

Creating Possibilities
together



Pennsylvania Housing Finance Agency
1997 Annual Report

MESSAGE FROM THE GOVERNOR

The quarter century of service by the Pennsylvania Housing Finance Agency to the Commonwealth can be seen in the numbers: nearly 67,000 mortgage loans for first time homebuyers; funding and tax credits to 53,000 affordable apartments for older adults, families of modest means and persons with disabilities; and, Homeowners' Emergency Mortgage Assistance loans to save the homes of 23,000 families.

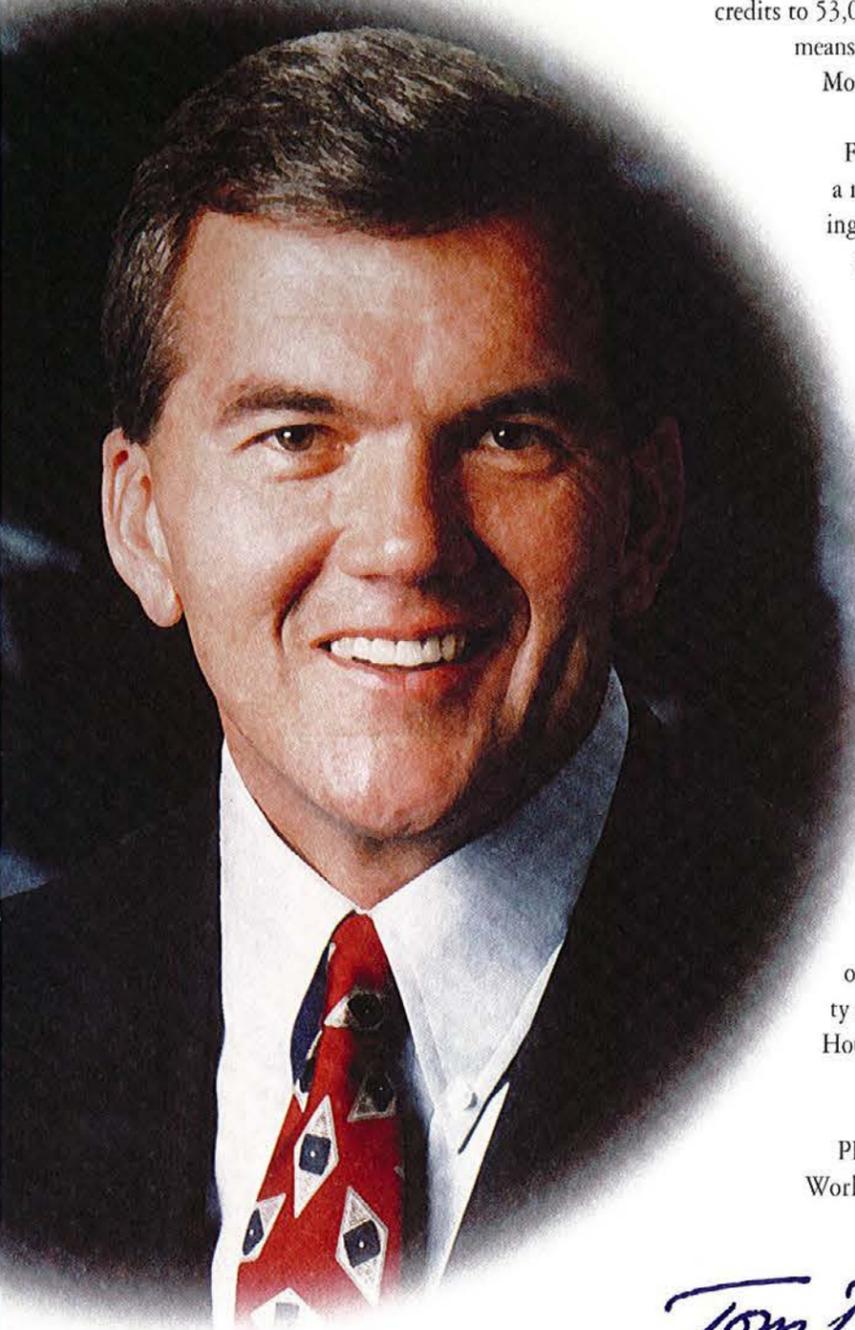
From modest beginnings in 1972, the Agency has grown into a nationally respected giant, earning a high regard in the housing field and among investors who buy the securities to provide good homes and apartments for Commonwealth citizens. Its remarkable record of achievement could simply not have been accomplished without the commitment of a dedicated Board and a talented, hard working professional staff.

That hasn't come about by accident. It happened because PHFA has adjusted to changing conditions, developed new programs to meet the needs of its clients and confronted difficult challenges with courage and intelligence. The Agency's tenacity and clearness of vision have served the public well.

My Administration is committed to making Pennsylvania a better place to live, work and raise a family. The Agency's programs promote these goals by providing outstanding housing to enhance the state's community and economic growth.

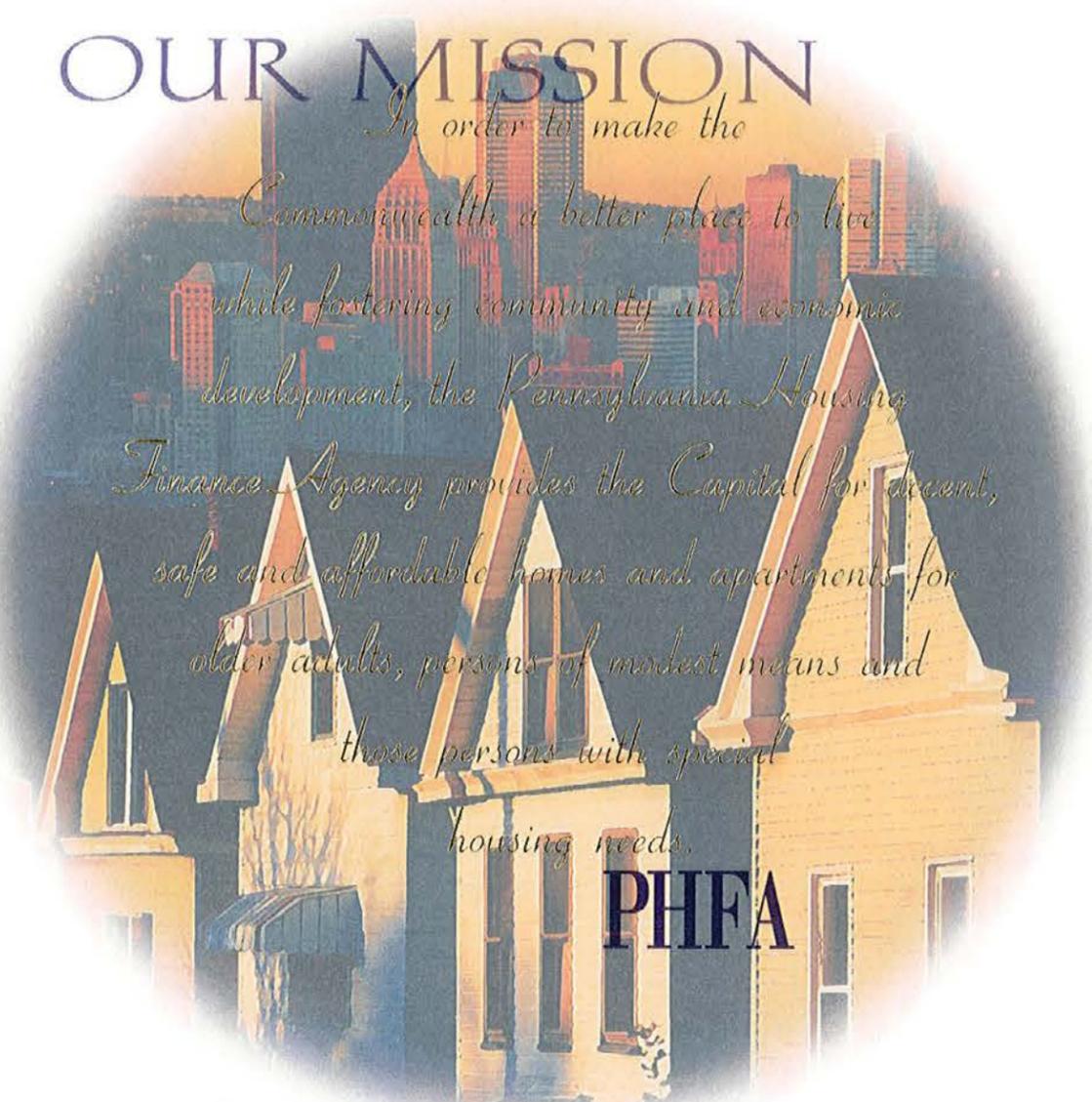
We need good housing now more than ever if the Commonwealth is to remain competitive in the quality of our education facilities, the vitality of our business community and the well-being of our neighborhoods. The Pennsylvania Housing Finance Agency's proven record is ample evidence that it is the financial engine ideally suited to accomplish this.

PHFA's motto, *Together Creating Possibilities*, certainly sums it up. Working together, we cannot fail to make anything possible.



Tom Ridge

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 persons with special housing needs.

PHFA

Celebrating 25 years
together creating possibilities

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ANNUAL REPORT MESSAGE

1997, the 25th anniversary of the Pennsylvania Housing Finance Agency, was the most successful year in PHFA's history. Through the Agency's single family and multifamily programs, record numbers of low- and moderate-income Pennsylvanians were provided with safe, decent and affordable places to live; and through the Homeowners' Emergency Mortgage Assistance Program, thousands of the state's citizens were prevented from facing foreclosure on their homes.

HIGHLIGHTS

Specifically in 1997, the Agency:

Sold a record \$528 million of single family housing bonds which provided funds for more than 9,000 mortgage loans for Pennsylvania families and individuals to buy homes of their own.

Financed the development of 709 new rental units totaling \$14.3 million through the PennHOMES program.

Allocated \$17,482,718 of tax credits for 3,512 apartment units in 76 developments.

Secured an historic agreement to sell \$11 million of taxable multifamily bonds to the Federal Home Loan Bank of Pittsburgh as a means of financing 23 housing projects with nearly 400 affordable housing units.

Reached a milestone in surpassing the \$3 billion level in single family mortgage loans.

Heightened the Agency's focus on the importance of customer relations by conducting in-service training for staff.

Met with the Pennsylvania Congressional Delegation in Washington to focus on federal affordable housing issues important to the Commonwealth, including the importance of passing legislation to increase the low-income housing tax credit and to raise the limit on tax-exempt mortgage revenue bonds. Both of these measures would serve to increase the state's affordable housing stock.

Sponsored the Agency's first statewide housing forum, titled, *Partnerships in Progress, Affordable Housing for the 21st Century*, which was an unqualified success and was attended by more than 550 people, including Governor Tom Ridge.

Began statewide discussions with public housing and redevelopment authorities and the Pennsylvania Department of Community and Economic Development regarding large scale public housing restructuring in the Commonwealth.

Worked closely with the Self-Determination Housing Project to identify housing opportunities for persons with disabilities and to coordinate the efforts of state government agencies and local service providers to create new types of independent living opportunities. Six housing units were created in the 11 demonstration projects identified in the program.

Worked to develop a \$4 million pilot program for senior housing with supportive services and identified six potential sponsors to carry out this effort.

Restructured the Supportive Services Program to more efficiently operate through the Housing Services Division.

1998 brings new challenges and opportunities. For example, recognizing that key elements of homebuyer education begin long before adulthood, the Agency is serving as a conduit for the development of homebuyer education for younger Pennsylvanians.

To develop and institute new initiatives, PHFA has created a new Office of Strategic Planning and Policy, which will work with other Agency divisions and other outside organizations. This should assist in bringing about a coordination of resources and activities.

We wish to express our sincere appreciation to Hillard Madway who retired from the Agency's Board in late 1997. He served the public diligently in that capacity for 17 years. Mr. Madway was instrumental in the establishment of the three major PHFA financing programs being operated today. His hard work, intelligence and clear vision were greatly valued, and we wish to thank him for his many contributions to affordable housing in Pennsylvania.

On the pages that follow, the key housing programs of the Agency are discussed in some detail. We think that the programs and the growth in the numbers of Pennsylvanians served during our first 25 years are evidence that PHFA works to serve the affordable housing needs of the Commonwealth's citizens. The Agency remains the Commonwealth's leader in affordable housing.

PHFA programs continue to succeed because of many individuals and organizations. Lending institutions, developers, builders, real estate professionals, nonprofit 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 necessary to this important work. Because of their support and the dedicated efforts of PHFA staff, housing is solidly postured within the context of community and economic development.



Richard C. Rishel
Chairman



William C. Bostic
Executive Director



PHFA

together creating possibilities

HOMEOWNERSHIP

At the end of 1997, PHFA's total mortgage loan financing amounted to \$3,300,000,000 for nearly 67,000 homes. Families in every county of the Commonwealth had used the Agency's homeownership programs to buy houses of their own.

Loans are made by participating local lenders in hundreds of branch offices statewide. Borrowers have an average income of \$30,000 and purchase houses that cost an average of \$62,600.

The Lower Income Homeownership and Closing Cost Assistance Program helps very low income families and persons with disabilities buy homes of their own. This measure was designed specifically to help buyers whose incomes would not allow them to participate in the Agency's regular statewide single family program, but who seemed to have the capability of becoming homeowners through an education process. It has met that goal.

For most families attempting to buy a house, their biggest obstacle is the inability to save enough money to cover the expense of closing costs and down payments. This is particularly true of those living in small rural towns and inner-city areas, and for persons with disabilities who may need accessibility features in their homes. In their cases, high rental payments may prevent them from saving the necessary funds to cover the expenses.



The Homeownership and Closing Cost Assistance Program specifically targets these groups and moves them toward their ultimate goal: buying a house for themselves. Nearly 7,600 families have used the program.

PHFA homeownership programs offer several benefits including low-mortgage interest rates, education and instruction about various aspects of purchasing a house, with a focus on disposable income, budgeting and saving; greatly reduced, and in most cases, no fees for originating the loans; and the availability of a wide variety of mortgage insurance and guarantees such as conventionally insured, VA, FHA, Rural Housing Service or PHFA's risk retention program. These measures have the effect of making homeownership possible for borrowers with high loan-to-value ratio loans or credit profiles that might be problematic under other programs.

Closing cost assistance helps many buyers get past the settlement table. While the amount of assistance depends upon the needs of the recipient, with typical loans of about \$1,600, eligible borrowers can receive up to \$2,000. The money is offered as a no-interest second loan that doesn't require repayment unless the property is sold, refinanced or transferred.

PHFA's financial commitment to this special effort has amounted to \$320,000,000, plus another \$7,500,000 for closing cost assistance. Typical mortgage loans amounted to a little more than \$46,000, financing homes that cost about \$49,000.

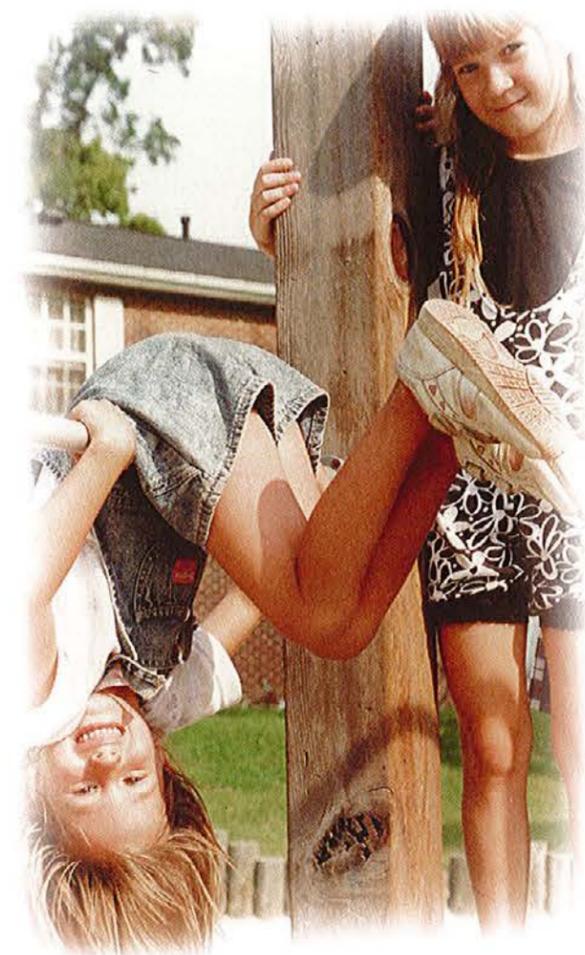
At an average income of \$20,687, which is 49 percent of the state median income, many borrowers actually qualify for federally subsidized rental housing. Instead, because of programs offered by PHFA, they are building up equity in homes of their own. This is particularly important in a state such as Pennsylvania, which has a fairly large stock of older, relatively inexpensive homes.

Local nonprofit housing organizations have used the financing offered by the Agency to help their constituencies. Many of these organizations provide valuable counseling and referral services that include not only PHFA programs, but also weatherization grants and loans, rehabilitation funding, disaster relief, and housing development activities. By combining PHFA funding with locally derived assistance, these groups can help leverage mortgage dollars further than the Agency's resources alone would allow.

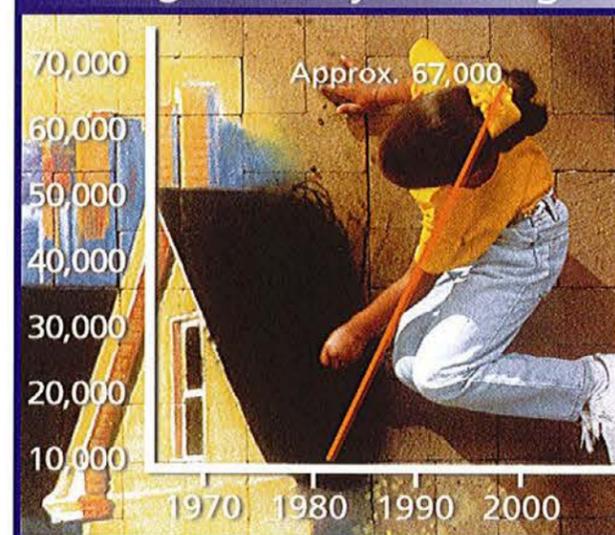
This has led to numerous smaller specialized programs that range from lease-purchase arrangements to a self-determination housing project sponsored by 14 different groups statewide which offers unique mortgage financing opportunities for individuals with physical and mental disabilities that might otherwise preclude them from living independently. Additionally, PHFA has worked with local redevelopment authorities in high cost areas of the state to provide financing and assistance in second mortgage loan programs that they offer. These specially tailored programs help make housing more affordable for Commonwealth citizens.

Program funding comes from mortgage revenue bond resources, either directly from bond issue proceeds, or from the Agency's unrestricted general fund reserves. Closing cost assistance funds come from Agency reserves and from a \$1,000,000 set-aside of federal HOME dollars made available by the Pennsylvania Department of Community and Economic Development.

Good housing is a key to community growth and stability.



Single Family Housing



RENTAL HOUSING

For the past ten years, the Pennsylvania Housing Finance Agency has allocated funds from its unrestricted general fund reserves to subsidize the development of affordable multifamily rental apartments. This effort is called the PennHOMES program, which offers interest-free deferred payment loans to developers of lower-income rental housing. The total expenditure for the program is \$107,777,697. The results have been a tremendous boost to affordable rental housing.

By the end of 1997, PennHOMES financing had become a major source of funds for the development of 7,361 apartment units in 194 different projects throughout the Commonwealth. These projects provide well designed, soundly built and carefully managed rental dwellings for 13,200 persons statewide.

PennHOMES was originally instituted as a measure to develop shelter for homeless persons. It has grown into a full-fledged affordable rental housing program.

As the program expanded, support from other public and private bodies added leverage to the Agency's efforts. In 1995 the Commonwealth provided appropriations for the program, and through an agreement with the Pennsylvania Department of Community and Economic Development, PennHOMES receives 30 percent of the federal HOME funds, or roughly \$6,000,000 a year, for areas that do not already receive such federal appropriations.

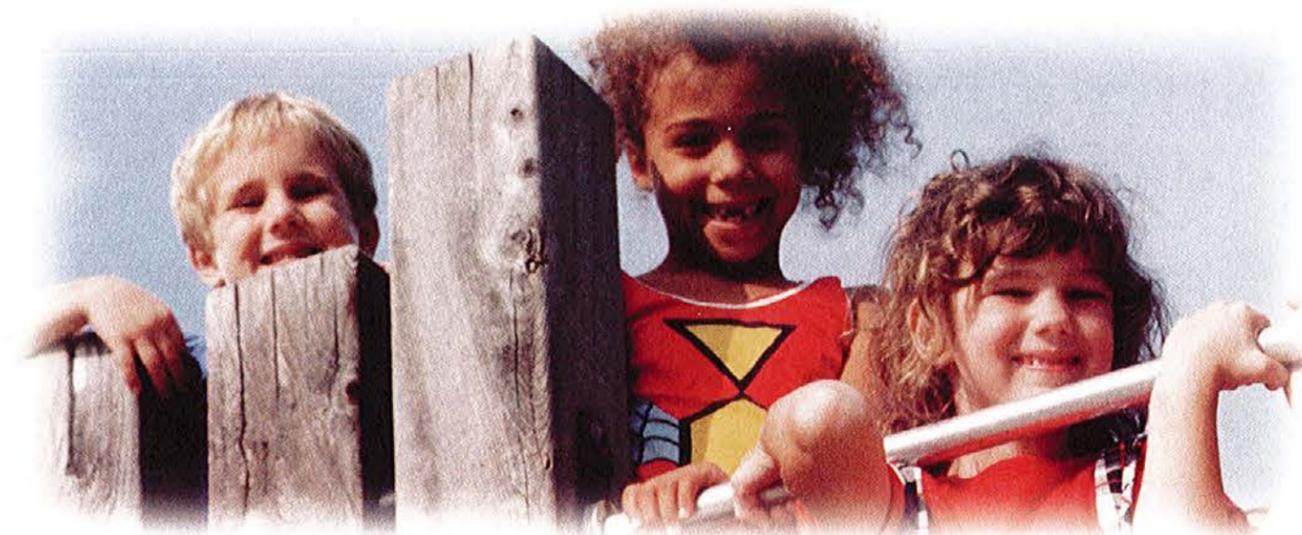


Many of the projects receive PHFA bond financing, as well. The Agency has sold \$62,255,366 of multifamily residential bonds for permanent financing of PennHOMES projects. It also completed an \$11,000,000 taxable private placement with the Federal Home Loan Bank of Pittsburgh that will provide permanent mortgage financing for 23 of these developments. The Agency's solid financial underpinning has given rise to business relationships that allow it to sell bonds at competitive rates while offering prudent, profitable investments in housing.

The development of affordable rental housing now requires a sophistication and understanding that was unheard of a decade ago. It is absolutely critical for project sponsors to find funding from a wide array of sources in order to make their proposals succeed. They typically combine the supportive services and management experience of local nonprofit housing groups with donated land and Community Development Block Grant funds from local governments, historic tax credits from the federal government, equity from the syndication of low-income housing tax credits, foundation grants, bank loans and Section 8 certificates in order to present a feasible application.

Projects to which PennHOMES funds have been dedicated range from a tiny, rehabilitated nineteenth century stagecoach stop that now provides seven badly needed apartments for migrant farm laborers near Gettysburg to the first major housing construction project undertaken in the Hill District of Pittsburgh in more than fifteen years which, when completed, will be home to more than five hundred working families.

At least half the residents of PennHOMES projects must have incomes that do not exceed 50 percent of the area median income. The rest may have incomes up to 60 percent of median. While projects may be developed entirely for those with the lowest income, the Agency has found that developments encouraging an income mix among residents are more likely to be successful.



Because of the extremely high demand for PennHOMES funds, PHFA conducts training sessions for new sponsors who are considering applying. This allows them to discuss their proposals with Agency staff, other developers and experienced sponsors with whom they may wish to work.

It levels the playing field for newcomers who have sound proposals but limited funding.



These training sessions also give would-be sponsors the strong dose of reality that is often lacking in applications from inexperienced developers.

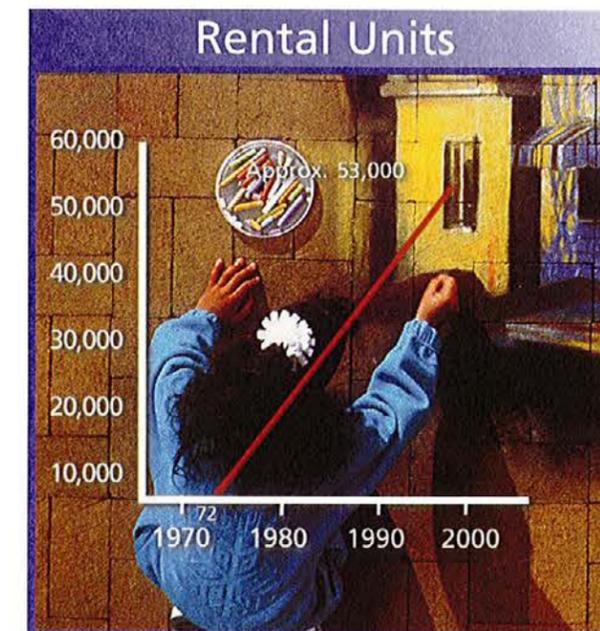
They can rid themselves of unrealistic expectations before committing large sums to hopeless causes.

Over the years, many sponsoring organizations that initially had difficulty developing their proposals have benefited by the dedication with which PHFA has pursued the program. The Agency helped with technical assistance, encouragement, business recommendations and its own experience in order to allow the developers to realize their plans.

PHFA has gained from the experience as well. The Agency's interaction with the nonprofit community has greatly expanded and, as ideas have been exchanged, the housing vocabulary of both has also grown. As a result, the

Agency has created bridge loan programs for nonprofit organizations and housing authorities. This helps them minimize the costs they incur for short-term financing, while putting more of their assets into affordability.

The wisdom of this becomes evident with the passage of time: projects are closed, constructed and rented-up. Tenants move in, raise their children, find employment and move on. None of these things by itself is very dramatic, but the cumulative effect is astonishing. Thousands of persons who never before had good places to live are better off because of the PennHOMES program.



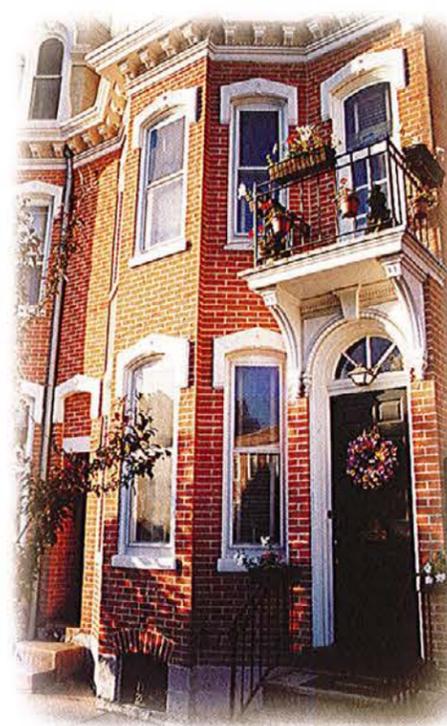
HOMEOWNERS' EMERGENCY MORTGAGE ASSISTANCE PROGRAM

The Homeowners' Emergency Mortgage Assistance Program was designed to prevent foreclosure of houses belonging to Pennsylvanians who, through no fault of their own, face financial difficulties that prevent them from making their mortgage loan payments. Funding is provided by appropriations from the Commonwealth and by repayments from recipients.

Since the program's inception, more than 23,000 families, almost 90,000 individuals, have received assistance. Without the program they would have had to leave their homes to face uncertain housing circumstances. Because there is at least one person on waiting lists for every occupied subsidized housing unit in the state, it is unlikely that the additional need could have been met.

The program enjoys wide support from a variety of interest groups, including lenders, nonprofit housing corporations, labor unions and low-income housing advocates. A network of counseling agencies acts as PHFA's intake source for applications.

For approved applicants, PHFA brings mortgages current and, where appropriate, makes monthly payments on behalf of the homeowners. Borrowers may be required to assist with monthly payments, but their contribution will in no case exceed 35 percent of their monthly income. They are re-certified each year to determine their continuing eligibility.



received only \$167,450,000 of appropriations. The difference is made up by the nearly \$73,500,000 of repayments from persons who are now not only making their own mortgage payments, but also repaying their program loans. More than 7,200 recipients have repaid in full the money they borrowed. Fewer than 1,000 recipients, less than five percent of the total program participants, have defaulted.

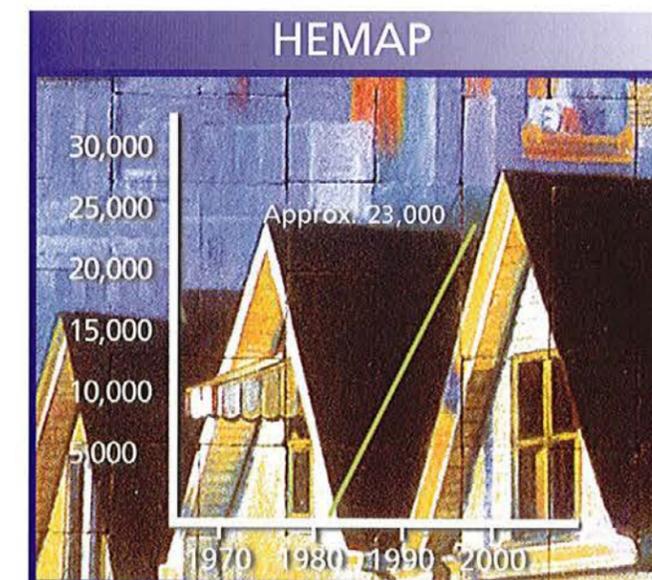
Recipients are typical American families who experienced financial hardship because of company layoffs or a catastrophic illness. The affected borrowers are usually married couples with two children who had a family income of \$35,000 prior to their layoff or illness. Their average mortgage payment was \$675, and they have collected unemployment compensation for six months while looking for work. Although recipients come from all kinds of different backgrounds and geographic areas, they have one thing in common: few of them believed that they could ever end up facing foreclosure on their homes.

The Homeowners' Emergency Mortgage Assistance Program is without equal as an economical, efficient and practical housing program that keeps ordinary families from slipping into the abyss of homelessness and poverty.

By giving homeowners assurance of steady mortgage payments for a reasonable length of time, the program allows them the opportunity to seek education, job training and alternate employment when they most need the assistance. This helps support family and community stability. The program is another layer of mortgage insurance for beleaguered borrowers at a difficult time in their lives.

Besides being a homelessness prevention measure, the Homeowners' Emergency Mortgage Assistance Program is also a bargain. Federally subsidized apartment units cost more than \$600 a month. For an average monthly cost of \$285 (about \$75 a person), the program allows families to stay in their own homes, giving them time to re-establish their financial well-being.

Because assistance is made as a loan with strict eligibility standards, the program is able to leverage its own resources. Recipients are expected to be able to stand on their own financial feet within three years after being accepted into the program. This has allowed the commitment of \$240,950,000 in loans even though it has



PHFA Finances Apartments

The Pennsylvania Housing Finance Agency has made multifamily mortgage loans of \$1,300,000,000 to finance 40,000 affordable apartments across the Commonwealth.

PERMANENTLY FINANCED PHFA RENTAL HOUSING APARTMENTS

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Gettysburg Scattered Site	Adams	16 G/N	\$583,689	Conway Towers	Beaver	85 E/N	\$3,112,800
McIntosh Court	Adams	12 HG/N	75,000	P R V Manor	Beaver	35 E/N	1,550,000
Mountain House Apartments	Adams	7 H/R	360,411	Spring Run Apartments Phase I	Beaver	101 F/N	4,190,000
Baldwin Towers	Allegheny	99 E/N	4,048,475	Valley View Apartments	Beaver	120 F/N	3,710,000
Bellefield Dwellings	Allegheny	158 EF/R	4,330,000	Penn Bedford Apartments	Bedford	50 E/R	2,037,745
Bridgeville Towers	Allegheny	102 E/N	3,305,000	777 Court Street	Berks	90 G/N	2,465,000
Brighton Place Housing Development	Allegheny	32 G/R	640,000	Abraham Lincoln Apartments	Berks	50 E/R	1,000,000
Carson Towers	Allegheny	133 E/R	4,210,000	B'nai B'rith House of Reading	Berks	175 E/N	4,910,000
Crawford Roberts Redevelopment	Allegheny	203 G/N	1,000,000	Bookbindery	Berks	41 G/R	740,427
Crawford Square II	Allegheny	71 G/N	2,378,000	Collaborative Transitional Housing	Berks	13	311,040
Debra House	Allegheny	15 H/R	406,585	Fleetwood Sr. Housing	Berks	33 E/N	707,999
Dorothy Day Apartments	Allegheny	17 G/R	100,000	John F. Lutz Apartments	Berks	39 E/R	759,852
Eastland Apartments	Allegheny	27 F/R	825,000	Penns Commons Court	Berks	46 E/N	1,335,570
*Fairfax Apartments	Allegheny	247 G/R	3,965,000	Reading Elderly Housing	Berks	201 E/N	7,115,000
Goodwill Manor	Allegheny	49 G/N	850,000	River Oak Apartments	Berks	72 F/N	2,238,548
Granada Apartments	Allegheny	22 E/R	690,000	Sencit Townhouse	Berks	201 E/N	5,135,000
Heritage Park	Allegheny	108 E	4,171,100	Altoona Housing	Blair	21	1,226,199
Hilltop Apartments	Allegheny	152 F/N	3,125,000	Cherry Grove Apartments	Blair	76 F/N	2,905,000
Homewood Brushton Apartments	Allegheny	5 F	52,378	Greenfields	Blair	58 F/N	1,985,000
Honus-Wagner Apartments	Allegheny	129 E/N	4,411,500	Harmony House	Blair	10 G/R	507,121
Hulton Arbors	Allegheny	78 F/N	3,480,000	Lexington Park	Blair	24 G/R	494,410
K.Leroy Irvis Tower	Allegheny	191 E/N	6,440,000	Spring Manor	Blair	51 E/N	1,804,035
Lyceum Et Al	Allegheny	28 F	1,152,700	Tyrone Elderly Housing	Blair	100 E/N	2,495,000
Meadows Apartments	Allegheny	79 G/R	1,456,311	Tyrone Family Housing	Blair	50 F/N	1,520,000
Melvin Court/Churchill Apartments	Allegheny	43 G/R	1,230,390	Chemung View	Bradford	101 E/N	3,157,900
Milliones Manor	Allegheny	40 E/R	800,000	Hopkins Commons	Bradford	11 G/N	318,000
Munroe Tower	Allegheny	101 E/N	3,680,000	Andalusia Senior Housing	Bucks	36 E/N	831,523
One Point Breeze Apartments	Allegheny	36 G/R	150,104	Galilee Village	Bucks	120 E/N	2,785,000
Penn Arbors	Allegheny	125 E/N	5,084,295	Meadow Glen	Bucks	91 F/N	3,741,513
Penn Park	Allegheny	20 F/N	720,000	Robert Morris Apartments	Bucks	40 G/R	2,281,828
Pitcairn Apartments	Allegheny	9 G/R	180,000	Silverlake Apartments	Bucks	15 G/N	672,837
Punta Gorda Place	Allegheny	20 G/N	189,837	St. Barnabas Circle	Bucks	10 G/N	698,888
Riverview Park Apartments	Allegheny	168 G/N	3,250,000	Towpath House	Bucks	17 G/R	280,500
Rolling Woods	Allegheny	85 F/N	3,539,137	Woodview Apartments	Bucks	119 F	4,455,000
Shields Building	Allegheny	30 E/R	625,000	Butler Arbors	Butler	120 E/N	3,050,000
Sisters' Place	Allegheny	15 G/R	294,174	Historic Lafayette Apartments	Butler	62 E/R	1,325,000
South Park Apartments	Allegheny	101 F/N	4,219,591	Barnesboro Family Project	Cambria	62 F/N	2,167,552
*Squires Manor Phase I	Allegheny	132 G/N	2,412,000	Crawford Commons	Cambria	11 G/N	479,652
Thomas Village Family Apartments	Allegheny	66 F/N	2,820,260	Garden Terrace	Cambria	101 E/N	3,110,000
Towne North Tower	Allegheny	135 E/N	4,705,000	Haida Village	Cambria	31 F/N	1,131,548
Village Green Apartments	Allegheny	100 F/N	3,991,905	Lodge Run	Cambria	31 E	1,018,403
William S Moorhead Tower	Allegheny	142 F/R	5,855,000	Mountview Manor	Cambria	61 E/N	1,825,000
Womanspace East	Allegheny	16 F/R	277,392	Gardens of Gypsy Hill	Carbon	71 F/N	2,380,000
Woodside Place of Oakmont	Allegheny	36 HH/N	889,016	Lansford Townhouses	Carbon	51 F/N	1,814,400
Valley View	Armstrong	11 E/N	356,167	Lehigh Coal & Navigation Building	Carbon	27 E/R	815,000
Beaver Falls Plaza	Beaver	121 E/N	3,800,000	Philipsburg Towers	Centre	102 E/N	2,705,000

E = Elderly F = Family G = General Occupancy H = Accessible N = New Construction R = Rehabilitated Dwelling
* No longer in PHFA portfolio

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Sylvan View Estates	Centre	49 G/N	\$1,853,086	Pennsylvanian	Erie	112 E/R	\$2,655,000
City Clock Apartments	Chester	30 E/R	751,500	Richford Arms	Erie	100 E/R	3,150,000
Eagle View Senior Apts.	Chester	48 E/N	573,466	Sharp Apartments	Erie	10 G/R	120,000
Liberty House	Chester	50 H/R	960,000	Tandem Townhouses	Erie	48 F/N	1,880,000
The Oxford	Chester	22 G/R	575,780	Villa Maria	Erie	41 E/R	800,000
Park Spring Apartments	Chester	151 F/N	4,120,000	Rose Square	Fayette	11 G/N	68,376
Parkeburg School	Chester	35 E/R	783,709	Union City Estates	Erie	51 F/N	1,907,808
Regency Park Apartments	Chester	126 F/N	4,870,000	Simpson Manor/Hunter's Ridge	Fayette	126 F/N	3,510,000
Trinity House	Chester	134 E/N	4,810,000	Union Gardens	Fayette	95 F/N	3,947,849
Vincent Heights	Chester	91 E/N	3,354,100	Uniontown Senior Housing	Fayette	36 E/R	100,081
W C Atkinson Services Center	Chester	18 G/R	512,364	Barclay Village	Franklin	86 F/N	2,335,000
Broadwood Tower	Clarion	66 E/N	1,920,000	Orchard Run	Franklin	49 G/N	68,376
Dubois Sr. Apartments	Clearfield	39 E/N	1,024,455	Orchard Run, Phase II	Franklin	40 E/N	1,322,000
Lock Haven Commons	Clinton	24 G/N	1,236,105	Waynesboro Trinity House	Franklin	76 E/N	3,315,000
Hillside Village	Columbia	51 F/N	1,720,000	*Blairsville House	Indiana	87 E/N	1,550,000
Schain Building	Columbia	24 G/R	384,000	Clairvaux Commons	Indiana	85 E/R	659,498
Bartlett Gardens	Crawford	43 E/R	1,145,000	Garfield Court	Indiana	8 G/N	
Elm Street Apartments	Crawford	18 E/R	463,191	Homestead	Indiana	24 E/R	1,065,000
Forest Green Estates	Crawford	100 F/N	3,405,000	Parkway Phase II	Indiana	10 E/N	321,756
Shryock Sr. Citizens	Crawford	41 E/R	1,000,000	Schoolhouse Square	Indiana	24 E/R	408,000
Snodgrass Building	Crawford	11 G/R	356,500	Mahoning Towers	Jefferson	101 E/N	2,450,000
Titusville Housing for Elderly	Crawford	65 E/N	1,968,000	Allied Terrace	Lackawanna	121 E/N	4,200,000
Cumberland Elderly Housing	Cumberland	101 E	3,009,800	Cross Apartments	Lackawanna	6 G/R	203,374
American House	Cumberland	16 E/R	79,126	Goodwill Neighborhood	Lackawanna	36 E/R	1,950,000
Orchard Apartments	Cumberland	81 F/N	3,115,200	Mulberry Tower	Lackawanna	206 E/N	6,692,900
Pomfret Street Apartments	Cumberland	25 F/N	1,188,387	Olyphant Apartments	Lackawanna	90 E/N	3,581,407
Roth Village	Cumberland	61 G/R	2,119,745	Scranton Townhouse/Village Park	Lackawanna	160 F/N	5,655,000
Stevens Affordable Housing	Cumberland	17 G/R	637,653	Bloomfield Apartments	Lancaster	66 G/N	2,200,707
Susquehanna View Apartments	Cumberland	201 E/N	5,533,500	The Franklin	Lancaster	41 E/R	1,076,449
*Village of Timber Hill	Cumberland	56 G/N	1,407,300	King Theatre	Lancaster	43 E/R	1,320,390
Allison Hill South	Dauphin	27 G/R/N	703,446	Apartment	Lancaster	74 F/N	3,376,419
Cumberland Court Apartments	Dauphin	108 F/N	2,365,000	Lancaster Arms	Lancaster	74 F/N	3,376,419
Ecumenical Communities Inc.	Dauphin	84 E/N	1,542,000	Market House	Lancaster	51 E/R	1,920,000
Ecumenical Community, Phase II	Dauphin	100 E/R	1,603,210	Apartment	Lancaster	121 E/R	2,875,000
Edison Village	Dauphin	125 EF/R	5,385,000	Millersville Manor	Lancaster	56 G/N	1,444,063
Fairview Estates	Dauphin	6 G/N	205,000	Oak Bottom Village II	Lancaster	67 F/N	2,295,000
Governor Hotel	Dauphin	46 E/R	1,000,000	Oak Hollow South	Lancaster	18 G/R	300,742
Apartment	Dauphin	46 E/R	1,000,000	Old North Mansion	Lancaster	15 F/R	605,000
Greenfield Estates	Dauphin	24 G/N	741,864	Apartment	Lancaster	200 E/N	5,640,000
Hershey Plaza	Dauphin	216 E/N	7,245,000	Plum Tree Apartments	Lancaster	15 F/R	605,000
Highspire School	Dauphin	42 E/R	1,109,000	Prince Street Towers	Lancaster	15 G/R	535,565
Hill Cafe Apartments	Dauphin	27 G/R	743,750	Sassafras Alley	Lancaster	64 G/R	2,214,362
Hillside Heights	Dauphin	24 G/N	733,989	Summit Hills	Lancaster	60 G/N	1,567,539
Interfaith Apartments	Dauphin	126 E/N	4,365,000	Umbrella Works	Lancaster	83 G/R	1,957,479
Martin Luther King Housing	Dauphin	10 G/R	481,641	Castleton Apartment Complex	Lawrence	73 E/R	1,907,052
Pheasant Hill Estates	Dauphin	172 E/N	4,681,600	Dennis Schill Manor	Lawrence	71 E/N	2,835,000
Washington Square	Dauphin	101 G/N	4,860,000	Hileman Apartments	Lawrence	41 F/R	1,120,000
Apartment II	Dauphin	312 G/N	7,025,000	6th & Willow Streets	Lebanon	40 E/N	1,069,203
Williamsburg Estates	Dauphin	44 G/R	1,200,000	Elderly Housing	Lebanon	41 E/N	1,011,580
Woodlayne Court	Dauphin	72 F/N	3,272,500	Cherry Place	Lebanon	96 F/N	3,805,000
Apartment	Delaware	21 G/R	400,000	Highland Glen	Lebanon	20 E/R	508,647
Daniel Scott Commons	Delaware	124 E/N	5,564,859	Oak View Terrace	Lebanon	128 G/N	2,250,000
Fifth Street Apartments	Delaware	80 E/N	1,849,929	Plaza Apartments	Lebanon	30 E/R	1,023,986
Palmerhouse	Delaware	15 G/R	300,000	627 Hamilton	Lehigh	21 F/R	524,397
Parkview at Naaman Creek	Delaware	150 H/N	4,840,000	Apartment	Lehigh	30 E/R	1,190,005
Penn Street	Delaware	57 E/N	1,820,000	Allentown NSA I	Lehigh	30 E/N	1,023,986
Apartment	Delaware	43 F/N	1,662,959	Allentown Towne	Lehigh	160 E/N	4,195,000
Robert H. Stinson Tower	Erie	51 E/N	1,875,038	House Apartments	Lehigh	10 E/R	397,200
*Barnabas Court	Erie	224 G/R	4,341,760	Apartment	Lehigh	36 E/R	1,205,083
Covington Valley Estates	Erie	30 G/R	971,389	Color Clinic	Lehigh	12 F/R	643,733
Girard Towers	Erie	12 H/N	400,000	Gordon Street	Lehigh	20 H/N	370,995
*Glenwood Manor	Erie	30 G/R	971,389	Apartment	Lehigh	45 E/R	1,520,588
Apartment	Erie	12 H/N	400,000	Mill Apartments	Lehigh	30 E/N	1,190,005
Hands/Scalise	Erie	30 G/R	971,389	Ridge Manor II	Lehigh	23 G/R	1,023,986
Independence House	Erie	12 H/N	400,000	627 Hamilton Street	Lehigh	23 G/R	1,023,986
				South 6th Street Rehab	Lehigh	49 F/R	1,750,000
				Tenth Street I	Lehigh	23 G/R	251,709
				Woodland Manor	Lehigh	70 F/N	2,620,000
				Edwardsville Village	Luzerne	252 F/N	4,950,000
				Exeter Sr. Citizens	Luzerne	46 E/N	1,051,551
				Apartment	Luzerne	46 E/N	1,051,551

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
First Valley/Daniel J. Flood Tower	Luzerne	211 E/N	\$6,500,000	Cecil B Moore/Gratz Cecil B. Moore Village Chestnut/56th Street Apartments	Philadelphia	40 G/R	\$1,341,000
Freeland II Housing	Luzerne	22 E/R	1,032,100	Christian Street Commons	Philadelphia	34 G/R	544,000
Hazlewood	Luzerne	99 E/N	2,520,000	Christian Street Apartments	Philadelphia	78 G/R	4,793,000
Marion Terrace	Luzerne	200 F/N	5,800,000	Church Lane Apartments	Philadelphia	18 G/R	652,176
Marlboro Place	Luzerne	76 G/N	1,345,000	Church Lane Apartments	Philadelphia	55 G/N	2,812,494
Sherman Terrace Apartments	Luzerne	344 EF/N	7,249,300	Church Lane Apartments	Philadelphia	40 G/R	796,652
Ten East South Townhomes of Hanover	Luzerne	130 G/N	4,370,000	Costandino Development	Philadelphia	57 F/R	2,265,413
Townhomes of Hanover	Luzerne	40 G/N	2,530,962	*Delaware Landing	Philadelphia	180 G/N	3,845,000
Townhomes of Hanover II	Luzerne	40 G/N	2,136,465	Diamond Phase II Residences	Philadelphia	32 G/R	976,841
Berkshire Manor	Lycoming	20 E/R	625,000	Diamond Street, Phase III	Philadelphia	35 G/R	760,000
Grier Street Manor	Lycoming	30 E/N	490,161	Dorado Village	Philadelphia	81 F/N	4,082,100
Emery Towers	McKean	102 E/N	4,411,208	Dorothy Lovell Gardens	Philadelphia	25 G/R	818,309
Connelly Manor	Mercer	127 E/N	3,768,000	Dunlap Apartments	Philadelphia	35 E/R	548,931
William A. Gargano Towers	Mercer	36 E/N	908,000	Edgewood Manor Apartments	Philadelphia	49 G/R	1,096,484
Greenville House	Mercer	101 E/N	3,501,900	Endow-A-Home	Philadelphia	18 G/R	252,000
Reynolds West Estates	Mercer	101 F/N	3,935,000	Endow-A-Home Phase II	Philadelphia	18 G/R	211,000
Wade D. Mertz Towers	Mercer	103 E/N	3,095,000	Fairmount Apartments	Philadelphia	65 G/R	660,000
Kish Apartments	Mifflin	141 E/N	3,725,000	Francisville III	Philadelphia	21 G/R	384,000
*Pocono Creek Apartments	Monroe	100 G/N	2,265,000	Francisville/Rainbow Project	Philadelphia	20 F/R	488,000
Cooperative Housing Initiative I	Montgomery	11 G/R	448,800	Franklin Park Apartments	Philadelphia	125 F/R	5,931,900
Dock Village	Montgomery	100 F/N	4,275,000	Germantown YMCA	Philadelphia	128 G/R	1,000,000
*Meadowick Village	Montgomery	273 G/N	7,050,000	Gratz Commons	Philadelphia	39 G/R	823,000
Norristown Elderly Housing	Montgomery	175 E/N	6,560,000	Grays Ferry	Philadelphia	71 G/N	1,429,028
Norriswood Apartments	Montgomery	42 G/R	814,319	Green Street Project	Philadelphia	15 G/R	326,000
Oakwood Gardens	Montgomery	48 F/R	1,430,000	Haddington Elderly Housing	Philadelphia	136 E/N	5,920,000
Rittenhouse School	Montgomery	50 E/R	960,000	Haddington Townhouses	Philadelphia	126 F/N	6,468,000
Rolling Hills	Montgomery	232 F/N	6,250,000	Hamill Mill Apartments	Philadelphia	40 E/R	1,407,815
Stephanie Lane	Montgomery	24 G/N	1,345,000	Hestonville Apartments	Philadelphia	24 G/N	587,619
Telford Gardens Apartments	Montgomery	49 F/R	1,765,000	Hope Haven	Philadelphia	10 G/R	222,801
1801 Apartments	Northampton	34 E/R	1,007,252	Hope Haven II	Philadelphia	10 G/R	100,000
338 Wyandotte Street Apartments	Northampton	7	357,085	Housing Options & Opportunities	Philadelphia	5 H/R	96,000
55 Broadway Apartments	Northampton	26	530,000	Imani Homes	Philadelphia	25 G/R	2,205,485
Atlantic Street Apartments	Northampton	22 F/N	767,827	Jameson Court	Philadelphia	71 G/N	1,461,408
Bangor Elderly	Northampton	101 E	3,825,000	Jardines Del Borinquen	Philadelphia	45 G/N	1,012,062
Belvidere Apartments	Northampton	20	821,391	Jardines Del Borinquen II	Philadelphia	45 G/N	3,759,157
Easton Senior Citizens Housing	Northampton	98 F/N	1,776,000	Kairos House	Philadelphia	36 G/R	1,064,350
Ferry Street	Northampton	10 HG/N	457,844	Kearsley Care Housing	Philadelphia	60 E/N	1,000,000
Main Street Apartments	Northampton	23 E/R	702,510	Kensington Townhouses	Philadelphia	71 F/N	3,400,300
South Third Street Apartments	Northampton	22 E/R	765,808	Kensington YWCA	Philadelphia	46 E/R	1,564,786
Center City Apartments	Northumberland	34 G/R	1,220,726	Landreth Apartments	Philadelphia	51 E/R	1,575,000
Coal Township Elderly Housing	Northumberland	100 E/N	2,860,000	Larchwood Gardens	Philadelphia	180 G/R	2,665,623
Milton Apartments	Northumberland	80 F/N	3,165,000	Levering Court	Philadelphia	19 G/R	650,000
Mt Carmel Elderly Housing	Northumberland	100 E/N	2,700,000	Locust Tower Apartments	Philadelphia	40 G/R	1,858,586
River Front Apartments	Northumberland	200 E/N	5,492,700	Lower Germantown Housing	Philadelphia	50 G/R	1,195,255
Willow Court	Northumberland	30 E/N	1,006,172	Lower Germantown Housing II	Philadelphia	34 G/R	430,764
Perry Manor	Perry	50 F/N	1,970,000	Magnolia Mews Apartments	Philadelphia	63 G/R	1,998,696
15th & Jefferson	Philadelphia	39 F/R	1,805,100	Mansion Court	Philadelphia	30 G/N	600,000
1515 Fairmount Apartments	Philadelphia	48 G/R	960,000	Model Cities 6	Philadelphia	71 G/R	1,632,804
Allegheny	Philadelphia	60 G/N	1,565,622	Monte Vista Apartments	Philadelphia	159 EF/R	7,587,000
Allegheny West Phase I	Philadelphia	41 G/R	1,348,688	MPB Parish School	Philadelphia	28 E/R	672,000
Allegheny West Phase II	Philadelphia	45 G/R	1,224,128	Norris Street	Philadelphia	21 G/N	449,000
Allen Lane Apartments	Philadelphia	17 F/R	755,900	Oak Lane/Chelton Court	Philadelphia	62 G/R	1,689,100
Art Apartments	Philadelphia	30 G/R	994,450	Ogontz Hall	Philadelphia	25 G/R	767,222
*Bakers Bay Retirement	Philadelphia	196 E/N	10,967,000	Ogontz II	Philadelphia	15 G/R	337,500
Blakestone Housing	Philadelphia	19 G/R	427,5000	One APM Plaza	Philadelphia	24 G/R	465,000
Bradmore Apartments	Philadelphia	34 G/R	846,730	*One Buttonwood Square	Philadelphia	304 G/N	10,220,000
Breslyn Apartments	Philadelphia	60 F/R	3,235,100				
Cecil B Moore/16th Street	Philadelphia	98 G/R	1,679,706				

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING	PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Park Tower Apartments	Philadelphia	157 E/N	\$7,155,000	Park Tower Apartments	Philadelphia	157 E/N	\$7,155,000
PCAH/Haddington	Philadelphia	21 G/R	1,826,775	Parkside Apartments	Philadelphia	65 G/N	2,626,000
Parkside Apartments	Philadelphia	136 WG	2,150,005	Philadelphia Mr Project	Philadelphia	25 G/R	1,160,584
Powelton Gardens	Philadelphia	25 G/R	1,160,584	*Queen Village II	Philadelphia	51 G/R	1,180,000
Queens Row	Philadelphia	29 G/R	828,500	Queens Court Apartments	Philadelphia	32 G/R	1,311,455
Regent Street Apartments	Philadelphia	80 F/R	750,000	Sarah Allen IV	Philadelphia	40 G/NR	4,439,574
Sarah Allen Homes	Philadelphia	36	1,085,625	Sartain Apartments	Philadelphia	35 E/R	582,734
Single Parent Family	Philadelphia	4 G/R	103,751	Somerset Apartments	Philadelphia	24 G/N	720,000
South 55th Street Apartments	Philadelphia	20 G/N	487,053	Spring Garden Apartments	Philadelphia	9 F/R	400,000
Susquehanna II	Philadelphia	47 G/R	1,657,470	Susquehanna Townhouses	Philadelphia	36 F/R	1,807,900
Tasker Village	Philadelphia	28 G/N	560,000	Temple University Student Housing	Philadelphia	82 G/R	2,000,000
Trinity Place Apartments	Philadelphia	44 G/R	535,000	Johnnie Tillmon Townhouses	Philadelphia	23 G/N	460,000
Turning Point	Philadelphia	6 G/R	87,236	Tioga Gardens	Philadelphia	33 G/N	689,419
Venango House	Philadelphia	106 E/N	4,820,000	Trinity Place Apartments	Philadelphia	44 G/R	535,000
Villanueva Townhouses	Philadelphia	30 G/N	532,000	Turning Point	Philadelphia	6 G/R	87,236
Villas De Hace	Philadelphia	24 G/N	701,854	Venango House	Philadelphia	106 E/N	4,820,000
Villas del Caribe	Philadelphia	81 G/N	7,894,804	Villanueva Townhouses	Philadelphia	30 G/N	532,000
Von Louhr Apartments	Philadelphia	25 F/R	619,189	Villas De Hace	Philadelphia	24 G/N	701,854
West Diamond Street	Philadelphia	48 G/R	1,154,991	Villas del Caribe	Philadelphia	81 G/N	7,894,804
Westminster Apartments	Philadelphia	43 G/N	1,589,909	Von Louhr Apartments	Philadelphia	25 F/R	619,189
Wistar Court	Philadelphia	55 G/N	3,250,000	West Diamond Street	Philadelphia	48 G/R	1,154,991
Wister Townhouse Apartments	Philadelphia	200 F/N	7,308,700	Westminster Apartments	Philadelphia	43 G/N	1,589,909
Delaware Run	Pike	36 E/N	599,216	Wistar Court	Philadelphia	55 G/N	3,250,000
Berwick House	Schuylkill	13 G/R	388,289	Wister Townhouse Apartments	Philadelphia	200 F/N	7,308,700
Mahanoy Elderly Housing	Schuylkill	124 E/N	3,940,000	Delaware Run	Pike	36 E/N	599,216
Majestic House	Schuylkill	74 E/R	2,520,000	Berwick House	Schuylkill	13 G/R	388,289
High Street Manor	Snyder	25 E/N	675,000	Mahanoy Elderly Housing	Schuylkill	124 E/N	3,940,000
Pine Meadow	Snyder	100 F/N	3,715,000	Majestic House	Schuylkill	74 E/R	2,520,000
Stayman Park	Snyder	77 E/N	2,470,000	High Street Manor	Snyder	25 E/N	675,000
Coleman Towers	Somerset	51 E/N	2,007,847	Pine Meadow	Snyder	100 F/N	3,715,000
Laurel Village II	Somerset	48 F/N	1,570,000	Stayman Park	Snyder	77 E/N	2,470,000
Village At Somerset	Somerset	101 F/N	5,172,967	Coleman Towers	Somerset	51 E/N	2,007,847
Montrose Square	Susquehanna	81 E/N	2,750,000	Laurel Village II	Somerset	48 F/N	1,570,000
Kenner Court	Tioga	15 H/N	434,500	Village At Somerset	Somerset	101 F/N	5,172,967
Mansfield Village	Tioga	51 F/N	1,883,130	Montrose Square	Susquehanna	81 E/N	2,750,000
Kelly Apartments	Union	80 E/N	2,130,000	Kenner Court	Tioga	15 H/N	434,500
White Deer Commons	Union	24 G/N	1,068,422	Mansfield Village	Tioga	51 F/N	1,883,130
Franklin Arbors	Venango	88 E/N	2,365,000	Kelly Apartments	Union	80 E/N	2,130,000
Oak Hill Apartments	Venango	120 F/N	2,313,100	White Deer Commons	Union	24 G/N	1,068,422
Pin Oak Village	Venango	100 F/N	1,752,700	Franklin Arbors	Venango	88 E/N	2,365,000
Bentleyville Apartments	Washington	102 F/N	3,925,000	Oak Hill Apartments	Venango	120 F/N	2,313,100
Canon Apartments	Washington	43 E/N	551,531	Pin Oak Village	Venango	100 F/N	1,752,700
Canon House	Washington	104 E/N	3,165,000	Bentleyville Apartments	Washington	102 F/N	3,925,000
Char House	Washington	104 E/N	3,430,000	Canon Apartments	Washington	43 E/N	551,531
Liberty Tower	Washington	104 E/N	3,730,000	Canon House	Washington	104 E/N	3,165,000
Penn Park	Washington	25 F/R	801,000	Char House	Washington	104 E/N	3,430,000
Thomas Campbell North	Washington	75 E/N	2,255,000	Liberty Tower	Washington	104 E/N	3,730,000
Eastmont Estates	Westmoreland	103 F/N	2,699,948	Penn Park	Washington	25 F/R	801,000
Filbert Manor	Westmoreland	127 E/N	3,800,000	Thomas Campbell North	Washington	75 E/N	2,255,000
Huntingdon Village	Westmoreland	96 F/N	3,960,000	Eastmont Estates	Westmoreland	103 F/N	2,699,948
Maple Hill Apartments	Westmoreland	72 F/N	2,869,500	Filbert Manor	Westmoreland	127 E/N	3,800,000
Markvue Apartments	Westmoreland	35 G/N	563,000	Huntingdon Village	Westmoreland	96 F/N	3,960,000
Nu-Ken Tower	Westmoreland	101 E/N	4,175,000	Maple Hill Apartments	Westmoreland	72 F/N	2,869,500
Pershing Square	Westmoreland	111 E/N	4,285,000	Markvue Apartments	Westmoreland	35 G/N	563,000
Rostraver Apartments	Westmoreland	96 F/N	3,583,400	Nu-Ken Tower	Westmoreland	101 E/N	4,175,000

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Sandalwood	Westmoreland	86 F/N	\$3,512,269
Wimmerton Apartments	Westmoreland	100 G/N	1,820,000
Cable House	York	83 F/R	3,565,000
Delphia House	York	104 E/N	3,050,000
Dutch Kitchen	York	59 G/R	600,000
George Street Project	York	36 G/R	981,091
Hudson Park Towers	York	70 F/R	1,712,463
Parkside Townhouses	York	53 G/N	1,850,457
Parkview at Tyler Run Southeast	York	80 E/N	1,905,339
Neighborhood Apartments	York	19 F/R	354,885
Wyndamere	York	65 G/N	1,427,426
TOTAL PROJECTS: 408		27,513	\$883,012,543

PHFA-FINANCED CONSTRUCTION LOAN PROJECTS

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Bower Hill III Apartments	Allegheny	135 E/N	\$ 7,842,900
Brinton Towers	Allegheny	190 E/N	4,272,200
Heritage Park	Allegheny	108 E/N	4,171,100
Roosevelt Arms	Allegheny	191 E/R	5,290,100
Settlers Place	Allegheny	164 F/N	5,732,100
Squirrel Hill	Allegheny	117 E/R	3,648,600
Scottswood	Beaver	106 F/N	4,246,300
Wilson Townhouses	Berks	200 F/N	4,483,800
Belmondo on the Delaware	Bucks	195 G/N	5,265,000
Center Square Towers	Bucks	352 E/N	7,558,400
Downingtown Sr. Citizen Housing	Chester	40 E/N	1,216,800
Bloomsburg Elderly	Columbia	76 E/N	2,407,400
Cumberland Elderly Housing	Cumberland	101 E/N	3,009,800
Maclay Street NSA Project	Dauphin	126 F/R	6,033,500
Rutherford Park Townhouses	Dauphin	85 F/N	3,534,400
Elk Towers	Elk	103 E/N	3,517,300
Mid-City Towers	Erie	132 E/N	3,437,700
Connellsville Towers	Fayette	111 E/N	4,247,600
Carmichaels Arbors	Greene	76 E/N	2,114,500
Mountainview Gardens	Greene	120 F/N	4,229,400
Robindale Heights Apartments	Indiana		

Pennsylvania Housing Finance Agency

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENTS

for the years ended June 30, 1997 and 1996

AND REQUIRED SUPPLEMENTAL INFORMATION

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
American Postal Workers House	Philadelphia	300 E/N	\$10,465,500
Delaire Landing Phase 5	Philadelphia	216 G/N	5,204,500
Executive House Gray Manor	Philadelphia	301 G/N	18,634,500
Lutheran Elderly Housing	Philadelphia	130 E/N	5,421,000
Mount Vernon Apartments	Philadelphia	208 E/N	6,992,400
Shalom Apartments	Philadelphia	124 F/N	2,428,800
Stenton Arms Apartments	Philadelphia	155 E/N	4,833,400
University City Townhouses	Philadelphia	113 F/R	1,158,100
University Plaza Apartments	Philadelphia	70 F/N	3,807,400
Verona Apartments	Philadelphia	442 E/N	15,500,800
West Poplar Apartments	Philadelphia	117 G/R	2,614,800
Wister Townhouses	Philadelphia	140 F/N	4,939,800
Lewisburg Elderly Housing	Union	200 F/N	7,308,700
Oak Hill Apartments	Venango	80 E/N	2,698,900
Pin Oak Village	Venango	120 F/N	2,313,100
Belvedere Acres	Washington	100 F/R	1,752,700
Washington Arbors	Washington	96 F/N	3,799,000
		101 E/N	2,587,200
TOTAL PROJECTS: 64		9,058	\$281,040,405

PHFA Rural Rental Housing Projects

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
Rayburn Manor	Armstrong	46 F/N	\$ 1,415,367
Washington Glen	Bucks	42 F/N	1,475,418
Emerald Estates	Cambria	35 E/N	1,373,000
McAteer Village	Clearfield	35 F/N	1,231,580
Titusville Manor	Crawford	47 F/N	1,421,055
Hummelstown Manor	Dauphin	51 E/N	1,672,105
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
Avonmore Housing for the Elderly	Westmoreland	36 E/N	1,357,578
Derry Area Senior Citizens Housing	Westmoreland	18 E/N	342,000
TOTAL PROJECTS: 15		677	\$20,014,450

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	664,938
Fleetwood Elderly Turnkey	Berks	20 E/N	710,113
Sinking Springs	Berks	25 F/N	1,319,220
Wyalusing Elderly	Bradford	30 E/N	1,186,447
Slippery Rock Turnkey	Butler	50 E/N	2,144,700
Lehigh Turnkey	Carbon	10 G/N	550,426
Oxford Elderly Turnkey	Chester	48 E/N	2,015,473
Renovo Family Turnkey	Clinton	27 F/N	1,617,248
Pomfret Street Apartments	Cumberland	25 F/N	1,188,387
Williamstown Boro Family Turnkey	Dauphin	10 F/N	469,658
Williams Township Family Turnkey	Dauphin	40 F/N	2,071,757
J. Leonard Ostrow Turnkey	Erie	80 E/N	2,742,400
Millcreek Elderly Housing	Erie	65 E/N	2,000,000
North East Elderly Turnkey	Erie	40 E/N	1,443,786
Burrell Township Turnkey	Indiana	50 EF/N	2,291,580
Saltsburg Family Turnkey	Indiana	25 F/N	1,226,070
Carbondale Elderly Turnkey	Lackawanna	45 E/R	1,750,795
Lebanon City Turnkey	Lebanon	39 F/N	1,584,798
Slatington Elderly	Lehigh	75 E/N	3,752,946
Foster Township Turnkey	McKean	42 EF/N	1,792,422
McKean County Turnkey	McKean	136 EF/N	2,437,400
Schuylkill Haven Turnkey	Schuylkill	40 F/N	1,596,695
Middleburg Family Turnkey	Snyder	40 F/N	1,757,096
Arnold Family Housing	Westmoreland	20 F/N	1,004,945
Greensburg Family	Westmoreland	20 F/N	955,533
Lower Burrell Elderly Turnkey	Westmoreland	125 F/N	4,361,280
Trafford Elderly Turnkey	Westmoreland	100 E/N	3,708,320
Fairview Township Turnkey	York	75 E/N	3,209,697
TOTAL PROJECTS: 30		1,518	\$60,334,404

HUD 202 PROJECTS WITH PHFA "GAP" FINANCING

PROJECT	COUNTY	UNITS/TYPE	PHFA FINANCING
McIntosh Center	Adams	12 G/N	\$ 75,000
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	194,343
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 Hallstead	Philadelphia	60 E/N	118,000
Bridge Street Commons	Susquehanna	40 E/N	200,000
Maple City Apartments	Venango	30 E/N	44,500
	Wayne	40 E/N	200,000
TOTAL PROJECTS: 16		597	\$1,837,389

E = Elderly F = Family G = General Occupancy H = Accessible N = New Construction R = Rehabilitated Dwelling
* No longer in PHFA portfolio

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Report of
Independent
Accountants

Coopers
& Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

PHFA

FINANCIALS

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, 1997 and 1996, 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% and 1%, 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, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Funding Progress and Schedule of Contributions from the Employer and Other Contributing Entities, on page 43 is 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
October 2, 1997

Pennsylvania Housing Finance Agency

BALANCE SHEETS

as of June 30, 1997 and 1996

(in thousands)	1997				1996							
	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)
ASSETS												
Deposits and investments (Note E)	\$ 70,455	276,656	266,599	19,878	2,871	636,459	98,505	256,082	382,201	17,679	6,048	760,515
Mortgage loans receivable (Note F)	—	586,361	1,801,380	—	81,125	2,468,866	20	587,255	1,482,076	—	83,309	2,152,660
Construction advances (Note F)	—	13,668	—	—	—	13,668	—	19,385	—	—	—	19,385
Deferred and other assets	4,046	6,122	5,565	3	151	15,887	3,692	6,597	4,845	102	171	15,407
Due from other funds	29,186	—	—	—	—	29,186	16,553	—	—	—	—	16,553
	<u>\$103,687</u>	<u>882,807</u>	<u>2,073,544</u>	<u>19,881</u>	<u>84,147</u>	<u>3,164,066</u>	<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>
LIABILITIES AND FUND BALANCES												
Bonds payable (Note I)	—	560,579	1,886,888	—	—	2,447,467	—	567,702	1,717,199	—	—	2,284,901
Notes payable (Note H)	—	13,056	—	—	—	13,056	—	40,210	—	—	—	40,210
Escrow and other liabilities	323	169,941	24,876	705	3,298	199,143	346	153,195	19,679	666	3,176	177,062
Accrued interest payable	—	16,561	34,859	—	—	51,420	—	16,656	29,422	—	—	46,078
Accounts payable and accrued expenses	1,187	—	11	—	211	1,409	1,144	—	16	—	209	1,369
Accrued mortgage claims	—	—	—	369	—	369	—	—	—	334	—	334
Due to other funds	—	2,715	26,058	—	413	29,186	—	2,735	13,335	—	483	16,553
Total liabilities	<u>1,510</u>	<u>762,852</u>	<u>1,972,692</u>	<u>1,074</u>	<u>3,922</u>	<u>2,742,050</u>	<u>1,490</u>	<u>780,498</u>	<u>1,779,651</u>	<u>1,000</u>	<u>3,868</u>	<u>2,566,507</u>
Fund balances (Note K):												
Reserved	—	1,960	33,181	10,000	80,225	125,366	—	1,960	26,800	10,000	85,660	124,420
Unreserved												
Internally designated	62,500	75,090	10,205	8,807	—	156,602	62,500	70,090	8,455	6,781	—	147,826
Undesignated	39,677	42,905	57,466	—	—	140,048	54,780	16,771	54,216	—	—	125,767
Total fund balances	<u>102,177</u>	<u>119,955</u>	<u>100,852</u>	<u>18,807</u>	<u>80,225</u>	<u>422,016</u>	<u>117,280</u>	<u>88,821</u>	<u>89,471</u>	<u>16,781</u>	<u>85,660</u>	<u>398,013</u>
	<u>\$103,687</u>	<u>882,807</u>	<u>2,073,544</u>	<u>19,881</u>	<u>84,147</u>	<u>3,164,066</u>	<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>

Pennsylvania Housing Finance Agency
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES

for the years ended June 30, 1997 and 1996

(in thousands)	1997				1996							
	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)
REVENUES:												
Interest income:												
Investments	\$ 6,022	7,653	17,952	1,347	346	33,320	6,355	6,771	16,199	1,213	326	30,864
Mortgage loans receivable (Note F)	43	52,412	118,245	—	1,488	172,188	3	53,163	103,596	—	1,279	158,041
Construction advances (Note F)	—	245	—	—	—	245	—	317	—	—	—	317
Total interest income	6,065	60,310	136,197	1,347	1,834	205,753	6,358	60,251	119,795	1,213	1,605	189,222
Fees and charges	10,101	—	1,615	1,326	275	13,317	9,754	—	1,410	1,070	223	12,457
Amortization of deferred gain	—	594	—	—	—	594	—	595	—	—	—	595
Gain on sale of investments	204	—	—	—	—	204	81	49	53	—	—	183
Grant revenue	—	1,152	—	—	3,000	4,152	—	—	—	—	18,000	18,000
Pass-through grants (Note C)	—	122,319	—	—	—	122,319	—	112,533	—	—	—	112,533
Residual receipts	—	1,712	—	—	—	1,712	—	4,022	—	—	—	4,022
Nonrecurring income	4	—	—	—	—	4	66	—	—	—	—	66
Total operating revenue	16,374	186,087	137,812	2,673	5,109	348,055	16,259	177,450	121,258	2,283	19,828	337,078
EXPENSES:												
Interest on notes (Note H)	—	1,862	—	—	—	1,862	—	1,620	—	—	—	1,620
Interest on bonds (Note I)	—	36,033	121,956	—	—	157,989	—	36,652	109,800	—	—	146,452
Salaries and related benefits	8,285	—	—	—	1,394	9,679	8,156	—	—	—	1,351	9,507
General and administrative	3,503	2,514	—	—	1,617	7,634	3,158	2,949	—	—	1,752	7,859
Pass-through grants (Note C)	—	122,319	—	—	—	122,319	—	112,533	—	—	—	112,533
Loan loss provision	—	15,000	600	—	7,533	23,133	—	15,000	600	—	6,108	21,708
Mortgage insurance	—	—	—	347	—	347	—	—	—	276	—	276
Mortgage claims	—	—	—	300	—	300	—	—	—	274	—	274
Total operating expenses	11,788	177,728	122,556	647	10,544	323,263	11,314	168,754	110,400	550	9,211	300,229
Income before extraordinary item	4,586	8,359	15,256	2,026	(5,435)	24,792	4,945	8,696	10,858	1,733	10,617	36,849
EXTRAORDINARY LOSS												
Early extinguishment of debt (Note I)	—	(19)	(770)	—	—	(789)	—	(81)	(70)	—	—	(151)
Net income (loss)	4,586	8,340	14,486	2,026	(5,435)	24,003	4,945	8,615	10,788	1,733	10,617	36,698
Fund balances at beginning 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
Fund balance transfers, net (Note D)	(19,689)	22,794	(3,105)	—	—	—	(4,857)	4,841	16	—	—	—
Fund balances at end of year	\$102,177	119,955	100,852	18,807	80,225	422,016	117,280	88,821	89,471	16,781	85,660	398,013

Pennsylvania Housing Finance Agency
STATEMENTS OF CASH FLOWS

for the years ended June 30, 1997 and 1996

(in thousands)	1997				1996							
	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)
CASH FLOWS FROM OPERATING ACTIVITIES:												
Net income (loss)	\$ 4,586	8,340	14,486	2,026	(5,435)	24,003	4,945	8,615	10,788	1,733	10,617	36,698
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:												
Depreciation and amortization	236	714	863	—	28	1,841	226	730	1,915	—	29	2,900
Loss on early extinguishment of debt	—	19	770	—	—	789	—	81	70	—	—	151
Loan loss provision	—	15,000	600	—	7,532	23,132	—	15,000	600	—	6,108	21,708
Interest expense on notes and bonds, excluding amortization and accretion	—	37,883	125,682	—	—	163,565	—	37,553	110,553	—	—	148,106
Interest income on investments	(6,022)	(7,653)	(17,952)	(1,347)	(346)	(33,320)	(6,355)	(6,771)	(16,199)	(1,213)	(326)	(30,864)
Gain on sale of investments	(204)	—	—	—	—	(204)	(81)	(49)	(53)	—	—	(183)
Amortization of deferred gain	—	(594)	—	—	—	(594)	—	(595)	—	—	—	(595)
Increase (decrease) due to changes in operating assets and liabilities:												
Mortgage loans receivable	20	(14,106)	(320,363)	—	(5,680)	(340,129)	3,000	(17,969)	(104,130)	—	(13,046)	(132,145)
Construction advances	—	5,717	—	—	—	5,717	—	5,060	—	—	—	5,060
Deferred and other assets	(590)	4	(1,328)	99	(3)	(1,818)	(328)	174	(719)	(102)	(58)	(1,033)
Escrow and other liabilities	(23)	17,341	5,197	39	121	22,675	65	6,600	216	160	262	7,303
Accounts payable and accrued expenses	43	—	(5)	—	2	40	2,102	—	(7)	—	42	2,137
Accrued mortgage claims	—	—	—	35	—	35	—	—	—	151	—	151
Net cash provided by (used in) operating activities	(1,954)	62,665	(192,050)	852	(3,781)	(134,268)	3,574	48,429	3,034	729	3,628	59,394
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:												
Due (from) to other funds	(12,633)	(20)	12,723	—	(70)	—	(5,913)	150	5,960	—	(197)	—
Fund balance transfers from (to) other funds	(19,689)	22,794	(3,105)	—	—	—	(4,857)	4,841	16	—	—	—
Proceeds from sale of bonds and notes	—	13,846	330,415	—	—	344,261	—	20,890	322,138	—	—	343,028
Redemptions and maturities of bonds and notes	—	(48,384)	(160,388)	—	—	(208,772)	—	(16,744)	(134,956)	—	—	(151,700)
Interest paid on bonds and notes	—	(37,978)	(120,028)	—	—	(158,006)	—	(37,796)	(109,118)	—	—	(146,914)
Net cash provided by (used in) noncapital financing activities	(32,322)	(49,742)	59,617	—	(70)	(22,517)	(10,770)	(28,659)	84,040	—	(197)	44,414
CASH FLOWS FROM INVESTING ACTIVITIES:												
Purchase of investments	(127,809)	(168,750)	(96,543)	—	(6,284)	(399,386)	(142,899)	(99,463)	(277,198)	—	(29,907)	(549,467)
Interest received on investments	6,022	7,653	17,952	1,347	346	33,320	11,245	4,759	14,822	1,213	326	32,365
Proceeds from sales and maturities of investments	156,063	163,310	252,582	—	8,024	579,979	126,300	120,362	174,038	—	27,883	448,583
Net cash provided by (used in) investing activities	34,276	2,213	173,991	1,347	2,086	213,913	(5,354)	25,658	(88,338)	1,213	(1,698)	(68,519)
Net increase (decrease) in cash and cash equivalents	—	15,136	41,558	2,199	(1,765)	57,128	(12,550)	45,428	(1,264)	1,942	1,733	35,289
Cash and cash equivalents at beginning of year	—	184,298	75,201	7,679	(205)	266,973	12,550	138,870	76,465	5,737	(1,938)	231,684
Cash and cash equivalents at end of year	\$ —	199,434	116,759	9,878	(1,970)	324,101	—	184,298	75,201	7,679	(205)	266,973
Reconciliation of cash and cash equivalents to the balance sheets:												
Total deposits and investments per the balance sheets	70,455	276,656	266,599	19,878	2,871	636,459	98,505	256,082	382,201	17,679	6,048	760,515
Less:												
Investments not meeting the definition of cash equivalents	70,455	77,222	149,840	10,000	4,841	312,358	98,505	71,784	307,000	10,000	6,253	493,542
Cash and cash equivalents at end of year	\$ —	199,434	116,759	9,878	(1,970)	324,101	—	184,298	75,201	7,679	(205)	266,973
Supplemental schedule of noncash operating activities:												
Mortgage loan receivable charge offs	\$ —	(424)	(375)	—	(6,048)	(6,847)	—	—	(594)	—	(5,132)	(5,726)

Pennsylvania Housing Finance Agency

NOTES TO FINANCIAL STATEMENTS

for the years ended June 30, 1997 and 1996

(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, 1997 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. The Multi-Family Program also provides funds for the bridge loan program. This program provides funds to multi-family construction projects, to be used as owners equity. These funds assist the construction project to finance pre-construction costs.

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 \$5,000 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 1% to 2.5% of the loan commitment for the Multi-Family Program and from 1% 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 years ended June 30, 1997 and 1996, the Agency deferred losses of \$2,277 and \$2,628, respectively, on refunding Single Family Mortgage Revenue Bonds. As of June 30, 1997 and 1996, the unamortized deferred costs of refunding were \$5,511 and \$3,460, respectively.

Pass-through Grants:

The Agency has 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 \$122,319 and \$112,533 for the years ended June 30, 1997 and 1996, 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.

E: Deposits, Investments and Securities Lending

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, 1997 and 1996:

	1997	1996
Deposits	\$ (537)	\$ (111)
Investments	636,996	760,626
Total deposits and investments	\$ 636,459	\$ 760,515

Management is not aware of any violations of statutory authority or contractual provisions for deposits and investments during the years ended June 30, 1997 and 1996.

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			Total	Carrying Amount
	Category 1	Category 2	Category 3		
June 30, 1997					
Demand deposits	\$ 161	—	9,197	9,358	(537)
June 30, 1996					
Demand deposits	\$ 200	—	7,587	7,787	(111)

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	
June 30, 1997					
Corporate bonds	\$ 54	-	-	54	60
Repurchase agreements	72,183	-	-	72,183	72,183
U.S. Government and agency securities:					
Not on securities loan	256,714	-	-	256,714	264,882
On securities loan	34,415	-	-	34,415	42,504
Short-term investments	123,233	4,840	-	128,073	128,073
Totals	\$ 486,599	4,840	-	491,439	507,702

Add amounts not categorized because securities are not used as evidence of the investments:

Investment agreements	69,682	69,682
Mutual funds	72,339	72,339
Investment in State Treasurer's investment pool	3,536	3,536

Total investments **\$636,996** **653,259**

	Carrying Amount				Market Value
	Category 1	Category 2	Category 3	Total	
June 30, 1996					
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	\$ 511,727	-	-	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 **\$760,626** **778,868**

During 1997, the Agency implemented GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions." Under the authority of the Agency's Board, the Agency lends securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Agency's primary custodial bank manages the securities lending program and receives cash, securities or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the Agency unless the borrower defaults. Cash, collateral securities, and letters of credit are initially pledged at 102% of the market value of the securities lent, and additional collateral has to be provided by the next business day if its value falls to less than 100% of the market of the securities lent. Securities on loan at year-end are classified in the preceding schedule of custodial credit

risk according to the category for the collateral received on the securities lent. At June 30, 1997, the Agency had no credit risk exposure to borrowers because the amounts the Agency owes the borrowers exceeded the amounts the borrowers owe the Agency.

The amortized cost and estimated market values of investments in debt securities as of June 30, 1997 and 1996 are as follows:

	1997			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Corporate bonds	\$ 54	6	-	60
Repurchase agreements	72,183	-	-	72,183
U.S. Government obligations	74,203	16,038	-	90,241
U.S. Government agency obligations	216,926	1,078	859	217,145
Short-term investments	128,073	-	-	128,073
Investment agreements	69,682	-	-	69,682
Mutual funds	72,339	-	-	72,339
State Treasurer's investment pool	3,526	-	-	3,526
	\$636,996	17,122	859	653,259

	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
	\$760,626	19,432	1,190	778,868

The amortized cost and estimated market value of investments at June 30, 1997, 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	\$506,778	506,653
Due after one year through five years	69,787	71,784
Due after five years through ten years	22,518	24,912
Due after ten years	37,913	49,910
	\$636,996	653,259

Proceeds from sales of investments in debt securities, prior to maturity, during 1997 and 1996 were \$3,984 and \$6,718, respectively. Net gains of \$204 and \$183, 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, 1997 and 1996 is as follows:

June 30, 1997	Mortgage Loans Receivable	Construction Advances
Insured and subsidized	\$ 48,610	-
Insured and nonsubsidized	49,669	4,571
Uninsured and subsidized	461,343	-
Uninsured and nonsubsidized	108,660	9,097
	668,282	13,668
Allowance for potential loan losses	81,921	-
	<u>\$586,361</u>	<u>13,668</u>

June 30, 1996	Mortgage Loans Receivable	Construction Advances
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>

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. 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, 1997 and 1996, the total loans covered under this program were \$357,796 and \$283,442, respectively, and the coverage provided is estimated to be approximately \$102,140 and \$81,173, 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, \$222,254 are covered under this shared risk contract at June 30, 1996, and the Agency's maximum potential exposure is \$6,362.

The claims liability of \$369 and \$334 reported in the Insurance Fund as of June 30, 1997 and 1996, respectively, is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which amends GASB 10 for this fiscal year. GASB 30 requires that the basis for estimating the liability for unpaid claims, including the effects of specific incremental claim adjustments expenditures/expenses, salvage, and subrogation, and whether other allocated or unallocated claim adjustment expenditures/expenses are included. Changes in the Insurance Fund's claim liability amounts are as follows:

	1997	1996
Balance, July 1	\$ 334	183
Current year claims and changes in estimates	300	274
Claim payments	(265)	(123)
Balance, June 30	<u>\$ 369</u>	<u>334</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 \$1,774,731 and \$1,464,747 at June 30, 1997 and 1996, respectively. As of June 30, 1997, 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. The assistance HEMAP provides is considered a second mortgage on the property. In cases of default, there is no assurance that any equity will remain after the primary lender is satisfied. Of the total mortgage loans receivable outstanding, \$51,368 and \$45,389 as of June 30, 1997 and 1996, 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, 1997 and 1996:

	Multi-Family		Single Family		HEMAP	
	1997	1996	1997	1996	1997	1996
Balance, July 1	\$ 67,345	52,345	1,177	1,171	56,291	55,248
Provision charged to income	15,000	15,000	600	600	7,533	6,108
Charge-offs	(424)	-	(375)	(594)	(6,171)	(5,065)
Balance, June 30	<u>\$ 81,921</u>	<u>67,345</u>	<u>1,402</u>	<u>1,177</u>	<u>57,653</u>	<u>56,291</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 \$128,421 and \$140,025 at June 30, 1997 and 1996, 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:

	1997	1996
\$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, which is determined on the date of issuance, 4.47%-6.98% at June 30, 1997 and 1996.	\$ 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, which is determined on the date of issuance, 4.24%-6.13% at June 30, 1997 and 1996.	—	30,000
	<u>4,000</u>	<u>34,000</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%.	2,596	419
Redevelopment Authority of the City of Philadelphia Bridge Loan Note bearing a fixed interest rate of 0%.	6,460	5,791
	<u>9,056</u>	<u>6,210</u>
Total notes payable	<u>\$ 13,056</u>	<u>40,210</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 these requirements.

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, 1997 and 1996, amounted to \$17,995 and \$17,335, respectively, including amounts funded by bond proceeds. Such amounts were \$7,273 and \$5,651, 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, 1997 and 1996 amounted to \$61,972 and \$54,262, respectively, including amounts funded by bond proceeds. Such amounts were \$3,676 and \$1,124, 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,	
			1997	1996
Residential Development Bonds:				
Issue 1990 T-1 (refunding)	8.875 %	1997	\$ —	625
Issue 1991A (refunding)	6.65-7.60 %	2013	38,425	39,570
Issue 1992A (refunding)	7.950 %	2025	23,090	23,380
Issue 1992 (refunding)	3.65-6.5 %	2023	157,820	162,485
Issue 1993 (refunding)	3.5-5.8 %	2022	196,195	201,115
State Workers' Insurance Fund:				
Issue 1994	6.990 %	2019	34,115	35,795
Multi-Family Housing Bonds:				
Issue 1982B	9.50-10.875 %	2024	4,875	4,875
Issue 1985A	6.75-9.375 %	2028	2,996	3,029
Issue 1987A	7.00-8.500 %	2002	345	390
Issue 1988A	11.000 %	2008	1,169	1,224
Issue FHA-1992	7.75-8.200 %	2024	36,465	36,850
Moderate Rehabilitation Bonds:				
Issue 1984A	6.50-10.375 %	2001	935	1,190
Issue 1985B	5.25-9.000 %	2017	2,770	3,040
Multi-Family Development Bonds:				
Issue 1989B	8.250 %	2015	525	535
Issue 1993A (refunding)	5.380 %	2022	33,050	36,690
Issue 1993F	6.530 %	2019	11,825	12,065
Issue 1997G	7.630 %	2027	11,000	—
Federal National Mortgage Association:				
Issue 1990A	7.500 %	2023	3,632	3,673
Subordinate Limited Obligation Bonds:				
Issue 1995	5.50-6.15 %	2021	4,568	4,647
			<u>563,800</u>	<u>571,178</u>
Unamortized bond discount			(3,221)	(3,476)
			<u>\$ 560,579</u>	<u>567,702</u>

During the year ended June 30, 1997, the Agency redeemed prior to maturity \$2,900 of Multi-Family Development Bonds, Issue 1993A (refunding) and \$800 of State Workers' Insurance Fund, Issue 1994. An extraordinary loss of \$19 resulted from the redemptions.

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.

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, 1997 and 1996.

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,	
			1997	1996
Single Family Mortgage Revenue Bonds:				
Series J	4.50-9.00 %	2013	\$ 7,520	9,340
Series K	4.50-7.90 %	2013	2,037	2,037
Series L	4.00-7.125 %	2014	-	34,320
Series N	4.60-8.250 %	2014	16,305	18,270
Series O	5.75-8.200 %	2018	14,125	33,810
Series P	4.75-8.000 %	2016	22,745	23,175
Series Q	6.00-8.375 %	2018	6,075	6,745
Series R	6.20-8.125 %	2019	24,005	50,240
Series S	6.70-7.600 %	2016	22,625	23,125
Series T	7.00-7.875 %	2020	23,400	23,735
Series U	6.15-7.800 %	2020	73,155	74,230
Series V	6.00-7.800 %	2016	23,300	23,625
Series W	6.30-7.800 %	2020	46,435	47,105
Series X	6.80-8.150 %	2024	2,765	17,020
Series Y	6.20-7.450 %	2016	27,520	33,340
Series Z	6.00-7.550 %	2016	17,525	24,775
Series 1990 - 27	6.50-8.150 %	2021	14,070	14,650
Series 1990 - 28	6.30-7.650 %	2023	63,755	75,430
Series 1990 - 29	6.10-7.375 %	2016	22,600	29,245
Series 1991 - 30	5.30-7.300 %	2017	18,930	23,685
Series 1991 - 31	5.40-8.950 %	2023	78,925	80,400
Series 1991 - 32	7.150 %	2015	30,420	35,000
Series 1992 - 33	4.50-6.900 %	2017	41,585	48,395
Series 1992 - 34	4.50-7.000 %	2024	72,343	73,280
Series 1992 - 35	2.88-9.480 %	2016	92,390	93,735
Series 1993 - 36	3.40-5.450 %	2014	51,545	52,620
Series 1993 - 37	5.45-5.600 %	2025	75,000	5,000
Series 1994 - 38	3.50-6.125 %	2024	28,190	29,365
Series 1994 - 39	3.90-6.875 %	2024	38,770	39,280
Series 1994 - 40	4.00-6.900 %	2025	38,780	39,285
Series 1994 - 41	4.00-6.650 %	2025	48,690	49,365
Series 1994 - 42	5.50-6.850 %	2025	60,000	60,000
Series 1994 - 43	4.75-7.500 %	2025	48,945	49,485
Series 1995 - 44	6.30-8.400 %	2027	49,405	49,815
Series 1995 - 45	5.00-7.550 %	2026	49,340	50,000
Series 1995 - 46	3.95-6.30 %	2027	49,385	50,000
Series 1996 - 47	4.20-6.75 %	2027	50,000	50,000
Series 1996 - 48	4.00-6.150 %	2028	49,705	50,000
Series 1996 - 49	4.60-6.45 %	2027	50,000	50,000
Series 1996 - 50	3.64-6.35 %	2027	49,155	50,000
Series 1996 - 51	4.55-6.375 %	2028	75,000	75,000
Series 1996 - 52	4.40-7.00 %	2027	75,000	-
Series 1996 - 53	4.20-6.15 %	2027	75,000	-
Series 1997 - 54	5.375-7.22 %	2028	50,000	-
Series 1997 - 55	3.70-5.75 %	2013	33,385	-
Series 1997 - 56	4.00-6.15 %	2028	50,000	-
Series 1997 - 57	4.30-6.15 %	2029	50,000	-
			<u>1,909,850</u>	<u>1,737,927</u>
Unamortized bond discount			(17,451)	(17,268)
Unamortized deferred costs of refundings			(5,511)	(3,460)
			<u>\$1,886,888</u>	<u>1,717,199</u>

During the year ended June 30, 1997, the Agency redeemed prior to maturity \$48,305 of Single Family Mortgage Revenue Bonds Series N, O, Y, Z, 1990-28, 1990-29, 1991-30, 1991-32, 1992-33, 1994-38, and 1995-45, using mortgage prepayments. Extraordinary losses of \$770 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 \$88 of Single Family Mortgage Revenue Bonds, Series L, O, R, and X, using bond proceeds. Although a deferred loss of \$2 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 \$29,417 and was able to reduce its aggregate debt service payments as a result of these transactions by a total of \$69,815 over the succeeding 25 years from the current refundings.

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 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.

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, 1997:

Year ending June 30	Multi-Family Program		Single Family Program		Total Principal and Interest Maturities
	Principal	Interest	Principal	Interest	
1998	\$ 15,183	35,347	116,025	119,148	285,703
1999	15,878	34,515	37,075	115,834	203,302
2000	16,611	33,609	35,650	113,217	199,087
2001	17,604	32,654	35,970	111,374	197,602
2002	18,295	31,592	35,970	108,879	194,736
Thereafter	480,229	315,379	1,649,160	1,510,243	3,955,011
	<u>\$563,800</u>	<u>483,096</u>	<u>1,909,850</u>	<u>2,078,695</u>	<u>5,035,441</u>

The 1998 principal and interest payments for the Single Family Program include principal and interest payments of \$16,470 and \$368, respectively, of Series R and Series 1990-27, which were redeemed prior to maturity on July 10, 1997, and principal and interest payments of \$7,885 and \$241, respectively, of Series J and Series 1990-27, which were redeemed prior to maturity on August 15, 1997.

The 1998 principal and interest payments for the Single Family Program also include principal and interest payments of \$65,225 and \$1,906, respectively, of Series N, O, P, Q, R, Y, Z, 1990-28, 1990-29, 1991-30, 1991-31, 1992-33, 1995-45A, 1996-53B, 1996-52C, 1996-50A, and 1997 54A, which were redeemed prior to maturity on October 1, 1997.

J: Operating Leases The Agency is obligated under noncancelable operating leases for their buildings. Future minimum payments under these leases at June 30, 1997 are:

1998	\$ 658
1999	665
2000	662
2001	636
2002	640
Thereafter	1,902
	<u>\$ 5,163</u>

Total rental expense was \$698 and \$669 for the years ended June 30, 1997 and 1996, 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,	
	1997	1996
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 and subsequent issues. The Single Family Self-Insurance Fund has been established at not less than 1% of anticipated mortgages to be originated on Issues I and subsequent issues. 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,	
	1997	1996
Capital Reserve not funded by bond proceeds	\$ 1,960	1,960

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,	
	1997	1996
PennHOMES Program	\$ 74,365	69,490
Supportive services	725	600
	<u>\$ 75,090</u>	<u>70,090</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,	
	1997	1996
Capital Reserve not funded by bond proceeds	\$ 12,388	7,230
Self-Insurance Fund held by trustee	20,793	19,570
	<u>\$ 33,181</u>	<u>26,800</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,	
	1997	1996
Closing Cost Subsidy Program	\$ 7,750	6,000
Additional Single Family Insurance Program	2,455	2,455
	<u>\$ 10,205</u>	<u>8,455</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,	
	1997	1996
Risk retention	\$ 10,000	10,000

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

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

	June 30,	
	1997	1996
Additional risk retention	\$ 8,807	6,781

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,	
	1997	1996
Emergency Mortgage Assistance Program	\$ 80,225	85,660

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

During 1997, the Agency implemented GASB Statement No. 25 and 27, "Financial Reporting for Defined Benefit Pension Plans," and "Accounting for Pensions by State and Local Governmental Employers." GASB Statement No. 25 requires that the statements on plan assets be presented and certain note disclosures be reported in the notes to the financial statements. GASB Statement No. 27 required that pension plan costs and net pension plan obligations be reported in the financial statement notes.

The statements of plan net assets as of June 30, 1997 and 1996 are as follows:

**Pennsylvania Housing Finance Agency
STATEMENT OF PLAN NET ASSETS**

(dollar amounts in thousands)

for the years ended June 30, 1997 and 1996

	1997	1996
ASSETS		
Short-term investments:		
Money markets	\$ 291	\$ 534
Mutual funds	9,034	6,657
Total short-term investments	9,325	7,191
Receivables:		
Employer	39	101
Interest and dividends	46	48
Total receivables	85	149
Investments, at fair value:		
U.S. Government obligations	2,630	2,809
Domestic corporate bonds	100	101
Domestic stocks	1,607	1,420
Total investments	4,337	4,330
Total assets	\$ 13,747	\$ 11,670
NET ASSETS		
Net assets held in trust for pension benefits (a schedule of funding progress for each plan is presented on page 40)	\$ 13,747	\$ 11,670

Pennsylvania Housing Finance Agency
STATEMENTS OF CHANGES IN PLAN NET ASSETS

(dollar amounts in thousands)
 for the years ended June 30, 1997 and 1996

	1997	1996
Additions:		
Contributions:		
Employer	\$ 320	\$ 403
Plan member	4	4
Total contributions	324	407
Investment income:		
Interest and dividends	1,133	626
Net appreciation (depreciation) in fair value of investments	778	1,671
Total additions	2,235	2,704
Deductions:		
Benefits	158	124
Net increase	2,077	2,580
Net assets held in trust pension benefits:		
Beginning of year	11,670	9,090
End of year	\$ 13,747	\$ 11,670

Summary of Significant Accounting Policies:

Basis of Accounting:

PHFA's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments:

Investments are reported at market value which approximates fair value as determined by the investment trustee. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated market value, which approximates fair value.

Plan Descriptions and Funding Policy:

Membership of the plan consisted of the following at January 1, 1997 and January 1, 1996:

	1997	1996
Retirees and beneficiaries receiving benefits	25	23
Terminated plan members entitled to but not yet receiving benefits	61	56
Active plan members	194	192
Total	280	271
Number of participating employers	1	1

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, 1997 and 1996, substantially all eligible full-time employees are participants in the Plan.

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 noncontributory 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.

Funding Policy:

The contributions requirements of Plan members are established and may be amended by the Board of PHFA. 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.

Annual Pension Cost and Net Pension Obligation:

PHFA's annual pension cost and net pension obligation to the Plan are as follows:

	1997	1996
Annual required contribution	\$ 320	403
Contributions made	(320)	(403)
Change in net pension obligation	-	-
Net pension obligation, beginning of year	-	-
Net pension obligation, end of year	-	-

The annual required contribution for the current year was determined as part of the January 1, 1997 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% per year. Both (a) and (b) included an inflation component of 4.0%. The assumptions did not include postretirement benefit increases, which are funded by State appropriation when granted. The actuarial value of assets was determined using market values determined by the trustee.

Three-Year Trend Information:

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
January 1, 1995	\$ 411	100%	\$ -
January 1, 1996	403	100%	-
January 1, 1997	320	100%	-

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, 1997 and 1996 amounted to \$122,319 and \$112,533, respectively. 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, 1997, the Agency received \$1,152 in grant revenue from the Commonwealth of Pennsylvania, which is to be utilized for the PennHOMES Program. 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 \$193,366, \$16,781 and \$953, respectively, at June 30, 1997.

N: Subsequent Events

On July 9, 1997, the Agency issued \$75,000 Single Family Mortgage Revenue Bonds, Series 1997-58. The proceeds of these bonds will be used to partially redeem the Agency's Single Family Mortgage Revenue Bonds, Series R and 1990-27, and to fund the purchase of new Single Family Mortgage Revenue Loans, and provide funds for deposit in the Capital Reserve Fund.

On July 10, 1997, the Agency redeemed prior to maturity \$16,470 of Single Family Mortgage Revenue Bonds, Series R and 1990-27, using bond proceeds from Single Family Mortgage Revenue Bonds, Series 1997-58A. A deferred loss of \$179 resulted from the redemption.

On August 13, 1997, the Agency issued \$75,000 Single Family Mortgage Revenue Bonds, Series 1997-59. The proceeds of these bonds will be used to redeem the Agency's Single Family Mortgage Revenue Bonds, Series J and Series 1990-27, and to fund the purchase of new single family mortgage revenue loans, and provide funds for deposit in the capital reserve fund.

On August 15, 1997, the Agency redeemed prior to maturity \$7,885 of Single Family Mortgage Revenue Bonds, Series J and 1990-27, using bond proceeds from Single Family Mortgage Revenue Bonds, Series 1997-59A and 59B. A deferred loss of \$46 resulted from the redemption.

On September 8, 1997, the Agency's Board approved the issuance of Single Family Mortgage Revenue Bonds, Series 1997-60, in an amount not to exceed \$75,000. The proceeds of these bonds, anticipated to be issued on October 14, 1997, will be used to fund the purchase of new Single Family Mortgage Loans, and to partially redeem the Agency's Single Family Mortgage Revenue Bonds, Series R and Q.

On October 1, 1997, the Agency redeemed prior to maturity \$45,005 of Single Family Mortgage Revenue Bonds, Series N, O, and P, using bond proceeds from Single Family Mortgage Revenue Bonds, Series 1996-56B and 56C. A deferred loss of \$621 resulted from the redemption.

On October 1, 1997, the Agency redeemed prior to maturity \$1,305 of Single Family Mortgage Bonds, Series N and O, using mortgage prepayments. An extraordinary gain of \$237 resulted from the redemption.

Pursuant to the resolutions for several bond issues, the Agency redeemed prior to maturity \$7,660 of Single Family Mortgage Revenue Bonds, Series Y, Z, 1990-28, 1990-29, 1991-30, 1991-31, 1992-33, 1945-45A, 1996-53B, 1996-52C, 1996-50A, and 1997-54A. These redemptions occurred on October 1, 1997 and resulted in an extraordinary gain of \$141.

Pennsylvania Housing Finance Agency

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
1/1/1987	\$ 3,731,011	\$ 3,023,464	\$ (707,547)	123.4 %	\$ 3,442,741	(20.6) %
1/1/1988	4,010,369	4,106,360	95,991	97.7 %	3,419,003	2.8 %
1/1/1989	4,600,930	3,978,547	(622,383)	115.6 %	3,726,066	(16.7)%
1/1/1990	5,523,141	4,572,770	(950,371)	120.8 %	3,678,877	(25.8)%
1/1/1991	6,001,640	5,173,084	(828,556)	116.0 %	3,959,624	(20.9)%
1/1/1992	7,112,838	6,186,234	(926,604)	115.0%	4,411,010	(21.0)%
1/1/1993	7,864,913	7,108,441	(756,472)	110.6%	4,616,834	(16.4)%
1/1/1994	8,805,927	8,311,636	(494,291)	105.9 %	5,369,330	(9.2)%
1/1/1995	9,090,611	9,206,150	115,539	98.7 %	5,542,521	2.1%
1/1/1996	11,670,289	10,483,711	(1,186,578)	111.3 %	5,940,643	(20.0)%
1/1/1997	13,747,019	12,172,812	(1,574,207)	112.9 %	6,207,591	(25.4)%

Schedule of Contributions from the Employer and Other Contributing Entities

Calendar Year Ended	Annual Required Contribution	Contributions From Employer	Percentage Contributed
1987	\$ 234,106	\$ 288,866	100.0 %
1988	246,955	246,955	100.0 %
1989	255,906	255,906	100.0 %
1990	222,719	222,719	100.0 %
1991	257,851	257,851	100.0 %
1992	296,773	296,773	100.0 %
1993	331,673	331,673	100.0 %
1994	410,807	410,807	100.0 %
1995	402,720	402,720	100.0 %
1996	319,844	319,844	100.0 %

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Notes to Supplemental Schedules

Additional information as of the latest actuarial valuation follows:

	1997	1996
Valuation date	January 1, 1997	January 1, 1996
Actuarial cost method	Aggregate actuarial cost method	Aggregate actuarial cost method
Amortization method	Level dollar	Level dollar
Asset valuation method	Market value as determined by the trustee	Market value as determined by the trustee
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	4.5%	4.5%
Includes inflation at cost-of-living adjustments	None	None

STAFF MEMBERS

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PHFA

together creating possibilities

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 Donna J. Rodgers, Construction Coordinator
 Robert A. Wochley, Technical Services Representative II

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 Nancy Twyman, Senior Housing Management Representative

► **Pittsburgh Office**

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 Carrie B. Emerson, Housing Management Representative I
 Carla H. Falkenstein, Western Regional Supportive Services Representative
 Imelda H. Labadie, Pittsburgh Office Coordinator
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SINGLE FAMILY OPERATIONS

Donald J. Plunkett - Assistant Executive Director

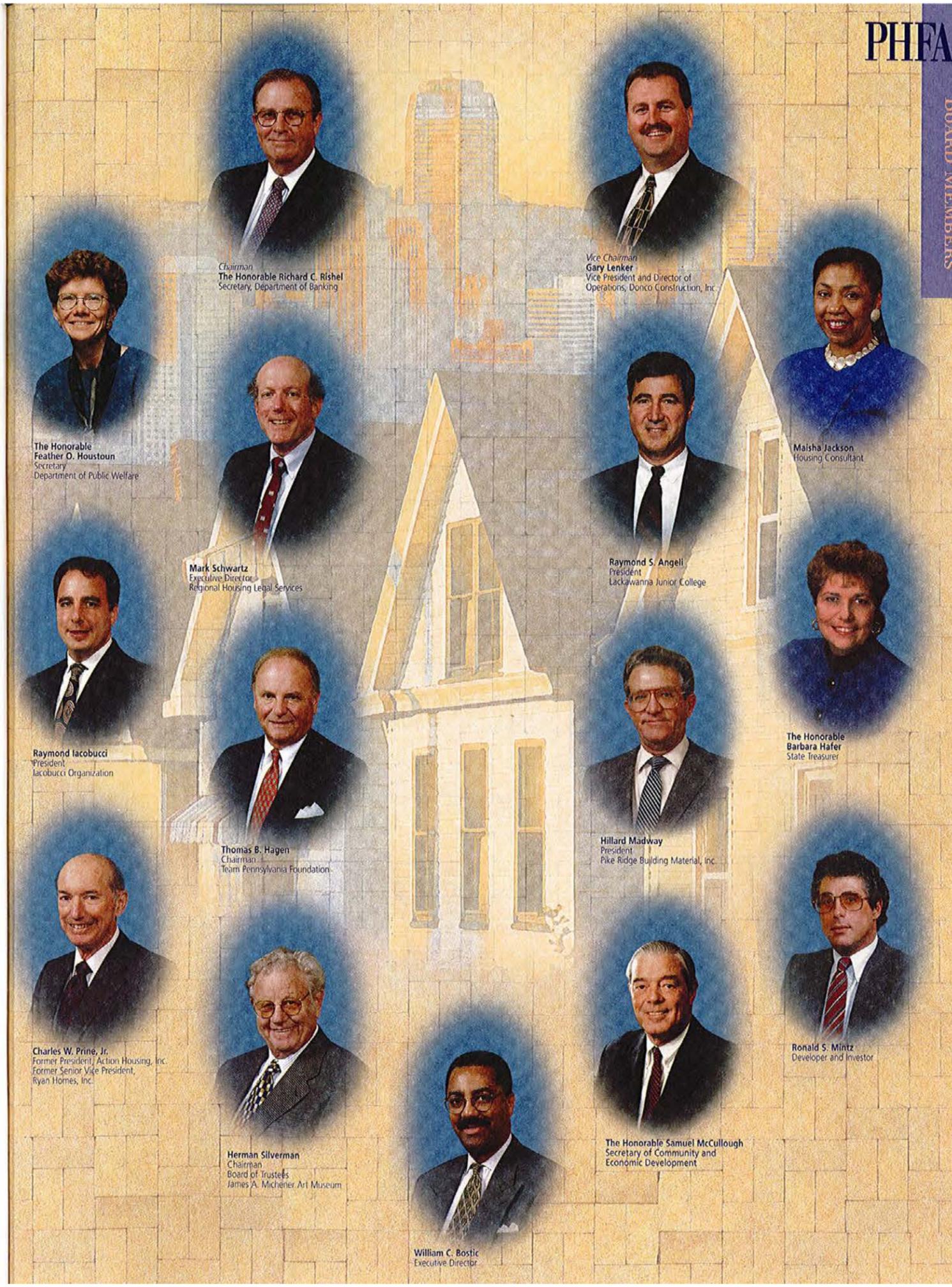
■ **SINGLE FAMILY DIVISION** ■

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■ **HOMEOWNERS' EMERGENCY MORTGAGE ASSISTANCE PROGRAM** ■

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 Viktoria L. Denlinger, Loan Closing Coordinator
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 Carmela M. Swartz, Hearing Examiner
 Anne M. Tellup, Closing Officer
 Lori S. Toia, Senior Loan Closing Officer
 Audrey E. Zerance, Administrative Assistant



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Mark Schwartz
 Executive Director, Regional Housing Legal Services

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 President, Lackawanna Junior College

Maisha Jackson
 Housing Consultant

Raymond Iacobucci
 President, Iacobucci Organization

Thomas B. Hagen
 Chairman, Team Pennsylvania Foundation

Hillard Madway
 President, Pike Ridge Building Material, Inc.

The Honorable
Barbara Hafer
 State Treasurer

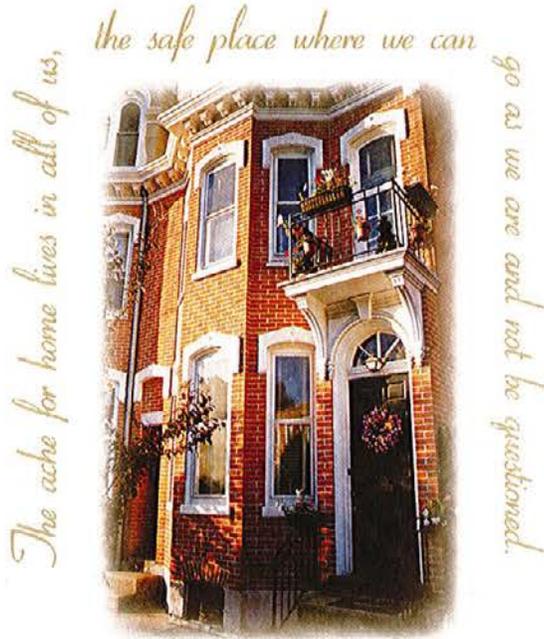
Charles W. Prine, Jr.
 Former President, Action Housing, Inc.
 Former Senior Vice President, Ryan Homes, Inc.

Herman Silverman
 Chairman, Board of Trustees, James A. Michener Art Museum

The Honorable **Samuel McCullough**
 Secretary of Community and Economic Development

Ronald S. Mintz
 Developer and Investor

William C. Bostic
 Executive Director



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