



## Frequently Asked SHIP Questions

**Q:** *An applicant is applying for purchase assistance. I have signed his income certification form and have provided an award letter indicating that he is a moderate-income applicant with a household income of 81% of the area median income (AMI). We provide moderate-income homebuyers with a maximum of \$30,000 of purchase assistance, while low-income households may receive up to \$40,000. Before the date of his closing, I received the new income limits chart from Florida Housing. The area median income for my county has increased slightly, and the applicant earns 79% of the new area median income. This applicant's income has not increased or decreased at all since my initial intake and verification of income. However, should I now count him as a low-income household, and is he eligible for up to \$40,000 of down payment assistance?*

**A:** Yes, the applicant's household is low-income on the day when you provide assistance, and is eligible for the higher level of down payment assistance. During the beginning months of each year, Florida Housing Finance Corporation distributes new income guidelines for purposes of determining income eligibility. You should use the new, updated income limits as soon as they are received, regardless of which allocation year the assistance comes from. The income limits charts are based on information on median family income provided by HUD. The latest estimates of median family income are

based on 2000 Census data on family incomes. This has been updated annually since 2005 using Census American Community Survey data from approximately three million households to identify changes in state median family incomes.

Remember that it is likely that this situation is uncommon. Comparing the two most recent years of income limits charts, the area median income generally increases slightly by less than \$2000 from year to year. In some unusual cases, AMI decreases. Because of the relatively small change in AMI, it should be uncommon for an applicant to be eligible for a different amount of assistance once the new income guidelines are received—even if your SHIP program offers a graduated series of maximum awards for different income categories.

The SHIP income limits establish the maximum income for households that can be assisted. Yet each jurisdiction must identify the level of income where the market fails to meet each citizen's need for affordable housing. If you believe that the income levels provided to you by Florida Housing do not adequately assist you in targeting assistance to those most in need, your commission can place additional restrictions on the local SHIP program. You may discover that even moderate-income households experience financial difficulty with housing costs. They may not qualify for enough mortgage money to purchase an average priced home in your

community, for example. On the other hand, you may conclude that moderate-income households do not experience hardships, once you have considered the relationship between housing costs and income levels. Some communities have written their Local Housing Assistance Plans to indicate that SHIP assistance is only available to Low and Very Low-income households, not those with Moderate Incomes.

**Q:** *A husband and wife are applying for purchase assistance, and their scheduled closing is ten days from now. The wife has a regular job and the husband is starting up a business. He anticipates that the business will soon become profitable, but it is currently not earning income. How do I document this situation and how much income should I count from this business?*

**A:** You should count no income from the business, since it is currently not earning a profit. On any given day when we work to complete the income qualification process, we are simply taking a 'snapshot in time' of household income. Income increases or decreases with some regularity—the wife may soon receive a raise, or may lose her job. The business may soon turn a profit, or may fail for lack of income. Your task is simply to document the current situation. Currently, you cannot estimate any particular income from the business in the next 12 months.

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.



Michael Chaney

## DID YOU KNOW:

**Consider a similar situation:** an applicant's 18-year-old son has recently graduated and is looking for a job. Although he tells you that he anticipates locating a job earning \$25 an hour, he is currently unemployed and there is no guarantee that he will earn that anticipated wage. Guidance on this matter is provided in the definition of "annual gross income" in the SHIP Statute, which notes "counties and eligible municipalities shall calculate income by annualizing verified sources of income for the household." The son cannot verify income from a job that he does not yet have. Similarly, your applicant cannot verify business income based on the current documentation of the business. You cannot count any business income to be earned in the next 12 months.

In your situation, you should finish the income qualification process today and complete an income certification form. Count only the sources of household income that can be verified today, complete your income eligibility determination, and move on to preparing the applicants for their closing.

**Q:** Every time we assist a homebuyer with purchase assistance, we confirm that the sales price of the purchased unit does not exceed our community's maximum purchase price. Our community is now one of several Florida communities beginning to build housing using the Community Land Trust (CLT) model. When checking the

You will be required to provide additional information when your SHIP office next turns in its Annual Reports in September 2007. Reporting requirements have been updated as a result of a Rule Development workshop in November, 2006. The definition of "Annual Report" in the SHIP Rule (67-37 Florida Administrative Code) refers to "Form SHIP-AR/02-1." Florida Housing's staff has updated Form SHIP-AR/02-1 to include a final item on Form #4, which outlines a new requirement:

*"Counties and eligible municipalities utilizing SHIP program funds must provide a list of recipients by strategy including names, addresses, and zip codes for each fiscal year reporting to Florida Housing Finance Corporation."*

*maximum purchase price, it does not seem fair to include the value of land for a CLT house, since the buyer does not purchase the land. That is one of the fundamental methods that CLTs use to keep home prices affordable. Do I count land value when confirming that the sales price of a CLT house does not exceed our community's maximum purchase price?*

**A:** No, you do not count the value of land in the purchase price of a community land trust unit. The answer to this question may be found in the SHIP Rule. Section 67-37.005 addresses the details of the Local Housing

In order to provide an accurate list of recipients, your SHIP jurisdiction must have a tracking system that properly accounts for SHIP activities during the past three years and before. SHIP Administrators are also required to begin tracking assistance to Extremely Low Income (ELI) households, starting with the 06/07 SHIP distribution.

- Are you prepared for these new SHIP requirements?
- Does your SHIP tracking system completely reconcile with the general ledger maintained by your city or county's Finance Department?
- Training is available to assist you—call the Coalition at (850) 878-4219 to learn more.

Assistance Plan. Subsection (5) outlines the information to be provided for each use of SHIP funds, including the maximum purchase price or value of a unit that may be considered eligible housing. This value "can be lower but may not exceed 90 percent of median area purchase price established by the U.S. Treasury Department, or as required by Section 420.9075(5)(c), F.S." This area of the SHIP Rule was expanded during a SHIP Rule Development workshop in November, 2006, to address the topic of community land trusts. Subsection (5)(d) now states, "for community land trust purposes the value of the land is not included in the purchase price."