**CHAPTER 31**

**SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM (SHOP)**

31-1 APPLICABILITY. This Chapter provides comprehensive monitoring guidance for the Self-Help Homeownership Opportunity Program (SHOP). This Chapter and its accompanying Exhibit is only applicable to monitoring SHOP grants awarded in Fiscal Year 2014 and later to which the requirements of 2 CFR part 200 apply. The Office of Rural Housing and Economic Development (ORHED) is responsible for monitoring SHOP grants.

31-2 PURPOSE. SHOP was created to facilitate and encourage innovative homeownership opportunities on a national and geographically diverse basis. The Program supports self-help housing programs that require a significant amount of sweat equity by the homebuyer toward the construction or rehabilitation of his or her home. Volunteer labor is also required.

31-3 GOALS. The overall objective of monitoring SHOP grants is to ensure that the goals of SHOP are achieved, which include that:

1. assistance provided under SHOP is used to facilitate and encourage innovative homeownership opportunities through the provision of self-help housing, under which the homeowner contributes a significant amount of sweat equity toward the construction of the new dwelling;
2. assistance provided under SHOP for land acquisition and infrastructure development results in the development of not less than 4,000 new dwellings;
3. the dwellings constructed in connection with assistance provided under SHOP are quality dwellings that comply with local building and safety codes and standards and are available at prices below the prevailing market prices;
4. the provision of assistance under SHOP establishes and fosters a partnership between the Federal Government and organizations and consortia, resulting in efficient development of affordable housing with minimal governmental intervention, limited governmental regulation, and significant involvement by private entities;

1. activities to develop housing assisted under SHOP involve community participation in which volunteers assist in the construction of dwellings; and
2. dwellings are developed in connection with SHOP assistance on a geographically diverse basis, which includes areas having high housing costs, rural areas, and areas underserved by other homeownership opportunities that are populated by low-income families unable to otherwise afford housing.

31-4 PREPARING FOR MONITORING. Before monitoring, the ORHED reviewer must be familiar with both the SHOP program requirements and the design and operation of the SHOP program**.** The ORHED reviewer must also consult the SHOP Monitoring Guide, a manual that sets out instructions and procedures for carrying out the monitoring review. Prior to monitoring, the ORHED reviewer should review the following information and materials:

* executed Grant Agreement(s);
* Self-Help Homeownership Opportunity Program (SHOP) authorizing statute, codified at 42 U.S.C. 12805 note;
* the approved SHOP grant application;
* all SHOP grant application amendments;
* the Notice of Funding Availability (NOFA) for the SHOP grant that is being monitored;
* Line of Credit Control System (LOCCS) Forms [HUD-27054, LOCCS Voice Response System Access Authorization];
* all prior audit and monitoring reports; and
* Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR part 200).

The ORHED reviewer should review the approved SHOP grant application thoroughly to become familiar with the objectives and activities relating to the specific SHOP grant. Reviewing the application is particularly important due to the unique nature of each SHOP application.

31-5 COMPLIANCE WITH THE UNIFORM REQUIREMENTS OF 2 CFR PART 200. All SHOP grants monitored in accordance with this Chapter 31 will be reviewed for compliance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ORHED reviewer should review the Uniform Requirements. In completing monitoring requirements for the SHOP grants, Exhibits 34-1, 34-2, 34-3, and 34-4 in this Handbook will be completed for each SHOP grantee.

31-6 File Selection and Sampling. All SHOP grants will be monitored by the ORHED reviewer. Where it is indicated that a file review is necessary to answer the Exhibits questions, the ORHED reviewer should consider the following factors when determining the specific files that would comprise the review sample:

1. Where feasible, initial file selection should be made using a random selection method.
2. The ORHED reviewer should consider adding more files to this selection in order to:

1. include a file or files from each staff person working in the respective program area being monitored;

1. expand the sample, if possible, to include additional files with the same characteristics, if indicated by the severity or nature of any problem(s) noted during the initial selection’s review (for example, same problem category, same staff person, same activities, or other characteristics);

 This expanded sampling aids in determining whether problems are isolated events or systemic.

1. The ORHED reviewer may also add files to the selection from any project that the reviewer has reason to believe may have compliance problems or that substantially differs in terms of size, complexity, or other factors from other projects that the SHOP grantee has undertaken.