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MEMORANDUM

To: Chairman Kelly and members of the House Committee on Financial Institutions and Rural Development

From: Office of Revisor of Statutes

Date: February 17, 2021

Subject: **HB 2268 - Enacting the Kansas rural home loan guarantee act and authorizing the state treasurer to guarantee a certain portion of rural home loans made by financial institutions and report to the legislature regarding such loan guarantees.**

House Bill No. 2268 creates six new sections of law to be known as the Kansas rural home loan guarantee act. The provisions of the Kansas rural home loan guarantee act are under the administration of the state treasurer.

Section 1 provides the name and citation of the act.

Section 2 provides definitions for the act, including "loan" to mean a transaction with a financial institution to provide financing for the construction or renovation of a single-family home in a rural county and "rural county" to mean any Kansas county with a population of 10,000 or less.

Section 3 authorizes the state treasurer to enter into agreements with financial institutions to provide loan guarantees against default for rural housing loans. Eligible financial institutions shall apply all usual lending standards for such loan borrowers.

The state treasurer shall administer the provisions of the act and shall adopt rules and regulation for implementation or administration of the act including the development of an application process. The state treasurer may enter into contracts for implementation and administration of the act and may impose fees and charges to recover costs for administration of the act.

Section 4 provides that each agreement entered into by the state treasurer to guarantee against default on a loan shall be backed by the rural home loan guarantee fund and shall receive prior approval by the state treasurer or treasurer's designee. Eligible costs under a loan may include land and building purchases, renovation and new construction costs, equipment and installation costs, predevelopment costs that may be capitalized, financing, capitalized interest during construction and consultant fees.

The portion of the loan guaranteed by the state treasurer under this act shall be for the amount of the loan that exceeds 90% of the appraised value of the home. No loan amount above 125% of the appraised value of the home shall be guaranteed by the state treasurer under this act.

Section 5 establishes the rural home loan guarantee fund in the state treasury to be administered by the state treasurer. All moneys in the fund shall be used to provide guarantees against loan risks and to pay administrative costs associated with the act. All fees and charges imposed by the state treasurer and other moneys received by the state treasurer under this act shall be deposited in the fund.

If the state treasurer certifies to the director of accounts and reports that the balance of the fund is insufficient to pay a loan guarantee, the director shall transfer an amount from the state general fund to the rural home loan guarantee fund in the amount of such insufficiency.

Section 6 requires the state treasurer to prepare and submit an annual report on Kansas rural home loan guarantee act activity to the house committee on appropriations or appropriate budget committee and the senate committee on ways and means or the appropriate subcommittee beginning with the 2022 regular session.

The bill becomes effective upon publication in the statute book.