

Current Inflation and Interest Rates

Inflation and Interest Rates (FY Q1 2027)

	Initial Rate	Year of change	Long-term rate
Capital Needs Cost Inflation	3.40	3	3.40
Reserve Balance Yield (Interest)	4.59	3	4.59

How HUD Calculates the Rates:

- **Inflation Rates:** HUD determines capital needs inflation by pulling the unadjusted percent change for the most recent calendar year from the Bureau of Labor Statistics **CPI-U Table 1 ("All Items")**.
- **Interest Rates:** HUD sets the initial rate using the **1-year Treasury spot rate** from the end of each month. To keep underwriting stable during market shifts, HUD fixes the long-term rate to match this initial rate.
- **Year-of-Change:** We will use a 3-year standard to let short-term market changes smooth out before locking in long-term averages.