

Congress of the United States
Washington, DC 20515

January 9, 2010

The Honorable Shaun Donovan
Secretary
U.S. Department of Housing and Urban Development
Robert C. Weaver Federal Building
451 Seventh Street, SW
Washington, DC 20410

Dear Mr. Secretary:

We are writing to express our concern about the method by which the Department of Housing and Urban Development (HUD) determines fair market rents (FMRs) for Puerto Rico and to encourage the Department to establish a better methodology going forward. FMRs play a critical role in the calculation of housing subsidies to low-income residents under the Housing Choice Voucher Program. A more accurate calculation of FMRs would provide a significant benefit to the more than 30,000 low-income families that reside on the Island.

Puerto Rico's annual FMRs are determined using a regional inflation factor, the South Urban Consumer Price Index (the Consumer Price Index (CPI) for the southern region of the United States), which understates the level of inflation in Puerto Rico. Consequently, subsidy levels in HUD's Section 8 voucher program, which are determined based on the FMRs, are lower than they should be and too low for families in Puerto Rico to have access to a full range of affordable housing opportunities.

The Secretary of the Puerto Rico Department of Housing, Yesef Cordero, has advised us that from 2000 to 2006 the Puerto Rico Department of Labor and Human Resources undertook a project for the revision and implementation of a new local CPI. This was done with the guidance and assistance of the U.S. Department of Labor's Bureau of Labor Statistics, and its validity has not been questioned. If FMRs were increased by using the local CPI, more low-income families would have access to greater housing opportunities, thereby fulfilling the purpose underlying the Housing Choice Voucher Program.

We understand that HUD is considering altering the method by which it calculates FMRs to account for the new local CPI for Puerto Rico. In September, HUD published a Notice of Final Fair Market Rents (FMRs) for Fiscal Year 2010 (Federal Register/Vol.74, No.188/Wednesday, September 30, 2009), which described the contemplated change:

“The Department of Housing for the Commonwealth of Puerto Rico submitted a comment stating that FMRs throughout the entire Commonwealth are too low. They base their assertion on the claim that CPI measures of rent and utility increases measured for the South Census region do not accurately reflect the price changes experienced in Puerto Rico. Between 2000 and 2006, the Department of Labor and Human Resources of the Government of Puerto Rico created a CPI measure for Puerto Rico in consultation with officials from the U.S. Department of Commerce’s Bureau of Labor Statistics. HUD was not aware of this activity so previous FMRs have not included this Puerto Rico specific CPI data. HUD will incorporate consideration of this new CPI index into its FMR Process Review.”

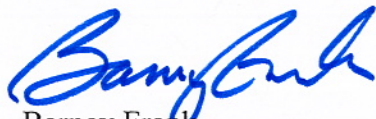
We urge HUD to use this more accurate and locally relevant CPI when determining FMRs for Fiscal Year 2011.

Please let Mr. Pierluisi know if his office can help in any way to facilitate this process. Please feel free to contact him directly or María Carro of his staff at (202) 225-2615.

Sincerely,



Pedro R. Pierluisi
Member of Congress



Barney Frank
Member of Congress

Cc: Peter Kovar, Assistant Secretary for Congressional and Intergovernmental Relations