

HOUSE BILL No. 2268

By Committee on Financial Institutions and Rural Development

2-8

1 AN ACT concerning financial institutions; enacting the Kansas rural home
2 loan guarantee act; providing for administration by state treasurer;
3 establishing the rural home loan guarantee fund; requiring an annual
4 report to the legislature.

5
6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. The provisions of sections 1 through 6, and amendments
8 thereto, shall be known and may be cited as the Kansas rural home loan
9 guarantee act.

10 Sec. 2. As used in the Kansas rural home loan guarantee act:

11 (a) "Act" means the Kansas rural home loan guarantee act;

12 (b) "financial institution" means any bank, trust company, savings
13 bank, credit union, savings and loan association or any other lending
14 institution that is approved by the state treasurer;

15 (c) "loan" means a transaction with a financial institution to provide
16 financing for the construction or renovation of a single-family home in a
17 rural county; and

18 (d) "rural county" means any county in this state with a population of
19 less than 10,000, as certified to the secretary of state pursuant to K.S.A.
20 11-201, and amendments thereto, on July 1 of the preceding year.

21 Sec. 3. (a) The state treasurer is hereby authorized to enter into
22 agreements with financial institutions to provide loan guarantees against
23 risk of default for rural housing loans in accordance with the provisions of
24 this act. Except as provided in section 4, and amendments thereto, for
25 payment for a loan guarantee for which the rural home loan guarantee fund
26 is liable, no claim against the state under this act shall be paid by the state,
27 the state treasurer or any other state agency other than pursuant to an
28 appropriation act of the legislature after such claim has been filed with and
29 considered by the joint committee on special claims against the state.

30 (b) Eligible financial institutions shall apply all usual lending
31 standards to determine the creditworthiness of eligible rural home loan
32 borrowers. The financial institution originating the loan shall be
33 responsible for monitoring the loan and, in case of any default, working
34 with the borrower to obtain the collateral for the loan. The financial
35 institution shall be in the first position and the state in second position to
36 recover on the loan.

1 (c) The state treasurer shall administer the provisions of this act and
2 shall adopt rules and regulations for the implementation or administration
3 of this act including the development of an application process. The loan
4 guarantee agreement with the state treasurer shall include reporting
5 requirements and financial standards that are appropriate for the type of
6 loan for the borrower. The state treasurer may enter into contracts that the
7 state treasurer deems necessary for the implementation or administration
8 of this act. The state treasurer may impose fees and charges as may be
9 necessary to recover costs incurred for the administration of this act.

10 Sec. 4. (a) Each agreement entered into by the state treasurer to
11 guarantee against default on a loan transaction shall be backed by the rural
12 home loan guarantee fund and shall receive prior approval by the state
13 treasurer or the state treasurer's designee.

14 (b) Each loan transaction eligible for a guarantee under this act shall
15 be for the construction or renovation of a single-family home in a rural
16 county. Eligible costs may include land and building purchases, renovation
17 and new construction costs, equipment and installation costs,
18 predevelopment costs that may be capitalized, financing, capitalized
19 interest during construction and consultant fees that do not include staff
20 costs.

21 (c) The portion of the loan guaranteed by the state treasurer under this
22 act shall be for the amount of the loan that exceeds 90% of the appraised
23 value of the home. No loan amount above 125% of the appraised value of
24 the home shall be guaranteed by the state treasurer under this act.

25 Sec. 5. (a) Subject to appropriations, there is hereby established in the
26 state treasury the rural home loan guarantee fund for the purposes of
27 facilitating the financing for the construction and renovation of single-
28 family homes in rural counties. The rural home loan guarantee fund shall
29 be administered by the state treasurer. All moneys in the rural home loan
30 guarantee fund shall be used to provide guarantees against loan risks in
31 accordance with this act and to pay for the administrative costs associated
32 with this act as may be certified by the state treasurer. All expenditures
33 from the rural home loan guarantee fund shall be made in accordance with
34 appropriation acts upon warrants of the director of accounts and reports
35 issued pursuant to vouchers approved by the state treasurer or the state
36 treasurer's designee.

37 (b) All fees and charges imposed by the state treasurer and other
38 moneys received by the state treasurer for the purposes of this act shall be
39 deposited in the state treasury to the credit of the rural home loan
40 guarantee fund.

41 (c) Upon certification by the state treasurer to the director of accounts
42 and reports that the unencumbered balance in the rural home loan
43 guarantee fund is insufficient to pay an amount for a loan guarantee for

1 which the fund is liable under this act, the director of accounts and reports
2 shall transfer an amount equal to the insufficiency from the state general
3 fund to the rural home loan guarantee fund. The state treasurer shall
4 transmit a copy of each such certification to the director of the budget and
5 to the director of legislative research at the same time that the treasurer
6 submits a certification to the director of accounts and reports under this
7 subsection.

8 (d) On or before the 10th of each month, the director of accounts and
9 reports shall transfer from the state general fund to the rural home loan
10 guarantee fund interest earnings based on:

11 (1) The average daily balance of moneys in the rural home loan
12 guarantee fund for the preceding month; and

13 (2) the net earnings rate of the pooled money investment portfolio for
14 the proceeding month.

15 Sec. 6. Beginning with the 2022 regular session of the legislature, the
16 state treasurer shall prepare an annual report of the Kansas rural home loan
17 guarantee act activity, including new loans, loan repayment status and
18 other relevant information regarding activities under this act and shall
19 submit such report at the beginning of each regular session of the
20 legislature to the house of representatives committee on appropriations, or
21 to the appropriate budget committee, and the senate committee on ways
22 and means, or to the appropriate subcommittee thereof or to the successors
23 of such committees.

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