



# FORM SF-425

FAQs



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# Frequently Asked Questions (FAQs)

This document contains frequently asked questions (FAQs) and responses to each of those questions regarding the Standard Form 425, also known as SF-425.

## PIH Notice 2025-20 Questions

See below for questions and responses concerning [PIH Notice 2025-20](#).

### 1. Regarding Section 4 of the notice, what is the first Operating Fund Grant for implementing the new requirements?

The first Operating Fund Grant for implementing the new requirements is the Calendar Year (CY) 2026 Operating Subsidy Grant.

#### a. Will this be applied to the 2026 Calendar Year Operating Fund Grant, prospectively?

Yes. Beginning with 2026 Grants, PHAs will be required to submit an SF-425 for each Operating Subsidy Grant each year, and this requirement will apply to grants awarded in 2026 and beyond.

### 2. According to Section 4, “Beginning with their Fiscal Year (FY) 2026 Operating Subsidy, PHAs will be required to submit SF-425s in the Public Housing Portal for each Operating Subsidy Grant on an annual basis until all grant funds are either reported as expended or returned to HUD.” HUD provides Operating Subsidy Grants at the project level on a calendar year basis. Must PHAs report based on their fiscal year, the calendar year, or the federal fiscal year?

PHAs must report based on the calendar year. Operating Fund Grants are provided on a calendar year basis. As such, SF-425 reports shall be on a calendar year basis as well.

### 3. Section 5 provides a period of performance (PoP) example using the 2024 Operating Fund Grant. Will HUD apply new requirements to the 2024 Operating Fund?

No. The requirement to submit SF-425s articulated in [PIH Notice 2025-20](#) for each project on an annual basis will begin with CY 2026 Operating Subsidy Grants.



4. The last paragraph of Section 5(a) creates a new requirement, similar to the Capital Fund Program, that PHAs may not draw down Operating Subsidy unless there are invoices that can be paid within the next three business days. Is there additional information on this?

[PIH Notice 2025-20](#) does not address a PHA's ability to draw down funds. Funds will not be recaptured for Cash on Hand unless the grant is at the PoP end date. The supplemental response is not a requirement to disburse funds within three business days, but a reporting *request* for funds that will not be disbursed within three business days. This information is necessary for HUD's reporting requirements.

5. Section 8 of the notice (Order of Expenditures) seems to infer that expenses are paid from Program Income (e.g., rental income, rent, interest earned on rental income, other income, etc.) first, then from Operating Subsidy. Therefore, no Operating Subsidy may be drawn until all other sources of Program Income are spent. Is this correct?

Technically, the term "expenditure" is more appropriate. An expenditure normally refers to payment for the purchase of goods or services and is recorded at a single point in time (the time of purchase). An expense is recorded in the period when the goods or services have been used up or expired. So, as it relates to order of expenditures, program income would need to be used first regardless of the expense period. For example, program income to the extent available would need to be disbursed by the PHA first to pay for the prepaid insurance (i.e., expenditure), where an expense is then recorded each month for the use of the insurance (i.e., expense). Similarly, the purchase of the vehicle would be the expenditure, while monthly depreciation expense would be the expense.

6. Is a PHA's ability to draw down Operating Subsidy funds determined on a perpetual basis? For example, if the PHA has spent all program income received by the 20<sup>th</sup> of the month, then it may draw Operating Subsidy for invoices in hand which exceed any other program income received during the rest of this month. If the PHA receives a late rent payment on the 22<sup>nd</sup> (while the draw of Operating Subsidy and payment of the invoices is in process), must it pay invoices using the rent received or may the PHA pay the invoices with Operating Subsidy as it planned? Will PHAs need a perpetual daily tracking system for this?



The notice does not require nor monitor daily tracking systems. In addition, the notice does not address a PHA's ability to draw down funds.

7. HUD used FY 2024 as the example in Section 5(a). Will CY 2026 be the initial reporting year, or will HUD make PHAs calculate this retroactively for prior years?

The notice requires reporting beginning with CY 2026 grants.

- a. Section 4 states that beginning with their FY 2026 Operating Subsidy, PHAs will be required to submit SF-425s in the Public Housing Portal. If HUD wants information on prior fiscal years, will it require separate reporting?

The notice requires reporting beginning with CY 2026 grants.

8. A report on the status of 2026 Operating Subsidy Funds for the period ending December 31 is due by the following April 30. Will the first time PHAs must submit the SF-425 be April 30, 2027, for CY 2026 funding?

That is correct. The first time PHAs must submit the SF-425 for CY 2026 funding will be no later than April 30, 2027, in the Public Housing Portal.

9. PHAs must exhaust non-federal resources before expending Operating Subsidy. As a result, any year-end net income will consist completely of Operating Subsidy resources. Unless an asset management project (AMP) operates at an annual deficit requiring the use of prior year Operating Subsidy, those reserves will continue to accumulate. Will Operating Subsidy awards remain active and require an annual SF-425 submission for each AMP for each of the seven years in the performance period?

Yes, unless the PHA reports all funds obligated and expended before the PoP end date.

10. Does the treatment of interest income described in Section 7 for each Operating Subsidy Grant apply at the AMP level?

The interest income repayment requirement applies to all federal grant funds.

11. PIH Notice 2025-22 Section 19 states, "For the purposes of requirements pertaining to interest, to the extent that a PHA does not account for its reserves



based upon sources of funds, all such amounts shall be considered Federal awards.” Does this imply that PHAs must reconstruct the contents of reserve balances?

No, it does not. The notice does not include a requirement for PHAs to reconstruct the contents of reserve balances.

- a. **Will HUD apply recently announced standards concerning the retention of interest income and the order of expenditure retroactively to prior year reserve balances?**

HUD notified PHAs of the [2 CFR 200](#) requirement to submit interest earned on Federal Funds in excess of \$500 to the U.S. Department of Health and Human Services (HHS) in the Interest Earned on Operating Subsidy Guidance and [PIH Notice 2024-25](#). Separately, HUD notified PHAs of the 2 CFR 200 requirement regarding the order of expenditures via [PIH Notice 2025-20](#). The Notices and guidance apply the requirements on a current and prospective basis.

- 12. Section 6(e) of the notice (Recapturing Unliquidated Funds and Cash On Hand) states, “For PHAs that fail to submit their Final Report in a timely manner, HUD will recapture the last reported balance of Operating Funds.” 2 CFR 200.328(d) states, “...Federal agency may extend the due date for any financial report with justification from the recipient or subrecipient.” How will HUD accept and process PHAs’ requests for extensions?**

PHAs can submit requests for extensions to HUD, on PHA letterhead, signed by their board chair. Requests can be sent to [PHFMDFundingBranch@hud.gov](mailto:PHFMDFundingBranch@hud.gov) and must include a detailed justification and approximate timing of submission. Requests for submissions should be submitted with sufficient lead time so that PHAs may meet the deadline if their request is denied.

- 13. Section 8 states that, “...Although non-rental income is program income, this statutory provision supersedes the order of expenditure requirement outlined in 2 CFR 200.307. However, because Operating Funds are intended to cover public housing operating expenses for a specific funding year, the expectation is that non-rental income will be obligated or expended during the same funding year in which the Operating Funds are appropriated.” Is there regulatory or statutory authority for this expectation?**

No. HUD intends to issue regulations in the future. There are currently no implementing regulations published for this statutory provision. Pursuant to Section



9(k) of the 1937 Act (42 USC 1437g(k)), as amended, the PHA may retain non-rental income, and such amounts will not decrease the amounts PHAs receive under the Capital or Operating Fund. Non-rental income may be used for eligible purposes within the Public Housing program or the Section 8 program, or to benefit the residents assisted by the PHA.

**14. Section 8 states, “HUD recognizes that it has not issued regulations regarding the statutory flexibility provided to the use of non-rental income. This notice represents HUD’s interpretation of the interplay between the statute and existing regulatory requirements. HUD intends to issue regulations pertaining to this issue in the future.” What does this mean? When does HUD expect to issue these regulations?**

There are currently no implementing regulations published for this statutory provision. However, HUD intends to issue regulations in the future.

**15. Are insurance settlements for casualty losses considered non-federal revenue that must be exhausted before PHAs may draw Operating Subsidy?**

Refer to [PIH Notice 2016-13](#) on casualties. Insurance proceeds must be used for eligible Capital Fund purposes unless the Field Office approves their use for eligible Operating Fund use (see the notice to confirm). [PIH Notice 2025-20](#) states that insurance proceeds are **not** considered Operating Fund program income. Therefore, PHAs are **not** required to use these proceeds before expending Operating Subsidy.

**16. Is net tenant rent considered accounts receivable for the purposes of the order of expenditure or must PHAs exhaust gross rents charged before drawing Operating Subsidy?**

The PHA would need to look at rent **collected** (i.e., cash on hand to write checks) and not rent **charged**, when determining if Operating Subsidy should be expended to pay the remaining balance of checks.

**17. How will HUD monitor and oversee the accuracy of SF-425 submissions?**

Monitoring will be through the Public Housing Portal and HUD audits. HUD may also incorporate SF-425 reviews into annual independent audit requirements, or incorporate review as part of Field Office reviews, audits by the Quality Assurance Team (QAT), Departmental Enforcement Center (DEC) or Office of Inspector General (OIG).



- a. Those submissions will be consistent with Financial Data Schedule (FDS) systems only in a few instances. What data sources will HUD use to assess submission accuracy?

Any data source or documentation legally available to HUD may be used to assess accuracy.

- b. Will HUD include a review of SF-425 submissions in its requirements for annual independent audits?

HUD may do this as it determines.

## Additional Questions

See below for questions related to timelines, specific field questions, and other information contained in Form SF-425.

### 1. What is the timeline for report submission?

The timeline for report submission is annually for the period January 1–December 31, as of December 31; the SF-425 is due 120 days after the closing of the reporting period the following April (April 30).

### 2. Will there be a separate grant number for each AMP?

Yes, they will use their normal OpFund Grant Number.

### 3. Will the report be prepopulated?

Portions of the form will be prepopulated. Other information will need to be provided by PHAs. That will be identified in instructions to follow.

### 4. Is the basis of accounting based on reporting?

Yes, specify whether a cash or accrual basis was used to record transactions related to the award(s) and prepare this SF-425. The accrual basis of accounting refers to the accounting method in which expenses are recorded when incurred. For cash-based accounting, expenses are recorded when they are paid.

### 5. For the PoP field (even though this is pre-populated), how is this determined?

It is determined by HUD (see [PIH Notice 2025-20 Section 5](#)). PoP is listed in the OpSub processing notice and the award letter. Submit an annual report on the status of those funds for the period ending December 31 each year and complete the report by the following April (April 30).



6. **PIH Notice 2025-22 includes a chart that identifies FY 2021 through FY 2024 and PoP end dates of 12/31/2027 through 12/31/2030. Does HUD expect PHAs to reconstruct their sources and uses of operating funds back to FY 2021?**

PHAs are required to obligate their Operating Subsidy by the PoP end date and liquidate those obligations within 120 days of the PoP end date. The notice refers to FY 2026 forward.

7. **Is there any further specific information on federal funds authorized and federal share of expenditures?**

See the table below for information regarding federal funds and federal share of expenditures.

**NOTE:** The federal share fields (lines e–h) will follow the formulas provided in the instructions. See the formula in the following question for more information.

Field	Line Name	Notes
10d	Total Federal Funds Authorized	Total amount of Operating Subsidy Grant obligated by HUD at the time of reporting.
10e	Federal Share of Expenditures	Prepared on a <b>cash basis</b> , expenditures are the sum of cash disbursements for direct charges for property and services, indirect expenses charged, and cash advance payments and payments made to subrecipients.  Prepared on an <b>accrual basis</b> ; expenditures are the sum of cash disbursements for direct charges for property and services and the amount of indirect expense incurred.
10f	Federal Share of Unliquidated Obligations	Unliquidated obligations on a cash basis are obligations incurred but not yet paid. On an accrual basis, obligations are incurred, but for which an expenditure has not yet been recorded. <b>Funds will only be recaptured at the PoP end date.</b>
10g	Total Federal Share (Sum of lines 10e and 10f)	Sum of lines 10e and 10f



<b>10h</b>	Unobligated Balance of Federal Funds (line 10d minus line 10g)	Line 10d minus line 10f; Operating Subsidy still available for “new commitments/use”. Federal Funds reported on this line item at the PoP end date will be recaptured by HUD.
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**8. Is there further specific information on recipient share?**

HUD Operating Subsidy does not include matching or sharing cost-sharing provisions. Generally, PHAs would enter zero in this field.

Total Recipient Share Required (i)

**9. Is there any additional specific information on the deduction alternative? Does this imply expenses can be applied to rental income first?**

For reporting purposes, because of regulatory and statutory provisions, rental and non-rental, which are both program income, use different methodologies:

- ▶ Given that the regulation indicates that Formula Income (rental income) is subtracted from formula expenses to derive eligibility, the treatment of rental income is similar to the deduction method.
- ▶ Because Section 9(k) of the statute indicates that non-rental income shall not reduce eligibility, non-rental income operates similarly to the addition method.
- ▶ Regardless of the methodology used, it is recommended that PHAs expend Program Income (either rental or non-rental income) before Operating Funds. This ensures program income is properly accounted for and consistent with the Operating Fund reporting requirements.

**10. Is there any additional specific information on indirect costs?**

Indirect cost-related line items (11, 11.a, 11.b, 11.c, 11.d, 11.e, 11.f, and 11.g) are not required.

## Mixed-Finance Public Housing Questions

See below for questions and responses related to mixed-finance public housing.

**1. What is Mixed-Finance Public Housing, and will it be exempted?**

Mixed-Finance Public Housing is a financing arrangement in which Public Housing units are fully or partially owned by a third-party entity. In these projects,



transaction documents require public housing authorities (PHAs) to provide funding to the mixed-finance owner in exchange for the owner's agreement to operate the rental units in compliance with Public Housing requirements. Mixed-Finance Public Housing is not exempt.

**2. How will the PHA know how much of the rental income has been spent versus other income, along with Operating Subsidy?**

When a PHA provides Operating Subsidy to the owner entity as outlined in the transaction documents, that payment is considered an expenditure by the PHA. Once the owner entity receives the funds, they are no longer considered federal grant funds. As a result, the owner entity does not generate program income from these funds. PHAs are responsible only for program income they receive directly (before funds are transferred to the owner entity).

**3. How will the PHA know what invoices are in the hands of the limited partnership in order to draw the amount of subsidy that will be spent in three days?**

The PHA's role is to disburse Operating Subsidy in accordance with the transaction documents. The PHA is not required to account for invoices in the possession of the Limited Partnership when determining subsidy expenditures.

**4. What about when there are written agreements to provide X% of subsidy to the partnership?**

The PHA must follow the written agreements in its transaction documents. Payments made in line with those agreements are treated as PHA expenditures, and once transferred, they are no longer considered federal grant funds.

**5. How is project income treated?**

Income earned by the mixed finance owner entity from operating the mixed-finance project—such as rent, vending machine revenue, or cell tower leases—is not considered program income. For a mixed-finance project, only the income that the PHA itself earns before paying the Operating Subsidy to the owner entity would be treated as program income under the federal award.

PHAs should ensure that their agreements and reporting clearly distinguish between PHA expenditures and owner entity income.

[Click to view HUD information on Project-Based Accounting and Cash Management.](#)

