
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 192

Session of
1981

INTRODUCED BY ROMANELLI, STOUT, ROSS, MESSINGER, REIBMAN,
MELLOW, PECORA AND O'PAKE, FEBRUARY 2, 1981

REFERRED TO URBAN AFFAIRS AND HOUSING, FEBRUARY 2, 1981

AN ACT

1 Providing for the creation of Home Mortgage Finance Authorities,
2 providing for their governing bodies and the powers and
3 duties thereof, authorizing the issuance of bonds, and the
4 insuring of mortgage loans for residential housing.

5 It is hereby determined by the General Assembly of this
6 Commonwealth, and it is hereby declared as a matter of
7 legislative finding that:

8 (1) The welfare of the Commonwealth is threatened by the
9 fact that there is a shortage of housing available at prices
10 which persons and families of low and moderate income are
11 able to afford and a shortage of capital for investment in
12 such housing.

13 (2) Because of higher housing costs, a scarcity of
14 financing available for housing, and a resulting increase in
15 interest rates, the housing need which exists in fact has not
16 been able to find economic expression in a market demand
17 sufficient to encourage greater production of homes by
18 private industry and the rehabilitation of housing for

1 persons and families of low and moderate income.

2 (3) Private industry alone has been and now is unable to
3 provide the financing necessary, at a cost which persons and
4 families of low and moderate income can afford, for housing
5 for such persons and families and, therefore, the specialized
6 financing provided for in this act will encourage expenditure
7 of private capital for housing by encouraging investment by
8 private enterprise and stimulating construction and
9 rehabilitation of housing through the use of public
10 financing.

11 (4) The provision of adequate, safe and sanitary housing
12 will advance the public health and morals and cause the
13 Commonwealth and its political subdivisions to make fewer
14 expenditures for crime prevention and control, public health,
15 welfare and safety, fire and accident protection, and other
16 public services and facilities.

17 (5) The financing, acquisition, construction,
18 reconstruction, and rehabilitation of housing and the real
19 and personal property and other facilities necessary,
20 incidental, and appurtenant thereto are legitimate public
21 purposes which can be exercised by the several counties and
22 cities of this Commonwealth.

23 (6) The financial feasibility, and consequently the
24 interest rate on the home mortgages provided for in this act,
25 depend in large part on the population size of the area to be
26 served by each authority created under this act and to avoid
27 duplicative programs by authorities, it is important that
28 municipalities cooperate in activating joint authorities
29 under this act and of assuring authorities and their obligees
30 that the geographical areas served by authorities, once

1 activated, will not be reduced.

2 (7) Therefore, it is hereby declared to be the policy of
3 the Commonwealth of Pennsylvania to promote the health and
4 welfare of the inhabitants thereof by the creation of
5 corporate and politic bodies to be known as "Home Mortgage
6 Finance Authorities" for the purpose of broadening the market
7 for housing for persons and families of low and moderate
8 income and alleviating shortages thereof by empowering such
9 authorities to purchase, or make commitments to purchase, or
10 participate in the purchase of, single family mortgage loans
11 from lending institutions, which loans have been made for the
12 acquisition, construction, improvement or rehabilitation of
13 single family residential housing units for persons and
14 families of low and moderate income. Such purposes are hereby
15 declared to be public uses for which public money may be
16 spent and are found and declared to be necessary and in the
17 public interest as a matter of legislative determination.

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1 located in the Commonwealth.

2 "Mortgage." A first mortgage on a fee simple estate in real
3 estate, including without limitation interests in land, air
4 space or condominium units, improved or to be improved by
5 residential housing.

6 "Mortgage loan." An interest-bearing obligation evidencing a
7 loan of money made for the permanent financing of the
8 acquisition, construction, reconstruction, rehabilitation,
9 renovation or improvement of buildings and improvements
10 providing residential housing in the Commonwealth, secured by a
11 mortgage, and which is insured or guaranteed, in whole or in
12 part, by an agency, department, administration or
13 instrumentality of the United States Government or by a private
14 mortgage insurance company licensed by the Insurance
15 Commissioner of the Commonwealth or any other public or private
16 agency acceptable to the authority which insures or guarantees
17 mortgage loans.

18 "Municipality." Any county of this Commonwealth other than a
19 county of the first class, and any city of the first, second,
20 second class A and third class of this Commonwealth.

21 "Rehabilitation loan." A mortgage loan the proceeds of which
22 are to be used to rehabilitate residential housing meeting the
23 following requirements:

24 (1) the residential housing must be at least 20 years
25 old at the time of the rehabilitation;

26 (2) seventy-five per cent or more of the external walls
27 of the residence are retained; and

28 (3) the rehabilitation costs are 25% or more of the
29 mortgagor's basis in the residence after the rehabilitation.

30 "Residential housing." Single family residences which are,

1 or are reasonably expected to become, the principal residence of
2 the mortgagor.

3 "Secretary." The Secretary of Community Affairs.

4 Section 103. Rules and regulations.

5 Prior to the deposit of proposed regulations for promulgation
6 pursuant to the act of July 31, 1968 (P.L.769. No.240), referred
7 to as the Commonwealth Documents Law, the department shall
8 transmit a copy of same to the Chief Clerk of the House and the
9 Secretary of the Senate. Unless either House shall by resolution
10 modify or reject the proposed regulations within 30 days, the
11 department may then promulgate the proposed regulations in
12 accordance with the Commonwealth Documents Law.

13 CHAPTER 3

14 HOME MORTGAGE FINANCE AUTHORITIES

15 Section 301. Creation.

16 There are hereby created separate and distinct bodies,
17 corporate and politic, one for each municipality of the
18 Commonwealth. Each such authority shall be known as the "Home
19 Mortgage Finance Authority" of the municipality, but shall in no
20 way be deemed to be an instrumentality of such municipality, or
21 engaged in the performance of a municipal function. Such
22 authority shall transact no business or be otherwise operative
23 until and unless a finding is made, as hereinafter provided in
24 this section.

25 Section 302. Activation.

26 The governing body of any municipality may find and declare
27 by proper resolution that there is a need for an authority to
28 function within the territorial limits of said municipality and
29 thereby activate such authority to carry out the purposes of
30 this act.

1 Section 303. Joint authorities.

2 A municipality is hereby authorized to join with any other
3 municipality or municipalities to activate a joint authority to
4 function within the combined territorial limits of said
5 municipalities. Authorities activated under this section shall
6 be known as the "Home Mortgage Finance Authority" of the
7 municipalities, or by such other appropriate regional name as
8 the municipalities activating the authority shall by resolution
9 determine.

10 Section 304. County authorities.

11 No county shall adopt a resolution of the type described in
12 section 302 or 303 without first having given not less than 30
13 days notice to each city located in the county of the intention
14 of the county to adopt such resolution and the anticipated date
15 of adoption. Each city so informed shall respond to the county,
16 before the date set for adoption of the county resolution, as to
17 whether or not the city intends to activate an authority
18 pursuant to this act. The authority thereby activated by the
19 county shall not operate within any city which notifies the
20 county of its intention to create its own authority.

21 Section 305. Incorporation.

22 If the governing body of a municipality shall adopt a
23 resolution activating an authority pursuant to section 302 or
24 303, a certified copy thereof shall be filed with the Department
25 of State and a duplicate thereof with the Department of
26 Community Affairs which shall include a representation that such
27 actions were duly taken by the governing body of the
28 municipality or municipalities at public meetings thereof in
29 accordance with all the laws and rules of the State and
30 municipality governing public meetings and adoption of

1 resolutions. Upon receipt of said certificate the Secretary of
2 the Commonwealth shall issue a certificate of incorporation.

3 Section 306. Proof of establishment.

4 In any suit, action or proceeding involving the validity or
5 enforcement of, or relating to, any contract of the authority, a
6 copy of the certificate of incorporation duly certified by the
7 Department of State shall be admissible in evidence and shall be
8 conclusive proof that the authority has been properly
9 established.

10 Section 307. Dissolution.

11 If an authority has never issued any bonds, or incurred any
12 other debts or contractual obligations or has paid and been
13 released and discharged from all debts and other obligations,
14 the governing body of the municipality or municipalities which
15 activated the authority may find and declare by a proper
16 resolution that there is no longer any need for the authority
17 activated by such municipality or municipalities to function.
18 Upon adoption of such resolution, the authority shall cease to
19 function, and title to any assets held by the authority shall
20 pass to the municipality or municipalities which activated the
21 authority. A copy of such resolution shall be filed with the
22 Department of State and with the Department of Community
23 Affairs.

24 Section 308. Governing body.

25 (a) Composition of board.--The powers of each authority
26 shall be exercised by a board composed as follows:

27 (1) If the authority is activated by one municipality
28 the board shall consist of five members. The governing body
29 of such municipality shall appoint the members of the board,
30 whose terms of office shall commence on the date of

1 appointment. One member shall serve for one year, one for two
2 years, one for three years, one for four years and one for
3 five years from the January 1 next succeeding the date of
4 activation of the authority. Thereafter, whenever a vacancy
5 occurs by reason of death, resignation, incapacity, removal,
6 disqualification, or expiration of the term of any member,
7 the governing body of the municipality shall appoint a
8 member, in the case of expiration of a term, for a term of
9 five years from the date of expiration of the prior term to
10 succeed the member whose term has expired or is about to
11 expire or in the case of death, resignation, incapacity,
12 removal, or disqualification, to the remainder of the term so
13 vacated.

14 (2) If any authority is activated by two or more
15 municipalities, the board shall consist of a number of
16 members or at least equal to the number of municipalities
17 activating the authority, but in no event less than five. The
18 members of the board of an authority created by two or more
19 municipalities shall each be appointed by the governing body
20 of the municipality said member represents. The term of
21 office of the member shall commence on the date of
22 appointment. One member shall serve for one year, one for two
23 years, one for three years, one for four years, and one for
24 five years from the January 1 next succeeding the date of
25 creation of the authority and if there are more than five
26 members of the board, their terms shall be staggered in a
27 similar manner for terms of from one to five years from the
28 January 1 next succeeding the date of activation of the
29 authority. Thereafter, whenever a vacancy has occurred by
30 reason of death, resignation, incapacity, removal,

1 disqualification, or expiration of the term of any member,
2 the governing body of the municipality which has the power of
3 appointment for that particular member shall appoint a new
4 member of the board for a term, in the case of expiration, of
5 five years from the date of expiration of the prior term or,
6 in the case of death, incapacity, removal, or
7 disqualification, to fulfill the remainder of the term so
8 vacated.

9 (3) Where two or more municipalities create an
10 authority, the members of the board shall be apportioned in
11 such manner as the municipalities shall have determined in
12 the resolution adopted to create the same.

13 (b) Expenses.--Members shall hold office until their
14 successors have been appointed, and may succeed themselves.
15 Members of the board of an authority shall receive no
16 compensation for their services, but shall be reimbursed for
17 actual traveling and other expense incurred in the performance
18 of their duties. Except in municipalities operating under duly
19 adopted home rule charters, where removal shall be in accordance
20 with said charter, a member may be removed with or without cause
21 by the governing body of the municipality having the power of
22 appointment of such member.

23 (c) Quorum and voting.--A majority of the members of the
24 board shall constitute a quorum for the purposes of organizing
25 the authority and conducting the business thereof and for all
26 other purposes, and all action may be taken by a vote of a
27 majority of the members present, unless the bylaws of the
28 authority shall require a larger number. The board shall have
29 the full authority to manage the properties and business of the
30 authority to prescribe, amend and repeal bylaws, rules and

1 regulations governing the manner in which the business of the
2 authority may be conducted, and the powers granted to it may be
3 exercised. The board shall fix and determine the number of
4 officers, agents and employees of the authority and their
5 respective powers, duties and compensation and may appoint to
6 such office or offices any member of the board with such powers,
7 duties and compensation as the board may deem proper. The
8 treasurer of any authority shall give a bond in such sum as
9 shall be approved by the board, the premium for which shall be
10 paid by the authority.

11 (d) Liability of members.--Members of an authority shall not
12 be personally liable on the bonds or other obligations of the
13 authority, and the rights of creditors shall be solely against
14 the authority. An authority may delegate to one or more of its
15 agents or employees such of its powers as it shall deem
16 necessary to carry out the purposes of this act, subject always
17 to the supervision and control of the authority.

18 (e) Conflicts of interest.--No member of an authority or
19 officer or employee thereof shall, either directly or
20 indirectly, be a party to or be in any manner interested in any
21 contract or agreement with the authority for any matter, cause
22 or thing whatsoever by reason whereof any liability or
23 indebtedness shall in any way be created against such authority.
24 If any contract or agreement shall be made in violation of the
25 provisions of this section, the same shall be null and void and
26 no action shall be maintained thereon against such authority.
27 This prohibition shall not prevent a member, officer, or
28 employee of an authority from being an officer, director,
29 employee of, or otherwise interested in, any lending institution
30 or trustee involved in any program of the authority, provided

1 that such member discloses such interest in writing to the
2 authority, and that such member refrains from voting or taking
3 part in any deliberations on any matter before the authority if
4 the lending institution or trustee in which such member is
5 interested would stand to gain for a possible resolution of the
6 matter. Such disclosure shall be entered upon the minutes of the
7 authority.

8 Section 309. Purposes and powers.

9 Each authority activated pursuant to this act shall be a
10 public instrumentality of the Commonwealth, a public body
11 corporate and politic, and shall be for the following purposes
12 and exercise the following powers:

13 (1) To borrow and incur debt for the purpose of
14 purchasing mortgage loans and promissory notes accompanying
15 such mortgage loans solely from lending institutions acting
16 as a principal or as an agent of the authority, or making
17 commitments to purchase, or making loans for such purpose, or
18 taking assignments of, such mortgage loans from lending
19 institutions, or participating with lending or rehabilitation
20 of residential housing under the guidelines of Chapter 5,
21 with respect to residential property located wholly or
22 partially within the area served by the authority.

23 (2) To make loans to lending institutions under terms
24 and conditions requiring amounts equal to the net proceeds
25 thereof to be used by such lending institutions for the
26 making of new mortgage loans for the construction or
27 rehabilitation of residential housing under the guidelines
28 set forth in Chapter 5 with respect to residential property
29 located wholly or partially within the area served by the
30 authority. Prior to making such a loan to a lending

1 institution, the lending institution must agree to use the
2 proceeds of such loan within a reasonable period of time to
3 make loans or to otherwise provide financing for the
4 acquisition, construction, reconstruction or rehabilitation
5 of residential housing under the guidelines set forth in
6 Chapter 5.

7 (3) To invest any funds held in reserves or sinking
8 funds or any funds not required for immediate disbursement in
9 property or securities in which lending institutions may
10 legally invest funds subject to their control.

11 (4) To have perpetual existence, except as herein
12 otherwise provided.

13 (5) To sue or be sued, implead or be impleaded, complain
14 and defend in all courts.

15 (6) To adopt, use and alter at will, a corporate seal.

16 (7) To make bylaws for the management and regulation of
17 its affairs.

18 (8) To appoint officers, agents and employees, to
19 prescribe their duties and to fix their compensation.

20 (9) To acquire by gift, purchase, lease or otherwise and
21 to own, hold, and use any franchise, property, real, personal
22 or mixed, tangible or intangible, or any interest therein
23 necessary or convenient for carrying out the purposes of the
24 authority, and to sell, option, lease as lessor, transfer and
25 dispose of any property or interests therein at any time
26 acquired by it, with or without consideration.

27 (10) To make contracts of every name and nature and to
28 execute all instruments necessary or convenient for the
29 carrying on of its business, including contracts or
30 agreements for the originating and servicing of mortgage

1 loans.

2 (11) To borrow money, issue negotiable instruments, and
3 accept grants, aid, contributions or anything of value from
4 and to enter into contracts, leases, or other transactions
5 with, any Federal agency, the Commonwealth of Pennsylvania,
6 any municipality, corporation, person, association,
7 partnership or authority.

8 (12) To pledge, hypothecate or otherwise encumber any or
9 all revenues or receipts of the authority as security for all
10 or any of the obligations of the authority.

11 (13) To enter into contracts, guarantees or agreements
12 of any nature necessary or convenient for obtaining or
13 assisting in obtaining mortgage loans, including procurement
14 of insurance for mortgage loans, and insurance or surety
15 bonds against any loss in connection with its property and
16 other assets.

17 (14) To fix, revise and collect fees and charges
18 connected with its financing activities, for costs of
19 operation and administration.

20 (15) To conduct fact finding public hearings on any
21 matter within the scope of its corporate purposes.

22 (16) To proceed with foreclosure action, to own, lease,
23 clear, construct, reconstruct, rehabilitate, renovate,
24 improve, repair, maintain, manage, operate, assign, encumber,
25 sell or otherwise dispose of any real or personal property
26 obtained by the authority due to default on any mortgage loan
27 held by the authority in preparation for disposition of such
28 property.

29 (17) To sell, at public or private sale, with or without
30 public bidding, any mortgage, mortgage loan or other

1 instrument or asset held by the authority.

2 (18) To determine the terms and conditions of mortgages,
3 promissory notes or other instruments used or executed in
4 connection with the financing of residential housing. The
5 authority shall, to the greatest extent practicable, adopt
6 forms of such mortgages, instruments and promissory notes or
7 other instruments used or executed in connection with the
8 financing of residential housing which are customarily used
9 by lending institutions for the making of mortgage loans,
10 including without limitation, loans insured by the Federal
11 Housing Administration or guaranteed by the Veterans'
12 Administration.

13 (19) To invest in, purchase, or make commitments to
14 purchase and take assignments from mortgage lenders of,
15 mortgage loans.

16 (20) To purchase and to enter into commitments to
17 purchase, securities, instruments or evidences of
18 indebtedness to be issued by a lending institution pursuant
19 to the National Housing Act, as then amended or superseded,
20 which will be directly or indirectly guaranteed or insured,
21 as to principal and interest, in whole or in part, by the
22 United States or any instrumentality thereof, and to pledge
23 or otherwise use such securities, instruments or evidences of
24 indebtedness in such manner as the authority may determine to
25 secure or otherwise provide a source for the repayment of its
26 obligations. The proceeds of the purchase of such securities,
27 instruments or evidences of indebtedness shall be applied by
28 such mortgage lender to the making of a mortgage loan to
29 provide residential housing to persons of low and moderate
30 income.

1 (21) To do all other acts and things necessary or
2 convenient for the general welfare of the authority and to
3 carry out the powers granted to it by this act or any other
4 acts.

5 Section 310. Limitation of powers.

6 No authority shall:

7 (1) Exercise any of the powers herein granted outside
8 the territorial limits of the municipality or municipalities
9 which activated the authority.

10 (2) Make any mortgage loan directly to, or purchase the
11 same directly from, eligible persons.

12 (3) Have the power to acquire any property by the
13 exercise of the power of eminent domain to accomplish any of
14 the purposes specified in this act.

15 CHAPTER 5

16 MORTGAGE PROGRAM

17 Section 501. Guidelines.

18 An authority established pursuant to this act shall meet the
19 following requirements with regard to the financing of mortgage
20 loans for the acquisition, construction, reconstruction or
21 rehabilitation of residential housing:

22 (1) Eligible mortgagors.--Unless the mortgaged property
23 is located in an investment neighborhood as defined in
24 paragraph (3), only persons of low and moderate income shall
25 be eligible to receive mortgage financing under this act.

26 "Persons of low and moderate income" means persons whose
27 income does not exceed 125% of the median family income (as
28 determined from time to time by the United States Department
29 of Housing and Urban Development) for the county in which the
30 residential housing is located or for the standard

1 metropolitan statistical area in which the residential
2 housing is located if such residential housing is located in
3 a county for which said department has not published a median
4 family income. For purposes of calculating income, the income
5 of any person who is a member of a family shall be deemed to
6 include the income received by all members of such family 18
7 years and older.

8 (2) Eligible mortgages.--To be eligible under this act
9 the purchase price of the residential housing to be mortgaged
10 cannot exceed the average purchase price of residential
11 housing, new and existing combined, in the county in which
12 the residential housing is located as determined from time to
13 time by the United States Department of Housing and Urban
14 Development or for the standard metropolitan statistical area
15 in which the residential housing is located in a county for
16 which said department has not published an average purchase
17 price of housing.

18 (3) Investment neighborhoods.--When the residential
19 housing is located in an investment neighborhood, the income
20 and purchase price limitations of paragraphs (1) and (2)
21 shall not be applicable. An investment neighborhood means an
22 area within a municipality in which:

23 (i) the municipality is eligible to receive Urban
24 Development Action Grants under Title I of the Federal
25 Housing and Community Development Act of 1977 (Public Law
26 95-128) and regulations promulgated pursuant thereto; and

27 (ii) the area is receiving Federal Assistance for
28 Housing under the Federal Housing and Community
29 Development Act of 1974 (Public Law 93-383), and
30 subsequent amendments thereto and regulations promulgated

1 pursuant thereto. Mortgage funds available for use within
2 investment neighborhoods shall be used in compliance with
3 the housing assistance plan of the municipality.

4 (4) Physical improvements.--Of the total proceeds of any
5 bond issue, an authority must set aside at least 20% of the
6 mortgage funds available for physical improvement. "Physical
7 improvements" means either:

8 (i) The rehabilitation of existing residential
9 housing anywhere within the jurisdiction of the
10 authority; or

11 (ii) the rehabilitation, reconstruction or new
12 construction of residential housing in investment
13 neighborhoods as defined in paragraph (3).

14 (5) Displacement.--If the use of the bond proceeds are
15 anticipated to result in increases of rents or housing costs
16 in the area to the point where residents are or will be
17 paying a disproportionately large percentage of their income
18 for housing, the authority shall make efforts to prevent
19 displacement of residents. Such efforts shall include, but
20 need not be limited to the utilization of Federal, State or
21 local funding programs which may be available for rent
22 subsidies.

23 Section 502. Limitations.

24 (a) Refinancing.--Except in the case of rehabilitation or
25 reconstruction loans, the proceeds of any bond issue shall not
26 be used to refinance existing mortgages.

27 (b) Assumption of mortgages.--Persons assuming a mortgage
28 originally financed pursuant to this act shall meet the
29 principal residence, purchase price and income requirements
30 applicable to the original mortgagor.

1 CHAPTER 7

2 BONDS

3 Section 701. Authority to issue.

4 An authority shall have the power to issue bonds for any of
5 its corporate purposes, provided, however, the principal
6 interest and other charges thereon are payable solely and
7 exclusively from:

8 (1) repayment of any loans made or purchased by the
9 authority pursuant to the provisions of section 309; or

10 (2) sale of any loans or commitments to purchase loans
11 which are purchased pursuant to section 309.

12 Section 702. Authority, form and intent of bonds.

13 The bonds of any authority shall:

14 (1) Be authorized by resolution of the board.

15 (2) Be of such series, bear such date or dates, mature
16 at such time or times, not exceeding 40 years from their
17 respective date of issue, bear interest at such rate or
18 rates, payable at such time or times, be in such
19 denominations, be in such form, either with coupons attached
20 or fully registered without coupons, carry such registration,
21 exchangeability or interchangeability privileges, be payable
22 in such medium of payment at such place or places, be subject
23 to such terms of redemption, with or without premium, and be
24 entitled to such priorities on the revenues and receipts of
25 such authority as such resolution or resolutions may provide.

26 (3) Be signed by or shall bear the facsimile signature
27 of such officers as the authority shall determine, and coupon
28 bonds shall have attached thereto interest coupons bearing
29 the facsimile signature of the treasurer of the authority.

30 (4) Be authorized to issue and deliver, notwithstanding

1 that one or more of the officers signing such bonds or the
2 treasurer whose facsimile signature shall be upon the coupon,
3 shall have ceased to be such officer or officers at the time
4 when such bond shall have actually been delivered.

5 Section 703. Sale of bonds.

6 Bonds may be sold at public or private sale for such price or
7 prices as the authority shall determine. Pending the preparation
8 of definitive bonds, interim receipts may be issued to the
9 purchaser or purchasers of such bonds, and may contain such
10 terms and conditions as the authority may determine. Any bond
11 reciting in substance that it has been issued by an authority to
12 aid in the financing of a program to accomplish the public
13 purposes of this act shall be conclusively deemed in any
14 proceedings involving the validity or enforceability of such
15 bond or security to have been issued for such purpose.

16 Section 704. Provisions of bonds.

17 Any resolution or resolutions authorizing any bonds may
18 contain provisions which shall be part of the contract with the
19 holders thereof, as to:

20 (1) The pledge of all or any part of any payment made to
21 the authority pursuant to any agreement for the purchase of
22 servicing of mortgage loans or pursuant to a sale of any loan
23 or loan commitment.

24 (2) Covenanting against pledging or assigning all or any
25 part of any payments made pursuant to any agreement for the
26 purchase of servicing of mortgage loans or pursuant to the
27 sale of any loan or loan commitment or against permitting or
28 suffering any lien on such payment; and to covenant as to
29 what other, or additional, debts or obligations may be
30 incurred by the authority with respect to any project.

1 (3) The terms and provisions of the bonds.

2 (4) Limitations on the purposes to which the proceeds of
3 the bonds then or thereafter to be issued, or of any loan or
4 grant by any governmental unit may be applied and pledging
5 such proceeds to secure the payment of the bonds.

6 (5) The provision for the replacement of lost, destroyed
7 or mutilated bonds.

8 (6) Covenanting against extending the time for the
9 payment of its bonds and interest thereon.

10 (7) Creating or authorizing the creation of special
11 funds for moneys held for any proper purpose.

12 (8) Prescribing the procedure, if any, by which the
13 terms of any contract with the holder of any bonds may be
14 amended or abrogated, the amount of the bonds the holders of
15 which must consent thereto, and the manner in which such
16 consent may be given.

17 (9) The terms and provisions of any trust indenture or
18 resolution securing the bonds, or under which the same may be
19 issued.

20 (10) Any other or additional agreements with the holders
21 of the bonds as may be appropriate or convenient to the
22 authority for the carrying out of its corporate purposes.

23 Section 705. Trust indentures and other agreements.

24 Any authority may enter into any trust indenture or other
25 agreement with any bank or trust company, or other person or
26 persons in the United States having power to enter into the
27 same, including any Federal or State agency or other
28 governmental unit, as security for the bonds, and may assign and
29 pledge all or any of the income, revenues, receipts or
30 properties of the authority. Such trust indenture, or other

1 agreement may contain such provisions as may be customary in
2 such instruments, or as the authority may authorize.

3 Section 706. Nature of bonds.

4 The bonds shall have all the qualities of negotiable
5 instruments under the law merchant and Title 13 of the
6 Pennsylvania Consolidated Statutes (relating to commercial
7 code).

8 Section 707. State approval.

9 (a) Approval by department.--No bonds shall be issued and
10 sold until the program to be financed by the bonds has been
11 first approved by the department. The chairman of the authority
12 shall cause to be certified under seal of the authority and
13 delivered to the department such proceedings relating to the
14 program as may be necessary and as may be required by the
15 department to enable it to determine that the program will serve
16 to accomplish the public purposes of this act and be in
17 conformity with this act.

18 (b) Description of program.--The presentation by the
19 authority of the information and description of the program as
20 will be contained in its preliminary official statement or
21 offering circular together with an estimate of the maximum rate
22 of interest to be charged on the mortgage loans purchased under
23 the program shall, unless found to be incomplete by the
24 department, be deemed a sufficient description to enable the
25 department to make its determinations hereunder.

26 (c) Approval.--If such proceedings are found to be in
27 conformity with this act, the department shall within 20 days
28 after receipt thereof approve the same and certify its approval
29 to the authority.

30 (d) Interest.--Should the actual interest rate on the

1 mortgage loans exceed the estimate contained in the proceedings,
2 said proceedings shall be resubmitted to the department for
3 approval.

4 (e) Disapproval.--If, upon examination, the department shall
5 find that such proceedings are not in accordance with this act,
6 it shall disapprove the same and shall within 20 days after
7 receipt thereof certify its disapproval to the authority. It
8 shall thereafter be unlawful for such authority to issue any
9 bonds upon such proceedings unless the proceedings are corrected
10 and as corrected have been approved by the department. If the
11 department shall not have approved or disapproved the
12 proceedings within such 20 days the same shall be deemed to have
13 been approved. The decision of the department shall be final.

14 Section 708. Refunding bonds.

15 (a) Issuance.--The authority shall have the power to issue
16 refunding bonds in the same manner as it herein set forth for
17 the issuance of bonds for the purpose of refunding any of the
18 bonds of the authority then outstanding, including the payment
19 of any redemption premium thereon and any interest accrued or to
20 accrue to the earliest or subsequent date set by the authority
21 for redemption, purchase or maturity of such bonds, and, if
22 determined by the authority, for the additional purpose of
23 paying all or part of the cost of any additional project or any
24 portion thereof and for making payments to reserve funds.

25 (b) Disposition of proceeds.--The proceeds of any such
26 refunding bonds may, as determined by the authority, be applied
27 to the purchase or retirement at maturity or redemption of such
28 outstanding bonds either on their earliest or subsequent date,
29 and pending such application, may be held as determined by the
30 authority.

1 (c) Interest.--Any such proceeds, pending such application,
2 may be invested and reinvested as permitted by the applicable
3 resolution, trust indenture or other agreement. The interest,
4 income and profit, if any, earned or realized on any such
5 investment may also be applied to the payment of debt service on
6 such refunding bonds and on the outstanding bonds to be
7 refunded. After such application, any balance of such proceeds
8 and interest, income and profits, if any, earned or realized on
9 the investments thereof may be returned to the authority for use
10 by it in pursuance of its corporate purposes.

11 (d) Application of act.--All such refunding bonds shall be
12 subject to the provisions of this act in the same manner and to
13 the same extent as other bonds issued pursuant to this act.

14 Section 709. Remedies of bondholders.

15 (a) Default.--The rights and the remedies herein conferred
16 upon or granted to the bondholders, shall be in addition to and
17 not in limitation of any rights and remedies lawfully granted to
18 such bondholders by the resolution or resolutions providing for
19 the issuance of bonds, or by any trust indenture, or other
20 agreement under which the same may be issued. In the event that
21 the authority shall default in the payment of principal of, or
22 interest on, any of its bonds after the same shall have become
23 due, whether at maturity or upon call for redemption, and such
24 default shall continue for a period of 30 days, or in the event
25 that the authority shall fail or refuse to comply with the
26 provisions of this act, or shall default in any agreement made
27 with the holders of the bonds, the holders of 25% in aggregate
28 principal amount of the bonds then outstanding, by instrument or
29 instruments filed in the office of the recorder of deeds of any
30 county which activated, singly or jointly, the authority, or in

1 which a city which activated, singly or jointly, the authority,
2 is located and proved or acknowledged in the same manner as a
3 deed to be recorded, may appoint a trustee to represent the
4 bondholders for the purpose herein provided.

5 (b) Civil actions.--The trustee and any trustee under any
6 trust indenture or other agreement, may, and upon written
7 request of the holders of 25% (or such lesser percentage as may
8 be specified in any trust indenture or other agreement
9 aforesaid), in principal amount of the bonds then outstanding,
10 shall in its own name:

11 (1) By mandamus or other suit, action or proceeding at
12 law, or in equity, enforce all rights of bondholders,
13 including rights in respect of any agreement as to or pledge
14 of the income, revenues, receipts or properties of the
15 authority, or the program, and to require the authority to
16 carry out any other agreements with or for the benefit of the
17 bondholders, and to perform its and their duties under this
18 act.

19 (2) Bring suit upon the bonds.

20 (3) By action or suit in equity require the authority to
21 account as if it were the trustee of an express trust for the
22 bondholders.

23 (4) By action or suit in equity enjoin any acts or
24 things which may be unlawful or in violation of the rights of
25 the bondholders.

26 (5) By notice in writing to the authority, declare all
27 bonds due and payable, and annul such declaration and its
28 consequences with the consent of the holders of 25% (or such
29 greater percentage as may be specified in any trust
30 indenture, or other agreement aforesaid) of the aggregate

principal amount of the bonds then outstanding, if all defaults shall have been remedied.

(c) Jurisdiction of court.--The court of common pleas of any county which activated, singly or jointly, the authority, or in which a city which activated, singly or jointly, the authority is located, shall have jurisdiction of any suit, action or proceedings, by the trustee on behalf of the bondholders.

(d) Receiver.--Any trustee appointed by a court, or a trustee acting under a trust indenture or other agreement, and whether or not all bonds have been declared due and payable, shall be entitled as of right to the appointment of a receiver, who may enter and take possession of the facilities of an authority or any part or parts thereof, the income, revenues of receipts from which are or may be applicable to the payment of the bonds so in default, and operate and maintain the same, and collect and receive all rentals and other revenues thereafter arising therefrom in the same manner as the authority or the board might do, and shall deposit all such moneys in a separate account and apply the same in such manner as the court shall direct. In any suit, action or proceeding by a trustee, the fees, counsel fees and expenses of such trustee, and of the receiver if any, and all costs and disbursements allowed by the court shall be a first charge on any income, revenues and receipts derived from the program of the authority in respect of which the income, revenues or receipts from which are or may be applicable to the payment of the bonds so in default.

(e) Other powers of trustee.--A trustee shall, in addition to the foregoing, have and possess all the powers necessary or appropriate for the exercise of any functions specifically set forth in this act or in any trust indenture or other agreement

1 or incident to the general representation of the bondholders in
2 the enforcement and protection of their rights.

3 CHAPTER 9

4 MISCELLANEOUS PROVISIONS

5 Section 901. Moneys of the authority.

6 All moneys of an authority, from whatever source derived,
7 shall be deposited in banks, bank and trust companies, trust
8 companies, or under savings contracts in savings, or savings and
9 loan associations, in one or more special accounts. Moneys held
10 in trust under any trust indenture or other agreement, and the
11 investment of such moneys shall not be deemed moneys of the
12 authority for the purpose of this section. Such special accounts
13 to the extent the same are not insured shall be continuously
14 secured by a pledge (including a pledge on a pooled basis as
15 authorized by the act of August 6, 1971 (P.L.281, No.72),
16 entitled "An act standardizing the procedures for pledges of
17 assets to secure deposits of public funds with banking
18 institutions pursuant to other laws; establishing a standard
19 rule for the types, amounts and valuations of assets eligible to
20 be used as collateral for deposits of public funds; permitting
21 assets to be pledged against deposits on a pooled basis; and
22 authorizing the appointment of custodians to act as pledgees of
23 assets,") of direct obligations of the United States of America,
24 of the Commonwealth or as otherwise provided by law having an
25 aggregate market value, exclusive of accrued interest, at all
26 times at least equal to the balance on deposit in such account.
27 Such securities shall either be deposited with the treasurer of
28 the authority, or be held by a trustee or agent satisfactory to
29 the authority. All banks, bank and trust companies, trust
30 companies and savings or savings and loan associations are

1 authorized to give such security for such deposits. The moneys
2 in said accounts shall be paid out on the warrant or other order
3 of the chairman of the authority, or of such other person or
4 persons as the authority may authorize to execute such warrants
5 or orders.

6 Section 902. Audit.

7 Every authority shall have its books, accounts and records
8 audited annually in accordance with generally accepted auditing
9 standards by an independent auditor who shall be a certified
10 public accountant. A concise financial statement shall be
11 published annually, at least once in a newspaper of general
12 circulation in the municipality where the principal office of
13 the authority is located. If such publication is not made by the
14 authority, the municipality or municipalities which activated
15 such authority shall publish such statement at the expense of
16 the authority. If the authority fails to make such an audit,
17 then the controller, auditors or accountants designated by the
18 municipality or municipalities which activated such authority
19 are hereby authorized and empowered from time to time to examine
20 at the expense of the authority the accounts and books of the
21 authority, including its receipts, disbursements, contracts,
22 leases, sinking funds, investments and any other matters
23 relating to its finances, operations and affairs.

24 Section 903. Power of Auditor General.

25 The Auditor General of the Commonwealth shall have the right
26 to examine the books, accounts and records of any authority.

27 Section 904. Authorized investments.

28 Obligations issued under this act are hereby made securities
29 in which all public officers and public bodies of the
30 Commonwealth and its political subdivisions, all insurance

1 companies, trust companies and their commercial departments,
2 savings banks, cooperative banks, banking associations,
3 investment companies, executors, trustees and other fiduciaries,
4 and all other persons whatsoever who are now or may hereafter be
5 authorized to invest in obligations of the State may properly
6 and legally invest funds, including capital in their control and
7 belonging to them. Such obligations are hereby made securities
8 which may properly and legally be deposited with and received by
9 any State or municipal officer to any agency or political
10 subdivision of the State for any purpose for which the deposit
11 of bonds and other obligations of the State are now or may
12 hereafter be authorized by law.

13 Section 905. Transfers, grants and loans to authorities by
14 municipalities.

15 Any municipality which, singly or jointly, has activated an
16 authority is hereby authorized to sell, lease, grant, convey and
17 transfer to that authority, any facilities, or any interest in
18 real or personal property to facilitate the corporate purposes
19 of that authority, with or without consideration; to grant or
20 loan money to any authority pending the development by such
21 authority of any program provided for under this act; and to
22 apply any Federal, State or other grants, gifts, contributions
23 or similar revenues which may be used for or in connection with
24 an authority program. This section, without reference to any
25 other law, shall be deemed complete authority for such action by
26 a municipality, the provisions of other laws to the contrary
27 notwithstanding, but in no event shall the power to grant or
28 loan money to an authority be deemed to allow the incurring of
29 debt by a municipality through any guarantee of obligations of
30 the authority or otherwise.

1 Section 906. Cooperation among authorities.

2 Should one or more authorities created pursuant to section
3 302 or 303 determine that a program or all programs can most
4 feasibly be undertaken for their combined territorial limits,
5 such authorities may:

6 (1) authorize one authority to operate in the territory
7 of the other authority or authorities for the purpose of such
8 program or programs; or

9 (2) request the appropriate municipalities to dissolve
10 one or more or all of them pursuant to section 307 and
11 authorize the remaining authority, if any, to operate such
12 combined territory or to activate an authority pursuant to
13 section 303.

14 Section 907. Bonds not obligations of Commonwealth or political
15 subdivisions.

16 Obligations issued under this act shall not be, nor be deemed
17 to be, a debt or liability of the Commonwealth or any political
18 subdivision thereof, or a pledge of the faith and credit of the
19 Commonwealth or any other political subdivision thereof for any
20 purpose, and all obligations, as well as any offering circular
21 or advertisement prepared in connection with the sale of such
22 obligations shall contain a statement to the effect that such
23 obligations do not constitute a debt or liability of the
24 Commonwealth or any political subdivisions thereof for any
25 purpose, and that neither the faith and credit nor the taxing
26 power of the Commonwealth or any other political subdivision
27 thereof is pledged to the payment of the principal of or the
28 interest on the obligations.

29 Section 908. Limitation of powers.

30 The Commonwealth does hereby pledge to and agree with any

1 person, firm or corporation, or Federal agency subscribing to or
2 acquiring the bonds to be issued by any authority for the
3 financing or refinancing of any program or part thereof, that
4 the Commonwealth will not limit or alter the rights vested in
5 the authority by this act until all bonds at any time issued,
6 together with the interest thereon, are fully met and
7 discharged. The Commonwealth of Pennsylvania does further pledge
8 to and agree with the United States and any Federal agency that,
9 in the event that any Federal agency shall contribute any funds
10 for any program and any portion thereof, the Commonwealth will
11 not alter or limit the rights and powers of the authority in any
12 manner which would be inconsistent with the continued
13 maintenance and operation of the program, or the improvement
14 thereof, of which would be inconsistent with the due performance
15 of any agreements between the authority and any such Federal
16 agency, and the authority shall continue to have and may
17 exercise all powers herein granted, so long as the same shall be
18 necessary or desirable for the carrying out of the purposes of
19 this act and the purposes of the United States in the program or
20 such portion thereof.

21 Section 909. Planning, zoning and building laws.

22 All residential housing financed by any authority shall be
23 subject to the planning, zoning, health and building laws,
24 ordinances and regulations applicable in the municipality
25 wherein such residential housing is located.

26 Section 910. Exemption from taxation.

27 The effectuation of the authorized purposes of authorities
28 created under this act shall and will be in all respects for the
29 benefit of the people of the Commonwealth of Pennsylvania, for
30 the improvement of their health and welfare; and, since they

1 will be public instrumentalities of the Commonwealth be
2 performing essential governmental functions in effectuating such
3 purposes, authorities shall not be required to pay any transfer
4 taxes or other taxes or assessments upon any property acquired
5 or used by them for such purposes, and the bonds issued by any
6 authority, their transfer and the interest income therefrom,
7 (including any profits made on the sale thereof) shall at all
8 times be free from taxation within the Commonwealth of
9 Pennsylvania.

10 CHAPTER 11

11 REPEALS AND EFFECTIVE DATE

12 Section 1101. Repeals.

13 All acts or parts of acts inconsistent herewith are hereby
14 repealed to the extent of the inconsistency.

15 Section 1102. Effective date.

16 This act shall take effect in six months.