

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Division of Federal Financial Assistance

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NSP Program Income Policy and Procedure

Policy Statement

It is the policy of the California Housing and Community Development (HCD) to ensure that all Neighborhood Stabilization Program (NSP) Program Income (PI) is receipted into the HUD Disaster Recovery Grant Reporting (DRGR) system accurately and within five (5) business days of receipt. This supports program transparency, compliance with HUD regulations (24 CFR Part 570), and proper fiscal management.

Purpose

This policy and procedure is intended to:

- Ensure all program income is identified and recorded promptly
- Maintain compliance with HUD requirements to expend program income before line of credit funding
- Aligning DRGR reporting with the State's fiscal records
- Establish how HCD Disaster Recovery Division and its subrecipients define and manage program income. This Program Income Policy and Procedure may be updated as necessary

Definitions

Program Income is defined under 24 CFR 570.500 as gross income (revenue) received by the Subrecipient that is directly generated from the use of NSP funds.

Program Income (PI): – gross income received by the recipient or subrecipient that is directly generated by an NSP activity or earned as a result of an NSP award, regardless of when the funds were appropriated and whether the activity has been closed out.

DRGR: HUD's Disaster Recovery Grant Reporting system is used to manage and report NSP PI and expenditures.

Activity – Any single eligible undertaking carried out under the state NSP program, which is performed and reported by HCD and/or subrecipients.

Quarterly Performance Report (QPR) – a Quarterly Performance Report (QPR) is a report submitted to HUD by HCD via the Disaster Recovery Grant Reporting (DRGR) system showing the progress of NSP activities.

Subrecipient – a non-federal entity that receives a sub-award from a pass-through

entity (such as HCD) to fund an activity as part of an NSP program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency. A subrecipient does not mean a beneficiary of the program.

Examples of Program Income

Program Income includes, but is not limited to, the following:

1. Proceeds received from the sale or long-term lease of real property assisted with NSP funds.
2. Proceeds from the disposition of equipment purchased with NSP funds.
3. Gross income from real property assisted with NSP funds that is used for rental; less incidentals cost (i.e. operating/replacement reserves, maintenance, debt, vacancy, management fees, utilities etc.)
4. Payments of principal and interest on loans made with NSP funds.
5. Proceeds from the sale of loans made with NSP funds.
6. Proceeds from the sale of obligations secured by loans made with NSP funds.
7. Interest earned on program income pending its use; and
8. Recaptures on sales of homes pursuant to enforcement of NSP affordability requirements.

Scope

This policy and procedure apply to:

- All HCD staff are responsible for managing NSP funds.
- Subrecipients and partner agencies handling NSP activities and revenue.

Responsibilities

- NSP Program Manager: Oversight of PI tracking and compliance.
- HCD Rep II (NSP staff): Enters receipts and assigns to eligible activities.
- Fiscal Federal Specialist: Tracking NSP program income revenues. Process draws for NSP expenditures. Reconcile PI entries between DRGR and the State financial systems. Assist with NSP Close out process. Monitor NSP program income activities post-close out.

Program Income General Guidelines.

Management of Program Income

HCD may require a subrecipient to remit program income to HCD as it generates or may allow the subrecipient to retain the program income for other eligible uses. HCD will make this determination and incorporate its decision into the grant agreement with the subrecipient or in subsequent written agreements between the parties, such as a close-out memorandum. If HCD allows the subrecipient to retain

program income, the subrecipient must use these funds for NSP eligible program activities as approved by HCD. Furthermore, program income must be used by the subrecipient before making any request for drawing down NSP funds for the same activities.

Usage of Program Income

The Subrecipient must use Program Income in accordance with the Agreement and NSP rules governing management and expenditure of Program Income.

Financial Management System

Grantees must maintain financial records on the receipt and expenditure of program income funds separately from other NSP program funds being administered. The total amount of program income on hand must also be reported when submitting a drawdown request for NSP funds. In addition, documentation must be maintained, by activity, as to how the program income expenditure(s) meets NSP eligible activities as well as other program requirements. Grantees must demonstrate to HUD's satisfaction that these program income funds will be or have been expended in compliance with NSP requirements, or program income funds must be returned to HCD. HCD will evaluate the grantee's administration of program income funds based on administrative capacity, timeliness in submitting reports, timeliness in expenditure of program income funds, and documented compliance with NSP requirements.

Accounting Records

HCD maintains and requires each subrecipient with Program Income to maintain an internal accounting system in accordance with 2 CFR Part 200, Subpart D, that will:

- Record program income in the corresponding recipient's accounting records.
- Ensure that all program income is collected and properly classified; and
- Ensure that the handling of program income complies with Federal and local state requirements.

The records maintained for program income must follow the same requirements as any NSP-awarded grant, except that program income should be maintained in an interest-bearing account. In addition, records for program income loan activities must include:

1. Name and address of borrower.
2. Amount and date of loan.
3. Terms of loan (interest rate, maturity date, and frequency of payments).
4. Payments and current balance; and
5. If program income from NSP-awarded funds is mixed with other program income for a grantee, records must distinguish a) The portion of the program income funds derived from NSP-awarded funds; and b) The percentage of NSP-awarded funds involved if there is a mixture of funds.

HCD and its subrecipients will maintain records of all program income received and disbursed. It will ensure that its subrecipients' accounting records and support documentation include reliable, up-to-date information on the sources and uses (eligible activities, a national objective was met, etc.) of all program income.

If a subrecipient is permitted by HCD to retain PI to expend on other eligible uses in its Subrecipient Agreement, a PI Account is required to be set up in DRGR that allows HCD, along with the subrecipient to track PI generated and expended by the subrecipient.

Drawdowns of PI generated by an activity in a PI Account can be created against the activity that generated the PI, or other activities in the same PI Account. Any activities that are not assigned to a PI Account will remain in a "General PI Account." Regardless of whether an activity is assigned to a specific Grantee-created PI Account, or if it is in the General PI Account (unassigned), DRGR requires all PI received in each PI Account/General Account to be used prior to drawing additional NSP funds. Usage of the funds in these accounts needs to be documented.

As a general rule, the program income in DRGR retained by HCD is held under a General PI Account and is not restricted in its expenditure to the program/activity generating the program income. The program income in DRGR retained by a subrecipient is held in a specific PI Account established for a specific set of NSP activities administered by the subrecipient.

Procedure for Receipting PI in CAPES and DRGR

HCD and its subrecipients are responsible for reporting Program Income receipts and disbursements. HCD will report all Program Income generated, including Program Income generated by its subrecipients, in CAPES and in DRGR by creating Program Income Receipts for the DRGR activity that generated the Program Income.

Additionally, HCD will report all Program Income expenditures by creating DRGR vouchers for the activity for which Program Income was expended.

Step 1: Subrecipient Reporting

The subrecipients must notify HCD of the program income received at the time it is received and when it is expended via the Program Income Quarterly Report. *Return of Neighborhood Stabilization Program (NSP) Program Income form.* (sample form is attached) If the subrecipient is sending PI payment, the check is mailed to HCD accounts receivable, with the PI form as well as all the required back up documents. HCD will use this form to record the program income in the DRGR system to the corresponding program/activity generating the income as well as in the internal financial systems-CAPES and Fiscal.

Step 2: Enter PI in CAPES

Once accounting receives the PI from subrecipient, it sends a coding request to NSP program staff. (ROD). Program staff logs in the receipt in CAPES.

- Log into CAPES

- Click into the NSP contract and click into Project number
- Go to Add Monetary type tab and click into "Normal PI"
- Input the PI receipt information and submit.

Arch Results > 09-NSP1-8063 > City of Los Banos

Consolidated Automated Program Enterprise System

Home Add/Edit Monetary Type - Standard Payment

Contract Number NSP
Project Number 09NSP16063
Monetary Type: Standard Payment

Program Representative
Processed By:

Program Rep: Diane Moroni
Monetary Type: Standard Payment

ROD Number:*
ROD Date:*
Processed Date:*
Total Amount:*
Principal Amount:*
Interest Amount:
Late Fees:
Comments:
Destination: Special 44
% Retained for Support: 10%
Support Destination PCA #:

Enter Invoice Number and Time Period

Invoice Number Invoice Amount Time Period

Submit Cancel

Step 3: Enter PI in DRGR

The NSP Program staff logs into the DRGR system and:

- Clicks "Create Receipt"
- Inputs source, amount, date, responsible org
- Assigns PI to appropriate eligible activity(ies)
- Saves and submits receipt

Disaster Recovery Grant Reporting System 8-08-DN-06-0001 Begum, Bukhara

Home

My Account
User ID: 85029
Recertification Status: Recertified
Manage My Profile

Active Flags 761

Flags
761

Manage My Financials

DRAWDOWN

- Search/Edit Obligation
- Create a Voucher
- Search/Maintain Vouchers

PROGRAM INCOME

- Create Receipt
- Add Program Income Account
- Search/Edit PI Accounts
- Search/Edit Receipts


Disaster Recovery Grant Reporting System
B-08-DN-06-0001


RECEIPT
View Receipt

Receipt Created For:
California

Grant Number:
B-08-DN-06-0001

Grantee Receipt #:
B-6063-04282025

Amount:
\$12,871.00

Comment:
City of Los Banos Program Income 1st Quarter 2025. 1/1/2025 to 3/31/2025

Receipt Created By:
Rukshana Begum

Activity:
B-6063

Receipt Date:
04/28/2025

Total Receipt Amount:
\$12,871.00

Receipt Status:
Open

Step 4: Submit the ROD (Return of Deposit) to Fiscal

Once the receipt is entered in DRGR, the NSP staff completes the coding request form (ROD) and emails it to Accounting for their records.

Step 5: File Documentation

All documentation is filed in the NSP PI folder (DFFA-HUB NSP All Documents) with cross-reference to voucher ID and activity numbers.

Step 6: Reconciliation

HCD and subrecipient Program Income shall be reconciled, at least, quarterly using reports and/or account information regarding the amount of Program Income received, disbursed, and any remaining balances. If a discrepancy is identified during the reconciliation process between internal financial systems and the DRGR system, the Federal Fiscal Specialist shall determine which system requires correction, document the corrective actions taken, and make the necessary adjustments in HCD's financial records and in DRGR.

Step 7: Training and Monitoring

- Staff will receive annual training on HUD PI requirements and DRGR use.
- HCD will conduct quarterly reviews of receipts to ensure policy compliance.

NSP PI Closeout

Subrecipient Program Income Closeout

HCD will work with all subrecipients to ensure all closeout requirements, as described in the subrecipient agreement, are met prior to releasing a final payment to the subrecipient. Subrecipients' obligation to HCD shall not end until all closeout requirements are met.

Post-Closeout Program Income Requirements for Subrecipients

Program Income Earned After Closeout

The Subrecipient must return Program Income earned after closeout to HCD. If the Subrecipient wants to keep the Program Income earned after closeout, it must request this in writing to HCD. The Subrecipient may not keep its Program Income unless agreed to by HCD.

Use of Program Income After Closeout

The Subrecipient must use Program Income earned after closeout for Activities that will meet a LMH national objective. The Subrecipient must report to HCD when it completes a project that meets the LMH national objective. The Subrecipient must provide the following information upon the sale or lease of the property:

- The completed NSP Initial Set-Up & Close Out form
- The acquisition HUD-1 or settlement statement
- The disposition HUD-1 or settlement statement, if applicable

The Subrecipient must comply with the 25% low-income set-aside when using Program Income for Activities after closeout. The Subrecipient must expend 25% of its total Program Income to assist households at or below 50% AMI.

Transfer of Program Income to CDBG Program

On June 14, 2016, HUD amended the Closeout Notice (Docket No. FR-5933-N-01) to allow the transfer of NSP program income to an open CDBG formula entitlement grant or a unit of general local government recipient of a grant from a state. HUD made this allowance to enable grantees to expend the remaining grant funds by moving program income out of the NSP program. June 14, 2016, Notice permitted transfers of program income on hand. Notice (Docket No. FR-6170-N-01) dated 9/17/2019, expands that flexibility to include transfers of a future stream of program income from an activity, eliminating the need for multiple written requests to transfer program income that is anticipated but has not yet been received. After requesting approval from the local HUD field office in writing, and receiving prior written approval, the grantee may receipt the amounts to IDIS (after first revising any DRGR entries related to the funds) and add them to the grantee's CDBG program income receipts. HUD will review and approve or

deny a transfer. Grantees must also provide proof of the program income transfer and submit information in their Quarterly performance report. Transferred NSP program income will become CDBG program income upon receipt in the Integrated Disbursement and Information System (IDIS). Upon transfer, CDBG program income will be subject to all CDBG statutory and regulatory requirements for program income. After grant closeout, former NSP grantees that are CDBG entitlements or States will report at least annually as provided by HUD on the receipt and use of NSP program income, and on the disposition of land-banked properties. These grantees must also include NSP program income in the annual CDBG Action Plan or substantial amendment in accordance with CDBG requirements. Reporting will continue over the course of the minimum period of affordability set forth in NSP program standards at [24 CFR 92.252 \(e\)](#) and [92.254\(a\)\(4\)](#). Funds not transferred to the CDBG program must continue to be used for NSP-eligible purposes and meet NSP reporting and compliance requirements before and after closeout. HCD will continue to implement and monitor NSP program income activities post-close out and will follow HUD's direction of close-out on procedures for reporting and tracking NSP program income revenues. Tracking will continue in DRGR until IDIS enhancements to allow NSP property registry and program income tracking are developed and released.

Policy Approval Statement

This Program Income policy is in effect. This document supersedes any previously approved version.