



2010

ANNUAL REPORT

The mission of NeighborWorks® Capital (NC) is to serve NeighborWorks organizations (NWOs) by developing and enhancing resources for the acquisition, development, sale, financing, or ownership of affordable for-sale and rental properties and commercial projects. NC's exclusive purpose is to support the real estate development projects of these NWOs in their missions to preserve and create affordable housing opportunities for low and moderate income households, and to re-invest in deteriorated or otherwise blighted or economically depressed areas.

Lending Activity

At its tenth anniversary, and third year of consolidated operations, NeighborWorks® Capital is pleased to report on the results of 2010. Over half of loans that NeighborWorks® Capital (NC) originated were with new NWO customers. Demand for NC's loan products has grown significantly and we have responded by originating more loans in 2010 than at any time in our history. In the past two years we have been the preferred related capital corporation, serving more network organizations with more loan products. In 2010, NC has:

- ⊙ Provided predevelopment, acquisition and mini-perm loans to **17 projects for 1,168 rental and for-sale housing units**, of which 91% were affordable to individuals earning below 80% of area median income
- ⊙ Closed our first **Mini-Perm loans** to assist two NWOs: first, for solar panels for their office and rental housing common area; and second, for acquisition of a 125 unit high-rise rental project and repairs to reduce utility costs
- ⊙ Originated **\$16.7 million in loans, leveraging \$263 million in permanent financing** (16:1 leverage)
- ⊙ **Awarded \$225,000** from Home Depot Foundation to provide grants to assist NWOs complete green capital needs assessments and post installation monitoring equipment in tandem with NC's Mini-Perm Property Improvement and Renewable Energy loan products
- ⊙ **Awarded \$750,000** in capital from U.S. Department of Treasury's CDFI Fund
- ⊙ By volume, loans committed are geographically dispersed across the NeighborWorks network - located in major urban (72%), minor urban (9%), and rural (19%) communities.

Lending Data

Our goal is to provide affordable, flexible and innovative financing to our customers, provide financing solutions to address the changing real estate and credit markets, and to be more relevant and impactful with our loans. In 2010, this led to the addition of four new Mini-Perm products for acquisition, preservation and greening of rental housing.

In the past 10 years NeighborWorks® Capital has supported network members in the creation or preservation of:

 **8,111 units of affordable rental or for-sale housing , and**
 **425,000 square feet of office, retail and community space**

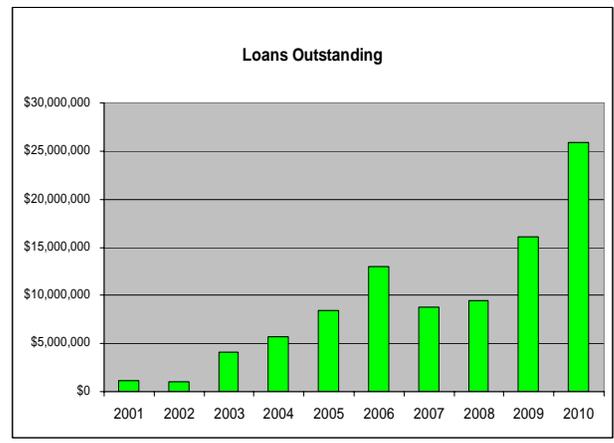
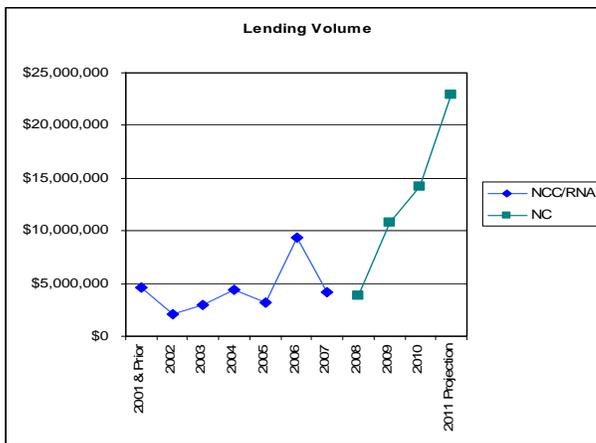
Since inception, NC's loan volume of **195 loans, totaling \$63.2 million**, has provided critical predevelopment and acquisition loan capital to catalyze important community projects throughout the country, **leveraging \$1.2 billion in permanent financing**. In alignment with NeighborWorks America's Strategic Goals to increase housing production, over 20% of the for-sale or rental projects started by NWOs over the past two years borrowed from NC for predevelopment or acquisition loans. NC is the only related capital corporation that will finance office, retail and community facilities. In that same timeframe, **NC has been able to increase its NWO customer base by 25%!**

Experience That Matters

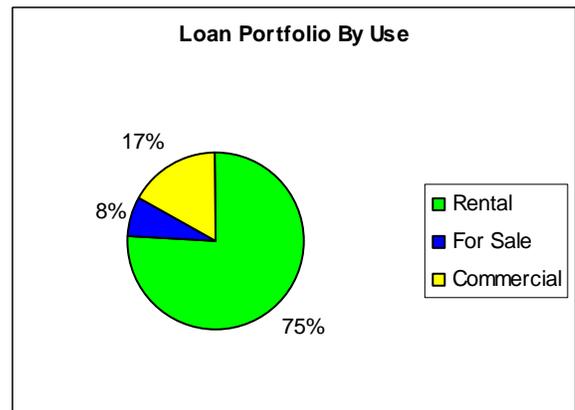
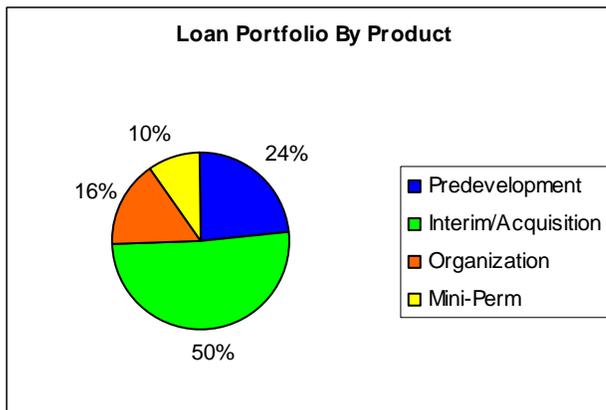
The NC team has grown, adding decades of additional experience in the following practice areas:

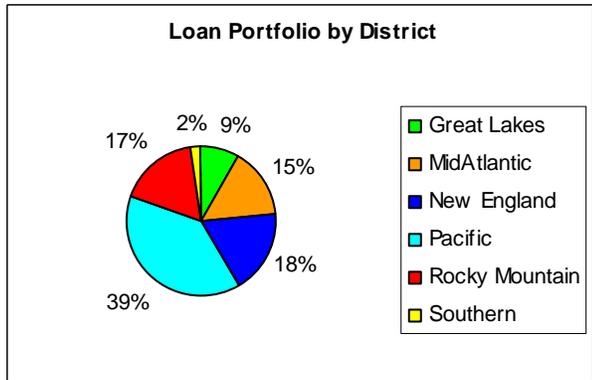
-  Acquisition, rehab and new construction of rental, for-sale and self-help housing and mixed-use projects.
-  Federal, state and local affordable housing finance, investment and subsidy programs
-  Property, asset and loan management
-  Organizational financing and analysis

Our growing portfolio reflects the emerging pipeline activities of the NWOs, availability of permanent financing and public subsidy programs, and the relevant feasibility of for-sale and rental housing in recovering real estate markets. NeighborWorks® Capital's extensive product mix combined with our reputation for timely approval and closing is demonstrated by our year-over-year increases in lending. Starting in 2009, NC has experienced unprecedented growth of 181% in its lending program over 2008, followed in 2010 with an increase of 31% over 2009. For 2011 we project a continued increase in demand of 62%! At year end 2010, NeighborWorks Capital had \$26 million in loans outstanding.



Along with the growth of the portfolio there is more diversification by product, by use and by geography. In the three charts below the loan portfolio statistics demonstrate the product mix, product uses and the districts in the NeighborWorks network.





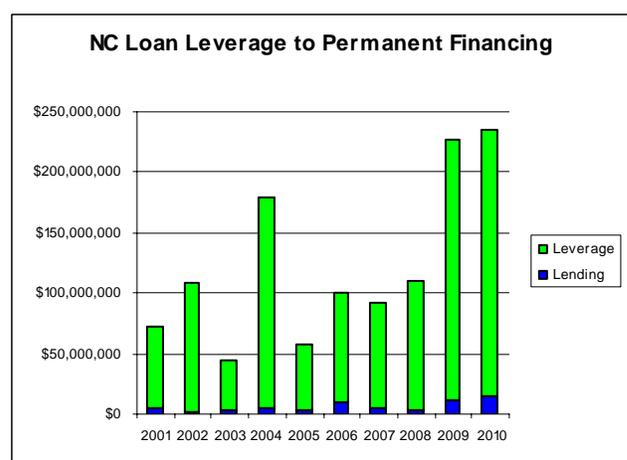
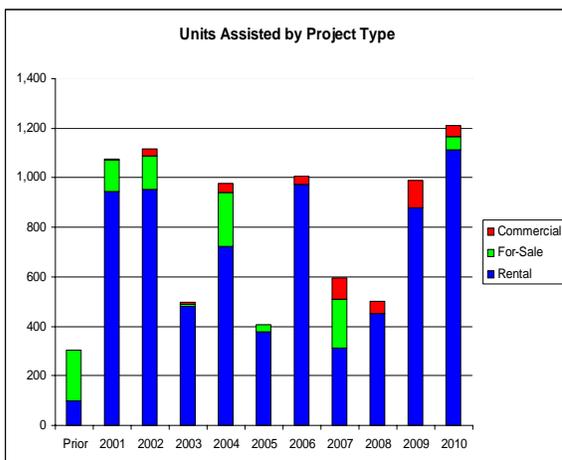
Capital

In order to increase our impact requires additional loan capital from our community development partners. In 2010, NC has raised \$9.6 million in new capital, building on \$9.8 million raised in the previous two years, bringing our capital base to almost \$30 million. Contributing to that growth included new capital commitments from Bank of America (\$4 million) and TD Bank (\$1.5 million) along with additional or renewed capital from NeighborWorks America, Calvert Foundation, MacArthur Foundation and CDFI Fund. We are appreciative of these investors' confidence in our lending performance and our NWO customers.

Impact Data

NeighborWorks Capital measures its lending impact by three criteria: Housing Units/ Commercial Square Feet, Leverage of Financing, and Affordability. In 2010, NC was able to improve its community development impact:

- Assisted in creation or preservation of 1,111 rental units, 57 for-sale units and 45,000 square feet of commercial space
- For every dollar lent by NC, an additional 16 dollars of construction and permanent financing resulted from private sector lenders and government programs
- 66% of housing units financed were affordable at or below 60% of Area Median Income and 91% were affordable at or below 80% of Area Median Income



Business Plan Goals

The organization successfully met the following goals in its Business Plan set by the board of directors, which are represented by six NWO executive directors in the real estate line of business, two CDFI industry experts and senior management of NeighborWorks® America:

- ☑ Increased NeighborWorks network member awareness and utilization of NeighborWorks® Capital loan products through marketing and technical assistance
- ☑ Exceeded our lending goals by 19%, an increase of 53% over 2009
- ☑ Introduced four new Mini-Perm loan products to assist NWOs with existing rental portfolios
- ☑ Increased our market share of NWO customers in real estate line of business by 13%
- ☑ Raised \$9.6 million in new lending capital in a transitioning capital market
- ☑ Expanded our partnerships with other community development lenders to assemble \$17 million in partner capital for our customer's projects
- ☑ Increased net assets by 27%

Investors

NeighborWorks® Capital has developed several strategic partnerships with philanthropic and social investor sectors and financial institutions. Investments made directly into NC's loan fund, versus underwriting loans for other financial institutions, permits NC to design loan products of various terms and greater flexibility on rates and other terms. NC continued to raise lower-cost capital, which translates into competitive rates for our borrowers.

- ★ NeighborWorks America
- ★ Ally Bank
- ★ Bank of America
- ★ TD Bank
- ★ Calvert Foundation
- ★ MacArthur Foundation
- ★ U.S. Treasury - CDFI Fund

Partnerships with other CDFIs

NC seeks lending partnerships with local, regional and national community development lenders who are committed to affordable housing and community revitalization. Over the past two years NC has tripled these partnerships! NC is pleased to work with the following organizations, through loan participations and co-lending, to finance loans in the NeighborWorks network:

Boston Community Capital Community Housing Capital Detroit Investment Fund
Enterprise Community Loan Fund Federation of Appalachian Housing Enterprises
Housing Assistance Council Housing Partnership Fund Leviticus Fund Living Cities
LISC National Housing Trust Partners For The Common Good
Rural Community Assistance Corp.

NeighborWorks Capital's board, committee and organizational structure was defined and adopted with substantial input from the NeighborWorks network and leadership.

Board of Directors

Jeanne Pinado, President

Executive Director
Madison Park Development Corp.

Rick Goodemann, Vice President

Executive Director
Southwest Minnesota Housing Partnership

Kristin Faust, Treasurer

Director of Lending
Partners for the Common Good

Rosa Rios Valdez, Secretary

Executive Director
BCL of Texas

Peter Daly

Executive Director
Cambridge Neighborhood Apartment & Housing Services

Eileen Fitzgerald

Chief Operating Officer and Acting CEO
NeighborWorks® America

Jane Henderson

President
Virginia Community Capital

Chris Kui

Executive Director
Asian Americans For Equality

Jim Moorefield

Executive Director
Willamette Neighborhood Housing Services

Staff

Jim Ferris

Executive Director

Mark Knight

Director of Lending

Craig Hartman

Director of Finance & Administration

Loan Committee

Peter Daly - Chair

Executive Director
Cambridge Neighborhood Apartment & Housing Services

Karen Flock

Real Estate Development Director
Cabrillo Economic Development Corp.

Tom FitzGibbon, Jr.

Principal
BSI

Rick Goodemann

Executive Director
Southwest Minnesota Housing Partnership

Chris Kui

Executive Director
Asian Americans For Equality

Rosa Rios Valdez

Executive Director
BCL of Texas

Finance Committee

Kristin Faust - Chair

Director of Lending
Partners for the Common Good

Eileen Fitzgerald

Chief Operating Officer
NeighborWorks® America

Jeff Reed

Chief Financial Officer
Community Housing Partners

Ingrid Avots

Senior Loan Officer

Jey Hurd

Loan Administrator

Wendi Hoover

Office Manager