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- Effective Financial Management of HOME Funds: Handling PI, Reuse & Recaptured Funds

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1

Agenda



2

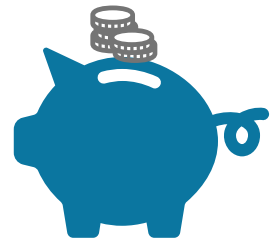
2

→ Definitions

3

Program Income

- Defined in 24 CFR 92.2:
 - “Program income means gross income received by the participating jurisdiction, State recipient, or a subrecipient at any time, generated from the use of HOME funds or matching contributions.”
 - Examples Include:
 - Use of HOME funds
 - Examples:
 - Gross income from the use or rental of real property
 - Payments and repayments on grants, loans
 - Matching contributions
 - Note – If PI is generated by housing that is only partially assisted with HOME funds or matching funds, the program income shall be the amount prorated to reflect the percentage of HOME funds invested in the project
 - Funds generated by HOME funds that return to these entities are PI in perpetuity, two 2025 HOME Final Rule clarifications:
 - End of POA – Applies even if the funds are received after the end of the period of affordability (POA)
 - Preserving affordability – sales proceeds can be used to reimburse up to one-hundred percent of the administrative funds used by a PJ to preserve the affordability of a project, any sales proceeds exceeding that amount is program income
 - Funds must be deposited in the PJ’s HOME Investment Trust Fund local account unless the PJ permits the State recipient, subrecipient, to retain the PI funds for additional HOME projects



4

Recapture Funds



- Discussed in 24 CFR 92.254
 - “Recaptured funds must be used to carry out HOME-eligible activities in accordance with the requirements of this part”
- Recapture allows for the recapture of a predetermined amount of the proceeds of the sale of any property before the affordability period ends
 - Options – entire amount of direct assistance, reduction over period of affordability, share in net proceeds, homebuyer investment first
 - Regardless of option chosen, the amount of recapture should be defined as subject to “net proceeds” in PJ’s provision
- Funds must be deposited in the PJ’s HOME Investment Trust Fund local account unless the PJ permits the State recipient, subrecipient, or community housing development organizations (CHDOs) to retain the recaptured funds for additional HOME projects



5

5

Other Sources of “Income”

- **CHDO proceeds**
 - Allowable by the PJ for CHDO to retain income earned on a HOME project
 - Must be used for either a. Another HOME eligible activity or b. Any affordable housing activity
- **Repaid funds**
 - Repaid from non-eligible project or activity; must return to Treasury account or local HOME Trust Fund account
- **Project application and monitoring fees**
 - Credited to the PJ’s grant balance (i.e., offset of PJ’s administrative costs)
 - Reduce administration draw by amount of fees earned
- **Funds that return to an entity that is not the PJ, state recipient, subrecipient**
 - Not considered program income or other type of \$ (unless CHDO), how handled up to the PJ
 - For example, cash flow on a rental, non-CHDO project



6

HOME-ARP Program Income

- HOME-ARP program income generated from projects or activities funded by the HOME-American Rescue Plan (HOME-ARP) becomes subject to regular HOME Investment Partnerships Program (HOME) rules once the HOME-ARP period of affordability ends or, in certain cases, upon receipt.
- HOME-ARP program income must then be used for eligible HOME program activities, aligning with standard HUD regulations in 24 CFR Part 92.
- Examples of HOME-ARP program income:
 - Principal and interest payments from a loan made with HOME-ARP funds
 - Other income or fees received from project owners in connection with HOME-ARP funds
 - Interest earned by the PJ on program income before its disposition
- Remaining operating cost assistance reserve fund after the end of the period of affordability
- [CPD Notice 21-10](#) for further information



7

7



Handling & Reusing Process



8

Changes to Program Income

- Beginning in 2017, the interim Commitment Rule changes the rules for local HOME Investment Trust Fund local account
 - Now codified in § 92.503(d), permits PJs to retain program income during its program year
- For PJs, PI no longer must be expended prior to drawing treasury account funds
- Local Account funds accrued and reported in Annual Action plan
 - For example, include any PI that has been received in IDIS to your state's 2026 Annual Action plan and commit to 2026 activities as described



Receiving and Using Program Income

- Income recognized when received by PJ, state recipient or subrecipient; prorated if appropriate
- Income must be deposited into the PJ's local HOME account
 - 10% for admin OK
- PJs must receipt in IDIS
 - Tie receipted amount to appropriate annual action plan
- State recipient/subrecipient may be authorized by PJ to retain income
- Written agreements with subrecipients and state recipients must cover program income and its usage, reporting, etc.
- Income must be used according to HOME rules and requirements



Program Income in Written Agreements

- Two requirements for HOME written agreements with **State Recipients and Subrecipients** 24 CFR 92.504:
 - **Program Income**. The agreement must state whether program income is to be remitted to the State or retained by the State recipient (or subrecipient) for additional eligible activities
 - **Requests for disbursement of funds**. The agreement must specify that the State recipient may not request disbursement of HOME funds under this agreement until the funds are needed for payment of eligible costs. The amount of each request must be limited to the amount needed. Program income must be disbursed before the State recipient requests funds from the State.
 - If homebuyer activities are funded, define program income v. recaptured funds and how reported/handled with the PJ and as applicable, state recipients
- **Community Housing Development Organizations (CHDOs)**, define when income is earned on HOME-assisted projects:
 - Homebuyer development projects and clarify CHDO proceeds v. recaptured funds and how reported/handled with the PJ and as applicable, state recipients and subrecipients
 - Rental development projects and clarify CHDO proceeds v. other income and how reported/handled with the PJ and as applicable, state recipients and subrecipients
- **Other developers**
 - Define when income is earned on HOME-assisted development projects and clarify other income v. recaptured funds and how reported/handled with the PJ and as applicable, state recipients



11



→ IDIS Actions and Reports

12

Actions

- Order of IDIS operations for PI, recaptured (if necessary), etc. PI and program income admin (PA) are the most common
 - Make a Plan! – Put in Annual Action Plan
 - Receipt that \$!
 - Set up SubFund (if necessary!)
 - Subgrant (to track by organization)!
- Receipt Types
 - PI – Program income
 - HP – Homebuyer program, used for recaptured funds
 - IU – repayments to the local account
- SubFund Types
 - System generated – AD (admin), EN (entitlement), CR (CHDO reserve)
 - PJ generated – can create other subfunds to earmark (through a subgrant) HOME grant funds for specific uses and to specific organizations (e.g., city of Gettysburg, PA). Please note that any organization that receives a subgrant must be set up as one in IDIS.
 - CC – Capacity Building (only first 2 years being a PJ)
 - CL – CHDO Loan
 - PA – Program income administration



13

IDIS Reports



- IDIS Overall
 - PR07 – Drawdown Report By Voucher – All Vouchers
 - Helps with any reconciliation by voucher #
 - PR09 – Program Income Details by Fiscal Year and Program
 - PR70 – Activity Funding Detail Audit History
 - Helps with reconciliation by specific IDIS activity
 - PR70 – Subfund
 - PR70 – Subgrant
- HOME Specific
 - PR27 – Run as State PJ
 - Each page of this report provides detail on:
 - PI receipted, committed and disbursed
 - HP receipted, committed and disbursed
 - IU receipted, committed and disbursed
 - PR27 – Run State Recipients
 - Each page by organization what subfunds have been subgranted (e.g., Gettysburg – PA, HP, etc.)



14

14



Resources

15

Resources

- [HOME IDIS Training Manual](#) – Basic functions in IDIS; recommend pairing with HOME FACTs guidance
- [Building HOME Online Training](#) – Multiple modules for learning the basics of HOME and compliance requirements, including Module 11: Reporting and IDIS.
- [IDIS Online Reports User Guide](#) – Encyclopedia of all IDIS Reports across all HUD CPD Programs
- [HOME FACTS – Vol. 7 No. 1: Receipt Fund Types in the HOME Investment Trust Fund Local Account: Program Income, Repayments, and Recaptured Funds](#)
- [HOME FACTS – Vol. 4 No. 2, December, 2012: How to Create a PA Subfund and Subgrant PI in IDIS](#)
- **FAQs:**
 - [How can I find out where Program Income \(PI\) funds \(or other local funds subfunds\)?](#)
 - [How are vouchers revised after returning HOME funds?](#)
 - [How are HOME funds returned for a drawdown for an ineligible activity?](#)
 - [How does a grantee set aside HOME PI for administrative costs?](#)



16