



Organizational Overview

The Housing Partnership Network is a peer network and business alliance of 92 of the nation's top-performing nonprofit housing developers, owners and lenders. Our mission is to build affordable homes, better futures and vibrant communities for low- and moderate-income people through partnerships with our member organizations, the private sector, government, and philanthropic institutions. The Network helps these strong, accomplished organizations to do more. Through our unique, member-driven model, top performing nonprofits share knowledge and innovation, pool resources to access the capital markets more efficiently, and shape policy that reflects and enhances their practice. The cooperative structure and entrepreneurial approach allow the Housing Partnership Network to design and operate enterprises that build upon the members' in-depth knowledge of local markets and communities. These social enterprises provide economic and mission benefits to our members, operate as self-sustaining entities through earned income, and--when fully ramped up--can generate net revenues that support our peer-to-peer and policy advocacy work. To date, we have formed and now operate five enterprises--the Housing Partnership Fund, Housing Partnership Insurance, Housing Partnership Ventures, Housing Partnership Securities, and the Gulf Coast Housing Partnership--which have broken new ground for the nonprofit housing industry and created a model for future endeavors.

THE GROWING AFFORDABLE HOUSING CRISIS

The shortage of affordable housing has become an acute problem that now affects most communities throughout the country--whether urban, suburban or rural. In 2005, one in three U.S. families spent more than 30% of their income on housing, and more than one in eight devoted more than half their income to rent or mortgage payments. This burden causes severe hardships that limit spending on food, medicine or economic advancement. Exacerbating this critical shortage, federally assisted affordable apartments are also being lost at an alarming rate due to conversions to market rate housing. Quality affordable homes are the foundation from which low- and moderate-income families can build secure lives and enter the economic mainstream. In stable homes connected to community networks, families can access better health care, jobs, and educational opportunities, and become engaged citizens. Affordable homes also revitalize distressed communities and support the diverse workforce needed for our growing economy.

To achieve this vision, we must develop cost-effective and performance-based approaches that leverage scarce public and private resources and bridge the structural gap between high housing costs and low family income. The Network and its members have created successful strategies to solve this challenging problem. Increasingly, governments, foundations and social investors are realizing the power and performance of the Network's partnership model. Recent recognition from Fast Company/Monitor Group (2005, 2006, and 2007 Social Capitalist awards), Yale School of Management/Goldman Sachs Foundation (one of 8 winners in the 2005 national business plan competition from among nearly 500 entries), and Investors' Circle (selected to present at their investment fair in San Francisco in 2006) is very helpful in advancing our vision and raising resources for our social enterprises.

OVERVIEW OF THE NETWORK AND OUR MEMBERS

The Network was formed in 1990 by leading practitioners of a new breed of nonprofit housing enterprise that combines the strong public purpose of a traditional nonprofit with the business sophistication of the private sector. They are committed to innovation and performance while operating as sound businesses. Rather than focusing exclusively at the neighborhood level, they operate regionally, have broad-based civic accountability, and are scalable. The Network's members forge partnerships with public and private institutions in order to finance, produce and preserve homes for low- and moderate-income residents. They take a comprehensive approach that views affordable housing as the foundation for strong families and sustainable communities. To carry out their broad missions, housing partnerships operate a wide-range of resident service and economic empowerment initiatives for the residents of their communities.

Collectively, the Network's members have achieved significant results across a wide range of affordable housing related activities. Key output indicators include:

Affordable Homes Developed	225,000	Homes Improved and Repaired	175,000
Affordable Homes Financed	280,000	Families Counseled for Homeownership	400,000
Total			1,080,000

As these figures demonstrate, Network members directly serve more than 1,000,000 families. Given an average household size of close to 3 people, our work benefits more than 3 million people.

THE NETWORK'S ACCOMPLISHMENTS AND SOCIAL ENTERPRISES

The Network combines charitable mission with private sector strategies and partnerships to achieve greater social impact and sustainability. In partnership with our members and social investors, we develop and operate enterprises that achieve three integrated goals:

1. Strengthen the business lines of housing partnerships.
2. Promote the financial sustainability and mission of the Network and its members.
3. Advance the nonprofit field through innovative demonstrations of the social enterprise model.

Our key efforts to date:

Housing Partnership Counseling. The Network is a funding intermediary for the federal housing counseling program. Since 1995, we have provided more than \$16 million in grants to 40 members, who have counseled 400,000 lower-income families—helping 90,000 buy or retain homes. We have also sponsored related initiatives in foreclosure prevention, single-family mortgage brokering, and technology. Key partners include: the US Department of Housing and Urban Development, Freddie Mac, and the Ford and Fannie Mae foundations.

Housing Partnership Fund is a \$30 million CDFI-certified lending institution that provides revolving equity-like capital for development and preservation of affordable housing. Since 2000, the fund has financed more than 12,000 affordable homes built by 25 Network members. Key partners include: Merrill Lynch, Citigroup, Bank of America, Wachovia, Deutsche Bank, HSBC, Key Bank, the Macarthur Foundation, the Treasury Department, and the US Department of Housing and Urban Development.

Housing Partnership Ventures, the Network's investment vehicle, provides equity for the start-up and expansion of our collaborative social enterprises. The Network has or will invest \$9.5 million and Merrill Lynch Community Development Company provided an \$8 million line of credit. To date, Ventures has provided member organizations \$3 million to purchase their equity in Housing Partnership Insurance, \$1 million of subordinate capital to the Housing Partnership Fund, \$2 million of equity in the Gulf Coast Housing Partnership, and \$3 million of equity in Housing Partnership Securities. Equity from Ventures has leveraged significant private sector investment in those enterprises. The Network raised the core capital for Ventures from two congressional earmarks, including a 2006 grant of \$5 million for "capitalization of its housing-related ventures." Key partners include: Congress, Merrill Lynch, and the US Department of Housing and Urban Development.

Housing Partnership Insurance, an insurance company owned through a stock corporation by 19 regional nonprofits and the Network, was launched in April 2004 and now provides property and liability coverage for 40,000 affordable apartments valued at more than \$3 billion. By pooling risk and creating financial structures to partner with international insurance carriers, it has significantly improved insurance terms and saved our member organizations more than \$1 million annually in premiums, which are reinvested in affordable housing and resident services. The insurance captive, which pioneered the cooperative ownership structure now utilized in the bond conduits, has exceeded performance expectations. Earning a 33% annual return on equity, the company is set to distribute \$1- \$2 million in dividends to its member owners in 2008. Key partners include: Lexington Insurance Company, Lloyds of London, Merrill Lynch, and IMA Financial.

Housing Partnership Securities is the nation's first nonprofit-owned bond conduit. It originates, pools, and securitizes mortgages financed through tax-exempt bonds that are used to develop or preserve affordable rental housing. The conduit offers superior performance in price, net proceeds, and ease of

execution. Eighteen of the nation's leading nonprofit developers that use tax exempt bond financing have become equity owners of the company and intend to finance a portion of their deals through the conduit. All transactions will be CRA eligible multifamily developments that are sponsored and owned by our members. We have closed \$7 million of preferred equity financing from Citigroup and Merrill Lynch, invested \$3 million of our own funds through our affiliate Housing Partnership Ventures, and negotiated a term sheet from RBC Dain Rauscher for a \$100 million warehouse line. Once a \$75 million pool is assembled, we will then securitize the bonds with a GSE guarantee or bond insurance. We have executed a \$9 million forward commitment on a tax exempt multifamily bond deal in Southern California and are underwriting a pipeline of transactions in varied markets that total \$50 million. Key partners include: Freddie Mac, Citigroup, Merrill Lynch, RBC Dain Rauscher, State Street, and Deutsche Bank.

Gulf Coast Housing Partnership was formed in January 2006 in response to the need for a strong nonprofit development company to help rebuild New Orleans and other Louisiana and Mississippi Gulf Coast communities impacted by hurricanes Katrina and Rita. GCHP's rebuilding efforts are being carried out with the active involvement of nonprofit, civic, business and governmental leaders in the affected areas. In its first year of operation, GCHP has more than 1,000 affordable rental and ownership homes under development in Louisiana and Mississippi, with the goal of creating 10,000 by 2015. Our approach is holistic, incorporating the best models of affordable housing design, community development and resident services. To carry out this ambitious goal, we created and capitalized a social enterprise that reflects the organizational learning and experience of the most successful nonprofit development corporations and one that can be a model for our field. Key partners include: Fannie Mae, Enterprise Community Partners, Freddie Mac, NeighborWorks America, and the MacArthur, Credit Suisse, and Greater New Orleans foundations.

Research Initiative for Systemic Policy Change. We are committed to promoting social entrepreneurship as an effective model for our industry and for the larger nonprofit sector. The broader vision is to change the funding and capitalization paradigm for affordable housing nonprofits. In a revamped system, resources would follow performance. Well-capitalized and sustainable nonprofits would have greater scale and market position in addressing critical social needs. In the fall of 2004, the Network launched a two-year research and policy initiative to promote systemic changes in national housing policy, regulation and funding that encourage a more entrepreneurial and sustainable nonprofit sector. The research to document and analyze the impact, performance and business model of the housing partnerships in the Network was led by the Urban Institute and is now complete and can be accessed directly from their website (<http://www.urban.org/publications/411454.html>). Key partners include: the Harvard University Joint Center for Housing Studies, the Urban Institute, and the Fannie Mae and MacArthur foundations.

STRATEGIC GROWTH PLAN

We project steady growth for the Housing Partnership Fund in 2007 - 2010, and close to a 100% increase in the portfolio and revenues of Housing Partnership Insurance. By 2010, Housing Partnership Securities will have financed \$300 million and produced more than 6,000 apartments for low-income households. In addition, we are planning to create two new capital markets ventures:

Mortgage Company. HPN is creating a member-owned mortgage company that can serve as a conduit to purchase and pool the single-family mortgage loans of members for sale on the secondary market. Its initial focus will be to develop custom products to enable nonprofits to offer fair mortgage loans to borrowers who might otherwise fall victim to high cost and/or predatory loans, and to help these borrowers refinance out of predatory loans to save their homes. In addition, the conduit will finance a broad spectrum of loans originated by our members. We project loan volume of \$50 million at start-up, growing to \$200 million annually in four years.

Charter School Financing Partnership. HPN and the leading nonprofit community development lenders in the country have joined together to form a conduit that will pioneer an efficient secondary market for charter school facilities financing. This initiative will combine the use of tax-exempt debt and asset-backed securitization to deliver affordable, fixed rate, permanent financing to charter schools. This partnership will provide \$75 million of financing annually to schools that serve lower-

income children, saving the schools millions of dollars that can be redirected to better educational opportunities for tens of thousands of children. Recognizing the pioneering nature of this collaborative, the US Department of Education has just awarded the Housing Partnership Network a \$15 million grant to credit enhance the conduit, the largest grant in DOE's history for their charter school initiative. Over the next four years, 20,000 seats in high-performing urban schools for disadvantaged students will be directly created.

The Network will require significant equity and working capital to create these initiatives. We made important headway in 2006 by obtaining a \$5 million allocation from the federal budget and we are mounting a campaign in Congress to obtain a permanent authorization which would give us access to up to \$15 million annually to invest in social enterprises. We obtained investments from Merrill Lynch CDC and Citigroup to complete the capitalization of Housing Partnership Securities and are negotiating with investors for the charter school conduit and mortgage companies. We also continue to actively seek to identify new sources of social capital, particularly from successful entrepreneurs who would like to make investments in nonprofit ventures that use private sector strategies to achieve mission-oriented results. These investments would receive financial returns and generate substantial social benefit.

The Network's entrepreneurial ventures, policy advocacy and peer exchange have already made a significant difference in the lives of millions of poor and working families—and we expect this impact to increase exponentially in the years ahead. Our initiatives succeed and have such a major effect because they operate through high-capacity partnership organizations within our membership which are closely tied to the communities they serve.