

**Loans Incurred By Head Start Programs**

ACYF Administration on Children, Youth and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Administration for Children and Families	
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**PROGRAM INSTRUCTION:**

**TO:** Head Start/Early Head Start Grantees and Delegate Agencies

**SUBJECT:** Loans Incurred By Head Start Programs

**INFORMATION:**

The Code of Federal Regulations (CFR) at 45 CFR 1309.21 (a) establishes a Federal interest in all equipment acquired with grant funds, as well as real property acquired or upon which major renovation has been undertaken with grant funds. It has come to the Administration for Children and Families' (ACF) attention that some Head Start grantees have taken out loans in which they have used Head Start-purchased equipment or real property as collateral. This procedure is not permitted.

45 CFR 1309.21 (e) requires Head Start grantees to meet all the requirements in 45 CFR Parts 74 or 92 pertaining to the purchase and disposition of real property and equipment. Grantees are reminded of the requirements of 45 CFR Part 74.37, which states:

"Real property, equipment, intangible property and debt instruments that are acquired or improved with Federal funds shall be held in trust by the recipients ... and **shall not be encumbered** (emphasis added) without the approval of the HHS awarding agency."

45 CFR Part 92 has similar requirements.

Grantees should understand that they are putting Federal funds at risk by encumbering items that have been made available to them solely for the purpose of serving Head Start children and families. A grantee default of an encumbered loan could result in the Head Start program losing access to equipment or property that was purchased with taxpayer funds. This is not acceptable, and ACF expects any grantee that finds itself in this situation to correct it.

Further, ACF has instructed all monitoring team leaders to determine, during a grantee's triennial monitoring review, if the grantee has taken out any loans in which equipment or property acquired with ACF funds was used as collateral. Any grantee found to have done so will be given a limited time period to restructure, or pay off, its loan in order to come into compliance with Head Start grant requirements.

Please direct any questions on this matter to your ACF Regional Office.

/S/ Channell Wilkins  
 Associate Commissioner  
 Head Start Bureau

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