

AN ACT

Amending the act of December 3, 1959 (P. L. 1688), entitled "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," clarifying and supplementing provisions of existing law relating to the financing of cooperatively-owned housing, changing the terms of housing loans for elderly persons, modifying the reserve requirements for outstanding agency bonds, and placing the agency's report to the Legislature on an annual basis.

Housing
Agency Law.

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

Clause (4),
section 301 and
sections 303,
304 and 305,
act of December
3, 1959, P. L.
1688, amended.

Section 1. Clause (4) of section 301 and sections 303, 304 and 305, act of December 3, 1959 (P. L. 1688), known as the "Housing Agency Law," is amended to read:

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

* * * * *

(4) "Eligible mortgagor" means:

(a) *In the case of a dwelling unit owned on a non-cooperative basis*, 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.

(b) In the case of dwelling units owned on a cooperative basis, a non-profit cooperative ownership housing corporation to whom a housing loan is provided under this article,

(i) As that type of corporation is defined by the National Housing Act and regulated by the Federal Housing Administration, and

(ii) Whose membership consists of not less than 50% of those individuals and families who would qualify as eligible mortgagors under the preceding subsection.

* * * * *

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] sections 304 and 305 with respect to non-cooperative dwelling units and sections 305.1 and 305.2 with respect to cooperative dwelling units. 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. *Non-Cooperative* 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. *Non-Cooperative 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 mortgagor 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

* "reexamination" in original.

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 2. The act is amended by adding, after section 305, two new sections to read:

Act amended by adding two new sections 305.1 and 305.2.

Section 305.1. Cooperative Housing Loans; Initial Reduced Interest Rates.—The reduced interest rate established for each housing loan to a cooperative housing corporation 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. 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 305.2. Cooperative Housing Loans; Revision of Reduced Interest Rates.—The agency by regulation and by provision in the interest riders shall provide for the uniform re-examination of the middle income status of the members of the cooperative housing corporation owning the dwelling units financed under this article. From and after re-examination, if the percentage of dwelling units occupied by cooperative members having middle income status is not 50% or more of the total dwelling units covered by the loan to the corporation, the reduced interest rate shall be increased by multiplying the difference between the basic and reduced interest rates by a fraction whose numerator shall be the number of families in excess of 50% of the members of the cooperative housing corporation whose incomes exceed the maximum established by the agency in the year of re-examination for eligible mortgagors under section 301-(4)-(11) and whose denominator shall be fifty per cent of the members of the cooperative housing corporation 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 404 and
first section 405
of the act
amended.

Section 3. Section 404 and the first section 405 of the act are amended to read:

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 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)] *not to exceed fifty (50)* percent of all the dwelling units covered by the insured mortgage may be rented to tenants who are not elderly persons.

Second section
405 of the act
amended.

Section 4. The second section 405 of the act is amended to read:

Section [405] 405.1. 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)] *fifty (50)* 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.

* "reexamination" in original.

Section 5. Sections 508 and 603 of the act are amended to read:

Sections 508
and 603 of the
act amended.

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 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] *year* 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 23rd day of September, A. D. 1961.

DAVID L. LAWRENCE