

# Down Payment Assistance and Single Family Rehab Program Income Guidelines



*HOUSING*

State of Colorado  
Department of Local Affairs  
Division of Housing

Pat Coyle, Director

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## 1. Introduction

The Department of Local Affairs, Division of Housing (DOH), is responsible for the oversight of Program Income derived from the Community Development Block Grants (CDBG) and Home Investment Partnership Program (HOME) funds.

DOH defines Program Income as any income received by an Agency that was generated by the use of HOME or CDBG funds.

This Program Income Guideline provides guidance on the use and management of Program Income generated by Revolving Loan Funds (RLF) through CDBG and HOME funded Down Payment Assistance (DPA) Programs and Single Family Owner Occupied Rehab (Rehab) Programs.

Other Program Incomes sources other than DPA and Rehab are not addressed in this Guideline.

This policy may be modified from time to time based on changes to DOH policy, Statute, or the U.S. Department of Housing and Urban Development (HUD) regulations and guidance. DOH will promptly notify Agencies of changes.

DOH relied on six sources in determining this Guideline:

1. The Housing and Community Development Act of 1974, as amended;
2. 24 CFR Part 570 Subpart I; (State Program Income 570.489(e) & (f)),
3. CPD Notice 04-11
4. 24 CFR 92 Part 503 and 24 CFR 92.2;
5. The DOH Consolidated Plan, as amended from year to year; and,
6. Policy memorandums issued by DOH.

## 2. Definitions of Program Income:

All Program Income generated by CDBG and HOME funds is subject to CDBG and HOME regulations. DOH may adopt policies and procedures that are more restrictive than HUD's policies.

### a. **CDBG** Program Income:

"Program Income" means gross income received by an Agency that was generated from the use of CDBG funds. Program Income, as defined by 24 CFR 570.489(e), includes **but** is not limited to:

- Proceeds from the disposition by sale or long term lease of real property purchased or improved with CDBG funds;
- Gross income from the use or rental of real property, owned by the Agency that was acquired, rehabilitated, or constructed, with CDBG funds or matching contributions, less costs incidental to generation of the income;
- Payments of principal and interest on loans made using CDBG funds;
- Proceeds from the sale of loans made with CDBG funds;
- Proceeds from the sale of obligations secured by loans made with CDBG funds;
- Interest earned on funds held in a revolving fund account; and
- Interest earned on program income pending disposition of the income.

### b. **HOME** Program Income:

"Program Income" means gross income received by an Agency that is directly generated from the use of HOME funds. Program Income, as defined by 24 CFR 92.2, includes **but** is not limited to:

- Proceeds from the disposition by sale or long-term lease of real property acquired, rehabilitated, or constructed with HOME funds or matching contributions;
- Gross income from the use or rental of real property, owned by Agency that was acquired, rehabilitated, or constructed, with HOME funds or matching contributions, less costs incidental to generation of the income;
- Payments of principal and interest on loans made using HOME funds or matching contributions;
- Proceeds from the sale of loans made with HOME funds or matching contributions; and
- Interest earned on program income pending its disposition.

c. **Miscellaneous** Program Income:

DOH encourages high performing Agencies, with a nonprofit development organization operating in non-entitlement areas, convert CDBG Program Income into Miscellaneous Income. See Section 6 for further details. Once an Agency is certified to use Miscellaneous Program Income by DOH, the funds are not subject to Federal Reporting but will be required to report annually to DOH. Funds may be used for DOH approved activities other than the original use in which funds were granted.

\* Allowed by Section 105(a)(15) of the Housing and Community Development Act (HDCA)

### 3. General Guidelines

DOH permits housing organizations operating DPA and Rehab programs to retain Program Income and use it to continue the originally funded activity.

#### a. Eligible Activities:

Program Income generated through DPA and Rehab activities must be expended on eligible affordable housing projects and on eligible clients. More details regarding eligibility on projects and clients can be reviewed in the DOH RLF Guidelines.

#### b. Administrative Expenses:

Program Income is not to be used for **any** Administrative Expenses. DOH will fund eligible administrative cost through on-going grants. Eligible administrative costs include salaries, supplies, utilities, marketing costs, and similar expense necessary for managing the loan portfolio and implementing the housing Rehab projects. Please see the DOH RLF Fund Guidelines for further details on applying for Administrative Expenses.

#### c. Timely Disbursement of Available Balance

DOH requires that all Program Income be committed or disbursed for loans and/or housing Rehab projects, before additional funding will be awarded. Administrative expenses to support activities will be awarded in a separate contract.

#### d. Reporting

Agency must report Program Income to DOH on an annual (see attachment A) and quarterly basis (see attachment B). The original Grant funds and Program Income must be kept in separate bank accounts and may not be comingled. Agency must be able to provide documentation on the accounts.

#### e. Program Income Agreements

DOH will required an agreement on how Agencies will spend their Program Income.

#### 4. Tracking and Reporting

DOH oversees the activities carried out by its Agencies, and is required to report to HUD on the performance of its Agencies programs, financial management systems, and on information about program Beneficiaries. In order to comply with HUD, DOH requires annual and quarterly reports from Agencies.

a. Annual Program Income Reporting:

This information is required from all Agencies that have had or are currently receiving CDBG or HOME funds to operate Rehab and/or DPA programs.

The Annual Program Income Report will be due: no later than January 20th, each year. The Annual Program Income Report (See Sample Report --Attachment A) will include information about:

- Total Gross Program Income earned for report year;
- Total amount of DOH Administrative Funds used during report year;
- Total number of loans in the portfolio since 1993 thru the current report year;
- Total dollar value of the loan portfolio since 1993;
- Total number of DPA loans made or number of houses Rehabbed for report year,
- Race of Beneficiaries served for each loan made for the report year;
- Income levels of Beneficiaries served for each loan made by report year; and
- Provide back up accounting documents. Preferably: Year end bank statements or Balance Sheet and Lender Statement of Account.

The DOH Program Income Coordinator will send out the request for the annual report to all Agencies by December.

Failure to report accurately and timely may result in the recapturing of your Program Income.

b. Quarterly Program Income Reporting:

This information is required from all Agencies that are currently receiving CDBG or HOME funds to operate Rehab and/or DPA programs.

Program Income information will be included on your Quarterly Financial Status Report and submitted along with your Quarterly Reports to the DOH Asset Manager. (See sample Report-Attachment B)

## 5. Recapture

DOH will evaluate each Agency's ability to effectively administer RLF program funds on a case by case basis. DOH reserves the right to recapture Program Income from Agencies which fail to adequately meet DOH policy or statutory/regulatory requirements.

DOH will consider recapturing Program Income for the following reasons:

- Changes in policy or procedures regarding Program Income from HUD;
- Program Income balance exceeds program funds that can be used within a two year period;
- Program Income is not being used for an approved activity; or
- Agency is out of compliance with DOH RLF Guidelines

Program Income that is returned to the State from the Agency and Sub-Agency will be used to make new grants for affordable housing projects throughout the State.



## 6. Converting CDBG Program Income into Miscellaneous Income

HOME Program Income is not eligible to convert into Miscellaneous Income.

DOH will reward high performing agencies and minimize the amount of funds that must be treated as Program Income by reviewing requests to convert into Miscellaneous Income. Each request to convert CDBG Program Income will be reviewed on a case by case basis.

*If you have questions regarding Miscellaneous Income, please call Stephanie Troller: [Stephanie.troller@state.co.us](mailto:Stephanie.troller@state.co.us) or 303-866-5577*

DOH requires Agencies to use Miscellaneous Income funds in accordance with these guidelines and must ensure that subsequent Miscellaneous Income is expended on DOH approved activities. Agency must track and report Miscellaneous Income to DOH annually.

Agencies that wish to convert CDBG Program Income into Miscellaneous Income must make a request to DOH and include the following:

- Must be in a non-entitlement CDBG area.
- Must have above standard rating certified by the DOH Asset Manager
- Provide Articles of Incorporation and Bylaws of their Community Based Developmental Organization (CBDO)
- Provide biographies that evidence 51% of the CBDO Board membership consists of:
  - a. Low to moderate income residents of its service area; or
  - b. Owners or officers of entities located in the service area; or
  - c. Representatives of low/moderate organizations in the services area; and
  - d. No more than one third of the board is elected or appointed public officials or employees of the Agency.
- Letter from the Local Government verifying the Agency is in good standing for all CDBG grants.
- Provide history on all CDBG grants that have been awarded to Agency by DOH.
- Report on all Miscellaneous Income activities on an annual basis.
- Provide narrative on the desired use of funds.

## Attachment A

### LOAN PORTFOLIO STATUS REPORT

Name of Agency: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Contact Number/Email: \_\_\_\_\_

Type of Program: DPA or REHAB: \_\_\_\_\_

Are Cash funds kept in an interest bearing account? \_\_\_\_\_

**Please provide a financial accounting report that identifies all loans in the portfolio.**

	<b>CDBG RLF Program Income</b>	<b>CDBG Miscellaneous Income</b>	<b>HOME Program Income</b>
Cash Balance of 1/1/10	= \$	= \$0	= \$
Bank Interest Earned	+ \$	+ \$0	+ \$
Principal Received	+ \$	+ \$0	+ \$
Loan Interest Received	+ \$	+ \$0	+ \$
Fees Received	+ \$	+ \$0	+ \$
Pay offs Received	+ \$	+ \$0	+ \$
Loan Funds Re-Distributed	- \$	- \$0	- \$
Cash balance as of 12/31/10	= \$	= \$0	= \$

<b>Value of the Portfolio</b>	<b>CDBG RLF Program Income</b>	<b>CDBG Miscellaneous Income</b>	<b>HOME Program Income</b>
\$ Value of Portfolio as of 1/1/10	\$	\$ 0	\$
Total # of loans completed in 2010	#	# 0	#
\$ Value of Portfolio as Of 12/31/10	\$	\$ 0	\$
Total # of loans in Portfolio	#	#0	#

I certify that to the best of my knowledge the data in this report has been verified to be true and correct as of the date of this report.

\_\_\_\_\_  
Executive Director:

\_\_\_\_\_  
Date:

Please fill this information for each loan made

**Program Income Beneficiaries**

<b>Homeowner Information</b>	
First Name:	
Middle Initial:	
Last Name:	

<b>Property Information</b>	
Address:	
City:	
State:	CO
Zip Code:	

<b>Beneficiaries</b>	
% of Median Income	
Race	
Hispanic/Latino	
# of Bedrooms	

<b>Form of Assistance-DOH Funds</b>	
Amortized Loan	\$
Grant	\$
Deferred Payment Loan	\$
Other	\$
Total	\$

<b>Form of Assistance-Public Funds</b>	
Other Federal Funds	\$
State/Local Funds	\$
Tax-Exempt Bond Proceeds	\$

<b>Form of Assistance- Private Funds</b>	
Private Loans	
Owner Cash Contributions	
Private Grants	

<b>Rehab Only</b>	
Value of property before Rehab	
Value of property after Rehab	

<b>DPA Only</b>	
Purchase price of property	

**Attachment B**

**QUARTERLY FINANCIAL  
STATUS REPORT  
HOME HOUSING PROJECTS**

**2. GRANTEE:**  
(Agency, Contact Name, and Address)

**1. MAIL TO:**  
  
COLORADO DIVISION OF HOUSING  
**Attn: Asset Manager**  
1313 Sherman Street, Room 518  
Denver, CO 80203

AN ORIGINAL SIGNATURE IS REQUIRED FOR ALL REPORTS

**3. CONTRACT ENCUMBRANCE NUMBER:**

**4. FINAL REPORT:** check one: if ( ) YES Send 2 Copies  
( ) NO  
PROGRAM INCOME REPORT ONLY ( ) Send 1 copy

**5. PROJECT GRANT PERIOD:** FROM (MM/DD/Y)

TO (MM/DD/YY)

**6. QUARTER END DATE:** (MM/DD/YY)

**7. CONTRACT BUDGET ITEMS:**

1)

2)

3)

4)

5) TOTAL

6) OTHER Funds

Label columns with budget category (i.e. Acquisition)

A. Net expenditures previously reported

\$

\$

\$

\$

\$

\$

B. Expenditures this quarter

C. Net expenditures to date (line a +b)

D. Unliquidated obligations

E. Expenditures/Unliquidated Obligations (line c +d)

F. HOME funds on Contract (per budget)

G. Un-obligated balance of HOME funds (line f-e)

**8. TOTAL HOME FUNDS REQUESTED TO DATE**

\$

\$

\$

\$

\$

\$

**9. PROGRAM INCOME**

1)

2)

3)

4)

5)

6)

(for DPA and SFOO Rehab programs)

A. Program income at beginning of quarter

B. Amount received during quarter

C. Amount expended during quarter

\$

\$

\$

D. Program income remaining at end of quarter

**10. CERTIFICATION:** I certify to the best of my knowledge and belief the data above is correct and all expenditures were made in accordance with the grant agreements.

Name & Telephone Number of Person Completing Report if Different:

SIGNATURE OF AUTHORIZED OFFICIAL: \_\_\_\_\_

(Original Signature required on each copy)

DATE REPORT SUBMITTED: \_\_\_\_\_

