

Preparing for your SHIP Monitoring Visit

Sponsored by the Florida Housing Finance
Corporation's Catalyst Program

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Catalyst Training Schedule

The SHIP logo, which includes a stylized house icon and the text "SHIP housing a stronger Florida".

Fine Tune Your SHIP Program
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www.flhousing.org

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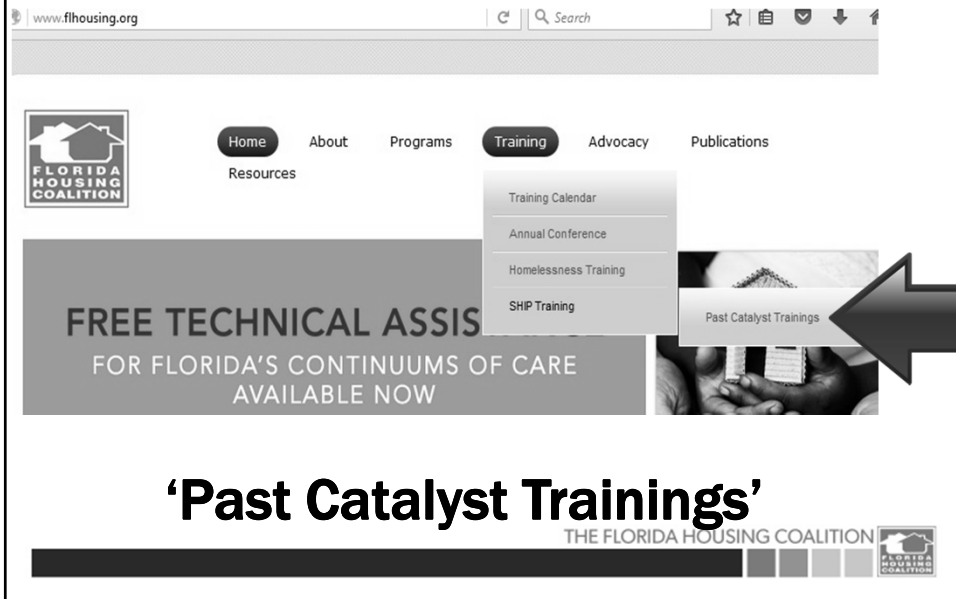
Resources

Training Calendar
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SHIP Training
Past Catalyst Trainings

FREE TECHNICAL ASSISTANCE
FOR FLORIDA'S CONTINUUMS OF CARE
AVAILABLE NOW

'Past Catalyst Trainings'

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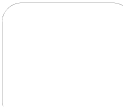

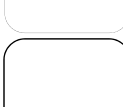



Request a Site Visit to prepare for SHIP Monitors



- Call (800) 677-4548
- Up to 6 hours of training in your office
- Review of Files, Staffing, Procedures
- Discuss new and existing strategies

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Overview of the Monitoring Process

- • File documentation
- • Eligibility documentation
- • Administrative procedures
- • Annual Report responsibility
- • Monitoring rental housing
- • Monitoring sub recipients and sponsors

Change in Monitoring Staff in 2015

- **Former Monitors:** First Housing, Seltzer, Florida Planning Group
- **Current Monitors:** Florida Housing staff
 - Two Review Teams, each with 4 or 5 members
 - Three staff members conduct most on-site visits
 - 15-20 reviews annually

Monitoring Requirements

Monitoring in SHIP Rule: Section 67-37.019 (1)-(6)

- Maintain a financial tracking system
- Annual Gross Income... verified and certified
- Income calculated by annualizing verified sources... income limits cannot be exceeded
- Entity... assisting rental developments shall monitor annually, determine tenant eligibility... at least for 15 years

MORE SHIP Rule: 67-37.019 (1) - (6)

Incentive Strategies:

Evidence that permits for affordable housing are expedited.

Also confirm an ongoing process for review of local policies, etc.

MORE SHIP Rule: 67-37.019 (1)

- (6) continued

Florida Housing will inspect:

- LHAP
- Applications
- Construction cost (receipts reviews & contracts)
- Advertisements
- Financial records
- Sponsor/Subrecipient
- Recipient verification
- SHIP recipient lists

Steps of the Review

- 1. Examination of Records**
 - a. Desk audit of recipient case files
 - 2. Complete file review onsite**
 - 3. Review of Administrative Procedures**
 - 4. Meet with staff to report observations**
- **Physical inspections: None**

Documents Requested

- Sampling of Individual Recipient Files
- Advertising/Waiting List
- Local Housing Assistance Plan
- Independent Audit =
CAFR(Comprehensive Annual
Financial Review)
- Annual Reports

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More Documents Requested

- Tracking System
- Finance Dept. general ledger
information
- Median Area Purchase price
- Rental monitoring reports
- List of pre-qualified contractors

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Even More Documents Requested

Other items may be requested, depending upon the circumstances



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Analysis of a Monitoring Report

Purpose of Review

- **Compliance with F.S., F.A.C. and LHAP**
- **SHIP Program Overview and Procedures**
Manual and 2008 Manual are “best practices” not addressed within F.S., F.A.C., or the LHAP

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Download the New SHIP Manual www.floridahousing.org

The screenshot shows the Florida Housing Finance Corporation website. The header includes the logo and the tagline "we make housing affordable™". A navigation bar lists links: Home, AHSC, Contact Us, Website Terms & Conditions, On-Line Survey, Site Map, and WebBoard. Below the navigation bar, a breadcrumb trail reads: HOME > HOUSING PARTNERS > Local Governments (SHIP). A left sidebar contains a list of links: ABOUT US, BUSINESS & LEGAL, CALENDARS & NOTICES, DEVELOPERS, DISASTER RELIEF, EMPLOYMENT, FOR INVESTORS, FORECLOSURE PREVENTION, HOMEBUYERS & RENTERS, and HOUSING PARTNERS. Under HOUSING PARTNERS, there are sub-links: Affordable Housing Study Commission Elected Officials, Lenders, and Local Governments (SHIP). The main content area is titled "State Housing Initiatives Partnership (SHIP)". It contains a paragraph describing the program: "Florida Housing administers the State Housing Initiatives Partnership program (SHIP), which provides funds to local governments as an incentive to create partnerships that produce and preserve affordable homeownership and multifamily housing. The program was designed to serve very low, low and moderate income families." To the right of this paragraph is a "Quick Links" box with a list of links: Catalyst Program and Workshop Schedule, Find Local SHIP Offices, NOFA Technical Bulletin, SHIP FSAA Information, SHIP Program Manual, SHIP Program Manual Addendum #1, Resident Income Certification-Rental, and Resident Income Certification-Homeowner. An arrow points to the "SHIP Program Manual" link. At the bottom of the page, there is a footer with the text "THE FLORIDA HOUSING COALITION" and a logo.

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HOME > HOUSING PARTNERS > Local Governments (SHIP)

ABOUT US
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Affordable Housing Study Commission
Elected Officials
Lenders
Local Governments (SHIP)

State Housing Initiatives Partnership (SHIP)

Florida Housing administers the State Housing Initiatives Partnership program (SHIP), which provides funds to local governments as an incentive to create partnerships that produce and preserve affordable homeownership and multifamily housing. The program was designed to serve very low, low and moderate income families.

Quick Links

Catalyst Program and Workshop Schedule
Find Local SHIP Offices
NOFA Technical Bulletin
SHIP FSAA Information
SHIP Program Manual
SHIP Program Manual Addendum #1
Resident Income Certification-Rental
Resident Income Certification-Homeowner

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Monitoring Report

“When will the Monitors switch from issuing Observations to listing Findings?”

- Observations will continue for these “reviews”, which are not “audits”
- Reports are provided to program staff and senior management, who most often make decisions regarding repercussions.

Current Monitoring Observations

- 1. Differences between LHAP, written agreements, and note & mortgage**
- 2. LHAP amendments not submitted to FHFC for review**
- 3. Not monitoring rental projects**
- 4. Not advertising, Not properly advertising funding**
- 5. Improper verification process or documentation**

Current Monitoring Observations (continued)

- 6. Income certification form errors**
- 7. Insufficient sub recipient documentation in LHAP, Annual Reports and Contracts**
- 8. Discrepancies between annual report, the general ledger, tracking spreadsheets, and applicant's file**
- 9. Rehab projects: failure to document compliance with purchase price limits**
- 10. Incomplete application or file**

Monitoring Report Local Government Response

SHIP Rule: 67-37.019 (7)

- **Submit a written response to any observations or deficiencies**
- **Response submitted within 30 days**
- **Include an explanation and/or remedy**
- **A plan for correcting issues with timeline**
- **Plan for repayment of ineligible expenses**

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Implications of Non-Compliance, SHIP Rule 67-37.019 (8)

Pattern of Violation

- **(8) If ... an eligible jurisdiction has established a pattern of violation ... the Corporation shall report such pattern of violation to the Executive Office of the Governor ... distribution of program funds... will be suspended.**

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If Funds are Suspended: Corrective Action Plan

- The eligible jurisdiction shall develop a corrective action plan (CAP) within 60 days
- Propose corrective action for each violation
- Implement within 3 months of the CAP's approval by Florida Housing
- Upon approval of the CAP, program funds will be distributed.

File Guidance

- File Checklist
- Date stamp all verifications
- All documents: signed, dated
- Security Agreement: signed, recorded

Recommendation

Review old files to prepare for Monitoring

- Missing info: do additional research
- Notes on top of file



Problems with Files

- Incomplete application or other forms
 - Common application errors
- Missing required documents
- Discrepancy between LHAP and Lien
- Missing proof of green initiatives
- A Local Policy: missing proof no mobile homes have been assisted



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SHIP File Retention Policy

Cases Assisted: wait five years after loan has been released/satisfied, provided audits have been released, whichever is later.

Cases Not Assisted: retain for four years after Closeout Annual Report for that SHIP Distribution has been submitted.

Applies to files held by Subrecipients

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File Documentation For All SHIP Files

- **Application for Program Assistance**
- **Identification: copy of Driver's License**
- **Authorization for the Release of Information Form**
- **Income and asset Verification Forms**
- **Divorce Decree (for child support income, if applicable)**
- **Signed statement RE: social security numbers**

More File Documentation

- **Checklist**
- **Income Certification Form**
- **Detailed income calculations**
- **Award Letter**
- **Lien Document with Default Provisions**
- **Client Notes/File Log**

Rehabilitation File Documentation

- **Proof of Property Ownership**
- **Initial Property Inspection**
- **Work Write-up & Cost Estimate**
- **Contractor(s) Bid or Proposals**
- **Documentation of Contractor Licensure
and Certification of Non-Debarment**
- **Contractor/Home Owner Contract**

Rehabilitation File Documentation (continued)

- **Change Orders (if applicable)**
- **Construction Payment Requests**
- **Work Inspection Report(s)**
- **Certificate of Completion**
- **Interim and Final Payment Release**
- **Contractor Warranty Notice**
- **LHAP specific requirements (ex. Insurance)**

Purchase Assistance Documentation

- **Contract for purchase and addendums**
- **Loan Disclosure Forms (formerly HUD 1 Settlement and Truth in Lending)**
- **Copy of First Mortgage Document**
- **Co-signer documentation of different residence**
- **Title Policy for Title Insurance**

Purchase Assistance Documentation (continued)

- **Proof of repairs and Release of Liens (12 month rule)**
- **Final Inspection report/pictures**
- **Certificate of Occupancy**
- **LHAP specific requirements (ex. Counseling certificate)**

Guidance on Right of Rescission

- The Right of Rescission under the Truth in Lending Act (TILA) applies to non-exempt credit transactions secured by the consumer's principal dwelling.
- Funding takes place after the 3-day rescission period.
- The Right of Rescission applies only to refinance transactions on borrower's primary residence
- It is recommended that the City/County seek legal advice to ensure compliance with the relevant federal mortgage lending rules and regulations.
- Document this determination

Social Security Cards

- Not required in SHIP File
- Use another identifier for household members



FL Statutes Section 119.071(5)(a)2.a., (I) and (II): "an agency may not collect an individual's social security number (SSN) unless the agency has stated in writing the purpose for its collection and unless it is imperative for the performance of that agency's duties... as prescribed by law.

SHIP on Green



- Statute requires local governments to address green building in the LHAP.
- Ensure that the work being performed meets the green building requirements outlined in your LHAP.
- Document compliance with these requirements in the SHIP file.

Mobile Homes

- If LHAP states that “mobile homes are not eligible” you must document that property is not a mobile home
- Add to checklist
- Provide proof in file of type of structure
 - Tax roll
 - picture

SHIP Loan Modification

- Your final loan documents, Annual Report, tracking spreadsheet and General ledger \$\$ must match

SHIP Loan modification

- Record a loan modification document to ensure that the final amount of assistance provided is consistent

SHIP Loan Subordination

- Have a policy for subordination
- Should be outlined in your LHAP
- Follow that specific policy in the event of a request for subordination

Not Required



- Affidavit Unemployment,
- Cert of No Income Change,
- Proof of Citizenship,
- Three year employment history,
- Pay Stubs- not necessarily but possibly.

Income Verification

- Signed release of information forms
- Avoid Inconsistent verification: VOE and paystubs tell different stories
- Note attempts to obtain 3rd party verifications
 1. Copy of date-stamped original request sent
 2. Written notes of follow-up efforts
 3. Indicate how long the request has been outstanding without response

Compliance with the 120-Day Clock

- Verifications shall be dated no more than **120 days** from each other.
- Re-verify those out of compliance



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Compliance with the 120-Day Clock (continued)

“Stop The Clock”

- Issue Award Letter
- Contract for Lease, Purchase or New Construction
- OR Fully provide assistance

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Income Certification Form

FLORIDA HOUSING FINANCE CORPORATION

227 North Bronough Street, Suite 5000, Tallahassee, Florida 32301-1329; (850) 488-4197; Fax (850) 488-9809

RESIDENT INCOME CERTIFICATION - HOME OWNER State Housing Initiatives Partnership (SHIP) Program

Effective Date: Allocation Year:

A. Recipient Information (select one)

- a. ☐ Current homeowner
- b. ☐ Home buyer ☐ Existing Dwelling ☐ Newly Constructed Dwelling

B. Subsidy Use (check all that apply)

- ☐ Down Payment Assistance ☐ Principal Buy Down
- ☐ Closing Costs ☐ Rehabilitation

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Income Certification Form

(continued)

- 2015 Update: Residential Income Certification
- Effective date and Allocation year
- Signed by all adult household members (same with Application)

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Notice of Funding Availability

- If funding is unavailable due to a waiting list, no NOFA required.
- Advertise in a newspaper of general circulation and periodicals serving ethnic and diverse neighborhoods
- At least 30 days before beginning application period.
- Follow SHIP rule requirements on all advertising.

Waiting List/Priorities

Waiting List

- Provide list to the monitors
- LHAP: Explain in clear detailed language how the waiting list is kept
- Should be a list that cannot be compromised
- Track case status on waiting list

LHAP Related Observations

- Amendments and Technical Revisions must be submitted for review to Florida Housing
- Document compliance with Maximum Price or Value (both Purchase AND Rehab)
- Consistent default provisions between LHAP and recorded loan docs.
- Use correct LHAP for funds being spent

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Tracking and Reporting

12/13 | | | |

July 1, 2013

June 30, 2016

13/14 | | | |

14/15 | | | |

15/16 | | | |

16/17 | | | |

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SHIP Annual Reports Must Reconcile With the General Ledger

- Establish a process for the Finance Department and the SHIP administrator to periodically reconcile their independent tracking of SHIP expenditures
- Request that the Finance Department place the applicant's name or client number on each expense record.
- Use a purchase order

SHIP Annual Reports Must Reconcile With the General Ledger (continued)

Related Common Problem:

- Discrepancies between file docs and tracking spreadsheet
- Be clear: SHIP fiscal year July 1-June 30

The Difference Between Encumbered and Expended

Encumbered

- Deposits made to the local housing trust fund have been committed by contract, purchase order, or letter of commitment.

Expended or Spent

- Activities are complete. Certificate of Occupancy or Completion
- The unit is occupied by an eligible household
- SHIP Funds have paid for the cost of the activity

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Form 5: Special Needs Compliance

Report: 2013-2014 Interim-2 ▾ (Unsubmitted)



- On 13/14, 14/15 and 15/16 Reports
- Report funds Expended & Encumbered by Special Needs Category
- “Why aren’t all my strategies listed?” Solution: Email Terry.Auringer@floridahousing.org the strategy codes that apply to Special Needs

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Track Program Income

- Bank Interest
- Sale of Property
- Repayment of Loans
- Refinance
- Foreclosure



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Program Income

- Reported in the year it is received regardless of when assistance is provided
- Rules of that LHAP apply
- Admin 5% unless you receive \$350,000 or less, then 10%
- Tracked in finance and tracking reports
- Track different types of program income for reporting purposes

Recaptured funds not program income

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Meet Your Set-Asides

- **Homeownership Set-aside**
- **65% of Distribution + Recaptured Funds**
- Housing Counseling expenditures do not count towards the Homeownership Set-Aside

Construction/Rehab Set-aside

- **75% of Distribution + Recaptured Funds**

Meet Your Set-Asides (continued)

The Income Set-Aside

- **At least 30% of all Revenue for Very Low**
- **At least 60% for VLI and Low combined**

Special Needs Set-Aside

- **20% of Allocation for household meeting**
- **Statutory definition of Special Needs**

What Type of Assistance Gets Monitored

- **Rental Development work, NOT Rental Assistance to a household**
- **A project receiving more than \$10,000 must be monitored every year, minimum 15 year affordability period.**
 - shall annually monitor and determine tenant eligibility”
 - “or, to the extent another governmental entity or corporation program provides periodic monitoring..., a municipality, county,... may rely on such monitoring and determination of tenant eligibility.”

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Get Answers from the Agreement with Developer

- Amount of the award
- Number of SHIP assisted units
- Required SHIP set aside
 - ELI, VLI, LI, MI
 - Special Needs



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Rental First Right of Refusal

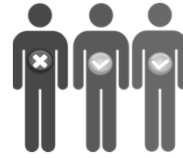
SHIP RULE: (g) Eligible sponsors that offer rental housing for sale before 15 years or that have remaining mortgages funded under this program must give a first right of refusal to eligible nonprofit organizations for purchase at the current market value for continued occupancy by eligible persons.

What Gets Monitored?

- Annual Recertification
 - Monitor for unit affordability (rent limits chart)
 - Monitor for tenant eligibility (income)
 - Monitor for set asides (special needs, EL, VL, L, Mod)

Maximum rents and adjusted household incomes published annually by FHFC

Tenant Income Eligibility



While occupying the unit, household income may increase to **140%** of the median area income category as designated during initial certification without changing unit income status

- Section 20.9071(19)(20)(28), Florida Statutes

Monitoring Physical Condition

BEST PRACTICE!

How is the condition of the property monitored?

- Include standards in your agreement



Monitoring Physical Condition

- Visit site as well as interior of sample units
- Address health, safety, code issues
- Include appropriate follow up dates



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Common Observations

- Rental units not being monitored annually
- Noncompliant with initial rent limits
- Noncompliance with income limits
- Noncompliance with income set aside
- LHAP, Agreement, LURA & Mortgage conflict

Income certification completed incorrectly

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Types of Sub Recipient & Sponsor Monitoring

- **File documentation /reporting**
- **Income Eligibility Compliance**
- **Strategy Compliance**
- **Physical Inspection of Work**

Types of Sub Recipient & Sponsor Monitoring (continued)

- **Organization wellness review**
- **Staff Capacity/Organizational structure**
- **Financial Capacity/Fiscal soundness**

Local Government Responsibilities



- Provide training opportunities
- Keep organization updated on LHAP changes, income, value limits and any rule changes that impact the organization
- Require reports as outlined in the agreement
- Communicate on a regular basis

RFP and Contract

- Follow specific LHAP requirements on Sponsor Selection and/or RFP process
- Outline Scope of work/budget
 - i.e. units, income, households, timing, process
- Single Audit requirements
- Deadlines
- Default
- Reporting requirements for Annual Report

QUESTIONS?

Thank you for joining us

- Please e-mail your questions or ideas for future webinars, clinics and workshops to Andujar@flhousing.org
- Please complete the online survey!