

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
**OFFICE OF COMMUNITY DEVELOPMENT**

**SUBJECT: HOME, CDBG, or MSHDA, Program Income and Its Appropriate Use  
Policy Bulletin #4**

**EFFECTIVE DATE: April 1, 2010**

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The following is provided as the current policy regarding Program Income and its appropriate use. By definition, Program Income is gross income received by a grantee that was generated from the use of HOME, Community Development Block Grant (CDBG), or MSHDA funds. Generally these funds are generated from loan repayments from properties purchased, constructed, and/or rehabilitated with CDBG/HOME or MSHDA funds. For a more detailed definition of Program Income and requirements, please refer to CFR 570.489 (Program Administrative Requirements) for CDBG funds and CFR 92.503 for HOME funds. This policy bulletin will address:

- **Program Income from CDBG County Allocation and County CDBG Housing Resource Fund (HRF) Awards**
- **Program Income from all other OCD funds including Housing Resource Fund Awards**

**PROGRAM INCOME FROM COUNTY CDBG ALLOCATION AND OTHER CDBG AWARDS**

Program Income generated by a CDBG County Allocation Grant or a County CDBG HRF Grant for a targeted program, that MSHDA OCD has permitted the grantee to retain, is subject to the Community Development Act of 1974 as amended and Subpart I or Part 570; Receipt/accrual and expenditure of Program Income will be reported to MSHDA, through **On-line Project Administration Link (OPAL)**.

MSHDA will monitor the use of these funds as long as the grantee continues to receive funds from MSHDA. Further, Program Income is to be used for the same activity(ies) for which the grant was approved. That is, if a community's grant was awarded for housing rehabilitation only (no public works component), then the Program Income cannot be used for public works activities, only housing rehabilitation. Upon MSHDA approval, a grantee may use Program Income for another eligible CDBG activity. Please submit all such requests in writing to your Community Development (CD) Specialist.

County CDBG grantees that no longer have an ongoing CDBG Grant with MSHDA must return Program Income to MSHDA

**PROGRAM INCOME FROM ALL OTHER OCD FUNDS INCLUDING HOUSING RESOURCE FUND AWARDS**

- All Cities, Townships, and Villages funded with CDBG Funds must return Program Income to MSHDA (unless there is a specific signed written agreement between MSHDA and the grantee allowing the Grantee to retain PI)

- All Grantees funded with HOME or MSHDA dollars must return all Program Income received to MSHDA (unless there is a specific signed written agreement between MSHDA and the grantee allowing the Grantee to retain PI)

All proceeds from a MSHDA OCD grant that come back to a MSHDA Grantee (except for County CDBG grantees), must be forwarded to MSHDA. These funds are typically referred to as Program Income. These funds must be returned to MSHDA even if the mortgage is between the Grantee and the borrower.

Checks for CDBG Program Income should be made payable to the "State of Michigan" and include the Grantee of origin and Grant Number designated on the check stub (i.e., MSC-1997-XX-HO).

Checks for HOME Program Income should be made payable to "MSHDA" and include the Grantee of Origin and Grant number on the check (i.e. M-1999-XXX), and should include the address of property sold or transferred that generated the Program Income, and the HUD activity number (if known).

Checks for Program Income from a Grant Award of MSHDA funds should be made payable to "MSHDA" and have the Grantee of origin and the MSHDA Grant number on the check (i.e. HRF-2000-XXX).

All checks should be mailed to:

Office of Community Development  
MSHDA  
P.O. Box 30044  
Lansing, Michigan 48909  
Attention: (Note name of Community Development Specialist, if known)

### **Maximum Program Income on Hand**

CDBG Program Income must be expended to the maximum extent feasible prior to drawing additional CDBG funds from MSHDA. Specifically, MSHDA is requiring, as instructed by HUD, that any CDBG PI in excess of \$5,000 must be committed to a project prior to the community's request for an additional drawdown on their current CDBG grant funds.

### **Administrative Expenses**

Program Income can be utilized to cover reasonable housing program administrative costs. However, no more than 20% of CDBG Program Income may be expended for administrative expenses.

Should you desire additional clarification on the policy bulletin, contact your Community Development (CD) Specialist or CD staff at (517) 373-1974.