

SESSION OF 2026

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2497

As Recommended by House Committee on
Financial Institutions and Pensions

Brief*

HB 2497 would amend the Kansas Contracts and Promises statute by limiting the existing prohibition on prepayment penalties to only apply to consumer-purpose home loans.

Under current law, no prepayment penalty can be assessed against any party of a home loan evidenced by a note secured by a real estate mortgage where such repayment is made more than six months after execution of the mortgage.

The bill would amend the statute to provide that no prepayment penalty could be assessed against any party more than six months after the execution of a note evidencing a home loan made primarily for personal, family, or household purposes secured by a real estate mortgage. This would, thereby, permit the assessment of prepayment penalties on business-purpose home loans.

Background

The bill was introduced by the House Committee on Financial Institutions and Pensions at the request of Representative Hoheisel on behalf of CATALYST.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <https://klrd.gov/>

House Committee on Financial Institutions and Pensions

In the House Committee hearing, **proponent** testimony was provided by a representative of Rocket Mortgage, who generally stated the bill would give borrowers obtaining business-purpose loans the option to negotiate a prepayment penalty with the lender to reduce their interest rate or closing costs. The conferee discussed how, in this way, prepayment penalty can be a beneficial option for borrowers looking to obtain more favorable upfront pricing on business-purpose mortgage loans. The conferee indicated that the majority of other states differentiate between consumer-purpose mortgages and business-purpose mortgages obtained by real estate investors.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the Office of the State Bank Commissioner states the bill would not have a fiscal effect on agency operations. The Department of Credit Unions indicates that its financial examiners currently review mortgage loan disclosures as part of its examinations of credit unions. Under the bill, the examiners would expand their review to include prepayment assessments. The expansion of the agency's review would be handled within existing resources. Any fiscal effect associated with the bill is not reflected in *The FY 2027 Governor's Budget Report*.

The Kansas Association of Counties indicates the bill would not have a fiscal effect on counties.

Loans; home loans; real estate; prepayment penalties