
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1407 Session of
1972

INTRODUCED BY SESLER, STAUFFER, COPPERSMITH, HOWARD, HOBBS,
OESTERLING, FRAME, DWYER, STAPLETON, HILL, MELLOW, MESSINGER,
ROVNER, MAZZEI, LAMB and WADE, MAY 9, 1972

REFERRED TO STATE GOVERNMENT, MAY 9, 1972

AN ACT

1 Amending the act of December 3, 1959 (P.L.1688), entitled "An
2 act to promote the health, safety and welfare of the people
3 of the Commonwealth by broadening the market for low-priced
4 private homes and alleviating shortages thereof, and by
5 assisting in the provision of housing for elderly persons
6 through the creation of the Pennsylvania Housing Agency as a
7 public corporation and government instrumentality; providing
8 for the organization, membership and administration of the
9 agency, prescribing its general powers and duties and the
10 manner in which its funds are kept and audited, empowering
11 the agency to make housing loans to eligible mortgagors upon
12 the security of insured mortgages, defining eligible
13 mortgagors and providing for priorities among them in certain
14 instances, prescribing interest rates and other terms of
15 housing loans, permitting the agency to make agreements with
16 financial institutions and Federal agencies, permitting the
17 agency to sell housing loans, providing for the promulgation
18 of regulations and forms by the agency, prescribing penalties
19 for furnishing false information, empowering the agency to
20 borrow money upon its own credit by the issuance and sale of
21 bonds and notes and by giving security therefor, permitting
22 the refunding, redemption and purchase of such obligations by
23 the agency, prescribing remedies of holders of such bonds and
24 notes, exempting bonds and notes of the agency, the income
25 therefrom, and the income and revenues of the agency from
26 taxation, except transfer, death and gift taxes; making such
27 bonds and notes legal investments for certain purposes; and
28 indicating how the act shall become effective," extending
29 the act to rental housing and to persons of low and moderate
30 income; changing the name of the act and the name and
31 membership of the administering agency; further providing for
32 the powers and duties of the agency; and providing penalties.

33 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 Section 1. The title and sections 101, 102, 103, 201 and
3 202, act of December 3, 1959 (P.L.1688), known as the "Housing
4 Agency Law," clause (7) of section 102 amended July 31, 1968
5 (P.L.914), are amended to read:

6 AN ACT

7 To promote the health, safety and welfare of the people of the
8 Commonwealth by broadening the market for [low-priced private
9 homes] housing for persons and families of low and moderate
10 income and alleviating shortages thereof, and by assisting in
11 the provision of housing for elderly persons through the
12 creation of the Pennsylvania Housing Finance Agency as a
13 public corporation and government instrumentality; providing
14 for the organization, membership and administration of the
15 agency, prescribing its general powers and duties and the
16 manner in which its funds are kept and audited, empowering
17 the agency to make housing loans to [eligible] qualified
18 mortgagors upon the security of insured and uninsured
19 mortgages, defining [eligible] qualified mortgagors and
20 providing for priorities among [them] tenants in certain
21 instances, prescribing interest rates and other terms of
22 housing loans, permitting the agency to acquire real or
23 personal property, permitting the agency to make agreements
24 with financial institutions and Federal agencies, providing
25 for the purchase by persons of low and moderate income of
26 housing units, and approving the sale of housing units,
27 permitting the agency to sell housing loans, providing for
28 the promulgation of regulations and forms by the agency,
29 prescribing penalties for furnishing false information,
30 empowering the agency to borrow money upon its own credit by

1 the issuance and sale of bonds and notes and by giving
2 security therefor, permitting the refunding, redemption and
3 purchase of such obligations by the agency, prescribing
4 remedies of holders of such bonds and notes, exempting bonds
5 and notes of the agency, the income therefrom, and the income
6 and revenues of the agency from taxation, except transfer,
7 death and gift taxes; making such bonds and notes legal
8 investments for certain purposes; and indicating how the act
9 shall become effective.

10 Section 101. Short Title.--This act shall be known and may
11 be cited as the "Housing Finance Agency Law."

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 [low-priced]
17 private homes and rental units for persons and families of low
18 and moderate income is inadequate to meet the need for such
19 housing created by an expanding population, the wearing out of
20 older dwellings and the elimination of substandard dwellings by
21 governmental action, and by a shortage of suitable dwellings for
22 elderly 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 [low-priced] homes
28 and rental housing [for elderly persons] by private industry for
29 persons and families of low and moderate income, including the
30 elderly.

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

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

23 (5) [Private industry, if provided with market and financial
24 conditions warranting greater expenditure of private capital for
25 housing and for the development of technological advances in
26 housing construction, can supply the low-priced private homes
27 needed in this Commonwealth.] Private industry alone has been
28 and now is unable to provide the financing necessary, at a cost
29 which persons and families of low and moderate income can
30 afford, for housing for such persons and families and therefore,

1 the specialized financing provided for in this act will
2 encourage greater expenditure of private capital for housing.

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

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

1 of Community Affairs as such department carries into effect the
2 powers and duties vested in it, thus improving and stimulating
3 the distribution of investment capital for housing. Such
4 purposes are public purposes for which public money may be
5 spent.

6 Section 103. Definitions.--As used in this act unless
7 otherwise indicated--

8 (1) "Agency" means the "Pennsylvania Housing Finance
9 Agency," the public body, corporate and politic, created by this
10 act.

11 (2) "Board" means the governing body of the agency.

12 (3) "Bonds" and "notes" mean the bonds and notes which the
13 agency is authorized to issue pursuant to article V. of this
14 act.

15 (4) "Federal agency" means the United States of America, the
16 President or any department of the United States or any
17 corporation, agency or instrumentality, heretofore or hereafter
18 created, designated or established by the United States.

19 (5) "Mortgage" means a first mortgage on a fee simple estate
20 in real estate located in Pennsylvania, given to secure advances
21 on or the unpaid purchase price of the real estate under the
22 laws of Pennsylvania, together with the credit instruments, if
23 any, secured thereby; the term "mortgage," unmodified by the
24 word "insured," includes both insured mortgages and those which
25 are not insured.

26 (6) "Insured mortgage" means a mortgage insured or approved
27 to be insured [by the Federal Housing Administration, pursuant
28 to the National Housing Act of June 27, 1934, and its amendments
29 and supplements, heretofore and hereinafter enacted] or
30 guaranteed by a Federal agency and shall include instruments or

1 certificates which are guaranteed by a Federal agency and
2 secured by insured or guaranteed mortgages

3 (7) "Act" means this act and the rules and regulations
4 adopted by the agency hereunder.

5 (8) "Annual income" shall mean the total annual income of
6 all members of a family, from whatever source derived, including
7 but not limited to, pension, annuity, retirement and social
8 security benefits; provided, however, that there may be excluded
9 from income (i) such reasonable allowances for dependents, (ii)
10 such reasonable allowances for medical expenses, (iii) all or
11 any proportionate part of the earnings of gainfully employed
12 minors or family members other than the chief wage earner, or
13 (iv) such income as is not received regularly, as the agency by
14 rule or regulation may determine.

15 (9) "Earned surplus" shall have the same meaning as in
16 generally accepted accounting standards.

17 (10) "Elderly or elderly person or persons" shall mean any
18 individual who is qualified, by reason of age, to draw benefits
19 from Federal Old Age and Survivors Insurance or from any other
20 pension or annuity in which the age of the recipient is the
21 criterion for entitlement, or in the absence of entitlement to
22 insurance of the above types, one who has attained the age at
23 which Federal Old Age and Survivors Insurance benefits would be
24 payable if the individual had been covered by that insurance
25 system.

26 (11) "Mortgagor" shall mean individuals, joint ventures,
27 partnerships, limited partnerships, trusts, corporations,
28 cooperatives and condominiums, whether nonprofit or organized
29 for profit.

30 (12) "F.H.A." shall mean the Federal Housing Administration,

1 United States Department of Housing and Urban Development and
2 any successor to its functions.

3 (13) "Low income persons or families" and "moderate income
4 persons or families" shall mean families and persons who cannot
5 afford to pay the amounts at which private enterprise, without
6 the assistance of this act is providing a substantial supply of
7 decent, safe and sanitary housing. The income limits for the
8 admission of such families and persons to projects shall be
9 those established pursuant to the rules and regulations
10 established by the agency.

11 (14) "Moderate rentals" shall mean rent charges less than
12 those rents generally charged for new dwelling units of
13 comparable size and location built by the unassisted efforts of
14 private enterprise and financed at then current market interest
15 rates.

16 (15) "Low rentals" shall mean rent charges at least ten per
17 cent lower than moderate rentals.

18 (16) "Rent" or "rentals" shall mean the charges paid by
19 moderate and low-income persons for occupancy in a project under
20 this act, whether the project is operated on a landlord-tenant
21 basis or as a condominium or cooperative.

22 (17) "Project" shall mean a number of dwelling units
23 constructed, rehabilitated or converted to a cooperative or
24 condominium with the assistance of a mortgage loan from the
25 agency, including the acquisition, construction or
26 rehabilitation of lands, buildings, equipment, improvements and
27 other ancillary facilities such as, but not limited to streets,
28 sewers, utilities, parks, site preparation, landscaping, and
29 such ancillary facilities, offices and other nonhousing
30 facilities such as administrative, community, health,

1 recreational, educational and welfare facilities as the agency
2 determines to be necessary, convenient or desirable
3 appurtenances.

4 (18) "Total project cost" means the sum total of all costs
5 incurred in the development of a project, which are approved by
6 the agency as reasonable and necessary, which costs shall
7 include, but are not necessarily limited to, (i) cost of land
8 acquisition and any buildings thereon, (ii) cost of site
9 preparation, demolition and development, (iii) architect,
10 engineer, legal, agency and other fees paid or payable in
11 connection with the planning, execution and financing of the
12 project, (iv) cost of necessary studies, surveys, plans and
13 permits, (v) insurance, interest, financing, tax and assessment
14 costs and other operating and carrying costs during
15 construction, (vi) cost of construction, reconstruction,
16 fixtures, and equipment related to the real property, (vii) cost
17 of land improvements, (viii) necessary expenses in connection
18 with initial occupancy of the project, (ix) a reasonable profit
19 or fee to the builder and developer, (x) an allowance
20 established by the agency for working capital and contingency
21 reserves, and reserves for any anticipated operating deficits
22 during the first two years of occupancy, (xi) the cost of such
23 other items, including tenant relocation, as the agency shall
24 determine to be reasonable and necessary for the development of
25 the project, less any and all net rents and other net revenues
26 received from the operation of the real and personal property on
27 the project site during construction.

28 All costs shall be subject to approval and audit by the
29 agency. The agency may adopt rules and regulations specifying in
30 detail the types and categories of cost which shall be allowable

1 if actually incurred in the construction or reconstruction of a
2 project.

3 Section 201. Agency Creation.--A body corporate and politic,
4 named the "Pennsylvania Housing Finance Agency," is hereby
5 created as a public corporation and government instrumentality
6 to have continuing succession until its existence shall be
7 terminated by law.

8 Section 202. Agency Membership.--The members of the agency
9 shall be the Secretary of [Commerce] Community Affairs, his
10 successors in office, and six additional members whom the
11 Governor shall appoint. The members initially appointed shall
12 serve for terms of one, two, three, four, five and six years,
13 respectively, the particular term of each to be designated by
14 the Governor at the time of appointment. The terms of all their
15 successors shall be six years each, except that any person
16 appointed to fill a vacancy shall serve only for the unexpired
17 term. Every member's term shall extend until his successor is
18 appointed and qualified. Any appointed member of the agency
19 shall be eligible for reappointment. The members of the agency
20 shall not receive compensation for their services as members,
21 but shall receive reimbursement for all necessary expenses
22 incurred in connection with the performance of their duties as
23 members.

24 Section 2. Section 204 of the act is repealed.

25 Section 3. Section 205 of the act, clauses (5), (7.1) and
26 (13), amended or added July 31, 1968 (P.L.914), is amended to
27 read:

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

30 (1) To adopt, use and alter at will a corporate seal.

1 (2) To make and alter bylaws for the management and
2 regulation of its affairs and to make and from time to time
3 amend and repeal rules and regulations governing the conduct of
4 the business of the agency.

5 (3) To enter into contracts of all kinds and to execute all
6 instruments necessary or convenient for carrying on its
7 operations.

8 (4) To accept grants and subsidies from and to enter into
9 agreements or other transactions with any Federal agency or
10 agency of the Commonwealth or other entity.

11 (5) To accept grants-in-aid, gifts, donations, legacies or
12 usages of money made or extended by individuals, organizations,
13 public or private corporations, department or instrumentalities
14 of the Commonwealth, or the Federal government, and to return
15 money advanced for its usage not otherwise required for its
16 purposes or for the Capital Reserve Fund created in accordance
17 with section [508] 504-A of this act.

18 (6) To be a party litigant in any court having jurisdiction
19 according to law in any form of action whatsoever.

20 (7) In accordance with the provisions of [article III. and
21 article IV. of] this act to make commitments to purchase and to
22 purchase, service and sell [insured] mortgages, and to make
23 loans directly upon the security of [insured] mortgages.

24 (7.1) To cooperate with and assist the Pennsylvania
25 Department of Community Affairs as such department carries into
26 effect the powers and duties vested in it.

27 (8) To acquire, hold and dispose of personal property,
28 tangible and intangible.

29 (9) To acquire, hold and dispose of real property, or any
30 interest therein to be used by the agency for the purpose of its

1 offices and operations.

2 (10) [To acquire real property, or any interest therein, by
3 purchase or foreclosure, where such acquisition is necessary or
4 appropriate to protect any loan in which the agency has an
5 interest; to sell, transfer and convey any such property to a
6 buyer and in the event such sale, transfer or conveyance cannot
7 be effected with reasonable promptness or at a reasonable price,
8 to lease such property to a tenant.] Acquire by purchase, gift
9 or foreclosure any real or personal property, or any interest
10 therein, to enter into any lease of property and to hold, sell,
11 assign, lease, encumber, mortgage or otherwise dispose of any
12 real or personal property, or any interest therein, or mortgage
13 lien interest owned by it or under its control, custody or in
14 its possession and release or relinquish any right, title,
15 claim, lien, interest, easement or demand however acquired,
16 including any equity or right of redemption, in property
17 foreclosed by it and to do any of the foregoing by public or
18 private sale, with or without public bidding, notwithstanding
19 the provisions of any other law.

20 (11) To borrow money for the operation and work of the
21 agency by the making of notes and by the issuance of bonds in
22 accordance with the provisions of article V. of this act.

23 (12) To invest any funds held in reserves or sinking funds,
24 or any funds not required for immediate disbursement, in such
25 investments as may be lawful for fiduciaries under any law of
26 the Commonwealth, including insured mortgages, which for such
27 temporary purposes alone, need not be made by a mortgagor or
28 involve real estate located in Pennsylvania.

29 (13) To conduct housing studies and to enter into contracts
30 with the Department of Community Affairs and to do all things

1 necessary or convenient to carry out the powers granted by this
2 act or other acts.

3 (14) Employ an executive director and such other officers,
4 agents, employes, professional and business advisers as may from
5 time to time be necessary in its judgment and to fix their
6 compensation; and to promote and discharge such officers,
7 employes and agents.

8 (15) Appear in its own behalf before boards, commissions,
9 departments or other agencies of government, municipal, State or
10 Federal.

11 (16) Procure insurance against any loss in connection with
12 its property in such amounts, and from such insurers, as may be
13 necessary or desirable.

14 (17) To do all things necessary or convenient to carry out
15 the powers granted by this act or other acts.

16 Section 4. Articles III., IV., V. and VI. of the act are
17 repealed and four articles are added to read:

18 ARTICLE III.-A

19 Housing Purchase Program

20 Section 301-A. Housing Purchase Program.--(a) The agency may
21 make loans to any mortgagor for the construction, reconstruction
22 or rehabilitation of housing units for sale to individual
23 purchasers of low or moderate income as provided by the agency
24 in its rules and regulations and to any such individual
25 purchaser for the long-term financing of a housing unit. A loan
26 under this section may be in an amount not to exceed one hundred
27 per cent of the total project cost as approved by the agency.

28 (b) While such loan is outstanding, any sale by the
29 mortgagor or any subsequent resale shall be subject to approval
30 by the agency and the agency shall provide in its rules and

1 regulations concerning such sales and resales that the price of
2 the housing unit sold, the method of making payments thereafter,
3 the security afforded and the interest rates, fees and charges
4 to be paid shall at all times be sufficient to permit the agency
5 to make the payments on its bonds and notes plus any
6 administrative or other costs of the agency in connection with
7 the transactions. Housing units shall be sold under terms that
8 provide for monthly payments including principal, interest,
9 taxes and insurance.

10 (c) While such loan is outstanding, the agency shall, prior
11 to the approval of sale by the mortgagor or any subsequent
12 resale, satisfy itself that such sale or resale is to persons of
13 low or moderate income.

14 (d) Upon the sale by the mortgagor of any housing unit to an
15 individual purchaser of low or moderate income under this
16 subsection to whom a loan is being made by the agency, such
17 housing unit shall be released from the mortgage running from
18 the mortgagor to the agency and such mortgage shall be replaced
19 as to the housing unit by a mortgage running from the individual
20 purchaser to the agency.

21 ARTICLE IV.-A

22 Rental Housing Program

23 Section 401-A. Rental Housing Program.--To accomplish the
24 declared purpose of this act of providing rental housing to
25 persons and families of low and moderate income the agency is
26 hereby authorized to:

27 (1) Make first mortgage loans secured by real property or a
28 leasehold estate, including mortgages insured by a Federal
29 agency, to finance projects designed and planned to be available
30 for low and moderate income persons and families or elderly

1 persons and others.

2 (2) Sell, at public or private sale, with or without
3 bidding, any mortgage or other obligation securing a mortgage
4 loan, including sales of mortgages to the United States of
5 America or the Commonwealth or any agencies, instrumentalities
6 or departments thereof.

7 (3) Consent, subject to the provisions of any contract with
8 noteholders or bondholders, whenever it deems it necessary or
9 desirable in the fulfillment of the purposes of this act, to the
10 modification, with respect to rate of interest, time of payment
11 of any installment of principal or interest, or any other terms
12 of any mortgage, mortgage loan, mortgage loan commitment,
13 contract or agreement of any kind to which the agency is a
14 party.

15 (4) In the event of a violation by the mortgagor of the
16 terms of any agreement between the agency and the eligible
17 mortgagor or in the event of a violation by the mortgagor of
18 this act or of the terms of the mortgage loan agreement or of
19 any rules and regulations of the agency duly promulgated
20 pursuant to this act, or in the event the agency shall determine
21 that any loan, or part thereof, made pursuant to this act is in
22 jeopardy of not being repaid, the agency may remove any or all
23 of the existing owners, partners, officers or directors of such
24 mortgagor and appoint such person or persons who the agency in
25 its sole discretion deems advisable, including officers or
26 employees of the agency, as new officers or directors to serve in
27 place of those removed. Officers or directors so appointed need
28 not be stockholders or meet other qualifications which may be
29 prescribed by the certificate of incorporation or bylaws of such
30 mortgagor. In the absence of fraud or bad faith, officers or

1 directors so appointed shall not be personally liable for debts,
2 obligations or liabilities of such mortgagor. Officers or
3 directors so appointed shall serve only for a period coexistent
4 with the duration of such violation or until the agency is
5 assured in a manner satisfactory to it that such violation, or
6 violations of a similar nature, have not and will not reoccur.
7 Officers or employes of the agency who are so appointed as
8 officers or directors shall serve in such capacity without
9 compensation, but shall be entitled to be reimbursed, if and as
10 the certificate of incorporation or bylaws of such mortgagor may
11 provide, for all necessary expenses incurred in the discharge of
12 their duties as officers or directors so appointed of such
13 mortgagor and such other necessary expenses incurred in the
14 discharge of their duties as officers or directors of such
15 eligible mortgagor as determined by the agency.

16 Section 402-A. Mortgage Loans.--(a) Purpose. The agency may
17 make mortgage loans to mortgagors for such projects as in the
18 judgment of the agency have promise of supplying well planned,
19 well designed apartment units which will provide housing for low
20 and moderate income persons or families or the elderly and
21 others in locations where there is a need for such housing. Such
22 loans may include construction loans as well as permanent loans.
23 The agency shall require the mortgagor receiving a loan or its
24 contractor to post labor and materials, and construction
25 performance, surety bonds in amounts related to the project cost
26 as established by regulation or to execute other assurances and
27 guarantees as the agency may deem necessary and may require its
28 principals or stockholders to also execute such other assurances
29 and guarantees as the agency may deem necessary.

30 (b) Interest and Charges. The agency shall have authority

1 to set from time to time the interest rates at which it shall
2 make loans, consistent with the agency's cost of borrowing
3 money, cost of operation and its responsibilities to the holders
4 of its bonds. In connection with the making of mortgage loans
5 and commitments therefor, and in addition to such interest
6 charges, the agency may make and collect such fees and charges,
7 including but not limited to reimbursement of the agency's
8 financing costs, service charges, insurance premiums and
9 mortgage insurance premiums, as the agency determines to be
10 reasonable.

11 (c) Limited Profit. A mortgagor may not make distributions
12 in any one year, with respect to a project financed by the
13 agency, in excess of six per cent of the mortgagor's equity in
14 such project, except that the right to such distribution shall
15 be cumulative. The mortgagor's equity in a project shall consist
16 of the difference between the mortgage loan and the total
17 project cost. With respect to every project, the agency shall,
18 pursuant to regulations adopted by it, establish the mortgagor's
19 equity at the time of the making of the final mortgage advance
20 and for purposes of this paragraph, that figure shall remain
21 constant during the life of the agency's mortgage on such
22 project. In the case of a nonprofit mortgagor receiving a
23 mortgage loan in the amount of one hundred per cent of the total
24 project cost, no distributions shall be permitted.

25 (d) Use of Nondistributed Profits. Whenever a mortgagor
26 accumulates earned surplus in addition to such reserves for
27 replacement as the agency may require, in excess of ten per cent
28 of the current annual rent roll for the project, rents in the
29 project shall be reduced to the extent necessary to lower the
30 earned surplus accumulation to such ten per cent figure in the

1 following fiscal year.

2 (e) Regulatory Agreement. The loan shall be subject to an
3 agreement between the agency and the mortgagor which will
4 subject said mortgagor and its principals or stockholders to
5 limitations established by the agency as to rentals and other
6 charges, builders' and developers' profits, dividends and fees,
7 and the disposition of its property and franchises to the extent
8 more restrictive limitations are not provided by the law under
9 which the borrower is incorporated or organized.

10 (f) Nondiscrimination. The agency shall require that
11 occupancy of all housing financed or otherwise assisted under
12 this act be open to all persons regardless of race, national
13 origin, religion, or creed, and that mortgagors, contractors and
14 subcontractors engaged in the construction, rehabilitation, sale
15 or rental of such housing, shall provide equal opportunity for
16 employment without discrimination as to race, national origin,
17 religion or creed.

18 (g) Amortization and Refinancing. The ratio of loan to
19 project value and the amortization period of loans made under
20 this act which are insured by F.H.A. shall be governed by the
21 F.H.A. mortgage insurance commitment for each project concerned,
22 but shall not exceed fifty years. In the case of a mortgage loan
23 not insured by F.H.A., the ratio of loan to project value and
24 the amortization period of loans shall be determined in
25 accordance with regulations formulated and published by the
26 agency.

27 (h) Project Cost Certification. No loan shall be made
28 unless the mortgagor agrees (i) to certify upon completion of
29 project construction or rehabilitation, subject to audit and
30 determination by the agency, the actual total project cost as

1 defined herein, and (ii) to pay forthwith to the agency, for
2 application to reduction of the principal of the loan, the
3 amount, if any, subject to audit and determination by the
4 agency, of loan proceeds received in excess of the allowable
5 loan based upon the percentage of loan to total project cost
6 authorized by the agency. Notwithstanding the provisions of this
7 subsection, the agency may accept, in lieu of any certification
8 of total project cost as provided herein, such other assurances
9 of the said total project cost, in any form or manner
10 whatsoever, as will enable the agency to determine with
11 reasonable accuracy the amount of said total project cost.

12 Section 403-A. Rental Charges.--In order to encourage
13 developments which are not economically homogeneous and to
14 achieve rent charges which will make units available to persons
15 and families of low income at low rentals and moderate income at
16 moderate rentals the agency and a mortgagor may use measures
17 including, but not limited to: direct rental assistance in the
18 form of partial rent subsidy from any county, municipal,
19 Commonwealth or Federal source, allocation of lower rents, and
20 the raising of rents in the majority of apartments in the
21 project in order to lower the rents of those in the lower rent
22 charge category. With respect to each project the agency shall,
23 prior to initial occupancy, allocate and prescribe the number of
24 lower rental units and the rents to be charged therefor. The
25 allocation may be reviewed and adjusted from time to time. The
26 method of achieving lower rental charges shall, in each
27 instance, be prescribed by the agency.

28 Section 404-A. Tenants.--(a) Prior to making a loan
29 commitment under this article, the agency shall approve a tenant
30 selection plan submitted by the applicant for such a loan. The

1 agency shall make regulations from time to time governing the
2 terms of such tenant selection plans. Such plans shall include
3 criteria for tenant selection based upon the established income
4 limits for eligible tenants which may vary with the size and
5 circumstances of the person or family. Such income limits shall
6 be sufficiently flexible to avoid undue economic homogeneity
7 among the tenants of a project. Tenant selection plans shall
8 provide that as between applicants equally in need and eligible
9 for occupancy of the unit, preference may be given to the
10 elderly and to persons displaced by public action or natural
11 disaster.

12 (b) The agency shall by rules and regulations provide for
13 the periodic examination of the annual income of any person or
14 family residing in any project constructed or rehabilitated with
15 a loan from the agency. In the event that the annual income of a
16 person or family residing in any such project increases and
17 exceeds the income limits prescribed by applicable rules and
18 regulations of the agency but is not more than twenty-five per
19 cent above the annual income so prescribed for admission to the
20 project, the owner or managing agent of such project shall
21 permit the person or family to continue to occupy the unit. The
22 agency or (with the approval of the agency) the mortgagor of any
23 project constructed or rehabilitated with a loan from the
24 agency, may terminate the tenancy or interest of any person or
25 family residing in such project whose annual income exceeds one
26 hundred twenty-five per cent of that prescribed by applicable
27 rules and regulations of the agency and which continues to
28 exceed the same for a period of six months or more: Provided,
29 That no tenancy or interest of any such person or family in any
30 such project shall be terminated except upon reasonable notice

1 and opportunity to obtain suitable alternate housing, in
2 accordance with rules and regulations of the agency: Provided
3 further, That any such person or family, with the approval of
4 the agency, may be permitted to continue to occupy the unit,
5 subject to payment of a rent or carrying charge surcharge to the
6 mortgagor in accordance with a schedule of surcharges fixed by
7 the agency. The agency may require the mortgagor to make payable
8 such surcharge to the agency's general fund.

9 ARTICLE V.-A

10 Bonds and Notes

11 Section 501-A. Issuance of Bonds and Notes.--(a) The agency
12 shall have the power and is hereby authorized from time to time
13 to issue its negotiable bonds, either as serial bonds maturing
14 in annual installments or as term bonds, or any combination
15 thereof, and notes in such principal amount as, in the opinion
16 of the agency, shall be necessary to provide sufficient funds
17 for achieving its corporate purposes, including the housing
18 programs established in Articles III-A and IV-A, the payment of
19 interest on bonds and notes of the agency, establishment of
20 reserves to secure such bonds and notes, and all other
21 expenditures of the agency incident to and necessary or
22 convenient to carry out its corporate purposes and powers. The
23 agency shall have power, from time to time, to issue renewal
24 notes, to issue bonds to pay notes and whenever it deems
25 refunding expedient to refund any bonds by the issuance of new
26 bonds, whether the bonds to be refunded have or have not
27 matured, and to issue bonds partly to refund bonds then
28 outstanding and partly for any other purpose. The refunding
29 bonds shall be sold and the proceeds applied to the purchase,
30 redemption or payment of the bonds to be refunded.

1 (b) The notes and bonds shall be authorized by resolution of
2 the members, shall bear such date or dates, and shall mature at
3 such time or times, in the case of any such note, or any
4 renewals thereof, not exceeding five years from the date of
5 issue of such original note, and in the case of any such bond
6 not exceeding fifty years from the date of issue, as such
7 resolution or resolutions may provide. The notes and bonds shall
8 bear interest at such rate or rates, be in such denominations,
9 be in such form, either coupon or registered, carry such
10 registration privileges, contain such terms and provisions
11 relating to, but not limited to, pledges of the agency's assets,
12 setting aside of reserves, limitations on additional notes and
13 bonds, and such other matters as may affect the security or
14 protection of the notes and bonds, be executed in such manner,
15 be payable in such medium of payment, at such place or places
16 and be subject to such terms of redemption as such resolution or
17 resolutions may provide. The notes and bonds of the agency may
18 be sold at public or private sale, at such price or prices as
19 the agency shall determine.

20 (c) Neither the members of the agency nor any person
21 executing the notes or bonds shall be liable personally on the
22 notes or bonds or be subject to any personal liability or
23 accountability by reason of the issuance thereof.

24 (d) The agency, subject to such agreement with noteholders
25 or bondholders as may then exist, shall have power out of any
26 funds available therefor to purchase its notes or bonds, which
27 shall thereupon be cancelled, at a price not exceeding (i) if
28 the notes or bonds are then redeemable, the redemption price
29 then applicable plus accrued interest to the next interest
30 payment date thereupon, or (ii) if the notes or bonds are not

1 then redeemable, the redemption price applicable on the first
2 date after such purchase upon which the notes or bonds become
3 subject to redemption plus accrued interest to such date.

4 Section 502-A. Credit of Commonwealth or Any Subdivision
5 Thereof Not Pledged.--Except as may otherwise be expressly
6 provided by the agency, its bonds and notes shall be general
7 obligations of the agency payable out of any moneys or revenues
8 of the agency, including the proceeds of mortgage loans made
9 under this act, reserve funds created therefor by the agency,
10 any mortgage insurance contracts pertaining thereto and other
11 lawfully available money, subject only to any agreements with
12 holders of the bonds or notes pledging any receipts or revenues.
13 Bonds and notes issued under the provisions of this act shall
14 not be deemed to constitute a debt of the Commonwealth or of any
15 political subdivision thereof or a pledge of the faith and
16 credit of the Commonwealth or of any such political subdivision.
17 All such bonds and notes shall contain on the face thereof a
18 statement to the effect that neither the agency nor the
19 Commonwealth nor any political subdivision thereof shall be
20 obligated to pay the same or the interest thereon except from
21 such proceeds, reserve fund or mortgage insurance contracts and
22 that neither the faith and credit nor the taxing power of the
23 Commonwealth or any political subdivision thereof is pledged to
24 the payment of the principal of or the interest on such bonds.

25 Section 503-A. General Fund.--(a) The agency shall create
26 and establish a general fund, herein referred to as the "General
27 Fund," and shall pay into such General Fund any moneys
28 appropriated and made available by the Commonwealth for the
29 purposes of such General Fund, and any other moneys which may be
30 available to the agency for its general purposes from any source

1 or sources other than proceeds from the issuance and sale of
2 notes or bonds by the agency.

3 Section 504-A. Capital Reserve Fund.--(a) The agency shall
4 create and establish a separate special fund, herein referred to
5 as the "Capital Reserve Fund," and shall pay into such Capital
6 Reserve Fund any moneys appropriated and made available by the
7 Commonwealth for the purposes of such fund, any proceeds of sale
8 of notes or bonds to the extent provided in the resolution of
9 the agency authorizing issuance thereof, and any other moneys
10 which may be available to the agency for the purpose of such
11 fund from any other source or sources. All moneys held in the
12 Capital Reserve Fund, except as hereinafter provided, shall be
13 used solely for the payment of the principal of bonds of the
14 agency as the same mature, required payments to any sinking fund
15 established for the amortization of term bonds (hereinafter
16 referred to as "sinking fund payments"), the purchase of bonds
17 of the agency, the payment of interest on such bonds of the
18 agency or the payment of any redemption premium required to be
19 paid when such bonds are redeemed prior to maturity: Provided,
20 however, That moneys in such fund shall not be withdrawn
21 therefrom at any time in such amount as would reduce the amount
22 of such fund to less than the maximum amount of principal and
23 interest maturing and becoming due and sinking fund payments
24 required to be made in any succeeding calendar year on all bonds
25 of the agency then outstanding, except for the purpose of paying
26 the principal, interest and sinking fund payments becoming due
27 on such bonds of the agency maturing and becoming due and for
28 the payment of which other moneys of the agency are not
29 available. For the purpose of this subdivision, in computing the
30 maximum amount of principal maturing in any succeeding calendar

1 year, the principal amount of any term bonds which are to be
2 authorized by sinking fund payments shall not be included in the
3 computation. Any income or interest earned by, or increment to,
4 the Capital Reserve Fund due to the investment thereof may be
5 transferred to the General Fund or any other fund of the agency
6 to the extent it does not reduce the amount in such Capital
7 Reserve Fund below the maximum amount of principal and interest
8 maturing and becoming due and sinking fund payments required to
9 be made in any succeeding calendar year on all bonds of the
10 agency then outstanding and secured by such Capital Reserve
11 Fund.

12 (b) The agency shall not issue bonds at any time if the
13 maximum amount of principal and interest maturing and becoming
14 due and sinking fund payments required to be made in a
15 succeeding calendar year on such bonds then to be issued and on
16 all other bonds of the agency then outstanding will exceed the
17 amount of the Capital Reserve Fund at the time of issuance
18 unless the agency, at the time of issuance of such bonds, shall
19 deposit in such fund from the proceeds of the bonds so to be
20 issued, or otherwise, an amount which together with the amount
21 then in such fund, will be not less than the maximum amount of
22 principal and interest maturing and becoming due and sinking
23 fund payments required to be made in any succeeding calendar
24 year on such bonds then to be issued and on all bonds of the
25 agency then outstanding.

26 (c) To assure the continued operation and solvency of the
27 agency for the carrying out of the public purposes of this act,
28 provision is made in subsection (a) for the accumulation in the
29 Capital Reserve Fund of an amount equal to the maximum amount of
30 principal and interest maturing and becoming due and sinking

1 fund payments required to be made in any succeeding calendar
2 year on all bonds of the agency then outstanding. In order
3 further to assure such maintenance of the Capital Reserve Fund
4 the agency, at least thirty days before the beginning of each
5 legislative session, shall submit to the Governor and General
6 Assembly an estimate of any funds expected to be necessary
7 during the following year to make up any deficiencies in the
8 Capital Reserve Fund or otherwise to avoid default in the
9 payment of interest or principal upon bonds or notes issued by
10 the agency, or in sinking fund payments required to be made, and
11 the Governor shall cause the amount of such deficiency, if any,
12 to be placed in the budget of the Commonwealth for the next
13 succeeding fiscal year, so that the General Assembly shall be
14 enabled to provide appropriation sufficient to make up any such
15 deficiency or otherwise to avoid any default. Such amount
16 appropriated, if any, shall be repaid to the Commonwealth as
17 soon as possible by the agency from moneys in the General Fund
18 in excess of the amount required to make and keep the agency
19 self-supporting.

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

24 Section 505-A. Trust Agreement.--In the discretion of the
25 agency, bonds and notes issued by it shall be secured by a trust
26 agreement by and between the agency and a trustee, which may be
27 any trust company or bank within the Commonwealth having the
28 powers of a trust company. Either the resolution providing for
29 the issuance of bonds and notes or such trust agreement may
30 contain such provisions for protecting and enforcing the rights

1 and remedies of the bondholders as may be reasonable and proper
2 and not in violation of law, including covenants setting forth
3 the duties of the agency in relation to the custody,
4 safeguarding and application of all moneys.

5 It shall be lawful for any bank or trust company incorporated
6 under the laws of the Commonwealth to act as depository of the
7 proceeds of bonds and notes or of revenues and to furnish such
8 indemnifying bonds or to pledge such securities as may be
9 required by the agency. Such trust agreement may set forth the
10 rights and remedies of the bondholders and noteholders and of
11 the trustee, and may restrict the individual right of action by
12 bondholders and noteholders. In addition to the foregoing, such
13 trust agreement may contain such other provision as the agency
14 may deem reasonable and proper for the security of the
15 bondholders and noteholders. All expenses incurred in carrying
16 out the provisions of such trust agreement may be treated as a
17 part of the cost of the operation of the agency.

18 Section 506-A. Bonds and Notes Tax Exempt.--The creation of
19 the agency is in all respects for the benefit of the people of
20 the Commonwealth and for the improvement of their health,
21 safety, welfare, comfort and security, and its purposes are
22 public purposes and the agency will be performing an essential
23 governmental function. The Commonwealth covenants with the
24 purchasers and all subsequent holders and transferees of the
25 notes and bonds issued by the agency, in consideration of the
26 acceptance of any payment for the notes and bonds, that the
27 notes and bonds of the agency, issued pursuant to this act and
28 the income therefrom, the income and revenues of the agency, and
29 the agency and its property shall at all times be free from
30 taxation or assessment of every kind and nature except for

1 inheritance, estate, gift and transfer taxes.

2 Section 507-A. Notes and Bonds as Legal Investments.--The
3 notes and bonds of the agency are securities in which all public
4 officers and bodies of the Commonwealth and all municipalities
5 and municipal subdivisions, all insurance companies and
6 associations, and other persons carrying on an insurance
7 business, all banks, trust companies, savings banks and savings
8 associations, saving and loan associations, investment
9 companies, all administrators, guardians, executors, trustees
10 and other fiduciaries, and all other persons whatsoever who are
11 now or may hereafter be authorized to invest in bonds or other
12 obligations of the Commonwealth, may properly and legally invest
13 funds, including capital, in their control or belonging to them.

14 Section 508-A. Covenant by Commonwealth Not to Limit or
15 Alter Powers Vested in Agency.--The Commonwealth of Pennsylvania
16 does hereby pledge to and covenant and agree with the holders of
17 any bonds, bond anticipation notes or other obligations issued
18 pursuant to the authority of this act that the Commonwealth will
19 not limit or alter the rights or powers hereby vested in the
20 agency to perform and fulfill the terms of any agreement made
21 with the holders of such bonds, bond anticipation notes or other
22 obligations, or in any way impair the rights or remedies of such
23 holders, until such bond, bond anticipation notes and other
24 obligations, together with interest thereon, with interest on
25 any unpaid installments of interest, and all costs and expenses
26 in connection with any action or proceedings by or in behalf of
27 such holders, are fully met and discharged or provided for. The
28 agency may include this pledge and agreement of the Commonwealth
29 in any agreement with the holders of bonds, bond anticipation
30 notes and other obligations issued by the agency.

ARTICLE VI.-A

Liberal Construction, Fraud Penalty and Effective Date

Section 601-A. Liberal Construction.--This act, being necessary for the welfare of the Commonwealth and its inhabitants, shall be liberally construed to effect the purposes thereof.

Section 602-A. Fraud Penalty.--Any person who attempts to or obtains financial aid for a project hereunder or occupancy or continual occupancy of a dwelling unit therein by false or misleading information or who shall violate this act or who shall by fraud attempt to obtain moneys from the agency or its approval for the payment of moneys or shall fraudulently attempt to or does prevent the collection of any moneys due to the agency shall, for each offense, be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine not exceeding three hundred dollars (\$300) or undergo imprisonment not exceeding one year, or both.

Section 603-A. Effective Date; Proclamation.--This act shall become effective when the Governor by proclamation declares that sufficient funds are available to administer this act. For the purposes of this determination and then thereafter, in addition to any appropriations as are made to the agency, the Commonwealth is authorized to accept for the account of the agency grants-in-aid, donations and gifts of every manner and type from the Federal Government or from any other private or public corporation or person. Upon such declaration, such funds as have been collected shall immediately be paid to the treasurer of the agency, or if a treasurer has not been appointed, to such other person as the Governor may designate as acting treasurer.