

## Veto No. 2000-2

HB 181

December 20, 2000

To the Honorable, the House of Representatives  
of the Commonwealth of Pennsylvania:

I am returning herewith, without my approval, House Bill 181, Printer's No. 4231, entitled "An act amending the act of April 9, 1929 (P.L.177, No.175), entitled 'An act providing for and reorganizing the conduct of the executive and administrative work of the Commonwealth by the executive department thereof and the administrative departments, boards, commissions, and officers thereof, including the boards of trustees of State Normal Schools, or Teachers Colleges; abolishing, creating, reorganizing or authorizing the reorganization of certain administrative departments, boards, and commissions; defining the powers and duties of the Governor and other executive and administrative officers, and of the several administrative departments, boards, commissions, and officers; fixing the salaries of the Governor, Lieutenant Governor, and certain other executive and administrative officers; providing for the appointment of certain administrative officers, and of all deputies and other assistants and employes in certain departments, boards, and commissions; and prescribing the manner in which the number and compensation of the deputies and all other assistants and employes of certain departments, boards and commissions shall be determined,' authorizing the Department of Community and Economic Development to adopt a program of training, examination and qualification for tax collectors; and restricting the ability of the Pennsylvania Housing Finance Agency to insure or guarantee mortgages and other debt."

The original purpose of House Bill 181 was to create the Tax Collector Training and Qualification Act, a program intended to improve the efficiency of local tax collection. However, the bill was altered to be an amendment to The Administrative Code of 1929 placing restrictions on the authority of the Pennsylvania Housing Financing Agency to issue mortgage insurance.

In 1982, the agency began a program of risk retention for single-family mortgage loans due to the inability of low-income and high-risk borrowers to obtain mortgage insurance during a recession. Since that time, mortgage providers have become interested in providing these policies given the positive economic climate. The language in House Bill 181 requires the agency to submit its debt and loans to, and obtain declination from, two private insurers prior to assuming the risk of loss.

In order to ensure that the agency does not inappropriately compete with private mortgage insurance, I have requested the agency to take immediate steps to direct its single-family lenders to provide private mortgage insurance companies with the first opportunity to underwrite these loans. It is my understanding that these contacts with lenders have already begun.

However, there will continue to be a high-risk clientele, such as individuals with disabilities, that the private market will not insure. The agency should continue to try to assist these individuals when private insurance is unavailable.

While I support limiting the agency's competition with the private sector, the bill also requires the agency to submit its debts to private mortgage companies. This provision impacts the financing of multifamily dwellings. Multifamily projects, funded by bonds, do not utilize traditional mortgage insurance. Requiring review of this debt by private companies is overly bureaucratic and an inappropriate interference with the operation of the agency.

While I support the certification of tax collectors and the opening of more single-family loans to private mortgage insurers, because the language interferes with the financing of multifamily dwellings and because I believe it would impede the agency's ability to insure loans to high-risk clientele, I hereby withhold my signature from House Bill 181, Printer's Number 4231.

THOMAS J. RIDGE