AN ACT concerning the Kansas housing loan deposit program; relating to the building or rehabilitation of adult care homes, amending K.S.A. 2011 Supp. 75-4209, 75-4277, 75-4278 and 75-4279 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2011 Supp. 75-4209 is hereby amended to read as follows: 75-4209. (a) The director of investments may invest and reinvest state moneys eligible for investment which are not invested in accordance with K.S.A. 75-4237, and amendments thereto, in the following investments:

(1) Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations and securities of the United States sponsored enterprises which under federal law may be accepted as security for public funds, on and after the effective date of this act moneys available for investment under this subsection shall not be invested in mortgage-backed securities of such enterprises and of the government national mortgage association, except that any such mortgage-backed securities held prior to the effective date of this act may be held to maturity;

(2) repurchase agreements with a bank or a primary government securities dealer which reports to the market reports division of the federal reserve bank of New York for direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof and obligations and securities of United States government sponsored enterprises which under federal law may be accepted as security for public funds;

(3) commercial paper that does not exceed 270 days to maturity and which has received one of the two highest commercial paper credit ratings by a nationally recognized investment rating firm; and

(4) corporate bonds which have received one of the two highest ratings by a nationally recognized investment rating firm.

(b) When moneys are available for deposit or investments, the director of investments may invest in SKILL act projects and bonds pursuant to K.S.A. 74-8920, and amendments thereto, and in state agency bonds and bond projects.

(c) When moneys are available for deposits or investments, the director of investments may invest in preferred stock of Kansas venture capital, inc., under terms and conditions prescribed by K.S.A. 74-8203, and amendments thereto, but such investments shall not in the aggregate exceed a total amount of $10,000,000.

(d) When moneys are available for deposits or investments, the director of investments may invest in loans pursuant to legislative mandates, except that not more than the greater of 10% or $140,000,000 of the state moneys shall be invested.

(e) Interest on investment accounts in banks is to be paid at maturity, but not less than annually.

(f) Investments made by the director of investments under the provisions of this section shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

(g) Investments under subsection (a) or (b) or under K.S.A. 75-4237, and amendments thereto, shall be for a period not to exceed four years, except that linked deposits authorized under the provisions of K.S.A. 2-3703 through 2-3707, and amendments thereto, shall not exceed a period of 10 years; agricultural production loan deposits authorized under the provisions of K.S.A. 2011 Supp. 75-4268 through 75-4274, and amendments thereto, shall not exceed a period of eight years and housing loan deposits authorized under K.S.A. 2011 Supp. 75-4276 through 75-4282, and amendments thereto, shall not exceed a period of five years or 20 years, as applicable pursuant to K.S.A. 2011 Supp. 75-4279, and amendments thereto.

(h) Investments in securities under paragraph (1) of subsection (a) shall be limited to securities which do not have any more interest rate risk than do direct United States government obligations of similar maturities. For purposes of this subsection, “interest rate risk” means market value changes due to changes in current interest rates.

(i) The director of investments shall not invest state moneys eligible
for investment under subsection (a), in the municipal investment pool fund, created under K.S.A. 12-1677a, and amendments thereto.

(j) The director of investments shall not invest moneys in the pooled money investment portfolio in derivatives. As used in this subsection, "derivatives" means a financial contract whose value depends on the value of an underlying asset or index of asset values.

(k) Moneys and investments in the pooled money investment portfolio shall be invested and reinvested by the director of investments in accordance with investment policies developed, approved, published and updated on an annual basis by the board. Such investment policies shall include at a minimum guidelines which identify credit standards, eligible instruments, allowable maturity ranges, methods for valuing the portfolio, calculating earnings and yields and limits on portfolio concentration for each type of investment. Any changes in such investment policies shall be approved by the pooled money investment board. Such investment policies may specify the contents of reports, methods of crediting funds and accounts and other operating procedures.

(l) The board shall adopt rules and regulations to establish an overall percentage limitation on the investment of moneys in investments authorized under paragraph (3) of subsection (a), and within such authorized investment, the board shall establish a percentage limitation on the investment in any single business entity.

Sec. 2. K.S.A. 2011 Supp. 75-4277 is hereby amended to read as follows: 75-4277. As used in K.S.A. 2011 Supp. 75-4276 through 75-4282, and amendments thereto:

(a) "Housing loan deposit" means an investment account placed by the director of investments under the provisions of article 42 of chapter 75 of the Kansas Statutes Annotated with an eligible lending institution for the purpose of carrying out the intent of this act;

(b) "housing loan deposit loan package" means the forms provided by the state treasurer for the purpose of applying for a housing loan deposit;

(c) "eligible lending institution" means a depository bank, as defined under K.S.A. 75-4201, and amendments thereto, that agrees to participate in the Kansas housing loan deposit program and is eligible to be a depository of state funds;

(d) "eligible developer borrower" means any person, firm or corporation building new houses or not-for-profit adult care homes or rehabilitating existing houses or not-for-profit adult care homes;

(e) "house" means a single-family or multi-family dwelling that initially sells or is appraised at or below the average area purchase price safe harbor for the state of Kansas as established by the state treasurer through rules and regulations based on the requirements of section 143(e) of the internal revenue code of 1986 for homes that are eligible for mortgage revenue bonds; and

(f) "adult care home" means the same as in K.S.A. 39-923, and amendments thereto.

Sec. 3. K.S.A. 2011 Supp. 75-4278 is hereby amended to read as follows: 75-4278. (a) The state treasurer is hereby authorized to administer the Kansas housing loan deposit program. Such program shall be for the purpose of providing incentives for the making of housing and adult care homes construction development loans. The state treasurer shall promulgate rules and regulations to carry out the provisions of K.S.A. 2011 Supp. 75-4276 through 75-4282, and amendments thereto.

(b) The state treasurer shall submit an annual report outlining the status of the program to the governor and the legislature.

Sec. 4. K.S.A. 2011 Supp. 75-4279 is hereby amended to read as follows: 75-4279. (a) The state treasurer is hereby authorized to disseminate information and to provide housing loan deposit loan packages to the lending institutions eligible for participation in this act.

(b) The housing loan deposit loan package shall be completed by the borrower before being forwarded to the lending institution for consideration.

(c) (1) An eligible lending institution that agrees to receive a housing loan deposit shall accept and review applications for loans from eligible developer borrowers. The lending institution shall apply all usual lending standards to determine the credit worthiness of eligible developer bor-
rowers. The total aggregate amount of housing loan deposit loans under this program shall not exceed $60,000,000 of unencumbered funds pursuant to article 42 of chapter 75 of the Kansas Statutes Annotated, and amendments thereto.

(2) No more than $2,000,000 shall be outstanding at any one time to any developer borrower.

(3) No loan for a house shall be amortized for a period of more than five years.

(4) No loan for an adult care home shall be amortized for a period of more than 20 years.

(5) Loans for adult care homes shall not exceed 40% of the aggregate amount available under subsection (c)(1), except such limitation shall not apply to loans for assisted living, residential health care or home plus facilities. Loans for assisted living, residential health care, home plus facilities and other adult care homes shall not exceed 90% of the aggregate amount available.

(d) An eligible developer borrower shall certify on its loan application that the reduced rate loan will be used exclusively for the expenses involved in building houses.

(e) The eligible lending institution may approve or reject a housing loan deposit loan package based on the lending institution’s evaluation of the eligible developer borrowers included in the package, the amount of the individual loan in the package and other appropriate considerations.

(f) The eligible lending institution shall forward to the state treasurer, an approved housing loan deposit loan package, in the form and manner prescribed and approved by the state treasurer. The package shall include information regarding the amount of the loan requested by each eligible developer borrower and such other information regarding each eligible developer borrower the state treasurer requires, including a certification by the applicant that such applicant is an eligible developer borrower.

(g) From July 1, 2008, through December 31, 2010, 50% of the total aggregate amount available under subsection (c)(1), shall be made available for housing loans to eligible developer borrowers building houses in the city of Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola, Neodesha, or Osawatomie, Kansas, or within one mile of the city limits of any such city.

Sec. 5. K.S.A. 2011 Supp. 75-4209, 75-4277, 75-4278 and 75-4279 are hereby repealed.
Sec. 6. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above bill originated in the Senate, and passed that body

SENATE adopted
Conference Committee Report

_________________________
President of the Senate

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Secretary of the Senate

Passed the HOUSE
as amended

HOUSE adopted
Conference Committee Report

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Speaker of the House

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Chief Clerk of the House

APPROVED

_________________________
Governor