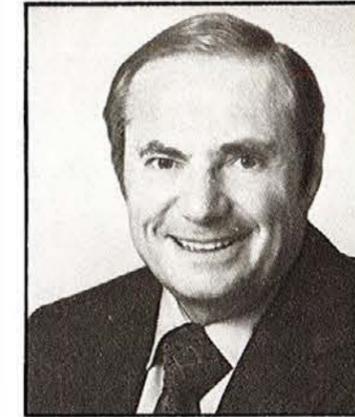


**Pennsylvania
Housing Finance
Agency**

**Annual Report
October
1975**

SQUIRES MANOR, South Park Township, Allegheny County.



**Message
from the
Governor**

I am especially pleased to present the Annual Report of the Pennsylvania Housing Finance Agency because of the progress we have seen in the past year in meeting the housing needs for the Commonwealth.

Since PHFA became operative little more than two years ago, it has shown consistent progress in financing the construction of decent, affordable housing for the residents of Pennsylvania.

During its short existence, the Agency thus far has loaned \$155,000,000 to finance the construction of more than 7,500 housing units.

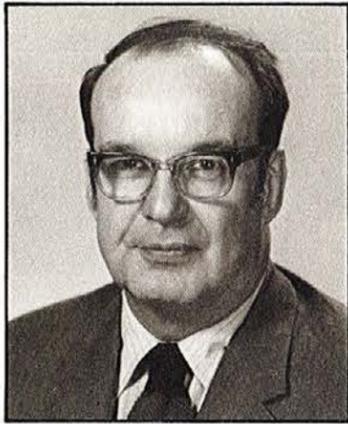
The concept and performance of PHFA holds with my pledge to run Pennsylvania on a businesslike basis. That the Agency already has some of its developments completed and fully occupied is a tangible sign of the progress made in the past year. And providing more and better housing for Pennsylvanians is one of my administration's important priorities.

I am pleased with what I see at PHFA and expect to report greater progress a year from now.

A handwritten signature in black ink that reads "Milton J. Shapp". The signature is written in a cursive, flowing style.

Milton J. Shapp
Governor

**Message
from the
Board Chairman**



I believe that Pennsylvania's citizens can draw some measure of hope and a great deal of pride from the activities of the Pennsylvania Housing Finance Agency.

The Agency began its activities in a dark time for housing and, in the months since then, times have grown darker. Recession has drastically cut housing production. Inflation has pushed the cost of housing up beyond the reach of most moderate and middle income persons. And the Federal government, after a total moratorium on housing in 1973, has never recommitted adequate funds for housing.

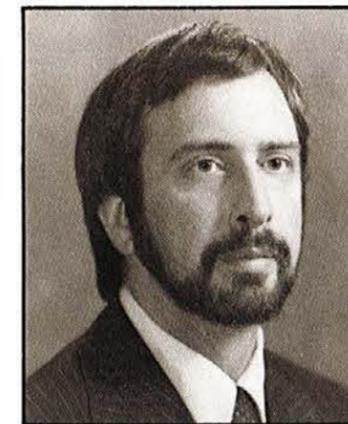
But despite these difficult times, the PHFA has shown in the past year that more housing can be built. The Agency, effectively and efficiently, continued to expand its support of its Rental Housing Program, providing more units to meet the housing needs of the Commonwealth.

I am hopeful that our bright performance in these otherwise dark times may play some part in obtaining the commitment of significantly more Federal funds for housing. Our experience proves that it can be done.

A handwritten signature in cursive script, appearing to read "William H. Wilcox".

William H. Wilcox
Secretary
Pennsylvania Department of Community Affairs

**Statement
from the
Executive Director**



This has been a year of solid achievement for the Pennsylvania Housing Finance Agency. The Agency has grown significantly in size, capability, and reputation to emerge as one of the country's leading housing agencies.

We believe that we have demonstrated that well run programs, sound financing policies, and competent staff have been blended to create a housing program which produces a significant level of new housing without sacrificing quality underwriting. We continue to maintain high standards for the housing developments we finance as the only true assurance of the economic strength of the Agency.

It has not been an easy year. Conditions in the money markets, over which we have no control, have made our type of financing much more difficult; and the situation of the housing industry across the country remains bleak. We believe, however, that overcoming these difficult challenges has made the Agency stronger and more resourceful.

I am particularly pleased that during this year, the first PHFA financed units reached occupancy. While Annual Reports tend to concentrate on dollars and construction, the purpose of the Agency is only truly achieved as families and elderly people occupy sound housing at affordable rents. All across Pennsylvania, this is now taking place. In a variety of different types of units, in cities, suburbs, and rural areas, the people of Pennsylvania are beginning to receive the benefits of our program.

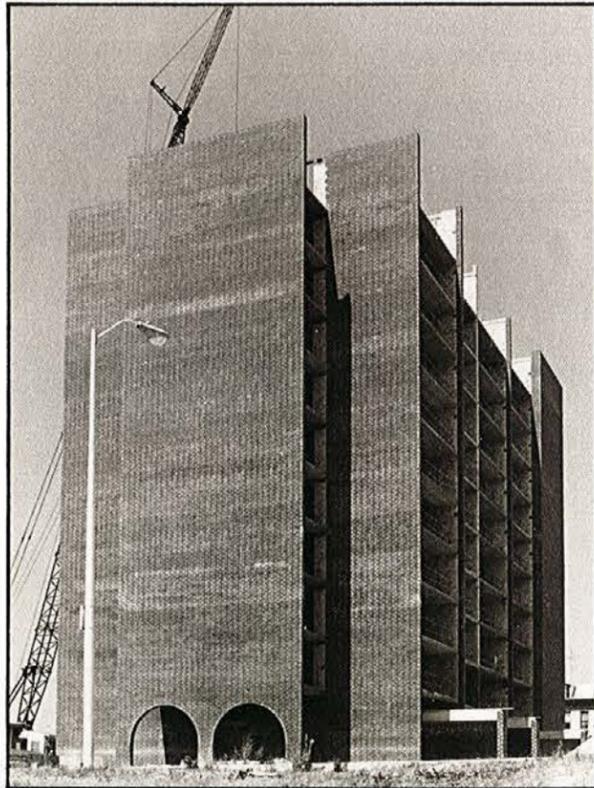
A handwritten signature in cursive script, appearing to read "John McCoy".

John McCoy
Executive Director

ONE BUTTONWOOD SQUARE, located in central Philadelphia and within walking distance of all of the city's cultural and shopping facilities, provides needed housing for renters who prefer urban living.



COURT STREET, a 90-unit development for the elderly, is located in a redevelopment section of Reading and will afford decent housing for the city's senior citizens while contributing to the urban renewal effort.



Progress In Fiscal 1975

Fiscal year 1975 was the year in which the Pennsylvania Housing Finance Agency reached maturity.

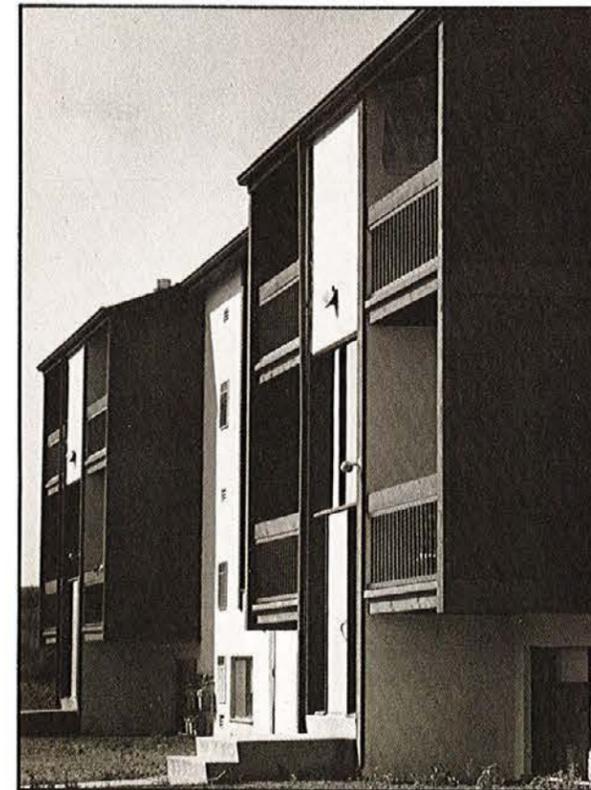
Since the beginning of Fiscal 1975, we have approved the financing of 5,500 units. And during that time, the first units financed by PHFA were completed. People began moving into apartments where there was once nothing but vacant land and a need for housing.

15 rental developments are now available for occupancy and 5,500 units are under construction at this time. This represents a significant step forward in our effort to provide decent, affordable housing to the people of Pennsylvania.

The housing problems of Pennsylvania are part of a larger, national problem. Almost 40 years of neglect and inaction have created housing ills that cannot be corrected overnight. However, in the two years that the Agency has been operating, it has committed \$155,000,000 in mortgage loan funds for the construction or rehabilitation of more than 7,500 rental housing units for persons and families of low and moderate incomes.

And the housing itself is something to talk about.

THE NEED for new, rental housing for families in Lebanon County created the Plaza Apartments, a community with nearby shopping, educational facilities and affordable rents.



Because our investment in the developments we finance runs for more than 40 years in many cases, we are concerned with design and construction quality. We look for design that makes our developments attractive and liveable throughout. That is because our apartments must remain that way over the life of our loan.

And the result is high quality housing that people can afford. We know that they could not afford this kind of housing in the private market. PHFA feels that that's a very good deal for everyone concerned.

The Agency's activities also provide significant numbers of jobs both on the construction site and in fields related to building. Our statistics indicate that to date, approximately 10,000 jobs were created as a result of PHFA construction activity.

This stimulation of the homebuilding industry will result in more purchasing power, more people who can afford new homes and a general uplift in our sagging national economy.

Once the development is completed and rented, a new and much needed source of municipal tax revenue is available. PHFA developments are located in urban renewal areas or in the central cores of cities like Reading, Wilkes-Barre, Pittsburgh, and Philadelphia.

Financial Process

The key to the Agency's success is its ability to raise funds, at reasonable interest rates, through the sale of notes and bonds. In order to do this, we must run an operation that is financially sound. We believe that our record in this area speaks for itself.

Our financial statements, which are contained in this Annual Report, indicate that the Agency has generated a loss reserve of \$1,400,000 over the past year. Additionally, unrestricted fund balances of over \$2,000,000 and the \$1,960,000 appropriated by the Legislature to the Capital Reserve Fund in 1969 provide strong financial security for the Agency's undertakings.

Our own opinion of our financial strength is confirmed both by our successful bond sale in June, 1975, and by the high ratings given to our securities by independent investment rating services.

On June 5, 1975, the Agency issued its first \$23,775,000 in long-term bonds to provide permanent financing for five developments. This demonstration that PHFA can market bonds during periods when the tax-exempt market is undergoing significant difficulties has added greatly to our reputation as a major factor in the market.

The Agency's bonds and notes are direct and general obligations of the Agency, subject to the provisions of resolutions or indentures of the Agency pledging particular monies, assets, or revenues to the payment of interest and principal on specific bonds and notes. The full faith and credit of the Agency is pledged to the repayment of the bonds and notes.

The Agency has no taxing power, and does not receive any current appropriations from the Legislature. In 1969, the Legislature and the Department of Community Affairs provided approximately \$2,600,000 for initial funding. Since that time, however, the Agency has been self-sustaining, generating revenue primarily from fees and charges on its mortgage loans. We do not contemplate seeking operating funds from the Legislature in the future because we believe that a well-run lending program can continue to generate sufficient revenues to cover both operating expenses and satisfactory levels of reserves.

Mortgage Loans and Commitments/Projects to be Permanently Financed

Development Name	# Units	Location	Mortgagor	Contractor	Mortgage Loan Amount
Blairsville House (fully rented)	87	Blairsville Indiana Co.	Blairsville Associates Pittsburgh, Pa.	L-D Building Co., Inc. Latrobe, Pa.	\$1,550,000
Marlboro Place	76	Wilkes-Barre Luzerne Co.	Humford Equities, Inc. Wilkes-Barre, Pa.	Boyd H. Kline Associates, Inc. Bloomsburg, Pa.	\$1,345,000
Shields Building	30	Wilkesburg Allegheny Co.	Herman Engelberg Pittsburgh, Pa.	Reicher Building Co., Inc. Pittsburgh, Pa.	\$545,000
Williamsburg Estates	312	Lower Paxton Twp. Dauphin Co.	Norman B. Leventhal Boston, Mass.	Beacon Construction Co. Boston, Mass.	\$6,855,000
Markvue Apartments	35	Irwin Westmoreland Co.	Ackerman Associates Irwin, Pa.	Ackerman Associates Irwin, Pa.	\$563,000
Temple University Student Housing	82	Philadelphia Philadelphia Co.	Temple University Philadelphia, Pa.	Meridian Engineering, Inc. Philadelphia, Pa.	\$2,000,000
Rolling Hills	232	Lower Pottsgrove Twp. Montgomery Co.	Rolling Hills Associates Atlantic City, N.J.	Barness Construction Co. Warrington, Pa.	\$5,045,000
One Buttonwood Square	319	Philadelphia Philadelphia Co.	F.T.K. Corporation Jenkintown, Pa.	Korman Corporation Jenkintown, Pa.	\$10,220,000
Meadowick Village	273	Whitpain Twp. Montgomery Co.	Whitpain Associates Margate, N.J.	Andrichyn & Schnabel, Inc. Lansdale, Pa.	\$7,050,000
777 Court Street	90	Reading Berks Co.	National Development Corporation Pittsburgh, Pa.	NADCO Construction, Inc. Pittsburgh, Pa.	\$2,463,152
Squires Manor (Phase One)	132	South Park Twp. Allegheny Co.	Squires Manor Associates Pittsburgh, Pa.	Manor Contracting, Inc. Pittsburgh, Pa.	\$2,412,058
The Plaza Apartments	128	Cornwall Twp. Lebanon	Altman Brothers Glenside, Pa.	Ambler Construction Co. Glenside, Pa.	\$2,250,000
First Valley Bank Complex	211	Kingston Luzerne Co.	Clarmark Associates New York, N.Y.	Grosek & Sons Plains, Pa.	\$6,500,000
Cumberland Court Apartments	108	Harrisburg Dauphin Co.	Cumberland Court Associates Washington, D.C.	Alexander & Sons Harrisburg, Pa.	\$2,365,000
Hilltop Apartments	152	Duquesne Allegheny Co.	Hilltop Associates Philadelphia, Pa.	H & F Construction Co. Philadelphia, Pa.	\$2,945,000
Edwardsville Village	252	Edwardsville Luzerne Co.	Continental Mortgage Corporation Atlantic City, N.J.	Arch-Build Corporation Southampton, Pa.	\$4,950,000
Wimmerton	100	Unity Twp. Latrobe Westmoreland Co.	National Development Corporation Pittsburgh, Pa.	NADCO Construction, Inc. Pittsburgh, Pa.	\$1,819,966
Fairfax Apartments	243	Pittsburgh Allegheny Co.	National Development Corporation Pittsburgh, Pa.	NADCO Construction, Inc. Pittsburgh, Pa.	\$3,965,000
Riverview Park Apartments	168	White Oak Bor. Allegheny Co.	Eugene Litman Pittsburgh, Pa.	Eugene Litman Pittsburgh, Pa.	\$3,250,000

Construction Loans

Development Name	# Units	Location	Mortgagor	Contractor	Amount
Brinton Towers	190	Braddock Hills Allegheny Co.	Brinton Tower Associates Philadelphia, Pa.	H & F Construction Co. Philadelphia, Pa.	\$4,129,300
Williamsport Housing for the Elderly	100	Williamsport Lycoming Co.	Keystone UAW Housing Corporation Dresher, Pa.	Williamsport Construction Williamsport, Pa.	\$1,607,400
Pin Oak Village	100	Oil City Venango Co.	Pin Oak Village Associates Pittsburgh, Pa.	NADCO Construction, Inc. Pittsburgh, Pa.	\$1,721,100
Westview Terrace	106	New Castle Lawrence Co.	UHURU New Castle, Pa.	Robert Pesa Youngstown, Ohio	\$2,086,700
Eastside Moderate Income Housing	76	Nanticoke Luzerne Co.	Nanticoke UAW Housing Corporation Nanticoke, Pa.	Nanticoke Construction Co. Nanticoke, Pa.	\$1,479,500
Easton Senior Citizens Housing	100	Easton Northampton Co.	Easton UAW Housing Corporation Dresher, Pa.	Kyle Construction Inc. Ramsey, N.J.	\$1,323,300
Mid-City Towers	132	Erie Erie Co.	National Development Corporation Pittsburgh, Pa.	National Development Corporation Pittsburgh, Pa.	\$3,318,400
Sherman Terrace Apartments	344	Wilkes-Barre Luzerne Co.	Transcontinental Realty Corporation	National Development Corporation Pittsburgh, Pa.	\$7,094,600
Center Square Towers	352	Doylestown Montgomery Co.	Center Square Associates Warrington, Pa.	Forest City Dillon, Inc. Akron, Ohio	\$7,691,400
Bellefield Dwellings	158	Pittsburgh Allegheny Co.	Hill House Housing Development Corporation Pittsburgh, Pa.	Hill House Housing Development Corporation Pittsburgh, Pa.	\$3,473,100
Webster Towers	98	Scranton Lackawanna Co.	Jewish Home of Eastern Pennsylvania Scranton, Pa.	National Development Corporation Pittsburgh, Pa.	\$1,981,500
Wilson Townhouses	200	Spring Twp. Berks Co.	Avon Development Corporation	Ambler Construction Co.	\$4,670,200
Oak Hill Apartments	120	Franklin Venango Co.	Oak Hill Apartments, Ltd. Cleveland, Ohio	Orlean Company Cleveland, Ohio	\$2,240,100
Roosevelt Arms	191	Pittsburgh Allegheny Co.	Crossgates, Inc. McMurray, Pa.	A. C. Schwotzer, Inc.	\$5,290,700
McKean County Turnkey	100	Scattered Sites McKean County	U.S. Mortgage, Inc. Cleveland, Ohio	Orlean Company Cleveland, Ohio	\$2,437,400



MARKVUE APARTMENTS will provide contemporary rental housing at affordable rents in a location within commuting distance of Pittsburgh. While still under construction, this PHFA development will be fully occupied well before our next Annual Report is published.

Construction loans are made on developments which provide housing for low and moderate-income persons and families under programs assisted by the federal government. Under this system, a permanent loan is provided by another lender or governmental agency because permanent financing by PHFA would not result in any reduction in rental charges to the tenants. In addition to the foregoing, the Agency has provided construction financing on the following project which has been completed and in which the Agency has no further financial involvement:

Name	Number of Units	Location	Owner	Amount
Derry Area Senior Housing Corporation	18	Derry Westmoreland County	Derry Area Senior Housing Corporation	\$342,000

What The Talk Is All About

PHFA is new compared to some of the other Housing Finance Agencies operating throughout the country. But as our production figures for the last fiscal year show, we have seen a year of growth. We are confident that at this time next year many of the developments that are only partially completed will be finished, landscaped and occupied by Pennsylvanians in need of good housing at affordable rents.



BY MAKING the First Valley Bank Complex possible with its mortgage financing, PHFA has provided 211 new apartments for residents of this Wyoming Valley community, where thousands of families were displaced in 1972 by Hurricane Agnes.

Rather than talk technicalities, a closer look at a few of our developments should provide a picture that will illustrate much of what goes into a PHFA development.

Edwardsville Village, Edwarsville, Luzerne County

In June of 1972, Hurricane Agnes turned the Wyoming Valley, in Northeastern Pennsylvania, into a national disaster area. More than 14,000 families were displaced by homes that were either destroyed by the flooding or rendered uninhabitable.

Edwardsville Village is one of several PHFA projects ongoing in the Wyoming Valley.

Building the 252-unit development, located at Roosevelt and Grove Streets, in Edwarsville Borough, created approximately 268 full time on-site and construction related jobs. And an annual municipal tax revenue for the borough of \$43,201.

The development is located two miles from Wilkes-Barre, where the flood did the most damage to homes and businesses. It qualified for \$460,424 in Rent Subsidy Funds provided by the Philadelphia Office of the Federal Department of Housing and Urban Development. The development qualified for the federal rent subsidy program on grounds that it would provide sorely needed housing in an area ravaged by a natural disaster.

Edwardsville Village was sponsored by Michael J. Levitt, who has significant experience in residential home development in both Pennsylvania and New Jersey. The Architect was Hassinger & Schwamm of Philadelphia.

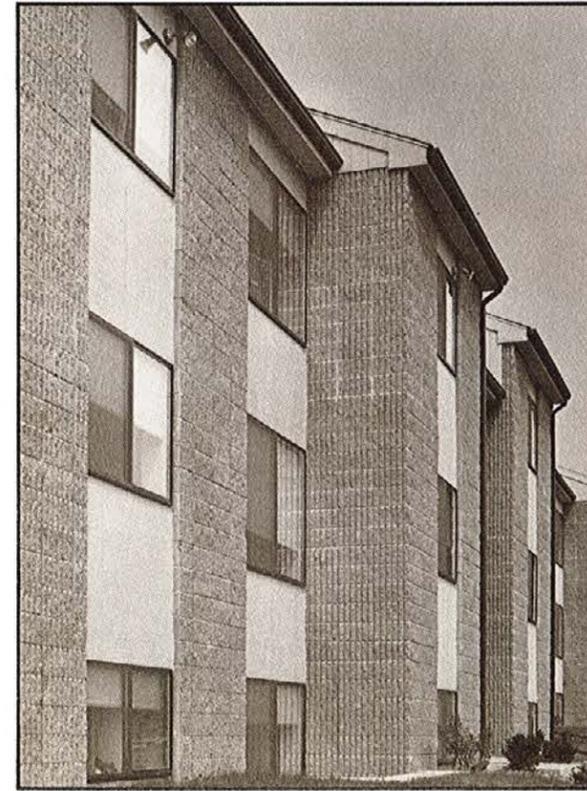
While still under construction, tenants already reside in completed sections of the development. Like all PHFA developments, it offers comparable amenities of developments financed in the private sector.

Edwardsville Village is located relatively close to the shopping facilities of downtown Wilkes-Barre. Bus transportation for residents is available not only to Wilkes-Barre, but to two other nearby municipalities offering shopping and other services and facilities. Two substantial shopping centers are located within one mile of the development.

The development is within 1/2 mile of two elementary schools and a high school is available in Kingston Borough, about one mile away. A public park is within 1.5 miles of the development and a public library is a mile away. A public recreation center is located two miles from the community. A broad range of employment opportunities are available nearby.

On grounds that the development exists in an area of extreme need of housing for those of low and moderate income, the professional qualifications of the development team and good access to schools, jobs, shopping areas and public transportation, PHFA financed the development.

And the units are renting as quickly as they are completed and tenants whose income qualifies them for occupancy are selected from a long waiting list.



EDWARDSVILLE VILLAGE is one of several PHFA developments that has provided new rental housing for residents of the Wyoming Valley, which was devastated by Hurricane Agnes in 1972.

HILLTOP APARTMENTS, located less than 30 minutes from central Pittsburgh, created 152 new apartments and a community with a suburban atmosphere.



BLAIRSVILLE HOUSE, the first PHFA development to be completed and fully occupied, provides 87 one-bedroom apartments for senior citizens in this rural community in Western Pennsylvania.



**Blairsville House,
Blairsville,
Indiana County**

The need for decent, affordable housing for those of low and moderate income is especially apparent in the case of senior citizens. Blairsville House, an 87-unit building at Morewood Avenue and East Brown Street, in Blairsville, Indiana County, is a fine example of the PHFA commitment towards helping to meet the need in Pennsylvania for elderly housing.

To date, the Agency has committed, completed or has under construction approximately 2,100 units of elderly housing. Much of it is federally subsidized.

Blairsville House was subsidized by the Federal Department of Housing and Urban Development under the Section 23 Leased Housing Assistance Program. That program has since been replaced with the Section 8 program, which has broader powers.

The elderly residents of the tree-shaded five-story brick building called Blairsville House pay no more in rent than 25% of their total adjusted income. The building is located near shopping one block away in the central business district of Blairsville.

A common sight near the Blairsville Building is that of one of the residents being helped by friends or family with food and other packages following shopping trips.

All of the 87 units are one-bedroom apartments and the building is equipped with an elevator. Indiana County is far from being an urban area and the location of the building exudes a feeling of peace and dignity.

The need for elderly housing in the Blairsville area combined with a highly reliable development team and Federal Aid resulted in a PHFA loan of \$1,550,000 for the creation of Blairsville House.

The sponsor of the project was Blairsville Associates of Pittsburgh. The Architect was Foster A. Rankin.

Under the regulations of the Section 23 Program, the development is leased by the sponsor to the Housing Authority of Indiana County for 20 years at \$134,160 per year. Under this arrangement, the County Housing Authority pays all taxes, operating expenses and all non-structural maintenance.

In addition to providing a beautiful place for area elderly people to live, Blairsville House created tax revenue for the municipality and approximately 82 full time on-site or construction related jobs.

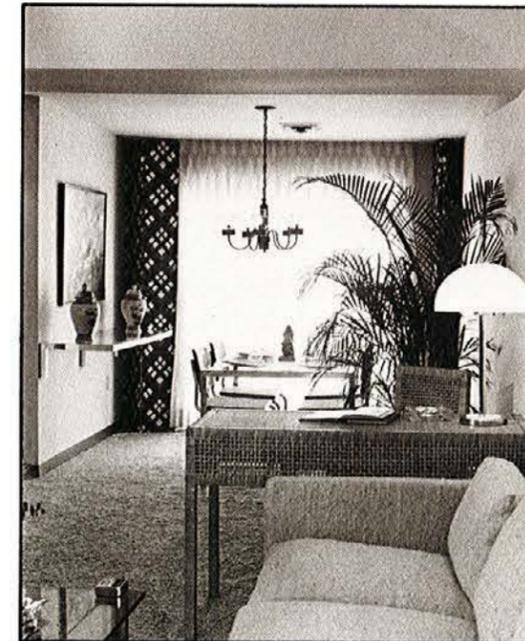
**Williamsburg Estates,
Lower Paxton Township,
Dauphin County**

With a range of one, two, and three-bedroom apartments, we feel that Williamsburg Estates exemplifies the kind of housing that PHFA financing provides to families and individuals seeking the type of rental housing that will become a small community.

This 312-unit development is located about five miles east of central Harrisburg, on Crums Mill Road, in Lower Paxton Township.

While the development is not entirely completed, families have already moved into finished units where they enjoy an amenity package of refrigerator, stove, garbage disposal, dishwasher, balcony/patio and carpeting.

The development, consisting of 28 two-story buildings, sits on a 36-acre site. Other amenities comparable with privately financed developments include central air conditioning and washer/dryers in the two and three-bedroom units with coin operated laundry facilities for the one-bedroom units. A swimming pool, tot lots, two tennis courts and approximately 13



DINING AREA in a sample apartment at Williamsburg Estates.



WILLIAMSBURG ESTATES, located five miles from central Harrisburg, provides amenities found in more expensive, privately-financed developments. This development is exemplary of the rental communities that PHFA knows will attract families, single persons and other segments of the population who seek affordable, contemporary rental housing.

acres of open space — including a three-hole "practice" golf course — make the development even more desirable.

Numerous, modern shopping centers are only minutes from Williamsburg Estates via Interstate Highways 81 and 83.

As the development nears completion, the picture grows prettier every day.

Williamsburg Estates was made possible by a PHFA loan of \$6,855,000.

The sponsor of Williamsburg Estates is Norman B. Leventhal of Boston.

The Architect is Samuel Paul of Forest Hills, New York.

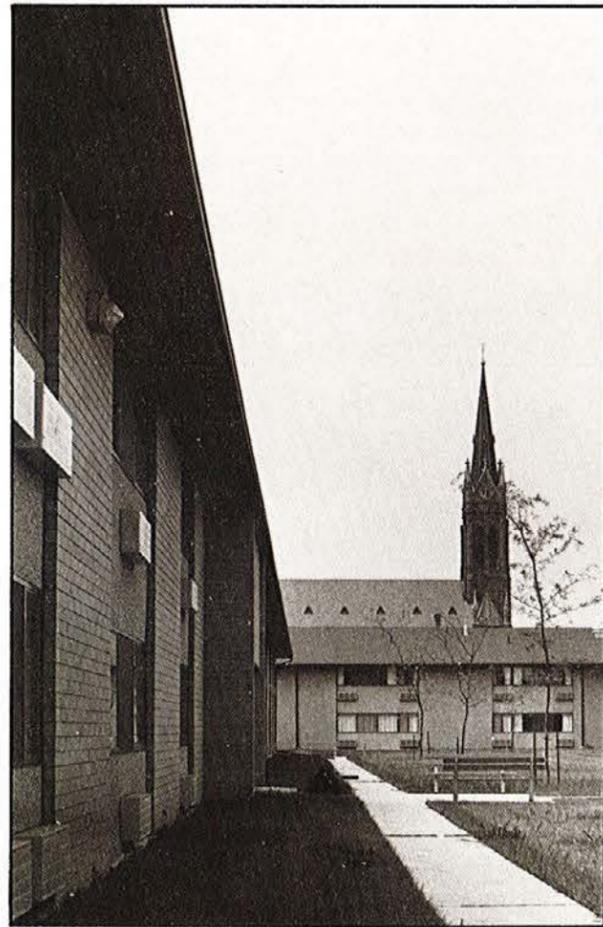
Williamsburg Estates created approximately 351 full time on-site or construction-related jobs and tax revenues for Lower Paxton Township of \$59,280 per year.

Because the apartments are renting at a rapid pace while construction in other sections continues, we feel that Williamsburg Estates will prove to be one of the most successful of our developments financed under our Rental Housing Program.

**Wait 'til
Next Year**

The next fiscal year for the Agency should see tremendous growth. The developments not yet completed will be built and occupied. Many of the developments currently under consideration will have been approved and under construction. And PHFA will have gone yet another step forward in fighting the housing shortage throughout Pennsylvania for persons of low and moderate income.

If the PHFA Annual Report for fiscal year 1976 does not reflect this, then we would not be doing our job ... which we are.

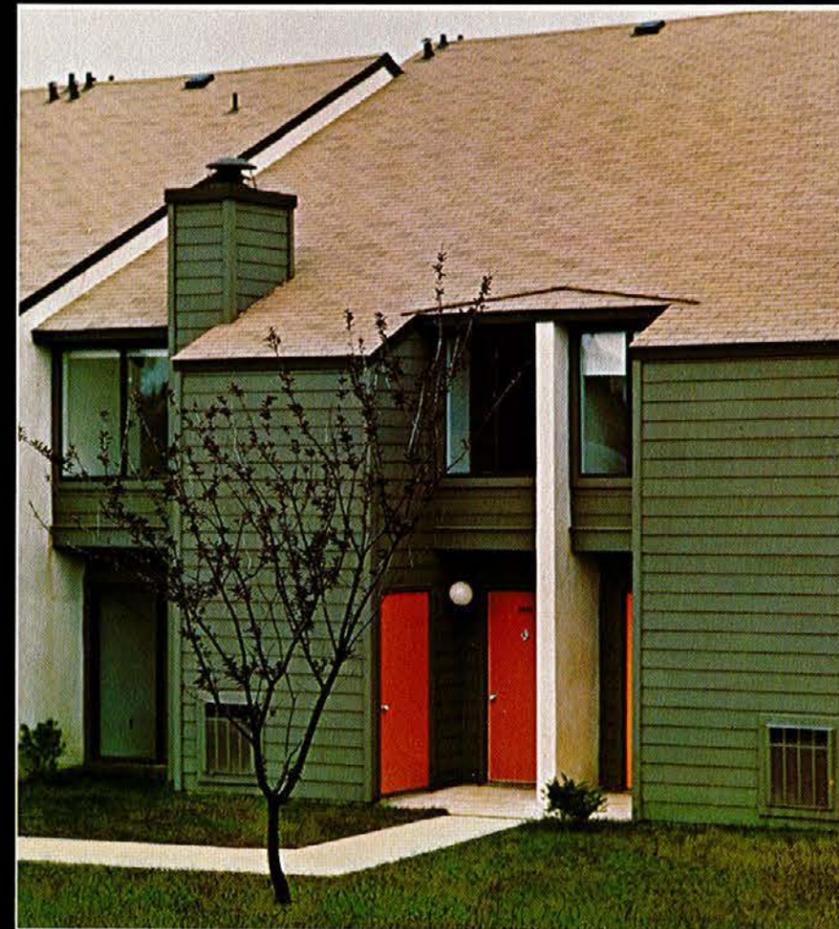


MARLBORO PLACE, located in central Wilkes-Barre, made 76 new apartments available to residents of the city that was most damaged by the Hurricane Agnes flooding in 1972.

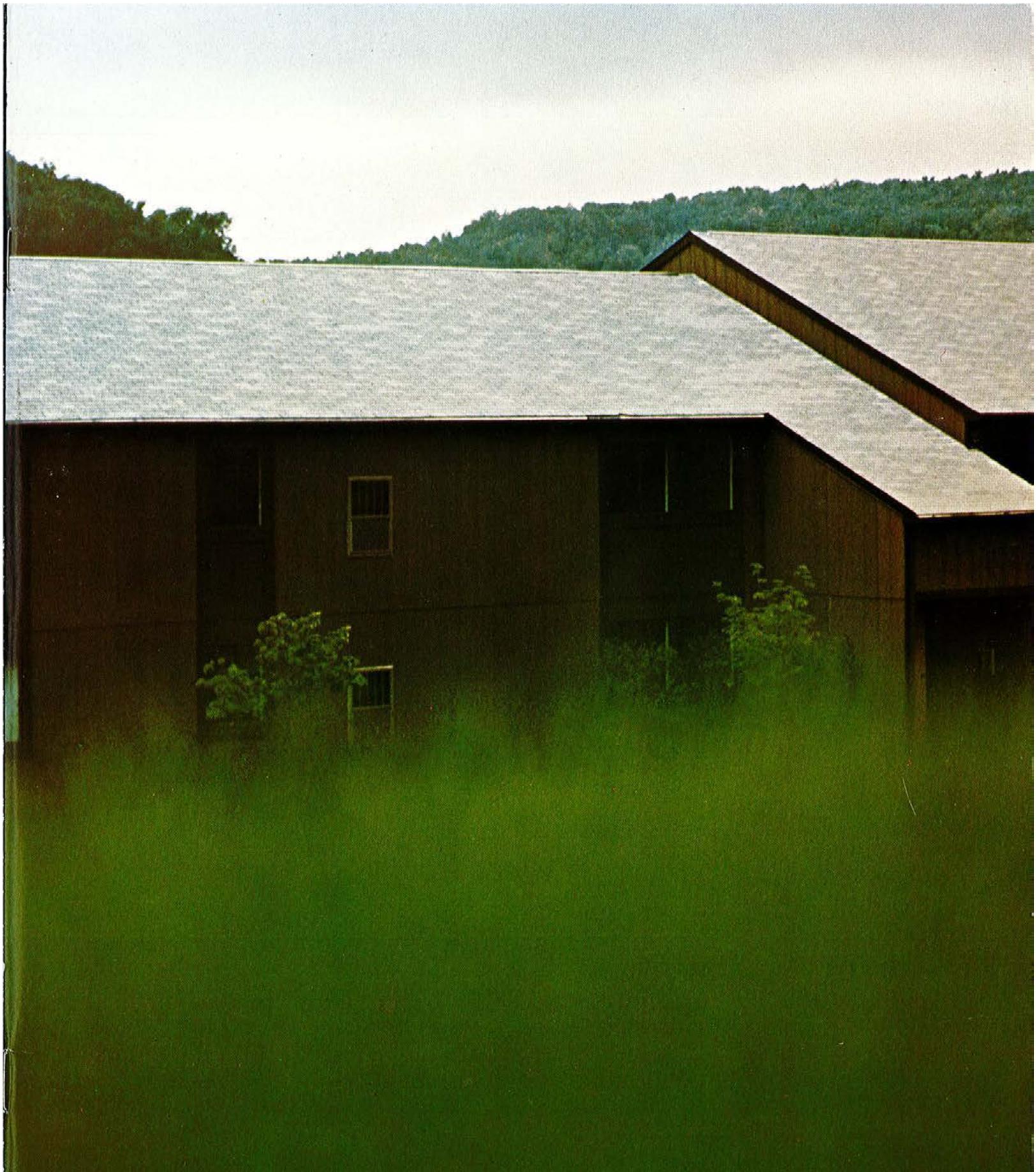


CUMBERLAND COURT APARTMENTS, situated within sight of the Capitol Building, is located in a redevelopment area of Harrisburg and represents the first new rental housing built in the city in recent memory.

← Financial Information Inside



MEADOWICK VILLAGE, Whitpain Township, Montgomery County.



**Pennsylvania
Housing Finance
Agency**

**Annual Report
October
1975**

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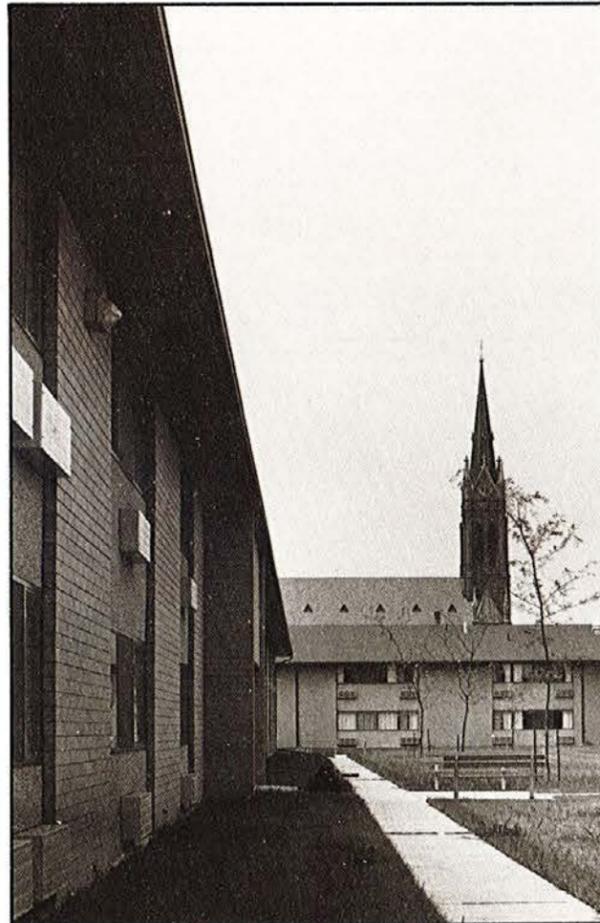
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Board of Directors



Walter G. Arader



Leon E. Hickman



Robert R. Lavelle



James A. Lineberger



Nancy Neuman



John M. O'Brien



William H. Wilcox

Agency Members, Counsel and Underwriters

Senior Managing Underwriter
Salomon Brothers

Co-Managing Underwriters
Paine, Webber, Jackson & Curtis, Inc.
The Philadelphia National Bank

Independent Certified Public Accountants
Peat, Marwick, Mitchell & Co.

Bond Counsels
Mudge Rose Guthrie & Alexander
Schnader, Harrison, Segal & Lewis

General Counsel
McNeese, Wallace & Nurick

Depositories and Paying Agents

- Central Penn National Bank
- Continental Bank
- First Pennsylvania Bank
- First Valley National Bank
- Girard Bank
- Home Unity Savings & Loan
- Industrial Valley Bank
- Lincoln Bank
- Mellon Bank
- National Central Bank
- New World National Bank
- Northampton National Bank
- The Philadelphia National Bank
- Pittsburgh National Bank

Bond Trustee and Paying Agent

Industrial Valley Bank,
Philadelphia, Pa.

Financial Information

Pennsylvania
Housing Finance
Agency

Accountants' Report

To the Members of the
Pennsylvania Housing Finance Agency:

We have examined the statement of assets, liabilities and fund balances of Pennsylvania Housing Finance Agency as of June 30, 1975, and the related statements of revenues and operating expenses and changes in fund balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the assets, liabilities and fund balances of Pennsylvania Housing Finance Agency at June 30, 1975 and the revenues and operating expenses and changes in fund balances for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis with that of the preceding year. Supplementary data included in Schedule 1 have been subjected to the same auditing procedures and, in our opinion, are stated fairly in all material respects when considered in conjunction with the financial statements taken as a whole.

PEAT, MARWICK, MITCHELL & CO.

Harrisburg, Pennsylvania
August 18, 1975

Statement of Assets, Liabilities and Fund Balances

June 30, 1975 with comparative combined total at June 30, 1974

Assets	Year ended June 30, 1975						Combined total — memorandum only	
	General Fund	Capital Reserve Fund	Construction Loan Fund	Rental Housing Program Mortgage Loan Fund	Rural Construction Program Mortgage Loan Fund	Turnkey Construction Loan Fund	June 30,	
							1975	1974
Cash	\$ 78,675	—	13,463	44,559	92	—	136,789	14,595
Temporary investments (note 2)	1,894,825	655,084	30,694,704	40,994,276	361,000	2,437,400	77,037,289	15,876,212
Accrued interest receivable	67,678	38,959	1,271,786	1,747,807	652	13,455	3,140,337	254,781
Mortgage loans receivable held as investments, less unamortized discounts (note 1)	—	1,249,192	—	—	—	—	1,249,192	1,310,087
Mortgage loans receivable (note 3)	—	—	—	1,484,547	—	—	1,484,547	—
Construction advances, net of valuation reserve (note 3)	—	—	23,906,709	38,529,653	—	—	62,436,362	5,784,769
Other receivables	53,730	1,410	26,316	1,466	—	—	82,922	—
Furnishings, fixtures and equipment, at cost	98,333	—	—	—	—	—	98,333	39,904
Other assets	1,706	—	—	—	—	—	1,706	2,398
Due from (to) other funds	320,487	15,355	(134,233)	(200,482)	(186)	(941)	—	—
	<u>\$ 2,515,434</u>	<u>1,960,000</u>	<u>55,778,745</u>	<u>82,601,826</u>	<u>361,558</u>	<u>2,449,914</u>	<u>145,667,477</u>	<u>23,282,746</u>
Liabilities and Fund Balances								
Bond anticipation notes (note 4)	\$ —	—	—	75,788,152	—	—	75,788,152	7,895,000
Construction mortgage loan notes (note 4)	—	—	49,224,700	—	—	—	49,224,700	10,104,606
Unamortized note premium	—	—	1,119	20,964	—	—	22,083	—
Project mortgage loan notes (note 4)	—	—	1,211,600	—	—	—	1,211,600	—
Rural construction mortgage loan notes (note 4)	—	—	—	—	342,000	—	342,000	—
Turnkey construction mortgage loan notes (note 4)	—	—	—	—	—	2,437,400	2,437,400	—
Accrued interest on notes	—	—	2,129,297	2,343,956	19,558	12,375	4,505,186	271,496
Good faith deposit (note 9)	—	—	—	237,750	—	—	237,750	—
Retention on construction advances	—	—	1,683,818	2,739,167	—	—	4,422,985	208,496
Accounts payable and accrued expenses	172,055	—	—	—	—	—	172,055	1,361,942
Escrowed funds (note 5)	—	—	576,438	179,757	—	—	756,195	256,400
Project grant funds	—	—	159,925	54,089	—	—	214,014	—
Total liabilities	<u>172,055</u>	<u>—</u>	<u>54,986,897</u>	<u>81,363,835</u>	<u>361,558</u>	<u>2,449,775</u>	<u>139,334,120</u>	<u>20,097,940</u>
Fund balances:								
Unrestricted	595,046	—	755,430	883,508	—	139	2,234,123	1,165,831
Investment in fixed assets	98,333	—	—	—	—	—	98,333	39,904
Contingency reserve for potential loan losses	1,400,000	—	—	—	—	—	1,400,000	—
Reserve for demonstration projects	250,000	—	—	—	—	—	250,000	—
Restricted	—	1,960,000	36,418	354,483	—	—	2,350,901	1,979,071
Total fund balances	<u>2,343,379</u>	<u>1,960,000</u>	<u>791,848</u>	<u>1,237,991</u>	<u>—</u>	<u>139</u>	<u>6,333,357</u>	<u>3,184,806</u>
Commitments and subsequent events (notes 8 and 9)	<u>\$ 2,515,434</u>	<u>1,960,000</u>	<u>55,778,745</u>	<u>82,601,826</u>	<u>361,558</u>	<u>2,449,914</u>	<u>145,667,477</u>	<u>23,282,746</u>

See accompanying summary of significant accounting policies and notes to financial statements.

Statement of Revenues and Operating Expenses

Year ended June 30, 1975 with comparative combined total at June 30, 1974

	Year ended June 30, 1975						Combined total — memorandum only	
	General Fund	Capital Reserve Fund	Construction Loan Fund	Rental Housing Program Mortgage Loan Fund	Rural Construction Program Mortgage Loan Fund	Turnkey Construction Loan Fund	Year ended June 30,	
							1975	1974
Revenues:								
Interest income:								
Investments	\$ 189,516	76,248	2,979,694	4,465,120	13,447	13,455	7,737,480	552,290
Mortgage loans receivable held as investments, net (note 1)	—	67,813	—	—	—	—	67,813	71,394
Mortgage loans receivable (note 3)	—	—	—	23,438	—	—	23,438	—
Construction advances	—	—	592,701	877,770	6,514	—	1,476,985	33,095
Total interest income	189,516	144,061	3,572,395	5,366,328	19,961	13,455	9,305,716	656,779
Fees and charges (note 3)	1,816,934	—	—	—	—	—	1,816,934	530,169
Other	9,212	—	14,711	—	—	—	23,923	—
Total revenues	<u>2,015,662</u>	<u>144,061</u>	<u>3,587,106</u>	<u>5,366,328</u>	<u>19,961</u>	<u>13,455</u>	<u>11,146,573</u>	<u>1,186,948</u>
Operating expenses:								
Salaries and related benefits	669,769	—	—	—	—	—	669,769	207,960
Professional and contracted services	203,476	—	—	—	—	—	203,476	50,259
Interest on notes (note 4)	—	—	2,702,730	3,877,655	19,558	12,375	6,612,318	271,496
Furnishings, fixtures and equipment	58,429	—	—	—	—	—	58,429	31,841
General and administrative	370,866	—	—	—	—	—	370,866	130,761
Provision for loss on construction advances (note 3)	—	—	43,000	57,000	—	—	100,000	—
Total operating expenses	<u>1,302,540</u>	<u>—</u>	<u>2,745,730</u>	<u>3,934,655</u>	<u>19,558</u>	<u>12,375</u>	<u>8,014,858</u>	<u>692,317</u>
Excess of revenues over operating expenses	\$ <u>713,122</u>	<u>144,061</u>	<u>841,376</u>	<u>1,431,673</u>	<u>403</u>	<u>1,080</u>	<u>3,131,715</u>	<u>494,631</u>

See accompanying summary of significant accounting policies and notes to financial statements.

Statement of Changes in Fund Balances

Year ended June 30, 1975 with comparative combined total at June 30, 1974

	Year ended June 30, 1975						Combined total — memorandum only	
	General Fund	Capital Reserve Fund	Construction Loan Fund	Rental Housing Program Mortgage Loan Fund	Rural Construction Program Mortgage Loan Fund	Turnkey Construction Loan Fund	Year ended June 30,	
							1975	1974
Unrestricted fund balance at beginning of period	\$ 1,010,110	—	144,143	11,578	—	—	1,165,831	690,271
Excess of revenues over operating expenses	713,122	144,061	804,958	1,054,668	403	1,080	2,718,292	475,560
Transfer of net investment income	521,814	(144,061)	(193,671)	(182,738)	(403)	(941)	—	—
Transfers (appropriation) for:								
Contingency reserve for potential loan losses	(1,400,000)	—	—	—	—	—	(1,400,000)	—
Reserve for demonstration programs	(250,000)	—	—	—	—	—	(250,000)	—
Unrestricted fund balance at end of period	\$ <u>595,046</u>	<u>—</u>	<u>755,430</u>	<u>883,508</u>	<u>—</u>	<u>139</u>	<u>2,234,123</u>	<u>1,165,831</u>
Investment in fixed assets at beginning of period	\$ 39,904	—	—	—	—	—	39,904	9,943
Purchase of fixed assets	58,429	—	—	—	—	—	58,429	29,961
Investment in fixed assets at end of period	\$ <u>98,333</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>98,333</u>	<u>39,904</u>
Contingency reserve for potential loan losses at beginning of period	\$ —	—	—	—	—	—	—	—
Transfer (appropriation) from unrestricted fund balance	1,400,000	—	—	—	—	—	1,400,000	—
Contingency reserve for potential loan losses at end of period	\$ <u>1,400,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,400,000</u>	<u>—</u>
Reserve for demonstration projects at beginning of period	\$ —	—	—	—	—	—	—	—
Transfer (appropriation) from unrestricted fund balance	250,000	—	—	—	—	—	250,000	—
Reserve for demonstration projects at end of period	\$ <u>250,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>250,000</u>	<u>—</u>
Restricted fund balance at beginning of period	\$ —	1,960,000	—	19,071	—	—	1,979,071	1,960,000
Excess of revenues over operating expenses	—	—	36,418	377,005	—	—	413,423	19,071
Reduction of mortgage principal balance	—	—	—	(41,593)	—	—	(41,593)	—
Restricted fund balance at end of period	\$ <u>—</u>	<u>1,960,000</u>	<u>36,418</u>	<u>354,483</u>	<u>—</u>	<u>—</u>	<u>2,350,901</u>	<u>1,979,071</u>
Total fund balances	\$ <u>2,343,379</u>	<u>1,960,000</u>	<u>791,848</u>	<u>1,237,991</u>	<u>—</u>	<u>139</u>	<u>6,333,357</u>	<u>3,184,806</u>

See accompanying summary of significant accounting policies and notes to financial statements.

Summary of Significant Accounting Policies

June 30, 1975

Authorizing Legislation

The Pennsylvania Housing Finance Agency is a body corporate and politic created by the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688, as amended. The Act became effective March 27, 1961 when the Governor declared by proclamation that sufficient funds were available for its administration. The Agency was activated July 11, 1970 upon the signing of a grant contract funded by appropriations of the General Assembly in its 1970 session.

Pursuant to the Act, the Agency is authorized and empowered, among other things, to finance the construction and rehabilitation of housing units for sale or rent to low and moderate income persons or families or the elderly. Bonds and notes issued under the provisions of the Act shall not be deemed to constitute a debt or liability of the Commonwealth of Pennsylvania or any political subdivision thereof or a pledge of the faith and credit of the Commonwealth of Pennsylvania or of any such political subdivision.

General Fund

The Agency's General Fund was established for the purpose of receiving all monies which may be made available to the Agency from any source, other than the proceeds from the issuance and sale of notes or bonds by the Agency. The fund is used for the payment of all expenses as the Agency shall deem necessary to carry out the provisions of the Housing Finance Agency Law.

Capital Reserve Fund

The Capital Reserve Fund was established for the purpose of receiving any monies appropriated and made available by the Commonwealth of Pennsylvania for the purpose of such fund, any proceeds from the sale of notes or bonds to the extent provided in the resolution of the Agency authorizing issuance thereof, and any other monies which may be available to the Agency for the purposes of such Fund.

All monies in the Capital Reserve Fund are restricted to the following types of payments applicable to the Agency's bonds:

- a. principal
- b. interest
- c. redemption premium
- d. repurchase of bonds
- e. sinking fund established for the amortization of term bonds

The Agency has the power to invest any monies not required for immediate disbursement. Under the Act, any interest or income earned by the Capital Reserve Fund due to investments may be transferred to the General Fund or any other fund of the Agency to the extent it does not reduce the Capital Reserve

Fund below the total of (a) maximum principal and interest maturing and becoming due and sinking fund payments required to be made in any succeeding calendar year on all bonds then outstanding and secured by the Capital Reserve Fund, and (b) any other amounts earmarked for the Capital Reserve Fund by grant contracts and provisions of appropriation laws. On July 1, 1975 the fund was transferred to the bond Trustee under the provisions of the Rental Housing Program Bond Resolution (see note 9).

Investment of Undisbursed Note Proceeds

The Agency has the power to invest monies of any fund which are not required for immediate disbursement and to transfer to the General Fund the excess of interest income earned over expense incurred prior to the applicable project closing and any unrestricted excess remaining at the completion of construction. The Agency has allocated a portion of the excess interest income on certain projects to be used for mortgage principal reductions or other project related purposes. These amounts are recorded as restricted funds in the accompanying financial statements.

Construction Loan Fund

The Construction Loan Fund was established for the purpose of receiving all proceeds from the issuance and sale of notes by the Agency in order to provide construction advances on FHA-insured projects.

Rental Housing Program Mortgage Loan Fund

The Rental Housing Program Mortgage Loan Fund was established for the purpose of receiving all proceeds from the issuance and sale of notes or bonds by the Agency in order to provide construction advances and to finance permanent mortgages under the rental housing program which are not FHA-insured. Certain projects within this fund have been financed as of July 1, 1975 with the proceeds of the issuance of Rental Housing Program Bonds, 1975 Series A (see note 9).

Rural Construction Program Mortgage Loan Fund

The Rural Construction Program Mortgage Loan Fund was established for the purpose of receiving all proceeds from the issuance and sale of notes or bonds by the Agency in order to provide construction financing of rental housing for persons of low or moderate incomes and the elderly in rural areas. Construction advances under this program are made after inspection and approval by the Farmers Home Administration which is contractually obligated to purchase the mortgage upon completion of construction.

Turnkey Construction Loan Fund

The Turnkey Construction Loan Fund was established for the purpose of providing construction financing for "turnkey" developments through the sale of turnkey construction mortgage loan notes. Under this program, the development is constructed by private developers pursuant to a contract with a local housing authority and the U. S. Department of Housing and Urban Development (HUD). There is no insurance of mortgage loan advances under this program. Upon completion of the development, the local housing authority is obligated to purchase the project for the contract price. The proceeds of such purchase are used in part to repay the Agency's construction mortgage loan. HUD is obligated to provide the local housing authority with funds to purchase the development upon satisfactory completion.

Operations

The Agency follows the accrual basis of accounting except that furnishings, fixtures and equipment are charged to operations when purchased and, accordingly, no depreciation is recorded in the statements of revenues and operating expenses and changes in fund balances. However, these assets are reported in the General Fund assets and fund balance at cost. Construction loan financing fees in the General Fund are recorded as income at the time each project loan is closed. Service fees are accrued as earned.

Operating expenses include administrative expenses of the Agency; costs and expenses incurred in connection with the authorization, issuance and sale of notes and bonds; and costs related to investigations, surveys, appraisals and other matters pertaining to the evaluation of mortgage loan proposals and advances on construction mortgage loans. Such costs and expenses are charged to operations in the General Fund as incurred.

Capitalization of Project Costs

Each project is permitted to capitalize certain costs associated with the construction phase, including the Agency construction loan financing fee, service fees, and interest charged on construction advances.

Investments

Temporary investments are carried at cost. Mortgage loans receivable held as investments are carried at cost less principal collections and discount is amortized on a straight-line basis over the term of the mortgage.

Project Grant Funds

These funds consist primarily of amounts received by mortgagors for the completion of designated housing projects and deposited with the Agency. The funds were provided to the

mortgagors by the Appalachian Regional Commission and Department of Community Affairs of the Commonwealth of Pennsylvania. All interest income earned on the investment of these funds must be returned to the grantor or used to reduce project costs, at the option of the grantor.

Contingency Reserve for Potential Loan Losses

The Agency established a contingency reserve in order to provide for unanticipated future losses on construction advances or on permanent mortgages. This reserve was created by the Agency through an appropriation of the unrestricted General Fund balance, and not by charges against revenues.

Provision for Loss on Construction Advances

Annually the Agency reviews construction advances and mortgage loans receivable in order to provide for potential losses when they become determinable. The provision is established by a charge against current revenues.

Reserve for Demonstration Programs

The Agency established a reserve for demonstration programs. This reserve was created by the Agency through an appropriation of the unrestricted General Fund balance, and not by charges against revenues.

Notes to Financial Statements

June 30, 1975

(1) Mortgage Loans Receivable Held as Investments

These mortgage loans are secured by first mortgage liens on single family homes located within Pennsylvania. All are insured by the Federal Housing Administration (FHA) and mature between November, 1990 and November, 2002. The mortgages bear a 7% interest rate; however, the Agency has provided an interest reduction rider to reduce rates to as low as 5% per annum. The interest reduction rider provides for graduated interest rate increases when the mortgagor's income exceeds limits as established in the rider.

All such loans were purchased at a discount from face value from FHA-approved mortgage companies and these companies service the mortgages. For the years ended June 30, 1975 and 1974, service fees amounted to \$4,650 and \$5,741, respectively. These service fees have been netted against mortgage interest income.

At June 30, 1975 and 1974, unamortized discounts amounted to \$21,175 and \$23,463, respectively.

(2) Temporary Investments

A summary of temporary investments, at cost, follows:

	June 30,	
	1975	1974
Certificates of deposit	\$ 69,937,052	12,264,681
United States Treasury bills	234,237	1,584,531
U. S. Government securities held under repurchase agreements	<u>6,866,000</u>	<u>2,027,000</u>
	<u>\$ 77,037,289</u>	<u>15,876,212</u>

The certificates of deposit with banks throughout the Commonwealth of Pennsylvania are secured by direct obligations of various governmental bodies which have been pledged by the participating banks to secure public deposits.

	June 30,	
	1975	1974
Interest rate range	5.50 to 12.15%	7.63 to 12.25%
Mature periodically through	May, 1976	March, 1975

As of June 30, 1975 and 1974, U. S. Treasury bills are stated at cost, which approximates market. At June 30, 1975, the bills bear interest at an annual rate of 4.691% and mature in July, 1975. As of June 30, 1974, the bills bore interest at annual rates ranging from 7.12% to 8.65%, and have matured periodically through June, 1975.

The U. S. Government securities held under repurchase agreements carry various interest rates which are determined by the market on any given date. The rates at June 30, 1975 and 1974, ranged from 5.00% to 6.00% and 9.75% to 10.63%, respectively.

(3) Construction Advances and Mortgage Loans Receivable

All advances on construction mortgage loans are collateralized by first mortgages on the properties of the housing sponsors.

Construction Loan Fund — The Agency has advanced funds aggregating \$23,906,709 and \$3,767,804, which includes accrued interest receivable of \$214,413 and \$16,317, as of June 30, 1975 and 1974, respectively, under mortgage loan agreements of \$43,678,600 and \$10,502,100. All funds were advanced at interest rates ranging from 7.0% to 8.75% of the cumulative advances, of which 0.5% of the face amount of the mortgage commitment is recognized by the Agency as a service fee on an annual basis. The Agency also receives a construction loan financing fee, at closing, in the amount of 1.0% of the mortgage commitment in order to cover operating expenses, financing costs and other Agency related expenses. Construction loans on all projects, except one on a project in Easton, Pennsylvania, are subject to a commitment from the Federal or Government National Mortgage Associations (FNMA/GNMA) or approved FNMA or GNMA sellers to purchase the mortgage upon final endorsement by the Federal Housing Administration (FHA). The Agency reserves the option to provide permanent financing under the Rental Housing Program, rather than exercising the FNMA or GNMA commitment. As of June 30, 1975, the mortgage loan on the Easton project is in default and it is the Agency's intention to assign the project to FHA at 99% of the insured funds disbursed.

In order to protect against various contingencies, the Agency generally requires irrevocable letters of credit to be provided by each project's developer and/or general contractor for the Agency's use to cure any breaches of the mortgagor's and/or contractor's contractual obligations. At June 30, 1975, the Agency has irrevocable letters of credit in the aggregate amount of \$2,358,300 upon which it can draw. These letters of credit expire periodically through a period extending up to two years after the related projects' date of completion (see note 5).

The Agency's review of the carrying value of construction advances has resulted in a provision for loss on construction advances of \$43,000 at June 30, 1975. The provision was established by a charge against current revenues and is netted against the carrying value of such advances in the statement of assets, liabilities and fund balances. No provision was necessary at June 30, 1974.

Rental Housing Program Mortgage Loan Fund — The Agency has advanced funds aggregating \$38,529,653 and \$2,016,965, which includes accrued interest receivable of \$126,386 and \$3,081, as of June 30, 1975 and 1974, respectively, under mortgage loan agreements of \$67,663,176 and \$19,970,000 at current interest rates of 4.93% to 8.25% (such rates being based upon the effective interest rates paid by the Agency on notes issued for this program). In addition, the Agency charges a service fee at an annual rate of 0.5% of the original mortgage commitment during construction and of the outstanding principal balance of the mortgage loan after completion of construction. The Agency also receives a construction loan financing fee, at closing, which fee is computed as a

Notes To Financial Statements (Continued)

percentage of the mortgage commitment in order to cover operating expenses, financing costs and other Agency related expenses. The construction loan financing fee has been 2% of the mortgage commitment amount through June 24, 1975, when the Agency increased the percentage to 3% for mortgage loans closing subsequent to that date.

Upon completion of each project, the related mortgage will be payable over terms of from 30 to 45 years at rates to be determined upon issuance of bonds or notes for such projects. One project has been completed as of June 30, 1975. The mortgage loan receivable at June 30, 1975 amounts to \$1,484,547, which includes accrued interest receivable of \$6,035, matures February 21, 2004 and is secured by a first mortgage lien on the related housing project. This project is financed by bond anticipation notes maturing February 2, 1976. The current annual interest rate on the mortgage loan receivable is 5.00%, which rate is based upon the interest rate paid by the Agency to finance the project.

In order to protect against various contingencies, the Agency generally requires irrevocable letters of credit to be provided by each project's developer and/or general contractor for the Agency's use to cure any breaches of the mortgagor's and/or contractor's contractual obligations and/or provide funds for operations (to the extent that project revenue is insufficient to meet its costs after completion of construction). At June 30, 1975, the Agency has irrevocable letters of credit in the aggregate amount of \$3,876,700 upon which it can draw. The letters of credit expire periodically through a period extending up to two years after the related projects' date of completion (see note 5).

The Agency's review of the carrying value of construction advances and the mortgage loan has resulted in a provision for loss on construction advances of \$57,000 at June 30, 1975. The provision was established by a charge against current revenues and is netted against the carrying value of such advances in the statement of assets, liabilities and fund balances. No provision was necessary at June 30, 1974.

Rural Construction Program Mortgage Loan Fund — The Agency had advanced funds aggregating \$342,000 during the year ended June 30, 1975 under a construction mortgage loan agreement of \$342,000. Funds were advanced at an interest rate of 7.625% of the cumulative advances, of which 0.5% of the face amount of the mortgage commitment was recognized by the Agency as a service fee on an annual basis during construction. The Agency also received a construction loan financing fee, at closing, in the amount of 1.5% of the mortgage commitment in order to cover operating expenses, financing costs and other Agency related expenses. All advances were made only after requisitions were approved by the Farmers Home Administration. The Farmers Home Administration purchased the construction mortgage loan for \$342,000 on June 17, 1975 (such date being the completion date of the project).

Turnkey Construction Loan Fund — As of June 30, 1975, the Agency has not advanced any funds under a mortgage loan agreement of \$2,437,400. The Agency has accrued a construction loan financing fee, at closing, in the amount of 2% of the mortgage commitment in order to cover operating expenses, financing costs and other Agency related expenses. Upon completion of the project, a local housing authority is obligated to purchase the Agency's construction mortgage loan.

(4) Notes Payable

The Agency issues notes to provide interim financing of mortgage loans to qualified housing sponsors. The notes are collateralized by the full faith and credit of the Agency and by all monies received by the Agency in repayment of principal and interest on the related mortgage loans. The proceeds of a consolidated issue of loan notes are used to finance a number of projects, whereas a single issue finances one project.

The bond anticipation notes (original and/or renewal issues) are to be repaid from either (a) the proceeds of first definitive bond issues of the Agency designated to provide funds with which to pay such notes (see note 9), or (b) renewal note issues.

	<u>Issue date</u>	<u>Due date</u>	<u>Annual interest rate</u>	<u>Original issue and amount outstanding June 30, 1975</u>
Bond Anticipation Notes:				
Consolidated Issue				
Two-Block 3	Sept. 16, 1974	Sept. 15, 1975	8.25%	\$ 6,500,000
Issue Two	Sept. 23, 1974	Sept. 15, 1975	8.00	2,280,000
Consolidated Issue				
Three	Oct. 24, 1974	Oct. 24, 1975	6.40	24,410,000
Issue Three	Feb. 3, 1975	Feb. 2, 1976	5.13	183,152
Renewal Consolidated				
Issue One	Feb. 3, 1975	Feb. 2, 1976	5.00	34,915,000
Consolidated Issue				
Four-Block 1	June 26, 1975	June 25, 1976	5.25 - 5.55	7,500,000
				<u>\$ 75,788,152</u>

Bond anticipation notes outstanding at June 30, 1974 amounted to \$7,895,000 at rates ranging from 4.50% to 7.00% and matured on February 28, 1975.

Construction mortgage loan notes will be repaid either (a) from the sale of the construction mortgage loans by the Agency, through the original mortgagee, to the Federal or Government National Mortgage Associations, which will provide the permanent financing for the housing projects for which such notes were issued, or (b) from the Agency's issuance of notes or bonds designated to repay notes related to projects which the Agency exercises its option to permanently finance.

	<u>Issue date</u>	<u>Due date</u>	<u>Annual interest rate</u>	<u>Original issue and amount outstanding June 30, 1975</u>
Construction Mortgage				
Loan Notes:				
Consolidated Issue				
Three	Sept. 23, 1974	Sept. 15, 1975	7.85%	\$ 19,340,000
Consolidated Issue				
Four	Oct. 4, 1974	Sept. 15, 1975	7.10	6,650,000
Renewal Consolidated				
Issue One	Oct. 24, 1974	Oct. 24, 1975	6.16	5,765,700
Issue Five	Dec. 2, 1974	Oct. 24, 1975	5.90	2,240,000
Consolidated Issue				
Five	Feb. 3, 1975	Feb. 2, 1976	4.79	6,111,600
Renewal Consolidated				
Issue Three	Feb. 3, 1975	Feb. 2, 1976	4.79	5,990,000
Renewal Consolidated				
Issue Four	Apr. 11, 1975	Oct. 24, 1975	6.00	3,127,400
				<u>\$ 49,224,700</u>

Construction mortgage loan notes outstanding at June 30, 1974 amounted to \$10,104,606 at rates ranging from 4.75% to 6.50% and matured November 14, 1974.

Project mortgage loan notes were issued on April 11, 1975 in the principal amount of \$1,211,600 at an annual interest rate of 6.00% and mature on October 24, 1975. These notes

(Continued)

Notes To Financial Statements (Continued)

will be repaid from the proceeds of the sale or other disposition of the project financed by these notes as deemed appropriate by the Agency.

Rural construction mortgage loan notes were issued October 1, 1974 in the principal amount of \$342,000 at an annual interest rate of 7.625%. The notes matured July 1, 1975 and were paid from the proceeds of the sale of the related housing project to the Farmers Home Administration (see note 3).

Turnkey construction mortgage loan notes issued May 30, 1975 in the principal amount of \$2,437,400 at an annual interest rate of 5.98% mature July 30, 1976. The notes will be repaid from the proceeds of the sale of the related housing project to the local housing authority.

(5) Escrowed Funds

Escrowed funds represent amounts advanced by contractors to cover construction costs in excess of existing mortgage commitments and/or amounts of letters of credit drawn upon by the Agency to cover potential project cost overruns. When the projects are completed, these funds will be returned to the contractors or developers, to the extent that they have not been invaded by the Agency to satisfy project costs. Interest earned on the investment and reinvestment by the Agency on certain of these funds will also be returned to the contractors; accordingly, such interest is recorded as restricted funds in the financial statements. Interest earned on invaded amounts, if any, will accrue to the Agency.

(6) Pension and Retirement Plan

On December 16, 1974, the Agency adopted its own pension plan to cover all full-time employees who are not eligible to participate in the State Employees' Retirement System of the Commonwealth of Pennsylvania. The Agency's plan is retroactive to January 1, 1974, and provides for employee contributions in the amount of 2.0% of yearly gross wages with the Agency contributing the balance, as determined actuarially, to fund the benefits expected to become payable. The Agency's contribution to the State plan is based on 10.96% of the eligible employees' gross wages.

Pension expense for the year ended June 30, 1975, amounted to \$59,777 which included \$4,079 attributable to employees covered by the State plan and \$7,800 which represents the Agency's required contributions prior to July 1, 1974 under the retroactive provision of the new pension plan. Pension expense for the year ended June 30, 1974, was \$11,404 which consisted of \$5,617 accrued for the Agency's plan and \$5,787 for the State plan.

(7) Lease Agreement

The Agency's office premises are occupied under the terms of a lease agreement which expires on December 31, 1979. Minimum rental commitments under this noncancellable lease are as follows:

Year ended June 30,	
1976	\$ 61,025
1977	61,025
1978	61,025
1979	61,025
1980	30,513

Insurance and maintenance expenses are obligations of the Agency. It is expected that in the normal course of business, the lease that expires will be renewed or replaced by a lease on other property; thus, it is anticipated that future minimum lease commitments will not be less than the amount shown for 1979.

Rental expense for the years ended June 30, 1975 and 1974 were \$51,857 and \$20,148, respectively.

(8) Commitments

As of June 30, 1975, the Members of the Agency had authorized the issuance of commitments to provide five mortgage loans, within the Rental Housing Program Mortgage Loan Fund, in an aggregate amount not to exceed \$13,095,000.

Subsequent to June 30, 1975, the issuance of commitments to provide an additional four mortgage loans within the Rental Housing Program Mortgage Loan Fund, in an aggregate amount not to exceed \$14,895,000, was also approved by the Members of the Agency.

(9) Subsequent Events

On July 1, 1975 the Agency issued an aggregate amount of \$23,775,000 of Rental Housing Program Bonds, 1975 Series A pursuant to the Rental Housing Program Bond Resolution adopted on April 9, 1974, and readopted, modified and confirmed on June 5, 1975. The issue is comprised of:

- a. \$3,265,000 serial bonds due from 1977 to 1997 and bearing interest at 7.4% to 10% per annum. The serial bonds maturing September 1, 1986, and thereafter, are redeemable prior to maturity at the option of the Agency on September 1, 1985 or on any interest payment date thereafter, at 104% of face amount through August 31, 1989 and at declining premiums thereafter.
- b. \$20,510,000 term bonds of which \$7,005,000 and \$13,505,000 bear interest at 7.9% and 8.0% per annum and are due September 1, 2010 and 2021, respectively. These bonds are also redeemable prior to maturity, by operation of a sinking fund, on September 1, 1998 through September 1, 2020 in increasing annual amounts from \$325,000 (1998) to \$1,755,000 (2020), with \$745,000 due at maturity.

Interest is payable semi-annually on September 1 and March 1 of each year, commencing September 1, 1975. Interest due September 1, 1975 is \$318,976.

The proceeds of the sale of the 1975 Series A Bonds have been applied as follows:

For payment of outstanding bond anticipation notes on five projects in the Rental Housing Program Mortgage Loan Fund	\$ 21,110,000
For deposit in Capitalized Interest Account	278,110
For deposit in the Capital Reserve Fund	1,973,830
Bond discount	413,060
Total bond principal amount	\$ 23,775,000

Representatives of the bond underwriters gave a good faith deposit to the Agency in the amount of \$237,750 on June 5, 1975. This amount was applied on July 1, 1975 to the purchase price of these bonds.

Statement of Cash Receipts and Disbursements

Year ended June 30, 1975 with comparative combined total at June 30, 1974

	Year ended June 30, 1975						Combined total — memorandum only	
	General Fund	Capital Reserve Fund	Construction Loan Fund	Rental Housing Program Mortgage Loan Fund	Rural Construction Program Mortgage Loan Fund	Turnkey Construction Loan Fund	Year ended June 30,	
							1975	1974
Cash balance at beginning of period	\$ 118	—	7,243	7,234	—	—	14,595	23,614
Receipts:								
Proceeds from sale of notes	—	—	60,770,665	102,858,873	342,000	2,437,400	166,408,938	17,999,606
Sale of investments	3,950,689	—	155,231,054	208,992,716	1,595,743	—	369,770,202	75,803,906
Interest on mortgages held for investment	68,205	—	—	—	—	—	68,205	70,772
Interest on investments	184,091	—	1,884,682	2,758,589	13,044	—	4,840,406	209,951
Fees and charges	1,433,800	—	—	—	—	—	1,433,800	357,660
Proceeds from escrowed funds	80,000	—	469,827	179,983	2,460	—	732,270	—
Project grant funds	—	—	426,450	140,000	4,000	—	570,450	—
Good faith deposit	—	—	—	237,750	—	—	237,750	—
Other	10,823	—	541	49,450	342,000	—	402,814	2,640
	<u>5,727,608</u>	<u>—</u>	<u>218,783,219</u>	<u>315,217,361</u>	<u>2,299,247</u>	<u>2,437,400</u>	<u>544,464,835</u>	<u>94,444,535</u>
Disbursements:								
Purchase of investments	4,558,213	—	176,639,746	244,613,559	2,199,311	2,437,400	430,448,229	90,251,738
Construction advances	—	—	19,747,616	34,749,085	336,103	—	54,832,804	3,768,724
Retirement of outstanding notes	—	—	20,433,512	34,915,000	—	—	55,348,512	—
Operating expenses	1,195,139	—	906,722	1,610,522	713	—	3,713,096	433,092
Interfund disbursements (receipts)	(104,301)	—	1,049,403	(708,130)	(236,972)	—	—	—
	<u>5,649,051</u>	<u>—</u>	<u>218,776,999</u>	<u>315,180,036</u>	<u>2,299,155</u>	<u>2,437,400</u>	<u>544,342,641</u>	<u>94,453,554</u>
Cash balance at end of period	\$ 78,675	—	13,463	44,559	92	—	136,789	14,595

Pennsylvania Housing Finance Agency

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