

# Self-Help Homeownership Opportunity Program

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**Administering agency:** HUD's Office of Community Planning and Development (CPD)

**Year program started:** 1996

**Number of persons/households served:** 28,000

**Population targeted:** Households with incomes below 80% of the area median income

**FY14 funding:** \$10 million

The Self-Help Homeownership Opportunity Program (SHOP) is a competitive grant program that provides funds to national and regional nonprofits that assist low income families in building their own homes using a "sweat equity" or self-help model. The homes are sold to the homebuyers at below-market rates.

## HISTORY AND PURPOSE

Congress first authorized the SHOP program in 1996. SHOP was created for the purpose of alleviating one of the largest obstacles faced by self-help housing developers in the production of affordable housing – the high cost of acquiring land and developing infrastructure before home construction begins.

## PROGRAM SUMMARY

SHOP is a competitive grant program run by HUD that provides funds to national and regional nonprofits that assist low income families in building their own homes using a sweat equity or self-help model. Funds are re-restricted to paying for land and infrastructure costs associated with building the homes, including such items as sewer connections, streets, utilities, and environmental remediation. These funds must result in one home for each \$15,000 awarded. Each low income family receiving assistance through SHOP is required to invest at least 100 hours of work in building its home and the homes of others, although many families work far more than the required hours. The homes are sold to the homebuyers at below-market rates.

National or regional nonprofit organizations or consortia can apply to HUD annually for SHOP funds. There are currently two SHOP recipients that operate nationwide: Habitat for Humanity and the Housing Assistance Council. HUD awards grants competitively based upon an organization's experience in managing a sweat equity program, community needs, its capacity to generate other sources of funding, and the soundness of its program design. The HUD-funded organizations may develop self-help housing themselves or act as intermediaries; that is, make SHOP loans to local organizations that work with self-help home buyers.

All families receiving SHOP funds must earn less than 80% of the area median income (AMI), although many of the organizations that facilitate the distribution of these funds work with families who have income well below that threshold. SHOP funds have been used to support the work of self-help housing organizations in every state, resulting in the development of thousands of affordable homes for ownership.

## FUNDING

SHOP was appropriated \$27 million in FY11, \$13.5 million in FY12, \$13.5 million in FY13 (before sequestration was applied), and \$10 million in FY14.

## FORECAST FOR 2014

SHOP, created in 1996, received steady support from Congress and the Clinton and George W. Bush Administrations. The Obama Administration's budget proposed no funding for the program in FY12 and FY13, and then proposed \$10 million for FY14 and the same for FY15. The budget would make SHOP a set-aside in the HOME program. For FY14, Congress chose to keep the programs separate. SHOP is one of the few federal housing programs to receive an effective rating, the highest rating possible, on the Program Assessment Rating Tool developed by the Office of Management and Budget (OMB).

## **TIPS FOR LOCAL SUCCESS**

Local organizations can access SHOP funding by partnering with one of the national or regional funding recipients. The strongest applicants have self-help experience.

## **WHAT TO SAY TO LEGISLATORS**

Members of the House and Senate should be asked to support continued SHOP funding at \$20 million per year. The program has many positive aspects:

- Self-help housing provides families a hand up. The families who ultimately use the program's funds will put at least 100 hours, and often more, into building their own homes. For example, through the Housing Assistance Council's first 10 years of SHOP funding, participating homebuyers averaged over 1,000 hours of labor.
- Because owners' sweat equity reduces mortgage amounts, the self-help process makes homeownership affordable to people with low and very low incomes.

## **FOR MORE INFORMATION**

- Habitat for Humanity International, 202-628-9171, [www.habitat.org](http://www.habitat.org)
- Housing Assistance Council, 202-842-8600, [www.ruralhome.org](http://www.ruralhome.org)
- HUD, 202-708-2684, [www.hud.gov/offices/cpd/affordablehousing/programs/shop](http://www.hud.gov/offices/cpd/affordablehousing/programs/shop)