PENNSYLVANIA HOUSING FINANCE AGENCY

1987 ANNUAL REPORT

PENNSYLVANIA HOUSING FINANCE AGENCY

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MESSAGE TO THE GOVERNOR

On behalf of the Board of Directors and the staff of the Pennsylvania Housing Finance Agency we are pleased to submit to you our 1987 Annual Report.

The year 1987 has been a turbulent period in the housing industry. It was a time to analyze the Agency's capabilities to meet low income housing needs and to redefine housing priorities throughout the Commonwealth. There has never been a greater need to provide safe, decent and affordable housing in Pennsylvania. Yet, at no time has this job been as difficult to accomplish as it is now.

Since the beginning of the decade, home ownership rates across the nation have fallen every year. In 1980 the rate among Americans peaked at 65.6%. Today the rate is below 64 percent. The American dream is slowly slipping away from the younger households. In the past five years home ownership has declined by 15% for those under 25, and 8% for those in the 30 to 34 age group.

The Pennsylvania Housing Finance Agency's Single-Family Home Ownership Program serves the needs of families at the lower end of the buying scale. It is an attempt to reverse the trend of declining ownership and to bring the dream of owning a home within the reach of many households. Since PHFA began its single-family program in 1982, more than 16,000 existing and nearly 7,000 new houses have been financed through the sale of over $1 billion of mortgage revenue bonds. Nearly all of these homes were purchased by first time home buyers of modest means.

Overall, thirty-eight percent of all PHFA's mortgages have been made to borrowers with a gross family income of $20,000 or less.

The Agency's Minority Home Ownership Program further illustrates the Agency's commitment to address the needs of a population that has been imperfectly served in the market. Using this program, black and hispanic families who are marginally qualified are provided counselling services that encourage pursuit of a housing purchase. To date, more than $14 million has been committed to this effort.

Translating the provisions of the 1986 Tax Act is the second obstacle that has hindered housing efforts nationwide. Restrictive income targeting requirements and the loss of incentives for private developers have caused the production of multi-family rental housing by state housing agencies to virtually cease.

To deal with these problems the Pennsylvania Housing Finance Agency has moved to help revitalize multi-family housing in the Commonwealth. Through the Agency's Rental Rehabilitation Program 249 apartments in this past year alone have been restored and made available to low and moderate income families.

PHFA has also committed $6,000,000 of its own funds to an Agency-supported rental housing demonstration program. To date, ten proposals for the construction and rehabilitation of low-income multi-family units have been approved for processing. Once complete, these developments are ex-

LEFT
Karen A. Miller
Chairman

RIGHT
Karl Smith
Executive Director

MESSAGE TO THE GOVERNOR Continued

pected to provide 395 apartment units for the elderly, lower income families and handicapped individuals.

Governor Casey, in his budget message of March 3, 1987, requested that the Pennsylvania Housing Finance Agency undertake a Homeless Housing Demonstration Program. PHFA has agreed to provide $5,000,000 to finance this effort. The initiative seeks to encourage a wide variety of sponsors who, using Agency financing, can expand the housing opportunities available to our less fortunate citizens. PHFA hopes that this program will generate new partnerships, stimulate thinking, develop techniques and demonstrate that housing affordable to our lowest income citizens can be created.

In April PHFA was designated as the responsible authority for the administration of the low income Rental Housing Tax Credit Program. Under this provision of federal law, project sponsors will be able to receive approximately $14,800,000 of credits against taxes for the development of apartments that serve lower income families throughout Pennsylvania.

As an approved HUD co-insurance lender, PHFA continues toward its goal of providing affordable rental units. In conjunction with the U.S. Department of Housing and Urban Development, PHFA can offer the necessary credit enhancement to finance badly needed rental units. Related to this, the Agency has committed funds to establish a multi-family self insurance fund. This program, expected to be fully operational in 1988, should promote construction and rehabilitation of more affordable apartments.

With the future of mortgage revenue bonds uncertain, the Agency will work with Congress to see that this valuable financing tool remains an option. PHFA will examine every possible means to expand home ownership opportunities for Pennsylvania's citizens.

With its dedicated Board, strong financial base and experienced staff, PHFA is confident that solutions to housing problems can be achieved. We are optimistic that the Agency will continue to provide affordable, high quality housing that every Pennsylvanian deserves.

Karen A. Miller
Chairman

Karl Smith
Executive Director

THE YEAR IN REVIEW

AGENCY ACTIVITIES AND ECONOMIC IMPACT

The Pennsylvania Housing Finance Agency (PHFA), a public corporation and government instrumentality of the Commonwealth, was created in 1972 to finance rental apartments for older Pennsylvanians, low and moderate income families and handicapped persons. Since its inception, the Agency has been a major source of mortgage capital for producing affordable shelter in the Commonwealth.

During its first ten years of existence, the Agency's activities were confined solely to the financing of multi-family rental apartments. In 1981 and 1983 two significant changes were made in the Agency's statute to expand its charter. These two changes gave PHFA an opportunity to take on a new direction and better serve the housing needs of Pennsylvanians.

In 1981, after a successful decade of increasing the number and quality of decent apartments in Pennsylvania, PHFA began to assist home buyers to acquire homes of their own. By using its financial resources to sell tax exempt single family mortgage revenue bonds, the Agency has provided funds for more than 16,000 existing and nearly 7,000 new houses. This effort has been financed through the sale of over $1 billion of mortgage revenue bonds.

Home buyers using PHFA-financed mortgages have average incomes of $22,207, well below the state median income of approximately $27,000. The average single family mortgage is $39,338 with sales prices of new and existing homes being $59,150 and $44,159 respectively. These statistics clearly illustrate PHFA's record of service to those Pennsylvanians who would not otherwise be able to buy a piece of the American dream.

In response to the problem of home loan foreclosures that accompanied the recession of the early 1980's, the legislature appointed PHFA as manager of the Homeowner's Emergency Mortgage Assistance Program (HEMAP). Pennsylvania was the first state in the nation to offer financial assistance to homeowners, who due to circumstances beyond their control, were unable to make mortgage payments. Since 1983, $92,250,000 has been appropriated to fund this unique initiative. More than 6,500 homeowners have received assistance. The program was originally due to expire on December 23, 1986. However, the legislature extended this date by three years. HEMAP is now scheduled to sunset on December 23, 1989.

The economic impact of PHFA's programs is significant through all levels of the Commonwealth. Municipal governments benefit with the addition of tax ratables from multi-family projects. Individual apartment units contribute an average of $510 yearly toward local taxes. With more than 31,000 such units financed to date, municipalities realize approximately $15.8 million of tax revenues.

As a result of the Agency's single family home financing, $356,792,800 morgages have been approved for the purchase of newly constructed homes. This has generated 12,285 full time building related jobs and $221,492,100 of wages, while creating $18,680,670 of state and local taxes.

MEETING SPECIAL HOUSING NEEDS

The Pennsylvania Housing Finance Agency has responded to those citizens requiring special assistance by developing programs to address their needs. The Minority Home Ownership Program is such a program. It was originated by the Pennsylvania Housing Finance Agency to extend home buying opportunities to qualified minority families. In 1986 this program expanded with the addition of $4 million from two mortgage revenue bond issues. To date, more than $14 million has been committed to the effort.

The average income of buyers who use the program is $17,460. Insurance under the Federal Housing Administration's Title II program has been arranged in order to help reduce closing costs and mortgage loan-to-value ratios. Five lending institutions originate and service Minority Home Ownership loans.

Responding to the plight of those unfortunate families who find themselves without the most basic shelter, the Commonwealth appropriated $5.5 million to begin the work of finding long term solutions to the problem of the homeless. The Homeless Assistance Program authorizes the creation and operation of Bridge Housing and the renovation of single room occupancy facilities. Administration of the program is the responsibility of the Department of Public Welfare and the Department of Community Affairs.

PHFA's staff was called upon to review plans and specifications in order to guarantee the technical viability of housing proposals submitted to the Homeless Assistance Program. The Agency dedicated itself to this effort with the same commitment that it does to Agency-funded projects. Recommendations made by PHFA during on-site inspections of facilities allowed the two departments to complete their selection process in three months.

As requested by the Governor, the Agency allocated $5 million for a Homeless Housing Demonstration Program. This pilot project is designed to show that homelessness can be alleviated through the creation of low income housing. Requests for proposals have been published and PHFA expects that projects will be approved in early 1988.

During 1987, PHFA committed itself to revitalize multi-family housing for low and moderate income families. This direction is evident in the Rental Rehabilitation Program, the Low-income Rental Housing Tax Credit Program, the Agency-supported Rental Housing Demonstration Program, the 221(d) Co-insurance Program, and the Self-Insurance Rental Housing Program.

The Rental Rehabilitation Program, funded by the federal government, provides grants to upgrade substandard units into residential rental properties for low and moderate income families. Grants are available to 228 targeted communities in Pennsylvania. In the past twelve months 249 units have been restored through this program.

On April 22,1987, PHFA was designated by executive order of Governor Casey as the agency responsible for the administration of the federal low income housing tax credits. Pennsylvania will receive approximately $14,800,000 in tax credits to be allocated to rental housing projects not financed with tax exempt revenue bonds. The Low-income Housing Tax Credit Program began January 1, 1987 and expires December 31, 1989.

The Agency has also committed $6,000,000 to finance a revitalized multi-family apartment development effort, the Rental Housing Demonstration Program. These Agency funds will be used in a pilot program de-

THE YEAR IN REVIEW Continued

signed to promote the construction and the rehabilitation of low-income multi-family rental units throughout Pennsylvania. The Agency has approved 10 proposals so far, and hopes to be able to continue this project based on a successful start.

Under Section 221(d) of the National Housing Act, PHFA has been approved as a co-insurance lender. In conjunction with the U.S. Department of Housing and Urban Development (HUD), the Agency provides the necessary credit enhancements to finance rental housing projects. The co-insurance program is designed so that the first 5% of outstanding indebtedness would be the responsibility of PHFA, with the balance split between HUD (85%) and the Agency (15%). As a co-insurance lender, the Agency is responsible for all underwriting activities.

In order to encourage the development of housing in Pennsylvania, PHFA allocated additional Agency funds to establish the development of a self-insurance program. It is designed to protect the Agency in the event of a fiscal or covenant default and it incorporates direct insurance support on a property specific basis.

LOOKING AHEAD

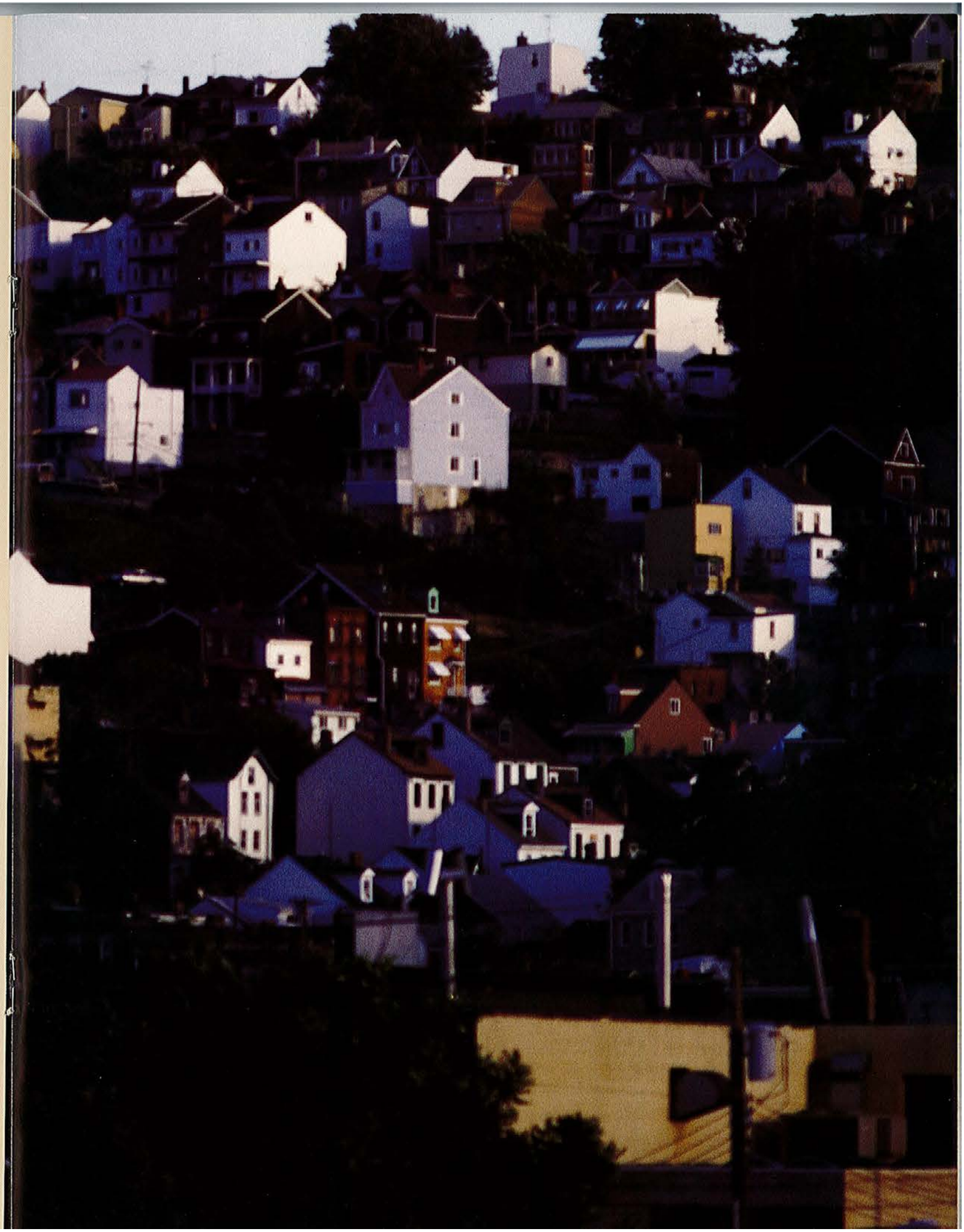
By carefully managing its financial resources, PHFA was able to realize an excess of revenues over expenses of more than $16 million dollars last year. The importance of this excess cannot be overstated. Reflecting not only sound and prudent management that translates into lower interest rates available to home buyers and project sponsors, the Agency can use the proceeds for further expansion of its housing programs. Future single-family mortgage offerings will see Agency-financed cost reduction measures implemented to enhance housing affordability for lower income families. Multi-family programs will benefit by a greater chance of economic feasibility through lower interest rates.

Act 189 of 1986 re-established the Agency's charter through 1995. Based upon the recommendations made in a comprehensive review of PHFA operations by the Legislative Budget and Finance Committee, the new Act confirms the Commonwealth's continued support for housing.

Under Act 189, sponsors of multi-family rental housing developments are no longer restricted to a maximum of eight percent return on their equity investments. The Act provides that the rate of return will be subject to an agreement between project sponsors and PHFA. Combined with the Agency's financing efforts, a flexible return on investment policy will encourage new multi-family rental apartment development.

The Pennsylvania Housing Finance Agency looks to the future with optimism tempered by a sensitivity to the enormous challenges that lie ahead. Federal cutbacks in housing programs and tax law changes are forcing all housing producers to seek new, more responsive solutions to meeting the needs of the marketplace. PHFA will pursue workable solutions to the state's housing needs. Coupled with this goal is a desire to restore the Commonwealth's economy. Housing starts and rental development have always played a dramatic role in economic well being.

As PHFA improves its production it creates thousands of job opportunities for construction and related trades. In addition, the Commonwealth must be poised to compete with renewed vigor for jobs in the Northeast. A major part of any corporate decision to relocate is quality of life; an integral part of that equation is housing stock. If we are to be competitive in the 1990's Pennsylvania must have quality housing units in development now to accommodate its new citizens. The Pennsylvania Housing Finance Agency is keenly aware of this and is focusing all its technical and financial capabilities on meeting that challenge.

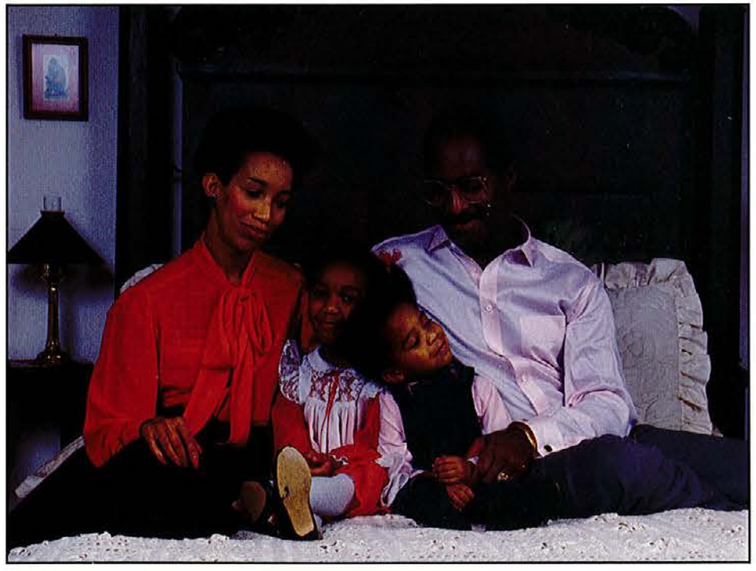


PHFA FINANCES APARTMENTS

The Pennsylvania Housing Finance Agency has made multi-family mortgage loans of nearly $1,000,000,000 to finance more than 30,000 apartments across the commonwealth.

PERMANENTLY FINANCED PHFA RENTAL HOUSING APARTMENT PROJECTS

PROJECT	COUNTY	UNITS/TYPE		MORTGAGE
Baldwin Towers	Allegheny	99	E/N	$4,048,475
Bellefield Dwellings	Allegheny	158	F/R	4,330,000
Bridgeville Towers	Allegheny	102	E/N	3,305,000
Carson Towers	Allegheny	133	E/R	4,210,000
Eastland Apartments	Allegheny	27	F/R	825,000
Fairfax Apartments	Allegheny	247	E/R	3,965,000
Granada Apartments	Allegheny	22	E/R	690,000
Hilltop Apartments	Allegheny	152	F/N	3,125,000
Honus-Wagner Apartments	Allegheny	129	E/N	4,411,500
Hulton Arbors	Allegheny	78	F/N	3,480,000
K. Leroy Irvis Tower	Allegheny	191	E/N	6,440,000
Monroe Tower	Allegheny	101	E/N	3,680,000
Penn Arbors	Allegheny	125	E/N	5,084,295
Punta Gorda Place	Allegheny	20	G/N	189,837
Riverview Park Apartments	Allegheny	168	G/N	3,250,000
Rolling Hills	Allegheny	85	F/N	3,539,137
Shields Building	Allegheny	30	E/R	625,000
South Park Apartments	Allegheny	101	F/N	4,219,591
Squires Manor Phase I	Allegheny	132	G/N	2,412,000
The Lyceum Et Al	Allegheny	28	F/R	1,152,700
Thomas Village Apartments	Allegheny	66	F/N	2,820,260
Towne North Tower	Allegheny	135	E/N	4,705,000
Village Green Apartments	Allegheny	100	F/N	3,991,905
William S. Moorhead Tower	Allegheny	142	E/N	5,855,000



E = Elderly F = Family G = General Occupancy H = Handicapped N = New Construction R = Rehabilitated Dwelling

PROJECT	COUNTY	UNITS/TYPE		MORTGAGE
Beaver Falls Plaza	Beaver	121	E/N	3,800,000
Conway Towers	Beaver	85	E/N	3,112,800
New Brighton Elderly Apartments	Beaver	101	E/N	4,532,500
PRV Manor	Beaver	35	E/N	1,550,000
Spring Run Apartments Phase I	Beaver	101	F/N	4,190,000
Valley View Apartments	Beaver	120	F/N	3,710,000
Penn Bedford Apartments	Bedford	50	N/R	2,037,745
777 Court Street	Berks	90	G/N	2,465,000
B'Nai B'rith House of Reading	Berks	175	E/N	4,910,000
Reading Elderly Housing	Berks	201	E/N	7,115,000
Sencit Townehouse	Berks	201	E/N	5,135,000
Cherry Grove Apartments	Blair	76	F/N	2,905,000
Greenfields	Blair	58	F/N	1,985,000
Spring Manor	Blair	51	E/N	1,804,035
Tyrone Elderly Housing	Blair	100	E/N	2,495,000
Tyrone Family Housing	Blair	50	F/N	1,520,000
Chemung View	Bradford	101	E/N	3,157,900
Galilee Village	Bucks	120	E/N	2,785,000
Meadow Glen	Bucks	91	E/N	3,741,513
Woodview Apartments	Bucks	119	E/N	4,455,000
Butler Arbors	Butler	120	E/N	3,050,000
Barnesboro Family Project	Cambria	62	F/N	2,167,552
Garden Terrace Apartments	Cambria	101	E/N	3,110,000
Haida Village	Cambria	31	F/N	1,131,548
Lodge Run	Cambria	31	E/R	1,018,403
Mountview Manor	Cambria	61	E/N	1,825,000
Gardens of Gypsy Hill	Carbon	71	F/N	2,380,000
Lansford Townhouses	Carbon	51	F/N	1,814,400
Lehigh Coal & Navigation Building	Carbon	27	E/R	815,000
Philipsburg Towers	Centre	102	E/N	2,705,000
City Clock Apartments	Chester	30	E/R	751,500
Park Spring Apartments	Chester	151	F/N	4,120,000
Regency Park Apartments	Chester	126	F/N	4,870,000
Trinity House	Chester	134	E/N	4,810,000
Vincent Heights	Chester	91	E/N	3,354,100
Broadwood Tower	Clarion	66	E/N	1,920,000
Hillside Village	Columbia	51	EF/N	1,720,000
Bartlett Gardens	Crawford	43	E/R	1,145,000
Forest Green Estates	Crawford	100	F/N	3,405,000
Titusville Housing for Elderly	Crawford	65	E/N	1,968,000
Orchard Apartments	Cumberland	81	F/N	3,115,200
Susquehanna View Apartments	Cumberland	201	E/N	5,533,500
Village of Timber Hill	Cumberland	56	G/N	1,407,300
Cumberland Court Apartments	Dauphin	108	F/N	2,365,000
Edison Village	Dauphin	125	EF/R	5,385,000
Hershey Plaza	Dauphin	216	E/N	7,245,000
Interfaith Apartments	Dauphin	126	E/N	4,365,000
Pheasant Hill Estates	Dauphin	172	E/N	4,681,600
Williamsburg Estates	Dauphin	312	G/N	7,025,000

PROJECT	COUNTY	UNITS/TYPE		MORTGAGE
Daniel Scott Commons	Delaware	72	F/N	3,272,500
Palmerhouse	Delaware	124	E/N	5,564,859
Robert H. Stinson Tower	Delaware	150	E/N	4,840,000
Barnabas Court	Erie	57	E/N	1,820,000
Covington Valley Estates	Erie	43	F/N	1,662,959
Girard Towers	Erie	51	E/N	1,875,038
Glenwood Manor Apartment	Erie	224	G/R	4,341,760
Independence House	Erie	12	E/N	400,000
Pennsylvanian	Erie	112	ER	2,655,000
Richford Arms	Erie	100	E/N	3,150,000
Tandem Townhouses	Erie	48	F/N	1,880,000
Union City Estates	Erie	51	F/N	1,907,808
Simpson Manor	Fayette	126	F/N	3,510,000
Union Gardens	Fayette	95	F/N	3,947,849
Barclay Village	Franklin	86	F/N	2,335,000
Waynesboro Trinity House	Franklin	76	E/N	3,315,000
Blairsville House	Indiana	87	E/N	1,550,000
Mahoning Towers	Jefferson	101	E/N	2,450,000
Allied Terrace	Lackawanna	121	E/N	4,200,000
Olyphant Apartments	Lackawanna	90	E/N	3,581,407
Village Park Apartments	Lackawanna	160	F/N	5,655,000
Lancaster Arms	Lancaster	74	F/N	3,376,419
Market House Apartments	Lanaster	51	E/R	1,920,000
Millersville Manor	Lancaster	121	E/R	2,875,000
Oak Hollow South	Lancaster	67	F/N	2,295,000
Old North Mansion Apartments	Lancaster	18	G/R	300,742
Plum Tree Apartments	Lancaster	15	F/R	605,000
Prince Street Towers	Lancaster	201	E/N	5,640,000
Rothsville School Apartments	Lancaster	15	G/R	535,565
Dennis Schill Manor	Lawrence	71	E/N	2,835,000
Hileman Apartments	Lawrence	41	F/R	1,120,000
Highland Glen	Lebanon	96	F/N	3,805,000
Plaza Apartments	Lebanon	128	G/N	2,250,000
Allentown NSA I	Lehigh	21	F/R	524,397
South 6th Street Rehab	Lehigh	49	F/R	1,750,000
Towne House Apartments	Lehigh	160	E/N	4,195,000
Woodland Manor	Lehigh	70	F/N	2,620,000
Daniel J. Flood Tower	Luzerne	211	E/N	6,500,000
Edwardsville Village	Luzerne	252	F/N	4,950,000
Hazlewood	Luzerne	100	E/N	2,520,000
Marion Terrace	Luzerne	200	F/N	5,800,000
Marlboro Place	Luzerne	76	G/N	1,345,000
Ten East South	Luzerne	130	G/N	4,370,000
Berkshire Manor	Lycoming	20	E/R	625,000
Emery Towers	McKean	102	E/R	4,411,208
Connelly Manor	Mercer	127	E/N	3,768,000
Greenville House	Mercer	101	E/N	3,501,900
Reynolds West Estates	Mercer	101	F/N	3,935,000
Wade D. Mertz Towers	Mercer	103	E/N	3,095,000
Kish Apartments	Mifflin	141	E/N	3,725,000
Pocono Creek Apartments	Monroe	100	G/N	2,265,000
Dock Village	Montgomery	100	F/N	4,275,000
Meadowick Village	Montgomery	273	G/N	7,050,000
Norristown Elderly Housing	Montgomery	175	E/N	6,560,000

E = Elderly F = Family G = General Occupancy H = Handicapped N = New Construction R = Rehabilitated Dwelling

PROJECT	COUNTY	UNITS/TYPE	MORTGAGE
Norriswood Apartments	Montgomery	42 G/R	814,319
Oakwood Gardens	Montgomery	48 F/R	1,430,000
Rolling Hills	Montgomery	232 F/N	6,250,000
Telford Gardens Apartments	Montgomery	49 F/R	1,765,000
55 Broadway Apartments	Northampton	26 G/R	465,500
Bangor Elderly	Northampton	101 E/N	3,825,000
Easton Senior Citizens Housing	Northampton	98 E/N	1,776,000
Coal Township Elderly Housing	Northumberland	101 E/N	2,860,000
Milton Apartments	Northumberland	80 F/N	3,165,000
Mt. Carmel Elderly Housing	Northumberland	100 E/N	2,700,000
Riverfront Apartments	Northumberland	200 F/N	5,492,700
Perry Manor	Perry	50 F/N	1,970,000
Allen Lane Apartments	Philadelphia	17 F/R	755,900
Bakers Bay Retirement Center	Philadelphia	196 E/N	10,967,000
Breslyn Apartments	Philadelphia	60 F/R	3,235,100
Delaire Landing	Philadelphia	180 G/N	3,845,000
Dorado Village	Philadelphia	81 F/N	4,134,700
Franklin Park Apartments	Philadelphia	125 F/R	5,934,600
15th and Jefferson	Philadelphia	39 F/N	1,805,100
Haddington Elderly Apartments	Philadelphia	136 E/N	5,920,000
Haddington Townhouses	Philadelphia	126 F/R	6,495,700
Kensington Townhouses	Philadelphia	71 F/N	3,400,300
Larchwood Gardens	Philadelphia	180 G/R	2,665,623
Levering Court	Philadelphia	19 G/R	650,000
Monte Vista Apartments	Philadelphia	159 EF/R	7,606,500
Oak Lane/Chelten Court	Philadelphia	62 G/R	1,519,000
One Buttonwood Square	Philadelphia	304 G/N	10,220,000
Parkside Apartments	Philadelphia	65 F/R	2,206,000
Park Tower Apartments	Philadelphia	157 E/N	7,155,000
Queen Village II	Philadelphia	51 G/R	1,180,000
Susquehanna Townhouses	Philadelphia	36 F/R	1,807,900
Temple University Student Housing	Philadelphia	82 G/R	2,000,000
Trinity Place Apartments	Philadelphia	44 G/R	535,000
Venango House	Philadelphia	106 E/N	4,820,000
Wistar Court	Philadelphia	55 G/R	3,250,000
Mahanoy Elderly Housing	Schuylkill	125 E/N	3,940,000
Majestic House	Schuylkill	74 E/R	2,520,000
Stayman Park	Snyder	77 E/N	2,470,000
Pine Meadow	Snyder	100 F/N	3,715,000
Coleman Towers	Somerset	51 E/N	2,007,847
Laurel Village II	Somerset	48 F/N	1,570,000
Village at Somerset	Somerset	101 F/N	4,772,967
Montrose Square	Susquehanna	81 E/N	2,750,000
Mansfield Village	Tioga	51 F/N	1,883,130
Kelly Apartments	Union	80 E/N	2,130,000

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PROJECT	COUNTY	UNITS/TYPE	MORTGAGE
Franklin Arbors	Venango	88 E/N	2,365,000
Bentleyville Apartments	Washington	102 F/N	3,925,000
Canon House	Washington	104 E/N	3,165,000
Char House	Washington	104 E/N	3,430,000
Liberty Tower	Washington	104 E/N	3,730,000
Penn Park	Washington	25 F/R	801,000
Thomas Campbell North	Washington	75 E/N	2,255,000
Filbern Manor	Westmoreland	127 E/N	3,800,000
Huntingdon Village	Westmoreland	96 F/N	3,960,000
Maple Hill Apartments	Westmoreland	72 F/N	2,869,500
Markvue Apartments	Westmoreland	35 G/N	563,000
Nu-Ken Tower	Westmoreland	101 E/N	4,175,000
Pershing Square	Westmoreland	111 E/N	4,285,000
Rostraver Apartments	Westmoreland	96 F/N	3,583,400
Sandalwood	Westmoreland	86 F/N	3,512,269
Wimmerton Apartments	Westmoreland	100 G/N	1,820,000
Cable House	York	83 F/R	3,565,000
Delphia House	York	104 E/N	3,050,000
TOTAL PROJECTS: 190		18903	613,456,762

PHFA-FINANCED CONSTRUCTION LOAN PROJECTS

PROJECT	COUNTY	UNITS/TYPE	MORTGAGE
Bower Hill III Apartments	Allegheny	135 E/N	$7,842,900
Brinton Towers	Allegheny	190 E/N	4,272,200
Heritage Park	Allegheny	108 E/N	4,171,100
Roosevelt Arms	Allegheny	191 E/R	5,290,100
Settlers Place	Allegheny	164 F/N	5,732,100
Squirrel Hill	Allegheny	117 E/R	3,648,600
Scottswood	Beaver	106 F/N	4,246,300
Wilson Townhouse Apartment	Berks	200 F/N	4,483,800
Belmondo on the Delaware	Bucks	195 G/N	5,265,000
Center Square Towers	Bucks	352 E/N	7,558,400
Downingtown Sr. Citizen Housing	Chester	40 E/N	1,216,800
Bloomsburg Elderly	Columbia	76 E/N	2,407,400
Cumberland Elderly Housing	Cumberland	101 E/N	3,009,800
Maclay Street NSA Project	Dauphin	126 F/R	6,033,500
Rutherford Park Townhouses	Dauphin	85 F/N	3,534,400
Elk Towers	Elk	103 E/N	3,517,300
Mid-City Towers	Erie	132 E/N	3,437,700
Connellsville Towers	Fayette	111 E/N	4,247,600
Carmichaels Arbors	Greene	76 E/N	2,114,500
Mountainview Gardens	Greene	120 F/N	4,229,400
Robindale Heights Apartments	Indiana	20 F/N	695,600
Mulberry Tower	Lackawanna	206 E/N	6,692,900
Webster Towers	Lackawanna	98 E/N	2,076,200
North Queen St. Apartments	Lancaster	8 F/R	517,200
Westview Terrace	Lawrence	106 F/N	2,036,705
Brookside Apartments	Lebanon	100 E/N	2,098,500
Plaza II	Lebanon	128 G/N	2,521,100
Catasaqua Apartments	Lehigh	10F/R	397,200
Lutheran Manor	Lehigh	197 E/N	5,630,500
Anthracite Apartments	Luzerne	121 E/N	3,918,000
Center City Apartments	Luzerne	176 E/N	5,525,200
City Heights	Luzerne	151 E/N	4,658,000
Eastside Moderate Income Housing	Luzerne	76 F/N	1,478,400
Freeland II Housing	Luzerne	22 E/R	1,032,100
Hillside Apartments	Luzerne	200 F/N	4,099,900
Sherman Terrace Apartments	Luzerne	344 EF/N	7,249,300
Williamsport Elderly Housing	Lycoming	101 E/N	2,758,600
Pine Tree Village	Mercer	128 F/N	5,198,900
Riverview Manor	Mercer	123 F/N	2,512,000
Shenango Village	Mercer	100 F/N	1,877,500
Courtland Plaza	Monroe	101 E/N	2,793,300
Creekview Apartments	Monroe	80 F/N	2,288,700
Moreland Towers	Montgomery	138 E/N	2,884,700
Southside Apartments	Northampton	150 E/N	4,045,000
2400 Chestnut Street	Philadelphia	372 G/N	15,280,000
20th and South Streets	Philadelphia	61 G/R	2,055,400
American Postal Workers House	Philadelphia	300 E/N	10,465,500
Delaire Landing Phase 5	Philadelphia	216 G/N	5,204,500
Executive House	Philadelphia	301 G/N	18,634,500
Gray Manor	Philadelphia	130 E/N	5,421,000
Lutheran Elderly Housing	Philadelphia	208 E/N	6,992,400
Mount Vernon Apartments	Philadelphia	124 F/N	2,428,800
Shalom Apartments	Philadelphia	155 E/N	4,833,400
Stenton Atms Apartments	Philadelphia	113 F/R	1,158,100
University City Townhouses	Philadelphia	70 F/N	3,807,400
University Plaza Apartments	Philadelphia	442 E/N	15,500,800
Verona Apartments	Philadelphia	117 G/R	2,614,800
West Poplar Apartments	Philadelphia	140 F/N	4,939,800
Wister Townhouses Apartments	Philadelphia	200 F/N	7,308,700
Lewisburg Elderly Housing	Union	80 E/N	2,698,900
Oak Hill Apartments	Venango	120 F/N	2,313,100
Pin Oak Village	Venango	100 F/R	1,752,700
Belvedere Acres	Washington	96 F/N	3,799,000
Washington Arbors	Washington	101 E/N	2,587,200
TOTAL PROJECTS: 64		9058	281,040,405

E = Elderly F = Family G = General Occupancy H = Handicapped N = New Construction R = Rehabilitated Dwelling

PHFA-FINANCED TURNKEY PUBLIC HOUSING CONSTRUCTION LOAN PROJECTS

PROJECT	COUNTY	UNITS/TYPE		MORTGAGE
West View Elderly	Allegheny	100	E/N	$4,196,970
Monaca Elderly Turnkey	Beaver	100	E/N	4,583,304
Birdsboro Elderly Turnkey	Berks	16	E/N	664,938
Fleetwood Elderly Turnkey	Berks	20	E/N	710,113
Sinking Springs	Berks	25	F/N	1,319,220
Wyalusing Elderly	Bradford	30	E/N	1,186,447
Slippery Rock Turnkey	Butler	50	E/N	2,144,700
Lehighton Turnkey	Carbon	10	G/N	550,426
Oxford Elderly Turnkey	Chester	48	E/N	2,015,473
Renovo Family Turnkey	Clinton	27	F/N	1,617,248
Pomfret Street Apartments	Cumberland	25	F/N	1,188,387
Williamstown Boro Family Turnkey	Dauphin	10	F/N	469,658
Williams Township Family Turnkey	Dauphin	40	F/N	2,071,757
J. Leonard Ostrow Turnkey	Erie	80	E/N	2,742,400
Millcreek Elderly Housing	Erie	65	E/N	2,000,000
North East Elderly Turnkey	Erie	40	E/N	1,443,786
Burrell Township Turnkey	Indiana	50	EF/N	2,291,580
Saltsburg Family Turnkey	Indiana	25	F/N	1,226,070
Carbonale Elderly Turnkey	Lackawanna	45	F/R	1,750,795
Lebanon City Turnkey	Lebanon	39	F/N	1,584,798
Slatington Elderly	Lehigh	75	E/N	3,752,946
Foster Township Turnkey	McKean	42	EF/N	1,792,422
McKean County Turnkey	McKean	136	EF/N	2,437,400
Schuylkill Haven Turnkey	Schuylkill	40	F/N	1,596,695
Middleburg Family Turnkey	Snyder	40	F/N	1,757,096
Arnold Family Housing	Westmoreland	20	F/N	1,004,945
Greensburg Family	Westmoreland	20	F/N	955,533
Lower Burrell Elderly Turnkey	Westmoreland	125	F/N	4,361,280
Trafford Elderly Turnkey	Westmoreland	100	E/N	3,708,320
Fairview Township Turnkey	York	75	E/N	3,209,697
TOTAL PROJECTS: 30		1518		60,334,404

PHFA-FINANCED RURAL RENTAL HOUSING PROJECTS

PROJECT	COUNTY	UNITS/TYPE		MORTGAGE
Rayburn Manor	Armstrong	46	F/N	$1,415,367
Washington Glen	Bucks	42	F/N	1,475,418
Emerald Estates	Cambria	35	E/N	1,373,000
Mcateer Village	Clearfield	35	F/N	1,231,580
Titusville Manor	Crawford	47	F/N	1,421,055
Hummelstown Manor	Dauphin	51	E/N	1,672,105
Strathemeade Square	Franklin	23	F/N	846,000
Nathan Village Apartments	Lancaster	51	E/N	1,322,622
Oak Bottom Village	Lancaster	24	F/N	795,800
Oak Hollow	Lancaster	56	F/N	947,900
Hillcrest Village	Montgomery	72	F/N	2,223,900
Valley Manor	Montgomery	40	F/N	1,279,125
Valley Vista	Montgomery	101	E/N	2,311,000
Avonmore Housing for the Elderly	Westmoreland	36	E/N	1,357,578
Derry Area Sr. Citizens Housing	Westmoreland	18	E/N	342,000
TOTAL PROJECTS: 15		677		20,014,450

E = Elderly F = Family G = General Occupancy H = Handicapped N = New Construction R = Rehabilitated Dwelling

PENNSYLVANIA HOUSING FINANCE AGENCY
REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
Years Ended June 30, 1987 and 1986

FINANCIAL STATEMENTS

Touche Ross & Co.
Two Oliver Plaza
Pittsburgh, PA 15222-2705
Telephone: 412 281-2232

Touche Ross

To the Members of the
Pennsylvania Housing Finance Agency

We have examined the balance sheets of the Pennsylvania Housing Finance Agency as of June 30, 1987 and 1986, and the related statements of revenues, expenses and changes in fund balances and changes in financial position for the years then ended. Our examinations were 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 financial statements referred to above present fairly the financial position of the Pennsylvania Housing Finance Agency at June 30, 1987 and 1986, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.
Certified Public Accountants

September 24, 1987

Touche Ross International

BALANCE SHEETS

June 30, 1987 and 1986

	1987				1986			
	General Fund	Multi-Family Program	Single Family Program	Combined Total (Memorandum Only)	General Fund	Multi-Family Program	Single Family Program	Combined Total (Memorandum Only)
Assets								
Investments and cash (Note E and I)	$73,134,037	212,739,193	391,524,250	677,397,480	$67,469,739	251,940,345	174,494,069	493,904,153
Mortgage loans receivable (Note F)	496,386	537,834,977	580,653,111	1,118,984,474	562,687	551,889,377	639,549,241	1,192,001,305
Construction advances (Note F)	—	12,720,112	—	12,720,112	—	7,834,810	—	7,834,810
Deferred and other assets	1,717,138	9,268,303	2,473,727	13,459,168	1,608,412	10,123,616	2,297,310	14,029,338
Due from other funds	—	—	4,075,048	4,075,048	123,804	—	478,671	602,475
	$75,347,561	**772,562,585**	**978,726,136**	**1,826,636,282**	**$69,764,642**	**821,788,148**	**816,819,291**	**1,708,372,081**
Liabilities and Fund Balances								
Notes payable (Note G)	$ —	—	2,611,626	2,611,626	$ —	8,349,067	2,980,235	11,329,302
Accrued interest payable	—	20,349,613	24,931,476	45,281,089	—	22,443,262	24,296,554	46,739,816
Accounts payable and accrued expenses	373,038	—	—	373,038	342,073	—	—	342,073
Escrow and other liabilities	954,442	56,200,218	3,253,814	60,408,474	264,937	71,763,241	1,741,753	73,769,931
Bonds payable (Note H)	—	660,633,381	918,947,825	1,579,581,206	—	687,828,119	764,227,385	1,452,055,504
Due to other funds	3,271,869	803,179	—	4,075,048	—	602,475	—	602,475
Total liabilities	4,599,349	737,986,391	949,744,741	1,692,330,481	607,010	790,986,164	793,245,927	1,584,839,101
Fund Balances (Note I)								
Reserved and designated	26,517,145	3,360,000	11,364,728	41,241,873	6,219,355	3,360,000	1,530,072	11,109,427
Unreserved	44,231,067	31,216,194	17,616,667	93,063,928	62,938,277	27,441,984	22,043,292	112,423,553
Total fund balances	70,748,212	34,576,194	28,981,395	134,305,801	69,157,632	30,801,984	23,573,364	123,532,980
	$75,347,561	**772,562,585**	**978,726,136**	**1,826,636,282**	**$69,764,642**	**821,788,148**	**816,819,291**	**1,708,372,081**

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

Years Ended June 30, 1987 and 1986

	1987				1986			
	General Fund	Multi-Family Program	Single Family Program	Combined Total (Memorandum Only)	General Fund	Multi-Family Program	Single Family Program	Combined Total (Memorandum Only)
REVENUES:								
Interest income:								
Investments	$ 5,190,052	12,735,815	16,912,644	34,838,511	$ 5,736,777	16,082,855	19,607,837	41,427,469
Mortgage loans receivable (Note F)	33,474	51,307,357	66,868,031	118,208,862	37,103	52,574,904	67,769,959	120,381,966
Construction advances (Note F)	—	1,040,644	—	1,040,644	—	902,443	—	902,443
Total interest income	5,223,526	65,083,816	83,780,675	154,088,017	5,773,880	69,560,202	87,377,796	162,711,878
Fees and charges	3,263,265	—	—	3,263,265	3,640,674	—	—	3,640,674
Gain on sale of investments	99,013	206,854	865,963	1,171,830	943,153	54,900	6,875	1,004,928
Total revenues	8,585,804	65,290,670	84,646,638	158,523,112	10,357,707	69,615,102	87,384,671	167,357,480
EXPENSES:								
Interest on notes (Note G)	—	207,305	221,573	428,878	—	1,840,819	112,545	1,953,364
Interest on bonds (Note H)	—	58,312,018	78,312,773	136,624,791	—	60,088,800	82,242,777	142,331,577
Salaries and related benefits	4,163,346	—	—	4,163,346	3,966,605	—	—	3,966,605
General and administrative	2,179,759	—	—	2,179,759	1,875,279	—	—	1,875,279
Total expenses	6,343,105	58,519,323	78,534,346	143,396,774	5,841,884	61,929,619	82,355,322	150,126,825
Excess of revenues over expenses before extraordinary items	2,242,699	6,771,347	6,112,292	15,126,338	4,515,823	7,685,483	5,029,349	17,230,655
Extraordinary gain (loss) from early extinguishment of debt (Note H)	—	270,022	(4,623,539)	(4,353,517)	—	37,874	(609,621)	(571,747)
Excess of revenues over expenses	2,242,699	7,041,369	1,488,753	10,772,821	4,515,823	7,723,357	4,419,728	16,658,908
Interfund transfers (Note D)	(652,119)	(3,267,159)	3,919,278	—	5,519,818	(6,402,918)	883,100	—
Fund balances at beginning of period	69,157,632	30,801,984	23,573,364	123,532,980	59,121,991	29,481,545	18,270,536	106,874,072
Fund balances at end of period	**$70,748,212**	**34,576,194**	**28,981,395**	**134,305,801**	**$69,157,632**	**30,801,984**	**23,573,364**	**123,532,980**

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended June 30, 1987 and 1986

	1987				1986			
	General Fund	Multi-Family Program	Single Family Program	Combined Total (Memorandum Only)	General Fund	Multi-Family Program	Single Family Program	Combined Total (Memorandum Only)
SOURCE OF FUNDS:								
From operations:								
Excess of revenues over expenses	$2,242,699	7,041,369	1,488,753	10,772,821	$ 4,515,823	7,723,357	4,419,728	16,658,908
Items which do not use (provide) funds:								
Amortization of discounts on notes and bonds payable	—	1,518,627	786,243	2,304,870	—	1,299,516	784,313	2,083,829
Other	463,025	990,254	(3,187,499)	(1,734,220)	363,285	529,904	(1,702,889)	(809,700)
Extraordinary items — loss (gain) on early extinguishment of debt	—	(270,022)	4,623,539)	4,353,517	—	(37,874)	609,621	571,747
Funds provided from operations	2,705,724	9,280,228	3,711,036	15,696,988	4,879,108	9,514,903	4,110,773	18,504,784
Interfund transfers	(652,119)	(3,267,159)	3,919,278	—	5,519,818	(6,402,918)	883,100	—
Bond proceeds — net of discount	—	750,000	493,462,287	494,212,287	—	21,982,150	106,406,543	128,388,693
Note proceeds — net of discount	—	—	—	—	—	—	3,000,000	3,000,000
Mortgage principal payments received	66,301	21,947,731	158,753,428	180,767,460	77,950	13,787,487	80,276,998	94,142,435
Mortgages permanently financed	—	21,275,163	—	21,275,163	—	19,726,605	—	19,726,605
Change in:								
Investments — net of premium and discount, and cash	—	39,219,977	—	39,219,977	—	—	54,621,657	54,621,657
Due to other funds	3,395,673	200,704	—	3,596,377	730,164	—	—	730,164
Accrued interest payable	—	—	634,922	634,922	—	678,293	3,625,534	4,303,827
Other assets and liabilities — net	81,887	—	788,644	870,531	—	20,991,158	—	20,991,158
	$5,597,466	**89,406,644**	**661,269,595**	**756,273,705**	**$11,207,040**	**80,277,678**	**252,924,605**	**344,409,323**
USES OF FUNDS:								
Investment in construction advances and mortgage loans receivable	$ —	34,115,518	96,683,301	130,798,819	$ —	27,742,924	224,362,618	252,105,542
Payment of bond principal	—	29,452,432	343,669,984	373,122,416	—	6,321,000	23,465,000	29,786,000
Payment of note principal	—	8,360,000	368,609	8,728,609	—	27,040,000	19,765	27,059,765
Change in:								
Investments — net of premium and discount, and cash	5,597,466	—	216,951,324	222,548,790	10,696,629	19,163,951	—	29,860,580
Due from other funds	—	—	3,596,377	3,596,377	—	9,803	720,361	730,164
Accrued interest payable	—	2,093,649	—	2,093,649	—	—	—	—
Other assets and liabilities — net	—	15,385,045	—	15,385,045	510,411	—	4,356,861	4,867,272
	$5,597,466	**89,406,644**	**661,269,595**	**756,273,705**	**$11,207,040**	**80,277,678**	**252,924,605**	**344,409,323**

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 1987 and 1986

A. 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. Pursuant to the Act, the Agency is authorized and empowered, among other things, to finance the construction and rehabilitation of housing units for persons and families of low and moderate income or the elderly. Bonds and notes issued under the provisions of the Act are not a debt or liability of the Commonwealth of Pennsylvania or any of its subdivisions or a pledge of the faith and credit of the Commonwealth of Pennsylvania or of any of its political subdivisions.

The Act was amended, on December 31, 1981, to authorize the Agency to make or purchase loans to finance the purchase, construction, improvement or rehabilitation of owner-occupied single family residences.

The Act was further amended, on May 31, 1984, to authorize the Agency to finance the construction and rehabilitation of housing units without requiring the housing units to be subsidized or assisted by a Federal government program.

In December 1986, legislation was enacted by the Pennsylvania General Assembly to extend the operations of the Agency through December 31, 1995.

B. Description of Fund Groups:

General Fund:
The General Fund is utilized to record certain loan origination fees, service charges and revenue from investments not specifically pledged for the repayment of notes or bonds in the other funds. All Agency expenses are recorded in this fund except interest and provisions for potential loan losses which are charged to the loan related funds.

Multi-Family Program:
The Multi-Family Program transactions relate to the construction, rehabilitation and permanent financing of multi-family rental housing developments generally designed for persons and families of low and moderate income or the elderly.

Single Family Program:
The Single Family Program transactions relate to the purchase of mortgage loans for owner-occupied single family residences for persons and families of low and moderate income.

C. Summary of Significant Accounting Policies:

Investments:
Investment securities are carried at the lower of amortized cost or market.

Mortgage Loans and Construction Advances:
Mortgage loans and construction advances are carried at amounts disbursed plus accrued interest and fees, less collections and allowance for potential loan losses, if any.

Allowance for Potential Loan Losses:
The allowance for potential loan losses is determined based upon management's evaluation of the loan portfolio. Additions to the allowance are made by charges to expense.

Loan Interest and Fees:
For loans under the Multi-Family Program, loan financing fees, service fees and interest charges on construction advances are generally capitalized as part of the loan and recognized on a straight-line basis over the estimated construction period. Loan origination fees, which range from .75% to 1.5% of the loan commitment, are recognized as income at the date of the initial mortgage closing. Other financing fees in excess of the loan origination fee are generally capitalized and recognized on a straight-line basis over the estimated construction period.

For the Single Family Program, the Agency charges a fee ranging from 1.0% to 2.0% of the mortgage amount when it purchases a loan, which fee is recognized as income on the interest method over the life of the mortgage.

Mortgage Origination Costs:
Costs related to investigations, surveys, appraisals and other matters pertaining to the evaluation of mortgage loan proposals and construction advances are charged to operations in the General Fund as incurred. Certain of these costs are reimbursed by the mortgagors.

Amortization of Note and Bond Discounts:
Note and bond underwriter discounts and costs of issuance, including original issue discounts, are amortized over the lives of the issues using the interest method.

Reclassifications:
Certain reclassifications have been made to the Agency's 1986 financial statements to conform to the 1987 presentation.

D. Interfund Transfers:

The Agency is permitted to make fund balance transfers from the Multi-Family Program and Single Family Program to the General Fund to the extent that such fund balances and the related assets are not required to meet the Agency's debt obligations. There are also restrictions on transfers contained in the Single Family bond resolutions. Amounts which may be transferred from the Multi-Family Program result from earnings in excess of the note and bond interest and other related expenses.

In accordance with certain bond resolutions, the Agency has transferred prescribed amounts from the General Fund to the Single Family Program. Such transfers are primarily for the purpose of meeting Capital Reserve and Self-Insurance Fund requirements for Single Family Mortgage Revenue Bonds. The Agency transferred $3,919,278 and $883,100, from the General Fund to the Single Family Program during the years ended June 30, 1987 and 1986, respectively.

E. Investments and Cash:

The Agency is required under the provisions of applicable bond indentures to restrict sufficient investments of the Multi-Family and Single Family Programs to meet required capital reserve fund requirements, payment of construction advances and payment of debt service on related notes and bonds. The Single Family Program contained investments of $23,408,000 at June 30, 1987 and 1986, that were restricted under the indentures.

Investment securities consist of collateralized certificates of deposit, securities of the U.S. Government and certain of its agencies and U.S. Government securities held under repurchase agreements.

The Agency's investment policies are governed by the Single Family and Multi-Family Program trust indentures. The Agency maintains a separate written investment policy for the General Fund.

The trust indenture requires that program funds are to be invested by the Agency under the bond trust indenture. Investments are limited to obligations of the U.S. Treasury and other U.S. Government agencies, obligations of or obligations guaranteed by the Commonwealth of Pennsylvania, collateralized repurchase agreements, mutual or money market funds, and other state obligations and investment agreements of entities that maintain a satisfactory investment rating. All trustee investment activity is made under the direction of the Agency.

Collateral is required for demand deposits and certificates of deposit. Obligations that may be pledged for collateral are obligations of the U.S. Government and its agencies and obligations of the Commonwealth of Pennsylvania and other states under the conditions noted above.

Securities underlying a repurchase agreement must have a market value of at least 102 percent of the cost of the repurchase agreement. Substitution of securities is permitted. The securities underlying the agreements must be delivered to the trustee. The Agency enters into written master repurchase agreements that outline the obligations of both the Agency and the dealer banks. These agreements address, among other things, the specifications for delivery of the underlying securities to the trustee, the rights of the Agency to liquidate the underlying securities in the event of default by the dealer bank, and the required margin of 102 percent and the dealer bank's obligation to provide additional securities to maintain this margin.

The Agency's written policy governing the General Fund permits more types of investments than are authorized by the trust indentures. The Agency's policy regarding repurchase agreements is similiar to that described above, with the exception that collateral is only delivered to a designated custodial bank if the agreement is for seven or more days.

All investments are made with SEC-registered securities broker-dealers and banks with net capital in excess of $100 million.

The amortized cost and market values of investments and cash are as follows:

	June 30, 1987		June 30, 1986	
Securities	Amortized Cost	Market Value	Amortized Cost	Market Value
Repurchase Agreements (Collateralized by Government Securities)	$269,674,000	269,674,000	$173,932,000	173,932,000
U.S. Government Agency Obligations	169,021,991	169,447,483	144,890,587	148,086,294
U.S. Government Direct Obligations	124,108,807	141,860,578	98,589,261	127,405,039
Investment Agreement	80,355,000	80,335,000	—	—
Money Market and Savings Accounts	15,409,127	15,409,127	20,675,906	20,675,906
Accrued Interest on Investments	8,751,927	8,751,927	7,622,122	7,622,122
Bank Certificates of Deposit (Collateralized by Government Securities)	8,025,000	8,025,000	45,400,000	45,400,000
Cash	2,051,628	2,051,628	2,794,277	2,794,277
Total	$677,397,480	695,554,743	$493,904,153	525,915,638

F. Mortgage Loans Receivable and Construction Advances:

The mortgage loans receivable and construction advances receivable are secured by first mortgages on the related properties. The Federal government provides insurance for certain projects included in the Multi-Family Program, with insurance for the Single Family program being provided by commercial companies. In addition, the Agency has established its own self-insurance funds for certain Multi-Family and Single Family loans (see Note I). A summary of construction advances and mortgage loans receivable as of June 30, 1987 and 1986 follows:

	Multi-Family Program		Single Family Program—
	Mortgage Loans Receivable	Construction Advances	Mortgage Loans Receivable
June 30, 1987:			
Insured and subsidized	$ 46,046,857	—	—
Insured and nonsubsidized	—	11,759,285	580,653,111
Uninsured and subsidized	468,946,989	1,560,827	—
Uninsured and nonsubsidized	29,841,131	—	—
	544,834,977	13,320,112	580,653,111
Allowance for potential loan losses	7,000,000	600,000	—
	$537,834,977	**12,720,112**	**580,653,111**
Interest rate range	**7.4% - 14.0%**	**1.0% - 10.8%**	**7.5% - 14.0%**
June 30, 1986:			
Insured and subsidized	$ 43,145,339	846,292	—
Insured and nonsubsidized	5,872,622	6,646,024	639,549,241
Uninsured and subsidized	467,155,247	942,494	—
Uninsured and nonsubsidized	42,716,169	—	—
	558,889,377	**8,434,810**	**639,549,241**
Allowance for potential loan losses	7,000,000	600,000	—
	$551,889,377	**7,834,810**	**639,549,241**
Interest rate range	**7.4% - 14.0%**	**6.6% - 10.1%**	**9.7% - 14.0%**

There has been no activity in the Agency's allowance for potential loan losses during the years ended June 30, 1987 and 1986.

G. Notes Payable:

The Agency issues various notes for construction financing which are secured by the full faith and credit of the Agency, the underlying construction mortgages, the undisbursed note proceeds and all funds received in repayment of construction advances.

Notes payable bear interest at 7.8%. The principal payments for notes payable at June 30, 1987 are as follows:

	Amount Outstanding
1988	$ 572,556
1989	619,280
1990	549,574
1991	519,735
1992	233,445
Thereafter	117,036
Total	**$2,611,626**

H. Bonds Payable:

Bonds have been issued to provide financing of mortgage loans under the Multi-Family Program and Single Family Program. The full faith and credit of the Agency is pledged for repayment of most of the bonds issued. The bonds are secured by:

(1) The mortgage loans made on the related properties;
(2) Most revenues, mortgage advance amortization payments and recovery payments received by the Agency from mortgage loans; and
(3) Certain funds and accounts established pursuant to the bond indentures including investments of the bond proceeds.

These security covenants, together with the covenants in the notes payable agreements, in effect, make available all assets of all funds for debt related purposes.

Bonds issued and outstanding for the Multi-Family Program are as follows:

Issue	Interest Rate Range	Final Maturity Date	Amount Outstanding June 30 1987	Amount Outstanding June 30 1986
Residential Development Bonds:				
Issue A	5.60 – 7.60%	2019	$ 78,330,000	78,980,000
Issue B	5.15 – 6.60%	2020	29,755,000	30,050,000
Issue 1977 (refunding)	4.80 – 6.50%	2023	86,120,000	86,805,000
Issue C	4.85 – 6.38%	2020	21,865,000	22,075,000
Issue D	5.00 – 6.78%	2021	77,070,000	77,745,000
Issue E	5.80 – 7.25%	2022	20,695,000	20,850,000
Issue F	5.90 – 7.60%	2022	57,330,000	57,935,000
Issue G	7.15%	2012	7,545,000	7,660,000
Issue H	6.10 – 7.70%	2023	52,035,000	52,585,000
Issue I	5.50 – 9.30%	2023	49,940,000	50,320,000
Issue J	9.50 – 14.50%	2013	24,370,000	24,470,000
Issue K	8.50 – 13.65%	2013	22,120,000	22,220,000
Issue L	7.75 – 12.13%	2025	28,355,000	28,550,000
Issue M	7.25 – 11.00%	2014	20,525,000	20,685,000
Issue N	9.75%	2014	3,235,000	3,255,000
Issue O	10.375%	2015	6,950,000	6,985,000
Issue P	10.375%	2015	5,585,000	5,600,000
Section 23 Assisted Bonds —				
Issue 1977A	5.75%	1995	956,000	1,041,000
Multi-Family Housing Bonds:				
Issue 1980	9.80 – 10.00%	2023	11,295,000	11,330,000
Issue 1982A	9.75 – 13.50%	2024	62,185,000	62,280,000
Issue 1982B	9.50 – 10.93%	2024	14,130,000	14,170,000
Issue 1985A	6.75 – 9.375%	2028	15,268,385	15,270,000
Issue 1985B	8.875%	2028	1,740,000	1,740,000
Limited Obligation Residential Development Bonds:				
Issue 1984A	6.50 – 11.25%	2006	1,637,242	5,851,575
Issue 1985A	5.75 – 11.00%	2007	—	19,801,484
Issue 1985B	6.50 – 9.50%	2005	1,780,000	1,820,000
Moderate Rehabilitation Bonds:				
Issue 1984A	6.50 – 10.375%	2001	$ 4,005,000	3,390,000
Issue 1985B	5.25 – 9.00%	2017	5,495,000	5,555,000
			710,316,627	739,019,059
Unamortized bond discount			(49,683,246)	(51,190,940)
			$660,633,381	**687,828,119**

During the year ended June 30, 1987, the Agency redeemed prior to maturity $21,367,989 of Limited Obligation Bonds, Issue 1984A and 1985A and Residential Development Bonds Issue G, using undisbursed funds for the redemptions. A gain of $270,022 resulted from the redemptions. For the year ended June 30, 1986, the Agency retired $100,000 in outstanding bonds and recognized a gain of $37,874.

The Limited Obligations Bonds, Issue 1985B is secured by bank letters of credit approximating $1,900,000 expiring in the year 2000.

Bonds issued and outstanding for the Single Family Program are as follows:

	Interest Rate Range	Final Maturity Date	Amount Outstanding June 30 1987	Amount Outstanding June 30 1986
Single Family Mortage Revenue Bonds:				
1982 Series A	8.76 – 13.75%	2003	$ —	39,200,000
1982 Series B	8.00 – 12.50%	2013	—	113,895,000
Series C	6.00 – 9.38%	2014	62,999,325	63,679,325
Series D	5.75 – 9.25%	2014	66,842,774	68,172,774
Series E	6.00 – 10.75%	2015	39,569,838	40,924,822
Series F	7.50 – 11.63%	2015	152,815,000	196,070,000
Series G	6.00 – 9.63%	2016	149,430,000	150,000,000
Series H	5.50 – 9.875%	2016	82,108,488	82,998,488
Series I	6.00 – 10.00%	2016	25,535,321	25,595,321
Series J	4.50 – 8.10%	2013	44,961,666	—
Series K	3.875 – 7.9%	2013	54,996,868	—
Series L	4.00 – 7.13%	2014	40,000,000	—
Series M	4.25%	2017	80,335,000	—
Series N	4.60 – 8.25%	2014	54,995,000	—
Series O	4.70%	2018	80,335,000	—
			934,924,280	780,535,730
Unamortized bond discount			(15,976,455)	(16,308,345)
			$918,947,825	**764,227,385**

During the years ended June 30, 1987 and 1986, $194,600,000, and $16,100,000 respectively, of Single Family Mortgage Revenue Bonds, 1982 Series A, B, and F and 1982 Series A and Series F, respectively, were redeemed by the Agency using mortgage prepayments and undisbursed proceeds from the bond issues. Losses of $4,623,539 and $609,621, respectively, resulted from the redemptions as unamortized bond discount and related costs of issuance for the bonds redeemed were expensed.

Single Family Mortgage Revenue Bonds Series L and Series M were issued on December 23, 1986 as convertible option bonds with the first mandatory tender dates of March 3, 1987 and April 2, 1987, respectively. The Series L Bonds were converted to term bonds. The Series M Bonds were remarketed as convertible option bonds with a second tender date of July 2, 1987 and bearing a short-term interest rate of 4.25%. The proceeds from the Series M Bonds were deposited under an investment agreement with an investment bank. On July 2, 1987, the Agency retired the entire outstanding Series M issue through refunding and the use of the Series O bond proceeds.

Bonds maturing ten years and thereafter from the date of issuance are redeemable at the option of the Agency at prescribed redemption prices ranging from 104% to 100% of the principal amount. Bonds may also be redeemed at par prior to the ten-year period if mortgage loan prepayments exceed prescribed levels and from undisbursed bond proceeds. Provisions of the bonds include mandatory annual sinking fund payments to provide for redemption of the term bonds.

Required principal payments related to the above bonds are as follows:

		Multi-Family Program	Single Family Program
Year ending June 30:			
	1988	$ 5,865,000	10,095,000
	1989	6,391,000	13,665,000
	1990	6,937,000	14,410,000
	1991	7,438,000	15,275,000
	1992	7,949,000	15,220,000

I. Reserves and Designations of Fund Balances:

General Fund:
The Agency has established a restriction on the General Fund balance to create a Self-Insurance Fund that is equal to at least 1% of the outstanding principal balance of all Single Family Program Mortgages. The Self-Insurance Fund is to be used for any special hazard losses on Single Family Mortgages not covered by other insurance, and losses arising out of default on mortgage loans funded with the proceeds of the Series I through O issues. The Single Family Series I resolution required that a Self-Insurance Fund be held by the trustee. The Self-Insurance Fund was funded from the unrestricted General Fund balance. At June 30, 1987 the Self-Insurance Fund was $14,896,282, of which a total of $5,725,000 was held by the trustee. As of June 30, 1987 and 1986, the remaining reserved General Fund balance was $9,171,282 and $5,873,492, respectively.

In addition, the Agency has reserved the following amounts from the General Fund balance to provide funding for other Agency programs:

	June 30	
	1987	1986
Multi-Family Self-Insurance Fund	$10,000,000	—
Subsidized Below Market Interest Rate Multi-Family Program	6,000,000	—
Single Family Closing Cost Subsidies	1,000,000	—
Fees on FHA Insured Bond issued 1980	345,863	345,863

The total General Fund restriction and designation was $26,517,145 and $6,219,355 at June 30, 1987 and 1986, respectively.

Multi-Family Program:
In accordance with the Trust Indenture for the Residential Development Bonds Issue 1977 (refunding) Series, the Agency established a Development Reserve account and a Capital Reserve Fund. The Development Reserve was established to provide sufficient funds to meet principal, sinking fund and interest payment requirements. The Capital Reserve Fund was established to provide security for the bonds outstanding. The total reserve of the Multi-Family Fund balance at both June 30, 1987 and 1986 was $3,360,000.

Single Family Program:
A Capital Reserve Fund has been established by the Agency for the security of the Single Family Bonds which is equal to at least 3% of the aggregate principal amount of all Single Family Bonds outstanding plus one million dollars. The Capital Reserve Fund requirement at June 30, 1987 and 1986 was $29,047,728 and $24,416,072, respectively, of which the unfunded portion was $5,639,728 and $1,008,072, respectively.

In addition, the Agency trasnferred from the General Fund at June 30, 1987 and 1986 $5,725,000 and $522,000, respectively, for the Self-Insurance Fund which is held by the trustee.

J. Pension Plans:

Substantially all employees are covered by a non-contributory pension plan. Agency contributions fund the actuarially determined amount for payment of expected benefits. Total pension expense for the years ended June 30, 1987 and 1986 was $232,302 and $230,155, respectively.

As of the latest actuarial valuation date, net plan assets available for the payment of benefits exceeded vested benefits. A comparison of accumulated plan benefits and plan net assets for the Agency's defined benefit plan is presented below:

	January 1	
	1987	1986
Actuarial present value of accumulated plan benefits:		
Accrued and vested	$ 1,071,806	858,363
Accrued—but not vested	84,943	49,703
	$ 1,156,749	908,066
Net plan assets available for payment of benefits	$ 3,731,011	3,243,211

The weighted average assumed rate of return used in determing the actuarial present value of accumulated plan benefits was 7.5% for 1987 and 1986.

Notes

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