PROGRAM: Indian Housing Block Grant (IHBG)

FOR: Tribal Government Leaders and Tribally Designated Housing Entities

FROM: Rodger J. Boyd, Deputy Assistant Secretary for Native American Programs, PN

TOPIC: Reserve Accounts for Administration and Planning

PURPOSE: The purpose of this guidance is to provide information and direction to Tribal Government Leaders and Tribally Designated Housing Entities (TDHE) on the requirements for establishing and maintaining reserve accounts for administration and planning activities for Indian Housing Block Grant (IHBG) program recipients.

BACKGROUND: The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) as well as the regulation at 24 CFR §1000.239 authorizes recipients of IHBG funds to establish and maintain reserves for administration and planning expenses related to affordable housing activities. Eligible administration and planning expenses are defined in 24 CFR §1000.236.

ESTABLISHING RESERVE ACCOUNTS: A recipient may establish and maintain separate reserve accounts, only for the purpose of accumulating amounts for administration and planning relating to affordable housing activities. HUD approval is not required to establish reserve accounts. The reserve amounts must be held in one or more accounts separate from other funds.

Reserve Accounts were added as a new eligible activity to NAHASDA and the IHBG regulations, and should be identified in Section 3 and Section 5 in the Indian Housing Plan (IHP) and reported in the Annual Performance Report (APR). In accordance with the IHP instructions, recipients should include the maximum amount of their reserve and the calculation used to determine this amount in the IHP. The actual amount of the reserve account that was established and/or maintained and the income earned on the investment of the reserve account(s) should be reported as an accomplishment in Section 3, Item 1.8, of the APR at the end of each year.

The reserve accounts must be tracked to ensure compliance with 24 CFR §1000.239. The drawdown of administration and planning reserve amounts shall be recorded and tracked on the quarterly Federal Financial Report (SF-425) and the final SF-425. It will be reflected with an explanation on Line 12 (remarks) until it is disbursed in whole or in part, at which time, it will be reflected on Line 10(b), cash disbursements.
MAXIMUM AMOUNT OF RESERVES: The maximum amount of administrative and planning reserves, whether held in one or more accounts that a recipient may have available at any one time is calculated as follows:

(a) Determine 5-year average of administration and planning expenses expended in a tribal program year.
(b) Establish ¼ (one-fourth) of that amount for the total eligible reserve amount.

It will be necessary for the recipient to calculate this amount each year to determine if the Reserve Account is maintained within the maximum amount allowable. The funds drawn from LOCCS and deposited into Reserve Accounts do not count towards the applicable 20 percent or 30 percent maximum amount of grant funds that may be used for administration and planning expenses.

REPLENISH RESERVE ACCOUNT: If at any time the Reserve Account balance falls below the maximum allowed, the recipient may replenish the reserve account(s) with IHBG funds. If the amount exceeds the maximum allowed, the recipient will be required to return the amount that exceeds the maximum allowable to the IHBG grant account in LOCCS. These funds will then be available to the recipient to draw for future eligible activities. The replenishment of reserves account funds does not count towards the applicable 20 percent or 30 percent maximum amount of grant funds that may be used for administration and planning expenses. The replenishment of reserve account funds should be included as a new activity in an amendment to the current IHP or in a subsequent year’s IHP.

INVESTMENT OF RESERVE ACCOUNTS FUNDS: Planning and administration reserve funds may be invested in accordance with 24 CFR §1000.58, if the recipient is approved to invest IHBG funds. The recipient must invest NAHASDA Reserve Account funds only in obligations of the United States or securities that are guaranteed or insured by the United States in accordance with 24 CFR §1000.58 (c). Recipients investing reserve account funds must execute a Depository Agreement, form HUD-52736-A (11/2013) for funds deposited in bank accounts and form HUD-52736-B (11/2013) for funds managed by brokers/dealers.

INTEREST EARNED ON RESERVE ACCOUNTS: Interest earned from investment(s) or interest bearing reserve accounts is not considered program income or included when calculating the maximum allowable reserve amount. If interest is earned on Reserve Account funds maintained above the maximum allowable funds for the reserve account, the interest on the funds above the maximum allowable is earned unlawfully and must be returned to the US Treasury. Contact your area Office of Native American Programs for further assistance in returning funds. The returned funds will not be available for future use by the recipient and may not be returned to HUD for future year carryover funds.

EXPENDITURE OF RESERVE ACCOUNT FUNDS: Recipients may transfer funds from one or more reserve accounts for expenditures for administration and planning relating to affordable housing activities. Funds expended from the Reserve Account(s) may only be expended on planning and administration costs. Recipients should report accomplishments related to expenditures of funds in the Reserves Account in Section 3 of the APR.

The reserve account(s) funds expended for administration and planning activities are included towards the applicable 20 percent or 30 percent maximum amount of grant funds that may be used for administration and planning expenses.
If the recipient wants to expend Reserve Account funds on affordable housing activities, the Reserve Account funds must be returned to LOCCS and then re-drawn from LOCCS for affordable housing activities. This is necessary to maintain compliance with the NAHASDA statute requiring Reserve Accounts funds be maintained only for the purpose of accumulating funds for administration and planning activities.

For further information on eligible expenses of Reserve Account funds see PIH Notice 2014-15, *Administrative and Planning Expenses in the Indian Housing Block Grant (IHBG) Program*.

**QUESTIONS:** If you have questions regarding the above procedures, please contact your local Area ONAP Grants Management staff.