
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1922 Session of
2023

INTRODUCED BY FREEMAN, MADDEN, SCHLOSSBERG, HILL-EVANS, GIRAL,
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ZIMMERMAN AND CERRATO, DECEMBER 28, 2023

REFERRED TO COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT,
DECEMBER 28, 2023

AN ACT

1 Amending the act of December 3, 1959 (P.L.1688, No.621),
2 entitled "An act to promote the health, safety and welfare of
3 the people of the Commonwealth by broadening the market for
4 housing for persons and families of low and moderate income
5 and alleviating shortages thereof, and by assisting in the
6 provision of housing for elderly persons through the creation
7 of the Pennsylvania Housing Finance Agency as a public
8 corporation and government instrumentality; providing for the
9 organization, membership and administration of the agency,
10 prescribing its general powers and duties and the manner in
11 which its funds are kept and audited, empowering the agency
12 to make housing loans to qualified mortgagors upon the
13 security of insured and uninsured mortgages, defining
14 qualified mortgagors and providing for priorities among
15 tenants in certain instances, prescribing interest rates and
16 other terms of housing loans, permitting the agency to
17 acquire real or personal property, permitting the agency to
18 make agreements with financial institutions and Federal
19 agencies, providing for the purchase by persons of low and
20 moderate income of housing units, and approving the sale of
21 housing units, permitting the agency to sell housing loans,
22 providing for the promulgation of regulations and forms by
23 the agency, prescribing penalties for furnishing false
24 information, empowering the agency to borrow money upon its
25 own credit by the issuance and sale of bonds and notes and by
26 giving security therefor, permitting the refunding,
27 redemption and purchase of such obligations by the agency,
28 prescribing remedies of holders of such bonds and notes,
29 exempting bonds and notes of the agency, the income
30 therefrom, and the income and revenues of the agency from
31 taxation, except transfer, death and gift taxes; making such

1 bonds and notes legal investments for certain purposes; and
2 indicating how the act shall become effective," establishing
3 the Pennsylvania Lease Guaranteed Purchase Option Home
4 Ownership Program and the Pennsylvania Lease Guaranteed
5 Purchase Option Home Ownership Program Fund.

6 The General Assembly of the Commonwealth of Pennsylvania
7 hereby enacts as follows:

8 Section 1. The act of December 3, 1959 (P.L.1688, No.621),
9 known as the Housing Finance Agency Law, is amended by adding an
10 article to read:

11 ARTICLE IV-E

12 PENNSYLVANIA LEASE GUARANTEED PURCHASE OPTION HOME OWNERSHIP
13 PROGRAM

14 Section 401-E. Definitions.

15 The following words and phrases when used in this article
16 shall have the meanings given to them in this section unless the
17 context clearly indicates otherwise:

18 "Advertisement." A written, visual or oral communication
19 made to a lessee or prospective lessee by means of personal
20 representation, newspaper, magazine, circular, billboard, direct
21 mailing, sign, radio, television, telephone or other means of
22 communication that aids, promotes or assists, directly or
23 indirectly, a lease guaranteed purchase option agreement.

24 "Escrow account." A bank account or other financial account
25 administered by the agency or its designee in which all funds
26 paid by lessees toward the closing costs and down payment to
27 purchase the subject premises and any and all matching program
28 funds are deposited and maintained unless paid directly to the
29 title company at closing.

30 "Fund." The Pennsylvania Lease Guaranteed Purchase Option
31 Home Ownership Program Fund established in section 406-E.

32 "Lease guaranteed purchase option agreement" or "agreement."

1 An agreement for the use of real property by an individual
2 primarily for personal, family or household purposes for an
3 initial period of not less than one year that is automatically
4 renewable for successive one-year periods and that provides for
5 a guaranteed option for the lessee to purchase the property. The
6 term does not include an agreement for agricultural, business or
7 commercial purposes or an agreement in which the individual that
8 will use the property is an organization.

9 "Lessee." An individual who leases personal property in
10 accordance with a lease guaranteed purchase option agreement.

11 "Lessor." A person or entity that owns residential property:
12 (1) constructed or rehabilitated under the program; and
13 (2) to be leased with a guaranteed option to purchase to
14 an eligible lessee.

15 "Monthly payment." The total amount due under a lease
16 guaranteed purchase option agreement that is attributable to
17 rent and an amount escrowed for the purchase of the property,
18 and which agreement provides that the escrowed amount is not
19 less than 20% of the monthly payment.

20 "Program." The Pennsylvania Lease Guaranteed Purchase Option
21 Home Ownership Program established in section 402-E.

22 "Program funds." All money appropriated by the General
23 Assembly for the purpose of awarding grants or loans under the
24 program, including money from sources other than the
25 Commonwealth that are provided for the program.

26 "Purchase price." The purchase price of the subject
27 property, as stated in a lease guaranteed purchase option
28 agreement, which is equal to the actual market value of the
29 property on the date of the agreement, as determined in a real
30 estate appraisal report provided by a certified residential real

1 estate appraiser who is mutually agreed to by the lessor and
2 lessee. The lessor shall pay the cost of the appraisal. In the
3 event the lessor and lessee cannot agree upon an appraiser, each
4 shall select an appraiser to produce an appraisal report, with
5 each bearing their own costs for the report, and the purchase
6 price shall be equal to the average of the values determined in
7 the two appraisal reports.

8 Section 402-E. Establishment.

9 The Pennsylvania Lease Guaranteed Purchase Option Home
10 Ownership Program is established and shall be administered by
11 the agency. The program shall be dependent on the availability
12 of program funds.

13 Section 403-E. Structure of program.

14 (a) Project types.--The program may provide funding for
15 sustainable home ownership rehabilitation located in distressed
16 and disinvested census tracts in order to provide decent, safe
17 and sanitary dwellings for lease guaranteed purchase option to
18 an individual whose household income is at or below 100% of the
19 area median income for the metropolitan area determined by the
20 Department of Housing and Urban Development.

21 (b) Use of program funds.--Program funds for projects under
22 subsection (a) may be used for the following:

23 (1) Predevelopment activities, including title searches,
24 market studies, project planning, architectural services,
25 legal and engineering studies and related fees.

26 (2) Acquisition and disposition of real or personal
27 property.

28 (3) Site preparation, including demolition of existing
29 structure, improvements and infrastructure.

30 (4) Rehabilitation and construction.

1 (5) Matching funds for the lessee's escrow account.

2 (c) Affordable housing matching funds.--Program funds may be
3 used as a set aside for matching funds for counties that have
4 established optional county affordable housing funds under 53
5 Pa.C.S. Ch. 60 (relating to optional affordable housing
6 funding). To receive matching funds under this subsection, a
7 county must annually report detailed information as required by
8 the agency on the use of the funds for county projects. The
9 information shall be included in the agency's report under
10 section 405-E.

11 (d) Mandatory preferences.--To the extent possible, the
12 agency shall adopt written policies to give preference to
13 projects that utilize properties from inventories maintained by
14 public entities, including municipalities, land banks and
15 redevelopment agencies.

16 (e) Discretionary preferences.--The agency may adopt written
17 policies to give preference to projects, including, but not
18 limited to, projects that:

19 (1) Meet weatherization standards promulgated by the
20 agency.

21 (2) Meet energy efficiency standards promulgated by the
22 agency.

23 (3) Are accessible to people with physical disabilities.

24 (f) Considerations.--The agency shall take into
25 consideration geographical distribution of program funds to
26 ensure that all areas of this Commonwealth participate to the
27 greatest extent possible.

28 (g) Allocation.--The agency shall allocate at least 30% of
29 program funds for housing projects that benefit households with
30 household incomes that are less than 50% of the area median

1 income for the metropolitan area as determined by the Department
2 of Housing and Urban Development.

3 (h) Monitoring and compliance.--The agency shall develop and
4 implement criteria for monitoring compliance with program
5 requirements.

6 Section 404-E. Plan.

7 (a) General rule.--Within 90 days of the effective date of
8 this subsection and by March 15 of each year thereafter, the
9 agency shall adopt a plan that specifies the method by which
10 program funds will be distributed that year.

11 (b) Publication and posting.--

12 (1) The agency shall submit the proposed plan, including
13 a comment response document, to the chair and minority chair
14 of the Urban Affairs and Housing Committee of the Senate and
15 the chair and minority chair of the Housing and Community
16 Development Committee of the House of Representatives, and to
17 the Legislative Reference Bureau for publication in the next
18 available issue of the Pennsylvania Bulletin, and shall post
19 the proposed plan on the agency's publicly accessible
20 Internet website for public comment no later than 45 days
21 prior to adoption of the proposed plan under subsection (a).

22 (2) All comments submitted to the agency in writing are
23 public records accessible for inspection and duplication in
24 accordance with the act of February 14, 2008 (P.L.6, No.3),
25 known as the Right-to-Know Law, and the agency shall
26 incorporate the comments into the comment response document.

27 Section 405-E. Reporting.

28 (a) Duty of agency.--Within 90 days following the close of
29 the first calendar year after the effective date of this
30 subsection and by July 1 of every year thereafter, the agency

1 shall issue a report containing a financial statement, an
2 itemized list of projects funded, demographic data, including
3 gender, disability, number of children in the household and race
4 and ethnicity and income of the individuals and communities
5 served, and a description of other expenditures in the preceding
6 year. The agency shall submit the report to the Governor, the
7 Auditor General, the chair and minority chair of the Urban
8 Affairs and Housing Committee of the Senate and the chair and
9 minority chair of the Housing and Community Development
10 Committee of the House of Representatives and shall post the
11 report on the agency's publicly accessible Internet website.

12 (b) Public record.--The report shall be a public record
13 accessible for inspection and duplication in accordance with the
14 act of February 14, 2008 (P.L.6, No.3), known as the Right-to-
15 Know Law.

16 Section 406-E. Pennsylvania Lease Guaranteed Purchase Option
17 Home Ownership Program Fund.

18 The Pennsylvania Lease Guaranteed Purchase Option Home
19 Ownership Program Fund is established in the State Treasury.
20 Interest and earnings of the fund shall remain in the fund. All
21 program funds shall be deposited into the fund. The money in the
22 fund and interest accruing thereon is appropriated to the agency
23 on a continuing basis to carry out the provisions of this
24 article.

25 Section 407-E. Funding.

26 Implementation of this article shall be contingent upon
27 sufficient program funds being deposited into the fund in
28 accordance with section 406-E to carry out the purposes of this
29 article. In a year in which there are insufficient program funds
30 in the fund for the purposes outlined in this article, the

1 program shall cease until program funds exist in sufficient
2 amount.

3 Section 408-E. Disclosures required in connection with lease
4 guaranteed purchase option agreement.

5 (a) Duty of lessor.--A lessor shall comply with any and all
6 local occupancy or other requirements applicable to rental
7 dwelling and disclose to the lessee all of the following in a
8 clear and conspicuous manner:

9 (1) A brief description of the leased property,
10 sufficient to identify the property to the lessor and lessee.

11 (2) The total amount of all payments due under the
12 agreement, including:

13 (i) The total amount of the monthly payment due
14 under the agreement, to be applied toward rent.

15 (ii) The total amount of the monthly payment due
16 under the agreement, to be applied toward the escrow
17 account.

18 (iii) The total amount of each payment due under the
19 agreement for utilities that are provided by the lessor,
20 if not included in the lease payment.

21 (iv) Any security deposit to be collected by the
22 lessor and escrowed in accordance with sections 511.1 and
23 511.2 of the act of April 6, 1951 (P.L.69, No.20), known
24 as The Landlord and Tenant Act of 1951.

25 (v) Any other charges, individually itemized,
26 payable by the lessee to the lessor.

27 (3) The timing of lease payments.

28 (4) The right of the lessee to reinstate as provided in
29 section 411-E.

30 (5) The name and contact information of any property

1 manager acting as agent for the lessor for the rental and
2 management of the property.

3 (6) The condition upon which the lessee or lessor may
4 terminate the lease.

5 (7) The guaranteed option of the lessee to purchase the
6 leased property.

7 (8) The purchase price of the real property that is the
8 subject of the agreement.

9 (9) A statement as to whether any contractor or third-
10 party warranties on appliances and installed equipment, roof
11 or other improvements to the leased property will be
12 transferred to the lessor or lessee in the event the lessee
13 purchases the property.

14 (10) A statement that the lessee is not required to
15 purchase insurance for the property, although the lessee is
16 advised to purchase renter's insurance.

17 (11) A notice in a prominent place in at least 12-point
18 type or in legible print with letters at least one-eighth in
19 size, in substantially the following form:

20 NOTICE: THIS LEASE GUARANTEED PURCHASE OPTION
21 AGREEMENT IS REGULATED BY STATE LAW AND MAY BE
22 ENFORCED BY THE ATTORNEY GENERAL OR BY PRIVATE LEGAL
23 ACTION.

24 (b) Lease to be written.--A lease guaranteed purchase option
25 agreement shall be in writing and the information required by
26 this section shall be disclosed by the lessor prior to execution
27 of the agreement and shall be disclosed either in the agreement
28 or on a dated, executed agreement that identifies the lease
29 guaranteed purchase option agreement and the parties to it.

30 (c) Requirements for disclosures.--Except as provided in

1 subsection (a)(11), the information required to be disclosed by
2 this section shall be printed or typed in at least 12-point bold
3 face type and numerical amounts and percentages shall be stated
4 in plain language, using words and phrases of common meaning.
5 The information shall be appropriately divided and captioned by
6 its sections.

7 (d) Disclosure of additional information.--A lessor may
8 disclose information that is not required by this section if the
9 additional information is not stated, used or placed in a manner
10 that will contradict, obscure or distract attention from the
11 required information.

12 Section 409-E. Prohibited terms.

13 A lessor may not require any of the following from the
14 lessee:

15 (1) The purchase of insurance.

16 (2) Any payment in addition to the lease payments
17 specified in the agreement other than the payment described
18 in section 412-E that is required for the lessee to acquire
19 ownership of the leased property.

20 (3) Lease payments that in the aggregate exceed the
21 maximum amount specified in section 416-E.

22 (4) A penalty for early termination of the agreement.

23 (5) A fee for in-home collection of a lease payment.

24 Section 410-E. Protections against eviction.

25 (a) Reasons for termination or nonrenewal of agreement.--A
26 lessor may terminate or refuse to renew the agreement or may
27 evict a lessee and dwelling occupants only for one of the
28 following reasons:

29 (1) Nonpayment of rent, after notice of default and
30 failure to cure as provided under this article.

1 (2) A second or subsequent material violation of the
2 agreement occurring within a six-month period when the
3 violation has not been remedied within 30 days of receipt of
4 written notice of the violation.

5 (b) Eviction procedure.--A lessor may only commence an
6 action in eviction in accordance with the following procedure:

7 (1) The lessee may not be evicted by a self-help
8 measure.

9 (2) Prior to the commencement of the eviction proceeding
10 or the termination of or failure to renew the agreement, the
11 lessor shall notify the lessee in writing of the particular
12 breach or violation of the lease by certified or registered
13 mail.

14 (3) In the case of nonpayment of rent, the notice shall
15 state that an eviction proceeding may be commenced if the
16 lessee does not pay the overdue rent within 20 days from the
17 date of service if the notice is given on or after April 1
18 and before September 1 and 30 days if given on or after
19 September 1 and before April 1 or an additional nonpayment of
20 rent occurring within six months of the giving of the notice
21 may result in immediate eviction proceedings.

22 (4) In the case of a breach of the agreement other than
23 nonpayment of rent, the notice shall describe the particular
24 breach or violation.

25 (5) An eviction action may not be commenced and the
26 lessor may not terminate or refuse to renew the agreement
27 unless the lessee has been notified as required by this
28 section, and, upon a second or subsequent material violation
29 or breach occurring within six months, the lessor may
30 commence eviction proceedings at any time within 60 days of

1 the last violation or breach.

2 (c) Eviction diversion program.--Prior to the commencement
3 of an eviction proceeding, the lessor shall utilize at least one
4 eviction diversion program if any such program is available in
5 the jurisdiction. If the lessee initiates utilization of an
6 eviction diversion program, the lessor must participate.

7 Section 411-E. Reinstatement of agreement after default.

8 (a) Right of lessee.--A lessee whose agreement has been
9 terminated for failure to make timely payments has the right to
10 reinstate the original agreement, within six months of the lease
11 termination, without losing any right or option previously
12 acquired under the agreement if the leased premises is vacant
13 and habitable at the time of reinstatement.

14 (b) Payments, charges and fees permitted.--Before
15 reinstating an agreement, the lessor may require the lessee to
16 pay any unpaid lease payments.

17 (c) Grace period.--A lessor shall allow a lessee a grace
18 period of not less than 15 days before the lessee is determined
19 to be in default. No lessee shall be entitled to more than three
20 grace periods per year.

21 Section 412-E. Acquiring ownership.

22 The lessee may exercise the option to purchase the leased
23 property when the lessee has sufficient funds for a down payment
24 and closing costs and in accordance with the terms of the
25 agreement. The agreement shall specify the dates within which
26 the option to purchase may be exercised, the purchase price,
27 estimated closing costs and the percentage of the purchase price
28 needed for a down payment. Nothing in this section shall be
29 construed to preclude the lessee from exercising the option to
30 purchase the leased property prior to any dates specified in the

1 agreement within which the option may be exercised.

2 Section 413-E. Advertisements and mandatory information to be
3 supplied.

4 (a) Prohibited advertisements.--An advertisement for a lease
5 guaranteed purchase option agreement may not state that:

6 (1) A lease of any specific property is available at
7 specific amounts or on specific terms unless the lessor will
8 lease the property at those amounts or on those terms.

9 (2) A payment or a lease payment is due upon origination
10 of a lease without disclosing all of the following:

11 (i) The payment due upon origination of the lease.

12 (ii) The lease payment.

13 (iii) The total number of lease payments necessary
14 to obtain ownership of the property that is the subject
15 of the agreement.

16 (b) Amounts required.--All property offered under a lease
17 guaranteed purchase option agreement shall include all of the
18 following:

19 (1) The purchase price of the property.

20 (2) The amount of the monthly payment.

21 (3) The amount of the monthly payment that will be
22 deposited into the lessee's escrow account for use in
23 purchasing the property.

24 (4) The total number of lease payments necessary to
25 acquire ownership of the property that is the subject of the
26 lease guaranteed purchase option agreement.

27 Section 414-E. Liability of lessor for noncompliance.

28 (a) Extent of liability.--A lessor who fails to comply with
29 the requirements of this article with respect to a lease
30 guaranteed purchase option agreement is subject to any remedy

1 available under contract law and, in addition, is liable to the
2 lessee in an amount equal to the sum of the following:

3 (1) The costs of the action and reasonable attorney fees
4 as determined by a court.

5 (2) The greater of the following:

6 (i) The actual damages sustained by the lessee
7 because of the failure of the lessor.

8 (ii) Twenty-five percent of the total amount
9 necessary to acquire ownership of the property that is
10 the subject of the lease guaranteed purchase option
11 agreement.

12 (b) Single recovery.--If a particular lease guaranteed
13 purchase option agreement has more than one lessee, only one
14 recovery of damages is allowed under subsection (a) (2) for a
15 violation of this article. Multiple violations in connection
16 with an agreement shall entitle the lessee or multiple lessees
17 to only one recovery under this section.

18 (c) When offset prohibited.--

19 (1) A lessee may not take action to offset an amount for
20 which a lessor is potentially liable under subsection (a) (2)
21 against an amount owed by the lessee, unless the amount of
22 the liability of the lessor has been determined by a court of
23 competent jurisdiction in an action in which the lessor was a
24 party.

25 (2) Paragraph (1) shall not be construed to bar a lessee
26 in default on an obligation arising from the agreement from
27 asserting a violation of this article in an original action
28 or as a defense or counterclaim to an action brought by the
29 lessor to collect amounts owed by the lessee under the
30 agreement.

1 Section 415-E. Eligible lessees.

2 The program shall be limited to households that have incomes
3 equal to or less than 100% of the area median income for the
4 metropolitan area as determined by the Department of Housing and
5 Urban Development.

6 Section 416-E. Maximum allowable monthly payments.

7 The agency shall determine maximum allowable monthly payments
8 under a lease guaranteed purchase agreement, which shall not
9 exceed 100% of the fair market rent for the county in which the
10 property is located, as published by the Department of Housing
11 and Urban Development in accordance with section 3(b)(2) of the
12 United States Housing Act of 1937 (50 Stat. 888, 42 U.S.C. §
13 1437a(b)(2)). Not less than 20% of the monthly payment shall be
14 designated for escrow on the lessee's behalf to be used for the
15 purchase of the property. The remainder of the monthly payment
16 shall be transmitted to the lessor as rent.

17 Section 417-E. Standard lease agreement.

18 (a) Duty of agency.--The agency shall develop a standard
19 lease agreement for all lessees and lessors participating in the
20 program, including the following components:

21 (1) The maximum number of years the lessee may lease the
22 property without exercising the lessee's option to purchase
23 under the terms of the agreement, which shall not be less
24 than 10 years. The agreement shall specify that the lessee
25 may, at the lessee's discretion, exercise the option to
26 purchase sooner than the maximum time period. Upon the
27 request of the lessee, the agency shall provide assistance to
28 the lessee in obtaining financing to purchase the property
29 through the agency's Statewide network of mortgage lenders
30 and brokers.

1 (2) The amount of each monthly rental payment to be
2 deposited into an interest-bearing escrow account and to be
3 used towards the purchase of the home.

4 (3) A provision that the lessor shall apply for any real
5 estate tax abatement available in the jurisdiction in which
6 the property is situated. The monthly payment shall be set as
7 if no abatement is in place. The portion of the monthly
8 payment attributed to the difference between the abated taxes
9 and the unabated taxes shall be deposited into the escrow
10 account for the benefit of the lessee and shall be counted
11 toward the match described in subsection (b).

12 (4) A requirement that all lessees participate in home
13 ownership counseling through the agency's Housing Counseling
14 network at no cost to the lessee prior to exercising the
15 option to purchase.

16 (5) A provision that the lease constitutes a traditional
17 landlord and tenant agreement with the landlord remaining
18 responsible for all traditional maintenance and financial
19 costs associated with the property, except utilities or
20 specific obligations, such as snow removal, for which the
21 lease clearly specifies are to be paid by the lessee.

22 (6) A provision stating that any other agreement or
23 contractual obligation between the parties must be in
24 writing.

25 (b) Matching funds.--The agency shall deposit into the
26 escrow account amounts from the fund to match the lessee's
27 deposits on a 1:1 basis. The matching funds shall be deposited
28 with the same frequency as the lessee's deposits to the escrow
29 account.

30 Section 418-E. Escrow accounts.

1 The agency shall specify the type of account in which escrow
2 deposits are to be maintained, including the following:

3 (1) The specific accounting of each escrowed account, if
4 separate accounts are not maintained for each lessee in the
5 program.

6 (2) The process for handling of escrow accounts in
7 instances of eviction for nonpayment and damages to property.

8 (3) A provision stating that any remaining escrow amount
9 deposited by a lessee who defaults under, or chooses to
10 terminate, the agreement shall revert to the lessee.

11 Section 419-E. Exemption from realty transfer tax.

12 A transfer of real property to a lessee from a lessor under
13 the program shall be exempt from both the State and local realty
14 transfer tax under Articles XI-C and XI-D of the act of March 4,
15 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, and
16 section 301.1 of the act of December 31, 1965 (P.L.1257,
17 No.511), known as The Local Tax Enabling Act.

18 Section 420-E. Guidelines.

19 Within 180 days of the effective date of this section, the
20 agency shall establish guidelines to carry out the provisions of
21 this article.

22 Section 2. This act shall take effect in 90 days.