THE PROTECTED ACCOMMODATIONS LAW

**2. To replace clause 27 of the Law:**

*27."Mortgage to ensure the deposit funds"*

A (1) The License Holder shall not maintain in his possession monies in a sum exceeding seven percent of the deposit paid by a resident or 70,000 new shekels, according to the lower sum, unless he has registered a first mortgage in his favor on the land on which the house in which the resident lives is built, with the exception of a commercial area and the area of the nursing care department; the mortgage will be registered in favor of a trustee to be appointed by the residents, and the trustee will note in his internal records the relative share of each of the residents in the total amount of the deposits.

(2) The trustee will be appointed at a residents' meeting by a resolution accepted by a majority of the votes of the residents participating in the vote, in relation to which a notice has been posted within a reasonable time period, and his fee will be reasonable in the circumstances, and will be fixed by the residents and the owner of the protected accommodations home. If the parties fail to come to an agreement about the fee for the trustee, the mortgage will be registered in the name of the license holder of the land in favor of each resident separately.

B Despite the aforesaid in clause (A), the if the protected accommodations home is registered as a condominium in ledger of condominia, the license holder is entitled to registered the first mortgage as said in that clause on his right in the land in favor of the resident, on the apartment in which the resident will reside as detailed in theContract. In this section,"condominium" and "registry of condominiums" – in its meaning in clause 52 and instructions under clause 123 of the Land Law-1969, respectively.

C. If the protected accommodation house is built on land owned by a local authority, the mortgage will be registered in the name of the license holder of the land as stated in clause A, and the local authority shall not prevent such a registration for the reason that it is land owned exclusively by it, and however it is entitled to determine the conditions of the registration; the Minister is entitled to determine conditions for the registration as said. In this regard, "local authority" – municipality, local council or regional council.

*Securing the deposit monies until the mortgage is registered*

27a. (A) If the protected accommodations house is in the stages of construction, as yet unpopulated, the license holder will give any person who has paid him a deposit as said in clause 27(a) a bank guarantee from an insurer or a banking corporation; in this section, "insurer," as defined in the Supervision of Financial Services Law – 1981. "banking corporation" – as defined in the Banking (Licensing) Law – 1981.

(b) After the resident has moved into the protected accommodations house and the party who deposited the deposit has returned the bank guarantee to the license holder, the license holder will be entitled to register a caveat in regard to the obligation to register a mortgage in accordance with the instructions of clause 27, in his name on the land in favor of a trustee who will be appointed by the residents in keeping with the instructions of (C) or in favor of the resident, as long as a notice, as said in clause E has been given; if the protected accommodations house is registered as a condominium in the registry of condominia, the license holder is entitled to register the caveat as said in his name on the land in favor of the resident on the apartment in which he/she will reside as stated in their Contract.

© The trustee will be appointed at a meeting of the residents, in a resolution accepted by a majority of the residents taking part in the vote, in relation to which an advance notice was issued at a reasonable time; however, if twenty percent of the apartments in the protected accommodations house have not yet been filled, the trustee will be appointed by the body that represents the largest number of residents.

(d) The caveat, in accordance with (b) will be for a period of two years at the most; at the end of the period the license holder will register the mortgage in his name on the land according to the instructions in clause 27.

(h) A creditor in favor of whom a lien or obligation for a lien has been given, in relation to the protected accommodations house, will submit a written notice according to which the lien or obligation for a lien, as said, will not executed from the apartment of the resident.

*Alternatives for securing the deposit monies*

27b. (a) Despite the abovesaid in section 27, the license holder is entitled to receive payment on account of the deposit as said in that section, even if a mortgage has not been registered in favor of the resident, as long as he has done one of these two, and the instructions of section 127 will not apply:

1. He has given the resident a bank guarantee from an insurer or banking corporation to secure the deposit monies;
2. He has transferred 40 per cent of the deposit to a trustee who shall be appointed, according to a trusteeship contract in which the resident is the beneficiary; the deposit monies will be held by the trustee in trust in favor of the resident.

(b) The Minister, with the approval of the labor, welfare and health committee of the Knesset, is entitled to fix other securities to secure the deposit monies, and can fix securities as said to types of protected accommodations houses or types of deposits.

*Erasure of the mortgage or the caveat*

27c (a) If one of these circumstances should exist, the instructions of sections (b) or (d) will apply:

1. The license holder has returned the deposit according to the instructions of section 28 to the resident or to a trustee appointed by the resident in the mortgage documents;
2. The license holder has transferred the deposit funds in accordance with the contrast;
3. No balance of the deposit has remained.

(b) If the mortgage or the caveat registered according to the instructions of section 27 or 27a(b), was registered in favor of the trustee, the trustee will erase the resident's name from his internal records, within 14 business days from the date on which documents attesting to the existence of one of the circumstances noted in section (a).

 (c ) If the mortgage or the caveat is registered in favor of the resident according to instructions of section 27(a)(2), l27(b) or 27a(b), the resident or someone he has appointed in this regard, and who has declared he has no affinity to the license holder, will submit a request to erase the mortgage, within 14 business days from the date on which he was given documents attesting to the existence of one of the circumstances in section (a); if no request is submitted within the said period, an attorney appointed by the license holder shall be entitled to submit a request to erase the mortgage or the caveat after he has received documents attesting to the existence of one of the circumstances in section (a).

(D) If the resident passes away and has not appointed another person to receive the balance of the deposit in favor of the heirs, or the person appointed by the resident has not been found, after a reasonable effort, the license holder will be entitled to appoint an attorney to act in trust in favor of the resident's heirs, and he will be entitled to erase the mortgage according to the instructions at the end of section ©and to hold the deposit monies in trust until they are transferred to the heirs.

*General instructions regarding securities to secure deposit monies*

27D (a) The license holder will bear the costs involved in securing the monies paid by the resident on account of the deposit according to the instructions of this law, and will not impose these costs on the resident.

(b) A resident is not entitled to choose not to receive a security to secure his deposit monies according to clauses 27, 27a, or 27b.

© The implementation of the security given under this law will be in the circumstances of insolvency, including circumstances of an order freezing procedures, an order to receive assets, a liquidation order or an order to appoint a receiver, or in circumstances in which a total hindrance of returning the deposit has been created; the Minister, in consultation with the labor, welfare and health committee of the Knesset, is entitled to determine in this matter additional causes of cessation of payment to implement the securities.

(d) If the deposit for a resident has been paid for by another person, the instructions of sections 27 up to 27c and this section will apply to that person, as they apply to the resident, and the mortgage or another security to secure the deposit monies will be registered in his favor.

*Irregularities Committee*

27E (a) The Minister will establish an irregularities committee, made up of three members as detailed below (In this section – the Committee):

1. The Commissioner
2. An employee of the Ministry of Welfare with expertise in the area of accounting and finance, to be appointed by the Minister
3. An employee of the Ministry of Justice appointed by the Legal Adviser to the government.

(b) Despite the aforesaid in clauses 27, 27a, and 27b, the Committee is entitled, upon request of the license holder, to fully or partially exempt him from issuing securities according to those clauses, as well as to fix conditions for an exemption as said or to order the issuance of a different security or any other demand, if it is persuaded, for reasons that will be recorded, that there is a real difficulty, independent of the license holder, to register a mortgage and is also persuaded that the license holder has taken all the measures at his disposal to register a first mortgage according to the instructions of section 27, and the different security is sufficient.

© If the Committee determines a full or partial exemption as said in clause (b) the exemption will be for a period not exceeding two years; however, the Committee is entitled to extend the exemption as said for an additional period that will not exceed five years.

(d) the Committee will adopt its decisions after having heard the representatives of the residents living in the protected accommodations house of the license holder, who submitted the request or someone on their behalf or a representative on behalf of a residents organization, as well as the representative of the license holder or someone on his behalf; the decision will be given in writing to the license holder and to the residents committee, if such exists, or to a representative on behalf of the residents, and will be published publicly.

 *Financial stability of the license holder*

27f. (a) The Commissioner is entitled to demand that the license holder, at any time, prove that he is financially stable as determined by the Minister according to the instructions of clause 4(a)4

(b) If the Commissioner is of the opinion, among others owing to information that he has received according to the instructions of clause 4(a)4, that one of these conditions exists, he is entitled to inform the residents:

(1) There is a reasonable suspicion that the license holder will not be able to continue meeting the principle of a going concern;

(2) The ability of the license holder to return the deposit funds, in whole or in part, according to the conditions of the Contract, is liable to be impaired;

(3) The license holder's debt to the residents exceeds the value of the securities that he has given according to the instructions of this law.

*Fund to finance expenses in the event of a health condition in circumstances of cessation of payment*

27g. (a) The license holder shall not maintain in his possession, on account of the deposit, funds registered to secure securities according to the instructions of section 27 or 27a, unless he has deposited funds to managed in trust by a joint fund to finance expenses due to a health condition in favor of all the residents (in this section—fund to finance health costs).

(b) The license holder will deposit in the fund to finance health costs funds for each resident who has made a payment on account of the deposit, in an amount set forth in item (1) to the second addendum, and all this at the times and manner fixed by the Minister; the license holder will check each year to ascertain that funds have been deposited in the fund to finance health costs for all the residents who have made a payment on account of the deposit, and if the number of residents has changed—he will deposit an amount for all the residents who have made a payment on account of the deposit in that same year.

© license holders to whom the instructions of clause (a) apply will deposit funds in the fund to finance health costs, and it will be managed by the General Custodian in accordance with the instructions of the Administrator General Law 1978

(d) If the multi-professional team has determined that a resident should be moved from his apartment as said in section 29(a)(3), in the circumstances laid out in section 27d(c) he is entitled to receive at the time of his removal from his apartment, a monthly payment from the fund to finance health costs to cover the costs incurred due to his health condition, in the amount noted in item (2) to the second addendum, in an accumulative amount equal to the sum of the deposit or until the full transfer of the deposit funds to the resident according to the instructions of section 28, whichever is earlier, and this as ordered by the court, for the time period and the sums it orders.

(e) The refund of the deposit to the resident according to the instructions of section 28 will be carried out with the deduction of the sums paid him according to the instructions of (d), which amount will be returned to the fund to finance health costs.

*Fund to finance costs in circumstances of cessation of payment*

27h. (a) A license holder may not maintain in his possession, on account of the deposit, sums registered to secure securities according to the instructions of section 27 or 27a, unless he has deposited funds to be managed in trust by a joint fund to finance costs in circumstances of cessation of payment in favor of all of the residents (in this section – fund for cessation of payment).

(b) The license holder will deposit money in the fund for cessation of payment as said in (a), for each apartment in the protected accommodations house in which the residents living in it have made a payment on account of the deposit, in an amount fixed in the third addendum, and at the dates and in the manner determined by the Minister; the license holder will check at least once a year to ascertain that money has bene deposited in the fund for cessation of payment for all the apartments as said, and if the number of apartments has changed, he will deposit an amount for each apartment for which the residents living in them have made a payment on account of the deposit that same year.

 ( c) license holders to whom clause (a) applies will deposit money in the fund for cessation of payment, and it will be managed by the Administrator General in accordance with the instructions of the Administrator General Law, 1978.

(d) If the circumstances noted in clause 27d© should exist, the director of the fund for cessation of payment will transfer in favor of the protected accommodations house, in keeping with a court order, monies for the ongoing and vital operation of the protected accommodations house, as ordered by the court, for the period and the sums ordered.

*Change of the second addendum and the third addendum and updating of amounts*

27i. (a) The Minister, with the approval of the labor, welfare and health committee of the Knesset, is entitled to issue an order to change the second addendum and the third addendum.

(b) The sums noted in the second addendum and the third addendum will be updated on January 1 of each year (in this clause—the date of the update), in accordance with the rate of change of the new index known on that date in comparison to the basic index; in this regard:

"the index" – the consumer price index published by the Central Bureau of Statistics;

"the basic index" – the last index published before the previous date of update;

"the new index" – the index last published before the date of update."

*Amendment to section 28*

3. In section 28(a) of the main law, after "shall reimburse the resident" the words will follow:

"or to a trustee to be appointed according to the instructions of clause 27c, respectively." Instead of "by him" it will read "by the resident" and after "the resident shall return" the words will be added: "or the trustees appointed under the instructions of section 27, respectively."

*Amendment to section 54*

4. In section 54 of the main law—

(1) In the heading, before the "addendum" the word "first" will be added

(2) In clause (b), before the word "addendum" the word "first" will be added

*Amendment to the addendum*

5. In the addendum to the main law, in the heading before "addendum" the word "first" will be added

*Addition of the second and third addenda*

6. After the addendum to the main law:

SECOND ADDENDUM

Section 27g(b) and (d)

1. 200 new shekels
2. 9,000 new shekels

THIRD ADDENDUM

(Section 37h(b)

160 new shekels."

*Commencement, application and transition instructions*

1. This law will commence 18 months from the date of its publication (hereinafter – date of commencement), and it will also apply to contracts entered into between a resident and a license holder before the date of commencement.
2. Despite the aforesaid in (a), the commencement of sections 19, 27e up to 27i and 54 and the addenda to the main law, as formulated in this law, will occur six months from the date of publication of this law, and they will also apply to contracts entered into between a resident and a license holder before the commencement of those instructions.
3. If on the eve of the date of commencement, a caveat was registered in favor of the resident, the following instructions will apply:
4. A trustee appointed according to section 27(a) of the main law as formulated in this law, and if there is no trustee, the resident or someone he has appointed who has declared he has no affinity to the license holder, will request the erasure of the caveat, as long as on the date of the erasure of the caveat, a mortgage to secure the deposit funds according to the instructions of section 27 of the main law, as formulated in this law, is registered.
5. If a request is submitted to erase the caveat as said in (1), the Land Registrar will erase the caveat even if the conditions noted in section 132 of the Land Law-1969 have not been created.
6. If a bank guarantee has been given as security according to the instructions of the main law on the eve of its commencement date, the license holder will enable a resident in a protected accommodations house, if he wishes, to leave the bank guarantee as a security according to the conditions of the main law as formulated on the eve of the date of commencement, in accordance with the conditions of theContract.
7. Each term in this section will bear the meaning it has in the main law, unless specifically stated otherwise.

Haim Katz Benjamin Netanyahu

Minister of Labor, Welfare and Social Services Prime Minister

Reuven Rivlin Yoel Eldelstein

President of the State Knesset Chairman