For the 177-member NeighborWorks® network, 1997 was a year of successes and of building on strengths. This was when the news broke that the NeighborWorks® Campaign for Home Ownership had achieved its five-year goal of creating 10,000 new homeowners almost a year ahead of schedule. It was the year when affordable-housing production increased by 22 percent over the previous year. It was the year Neighborhood Reinvestment’s Training Institute celebrated its 10th anniversary with record numbers of participants. And it was the year that the Corporation began reaching out with great vigor to additional organizations for inclusion in the network.

Years of creating local, regional and national partnerships paid off with 21,972 newly constructed, rehabilitated or repaired units. More than $544 million in reinvestment was made in targeted communities.

This year’s annual report illustrates that the NeighborWorks® success story depends entirely on the daily interactions of thousands of partnerships in the network. On any typical “day in the life” of the network, NeighborWorks® partnerships engage in activities that range from closing mortgages, counseling homebuyers, rehabbing rundown city blocks, selling mortgages to the secondary markets, and directing community leadership training and planning sessions.

Results of these efforts can be seen in statistics, but the narratives in this report add a poignant human dimension to the broader story of how the nation’s most credible, results-oriented housing organization has been surpassing its own goals and expectations with increasing frequency in recent years.

The NeighborWorks® strategy is a proven winner because it puts the responsibilities -- and the opportunities -- for improving neighborhoods squarely on the shoulders of residents. Is there any doubt today that helping residents obtain an ownership stake in their communities works far better as a revitalization strategy than the heavily subsidized methods of the past, which often lacked both incentives and ownership equity for those who were served?

Invigorated by the dramatic improvements in quality of life that we’ve helped to make in recent years in hundreds of American communities, Neighborhood Reinvestment now looks toward a future that seems full of limitless possibilities for building better communities and better lives.

That’s the inspiring story you’ll find in these pages -- and also out there in the NeighborWorks® network -- 365 days a year.
When new homeowner Freddi Cordova of Albuquerque, New Mexico, was invited by Neighborhood Reinvestment to speak at the Community Investment Institute in Washington, D.C., in September of 1997, she had no idea how big the audience would be or how compelling its members would find her story. Hundreds of NeighborWorks® network members and supporters from all over the country sat transfixed as Freddi described her path to home ownership and the help she received from Neighborhood Housing Services of Albuquerque, a NeighborWorks® network member.

Neighborhood Reinvestment Corporation board members; CEOs of major corporations, banks and secondary markets; government officials from all levels; NeighborWorks® staff members; residents and many others applauded Freddi’s story. They did so not just because they were happy for her and her three sons (who also shared the spotlight) but because Freddi’s success symbolizes exactly what the NeighborWorks® network strives to do: help working families find safe, decent, affordable housing while inspiring them to become leaders in the revitalization of their communities.

Today Freddi owns a four-bedroom home with a front and back yard, for which she pays little more than what she’d been paying for rent on a cramped mobile home. Her feelings? “I still can't believe it’s mine!”

What is the NeighborWorks® network and how does it go about the vitally important business of revitalizing more than 500 municipalities in America each day?

There are many ways to answer that question.

One is with a straightforward, textbook definition: The NeighborWorks® network is a powerfully effective, resident-led, 177-member network of local nonprofit organizations that works to build community and family assets and better neighborhoods.

The NeighborWorks® network is part of a system that includes the Neighborhood Reinvestment Corporation, a national nonprofit created by Congress in 1978 (P.L. 95-557) and charged with providing both expertise and resources to the organizations in the network.

Another vital part of the system is Neighborhood Housing Services of America (NHSA), which supports the network with a national specialized secondary market and tailored loan products.

So much for the dictionary approach.

You can also describe the national mission of the NeighborWorks network and the system that supports it with a few hard-hitting statistics that show how the network has helped thousands of low- and moderate-income families achieve the American dream.

In fiscal year 1997, NeighborWorks® organizations achieved an all-time
high in production of affordable housing, with 21,972 newly constructed, rehabilitated or repaired units. This 37 percent increase over 1996 meant more than $544 million in reinvestment in target communities.

The latest numbers tell the NeighborWorks® story with power and clarity.

But the numbers can’t give you the human dimension. For that you need the stories and the images that describe what actually takes place day in and day out in NeighborWorks® communities.

On any given day in America, in large cities like Boston and New Orleans and New York— and in smaller cities like Reading, Pennsylvania and Vallejo, California— you’ll find thousands of partners, volunteers and staff working furiously to accomplish the mission of community revitalization.

On a typical day, NeighborWorks® organizations are engaged in a thousand and one activities: counseling homebuyers, closing mortgages, rehabbing rundown city blocks, selling mortgages to the secondary markets, conducting community leadership training, leading neighborhood safety patrols, planning national strategies and innovative methodologies, and doing whatever makes sense to help make communities healthier.

The stories you are about to read are all part of one great, national story. Having compressed recent events into a prototypical day, you can easily see how the NeighborWorks® network goes about fulfilling its task of rebuilding America, family by family, block by block, community by community.
It’s a blustery fall morning in West Baltimore, and 32-year-old Juanita Ortiz, a public-housing resident, is on hand outside her new home. Surrounding her are more than a hundred government officials, NeighborWorks® staff members, business supporters and local residents who have gathered for a ribbon-cutting ceremony at the Monastery Gardens mutual housing complex.

The mutual housing unit now occupied by Juanita is among several off-site public-housing units contained in this $3 million development. Its spiffy redbrick townhouses were made possible by a highly innovative financing arrangement between the Baltimore Public Housing Authority and the Mutual Housing Association of Baltimore. It was also helped off the drawing board by state and federal agencies and by a $300,000 grant from Neighborhood Reinvestment.

Today’s ribbon cutting means that 37 low- and moderate-income Baltimore families – almost a third of whom recently lived in now-demolished public housing – will soon enjoy safety and security as they claim a stake in their new neighborhood. Like the 97 other members of the Mutual Housing Association of Baltimore who live at nearby Alameda Place, these newcomers will soon help stabilize and improve their urban community.

Invented in Europe more than 100 years ago, mutual housing is a strategy that instills in residents pride of ownership even though they don’t actually own their homes. Instead, they make modest, one-time equity payments based on income (typically, $1,500–$3,000), then pay low, monthly membership fees to the association.

Today, there are mutual housing associations operating in cities as diverse as Stamford, Connecticut, and Anchorage, Alaska, managing more than 5,100 units. And the mutual housing concept is growing in popularity every year.

Today’s first speaker is Mutual Housing Vice President Shirley Allen, a resident of Alameda Place since it opened in 1982. “It’s just amazing,” she says, “how something in the abstract can be in the concrete now.”

The delighted crowd applauds, and Juanita smiles. “Isn’t that beautiful?” she asks.
It’s midmorning now, in the Ohio capital of Columbus, where eight NeighborWorks® executive directors from across the Buckeye State are attending a day-long meeting with Ohio housing officials and the director of a major Midwestern insurance company’s multicultural business group.

The goal today, as mapped out by Neighborhood Reinvestment field service officer and meeting facilitator Duraid Da’as, is to establish a creative dialogue between the housing officials, the insurers and the NeighborWorks® directors, so that “effective partnerships can be created between them, all over Ohio.”

Another goal is to find ways in which the St. Paul Fire and Marine Insurance Company can contribute to statewide housing initiatives during the coming year.

Today’s session will last more than eight hours and will produce several breakthroughs, including St. Paul Fire and Marine’s commitment to support the work of the eight local NeighborWorks® organizations.

This is typical of insurance companies all around the country, which are becoming enthusiastic partners to the NeighborWorks® network. More than 50 major insurers now channel more than $2 million in grants to NeighborWorks® organizations to help defray their operating costs and boost their mortgage-lending pools.

Why are so many of America’s largest insurance companies eager to be part of the network and to help fund the NeighborWorks® organizations’ mission of building better communities through better housing?

Sam Ogbonnaya, multicultural group sales manager, explains that St. Paul Fire and Marine decided to participate in the Ohio initiative meeting and to fund Columbus Neighborhood Housing Services’ recent 20th anniversary celebration because it “makes very good business sense” to build a strong partnership with such a proven network.

“The great value of this meeting for us,” Ogbonnaya explains, “is that NeighborWorks® organizations are assisting low- and middle-income people to own homes in Ohio. We see those homeowners as potential customers, and we want to do everything we can to help the NeighborWorks® organizations achieve their goals.”
Her name is Antoinette Baldonado. She's a single mother of two sons, and she dreams of the day she'll qualify for one of 49 single-family homes being built in Albuquerque's Las Glorietas development. Its new homeowners will be families currently renting under the Department of Housing and Urban Development's Section 8 housing-subsidy program. Says the 26-year-old government employee, “My dream is to become independent.”

Antoinette attends homebuyer counseling once a week at Albuquerque NHS: “I've cleared up my credit, and I've been saving for my down payment,” she says. “The NHS is helping me with my application . . . and right now, I'm just praying that they will qualify me. If I can get one of those houses for me and my kids, my dream will come true!”

Shortly after 11 o'clock on this particular morning, Antoinette has dropped by the NHS office to review her application with Financial Manager and Loan Officer Daryl Rodway. After a few cheerful pleasantries, the two get down to the serious business of examining her application for one of the townhouses that will be available in the spring of 1998.

“This project was really the brainchild of the Bernalillo County Housing Department,” notes Rodway. “Their director, Enrique Aguilar, did a fantastic job of working with the County Commission to put together a financing package that included more than $2 million in federal and state funds. And we're delighted to be participating, here at NHS, by lending some of our expertise to market the project and to provide homebuyer education, loan packaging and loans.”

While Rodway sifts through applications and counsels potential residents, Antoinette Baldonado is keeping her fingers crossed. “I don’t make a lot of money,” sighs the mother of five-year-old Ramon and three-year-old Brandon. “But they told me at NHS that if my application is approved, one of those new homes will be mine.”

Preparing for Ownership
Leonardo Mancero of East Boston was ecstatic when he won a lottery for rehabilitated properties and wound up with a home on Falcon Street. His mortgage was made possible by an innovative partnership between Fleet Financial Group, NHSA and the Neighborhood Reinvestment Corporation, which will channel more than $14 million to local NeighborWorks® organizations like East Boston’s Neighborhood of Affordable Housing (NOAH).

Mancero, a 30-year-old soccer whiz and recent immigrant from Ecuador, prepared for home ownership by attending homebuyer classes at NOAH. He then swung the deal on his $120,000 home by putting down $12,000, along with a $750 grant from the city of Boston. The remainder of the funds came from Fleet. This loan was later sold to NHSA. “The house is red and silver, and everything in it is brand-new,” says the ebullient Mancero, the upbeat business manager for a nonprofit religious organization. Then, while leading several visitors across the backyard, he says gleefully, “I really like the back porch. It’s a huge porch, and when I dropped by the other day, the birds were singing!”

The partnership between Fleet Financial Group and Neighborhood Reinvestment Corporation will help support the efforts of 40 local NeighborWorks® organizations in New Hampshire, Massachusetts, Rhode Island, Connecticut, New York and New Jersey. The money will create hundreds of affordable first and second mortgages.

“There’s no doubt that when it comes to revitalizing neighborhoods, partnerships like these are the key to success,” explains Comptroller of the Currency Eugene A. Ludwig, chairman of Neighborhood Reinvestment’s board of directors. “We are convinced that initiatives like this one with Fleet Financial are going to help strengthen many communities, all over New England.”

Describing her bank’s partnership with NeighborWorks®, Fleet Vice President for Corporate Community Development Agnes Bundy Scanlon points out, “The Fleet Financial Group is proud to be in cooperation with the Neighborhood Reinvestment Corporation, because Neighborhood Reinvestment has a proven history of working effectively within the community that Fleet Financial Group serves. We look forward to our future association.”

For Mancero, the details of the partnership are unimportant. What matters is that he’s achieved his dream of a lifetime.
1 p.m.: PHARR, TEXAS

Far down in southern Texas at Pharr, right on the Mexican border, a NeighborWorks® executive director named Amancio Chapa is having the time of his life.

"May I have the envelope, please?"

Each year, Chapa stages a community-building event that also raises thousands of dollars to benefit the efforts of his organization, Amigos del Valle, for senior citizens' housing. He gets to crown a king and queen elected by voters who have pledged cash donations pegged to their candidates. This year, $40,000 has been raised, which will benefit 900 senior citizens.

According to Chapa, Amigos del Valle joined the network about 18 months ago because "we are very interested in affordable housing, and anybody that's working at the grassroots community level has heard about Neighborhood Reinvestment. I've always considered it one of the premier housing organizations in America."

For the 800 senior citizens, 90 percent of them Hispanic, gathered today at the Pharr International Civic Center for these annual festivities, the moment of truth has arrived.

At precisely 1 p.m., the mariachi music falls silent and the trio of visiting Mexican movie stars stops signing autographs . . . as a beaming Chapa rips open the envelope to announce that, "The 1997 queen is Ms. Blanca Loya . . . and the king is Mr. Pedro Alvarado!"

In a flash, the hall erupts in thunderous applause as flashbulbs explode and relatives hug one another and the contestants. "This is a real celebration!" says an excited Chapa, "It's a celebration of life, and everybody feeling joyful, and all in the name of making a better life for these senior citizens, and a better community for all."

Celebrating Community
It’s 2 p.m. in the Bedford-Stuyvesant section of Brooklyn, New York, where 38-year-old artist and father of four, Willie Torbert, is showing off his brand-new artist’s studio to Neighborhood Housing Services’ Executive Director Orville Brathwaite and others.

In his small but impressive gallery, Torbert explains how the NeighborWorks® organization underwrote a $30,000 loan that allowed him to create this exciting art gallery in his once dilapidated home. With the financial assistance of NHS, State Farm Insurance Company and several local banks, Torbert completed a massive renovation and lead-abatement rehab of his Victorian-style house on Herkimer Street.

His monthly loan payment is just $225. “It took me 15 years,” says Willie, breaking into one of his trademark, 8,000-kilowatt grins, “but now while Beverly is off teaching school during the day, I can bring customers in here and show them my paintings. That wouldn’t have been possible without our rehab loan.”

Along with the Torberts, more than 290 families in Bedford-Stuyvesant have been able to upgrade more than 740 units of housing. This has resulted in $3.9 million in reinvestment.

The NHS works in close partnership with the New York City Department of Housing Preservation and Development (HPD) and several local lenders. With their support, Bed-Stuy NHS has also conducted insurance education and home-safety classes in the community. In 1997, under the HOPE 3 and HomeWorks programs, the NHS gut-rehabbed 43 one- to four-unit properties. The NHS then sold them to first-time buyers. Total reinvestment: $8.7 million.

“We’re working hard at revitalizing the Bed-Stuy community,” says Brathwaite. “We’re making improvements for current homeowners, and we’re also providing first-time home-ownership opportunities for low- to moderate-income families.

“Our goal is to not only increase the investment in the community, but also to protect that investment for both families and communities.”
It’s late afternoon now, and the volunteer crew of construction workers at the High School House in Great Falls, Montana, is getting ready to wrap up another exciting day spent building a brand-new home.

This innovative project is a joint venture of Great Falls Neighborhood Housing Services, the city of Great Falls and the local public school system.

On this mild, breezy afternoon, more than a dozen students from construction technology classes at three different area high schools have been pounding nails and sawing boards furiously. NHS Executive Director Nancy Stephenson O’Brien tours the project with Great Falls Mayor Bob Deming and local school board chairman, John Seeberger.

“She’s an especially exciting challenge for us,” says the enthusiastic O’Brien, “because so many different partners are involved in the project. And building those kinds of creative partnerships has been the key to our success in recent years.”

She goes on to describe how NHS has led a campaign to build or rehab more than 170 houses in Great Falls (population, 60,000) and 10 other Montana counties in recent years. “Every four-and-a-half days in 1996 and 1997, NHS put a family into home ownership,” she says, “and we hope to bring that down to one every four days in 1998.”

“Right now, we’re rehabbing homes in five different neighborhoods of Great Falls. When we started putting up new houses, back in 1983, there were 350 boarded-up homes in the city. Today, there are fewer than 20. We’ve done a ton of rehab and new construction projects – and we’re going to be doing a lot more!”

Mayor Deming, after watching the students hammer away at their homework assignment, “We’re quite pleased to be part of this NHS initiative, which involves so many of our students and local businesses.

“There’s no doubt that NHS has played a major part in revitalizing major sections of Great Falls in recent years. They are a vital resource for all of us.”

But O’Brien is determined to give much of the credit to her other partners in today’s enterprise. “The idea for this hands-on project came at a Neighborhood Reinvestment training seminar,” she says, “and the city of Great Falls jumped in with funding.

“More than 50 students have signed up to work so far. Not only is the High School House a great learning experience, it will also be a home for a deserving family.

“It doesn’t get any better than this!”
Vital Rehabs
After nailing down a $91,000 mortgage-financing package from both Kansas City, Missouri, Neighborhood Housing Services and Bank Midwest, Brian and Katie Hendrickson can’t wait to begin rehabbing their rundown, former rooming house in the South Hyde Park neighborhood.

“We’re really looking forward to this challenge,” enthuses Brian, a local architect, while describing their 1908 shirtwaist-style home. The crumbling residence had been an eyesore for years. “This is a wonderful old neighborhood, and a lot of people around here are doing what we’re doing – taking one of these old homes and trying to make it livable again. We very much like the idea of helping to rebuild and strengthen this community.”

The delighted couple has dropped by to begin planning the reconstruction, step by step. Accompanied by NHS Loan Officer Nichelle Taylor, they will spend more than an hour wandering through and around the stately old rooming house. For the Hendricksons, who are in their late 20s, the rehab on Harrison Street reflects a personal preference for city living in a racially and economically diverse neighborhood.

At Bank Midwest, meanwhile, Vice President and Community Loan Coordinator Jan Price points out that her lending institution is quite excited about the financing partnership with the NeighborWorks® organization that made the Hendrickson rehab possible. “Neighborhood Housing has had a good relationship here at the bank for many years, and we work with them on many different kinds of loans,” she says. “There’s no doubt that creative partnerships are the key to making these deals work.”

The Hyde Park rehab makes good sense for everybody involved, says Taylor. “We really want a diversity of incomes in these city neighborhoods. We’re striving to provide homes for both low- and modest-income people, and that goal isn’t always easily achieved. But Bank Midwest really came through for us.”

And the Hendricksons? They can’t wait to start moving in (probably in March of 1998) accompanied, of course, by their two wonderfully named household mutts: Alabama Banjo and Daisy Puddin’.
4:30 p.m.: WASHINGTON, D.C.

In a hotel conference room just off Washington’s bustling Dupont Circle, more than two dozen NeighborWorks® executives from around the country have gathered with several planners from Neighborhood Reinvestment for a two-day brainstorming session on the future of the NeighborWorks® Campaign for Home Ownership.

Their task? To plan the next five years of the campaign, setting new goals and developing new strategies.

Among the NeighborWorks® executives who have led these two days of fast-paced skull sessions is Marta Howell, the enthusiastic but practical president and CEO of Neighborhoods Inc. of Battle Creek, Michigan. By the end of the second day, Howell is feeling the “enormous excitement” of having helped shape the next chapter in a compelling NeighborWorks® success story. Having placed more than 12,000 mostly low- and moderate-income families in new homes during the past four and a half years, a new campaign must now move forward with a realistic target for the next five.

After two days of ideas building on ideas, the planners decide to recommend that the campaign almost triple its previous five-year goal of 10,000 new homeowners. But this ambitious plan (25,000 new homeowners!) won’t be agreed upon without some intense soul searching.

“A ll of us keep pointing out,” explains Howell, “how important it is that we not lose sight of the new, expanded campaign’s impact on the local communities.

“We did a lot of head scratching, believe me. Because the true test of any NeighborWorks® program is always: ‘What’s the outcome in the neighborhoods we’re trying to help?’ We didn’t want to just rack up numbers, but to expand the campaign in the way that will make most sense for all of our neighborhoods.”

Says Campaign Coordinator Doug Dylla of Neighborhood Reinvestment, “The kind of brainstorming that goes on at these retreats is extremely helpful. We’re determined to make the next five years even more successful than the last five.”

National Initiatives
5 p.m.: DENVER

It’s five o’clock in the afternoon at the office of the Rocky Mountain Mutual Housing Association, and the moment of truth has finally arrived.

For Mary Holm, a vice president at Wells Fargo Bank of Colorado who is the newly appointed president of Rocky Mountain MHA, today is “exit-conference” day with a Neighborhood Reinvestment program review officer.

Holm is eager for Program Review Officer Fred Jaben’s comprehensive critique.

Program reviews are a key part of Neighborhood Reinvestment’s monitoring system, with more than 100 performed every year. They help improve and strengthen the entire network.

After several weeks of assessment and a week on site, the program review team from Neighborhood Reinvestment’s district office in Kansas City will now help the board and staff assess the MHA.

Such exit conferences can sometimes be nerve-wracking. In this case, today’s two hour confab will remain positive and upbeat – a validation of all of the good things, and potential problem areas, that relate to this fast-growing NeighborWorks® organization.

Between 1994 and 1997, the MHA expanded from three employees to 45, as the number of units in its four different communities soared past 900.

Says Holm, “The review team had a lot of useful insights that will help us meet our toughest challenge right now, which is to balance the controlled growth with the mission of the mutual housing association.”

For his part, Jaben notes that “the MHA’s management principles were exemplary – so good, in fact, that we recommended using them as an example throughout the network.”

J.W. Dillingham and Ginger live in the Mountain Terrace community of the Rocky Mountain MHA.
6:35 p.m.: SAN JOSE

It's Banner Block day in San Jose, California, and everywhere you look, the action is fast and furious. While a crew of volunteers from Painters Local 507 scoots up and down ladders, other neighborhood refurbishers plant trees, rake up trash, repair windows and doors, and leave hundreds of newly planted flowers shining brightly in their wake.

Today more than 200 volunteers have tackled neighborhoods along Lanai Avenue, a major thoroughfare that links the Lanai-Cunningham and Tropicana neighborhoods of central San Jose. Funded by American Savings Bank, Allstate Insurance Company, Bank of America, Century 21 and the city of San Jose Housing Department, today's paint-a-thon culminates in a giant barbecue and street festival. By 6:30 a.m. or so, the party is in full swing, and hundreds of area residents have come surging into the neighborhood.

Says Pete Major, the San Jose NHS executive director who organized today's paint-and-patch shindig, “We're transforming 28 houses, and planting 30 trees, along with several thousand flowers. And that's great! But I think it's also very important that all of these neighborhood residents are out here participating, talking and getting to know each other.”

Adds Francisco Garcia, the vice president for community development at American Savings Bank, a Washington Mutual company, “We've been involved with Neighborhood Housing in San Jose ever since it started. I really think you have to give back to the neighborhoods where you do business. The Banner Block celebration shows that we've got a good partnership going in San Jose. We need them, and they need us!”
And so it goes . . .

on any given day, among the 177 different NeighborWorks® organizations that make up this thriving network.

Working hand in hand with their local and national partners, and with thousands of volunteers who assist them daily, these organizations are helping to transform hundreds of communities in America every day.

Their stories form a bright tapestry, a larger national story of individuals and institutions working hard – working together – to make life better for all by rebuilding America’s communities, house by house, block by block, and neighborhood by neighborhood.
The Future of the NeighborWorks® Network

This task of forging dynamic new affiliations will be at center stage in FY 1998 and beyond, when Neighborhood Reinvestment devotes 3 percent of its total source of funds to the challenge of adding 16 new organizations to the NeighborWorks® network.

New affiliations are only one of the exciting activities planned. Others include:

• A focus on capacity-building, such as improving internal systems for accounting and management and expanding programmatic and fundraising capabilities of NeighborWorks® organizations;

• An increase in the total revolving loan investment in America's communities;

• A strong move toward the next five-year goal for home ownership: the creation of 25,000 additional homeowners by 2002 (a 150-percent increase over the NeighborWorks® Campaign for Home Ownership's initial five-year goal);

• A determination to improve systems for creating and managing multifamily housing; and

• A focus on working with more insurance companies to improve access to and affordability of insurance products, especially in rural markets.

These are a few of our major goals for next year and the years immediately following. Neighborhood Reinvestment will play a powerful role in educating both the public and the private sectors about the importance of pursuing revitalization in a resident-led and comprehensive manner.

1997 was a year of dramatic growth and achievement for both Neighborhood Reinvestment and the network it supports. But the more sobering news is that far too many American communities are in need of revitalization, and we must now redouble our efforts if we are to continue realizing our dream of building healthy communities all across the country.
What’s the key element in the winning NeighborWorks® formula for revitalizing neighborhoods?

The answer is simple: creative partnerships with both the private and public sectors.

While working hand in hand with their national and local partners, Neighborhood Reinvestment and its sister organization, Neighborhood Housing Services of America (NHSA), have been developing a wide array of tools and techniques designed to help accomplish the NeighborWorks® mission. These powerful tools include:

• Technical Assistance:
The nine district offices that make up Neighborhood Reinvestment – along with the Washington headquarters – provide continuing guidance and assistance to the 177 NeighborWorks® organizations. Joined by the expert staff at NHSA, Neighborhood Reinvestment provided more than 121,000 training contact hours in 1997.

One of the most important ways in which Neighborhood Reinvestment helps the network accomplish its mission is with capital grants that replenish revolving loan funds for new homebuyers. In 1997, Neighborhood Reinvestment awarded $13.5 million in such grants to the NeighborWorks® organizations, while also awarding another $3.4 million to NHSA.

*Allstate is a proud partner of the Campaign for Home Ownership. The campaign is so important because when people buy a home, they make a commitment. Not just to their lender, but to the future of their communities.*

Jerry D. Choate
Chairman and CEO
Allstate Insurance Company

“We recognize that safe and affordable housing is the cornerstone of revitalizing neighborhoods and, for this reason, Fleet has committed to a working partnership with the NeighborWorks® network. The combined resources of Fleet and the network will help break the two barriers to home ownership: lack of information about the home purchasing and financing process and, equally important, the availability of funds for down payments and mortgages. Through this partnership, we are prepared to meet these challenges head on and further the rebuilding of healthy communities.”

Terrence Murray
Chairman and CEO
Fleet Financial Group

“We are proud that our lending program and $100 million investment in Neighborhood Housing Services of America has strengthened families and neighborhoods across the nation.”

Herbert M. Sandler
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World Savings and Loan Association

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Chairman and CEO
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“World Savings is pleased to be a national partner in the NeighborWorks® Campaign for Home Ownership. Affordable home loans are central to our company’s strength. We are proud that our lending program and $100 million investment in Neighborhood Housing Services of America has strengthened families and neighborhoods across the nation.”

Herbert M. Sandler
Chairman and CEO
World Savings and Loan Association
• **ACCESS TO SECONDARY MARKETS:**

A nother major element in the NeighborWorks® system is NHSA’s secondary market, which enables NeighborWorks® organizations to sell their loans. NHSA closed more than $37.5 million in such loan transactions in 1997, with another $8 million in loan commitments pending. NHSA also facilitated $17 million in loans and technical assistance to the network in FY 1997.


• **NEIGHBORWORKS® FULL-CYCLE LENDING℠:** Nationally acknowledged as a highly flexible financial strategy for low-income homebuyers, Full-Cycle Lending℠ allows investors, government agencies and NeighborWorks® organizations to custom-tailor loans – thus making mortgage funds available to families who wouldn’t qualify for conventional mortgages. By helping establish a stable market of borrowers for the lending industry, the full-cycle approach proves that these loans to low- and moderate-income purchasers make good business sense.


• **TRAINING INSTITUTES:** Widely praised as one of the best such programs in America, Neighborhood Reinvestment’s Training Institute serves community-development professionals, residents and their public- and private-sector partners. The Institute offered more than 300 such courses in 1997— in everything from leadership and management to community planning, economic development, affordable housing, community revitalization strategies and home ownership. More than 3,300 participants attended Institute classes held in 1997, in San Francisco, Atlanta, Chicago, and Washington, D.C.
THE NATIONAL INSURANCE TASK FORCE: This program for assuring access to and affordability of property and casualty insurance products was fully implemented in 1997. Under this initiative, representatives of the network and Neighborhood Reinvestment—along with participants from more than 30 different insurance companies—sat down together regularly to plan strategies for making certain that these insurance products are made easily available to lower-income households. The Task Force issued comprehensive access-guidelines for insurance companies in 1997.

INTERNET ACCESS: Special sites now in place on the World Wide Web are for general audiences, for chartered NeighborWorks® organizations and for corporate staff. These three sites are being tailored for specific audiences to promote knowledge in and of the field of community-based development. The general Web site is at www.nw.org.

FY 1997’s achievements culminated in a very successful Community Investment Institute in Washington, D.C., in September. Highlights included a Symposium on Home Ownership and a forum on “Dealing With Front-Door Community Issues.” A mayor’s forum, a panel discussion on race in America (hosted by National Public Radio’s Derek McGinty) and several keynote addresses were among the special events open to participants of the almost 70 institute sessions.

As the results from 1997 demonstrated again and again, the continuing interaction

“East Ohio Gas is proud to support Neighborhood Reinvestment because it has the energy to make a difference in our communities. The vision of Neighborhood Reinvestment matches our company’s mission of helping to improve the well-being of our communities by improving the quality of life in local neighborhoods.”

Tom D. Newland
President and CEO
East Ohio Gas

“Freddie Mac celebrates the success of the NeighborWorks® Campaign for Home Ownership. Through this campaign, we are building stronger communities and a stronger America – home by home.”

Leland C. Brendsel
Chairman and CEO
Freddie Mac

“The NeighborWorks® program is an exemplary program that it is breaking ground in serving first-time homebuyers who, in the past, would not have been able to obtain mortgages. NeighborWorks® has been able to demonstrate to other lenders that mortgage lending to non-traditional borrowers is both possible and good business.”

Andrew Cuomo
Secretary of Housing and Urban Development
between Neighborhood Reinvestment, NHSA and the NeighborWorks® organizations creates a dynamic synergy that is the key to accomplishing the network’s mission day in and day out.

**RESULTS IN 1997**

The NeighborWorks® network demonstrated once again in 1997 that better neighborhoods through better housing is a focused way to achieve dramatic improvements in struggling communities.

Is there any doubt today that improving multifamily housing and creating proud new homeowners in communities is the key to revitalizing them?

In 1997, this strategy paid major-league dividends as the network exceeded all previous records, producing 21,972 newly constructed, rehabilitated or repaired units of housing (compared to 15,994 such units in FY 1996).

Assisted by their local NeighborWorks® organizations, 5,718 families were thrilled in 1997 as they signed on the dotted line and became proud homeowners. Even better, their economic investment in the future of their neighborhoods was part of a mighty national transfusion in which more than $376.5 million in NeighborWorks®-generated reinvestment funds were pumped into target neighborhoods.

And when you consider that most of those dollars were created by leveraging private...
investment with public funds (often at ratios of three-to-one, or better), it's easy to see why the NeighborWorks® system has developed such momentum.

Even a brief look at the NeighborWorks® numbers over the past five years is enough to show how powerfully and effectively the network has grown. Consider: From 1993 to 1997 alone, NeighborWorks® organizations obtained more than $1.8 billion in reinvestment for their communities and helped nearly 90,000 families of modest means purchase or improve their homes.

Whether you're measuring the increase in local property-tax revenues or weighing the impact of homebuyer-education courses on neighborhood residents (more than 36,000 households benefitted from pre- and post-purchase counseling in 1997), there's simply no doubt that this exciting ensemble of community-revitalization techniques will be a major factor in rebuilding America at the turn of the millennium.

INSIDE NHSA'S SUCCESSFUL CAPITAL CAMPAIGN

The continuing success of the NeighborWorks® network’s secondary market depends on its ability to secure below-market-rate capital from social investors. In 1997, Neighborhood Housing Services of America (NHSA) continued to rebuild its financial reserves to meet the ever increasing demand for capital from the network. During the second year of NHSA’s five-year, $250 million campaign to obtain addi-
“Neighborhood Reinvestment’s approach to affordable housing, Full Cycle Lending™, is helping more and more families attain the American Dream of home ownership. More importantly, Full-Cycle Lending™ highlights pre-purchase education and counseling, as well as postpurchase support of lower-income homebuyers, which means families that attain home ownership are better equipped to maintain it for the long-term.”

Gordon H. Steinbach
Executive Vice President, Credit Policy
Mortgage Guaranty Insurance Corporation

“We are very enthusiastic about Northern Trust’s financial commitment to the NHS of Chicago. This is truly a highlight of our 20-year history with this outstanding community organization.”

William S. Trukenbrod
Executive Vice President
The Northern Trust Company

“Great Western is a valued addition to the Washington Mutual team. Its long-term participation with such groups as the NeighborWorks® network is an important contribution to community investment. It is a tradition that we share and look forward to continuing with vigor.”

Kerry Killinger
Chairman, President and CEO
Washington Mutual, Inc.

“In Imperial Bank is pleased to be a strong supporter of the NeighborWorks® Campaign for Home Ownership. At Imperial, we believe that people make the difference, and that’s why we take very seriously our investment in the lives of people. We’re proud to be a part of a network that – together – is helping people take pride in themselves, improve their quality of life and realize their dreams.”

George L. Graziadio
Chairman, President and CEO
Imperial Bancorp

In addition to securing investments and purchasing loans, NHSA supplies the NeighborWorks® network with financing critical to successful real-estate development in its neighborhoods. NHSA’s resources fill gaps in funding available from conventional sources, especially for the creation of multi-family housing.

After producing these strong results in 1997, NHSA is well positioned to continue providing capital funds for the expanding NeighborWorks® network. At the end of the fiscal year, NHSA had more than $105 million in its available investment base and was looking forward to supplying even more capital funds to its local NeighborWorks® partners in 1998.

ACHIEVING OUR GOALS IN 1997 – AND BEYOND

When the news broke in the summer of 1997 that the NeighborWorks® Campaign for Home Ownership had reached its five-year goal of creating 10,000 new homeowners a year early, there was understandable jubilation throughout the network.
But while the NeighborWorks® members applauded, they wasted little time on fancy speeches. Within a few days of the announcement that the campaign had gone over the top, NeighborWorks® planners from Anchorage to San Antonio were asking themselves the urgent question: Where do we go from here?

Having placed those 12,000 mostly low-income families in their dream homes – while also stimulating more than $850 million in new total investment – the campaign was beautifully positioned for its next bold assault on the chronic housing problems to be found in some of this country’s distressed neighborhoods.

• A NEW CAMPAIGN: Perhaps the most visible of those wide-ranging efforts during the next few years will be the extension of the campaign. Just recently, campaign organizers throughout the network announced that they are now committed to increasing by 25,000 the number of American families who own their own homes by the year 2002. The new goal exceeds the last five-year target of 10,000 new homeowners by 150 percent.

• MUTUAL HOUSING: Of course, many of the same exciting growth-opportunities can also be found among more than a dozen NeighborWorks®-sponsored mutual housing associations, where residents in cities such as Atlanta, Baltimore, Austin, and New York currently share the responsibility of owning and operating more than 5,100 housing units.

Mutual housing provides members with stability of tenure, long-term affordability and quality housing – and also a powerful voice in decision-making, since the association members determine the rules and procedures in their housing complexes. Thriving as never before, mutual housing shows every sign of racking up even bigger successes in 1998.

• HOUSING REHAB: Housing rehabilitation also continues to be an important component of the network’s successful community revitalization efforts. NeighborWorks® revolving loan funds will continue to support rehabilitation of single-family and multifamily units, aiding residents with repairs both large and small, and helping communities rid themselves of vacant and abandoned properties that mar their neighborhoods.

• RURAL ALLIANCE: Another highly creative collaboration among network organizations is the Rural Alliance. Seventeen NeighborWorks® organizations working in poor rural communities around the nation banded together to raise awareness of rural housing issues and funds (especially bridge financing) for its members.

Having enjoyed a record-breaking year in 1997, Neighborhood Reinvestment and the NeighborWorks® network are now poised to expand both their impact and their resources in the years that lie immediately ahead. And in hand with national and local partners, and directed as always by the residents in the more than 500 communities served, we expect to make even greater strides toward accomplishing the key goal that Congress assigned us nearly 20 years ago: Making neighborhoods and communities stronger and healthier, places in which to live, learn and invest.
INVESTORS AND CONTRIBUTORS TO THE NEIGHBORWORKS® NETWORK

The photographs and quotations in this annual report are those of national and regional partners and corporations that have made investments of more than $10 million or contributions of more than $200,000 to the NeighborWorks® network.

Not pictured are:

David A. Coulter, Chairman and CEO
BankAmerica Corporation

Patrick J. McEnerney, President of BNY Mortgage Corporation
Bank of New York

Lawrence J. Toal, Chairman, President and CEO
Dime Savings Bank

Gary Allen, Chairman, President and CEO
Key Bank, N.A.

Arthur Ryan, Chairman and CEO
The Prudential Insurance Company of America

Bruce Morrison, Chairman, The Federal Housing Finance Board
Federal Home Loan Bank Presidents:

Michael A. Jessee, FHLBank of Boston

Alfred A. Dellibovi, FHLBank of New York

James D. Roy, FHLBank of Pittsburgh

Paul D. Hill, FHLBank of Atlanta

Charles Lee Thiemann, FHLBank of Cincinnati

Martin L. Heger, FHLBank of Indianapolis

Alex J. Pollock, FHLBank of Chicago

Thurman C. (Sam) Connell, FHLBank of Des Moines

George M. Barclay, FHLBank of Dallas

Frank A. Lowman, FHLBank of Topeka

Dean M. Schultz, FHLBank of San Francisco

James R. Faulstich, FHLBank of Seattle

In addition to these investors and contributors, thousands of others in the public, private and nonprofit sectors contribute to or invest or volunteer in the NeighborWorks® network. All are vital to the network’s success, and we gratefully acknowledge their support.

As always, we also gratefully acknowledge the many thousands of residents who put their faith and energy to work on behalf of their communities.
NeighborWorks® Network Organizations (as of December 31, 1997)

Alabama
NHS of Birmingham
Community Service Programs
of West Alabama (Tuscaloosa)

Alaska
Anchorage MHA
Anchorage NHS
Fairbanks NHS

Arizona
Avondale NHS
NHS of Phoenix

Arkansas
Arkansas Land and Farm Development Corporation (Brinkley)

California
Inglewood NHS
La Habra NHS
Los Angeles NHS
Neighborhood Partnership of Montclair
Pasadena NHS
Richmond NHS
Sacramento MHA
Sacramento NHS
NHS of the Inland Empire (San Bernardino)
San Diego NHS
San Jose NHS
Santa Ana NHS
Vallejo NHS

Colorado
Colorado Rural Housing Development Corporation (statewide, Westminster)
NHS of Pueblo
Rocky Mountain MHA (Denver)

Connecticut
Bridgeport Neighborhood Housing and Commercial Services
MHA of Greater Hartford
NHS of New Britain
NHS of New Haven
NHS of Norwich
MHA of South Central Connecticut (New Haven)
MHA of Southwestern Connecticut (Stamford)
NHS of Waterbury

Florida
Clearwater NHS
NHS of Fort Pierce
Neighborhood Housing and Development Corporation of Gainesville
Housing Partnership
(West Palm Beach)
Jacksonville Housing Partnership
Miami-Dade NHS
St. Petersburg NHS

Georgia
Atlanta MHA
NHS of LaGrange
NHS of Savannah

Idaho
Boise NHS
Pocatello NHS

Illinois
NHS of Aurora
NHS of Chicago
East Bluff NHS (Peoria)
NHS of Elgin
Kankakee NHS
NHS of Lake County (Waukegan)

Indiana
Lafayette NHS
Project Renew (Fort Wayne)
NHS of South Bend

Iowa
NHS of Davenport
NHS of Des Moines

Kansas
Kansas City, Kansas, NHS
Community Housing Services of Wichita/Sedgwick County

Kentucky
NHS of Louisville

Louisiana
NHS of Lafayette
NHS of New Orleans

Maryland
MHA of Baltimore
NHS of Baltimore
Cumberland NHS
Salisbury NHS

Massachusetts
Cambridge Neighborhood Housing Services
Chelsea NHS
Coalition for a Better Acre (Lowell)
Codman Square NDC (Boston)
Haverhill Neighborhoods, Inc.
Nuestra Comunidad Affordable Housing (Boston)
Oak Hill CDC (Worcester)
Quincy NHS
Springfield NHS
Twin Cities CDC (Fitchburg)
Urban Edge Housing Corporation (Boston)

Michigan
N Neighbors Inc. of Battle Creek
Detroit NHS
Kalamazoo NHS
Pontiac NHS
N Neighbors Neighborhood Renewal Services of Saginaw

Minnesota
Community NHS (St. Paul)
Dayton's Bluff NHS (St. Paul)
NHS of Duluth
Northside NHS (Minneapolis)
Southside NHS of Minneapolis
Twin Cities NHS (St. Paul)

Missouri
NHS of Kansas City
NHS of St. Joseph
NHS of St. Louis
Westside Housing Organization (Kansas City)

Montana
NHS Inc. of Great Falls (regional)

Nebraska
N Neighbors Inc. of Lincoln

28
Nevada
North Las Vegas NHS

New Hampshire
French Hill NHS (Nashua)
Manchester NHS

New Jersey
NHS of Camden
NHS of Trenton
Tierra del Sol Housing Corporation
(statewide Arizona, New Mexico
and West Texas, Las Cruces)

New York
Black Rock-Riverside NHS (Buffalo)
Broadway-Fillmore NHS (Buffalo)
Buffalo NHS
Housing Resources of
Columbia County (Hudson)
Ithaca NHS
Jamaica Housing Improvement
(New York City)
Kensington-Bailey NHS (Buffalo)
Neighbors Helping Neighbors
(Brooklyn)
NHS of New York City
NHS of Bedford-Stuyvesant
NHS of East Flatbush
NHS of Jamaica
NHS of Northern Queens
NHS of Staten Island
NHS of Williamsbridge/
Olinville/Wakefield
Niagara Falls NHS
People’s Inc. (New York City)
NHS of Rochester
Rural Opportunities Inc. (Rochester)
Rural Revitalization Corporation
(Salamanca)
NHS of South Buffalo
Syracuse Model Neighborhood
Corporation
Syracuse NHS
Troy Rehabilitation and
Improvement Program (TRIP)
Utica NHS
West Side NHS (Buffalo)

North Carolina
Charlotte-Mecklenburg
Housing Partnership
NHS of Asheville

Ohio
Neighborhood Conservation
Services of Barberton
NHS of Cincinnati
NHS of Cleveland
Columbus NHS
Hamilton NHS
NHS of Massillon
NHS of Toledo

Oregon
Corvallis NHS

Pennsylvania
Allentown NHS
Philadelphia NHS
NHS Inc. (Pittsburgh)
NHS of Reading
Scranton NHS

Puerto Rico
Servicio de Viviendas Vecinales
de Carolina
Ponce NHS

Rhode Island
Greater Elmwood
Neighborhood Services
(Providence)
Woonsocket NDC
West Elmwood Housing Development
Corporation (Providence)

South Carolina
Charleston NDC

South Dakota
NHS of the Black Hills (Deadwood)
Sicangu Enterprise Center
(Rosebud Reservation, Mission)

Tennessee
Chattanooga Neighborhood
Enterprise
Housing Development Corporation
of the Clinch Valley (Oak Ridge)

Texas
Alamo Area MHA (San Antonio)
Aigos del Valle (Mission)
Central Texas MHA (Austin)
Cen-Tex Certified Development
Corporation (Austin)
NHS of Dimmit County
(Carrizo Springs)
Fifth Ward Community Development
Corporation (Houston)
NHS of Fort Worth
Laredo-Webb NHS
Midland NHS
NHS of San Antonio
NHS of Waco

Utah
Salt Lake NHS
NHS of Provo

Vermont
Burlington Community Land Trust
Gilman Housing Trust (Newport)
Rockingham A rea
Community Land Trust (Springfield)
Rutland West NHS (West Rutland)

Virginia
Richmond NHS

Washington
Aberdeen NHS

West Virginia
CommunityWorks in West
Virginia (statewide, Elkhart)
Fairmont Community
Development Partnership

Wisconsin
NHS of Beloit
NHS of Green Bay
NHS of Kenosha
NHS of Milwaukee
NHS of Richland County
(Richland Center)

Key
CDC Community Development Corporation
MHA Mutual Housing Association
NDC Neighborhood Development Corporation
NHS Neighborhood Housing Services
NeighborWorks® Network Locations and Corporate District Offices

North Central
Robert Burns, District Director
4010 Washington, Suite 200
Kansas City, Missouri 64111-2614
Tel. (816) 931-4176

Pacific
Jo Ann Lawson, District Director
827 Broadway, Suite 200
Oakland, California 94607-4015
Tel. (510) 273-4074

Rocky Mountain
Margaret Frisbee, District Director
1776 S. Jackson Street, Suite 810
Denver, Colorado 80210-3807
Tel. (303) 782-0299
Facts and Figures

NEIGHBORWORKS® ASSET-BUILDING SYSTEM

Neighborhood Reinvestment’s capacity-building functions are the catalyst for the NeighborWorks® network’s success.

**Neighborhood Reinvestment Capacity-Building Functions**
- Technical Assistance
- Training
- Grants
- Program Monitoring
- Secondary Market Support

**City/State**
- CDBG, HOME, HOPE
- Mortgage Revenue Bonds
- Conventional Lenders
- Loan Products
- Others

**Loans Sold**

**Cash $$$**

**Neighborhood Housing Services of America**

**FY 1997**
- $64.9 million in revolving loan investment
- $479.5 million in other leveraged investment
- 11,257 affordable housing units
- 10,715 minor home improvements

**Results:** 177 NeighborWorks® organizations, with median total expenses of $418,928, are involved in community revitalization, employing more than 1,800 staff. In FY 1997, the network’s total direct investment amounted to $544.4 million.

Source: Neighborhood Reinvestment’s annual and quarterly surveys.
The NeighborWorks® neighborhood-revitalization strategy is based on a partnership of residents, local government entities and members of the private sector. This chart lists some of the key contributions (input) and rewards (output) of the different segments of the partnership.

**Contributions (input)**

- **NeighborWorks® Neighborhood Residents**
  - Volunteer Participation in NeighborWorks® board programs
  - $ Investment: $34.7 million

- **Financial Institutions**
  - $9.2 million in Contributions*

- **Federal and Local Government**
  - $50.8 million in Contributions*

**Rewards (output)**

- **NeighborWorks® Neighborhood Residents**
  - Asset Building: 5,718 first-time homebuyers
  - Asset Improvement: 5,950 rehab units
  - Asset Preservation: 10,715 minor repairs
  - Resident-leadership Development and Participation

- **Financial Institutions**
  - $301.4 million in mortgages

- **Federal and Local Government**
  - $101.5 million in public lending
  - Expanding property tax base
  - Stabilizing low-income communities
  - Enhancing self-sufficiency by partnership building

* Contributions (e.g., grants) are for NeighborWorks® organizations’ operating expenses, revolving loan funds and special projects. Data pertains to 1996 contributions and 1997 output.

Source: Neighborhood Reinvestment’s annual and quarterly surveys.
Between 1991 and 1997, the share of financial institutions’ investment in NeighborWorks® neighborhoods increased from 32% to 55% of the total, while public-sector participation decreased from 37% to 19%. This indicates an increased share of market-generated investment, a lessening of dependency on government funding coupled with an increasing ability to leverage those public-sector funds, and greater neighborhood self-sufficiency.

**Other** includes Neighborhood Reinvestment, Neighborhood Housing Services of America, corporations, foundations, and residents.

Source: Neighborhood Reinvestment’s quarterly surveys.
In FY 1997, one dollar of public investment was leveraged by $3 of private investment, a nearly threefold increase since FY 1990.

* Source: Neighborhood Reinvestment’s quarterly surveys.
In FY 1997, NeighborWorks® organizations produced $272,678 in total investment per full-time equivalent staff compared with $182,198 in FY 1990.

*The ratio for FY 1997 used the estimated total FTE staff based on 1996 figures.

Source: Neighborhood Reinvestment's annual and quarterly surveys.
INCOME LEVEL OF NEIGHBORWORKS® NEIGHBORHOODS

There are 5.5 million Americans living in census tracts served by 125 NeighborWorks® organizations. Most are defined as low- or very low-income tracts (where residents earn less than 80% of area median). In addition to those organizations, 52 others provide services to wider geographical areas, including two that operate statewide, one that is regional and one that works in a tri-state area.

Source: 1990 U.S. Census.
NeighborWorks® neighborhoods serve greater percentages of African Americans, Hispanics and other minority groups than are represented in the general U.S. population.

*The U.S. Census counts Hispanic origin as an ethnic category included in the racial groups. Source: 1990 U.S. Census.*
COMMUNITY-BUILDING ACTIVITIES (1996)

Most NeighborWorks® organizations take a comprehensive approach to neighborhood revitalization, performing many resident and neighborhood-oriented services in addition to affordable housing that contribute to the improvement of overall community welfare.

Resident-Oriented Activities

Many NeighborWorks® activities are geared toward improvement of residents' social and economic welfare by providing training and community-based support.

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Number of Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>HomeBuyer's Club</td>
<td>5,224</td>
</tr>
<tr>
<td>Food Bank</td>
<td>3,715</td>
</tr>
<tr>
<td>Neighborhood Leadership Training</td>
<td>2,885</td>
</tr>
<tr>
<td>Day Care Center</td>
<td>1,601</td>
</tr>
<tr>
<td>Adult Education</td>
<td>1,507</td>
</tr>
<tr>
<td>Youth Employment</td>
<td>1,104</td>
</tr>
<tr>
<td>Drug/Alcohol Abuse Prevention</td>
<td>899</td>
</tr>
<tr>
<td>Community Health Services</td>
<td>774</td>
</tr>
</tbody>
</table>

Neighborhood-Oriented Activities

In addition to resident-oriented activities, most organizations are actively involved in other neighborhood programs that help improving the overall neighborhood environment.

- Neighborhood Clean-ups ........................................................ 54%
- Community Organizations' Relations ........................................... 51%
- Neighborhood Beautification and Landscaping ......................... 45%
- Neighborhood Festivals ........................................................... 41%
- Business and Merchant Relations ................................. 25%
- Neighborhood Safety and Awareness .............................. 24%

Source: Neighborhood Reinvestment's annual survey.
NEIGHBORWORKS® OTHER SERVICES

In addition to new construction and rehabilitation of single-family and multifamily units, NeighborWorks® organizations are involved in many housing-preservation and economic-development activities.

# of Households/Individuals Benefited

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepurchase Counseling</td>
<td>11,783</td>
<td>15,596</td>
<td>18,856</td>
<td>25,995</td>
<td>30,597</td>
</tr>
<tr>
<td>Postpurchase Counseling</td>
<td>1,780</td>
<td>2,893</td>
<td>3,025</td>
<td>5,402</td>
<td>6,007</td>
</tr>
<tr>
<td>Code Inspection</td>
<td>5,662</td>
<td>3,243</td>
<td>5,684</td>
<td>5,157</td>
<td>12,790</td>
</tr>
<tr>
<td>Energy Audits</td>
<td>3,417</td>
<td>2,177</td>
<td>2,382</td>
<td>2,138</td>
<td>1,691</td>
</tr>
<tr>
<td>Weatherized Units</td>
<td>3,279</td>
<td>2,392</td>
<td>2,692</td>
<td>2,417</td>
<td>2,643</td>
</tr>
<tr>
<td>Structures Painted</td>
<td>2,661</td>
<td>3,199</td>
<td>2,001</td>
<td>2,335</td>
<td>2,370</td>
</tr>
<tr>
<td>Security and Safety Counseling</td>
<td>4,782</td>
<td>4,294</td>
<td>9,974</td>
<td>11,572</td>
<td>10,294</td>
</tr>
<tr>
<td>Home Insurance Counseling</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>12,739</td>
</tr>
<tr>
<td>Youth Counseling</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>773</td>
</tr>
<tr>
<td>Business Counseling</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>1,542</td>
</tr>
</tbody>
</table>


NEIGHBORWORKS® CAMPAIGN FOR HOME OWNERSHIP

COMPARATIVE COST AND OUTPUT
(54-Month Data Ending June 30, 1997)

NeighborWorks® Campaign for Home Ownership exceeded its five-year goal of 10,000 homeowners a year early.

Campaign Output

- Total Number of New Homeowners 12,466
- Total Number of Housing Units 14,221 *
- Total Amount of Investment $858,344,825
- Total Number of Persons Receiving Prepurchase Counseling 88,402

Characteristics of Homebuyers

- Home ownership is less costly than renting or only marginally more costly for 37 percent of the new homeowners.
- Forty-two percent of new homeowners are females.
- Ninety-five percent are first-time homebuyers.

* Out of 14,221 total units, investment information for 104 units was not available and, therefore, not reflected in the total investment figure.
COMPARATIVE COST OF SINGLE-FAMILY PURCHASED HOMES:
U.S. MARKET AND NEIGHBORWORKS® CAMPAIGN

The NeighborWorks® Campaign has demonstrated that home ownership can be made affordable to low- and moderate-income Americans.

<table>
<thead>
<tr>
<th>Cost and Affordability</th>
<th>U.S. Data 1995(1)</th>
<th>NeighborWorks® Data 1993/97(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home Purchase Cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$139,000</td>
<td>$65,635*</td>
</tr>
<tr>
<td>Median</td>
<td>$112,900</td>
<td>$58,500*</td>
</tr>
<tr>
<td><strong>Median Family Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$39,558</td>
<td>$24,972</td>
</tr>
<tr>
<td><strong>Monthly P&amp;I Payment (Median)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Excluding taxes and insurance)</td>
<td>20%</td>
<td>19%*</td>
</tr>
<tr>
<td>(Including taxes and insurance)</td>
<td>n/a</td>
<td>25%*</td>
</tr>
</tbody>
</table>

(1) Source: “Real Estate Outlook,” vol. #3, no. 8, National Association of Realtors, 1996.
* Homes with more than one unit were excluded in the calculation.

NEIGHBORHOOD REINVESTMENT'S EXPENDITURES BY FUNCTION

In fiscal year 1997, Neighborhood Reinvestment had $56.6 million to support its revitalization efforts. These emphasized local organizations' development and capacity building. The Corporation's 1997 appropriation was $49.9 million.
NEIGHBORHOOD HOUSING SERVICES OF AMERICA, INC.
THREE-YEAR ROLLING AVERAGE LOAN ACTIVITY
FY 1987 to FY 1997

$ Millions

Source: Neighborhood Housing Services of America.

NEIGHBORWORKS® CAPACITY-BUILDING MEASURES

Neighborhood Reinvestment's technical assistance to NeighborWorks® organizations results in improved organizations as well as in improved levels of affordable-housing production. Organizationally, these improvements are reflected in numbers of employees, percent offering retirement benefits and tenure of executive directors, among other indicators.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Median Staff Size (full-time employees)</td>
<td>4.5</td>
<td>4.0</td>
<td>4.0</td>
<td>5.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Retirement Benefits (percent with)</td>
<td>35%</td>
<td>40%</td>
<td>45%</td>
<td>51%</td>
<td>57%</td>
</tr>
<tr>
<td>Executive Director Median Tenure (years)</td>
<td>3.0</td>
<td>3.5</td>
<td>4.3</td>
<td>4.6</td>
<td>5.0</td>
</tr>
<tr>
<td>Median Operating Expenses</td>
<td>$157,472</td>
<td>$160,353</td>
<td>$277,793</td>
<td>$333,796</td>
<td>$418,928</td>
</tr>
</tbody>
</table>

COST OF TRAINING PER CONTACT HOUR

While the number of Training Institute contact hours has increased from 26,341 in 1991 to 89,546 in 1997, its cost has declined from $56 to $32 per hour.

* Source: Neighborhood Reinvestment's quarterly reports.

NEIGHBORHOOD REINVESTMENT EFFICIENCY MEASURES

NeighborWorks® organizations’ total investment per each dollar of Neighborhood Reinvestment’s congressional appropriation has nearly doubled, from $5.5 in FY 1990 to $10.9 in FY 1997.

One dollar of Neighborhood Reinvestment’s administrative grant to NHSA was used to raise and manage an additional asset of $53 in FY 1997, an increase of 89% from FY 1990.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>NeighborWorks® Total Investment per Total Appropriation</th>
<th>NHSA’s Total Assets per Administrative Grant to NHSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>$5.5:1</td>
<td>$28:1</td>
</tr>
<tr>
<td>1991</td>
<td>$5.8:1</td>
<td>$26:1</td>
</tr>
<tr>
<td>1992</td>
<td>$6.4:1</td>
<td>$30:1</td>
</tr>
<tr>
<td>1993</td>
<td>$7.4:1</td>
<td>$36:1</td>
</tr>
<tr>
<td>1994</td>
<td>$8.5:1</td>
<td>$34:1</td>
</tr>
<tr>
<td>1995</td>
<td>$9.2:1</td>
<td>$46:1</td>
</tr>
<tr>
<td>1996</td>
<td>$10.9:1</td>
<td>$49:1</td>
</tr>
<tr>
<td>1997</td>
<td>$10.9:1</td>
<td>$53:1</td>
</tr>
</tbody>
</table>
Neighborhood Housing Services of America

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President

Ritchie Post
Senior Vice President and Assistant Treasurer

Ernest Baskette
Senior Vice President

Jack Gilbert
Vice President–Marketing

Zaretta Kimble
Assistant Vice President–Director of Administrative Services

General Counsel
Fred Pillon, Esq.
Gibson, Dunn & Crutcher, LLP

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General Counsel/Secretary

Margaret H. Kelly
Director, Field Operations

Roy T. Davis
Director, Finance, Administration, Training, Human Resources and Research

Julia Hunter Galdo
Director, Communications and Information Services

Carlos Porrata
Director, Information Technology and Program Review

The 1997 Annual Report
was prepared by the communications and information services division of the Neighborhood Reinvestment Corporation.

Julia Hunter Galdo
Director

John Leonard
Public Affairs Director

Catherine A. Smith
Editorial Director

Annual Report Production

Editorial Coordination and Writing
Thomas P. Nugent
Catherine A. Smith

Design
David Plihal

Photo Credits
Photos by Séan Bennett except page 4, Gregory Dohler; page 5, Columbus NHS; page 8, Jason Cohn; and page 16, San Jose NHS.

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Secretary, Executive Committee
La Habra Neighborhood Housing Services

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Early Childhood Center of Springfield, Massachusetts

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Corporate Strategy and Development
American Express Financial Advisors

Judy McCormick
Assistant Vice President of Compliance and Community Investment
USAA Federal Savings Bank

Myron J. Resnick
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Allstate Insurance Company

Rhonda Woodard
Vice President, Underwriting
Allstate Insurance Company

Neighborhood Reinvestment Corporation

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George Knight
Executive Director

Jeffrey T. Bryson
General Counsel/Secretary

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

September 30, 1997 and 1996
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<tr>
<td>Independent Auditor's Report on Additional Information</td>
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</tr>
<tr>
<td>Combining Statement of Revenue, Expenses and Changes in Fund Balances</td>
<td>14-15</td>
</tr>
</tbody>
</table>
Board of Directors
Neighborhood Reinvestment Corporation

We have audited the accompanying balance sheets of Neighborhood Reinvestment Corporation (the Corporation) as of September 30, 1997 and 1996 and the related statements of revenue, expenses and changes in fund balances, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated December 10, 1997 on our consideration of the Corporation’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Washington, D.C.
December 10, 1997
Thompson, Cate, Bejlkis & Adriani, PC


NEIGHBORHOOD REINVESTMENT CORPORATION

BALANCE SHEETS
September 30, 1997 and 1996

Assets

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,557,379</td>
<td>$2,495,720</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neighborhood Housing Services of America, Inc. (Note 3)</td>
<td>750,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Government agencies and private corporations/foundations</td>
<td>1,584,200</td>
<td>354,027</td>
</tr>
<tr>
<td>Other receivables, net of estimated uncollectibles of $247,445 and $223,757</td>
<td>130,209</td>
<td>66,385</td>
</tr>
<tr>
<td>Travel advances</td>
<td>58,849</td>
<td>59,676</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>155,841</td>
<td>294,017</td>
</tr>
<tr>
<td>Fixed assets (Note 4)</td>
<td>1,803,341</td>
<td>1,744,704</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$8,039,819</td>
<td>$6,014,529</td>
</tr>
</tbody>
</table>

Liabilities and Fund Balances

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$3,470,030</td>
<td>$1,620,219</td>
</tr>
<tr>
<td>Grant commitments (Note 5)</td>
<td>1,326,231</td>
<td>1,428,332</td>
</tr>
<tr>
<td>Deferred revenue (Note 6)</td>
<td>444,523</td>
<td>803,545</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>5,240,784</td>
<td>3,852,096</td>
</tr>
<tr>
<td>Commitments and contingencies (Note 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balances:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>995,694</td>
<td>417,729</td>
</tr>
<tr>
<td>Property</td>
<td>1,803,341</td>
<td>1,744,704</td>
</tr>
<tr>
<td>Total Fund Balances</td>
<td>2,799,035</td>
<td>2,162,433</td>
</tr>
<tr>
<td>Total Liabilities and Fund Balances</td>
<td>$8,039,819</td>
<td>$6,014,529</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NEIGHBORHOOD REINVESTMENT CORPORATION

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
For the Years Ended September 30, 1997 and 1996

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Congressional appropriation</td>
<td>$49,900,000</td>
<td>$38,667,000</td>
</tr>
<tr>
<td>Government agencies and private corporations/foundations</td>
<td>4,345,468</td>
<td>2,399,556</td>
</tr>
<tr>
<td>Interest</td>
<td>1,548,208</td>
<td>487,690</td>
</tr>
<tr>
<td>Training registration fees</td>
<td>1,008,628</td>
<td>712,772</td>
</tr>
<tr>
<td>Other</td>
<td>397,746</td>
<td>249,179</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>57,200,050</td>
<td>42,516,197</td>
</tr>
</tbody>
</table>

| **Expenses**         |                     |                     |
| Personnel            | 14,277,263          | 13,701,559          |
| Grants and grant commitments | 32,221,147         | 20,109,843          |
| Travel               | 1,720,879           | 1,672,029           |
| Occupancy            | 1,758,899           | 1,583,934           |
| Professional services | 2,585,209           | 1,738,515           |
| Conferences and workshops | 768,377             | 627,962             |
| Other operating costs | 2,701,940           | 2,589,393           |
| Depreciation         | 529,734             | 506,324             |
| **Total Expenses**   | 56,563,448          | 42,529,559          |

| **Excess (Deficiency) of Revenue Over Expenses** | 636,602 | (13,362) |
| **Fund Balance, Beginning** | 2,162,433 | 2,175,795 |
| **Fund Balance, Ending** | $2,799,035 | $2,162,433 |

The accompanying notes are an integral part of these financial statements.
STATMENTS OF CASH FLOWS
For the Years Ended September 30, 1997 and 1996

Cash flows from operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess (Deficiency) of revenue over expenses</td>
<td>$ 636,602</td>
<td>$(13,362)</td>
</tr>
<tr>
<td>Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$ 8,690</td>
<td>$13,283</td>
</tr>
<tr>
<td>Loss on disposition of furniture and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in receivables</td>
<td>(1,293,997)</td>
<td>(298,936)</td>
</tr>
<tr>
<td>Decrease in travel advances</td>
<td>827</td>
<td>12,609</td>
</tr>
<tr>
<td>Decrease (Increase) in prepaid expenses and other assets</td>
<td>138,176</td>
<td>(148,712)</td>
</tr>
<tr>
<td>Increase (Decrease) in accounts payable and accrued expenses</td>
<td>1,849,811</td>
<td>(335,739)</td>
</tr>
<tr>
<td>(Decrease) Increase in grant commitments</td>
<td>(102,101)</td>
<td>424,831</td>
</tr>
<tr>
<td>Decrease in deferred revenue</td>
<td>(359,022)</td>
<td>(337,448)</td>
</tr>
</tbody>
</table>

Net Cash Provided by (Used in) Operating Activities 1,408,720 (177,150)

Cash flows from investing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of office furniture and equipment</td>
<td>(597,061)</td>
<td>(844,349)</td>
</tr>
<tr>
<td>Collections on NHSA advances</td>
<td>250,000</td>
<td>—</td>
</tr>
</tbody>
</table>

Net Cash Used in Investing Activities (347,061) (844,349)

Net Increase (Decrease) in Cash and Cash Equivalents 1,061,659 (1,021,499)

Cash and Cash Equivalents, Beginning 2,495,720 3,517,219

Cash and Cash Equivalents, Ending $3,557,379 $2,495,720

The accompanying notes are an integral part of these financial statements.
## Statement of Functional Expenses
For the Year Ended September 30, 1997

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of New Organizations</td>
<td>$1,507,637</td>
</tr>
<tr>
<td>Capacity Building</td>
<td>$17,601,391</td>
</tr>
<tr>
<td>Preserving Affordable Housing</td>
<td>$14,681,071</td>
</tr>
<tr>
<td>Program Review</td>
<td>$2,046,797</td>
</tr>
<tr>
<td>Training and Reviewing</td>
<td>$8,852,724</td>
</tr>
<tr>
<td>Secondary Market Activities</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>Total Program Services</td>
<td>$50,689,620</td>
</tr>
<tr>
<td>General and Administrative</td>
<td>$5,873,828</td>
</tr>
<tr>
<td>Total</td>
<td>$56,563,448</td>
</tr>
</tbody>
</table>

### Personnel Costs
- $911,038
- $4,050,903
- $1,020,601
- $1,534,158
- $3,444,780
- $10,961,480
- $3,315,783
- $14,277,263

### Grants and Grant Commitments
- $181,318
- $11,604,302
- $13,300,180
- $1,135,347
- $2,221,147
- $1,720,879

### Travel Costs
- $152,194
- $532,836
- $138,629
- $627,484
- $1,615,936
- $1,758,899

### Occupancy Costs
- $94,412
- $397,195
- $99,210
- $81,735
- $408,191
- $408,191
- $678,156
- $1,758,899

### Professional Services
- $44,452
- $550,677
- $78,504
- $128,977
- $1,442,582
- $2,245,192
- $340,017
- $2,585,209

### Conferences and Workshops
- $18,303
- $70,479
- $12,043
- $7,852
- $647,220
- $755,897
- $12,480
- $768,377

### Other Operating Costs
- $105,920
- $394,999
- $31,904
- $129,282
- $1,147,120
- $1,809,225
- $892,715
- $2,701,940

### Depreciation
- $529,734
- $529,734

### Total Expenses
- $1,507,637
- $17,601,391
- $14,681,071
- $2,046,797
- $8,852,724
- $6,000,000
- $50,689,620
- $5,873,828
- $56,563,448

The accompanying notes are an integral part of these financial statements.
## Statement of Functional Expenses
For the Year Ended September 30, 1996

<table>
<thead>
<tr>
<th>Creation of New Organizations</th>
<th>Capacity Building</th>
<th>Preserving Affordable Housing</th>
<th>Program Review</th>
<th>Training and Informing</th>
<th>Secondary Market Activities</th>
<th>Total Program Services</th>
<th>General and Administrative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$847,200</td>
<td>$3,997,876</td>
<td>$1,074,623</td>
<td>$1,430,776</td>
<td>$3,197,275</td>
<td>$10,547,750</td>
<td>$3,153,809</td>
<td>$13,701,559</td>
</tr>
<tr>
<td>Grants and grant commitments</td>
<td>62,062</td>
<td>6,660,435</td>
<td>8,009,722</td>
<td>—</td>
<td>912,624</td>
<td>4,465,000</td>
<td>—</td>
<td>20,109,843</td>
</tr>
<tr>
<td>Travel</td>
<td>149,784</td>
<td>652,735</td>
<td>124,597</td>
<td>146,909</td>
<td>473,867</td>
<td>1,547,892</td>
<td>124,137</td>
<td>1,672,029</td>
</tr>
<tr>
<td>Occupancy</td>
<td>34,744</td>
<td>348,366</td>
<td>347,506</td>
<td>72,493</td>
<td>307,208</td>
<td>1,110,317</td>
<td>473,617</td>
<td>1,583,934</td>
</tr>
<tr>
<td>Professional services</td>
<td>56,868</td>
<td>266,867</td>
<td>132,867</td>
<td>122,670</td>
<td>942,579</td>
<td>1,521,851</td>
<td>216,664</td>
<td>1,738,515</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>18,504</td>
<td>71,656</td>
<td>9,769</td>
<td>5,444</td>
<td>475,560</td>
<td>580,933</td>
<td>47,029</td>
<td>627,962</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>194,816</td>
<td>251,010</td>
<td>138,417</td>
<td>97,701</td>
<td>1,066,353</td>
<td>1,748,297</td>
<td>841,096</td>
<td>2,589,393</td>
</tr>
<tr>
<td>Depreciation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>506,324</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>1,363,978</strong></td>
<td><strong>12,248,945</strong></td>
<td><strong>9,837,501</strong></td>
<td><strong>1,875,993</strong></td>
<td><strong>7,375,466</strong></td>
<td><strong>4,465,000</strong></td>
<td><strong>37,166,883</strong></td>
<td><strong>5,362,676</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTE 1: ORGANIZATION

Neighborhood Reinvestment Corporation (the Corporation) was established by Congress on October 31, 1978 by the Neighborhood Reinvestment Corporation Act. The purpose of the Corporation is to continue the joint efforts of the federal financial supervisory agencies and the Department of Housing and Urban Development (HUD) in promoting reinvestment in older neighborhoods by local financial institutions in cooperation with the community, residents and local governments. These efforts were previously conducted by the Urban Reinvestment Task Force, which the Corporation succeeded.

The Corporation is exempt from federal income tax under the provisions of the Neighborhood Reinvestment Corporation Act and is recognized by the Internal Revenue Service as a tax-exempt organization as described in Section 501(c)(3) of the U.S. Internal Revenue Code.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements are prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recorded when incurred, without regard to the dates of receipt or payment of cash.

Fund Accounting — To ensure the observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts are maintained in accordance with the principles of fund accounting. This practice allows resources for various purposes to be classified into funds established according to their nature and intended use. The funds are as follows:

Unrestricted fund — unrestricted resources available for the regular operations of the Corporation. The use of this fund is at the discretion of the board of directors and management.

Property fund — net investment in fixed assets used in the regular operations of the Corporation.

Restricted fund — the portions of Congressional appropriations awarded for specific uses, contributions and grants from other entities and the related expenditures incurred to carry out the activities specified by the donors.
Revenue Recognition — The Corporation’s primary funding is through Congressional appropriation. Support is also provided by federal and local government agencies and private corporations and foundations. Unrestricted Congressional appropriations are recognized as revenue when appropriating legislation is enacted. Congressional appropriations restricted for equity capital grants and other specific programs are recognized as revenue when the related grant commitments are made and/or when other specific program costs are incurred. Support from federal and local government agencies and private corporations and foundations is recorded as revenue when costs are incurred; funds received but unexpended are reflected as deferred revenue.

Grants and Grant Commitments — Grants and grant commitments are recorded as expenses when letters of intent or grant commitments are signed by the Corporation’s management. Undisbursed grant funds that are deobligated are reflected as reductions of grant expense when the related grant commitments are revoked.

Cash and Cash Equivalents — Cash in excess of amounts required to fund current operations is invested in short-term investments. Such short-term investments are stated at cost, which approximates market. Cash equivalents include investments with original maturities of three months or less.

Fixed Assets — Office furniture, equipment and software acquired at a cost in excess of $500 is capitalized. Depreciation is calculated using the straight-line method over their estimated useful lives.

Accounts Receivable — Accounts receivable are stated at net realizable value. The allowance for doubtful accounts is based on management’s estimate of uncollectible accounts.

Functional Allocation of Expenses — Costs of program activities and support services are presented on a functional basis in the financial statements. Accordingly, certain direct and indirect expenses have been allocated among the programs and support services benefitted.
NOTE 3: NEIGHBORHOOD HOUSING SERVICES OF AMERICA, INC. (NHSA)

NHSA is a private non-profit corporation which provides financial and fundraising services to the NeighborWorks® network. The Corporation is the principal source of funding for NHSA. Grants made by the Corporation to NHSA for fiscal years 1997 and 1996 amounted to $6,000,000 and $4,465,000, respectively. On September 29, 1986, the Corporation entered into a Revolving Credit Agreement with NHSA to make advances to NHSA as needed through September 29, 1997, not to exceed an aggregate outstanding balance of $1,000,000. These advances were used to purchase and warehouse low-interest mortgages from NeighborWorks® programs pending closing on sales to institutional investors. NHSA pays the Corporation an annual fee of 3% of the average daily outstanding loan balance. As of September 30, 1997 and 1996, the amount owed to the Corporation was $750,000 and $1,000,000, respectively.

The NHSA receivable is due to be collected as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$250,000</td>
</tr>
<tr>
<td>1999</td>
<td>250,000</td>
</tr>
<tr>
<td>2000</td>
<td>250,000</td>
</tr>
<tr>
<td></td>
<td><strong>$750,000</strong></td>
</tr>
</tbody>
</table>

NOTE 4: FIXED ASSETS

Fixed assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td><strong>$5,139,286</strong></td>
<td><strong>$4,580,618</strong></td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td><strong>(3,335,945)</strong></td>
<td><strong>(2,835,914)</strong></td>
</tr>
<tr>
<td>Net fixed assets</td>
<td><strong>$1,803,341</strong></td>
<td><strong>$1,744,704</strong></td>
</tr>
</tbody>
</table>
NOTE 5: GRANT COMMITMENTS

The Corporation provides grant funds to NeighborWorks® programs, neighborhood preservation projects and other similar programs in partial support of program costs, to create revolving loan funds, and to provide certain equity capital funding. Grants are recorded when the funds are committed. Committed but unexpended grant funds are recorded as a liability in the accompanying financial statements. The Corporation remains liable for outstanding grant commitments in the following program areas:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Capital</td>
<td>$1,044,231</td>
<td>$416,800</td>
</tr>
<tr>
<td>Capacity Building</td>
<td>258,000</td>
<td>819,711</td>
</tr>
<tr>
<td>Training Grants</td>
<td>24,000</td>
<td>39,821</td>
</tr>
<tr>
<td>Creation of New NeighborWorks® Organizations</td>
<td>—</td>
<td>150,000</td>
</tr>
<tr>
<td>Mutual Housing</td>
<td>—</td>
<td>2,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,326,231</strong></td>
<td><strong>$1,428,332</strong></td>
</tr>
</tbody>
</table>

NOTE 6: DEFERRED REVENUE

Deferred revenue consists of funds from the following:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private corporations/foundations</td>
<td>$410,211</td>
<td>$592,933</td>
</tr>
<tr>
<td>Government</td>
<td>34,312</td>
<td>210,612</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>445,523</strong></td>
<td><strong>$803,545</strong></td>
</tr>
</tbody>
</table>

NOTES TO FINANCIAL STATEMENTS
September 30, 1997 and 1996
NOTE 7: COMMITMENTS AND CONTINGENCIES

Leases — The Corporation leases office space and equipment under various agreements through the year 2006 in Washington, D.C., and in other cities throughout the United States. Certain office space agreements provide for annual rental adjustments based upon increases in the Consumer Price Index. In addition, these agreements call for a pass through of operating expenses and real estate taxes. The following is a schedule of future minimum rental payments under noncancellable operating leases, having initial or remaining terms of more than one year as of September 30, 1997:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$1,470,411</td>
</tr>
<tr>
<td>1999</td>
<td>1,333,480</td>
</tr>
<tr>
<td>2000</td>
<td>1,148,365</td>
</tr>
<tr>
<td>2001</td>
<td>848,368</td>
</tr>
<tr>
<td>2002</td>
<td>766,064</td>
</tr>
<tr>
<td>Thereafter</td>
<td>3,064,256</td>
</tr>
<tr>
<td>Total</td>
<td>$8,630,944</td>
</tr>
</tbody>
</table>

The cost of operating leases included in occupancy expense for the years ended September 30, 1997 and 1996 was $1,747,193 and $1,573,473, respectively.

Mortgage Guarantees — Under the terms of an agreement executed between the Mortgage Guaranty Insurance Corporation (MGIC) and the Corporation, MGIC insures some mortgage loans that do not meet all of MGIC’s standard underwriting guidelines. The Corporation shares a portion of this higher financial risk. The maximum liability under the agreement is $162,000. Under the agreement, MGIC has insured mortgages totaling $1,138,200 which carry the insurance risk of $336,650. However, no payment to this loan loss reserve has been required as of this date. This agreement expires on December 31, 1997.
NOTE 8: PENSION PLAN

The Corporation has a defined contribution pension plan which meets the requirements of Section 401(k) of the U.S. Internal Revenue Code. The Corporation contributes an amount equal to 8% of the social security integration level in effect and 13.7% of each active participant’s compensation in excess of the social security integration level. In addition, employees may contribute up to 10% of their annual salary to the plan of which the Corporation matches up to 75% of the first 6% of the employees’ annual salary. Employer contributions to employee accounts vest 33% after three years of employment and 100% after five years. Employees may also borrow against their vested benefits. Total pension expense for fiscal years 1997 and 1996 was $1,173,778 and $1,106,150, respectively.
INDEPENDENT AUDITOR’S REPORT ON ADDITIONAL INFORMATION

Board of Directors
Neighborhood Reinvestment Corporation

Our report on our audits of the basic financial statements of Neighborhood Reinvestment Corporation for the years ended September 30, 1997 and 1996 appears on page one. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Combining Statements of Revenue, Expenses and Changes in Fund Balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended September 30, 1997 and 1996, taken as a whole.

Washington, D.C.
December 10, 1997

[Signature]

Thompson, Costello, Rangel & Associates, PC
### NEIGHBORHOOD REINVESTMENT CORPORATION

**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES**

For the Year Ended September 30, 1997

<table>
<thead>
<tr>
<th></th>
<th>Congressional Appropriation</th>
<th>Other Sources</th>
<th>Grants and Contracts</th>
<th>Fixed Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A appropriations, grants and other awards</td>
<td>$49,900,000</td>
<td>$ —</td>
<td>$4,345,468</td>
<td>$ —</td>
<td>$54,245,468</td>
</tr>
<tr>
<td>Interest</td>
<td>—</td>
<td>1,548,208</td>
<td>—</td>
<td>—</td>
<td>1,548,208</td>
</tr>
<tr>
<td>Training registration fees</td>
<td>—</td>
<td>1,008,628</td>
<td>—</td>
<td>—</td>
<td>1,008,628</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>397,746</td>
<td>—</td>
<td>—</td>
<td>397,746</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>49,900,000</td>
<td>2,954,582</td>
<td>4,345,468</td>
<td>—</td>
<td>57,200,050</td>
</tr>
</tbody>
</table>

|                          |                            |               |                      |              |             |
| **Expenses**             |                            |               |                      |              |             |
| Personnel                | 13,934,419                 | —             | 342,844              | —            | 14,277,263  |
| Grants and grant commitments | 26,530,667              | 2,059,852     | 3,630,628            | —            | 32,221,147  |
| Travel                   | 1,669,191                  | 351           | 51,337               | —            | 1,720,879   |
| Occupancy                | 1,758,649                  | —             | 250                  | —            | 1,758,899   |
| Professional services    | 1,936,446                  | 411,692       | 237,071              | —            | 2,585,209   |
| Conferences and workshops | 556,608                   | 164,512       | 47,257               | —            | 768,377     |
| Other operating costs    | 2,629,759                  | 36,100        | 36,081               | —            | 2,701,940   |
| Depreciation             | —                          | —             | —                    | 529,734      | 529,734     |
| **Total Expenses**       | 49,015,739                 | 2,672,507     | 4,345,468            | 529,734      | 56,563,448  |

|                          |                            |               |                      |              |             |
| **Excess (Deficiency) of Revenue Over Expenses** | | | | | |
| Before Capital Purchases | 884,261                    | 282,075       | —                    | 529,734      | 636,602     |
| Furniture and equipment purchases | (597,061)           | —             | —                    | 597,061      | —           |
| Loss on disposition of furniture and Equipment, net | 8,690 | — | — | (8,690) | — |
| **Net Change in Fund Balance** | 295,890                  | 282,075       | —                    | 58,637       | 636,602     |
| **Fund Balance, Beginning** | 396,875                  | 20,854        | —                    | 1,744,704    | 2,162,433   |
| **Fund Balance, Ending**  | $ 692,765                  | $ 302,929     | $ —                  | $1,803,341   | $ 2,799,035 |

See Independent Auditor’s Report for Additional Information.
## COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended September 30, 1996

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Congressional Appropriation</th>
<th>Other Sources</th>
<th>Grants and Contracts</th>
<th>Fixed Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations, grants and other awards</td>
<td>$38,667,000</td>
<td>$ —</td>
<td>$2,399,556</td>
<td>$ —</td>
<td>$41,066,556</td>
</tr>
<tr>
<td>Interest</td>
<td>—</td>
<td>487,690</td>
<td>—</td>
<td>—</td>
<td>487,690</td>
</tr>
<tr>
<td>Training registration fees</td>
<td>—</td>
<td>712,773</td>
<td>—</td>
<td>—</td>
<td>712,773</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>249,178</td>
<td>—</td>
<td>—</td>
<td>249,178</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>38,667,000</td>
<td>1,449,641</td>
<td>2,399,556</td>
<td>—</td>
<td>42,516,197</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Congressional Appropriation</th>
<th>Other Sources</th>
<th>Grants and Contracts</th>
<th>Fixed Assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>13,363,526</td>
<td>—</td>
<td>338,033</td>
<td>—</td>
<td>13,701,559</td>
</tr>
<tr>
<td>Grants and grant commitments</td>
<td>17,211,525</td>
<td>1,335,045</td>
<td>1,563,273</td>
<td>—</td>
<td>20,109,843</td>
</tr>
<tr>
<td>Travel</td>
<td>1,558,926</td>
<td>1,740</td>
<td>111,363</td>
<td>—</td>
<td>1,672,029</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,577,034</td>
<td>—</td>
<td>6,900</td>
<td>—</td>
<td>1,583,934</td>
</tr>
<tr>
<td>Professional services</td>
<td>1,476,928</td>
<td>30,742</td>
<td>230,845</td>
<td>—</td>
<td>1,738,515</td>
</tr>
<tr>
<td>Conferences and workshops</td>
<td>508,127</td>
<td>67,264</td>
<td>52,571</td>
<td>—</td>
<td>627,962</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>2,487,861</td>
<td>4,961</td>
<td>96,571</td>
<td>—</td>
<td>2,589,393</td>
</tr>
<tr>
<td>Depreciation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>506,324</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>38,183,927</td>
<td>1,439,752</td>
<td>2,399,556</td>
<td>506,324</td>
<td>42,529,559</td>
</tr>
</tbody>
</table>

| Excess (Deficiency) of Revenue Before Capital Purchases | 483,073 | 9,889 | — | (506,324) | (13,362) |
| Furniture and equipment purchases            | (844,350) | (506,324) | — | 844,350 | — |
| Loss on disposition of furniture and equipment, net | 13,283 | — | — | (13,283) | — |
| Net Change in Fund Balance                   | (347,994) | 9,889 | — | 324,743 | (13,362) |
| Fund Balance, Beginning                      | 744,858 | 10,975 | — | 1,419,962 | 2,175,795 |
| Fund Balance, Ending                         | $396,864 | $20,864 | $ — | $1,744,705 | $2,162,433 |

See Independent Auditor's Report for Additional Information.