

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

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF  
REPRESENTATIVES, AS AMENDED, OCTOBER 3, 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

1 the powers and duties of the agency; and providing penalties.

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

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

8 AN ACT

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

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

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

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

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

25      (2) Because of higher construction costs, a scarcity of  
26      financing available for housing and the resulting increase in  
27      interest rates, the housing need which exists in fact has not  
28      been able to find economic expression in a market demand  
29      sufficient to encourage greater production of [low-priced] homes  
30      and rental housing [for elderly persons] by private industry for

1 persons and families of low and moderate income, including the  
2 elderly.

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

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

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

1 which persons and families of low and moderate income can  
2 afford, for housing for such persons and families and therefore,  
3 the specialized financing provided for in this act will  
4 encourage greater expenditure of private capital for housing.

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

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

1 because of lack of available Federal funds, and through  
2 cooperation with and assistance to the Pennsylvania Department  
3 of Community Affairs as such department carries into effect the  
4 powers and duties vested in it, thus improving and stimulating  
5 the distribution of investment capital for housing. Such  
6 purposes are public purposes for which public money may be  
7 spent.

8 Section 103. Definitions.--As used in this act unless  
9 otherwise indicated--

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

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

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

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

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

28 (6) "Insured mortgage" means a mortgage insured or approved  
29 to be insured [by the Federal Housing Administration, pursuant  
30 to the National Housing Act of June 27, 1934, and its amendments

1 and supplements, heretofore and hereinafter enacted] or  
2 guaranteed by a Federal agency and shall include instruments or  
3 certificates which are guaranteed by a Federal agency and  
4 secured by insured or guaranteed mortgages

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

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

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

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

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

1 for profit.

2 (12) "F.H.A." shall mean the Federal Housing Administration,  
3 United States Department of Housing and Urban Development and  
4 any successor to its functions.

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

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

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

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

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



1 such ancillary facilities, offices and other nonhousing  
2 facilities such as administrative, community, health,  
3 recreational, educational and welfare facilities as the agency  
4 determines to be necessary, convenient or desirable  
5 appurtenances AND INCLUDING THE ACQUISITION, CONSTRUCTION OR  
6 REHABILITATION OF SUCH ANCILLARY COMMERCIAL FACILITIES AS THE  
7 AGENCY DETERMINES TO BE NECESSARY TO MAKE THE REMAINDER OF THE  
8 PROJECT ECONOMICALLY FEASIBLE.

<—

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

1 received from the operation of the real and personal property on  
2 the project site during construction.

3 All costs shall be subject to approval and audit by the  
4 agency. The agency may adopt rules and regulations specifying in  
5 detail the types and categories of cost which shall be allowable  
6 if actually incurred in the construction or reconstruction of a  
7 project.

8 Section 201. Agency Creation.--A body corporate and politic,  
9 named the "Pennsylvania Housing Finance Agency," is hereby  
10 created as a public corporation and government instrumentality  
11 to have continuing succession until its existence shall be  
12 terminated by law.

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

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

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

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

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

8       (2)   To make and alter bylaws for the management and  
9   regulation of its affairs and to make and from time to time  
10 amend and repeal rules and regulations governing the conduct of  
11 the business of the agency.

12      (3)   To enter into contracts of all kinds and to execute all  
13 instruments necessary or convenient for carrying on its  
14 operations.

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

18      (5)   To accept grants-in-aid, gifts, donations, legacies or  
19 usages of money made or extended by individuals, organizations,  
20 public or private corporations, departments or instrumentalities  
21 of the Commonwealth, or the Federal government, and to return  
22 money advanced for its usage not otherwise required for its  
23 purposes or for the Capital Reserve Fund created in accordance  
24 with section [508] 504-A of this act.

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

27      (7)   In accordance with the provisions of [article III. and  
28 article IV. of] this act to make commitments to purchase and to  
29 purchase, service and sell [insured] mortgages, and to make  
30 loans directly upon the security of [insured] mortgages.

1 (7.1) To cooperate with and assist the Pennsylvania  
2 Department of Community Affairs as such department carries into  
3 effect the powers and duties vested in it.

4 (8) To acquire, hold and dispose of personal property,  
5 tangible and intangible.

6 (9) To acquire, hold and dispose of real property, or any  
7 interest therein, to be used by the agency for the purpose of  
8 its offices and operations.

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

27 (11) To borrow money for the operation and work of the  
28 agency by the making of notes and by the issuance of bonds in  
29 accordance with the provisions of article V.-A of this act.

30 (12) To invest any funds held in reserves or sinking funds,

1 or any funds not required for immediate disbursement, in such  
2 investments as may be lawful for fiduciaries under any law of  
3 the Commonwealth, including insured mortgages, which for such  
4 temporary purposes alone, need not be made by a mortgagor or  
5 involve real estate located in Pennsylvania.

6 (13) To conduct housing studies and to enter into contracts  
7 with the Department of Community Affairs and to do all things  
8 necessary or convenient to carry out the powers granted by this  
9 act or other acts.

10 (14) Employ an executive director and such other officers,  
11 agents, employees, professional and business advisers as may from  
12 time to time be necessary in its judgment and to fix their  
13 compensation; and to promote and discharge such officers,  
14 employees and agents.

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

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

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

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

25 ARTICLE III.-A

26 Housing Purchase Program

27 Section 301-A. Housing Purchase Program.--(a) The agency may  
28 make loans to any mortgagor for the construction, reconstruction  
29 or rehabilitation of housing units for sale to individual  
30 purchasers of low or moderate income as provided by the agency

in its rules and regulations and to any such individual purchaser for the long-term financing of a housing unit. A loan under this section may be in an amount not to exceed one hundred per cent of the total project cost as approved by the agency.

(b) While such loan is outstanding, any sale by the mortgagor or any subsequent resale shall be subject to approval by the agency and the agency shall provide in its rules and regulations concerning such sales and resales that the price of the housing unit sold, the method of making payments thereafter, the security afforded and the interest rates, fees and charges to be paid shall at all times be sufficient to permit the agency to make the payments on its bonds and notes plus any administrative or other costs of the agency in connection with the transactions. Housing units shall be sold under terms that provide for monthly payments including principal, interest, taxes and insurance.

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

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

(E) LOANS MAY, IN ADDITION, BE MADE DIRECTLY TO INDIVIDUAL PURCHASERS OF LOW OR MODERATE INCOME FOR THE CONSTRUCTION, RECONSTRUCTION, OR REHABILITATION OF HOUSING UNITS BY THEM, NOT

<—

1 IN EXCESS OF ONE HUNDRED PER CENT OF THE COST OF SUCH  
2 CONSTRUCTION, RECONSTRUCTION, OR REHABILITATION. THE AGENCY  
3 SHALL PROVIDE IN ITS RULES AND REGULATIONS CONCERNING SUCH LOANS  
4 THAT THE AMOUNT OF THE LOAN, THE METHOD OF MAKING PAYMENTS  
5 THEREAFTER, THE SECURITY AFFORDED AND INTEREST RATES, FEES AND  
6 CHARGES TO BE PAID SHALL AT ALL TIMES BE SUFFICIENT TO PERMIT  
7 THE AGENCY TO MAKE THE PAYMENTS ON ITS BONDS AND NOTES PLUS ANY  
8 ADMINISTRATIVE OR OTHER COSTS OF THE AGENCY IN CONNECTION WITH  
9 THE TRANSACTIONS.

10 ARTICLE IV.-A

11 Rental Housing Program

12 Section 401-A. Rental Housing Program.--To accomplish the  
13 declared purpose of this act of providing rental housing to  
14 persons and families of low and moderate income the agency is  
15 hereby authorized to:

16 (1) Make first mortgage loans secured by real property or a  
17 leasehold estate, including mortgages insured by a Federal  
18 agency, to finance projects designed and planned to be available  
19 for low and moderate income persons and families or elderly  
20 persons and others.

21 (2) Sell, at public or private sale, with or without  
22 bidding, any mortgage or other obligation securing a mortgage  
23 loan, including sales of mortgages to the United States of  
24 America or the Commonwealth or any agencies, instrumentalities  
25 or departments thereof.

26 (3) Consent, subject to the provisions of any contract with  
27 noteholders or bondholders, whenever it deems it necessary or  
28 desirable in the fulfillment of the purposes of this act, to the  
29 modification, with respect to rate of interest, time of payment  
30 of any installment of principal or interest, or any other terms

1 of any mortgage, mortgage loan, mortgage loan commitment,  
2 contract or agreement of any kind to which the agency is a  
3 party.

4 (4) In the event of a violation by the mortgagor of the  
5 terms of any agreement between the agency and the eligible  
6 mortgagor or in the event of a violation by the mortgagor of  
7 this act or of the terms of the mortgage loan agreement or of  
8 any rules and regulations of the agency duly promulgated  
9 pursuant to this act, or in the event the agency shall determine  
10 that any loan, or part thereof, made pursuant to this act is in  
11 jeopardy of not being repaid, the agency may remove any or all  
12 of the existing owners, partners, officers or directors of such  
13 mortgagor and appoint such person or persons who the agency in  
14 its sole discretion deems advisable, including officers or  
15 employees of the agency, as new officers or directors to serve in  
16 place of those removed. Officers or directors so appointed need  
17 not be stockholders or meet other qualifications which may be  
18 prescribed by the certificate of incorporation or bylaws of such  
19 mortgagor. In the absence of fraud or bad faith, officers or  
20 directors so appointed shall not be personally liable for debts,  
21 obligations or liabilities of such mortgagor. Officers or  
22 directors so appointed shall serve only for a period coexistent  
23 with the duration of such violation or until the agency is  
24 assured in a manner satisfactory to it that such violation, or  
25 violations of a similar nature, have not and will not reoccur.  
26 Officers or employees of the agency who are so appointed as  
27 officers or directors shall serve in such capacity without  
28 compensation, but shall be entitled to be reimbursed, if and as  
29 the certificate of incorporation or bylaws of such mortgagor may  
30 provide, for all necessary expenses incurred in the discharge of



their duties as officers or directors so appointed of such mortgagor and such other necessary expenses incurred in the discharge of their duties as officers or directors of such eligible mortgagor as determined by the agency.

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

(b) Interest and Charges. The agency shall have authority to set from time to time the interest rates at which it shall make loans, consistent with the agency's cost of borrowing money, cost of operation and its responsibilities to the holders of its bonds. In connection with the making of mortgage loans and commitments therefor, and in addition to such interest charges, the agency may make and collect such fees and charges, including but not limited to reimbursement of the agency's financing costs, service charges, insurance premiums and mortgage insurance premiums, as the agency determines to be reasonable.

(c) Limited Profit. A mortgagor may not make distributions

1 in any one year, with respect to a project financed by the  
2 agency, in excess of ~~six per cent~~ EIGHT PER CENT of the <—  
3 mortgagor's equity in such project, except that the right to  
4 such distribution shall be cumulative. The mortgagor's equity in  
5 a project shall consist of the difference between the mortgage  
6 loan and the total project cost. A loan may be in an amount not  
7 to exceed one hundred per cent of the project cost as approved  
8 by the agency in the case of a non-profit ~~housing corporation or~~ <—  
9 ~~individual purchaser~~ MORTGAGOR and in an amount not to exceed <—  
10 ninety per cent of the project cost as approved by the agency in  
11 ~~the case of a limited dividend housing corporation~~ ALL OTHER <—  
12 CASES. With respect to every project, the agency shall, pursuant  
13 to regulations adopted by it, establish the mortgagor's equity  
14 at the time of the making of the final mortgage advance and for  
15 purposes of this paragraph, that figure shall remain constant  
16 during the life of the agency's mortgage on such project. In the  
17 case of a nonprofit mortgagor receiving a mortgage loan in the  
18 amount of one hundred per cent of the total project cost, no  
19 distributions shall be permitted.

20 (d) Use of Nondistributed Profits. Whenever a mortgagor  
21 accumulates earned surplus in addition to such reserves for  
22 replacement as the agency may require, in excess of ten per cent  
23 of the current annual rent roll for the project, rents in the  
24 project shall be reduced to the extent necessary to lower the  
25 earned surplus accumulation to such ten per cent figure in the  
26 following fiscal year.

27 (e) Regulatory Agreement. The loan shall be subject to an  
28 agreement between the agency and the mortgagor which will  
29 subject said mortgagor and its principals or stockholders to  
30 limitations established by the agency as to rentals and other

charges, builders' and developers' profits, dividends and fees,  
and the disposition of its property and franchises to the extent  
more restrictive limitations are not provided by the law under  
which the borrower is incorporated or organized.

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

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

(h) Project Cost Certification. No loan shall be made  
unless the mortgagor agrees (i) to certify upon completion of  
project construction or rehabilitation, subject to audit and  
determination by the agency, the actual total project cost as  
defined herein, and (ii) to pay forthwith to the agency, for  
application to reduction of the principal of the loan, the  
amount, if any, subject to audit and determination by the  
agency, of loan proceeds received in excess of the allowable  
loan based upon the percentage of loan to total project cost

1 authorized by the agency. Notwithstanding the provisions of this  
2 subsection, the agency may accept, in lieu of any certification  
3 of total project cost as provided herein, such other assurances  
4 of the said total project cost, in any form or manner  
5 whatsoever, as will enable the agency to determine with  
6 reasonable accuracy the amount of said total project cost.

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

23 Section 404-A. Tenants.--(a) Prior to making a loan  
24 commitment under this article, the agency shall approve a tenant  
25 selection plan submitted by the applicant for such a loan. The  
26 agency shall make regulations from time to time governing the  
27 terms of such tenant selection plans. Such plans shall include  
28 criteria for tenant selection based upon the established income  
29 limits for eligible tenants which may vary with the size and  
30 circumstances of the person or family. Such income limits shall

be sufficiently flexible to avoid undue economic homogeneity among the tenants of a project. Tenant selection plans shall provide that as between applicants equally in need and eligible for occupancy of the unit, preference may be given to the elderly and to persons displaced by public action or natural disaster.

(b) The agency shall by rules and regulations provide for the periodic examination of the annual income of any person or family residing in any project constructed or rehabilitated with a loan from the agency. In the event that the annual income of a person or family residing in any such project increases and exceeds the income limits prescribed by applicable rules and regulations of the agency but is not more than twenty-five per cent above the annual income so prescribed for admission to the project, the owner or managing agent of such project shall permit the person or family to continue to occupy the unit. The agency or (with the approval of the agency) the mortgagor of any project constructed or rehabilitated with a loan from the agency, may terminate the tenancy or interest of any person or family residing in such project whose annual income exceeds one hundred twenty-five per cent of that prescribed by applicable rules and regulations of the agency and which continues to exceed the same for a period of six months or more: Provided, That no tenancy or interest of any such person or family in any such project shall be terminated except upon reasonable notice and opportunity to obtain suitable alternate housing, in accordance with rules and regulations of the agency: Provided further, That any such person or family, with the approval of the agency, may be permitted to continue to occupy the unit, subject to payment of a rent or carrying charge surcharge to the

1 mortgagor in accordance with a schedule of surcharges fixed by  
2 the agency. The agency may require the mortgagor to make payable  
3 such surcharge to the agency's general fund.

4 ARTICLE V.-A

5 Bonds and Notes

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

26 (b) The notes and bonds shall be authorized by resolution of  
27 the members, shall bear such date or dates, and shall mature at  
28 such time or times, in the case of any such note, or any  
29 renewals thereof, not exceeding five years from the date of  
30 issue of such original note, and in the case of any such bond

1 not exceeding fifty years from the date of issue, as such  
2 resolution or resolutions may provide. The notes and bonds shall  
3 bear interest at such rate or rates, be in such denominations,  
4 be in such form, either coupon or registered, carry such  
5 registration privileges, contain such terms and provisions  
6 relating to, but not limited to, pledges of the agency's assets,  
7 setting aside of reserves, limitations on additional notes and  
8 bonds, and such other matters as may affect the security or  
9 protection of the notes and bonds, be executed in such manner,  
10 be payable in such medium of payment, at such place or places  
11 and be subject to such terms of redemption as such resolution or  
12 resolutions may provide. The notes and bonds of the agency may  
13 be sold at public or private sale, at such price or prices as  
14 the agency shall determine.

15 (c) Neither the members of the agency nor any person  
16 executing the notes or bonds shall be liable personally on the  
17 notes or bonds or be subject to any personal liability or  
18 accountability by reason of the issuance thereof.

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

29 Section 502-A. Credit of Commonwealth or Any Subdivision  
30 Thereof Not Pledged.--Except as may otherwise be expressly

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

20 Section 503-A. General Fund.--The agency shall create and  
21 establish a general fund, herein referred to as the "General  
22 Fund," and shall pay into such General Fund any moneys  
23 appropriated and made available by the Commonwealth for the  
24 purposes of such General Fund, and any other moneys which may be  
25 available to the agency for its general purposes from any source  
26 or sources other than proceeds from the issuance and sale of  
27 notes or bonds by the agency.

28 Section 504-A. Capital Reserve Fund.--(a) The agency shall  
29 create and establish a separate special fund, herein referred to  
30 as the "Capital Reserve Fund," and shall pay into such Capital



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

1 to the extent it does not reduce the amount in such Capital  
2 Reserve Fund below the maximum amount of principal and interest  
3 maturing and becoming due and sinking fund payments required to  
4 be made in any succeeding calendar year on all bonds of the  
5 agency then outstanding and secured by such Capital Reserve  
6 Fund.

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

21 (c) To assure the continued operation and solvency of the  
22 agency for the carrying out of the public purposes of this act,  
23 provision is made in subsection (a) for the accumulation in the  
24 Capital Reserve Fund of an amount equal to the maximum amount of  
25 principal and interest maturing and becoming due and sinking  
26 fund payments required to be made in any succeeding calendar  
27 year on all bonds of the agency then outstanding. IN ORDER  
28 FURTHER TO ASSURE SUCH MAINTENANCE OF THE CAPITAL RESERVE FUND  
29 THE AGENCY, AT LEAST THIRTY DAYS BEFORE THE BEGINNING OF EACH  
30 LEGISLATIVE SESSION, SHALL SUBMIT TO THE GOVERNOR AND GENERAL

<—

1 ASSEMBLY AN ESTIMATE OF ANY FUNDS EXPECTED TO BE NECESSARY  
2 DURING THE FOLLOWING YEAR TO MAKE UP ANY DEFICIENCIES IN THE  
3 CAPITAL RESERVE FUND OR OTHERWISE TO AVOID DEFAULT IN THE  
4 PAYMENT OF INTEREST OR PRINCIPAL UPON BONDS OR NOTES ISSUED BY  
5 THE AGENCY, OR IN SINKING FUND PAYMENTS REQUIRED TO BE MADE, AND  
6 THE GOVERNOR SHALL CAUSE THE AMOUNT OF SUCH DEFICIENCY, IF ANY,  
7 TO BE PLACED IN THE BUDGET OF THE COMMONWEALTH FOR THE NEXT  
8 SUCCEEDING FISCAL YEAR, SO THAT THE GENERAL ASSEMBLY SHALL BE  
9 ENABLED TO PROVIDE APPROPRIATION SUFFICIENT TO MAKE UP ANY SUCH  
10 DEFICIENCY OR OTHERWISE TO AVOID ANY DEFAULT. SUCH AMOUNT  
11 APPROPRIATED, IF ANY, SHALL BE REPAID TO THE COMMONWEALTH AS  
12 SOON AS POSSIBLE BY THE AGENCY FROM MONEYS IN THE GENERAL FUND  
13 IN EXCESS OF THE AMOUNT REQUIRED TO MAKE AND KEEP THE AGENCY  
14 SELF-SUPPORTING.

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

19 Section 505-A. Trust Agreement.--In the discretion of the  
20 agency, bonds and notes issued by it shall be secured by a trust  
21 agreement by and between the agency and a trustee, which may be  
22 any trust company or bank within the Commonwealth having the  
23 powers of a trust company. Either the resolution providing for  
24 the issuance of bonds and notes or such trust agreement may  
25 contain such provisions for protecting and enforcing the rights  
26 and remedies of the bondholders as may be reasonable and proper  
27 and not in violation of law, including covenants setting forth  
28 the duties of the agency in relation to the custody,  
29 safeguarding and application of all moneys.

30 It shall be lawful for any bank or trust company incorporated

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

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

27 Section 507-A. Notes and Bonds as Legal Investments.--The  
28 notes and bonds of the agency are securities in which all public  
29 officers and bodies of the Commonwealth and all municipalities  
30 and municipal subdivisions, all insurance companies and

associations, and other persons carrying on an insurance business, all banks, trust companies, savings banks and savings associations, saving and loan associations, investment companies, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the Commonwealth, may properly and legally invest funds, including capital, in their control or belonging to them.

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

1 thereof.

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

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