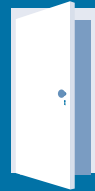
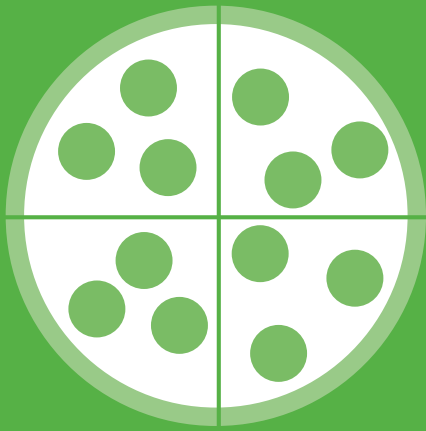




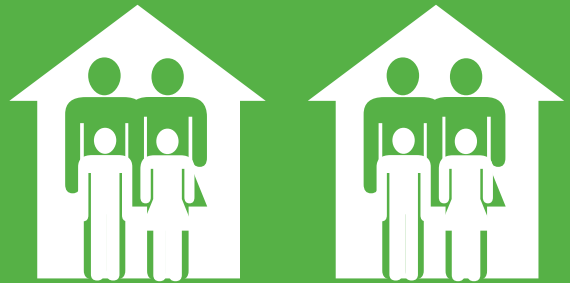
**fahe**   
federation of appalachian housing enterprises  
*Strength in Numbers*



**Opening Doors**  
2010 Annual Report



Pizza Delivery (30 minutes)



Daily Commute (1 hour)

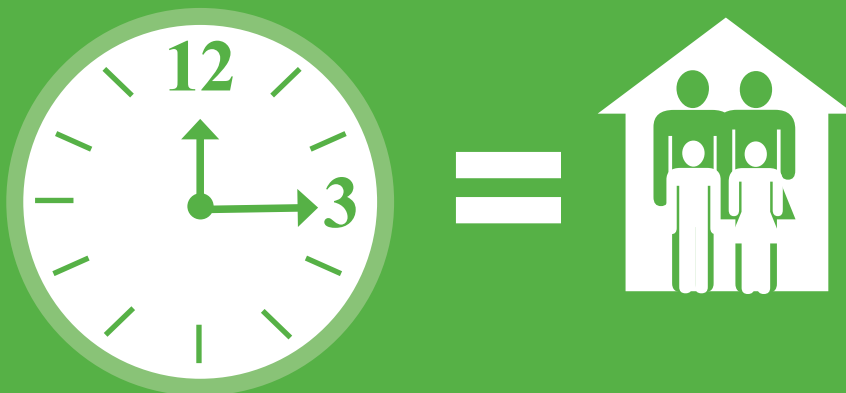


Football Game (4 hours)

***Every 30 minutes FAHE changes a life by helping a family in Appalachia open the door to a better home.***

Your help is essential in continuing to open doors for families in Central Appalachia. There are still over 700,000 families living in housing that is substandard or so expensive they must choose between rent and electricity or buying medicine and food. Your contribution opens a door, not only to a new home, but also to new opportunities for financial security for a family in need. We invite you to be a part of what we do to help FAHE create what happens next for the families and communities we serve.

***Together, we will meet our goal of serving a family every 15 minutes.***



# From Our President



Dear Friends:

Every 30 minutes FAHE changes a life by helping a family open the door to a better home. We make it happen despite our region's reputation as a place where progress is stagnant. We do it though we face ongoing challenges in the wake of a national housing crisis. We do it amidst a faltering economy that has destroyed financial security for many.

We make that happen by creating opportunities out of what's right in front of us. We do it through innovation, by looking for better ways to get things done. We do it by fostering connections between diverse places, organizations, fields, and people. We do it by creating momentum that results in levels of investment that create significant impact. And, we do it through persistence, by stepping up to a leadership role in the midst of change.

While models and strategies and platforms have their place, they only matter if they change the lives of people in need. Rebecca Seaton grew up sleeping in the living room of her family's small, aging mobile home. At the closing for her parent's new home, the 10 year old girl's only question: "Does this mean I get a door?" A door is a powerful symbol. When we have the power to close it we can create security. When we choose to open it, we have the power to move into a new opportunity.

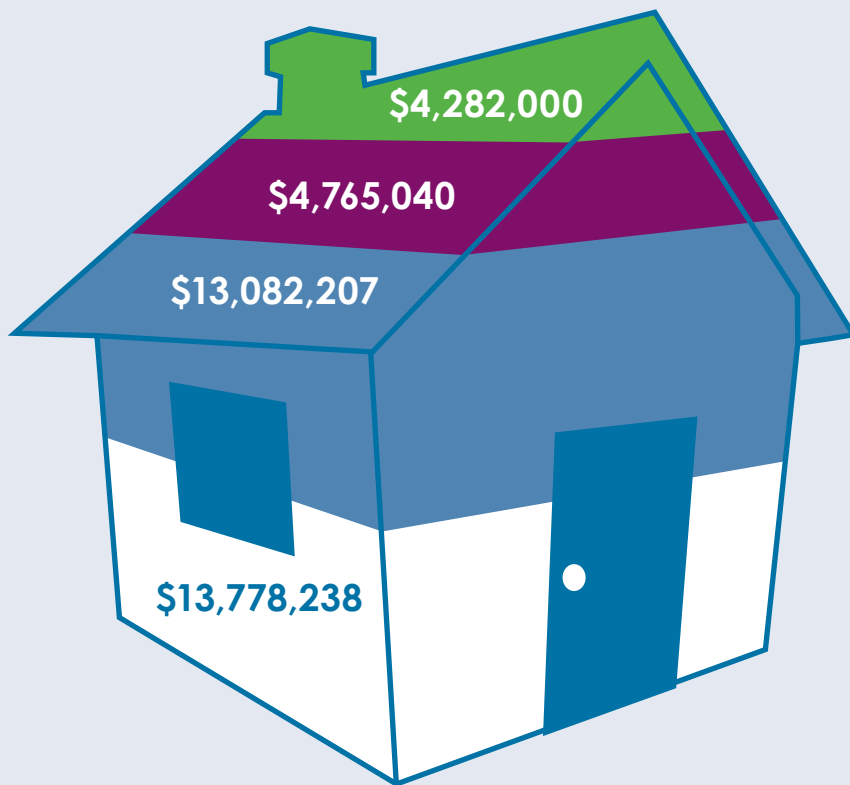
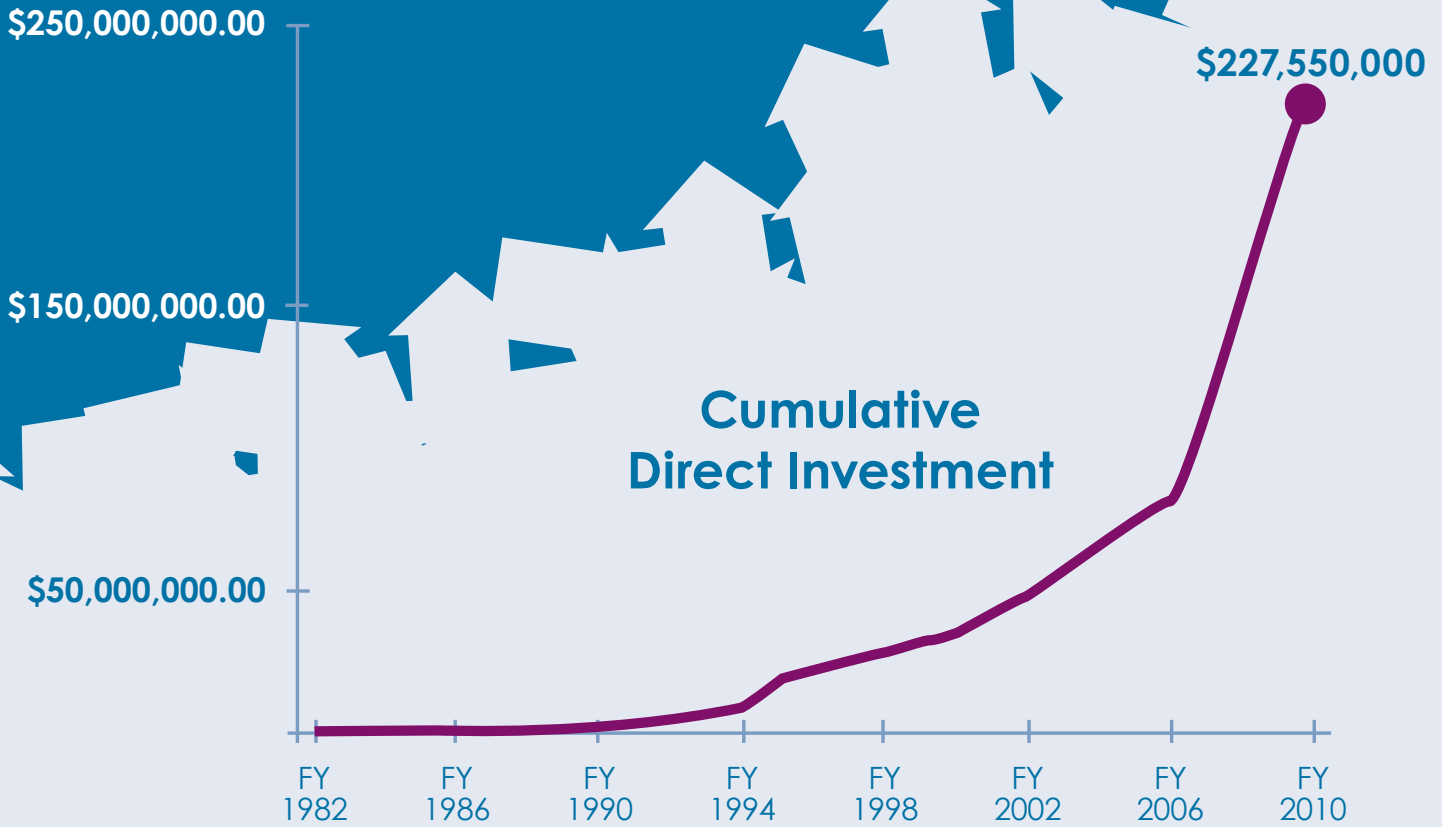
FAHE is in the business of opening doors. It works for our partners by opening doors to new opportunities. It works for our region by opening doors to new capital and improved housing stock. It works for other high poverty regions by opening the door to a proven model for social change. Most importantly, it works for families by opening doors to new homes. It works for little girls, who don't care about innovation or regional impact, but who care very much about opening the door to a bedroom of their own.

Housing is shelter, a basic human need. But done well, it provides security and opportunity and that has the power to change the way we see the world.




What we do works thanks to help from our partners and friends. Thank you for your support. Your ongoing contributions will ensure that every 30 minutes FAHE will open the door to a new home for one more family, for one more little girl, no matter what.

Jim King  
President & CEO

# Momentum



## Direct Investment in 2010 Total: \$35,907,485

-  Community Loan Fund (Loans for Nonprofits)
-  JustChoice Lending (Mortgages for homebuyers)
-  Housing Equity Funds (Investment in Affordable Rental Properties)
-  FAHE Consulting (Community Projects)

# Innovation

FAHE exists to represent the voices in our region which might otherwise go unheard— With poverty rates double and incomes less than half the national average, Central Appalachia needs allies and leaders that employ a long-term view, cooperative approach, and thoughtful strategy designed to help improve the quality of life for those whose voices are most vulnerable to becoming “lost” in the chorus of overwhelming need.

Life for many in Central Appalachia includes chronic economic depression, high poverty and unemployment rates, and low income levels. Access to the mainstream capital remains

## Regional Network

Better homes for 4,500 families

## Financial Stability

Delinquency below 3%

## Reviving Communities

Restoring 82 blighted, abandoned, or foreclosed homes

outside the reach of the region's families, even those with moderate incomes. These markets were designed for an economy where poverty is relative; **the middle class in Central Appalachia is considered poor by national standards.** It is precisely because of seemingly insurmountable obstacles that FAHE has emerged as a national leader for solutions that work to help those in need.

FAHE is uniquely positioned to create impact across a region characterized by poverty and isolation because we are both a membership-based network and a platform for products and services. Our true expertise lies in our ability to create successful col-

laboration that adds value for our partners and delivers a meaningful and lasting impact.

**Network:** Founded 30 years ago by our original Members, FAHE brings community-based groups together to capture their "strength in numbers" and translates that collective spirit into the power to advocate, garner resources, and serve as a catalyst for transformative opportunities that individual Members could not access on their own.

**Platform:** We bring financial partners to the table and craft strategies that work for our communities based on our 30 years of experience. To date, FAHE has

directly invested over \$225 million and leveraged over \$376 million. FAHE programs are organized into seven lines of business:

- **Membership:** Network of local nonprofits
- **Loan Servicing:** Specialized portfolio management
- **JustChoice Lending:** Wholesale and retail mortgage lending
- **Community Lending:** Loans to community groups and projects
- **Consulting:** Community development expertise
- **Equity Funds:** Profitable investments in rental homes
- **Advocacy:** Preserving and building resources

## Responsible Lending

Increased lending to low income families 60%

## Job Creation

\$74.4 million in construction supports 778 jobs

## Access to Capital

Secured \$25 million set aside for rural homebuyers



# Connections

## 502 Demonstration Sacramento, CA

FAHE piloted a delivery model for the USDA Rural Development Section 502 program that has been replicated by other nonprofit consortiums, including Rural Community Assistance Corp.

## Wells Fargo Sioux Falls, SD

Investments in our Community Loan Fund enabled the financing of Appalachian Habitat's ReStore after a flood.

### Financial Intermediary

We've built a capital framework that brings outside resources into the region to offer a continuum of financing products that invest in local assets and stronger communities. By aligning ourselves with a variety of financial resources we are able to craft a more competitive product and connect investors that support a common cause. FAHE maximizes the impact we make with our existing infrastructure by strengthening these connections and forging new relationships that channel capital into our communities.

### Innovation Network

FAHE is more than a financial intermediary; we are a hotbed for social innovations that work all across the country, in large or small communities. FAHE enables its Members to produce more and better quality affordable housing solutions at lower cost or with greater efficiency. The same principles moving our region out of poverty can move people out of poverty in any community. We invest in our social capital by sharing our models and strategies with other partners that share our commitment to doing more by working together.



Central Appalachia

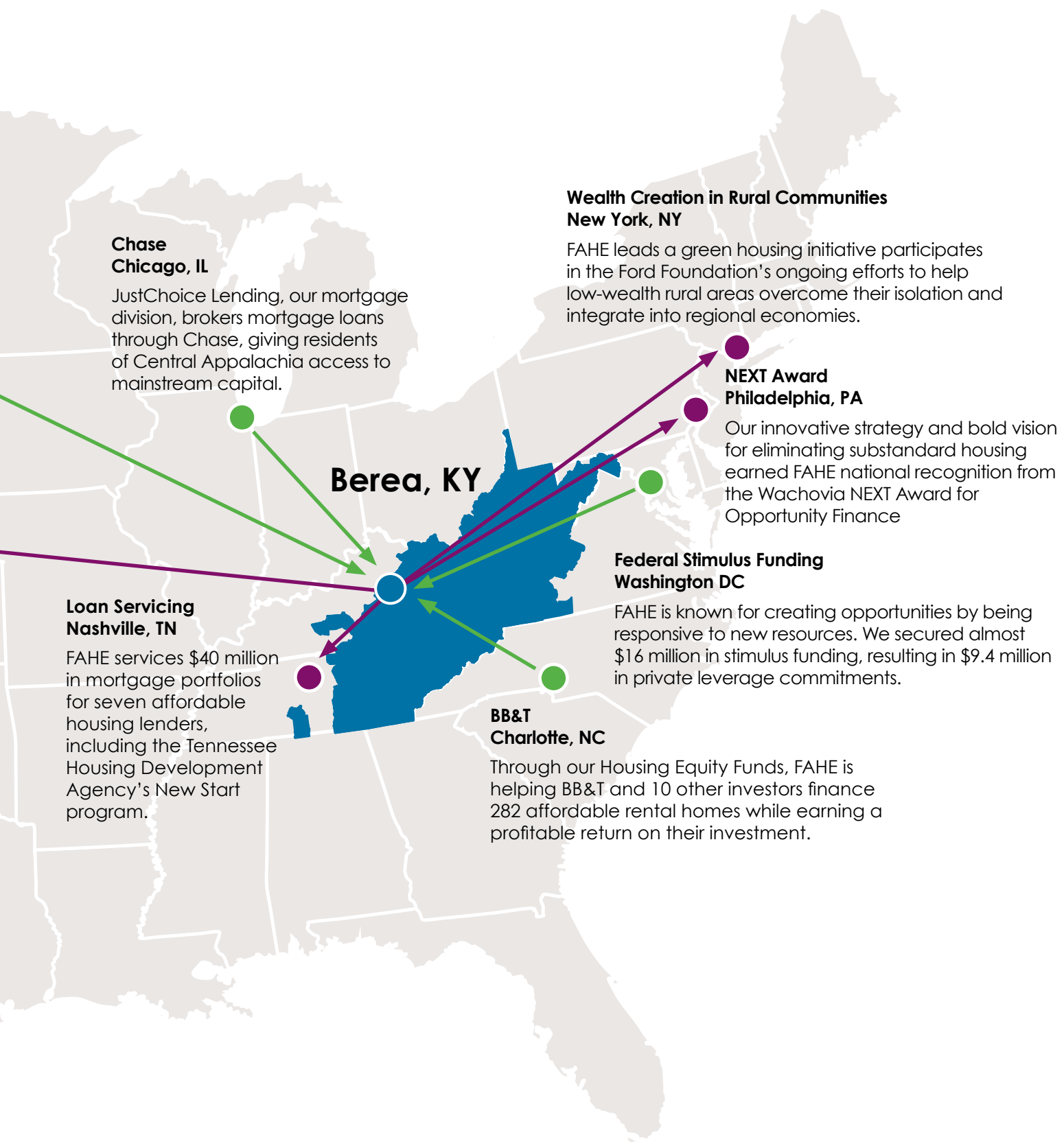


Capital In



Social Innovation Out





**Chase  
Chicago, IL**

JustChoice Lending, our mortgage division, brokers mortgage loans through Chase, giving residents of Central Appalachia access to mainstream capital.

**Berea, KY**

**Loan Servicing  
Nashville, TN**

FAHE services \$40 million in mortgage portfolios for seven affordable housing lenders, including the Tennessee Housing Development Agency's New Start program.

**BB&T  
Charlotte, NC**

Through our Housing Equity Funds, FAHE is helping BB&T and 10 other investors finance 282 affordable rental homes while earning a profitable return on their investment.

**Wealth Creation in Rural Communities  
New York, NY**

FAHE leads a green housing initiative participates in the Ford Foundation's ongoing efforts to help low-wealth rural areas overcome their isolation and integrate into regional economies.

**NEXT Award  
Philadelphia, PA**

Our innovative strategy and bold vision for eliminating substandard housing earned FAHE national recognition from the Wachovia NEXT Award for Opportunity Finance

**Federal Stimulus Funding  
Washington DC**

FAHE is known for creating opportunities by being responsive to new resources. We secured almost \$16 million in stimulus funding, resulting in \$9.4 million in private leverage commitments.

# Kathy's Home



*(left) FAHE homeowner Kathy McDonald and her grandson Alex Ritter. (right) Alex's winning art contest entry.*

FAHE has a long history of helping to welcome families into their new homes. So the "Welcome Home" theme for our recent art contest for current mortgage customers and their families was a natural fit.

The winning entry chosen by FAHE's selection committee was from Alex Ritter, 10-year old grandson of FAHE homeowner, Kathy McDonald of Crossville, Tennessee. Alex entered a pencil and crayon drawing depicting a before and after scenario of a rehabbed home.

Alex's drawing reflects his grandmother's experience with purchasing a home through FAHE. Kathy's home, where she has now lived for over 9 years, was a foreclosed home in poor condition that was purchased and remodeled by Creative Compassion and financed by FAHE and Highland Federal Savings Bank. Alex spends a lot of time at his grandmother's home, and it is evident from his drawing that he understands the impact it has had on her life.

"Having Chron's Disease, I never thought I would be able to afford a home I can keep. It has been a dream for me to be able to walk out in my own yard and to see flowers, vegetables, and herbs that I have planted." Alex loves working with Kathy on the house and garden, and his obvious pride in the home is reflected in his drawing.

The "Welcome Home" contest has served as a window into the meaning of home for FAHE's homeowners and illustrates the real importance of our work in a very unique way. The contest was a success, with 27 entries submitted in different media from photography to paint to digital creations to crayon. To see the other contest entries visit [www.facebook.com/fahe.inc](http://www.facebook.com/fahe.inc).

# Kurt's Home

Kurt Taylor of Morehead, Kentucky was also a winner of FAHE's "Welcome Home" contest. Kurt's entry was chosen by the greatest number of votes on FAHE's Facebook page. Kurt says of his entry, "It was important to me to show that the man had traveled a long distance, and was almost at his destination."

Kurt's journey to his new home kicked off a new stage in his life. His home was built by Frontier Housing and financed by FAHE. The day after the closing, Kurt and his wife Kelli eloped. They moved into the new home together, a first for both of them as they had each previously lived with their parents. They love that their home is now a central gathering place for their friends and family and their animals.

To see more of Kurt's artwork visit [www.greenairplane.deviantart.com](http://www.greenairplane.deviantart.com).



*Kurt Taylor's winning art contest entry.*

## Mary's Home

After 42 years, Mary Brashear's aging mobile home had seen better days. But Mary's concerns went far beyond simple upgrades for comfort. Not only was her home difficult to keep warm in the winter and cool in the summer, but the price to do so was taking a toll on Mary. Due to the rising cost of electricity and the failing condition of the home, the elderly widow was spending more than half of her fixed income on utilities.

She was rapidly becoming desperate when Mary contacted HOMES, the local FAHE Member in Whitesburg, Kentucky, hoping repairs would make the situation more livable. Unfortunately, the old single-wide trailer had deteriorated to the point that it was no longer feasible to repair. Since HOMES specializes in affordable, new construction, they could build a new home on the land where Mary lived. But her limited finances seemed to put this last resort out of reach.

HOMES' staff was persistent. Working together, FAHE and HOMES qualified Mary for a special grant program and financing to make it affordable even on Mary's fixed income. Mary's old, dilapidated home has been replaced with a new ENERGY STAR certified home.

Mary's favorite thing about her new home is clear. "It is such a relief to know that I can have the heat and air that I need and not have to worry about whether I can pay the bill." In the new home, Mary's utility bills are less than one quarter of what she previously paid. In fact, her house payment combined with her utility payment is less than what she paid previously for utilities alone.

"I'm really proud of my new home," says Mary. She says the monthly savings allow her to take care of it in a way she never could before. "Without them, I would never have been able to afford a nice place to live."

*Mary Brashear and her new, energy-efficient home.*



# Our Network

## BOARD OF DIRECTORS:

### **Robert Adams**

Housing & Development  
Advisors  
Richmond, VA

### **Joseph Belden**

Housing Assistance Council  
Washington, DC

### **Terry Cunningham**

Kingsport Housing &  
Redevelopment Authority  
Kingsport, TN

### **Stacey Epperson**

Frontier Housing  
Morehead, KY

### **Karen Jacobson**

Randolph County  
Housing Authority  
Elkins, WV

### **G. Andrew Kegley**

Helping Overcome Poverty's Existence (HOPE)  
Wytheville, VA

### **David Kreher**

People's Self-Help Housing  
Vanceburg, KY

### **John Martys**

Fairmont Housing Authority  
Fairmont, WV

### **Justin Maxson**

Mountain Association  
for Community Economic  
Development  
Berea, KY

### **Ralph M. Perrey**

Fannie Mae  
Nashville, TN

### **Michael Rush**

People, Inc.  
Abingdon, VA

### **Andres Saavedra**

Mid South Delta LISC  
Tallulah, LA

### **Oliver K. Spears III**

Foothills Community  
Development Corp.  
Maryville, TN

## NON-VOTING STAFF POSITIONS:

### **Jim King**

President & Chief Executive Officer

### **Pam Johnson**

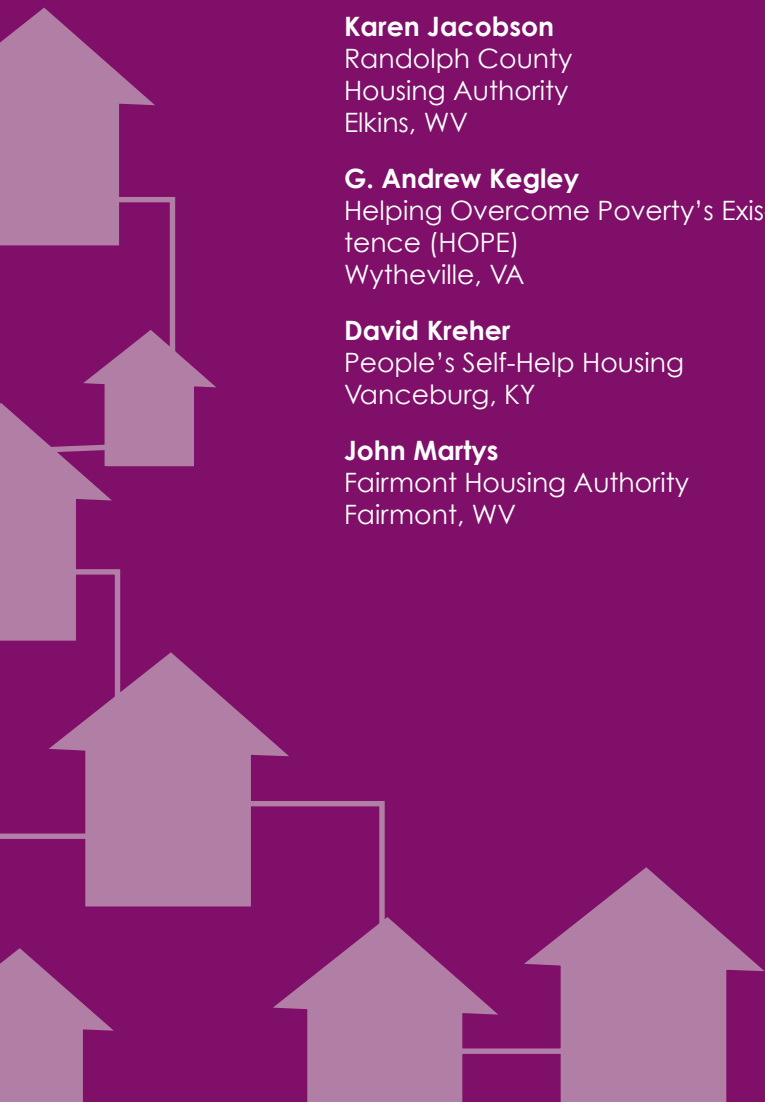
Vice-President &  
Chief Operations Officer

### **Sara Morgan**

Secretary & Chief Investment  
Officer

### **Tom Seel**

Treasurer & Chief Financial Officer



## KENTUCKY MEMBERS

- Appalachia Foothills Housing Agency
- Beattyville Housing and Development
- Bell-Whitley Community Action
- Christian Appalachian Project (CAP)
- Christian Outreach with Appalachian People Inc. (COAP)
- Community Ventures Corporation (CVC)
- Foothills Community Action Partnership
- Frontier Housing
- Housing Development Alliance (HDA)
- Housing-Oriented Ministries Established for Service (HOMES)
- KCEOC Community Action Partnership, Inc
- Kentucky Highlands Investment Corporation (KHIC)
- Kentucky Mountain Housing Development
- Kentucky River Community Care (KRCC)
- Low Income Housing Coalition of East Kentucky (LINKS)
- People's Self-Help Housing

## TENNESSEE MEMBERS

- Aid to Distressed Families of Appalachian Counties (ADFAC)
- Appalachia Habitat for Humanity
- Appalachia Service Project (ASP)
- Blount County Habitat for Humanity
- Chattanooga Neighborhood Enterprise
- Clinch-Powell RC&D Council
- Creative Compassion
- Crossville Housing Authority
- Eastern Eight Community Development
- Foothills Community Development Corporation
- Kingsport Housing and Redevelopment Authority
- Knox Housing Partnership
- Knoxville Leadership Foundation
- Woodland Community Development

## VIRGINIA MEMBERS

- Appalachian Community Action and Development Agency (AppCAA)
- Clinch Valley Community Action
- Community Housing Partners (CHP)
- HOPE, Inc
- People Inc. of Virginia
- Total Action Against Poverty (TAP)

## WEST VIRGINIA MEMBERS

- Fairmont Housing Authority
- HomeOwnership Center
- Housing Authority of Mingo County
- Housing Connections
- Mountain CAP
- Randolph County Housing Authority
- Religious Coalition for Community Renewal (RCCR)
- SAFE Housing and Economic Development (SHED)
- Southeastern Appalachian Rural Alliance (SARA)
- Southern Appalachian Labor School (SALS)
- Woodlands Development Group





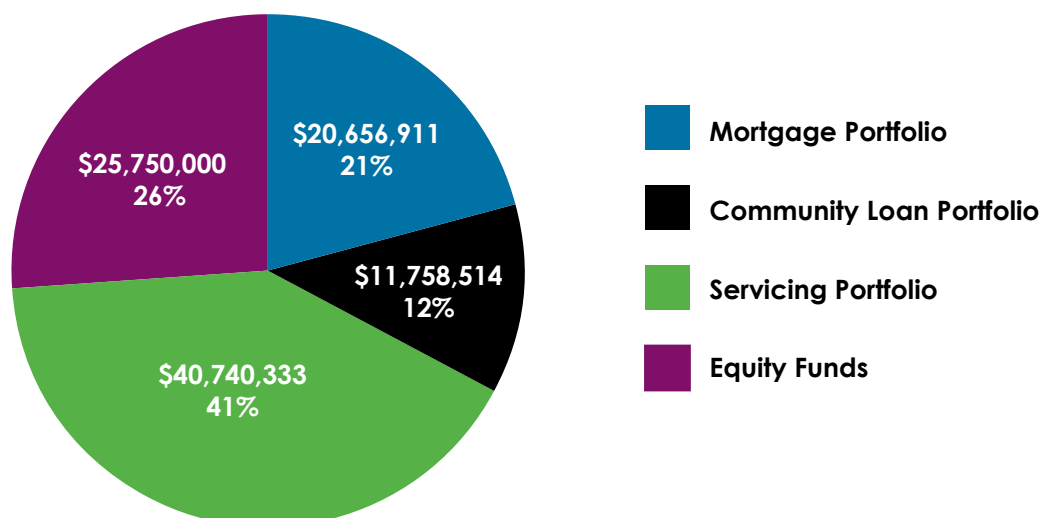
# Financials

## Statement of Activities

June 30, 2010 and 2009

<b>Revenue</b>	<b>2010</b>	<b>2009</b>
Grants and Donations	\$2,674,175	\$3,535,112
Interest and Investment Income	\$1,245,892	\$1,363,204
Income from Operations	\$1,072,882	\$654,548
<b>Total Revenue</b>	<b>\$4,992,949</b>	<b>\$5,552,864</b>
<b>Expenses</b>	<b>2010</b>	<b>2009</b>
Program Services	\$2,708,334	\$2,240,627
General and Administrative	\$1,530,798	\$1,266,441
Membership	\$304,197	\$138,010
Fundraising	\$166,818	\$251,665
<b>Total Expenses</b>	<b>\$4,710,147</b>	<b>\$3,896,743</b>
<b>Increase in Net Assets</b>	<b>\$282,802</b>	<b>\$1,656,121</b>

## Assets Under Management: \$98,905,758



## Statement of Financial Position

June 30, 2010 and 2009

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Cash and Cash Equivalents	\$6,673,988	\$4,406,291
Receivables	\$1,585,028	\$2,593,997
Mortgage Receivables-Net	\$20,656,911	\$21,925,466
Notes Receivables-Net	\$11,758,514	\$10,989,823
Fixed Assets-Net	\$860,177	\$285,724
Other Assets	\$1,343,836	\$1,074,277
<b>Total Assets</b>	<b>\$42,878,454</b>	<b>\$41,275,578</b>

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<b>Liabilities</b>	<b>2010</b>	<b>2009</b>
Accounts Payable	\$1,532,422	\$1,159,502
Notes Payable	\$20,202,605	\$19,505,451
Other Liabilities (EQ2)	\$2,000,000	\$2,000,000
<b>Total Liabilities</b>	<b>\$23,735,027</b>	<b>\$22,664,953</b>

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<b>Net Assets</b>	<b>2010</b>	<b>2009</b>
Unrestricted	\$7,706,188	\$7,702,728
Temporarily Restricted	\$11,206,105	\$10,726,775
Permanently Restricted	\$231,134	\$181,122
<b>Total Net Assets</b>	<b>\$19,143,427</b>	<b>\$18,610,625</b>

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<b>Total Liabilities and Net Assets</b>	<b>\$42,878,454</b>	<b>\$41,275,578</b>
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**We gratefully acknowledge the generous support of these organizations and individuals, who, through grants, loans, donations, volunteer work, and the sharing of expertise, contributed to FAHE's success.**

- Adina Abramowitz
- Adrian Dominican Sisters
- Andrew Schenker
- Appalachian Regional Commission
- Applegate & Thorne-Thomsen
- Arthur & Susan Lloyd
- Atlantic Philanthropies
- Barbara Smith
- BB&T
- Calvert Social Investment Foundation
- Carter Garber & Martha Collier
- CDFI Fund
- CEDA/WJL
- Central Bank & Trust
- Central Appalachian Network
- Central Appalachian Initiatives
- CFED
- Chase
- Citizens Union Bank
- Community Trust Bank
- Congregation of the Sisters of Charity of The Incarnate Word
- Craft & Noble, PLLC
- Dominican Sisters of Peace
- Doug Smith
- Douglas Weinstock
- E & H Stowell
- Ed & Dorothy Singer
- Episcopal Church Domestic and Foreign Missionary Society
- Ethel Ackley
- Evangelical Lutheran Church in America
- F.B. Heron Foundation
- Fannie Mae
- Fay Chandler Trust
- Federal Home Loan Bank of Cincinnati
- Fifth Third Bank Community Development Corp.
- Ford Foundation
- Franciscan Sisters of Mary
- Glenmary Home Missioners
- HEAD Corp.
- Helen Manning
- Heritage Bank
- Homeless and Housing Coalition of Kentucky
- Housing Assistance Council
- Jane Shapiro
- Joshua Wallman
- Kenneth Smith
- Kentucky Affordable Housing Trust Fund
- Kentucky Dept. for Local Government
- Kentucky Housing Corp.
- Law Offices of Cecil F. Dunn
- Lexnet
- Literary Society of St. Catharine
- Loring, Wolcott, & Coolidge
- Mary Reynolds Babcock Foundation
- M & I Trust
- Middlefork Financial Group
- Mountain Association for Community & Economic Development
- National Coalition for the Homeless
- National Low-Income Housing Coalition
- National Rural Housing Coalition
- NeighborWorks® America
- Opportunity Finance Network
- Peoples Exchange Bank
- Peoples Self-Help Housing
- PNC Bank
- Rural Action
- Richard Hettrick
- Seton Enablement Fund
- Sisters of Loretto
- Sisters of Mercy of the Americas
- St. Paul's Church of Buffalo
- Stokey Trust
- Suzanne Polen Trust
- Tanis Walters
- Tennessee Housing Development Agency
- Tides Foundation
- US Dept. of Agriculture Rural Development
- US Dept. of Housing & Urban Development
- US Dept. of the Treasury
- Virginia Community Development Corp.
- Virginia Dept. of Housing & Community Development
- Virginia Housing Development Authority
- Walter W. May
- Wells Fargo Bank
- West Virginia Housing Development Fund
- Whitaker Bank Corp. of Kentucky
- Woodlands Investment Management
- Yellow Wood Associates

Thank You

 Equal Housing Opportunity

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**OPPORTUNITYFINANCE**  
NETWORK 

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OF CINCINNATI

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CHARTERED MEMBER