

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Karin Brownlee at 8:30 a.m. on March 6, 2003 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: April Holman, Legislative Research
Mitch Rice, Revisor of Statutes
Jodie Anspaugh, Secretary

Conferees appearing before the committee: Steve Weatherford, Kansas Development Finance Authority
Randall Hrabe, Northwest Kansas Housing, Inc.
Dick Wertzberger, First Bank of Manhattan, KS
Tom Bishop, Homestead Affordable Housing, Inc.
Sandy Goodwin, Fannie Mae
Melissa Walker, AmeriFirst Mortgage
Donald Witzke, Coldwell Banker
Andrew Bias, Mennonite Housing
Brad Snapp, Sedgwick County Housing Director

Others attending: See attached list.

Chairperson Brownlee opened the hearing on SB 222 and announced that the committee will hear from the proponents today. April Holman from Legislative Research briefed the committee on SB 222. This bill would expand the authority of the Kansas Development Finance Authority to issue mortgage revenue bonds. This would include moderate as well as low income families and also supplies a new definition of a home that includes condominiums. Ms. Holman also read parts of the fiscal note for this bill. (Attachment 1)

Steve Weatherford, President of the Kansas Development Finance Authority, testified in support of SB 222. (Attachment 2) This bill will assist low and moderate income first time home buyers in the dream of owning a home. Mr. Weatherford is offering an amendment that will restrict the ability of KDFFA to be in the direct lending business. KDFFA does not wish to compete with private lenders through the direct origination of first lien single-family mortgage loans.

Randall Hrabe of Northwest Kansas Housing, Inc. testified in support of SB 222. (Attachment 3) This bill would greatly enhance home ownership options and help leverage other funding resources.

Dick Wertzberger, Senior Vice President of First Bank, testified in support of SB 222. (Attachment 4) This legislation addresses the housing affordability in both urban and rural communities across the state of Kansas. He observed that the present KDFFA board does not have a mortgage banker or someone with experience working with low to moderate income households. He encourages the addition of those members.

Tom Bishop with Homestead Affordable Housing, Inc. testified in support of SB 222. (Attachment 5) He supports this bill because it will allow all Kansans access to mortgage resources. The coordination of federal housing funding and housing finance activity will leverage additional resources and produce more housing, and the housing finance agency will provide finance options to community lenders to compete with large national lenders.

Sandy Goodwin, Fannie Mae, testified in support of SB 222. (Attachment 6) She believes that SB 222 encourages the expansion of homeownership throughout the state of Kansas by allowing the KDFFA to raise mortgage funds for low and moderate income first time home buyers. The federally subsidized

CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE at 8:30 a.m. on March 6, 2003 in Room 123-S of the Capitol.

interest rate and down payment assistance will be passed on to these home buyers through participating community-based lenders.

Melissa Walker, President of AmeriFirst Mortgage, Inc., testified in support of SB 222. (Attachments 7 and 8) This bill will allow Kansas to be a frontrunner in increasing the number of homeowners.

Donald Witzke from Coldwell Banker in Liberal, KS testified in support of SB 222. (Attachment 9) This bill provides needed assistance to people in rural areas with little or no available resources for down payment or closing costs or low interest financing.

Andrew Bias, President/CEO of Mennonite Housing in Wichita, testified in support of SB 222. (Attachment 10) It would increase the affordable housing opportunities in Kansas. He suggested an amendment that would allow Sedgwick County to continue to issue mortgage revenue bonds.

Brad Snapp from Sedgwick County testified as neutral on SB 222. (Attachment 11) This bill 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. Sedgwick County does not oppose KDFRA receiving authority to issue single family mortgage revenue bonds (SFRMBs), but does not want to lose its statutory authority to continue to issue SFMRBs for first time homebuyers. 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.

Senator Brownlee announced that the Commerce Committee will meet at 8:00 a.m. tomorrow.

Written testimony was provided by the following proponents of SB 222:

Karen Wulfkuhle, United Community Services of Johnson County (Attachment 12)

John Krueger, City of Leavenworth (Attachment 13)

Michael Nedrow, Mortgage Bankers Association of Greater Kansas City (Attachment 14)

Paul Robben, Robben Development Services (Attachment 15)

Kelly Willoughby, Kaw Valley Habitat for Humanity (Attachment 16)

Kirk McClure, Associate Professor, University of Kansas (Attachment 17)

Rosalyn Brown, Unified Government of Wyandotte County/Kansas City, Kansas (Attachment 18)

The meeting was adjourned at 9:30 a.m.

The next meeting will be on March 7, 2003 at 8:00 a.m.

SENATE COMMERCE COMMITTEE

GUEST LIST

DATE: Thursday, March 6, 2003

NAME	REPRESENTING
Melissa L. Walker	Kansas Association of Mortgage Brokers
SANDRA GOODWIN	FANNIE MAE
Tony Fidler	Governor's Office
Dave Holtwick	KC Home Builders Association
Megan Chiffert	Burgess & Associates
Sammy Dishman	KIFA
Chuck Stones	KBA
Richard A. Westberger	First Bank - Manhattan, K.S.
Tom Bishop	Homestead Affordable Housing
Row Seebert	Hein Law Firm
Brad Snapp	Sedgwick County
Mike Pepoon	Sedgwick Co.
DON COOPER	Commercial Group Inc.
Paul Johnson	PACK
Mike Farmer	Kansas Catholic Conf.
Martha Jean Smith	KS Mtg. Housing Assn.
Phil Johnson	Capital Federal
Matthew Goddard	Heartland Community Bankers
Whitney Dameron	City of Topeka
Don Seifert	City of Olathe
Randy Speaker	City of Topeka

KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

February 20, 2003

The Honorable Karin Brownlee, Chairperson
Senate Committee on Commerce
Statehouse, Room 136-N
Topeka, Kansas 66612

Dear Senator Brownlee:

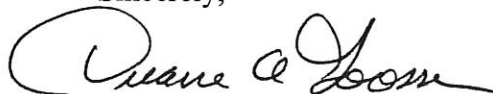
SUBJECT: Fiscal Note for SB 222 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 222 is respectfully submitted to your committee.

SB 222 would allow the Kansas Development Finance Authority to issue bonds to implement a statewide first time homebuyer's program. The program would be called the Single Family Mortgage Revenue Bond Program. The bill includes provisions to facilitate the administration of the program, such as making and executing contracts, authorizing the sale of any home mortgage loan, and pledging revenues received from any home mortgage loan to the payment of bonds.

The Kansas Development Finance Authority notes that fees generated by the transaction would pay for its expenses. In addition, the current staff would be able to manage the contemplated bond transactions.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Steve Weatherford, K DFA

Senate Commerce Committee

3-6-03
Attachment 1

**TESTIMONY OF KANSAS DEVELOPMENT FINANCE AUTHORITY
TO THE SENATE COMMERCE COMMITTEE
PRESENTED BY KDFA PRESIDENT STEPHEN R. WEATHERFORD
REGARDING SENATE BILL NO. 222
MARCH 6, 2003**

Madam Chairman and Honorable Members of the Committee, Kansas Development Finance Authority ("KDFA") appreciates this opportunity to testify before you concerning proposed Senate Bill No. 222.

· 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 Senate Bill No. 222 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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Attachment 2-1

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 Senate Bill No. 222.

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

<i>Counties by households served:</i>	<i>Count</i>	<i>Percent of Counties</i>
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**

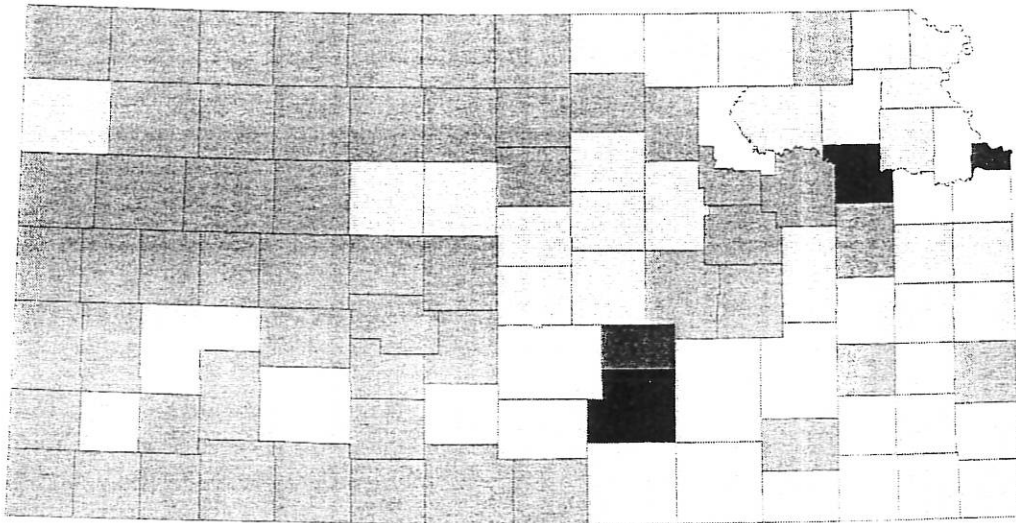
Comparing Expected MRB and MCC Household Based Upon Share of Home Owner Households who Moved with Number of Actual MRB and MCC Households from 1995-2001

<i>Counties that were:</i>	<i>Number:</i>	<i>Percent of Total:</i>
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 Senate Bill No. 222, Commerce 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~~ (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;

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

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.

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

**TESTIMONY OF NORTHWEST KANSAS HOUSING, INC.
TO THE SENATE COMMERCE COMMITTEE
PRESENTED BY NWKHI BOARD MEMBER RANDALL J. HRABE
REGARDING SENATE BILL NO. 222
MARCH 6, 2003**

Madam Chairman and Honorable Members of the Committee, the Northwest Kansas Housing, Inc. (NWKHI) appreciates this opportunity to testify before you concerning the proposed Senate Bill No. 222.

As an introduction, I am Randall Hrabec 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 8 units in Phillipsburg. These are all "market rate" rental units for Low to Moderate Income families, commonly known as "affordable 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 proposal before you in Senate Bill 222 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 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.

Senate Commerce Committee

3-6-03
Attachment 3



March 5, 2003

The Honorable Senator Karin Brownlee
Chairperson, Senate Commerce Committee
300 SW 10TH Street
Room 136-N
Topeka, Kansas 66612-1504

RE: Senate Bill 222

Dear Senator Brownlee:

I am writing in support of Bill No. 222 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 done 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.



MANHATTAN: Main Bank, 701 Poyntz • West Bank, 3005 Anderson 785-537-0200
LAWRENCE: 2710 Iowa 785-841-6677 JUNCTION CITY: 208 S. Washington 785-762-5634



Senate Commerce Committee

3-6-03

Attachment 4-1

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,



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 Senator Karin Brownlee, Chair
Senate Commerce Committee

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

RE: Support for Senate Bill 222

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 Senate Bill 222 which combine the housing development resources of Kansas government with the public finance mission of the Kansas Development Finance Authority (K DFA), including providing K DFA 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. The need for distribution of mortgage resources to serve all Kansans

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

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

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Attachment 5-1

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 SB 222 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

<u>Town</u>	<u>Population</u>	<u># of Buyers</u>	<u>Average Home Price</u>
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	Average Sale Price	\$58,421
\$22,378	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.

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

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

<i>Counties by households served:</i>	<i>Count</i>	<i>Percent of Counties</i>
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%

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

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 than expected, and Sedgwick received 1,416 more units than expected.

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

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

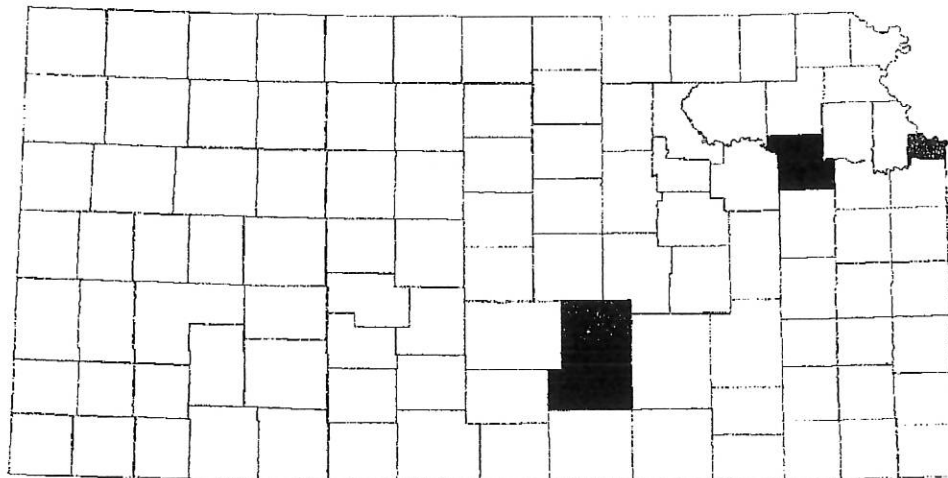
<i>Counties that were:</i>	<i>Number:</i>	<i>Percent of Total:</i>
Under-Served by 70 to 700 Units	5	5%
Under-Served by 10 to 70 Units	41	39%
Adequately Served within 10 Units	55	52%
Over-Served by 10 to 20 Units	2	2%
Over-Served by 900 to 1,400 Units	2	2%
TOTAL	105	100%

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.






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

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

March 5, 2003

The Honorable Senator Karin Brownlee
Chairwoman
Senate Commerce Committee
300 SW 10th Street
Topeka, Kansas 66612-1504

Dear Senator Brownlee,

Attached is testimony to be provided to the Senate Commerce Committee at a hearing scheduled for March 6, 2003, at 8:30 a.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
Sr. Deputy Director
Kansas City Partnership Office

Senate Commerce Committee
3-6-03
Attachment 6-1

Testimony of Sandra J. Goodwin, Fannie Mae
To the Senate Commerce Committee
Regarding Senate Bill No. 222
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. 222 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.

Good morning, my name is Melissa Walker, I am an owner of a mortgage broker company with offices in Kansas City, Kansas and Overland Park, Kansas. I am also Past President of the Kansas Association of Mortgage Brokers, which represents approximately 400 members statewide and was named the 2002 Mortgage Broker of the Year by the National Association of Mortgage Brokers, which represents more than 15,000 members nationwide. The Association's purpose is to advance the knowledge and understanding of the mortgage profession and the valuable services we provide through the education of professionals of the mortgage industry and the public.

It is the position of myself and the Kansas Association of Mortgage Brokers that the development of a Kansas Housing Finance Authority would be crucial to potential homebuyers throughout the state of Kansas. The purchase of a home is the single most important transaction that a family will encounter in their lifetime, shouldn't this be available to all consumers? As it stands now, only certain families in certain counties within Kansas have the ability to take advantage of the types of programs that could be offered through a statewide mortgage revenue bond program. As you are aware, one of the most important items on President Bush's agenda during his term is to substantially increase the rate of homeownership, this program will help Kansas lead the way down that path. I request that you support this legislation as it will allow low and moderate income first-time homebuyers the opportunity to own a piece of the American Dream and assist in addressing housing affordability in urban and rural communities across the state of Kansas.

Senate Commerce Committee

3-6-03
Attachment 7

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 Karin Brownlee
Senate Commerce Committee
300 SW 10th St.
Room 136-N
Topeka, KS 66612-1504

Re: Senate Bill 222

Dear Senator Brownlee:

I am writing in support of Bill No. 222, 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. 222 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 Association of Mortgage Brokers (which represents more than 15,000 members),

Senate Commerce Committee
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Attachment 8

● Page 2

March 5, 2003

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

Senate Commerce Committee

3-6-03
Attachment 9

Testimony on behalf of SB 222

Good morning, 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 morning in support of Senate Bill 222.

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 KDFRA 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

Senate Commerce Committee

3-6-03

Attachment 10

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**

Senate Commerce Committee
March 6, 2003

Honorable Chair Brownlee 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 SB 222.

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*.

Senate Bill 222 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 Senate Bill 222 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

Senate Commerce Committee
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Attachment 1100-1

time homebuyers. If SB 222 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 SB 222 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: **Senate Bill 222**, introduced by the Committee on Ways and Means on February 13, 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.

Senate Bill 222 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



UNITED COMMUNITY SERVICES OF JOHNSON COUNTY

Drug & Alcoholism Council of Johnson County
Johnson County Children's Coordinating Council

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Joan Wells
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March 4, 2003

The Honorable Karin Brownlee
Senate Commerce Committee
300 SW 10th Street, Room 136-N
Topeka, Kansas 66612-1504

Re: Senate Bill 222

Dear Sen. Brownlee:

On behalf of United Community Services of Johnson County, we are writing in support of SB 222 which would permit the Kansas Development Finance Agency (KDFA) to issue statewide single-family revenue bonds. This activity, among other efforts now possible through the newly designated housing finance authority, holds great potential to encourage the maintenance and production of a broader range of affordable, workforce housing in Johnson County and across the state.

COUNCIL OF ADVISORS

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David Watkins
Dr. Ron Wimmer

UCS supports the creation of a state housing finance authority to expand the supply of quality affordable housing statewide in Kansas. As the only state without such an authority, Kansas is lagging behind other states in some of the creative ways that public sector dollars can be coupled with private sector development to make a greater spectrum of housing opportunities work in today's market.

Johnson County faces the unique challenges of a high-cost housing market. Thousands of Johnson County working households routinely pay mortgage costs and rents that are not considered affordable:

- Three out every ten (14,504) Johnson County renters pay more than 30 percent of gross income for rent, the benchmark of affordable housing costs. An alarming 5,961 of these renters pay more than 50 percent of gross rent for housing.
- One out of every six (18,863) Johnson County homeowners pays more than 30 percent for monthly owner costs. Half of these 18,863 households had incomes between \$20,000 and \$50,000.

Johnson County working households with modest incomes are the one who could benefit from a statewide first-time homebuyers program. We hope you will support SB 222 and the creation of a Kansas housing finance authority.

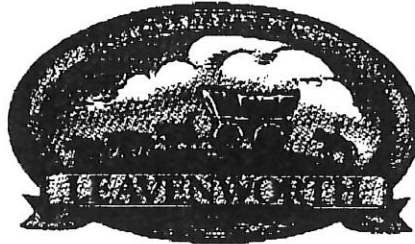
Sincerely,

Gerry Ray
UCS Public Policy Committee Chair

Karen Wulfkuhle
Executive Director

EXECUTIVE DIRECTOR
Karen Wulfkuhle

United Way's
Planning Partner in
Johnson County



March 4, 2003

The Honorable Senator Karin Brownlee
Senate Commerce Committee
300 SW 10th Street
Room 136-N
Topeka, KS 66612-1504

Re: Senate Bill 222

Dear Senator Brownlee,

I am writing in support of Legislative Bill No. 222, which authorizes the Kansas Development Finance Agency (KDFA) to issue statewide single-family mortgage revenue bonds. The Bill encourages expansion of homeownership throughout the state by allowing the KDFA to provide mortgages to homebuyers through participating community-based lenders.

The legislation, if adopted, will help provide affordable housing in both urban and rural communities. Leavenworth is one of those in-between cities. We are part of the Kansas City Metropolitan Statistical Area, but we are a smaller, stand alone community. Our citizens have never had access to the Missouri bonds and Leavenworth County seldom participates in the Wyandotte or Johnson County issues. Having the program available on a statewide basis brings equity into the picture.

The Kansas Housing office has an outstanding track record for statewide program administration, especially for first time homebuyers. Leavenworth lenders at one time led the state in participation in this vital, affordable housing initiative through the HOME program. Likewise, the Low Income Housing Tax Credit program has significantly contributed to the availability of affordable rental units across the state. Leavenworth has received approval of 224 LIHTC units (170 are built and occupied, 54 are under construction). Without these statewide efforts, affordable housing would not be distributed fairly. LB 222 simply continues the effort to help families meet the third most basic of human needs: affordable housing.

Sincerely,

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

cc: M. Gary Ortiz, City Manager
Rep. Marti Crow
Rep. L. Candy Ruff
Sen. Robert Lyons



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 Karin Brownlee
Senate Commerce Committee
300 SW 10th Street
Room 136-N
Topeka, KS 66612-1504

Re: Senate Bill 222

Dear Senator Brownlee,

On behalf of the Mortgage Bankers Association of Greater Kansas City, I am writing in support of Bill No. 222, 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. 222 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

Senate Commerce Committee
3-6-03
Attachment 14

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



16012 METCALF
STUWELL, KANSAS 66085

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fax 913 685 2292
pjrobber@robbercorp.com
www.robbercorp.com

March 5, 2003

The Honorable Senator Karin Brownlee
Senate Commerce Committee
300 SW 10th Street
Room 136-N
Topeka, KS 66612-1504

Re: Senate Bill 222

Dear Senator Brownlee,

I am writing in support of Bill No. 222, which grants the Kansas Development Finance Agency (KDEFA) 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. 222 encourages expansion of homeownership throughout the state by allowing the KDEFA 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.



P. 02

FAX NO.

Senate Commerce Committee

3-6-03

Attachment 15



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

March 5, 2003

The Honorable Senator Karin Brownlee
 Senate Commerce Committee
 300 SW 10th Street
 Room 136-N
 Topeka, KS 66612-1504

Re: Senate Bill 222

Dear Senator Brownlee,

I am writing in support of Bill No. 222, 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.

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Sincerely,

A handwritten signature in black ink that reads "Kelly S. Willoughby".

Kelly S. Willoughby
 Executive Director

Building Homes in Wyandotte, Johnson and Leavenworth Counties in Kansas

Senate Commerce Committee
 3-6-03
 Attachment 16

The University of Kansas

Graduate Program in Urban Planning
School of Architecture and Urban Design

March 5, 2003

The Honorable Senator Karin Brownlee
Senate Commerce Committee
300 SW 10th Street
Room 136-N
Topeka, KS 66612-1504

Re: **Senate Bill 222**

Dear Senator Brownlee,

I am writing in support of Bill Number 222. This bill grants the Kansas Development Finance Agency (KDFFA) 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 222 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



**Unified Government of
Wyandotte County/Kansas City, Kansas**
Carol Marinovich, Mayor/CEO

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

March 05, 2003

The Honorable Karin Brownlee
Senate Commerce Committee
300 SW 10th Street
Room 136-N
Topeka, KS 66612-1504

Re: Senate Bill 222

Dear Senator Brownlee,

I am writing in support of Bill No. 222, 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. 222 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
Community Liaison

Senate Commerce Committee
3-6-03
Attachment 18