

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 537 Session of  
2003

INTRODUCED BY RUBLEY, HENNESSEY, ALLEN, ARGALL, BARD, BARRAR,  
BEBKO-JONES, BELARDI, BELFANTI, BOYES, BROWNE, BUNT,  
CAPPELLI, CAWLEY, CIVERA, CORRIGAN, COSTA, CRAHALLA,  
CREIGHTON, CRUZ, CURRY, DAILEY, DeWEESE, FAIRCHILD, FICHTER,  
FORCIER, FRANKEL, FREEMAN, GEIST, GEORGE, GOODMAN, GORDNER,  
GRUCELA, HARHAI, HARPER, HASAY, HERMAN, HERSHEY, HORSEY,  
HUTCHINSON, KIRKLAND, KOTIK, LaGROTTA, LAUGHLIN, LEACH, LEH,  
LESCOVITZ, LEVDANSKY, LEWIS, LYNCH, MACKERETH, MAHER, MAJOR,  
MANDERINO, MARKOSEK, MARSICO, McCALL, McNAUGHTON, MELIO,  
R. MILLER, S. MILLER, NAILOR, NICKOL, PETRARCA, READSHAW,  
REED, REICHLEY, ROBERTS, ROHRER, ROSS, SAINATO, SANTONI,  
SCAVELLO, SCHRODER, SCRIMENTI, SEMMEL, SHANER, B. SMITH,  
S. H. SMITH, SOLOBAY, STABACK, STERN, SURRA, TANGRETTI,  
E. Z. TAYLOR, THOMAS, TIGUE, TRAVAGLIO, TURZAI, VANCE, WALKO,  
WANSACZ AND WATSON, FEBRUARY 26, 2003

REFERRED TO COMMITTEE ON ENVIRONMENTAL RESOURCES AND ENERGY,  
FEBRUARY 26, 2003

AN ACT

1 Amending the act of March 1, 1988 (P.L.82, No.16), entitled "An  
2 act providing for the establishment, implementation and  
3 administration of the Pennsylvania Infrastructure Investment  
4 Authority; imposing powers and duties on a board of trustees;  
5 transferring the rights, powers, duties and obligations of  
6 the Water Facilities Loan Board to the Pennsylvania  
7 Infrastructure Investment Authority; providing for the  
8 issuance of notes and bonds; providing for financial  
9 assistance and for a comprehensive water facilities plan;  
10 authorizing a referendum to incur indebtedness; making an  
11 appropriation; and making repeals," establishing the Tapping  
12 Fee-Property Lateral Funding Program; making an  
13 appropriation; and making editorial changes.

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

16 Section 1. The act of March 1, 1988 (P.L.82, No.16), known

1 as the Pennsylvania Infrastructure Investment Authority Act, is  
2 amended by adding a chapter heading to read:

3 CHAPTER 1

4 PRELIMINARY PROVISIONS

5 Section 2. Section 1 heading of the act is amended to read:

6 Section [1] 101. Short title.

7 \* \* \*

8 Section 3. Section 2 heading of the act, amended December  
9 16, 1992 (P.L.1137, No.149), is amended to read:

10 Section [2] 102. Legislative intent.

11 \* \* \*

12 Section 4. Section 3 of the act, amended or added December  
13 16, 1992 (P.L.1137, No.149), is amended to read:

14 Section [3] 103. Definitions.

15 The following words and phrases when used in this act shall  
16 have the meanings given to them in this section unless the  
17 context clearly indicates otherwise:

18 "Authority." The Pennsylvania Infrastructure Investment  
19 Authority.

20 "Board." The board of directors of the authority.

21 "Bonds." Bonds, notes or other evidences of indebtedness  
22 issued by the authority pursuant to this act.

23 "Borrower." An individual owner of a housing unit or mobile  
24 home and eligible owners of other enterprises.

25 "Department." The Department of Environmental [Resources]  
26 Protection of the Commonwealth.

27 "Eligible cost." The cost of all labor, materials, machinery  
28 and equipment, lands, property, rights and easements, plans and  
29 specifications, surveys or estimates of costs and revenues, pre-  
30 feasibility studies, engineering and legal services, and all

1 other expenses necessary or incident to the acquisition,  
2 construction, improvement, expansion, extension, repair or  
3 rehabilitation of all or part of a project.

4 "Equivalent Dwelling Unit" or "EDU." Unit of measure by  
5 which the sewer rates and connection charges that are imposed  
6 upon each improved property by a governmental unit, which is  
7 deemed to constitute the estimated, equivalent amount of waste  
8 water discharged by a single-family dwelling unit or an average  
9 of 250 gallons per day.

10 "Governmental unit." Any agency of the Commonwealth or any  
11 county, municipality or school district, or any agency,  
12 instrumentality, authority or corporation thereof, or any public  
13 body having local or regional jurisdiction or power.

14 "Housing unit." A single-family residential structure  
15 including a manufactured home whether or not it is on a  
16 permanent foundation which is a permanent residence and is owned  
17 and occupied by one or more individuals.

18 "Loan origination fees." Fees paid by a borrower to the  
19 local lending institution for originating the borrower's loan.

20 "Loan servicing fees." A bank, savings and loan or other  
21 financial institution authorized by the authority to extend  
22 financial assistance under the Tapping Fee-Property Lateral  
23 Funding Program.

24 "Manufactured home." A movable, single-family dwelling unit  
25 designed for long-term occupancy, built on a chassis at a  
26 factory, not less than eight feet wide and 32 feet long, with or  
27 without a permanent foundation, and consisting of a complete  
28 package with major appliances, plumbing and electrical  
29 facilities prepared for appropriate connections.

30 "Manufactured home community." An area under single

ownership where designated spaces for manufactured homes are rented, having two or more such houses occupied as residences, with its operations managed on a full-time or part-time basis and providing a number of various facilities for common use.

"Program." The Tapping Fee-Property Lateral Funding Program established under section 501.

"Project." The eligible costs associated with the acquisition, construction, improvement, expansion, extension, repair or rehabilitation of all or part of any facility or system, whether publicly or, in the case of paragraph (1) or (2), privately owned:

(1) for the collection, treatment or disposal of wastewater, including industrial waste;

(2) for the supply, treatment, storage or distribution of drinking water;

(3) for the control of storm water, which may include, but need not be limited to, the transport, storage and the infiltration of storm water; or

(4) for the best management practices to address point or nonpoint source pollution associated with storm water runoff or any other innovative techniques identified in the county-prepared watershed plans pursuant to the act of October 4, 1978 (P.L.864, No.167), known as the Storm Water Management Act.

"Project permitting fees." Fees charged by a local governmental unit for the processing of property lateral permit applications by a sewer enforcement officer.

"Property lateral." The pipe connecting a housing unit or other enterprise to the street lateral.

"Secretary." The Secretary of Environmental [Resources]

1 Protection of the Commonwealth.

2 "Sewage Enforcement Officer" or "SEO." An official of a  
3 local agency who reviews permit applications, issues permits and  
4 conducts investigations and inspections that are necessary to  
5 implement the provisions of the act of January 24, 1966 (1965  
6 P.L.1535, No.537), known as the Pennsylvania Sewage Facilities  
7 Act, and the regulations promulgated thereunder, including the  
8 individual designated by a municipality as the code enforcement  
9 officer.

10 "Storm water." Drainage runoff from the surface of the land  
11 resulting from precipitation or snow or ice melt.

12 "Water Facilities Loan Board." The board established under  
13 32 Pa.C.S. § 7504 (relating to Water Facilities Loan Board).

14 Section 5. The act is amended by adding a chapter heading to  
15 read:

16 CHAPTER 3

17 PENNSYLVANIA INFRASTRUCTURE INVESTMENT

18 AUTHORITY

19 Section 6. Section 4 heading of the act is amended to read:

20 Section [4] 301. Pennsylvania Infrastructure Investment

21 Authority; board of directors.

22 \* \* \*

23 Section 7. Section 5 heading and (a), amended December 16,  
24 1992 (P.L.1137, No.149), are amended to read:

25 Section [5] 302. Revenues of authority.

26 (a) Sources of revenues.--The authority may receive money  
27 from sources of revenue, including, but not limited to, the  
28 following:

29 (1) State funds appropriated to the authority.

30 (2) Federal funds appropriated to or granted to the

1 authority.

2 (3) Proceeds from the sale of bonds of the authority  
3 authorized under section [7] 304.

4 (4) Proceeds from the sale of bonds issued on or after  
5 the effective date of this act from the remaining unused  
6 authorization in addition to any other funds that remain  
7 unencumbered on the effective date of this act from the act  
8 of July 12, 1981 (P.L.263, No.88), entitled "An act  
9 authorizing the incurring of indebtedness, with approval of  
10 the electors, of \$300,000,000 for the repair, construction,  
11 reconstruction, rehabilitation, extension and improvement of  
12 community water supply systems, and for the repair,  
13 reconstruction or rehabilitation of flood control facilities,  
14 dams and port facilities and providing the allotment of  
15 proceeds from borrowing hereunder," approved by the  
16 electorate on November 3, 1981.

17 (5) Proceeds from the sale of bonds not to exceed a  
18 total sum of \$150,000,000 issued for site development under  
19 the provisions of Article XVI-B of the act of April 9, 1929  
20 (P.L.343, No.176), known as The Fiscal Code. This paragraph  
21 shall expire on December 31, 1989, except that the board may  
22 fund projects approved prior to December 31, 1989.

23 (6) Proceeds from the sale of any Commonwealth general  
24 obligation bonds issued under sections [16 and 17] 318 and  
25 319.

26 (7) Proceeds from the sale of any Commonwealth general  
27 obligation bonds issued under section 12 of the act of March  
28 16, 1992 (P.L.10, No.5), known as the Small Water Systems  
29 Assistance Act.

30 (8) Proceeds from the sale of authority assets.

1           (9) Repayment of loan principal.

2           (10) Payment of interest on loans made by the authority.

3           (11) Interest earned on the investments of authority  
4 moneys.

5           \* \* \*

6           Section 8. The headings of sections 6, 7, 8 and 9 of the act  
7 are amended to read:

8           Section [6] 303. Powers and duties of authority.

9           \* \* \*

10          Section [7] 304. Specific power to issue bonds.

11          \* \* \*

12          Section [8] 305. Covenants and express conditions on  
13 obligations.

14          \* \* \*

15          Section [9] 306. Nature and effect of pledges.

16          \* \* \*

17          Section 9. Section 10 heading and (f) of the act are amended  
18 to read:

19          Section [10] 307. Financial assistance.

20          \* \* \*

21          (f) Loans.--Subject to any agreements with the holders of  
22 bonds, the board shall have the power to set terms applicable to  
23 loans in any manner it deems appropriate, subject to the  
24 provisions of this subsection. The board may consider such  
25 factors as it deems relevant, including current market interest  
26 rates, the financial and economic distress of the area which the  
27 project serves, and the necessity to maintain the authority  
28 funds in a financially sound manner. Loans may be made based on  
29 the ability to repay the loan from future revenue to be derived  
30 from the project, by a mortgage or other property lien, or on

1 any other fiscal matters which the authority deems appropriate.  
2 The board shall have the power to defer principal on loans for  
3 up to five years. In the event of a default on the repayment of  
4 a loan, the board may apply to the court of common pleas of the  
5 county where the project is located for the appointment of a  
6 receiver to assume operation and supervision of the facility  
7 under the supervision of the court. The minimum rate of interest  
8 to be paid on any loan made pursuant to this act shall be 1%.  
9 The maximum rate of interest shall not exceed the following:

10 (1) For projects in counties whose unemployment rate  
11 exceeds the Statewide unemployment rate by 40% or more, 1%  
12 for the first five years and 25% of the bond issue rate for  
13 the remainder of the loan.

14 (2) For projects in counties whose unemployment rate  
15 exceeds the Statewide unemployment rate, but exceeds it by  
16 less than 40%, 30% of the bond issue rate for the first five  
17 years and 60% of the bond issue rate for the remainder of the  
18 loan.

19 (3) For all other projects, 60% of the bond issue rate  
20 for the first five years and 75% of the bond issue rate for  
21 the remainder of the loan.

22 (4) For projects located within municipalities for which  
23 unemployment rates exist which would qualify the project for  
24 lower interest rates than if the relevant county unemployment  
25 rate were used, the unemployment rate of that municipality  
26 may be used in determining the interest rate on the loan.

27 For purposes of this subsection, the phrase "unemployment rate  
28 of the county" shall mean the average unemployment rate for the  
29 county in the most recent calendar year for which data has been  
30 finalized. For the projects which serve multiple counties, the



1 highest unemployment rate of the counties involved shall be  
2 used. The unemployment data utilized shall be data reported by  
3 the Department of Labor and Industry. For purposes of this  
4 subsection, the phrase "bond interest rate" shall be the rate of  
5 interest paid by the Commonwealth immediately preceding the date  
6 of the loan for the bonds issued under sections [16 and 17] 313  
7 and 314.

8 \* \* \*

9 Section 10. The headings of sections 11 and 12 of the act  
10 are amended to read:

11 Section [11] 308. Comprehensive water facilities plan.

12 \* \* \*

13 Section [12] 309. Audits.

14 \* \* \*

15 Section 11. Section 13 of the act is amended to read:

16 Section [13] 310. Annual report.

17 The board shall provide the General Assembly with an annual  
18 report detailing all projects funded under section [10] 307.

19 Section 12. Section 14 heading of the act is amended to  
20 read:

21 Section [14] 311. Expedited approval of rate relief.

22 \* \* \*

23 Section 13. Sections 15, 16 and 17 of the act are amended to  
24 read:

25 Section [15] 312. Transfer of Water Facilities Loan Board.

26 (a) Removal of members.--All existing members of the Water  
27 Facilities Loan Board shall cease to hold office on the day that  
28 the Governor certifies by publication in the Pennsylvania  
29 Bulletin the existence of a quorum on the board created under  
30 section [4] 301.

1 (b) Board of directors to serve as Water Facilities Loan  
2 Board.--For purposes of satisfying all outstanding obligations  
3 of the Water Facilities Loan Board and for purposes of  
4 collecting loan and interest repayments, the board established  
5 in section [4] 301 shall constitute the membership of the Water  
6 Facilities Loan Board.

7 (c) Transfer of function.--All remaining unencumbered funds,  
8 rights, powers, duties, obligations, liabilities, records and  
9 equipment of the Water Facilities Loan Board are transferred to  
10 the authority.

11 Section [16] 313. Referendum.

12 (a) General rule.--Pursuant to the provisions of section  
13 [7(a)(3)] 304(a)(3) of Article VIII of the Constitution of  
14 Pennsylvania, the question of incurring indebtedness of  
15 \$300,000,000 for loans for the acquisition, repair,  
16 construction, reconstruction, rehabilitation, extension,  
17 expansion and improvement of water supply and sewage treatment  
18 systems, subject to implementation through this act, shall be  
19 submitted to the electors at the next primary, municipal or  
20 general election following the effective date of this act.

21 (b) Certification.--The Secretary of the Commonwealth shall  
22 forthwith certify the question to the county boards of  
23 elections.

24 (c) Form of question.--The question shall be in  
25 substantially the following form:

26 Do you favor the incurring of indebtedness by the  
27 Commonwealth of \$300,000,000 for use as loans to acquire,  
28 repair, construct, reconstruct, rehabilitate, extend,  
29 expand and improve water supply and sewage treatment  
30 systems?

1 Section [17] 314. Bonds.

2 (a) Issuance of general obligation bonds.--As evidence of  
3 the indebtedness if authorized under section [16] 313, general  
4 obligation bonds of the Commonwealth shall be issued from time  
5 to time to fund and retire notes issued pursuant to section [16]  
6 313 to carry out the purposes of this act, or both, for such  
7 total amounts, in such form, in such denominations and subject  
8 to such terms and conditions of issue, redemption and maturity,  
9 rate of interest and time of payment of interest as the issuing  
10 officials direct except that the latest stated maturity date  
11 shall not exceed 30 years from the date of the debt first issued  
12 for each series.

13 (b) Execution of bonds.--All bonds and notes issued under  
14 the authority of section [16] 313 shall bear facsimile  
15 signatures of the issuing officials and a facsimile of the great  
16 seal of the Commonwealth and shall be countersigned by a duly  
17 authorized loan and transfer agent of the Commonwealth.

18 (c) Direct obligation of Commonwealth.--All bonds and notes  
19 issued in accordance with section [16] 313 shall be direct  
20 obligations of the Commonwealth, and the full faith and credit  
21 of the Commonwealth are hereby pledged for the payment of the  
22 interest thereon as it becomes due and the payment of the  
23 principal at maturity. The principal of and interest on the  
24 bonds and notes shall be payable in lawful money of the United  
25 States of America.

26 (d) Exemption from taxation.--All bonds and notes issued  
27 under the provisions of this section shall be exempt from  
28 taxation for State and local purposes.

29 (e) Form of bonds.--The bonds may be issued as coupon bonds  
30 or registered as to both principal and interest as the issuing

1 officials may determine. If interest coupons are attached, they  
2 shall contain the facsimile signature of the State Treasurer.

3 (f) Bond amortization.--The issuing officials shall provide  
4 for the amortization of the bonds in substantial and regular  
5 amounts over the term of the debt. The first retirement of  
6 principal shall be stated to mature prior to the expiration of a  
7 period of time equal to one-tenth of the time from the date of  
8 the first obligation issued to evidence the debt to the date of  
9 the expiration of the term of the debt. Retirements of principal  
10 shall be regular and substantial if made in annual or semiannual  
11 amounts, whether by stated serial maturities or by mandatory  
12 sinking fund retirements.

13 (g) Refunding bonds.--The issuing officials are authorized  
14 to provide, by resolution, for the issuance of refunding bonds  
15 for the purpose of refunding any bonds issued under this section  
16 and then outstanding, either by voluntary exchange with the  
17 holders of the outstanding bonds, or to provide funds to redeem  
18 and retire the outstanding bonds with accrued interest, any  
19 premium payable thereon and the costs of issuance and retirement  
20 of bonds, at maturity or at any call date. The issuance of the  
21 refunding bonds, the maturities and other details thereof, the  
22 rights of the holders thereof and the duties of the issuing  
23 officials in respect to the same shall be governed by the  
24 provisions of this section, insofar as they may be applicable.  
25 Refunding bonds may be issued by the issuing officials to refund  
26 bonds originally issued or to refund bonds previously issued for  
27 refunding purposes.

28 (h) Quorum.--Whenever any action is to be taken or decision  
29 made by the Governor, the Auditor General and the State  
30 Treasurer acting as issuing officials and the three officers are

1 not able unanimously to agree, the action or decision of the  
2 Governor and either the Auditor General or State Treasurer shall  
3 be binding and final.

4 (i) Public sale.--Whenever bonds are issued, they shall be  
5 offered for sale at not less than 98% of the principal amount  
6 and accrued interest and shall be sold by the issuing officials  
7 to the highest and best bidder or bidders after due public  
8 advertisement on such terms and conditions and upon such open  
9 competitive bidding as the issuing officials shall direct. The  
10 manner and character of the advertisement and the time of  
11 advertising shall be prescribed by the issuing officials.

12 (j) Private sale.--Any portion of any bond issue so offered  
13 and not sold or subscribed for may be disposed of by private  
14 sale by the issuing officials in such manner and at such prices,  
15 not less than 98% of the principal amount and accrued interest,  
16 as the issuing officials shall direct. No commission shall be  
17 allowed or paid for the sale of any bonds issued under the  
18 authority of this section.

19 (k) Bond series.--When bonds are issued from time to time,  
20 the bonds of each issue shall constitute a separate series to be  
21 designated by the issuing officials or may be combined for sale  
22 as one series with other general obligation bonds of the  
23 Commonwealth.

24 (l) Temporary bonds.--Until permanent bonds can be prepared,  
25 the issuing officials may in their discretion issue, in lieu of  
26 permanent bonds, temporary bonds in such form and with such  
27 privileges as to registration and exchange for permanent bonds  
28 as may be determined by the issuing officials.

29 (m) Disposition and use of proceeds.--The proceeds realized  
30 from the sale of bonds and notes, except funding bonds,

1 refunding bonds and renewal notes, under the provisions of this  
2 section are specifically dedicated to the purposes of the  
3 referendum to be implemented by this act and shall be paid into  
4 the special funds established in the State Treasury in such  
5 amounts as may be specified by the board pursuant to section  
6 [5(c)] 302(c). The proceeds shall be paid by the State Treasurer  
7 periodically to the board to expend them at such times and in  
8 such amounts as may be necessary to satisfy the funding needs of  
9 the board. The proceeds of the sale of funding bonds, refunding  
10 bonds and renewal notes shall be paid to the State Treasurer and  
11 applied to the payment of principal, the accrued interest and  
12 premium, if any, and costs of redemption of the bonds and notes  
13 for which such obligations shall have been issued.

14 (n) Investment of funds.--Pending their application to the  
15 purposes authorized, moneys held or deposited by the State  
16 Treasurer may be invested or reinvested as are other funds in  
17 the custody of the State Treasurer in the manner provided by  
18 law. All earnings received from the investment or deposit of  
19 such funds shall be paid into the State Treasury to the credit  
20 of the funds established by the board in section [5(c)] 302(c)  
21 in such amounts as may be specified by the board pursuant to  
22 that section.

23 (o) Registration of bonds.--The Auditor General shall  
24 prepare the necessary registry book to be kept in the office of  
25 the duly authorized loan and transfer agent of the Commonwealth  
26 for the registration of any bonds, at the request of owners  
27 thereof, according to the terms and conditions of issue directed  
28 by the issuing officials.

29 (p) Expenses of preparation for issue and sale of bonds and  
30 notes.--There is hereby appropriated to the State Treasurer from

1 the proceeds of the bonds and notes issued as much money as may  
2 be necessary for all costs and expenses in connection with the  
3 issue of and sale and registration of the bonds and notes in  
4 connection with this act.

5 Section 14. The act is amended by adding a chapter to read:

6 CHAPTER 5

7 TAPPING FEE-PROPERTY LATERAL FUNDING PROGRAM

8 Section 501. Establishment of program.

9 There is hereby established the Tapping Fee-Property Lateral  
10 Funding Program for the purpose of awarding financial assistance  
11 to borrowers for tapping fees and the costs relating to the  
12 installation of a property lateral for homes constructed prior  
13 to the effective date of this chapter.

14 Section 502. Scope.

15 This chapter applies to the owners of single-family homes,  
16 including manufactured homes on a permanent foundation.

17 Section 503. Applicant eligibility.

18 Eligible applicants shall be owners of single-family homes  
19 and manufactured homes on a permanent foundation if:

20 (i) the owner occupies the home and the home is or  
21 will be served by a public sewer system owned by a  
22 municipality or municipal authority; and

23 (ii) the owner's family income does not exceed 235%  
24 of the Federal poverty income guidelines.

25 Section 504. Project eligibility.

26 The following conditions shall be satisfied for an eligible  
27 project:

28 (1) The owner of the real property into which the  
29 property lateral will be installed must also be the owner of  
30 the housing unit located thereon.

1       (2) The property lateral is located in an area that is  
2       or will be served by a sewage collection and treatment system  
3       and the property lateral is required by the municipality or  
4       municipal authority to connect to the system.

5       (3) The design and installation of the property lateral  
6       is the most cost-effective system available that will meet  
7       the needs of the unit.

8       (4) The governmental unit has established a tapping fee.

9       (5) The inspector employed by the municipal authority  
10       which will operate the collection and treatment system to  
11       which the property lateral is connected, or the municipal  
12       code enforcement officer or the designee of the municipality  
13       or the SEO has certified that the property lateral, including  
14       pipng within the unit, meets all permit requirements under  
15       applicable State and municipal laws and regulations.

16       (6) The construction activity to be financed by a loan  
17       under this program has not commenced and the tapping fee has  
18       not been paid prior to the time of application approval by  
19       the local lending institution.

20 Section 505. Eligible costs.

21 Eligible costs shall include:

22       (1) All testing, design, materials and construction  
23       costs associated with the property lateral, including a  
24       grinder pump, if required.

25       (2) Permit fees.

26       (3) Interest during construction or financing of the  
27       project and allowance for funds used during construction.

28       (4) Costs relating to the closing of an applicant's  
29       loan, such as legal fees, credit reports, title reports,  
30       insurance, judgment reports, lien certificates, appraisal



1 fees and loan origination fees.

2 (5) Tapping fees.

3 Section 506. Ineligible costs.

4 Costs of acquisition of land or right-of-way for the project  
5 are ineligible costs.

6 Section 507. Financial assistance terms and conditions.

7 (a) Financial assistance.--All financial assistance shall be  
8 in the form of loans.

9 (b) Interest rate.--The interest rate offered on loans shall  
10 be 1% per annum.

11 (c) Maximum amount of loan.--The maximum amount of the loan  
12 shall be \$15,000.

13 (d) Minimum amount of loan.--The minimum amount of a loan  
14 shall be \$1,500.

15 (e) Term.--The maximum term of a loan shall be 15 years.

16 (f) Repayment.--Loan repayment shall commence no later than  
17 60 days after the date of loan closing.

18 (g) Collateral.--Collateral shall be determined by the local  
19 financial institution under guidance and policies established by  
20 the authority and may include, but are not limited to, a  
21 mortgage on the borrower's property subordinate only to the debt  
22 outstanding at the time of loan approval by the local financial  
23 institution.

24 (h) Repayment.--The loan shall be repaid in full if the  
25 property to which it applies is either sold or transferred to  
26 other than an immediate family member.

27 (i) Fees.--The borrower may be charged fees for delinquent  
28 payment of either principal or interest in a loan if the  
29 potential fees are described in the loan agreement entered into  
30 and agreed to by the borrower and the local lending institution.

1     (j) Documentation.--The applicant shall apply for funding to  
2 a local lending institution by submitting documentation required  
3 to demonstrate compliance with documentation and information  
4 which the local lending institution may require, under guidance  
5 and policies of the authority.

6     (k) Local lending institution.--Upon receipt of a funding  
7 application, the local lending institution shall:

8         (1) Verify that the applicant meets the eligibility  
9 criteria of section 503.

10        (2) Verify that the application is valid and contains  
11 all required documentation.

12        (3) Check with the authority to verify that sufficient  
13 funds are available to approve the application.

14        (4) Perform credit and security checks needed to ensure  
15 that the applicant meets the collateral requirements of the  
16 authority.

17     (l) Approval.--A local lending institution is authorized to  
18 approve an application for funding under the program only if the  
19 conditions under subsection (k) are satisfied.

20     (m) Completion of review.--Upon completion of its  
21 application review, the local lending institution shall notify  
22 the applicant and the authority of the following:

23         (1) The outcome of its review.

24         (2) Whether the applicant's loan is approved.

25         (3) The amount and terms of the loan.

26     (n) Funds.--Funds shall be disbursed to the contractor on  
27 behalf of the borrower or to the borrower upon completion of  
28 construction and final inspection and certification from the  
29 municipality or municipal authority that the project has been  
30 completed in accordance with all permit requirements and is

1 operable as designed and intended.

2 (o) Changes.--Any changes to an approved project which are  
3 inconsistent with the approved design for which a permit was  
4 issued shall be approved by the municipality or municipal  
5 authority prior to making the change.

6 (p) Financial records.--The borrower shall maintain  
7 financial records to substantiate expenditures on the project.

8 (q) Local financial institutions.--Local financial  
9 institutions shall maintain financial and activity records on  
10 all loan applications and approved loans and shall report this  
11 information to the authority in a form and at those times as the  
12 authority may request.

13 (r) Financial assistance documents.--The authority shall  
14 develop and adopt financial assistance documents which will,  
15 among other things, define the terms and conditions under which  
16 financial assistance is offered. These documents shall be used  
17 by all local financial institutions participating in the program  
18 without change, except as approved by the authority.

19 Section 508. Funds and accounts.

20 (a) Establishment of funds.--The authority may establish  
21 separate funds, accounts or other financial structures, under  
22 section 504(c), as may be needed to implement and operate the  
23 program.

24 (b) Approval.--The authority may from time to time approve  
25 such funding, including the pledging of the authority's  
26 revenues, as it deems appropriate to finance the program.

27 (c) Liability.--The authority shall not be held liable for  
28 loan offers or approvals made by a local lending institution in  
29 the absence of prior authority-approved funding.

30 Section 509. Loan servicing.

1     (a) Purchase of loans.--The authority shall purchase loans  
2     originated by local lending institutions on a schedule agreed to  
3     by the local lending institution.

4     (b) Monitoring.--The authority shall monitor and service the  
5     loans purchased.

6     (c) Loan servicing fee.--The authority may charge a loan  
7     servicing fee to defray the costs that it incurs to service  
8     loans under the program. These fees shall be charged to and  
9     shall be the sole responsibility of program borrowers.

10    Section 510. Program monitoring.

11     The borrower shall submit to the department receipts for the  
12     system in accordance with the schedule and requirements  
13     contained in the loan agreement. Failure to provide the receipts  
14     in accordance with the schedule shall constitute a violation of  
15     the loan agreement.

16     Section 15. Sections 18, 19, 20 and 21 of the act are  
17    repealed.

18     Section 16. The act is amended by adding a chapter to read:

19                                 CHAPTER 9

20                                 MISCELLANEOUS PROVISIONS

21    Section 901. Severability.

22     The provisions of this act are severable. If any provision of  
23     this act or its application to any person or circumstance is  
24     held invalid, the invalidity shall not affect other provisions  
25     or applications of this act which can be given effect without  
26     the invalid provision or application.

27    Section 902. Appropriation.

28     The sum of \$5,000,000, or as much as may be necessary, is  
29     hereby appropriated to the Pennsylvania Infrastructure Authority  
30     for the fiscal year July 1, 2003, to June 30, 2004, to carry out

1 the provisions of this act.

2 Section 903. Repeal.

3 All acts and parts of acts are repealed insofar as they are  
4 inconsistent with this act.

5 Section 17. This act shall take effect in 90 days.