

**COMMUNITY PLANNING AND DEVELOPMENT
 SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
 2013 Summary Statement and Initiatives
 (Dollars in Thousands)**

SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2011 Appropriation	\$82,000 ^a	\$76,230	-\$164	\$158,066	\$130,571 ^b	\$54,338 ^b
2012 Appropriation/Request	53,500	26,677	...	80,177	54,000	71,249
2013 Request .....	...	<u>26,177</u>	...	<u>26,177</u>	<u>26,177</u> ^c	<u>75,934</u>
Program Improvements/Offsets	-53,500	-500	...	-54,000	-27,823	+4,685

a/ \$818 thousand of fiscal year 2011 appropriations were transferred to the Transformation Initiative.

b/ Funds transferred to the Transformation Initiative are not included in Obligations or Outlays.

c/ The figure for predicted fiscal year 2013 SHOP obligations in the fiscal year 2013 President's Budget Appendix has been updated for additional information and was not available prior due to an accounting adjustment. SHOP expects to obligate its full remaining carryover balance in fiscal year 2013.

1. What is this request?

The Department is not requesting funding for the Self-Help Homeownership Opportunity Program (SHOP) in fiscal year 2013. Self-help homeownership activities are eligible under the HOME Program, the Community Development Block Grant (CDBG) Program, and the Neighborhood Stabilization Program (NSP). These programs have well-established, local delivery systems for administering and overseeing housing activities.

The SHOP grant program has funded between three and five applicants each fiscal year. The Department views HOME, in particular, as a superior vehicle for funding local sweat equity programs. By statute, SHOP subsidy is limited to an average of \$15,000 per unit and may only be used for acquisition, infrastructure, and administrative costs of the grantee.

HOME permits much higher per unit subsidies, about 8 times higher than the SHOP subsidy maximum of \$15,000¹, allowing more flexibility in addressing local conditions.

¹ HOME per-unit subsidies vary due to the size of the unit, based on the mortgage limits from Section 221(d)(3), which makes a direct dollar-to-dollar comparison impracticable. HOME is additionally statutorily authorized to exceed the mortgage limits by up to 140% based on cost of living in the grantee's geographic area.

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HOME can also pay for the costs of labor, construction materials, and soft costs (i.e., acquisition, infrastructure, architectural and engineering, permitting, legal and underwriting fees, fees for other sources of financing, project-related staff and overhead costs of the local self-help group, construction materials, construction costs, and counseling for participating homebuyers). HOME can also be used to provide financing assistance to low- and very low-income homebuyers.

HOME permits participation by a broader range of non-profit organizations. Local self-help groups will find it easier to develop self-help housing because of HOME's flexibility and constant annual funding stream to local communities. Local self-help organizations that also qualify as Community Housing Development Organizations (CHDOs) in the HOME program can also access funds through a required set-aside for CHDOs that is available in each jurisdiction that participates in the HOME Program.

Oversight of HOME grantees has proven far more effective than of SHOP grantees. HOME grantees incur comparatively less administrative costs and visit project sites more often, resulting in more effective and less costly HUD oversight.

The Department believes current grantees will remain competitive when applying to their state or local communities for funding. Under SHOP, they often are competing against dozens or hundreds of other local self-help groups nationwide to obtain SHOP funds from a national grantee.

Finally, current economic conditions have made it difficult for HOME grantees to administer "traditional" homebuyer programs (e.g., down payment assistance). Consequently, self-help homeownership programs are an even more attractive option for providing affordable and sustainable homeownership opportunities to low-income residents.

The fiscal year 2013 funding request for the Section 4 Capacity Building program of \$35 million (same as fiscal year 2012) is included in the Community Development Fund request.

2. What is this program?

The Self-Help Homeownership Opportunity Program (SHOP) is authorized by section 11 of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805 note) (the "Extension Act"). This program is a competitive self-help homeownership program that was first funded in 1996. Since that time, \$333.6 million has been appropriated for SHOP. In fiscal year 2011, \$26.7 million was appropriated for SHOP.

About 60 percent of funds appropriated for SHOP are used for self-help housing in rural or non-metropolitan areas. Based upon the fiscal year 2010 SHOP appropriation of \$26.7 million (less grantee-retained administrative funding), the SHOP program provides only about \$13.6 million to non-metropolitan areas annually. The Department believes that funding of self-help groups in these areas through the HOME and CDBG programs would address this shortfall.

The Section 4 Capacity Building for Community Development and Affordable Housing program is discussed in the Community Development Fund account.

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 Summary of Resources by Program
 (Dollars in Thousands)**

Budget Activity	2011 Budget Authority	2010 Carryover Into 2011	2011 Total Resources	2011 Obligations	2012 Budget Authority/ Request	2011 Carryover Into 2012	2012 Total Resources	2013 Request
Self-Help Homeownership Opportunity Program ..	\$26,677	\$26,730	\$53,407	\$26,730	\$13,500	\$26,677	\$40,177	...
Capacity Building	49,401	49,500	98,901	98,901	35,000	...	35,000	...
Housing Assistance Council	4,940	...	4,940	4,940	...	...	...	...
Transformation Initiative	818	...	818	...	...	...	...	...
Capacity Building for Rural Housing .....	...	...	...	...	5,000	...	5,000	...
Total	81,836	76,230	158,066	130,571	53,500	26,677	80,177	...

FTE	2011 Actual	2012 Estimate	2013 Estimate
Headquarters	2	4	4
Field	3	2	2
Total	5	6	6