

No. 621

AN ACT

To promote the health, safety and welfare of the people of the Commonwealth by broadening the market for low-priced private homes and alleviating shortages thereof, and by assisting in the provision of housing for elderly persons through the creation of the Pennsylvania Housing Agency as a public corporation and government instrumentality; providing for the organization, membership and administration of the agency, prescribing its general powers and duties and the manner in which its funds are kept and audited, empowering the agency to make housing loans to eligible mortgagors upon the security of insured mortgages, defining eligible mortgagors and providing for priorities among them in certain instances, prescribing interest rates and other terms of housing loans, permitting the agency to make agreements with financial institutions and Federal agencies, permitting the agency to sell housing loans, providing for the promulgation of regulations and forms by the agency, prescribing penalties for furnishing false information, empowering the agency to borrow money upon its own credit by the issuance and sale of bonds and notes and by giving security therefor, permitting the refunding, redemption and purchase of such obligations by the agency, prescribing remedies of holders of such bonds and notes, exempting bonds and notes of the agency, the income therefrom, and the income and revenues of the agency from taxation, except transfer, death and gift taxes; making such bonds and notes legal investments for certain purposes; and indicating how the act shall become effective.

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

ARTICLE I.

GENERAL PROVISIONS

Housing
Agency Law.

Section 101. Short Title.—This act shall be known and may be cited as the "Housing Agency Law."

Section 102. Findings and Declaration of Policy.—It is hereby determined and declared as a matter of legislative finding that—

(1) The welfare of the Commonwealth is threatened by the fact that throughout Pennsylvania the supply of low-priced private homes is inadequate to meet the need for such housing created by an *expanding population, the wearing out of older dwellings and the elimination of substandard dwellings by governmental action, and by a shortage of suitable dwellings for elderly persons.

(2) Because of higher construction costs, a scarcity of financing available for housing and the resulting increase in interest rates, the housing need which exists in fact has not been able to find economic expression in a market demand sufficient to encourage greater production of

* "expanding" in original.

low-priced homes and housing for elderly persons by private industry.

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

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

(5) Private industry, if provided with market and financial conditions warranting greater expenditure of private capital for housing and for the development of technological advances in housing construction, can supply the low-priced private homes needed in this Commonwealth.

(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 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 housing for elderly persons, 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 homes and for housing for elderly persons through the provision of specialized financing secured

by insured mortgages to persons or to agencies who are unable to obtain such financing in the general market, thus improving and stimulating the distribution of investment capital for housing. Such purposes are public purposes for which public money may be spent.

Section 103. Definitions.—As used in this act—

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

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

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

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

(5) "Mortgage" means a first mortgage on a fee simple estate in real estate located in Pennsylvania, given to secure advances on or the unpaid purchase price of the real estate under the laws of Pennsylvania, together with the credit instruments, if any, secured thereby.

(6) "Insured mortgage" means a mortgage insured or approved to be insured by the Federal Housing Administration, pursuant to the National Housing Act of June 27, 1934, and its amendments and supplements, heretofore and hereinafter enacted.

Section 104. Constitutional Construction.—If any provision of this act, or the application of any provision to particular circumstances, is held unconstitutional, the remainder of the act, or the application of that provision to other circumstances, shall not be affected. The legislative intention is that this act would have been adopted had that provision not been included.

ARTICLE II.

THE AGENCY

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

Section 202. Agency Membership.—The members of the agency shall be the Secretary of Commerce, his successors in office, and six additional members whom the Governor shall appoint. The members initially appointed

shall serve for terms of one, *two, three, four, five and six years, respectively, the particular term of each to be designated by the Governor at the time of appointment. The terms of **all their successors shall be six years each, except that any person appointed to ***fill a vacancy shall serve only for the unexpired term. Every member's term shall extend until his successor is appointed and qualified. Any appointed member of the agency shall be eligible for reappointment. The members of the agency shall not receive compensation for their services as members, but shall receive reimbursement for all necessary expenses incurred in connection with the performance of their duties as members.

Section 203. Agency Governing Body.—The governing body of the agency shall be a board, consisting of the members of the agency. The board shall elect a chairman from among its members at the first meeting of the board, and at its first meeting in each year thereafter. A majority of the members shall constitute a quorum for the purpose of organizing the agency, conducting its business and ****exercising all powers of the agency. A vote of the majority of the members present shall be sufficient for all actions of the board, unless the bylaws require a greater number.

Section 204. Agency Administration.—The board shall have power to manage the assets and business of the agency and to prescribe, amend and repeal bylaws, rules and regulations governing the manner in which the business of the agency is conducted and the manner in which the powers granted to it are exercised. The board shall appoint a secretary and a treasurer of the agency, who may be persons other than members of the board. The board may delegate supervision of the administration of the agency to an executive director and appoint, subject to The Administrative Code of 1929, its own counsel and legal staff. The agency may appoint other officers, hire employes and agents, and engage professional and technical services and advice upon employment or independent contract bases. The board shall prescribe the duties and compensation of agency personnel. All departments and agencies of the Commonwealth may provide information services and facilities to the agency upon its request. The agency may reimburse departments and agencies of the Commonwealth for special expenses incurred on the agency's behalf.

Section 205. Agency Powers.—The agency shall have the following powers:

- * "two" omitted in original.
- ** "al" in original.
- *** "fill" in original.
- **** "exercising" in original.

- (1) To adopt, use and alter at will a corporate seal.
- (2) To make and alter bylaws for the management and regulation of its affairs.
- (3) To enter into contracts of all kinds and to execute all instruments necessary or convenient for carrying on its operations.
- (4) To accept grants and subsidies from and to enter into agreements or other transactions with any Federal agency.
- (5) To accept grants-in-aid, gifts, donations, legacies or usages of money made or extended by individuals, organizations, public or private corporations or the Federal government, and to return money advanced for its usage not otherwise required for its purposes or for the Capital Reserve Fund created in accordance with section 508 of this act.
- (6) To be a party litigant in any court having jurisdiction according to law in any form of action whatsoever.
- (7) In accordance with the provisions of article III. and article IV. of this act to make commitments to purchase and to purchase, service and sell insured mortgages, and to make loans directly upon the security of insured mortgages.
- (8) To acquire, hold and dispose of personal property, tangible and intangible.
- (9) To acquire, hold and dispose of real property, or any interest therein, to be used by the agency for the purpose of its offices and operations.
- (10) To acquire real property, or any interest therein, by purchase or foreclosure, where such acquisition is necessary or appropriate to protect any loan in which the agency has an interest; to sell, transfer and convey any such property to a buyer and in the event such sale, transfer or conveyance cannot be effected with reasonable promptness or at a reasonable price, to lease such property to a tenant.
- (11) To borrow money for the operation and work of the agency by the making of notes and by the issuance of bonds in accordance with the provisions of article V. of this act.
- (12) To invest any funds held in reserves or sinking funds, or any funds not required for immediate disbursement, in such investments as may be lawful for fiduciaries under any law of the Commonwealth, including insured mortgages.
- (13) To do all things necessary or convenient to carry out the powers granted by this act or other acts.

Section 206. Agency Moneys.—All moneys of the agency from whatever source derived shall be paid to

the treasurer of the agency and deposited in the first instance in one or more banks or trust companies, in one or more special accounts, each continuously secured by pledge of direct obligations of the United States of America or of the Commonwealth, having an aggregate market value, exclusive of accrued interest, at all times, at least equal to the balance on deposit in the account. The security shall be either deposited with the treasurer or held by a trustee or agent satisfactory to the agency. All banks and trust companies are authorized to give the security required. The moneys of the agency shall be paid out on the warrant or other order of the treasurer of the agency or of another person authorized by the agency to execute warrants or orders. Notwithstanding the provisions of this section, the agency shall have power to contract with the holders of any of its bonds or notes as to the custody, security and payment of any moneys of the agency or any moneys held in trust or otherwise to secure the payment of bonds or notes. Deposits of moneys held in trust or otherwise to secure the payment of bonds or notes may be secured in the same manner as moneys of the agency and all banks and trust companies are authorized to give security for such deposits.

Section 207. Agency Audits and Reports.—The accounts and books of the agency, including its receipts, disbursements, contracts, mortgages, investments and other matters relating to its finances, operations and affairs, shall be examined and audited from time to time by the Auditor General as provided in The Fiscal Code. Within sixty days after the end of each fiscal year of the agency, the agency shall file an annual financial statement consisting at least of a balance sheet, profit-and-loss statement and general report of operations with the Governor, the Auditor General and the General Assembly.

ARTICLE III.

HOUSING LOANS

Section 301. Housing Loans, Special Definitions.—As used in this act—

(1) "Housing loan" means a loan provided under this article.

(2) "Income" means the probable stable gross annual income of an eligible mortgagor, determined by the agency in accordance with considerations like those which are employed by financial institutions in determining credit risks, and the ability of borrowers to repay loans.

(3) "Approved dwelling unit" means a dwelling unit for a single family, which is approved or eligible to be

approved for purchase through financing that is secured by an insured mortgage, or a dwelling unit for a single family in an apartment project, which is approved or eligible to be approved for purchase by a cooperative corporation of the residents of such project through financing that is secured by an insured mortgage.

(4) "Eligible mortgagor" means a married couple or individual to whom a housing loan is provided under this article, and shall include only those persons,

(i) Who intend to occupy personally the dwelling unit to be purchased through a housing loan.

(ii) Whose income is not higher than the highest annual income level in the middle third of nonfarm family annual incomes as classified by the agency on the basis of statistical data obtained from agencies of the Commonwealth or from Federal agencies.

(iii) Whose financial resources, including income and assets, are, under regulations of the agency, found to be insufficient to finance the purchase of a particular approved dwelling unit through a loan secured by an insured mortgage at the interest rate generally prevailing and available from financial institutions, but sufficient if such loan were made at the reduced interest rate provided by this article for housing loans.

For the purpose of the foregoing determinations, the agency shall prefer statistical data obtainable for families residing within the Commonwealth or for a region of the United States of which the Commonwealth is a part over statistical data obtainable for the United States in its entirety.

(5) "Basic interest rate" means the interest rate stated in the insured mortgage as the rate of interest payable upon the unpaid balance of the principal debt of the housing loan.

(6) "Reduced interest rate" means the interest rate provided for by the terms of an interest rider modifying the insured mortgage securing each housing loan.

(7) "Financial institution" means any private corporation or association authorized by law to service, purchase or otherwise deal with insured mortgages or approved by the Federal Housing Administration to be a mortgagee with respect to the particular type of mortgage transaction involved.

Section 302. Housing Loans, Commitments.—To accomplish the declared purposes of this act, the agency shall, to the extent that its finances from time to time allow, provide to eligible mortgagors housing loans secured by insured mortgages to finance the purchase of approved dwelling units. The agency may make housing loans by the issuance of commitments to make loans

directly upon the security of insured mortgages or by the issuance of commitments to purchase or by the purchase of insured mortgages. Housing loans shall be ordinary long-term loans. Each housing loan shall mature within a term satisfactory to the agency but its term shall not be so long as to prevent the loan from being secured by an insured mortgage throughout.

Section 303. Housing Loans, Basic and Reduced Interest Rates.—The basic interest rate for each housing loan shall be equal to the maximum interest rate generally prevailing and available throughout the Commonwealth for loans secured by insured mortgages but the agency shall modify each insured mortgage to be held by it with an interest rider which shall contain provisions for a reduced interest rate in accordance with this article. So long as the interest rider is in effect, the reduced interest rate shall supersede the basic interest rate and shall be the interest rate actually payable upon the unpaid balance of the principal debt.

Section 304. Housing Loans, Initial Reduced Interest Rates.—The reduced interest rate initially established for each housing loan shall be determined by regulations of the agency, which shall prescribe and may revise schedules of reduced interest rates based upon the income of the eligible mortgagor and the term of the mortgage. The agency may divide the Commonwealth into defined areas and may prescribe a separate schedule of reduced interest rates for each defined area where the difference between or among the schedules is justified by variances in factors materially affecting housing construction costs in each defined area. For eligible mortgagors purchasing approved dwelling units within each defined area, the schedule of reduced interest rates in effect for the area shall be uniformly applied. Initial reduced interest rates shall be computed to and set at the nearest percentage which can be divided by one quarter of one per cent without a fractional quotient. The lowest initial reduced interest rate shall not be lower than a minimum which the agency shall determine from time to time as the minimum allowable by the finances of the agency considering the total revenues of the agency, the rate or rates of interest then payable upon outstanding bonds and notes issued by the agency, and the administrative and operating expenses of the agency. Initial reduced interest rates shall always be at least one quarter of one per cent per annum less than the basic interest rate.

Section 305. Housing Loans, Revision of Reduced Interest Rates.—(a) The agency, by regulations and by provisions in interest riders, shall provide for the uniform re-examination of the income of each eligible mort-

gagor during the term of the housing loan, at intervals not shorter than one year and not longer than ten years, and for the revision of reduced interest rates pursuant to each re-examination in accordance with the provisions of this section. From and after each re-examination if the income of the eligible mortgagor has increased the reduced interest rate shall be increased in accordance with subsection (b) of this section, but in computing increases in income the agency shall entirely disregard income below the level of the highest income which qualified for the minimum initial reduced interest rate as provided by the applicable schedule of reduced interest rates in effect at the time the housing loan was made. Subject to agreements with holders of bonds or notes, the agency may also provide that from and after each re-examination if the income of the eligible mortgagor has decreased the reduced interest rate shall be decreased in accordance with subsection (b) of this section.

(b) In every case the extent of increase or decrease in the reduced interest rate shall be *determined by multiplying **one quarter of one per centum by the number of dollars of increase or decrease in income and dividing by one one-hundredth of the number of dollars in the original principal debt. The resulting reduced interest rate shall be computed to and set at the nearest percentage which can be divided by one quarter of one per centum without a fractional quotient. In no event shall any reduced interest rate be increased above the basic interest rate or decreased below the minimum initial reduced interest rate which was in effect at the time the housing loan was made as determined by the agency under section 304 of this act.

Section 306. Housing Loans, Provisions in Loan Instruments.—The agency may prescribe, obtain and enter into covenants and agreements in instruments evidencing and securing housing loans, including mortgages, bonds, notes, warrants, interest riders and other conveyances and contracts, and may consent to the modification of such covenants and agreements to the extent which is appropriate for the protection and security of housing loans. The agency may place in interest riders conditions providing for the termination of the interest rider whenever the eligible mortgagor fails to make full and timely compliance with requests for information and whenever the eligible mortgagor supplies information which he or she knows or reasonably should know to be false. The agency may also cause riders to contain provisions under which the agency shall have the option

* "determined" in original.

** "on" in original.

to terminate the interest rider upon the *occurrence of defined events such as any transfer or agreement to transfer the mortgaged premises, the granting of a lease or license of the mortgaged premises for a stated period or upon other described events, but the exercise of such options by the agency shall be governed by regulations of the agency made for the purpose of preventing the impairment of the security of the housing loan and diversion of its benefits from the purposes declared in and evidenced by this act. The agency may continue to hold an obligation evidencing a housing loan notwithstanding the termination of the interest rider.

Section 307. Housing Loans, Classification of Eligible Mortgagors.—Whenever the available finances of the agency and the number of applications for housing loans require the institution of priority classifications among eligible mortgagors, the agency may allot priority to those eligible mortgagors who, during the two-year period immediately preceding their application for a housing plan, have been required to relocate their place of residence because of flood, fire, explosion, riot, act of war or other disaster, or because of the taking of such place of residence through the exercise of the power of eminent domain by an entity vested with such power by State or Federal law or by another action of a governmental body. Such classifications shall be adopted solely for the purpose of determining priority in the order of granting housing loans. In no event shall there be any classification of or discrimination against eligible mortgagors because of race, color, religion or national origin.

Section 308. Housing Loans, Agreements with Financial Institutions.—The agency may enter into agreements with financial institutions for the effectuation of the provisions of this article, including but not limited to agreements under which financial institutions shall service and process housing loans.

Section 309. Housing Loans, Sales of Mortgages by Agency.—The agency may, at any time, sell or assign any obligation evidencing a housing loan held by it, together with the insured mortgage securing the loan as modified by an interest rider. Upon and after any such sale, provisions in the interest rider concerning regulations of the agency shall continue to refer to regulations of the agency and not to those of the purchaser or assignee of the obligation.

Section 310. Housing Loans, Regulations and Forms.—The agency shall make and may amend and repeal regulations to effectuate the provisions of this article, and shall make and may revise and abrogate forms suit-

* "occurrence" in original.

able for administering and processing housing loans in accordance with the provisions of this article.

Section 311. Housing Loans, Penalties.—Any person who, in connection with obtaining any housing loan or in connection with any change in interest rates thereon, wilfully makes and subscribes any form or record as to which such person has furnished information which he or she knows or reasonably should know to be false, shall be guilty of a felony, and, upon conviction thereof, shall be subject to the penalties prescribed for perjury in section §22 of The Penal Code, whether or not the form or record is made upon oath, but only if the form or record contains a declaration to the effect that it is made and subscribed under the penalties of perjury.

ARTICLE IV.

HOUSING LOANS FOR ELDERLY PERSONS

Section 401. Housing Loans for Elderly Persons, Special Definitions.—As used in this act, except where the context clearly indicates otherwise,

(1) “Housing loans for elderly persons” means a loan provided under this article.

(2) “Approved dwelling unit” means a residential unit of a type which will meet the requirements for occupancy of an elderly person as they are set forth in the rules and regulations of the agency, and which is approved or eligible to be approved for financing through an insured mortgage. Such *residential units may be rental units or may be units offered on other terms of use and occupancy, provided such terms have been given prior approval by the agency.

(3) “Elderly” means an 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.

(4) “Eligible Mortgageor” means any organization chartered as a nonprofit corporation under the laws of the Commonwealth of Pennsylvania or any local housing authority created under the Housing Authorities Law, approved May 28, 1937 (P. L. 955), as amended.

(5) “Basic Interest Rate” means the interest rate stated in the insured mortgage as the rate of interest payable upon the unpaid balance of the principal debt of the housing loan for elderly persons.

* “residential” in original.

(6) "Reduced Interest Rate" means the interest rate provided for by the terms of an interest rider modifying the insured mortgage securing each housing loan for elderly persons.

(7) "Financial Institution" means any private corporation or association authorized by law to service, purchase or otherwise deal with insured mortgages, or approved by the Federal Housing Administration to be a mortgagee with respect to the particular type of mortgage transaction involved.

Section 402. Housing Loan Commitments for Elderly Persons.—To accomplish the declared purposes of this act, the agency shall, from time to time to the extent that its finances allow, provide to eligible mortgagors housing loans for elderly persons secured by insured *mortgages to finance the construction, purchase or provision by other means of approved dwelling units. The agency may make housing loans for elderly persons by the issuance of commitments to make loans directly upon the security of insured mortgages or by the issuance of commitments to purchase insured mortgages. Housing loans for elderly persons shall be ordinary long-term loans. Each housing loan for elderly persons shall mature within a term satisfactory to the agency, but its term shall not be so long as to prevent the loan from being secured by an insured mortgage throughout.

Section 403. Housing Loans for Elderly Persons, Basic and Reduced Interest Rates.—The basic interest rate for each housing for the elderly loan shall be equal to the maximum interest rate generally prevailing and available throughout the Commonwealth for loans secured by insured mortgages on similar types of housing, but the agency shall modify each insured mortgage to be held by it with an interest rider which shall contain provisions for a reduced interest rate in accordance with this article. So long as the interest rider is in effect, the reduced interest rate shall supersede the basic interest rate and shall be the interest rate actually payable upon the unpaid balance of the principal debt.

Section 404. Housing Loans for Elderly Persons, Reduced Interest Rates.—The reduced interest rate established for each housing loan for elderly persons shall be determined by regulations of the agency which shall prescribe and may revise schedules of reduced interest rates. The schedule of reduced interest rates shall be uniformly applied irrespective of the race, creed, color or national origin of the occupants or proposed occupants or of the individual incorporators. Reduced interest rates shall be computed to and set at the nearest

* "mortgages" in original.

percentage which can be divided by one quarter of one percent without a fractional quotient. The lowest reduced interest rate shall not be lower than a minimum which the agency shall determine from time to time as the minimum allowable by the finances of the agency considering the total revenues of the agency, the rate or rates of interest then payable upon outstanding bonds and notes issued by the agency, and the administrative and operating expenses of the agency. Reduced interest rates shall always be at least one quarter of one percent *per annum less than the basic interest rate.

Section 405. Occupancy of Housing Provided by Housing Loans for Elderly Persons.—The agency shall prescribe, as part of the terms of the interest rider, that occupancy of dwelling units provided with housing loans for elderly persons shall actually be limited to elderly persons, except that, if there are not sufficient applicants for the housing who qualify as such persons, the residuum of the dwelling units up to thirty-five (35) percent of all the dwelling units covered by the insured mortgage may be rented to tenants who are not elderly persons.

Section 405. Housing Loans for Elderly Persons, Cancellation of Interest Rider.—The agency by regulations and by provision in interest riders shall provide for the uniform re-examination of the elderly status of tenants in the housing financed under this article. From and after each re-examination, if the percentage of dwelling units occupied by elderly persons as principals is not sixty-five (65) percent or more of the total dwelling units covered by the housing loan for elderly persons, the agency shall notify the eligible mortgagor of the default of the loan contract and, if the default is not cured within twelve (12) months, the interest rider may be cancelled by the agency.

Section 406. Housing Loans for Elderly Persons, Renewal of Reduced Interest Rider.—The agency by regulations and by provisions in interest riders shall provide that, whenever the agency has cancelled an interest rider for default of contract by an eligible mortgagor, the agency may accept an application by the mortgagor for new interest rider after the **mortgagor has demonstrated to the satisfaction of the agency that it has cured the condition which caused the default. The agency may, at its discretion, issue a new interest rider containing a new interest reduction rate, except as to the interest rate to be specified in the new interest rider, the agency shall not be under any duty to follow the original interest reduction rate.

* "per" not in original.

** "mortgagor" in original.

Section 408. Housing Loans for Elderly Persons, Provisions in Loan Instruments.—The agency may prescribe, obtain and enter into covenants and agreements in instruments evidencing and securing housing loans for elderly persons, including mortgages, bonds, notes, warrants, interest riders and other conveyances and contracts, and may consent to the modification of such covenants and agreements to the extent which is appropriate for the protection and security of housing *loans for ** elderly ***persons. The agency may place in interest riders, conditions providing for the termination of the interest rider whenever the eligible mortgagor fails to make full and timely compliance with requests for information and whenever the eligible mortgagor supplies information which it knows or reasonably should know to be false. The agency may also cause riders to contain provisions under which the agency shall have the option to terminate the interest rider upon the occurrence of defined events, such as any transfer or agreement to transfer the mortgaged premises without the agency's comment, but the exercise of such options by the agency shall be governed by regulations of the agency made for the purpose of preventing the impairment of the security of the housing loan for elderly persons and diversion of its benefits from the purposes declared in and evidenced by this act. The agency may continue to hold an obligation evidencing a housing loan notwithstanding the termination of the interest rider.

Section 409. Housing Loans for Elderly Persons, Agreements with Financial Institutions.—The agency may enter into agreements with financial institutions for the effectuation of the provisions of this article, including but not limited to agreements under which financial institutions shall service and process housing loans.

Section 410. Housing Loans for Elderly Persons, Sales of Mortgages by Agency.—The agency may, at any time, sell or assign any obligation evidencing a housing loan for elderly persons held by it, together with the insured mortgage securing the loan as modified by an interest rider. Upon and after any such sale, provisions in the interest rider concerning regulations of the agency shall continue to refer to regulations of the agency and not to those of the purchaser or assignee of the obligation.

Section 411. Housing Loans for Elderly Persons, Regulations and Forms.—The agency shall make and may amend and repeal regulations to effectuate the provisions of this article, and shall make and may revise

* "loans" not in original.

** "the" in original.

*** "loans" in original.

and abrogate forms suitable for administering and processing housing loans for elderly persons in accordance with the provisions of this article.

Section 412. Housing; Loan for Elderly Persons, Penalties.—Any person who, in connection with obtaining any housing loan for elderly persons or in connection with any change in interest rates thereon, wilfully makes and subscribes any form or record as to which such person has furnished information which he or she knows or reasonably should know to be false, shall be guilty of a felony, and, upon conviction thereof, shall be subject to the penalties prescribed for perjury in section 322 of The Penal Code, whether or not the form or record is made upon oath, but only if the form or record contains a declaration to the effect that it is made and subscribed under the penalties of perjury.

ARTICLE V.

BONDS AND NOTES

Section 501. Bonds and Notes, Power to Issue.—The agency may, from time to time, issue bonds and notes in a principal amount necessary to provide sufficient funds for the operations of the agency described in article III. and in article IV. of this act for the payment of interest upon bonds and notes, for the establishment of reserves to secure bonds and notes, for all other expenditures of the agency incident to and necessary or convenient to carry out the purposes of this act. In any action or proceeding involving the validity or enforceability of a bond or note of the agency or of security therefor, a statement in the bond or note to the effect that it has been issued to accomplish the purposes of this act shall be conclusive as to purpose of issuance.

Section 502. Bonds and Notes, Refunding Issues.—The agency may, from time to time, issue renewal notes, issue bonds to pay notes and, whenever it deems refunding expedient, to refund in accordance with their terms any bonds by the issuance of new bonds whether the bonds to be refunded have matured or not, and may issue bonds partly to refund bonds and partly for any other purpose authorized by this act.

Section 503. Bonds and Notes, Nature of Obligations.—Except as may otherwise be expressly provided by the agency, its bonds and notes shall be general obligations payable out of any moneys or revenues of the agency subject only to any agreements with holders of the bonds or notes pledging any receipts or revenues. Bonds and notes of the agency shall not be a debt of the Commonwealth or of any political subdivision of the Commonwealth, nor shall any revenues or any property of the

Commonwealth or any of its political subdivisions be liable therefor. Neither the members of the agency nor any person executing the bonds or notes shall be liable personally thereon. Bonds and notes of the agency shall be and shall have all the qualities of negotiable instruments under the law merchant and the laws of the Commonwealth.

Section 504. Bonds and Notes, Terms.—Bonds and notes of the agency shall be authorized by resolution of the board, and shall bear such date or dates, mature at such time or times not exceeding five years from their respective dates in the case of notes and not exceeding forty years from their respective dates in the case of bonds, bear interest at such rate or rates, be in such denominations, be of such series, carry such registration privileges, be subject to such terms of redemption, and be payable in such medium of payment and at such place or places as may be provided by resolution of the board or by any trust indenture made pursuant thereto.

Section 505. Bonds and Notes, Form and Execution.—Bonds and notes shall have such form and shall be executed in such manner as may be provided by resolution of the board not inconsistent with the provisions of this section. Bonds may be in coupon or registered form. Bonds shall bear the facsimile signature of the Governor and of the chairman of the agency, together with a facsimile of the seal of the agency and the manual signature of the treasurer of the agency in attestation thereto. To coupon bonds, if any, shall be attached interest coupons bearing the facsimile signature of the treasurer of the agency. Bonds and notes shall bear on their face a statement to the effect that they are not debts of the Commonwealth or of any political subdivision of the Commonwealth. If any of the officers of the agency whose signatures appear on any bonds, notes or coupons shall cease to be officers before the delivery of the bonds, notes or coupons, their signatures shall, nevertheless, be valid and effective for all purposes as if the officers had remained in office until delivery.

Section 506. Bonds and Notes, Sale.—Bonds and notes shall be sold by the agency at public or private sale at such price or prices as the agency shall determine. Pending the preparation of the definitive bonds, interim receipts or temporary bonds may be issued to each purchaser.

Section 507. Bonds and Notes, Covenants.—In connection with bonds and notes issued at any time and from time to time, the agency in resolutions, trust indentures, mortgages and other instruments, may enter into covenants as to—

(1) Pledging for its obligations, the full faith and credit of the agency but not of the Commonwealth or any political subdivision thereof.

(2) Pledging all or any part of its gross or net revenues and pledging or mortgaging all or any part of its tangible assets of any kind then owned or thereafter acquired.

(3) The use and disposition of all or any part of the gross or net revenues of the agency.

(4) Limitations on the purposes to which the proceeds of any issue of bonds or notes, then or thereafter to be issued, may be applied and pledging such proceeds to secure the payment of the bonds or notes or of any issue thereof.

(5) The rate of interest or the rate of any other charges made by the agency and, as to the power of the agency, to modify any instruments or agreements pursuant to which moneys owing to the agency are to be paid or secured.

(6) The setting aside of reserves and the regulation and disposition thereof.

(7) Limitations upon the issuance of additional bonds or notes, the terms upon which additional bonds or notes may be issued and secured, and the refunding of outstanding or other bonds or notes.

(8) Limitations upon the incurring of additional debts generally.

(9) Providing for the replacement of lost, destroyed or mutilated bonds and notes.

(10) The procedure and conditions under which the terms of any contract with holders of bonds or notes may be amended or abrogated.

(11) Vesting in a trustee or trustees such property, rights, powers and duties, in trust, as the agency may determine, which may include any or all of the rights, powers and duties of the trustee appointed under the provisions of this article by holders of bonds or notes and limiting or abrogating the rights and remedies of holders of bonds or notes, including their right to appoint a trustee under the provisions of this article and limiting the rights, duties and powers of such trustee.

(12) Any other matters of like or different character which in any way affect the security or protection of the bonds or notes.

Section 508. Bonds and Notes, Capital Reserve Fund.—The agency shall establish a special fund to be called the capital reserve fund and shall pay into the capital reserve fund any moneys appropriated by the Commonwealth for such purpose and any other moneys which the agency shall designate for such fund by contract or

otherwise. All moneys in the capital reserve fund shall be used, subject to agreement with holders of bonds or notes, solely for the payment of the principal of bonds and notes of the agency, the purchase of bonds and notes of the agency, the payment of interest on bonds or notes, or the payment of any premium required where bonds or notes are redeemed prior to their stated maturities. The agency shall not issue bonds or notes which will increase the aggregate principal amount of its outstanding bonds at any time to an amount in excess of twelve and one-half times the amount of the capital reserve fund, except that notes of the agency may be issued for any corporate purpose in the aggregate principal amount not exceeding two hundred fifty thousand dollars (\$250,000.00) outstanding at any one time without reference to this capital reserve fund requirement. In computing the amount of the capital reserve fund for the purpose of this section investments of any part of such fund shall be valued at par, or if purchased at less than par, at their cost to the agency.

Section 509. Bonds and Notes, General Reserve Fund.—The agency shall establish a special fund to be called the general reserve fund and shall pay into the general reserve fund all moneys received by the agent in payment of the principal of or interest on any obligations evidencing housing loans or housing loans for elderly persons made by the agency, moneys received from the sale of such obligations, and moneys received in the payment of fees and charges. Such moneys and any other moneys paid into the general reserve fund may, in the discretion of the agency but subject to agreements with holders of bonds or notes, be transferred to the capital reserve fund, or, if not so transferred, shall be used for the payment of the principal on bonds or notes issued by the agency when the same shall become due whether at maturity or on call for redemption and for the payment of any premium required to be paid where bonds are redeemed prior to their stated maturities and may also be used for making housing loans or housing loans for elderly persons directly or through the purchase of mortgages and for all other corporate purposes of the agency provided, however, an amount not exceeding twenty-five thousand dollars (\$25,000) in any one calendar year shall be retained in the general reserve fund for current use for any corporate purposes of the agency and shall not be transferred to the capital reserve fund.

Section 510. Bonds and Notes, Purchase by Agency.—The agency may out of any funds available purchase its bonds or notes which shall thereupon be cancelled at a price not exceeding, (1) if the bonds or notes are then

redeemable, the redemption price then applicable plus accrued interest to the next interest payment date, or (2) if the bonds or notes are not then redeemable, the redemption price applicable on the first date after the purchase upon which the bonds or notes become subject to redemption plus accrued interest to that date.

Section 511. Bonds and Notes, Remedies of Individuals.—Subject to any contractual limitations or restrictions adopted pursuant to other sections of this article, any holder of bonds or notes, in addition to other remedies, shall have the right by mandamus or other action or proceeding, at law or in equity, to require the agency to carry out any of its covenants and agreements made with or for the benefit of such holder.

Section 512. Bonds and Notes, Remedies by Trustee.—In the event that the agency shall default in the payment of principal of or interest on any issue of bonds or notes after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty days, or in the event that the agency shall fail or refuse to comply with the provisions of this act or shall default in any agreement made with or for the benefit of the holders of any issue of bonds or notes, the holders of twenty-five per centum in aggregate principal amount of the bonds or notes of such issue then outstanding by instrument or instruments filed in the office of the recorder of deeds of the county acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of such bonds or notes, which trustee may and, upon written request of the holders of twenty-five per centum in principal amount of such bonds or notes then outstanding, shall in his or its own name—

(1) By mandamus or other action or proceeding at law or in equity, enforce all rights of the holders of such bonds or notes, including the right to require the agency subject to existing provisions in obligations evidencing housing loans and housing loans for elderly persons to collect interest and amortization payments on mortgages held by it adequate to carry out any agreement as to or pledge of such interest and amortization payments and mortgages and to require the agency to carry out any other agreements with the holders of such bonds or notes and to perform its duties under this act.

(2) Bring suit upon such bonds or notes.

(3) By action in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds or notes.

(4) By action in equity, require the agency to account as if it were the trustees of an express trust for the holders of such bonds or notes.

(5) Declare all such bonds or notes due and payable, and if all defaults shall be made good, then with the consent of the holders of twenty-five per centum of the principal amount of such bonds or notes then outstanding, annul such declaration and its consequences.

Such trustees shall, in addition, have and possess all the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the holders of such bonds or notes in the enforcement and protection of their rights. The remedies set forth in this section may be modified or abrogated by contractual provisions adopted pursuant to this article.

Section 513. Bonds and Notes, Limitations on Changes.—The Commonwealth hereby pledges to and agrees with the holders of any bonds or notes issued under this act that the Commonwealth will not dissolve the agency and will not revoke, limit or alter the rights and powers hereby vested in the agency to fulfill the terms of any agreements made with the holders thereof, or in any way impair the rights and remedies of such holders until such bonds or notes, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders are fully met and discharged. The Commonwealth further does hereby pledge to and agree with any Federal agency providing funds, mortgage insurance or other assistance to the operations of the agency that the Commonwealth will not limit or alter the rights and powers hereby vested in the agency in any manner which would be inconsistent with the due performance of any agreements between the agency and such Federal agency.

Section 514. Bonds and Notes, Exemption from Taxes.—Bonds and notes of the agency, the income therefrom, the income and revenues of the agency, and the agency and its property, other than housing properties or housing properties for elderly persons, acquired through defaults of mortgagors, shall, at all times, be free from taxation or assessments of every kind and nature except for inheritance, estate, gift and transfer taxes.

Section 515. Bonds and Notes, Legal Investments.—Notwithstanding the provisions of any other act, bonds and notes of the agency are hereby made authorized and legal investments for all departments, boards and commissions of the Commonwealth and its political subdivisions, all banks, savings banks, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance

companies, insurance associations and other persons carrying on an insurance business and all guardians, committees, trustees and other fiduciaries not including personal representatives.

ARTICLE VI.

EFFECTIVE DATE AND CAPITAL RESERVE FUND

Section 601. 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.

Section 602. Refunds.—The Commonwealth or, as the case may be, the agency may, at any time, repay the Commonwealth all or part of any appropriation or repay to the Federal government or to private or public corporations or persons their previous donations, gifts and grants-in-aid which are not allocated to the capital reserve fund of the agency.

Section 603. Appropriations, Deficiencies in Capital Reserve Fund.—Before each legislative session, the agency shall submit to the Governor and General Assembly an estimate of any funds expected to be necessary during the following biennium to make up any deficiencies in the capital reserve fund or otherwise to avoid default in the payment of interest or principal upon bonds or notes issued by the agency, so that the General Assembly shall be enabled to provide appropriations sufficient to make up any such deficiency or otherwise to avoid any such default.

APPROVED—The 3rd day of December, A. D. 1959.

DAVID L. LAWRENCE