PIH 2025-20 Participant Guide

Cash Management for Public Housing Authorities

PIH Notice 2025-20 makes PHAs spend program income before drawing Operating Subsidy, and adds annual SF-425 reporting for the Operating Fund. This guide summarizes the 70-minute briefing and leaves room for your notes.

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Primary authority: PIH Notice 2025-20 (effective July 9, 2025). Also referenced: PIH Notice 2024-25, 2 CFR Part 200, 24 CFR Part 990, 42 U.S.C. 1437g.

Segment 1: The Regulatory Framework

Operating Fund grants have always been Federal awards under 2 CFR Part 200. What changed is enforcement: PIH 2025-20 is HUD's vehicle for applying those rules to the Operating Fund.

Hierarchy (higher level governs): Statute (42 U.S.C. 1437g) → Regulation (24 CFR 990, 2 CFR 200) → PIH Notices (2025-20, 2024-25) → PHA policy.

Term	Working definition
Operating Subsidy	HUD's Federal grant to the PHA. It is a Federal award, not program income.
Program Income	Gross income earned by the PHA, directly generated by a supported activity or earned because of the award, during the Period of Performance (2 CFR 200.1; PIH 2025-20 §7).
Cash on Hand	Cumulative LOCCS drawdowns received, less actual cash disbursements (SF-425 Line 10c).

Notes

Segment 2: Program Income Classification

Every compliance question starts here: is this money program income or Federal funds? The answer decides spending order, interest treatment and SF-425 reporting.

IS program income	Is NOT program income
Rents collected (flat and income-based)	Operating Subsidy (the award itself)
Non-rental income: vending, laundry, parking, fees	Capital Fund grants (reported through EPIC)
Interest on program income accounts	Insurance proceeds (an applicable credit, 2 CFR 200.406(a))
Third-party agreement proceeds: leases, licenses, easements	Interest on Federal funds (the $500 rule applies)

The one distinction to remember: interest on an account holding tenant rents is program income, with no $500 limit. Interest on an account holding subsidy drawdowns is Federal funds interest, subject to the $500 rule. Commingled accounts need a documented allocation method or separate accounts.

Section 9(k): non-rental income obligated in writing for an eligible housing or resident-benefit purpose need not be spent before drawing subsidy. It is still reported as program income.

Check-in: Your operating account holds rents and LOCCS draws and earns $2,400 in interest. How do you treat it?

Notes

Segment 3: The Order of Expenditure Rule

Spend program income first, then draw Operating Subsidy from LOCCS for the remaining costs of the same period (PIH 2025-20 §8; 2 CFR 200.307(e)(1)).

Before every LOCCS draw: program income received to date, minus program income spent, equals the balance to spend first. Document that analysis in your drawdown records.

- Evaluate rents **collected**, not rents charged (HUD FAQ, March 2026).
- Late rent arriving after a draw does not invalidate the draw.
- Reserve balances do not affect eligibility to draw.
- A habitual 1/12 draw is not prohibited, but the balance check must be documented.

Getting compliant:

1. Build a cash position worksheet by AMP: program income collected and spent YTD, unspent balance, LOCCS draws YTD. **Email me for the template we use for our clients.**
2. Post tenant payments same-day or next-day.
3. Document the program income balance at every LOCCS draw.
4. Keep a non-rental income ledger: amount, obligated purpose, date obligated, date spent.

Notes

Segment 4: SF-425 Reporting

The first Operating Fund SF-425 is due April 30, 2027, but the data it reports began accumulating January 1, 2026. It is filed per AMP, per grant year (PIH 2025-20 §§9–10).

Milestone	What happens
January 1, 2026	CY 2026 grants begin; AMP-level tracking of program income and draws starts
April 30, 2027	First SF-425 due, covering the period ending December 31, 2026
April 30, annually	SF-425 due for each open grant, covering the prior calendar year

Line	Captures
10c, Federal Cash on Hand	LOCCS receipts minus disbursements
10i / 10j, Program Income	Program income earned and spent for the period
12, Cash on Hand Supplemental	Excel attachment when 10c exceeds what will be disbursed within 3 business days

Line 12 breakdown: 12a disbursing within 3 days, 12b excess, 12c total, 12d explanation of the excess. It is a reporting requirement, not a penalty or a bar on drawing. Build and test the template before your first filing.

Notes

Segment 5: Interest-Bearing Accounts and the $500 Rule

Under PIH 2024-25, Operating Fund cash must be held in interest-bearing accounts. A PHA may keep up to $500 a year of interest earned on Federal funds; any excess goes to the HHS Division of Payment Management within 45 days of fiscal year end (2 CFR 200.305(b)(12)).

Interest on program income accounts is itself program income and is not subject to the limit.

Notes

Five Things to Take Away

1. Operating Fund grants are Federal awards under 2 CFR Part 200, and PIH 2025-20 is how HUD enforces that.
2. Spend program income before drawing Operating Subsidy, and document the balance check for every LOCCS draw.
3. SF-425 reporting covers CY 2026 grants. The first filing is due April 30, 2027; the data window opened January 1, 2026.
4. Federal funds interest above $500 a year goes to HHS. Interest on program income accounts is program income.
5. Document everything. If it isn't documented, it didn't happen in an audit.

Priority Actions for Your PHA

- ☐ **This week:** Brief your Executive Director and Board. Confirm all Operating Fund accounts are interest-bearing.
- ☐ **Within 30 days:** Build the program income balance worksheet for LOCCS draws and assign a staff owner. **OR ask me to send you a copy of the template we are currently using for our clients.**
- ☐ **Now:** Confirm your accounting system captures program income and drawdown data by AMP for all of 2026; fill any gaps since January 1.
- ☐ **Before year-end 2026:** Build and test your Line 12 Excel template and brief your auditors.
- ☐ **By April 30, 2027:** File your first SF-425 for each AMP.

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Notes and Questions

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