

## PROXIES USED TO ANALYZE AFFORDABLE HOUSING FOR COMMUNITY DEVELOPMENT LOAN USE:

In some instances, the property may include set-asides for low- and moderate-income residents. However, where there are no set-asides, the institution has no way of tracking the income of renters, and in those instances, a proxy is utilized to determine from the rent schedules the number of affordable units. The proxy uses 80.0 percent of the updated median family income for the county (the cutoff for moderate-income levels) and 30.0 percent (the standard percentage of family income considered to be reasonably spent on housing) of that figure—rents below that figure are considered affordable to low- and moderate-income families.

## USING HUD'S FAIR MARKET RENTS:

In instances where the bank originates multi-family loans examiners will use HUD's data sets at <http://www.huduser.org/datasets/fmr.html> for the Fair Market Rents (FMRs) for the assessment area of the institution. These FMRs are gross rent estimates that include the shelter rent plus the cost of all utilities, except telephones. HUD sets FMRs to assure that a sufficient supply of rental housing is available to program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. Section 8 housing is assistance to aid lower-income families in renting safe and decent housing. In general, FMR for an area is the amount that would be needed to pay the gross rent of privately owned, decent, and safe rental housing of a modest nature with suitable amenities.

To use this data, examiners look at the number of bedrooms contained in each apartment and the amount of rent charged for that apartment. This information is then compared to HUD's FMR listing for either the MSA or county that the apartment is located. If the rents charged are equal to or less than the FMR listed by HUD that multi-family housing is considered affordable.

Conversely if an institution is financing single-family housing developments examiners consider whether the housing is targeted at first-time homebuyers or low- or moderate-income families. A determination is made to whether the development homes are considered affordable when comparing the estimated payments on the purchase of these homes (payment calculation assumed a 30 year amortization, a 6 percent interest rate, and 100 percent financing of the selling price) to HUD's fair market rents to determine affordability. Condominiums, townhouses, single-family residences, or duplexes that had payments calculated under the aforementioned scenario that were at or below the fair market rents that are used for Section 8 housing guidelines and were therefore considered affordable.