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**PENNSYLVANIA HOUSING FINANCE AGENCY**

**AND**

**CHASE MANHATTAN TRUST COMPANY,  
NATIONAL ASSOCIATION,  
As Trustee**

**SUPPLEMENTAL INDENTURE OF TRUST**

**Dated as of December 11, 1997**

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## SUPPLEMENTAL INDENTURE OF TRUST

This Supplemental Indenture of Trust, made and dated as of the 11th day of December, 1997 by and between the PENNSYLVANIA HOUSING FINANCE AGENCY (the "Agency") and CHASE MANHATTAN TRUST COMPANY, NATIONAL ASSOCIATION, 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, Series A through Z and Series 1990-27 through Series 1997-60 (together with additional series issued by the Agency from time to time, the "Bonds"); and

WHEREAS, the Original Indenture has been amended pursuant to (a) a Resolution of the Agency on October 23, 1983, and pursuant to Supplemental Indentures of Trust made and dated as of June 15, 1984, April 1, 1985, July 1, 1985, and October 1, 1985, which Supplemental Indentures of Trust were all restated in a Supplemental Indenture of Trust dated as of June 1, 1986; (b) a Supplemental Indenture of Trust dated as of June 1, 1986; (c) a Supplemental Indenture of Trust dated as of October 1, 1987; (d) a Supplemental Indenture of Trust dated as of March 1, 1988; (e) a Supplemental Indenture of Trust dated as of March 31, 1988; (f) a Supplemental Indenture of Trust dated as of September 14, 1989; (g) a Supplemental Indenture of Trust dated as of May 30, 1990; (h) a Supplemental Indenture of Trust dated as of March 12, 1992; and (i) a Supplemental Indenture of Trust dated May 11, 1994 (collectively, the "Supplemental Indentures" and, together with the Original Indenture, the "Indenture"); and

WHEREAS, for the benefit and security of Bondholders and in consideration of the administrative burden that would otherwise be imposed upon the Agency, the Original Indenture provided, in particular at Sections 402 and 707(A)(7) thereof, that the Trustee would be the mortgagee of record on, and maintain actual physical possession of, all of the Mortgages purchased by the Agency with the proceeds of the Bonds (the "Mortgages"); and

WHEREAS, since the date of the Original Indenture, the actual experience of the Agency has been that, because of factors beyond the control of the Agency and the Trustee including but not limited to, delays in the recording process, compliance with the provisions of the Original Indenture referred to above, has resulted in a great administrative burden upon the Agency including difficulty in addressing troubled or defaulted Mortgages, all of which does not conduce to the protection of the benefit and security of Bondholders intended to be afforded by the Indenture; and

WHEREAS, accordingly, the Agency now finds it both necessary and desirable to remain the mortgagee of record and maintain physical possession of the Mortgages for the benefit and security of Bondholders and in order to reduce the administrative costs of servicing the Mortgage Loans, facilitate the recordation of the Mortgages, coordinate the information that the Agency has with respect to the Mortgages, and allow the Agency to more efficiently pursue remedies against defaulting mortgagors; and

WHEREAS, under Pennsylvania Law, the Trustee can maintain a perfected security interest in the Mortgages without being either (i) the mortgagee of record or (ii) the payee on Mortgage Notes; and

WHEREAS, Section 705 of the Indenture authorizes the Agency to take certain actions as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, assets, revenues and other moneys, securities, funds and property pledged or assigned by the Indenture; and

WHEREAS, Section 802(2) of the Indenture permits the Agency to amend the Indenture by entering into a Supplemental Indenture with the consent of the Trustee to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect.

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS

Section 1. Definitions. Section 101 of the Indenture is hereby amended by the insertion of the following definition:

“1986 Code” shall mean the Internal Revenue Code of 1986, as amended and the regulations of the United States Department of Treasury which may be from time to time promulgated thereunder.”

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 Indenture. Unless the context clearly otherwise requires, references to particular Articles, Sections and subsections of the Indenture (including Articles, Sections and subsections of the Indenture) shall be deemed to mean such Articles, Sections and subsections as they appear in the Indenture, as modified pursuant to this Supplemental Indenture of Trust.

Section 2. Purchase of Mortgage Loans; Conditions Precedent. The second paragraph of Section 402 of the Indenture is hereby amended and restated in its entirety to provide as follows:

“Such requisition and certificate shall be followed promptly when available by (i) physical delivery of the Mortgage Note, (ii) an allonge assigning the Agency’s rights to payments under the Mortgage Note to the Trustee upon the occurrence of an Event of Default, (iii) evidence of the execution and filing of financing statements and any other documents necessary to perfect the Trustee’s security interest therein and (iv) an assignment in recordable form of all of the Agency’s right, title and interest in, to and under the Mortgage securing the Mortgage Note (but which assignment remains unrecorded until the Trustee is directed to record the assignment of the Mortgage upon the written direction of the Agency or pursuant to Section 1002(A)(7) hereof).”

The last paragraph of Section 402 of the Indenture is hereby further amended and restated in its entirety to provide as follows:

“Within one hundred and eighty (180) days from the Purchase Date of a Mortgage Loan, or if not received by the Agency within such 180 days, within 60 days of receipt of properly recorded documents, the Agency shall hypothecate the related Mortgage and the payments arising under the Mortgage Note to the Trustee and shall deliver to the Trustee the Mortgage Note, an allonge assigning the Agency’s rights to payments under such Mortgage Note to the Trustee upon the occurrence of an Event of Default, the related title insurance policy and one or more financing statements and other instruments necessary to evidence the Trustee’s perfected security interest in the Mortgage Note and payments arising under the Mortgage Note. The Agency shall maintain a record of the Purchase Date of each Mortgage Loan and shall provide information in writing to the Trustee concerning the status of each Mortgage Loan file not complete within one hundred eighty (180) days of the Purchase Date. If such Mortgage Loan file has not been received within one hundred eighty (180) days of the Purchase Date of the Mortgage Loan (other than on account of delays in receiving properly recorded documents from recording offices within the Commonwealth), the Trustee may direct the Participant originating such Mortgage Loan, or cause the Agency to so direct such Participant, to repurchase the Mortgage Loan in accordance with the Agreement.”

Section 3. Requirements for Mortgage Loans. Section 707(A)(7) is hereby amended and restated in its entirety to provide as follows:

“(7) The Agency shall cause to be filed or recorded such instruments as shall be necessary to hypothecate to the Trustee all Mortgages acquired with proceeds of the Bonds and all rights with respect to such Mortgage Loans, including without limitation the Mortgage and the assignments (in recordable form) of the Mortgages; provided, however, that the Agency shall remain the mortgagee of record and may maintain physical possession of the Mortgages until such time as the Trustee (i) is directed to record the assignment of the Mortgages from the Agency to the Trustee or (ii) the Trustee records the assignment pursuant to Section 1002(A)(7).”

Section 4. Assignment or Disposition of Mortgage Loans. Section 709 is hereby amended and restated in its entirety to provide as follows:

“Section 709. Assignment or Disposition of Mortgage Loans.

Except for assignments of Mortgage Loans to the Trustee pursuant to Sections 402 and 707, the Agency shall not sell, assign, transfer or otherwise dispose of any Mortgage Loan or any of the rights of the Agency with respect to any Mortgage Loan unless (a) such Mortgage Loan does not qualify for purchase by the Agency under Section 103A of the Code or Section 143 of the 1986 Code or (b) the Agency determines that such action is in the best interests of the Agency and the Bondholders and will not adversely affect the ability of the Agency to pay when due the principal or redemption price of and interest on the Bonds, in which case such Mortgage Loan may be so disposed of by the Agency free and clear of the pledge of the Indenture.”

Section 5. Amendment of Mortgage Loans. Section 710 is hereby amended by the addition of “(A)” at the beginning of the first paragraph and a new second paragraph is hereby added to provide as follows:

“(B) The Agency shall provide written notice to the Trustee of any substantial modification, waiver, forbearance or other action taken by the Agency with respect to a Mortgage or a Mortgage Note. To the extent the Agency shall execute any amendment or modification to a Mortgage or a Mortgage Note in its capacity as mortgagee of record, the Agency shall deliver conformed copies of such executed documents to the Trustee within one hundred and eighty (180) days of the execution or recordation thereof.

Section 6. Remedies. Section 1002(A) is hereby amended by the deletion of the word “or” at the end of subsection (5), the deletion of the period at the end of subsection (6) and the insertion of “; or” in lieu thereof, and the insertion of a new subsection (7) to provide as follows:

(7) by (a) recording from time to time one or more assignments of the Mortgages delivered by the Agency to the Trustee pursuant to Sections 402 and 707 hereof; (b) notifying the Agency in writing of such recordation; (c) thereupon succeeding to all rights, duties and obligations of the Agency with respect to Mortgages applicable to the recorded assignments; (d) executing one or more allonges to Mortgage Notes relating to the respective recorded Mortgage assignments; and (e) exercising all remedies thereby available to the Trustee at law or in equity in connection therewith.

Section 7. Direction to the Trustee to Transfer Existing Mortgages; New Mortgages. The Agency hereby directs the Trustee to execute, deliver and record, as necessary, such assignments, allonges, powers of attorney, and other instruments as are necessary or convenient in order to carry out the transfer of the existing Mortgages to the Agency as mortgagee of record and effectuate the purposes of this Supplemental Indenture of Trust, it being understood that the Agency will simultaneously execute assignments in recordable form of the Mortgages and allonges to the Mortgage Notes to the Trustee, which assignments will remain unrecorded and allonges will remain unexecuted by the Trustee until the Trustee is authorized to record and execute them, as applicable, pursuant to Sections 402 or 1002(A)(7) hereof. From and after the date hereof, on each Purchase Date, new Mortgages shall be assigned by the Participant to the Agency and the Agency will execute assignments in recordable form of such new Mortgages to the Trustee pursuant to Sections 402 and 707 hereof.

Section 8. Confirmation. Except as restated, amended, and supplemented by this Supplemental Indenture of Trust, the Indenture is hereby ratified and confirmed in all respects and made applicable in all respects to the Bonds, the holders thereof and the security therefore. The Indenture and this Supplemental Indenture of Trust shall be read, taken, and construed as one and the same instrument.

Section 9. Severability. If any part of the Indenture or this Supplemental Indenture of Trust shall be determined to be invalid or void in any respect, such determination shall not affect, impair, invalidate, or nullify the remaining provisions of the Indenture or this Supplemental Indenture of Trust, which shall continue in full force and effect.

Section 10. Counterparts. This Supplemental Indenture of Trust may be executed in several original counterparts by the parties hereto, which together shall constitute one and 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 11th day of December, 1997.

[SEAL]

ATTEST:

PENNSYLVANIA HOUSING  
FINANCE AGENCY

By: /s/ Carrie M. Barnes  
Carrie M. Barnes  
Secretary

By: /s/ William C. Bostic  
William C. Bostic  
Executive Director

[SEAL]

ATTEST:

CHASE MANHATTAN TRUST  
COMPANY, NATIONAL ASSOCIATION

By: /s/ Patrick J. Healy  
Name: Patrick J. Healy  
Title: Authorized Officer

By: /s/ Michael J. Judge  
Name: Michael J. Judge  
Title: Authorized Office