



Ohio Legislative Service Commission

Bill Analysis

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Sub. S.B. 5

128th General Assembly

(As Reported by S. Finance and Financial Institutions)

Sens. Buehrer, Seitz

BILL SUMMARY

- Creates the Grants for Grads Program, administered by the Ohio Housing Finance Agency (OHFA), to provide a limited number of grants for the purchase of qualifying first homes to Ohio residents receiving an associate, baccalaureate, master's, doctoral, or other postgraduate degree.
- Awards the grants, through means of a bi-annual lottery conducted by OHFA.
- Creates a lien in the first home and allows for recovery of grant amounts for failure of a grantee to comply with certain program criteria.
- Requires OHFA to internally audit the grant program and to submit an annual report to its Advisory Board.
- Requires OHFA to prepare and submit an annual report to the Governor, Director of Development, Chancellor of the Ohio Board of Regents, President of the Senate, and Speaker of the House of Representatives regarding the number and dollar amount of awards granted and other program activities for the prior calendar year.
- Requires OHFA to adopt rules under R.C. Chapter 119. to run the program.

CONTENT AND OPERATION

Creation of the Grants for Grads Program

(R.C. 175.31(A))

The bill creates the Grants for Grads Program, administered by the Ohio Housing Finance Agency (OHFA) using money available to it, to provide grants to Ohio

residents who have received an associate, baccalaureate, master's, doctoral, or other postgraduate degree. A grant made pursuant to this program must be used to pay for the down payment or closing costs on the purchase of a first home.

Program grant

(R.C. 175.32(D) and (E))

A grant under the program must be provided as a cash payment to a grantee when the grantee obtains a mortgage loan. The cash payment must be applied in full only to pay (all or a portion of) the closing costs or down payment on the purchase of a grantee's first home. The amount of each grant award must be the following:

- \$2,500--for a grantee who received an associate degree.
- \$5,000--for a grantee who received a baccalaureate degree.
- \$10,000--for a grantee who received a post-graduate degree.

The bill provides that at the time of the closing, the grantee may not receive any cash back. It further provides that the grantee must receive the grant within the award period designated in the notification and use it within 24 months after taking receipt of the grant, after which the grant will expire.

Program eligibility

(R.C. 175.30(A) and (F); 175.31(B), (C), and (E))

Under the bill, a graduate is eligible to participate in the program if the graduate meets all of the following conditions:

- (1) The graduate received an associate, baccalaureate, master's, doctoral, or other postgraduate degree from an institution of higher education.
- (2) The graduate is able to provide OHFA evidence documenting Ohio residency and graduation from a high school and institution of higher education.
- (3) The graduate intends to live and work in Ohio for at least five years after graduation or completion of the degree.
- (4) The graduate intends to purchase a first home in Ohio.¹

¹ The bill defines "graduate" as an individual who graduated from an institution of higher education and who is eligible for the program. It defines an "institution of higher education" as a state university or

Married graduates may both apply for grants under the program, and both individuals will be included in the lottery pool (discussed in "**Lottery selection process**" below).

Ineligible graduates

The bill specifies that a graduate who, at any time during the period from filing the application for a grant until a grant is awarded, has been found by the state to be delinquent in the payment of individual income taxes is not eligible to receive a grant. A graduate who is married to an individual who has previously received a grant under the program is also not eligible to apply. The bill further provides that an individual filing an application for a grant is not eligible to apply for a grant in any other six-month period.

"First home" criteria

Under the bill, a "first home" or "home" is the first residential real property located in Ohio to be purchased by a grantee who has not owned or had an ownership interest in a principal residence in the three years prior to the purchase.

"Ohio resident" criteria

Under the bill, an "Ohio resident" is any of the following: (1) an individual who was a resident of Ohio at the time of the individual's graduation from an Ohio public or nonpublic high school that is approved by the State Board of Education, and who is a resident of Ohio when applying for the program, (2) an individual who was a resident of Ohio at the time of completing, through the 12th grade-level, a home study program approved by the State Board of Education, and who is a resident of this state when applying for the program, (3) an individual whose parent was a resident of Ohio at the time of the individual's graduation from high school, and who graduated from either an out-of-state high school that was accredited by a regional accrediting organization recognized by the U.S. Department of Education and met standards at least equivalent to those adopted by the State Board of Education for approval of nonpublic schools in Ohio or from a high school approved by the U.S. Department of Defense.

college located in Ohio, a private college or university located in Ohio that possesses a certificate of authorization issued by the Ohio Board of Regents, or an accredited college or university located outside Ohio accredited by an accrediting organization or professional accrediting association recognized by the Board of Regents.

Grant application, selection, and award processes

(R.C. 175.31(C) and (D) and 173.32(A) to (C))

The bill requires OHFA to provide for the content and format of the program application. Each application must include the information OHFA determines by rule, but must include evidence that a graduate meets the bill's eligibility requirements.

An eligible graduate must apply for the program with OHFA not later than the 60th day after the date of graduation or of completion of the degree. However, for purposes of the initial lottery conducted under the program, a graduate is eligible to file an application if the graduate's graduation date or date of completion of a degree occurs on or after January 1, 2008. Married graduates that are both eligible must apply separately. The bill requires that after OHFA selects graduates for program participation, it must review each application selected for compliance and accuracy, determine whether a graduate is eligible to receive a grant, and determine the grant's amount based on the application information submitted. If OHFA finds an application insufficient, the graduate may resubmit it within 60 days. If the application is not resubmitted or the resubmitted application is found to be insufficient, the selected graduate shall not receive a grant.

Lottery selection process

The bill establishes a system to select grantees by random lotteries conducted twice a year; each lottery pool includes all applications filed within the six months immediately preceding the date on which the lottery is conducted. The lottery process, which OHFA must conduct by January 31 and July 31 of each year, must randomly select 150 grantees from the graduates whose applications OHFA has determined meet program eligibility requirements and are timely and complete.

The bill also requires 50 alternate grantees to be selected in each random lottery if additional moneys are available after grants are awarded to the initial 150 grantees selected for that six-month period. Alternative grantees must receive grants in the order they were selected in the lottery until moneys for the six-month period are exhausted. If there are less than 150 applicants in a given six-month period, the lottery must be dispensed with and all applicants the agency determines to be eligible must be awarded grants.

Awarding of grants

The bill requires the awarding of a grant to be evidenced by written notification to the grantee within 60 days after completion of the lottery. The notification must clearly state the amount of the grant and the starting and ending dates of the award

period, which must be from the start date through the last day of the 24th month thereafter.

Lien on first home

(R.C. 175.33)

The bill provides that at the time a first home is purchased under the program, OHFA must secure the amount of the grant by a lien on the home for a period of five years. Such a lien attaches, and may be perfected, collected, and enforced in the same manner as a mortgage lien on the home, and must otherwise have the same force and effect as a mortgage lien on the home. However, the bill specifies that the OHFA lien is subordinate to a mortgage lien securing any money loaned by a financial institution for the purchase of the home.

Failure to comply with first home ownership criteria or use of fraudulent information

The bill authorizes enforcement of the lien if OHFA finds that a grantee failed to comply with the first home ownership criteria of the bill or otherwise applied for a grant using fraudulent information.

Failure to reside in first home for at least five years

The bill provides that if a grantee becomes a resident of another state and does not reside at least five years in a first home purchased using grant money, OHFA may collect on the lien. The amount collectable in such a circumstance is a function of the time the grantee resided in the first home. If a grantee has resided in the first home for less than 12 months, the bill allows collection of 100% of the grant amount. If a grantee has resided in the first home for 12 months and a day to 24 months the bill allows collection of 80% of the grant amount. If a grantee has resided in the first home for 24 months and a day to 36 months, the bill allows collection of 60% of the grant amount. If a grantee has resided in the first home for 36 months and a day to 48 months, the bill allows collection of 40% of the grant amount. And if a grantee has resided in the first home for 48 months and a day to 60 months, the bill allows collection of 20% of the grant amount.

Extinguishing the lien

The bill provides that the five-year lien on the home secured by OHFA in the amount of the grant is extinguished if money is collected pursuant to the lien because a grantee becomes a resident of another state and does not reside at least five years in a first home purchased using grant money. Such a lien is also extinguished if the grantee, within the five-year period, moves to another residence in Ohio.

OHFA authority

(R.C. 175.01, 175.04(H), and 175.34)

Rulemaking

The bill requires OHFA to adopt administrative rules under Chapter 119. of the Revised Code to carry out the program's purposes.

Internal audit

The bill requires OHFA to internally audit the Grants for Grads Program and the Grants for Grads Fund (see discussion below) before the beginning of each calendar year and to prepare and submit an annual report to its Advisory Board. The report must specify the internal audit work completed by the end of that calendar year and report on compliance with the annual internal audit program.

Annual report

The bill requires OHFA to prepare an annual report regarding the program, describing the number and dollar amount of grants awarded and OHFA activities related to the program during the previous calendar year. OHFA must submit the report to the Governor, Director of Development, Chancellor of the Ohio Board of Regents, President of the Senate, and Speaker of the House of Representatives.

Grants for Grads Fund

(R.C. 175.31(A), 175.32(B), and 175.35)

The bill specifies that program grants must be provided from moneys in the Grants for Grads Fund, which the bill creates in the state treasury. The fund must consist of appropriations, other sources of contributions, and any earnings on investments. The fund must be administered by OHFA to provide program grants and for program implementation and administration. Fund moneys are to be invested by the Treasurer of State in the same manner as General Revenue Fund money. Investment earnings of the fund must also be deposited into the fund.²

² Since the bill requires program grants to be provided from money in the Grants for Grads Fund and requires OHFA to administer the program using moneys available to it, it is not clear whether the reference to money available to OHFA that must be used for the program refers to money in the Grants for Grads Fund, other moneys available to the agency, or both.

HISTORY

ACTION

DATE

Introduced

02-10-09

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03-26-09

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