



ASSISTANT SECRETARY FOR
PUBLIC AND INDIAN HOUSING

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

Special Attention of:
Public Housing Agencies
Public Housing Directors
Regional Public Housing Directors
Resident Management Corporations

Notice PIH 2025-20

Issued: July 9, 2025

Expires: This notice remains in effect until amended, superseded, or rescinded.

Cross References

Notices: PIH 2020-23; 2017-24; 2019-13

Regulations: 24 CFR part 990; 24 CFR 990.110; 24 CFR 990.115; 24 CFR 905.108; 24 CFR part 906; 24 CFR 990.325; 2 CFR 200.1; 2 CFR 200.208; 2 CFR 200.313-314; 2 CFR 200.334; 2 CFR 200.339; 2 CFR 200.328; 2 CFR 200.307; 2 CFR 200.472(b); 2 CFR 200.344; 2 CFR 200.344(c); 2 CFR 200.344(e); 2 CFR 200.302(b)(3); 2 CFR 200.302(b)(4); 2 CFR 200.345; 24 CFR 990.285

Statutes: 42 U.S.C. 1437(g); 42 U.S.C.1437g(e); 42 U.S.C.1437g(d); 42 U.S.C. 1437g(k); 44 U.S.C. 3520; Public Law 106-107; Public Law 101-576; Public Law 118-14

Subject: Operating Fund Federal Financial Report (SF-425) Submission Process

1. APPLICABILITY

This notice applies to Operating Fund all Federal award program grantees. The SF-425 must be completed to capture disbursements, expenditures, and unliquidated obligations incurred at the recipient level, for the reporting period, on a cumulative basis for each award. This notice applies to all public housing agencies (PHAs) administering the Public Housing program, including PHAs participating in the Moving to Work (MTW) Demonstration program.¹

¹ PHAs that use their MTW flexibility to transfer funds must report on the status of their Operating Funds and program income without regard to the program purpose for which such funds were used.

2. PURPOSE

This notice provides PHAs with instructions and submission deadlines for the required reporting on the status of Operating Subsidy for the Federal Financial Report (FFR), also known as the Standard Form 425 (SF-425).

3. BACKGROUND

HUD provides operating subsidy grants for public housing at the project level on a calendar-year basis. The Operating Fund program is authorized under Section 9(e) of the United States Housing Act of 1937 (1937 Act) (42 U.S.C. 1437g(e)). Regulatory requirements for the Operating Fund program are located at 24 CFR Part 990.

The SF-425, or the FFR, is a required Office of Management and Budget (OMB) financial reporting form to track the status of financial data tied to a singular Federal grant award. On October 9, 2008, OMB published the SF-425. Pursuant to the Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106-107), OMB directed agencies to use the SF-425, which replaced the SF-269, SF-269A, SF-272, and SF-272A to report the financial status of grants and cash transactions using those funds. As of October 1, 2009, all Federal agencies and Federal grant and cooperative agreement recipients were required to use the SF-425 for financial reporting unless OMB approved otherwise.² This requirement was moved to 2 CFR 200.328 and is outlined in the OMB standard data elements in OMB Form 4040-0014.

4. CHANGES AND ADDITIONS TO THIS NOTICE

HUD must implement 2 CFR 200.328 for the Operating Fund program by collecting SF-425s for the Operating Subsidy. Beginning with their Fiscal Year (FY) 2026 Operating Subsidy, PHAs will be required to submit SF-425s in the [Public Housing Portal](#) for each Operating Subsidy grant on an annual basis until all grant funds are either reported as expended or returned to HUD. Failure to comply will result in HUD taking one or several of the noncompliance or enforcement actions identified in Section 10 below.

5. REPORTING AND RECORD MANAGEMENT REQUIREMENTS

- a. The Period of Performance (also known as the Grant Period) for each grant year shall be the period beginning with the PHA's initial receipt of grant funds and ending on the date identified in the annual Operating Subsidy Processing Notice. For example, for Federal FY 2024, the Period of Performance ends on December 31, 2030. Where a PHA removes all of its public housing units from the Public Housing program, the Period of Performance may end earlier, pursuant to [Notice PIH 2019-13](#). PHAs will be required to

² The Office of Management and Budget (OMB) published in the *Federal Register* on August 13, 2008, the FFR/SF-425 replaced the Federal Cash Transactions Report (SF-272) and Financial Status Report (SF-269) on October 1, 2009. 73 F.R. 157 (Aug.13, 2008).

submit an annual SF-425 to report on the status of those funds for the period ending December 31 each year, and the report is due by the following April 30. PHAs must submit SF-425s annually until the PHA submits an SF-425 that reports a zero balance of unobligated funds, unliquidated obligations, or cash on hand, which may be earlier than the end of the Period of Performance identified in the Annual Operating Subsidy Processing Notice.

- Unobligated Funds represent the balance of Federal funds reported as unobligated by the PHA in their SF-425 submission.
- Unliquidated Obligations can either be on a cash basis where obligations have been incurred but not yet paid, or an accrual basis, where obligations have been incurred but require the expenditure to be recorded.
- Cash on Hand is the cumulative amount of cash drawn down from the Line of Credit Control System (LOCCS), less the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses charged to the award, and the amount of cash advances and payments made to contractors.

Note that PHAs must submit a supplemental response on line 12 any time their Cash on Hand amount is greater than the amount they will disburse within the next three business days from submission. A format for this line 12 response is included in the Appendix.

- b. PHAs shall not obligate or expend any grant funds that are not obligated by the end of the Period of Performance. Any grant funds not obligated by the end of the Period of Performance **must be returned to HUD**.
- c. Any grant funds obligated by the end of the Period of Performance must be liquidated by the following April 30. The PHA cannot liquidate any obligations after the specified date. Any obligations not liquidated by this date **must be returned to HUD**.³ Grants for which there are funds remaining as of April 30 the year after the end of the Period of Performance will be locked in LOCCS and PHAs will not be able to draw down any additional grant funds.
- d. HUD will recapture any funds reported as unobligated as of the end of the Period of Performance. PHAs are responsible for submitting financial records in accordance with 2 CFR 200.302(b)(3) which requires that records sufficiently identify the amount, source, and expenditure of Federal funds for Federal awards. These records must include details necessary to identify Federal awards, such as authorizations, financial obligations, unobligated balances, assets, expenditures, income, and interest. Additionally, all records must be supported by source documentation. The financial records must also meet asset management requirements for project-based budgeting and accounting as outlined in 24 CFR 990 Subpart H.
- e. PHAs must obligate any remaining non-rental income and clearly identify its intended use in accordance with 2 CFR 200.472(b), ensuring that the funds are allocated to allowable costs under Federal guidelines. Additionally, PHAs must develop and

³ 2 CFR 200.344(c)

implement a plan to account for costs associated with the Federal award closeout process, as outlined in 2 CFR 200.345. This includes considerations for any post-closeout adjustments and ongoing financial responsibilities of the PHA, such as pensions and other post-employment benefits.

- f. This guidance supersedes any previous language conveyed to PHAs. HUD is providing advance notice prior to instituting SF-425 reporting requirements for PHAs.

6. RECAPTURING UNLIQUIDATED FUNDS AND CASH ON HAND

- a. Obligated grant funds must be liquidated by April 30 following the end of the Period of Performance. If a PHA reports unobligated funds, unliquidated obligations, or cash on hand in their SF-425 as of the end of the Period of Performance, the PHA must submit an additional SF-425 to track the status of these unresolved funds. This additional report must cover the period ending April 30, the liquidation deadline. The additional SF-425 must be submitted to HUD by August 30 following the end of the Period of Performance. The additional SF-425 ensures that HUD has the necessary oversight of any unresolved funds after the liquidation deadline.
- b. HUD will recapture any funds reported as unobligated, unliquidated obligations or cash on hand⁴ for grants in which an SF-425 must be submitted by August 30 following the end of the Period of Performance.
- c. Recaptured funds are not reported on the SF-425. The final SF-425 must show all funds obligated, all obligations liquidated and indicate that no cash is on hand. If HUD recaptures funds based upon a PHA's August 30 submission, the PHA will be required to submit an additional SF-425 covering the period ending December 31, which is required to be made by the following April 30.
- d. It is HUD's objective to complete any required recaptures quickly so that the final SF-425 submitted by the PHA on December 31, following the PHA's August 30 submission will display no unobligated funds, no unliquidated obligations, and no cash on hand.
- e. For PHAs that fail to submit their Final Report in a timely manner, HUD will recapture the last reported balance of Operating Funds. Subsequently HUD will impose other remedies for noncompliance in accordance with 2 CFR 200.339 or 2 CFR 200.208, including those noted above.

7. TYPES OF FUNDS

The SF-425 will report on Operating Subsidy and program income. "Program income" under 2 CFR 200.1 means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the Period of Performance. Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or

⁴ 2 CFR 200.344(e)

items fabricated under a Federal award, license fees, royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income and any excess interest income must be remitted consistent with the requirements of 2 CFR 200.305(b)(12). Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, or interest earned on those amounts. In the Public Housing program, program income is added to the total allowable costs, increasing the overall amount of the Federal award.

The following lists includes, but are not limited to, items that qualify as program income and those that do not:

Operating Fund Program Income is:

- Rental income
- Non-rental income (this includes income earned from a program asset (e.g., snack, beverage, or coin-operated machines))
- Interest earned on rental income
- Third-party agreements

Operating Fund Program Income is Not:

- Operating Subsidy
- Capital Funds
- Personal property disposition proceeds
- Real property disposition proceeds
- Insurance proceeds
- Interest earned on Operating Subsidy (or Capital Fund or other Federal grant) funds

Key Terms Explained:

- *Operating Subsidy* – Operating Subsidy is the annual contribution a PHA receives each funding period, as determined by the Operating Fund formula outlined in Section 9(e)(2) of the 1937 Act (42 USC 1437(g)(e)(2)) and 24 CFR 990.110. The assistance, provided under Section 9(e) of the 1937 Act (42 U.S.C. 1437g(e)) and 24 CFR part 990 supports the operation and management of public housing.
- *Capital Funds* – The Capital Fund program is established under section 9(d) of the 1937 Act (42 U.S.C. 1437g(d)) to preserve public housing inventory by addressing the modernization and rehabilitation needs of PHAs. Reporting for the Capital Fund program, including Capital Funds transferred to operations, will not be captured in the Operating Fund SF-425 submission process. PHAs must continue to use the Energy and Performance Information Center (EPIC) for Capital Fund grant reporting.
- *Personal Property Disposition Proceeds* – Proceeds realized from the sale of original or replacement equipment (tangible equipment, supplies, information technology, or intangible property) must be utilized and recorded in accordance with 2 CFR 200.313 and 2 CFR 200.314. Such proceeds are not considered program income and are therefore not reported in the Operating Fund SF-425.
- *Real Property Disposition Proceeds* – Proceeds realized from the sale of real property are not considered program income and are not reported in the Operating Fund SF-425.

These proceeds must be used and reported following applicable statutory, regulatory, and HUD notice requirements, including:

- Section 18 (Disposition) (24 CFR part 970) and Section 22 (Voluntary Conversion) (24 CFR part 972), see [Notice PIH 2020-23](#).
 - Section 32 (Homeownership), see 24 CFR Part 906.
- *Insurance Proceeds* – Proceeds realized from a transaction are not considered program income, as they are treated as an applicable credit on accordance with 2 CFR 200.406(a). These proceeds serve to offset or reduce direct or indirect costs allocable to a Federal award, rather than income earned as a result of a Federally funded activity. This treatment ensures that the PHA is not reimbursed twice, once by the insurance policy and once by the Federal award for the same expense, see [Notice PIH 2016-13](#).
 - *Interest Earned on Federal Funds* – Pursuant to 2 CFR 200.305(b)(12), PHAs are permitted to retain up to \$500 per year in interest earned on Federal funds for use toward administrative expenses. Interest earnings exceeding \$500 must be returned annually to the Department of Health and Human Services Payment Management System, see the [Federal Award Requirements for Interest Earned on Grant Funds](#) guidance.
 - *Third-Party Agreement Proceeds* – These agreements can take the form of leases, licenses, leaseholds, rights-of-ways, easements, operating agreements, contracts, liens, assignments, and asset transfers. There are two categories of Third-Party Agreements by which proceeds can be received. The distinction depends on whether the agreement is for normal uses associated with the operation of public housing or other purposes, as stipulated in [Notice PIH 2017-24](#). The proceeds from either category are considered program income under 2 CFR 200.1 (definition of program income) and 2 CFR 200.307 (treatment of program income) and must be reported in the Operating Fund SF-425.

8. ORDER OF EXPENDITURES

PHAs must disburse funds in the following manner to cover operating expenses: program income, except for non-rental program income that is being obligated for low-income housing purposes or to benefit the residents assisted by the PHA and then Operating Subsidy per 2 CFR 200.307.

Pursuant to Section 9(k) of the 1937 Act (42 USC 1437g(k)), as amended, the PHA may retain non-rental income, and such amounts will not decrease the amounts PHAs receive under the Capital or Operating Fund. Non-rental income may be used for eligible purposes within the Public Housing program or the Section 8 program, or to benefit the residents assisted by the PHA. Although non-rental income is program income, this statutory provision supersedes the order of expenditure requirement outlined in 2 CFR 200.307. However, because Operating Funds are intended to cover public housing operating expenses for a specific funding year, the expectation is that non-rental income will be obligated or expended during the same funding year in which the Operating Funds are appropriated. Non-rental income is an asset of the PHA's Public Housing program. PHAs must report non-rental income as program income on the SF-425 and are responsible for tracking its obligation, expenditure, and commitment to ensure compliance with the control and accountability standards set forth in 2 CFR 200.302(b)(4).

HUD recognizes that it has not issued regulations regarding the statutory flexibility provided to the use of non-rental income. This notice represents HUD's interpretation of the interplay between the statute and existing regulatory requirements. HUD intends to issue regulations pertaining to this issue in the future.

9. RECORD RETENTION

HUD regulations at 24 CFR 990.325 require PHAs to retain all documents related to financial management and activities funded under the Operating Fund grant for five fiscal years after the fiscal year in which the funds were received. However, the Office of Management and Budget (OMB) Uniform Guidance at 2 CFR 200.334 provides that "financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report [SF-425]." This retention period may exceed the requirement at 24 CFR 990.325, depending on when the final SF-425 is submitted.

To clarify, HUD requires that beginning with Calendar Year 2025 grants, the record retention period for Operating Fund grants will be the longer of:

- Five fiscal years after the fiscal year in which the PHA receives funds, or
- Three years from the date the PHA submits a final SF-425 showing all funds obligated, drawn down, and liquidated.

10. NONCOMPLIANCE AND HUD ENFORCEMENT ACTIONS

If HUD determines that a recipient has failed to comply with its financial accounting, documentation, and reporting responsibilities, HUD will impose additional conditions or sanctions under 2 CFR 200.208 and 200.339, including:

- Requiring the PHA to switch from advance payments to reimbursement for Operating Subsidy disbursements.
- Mandating the PHA to obtain technical or management assistance.
- Requiring prior HUD approval of vouchers.
- Disallowing costs in whole or in part.
- Terminating the recipient's Federal assistance.

Before taking any enforcement actions, HUD will:

- Notify the PHA of the findings and proposed compliance actions, and
- Provide the PHA with an opportunity, within a prescribed period of time, to respond with arguments, additional facts, or supporting documentation relevant to the findings.

11. ADDITIONAL INFORMATION

All questions from PHAs are to be referred to the appropriate [field office](#).

12. PAPERWORK REDUCTION ACT

The information collection requirements contained in this notice have been approved by OMB under the Paperwork Reduction Act of 1995 (44 U.S.C.3520) and assigned OMB approval number 2577-0029. In accordance with the Paperwork Reduction Act, HUD may only conduct or sponsor a person who must respond to the collection of information if the collection displays a currently valid OMB number.

13. PENALTY FOR FALSE CLAIMS AND STATEMENTS

Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).

14. EFFECTIVE DATE

This notice is effective upon publication.



Benjamin Hobbs
Principal Deputy Assistant Secretary
for Public and Indian Housing

APPENDIX. RECONCILIATION OF CASH ON HAND

Public Housing Authority (XX01) Headquarters, DC Reconciliation of Cash on Hand	
Segments of Cash	Grant Total as of 12/31/20XX
12a. Cash Scheduled to be disbursed-Immediate Need	\$0.00
12b. Remaining cash - Federal Advance	\$0.00
12c. Total Cash on Hand (this should tie to Line 10c)	\$0.00
12d. Explanation of line 12b:	

Line 12 Supplemental Response	
12a.	Cash on Hand that will be disbursed within 3 business days
12b.	Cash on Hand that will not be disbursed within 3 business days
12c.	Total Cash on Hand (line 12a plus line 12b) - this should equal line 10c
12d.	Explain why the amounts on 12b exist. Was a drawdown made prematurely? What other reasons exist for holding this excess cash?

PHAs should submit this supplemental request as a Microsoft Excel attachment on line 12 of the SF-425.