NSP Program Income Webinar
Tuesday, February 10th, 2015
2:00-4:00pm EST

Shawn: Good afternoon. My name is Shawn. I'll be your conference operator today. At this time, I would like to welcome everyone to the NSP Program Income Webinar. I'd now like to turn the call over to Mr. George Martin. Sir, you may begin.

George: Thank you, Shawn. Good afternoon everyone. My name is George Martin. I work with TDA. We are one of HUD's technical assistance providers and I will be providing technical support on today's webinar. Welcome and good afternoon to today's NSP Webinar on Program Income: Basics and Closeout Requirements. In just a few minutes, I am going to turn it over to my colleague Jennifer and our HUD folks will be going through the material today but first, I am going to walk through some technical instructions on today's webinar.

I want to start by reminding everyone to please clear distractions away from your desk. Close email and other programs on your computer and silence whatever phones that are around you that you are not using to access this teleconference so you can give your undivided attention to today's presenters. If you have any technical problems, you can call my colleague here in the office who will help you. Her name is Vicky Grim and she can be reached at 443-875-8477 or if you are able to connect to the webinar but you are still having trouble, there is a chat panel on the right hand side. If you use that and send a message to the host, that's me, I'm the host and I will work with you to resolve your issue.

All of you have been muted. We do that because there are a lot of us on the line and that way everyone can pay attention to our presenters but we want you to ask questions today and you'll be able to do that after the initial presentation in two different ways. The first is verbally via the conference call and also there is a Q&A tool and WebEx that you can use to submit written questions. To ask questions verbally, when you are listening to the presentation or listening to other people's questions and you know you have something you'd like to ask our HUD experts, you can press *1 on your telephone keypad and that will add you to the question queue and the operator will introduce you when the time comes to give verbal questions. If you realize that your question has been answered while you are waiting in the queue, you can simply press *2 to remove yourself. You can also submit written questions. We do that using the Q&A tool if you look at the Q&A panel on the right hand side of your screen. You can simply type a question into the field on that panel and then you click send but before you do that, you want to make sure you are sending the question to all panelists. That makes sure that we are all getting the questions and we can get them answered as quickly as possible.

On that note, I am going to turn it over to my colleague Jennifer Alpha.

Jennifer: Great, thank you George. Today's Webinar is on Program Income Basics and Closeout Requirements. This section is going to provide an overview of program income regulations as well as program income considerations at closeout and beyond and then we'll also be talking a bit about using the revolving loan fund as a tool to manage your program income. As George said, you'll have an opportunity at the end of the presentation to ask questions and we'll review those instructions quickly before we open it up for questions so that everybody understands how to participate. I'd like to remind everyone as well that this session is being recorded and an archive will be created on the HUD Exchange website. The archive will include an audiovisual recording of the webinar and PDF of the presentation slides as well as the written transcript.

Before we begin going through the presentation slides today I want to introduce the folks who are joining us from HUD. We have Paul Patterson, Hunter Kurtz, Larry Reyes and we also have John Laswisk. So, hi everybody. How are you doing?

John Laswick: Good afternoon.

Hunter Kurtz: Hello, great. Thanks for having us.

Jennifer: Great. Moving on then, as we said on today's topics we are going to give you a little rundown of the Program Income resources that are available to you so that if you wanted to look at some of these issues in more depth or you kind of need a refresher at any point you would have those resources available to you through the slides. I am also going to go over the basic regulations for program income and talk about the very recent waiver for NSP2 hot off the presses just a couple of weeks ago so that will be some new information that we are presenting here today that you may have not heard before. We are also going to talk about the treatment of program income at closeout as well as after closeout and some exceptions that are included in those post-closeout requirements. Finally, we will go over using program income for revolving loan funds. All of these topics that we are going to talk about today--you can find more information on them in the resources that I will go over right now.

These program income resources on this slide are all written materials. We've got the NSP combined program notice from 2010, a policy alert on program income, a policy alert on revolving loan funds specifically so if you are interested in setting up a revolving loan fund we will give you an overview of the basics today but if you want some more in depth guidance you can go to that policy alert from 2012. We've got closeout and recapture notice and then the HUD office waiver for NSP2 grantees dated just a couple of weeks ago, January 28th. And then, of course, you have the CDBG regulations. In addition to those print resources, we also have webinars that are great tools for you to access and all of these can be accessed on the HUD Exchange at hudexchange.info. There is a webinar on Program Income, Activity Delivery and General Administration, Greatest Hits of Program Income, DRGR Updates, Effective use of NSP2 Program Income, and Program Income and Administration Strategies Post-Closeout, so if you are interested specifically on more detail about post-closeout program income you may want to listen to that webinar that is specialized for that topic. There are also FAQ's on the Resource Exchange that you can search if you have a particular issue that you might want to see how it has been dealt with in the past.

Beginning with Program Income Basics, as most of you probably know, program income is the gross income received by a grantee or sub-recipient from the use of program funds. Some of these examples include proceeds from the sale or lease of property acquired, rehabbed or redeveloped with NSP funds, proceeds from the sale of equipment purchased with NSP funds, gross rental income from property acquired, rehabbed or redeveloped with NSP funds and principal and interest earned on NSP loans. Again, this is all income that would be received by a grantee or sub-recipient from the use of the original program funds. The income that comes back is program income and would be subject to the program income regulations.

We are going to take a minute just to talk about what program income is not because that is also important. Program income is not earned by a developer. Income earned and retained by a developer is not program income. It is important that you take a look at your developer agreement to insure that the developer was not designated as a sub-recipient because, as we noted on the last slide, sub-recipient income that was generated from the use of program funds is program income but as long as your developer agreement shows that they were not designated as a sub-recipient then that income is not treated as program income under the regulations. Then, you also want to double check that your developer agreement does not require the developer to return income to the grantee or the sub-recipient because, again, any income coming back to the grantee or sub-recipient that was generated from those original program funds will be treated as program income.

More on basics here. For NSP1 and NSP3 grantees, program income must be spent before the line of credit fund. Before you draw down any line of credit funds, you will be required to spend the program income funds first and that is for NSP1 and NSP3 grantees.

The new news is that there was a waiver released on January 28th and that new waiver allows NSP2 grantees to spend program income in advance of line of credit funds. This is important because it assists grantees in meeting the September 30, 2015 spending deadline. By allowing you to access the—

Hunter: Jennifer, just real quickly, that September 30, 2015 spending deadline only applies to NSP2 grantees.

Jennifer: Yes.

Hunter: I just want to emphasize that.

Jennifer: Thank you. Yes, it is only for NSP2 grantees so everybody else—NSP1 and NSP3 do not have to worry about that deadline but for the NSP2 grantees there is an upcoming September 30th deadline and this waiver allows you to access your line of credit funds first before program income, which we know is an exception to the general rule. This applies only to those 42 NSP2 grantees that are listed on the waiver publication and you can find that on the Resource Exchange.

In addition, there are DRGR instructions available along with that publication release on the website there on the bottom of the slide to access it. Essentially, in DRGR it is a pretty simple process. You are going to create a new project and activity as a temporary place to house the program income. You will then create a new program income account and you will receipt all that program income to that account and then you will also revise the existing receipts of program income so that the program income that you have on hand is being held in that new account. The instructions are very detailed and really walk you through the process quite nicely but if you do attempt to set this up and you have any questions, you can always submit an Ask a Question to get some 1:1 guidance with setting up those program income accounts.

Just some closeout reminders regarding program income. We often get questions about what will happen to folks' program income at the time of closeout. Well, grantees will retain any program income on hand at closeout and generated following closeout. When you go to closeout your grant, any line of credit funds that you still have on hand that you choose to close out at that time will be swept back into treasury, however, your program income that you have on hand will remain with you. You retain that program income at the time of closeout. Now, if the 25% set aside requirement is not met for program income at the time of closeout, then the grantee has three years to meet that requirement. When you closeout your grant you will have had to have met the 25% set aside requirement for all of your line of credit funds—that amount that you were originally granted. However, if you haven't met it for the program income that you have on hand at time of closeout, you do have an additional three years to meet that requirement.

Program income is earned in perpetuity for most grantees. There is an exception for those grantees with no open CDBG grants but in perpetuity any income that comes back after closeout will be treated as program income for most grantees. After closeout, you will be reporting your program income annually through DRGR, but keeping a careful accounting of your program income receipts is still important even after closeout.

Use of the program income following closeout generally is going to be just like it was prior to closeout. You can use your post-closeout program income for NSP administration and eligible activities. These activities must meet an NSP eligible use. It must be an eligible activity, not limited to target areas. It has to be a national objective and, again, you will be required to meet the 25% set aside with some special exceptions here that we are going to go over in the upcoming slides. There are some special requirements depending on what type of grantee you are and the program year so whether you are an NSP1, 2 or 3 grantee and then the grantee program income below a certain annual threshold will be treated a little bit differently.

Let's go ahead and start talking about those different categories. In category 1, again, depending on your program year and the type of grantee you are, you are going to be treated a little bit differently after closeout with respect to program income. For NSP1 and 3 state and entitlement grantees and NSP2 state and entitlement grantees who are a part of a consortium and then NSP3 non-entitlement grantees with an open CDBG grant (that is the important part there: open CDBG grant), for these types of grantees the following requirements will apply: Any income generated for the duration of the NSP program must be used for NSP eligible activities that meet a national objective so even after closeout if you are one of those grantees that I just mentioned, your use of the program income will have to meet a national objective. If program income does not exceed $25,000 per year then you can use those funds for administration or you can include them in CDBG activity. So that is the $25,000 threshold. Now, if your program income exceeds $250,000 per year; if you have a pretty hearty program income return, then you will be subject to the 25% set aside requirement.

The second category here is for those NSP3 non-entitlement grantees with no CDBG grant open at closeout and for NSP2 non-profit leads and members of consortiums as well as NSP2 non-profit direct grantees. If you are a non-entitlement with no open CDBG grant or you are a non-profit consortium member or direct grantee then the following requirements will apply to you. This is broken out in the first five years after closeout and then beyond. Income received prior to closeout must meet all NSP requirements, as always, and the income received during the first five years following closeout must be used for NSP eligible activities that meet a national objective. Other cross cutting federal requirements, however, do not apply in this first five years following closeout as you are meeting your national objectives with your program income and these include things like environmental and Davis-Bacon.

Once you get past those initial five years following closeout, for those few grantees that I named there in category 2, the income received will be then treated as miscellaneous revenue and these funds are not subject to ongoing NSP or CDBG program requirements, however, HUD does encourage non-profit grantees to use these funds in the same manner.

I want to talk a little bit about state grantees. There are some special things that state grantees want to keep in mind here. Program income policies will likely be set by states on how the states will allocate any future program income that is received after closeout. The program income is aggregated at the state level even if it is retained by sub-recipients and is going to follow that $25,000 rule that I mentioned before. States must report and are responsible for program income that is earned annually and that reporting is done through DRGR.

This is the slide that is taken from the closeout guide. If you go onto the Resource Exchange and search for the NSP Closeout Guide, you can get a lot more information on the treatment of program income following closeout including this chart here, which gives you a breakdown of the two types of grantees that we talked about on the left side here…categories 1 and 2, and then going across it shows you how that program income will be treated whether it is less than $25,000 or if it exceeds $25,000 and if it exceeds $250,000 per year and then how reporting is required. It is a nice, handy chart for you to access quick tips on how program income will be treated following closeout.

On the last part of our presentation here, we wanted to talk a little bit about revolving loan funds because revolving loan funds are a tool for managing the flow of program income. These funds may be operated by either a grantee or a sub-recipient. It does need to be funded with your program income and these funds are tracked separately from other line of credit funds and other program income. Essentially, you are taking your program income, you are creating a separate account for that program income and then those funds are tracked separately. You would use those funds specifically for the activities that the revolving loan fund is set up for. These funds will be dispersed and replenished again and again in perpetuity so as you use funds from your revolving loan fund to fund your activities, any program income that comes back will come back into that account and then it will be redistributed from that account. It is really a way to segregate that set of funds for that particular activity. Each revolving loan fund must be set up for an NSP eligible income generating activity meeting an NSP national objective. All the rules still apply- NSP eligible activities meeting national objectives. Some examples of revolving loan fund may be for loans to purchase and redevelop foreclosed homes and residential properties. You may use it to fund a loan loss reserve or you may use it for shared equity loans for low and moderate income homebuyers. Those are just some examples of activities that might be good for a revolving loan fund.

Setting up a revolving loan fund there are some things you want to keep in mind because it is a very useful tool for being able to manage the flow of your program income, however, it may not be for everyone. We will require you to amend your action plan and the revolving loan fund must be for a specific activity. It can't be set up as a general account for multiple activities. You must designate it as a revolving loan fund for a specific activity like those examples that we just mentioned. You will be capitalizing the revolving loan funds from your program income. There are separate accounts for each revolving loan fund so each activity that you set up a revolving loan fund will have a separate account and those accounts will be set up in DRGR and there are resources available to walk you through how to set those revolving loan funds up in DRGR. Your funds will need to be held in an interest bearing account and you will comply with NSP1, 2 and 3 requirements as applicable. Any repayment to the revolving loan fund is treated as program income subject to the program income requirements that we talked about previously.

There are some considerations that you may want to make in deciding whether a revolving loan fund is right for your program. You want to select activities that are appropriate for the size and scope of the program to insure that there are enough funds that will revolve through the fund. If you have an activity that doesn't generate much program income it is probably not prime for this kind of tool but if you have an activity that is pretty active, generating lots of program income, that might be an opportunity to use a revolving loan fund to manage that flow. You also want to consider the administrative maintenance of this revolving loan fund over time and policies and procedures and a monitoring plan for insuring that all the requirements are met is recommended. You also want to note that establishing a revolving loan fund does not constitute meeting a national objective in itself because it is not inherently an eligible activity. You will still need to meet national objectives for those activities that are the subject of the revolving loan fund but setting up the fund itself does not check that box for you. Then, you want to consult those DRGR resources for setting up the activities in DRGR.

With that, we will open it up to some questions. As a reminder, to ask a question by phone you want to press *1 on your telephone keypad and you will be added to the queue. If your question is answered before your turn on the queue, you can press *2 to be removed. To ask a written questions, as George mentioned earlier, there is a Q&A tool in WebEx on the lower right hand side of the screen. You can type your question into that box and we will read your question and we will get some answers for you. So, with that, do we have any written questions just yet?

We've got one here from Richard Knight. He asks: What happens when the grantee errs and uses program income instead of proceeds in the development agreement and requires program income to be returned to the grantee? In the normal world, contract language prevails. Is that true in NSP?

Hunter: Could you read that question again?

Jennifer: Sure. What happens when the grantee errs and uses program income instead of proceeds in a development agreement? I think they are saying that they used the word program income instead of proceeds, I think is what they are saying—and requires that income to be returned to the grantee?

Hunter: That is totally fine. There is no requirement that the developer retain the program income but they are allowed to if they want to have the developer retain the program income or they are allowed to have the developer return all the proceeds back to them. If they use program income in developer agreement and they have the developer retain it all, I don’t think we are going to come after them for that.

Jennifer: The question is, I think, in their particular agreement they required that the income be returned to the grantee and in the agreement they said it was called program income.

Hunter: That is completely within their right.

Jennifer: And that income would be treated as program income once it comes back to the grantee?

John: Yes. This is a developer agreement, is that what you’re saying, as opposed to a sub-recipient agreement?

Jennifer: Yes, it sounds that way. He says development agreement.

John: The agreement rules but the agreement can be renegotiated if that is not what they meant. In strictly speaking, for developers there is no program income. There are proceeds and maybe that is what they’re worried about. I don’t think that calling it the wrong thing makes it different necessarily. If their intention was to get it back then it should be somewhat clear from that or they can revise the agreement to make it clear.

Jennifer: If we jumbled your question in any way Richard, please let us know by writing back in, but I think we covered that correctly. Let’s see…At what point can program income be spent as regular CDBG, if ever?

Hunter: At what point can program income be used as CDBG funds, if ever?

Jennifer: Yes.

Hunter: At this point there are no plans to make program income into CDBG funds. At this point.

Jennifer: Alright, pretty straightforward.

Hunter: Not never…I just said not at this point.

Jennifer: Thank you. Question from Valerie. She asks: How do you accurately report project beneficiary data in DRGR without error messages occurring prompting the addition of cumulative totals? Well…this is a question that comes up frequently in our Ask a

Question that we get from the DRGR Ask a Question pool. Typically, if you are getting that error message it is usually because you have entered something that DRGR knows is not consistent with what you've entered in the past. DRGR is pretty good at adding up the totals for income levels and race and ethnicity that you've entered previously and if you try to change something that would make your numbers no longer reconcile, it will give you an error message. My suggestion would be that you submit an Ask a Question and provide some screen shots of the errors that you are receiving and describe your issue and then that will be assigned to one of the DRGR experts on the pool and they will give you a phone call and walk you through what the problem might be and help you get that resolved. There is also, on the Resource Exchange, if you look up Prior Period Corrections. Look up that phrase. There is some good information on how you can correct beneficiary data in your QPR including an Excel tool and the Excel tool allows you to enter all the data you know to be rule based on your files and then all the data that DRGR has in its reports—you can pull those reports through micro strategies. And then the Excel file actually calculates the changes you would need to make in your QPR in order to reconcile any issues that might be coming up and getting your error messages. It is a nice tool if you've got some kind of complicated issues.

Kathy asks: Is the $25,000 threshold net or gross?

Hunter: It kind of depends on the situation but basically any program you receive from the sale of house is everything that you log into DRGR as program income. Now, if you are dealing with multi-family properties, you can subtract out expenses that you have in the multi-family properties before you register anything as program income.

John.: In general though, program income is gross revenues.

Hunter: Yeah. I guess I was beating around the bush in not wanting to say that for some reasons.

John: The rental situation is one that comes up a lot though so it bears mentioning specifically but everything else is just going to be gross revenues.

Jennifer: April asks: Is the program income under $25,000 received prior to closeout have to be reported in DRGR or just tracked locally? I think she means after closeout. So does the program income received if it is under $25,000—does it need to be reported in DRGR or just tracked locally?

Hunter: It must be reported in DRGR.

Jennifer: Okay. Faith asks: In the category 1 NSP2 grantee, those are the entitlement grantees and grantees with open CDBG grants for program income exceeding $25,000 annually, can it be used for administration and does that mean admin for CDBG or NSP or just NSP eligible oversight?

Hunter: 10% of all program income earned at any point can be used for administration. Even post-closeout, for those folks in category 1 is the entitlement folks.

Jennifer: Yes.

Hunter: For anybody in that category, 10% of program income can be used for administration of NSP activities.

Jennifer: So NSP activities, not CDBG.

John: Right.

Jennifer: She also had a follow up question. She says: For a program income generated in that $25,001 to $249, 999 span, does that need to meet the 25% set aside requirement?

Hunter: No, that is what we are saying…it does not. Under the $250,000 mark in a year you do not need to meet the 25% set aside requirement but if you earn $250,001 that doesn't mean that 0.25 needs to meet the 25% aside requirement. That means that all $250,001 needs to meet the 25% set aside requirement. I am not going to try to do the math very quickly but whatever 25% of that is.

John: The philosophy there was that you can't really do even a modest project with much less than $62,500 so that is why we exempted it from the set aside.

Jennifer: Okay, great. Craig asks: Can we earn administration on a revolving loan fund for NSP? I guess he is asking can they take 10% of the program income earned there from the revolving loan fund for NSP. I think that is what he means, but I am not sure. You might want to get him to clarify that question. Perhaps you've had this before and you know what he means.

John: I know you can't pay administration out of a lump sum draw down and I am not sure about revolving funds. There is not much in the notice about them. I am not sure about revolving funds.

Hunter: If you could write that question in to the Ask a Question box, we will get you an answer.

Jennifer: Okay. Trevor asks: For clarification purposes on revolving loan fund accounts, if we have multi-family project that we use NSP funds to set aside our 25% set aside, is any program income that is generated from rents or repayment eligible to be used for single family acquisitions?

Hunter: Yes. The program income is not restricted by how you earn it. The program income can be used in any activity that you want. If you sell a bunch of single family homes and then want to build a multi-family property or vice versa with the program income you can.

John: You just have to use 25% of it for the low income set aside.

Hunter: Right. You could even earn all the program income and the 25% set aside. That means only 25% of it is required to go to the set aside. There is no restriction on how you use the program income other than you only get 10% for admin and the 25% set aside.

Jennifer: If a grantee establishes a revolving loan fund and capitalizes the fund with existing program income that has accrued but then subsequently wants to remove some of that program income from the fund, is the grantee able to do so via an amendment?

John: The grantee shouldn't be capitalizing with program income to start out with that is on hand. You are supposed to only capitalize that with program income received after you establish the fund. The only exception is the lump sum draw out that you mentioned earlier. You really should not be taking $200,000 worth of program income that is on hand and transfer that into a revolving loan fund. You can make a loan with that and transfer the payments back into the revolving fund.

Jennifer: Thank you for that clarification. Is program income eligible to be used to pay interest expenses on a loan taken to acquire property on an eligible census track?

Hunter: Say that again. I'm sorry.

Jennifer: Is program income eligible to pay the interest expenses on a loan that they took out to acquire property?

John: If it's an eligible activity, and that sounds like it could be, then you can use program income for that. If you are going to pay interest on a loan for housing rehab or write down a loan or pay some of the interest on a multi-family loan, if those are eligible activities then you can use line of credit funds or program income funds.

Jennifer: Do we have anyone on the phone line that would like to ask a question?

Shawn: Your next question again comes from the line of the participant. His information was unable to be gathered. Caller, please state your first and last name. Your line is open.

Rick Damien: This is Rick Damien. Can you all hear me?

Hunter: Yes we can.

Rick Damien: Say we have established developers to administer an acq-rehab/resale program. The proceeds from those transactions return to us, the grantee, as program income. Say we have small, minute remaining line of credit but yet we're receiving a heavy dose of program income. Can we allocate the program income to the developer to perpetuate the activity and deem it as expended under the first in, first out rule?

Hunter: The developer or whoever is, you could set up a revolving loan fund if that is what you're trying to get at but you can't just give them the program income and say keep working.

John: I think you can give it to them, it would be a new activity with a specific purpose in mind but then your agreement with them wouldn't require the money to be returned to the city but, as Hunter said, I don't think you can give it to them just outright.

Rick Damien: It sounds more feasible that a new activity would have to be established and then starting from there setting it up as such.

John: Yes.

Rick Damien: Okay, great. Thank you.

Shawn: The next question is again from the line of a participant. His information was unable to be gathered. Caller, please state your first and last name. Your line is open.

Caller: I have a two part question. The first question is: How long can we keep the program income before we spend it. The second question, the reason I'm asking this is when we receive the program income we would try to spend the program income as soon as possible and over the course of the year if we receive a cumulative of $251,000 of funds, by then it will be too late to have enough funds to do the 25% set aside.

Hunter: That is an issue you have to be cautious of. You are able to retain the program income and decide not to spend it until next year but you do need to demonstrate if you go over the $250,001 that you've done a set aside project. If you are in a situation where you think you are going to be close this year, you just want to spend all those funds on a house or some sort of project or will house folks at 50% AMI or less.

John: You don't have to spend it in the same year that you earn it.

Hunter: That's right. That's true.

Caller: Is there a time limit how long we can keep it before we spend those dollars?

John: Until you have a project.

Hunter: You can't spend your line of credit funds if you still have program income on hand.

Caller: That is not our case. Thank you.

Shawn: The next question comes from the line of a participant whose information was unable to be gathered. Caller, please say your first and last name. Your line is open.

Nira: Hi, this is Nira. I have a follow up question to the question regarding capitalizing revolving loan funds. You said that you cannot capitalize using existing program income. Now, to capitalize, would you have to use program income that is earned only after the revolving loan fund has been created?

John: Yes.

Nira: And that could be earned in a different activity?

John: From where it was earned? Yes. If you are going to have a home rehab in loan program that you are going to use, or acq-rehab, for your revolving fund—you might get program income from the sale of a rental property and that doesn't matter. You have to spend that money and when you put it into the revolving loan fund then you will continue to receive the proceeds of those activities from the funds activities and keep it revolving. Yes, you have to establish it first before you can. That is the distinction. You can't sort of stockpile it and shift it over. You have to establish it and then earn program income and then put it into that fund and then once it is in that fund it has to continue to be used for those activities even if it wasn't originally from one of those activities.

Nira: So it can be earned from a different activity. It just has to have been earned after the revolving loan fund was established.

John: Right and then it has to be spent only on the activities in the revolving loan fund.

Nira: Okay.

Shawn: The next question comes from the line, again, of a participant whose information was unable to be gathered. Caller, please state your first and last name. Your line is open.

Caller: Just a quick question. Basically, I am wondering if we can use demolition expenses of about $300,000 to admit the 25% satisfied requirement.

Hunter: No. The 25% set aside requirement specifically requires that you house individuals at 50% area median income or less so demolition would not meet that.

Caller: Okay. That is what I told my boss so I am going to show this recording to him. Thank you so much.

Shawn: There are no further questions from the phone at this time.

Jennifer: Excellent. Thank you.

George: Jennifer, this is George. I am looking at the questions that are coming in the written Q&A and I just want to let folks know, if you are submitting your questions on the Q&A panel, we are receiving a lot of questions so if we haven't gotten to yours right away it doesn't mean we've forgotten it. It just means it is in the queue and we'll get to it eventually and so apologies. Some folks are just starting to write in their question two or three times so I just wanted to let everyone know we're going to get to all of them.

Jennifer: Yes, we will. One thing I wanted to go back to slide eight here because there is a typo on this slide here. It says that the new waiver allows NSP2 grantees to spend their program income in advance of line of credit funds. Of course, that should be backwards because that is the whole point of the waiver. The new waiver allows NSP2 grantees to spend their line of credit funds before program income and I expected that in the presentation but a couple of people, I think are going back looking through the slides and some of the questions relate to this so I just wanted to highlight this again. The waiver allows you to spend your line of credit funds before program income. We'll fix this on the slide before we post it on the website. I just wanted to clear that up for folks and that also helps to answer some of the questions that we have here. *[Ed. note: this slide was corrected before posted to hudexchange.info].*

This question is from Angela. She asks: We have a property management company that manages two of our NSP apartment buildings. At the end of the month they send us approximately $4000 of the monthly income receipts. Is the program income that we receive the amount they sent to us or the total monthly rent?

Hunter: The amount they sent to you. Basically, what we are saying is you are going to have expenses at that multi-family property that it sounds like the management company is handling—their fees as well as if they have to replace a water heater or something and it comes out of those proceeds that they get from the rent. With rentals, we are only looking at what your net income is.

John: Basically, net operating income is what we would consider it to be. The policy alert that came out in July 2011 goes into that calculation, if you want to follow that a little bit further. Those are considered to be costs incidental to the generation of the fund and they are exempt from being considered part of the program income.

Jennifer: Thank you. Let's put the program income resources slide back up there for a minute and you can take a look at some of those dates. April asks: Does program income…I think we touched on this a bit but let's ask her question here. Does program income under $25,000 post-closeout have to be reported in DRGR?

Hunter: Yes.

John: It might still be miscellaneous income if you are a non-profit or something like that but you do have to report it.

Jennifer: And that is in DRGR not IDIS.

Hunter: Right.

Jennifer: That was her other question. Angelica states: Program income is not limited to target areas. Is this different from the original grant fund?

Hunter: No, this is only after closeout. This is not something that you would face pre-closeout. You still, in many cases, are going to have to let folks know through some sort of notification process and I would talk to your field office about that before you did it. Quite honestly, it deals more with NSP2 because you are no longer going to have to come and re-rate your application and things like that.

Jennifer: David asks: We structured NSP1 and NSP3 activities to emphasize rental properties through developers for low and very low income residents and we anticipate very little program income. What are your suggestions for funding the required ongoing monitoring?

John: That's a tough one. You can use CDBG, for example, but that is just taking it out of another program. There have been some grantees that have charged some subrecipients a monitoring fee basically. I don't know, if you're monitoring low income housing projects they typically don't have a lot of extra cash flow to be paying fees with. If you do get some program income you can hold it for that sort of purpose after closeout but it is an unfunded problem, I think. Maybe some of the other callers can suggest what they're doing. I'd be interested to hear that.

Jennifer: That would be great. If you have suggestions, feel free to call in and share. Scott asks: Is the NSP2 program income waiver retroactive at all? If program income was drawn on the 26th before the waiver was released, can we cancel that voucher and draw from the line of credit?

Hunter: No. Unfortunately you cannot. The waiver was signed on the 28th of January and it only goes into effect and effects the program income from that day forward.

Jennifer: Carol asks: If a grantee's NSP program income is less than $25,000, can it be added to CDBG program income receipts? If the grantee did this, would the NSP program income that was added to the CDBG program income become CDBG funds?

Hunter: If it is under that $25,000 limit, yes. But remember, much like the other grantee that called in a few minute ago asked "What happens if we go over?" You are going to have issues if you get over that $25,000 limit during that year.

John: You could add it to your CDBG and you can do other things with it. It really is unrestricted.

Jennifer: Don asks: If program income is received from a project that has both HOME and NSP funds involved and the program income is apportioned into HOME PI and NSP PI, does one just report the NSP designated program income in DRGR or does it report both or all of the program income into DRGR?

Hunter: Just the NSP.

John: Yeah. The home PI would go into IDIS.

Jennifer: Great. Debbie asks: Referring to the second option under the NSP grantee identity on the post-closeout provision table that we showed earlier, it states that non-entitlements with no CDBG grant open at closeout…is this referring to the local government CDBG grant as an entitlement community?

John: There were about 30 NSP3 grantees that received a grant that did not have an entitlement amount that did not entitle the communities to get funds from the state or whatever.

Jennifer: So this is referring to those specific grantees that were non-entitlement communities. It is not referring back to the local government CDBG grant?

John: No…and even those non-entitlements, if they have an open state grant, we are going to consider that to be a line that is still open to us. That is why we say closed grants and they are not entitlements. You would know if you are in that category. There are some in Florida. There are a couple in California and there are some in Ohio I think and maybe a few in Michigan.

Jennifer: Do you have anybody on the phone line?

Shawn: Yes Ma'am. Your next question comes from the line of a participant whose information was unable to be gathered. Caller, please state your first and last name. Your line is now open.

Hal: This is Hal Cooper from LA County. We want to know: when does the year start for accumulating the $25,000 total? When does it start and when does it end?

Hunter: You are going to work with your field office to determine what that year is. What is going to happen is you are going to close out your grant and basically whatever random date that takes place is going to be the start of your first year and then your first year will end so that you can line up all this reporting with all your other CDBG reporting. It will end at that point so that first year might be only a couple of months. It might be almost a year, depending on when you do close out your grant and from that point on you'll use that date when everything else that you have to report to HUD—it sort of falls into your CDBG year. Does that make sense?

Hal: Yes, thank you.

Hunter: You are going to basically work with your field office and find that out.

Shawn: There are no further audio questions at this time.

Jennifer: Okay, thank you. Back to the written questions then. Does it have to be explicitly stated in the development partner agreement who retains program income? If it doesn't, must it be amended or can it be inferred that the developer keeps it?

Hunter: You probably should have that in your agreement with your developer so that you don't have issues with your developer or with anyone else.

John: Auditors don't infer very well. You can do it with a letter agreement or something…not necessarily have to rewrite the entire agreement if that is the only issue.

Jennifer: Angela asks: What other funds can be used to pay for administrative costs related to closeout if no NSP administrative funds are available?

John: That's the question of the afternoon.

Hunter: Yeah and I don't think it's just the afternoon. That is obviously an issue that we realize there is but unfortunately I don't think there really is a good answer out there.

Jennifer: Again, if anybody is listening and has ideas feel free to participate and share.

John: One thing that we did say and then I have to leave for an appointment is…your 10% administrative budget is really an allocation and it doesn't all have to be spent at once. If you spent most of your grant funds on hard costs for example, and then you still have in effect budget capacity for another $50,000 or $100,000 worth of administrate costs, you can carry that budget capacity forward so that when you do get program income you might be able to use most of it or all of it for that purpose assuming that you've met your other requirements so that is one thing that we've sort of carved out but that still requires you to have some source of revenue and there are a lot of places that don't have that, I realize.

Jennifer: Shawn asks: After closeout, must program income, not program income in revolving form but regular program income, be retained in an interest bearing account?

Hunter: Program income not in an RLF?

Jennifer: Correct.

Hunter: John, I think the answer to that is yes, is it not?

John: Yes.

Jennifer: Okay, great. Moving along…What if we have met the original NSP1 25% set aside and have an agreement with a non-profit to use the remaining $250,000 of program income to acquire foreclosed homes, rehab and resell to households at 50% AMI. Could we close the NSP grant and continue with the non-profit?

Hunter: Is that $250,000 the line of credit funds? Is that what they're saying? Let me put it this way rather than asking that…basically, the requirement is that to meet the 25% satisfied is not just that you've built a house that you say you are going to put somebody in who is at or below 50% AMI. You actually need to have somebody living in that house and have met a national objective for that house. To close out, all you have to be able to do is demonstrate that you've spent an amount equal to 25% of your initial grant allocation to house folks at 50% AMI or less but that means somebody needs to be in the house. Then, you have three years to meet the requirement from the date of closeout for the amount you've generated in program income. If there is a $1,000,0000 grant and you earned $100,000 in program income before you closed out, you need to spend $250,000 on the 25% set aside by the day of closeout and then another $25,000 for that $100,000 in PI that you earned three years from the date of closeout. The requirement is not just that you've set the funds and you've built the unit, the requirement is that there is someone in that unit.

Jennifer: Thank you. Rhonda, if you have any follow up questions from that feel free to submit it call in and we can clarify further. We've got a question asking: How long can we keep program income before we spend it?

Hunter: Really, as long as you want. There is no requirement that you spend program income within a certain amount of time but the thing is…the next project you have, you have to spend that program income on that next project. As John was saying earlier, there are actually grantees out there who have set up their books because they've allowed themselves the spending capacity for admin to use the program income they are getting instead of sitting on it and waiting until they close out so they can close the grant out and they are not spending any other funds. They have no projects. They are just waiting for people to buy homes and that type of stuff and then ready to closeout they spend that fund.

Jennifer: Thank you. The next question asks: A grantee states homebuyer units sold did not generate program income. The proceeds paid of the construction line of credit used by the non-profit. Let me rephrase this because it is written not exactly like a question. A grantee is saying that the homebuyer unit sold did not generate program income and the sale proceeds of the construction line of credit were used by a non-profit. They had NSP3 funds that were used for construction gap financing and down payment assistance and so he wants to use is that actually a possible scenario. It sounds like he has a little bit of a hypothetical here and it might be good to get a little more detail and maybe even submit this an Ask a Question.

Hunter: I think that's probably a good idea.

Jennifer: Yeah, because I am not sure we have enough information here to really answer the question properly. Robin asks: What can you do with program income from the sale of a home that is not enough to buy and repair another house?

Hunter: Either you wait and you generate more program income or you find a home or house that you are going to invest other funding sources in and you can tag on that NSP funding source.

Jennifer: Thank you. Angelica asks: I have about $400,000 in admin still available in my line of credit. I plan to use program income to do an eligible activity. Can I still draw my admin from the original line of credit for program income activities even though I have program income on hand?

Hunter: You have to use the program income first. Again, let's go back to this $1,000,000 grant and $100,000 worth of program income. We are not saying that you have two buckets of program income…the $100,000 from the $1,000,000 grant and then the $10,000 from program income of admin funds. You have the spending capacity, in that case, of $110,000 for admin. There are a couple of ways you can do it. You can spend all of your program income on admin. Also remember that you need to spend 25% of that $100,000, so another $25,000 on the 25% set aside. If you spent $300,000 from your line of credit on a 25% set aside project, then you have the capacity from the line of credit funds that you spent on that set aside project to deal with any program income you earn…the 25% from that $100,000. I am not sure if I am being very clear here. We are just looking at spending capacity. We don't care where the dollar came from just as long as you have that capacity. Is that clear? I don't know. I'm not sure if I was very clear.

Jennifer: It was clear to me. I think you helped shed some light on the fact that it is not necessarily about where the dollars came from. It is about meeting that dollar figure.

Hunter: Exactly.

Jennifer: For NSP1 and 3 grantees, when you are pulling down funds, if you have program income on hand you will have to use that first in order to fund those amounts up to that dollar figure. For NSP2 grantees, we talked about that waiver before and if you follow the DRGR instructions to set up those new accounts, you will be able to access your line of credit funds more quickly than you would have under the general program income rule.

We have a question from Josh. He asks: If you have already spent 30% of your line of credit plus program income on set aside activities, do you need to spend more money on low income beneficiaries for program income earned after closeout if that income earned does not push you below the 25% for the whole grant in aggregate. I think he is asking a little bit about banking.

Hunter: Unfortunately, the answer to that question is no. You are going to start over from scratch once you've met all the 25% set aside requirements. The day of closeout you now are looking at it as you are basically starting over the day of closeout. Now, you may have that three year window to meet that program income requirement but it sounds like you don't have that situation here, Josh. You can't bank before closeout for future PI.

Jennifer: This question is from Glori. She asks: At the time of closeout, if there is a program income balance that has already met the set aside requirement, will DRGR have separate program income reports to track the program income earned following closeout to avoid having to meet the set aside again?

Hunter: There are reports you can pull and we are going to do a webinar in the near future about DRGR and closeout and it is probably a good thing to highlight at that point. There are reports that you can pull to show you when and what year you earned program income. You'll have to use something along those lines to help you track where you stand.

Jennifer: Mark asks a question that is not specific about program income but he asks: Can NSP funds be used to pay for security guards to guard NSP properties that are waiting to be sold that are having problems with theft and vandalism?

Hunter: If you come out of your admin expenses, whether or not it could be considered a development cost, I don't think so. Write that question in because that is a really good question and I don't know the answer right off the top of my head and I want to get you the right answer to that but it definitely can come out of your admin.

In general, most security costs can be considered part of the total development cost but because we are talking about hiring a security firm I just want to double check.

Jennifer: Write that in to Ask a Question and we'll get you some more feedback. Shawn, is there anybody on the phone line waiting?

Shawn: Yes, Ma'am. Your next question comes from the line of a participant whose information was unable to be gathered. Caller, please state your first and last name. Your line is open.

Lorraine: This is Lorraine Pollock of South Dakota. When we started doing NSP, at some of the clinics we were talking about doing was pretty much what John indicated earlier. We would go ahead and for budget purposes we would expend more of our admin dollars and then replenish that account with program income. I understand that HUD has not come with a date for closeout deadlines, which is good, but what we are running into as an issue now is we still have entitlement that we want to draw down but since we have so much program income and use that first, we are kind of stuck because now we've got program income still coming in that is covering our admin expenses but we want to close out, but we don't want to walk away from the entitlement. I'm kind of just trying to figure out how to get over this obstacle.

Hunter: When you say entitlement you mean your line of credit funds?

Lorraine: Line of credit funds, yes.

Hunter: That is a problem that a lot of folks face. If you are only using admin maybe you want to consider doing a small project to expend your program income funds so you can reach those line of credit funds. You either need to find a way to spend more admin funds or do another project of some sort. Try to avoid that because you have to meet a national objective before you can closeout.

Lorraine: Right, and we were just looking at the futuristic admin and trying to cover the costs for compliance going forward and so we were trying to do this. I guess as long as there is really not a deadline for closeout then we still have some flexibility but I do see that as an issue unless, as you said, we do another project.

Hunter: Remember, you can always fund a partial project in the sense that you're about to do a home project and you know that you can dump $60,000 of NSP funds into it and it will allow you to get to the line of credit fund. It doesn't have to be a standalone NSP project.

Lorraine: Okay. I guess we'll look into doing that. Thank you.

Shawn: There are no further questions from the phone at this time.

Jennifer: Thank you. We do have more written questions. This question is from Don. He asks: The exemption from the 25% set aside for program income that is less than $250,000 per year…if I understand that correctly, that only applies to post-grant closeouts. Is that right?

Hunter: That is correct, yes.

Jennifer: The program income less than $250,000 per year still needs to meet the set aside requirement if the grant has not yet closed?

Hunter: That is correct. Every dollar you earn before closeout needs to meet the 25% set aside. You need to meet the set aside with 25% of every dollar.

Jennifer: Rhonda says: What if I met the original NSP1 25% set aside and have an agreement—I actually think we answered this one previously. Yes, we already answered this one. Tim asks: For NSP1, how much flexibility is there for meeting the 25% set aside after closeout or does it have to be met annually?

Hunter: How much flexibility? Are they asking how long they have?

Jennifer: Yes, I think so.

Hunter: The situation is that you're eventually going to need to demonstrate that you've done it so the field offices will want to see some progress. You're going to be reporting annually and they will be able to see where you stand. There can be repercussions in the future but it is not a requirement that in 2015 I earned $260,000 worth of program income and I've already closed out, I have to meet the 25% set aside before 2016 ends. It is not like that. We will expect in the reasonable future that you've met that requirement.

Jennifer: Thank you. Lorraine asks: We'll be following the category 1 section for a post-closeout requirement. Assuming that she is an entitlement or a non-entitlement with an open CDBG grant, the program income will vary by year based on loan repayment. How would we handle reporting when one year we are under $25,000 but the next year we are over $25,000 but not enough money to fund a project?

Hunter: Again, the reporting will be handled in DRGR and you will be able to pull that report we were just talking about which will show you how much program income you've earned every year but you're going to need—it doesn't have to be a full NSP project. It can be an NSP, CDBG and home project or it can be NSP and a tax credit project or however you want to do it but you will need to use those funds for some sort of NSP purpose.

Jennifer: We went through some of these questions already. We are doing pretty good on answering the questions. I know we've got more in the queue though. Brenda asks: Since we have to use program income before grant funds, how can we spend the full 10% for administration if you already used up all your program income on a project?

Hunter: This goes back to the capacity. If I earn $100,000 this year I know I have $10,000 worth of admin capacity so I can spent that whole $100,000 on a project and then bring in another $100,000 next year. Since I haven't spent any admin funds this year, now I have $20,000 worth of admin capacity next year. We don't require that every dollar you get in you peel off 0.10 for admin and you peel of 0.25 for the 25% set aside. All we are saying is that every dollar you earn, you have the capacity for 10% of the admin and then you have to expend 25% at some point for that 25% set aside.

Jennifer: Thank you for that clarification. I have a couple more written questions here. Somebody is asking about DRGR here. Has DRGR been fixed to work with various browsers? At one point I was told to only use Internet Explorer 8, Chrome Firefox and even IE9 were all causing problems. Unfortunately, that has not been resolved except that there is a pretty easy work around and that is to set your browser to compatibility view. That said, you always want to be using Internet Explorer. That is the browser that works most optimally for DRGR to start in. If you happen to be running Internet Explorer 11, you set your browser to compatibility mode. You can Google that. It will give you some really easy instructions. It is not hard at all. If you set your browser to compatibility mode you should be able to use DRGR just like it is working in Internet Explorer 8. If you are still having trouble with that, feel free to submit an Ask a Question to the DRGR section and somebody will take a closer look at that for you.

Cindy is asking: Must the program income received prior to the waiver be receipted and used before line of credit funds?

Hunter: Yes.

Jennifer: Thank you. Angela asks: We were an NSP1 grantee under the state but we are also a CDBG entitlement. We do not have access to, or report in, DRGR. We have been permitted to keep our program income. How would we report the program income earned?

Hunter: So you're a sub-recipient in NSP, is that what they're saying?

Jennifer: Yeah. She is a sub-recipient under the state.

Hunter: The state needs to report your program income. That is a good thing to continue to mention. A lot of folks knew that we tried earlier in the program to allow after closeout for states to be able to turn their program income over to the entitlement communities and other communities that may earn it. Unfortunately, we are not allowed to do that so the states need to report on all program income they earn or their sub-recipients earn. You should be giving your information to the state for them to plug into DRGR. We talked about this $25,000 rule for NSP. That applies to states and entitlement communities and non-profits so it applies to everybody. I know in the regular CDBG program, the states have $35,000 limit. In NSP, since we use the entitlement definition of program income, everybody is under the entitlement rules for program income.

Jennifer: Thank you. April asks: Regarding the requirement that income under $25,000 be treated as unrestricted use, does this apply to open NSP grants or just after closeout?

Hunter: Just after closeout.

Jennifer: Carol says: She understands that post-closeout program income is reported in DRGR regardless of the amount earned but is the spending of it also reported in DRGR?

Hunter: Yes. The closeout notice is talking about the fact that at some point we are going to switch over to IDIS. That is something that is way, way, way off in the future. For the foreseeable future, everyone is going to continue to report everything, use and program income earned, into DRGR. I will point out that once you closeout, you no longer need to do quarterly performance reports and only need to do annual performance reports.

Jennifer: Saves you a little bit of headache. Scott asks: In the scenario where a grantee had $1,000,000 grant and earned $100,000 in program income, you stated that at closeout $250,000 needed to be spent towards the 25% set aside. Can that $250,000 be line of credit and program income combined or is that $250,000 from the line of credit specifically?

Hunter: No, it can be combined. It can be all the $100,000 of program income and then $150,000 from line of credit. We don't really care where you get the NSP funds from to meet that requirement, we just want you to meet that requirement. Then there is the three years that you need to meet that 25% set aside for that $100,000 in program income. You can meet that requirement from program income you earn after you closeout but as I like to say, and Jennifer I think you came up with this analogy, it is like being sick at home from school. You can get an extension for your homework but you still need to do all the other homework that you continue to get while you go back to school. You can spend the 25% set aside from program income you have now earned post-closeout, but you still need to meet the 25% set aside requirement for any program income you earn post-closeout. It is like an extension with homework, is the best way to look at it.

Jennifer: Steven asks a related question and I think we may need to clarify for him a bit. He says: To clarify, the PI earned prior to closeout must be spent within three years of the close date and PI received after closeout does not have an expenditure deadline? I think he's got that a little confused. It is not that you need to spend the program income within three years after the closeout date, you need to make the 25% set aside requirement for the program income you had earned prior to closeout within the three years. For program income received after closeout, there is no deadline for spending that program income. The three year rule relates to meeting the 25% set aside requirement, not spending.

Carolyn asks: Once we started selling rehabbed properties and receiving program income, we never drew down all the funds in LOCCS. We have expended more than the original grant but did not use all the funds in LOCCS. Can we just return unspent funds to HUD?

Hunter: Yes. When you closeout, what will happen is when you closeout, any funds left in your line of credit will be recaptured. If you don't plan on spending it, and quite honestly a lot of grantees are going to end up with like $1,000 or $50 in the line of credit that they're just going to lose and that is completely acceptable.

Jennifer: Angelica asks: I currently have an approved HUD plan to use some of my NSP1 and NSP3 program income to conduct building abatement activities. I heard you say that if the program is closed out, which my NSP1 program is, I am no longer limited to eligible areas. Is that correct?

Hunter: You need to talk to your field office about that, I'm just going to put it that way. We can do an entire webinar just on that subject and so I would encourage you to contact your field office. In general, the rule is sort of yes but you need to insure that you have done a number of other steps even though you are not—I think the best way to look at is for NSP1 and NSP3, even though the answer is yes, you are still going to have to go through pretty much the same process you are right now. Even though technically you don't need to work in the target areas, what you end up doing at the end of the day is going to look a lot like what you are already doing. For NSP2, the big difference is it is a competitive program so what you have been doing is coming back to HUD headquarters and having your application re-rated. You will no longer have to go through that step but you're still going to have to do public notice and all the other stuff. Even though for 1 and 3, the answer is "you don't need to work in your target area," you are going to end up doing pretty much exactly what you did today to work in your target area even though you're not doing it. Just talk to your field office.

Jennifer: Thank you. Deborah asks: After closeout, what is required of developers as far as reporting and compliance?

Hunter: The big requirement is you still need to insure you are enforcing affordability requirements and you are going to need to report on those houses with affordability requirements on a yearly basis basically saying that they are still in the program. That is going to be the big requirement. Now, the developer may not need to do that if you plan on doing it, but I would probably set up a way for the developer…or set up some sort of system that somebody is telling me whether or not that house is sold whether it be a lien or however you want to do it.

Jennifer: Shawn, do we have any callers on the line?

Shawn: No Ma'am. Not at this time.

Jennifer: Okay. We have a question from Carol. She says: Post-closeout program income and spending is reported in DRGR—she understands that. If NSP program income is less than $25,000 and receipted as program income in CDBG, if spending is also reported in IDIS, is this going to be double reporting? There may be some confusion there.

Hunter: You still need to report whatever the amount is in DRGR. If it is less than that $25,000 it is basically miscellaneous revenue. I think how you are going to report that if you do CDBG activities with it, I think is more of a question for the entitlements folks.

Jennifer: Should they submit that one?

Hunter: Yeah, I would submit that through an AAQ.

Jennifer: Great. A few more questions rolling in here. A previous inquiry indicated that program income will be used to conduct building abatement activities. Does that mean program income is not subject to the same eligible uses as the initial grant? I think the indication of the usage of program income confused me.

Hunter: The program income still needs to meet a national objective. I wasn't exactly sure what they meant by abatement activities so I assumed whatever they meant was still meeting a national objective but that is a very valid point. You still have to meet a national objective.

Jennifer: Thank you. Carolyn asks: May I return unspent program income to HUD?

Hunter: Huh.

Jennifer: Never had that one before did you?

Hunter: I've never had that one before and I don't know the answer to that. If you could submit that question through our Ask a Question site or if Paul or Larry know the answer to that. I have no idea. That is a great question. You stumped me there.

Jennifer: Saves the best for the end. Well, definitely submit that one Carolyn so that we can all hear the answer. Deborah, I think, may have asked the question previously and I am not finding it here in the queue but she has another follow up question. She says: What else is reported annually?

Hunter: Program income earned. It is basically going to be the exact same report as your current QPR except that it will be done annually.

George: Jennifer, I think she asked specifically about environmental things.

Jennifer: Yeah, but I think that question was referring to an even earlier question. She says….not just reporting, but what about compliance? I am not sure which the reporting question was about. She says: Are environmentals still required? I think following closeout she might be asking?

George: She just added…Just in reference to developers.

Hunters: Environmental is still going to need to be done for the folks in the category 1.

Jennifer: So, if a developer is getting money from a grantee that is in category 1, they will still need to comply with environmental requirements.

Hunter: Basically, if you are in category 1 and you earn program income, the rules are exactly the same today as they are the day after you closeout.

Jennifer: Deborah, does that answer your question? I can see you are still there. She says thank you. Shawn, is anyone on the phone line?

Shawn: No Ma'am. Not at this time.

Jennifer: George, did you notice if I missed any of these questions? We had quite a bit of questions here today. Did I miss any?

George: No, I was trying to follow along with you and I think you did okay. There was one question we received a long time ago via the chat function and this may have been addressed but I'll repeat it now. Shelly asked: I know we had a closeout period but we are not close to actually closing out. Is there a certain date we have to move money to a separate account?

Hunter: I guess what they are asking is here a requirement to close out by a certain day and the answer to that is no. I will point out, though, as we talked about earlier, for NSP2 grantees there is a date of September 30th of this year, the end of this fiscal year that all the NSP2 line of credit accounts are swept by Treasury. That is in the statute and we can't get around that sweep so we were able to get a waiver for a lot of those folks to spend line of credit funds before program income. If you are in that category, one of the 42 that we list and it is only NSP2 grantees with a substantial amount left in their line of credit…if you are one of those 42 then yes, you have to do this creating a new account. If you are an NSP1 or NSP3 grantee and you still have funds in your line of credit, you just continue on like every day. There is no requirement to spend those funds…no time limit to spend those funds. There is a requirement to spend those funds before you closeout but there is no clock ticking like the NSP2 folks.

Jennifer: And life doesn't change too much after closeout for most people.

Hunter: There is performance reporting rather than quarterly. As somebody who reviews some of the grantees quarterly performance reports, I can assure you that I will also find it better when you start reporting annually and I think you all probably will too.

Jennifer: Okay, great. Shawn, we didn't get anybody else to join us on the phone did we?

Shawn: No Ma'am.

Jennifer: Okay, thank you. It looks like that is the end of our questions although somebody usually chimes in here as soon as I say that, so let's give them a second. We may have worn them out today. Okay. For those of you who are still hanging on the line here, I wanted to remind you of the resources available to you at the OneCPD Resource Exchange. You also have the DRGR Frequently Asked Questions where you can go to look at some of those issues that are pretty common and you may be able to get an answer there quickly. If you cannot find an answer there, there are training materials available for DRGR and NSP; the webinars that we talked about at the beginning of today's presentation. You can always submit a question via Ask a Question. We've mentioned that a few times this afternoon. It is a good way to get some one-on-one feedback on a specific issue that maybe more nuanced than something that one of the general FAQ's can address. Specifically for DRGR, if you submit an Ask a Question you get almost a mini technical assistance. If you have a problem that is bigger than that, you can request a technical assistance engagement through the OneCPD Resource Exchange as well.

Finally, we'd like to invite you to give us your feedback. We always like to hear what we can do better and what you enjoyed so that we can take that into consideration for future webinars. There is a link on this last slide and if you just click on that and answer a few short questions that would be very helpful to us. Just a reminder, if we get any policy oriented questions in the surveys we always funnel them over to Hunter and the guys there in the NSP shop but if you put a policy related question in there it is going to take a little longer for it to get to the right people so better off to send an Ask a Question. Those are always answered within a few days.

George: Just a reminder that they probably can't click on that link on the slide to get to the survey but once the webinar ends you will be taken to it.

Jennifer: Very good. Thank you. Alright, with that we'll conclude today's webinar. Thanks everybody for joining.

Hunter: Thank you.

Shawn: This concludes today's conference call. You may now disconnect.