AN ACT establishing the Kansas housing loan guarantee program.

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 3. (a) There is hereby created within the office of the state
treasurer a Kansas rural housing loan guarantee program which shall be
administered by the state treasurer. Such program shall be for the purpose
of providing incentives for the making of mortgage loans for the
construction of or purchase of a new home as set forth in section 4, and
amendments thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 6. (a) Pursuant to K.S.A. 75-4209(d), and amendments thereto,
the pooled money investment board is hereby authorized and directed to
make loans as requested by the state treasurer if the amounts in the Kansas
rural housing loan guarantee program are insufficient to pay any losses which result from any default which requires the Kansas rural housing loan guarantee program to pay any eligible lending institution the amount of the loan guaranteed by the Kansas rural housing loan guarantee program.

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

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

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

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

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

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

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

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