

To: CDBG Recipients and Local Units of Government

From: CDBG Division

Effective date: June 4th, 2024

RE: CDBG Program Income

This Policy Notice outlines the requirements set by the Office of Community and Rural Affairs for implementing the Program Income Policy included in the 2023 & 2024 Action Plan submission for approval by the U.S. Department of Housing and Urban Development.

A. Applicability

These requirements apply to CDBG grantees who generate program income from a project funded by the OCRA's CDBG program(s).

B. Exemptions

The requirements outlined in Section B of this Policy Notice do not apply to the following:

- a) Housing-related grants made to applicants by the Indiana Housing & Community Development Authority (IHCDA), a separate agency, using CDBG funds allocated to IHCDA by OCRA.
- b) In accordance with 24 CFR 570.489(e)(2), program income does not cover funds generated by grantees and/or subrecipients from CDBG grants awarded by OCRA that are \$35,000 or less during a calendar year. In such cases, OCRA may allow local governments to keep the funding that doesn't exceed the \$35,000 threshold established by this policy.
- c) Program income generated by locally administered revolving loan funds to carry out specific activities. Grantees are not required to use the program income generated before drawing down grant funds awarded by OCRA for a different CDBG funded activities. However, program income in the revolving loan fund must be used before drawing down additional grant funds for other revolving fund activities in accordance with 24 CFR 570.489(f).
- d) Any interest earned, above the threshold in accordance 24 CFR 570.489(e)(2)(iv)(C), on a deposit of CDBG grant funds before disbursement of those funds for an eligible CDBG activity will be considered CDBG program income by OCRA. Interest earned should subsequently be used as a credit toward additional claims submitted, reducing the payment of a future claim by the amount of interest earned.

C. Program Income Generated by a Units of General Local Government

Program income generated by grantees and/or subrecipients from a CDBG grant(s) award must be returned to OCRA if such amounts are equal to or greater than \$35,000 per calendar year in accordance with 24 CFR 570.489. This income retains its CDBG federal identity per 24 CFR 570.489.

All obligations of CDBG program income by a grantee require prior approval by OCRA. This includes the use of program income as matching funds for CDBG-funded grants from IHCDA.

Applicable local governments must contact the CDBG Program Director for guidance on the use of program income before obligating program income funds to other activities. Local governments that have been approved to use their program income to fund at least one project in the previous twelve (12) months will be considered active. Local governments that have been inactive in using their program income are required to return their program income to OCRA.

The U.S Department of Treasury regulations require that CDBG program income cash on hand balances be expended on any active CDBG grant(s) being administered by a grantee before additional federal CDBG funds can be requested from OCRA. These regulations apply to projects funded both by IHCDA and OCRA.

Eligible applicants with CDBG program income should strive to close out all active grant projects presently being administered before seeking additional CDBG assistance from the OCRA or IHCDA.

D. Revolving Loan Fund Program Income by a Units of General Local Government.

The Program income collected as part of a locally established revolving loan fund is defined as the repayment of CDBG funds received by borrowers, including the principal and any interest earned, regardless of the amount collected.

If OCRA authorizes Units of General Local Government to create locally administered revolving loan funds for specific activities in line with 24 CFR 570.489 (f), the local revolving fund balances must be held in an interest-bearing account in accordance with 24 CFR 570.500(b).

Program income collected by grantees should only be maintained in a local revolving loan fund account for a short period of time before they are awarded back out to new local applicants. Units of General Local Government must ensure any revolving loan fund held are revolved in order for the account to be considered active by OCRA in accordance with 24 CFR 570.489(f).

It is OCRA's policy that grantees with local revolving loan funds must report on any program income earned and the revolving loan fund's activity on a quarterly basis. This report should be governed by guidelines provided by OCRA to its grantees in order to ensure the timely and proper reporting of any revolving loan fund program income generated.

Local governments who do not forgive loans issued as part of a CDBG program will continue to generate program income and must continue to report on in perpetuity on each loan made until all payments have been paid in-full, forgiven, or written off.

E. Transfer of Program Income Generated by Other HUD Funded Awards

At closeout of a U.S. Department of Housing and Urban Development funded award including, but not limited to, CDBG, CDBG Disaster Recovery (CDBG-DR), CDBG Cares Act (CDBG-CV), and the Neighborhood Stabilization Program (NSP), program income on hand or subsequently received by a grantee or subrecipient generated by that award may become program income of OCRA's CDBG formula grant program.

Grantees may transfer any amount of program income collected to OCRA. Program income generated by a grantee or its subrecipients that is transferred to OCRA continues to be subject to all CDBG requirements as outlined in 24 CFR 570.504(b)(3), even after closeout is achieved, until all program income is fully expended.

The transfer of program income generated by other HUD funded awards must comply with [CPD 14-02:Closeout Instructions for Community Development Block Grant \(CDBG\) Programs Grant](#). OCRA will assess the best use of any program income transferred to CDBG based on current needs and any applicable



HUD guidance. Grantees must maintain an inventory of acquired real property and equipment and must properly report any new program income generated as instructed by HUD.

Effective Date

This policy is effective as of June 4th, 2024, and will remain in effect until amended, superseded, or rescinded.