



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

OFFICE OF PUBLIC AND INDIAN HOUSING

NOTICE PIH 2025-01

SPECIAL ATTENTION OF

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

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This Notice is in effect until amended, suspended, or rescinded.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

3. DEFINITIONS

Program Income: As provided in 24 CFR § 1000.62, program income is defined as any income that is realized from the disbursement of grant funds. 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 income from fees for services performed from the use of real or rental of real or personal property acquired with grant funds, from the sale of commodities or items developed, acquired, etc. with grant funds, and from payments of principal and interest earned on grant funds prior to disbursement.

The IHBG regulations at 24 CFR § 1000.62(b) state that “[i]f the amount of income received in a single year by a recipient and all its subrecipients, which would otherwise be considered program income, does not exceed \$25,000, such funds may be retained but will not be considered or treated as program income.” Please note, however, that if more than \$25,000 is collected during a 12-month period, the first \$25,000 is also considered program income.

If program income is realized from an eligible activity funded with both grant funds as well as other funds (i.e., funds that are not grant funds), then the amount of program income realized will be based on a percentage calculation that represents the proportional share of funds provided for the activity generating the program income.

Costs incident to the generation of program income shall be deducted from gross income to determine program income.

Program income may be used for any housing or housing-related activity and is not subject to other Federal requirements (24 CFR § 1000.64). Interest earned on IHBG investments (investment program income) is subject to different rules as detailed in Section 5 below.

Housing Related Activities: For purposes of program income, Housing Related Activities is defined, consistent with the definition at 24 CFR 1000.10(b), as any facility, community building, infrastructure, business, program, or activity, including any community development or economic development activity that is determined by the recipient to be beneficial to the provision of housing in an Indian Area and meets at least one of the conditions identified in 24 CFR § 1000.10(b), *Housing related activities* (2)(i)-(iii).

Affordable Housing: Housing that complies with the requirements for affordable housing under Title II of NAHASDA.

Eligible Affordable Housing Activities: Activities identified in Section 202 of NAHASDA and are generally limited to the provision of assistance to low-income families.

Low-Income Families: Families whose income does not exceed 80 percent of the median income for the area or the national median income, whichever is greater.

Non-Low-Income Families: Families whose income exceeds 80 percent of the median income for the area or the national median income, whichever is greater.

4. USE OF PROGRAM INCOME

The IHBG regulations at 24 CFR § 1000.64 require recipients to use program income to carry out housing or housing-related activities.

Recipients must ensure compliance with all other administrative requirements related to the IHBG Program, including recording, reporting, financial management, and other requirements discussed in this Notice.

IHBG funds must not be used for ineligible purposes with the intention of reimbursing those costs later using program or non-program income. Additionally, program income **may not** be used to pay for the costs of prosecuting claims against the Federal Government, including appeals of final Federal agency decisions. Such costs are not housing-related activities.

The IHBG regulations at 24 CFR § 1000.26(a)(3) provide an exception to the general requirement in 2 CFR § 200.305(b)(5) (Federal payment) that recipients must spend their retained program income before drawing down additional grant funds. IHBG recipients are not required to expend retained program income before drawing IHBG funds from the Electronic Line of Credit Control System (*e*LOCCS) or expending IHBG funds. A recipient may retain any program income provided the program income will be used to carry out housing or housing-related activities in accordance with Section 104(a)(1) of NAHASDA.

5. INTEREST EARNED ON INVESTMENTS USING IHBG FUNDS

Pursuant to Section 204(b) of NAHASDA and 24 CFR § 1000.58(a), recipients that are approved to do so may invest IHBG funds, but only “for the purposes of carrying out affordable housing activities.” Therefore, interest earned on IHBG investments is not subject to the general rules governing program income. Notably, the interest earned is considered program income earned by the investment and must be used to carry out “affordable housing activities,” as that term is defined in Section 202 of NAHASDA, as opposed to “housing-related activities,” as that term is defined and used in Section 104 of NAHASDA or 24 CFR § 1000.10. Interest earned from the investment of IHBG funds remains subject to all Federal requirements applicable to the IHBG Program.

However, to the extent program income earned by the investment of IHBG funding in combination with program income earned from other sources does not exceed \$25,000, 24 CFR § 1000.62(b) applies. That is, these funds will not be considered program income, will be not subject to all Federal requirements applicable to the IHBG Program, and their expenditure is not limited to carrying out affordable housing activities. But if more than \$25,000 in this combined program income is collected during a 12-month period, all the income including the first \$25,000 is subject to the applicable requirements for program income and investment program income. For example, if a recipient at the end of the year has \$20,000 in program income earned from investments and \$6,000 in program income from other sources, 24 CFR § 1000.62(b) does not apply to any of the funds.

The regulations at 24 CFR § 1000.58(g) restrict the investment period to no longer than five years. Recipients are reminded that any interest earned on IHBG funds invested in violation of IHBG

Program requirements, including the 5-year maximum investment period, is unlawfully earned, and must be remitted to the U.S. Department of Health and Human Services Payment Management System, as provided in 2 CFR § 200.305(b). Instructions for such remittal are available at <https://pms.psc.gov/grant-recipients/returning-funds-interest.html> or can be obtained from your local Area ONAP.

In addition, investment activity must be reported quarterly. The recipient may choose to report its investment activity in 1 of 3 ways:

- 1) on Line 12 of the SF-425;
- 2) on a page attached to the SF-425; **or**
- 3) use the Investment Reporting Worksheet described below and include it with the submission of the SF-425.

Interest earned on investments is considered investment program income and to the extent that investment program income in combination with other earned program income exceeds the \$25,000 threshold of 24 CFR § 1000.62(b), it must also be included in the program income reported on the SF-425, lines 10 (l-o).

As noted above, the recipient may use the *Investment Reporting Worksheet* to detail its investment activity for the reporting quarter. If used, the recipient is to submit the completed worksheet when it submits the SF-425 to the Area ONAP. Click [Investment Reporting Worksheet](#) for a fillable copy or visit: https://www.hud.gov/sites/dfiles/PIH/documents/Investment_Reporting_Worksheet.xlsx

Finally, interest earned on investments is considered investment program income and to the extent that investment program income in combination with other earned program income exceeds the \$25,000 threshold of 24 CFR § 1000.62(b), it must also be included in the program income reported on the SF-425, Lines 10 (l-o).

6. HOUSING RELATED ACTIVITIES

In addition to the direct provision of housing, program income may be used for housing-related activities as defined at 24 CFR § 1000.10(b), *Housing related activities*. Housing-related activities, for the purposes of program income, include facilities, community buildings, infrastructure, businesses, programs, or activities, including any community development or economic development activities, that the recipient has determined will be beneficial to the provision of housing in a Tribal Area and that would meet at least one of the following conditions:

- A. Assist a Tribe or TDHE in reducing the cost of constructing Indian housing.
- B. Make housing more affordable, energy efficient, accessible, or practicable in a Tribal Area.
- C. Otherwise advance the purposes of NAHASDA.

7. EXAMPLES OF HOUSING-RELATED ACTIVITIES

The following are some examples of housing-related activities that may be carried out using IHBG program income:

- A. Assisting families to obtain housing.
- B. Development or support of a Tribally owned housing manufacturing business if this business would reduce the cost of constructing Indian housing and/or make housing more affordable, energy efficient, accessible, or practicable in the Indian area to be served. Conversely, a Tribally owned business that does not have any direct tie to the provision of housing such as a restaurant, convenience store, or gaming establishment may not be funded with program income.
- C. Construction of a community center that will house various services and/or resources aimed at advancing the economic conditions of affordable housing residents, such as career counseling, training, and/or job placement. This activity would otherwise advance the purposes of NAHASDA related to self-sufficiency.
- D. Retrofitting of a community center – accessible architectural features such as ramps, walkways, entrances, parking, signage, grab bars, bathroom and kitchen fixtures, and environmental controls; retrofitting existing residences to replace inaccessible features with accessible features; and reasonable modifications suited to the functional needs of individuals with disabilities.
- E. New construction, rehabilitation, acquisition, or subsidized rental or purchase of housing intended to decrease the isolation and increase the integration of individuals with disabilities.
- F. Off-site infrastructure related to housing development.
- G. Providing accessible housing services to resident families, including crime prevention and safety for residents.

8. THE SALE OF REAL PROPERTY, EQUIPMENT, AND SUPPLIES

The sale proceeds from the disposition of any housing unit are program income under NAHASDA and must be used in accordance with the requirements of NAHASDA and IHBG program regulations (24 CFR § 1000.134(c)).

In all cases in which equipment and supplies are sold, proceeds shall be program income (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.

10. ADDITIONAL INFORMATION

- Please see PIH Notice 2022-16 for applicable Total Development Cost (TDC) limits for use in calculating income for units funded after October 29, 2001.
- [Appendix A](#) contains questions and answers that further explain various aspects of the generation and use of program income under NAHASDA.
- [Appendix B](#) contains a detailed description of the program income calculation.
- [Appendix C](#) contains a listing of Allowable Expense Levels (AEL) and 46 percent of AEL by Tribe (for further information on AEL and when/how it is used to calculate program income, see Appendix B).

For further information, please contact your [Area Office of Native American Programs](#)¹.



Richard J. Monocchio
Principal Deputy Assistant Secretary
Public and Indian Housing

Attachments

¹ Please visit this web page for contact information for your area office of Native American programs:
<https://www.hud.gov/codetalk>

APPENDIX A: QUESTIONS AND ANSWERS

Q.1: What does program income in the IHBG Program include?

A.1: Program income includes the following. Please note that this list is not all-inclusive; therefore, other types of funds may also constitute Indian Housing Block Grant (IHBG) program income (24 CFR §§1000.62(a) and 1000.134).

- Income generated from the operation of 1937 Housing Act units assisted with IHBG funds if the income is attributed to IHBG (see Appendix B for details).
- Fees for services performed that were generated from the use of IHBG funds.
- Income from the use of real property acquired, constructed, or rehabilitated with IHBG funds that is owned by the recipient or sub-recipient.
- Income from the sale of commodities or items developed or acquired 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 or sub-recipient.
- Sale proceeds from the disposition of any formula current assisted stock or NAHASDA-assisted units owned by the recipient or sub-recipient. Note, however, the exception set forth below for proceeds from the sale of formula current assisted stock homeownership units developed under the 1937 Housing Act.
- 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.

Q.2: How may program income realized from the investment of IHBG funds be used?

A.2: Interest earned on the investment of IHBG funds may only be used for eligible affordable housing activities in accordance with 24 CFR §1000.58 and is subject to all IHBG Program requirements and other Federal requirements. However, to the extent program income realized from the investment of IHBG funds in combination with program income earned from other sources does not exceed \$25,000, 24 CFR § 1000.62(b) applies and the investment program income will not be program income or be subject to IHBG Program requirements and other Federal requirements. If more than \$25,000 in combined program income is collected during a 12-month period, all the income including the first \$25,000 is subject to the applicable requirements for program income or investment program income.

Q.3: What does program income not include?

A.3: Program income does not include the following. Please note that this is not an all-inclusive list.

- Any income realized from sources **other** than the disbursement or use of IHBG funds.
- Non-program income amounts calculated in accordance with Appendix B as it relates to amounts collected from IHBG-assisted 1937 Housing Act units owned by the recipient.

- Proceeds from the sale of 1937 Housing Act Mutual Help units available at the time that a unit is considered paid off pursuant to the terms of a Mutual Help and Occupancy Agreement (MHO) or replacement document unless the unit has been substantially rehabilitated using IHBG funding (see Appendix B for details).
- 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.
- Applicable credits as defined at 2 CFR § 200.406. This would include receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples include purchase discounts, rebates or allowances, recoveries, or indemnities on losses (insurance proceeds²), insurance refunds or rebates, adjustments of overpayments or erroneous charges, payments made for tenant-caused damage repaired using IHBG funds and fees charged to borrowers to recover IHBG funds used to pay the costs of issuing and servicing loans made with IHBG funds.
- Developer fees received in connection with Low-Income Housing Tax Credit (LIHTC) projects subject to the conditions in Section 104(a)(4) of NAHASDA.
- Interest earned on planning and administration reserve accounts established with IHBG funds.
- Interest earned on the investment of IHBG funds in violation of IHBG Program requirements, including interest earned on IHBG funds invested beyond the 5-year limitation established in 24 CFR § 1000.58(g). Interest earned on IHBG investments held beyond this timeframe must be remitted to the U.S. Department of Health and Human Services Payment Management System, as provided in 2 CFR § 200.305(b)(9). Instructions for such remittal are available at <https://pms.psc.gov/grant-recipients/returning-funds-interest.html> or can be obtained from your local Area ONAP.
- Income which would otherwise be considered program income if the total income received by a recipient and all its sub-recipients in a single program year does not exceed \$25,000 as provided by 24 CFR § 1000.62(b).

Q.4: Must a financial system be in place to track the receipt and use of program income?

A.4: Yes, all IHBG Program income received by itself or any of its sub-recipients and/or contractors on behalf of a recipient or sub-recipient must be adequately and appropriately accounted for. If a recipient declines to calculate program income, all income (net costs paid with the income and subject to the \$25,000 exclusion) would be considered program income.

Q.5: How does the \$25,000 exclusion apply if a TDHE is a recipient for more than one Tribe (an umbrella)?

A.5: The \$25,000 exclusion applies to each Indian Housing Plan (IHP) submitted. If a combined IHP is submitted, a single \$25,000 exclusion will apply. If multiple IHPs are submitted the \$25,000 exclusion will apply to each IHP submission.

² As is the case with all applicable credits to a Federal award, insurance proceeds must be treated like IHBG funds and used in accordance with NAHASDA requirements.

Q.6: Does the \$25,000 exclusion apply to a calendar, Federal fiscal, Tribal fiscal or Tribal program year?

A.6: The \$25,000 exclusion at 24 CFR § 1000.62(b) may apply to either a calendar, Federal fiscal, Tribal fiscal or Tribal program year. Tribes should make a choice based on their existing accounting systems.

Q.7: When do you recognize income realized from the disbursement or use of IHBG funds as program income?

A.7: You recognize program income when it is received and is available for expenditure.

Q.8: How is program income calculated?

A.8: See Appendix B.

Q.9: What effect does tenant accounts receivable have on program income?

A.9: None, program income is accounted for on a cash basis.

Q.10: May IHBG funds be used to reimburse program or non-program income used for NAHASDA eligible activities?

A.10: Yes, a recipient may reimburse itself with IHBG funds provided that the program or nonprogram income was used for eligible affordable housing activities under Title II of NAHASDA. Reimbursements of this nature should take place within the program year that the costs were incurred or reflected as a loan repayment on the IHP/APR Uses of Funding Table if the costs being reimbursed were incurred in a prior program year.

Q.11: If program income is expended on ineligible activities must it be reimbursed?

A.11: Yes, if program income is used for an activity that does not fall within the definition of *Housing Related Activities* (24 CFR § 1000.10) it must be reimbursed from a non-Federal source.

Q.12: When should pre-paid expenses, deferred charges, and deferred credits be considered in program income calculations?

A.12: Prepaid expenses, deferred charges, and deferred credits should not be considered in program income calculations until they are reflected as either income received or a cash outlay on the recipient's operating statements.

Q.13: How should program and non-program income be reflected on the financial statements?

A.13: Program income should be reflected as a "restricted asset", as is the case with proceeds from the sale of a NAHASDA-assisted units. Non-program income should be reflected as a "nonrestricted asset".

APPENDIX B: CALCULATING PROGRAM INCOME

Background

A regulation was needed for the treatment of income generated from the use or disbursement of IHBG funds under NAHASDA. Regulations were promulgated along with Notices and Guidance to address the use of program income and how it is calculated. In 1999, a seven-member workgroup consisting of four Tribal/Tribally Designated Housing Entities (TDHEs) and three HUD representatives developed the program income calculation described in this Appendix.

Tracking Program Income

Recipients and sub-recipients must track all income received that is generated from the disbursement or use of IHBG funds. All such income is potentially program income dependent on whether the total income realized (collected) during a program year exceeds the \$25,000 exemption described at 24 CFR § 1000.62(b). Please note that if more than \$25,000 is collected during a 12-month period, the first \$25,000 is also considered program income.

Program Income from Dwelling Units

Most program income is generated from the lease or sale of dwelling units. Common sources of program income generated from dwelling units include, but are not limited to:

- Rent or homebuyer payments collected on units constructed, acquired, and/or rehabilitated with IHBG funds that are owned by the recipient or its sub-recipient.
- Rents collected on units developed under the 1937 Housing Act that **have been substantially rehabilitated** with IHBG funds.
- A calculated portion of rents collected on units developed under the 1937 Housing Act that **have not been substantially rehabilitated** 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 rehabilitated** using IHBG funds.

Substantial Rehabilitation of 1937 Housing Act Units

A determination was made by the workgroup that, when IHBG-funded rehabilitation³ of a 1937 Housing Act unit reached a certain level, any future rent or, in the case of Mutual Help units, proceeds of sale collected on that unit, would be considered program income. To simplify administration and tracking, a surrogate was used to represent the cost of rehabilitation or capital expenses which equaled 40% of the Dwelling Construction and Equipment cost (DC&E) effective the date NAHASDA became effective (10/01/1997). These amounts, broken down by unit size (number of bedrooms), for each Indian Tribe are set forth in Appendix C of this Notice.

The 40-percent threshold is only a concept related to the calculation of program income and has no effect on determining Formula Current Assisted Stock (FCAS). Rehabilitation amounts are cumulative over the life of the IHBG Program.

³ Rehabilitation is commonly defined as work done on a unit that either appreciably increases the value of the property or extends its useful life. For instance, replacing all windows on a dwelling unit would be considered rehabilitation while the replacement of one window may be considered maintenance. Recipients are encouraged to adopt standards that clearly distinguish rehabilitation or modernization work from maintenance. See Notice CPD 16-02 for additional information.

Rental Unit Example: A one-bedroom unit has a 40-percent DC&E threshold of \$25,000 listed on Appendix C. This unit receives IHBG-funded rehabilitation in 2021 totaling \$15,000. In 2022 this unit receives additional IHBG-funded rehabilitation totaling another \$15,000. Because cumulative IHBG-funded rehabilitation (\$30,000) now exceeds 40% of the DC&E threshold established for this unit, all future rental payments collected on this unit will count toward program income on a dollar-for-dollar basis.

Mutual Help (MH) Example: In the MH Program, when IHBG is used for rehabilitation, the same calculation noted above for the rental program would apply. However, the recipient would not realize the program income until the unit is paid off. Therefore, if an MH unit has a 40% of DC&E threshold of \$35,000 and cumulative IHBG-funded rehabilitation amounts to \$40,000, then the proceeds of sale, if any, at the time the unit is paid off, will convert to program income.

If an MH unit is either not rehabilitated, or the HUD-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 revised Transition Notice published in the Federal Register on April 1, 1999 (64 FR 15778).

Excess MH Administration Fees:

If MH administration fees⁴ collected in a given calendar year exceed administration costs incurred by the recipient to operate its program, the excess funds would be considered program income.

Program Income Generated from the Operation of 1937 Housing Act Rental Units:

To determine how much program income is generated from the use of IHBG funds to operate and maintain 1937 Housing Act rental units, the amount of income received from such units before the date of enactment of NAHASDA (10/01/97) must be considered. Instead of tracking the actual amount received from 1937 Housing Act rental units, a surrogate (amount) was established that reflected the national average of rents received for 1937 Housing Act units in the last year of the program. For 1937 Housing Act rental units, the surrogate is 46% of the Allowable Expense Level (AEL). The AEL and 46% of the AEL for each Indian Tribe can be found in Appendix C of this Notice. The AEL is defined at 24 CFR § 1000.302.

Program income is the amount of total income received for a rental project identified as FCAS on the Tribe's Formula Response Form **that exceeds** 46-percent of the per unit AEL times the number of units in the project. The calculation may be done monthly or annually. This calculation only applies to those 1937 Housing Act rental units that **have not been substantially rehabilitated** with IHBG funds. Once a 1937 Housing Act rental unit is substantially rehabilitated with IHBG funds, all future rent collected on that unit is considered program income and the unit is no longer included in the calculations described below. The following are examples of how to properly calculate program income generated from the operation of 1937 Housing Act rental units assisted under the IHBG Program.

Example Number 1: An IHBG recipient is managing 446 FCAS rental units and is using IHBG funds to operate and maintain those units. None of the units have been substantially rehabilitated

⁴ MH administration fees are generally flat monthly charges that are applied toward insurance premiums and other overhead expenses incurred by the recipient to manage the MH program.

with IHBG funds. The appropriate per unit AEL for this recipient is \$166 from Appendix C and 46 percent of this amount is \$76. To determine the AEL program income exclusion, the recipient must multiply the total number of units by the number of months that the units were operated and/or maintained and then by 46 percent of the AEL. Once the exclusion is established it is compared with actual rent collections to determine whether any program income was generated from the operation and/or maintenance of FCAS rental units. For this example, the recipient collected \$418,752 in rent from FCAS units.

Total Rental Units 446 x 12 Months in Program Year (PY) = 5352 Unit Months

\$76 (46% of AEL) x 5352 Unit Months = \$406,752 Annual Rental Income Exclusion for PY

Total Unit Months	46% of AEL	Rental Income Exclusion
5352	\$76	\$406,752

\$418,752 Rental Income Collected - \$406,752 PY Rental Income Exclusion = \$12,000 Program Income Generated

FCAS Rent Collections	Rental Income Exclusion	FCAS Program Income	FCAS Non-Program Income
\$418,752 ⁵	\$406,752	\$12,000 ⁶	\$406,752

Example Number 2: The same IHBG recipient is now calculating program income for the next PY on its FCAS rental units. During the previous year 6 of the FCAS rental units were substantially rehabilitated with IHBG funds and, therefore, have been removed from the calculation. This PY the recipient collected \$380,280 (net income) from its FCAS rental units.

Total Rental Units 440 x 12 Months in Program Year (PY) = 5280 Unit Months

\$76 (46% of AEL) x 5280 Unit Months = \$401,280 Annual Rental Income Exclusion for PY

Total Unit Months	46% of AEL	Rental Income Exclusion
5280	\$76	\$401,280

\$380,280 Rental Income Collected - \$401,280 PY Rental Income Exclusion = \$0 Program Income Generated

FCAS Rent Collections	Rental Income Exclusion	FCAS Program Income	FCAS Non-Program Income
\$380,280	\$401,280	\$0	\$380,280

⁵ This amount reflects net collections. Rent used by the recipient to operate and/or maintain the units should have already been deducted.

⁶ This amount may convert to non-program income if program income from all sources for the PY does not exceed \$25,000. See the answer to Question 3 in Appendix A.