

# SAFMR Payment Standard Reductions and Cost Projections Fact Sheet

## BASIC RANGE PAYMENT STANDARDS

---

Use the Tool-of-Tools (ToT) and Payment Standard Tool (PST) to project a future year's per-unit Housing Assistance Payment (HAP) costs and housing cost burdens for voucher-assisted families. By doing so, a public housing agency (PHA) will be able to model its possible future Small Area Fair Market Rent (SAFMR)-based payment standards to balance its voucher program goals and regulatory requirements in a mandatory SAFMR area, utilize HAP funds, and avoid going into shortfall.

Published SAFMRs cannot decrease by more than 10% per year. If a PHA does not request an exception payment standard, the basic range requirement remains at 90 –110 % of the SAFMR.

## POLICIES FOR DECREASED PAYMENT STANDARDS

---

If the SAFMR causes payment standards to decrease, a PHA may adopt one of three policies to assist families under a HAP Contract on the effective date of the decrease.

- 1. Hold harmless (no reduction):** A PHA uses the existing higher payment standard amount for as long as the family continues to receive the voucher assistance in that unit.
- 2. Two years after effective date:** The reduced payment standard amount may be applied no earlier than two years following the effective date of the decrease.
- 3. Gradual reduction in subsidy:** Phased-in reductions proceed annually from the second regular reexamination until the payment standard amount for the family meets the SAFMR payment standard amount (no earlier than two years following the effective date of the decrease in the payment standard amount).

When implementing SAFMRs, PHAs must provide the family with at least 12 months' written notice of any reduction of the payment standard amount that will affect the family, if the family remains in place. The notice should include (per [24 CFR 982.505\(c\)\(3\)\(iii\)](#)):

- The new payment standard amount.
- An explanation that the family's new payment standard will be the higher of either the amount specified in the current notice or the updated amount (if applicable) on the PHA's payment standard schedule at the end of the twelve-month period.
- Information on where the family can find the PHA's payment standard schedule.

The notice should also inform families that any reduction in the payment standard will not impact their subsidy until at least two years after the effective date of the decrease. Additionally, participants must be notified of their right to request an informal hearing if they believe the determination is incorrect. Public notification is encouraged to ensure community awareness and understanding of the changes.



# SAFMR Payment Standard Reductions and Cost Projections Fact Sheet

## DETERMINING DECREASED PAYMENT STANDARD AMOUNTS

---

**Project Per-Unit HAP Cost Impacts:** For the **current year** (e.g., 2024), PHAs can utilize the Two-Year Tool's (TYT) formula-driven per-unit HAP cost projections in the **Manual PUC Override** field in **Column M** without projecting SAFMR-based payment standards because the PST projects per-unit impacts in **following years**.

**Evaluate HAP and Housing Costs Burdens:** PHAs can utilize the PST within the ToT to determine the implications on family housing cost burdens and per-unit HAP costs in **future years**. PHAs can model the effects of their potential future SAFMR-based payment standards and use this analysis to make informed decisions regarding voucher program goals.

**HAP Cost Savings and Cost Increases:** Depending on a PHA's distribution of rental submarket costs, well-calibrated payment standards on a ZIP code basis can yield both HAP cost savings and increases. Depending on each PHA's total HAP funding availability in a given year, HAP cost savings may be needed to pay for projected HAP increases, which result from a PHA's payment standard increases. HAP savings or cost increases within each ZIP code depend on the number of current and future households leasing in them as well as the **lower of** payment standards or gross rents through rent reasonableness.

## ASSESS HOUSING COST BURDENS AND PER UNIT HAP COSTS

---

For the preceding steps of downloading a PIC (PIH Information Center) Ad-Hoc Query Report, labeling ZIP codes in up to twenty groups, and importing information into the ToT, please refer to the SAFMR-Based Payment Standards, Cost Projections, and Planning of Expenses Fact Sheet.

PHAs can use available HUD tools to assess per-unit HAP costs and impacts of proposed SAFMR-based payment standards by ZIP code.

1. Open the PST within the ToT.
2. Click the orange **Rent Burden: Area Bdrm Size** button in the upper right-hand corner of the **PST – Multiple** worksheet tab. Review family housing cost burden impacts resulting from proposed SAFMR-based payment standards by ZIP code. PHAs may consider increasing payment standards if voucher-assisted households' housing cost burdens are at or near HUD's affordability standard (40% of families paying 30% or more towards rent and utility allowance) by ZIP code and bedroom size.

## ACCOUNTING FOR DECREASED HAP COSTS

---

Regardless of the PHA's selected policy for payment standard decreases, in the PST, decreases in the per-unit HAP cost due to decreased payment standards will not begin for existing leased households earlier than two years following the effective date of the decrease in the payment standard amount and at households' second regular reexam. Per-unit HAP costs reflecting decreases for existing leased households are represented in Year 3 in the PST.



# SAFMR Payment Standard Reductions and Cost Projections Fact Sheet

However, HAP savings from decreased payment standards apply immediately upon the effective date of the change to a proportion of voucher-assisted households, including new admissions, relocations, and port-ins. These represent a significantly smaller percentage of Unit Months Leased (UMLs) each year compared to the number or percentage of existing families under lease. Since the percentage of these transactions cannot be predicted and incorporated into the PST, HAP savings for such transactions are not calculated in the PST.

To factor in decreased per-unit HAP costs, PHAs can use PIC's **Ad-Hoc Query Report** data to estimate the percentage of transactions attributable to new admissions, relocations, and port-ins.

1. Using Excel, filter **2a. Type of action** in PIC to determine the percentage of New Admissions (Code 1), Annual Reexaminations (Code 2), Relocations or Other Change of Unit (Code 7), and Port-Ins (Code 4) over a twelve-month period. Alternatively, PHAs can use their own software systems.
2. Copy and paste the data from these codes into another Excel sheet (see screenshot below). Using these transactions within the period of a twelve-month calendar year, calculate the percentage of these annual transactions.

Action Code	Action Type	Count	% of Transactions
1	New Admission	435	0.194456862
2	Annual	1602	0.716137684
4	Portability Move-In	21	0.009387573
7	Relocation	179	0.080017881
		<b>2237</b>	
1, 4 & 7		635	0.283862316

3. To determine a weighted average Per Unit Cost (PUC), follow these steps:
  - a. Copy and paste the PUC results from the PST for all three years into a spreadsheet. Create formula averages at the bottom of **CY 2025** and **CY 2026**: **(=AVERAGE(B3:B14))** and **(=AVERAGE(C3:C14))**, respectively.
  - b. Create text labels for three rows: Annual Reexaminations (Code = 2), New Admissions, Other Change of Unit & Port-Ins (Codes 1, 4, & 7), and Weighted Average PUC (sum of both per-unit HAP costs).
  - c. Enter text labels in **4 columns**: Per Unit HAP Cost, % of Annual Transactions, PUC Time % of Transactions, and Product.
  - d. Within the cell corresponding with Annual Reexaminations (Code = 2) and Per Unit HAP Costs, create a formula: **=(B15)**. Use the transactions for **Percentage of Annual Transactions** between Annual Reexaminations (Code = 2) and New



# SAFMR Payment Standard Reductions and Cost Projections Fact Sheet

Admissions, Other Change of Unit & Port-Ins (Codes 1, 4 & 7). This is represented in the yellow cell in the screenshot on the following page.

- e. In the column labeled **PUC Times % of Transactions**, include a formula for Annual Reexaminations: **=SUM(E3\*F3)**.
- f. Insert a formula for New Admissions, Other Change of Unit & Port-Ins (Codes 1, 4 & 7): **=SUM(E4\*F4)**.
- g. For the column labeled **Product** and row labeled **Annual Reexaminations**, create a formula: **=(F3\*G3)**.
- h. For the row New Admissions, Other Change of Unit & Port-Ins, create a formula: **=(F4\*G4)**.
- i. For the green cell labeled **Weighted Average PUC**, create a formula: **=SUM(H3:H4)**. The product in the green cell is the weighted average PUC for every month in year 2. If a PHA's percentage of new admissions is less than the Annual Turnover Rate, no further adjustment is needed.

Program-Wide PUC Change from Current			
	2024	2025	2026
January	\$0.00	\$2.57	\$0.71
February	\$0.00	\$1.86	\$0.48
March	\$0.00	\$1.81	\$0.43
April	\$0.00	\$2.45	\$0.72
May	\$0.00	\$3.15	\$0.72
June	\$0.00	\$3.44	\$0.69
July	\$0.00	\$3.08	\$0.97
August	\$0.00	\$3.52	\$0.80
September	\$0.00	\$3.77	\$1.08
October	\$0.69	\$2.70	\$1.05
November	\$0.76	\$2.61	\$0.91
December	\$0.85	\$2.29	\$0.78
PUC Change Type		Program-Wide	

## CALCULATING NEW ADMISSIONS, RELOCATIONS, AND PORT-INS

If the PHA's new admissions, relocations, and port-ins are **greater than** its annual turnover rate, apply the percentage of new admissions exceeding the current annual turnover rate to the average Year 2 (e.g., 2025) per-unit HAP costs to determine the increased per-unit per-month HAP costs.

After calculating the percentage of new admissions (Code 1), port-ins (Code 4), and relocations/change of unit (Code 7) out of the total number of transactions, compare the result to the PHA's current annual turnover rate in the TYT. If a PHA's percentage of new admissions is



# SAFMR Payment Standard Reductions and Cost Projections Fact Sheet

**less than** the annual turnover rate, the PHA needs to reduce its percentage of new admissions in the weighted average per-unit HAP calculations accordingly.

Use the results from this calculation of weighted per-unit HAP costs (green cell in screenshot below), which, in this example, is \$1.48. Add the product to the previous weighted average per-unit HAP costs (green cell in screenshot above). Then, enter the combined amount in the TYT for every month of Year 2, which is \$1.57+1.48 + 0.09.

Calculation of Weighted Per Unit Housing Assistance Payment Costs							
2024	2025	2026		Per Unit HAP Costs from Payment Standard Tool	% of Transactions Over 12-Months	PUC Multiplied by % of Transactions	Product of % of Transactions Over 12-Months Times PUC Multiplied by % of Transactions
\$ -	\$ 2.57	\$ 0.71	Annual Reexaminations (Code = 2)	\$ 2.77	71.6%	\$ 1.98	\$ 1.42
\$ -	\$ 1.86	\$ 0.48	New Admissions, Other Change of Unit & Port-Ins (Codes 1, 4 & 7)	\$ 0.78	28.5%	\$ 0.22	\$ 0.06
\$ -	\$ 1.81	\$ 0.43	Weighted Average PUC (Sum of Both Per Unit HAP Costs)				\$ 1.48
\$ -	\$ 2.45	\$ 0.72					
\$ -	\$ 3.15	\$ 0.72	New Admissions Plus Port-ins Percentages in Prior Calendar Year				
\$ -	\$ 3.44	\$ 0.69	Minus Current Annual Turnover Rate - Weighted PUC				\$ 0.09
\$ -	\$ 3.08	\$ 0.97	Product				\$ 1.57
\$ -	\$ 3.52	\$ 0.80					
\$ -	\$ 3.77	\$ 1.08					
\$ 0.69	\$ 2.70	\$ 1.05					
\$ 0.76	\$ 2.61	\$ 0.91					
\$ 0.85	\$ 2.29	\$ 0.78					
	\$ 2.77	\$ 0.78					

Use the **Manual PUC Override** in the TYT (Column M) to enter formulas that add the above per-unit HAP costs resulting from the calculations (\$1.57) into Year 2 (2025), starting with January 2025. Enter a formula starting with the cell for December 2024 plus the weighted average per-unit HAP cost product from the calculations above (\$1.57). The following formula uses January 2025 Manual PUC Override figure plus the same weighted average per-unit HAP cost product from the calculations above (\$1.57) and repeated through December 2025.



# SAFMR Payment Standard Reductions and Cost Projections Fact Sheet

The screenshot shows an Excel spreadsheet titled 'Utilization Report: UtilizationReport\_08132024'. The formula bar at the top displays '= (I66+1.57)'. The spreadsheet is organized into several key sections:

- ACC/Funding Information:** A table with columns for ACC, Current Year (2024), Year 2 (2025), and Year 3 (2026). It includes rows for Beginning ACC Vouchers, Funding Components, Initial BA Funding (net offset), and Offset of HAP Reserves.
- Funding Proration Levels:** A table with columns for HAP, Year 2 (2025) Rebenchmark, Year 3 (2026) Rebenchmark, and Administrative Fees. It includes rows for Year 1 (2024) and Year 2 (2025).
- Program Projection Variables:** A table with columns for Success Rate, Non-PBV Annual Turnover Rate, and EOP R. It includes rows for % leased in 30 days and % leased in 90 days.
- Time from Issuance to HAP Effective Date (Current: 1.8 months):** A table with columns for % leased in 30 days and % leased in 90 days.

2025	UMAs	Actual UMLs	Actual HAP	Vouchers Issued/Projected to be Issued	Other Planned Additions/Reductions	New Leasing from Issued Vouchers	Estimated Attrition	UMLs: Actual/Projected	HAP: Actual/Projected		
Jan-25	4,919				3	113	-44.3	4,844	\$4,147,091	\$893	\$893
Feb-25	4,919				3	92	-45.0	4,894	\$4,198,872	\$894	\$894
Mar-25	4,919				3	47	-45.5	4,899	\$4,209,841	\$896	\$896
Apr-25	4,919				3	5	-45.5	4,862	\$4,182,225	\$897	\$897
May-25	4,919				3	0	-45.2	4,820	\$4,150,991	\$899	\$899
Jun-25	4,919				3	0	-44.8	4,878	\$4,120,008	\$900	\$900
Jul-25	4,919				3	0	-44.4	4,837	\$4,089,273	\$901	\$901
Aug-25	4,919				3	0	-44.0	4,497	\$4,058,785	\$903	\$903
Sep-25	4,919				3	0	-43.8	4,458	\$4,028,542	\$904	\$904
Oct-25	4,919				3	0	-43.2	4,418	\$3,998,541	\$905	\$905
Nov-25	4,919				3	0	-42.8	4,377	\$3,968,782	\$907	\$907
Dec-25	4,919				3	0	-42.4	4,338	\$3,939,262	\$908	\$908
Total	59,028	0	\$0	0	40	257	-530.6	54,518	\$49,091,814	\$900	\$908

## PAYMENT STANDARD DECREASES REFLECT CHANGES IN YEAR 3

Use the orange button **Area-Bdrm Size** in the PST to view the projected impacts on families' housing cost burdens by ZIP code and unit size in Year 2 (e.g., 2025). Ensure no more than 40% of families would pay more than 30% of adjusted monthly income (AMI) as the family share, as well as the subset of families who would pay more than 40% of their AMI toward housing costs. If the above threshold is exceeded, recalibrate payment standard decreases in those ZIP codes and bedroom sizes.

In addition, Year 3 (e.g., 2026) reflects what housing cost burdens would be if a PHA employs a policy where the reduced payment standard amount may be applied no earlier than two years following the effective date of the decrease. Regardless of the selected policy for payment standard decreases, in the PST, decreases in the per-unit HAP cost due to decreased payment standards will not begin for existing leased households earlier than two years following the effective date of the decrease in the payment standard amount.



# SAFMR Payment Standard Reductions and Cost Projections Fact Sheet

Area-->Voucher Bedroom Size	Total	Current		CYE 2025	Year 2
		% >= 41%	% >= 31%	% >= 41	% >= 31
85705					
0	1	0.0%	0.0%	0.0%	0.0%
1	431	3.0%	19.3%	2.6%	14.2%
2	100	7.0%	23.0%	7.0%	21.0%
3	76	3.9%	11.8%	3.9%	13.2%
4	15	6.7%	13.3%	6.7%	13.3%
5	2	0.0%	50.0%	50.0%	50.0%
85706					
1	227	2.6%	8.8%	2.6%	7.5%
2	142	15.5%	25.4%	13.4%	22.5%
3	122	3.3%	13.1%	3.3%	10.7%
4	38	5.3%	10.5%	7.9%	10.5%
5	4	0.0%	0.0%	0.0%	25.0%

## FUNDING INFLATION FACTOR

It can be difficult to project or predict what a PHA's HAP renewal funding inflation factor (RFIF) will be for future years (e.g., Year 2 – 2025 and Year 3 – 2026). However, it is important to evaluate proposed SAFMR-based payment standards in future years by estimating HAP RFIFs and entering the percentage into the TYT's Year 2 (2025). Knowing that a PHA's future year RFIF may not be the same as their current year RFIF, the use of this RFIF merely acts as a placeholder for estimating procedures. When HUD's estimated and final RFIFs for the coming year are pre-populated in the TYT, PHAs should rely on those instead.

Based on [HUD's existing HAP renewal funding inflation factor \(RFIF\) methodology](#), PHAs can make reasonable estimates of their respective RFIFs by creating a spreadsheet. FY 2025, FY 2024, and FY 2023 FMRs—as well as each PHA's HAP RFIF—can be accessed in the hypertexts listed below. The light blue cells are where the data is placed. The formula-driven calculation in the yellow cell (1.6807%) multiplies the PHA's FY 2024 HAP RFIF (8.60580%) by the annual percentage change between their FY 2025 FMRs versus FY 2024 FMRs (2.69%) and then divides the product by the annual percentage change between their FY 2024 FMRs versus FY 2023 FMRs (13.79%) to determine the estimated FY 2025 HAP RFIF (1.6807%).

In turn, PHAs enter the estimated FY 2025 HAP RFIF into cell H6 of the TYT's **Projection Analysis** worksheet tab to reflect initial inflationary HAP revenue for the following year, instead of automatically assuming no HAP RFIF.



# SAFMR Payment Standard Reductions and Cost Projections Fact Sheet

Year	Efficiency	One-Bedro	Two-Bedro	Three-Bed	Four-Bedroom
FY 2024 FMR	\$906	\$1,018	\$1,337	\$1,884	\$2,206
FY 2023 FMR	\$786	\$893	\$1,175	\$1,670	\$1,955
Percentage Change			13.79%		
<a href="https://www.huduser.gov/portal/datasets/fmr.html#year2025">https://www.huduser.gov/portal/datasets/fmr.html#year2025</a>					
Year	Efficiency	One-Bedro	Two-Bedro	Three-Bed	Four-Bedroom
FY 2025 FMR	\$941	\$1,052	\$1,373	\$1,924	\$2,232
FY 2024 FMR	\$906	\$1,018	\$1,337	\$1,884	\$2,206
Percentage Change			2.69%		
FY 2024 HAP Renewal Funding Inflation Factor <span style="float: right;">8.60580%</span>					
<a href="https://www.huduser.gov/portal/datasets/rfif/rfif.html">https://www.huduser.gov/portal/datasets/rfif/rfif.html</a>					
Formula-Driven Calculations					
	8.6058%	13.79%			
	1.6807%	2.69%			
Estimated FY 2025 HAP Renewal Funding Inflation Factor					1.6807%

Funding Proration Levels	
HAP	
Year 2 (2025) Rebenchmark	101.68%
Year 3 (2026) Rebenchmark	100.00%

## ASSESS INITIAL SAFMR-BASED PAYMENT STANDARD OUTCOMES

After entering the per-unit HAP cost results from the PST into the TYT’s **Manual PUC Override** cells, access a summary of voucher lease-up and HAP budget utilization rates for the current and following year projections in the context of total HAP funding available.

The resulting summary figures provide PHAs with insight into the number of families the PHA can serve, future housing cost burdens, expanded housing opportunities, etc. Based on the results, modify initial SAFMR-based payment standards by adjusting the percentages of SAFMRs as well as by bedroom size. Then, run additional sets of figures for placement in the TYT.

Through this iterative process, PHAs can arrive at SAFMR-based payment standards that will help best achieve the objectives of SAFMR-based payment standards and a PHA’s overall voucher program outcomes.



# SAFMR Payment Standard Reductions and Cost Projections Fact Sheet

## SAFMR RESOURCES AND RELEVANT NOTICES

---

- [HUD SAFMR Website](#)
- [Ask a Question](#)
- [SAFMRs on HUD Exchange](#) (FAQs, office hours, the Virtual Convening, and sample materials)
- [HUD's HCV Utilization Tools](#) (links to the TYT, HCV training videos, the ToT, etc.)
- [PIH Notice 2023-32](#)
- [PIH Notice 2024-34](#)
- [Small Area Fair Market Rent Data](#)
- [24 CFR 982.505\(c\)\(3\)\(iii\)](#)
- [Federal Register: Volume 89, Number 92](#)
- [HOTMA HCV and PBV Implementation](#)

**DEVELOPMENT DISCLAIMER:** This material is based upon work supported by funding under an award with the U.S. Department of Housing and Urban Development (HUD). The substance and findings of the work are dedicated to the public. Neither the United States Government, nor any of its employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately-owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement, recommendation, or favoring by the U.S. Government or any agency thereof. Opinions expressed in this document are those of the authors and do not necessarily reflect the official position of, or a position that is endorsed by, HUD or by any HUD program.

