

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2344 Session of
1992

INTRODUCED BY F. TAYLOR, GALLEN, VAN HORNE, MAYERNIK, COY,
HALUSKA, LESCOVITZ, LUCYK, PRESTON, SERAFINI, ALLEN,
GODSHALL, G. SNYDER, FLICK, CESSAR AND M. N. WRIGHT,
JANUARY 28, 1992

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE, JANUARY 28, 1992

AN ACT

1 Amending the act of December 3, 1959 (P.L.1688, No.621),
2 entitled, as amended, "An act to promote the health, safety
3 and welfare of the people of the Commonwealth by broadening
4 the market for housing for persons and families of low and
5 moderate income and alleviating shortages thereof, and by
6 assisting in the provision of housing for elderly persons
7 through the creation of the Pennsylvania Housing Finance
8 Agency as a public corporation and government
9 instrumentality; providing for the organization, membership
10 and administration of the agency, prescribing its general
11 powers and duties and the manner in which its funds are kept
12 and audited, empowering the agency to make housing loans to
13 qualified mortgagors upon the security of insured and
14 uninsured mortgages, defining qualified mortgagors and
15 providing for priorities among tenants in certain instances,
16 prescribing interest rates and other terms of housing loans,
17 permitting the agency to acquire real or personal property,
18 permitting the agency to make agreements with financial
19 institutions and Federal agencies, providing for the purchase
20 by persons of low and moderate income of housing units, and
21 approving the sale of housing units, permitting the agency to
22 sell housing loans, providing for the promulgation of
23 regulations and forms by the agency, prescribing penalties
24 for furnishing false information, empowering the agency to
25 borrow money upon its own credit by the issuance and sale of
26 bonds and notes and by giving security therefor, permitting
27 the refunding, redemption and purchase of such obligations by
28 the agency, prescribing remedies of holders of such bonds and
29 notes, exempting bonds and notes of the agency, the income
30 therefrom, and the income and revenues of the agency from
31 taxation, except transfer, death and gift taxes; making such

bonds and notes legal investments for certain purposes; and indicating how the act shall become effective," further providing for the powers of the agency, for use of nondistributed profits, for nondiscrimination, for making and purchasing loans and mortgages, for allocation of loans, for qualified bonds and notes; and further providing for the extension of the Homeowners' Emergency Mortgage Assistance Program.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 205(7) of the act of December 3, 1959 (P.L.1688, No.621), known as the Housing Finance Agency Law, amended December 5, 1972 (P.L.1259, No.282), is amended and the section is amended by adding clauses to read:

Section 205. Agency Powers.--The agency shall have the following powers:

* * *

(7) In accordance with the provisions of this act, or in conjunction with Federal law or a Federal program, to make commitments to purchase and to purchase, service and sell mortgages, and to make loans directly upon the security of mortgages.

* * *

(20) To invest in, pledge capital to, lease, own, manage or develop housing projects and programs in the furtherance of the purposes set forth in this act, individually, as a shareholder, stockholder, partner, equity participant or joint venturer.

(21) To form subsidiary corporations under the for-profit or not-for-profit corporation laws of the Commonwealth for the purpose of owning or developing housing in this Commonwealth.

Section 2. Section 207 of the act is amended to read:

Section 207. Agency Audits and Reports.--The accounts and books of the agency, including its receipts, disbursements,

1 contracts, mortgages, investments and other matters relating to
2 its finances, operations and affairs, shall be examined and
3 audited from time to time by the Auditor General as provided in
4 The Fiscal Code. Within sixty days after the end of each fiscal
5 year of the agency, or as soon thereafter as practical, the
6 agency shall file an annual financial statement consisting at
7 least of a balance sheet, profit-and-loss statement and general
8 report of operations with the Governor, the Auditor General and
9 the General Assembly.

10 Section 3. Section 402-A(d) and (f) of the act, added
11 December 5, 1972 (P.L.1259, No.282), are amended to read:

12 Section 402-A. Mortgage Loans.--* * *

13 (d) Use of Nondistributed Profits. Whenever a mortgagor
14 accumulates earned surplus in addition to such reserves for
15 replacement as the agency may require, in excess of ten per cent
16 of the current annual rent roll for the project, the agency may
17 require rents in the project [shall] to be reduced to the extent
18 necessary to lower the earned surplus accumulation to such ten
19 per cent figure in the following fiscal year.

20 * * *

21 (f) Nondiscrimination. The agency shall require that
22 occupancy of all housing financed or otherwise assisted under
23 this act be open to all persons regardless of race, national
24 origin, religion, gender, handicap or disability, family status
25 or creed, and that mortgagors, contractors and subcontractors
26 engaged in the construction, rehabilitation, sale or rental of
27 such housing, shall provide equal opportunity for employment
28 without discrimination as to race, national origin, religion,
29 gender, handicap or disability, family status or creed.

30 * * *

Section 4. Sections 401-B and 402-B of the act, added December 31, 1981 (P.L.594, No.176), are amended to read:

Section 401-B. General Statement.--The agency is hereby authorized to make or purchase loans or mortgages by contract with lending institutions to finance the purchase, construction, improvement or rehabilitation of owner-occupied single-family residences pursuant to the provisions of the Mortgage Subsidy Bond Tax Act of 1980 (Public Law 96-499) or any Federal tax legislation or program which may be a successor to the act or which may be similar to the act. The agency may acquire, and contract and enter into advance commitments to acquire by assignment or otherwise, loans secured by insurance or by mortgages owned by lending institutions or participations therein at such purchase price and upon such other terms as the agency shall determine. The agency may make and execute contracts with lending institutions for the origination and servicing of such loans and pay the value of services rendered under such contracts.

Section 402-B. Allocation of Loans.--[(a) The agency shall geographically allocate the proceeds of any qualified mortgage bond issue, authorized by section 501-A.1, in the following manner:

(1) Fifty (50) percent of the proceeds shall be allocated among municipalities, except for municipalities electing local issuance pursuant to section 501-A.1, in a manner reasonably proportional to the distribution of the population of housing units.

(2) Fifty (50) percent of the proceeds shall be allocated among municipalities, except for municipalities electing local issuance pursuant to section 501-A.1, in a manner reasonably

1 proportional to the distribution of the market value of
2 residential property.

3 (3) Municipalities to which proceeds shall be allocated
4 include counties, groups of counties, and cities of fifty
5 thousand (50,000) or greater population.

6 (4) Municipalities electing local issuance pursuant to
7 section 501-A.1, shall be allocated a portion of the State
8 ceiling for aggregate annual issuance, determined pursuant to
9 the Mortgage Subsidy Bond Tax Act of 1980, equivalent to the
10 portion of the proceeds of any qualified mortgage bond issue
11 which would be allocated to such municipalities, under this
12 section, if they did not elect local issuance: Provided, That
13 any municipality which issued mortgage subsidy bonds prior to
14 January 1, 1981 shall be allocated a portion of the State
15 ceiling in an amount as described herein, or in an amount at
16 least equal to the average yearly amount of mortgage subsidy
17 bonds issued in the municipality during the three (3) years
18 immediately prior to the enactment of this act, whichever is
19 greater. The annual ceilings for municipalities electing local
20 issuance shall be recommended by the agency and proclaimed by
21 the Governor which allocations may be amended from time to time.

22 (5) If six (6) months following issuance of any qualified
23 mortgage bonds, the agency determines that it cannot distribute
24 the proceeds in the manner set forth in this subsection, the
25 agency may reallocate the proceeds in a manner designed to meet
26 State housing policy objectives.

27 (6) If six (6) months after the amount allocation the agency
28 determines a reallocation would better achieve State housing
29 policy objectives, the agency may recommend and the Governor may
30 proclaim an amended allocation plan.

(b) The agency shall annually, by resolution adopted by the board, allocate the aggregate borrowing authority assigned to the agency pursuant to the Mortgage Subsidy Bond Tax Act of 1980, into the following categories of loans:

(1) Sixty (60) percent of the allocation shall be used to purchase mortgages for newly constructed homes and existing homes.

(2) Thirty-five (35) percent of the allocation shall be used to purchase mortgages to rehabilitate residences or for home improvement loans which qualify for FHA Title I insurance or successor programs or for home improvement loans which are authorized to be made by Pennsylvania regulated financial institutions.

(3) Five (5) percent of the allocation shall be used for home energy efficiency improvement loans which qualify for FHA Title I insurance or successor programs including, but not limited to, solar hot water heating and home weatherization. The distribution of proceeds into these categories need not be made separately for each municipality allocated loans pursuant to this section.

(c) The agency shall develop appropriate standards and procedures to ensure that all loans made with the proceeds of any qualified mortgage bond issued by the agency are made in a manner which encourages community conservation and promotes local land use planning objectives.

(d) The agency shall develop appropriate standards and procedures to implement the targeted area requirements of the Mortgage Subsidy Bond Tax Act of 1980.

(e) The agency shall specify standards, criteria and procedures to be employed in selecting eligible mortgagors for

1 loans made with the proceeds of any qualified mortgage bond
2 issued by the agency.

3 (f) The agency may enter into agreements with county or city
4 housing authorities, residential finance authorities,
5 redevelopment authorities, or other suitable governmental
6 entities to assist in the administration of this article with
7 respect to loans allocated to the municipality within the
8 jurisdiction of the authority or governmental entity.

9 (g) The agency and any municipality electing local issuance
10 shall contract with lending institutions to make loans with the
11 proceeds of qualified mortgage bonds. The agency and any
12 municipality electing local issuance may acquire and contract
13 and enter into advance commitments to acquire by assignment or
14 otherwise, loans secured by insurance or by mortgages made or
15 owned by lending institutions or participations therein. The
16 agency and any municipality electing local issuance shall make
17 and execute contracts with lending institutions for the
18 origination and servicing of such loans and pay the value of
19 services rendered under such contracts.] (a) The agency shall
20 geographically allocate the proceeds of any qualified mortgage
21 bond issue in accordance with rules and regulations promulgated
22 by the agency. Such rules shall be designed to encourage maximum
23 use and equitable distribution of proceeds of bond issues
24 throughout this Commonwealth.

25 (b) The agency shall develop appropriate standards and
26 procedures to implement the targeted area requirements of any
27 relevant Federal tax or Federal housing legislation.

28 (c) The agency shall specify standards, criteria and
29 procedures to be employed in selecting eligible mortgagors for
30 loans made with the proceeds of any qualified mortgage bond

1 issued by the agency.

2 (d) The agency may enter into agreements with county or city
3 housing authorities, residential finance authorities,
4 redevelopment authorities or other suitable governmental
5 entities to assist in the administration of this article with
6 respect to loans allocated to the municipality within the
7 jurisdiction of the authority or governmental entity.

8 (e) The agency and any municipality engaging in local
9 issuance, as authorized by section 501-A, may contract with
10 lending institutions to make loans with the proceeds of
11 qualified mortgage bonds. The agency and any municipality
12 electing local issuance may acquire and contract and enter into
13 advance commitments to acquire by assignment or otherwise, loans
14 secured by insurance or by mortgages made or owned by lending
15 institutions or participations therein. The agency and any
16 municipality electing local issuance may make and execute
17 contracts with lending institutions for the origination and
18 servicing of such loans and pay the value of services rendered
19 under such contracts.

20 Section 5. Section 411-C of the act, amended December 20,
21 1989 (P.L.651, No.79), is amended to read:

22 Section 411-C. Expiration.--This article, other than the
23 provisions contained in sections 405-C(g) and 406-C shall expire
24 December 23, [1992] 1995, except that mortgage assistance shall
25 continue to be made available to mortgagors who were deemed
26 eligible for mortgage assistance prior to the expiration of this
27 article in accordance with the terms of this article.

28 Section 6. Section 501-A.1 of the act, added December 31,
29 1981 (P.L.594, No.176), is amended to read:

30 Section 501-A.1. Qualified [Mortgage] Housing Bonds.--(a)

1 The agency shall have the power and is hereby authorized from
2 time to time by resolution of the members, and subject to the
3 written approval by the Governor, to issue qualified [mortgage]
4 housing bonds and notes, pursuant to the Mortgage Subsidy Bond
5 Tax Act of 1980, and subsequent amendments, or any Federal tax
6 legislation or program which authorizes Federal tax exemption
7 for bonds issued to provide housing. The agency may issue such
8 bonds or notes in such principal amounts, as [is] permitted by
9 Federal law and the act of December 20, 1985 (P.L.483, No.113),
10 known as the "Tax-Exempt Bond Allocation Act," and [is] as are
11 in the opinion of the agency, necessary to provide sufficient
12 funds for the Owner Occupied Residential Mortgage Program
13 authorized by Article IV.-B and the Rental Housing Program
14 authorized by Article IV.-A. These bonds and notes shall be
15 issued, to the extent permitted by [the Mortgage Subsidy Bond
16 Tax Act of 1980] Federal law, in conformity with all other
17 provisions of Article V.-A.

18 (b) In determining the limitation on the aggregate amount of
19 qualified [mortgage] housing bonds issued during any calendar
20 year, [as provided by section 103(g) of the Mortgage Subsidy
21 Bond Tax Act of 1980] which are eligible for exemption from
22 Federal taxation under Federal law, the total State ceiling
23 shall be completely allocated to the agency for its programs
24 under Article IV.-B, except for amounts allocated to
25 municipalities electing local issuance.

26 (c) [Mortgage] Qualified housing bonds may be locally issued
27 by election of any of the following entities [upon notification
28 to the agency] which may apply to the agency for the allocation
29 of local authority for the purpose of issuing housing bonds
30 subject to annual volume cap:

1 (1) Cities of the first, second and second class A and
2 cities of the third class with a population of fifty thousand
3 (50,000) or greater.

4 (2) Counties of the second class.

5 (3) Any other municipality which by itself or through an
6 authority prior to January 1, 1981, issued mortgage subsidy
7 bonds.

8 (4) Any county or city housing authorities, redevelopment
9 authorities or residential finance authorities within the
10 jurisdiction of any of the above and with the approval of the
11 incorporating municipality.

12 [The municipality] (d) A qualified entity authorized to
13 issue bonds hereunder may use any part or all of its allocation
14 hereunder by designating an authority in clause (4) of
15 subsection (c) as its agent for a mortgage program. An election
16 for local issuance may be made by any other municipality, upon
17 recommendation of the agency and with the approval of the
18 Governor, if the agency determines that local issuance will
19 result in loans being made at rates significantly lower than
20 those available from the agency, or will result in substantial
21 reductions in administrative costs, or will allow more effective
22 integration of State, Federal and local housing assistance
23 programs, not available through cooperation with the agency. A
24 municipality electing local issuance may issue amounts equal to
25 the portion of the State ceiling allocated to the municipality
26 by the agency and the Governor pursuant to section 402-B. If in
27 the judgment of the agency, it will not issue bonds in the total
28 amount available to it in any calendar year as prescribed in
29 subsection (b), any excess availability within the State ceiling
30 may be reallocated by resolution adopted by the agency board to

1 any of the entities authorized to issue mortgage bonds under
2 this act.

3 Section 7. This act shall take effect immediately.