

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 773

Session of
1975

INTRODUCED BY ROMANELLI, BENNETT, L. E. SMITH, HAMMOCK,
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GILLESPIE, SCHEAFFER, DeVERTER AND GRIECO, MARCH 18, 1975

REFERRED TO COMMITTEE ON BUSINESS AND COMMERCE, MARCH 19, 1975

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
32 bonds and notes legal investments for certain purposes; and
33 indicating how the act shall become effective," extending the

1 act to include a mortgage finance program; empowering the
2 agency to make low interest loans to eligible lenders with
3 which to make mortgage loans for the purchase or
4 rehabilitation of low and moderate income housing; and
5 providing for the powers and duties of the agency in
6 connection therewith.

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

9 Section 1. Section 102, act of December 3, 1959 (P.L.1688,
10 No.621), known as the "Housing Finance Agency Law," amended
11 December 5, 1972 (P.L.1259, No.282), is amended to read:

12 Section 102. Findings and Declaration of Policy.--It is
13 hereby determined and declared as a matter of legislative
14 finding that--

15 (1) The welfare of the Commonwealth is threatened by the
16 fact that throughout Pennsylvania the supply of private homes
17 and rental units for persons and families of low and moderate
18 income is inadequate to meet the need for such housing created
19 by an expanding population, the wearing out of older dwellings
20 and the elimination of substandard dwellings by governmental
21 action, and by a shortage of suitable dwellings for elderly
22 persons.

23 (2) Because of higher construction costs, a scarcity of
24 financing available for housing and the resulting increase in
25 interest rates, the housing need which exists in fact has not
26 been able to find economic expression in a market demand
27 sufficient to encourage greater production of homes and rental
28 housing by private industry or to provide an adequate supply of
29 funds for the financing of new and existing homes for persons
30 and families of low and moderate income, including the elderly.

31 (3) Persons and families whose residences are condemned by
32 governmental action in the prosecution of necessary public works

1 in urban slum clearance programs and under regulatory laws
2 protecting health and safety, face insuperable difficulties in
3 finding new and existing housing which is adequate, safe and
4 sanitary. Many such persons and families are not eligible to
5 occupy public housing administered by governmental agencies and
6 are also unable to rent or purchase adequate, safe and sanitary
7 housing because of the economic conditions described. Unless it
8 becomes economically feasible for these persons and families to
9 acquire housing in place of the dwellings now being eliminated
10 by urban renewal programs in blighted areas and other dwellings
11 removed by reason of other public works, such necessary
12 governmental activities face serious curtailment or
13 interruption.

14 (4) The Commonwealth has a strong moral responsibility to
15 assist in providing opportunity for the rental or purchase of
16 relocation housing by persons and families who are displaced by
17 necessary governmental action, as well as a general and
18 continuing responsibility to eliminate conditions which prevent
19 private industry and mortgage lending institutions from
20 supplying housing and financing to relieve the general shortage
21 of housing.

22 (5) A major cause of the housing crisis is the lack of
23 funds available to finance housing by private mortgage lending
24 institutions in the Commonwealth. This lack of funds has
25 frustrated the production of new residences and the sale and
26 purchase of existing residences. Private industry alone has been
27 and now is unable to provide the financing necessary, at a cost
28 which persons and families of low and moderate income can
29 afford, for housing for such persons and families and therefore,
30 the specialized financing provided for in this act will

1 encourage greater expenditure of private capital for housing.

2 (6) The relationship of a sufficient provision of adequate,
3 safe and sanitary housing to the advancement of the public
4 health and morals and to the prevention of fire, accident and
5 crime is clear.

6 (7) Therefore, it is hereby declared to be the policy of the
7 Commonwealth of Pennsylvania to promote the health, safety and
8 welfare of its inhabitants by the creation of a body corporate
9 and politic, to be known as the "Pennsylvania Housing Finance
10 Agency," which shall exist and operate for the purposes of
11 alleviating the hardship which results from insufficient
12 production of private homes and of rental housing for persons
13 and families of low and moderate income, including the elderly,
14 the hardship resulting from the relocation of persons displaced
15 by governmental action, the deleterious effect of inadequate
16 housing upon the general welfare of the Commonwealth, and the
17 disadvantages, resulting from economic conditions, which bar
18 private industry from satisfying a vital need, by broadening the
19 market for private homes and for housing for persons and
20 families of low and moderate income, including the elderly,
21 through the provision of specialized financing secured by
22 mortgages to corporations, individuals, joint ventures,
23 partnerships, limited partnerships, trusts, cooperatives and
24 condominiums, which are unable to obtain such financing in the
25 general market or who are unable to participate in specialized
26 Federal housing programs because of lack of available Federal
27 funds, and through provisions for loans to private mortgage
28 lending institutions by the agency for the purpose of making the
29 needed residential loans designed to expand the available funds
30 while protecting against the realization by those mortgage

1 lending institutions of an excessive financial return or
2 benefit, and through cooperation with and assistance to the
3 Pennsylvania Department of Community Affairs as such department
4 carries into effect the powers and duties vested in it, thus
5 improving and stimulating the distribution of investment capital
6 for housing. Such purposes are public purposes for which public
7 money may be spent.

8 Section 2. Section 103 of the act, amended December 5, 1972
9 (P.L.1259, No.282), is amended by adding definitions to read:

10 Section 103. Definitions.--As used in this act unless
11 otherwise indicated--

12 * * *

13 (3.1) "Mortgage finance bonds" and "mortgage finance notes"
14 mean the bonds and notes which the agency is authorized to issue
15 for the purpose of the mortgage finance program established by
16 Article III-B.

17 * * *

18 (14.1) "Mortgage lender" means any bank, bank and trust
19 company, savings bank, or savings association which is chartered
20 by the Commonwealth or by the Federal Government to do business
21 in the Commonwealth and any insurance company licensed by the
22 Insurance Commissioner of the Commonwealth.

23 * * *

24 (19) "Residential mortgage" means a loan made by a mortgage
25 lender to an eligible low or moderate income person or family,
26 including the elderly for the purchase of a new or existing
27 residence that is located within the Commonwealth, the loan
28 being secured by a mortgage constituting a first lien upon such
29 real property or any interest therein. In the case of the
30 purchase of an existing residence, financed by such a

1 residential mortgage, the loan may include the cost of
2 substantial rehabilitation of or the construction of a
3 substantial addition to such an existing residence.

4 Section 3. Clauses (2) and (5) of section 205 of the act,
5 amended December 5, 1972 (P.L.1259, No.282), are amended and the
6 section is also amended by adding clauses to read:

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

9 * * *

10 (2) To make and alter bylaws for the management and
11 regulation of its affairs and to make and from time to time
12 amend and repeal rules and regulations, governing the various
13 programs of the agency pursuant to this act and the conduct of
14 [the] its business [of the agency].

15 * * *

16 (5) To accept grants-in-aid, gifts, donations, legacies or
17 usages of money made or extended by individuals, organizations,
18 public or private corporations, departments or instrumentalities
19 of the Commonwealth, or the Federal government, and to return
20 money advanced for its usage not otherwise required for its
21 purposes or for [the Capital Reserve Fund] any capital reserve
22 fund created in accordance with section 504-A of this act.

23 * * *

24 (18) To make loans to mortgage lenders under terms and
25 conditions requiring the proceeds thereof to be used by such
26 mortgage lenders for the making of residential mortgages
27 pursuant to the provisions of Article III-B.

28 (19) To establish, and revise from time to time and charge
29 and collect fees and charges in connection with loans made by
30 the agency to mortgage lenders under this act.

1 (20) Subject to any agreement with bondholders or
2 noteholders, to collect, enforce the collection of, and
3 foreclose on any collateral securing its loans to mortgage
4 lenders and acquire or take possession of such collateral and
5 sell the same at public or private sale, with or without
6 bidding, and otherwise deal with such collateral as may be
7 necessary to protect the interests of the agency therein or in
8 which the agency has an interest.

9 (21) Subject to any agreement with bondholders or
10 noteholders, to consent to any modification with respect to rate
11 of interest, time and payment of any installment of principal or
12 interest, security or any other term of any loan to a mortgage
13 lender or any bond or note, contract or agreement of any kind to
14 which the agency is a party.

15 Section 4. The act is amended by adding an article to read:

16 ARTICLE III-B

17 Mortgage Finance Program

18 Section 301-B. Mortgage Finance Program.--(a) The agency may
19 from time to time make loans to mortgage lenders so as to
20 furnish, as rapidly and efficiently as possible, funds to
21 mortgage lenders for residential mortgages.

22 (b) The agency may from time to time adopt, modify, amend or
23 repeal rules and regulations governing the making of such loans
24 to mortgage lenders and the application of the proceeds thereof,
25 including, but not limited to, rules and regulations as to any
26 or all of the following:

27 (1) procedures for the submission of requests or the
28 invitation of proposals for loans;

29 (2) standards and requirements as to allocations of loans
30 among all or certain of the mortgage lenders or awards of loans

1 and determining the amounts and interest rates thereof;

2 (3) qualifications as to the eligibility of mortgage lenders
3 to participate in the program. No mortgage lender shall be
4 eligible to participate in the program or to receive any loan
5 from the agency unless it demonstrates to the satisfaction of
6 the agency that a minimum percentage in dollar amount of its
7 portfolio of outstanding residential mortgage loans on real
8 property or an interest therein are on residential real
9 properties located within the Commonwealth. Such minimum
10 percentage in dollar amount shall be fixed by the agency, but in
11 no case shall such minimum percentage in dollar amount be less
12 than one-third;

13 (4) limitations or restrictions as to the number of family
14 units, location or other qualifications or characteristics of
15 residences to be financed by residential mortgages;

16 (5) restrictions as to the interest rates on residential
17 mortgages or the return realized therefrom by mortgage lenders;

18 (6) requirements as to commitments by mortgage lenders with
19 respect to residential mortgages;

20 (7) schedules of any fees and charges necessary to provide
21 for expenses and reserves of the agency; and

22 (8) any other matters related to the duties and the
23 exercises of the powers of the agency under this article.

24 Such rules and regulations shall be designed to effectuate
25 the general purposes of this act and the following specific
26 objectives: (i) the expansion of the supply of funds in the
27 Commonwealth available for residential mortgages; and (ii) the
28 effective and efficient participation by mortgage lenders in the
29 mortgage finance program authorized by this article and (iii)
30 the restriction of the financial return and benefit to

1 participating mortgage lenders from such program to that
2 necessary and reasonable to accomplish the purposes of this
3 article.

4 (c) Loans to mortgage lenders shall be general obligations
5 of the respective mortgage lenders owing the same and shall bear
6 such date or dates, shall mature at such time or times, shall be
7 evidenced by such note, bond or other certificate of
8 indebtedness, shall be subject to prepayment, and shall contain
9 such other provisions consistent with this section, all as the
10 agency shall by resolution determine.

11 (d) Any other provision of this section to the contrary
12 notwithstanding, the interest rate or rates and other terms of
13 the loans to mortgage lenders made from the proceeds of any
14 issue of the agency shall be at least sufficient so as to assure
15 the payment of said bonds and the interest thereon as the same
16 become due from the amounts received by the agency in repayment
17 of such loans and interest thereon.

18 (e) The agency shall require as a condition of each loan to
19 a mortgage lender that such mortgage lender shall on or prior to
20 the one-hundred-eightieth day (or such earlier day as shall be
21 prescribed by rules and regulations of the agency) following the
22 receipt of the loan proceeds have entered into written
23 commitments to make, and shall thereafter proceed as promptly as
24 practicable to make and disburse from such loan proceeds, new
25 residential mortgages having a stated maturity of not less than
26 fifteen years from the date thereof in an aggregate principal
27 amount equal to the amount of such loan.

28 (f) The agency shall require that such loans to mortgage
29 lenders shall be additionally secured as to payment of both
30 principal and interest by a pledge of and lien upon collateral

1 security in such amounts as the agency shall by resolution
2 determine to be necessary to assure the payment of such loans
3 and the interest thereon as the same become due. Such collateral
4 security shall consist of (i) direct obligations of, or
5 obligations guaranteed by, the United States of America; (ii)
6 bonds, debentures, notes or other evidences of indebtedness,
7 satisfactory to the agency, issued by any of the following
8 Federal agencies: Bank for Cooperatives, Federal Intermediate
9 Credit Bank, Federal Home Loan Bank System, Export-Import Bank
10 of the United States, Federal Land Banks, the Federal National
11 Mortgage Association or the Government National Mortgage
12 Association; (iii) direct obligations of, or obligations
13 guaranteed by, the Commonwealth; or (iv) mortgages insured or
14 guaranteed by the United States of America or an instrumentality
15 thereof as to payment of principal and interest; or such other
16 collateral as the agency shall require. The agency may require
17 in the case of any or all mortgage lenders that such collateral
18 be lodged with a bank or trust company located in the
19 Commonwealth designated by the agency as custodian therefor. In
20 the absence of such requirement a mortgage lender shall upon
21 receipt of the loan proceeds from the agency enter into an
22 agreement with the agency containing such provisions as the
23 agency shall deem necessary to adequately identify and maintain
24 such collateral and service the same and shall provide that such
25 mortgage lender shall hold such collateral as an agent for the
26 agency and shall be held accountable as the trustee of an
27 express trust for the application and disposition thereof and
28 the income therefrom solely to the uses and purposes in
29 accordance with the provisions of such agreement. A copy of each
30 such agreement and any revisions or supplements thereto shall be

1 filed with the Secretary of the Commonwealth and no further
2 filing or other action under the Uniform Commercial Code, the
3 act of April 6, 1953 (P.L.3, No.1), as amended, or any other law
4 of the Commonwealth shall be required to perfect the security
5 interest of the agency in such collateral or any additions
6 thereto or substitutions therefor, and the lien and trust for
7 the benefit of the agency so created shall be binding from and
8 after the time made against all parties having claims of any
9 kind in tort, contract, or otherwise against such mortgage
10 lender. The agency may also establish such additional
11 requirements as it shall deem necessary with respect to the
12 pledging, assigning, setting aside, or holding of such
13 collateral and the making of substitutions therefor or additions
14 thereto and the disposition of income and receipts therefrom.

15 (g) The agency shall require the submission to it by each
16 mortgage lender to which the agency has made a loan of evidence
17 satisfactory to the agency of the making of residential
18 mortgages and in connection therewith may inspect the books and
19 records of such mortgage lender.

20 (h) The agency may require as a condition of any loans to
21 mortgage lenders such representations and warranties as it shall
22 determine to be necessary to secure such loans and carry out the
23 purposes of the act.

24 (i) All residential mortgages made as required by this
25 section shall comply with the applicable provisions of the laws
26 of the Commonwealth, and, where Federal law or the law of
27 another jurisdiction govern the affairs of the mortgage lender,
28 shall comply with applicable provisions of such law.

29 (j) Compliance by any mortgage lender with the terms of this
30 section and its undertaking to the agency with respect to the

1 making of residential mortgages may be enforced at the instance
2 of the agency by decree of the Commonwealth Court. The agency
3 may require as a condition of any loan to any mortgage lender
4 the consent of such mortgage lender to the jurisdiction of the
5 Commonwealth Court over any such proceeding. The agency may also
6 require agreement by any mortgage lender, as a condition of the
7 loan to such mortgage lender, to the payment of penalties to the
8 agency for violation by the mortgage lender of any provision of
9 this section or its undertaking to the agency with respect to
10 the making of residential mortgages, and such penalties shall be
11 recoverable at the suit of the agency.

12 (k) There shall be no Capital Reserve Fund, or Capital
13 Reserve Fund requirement for bonds issued pursuant to this
14 article.

15 Section 5. Subsection (a) of section 501-A, sections 503-A
16 and 504-A of the act, added December 5, 1972 (P.L.1259, No.282),
17 are amended to read:

18 Section 501-A. Issuance of Bonds and Notes.--(a) The agency
19 shall have the power and is hereby authorized from time to time
20 to issue its negotiable bonds, either as serial bonds maturing
21 in annual installments or as term bonds, or any combination
22 thereof, and notes in such principal amount as, in the opinion
23 of the agency, shall be necessary to provide sufficient funds
24 for achieving its corporate purposes, including the housing
25 programs established in [Articles III.-A and IV.-A] this act,
26 the payment of interest on bonds and notes of the agency,
27 establishment of reserves to secure such bonds and notes, and
28 all other expenditures of the agency incident to and necessary
29 or convenient to carry out its corporate purposes and powers.
30 The agency shall have power, from time to time, to issue renewal

1 notes, to issue bonds to pay notes and whenever it deems
2 refunding expedient to refund any bonds by the issuance of new
3 bonds, whether the bonds to be refunded have or have not
4 matured, and to issue bonds partly to refund bonds then
5 outstanding and partly for any other purpose. The refunding
6 bonds shall be sold and the proceeds applied to the purchase,
7 redemption or payment of the bonds to be refunded.

8 * * *

9 Section 503-A. [General Fund.--The agency shall create and
10 establish a general fund, herein referred to as the "General
11 Fund," and shall pay into such General Fund any moneys
12 appropriated and made available by the Commonwealth for the
13 purposes of such General Fund, and any other moneys which may be
14 available to the agency for its general purposes from any source
15 or sources other than proceeds from the issuance and sale of
16 notes or bonds by the agency.] Funds and Accounts.--The agency
17 shall create such funds and accounts as may be necessary or
18 desirable for its corporate purposes and shall pay into each
19 such fund or account any moneys appropriated and made available
20 by the Commonwealth for the purposes of such fund or account.
21 Nothing contained herein shall be construed as prohibiting the
22 agency from creating within any fund one or more accounts which
23 may be used or pledged by the agency for a specific purpose.

24 Section 504-A. [Capital Reserve Fund.--(a) The agency shall
25 create and establish a separate special fund, herein referred to
26 as the "Capital Reserve Fund," and shall pay into such Capital
27 Reserve Fund any moneys appropriated and made available by the
28 Commonwealth for the purposes of such fund, any proceeds of sale
29 of notes or bonds to the extent provided in the resolution of
30 the agency authorizing issuance thereof, and any other moneys

1 which may be available to the agency for the purpose of such
2 fund from any other source or sources. All moneys held in the
3 Capital Reserve Fund, except as hereinafter provided, shall be
4 used solely for the payment of the principal of bonds of the
5 agency as the same mature, required payments to any sinking fund
6 established for the amortization of term bonds (hereinafter
7 referred to as "sinking fund payments"), the purchase of bonds
8 of the agency, the payment of interest on such bonds of the
9 agency or the payment of any redemption premium required to be
10 paid when such bonds are redeemed prior to maturity: Provided,
11 however, That moneys in such fund shall not be withdrawn
12 therefrom at any time in such amount as would reduce the amount
13 of such fund to less than the maximum amount of principal and
14 interest maturing and becoming due and sinking fund payments
15 required to be made in any succeeding calendar year on all bonds
16 of the agency then outstanding, except for the purpose of paying
17 the principal, interest and sinking fund payments becoming due
18 on such bonds of the agency maturing and becoming due and for
19 the payment of which other moneys of the agency are not
20 available. For the purpose of this subdivision, in computing the
21 maximum amount of principal maturing in any succeeding calendar
22 year, the principal amount of any term bonds which are to be
23 authorized by sinking fund payments shall not be included in the
24 computation. Any income or interest earned by, or increment to,
25 the Capital Reserve Fund due to the investment thereof may be
26 transferred to the General Fund or any other fund of the agency
27 to the extent it does not reduce the amount in such Capital
28 Reserve Fund below the maximum amount of principal and interest
29 maturing and becoming due and sinking fund payments required to
30 be made in any succeeding calendar year on all bonds of the

1 agency then outstanding and secured by such Capital Reserve
2 Fund.

3 (b) The agency shall not issue bonds at any time if the
4 maximum amount of principal and interest maturing and becoming
5 due and sinking fund payments required to be made in a
6 succeeding calendar year on such bonds then to be issued and on
7 all other bonds of the agency then outstanding will exceed the
8 amount of the Capital Reserve Fund at the time of issuance
9 unless the agency, at the time of issuance of such bonds, shall
10 deposit in such fund from the proceeds of the bonds so to be
11 issued, or otherwise, an amount which together with the amount
12 then in such fund, will be not less than the maximum amount of
13 principal and interest maturing and becoming due and sinking
14 fund payments required to be made in any succeeding calendar
15 year on such bonds then to be issued and on all bonds of the
16 agency then outstanding.

17 (c) To assure the continued operation and solvency of the
18 agency for the carrying out of the public purposes of this act,
19 provision is made in subsection (a) for the accumulation in the
20 Capital Reserve Fund of an amount equal to the maximum amount of
21 principal and interest maturing and becoming due and sinking
22 fund payments required to be made in any succeeding calendar
23 year on all bonds of the agency then outstanding. In order
24 further to assure such maintenance of the Capital Reserve Fund
25 the agency, at least thirty days before the beginning of each
26 Legislative Session, shall submit to the Governor and General
27 Assembly an estimate of any funds expected to be necessary
28 during the following year to make up any deficiencies in the
29 Capital Reserve Fund or otherwise to avoid default in the
30 payment of interest or principal upon bonds or notes issued by

1 the agency, or in sinking fund payments required to be made, and
2 the Governor shall cause the amount of such deficiency, if any,
3 to be placed in the budget of the Commonwealth for the next
4 succeeding fiscal year, so that the General Assembly shall be
5 enabled to provide appropriation sufficient to make up any such
6 deficiency or otherwise to avoid any default. Such amount
7 appropriated, if any, shall be repaid to the Commonwealth as
8 soon as possible by the agency from moneys in the General Fund
9 in excess of the amount required to make and keep the agency
10 self-supporting.

11 (d) In computing the amount of the Capital Reserve Fund for
12 the purposes of this section, securities in which all or a
13 portion of such fund are invested shall be valued at par, or if
14 purchased at less than par, at their cost to the agency.]

15 Reserve Funds and Appropriations.--(a) The agency may create and
16 establish one or more special funds, herein referred to as
17 "capital reserve funds," and shall pay into each such capital
18 reserve fund (i) any moneys appropriated and made available by
19 the Commonwealth for the purpose of such fund, (ii) any proceeds
20 of sale of notes or bonds to the extent provided in the
21 resolution or resolutions of the agency authorizing the issuance
22 thereof, and (iii) any other moneys which may be available to
23 the agency for the purpose of such fund from any other source or
24 sources. All moneys held in any capital reserve fund, except as
25 hereinafter provided, shall be used, as required, solely for the
26 payment of the principal of bonds secured in whole or in part by
27 such fund or of the sinking fund payments with respect to such
28 bonds, the purchase of redemption of such bonds, the payment of
29 interest on such bonds or the payment of any redemption premium
30 required to be paid when such bonds are redeemed prior to

1 maturity. Moneys in such fund shall not be withdrawn therefrom
2 at any time in such amount as would reduce the amount of such
3 fund to less than the minimum capital reserve requirement
4 established for such fund, as hereinafter provided, except for
5 the purpose of making, with respect to bonds secured in whole or
6 in part by such fund, payment when due, of principal, interest,
7 redemption premiums and the sinking fund payments with respect
8 to such bonds for the payment of which other moneys of the
9 agency are not available. Any income or interest earned by, or
10 incremental to, any capital reserve fund due to the investment
11 thereof may be transferred by the agency to other funds or
12 accounts of the agency to the extent it does not reduce the
13 amount of that capital reserve fund below the minimum capital
14 reserve fund requirement for such fund.

15 (b) The agency shall not at any time issue bonds, secured in
16 whole or in part by a capital reserve fund; if upon the issuance
17 of such bonds, the amount in such capital reserve fund will be
18 less than the minimum capital reserve fund requirement for such
19 fund, unless the agency at the time of issuance of such bonds,
20 shall deposit in such fund from the proceeds of the bonds to be
21 issued, or from other sources, an amount which, together with
22 the amount then in such fund, will not be less than the minimum
23 capital reserve fund requirement for such fund. For the purposes
24 of this section, the term "minimum capital reserve fund
25 requirement" shall mean, as of any particular date of
26 computation, an amount of money, as provided in the resolution
27 or resolutions of the agency authorizing the bonds with respect
28 to which such fund is established. In no event, however, shall
29 such capital reserve fund requirement exceed an amount equal to
30 not more than the greatest of the respective amounts, for the

1 current or any future fiscal year of the agency, of annual debt
2 service on the bonds of the agency secured in whole or in part
3 by such fund, such annual debt service for any fiscal year being
4 the amount of money equal to the aggregate of all interest and
5 principal payable on such bonds during such fiscal year,
6 calculated on the assumption that all such bonds are paid at
7 maturity or if any amount of such bonds is required to be
8 redeemed on any earlier date by operation of a sinking fund,
9 then on the assumption that such amount of bonds is redeemed on
10 such earlier date and that such amount is considered principal
11 payable on such bonds during the year they are to be redeemed
12 for purposes of this calculation.

13 (c) To assure the continued operation and solvency of the
14 agency, for the carrying out of its corporate purposes,
15 provision is made in subsection (a) for the accumulation in each
16 capital reserve fund of an amount equal to the minimum capital
17 reserve fund requirement for such fund. In order further to
18 assure the maintenance of such capital reserve funds, the
19 agency, at least thirty days before the beginning of each
20 legislative session, shall submit to the Governor and the
21 General Assembly an estimate of any funds expected to be
22 necessary during the following year to restore to each such
23 capital reserve fund any deficiencies in the minimum capital
24 reserve fund requirement for such fund or otherwise to avoid
25 default in the payment of interest or principal upon bonds or
26 notes issued by the agency, or in sinking fund payments required
27 to be made, and the Governor shall cause the amount of such
28 deficiencies, if any, to be placed in the budget of the
29 Commonwealth for the next succeeding fiscal year, so that the
30 General Assembly shall be enabled to provide appropriations

1 sufficient to restore any such deficiencies or otherwise to
2 avoid any default. Such amount appropriated, if any, shall be
3 repaid to the Commonwealth as soon as possible by the agency
4 from moneys of the agency in excess of the amount required to
5 make and keep the agency self-supporting.

6 (d) In computing the amount of any debt service reserve fund
7 for the purposes of this section, securities in which all or a
8 portion of such fund are invested shall be valued at par if
9 purchased at par, or if purchased at other than par, at
10 amortized value, which when used with respect to securities
11 purchased at a premium above or a discount below par, shall mean
12 the value as of any given date obtained by dividing the total
13 mount of the premium or discount at which such securities were
14 purchased by the number of days remaining to maturity on such
15 securities at the time of such purchase and by multiplying the
16 amount so calculated by the number of days having passed since
17 the date of such purchase; and (i) in the case of securities
18 purchased at a premium, by deducting the product thus obtained
19 from the purchase price, and (ii) in the case of securities
20 purchased at a discount, by adding the product thus obtained to
21 the purchase price.

22 Section 6. Article VI-A of the act, added December 5, 1972
23 (P.L.1259, No.282), is amended by amending the article heading
24 and adding sections to read:

25 ARTICLE VI.-A

26 [Liberal Construction, Fraud Penalty and Effective Date]

27 Miscellaneous

28 Section 604-A. Conflict of Interest.--No member, officer,
29 employee or agent of the agency, for purposes of personal gain,
30 shall have or attempt to have, directly or indirectly, any

1 interest in any contract or agreement of the agency in
2 connection with the sale or purchase of any bonds or notes or
3 investments of the agency.

4 Section 605-A. Commonwealth Court to Hear All Matters
5 Pertaining to the Agency.--The Commonwealth Court shall have
6 original jurisdiction of all civil actions or proceedings
7 pertaining to the agency.

8 Section 7. If any word, phrase, clause, sentence, section or
9 provision of the act or this amendatory act is for any reason
10 held to be unconstitutional, the decision of the court shall not
11 affect or impair any of the remaining provisions of the act or
12 this amendatory act. It is hereby declared as the legislative
13 intent that the act or this amendatory act would have been
14 adopted had such unconstitutional word, phrase, clause, sentence
15 or provision thereof not been included herein.

16 Section 8. This act shall take effect in 60 days.