Division of the Budget
Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
adam.c.proffitt@ks.gov
http://budget.kansas.gov

Adam C. Proffitt, Director

Laura Kelly, Governor

March 6, 2024

The Honorable Mike Thompson, Chairperson
Senate Committee on Federal and State Affairs
300 SW 10th Avenue, Room 144-S
Topeka, Kansas 66612

Dear Senator Thompson:

SUBJECT: Fiscal Note for SB 447 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 447 is respectfully submitted to your committee.

SB 447 would enact the Homes for Every Local Protector, Educator, and Responder Act of Kansas (HELPER Act of Kansas). The bill would require the State Treasurer to establish a mortgage insurance program for law enforcement officers, firefighters, and other emergency service providers, and Kindgarten through 12th grade schoolteachers. The bill includes dollar amount limitations for mortgages based on the location of the home and the number of dwelling units contained in the residence. The bill includes terms and requirements for insurance, repairs, alterations, payment of taxes, default, reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other items required by the State Treasurer.

The mortgage insured would apply to the purchase or repair of a single-family residence, including a single-family dwelling unit in a condominium project; a manufactured home that is permanently affixed to a lot owned by the borrower and titled as real property; or a manufactured home that is permanently affixed and titled as real property. The State Treasurer would be allowed to insure any mortgage that involves an original principal obligation, including allowable charges, fees, and insurance premiums that do not exceed 100.0 percent of the appraised value of the property. The borrower would not be required to make a down payment to participate in this program. The bill includes program qualifications and restrictions and establishes rights and duties of the State Treasurer in connection with the program.

The State Treasurer would be required to establish and collect an insurance premium in an amount that exceeds 3.0 percent of the amount of the original insured principal obligation of the mortgage, to be adjusted based on the performance of mortgages insured under the provisions of this bill, market conditions, and the discretion of the State Treasurer. The State Treasurer would have the authority to adopt rules and regulations to implement the bill. The bill would become effective on Janualry 1, 2025.

The State Treasurer indicates SB 447 would require at least $500,000 from the State General Fund in FY 2025 to implement the bill. The State Treasurer does not have information to estimate the number of mortgages that would be insured under the provisions of the bill, which would significantly drive the cost of this program.

The bill would require the State Treasurer to establish a new division and hire additional employees to manage this new program, underwrite mortgage loans, coordinate with and approve housing counseling agencies; assist with the creation of rules and regulations, review applications and other documentation; answer questions from borrowers; and to perform other administrative tasks. At minimum, this would require the hiring of 1.00 new FTE program director position with an estimated annual salaries and wages cost of $106,100. Additional staff and consults would likely be needed to perform administrative, actuarial, and legal requirements of the bill; however, these costs are unknown and a reliable timeline of when these expenses would occur is also unknown. Computer workstation setup, software licensing, phone and jack fees, postage and printing, office furniture, and the rental of additional office space would likely be needed for this new division.

The State Treasurer assumes that with adequate market interest, the program's administrative expenses and other costs would eventually be funded through mortgage insurance premiums; however, future appropriations from the State General Fund would be required until the program became self-sustaining. The timeline by which the program could become self-sustaining is unknown, it would depend on market interest in the program and revenue collections.

In addition to ongoing administrative costs to implement the program, the State Treasurer would need an additional appropriation or other mechanism to fund insurance payouts in the event of a loan default. The amount of funding required would depend on the total number of mortgages expected to be insured through the program, as well as the actuarial profile of the pool of participating borrowers, market conditions, and other factors.

The bill would have no fiscal effect on the Insurance Department. Any fiscal effect associated with SB 447 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Bobbi Mariani, Insurance Department
John Hedges, Office of the State Treasurer