

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
COMMUNITY DEVELOPMENT DIVISION

Subject: PROGRAM INCOME

Effective Date: September 1, 2015

The following is provided as the current policy regarding Program Income and its appropriate use. By definition, Program Income (PI) is any revenue received by MSHDA or its subrecipients from the investment 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 PI and related 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 HOME Housing Resource Fund (HRF) Awards**
- **Program Income from CDBG Housing Resource Fund Awards**

NSP1 and NSP2 grantees should refer to “NSP Program Income Management Guide” located under Community Development NSP”.

RETURNING PROGRAM INCOME INSTRUCTIONS

HOME Program Income

All program income generated by HOME-funded grants/projects must be returned to MSHDA within 7 days of receipt.

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-2013-XXXX), and should include the address of property sold or transferred that generated the Program Income, and the HUD activity number (if known).

CDBG Program Income

Beginning with CDBG grants awarded with FY 2015 funds, ALL program income generated must be returned to MSHDA within 7 days of receipt. Checks must 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-2016-XXXX-HO).

All checks should be mailed to:

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

CDBG Program Income Retained

Program Income generated by a CDBG grant, pre-FY 2015, that MSHDA CD has permitted the grantee to retain, is subject to the Community Development Act of 1974 as amended and Subpart I or Part 570.

Per HUD regulations, IDIS reporting requirements are triggered by the amount of CDBG PI received by a grantee within a 12 month period. MSHDA has designated the 12-month period as our fiscal year

(beginning July 1) to align with Michigan's federal reporting requirements. MSHDA is required to report the receipt and expenditure of PI into HUD's IDIS system for grantees receiving PI of \$35,000 or more within the fiscal year.

Regardless of amount received within the fiscal year, PI recipients are required to report **ALL PI received** into MSHDA CD's On-line Project Administration Link (OPAL) within 7 days of receipt. Refer to Program Income Policy Bulletin **Attachment A** – "OPAL PI Instructions".

FSR/OPAL PROGRAMMING

OPAL programming will prohibit the submission of FSRs under the following circumstances:

- PI receipts equal \$35,000 or more within a fiscal year, and PI balance is \$5,000 or more*; and/or
- A balance remains from the prior FY in which a recipient received \$35,000 or more.

*Once the PI balance is reported as expended to an amount less than \$5,000, grantees may again request grant dollars. If PI is received later in the same fiscal year, the PI must be "receipted" into the OPAL PI account AND the disbursement of grant dollars will once again be suspended until balance is less than \$5,000.

To expedite the expenditure of PI, the Homeowner Rehab proforma on OPAL has been programmed to allow \$0 set-ups, meaning projects may be funded with PI (and other non-CD sources) without the use of grant dollars.

FEDERAL AND STATE PI REPORTING REQUIREMENTS, see CDBG PI Comparison, Attachment B.

Recipients receiving less than \$35,000 in the fiscal year:

- Recipients must report **all PI received** in their OPAL PI account **within 7 days of receipt**.
- At the end of the fiscal year if less than \$35,000 is received the PI is considered "state restricted" which means MSHDA is monitoring its use and expenditure.
- Prior to expending PI, recipients are required to complete the "Locally Retained CDBG PI Request Form" and submit it to MSHDA-CD for approval.
- MSHDA restricts the use of the PI to only those uses listed on the above form.
- Recipients are not required to have an open and active grant if receipts total <\$35,000 in the fiscal year.

Recipients receiving \$35,000 or more in the fiscal year:

- Recipients must report **all PI received** in their OPAL PI account within 7 days of receipt.
- Once PI receipts equal \$35,000 or more the PI is considered "federally restricted" which means MSHDA is required to report its receipt and expenditure semi-annually to HUD.
- PI must be expended on activities set-up within a grant on OPAL. If needed, a small MSHDA-funded grant will be created to set-up PI-funded activities.

Reporting expenditures on OPAL is a three-step process:

- 1) Set-up new activities on OPAL with PI (\$0 grant dollars), OR Edit an existing proforma to reduce grant dollars and add/increase PI (to the greatest extent possible).
- 2) Once the PI is actually expended (as invoices are paid), enter the expenditure of the PI dollars into the OPAL PI account.
- 3) Close the activity on OPAL. This step is necessary for MSHDA to complete the required IDIS entry.

ADMINISTRATIVE EXPENSES (CDBG ONLY)

Recipients may use a portion of the program income generated by a pre-FY 2015 grant for administrative expenses. All administrative expenses must be documented. Refer to the "Limits to Administrative and Project Costs Chart" contained within the "Administrative and Project Costs".

Recipients may not retain any of the PI generated from grants awarded with FY 2015 funds and beyond for administrative expenses; 100% of the PI received must be returned to MSHDA within 7 days of receipt.

MORTGAGE SERVICING (CDBG ONLY)

If a recipient elects to have MSHDA assume mortgage servicing of their portfolio of liens associated with grants funded with FY 2014 funds and prior, contact your CD Specialist and ask to speak to CD's Mortgage Servicer.

MONITORING BY MSHDA

MSHDA will monitor the PI account on OPAL for compliance with this policy. Regardless of the amount of PI received all documentation supporting the receipt and expenditure of PI must be maintained by the grantee and available for review.

If you have questions, contact your CD Specialist at 517-373-1974.

Attachments

- A. OPAL PI Instructions
- B. CDBG PI Comparison Chart