

## HOUSE BILL No. 2758

By Committee on Appropriations

3-12

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1 AN ACT establishing the Kansas housing loan guarantee program.

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3 *Be it enacted by the Legislature of the State of Kansas:*

4 Section 1. The provisions of sections 1 through 6, and amendments  
5 thereto, shall be known and may be cited as the Kansas housing loan  
6 guarantee program act.

7 Sec. 2. As used in sections 1 through 6, and amendments thereto:

8 (a) "Eligible borrower" means a first-time home buyer or a home  
9 buyer.

10 (b) "First-time home buyer" means an individual who purchases a  
11 home in a rural community who has not previously owned a home in such  
12 rural community.

13 (c) "Eligible lending institution" means a depository bank, as defined  
14 under K.S.A. 75-4201, and amendments thereto, that agrees to participate  
15 in the Kansas housing loan deposit program and is eligible to be a  
16 depository of state funds.

17 (d) "Gap amount" means an amount equal to the difference between  
18 the appraised value of the home and the contract sales price for such home.

19 (e) "Home" shall have the same meaning ascribed to the term  
20 "residential dwelling" as specified in K.S.A. 65-1,201, and amendments  
21 thereto. A home may be occupied by or rented to one or more individuals  
22 by the home buyer.

23 (f) "Home buyer" means an individual who purchases a home in a  
24 rural community and who is not a first-time home buyer.

25 (g) "Housing loan guarantee deposit" means an investment account  
26 placed by the director of investments under the provisions of article 42 of  
27 chapter 75 of the Kansas Statutes Annotated, and amendments thereto,  
28 with an eligible lending institution for the purpose of carrying out the  
29 intent of this act.

30 (h) "Housing loan guarantee package" means the forms provided by  
31 the state treasurer for the purpose of applying for a housing loan guarantee.

32 (i) "Mortgage loan" shall have the meaning ascribed to such term in  
33 K.S.A. 9-2201, and amendments thereto.

34 (j) "Rural community" shall have the meaning ascribed to such term  
35 in K.S.A. 2013 Supp. 74-50,154, and amendments thereto.

36 Sec. 3. (a) There is hereby created within the office of the state

1 treasurer a Kansas rural housing loan guarantee program which shall be  
2 administered by the state treasurer. Such program shall be for the purpose  
3 of providing incentives for the making of mortgage loans for the  
4 construction of or purchase of a new home as set forth in section 4, and  
5 amendments thereto.

6 (b) The state treasurer shall submit an annual report outlining the  
7 status of the program to the governor and the legislature.

8 Sec. 4. (a) The state treasurer is hereby authorized to disseminate  
9 information and to provide housing loan guarantee packages to the lending  
10 institutions eligible for participation in this act.

11 (b) The housing loan guarantee package shall be completed by the  
12 borrower before being forwarded to the lending institution for  
13 consideration.

14 (c) An eligible lending institution that agrees to receive a housing  
15 loan guarantee shall:

16 (1) Accept and review applications for loans from any eligible  
17 borrower; and

18 (2) apply all usual lending standards to determine the credit  
19 worthiness of an eligible borrower.

20 (d) In order for an eligible lending institution to receive a housing  
21 loan guarantee, such lending institution shall:

22 (1) Accept and review an eligible borrower's application to receive a  
23 housing loan guarantee. Such lender shall issue to the borrower two loans:

24 (A) The first loan shall be the primary loan which shall be based upon  
25 the normal residential loan based upon the appraised value of the home.  
26 This loan shall be secured by a mortgage which shall be a first mortgage.

27 (B) The second loan shall be for the gap amount. This loan shall be  
28 secured by a second mortgage in favor of the state of Kansas through the  
29 Kansas state treasurer. The second mortgage shall not be released until the  
30 borrower's equity in the home being purchased exceeds the gap amount.  
31 The amount of a loan for the gap amount shall not exceed:

32 (i) \$35,000 if the loan is for a detached single family dwelling; and

33 (ii) \$20,000 per separate single family dwelling unit up to a maximum  
34 of \$160,000 for eight separate single family dwelling units all located in a  
35 single structure that contains more than one separate residential dwelling  
36 unit used as a place of residence for habitation by an individual or the  
37 individual's immediate family, or both.

38 (2) Such lending institution shall pay to the state treasurer a loan  
39 guarantee fee. The loan guarantee fee shall be set by the state treasurer in  
40 an amount necessary to fund the Kansas rural housing loan guarantee  
41 program. The loan guarantee fee shall be forwarded to the state treasurer at  
42 least monthly until such time as the borrower's equity in the home being  
43 purchased exceeds the gap amount. No loan guarantee fee shall be

1 required to be paid once the borrower's equity in the home being  
2 purchased exceeds the gap amount.

3 (e) The eligible lending institution may approve or reject a housing  
4 loan guarantee package based on the lending institution's evaluation of the  
5 eligible borrowers included in the package, the amount of the individual  
6 loan in the package and other appropriate considerations.

7 (f) The eligible lending institution shall forward to the state treasurer  
8 an approved housing loan guarantee package, in the form and manner  
9 prescribed and approved by the state treasurer. The housing loan guarantee  
10 package shall include information regarding the amount of the loan  
11 requested by each eligible borrower and such other information regarding  
12 each eligible borrower the state treasurer requires, including a certification  
13 by the applicant that such applicant is an eligible borrower.

14 Sec. 5. (a) The state treasurer may accept or reject a housing loan  
15 guarantee package based on the state treasurer's evaluation of whether the  
16 loan to the eligible borrower meets the purposes of this act. If sufficient  
17 funds are not available for a housing loan guarantee, then the applications  
18 may be considered in the order received when funds are once again  
19 available subject to a review by the lending institution.

20 (b) Upon acceptance, the eligible lending institution shall enter into a  
21 housing loan guarantee agreement with the state treasurer, which shall  
22 include requirements necessary to implement the purposes of the Kansas  
23 housing loan guarantee program act. The amount of any loan guaranteed  
24 under this program shall not exceed 90% of the gap amount.

25 (c) Upon the placement of a housing loan guarantee with an eligible  
26 lending institution, the institution shall fund the loan to each approved  
27 eligible borrower listed in the housing loan guarantee package in  
28 accordance with the housing loan guarantee agreement between the  
29 institution and the state treasurer. A certification of compliance with this  
30 section in the form and manner as prescribed by the state treasurer shall be  
31 required of the eligible lending institution.

32 (d) The total amount of loans in the aggregate guaranteed under the  
33 Kansas housing loan guarantee program shall not exceed \$4,000,000.

34 (e) The state treasurer shall take any and all steps necessary to  
35 implement the Kansas housing loan guarantee program, including, but not  
36 limited to, working with the Kansas rural housing association regarding  
37 the administration of the program.

38 (f) Any delay in payments or default on the part of an eligible  
39 borrower does not in any manner affect the housing loan guarantee  
40 agreement between the eligible lending institution and the state treasurer.

41 Sec. 6. (a) Pursuant to K.S.A. 75-4209(d), and amendments thereto,  
42 the pooled money investment board is hereby authorized and directed to  
43 make loans as requested by the state treasurer if the amounts in the Kansas

1 rural housing loan guarantee program are insufficient to pay any losses  
2 which result from any default which requires the Kansas rural housing  
3 loan guarantee program to pay any eligible lending institution the amount  
4 of the loan guaranteed by the Kansas rural housing loan guarantee  
5 program.

6 (1) The line of credit so extended shall be at an interest rate not to  
7 exceed 2%; and

8 (2) shall remain in effect for a period of three years from the date of  
9 the first loan requested. The pooled money investment board may  
10 reauthorize this line of credit following the initial three-year period if  
11 deemed mutually beneficial by the board and the state treasurer.

12 (b) The state treasurer is hereby authorized to request and receive  
13 loans from the pooled money investment fund for the purposes described  
14 herein. The total amount of loans in the aggregate shall not exceed  
15 \$2,000,000.

16 (c) The outstanding balances of such loans in the aggregate shall not  
17 exceed the limit imposed by K.S.A. 75-4209(d), and amendments thereto.

18 (d) Any such loan shall not be deemed to be an indebtedness or debt  
19 of the state of Kansas within the meaning of section 6 of article 11 of the  
20 constitution of the state of Kansas.

21 (e) The pooled money investment board and the state treasurer shall  
22 coordinate as needed to make the appropriate transfers and payment of  
23 moneys anticipated hereunder.

24 (f) The Kansas rural housing loan guarantee program shall not make  
25 any new or additional loans from such program if the amount owed to the  
26 pooled money investment board is greater than zero.

27 Sec. 7. This act shall take effect and be in force from and after its  
28 publication in the statute book.