

## Reporting Federal Interest in Property Frequently Asked Questions

What is real property? ([2 CFR 200.1](#))

Real property is land, including land improvements, structures, and appurtenances thereto, and legal interests in land, including fee interest, licenses, rights of way, and easements. Real property excludes moveable machinery and equipment.

What is federal interest? ([2 CFR 200.1](#))

Federal interest is the federal government's share in a property, based on the federal funding that went toward acquiring or upgrading it. Federal interest means, for purposes of [§200.330](#) or when used in connection with the improvement of real property, equipment, or supplies under a federal award, the dollar amount that is the product of:

- The percentage of federal participation in the total cost of the real property, equipment, or supplies; and
- The current fair market value of the property, improvements, or both, to the extent that the costs of acquiring or improving the property were included in the award.

Example: If a property is purchased for \$100,000 using a federal contribution of \$25,000 (25% of the purchase price), and the fair market value of that property rises from \$100,000 to \$200,000, the federal interest will be \$50,000 (the same percentage as the acquisition contribution).

Where can I find out if my district spent federal funds on real property projects?

The district will need to review final approved grant applications along with actual expenditure records for any federal COVID relief grant for work that would be considered real property. Electronic copies of approved applications are available via the IWAS portal. Look specifically for approved budget lines in functions 2530 and 2540 and objects 300 and 500. Once you identify any approved budget lines that contain real property work, verify with district expenditure records to determine what projects would be considered real property projects in which there is a federal interest portion.

What is the due date for sending the reports to ISBE?

The first year's report should represent work through December 31, 2024, and must be received by ISBE at [sfr@isbe.net](mailto:sfr@isbe.net) by March 31, 2025. This reporting is required annually for at least 15 years, or as long as the federal interest exists. The district needs to submit the 429 forms to ISBE by January 31 of each subsequent year, representing the federal interest as of December 31 of the prior year.

It is possible that a federal interest may end and no longer be retained sometime before the 15-year reporting requirements due to a combination of factors, such as depreciation of the property value or a decreased value of the Federal interest. However, until such time when the federal interest changes, such as if the property has depreciated to a fair market value of zero dollars, is disposed of in accordance with 2 CFR 200.311(c), or if the improvement (e.g., a new roof) made to the property with federal funds reaches the end of its useful life, the federal interest is typically retained and grantees and subgrantees must continue to meet the real property recording, reporting, and disposition requirements. For additional information, please reference the [March 21, 2024, Federal Interest Communication and FAQs from the U.S. Department of Education Office of Elementary and Secondary Education](#).

Where can I find additional assistance in completing the SF-429?

Detailed federal instructions for completing the SF-429, along with Attachments A and C, are available on the [Federal Post-Award Reporting Forms webpage](#). Please note that the ISBE will review submitted documents for completeness only and will not verify the accuracy of the information. Therefore, the subgrantee may be held accountable for any discrepancies or errors identified in a federal audit.

How does federal interest impact property use? ([2 CFR 200.311](#))

- The property must be used for its original authorized purpose, unless otherwise permitted by the awarding agency.
- The property must be insured at least to the same extent as the owner's other property (i.e., property should not be under insured due to its federal interest).
- The property cannot be encumbered without permissions, including mortgages, liens, and easements, from the federal awarding agency.

## Recording Federal Interest in Property Frequently Asked Questions

### What is a Notice of Federal Interest?

A Notice of Federal Interest (NFI) is a legal document that protects the federal government's interest in real property. It is required when federal funds are used to construct, improve, or renovate a facility. All grantees and subgrantees that have a real property project of \$1 million or more in COVID-19 relief funds, and/or for which federal funds constituted a significant portion of the project, must record all NFIs by January 28, 2025. ISBE recommends that grantees and subgrantees that did not file by this deadline record the NFIs as soon as possible.

### General Information

- The NFI must be filed with the local jurisdiction where the property is located. Often this is the county court clerk or the recorder of deeds.
- Local governments may have different formatting requirements. It is important to check with the office before filing.
- The county government will provide a dated copy of the recorded NFI with the county stamp and either receipt information or the final reference number (book and page, file, etc.).
- The recorded NFI with the official stamp must be kept on file by the Local Education Agency (LEA) for future monitoring or audit purposes as long as the LEA holds title to the property.

### NFI Document Requirements

- The grant number must reference the appropriate Assistance Listing Number found in the grant application Overview page (e.g., 84.425D [ESSER I and II] or 84.425U [ARP ESSER]).
  - The description of the project should clearly describe the approved construction project, renovation, or purchase supported in part or whole by grant funds.
  - The legal description should be preferably the full legal description of the property in the deed. A physical address may be included but does not constitute a legal description in itself.
  - The signatory of the NFI should be the owner of the property or authorized representative (e.g., superintendent). This indicates the owner's consent to have a lien filed on the property.
  - The NFI must then be notarized and embossed with a notary seal.
  - The NFI must then be recorded with the applicable jurisdiction.

Sample documents and additional information published by other federal agencies or subagencies include:

[Sample Notice of Federal Interest](#)

[Notice of Federal Interest When CF Grant Funds Are Used for Real Estate](#)

[Real Property Guidance](#)

Does a Notice of Federal Interest need to be recorded every year with the county clerk?

No, the NFI only needs to be recorded one time.

What if a building had three separate projects; no single one was over \$1 million, but all three combined were. Does the LEA record or not?

If it is multiple projects on the same property all paid with one cost (e.g., ESSER), and they total \$1 million or more, we recommend that it be recorded to avoid any potential finding. However, projects at separate properties should be considered separately. So, if a district had window replacement projects at 3 of its school buildings, each worth \$500,000, there would not be a NFI recording requirement even though the combined value is over \$1 million.