

Preparing for the SHIP Monitor

Sponsored by the Florida Housing Finance Corporation's Catalyst Program

Presented By:

Michaell Chaney
Catalyst Program Director
Florida Housing Coalition
chaney@flhousing.org



Tamara West
Technical Advisor
Florida Housing Coalition
West@flhousing.org



Our Thanks to the Florida Housing Catalyst Program



AFFORDABLE HOUSING CATALYST PROGRAM

Sponsored by the Florida Housing
Finance Corporation



we make housing affordable™

THE FLORIDA HOUSING COALITION



Webinar Logistics

- Participants are muted
- Enter your questions in the box in your webinar panel
- Handouts are available for your review.
- This webinar is being recorded and will be available at www.flhousing.org
- Use headphones for best audio
- A survey will immediately follow the webinar; *please* complete it! Thanks!



FLORIDA HOUSING



Overview of the Training

- The Monitoring Process
- File Documentation
- Annual Report Responsibilities
- Eligibility Determination
- Administrative Procedures, including LHAP
- Monitoring Sub Recipients and Sponsors
- Monitoring Rental Housing



Steps of the Review

1. Email and SHIP Questionnaire
2. Conference Call
3. Introduction letter
4. Remote Desk Audit
5. Site Visits (when feasible)
6. Examination of Records
7. Complete review
8. Meet with staff to report observations
9. E-mail Monitoring Report
10. Local Government Response
11. Close out letter

FHFC Monitoring Staff

Robin Fowler

Carmen Dupoint

Russ Polzer

Debbie Wedoe



E-mail Notification of Upcoming Monitoring

From: Robin Fowler

Sent: Tuesday, May 31, 2022 8:31 PM

Subject: NOTICE OF UPCOMING SHIP-HHRP-CRF MONITORING

Importance: High

Dear Colleague:

We hope this email finds you, your co-workers, and your families safe and well.

During the third quarter of 2022, our office will be conducting a monitoring of FHFC housing programs administered through your office which may include:

SHIP	FY 19-20
HHRP	FY 19-20 and 20/21 (IF APPLICABLE)
CRF	FY 20-21

Please see the attached documents:

- **FHFC Compliance Monitoring Plan** – provides an overview of FHFC’s monitoring process including the requirements that are evaluated and the source documents reviewed.
- **FHFC Monitoring Checklist** – provides the checklist monitors will use
- **LG Monitoring Questionnaire** – collects additional information needed to determine additional documents that may need to be requested and/or items that may need to be added to the LG’s monitoring scope

Documents Requested



- New Staff notification to FHFC
- Subrecipient and sponsor agreements
- Most current Local Housing Assistance Plan
- File Checklist
- Tracking System
- Finance Dept. general ledger information
- NOFA or waiting list
- Advertisements for annual report
- Addresses for rental properties
- AHAC notice
- Chief Elected Official Contact Information
- Other items may be requested

Purpose of the Review

- Compliance with F.S., F.A.C. and LHAP
- 65% Homeownership set-aside
- 75% construction
- 20% special needs
- 20% cap on mobile homes
- 30% Very low and 30% low income set-asides
- 10% for admin

HANDOUT: SHIP Compliance Monitoring Plan

SHIP Compliance Monitoring Plan

Contents

I.	PURPOSE OF COMPLIANCE MONITORING
II.	AUTHORITY – COMPLIANCE MONITORING OF SHIP AND HHRP
III.	REVIEW METHOD
IV.	NUMBER OF FILES TO REVIEW
V.	SELECTION AND PRIORITIZATION OF LOCAL GOVERNMENTS TO BE MONITORED
VI.	SCOPE OF COMPLIANCE MONITORING AND REQUIREMENTS EVALUATED
VII.	MONITORING SCOPE - SELECT ADMINISTRATIVE REQUIREMENTS
	A. Maintenance of a Financial Tracking System for Each Funding Source
	B. Annual Monitoring of Rental Units
	C. Administrative Expenditures (allowable and within the maximum available)
	D. Reconciliation of Expenditures (Tracking and General Ledger)
	E. Local Government Monitoring of its Subrecipients
	F. Florida Single Audit Act Audit Language in all Subrecipient/Sponsor Contracts
	G. Publication of a Notice of Funding Availability (NOFA)
VIII.	MONITORING SCOPE – SELECT ELIGIBLE HOUSEHOLD REQUIREMENTS
	A. Eligible Households
	B. Eligible Housing
	C. Special Needs Status
	D. Other LHAP Strategy Requirements
	E. Comparison of Assistance Amounts
IX.	MONITORING SCOPE – EVALUATION SOURCES FOR SELECT REQUIREMENTS
X.	UPLOADING FILES USING SHAREFILE
XI.	EXIT INTERVIEW/ISSUANCE OF THE REPORT/SUBRECIPIENT RESPONSE
	A. Exit Interview
	B. Issuance of the Monitoring Report
	C. LG Response
XII.	HOW LOCAL GOVERNMENTS SHOULD PREPARE FOR MONITORING
	A. Prepare an Essential Documents Binder
	B. Organize Eligible Household, Unit Files
	C. Organize Sub Recipient/Eligible Sponsor Files

Monitoring Report Sections

1. Authorization, Purpose of Compliance and SHIP Overview
2. Monitoring Participants and Exit Interview Attendees
3. Monitoring Objectives, Resources and Sample Selection
4. Activity Summary by Fiscal Year
5. Material Observations
6. Nonmaterial Observations
7. Conclusions



Monitoring Report Includes Local Government Response

SHIP Rule: 67-37.019 (7)

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

Local Government Responses

Examples of
the Good,
Bad and Ugly



THE GOOD THE BAD AND THE UGLY

Good: State new policies:

“This department has undergone personnel changes. Previous staff processed the files that were reviewed. Current staff will do ___ to avoid this observation in the future.”

GIVE SPECIFICS

THE FLORIDA HOUSING COALITION



Current Monitoring Observations

Examples of
the Good,
Bad and Ugly



THE GOOD THE BAD AND THE UGLY

BAD: Response to expenditure deadline non-compliance

"Certainly every effort is made to expend funds timely and we have historically met deadlines, but a jurisdiction as vast and diverse as the County would not be able to adhere to these constraints as they would pose an undue burden...."

THE FLORIDA HOUSING COALITION



Current Monitoring Observations

Examples of
the Good,
Bad and Ugly



THE GOOD THE BAD AND THE UGLY

UGLY: Response to a county using SHIP funds to meet cash flow needs:

"The board was not aware of any state law or regulation that restricted the use of SHIP funds"

THE FLORIDA HOUSING COALITION



Current Monitoring Observations

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.**

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 Documentation

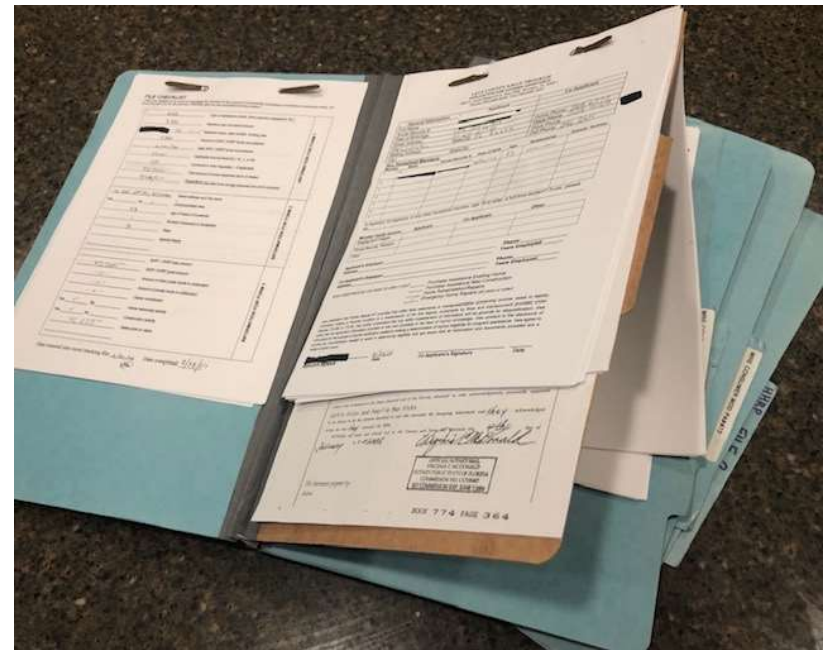
Use Folders with Dividers

Establish a numbering system for each case depending on the strategy.

Label Tabs and important information in each section to facilitate review

Example: Income Eligibility Tab includes Income, Assets, RIC, Award letter, etc.

Example: Bids Tab includes Invitation to Bid, Sign-in Sheet, Bid Award, etc.



File Documentation for All SHIP Files

1. Application signed by all adult member 18 years of age or older
2. Release of information for all household members 18 years of age or older
3. Checklist
4. Notes
5. Proof of income
6. Proof of assets
7. Proof of ownership and homestead (for rehab)
8. Property eligibility (type and value limits)
9. Income group, special needs documented
10. Resident income certification signed by all adult household member 18 years of age or older and SHIP administrator
11. Award Letter issued or loan closed to stop the 120-day clock

Rehabilitation Documents

- Initial Inspection
- Eligible property
- Meets Value Limits
- Pre-Bid sign in sheet
- Bids
- Bid award
- Repair Contract
- SHIP Loan Agreement
- 3 days to Rescind
- Inspections & Pictures
- Proof of Payments
- Final payment, Releases, Warranty
- Loan Modification recorded



Purchase Assistance Documents

- Counseling Certificate if required
- First mortgage loan commitment
- Loan disclosures
- Purchase contract and addendums
- Title Insurance
- Appraisal
- Inspection
- Construction Set-Aside Proof of Rehab, if any **12 months before or 12 months after closing**
- Closing documents
- Recorded first mortgage
- Recorded SHIP mortgage
- Property Insurance policy, if required

SHIP Record Retention Policy

Keep SHIP files for 5 years after loan has been released or satisfied

AND

After audits released for the SHIP distribution that funded assistance

Example:

- Applicant assisted with 13/14 funds in August 2013
- Audited in 2016
- SHIP assistance loan forgiven after 10 years, 2023
- Retain the file until 2028

More on SHIP Record Retention Policy

- Keep applications that do not receive SHIP assistance
- For how long?
 - Determine the SHIP distribution that would have funded the application
 - Keep the application for 4 years after the end of the 3-yr period when closed out
 - EXAMPLE: Application would have received 13/14
 - Distribution will be closed out on June 30, 2016
 - Retain file until June 30, 2020
- Also retain advertisements, waiting lists until the SHIP fiscal year has been monitored and the grant closed out

File Guidance

- File Checklist
- Date stamp all verifications
- All documents: signed, dated
- When household adults are unemployed, document on the application
- Security Agreement: signed, dated, recorded
- Consistency in file documentation and organization
- <https://vimeo.com/942146951>



MORE Guidance

April 2024 webinar recording
<https://vimeo.com/942146951>

Annual Report Responsibilities



Key Reporting Principles

- 3 years to spend SHIP, so you often have money from multiple FY allocations.
- Each year, submit 3 annual reports for 3 distributions
- Generally, “First received, First expended”
- Strive to pay recipient’s total assistance from only one SHIP allocation
- FY 21/22 (close-out) all funds must be expended
- FY 22/23 funds must be expended or encumbered
- FY 23/24 funds may be expended, encumbered or unencumbered

THE FLORIDA HOUSING COALITION



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



Income Set-aside

1. At least 30% of all Revenue for Very Low
2. At least 60% for VLI and Low combined

Special Needs Set-Aside: 20% of Allocation for household meeting statutory definition of Special Needs

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”**:

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

Paying for Program Administration

- Administration Budget – 10% of allocation
- General Revenue subsidy
- A portion of Program Income
- Don't pay Program Costs with Admin Dollars

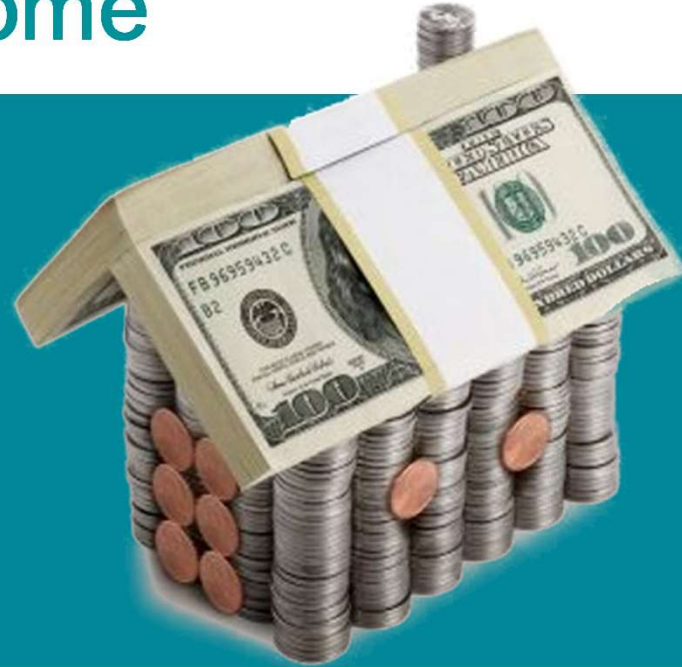


THE FLORIDA HOUSING COALITION



Track Program Income

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



- Reported in the year it is received regardless of when assistance is provided
- Spend 5% on Admin unless you receive \$350,000 or less, then 10%
- Track different types of program income for reporting purposes

Establish a Procedure to Reconcile



- Reconcile daily, weekly, monthly not annually
- 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
- Related Common Problem: Discrepancies between file docs and tracking spreadsheet

MORE Annual Report Guidance

Preparing and Submitting the SHIP

July 2024 webinar recording <https://vimeo.com/982709502>

Tracking SHIP Activity Throughout the Year

May 2023 webinar recording <https://vimeo.com/829491336>

New Annual Reporting of SHIP Applications

May 2023 webinar recording <https://vimeo.com/831642822>

A young Black woman with a short, buzzed haircut is smiling broadly and pointing her right hand towards the camera. She is wearing a dark red, long-sleeved top. The background is a blurred office environment with wooden walls, a black office chair, and a computer monitor. The text 'Eligibility Determination' is overlaid on the left side of the image in a white, sans-serif font.

Eligibility Determination

Overview of Resources

- Code of Fed Regulation: 24 CFR Part 5.609
- Income inclusions and exclusions
- HUD Handbook 4350.3: Chapter 5, Appendices 3 and 6C
- Income and rent limits chart

MORE Guidance

July 2024 recording of Part 1 <https://vimeo.com/992453038>

August 2024 recording of Part 2 <https://vimeo.com/998853855>

THE FLORIDA HOUSING COALITION



Income Verification Process

Verify:

- Employment including overtime and tips
- Social Security
- Child Support/Alimony
- Regular Cash Contributions
- Unemployment Compensation

Income Verification Methods

- Methods: Written or Oral Third-Party Verification
- Acceptable method: Upfront-income verification (UIV)



THE FLORIDA HOUSING COALITION



Compliance with the 120-day Clock

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

"Stop The Clock"

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



HOTMA Changes to Income Qualification Rules

**NEW RULE:
HOUSING
OPPORTUNITY
THROUGH
MODERNIZATION
ACT
(HOTMA)
Act of 2016**



- Modifies the 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 date = January 1, 2025, FHFC's SHIP monitors will not cite HOTMA-related applicant file errors for income certification forms signed prior to this date
- You may choose to adopt these changes starting January 1, 2024

Asset-Related HOTMA Changes in 2024



- Verify checking and savings accounts by collecting a minimum of one statement that reflects the current balance
- May accept a minimum of two current and consecutive pay stubs
- Educational savings accounts will no longer be counted.
- Retirement accounts will not be counted as part of family assets
 - For retirement age applicants, still count income received periodically from a retirement account

Big HOTMA Change!

Child Support or Alimony

Page 42 of the HOTMA Implementation Guide:

“Annual income includes “all amounts received,” not the amount that a family may be legally entitled to receive but which they do not receive.”

- Count only the child support that the applicant is currently receiving.
- Collect written deposit notices they receive from deposits into Bank Accounts or Prepaid Cards
- Still encourage applicant to start a file with the Department of Revenue’s Child Support Enforcement office: 1 (800) 622-5437

THE FLORIDA HOUSING COALITION



Administrative Procedures



According to SHIP Rule 67-37.005 (6), Advertisement **Must** Include

- Projected Amount of the Distribution
- Beginning and end date of application period
- Local contact person. Where to apply.

In addition, consider adding Details per Strategy:

- Estimated amount per strategy
- Income categories assisted
- Selection criteria
- Maximum housing value
- Anything else added should be consistent with the LHAP

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
 - Do not delete the name of assisted applicants
- Common: first priority for households qualifying as Special Needs

Example:

- Very low, Special needs
- Low, Special needs
- Moderate, Special needs
- Very low
- Low
- Moderate

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 recapture/default provisions between LHAP and recorded loan documents.
- Use LHAP for funds being spent, not most current

LHAP Related Compliance

Not meeting specific requirements outlined in the LHAP

- Housing units
- Recipient selection criteria
- Defaults
- Loan terms
- Maximum award limits or approval by the commission allowing a higher amount

Create or Update Policies & Procedures Manual

• Advertisement	• Verification
• Pre-screening: provide a script	• Certification
• Waiting List	• Award Letter
• Application	• File Closeout Procedures

Effective Written Agreements

- Serves as a management, accountability and enforcement tool for the local government
- Should be executed whenever funds or services are exchanged.
- Include single audit act requirements in all written agreements

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

67-37.002 Definitions

Items to Include in Written Agreements

- Identify funding source and provide budget
- Specify the activity to be carried out
- Timeline
- Roles and responsibilities of each party
- Payment procedures and schedule
- Default Provisions
- Compliance, reporting and monitoring requirements
- Amendments

Monitoring Nonprofit Sub Recipients & Sponsors

NONPROFIT



Types of Sub Recipient and Sponsor Monitoring

- File documentation /reporting
- Income Eligibility Compliance
- Strategy Compliance
- Physical Inspection of Work
- Organization wellness review
- Staff Capacity/Organizational Structure
- Financial Capacity/Fiscal Soundness

Sponsor

A person or a private or public for-profit or not-for-profit entity that applies for an award under the local housing assistance plan for the purpose of providing eligible housing for eligible persons to partially assist in the acquisition, construction, rehabilitation, or financing of eligible housing or to provide the cost of tenant or ownership qualifications.

420.9075 Local housing assistance plans; partnerships.

As a condition of receipt of an award, the eligible sponsor or eligible person must **contractually commit** to comply with the affordable housing criteria provided under ss. 420.907-420.9079 applicable to the affordable housing objective of the award. The plan criteria adopted by the county or eligible municipality **must prescribe the contractual obligations required** to ensure compliance with award conditions.

Criteria for Sponsors

Financially Sound	Program	Project Team	Outcomes
Experience	Staff/Board Capacity	Program Budget	Timeline
Funding Source	Reputation	Program Description	Other Funding Sources

THE FLORIDA HOUSING COALITION



Monitoring and Sub Recipient Definition

“The LG should periodically monitor the performance of its Sub Recipient to ensure work performed on its behalf is performed in a manner consistent with pertinent federal, state, and local laws, statutes, administrative rules, and ordinances.”

Sub Recipient Definition

A person or non-state organization **contracted** by a SHIP eligible local government and compensated with SHIP funds to provide **administration** of any portion of the SHIP program.

67-37.002 Definitions.



THE FLORIDA HOUSING COALITION



Sub Recipient Audit and Monitoring

AUDIT **See Handout**

A contract between a local government and a non-state organization (a Sub Recipient) receiving SHIP must contain the standard audit language on Form DFS-A2-CL (Effective 7/05) of the Florida Single Audit Act in the document. <https://apps.fldfs.com/fsaa/statutes.aspx>

MONITORING

Monitor rental housing annually for at least 15 years. SHIP Rule requires this: 67-37.019 Compliance Monitoring for Housing Developed With SHIP Local Housing Distribution Funds.

“Monitoring Rental Housing” webinar recording:

<https://vimeo.com/906991005>



Contractual Requirements

- Monthly reports are submitted in a timely and consistent fashion
- Activities, client eligibility, reimbursement requests, etc., Are adequately documented
- Records and files are complete and adequately maintained
- All contract requirements are met in full

Document file review and compliance

THE FLORIDA HOUSING COALITION



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

MORE Guidance

“Working with Sponsors and Subrecipients”

April 2023 webinar recording <https://vimeo.com/819185569>

THE FLORIDA HOUSING COALITION



Monitoring Rental Housing for SHIP Compliance



SHIP Requires Rental Monitoring

Rental units constructed, rehabilitated or otherwise assisted from the local housing assistance trust fund must be monitored at least **annually for 15 years** or the term of assistance, whichever is longer, for compliance with tenant income and affordability requirements

---SHIP Rule: 67-37.007(11), F.A.C.

Monitor for Rental Development, **NOT** Rental Assistance

SHIP Monitoring Rules

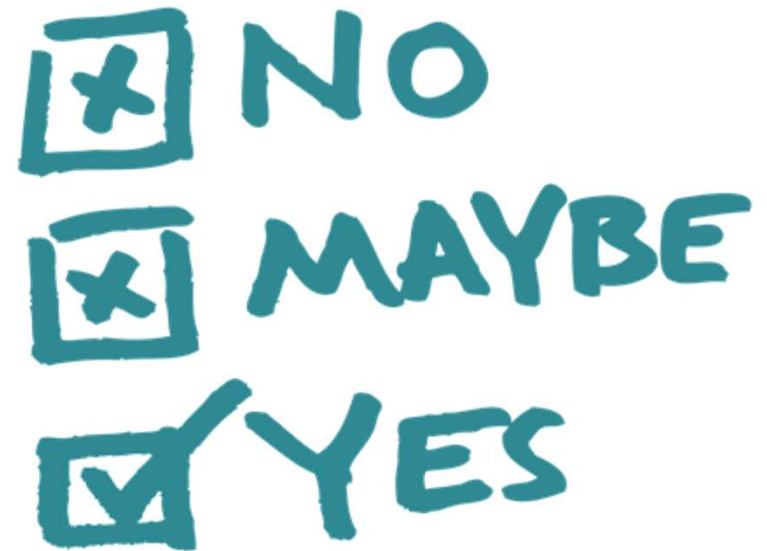
- Tenant income of projects that receive more than \$10,000 total investment must be monitored annually (not per unit, per project)
- May rely on monitoring report of another entity even if periodic
“...to the extent another governmental entity or corporation program provides periodic monitoring and determination, a municipality, county, or local housing financing authority may rely on such monitoring and determination of tenant eligibility.”
- Does not require utility allowances



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



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.

THE FLORIDA HOUSING COALITION



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**

MORE Guidance

"Monitoring Rental Housing"

January 2024 recording <https://vimeo.com/906991005>

Questions & Evaluation



Please complete the evaluation!



Questions?

Contact Michael at:
chaney@flhousing.org
850-980-1307



Contact Tamara at:
west@flhousing.org
850-518-2235

Technical Assistance Hotline: 1-800-677-4548