

Date: May 21, 2008

To: Members of the House Finance Committee

From: The Pennsylvania Housing Finance Agency

Subject: House Bill 2091 (Phillips)—Requiring tax collectors to receive tax payments from escrow agents or escrow accounts.

Thank you for providing the Pennsylvania Housing Finance Agency (PHFA) with the opportunity to submit written comments for the record regarding House Bill 2091.

PHFA is the Commonwealth's leading finance organization for affordable homes and rental apartments. The Agency was created by the legislature in 1972 with its core mission to finance affordable homes and apartments at minimal expense to Commonwealth taxpayers. PHFA has been able to accomplish its mission of financing affordable housing opportunities through the issuance of securities to private investors throughout the nation.

The Agency is governed by a 14 member Board of Directors. Four serve in an ex-officio capacity. They are the Secretary of Banking, who by law is our Chairperson, the Secretaries of the Departments of Community and Economic Development and Public Welfare, as well as the State Treasurer. The majority and minority leaders of the House and Senate have one appointment each. The remaining six members are appointed for six year terms by the Governor with the advice and consent of the Senate.

PHFA offers several programs for individuals and families to purchase a home. As part of the agreement with the bondholders, PHFA requires the escrow of funds for the payment of real estate taxes and property insurance on all of the mortgage loans that are financed and serviced in house. The Agency has required the escrow of funds since 1982 and has been acting as a servicing agent for mortgage loans since 1988. PHFA currently services approximately 49,000 mortgage loans across the Commonwealth.

The managing of escrow funds (taxes and insurance) for mortgage loans is a standard banking practice and is viewed in a positive light by the bond rating agencies because of the additional security provided by this procedure.

Recently, PHFA has encountered difficulty with the local tax collector in a borough who refuses to accept direct payments from escrow agents. This particular collector has directed all escrow agents to make checks "payable to the Tax Collector and mailed to the property owner who will make the payment to the Tax Collector and receive a stamped receipt for same." This practice is contrary to good mortgage lending practices and prevents PHFA from insuring that the payment is made during the appropriate billing period and is paid in full.

PHFA currently holds and services 52 loans in this borough. That equates to 104 individual tax bills to be paid annually. For these loans, the collector has required that we generate 52 separate checks in the spring for the county/local tax and an additional 52 checks in the fall for the school tax. Most tax collectors will accept one check for the total of all bills being paid. PHFA has complied with the separate check requirement. However, to force us to send our checks to each individual homeowner simply makes no sense. Not only is this additional work for us, but also an inconvenience for each borough resident who must go through this procedure.

As a result of this particular tax collector's unwillingness to accept payments from escrow agents, several of PHFA's checks were returned multiple times and the taxes deemed delinquent. Counsel for the Agency subsequently contacted the County Tax Claim Office and payment has been accepted. However, since the checks were first issued during the discount period, PHFA has requested that County Tax Claim Office accept the checks as payment in full. PHFA continues to work diligently to correct this situation for our homeowners.

Had provisions similar to those contained in HB 2091 already been in law, the Agency would not currently be involved in trying to correct the above referenced situation.

Thank you again for allowing PHFA to submit written comments. Should you have any questions, comments or wish to discuss this matter further we would be happy to do so.

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