



Helping Build Homes and Communities Across Rural America

March 17, 2021

The Honorable Rob Fairweather  
Acting Director  
Office of Management and Budget  
Washington, DC 20503

**Re: Recommendations from the Metropolitan and Micropolitan Statistical Area Standards Review Committee to the Office of Management and Budget Concerning Changes to the 2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas**

FR Doc. 2021-00988

Dear Acting Director Fairweather:

The Housing Assistance Council (HAC) welcomes this opportunity to submit comments to the Office of Management and Budget's (OMB's) Recommendations from the Metropolitan and Micropolitan Statistical Area Standards Review Committee to the Office of Management and Budget Concerning Changes to the 2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas.

HAC is a national nonprofit organization that helps build homes and communities across rural America. Since 1971, HAC has provided below-market financing for affordable housing and community development, technical assistance and training, research and information, and policy formulation to enable solutions for rural communities across the country. With 50 years of experience supporting and developing affordable housing across rural America, HAC is uniquely positioned to comment on OMB's proposed changes to Metropolitan Statistical Areas.

HAC appreciates the efforts of the Metropolitan and Micropolitan Statistical Area Standards Review Committee as we believe continual analysis, adjustment, and improvement are required for a resource as important and consequential as the classification of Metropolitan Areas. **The Housing Assistance Council has substantial concerns with several items in the proposed recommendations – particularly changes to the minimum urban area population threshold (from 50,000 to 100,000). The proposed modifications will dilute resources and program access for rural communities who will now share and compete for rural-targeted funds with larger and greater-resourced cities.**

**The Housing Assistance Council does not support these recommendations in their current form. HAC requests that OMB suspend this process and consider the following response recommendations that address deficiencies and oversights in this proposal.**

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## SPECIFIC COMMENTS TO OMB'S PROPOSED RECCOMENDATIONS

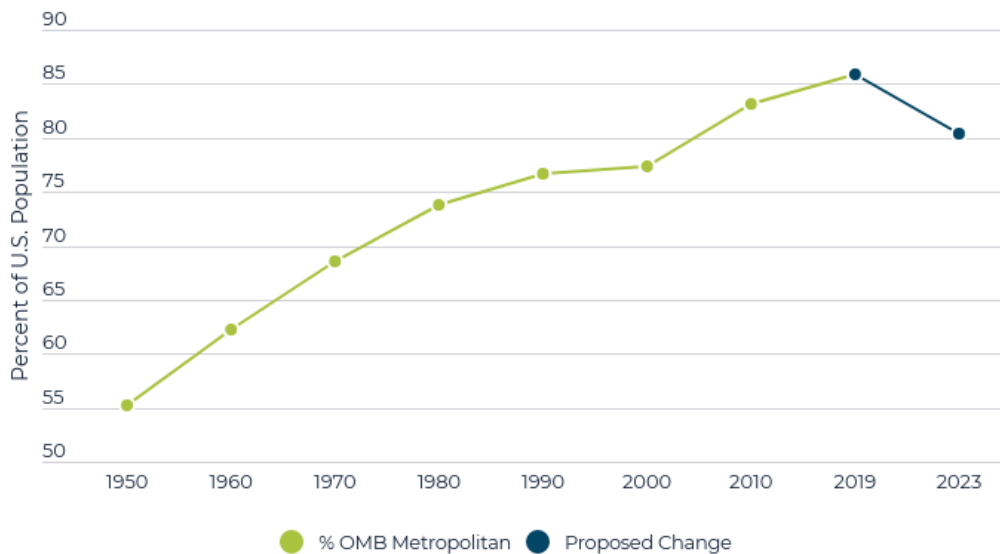
**The rationale for the proposed modifications to the minimum urban area population threshold is deficient and lacks adequate analysis for potential implications associated with this change.**

At the most basic level, the proposed change to the minimum urban area population thresholds could impact more than 140 metropolitan areas, over 250 counties, and 17.3 million Americans. Yet, OMB's presented recommendations are lacking in any meaningful analysis of how the proposed thresholds were determined. The sole explanation provided – that the nation's population has nearly doubled since 1950 – is overly simplistic, inadequate, and fails to account for even the most basic of elements to the current Metropolitan Standards definition such as commuting, residential patterns, and other population and economic dynamics.

*HAC Recommendation: The Housing Assistance Council urges OMB to reconvene the Metropolitan and*

### The Proposed Change to Metropolitan Areas Will Impact Over 17 Million Americans

OMB Metropolitan Area Population, 1950 - 2023\* (\*estimated)



Housing Assistance Council tabulations of 2019 American Community Survey Data and American Demographic History Chartbook -1790-2010 - <http://demographicchartbook.com/index.php/chapter-3-metropolitan-and-nonmetropolitan-population-and-large-metropolitan-areas/figure->

***Metropolitan Statistical Area Standards Review Committee in consultation with community and rural stakeholders to conduct a more comprehensive and detailed analysis on the potential demographic, social, economic, and housing impacts of the proposed changes to communities potentially affected by these recommendations.***

**OMB must acknowledge and analyze the practical and programmatic impacts of the proposed changes to its Metropolitan Area Standards definitions.**

Over the past 70 years, OMB's Metropolitan Area definition has increasingly been used for purposes far beyond statistics and analysis alone. Conservatively, OMB's definition is used by numerous federal agencies in the administration of scores of programs and resources totaling billions of dollars. OMB's continued position that these standards are solely for statistical purposes contradicts reality and practice. The Housing Assistance Council frequently analyses, supports, and advocates for federal housing resources that benefit rural communities and people. Below are a few brief examples of how the proposed Metropolitan Area threshold modifications could potentially alter programmatic and resource allocation in federal housing programs and rural communities specifically:

- **HUD's Community Development Block Grant (CDBG).** The Community Development Block Grant (CDBG) is a federal resource that strengthens communities by providing funds to improve housing, living environments, and economic opportunities, principally for persons with low and moderate incomes.<sup>i</sup> Entitlement Community status in CDBG is [statutorily tied to Metropolitan Area classifications](#). The proposed OMB reclassification could result in more than 140 Metropolitan Areas losing their Entitlement status under this program. This change would substantially increase demand and competition for CDBG non-entitlement funds that primarily benefit rural communities. In Fiscal Year 2020, funding for CDBG was approximately \$3.4 Billion.<sup>ii</sup>
- **USDA's Rural Development Housing Resources.** USDA's Rural Housing Service (RHS) offers a variety of programs to build or improve housing and essential community facilities in rural areas.<sup>iii</sup> Eligibility for USDA's RHS loans, grants, and services are [statutorily tied to Metropolitan Area classifications](#). The proposed OMB modifications would likely increase demand for already limited USDA housing resources and could alter programmatic dynamics such as income limits, eligibility status, and payment standards for USDA loans and grants. In Fiscal Year 2020, USDA obligated 151,874 loans, loan guarantees, and grants [totaling about \\$24.5 Billion](#).
- **HUD's Fair Market Rent Calculations.** Fair Market Rents (FMRs) are used to determine payment standard amounts for an array of HUD, USDA, and affordable housing programs and resources. HUD uses Metropolitan Areas in its [methodology to estimate FMRs](#). HUD estimates annual FMR's for OMB-defined Metropolitan Areas and counties outside of Metropolitan Areas.<sup>iv</sup> The proposed OMB reclassification would substantially change FMR limits and calculations for communities no longer associated with a metropolitan area.
- **HUD's Income Limits.** The Department of Housing and Urban Development sets income limits that determine eligibility for a wide array of assisted housing programs at HUD and other federal agencies.<sup>v</sup> HUD generally uses the Office of Management and Budget (OMB) area definitions [in the calculation of income limit program parameters](#). Income level parameters that many federal programs and resources rely on for program administration could potentially alter the resource dynamics of communities no longer associated with a Metropolitan Area and rural communities generally.
- **FHFA's Duty to Serve Requirement.** The Federal Housing Finance Agency (FHFA) is responsible for the supervision, regulation, and oversight of Fannie Mae and Freddie Mac and the Federal Home Loan Bank System. FHFA's Duty to Serve (DTS) requires Fannie Mae and Freddie Mac to facilitate a secondary market for mortgages in three underserved markets: Manufactured Housing, Affordable Housing Preservation, and Rural Housing.<sup>vi</sup> The rural underserved market in [DTS regulation utilizes OMB's Metropolitan Area designation](#) for assessment and oversight of

this requirement. This change would thus alter the DTS definition of rural, diluting efforts to reach the most rural places.

- **Home Mortgage Disclosure Act.** The Home Mortgage Disclosure Act (HMDA) is a federal law that requires most financial institutions to maintain, report, and publicly disclose loan-level information about mortgages. These data help show whether lenders are serving the housing needs of their communities; they give public officials information that helps them make decisions and policies; and they shed light on lending patterns that are discriminatory.<sup>vii</sup> The OMB [Metropolitan Area location of bank branches](#) is a primary component of this financial regulation. A change in the OMB Metropolitan standards would reduce the number of banks and financial institutions that currently report to HMDA depriving regulators and communities of valuable mortgage and finance information for their markets.

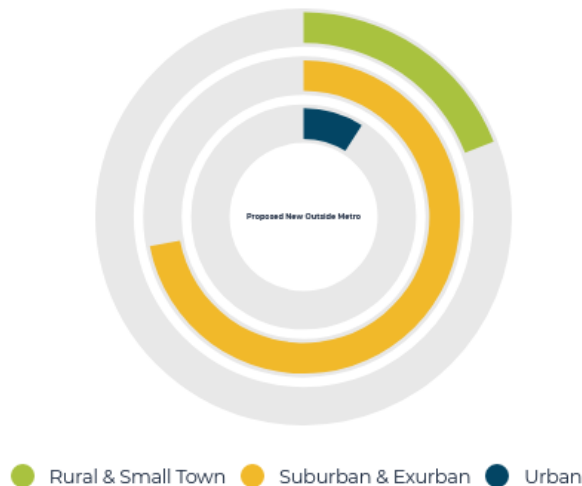
These brief and selected programs illustrate a small sample of resources that rely substantially on the definition and classification of OMB's Metropolitan Areas designation in the provision, regulation, and administration of vital public resources to our nation. While difficult to ascertain the impact due to OMB's lack of analysis, the proposed changes and modifications will undoubtedly impact not only the communities slated for Metropolitan Area status change, but also potentially dilute resource provision and programmatic access in rural communities across the nation, who will now share and compete for rural-targeted funds with larger and greater-resourced cities.

*HAC Recommendation: **The Housing Assistance Council requests that OMB reconvene the Metropolitan and Micropolitan Statistical Area Standards Review process in consultation with community and rural stakeholders to conduct a thorough analysis on the potential programmatic and resource impacts of the proposed changes to communities and rural markets.***

**The proposed OMB Metropolitan Area Reclassification will further distort rural statistical and demographic analysis.**

OMB’s Metropolitan Area designations are frequently used for statistical purposes to analyze and assess a wide range of demographic, social, economic, and housing trends and conditions. OMB Outside Metropolitan Areas are often used as a proxy for rural communities, but increasingly this association is not a good indicator for rural analyses. As an example of this mismatch – over half of U.S. Census Bureau defined rural population live in Metropolitan Areas. The proposed changes to OMB Metropolitan Areas further compound and exacerbate these incongruities. The Housing Assistance Council analyzed sub-county residential patterns in communities estimated to lose their Metropolitan status using its [Small Town and Rural Typology](#). Overall, 71 percent of the population in communities slated for change lived in suburban or exurban tracts, and 9 percent lived in urban tracts. Only 21 percent of the population in these change communities lived in rural or small-town tracts as classified by HAC. The addition of these overwhelmingly suburban and urban communities to the Outside Metropolitan Areas designation will serve to further distort and dilute rural population for analysis. These alterations would also further devalue OMB’s Metropolitan Area measure for any meaningful rural analysis.

## Over 80% of Population in Places to be Reclassified as Outside Metropolitan Live in Suburban and Urban Census Tracts



Source: HAC Tabulations of U.S. Census Bureau's 2019 American Community Survey

**HAC Recommendation:** *The Housing Assistance Council recommends that OMB’s Metropolitan and Micropolitan Statistical Area Standards Review Committee, in consultation with community and rural stakeholders, conduct additional analysis on the statistical impacts of the proposed changes to communities and rural markets.*

### GENERAL RECCOMENDATIONS TO IMPROVE OMB’S METROPOLITAN AREA CLASSIFICATIONS

The Office of Management and Budget (OMB) has been classifying ‘metropolitan areas’ since the 1950s through its Metropolitan Area Definition. This particular designation is among the more commonly used

classifications for geographically identifying residential patterns in the United States. Communities outside of these OMB defined Metropolitan Areas are often considered “rural” and are incorporated into a wide range of statistical, research, programmatic, regulatory, and statutory functions. While OMB is currently considering modifications to its Metropolitan Area definition that could substantially alter how communities are classified in this system, the existing Metropolitan Area classification has significant constraints – especially in relation to rural communities. OMB’s Metropolitan Areas designation is increasingly a bad proxy for defining “rural” people and places in the United States.

**The statistical basis for Metropolitan Area designations needs to be modernized.**

OMB’s Metropolitan Area classifications structurally rely on a few major indicators such as basic population counts, urban area designation, and commuting to and from a core urban area. Some of these criteria, however, are becoming outmoded in their usefulness to assess 21<sup>st</sup> century population and residential dynamics. OMB’s classification still relies on basic - or total - population counts in its definition. Increasingly, researchers, demographers, and practitioners are utilizing density-based measures, such as population per square mile, to more accurately classify population and territory. For example, The U.S. Census Bureau is now proposing to [update its criteria for urban and rural population](#) on the basis of housing density. Similarly, the Housing Assistance Council utilizes a measure of housing density in its [Small Town and Rural Typology](#). These density-based measures – either with population or housing metrics - provide for more accurate accounting of residential patterns in communities.

*HAC Recommendation: **The Housing Assistance Council recommends that the Office of Management and Budget investigate and consider the use of density-based metrics in any update of its Metropolitan Area definition.***

**OMB needs to actively consider and acknowledge rural communities in its Metropolitan Area Designation.**

Policymakers and practitioners often view the concept of rural through an urban-centric lens. OMB’s Metropolitan Area classification suffers from this fault by contextualizing rural communities in a residual or “everything else” framework. As such, Metropolitan Areas are clearly defined, and all other territory is classified as Outside Metropolitan by default. This type of residual classification relegates rural areas and populations to the background and treats them as secondary.

*HAC Recommendation: **The Housing Assistance Council recommends that the Office of Management and Budget actively investigate and demonstrably incorporate elements and measures of rurality and indicators relevant to rural population and community metrics in any update of its Metropolitan Area definition. OMB should consult with rural demographers, experts, and practitioners to accurately incorporate these rural-specific measures.***

**OMB should update its Metropolitan Area designation to account for modern residential patterns in the United States.**

OMB incorporated micropolitan status into its designation several years ago. But for practical purposes, OMB’s classification is still largely premised on a binary or dichotomous structure. As such, territory and

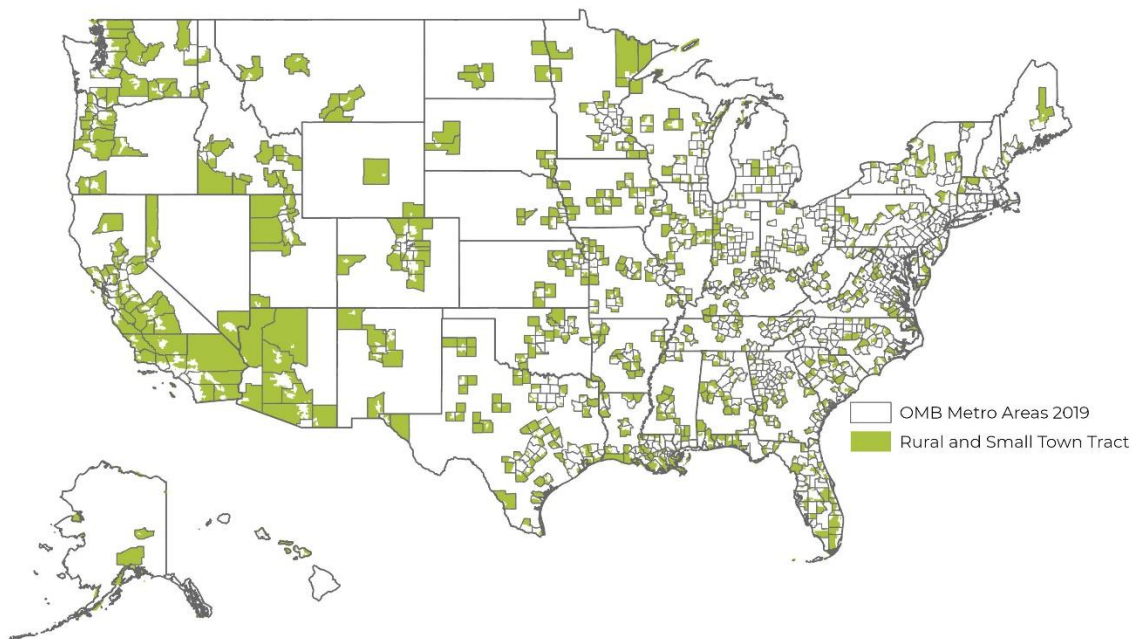
population are simply classified as Metropolitan or Outside Metropolitan. While these dual classification schemes are simple, easy to understand and incorporate, they typically overlook important settlement and population patterns common across much of the United States. Most notable is the frequent omission of suburban and exurban communities that are often socially and economically distinct from both rural and urban areas. Approximately half of all Americans live in suburban settings. But suburban populations and communities are frequently appropriated into both rural and urban area definitions skewing the actual characteristics of these communities and overlooking this important dynamic.

***HAC Recommendation: The Housing Assistance Council recommends that the Office of Management and Budget investigate elements that identify and incorporate a more nuanced and comprehensive definition of residential patterns to distinctly include suburban areas.***

**The geographic basis for Metropolitan Area designations needs to be modernized.**

Political and economic geography is an important consideration when determining the population and residential patterns of an area. The county is a commonly used unit of geography and is at the core of OMB's Metropolitan Area designations. In many rural areas, the county is often identified within political, social, and economic contexts. However, county-based designations are not the optimum criteria on which to base a geographic definition. Large counties, particularly in the Western United States, may dilute or mask rural population given their geographic size and influence.

## Rural & Small Town Tracts in Metropolitan Areas, 2019



Source: Housing Assistance Council Tabulations of data from the Office of Management and Budget and HAC data

San Bernardino County in California presents a prime example of this incongruity. With more than 20,000 square miles, San Bernardino is one of the largest counties in the continental United States and is larger in land area than several states. San Bernardino is classified as a Metropolitan Area by OMB, and

under such criteria, the entire county is considered “urban” by proxy under this classification. The county does contain a large population center in and around the city of San Bernardino, but 98 percent of the county’s land mass would arguably be considered rural by almost any measure. There are numerous instances across the nation similar to San Bernardino where large counties have substantial portions of their landmass classified as urban in nature under OMB Metropolitan criteria, when in fact they are largely rural in landmass. St. Louis County, MN, Coconino County, AZ, and Kern County, CA are just a few counties similar to San Bernardino in this discrepancy between rural classifications. Sub-county units of geography such as census tracts or block groups are often more precise and uniform indicators of rurality than counties.

***HAC Recommendation: The Housing Assistance Council recommends that the Office of Management and Budget investigate the incorporation of sub-county geography in any update of its Metropolitan Area Designations.***

The Housing Assistance Council is pleased to have this opportunity to provide comments on the Office of Management and Budget’s recommendations to update its Metropolitan Area designations. HAC looks forward to working with OMB and the Metropolitan and Micropolitan Statistical Area Standards Review Committee to continually improve and enhance Metropolitan Area designations for all communities – urban, suburban, and rural.

Please do not hesitate to contact me if you need additional information or clarification of our comments.

Sincerely,

A handwritten signature in black ink that reads "David Lipsetz". The signature is written in a cursive, slightly slanted style.

David Lipsetz  
Chief Executive Officer



## NOTES

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<sup>i</sup> Ed Gramlich. *Advocates' Guide 2020*. National Low Income Housing Coalition. Washington DC, March 2020. [https://nlihc.org/sites/default/files/AG-2020/8-02\\_Community-Development-Block-Grant-Program.pdf](https://nlihc.org/sites/default/files/AG-2020/8-02_Community-Development-Block-Grant-Program.pdf)

<sup>ii</sup> Ibid.

<sup>iii</sup> United States Department of Agriculture – Rural Housing Service. <https://www.rd.usda.gov/about-rd/agencies/rural-housing-service>

<sup>iv</sup> United States Department of Housing and Urban Development. Fair Market Rents. <https://www.huduser.gov/portal/datasets/fmr.html>

<sup>v</sup> United States Department of Housing and Urban Development. Income Limits. <https://www.huduser.gov/portal/datasets/il.html>

<sup>vi</sup> Federal Housing Finance Agency - Duty to Serve. <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/Duty-to-Serve.aspx>

<sup>vii</sup> Consumer Financial Protection Bureau – HMDA. <https://www.consumerfinance.gov/data-research/hmda/>