# Income Certification for SHIP Applicants: Part 2

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#### **AFFORDABLE HOUSING CATALYST PROGRAM**

## Sponsored by the Florida Housing Finance Corporation



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## **Catalyst Training Schedule**



The Coalition is Florida's affordable housing training and technical assistance provider.

The Florida Housing Coalition is commonly acknowledged as the foremost authority in Florida on affordable housing, community development and related issues, as a clearinghouse of information, a provider of training and technical assistance, and an advocate at the state and national levels for people in need of affordable housing.

Hotline: 1-800-677-4548 www.flhousing.org

THE FLORIDA HOUSING COALITION



## **Catalyst Trainings**

	n by Workshops or Webinars,	please use the search tool below. Click to vie Housing Coalition at 850-878-4219 or info Upcoming Events	Calendar Conference E-Learn Past Trainings		
EVENTS FROM  Date	SEARCH Keyword	Opcoming Events	FIND EVENTS	VIEW AS :≡ List	•
Previous Events		August 2019			

#### **'Past Catalyst Trainings'**



#### **Income Certification for SHIP Applicants Part 1**

Go to the following link to view and download power point and handouts



#### **Past Trainings**

#### 2019

Accessory Dwelling Units Providing Affordable Housing – Recording – PowerPoint – Sept. 17, 2019

Working with the New Annual Report System – Recording – PowerPoint – August 13 2019

Working with Nonprofits, Sponsors and Subrecipients – Recording – PowerPoint – August 21, 2019

Shared Equity and Community Land Trusts – Recording – PowerPoint – August 6, 2019

Affordable Housing Innovations in HB 7103 – Recording – PowerPoint – July 22, 2019

Preparing for Deadlines and Annual Reports- Recording – PowerPoint – June 27, 2019

SHIP Annual Reports: Guidance on Tracking – Recording – PowerPoint – June 6, 2019

Best Practices for Procurement of Construction and Rehabilitation – Recording – PowerPoint – April 24, 2019

Special Needs Assistance with SHIP Funds – Recording – PowerPoint – April 8, 2019



## **Webinar Logistics**

- Participants are muted
- Enter your questions in the box in your webinar panel
- Forgot to ask a question or want to ask privately?
  - Email me at andujar@flhousing.org
- This webinar is being recorded and will be available at www.flhousing.org
- A survey will immediately follow the webinar; please complete it!
   Thanks!



#### **Overview of Resources**

- Code of Fed Regulation: 24 CFR Part 5
- Income inclusions and exclusions
- HUD Handbook 4350.3: Chapter 5, Appendices 3 and 6C
- Income and rent limits chart



#### **Survival Tools for SHIP Staff**

- www.floridahousing.org
- SHIP Manual
- SHIP RULE Chapter 67-37
- SHIP Statute 420.907

- On-line Web Tutorial –<u>www.flhousing.org</u>
- http://www.flhousing.org/publications/
- NEW!









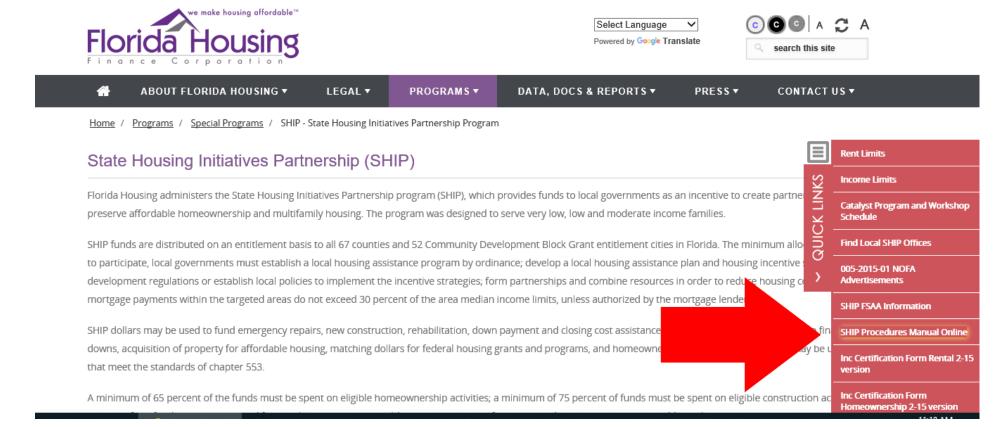


#### Survival Tools for SHIP Staff (continued)

- FHC Technical Assistance hotline: 1-800-677-4548
- Local Housing Assistance Plan
- Annual Reports
- Tracking Sheets
- Monitoring Reports



## Download the Updated SHIP Manual at: www.floridahousing.org







## **SHIP Manual: Table of Contents**

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#### **SHIP Procedures Manual**

#### Appendix E Applicant Qualification

This appendix offers guidance about eligibility determination and the documentation of income, assets and other household details. The guidance pertains to the Section 8 income definition that is commonly used by SHIP administrators. However, SHIP allows for several methods of defining income, which are listed in Section 420.9071 of the Florida Statutes: "Annual gross income" means annual income as defined under the Section 8 housing assistance payments programs in 24 C.F.R. part 5; annual income as reported under the census long form for the recent available decennial census; or adjusted gross income as defined for purposes of reporting under Internal Revenue Service Form 1040 for individual federal annual income tax purposes or as defined by standard practices used in the lending industry as detailed in the local housing assistance plan and approved by the corporation.

Those who administer SHIP using an alternative income definition may need to contact the Florida Housing Coalition for guidance specific to that alternative income definition.

#### A. Determining Household Size

Even before beginning to count the household's income, it is important to properly count the number of people in the household. It is essential to accurately determine household size, since program eligibility is "adjusted for family size" (as defined in Section 420.9071 (1) of the Florida Statutes). The median income is based on a four-person household. The income



#### **HUD's Online Income Calculator**

https://www.hudexchange.info/incomecalculator/



- Performs calculations based on the program selected
- Prints out information
- User manual and webinars are available



## Three Methods for Determining Income Eligibility

- 24 CFR Part 5
- IRS FORM 1040
- Census Long Form

**Regardless of definition used...** "Income shall be calculated by annualizing **verified** sources of income...to be received...during the **12 months following** the effective date of the determination.



## **Statutory Intent**

"The benefit of assistance provided through the State Housing Initiatives Partnership Program must accrue to *eligible persons* occupying *eligible housing* "

Section 420.9075 (4)(j) Florida Statutes



#### **Annual Income Definition (24 CFR Part 5)**

All amounts, monetary or not, which:

- 1. Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any family member
- 2. Are anticipated to be received from a source outside the household during the 12-month period
- 3. Annual income also means amounts derived from assets



### Income Qualification Part 1. Webinar

October 15, 2019

- Pre-Application
- Step 1: Application
- Step 2: Income Verification



### **Income Qualification Process**

**Pre-Application Steps** 

Step 1: Application

Step 2: Income Verification

Step 3: Asset Verification

Step 4: Calculation

Step 5: Certification

Step 6: Award







## **Step 3: Verification of Assets**

#### Count all

- Bank accounts
- Stocks or Bonds
- Mutual funds
- IRA / 401K
- Lump sum receipts
- Whole Life Insurance cash value
- Personal property held as investment
- Retirement



#### **Do Not Count**

- House that applicant lives in
- Personal property (furniture, cars, wedding ring)
- Term life insurance policies
- Assets not accessible to and that provide no income for the applicant
- Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.



#### Go Fund Me

Go fund me ONLY converts to an asset if it is deposited into a checking or savings account.

#### **FHFC Guidance:**

Monitor the amount of money in a GoFundMe account. If the GoFundMe account plus the household's other assets total \$5000 or greater, require that the GoFundMe balance be deposited into a checking or other bank account, so that imputed income from assets may be properly calculated.



## Counting a Social Security Debit Card as an Asset

First, a related topic: count the monthly social security benefit as household income

#### **HUD Hot Topics, April 2015:**

Handle a Direct Express Debit Card as a savings account

Current balance is the cash value of the asset



#### More about Social Security Debit Card

- Applicant provides an account balance no more than 120 days old from an ATM, through the online account service, or a paper statement.
- Verification document must identify the account and the account holder
- There is no actual income from this asset. If household assets exceed \$5,000, calculate imputed income

Source: HUD Archives Multifamily Housing 2013 website



#### **Retirement Accounts**

- These are assets if money is accessible, even if withdrawal would result in a penalty.
- Amounts only accessible upon retirement are not counted.





#### Calculating Income from Assets

#### **Step # 1: Calculate Cash Value**

Cash Value = Market value of asset *minus* reasonable costs incurred to convert it to cash.

#### **Examples:**

- Early Withdrawal Penalty
- Broker/legal fees assessed to sell or convert the asset to cash



### **Checking and Savings Accounts**

- For checking use the <u>average 6 months balance</u>
  - If third party verification provides more or less than six months, collect six months of bank statements and average using the end balance
  - If the applicant has had the account less than six months, use average for months the account has been open
- For savings <u>use the most current end balance</u>
  - Check for interest earned on statement
  - Calculate the income from the asset



## Calculating Income from Assets

#### **Step # 2: Calculate Actual Income**

Some Assets Generate Actual Income:

- Savings Account
- Certificate of Deposit



## Calculating Income from Assets (continued)

#### **Step # 2: Calculate Actual Income**

- Savings Account
- Certificate of Deposit

\$125.00 most current balance.

Interest rate 3%

Value of asset is \$125.00

Income from asset is  $125.00 \times 3\% = \$3.75$ 



#### **Asset Calculation**

.03% (.0003) is not the same as 3% (.03)

$$$100.00 \times .03\% = $.03$$

$$$100.00 \times 3\% = $3.00$$



## Calculating Income from Assets

#### **Step # 3: Calculate Imputed Income**

If total assets exceed \$5,000, "impute" income by multiplying by the passbook rate, currently .06%, specified by HUD

Source: HUD Handbook 4350.3, Chapter 5, Section 5-7 (F)



## **Example of Calculating Property Value**

Market value \$50,000

Less mortgage - \$30,000

Less sales costs - \$4,000

Closing, realtor...

Total cash value \$16,000



### **Example of Income from Assets Property**

```
$7,200/year = $600 of Monthly Rent
```

```
- $2,000/year = Subtract expenses, such as taxes, insurance, and maintenance
```

\$5,200/year = Actual asset income



#### Calculating Income from Assets

D. Assets: All household members including assets owned by minors

Member	Asset Description	Cash Value		Income from Assets	
1					
2					
3					
4					
5					
6					
7					
8					
Total Cash Value of Assets D(a) \$		\$			
Total Incor	\$				
If line D(a) specified b otherwise I	\$				



#### **Calculating Income from Assets**

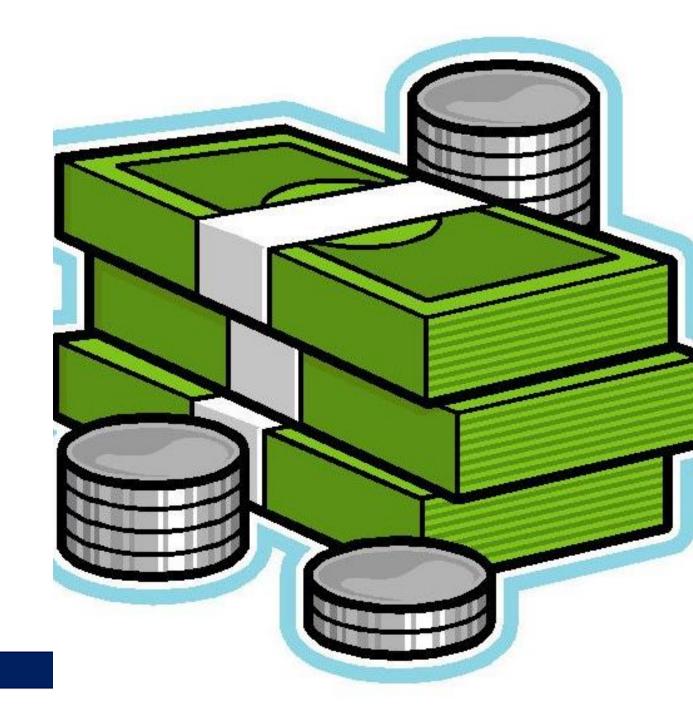
Member	Wages / Salaries (include tips, commission, bonuses and overtime)	Benefits / Pensions	Public Assistance	Other Income	Asset Income
1					(Enter the
2					greater of
3					box D(b)
4					or
5					box D(c),
6					above,
7					in box E(e)
8					below)
	(a)	(b)	(c)	(d)	(e)
Totals					
Enter total o	\$				

F. Recipient Statement: The information on this form is to be used to determine maximum income for eligibility. I/we have provided, for each person set forth in Item C, acceptable verification of current and anticipated annual income. I/we certify that the statements are true and complete to the best of my/our knowledge and belief and are given under penalty of perjury.



**WARNING:** Florida Statute 817 provides that willful false statements or misrepresentation

**Asset Questions** 



### **Asset Question**

The final asset income of a family whose net cash value of assets total \$6000, with an imputed asset income of \$120 and anticipated asset income of \$275 will be:

- a. \$0
- b. \$275
- c. \$120
- d. Determined by internal program policy



A head of household owns a property (no mortgage) that they rent out for \$5000 per year. After expenses for taxes, insurance, maintenance and utilities they net \$3800 for the year in rent. The PROGRAM should count the \$3800 as income from the property.

- a. True
- b. False



The asset income of minors is excluded from annual income.

- a. True
- b. False

Which of the following is not considered to be an asset?

- a. Whole life insurance policies
- b. A trust fund to which the family has access
- c. Real property with no mortgage
- d. None of the above



The Atkins family has a daughter, age 13, who has a savings account with a current balance of \$4500 and anticipated income of \$50 for the next 12 months. You should not count this income because she is a minor.

- a. True
- b. False



To arrive at cash value of a real estate asset:

- a. Subtract any loan balance and expenses to sell from the market value
- b. Multiply market value by HUD passbook rate
- c. Subtract anticipated income from market value
- d. None of the above



- Peter has a checking account with a current a balance of \$700 and a 6-month average balance of \$595. The account earns no interest.
- \$595.00
- James has a savings account with a current balance of \$2695 (average balance \$2500), which earns 1%
- \$2695.00 X 1% = \$26.95



Georgina has a savings account with a current balance of \$3380 earning 1.05% interest. She has a non-interest-bearing checking account with a 6-month average balance of \$790. She also owns a vacant lot which has a market value of \$7500. If she were to sell the lot, she would incur a \$750 broker's fee and \$500 settlement costs. She owes nothing on the lot and does not rent it out. The HUD passbook rate is .06%. Her **imputed** asset income is:

- a. \$0
- b. \$36.17
- c. \$6.22
- d. \$20.16
- e. \$6.25

$$$3,380 + $790 + $6,250 = $10,420 \times .06\% = $6.25$$



## **Asset Example**

- Juan has a checking account with a current balance of \$1,000 and an average 6-month balance of \$870. It earns .2% interest
- He received an inheritance that he used to buy a new car (\$12,000), pay off his \$3000 credit card bill and open a mutual fund account with the remaining \$15,000 w/ an interest rate of 1.3%.

Actual income from asset  $\$870 \times .2\% = \$1.74$ 

$$15,000 \times 1.3\% = 195.00 + 1.74 = 196.74$$

Inputted income from asset

$$$870 + 15,000 = $15,870 \times .06\% = $9.52$$

Carry over the higher of the two \$196.74



Name of Household Member		Asset Description	Cash Value of Asset	Actual Income from Asset	
1.	Juan Herrera	Checking Acct .2%	\$870 (av. 6-month balance)	\$1.74	
2.	Same	Mutual fund @1.3%	\$15,000.00	\$195.00	
3.	Cash value of assets		\$15,870.00		
4. Actual income				\$196.74	
If line 3 is greater than \$5000 multiply line 3 by .06% and enter here		(passbook rate)		\$9.52	

FLORIDA HOUSING COALITION

## **Income Qualification Process**

**Pre-Application Steps** 

Step 1: Application

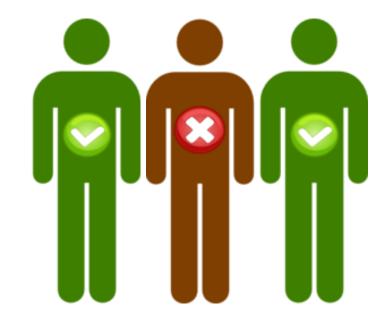
Step 2: Income Verification

Step 3: Asset Verification

Step 4: Calculation

Step 5: Certification

Step 6: Award





# **Step 4: Calculation Methodologies**

Always use gross, Do not round up or down

- Verification shows range of hours:
  - take the high end
- To annualize full-time employment, multiply

<ul> <li>hourly wages by</li> </ul>	2,080 hours
-------------------------------------	-------------

- weekly wages by
- bi-weekly amounts by
- semi-monthly amounts by
- monthly amounts by



### Calculate this Household's Income

### **James White**

• Full time \$14.25 /hour, Overtime (time and half) of 8 hours/month, Pension of \$400/month

### **Mary White**

- 18 hours/week at a bank @ \$12.50/hour
- Her mom gives \$50/month to help w/ expenses

### James White Jr, age 20

• 15 hrs./week, \$8/hour, FT college student



Household Member	Wages/ Salary	Benefit/ Pension	Public Assistance	Other	Total
James	31,692	4,800			36,492
Mary	11,700			600	12,300
James Jr	480				480
TOTAL	41,820	4,800		600	49,272

### **James**

Salary =  $14.25 \times 40 \times 52 = $29,640$ ;

Overtime =  $14.25 \times 1.5 = \$21.37 \times 8 = \$171 \times 12 = \$2,052$ ;

Income = \$29,640.00 + \$2,052 = **\$31,692.00** 

Pension =  $$400 \times 12 = $4,800$ 



Household Member	Wages/ Salary	Benefit/ Pension	Public Assistance	Other	Total
James	31,692	4800			36,492
Mary	11,700			600	12,300
James Jr	480				480
TOTAL	41,820	4800		600	49,272

Mary

 $12.50 \times 18 \times 52 = $11,700; $50 \times 12 = $600$ 

James Jr

Full time student over 18, not head of household count first \$480 only



## **Income Qualification Process**

**Pre-Application Steps** 

Step 1: Application

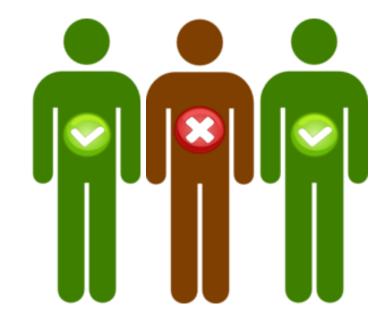
Step 2: Income Verification

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# **Step 5: Income Certification**

- Review of Steps 1-4
- Re-check and document Computations
- All household members over 18 sign. Housing Provider Signs last.
- Effective Date: Date last person signs
- Allocation Year: SHIP funding Year
- Issue award letter
- No white out



### **Income Certification Form**

#### FLORIDA HOUSING FINANCE CORPORATION

227 North Bronough Street, Suite 5000, Tallahassee, Florida 32301

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

Effe	ctive Date:			AI	locat	ion Yea	r:					
A.	a. 🔲 C	Information (selec Current homeowner Home buyer	ct one	e) Existing Dwell	ing		Newly	Constr	ucted	Dwelling	ı	
В.	Subsidy U	se (check all that a	apply	)								
	■ Dowr	n Payment Assistanc	e			Principa	al Buy I	Down				
	Closi	ng Costs				Rehabil	litation					
	Interest	est Subsidy				Emerge	ency Re	epair				
	Loan	Guarantee				Other						
C.	Household	I Information: Inc	lude	all household	mer	nbers						
	Member		Full	Name			1	ations o Head	· I	A	ge	
	1							HEAD				
	2											
	3											
	4											



# Income Certification Quiz: When to Use Which Income Limits

#### FLORIDA HOUSING FINANCE CORPORATION

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

### RESIDENT INCOME CERTIFICATION - RENTAL HOUSING State Housing Initiatives Partnership (SHIP) Program

A	. Ce	rtifica	tion In	format	ion (	selec	ct one)	١
---	------	---------	---------	--------	-------	-------	---------	---

B.

Initial Certification (IC)	Effective Date:
Annual Recertification (AR)	Effective Date:
Subsidy Use (check all that apply)	
Multifamily Rental	Other
Transitional Housing	

C. Household Information: Include all household members

Member	Full Name	Relationship to Head	Age
4		LIEVD	



### **QUIZ: When to Use Which Income Limits**

Effective Date on the Certification Form? Use 2015 or 2016 Income Limits? Any activity completed "Out of Order?"



# **Notary Required**

If one or more of the household members signs the certification without a SHIP staff person present, the signatures must be notarized.

F. Recipient Statement: The information on this form is to be used to determine maximum income for eligibility. I/we have provided, for each person set forth in Item C, acceptable verification of current and anticipated annual income. I/we certify that the statements are true and complete to the best of my/our knowledge and belief and are given under penalty of perjury.

WARNING: Florida Statute 817 provides that willful false statements or misrepresentation concerning income and assets or liabilities relating to financial condition is a misdemeanor of the first degree and is punishable by fines and imprisonment provided under S 775.082 or 775.83.

	Date	
Signature of Head of Household		
	Date	
Signature of Spouse or Co-Head of Household		
	Date	
Signature of Household Member (over 18 years)		
	Date	
Signature of Household Member (over 18 years)		
	Date	
Signature of Household Member (over 18 years)		
	Date	
Signature of Household Member (over 18 years)		



# Denial Letter "You're Not Eligible"



What should a denial letter include?



## **Income Qualification Process**

**Pre-Application Steps** 

Step 1: Application

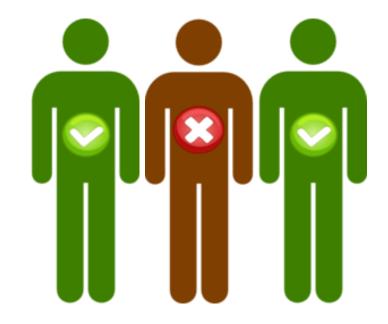
Step 2: Income Verification

Step 3: Asset Verification

**Step 4: Calculation** 

Step 5: Certification

Step 6: Award





# Step 6. Award

- Award letter or written commitment
- State the terms/conditions of the award
- Execute Lease
- Specifies an "expiration" date
- Provides "next steps"



### **Avoid Common Administrative Mistakes**

### **Income Calculations**

- Exceeding 120-day clock
- Inaccurate or Incomplete Verifications
- Missing or incomplete Income Certification



# File Tips

- Keep a log of actions
- Update a file checklist
- Date stamp all verifications
- All documents: signed, dated





# Please complete the evaluation!

Aida Andujar Andujar@flhousing.org 954-593-8988

Technical Assistance Hotline: 1-800-677-4548

