

**SUPPORTING STATEMENT FOR HUD SECTION 8
FAIR MARKET RENT RANDOM DIGIT DIALING SURVEYS**

A. JUSTIFICATION

1. Circumstances That Make Collection of Information Necessary

Section 8 Fair Market Rents (FMRs) for the Voucher program (See 24 CFR 888 Subpart A) currently serve as the payment standard for approximately one million rental units. Under this program, HUD subsidizes the difference between the FMR payment standard and 30 percent of the incomes of participating households. Subsidy outlays associated with this program total over \$5 billion annually, and outlays for any given unit are a function of the applicable FMR.

The Department is required to revise and publish its Section 8 Existing Fair Market Rent (FMR) standards for each FMR area on an annual basis. (See 24 CFR 888.115.) Many years ago the Department developed and implemented a methodology for establishing and updating its FMR estimates between the intervening 10 years of the Decennial Census. While the American Community Survey (ACS), fully implemented in 2005 with data available in late 2006, provides updated rent data for large metropolitan areas annually, smaller areas will have no data available for several years. HUD began using ACS data in its calculation of fiscal year (FY) 2007 FMRs, and the one-year data was used mostly as an update factor even for large metropolitan areas. Beginning with the FY 2010 FMRs, three-year ACS data was available providing gross rents for smaller geography, but without the ability to determine recent movers. Five-year ACS data will be used in the calculation of the FY 2012 FMRs and most areas are expected to be re-benchmarked using this data, but it will have the same problem for determining recent movers. This means that some moderate-sized metropolitan areas and non-metropolitan counties, that are not covered by the one-year ACS data and have significant changes in market rents will not have more recent trends shown in the three-year and five-year data. Housing markets that experience significant increases or decreases, even over a period as long as two years, will not be adequately measured by the Three-year or even the five-year data. HUD must continue to have to capability to survey these areas. Surveys of these areas will still be required.

This clearance request will cover the use of telephone and cell phone surveys and mail and web-based surveys in smaller metropolitan and nonmetropolitan areas, through 2016. This covers the 5-year period of the current contract. During the base year, up to four areas will be surveyed, two using telephone and cell phones and two using mail and web-based surveys. Thereafter at most 5 areas may be surveyed using the survey method that will provide the best results within the time and cost constraints. Sub-areas of larger metropolitan areas may also be surveyed.

Currently an "FMR area" consists of either a nonmetropolitan county or a metropolitan area. Metropolitan areas are defined by the Office of Management and Budget (OMB) and HUD modifies these areas based on income and rent relationships. FMR rent estimates are based on 2000 Census data, with some adjustments for random digit dialing (RDD) surveys, updated with ACS data, if possible, then Consumer Price Index (CPI) data, and trended to the middle of the fiscal year. HUD is considering creating small-area FMRs in metropolitan areas to increase the availability of rental units in high cost areas and to prevent overpayment in low cost areas.

By statute, FMRs must be adjusted annually to reflect changes in rent levels. Until the development of the RDD survey methodology explained in this package, adjustments were made using market rent data provided by interested parties. The HUD Inspector General determined that this data was not statistically valid, so HUD developed this survey method to provide a better base-year update of rents. Under a contract with the Department, the Research Triangle Institute (RTI) reviewed, improved, and tested the HUD methodology in three market areas. To test this approach under different market circumstances, a fast-changing West coast market (San Diego), a depressed Southwestern market (Houston), and a stable market typical of a number of Midwestern cities (Cincinnati) were selected. All three areas were covered by both metropolitan American Housing Survey (AHS) and CPI surveys, which meant that the accuracy of the phone survey results could be tested. The results for the three areas tested were statistically identical (i.e., well within the confidence intervals of the respective estimates) to FMR estimates based on AHS surveys updated with metropolitan-specific CPI data. The same result occurred in PHA-funded surveys in Detroit, Pittsburgh, and Buffalo, which are also AHS-CPI areas.

Sample sizes of about 450 completed interviews of the types sought were obtained for each of the areas in the test, and the 40th percentile computed from the 200 or so recent movers among them. Response rates were consistently high, in the 90-95 percent range, which reduces standard errors. The surveys produced estimates that had standard errors in the 1.6 to 1.8 percent range. This means that we can be 95 percent confident that the survey estimates were within 3.2 to 3.6 percent of the true 40th percentile rent levels for the populations surveyed.

ORC Macro of Burlington, Vermont, conducted area RDD surveys annually from 1994 to 2006. In 2006 a new contract was awarded to M. Davis and Co. There have been minor changes in the survey instrument and technological changes in the calling/interviewing methodology, but the methodology has remained essentially unchanged for years. The number of surveys conducted annually has been substantially reduced in recent years, from 50-60 surveys in the early years, to 5-10 in more recent years.

The Department continues to require the use of a relatively fast and statistically accurate survey instrument to test the accuracy of FMRs, in those areas that currently have no ACS data

2. How the Information Will be Collected, by Whom, and for What Purpose

All information sought will be collected by ICF Macro. A combination of survey methods using Telephone and cell phones (roughly 2/3 to 1/3), using mail and web-based surveys are being tested to determine if all provide statistically significant results and if all can be used in all potential areas (those metropolitan area of medium size without sufficient cases in one-year ACS rents).

This information is collected to obtain accurate and current estimates of the 40th or 50th percentile rent in FMR areas. The efficiency of HUD assisted housing programs has been greatly improved by these efforts, and the likelihood of lawsuits and other protests filed against the Department have been reduced.

Higher FMRs make it easier for program participants to find rental units, while lower FMRs increase the number of tenants that may be served. Either way, a more accurate FMR benefits the program, by ensuring that those who need housing assistance can receive it to the extent they should and are not subject to financial hardship. Current rent should be used where possible, and in areas not covered by other survey data, there is no other way to determine if rents are appropriate without data collection of rents by survey.

3. Use of Improved Technology to Reduce Burden

The proposed effort relies on improved information processing technology wherever possible. The approach being used was selected in large part because it minimizes costs by minimizing the response burden on those contacted. Five specific features of the approach tend to reduce respondent burden:

- (1) One method is to discard 100-blocks from the sampling frame that are identified as dedicated for business use. A “base” sample is then generated by adding two digits to a listing of 100-blocks with two or more residential numbers (blocks with only one listed residential number are usually data entry errors).
- (2) The sample is run through a computerized match to detect all numbers identified as Yellow Page business listings that are not also listed as a residential number, and any numbers so matched are deleted from the list to be called.
- (3) The third method used is to run all remaining numbers through an automatic telephone screening system that can detect nonworking numbers in most areas. The system is able to identify if a number is working or nonworking even before a telephone ring signal is generated and, at worst, causes a half-ring. This approach is used in lieu of approaches that require the telephone to ring and be answered for a pre-screening interview. The automated screening is done during weekdays when few people are at home, to further reduce potential response burden.

(4) A Computer Assisted Telephone Interviewing (CATI) system is used. This system has an auto-dialing feature that eliminates incorrect dialing and the associated response burden. It also provides on-screen prompts to guide the interviewer through the interview as quickly as possible, and immediate edit checks to enable invalid response entries to be immediately identified and corrected.

(5) The remaining contribution to reduced response burden has been a thorough and continual review of the questionnaire to make it faster and easier to use. For example, utility costs are no longer asked. Rather, which utility a respondent pays for and the Section 8 utility allowance is applied to these answers. This produces more accurate dollar estimates of utility usage and reduces response burden. Questions have been added to clarify what to do in shared housing situations.

4. Efforts to Identify Duplication

The telephone sample is pre-screened to identify telephone numbers that are obviously used for business purposes. Samples are drawn without replacement, so that one number cannot be called more than once in any survey.

HUD knows of no duplicative surveys of this type that are being conducted. A small number of PHAs have used the telephone survey methodology developed by HUD to evaluate the accuracy of their FMRs. In the event a HA has conducted such a survey, HUD would not re-survey the area and there would be no duplication of effort.

5. Efforts to Minimize Burden on Small Businesses

This effort does not involve small businesses or other small entities. In addition to screening out most business numbers in the telephone sample selected, calls are made in the evening and on weekends to increase residential contacts and minimize business contacts.

6. Consequences of No or Less Frequent Data Collection

The current FMR estimation process uses two methods to assure that rent estimates are as accurate as possible. First, FMR estimates are based on the best and most current available data. Second, the system provides for an appeals system for areas where HUD estimates are not consistent with local data. Eliminating this data collection would prevent corrections to rent estimates based on market conditions since the 2000 Census or ACS, if applicable, was conducted. In areas of softening rental markets, HUD will spend more on the program than necessary and not be able to adequately serve markets where rents have significantly increased. In areas where rents have increased, assisted housing tenants may not be able to find adequate housing

7. Special Circumstances Requiring Collection of Information in a Manner Inconsistent With 5 CFR 1320.6

The data collection plan for this study conforms to the guidelines described in 5 CFR 1320.6, "General Information Collection Guidelines."

8. Federal Register Publications; Past and Ongoing Consultations

A notice about this information collection effort was published in a Federal Register notice on . Comments were due by . No comments were received.

During the development of the area-specific and HUD Regional surveys conducted by the Research Triangle Institute (RTI, located in Research Triangle Park, NC), discussions were held with the following RTI staff:

Charles L. Usher, Director, Center for Policy Studies, Francis J. Potter, Senior Research Statistician, and Jutta P. Sebestik, Senior Research Survey Specialist.

We have maintained a continuing dialogue with the individuals representing the former contractor, ORC Macro of Burlington, VT. They are:

Dr. Gregory Mahnke, Vice President and Managing Officer for this contract; and Leslyn Hall, Project Manager.

We have a continuing dialogue with the individuals representing the former contractor, M. Davis and Company, Inc., of Philadelphia, PA. They are:

Morris Davis, President and Managing Officer for the contract; and Michael Campbell, Project Manager.

9. Payment or Gifts to Respondents

To encourage receipt of completed mail surveys, we are considering providing a gift after a mail survey is submitted. While incentives sent in pre-notification letters are the most effective, promised incentives have been shown to help as well. Pre-incentives are not being considered because the incidence of qualified renters is low, and would therefore be costly, but we are considering offering an incentive in the non-response letter or second survey mailing to non-respondents.

10. Assurances of Confidentiality Provided to Respondents

As part of a standard introduction to the interview, respondents are told that their telephone number will never be provided to anyone reviewing this survey. Data files are kept under secure conditions, and not even the HUD GTR has access to the telephone numbers of the survey sample. All electronic data is sent using a secure portal with login access.

ICF Macro will follow the internal standards for security and confidentiality of this data. That means:

- o Physical
 - o All facilities will be locked
 - o All employees will wear badges while in the facility
 - o Visitors will be escorted
 - o Mail survey returns will be delivered to and stored in a locked facility (other than the reception area)
- o Information transmission. We do not:
 - o Communicate passwords by e-mail
 - o Collect identifying information from respondents
 - o Transmit data with personally identifying information via any method other than secure, encrypted file transfer (no email)
- o Information storage
 - o ICF Macro has extensive auditing and preparedness plans. We will provide those to HUD on request.
 - o All data will be stored on secure servers
 - o No survey data will ever be stored on local drives of employees
 - o Primary data will be de-identified before it is transmitted to any HUD or subcontractor employee

11. Justification for Questions of a Sensitive Nature

In order to estimate the FMR, it is necessary to ask sampled respondents the amount of their current rent, which potentially can be a sensitive question. If the respondent refuses to answer this question, the interviewer reads a statement on the interview instrument that explains the purpose for collecting this information.

12. Estimates of Respondent Burden of the Information Collection

Four factors affect the estimate of respondent burden: (1) the length of the screening process; (2) the length of the interview; (3) the sample design; and (4) the eligibility criteria. The amount of respondent burden varies somewhat because the percent of people who meet the eligibility criteria varies by site. The following table shows the burden estimates based on conducting 4 area surveys a year, 2 using the telephone/cell phone survey and 2 using mail or web-based survey. We are only estimating respondent burden for 4 area surveys a year because this is all we assume we will be able to conduct the next few years, based on budgetary constraints. However, we would still like to provide this 'last resort' option for adjusting FMRs in areas that have significant rental market issues.

ANNUAL TIME BURDEN for RENT SURVEYS

	Screen Outs	Completed Surveys			Total/ Average
		Stayers		Movers	
Telephone/Cell Phone Surveys (2 surveys per year)					
Number of Respondents	3129	857		300	4286
Average Minutes per Respondent	4.75	10		10	6.17
Burden Hours	247.7	142.8		50.0	440.5
Mail/WEB Surveys (2 surveys per year)					
Number of Respondents	3129	857		300	4286
Average Minutes per Respondent	4.75	10		10	6.17
Burden Hours	247.7	142.8		50.0	440.5
GRAND TOTAL (4 surveys per year)					
Number of Respondents	6258	1714		600	8572
Average Minutes per Respondent	4.75	10		10	6.17
Burden Hours	495.4	285.7		100	881.1

The Mail/Web surveys are expected to take as much time for both screen outs and completes as the telephone surveys. The total annual burden hour estimate is 881.1 hours, assuming 4 surveys are conducted in a year, 2 each of the phone and the mail.

13. Total Annual Cost Burden to Respondents

ANNUAL COST BURDEN to RESPONDENTS

Average Minutes per Respondent	4.75	10	10
Burden Hours	247.7	142.8	50.0
GRAND TOTAL (4 surveys per year)			
Number of Respondents	6258	1714	600
Average Minutes per Respondent	4.75	10	10
Burden Hours	495.4	285.7	100

		Completed Surveys	
	Screen Outs	Stayers	Movers

These costs are based on the median hourly wage rate of \$16.27. The total annual cost to residents that are both screened and complete the survey, assuming 4 surveys per year are conducted, is \$14,335.

14. Estimated Annualized Costs to the Federal Government

The current effort is being carried out under HUD Contract No.C-CHI-01094, for a one-year base period and four one year option periods. The total amount of this contract, spent over a 5-year period, is \$2.4 million, just under \$400,000 for the base year and about \$500,000 for each of the four option periods.

15. Reasons for Change in Burden

The response burden for the current authorization do not include the use of mail and web-based surveys which take approximately half the time of the telephone and cell phone surveys. Part of the additional time for phone surveys is spent clarifying certain questions. We are hopeful that modifications made to the survey instrument could reduce the time spent on clarifications.

16. Plan for Tabulation, Statistical Analysis, and Publication

The survey results are tabulated and analyzed to provide estimates of the 40th or 50th percentile gross rent and its variance. These estimates are trended forward to the appropriate FMR estimation date. The results of these FMR area surveys are published as proposed FMRs for comment in the Federal Register in the late spring of each year, and published for effect in the Federal Register by October 1st of each year.

17. Explain any Request to Not Display the Expiration Date

HUD is not seeking approval to avoid displaying the expiration date.

18. Explain Each Exception to the Certification Statement Identified in Item 19.

There are no exceptions to the certification statement identified in item 19 of the OMB 83-I.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

1. Target Population

The target population for each FMR survey is all telephone households in the area with the following household/unit characteristics:

- The respondent must be a renter of the dwelling unit;
- The respondent must reside in a single family residence (*i.e.*, not group quarters such as dormitory or military barracks);
- The respondent must be reached on a non-business phone;
- The respondent must be reached in the unit that is used as the usual residence (*i.e.*, not a seasonal or vacation residence);
- The unit must have two bedrooms. Metropolitan area surveys may collect data for one- and two-bedrooms, nonmetropolitan area surveys may collect data for one-, two-, and three-bedrooms;
- The unit must have been built at least two years ago;
- The unit must not be owned by a Public Housing Authority (PHA);
- The unit must not be owned by a relative;
- The respondent must not perform work for the landlord in exchange for rent.

Eligible respondents are divided into two groups, defined by the length of residence in their current units: “recent-movers” or “stayers.” “Recent-movers” are renters who have been in their current units for 24 months or less at the time of the interview; “stayers” are renters who have been in their current units more than 24 months at the time of the interview. Data were collected for both recent-movers and stayers.

2. Sample Selection

For the phone surveys, list-assisted random digit dialing methodology is used. List-assisted refers to the use of commercial lists of directory-listed telephone numbers to increase the likelihood of dialing household residences. This method gives unlisted telephone numbers the same chance to be selected as directory-listed numbers.

The system utilizes a database consisting of all residential telephone exchanges, working bank information, and various geographic service parameters such as state, county, Primary ZIP code, etc. In addition, the database provides working bank information at the two-digit level – each of the 100 banks (*i.e.*, first two digits of the four-digit suffix) in each exchange is defined as

"working" if it contains one or more listed telephone households. On a National basis, this definition covers an estimated 96.4% of all residential telephone numbers and 99.96% of listed residential numbers. This database is updated on a quarterly basis. The sample frame consists of the set of all telephone exchanges that meet the geographic criteria. This geographic definition is made using one or more of the geographic codes included in the database. Following specification of the geographic area, the system selects all exchanges and associated working banks that meet those criteria. Based on the sample frame defined above, the system computes an interval such that the number of intervals is equivalent to the desired number of sample pieces. The interval is computed by dividing the total possible telephone numbers in the sample frame (i.e., # of working banks x 100) by the number of RDD sample pieces required. Within each interval a single random number is generated between 1 and the interval size; the corresponding phone number within the interval is identified and written to an output file. The result is that every potential telephone number within the defined sample frame has a known and equal probability of selection.

This process is designed to purge about 75% of the non-productive numbers (non-working, businesses and fax/modems). Since this process is completed after the sample is generated, the statistical integrity of the sample is maintained.

The Pre-Dialer Phase – The file of generated numbers is passed against the ID database, where business numbers are eliminated while listed household numbers are set aside, to be recombined after the active Dialer Phase.

The Dialer Phase – The remaining numbers are then processed using automated dialing equipment – actually a specially configured PROYTYS Telephony system. In this phase, the dialing is 100% attended and the phone is allowed to ring up to two times. Specially trained agents are available to speak to anyone who might answer the phone and the number is dispositioned accordingly. Given this human intervention in evaluating all call results, virtually all remaining businesses, non-working and non-tritone intercepts, compensate for differences in non-working intercept behavior. The testing takes place during the restricted hours of 9 a.m. – 5 p.m. local time, to further minimize intrusion since fewer people are home during these hours. The Post-Dialer Phase – The sample is then reconstructed, excluding the non-productive numbers identified in the previous two phases.

While data were collected for both recent-movers and stayers, calling protocols for FMR areas required that interviews be completed with at least 150 recent-movers in each FMR metropolitan area. Calling protocols also required that additional recent-mover interviews be completed in areas where the half-width of a 95 percent confidence interval centered at the 40th or 50th percentile recent mover rent estimate was greater than 5 percent of the estimate. Once the sampling frames for each FMR area was created, a preliminary estimate of the incidence of eligible rental units was obtained using Census information.

Mail data will be entered by hand with 100% double data entry. Imaging may be done in our Springfield office to help us manage the documents. If this is done, paper records will be shredded. Scanning will not be done because the responses to the survey are numeric entry, so hand entry is more cost effective.

All mail data will be entered. This means that there must be a punch in the program for every possible response option so that multiple check boxes for every single punch question can be indicated. Data entry staff will not do any data cleaning. They will only enter exactly what is on the forms without skipping any marks.

3. Statistical Consultants; Data Collection Contractor

During the development of the area-specific and HUD Regional surveys conducted by the Research Triangle Institute (RTI, located in Research Triangle Park, NC), discussions were held with the following RTI staff:

Charles L. Usher, Director, Center for Policy Studies, Francis J. Potter, Senior Research Statistician, and Jutta P. Sebestik, Senior Research Survey Specialist.

The surveys were continued under a contract with ORC-Macro, through 2006, although the regional surveys were stopped in 2005. Improvements were made to the survey methodology in consultation with the following ORC-Macro staff:

Dr. Gregory Mahnke, Vice President and Managing Officer; Randal S. ZuWallack, Senior Statistical Analyst, and Leslyn Hall, Project Manager.

Under the contract with M. Davis and Company, Inc., the following staff of M. Davis, as well subcontractor Abt Associates have been involved in the planning of the surveys and include: Morris R. Davis, President and Managing Officer of the contract; Michael G. Campbell, Esq., Project Manager; Dr. Meryl Finkel Statistical Consultant (Abt).

Under the new contract with ICF Macro, Fredericka Conrey, Randy ZuWalleck , Faouad Moumen (of Econometrica, Inc.), and Leslyn Hall (Redstone Research, LLC) are involved in the planning and statistical design of the surveys.