Approved: March 11, 2003
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on March 6, 2003, in Room 522-S of the Capitol.

All members were present except: Representative Krehbiel, Excused
Representative Winn, Excused

Committee staff present: April Holman, Legislative Research
Renae Jefferies, Revisor of Statues
Fulva Seufert, Secretary

Conferees appearing before the committee:

Steve Weatherford, President, Kansas Development Finance Authority
Melissa L. Walker, President, Kansas Association of Mortgage Brokers
Don Witzke, Coldwell Banker Witzke & Associates, LLC, Liberal, Kansas
Randall Hrabe, Executive Director, Northwest Kansas Planning & Development Commission and Northwest Kansas Housing, Inc., Hill City
Andrew L. Bias, President and CEO, Mennonite Housing, Wichita
Brad Snapp, Sedgwick County Housing Director
Mike Farmer, Executive Director, Kansas Catholic Conference
Sandra J. Goodwin, Fannie Mae Senior Deputy Director, Kansas City Partnership Office
Dave Holtwick, Staff Vice President of Governmental Affairs, Home Builders Association of Greater Kansas City
Matt Goddard, Vice President, Heartland Community Bankers Association
Rick Jackson, Capitol Federal Saving Bank-
Chuck Stones, Senior Vice President, Kansas Bankers Association

Others attending: See attached list

Chairman Wilk opened the meeting at 3:30 p.m. by asking April Holman, Legislative Research Department, to brief the committee members on **HB 2373** and **HB 2395**. Ms. Holman went over all the changes in the two bills, specifically pointing out the print in italics.

Chairman Wilk opened the Public Hearing on both **HB 2373** and **HB 2395** by asking which conferees were from out of town. He explained that they would testify first since there were about sixteen conferees, and some of the testimony might have to be carried over until next Tuesday, March 11, 2003.

HB 2373: Amending KDFA to allow loans directly to individuals to finance housing developments

HB 2395: Authorizing the Kansas Development Finance Authority to issue mortgage revenue bonds

The Chair first recognized Mr. Steve Weatherford, President, Kansas Development Finance Authority, who spoke as a proponent for **HB 2395**. He said this legislation is needed because the state and its citizens are facing challenging economic times which require innovative solutions and resources to meet the needs of the people and to boost the state's economy. Mr. Weatherford offered an amendment to ensure that KDFA shall not compete with private lenders. The revised language is in the attachment. He also said that "the single-family mortgage revenue bond program is one of the few federal programs wherein states are permitted to earn and retain certain investment proceeds. These investment revenues allow the program to be self-sustaining and provide additional resources to promote affordable housing." He also offered an amendment to the amendment. (Attachment 1).

Chairman Wilk welcomed Ms. Melissa L. Walker, President, Kansas Association of Mortgage Brokers, who spoke in support of **HB 2395** which grants the KDFA authority to issue statewide single-family mortgage revenue bonds. Ms. Walker said this legislation encourages expansion of home ownership throughout the state and that it would enable mortgage brokers the ability to offer their customers the most desirable programs available. (Attachment 2).

The Chair recognized Mr. Don Witzke, Coldwell Banker Witzke & Associates, LLC, Liberal, Kansas, who spoke in support of the KDFA amendment because he said it would make available assistance to all of Kansas. He said he had served on the Governor's Commission on Housing for the past seven years and believes this legislation is needed to help solve our state housing problems. (Attachment 3).

Chairman Wilk next welcomed Mr. Randall Hrabe, Executive Director, Northwest Kansas Planning & Development Commission, who testified on behalf of Northwest Kansas Housing, Inc., Hill City. Mr. Hrabe spoke as a proponent for both **HB 2395** and **HB 2373** and said that he had recently been to a seminar in Omaha where he said Nebraska has many of the same problems that Kansas has, but they did have an advantage in a statewide homeownership program. (Attachment 4).

Chairman Wilk recognized Mr. Andrew L. Bias, President and CEO, Mennonite Housing, Wichita, who spoke in support of both **HB 2373** and **HB 2395.** He said that Mennonite Housing has been fortunate in being able to provide affordable housing opportunities the past 27 years. Their community housing development organization in Wichita, Kansas has concentrated in the Sedgwick County area. Since he understood the proposed bill seeks to remove from Sedgwick County the capacity to issue MRB's, he offered a friendly amendment that the authority to issue bonds not be removed from Sedgwick County, and that the state have control over where the funds would be allocated. (Attachment 5).

The Chair next recognized Mr. Brad Snapp, Sedgwick County Housing Director, who appeared on behalf of the Board of County Commissioners of Sedgwick County and spoke in a neutral capacity pointing out some changes he thinks are needed in **HB 2395**. To preserve the ability of Kansas cities and counties to undertake their own homeownership programs, he requested that **HB 2395** be amended on page 11, beginning at line 10, as follows:

- by deleting New Section 5 and Section 6 of the bill in their entirety
- by deleting the reference to K.S.A. 12-5233 in existing Section 7 of the bill, and
- by re-designating existing Section 7 of the bill as Section 5 (Attachment 6).

Chairman Wilk welcomed Mr. Mike Farmer, Executive Director, Kansas Catholic Conference, who testified in support of **HB 2395**. Mr. Farmer said that this legislation appears to be a beginning in implementing a program which would expand the availability and affordability of housing in the state of Kansas. He stressed that it provided creative, cost-effective, and flexible programs along with supporting creative partnerships among nonprofit community groups, churches, private developers, government at all levels, and financial institutions to build and preserve affordable housing. (Attachment 7).

Chairman Wilk recognized Ms. Sandra J. Goodwin, Fannie Mae Senior Deputy Director, Kansas City Partnership Office, who spoke as a proponent of **HB 2395**. Ms. Goodwin said that "this legislation encourages the expansion of homeownership throughout the state of Kansas by allowing the KDFA to raise mortgage funds for low and moderate income first-time home buyers." (Attachment 8).

The Chair introduced Mr. Dave Holtwick, Staff Vice-President of Governmental Affairs, Home Builders Association of Greater Kansas City, who spoke in support of **HB 2395**. He said that this legislation will provide the tools to encourage homeownership throughout Kansas by making additional financing options available statewide. (Attachment 9).

Chairman Wilk asked if there were any additional proponents who wished to testify, and seeing none, called on Mr. Matt Goddard, Vice President, Heartland Community Bankers Association, who expressed opposition to **HB 2395** and **HB 2373**. Mr. Goddard said the Heartland Community Bankers Association represents thrifts in Kansas, Colorado, Nebraska, and Oklahoma. He mentioned that **HB 2395** authorizes the KDFA to issue mortgage revenue bonds for financing, acquiring, and originating mortgage loans. In addition, he said the bill also makes the following changes to existing law that will expand the powers of KDFA:

- Removes a statutory prohibition against KDFA making construction loans directly to consumers;
- Adds moderate-income persons and families to those eligible for construction loans;
- Exempts mortgage revenue bonds from publication and notification requirements; and

- Prohibits local units of government from administering their own mortgage revenue bond programs.

In closing, he said that **HB 2395** would make KDFA one of the largest mortgage lenders in Kansas, and that he simply does not see the need for the state to be so involved in the mortgage industry. (Attachment 10).

Chairman Wilk welcomed Mr. Rick Jackson, Capitol Federal Saving Bank, who spoke as an opponent to **HB 2395.** His testimony gave a brief history of the Community Reinvestment Act and the Home Mortgage Disclosure Act which have made the dream of homeownership come true for many Kansans. Mr. Jackson said that if an individual or family wants to own a home, there are adequate resources available now through public and private partnership to make that dream become a reality. (Attachment 11).

Chairman Wilk welcomed Mr. Chuck Stones, Senior Vice President, Kansas Bankers Association, who said he had some concerns with **SB 2395** as it is currently drafted. These concerns include the following:

- State competition with privately owned mortgage lenders
- Program might end up serving only the urban counties
- Low income Kansans might not be included

Mr. Stones said there is a need for affordable housing in rural areas, but he was not sure that this program meets the stated needs based on the current marketplace. He stressed that some of the objectives are good, and the Kansas Bankers Association wants a program that will meet the stated objectives and not compete with the private marketplace. (Attachment 12).

Chairman Wilk called the committee's attention to written testimony from the following:

Ms. Rosalyn Brown, Community Liaison, Unified Government of Wyandotte County/Kansas City, Kansas (Attachment 13)
Mr. Richard A. Ruiz, President/CEO, El Centro, Inc. (Attachment 14)
Mr. Michael P. Nedrow, President, Mortgage Bankers Association of Greater Kansas City (Attachment 15)
Mr. Paul J. Robben, President, Robben Development, Stillwell, Kansas (Attachment 16)
Mr. John P. Krueger, Director Community Development Department, Executive Director, Housing Authority (Attachment 17)
Ms. Kelly S. Willoughby, Executive Director, Kaw Valley Habitat for Humanity (Attachment 18)
Mr. Kirk McClure, Associate Professor, Graduate Program in Urban Planning, University of Kansas (Attachment 19)
Mr. Richard (Dick) A. Wertzberger, Senior Vice President, Director of Retail & Mortgage Banking (Attachment 20)
Mr. Thomas A. Bishop, Executive Director, Homestead Affordable Housing, Inc. (Attachment 21)

Chairman Wilk said the Public Hearing on **HB 2373** and **HB 2395** would be recessed until the next meeting, Tuesday, March 11, 2003. He invited all today's conferees back to contribute toward the question and answer portion of the next meeting. The conferees who did not get to testify today will be on the agenda next Tuesday. The Chair also announced that there would be a hearing on **SB 65 - Kansas certified capital formation company act, amendments**.

Representative Hill made a motion to approve the minutes of February 25, 2003, and Representative Burroughs seconded. Motion carried.

The meeting adjourned at 5:25 p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE

THURSDAY, MARCH 6, 2003

NAME	REPRESENTING
Brad Snapp	Sedgwick County
SANDRA GOODWIN	FANNIE MAE
Dave Holtwick	Home Builders Assn. of Greater KC
Melissa Walker	Kansas Association of Mortgage Brokers
Don Witzke	KDFA
Randall Hrabe	NW Ks Housing, Inc
J. D. Lakhani	Neighborhood Reno. foundation & Com. Group Inc.
Andy Bias	Mennonite Housing
Mike Farmer	Kansas Catholic Conference
Lee Geary	Housing & Credit Counseling, Inc
CURTIS BROWN	HOUSING & CREDIT COUNSELING, INC
REBECCA FLOYD	KDFA
Chuck Stones	Ks Bankers Assoc
Norma Phillips	KDOC&H
Tracey Dishman	KDFA
Martha Jean Smith	KMHA
Christine Reimler	KDOC&H
DON COOPER	COMMERCIAL GROUP, INC.
J.D. LAKHANI	" "
Jim Freeman	Pioneer Group
Fred Bentley	KDOCH
Randy Speaker	City of Topeka
Whitney Damron	City of Topeka
TOM BRUNO	Ks. Assn of Mortgage Brokers
Stephanie Buchanan	DOB
Mike Pepoon	Sedgwick Co.

TESTIMONY OF KANSAS DEVELOPMENT FINANCE AUTHORITY TO THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE PRESENTED BY KDFA PRESIDENT STEPHEN R. WEATHERFORD REGARDING HOUSE BILL NO. 2395 MARCH 6, 2003

Mr. Chairman and Honorable Members of the Committee, Kansas Development Finance Authority ("KDFA") appreciates this opportunity to testify before you concerning proposed House Bill No. 2395

· The State of Kansas and its citizens are facing challenging economic times, and it is imperative that innovative solutions and resources be identified to meet the needs of our citizens and strengthen the Kansas economy.

· One of the most critical components in building personal wealth and strengthening the fabric of Kansas communities is making homeownership a realistic opportunity for individuals and families.

· Kansas is now the only state in the nation that does not sponsor a statewide first time homeownership program, (the "Program") and as a consequence is unable to assist its citizens to the fullest extent in the extremely valuable pursuit of homeownership. Absence of such a Program also means that Kansas is unable to maximize the availability of certain federal revenue sources available to states who have comprehensive housing programs in place.

· Before you for your review and consideration is House Bill No. 2395 which would amend the KDFA Act to authorize the creation and implementation of a statewide homeownership program assisting low and moderate income first-time home buyers achieve the dream of homeownership.

KEY PROVISIONS

· The KDFA Act already provides that the Authority "shall have and exercise all of the powers granted to the public housing authorities by the state", however, absence of language that includes authorization to issue bonds to assist persons of low and **moderate** income has precluded KDFA from offering a statewide first time homeownership program as available in every other state. This legislation would authorize KDFA to issue tax-exempt bonds to "finance housing developments for persons of low and **moderate** income." (Bold denotes change) Federal tax law permits loans to both low and moderate income first-time homebuyers in recognition of the important public policy of increasing homeownership served by a mortgage revenue bond program.

· In order to provide an equitable distribution of resources, first-time homeownership programs must be consolidated into a single statewide issuer. The program is lender driven necessitating the participation of as many community based

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mortgage lenders as possible. Competing programs serve to discourage lenders from participating in the State's program.

· The county homeownership program is offered to homebuyers by lenders who have purchased blocks of loan allocations from the issuer restricting the number of lenders participating in the program. Our statewide homeownership program will be made available to homebuyers through participating lenders on a loan by loan basis encouraging the participation of more community based lenders.

· KDFA is offering an amendment to ensure that KDFA shall **not** compete with private lenders through the direct origination of first lien single-family mortgage loans. (see revised language). Subsidized mortgage rates and down payment assistance will be made available to more participating community based mortgage lenders to provide more homeownership opportunities to low and moderate income first-time homebuyers.

· The single-family mortgage revenue bond program is one of the few federal programs wherein the states are permitted to earn and retain certain investment proceeds. These investment revenues allow the program to be self-sustaining and provide additional resources to promote affordable housing. Currently, the resources derived from the earnings of these bond programs accrue to the benefit of only two local governments in Kansas, whereas a statewide program would permit those earnings to be used to promote affordable housing throughout the entire State. Competition from local issuers would hinder the State's ability to maximize these resources.

· The legislation would authorize KDFA to refund prior issues of local governmental units, but only with their prior permission. Federal tax law allows for recycling of the private activity bond cap to be used to provide a mortgage subsidy to additional first-time homebuyers during the first ten years of a bond program. It is difficult to undertake small refunding transactions, and many local issuers are unable to take advantage of their refunding opportunities because the transaction is simply too small to be cost effective. However, such refundings may become possible if done on a statewide basis, especially if undertaken in combination with new money issues.

· Currently a single-family mortgage revenue bond program is being administered jointly by Sedgwick and Shawnee counties. Although the counties program provides a valuable resource to some, it is beyond the county's mission or means to ensure that citizens outside of their jurisdiction have the same access to programs as citizens within their political boundaries. It is, however, the mission of the State to ensure that all its citizens have equal access to critical programs, none more important than a single-family homeownership program. Statewide single-family homeownership programs are now offered in every one of the other forty-nine states, two U.S. territories and the District of Columbia.

· Kansas also has a responsibility to its citizens to develop a truly statewide homeownership program, designed to share the economic benefits and the dream of homeownership with all the citizens of Kansas.

CONCLUSION

KDFA believes that the creation and establishment of a statewide homeownership program is extremely important to the State and its citizens. Such a program would ultimately generate greater housing resources for the State and its citizens, and provide for a more equitable distribution of these valuable resources. We ask for your favorable consideration of House Bill No. 2395.

Thank you very much for your consideration of this legislation.

Kirk McClure
Associate Professor
Graduate Program in Urban Planning
University of Kansas

October 25, 2002

Mortgage Revenue Bond Program

Program Benefits and Eligibility Rules

The Mortgage Revenue Bond (MRB) program provides below market interest rate financing at high loan-to-value ratio to households who:

Have not owned a home during the preceding three years,
Have income below geographically defined limits, and
Purchase a home for new occupancy (not refinancing) with a purchase price below geographically defined limits.

In addition to the financing benefits, the participating household may receive a grant in the amount of 4% of the home purchase price that must be applied to the purchase of the home. If the household sells the home prior to 10 years or occupancy, the household may have to pay back some portion of capital gain.

The income limits are generally $63,365 for family of three or more persons if the home is in a non-metropolitan area. The limits are higher in the metropolitan areas ranging from $64,400 Lawrence to $74,175 in Kansas City.

Program Performance: Income of Households Served

The program has income limits that are rather high. The 2000 Census lists the median household income in Kansas during 1999 as $40,624. This is below the eligibility limits set for the MRB program. However, although the eligibility limits are set quite high, the program appears to be serving households whose income level is well below the maximum permitted limits. From the 2002 second quarter report on program performance, the average income of the households participating in the program was $35,012. This average income is only 86 percent of the 1999 median household income for the State.

Program Performance: Price of Homes Purchased

The program's purchase price limits are generally $118,010 for new homes in non-metropolitan areas. The new home limits are higher in metropolitan areas ranging from $101,620 in non-target tracts of Wichita to $54,030 target in Kansas City. The purchase price limits for existing homes are lower at $62,910 for non metropolitan areas. The existing home price limits are higher in metropolitan areas ranging from $ 78,570 in non-target Lawrence to $112,530 in target areas of Kansas City.

The median value of all homes in Kansas was $83,500 according to the 2000 Census. Thus, purchase price limits are distributed around this level.

Independent of the purchase price limits, the MRB program appears to be assisting buyers of lower-priced homes. The 2002 second quarter report on the program's performance lists the average price of homes purchased at $64,292. This is 77 percent of the median value of homes in Kansas.

Program Performance: Spatial Distribution of Participants Throughout the State

The MRB program is not administered statewide, but is administered through private administering agents sponsored by one or more counties with the number of sponsoring counties varying from time to time. The complimentary Mortgage Credit Certificate (MCC) program is administered similarly. The MCC program

Table 1. Distribution of MRB and MCC Households by Counties

Counties by households served:	*Count*	*Percent of Counties*
None	35	33%
1 or 2	21	20%
3 to 50	38	36%
51 to 600	9	9%
1,300 to 2,500	2	2%
TOTAL	105	100%

provides federal income tax credits rather than below-market interest rate financing to eligible homebuyers. The MCC program is used only infrequently, sometimes in lieu of the MRB program, sometime in addition to the MRB program.

Because the programs are not administered on a statewide basis, their distribution throughout the state is uneven. The total number of households served by the MRB and MCC programs have been totaled for the years 1995 through 2002.

Most counties either had no households served or had only 1 or 2 households served. Another one-third of the counties had from 3 to 50 households served. Two counties, Shawnee and Sedgwick, each had a very high number of households served. Shawnee had 1,341 households served (24 percent of the 5,688 total households served). Sedgwick had 2,467 households served (43 percent of the total households served). Thus, these two counties consumed over two-thirds of the benefits of these programs.

Shawnee and Sedgwick combine to have only 24 percent of the households in the state and only 25 percent of the owner-occupants who moved during 1999, a measure of homeowner market activity. However, these two counties captured over 67 percent of the MRB and MCC program benefits.

The following table describes the distribution of MRB and MCC activity across the state. Each county is categorized according to its "fair share" of MRB and MCC benefits based upon the county's number of homeowners who moved in 1999 as a percentage of the total movers for the State. Using this measure of housing market activity, each county should expect to receive MRB and MCC benefits in proportion to its share of the State's housing market activity.

Table 2 indicates that about one-half of the counties in Kansas receive about the amount of MRB and MCC program benefits that would be expected. Only four counties appears to be over-served, that is, receive significantly more than their expected share of program benefits based upon their share of statewide housing market activity. Two of these states receive only between 10 and 20 more units than might be expected over the 6 years of program activity measured. Sedgwick and Shawnee receive many more units than expected. Shawnee received 991 more units that expected, and Sedgwick received 1,416 more units than expected.

Table 2. **Counties by Fair Share of MRB and MCC Program Benefits**

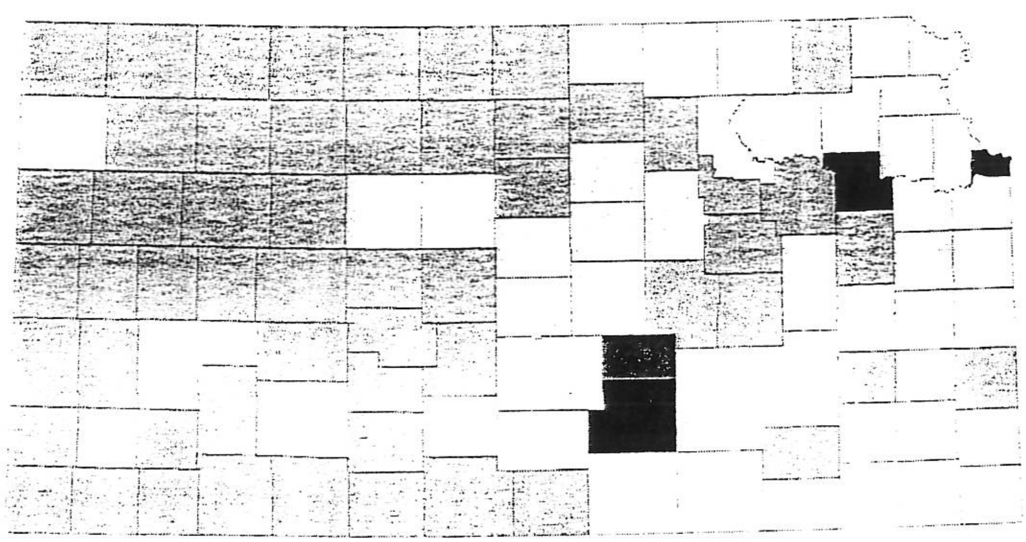
Comparing Expected MRB and MCC Household Based Upon Share of Home Owner Households who Moved with Number of Actual MRB and MCC Households from 1995-2001

Counties that were:	*Number:*	*Percent of Total:*
Under-Served by 70 to 700 Units	5	5%
Under-Served by 10 to 70 Units	41	39%
Adequately Served within 10 Units	55	52%
Over-Served by 10 to 20 Units	2	2%
Over-Served by 900 to 1,400 Units	2	2%
TOTAL	105	100%

Map 1 indicates that the distribution is uneven across the state. The adequately served counties tend to be in the western portion of the State. The underserved counties tend to be in the eastern portion of the State.

State of Kansas

Mortgage Revenue Bond and Mortgage Credit Certificate Usage
1995 to 2000



County Under-Served or Over-Served by MRB and MCC Programs

Under-Served 70 to 700 units
Under-Served 10 to 70 units
Adequately Served within 10 units
Over-Served 10 to 20 units
Over-Served 900 to 1400 units

Source: Counts of MRB loans and MCCs issued from Kansas Department of Commerce and Housing
Counts of expected shares of MRBs and MCCs based upon owner-occupied units purchased in 2000 from Census data

03/05/03
proposed changes to House Bill No. 2395, Economic Development Committee,

A. Page 4, line 32; in Section 2 of the bill, revise last three lines of subsection (i) of 74-8904 to read as follows:

> except as otherwise provided in this subsection, nothing in this act shall be construed to authorize the authority to ~~make loans directly to individuals to finance housing developments~~ <u>(1) originate home mortgage loans secured by a first lien in competition with private lending institutions or (2) originate home mortgage loans secured by a junior lien in competition with private lending institutions unless such home mortgage loans secured by a junior lien are made only to pay all or a portion of a mortgagor's required down payment or closing costs in connection the acquisition of a home</u>;

B. Page 10, line 11; in Section 3 of the bill, add a second sentence to subsection (h) of 74-8905, as follows:

> <u>Any moneys derived by the authority from the issuance of bonds under this subsection (h) and not used directly to finance, acquire or originate home mortgage loans shall be used by the authority to support programs or activities related to low or moderate income housing.</u>

C. Page 11, line 19; in New Section 5 of the bill, add "or" following "finance,".

AmeriFirst Mortgage, Inc

8833 State Ave
Kansas City, KS 66112
913-754-1400
913-754-1401 fax
amerifirstmortgage.com

March 3, 2003

The Honorable Senator Kenny Wilk
House Economic Development Committee
300 SW 10th St.
Room 426-N
Topeka, KS 66612-1504

Re: House Bill 2395

Dear Senator Wilk:

I am writing in support of Bill No. 2395, which grants the Kansas Development Finance Agency (KDFA) authority to issue statewide single-family mortgage revenue bonds.

Lack of this authority means the State relies upon a few counties within the state to administer these particular private activity bond allocations. As a mortgage broker that is most concerned with the availability of mortgage programs for all consumers, it seems very important to all homebuyers in the State of Kansas to have access to these type of programs. The format of the revenue bond program, as it currently stands, results in many potential homeowners not having access to the same affordable housing opportunities that are offered to others in a county next door. Statewide access to these resources will provide all Kansas families the opportunity to achieve the dream of homeownership.

Bill No. 2395 encourages expansion of homeownership throughout the state by allowing the KDFA to raise mortgage funds for low and moderate income first-time homebuyers. The federally subsidized interest rate and down payment assistance will be passed on to the homebuyers through participating community-based lenders. As you well know, it is high on President Bush's agenda to increase the number of homeowners substantially during his term in office; this program will allow Kansas to be a frontrunner in this goal. I request you support this legislation because it assists in addressing housing affordability in urban and rural communities across the state of Kansas. I believe this legislation is a good step in the right direction.

As Past President of the Kansas Association of Mortgage Brokers, which represents approximately 400 members, and an owner of a mortgage broker company in Kansas, it is extremely important that I have the ability to offer my customers the most desirable programs available. I understand that this bill may not have a direct effect on my business, however, it is very important that it has a direct effect on the consumers ability to purchase a home. One of my goals as the 2002 National

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Association of Mortgage Brokers (which represents more than 15,000 members), Broker of the Year, was to make sure I contributed as much time and energy as possible to ensure that our industry makes positive moves forward for the first time homebuyer. This bill would allow that.

Should you have further questions or desire further information, please do not hesitate to contact me at the above phone number.

Sincerely,

Melissa L. Walker
President

TO THE SENATE COMMERCE COMMITTEE
PRESENTED BY: DON WITZKE
COLDWELL BANKER WITZKE AND ASSOCIATES, LLC
LIBERAL, KANSAS
REGARDING SENATE BILL 222

Honorable Chairman and committee members.

I would like to thank you for the opportunity to testify before you regarding the proposed Senate Bill 222.

I support the amendment to KDFA. It will make available assistance to all of Kansas. In the rural areas such as Southwest Kansas the demographics have changed over the past 5 years. Currently, we have people new to the area with little or no available resources for down payment and/or closing costs together with low interest financing thus preventing them from obtaining their "American Dream" of home ownership. They must accept a program which has recapture clauses regarding the length of time of ownership thus depleting or substantially reducing their equity preventing them from moving up.

The mortgage broker for Liberal utilizes approximately one million dollars of the Sedgwick County first time home buyer money. Thirteen percent of the population in Kansas is a median age of 35, which is the median age of buyers nationwide.

If assistance were made available state wide, home ownership would increase in new and pre-owned properties. Many time my associates deal with customers desiring to move up from renting to ownership. With assistance this would be possible. We are fortunate in Seward County to be able to utilize Sedgwick County funds, but they are limited to up from cost required to reserve funds. We have approximately 720,000 owner occupied units in Kansas and 320,000 renter occupied units. If, with assistance, we would convert just 10% to owner occupied, it would open an additional 32,000 rental units for start up and new sub-divisions would be created.

Serving on the Governor's Commission on Housing for the past seven years and looking at several state finance authorities, it is my opinion SB222 will play a major role in solving our state housing problems.

I am excited about the prospects for the future of KDFA and I respectfully ask for your support in passing SB222.

Respectfully submitted,
Donald E. Witzke

Att. 3

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TESTIMONY OF NORTHWEST KANSAS HOUSING, INC.
TO THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE
PRESENTED BY NWKHI BOARD MEMBER RANDALL J. HRABE
REGARDING HOUSE BILL NO. 2373 & 2395
MARCH 6, 2003

Mister Chairman and Honorable Members of the Committee, the Northwest Kansas Housing, Inc. (NWKHI) appreciates this opportunity to testify before you concerning the proposed House Bills No. 2373 & 2395.

As an introduction, I am Randall Hrabe the Executive Director of the Northwest Kansas Planning & Development Commission and a board member of the Northwest Kansas Housing, Inc. (a non-profit Community Housing Development Organization serving the 18 northwest Kansas Counties). Northwest Kansas Housing was organized in 1997 and received its' non-profit status in 1998. Since that time, we have developed 16 new homes (8 duplexes) in Norton, 18 new homes (9 duplexes) in Goodland, 2 new single family homes in Lucas and purchased and rehabilitated 3 houses in Osborne. We are in the process of building another 10 units in Phillipsburg. These are all "market rate" rental units for Low to Moderate Income families, commonly known as "affordable rental housing."

Since the formation of the organization, one of the goals has been to develop an active, viable, home ownership program for northwest Kansas families. We have researched many of the current financing options available, such as Rural Development, the First Time Homeowners Program, etc. The proposals before you, House Bills 2373 & 2395, would greatly enhance the homeownership options and help leverage other funding resources. One item I should make clear is that we are not in competition with any private lenders, rather, we function to help the first time homeowner get started and hopefully graduate to conventional financing resources.

As heard in other testimonies, the single-family mortgage revenue bond program is currently being administered by two metropolitan Kansas counties. The NWKHI has contacted Sedgwick County about the mortgage revenue bonds, but at this point in time has not accessed this funding source. From the northwest Kansas prospective, it would appear to be more equitable for the State to administer this program ensuring all citizens of Kansas have equal access to the program. This is not meant to criticize Sedgwick or Shawnee County, but it is really beyond their means or capabilities to provide statewide coverage for the program.

Six weeks ago, I attended a seminar in Omaha sponsored by the Nebraska Investment Finance Agency concerning housing finance options in Nebraska. Although, Nebraska experiences many of the same issues that Kansas has, they did have an advantage in a statewide homeownership program. Where Kansas is the only state without such a program, the Northwest Kansas Housing, Inc. would strongly recommend the passage of this legislation.

Thank you very much for your consideration.

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Attachment 4

Testimony on behalf of House Bills 2373 & 2395

Good afternoon, my name is Andrew Bias. I am the President/CEO of Mennonite Housing, a community housing development organization in Wichita, KS. I am here this afternoon in support of House Bills 2373 & 2395

Mennonite Housing has had the good fortune of providing affordable housing opportunities for over 27 years throughout the state, concentrating in the Sedgwick County area. Affordable housing has been and continues to be, a high priority for low to moderate income consumers.

Having a state wide presence addressing the availability of mortgage revenue bonds will only increase the affordable housing opportunities.

As a resident of Sedgwick County, I understand the proposed bill would look to remove from Sedgwick County the capacity to issue MRBs. I would offer a friendly amendment that the authority to issue bonds not be removed from Sedgwick County and that the state have control over where the funds would be allocated. If that means that KDFA would be issued 100% of the funds that would be acceptable.

Thank you for your time and consideration.

Andrew L. Bias
President/CEO
Mennonite Housing
2145 N. Topeka
Wichita, KS 67214
(316) 942-4848

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Att. 5

SEDGWICK COUNTY HOUSING DEPARTMENT
604 N Main, Suite E
Wichita, KS 67203
Phone: (316) 383-7148
Fax: (316) 383-8271

TESTIMONY OF BRAD SNAPP,
SEDGWICK COUNTY HOUSING DIRECTOR

House Committee on Economic Development
March 6, 2003

Honorable Chairman Wilk and Members of the Committee, I am Brad Snapp, Sedgwick County Housing Director, appearing on behalf of the Board of County Commissioners of Sedgwick County. I appreciate the opportunity to testify with respect to HB 2395.

Since the mid-1980s, Sedgwick County and Shawnee County, in cooperation with the Kansas Department of Commerce and Housing (KDOCH), have operated the Kansas Local Government Statewide Homeownership Program. The Program, which is financed by homeownership revenue bonds issued jointly by Sedgwick and Shawnee Counties, has made thousands of mortgage loans available to first time homebuyers throughout Kansas.

Using interlocal cooperation agreements, the Kansas Local Government Statewide Homeownership Program is a *statewide program* operating in 103 counties and 270 cities in the State. In the past 5 years alone, the Program has made over $337,000,000 of new mortgage loans to first time homebuyers *throughout Kansas*.

House Bill 2395 would effectively end the Kansas Local Government Statewide Homeownership Program by *stripping Kansas cities and counties of the power* to issue revenue bonds to finance homeownership in Kansas and *transferring all authority* to issue such bonds to *one centralized issuer* at the state level (the Kansas Development Finance Authority (KDFA)).

Passage of House Bill 2395 could actually cost the State money. Currently, the Kansas Local Government Statewide Homeownership Program pays the State of Kansas a fee for each mortgage loan originated. The Program pays the State ½ of 1% of the amount of the federal bond allocation used to finance each mortgage loan. Over the past five years alone, the Local Government Program has paid over $1,000,000 in bond allocation fees to the State of Kansas at essentially no cost to the State.

Sedgwick County does not oppose the Kansas Development Finance Authority (KDFA) receiving authority to issue single family mortgage revenue bonds (SFMRBs), but we do not want to lose *our* statutory authority to continue to issue SFMRBs for first

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time homebuyers. If HB 2395 passes in its current form, Sedgwick County and Shawnee County, which each have approximately $80,000,000 in non-transferable private activity bond allocation, will be unable to issue SFMRBs.

Considering that the average loan amount to first time homebuyers assisted by the Kansas Local Government Statewide Homeownership Program is $64,000, if the authority to use the combined allocations of $160,000,000 already granted to Sedgwick and Shawnee Counties is terminated, approximately 2,300 Kansans would not receive the assistance in buying their first home.

To avoid this problem and preserve the ability of Kansas cities and counties to undertake their own homeownership programs, Sedgwick County requests that HB 2395 be amended on page 11, beginning at line 10, as follows:

-- by deleting New Section 5 and Section 6 of the Bill in their entirety,

-- by deleting the reference to K.S.A. 12-5233 in existing Section 7 of the bill, and

-- by re-designating existing Section 7 of the bill as Section 5.

Thank you for considering these changes.

ADVANTAGES OF THE KANSAS LOCAL GOVERNMENT STATEWIDE HOMEOWNERSHIP PROGRAM

Background: **House Bill 2395**, introduced by the Committee on Appropriations on February 17, 2003, would *strip Kansas cities and counties of the power* to issue revenue bonds to finance homeownership in Kansas and *transfer all such power* to the Kansas Development Finance Authority.

Since the mid-1980s, Sedgwick County and Shawnee County, in cooperation with the Kansas Department of Commerce and Housing, have operated the Kansas Local Government Statewide Homeownership Program. The Kansas Local Government Program is financed by homeownership revenue bonds issued jointly by Sedgwick and Shawnee Counties, and, *through cooperation agreements with hundreds of Kansas cities and counties*, mortgage loans are made available to First Time Homebuyers throughout the State.

House Bill 2395 would effectively end the Kansas Local Government Statewide Homeownership Program.

- The Kansas Local Government Program is a truly unique *state-local partnership.* It is **operated *without any state employees or state appropriation. And the Kansas Local Government Program actually* pays the State of Kansas a fee for each mortgage loan originated.**
- In the past 5 years alone, over $337,000,000 of new mortgage loans have been made to First Time Homebuyers throughout Kansas through the Kansas Local Government Program.
- The Kansas Local Government Program leads the nation in loan origination success. Over the past 10 years over 95% average of available funds have been used for loan origination.
- In 1992, the Kansas Local Government Program became one of the first homeownership bond issuers in the nation to provide 4% down payment assistance in the form of a grant to First Time Homebuyers.
- Through interlocal cooperation agreements among 103 counties and 270 cities in the State, the Kansas Local Government Program *is already a statewide program*.
- The Kansas Local Government Program invites *all eligible mortgage lenders* to participate.
- Unlike most state agency programs in neighboring states, to encourage lending in rural areas, the Kansas Local Government Program pays the originating lender *an additional 1% origination fee* on rural loans.

- Through the Kansas Local Government Program, mortgage loans have been made in 88 of Kansas' 105 counties. *This compares very favorably to states with state-administered housing agencies in their efforts to promote rural lending.*
- The Kansas Local Government Program pays the State ½ of 1% of the amount of the federal bond allocation used to finance each mortgage loan. Over the past five years alone, the Local Government Program has paid ***$1,003,254 in bond allocation fees to the State of Kansas.***
- Even though Kansas does not have a state housing agency, the Kansas Local Government Program has successfully provided mortgages *statewide* to First Time Homebuyers.
- There are 12 states that allow for local municipalities (cities and counties) to issue single family bonds. In 2002, there were over $2 billion of single family bonds issued by local municipalities.

Contact Information:

Irene Hart, Director
Division of Community Development
Sedgwick County, KS
Phone – (316) 660-9863
Fax – (316) 383-7696
Email – ihart@sedgwick.gov

Brad Snapp, Director
Sedgwick County Housing Director
Phone – (316) 383-7148
Fax – (316) 383-8271
Email – bsnapp@sedgwick.gov

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Comparison of Federal and Non-Federal Housing Programs Among States

	Kansas	Missouri	Nebraska	Colorado	Oklahoma	New Mexico
Programs	Housing Trust Fund First–time Homebuyers Housing Cost Analysis Homeowner Rehabilitation Homeowner Emergency Rehab Opportunities Low Income Housing Tax Credits Private Activity Bonds Single Family MRB Mortgage Credit Certificate Interim Development Loan HOME Investment Partnership HOME CHDOs Tenant Based Rental Assistance Emergency Shelter Grants CDBG Dept of Energy Weatherization Assistance Permanent Housing for Handicapped Homeless Rural Housing Self-Help Technical Assistance Grants Rural Housing Development: State Office: Business & Industry Area Offices: Multifamily & Community Facilities Local Offices: Single Family Housing Development	Homebuyer Assistance Low Income Housing Tax Credits Single Family MRB Mortgage Credit Certificate Missouri Housing Partners HOME Investment Partnership Affordable Hsg Rent Assistance HOME Rental Housing Production MHDC Rental Housing Production Down payment Assistance Rural Growth Loans Opportunities for Missouri Lenders Affordable Housing Assistance Tax Credit Multifamily Tax-Exempt & Taxable Bonds	Housing Trust Fund First-time Homebuyers Housing Rehabilitation Low Income Housing Tax Credits Tax-Exempt Bond Financing for Housing Housing Development TA HOME Investment Partnership HOME CHDOs Housing Development Technical Assistance Single Family Homeownership Down payment Assistance Super target Assistance for Rural New Construction	Housing Trust Fund Homeownership Loan Very Low-Income Housing Repair Loans & Grants Low Income Housing Tax Credits Single Family MRB Mortgage Credit Certificate Housing Opportunity Fund HOME Investment Partnership Section 8 Certificates Emergency Shelter Grants CDBG Dept of Energy Weatherization Assistance Rural Housing Preservation Rural Housing Site Loans Rural Rental and Cooperative Housing Loans Self-Help Technical Assistance Rural Rental Assistance Payment Program Farm Labor Housing Loans & Grants Taxable Loan Program Colorado Div. of Housing Grants Down payment Assistance	Direct Loans Low Income Housing Tax Credits Single Family MRB Maturity Linked Funding Rental Assistance Grants Interest Rate Subsidies Loan Guarantees & Mortgage Insurance Second Mortgage Market Subordinated Mortgage Tax Abatements Technical Assistance	Low Income Housing Tax Credits Single Family MRB Mortgage Credit Certificate Build-It Loan Guarantee HOME Investment Partnership Home Program Income Multifamily Financing Emergency Shelter Grants CDBG Dept of Energy Weatherization Assistance State Homeless Assistance Housing Counseling Statewide Homeownership Counseling & Outreach Risk Sharing Housing Opportunities for People with AIDS Supportive Housing Rural Choice HELP Primero Investment Fund Partners Multifamily Financing

Kansas Catholic Conference

6301 ANTIOCH • MERRIAM, KANSAS 66202 • PHONE/FAX 913-722-6633 • WWW.KSCATHCONF.ORG

House Economic Development Committee
Testimony in favor of HB2395

Mister Chairman and members of the Committee my name is Mike Farmer and I am the Executive Director of the Kansas Catholic Conference. Thank you for the opportunity to testify today in favor of HB2395.

It is my understanding that this bill would create a statewide program to serve the needs of first time home buyers, which is currently available in all states but our own. This would be accomplished through the issuance of Mortgage Revenue Bonds, which would be used for financing the development of homes for persons of low and moderate income.

In discussing this proposed legislation with other proponents, I was informed that this program would also be complimentary and not competitive with the private sector in serving both the low and moderate-income first-time homebuyer. It would also assist these buyers with down payment and closing costs, which I believe is the biggest hurdle for many individuals to overcome in becoming homeowners.

The Catholic bishops recognize that it is not their role nor within their expertise to describe the specific policies and programs to meet the needs of homeless people or families that cannot afford adequate housing. However, in February 2001, the United States Conference of Catholic Bishops did recommend 6 major goals for incorporation into a national housing policy. I believe this bill would further three of those goals:

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- Production: Creative, cost-effective, and flexible programs that will increase the supply of quality housing for low-income families, the elderly and other vulnerable people.
- Partnership: Ongoing support for effective and creative partnerships among nonprofit community groups, churches, private developers, government at all levels, and financial institutions to build and preserve affordable housing.
- Affordability: Efforts to help families obtain decent housing at costs that do not require neglect of other basic necessities.

The lack of adequate and affordable housing is an issue that the Kansas Catholic Conference is currently studying and we plan to issue a Housing White Paper with specific recommendations early next year.

This legislation appears to be an essential first step in implementing a program, which would expand the adequacy and affordability of housing in Kansas.

I ask that you please support the passage of House Bill 2395.

FannieMae

Kansas City Partnership Office

4435 Main Street
Suite 910
Kansas City, MO 64111
816 960 2050
816 960 2059 (fax)

March 5, 2003

The Honorable Representative Kenny A. Wilk
Chairman
House Economic Development Committee
300 SW 10th Street
Topeka, Kansas 66612-1504

Dear Representative Wilk,

Attached is testimony to be provided to the House Economic Development Committee at a hearing scheduled for March 6, 2003, at 3:30 p.m.

Thank you for the opportunity to address homeownership and affordability in urban and rural communities throughout the state of Kansas.

Sincerely,

Sandra J. Goodwin
Fannie Mae
Sr. Deputy Director
Kansas City Partnership Office

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Testimony of Sandra J. Goodwin, Fannie Mae
To the House Economic Development Committee
Regarding House Bill No. 2395
March 6, 2003

Fannie Mae is a private, shareholder-owned company operating exclusively in the secondary mortgage market, where we help ensure that mortgage funds are available to home buyers in every state across the country, regardless of income, race or geography. As a secondary market player, Fannie Mae does not lend money directly to homebuyers; instead, we purchase mortgages from a variety of institutions that do. Those lenders, in turn, have a constantly replenishing stream of funds from which they may lend mortgages to home buyers. The lenders with which we do business are part of the primary mortgage market -- the place where mortgages are originated and funds are loaned to borrowers. Primary market lenders include mortgage companies, savings and loans, commercial banks, credit unions, and housing finance agencies.

The nation's largest source of financing for home mortgages, Fannie Mae investment in Kansas totals $9.8 billion and serves 103,000 Kansas homeowners and 15,000 Kansas renters. Under the terms of our congressional charter, Fannie Mae is charged with a mission: to increase the availability and affordability of rental housing and homeownership opportunities for low-, moderate- and middle-income Americans.

Safe and affordable housing and homeownership are critical to our ability to promote and sustain economic equality here in Kansas and throughout the country. As an appreciating asset, a home provides families with a means of wealth that may be passed through the generations. A home can be used to help finance a child's education or provide seed capital for a growing business. Study after study has proven that increased homeownership leads to stronger and safer neighborhoods and communities. Putting down roots leads to greater participation in the local economy, lower crime rates and a vested interest in the community.

Fannie Mae offers a variety of single-family and multifamily finance products designed to assist Housing Finance Agencies (HFAs) to finance, develop, and preserve affordable housing for low- and moderate-income and underserved people. A summary of these activities follows:

- Last year, Fannie Mae financed more than $3 billion of mortgage revenue bonds (MRBs) and used a combination of taxable and tax-exempt MRBs to help HFAs to stretch the limits of their federal funding and provide for a broad geographic distribution of homeownership financing.

- Fannie Mae's Mortgage-Backed Securities (MBS) are used by dozens of HFAs to credit-enhance their MRBs.

- State HFAs including Missouri, Indiana, Delaware, Iowa, Arkansas, Oklahoma, California, Kentucky, Louisiana, Nebraska, and others, all of whom make Fannie Mae's flexible conventional mortgage products available to first-time home buyers who, through these products, are able to achieve the American dream with as little as 1% down. These mortgage products and options are designed to help borrowers overcome the two primary barriers to homeownership: lack of down payment funds and qualifying income.

- In neighboring Missouri, Fannie Mae and MHDC, the states housing finance agency, work together through a Multifamily Shared Risk Debt Pilot. Using Fannie Mae's contribution of \$21.3 million, the pilot has now been used to provide permanent mortgage financing for 10 projects, totaling 1,490 units.

- Fannie Mae and MHDC joined together in 2001 to create an innovative, short-term bond transaction designed to preserve affordable housing units in Missouri. The first bond issue, totaling \$6.3 million, assisted in the retention of 300 affordable rental units in seven different rural projects throughout the state. Three additional bond transactions provided financing of \$30 million to retain 957 affordable rental units in three Missouri cities in 2002.

The national homeownership rate stands at 68 percent, according to 2000 statistics provided by the U.S. Census Bureau. A closer look at that figure, however, reveals that we still have much work to do. While the national homeownership rate for whites is 74 percent, just 48 percent of African-Americans and 47 percent of Hispanics own their own homes. In Kansas, 75% of white households are homeowners, while the homeownership rate for African-Americans stands at 46%, and for Hispanics, 54 percent.

Minorities, new immigrants and women-headed households are currently among the fastest-growing segments of home buyers. Many of these families have limited savings for down payment and closing costs, past credit difficulties or no credit history. Fannie Mae is committed to tearing down those barriers, lowering costs and helping these groups turn their hopes and dreams into the reality of having a safe and affordable place to call home. A statewide single-family mortgage revenue bond program can become an important tool for these potential first-time home buyers.

All of us have a vested interest in the expansion of safe and affordable housing and homeownership opportunities. Homeownership is an investment in our families, neighborhoods and communities. Bill No. 2395 encourages the expansion of homeownership throughout the state of Kansas by allowing the KDFA to raise mortgage funds for low- and moderate income first-time home buyers. The federally subsidized interest rate and down payment assistance will be passed on to these home buyers through participating community-based lenders.

HOME BUILDERS ASSOCIATION
OF GREATER KANSAS CITY

Affiliated NAHB

600 EAST 103RD STREET • KANSAS CITY, MISSOURI 64131-4300 • (816) 942-8800 • FAX (816) 942-8367 • www.kchba.org

Testimony in support of HB 2395
House Economic Development Committee
March 6^{th}, 2003

Chairman Wilk and committee members:

Thank you for the opportunity to speak to you today. My name is Dave Holtwick and I am with the Home Builders Association of Greater Kansas City where I serve as Staff Vice-President of Governmental Affairs. Our association consists of over 1,000 member companies engaged in the home building industry in the Kansas City area. I am here today to speak in support of House Bill 2395.

Our association and our members, working together with industry professionals, seek to provide housing at all price points, offering "choices" to meet the demands of consumers. Housing prices continue to rise in our area, which sounds like a good thing, but it leads to concern about how we can continue to provide "affordable" housing, no matter how you define affordable. We hear story after story about how "working class families" - teachers, firefighters, and police officers among others – struggle to find housing they can afford in the communities where they serve.

These concerns led us to form the Housing Choices Coalition, a joint partnership among home building industry professionals and civic leaders to promote housing opportunities in our area. We know that housing is essential for a community to be successful. In fact, we believe housing is the very foundation of thriving communities.

Housing Finance Authorities (HFAs) streamline the process of securing state and federal subsidies for affordable housing development, issue mortgage revenue bonds for low and moderate-income first-time homebuyers, and leverage a variety of other funds for use in additional housing related investments within a state. It has been shown in the other 49 states that have a state housing finance authority, they help to expand the supply of safe, quality, affordable housing and I believe that would be the case for Kansas, too.

With the authority to issue single-family mortgage revenue bonds per HB 2395, the Kansas Development Finance Agency (KDFA) could serve as the catalyst to stimulate home ownership throughout the state for low and moderate-income homebuyers. By working through community based lenders, KDFA could provide more equitable and adequate investment in affordable housing around the state, enhance the ability to fully leverage federal and private funding opportunities, and increase the level of mortgage revenue bond proceeds available for reinvestment in housing programs. Without this change, we are dependent upon a few counties with the state trying to administer these programs.

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HEARTLAND COMMUNITY BANKERS ASSOCIATION

Matthew S. Goddard, Vice President

700 S. Kansas Ave., Suite 512
Topeka, Kansas 66603
Office (785) 232-8215 • Fax (785) 232-9320
mgoddard@hcbankers.com

To: House Committee on Economic Development

From: Matt Goddard
Heartland Community Bankers Association

Date: March 6, 2003

Re: House bills 2373 and 2395

The Heartland Community Bankers Association appreciates the opportunity to appear before the House Committee on Economic Development to express our opposition to House Bill 2395. Much of our testimony also addresses House Bill 2373.

The Heartland Community Bankers Association represents thrifts in Kansas, Colorado, Nebraska and Oklahoma. Our members specialize in residential mortgage lending. In 2001, Kansas thrifts made more than $2.4 billion in residential mortgage loans. For the first nine months of 2002, Kansas savings associations made more than $1.7 billion in residential mortgage loans.

House Bill 2395 authorizes the Kansas Development Finance Authority to issue mortgage revenue bonds for financing, acquiring and originating mortgage loans. The bill also makes other changes to existing law that will expand the powers of KDFA, including:

- Removes a statutory prohibition against KDFA making construction loans directly to consumers;
- Adds moderate-income persons and families to those eligible for construction loans;
- Exempts mortgage revenue bonds from publication and notification requirements; and
- Prohibits local units of government from administering their own mortgage revenue bond programs.

HCBA is concerned that this expansion of powers will put KDFA and the State of Kansas in the position of competing with taxpaying mortgage lenders, both directly and indirectly. Although proponents of HB 2395 may refer to a mortgage revenue bond program as a partnership or joint endeavor between the State and private lenders, the reality of it all is that such a program would interject state government into the middle of the mortgage marketplace. KDFA would use its ability to issue tax-free bonds to establish artificially low pricing for mortgage products that taxpaying businesses will be unable to match.

HCBA is concerned that the public policy rationales for mortgage revenue bond programs lack the same validity today that they did when they were first created. Most states that already have these programs created them when the mortgage industry was quite different than it is today. Then,

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interest rates were high, the secondary market was limited and funding for mortgage loans was hard to find. With mortgage rates at historical lows and a bustling secondary market providing funding, the historical arguments for bond programs lack validity in the current mortgage marketplace.

The financing mechanisms available to the public for home buying are much different today than they were when most state bond programs were created. Commercial banks were not allowed to become members of the Federal Home Loan Bank system until 1990. As members, institutions are eligible for advances that provide an affordable source of funding for lenders to make loans. The Topeka bank currently has **billions** of dollars in outstanding advances to Kansas lenders. In addition, Freddie Mac and Fannie Mae, government-sponsored enterprises involved with the secondary mortgage market, each funded **billions** of dollars in mortgage loans to Kansas in 2002.

Regulations from the Internal Revenue Service require that the proceeds of a mortgage bond program be used on individuals or families making no more than 115 percent of the area median income and who have not owned their place of residence within the past three years. Depending on the applicant's location, for a one or two person household the maximum eligibility amount would range from $55,100 to $64,500. For a household of three or more, the maximum income limit would range from $63,365 to $77,400. In a targeted area, the maximum income limit is 140 percent of the area median income.

The IRS currently also places restrictions on the maximum purchase price of a home purchased under the mortgage revenue bond program. However, legislation is currently being considered in Congress, backed by the national trade group for state housing agencies, that would remove the IRS regulations and simply limit the maximum purchase price to no more than three and a half times the borrower's qualifying income. If the bill becomes law, the maximum eligible home price for a family of three or more in the Kansas City area would be over $250,000. In rural Kansas the maximum qualifying home price for a family of three or more would be just over $220,000.

Most of the bonds issued by KDFA will be tax-exempt and therefore fall under IRS regulation. However, there is nothing in HB 2395 that limits KDFA's bonding authority to only private activity bonds that fall under IRS jurisdiction. There would be no federal income or purchase price restrictions on money derived from taxable bonds.

HCBA does not believe that moderate-income Kansans are being underserved by mortgage lenders. According to 2001 data, mortgage lenders subject to the Home Mortgage Disclosure Act made over $4.3 **billion** in mortgage loans to Kansans that year. Of that $4.3 billion, over $2.1 **billion**, or 48 percent, went to loan applicants making 115 percent or less of the area median income. During 2001 Kansans making 80 percent or less of the area median income, generally defined as low income, received over $971 million in mortgage loans from HMDA lenders.

There is nothing in HB 2395 to suggest that the KDFA program will target anyone beyond those customers already being served by the private sector. Since the mortgage revenue bonds must be repaid, homebuyers under the KDFA program have to meet underwriting standards similar to those already used by traditional mortgage lenders. This will create a preference within the program for the upper income echelon of moderate-income applicants.

There is a strong likelihood that if your loan application is denied now by a mortgage lender because of your credit, KDFA will also deny your loan. The website for the Missouri Housing Development Commission clearly states in its Frequently Asked Questions: "*Borrowers qualifying for loans under the MRB program will need to meet the same credit requirements as any other homebuyer... This is not a 'credit-repair' program.*" This furthers our concern that KDFA will compete with private lenders over consumers who don't need government assistance to qualify for a loan.

HCBA is also concerned that KDFA has indicated it will use a master-servicer to service all mortgage loans made with bond proceeds. In fact, House Bill 2395, expressly allows KDFA to use an out-of-state mortgage servicer. Many savings and loans are still portfolio lenders. This means that when the institution makes a loan they service the loan themselves and do not sell it on the secondary market. Even when they do sell the loan, like many commercial banks, they retain the servicing rights. This ensures that the mortgage is handled locally and the local lender is there to help if the borrower needs assistance. If KDFA uses a master servicer, however, Kansans may be forced to call XYZ Mortgage Company in New York or Florida to ask questions about their monthly mortgage payment.

Despite assurances from KDFA that the agency will not originate loans, House Bill 2395 makes three separate references to the origination of home mortgage loans. Although KDFA has said it would only purchase loans from existing mortgage lenders, the definition of "home mortgage loan" includes a mortgage "...purchased or *originated by the authority...*" This is particularly disturbing because HB 2395 gives KDFA the power not only to issue bonds for the purpose of acquiring loans, as would be expected, but it also gives KDFA the power to issue bonds for *originating* home mortgage loans. Finally, KDFA would write all of its own rules and regulations in respect to home mortgage loans. The bill authorizes KDFA to establish standards and requirements applicable to the purchase of home mortgage loans or the *origination* of home mortgage loans.

House Bill 2395 also removes a prohibition against KDFA making construction loans directly to consumers. K.S.A. 74-8904(i) currently says that except as otherwise provided in the subsection, "nothing in this act shall be construed to authorize the authority to make loans directly to individuals to finance housing developments." "Housing developments" is defined elsewhere in statute as new construction or rehabilitation of an existing house for elderly people or families of low income. In other words, nothing in current law is intended to allow KDFA to make direct loans to individuals for home construction or rehabilitation.

However, House Bill 2395 gives KDFA the authority to also make loans for housing developments to *moderate income families*, not just those who are low income, and deletes the language that says "nothing in this act shall be construed to authorize the authority to make loans directly to individuals to finance housing developments." With this provision removed, nothing in KSA 74-8904 would expressly prohibit KDFA from making direct loans to individuals for home construction or rehabilitation.

Section 5 of HB 2395 would essentially gut the Local Residential Housing Finance Law and put all mortgage revenue bond programs at the state level. This would effectively kill the current bond program administered by Sedgwick and Shawnee counties. This also means that in the future local communities would lose the ability to create their own bond programs to address specific local needs.

As currently written, K.S.A. 74-8904(i) gives KDFA the authority to make loans to low and moderate income multifamily rental housing projects, i.e. apartment buildings. House Bill 2373 gives KDFA the additional authority to make loans for single family rental housing projects. The bill also changes the language that reads "nothing in this act shall be construed to *authorize*" to instead read "nothing in this act shall be construed to *prohibit*" the authority's power to make loans directly to individuals for housing developments. This could put KDFA in direct competition with private lenders who make construction loans. The bill also expands the eligible pool of borrowers who qualify for a housing development loan to include moderate-income Kansans.

Another area of concern for HCBA is the composition of the KDFA board of directors. The current board members were appointed to their positions because they are familiar with bonds and finance issues. While HCBA would never question the current board's dedication, we are concerned that the current board was appointed with no consideration given to a level of expertise in the housing and mortgage industries. Colorado, Iowa, Missouri and Nebraska are all surrounding states that require at least a portion of their housing agency finance boards have a background in housing or lending issues. Nebraska, in fact, designates each of its board seats as representing a specific area of interest or expertise. If KDFA is given the expanded mortgage powers contained in HB 2395, HCBA would suggest the KDFA board would be expanded in recognition of its new and expanded responsibilities.

A mortgage revenue bond program will not be a panacea for every housing ill facing our state. If it were, then Kansas would be the only state in the Union with housing problems. The experiences of other states suggest that the housing problems confronting Kansas today will continue to persist even if HB 2395 becomes law. The following comes from a 1998 background memorandum for an affordable housing study prepared by the North Dakota Legislative Council staff for the Commerce and Agriculture Committee:

> *Testimony received during the hearings on House Concurrent Resolution No. 3046 indicated that the resolution was introduced to address concerns regarding the availability of housing in cities that have experienced increased job growth but lack housing. The testimony indicated that state and federal housing assistance programs have generally focused on the larger cities in the state and rural areas and the smaller cities have experienced housing shortages. The resolution states that the ability of rural communities to attract private home construction at an affordable price is hampered by the differential between the construction cost and the appraised value.*

House Bill 2395 will make KDFA one of the largest mortgage lenders in Kansas. HCBA simply does not see the need for the State of Kansas to become an active player in our state's mortgage industry. Rather than dedicating itself to serving those Kansans who are currently unable to qualify for mortgage financing, the need to payback the mortgage revenue bonds means KDFA will compete for customers who are already being served by private, tax paying businesses.

The Heartland Community Bankers Association appreciates the opportunity to share our opposition regarding House bills 2373 and 2395 with the House Committee on Economic Development.

Capitol Federal Savings

700 SOUTH KANSAS AVENUE
P.O. BOX 3505
TOPEKA, KANSAS 66601-3505
PHONE (785) 235-1341

JOHN C. DICUS, CHAIRMAN
HOME OFFICE, TOPEKA, KANSAS

March 6, 2003
"Capitol Federal's 110th Year
of True Blue Service"

To: House Committee on Economic Development

From: Rick Jackson
Capitol Federal Saving Bank

Date: March 6, 2003

Re: House Bill 2395

Capitol Federal Savings Bank appreciates the opportunity to appear before you regarding House Bill 2395.

In the late 1970's Congress passed the Community Reinvestment Act (CRA) to ensure that banks and savings and loans meet the credit needs of their communities. The Act was intended to discourage redlining by financial institutions in areas perceived to have a high risk of loss and where credit for home purchase or improvements is denied or restricted by onerous lending terms.

In the 1960's, the problem of redlining became the focus of many political and social activist groups. Banks and savings and loan associations were specific targets of these groups because these institutions were soliciting and retaining deposits of the people living in redlined areas.

The Home Mortgage Disclosure Act (HMDA) was enacted in December 1975 to require financial institutions to compile data on residential mortgage loan activity. Congress believed that this system of data compilation would provide an early warning to neighborhoods of disinvestment by financial institutions. Congress also believed that the data could additionally be used as evidence to support claims of fair lending violations.

The shift of toward government involvement in the elimination of redlining practices continued with the eventual enactment of the Community Reinvestment Act of 1977 (CRA). The CRA requires federal financial supervisory agencies, when examining financial institutions, to encourage the institutions to help meet the credit needs of the communities in which they are chartered, including low- and moderate-income areas. These loans must be consistent with the safe and sound operation of these institutions.

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Legislative history from the House of Representatives Conference Report reveals that the CRA had as its purpose the encouragement of "more coordinated efforts between private investment and federal grants and insurance in order to increase the viability of our urban communities."

The statutory goal of increased community reinvestment is enforced in the current CRA statue through the twin levers of compliance examinations and application approvals. As seen from an economic perspective, the underlying premise of the CRA is that some sort of market breakdown exists under which qualified borrowers are willing to pay prevailing mortgage rates but are unable to secure a mortgage. This premise is no longer valid.

Many bank and thrifts meet with community groups, city and state officials, as well as non-profit organizations, to determine and assess their credit needs. Out of these assessments, jobs and housing programs have been created. Due to the tough government oversight CRA loans have become a valuable commodity.

The unmet need that many claim currently exists is with potential borrowers who may want to own a home, however their credit history makes them an unacceptable credit risk in accordance with regulatory safety and soundness standards. We do not ignore these potential customers, but we do say, "Not today." We then put our charitable resources to use by assisting non-profit housing organizations that help prepare future borrowers. These nonprofits offer home buying classes, budget classes, and maintenance classes to better prepare individuals and families for homeownership.

The only thing worse than not providing a potential borrower with the resources to purchase a house is giving a nonqualified borrower access to credit they can not repay. Despite a having a house, the homeowner may then be unable to maintain the home in a safe manner. Under House Bill 2395, KDFA would even be put in a position of foreclosing on the home and destroying that dream of homeownership.

Because of laws like CRA, HMDA, and Fair Lending, the dream of homeownership is a very real possibility for all Kansans. Within our communities, if an individual or family wants to own a home there are adequate resources available now through public and private partnership to make that dream become reality.

KBA

The Kansas Bankers Association

To: House Economic Development Committee
From: Chuck Stones, Senior Vice President

Re: SB 2395

Mr. Chair and Members of the Committee:

The Kansas Bankers Association appreciates the opportunity to appear before you regarding SB 2395. The KBA has as one of its strategic priorities: to help facilitate rural economic development. Affordable housing is one of the major concerns when dealing with rural economic development.

That being said, we have some concerns with SB 2395 as drafted:

<u>State competition with privately owned mortgage lenders</u>. Every day banks lay their money, their futures, and their entrepreneurial spirit on the line to enable their companies to grow and succeed. They're not afraid of risk, and they don't shy away from competition-fair competition, that is. Government should not become the competitor to businesses in the open market. We experience this kind of competition in the ag sector with the Farm Credit System. The FCB is able to use its government status to raise money in the capital markets that simply is not possible for banks. They then undercut the market by offering loan rates that banks simply cannot compete with. They "cherry pick" our best customers in violation of their charter to be a lender to higher risk ag borrowers. We don't want to see the same thing happen in this area.

<u>We are concerned that the program will end up serving only the urban counties</u>. The Governor expressed concern that the "whole state" was not being served by current housing programs. It seems that the area of focus should be on the rural parts of the State. We have seen from history that programs designed and promoted to bring economic development to the "whole state" end up helping only urban areas and not the rural parts of the State. We would like to see some assurances that, at least some of this money be earmarked for rural Kansas.

From our perspective, the problem in rural areas of the state is not the available of mortgage loans, but the availability of affordable, safe houses for people to purchase. The perfect example would be that of a small central Kansas town that needed to hire two new teachers. Normally banks are not allowed to develop real estate, but the local bank was able to utilize a Community Development program through the Office of the Comptroller of the Currency and actually build two houses in order for the school district to use as a recruitment tool. We feel the issue of safe, affordable housing in rural Kansas should be a priority.

610 SW Corporate View, Box 4407 ♦Topeka, KS ♦ 66604-0407 ♦785-232-3444 fax-785-232-3484
e-mail - kbacs@ink.org

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Will low income Kansans be included? Another of the Governors stated objectives is that "low and very low-income Kansas families" be given the opportunity to utilize this program. We are concerned that "moderate" income people will receive most of the utilization from the program. Moderate-income people are our customers. This is where the main concern with unfair competition comes in. Financial institutions are serving moderate-income individuals currently. It has been said that a program isn't feasible unless moderate-income people are included. This brings up the question of the motives for this program. If loans to moderate-income people fuel the program so low income individuals can be served, why would the State be involved in a program that makes money on one group of people to serve another group of people.

We also believe that the whole mortgage marketplace has changed in the last 10 years. Banks now have access to secondary markets and the FHLB that have opened doors to mortgage business. The Community Reinvestment Act, at the federal level, has acted to eliminate redlining and assure that the credit needs of low-income people in communities are being served. We question the real need for such a program in today's environment. Our counterparts in surrounding states express concern about the effectiveness and usefulness of programs in their states. Many states experience low utilization from the banking community, which causes us to wonder why.

In conclusion, we see the need for affordable housing in rural areas. But we question whether this program meets the stated needs based on the current marketplace. We are not trying to kill the objectives of such a program, we only want a program that will meet the stated objectives and not compete with the private marketplace.

Thank you for your consideration.

Unified Government of Wyandotte County/Kansas City, Kansas

Carol Marinovich, Mayor/CEO

Unified Government · Wyandotte County · Kansas City, Kansas

701 North 7th Street, Suite 926
Kansas City, Kansas 66101
Phone: (913) 573-5010
Fax: (913)573-5020

March 05, 2003

The Honorable Senator Kenny Wilk
House Economic Development Committee
300 SW 10th Street
Room 426-N
Topeka, KS 66612-1504

Re: House Bill 2395

Dear Senator Wilk,

I am writing in support of Bill No. 2395, which grants the Kansas Development Finance Agency (KDFA) authority to issue statewide single-family mortgage revenue bonds.

Lack of this authority means the State relies upon a few counties within the state to administer these particular private activity bond allocations. The effect of this policy decision has been county bond offerings that many times are irregular both in the types of products available under the bond offering and in the timing of the offerings. There has also been a less than equitable distribution of the resources across the state. As a result, many of the state's citizens are unable to access these affordable housing opportunities. Statewide access to these resources will provide all Kansas families the opportunity to achieve the dream of homeownership.

Bill No. 2395 encourages expansion of homeownership throughout the state by allowing the KDFA to raise mortgage funds for low and moderate income first-time homebuyers. The federally subsidized interest rate and down payment assistance will be passed on to the homebuyers through participating community-based lenders. I request you support this legislation because it assists in addressing housing affordability in urban and rural communities across the state of Kansas. I believe this legislation is a good step in the right direction.

Sincerely,

Rosalyn Brown

Rosalyn Brown
Community Liaison

House Economic Development
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Attachment 13

El Centro Inc.
The Center for Continuous Family Improvement

El Centro, Inc. Administrative and Computer Learning Center
650 Minnesota Avenue
Kansas City, KS 66101
913-677-0100
913-362-8513 fax
www.ElCentroInc.com

Academy for Children
1330 South 30th Street
Kansas City, KS 66106
913-677-1115
913-677-7090 fax

Academy for Children, Choo Choo Child Care
219 South Mill Street
Kansas City, KS 66101
913-371-1744
913-371-1866 fax

Academy for Children, Donnelly College
608 North 18th Street
Kansas City, KS 66102

ECI Development, Inc.
2100 Metropolitan Avenue
Kansas City, KS 66106
913-677-1120
913-677-0051 fax

El Centro, Inc. Argentine
1333 South 27th Street
Kansas City, KS 66106
913-677-0177
913-362-8250 fax

El Centro, Inc. Family Center, Johnson County
9525 Metcalf Avenue
Overland Park, KS 66212
913-381-2861
913-381-2914 fax

Macias–Flores Family Center
290 South 10th Street
Kansas City, KS 66102
913-281-1186
913-281-1259 fax

Woodland Hills, Inc.
1012 Forest Court
Kansas City, KS 66103
913-362-8155
913-362-8203 fax

Executive Director
Richard Ruiz

March 5, 2003

The Honorable Representative Kenny Wilk
Chair, House Economic Development Committee
300 SW 10th Street
Room 426-N
Topeka, KS 66612-1504

Chairman Wilk and Honorable Members of the House Economic Development Committee,

I am writing in support of HB2395, which would grant the Kansas Development Finance Agency (KDFA) authority to issue statewide single-family mortgage revenue bonds.

Currently, Kansas relies upon a few counties within the state to administer these private activity bond allocations. Often, this has resulted in county bond offerings are irregular both in the types of products available under the bond offering and in the timing of the offerings. There has also been a less than equitable distribution of resources across the state. As a result, many of the state's citizens are unable to access affordable housing opportunities. Statewide access to these resources will provide all Kansas families the opportunity to achieve the dream of homeownership.

El Centro, Inc. engages in homeownership promotion activities with low-income prospective homeowners in the Kansas City metropolitan area and, as a part of the Neighborhood Reinvestment Corporation NeighborWorks network, participates in national efforts to promote affordable housing. Increasingly, we have begun to partner with organizations around the state that also work in affordable rental housing and homeownership promotion. While, in Kansas City, we seldom face extreme barriers to completing projects for our community, we feel that a centralized and strategic management of these important resources would immediately benefit our Kansas allies and ultimately all of us within the state.

HB2395 encourages expansion of homeownership throughout the state by allowing the KDFA to raise mortgage funds for low and moderate-income first-time homebuyers. The federally subsidized interest rate and down payment assistance will be passed on to the homebuyers through participating community-based lenders. I request your support of this legislation because it assists in addressing housing affordability, quality, and availability in urban and rural communities across the state of Kansas.

Sincerely,

Richard A. Ruiz

Richard A. Ruiz
President/CEO
El Centro, Inc.

Funding Agencies:
Archdiocese of Kansas City in Kansas; City of Overland Park; Commerce Bancshares Foundation; Dollar General; Fannie Mae Foundation; Good Samaritan Project; Heart of America Family Services; Juvenile Justice Authority; Kansas Department of Human Resources; Kansas State Department of Education; Kauffman Foundation; Kemper Foundation; Local Initiatives Support Corporation; Monello Family Foundation; National Council of La Raza; Neighborhood Reinvestment Corporation; Partnership for Adult Learning; Rachel Hennigh Foundation; Sprint Foundation; Unified Government Office of Community Development; Unified School District 500; United Way of Johnson County; United Way of Wyandotte County; Wyandotte Health Foundation; Wyandotte/Leavenworth Area Agency on Aging

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MBA GREATER KC

director@mbakc.com
913-894-1956 913-492-7396 fax
PMB 263, 14904 W 87th Parkway
Lenexa, KS 66215-4159

March 5, 2003

The Honorable Senator Kenny Wilk
House Economic Development Committee
300 SW 10th Street
Room 426-N
Topeka, KS 66612-1504

Re: House Bill 2395

Dear Senator Wilk,

On behalf of the Mortgage Bankers Association of Greater Kansas City, I am writing in support of Bill No. 2395, which grants the Kansas Development Finance Agency (KDFA) authority to issue statewide single-family mortgage revenue bonds.

Lack of this authority means the State relies upon a few counties within the state to administer these particular private activity bond allocations. The effect of this policy decision has been county bond offerings that many times are irregular both in the types of products available under the bond offering and in the timing of the offerings. There has also been a less than equitable distribution of the resources across the state. As a result, many of the state's citizens are unable to access these affordable housing opportunities. Statewide access to these resources will provide all Kansas families the opportunity to achieve the dream of homeownership.

Bill No. 2395 encourages expansion of homeownership throughout the state by allowing the KDFA to raise mortgage funds for low and moderate income first-time homebuyers. The federally subsidized interest rate and down payment assistance will be passed on to the homebuyers through participating community-based lenders. I request you support this legislation because it assists in addressing

House Economic Development
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housing affordability in urban and rural communities across the state of Kansas. I believe this legislation is a good step in the right direction.

Sincerely,

Michael P. Nedrow
President

Robben
DEVELOPMENT COMPANY

16012 METCALF
STILWELL, KANSAS 66085

913 685-2282
fax 913-685-2292
pjrobben@robbencorp.com
www.robbencorp.com

March 5, 2003

The Honorable Senator Kenny Wilk
House Economic Development Committee
300 SW 10th Street
Room 426-N
Topeka, KS 66612-1504

Re: House Bill 2395

Dear Senator Wilk,

I am writing in support of Bill No. 2395, which grants the Kansas Development Finance Agency (KDFA) authority to issue statewide single-family mortgage revenue bonds.

Lack of this authority means the State relies upon a few counties within the state to administer these particular private activity bond allocations. The effect of this policy decision has been county bond offerings that many times are irregular both in the types of products available under the bond offering and in the timing of the offerings. There has also been a less than equitable distribution of the resources across the state. As a result, many of the state's citizens are unable to access these affordable housing opportunities. Statewide access to these resources will provide all Kansas families the opportunity to achieve the dream of homeownership.

Bill No. 2395 encourages expansion of homeownership throughout the state by allowing the KDFA to raise mortgage funds for low and moderate income first-time homebuyers. The federally subsidized interest rate and down payment assistance will be passed on to the homebuyers through participating community-based lenders. I request you support this legislation because it assists in addressing housing affordability in urban and rural communities across the state of Kansas. I believe this legislation is a good step in the right direction.

Sincerely,

Paul J. Robben
President

Communities for the way you live.

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Attachment 16

FIRST CITY OF KANSAS • 1854

LEAVENWORTH

March 4, 2003

The Honorable Representative Kenny Wilk
House Economic Development Committee
300 SW 10th Street
Room 426-N
Topeka, KS 66612-1504

Re: House Bill 2395

Dear Senator Wilk,

I am writing in support of Bill No. 2395, which grants the Kansas Development Finance Agency (KDFA) authority to issue statewide single-family mortgage revenue bonds.

Lack of this authority means the State relies upon a few counties within the state to administer these particular private activity bond allocations. The effect of this policy decision has been county bond offerings that many times are irregular both in the types of products available under the bond offering and in the timing of the offerings. There has also been a less than equitable distribution of the resources across the state. As a result, many of the state's citizens are unable to access these affordable housing opportunities. Statewide access to these resources will provide all Kansas families the opportunity to achieve the dream of homeownership.

Bill No. 2395 encourages expansion of homeownership throughout the state by allowing the KDFA to raise mortgage funds for low and moderate income first-time homebuyers. The federally subsidized interest rate and down payment assistance will be passed on to the homebuyers through participating community-based lenders. I request you support this legislation because it assists in addressing housing affordability in urban and rural communities across the state of Kansas. I believe this legislation is a good step in the right direction.

Sincerely,

John P. Krueger
Director Community Development Department
Executive Director, Housing Authority

JPK:jt

House Economic Development
3-06-03
Attachment 17

100 N. 5th Street • Leavenworth, Kansas 66048-1970 • (913) 682-9201

KAW VALLEY
HABITAT FOR HUMANITY

1103 Osage • Kansas City, Kansas 66105 •913-342-3047 • Fax 913-342-4459 • Website: www.kawvalleyhabitat.org

March 5, 2003

The Honorable Senator Kenny Wilk
House Economic Development Committee
300 SW 10th Street
Room 426-N
Topeka, KS 66612-1504

Re: House Bill 2395

Dear Senator Wilk,

I am writing in support of Bill No. 2395, which grants the Kansas Development Finance Agency (KDFA) authority to issue statewide single-family mortgage revenue bonds.

Lack of this authority means the State relies upon a few counties within the state to administer these particular private activity bond allocations. The effect of this policy decision has been county bond offerings that many times are irregular both in the types of products available under the bond offering and in the timing of the offerings. There has also been a less than equitable distribution of the resources across the state. As a result, many of the state's citizens are unable to access these affordable housing opportunities. Statewide access to these resources will provide all Kansas families the opportunity to achieve the dream of homeownership.

Bill No. 2395 encourages expansion of homeownership throughout the state by allowing the KDFA to raise mortgage funds for low and moderate income first-time homebuyers. The federally subsidized interest rate and down payment assistance will be passed on to the homebuyers through participating community-based lenders. I request you support this legislation because it assists in addressing housing affordability in urban and rural communities across the state of Kansas. I believe this legislation is a good step in the right direction.

Sincerely,

Kelly S. Willoughby
Executive Director

Building Homes in Wyandotte, Johnson and Leavenworth Counties in Kansas

House Economic Development
3-6-03
Attachment 18

The University of Kansas

Graduate Program in Urban Planning
School of Architecture and Urban Design

March 5, 2003

The Honorable Senator Kenny Wilk
House Economic Development Committee
300 SW 10th Street
Room 426-N
Topeka, KS 66612-1504

Re: **House Bill 2395**

Dear Senator Wilk,

I am writing in support of Bill Number 2395. This bill grants the Kansas Development Finance Agency (KDFA) authority to issue statewide single-family mortgage revenue bonds.

For too long, the State of Kansas has been unable to fully address the problems of affordable housing that exist throughout the State. This inability to resolve housing problems results from the lack of a state housing finance agency. All other states have such an agency. These agencies provide the mechanisms to attack the most difficult problems found in troubled housing markets. These agencies are able to structure financing packages that bring low-income multi-family development proposals to feasibility. These agencies are able to direct below market interest rate credit to low-income first-time homebuyers wherever they live in the state. Without such an agency in Kansas, the most challenging problems of housing affordability go unresolved. Bill Number 2395 will go a long way toward correcting this problem.

I hope that you will support this legislation. The creation of a state housing finance agency in Kansas is a long overdue step toward resolving the problems of housing affordability in our state.

Sincerely,

Kirk McClure
Associate Professor

Marvin Hall • 1465 Jayhawk Blvd., Room 317 • Lawrence, KS 66045-7614 • (785) 864-4184 • Fax: (785) 864-5301
ubpl@ku.edu • www.saud.ku.edu/urban/new

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FirstBank
www.firstbank1.com

March 5, 2003

The Honorable Senator Kenny Wilk,
Chairperson, House Economic Development Committee
300 SW 10TH Street
Room 426-N
Topeka, Kansas 66612-1504

RE: House Bill 2395

Dear Senator Wilk:

I am writing in support of Bill No. 2395 which grants the Kansas Development Finance Agency authority to issue statewide single-family mortgage revenue bonds.

I have resided in Kansas since September of 1991. Prior to moving here I lived in Nebraska. Nebraska has had the Nebraska Investment Finance Authority (NIFA) for over 20 years. As a banker there, I appreciate what it has down for helping First-time Home buyers and low to moderate income households. The ability to direct lend to worthy projects was also not a concern shared by the majority of my fellow mortgage bankers. It filled a void.

Imagine my surprise to find out that Kansas was the last state in the union to form a Department of Housing. It was actually a department under the Department of Commerce. In later years it received equal billing. This was formed initially to handle Federal Funds for communities under 50,000 population to distribute HUD block grant funds. I served as an advisor to this department whereby we developed the State of Kansas Downpayment Assistance Program to meet the housing needs of low to moderate income households looking to buy their first home.

However, the ability to issue Mortgage Credit Certificates (MCCs) and Revenue Bonds existed at the county level. Only two counties, Shawnee and Sedgwick were aggressive enough to issue bond programs. While these met the needs of households in Wichita and Topeka, it was up to other counties to enter into inter-local agreements so lenders in their counties could participate. To me this was extremely inefficient and a barrier to broader participation within the State.

My point in all this is the State is playing 20 year catch up with neighboring states in meeting the needs of its citizens with regard to homeownership.

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I request your support for this legislation because it assists in addressing the housing affordability in both urban AND rural communities across the state of Kansas.

One final observation I have as a mortgage banker. The present board makeup does not appear to have a mortgage banker nor someone with expertise who works with low to moderate income households. I strongly encourage addition of these types of representatives.

Sincerely,

Dick Wertzberger

Richard (Dick) A. Wertzberger
Senior Vice President
Director of Retail & Mortgage Banking

HOMESTEAD AFFORDABLE HOUSING, INC.
2090 U. S. Highway 159
Nortonville, KS 66060

To: Honorable State Representative Kenny Wilk, Chair
House Economic Development Committee

From: Thomas A. Bishop, Executive Director
Homestead Affordable Housing, Inc

RE: Support for House Bill 2395

Date: March 6, 2002

Homestead Affordable Housing is a Community Housing Development Organization (CHDO) engaged in the production of affordable housing, rental and homeownership, in rural Kansas communities. We have assisted 89 rural first time home buyers since mid-2001 and have 175 affordable senior rental units completed or under development in rural communities. These activities have provided millions of dollars of economic benefit to the Kansas economy. Our products are generally called "affordable housing" serving families of low to moderate incomes and these homes and apartments funded with a variety of public and private funding sources. CHDOs are certified by state governments (KDOCH) under federal regulations as not-for-profit, 501 (c) 3 agencies operating under boards of directors in our local communities.

We are offering our support for the Governors Executive Reorganization Order and House Bill 2395 which combine the housing development resources of Kansas government with the public finance mission of the Kansas Development Finance Authority (KDFA), including providing KDFA the sole authority for operation of the Kansas Mortgage Revenue Bond (MRB)program.

We are convinced of the need for this for several reasons:

1. <u>The need for distribution of mortgage resources to serve all Kansans</u>

Lodging the housing functions in one agency, an agency that provides for the entire state, will help ensure that all our communities and residents have access to housing finance opportunities and programs. As a rural CHDO we serve counties and communities presently not served by the existing county MRB program resources. We know well the housing needs of our communities. We also know that program resources have historically been concentrated in the largest urban centers of the state, far in excess of a reasonable per capita range of distribution.

There is a large need for mortgage finance options outside the Kansas metro areas. Homestead Affordable Housing is helping to meet this need with several rural first

Att. 9

PHONE: 913-886-2436 FAX: 913-886-2886 E-MAIL: homestead@grasshoppernet.com

House Economic Development
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time buyer programs, funded with FHLBank of Topeka Affordable Housing Program Grants. Attached you'll find a chart listing the communities served to date with these grants.

Also, attached to our testimony you will find a report, completed in October 2002, on the MRB and Mortgage Credit Certificate (MCC) program by Mr. Kirk McClure, Associate Professor, University of Kansas. This report confirms that Shawnee and Sedgwick counties, while only representing 24% of the state's households captured over 67% of the MRB and MCC program benefits.

2. Coordination of federal housing funding and housing finance activity will leverage additional resources and produce more housing

We all seek to leverage our finance and funding as we build homes in Kansas. We believe that KDFA will be better able to leverage and increase funding and finance options as federal funds are passed through to CHDOs and local government.

Federal enabling legislation has resulted in state housing finance agencies (HFAs) in forty-nine other states. As congress contemplates current and future housing finance and funding it is through the framework of HFAs that legislation is crafted. Kansas is at a continued disadvantage in the coordination and leveraging of these resources as a result.

3. Housing Finance Agencies provide community lenders finance options

Housing finance agencies, in the other 49 states, provide local community banks and lenders finance options that help them compete in the housing finance marketplace with huge national lenders.

Most state MRB programs provide sources of mortgage finance to these local lenders without up-front commitment or participation fees from participating banks. Lenders receive reasonable fees for origination. The result is that small banks, without the volume to sell to the secondary market, can again provide home loans to their communities and more Kansans have access to affordable home loans, from local community banks.

Thank you for your time and consideration. We ask for your strong support HB 2395 to provide a quality system of housing finance for all of Kansas.

HOMESTEAD AFFORDABLE HOUSING, INC.
2090 U. S. Highway 159
Nortonville, KS 66060

Homestead Affordable Housing

First Time Buyer Statistics 2001-2003

3/5/2003

Town	Population	# of Buyers	Average Home Price
Abilene	6,520	2	$66,000
Belvue	222	1	$54,600
Centralia	428	1	$25,000
Chapman	1,352	1	$87,000
Clay Center	4,692	1	$39,300
Concordia	5,706	3	$53,560
Dodge City	22,430	1	$45,000
Ellis	1,740	2	$40,600
Enterprise	875	1	$89,900
Eskridge	495	1	$52,000
Gardner	5,601	2	$112,500
Gorham	269	1	$79,400
Great Bend	14,718	40	$48,434
Hanover	551	2	$40,250
Hays	17,991	2	$55,000
Hoisington	2,992	3	$30,833
Junction City	17,659	8	$69,000
Kinsley	1,634	1	$16,000
LaCrosse	1,258	1	$17,000
Maple Hill	220	1	$84,000
Neosho Rapids	249	1	$39,900
Osawatomie	4,514	2	$76,000
Paola	4,751	4	$82,500
Randolph	120	1	$51,650
Seneca	1,995	1	$105,000
Silver Lake	1,384	1	$95,500
Spring Hill	2,464	2	$117,900
Wamego	4,002	2	$91,750

28 Rural Communities
Average Town Size **4,530** **Total Buyers** **89**

Average Income **$22,378**

Average Sale Price **$58,421**
Total Sale Price of homes **$5,199,438**

All households received down payment and closing cost grants of $4,000, funded by FHLBank of Topeka Affordable Housing Program (AHP) funds, awarded to Homestead Affordable Housing through the following member banks:

Golden Belt Bank	Hays, Kansas
Farmers Bank & Trust, NA	Great Bend, Kansas
Commercial Federal Bank	Omaha, NE

PHONE: 913-886-2436 FAX: 913-886-2886 E-MAIL: homestead@grasshoppernet.com

Notes concerning the distribution of Mortgage Revenue Bonds and Mortgage Credit Certificates in the State of Kansas 1995 to 2001

Kirk McClure
Associate Professor
Graduate Program in Urban Planning
University of Kansas

October 25, 2002

Mortgage Revenue Bond Program

Program Benefits and Eligibility Rules

The Mortgage Revenue Bond (MRB) program provides below market interest rate financing at high loan-to-value ratio to households who:

Have not owned a home during the preceding three years,
Have income below geographically defined limits, and
Purchase a home for new occupancy (not refinancing) with a purchase price below geographically defined limits.

In addition to the financing benefits, the participating household may receive a grant in the amount of 4% of the home purchase price that must be applied to the purchase of the home. If the household sells the home prior to 10 years or occupancy, the household may have to pay back some portion of capital gain.

The income limits are generally $63,365 for family of three or more persons if the home is in a non-metropolitan area. The limits are higher in the metropolitan areas ranging from $64,400 Lawrence to $74,175 in Kansas City.

Program Performance: Income of Households Served

The program has income limits that are rather high. The 2000 Census lists the median household income in Kansas during 1999 as $40,624. This is below the eligibility limits set for the MRB program. However, although the eligibility limits are set quite high, the program appears to be serving households whose income level is well below the maximum permitted limits. From the 2002 second quarter report on program performance, the average income of the households participating in the program was $35,012. This average income is only 86 percent of the 1999 median household income for the State.

Program Performance: Price of Homes Purchased

The program's purchase price limits are generally $118,010 for new homes in non-metropolitan areas. The new home limits are higher in metropolitan areas ranging from $101,620 in non-target tracts of Wichita to $54,030 target in Kansas City. The purchase price limits for existing homes are lower at $62,910 for non metropolitan areas. The existing home price limits are higher in metropolitan areas ranging from $ 78,570 in non-target Lawrence to $112,530 in target areas of Kansas City.

The median value of all homes in Kansas was $83,500 according to the 2000 Census. Thus, purchase price limits are distributed around this level.

Independent of the purchase price limits, the MRB program appears to be assisting buyers of lower-priced homes. The 2002 second quarter report on the program's performance lists the average price of homes purchased at $64,292. This is 77 percent of the median value of homes in Kansas.

Program Performance: Spatial Distribution of Participants Throughout the State

The MRB program is not administered statewide, but is administered through private administering agents sponsored by one or more counties with the number of sponsoring counties varying from time to time. The complimentary Mortgage Credit Certificate (MCC) program is administered similarly. The MCC program

Table 1. Distribution of MRB and MCC Households by Counties

Counties by households served:	*Count*	*Percent of Counties*
None	35	33%
1 or 2	21	20%
3 to 50	38	36%
51 to 600	9	9%
1,300 to 2,500	2	2%
TOTAL	105	100%

provides federal income tax credits rather than below-market interest rate financing to eligible homebuyers. The MCC program is used only infrequently, sometimes in lieu of the MRB program, sometime in addition to the MRB program.

Because the programs are not administered on a statewide basis, their distribution throughout the state is uneven. The total number of households served by the MRB and MCC programs have been totaled for the years 1995 through 2002.

Most counties either had no households served or had only 1 or 2 households served. Another one-third of the counties had from 3 to 50 households served. Two counties, Shawnee and Sedgwick, each had a very high number of households served. Shawnee had 1,341 households served (24 percent of the 5,688 total households served). Sedgwick had 2,467 households served (43 percent of the total households served). <u>Thus, these two counties consumed over two-thirds of the benefits of these programs.</u>

Shawnee and Sedgwick combine to have only 24 percent of the households in the state and only 25 percent of the owner-occupants who moved during 1999, a measure of homeowner market activity. However, these two counties captured over 67 percent of the MRB and MCC program benefits.

The following table describes the distribution of MRB and MCC activity across the state. Each county is categorized according to its "fair share" of MRB and MCC benefits based upon the county's number of homeowners who moved in 1999 as a percentage of the total movers for the State. Using this measure of housing market activity, each county should expect to receive MRB and MCC benefits in proportion to its share of the State's housing market activity.

Table 2 indicates that about one-half of the counties in Kansas receive about the amount of MRB and MCC program benefits that would be expected. Only four counties appears to be over-served, that is, receive significantly more than their expected share of program benefits based upon their share of statewide housing market activity. Two of these states receive only between 10 and 20 more units than might be expected over the 6 years of program activity measured. Sedgwick and Shawnee receive many more units than expected. Shawnee received 991 more units that expected, and Sedgwick received 1,416 more units than expected.

Table 2. **Counties by Fair Share of MRB and MCC Program Benefits**

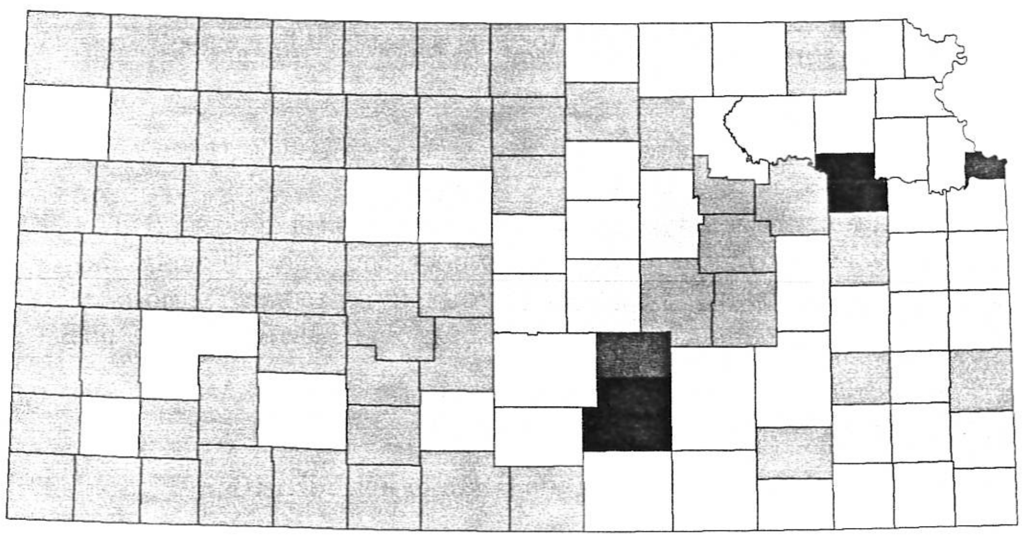
Comparing Expected MRB and MCC Household Based Upon Share of Home Owner Households who Moved with Number of Actual MRB and MCC Households from 1995-2001

Counties that were:	*Number:*	*Percent of Total:*
Under-Served by 70 to 700 Units	5	5%
Under-Served by 10 to 70 Units	41	39%
Adequately Served within 10 Units	55	52%
Over-Served by 10 to 20 Units	2	2%
Over-Served by 900 to 1,400 Units	2	2%
TOTAL	105	100%

Map 1 indicates that the distribution is uneven across the state. The adequately served counties tend to be in the western portion of the State. The underserved counties tend to be in the eastern portion of the State.

State of Kansas

Mortgage Revenue Bond and Mortgage Credit Certificate Usage
1995 to 2000



County Under-Served or Over-Served by MRB and MCC Programs

- Under-Served 70 to 700 units
- Under-Served 10 to 70 units
- Adequately Served within 10 units
- Over-Served 10 to 20 units
- Over-Served 900 to 1400 units

Source: Counts of MRB loans and MCCs issued from Kansas Department of Commerce and Housing
Counts of expected shares of MRBs and MCCs based upon owner-occupied units purchased in 2000 from Census data

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