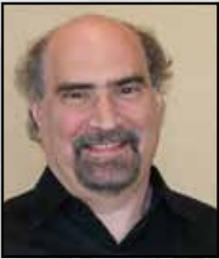


SHIP Matches the Right Recipient with the Right Amount of Assistance



by Stan Fitterman

All housing markets are local. Not the deepest phrase ever written, and certainly not the most original, but it is a simple concept that is at the heart of Florida's State Housing Initiative Partnership (SHIP) program. Since 1992, Florida's local jurisdictions have administered SHIP to implement

a variety of housing assistance programs including disaster relief for hurricane survivors; supportive housing for homeless and extremely low income special needs populations; and emergency repairs for very low income homeowners. These programs were locally designed and implemented in accordance with locally determined needs. Given the diverse housing markets in the state, it is not surprising that local programs differ in target populations, types of assistance, and amounts of assistance per household.

This article addresses the use of SHIP to help low- to moderate-income Floridians become homeowners. A purchase assistance program is a strategy in more than 90 percent of all SHIP programs. Assistance is provided to fill the gap between housing cost and the mortgage amount that a low- or moderate-income family can afford. The assistance is usually offered as a deferred payment loan and is repaid if the family sells the house during the loan term.

Housing Prices and Subsidies

As housing markets changed over time, SHIP programs changed with them. In 2002, some communities were able to get families into their first home with as little as \$3,000 in subsidy. This was in markets with relatively low housing costs compared to incomes, and in most

cases this amount was needed to help the buyer meet the down payment requirements of the lender. In other markets, buyers needed both assistance with the down payment plus additional subsidy to make up the difference between the mortgage amount they could afford and the price of the home. In 2002, the median amount of SHIP-funded purchase assistance was \$11,550 per unit.

From March 2001 to March 2006, housing prices in Florida increased over 111 percent. During this same time, household incomes in the state increased by just 10.9 percent. As housing costs began to rise faster than incomes, purchase assistance amounts offered by the SHIP program also needed to increase. During the same period, the median amount of assistance rose from \$11,550 to nearly \$23,000.

The statewide averages; however, do not tell the story as well as numbers that show how local SHIP programs reacted. In 2002, the median sales price of a home in the Tampa Bay metro area was \$117,000. At that time, the City of Tampa provided an average of \$7,400 per unit in purchase assistance. For families earning between 80-120 percent of median, this amount was probably less, for families earning less than 80 percent of median, probably a little more. By 2006, the median sales price for a home in the Tampa metro area had risen nearly 70%, to \$198,000. During this same time, median income rose just 8 percent. To serve the same target market, the City of Tampa increased its purchase assistance. But in contrast to the mortgage products that were all too common during the housing boom, the SHIP program would only couple its purchase assistance with fixed rate long-term mortgages that families would be able to sustain.

Housing Prices and Income

While it is true that housing prices in Florida have dropped from previous record highs, homeownership is still out of reach for many Florida families. In the third quarter of 2012, the median sales price for a home in the West Palm Beach metro area, for example, was \$144,000. Purchasing the median priced home would take an income of about \$48,000 or about \$23 per hour for a single wage earner. While the median income for the West Palm Beach MSA is \$64,000, according to Enterprise Florida, the average annual wage from employment is just \$45,832. So, the average worker in the West Palm Beach MSA is not able to purchase the median priced home. About 20 percent of the labor force works in the category of trade, transportation and utilities. The average salary for this industry is \$39,381. Another 14 percent work in the hospitality industry. The average wage for this industry is just \$22,419.

Calculating the Right Amount of Assistance

Because SHIP operates at the retail level, families receive pre-purchase counseling and are provided only that amount of SHIP funding needed for that family to purchase a home that is affordable over the long term. There is always a ceiling on the amount of funds that SHIP will provide to help a family get into homeownership (also determined locally) and if a family needs more than that amount they will not be able to purchase using the SHIP program. They may be placed into a homebuyer savings club so that they can purchase a home in the future after they are able to accumulate more of their own funds for closing. SHIP

has been successfully operating statewide, from large urban areas to small rural communities for more than 20 years.



As housing markets changed over time, SHIP programs changed with them giving local governments needed flexibility to meet the local housing needs.

The SHIP program's flexibility allows local governments to design their housing programs to meet their community's needs and revise local strategies in accordance with changes in the market, provided they continue to meet statutory criteria. Given the number of foreclosed and potentially vacant units coming on to the market, combined with workers who are still priced out of the market, the SHIP program is as important as ever. **HNN**

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