

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2701 Session of 2022

INTRODUCED BY FREEMAN, SCHLOSSBERG, LONGIETTI, HILL-EVANS,  
SAPPEY, BENHAM, KINSEY, DELLOSO, MADDEN, SANCHEZ, HOWARD,  
OTTEN, SHUSTERMAN, FITZGERALD AND CEPHAS, JUNE 21, 2022

REFERRED TO COMMITTEE ON URBAN AFFAIRS, JUNE 21, 2022

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  
32 bonds and notes legal investments for certain purposes; and  
33 indicating how the act shall become effective," establishing

1 the Pennsylvania Lease-Purchase Home Ownership Program and  
2 the Pennsylvania Lease-Purchase Home Ownership Program Fund.

3 The General Assembly of the Commonwealth of Pennsylvania  
4 hereby enacts as follows:

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

8 ARTICLE IV-E

9 PENNSYLVANIA LEASE-PURCHASE HOME OWNERSHIP PROGRAM

10 Section 401-E. Definitions.

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

14 "Advertisement." A written, visual or oral communication  
15 made to a lessee or prospective lessee by means of personal  
16 representation, newspaper, magazine, circular, billboard, direct  
17 mailing, sign, radio, television, telephone or other means of  
18 communication that aids, promotes or assists, directly or  
19 indirectly, a lease-purchase agreement.

20 "Cash price." The price at which the lessor in the ordinary  
21 course of business would offer the property that is subject to a  
22 lease-purchase agreement to the lessee for cash on the date of  
23 the lease-purchase agreement. The term may include sales tax  
24 imposed on the agreement.

25 "Fund." The Pennsylvania Lease-Purchase Home Ownership  
26 Program Fund established in section 406-E.

27 "Lease-purchase agreement." An agreement for the use of  
28 personal property by an individual primarily for personal,  
29 family or household purposes for an initial period of not less  
30 than one month that is automatically renewable with each  
31 payment after the initial period and that permits the individual

1 to acquire ownership of the property. The term does not include  
2 an agreement for agricultural, business or commercial purposes  
3 or an agreement in which the individual that will use the  
4 property is an organization.

5 "Lessee." An individual who leases personal property in  
6 accordance with a lease-purchase agreement.

7 "Lessor." A person who in the ordinary course of business  
8 regularly offers to lease or arranges for personal property to  
9 be leased in accordance with a lease-purchase agreement.

10 "Personal property." Property that is not real property  
11 under the laws of this Commonwealth when the property is offered  
12 or made available for use through a lease-purchase agreement.

13 "Program." The Pennsylvania Lease-Purchase Home Ownership  
14 Program established in section 402-E.

15 "Program funds." All money appropriated by the General  
16 Assembly for the purpose of the program, including money from  
17 sources other than the Commonwealth that are provided for the  
18 program.

19 Section 402-E. Establishment.

20 The Pennsylvania Lease-Purchase Home Ownership Program is  
21 established and shall be administered by the agency. The program  
22 shall be dependent on the availability of program funds.

23 Section 403-E. Structure of program.

24 (a) Project types.--The program may provide funding for  
25 projects to provide safe and sanitary dwellings for lease  
26 purchase to low-income and moderate-income individuals to  
27 increase access to sustainable home ownership for the households  
28 and to revitalize distressed neighborhoods.

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

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

4           (2) Acquisition and disposition of real or personal  
5           property.

6           (3) Site preparation, including demolition of existing  
7           structure, improvements and infrastructure.

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

16           (d) Preferences.--The agency shall adopt written policies to  
17           give preference to projects that utilize properties from  
18           inventories maintained by public entities, including land banks  
19           and redevelopment agencies.

20           (e) Considerations.--The agency shall take into  
21           consideration geographical distribution of program funds to  
22           ensure that all areas of this Commonwealth participate to the  
23           greatest extent possible.

24           (f) Allocation.--The agency shall allocate at least 30% of  
25           program funds for housing projects that benefit households with  
26           household incomes that are less than 50% of the median area  
27           income.

28           Section 404-E. Plan.

29           (a) General rule.--Within 90 days of the effective date of  
30           this section and by March 15 of each year thereafter, the agency

1 shall adopt a plan that specifies the method by which program  
2 funds will be distributed that year.

3 (b) Publication and posting.--

4 (1) The agency shall submit the proposed plan, including  
5 a comment response document, to the chair and minority chair  
6 of the Urban Affairs and Housing Committee of the Senate and  
7 the chair and minority chair of the Urban Affairs Committee  
8 of the House of Representatives, and to the Legislative  
9 Reference Bureau for publication in the Pennsylvania  
10 Bulletin, and shall post the proposed plan on the agency's  
11 publicly accessible Internet website for public comment no  
12 later than 45 days prior to adoption of the proposed plan  
13 under subsection (a).

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

19 Section 405-E. Reporting.

20 (a) Duty of agency.--Within 90 days following the close of  
21 the first calendar year after the effective date of this section  
22 and by July 1 of every year thereafter, the agency shall issue a  
23 report containing a financial statement, an itemized list of  
24 projects funded and a description of other expenditures in the  
25 preceding year. The agency shall submit the report to the  
26 Governor, the Auditor General, the chair and minority chair of  
27 the Urban Affairs and Housing Committee of the Senate and the  
28 chair and minority chair of the Urban Affairs Committee of the  
29 House of Representatives and shall post the report on the  
30 agency's publicly accessible Internet website.

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

5 Section 406-E. Pennsylvania Lease-Purchase Home Ownership  
6 Program Fund.

7 The Pennsylvania Lease-Purchase Home Ownership Program Fund  
8 is established in the State Treasury. Interest and earnings of  
9 the fund shall remain in the fund. All program funds shall be  
10 deposited into the fund. The money in the fund and interest  
11 accruing thereon is appropriated to the agency on a continuing  
12 basis to carry out the provisions of this article.

13 Section 407-E. Funding.

14 Implementation of this article shall be contingent upon  
15 sufficient program funds being deposited into the fund in  
16 accordance with section 406-E to carry out the purposes of this  
17 article. In a year in which there are insufficient program funds  
18 in the fund for the purposes outlined in this article, the  
19 program shall cease until program funds exist in sufficient  
20 amount.

21 Section 408-E. Disclosures required in connection with lease-  
22 purchase agreement.

23 (a) Duty of lessor.--A lessor shall disclose to the lessee  
24 all of the following in a clear and conspicuous manner:

25 (1) A brief description of the leased property,  
26 sufficient to identify the property to the lessor and lessee  
27 and a statement as to whether the property is new, used or  
28 previously leased.

29 (2) The total amount of any initial payment, including  
30 any advance payment, delivery charge or trade-in allowance to

1 be paid by the lessee at or before execution of the lease-  
2 purchase agreement.

3 (3) The amount and timing of lease payments.

4 (4) The amount of all other charges, individually  
5 itemized, payable by the lessee to the lessor, that are not  
6 included in the lease payments.

7 (5) The party who is liable for loss, damage of more  
8 than normal wear and tear to or destruction of the leased  
9 property.

10 (6) The right of the lessee to reinstate as provided in  
11 section 410-E and the amount or method of determining the  
12 amount of the delinquency charges, reinstatement fee or  
13 delivery charge for reinstatement.

14 (7) The party responsible for maintaining or servicing  
15 the lease property and a brief description of the  
16 responsibility.

17 (8) The condition upon which the lessee or lessor may  
18 terminate the lease prior to the expiration of the lease  
19 term.

20 (9) The total of all initial payments, lease payments  
21 and other charges necessary to acquire ownership of the  
22 leased property.

23 (10) The option of the lessee to purchase the leased  
24 property during the lease term and the price or by what  
25 formula or method the purchase price will be determined.

26 (11) The cash price of the personal property that is the  
27 subject of the lease-purchase agreement.

28 (12) A statement as to whether, if any part of a  
29 manufacturer's warranty exists on the leased property when  
30 the lessee acquires ownership of the property, the warranty

1 will be transferred to the lessor.

2 (13) A statement that the lessee is not required to  
3 purchase insurance for the property that is subject of the  
4 lease from the lessor or from an insurer owned or controlled  
5 by the lessor.

6 (14) A notice in a prominent place in at least 12-point  
7 type or in legible print with letters at least one-eighth in  
8 size, in substantially the following form:

9 NOTICE: THIS LEASE-PURCHASE AGREEMENT IS REGULATED  
10 BY STATE LAW AND MAY BE ENFORCED BY THE ATTORNEY  
11 GENERAL OR BY PRIVATE LEGAL ACTION.

12 (b) Lease to be written.--A lease-purchase agreement shall  
13 be in writing and the information required by this section shall  
14 be disclosed by the lessor prior to execution of the lease-  
15 purchase agreement and shall be disclosed either in the lease-  
16 purchase agreement or on a dated, separate piece of paper that  
17 identifies the lease-purchase agreement and the parties to it.

18 (c) Requirements for disclosures.--Except as provided in  
19 subsection (a)(14), the information required to be disclosed by  
20 this section shall be printed or typed in at least 10-point bold  
21 face type and numerical amounts and percentages shall be stated  
22 in figures. All information required by this section shall be  
23 stated in a clear and coherent manner, using words and phrases  
24 of common meaning. The information shall be appropriately  
25 divided and captioned by its sections.

26 (d) Disclosure of additional information.--A lessor may  
27 disclose information that is not required by this section if the  
28 additional information is not stated, used or placed in a manner  
29 that will contradict, obscure or distract attention from the  
30 required information.



1 Section 409-E. Terms that may not be required.

2 A lessor shall not require any of the following from the  
3 lessee:

4 (1) The purchase of insurance from the lessor for the  
5 property that is the subject of the lease-purchase agreement.

6 (2) Any payment in addition to the number of lease  
7 payments specified in the lease-purchase agreement other than  
8 the payment described in section 411-E that is required for  
9 the lessee to acquire ownership of the leased property.

10 (3) Lease payments that in the aggregate exceed the  
11 maximum amount specified in section 415-E.

12 (4) A penalty for early termination of a lease-purchase  
13 agreement or for the return of any leased property at any  
14 time.

15 (5) A fee for in-home collection of a lease payment  
16 unless the amount of the fee is disclosed and the lessee  
17 expressly agrees to pay the fee.

18 Section 410-E. Reinstatement of agreement after default.

19 (a) Right of lessee.--A lessee who fails to make timely  
20 lease payments has the right to reinstate the original lease-  
21 purchase agreement without losing any right or option previously  
22 acquired under the lease-purchase agreement within three lease  
23 terms after the expiration of the last lease term for which the  
24 lessee made a timely payment, if the lessee surrenders the  
25 leased property to the lessor when the lessor or its agent  
26 requests the lessee to surrender the leased property.

27 (b) Payments, charges and fees permitted.--Before  
28 reinstating a lease-purchase agreement, the lessor may require  
29 the lessee to pay any unpaid lease payments, delinquent charges,  
30 a reasonable reinstatement fee of not more than \$5 and a

1 delivery charge if redelivery of the leased property is  
2 necessary.

3 (c) Same or substitute property.--If reinstatement occurs in  
4 accordance with this section, the lessor shall provide the  
5 lessee with either the same property leased by the lessee prior  
6 to reinstatement or substitute property that is of comparable  
7 quality and condition. If substitute property is provided, the  
8 lessor shall provide the lessee with all the information  
9 required under section 408-E.

10 (d) Grace period.--A lessor shall allow a lessee who fails  
11 to make a timely lease payment, before the lessee is determined  
12 to be in default, a grace period of not less than two days if  
13 payments are made in weekly installments and not less than five  
14 days if payments are made in monthly installments. No lessee  
15 shall be entitled to more than three monthly grace periods per  
16 year.

17 Section 411-E. Acquiring ownership when 50% of payments equals  
18 cash price.

19 (a) Limited right of lessor.--

20 (1) No lessor may offer a lease-purchase agreement in  
21 which more than 50% of all lease payments necessary to  
22 acquire ownership of the leased property exceed the cash  
23 price of the leased property.

24 (2) When 50% of all lease payments made by a lessee  
25 equals the cash price of the property to the lessee, the  
26 lessee shall acquire ownership of the leased property and the  
27 lease-purchase agreement shall terminate.

28 (b) Right of lessee to acquire ownership.--At any time after  
29 tendering an initial lease payment, a lessee may acquire  
30 ownership of the property that is subject to the lease-purchase

1 agreement by tendering an amount equal to the amount by which  
2 the cash price of the leased property exceeds 50% of all lease  
3 payments made by the lessee.

4 Section 412-E. Advertisements and mandatory information to be  
5 supplied.

6 (a) Prohibited advertisements.--No advertisement for a  
7 lease-purchase agreement may state that:

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

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

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

14 (ii) The lease payment.

15 (iii) The total number of lease payments necessary  
16 to obtain ownership of the property that is the subject  
17 of the lease-purchase agreement.

18 (b) Amounts required.--All property displayed or offered  
19 under a lease-purchase agreement shall have stamped upon or  
20 affixed to the property and clearly and conspicuously indicated  
21 in Arabic numerals that are readable and understandable by  
22 visual inspection, all of the following:

23 (1) The cash price of the property.

24 (2) The amount of the lease payment.

25 (3) The total number of lease payments necessary to  
26 acquire ownership of the property that is the subject of the  
27 lease-purchase agreement.

28 Section 413-E. Liability of lessor for noncompliance.

29 (a) Extent of liability.--A lessor who fails to comply with  
30 the requirements of this article with respect to a lease-

1 purchase agreement is liable to the lessee in an amount equal to  
2 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) Either of the following:

9 (A) In the case of an individual action, 25% of  
10 the total amount necessary to acquire ownership of  
11 the property that is the subject of the lease-  
12 purchase agreement, but not less than \$200 or more  
13 than \$1,000.

14 (B) In the case of a class action, an amount the  
15 court determines to be appropriate except that as to  
16 each member of the class no minimum recovery is  
17 applicable. The total recovery under this section in  
18 any class action or series of class actions arising  
19 out of the same failure to comply cannot be more than  
20 the lesser of \$500,000 or an amount equal to 1% of  
21 the net worth of the lessor.

22 (b) Single recovery.--If a particular lease-purchase  
23 agreement has more than one lessee, only one recovery of damages  
24 is allowed under subsection (a) (2) for a violation of this  
25 article. Multiple violations in connection with a single lease-  
26 purchase agreement shall entitle the lessee or multiple lessees  
27 to only one recovery under this section.

28 (c) Period of limitation.--

29 (1) An action under this section must be brought no  
30 later than two years after the occurrence of a violation that

1 is subject of the suit or two years after the lessee made the  
2 last lease payment, whichever is later.

3 (2) Paragraph (1) shall not be construed to bar a lessee  
4 from asserting a violation of this article as a matter of  
5 defense by recoupment or set-off in an action brought by a  
6 lessor more than two years after the date of the occurrence  
7 of the violation on an obligation arising from the lease-  
8 purchase agreement.

9 (d) When offset prohibited.--

10 (1) A lessee may not take action to offset an amount for  
11 which a lessor is potentially liable under subsection (a)(2)  
12 against an amount owed by the lessee, unless the amount of  
13 the liability of the lessor has been determined by a court of  
14 competent jurisdiction in an action in which the lessor was a  
15 party.

16 (2) Paragraph (1) shall not be construed to bar a lessee  
17 in default on an obligation arising from the lease-purchase  
18 agreement from asserting a violation of this article in an  
19 original action or as a defense or counterclaim to an action  
20 brought by the lessor to collect amounts owed by the lessee  
21 pursuant to the lease-purchase agreement.

22 Section 414-E. Eligible lessees.

23 The program shall be limited to households that have incomes  
24 equal to or less than 100% of the area median income or equal to  
25 or less than 100% of the median income for the United States,  
26 whichever is greater, as published by the Department of Housing  
27 and Urban Development in accordance with section 3(b)(2) of the  
28 United States Housing Act of 1937 (50 Stat. 888, 42 U.S.C. §  
29 1437a(b)(2)).

30 Section 415-E. Maximum lease guidelines.

1 The agency shall determine maximum lease guidelines based on  
2 the area fair market leases for households that have incomes  
3 equal to or less than 100% of the median income for the United  
4 States, whichever is greater, as published by the United States  
5 Department of Housing and Urban Development in accordance with  
6 section 3(b)(2) of the United States Housing Act of 1937 (50  
7 Stat. 888, 42 U.S.C. § 1437a(b)(2)).

8 Section 416-E. Standard lease agreement.

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

12 (1) The length of the lease after which the lessee shall  
13 be responsible for obtaining financing to purchase the  
14 property within a specified period. Upon the request of the  
15 lessee, the agency shall provide assistance to the lessee in  
16 obtaining financing to purchase the property through the  
17 agency's Statewide network of mortgage lenders and brokers.

18 (2) The amount of each monthly rental payment which is  
19 to be deposited into an interest-bearing escrow account to be  
20 used towards the purchase of the home at the conclusion of  
21 the lease term.

22 (3) A requirement that all lessees participate in home  
23 ownership counseling. The agency shall provide additional  
24 financial education and credit counseling through the  
25 agency's Housing Counseling network if it is determined that  
26 it would be beneficial in preparing the lessees to become  
27 homeowners.

28 (4) A provision that the lease term constitutes a  
29 traditional landlord and tenant agreement with the landlord  
30 remaining responsible for all traditional maintenance and

1 financial costs associated with the property, except  
2 utilities for which the lease clearly specifies are to be  
3 paid by the lessee.

4 (b) (Reserved).

5 Section 417-E. Escrow accounts.

6 The agency shall specify the type of account that escrow  
7 deposits are to be maintained, including the following:

8 (1) The specific accounting of each escrowed account if  
9 separate accounts are not maintained for each lease-purchase  
10 agreement.

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

13 (3) A provision stating that forfeited escrow amounts  
14 from households that default on the lease-purchase agreement  
15 shall revert to the fund.

16 Section 418-E. Guidelines.

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

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