EXPANDING RESIDENT OWNED COMMUNITIES

CDFI COLLABORATIVE DEMONSTRATION PROGRAM

ROC USA Capital, the Leviticus 25:23 Alternative Fund, and Mercy Loan Fund, are joining together to help transform manufactured home communities through resident homeownership. The JP Morgan Chase Foundation awarded $4 million to our collaborative to expand lending to preserve and revitalize manufactured housing communities, specifically:

- Transform 5-12 low and moderate income communities through resident ownership;
- Preserve 375 – 900 affordable homes and impact 750 – 1,800 individuals;
- Provide $12 million in project-level financing by leveraging larger capital sources; and,
- Leverage total project lending with the JPMC equity grant by 4:1.

NEED

Manufactured housing also represents the largest source of unsubsidized affordable housing in the U.S. – 50,000 manufactured home communities with 2.7 million households. Through improvements in construction and technology, especially energy efficiency, manufactured housing is poised to become a more vital part of the affordable housing community. However, manufactured housing owners, 75% of whom are low income, experience unique problems. They are vulnerable to land rent increases and community closures, which strip equity from their assets. Neglectful maintenance of services by absentee landlords leads to health and safety issues.

SOLUTION: A SCALABLE PRESERVATION MODEL

Resident cooperative ownership can be a viable solution to these problems. Rents in resident owned communities (ROCs) tend to be below market, and homes in ROCs sell faster and for more money. Residents can invest in their home and community amenities, knowing that they are safe from eviction.

Homeowners form a nonprofit membership association or co-op that purchases the land and improvements. Members buy a low-cost share and each share gets one vote. Instead of going to third party landlords, monthly land rents are used to pay debt service, operating costs and to build reserves. Most co-ops hire a property manager or a bookkeeper who works under the direction of an elected Board of Directors.

TECHNICAL ASSISTANCE PROVIDER NETWORK

The CDFI Collaborative provides customized loan products, financial leverage and loan servicing, including pre-development loans, commercial mortgage acquisition loans, and rehab financing. However, residents also need expert pre- and post-acquisition technical assistance (TA). A network of regional certified nonprofits delivers loan requests and provides long-term credit enhancement for the cluster's loans through a servicing contract. The CDFIs equip affiliated TA providers and the resident associations with vital information (including third-party due diligence like a Property Conditions Report and Appraisal) and the TA providers facilitate a democratic process to support the residents' decision to purchase. Life-of-loan borrower TA includes training programs and services that foster healthy, mutually supportive communities and community leaders, and financially sustainable ROCs. Post-purchase TA represents our clear commitment to the long-term success of each ROC and includes training programs and services that foster healthy, mutually supportive communities and community leaders, and financially sustainable ROCs.

PARTNER ROLES

$1 million of the grant will go toward technical assistance and $3 million will go towards equity for lending and leverage. The CDFIs will jointly finance junior tranches in 1st mortgage loans originated by ROC USA Capital and leverage senior participation capital from banks, insurance companies, pension funds and HFAs. With ROC USA Capital's average loan size at $2.9 million, the manufactured housing community market is capital-intensive. The CDFI cluster must pool balance sheet resources in the subordinate tranches of ROC USA Capital's first mortgage loan participation structure to leverage larger senior participation (A tranche) capital sources. Additional leverage will be created by each CDFI by leveraging its equity grant with balance sheet debt, which the cluster will make a joint effort to raise.

The cluster will deliver financing in 10 JPMC footprint statewide markets:

- Leviticus 23:35 Fund will work in New York, Connecticut, Pennsylvania, New Jersey and Delaware.
- Mercy Loan Fund will work in Washington, Oregon, Idaho, Utah, Wisconsin and other states as needed.
- ROC USA will lead the effort to source loans, which will be structured as participations between 2 or 3 of the partners.
- ROC USA will pair borrowers with technical assistance providers from their network.

ABOUT MERCY LOAN FUND

Mercy Loan Fund (MLF) is a 501(c)(3) non-profit corporation, certified by the U.S. Treasury Department as a Community Development Financial Institution (CDFI). CDFIs are specialized financial institutions that work in market niches that are underserved by traditional financial institutions. MLF is a subsidiary of Mercy Housing, Inc., a national affordable housing developer, that was formed in 1983 and made its first loan in 1985. The mission of MLF is to work nationally with socially responsible affordable housing and community developers, providing innovative financing arrangements for credit-worthy projects for which conventional financing is not available or affordable.

Mercy Loan Fund has loaned $245 million in 454 loans, leveraging $1.7 billion. Our work has housed 52,200 residents in 19,400 units.

JPMorgan Chase Foundation

Leviticus Fund — Faith Capital for Building Communities

Mercy Loan Fund

ROC usa — Resident Owned Communities — BETTER TOGETHER