
PENNSYLVANIA HOUSING FINANCE AGENCY

AND

**WACHOVIA BANK,
NATIONAL ASSOCIATION,
As Trustee**

SUPPLEMENTAL INDENTURE OF TRUST

Dated: May 27, 2004

SUPPLEMENTAL INDENTURE OF TRUST

This Supplemental Indenture of Trust, made and dated the 27th day of May, 2004, by and between the PENNSYLVANIA HOUSING FINANCE AGENCY (the "Agency") and WACHOVIA BANK, 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 2004-81 (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; (i) a Supplemental Indenture of Trust dated May 11, 1994; and (j) a Supplemental Indenture of Trust dated December 11, 1997, (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 provides, in particular at Sections 402 and 707(A)(7) thereof, that the Mortgage Loans must comply with specific insurance standards and that the loan to value for Mortgage Loans in the Program not exceed certain prescribed limits (the "Mortgage Loans"); and

WHEREAS, since the date of the Original Indenture, there have been proposed and adopted within the mortgage industry a variety of products to mitigate the risks associated with mortgage lending and a number of flexible alternatives to standard mortgage insurance (offered either through private mortgage insurance companies or through federal agencies); and

WHEREAS, accordingly, the Agency has reviewed some of these credit enhancement and risk retention and mortgage insurance alternatives, and has determined that use of these products will not diminish or adversely affect the benefit or security of Bondholders and has further determined that use of such products in its mortgage loan origination program shall offer benefit to consumers in the Commonwealth of Pennsylvania and enhance the delivery of its mortgage loan products for the purposes set forth in the Act; 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. Requirements for Mortgage Loans. Section 707(A)(3) of the Indenture is hereby amended and restated in its entirety to provide as follows:

"(3) The original principal amount of each Mortgage Loan shall not exceed the lesser of the purchase price of the property, or the appraised value of the property, based upon an appraisal prepared by an appraiser with experience in appraising single family residential property or such other amount as is acceptable in accordance with Agency program guidelines, which does not materially adversely affect the creditworthiness or security for the Bonds. "

Section 2. Requirements for Mortgage Loans. Section 707(A)(4) is hereby amended and restated in its entirety to provide as follows:

"(4) Each Mortgage Loan exceeding 80% of the lower of the appraised value or the sales price of the Residence shall meet the mortgage insurance requirements of the Indenture. Such Mortgage Loans which are originated with the proceeds of each series of Bonds issued under the Indenture beginning with Series R may meet the mortgage insurance requirements of the Indenture if the Agency substitutes for mortgage insurance a similar form of credit enhancement, including self-insurance, a shared risk program with an entity deemed to be of acceptable credit risk by the Agency or a risk retention program, pursuant to the applicable series resolution."

Section 3. 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 4. 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 5. 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 the 27th day of May, 2004.

[SEAL]

ATTEST:

**PENNSYLVANIA HOUSING
FINANCE AGENCY**

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

By: /s/ Brian A. Hudson
Brian A. Hudson
Executive Director

[SEAL]

ATTEST:

**WACHOVIA BANK,
NATIONAL ASSOCIATION**

By: /s/ Alan G. Finn
Name: Alan G. Finn
Title: Vice President

By: /s/ Ralph E. Jones
Name: Ralph E. Jones
Title: Assistant Vice President