

2017 Impact

MERCY LOAN FUND



mercy HOUSING
Live in Hope



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Dear Partner In Hope,

As I reflect on the past year, I have a pervasive sense of gratitude for all we accomplished and a strong sense of optimism as we head into 2018. From the preservation of the Low Income Tax Credit and tax exempt private activity bonds, to increased social awareness of marginalized groups, we have much to be thankful for.

Mercy Loan Fund (MLF) had another record-setting year in 2017, the most profitable in our 32-year history, and those earnings are retained to provide impact to our nation's most vulnerable populations through affordable housing. Moreover, our portfolio is the healthiest it's been since the Great Recession with 0% delinquency and nonaccrual ratios. MLF closed \$21 million in new deals, translating into more than \$150 million of development. Our investors – which make our business possible – renewed at a rate of 98%, reinforcing their commitment to our mission.

Our double-bottom line approach places emphasis on both financial and impact results. In 2017, MLF preserved more than 1,000 homes, served over 1,500 residents, and leveraged each dollar invested seven times over. MLF has improved its impact, strategically affecting outcomes through our activities.

MLF also had three noteworthy, external accomplishments. First, MLF increased its credit rating from "A+" to "AA+," which marks the third increase in just

two years and puts us in the top 15% of rated Community Development Financial Institutions (CDFIs) nationally. Second, MLF received \$776,000 in grant funding from the CDFI Fund, a division of the U.S. Treasury. MLF will leverage this equity with private capital to grow the fund. Additionally, in partnership with Enterprise's CDFI and NeighborWorks Capital, MLF helped create a \$15 million disaster relief fund in areas hit by hurricanes to help benevolent organizations working to rebuild the lives of folks who lost so much.

This success is only possible with our staff and stakeholders. Our staff has an unwavering commitment to our mission and the sophistication to consistently execute in an ever-changing macroeconomic environment. Our investors and clients are commensurately committed with their capital and trust, respectively, and through the incredible work they do to improve disadvantaged communities, they energize us and recalibrate our purpose.

We have come a long way, but there's more to do. On behalf of MLF's staff and Board of Directors, I look forward to our continued partnerships.

Sincerely,

A stylized blue ink signature of Jason Battista.

Jason Battista
President MLF

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2017 Highlights



Mercy Loan Fund Staff

1 Closed 11 loans totaling more than \$21 million, leveraging over \$156 million in total development costs



2 Funded 1,061 homes for over 1,900 residents, with nearly 50% of the residents housed considered extremely low or very low income

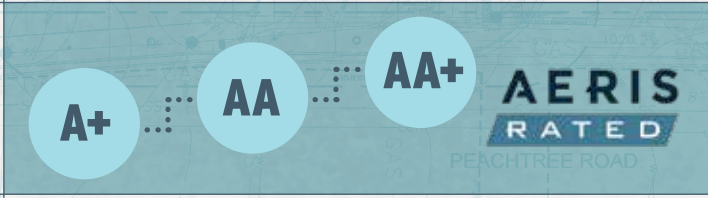


3 Generated a total of \$5,260,277 in annual household savings



4 Averaged \$54 million in loans outstanding, exceeding our goal of \$50 million, setting a new MLF record

5 Increased Aeris credit rating from "A+" to "AA+," a three-level increase in two years



6 Top 15% of Aeris rated Community Development Financial Institutions (CDFIs)



More Than a Home

Molly was experiencing the harsh reality of the Dallas, Texas housing market – affordable housing simply wasn't available and her home at Forest Dale Apartments was at risk of being converted from affordable rent to market rent. "Not knowing whether I would have a home was one of the biggest stressors I'd ever experienced. The waiting list was one to two years. Becoming a burden to my family was not an option," Molly stated.

Mercy Loan Fund (MLF) allowed Molly to remain in her affordable home when they provided a \$7 million loan to Chesapeake Community Advisors (CCA) and Trinity Village Non-Profit Housing Corporation (Trinity) for the acquisition of Forest Dale Apartments, a 206-apartment community for low-income seniors in Dallas.

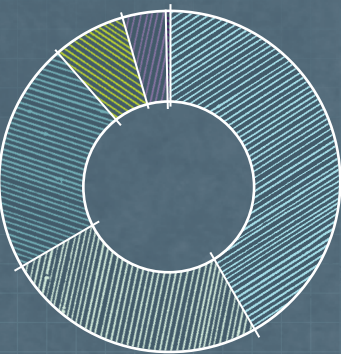
Molly loves Forest Dale, "it's a secure facility with access to markets, medical facilities, public transportation, and many other advantages. No other facility in Dallas even came close to providing these features."

She would not have had the opportunity to live at Forest Dale had it not been for the deal between MLF and CCA, which strengthened an already-solid relationship; the loan is MLF's eighth to CCA, and CCA has worked with Trinity on nine previous development projects. "CCA is delighted to partner with MLF and Trinity. Affordable housing for seniors is at risk of conversion to market rents. The financing provided in partnership with MLF supports our efforts to provide a safe, decent, and affordable housing resource for low-income, senior residents of Dallas," said David Prout, President of Chesapeake Community Advisors.

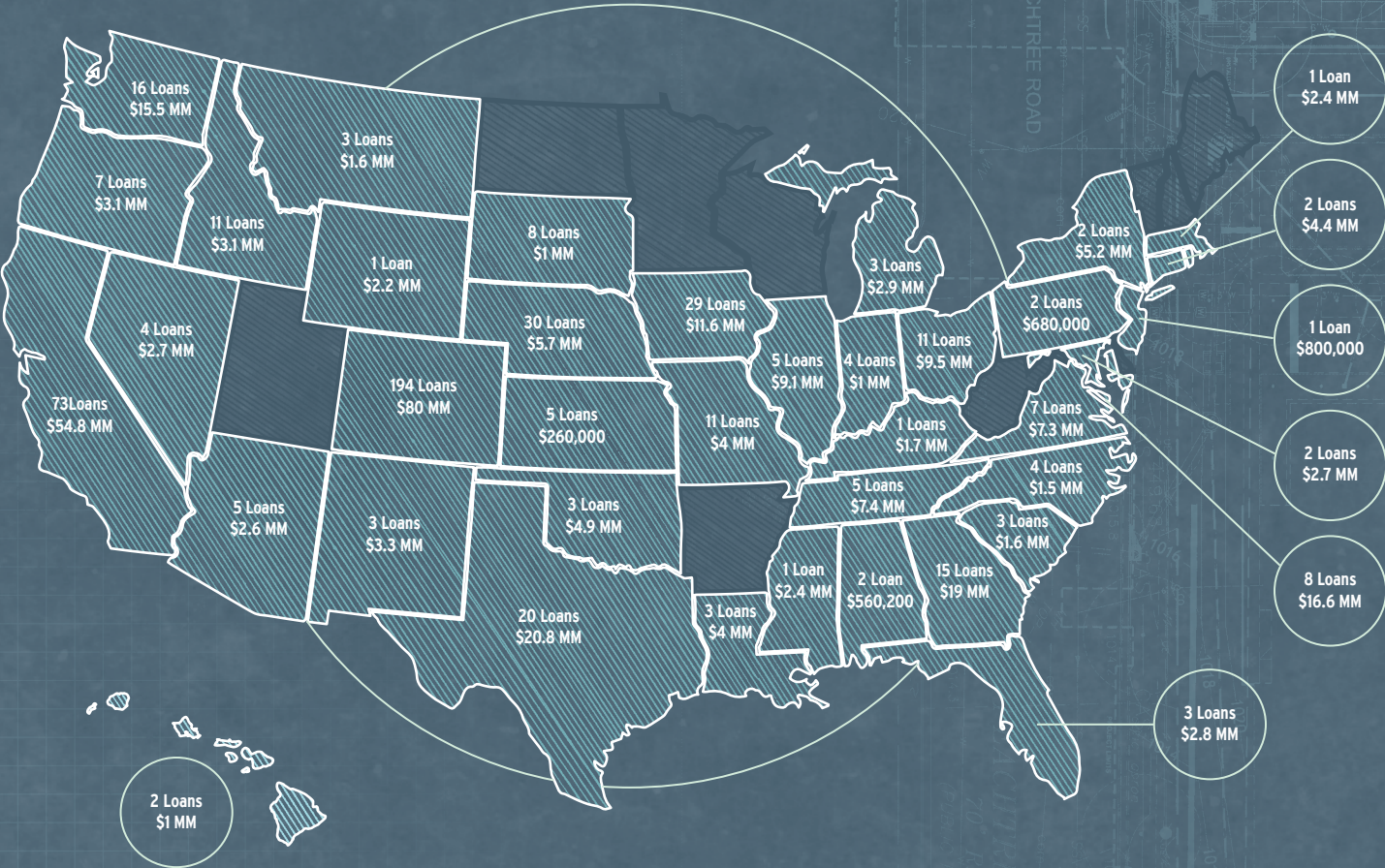
“
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”

By the Numbers

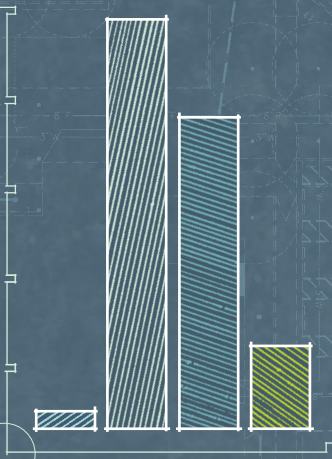
Investor Type by Amount



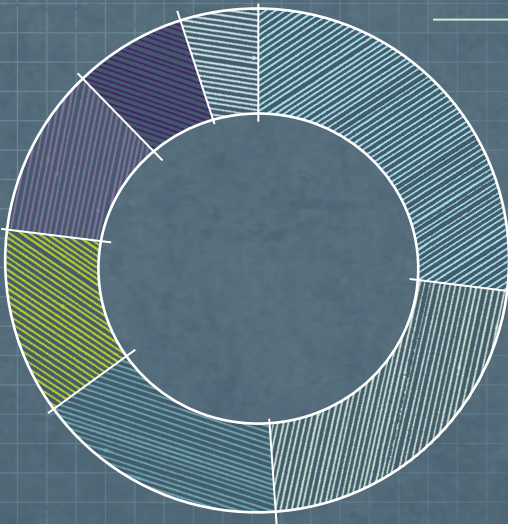
Financial Institutions	42%
Religious Institutions	25%
Religious Health Systems	22%
Individuals and Other	7%
Federal Government	4%
Foundations	<1%



Units Financed by Median Income



Moderate (81-120% AMI)	16
Low (51-80% AMI)	527
Very Low (31-50% AMI)	396
Extremely Low (0-30% AMI)	104



Number of Loans by Type

Acquisition	140
Construction	110
Bridge	79
Line of Credit	60
Predevelopment	58
Other	37
Mortgage	27

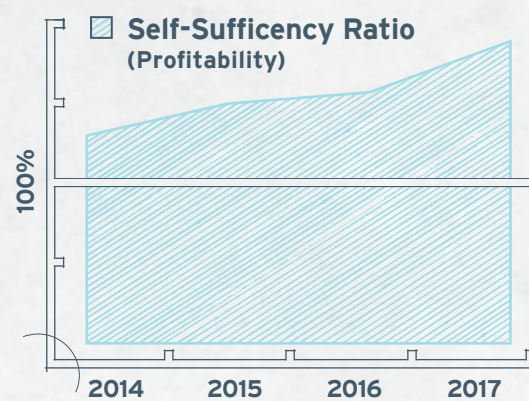
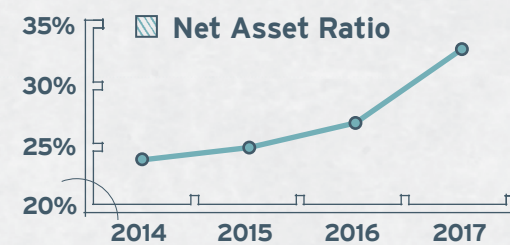
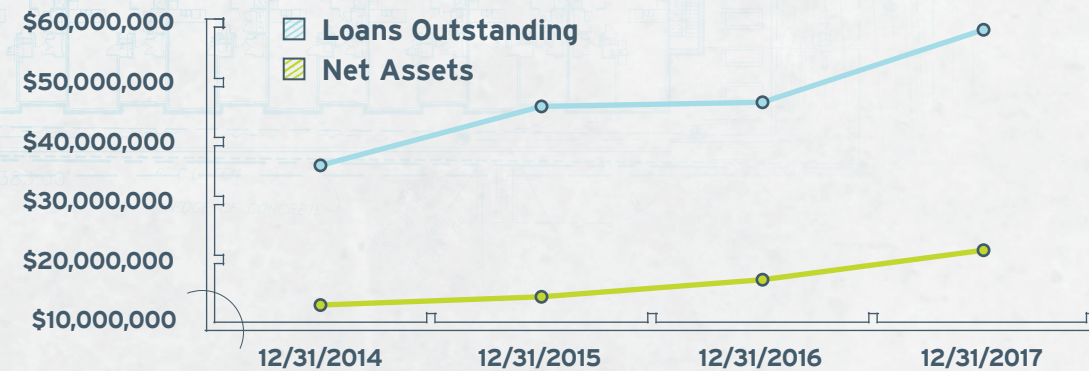
Residents Served

Families	47,720
Formerly Homeless	9,689
Seniors	2,325
Native American	1,730
Farmworkers	1,286
Special Needs	567



Strategic Plan Progress

Financial Highlights



Leveraged Amount

\$10.35

Every \$1 invested in MLF in the past three years has helped to create or preserve over \$10 of affordable housing

Annual Household Savings

\$18.9 million

The difference between the average annual market rent and the average annual restricted rent

Impact Since MLF Inception

Number of Loans	511
Total Amount Loaned	\$326 million
Total Leveraged	\$2.4 billion
Number of States	39
Number of Communities	202
Total Units	25,152
Total Residents	63,317



Thank You For Your Support

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Thank You For Your Support

Mercy Loan Fund thanks our 2017 donors and investors for the funds that enable local organizations to develop affordable housing in their communities. We thank our borrowers and partners, who with these funds, strive to meet our nation’s housing challenges.

MLF BORROWERS AND PARTNERS

Abode Communities, Inc.
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Mercy Loan Fund (MLF)

For more than three decades, Mercy Loan Fund (MLF), a leading Community Development Financial Institution (CDFI), has focused exclusively on funding affordable housing and essential community infrastructure projects that support affordable housing. By collaborating with socially-responsible developers, MLF has helped finance the development of single and multifamily homes for rental and homeownership. These developments help underserved communities, including people with low-incomes, seniors, farm workers, people who have experienced homelessness, and people with disabilities. MLF is a subsidiary of the affordable housing nonprofit, Mercy Housing, Inc. (MHI), headquartered in Denver, Colorado. For more information, please visit mercyloanfund.org.

Our mission is to create stable, vibrant, and healthy communities by developing, financing, and operating affordable, program-enriched housing for families, seniors, and people with special needs who lack the economic resources to access quality, safe housing opportunities.



mercyHOUSING

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303.830.3386 | mercyhousing.org/mercyloanfund

The financial information included in this presentation is preliminary, unaudited, and subject to revision upon completion of Mercy Housing's closing and 2017 audit processes. This financial information should not be considered a comprehensive representation of Mercy Housing's cash generation performance. Note that information normally included in complete financial statements prepared in accordance with generally accepted accounting principles (GAAP), notably a statement of financial position, a statement of activities, a statement of cash flows, a statement of changes in net assets, and related footnote disclosures, have not been provided. In addition, the financial information for Mercy Loan Fund is presented on a stand-alone basis and does not reflect adjustments made in accordance with GAAP to consider the impact of consolidation of entities under common control or elimination of transactions with related entities.