

# FREQUENTLY ASKED SHIP QUESTIONS

## *State Housing Initiatives Partnership Program*

MICHAEL CHANEY, SHIP PROGRAM DIRECTOR

**Question: I have heard that the income rules used for SHIP are changing. What are the changes, and when do they take effect?**

Answer: Most SHIP communities use the income rules in 24 Part 5 of the Code of Federal Regulations and the HUD Handbook 4350.3 Chapters 3 and 5. There are changes to these income qualification rules resulting from the Housing Opportunity Through Modernization Act (HOTMA). While most rules remain the same, HOTMA modifies rules for determining household income and assets in HUD's HCV, Public Housing, PBRA, Section 202/811, HOPWA, HOME, and Housing Trust Fund programs. Compliance with these changes is required for income certification forms signed on or after January 1, 2024. Please notify your sub-recipients, sponsors, and community partners of this change.

There are significant changes involving income from assets:

1. SHIP staff must calculate an applicant's asset income, including imputed asset income.



HOTMA increases the imputed asset threshold from \$5,000 to \$50,000. Going forward, staff will not calculate imputed income by multiplying the passbook savings rate unless the value of an applicant's assets exceeds \$50,000. This will save time since few applicants have this value in assets.

2. HOTMA also changes how imputed income is calculated. Housing administrators must now add up the actual income from any assets for which actual income can be calculated, then calculate the imputed income for the assets where actual income cannot be calculated, and then combine both amounts to account for income on assets valued over \$50,000. The passbook rate has been .06 percent, but it is now changing. For 2024, the passbook rate will be 0.40 percent. The recently published HOTMA Implementation Guide reports this change to the passbook rate. It also explains that HUD calculates the passbook rate by averaging the most recent three

months of FDIC updates to the National Deposit Rate for savings accounts, rounded to the nearest hundredth of 1 percent.

3. There are more asset changes designed to incentivize earning and savings goals. Educational savings accounts and retirement accounts will no longer be considered assets. Assisted households are allowed to accumulate significant savings with these changes. Some SHIP applicants are retired and receive monthly income from retirement accounts. Although retirement accounts are not counted as assets, SHIP staff must still count income received periodically from retirement assets.

Finally, because of HOTMA, rental tenants will no longer be required to sign an authorization to release information form annually. This is relevant to the SHIP communities that fund rental housing construction and conduct annual monitoring. In the future, a rental housing tenant must only sign the authorization once when first applying for a rental.

Throughout 2023, HUD has shared updates and webinars about the HOTMA changes. HUD will soon issue a final implementation notice, provide additional webinars, and issue an updated HUD Handbook 4350.3. Please visit [https://www.hud.gov/program\\_offices/housing/mfh/hotma](https://www.hud.gov/program_offices/housing/mfh/hotma) for all HUD guidance.

**Question: The data input tab on the SHIP Annual Report includes a table for the “Number of Affordable Housing Applications” that asks about submitted, approved, and denied applications. What are**

## **the beginning and end dates for which we should report?**

Answer: On the 20/21 annual report, include all applications that were submitted from July 1, 2020, to June 30, 2021, as well as applications that were approved and applications denied. Note that the number of approved and denied applications will not add up to the number of submitted applications since approved and denied applications were often received in a prior fiscal year. This question about applications will be included in all future SHIP annual reports. If you have not already done so, establish a system to track application activity from July 1st to June 30th of every state fiscal year.

**Question: When additional repairs are necessary that will increase the cost of a rehabilitation project above the LHAP maximum award amount, what is the process for approving exceeding the maximum? Is there a need to officially increase the maximum award for the rehabilitation strategy in the LHAP?**

Answer: It is not necessary to officially increase the maximum award. However, your City or County Commission may authorize an exception to the maximum award for specific hardship cases. Local government staff should not approve exceptions administratively. Instead, bring this case to your elected officials at their next meeting. Provide an estimate of the total repair cost and request that they authorize an exception to the maximum award for the relevant SHIP strategy. Keep a copy of the commission meeting minutes in this applicant’s file to document that the elected officials authorized an exception to the maximum award.

**Question: We have recently received rehabilitation assistance applications from homeowners with reverse mortgages. Is there any SHIP guideline that prohibits assistance to owners with reverse mortgages? If assistance is allowable, are there best practices to follow?**

Answer: A local government may provide rehabilitation assistance to an eligible household with a reverse mortgage. This is a local decision. Local governments can use the logic that the home is owner occupied, the repairs are needed, and they are providing decent housing to an income eligible household.

Consider the reverse mortgage when calculating income eligibility. If the homeowner receives the reverse mortgage funds as a lump sum drawn down and deposited in an account, count that as an asset. If funds are being received monthly, count this as a source of recurring income. HUD provides additional guidance on reverse mortgage income calculation here: <https://www.hudexchange.info/faqs/programs/cdbg-entitlement-program/income-determination/when-determining-income-for-a-homeowner-to-qualify-for-an-owner-occupied/>.

You must also prepare for the SHIP recapture agreement. Check with the lender to learn if the reverse mortgage prohibits the placement of a second mortgage on the property. Your City or County Attorney may also be able to review the terms of the recorded mortgage and determine this as well. The chances are low for recouping SHIP assistance if the property is sold, but you should follow your policy related to recording a recapture agreement.

## BENEFIT FROM CATALYST TRAINING AND ASSISTANCE

The Catalyst Program funds a variety of SHIP training and technical assistance. The Affordable Housing Catalyst Program in Section 420.531 of the Florida Statutes is designed to provide specialized technical support to local governments and community-based organizations to implement HOME, SHIP, and other affordable housing programs. Visit <http://www.flhousing.org/events/> to register for upcoming Catalyst workshops and webinars. Contact [chaney@flhousing.org](mailto:chaney@flhousing.org) to request customized training for your office or region.

## MORE GUIDANCE IS AVAILABLE IN SHIP TECHNICAL BULLETINS

Florida Housing Finance Corporation provides SHIP-specific written guidance in Technical Bulletins. These bulletins have addressed subjects like record retention, NOFA advertisements, and SHIP audit and monitoring requirements. You may access the bulletins on Florida Housing's website, [www.floridahousing.org](http://www.floridahousing.org). Type 'SHIP Technical Bulletins' in the 'search for the site' field in the upper right corner.



**MICHAEL CHANEY** is the Catalyst Program Director for the Florida Housing Coalition with 27 years of experience providing technical assistance. Chaney co-wrote the Coalition's Disaster Preparedness Manual and has assisted the statewide network of SHIP administrators with disaster response. Michael has offered foreclosure prevention training and has served as a Neighborworks instructor for Florida-based 5-day certification trainings for housing counselors. Mr. Chaney holds a bachelor's degree from Loyola University in New Orleans and a Master of Social Work Administration from Florida State University, where he has served as an adjunct faculty member of the housing department.