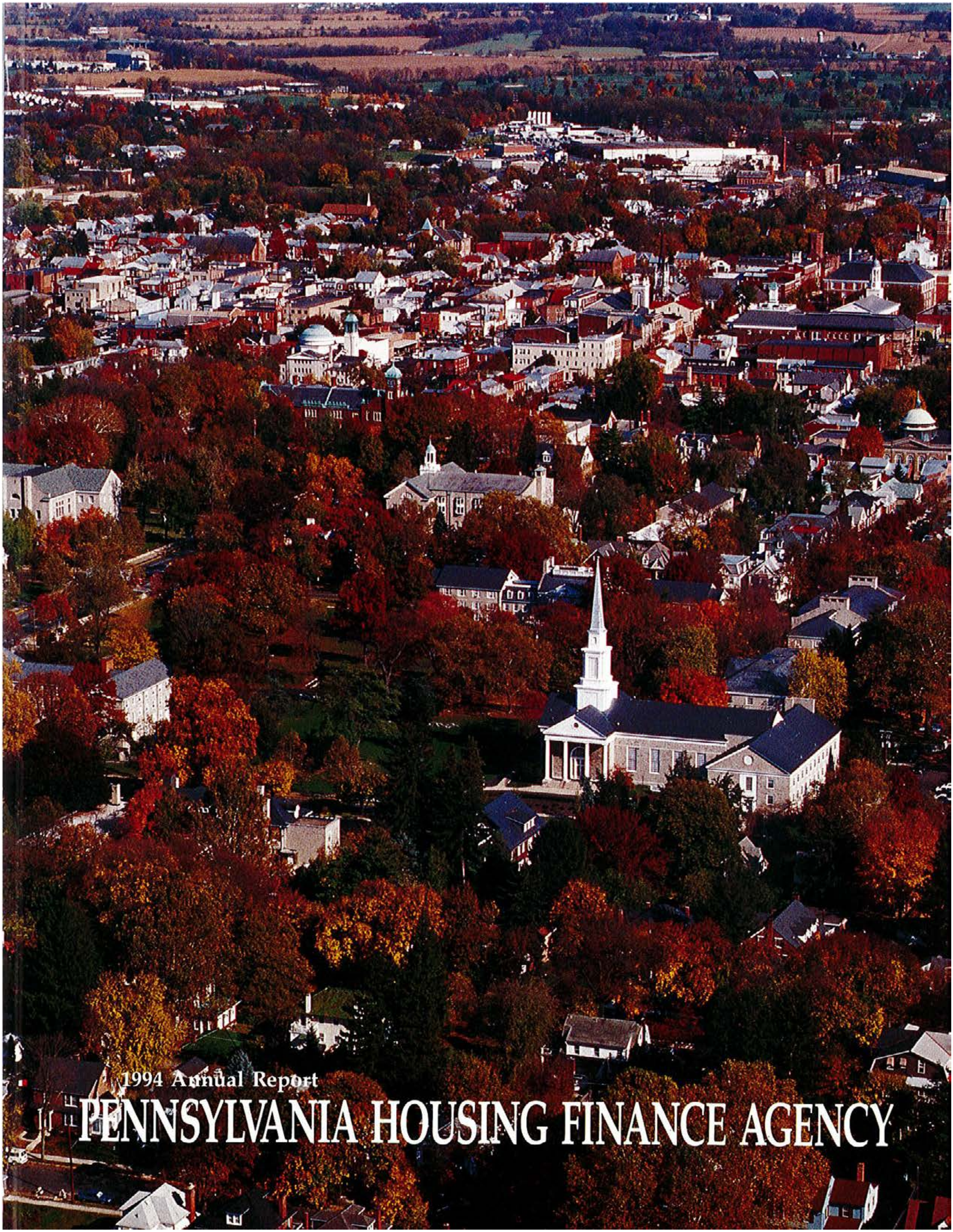


1994 Annual Report

PENNSYLVANIA HOUSING FINANCE AGENCY

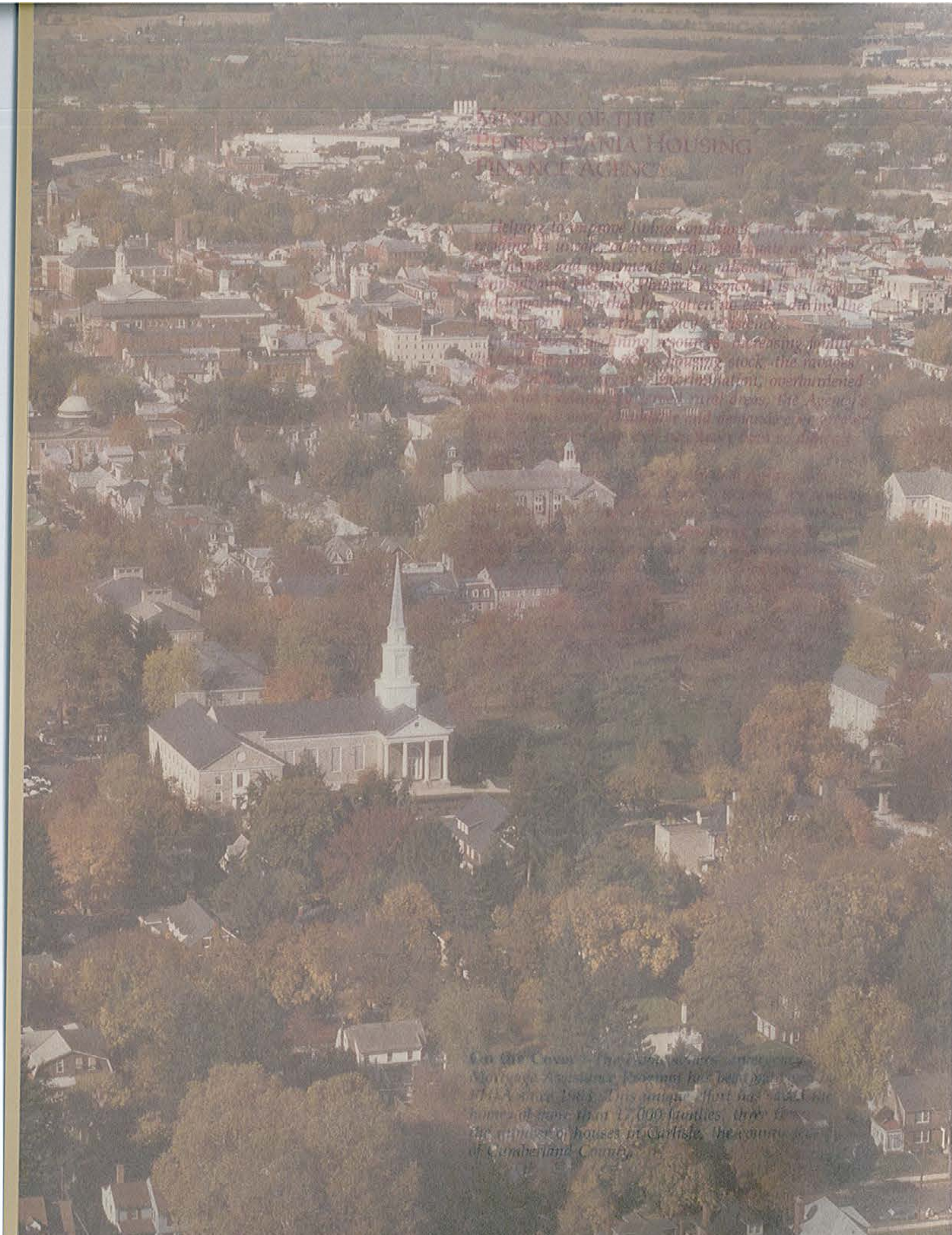
Mission of the Pennsylvania Housing Finance Agency

Helping to improve living conditions for citizens residing in unsafe, overcrowded, inadequate or expensive homes and apartments is the mission of the Pennsylvania Housing Finance Agency. It is a large and important job that has gotten no easier during the twenty-two years of the Agency's existence.

In the face of declining resources, increasing family dysfunction, rapidly aging housing stock, the ravages of past inflation, neglect, discrimination, overburdened cities and inadequately served rural areas, the Agency's task becomes more formidable and demands ever greater creativity. Performing well has never been so difficult or more important.

The Pennsylvania Housing Finance Agency has implemented programs in response to needs for funding home mortgage loans, preventing foreclosures, developing supportive services and subsidizing affordable rental units for families of low and moderate income, older adults, individuals who are disabled and those with special housing needs. With a dedication to the principal that all citizens have a right to decent, safe and affordable places to live, the Agency will commit all its resources and talents toward fulfilling this purpose.

On the Cover—*The Homeowners' Emergency Mortgage Assistance Program has been managed by PHFA since 1983. This unique effort has saved the homes of more than 17,000 families, three times the number of houses in Carlisle, the county seat of Cumberland County.*



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Regional Housing Legal Services

Herman Silverman
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Silverman Family Partnership

The Pennsylvania Housing Finance Agency continued its role as the Commonwealth's premier lender for the construction of rental apartments for older citizens, persons with disabilities and families of low and moderate income, and as the leading secondary mortgage lender for first time homebuyers. In addition, the Agency operates the Homeowners' Emergency Mortgage Assistance Program, an effort that remains unique in the nation: the state government puts its faith and credit behind the ability of its families to make their mortgage payments.

New programs were also initiated in 1994. Two of the most promising are the Pennsylvania HomePLUS program, which offers home equity conversion mortgages to older homeowners, and a program to make loans to rural residents who need to replace or repair malfunctioning on-lot sewage systems. The first measure is being conducted with the support and cooperation of the Office of the State Treasurer, which pioneered reverse-equity loans. PENNVEST, the Pennsylvania Infrastructure Investment Authority, together with the federal Environmental Protection Agency and the state Department of Environmental Resources, is working with PHFA to deliver the sewage system loans to the rural expanses of the Commonwealth.

This report briefly outlines some of the organization's activities and accomplishments for the year.

Single Family Housing

The biggest program of the Agency, the Statewide Homeownership Program, has financed more than a third of a billion dollars worth of home purchases this year. The families who benefit from this program aren't affluent. Their average income is $28,000 and they buy houses that cost an average of $64,000.

This reflects PHFA's experience since the program began. Users of Agency-backed mortgages are modest wage earners, buy starter homes and hope to move ahead with their lives by building up equity in the houses they've purchased while they raise their families. It's difficult to imagine a more American dream.

As PHFA has gained more experience in single family financing, it has been able to reach out to lower income families who want to buy their own homes. Seven years ago, the Agency initiated the Lower Income Homeownership Program to seek out qualified renters who, through a process of counseling and financial assistance, exhibited the potential to become homeowners. Along with a closing cost assistance program that gets them past the settlement table, the Lower Income Program has helped more than 4,000 families with incomes that average $19,500 become proud homeowners. No other state in the nation can claim such a record of accomplishment.

By streamlining its loan application procedures in 1994, PHFA has been able to reach more citizens who can benefit from lower interest rates and greater homebuying opportunities offered through Agency programs. As the state's biggest single purchaser of privately-originated mortgage loans for first time homebuyers, the Agency saw originations average about a million dollars a day most of this year.

Financing this effort has been a series of small offerings sold throughout the year, rather than one or two larger issues. This innovation has been particularly effective in tracking interest rates, allowing lenders to have a steady supply of funds and eliminating the long lead times that had previously been associated with PHFA-backed loans. By eliminating extra steps and unnecessary paperwork, processing times for applicants have been reduced by as much as two weeks.

High loan-to-value PHFA loans can be insured by private insurance or the FHA, guaranteed by the VA or the Farmers' Home Administration, or can use the Agency's own program to retain mortgage risk, the Pennsylvania Housing Insurance Fund. PHIF insurance now covers one out of every five loans originated, and is especially beneficial to the Commonwealth in areas where other insurance or guarantee programs aren't available. Nearly all Lower Income Homeownership Program loans are supported by the Pennsylvania Housing Insurance Fund.

Although PHFA-backed loans offer more liberal underwriting standards, higher loan-to-value ratios and provide more mortgage insurance options than do typical home loans, the default rate of homeowners using the Agency's programs compares favorably with loans of much more affluent buyers: it is less than one half of one percent.

Another feature of the Statewide Homeownership Program that indirectly benefits buyers is the mortgage servicing that is performed by the Agency. PHFA now services nearly 15,000 loans under the program. Fee income from the servicing is used to support administrative costs and other programmatic areas and helps keep the quality of the portfolio a high one. Servicing personnel can take immediate corrective action to insure that troubled loans perform as well as possible. This helps borrowers enjoy lower interest rate loans that result from PHFA's excellent credit rating.

Based on the strength of the past twelve years of implementing homeownership programs for Commonwealth citizens, PHFA is moving into other areas of service. The Pennsylvania HomePLUS Program helps older adults remain in their homes by converting the equity in their houses into cash payments through "reverse mortgages." Pennsylvania has a large population of older adults, many of whom want to remain in their homes. The

HomePLUS program is a cost-effective way to provide extra spending money for these homeowners, while freeing up a considerable state economic resource without raising taxes.

The State Treasurer and PHFA have worked to make home equity conversion mortgages a reality for more than three years. Although there had been some interest in the program by a few lenders, most had chosen not to become involved in helping this segment of the population. With the impetus of the HomePLUS program, more participating institutions will find that home equity conversion loans to their senior clients will bring them considerable business and develop a solid customer base. As with the Statewide Homeownership Program, it took leadership by PHFA to make this program a reality.

Pennsylvania has a rural population of more than four million persons, most of whom reside in small boroughs or townships. While many of these areas are served by municipal or regional sewage systems, vast expanses require individual on-lot septic systems. Many of these systems are in need of repair or replacement and a new program to offer financing to owners of malfunctioning or outdated systems is being undertaken by PHFA with the help of the Pennsylvania Infrastructure Investment Authority, PENNVEST. Financing from PENNVEST totaling $10,000,000 has been made available for the program. Once again, the Agency's resources have been tapped by the State Government, this time to help achieve a worthwhile environmental goal: clean water.

Rental Housing

With demand greater than ever for precious subsidy dollars in 1994, the Agency's PennHOMES program added 18 new multifamily projects comprising 844 apartments to the Commonwealth's stock of affordable housing units. The $13,341,000 committed to these units brings to $97,419,000 the amount of Agency funds for the 6,564 dwellings that have been approved since PHFA instituted the Rental Housing Demonstration Program and the Homeless Housing Demonstration Program in 1987. In all, PHFA has financed more than 36,000 rental units since its inception in 1972.

Maintaining the high quality of the PHFA multifamily portfolio becomes increasingly important as the projects age. Ongoing preventive maintenance efforts, frequent fiscal reviews and vigilant management oversight of existing facilities are part of the equation that allows the Agency to continue its multifamily production programs. The Supportive Services Program that has proven so effective in housing for senior citizens has been extended to residents of general occupancy developments and family rental apartments.

The original supportive services program was started in 1990 as a cooperative effort between the Agency and owners of developments for senior citizens. Building on that program's success, an eighty-unit demonstration program for family supportive services was undertaken by PHFA with a grant from the Pennsylvania Department of Public Welfare. Its results were translated into a broaden effort involving 730 families who are actively participating in the formation of new measures to enhance parenting education, homemaking techniques, employment opportunities and other life skills. The Family Supportive Services Program is another method employed by PHFA to assure the viability of its multifamily developments.

Refunding of old high-yield bond issues that originally financed many multifamily projects has helped lower the interest rates on outstanding mortgages. In some cases this has had the effect of making older PHFA buildings more financially stable and fiscally sound. Even more important, however, will be the savings realized over the next two decades, allowing the Agency to commit $3,500,000 a year to its multifamily development activities.

Competition for scarce dollars among project sponsors remains the biggest challenge faced by PHFA and the affordable housing community. In 1994 the Pennsylvania Department of Community Affairs transferred some of the responsibility for the federal HOME program to the Agency. By combining resources and incorporating a single application procedure, Pennsylvania's multifamily efforts should provide a solid benefit to sponsors of affordable multifamily rental housing.

Aiding in this effort is the allocation of low income rental housing tax credits. By syndicating the tax shelter offered through tax credits, project sponsors can generate part of the equity needed to help make their projects financially feasible. To facilitate non-profit sponsors in their efforts to increase the capital that is realized from the sale of the tax credits, PHFA is initiating a bridge loan program. Drawing on resources provided by the Agency, funds from the Commonwealth and grants from the Pew Charitable Trust, the bridge loan program will provide initial equity capitalization of rental housing developments.

Successful PHFA multifamily developments now average five distinct funding sources. It is increasingly difficult to take a project from concept to rent-up, and the difficulty is likely to grow as the next century approaches. By helping to straighten the path to those sources, by easing the difficulty for providers, the Agency can assure those with special housing needs that affordable housing remains available to them.

Mortgage Assistance

No other state in the nation is as committed as Pennsylvania to helping citizens remain in their homes during times of economic uncertainty. Through the Homeowners' Emergency Mortgage Assistance Program more than 17,000 Commonwealth families have had their homes saved from foreclosure, allowing them to regain financial health, seek retraining and find new employment.

The program offers loans to homeowners who, through no fault of their own, are unable to make their mortgage payments. For an average of $10,241 per case, recipient homeowners can stay in their residences. As a homelessness prevention effort, the program is not only effective, it's a tremendous bargain, too.

Persons who receive assistance are expected to repay the loans once they are financially capable. More than $40,000,000 has been repaid. This money goes back into the program for use by other qualifying homeowners.

In 1994 the Agency revised the guidelines that had been used during the previous ten years of the program's existence. In doing so it streamlined and simplified certain procedures to make the assistance more accessible and easier to understand. With this action, the Agency hopes that a program that has served the citizens well for over a decade will be made even better.

This report briefly reviews PHFA's activities and shows some of its accomplishments, along with the people who help produce affordable rental housing and homeownership opportunities for Pennsylvanians. It is respectfully submitted to the citizens of the Commonwealth, the General Assembly, Congress and the Governor by the Board and staff of the Agency.

Karl Smith
Executive Director

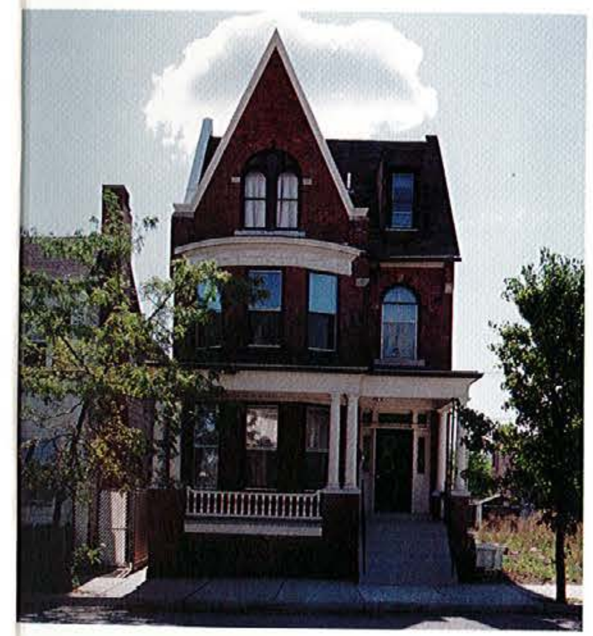
Lexington Park

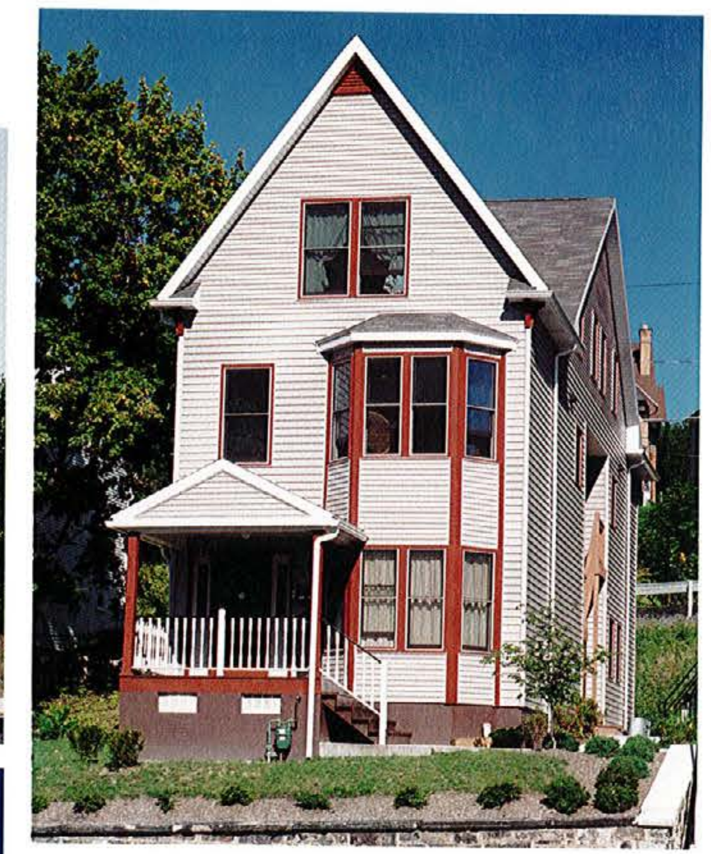
A $480,000 PennHOMES loan from the Agency has helped provide 24 apartments for low income families in Altoona. Lexington Park, a scattered-site development, was sponsored by Improved Dwellings for Altoona, Inc., which has created more than 600 affordable rental units in the Blair County community.

All the apartments will be rented to families with very low incomes. Each residence provides easy access to municipal facilities and support services that are important to the quality of neighborhood life.

In addition to PHFA's funding, other sources for the project include a Community Development Block Grant loan from the city of Altoona, an Appalachian Regional Commission loan, an Altoona City Planning and Development Commission grant and low income housing tax credits issued by the Agency.

Ben Housman worked in banking more than six years before coming to the Agency as a loan officer in the Single Family division. When not processing homeownership loans, he can be found training homing pigeons, a hobby he has had since 1965.





Lexington Park *is typical of PHFA rental developments in its use of multiple funding sources from federal, state and local governments and private organizations. The project's seven rehabilitated buildings now offer 24 attractive, affordable apartments in Altoona.*

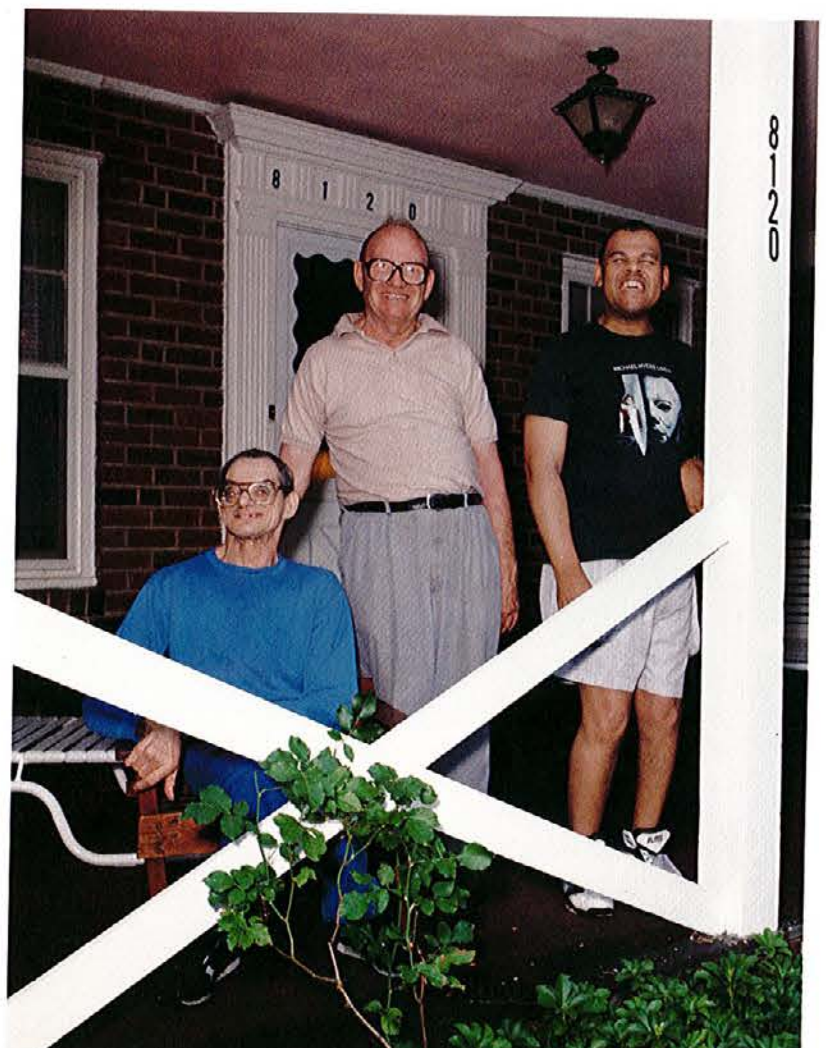
Kimberly Brinkerhoff, a multifamily rental housing development officer, is responsible for special needs housing. As a team leader, Kim acts as liaison between PHFA and project sponsors. She and her husband operate Central Pennsylvania's only indoor rock climbing facility.

INTERACT
Homeownership for the developmentally disabled

For Larry Joel, Eugene Miller and Donald Righter, owning a home is literally a dream come true. They've had to wait 15 years, but their patience was rewarded when these three gentlemen were able to leave their community living arrangement and move into a place of their own.

Larry, Eugene and Donald all have jobs. During their daily walk to work they noticed townhouses being built and decided that they would like to find a home to buy. The men are all hearing impaired, but they were able to use a variety of communication techniques to explain their intent.

Through a special arrangement with the Agency they were able to obtain low interest rate mortgage financing and closing cost assistance to buy their Philadelphia home, a three bedroom ranch with a basement. The fenced back yard is ideal for picnics with other neighborhood families.



With the help of the INTERACT, a community-based nonprofit organization that provides services to persons with developmental disabilities, they were able to locate a suitable property and obtain an Agency-single family loan.

Owning their own home isn't all play, but it's not all work either. *For Larry Joel, Eugene Miller and Donald Righter the benefits far outweigh the drawbacks. They had to wait a decade and a half for the opportunity, but with each other's help, a PHFA mortgage loan and the support of a local community based organization, they were able to finance a decent place to relax at the end of the day.*

For more than twenty years, PHFA has committed a billion dollars to finance thousands of apartments for older citizens. **Hazlewood Apartments** *in Luzerne County provide 100 units of senior housing.*

As an 18 year employee, **Joe Knopic** is the PHFA expert in bond financing. His experience is valuable in dealing with the investment community to ensure that PHFA receives the best possible interest rates. He relaxes by sailing in the summer and skiing in the winter.

When senior programmer analyst **Shirley Kirk** began working at the Agency 19 years ago, she was the only person with computer skills. Since then the Computer division has grown to a staff of nine. Shirley also coordinates the Agency's employees membership in a local health club.

For twenty years **Don Clarke** has been an Agency architect, reviewing contract documents, plans and specifications. He also ensures that the disability guidelines are followed for each multifamily project. A cycling enthusiast, Don recently completed a 150 mile ride to raise money to fight Multiple Sclerosis.

Because Pennsylvania is the state with the second largest population of older persons, providing affordable housing for seniors is an important aspect of the Agency's activities. **Ecumenical Communities House,** *Dauphin County, helps meet this critical need. The friendships the residents experience here are fostered by a warm and caring atmosphere.*

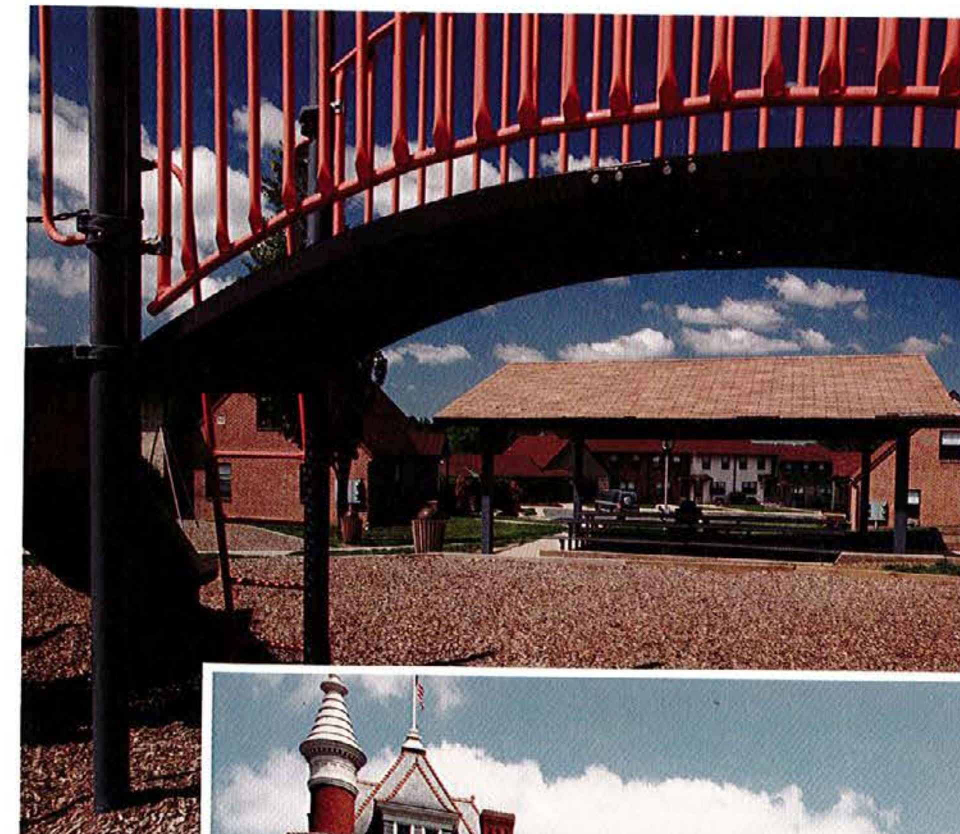
Sherry Daniels' record keeping talents are worked to the maximum in tracking multifamily developments. When not busy with her responsibilities as a Technical Services administrative assistant she spends time teaching her six year old son Rodney to swim.

John Brazen is a financial analyst in the Management division where he reviews multifamily projects. Fifty years ago he was a young infantry officer, helping to liberate the Philippines with General McArthur's army. John's Christmas trees have graced the state's Capitol on more than one occasion.

Fred Reed was a teacher, coach and banker before coming to PHFA. In 1984 he began his tenure with the Homeowners' Emergency Mortgage Assistance Program where he is now director.

***Bellefield Dwellings** in Pittsburgh offers 158 apartments for low income families.*

*Helping to improve living conditions for Commonwealth citizens is a priority for PHFA. **Oak Hollow South** in rural Lancaster County offers a safe playground for resident children in this attractive 67-unit development.*



Relying on her 16 years experience at the Agency, **Carrie Barnes,** assistant to the executive director and Secretary to the Board, coordinates the many tasks of PHFA Board meetings. Carrie is also one of the Agency's most patient employees: she waited fifteen years for season tickets to Pittsburgh Steelers football games.

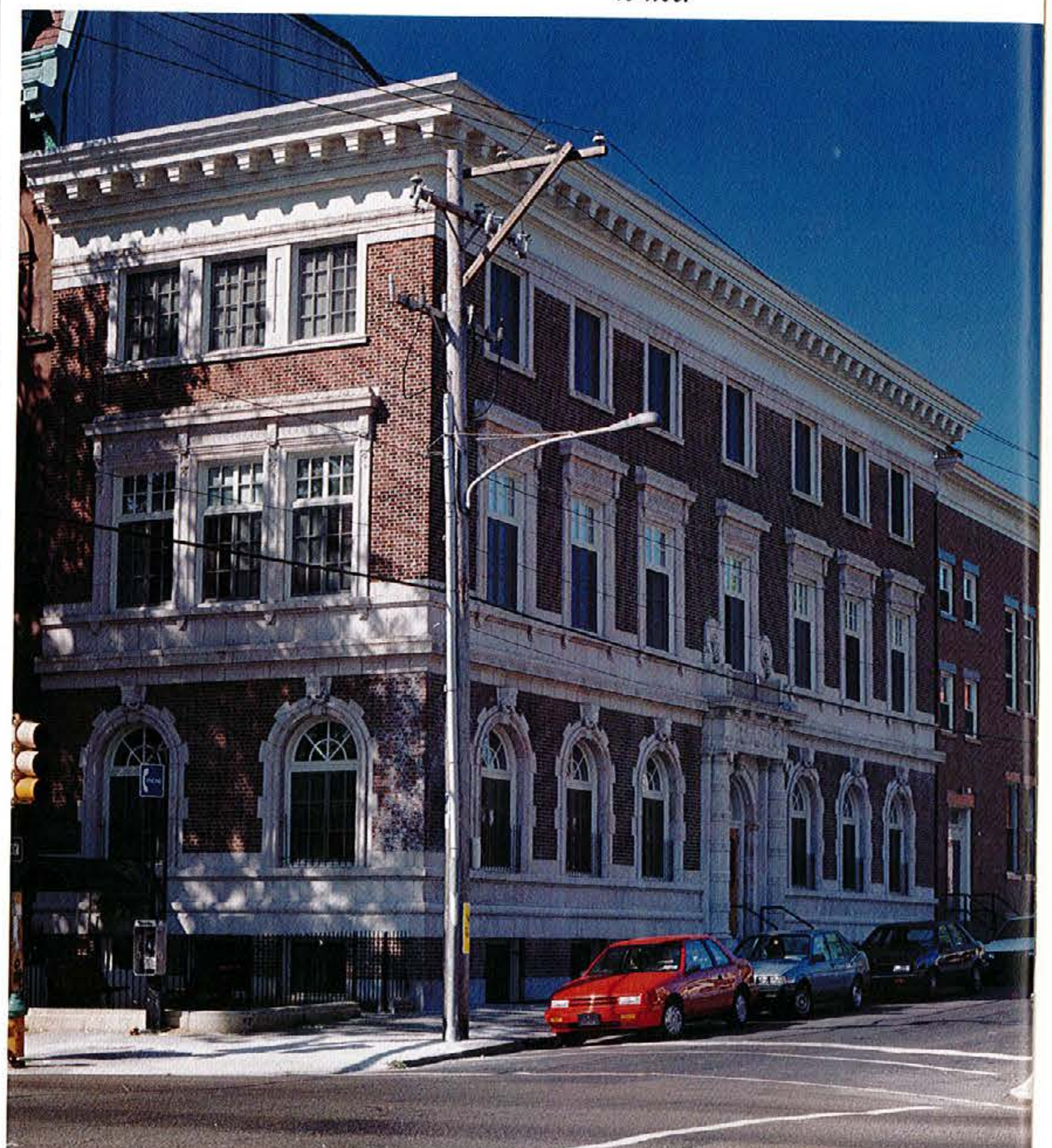
*Once a thriving factory, Lancaster's historic **Umbrella Works** apartment house offers 83 affordable rental units for families.*

When **Mike Kearney** is not busy with the HOME program he can be seen running along the Susquehanna River preparing for his next marathon. He completed runs in the Washington, DC Marine Corps and Harrisburg marathons, and wants to continue with new personal records, the latest of which is being a new father.

Margaret Breech began her career with PHFA as a part-time employee in the Single Family division while attending the Harrisburg Area Community College. Maggie is now a legal assistant handling Homeowners' Emergency Mortgage Assistance cases.

Carrie Emerson combines her responsibilities as a mother of four with her job as management representative in the Pittsburgh office. In May, Carrie's oldest child graduated from college, a good experience for her considering that two others are still attending.

A $720,000 loan from PHFA helped rehabilitate this three story building in Philadelphia. **Kairos House** *offers affordable rental housing to 36 persons who would otherwise have no place to live.*



Report of Independent Accountants on Financial Statements

for the years ended June 30, 1994 and 1993

and Required Supplemental Information

CONTENTS

Report of Independent Accountants

Coopers &Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

To the Members of the
Pennsylvania Housing Finance Agency
Harrisburg, Pennsylvania:

We have audited the accompanying balance sheets of the Pennsylvania Housing Finance Agency (Agency) as of June 30, 1994 and 1993, and the related statements of revenues, expenses and changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Homeowners Emergency Mortgage Assistance Program (HEMAP). Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for HEMAP, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note B to the financial statements, HEMAP has been determined to be part of the Agency's reporting entity. HEMAP has been included as a separate fund in the prior year financial statements to reflect the change.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Analysis of Funding Progress and Revenues by Source and Expenses by Type, on pages 39 and 40, are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Coopers & Lybrand L.L.P.

One South Market Square
Harrisburg, Pennsylvania
October 3, 1994

Coopers & Lybrand L.L.P., a registered limited liability partnership, is a member firm of Coopers & Lybrand (International)

BALANCE SHEETS

as of June 30, 1994 and 1993

1994

	(in thousands)	General Fund	Multi-Family Program	Single Family Program	Insurance Fund	HEMAP	Totals (Memorandum Only)
Assets	Deposits and investments (Note E)	$ 72,310	211,557	267,478	13,648	5,629	570,622
	Mortgage loans receivable (Note F)	3,220	618,736	1,187,918	—	67,013	1,876,887
	Construction advances (Note F)	—	23,298	—	—	—	23,298
	Deferred and other assets	3,337	7,693	4,089	—	124	15,243
	Due from other funds	24,911	—	—	—	—	24,911
		$103,778	861,284	1,459,485	13,648	72,766	2,510,961
Liabilities and Fund Balances	Bonds payable (Note I)	—	597,076	1,330,772	—	—	1,927,848
	Notes payable (Note H)	—	23,000	—	—	—	23,000
	Escrow and other liabilities	857	141,756	14,635	475	2,462	160,185
	Accrued interest payable	—	18,269	24,184	—	—	42,453
	Accounts payable and accrued expenses	1,102	—	—	—	298	1,400
	Accrued mortgage claims	—	—	—	100	—	100
	Due to other funds	—	2,800	21,810	—	301	24,911
	Total liabilities	1,959	782,901	1,391,401	575	3,061	2,179,897
	Fund balances (Note K):						
	Reserved	346	3,360	17,411	10,000	69,705	100,822
	Unreserved:						
	Internally designated	57,500	66,500	5,205	3,073	—	132,278
	Undesignated	43,973	8,523	45,468	—	—	97,964
	Total fund balances	101,819	78,383	68,084	13,073	69,705	331,064
		$103,778	861,284	1,459,485	13,648	72,766	2,510,961

1993

	(in thousands)	General Fund	Multi-Family Program	Single Family Program	Insurance Fund	HEMAP	Totals (Memorandum Only)
Assets	Deposits and investments (Note E)	73,075	269,822	304,814	11,714	6,812	665,607
	Mortgage loans receivable (Note F)	703	618,728	1,208,933	—	55,728	1,884,092
	Construction advances (Note F)	—	14,496	—	—	—	14,496
	Deferred and other assets	2,014	10,054	4,448	—	97	16,613
	Due from other funds	8,925	—	—	—	—	8,925
		84,717	913,100	1,517,565	11,714	62,637	2,589,733
Liabilities and Fund Balances	Bonds payable (Note I)	—	646,689	1,404,552	—	—	2,051,241
	Notes payable (Note H)	—	8,000	—	—	—	8,000
	Escrow and other liabilities	950	131,698	15,232	—	1,789	149,669
	Accrued interest payable	—	21,534	32,197	—	—	53,731
	Accounts payable and accrued expenses	873	—	—	—	253	1,126
	Accrued mortgage claims	—	—	—	—	—	—
	Due to other funds	—	3,047	5,577	—	301	8,925
	Total liabilities	1,823	810,968	1,457,558	—	2,343	2,272,692
	Fund balances (Note K):						
	Reserved	346	3,360	18,012	10,000	60,294	92,012
	Unreserved:						
	Internally designated	46,500	63,000	4,018	1,714	—	115,232
	Undesignated	36,048	35,772	37,977	—	—	109,797
	Total fund balances	82,894	102,132	60,007	11,714	60,294	317,041
		84,717	913,100	1,517,565	11,714	62,637	2,589,733

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

for the years ended June 30, 1994 and 1993

	(in thousands)	1994 General Fund	1994 Multi-Family Program	1994 Single Family Program	1994 Insurance Fund	1994 HEMAP	1994 Totals (Memorandum Only)	1993 General Fund	1993 Multi-Family Program	1993 Single Family Program	1993 Insurance Fund	1993 HEMAP	1993 Totals (Memorandum Only)
Revenues	Interest income:												
	Investments	$ 4,230	8,150	14,158	961	314	27,813	3,427	11,149	19,855	93	508	35,032
	Mortgage loans receivable (Note F)	205	53,908	91,133	—	1,254	146,500	67	55,414	98,005	—	1,199	154,685
	Construction advances (Note F)	—	442	—	—	—	442	—	205	—	—	—	205
	Total interest income	4,435	62,500	105,291	961	1,568	174,755	3,494	66,768	117,860	93	1,707	189,922
	Fees and charges	7,900	—	1,198	515	123	9,736	6,916	—	1,171	761	56	8,904
	Amortization of deferred gain	—	497	—	—	—	497	—	258	—	—	—	258
	Gain on sale of investments	1,405	5,752	355	—	—	7,512	399	210	924	—	—	1,533
	Grant revenue	—	1,100	—	—	19,500	20,600	—	—	—	—	—	—
	Residual receipts	—	425	—	—	—	425	—	1,414	—	—	—	1,414
	Total operating revenue	13,740	70,274	106,844	1,476	21,191	213,525	10,809	68,650	119,955	854	1,763	202,031
Expenses	Interest on notes (Note H)	—	533	—	—	—	533	—	468	588	—	—	1,056
	Interest on bonds (Note I)	—	43,017	100,887	—	—	143,904	—	52,752	113,728	—	—	166,480
	Salaries and related benefits	7,089	—	—	—	1,259	8,348	6,638	—	—	—	1,238	7,876
	General and administrative	3,287	232	—	—	1,738	5,257	3,329	—	100	—	1,586	5,015
	Loan loss provision	—	9,100	325	—	8,783	18,208	—	1,400	—	—	7,422	8,822
	Mortgage claims	—	—	—	117	—	117	—	—	—	—	—	—
	Nonrecurring expense (Note N)	—	—	—	—	—	—	129	—	1,351	—	—	1,480
	Total operating expenses	10,376	52,882	101,212	117	11,780	176,367	10,096	54,620	115,767	—	10,246	190,729
	Income (loss) before extraordinary item	3,364	17,392	5,632	1,359	9,411	37,158	713	14,030	4,188	854	(8,483)	11,302
	Extraordinary loss:												
	Early extinguishment of debt (Note I)	—	(16,305)	(6,830)	—	—	(23,135)	—	(8,567)	(2,427)	—	—	(10,994)
	Net income (loss)	3,364	1,087	(1,198)	1,359	9,411	14,023	713	5,463	1,761	854	(8,483)	308
	Fund balances at beginning of year	82,894	102,132	60,007	11,714	60,294	317,041	86,426	92,422	68,248	860	68,777	316,733
	Fund balance transfers, net (Note D)	15,561	(24,836)	9,275	—	—	—	(4,245)	4,247	(10,002)	10,000	—	—
	Fund balances at end of year	$101,819	78,383	68,084	13,073	69,705	331,064	82,894	102,132	60,007	11,714	60,294	317,041

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

for the years ended June 30, 1994 and 1993

(in thousands)	1994 General Fund	1994 Multi-Family Program	1994 Single Family Program	1994 Insurance Fund	1994 HEMAP	1994 Totals (Memorandum Only)	1993 General Fund	1993 Multi-Family Program	1993 Single Family Program	1993 Insurance Fund	1993 HEMAP	1993 Totals (Memorandum Only)
Cash Flows from Operating Activities												
Net income (loss)	$ 3,364	1,087	(1,198)	1,359	9,411	14,023	713	5,463	1,761	854	(8,483)	308
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:												
Depreciation and amortization	297	1,006	2,687	—	25	4,015	265	1,018	1,829	—	21	3,133
Loss on early extinguishment of debt	—	16,305	6,830	—	—	23,135	—	8,567	2,427	—	—	10,994
Loan loss provision	—	9,100	325	—	8,783	18,208	—	1,400	—	—	7,422	8,822
Interest expense on notes and bonds, excluding amortization and accretion	—	43,007	100,909	—	—	143,916	—	51,203	112,901	—	—	164,104
Interest income on investments	(4,230)	(8,150)	(14,158)	(961)	(314)	(27,813)	(3,427)	(11,149)	(19,855)	(93)	(508)	(35,032)
Gain on sale of investments	(1,405)	(5,752)	(355)	—	—	(7,512)	(399)	(210)	(924)	—	—	(1,533)
Amortization of deferred gain	—	(497)	—	—	—	(497)	—	(258)	—	—	—	(258)
Increase (decrease) due to changes in operating assets and liabilities:												
Mortgage loans receivable	(2,517)	(9,108)	19,552	—	(19,957)	(12,030)	57	(3,279)	(54,468)	—	(13,951)	(71,281)
Construction advances	—	(8,802)	—	—	—	(8,802)	—	(469)	—	—	—	(469)
Deferred and other assets	(1,621)	(4,361)	(701)	—	(50)	(6,733)	335	(2,586)	(130)	—	(15)	(2,396)
Escrow and other liabilities	(93)	10,555	(596)	475	673	11,014	(238)	10,781	4,442	—	338	15,323
Accounts payable and accrued expenses	229	—	—	—	30	259	276	—	—	—	63	339
Accrued mortgage claims	—	—	—	100	—	100	—	—	—	—	—	—
Net cash provided by (used for) operating activities	(5,976)	44,390	113,295	973	(1,399)	151,283	(2,418)	60,481	47,983	761	(14,753)	92,054
Cash Flows from Noncapital Financing Activities												
Due (from) to other funds	$(15,985)	(247)	16,232	—	—	—	32,258	(118)	(32,140)	—	—	—
Fund balance transfers from (to) other funds	15,561	(24,836)	9,275	—	—	—	(4,245)	4,247	(10,002)	10,000	—	—
Proceeds from sale of bonds and notes	—	315,950	236,442	—	—	552,392	—	177,052	94,475	—	—	271,527
Redemptions and maturities of bonds and notes	—	(361,854)	(322,419)	—	—	(684,273)	—	(273,551)	(300,742)	—	—	(574,293)
Interest paid on bonds and notes	—	(45,570)	(104,045)	—	—	(149,615)	—	(50,534)	(116,019)	—	—	(166,553)
Net cash provided by (used for) noncapital financing activities	(424)	(116,557)	(164,515)	—	—	(281,496)	28,013	(142,904)	(364,428)	10,000	—	(469,319)
Cash Flows from Investing Activities												
Purchase of investments	(80,824)	(134,119)	(143,332)	—	(180,593)	(544,868)	(55,055)	(101,311)	(110,205)	(10,000)	(13,574)	(290,145)
Interest received on investments	7,196	11,892	12,599	961	314	32,962	7,454	8,342	19,118	93	508	35,515
Proceeds from sales and maturities of investments	78,100	193,766	131,325	—	181,688	584,879	37,191	121,275	281,415	—	27,430	467,311
Net cash provided by (used for) investing activities	4,472	71,539	(5,408)	961	1,409	72,973	(10,410)	28,306	190,328	(9,907)	14,364	212,681
Net increase (decrease) in cash and cash equivalents	(1,928)	(628)	(56,628)	1,934	10	(57,240)	15,185	(54,117)	(126,117)	854	(389)	(164,584)
Cash and cash equivalents at beginning of year	4,741	116,751	159,337	1,714	(1,147)	281,396	(10,444)	170,868	285,454	860	(758)	445,980
Cash and cash equivalents at end of year	$ 2,813	116,123	102,709	3,648	(1,137)	224,156	4,741	116,751	159,337	1,714	(1,147)	281,396
Reconciliation of cash and cash equivalents to the balance sheets:												
Total deposits and investments per the balance sheets	72,310	211,557	267,478	13,648	5,629	570,622	73,075	269,822	304,184	11,714	6,812	665,607
Less:												
Investments not meeting the definition of cash equivalents	69,497	95,434	164,769	10,000	6,766	346,466	68,334	153,071	144,847	10,000	7,959	384,211
Cash and cash equivalents at end of year	$ 2,813	116,123	102,709	3,648	(1,137)	224,156	4,741	116,751	159,337	1,714	(1,147)	281,396

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

for the years ended June 30, 1994 and 1993

(dollar amounts in thousands)

A. Authorizing Legislation

The Pennsylvania Housing Finance Agency (Agency) is a body corporate and politic created by the Housing Finance Agency Law, Act of December 3, 1959, P.L. 1688 (Act), 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 political 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 to authorize the Agency to make or purchase loans to finance the purchase, construction, improvement or rehabilitation of owner-occupied single family residences, and to finance the construction and rehabilitation of housing units without requiring the housing units to be subsidized or assisted by a federal government program.

The Act was further amended to authorize the Agency to furnish emergency mortgage assistance to mortgagors facing foreclosure because of circumstances beyond their control, through the form of loans.

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

The Agency has been determined to be a component unit of the Commonwealth of Pennsylvania for financial reporting purposes and thus, the financial results of the Agency will be included in the Commonwealth's June 30, 1994 financial statements.

B. Fund Accounting

The accounts of the Agency are organized on the basis of separate enterprise funds, each of which is considered to be a separate accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, and revenues and expenses. The funds used by the Agency are described below.

GENERAL FUND:

The General Fund is utilized to record certain loan origination fees, service fees 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. The Single Family Program also provides primary mortgage insurance through the Pennsylvania Housing Insurance Fund.

INSURANCE FUND:

In 1991, the Agency created the Insurance Fund, which previously was accounted for as a division of the Single Family Program. Through the Insurance Fund, the Agency provides primary mortgage insurance coverage for single family mortgage loans.

Effective July 1, 1993, the Agency established a separate fund to account for the activities of the Insurance Fund. Accordingly, the financial statements for the year ended June 30, 1993 have been reclassified for comparative purposes.

HEMAP:

The Homeowners Emergency Mortgage Assistance Program (HEMAP) was created by Act 91 of the General Assembly as a separate fund within the Agency. Transactions relate to the furnishing of emergency mortgage assistance to mortgagors facing foreclosure because of circumstances beyond their control, through the form of loans, in an amount sufficient to bring the mortgage current, and, if necessary, to provide continuing assistance for the period of up to 36 months. The mortgagor's obligation to repay the loan does not commence until there is the financial ability to do so. As stated in Act 91, no Agency funds are being expended on HEMAP, however, they do rely on the Agency for various administrative services, for which they pay a support services fee.

During the current year, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity." As a result, HEMAP has been determined to be part of the reporting entity. Accordingly, HEMAP has been included as a separate fund in the June 30, 1993 financial statements for comparative purposes.

C. Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis. On this basis, revenues are recognized in the year in which they are earned and become measurable, and expenses are recognized in the year they are incurred.

The Agency follows GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" (Statement No. 20) for reporting and disclosure purposes.

As permitted by Statement No. 20, the Agency has elected to not apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or interpretation.

CASH AND CASH EQUIVALENTS:

For the purpose of the statements of cash flows, the Agency considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

DEPOSITS AND INVESTMENTS:

Deposits are carried at cost, plus accrued interest. Investments in debt securities are carried at amortized cost, plus accrued interest. Premiums and discounts are amortized on a straight-line basis over the term of the investment.

MORTGAGE LOANS RECEIVABLE AND CONSTRUCTION ADVANCES:

Mortgage loans receivable and construction advances are carried at amounts disbursed plus accrued interest and fees, less collections, mortgage loan discounts 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 mortgage loans receivable and construction advances. Factors considered by management include the estimated fair market values of the properties that represent collateral, the amount of mortgage insurance to be received, if any, and the past experience and financial condition of the borrowers. Additions to the allowance are provided by charges to expense.

MORTGAGE REAL ESTATE OWNED:
During the normal course of business, the Agency purchases single family properties at foreclosure proceedings to avoid or minimize losses on mortgage loans. These properties are recorded at cost, and are held and managed by the Agency until purchasers are located. Subsequent costs directly related to the sale or improvement of the real estate are capitalized, as they are recoverable as part of the insurance claim. Losses arising from the properties are charged to the allowance for potential loan losses when incurred.

NONACCRUAL LOANS:
The Agency's policy is not to place a loan on nonaccrual status, as the accrued interest is recoverable as part of the mortgage insurance claim. There is adequate reserve in the allowance for loan losses for unrecovered accrued interest.

MORTGAGE LOAN INTEREST:
Interest income is recognized over the life of construction advances and mortgage loans receivable based upon the constant yield method.

MORTGAGE LOAN ORIGINATION FEES AND COSTS:
Loan origination fees range from .75% to 1.5% of the loan commitment for the Multi-Family Program and from 0% to 2% of the mortgage amount for the Single Family Program.

Loan origination costs relate to investigations, surveys, appraisals and other matters pertaining to the evaluation of mortgage loan proposals and construction advances.

The net difference between the loan origination fee and the related direct loan origination cost is deferred and amortized using the interest method over the life of the loan.

MORTGAGE LOAN DISCOUNT:
Discounts on mortgages purchased by the Agency are amortized over the lives of the related bond issues using the interest method.

AMORTIZATION OF NOTES AND BONDS PAYABLE DISCOUNTS:
Underwriter discounts relating to notes and bonds payable, including original issue discounts, are amortized over the lives of the related debt using the interest method.

AMORTIZATION OF DEFERRED GAIN:
The deferred gain on property conversion is amortized over the lives of the related first and second mortgage loans using the installment method.

TOTAL COLUMNS ON FINANCIAL STATEMENTS:
Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

D. Fund Balance Transfers

The Agency is permitted to make fund balance transfers to the extent that such fund balances and the related assets are not required to meet the Agency's debt obligations and provided that such transfers are not in violation of the terms of bond resolutions or indentures. The Single Family bond resolutions contain such restrictions on transfers. Fund balance transfers from the Multi-Family Program include earnings in excess of the note and bond interest and other related expenses. Fund balance transfers from the General Fund are used primarily to meet Self-Insurance Fund requirements for Single Family Mortgage Revenue Bonds, and to fund the HOMES program in the Multi-Family Fund.

E. Deposits and Investments

AUTHORITY FOR AGENCY DEPOSITS AND INVESTMENTS:
The deposit and investment policies of the Agency are governed by statutes and contractual provisions contained in the bond trust indentures. Agency deposits must be held in insured depositories satisfactory to the Agency and must be fully collateralized. Permissible investments include direct obligations of, or guaranteed by, the U.S. Treasury and U.S. Government agencies; any other obligation of the U.S. Treasury or any other U.S. Government agencies which are legal investments for savings banks, savings associations, or savings and loan associations in the Commonwealth of Pennsylvania; fully collateralized public housing bonds, temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities; direct and general obligations of, or obligations guaranteed by, the Commonwealth of Pennsylvania; direct and general obligations of any state of the United States, guaranteed by such state, provided that at the time of purchase the obligations maintain a satisfactory investment rating; fully collateralized repurchase agreements; reverse repurchase agreements; mutual or money market funds; commercial paper or finance company paper; noncollateralized certificates of deposit and various investment agreements that maintain a satisfactory investment rating; and interest-bearing time or demand deposits and certificates of deposit.

Deposits and investments consist of the following at June 30, 1994 and 1993:

	1994	1993
Deposits	$ 3,289	5,943
Investments	567,333	659,664
Total deposits and investments	$570,662	665,607

Management is not aware of any violations of statutory authority or contractual provisions for deposits and investments during the years ended June 30, 1994 and 1993.

DEPOSITS:
The following summary presents the Agency's deposits which are fully insured or collateralized with securities held by the Agency's agent in the Agency's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name (Category 2), and those deposits which are not collateralized or those collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Agency's name (Category 3):

	Bank Balance				Carrying Amount
	Category 1	Category 2	Category 3	Total	
June 30, 1994					
Demand deposits	$200	760	19,623	20,583	3,289
June 30, 1993					
Demand deposits	$200	781	10,178	11,159	5,943

Deposits classified as Category 3 are collateralized by pooled collateral in accordance with Act 72 of the Commonwealth of Pennsylvania. The bank balances in excess of carrying amount represent checks which have not cleared the bank, net of deposits in transit or other transactions not recorded by the bank until after year end.

INVESTMENTS:

The Agency categorizes investments according to the level of credit risk assumed by the Agency. Category 1 includes investments that are insured, registered or held by the Agency's agent in the Agency's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the Agency's name. Certain investments have not been categorized because securities are not used as evidence of the investment. These uncategorized investments represent the Agency's ownership interests in investment agreements, mutual funds and investment in State Treasurer's investment pool. The summary below identifies the level of credit risk assumed by the Agency and the total carrying amount and market value of the Agency's investments.

	Carrying Amount				
	Category 1	Category 2	Category 3	Total	Market Value
June 30, 1994					
Corporate bonds	$ 6,933	—	—	6,933	6,972
Repurchase agreements	94,952	—	—	94,952	94,952
U.S. Government obligations	78,277	—	—	78,277	94,676
U.S. Government agency obligations	175,751	—	—	175,751	174,369
Short-term investments	47,749	—	—	47,749	47,749
Totals	$403,662	—	—	403,662	418,718
Add amounts not categorized because securities are not used as evidence of the investments:					
Investment agreements				96,696	96,696
Mutual funds				62,972	62,972
Investment in State Treasurer's investment pool				4,003	4,003
Total investments				$567,333	582,389

	Carrying Amount				
	Category 1	Category 2	Category 3	Total	Market Value
June 30, 1993					
Corporate bonds	$ 8,556	—	—	8,556	8,530
Repurchase agreements	24,574	—	—	24,574	24,574
U.S. Government obligations	124,989	—	—	124,989	163,435
U.S. Government agency obligations	189,890	—	—	189,890	192,427
Short-term investments	166,943	—	—	166,943	166,943
Totals	$514,952	—	—	514,952	555,909
Add amounts not categorized because securities are not used as evidence of the investments:					
Investment agreements				65,082	65,082
Mutual funds				76,200	76,200
Investment in State Treasurer's investment pool				3,430	3,430
Total investments				$659,664	700,621

The amortized cost and estimated market values of investments in debt securities as of June 30, 1994 and 1993 are as follows:

	1994			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Corporate bonds	$ 6,933	43	4	6,972
Repurchase agreements	94,952	—	—	94,952
U.S. Government obligations	78,277	16,399	—	94,676
U.S. Government agency obligations	175,751	1,443	2,825	174,369
Short-term investments	47,749	—	—	47,749
Investment agreements	96,696	—	—	96,696
Mutual funds	62,972	—	—	62,972
State Treasurer's investment pool	4,003	—	—	4,003
	$567,333	17,885	2,829	582,389

	1993			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Corporate bonds	$ 8,556	5	31	8,530
Repurchase agreements	24,574	—	—	24,574
U.S. Government obligations	124,989	38,446	—	163,435
U.S. Government agency obligations	189,890	2,581	44	192,427
Short-term investments	166,943	—	—	166,943
Investment agreements	65,082	—	—	65,082
Mutual funds	76,200	—	—	76,200
State Treasurer's investment pool	3,430	—	—	3,430
	$659,664	41,032	75	700,621

The amortized cost and estimated market value of investments at June 30, 1994, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Market Value
Due in one year or less	$436,175	435,702
Due after one year through five years	33,068	34,067
Due after five years through ten years	46,103	47,452
Due after ten years	51,987	65,168
	$567,333	582,389

Proceeds from sales of investments in debt securities, prior to maturity, during 1994 and 1993 were $86,375 and $67,404, respectively. Net gains of $7,512 and $1,533, respectively, were realized on those sales.

F. Mortgage Loans Receivable and Construction Advances

The mortgage loans receivable and construction advances are collateralized by first mortgages on the related properties. The federal government provides insurance for certain projects included in the Multi-Family Program as well as subsidizes certain projects through its Section 8 Program. Insurance for the Single Family Program is provided by commercial companies and self-insurance through the Agency's Pennsylvania Housing Insurance Fund. In addition, the Agency has designated a portion of fund balances for self-insurance for certain multi-family and single family loans (see Note K). A summary of multi-family mortgage loans receivable and construction advances at June 30, 1994 and 1993 is as follows:

	Mortgage Loans Receivable	Mortgage Construction Advances
June 30, 1994:		
Insured and subsidized	$ 46,793	—
Insured and nonsubsidized	45,677	18,473
Uninsured and subsidized	465,859	—
Uninsured and nonsubsidized	82,690	4,825
	641,019	23,298
Allowance for potential loan losses	22,283	—
	$618,736	23,298
June 30, 1993:		
Insured and subsidized	$ 47,047	—
Insured and nonsubsidized	39,920	7,963
Uninsured and subsidized	479,790	—
Uninsured and nonsubsidized	65,671	6,533
	632,428	14,496
Allowance for potential loan losses	13,700	—
	$618,728	14,496

Substantially all single family mortgage loans are subject to two levels of insurance, primary insurance and pool insurance. Primary insurance is required on all single family mortgage loans where the loan principal amount exceeds 80% of the lesser of the purchase price or the initial appraised value of the property. The amount of primary insurance coverage required, as defined in the bond resolutions, is the amount by which the loan exceeds 66.5%-72.0% (depending on single family bond issue) of the lesser of the appraised value or sales price of the residence. It is the eligible borrowers' responsibility to bear the cost of primary insurance.

The Agency has reimbursed agreements covering up to $288,500 in mortgage loans with various commercial mortgage insurers in order to provide mortgagors with lower premiums for primary mortgage insurance. Under these agreements, the mortgage insurers are primarily responsible to the holders of the mortgage insurance policies, and the Agency will assume a portion of the mortgage default risk. The Agency has restricted funds to cover a portion of the potential exposure under these agreements. The Agency discontinued originating mortgage loans under these agreements in September 1993.

The Agency provides primary mortgage insurance coverage for single family mortgage loans through the Insurance Fund. At June 30, 1994 and 1993, the total loans covered under this program were $213,007 and $147,894, respectively.

Pool insurance covers certain losses sustained by reason of default in payments by eligible borrowers in excess of primary insurance. The Agency has elected to self-insure single family mortgage loans originating from proceeds obtained from single family bond issues Series C through 1994-40. The total principal outstanding of mortgage loans self-insured by the Agency was $1,177,050 and $1,196,905 at June 30, 1994 and 1993, respectively.

The HEMAP mortgage loans receivable are collateralized by liens on the respective properties. There is no assurance that sufficient equity will remain in the properties after potential satisfaction of other lenders, to which the Program has a secondary lien position. Total mortgage loans receivable in repayment status as of June 30, 1994 and 1993 are $21,541 and $20,738, respectively.

Changes in the allowance for possible loan losses for the Multi-Family, Single Family and HEMAP Programs are as follows:

	Multi-Family		Single Family		HEMAP	
	1994	1993	1994	1993	1994	1993
Balance, July 1	$13,700	12,300	640	713	40,232	34,696
Provision charged to income	9,100	1,400	325	—	8,873	7,422
Charge-offs	(517)	—	(62)	(73)	(1,287)	(1,886)
Balance, June 30	$22,283	13,700	903	640	47,818	40,232

The Agency has designated a portion of fund balance in both the General Fund and Single Family Program for self-insurance (see Note K).

G. Servicing Portfolio

Included in the Single Family Program are mortgage loans serviced for investors which are not included in the financial statements. The total amount of loans serviced for others was $162,993 and $186,359 at June 30, 1994 and 1993, respectively.

H. Notes Payable

The Agency maintains the following lines of credit, with the Department of Treasury of the Commonwealth of Pennsylvania, for the funding of Multi-Family Programs:

	1994	1993
$20,000 line of credit, bearing interest from the date of issuance at 2 points below the prime rate, 6.5% at June 30, 1994 and 1993	—	5,000
$15,000 line of credit, bearing interest from the date of issuance at a rate equal to the current yield on two year Treasury Notes plus 20 basis points, 4.47% at June 30, 1994 and 1993	$ 3,000	3,000
$50,000 line of credit, bearing a fixed interest rate on the date of a draw at a rate equal to the current yield on two year Treasury Notes plus 15 basis points, 4.24%-6.13% at June 30, 1994	20,000	—
	$23,000	8,000

I. Bonds Payable

Bonds have been issued to provide financing of mortgage loans under the Multi-Family and Single Family Programs. The full faith and credit of the Agency is pledged for repayment of most of the bonds issued. The bonds are collateralized 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 investment of the bond proceeds.

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

The most restrictive covenants require minimum capital reserve requirements for the Multi-Family and Single Family Programs. The capital reserve fund has been established by the Agency to meet this requirement.

The capital reserve requirement for certain Multi-Family bonds requires that a one year debt service minimum balance be maintained at all times. The capital reserve fund at June 30, 1994 and 1993, amounted to $8,551 and $59,916, respectively, including amounts funded by bond proceeds. Such amounts were $6,954 and $23,909, respectively, in excess of the requirement.

The capital reserve requirement for Single Family bonds must be equal to at least 3% of the aggregate principal amount of all Single Family bonds outstanding plus one million dollars. The capital reserve fund at June 30, 1994 and 1993 amounted to $42,739 and $61,722, respectively, including amounts funded by bond proceeds. Such amounts were $1,306 and $17,975, respectively, in excess of the requirement.

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

Issue	Interest Rate Range At Issuance	Final Maturity Date	Amount Outstanding June 30, 1994	Amount Outstanding June 30, 1993
Residential Development Bonds:				
Issue A	4.50–7.60%	2019	—	$73,510
Issue B	4.00–6.60%	2020	—	27,610
Issue 1977 (refunding)	3.60–6.50%	2023	—	81,145
Issue C	4.25–6.375%	2020	—	20,360
Issue D	4.50–6.75%	2021	—	72,165
Issue G	7.125%	2012	—	6,865
Issue N	9.75%	2014	—	3,040
Issue O	10.375%	2015	—	6,620
Issue P	10.375%	2015	$ 5,235	5,300
Issue 1990 T-1 (refunding)	8.875%	1997	1,420	1,770
Issue 1991 T-3	8.25%	1994	775	2,155
Issue 1991A (refunding)	6.65–7.60%	2013	41,655	43,630
Issue 1992A (refunding)	7.95%	2025	23,905	23,905
Issue 1992 (refunding)	3.65–6.5%	2023	170,095	170,095
Issue 1993 (refunding)	3.5–5.8%	2022	205,835	—
State Workers' Insurance Fund	9.8%	2014	—	7,490
State Workers' Insurance Fund:				
Issue 1990B	9.29%	2015	—	4,250
Issue 1991C	8.9%	2016	—	12,210
Issue 1992D	8.21%	2017	—	7,395
Issue 1992E	7.47%	2018	—	4,930
Issue 1994	6.99%	2019	37,180	—
Section 23 Assisted Bonds:				
Issue 1977A	5.75%	1995	204	330
Multi-Family Housing Bonds:				
Issue 1980	9.80–10.00%	2023	—	10,990
Issue 1982B	9.50–10.875%	2024	4,875	4,875
Issue 1985A	6.75–9.375%	2028	3,086	5,239
Issue 1985B	8.875%	2028	1,700	1,710
Issue 1987A	7.00–8.50%	2002	465	500
Issue 1988A	10.65%	2008	1,316	1,356
Issue 1990 T-2 (refunding)	8.625%	1995	1,000	2,355
Issue FHA-1992	7.75–8.20%	2024	37,550	37,265
Limited Obligation Residential Development Bonds:				
Issue 1984A	6.50–11.25%	2006	—	1,097
Moderate Rehabilitation Bonds:				
Issue 1984A	6.50–10.375%	2001	2,725	2,955
Issue 1984	5.25–9.00%	2017	3,975	4,235
Multi-Family Development Bonds:				
Issue 1989B	8.25%	2015	555	3,475
Issue 1993A (refunding)	5.38%	2022	41,400	—
Issue 1993F	6.53%	2019	12,500	—
Federal National Mortgage Association:				
Issue 1990A	7.5%	2023	3,745	3,778
			601,196	654,605
Unamortized bond discount			(4,120)	(7,916)
			$597,076	646,689

During the year ended June 30, 1994, the Agency redeemed prior to maturity $343,332 of Multi-Family Residential Development Bonds, Issues A, B, C, D, G, N, O, 1977, 1980, 1984A, 1985A, 1989B, 1990B, 1991C, 1992D and 1992E. An extraordinary loss of $16,685 resulted from the redemptions. In addition, the Agency recorded an extraordinary gain of $380 relating to the early redemption of a note payable.

During the year ended June 30, 1993, the Agency redeemed prior to maturity $286,905 of Multi-Family Residential Development Bonds, Issues E, F, H, I, L, M, 1982A and 1982B. An extraordinary loss of $9,113 resulted from the redemptions.

During the year ended June 30, 1993, the Agency defeased, prior to maturity, $7,120 of Multi-Family Residential Development Bonds, Issues H and M, which resulted in an extraordinary gain of $546. The Agency defeased the bonds by depositing sufficient funds in an irrevocable trust with an escrow agency to provide for all future debt service payments. The funds were invested in U.S. Treasury strips. The defeased principal outstanding on these bonds was $7,120 at June 30, 1994 and 1993.

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

Issue	Interest Rate Range At Issuance	Final Maturity Date	Amount Outstanding June 30, 1994	Amount Outstanding June 30, 1993
Single Family Mortgage Revenue Bonds:				
Series C	6.00–9.375%	2014	—	55,794
Series D	5.75–9.75%	2014	—	3,545
Series G	6.00–9.625%	2016	—	51,605
Series H	5.50–9.875%	2016	$ 3,205	61,255
Series I	6.00–10.00%	2016	—	18,915
Series J	4.50–9.00%	2013	12,620	37,767
Series K	4.50–7.90%	2013	47,217	48,627
Series L	4.00–7.125%	2014	36,000	36,745
Series N	4.60–8.25%	2014	22,290	46,520
Series O	5.75–8.20%	2018	41,410	65,200
Series P	4.75–8.00%	2016	23,950	24,295
Series Q	6.00–8.375%	2018	7,935	48,835
Series R	6.20–8.125%	2019	77,570	78,340
Series S	6.70–7.60%	2016	24,025	24,430
Series T	7.00–7.875%	2020	24,345	24,620
Series U	6.15–7.80%	2020	76,170	78,125
Series V	6.00–7.80%	2016	24,200	24,450
Series W	6.30–7.80%	2020	48,290	49,355
Series X	6.80–8.15%	2024	64,600	65,170
Series Y	6.20–7.45%	2016	34,140	34,500
Series Z	6.00–7.55%	2016	25,840	26,325
Series 1990–27	6.50–8.15%	2021	45,145	45,620
Series 1990–28	6.30–7.65%	2023	76,975	80,000
Series 1990–29	6.10–7.375%	2016	29,755	30,000
Series 1991–30	5.30–7.30%	2017	24,585	25,000
Series 1991–31	5.40–8.95%	2023	83,150	84,400
Series 1991–32	7.15%	2015	35,000	35,000
Series 1992–33	4.50–6.90%	2017	49,535	49,800
Series 1992–34	4.50–7.00%	2024	75,000	75,000
Series 1992–35	2.88–9.48%	2016	95,650	95,650
Series 1993–36	3.40–5.45%	2014	54,155	—
Series 1993–37	5.45–5.60%	2025	75,000	—
Series 1994–38	3.50–6.125%	2024	30,000	—
Series 1994–39	3.90–6.875%	2024	40,000	—
Series 1994–40	4.00–6.90%	2025	40,000	—
			1,347,757	1,424,888
Unamortized bond discount			(16,985)	(20,336)
			$1,330,772	1,404,552

During the year ended June 30, 1994, $295,316 of Single Family Mortgage Revenue Bonds, Series C, D, G, H, I, J, N, O, Q, U, W, X, 1990–28 and 1990–29 were redeemed prior to maturity by the Agency using mortgage prepayments and undisbursed bond proceeds. Extraordinary losses of $6,830 resulted from the redemptions as unamortized bond discount and related costs of issuance for the bonds redeemed were expensed.

During the year ended June 30, 1993, $115,160 of Single Family Mortgage Revenue Bonds, Series D, G, N and O were redeemed prior to maturity by the Agency using mortgage prepayments and undisbursed bond proceeds. Extraordinary losses of $2,427 resulted from the redemptions as unamortized bond discount and related costs of issuance for the bonds redeemed were expensed.

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 and interest payments related to bonds payable are as follows at June 30, 1994:

Year Ending June 30:	Multi-Family Program Principal	Multi-Family Program Interest	Single Family Program Principal	Single Family Program Interest	Total Principal and Interest Maturities
1995	$ 14,056	38,303	37,350	93,730	183,439
1996	14,323	36,474	21,450	91,586	163,833
1997	15,024	35,723	22,835	90,246	163,828
1998	15,528	34,900	24,430	88,783	163,641
1999	16,248	34,028	26,135	87,494	163,905
Thereafter	526,017	403,039	1,215,557	1,123,864	3,268,477
	$601,196	582,467	1,347,757	1,575,703	4,107,123

The 1995 principal and interest payments for the Multi-Family Program include $5,160 and $422, respectively, of Issue P Bonds which were redeemed prior to maturity on July 1, 1994.

The 1995 principal and interest payments for the Single Family Program include $15,395 and $523, respectively, of Series H and X Bonds which were redeemed prior to maturity on August 30, 1994, and principal and interest payments of $2,130 and $82, respectively, of Series N and O Bonds which were redeemed prior to maturity on October 3, 1994.

J. Operating Leases

The Agency is obligated under noncancellable operating leases for their buildings. Future minimum payments under these leases at June 30, 1994 are:

1995	$ 635
1996	607
1997	593
1998	573
1999	580
Thereafter	3,689
	$6,677

Total rental expense was $613 and $579 for the years ended June 30, 1994 and 1993, respectively.

K. Reserved and Internally Designated Fund Balances

GENERAL FUND:

The General Fund reserved fund balance of $346 represents funds required to be held in trust under the terms of the indenture of the Multi-Family Housing Bond Issue 1980.

The remaining fund balance of the General Fund is not restricted under the terms of the various bond resolutions and can be used by the Agency for any purpose authorized by the Act. The Agency has internally designated a portion of the General Fund balance as follows:

	June 30, 1994	June 30, 1993
Single Family Self-Insurance Fund	$16,500	16,500
Multi-Family Self-Insurance Fund	10,000	10,000
HOMES Program	30,000	19,000
Housing initiatives	1,000	1,000
	$57,500	46,500

The designation for the Single Family 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 C through 1992-35 Issues. The Single Family Self-Insurance Fund has been established at not less than 1% of anticipated mortgages to be originated on Issues I through 1992-35. In 1993, this requirement was reduced to not less than 1% of anticipated mortgages to be originated on Issues I through 1992-35, less $10,000. The Single Family Series I resolution required that a Self-Insurance Fund be held by the trustee. This was funded by the General Fund and is included in the Single Family Program's restricted fund balance.

The designation for the Multi-Family Self-Insurance Fund has been established in the event a loss occurs on any of the Multi-Family Projects for which the Agency acts as an insurer or coinsurer.

The designation for the HOMES Program has been established to provide below market and deferred interest financing to lower development costs for apartment projects financed by the Agency.

The designation for housing initiatives has been established to provide below market financing for Multi-Family and Single Family Special Projects financed by the Agency.

MULTI-FAMILY PROGRAM:

Restrictions on the Multi-Family Program fund balance are as follows:

	June 30, 1994	June 30, 1993
Capital Reserve not funded by bond proceeds	$1,960	1,960
Development Reserve	1,400	1,400
	$3,360	3,360

The Capital Reserve and Development Reserve are required under certain trust indentures in order to establish and maintain the Agency's Multi-Family Program.

The Agency has internally designated a portion of the Multi-Family Program fund balance as follows:

	June 30, 1994	June 30, 1993
HOMES Program	$66,500	63,000

The designation for the HOMES Program, which was funded from unrestricted Multi-Family proceeds, has been established to lower development costs for apartment projects financed by the Agency.

SINGLE FAMILY PROGRAM:

Restrictions on the Single Family Program fund balance are as follows:

	June 30, 1994	June 30, 1993
Capital Reserve not funded by bond proceeds	—	1,339
Self-Insurance Fund held by trustee	$17,411	16,673
	$17,411	18,012

The Capital Reserve not funded by bond proceeds represents funding provided by the Agency to meet the capital reserve required under bond indentures in excess of amounts funded by bond proceeds.

The Self-Insurance Fund held by trustee represents amounts to self-insure the pool insurance for Single Family mortgage loans to meet self-insurance requirements under the bond indentures.

The Agency has internally designated a portion of the Single Family Program fund balance as follows:

	June 30, 1994	June 30, 1993
Closing Cost Subsidy Program	$2,750	1,563
Additional Single Family Insurance Program	2,455	2,455
	$5,205	4,018

The Closing Cost Subsidy is a program established to assist qualified single family home buyers with the initial costs incurred at the inception of a mortgage.

The designation for the Additional Single Family Insurance Program has been established to cover risk sharing agreement primary mortgage insurance losses in the event of default on Single Family mortgage loans.

INSURANCE FUND:

Restrictions on the Insurance Fund fund balance are as follows:

	June 30, 1994	June 30, 1993
Risk retention	$10,000	10,000

The risk retention reserve was established as an alternative to private single family mortgage insurance. Through the risk retention program, the Agency retains the risk of mortgage default for mortgage loans.

The Agency has internally designated a portion of the Insurance Fund fund balance as follows:

	June 30, 1994	June 30, 1993
Additional risk retention	$3,073	1,714

The designation for the additional risk retention reserve has been established to provide additional private single family mortgage insurance.

HEMAP:

Restrictions on the HEMAP fund balance are as follows:

	June 30, 1994	June 30, 1993
Emergency Mortgage Assistance Program	$69,705	60,294

The designation for the emergency mortgage assistance program has been established to provide assistance to mortgagors facing foreclosure because of circumstances beyond their control, through the form of loans.

L. Pension Plan

PLAN DESCRIPTION:

Eligible full-time employees participate in either the Pennsylvania Housing Finance Agency Employees' Retirement Plan (Plan), a noncontributory defined benefit, single employer plan, or the Pennsylvania State Employees' Retirement System (PSERS). Participation in PSERS is limited to those employees who were active members of PSERS at the time of their employment by PHFA. As of June 30, 1994 and 1993, substantially all eligible full-time employees are participants in the Plan. The Agency's payroll for employees covered by the Plan for the plan years ended December 31, 1993 and 1992 was approximately $5,440 and $4,683, respectively.

Full-time employees become eligible for participation in the Plan after completion of one year of service. A participant's benefits vest upon the completion of 5 years of service. Under the provisions of the Plan, participants with prior military experience may receive credit for their time of service in the military providing they contribute funds equivalent to the cost of their pension benefits accumulated during their military service. The Plan was previously amended to convert it from a contributory to a non-contributory pension plan. At the time of the amendment, participants had the option to receive a refund in the amount of their contributions, with interest, or increase their pension benefits. Substantially all employees elected to withdraw their contributions from the Plan at that time. A participant is eligible for normal retirement after attainment of age 65, or age 55 and completion of 30 years of service, or at any age after completion of 35 years of service. The Plan also provides early and late retirement provisions and death and disability benefits. The normal retirement pension is payable monthly during the participant's lifetime with payments ceasing upon the participant's death.

The amount of the monthly pension benefit is computed as follows:

1. New participants after December 31, 1981 and participants who elected refund of contributions with interest:
   a. 2% of final average monthly pay multiplied by completed years and completed months of service at retirement.
2. Participants who did not elect refund of contributions with interest:
   a. 2.35% of final average monthly pay multiplied by completed years and completed months of service through December 31, 1981, plus
   b. 2% of final average monthly pay multiplied by completed years and completed months of service beginning on or after January 1, 1982.

Average monthly pay is based upon the twelve plan quarters of highest pay.

As of January 1, 1994 and 1993, Plan membership consisted of:

	1994	1993
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	65	68
Current employees:		
Vested	116	106
Nonvested	60	53
	241	227

FUNDING STATUS AND PROGRESS:

The amount shown on the following page as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on an ongoing basis; assess progress made in accumulating sufficient assets to pay benefits when due; and make comparisons among employers.

The measure is the actuarial present value of credited projected benefits and is independent of the actuarial funding method used to determine contributions to the Plan.

The pension benefit obligation was computed as part of an actuarial valuation performed as of January 1, 1994 and 1993. Significant actuarial assumptions used in the valuations include (a) a rate of return on the investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 1% a year, attributable to merit or seniority, and (d) no post-retirement benefit increases.

Total assets in excess of pension benefit obligation at January 1, 1994 and 1993, the most recent valuation dates, were as follows:

	1994	1993
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$1,434	1,477
Current employees:		
Accumulated employee contributions	20	18
Employer contributions—vested	4,819	3,867
Employer contributions—nonvested	276	239
Total pension benefit obligation	6,549	5,601
Plan assets at market value	8,806	7,865
Assets in excess of pension benefit obligation	$2,257	2,264

There were no changes in actuarial assumptions used in calculating the pension benefit obligation during the Plan year ended December 31, 1993.

There were no changes in the benefit provisions used in calculating the pension benefit obligation during the plan year ended December 31, 1993.

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE:

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the aggregate actuarial cost method. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation. The contributions to the Plan for the plan years 1993 and 1992 were $333 and $297, respectively, representing normal cost (6.1% and 6.3%, respectively, of current covered payroll) and were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of January 1, 1994 and 1993, respectively. The Agency contributed $332 and $296 (6.1% and 6.3%, respectively, of current covered payroll); employees contributed $1 (.02% of current covered payroll) for both plan years 1993 and 1992.

TREND INFORMATION:

Trend information designed to provide information about the Agency's progress made in accumulating sufficient assets to pay benefits when due is presented in the following schedule. Ten-year trend information is presented on pages 39 and 40.

	Plan Year Ended December 31		
	1993	1992	1991
Net assets available for benefits expressed as a percentage of the pension benefit obligation	134.46%	140.42%	148.82%
Assets in excess of pension benefit obligation expressed as a percentage of covered payroll	41.49%	48.35%	52.90%
Employer contributions expressed as a percentage of covered payroll	6.12%	6.34%	5.85%

M. Commitments and Contingencies

LITIGATION:

In the normal course of business there are various claims and suits pending against the Agency. In the opinion of the Agency's management and counsel, the amount of such losses that might result from these claims and suits, if any, would not materially affect the Agency's financial position.

FEDERAL GRANTS:

The Agency administers significant financial assistance payments from the federal government in the form of low income mortgage subsidies, interest reduction payments, and rental housing rehabilitation assistance. Such federal financial assistance received during the years ended June 30, 1994 and 1993 amounted approximately to $110,000, each year. All federal financial assistance administered by the Agency is subject to audit and as such, any disallowances resulting from noncompliance or questioned costs may become liabilities of the Agency. The Agency's management believes disallowances, if any, would not materially affect the Agency's financial position.

COMMITMENTS:

Outstanding commitments by the Agency to make or acquire single family, multi-family and HEMAP mortgages aggregated approximately $77,358, $17,892 and $23,069, respectively, at June 30, 1994.

N. Nonrecurring Expense

Nonrecurring operating expense represents items of expense which, although required to be classified as expenses of the Agency, are unusual and nonrecurring in nature and do not relate directly to normal ongoing business activity. The nonrecurring charge at June 30, 1993 includes amounts relating to the alleged embezzlement of escrow funds by a single family mortgage servicer.

O. Subsequent Events

On July 1, 1994, the Agency redeemed prior to maturity $5,160 of Multi-Family Residential Development Bonds Issue P. An extraordinary loss of $85 resulted from the redemption.

On July 14, 1994, the Agency's Board of Directors approved the issuance of $40,000 Single Family Mortgage Revenue Bonds, Series 1994-42. The proceeds of these bonds will be used to partially redeem the Agency's Single Family Series X Bonds and to fund the purchase of new Single Family Mortgage Loans.

On August 30, 1994, the Agency issued $50,000 Single Family Mortgage Revenue Bonds, Series 1994-41. The proceeds of these bonds will be used to partially redeem the Agency's Single Family Series H and X Bonds, to pay maturing principal on the Agency's Single Family Series H, J, K, L, N, O through Z, 1990-27 through 1991-31, 1992-33, and 1992-34 Bonds, and to fund the purchase of new Single Family Mortgage Loans.

On August 30, 1994, the Agency redeemed prior to maturity $15,395 of Single Family Mortgage Revenue Bonds, Series H and X. An extraordinary loss of $418 resulted from the redemptions.

On October 3, 1994, the Agency redeemed prior to maturity $2,130 of Single Family Mortgage Revenue Bonds, Series N and O. An extraordinary loss of $47 resulted from the redemptions.

REQUIRED SUPPLEMENTAL INFORMATION

Analysis of Funding Progress

Plan Year Ended December 31	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Overfunded or (Unfunded) Pension Benefit Obligation (1)-(2)	(5) Annual Covered Payroll	(6) Overfunded or (Unfunded) Pension Benefit Obligation as a Percentage of Covered Payroll (4)/(5)
1984........	$2,508,568	$1,464,098	171.34%	$1,044,470	$2,704,789	38.62%
1985........	3,243,211	1,834,293	176.81	1,408,918	3,030,037	46.50
1986........	3,731,011	2,336,633	159.67	1,394,378	3,442,741	40.50
1987........	4,010,369	3,191,584	125.65	818,785	3,419,003	23.95
1988........	4,600,930	2,956,826	155.60	1,644,104	3,726,066	44.12
1989........	5,523,141	3,400,294	162.43	2,122,847	3,678,877	57.70
1990........	5,945,961	3,941,373	150.86	2,004,588	3,959,624	50.63
1991**	7,112,838	4,779,470	148.82	2,333,368	4,411,010	52.90
1992........	7,864,913	5,600,986	140.42	2,263,927	4,682,595	48.35
1993........	8,805,927	6,549,346	134.46	2,256,581	5,369,330	42.03

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the pension plan. Trends in overfunded or unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the pension plan.

**At market value*

***In fiscal year 1991, the following changes occurred in the benefit provisions used in calculating the benefit obligation:*

Participant eligibility for normal retirement was changed from age 65, to attainment of age 65, or age 55 and completion of 30 years of service, or at any age after completion of 35 years of service.

Average monthly pay was changed from the 5 consecutive Plan years of highest pay during the last 10 years preceding retirement, to the 3 Plan years of highest pay.

Eligibility for early retirement was changed from attainment of age 55 and completion of 5 years of service, to attainment of age 55 and completion of 5 years of service, or at any age after completion of 10 years of service. Also, the early retirement benefit was changed from the benefit accrued to the date of early retirement, reduced 1/3 of 1% for each month early to the benefit accrued to the date of early retirement, reduced 1/6 of 1% for each month early.

The effect of these changes in the benefit provisions was to increase the pension benefit obligation $147,000 during the plan year ended December 31, 1991.

Revenues By Source and Expenses By Type

Plan Year Ended December 31	Revenue by Source					
	Employee Contributions	Employer Contributions	Investment Income	Realized and Unrealized Gains and (Losses)	Total	Employer Contributions as a Percentage of Covered Payroll
1984	$ 1,248	$229,744	$216,792	$ (29,590)	$ 418,194	8.49%
1985	1,248	210,595	211,109	321,273	744,225	6.95
1986	486	164,281	233,608	101,040	499,415	4.77
1987	9,364	288,866	249,228	(249,296)	298,162	8.45
1988	14,982	246,955	279,604	78,353	619,894	6.63
1989	1,600	255,906	312,566	400,539	970,611	6.96
1990	919	222,719	425,721	(128,097)	521,262	5.62
1991	4,309	257,851	371,024	528,267	1,161,451	5.85
1992	700	296,773	329,098	193,626	820,197	6.34
1993	1,226	331,673	398,975	328,011	1,059,885	6.18

Plan Year Ended December 31	Expenses by Type		
	Benefits	Administrative Expenses	Total
1984	$ 40,964	$ 17	$ 40,981
1985	9,577	5	9,582
1986	11,597	18	11,615
1987	18,804	—	18,804
1988	29,333	—	29,333
1989	48,400	—	48,400
1990	42,763	—	42,763
1991	50,253	—	50,253
1992	65,367	2,755	68,122
1993	110,907	7,964	118,871

Contributions were made in accordance with actuarially determined contribution requirements.

Under the provisions of the Plan, participants with prior military experience may receive credit for their time of service in the military providing they contribute funds equivalent to the cost of their pension benefits accumulated during their military service.

[illegible]ff Members

[illegible]tive

[illegible], Executive Director
[illegible] Barnes, Executive [illegible]
[illegible] Bernesderfer, Jr., [illegible] [illegible]ance Fund
[illegible] Bobincheck, Director of [illegible]m Development
[illegible] A. Breech, Administrative [illegible]
[illegible] Brightbill, Administrative [illegible]nt
[illegible] A. Fugarty, Director of [illegible]nment Affairs
[illegible] M. Friday, Director of [illegible]ation Resources
[illegible]hauser-Abel, Assistant Counsel
[illegible]oryl, Associate Counsel
[illegible]ack, Research Associate
[illegible]nson, Legal Administrator
[illegible] N. Minter, Administrative [illegible]
[illegible] M. Mohler, Legal [illegible]trator
[illegible] Newsome, Jr., Special Assistant
[illegible] Peace, Chief Counsel
[illegible] Prezie, Public Information [illegible]
[illegible]loy, Associate Counsel
[illegible]ottie, Assistant Counsel

Finance and Administration

[illegible] Hodson —Assistant Executive [illegible]

[illegible] Division

[illegible] Dixon, Finance Coordinator
[illegible] M. Finck, Finance Officer
[illegible] Frazier, Senior Investment [illegible]
[illegible] Frontz, Assistant Finance [illegible]
[illegible] Garcia, Assistant Finance Officer
[illegible]en-Jones, Reverse [illegible] Representative
[illegible] Hall, Assistant Finance [illegible]
[illegible] M. Hess, Secretary
[illegible] A. Hines, Administrative [illegible]
[illegible]nson, Secretary
[illegible] Johan, Jr., Deputy Director [illegible]
[illegible], Manager of Project [illegible]
[illegible] Laltany, Jr., Staff Accountant I
[illegible] Lehman, Finance Officer
[illegible] Matthias, Finance Officer
[illegible] M. Mullins, Assistant Finance Officer
[illegible]ard N. Nichols, Manager of [illegible]formation Systems
[illegible] Peck, Assistant Finance [illegible]ficer
[illegible] L. Proctor, Administrative [illegible]stant
[illegible] D. Raley, Accounts Payable [illegible]dinator
[illegible] Richards, Staff Accountant [illegible]
[illegible] M. Ross, Senior [illegible]
[illegible] M. Sciortino, Senior [illegible]

[illegible] & [illegible]stration Division

[illegible] A. Zlogar, Director
[illegible] M. Frontz, Personnel [illegible]dinator
[illegible] Hostetler, Receptionist
[illegible] K. Klinger, Personnel [illegible]
[illegible] W. Ulrich, [illegible]
[illegible] A. Washington, [illegible]

[illegible] Services Division

[illegible] C. Wahler, Director
[illegible] Deitzler, Senior [illegible] [illegible]ammer Analyst
[illegible]
[illegible] Administrative [illegible]
[illegible] A. Kirk, Senior Computer Programmer Analyst
Daryl G. Martin, Senior Computer Programmer Analyst
Gladiola L. Oaks, Computer Programmer Analyst I
Edward J. Raley, Project Leader
Kevin J. Wike, Senior Computer Programmer Analyst

Multifamily Operations

David L. Evans - Assistant Executive Director

Development Division

Susan M. Belles, Tax Credit Officer I
Myrna Bernstein, Administrative Assistant
Frank Bobak, Jr., [illegible]
Kimberly A. [illegible], Development Officer I
Diane B. Brodbeck, Secretary
Eileen J. Demshock, Manager, Tax Credit Program
P. David Doran, Real Estate Analyst
Michael J. [illegible], Development Officer II
Sandra L. Klunk, Program Coordinator
William J. Knous, Deputy Director of Development
Kathy S. Levin, Development Officer II
Kathleen J. Melhalko, Development Coordinator
LaVera A. Nelson, Assistant Tax Credit Officer
Brian L. Shull, Development Officer II

Multifamily Policy

Lisa J. Yaffe, Director
Becky Margenau, Multifamily Analyst
Shirley M. Stark, Multifamily Analyst

Management Division

W. Alan Shenk, Director
Nada J. Ahearn, Financial Analyst I
Joanne C. Babaian, Secretary
John Brazen, Financial Analyst I
Carol A. Carroll, Assistant Analyst
Barbara M. Conjar, Management Representative
Carl R. Dudeck, Jr., Financial Analyst II
Susan G. Elter, Financial Analyst II
Kathy E. Esworthy, Tax Credit Analyst
Donna J. Farnham, Insurance Coordinator
[illegible], Manager of Project [illegible]
[illegible]
[illegible]
Jill M. Manahan, Senior Certified Occupancy Specialist
Mary Jane Margay, Financial Analyst I
Margo A. McCutcheon, Administrative [illegible]
[illegible]
[illegible]
Joseph [illegible] Operations
Peggy A. W[illegible] Specialist

[illegible] Harrisburg Office

[illegible] Family Supportive [illegible] Coordinator
[illegible] Secretary
[illegible] Manager/Senior [illegible]tative
[illegible]
[illegible] Administrative Assistant
Patricia M. Kern, Management Representative
Elizabeth Sonneborn, Senior Services Resource Coordinator
Nancy Twyman, Management Representative
Darrell Williams, Management Representative

Management—Pittsburgh Office

Kristina DiPietro, Management Representative
Carrie B. Emerson, Management Representative
Lucy G. Hixon, Regional Coordinator of Supportive Services
Carolyn J. James, Secretary
Imelda H. Labadie, Administrative Assistant
Barbara A. Raffaele, Secretary
Mary Ann Sipos, Management Representative
Bonnie B. Wells, Manager/Senior Management Representative

Technical Services Division

Riitta M. Lukkari, Director
Donald F. Clarke, Staff Architect
Sherry J. Daniels, Administrative Assistant
Pat E. Foca, Manager of Facilities & Construction Operations
James E. Galia, Technical Services Representative
Eugene T. Garrison, Senior Technical Services Representative
Douglas S. Haughton, Jr., Cost Estimator/Contract Reviewer
Jay R. Hausher, Technical Services Representative
Carolyn W. Heatherly, Administrative Assistant
William Kvaternik, Staff Architect
Elmer C. Jones, Technical Services Representative
Alan K. Osborne, Technical Services Representative
John S. Paczewski, Technical Services Representative
John C. Peterson, Staff Engineer/Energy Coordinator
Donna J. Rodgers, Construction Coordinator
Charles E. Swope, Technical Services Representative
Larry B. Thorn, Senior Technical Services Representative
Robert A. Wochley, Technical Services Representative

Single Family Operations

Ronald [illegible] Plankett - Assistant Executive Director

Single Family Division

Lisa R. Arp, Escrow Trainee
Edwin A. Beam, Jr., Senior Mortgage Servicing Representative
William D. Bradley, [illegible]
Robert [illegible]
[illegible]
[illegible]
[illegible]
[illegible]
[illegible] Collections Clerk
[illegible] Clerk
[illegible]
[illegible]
[illegible] Officer [illegible]
John [illegible] Coordinator
Anne C. Kitsch, Loan Officer I
[illegible]
Vikki C. Lauer, [illegible]
Tammy S. Leitzel, [illegible] Assistant
Thresa A. Mateer, Final [illegible] Coordinator
Cathy A. Matter, Assistant [illegible] Servicing Representative
Denise L. Mattern, Loan Officer [illegible]
Kimberly A. Maxwell, Escrow [illegible]
Tammy J. Miller, Loan Officer II
Elaine P. Morris, Loan Officer I
Clifford S. Morton, Loan Officer II
Kimberley A. Moyer, Administrative Assistant
Teresa W. Orlenzio, Secretary
Leroy K. Patton, Purchasing Coordinator
Carole J. Piccolo, Underwriter II
Carol E. Purdy, Single Family Clerk I
Bonita M. Russell, Mortgage Servicing Representative
Jennifer L. Smallwood, Assistant Mortgage Servicing Representative
Ronald L. Smith, Single Family Loan Coordinator
Linda A. Stewart, Loan Officer I
Jacklyn D. Stine, Escrow Coordinator
Tasha M. Thompson, Escrow Clerk
Ray L. Trimmer, Manager of Single Family Loan Originations
Juanita M. Underwood, Secretary
JoAnn Wade, Assistant Mortgage Servicing Representative
Janet J. Wargo, Escrow Clerk
LuAnne F. Wiest, Escrow Coordinator
Allan R. Williamson, Loan Officer II
Karen L. Zapotosky, Single Family Final Document Officer

Homeowner's Emergency Mortgage Assistance Program

Frederick M. Reed, Director
Elaine M. Artz, Staff Accountant I
Stephanie A. Bakner, Secretary
J. Kathleen Beane, Loan Officer
Preston C. Bryant, Secretary
Lynda A. Clark, Loan Processor
Carlene D. Cook, Administrative Assistant
Michael D. Cooper, Senior Hearing Examiner
Viktoria Copenhaver, Loan Closing Coordinator
Marguerite M. Dowling, Mortgage Servicing Representative
Robert L. Dryden, Closing Officer
Gena K. Fairfax, Administrative Assistant
Barbara A. Gilbert, Data Entry Clerk
April [illegible], Secretary
[illegible] Kepner, Administrative Assistant
Carolyn L. Kochenour, Loan Officer
Kathleen D. Krupa, Senior Accountant
Ann A. Mernelstein, Loan Officer
Tanyia Miller, Loan Closing Coordinator
[illegible], Administrative Assistant
[illegible], Appeals Coordinator
[illegible] Rodgers, Hearing [illegible]
[illegible] Rose, Loan Processor
[illegible], Manager of Loan [illegible]
[illegible] Russell, Senior Loan Officer
[illegible] Rusty, Loan Officer
[illegible] A. Schaffer, Loan Officer
Linda A. Smeltz, Loan Officer
Mary E. Smith, Assistant Accountant I
Carmela M. Swartz, Hearing Examiner
[illegible], Senior Loan Closing Officer
[illegible] Washington, Collections Coordinator
Stephanie H. White, Administrative Assistant
[illegible] M. Yohn, Collections Clerk
Audrey E. Zerance, Administrative Assistant

Revenues By Source and Expenses By Type

Plan Year Ended December 31	Revenue by Source					
	Employee Contributions	Employer Contributions	Investment Income	Realized and Unrealized Gains and (Losses)	Total	Employer Contributions as a Percentage of Covered Payroll
1984	$ 1,248	$229,744	$216,792	$ (29,590)	$ 418,194	8.49%
1985	1,248	210,595	211,109	321,273	744,225	6.95
1986	486	164,281	233,608	101,040	499,415	4.77
1987	9,364	288,866	249,228	(249,296)	298,162	8.45
1988	14,982	246,955	279,604	78,353	619,894	6.63
1989	1,600	255,906	312,566	400,539	970,611	6.96
1990	919	222,719	425,721	(128,097)	521,262	5.62
1991	4,309	257,851	371,024	528,267	1,161,451	5.85
1992	700	296,773	329,098	193,626	820,197	6.34
1993	1,226	331,673	398,975	328,011	1,059,885	6.18

Plan Year Ended December 31	Expenses by Type		
	Benefits	Administrative Expenses	Total
1984	$ 40,964	$ 17	$ 40,981
1985	9,577	5	9,582
1986	11,597	18	11,615
1987	18,804	—	18,804
1988	29,333	—	29,333
1989	48,400	—	48,400
1990	42,763	—	42,763
1991	50,253	—	50,253
1992	65,367	2,755	68,122
1993	110,907	7,964	118,871

Contributions were made in accordance with actuarially determined contribution requirements.

Under the provisions of the Plan, participants with prior military experience may receive credit for their time of service in the military providing they contribute funds equivalent to the cost of their pension benefits accumulated during their military service.

Staff Members

EXECUTIVE

Karl Smith—Executive Director

Carrie M. Barnes, Executive Assistant
George C. Bemesderfer, Jr., Manager of Insurance Fund
Robert F. Bobincheck, Director of Program Development
Margaret A. Breech, Administrative Assistant
Paula J. Brightbill, Administrative Assistant
William W. Fogarty, Director of Government Affairs
Phillip M. Friday, Director of Information Resources
Holly J. Glauser-Abel, Assistant Counsel
John F. Goryl, Associate Counsel
Brenda Jack, Research Associate
Anne Johnson, Legal Administrator
Mildred N. Minter, Administrative Assistant
Constance M. Mohler, Legal Administrator
W. Roy Newsome, Jr., Special Assistant
Rebecca L. Peace, Chief Counsel
Pamela S. Pryzie, Public Information Officer
JoLynn M. Stoy, Associate Counsel
Eric C. Surette, Assistant Counsel

FINANCE AND ADMINISTRATION

Brian A. Hudson—Assistant Executive Director

Finance Division

Waverly R. Dixon, Finance Coordinator
Agnes M. Enck, Finance Officer
Pamela K. Frazier, Senior Investment Officer
Crystal A. Frontz, Assistant Finance Officer
Naomi P. Garcia, Assistant Finance Officer
Kimberly Green-Jones, Reverse Mortgage Representative
Linda A. Hall, Assistant Finance Officer
Marcia M. Hess, Secretary
Heather A. Hines, Administrative Assistant
JoEllen Hutchison, Secretary
Anthony J. Julian, Jr., Deputy Director of Finance
Joseph Knopic, Manager of Project Financing
Clinton C. Lattany, Jr., Staff Accountant I
Trudy R. Lehman, Finance Officer
Eleanor A. Matthias, Finance Officer
Penny M. Mullins, Assistant Finance Officer
Richard N. Nichols, Manager of Information Systems
Sue Ann Peck, Assistant Finance Officer
Nichole L. Proctor, Administrative Assistant
Kathleen D. Raley, Accounts Payable Coordinator
John H. Richards, Staff Accountant II
Constance M. Ross, Senior Accountant
Donna M. Sciortino, Senior Investment Officer

Personnel & Administration Division

Deborah A. Zlogar, Director
Arlene M. Frontz, Personnel Coordinator
Norie Hostetler, Receptionist
Wendy K. Klinger, Personnel Assistant
George W. Ulrich, Micrographic Technician
Charles A. Washington, Messenger II

Computer Services Division

Stanley C. Wohler, Director
Kathleen Deitzler, Senior Computer Programmer Analyst
Kimberly A. Fernback, Computer Programmer Analyst I
Deborah A. Geary, Computer Programmer Analyst I
Shane B. Gilbert, Administrative Assistant
Shirley A. Kirk, Senior Computer Programmer Analyst
Daryl G. Martin, Senior Computer Programmer Analyst
Gladiola L. Oaks, Computer Programmer Analyst I
Edward J. Raley, Project Leader
Kevin J. Wike, Senior Computer Programmer Analyst

MULTIFAMILY OPERATIONS

David L. Evans—Assistant Executive Director

Development Division

Susan M. Belles, Tax Credit Officer I
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Frank Bobak, Jr., Tax Credit Officer I
Kimberly A. Brinkerhoff, Development Officer I
Diane B. Brodbeck, Secretary
Eileen J. Demshock, Manager, Tax Credit Program
P. David Doray, Real Estate Analyst
Michael J. Kearney, Development Officer II
Sandra L. Klunk, Program Coordinator
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Susan G. Elter, Financial Analyst II
Kathy E. Esworthy, Tax Credit Analyst
Donna J. Farnham, Insurance Coordinator
Carolyn Harle, Manager of Project Operations
Stephanie L. Keich, Data Occupancy Specialist
Nancy J. Lackey, Tax Credit Data Entry Clerk
Jill M. Manahan, Senior Certified Occupancy Specialist
Mary Jane Margay, Financial Analyst I
Marge A. McCutcheon, Administrative Assistant
Harry E. Neuhart, Financial Analyst II
Gary W. Paiano, Management Representative
Rajesh Thakrar, Financial Analyst I
Brenda B. Thomas, Administrative Assistant
Joseph T. Toia, Manager of Financial Operations
Peggy A. Wedde, Data Occupancy Specialist

Management—Norristown Office

Randy Belin, Family Supportive Services Program Coordinator
Peggy A. Colson, Secretary
Frank T. Dorwart, Manager/Senior Management Representative
Susan R. Garthwaite, Management Representative
Mary I. Johnson, Administrative Assistant
Patricia M. Kern, Management Representative
Elizabeth Sonneborn, Senior Services Resource Coordinator
Nancy Twyman, Management Representative
Darrell Williams, Management Representative

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John G. Peterson, Staff Engineer/Energy Coordinator
Donna J. Rodgers, Construction Coordinator
Charles E. Swope, Technical Services Representative
Larry B. Thorn, Senior Technical Services Representative
Robert A. Wochley, Technical Services Representative

SINGLE FAMILY OPERATIONS

Donald J. Plunkett—Assistant Executive Director

Single Family Division

Lisa R. Arp, Escrow Trainee
Edwin A. Beam, Jr., Senior Mortgage Servicing Representative
William D. Bradley, Underwriter II
Robert L. Clark, Single Family Clerk I
Ruby M. Dodson, Collections Clerk Trainee
Rose Falco, Manager of Loan Servicing
Karen L. Fells, Assistant Mortgage Servicing Representative
Diana M. Franklin, Underwriter II
Robin M. Forester, Collections Clerk
Donald K. Goss, Collections Clerk Trainee
Dana Y. Gilmer, Secretary
Thomas L. Gouker, Mortgage Servicing Representative
Ben G. Housman, Jr., Loan Officer I
Julie E. Kelly, Satisfaction/Assumption Coordinator
Anne C. Klitsch, Loan Officer I
F. Elise Knaub, Escrow Clerk
Vikki C. Lauer, Loan Officer I
Tammy S. Leitzel, Administrative Assistant
Thresa A. Mateer, Final Document Coordinator
Cathy A. Matter, Assistant Mortgage Servicing Representative
Denise L. Mattern, Loan Officer I
Kimberly A. Maxwell, Escrow Clerk
Tammy J. Miller, Loan Officer II
Elaine P. Morris, Loan Officer I
Clifford S. Morton, Loan Officer II
Kimberley A. Moyer, Administrative Assistant
Teresa W. Ortenzio, Secretary
Leroy K. Patton, Purchasing Coordinator
Carole J. Piccolo, Underwriter II
Carol E. Purdy, Single Family Clerk I
Bonita M. Russell, Mortgage Servicing Representative
Jennifer L. Smallwood, Assistant Mortgage Servicing Representative
Ronald L. Smith, Single Family Loan Coordinator
Linda A. Stewart, Loan Officer I
Jacklyn D. Stine, Escrow Coordinator
Tasha M. Thompson, Escrow Clerk
Ray E. Trimmer, Manager of Single Family Loan Originations
Juanita M. Underwood, Secretary
JoAnn Wade, Assistant Mortgage Servicing Representative
Janet J. Wargo, Escrow Clerk
LuAnne F. Wiest, Escrow Coordinator
Allan R. Williamson, Loan Officer II
Karen L. Zapotosky, Single Family Final Document Officer

Homeowner's Emergency Mortgage Assistance Program

Frederick M. Reed, Director
Elaine M. Artz, Staff Accountant I
Stephanie A. Bakner, Secretary
J. Kathleen Beane, Loan Officer
Preston C. Bryant, Secretary
Lynda A. Clark, Loan Processor
Carlene D. Cook, Administrative Assistant
Michael D. Cooper, Senior Hearing Examiner
Viktoria Copenhaver, Loan Closing Coordinator
Marguerite M. Dowling, Mortgage Servicing Representative
Robert L. Dryden, Closing Officer
Gena K. Fairfax, Administrative Assistant
Barbara A. Gilbert, Data Entry Clerk
April L. Karaki, Secretary
Resa P. Kepner, Administrative Assistant
Carolyn L. Kochenour, Loan Officer
Kathleen D. Krupa, Senior Accountant
Ann A. Mermelstein, Loan Officer
Tanyia Miller, Loan Closing Coordinator
Tonya L. Moss, Administrative Assistant
Lin C. Patch, Appeals Coordinator
W. Christine Rodgers, Hearing Examiner
Anne M. Rose, Loan Processor
Daryl D. Rotz, Manager of Loan Processing
Patricia E. Roussel, Senior Loan Officer
Lisa A. Rudy, Loan Officer
Roberta A. Sheaffer, Loan Officer
Linda A. Smeltz, Loan Officer
Mary E. Smith, Assistant Accountant I
Carmela M. Swartz, Hearing Examiner
Lori S. Toia, Senior Loan Closing Officer
Penny L. Washington, Collections Coordinator
Stephanie H. White, Administrative Assistant
Helene M. Yohn, Collections Clerk
Audrey E. Zerance, Administrative Assistant

PENNSYLVANIA HOUSING FINANCE AGENCY
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