

SESSION OF 2021

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2236

As Amended by House Committee on Financial
Institutions and Rural Development

Brief*

HB 2236, as amended, would authorize appraisers to exclude the sales comparison approach in rural county mortgage financing appraisals if the property is unique in style or square footage, or both, and if there exists a lack of available comparable sales within 30 miles of the property.

The bill would require the appraiser, in the appraisal report, to provide an explanation of the reasons for exclusion of the sales comparison approach and require the appraiser to document the appraiser's efforts to obtain comparable sales or market data.

The bill would prohibit a financial institution from declining to proceed with a mortgage finance transaction due to exclusion of the sales comparison approach, unless the approach is required for such mortgage finance transaction loan to be guaranteed or sold in the secondary market.

The bill would define the following terms:

- "Financial institution" to mean a bank, national banking association, savings and loan association, savings bank, trust company, credit union, finance company, or other lending institution; and
- "Rural county" to mean any county in Kansas with a population of less than 10,000, using census data certified to the Secretary of State pursuant to KSA 11-201.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

The bill was introduced by the House Committee on Financial Institutions and Rural Development at the request of Representative Kelly on behalf of Representative Waymaster.

House Committee on Financial Institutions and Rural Development

In the House Committee hearing, Representative Waymaster and the Executive Director of the Kansas Manufactured Housing Association provided written-only **proponent** testimony. The written-only proponents indicated the bill would address challenges that appraisers in rural areas have with finding similar properties for comparison to complete a sales comparison approach. The written-only proponents further indicated sales comparison issues have resulted in applicants for mortgages being declined by financial institutions.

No other testimony was provided.

The House Committee amended the bill to allow financial institutions to decline to proceed with a mortgage finance transaction due to the exclusion of the sales comparison approach if the sales comparison approach is required for such mortgage finance transaction loan to be guaranteed or sold in the secondary market.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the Kansas Real Estate Appraisal Board indicates the bill would have no fiscal effect on its operations.

Appraisal; sales comparison; financial institution; rural; mortgages