



## Frequently Asked SHIP Questions

**Q:** *Is a monthly payment of \$1,500 from a 401K retirement account included among sources of household income when calculating the income eligibility of an applicant?*

**A:** The 401K is an asset owned by the applicant. The monthly payment is, therefore, income from an asset. The monthly payment will be included as income unless the applicant can demonstrate that the amounts received do not exceed the amount of the original 401K investment. HUD Handbook, 43350.3, Section 5-6 (N) addresses the topic of “Withdrawal of Cash or Assets from an Investment.” The withdrawal of cash or assets from an investment received as periodic payments should be counted as income unless an applicant can document that the amounts withdrawn are reimbursement of amounts invested. When an applicant is making regular withdrawals from an account in which he/she has made an investment, the withdrawals will count as income only after the amount invested has been totally paid out. An example to consider is as follows:

Josefina and Rodrigo Gomez have received \$300 a month from an annuity for 9.5 years. The Gomez’s paid \$36,000 for the annuity when they purchased it years ago. Six months after the current annual recertification becomes effective, the Gomez’s will have reclaimed the full amount of their investment. For the second 6 months of the coming year, therefore, the owner will include the \$300

monthly payment from the annuity as income.

Remember, this \$300 monthly payment is income from an asset and must be documented properly. On the income certification page, list the 401K among the household’s assets on the bottom of the first page. List the cash value of this retirement account and then list the actual income from the asset. In this case,  $\$300 \times 6 \text{ months} = \$1,800$ .

**Q:** *Does a jurisdiction have to show that all program income is encumbered along with the HHRP distribution by the June 30, 2007 reporting deadline? Our jurisdiction receives a considerable amount of program income on a monthly basis but we will still not know how much program income will be earned in the next year before the expenditure deadline.*

**A:** This is a valid concern since any funds “not encumbered” by June 30, 2007, shall be re-offered by the Florida Housing Finance Corporation to eligible jurisdictions with remaining hurricane housing needs. However, in consultation with Florida Housing Finance Corporation, the encumbrance deadline applies to the original allocation only. According to HHRP Rule Section 67ER04-05 (10) funds for recapture or any other funds must remain in a separate account for the life of the HHRP program (must end by June 30, 2009). After termination of the HHRP fund,

the balance will go into the regular SHIP fund.

Please be reminded that this determination does not affect the required encumbrance deadline for the original allocation. Once an HHRP jurisdiction demonstrates its compliance with the encumbrance deadline the next task is working towards meeting the expenditure deadline. Like SHIP, the HHRP rule indicates that funds must be expended within three years. Yet it also includes a solution for jurisdictions struggling with this deadline as evidenced by HHRP Rule, Section 67ER04-05 (9) which states the following:

“Eligible counties and eligible municipalities shall have two years to encumber funds for their intended use, and an additional year to fully expend the funds. If a local entity shows that it has been unable to fully expend the funds after this period, it may request a one year extension to this timeframe pursuant to subparagraph 67-37.005(6)(f)2., F.A.C. The Corporation shall grant that local entity an additional year to expend the funds upon receipt of the request.”

**Q:** *Do the requirements that 65 percent of all SHIP funds be used for ownership activities and 75 percent for construction activities apply to program income?*

**A:** No, program income is not required to be included in the homeownership and construction/

*Have you got a question about the SHIP program? Free telephone technical assistance is available to help you successfully implement your SHIP funded work. Call the Florida Housing Coalition's SHIP telephone line at (800) 677-4548.*



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rehabilitation set-asides. According to Section 420.9075(4) (k), funds from the local housing distribution not used to meet the criteria established in paragraph (a) or paragraph (b) or not used for the administration of a local housing assistance plan must be used for housing production and finance activities, including, but not limited to, financing the purchase of existing units, providing rental housing, and providing home ownership training to prospective home buyers and owners of homes assisted through the local housing assistance plan. Notwithstanding the provisions of paragraphs (a) and (b), program income as defined in s. 420.9071(24) may also be used to fund activities described in this paragraph.

**Q:** *Our jurisdiction has a barrier removal grant strategy which provides up to \$3,000 of modifications for a rental unit. Does the applicant's current rent have to fall at or below the rent level listed in the rent limits chart for my jurisdiction?*

**A:** Yes, the applicant's rent must be within the level allowed by the Rent Limits Chart. You may find that the applicant is eligible based on income and household size; and yet the monthly rent exceeds the allowable rent in the chart. In such a case, this rental unit is not eligible for SHIP modification assistance. It is important to note that annual monitoring and determination of tenant eligibility is not required for an original loan or grant in the

amount of \$3,000 or less as stated in Section 420.9075(3)(e). However, in the rental example provided, the total amount may exceed \$3,000 if more than one unit was assisted.

**Q:** *Our jurisdiction has a rental development strategy and we are considering funding a 12 unit project. How many units would have to be set aside for very low income tenants in order to comply with the statutory requirement to serve very low income?*

**A:** 420.9075(5) (d) 2 of the Florida Statutes states: "At least 30 percent of the funds deposited into the local housing assistance trust fund must be reserved for awards to very-low-income persons or eligible sponsors who will serve very-low-income persons and at least an additional 30 percent of the funds deposited into the local housing assistance trust fund must be reserved for awards to low-income persons or eligible sponsors who will serve low-income persons, at least 30% of the funds must be reserved for very low income and 30% must be reserved for low-income persons or eligible sponsors who will serve these income groups." In other words, the statutory income set asides are applied to all of the funds deposited into the local housing trust fund. There is no statutory requirement that every development funded have at least 30 percent of the units reserved for very low income households.

Jurisdictions should use the housing delivery goal charts completed for each fiscal year to determine the amount of money from each strategy which will be used for the various targeted income levels. They must then track expenditures by income level throughout the year to make sure they are meeting these targets.

**Q:** *An applicant owns a mobile home that has a house built around it. Can I provide SHIP repair assistance to such a dwelling?*

**A:** No, this unit does not meet the definition of 'eligible housing' under the SHIP program. It has not been built to the Florida Building Code. Staff at the Codes and Standards office at the Florida Department of Community Affairs has determined that a structure built around a mobile home cannot comply with the state building codes since it will not comply with structural, plumbing and wiring standards.

**Q:** *An applicant wants to purchase a house and needs a co-signer. Is this allowable for a SHIP-assisted buyer?*

**A:** Yes, it is not uncommon for SHIP-assisted buyers to have co-signers. Co-signers are not household members unless they will live in the home being purchased or unless they are the spouse of the applicant.