Our first resident moving in to Mercy Housing
Dear Friends,

Every year, we at Mercy Loan Fund work to revitalize communities and help lift people out of poverty through thoughtful and socially conscious lending. In 2014, we continued pursuing approaches that have proven to be successful and also explored new and innovative ways to positively impact people and communities most in need.

As we enter our 30th year of making affordable housing and community development loans, we look back on 2014 as a year of firsts for Mercy Loan Fund. Some of our biggest achievements included:
• Surpassing total assets of $50 million for the first time.
• Achieving record high loan volume: 18 loans and $35 million in gross loans originated with $29 million retained in our portfolio.
• Ending the year with net assets at $12 million for a Net Asset Ratio of 24% both at highest levels ever-to-date.
• Closing our first Federally Qualified Health Center loan to Wake Health Services in Raleigh, North Carolina.
• Making our first Resident-Owned Community loans as part of a JP Morgan Chase Foundation partnership with ROC-USA.
• Achieving a 99% investment renewal rate.
• Attaining membership in and borrowing capacity from the Federal Home Loan Bank (FHLB) of Topeka.
• Hosting our first Congressional property tour in Washington, DC, highlighting the financing of Low Income Housing Tax Credit and New Markets Tax Credit synergies that create community revitalization.

As we look to the future, and as Jason Battista takes over the reins as President in 2015, we are committed to diversifying our mission-based financing. Two new areas of focus include: longer-term lending through our relationship with the FHLB of Topeka, and increasing lending that improves the health and wellness of people with low incomes. Specifically, we have lent to two assisted living facilities and one Federally Qualified Health Center. We have a strategic direction to expand this work to complement our 30 year track record of affordable housing lending.

As Mercy Loan Fund embarks on its 30th anniversary, we aim to be the first choice of affordable housing and community development customers, partner CDFIs, and investors in providing innovative capital solutions and quality opportunities for people in need.

We work to create a world in which every person has the tools to develop to their full potential, and we thank our borrowers, investors, donors, and the residents we serve for making that dream a reality.

Live in Hope,

Julie Gould
President, Mercy Loan Fund

Sister Linda Werthman
Board Chair, Mercy Loan Fund
**the IMPACT**

- **Number of Loans:** 468
- **Total Amount Loaned:** $265 million
- **Total Leveraged:** $1.78 billion
- **Number of States:** 38
- **Number of Communities:** 185
  - **Total Units:** 20,232
  - **Total Residents:** 53,892
- **Total Household Savings in Rent in 2014**: $3,363,483
- **Total Homeownership Savings in 2014**: $3,201,076

*Difference between the average annual market rent and the average annual restricted rent
**Difference between the average market sale price and the average affordable sale price

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**Borrowers**
- Nonprofits, public housing authorities, & mission driven for-profit organizations

**Debt Coverage Ratio**
- Minimum 1.20

**Rate**
- Typically 5.5%-7%

**Max Loan Amount**
- Up to $4MM

**Term**
- Up to 10 years; prefer 3 years

**Affordability**
- Not to exceed 80% AMI, lower preferred

**Maximum LTV**
- 90% for improved real estate, 60% for raw land

**Security**
- First or subordinate Deed of Trust/Mortgage lien; other security may be considered

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**Resident Served**
- 75% Families
- 15% Seniors
- 4% Farmworkers
- 3% Special Needs
- 2% Formerly Homeless
- 1% Native American

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**Investor Type by Amount**
- 34% Banks
- 33% Religious Institutions
- 22% Religious Health Systems
- 5% Government
- 4% Other
- 3% Individuals
- <1% Foundations

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**Type of Loan**
- 27% Acquisition
- 23% Construction
- 16% Bridge
- 11% Predevelopment
- 10% Line of Credit
- 8% Other
- 5% Mortgage

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**Units Financed by Median Income**
- 11% Extremely Low (0-30% AMI)
- 40% Very Low (31-50% AMI)
- 46% Low (51-80% AMI)
- 3% Moderate (81-120% AMI)
Mercy Loan Fund - Cumulative Closed Loans by State
as of December 31, 2014

Total Loans: 468
Total Amount: $765,877,311
Number of States: 38

YEAR IN REVIEW
WAkE hEAlTh sERVICEs

The links between poverty and poor health are strong. Poor health can lead to poverty, and poverty often leads to poor health.

People need a home and the ability to take care of their health if they are to truly thrive, which is why Mercy Loan Fund is dedicated to improving communities through housing and healthcare.

In 2014, we demonstrated our commitment to financing more than homes by lending to Wake Health Services in Raleigh, North Carolina. The loan will go to renovating and expanding their Rock Quarry Family Medicine facility, a Federally Qualified Health Center, designed to provide care for the area’s underserved people. Here, the poverty rate is 46%, family income is only 27.4% of the median income, and unemployment is 2.2 times the national average.

Wake Health Services will provide comprehensive healthcare services in the new facility, including primary healthcare, dental services, behavioral and substance abuse counseling, nutrition counseling, diabetes education, and referral services to inpatient and specialty care. The new center will also include a pharmacy. The development of the project will create 98 construction jobs and 54 permanent jobs.

As both a Federally Qualified Health Center and a certified Healthcare for the Homeless program, Wake Health Services, a nonprofit organization founded in 1972, serves underinsured and uninsured patients in the community. It now operates five medical clinics, and serves about 19,500 patients every year. Of these patients, more than two-thirds have incomes below the federal poverty level, and close to 96 percent have incomes at or below 200 percent of the poverty level.

Mercy Loan Fund’s $900,000 loan was made in partnership with the Healthy Futures Fund (HFF), a consortium of financing banks, Community Development Financial Institutions and a foundation managed by Local Initiatives Support Corporation (LISC) that was designed to expand access to health care and affordable housing. Three New Markets Tax Credit (NMTC) Community Development Entities will provide NMTC allocations to the project through the HFF – Capital Impact Partners, LISC, and Morgan Stanley. Morgan Stanley and the Kresge Foundation will fund the leverage loan to the project, and Morgan Stanley will be the tax credit investor.

This loan marks Mercy Loan Fund’s first step in its strategic goal of entering the health care sector, broadening its lending beyond affordable housing and contributing to Mercy Housing’s goal of building healthy communities.
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Amy Rowland
National Affordable Housing Trust

Michael Walker
U.S. Bancorp Community Development Corp.
thank you

Mercy Loan Fund thanks our 2014 donors and investors for the funds that enable local organizations to develop affordable housing in their communities. We thank our borrowers, who with these funds, strive to meet our nation’s housing challenges.
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