could then be used to apply an FMR boost for certain counties while the 5-year and new move-in data catches up with the actual market realities.

HUD Response: HUD is changing its methodology for calculating FMRs for FY 2023 partly in response to the rental market disruptions caused by the COVID-19 pandemic. HUD remains interested in improving the accuracy of its FMR calculations, including by evaluating whether land values and community characteristics are useful indicators of changes and rents; however, at this time, HUD does not have research indicating such variables would improve its FMR calculation.

H. Public Comments Regarding Altering the Requirement To Use Mailed Surveys To Collect FMR Data

Commenters suggested the removal of the requirement to use a mail survey to collect FMR data, as modern survey collection does not rely upon mail. Commenters stated that the expense of mail surveys and that cost savings from removing the mail survey requirement would increase the number of FMR areas that can afford to embark on a reevaluation and successfully collect and submit the required data. One commenter advised that paper post cards could be mailed that directs individuals to an online survey, rather than mailing the survey itself.

Alternatively, a commenter said HUD could allow each state to develop a methodology for establishing FMRs in their states, subject to HUD's approval. The commenter said this approach would allow for local expertise on the unique rental situations in each state.

HUD Response: HUD requires ad hoc rental market surveys to be conducted using best practices of survey methodology and based on a statistically representative sample of households. HUD does not require a single manner of data collection. Parties interested in conducting ad hoc rental market surveys should consult the following section of this Notice for additional information.

VI. Request for Public Comments and FMR Reevaluations

HUD accepts public comments on the methods HUD uses to calculate FY 2023 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.

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."

PHAs or other parties interested in requesting HUD's reevaluation of their area's FY 2023 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 2019 ACS data used in the calculation of the FY 2023 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) provide the best data. The data delivered must be sufficient for HUD to calculate a 40th and 50th percentile two-bedroom gross rent.¹² 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 must continue to use FY 2022 FMRs whether the FY 2023

FMRs are lower or higher than the FY 2022 FMRs. Following the comment period, HUD will post a list, at <https://www.huduser.gov/portal/datasets/fmr.html>, of the areas requesting reevaluations and where FY 2022 FMRs remain in effect.

4. PHAs or other parties must supply data for reevaluations to HUD no later than Friday January 6, 2023. All survey responses of rental units gathered as part of the survey efforts should be delivered to HUD. 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 6, 2023 to reevaluate the FMRs and following the reevaluation, will post revised FMRs in April of 2023 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. On Monday, January 9, 2023, HUD will post at <https://www.huduser.gov/portal/datasets/fmr.html> a listing of the areas that requested FMR reevaluations but did not deliver data, making the FY 2023 FMRs effective in these areas. HUD will incorporate any data supporting a change in FMRs supplied after January 7, 2023 into FY 2023 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 using mail surveys that is discussed on the FMR web page: https://www.huduser.gov/portal/datasets/fmr.html#survey_info. This method allows for the collection 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 of the entire FMR area. 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 get 100 eligible survey responses which means they should have at least 5,000 rental units. PHAs may conduct surveys of groups of non-

¹² Although there are no longer 50th percentile FMRs, HUD must calculate 50th percentile rents for the Success Rate Payment Standard under 24 CFR 982.503(e).

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. Staff from HUD's Program Parameters and Research Division will 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.

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.

Calculating Small Area FMRs Using Rent Distributions

HUD has developed guidance on how to provide data-supported comments on Small Area FMRs using HUD's special tabulations of the distribution of gross rents by unit bedroom count for ZIP Code Tabulation Areas. This guidance is available at <https://www.huduser.gov/portal/datasets/fmr.html> in the FY 2023 FMR section under the "Documents" tab and should be used by interested parties in commenting on whether or not the level of Small Area FMRs are too high or too low (*i.e.*, Small Area FMRs that are larger than the gross rent necessary to make 40 percent of the units accessible for an individual ZIP code or that are smaller than the gross

rent necessary to make 40 percent of the units accessible for a given ZIP code). HUD will post revised Small Area FMRs after confirming commenters' calculations.

VII. Environmental Impact

This notice involves the statutorily required establishment of FMR schedules and related procedures, 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).

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>.

Solomon Greene,

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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DEPARTMENT OF THE INTERIOR

Geological Survey

[GX21BD239AV0100; OMB Control Number 1028-NEW]

Agency Information Collection

Activities; Submission to the Office of Management and Budget for Review and Approval; Information Collection Through Surveys and Interviews To Evaluate and Improve the Cooperative Research Units Program Mission, Functions, and Goals

AGENCY: Geological Survey, Interior.

ACTION: Notice of information collection; request for comment.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995 (PRA), the U.S. Geological Survey (USGS) is proposing a new information collection.

DATES: Interested persons are invited to submit comments on or before October 3, 2022.

ADDRESSES: Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting "Currently under 30-day Review—Open for Public Comments" or by using the search function. Written comments and recommendations can also be sent by mail to U.S. Geological Survey, Information Collections Officer, 12201 Sunrise Valley Drive MS 159, Reston, VA 20192, or by email to gs-info_collections@usgs.gov. Please reference OMB Control Number 1028-NEW in the subject line of your comments.

FOR FURTHER INFORMATION CONTACT: To request additional information about this Information Collection Request (ICR), contact Cynthia S. Loftin by email at cindy_loftin@usgs.gov, or by telephone at (207) 881-3500. You may also view the ICR at <http://www.reginfo.gov/public/do/PRAMain>. Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services. Individuals outside the United States should use the relay services offered within their country to make international calls to the point-of-contact in the United States. You may also view the ICR at <http://www.reginfo.gov/public/do/PRAMain>.

SUPPLEMENTARY INFORMATION: In accordance with the PRA and 5 CFR 1320.8(d)(1), we provide the general