

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 is 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.

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 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 proceeds¹), 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 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 returned to HUD.
- 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.

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.

¹ 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.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.

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 non-program 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 "non-restricted asset".