

Overview of the Home Loan Guarantee (HLG) for Rural Kansas Program

Summary:

The Home Loan Guarantee (HLG) for Rural Kansas program assists lenders and homeowners by providing guarantees against risk of default for rural housing loans through the State Housing Trust Fund administered by Kansas Housing Resources Corporation (KHRC). The HLG was established through the Kansas Rural Home Loan Guarantee Act (the “Act”), Kansas [House Bill 2237](#), Sections 15 to 19. Enrolled effective July 1, 2022.

In accordance with the Act, the portion of the loan guaranteed by KHRC shall be for the amount of the loan that exceeds 80% of the appraised value of the home. No loan amount above 125% of the appraised value of the home shall be guaranteed by the KHRC. The loan amount guaranteed by KHRC shall not exceed \$100,000 per home. The total amount of loans guaranteed by KHRC, under this act, shall not exceed \$2,000,000.

Eligible Financial Institutions:

The Act defines “financial institutions” as any bank, trust company, savings bank, credit union, savings and loan association or any other lending institution that is approved by KHRC. Financial institutions must have an active [NMLS](#) and provide mortgage loans in order to be eligible to participate as lenders in the program..

Eligible financial institutions shall apply all usual lending standards to determine the creditworthiness of eligible rural home loan borrowers. The financial institution originating the loan shall be responsible for monitoring the loan and, in case of any default, working with the borrower to obtain the collateral for the loan. Please refer to the draft Guaranty Agreement posted on KHRC’s website for more information.

Eligible Loan Transactions:

The Act defines eligible loans as “a transaction with a financial institution to provide the owner financing for the construction or renovation of a single-family home in a rural county.” Rural county is then defined as “any county in this state with a population of less than 10,000, as certified to the secretary of state pursuant to K.S.A. 11-201, and amendments thereto, on July 1 of the preceding year.” For a list of the eligible rural counties as provided under the Act please see the map on KHRC’s website.

Eligible costs for the loan transactions include:

- Land and building purchases;
- Renovation and new construction costs;
- Equipment and installation costs;
- Pre-development costs that may be capitalized;
- Financing;
- Capitalized interest on a construction or bridge loan during construction; and
- Third party consultant fees

Other Loan Requirements

- Consistent with financial institutions normal underwriting requirements applying all usual lending standards
- No land acreage limitations, land value cannot exceed home value itself.
- Household Income Eligibility – none
- Maximum Guarantee Limit - \$100,000 per unit
- Maximum Purchase Price – none
- Maximum Loan Amount – none
- Borrower must hold Fee Simple Title
- Fixed or ARM Rates are acceptable.

KHRC Administration of HLG:

1. Each agreement entered into between KHRC and an eligible Financial Institution to guarantee against default on an eligible loan transaction shall be:
 - backed by the state housing trust fund, and
 - receive prior approval by KHRC as outlined below.
2. As provided in the Act, KHRC is permitted to impose fees and charges, as necessary, to recover administrative costs related to the program. An invoice for 2% of guarantee funds as an upfront fee will be provided to the Financial Institution and/or Title Company.
3. To request/reserve guarantee funds, the Financial Institution will prepare and submit the below documents by secure/encrypted email to HomeLoanGuarantee@kshousingcorp.org with a return receipt.
 - Lender Request for Reservation of Loan Guarantee Funds Form
 - includes expected closing date and expected 2% Upfront Fee
 - Homebuyer Release of Information Form
 - 1003 Uniform Residential Loan Application
 - Form 1008 Uniform Underwriting or Transmittal Summary, if any.
4. If loan guarantee funds are sufficiently available to cover the request, KHRC will respond to the financial institution with a Loan Guarantee Funds Commitment Letter, invoice for upfront fee, and Guaranty Form as soon as possible or within 10 business days. If loan guarantee funds are not available to cover the request, KHRC will inform the financial institution that funds are not available as quickly as possible or within 10 business days.
5. 3 – days prior to closing:
 - Financial Institution and/or Title Company will send the preliminary Closing Disclosure by secure/encrypted email to HomeLoanGuarantee@kshousingcorp.org with return receipt.
 - KHRC will review the amount of guaranteed fees has not changed and that the upfront fee is listed correctly.
 - KHRC will respond confirming guarantee of funds.
6. As soon as possible or within 7-days of closing, the Financial Institution and/or Title Company will send the invoiced 2% upfront fee via ACH or bank wire.
7. As soon as possible or within 30-days of closing, the Financial Institution and/or Title Company will send the below recorded documents by secure/encrypted email to HomeLoanGuarantee@kshousingcorp.org with return receipt.
 - Fully Executed Guaranty Agreement between KHRC and Financial Institution
 - The Promissory Note
 - Final Closing Disclosure
 - The Recorded Mortgage
 - The Recorded Deed (for property transfer)
 - Affidavit of Occupancy – if available
 - Appraisal
8. Prior to November 30 each year, the financial institution will submit an annual report of the loan repayment status by secure/encrypted email to HomeLoanGuarantee@kshousingcorp.org, with return receipt. This information will allow KHRC to gather and report information annually to the legislature at the beginning of each regular legislative session as required under the Act.