

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1774 Session of
1999

INTRODUCED BY STURLA, MYERS, MELIO, HENNESSEY, DeWEESE, COY,
WOJNAROSKI, GORDNER, LAUGHLIN, BELFANTI, McCALL, SOLOBAY,
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SCRIMENTI, VAN HORNE, TRELLO, MANDERINO, PRESTON, JAMES,
NICKOL, READSHAW, CURRY, STABACK, MICHLOVIC, HARHAI, BROWNE,
PETRARCA, WASHINGTON, BATTISTO, JOSEPHS, ADOLPH AND BELARDI,
JUNE 30, 1999

REFERRED TO COMMITTEE ON URBAN AFFAIRS, JUNE 30, 1999

AN ACT

1 Amending the act of December 3, 1959 (P.L.1688, No.621),
2 entitled, as amended, "An act to promote the health, safety
3 and welfare of the people of the Commonwealth by broadening
4 the market for housing for persons and families of low and
5 moderate income and alleviating shortages thereof, and by
6 assisting in the provision of housing for elderly persons
7 through the creation of the Pennsylvania Housing Finance
8 Agency as a public corporation and government
9 instrumentality; providing for the organization, membership
10 and administration of the agency, prescribing its general
11 powers and duties and the manner in which its funds are kept
12 and audited, empowering the agency to make housing loans to
13 qualified mortgagors upon the security of insured and
14 uninsured mortgages, defining qualified mortgagors and
15 providing for priorities among tenants in certain instances,
16 prescribing interest rates and other terms of housing loans,
17 permitting the agency to acquire real or personal property,
18 permitting the agency to make agreements with financial
19 institutions and Federal agencies, providing for the purchase
20 by persons of low and moderate income of housing units, and
21 approving the sale of housing units, permitting the agency to
22 sell housing loans, providing for the promulgation of
23 regulations and forms by the agency, prescribing penalties
24 for furnishing false information, empowering the agency to
25 borrow money upon its own credit by the issuance and sale of
26 bonds and notes and by giving security therefor, permitting
27 the refunding, redemption and purchase of such obligations by
28 the agency, prescribing remedies of holders of such bonds and
29 notes, exempting bonds and notes of the agency, the income

1 therefrom, and the income and revenues of the agency from
2 taxation, except transfer, death and gift taxes; making such
3 bonds and notes legal investments for certain purposes; and
4 indicating how the act shall become effective," establishing
5 the Home Mortgage Insurance Program; and creating the Housing
6 Insurance Fund.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. The act of December 3, 1959 (P.L.1688, No.621),
10 known as the Housing Finance Agency Law, is amended by adding an
11 article to read:

12 ARTICLE IV.-D

13 HOME MORTGAGE INSURANCE PROGRAM

14 Section 401-D. Definitions.--For the purpose of this
15 article, the term "fund" shall mean the Housing Insurance Fund
16 created under section 402-D.

17 Section 402-D. Housing Insurance Fund.--(a) There is hereby
18 created under the jurisdiction of the agency, or any nonprofit
19 corporate subsidiary it may create for this purpose, an
20 insurance reserve fund called the Housing Insurance Fund.

21 (b) There shall be paid into the fund:

22 (1) All money appropriated by the General Assembly for
23 inclusion in the fund.

24 (2) All proceeds from the issuance of bonds by the agency
25 for inclusion in the fund.

26 (3) All premiums collected under the Home Mortgage Insurance
27 Program.

28 (4) All interest, dividends and gains from investment of
29 money of the fund.

30 (5) Any other money available to the agency which it
31 determines to use for this purpose.

32 (c) Money held in the fund shall be used to make payments

1 pursuant to home mortgage insurance contracts, to pay any or all
2 expenses of administration and operation of the Home Mortgage
3 Insurance Program and to maintain the fund at an amount equal to
4 prudent minimum insurance reserves as determined by the agency.

5 Section 403-D. Home Mortgage Insurance Program.--The agency,
6 or any nonprofit corporate subsidiary of the agency formed for
7 this purpose, shall have the authority to create, develop,
8 administer and supervise the administration of the Home Mortgage
9 Insurance Program in cooperation with public or private mortgage
10 insurers to encourage home ownership for low-income and
11 moderate-income persons and families who are unable to purchase
12 a home without mortgage insurance or similar credit
13 enhancements. In this connection, the agency may:

14 (1) Enter into contracts to insure, reinsure or coinsure the
15 repayment of loans secured by mortgages on single-family owner-
16 occupied residences located in this Commonwealth.

17 (2) Procure reinsurance or coinsurance or enter into
18 reciprocal or interinsurance contracts from and with any local
19 agency, agency of the United States or any licensed private
20 mortgage insurer or reinsurer.

21 (3) Negotiate, solicit, sell and otherwise deal with home
22 mortgage loan insurance policies.

23 (4) Prescribe forms of policies, establish premiums and
24 otherwise implement the Home Mortgage Insurance Program.

25 Section 404-D. Eligibility Requirements.--(a) To qualify
26 for loan insurance pursuant to this article, a borrower shall be
27 a purchaser of a single-family owner-occupied residence who is
28 qualified and financially able to bear the usual expenses of
29 maintaining such residences and repaying the loan. The agency
30 may insure or issue commitments to insure loans upon

certification of an officer of an approved lending institution that the borrower is qualified for the loan according to standard single-family lending practices and agency guidelines.

(b) The mortgage loan shall exceed a ninety-five (95) percent loan-to-value ratio, but shall not exceed a one hundred (100) percent loan-to-value ratio.

(c) The mortgage loan and related documents shall contain such terms as are satisfactory to the agency.

(d) A borrower that is approved for mortgage insurance under this article shall be required to complete a home ownership counseling program as approved by the agency.

Section 405-D. Loan Defaults.--The agency shall establish procedures to be followed by lending institutions in the event of a default on the loan insured under this article. The agency may require that, prior to submission and payment of a claim, the lending institution must foreclose and take possession of the property or otherwise acquire title and possession of the property within the time specified by the agency.

Section 406-D. Home Mortgage Insurance Premiums.--The agency shall fix mortgage insurance premiums for the insurance of mortgage loans under the provisions of this article. The amount of premium need not be uniform for all insured loans.

Section 407-D. Status of Mortgages as Investments.--Loans secured by mortgages, the payment of which are insured by the agency, shall be legal investments for trust companies; banks; investment companies; savings banks; building and loan associations; executors, administrators, guardians, conservators, trustees and other fiduciaries; public and private pension, profit-sharing and retirement funds; the State Treasurer; and agencies of the Commonwealth.

1 Section 408-D. Licensure Exemption.--The authority granted
2 to the agency by this article, or to any nonprofit corporate
3 subsidiary it may create for this purpose, is intended to be in
4 complete substitution of all licensing, filing and other
5 regulatory requirements otherwise applicable to insurance
6 carriers doing business in this Commonwealth and the agency or
7 its nonprofit corporate subsidiary.

8 Section 409-D. Expiration.--The Housing Insurance Fund
9 created under this article, together with its statutory
10 functions and duties, shall expire on December 31, 2004, unless
11 reestablished or continued by the General Assembly. The
12 Legislative Budget and Finance Committee shall present to the
13 General Assembly a report evaluating the fund by December 31,
14 2003. This report shall provide the General Assembly with a
15 recommendation as to whether the fund is to be continued and, if
16 so, the changes which are suggested by the committee to improve
17 the operation of the fund.

18 Section 410-D. Appropriation.

19 The sum of five million dollars (\$5,000,000), or as much
20 thereof as may be necessary, is hereby appropriated from the
21 General Fund to the Pennsylvania Housing Finance Agency as a
22 continuing appropriation to carry out the provisions of this
23 article. This appropriation shall lapse December 31, 2004.

24 Section 2. This act shall take effect in 60 days.