



OFFICE OF COMMUNITY PLANNING  
AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

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**Special Attention of:**

All CPD Division Directors

HUD Field Offices

HUD Regional Offices

Grantees and Program Managers of the following Community Planning and Development (CPD) programs: Formula Community Development Block Grant (Entitlement CDBG, State CDBG, Non-entitlement CDBG Grants in Hawaii, and Insular Area CDBG); Community Development Block Grant CARES Act (CDBG-CV); CDBG Disaster Recovery (CDBG-DR); CDBG Mitigation (CDBG-MIT); CDBG National Disaster Resilience (CDBG-NDR); Neighborhood Stabilization Program (NSP); Recovery Housing Program (RHP); Section 108 Loan Guarantee Program (Section 108)

**Notice: CPD-22-14**

**Issued: December 8, 2022**

Expires: **This NOTICE is effective until it is amended, superseded, or rescinded.**

Cross Reference: 2 CFR part 200, 24 CFR part 570, and 24 CFR part 91

Replaces CPD Notice 14-02

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Subject: Closeout Instructions for Community Development Block Grant (CDBG) Programs

### Summary of Key Changes from Notice CPD 14-02

- Revises policy for Entitlement CDBG grantees to require closeout of all grants
- Incorporates Recovery Housing Program and CDBG CARES Act closeout requirements
- Clarifies requirements for grants with insufficient documentation
- Allows for closeout of multiple grants with single closeout agreement
- Removes the requirement for CPD field offices to submit a closeout checklist

## I. Purpose

This Notice replaces Notice CPD 14-02 and provides policy guidance and procedural instructions for CPD field offices and State and Entitlement grantees, Insular Areas, and Non-Entitlement counties in Hawaii on how to close out the following grants and loan guarantees authorized under the Housing and Community Development Act of 1974: annual formula Community Development Block Grant (CDBG); Section 108 Loan Guarantee program; Community Development Block Grant-Disaster Recovery (CDBG-DR);<sup>1</sup> Community Development Block Grant-Mitigation (CDBG-MIT); Community Development Block Grant-National Disaster Resilience (CDBG-NDR); CDBG CARES Act (CDBG-CV); Neighborhood Stabilization Program (NSP) 1, 2, and 3; and Recovery Housing Program (RHP).

Grant closeout is a process that occurs when HUD determines that a grantee completes all applicable administrative and program requirements of a grant or loan guarantee. This Notice explains the readiness determination, criteria, and instructions for grant closeouts for all CDBG programs. For each grant or loan guarantee, grantees and the appropriate CPD staff must review the applicable regulations, *Federal Register* notices, and waivers, alternative requirements, and suspensions to confirm the closeout requirements (e.g., administrative, planning, public services, affordable rental housing, or other limitation or set-asides). Closeout requirements in 24 CFR 570.509 apply to grants for all Entitlement grantees, Non-Entitlement counties in Hawaii, and Insular Areas (excluding CDBG-CV grants); the requirements of 2 CFR 200.344 apply to grants for state grantees and all CDBG-CV grants. The respective *Federal Register* notices may revise those regulatory requirements for CDBG-DR, CDBG-MIT, CDBG-NDR, NSP,<sup>2</sup> and RHP<sup>3</sup> grants (see Table 1).

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<sup>1</sup> CDBG-DR grants managed by HUD Headquarters are maintained by the Office of Block Grant Assistance's Disaster Recovery & Special Issues (DRSI) Division. For the purpose of this notice, DRSI is considered the Field Office for those grants managed by DRSI.

<sup>2</sup> The *Notice of Neighborhood Stabilization Program; Closeout Requirements and Recapture* (77 FR 70799, November 27, 2012) ("NSP Closeout Notice") modifies closeout requirements based on 24 CFR 570.509 to all NSP grants, including those to states and non-profit entities.

<sup>3</sup> The requirements of 2 CFR 200.344 apply to the District of Columbia's RHP grant, pursuant to *Notice of FY2020 Allocations, Waivers, and Alternative Requirements for the Pilot Recovery Housing Program* (85 FR 75361, November 25, 2020) ("RHP Notice").

<b>Table 1 – Application of Closeout Requirements</b>		
	<b>Entitlements/Insular Areas/ Non-Entitlement counties in Hawaii</b>	<b>States</b>
<b>Annual formula</b>	24 CFR 570.509	2 CFR 200.344
<b>CDBG-DR/ MIT/NDR</b>	24 CFR 570.509, as may be modified by waivers and alternative requirements in applicable <i>Federal Register</i> Notices	2 CFR 570.489(o), as may be modified by waivers and alternative requirements in applicable <i>Federal Register</i> Notices
<b>CDBG-CV</b>	2 CFR 200.344	2 CFR 200.344
<b>NSP</b>	77 FR 70799, as amended by 81 FR 38730 and 84 FR 48165	77 FR 70799, as amended by 81 FR 38730 and 84 FR 48165
<b>RHP</b>	85 FR 75361, as amended by 86 FR 38496	85 FR 75361, as amended by 86 FR 38496

Consistent with the interim final rule, “Changes to Accounting Requirements for the Community Development Block Grants (CDBG) Program,” 80 FR 69864, all CDBG grantees will now close out each grant, as provided in this Notice. This requirement replaces CPD’s prior policy, referenced in CPD Notice 14-02, that provided limited circumstances when an Entitlement CDBG grantee would close its grants.

## **II. Determining Readiness for Closeout**

The Office of Block Grant Assistance (OBGA) will review the Integrated Disbursement and Information System (IDIS), Disaster Recovery Grant Reporting (DRGR), and Section 108 systems periodically to identify grants or loan guarantees potentially ready for closeout. For example, information on grant and loan balances and the status of funded activities, in conjunction with other information, may indicate that a grant or loan guarantee is ready for closeout. Pursuant to the National Defense Authorization Act of 1991 (31 U.S.C. § 1552) (“NDAA”) and HUD’s typical statutory obligation period for CDBG grants, a grantee has until the end of the eighth Federal fiscal year after Congress appropriates the funds to expend its annual grant (unless otherwise specified in the grant agreement or published program guidance). The calculation of this period for grants includes the year of the allocation. For example, unexpended funds in the grantee’s line of credit for the 2016 allocation will be recaptured by the Treasury at the end of Federal fiscal year 2023. (For grants pursuant to this Notice, the year of allocation is indicated by the digits following the “B” in the grant number.) Grants and Section 108 loan guarantees not subject to the NDAA may have a longer period of availability for expenditures.

Grantees and CPD field offices may also identify grants potentially ready for closeout on an ongoing basis. Grantees may submit closeout documentation for any grant, at any time, regardless of whether HUD has identified a grant as ready for closeout.

### **III. Closeout Criteria**

#### **A. Annual Formula Grants for Entitlement Grantees, Insular Areas, and Non-Entitlement Counties in Hawaii**

Pursuant to 24 CFR 570.509, HUD will deem an annual formula grant to an Entitlement grantee, Insular Area, or Non-Entitlement county in Hawaii ready for closeout when the following criteria have been met:

1. All costs to be paid with CDBG funds from a given origin year's grant have been expended and drawn down, with the exception of closeout costs (e.g., audit costs) and costs resulting from contingent liabilities described in the closeout agreement pursuant to (number 3) of this section. Contingent liabilities include, but are not limited to, third-party claims against the recipient, as well as related administrative costs.
2. All activities for which funds were expended from the origin year grant are physically completed, are eligible, have met a national objective under 24 CFR 570.208, and the grantee has reported on all accomplishments resulting from the activity.
3. A final performance and expenditure report for completed activities has been submitted to HUD pursuant to 24 CFR 91.520, and HUD has determined the report is satisfactory.
4. All program income received by the grantee during the grantee program year associated with the origin year grant has been expended, or identified in a more recent program year's Action Plan pursuant to 24 CFR 91.220(1).
5. For origin year 2015 grants and subsequent grants, the grantee has expended no more than 20 percent of the origin year grant for planning and program administrative costs, under 24 CFR 570.200(g)(1).
6. Other responsibilities of the grantee under the grant agreement and applicable laws and regulations appear to have been carried out satisfactorily or there is no further Federal interest in keeping the grant agreement open for the purpose of securing performance.

#### **B. Annual Formula Grants for State Grantees and all CDBG-CV and RHP Grants**

HUD will deem an annual formula grant to a state grantee or any CDBG-CV or RHP grant ready for closeout when the following criteria have been met:

1. The grantee determined that all completed activities were eligible and met a national objective.
2. For an annual formula CDBG grant, the state disbursed funds to units of general local governments (UGLGs), the UGLGs expended all CDBG funds included in

the method of distribution, and the state has closed out all the subawards to UGLGs under the grant.<sup>4</sup>

3. For an RHP grant, for any funds disbursed to UGLGs or subrecipients, the UGLGs or subrecipients expended all RHP funds, and the state has closed out all the subawards to UGLGs and subrecipients under the grant.
4. For a state CDBG-CV grantee, the state disbursed at least a portion of funds to units of general local governments (UGLGs), the UGLGs expended those CDBG-CV funds included in the method of distribution, and the state has closed out all the subawards to UGLGs under the grant.<sup>5</sup>
5. For an RHP grant, the grantee has expended all funds within the period of performance established by the RHP grant agreement. The RHP grant period of performance begins on the date the grant agreement authorizes the grantee to begin to use RHP funds and ends on September 1 of the seventh Federal fiscal year from the fiscal year of the appropriation.
6. For an annual formula CDBG grant, the CPD field office confirmed that public services expenses did not exceed 15 percent; planning and administration expenses did not exceed 20 percent; administrative costs and technical assistance (TA) expenses did not exceed the 3 percent combined threshold for CDBG funds received after January 23, 2004 (or the regulatory amounts for administration for grants before January 23, 2004); and the state met the required match for administration.
7. There are no open audit(s) of any funds in the grant, and the closeout agreement must require the grantee to repay HUD the amount of any costs not allowed by subsequent audits or HUD's reviews (see Section V. below).
8. For state CDBG-CV grantees that carried out activities directly through subrecipients, the subrecipients have expended all CDBG-CV funds in accordance with program requirements, and the State has closed out all subawards to subrecipients under the grant.

### **C. CDBG-DR, CDBG-MIT, and CDBG-NDR Grants**

HUD will determine that a grant is ready for closeout when the criteria at 24 CFR 570.509 and 24 CFR 570.489(o), as modified by waivers and alternative requirements in applicable *Federal Register* Notices, have been met (for grants subject to 570.509, this determination will be made in consultation with the recipient). Generally, this means HUD will

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<sup>4</sup> See 24 CFR 570.489(i) Closeout of grant to units of local government.

<sup>5</sup> Pursuant to Section III.B.6.(b)(i) of *Notice of Program Rules, Waivers, and Alternative Requirements Under the CARES Act for Community Development Block Grant Program Coronavirus Response Grants, Fiscal Year 2019 and 2020 Community Development Block Grants, and for Other Formula Programs* (85 FR 51457, August 20, 2020), a state must set aside a portion of its grant for use by non-entitlement UGLGLs. The non-entitlement set aside must be no less than an amount equal to the state's first CDBG-CV allocation and may be from any portion of the state's additional CDBG-CV allocation.

determine a CDBG-DR, CDBG-MIT, or CDBG-NDR grant ready for closeout when the following criteria have been met:

1. The grantee has completed all activities and determined that all CDBG-DR-, CDBG-MIT-, or CDBG-NDR-funded activities were for an allowable disaster or mitigation related purpose and are eligible and met a national objective (except administration and planning activities), and the grantee determined that the grant complied with the requirement for overall benefit to low- and moderate-income persons.
2. The grantee has expended all grant funds (with the exception of closeout costs (e.g., audit costs) and costs resulting from contingent liabilities), the expenditure deadline or period of performance has passed, or the grantee has agreed to de-obligate any unused grant funds.
3. For CDBG-DR, CDBG-MIT, and CDBG-NDR grants, the CPD field office confirmed that the public services expenses did not exceed 15 percent and planning and administration expenses did not exceed 20 percent unless otherwise waived via a Federal Register notice. The appropriate HUD staff must review the applicable *Federal Register* notices and any other waivers to determine the administrative, planning, public service, affordable rental housing, or other limitations or set asides that apply to the specific grant. Expenditures must not exceed the permitted amounts.
4. The grantee has completed and submitted all reporting requirements (except for the final report that is submitted during the closeout process).
5. There are no open audit(s) of any funds in the grant and the closeout agreement must require the grantee to repay HUD the amount of any costs not allowed by subsequent audits or HUD's reviews.

#### **D. NSP Grants**

Pursuant to the NSP Closeout Notice, HUD will deem a NSP grant ready for closeout when the following criteria have been met:

1. All costs to be paid with NSP funds have been incurred, with the exception of closeout costs (e.g., audit costs) and costs resulting from contingent liabilities described in the closeout agreement. Contingent liabilities include, but are not limited to, third-party claims against the grantee, as well as related administrative costs.
2. With respect to activities (such as rehabilitation of privately owned properties) which are financed by means of escrow accounts, loan guarantees, or similar mechanisms, the work to be assisted with NSP funds (but excluding program income) has actually been completed.

3. That not less than 25 percent of the grantee's NSP grant (initial allocation plus any program income) was expended to house individuals or families whose incomes do not exceed 50 percent of area median income.
4. Other responsibilities of the grantee under the grant agreement and applicable laws and regulations appear to have been carried out satisfactorily or there is no further Federal interest in keeping the grant agreement open for the purpose of securing performance.

#### **E. Section 108 Loan Guarantees**

Each Section 108 Loan Guarantee is subject to the terms and conditions of a grant agreement for an annual grant awarded to the recipient of a Section 108 loan guarantee commitment. Additionally, each Section 108 borrower is subject to a Contract for Loan Guarantee Assistance Under Section 108 of the Housing and Community Development Act of 1974, as amended 42 U.S.C. §5309 ("Section 108 Contract"). (Note that although the actual borrower under a Section 108 guarantee could be a designated public agency, the grantee/Section 108 recipient is still responsible for compliance with any closeout requirement.) Therefore, the closeout of the grant whose grant agreement terms and conditions apply to a Section 108 Loan Guarantee cannot occur until the Section 108 Loan Guarantee has met certain programmatic and contractual conditions, as set forth below.

HUD will consider such a grant ready for closeout when, in addition to requirements in sections III.A. or B. above, the Section 108 Loan Guarantee has met the following conditions:

1. All costs to be paid with guaranteed loan funds have been expended and drawn down, with the exception of costs resulting from contingent liabilities described in the Closeout Agreement. Contingent liabilities include, but are not limited to, third-party claims against the Borrower, as well as related administrative costs. (Note: Borrowers with contingent liabilities should consult the Headquarters CPD Financial Management Division to determine how best to manage these liabilities.)
2. All activities for which guaranteed loan funds were expended are physically completed, are eligible, have met a national objective under 24 CFR 570.208, and the grantee has reported on all accomplishments resulting from the activity.
3. All undisbursed program income received by the Section 108 Borrower has been deposited in the Section 108 Loan Repayment Account (or the related Investment Account).
4. The work to be assisted with the guaranteed loan funds for activities (such as rehabilitation of privately-owned properties) financed by means of escrow accounts, or similar mechanisms, has been completed.
5. Other responsibilities of the Section 108 Borrower under the grant agreement, applicable laws and regulations, and the Section 108 Contract, all appear to be being carried out satisfactorily, or there is no further Federal interest in keeping the grant agreement open for the purpose of securing performance; provided, however, the

Section 108 Contract shall remain in effect until all obligations of the Section 108 Borrower (and grantee, if different than the Section 108 Borrower) have been performed satisfactorily. Note that an amendment to the Section 108 Contract may be required if the closeout process discloses the need to modify any of terms and conditions specified therein (e.g., the Section 108 Contract's provisions on collateral security). In such case HUD will prepare the amendment and forward it to the Section 108 Borrower (and grantee, if different than the Section 108 Borrower) for execution.

#### **IV. Closeout Process**

##### **A. Grantee Submission**

The closeout agreement<sup>6</sup> will identify the grant(s) being closed out. The Grantee will submit the following documents to HUD within the period as required by 24 CFR 91.520(a) (or for CDBG-DR, as may be modified by waivers and alternative requirements) and as promptly to allow HUD to complete closeout actions no later than one year after the end of the period of performance, as required by 2 CFR 200.344(g):

1. Closeout agreement, which will identify the grant(s) being closed out, signed by the grantee;
2. For annual formula grants whose grant agreement terms and conditions apply to a Section 108 loan guarantee, the Section 108 Contract and any amendments thereto;
3. If closing a grant with a remaining balance, include Form HUD-7082 or CDBG-DR, CDBG-MIT or CDBG-NDR Agreement, as applicable, for deobligation of any unused funds (as prepared by HUD). The amount of funds HUD will recapture is indicated in Box 11c of Form HUD-7082; and either a:
  - a. Federal Financial Report SF-425 (Appendix 6) (Entitlements, Insular Areas, and Non-Entitlement counties in Hawaii and CDBG-DR, CDBG-MIT, and CDBG-NDR); OR
  - b. Final Performance and Evaluation Report (PER), pursuant to 24 CFR 91.520, including the State PER IDIS Report PR28 Financial Summary for the annual formula or CDBG-CV grant (states only; see Notice CPD 21-11 for more details). For annual formula grants to States, the PR28 will confirm whether the state was in compliance with the 70 percent low- and moderate-income requirement over the period specified by the state; OR

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<sup>6</sup> [HUD Form 40152 \(States\)](#), [HUD Form 40164 \(CDBG-DR, CDBG-MIT, CDBG-NDR\)](#), [HUD Form 40180 \(NSP\)](#), [HUD Form 40158 \(Entitlements, Insular Areas, Non-entitled Counties in Hawaii\)](#)



- c. Final Performance Report submitted in DRGR (for CDBG-DR, CDBG-MIT, CDBG-NDR, RHP, and NSP grantees). For RHP grantees, this is an annual performance report (APR); for the other types of grants, this is a performance report. This report includes an SF-425 (see Table 2).

<b>Table 2 – Required Documents for Grantee Submission</b>		
	<b>Entitlements/Insular Areas/ Non-Entitlement counties in Hawaii</b>	<b>States</b>
<b>Annual formula</b>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082, if applicable</li> <li>3. SF-425</li> </ol>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082, if applicable</li> <li>3. Final PER, including PR28</li> </ol>
<b>Section 108</b>	<ol style="list-style-type: none"> <li>1. Closeout Agreement for annual formula grant</li> <li>2. Amendment to Section 108 Contract, if necessary as described in Section III.E.5.</li> <li>3. SF-425</li> </ol>	<ol style="list-style-type: none"> <li>1. Closeout Agreement for annual formula grant</li> <li>2. Amendment to Section 108 Contract, if necessary as described in Section III.E.5.</li> <li>3. Final PER, including PR28</li> </ol>
<b>CDBG-DR/ MIT/NDR</b>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082 or CDBG-DR/MIT/NDR Agreement (as applicable)</li> <li>3. Final performance report, including SF-425</li> </ol>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082 or CDBG-DR/MIT/NDR Agreement (as applicable)</li> <li>3. Final performance report, including SF-425</li> </ol>
<b>CDBG-CV</b>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082, if applicable</li> <li>3. SF-425</li> </ol>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082, if applicable</li> <li>3. Final PER, including PR28</li> </ol>
<b>NSP</b>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082, if applicable</li> <li>3. Final performance report, including SF-425</li> </ol>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082, if applicable</li> <li>3. Final performance report, including SF-425</li> </ol>
<b>RHP</b>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082, if applicable</li> <li>3. Final APR, including SF-425</li> </ol>	<ol style="list-style-type: none"> <li>1. Closeout Agreement</li> <li>2. HUD-7082, if applicable</li> <li>3. Final APR, including SF-425</li> </ol>

**B. Grantee Submission – Alternative Submission Requirements for Bulk Closeouts and if Missing Documents**

For certain annual formula grants, particularly pre-IDIS grants, grantees may lack the necessary records to meet the criteria in Section III and submission requirements in Section IV.A. as required above. However, HUD has determined that modified criteria and submission requirements for those grants are warranted because there may be no federal interest in keeping the grants open. As indicated above, OBGAs will assist in this process by reviewing IDIS and DRGR to identify grants (individually or in bulk) that are potentially ready for closeout and inform CPD field offices.

In such circumstances, and in lieu of a final SF-425 or PER, a grantee may certify that to the best of its knowledge it has met all requirements of the grant and that there is no evidence that the grantee did not comply with program requirements. Grantees may certify for multiple grants. Also, a grantee may use a single closeout agreement to close out multiple grants by attaching and referencing a list of grants to the closeout agreement.

## **C. HUD Review**

To ensure that the grant or loan guarantee meets the closeout criteria, the CPD field office (or HUD headquarters, for grants or loan guarantees that OBGA oversees directly) reviews the closeout documents submitted by the grantee against the following HUD files and systems:

1. **Financial Summary.** Review the applicable financial report(s) (see Section IV.A.).
2. **Line of Credit.** Check to determine if the grantee has any remaining funds in the line of credit. HUD will cancel any remaining funds when it closes the grant.
3. **Audit Reports and Monitoring Letters.** Review files to determine if there are any unresolved monitorings and/or audit findings.

The CPD field office must review the submitted documents and determine whether the grant meets the closeout criteria. The CPD field office does not need to use a closeout checklist (HUD Form 40161) to review the submitted documents. In CPD Notice 14-02 (replaced by this notice), several CPD programs required a closeout checklist to be part of the closeout package. OBGA recognizes, however, that the closeout checklist is only a tool for ensuring that the criteria for grant closeout have been met. Therefore, submission of a grant closeout checklist as part of a closeout package is optional. If a grantee has not submitted all required documentation to complete the closeout, or the information is incomplete, the CPD field office notifies the grantee in writing and requests the necessary documentation or revisions needed to continue the closeout process.

If the CPD field office determines that the grant meets the closeout criteria, it will execute the closeout agreement. The grant shall close on the date that the HUD executes the closeout agreement. The CPD field office will forward the closeout agreement and Form HUD-7082 (if HUD is de-obligating funds) to the HUD Fort Worth Accounting Center, and if applicable, a certification as permitted by Section IV.B. of this Notice. The HUD Fort Worth Accounting Center will cancel any unused portion of the grant. The CPD field office will retain for its records the final SF-425, PER, or final performance report (as applicable), and a copy of the closeout agreement. This Notice contains an updated version of the Form HUD-7082 (<https://www.hud.gov/sites/dfiles/OCHCO/documents/7082.pdf>).

OBGA will provide further operating instructions and training to CPD field offices on the specific steps to complete the grant closeout process.

## **V. Post-Closeout Requirements**

### **A. Audits and Monitoring**

Grantees and subrecipients of all grants covered by this Notice that expend \$750,000 or more in a year in Federal awards must have a Single Audit or program-specific audit conducted in accordance with 2 CFR part 200 subpart F. If a grantee or subrecipient expends less than \$750,000 per year in federal awards, it is exempt from subpart F audit requirements for that

year; however, HUD recommends the grantee or subrecipient extensively review its own files to ensure compliance with grant requirements. Grantee and subrecipient must make records available for review or audit by officials of HUD, the grantee, and the GAO.

By signing a grant agreement, a grantee agrees to the general and special conditions of the contract and to cooperate with any reviews, including making available records requested by HUD or any other duly authorized representatives (e.g., the Government Accountability Office (GAO) and the HUD Office of the Inspector General (OIG)). As noted in Section III: (1) HUD cannot close a grant that has open monitoring or audit findings affecting the grant until all monitoring or audit findings have been resolved; and (2) any costs paid with funds from any grant covered by this Notice which were not audited previously shall be subject to coverage in the grantee's next single audit performed in accordance with subpart F. HUD may require the grantee to repay HUD any disallowed costs based on the results of the audit and/or additional HUD monitoring reviews conducted per the closeout agreement.

## **B. Recordkeeping Requirements**

### **1. Annual Formula, CDBG-CV, and RHP Grants for Entitlement Grantees, Insular Areas, and Non-Entitlement Counties in Hawaii**

Entitlement CDBG regulations for recordkeeping responsibilities are found at 24 CFR part 570 subpart J and modify 2 CFR part 200 requirements. The regulations require grantees to generally retain records for four years from the date of the execution of the closeout agreement for a grant, unless otherwise specified in 24 CFR subparts J or K or 2 CFR part 200. Grantees should retain records that are the subject of investigation, audit, or review until the reviews are completed to allow HUD to complete its oversight functions. CDBG-CV and RHP recordkeeping requirements may be modified by waivers and alternative requirements in applicable *Federal Register* notice.

### **2. Annual Formula, CDBG-CV, and RHP Grants for State Grantees**

State CDBG regulations for recordkeeping responsibilities at 24 CFR 570.490(d) require states and UGLGs to retain records for the greater of three years from the time of closeout of HUD's grant to the State or for the period provided in the CDBG regulations at 24 CFR 570.487 (other applicable laws and program requirements) and 24 CFR 570.488 (displacement, relocation, etc.), or for five years after the completion of a CDBG-funded project pursuant to 42 U.S.C. 12707(a)(4), whichever may be longer. Grantees must keep records involving acquisition and improvement of real property outlined in 570.489(j)(2) for five years after closeout of the local government's grant, to the extent this period exceeds the three-year requirement outlined at 24 CFR 570.490(d). Grantees should retain records that are the subject of investigation, audit, or review until the reviews are completed to allow HUD to complete its oversight functions. CDBG-CV and RHP recordkeeping requirements may be modified by the applicable *Federal Register* notice.

HUD recommends that states and state recipients retain all applicable documents for five years after closeout of the grant to the state to ensure that the grant has met all applicable record retention requirements.

### **3. CDBG-DR, CDBG-MIT, and CDBG-NDR Grants**

Unless provided otherwise in an applicable *Federal Register* notice, CDBG-DR, CDBG-MIT, and CDBG-NDR grantees must follow the recordkeeping requirements outlined at 24 CFR 570.490 (state grantees) or 24 CFR 570.506 (Entitlement grantees).

CDBG-DR, CDBG-MIT and CDBG-NDR grantees should maintain files documenting its certifications, the eligibility and national objective classification for each funded activity, and all financial records in accordance with the record retention provision. Each grantee should also maintain files documenting its compliance with the unique requirements applicable to CDBG-DR, CDBG-MIT, or CDBG-NDR supplemental funds.

If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

### **4. NSP Grants**

NSP grants have similar record retention requirements as annual formula grants. However, NSP has different national objective requirements that affect recordkeeping and reporting after closeout. The NSP authorizing statute, the Housing and Economic Recovery Act (HERA) of 2008, charged the Secretary with ensuring NSP-assisted units remain affordable for as long as feasible. HUD implemented this requirement by making the long-term affordability requirements of the HOME program, set forth in 24 CFR 92.252(e) and 92.254(a)(4), as the safe harbor for NSP grantees. This means that a NSP unit has to stay affordable at least as long as a HOME unit, given a similar level of assistance or investment by the grantee. HUD monitors compliance with continuing affordability requirements by requiring grantees to submit an annual performance report in DRGR after closeout. Grants that are still subject to these requirements are marked in DRGR with a grant status of “Closed with Ongoing Reporting.” A NSP-assisted unit can change ownership during the affordability period, but agreements must be in place to secure continued affordability or the full amount of grant assistance for the unit must be repaid, and HUD may take other corrective actions. Please see the NSP Closeout Notice for specific requirements on continued affordability and other recordkeeping requirements.

### **C. Real Property and Equipment**

Real property or equipment acquired or improved with CDBG funds held by a recipient, subrecipient, or UGLG after closeout remain subject to respective program requirements. For Entitlement Grantees, Insular Areas, and Non-Entitlement Counties in Hawaii, 24 CFR 570.505 provides limitations on use until five years after the closeout of the grant from which assistance to the property was provided. Similar requirements at 24 CFR 570.489(j) apply to State grantees, including for RHP and CDBG-CV grants (state grantees should note modifications in the respective notices for those grants apply when states carry out activities directly). NSP grantees are subject to requirements in the NSP Closeout Notice, which modifies requirements at 24 CFR 570.505 and provides requirements for properties held in land banks, continuing affordability requirements, and a management plan for enforcing continuing affordability requirements.

**FOR FURTHER INFORMATION CONTACT:** Either contact your CPD Field office or Jessie Handforth Kome, Director, Office of Block Grant Assistance, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 7282, Washington, DC 20410, telephone number 202-708-3587 or via email at [jessie.handforth.kome@hud.gov](mailto:jessie.handforth.kome@hud.gov). Persons with hearing or speech impairments may access this number via TTY by calling the Federal Information Relay Service at 800-877-8339. FAX inquiries may be sent to Ms. Handforth Kome at 202-401-2044. (Except for the “800” number, these telephone numbers are not toll-free.)