

together creating possibilities

Pennsylvania Housing Finance Agency  
1996 Annual Report

MESSAGE TO GOVERNOR TOM RIDGE, THE GENERAL ASSEMBLY AND THE CITIZENS OF THE COMMONWEALTH OF PENNSYLVANIA

In 1996, the Pennsylvania Housing Finance Agency was again the Commonwealth's leader in affordable housing. By offering below - market interest rate mortgage loans to first time homebuyers, tax credits and permanent financing to sponsors of multifamily rental developments and Homeowners' Emergency Mortgage Assistance loans to families facing foreclosure, the Agency greatly enhanced the state's housing stock.

Besides providing good places to live, housing generates jobs and greater federal, state and local taxes. Therefore, housing is a key element in Pennsylvania's community and economic development efforts.

PHFA carries out its task by operating efficient programs that directly address the needs of our citizens. Success can be measured objectively: the Agency's 1996 record-breaking \$425,000,000 mortgage revenue bond issuance, funding homes for 7,000 families; the development of 830 new rental units through the PennHOMES program, and 2,820 with tax credits; and modifications to the foreclosure abatement program that will make it self-sufficient. These accomplishments denote the effectiveness of PHFA's efforts.

Agency programs succeed because of the cooperation of many individuals and organizations. Lending institutions, developers, builders, real estate professionals, non-profit housing organizations, various federal, state and local governmental bodies, the Pennsylvania Congressional delegation, the State Legislature and Governor Ridge's administration have all provided the kind of support so necessary to this important work. PHFA is fortunate to have such dedicated allies in its housing efforts.



RICHARD C. RISCHEL  
CHAIRMAN



WILLIAM C. BOSTIC  
EXECUTIVE DIRECTOR

PHFA

together creating possibilities

OUR MISSION

IN ORDER TO MAKE THE

COMMONWEALTH A BETTER

PLACE TO LIVE WHILE

FOSTERING COMMUNITY

AND ECONOMIC

DEVELOPMENT,

THE PENNSYLVANIA

HOUSING FINANCE

AGENCY PROVIDES

THE CAPITAL FOR

DECENT, SAFE AND

AFFORDABLE HOMES

AND APARTMENTS FOR

OLDER ADULTS, PERSONS OF

MODEST MEANS AND THOSE

WITH SPECIAL HOUSING NEEDS.



Honorable Ronald C. Ribel  
Secretary of Housing



Honorable William C. Bostic  
Executive Director



The Honorable Feather O. Houston  
Secretary of Public Welfare



Mark Schwartz  
Executive Director  
Regional Housing Enterprise



Honorable Robert J. Egan  
Secretary of Banking



Natasha Jackson  
Secretary of Community Development



Raymond Jacobucci  
Secretary  
of Community Development



Honorable Thomas E. Hagan  
Secretary of Banking



Billie Madrosy  
Secretary  
of Public Welfare



The Honorable Catherine Baker Kuhl  
Secretary of Banking



Honorable Thomas E. Hagan  
Secretary of Banking



Heriberto Siverio  
Secretary  
of Public Welfare



Ronald S. Minto  
Executive Director



William C. Bostic  
Executive Director

MESSAGE TO GOVERNORS OF THE GENERAL ASSEMBLY AND  
THE CITIZENS OF THE COMMONWEALTH OF PENNSYLVANIA

# OUR MISSION

In 1996, the Pennsylvania Housing Finance Agency became the Commonwealth's leader in affordable housing. We have helped more than 100,000 Pennsylvanians become homeowners. In order to make the Commonwealth a better place to live while fostering community and economic development in Pennsylvania, we will continue to provide housing finance. The Pennsylvania Housing Finance Agency provides the kind of support so necessary to this effort. We have such dedicated staff members working hard to make our efforts successful.

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possibilities



Chairman  
The Honorable Richard C. Rishel  
Secretary, Department of Banking



Vice Chairman  
Gary Lenker  
Vice President and Director of  
Operations, Donco Construction, Inc.



The Honorable  
Feather O. Houston  
Secretary  
Department of Public Welfare



Mark Schwartz  
Executive Director  
Regional Housing Legal Services



Raymond S. Angeli  
President  
Lackawanna Junior College



Maisha Jackson  
Housing Consultant



Raymond Iacobucci  
President  
Iacobucci Organization



The Honorable Thomas B. Hagen  
Secretary of Community and  
Economic Development



Hillard Madway  
President  
Pike Ridge Building Material, Inc.



The Honorable  
Catherine Baker Knoll  
State Treasurer



Charles W. Prine, Jr.  
Former President, Action Housing, Inc.  
Former Senior Vice President,  
Ryan Homes, Inc.



Herman Silverman  
Chairman  
Sylvan Pools, Inc.



Ronald S. Mintz  
Developer and Investor



William C. Bostic  
Executive Director

# PHFA programs and activities

The programs of the Pennsylvania Housing Finance Agency may be divided into three broad categories:



Single Family Homeownership; Multifamily Rental Housing Development; and, Foreclosure abatement through the Homeowners' Emergency Mortgage Assistance Program.

These programs have a tremendous impact on the Commonwealth. Since its creation in 1972, the Agency has provided financing and tax credits for 51,235 affordable apartments for older adults, families and persons with special housing needs, offered lower-than-market-rate mortgage loans to more than 63,000 first time homebuyers, and saved the homes of 23,000 families from foreclosure. Working with the multifamily development community, builders, counseling agencies, lending institutions, Realtors, and other public and private organizations, the Agency is able to provide the single most important factor in housing programs: money.

PHFA has become the major provider of statewide housing programs and assistance in Pennsylvania. It could have never accomplished this without the encouragement and support of the Governor, the Legislature, the Pennsylvania Congressional delegation and a dedicated, committed Board. This report describes the programs that are used to increase the stock of decent, affordable housing for the Keystone State.

*The ache for home lives in all of us, the safe place  
where we can go as we are and not be questioned.*

MAYA ANGELOU



Frank Bobak,  
Tax Credit Officer



Gena Walker,  
Finance Secretary



Joanne Babaian,  
Multifamily Development  
Coordinator



# SINGLE FAMILY HOMEOWNERSHIP

Statewide Homeownership Program:



*When I was at home, I was in a better  
place to live.*

SHAKESPEARE: 1600

Provides mortgage loans to first time homebuyers who meet income and home purchase price guidelines. Loans are made by participating lenders.

#### Lower Income Homeownership Program:

Provides mortgage loans to low income first time homebuyers who meet income and home purchase price guidelines. Requires counseling and education for participants. Participating lenders also make these loans.

#### Closing Cost Assistance Program:

Pays up to \$2,000 toward closing costs for houses that are bought by participants in the Lower Income Homeownership Program. Qualifying participants must have dependent children or be disabled. Funds for these programs come from the sale of mortgage revenue bonds to private investors across the nation.

#### Mortgage Risk Retention Program:

(Pennsylvania Housing Insurance Fund) Offers debt risk coverage to lenders who participate in PHFA's homeownership programs for high loan-to-value home mortgage loans that are not insured with private mortgage insurance or that do not have government guarantees or insurance. This program is funded from Agency reserves.

#### Homestead Program:

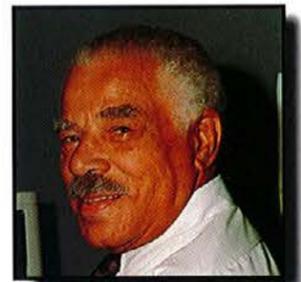
Pays up to \$10,000 toward closing costs and down payment for houses that are purchased using PHFA financed home mortgage loans. A measure that is part of the HOMES Investment Partnerships Program, Homestead is administered by PHFA under an agreement with the with the Pennsylvania Department of Community and Economic Development.



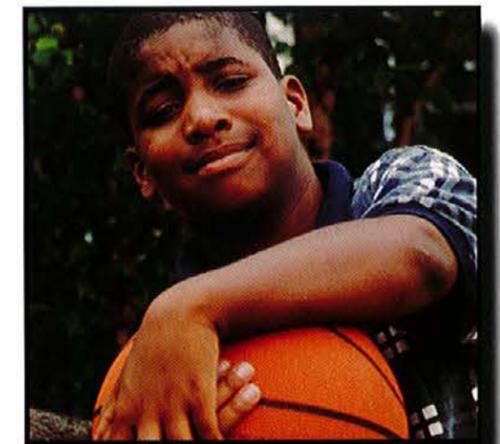
Riitta Lukhari,  
Director of Technical Services



Donna Farnham,  
Management Insurance Officer



Vince House,  
Single Family Underwriter



# MULTIFAMILY RENTAL HOUSING DEVELOPMENT

PennHOMES Program



*Houses are built to live in and not  
to look on.*

FRANCIS BACON

Provides interim and permanent mortgage financing to developers of affordable rental housing. Residents must

meet income guidelines. Funds come from a number of sources, including residential development bonds and Agency reserves. In 1996, PHFA also received \$6,530,700 of federal HOME appropriations for the program.

**Rental Housing Tax Credit Program:**

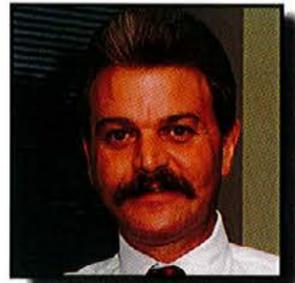
Allocates federal income tax credits to developers of affordable rental housing for lower income renters. The federal government designates the amount of tax credits that PHFA may allocate. That amount is approximately \$15,000,000 a year.

**Bridge Loan Program:**

Provides up-front financing of tax credit syndication for developers equity in PHFA-financed developments. Loans can be made for as much as 90 percent of development costs. Funds come from Agency reserves, the Commonwealth of Pennsylvania and for certain projects in the City of Philadelphia, the Pew Charitable Trust.



Brenda Jack,  
PHFA Research Analyst



Dave Griffin,  
Personnel Clerk



Debbie Geary,  
Computer Programmer Analyst



# FORECLOSURE PREVENTION

Homeowners' Emergency Mortgage Assistance Program



*Everything is possible, including the impossible.*

ADDISON: 1712

Provides funding to cure loan delinquencies and make monthly mortgage payments to lenders on behalf of qualifying homeowners for a period of up to three years. Recipients must meet eligibility guidelines defined in state law (Act 91 of 1983). Financing has been provided by annual state appropriations and repayments.

In addition to its three major program areas, PHFA occasionally undertakes additional measures, sometimes with other organizations. One such effort is the Individual On-Lot Sewage Disposal System Loan Program in cooperation with the Pennsylvania Infrastructure Investment Authority (PENNVEST) and the Department of Environmental Protection. This program provides loans of up to \$15,000 to homeowners who need to repair or improve their on-lot sewage disposal systems. A number of participating local banks, mortgage bankers and savings and loan companies have become active in this worthwhile endeavor.

In 1996, 23 rental developments in 15 counties were selected for PennHOMES financing. When these developments are completed, they will offer 830 badly needed affordable units. The families who received PHFA home mortgage loan financing in 1996 number more than 7,000. Of these, nearly a thousand received some form of closing cost assistance.

Because of the Homeowners' Emergency Mortgage Assistance Program, 950 Pennsylvania families were able to remain in their homes, seek new employment and training and regain financial stability. This unique program again leads the nation in homelessness prevention.

The Board and Staff of the Agency respectfully submit this Annual Report to the Governor, the General Assembly, the Pennsylvania Congressional delegation and the Citizens of the Commonwealth.

William C. Bostic  
Executive Director



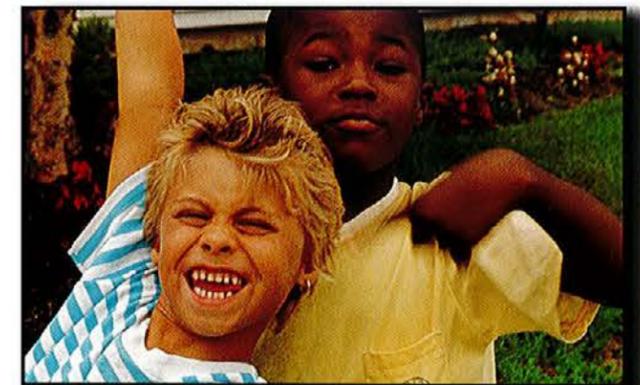
Nicole Proctor,  
Finance Coordinator



Marcia Hess,  
Assistant Investment Officer



Eric Surette,  
Associate Counsel





# PHFA FINANCES APARTMENTS

THE PENNSYLVANIA HOUSING FINANCE AGENCY HAS MADE  
MULTI-FAMILY MORTGAGE LOANS OF \$1,237,943,241  
TO FINANCE 39,000 AFFORDABLE APARTMENT UNITS ACROSS  
THE COMMONWEALTH.

## PERMANENTLY FINANCED PHFA RENTAL HOUSING APARTMENT PROJECTS

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Gettysburg Scattered Site	Adams	16 G/N	\$583,689	Thomas Village Family Apartments	Allegheny	66 F/N	2,820,260
Mountain House Apartments	Adams	7 H/R	360,411	Towne North Tower Village Green Apartments	Allegheny	135 E/N	4,705,000
Baldwin Towers	Allegheny	99 E/N	4,048,475	William S Moorhead Tower	Allegheny	100 F/N	3,991,905
Bellefield Dwellings	Allegheny	158 EF/R	4,330,000	Womanspace East	Allegheny	142 F/R	5,855,000
Bridgeville Towers	Allegheny	102 E/N	3,305,000	Woodside Place of Oakmont	Allegheny	16 F/R	277,392
Brighton Place Housing Development	Allegheny	32 G/R	640,000	Beaver Falls Plaza	Beaver	36 HH/N	889,016
Carson Towers	Allegheny	133 E/R	4,210,000	Conway Towers	Beaver	121 E/N	3,800,000
Crawford Roberts Redevelopment	Allegheny	203 G/N	1,000,000	P R V Manor	Beaver	85 E/N	3,112,800
Crawford Square II	Allegheny	71 G/N	2,378,000	Spring Run Apartments Phase I	Beaver	35 E/N	1,550,000
Debra House	Allegheny	15 H/R	406,585	Valley View Apartments	Beaver	101 F/N	4,190,000
Dorothy Day Apartments	Allegheny	17 G/R	100,000	Penn Bedford Apartments	Beaver	120 F/N	3,710,000
Eastland Apartments	Allegheny	27 F/R	825,000	777 Court Street	Bedford	50 E/R	2,037,745
*Fairfax Apartments	Allegheny	247 G/R	3,965,000	Abraham Lincoln Apartments	Berks	90 G/N	2,465,000
Goodwill Manor	Allegheny	49 G/N	850,000	B'nai B'rith House of Reading	Berks	50 E/R	1,000,000
Granada Apartments	Allegheny	22 E/R	690,000	Bookbindery Collaborative	Berks	175 E/N	4,910,000
Heritage Park	Allegheny	108 E	4,171,100	Transitional Housing	Berks	41 G/R	740,427
Hilltop Apartments	Allegheny	152 F/N	3,125,000	Flectwood Sr. Housing	Berks	15	311,040
Homewood Brushton Apartments	Allegheny	5 F	52,378	John F. Lutz Apartments	Berks	33 E/N	707,999
Honus-Wagner Apartments	Allegheny	129 E/N	4,411,500	Penns Commons Court	Berks	59 E/R	759,852
Hulton Arbors	Allegheny	78 F/N	3,480,000	Reading Elderly Housing	Berks	46 E/N	1,335,570
K.Leroy Irvis Tower	Allegheny	191 E/N	6,440,000	River Oak Apartments	Berks	201 E/N	7,115,000
Lyceum Et Al	Allegheny	28 F	1,152,700	Sencit Townhouse	Berks	72 F/N	2,238,548
Meadows Apartments	Allegheny	79 G/R	1,456,311	Altoona Housing	Blair	201 E/N	5,135,000
Melvin Court/Churchill Apartments	Allegheny	43 G/R	1,230,390	Cherry Grove Apartments	Blair	21	1,226,199
Milliones Manor	Allegheny	40 E/R	800,000	Greenfields	Blair	76 F/N	2,905,000
Munroe Tower	Allegheny	101 E/N	3,680,000	Harmony House	Blair	58 F/N	1,985,000
One Point Breeze Apartments	Allegheny	36 G/R	150,104	Lexington Park	Blair	10 G/R	507,121
Penn Arbors	Allegheny	125 E/N	5,084,295	Spring Manor	Blair	24 G/R	494,410
Penn Park	Allegheny	20 F/N	720,000	Tyrone Elderly Housing	Blair	51 E/N	1,804,035
Punta Gorda Place	Allegheny	20 G/N	189,837	Tyrone Family Housing	Blair	100 E/N	2,495,000
Riverview Park Apartments	Allegheny	168 G/N	3,250,000	Chemung View	Bradford	50 F/N	1,520,000
Rolling Woods	Allegheny	85 F/N	3,539,137	Hopkins Commons	Bradford	101 E/N	3,157,900
Shields Building	Allegheny	30 E/R	625,000	Andalusia Senior Housing	Bucks	11 G/N	318,000
Sisters' Place	Allegheny	15 G/R	294,174				
South Park Apartments	Allegheny	101 F/N	4,219,591				
*Squires Manor Phase I	Allegheny	132 G/N	2,412,000				

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

\*No longer in Agency's portfolio

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Galilee Village	Bucks	120 E/N	2,785,000	Hill Cafe Apartments	Dauphin	27 G/R	743,750	Castleton Apartment Complex	Lawrence	75 E/R	1,907,052	Bangor Elderly	Northampton	101 E	5,825,000
Meadow Glen	Bucks	91 F/N	5,741,513	Hillside Heights	Dauphin	24 G/N	735,989	Dennis Schill Manor	Lawrence	71 E/N	2,835,000	Belvidere Apartments	Northampton	20	821,591
Robert Morris Apartments	Bucks	40 G/R	2,281,828	Interfaith Apartments	Dauphin	126 E/N	4,365,000	Hileman Apartments	Lawrence	41 F/R	1,120,000	Easton Senior Citizens Housing	Northampton	98 F/N	1,776,000
Silverlake Apartments	Bucks	15 G/N	672,837	Martin Luther King Housing	Dauphin	10 G/R	481,641	6th & Willow Streets Elderly Housing	Lebanon	40 E/N	1,069,203	Ferry Street	Northampton	10 HG/N	457,844
St. Barnabas Circle	Bucks	10 G/N	698,888	Pheasant Hill Estates	Dauphin	172 E/N	4,681,600	Cherry Place	Lebanon	41 E/N	1,011,580	Main Street Apartments	Northampton	23 E/R	702,510
Towpath House	Bucks	17 G/R	280,500	Washington Square	Dauphin	101 G/N	4,860,000	Highland Glen	Lebanon	96 F/N	3,805,000	South Third Street Apartments	Northampton	22 E/R	765,808
Woodview Apartments	Bucks	119 E	4,455,000	Williamsburg Estates	Dauphin	312 G/N	7,025,000	Plaza Apartments	Lebanon	128 G/N	2,250,000	Center City Apartments	Northumberland	34 G/R	1,220,726
Butler Arbors	Butler	120 E/N	3,050,000	Woodlayne Court	Dauphin	44 G/R	1,200,000	627 Hamilton	Lehigh	30 E/R	1,023,986	Coal Township Elderly Housing	Northumberland	100 E/N	2,860,000
Historic Lafayette Apartments	Butler	62 E/R	1,325,000	Apartment II	Delaware	72 F/N	3,272,500	Allentown NSA I	Lehigh	21 F/R	524,397	Milton Apartments	Northumberland	80 F/N	3,165,000
Barnesboro Family Project	Cambria	62 F/N	2,167,552	Daniel Scott Commons	Delaware	21 G/R	400,000	Allentown Towne	Lehigh	160 E/N	4,195,000	Mt Carmel Elderly Housing	Northumberland	100 E/N	2,700,000
Crawford Commons	Cambria	11 G/N	479,752	Fifth Street Apartments	Delaware	124 E/N	5,564,859	House Apartments	Lehigh	10 E/R	397,200	River Front Apartments	Northumberland	200 E/N	5,492,700
Garden Terrace	Cambria	101 E/N	3,110,000	Palmerhouse	Delaware	15 G/R	300,000	Catasauqua	Lehigh	36 E/R	1,205,085	Willow Court	Northumberland	50 E/N	1,006,172
Haida Village	Cambria	31 F/N	1,131,548	Penn Street	Delaware	150 H/N	4,840,000	Color Clinic	Lehigh	12 F/R	643,733	Perry Manor	Perry	50 F/N	1,970,000
Lodge Run	Cambria	31 E	1,018,403	Robert H. Stinson Tower	Erie	57 E/N	1,820,000	Gordon Street	Lehigh	20 H/N	370,995	15th & Jefferson	Philadelphia	59 F/R	1,805,100
Mountview Manor	Cambria	61 E/N	1,825,000	*Barnabas Court	Erie	57 E/N	1,820,000	Mill Apartments	Lehigh	45 E/R	1,520,588	1515 Fairmount	Philadelphia	48 G/R	960,000
Gardens of Gypsy Hill	Carbon	71 F/N	2,580,000	Covington Valley Estates	Erie	43 F/N	1,662,959	Ridge Manor II	Lehigh	30 E/N	1,190,005	Allegheny	Philadelphia	60 G/N	1,565,622
Lansford Townhouses	Carbon	51 F/N	1,814,400	Girard Towers	Erie	51 E/N	1,875,038	627 Hamilton Street	Lehigh	23 G/R	1,023,986	Allegheny West	Philadelphia	41 G/R	1,348,688
Lehigh Coal & Navigation Building	Carbon	27 E/R	815,000	*Glenwood Manor	Erie	224 G/R	4,541,760	South 6th Street Rehab	Lehigh	49 F/R	1,750,000	Phase I	Philadelphia	41 G/R	1,348,688
Philipsburg Towers	Centre	102 E/N	2,705,000	Hands/Scalise	Erie	30 G/R	971,589	Tenth Street I	Lehigh	23 G/R	251,709	Allegheny West	Philadelphia	45 G/R	1,224,128
Sylvan View Estates	Centre	49 G/N	1,853,086	Apartment	Erie	12 H/N	400,000	Woodland Manor	Lehigh	70 F/N	2,620,000	Phase II	Philadelphia	45 G/R	1,224,128
City Clock Apartments	Chester	30 E/R	751,500	Independence House	Erie	112 E/R	2,655,000	Edwardsville Village	Luzerne	252 F/N	4,950,000	Allen Lane Apartments	Philadelphia	17 F/R	755,900
Liberty House	Chester	50 H/R	960,000	Pennsylvanian	Erie	100 E/R	3,150,000	Exeter Sr. Citizens	Luzerne	46 E/N	1,051,551	Art Apartments	Philadelphia	30 G/R	994,450
The Oxford	Chester	22 G/R	575,780	Richford Arms	Erie	10 G/R	120,000	First Valley/Daniel J. Flood Tower	Luzerne	211 E/N	6,500,000	*Bakers Bay Retirement	Philadelphia	196 E/N	10,967,000
Park Spring	Chester	151 F/N	4,120,000	Sharp Apartments	Erie	48 F/N	1,880,000	Freeland II Housing	Luzerne	22 E/R	1,052,100	Bradmore Apartments	Philadelphia	34 G/R	846,750
Apartment	Chester	35 E/R	783,709	Tandem Townhouses	Erie	51 F/N	1,907,808	Hazlewood	Luzerne	99 E/N	2,520,000	Breslyn Apartments	Philadelphia	60 F/R	3,235,100
Parquesburg School	Chester	126 F/N	4,870,000	Union City Estates	Erie	41 E/R	800,000	Marion Terrace	Luzerne	200 F/N	5,800,000	Cecil B Moore/16th Street	Philadelphia	98 G/R	1,679,706
Regency Park	Chester	134 E/N	4,810,000	Villa Maria	Fayette	11 G/N	68,376	Marlboro Place	Luzerne	76 G/N	1,345,000	Cecil B Moore/Gratz	Philadelphia	40 G/R	1,341,000
Trinity House	Chester	91 E/N	3,354,100	Rose Square	Fayette	126 F/N	3,510,000	Sherman Terrace	Luzerne	344 EF/N	7,249,300	Cecil B Moore Village	Philadelphia	34 G/R	544,000
Vincent Heights	Chester	18 G/R	512,364	Simpson Manor/Hunter's Ridge	Fayette	95 F/N	3,947,849	Apartment	Luzerne	130 G/N	4,370,000	Chestnut/56th Street	Philadelphia	78 G/R	4,793,000
W C Atkinson Services Center	Chester	66 E/N	1,920,000	Union Gardens	Fayette	36 E/R	100,081	Ten East South	Luzerne	40 G/N	2,530,962	Christian Street	Philadelphia	18 G/R	652,176
Broadwood Tower	Clarion	59 E/N	1,024,455	Uniontown Senior Housing	Fayette	86 F/N	2,335,000	Townhomes of Hanover	Luzerne	40 G/N	2,136,465	Commons	Philadelphia	18 G/R	652,176
Dubois Sr. Apartments	Clearfield	24 G/N	1,236,105	Barclay Village	Franklin	49 G/N	68,376	Hanover II	Luzerne	40 G/N	2,136,465	Christian Street	Philadelphia	55 G/N	2,812,494
Lock Haven Commons	Clinton	51 F/N	1,720,000	Orchard Run	Franklin	40 E/N	1,322,000	Berkshire Manor	Lycoming	20 E/R	625,000	Church Lane	Philadelphia	40 G/R	796,652
Hillside Village	Columbia	24 G/R	384,000	Orchard Run, Phase II	Franklin	76 E/N	3,315,000	Grier Street Manor	Lycoming	30 E/N	490,161	Apartment	Philadelphia	40 G/R	796,652
Schain Building	Columbia	43 E/R	1,145,000	Waynesboro Trinity House	Franklin	87 E/N	1,550,000	Emery Towers	McKean	102 E/N	4,411,208	Costandino	Philadelphia	57 F/R	2,265,415
Bartlett Gardens	Crawford	18 E/R	463,191	*Blairsville House	Indiana	85 E/R	659,498	Connelly Manor	Mercer	127 E/N	3,768,000	Development	Philadelphia	180 G/N	3,845,000
Elm Street Apartments	Crawford	100 F/N	3,405,000	Clairvaux Commons	Indiana	24 E/R	1,065,000	William A. Gargano Towers	Mercer	36 E/N	908,000	*Delaire Landing	Philadelphia	32 G/R	976,841
Forest Green Estates	Crawford	41 E/R	1,000,000	Homestead	Indiana	10 E/N	321,756	Greenville House	Mercer	101 E/N	3,501,900	Diamond Phase II	Philadelphia	32 G/R	976,841
Shryock Sr. Citizens	Crawford	11 G/R	356,500	Parkway Phase II	Indiana	24 E/R	408,000	Reynolds West Estates	Mercer	101 F/N	3,935,000	Residences	Philadelphia	32 G/R	976,841
Snodgrass Building	Crawford	65 E/N	1,968,000	Schoolhouse Square	Indiana	101 E/N	2,450,000	Wade D. Mertz Towers	Mercer	103 E/N	3,095,000	Diamond Street, Phase III	Philadelphia	55 G/R	760,000
Titusville Housing for Elderly	Crawford	16 E/R	79,126	Mahoning Towers	Jefferson	121 E/N	4,200,000	Kish Apartments	Mifflin	141 E/N	3,725,000	Dorado Village	Philadelphia	81 F/N	4,082,100
American House	Cumberland	101 E	3,009,800	Allied Terrace	Lackawanna	6 G/R	203,374	*Pocono Creek	Monroe	100 G/N	2,265,000	Dorothy Lovell Gardens	Philadelphia	25 G/R	818,309
Cumberland Elderly	Cumberland	81 F/N	3,115,200	Cross Apartments	Lackawanna	36 E/R	1,950,000	Apartment	Monroe	11 G/R	448,800	Dunlap Apartments	Philadelphia	35 E/R	548,931
Housing	Cumberland	25 F/N	1,188,387	Goodwill Neighborhood	Lackawanna	206 E/N	6,692,900	Cooperative Housing Initiative I	Montgomery	100 F/N	4,275,000	Edgewood Manor	Philadelphia	49 G/R	1,096,484
Orchard Apartments	Cumberland	17 G/R	637,653	Mulberry Tower	Lackawanna	90 E/N	3,581,407	Dock Village	Montgomery	273 G/N	7,050,000	Apartment	Philadelphia	18 G/R	252,000
Pomfret Street	Cumberland	25 F/N	1,188,387	Olyphant Apartments	Lackawanna	160 F/N	5,655,000	*Meadowick Village	Montgomery	175 E/N	6,560,000	Endow-A-Home	Philadelphia	18 G/R	211,000
Apartment	Cumberland	17 G/R	637,653	Scranton Townhouse/Village Park	Lackawanna	66 G/N	2,200,707	Norristown Elderly Housing	Montgomery	42 G/R	814,319	Endow-A-Home	Philadelphia	18 G/R	211,000
Stevens Affordable	Cumberland	201 E/N	5,533,500	Bloomfield Apartments	Lancaster	41 E/R	1,076,449	Norriswood	Montgomery	48 F/R	1,430,000	Phase II	Philadelphia	65 G/R	660,000
Housing	Cumberland	56 G/N	1,407,500	The Franklin	Lancaster	74 F/N	3,376,419	Apartment	Montgomery	50 E/R	960,000	Fairmount Apartments	Philadelphia	21 G/R	384,000
Susquehanna View	Cumberland	43 E/R	1,145,000	King Theatre	Lancaster	43 E/R	1,320,390	Rittenhouse School	Montgomery	232 F/N	6,250,000	Francisville III	Philadelphia	20 F/R	488,000
Apartment	Cumberland	18 E/R	463,191	Apartment	Lancaster	51 E/R	1,920,000	Rolling Hills	Montgomery	24 G/N	1,345,000	Francisville/Rainbow Project	Philadelphia	20 F/R	488,000
*Village of Timber Hill	Cumberland	100 F/N	3,405,000	Lancaster Arms	Lancaster	121 E/R	2,875,000	Stephanic Lane	Montgomery	49 F/R	1,765,000	Franklin Park	Philadelphia	125 F/R	5,931,900
Allison Hill South	Dauphin	27 G/RN	703,446	Market House	Lancaster	56 G/N	1,444,063	Telford Gardens	Montgomery	34 E/R	1,007,252	Apartment	Philadelphia	128 G/R	1,000,000
Cumberland Court	Dauphin	108 F/N	2,365,000	Apartment	Lancaster	15 F/R	605,000	Apartment	Northampton	7	557,085	Germantown YMCA	Philadelphia	39 G/R	823,000
Apartment	Dauphin	46 E/R	1,000,000	Millersville Manor	Lancaster	200 E/N	5,640,000	1801 Apartments	Northampton	26	530,000	Gratz Commons	Philadelphia	71 G/N	1,429,028
Ecumenical	Dauphin	24 G/N	741,864	Oak Bottom Village II	Lancaster	67 F/N	2,295,000	358 Wyandotte Street	Northampton	22 F/N	767,827	Green Street Project	Philadelphia	15 G/R	326,000
Communities Inc.	Dauphin	84 E/N	1,542,000	Oak Hollow South	Lancaster	18 G/R	300,742	Apartment	Northampton	26	530,000	Haddington Elderly	Philadelphia	136 E/N	5,920,000
Ecumenical Community, Phase II	Dauphin	100 E/R	1,603,210	Old North Mansion	Lancaster	15 G/R	535,565	55 Broadway	Northampton	26	530,000	Housing	Philadelphia	126 F/N	6,468,000
Edison Village	Dauphin	125 EF/R	5,385,000	Apartment	Lancaster	64 G/R	2,214,362	Atlantic Street	Northampton	22 F/N	767,827	Haddington	Philadelphia	40 E/R	1,407,815
Fairview Estates	Dauphin	6 G/N	205,000	Plum Tree Apartments	Lancaster	60 G/N	1,567,539	Apartment	Northampton	22 F/N	767,827	Townhouses	Philadelphia	126 F/N	6,468,000
Governor Hotel	Dauphin	46 E/R	1,000,000	Prince Street Towers	Lancaster	83 G/R	1,957,479	Apartment	Northampton	22 F/N	767,827	Hamill Mill Apartments	Philadelphia	40 E/R	1,407,815
Apartment	Dauphin	24 G/N	741,864	*Rothsville School	Lancaster	15 G/R	535,565								
Greenfield Estates	Dauphin	216 E/N	7,245,000	Apartment	Lancaster	64 G/R	2,214,362								
Hershey Plaza	Dauphin	42 E/R	1,109,000	Sassafras Alley	Lancaster	60 G/N	1,567,539								
Highspire School	Dauphin			Summit Hills	Lancaster										
Apartment	Dauphin			Umbrella Works	Lancaster										

**PHFA-FINANCED  
CONSTRUCTION LOAN PROJECTS**

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Hestonville Apartments	Philadelphia	24 G/N	587,619	Von Louhr Apartments	Philadelphia	25 F/R	619,189
Hope Haven	Philadelphia	10 G/R	222,801	West Diamond Street	Philadelphia	48 G/R	1,154,991
Hope Haven II	Philadelphia	10 G/R	100,000	Westminster			
Housing Options & Opportunities	Philadelphia	5 H/R	96,000	Apartments	Philadelphia	43 G/N	1,589,909
Imani Homes	Philadelphia	25 G/R	2,205,485	Wistar Court	Philadelphia	55 G/N	3,250,000
Jameson Court	Philadelphia	71 G/N	1,461,408	Wister Townhouse			
Jardines Del Borinquen	Philadelphia	45 G/N	1,012,062	Apartments	Philadelphia	200 F/N	7,308,700
Jardines Del Borinquen II	Philadelphia	45 G/N	3,759,157	Delaware Run	Pike	36 E/N	599,216
Kairos House	Philadelphia	36 G/R	1,064,350	Berwick House			
Kearsley Care Housing	Philadelphia	60 E/N	1,000,000	Apartments	Schuylkill	15 G/R	388,289
Kensington				Mahanoy Elderly			
Townhouses	Philadelphia	71 F/N	3,400,300	Housing	Schuylkill	124 E/N	3,940,000
Kensington YWCA	Philadelphia	46 E/R	1,564,786	Majestic House	Schuylkill	74 E/R	2,520,000
Landreth Apartments	Philadelphia	51 E/R	1,575,000	Pine Meadow	Snyder	100 F/N	3,715,000
Larchwood Gardens	Philadelphia	180 G/R	2,665,623	Stayman Park	Snyder	77 E/N	2,470,000
Levering Court	Philadelphia	19 G/R	650,000	Coleman Towers	Somerset	51 E/N	2,007,847
Locust Tower				Laurel Village II	Somerset	48 F/N	1,570,000
Apartments	Philadelphia	40 G/R	1,858,586	Village At Somerset	Somerset	101 F/N	5,172,967
Lower Germantown				Montrose Square	Susquehanna	81 E/N	2,750,000
Housing	Philadelphia	50 G/R	1,195,255	Kenner Court	Tioga	15 H/N	434,500
Lower Germantown				Mansfield Village	Tioga	51 F/N	1,883,130
Housing II	Philadelphia	34 G/R	430,764	Kelly Apartments	Union	80 E/N	2,130,000
Magnolia Mews				Lewisburg Elderly			
Apartments	Philadelphia	63 G/R	1,998,696	Housing	Union	80 E/N	2,698,900
Mansion Court	Philadelphia	30 G/N	600,000	White Deer Commons	Union	24 G/N	1,068,422
Model Cities 6	Philadelphia	71 G/R	1,632,804	Franklin Arbors	Venango	88 E/N	2,365,000
Monte Vista				Oak Hill Apartments	Venango	120 F/N	2,313,100
Apartments	Philadelphia	159 EF/R	7,587,000	Pin Oak Village	Venango	100 F/N	1,752,700
MPB Parish School	Philadelphia	28 E/R	672,000	Bentleyville			
Norris Street	Philadelphia	21 G/N	449,000	Apartments	Washington	102 F/N	3,925,000
Oak Lane/Chelton				Canon House	Washington	104 E/N	3,165,000
Court	Philadelphia	62 G/R	1,689,100	Char House	Washington	104 E/N	3,430,000
Ogontz Hall	Philadelphia	25 G/R	767,222	Liberty Tower	Washington	104 E/N	3,730,000
Ogontz II	Philadelphia	15 G/R	337,500	Penn Park	Washington	25 F/R	801,000
One APM Plaza	Philadelphia	24 G/R	465,000	Thomas Campbell			
*One Buttonwood				North	Washington	75 E/N	2,255,000
Square	Philadelphia	304 G/N	10,220,000	Eastmont Estates	Westmoreland	103 F/N	2,699,948
Park Tower Apartments	Philadelphia	157 E/N	7,155,000	Filbern Manor	Westmoreland	127 E/N	3,800,000
Parkside Apartments	Philadelphia	65 G/N	2,626,000	Huntingdon Village	Westmoreland	96 F/N	3,960,000
PCAH/Haddington	Philadelphia	21 G/R	1,826,775	Maple Hill Apartments	Westmoreland	72 F/N	2,869,500
Philadelphia Mr Project	Philadelphia	136 WG	2,150,005	Markvue Apartments	Westmoreland	35 G/N	565,000
Powelton Gardens	Philadelphia	25 G/R	1,160,584	Nu-Ken Tower	Westmoreland	101 E/N	4,175,000
*Queen Village II	Philadelphia	51 G/R	1,180,000	Pershing Square	Westmoreland	111 E/N	4,285,000
Queens Row	Philadelphia	29 G/R	828,500	Rostraver Apartments	Westmoreland	96 F/N	3,585,400
Queens Court				Sandalwood	Westmoreland	86 F/N	3,512,269
Apartments	Philadelphia	32 G/R	1,311,455	Wimmerton			
Regent Street				Apartments	Westmoreland	100 G/N	1,820,000
Apartments	Philadelphia	80 F/R	750,000	Cable House	York	85 F/R	3,565,000
Sarah Allen Homes	Philadelphia	36	1,085,625	Delphia House	York	104 E/N	3,050,000
Sartain Apartments	Philadelphia	35 E/R	582,734	Dutch Kitchen	York	59 G/R	600,000
Single Parent Family	Philadelphia	4 G/R	103,751	George Street Project	York	36 G/R	981,091
Somerset Apartments	Philadelphia	24 G/N	720,000	Hudson Park Towers	York	70 F/R	1,712,463
South 55th Street				Parkside Townhouses	York	53 G/N	1,850,457
Apartments	Philadelphia	20 G/N	487,053	Parkview at Tyler Run	York	80 E/N	1,905,359
Spring Garden				Southeast			
Apartments	Philadelphia	9 F/R	400,000	Neighborhood			
Susquehanna II	Philadelphia	47 G/R	1,657,470	Apartments	York	19 F/R	354,885
Susquehanna				Wyndamere	York	65 G/N	1,427,426
Townhouses	Philadelphia	36 F/R	1,807,900				
Tasker Village	Philadelphia	28 G/N	560,000	<b>TOTAL PROJECTS: 397</b>		<b>27,150</b>	<b>\$874,716,593</b>
Temple University							
Student Housing	Philadelphia	82 G/R	2,000,000				
Johnnie Tillmon							
Townhouses	Philadelphia	23 G/N	460,000				
Tioga Gardens	Philadelphia	33 G/N	689,419				
Trinity Place							
Apartments	Philadelphia	44 G/R	555,000				
Turning Point	Philadelphia	6 G/R	87,236				
Venango House	Philadelphia	106 E/N	4,820,000				
Villanueva Townhouses	Philadelphia	30 G/N	532,000				
Villas De Hace	Philadelphia	24 G/N	701,854				
Villas del Caribe	Philadelphia	81 G/N	7,894,804				

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Bower Hill III				University City			
Apartments	Allegheny	135 E/N	\$ 7,842,900	Townhouses	Philadelphia	70 F/N	3,807,400
Brinton Towers	Allegheny	190 E/N	4,272,200	University Plaza			
Heritage Park	Allegheny	108 E/N	4,171,100	Apartments	Philadelphia	442 E/N	15,500,800
Roosevelt Arms	Allegheny	191 E/R	5,290,100	Verona Apartments	Philadelphia	117 G/R	2,614,800
Settlers Place	Allegheny	164 F/N	5,732,100	West Poplar			
Squirrel Hill	Allegheny	117 E/R	3,648,600	Apartments	Philadelphia	140 F/N	4,939,800
Scottswood	Beaver	106 F/N	4,246,300	Wister Townhouses	Philadelphia	200 F/N	7,308,700
Wilson Townhouses	Berks	200 F/N	4,483,800	Lewisburg Elderly			
Belmondo on the				Housing	Union	80 E/N	2,698,900
Delaware	Bucks	195 G/N	5,265,000	Oak Hill Apartments	Venango	120 F/N	2,313,100
Center Square Towers	Bucks	352 E/N	7,558,400	Pin Oak Village	Venango	100 F/R	1,752,700
Downingtown Sr.				Belvedere Acres	Washington	96 F/N	3,799,000
Citizen Housing	Chester	40 E/N	1,216,800	Washington Arbors	Washington	101 E/N	2,587,200
Bloomsburg Elderly	Columbia	76 E/N	2,407,400	<b>TOTAL PROJECTS: 64</b>		<b>9,058</b>	<b>\$281,040,405</b>
Cumberland Elderly							
Housing	Cumberland	101 E/N	3,009,800				
Maclay Street NSA							
Project	Dauphin	126 F/R	6,033,500				
Rutherford Park							
Townhouses	Dauphin	85 F/N	3,534,400				
Elk Towers	Elk	103 E/N	3,517,300				
Mid-City Towers	Erie	132 E/N	3,437,700				
Connellsville Towers	Fayette	111 E/N	4,247,600				
Carmichaels Arbors	Greene	76 E/N	2,114,500				
Mountainview Gardens	Greene	120 F/N	4,229,400				
Robindale Heights							
Apartments	Indiana	20 F/N	695,600				
Mulberry Tower	Lackawanna	206 E/N	6,692,900				
Webster Towers	Lackawanna	98 E/N	2,076,200				
North Queen St.							
Apartments	Lancaster	8 F/R	517,200				
Westview Terrace	Lawrence	106 F/N	2,036,705				
Brookside Apartments	Lebanon	100 E/N	2,098,500				
Plaza II	Lebanon	128 G/N	2,521,100				
Catasauqua							
Apartments	Lehigh	10 F/R	397,200				
Lutheran Manor	Lehigh	197 E/N	5,630,500				
Anthracite Apartments	Luzerne	121 E/N	3,918,000				
Center City							
Apartments	Luzerne	176 E/N	5,525,200				
City Heights	Luzerne	151 E/N	4,658,000				
Eastside Moderate							
Income Housing	Luzerne	76 F/N	1,478,400				
Freeland II Housing	Luzerne	22 E/R	1,032,100				
Hillside Apartments	Luzerne	200 F/N	4,099,900				
Sherman Terrace							
Apartments	Luzerne	344 EF/N	7,249,300				
Williamsport Elderly							
Housing	Lycoming	101 E/N	2,758,600				
Pine Tree Village	Mercer	128 F/N	5,198,900				
Riverview Manor	Mercer	123 F/N	2,512,000				
Shenango Village	Mercer	100 F/N	1,877,500				
Courtland Plaza	Monroe	101 E/N	2,793,300				
Creekview Apartments	Monroe	80 F/N	2,288,700				
Moreland Towers	Montgomery	138 E/N	2,884,700				
Southside Apartments	Northampton	150 E/N	4,045,000				
2400 Chestnut Street	Philadelphia	372 G/N	15,280,000				
20th and South Streets	Philadelphia	61 G/R	2,055,400				
American Postal							
Workers House	Philadelphia	300 E/N	10,465,500				
Delaire Landing							
Phase 5	Philadelphia	216 G/N	5,204,500				
Executive House	Philadelphia	301 G/N	18,634,500				
Gray Manor	Philadelphia	130 E/N	5,421,000				
Lutheran Elderly							
Housing	Philadelphia	208 E/N	6,992,400				
Mount Vernon							
Apartments	Philadelphia	124 F/N	2,428,800				
Shalom Apartments	Philadelphia	155 E/N	4,833,400				
Stenton Arms							
Apartments	Philadelphia	113 F/R	1,158,100				

**PHFA-FINANCED  
RURAL RENTAL HOUSING PROJECTS**

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
McIntosh Court	Adams	12 HG/N	75,000
Rayburn Manor	Armstrong	46 F/N	\$ 1,415,367
Washington Glen	Bucks	42 F/N	1,475,418
Emerald Estates	Cambria	35 E/N	1,375,000
McAteer Village	Clearfield	35 F/N	1,231,580
Titusville Manor	Crawford	47 F/N	1,421,055
Hummelstown Manor	Dauphin	51 E/N	1,672,105
Strathmeade Square	Franklin	23 F/N	846,000
Nathan Village			
Apartments	Lancaster	51 E/N	1,322,622
Oak Bottom Village	Lancaster	24 F/N	795,800
Oak Hollow	Lancaster	56 F/N	947,900
Hillcrest Village	Montgomery	72 F/N	2,223,900
Valley Manor	Montgomery	40 F/N	1,279,125
Valley Vista	Montgomery	101 E/N	2,311,000
Hallstead Elderly Housing	Susquehanna	40E/N	200,000
Avonmore Housing for			
the Elderly	Westmoreland	36 E/N	

**PHFA-FINANCED  
RURAL TURNKEY PUBLIC HOUSING  
CONSTRUCTION LOAN PROJECTS**

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
West View Elderly	Allegheny	100 E/N	\$ 4,196,970
Monaca Elderly Turnkey	Beaver	100 E/N	4,583,304
Birdsboro Elderly Turnkey	Berks	16 E/N	664,958
Fleetwood Elderly Turnkey	Berks	20 E/N	710,115
Sinking Springs	Berks	25 F/N	1,319,220
Wyalusing Elderly	Bradford	30 E/N	1,186,447
Slippery Rock Turnkey	Butler	50 E/N	2,144,700
Lehigh Turnkey	Carbon	10 G/N	550,426
Oxford Elderly Turnkey	Chester	48 E/N	2,015,473
Renovo Family Turnkey Pomfret Street Apartments	Clinton	27 F/N	1,617,248
Williamstown Boro Family Turnkey	Cumberland	25 F/N	1,188,387
Williams Township Family Turnkey	Dauphin	10 F/N	469,658
J. Leonard Ostrow Turnkey	Dauphin	40 F/N	2,071,757
Millcreek Elderly Housing	Erie	80 E/N	2,742,400
North East Elderly Turnkey	Erie	65 E/N	2,000,000
Burrell Township Turnkey	Erie	40 E/N	1,443,786
Saltsburg Family Turnkey	Indiana	50 EF/N	2,291,580
Carbondale Elderly Turnkey	Indiana	25 F/N	1,226,070
Lebanon City Turnkey	Lackawanna	45 E/R	1,750,795
Slatington Elderly	Lebanon	39 F/N	1,584,798
Foster Township Turnkey	Lehigh	75 E/N	3,752,946
McKean County Turnkey	McKean	42 EF/N	1,792,422
Schuylkill Haven Turnkey	McKean	136 EF/N	2,437,400
Middleburg Family Turnkey	Schuylkill	40 F/N	1,596,695
Arnold Family Housing	Snyder	40 F/N	1,757,096
Greensburg Family	Westmoreland	20 F/N	1,004,945
Lower Burrell Elderly Turnkey	Westmoreland	20 F/N	955,533
Trafford Elderly Turnkey	Westmoreland	125 F/N	4,361,280
Fairview Township Turnkey	Westmoreland	100 E/N	3,708,320
TOTAL PROJECTS: 30	York	75 E/N	3,209,697
		1,518	\$60,354,404

**HUD 202 PROJECTS  
WITH PHFA "GAP" FINANCING**

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Central Hill	Allegheny	92 G/R	227,806
Bedcliff	Allegheny	66 G/R	167,500
Penn Gardens	Bucks	20 H/N	65,000
Franklin Residences	Franklin	15 E/R	50,000
United Neighborhood Housing	Lackawanna	16 E/R	96,000
Allied Human Services Housing	Lawrence	8 H/N	31,985
Tulpehocken Terrace	Lebanon	46 E/N	55,000
Ken Pollock	Luzerne	40 E/N	194,543
Jefferson East Apartments	Montgomery	36 E/N	83,815
Antonian Towers	Northampton	50 E/N	190,183
Enon Toland Newhall Manor	Philadelphia	26 E/N	38,257
Tenth Memorial Baptist Bridge Street Commons	Philadelphia	60 E/N	118,000
Maple City Apartments	Venango	50 E/N	44,500
	Wayne	40 E/N	200,000
<b>TOTAL PROJECTS: 14</b>		<b>545</b>	<b>\$1,562,389</b>

Pennsylvania Housing Finance Agency

**REPORT OF INDEPENDENT ACCOUNTANTS  
ON FINANCIAL STATEMENTS  
for the years ended June 30, 1996 and 1995  
AND REQUIRED SUPPLEMENTAL INFORMATION**

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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, 1996 and 1995, 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) which statements reflect total assets and revenues constituting 3 percent and 9 percent, respectively of the related totals. Those statements were audited by other auditors whose report has been furnished to us, and 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 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, 1996 and 1995, 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 C to the financial statements, the Agency changed its method of accounting for pass-through grants for the year ended June 30, 1996, and restated prior period 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 44 through 45, are not a required part of the basic financial statements but are 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.

One South Market Square  
Harrisburg, Pennsylvania  
September 27, 1996

Pennsylvania Housing Finance Agency

BALANCE SHEETS  
as of June 30, 1996 and 1995

		1996				1996		1995						
		General Fund	Multi-Family Program	Single Family Program	Insurance Fund	HEMAP	Totals (Memorandum Only)	General Fund	Multi-Family Program	Single Family Program	Insurance Fund	HEMAP	Totals (Memorandum Only)	
(in thousands)														
<b>Assets</b>	Deposits and investments (Note E) .....	\$ 98,505	256,082	382,201	17,679	6,048	760,515	102,100	229,492	278,875	15,737	1,984	628,188	
	Mortgage loans receivable (Note F) .....	20	587,255	1,482,076	—	83,309	2,152,660	3,020	584,286	1,379,193	—	76,677	2,043,176	
	Construction advances (Note F) .....	—	19,385	—	—	—	19,385	—	24,445	—	—	—	24,445	
	Deferred and other assets .....	3,692	6,597	4,845	102	171	15,407	3,590	7,268	4,617	—	142	15,617	
	Due from other funds .....	16,553	—	—	—	—	16,553	10,640	—	—	—	—	10,640	
		<u>\$118,770</u>	<u>869,319</u>	<u>1,869,122</u>	<u>17,781</u>	<u>89,528</u>	<u>2,964,520</u>	<u>119,350</u>	<u>845,491</u>	<u>1,662,685</u>	<u>15,737</u>	<u>78,803</u>	<u>2,722,066</u>	
<b>Liabilities and Fund Balances</b>	Bonds payable (Note I) .....	\$ —	567,702	1,717,199	—	—	2,284,901	—	579,452	1,529,117	—	—	2,108,569	
	Notes payable (Note H) .....	—	40,210	—	—	—	40,210	—	24,000	—	—	—	24,000	
	Escrow and other liabilities .....	346	153,195	19,679	666	3,176	177,062	281	147,190	19,463	506	2,913	170,353	
	Accrued interest payable .....	—	16,656	29,422	—	—	46,078	—	16,899	28,040	—	—	44,939	
	Accounts payable and accrued expenses .....	1,144	—	16	—	209	1,369	1,877	—	23	—	167	2,067	
	Accrued mortgage claims .....	—	—	—	334	—	334	—	—	—	183	—	183	
	Due to other funds .....	—	2,735	13,335	—	483	16,553	—	2,585	7,375	—	680	10,640	
	Total liabilities .....	1,490	780,498	1,779,651	1,000	3,868	2,566,507	2,158	770,126	1,584,018	689	3,760	2,360,751	
	Fund balances (Note K):													
	Reserved .....	—	1,960	26,800	10,000	85,660	124,420	—	1,960	19,989	10,000	75,043	106,992	
Unreserved:														
Internally designated .....	62,500	70,090	8,455	6,781	—	147,826	62,500	66,500	6,955	5,048	—	141,003		
Undesignated .....	54,780	16,771	54,216	—	—	125,767	54,692	6,905	51,723	—	—	113,320		
Total fund balances .....	117,280	88,821	89,471	16,781	85,660	398,013	117,192	75,365	78,667	15,048	75,043	361,315		
		<u>\$118,770</u>	<u>869,319</u>	<u>1,869,122</u>	<u>17,781</u>	<u>89,528</u>	<u>2,964,520</u>	<u>119,350</u>	<u>845,491</u>	<u>1,662,685</u>	<u>15,737</u>	<u>78,803</u>	<u>2,722,066</u>	

Pennsylvania Housing Finance Agency

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND BALANCES  
for the years ended June 30, 1996 and 1995

	1996				1996		1995					
	General Fund	Multi-Family Program	Single Family Program	Insurance Fund	HEMAP	Totals (Memorandum Only)	General Fund	Multi-Family Program	Single Family Program	Insurance Fund	HEMAP	Totals (Memorandum Only)
<i>(In thousands)</i>												
<b>Revenues</b>												
Interest income:												
Investments	\$ 6,355	6,771	16,199	1,213	326	30,864	5,979	5,726	15,259	1,075	315	28,354
Mortgage loans receivable (Note F)	3	53,163	103,596	—	1,279	158,041	334	53,363	97,346	—	1,208	152,251
Construction advances (Note F)	—	317	—	—	—	317	—	414	—	—	—	414
Total interest income	6,358	60,251	119,795	1,213	1,605	189,222	6,313	59,503	112,605	1,075	1,523	181,019
Fees and charges	9,754	—	1,410	1,070	223	12,457	9,122	—	1,363	1,098	154	11,737
Amortization of deferred gain	—	595	—	—	—	595	—	520	—	—	—	520
Gain on sale of investments	81	49	53	—	—	183	15	—	—	—	—	15
Grant revenue	—	—	—	—	18,000	18,000	—	14,124	—	—	18,500	32,624
Pass-through grants (Note C)	—	112,533	—	—	—	112,533	—	112,164	—	—	—	112,164
Residual receipts	—	4,022	—	—	—	4,022	—	2,391	—	—	—	2,391
Nonrecurring income (Note N)	66	—	—	—	—	66	983	737	—	—	—	1,720
Total operating revenue	16,259	177,450	121,258	2,283	19,828	337,078	16,433	189,439	113,968	2,173	20,177	342,190
<b>Expenses</b>												
Interest on notes (Note H)	—	1,620	—	—	—	1,620	—	1,215	—	—	—	1,215
Interest on bonds (Note I)	—	36,652	109,800	—	—	146,452	—	37,444	102,177	—	—	139,621
Salaries and related benefits	8,156	—	—	—	1,351	9,507	7,582	—	—	—	1,293	8,875
General and administrative	3,158	2,949	—	—	1,752	7,859	3,259	2,321	—	—	1,819	7,399
Pass-through grants (Note C)	—	112,533	—	—	—	112,533	—	112,164	—	—	—	112,164
Loan loss provision	—	15,000	600	—	6,108	21,708	—	30,000	400	—	11,727	42,127
Mortgage insurance	—	—	—	276	—	276	—	—	—	—	—	—
Mortgage claims	—	—	—	274	—	274	—	—	—	198	—	198
Total operating expenses	11,314	168,754	110,400	550	9,211	300,229	10,841	183,144	102,577	198	14,839	311,599
Income before extraordinary item	4,945	8,696	10,858	1,733	10,617	36,849	5,592	6,295	11,391	1,975	5,338	30,591
<b>Extraordinary Loss</b>												
Early extinguishment of debt (Note I)	—	(81)	(70)	—	—	(151)	—	(252)	(88)	—	—	(340)
Net income (loss)	4,945	8,615	10,788	1,733	10,617	36,698	5,592	6,043	11,303	1,975	5,338	30,251
Fund balances at beginning of year	117,192	75,365	78,667	15,048	75,043	361,315	101,819	78,383	68,084	13,073	69,705	331,064
Fund balance transfers, net (Note D)	(4,857)	4,841	16	—	—	—	9,781	(9,061)	(720)	—	—	—
Fund balances at end of year	\$117,280	88,821	89,471	16,781	85,660	398,013	117,192	75,365	78,667	15,048	75,043	361,315

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

STATEMENTS OF CASH FLOWS  
for the years ended June 30, 1996 and 1995

	1996				1996		1995					
	General Fund	Multi-Family Program	Single Family Program	Insurance Fund	HEMAP	Totals (Memorandum Only)	General Fund	Multi-Family Program	Single Family Program	Insurance Fund	HEMAP	Totals (Memorandum Only)
(in thousands)												
<b>Cash Flows from Operating Activities</b>												
Net income (loss) .....	\$ 4,945	8,615	10,788	1,733	10,617	36,698	5,592	6,043	11,303	1,975	5,338	30,251
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:												
Depreciation and amortization .....	226	730	1,915	—	29	2,900	261	755	2,111	—	28	3,155
Loss on early extinguishment of debt .....	—	81	70	—	—	151	—	252	88	—	—	340
Loan loss provision .....	—	15,000	600	—	6,108	21,708	—	30,000	400	—	11,727	42,127
Interest expense on notes and bonds, excluding amortization and accretion .....	—	37,553	110,553	—	—	148,106	—	38,060	102,861	—	—	140,921
Interest income on investments .....	(6,355)	(6,771)	(16,199)	(1,213)	(326)	(30,864)	(5,979)	(5,726)	(15,259)	(1,075)	(315)	(28,354)
Gain on sale of investments .....	(81)	(49)	(53)	—	—	(183)	(15)	—	—	—	—	(15)
Amortization of deferred gain .....	—	(595)	—	—	—	(595)	—	(520)	—	—	—	(520)
Increase (decrease) due to changes in operating assets and liabilities:												
Mortgage loans receivable .....	3,000	(17,969)	(104,130)	—	(13,046)	(132,145)	200	4,450	(192,518)	—	(21,695)	(209,563)
Construction advances .....	—	5,060	—	—	—	5,060	—	(1,147)	—	—	—	(1,147)
Deferred and other assets .....	(328)	174	(719)	(102)	(58)	(1,033)	(513)	(94)	(913)	—	(38)	(1,558)
Escrow and other liabilities .....	65	6,600	216	160	262	7,303	(576)	5,955	4,828	31	451	10,689
Accounts payable and accrued expenses .....	2,102	—	(7)	—	42	2,137	775	—	23	—	(125)	673
Accrued mortgage claims .....	—	—	—	151	—	151	—	—	—	83	—	83
Net cash provided by (used in) operating activities .....	3,574	48,429	3,034	729	3,628	59,394	(255)	78,028	(87,076)	1,014	(4,629)	(12,918)
<b>Cash Flows from Noncapital Financing Activities</b>												
Due (from) to other funds .....	(5,913)	150	5,960	—	(197)	—	14,271	(215)	(14,435)	—	379	—
Fund balance transfers from (to) other funds .....	(4,857)	4,841	16	—	—	—	9,781	(9,061)	(720)	—	—	—
Proceeds from sale of bonds and notes .....	—	20,890	322,138	—	—	343,028	—	1,000	258,069	—	—	259,069
Redemptions and maturities of bonds and notes ..	—	(16,744)	(134,956)	—	—	(151,700)	—	(18,113)	(60,715)	—	—	(78,828)
Interest paid on bonds and notes .....	—	(37,796)	(109,118)	—	—	(146,914)	—	(39,430)	(98,985)	—	—	(138,415)
Net cash provided by (used in) noncapital financing activities .....	(10,770)	(28,659)	84,040	—	(197)	44,414	24,052	(65,819)	83,214	—	379	41,826
<b>Cash Flows from Investing Activities</b>												
Purchase of investments .....	(142,899)	(99,463)	(277,198)	—	(29,907)	(549,467)	(91,630)	(97,041)	(181,254)	—	(26,649)	(396,574)
Interest received on investments .....	11,245	4,759	14,822	1,213	326	32,365	8,975	3,625	13,331	1,075	315	27,321
Proceeds from sales and maturities of investments .....	126,300	120,362	174,038	—	27,883	448,583	68,595	103,954	145,541	—	29,783	347,873
Net cash provided by (used in) investing activities .....	(5,354)	25,658	(88,338)	1,213	(1,698)	(68,519)	(14,060)	10,538	(22,382)	1,075	3,449	(21,380)
Net increase (decrease) in cash and cash equivalents .....	(12,550)	45,428	(1,264)	1,942	1,733	35,289	9,737	22,747	(26,244)	2,089	(801)	7,528
Cash and cash equivalents at beginning of year ...	12,550	138,870	76,465	5,737	(1,938)	231,684	2,813	116,123	102,709	3,648	(1,137)	224,156
Cash and cash equivalents at end of year .....	\$ —	184,298	75,201	7,679	(205)	266,973	12,550	138,870	76,465	5,737	(1,938)	231,684
Reconciliation of cash and cash equivalents to the balance sheets:												
Total deposits and investments per the balance sheets .....	98,505	256,082	382,201	17,679	6,048	760,515	102,100	229,492	278,875	15,737	1,984	628,188
Less:												
Investments not meeting the definition of cash equivalents .....	98,505	71,784	307,000	10,000	6,253	493,542	89,550	90,622	202,410	10,000	3,922	396,504
Cash and cash equivalents at end of year .....	\$ —	184,298	75,201	7,679	(205)	266,973	12,550	138,870	76,465	5,737	(1,938)	231,684

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

**Pennsylvania Housing Finance Agency**  
**NOTES TO FINANCIAL STATEMENTS**  
*for the years ended June 30, 1996 and 1995*

(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.

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, 1996 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. Borrowers participating in the Single Family Program have the option of obtaining primary mortgage insurance through the Pennsylvania Housing Insurance Fund.

**Insurance Fund:**

Through the Insurance Fund, the Agency provides primary mortgage insurance coverage for single family mortgage loans, and charges the participants a premium for this coverage.

**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 a 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, it does rely on the Agency for various administrative services, for which it pays a support services fee.

The Agency follows 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 financial statements. A separately published audit report of HEMAP is available for public inspection in the Agency's Finance Department.

HEMAP had requested an appropriation of \$18,000 for fiscal year ending June 30, 1997, however, the General Assembly appropriated \$3,000 for HEMAP operations. The reduced appropriation will have an impact on the HEMAP's ability to originate new loans. Funding from repayments are estimated to continue to be sufficient to meet continuing loan program obligations and administrative costs.

HEMAP is currently reviewing restructuring options, including legislative changes, that would make it self-sustaining or allow for a reduction of the appropriation.

**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. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. 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. For those mortgage loans fully insured, the accrued interest is recoverable as part of the mortgage insurance claim. In management's opinion there is adequate reserve in the allowance for potential loan losses for any unrecovered accrued interest for mortgages which are self-insured by the Agency.

**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. The Single Family loan origination fees are retained by the financial institutions which originate Agency loans.

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.

**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.

**Deferred Gain:**

In prior years, in an effort to maintain the low-income status of various multi-family projects, the Agency acquired these projects, at below market value, from the original owners. The Agency in turn sold these properties, at market price to the current owners with the condition that they would retain their low-income status.

The deferred gain (the excess of the selling price over the Agency's acquisition price) is included in escrow and other liabilities and is being amortized over the lives of the current owners' mortgage loans using the installment method.

**Deferred Costs of Refunding:**

The Agency follows GASB Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," which requires that the difference between the reacquisition price and the net carrying amount of defeased debt be deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, the amount of the unamortized deferred costs of refunding is reported as a deduction from or addition to the new debt. During the year ended June 30, 1996 and 1995, the Agency deferred losses of \$2,628 and \$903, respectively, on refunding Single Family Mortgage Revenue Bonds. As of June 30, 1996 and 1995, the unamortized deferred costs of refunding were \$3,460 and \$884, respectively.

**Pass-through Grants:**

During the current year, the Agency implemented GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." GASB Statement No. 24 requires that all cash pass-through grants received by a governmental entity should be reported in its financial statements. The provisions of this statement have been applied retroactively restating the financial statements for the prior period presented. The effect of applying these provisions was to increase both operating revenues and operating expenses by \$112,533 and \$112,164 for the years ended June 30, 1996 and 1995, respectively. This change has no effect on net income.

**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 Single Family Program consist of expired commitment fees from the single family mortgage originators. Fund balance transfers from the General Fund consist of Multi-Family mortgage loans and programs.

**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, 1996 and 1995:

	1996	1995
Deposits .....	\$ (111)	2,993
Investments .....	760,626	625,195
Total deposits and investments .....	<u>\$760,515</u>	<u>628,188</u>

Management is not aware of any violations of statutory authority or contractual provisions for deposits and investments during the years ended June 30, 1996 and 1995.

**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	
<b>June 30, 1996</b>					
Demand deposits .....	<u>\$200</u>	<u>—</u>	<u>7,587</u>	<u>7,787</u>	<u>(111)</u>
<b>June 30, 1995</b>					
Demand deposits .....	<u>\$300</u>	<u>976</u>	<u>10,145</u>	<u>11,421</u>	<u>2,993</u>

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				Market Value
	Category 1	Category 2	Category 3	Total	
<b>June 30, 1996</b>					
Corporate bonds.....	\$ 2,158	—	—	2,158	2,102
Repurchase agreements .....	115,548	—	—	115,548	115,548
U.S. Government obligations ....	78,308	—	—	78,308	95,604
U.S. Government agency obligations .....	214,387	—	—	214,387	215,389
Short-term investments .....	101,326	—	—	101,326	101,326
Totals .....	<u>\$511,727</u>	<u>—</u>	<u>—</u>	511,727	529,969
Add amounts not categorized because securities are not used as evidence of the investments:					
Investment agreements .....				172,581	172,581
Mutual funds .....				72,971	72,971
Investment in State Treasurer's investment pool .....				3,347	3,347
Total investments .....				<u>\$760,626</u>	<u>778,868</u>

	Carrying Amount				Market Value
	Category 1	Category 2	Category 3	Total	
<b>June 30, 1995</b>					
Corporate bonds.....	\$ 3,827	—	—	3,827	3,800
Repurchase agreements .....	59,513	—	—	59,513	59,513
U.S. Government obligations ....	78,508	—	—	78,508	99,764
U.S. Government agency obligations .....	246,781	—	—	246,781	248,116
Short-term investments .....	77,423	—	—	77,423	77,423
Totals .....	<u>\$466,052</u>	<u>—</u>	<u>—</u>	466,052	488,616
Add amounts not categorized because securities are not used as evidence of the investments:					
Investment agreements .....				68,412	68,412
Mutual funds .....				87,572	87,572
Investment in State Treasurer's investment pool .....				3,159	3,159
Total investments .....				<u>\$625,195</u>	<u>647,759</u>

The amortized cost and estimated market values of investments in debt securities as of June 30, 1996 and 1995 are as follows:

	1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Corporate bonds.....	\$ 2,158	—	56	2,102
Repurchase agreements .....	115,548	—	—	115,548
U.S. Government obligations .....	78,308	17,296	—	95,604
U.S. Government agency obligations .....	214,387	2,136	1,134	215,389
Short-term investments .....	101,326	—	—	101,326
Investment agreements .....	172,581	—	—	172,581
Mutual funds .....	72,971	—	—	72,971
State Treasurer's investment pool.....	3,347	—	—	3,347
	<u>\$760,626</u>	<u>19,432</u>	<u>1,190</u>	<u>778,868</u>
	1995			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Corporate bonds.....	\$ 3,827	—	27	3,800
Repurchase agreements .....	59,513	—	—	59,513
U.S. Government obligations .....	78,508	21,256	—	99,764
U.S. Government agency obligations .....	246,781	2,921	1,586	248,116
Short-term investments .....	77,423	—	—	77,423
Investment agreements .....	68,412	—	—	68,412
Mutual funds .....	87,572	—	—	87,572
State Treasurer's investment pool.....	3,159	—	—	3,159
	<u>\$625,195</u>	<u>24,177</u>	<u>1,613</u>	<u>647,759</u>

The amortized cost and estimated market value of investments at June 30, 1996, 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 .....	\$612,303	612,106
Due after one year through five years .....	71,506	74,347
Due after five years through ten years .....	29,530	32,809
Due after ten years .....	47,287	59,606
	<u>\$760,626</u>	<u>778,868</u>

Proceeds from sales of investments in debt securities, prior to maturity, during 1996 and 1995 were \$6,718 and \$35,768, respectively. Net gains of \$183 and \$15, 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 Insurance Fund. In addition, the Agency has internally 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, 1996 and 1995 is as follows:

	Mortgage Loans Receivable	Construction Advances
<b>June 30, 1996:</b>		
Insured and subsidized	\$ 46,074	—
Insured and nonsubsidized	46,005	5,801
Uninsured and subsidized	467,585	—
Uninsured and nonsubsidized	94,936	13,584
	654,600	19,385
Allowance for potential loan losses	67,345	—
	<u>\$587,255</u>	<u>19,385</u>
<b>June 30, 1995:</b>		
Insured and subsidized	\$ 46,355	—
Insured and nonsubsidized	50,446	5,789
Uninsured and subsidized	454,917	—
Uninsured and nonsubsidized	84,913	18,656
	636,631	24,445
Allowance for potential loan losses	52,345	—
	<u>\$584,286</u>	<u>24,445</u>

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 reimbursement 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's maximum potential exposure is estimated to be approximately \$7,000. Although the Agency has internally restricted a portion of its fund balance in connection with this potential exposure, no losses have ever resulted 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 which ranges from 20% to 30% (depending on the loan-to-value ratio at origination) of the unpaid principal balance. At June 30, 1996 and 1995, the total loans covered under this program were \$283,442 and \$253,094, respectively, and the coverage provided is estimated to be approximately \$81,173 and \$72,384, respectively. The participants in this program are charged an annual premium for this coverage.

In order to increase the Insurance Fund's capacity to provide primary mortgage insurance for single family mortgage loans, the Agency purchased shared risk coverage through a commercial mortgage insurer during fiscal year 1996. This coverage extends to all loans that were outstanding as of August 31, 1995 and provides that the Agency shall remain solely liable for 10% of the product of multiplying the Insurance Fund coverage percentage (20% to 30%) times the aggregate outstanding principal balance for each loan. After exhaustion of the Agency's retention, the commercial insurer is liable on a per loan basis for losses up to the limit of the Insurance Fund's coverage in each loan-to-value ratio category. Of the total loans covered under the Insurance Fund, \$239,254 are covered under this shared risk contract at June 30, 1996, and the Agency's maximum potential exposure is \$6,855.

The claims liability of \$334 and \$183 reported in the Insurance Fund as of June 30, 1996 and 1995, respectively, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Insurance Fund's claims liability amount are as follows:

	1996	1995
Balance, July 1	\$183	100
Current year claims and changes in estimates	274	198
Claims payments	(123)	(115)
Balance, June 30	<u>\$334</u>	<u>183</u>

The Agency has elected to self-insure certain losses sustained by reason of default in payments by eligible borrowers in excess of primary insurance for single family mortgage loans originating from proceeds obtained from single family bond issues Series C through 1996-51. The total principal outstanding of mortgage loans self-insured by the Agency was \$1,464,747 and \$1,363,905 at June 30, 1996 and 1995, respectively. As of June 30, 1996, cumulative pool losses since inception of the self-insurance program were \$1,681.

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 satisfaction of other lenders, to which the Program has a secondary lien position. Of the total mortgage loans receivable outstanding, \$45,389 and \$23,281 as of June 30, 1996 and 1995, respectively, are currently required to make repayments.

Changes in the allowance for potential loan losses for the Multi-Family and Single Family Programs and HEMAP are as follows at June 30, 1996 and 1995:

	Multi-Family		Single Family		HEMAP	
	1996	1995	1996	1995	1996	1995
Balance, July 1	\$52,345	22,345	1,171	903	55,248	47,818
Provision charged to income	15,000	30,000	600	400	6,108	11,727
Charge-offs	—	—	(594)	(132)	(5,065)	(4,297)
Balance, June 30	<u>\$67,345</u>	<u>52,345</u>	<u>1,177</u>	<u>1,171</u>	<u>56,291</u>	<u>55,248</u>

The Agency has internally 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 \$140,025 and \$153,464 at June 30, 1996 and 1995, respectively.

**H. Notes Payable**

The Agency's lines of credit, with the Department of Treasury of the Commonwealth of Pennsylvania, for the funding of Multi-Family Programs and the outstanding borrowings are as follows:

	1996	1995
\$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%-6.98% at June 30, 1996 and 1995	\$ 4,000	4,000
\$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, 1996 and 1995	30,000	20,000
	<u>\$34,000</u>	<u>24,000</u>
Additionally, the Agency has the following notes payable outstanding for the funding of the Bridge Loan Program:		
Regional Housing Development Corporation Bridge Loan Note bearing a fixed interest rate of 3%	419	—
Redevelopment Authority of the City of Philadelphia Bridge Loan Note bearing a fixed interest rate of 0%	5,791	—
	<u>6,210</u>	<u>—</u>
Total notes payable	<u>\$40,210</u>	<u>24,000</u>

**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 are 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, 1996 and 1995, amounted to \$17,335 and \$18,927, respectively, including amounts funded by bond proceeds. Such amounts were \$5,651 and \$7,153, 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, 1996 and 1995 amounted to \$54,262 and \$59,373, respectively, including amounts funded by bond proceeds. Such amounts were \$1,124 and \$11,962, 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,	
			1996	1995
<b>Residential Development Bonds:</b>				
Issue 1990 T-1 (refunding)	8.875%	1997	\$ 625	1,040
Issue 1991A (refunding)	6.65-7.60%	2013	39,570	40,645
Issue 1992A (refunding)	7.950%	2025	23,380	23,810
Issue 1992 (refunding)	3.65-6.5%	2023	162,485	166,940
Issue 1993 (refunding)	3.5-5.8%	2022	201,115	205,835
<b>State Workers' Insurance Fund:</b>				
Issue 1994	6.990%	2019	35,795	36,630
<b>Multi-Family Housing Bonds:</b>				
Issue 1982B	9.50-10.875%	2024	4,875	4,875
Issue 1985A	6.75-9.375%	2028	3,029	3,058
Issue 1985B	8.875%	2028	—	1,690
Issue 1987A	7.00-8.500%	2002	390	430
Issue 1988A	10.650%	2008	1,224	1,272
Issue FHA-1992	7.75-8.200%	2024	36,850	37,210
<b>Moderate Rehabilitation Bonds:</b>				
Issue 1984A	6.50-10.375%	2001	1,190	2,170
Issue 1985B	5.25-9.000%	2017	3,040	3,695
<b>Multi-Family Development Bonds:</b>				
Issue 1989B	8.250%	2015	535	545
Issue 1993A (refunding)	5.380%	2022	36,690	37,390
Issue 1993F	6.530%	2019	12,065	12,290
<b>Federal National Mortgage Association:</b>				
Issue 1990A	7.500%	2023	3,673	3,711
<b>Subordinate Limited Obligation Bonds:</b>				
Issue 1995	5.50-6.15%	2021	4,647	—
			<u>571,178</u>	<u>583,236</u>
Unamortized bond discount			(3,476)	(3,784)
			<u>\$567,702</u>	<u>579,452</u>

During the year ended June 30, 1996, the Agency redeemed prior to maturity \$1,680 of Multi-Family Housing Bonds, Issue 1985B and \$350 of Moderate Rehabilitation Bonds, Issue 1985B. An extraordinary loss of \$81 resulted from the redemptions.

During the year ended June 30, 1995, the Agency redeemed prior to maturity \$8,770 of Multi-Family Residential Development Bonds, Issues 1977, P and 1993A and \$295 of Moderate Rehabilitation Bonds, Issue 1984A. An extraordinary loss of \$252 resulted from the redemptions.

The Agency defeased Multi-Family Residential Development Bonds, Issues H and M in prior years, 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, 1996 and 1995.

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,	
			1996	1995
<b>Single Family Mortgage Revenue Bonds:</b>				
Series J	4.50-9.00%	2013	\$ 9,340	11,040
Series K	4.50-7.90%	2013	2,037	45,712
Series L	4.00-7.125%	2014	34,820	35,190
Series N	4.60-8.250%	2014	18,270	20,730
Series O	5.75-8.200%	2018	33,810	37,265
Series P	4.75-8.000%	2016	23,175	23,575
Series Q	6.00-8.375%	2018	6,745	7,365
Series R	6.20-8.125%	2019	50,240	76,720
Series S	6.70-7.600%	2016	23,125	23,590
Series T	7.00-7.875%	2020	23,735	24,050
Series U	6.15-7.800%	2020	74,230	75,235
Series V	6.00-7.800%	2016	23,625	23,925
Series W	6.30-7.800%	2020	47,105	47,720
Series X	6.80-8.150%	2024	17,020	28,355
Series Y	6.20-7.450%	2016	33,340	33,750
Series Z	6.00-7.550%	2016	24,775	25,325
Series 1990-27	6.50-8.150%	2021	14,650	44,635
Series 1990-28	6.30-7.650%	2023	75,430	76,230
Series 1990-29	6.10-7.375%	2016	29,245	29,510
Series 1991-30	5.30-7.300%	2017	23,685	24,150
Series 1991-31	5.40-8.950%	2023	80,400	81,825
Series 1991-32	7.150%	2015	35,000	35,000
Series 1992-33	4.50-6.900%	2017	48,395	48,980
Series 1992-34	4.50-7.000%	2024	73,280	74,160
Series 1992-35	2.88-9.480%	2016	93,735	95,015
Series 1993-36	3.40-5.450%	2014	52,620	53,655
Series 1993-37	5.45-5.600%	2025	75,000	75,000
Series 1994-38	3.50-6.125%	2024	29,365	29,795
Series 1994-39	3.90-6.875%	2024	39,280	39,770
Series 1994-40	4.00-6.900%	2025	39,285	39,770
Series 1994-41	4.00-6.650%	2025	49,365	50,000
Series 1994-42	5.50-6.850%	2025	60,000	60,000
Series 1994-43	4.75-7.500%	2025	49,485	50,000
Series 1995-44	6.30-8.400%	2027	49,815	50,000
Series 1995-45	5.00-7.550%	2026	50,000	50,000
Series 1995-46	3.95-6.300%	2027	50,000	—
Series 1996-47	4.20-6.75%	2027	50,000	—
Series 1996-48	4.00-6.150%	2028	50,000	—
Series 1996-49	4.60-6.45%	2027	50,000	—
Series 1996-50	3.64-6.35%	2027	50,000	—
Series 1996-51	4.55-6.375%	2028	75,000	—
			1,737,927	1,547,042
Unamortized bond discount			(17,268)	(17,041)
Unamortized deferred costs for refundings			(3,460)	(884)
			<u>\$1,717,199</u>	<u>1,529,117</u>

During the year ended June 30, 1996, the Agency redeemed prior to maturity \$3,555 of Single Family Mortgage Revenue Bonds Series N and O, using mortgage prepayments. Extraordinary losses of \$70 resulted from the redemptions as unamortized bond discount and related costs of issuance for the bonds redeemed were expensed. Additionally, during the year ended June 30, 1996, the Agency redeemed prior to maturity \$107,775 of Single Family Mortgage Revenue Bonds, Series K, R, X and 1990-27, using undisbursed bond proceeds. Although a deferred loss of \$2,628 resulted

from the refundings, the Agency in effect obtained an economic gain (difference between the present value of the old and new debt service payments) of \$19,866 and was able to reduce its aggregate debt service payments as a result of these transactions by a total of \$68,946 over the succeeding 25 years from the current refundings.

During the year ended June 30, 1995, \$3,495 of Single Family Mortgage Revenue Bonds, Series N and O were redeemed prior to maturity by the Agency using mortgage prepayments. Extraordinary losses of \$88 resulted from the redemptions as unamortized bond discount and related costs of issuance for the bonds redeemed were expensed. Additionally, during the year ended June 30, 1995, \$37,395 of Single Family Mortgage Revenue Bonds, Series H and X were redeemed prior to maturity by the Agency using undisbursed bond proceeds. Although a deferred loss of \$903 resulted from the refundings, the Agency in effect obtained an economic gain (difference between the present value of the old and new debt service payments) of \$6,626 and was able to reduce its aggregate debt service payments as a result of these transactions by a total of \$15,623 over the succeeding 31 years from the current refundings.

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, 1996:

Year Ending June 30:	Multi-Family Program		Single Family Program		Total Principal and Interest Maturities
	Principal	Interest	Principal	Interest	
1997	\$ 14,693	35,530	88,910	113,529	252,662
1998	15,178	34,736	28,380	109,896	188,190
1999	15,868	33,889	31,615	108,402	189,774
2000	16,591	32,985	33,075	106,092	188,743
2001	17,589	32,034	35,885	104,705	190,213
Thereafter	491,259	335,292	1,520,062	1,408,589	3,755,202
	<u>\$571,178</u>	<u>504,466</u>	<u>1,737,927</u>	<u>1,951,213</u>	<u>4,764,784</u>

The 1997 principal and interest payments for the Single Family Program include principal and interest payments of \$25,225 and \$91, respectively, of Series R Bonds, which were redeemed prior to maturity on September 25, 1996.

The 1997 principal and interest payments for the Single Family Program also include principal and interest payments of \$38,915 and \$1,438, respectively, of Series N, O, Y, Z, 1990-28, 1990-29, 1991-30, 1991-32, 1992-33, and 1994-38, which are scheduled for redemption prior to maturity on October 1, 1996.

#### J. Operating Leases

The Agency is obligated under noncancellable operating leases for their buildings. Future minimum payments under these leases at June 30, 1996 are:

1997	\$ 593
1998	573
1999	580
2000	588
2001	595
Thereafter	2,506
	<u>\$5,435</u>

Total rental expense was \$669 and \$578 for the years ended June 30, 1996 and 1995, respectively.

**K. Reserved and Internally Designated Fund Balances**

**General Fund:**

The 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,	
	1996	1995
Single Family Self-Insurance Fund .....	\$16,500	16,500
Multi-Family Self-Insurance Fund .....	10,000	10,000
PennHOMES Program .....	35,000	35,000
Housing initiatives .....	1,000	1,000
	<u>\$62,500</u>	<u>62,500</u>

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 PennHOMES 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,	
	1996	1995
Capital Reserve not funded by bond proceeds .....	<u>\$1,960</u>	<u>1,960</u>

The Capital Reserve is 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,	
	1996	1995
PennHOMES Program .....	\$69,490	66,500
Supportive services .....	600	—
	<u>\$70,090</u>	<u>66,500</u>

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

The designation for supportive services has been established to provide multi-family projects with funds for resident services.

**Single Family Program:**

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

	June 30,	
	1996	1995
Capital Reserve not funded by bond proceeds .....	\$ 7,230	1,503
Self-Insurance Fund held by trustee .....	19,570	18,486
	<u>\$26,800</u>	<u>19,989</u>

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,	
	1996	1995
Closing Cost Subsidy Program .....	\$6,000	4,500
Additional Single Family Insurance Program .....	2,455	2,455
	<u>\$8,455</u>	<u>6,955</u>

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,	
	1996	1995
Risk retention .....	<u>\$10,000</u>	<u>10,000</u>

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,	
	1996	1995
Additional risk retention .....	<u>\$6,781</u>	<u>5,048</u>

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,	
	1996	1995
Emergency Mortgage Assistance Program .....	<u>\$85,660</u>	<u>75,043</u>

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, 1996 and 1995, 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, 1995 and 1994 was approximately \$5,941 and \$5,543, 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, 1996 and 1995, Plan membership consisted of:

	1996	1995
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them .....	79	73
Current employees:		
Vested .....	128	118
Nonvested .....	<u>64</u>	<u>66</u>
	<u>271</u>	<u>257</u>

**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, 1996 and 1995. 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 3.5% 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, 1996 and 1995, the most recent valuation dates, were as follows:

	1996	1995
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits .....	\$1,978	1,735
Current employees:		
Accumulated employee contributions .....	27	24
Employer contributions—vested .....	5,721	4,920
Employer contributions—nonvested .....	<u>245</u>	<u>249</u>
Total pension benefit obligation .....	7,971	6,928
Plan assets at market value .....	<u>11,670</u>	<u>9,091</u>
Assets in excess of pension benefit obligation .....	<u>\$3,699</u>	<u>2,163</u>

There were no changes in the actuarial assumptions or benefit provisions used in calculating the pension benefit obligation during the Plan year ended December 31, 1995.

**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 1995 and 1994 were \$407 and \$415, respectively, representing normal cost (6.8% and 7.5%, respectively, of current covered payroll) and were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of January 1, 1996 and 1995, respectively. The Agency contributed \$403 and \$411 (6.8% and 7.4%, respectively, of current covered payroll); employees contributed \$4 and (.07% of current covered payroll) for both Plan years 1995 and 1994.

**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 44 and 45.

	Plan Year Ended December 31		
	1995	1994	1993
Net assets available for benefits expressed as a percentage of the pension benefit obligation .....	146.40%	131.22%	134.46%
Assets in excess of pension benefit obligation expressed as a percentage of covered payroll .....	62.26%	39.03%	42.03%
Employer contributions expressed as a percentage of covered payroll .....	6.78%	7.41%	6.18%

**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.

**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, 1996 and 1995 amounted approximately to \$112,000 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.

During the year ended June 30, 1995, the Agency received \$14,000 in grant revenue from the Commonwealth of Pennsylvania, of which \$10,000 is to be utilized for the Bridge Loan Program and \$4,000 is to be utilized for the PennHOMES Program. The Bridge Loan Program provides up-front financing of tax credit syndication for developers' equity, and the PennHOMES Program provides below market and deferred interest financing to developers of affordable rental housing.

**Commitments:**

Outstanding commitments by the Agency to make or acquire single family, multi-family and HEMAP mortgages aggregated approximately \$212,262, \$27,448 and \$1,455, respectively, at June 30, 1996.

**N. Nonrecurring Income**

Nonrecurring income represents items of income which, although required to be classified as revenues of the Agency, are unusual and nonrecurring in nature and do not relate directly to normal ongoing business activity. The nonrecurring income at June 30, 1996 and 1995 in the General Fund consists of expired commitment fees from the single family mortgage originators and recovered amounts relating to the embezzlement of escrow amounts by a single family mortgage servicer. The nonrecurring income at June 30, 1995 in the Multi-Family Program represents interest earned in prior years on funds previously reserved under certain multi-family bonds. The bonds have been redeemed and consequently, the funds are no longer reserved. As a result, the Agency recognized this income during the fiscal year ended June 30, 1995.

**O. Subsequent Events** On September 12, 1996, the Agency's Board of Directors approved the issuance of Single Family Mortgage Revenue Bonds, Series 1996-53, in an amount not to exceed \$75,000. The proceeds of these bonds, anticipated to be issued in November 1996, will be used to fund the purchase of new Single Family Mortgage Loans.

On September 24, 1996, the Agency issued \$75,000 Single Family Mortgage Revenue Bonds, Series 1996-52. The proceeds of these bonds will be used to partially redeem the Agency's Single Family Mortgage Revenue Bonds, Series R, and to fund the purchase of new Single Family Mortgage Loans.

On September 25, 1996, the Agency redeemed prior to maturity \$25,225 of Single Family Mortgage Revenue Bonds, Series R, using bond proceeds from Single Family Mortgage Revenue Bonds, Series 1996-52. A deferred loss of \$503 resulted from the redemption.

The Agency is required and has committed to redeem prior to maturity \$1,560 of Single Family Mortgage Revenue Bonds, Series N and O, using mortgage pre-payments. These redemptions are scheduled for October 1, 1996 and will result in an extraordinary loss of \$31.

Pursuant to the resolutions for several bond issues, the Agency has committed to redeem prior to maturity \$37,355 of Single Family Mortgage Revenue Bonds, Series Y, Z, 1990-28, 1990-29, 1991-30, 1991-32, 1992-33, and 1994-38. These redemptions are scheduled for October 1, 1996 and will result in an extraordinary loss of \$600.

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