

New Homebuyer Plus program aims to give Ohioans a financial boost in a tough housing market

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COLUMBUS, Ohio — As Ohioans looking to buy a new home face sky-high mortgage rates, rising prices and a limited number of houses on the market, a new state program aims to give them a bit of a financial boost.

The Ohio Homebuyer Plus program, which is set to go live in January, will allow residents to create special savings accounts with participating banks that pay interest rates somewhere between 1% to 4% higher than usual (depending on the bank and market conditions). Money paid into the account by the homebuyer, their family members, or others may qualify for some state income-tax deductions.

The program is open to Ohio residents of any income level. But it likely will give a boost in particular to Ohioans who are well enough off that buying a home is within reach, but who still have to put money aside for at least a year or two in order to afford a down payment, according to Joy Johnson, executive director of Burten, Bell, Carr Development, Inc., a Cleveland-based community development nonprofit.

Under the program, Ohioans can keep between \$100 and \$100,000 in their special savings account, and that money can only be used to make a down payment on a new house or help pay closing costs within five years. While the exact amount of money that Ohioans can realize from this program will vary based on a number of factors, state officials, as well as housing and banking industry officials, say it will provide at least some help to those who are daunted by the current housing market – including lower- to middle-income residents.

It's not yet clear exactly when the program will start next month, nor exactly which banks be participating in it. When the program launches, information will be posted to [the Ohio treasurer's website](#).

Which banks participate will be a critical piece to determining just how high the interest rate will be for Ohioans who open the accounts. The national average for

savings accounts is about 0.6%, according to a survey of 500 institutions from BankRate.com. But some online banks offer interest rates of between 4% and 5%.

State Treasurer Robert Sprague, whose office will run the program, said he thinks the program will help a lot of people, especially younger Ohioans who are trying to save for their first home.

“We want not just to retain the families that we already have here, but we want to welcome new families to our state,” Sprague said in an interview. “We know it’s important for our workforce and for our economics in the future. But also we feel like we’re a great place to raise a family. And so, we want to encourage homeownership here in the state. We feel like this is something that we can help with.”

Ohio’s housing market has cooled off, but prices aren’t falling. [Single-family home prices have been flat this fall in Cuyahoga County](#), with a median of \$170,000 in November. That’s \$12,000 higher than the same time last year, when it was \$158,000.

Ohio is the only state with such a program, said Don Boyd, vice president of state government relations and general counsel for the Ohio Bankers League. While there’s [a similar federal initiative](#) to help people save money to buy a home, Johnson said, it’s only open to households who make less than 200% of the federal poverty line (about \$40,000 per year for a household of two, or \$60,000 per year for a family of four).

Johnson said her organization hears from a lot of people who aren’t low-income by government standards but are still in need of assistance with purchasing a home.

“It’s going to make it easier for them,” Johnson said of the program. “It’s a carrot — right? — to what people are already thinking about (and) what we hear so much: ‘I want to own a home. What do I need to do?’ This just gives them a structured way to start.”

The Homebuyer Plus program, first proposed by Gov. Mike DeWine in his State of the State address earlier this year, was one of a number of housing initiatives included in the state’s massive two-year budget plan, passed last summer. It’s similar to other linked deposit programs run by the treasurer’s office, though those programs — such as the Ag-LINK program — offer lower-interest loans rather than higher interest payments.

The money to cover those higher interest rate payments and other program costs will come out of profits from the state’s investment portfolio, Sprague said.

If Ohioans who participate in the Homebuyer Plus program decide to move, or their circumstances change, they can withdraw their money and keep all the accrued interest, though they will have to then close the account, according to Sprague spokeswoman Brittany Halpin.

Residents who open a Homebuyer Plus account must certify on their application that they will use the money in the account only to help pay for a home. If anyone is found to have opened an account without intending to use it for home costs, or if they open more than one Homebuyer Plus account, Halpin stated in an email, they can be charged with “[falsification](#),” a crime that ranges from a first-degree misdemeanor to a third-degree felony depending on how much money is stolen.

When asked how the state would be able to identify suspected cheaters for prosecution, Halpin stated that participating banks must report any withdrawals to the Ohio treasurer’s office.

“If a withdrawal appears to have been made in a manner not permissible under law, the accountholder will be required to provide justification for the withdrawal and (the state treasurer’s office) will determine the appropriate course of action,” Halpin said. She added that the treasurer’s office will also notify the Ohio Department of Taxation of any withdrawals that don’t comply with the Homebuyer Plus program rules.

Boyd, of the Ohio Bankers League, said the program came out of discussions between the banking industry, the governor’s office and the treasurer’s office, among others.

“We think it’s a very innovative program trying to address an obvious need in Ohio,” Boyd said.

Boyd said the program is especially geared toward helping either first-time homebuyers or Ohioans looking to move from a “starter home” to their next home. “And (it will) give some additional incentive to start saving that money early for those,” he said.

Torey Hollingsworth, executive director of the Ohio CDC Association, a non-profit for community development corporations in the state, said the Homebuyer Plus program can help people with modest incomes purchase a home, as it can take them time to save up for a down payment even if they have other financial assistance, such as a government-backed mortgage.

“People are not just saving while they’re going through the process of purchasing a home. They may be doing some kind of credit repair work. ...And also, obviously, the process of searching for a home has become more challenging in some cases,” Hollingsworth said. “So helping folks to earn something – even more than they were just in a savings account – over the time that they’re going through this process is definitely, definitely going to be useful given where the market is right now.”

Shawn Smith, director of the Ohio Housing Finance Agency that also offers financial assistance to Ohio homebuyers, agreed. He said Ohioans who work with his agency pay a down payment of 6%, on average, for a new home. That translates to more than \$16,000 saved for a down payment on a \$273,000 home, the average sale price in Ohio in October, [according to Ohio Realtors](#).

“The ability to save up over time is critical for folks who aren’t making a huge amount of money paycheck to paycheck,” Smith said. “But if they can set a little bit aside each paycheck, and then over time build that balance up – especially with the enhanced interest rates and tax benefits of the (Homebuyer Plus) program – then I think that’s going to help those folks over time get into homeownership.”

Sara Parks Jackson, Cuyahoga County’s director of housing and community development, said in a statement that studies show that homeowners who have some investment in the down-payment process are more successful in long-term homeownership.

“The state’s Homebuyer Plus Savings Program will turn aspirations into keys to cherished doors,” Jackson said. “We look forward to Cuyahoga County residents participating in this program.”