April 3, 2019

Dear Executive Director and/or

HCV Program Representative:

Subject:  **Updated Guidance Related to Remittances of Interest Earned on Restricted Net Position (also known as RNP) and Excess Housing Assistance Payment (HAP) Funds**

This communication provides updated guidance to public housing agencies (PHAs) administering the Housing Choice Voucher (HCV) Program, the Mainstream Program (MSP), and the Moderate Rehabilitation (Mod Rehab) Program, to include Single Room Occupancy (SRO), regarding interest earned from HAP funds and restricted net position (RNP) balances in accordance with 2 CFR 200.305.  PIH hereby confirms that the remittance requirements for PHAs with accumulated interest earned that exceeds $500 for the entire program, also applies to the following programs:

* Section 811 Mainstream Program (Elderly and Disabled Program),
* Section 8 Moderate Rehabilitation Program (Mod Rehab)
* Single Room Occupancy (SRO).

Additionally, this notification conveys revised guidance for reporting interest earned on the HUD Form-52681, Year-end Settlement.  PHAs will continue to report a portion of interest earned on the annual HUD Form 52681, Year-end Settlement for Mod Rehab and SRO; however, there may be occasions when no interest is reported.  Effective with this revised reporting requirement, interest income earned on excess HAP funds will no longer be reported on Line 21, Program Receipts.   Interest income earned on excess HAP funds that exceeds $500 must be remitted to Department of Health and Human Services (HHS).  Interest income earned on excess HAP funds that is less than $500 will be reported on Line 31 – Interest earned on Operating Reserve.   Interest reported on this line should not be included on any other line of the HUD-52681. This amount of interest earned on each Mod Rehab and SRO contract, and the HCV program should be considered in the overall total of $500 that the PHA is allowed to retain.   Interest income earned on excess HAP that exceeds $500 and remitted to HHS will not be reported on the HUD-52681.

Please note that these reporting requirements are effective immediately.  Any HUD Form-52681 received or submitted to the Financial Management Center (FMC) as of the date of this notification will be reviewed using the procedures in place prior to this change.  Going forward, any new form HUD Form-52681 Year-end settlements received by the FMC after the updated guidance, will be subject to the new procedures and guidelines set forth in this correspondence.

**Guidance in 2 CFR 200.305 states the following:**

“ (9) Interest earned amounts up to $500 per year may be retained by the non-Federal entity for administrative expense.  Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment Management System (PMS) through an electronic medium using either Automated Clearing House (ACH) network or a Fedwire Funds Service payment.  Remittances must include pertinent information of the payee and nature of payment in the memo area (often referred to as “addenda records” by Financial Institutions) as that will assist in the timely posting of interest earned on federal funds.”  Pertinent details include the PHA name, number and address.

For monitoring and record control, find attached a PHA Certification sample for remittances of interest to HHS.  The certification is a form that HUD is recommending using, and not a requirement, for the PHAs to keep for internal records, which can be made available to auditors and the Quality Assurance Division during financial reviews, or as needed.  HHS guidance related to funds remittances can be found on the HHS Division of Payment Management website at the following link:  <https://pms.psc.gov/>.   Click on “Return your Funds & Interest” at the bottom left of the page for specific information.  This guidance is effective immediately.

Finally, PHAs are reminded of the importance of complete, timely and accurate reporting in Public and Indian Housing Information Center (PIC/IMS), the Voucher Management System (VMS) and the Financial Assessment Subsystem (FASS).  The VMS Guidebook, Appendix A, provides the following guidance related to reporting interest:

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Should you have any question regarding this guidance, please do not hesitate to contact your FMC Financial Analyst, or the Financial Management Division at PIH.Financial.Management.Division@hud.gov.

Sincerely,

 

Miguel A. Fontánez,

Director

Financial Management Division

Attachment