



*Homeownership Opportunities:
A path to close the wealth gap*

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 | <ul style="list-style-type: none">+ Emergency Solutions Grant |
| COMMUNITY SOLUTIONS | <ul style="list-style-type: none">+ Community Services Block Grant+ Tenant Based Rental Assistance |
| HOUSING DEVELOPMENT | <ul style="list-style-type: none">+ Low Income Housing Tax Credit+ HOME+ Moderate Income Housing+ National Housing Trust Fund |
| HOMEOWNERSHIP | <ul style="list-style-type: none">+ Home Loan Guarantee for Rural Kansas+ Manufactured Housing+ Manufactured Housing |
| ENERGY EFFICIENCY | <ul style="list-style-type: none">+ Weatherization Assistance |
| COMPLIANCE | <ul style="list-style-type: none">+ Section 8 Contract Administration+ Housing Compliance |
| EMERGENCY RESPONSE | <ul style="list-style-type: none">+ Kansas Emergency Rental Assistance+ Kansas Homeowner Assistance Fund |



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/rehousing#msdyntrid=zntje0i06L749tjnobw-wppYCF6gi0gp7195wivijg10>



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

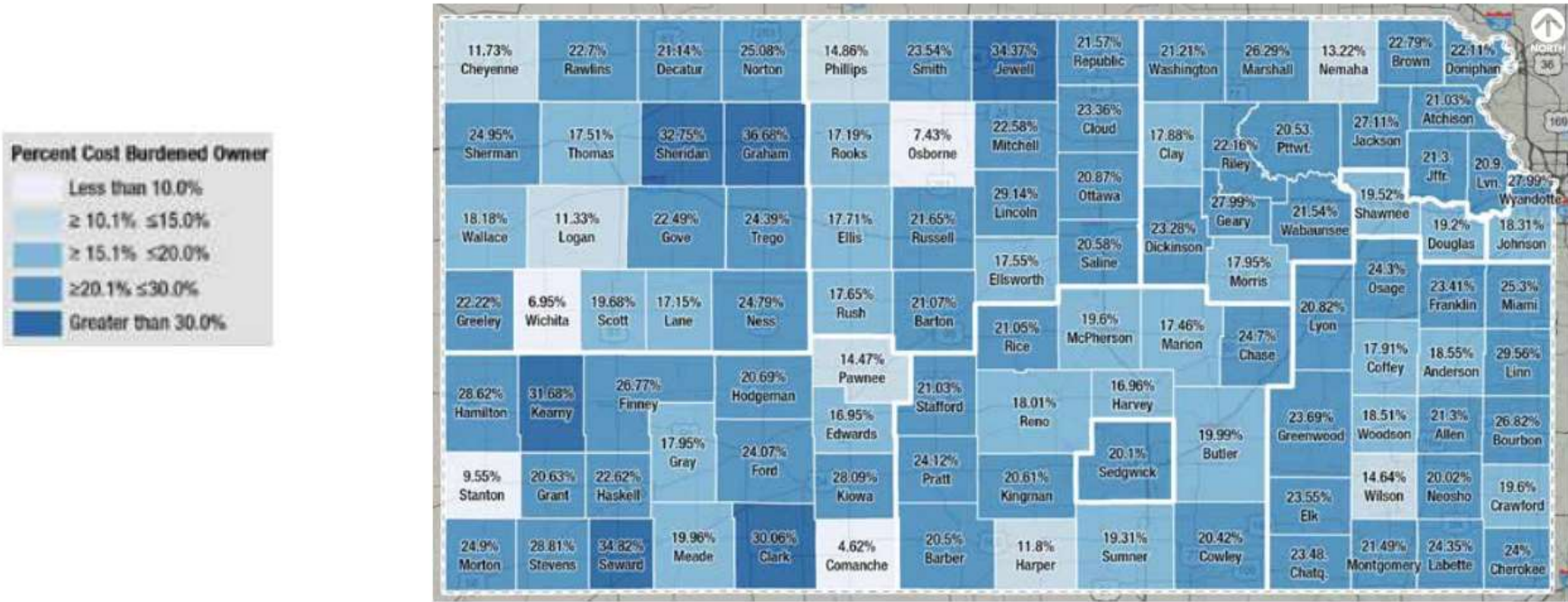
Depressed housing values makes new construction difficult when appraisals may be lower than the cost to build. This phenomenon is more prevalent in rural areas.

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



https://kshousingcorp.org/wp-content/uploads/2022/02/2021_01-14-Kansas-Housing-Assessment-Section-1-Low-Res.pdf



Homeownership

- Goal setting
- Prioritization
- Budget
- 2 Years Job History
- Credit History
- Maintaining House – maintenance
- Inspections
- Realtor
- Insurance
- Shopping for Bank & Fees



Predatory Lending

- Reverse Redlining / Predatory Lending
 - Equity Stripping - practice where an investor will buy a distressed property from the owner and then lease it back to them
 - Packing - most often involves making the borrower believe that credit insurance must be purchased and financed into the loan in order to qualify.
 - Flipping - Sometimes a higher (and unaffordable) interest rate doesn't kick in until months after you have begun to pay on your loan. A lender refinances your loan with a new long-term, high-cost loan. Each time the lender "flips" the existing loan, you must pay points and assorted fees.
- Abusive Loan Servicing
 - Consumer Financial Protection Bureau
 - Attorney General
 - Kansas Insurance Commissioner
- Access to Capitol - generations



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.

<https://pave.hud.gov/getinformed>



HOME Investment Partnerships Program

- Federally funded HOME Program administered by State of Kansas
- Funds intended to increase homeownership and to expand affordable housing.
- Statewide program except areas that receive their own HOME funds (Johnson County or the city limits of Kansas City, Topeka, Lawrence or Wichita)
- Can be paired with other programs (FHLBank & Rural Development)



First Time Homebuyer Program

- Down Payment Assistance (DPA) including closing costs, and/or associated fees.
- Subsidy awarded to homebuyer in the form of a soft second mortgage.



Eligible Applicant

- Has not owned home in 3 years
- Income at or below [80% Area Median Income](#) (AMI)
- Must occupy as a principal residence
- Exceptions to 3-Year rule
 - Single Parent
 - Displaced Homemaker
 - Owned Mobile Home not on permanent foundation



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

- Cannot be in flood zone
 - [A, AE, AH, AO, A99, V and/or VE](#)
- HOME [Homeownership](#) Value Limits By County
- 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 land or less
- Must meet inspection prior to closing



Buyer Participation

- 1% - 10% of purchase price only
- Gifting allowed, will NOT reduce grant
- Asset maximum of \$10,000
- Complete homebuyer education requirement



State Participation



AREA MEDIAN INCOME

SOFT SECOND LOAN MAXIMUM



Below 50%

20% of Purchase Value



51 - 80 %

15% of Purchase Value



First Mortgage Loan

- Loan must be 30-year fixed rate
- Using FHA, VA, USDA Rural Development, Fannie Mae, Freddie Mac or Conventional underwriting guidelines



First Mortgage Loan

- Interest rate cannot exceed Freddie Mac by more than .65%
- Housing Ratio (Front-End Ratio) must be between 15% and 30%
- Total Debt to Income Ratio must be 45% or less



Program Requirements

- Repayment required if:
 - Sold / no longer occupy
 - Refinance with debt consolidation
 - Full repayment required if property becomes rental



Application Process

- Homebuyer contact participating lender
- Homebuyer locates property
- Obtain purchase contract

First Time Homebuyer Program Contingency

- Lender submits application to KHRC
- Homebuyer Education



Lender Requirements

- Attend Lender Training
- Provide Lender Service Area Form
- Mortgage Origination Agreement
- Provide First Mortgage Loan
- Process Second Mortgage Paperwork
- Conduct Closing



Homebuyer/Homeowner Services

[First Time Homebuyer](#) >

[Home Loan Guarantee for Rural Kansas](#) >

[Kansas Homeowner Assistance Fund](#) >

[Weatherization Assistance](#) >

[Homebuyer 101 Resources](#) >



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



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.

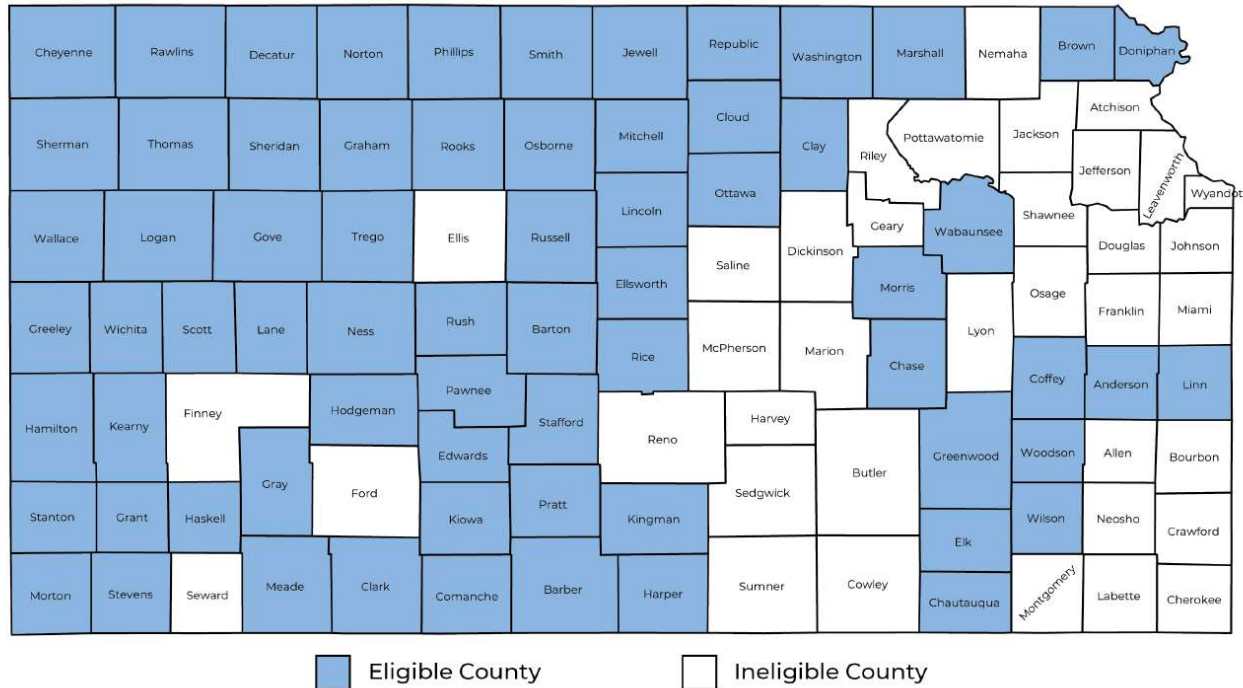
Learn more at kshousingcorp.org/homeowners/home-loan-guarantee-for-rural-kansas

<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](mailto: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)

Connect with Us!

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