

A woman with dark hair tied back, wearing a yellow t-shirt, holds a baby in her arms. The baby is wearing a striped shirt and green pants. To the left, a young girl with curly hair, also in a yellow t-shirt, is riding a bicycle. The background is a sun-dappled park with large trees and a residential street with a red car visible in the distance.

First Time Home Buyer Program Lender Training

Kansas Housing Resources Corporation



Kansas Housing: Overview

Who we are: A self-supporting, nonprofit public corporation, Kansas Housing Resources Corporation (KHRC) administers housing and community programs across Kansas.

What we do: We help Kansans access the safe, affordable housing they need and the dignity they deserve.

Who we work with: Local government officials, mortgage lenders, business leaders, developers, builders, property managers, real estate professionals, service providers, homeless / affordable housing advocates, nonprofit organizations, government agencies.



KHRC Programs

HOMELESS SERVICES	+ Emergency Solutions Grant	
COMMUNITY SOLUTIONS	+ Community Services Block Grant + Tenant Based Rental Assistance	
HOUSING DEVELOPMENT	+ Low Income Housing Tax Credit + HOME + Moderate Income Housing	+ National Housing Trust Fund + Kansas Housing Investor Tax Credit + Kansas Affordable Housing Tax Credit
HOMEOWNERSHIP	+ Home Loan Guarantee for Rural Kansas + First Time Homebuyer Program	+ Manufactured Housing
ENERGY EFFICIENCY	+ Weatherization Assistance	
COMPLIANCE	+ Section 8 Contract Administration + Housing Compliance	



Out of Reach 2023: The High Cost of Housing

KANSAS #40*

In **Kansas**, the Fair Market Rent (FMR) for a two-bedroom apartment is **\$973**. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn **\$3,243** monthly or **\$38,912** annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly Housing Wage of:

\$18.71
PER HOUR
STATE HOUSING
WAGE

FACTS ABOUT KANSAS:

STATE FACTS	
Minimum Wage	\$7.25
Average Renter Wage	\$18.07
2-Bedroom Housing Wage	\$18.71
Number of Renter Households	380,696
Percent Renters	33%

103
Work Hours Per Week At
Minimum Wage To Afford a 2-Bedroom
Rental Home (at FMR)

83
Work Hours Per Week At
Minimum Wage To Afford a 1-Bedroom
Rental Home (at FMR)

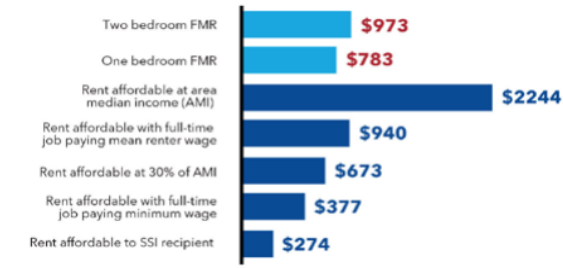
2.6
Number of Full-Time Jobs At
Minimum Wage To Afford a
2-Bedroom Rental Home (at FMR)

2.1
Number of Full-Time Jobs At
Minimum Wage To Afford a
1-Bedroom Rental Home (at FMR)

MOST EXPENSIVE AREAS	HOUSING WAGE
Kansas City HMFA	\$22.38
Lawrence MSA	\$19.73
Manhattan HMFA	\$18.33
Seward County	\$18.06
Finney County	\$17.87

MSA = Metropolitan Statistical Area; HMFA = HUD Metro FMR Area.
* Ranked from Highest to Lowest 2-Bedroom Housing Wage. Includes District of Columbia and Puerto Rico.

WWW.NLIHC.ORG/OOR | © 2023 NATIONAL LOW INCOME HOUSING COALITION



<https://nlihc.org/resource/nlihc-releases-out-reach-2023-high-cost-housing#msdyntrid=zmJeOiO6L749rJhoBW-wppYCF6gf0gp7l9SWlVijg10>



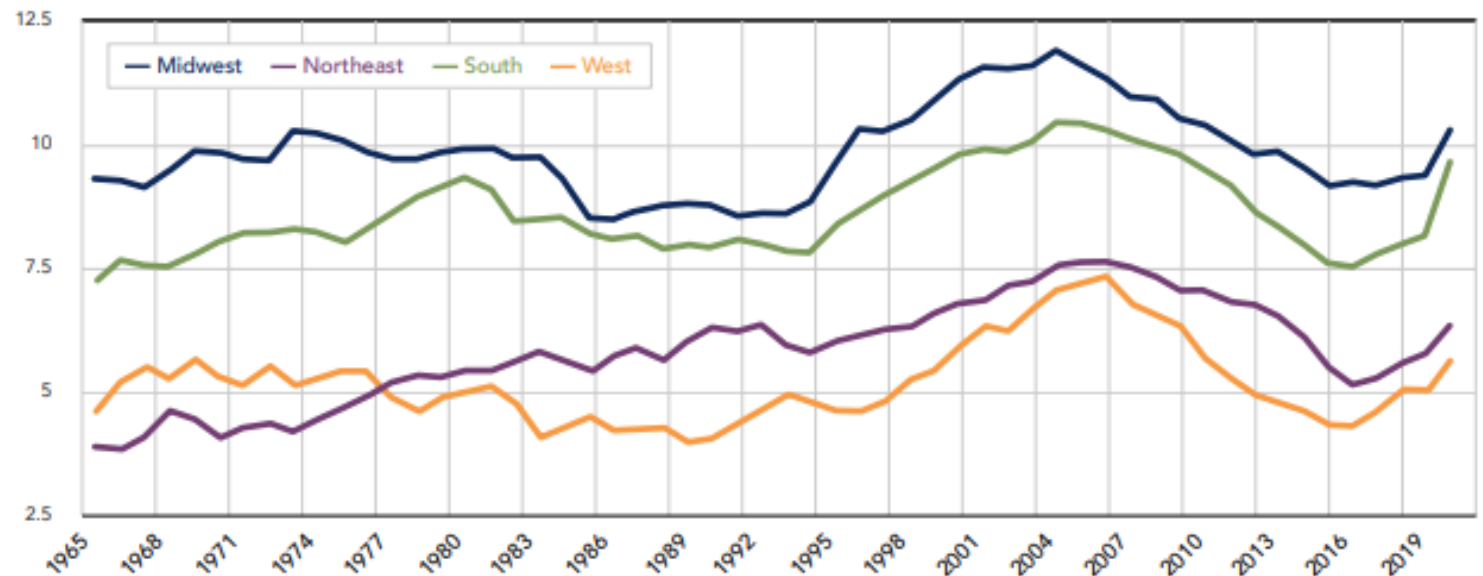
2021 Kansas Housing Assessment

Occupancy

Homeownership is not always the goal or appropriate for every household. However, steady or increasing homeownership rates can indicate a stable or more affordable market. The Midwest has the highest homeownership rate in the country.

The rate of rental vacancy (and total vacancies) is declining, especially for single unit homes. A higher rental vacancy for structures with more units is not uncommon as turnover is greater and needed to offer options in a local market.

Figure 1.10: Annual Homeownership Rate (by region)

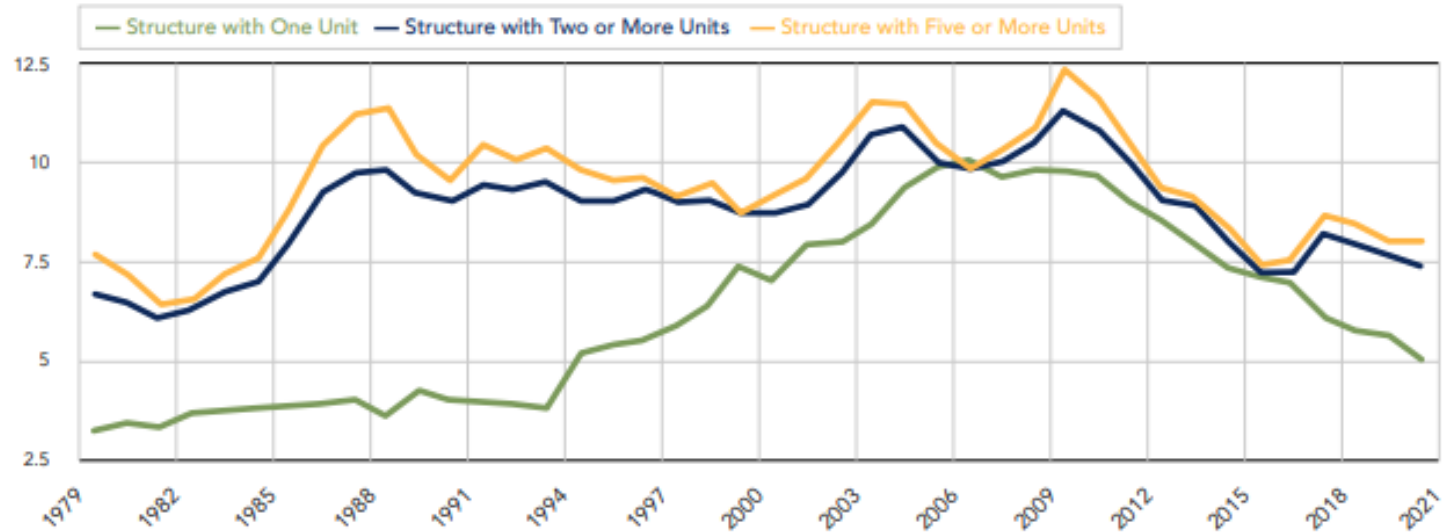


2021 Kansas Housing Assessment

FOR KANSANS, THIS MEANS:

- If ownership units are not available, people that want to own may have to rent, leading to more competition for rental units and declining vacancy rates and/or increased rents.
- Decreasing rental vacancy can reflect a lagging production of rental units and/or more people needing or wanting to rent because it takes time for the market to respond to demand. However, this does not indicate the condition of current units being rented.

Figure 1.11: Annual Rental Vacancy Rate (by structure)



Source: HUD User, https://www.huduser.gov/portal/ushmc/hi_sources.html; U.S. Census Bureau

2021 Kansas Housing Assessment

Relative to incomes, housing values are depressed in many rural areas

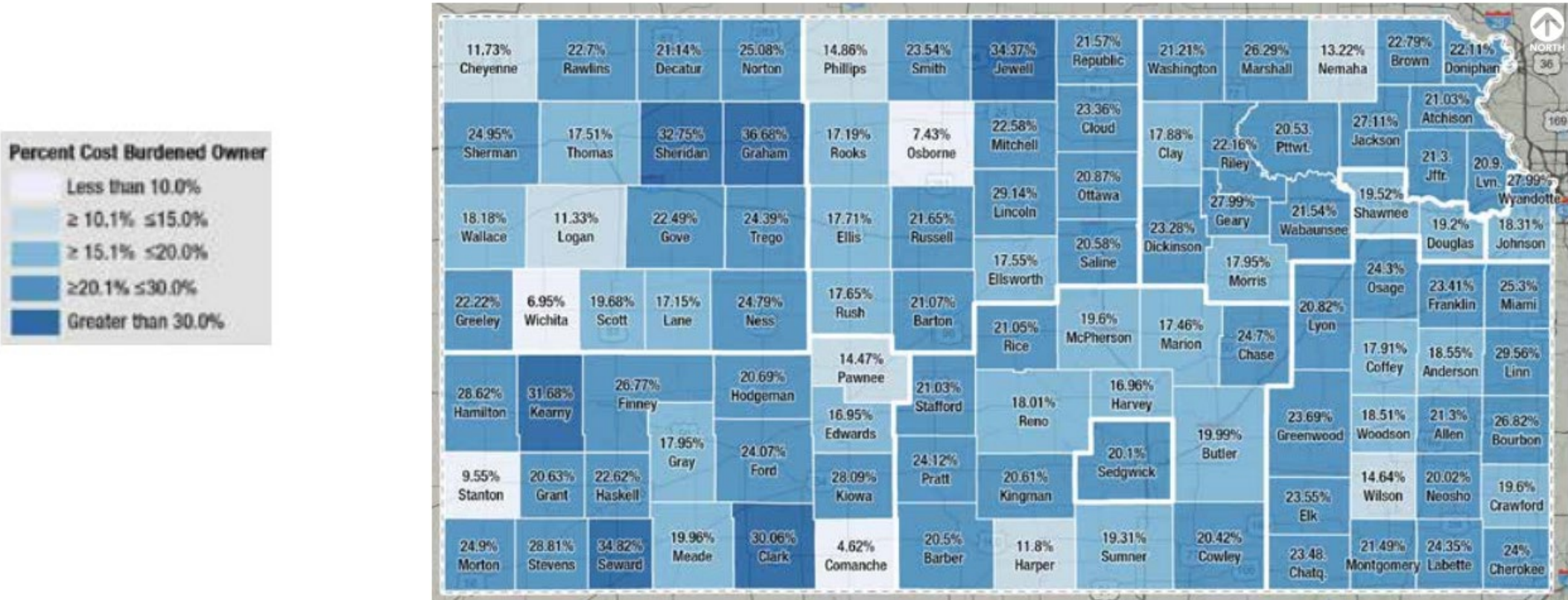
Depressed housing values makes new construction difficult when appraisals may be lower than the cost to build. This phenomenon is more prevalent in rural areas.

Kansas renters are more cost burdened than owners since 2010

Since 2010 the number of households that are housing cost burdened has increased. As a result, households are delaying homeownership. Additionally, the costs for other daily necessities such as transportation and child care are increasing.

2021 Kansas Housing Assessment

Figure 1.56: Housing Cost Burdened Owners - 2019



FINANCIAL INSTITUTIONS

Opened
January 3, 2023



Home Loan Guarantee for Rural Kansas

HB 2237 Enrolled into Law Effective July 1, 2022 – Kansas Rural Home Loan Guarantee Act – Section 17(b) - http://www.kslegislature.org/li/b2021_22/measures/documents/hb2237_enrolled.pdf

\$2M

in Non-Recourse Guaranty

through the Kansas Rural Home Loan Guarantee Act

The Kansas Rural Home Loan Guarantee Act defines a rural county as one with a population of less than 10,000 as certified by the Secretary of State on July 1 of the preceding year.

The Home Loan Guarantee for Rural Kansas (HLG) program helps financial institutions guarantee the gap for land and building purchases, renovation, and new construction costs in rural Kansas counties.

The program:

- + Guarantees the portion of the loan above 80% and up to 125% of the home's appraised value.
- + Partners with financial institutions that serve existing and prospective homeowners in rural Kansas counties.
- + Provides up to \$100,000 guaranty per home.

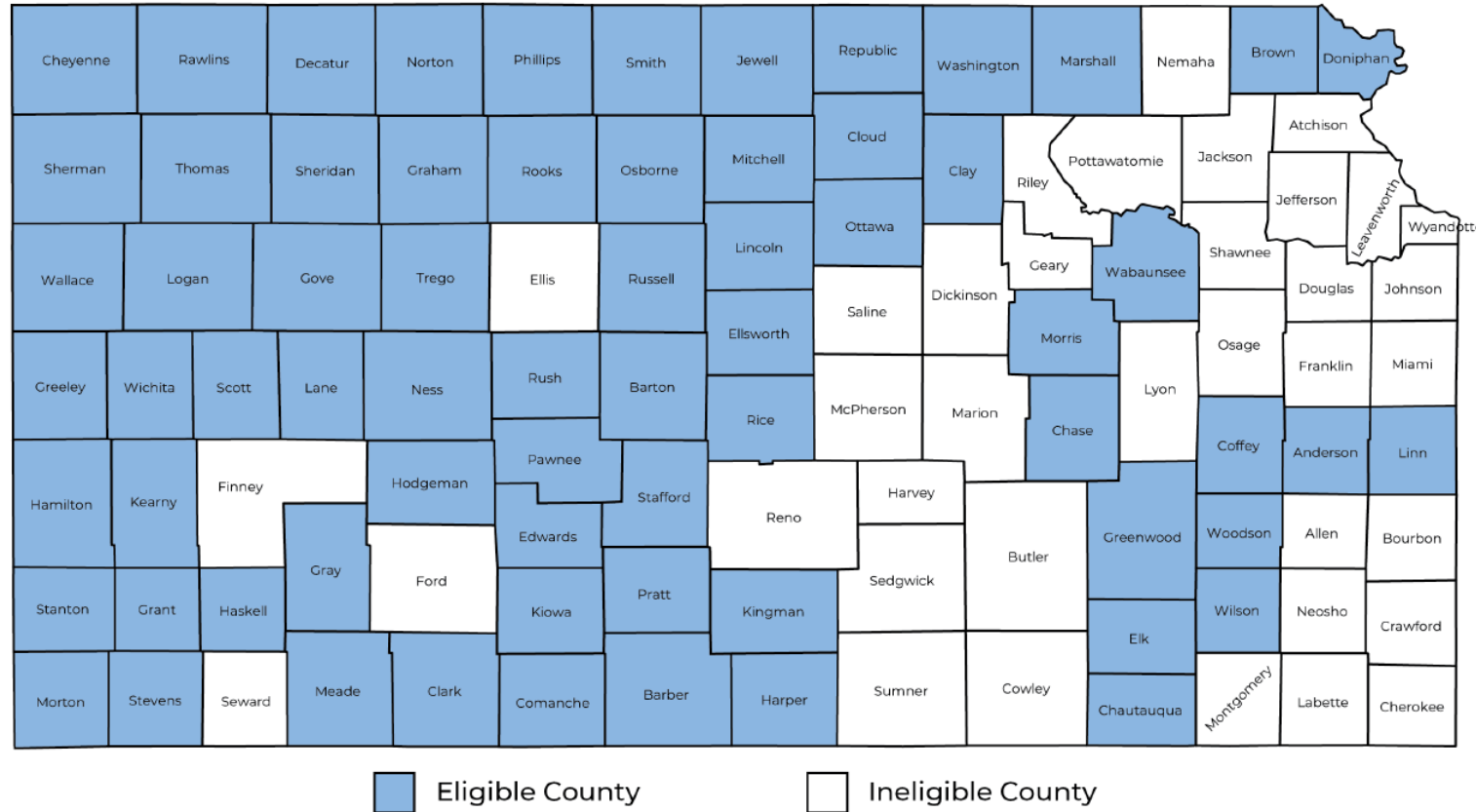
Learn more at kshousingcorp.org/homeowners/home-loan-guarantee-for-rural-kansas

<https://kshousingcorp.org/homeowners/home-loan-guarantee-for-rural-kansas/>



Home Loan Guarantee for Rural Kansas

Eligible Counties < 10,000 population



67 Kansas
Counties Below
10,000 Population

<https://kshousingcorp.org/wp-content/uploads/2022/10/Kansas-Counties-with-Population-10-12-22.pdf>

<https://kshousingcorp.org/homeowners/home-loan-guarantee-for-rural-kansas/>



Financial Institution

WHAT TYPES OF FINANCIAL INSTITUTIONS ARE ELIGIBLE?

- ✦ Banks
- ✦ Trust Companies
- ✦ Savings Banks
- ✦ Credit Unions
- ✦ Savings and Loan Associations
- ✦ Or any other lending institution

- Must have active NMLS - The Nationwide Mortgage Licensing System
- Short Request to Reserve
- First Come – First Verified
- Commitment Letter
- Information before and after closing for tracking and reporting purposes.

HomeLoanGuarantee@kshousingcorp.org

Guaranty Agreement

- **Non-Recourse Guaranty** - The source of the payment of the guaranty is restricted solely to the state housing trust fund as established under KSA 74-8959.
- **Collection Guaranty** - The guaranty shall only be enforced upon the existence of a condition of default under the Loan by the Borrower, and after the Financial Institution has enforced any secured interest in any property securing the Loan and sold such property.
- **Upfront Fee** - One Time 2% of guaranty amount

Example – \$200,000 Appraisal

From 80% of the appraised value up to loan amount or 125% of the appraised value, whichever is less, subject to an overall limit of \$100,000.00

- a. If the loan amount is \$225,000, the guaranty is \$65,000 (80% of the appraisal up to the loan amount because the loan amount is less than 125% of the appraisal)
- b. If the loan amount is \$250,000, the guaranty is \$90,000 (80% of the appraised value up to the loan amount because the loan amount is equal to 125% of the appraisal)
- c. If the loan amount is \$275,000, the guaranty is also \$90,000 (80% of the appraised value up to 125% of the appraisal because the loan amount exceeds 125% of the appraisal)

PAVE – Appraisal Bias

Introduction to Appraisals

An appraisal is a point-in-time *opinion of value*. In order to issue a home loan, the lender (typically a bank) must conduct an appraisal to determine the value of the home they will finance under a home mortgage loan (for a purchase or refinance transaction). Simply put, the bank needs to know *how much money the home is worth*.

The appraiser's scope of work typically includes:

- the type of property inspection (interior, exterior only, or no inspection);
- what approaches to value are required (sales comparison, cost, or income); and
- any lender-specific requirements.

Appraisals are important because they affect how much people make when they sell their home, how much people pay when buying a home, and how much equity people can pull out of their home when refinancing.

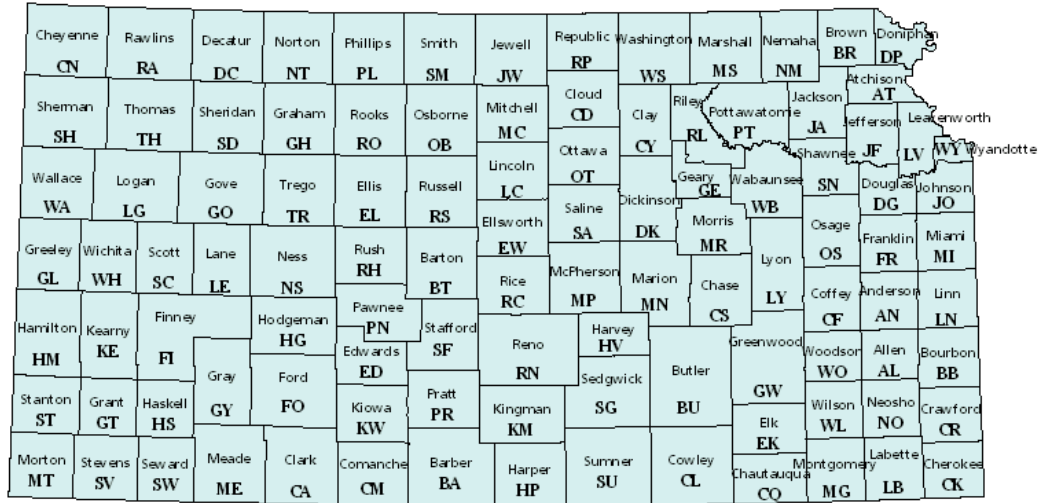
PAVE – Appraisal Bias

Learn About Appraisal Bias

Accounting for the breadth of the literature, evidence suggests that racial and ethnic bias has been a contributing factor to the depressed values that appraisers in purchase transactions assign to properties in majority-Black and -Latino neighborhoods.

Evidence also suggests that racial and ethnic bias affects refinance valuations as well. Via this mechanism, *Black homeowners today are losing wealth-building potential* in part because of the perpetuation of historical discrimination and segregation.

HOME Investment Partnerships Program



- Federally funded HOME Program administered by State of Kansas
- Funds are intended to increase homeownership and expand affordable housing.
- Available statewide except areas that receive their own HOME funds (Johnson County or the city limits of Kansas City, Topeka, Lawrence or Wichita)

First Time Home Buyer (FTHB) Program

- Down Payment Assistance (DPA) and Closing Costs Assistance
- 0% interest mortgage in the amount of 15 or 20% of the home's purchase price
- If the homebuyer remains in the home for 10 years, the loan is forgiven!
- Homebuyers must make an investment of 1% but no more than 10% of the sale price from their own funds
- This program can be paired with other homebuyer programs.



Lender Support is Vital

No Cost to
Participate

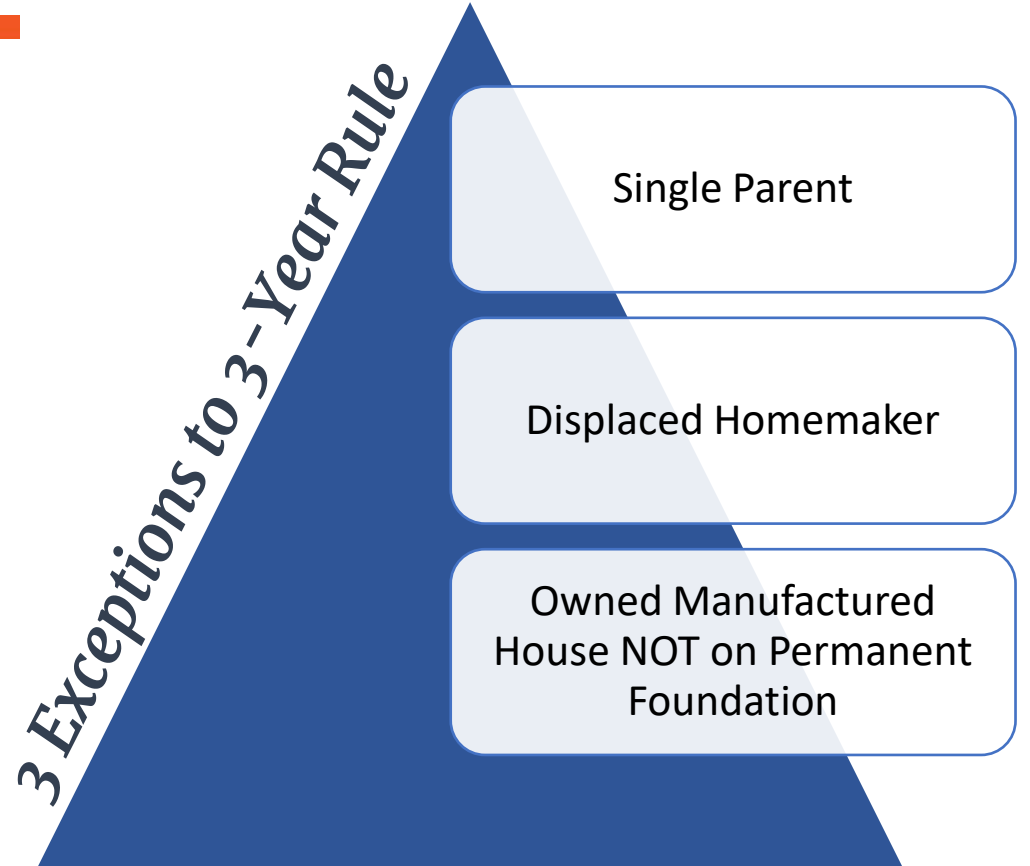
- Tell customers about FTHB
- **Provide** assurance and support
 - FTHB is real help!
- **Help** them collect needed documents
- Funds have not been exhausted years
- More than \$700,000 available each year

No Servicing of
Second Mortgage

LENDERS
YOUR HELP
DELIVERS
HOPE

Eligible Applicant

- Household Income at or below 80% Area Median Income (AMI)
- Must occupy as a principal residence
- Has not owned a home in 3 years



Eligible Property Types

- Single Family House
- Condominium or Co-op
- Townhouse
- Manufactured Home (HUD code)
- Modular Home (local code)
- Duplex (one unit, not entire duplex)
- New Construction, only after Certificate for Occupancy issued

Existing Homes

Attached to Foundation

Turnkey Ready (No Escrow
for Repairs)



Property Standards

- Maximum Purchase Price Limits by County
- Cannot be in flood zone
 - [A, AE, AH, AO, A99, V and/or VE](#)
- Must not be a rental within last 3 months (to prevent displacement)
 - Unless Tenant is purchasing
- Fee Simple Title - No Contract for Deed
- 5 acres of land or less
- Must pass FTHB inspection prior to closing



First Mortgage Loan

- Loan must be 30-year fixed rate
- Using FHA, VA, USDA Rural Development, Fannie Mae, Freddie Mac or Conventional underwriting guidelines
- Interest rate cannot exceed [Freddie Mac](#) by more than .65%
 - Discount points reviewed on case-by-case basis
- Front-End Ratio must be between 15% and 30%
- Debt to Income Ratio must be 45% or less
- KHRC's lien must be in Second Mortgage position



Buyer Participation

- Minimum 1% (maximum 10%) of Purchase Price Required
- Gifting is allowed, will NOT reduce grant
 - Still requires at least 1% of own funds
- Maximum \$10,000 in Assets (emergency / maintenance funds)
- HUD Homebuyer Counseling Required, cost can count towards 1%
- HUD Homebuyer Education Required, cost can count towards 1%



Program Requirements

- Repayment required if:
 - Sold or no longer occupy the home
 - Refinance with debt consolidation
 - Full repayment required if property becomes rental
- Payoff Request Form Available, on webpage
- Mortgage Subordination Request Available, upon request
- Lien Releases are sent to homeowner to file, at the conclusion of 10-years



Household Income & Maximum Assistance

Below 50% AMI
Up to 20% of Sale Price



Between
50% and 80% AMI
Up to 15% of Sale Price

County	HOME Maximum Purchase Price Limits	1 Person	2 Person	3 Person	4 Person
		50% AMI	50% AMI	50% AMI	50% AMI
Ford County, KS	\$162,000	\$27,000	\$30,850	\$34,700	\$38,550
Geary County, KS	\$143,000	\$27,000	\$30,850	\$34,700	\$38,550
Lyon County, KS	\$143,000	\$27,000	\$30,850	\$34,700	\$38,550
McPherson County, KS	\$152,000	\$29,550	\$33,800	\$38,000	\$42,200

County	HOME Maximum Purchase Price Limits	1 Person	2 Person	3 Person	4 Person
		80% AMI	80% AMI	80% AMI	80% AMI
Ford County, KS	\$162,000	\$43,200	\$49,350	\$55,500	\$61,650
Geary County, KS	\$143,000	\$43,200	\$49,350	\$55,500	\$61,650
Lyon County, KS	\$143,000	\$43,200	\$49,350	\$55,500	\$61,650
McPherson County, KS	\$152,000	\$47,250	\$54,000	\$60,750	\$67,500



If Under \$15,000 Assistance

If assistance is below \$15,000; half is forgiven at 5-years, with the other half forgiven at 10-years.

Example - \$14,999 Assistance

	1/2 Soft Second Amount	1/2 Interest Free Mortgage Amount	TOTAL OWED TO KHRC
Year 1	\$7,500	\$7,500	\$14,999
Year 2	\$6,000	\$7,500	\$13,499
Year 3	\$4,500	\$7,500	\$11,999
Year 4	\$3,000	\$7,500	\$10,499
Year 5	\$1,500	\$7,500	\$8,999
Year 6	\$0	\$7,500	\$7,500
Year 7	\$0	\$7,500	\$7,500
Year 8	\$0	\$7,500	\$7,500
Year 9	\$0	\$7,500	\$7,500
Year 10	\$0	\$7,500	\$7,500
Year 11	\$0	\$0	\$0



If Over \$15,000 Assistance

If assistance is above \$15,000; half is forgiven at 10 years, with the other half reducing by a small portion each month over 10 years.

Example is \$20,000 Assistance

	1/2 Soft Second Amount	1/2 Interest Free Mortgage Amount	TOTAL OWED TO KHRC
Year 1	\$10,000	\$10,000	\$20,000
Year 2	\$9,000	\$10,000	\$19,000
Year 3	\$8,000	\$10,000	\$18,000
Year 4	\$7,000	\$10,000	\$17,000
Year 5	\$6,000	\$10,000	\$16,000
Year 6	\$5,000	\$10,000	\$15,000
Year 7	\$4,000	\$10,000	\$14,000
Year 8	\$3,000	\$10,000	\$13,000
Year 9	\$2,000	\$10,000	\$12,000
Year 10	\$1,000	\$10,000	\$11,000
Year 11	\$0	\$0	\$0



Application Process

- Lender informs homebuyer of program, or
- Homebuyer contacts participating lender
- Loan Approval
- HUD Homebuyer Counseling
- HUD Homebuyer Education
- Homebuyer locates property
- Obtains purchase contract with FTHB Program Contingency
- Lender with homebuyer, completes FTHB application package
- KHRC reviews and reserves funds
- KHRC requests FTHB Inspection (no cost to homeowner or lender)



FTHB House Inspection

- If inspection passes, closing date is determined
- Lender with homebuyer completes remaining closing package
- If inspection fails, repairs can be made at seller's expense
- If seller makes repairs, a reinspection can be requested and completed
- If reinspection fails, KHRC could charge lender fee



Allowable Closing Costs

- KHRC will review the Loan Estimate and Closing Disclosure for unreasonable charges
 - Lender origination fees, not to exceed 1% of loan amount
 - Title insurance
 - Credit report recording fees
 - Appraisal fees
 - Flood letter
 - Survey
 - Tax service fee
 - Document preparation fee (not to exceed \$250)
- Please include the requested FTHB DPA funds on CD



Fees Not Allowed

- Underwriting fees unless paid to a third-party investor at closing.
 - Maximum charge of \$200.
 - Any charge above the maximum must be paid by the lender.
- Commitment fees are not allowable when an origination fee is also charged
- Settlement or closing fees unless paid to a third party
 - the maximum allowable loan closing fee to either the borrower or a seller is \$200
- Discount points are allowable only if they are disclosed and agreed upon by the buyer/seller who is paying the fee.
 - In the case of a seller, the seller must agree to pay a discount fee in the sales contract.
- Real estate sales commissions may not be paid by the buyer
- Email fees may not be charged to the buyer or the seller.



Definition of Annual Income & Household Size

Annual income is the gross amount of income of all adult household members that is anticipated to be received during the upcoming 12-month period.

Do Count

- All adults living in the household
- All custodial children living in the household
- Any child who is subject to shared-custody

Do NOT Count

- Foster children
- Live-in aides and children of live-in aides
- Unborn children
- Children not currently living in the household



Calculating Assets and/or Annual Income

Assets (and 'imputed income'):

- Market value of all assets (cannot exceed \$10,000)
- Checking accounts, stocks, CD's, etc.
- Land is a capital investment and counted
- Equity (market value less loans) is counted
- If sum of all assets is greater than \$5,000, multiply by passbook rate .06%
- Use the greater of this calculation or actual income produced from the assets, not both.



Homebuyer/Homeowner Services

First Time Homebuyer



Home Loan Guarantee for Rural Kansas



Kansas Homeowner Assistance Fund



Weatherization Assistance

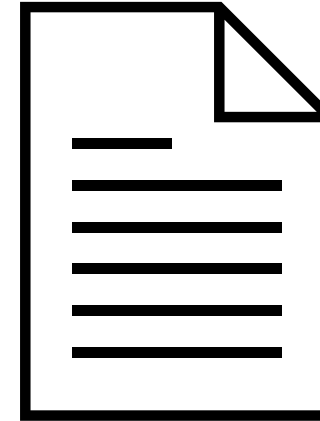


Homebuyer 101 Resources



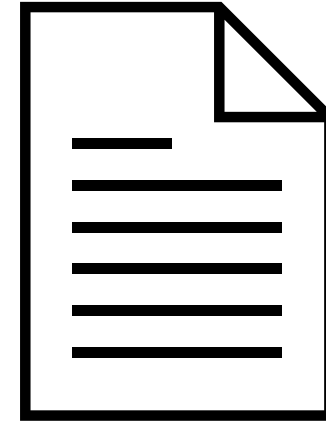
FTHB Key Information

1. Program Summary
2. Maximum Purchase Price Limits
3. Maximum Income Limits by County
4. Application and Funding Process
5. Training and Operations Manual



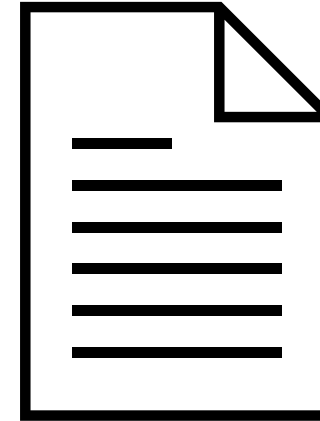
New Lender Forms

1. Lender Origination Agreement
2. Lender Service Area Form
3. Form W-9 and KHRC Vendor Form



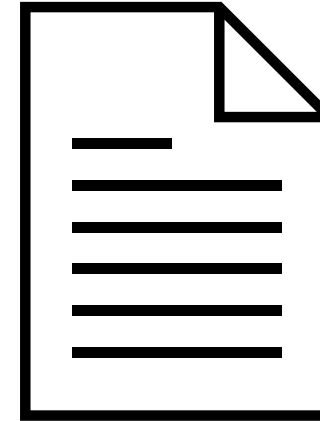
Lender Home Buyer Application Forms

1. Inspection Request and Package Cover Form
2. Application Form
3. Inspection Disclaimer Form
4. Inspectable Items
5. Sellers Inspection Guidelines Form
6. FHA Commitment Letter, if applicable
7. Certification of Zero Income for Adult
8. Certification of Zero Income for Children
9. Certification of Non-Filing Status Affidavit



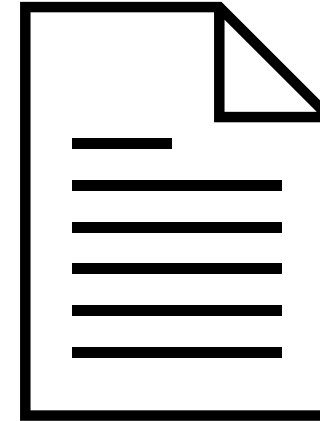
Lender Provides to FTHB

1. Completed Buyer Loan Application
2. Uniform Underwriting and Transmittal Summary – Form 1008
3. Flood Certification
4. Loan Estimate for 1st Mortgage
5. Social Security cards for ALL persons in household over 18 years
6. Employer Income Verifications (paystubs, letters, VOEs)
7. Profit and Loss Statement for Self-Employment
8. Social Security Benefit Verification or Letters
9. Child Support Payment Records
10. Recent documentation of all assets
11. Most recent past 3 years of federal tax returns



Lender After Reservation Forms

1. HUD Housing Counseling and Education Instructions
2. Affidavit of Home Buyer – Ten Year Period
3. Second Mortgage Forgiveness Notice 5 Years if under \$15,000
4. Second Mortgage Forgiveness Notice 10 Years if over \$15,000
5. Lead Based Paint Certification
6. Affidavit of Home Seller
7. Authorization for Drawdown of Funds
8. Second Mortgage Promissory Note
9. Second Mortgage



Other Kansas Homebuyer Programs

FHA SINGLE FAMILY MORTGAGE PROGRAMS

FHA's Single Family mortgage programs help prospective homebuyers and current homeowners finance or refinance a home for purchase, renovations or repairs, energy-efficiency improvements, new construction, and more. Learn about the most used mortgage programs that meet the various housing needs of individuals and families across the nation.

— USDA Rural Development – Single Family Programs

USDA Rural Development's Single Family Housing programs:

- [The Single Family Housing Direct Home Loan Program](#) provides loans directly to families and individuals so they can buy or build homes in rural America.
- [The Single Family Housing Guaranteed Loan Program](#) enables USDA to partner with private lending institutions, backing their loans to help families and individuals buy homes in rural areas.
- [The Home Repair Loan and Grant Program](#) provides loans and grants to help families and individuals repair their homes to make them safer, healthier places to live.
- [The Mutual Self-Help Housing Grant Program](#) provides grants to qualified organizations to help them carry out local self-help housing construction projects.



Homebuyer/Homeowner Services

- | |
|---|
| + City of Lawrence CDBG Home Purchase Program |
| + City of Lawrence Home Purchase Program |
| + City of Leavenworth CDBG Home Ownership |
| + City of Topeka Opportunity to Own Homebuyer Program |
| + City of Wichita HOMEownership 80 Program |
| + Johnson County Home Rehabilitation |
| + Wyandotte County |
| + Habitat for Humanity Kansas Affiliates |



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