

Approved March 23, 1992  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by \_\_\_\_\_ at  
Chairperson

3:40 ~~am~~/p.m. on Wednesday, March 4, 1992 in room 423-S of the Capitol.

All members were present except:

Representatives Bradford, Dean, Love and Wagon. Excused.

Committee staff present:

Lynne Holt, Legislative Research  
Betty Manning, Secretary

Conferees appearing before the committee:

Bill Caton, President, KDFA  
Chuck Bouilly, Geo. K. Baum and Company  
Representative Tom Bishop  
Dennis Shockley, Chief of Housing, KDOC  
Karen France, Kansas Assn. of Realtors  
Representative Gwen Welshimer  
Gene Yockers, Director, Kansas Real Estate Commission

Chairperson Gjerstad called the meeting to order at 3:40 p.m.

The Chair announced that Jim Wilson's mother passed away and if there was a need for a revisor to contact either Norman Furse or Lynne Holt for assistance.

Continuation of hearings on **HB 2918**, an act regarding KDFA issuing bonds for housing, was opened with Bill Caton, new president of KDFA, testifying in support of the broadened authority this legislation allows in issuing mortgage revenue bonds for moderate income housing. His opinion is that this act does not infringe on the free enterprise system but would enable the free enterprise system to work more efficiently and on a more competitive playing field. He urged the committee to consider the act as a step forward in providing solutions to the housing problems of Kansas. Attachment 1. Mr. Caton responded to questions from committee members.

Testimony from Kirk McClure, Assistant Professor, Program in Urban Planning, University of Kansas, was distributed. Chairperson Gjerstad summarized Mr. McClure's testimony which dealt with the assessing of fees, monitoring program operation and allocating resources between programs. Attachment 2.

At the request of the Chair, a representative from George K. Baum and Company, Chuck Bouilly, appeared before the committee to respond to questions on mortgage credit certificates.

The Chair opened hearings on **HB 3007**, state housing trust fund relating to interest bearing trust accounts for real estate brokers. First proponent, Dennis Shockley, Chief of Housing, briefly stated that funding the state housing trust fund with a steady pot of money to meet the needs of low to moderate income people would be addressed by this legislation. Attachment 3.

Second proponent, Representative Tom Bishop, stated financing is key element to producing affordable housing options for Kansans. This legislation begins to develop a revenue stream

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,  
room 423-S, Statehouse, at 3:40 ~~xxx~~ p.m. on Wednesday, March 4, 1992

for the housing trust fund that can leverage a growing list of public and private finance products. Attachment 4.

No other proponents appeared.

First opponent, Karen France, KS Assn of Realtors, stated that while they are looking for revenues to make up the matching funds for the federal HOME program, does not think this proposal will raise the amount of funds necessary for good housing policy for Kansas. The disadvantages outweigh the advantages and encouraged the legislature to not pass this proposal. Attachment 5.

Third opponent was Representative Gwen Welshimer, who stated this legislation would present an impossible burden on the financial institutions as there is no way to calculate an average interest rate. She urged the committee to vote no on this proposal. Attachment 6.

Final opponent was Gene Yockers, Director of the Kansas Real Estate Commission. Mr. Yockers' comments were that it would be unfair that all interest earned be paid to the state housing trust fund. If the buyer and seller want the earnest money held in the broker's trust account but want the buyer to receive interest earned, they should be able to make that a provision of the sales contract. He asked that **HB 3007** be killed. Attachment 7.

Hearings were closed on **HB 3007**.

The meeting adjourned at 5:00 p.m.

Date March 4, 1992

GUEST REGISTER

H O U S E

Committee on Economic Development

<u>NAME</u>	<u>ORGANIZATION</u>	<u>ADDRESS</u>
<u>JEFF SONNICH</u>	<u>KNLSI</u>	<u>TOPEKA</u>
<u>Chuck Stein</u>	<u>KBA</u>	<u>"</u>
<u>Kathy Taylor</u>	<u>"</u>	<u>"</u>
<u>KAREN FRANCE</u>	<u>KAR</u>	<u>TOPEKA</u>
<u>Gene Yockers</u>	<u>KREC</u>	<u>Top</u>
<u>James Ableson</u>	<u>House</u>	<u>"</u>
<u>Marty Bloomquist</u>	<u>KDFA</u>	<u>"</u>
<u>Bill Caton</u>	<u>"</u>	<u>"</u>
<u>Marvin P. Alder</u>	<u>THBIT</u>	<u>"</u>
<u>Arvin M. Bivida</u>	<u>observer</u>	<u>"</u>
<u>Gary Reser</u>	<u>Governor</u>	<u>Topeka</u>
<u>Carol McDowell</u>	<u>Kansas City</u>	<u>Topoka</u>
<u>Art Brown</u>	<u>KS car dealer</u>	<u>KC</u>
<u>Janet Stubb</u>	<u>NBAK</u>	<u>Topeka</u>
<u>CHARLES BOOLY</u>	<u>GEO. K. BAUM &amp; Co.</u>	<u>WICHITA, KS.</u>
<u>Whitney Damon</u>	<u>Pete McCall &amp; Associates/KSIA</u>	<u>Topeka, KS</u>
<u>Cal Lantz</u>	<u>KDOC</u>	<u>Topeka</u>
<u>Noelle St. Clair</u>	<u>KS NHRD</u>	<u>Topeka</u>
<u>Dennis Shockley</u>	<u>KDOC</u>	<u>"</u>



# KANSAS

## KANSAS DEVELOPMENT FINANCE AUTHORITY

Joan Finney  
Governor

### TESTIMONY ON HOUSE BILL 2918

My name is Bill Caton, Acting President for the Kansas Development Finance Authority. It is a privilege to testify before you.

As you well know, the broadened authority this legislation allows to the KDFA to issue mortgage revenue bonds for moderate income housing needs is somewhat controversial to those whose livelihood is from the issuance of mortgage revenue bonds. I fully understand their concern that this legislation infringes on the free enterprise system. I would like to take this opportunity to dispel those concerns and possibly show how the KDFA would in reality enable the free enterprise system work more efficiently and on a more competitive playing field.

First, is there a need to broaden the availability of mortgage revenue bond financing in Kansas? My opinion is yes, and is confirmed by the Legislative Post Audit Report dated December 1991. As the excerpt map (first enclosure) from that report indicates, concentration for MRBs and MCCs is in urban areas. The KDFA would definitely attempt to make this type of financing broadly available to rural Kansas by targeting broader geographical areas. In the process of program development, the KDFA would also investigate providing more conventional loan authority in the rural MRB issues to make it more attractive for community banks and financial institutions to participate in the lending functions.

Secondly, where does Kansas stack up with other states that already have statewide MRB issuing in the area of costs of issuance which is ultimately passed on to the borrower? Again, from Legislative post audit investigation, Kansas ranks as one of the highest states in cost of issuance and fees charges to homebuyers (second enclosure). Why? It is our belief that part of the problem is lack of a competitive bid system of selecting bond counsel and bond underwriters. This also is mentioned in the legislative post audit report and confirmed by the wide range of bids that the KDFA has received for bonds it has issued. The KDFA's involvement in issuance of MRBs would certainly enhance a competitive bid system in awarding contracts to bond counsel, underwriters, and trustees.

Thirdly, does our present system of issuing MRBs and MCCs enhance any statewide policies on housing? Once again, legislative post audit reports that local entities have looked at this issue as an income producer as well as a financial tool to provide affordable housing in their local area. The report from post audit (third enclosure) shows that monies generated from refinancing or escrow restructuring of MRB issues in Kansas have not gone back to housing but into the general coffers of the local government. Also, the testimony provided you by Kirk McClure attests to this on page 2 of his testimony. The KDFA would not allow this practice to happen if they were involved in the issuance of MRBs.

I wish that you would consider this legislation four ways:

1. It allows for statewide issuance of MRBs consistent with what that EVERY other state has in place. Kansas is the ONLY State that does not have this type of authority provided to a State sponsored entity.

2. It will lower the cost of issuance by insuring a competitive bid process which will ultimately lower the cost to the consumer.

3. State administration of the MRB and MCC programs will allow a greater responsiveness to changing market conditions.

4. This legislation is an integral part of a statewide housing policy that will vastly improve the housing availability and affordability.

In closing, I urge you to consider this legislation as a step forward for the State of Kansas to provide solutions to the housing problems this state faces. Thank you.

\* Note - Legislative Post Audit Report referred to is number 92-25 dated December 1991



counties of the six issuers received nearly 87 percent of the 2,468 loans, but have only 43 percent of the households Statewide which meet program income guidelines.

To help get an indication of why no loans were made under the mortgage revenue bond program in large areas of the State, we contacted six of the 12 FHA-approved lenders in western Kansas. The responses we got were mixed. Three lenders said they were unaware, or only vaguely aware, of the program. The three other lenders said they were aware of the program, but two said their own rates were competitive with the bond-financed loans. The other lender said it had participated in the past, but thought it was currently excluded from the pool of eligible participants.

If Kansas issued and promoted a Statewide mortgage revenue bond program rather than having several localities perform these functions, loans under the program may be more available to eligible homebuyers across the State. A Statewide program also would allow the State issuer to set targets or limits for particular areas of the State, if such action were desirable.

Fees for homebuyers are higher in Kansas than in the other states we surveyed. Unlike many types of bonds where the proceeds are used to pay bond-issuance costs, the costs of issuing mortgage revenue bonds are paid for with fees charged to participating homebuyers or, in some cases, home sellers. Bond-issuance costs may include the cost of bond counsel, underwriter, and trustee services, as well as bond rating fees, printing costs, freight, and the like. The largest single expense is for bond underwriters.

The following table shows the amount of fees charged in Kansas and the other states we contacted, as well as the bond-issuance costs reported to us by those states, where available. (Although we attempted to ensure that states reported comparable issuance costs, we did not attempt to verify the information we received.)

**Fees for Selected Mortgage Revenue Bond Programs in 1990**

<u>State</u>	<u>Fees Charged to Homebuyers</u>	<u>Bond Issuance Costs/\$1000</u>
Colorado	3%	\$15.00 (approx.)
Indiana	3.375%	12.60 (avg.)
Iowa	3% (a)	(d)
Kansas	4-4.5% (b)	19.50 (approx.)
Maine	3%	6.90
Missouri	3%	17.50 (avg.)
Nebraska	3.25%	13.85 (avg.)
Oklahoma	3%	na
Wisconsin	0-2% (c)	na

- (a) Fees vary with each issue. The amount shown was charged in a September 1991 bond issue. Iowa did not have a mortgage revenue bond issue in 1990.
- (b) Fees varied for the different programs that were operated in Kansas in 1990.
- (c) Fees are charged on a sliding scale, with low income families charged nothing and moderate income families charged up to two percent.
- (d) Iowa did not have a mortgage revenue bond issue in 1990.



Another way states may have freed up or generated additional moneys to subsidize other housing programs in recent years was to refinance or restructure their bonds. These processes work as follows:

- **Restructuring.** Bonds that were issued from 1979 to 1981 were required to have large reserve funds to help ensure that bondholders would be paid in the event homebuyers defaulted on their loans. Federal changes in the mid-1980s substantially lowered reserve requirements. Many issuers took advantage of this change by drawing out excess funds from the reserve account, and supplementing the reserve with an insurance policy.
- **Refunding.** When interest rates drop markedly, it may be to an issuer's advantage to reissue the bonds. In some instances, refunding a bond issue may allow the issuer to make a gain on the transaction.

Information about specific programs and "excess" moneys spent on them was not readily available from other states. The table below shows the amount of moneys the six current issuers in Kansas have realized by restructuring and refunding bonds. In addition, we were told that several other counties that issued mortgage revenue bonds in the past also have received funds from restructuring or refunding those issues. Those counties and the net proceeds they received are listed in Appendix B.

**Restructuring and Refunding Activities  
Of Current Issuers of Mortgage Revenue Bonds in Kansas**

<u>Current Issuer</u>	<u>Type of Transaction</u>	<u>Year of Transaction</u>	<u>Net Proceeds</u>
Kansas City	Restructure	1987	\$ 2,928,017
Labette County	Restructure	1986	848,542
Sedgwick County	Restructure	1986	2,363,794
Shawnee County	Restructure	1987	2,778,622
Sedgwick County	Refunding	1989	563,217

Total restructured or refunded:

**\$ 9,482,192**

Local officials told us that most of these funds were placed in the city's or counties' general funds to be used for a variety of public purposes; only \$3.1 million was reportedly used for housing. However, Kansas City, which claimed nearly \$2 million of the \$3.1 million housing-related expenses, had not provided documentation of its expenditures by the time this audit was released. Officials we spoke with in other states said that any "excess" revenues they generated, or proceeds they realized early, remained within the agencies to be used for housing-related programs. Such revenues were not used to fund other aspects of state government.

Bond counsel and underwriters for the Kansas mortgage revenue bond programs told us that they advised cities and counties that the funds generated by restructuring bonds that were issued before the federal Mortgage Subsidy Tax Act of 1980 took effect could be used for any lawful public purpose. In reviewing applicable sec-



**THE UNIVERSITY OF KANSAS**  
*Graduate Program in Urban Planning*

March 4, 1992

**TO:** Committee on Economic Development  
Kansas House of Representatives

**FROM:** Kirk McClure, Assistant Professor

**RE:** **H.B. 2918, Mortgage Revenue Bond Authority for K.D.F.A.**  
**Research Supporting State Administration of Housing Programs**

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Thank you for the opportunity to speak in support of H.B. 2918, a much needed piece of legislation to assist the needs of Kansas families confronting difficulties in their efforts to find affordable housing.

At issue with this legislation is selection of the best mechanism for the administration of the mortgage revenue bond (MRB) program and its related program, mortgage credit certificates (MCC's.) The state of Kansas has avoided the creation of a state housing finance agency or an independent department of housing to administer these programs. Rather, the state has relied upon administration by private underwriters working under the sponsorship of various city and county governments working together through inter-local agreements.

I would like to briefly summarize the findings of research performed by myself and others addressing the administration of housing programs. This research leads to the conclusion that administration of these programs at the state level, by a state agency will result in the greatest program effectiveness.

This research examines how well MRB and MCC programs have served the needs of first-time home

*Eco-Dev  
Attach 2  
03-04-92*

**Testimony in Support of H.B. 2918****Page 2**

buyers as well as a long list of other related issues. Others have spoken to you concerning the dollar savings in the costs of issuing bonds at the state level versus at the local level. As such, I will summarize just a few other issue areas that are important to this bill. These include: assessing fees, monitoring program operation, and allocating resources between programs.

**Assessing Fees**

We have learned in Kansas that local administrators are tempted to assess the highest fees permitted when implementing these programs. This is especially true with private firms employed to run these programs under the sponsorship of local governments. Recently, private underwriters administering the Kansas MCC program charged low and moderate income first-time home buyers a fee equal to 2 percent of their home loan amount in order to participate in MCC program. This averaged over \$1,000 per household, an amount far in excess of reasonable costs of administering this kind of program and an amount that placed an additional burden upon first-time home buyers. North Carolina runs a virtually identical program at the state level, charges only \$125 per household, and finds this amount sufficient to cover the costs of program operation.

Charging fees to low and moderate income households is to be avoided whenever possible. Where program costs cannot be absorbed by the state, fees charged to cover costs should be kept as low as possible minimizing the hardship that they place upon the families these programs are designed to assist. State administration permits greater scrutiny of the fee structure and ultimately greater fairness.

**Testimony in Support of H.B. 2918**

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**Monitoring Program Operation**

The administration of any public sector program requires a variety of decisions to be made concerning the program's operation including eligibility requirements and the amounts of subsidy to be granted to each participating household. Administration by a variety of private and public entities has led to less than the best program implementation in the past. Private administrators will often seek out the least needy among eligible households. They have established program subsidy levels so as to allocate the available subsidy to fewest number of households possible minimizing their work but reaching out to far fewer needy Kansas families than would otherwise have been the case.

State administration assures that the program guidelines will be devised so as to make the program as effective as possible. State administrators will be much more likely to strive for better geographic distribution of the program benefits and better matching of subsidy levels to the needs of the eligible households. State administration also provides for greater scrutiny of administrative procedures, permitting constant revision and improvement where deficiencies are found.

**Allocating Resources**

Market conditions change with time altering the desirable mix of programs and the terms under which these programs are offered. Centralized state administration of these programs will facilitate greater responsiveness to the needs of low and moderate income families. For example, when the spread narrows between the market rate for conventional mortgage loans and the end rate charged to households using MRB funds, MRB's may not be an effective subsidy mechanism. Such a condition makes the MCC alternative preferable. When the spread is ample, MRB's may be preferred. Further, conditions may necessitate variation of an individual

**Testimony in Support of H.B. 2918**

Page 4

program. When administrators find that home buyers are having greater difficulty with the amount of the down payment than with the amount of the monthly payment, MRB allocations can be made to favor those lenders who are granting high loan-to-value ratios so as to assist the most needy.

This type of quick response to changing economic circumstances and detailed response to particular needs can best be accomplished through centralized, state administration.

**Conclusion**

In conclusion, examination of the administration of these programs in this state and elsewhere suggest that centralized administration by a state agency will provide for less burdensome fees, improved monitoring of program operation, and greater responsiveness to changing market conditions.

KANSAS DEPARTMENT OF COMMERCE  
OFFICE OF HOUSING  
DENNIS SHOCKLEY, CHIEF OF HOUSING DEVELOPMENT & POLICY

TESTIMONY BEFORE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
MARCH 4, 1992  
ON  
HOUSE BILL 3007

I appear before this committee today in support of HB 3007 which establishes a permanent revenue stream for the State Housing Trust fund.

In anticipation of the matching requirements for the HOME program, the Kansas Legislature created the State Housing Trust fund in 1991, which is authorized to accept public and private gifts, grants, donations, and fees. The statute provides that expenditures from the trust fund be used for such purposes as: repair, rehabilitation, and improvement of existing residential housing; accessibility modifications; rental subsidies; and the provision of housing services and assistance to persons with low and moderate income, and disabled persons.

There are many states that have established housing trust funds. Legislative Research, in an earlier report to this committee, quoted Mary E. Brooks in her book A Citizens Guide to Creating a Housing Trust Fund in defining a trust fund as "a permanent pot of money with an ongoing source of revenue that is dedicated to meeting the housing needs of low and moderate-income people."

The various states use a number of revenue sources to fund state housing trust funds, such as unclaimed property funds, real estate transfer taxes, stripper well settlement funds, lottery earnings, excess income from bond surplus or reserve funds, and in the cases of Maryland, Minnesota, and Washington, interest on real estate escrow accounts.

Funding the State Housing Trust Fund with a permanent revenue stream is something that must be done and will be done by this state at some point. HB 3007 attempts to do that and provide as logical a mechanism to do so as any other we in the housing field might expect.

*Eco-Devo  
Attach 3  
03-04-92*

THOMAS A. BISHOP  
 "TOM"  
 REPRESENTATIVE, 91ST DISTRICT  
 SEDGWICK COUNTY  
 1500 W. 32ND N.  
 WICHITA, KANSAS 67204



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 MEMBER: ECONOMIC DEVELOPMENT  
 GOVERNMENTAL ORGANIZATION  
 PUBLIC HEALTH AND WELFARE  
 ADVISORY COUNCIL ON AGING

To: Rep. Diane Gjerstad, Chair  
 Members of the House Economic Development Committee  
 From: Rep. Tom Bishop *[Signature]*  
 RE: Testimony in support of HB 3007  
 Date: March 4, 1992

Chairperson Gjerstad, members of the committee, I'm pleased to have the opportunity to appear today in support of HB 3007.

We've heard much about housing this session. We know financing is the key component to producing affordable housing options for Kansans. We've heard that Kansas is simply not competitive with other states in applications for credit enhancements such as the Affordable Housing Program of the Federal Home Loan Bank.

HB 3007 begins to develop a revenue stream for the Kansas Housing Trust Fund that can leverage a growing list of public and private finance programs.

What does HB 3007 do?

It requires that real estate trust accounts (where down payments, or earnest money deposits are deposited until closing) earn interest and that the financial institution forward the earnings, less reasonable service charges or fees, to the State Treasurer for deposit in the State Housing Trust Fund.

Most of these accounts are now managed as non-interest bearing trust accounts as require by statute, unless all parties agree otherwise in writing.

I've explored many options that are presently used by other states that have state housing trust funds. These include real estate transfer taxes, mortgage filing fees, fees on building permits, etc.

This legislation, patterned after the state of Washington, is designed to create a revenue stream while not adding a tax, or fee on the building, or real estate industry.

HB 3007 will provide funds that will help us to leverage millions of dollars for credit enhancements for the production of affordable housing.

*Eco-Devo  
 Attach 4  
 03-04-92*





Executive Offices:  
3644 S. W. Burlingame Road  
Topeka, Kansas 66611  
Telephone 913/267-3610

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS  
DATE: MARCH 4, 1992  
SUBJECT: HB 3007, INTEREST ON REAL ESTATE ESCROW ACCOUNTS

Thank you for this opportunity to testify. On behalf of the Kansas Association of REALTORS®, I appear today to oppose HB 3007.

First, I want to explain to you that most brokers do not utilize interest bearing accounts at this time, and so this bill would be a major change in practice for most real estate brokers in the state. They do not utilize interest bearing accounts due to the short term nature of earnest money deposits and the logistical difficulty for the average broker to calculate on a monthly basis exactly how much interest was earned on each earnest money deposit for each transaction. Most brokers have decided it is just not worth the problems it raises.

Second, I would like to address the logistical problems which this bill poses. The major logistical question is how much money will this proposal really raise?

At Line 19 of the bill you will find a provision of existing law which states, "All down payments, earnest money deposits, advance listing fees or other trust funds received in a real estate transaction by the broker or by the broker's associate brokers or salespersons on behalf of a principal or any other person shall be deposited or invested in such account unless all parties having an interest in the funds have agreed otherwise in writing."



Due to the legal complexities involved in closing the modern day real estate transaction, it has become a common practice for brokers to utilize escrow and closing services offered by third parties, typically title insurance companies. This practice means that about 30% of all real estate contracts in this state provide that earnest money will be deposited in a third parties' escrow account, rather than in the broker's own account. Since these accounts are not regulated by the Kansas Real Estate Salesperson and Brokers Act which this bill amends, no interest earned on these accounts would go into the housing trust fund under this proposal.

Besides not including these earnest moneys, under the same provision of our license law, interest could not be earned on earnest money in other common real estate transactions. In large commercial sales the contracts provide for escrow money to be put into interest bearing accounts, with the contract stating the terms for distribution of that interest to either seller or buyer, depending on whether the contract is fully consummated. Also, many residential sales contracts which involve sizeable properties with delayed closing dates also provide for interest to be earned on the escrow. This bill would not reach any of those moneys.

The right to designate interest bearing accounts has long been thought of as one of the inherent rights in the ability to contract. It would only seem right that contracts would disclose that the earnest money will be placed in an interest bearing account with the proceeds going to the state, so that buyers and sellers can make other arrangements if they want to.

Also, it is impossible to determine how much money will be raised for the housing trust fund because there is no commonly accepted percentage required for earnest money. The amount buyers are required to put up for earnest money varies from seller to seller, from county to county. There is no set

earnest money which is required, for example a \$50,000 home in Topeka, let alone on a statewide average.

The going interest rate on interest bearing accounts is 3½%. The bill allows the financial institutions to subtract reasonable service charges or fees from the interest earned, prior to forwarding the interest earned to the state treasurer's office. With interest rates as low as they are, what kind of interest money will be left for the housing trust fund? Would the interest on small deposits for short periods of time even pay the fees? If not, who is responsible for the deficit?

Last, we ask: While affordable housing is a laudable goal, does it make good policy sense to use the money of persons able to purchase a home to make money for those who cannot? If so, then let's make landlords put their security deposits in interest bearing accounts to help pay for affordable housing. Earnest money is often required when a consumer orders a new car. Should we require car dealers to put this earnest money in escrow to earn interest to help those persons who cannot afford to buy a car? Furniture stores often require downpayments when customers order furniture. Should we require these stores to put this money in interest bearing accounts to help persons buy furniture who otherwise could not afford to do so? When businesses order large machinery and equipment, they are often required to make a downpayment at the time the order is placed. Should we require these companies to put these downpayments in interest bearing accounts to help businesses buy machinery and equipment who otherwise could not afford to do so?

While these suggestions might seem extreme, they would all be based on the same concept as the one presented in this bill; using the money of persons able to purchase real estate to garner money for those who otherwise could not. Why should we make a distinction?

If affordable housing is an important goal for this state, isn't it an important goal for all citizens of the state, not just those who just happen to have the misfortune to buy or sell real estate?

While we know you are looking very hard for revenues to make up the matching funds for the Federal HOME program, we do not think that this proposal will raise the amount of funds you are trying to raise, nor do we think this proposal makes for good housing policy in the state. We believe the disadvantages far outweigh the advantages of such legislation. We hope you do not adopt HB 3007.

GWEN WELSHIMER  
REPRESENTATIVE, EIGHTY-EIGHTH DISTRICT  
SEDGWICK COUNTY  
6103 CASTLE  
WICHITA, KANSAS 67218  
316-685-1930  
  
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TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
MEMBER: TAXATION  
INSURANCE  
LOCAL GOVERNMENT  
ADMINISTRATIVE RULES & REGULATIONS

MADAM CHAIR AND MEMBERS OF THE ECONOMIC DEVELOPMENT COMMITTEE:

IF HB 3007 PASSES FAVORABLY FROM THIS COMMITTEE AND IS APPROVED ON IT'S JOURNEY THROUGH THE LEGISLATIVE PROCESS, IT WILL BE AN IMPOSSIBLE BURDEN ON THE FINANCIAL INSTITUTIONS.

THERE ARE MANY INDEPENDENT BROKERS, SUCH AS MYSELF, WHO DEPOSIT ONLY THREE OR FOUR TIMES PER YEAR INTO THIS TYPE OF ACCOUNT. THE MONEY IS WITHDRAWN IN MOST INSTANCES VERY QUICKLY. I DON'T KNOW HOW AN AVERAGE INTEREST COULD BE FIGURED.

IN ADDITION, THIS TYPE OF SERVICE FROM THE BANKS WOULD REQUIRE ADDITIONAL FEES, EVEN ON TRANSACTIONS THAT DO NOT CLOSE. THIS WOULD NOT BE FAIR TO THE ALREADY BURDONED REAL ESTATE BROKERS IN A MARKET THAT IS CLOSING MANY BUSINESS DOORS.

A handwritten signature in cursive script that reads "Gwen Welshimer".

Ecc-Devo  
Attach 6  
03-04-92

House Economic Development Committee  
March 4, 1992  
House Bill 3007

Madame Chair and members of the committee:

My name is Gene Yockers, and I am the Director of the Kansas Real Estate Commission. I am here to oppose HB-3007, which would require trust accounts maintained by real estate brokers to be interest-bearing accounts and all interest earned to be paid to the state housing trust fund.

Many brokers do business as corporations. Interest-bearing accounts with check-writing capabilities are not available to corporations. It is essential that trust accounts have check-writing capabilities.

Brokers who do not have interest-bearing trust accounts would have to close their trust accounts and incur the charges connected with opening a new account.

Many brokers maintain very small balances in their trust accounts. Costs of transmitting interest earned on these accounts could easily exceed the amount of interest paid to the housing fund.

We do not believe it is fair that all interest earned be paid to the state housing trust fund. If the buyer and seller want the earnest money held in the broker's trust account but want the buyer to receive interest earned, they should be able to make that a provision of the sales contract.

Brokers should be allowed to establish trust accounts as they choose within the current statutory requirements. We ask that you kill HB-3007.

Thank you for your consideration.

Eco-Devo  
Attach 7  
03-04-92