

HOUSE BILL No. 2979

By Committee on Taxation

3-19

9 AN ACT enacting the Kansas housing loan deposit program; amending
10 K.S.A. 2007 Supp. 75-4209 and repealing the existing section.

11

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

13 New Section 1. The provisions of sections 1 through 7, and amend-
14 ments thereto, shall be known and may be cited as the Kansas housing
15 loan deposit program.

16 New Sec. 2. As used in sections 1 through 7, and amendments
17 thereto:

18 (a) "Housing loan deposit" means an investment account placed by
19 the director of investments under the provisions of article 42 of chapter
20 75 of the Kansas Statutes Annotated with an eligible lending institution
21 for the purpose of carrying out the intent of this act;

22 (b) "housing loan deposit loan package" means the forms provided
23 by the state treasurer for the purpose of applying for a housing loan
24 deposit;

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

29 (d) "eligible developer borrower" means any person, firm or corpo-
30 ration building houses; and

31 (e) "house" means a single-family dwelling that initially sells at or
32 below 350% of the Kansas median household income for the previous
33 year.

34 New Sec. 3. (a) The state treasurer is hereby authorized to admin-
35 ister the Kansas housing loan deposit program. Such program shall be for
36 the purpose of providing incentives for the making of housing construc-
37 tion development loans. The state treasurer shall promulgate rules and
38 regulations to carry out the provisions of sections 1 through 7, and amend-
39 ments thereto.

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

42 New Sec. 4. (a) The state treasurer is hereby authorized to dissem-
43 inate information and to provide housing loan deposit loan packages to

1 the lending institutions eligible for participation in this act.

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

5 (c) (1) An eligible lending institution that agrees to receive a housing
6 loan deposit shall accept and review applications for loans from eligible
7 developer borrowers. The lending institution shall apply all usual lending
8 standards to determine the credit worthiness of eligible developer bor-
9 rowers. The total aggregate amount of housing loan deposit loans under
10 this program shall not exceed \$60,000,000 of unencumbered funds pur-
11 suant to article 42 of chapter 75 of the Kansas Statutes Annotated, and
12 amendments thereto.

13 (2) Only one housing loan deposit loan shall be made and be out-
14 standing at any one time to any developer borrower.

15 (3) No loan shall be amortized for a period of more than five years.

16 (d) An eligible developer borrower shall certify on its loan application
17 that the reduced rate loan will be used exclusively for the expenses in-
18 volved in building houses.

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

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

30 (g) From July 1, 2008, through July 1, 2011, 50% of the total aggre-
31 gate amount available under subsection (c)(1), shall be made available for
32 housing loans to eligible developer borrowers building houses in the city
33 of Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola,
34 Neodesha, or Osawatomie, Kansas, or within one mile of the city limits
35 of any such city.

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

42 (b) Upon acceptance, the state treasurer shall certify to the director
43 of investments the amount required for such housing loan deposit loan

1 package and the director of investments shall place a housing loan deposit
2 in the amount certified by the state treasurer with the eligible lending
3 institution at an interest rate, which is 2% below the market rate provided
4 in K.S.A. 75-4237, and amendments thereto, and which shall be recal-
5 culated on the first business day of January and July of each year using
6 the market rate then in effect. When necessary, the state treasurer may
7 request the director of investments to place such housing loan deposit
8 prior to acceptance of a housing loan deposit loan package.

9 (c) The eligible lending institution shall enter into a housing loan
10 deposit agreement with the state treasurer, which shall include require-
11 ments necessary to implement the purposes of the Kansas housing loan
12 deposit program. Such requirements shall include an agreement by the
13 eligible lending institution to lend an amount equal to the housing loan
14 deposit to eligible developer borrowers at an interest rate which is not
15 more than 4% greater than the interest rate on housing loan deposits as
16 provided in subsection (b). Such rate shall be recalculated on the first
17 business day of January and July of each year using the market rate then
18 in effect. The agreement shall include provisions for the housing loan
19 deposit to be placed for a maturity considered appropriate in coordination
20 with the underlying housing loan. The agreement shall include provisions
21 for the reduction of the housing loan deposit in an amount equal to any
22 payment of loan principal by the eligible developer borrower.

23 New Sec. 6. (a) Upon the placement of a housing loan deposit with
24 an eligible lending institution, the institution shall fund the loan to each
25 approved eligible developer borrower listed in the housing loan deposit
26 loan package in accordance with the housing loan deposit agreement be-
27 tween the institution and the state treasurer. The loan shall be at a rate
28 as provided in section 5, and amendments thereto. A certification of com-
29 pliance with this section in the form and manner as prescribed by the
30 state treasurer shall be required of the eligible lending institution.

31 (b) The state treasurer shall take any and all steps necessary to im-
32 plement the Kansas housing loan deposit program.

33 New Sec. 7. The state and the state treasurer shall not be liable to
34 any eligible lending institution in any manner for payment of the principal
35 or interest on the loan to an eligible developer borrower. Any delay in
36 payments or default on the part of an eligible developer borrower does
37 not in any manner affect the housing loan deposit agreement between
38 the eligible lending institution and the state treasurer.

39 Sec. 8. K.S.A. 2007 Supp. 75-4209 is hereby amended to read as
40 follows: 75-4209. (a) The director of investments may invest and reinvest
41 state moneys eligible for investment which are not invested in accordance
42 with K.S.A. 75-4237, and amendments thereto, in the following
43 investments:

- 1 (1) Direct obligations of, or obligations that are insured as to principal
2 and interest by, the United States of America or any agency thereof and
3 obligations and securities of the United States sponsored enterprises
4 which under federal law may be accepted as security for public funds, on
5 and after the effective date of this act moneys available for investment
6 under this subsection shall not be invested in mortgage-backed securities
7 of such enterprises and of the government national mortgage association,
8 except that any such mortgage-backed securities held prior to the effec-
9 tive date of this act may be held to maturity;
- 10 (2) repurchase agreements with a bank or a primary government secu-
11 rities dealer which reports to the market reports division of the federal
12 reserve bank of New York for direct obligations of, or obligations that are
13 insured as to principal and interest by, the United States government or
14 any agency thereof and obligations and securities of United States gov-
15 ernment sponsored enterprises which under federal law may be accepted
16 as security for public funds;
- 17 (3) commercial paper that does not exceed 270 days to maturity and
18 which has received one of the two highest commercial paper credit ratings
19 by a nationally recognized investment rating firm.
- 20 (b) When moneys are available for deposit or investments, the direc-
21 tor of investments may invest in SKILL act projects and bonds pursuant
22 to K.S.A. 74-8920, and amendments thereto, and in state agency bonds
23 and bond projects.
- 24 (c) When moneys are available for deposits or investments, the di-
25 rector of investments may invest in preferred stock of Kansas venture
26 capital, inc., under terms and conditions prescribed by K.S.A. 74-8203,
27 and amendments thereto, but such investments shall not in the aggregate
28 exceed a total amount of \$10,000,000.
- 29 (d) When moneys are available for deposits or investments, the di-
30 rector of investments may invest in loans pursuant to legislative mandates,
31 except that not more than the lesser of 10% or ~~\$80,000,000~~ \$140,000,000
32 of the state moneys shall be invested.
- 33 (e) Interest on investment accounts in banks is to be paid at maturity,
34 but not less than annually.
- 35 (f) Investments made by the director of investments under the pro-
36 visions of this section shall be made with judgment and care, under cir-
37 cumstances then prevailing, which persons of prudence, discretion and
38 intelligence exercise in the management of their own affairs, not for spec-
39 ulation, but for investment, considering the probable safety of their capital
40 as well as the probable income to be derived.
- 41 (g) Investments under subsection (a) or (b) or under K.S.A. 75-4237,
42 and amendments thereto, shall be for a period not to exceed four years,
43 except that linked deposits authorized under the provisions of K.S.A. 2-

1 3703 through 2-3707, and amendments thereto, shall not exceed a period
2 of 10 years ~~and~~; agricultural production loan deposits authorized under
3 the provisions of K.S.A. 2007 Supp. 75-4268 through 75-4274, and
4 amendments thereto, shall not exceed a period of eight years *and housing*
5 *loan deposits authorized under sections 1 through 7, and amendments*
6 *thereto, shall not exceed a period of five years.*

7 (h) Investments in securities under paragraph (1) of subsection (a)
8 shall be limited to securities which do not have any more interest rate
9 risk than do direct United States government obligations of similar ma-
10 turities. For purposes of this subsection, “interest rate risk” means market
11 value changes due to changes in current interest rates.

12 (i) The director of investments shall not invest state moneys eligible
13 for investment under subsection (a), in the municipal investment pool
14 fund, created under K.S.A. 12-1677a, and amendments thereto.

15 (j) The director of investments shall not invest moneys in the pooled
16 money investment portfolio in derivatives. As used in this subsection,
17 “derivatives” means a financial contract whose value depends on the value
18 of an underlying asset or index of asset values.

19 (k) Moneys and investments in the pooled money investment port-
20 folio shall be invested and reinvested by the director of investments in
21 accordance with investment policies developed, approved, published and
22 updated on an annual basis by the board. Such investment policies shall
23 include at a minimum guidelines which identify credit standards, eligible
24 instruments, allowable maturity ranges, methods for valuing the portfolio,
25 calculating earnings and yields and limits on portfolio concentration for
26 each type of investment. Any changes in such investment policies shall
27 be approved by the pooled money investment board. Such investment
28 policies may specify the contents of reports, methods of crediting funds
29 and accounts and other operating procedures.

30 (l) The board shall adopt rules and regulations to establish an overall
31 percentage limitation on the investment of moneys in investments au-
32 thorized under paragraph (3) of subsection (a), and within such author-
33 ized investment, the board shall establish a percentage limitation on the
34 investment in any single business entity.

35 Sec. 9. K.S.A. 2007 Supp. 75-4209 is hereby repealed.

36 Sec. 10. This act shall take effect and be in force from and after its
37 publication in the statute book.