

17-11-21. Appraisals and evaluations. (a) Except for ~~these~~the transactions that meet the requirements of subsection (b) or (c), an accurate appraisal of all real estate mortgaged to secure principal debt of \$25,000 or more to a bank shall be made by an appraiser who is licensed or certified by the state in which the property is located and who is independent of the transaction.

(b) Two officers or directors of the bank, or a qualified individual who is independent of the transaction, may complete an ~~accurate~~ evaluation of real estate mortgaged in the following types of real estate-related transactions:

(1) Real estate mortgaged to secure ~~principal debt of \$250,000 or less;~~ either of the following:

(A) Principal debt of \$400,000 or less, secured by a single one- to four-family residential property, including construction loans and business loans secured by a single one- to four-family residential property; or

(B) principal debt of \$500,000 or less, not secured by a single one- to four-family residential property;

(2) business loans with a principal debt of \$1 million or less secured by real estate property, if the primary source of repayment is not dependent upon the sale of, or rental income from, the real estate; or

(3) renewals or refinancing of loans secured by real estate, in any amount, ~~secured by real estate~~, if either of the following conditions is met:

(A) There is no advancement of new ~~monies~~ money other than funds necessary to cover reasonable closing costs; or

APPROVED

MAR 05 2024

DEPT. OF ADMINISTRATION

APPROVED

MAY 07 2024

ATTORNEY GENERAL

(B) there has been no obvious and material change in market conditions or physical aspects of the property that affects the adequacy of the real estate collateral or the validity of an existing appraisal, even with the advancement of new monies money.

(4) If a bank enters into a transaction that is secured by several individual properties, the estimate of value of each individual property shall determine whether an appraisal or evaluation would be required for that property under subsection (b).

(c) Neither an appraisal nor an evaluation shall be required for the following types of real estate-related transactions:

(1) Loans that are well supported by income or other collateral if real estate is taken as additional collateral solely in an abundance of caution;

(2) loans to acquire or invest in real estate if a security interest is not taken in real estate;

(3) liens taken on real estate to protect rights to, or control over, collateral other than real estate;

(4) real estate operating leases that are not the equivalent of a purchase or sale; or

(5) real estate-related loans that have met all appraisal requirements necessary to be sold to or insured by, a any United States government agency or a any United States government-sponsored agency.

(d) Each individual who conducts an appraisal or evaluation shall view the premises, make a written statement of value, and sign and file the statement with the bank. Each appraisal shall comply with applicable state standards. Each evaluation shall include the following:

(1) A legal description of the property, including street address if applicable;

APPROVED

MAR 05 2024

APPROVED

MAY 07 2024

(2) the owner(s) of the property;

(3) the type and general condition of improvements, including approximate age, size, and construction;

(4) the basis for determining the value of the property; and

(5) the date of the evaluation or appraisal and a signature of each evaluator or appraisers.

(e) Despite any other provisions of this regulation, an appraisal or evaluation may be required by the commissioner if it is deemed necessary to address safety and soundness concerns.

(f) As used in this regulation, a “business loan” means a loan or extension of credit to any corporation, general or limited partnership, business trust, joint venture, pool, syndicate, sole proprietorship, or other business entity. (Authorized by K.S.A. 2013–Supp. 9-1713; implementing K.S.A. 2013–Supp. 9-1101 and 9-1713; effective Jan. 1, 1966; amended May 1, 1978; amended Jan. 27, 1992; amended Oct. 19, 1992; amended Jan. 25, 1993; amended Sept. 20, 1993; amended Sept. 19, 1994; amended Aug. 9, 1996; amended Jan. 18, 2002; amended July 11, 2014; amended P-\_\_\_\_\_.)

APPROVED

MAR 05 2024

DEPT. OF ADMINISTRATION

APPROVED

MAY 07 2024

ATTORNEY GENERAL

# Kansas Administrative Regulations Economic Impact Statement (EIS)

Office of the State Bank Commissioner  
Agency

Brock Roehler  
Agency Contact

785-379-3892  
Contact Phone Number

17-11-21

K.A.R. Number(s)

Permanent  Temporary

Is/Are the proposed rule(s) and regulation(s) mandated by the federal government as a requirement for participating in or implementing a federally subsidized or assisted program?

Yes If yes, continue to fill out the remaining form to be included with the regulation packet submitted in the review process to the Department of Administration and the Attorney General. Budget approval is not required; however, the Division of the Budget will require submission of a copy of the EIS at the end of the review process.

No If no, do the total annual implementation and compliance costs for the proposed rule(s) and regulation(s), calculated from the effective date of the rule(s) and regulation(s), exceed \$1.0 million over any two-year period through June 30, 2024, or exceed \$3.0 million over any two-year period on or after July 1, 2024 (as calculated in Section III, F)?

Yes If yes, continue to fill out the remaining form to be included with the regulation packet submitted in the review process to the Department of Administration, the Attorney General, AND the Division of the Budget. The regulation(s) and the EIS will require Budget approval.

No If no, continue to fill out the remaining form to be included with the regulation packet submitted in the review process to the Department of Administration and the Attorney General. Budget approval is not required; however, the Division of the Budget will require submission of a copy of the EIS at the end of the review process.

**DOB APPROVAL STAMP (If  
Required)**

## Section I

### **Brief description of the proposed rule(s) and regulation(s).**

K.A.R. 17-11-21 is being modified to keep state banks consistent with national banks. The threshold in which a national bank must conduct an appraisal was increased by 12 C.F.R. § 34.43. K.A.R. 17-11-21 is being modified to keep state banks at the same standard as national banks. An evaluation may be conducted by two bank officers or directors or a qualified individual up to \$400,000 for single one-to-four family residential properties and up to \$500,000 for real estate for any other purpose, such as commercial real estate. Finally, similar to federal guidance, we recognize that there are instances where a state bank has one master loan that encompasses multiple properties, some of which would qualify for an evaluation if there were separate loans for each property. To reduce expenses to the state bank, we have added language that allows an estimate of value to be used for each property to determine if each property in the master loan needs an appraisal or an evaluation.

## Section II

**Statement by the agency if the rule(s) and regulation(s) exceed the requirements of applicable federal law, and a statement if the approach chosen to address the policy issue(s) is different from that utilized by agencies of contiguous states or the federal government. (If the approach is different or exceeds federal law, then include a statement of why the proposed Kansas rule and regulation is different.)**

This regulation is not mandated by federal law. Colorado and Missouri do not require an appraisal unless it acquires Other Real Estate (ORE). Generally, a bank acquires ORE if it forecloses on a loan or acquires land for a current or future branch. Colorado allows evaluations for ORE for 400,000 or less for a 1-4 family residential property or \$500,000 or less for all other real property. Missouri requires an appraisal if the property exceeds \$250,000 and requires evaluations for everything below that threshold. Missouri law does not distinguish between the loan purpose.

Oklahoma and Nebraska have no law on appraisals and evaluations.

## Section III

**Agency analysis specifically addressing the following:**

**DOB APPROVAL STAMP (If  
Required)**

**A. The extent to which the rule(s) and regulation(s) will enhance or restrict business activities and growth;**

The proposed regulation is expected to marginally enhance business activities and growth by allowing, but not requiring, a state bank to conduct a cheaper evaluation vs. a mandatory appraisal. The OSBC met separately with the Kansas Bankers Association and the Kansas Land Title Association and both associations agree that the demand for appraisals will go down, but they disagreed to the extent. The Kansas Bankers Association mentioned that state banks faced difficulties finding an appraiser in enough time to close the deal, especially in rural areas. The Kansas Land Title Association is of the opinion title insurance companies have established great working relationships with state banks and many state banks, especially the smaller ones, would continue to use title insurance companies.

**B. The economic effect, including a detailed quantification of implementation and compliance costs, on the specific businesses, sectors, public utility ratepayers, individuals, and local governments that would be affected by the proposed rule(s) and regulation(s) and on the state economy as a whole;**

There are no new requirements in this regulation. The requirements for an evaluation under (d)(4) are currently published as guidance on our evaluation form available on our website.

**C. Businesses that would be directly affected by the proposed rule(s) and regulation(s);**

Kansas state-chartered banks, title insurance companies, and officers and directors of the bank would be directly affected by the proposed regulation.

**D. Benefits of the proposed rule(s) and regulation(s) compared to the costs;**

The expected benefits of the proposed regulation change reduces the regulatory requirements, which make it more likely that a Kansas state chartered bank would originate more business with Kansas consumers. Any costs, such as a reduction in appraisals performed in Kansas, would be passed on to Kansas consumers

**E. Measures taken by the agency to minimize the cost and impact of the proposed rule(s) and regulation(s) on business and economic development within the State of Kansas, local government, and individuals;**

Regulation does not impose any additional requirements for state banks. State banks will still be in compliance if they do not make any changes to their business practices.

**DOB APPROVAL STAMP (If  
Required)**

**F. An estimate of the total annual implementation and compliance costs that are reasonably expected to be incurred by or passed along to businesses, local governments, or members of the public. Note: Do not account for any actual or estimated cost savings that may be realized.**

Costs to Affected Businesses – \$0.

Costs to Local Governmental Units – \$0.

Costs to Members of the Public – \$0.

Total Annual Costs – \$0.

(sum of above amounts)

Give a detailed statement of the data and methodology used in estimating the above cost estimate.

The data and methodology are based on the legal opinions of the agency.

- Yes  
 No  
 Not Applicable
- If the total implementation and compliance costs exceed \$1.0 million over any two-year period through June 30, 2024, or exceed \$3.0 million over any two-year period on or after July 1, 2024, and prior to the submission or resubmission of the proposed rule(s) and regulation(s), did the agency hold a public hearing to find that the estimated costs have been accurately determined and are necessary for achieving legislative intent? If applicable, document when the public hearing was held, those in attendance, and any pertinent information from the hearing.

If applicable, click here to enter public hearing information.

Provide an estimate to any changes in aggregate state revenues and expenditures for the implementation of the proposed rule(s) and regulation(s), for both the current fiscal year and next fiscal year.

\$0.

Provide an estimate of any immediate or long-range economic impact of the proposed rule(s) and regulation(s) on any individual(s), small employers, and the general public. If no dollar estimate can be given for any individual(s), small employers, and the general public, give specific reasons why no estimate is possible.

\$0.

**G. If the proposed rule(s) and regulation(s) increases or decreases revenues of cities, counties or school districts, or imposes functions or responsibilities on cities, counties or school districts that will increase expenditures or fiscal liability, describe how the state agency consulted with the League of Kansas Municipalities, Kansas Association of Counties, and/or the Kansas Association of School Boards.**

The proposed regulation does not impact local government or school districts.

DOB APPROVAL STAMP (If Required)

- H. Describe how the agency consulted and solicited information from businesses, associations, local governments, state agencies, or institutions and members of the public that may be affected by the proposed rule(s) and regulation(s).**

The agency consulted the Kansas Bankers Association and the Kansas Land Title Association. Kansas Bankers Association stated it supports this change. The Kansas Land Title Association did not support the change, but stated they understood why we are recommending it.

#### **Section IV**

**Does the Economic Impact Statement involve any environmental rule(s) and regulation(s)?**

- Yes If yes, complete the remainder of Section IV.  
 No If no, skip the remainder of Section IV.

- A. Describe the capital and annual costs of compliance with the proposed rule(s) and regulation(s), and the persons who would bear the costs.**

Click here to enter agency response.

- B. Describe the initial and annual costs of implementing and enforcing the proposed rule(s) and regulation(s), including the estimated amount of paperwork, and the state agencies, other governmental agencies, or other persons who would bear the costs.**

Click here to enter agency response.

- C. Describe the costs that would likely accrue if the proposed rule(s) and regulation(s) are not adopted, as well as the persons who would bear the costs and would be affected by the failure to adopt the rule(s) and regulation(s).**

Click here to enter agency response.

- D. Provide a detailed statement of the data and methodology used in estimating the costs used.**

Click here to enter agency response.

**DOB APPROVAL STAMP (If  
Required)**