

FDIC
AFFORDABLE HOUSING DISPOSITION PROGRAM (AHP)
GUIDE TO CALCULATING MAXIMUM RENTS

Instructions

The FDIC will publish the maximum rents for Qualified Units by geographic location. The methodology used for calculating these limits is described below for your information. This methodology employs certain steps and approaches which are unique to this FDIC program. The unit density figures and income adjustments used to calculate AHP rent limits are included on page 3 and can be found as Exhibit B to most AHP LURAs. (Note: One key departure from other affordable housing programs, such as Section 8 or Low Income Housing Tax Credits, is the fact that utilities are not accounted for in the rent limits).

The attached sample provides example calculations of the VLI and LI maximum rents for unit sizes from an efficiency to a five bedroom unit. To illustrate the method of calculating rent limits, the example below uses the income limits for Hometown, USA (see page 2) to show how to compute the VLI and LI limits for a 2-bedroom unit in that city.

METHOD

EXAMPLE

Steps:

1). For each unit size, determine the number of persons which FDIC's formula assumes will occupy that size unit. (See Page B-3)

FDIC's formula assumes three (3) persons will inhabit a 2-BR unit. (See attached sample).

2). Using the AHP/HUD income limits applicable to the property's location, select the income limit for the number of persons that correspond to a given unit size. The VLI limits are based on the figures for 50% of area median income, and the LI limits are based on 65% of area median income.

The VLI limit for 3 persons is \$13,750 using the figures for 50% of area median income and the LI limit is \$17,900 using the figures for 65% of median income.

3). Determine the "adjusted income: for each unit size by subtracting the applicable AHP income adjustment. (See page B-3). Note that the adjustment figures vary by unit size.

The income adjustment for a 2-BR unit is \$880, as stipulated in Exhibit B of the LURA. For a 2-BR VLI unit, subtract \$880 from \$13,750 to obtain an adjusted income of \$12,870. For a 2-BR LI unit, subtract \$880 from \$17,900 to obtain an adjusted income of \$17,020.

4). Multiply "adjusted income" by 30% to obtain the appropriate AHP maximum annual rent. Divide by 12 to determine the maximum monthly rent.

Multiply the adjusted income for 2-BR VLI unit (\$12,870) by 30% to obtain the maximum annual rent of \$3,861. The maximum monthly rent of \$322 is calculated by dividing the annual amount by 12 (3,861/12). Following the same steps for the adjusted income of \$17,020 of a 2-BR LI yields a maximum monthly rent of \$426.