

## No. 1981-176

## AN ACT

## HB 930

Amending the act of December 3, 1959 (P.L.1688, No.621), entitled, as amended, "An act to promote the health, safety and welfare of the people of the Commonwealth by broadening the market for housing for persons and families of low and moderate income and alleviating shortages thereof, and by assisting in the provision of housing for elderly persons through the creation of the Pennsylvania Housing Finance 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 qualified mortgagors upon the security of insured and uninsured mortgages, defining qualified mortgagors and providing for priorities among tenants in certain instances, prescribing interest rates and other terms of housing loans, permitting the agency to acquire real or personal property, permitting the agency to make agreements with financial institutions and Federal agencies, providing for the purchase by persons of low and moderate income of housing units, and approving the sale of housing units, 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," providing for the issuance of tax-free mortgage revenue bonds to encourage housing within the Commonwealth.

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

Section 1. The act of December 3, 1959 (P.L.1688, No.621), known as the "Housing Finance Agency Law," is amended by adding a section to read:

***Section 102.1. Further Declaration of Policy.—The welfare of the Commonwealth of Pennsylvania is threatened by an inadequate supply of safe affordable housing for its citizens. Projected needs for housing supply have been created by existing and expanding population and governmental action to eliminate existing substandard dwellings. Increased construction costs, a scarce monetary supply for financing of housing and the resultant increase of mortgage interest rates have created a market demand situation that is unable to be satisfied through traditional methods.***

***The United States Congress has, as a matter of policy, enacted legislation which will help alleviate the desperate housing needs of Pennsylvania. Through the adoption of the act of November 26, 1980, known as the Omnibus Reconciliation Act of 1980 (94 Stat. 2599), the Federal***

*Government has recognized the issuance of tax-free mortgage revenue bonds as a proper innovative method for the states to ensure an adequate supply of money for mortgages. Under the provisions of the Mortgage Subsidy Bond Tax Act of 1980 (Public Law 96-499, 94 Stat. 2599), Title 11, of the Omnibus Reconciliation Act of 1980, the Congress has set forth specific actions which state governments may and may not be involved in for a specified period of time.*

*The General Assembly hereby finds that it is appropriate for the Commonwealth of Pennsylvania to assist its citizens in acquiring safe affordable shelter through the issuance of tax-free mortgage revenue bonds.*

Section 2. Section 103 of the act is amended by adding a clause to read:

Section 103. Definitions.—As used in this act unless otherwise indicated

\* \* \*

*(20) "Lending institution" means any bank, bank and trust company, trust company, savings bank, national banking association, Federal national mortgage association, approved mortgage banker, FHA approved mortgage service company, savings and loan association, Federal savings and loan association, building and loan association, credit union or other financial institution which customarily provides service or otherwise aids in the financing of mortgages on residential housing in the Commonwealth.*

Section 3. Section 205 of the act is amended by adding a clause to read:

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

\* \* \*

*(7.2) To make commitments to purchase and to purchase loans with respect to rehabilitation or home improvements of residences with such security as determined by the agency.*

Section 4. The act is amended by adding an article to read:

#### **ARTICLE IV.-B**

##### **Owner Occupied Residential Mortgage Program**

*Section 401-B. General Statement.—The agency is hereby authorized to make or purchase loans or mortgages by contract with lending institutions to finance the purchase, construction, improvement or rehabilitation of owner-occupied single-family residences pursuant to the provisions of the Mortgage Subsidy Bond Tax Act of 1980 (Public Law 96-499). The agency may acquire, and contract and enter into advance commitments to acquire by assignment or otherwise, loans secured by insurance or by mortgages owned by lending institutions or participations therein at such purchase price and upon such other terms as the agency shall determine. The agency may make and execute contracts with lending institutions for the origination and servicing of such loans and pay the value of services rendered under such contracts.*

**Section 402-B. Allocation of Loans.—(a) The agency shall geographically allocate the proceeds of any qualified mortgage bond issue, authorized by section 501-A.1, in the following manner:**

**(1) Fifty (50) percent of the proceeds shall be allocated among municipalities, except for municipalities electing local issuance pursuant to section 501-A.1, in a manner reasonably proportional to the distribution of the population of housing units.**

**(2) Fifty (50) percent of the proceeds shall be allocated among municipalities, except for municipalities electing local issuance pursuant to section 501-A.1, in a manner reasonably proportional to the distribution of the market value of residential property.**

**(3) Municipalities to which proceeds shall be allocated include counties, groups of counties, and cities of fifty thousand (50,000) or greater population.**

**(4) Municipalities electing local issuance pursuant to section 501-A.1, shall be allocated a portion of the State ceiling for aggregate annual issuance, determined pursuant to the Mortgage Subsidy Bond Tax Act of 1980, equivalent to the portion of the proceeds of any qualified mortgage bond issue which would be allocated to such municipalities, under this section, if they did not elect local issuance: Provided, That any municipality which issued mortgage subsidy bonds prior to January 1, 1981 shall be allocated a portion of the State ceiling in an amount as described herein, or in an amount at least equal to the average yearly amount of mortgage subsidy bonds issued in the municipality during the three (3) years immediately prior to the enactment of this act, whichever is greater. The annual ceilings for municipalities electing local issuance shall be recommended by the agency and proclaimed by the Governor which allocations may be amended from time to time.**

**(5) If six (6) months following issuance of any qualified mortgage bonds, the agency determines that it cannot distribute the proceeds in the manner set forth in this subsection, the agency may reallocate the proceeds in a manner designed to meet State housing policy objectives.**

**(6) If six (6) months after the amount allocation the agency determines a reallocation would better achieve State housing policy objectives, the agency may recommend and the Governor may proclaim an amended allocation plan.**

**(b) The agency shall annually, by resolution adopted by the board, allocate the aggregate borrowing authority assigned to the agency pursuant to the Mortgage Subsidy Bond Tax Act of 1980, into the following categories of loans:**

**(1) Sixty (60) percent of the allocation shall be used to purchase mortgages for newly constructed homes and existing homes.**

**(2) Thirty-five (35) percent of the allocation shall be used to purchase mortgages to rehabilitate residences or for home improvement loans which qualify for FHA Title I insurance or successor programs or for home improvement loans which are authorized to be made by Pennsylvania regulated financial institutions.**

*(3) Five (5) percent of the allocation shall be used for home energy efficiency improvement loans which qualify for FHA Title I insurance or successor programs including, but not limited to, solar hot water heating and home weatherization. The distribution of proceeds into these categories need not be made separately for each municipality allocated loans pursuant to this section.*

*(c) The agency shall develop appropriate standards and procedures to ensure that all loans made with the proceeds of any qualified mortgage bond issued by the agency are made in a manner which encourages community conservation and promotes local land use planning objectives.*

*(d) The agency shall develop appropriate standards and procedures to implement the targeted area requirements of the Mortgage Subsidy Bond Tax Act of 1980.*

*(e) The agency shall specify standards, criteria and procedures to be employed in selecting eligible mortgagors for loans made with the proceeds of any qualified mortgage bond issued by the agency.*

*(f) The agency may enter into agreements with county or city housing authorities, residential finance authorities, redevelopment authorities, or other suitable governmental entities to assist in the administration of this article with respect to loans allocated to the municipality within the jurisdiction of the authority or governmental entity.*

*(g) The agency and any municipality electing local issuance shall contract with lending institutions to make loans with the proceeds of qualified mortgage bonds. The agency and any municipality electing local issuance may acquire and contract and enter into advance commitments to acquire by assignment or otherwise, loans secured by insurance or by mortgages made or owned by lending institutions or participations therein. The agency and any municipality electing local issuance shall make and execute contracts with lending institutions for the origination and servicing of such loans and pay the value of services rendered under such contracts.*

Section 5. The act is amended by adding a section to read:

*Section 501-A.1. Qualified Mortgage Bonds.—(a) The agency shall have the power and is hereby authorized from time to time by resolution of the members, and subject to the written approval by the Governor, to issue qualified mortgage bonds and notes, pursuant to the Mortgage Subsidy Bond Tax Act of 1980, and subsequent amendments, in such principal amounts, as is permitted by Federal law and is in the opinion of the agency, necessary to provide sufficient funds for the Owner Occupied Residential Mortgage Program authorized by Article IV.-B. These bonds and notes shall be issued, to the extent permitted by the Mortgage Subsidy Bond Tax Act of 1980, in conformity with all other provisions of Article V.-A.*

*(b) In determining the limitation on the aggregate amount of qualified mortgage bonds issued during any calendar year, as provided by section 103(g) of the Mortgage Subsidy Bond Tax Act of 1980, the total State ceiling shall be completely allocated to the agency for its programs*

*under Article IV.-B, except for amounts allocated to municipalities electing local issuance.*

*(c) Mortgage bonds may be locally issued by election of any of the following entities upon notification to the agency:*

*(1) Cities of the first, second and second class A and cities of the third class with a population of fifty thousand (50,000) or greater.*

*(2) Counties of the second class.*

*(3) Any other municipality which by itself or through an authority prior to January 1, 1981, issued mortgage subsidy bonds.*

*(4) Any county or city housing authorities, redevelopment authorities or residential finance authorities within the jurisdiction of any of the above and with the approval of the incorporating municipality.*

*The municipality authorized to issue bonds hereunder may use any part or all of its allocation hereunder by designating an authority in clause (4) as its agent for a mortgage program. An election for local issuance may be made by any other municipality, upon recommendation of the agency and with the approval of the Governor, if the agency determines that local issuance will result in loans being made at rates significantly lower than those available from the agency, or will result in substantial reductions in administrative costs, or will allow more effective integration of State, Federal and local housing assistance programs, not available through cooperation with the agency. A municipality electing local issuance may issue amounts equal to the portion of the State ceiling allocated to the municipality by the agency and the Governor pursuant to section 402-B. If in the judgment of the agency, it will not issue bonds in the total amount available to it in any calendar year as prescribed in subsection (b), any excess availability within the State ceiling may be reallocated by resolution adopted by the agency board to any of the entities authorized to issue mortgage bonds under this act.*

Section 6. This act shall take effect January 1, 1982 and shall expire on May 31, 1984, unless sooner amended or reenacted by the General Assembly.

APPROVED—The 31st day of December, A. D. 1981.

DICK THORNBURGH