Doubly Disadvantaged: Addressing the Failure of Federal Income Limits in Rural America

Eligibility for federal housing and community development funding is determined primarily by the Department of Housing and Urban Development's calculations of Area Median Income (AMI). Rural communities in poorer states tend to have low AMIs, meaning that residents of these communities can be very poor by national standards yet wealthy enough in comparison to their neighbors that they are ineligible for crucial funding.

Income limits are calculated as percentages of AMI

Low Income: 80%

Very Low Income: 50%

Extremely Low Income: 30%

Too Poor to Be 'Poor': The Problem with AMI

This system is successful in determining eligibility in metropolitan areas with wide ranges of income levels, such as Washington, DC and its surrounding suburbs, where the difference between average and low family incomes is significant.

By contrast, in many rural areas like Perry County, Kentucky, the range of local incomes is much smaller—meaning that ***a smaller percentage of Perry County residents qualify as low-income than DC residents.***

In effect, the many high earners in a big city like Washington, DC, stretch out the AMI scale so that a greater percentage of residents with low-to-middle incomes are able to qualify as officially "low income." **Paradoxically, the fact that the majority of Perry County residents have low incomes (by national standards) actually *prevents* many residents from accessing federal housing programs because they are not "poor enough" in comparison to their neighbors.**

Comparing Rural vs. Urban Americans Qualifying as Low- and Very Low- Income

Income Category	Rural Population	Urban Population	Sum	% of Rural Population Included	% of Urban Population Included
Very Low (<=50% AMI)	477,671	21,163,298	21,640,969	1.0%	7.7%
Low (<=80% AMI)	7,510,186	83,675,008	91,185,194	16.3%	30.4%
Moderate–Low 1 (<=90% AMI)	14,553,852	110,128,163	124,682,015	31.6%	40.1%
Moderate–Low 2 (<=100% AMI)	24,122,586	138,720,683	162,843,269	52.3%	50.5%
Moderate High (<=120% AMI)	39,522,509	189,991,841	229,514,350	85.7%	69.1%

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Strength in Numbers

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The Failure of State AMI Floors

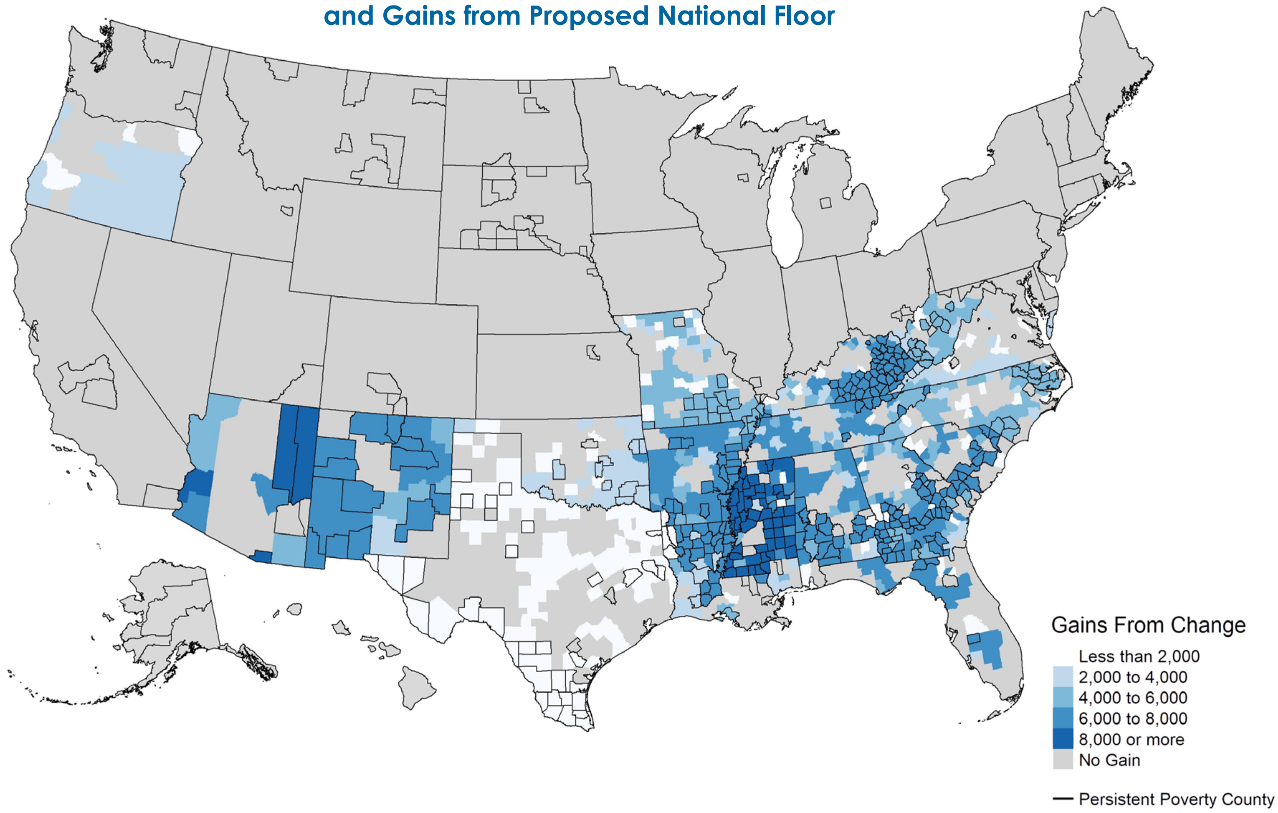
In Section 567 of the Fair Housing Act of 1987, Congress intended to resolve this issue by instituting a "state floor" for AMI calculations. This works well for states such as California, South Dakota, and Colorado with relatively wealthy nonmetro areas. However, in regions including Appalachia, the Mississippi Delta, and the southern borderlands, concentrated rural poverty pulls the state nonmetro AMI floor downward, defeating Congress' intended safety mechanism.

Tying federal development dollars to flawed AMI calculations creates a policy imbalance that disadvantages high-poverty areas and communities of color in rural America.

The Solution: A National Floor

Congress can ensure that federal development funds reach high-poverty rural communities by instituting a **national AMI floor equal to the national nonmetro median income** ($71,300 in 2022). In communities where the state AMI floor is depressed by concentrated rural poverty, this national floor would level the playing field without privileging any particular community. It would help millions of Americans in rural areas find a safe, affordable, and happy home.

Geographic Overlap of Persistent Poverty Counties and Gains from Proposed National Floor



Source: County Poverty Rates – U.S. Census Bureau, Small Area Income and Poverty Estimates (2018). 2017 Poverty and Median Household Income Estimates – Counties, States, and National. Retrieved from https://www2.census.gov/programssurveys/saipe/datasets/2017/2017-state-and-county/est17all.xls. Map by Kiyadh Burt. Based on FY2019 data.