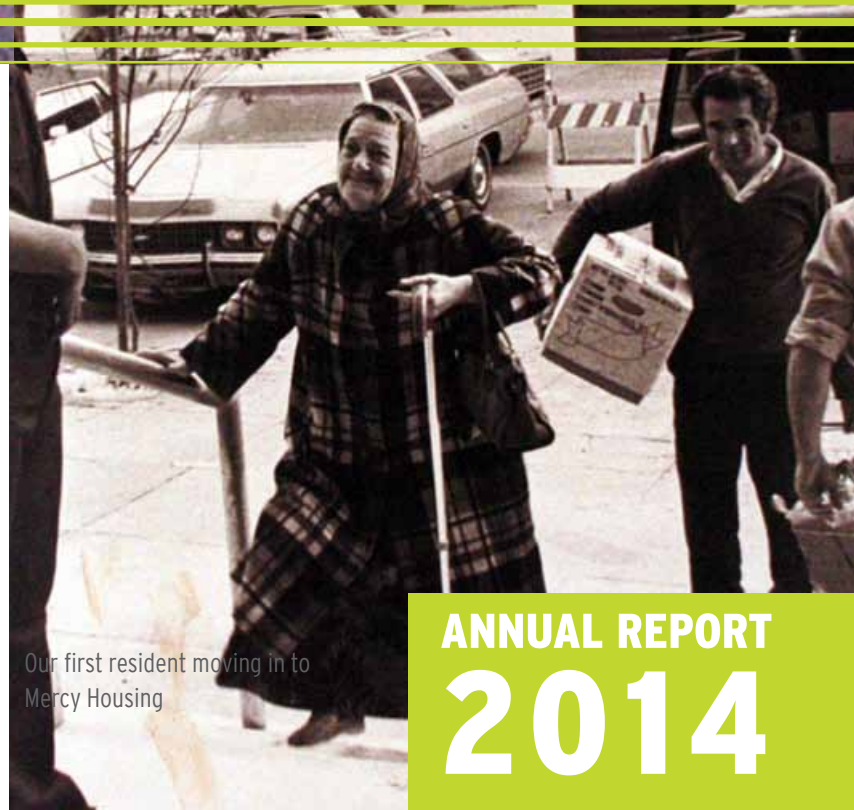




# MERCY LOAN FUND



Our first resident moving in to  
Mercy Housing

ANNUAL REPORT  
**2014**

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

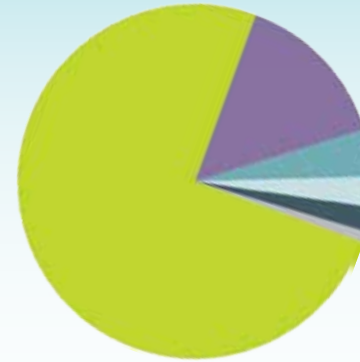


# the IMPACT

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

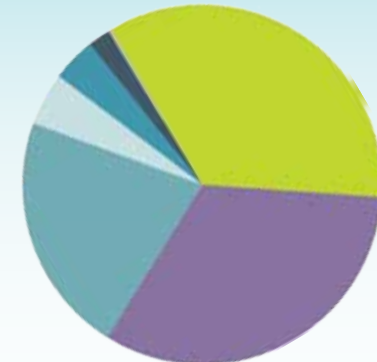
\*Difference between the average annual market rent and the average annual restricted rent  
 \*\*Difference between the average market sale price and the average affordable sale price

|                            |  |
|----------------------------|--|
| <b>BORROWERS</b>           | Nonprofits, public housing authorities, & mission driven for-profit organizations  |
| <b>DEBT COVERAGE RATIO</b> | Minimum 1.20   |
| <b>RATE</b>                | Typically 5.5%-7%  |
| <b>MAX LOAN AMOUNT</b>     | Up to \$4MM  |
| <b>TERM</b>                | Up to 10 years; prefer 3 years   |
| <b>AFFORDABILITY</b>       | Not to exceed 80% AMI, lower preferred   |
| <b>MAXIMUM LTV</b>         | 90% for improved real estate, 60% for raw land                                     |
| <b>SECURITY</b>            | First or subordinate Deed of Trust/Mortgage lien; other security may be considered |



**RESIDENTS SERVED**

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



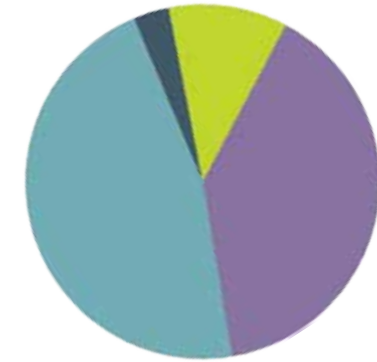
**INVESTOR TYPE BY AMOUNT**

- 34% Banks
- 33% Religious Institutions
- 22% Religious Health Systems
- 5% Government
- 4% Other
- 3% Individuals
- <1% Foundations



**TYPE OF LOAN**

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

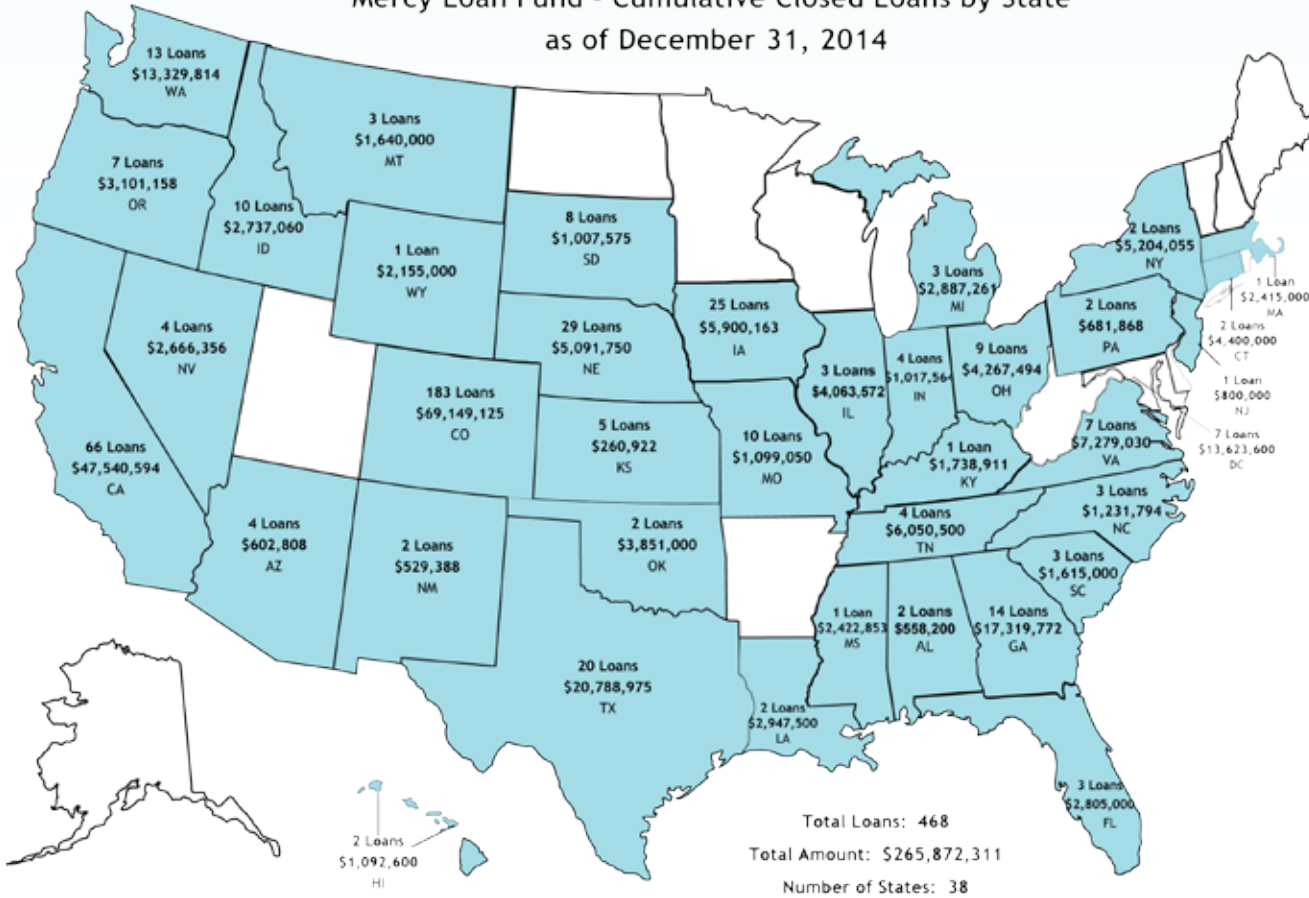


**UNITS FINANCED BY MEDIAN INCOME**

- 11% Extremely Low (0-30% AMI)
- 40% Very Low (31-50% AMI)
- 46% Low (51-80% AMI)
- 3% Moderate (81-120% AMI)

# YEAR IN REVIEW

Mercy Loan Fund - Cumulative Closed Loans by State  
as of December 31, 2014



## 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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Colorado Housing and Finance Authority

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National Equity Fund, Inc.

**L. Steven Spears**  
Mercy Housing, Inc.

**Rich Statuto**  
Bon Secours Health System

**Michael Walker**  
U.S. Bancorp Community Development Corp.

**Maureen Warren**  
Lutheran Social Services of Minnesota

**Sister Linda Werthman, RSM (Chair)**  
Sisters of Mercy of the Americas, West Midwest Community

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Independent Consultant

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Kathleen Foster & Associates

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**Rob Rose**  
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**Sister Kathy Thill**  
Sisters of Mercy of the Americas, West Midwest Community



## INVESTORS

Adorers of the Blood of Christ, U.S. Province (St. Louis, MO)  
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Archdiocese of Omaha (NE)  
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Atlantic-Midwest Province Endowment Trust (Baltimore, MD)  
Banc of America Community Development Corporation  
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Congregation of the Sisters of Charity of the Incarnate Word (Houston, TX)

Congregation of the Sisters of Mercy, US Province (Redlands, CA)  
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Congregation of the Sisters, Servants of the Immaculate Heart of Mary (Scranton, PA)  
Conrad N. Hilton Fund for Sisters  
Convent of the Sisters of St. Joseph, Chestnut Hill (PA)  
James Cox and Gary George  
Daughters of Charity, East Central (Evansville, IN)  
Daughters of Charity Ministries (St. Louis, MO)  
Daughters of the Holy Spirit Charitable Trust  
Dignity Health  
Dominican Sisters of Mission San Jose (Fremont, CA)  
Dominican Sisters of Oakford (CA)  
Dominican Sisters of Peace, Inc.

Dominican Sisters of San Rafael (CA)  
Anne Else  
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Benjamin Etheridge  
Everence Community Investments, Inc.  
Father Judge Charitable Trust  
Federal Home Loan Bank of Topeka  
Franciscan Friars-Province of St. John the Baptist (Cincinnati, OH)  
Franciscan Friars - TOR of Hollidaysburg, PA  
Franciscan Sisters of Little Falls, MN  
Franciscan Sisters of Mary (Bridgeton, MO)  
Franciscan Sisters of Perpetual Adoration (LaCrosse, WI)  
The Gadfly Trust  
Glenmary Home Missioners  
Julie Gould  
Grey Nuns of the Sacred Heart (Yardley, PA)  
I.H.M. Congregation Charitable Trust (Scranton, PA)

Jesuits of the Missouri Province  
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Katherine Perls Trust  
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Little Company of Mary Sisters (Evergreen Park, IL)  
Maryknoll Sisters  
Medical Mission Sisters (Philadelphia, PA)  
Mercy Partnership Fund  
Missionary Sisters Servants of the Holy Spirit (Techny, IL)  
Missionary Society of St. Paul the Apostle (Jamaica Estates, NY)  
Nazareth Literary and Benevolent Institution (Nazareth, KY)  
Northern Trust  
North American Province of the Cenacle (Chicago, IL)  
Occupational Training Services, Inc.  
Our Lady of Victory Missionary Sisters (Huntington, IN)

Perrault Family Survivor Trust  
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Sandy Polishuk  
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Racine Dominicans (Racine, WI)  
Redemptorists-Denver Province (CO)  
Religious Communities Investment Fund  
Religious of the Assumption North American Province (Philadelphia, PA)  
Religious Sisters of Charity (Culver City, CA)  
Client of The Rikoon Group  
Sacred Heart Monastery (Yankton, SD)  
SC Ministry Foundation (Cincinnati, OH)  
School Sisters of Notre Dame of the Central Pacific Province  
School Sisters of St. Francis - US Province  
Servants of the Blessed Sacrament (Waterville, ME)  
Sisters of Bon Secours USA (Marriottsville, MD)

Sisters of Charity of Leavenworth (KS)  
Sisters of Charity of Leavenworth Health System (KS)  
Sisters of Charity of New York (Brooklyn, NY)  
Sisters of Charity of the Blessed Virgin Mary (Dubuque, IA)  
Sisters of Loretto (Nerinx, KY)  
Sisters of Mercy of the Americas (Silver Spring, MD)  
Sisters of Mercy of the Americas New York, Pennsylvania, Pacific West Community, Inc.  
Sisters of Mercy of the Americas Northeast Community  
Sisters of Mercy of the Americas South Central Community, Inc.  
Sisters of Mercy of the Americas West Midwest Community, Inc.  
Sisters of Mercy of the Mid-Atlantic Community, Inc.

# 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.

Sisters of Notre Dame de Namur, California Province  
Sisters of Notre Dame of Chardon, Ohio  
Sisters of Notre Dame, Thousand Oaks, California  
Sisters of Providence of Saint Mary-of-the-Woods (IN)  
Sisters of St. Francis (Oldenburg, IN)  
Sisters of St. Francis Charitable Trust (Santa Maria, CA)  
Sisters of St. Francis of Dubuque (IA)  
Sisters of St. Francis of the Neumann Communities (NY)  
Sisters of St. Francis of Philadelphia (PA)  
Sisters of St. Francis of Rochester, Minnesota  
Sisters of St. Francis of the Immaculate Conception (West Peoria, IL)  
Sisters of St. Francis of Tiffin, Ohio  
Sisters of St. Joseph of Carondelet, Albany Province (Latham, NY)

Sisters of St. Joseph of Carondelet, Generalate (St. Louis, MO)  
Sisters of St. Joseph of Carondelet, Los Angeles Province  
Sisters of St. Joseph of Carondelet, St. Louis Province  
Sisters of St. Joseph of Concordia (KS)  
Sisters of St. Joseph of Orange (CA)  
Sisters of St. Louis, California Region  
Sisters of the Holy Cross (Notre Dame, IN)  
Sisters of the Holy Family (Fremont, CA)  
Sisters of the Holy Names of Jesus and Mary U.S. - Ontario Province  
Sisters of the Humility of Mary HM  
Alternative Loan Fund (Villa Maria, PA)  
Sisters of the Most Precious Blood (O'Fallon, MO)  
Sisters of the Order of St. Benedict (Rock Island, IL)  
Sisters of the Order of St. Dominic, Amityville (NY)

Sisters of the Presentation of the Blessed Virgin Mary, Inc. (New Windsor, NY)  
Sisters of the Visitation of the Immaculate Heart (Dubuque, IA)  
Sisters Servants of the Immaculate Heart of Mary (Monroe, MI)  
Society of Mary (Dubuque, IA)  
Society of the Divine Word, Chicago Province (IL)  
Society of the Holy Child Jesus (Rosemont, PA)  
Society of the Precious Blood (Dayton, OH)  
St. Joseph Health System  
Byron and Lee Stookey  
Clients of Trillium Asset Management  
Trinity Health  
Ursuline Provincialate, Central Province of the United States  
Ursuline Sisters of Mount St. Joseph (Maple Mount, KY)

Ursuline Society and Academy of Education  
US Bancorp Community Development Corporation  
USDA Rural Development  
Visitation Monastery of St. Louis (MO)  
Wells Fargo  
Weston Priory (Weston, VT)  
Wheaton Franciscan Sisters Corp. (Wheaton, IL)  
Barry Zigas and Jodie Levin-Epstein

## DONORS

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Community Development Financial Institutions Fund, US Dept. of Treasury  
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David Taltou  
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Pamela Todd  
Richard Tondreau  
Trinity Health  
Dan Willerth  
Aaron Williams  
Andrew Williams  
Alisa Wilson

ANNUAL REPORT  
2014

## BORROWERS

The Affordable Housing Group of North Carolina, Inc. (NC)  
AIDS Housing Alliance (CA)  
Albemarle Housing Improvement Program (VA)  
Aletheia House (AL)  
Almost Home, Inc. (CO)  
American Housing Opportunity Fund (DC)  
Andrews Gardens, Inc. (IN)  
Atlanta Neighborhood Development Partnership, Inc. (GA)  
Bethphage Mission, Inc. (NE)  
Better Housing Coalition of Richmond (VA)  
Blackshear Neighborhood Development Corporation (TX)  
Boulder County Housing Authority (CO)  
Boulder Housing Partners (CO)  
Boys' and Girls' Club of Newark, Inc. (NJ)  
Brother's Redevelopment, Inc. (CO)  
Cabrillo Economic Development Corporation (CA)

Candle Development (CA)  
Center for Independent Living Development, Inc. (CO)  
Cesar Chavez Foundation (TX)  
Chesapeake Community Advisors, Inc. (MD)  
Chesney-Kleinjohn Housing, Inc. (CO)  
Chestnut Neighborhood Revitalization Corp. (TX)  
Clackamas Community Land Trust (OR)  
Colorado Bluesky Enterprises, Inc. (CO)  
Colorado Rural Housing Development Corporation (CO)  
Columbia Cascade Housing Corporation (OR)  
Community Housing Capital  
Community Housing Development Association, Inc. (CO)  
Community Housing Improvement Systems & Planning Association, Inc. (CHISPA) (CA)  
Community HousingWorks (CA)

Community Preservation and Development Corporation (DC)  
Community Services of Arizona (AZ)  
Dallas City Homes, Inc. (TX)  
East Central Kansas Economic Opportunity Corporation (KS)  
Elkhorn Valley Community Development Corporation (NE)  
The Empowerment Program, Inc. (CO)  
Enterprise Community Partners  
Episcopal Community Services of San Francisco (CA)  
First Baptist Church of Clarendon (VA)  
First Unitarian Church of Los Angeles (CA)  
Florida Community Loan Fund (FL)  
Florida Low Income Housing Association (FL)  
Franklinton Development Association (OH)  
Friendly Neighbors Cooperative Association, Inc. (DC)  
Gardenside Terrace Cooperative, Inc. (IN)  
Golden Home Corporation (CO)

Grace Partners (NV)  
Grand County Housing Authority (CO)  
Greccio Housing Unlimited, Inc. (CO)  
Greenwood Apartments, Inc. (IN)  
Guadalupe Neighborhood Development Corporation (TX)  
Habitat for Humanity of Bucks County (PA)  
Home Opportunities Made Easy, Inc. (HOME) (IA)  
Hope Communities, Inc. (CO)  
Hope House of Colorado (CO)  
Housing Authority of the City of Leadville, Colorado  
Human Resources Council District XII (MT)  
Inner City Community Development Corporation (CO)  
Intercommunity Housing (WA)  
4620 Iowa Avenue NW Cooperative Association, Inc. (DC)  
Jasper County Neighbors United (SC)  
Lakefront Supportive Housing (IL)  
Las Marias Cooperative, Inc. (DC)

Lumber River Housing Development, Inc. (NC)  
Lutheran Social Services of Colorado (CO)  
Lutheran Social Services of Michigan (MI)  
Mainstream Housing, Inc. (OR)  
Mercy Housing  
Mercy Management Services (CO)  
MidAmerica Housing Partnership (IA)  
Mt. Auburn Housing, Inc. (OH)  
Missoula Housing Authority (MT)  
Monroe Group, LTD  
Mount Moriah Development Corporation, Inc. (OH)  
Mountain Regional Housing Corporation (CO)  
National Affordable Housing Network (MT)  
National Caucus and Center on Black Aged, Inc. (DC)  
National Church Residences (OH)  
NeighborWorks New Horizons  
NEWSSED Community Development Corporation (CO)

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Opportunities Industrialization Centers (PA)  
Opportunity In Living, Inc. (CO)  
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ROC USA Capital  
Rocky Mountain HDC, Inc. (CO)  
Rural Community Assistance Corporation  
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San Antonio Alternative Housing Corporation (TX)

# thank you

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San Diego Community Housing Corporation (CA)  
Self Help Housing Corporation of Hawaii (HI)  
Senior Housing Options, Inc. (CO)  
Sioux Falls Environmental Access (IA)  
Soledad Local Development Corporation (CA)  
South Rome Redevelopment Agency (GA)  
Southern Mutual Help Association, Inc. (LA)  
St. Charles Town Company (CO)  
St. Mary's Development Corp. (OH)  
Thistle Community Housing (CO)  
Tri-County Housing and Community Development Corporation (CO)  
Trinity Village Nonprofit Housing Corporation (MI)  
Unity Cooperative Association, Inc. (DC)  
USA Properties Fund, Inc. (CA)  
Valley Assisted Living, Inc. (CO)

Vitality Center (NV)  
Wake Health Services (NC)  
Wakeland Housing and Development Corporation (CA)  
Washtenaw Affordable Housing Corporation (MI)  
West Central Housing Development Organization (CO)  
Women Organizing Resources, Knowledge and Services (W.O.R.K.S.) (CA)  
Woodbine Community Organization, Inc. (TN)  
Yamhill Community Development Corporation (OR)

