



# Program Income

---

Virtual Training

September 15-16, 2025



---

# This training is offered by the U.S. Department of Housing and Urban Development (HUD) and the Office of Native American Programs under a cooperative agreement with FirstPic, Inc.

This material is based upon work supported by funding under an award with the U.S. Department of Housing and Urban Development. The substance and findings of the work are dedicated to the public. Neither the United States Government, nor any of its employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately-owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement, recommendation, or favoring by the U.S. Government or any agency thereof. Opinions expressed in this document are those of the authors and do not necessarily reflect the official position of, or a position that is endorsed by, HUD or by any HUD program.

# Introductions

Christine Dennis, CPA

- Christine Dennis is a Certified Public Accountant with extensive experience working in the Tribal Regulatory environment.

# What This Course is All About

The purpose of this training is to help you understand and comply with the NAHASDA program income requirements in PIH 2025-01 and 24 CFR 1000.

To be successful, you will need to:

- Develop a system to determine whether income is program income;
- Develop a system to ensure that program income is spent on:
  - Eligible activities, or
  - Housing related activities, and
  - Program income is tracked and reported appropriately

# Background and Discussion of Program Income Under NAHASDA

# History of Program Income

- The Native American Housing Assistance & Self-Determination Act (NAHASDA) was passed by Congress in 1996 and became law October 1, 1997.
- Section 106 (b) of NAHASDA requires that the regulations implementing NAHASDA shall be issued using a negotiated rulemaking process.

# Negotiated Rulemaking

- Historic first for Tribes.
- First Negotiated Rulemaking Committee met several times during 1997 and the regulations at 24 CFR 1000 were published in the Federal Register on March 12, 1998.
- Negotiated Rulemaking gives Tribes a voice in establishing the rules for NAHASDA

# What is Program Income?

- The regulations at 24 CFR 1000.62 ask: *What is considered program income?*
  - 24 CFR 1000.62 answers: ***Program income is defined as any income that is realized from the disbursement of grant amounts***
- 24 CFR 1000.62 also states:
  - *Program income does not include any amounts generated from the operation of 1937 Act units unless the units are assisted with grant amounts and the income is attributable to such assistance.*



# Program Income Includes:

- Proceeds from the sale of homeownership units developed under the 1937 Housing Act if those units have been substantially rehabilitated using IHBG funds. (See Appendix B)
- Fees for services performed that were generated from the use of IHBG funds
- Income from the sale of commodities or items developed with IHBG funds
- Proceeds from the sale or lease of real property acquired, constructed, or rehabilitated with IHBG funds that are owned by the recipient.
- Sale proceeds from the disposition of any formula current assisted stock or NAHASDA assisted units owned by the recipient.
- Proceeds from the disposition of equipment and supplies bought with IHBG funds less trade-in value or cost offsets to replace the equipment and/or supplies.
- Payments of principal and interest on loans made using IHBG funds
- Any interest earned on program income pending its use for eligible housing related activities

# What is Program Income?

- If the amount received in a single year does not exceed \$25,000 then funds will not be considered program income.
- If the program income is generated by something funded with both grant and other funds, the program income will be based on the percentage of grant funds used.

# What is Program Income?

## ***NOT Program Income!***

Interest earned on the investment of IHBG funds may only be used for eligible affordable housing activities and is subject to all IHBG and other Federal requirements.

# PIH 2025-01 PROGRAM INCOME NOTICE



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of: Administrators, Offices  
of Native American Programs; Tribes; Tribally  
Designated Housing Entities (TDHEs); Indian  
Housing Authorities

## NOTICE PIH 2025-01

Issued: January 7, 2025

This Notice is in effect until amended,  
suspended, or rescinded.

### Cross References:

Native American Housing Assistance and  
Self-Determination Act of 1996 (25 U.S.C.  
4101 et seq.) (NAHASDA) 24 CFR Part  
1000, "Native American Housing  
Activities" 2 CFR Part 200, "Uniform  
Administrative Requirements, Cost  
Principles, and Audit Requirements for  
Federal Awards", Notice PIH 2022-23,  
Notice PIH 2022-16, Notice PIH 2022-15

---

## SUBJECT: IHBG Determining and Using Program Income Under NAHASDA

### 1. PURPOSE

The purpose of this Notice is to provide guidance for determining and using program income generated by the use or disbursement of Indian Housing Block Grant (IHBG) funds.

This Notice replaces PIH Notice 2022-28.

### 2. BACKGROUND

On November 12, 2020, the following regulatory changes to 2 CFR Part 200 became effective, some of which directly affect the retention and use of program income in the IHBG program.

- A. 2 CFR § 200.305 was revised and applies to IHBG, except that HUD shall not require a recipient to expend retained program income before drawing down or expending IHBG funds, per the modification at 24 CFR §1000.26.
- B. 2 CFR § 200.313 was revised and applies to the IHBG program. Except in all cases in which the equipment is sold, the proceeds shall be program income, per the modification included at 24 CFR §1000.26.
- C. 2 CFR § 200.314 was revised and applies to the IHBG program, except in all cases in which the supplies are sold, the proceeds shall be program income, per the modification included at 24 CFR §1000.26.

# PIH NOTICE 2025-01

- Issued on **January 7, 2025**
- Current guidance for determining and using Program Income
- Defines housing related activities
- Confirms that the entity is not required to use program income before drawing down grant funds
- Identifies exceptions to 2 CFR 200 – also included in 24 CFR 1000.26
- Clarifies interest earned on investments using IHBG funds is not Program Income, but will be spent like grant funds

# PIH NOTICE 2025-01

- Includes Q&A covering common questions regarding program income
  - Appendix A
- Provides detailed discussion of program income calculation
  - Appendix B
- Includes Schedule of Maximum Allowable Dwelling Construction and Equipment Costs per Unit as of October 1, 1997 (used in calculation)
  - Appendix C
- Includes listing of Allowable Expense Levels and the 46% by Tribe (used in calculation)
  - Appendix D

# PIH NOTICE 2025-01

## *Housing Related Activities (24 CFR 1000.10)*

- For the purposes of program income - any facility, community building, infrastructure, business, program, or activity, including any community development or economic development activity that:
  - Is determined by the Tribe/TDHE to be beneficial to providing housing in a Tribal Area and would meet at least one of the following:
    - A. Would help a Tribe/TDHE reduce the cost of construction of Indian housing
    - B. Would make housing more affordable, energy efficient, accessible, or practicable in an Indian area
    - C. Would otherwise advance the purposes of NAHASDA

# PIH NOTICE 2025-01

Permissible uses of program income (24 CFR 1000.64):

- Program income may be used for any housing or housing related activity and is not subject to other Federal requirements.
- Tribe/TDHE still complies with all other administrative requirements including recording, reporting, financial management, and any other requirements noted in PIH 2025-01.



# PIH NOTICE 2025-01

Examples of Housing Related Activities include:

- Helping families obtain housing
- Developing a tribally owned construction business if the business would reduce construction costs of Indian housing and/or make housing more affordable, energy efficient, or accessible.
- Development of a community center to house multiple services related to self sufficiency, such as career counseling, training, and/or job placement.
- Making community centers and existing residences more accessible by adding ramps, walkways, entrances, grab bars, bathroom and kitchen fixtures to make spaces more functional for those with disabilities
- Provide housing services to resident families, including crime prevention and safety

# **Program Income Does NOT Include:** **(PIH NOTICE 2025-01 APPENDIX A, Q3)**

- Any income realized from sources other than the disbursement or use of IHBG funds.
- Non-program income amounts calculated in accordance with Appendix B related to amounts collected from IHBG assisted 1937 Act units owned by the Tribe/TDHE.

# Program Income Does NOT Include

- Proceeds from the sale of Mutual Help units available at the time that a unit is considered paid off pursuant to the terms of a MHOA unless the unit has been substantially rehabilitated using IHBG funding.
- Income earned from equity accounts held on behalf of one or more homebuyers pending release of those funds for recipient use at the time of conveyance or an earlier date depending on the terms of the homebuyer agreement.

# Program Income Does NOT Include

- Applicable credits as defined at 2 CFR 200.406 including receipts or reduction of expenditure type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs.
- Developer fees received in connection with LIHTC projects subject to the conditions in Section 104(a)(4) of NAHASDA.
- Income which would otherwise be considered program income if the total income received by the recipient does not exceed \$25,000 in a single program year as provided in 24 CFR 1000.62(b).

# Types of Income

- ***Program Income*** – Restricted to housing related activities as defined in PIH 2025-01.
- ***Proceeds of Sale*** – Answer 42A in the revision to the Transition Notice published in the Federal Register on April 1, 1999, (64 FR 15778), which states that, ‘Proceeds can be used for any housing activity, community facility or economic development activity that benefits the community’.
- ***Non-Program Income*** – Unrestricted.

# Calculating Program Income

# Background

The Program Income workgroup developed the calculations described in Appendix B of PIH Notice **2025-01**. The following two types of calculations are defined:

- Substantial Rehabilitation of 1937 Housing Act Units
- Program Income Generated from the Operation of CAS units

# Program Income from Dwelling Units

Most Program Income is generated from the lease or sale of dwelling units.

Common sources include:

- Rent or homebuyer payments on units constructed, acquired, and/or rehabilitated with IHBG funds that are owned or operated by the Tribe/TDHE
- Rents collected on units developed under the 1937 Housing Act that have been substantially rehabbed with IHBG funds
- Calculated portion of rents collected on units developed under the 1937 Housing Act that have not been substantially rehabbed using IHBG funds but are otherwise assisted
- Proceeds from the sale of homeownership units developed under the 1937 Housing Act if those units have been substantially rehabbed using IHBG funds



# Defining the Terms

## *Substantially Rehabilitated:*

- For program income purposes, 40% of the DC&E (Appendix C) is used to set a limit for the amount considered Substantial Rehabilitation. Substantial Rehabilitation exceeds 40% of the unit DC&E and is used to calculate program income for that unit.
- This has no impact on determining whether a unit counts as Formula Current Assisted Stock
- The 40% is an amount determined as part of negotiated rulemaking and is based on the original estimated cost of the unit at the time NAHASDA was implemented.

# Defining the Terms

## *Substantially Rehabilitated – cont'd:*

- Dwelling Construction and Equipment Cost (DC&E) – hard costs of construction of a dwelling unit under the 1937 Act.
- This applies to 1937 Act rental units that have had substantial rehabilitation as well as Mutual Help units with substantial rehabilitation.
- Appendix C of PIH Notice 2025-01 includes the DC&E amounts for Tribe/TDHE.

# Defining the Terms

## *Substantially Rehabilitated – cont'd:*

- This is why a Tribe/TDHE must track NAHASDA funds used for rehab/modernization for your FCAS since 10/2/1997.
- Notice CPD-16-02 made some work typically defined in the past as maintenance into a modernization category. Care needs to be taken when determining what is maintenance and what is modernization.

# Defining the Terms

- *Allowable Expense Level (AEL)* – 24 CFR 1000.302 – per unit, per month dollar amount of expenses which was used to compute the amount of the operating subsidy for Low Rent units developed under the 1937 Act.
- Because it is not reasonable to determine the total amount of rent received prior to the date of enactment of NAHASDA (10-1-97), a statutory amount has been established.
- For program income purposes, 46% of the AEL as established to reflect the national average for rents received for 1937 Act units during the year before NAHASDA. (Appendix C)

# Determining Program Income

- Program income may result from rehabilitating 1937 Act rental units depending on the amount of IHBG funds used for rehabilitation costs.
- Rental revenue is program income if IHBG funds used to rehabilitate a unit exceeds 40% of the Dwelling Construction & Equipment (DC&E) cost for the unit.
- *If IHBG funds are used to rehab a unit and the total amount of IHBG funds is more than the 40% DC&E, the unit is substantially rehabbed, and all rent collected is program income.*

# Defining the Terms

- The 46% of AEL only applies to units that have not been substantially rehabbed. If it has been substantially rehabbed, everything is program income.
- When the total rental income is calculated, the 46% AEL is used to determine how much rental income is excluded from program income.
- Program income = amount of total income for a 1937 Act project that exceeds 46% of the AEL established in Appendix C of PIH 2025-01.
- If a unit is NOT substantially rehabbed, then the amount of rent collected that does NOT exceed the 46% AEL is non program income.

# Defining the Terms

- If a Tribe/TDHE does not have an AEL, one can be requested through the Area ONAP Office.
- As a result of negotiated rule making, some Tribes defaulted to the FMR (Fair Market Rent) because the Formula AEL/FMR calculation. As such, those Tribes have used the FMR factor in formula calculations since 1998.

# Determining Program Income

## ***Steps to determine Program Income:***

1. Has the Unit been substantially rehabbed?
  - If the answer is yes, all income is program income.
  - If the answer is no AND the unit is a Mutual Help Unit, then all income is Proceeds of Sale.
2. If the unit is not substantially rehabbed AND it is a rental unit, then you can choose to calculate program income and non program income using the AEL.



# Determining Program Income

Proceeds of sale from 1937 Housing Act units are not program income unless:

- IHBG funds used to rehabilitate a unit exceed 40% of DC&E costs for the unit.

However, when IHBG funds are used to rehabilitate MH units:

- Program Income from Proceeds of Sale is generated if IHBG funds used to rehabilitate a unit exceeds 40% of DC&E cost for the unit.
- Program Income from Proceeds of Sale is not realized until the time of conveyance. Proceeds of Sale (MEPA) at conveyance would be considered program income.

# Determining Program Income *Example*

A Mutual Help Unit has a 40% DC&E amount of \$40,000.

The unit is rehabbed in 2014 using IHBG funds of \$20,000.

In 2020, the unit has another rehab of \$30,000 using IHBG funds.

The unit conveys in 2024 for \$20,000.

How much of that \$20,000 is program income?

# Determining Program Income *Example*

All revenue for this unit will be program income because the total IHBG funds of \$50,000 used for rehab are greater than the DC&E 40% limit of \$40,000.

# Determining Program Income *Example*

A Mutual Help unit has a 40% DC&E amount of \$40,000.

The unit is rehabbed in 2014 using IHBG funds of \$20,000.

In 2020, the unit has another rehab of \$30,000 using non IHBG funds.

The unit conveys in 2024 for \$20,000. How much of that \$20,000 is program income?

# Determining Program Income *Example*

None of the revenue will be program income because the \$20,000 of IHBG funds used for rehab is less than the 40% DC&E amount of \$40,000. All revenue received will be Proceeds of Sale.

# Determining Program Income *Example*

The Tribe receives \$200/ month for 2-bedroom rental units and \$250/month for 3-bedroom units that are included on the FCAS

Currently 20 2-bedroom units and 30 3-bedroom units are occupied. None of the units have been substantially rehabilitated.

The total AEL per unit is \$170, so 46% is \$78 per unit. What is the monthly rental income and what is the monthly program income?

# Determining Program Income *Example*

$$\begin{aligned}\text{Total income} &= (20 \times 200) + (30 \times 250) = \\ &4000 + 7500 = \$11,500.\end{aligned}$$

$$\begin{aligned}\text{Program income} &= 11500 - (78 \times 50) = 11,500 - 3,900 = \\ &\$7600/\text{month of program income} \\ &\$3900/\text{month of non program income}.\end{aligned}$$

# Determining Program Income *Example*

TDHE received \$9600 (200/month per unit) in rent for the year for 4 Low Rent units included as FCAS on the Formula response form.

These units have all been substantially rehabilitated.

Program income for the year = \$9600



# Determining Program Income *Example*

TDHE received \$14,400 (300/month per unit) in rent for the year for 4 Low Rent units included as FCAS on the Formula response form. These units have not been substantially rehabilitated.

The AEL is \$4800 per unit per year as shown in Appendix C 46% of the AEL = \$2208 per unit per year

Program income for the year =  $14,400 - (2208 \text{ per unit} \times 4 \text{ units})$

$\$14,400$  (total rent for low rent 37 Act units) -  $\$8,832$  (46% of the AEL)(non program income) =  $\$5,568$  of program income per year, or  $\$1392$  per unit per year.

# Substantial Rehabilitation

When the amount of IHBG funds used to rehab the unit exceeds the 40% level identified in Appendix C of PIH 2025-01.

- Steps to determine substantially rehabilitated:
  - Has there been IHBG money used to improve the unit?
  - If yes, is it more than the 40% DC&E Threshold listed in PIH Notice 2025-01 Appendix C?
    - If yes, then all money received is program income
    - If no, use the 46% AEL to determine what part is not program income

# Proceeds of Sale of 1937 Act Mutual Help Homeownership Program Units

If a MH unit is either not rehabilitated or the NAHASDA funded rehabilitation is less than 40% of DC&E, the proceeds of sale, if any, may be used in accordance with Answer 42A in the revision to the Transition Notice published in the Federal Register on April 1, 1999, (64 FR 15778), which states that, **‘Proceeds can be used for any housing activity, community facility or economic development activity that benefits the community’.**

# Maintenance vs. Rehabilitation

## Review of Notice: CPD-16-02

# EXERCISE 1A

The Housing Authority receives \$150/month rent for 2-bedroom units, \$250/month for 3-bedroom units, and \$300/ month for 4-bedroom units. The Housing Authority has 10 2-bedroom units, 25 3-bedroom units, and 15 4-bedroom units. All of the 4-bedroom units and 5 of the 3 bedroom units have been substantially rehabbed using IHBG funds. The AEL for the Housing Authority is \$250 and the 46% of AEL is \$115.

A. *How much rent income does the Housing Authority have in total?*

- $(150 \times 10) + (250 \times 25) + (300 \times 15) = (1500) + (6250) + (4500) = \$12,250$

# ANSWER 1A

*How much rental income does the Housing Authority have in total?*

$$(150 \times 10 \text{ 2 Bedrooms}) + (250 \times 25 \text{ 3 Bedrooms}) + (300 \times 15 \text{ 4 bedrooms}) = (1500) + (6250) + (4500) = \$12,250$$

# EXERCISE 1B

The Housing Authority receives \$150/month rent for 2-bedroom units, \$250/month for 3-bedroom units, and \$300/ month for 4-bedroom units. The Housing Authority has 10 2-bedroom units, 25 3-bedroom units, and 15 4-bedroom units. All of the 4-bedroom units and 5 of the 3-bedroom units have been substantially rehabbed using IHBG funds. The AEL for the Housing Authority is \$250 and the 46% of AEL is \$115.

*B. How much non program income do we have for the 2-bedroom units?*

# ANSWER 1B

*How much non program income do we have for the 2 bedroom units?*

The 2-bedroom units have not been substantially rehabbed, so the calculation is as follows:

- 10 units x 115 (46% AEL) = \$1150 Rental Income exclusion (non program income)
- Total rental income for 2-bedroom units = \$1500
  - Less the exclusion - (non program income)= \$1150
  - Program income - \$350/month



# EXERCISE 1C

The Housing Authority receives \$150/month rent for 2-bedroom units, \$250/month for 3-bedroom units, and \$300/ month for 4-bedroom units. The Housing Authority has 10 2-bedroom units, 25 3-bedroom units, and 15 4-bedroom units. All of the 4-bedroom units and 5 of the 3-bedroom units have been substantially rehabbed using IHBG funds. The AEL for the Housing Authority is \$250 and the 46% of AEL is \$115.

*C. How much non program income do we have for the 3-bedroom units?*

# ANSWER 1C

*How much non program income do we have for the 3-bedroom units?*

- 20 units not substantially rehabbed x 115 (46% AEL) = \$2300  
Rental Income Exclusion (non program income)
- 20 units x \$250 = \$5000 total rental income Less exclusion (non program income) \$2300
- Program income for non rehabbed units = \$2700 Program income from rehabbed units = 5 units x \$250 = \$1250
- Total program income for 3-bedroom units = \$3950

# EXERCISE 1D

The Housing Authority receives \$150/month rent for 2-bedroom units, \$250/month for 3-bedroom units, and \$300/ month for 4-bedroom units. The Housing Authority has 10 2-bedroom units, 25 3-bedroom units, and 15 4-bedroom units. All of the 4-bedroom units and 5 of the 3-bedroom units have been substantially rehabbed using IHBG funds. The AEL for the Housing Authority is \$250 and the 46% of AEL is \$115.

*D. How much program income do we have for the 4-bedroom units?*

# ANSWER 1D

*How much program income do we have for the 4-bedroom units?*

- 15 units x \$300 = \$4500
- Units are substantially rehabbed using IHBG funds, so no exclusion.
- Program income = \$4500

# EXERCISE 1E

The Housing Authority receives \$150/month rent for 2-bedroom units, \$250/month for 3-bedroom units, and \$300/ month for 4-bedroom units. The Housing Authority has 10 2-bedroom units, 25 3-bedroom units, and 15 4-bedroom units. All of the 4-bedroom units and 5 of the 3-bedroom units have been substantially rehabbed using IHBG funds. The AEL for the Housing Authority is \$250 and the 46% of AEL is \$115.

*E. If the rent for a 2-bedroom unit is \$100, how much Program income would there be for those units?*

# ANSWER 1E

*If the rent for a 2-bedroom unit is \$100, how much Program income would there be for those units?*

- 10 units x 115 (46% AEL) = \$1150 Rental Income exclusion (non program income)
- Total rental income for 2-bedroom units = \$1000
- Less the exclusion (non program income) = \$1150 Program income \$0

## EXERCISE 2

The Housing Authority has 5 2-bedroom units ready to convey. 3 of the 5 units have been substantially rehabbed using IHBG funds. The DC&E Limit is \$60,000 for a two bedroom with a 40% level of \$24,000. Payoff for each unit is \$45,000.

*How much of the amount received is program income?*

## ANSWER 2

*How much of the amount received is program income?*

- 3 units substantially rehabbed with payoff of 45000 =  $45,000 \times 3 = \$135,000$  program income
- 2 units not substantially rehabbed with payoff of \$45,000 =  $45,000 \times 2 = \$90,000$  proceeds of sale



# Restrictions on Non-Program Income

- There are no statutory or regulatory restrictions on the use of non-program income but many recipients have developed policies and procedures as to how non-program income may be spent.
- Recipients should assure that the use of non-program income meets their mission.
- Can be used to support operations.

# How to Spend Program Income

## NAHASDA Section 202 – Eligible Activities

- Any activity in NAHASDA Section 202 is an allowable use of Program Income
- Other Housing or Housing Related Activities
- Allowable if they meet the requirements in PIH Notice 2025-01

# Use of Program Income

- 24 CFR 1000.64 requires recipients to use program income to carry out housing or housing related activities.
- As long as program income is spent on housing related activities, the use of program income is not subject to other Federal requirements.
- 2 CFR 200.307 is replaced by the guidance in 24 CFR 1000.26.
- ***You are NOT required to spend program income before grant funds under NAHASDA***

# Can Program Income be Retained?

- Any program income can be retained and spent by housing programs with the only restriction being that the activity must be a housing related activity.
- Program income needs to be tracked.
- ONAP will monitor program income.

# Proper Reporting of Program Income on Financial Statements

# Tracking Program Income

- Program Income is income realized from the disbursement or use of IHBG funds
- Proceeds of Sale is income realized from conveyance of units that are not substantially rehabbed and can be used for any housing activity, community facility, or economic development activity that benefits the community
- Non-program income is realized income that is not subject to federal requirements

# Revenue if Analyzed

- Cash Received is analyzed, not just charges
- Rental and homebuyer receipts are analyzed based on the amount of IHBG investment in the home
- Sale of a unit is allocated based on IHBG funds invested
- 1937 Housing Act FCAS units have special benchmark calculations

# Program Income Tracking to Grants

Cash was collected during month

Activity	Amount
37 Act Rental Collections	4,573
37 Act MH Collections (3,000 Admin fee 756 MEPA)	3,756
NAHASDA Rental Collections	1,240
Vendor paid for pop machine	35
LOCCS on grant 055	97,000



# Program Income Tracking to Grants

Cash was recorded as follows

		General Pay/Receive	HBG	Non- Program income	Program income	Total
	Grant or Fund Numbers	000	055	400	401	
Acct #	Account Description					
31100	37 Act Dwelling Rental	4,573				4,573
31101	NAHASDA Dwelling Rental	1,240				1,240
31300	37 Act Administrative Fees	3,000				3,000
30010	Federal Grant Income		97,000			97,000
33500	Other Income	35				35
21010	Mutual Help MEPA Reserve	756				756

# Program Income Tracking to Grants

Apply Program Income Policy

Collections Activity		Amount	Non-PI / Benchmark	Program Income	MEPA
37 Act rental collections		4,573	4200	373	
37 Act MH Collections (3,000 Admin fee 756 MEPA)		3,756		3,000	756
NAHASDA Rental Collections		1,240		1,240	
Vendor paid for pop machine		35	35		
LOCCS on grant 055		97,000			

# Program Income Tracking to Grants

- Allocation is recorded in a journal entry

PI Allocation		Grant #	Grant Title	Debit	Credit
31100	37 Act Dwelling Rental	000	General	4,573.00	
31100	37 Act Dwelling Rental	400	Non-Program		4,200.00
31100	37 Act Dwelling Rental	401	Program Income		373.00
31101	NAHASDA Dwelling Rental	000	General	1,240.00	
31101	NAHASDA Dwelling Rental	401	Program Income		1,240.00
31300	37 Act Administrative Fees	000	General	3,000.00	
31300	37 Act Administrative Fees	401	Program Income		3,000.00
33500	Other Income	000	General	35.00	
33500	Other Income	400	Non-Program		35.00
	No entry needed for MEPA Reserve				
				8,848.00	8,848.00
	To record allocation of program and nonprogram income for the month				

# Program Income Tracking to Grants

Balances after posting entry

		General	IHBG	Non-Program income	Program income	Total
	Grant or Fund Numbers	000	055	400	401	
Acct #	Account Description					
3100	37 Act Dwelling Rental	0		4,200	373	4,573
31101	NAHASDA Dwelling Rental	0			1,240	1,240
31300	37 Act Administrative Fees	0			3,000	3,000
30010	Federal Grant Income		97,000			97,000
33500	Other Income	0		35		35

# Program Income Reporting Requirements

- IHP/APR
- HUD SF 425
- PIH Notice 2025-01

# Reporting Program Income

- PIH Notice 2025-01 issued on January 7, 2025 includes program income reporting requirements.
- Recipients are responsible for ensuring proper recording of the receipt and use of program income.
  - NAHASDA Section 102(b)(2)(C)
  - 2 CFR 200.302(b)(3)
  - 2 CFR 200.328

# Reporting Requirements

*NAHASDA Section 102(b)(2)(C) requires:*

- An operating budget for the recipient, in such form as the HUD may prescribe, that includes:
  - i. an identification and description of the financial resources reasonably available to the recipient to carry out the purposes of this Act, including an explanation of the manner in which amounts made available will leverage additional resources; and
  - ii. the uses to which those resources will be committed, including eligible and required affordable housing activities under title II and administrative expenses.

# More Reporting Requirements

- **2 CFR 200.302(b):** Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
- **2 CFR 200.302 (4):** Effective control over and accountability for, all funds, property and other assets. The entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.



# More Reporting Requirements

- **2 CFR 200.328**– Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved government wide data elements for collection of financial information (SF 425 form). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

# How to Report Program Income

- Must now be identified in both the IHP/APR as well as on the Federal Financial Report (SF 425) *regardless of whether the program income will be or has been used for housing related activities.*
- Recipient may use a separate program income ‘fund’ or use separate expense accounts for tracking purposes. Program income should be reported as a ‘restricted asset’ on the financial statements.
- Once established, amounts received and spent should appear on Sources of Funding & Uses of Funding tables of the IHP/APR form.
- No need to report as program income if less than \$25,000.

# SF 425 Instructions & Form

- Instructions for SF 425 are found in PIH 2025-04
- Reminder that SF 425 is now filed annually unless you are approved as an investment tribe.
- Annual SF 425 is due within 90 days of the end of the Tribe/TDHE Fiscal Year
- Detail information on completing the SF 425 is included in PIH 2025-04 Appendix A and B

# SF 425 Instructions & Form



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

Special Attention of: Administrators, Offices  
of Native American Programs; Tribes; Tribally  
Designated Housing Entities (TDHEs); Indian  
Housing Authorities

## NOTICE PIH 2025-01

Issued: January 7, 2025

This Notice is in effect until amended,  
suspended, or rescinded.

Cross References:  
Native American Housing Assistance and  
Self-Determination Act of 1996 (25 U.S.C.  
4101 et seq.) (NAHASDA) 24 CFR Part  
1000, "Native American Housing  
Activities" 2 CFR Part 200, "Uniform  
Administrative Requirements, Cost  
Principles, and Audit Requirements for  
Federal Awards", Notice PIH 2022-23,  
Notice PIH 2022-16, Notice PIH 2022-15

## SUBJECT: IHBG Determining and Using Program Income Under NAHASDA

### 1. PURPOSE

The purpose of this Notice is to provide guidance for determining and using program income generated by the use or disbursement of Indian Housing Block Grant (IHBG) funds.

This Notice replaces PIH Notice 2022-28.

### 2. BACKGROUND

On November 12, 2020, the following regulatory changes to 2 CFR Part 200 became effective, some of which directly affect the retention and use of program income in the IHBG program.

- A. 2 CFR § 200.305 was revised and applies to IHBG, except that HUD shall not require a recipient to expend retained program income before drawing down or expending IHBG funds, per the modification at 24 CFR §1000.26.
- B. 2 CFR § 200.313 was revised and applies to the IHBG program. Except in all cases in which the equipment is sold, the proceeds shall be program income, per the modification included at 24 CFR §1000.26.
- C. 2 CFR § 200.314 was revised and applies to the IHBG program, except in all cases in which the supplies are sold, the proceeds shall be program income, per the modification included at 24 CFR §1000.26.

## 9. REPORTING PROGRAM INCOME

It is the responsibility of the recipient to ensure proper recording of the receipt and use of program income (see Section 102(b)(2)(C) of NAHASDA and 2 CFR § 200.302(b)(2) and 2 CFR § 200.328). To satisfy these requirements, the receipt and expenditure of program income must be identified in both the IHP/Annual Performance Report (APR) and Federal Financial Report (FFR) Standard Form 425 (SF-425), regardless of whether program income will be or has been used for housing-related activities. Instructions related to how program income should be reported are contained in the following PIH Notice and ONAP program guidance documents: "Federal Financial Report – Standard Form 425 Completing the Indian Housing Plan/Annual Performance Report (form HUD-52737)" (Program Guidance No. 2018-02a).

To ensure proper recording of program income, a recipient may use either a separate program income "fund" or use separate expense accounts for tracking purposes. In addition, accumulated program income should be reported as a "restricted asset" on the financial statements.

# SF 425 Instructions & Form



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

Date: January 13, 2025

## Mortgagee Letter 2025-04

To: All FHA-Approved Mortgagees  
All Direct Endorsement Underwriters  
All Eligible Submission Sources for Condominium Project Approvals  
All FHA Roster Appraisers  
All FHA-Approved 203(k) Consultants  
All FHA-Approved Title I Lenders  
All HUD-Certified Housing Counselors  
All HUD-Approved Nonprofit Organizations  
All Governmental Entity Participants  
All Real Estate Brokers  
All Closing Agents

<b>Subject</b>	Revisions to Policies for Rental Income from Boarders of the Subject Property
<b>Purpose</b>	This Mortgagee Letter (ML) implements flexibilities for documenting and calculating income from Boarders of the subject Property beyond the current standard.
<b>Effective Date</b>	<p>The provisions of this ML may be implemented immediately but must be implemented for FHA case numbers assigned on or after March 14, 2025.</p> <p>All policy updates in the ML will be incorporated into a forthcoming update of the HUD Handbook 4000.1, <i>FHA Single Family Housing Policy Handbook</i> (Handbook 4000.1).</p>
<b>Affected Programs</b>	The provisions of this ML apply to all FHA Title II Single Family forward mortgage programs.
<b>Background</b>	HUD continually strives to ensure FHA underwriting guidelines effectively serve the needs of Borrowers and expand access to credit, especially those most affected by the evolving dynamics of the housing market. A key aspect of this housing evolution is the increasingly relevant discussion around

[www.hud.gov](http://www.hud.gov) [espanol.hud.gov](http://espanol.hud.gov)

## Mortgagee Letter 2025-04, Continued

Boarders and Rental Income from Boarders of the subject Property. Recent research highlights a significant increase in such living arrangements over the last decade, with a pronounced rise in recent years due to shifts such as the pandemic and other economic and cultural influences. The prevalence of these factors has contributed to the growing trend of Boarder income as a stable and viable option to manage housing costs and increase housing affordability. Given this, the industry is advocating for alignment with industry standards and more flexible approaches to qualify Borrowers using Rental Income from Boarders of the subject Property.

By implementing these policy changes, FHA expects to expand the pool of Borrowers eligible for FHA mortgage insurance, thereby extending affordable housing opportunities to a broader spectrum of first-time buyers and individuals with Low- to Moderate-Incomes. These adjustments support FHA's commitment to ensure underwriting guidelines effectively serve the needs of Borrowers and expand homeownership opportunities in underserved communities.

## Summary of Changes

This ML updates the standards, documentation requirements, and calculation of a Borrower's Effective Income for the following sections:

- Boarders of the Subject Property (TOTAL) (II.A.4.c.xii(I)(4)); and
- Boarders of the Subject Property (Manual) (II.A.5.b.xii(I)(4)).

# SF 425 Instructions & Form

## FHA Single Family Housing Policy Handbook 4000.1

## Origination through Post- closing/ Endorsement

The policy changes will be incorporated into Handbook 4000.1 as follows:

### Rental Income (TOTAL) (II.A.4.c.xii(I))

#### (4) Boarders of the Subject Property (TOTAL)

##### (a) Definition

Boarder refers to an individual renting space inside the Borrower's Dwelling Unit. A renter of an ADU is not a Boarder.

##### (b) Standard

The Mortgagee may consider Rental Income from existing Boarders if documented in accordance with the following requirements.

Rental Income from Boarders may be considered Effective Income if the occupying Borrower has a 12-month history of receiving income from Boarders and is currently receiving Boarder income.

2

## Mortgagee Letter 2025-04, Continued

Rental Income from Boarders is permitted whether the Borrower currently rents or owns the Dwelling Unit.

### (c) Required Documentation

The Mortgagee must verify and document the existing Rental Income from Boarders by obtaining the following:

- evidence of rental history over the previous 12 months;
- evidence of Rental Income received from Boarders for at least nine of the most recent 12 months in the form of:
  - the Borrower's Tax Returns; or
  - bank statements, canceled checks, or deposit slips, showing rental payments received;
- evidence that the Boarder's address is the same as the Borrower's address; and
- a copy of the executed written agreement documenting the boarding terms and the Boarder's intent to continue boarding with the Borrower.

### (d) Calculation of Effective Income

The Mortgagee must calculate Rental Income from Boarders by using the lesser of:

- the 12-month average; or
- the current rent as documented in the written agreement.

Where Rental Income from Boarders has been documented for at least nine of the last 12 months, the Mortgagee must average the Rental Income over a 12-month period.

The amount of the Rental Income from Boarders used as Effective Income must not exceed 30 percent of the total monthly Effective Income used to qualify the Borrower.

## Rental Income (Manual) (II.A.5.b.xii(I))

### (4) Boarders of the Subject Property (Manual)

#### (a) Definition

Boarder refers to an individual renting space inside the Borrower's Dwelling Unit. A renter of an ADU is not a Boarder.

3

## Mortgagee Letter 2025-04, Continued

### (b) Standard

The Mortgagee may consider Rental Income from existing Boarders if documented in accordance with the following requirements.

Rental Income from Boarders may be considered Effective Income if the occupying Borrower has a 12-month history of receiving income from Boarders and is currently receiving Boarder income.

Rental Income from Boarders is permitted whether the Borrower currently rents or owns the Dwelling Unit.

### (c) Required Documentation

The Mortgagee must verify and document the existing Rental Income from Boarders by obtaining the following:

- evidence of rental history over the previous 12 months;
- evidence of Rental Income received from Boarders for at least nine of the most recent 12 months in the form of:
  - the Borrower's Tax Returns; or
  - bank statements, canceled checks, or deposit slips, showing rental payments received;
- evidence that the Boarder's address is the same as the Borrower's address; and
- a copy of the executed written agreement documenting the boarding terms and the Boarder's intent to continue boarding with the Borrower.

### (d) Calculation of Effective Income

The Mortgagee must calculate Rental Income from Boarders by using the lesser of:

- the 12-month average; or
- the current rent as documented in the written agreement.

Where Rental Income from Boarders has been documented for at least nine of the last 12 months, the Mortgagee must average the Rental Income over a 12-month period.

The amount of the Rental Income from Boarders used as Effective Income must not exceed 30 percent of the total monthly Effective Income used to qualify the Borrower.

# HUD ONAP Resources

- HUD ONAP home page:
  - [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih](https://www.hud.gov/program_offices/public_indian_housing/ih)
- NAHASDA:
  - [https://www.hud.gov/sites/documents/DOC\\_8141.PDF](https://www.hud.gov/sites/documents/DOC_8141.PDF)
- Regulations at 24 CFR 1000:
  - [https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr1000\\_main\\_02.tpl](https://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr1000_main_02.tpl) PIH Notices:  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih/regs/notices](https://www.hud.gov/program_offices/public_indian_housing/ih/regs/notices)
- HUD/ONAP Program Guidances:
  - [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/ih/codetalk/nahasda/guidance](https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/nahasda/guidance)

# Questions??

Thank you!