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**PENNSYLVANIA HOUSING FINANCE AGENCY**

**AND**

**THE PHILADELPHIA NATIONAL BANK**  
as Trustee

**SUPPLEMENTAL INDENTURE OF TRUST**

**Amending and Supplementing an Indenture of Trust dated as of April 1, 1982, as the same has been amended and supplemented, securing the Pennsylvania Housing Finance Agency Single Family Mortgage Revenue Bonds, Series A through Series R**

**Dated as of March 31, 1988**

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## SUPPLEMENTAL INDENTURE OF TRUST

This Supplemental Indenture of Trust, made and dated as of the 31st day of March, 1988 by and between the Pennsylvania Housing Finance Agency (the "Agency") and the Philadelphia National Bank, as Trustee (the "Trustee"):

### WITNESSETH:

WHEREAS, the Agency and the Trustee entered into an Indenture of Trust made and dated as of the 1st day of April, 1982 (the "Original Indenture") pursuant to which the Agency has issued its Single Family Mortgage Revenue Bonds; and

WHEREAS, such Original Indenture as amended pursuant to (a) a Resolution of the Agency on October 23, 1983, and pursuant to Supplemental Indentures made and dated as of June 15, 1984, April 1, 1985, July 1, 1985 and October 1, 1985, which Supplemental Indentures were all restated in a Supplemental Indenture dated as of June 1, 1986; (b) a Supplemental Indenture dated as of June 1, 1986; (c) a Supplemental Indenture dated as of October 1, 1987; and (d) a Supplemental Indenture dated as of March 1, 1988; and

WHEREAS, by a resolution adopted, October 8, 1987 (the "Series Resolution"), the Agency authorized the issuance of \$25,600,000 aggregate principal amount of its Single Family Mortgage Revenue Bonds, Series P (the "Series P Bonds") and \$50,000,000 aggregate principal amount of its Single Family Mortgage Revenue Bonds, Series Q (the "Series Q Bonds"); and

WHEREAS, by a resolution adopted March 10, 1988 (the "Conversion Resolution"), the Agency authorized the long term conversion and remarketing of \$25,600,000 aggregate principal amount of the Series P Bonds (the Series Resolution and the Conversion Resolution are hereinafter collectively referred to as the "Resolution"); and

WHEREAS, the Agency covenants under the Indenture not to take any action which would cause any Bond to be an "arbitrage bond" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the Agency covenants under the Indenture to enforce all terms, conditions and conditions of Mortgage Loans and not to release the obligations of any borrower under any Mortgage Loan; and

WHEREAS, it may become necessary to amend Mortgage Loans purchased with the proceeds of the Series P Bonds by reducing the interest rate of such Mortgage Loans in order to comply with the provisions of the Code, and

WHEREAS, the Indenture may be amended to "cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision" thereof.

NOW THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS:

Section 1. Definitions. Unless expressly given different meanings hereunder or in the recitals hereto, or the context clearly requires otherwise, all capitalized terms used herein shall have the meanings ascribed to them in the Original Indenture, as heretofore supplemented.

Section 2. Amendment of Mortgage Loans. Section 710 of the Original Indenture is hereby amended to add the following to the end of such section:

Notwithstanding the foregoing, the Agency may amend Mortgage Loans purchased with the proceeds of the Series P Bonds and any Series of Additional Bonds issued on or after the date hereof by reducing the interest rate on, or forgiving a portion of the mortgage debt evidenced by, such Mortgage Loans to the extent required to comply with the Code, provided however, that the Agency must first deliver to the Trustee a Statement of Projected Revenues and Expenses as described in Section 506(B) hereof. If the reduction in the interest rate or mortgage forgiveness on such Mortgage Loans would produce a materially adverse effect on the ability of Revenues to be equal to or exceed expenses in any Bond Year, as shown in the above-mentioned Statement of Projected Revenues and Expenses, the Agency shall deposit with the Trustee funds or a credit facility to be held as security for the Bonds or to be used for the purchase of Mortgage Loans in an amount sufficient to eliminate the materially adverse effect of the proposed amendment to Mortgage Loans.

Section 3. Enforcement of Mortgage Loans. The second sentence of Section 708 of the Original Indenture is hereby amended to read in full as follows:

Except as provided in Section 710 hereof, the Agency shall not release the obligations of any borrower under any Mortgage Loan and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Agency and of the Bondholders under or with respect to each Mortgage Loan;

provided that the Agency shall not be prevented from settling a default on any Mortgage Loan on such terms as the Agency shall determine to be in the best interests of the Agency and the Bondholders and may forbear

taking action with respect to enforcement of a Mortgage Loan if it determines such forbearance to be in the best interests of the Agency and the Bondholders.

Section 4. Confirmation. Except as amended and supplemented by this Supplemental Indenture and earlier Supplemental Indentures, the Original Indenture is hereby ratified and confirmed in all respects and made applicable in all respects to the Bonds, the holders thereof and the security therefor. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture shall be read, taken and construed as one in the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture of Trust to be executed in their respective names by duly authorized officers and to be dated as of the 31st day of March, 1988.

[SEAL]  
ATTEST:

By /s/ Carrie Barnes  
Secretary

PENNSYLVANIA HOUSING  
FINANCE AGENCY  
By /s/ Karl Smith  
Executive Director

[SEAL]  
ATTEST:

/s/ Alan G. Finn  
Authorized Officer

THE PHILADELPHIA NATIONAL  
BANK  
By /s/ Beverly Graham  
Authorized Officer