

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1407 Session of  
1972

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

REFERRED TO STATE GOVERNMENT, MAY 9, 1972

AN ACT

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

33 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

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

6 AN ACT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 offices and operations.

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

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

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

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

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

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

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

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

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

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

18 ARTICLE III.-A

19 Housing Purchase Program

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

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

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

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

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

#### 21 ARTICLE IV.-A

#### 22 Rental Housing Program

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

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

1 persons and others.

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

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

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

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

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

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



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

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

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

1 following fiscal year.

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

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

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

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

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

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

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

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

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

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

9 ARTICLE V.-A

10 Bonds and Notes

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

1 inheritance, estate, gift and transfer taxes.

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

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

## ARTICLE VI.-A

Liberal Construction, Fraud Penalty and Effective Date

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

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

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