MERCY LOAN FUND

home is just the beginning

2013 ANNUAL REPORT

Letter to Our Supporters
Mercy Loan Fund 2013 Highlights
Chimes Terrace
2013 Investors, Donors and Borrowers
Mercy Loan Fund Oversight
To Our Supporters

The work we do at Mercy Loan Fund benefits low-income residents and lends a hand to lift them out of poverty. This year Carlos, an eight-year-old boy from Mercy Loan Fund financed apartments in Durango, Colorado, demonstrates the value of a quality, safe place to call home. When asked if he liked his rehabilitated home, Merced de Las Animas developed by Mercy Housing, he said, “My house makes me feel safe. This is the best place I’ve ever been…” When we visited he was playing outside with other kids from Merced, introduced us to his sister, Nyema, age five, and told us that he wanted to be a doctor when he grew up to help his family and help others. Mercy Loan Fund financed $2 million to preserve 50 units of affordable housing with over 50% of the residents being women-headed households. Home is just the beginning.

In 2013 Mercy Loan Fund continued its work of nearly three decades with steady, consistent and superior mission and financial results. Some key highlights are:

• $15.6 million in loans to 11 affordable housing apartments with 707 units serving 1,040 residents.
• Over $3 million in operating revenue achieving a 102% self-sufficiency ratio with 8 out of the last 9 years reaching this milestone.
• Achieved over $10 million in Net Assets for the first time in our history indicating a strong financial position.
• Introduced a new initiative – Building Healthy Communities – and financed two Assisted Living facilities in Illinois and Ohio totaling just over $2 million to support 135 residents. More are in the works.
• Our lending focus continues with our Preserving Lives and Neighborhoods (PLAN) initiative. Our three-year total since we launched PLAN is $39 million lent to preserve over 1,797 units serving 3,114 residents.
• Throughout the year we raised $2.6 million in new capital and ended the year with 142 investors.
• With respect to community impact, all of our loans served people earning 80% of area median income including 30% earning less than 30%. Importantly, residents of apartments financed by Mercy Loan Fund in 2013 saved over $3.7 million because of the below-market rate rents.

Home is just the beginning. With a quality, safe place to live, people can take the next steps to better health, employment, education and transportation. A heartfelt “thank-you” to our borrowers, investors, donors and the residents we serve.

Live in Hope,

Julie Gould
President

Adrienne Crowe
MLF Board Chair
2013 Highlights

Mercy Loan Fund

1,000+ people now have homes in 700 units by closing 11 loans worth $15.5+ million. All residents housed were at or below 80% of Area Median Income, with 53% considered extremely low or very low income.

For every $1 invested, Mercy Loan Fund leverages nearly $8.

NEARLY $3 MILLION RAISED IN NEW OR INCREASED CAPITAL

Loan Type (Ever to Date)

- Mortgage 5%
- Acquisition 26%
- Line of Credit 10%
- Predevelopment 12%
- Construction 23%
- Bridge 16%

Residents Served (Ever to Date)

- Families 74%
- Seniors 16%
- Farmworkers 5%
- Special Needs 2%
- Formerly Homeless 2%
- Native American 1%

Investor Type

- Banks 35%
- Religious Health Systems 22%
- Other 4%
- Government 3%
- Individuals 2%
- Corporations 1%
- Religious Institutions 33%

Units Financed by Area Median Income

- Low 47%
- Very Low 23%
- Extremely Low 30%

Impact

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Loans ever to date</td>
<td>490</td>
</tr>
<tr>
<td>Total Amount Loaned ever to date</td>
<td>$237 Million</td>
</tr>
<tr>
<td>Total Leveraged ever to date</td>
<td>$1.6 Billion</td>
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<tr>
<td>Number of Loans ever to date</td>
<td>38</td>
</tr>
<tr>
<td>Number of Communities ever to date</td>
<td>173</td>
</tr>
<tr>
<td>Total Units ever to date</td>
<td>10,050</td>
</tr>
<tr>
<td>Total Residents ever to date</td>
<td>5,136</td>
</tr>
<tr>
<td>Total Household Savings in Rent in 2013*</td>
<td>$357,000,000</td>
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<tr>
<td>Total Homeownership Savings in 2013**</td>
<td>$12,000</td>
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</tbody>
</table>

* 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
Mercy Loan Fund understands the importance of building strong relationships with its borrowers as they strive to meet our nation’s housing challenges. Many of these partnerships have resulted in collaboration of multiple developments. In the past 10 years, Mercy Loan Fund has provided multiple loans to 30 percent of its borrowers.

National Church Residences is one such affordable housing development partner. This not-for-profit organization supports the housing needs of low- and moderate-income seniors, families and adults, the homeless, persons with disabilities, and a host of supportive health care services. With a total of 330 communities in 28 states and Puerto Rico, National Church Residences operates five continuing care retirement communities and is the nation’s largest not-for-profit developer and manager of affordable senior housing.

Having provided two loans to National Church Residences, Mercy Loan Fund was recently approached by the entity for a new loan to help finance a residential care facility. Mercy Loan Fund was excited to be a part of this project that aligns with its strategic goal of building healthy communities.

The property, Chimes Terrace in Johnstown, Ohio, is a rental property consisting of 60 units of affordable housing for the elderly. National Church Residences has preserved the property as affordable housing for the elderly and is creating opportunities for the residents to age in place. In pursuit of the organization’s preservation objectives, National Church Residences applied for and was awarded an Assisted Living Conversion Program grant for the rehabilitation and conversion of 24 of the property’s units to Assisted Living. These units will be licensed as a residential care facility and National Church Residences will rehabilitate the remaining 36 units using Low Income Housing Tax Credits. This is the country’s first Assisted Living Conversion Program grant to be combined with Low Income Housing Tax Credits. At the time National Church Residences applied for the grant, the requested amount would have covered all the costs. Due to an increase in construction costs, there was a gap in the total costs. Mercy Loan Fund’s loan covers that gap.

Assisted Living facilities cater to residents who need assistance with Activities of Daily Living on a frequent basis, but do not have a high enough level of infirmity to warrant residence at a nursing facility. As the residents at Chimes Terrace age, their independence decreases and their need for supportive services increases. The once independent elderly residents now need assistance with several Activities of Daily Living.

Mercy Loan Fund values the relationships it has built with National Church Residences and all of its borrowers over the years, and looks forward to collaborating on more developments in the future.
2013 Investors, Donors & Borrowers

Mercy Loan Fund thanks our 2013 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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