



# 2015

**MERCY LOAN FUND  
ANNUAL REPORT**





Dear Partner in Hope,

As the affordable housing crisis continues, and in many places worsens, we at Mercy Loan Fund (MLF) are working with renewed energy to make American communities more equitable, by lending to socially responsible affordable housing developers and others committed to creating essential infrastructure projects.

2015 was an exceptionally active year in pursuit of this goal. In partnership with like-minded organizations who share a vision of a society in which every person has the ability to live up to their full potential, our remarkable eight-person team closed 17 transactions in the amount of \$17.3 million, leveraging nearly \$200 million in total development costs. In doing so, we helped preserve or create 1,626 affordable homes, bringing our historical total to nearly 30,000 homes.

These homes are located in diverse places: in partnership with ROC USA, we financed a resident-owned community in Elmwood, Wash. Working with Heartland Housing, Inc., we were able to preserve more than 100 affordable homes at Leland Apartments, located in the Uptown neighborhood of Chicago, IL. And together with the Low Income Investment Fund, we provided \$1 million of predevelopment funding to Abode Communities, a nonprofit developer working in Wilmington, CA. These loans are just a few of many we made nationwide in our effort to revitalize communities.

We ended the year with \$46 million in loans outstanding, exceeding our goal by \$6 million and setting a new MLF record for portfolio size. We had a 99 percent renewal rate on our investments, and raised \$5.7 million in new or increased capital. And for the first time, we obtained \$10 million in flexible capital from the following partners: the Federal Home Loan Bank of Topeka, Deutsche Bank, and Capital One. This flexible capital transformed our approach to cash management and helped us grow our portfolio, improve our liquidity and profitability, and expand our impact.

In my first year as MLF President, I have found myself repeatedly humbled by the scope of work that remains to be done, and invigorated by those that help us do it: our partners, our affiliates, and the communities we serve. I also want to extend a special thanks to the MLF team; I feel honored to work with such a dedicated, hardworking group of people.

As issues of inequality continue to dominate national conversations, I remain positive that we can come together and take steps toward fixing society's most seemingly intransigent problems.

I echo the words of one of Mercy Housing's founders, Patricia O'Roark, when I say, "We can do better."

A handwritten signature in blue ink, appearing to read "Jason Battista".

Jason Battista  
President  
Mercy Loan Fund

For three decades, Mercy Loan Fund, a certified Community Development Financial Institution (CDFI), has provided capital to socially responsible developers in support of affordable housing and essential community projects.



## MLF BOARD

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## LOAN REVIEW COMMITTEE

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

**Mark Welch**  
Affordable Advisors LLC

## HIGHLIGHTS

Closed 17 loans totaling \$17.3 million, leveraging nearly \$200 million in total development costs.

\$5.7 million raised in new or increased capital.

Financing helped to provide over 1,600 homes for 3,200 low-income residents, resulting in a total annual household savings of \$5,759,000.

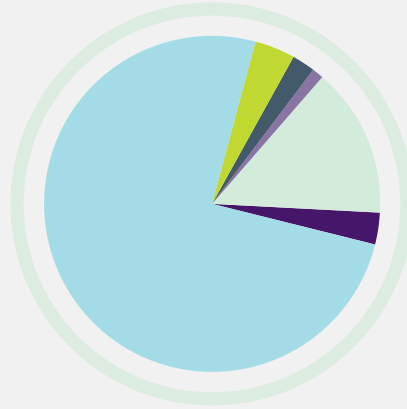
Maintained our very strong "AA2" rating from Aeris, a third-party rating agency.



Mercy Loan Fund was the first CDFI loan fund to become a member of the Federal Home Loan Bank of Topeka.

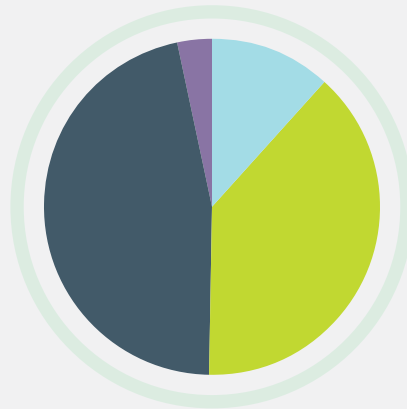
# By the Numbers

## RESIDENTS SERVED ever to date



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

## UNITS FINANCED by median income



- Extremely Low (0-30% AMI) **19%**
- Very Low (31-50% AMI) **36%**
- Low (51-80% AMI) **41%**
- Moderate (81-120% AMI) **4%**

## OUR LOAN TERMS

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

**RATE:** Typically 5.5% – 7%

**TERM:** Up to 10 years; prefer 3 years

**MAXIMUM LTV:** 90%

**DEBT COVERAGE RATIO:** Minimum 1.20

**MAX LOAN AMOUNT:** Up to \$5MM

**AFFORDABILITY:** Not to exceed 80% AMI, lower preferred

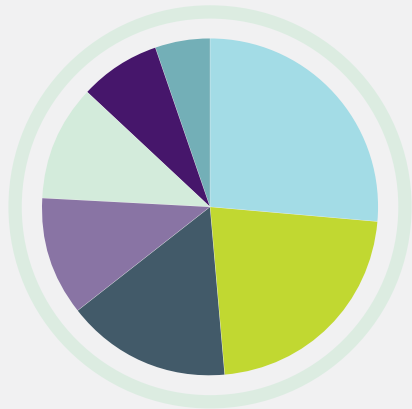
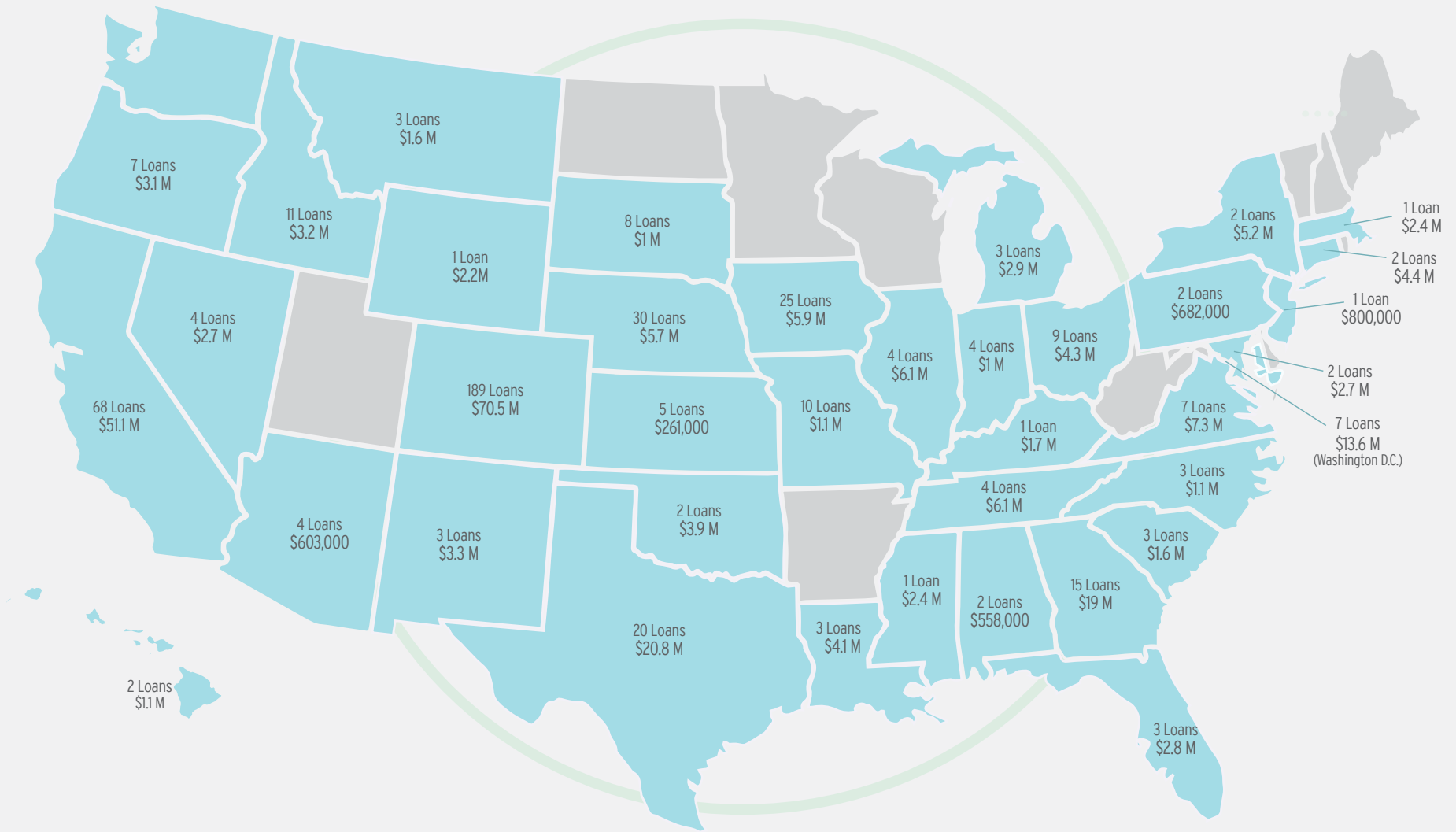
**SECURITY:** First or subordinate Deed of Trust/ Mortgage lien; other security may be considered

Rates and terms are negotiable and can vary, depending on loan request.

**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 2015\*:** \$3,363,483  
**TOTAL HOMEOWNERSHIP SAVINGS IN 2015\*\*:** \$3,201,076

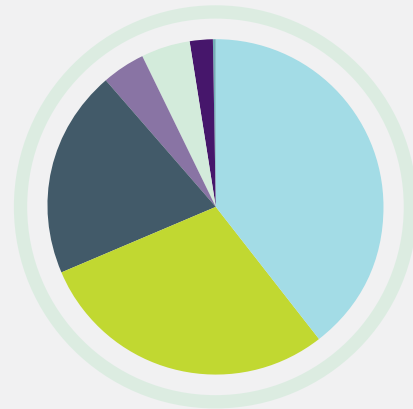
\*Difference between the average annual market rent and the average annual restricted rent

\*\*Difference between the average market sale price and the average affordable sale price



### TYPE OF LOAN

- Acquisition **27%**
- Construction **22%**
- Bridge **16%**
- Predevelopment **11%**
- Line of Credit **11%**
- Other **8%**
- Mortgage **5%**



### INVESTOR TYPE by amount

- Banks **40%**
- Religious Institutions **29%**
- Religious Health Systems **20%**
- Government **4%**
- Other **5%**
- Individuals **2%**
- Foundations **<1%**

# Loan Spotlight

## LELAND APARTMENTS

In 2015, Mercy Loan Fund partnered with Heartland Housing, Inc. to preserve The Leland, a 137-unit community for people who have experienced homelessness and people with low incomes in Chicago's Uptown neighborhood.

The previous debt on the property had a high interest rate, and the property had been struggling to maintain positive cash flow. MLF helped preserve The Leland by purchasing the existing note, reducing the interest rate, and re-amortizing the outstanding loan balance over 30 years. The lowered interest rate will help the community save more than \$48,000 annually.

Featured on the National Register of Historic Places, The Leland includes 14 homes subsidized by the Chicago Housing Authority under a Section 8 HAP contract, as well as 50 homes subsidized by the US Department of Housing and Urban Development's Supportive Housing Program, which gives formerly homeless residents a safe environment in which they can receive supportive services, build skills, and plan a path forward.

This approach is based on the philosophy of harm reduction, which helps participants identify and decrease high-risk behaviors and increase healthy behaviors. The outcomes for residential services confirm their effectiveness: 97 percent of residents adhere to their psychiatric medications and 100 percent of those recently discharged remain housed 60 days later. Services are provided by Heartland Health Outreach, a nonprofit that provides healthcare for Chicago's homeless and underserved communities.

"Because of Mercy Loan Fund, Leland Apartments now has strong financial footing that will help ensure it remains quality, affordable housing for years to come," said Michael Goldberg, Executive Director of Heartland Housing. "The Mercy Loan

**HEARTLAND**  
**ALLIANCE**  
HOUSING

Fund team's dedication and the creative solutions they came up with demonstrate why they are leaders in the field, and make them critical partners in social innovation."

THANK YOU

MLF

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BORROWERS &  
PARTNERS

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 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  
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 Trinity Health  
 Ursuline Provincialate, Central Province of the United States  
 Ursuline Society and Academy of Education

»»» US Bancorp Community Development Corporation  
 USDA Rural Development  
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 Wells Fargo  
 Wheaton Franciscan Sisters Corp. (Wheaton, IL)  
 Barry Zigas and Jodie Levin-Epstein

## BORROWERS & PARTNERS

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 The Affordable Housing Group of North Carolina, Inc. (NC)  
 AIDS Housing Alliance (CA)  
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 Missoula Housing Authority (MT)  
 Monroe Group, LTD  
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 National Affordable Housing Network (MT)  
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