



Making the SHIP Program Market Responsive

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Presented By



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Our Thanks to the Florida Housing Catalyst Program



AFFORDABLE HOUSING CATALYST PROGRAM

Sponsored by the
Florida Housing Finance Corporation



we make housing affordable™

Catalyst Training Schedule

A promotional banner for SHIP Catalyst Training. The background shows a group of diverse people in a meeting setting. On the left is the SHIP logo, which consists of a green house icon with a blue cube inside, above the text 'SHIP' and 'housing a stronger Florida'. On the right, the text reads 'Fine Tune Your SHIP Program' followed by 'REGISTER NOW FOR' and 'CATALYST TRAINING' in large, bold, white letters. At the bottom left of the banner, it says 'Register Now for SHIP Catalyst Training'. Below the banner are four small, light-colored circular icons.

Fine Tune Your SHIP Program
REGISTER NOW FOR
**CATALYST
TRAINING**

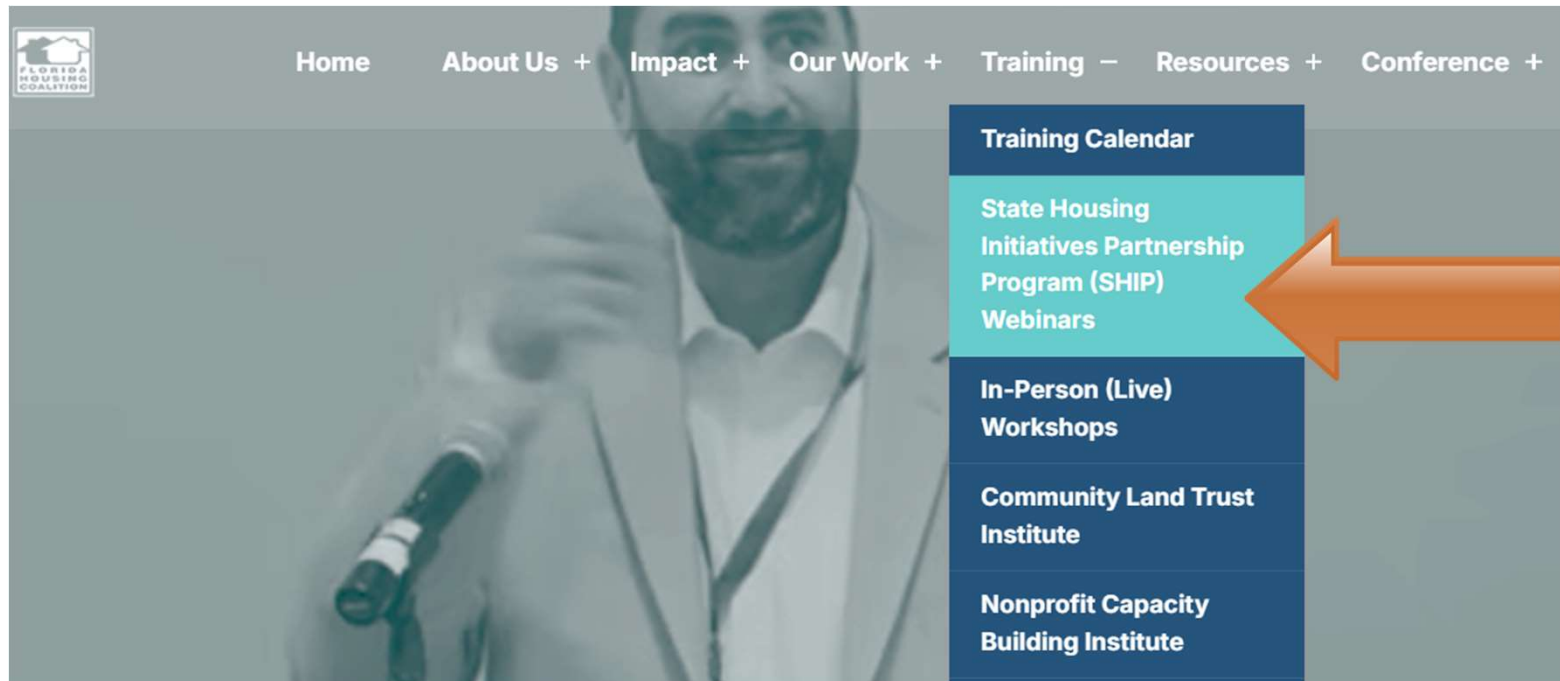
Register Now for SHIP Catalyst Training

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

Hotline: 1-800-677-4548

www.flhousing.org

Catalyst Trainings



‘Past Catalyst Trainings’

Webinar Logistics

- Participants are muted.
- Use headphones on your computer for better audio.
- Call in by phone if having trouble with computer audio.
- Enter your questions in the chat / questions box.
- If you do not have typing capabilities, raise your hand and wait for the host to unmute you.
- Download the handouts found under attachments.
- Forgot to ask a question or want to ask privately? Email us at burton@flhousing.org or Lazarus@flhousing.org
- This webinar is being recorded and will be available upon request.

Agenda

- Introduction
- Program Structure - Key Strategies
- Policy Design – Flexible Terms
- Best Practices for Implementation
- Questions

Purpose



Program Structure



Key Strategies

Housing
Rehabilitation

Purchase
Assistance

New
Construction

Acquisition/
Rehabilitation

Rental
Assistance

Housing Rehabilitation

- In shifting markets housing rehabilitation can:
 - Support affordability
 - Preserve the existing affordable housing stock
 - Prevent the displacement of low-income and at-risk homeowners
 - Increase the supply of rental units, helping to reduce rents.
- Pairing housing rehabilitation with purchase assistance may open buyers to a less competitive, less expensive market and increase buyer options for purchasing a home.

Purchase Assistance

- Purchase assistance strategies provide permanent housing solutions that:
 - Build equity
 - Promote financial security
 - Build strong credit
 - Reduce housing costs
 - Provide social benefits such as healthier living and a sense of belonging
- A minimum of 65% of the SHIP allocation must be spent on eligible homeowner activities and purchase assistance is a primary way to meet this set-aside requirement.
- Providing subsidies for down-payment, closing costs, gap financing, and more is critical to help low-income homebuyers achieve homeownership in most markets, but particularly in “competitive” markets.

New Construction

- New construction strategies provide the ability to support the production of new units when overall market supply is low and allows flexibilities in addressing different market conditions.
- New construction strategies can:
 - Address high development costs by filling the gap between total costs and affordable price.
 - Address times when the cost of development exceeds property values.
 - Subsidies stay with the unit, supporting permanent affordability.
- A minimum of 75% of the SHIP allocation must be spent on eligible construction activities and new construction is a primary way to meet this set-aside requirement.

Acquisition/Rehabilitation

- When land is limited or too expensive to develop housing, an acquisition/rehabilitation strategy for homeownership can be very effective.
- Acquisition/Rehab strategies can:
 - Support neighborhood revitalization efforts.
 - Provide a resource for non-profits/sponsors to compete with investors to acquire homes.
 - Create and preserve affordability in redevelopment areas
- Acquisition/Rehab strategies can contribute to the 75% construction set-aside requirement.

Rental Assistance

- Recent market shifts have risen rents significantly and inflation has put many at-risk of eviction due to unaffordability.
- For many, renting is the only option for securing housing and for others assistance is needed to address arrears to maintain housing stability.
- Rental assistance strategies can:
 - Reduce the risk of homelessness
 - Offer stability and financial strength
 - Support upward mobility
- Rental subsidy can be used towards security/utility deposits, eviction prevention, and rent payments for up to 12-months.

Policy Design



Flexible Terms

Award
Amounts

Appraisal
Gaps

Earnest Money
Deposits

Home
Inspections

Homebuyer
Education

Purchase
Price Limits

Refinancing

Maximizing Awards

- A primary barrier to homeownership is lack of funds for down-payment and closing costs.
 - These costs are based on a percentage of the purchase price which will fluctuate with the market.
 - In “hot markets”, cash buyers and bidding wars drive up home sales prices, pricing out low-income homebuyers.
 - When home values rise, closing costs and down-payments costs are more expensive.
- Interest rates also impact affordability.
 - When interest rates are high, the total monthly mortgage payment will increase.
 - When interest rates are low, it is likely that home values will increase.
- It is important to efficiently utilize SHIP assistance to the maximum extent to offset costs.

Down-Payment and Closing Costs

- Down-payment:
 - Requirements vary by loan product but are always a percentage of the purchase price.
 - FHA – 3.5%
 - USDA – 0%
 - VA – 0% (unless sales price is higher than appraised value)
 - Conventional – can be up to 20%

- Closing Costs:
 - Closing costs typically range from 3%-6% of the loan amount.
 - Does not include down-payment

Closing Costs

- The amount a seller can contribute to closing costs, also known as seller concessions, depends on the type of loan the buyer has and other factors:
 - FHA loans: The seller can contribute up to 6% of the home's purchase price or the appraised value, whichever is lower.
 - VA loans: The seller can contribute up to 4% of the home's purchase price, plus reasonable loan costs.
 - USDA loans: The seller can contribute up to 6% of the home's purchase price.
 - Conventional loans: The seller can contribute up to 3% of the home's purchase price if the buyer's down payment is less than 10%. If the down payment is between 10% and 25%, the seller can contribute up to 6%, and if it's more than 25%, the seller can contribute up to 9%.

What is Included

- Closing costs can include:
 - Application Fee
 - Credit Report
 - **Appraisal**
 - Survey
 - **Homeowner's Insurance**
 - **Private Mortgage Insurance**
 - **Real Estate Commissions**
 - **Property Taxes**
 - Origination Fee
 - Underwriting Fee
 - **Discount Points**
 - Recording Fees

Impact on Affordability

- Closing costs are non-refundable:
 - If the contract does not close, these fees are not given back to the buyer.
- If the buyer moves on and enters a new contract on another home, these fees will have to be paid again.
- There can be significant cost to a cancelled contract!

Award Strategies

Strategies can be paired for maximum assistance.

- Only Closing Costs: for buyers who fully qualify for amount of purchase price

EXAMPLE: \$225,000 Sales Price
\$225,000 First Mortgage

No statutory or regulatory cap on maximum assistance amount

- Down Payment & Principal Reduction: many buyers need GAP financing

EXAMPLE: \$225,000 Sales Price
\$190,000 First Mortgage (Qualify At)
\$ 35,000 SHIP fills the gap

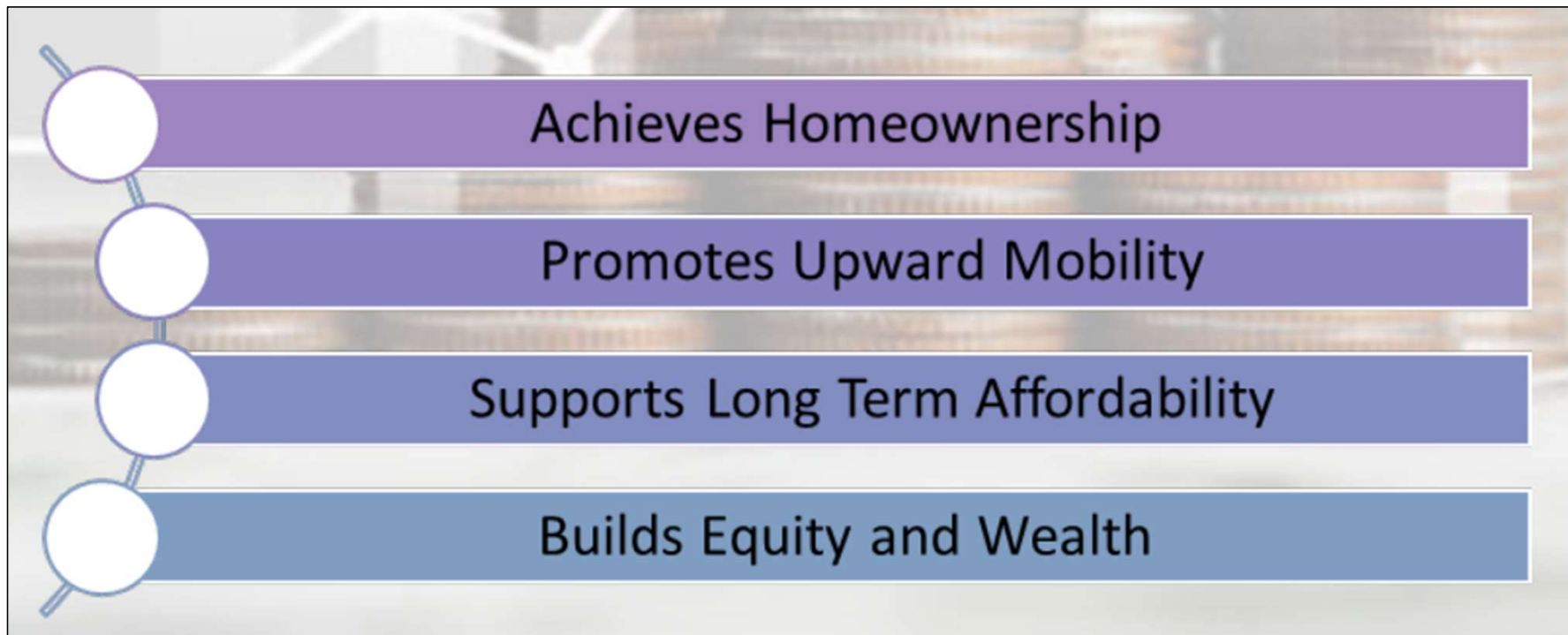
* No cash back at closing.

* Provide the assistance needed to support long-term affordability.

Policy Response

1. Increase maximum award amounts based on a market analysis.
2. Make ALL closing costs allowable for assistance.
3. Provide the maximum amount of assistance, as needed.
4. Pair purchase assistance with housing rehabilitation.

Program Impact



Closing the Appraisal Gap

- As a criterion for providing financing, lenders require a home appraisal to:
 - Determine the value of your property as collateral against the loan.
 - Determine whether the home's contract price is appropriate given the home's condition, location, and features.
 - Ensure the lender and buyer are paying a fair price for the home.
 - Reduce lender risk of a total loss if the homeowner defaults on the loan.
- The home value must be equal to or greater than the sales price.

Appraisal Fees

- The buyer is responsible for paying for the appraisal as part of closing costs.
 - Many lenders require payment prior to closing.
 - Some may allow the appraisal fee to roll into the mortgage (less common now).
- The amount will vary depending on the size of the home, the home's location, the availability of appraisers in the area and the time and work required for the appraisal.
- Cost typically range between \$400 - \$600 for moderate sized single-family homes (2,000 – 3,000 sf).
 - Fees increase as square footage increases or if it is a “rush” appraisal.
 - There can also be re-inspection fees ranging between \$100 - \$250.
- This is typically not a service the buyer can “shop” for, unless a cash buyer.

Appraisal Gaps

- An appraisal gap is the difference between the fair market value determined by an appraiser and the amount you agreed to pay for the home.
- Appraisal gaps are common in “volatile” markets with an abundance of cash buyers and where bidding wars drive up prices.
- If not resolved, appraisal gaps will result in the purchase transaction ending as the buyer will not be able to obtain a loan.

Appraisal Gap Options

- When facing an appraisal gap, the buyer has the following options:
 - Request a review of the appraisal if you find inaccuracies.
 - Pay the difference in cash between the appraised value and the amount of your offer.
 - Renegotiate with the seller. (Seller reduces price)
 - Initiate the appraisal contingency in your purchase contract and withdraw from the transaction.
 - Apply with another lender in hopes that it will hire an appraiser who values the property in your favor.

Policy Response

1. Include appraisal gap financing as an allowable program cost.
2. Base appraisal gap assistance on insufficient sales comparisons, not condition of home.
3. Require buyer to request an appraisal reconsideration prior to providing assistance.
4. Provide an appraisal gap assistance cap based on the “true” value of the home.

Program Impact



Maintains Compliance with Lender Requirements

Supports the Transaction Proceeding to Closing

Promotes Accuracy in Housing Valuations

Encourages Investment in Homeownership

Earnest Money Deposits

- To demonstrate buyer commitment in the purchase of the home, most offers include language requiring the buyer to make a monetary deposit within 3 days of contract execution.
 - Common terms include earnest money deposit or good faith deposit.
 - Amount can vary typically ranging between 1% - 3% of the purchase price, in a “neutral” market.
 - In a “hot” market, sellers favor higher amounts to secure the sale.
- In a competitive market, sellers may require deposits up to 5% of the purchase price.
- Funds are placed in an escrow account and **will** go towards the buyer’s down-payment and closing costs.
 - Deposits can be returned to buyer if the sale does not go through, but it is **not** guaranteed.

FAR/BAR Deposit Language

2. **PURCHASE PRICE** (U.S. currency):..... \$ _____

(a) Initial deposit to be held in escrow in the amount of **(checks subject to Collection)** \$ _____

The initial deposit made payable and delivered to "Escrow Agent" named below
(CHECK ONE): (i) accompanies offer or (ii) is to be made within _____ (if left blank, then 3) days after Effective Date. IF NEITHER BOX IS CHECKED, THEN OPTION (ii) SHALL BE DEEMED SELECTED.

Escrow Agent Name: _____

Address: _____ Phone: _____

E-mail: _____ Fax: _____

(b) Additional deposit to be delivered to Escrow Agent within _____ (if left blank, then 10) days after Effective Date \$ _____

(All deposits paid or agreed to be paid, are collectively referred to as the "Deposit")

FAR/BAR Deposit Release Language

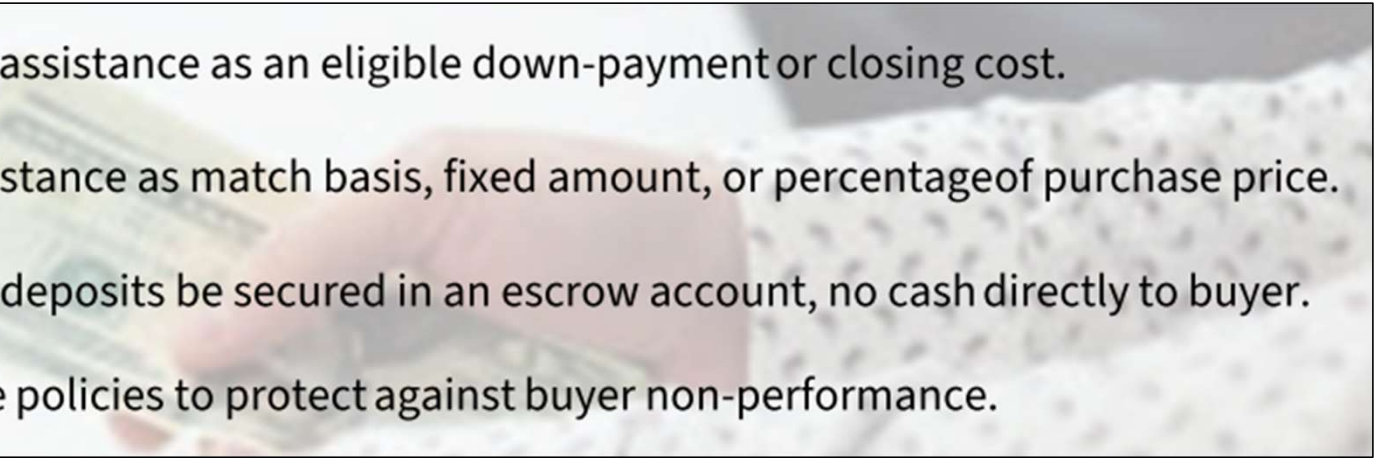
3. TIME FOR ACCEPTANCE OF OFFER AND COUNTER-OFFERS; EFFECTIVE DATE:

- (a) If not signed by Buyer and Seller, and an executed copy delivered to all parties on or before _____, this offer shall be deemed withdrawn and the Deposit, if any, shall be returned to Buyer. Unless otherwise stated, time for acceptance of any counter-offers shall be within 2 days after the day the counter-offer is delivered.

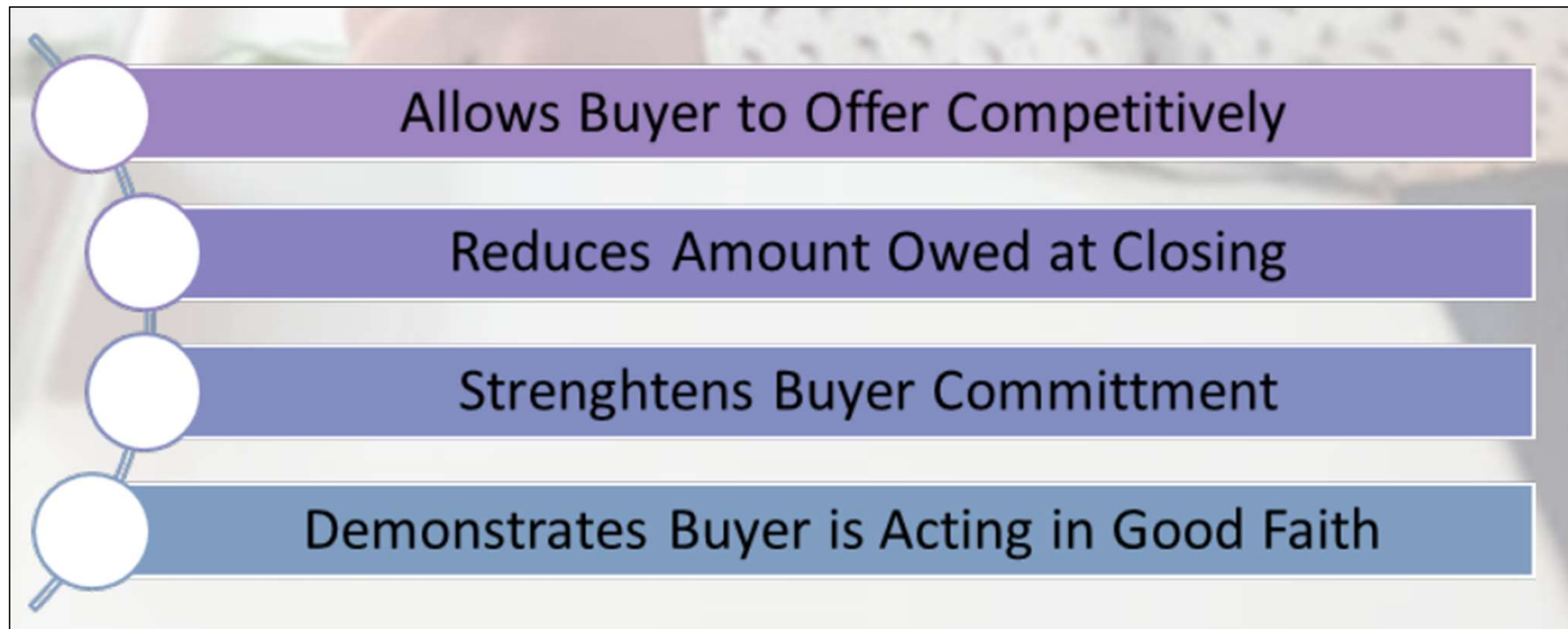
12. PROPERTY INSPECTION; RIGHT TO CANCEL:

- (a) **PROPERTY INSPECTIONS AND RIGHT TO CANCEL:** Buyer shall have _____ (if left blank, then 15) days after Effective Date ("Inspection Period") within which to have such inspections of the Property performed as Buyer shall desire during the Inspection Period. If Buyer determines, in Buyer's sole discretion, that the Property is not acceptable to Buyer, Buyer may terminate this Contract by delivering written notice of such election to Seller prior to expiration of Inspection Period. **If Buyer timely terminates this Contract, the Deposit paid shall be returned to Buyer, thereupon, Buyer and Seller shall be released of all further obligations under this Contract;** however, Buyer shall be responsible for prompt payment for such inspections, for repair of damage to, and restoration of, the Property resulting from such inspections, and shall provide Seller with paid receipts for all work done on the Property (the preceding provision shall survive termination of this Contract). Unless Buyer exercises the right to

Policy Response

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1. Provide earnest money assistance as an eligible down-payment or closing cost.
 2. Determine terms of assistance as match basis, fixed amount, or percentage of purchase price.
 3. Require earnest money deposits be secured in an escrow account, no cash directly to buyer.
 4. Develop deposit release policies to protect against buyer non-performance.

Program Impact



Home Inspections

- Home inspections are not required under the SHIP program or by the lender but are highly recommended to protect the buyer and SHIP investments.
 - Additional Benefit: Repairs made within 12-months count towards the SHIP construction set-aside.
- In competitive markets homes will be sold “AS IS” and sellers are not as willing to offer concessions or make repairs.
 - If the home “fails” inspection, the buyer will likely need to cancel the contract and continue their search.
- Home inspection fees can cost upwards of \$350 and are non-refundable.

Market Impacts on Home Inspection

- It is also common for sellers in a competitive market to request shorter inspection periods, which can lead to expedited inspection needs and increased costs.
- In “softer” markets, buyers can use the home inspection to their advantage to negotiate repairs or reduce the purchase price, increasing affordability.
- The buyer or **SHIP** may pay for a home inspection.
 - If requiring buyer contribution, consider having the buyer pay for the first inspection, but implement policies that allow assistance in a multiple inspection situation.
- Consider the market when determining if assistance is needed to cover inspection costs.

Policy Response

1. Consider inspection fees as allowable closing costs.
2. Determine assistance amounts based on current market rate for home inspection services.
3. Set terms for the number of home inspections eligible for assistance, per applicant.
4. Set minimum standards for inspections periods, recommended no less than 7 days.

Program Impact



Homebuyer Education

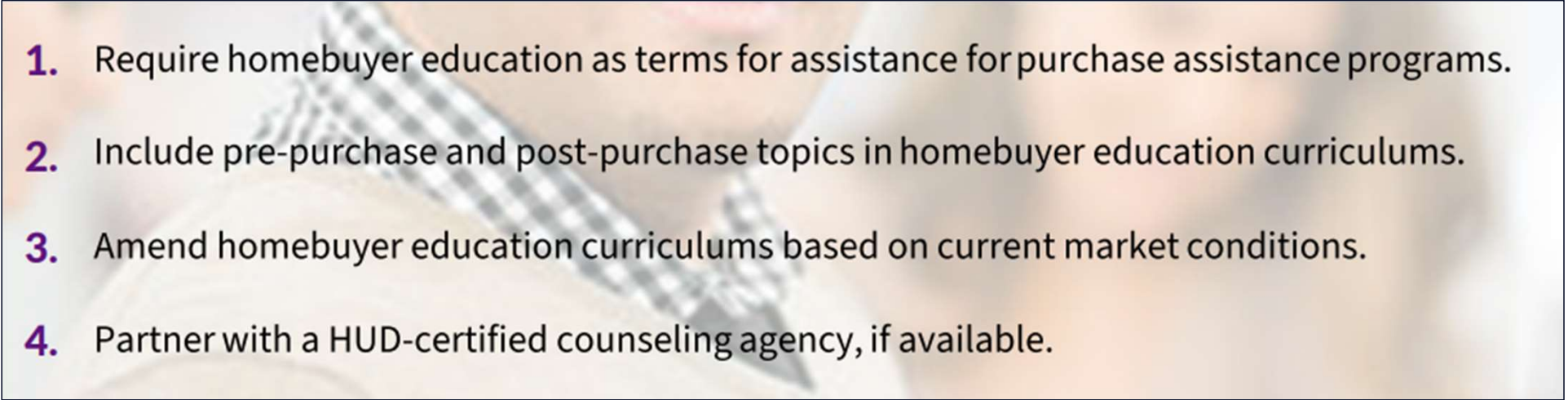
- Purchasing in competitive market presents many challenges including:
 - Elevated purchase prices
 - Shifting interest rates
 - Lack of seller concessions
 - Low inventory
- Educated homebuyers significantly increase loan closing rates.
- Homebuyer education can also help new homeowners maintain affordability.
- Housing counseling is not required by SHIP rules but **strongly** encouraged.

Educating the Homebuyer for Success

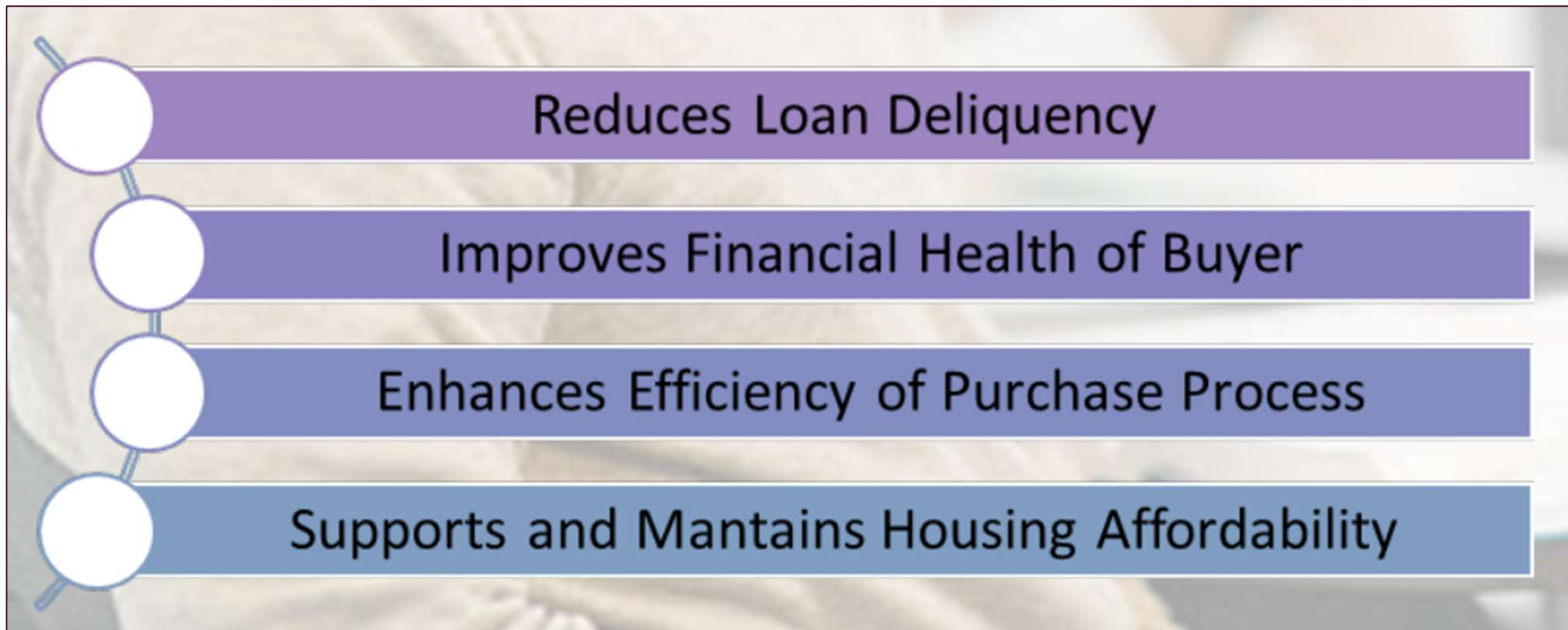


- Pre-Purchase Topics:
 - Qualifying Process
 - Purchase Process
 - Financial Management
 - Credit Repair
 - Loan Products
 - Parties Involved
- Post-Purchase Topics:
 - Home Maintenance
 - Homestead Exemption
 - Escrow Shortages (minimum balance)
 - Shopping for Services
 - Estate Planning

Policy Response

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1. Require homebuyer education as terms for assistance for purchase assistance programs.
 2. Include pre-purchase and post-purchase topics in homebuyer education curriculums.
 3. Amend homebuyer education curriculums based on current market conditions.
 4. Partner with a HUD-certified counseling agency, if available.

Program Impact





Purchase Price Limits

- Homes may not exceed Maximum Purchase Price established in the Local Housing Assistance Plan.

**SHIP 2024 Purchase Price Limits
(90% of Amounts* in IRS Rev. Proc. 2024-21)**

Baker County	\$579,022
Broward County	\$636,806
Clay County	\$579,022
Collier County	\$748,837
Duval County	\$579,022
Manatee County	\$561,333
Martin County	\$560,154
Miami-Dade County	\$636,806
Monroe County	\$952,851
Nassau County	\$579,022
Okaloosa County	\$619,117
Palm Beach County	\$636,806
Sarasota County	\$561,333
St. Johns County	\$579,022
St. Lucie County	\$560,154
Walton County	\$619,117
All other Areas of Florida	\$510,939

* according to 420.9075 (5) (f), F.S.

Market Impact on Purchase Price Limits

- Recent market shifts resulting in increased home values and home purchase prices significantly impacted the availability of housing units within maximum purchase price limitations.
- Home values and prices have remained high and will stay that way in the foreseeable future.
- The lack of units in compliance with regulatory limits makes homeownership programs less effective and impedes access to homeownership.
- Many SHIP grantees have or are considering raising purchase price limits to better serve prospective homebuyers.

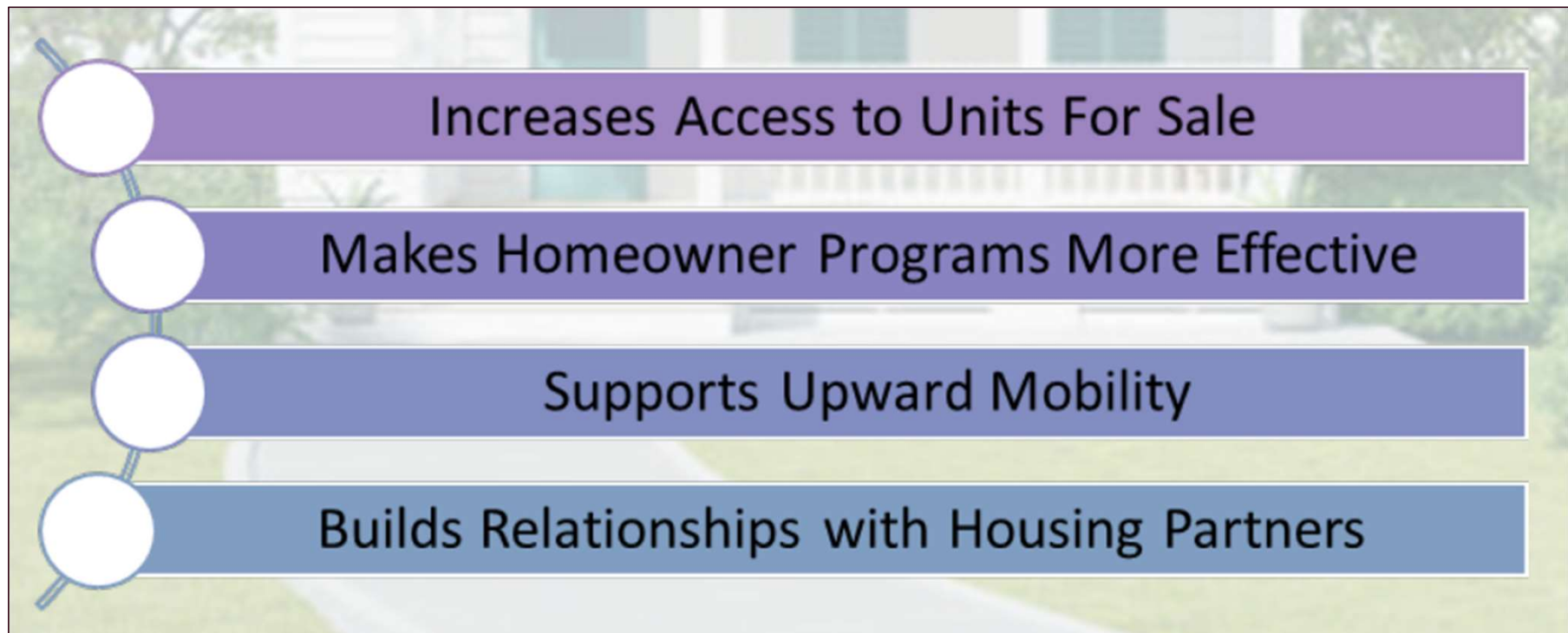
Items for Consideration

- Things to consider if raising the maximum purchase price limit:
 - Allowing buyers to purchase at a higher price will increase down-payment and closing cost amounts.
 - Buying at a higher price will increase the monthly mortgage payment.
 - Can a low-income buyer afford that payment?
 - More gap financing or subsidy will be needed to offset costs of purchasing at a higher price.
 - Having to provide more subsidy will reduce the number of buyers assisted.
 - Will the state allow adjustments to the max purchase price?
 - The LHAP will need to be amended.

Policy Response

1. Conduct a market analysis to identify the current average area purchase price.
2. Work with the state to set accurate purchase price limits, or default to maximum limits.
3. Amend purchase assistance policies to reflect new purchase price limits.
4. Partner with Realtors to receive sales inventory of homes meeting purchase price limits.

Program Impact



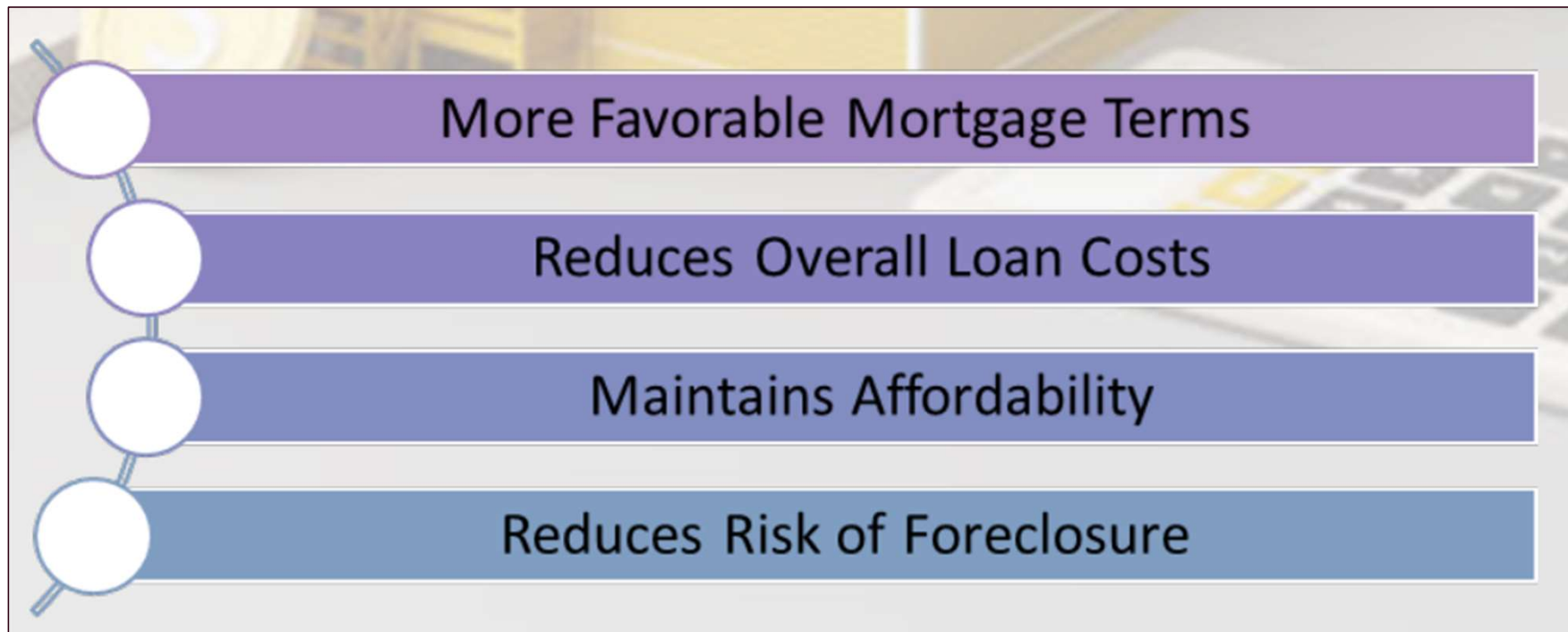
Refinancing

- Inflated markets strain the stability of homeownership placing many at risk of loan default, foreclosure, or displacement.
- In the right market, refinancing provides an opportunity for homeowners to:
 - Lower their interest rate
 - Reduce their mortgage payment
 - Eliminate private mortgage insurance
 - Shorten the loan term to payoff quicker
 - Maintain affordability

Policy Response

1. Include refinancing as an allowable activity under the purchase assistance program.
2. Identify terms in which refinancing is allowable.
3. Ensure policies are written to prohibit cash back refinancing.
4. Provide educational resources about refinancing.

Program Impact



Best Practices

Creating Partnerships

- The SHIP program was designed to create and enhance partnerships to leverage funds for the development and preservation of affordable housing.
- Partnerships can include:
 - Lending institutions
 - Non-profit organizations
 - Government agencies and departments
 - Affordable housing advocates
 - Advocates for marginalized populations
 - Housing services providers
 - Builders and developers
 - Lenders
 - Real estate professionals
 - Continuums of care



Ways to Partner

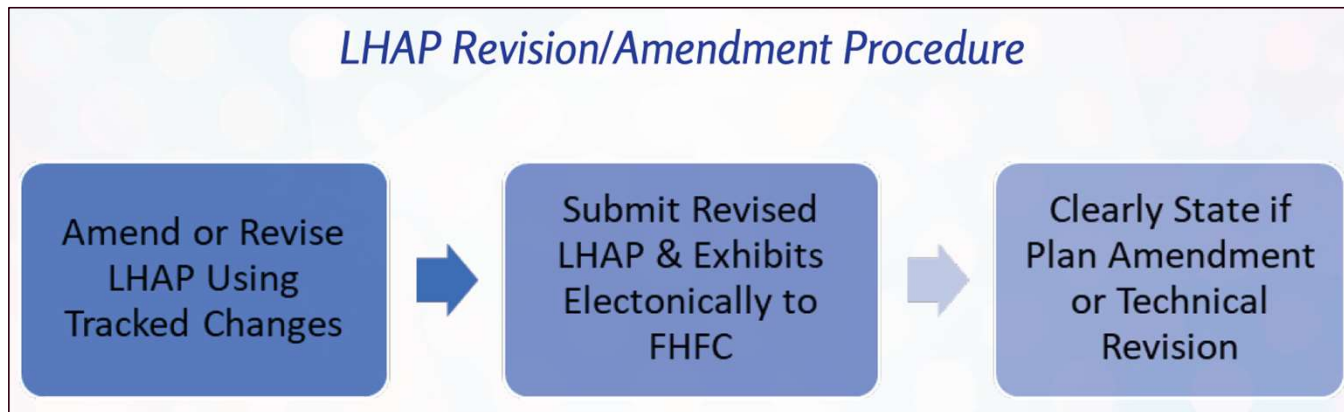
- Partnerships can be formal or informal, and involve:
 - Creating policy alongside and with input from partners to ensure assets are inventoried and goals are aligned.
 - Quarterly or bi-annual information sharing meetups, particularly to share news and updates.
 - Hosting SHIP roundtables with housing partners to discuss updates, accomplishments, new initiatives, etc.
 - Providing incentives to collaborate and including them in plans and policies.

Regulatory Process

- Amend, update, adapt!
- The SHIP Program allows local governments flexibility in designing and defining the terms of their programs.
- E.g., in the event of a disaster, the Disaster Strategy allows for unencumbered funds to be redirected.
- To better navigate market changes, grantees may need to adopt additional strategies and/or amend policies. Local governments can change the terms of their LHAP strategy periodically through **revisions** or **amendments**.

Regulatory Revisions

- **Technical Revision**: An update or clarifying revision to an existing housing strategy in the LHAP. The revision can be approved by the local government and submitted to the SHIP Administrator for the purpose of notification.
- **Plan Amendment**: When a strategy is added or deleted and requires the approval of SHIP review committee.
- Reach out to Florida Housing Coalition for assistance with revising or amending your LHAP: info@flhousing.org or (800) 677-4548



Program Evaluation – Performance Measures

- Including performance measures in your program evaluation process (e.g., during the annual report process) is a systematic way to determine what's working, not working, and can be improved.
- All SHIP local governments must submit an annual report of expenditures, leveraging, and beneficiary characteristics. This is a great time to analyze your strategies and outcomes.

It is best practice to regularly examine:

Housing Market	LHAP	Programs
<ul style="list-style-type: none">• Cost Burden• Home Values• Median Sales Price	<ul style="list-style-type: none">• Housing/Incentive Strategies• Maximim Award Amounts• Purchase Price Limits	<ul style="list-style-type: none">• Terms of Assistance• Policies & Procedures• Beneficiaries/Expenditures

Program & Housing Resilience

- **Community Land Trusts (CLTs)** are community-based nonprofits that acquire, own, and steward land permanently for the common good, thereby removing property from the speculative market, and retaining subsidy to provide affordable housing for generations.
 - For CLT technical assistance, contact wyman@flhousing.org
- Rapidly changing climate and increasing instances of disasters impact the market, and impact housing strategies. The **Disaster Strategy** in your LHAP is required.
 - Unencumbered funds, HHRP and other state funds, and FEMA funds may be used, and waivers may be enacted by the FHFC. Work with your EOC, COC, etc.
 - Mitigation can be incorporated into strategies such as Home Rehab to reduce home turnover post-disaster. Specifically opening protections, elevation, and reroofing.

The word "QUESTIONS" is written in a bold, white, 3D sans-serif font. The letters are centered and appear to be floating above a cluster of overlapping squares in various shades of blue and green. The squares vary in size and opacity, creating a dynamic, abstract background for the text. The entire graphic is set against a white rectangular background, which is itself centered on a dark teal gradient background.

QUESTIONS

FLORIDA HOUSING COALITION PUBLICATIONS

Access these valuable resources and more
under the Publications tab at Fhousing.org





Thank
you!

Contact:

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