

NEBRASKA HOMELESS ASSISTANCE PROGRAM (NHAP)

Guidance for determining Rent Reasonableness and Fair Market Rent under the Nebraska Homeless Assistance Program.

Providing rental assistance through the Nebraska Homeless Assistance Program must adhere to the regulations of the Emergency Solutions Grants (ESG) program. This requires understanding and adherence to **both** Fair Market Rent (FMR) and rent reasonableness standards to determine whether a specific unit can be assisted with short-or medium-term rental assistance. This requirement is in the ESG program Interim Rule at 24 CFR 576.106(d). See <https://www.hudexchange.info/resource/3070/esg-rent-reasonableness-and-fmr/> for additional guidance provided by HUD.

NHAP has developed a standardized Reasonableness Checklist and Recertification form to be utilized to calculate rental assistance eligibility for Rapid Rehousing and Homelessness Prevention activities. A copy of the form must be included in the program participant's case file.

The ESG program Interim Rule allows rental assistance to be provided to eligible program participants only when the rent, including utilities (gross rent), for the housing unit:

1. Does not exceed the Fair Market Rent (FMR) established by HUD for each geographic area, as provided under 24 CFR 888 and 24 CFR 982.503; **and**
2. Complies with HUD's standard of rent reasonableness, as established under 24 CF 982.507.

FAIR MARKET RENT (FMR):

HUD establishes FMRs to determine payment standards or rent ceilings for HUD-funded programs that provide rental assistance, which it publishes annually for 530 metropolitan areas and 2,045 non-metropolitan county areas. Federal law requires that HUD publish final FMRs for use in any fiscal year on October 1—the first day of the fiscal year (FY). FMRs for each fiscal year can be found by visiting HUD's website at www.huduser.org/portal/datasets/fmr.html and clicking on the current "Individual Area Final FY20XX FMR Documentation" link. This site allows NHAP/ESG subrecipients to search for FMRs by selecting their state and county from the provided list. The Fair Market Rent for the proposed unit should be noted on the NHAP Rent Reasonableness Checklist and Recertification form.

RENT REASONABLENESS (RR):

The Nebraska Homeless Assistance Program has established a policy for the determination of rent reasonableness standards. To verify that the rent for the unit you have selected is reasonable:

- 1) Locate 3 other units in close proximity to the proposed unit. Ideally, the comparable units must be the same type of unit, approximately the same age, have the same number of bedrooms and otherwise be comparable. Rent costs may be found in newspaper/online classified ads, local real estate agents, local public housing authorities (PHA), etc.

- 2) Calculate the total (gross) rent of the proposed unit [rent + fees required by lease + utility allowance (as set by local housing authority if utilities are not included in rent)= total rent]
- 3) Calculate the total rents of the comparable units (rent + fees required by lease + utility allowance= total rent)
- 4) Add the total rent cost of the 3 comparable units and then divide by 3 to find the average of the comparable rents.
 - a. To address differences in comparable units, particularly when housing resources are scarce in the immediate proximity of the proposed unit and/or few true comparable units can be located, NHAP has established a policy that allows for adding up to 10% of the total of the average comparable rents to be included in the rent reasonableness standard if needed to address differences (e.g. rent in reasonably comparable units are lower than the rent of the proposed unit, an additional 10% above the average can be included for the rent reasonableness standard.)
- 5) Rent for the proposed unit must be LESSOR of Fair Market Rent and Rent Reasonableness standard. If the unit meets both tests, NHAP/ESG rental assistance can be provided.
- 6) The person certifying the rent reasonableness testing must sign the form. The form should be maintained in the case file with the other supporting documentation.

EXAMPLE:

A program participant is eligible for RR and/or HP rental assistance and is residing in/ located a 3 bedroom apartment. The rent of the unit is \$675 but does not include utilities. The local Public Housing Authority has established that utility allowance is \$150. So the total proposed rent is \$825.

The Fair Market Rent for a 3 bedroom unit in that county/city then should be reviewed on the HUD website (<https://www.huduser.gov/portal/datasets/fmr.html>) which states that the FMV is \$850. This is noted on the Rent Reasonableness Checklist and Recertification Form.

To calculate rent reasonableness, other comparable units are found with total rents (including utilities or allowances) of \$750, \$850, and \$775. The total of the 3 units is \$2375. This total divided by 3 to find the average of the comparable units and equals \$791. In this example the comparable rents are below the rent FMV and Rent Reasonableness. The NHAP/ESG rent reasonableness standard allows for an additional 10% above the average to be utilized to account for differences in units, locations, amenities, etc. so the rent reasonableness standard calculation would be $\$791 * 10\% = \79.10 . The 10% adjustment is added to the average rent and totals \$870.10 which is the revised rent reasonableness calculation.

Since the total rent of the unit is less and both the FMV and the Rent Reasonableness standard, NHAP/ESG funds can be used to provide rental assistance. See the following example of the Rent Reasonableness Checklist and Recertification with the example scenario:

NEBRASKA HOMELESS ASSISTANCE PROGRAM (NHAP) RENT REASONABLENESS CHECKLIST AND RECERTIFICATION

Rent Reasonableness (RR) comparison chart: The rent charged for a unit must be reasonable in relation to rents currently being charged for comparable units in the private unassisted market. 24 CFR 574.320 (a)(3)

NHAP Statewide Rent Reasonableness Standard: Total rents of comparable units should be averaged and must be within 10% of the total rent of the proposed unit to qualify as reasonable. The rent for the proposed unit must be the LESSOR of FMR and RR of average of comparable units. See corresponding instructions for further guidance.

	Proposed Unit	Unit #1	Unit #2	Unit #3
Address	123 Ash St #1, Sunnyville, NE	8400 B St.#12 Sunnyville, NE	242 Elm St, #6 Sunnyville, NE	532 Q St, #4 Sunnyville, NE
Number of Bedrooms	3	3	3	3
Square Feet	972	895	980	1105
Type of Unit/Construction	4-plex	Multi-unit	6-plex	duplex
Housing Condition	Good	Good	Very Good	Fair
Amenities Unit: Site: Neighborhood:	microwave clubhouse nearby schools	microwave limited parking far from work	dishwasher playground on bus route	n/a pool near community center
Age in Years	18	14	8	11
Utilities (type/s)	Not included	All electric	Included	Not included
Handicap Accessible?	No	No	Yes	No
Other				
Monthly Rent	\$ 675	\$ 600	\$ 850	\$ 625
+ Fees Required by Lease (excludes late fees & pet fees)	\$ 0	\$ 0	\$ 0	\$ 0
+ Utility Allowance (if utilities not included in rent; refer to utility allowance schedule from local public housing authority.)	\$ 150	\$ 150	\$ 0	\$ 150
Total Rent	\$ 825	\$ 750	\$ 850	\$ 775
Average of Comparable Units				\$ 791
Rent Reasonableness Standard (up to 10% above the average of comparable rents)				\$ 870

HUD Fair Market Rent: **\$ 850** (<https://www.huduser.gov/portal/datasets/fmr.html>)

Certification: The rent for the unit assisted must not exceed the lessor of the FMR and the NHAP rent reasonableness standard. I certify that the rental assistance provided meets the HUD regulations.

Name:		Signature:		Date:	
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Completed form must be in the case file to document rent reasonableness