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Economic Impact Statement for the proposed amendments to
K.A.R. 3-3-2

Legislative changes

In 2010, the Kansas Legislature passed Senate Bill 382 with two changes to the Housing Loan Program that affected its existing regulations. The Treasurer was given the authority to set the maximum home value for the Housing Loan Program based on the rules for Mortgage Revenue Bonds in the Internal Revenue Code, and the ending date for the requirement to set aside 50% of the funds for properties in designated cities that had experienced natural disasters was moved up to December 31, 2010. Other changes to the program included allowing each developer borrow to have multiple loans with a maximum of \$2 million per borrower and expanding the program to include both rehabilitation of existing homes in addition to new construction and multi-family homes. These legislative changes were made after the Treasurer's Office consulted with the Kansas Bankers Association, the Homebuilders of Greater Kansas City, the Community Bankers Association, the Kansas Manufactured Homes Association, the Kansas Building Industry Association, the Heartland Community Bankers, Local Initiatives Support Corporation, and the Kansas Association of Realtors to find ways to improve the program.

Overview of Regulation Amendments

The maximum home value has been raised from \$159,173 to \$287,434. The Treasurer's Office will monitor changes to the average home values in section 143(e) of the Internal Revenue Codes and adjust these regulations as needed in the future. The date that all of the \$55 million for this program will be available for loans state-wide instead of reserving \$25.25 million for homes located in the cities of Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola, Neodesha, or Osawatomie has been advanced from July 1, 2011 to December 31, 2010.

Impacted entities

Our hope is that these changes will encourage more developers to participate in the program and receive lower cost loans to build or rehabilitate homes in Kansas. Building more homes helps Kansas communities increase their housing stock to attract workers as well as provides jobs in the home building industry. The only negative impact of these changes is that developers or potential home owners in the cities of Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola, Neodesha, or Osawatomie will have to compete for available funds with developers building homes state-wide six months sooner.