



Solutions for Underbanked Mid South Communities



2011 IMPACT REPORT



Growing and Preserving Assets Across the Mid South

Dear Friend,

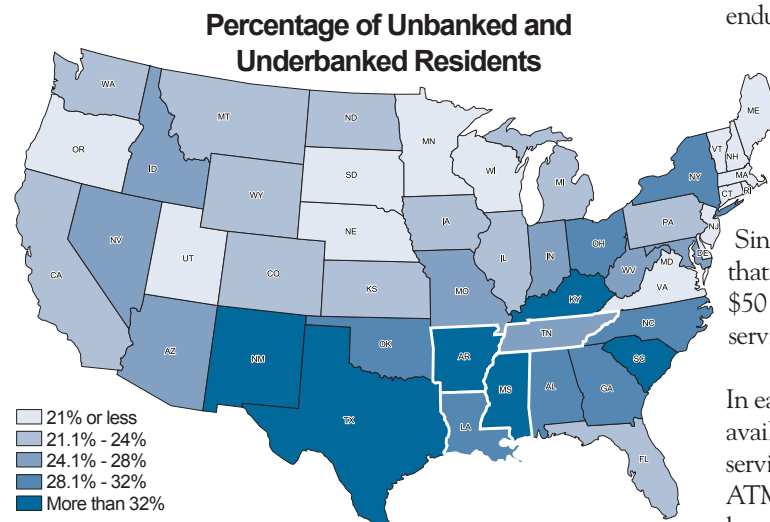
The need for HOPE has never been greater. As the country continues its recovery from a tumultuous economic downturn, capital for businesses, homeowners and hard-working families, particularly those in low-income communities and small towns, flows at an anemic pace. In many markets, banks have pulled out altogether, leaving the underserved with even fewer financial options than before. Across much of the Mid South, predatory lenders dot the landscape, filling the void in these bank deserts, charging exorbitant rates, and targeting the elderly and other vulnerable segments of the population.

Bridging the gap

When community leaders in Utica, Mississippi, asked for help after the town's only bank closed, HOPE responded. Initially operating out of City Hall, HOPE set up a temporary branch so the area's blue-collar workers and older residents did not have to endure the hardship of traveling long distances to access basic banking services or be subjected to check cashing stores and other high-cost financing outlets. In May 2012, Utica will celebrate the opening of a permanent, newly renovated branch of HOPE, their community-owned financial institution.

Since 2008, HOPE has established branches in 10 communities that were losing financial institutions, preserving more than \$50 million in local assets and extending responsible financial services to more than 20,000 individuals.

In each case, HOPE expanded the toolbox of financial products available to its new member-owners. By offering a full menu of services, including checking and savings accounts, credit and ATM cards, online banking, payday loan alternatives, business loans, home mortgages and more, HOPE is turning the tide in the nation's most underbanked region.



Source: Federal Deposit Insurance Corporation - MEPC Analysis

While expanding its reach to assist more communities, HOPE continued to operate its core programs, originating more than 1,700 consumer, business, housing and other community development loans during 2011. The impact of these activities was amplified by our policy efforts, led by the Mississippi Economic Policy Center, which has become one of the country's most respected and effective sources of analysis on issues that affect low-income families.

Thank you for making HOPE possible

In 2011, the National Community Reinvestment Coalition honored HOPE with the James Leach Award, given annually to the nation's most outstanding nonprofit organization at promoting fair and equal access to credit and capital. NerdWallet, an online credit card comparison service, recognized HOPE as the community-focused credit union offering the Best Community Infrastructure Support. HOPE was singled out for its assistance to businesses that contribute to local child care, health care and infrastructure development.

HOPE's mission is to strengthen communities, build assets and improve lives. As highlighted in this *2011 Impact Report*, HOPE held true to this mission during the past year, helping thousands navigate an increasingly challenging banking environment. In the coming years, we will build on these successes, bringing HOPE to even more underserved people and places across the Mid South.

Our funders, partners and stakeholders enable HOPE to exist for those we serve. Thank you for your support over the years, and in the future.

Sincerely,



William A. Percy
Chairman
Hope Enterprise Corporation



Robert L. Gibbs
Chairman
Hope Credit Union



William J. Bynum
Chief Executive Officer
Hope Enterprise Corporation
Hope Credit Union





Affordable Housing & Homeownership

When times are tough, borrowing money is even tougher. This is especially true when it comes to home loans, and no group feels the pain more than low- and moderate-income families.

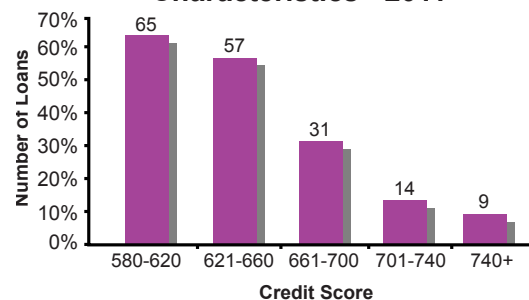
Today's lending criteria are tighter than ever, making it even more difficult for underserved customers to realize the American dream of homeownership. For many people, organizations like HOPE represent the only path to owning a home.

The majority of HOPE's mortgage customers are low- to moderate-income borrowers. In 2011, 55% of mortgages closed were to borrowers who had annual incomes that were less than 80% of the median family income. In addition, 83% of HOPE's mortgages during the year were made to first-time homebuyers. HOPE sees the potential in these borrowers and works to help them overcome the many obstacles to buying a home.

Using tools like the HOPE Affordable Mortgage loan, subsidy programs and homeowner counseling, HOPE helps families and individuals achieve homeownership, taking time and leveraging resources that are often not provided by other lenders.

Homeownership, however, is not the only route to a better life. HOPE also works every day to ensure that quality, affordable rental housing is available to people in communities throughout the Mid South. HOPE provides financing for rental property development that meets the needs of low- and moderate-income families and helps stabilize communities.

HOPE Mortgage Borrower Credit Characteristics - 2011



Joy After the Storm: A New Home for Phyllis Byrd

On April 27, 2011, Phyllis Byrd's life changed forever. At the time, it was difficult for her to imagine that the change would ultimately be for the better.

That night, a powerful thunderstorm with straight-line winds tore through the small community of Tunica, Mississippi, blowing Byrd's mobile home off its foundation and ripping the roof completely off. "God told me where to go, so I got on the floor between the sofa and coffee table," Byrd said. "I saw the roof torn off before my very eyes."

She had been living in this mobile home since 2003. Now she literally had no roof over her head. With her home totally destroyed, she began searching for other housing options. Her search took her to the Tunica County Community Development Coalition, Inc. Although she was initially looking for rental property, Byrd soon realized that becoming a homeowner was a real possibility.

HOPE partners with the Tunica County Community Development Coalition because the two organizations share the goal of helping people in distressed areas to achieve homeownership. The Coalition helps potential buyers prepare for homeownership through homebuyer education and credit counseling, then refers the borrowers to HOPE for their loans.

Coalition staff took Byrd through homeowner education classes to help her qualify for a loan. When she was ready, they sent her to HOPE for a mortgage.

HOPE helped Phyllis Byrd attain a goal that so many people strive to reach: owning a home. Today, she is the proud owner of a three-bedroom, two-bathroom home in a quiet, peaceful Tunica neighborhood. “I love my home. This is something I’ve always wanted,” she stated. “They chose the right name when they chose HOPE, because that’s what they give people every day.”



Persistence Pays Off for Vanessa Blade

Hurricane Katrina impacted New Orleans resident Vanessa Blade’s life in more ways than one. First, she had to relocate, leaving her home and old job behind. As a result of the relocation, she was out of work for more than a year. Quite understandably, the sudden move and lack of employment led to credit issues.

When she was finally able to return to New Orleans, Blade came home to find that rents were double what they had been before Katrina. She decided that if she could pay those rents, she could pay a mortgage.

Blade had heard about HOPE through a real estate agent. Working with her HOPE mortgage loan officer, she set about the task of improving her credit rating so she could qualify for a mortgage. Every time she paid off a debt, she sent letters and receipts to the credit agencies. Throughout the process, she kept in close contact with HOPE. “I must have called my HOPE lender a million times,” Blade said. “But she always treated me like her only customer.”

Because of her persistence and aggressive approach, Blade’s credit rating improved dramatically in a short period of time. “One day I received a pre-approval letter from my HOPE mortgage originator,” Blade stated. “She told me it was time to go house shopping.”

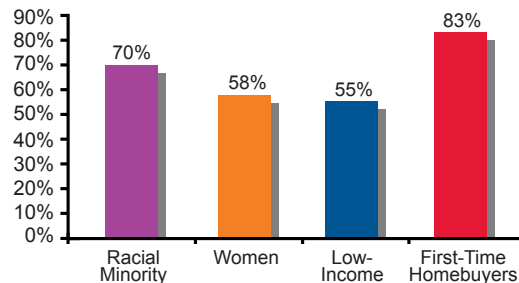


Blade found a home that was within her pre-approved limit. But on further inspection, she discovered problems that would require renovations, so she decided to keep looking. After driving through neighborhoods every weekend, she finally found a home that was just right for her. It was in a higher price range, but by this time her credit was strong enough that she was able to qualify for the higher amount.

Blade and her family now reside in a 2,770-square-foot, four-bedroom home in New Orleans East. “The home is perfect and the neighborhood is wonderful. It’s very family oriented. This is the kind of neighborhood we always wanted to live in,” she said.

Vanessa Blade is proof that persistence is very often the key to success. “I’d tried to buy a home before, but always met with disappointment,” she explained. “It’s a great feeling to see all the hard work pay off. HOPE knew how important this was to my family and worked as hard as I did to make it happen.”

Mortgage Borrower Characteristics - 2011





Retail Financial Services

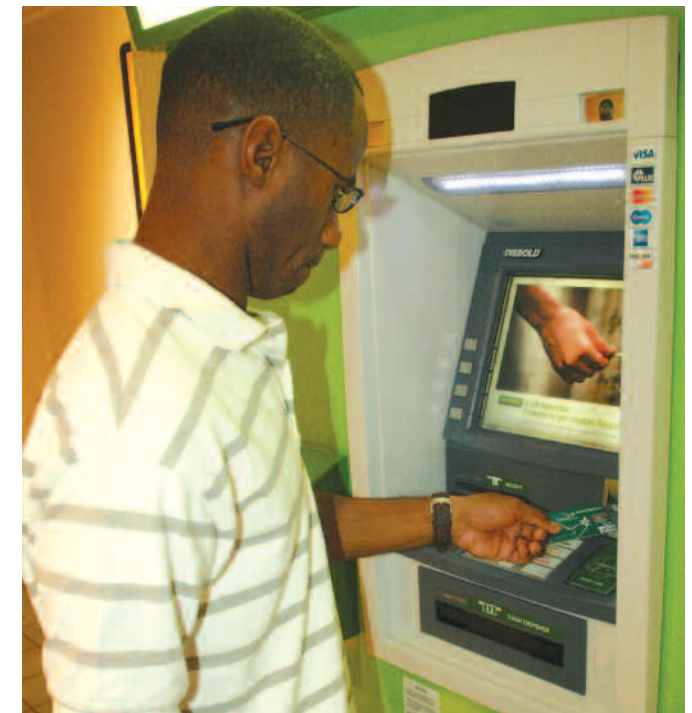
In recent years, a record number of banks have closed in low-income, rural and minority communities, leaving residents without critical services. For many across the Mid South, HOPE has been an oasis in these financial deserts, providing underserved people with access to quality, affordable financial services.

When a major bank closed its doors in Mississippi's Utica and Edwards communities, residents were left with no financial institution, and many of the local citizens are low-income or elderly people with no means to travel to another town for banking. HOPE saw the opportunity to respond to a significant need and to connect people to an institution that put them first.

HOPE worked with community leaders, government officials and local churches to establish a HOPE office in Utica. Initially operating out of the Utica City Hall, HOPE held a series of meetings to increase membership. Because of strong community support, HOPE opened a modular office, and plans are now in place to move into a permanent facility. HOPE is also open each week in the Edwards Town Hall, providing information about the credit union, opening accounts and making loans.

In early spring of 2011, HOPE introduced an innovative checking product called Kasasa, a free checking account that pays generous interest in cash every month. Account holders qualify for rewards by using simple, everyday services like debit cards, direct deposit and e-statements. Kasasa gives many underserved customers their first checking account. As more and more banks drop free checking services, Kasasa is drawing the attention of mainstream banking customers, opening the doors to a new membership base for Hope Credit Union.

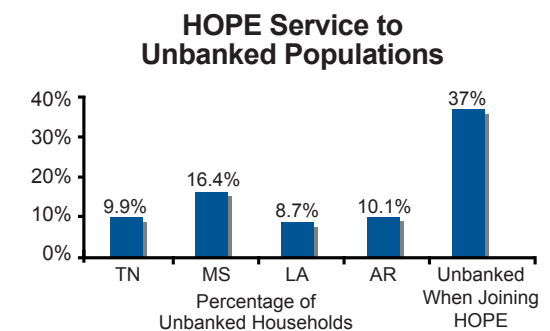
By reaching into new communities with an ever-expanding line of products and services, HOPE is lifting ever greater numbers of people into the financial mainstream, changing lives and communities forever.



Becoming the First Choice for Mid South Residents

Louis Ward came to HOPE via a community partner, Mercy Housing and Human Development, on the Mississippi Gulf Coast. Ward was initially part of a homeownership program, but was unable to secure a loan with traditional mortgage lenders.

HOPE helped him obtain a share-secured personal loan. This is a tool that HOPE often employs to help borrowers improve their credit. With a share-secured loan, the borrower puts money into a deposit account, and HOPE loans against those funds. Interest rates and payments are low, giving borrowers an easy, low-cost way to establish credit or improve their rating.



Source: Federal Deposit Insurance Corporation

“They made it easy for me,” Ward said. “No bank or credit union ever worked with me the way they did. I want to work with people like HOPE – people who are concerned about me.”

It wasn’t long before Ward was sold on HOPE. He closed every account he had at other institutions and moved them to HOPE. He opened a Kasasa Checking rewards account with direct deposit and a debit card, as well as a Kasasa Savings account. He is now a very active HOPE customer, enjoying a full range of financial services.

“I’ve never had this many benefits from a bank,” Ward said. “Plus they treat me like family every time I walk in the door. I am proud to say I’m with HOPE.”

In addition to establishing account relationships, HOPE continued working with Ward for over a year to build his credit and make him mortgage-ready. In September of 2011, he was approved for a mortgage, eliminating worries about foreclosure and keeping his mother’s home in the family.



On the Road to Better Credit – And Better Transportation

Willard Winn of Sweet Home, Arkansas, came to Hope Credit Union in March 2010. Like so many other people, he had a number of issues negatively affecting his credit, one of which was the result of helping out a relative by co-signing on a credit card.

A HOPE program manager helped Winn develop a strategy to clear up past issues and strengthen his credit. Determined to improve his financial situation, Winn began to aggressively pay off all lingering debt. As he paid off outstanding items, HOPE helped him send letters to the credit agencies to update his report.

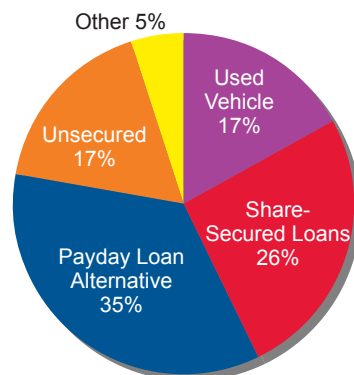
After Winn had been a credit union member for six months, HOPE approved him for a StretchPay loan. Originally designed as an alternative to predatory payday loans, a StretchPay loan can help borrowers build credit by demonstrating a pattern of timely repayment. Winn paid dutifully every month, and his credit score steadily improved.

“HOPE helped me get everything squared away,” Winn said. “I’d worked with another credit union, but they didn’t help me the way HOPE did.”

In 2011, Winn mentioned to his HOPE representative that he had been driving his old car for what seemed like forever, and that he needed a newer, more reliable vehicle. Given his improved credit rating and positive payment history, HOPE was able to make Winn a loan for a truck, a 2006 GMC Sierra.

“When I have a financial problem, I bring it to HOPE,” said a smiling Winn. “I have a great new truck, and my credit score is going up, so I’m happy.”

Consumer Loan Distribution by Type - 2011



Commercial Lending

Have we recovered from the Great Recession?

The answer depends on whom you ask. Most businesspeople in the Mid South will tell you that times are still challenging. Entrepreneurs continue to face limited access to financing from traditional lenders. As a result, workers continue to face limited access to jobs.

But as many lenders and investors have pulled back, HOPE has stepped up. In 2011, HOPE continued its strong post-recession track record by closing commercial loans totaling nearly \$34 million, primarily in financially distressed areas, where an influx of capital can make the greatest difference.

The year's commercial lending activity included a continued emphasis on the Gulf Coast, where families and businesses are still fighting to recover from Hurricane Katrina. Using recycled funds from the Louisiana Business Recovery Loan Program, which it managed following the storm, HOPE established a new fund to provide loans to area businesses, many of which are still dealing with hurricane-related losses. HOPE also boosted its activity as the Gulf Coast lending partner for Goldman Sachs's 10,000 Small Businesses program, an innovative effort that combines business education, access to capital, and support services to stimulate job creation and business growth.

Economic prosperity begins with jobs. And HOPE is doing everything in its power to create as many jobs as possible throughout the region.



Creating Cleaner Energy, Generating New Jobs

To the world, New Biomass Energy, LLC, represents a clean, "green" alternative to coal. To residents of Mississippi's financially distressed Clarke County, it represents something equally important: jobs.

In 2011, New Biomass Energy opened a new torrefaction facility in Quitman, Mississippi. Torrefaction is the roasting of wood to create an energy-dense fuel source called torrefied wood that can be used instead of coal in coal-fired power plants. Torrefied wood offers a number of environmental benefits: It uses sustainable wood resources, is carbon neutral, and produces lower emissions than coal.

The Quitman facility was built in three phases. HOPE participated in the second phase of the project, making two loans totaling \$11,000,000 for the purchase and installation of equipment for a second torrefaction reactor. HOPE funded the project through the New Markets Tax Credit (NMTC) Program, a federal income tax credit passed by Congress in 2000 to attract investment in economically distressed areas.

"These are tough times to start a business," explained company President Neal Smaler. "There is very little conventional financing available. HOPE and the New Markets Tax Credit Program allowed us to obtain the financing we needed for our Quitman facility." He added, "With the low interest rates, we are able to put our cash back into the facility and create jobs instead of paying debt."

The plant employs 23 full-time workers, most of whom are Clarke County residents. The company also relies on local

contractors for logging, chipping, and transportation of materials. The Quitman facility currently utilizes the services of approximately 30 local truckers and 100 loggers.

The company plans an expansion that will double the plant's capacity, generating even more jobs in this rural area where employment is desperately needed.

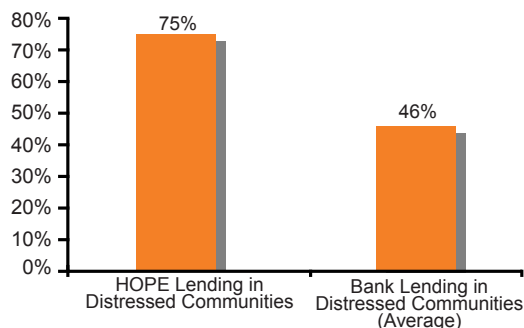


Going the Extra Mile for Small Business

When Robert Perry opened his McComb, Mississippi, auto dealership in 2001, his financing options were limited. Because his dealership was a startup business, the only floor plan loan he could secure carried a hefty 27% interest rate.

Perry's dealership, Cars IV, was successful and grew steadily. He eventually added a repair service with five repair bays. But because of the high interest rate of his initial loan, much of his profit went into repaying debt. He was able to qualify for a floor plan loan with a national company at a 6% interest rate, but first he had to pay off the predatory loan. Perry found his solution at HOPE.

Commercial Loans in Economically Distressed Communities - 2011



HOPE used funds from the Goldman Sachs 10,000 Small Businesses program to loan Perry more than \$1 million.

Perry said, "Other lenders turned me down, but HOPE went the extra mile to work with me. They saw my payment history and had faith in me."

With the loan from HOPE, Perry paid off much of the high-interest debt that had cut into his profits for a decade. This also allowed him to get the lower rate on his new floor plan loan. No longer faced with staggering payments, Perry was able to employ two new mechanics and a service manager. Cars IV now employs a total of 18 people.

"This loan has saved me roughly \$12,000 a month," Perry stated. "It's made a world of difference for my business. It's allowed us to add more employees, and that makes a big difference in a community like McComb."

Improving Life for the Disabled

Most people with disabilities want nothing more than to live independently. However, that goal often requires a helping hand. For many disabled people in the Memphis area, that helping hand is The Memphis Center for Independent Living (MCIL).

MCIL helps people with disabilities to function independently in all aspects of their personal lives. The agency provides a number of services, including advocacy, independent living skills training, peer support, and information and referrals for affordable, accessible housing.

Through their work with nursing home patients, MCIL saw a crying need for quality home health services. "There are so many disabled people who have no relatives or caregivers," explained MCIL Executive Director Deborah Cunningham. "As a result, they end up in nursing homes. Many of these people are in their teens and early twenties. It's a heartbreaking situation."

The agency had experience in working with nursing home transitions and knew they had the skill set to succeed in the home health business. They had a strategic plan in place



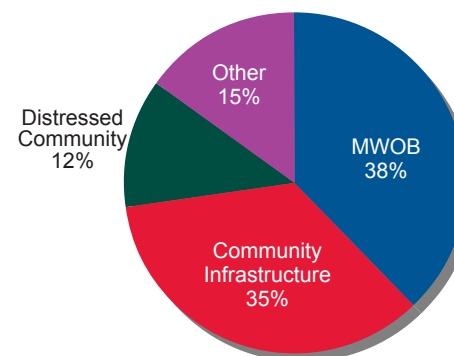
and simply needed financing to launch the new service. After being turned down at two banks, MCIL turned to HOPE.

HOPE recognized the importance of MCIL's mission and provided them with a \$50,000 loan. The funds were primarily used to cover startup costs, produce procedural manuals, and hire staff. In a short amount of time, MCIL has put their loan to work to impact lives in a profound way.

Cunningham said, "Our home health service is truly having an impact. If we weren't able to provide this service, many disabled people would have no place to go but to a nursing home. Now, they are able to live independently at home, which is where they want to be."

In addition to the business loan for the organization, HOPE is also serving MCIL clients through personal accounts and financial education. HOPE representatives visit MCIL on a regular basis to provide easier access to services for members.

Commercial Loan Distribution - 2011





Community and Economic Development

Eleven of the nation's 25 poorest counties are located in the Mid South. HOPE's driving purpose is to break the cycle of poverty that prevents so many of this region's residents from sharing in our nation's promise.

All across the Mid South, HOPE is improving the lives of low-wealth families and individuals by strengthening the communities in which they live. One way HOPE accomplishes this is by targeting its financing in ways that make communities more attractive places to live and do business, and for purposes that help low-income families climb the economic ladder. This focus has made HOPE one of the region's leading lenders to health care providers, affordable housing developers and nonprofit organizations.

In addition to its financing activities, HOPE works to ensure that its constituents have access to supplemental services such as credit counseling, foreclosure mitigation and homebuyer education. To this end, HOPE partners with public agencies, private industry, nonprofits and others to make these essential development services available to Mid South residents.

Counseling Outcomes - 2011

Services Provided	Number	Percent Minority	Percent Low-Income
Financial Counseling	342	67.4%	83.3%
Foreclosure Mitigation	210	61.8%	54.3%

Positive Foreclosure Mitigation Outcomes: 84%



Financial Counseling: Saving Homes, Improving Lives

In 2010, Alfredia Moody retired after serving her country for 34 years in the National Guard. After caring for wounded soldiers in Iraq and Afghanistan, she was looking forward to a quiet retirement in Jackson, Mississippi.

Unfortunately, Moody's retirement came at a time when the government was behind on processing retirement annuities. She waited and waited, but the checks never came.

Moody owned a home that she had purchased with an adjustable rate mortgage. During her time in the service, her mortgage payment had escalated to more than \$1,500 per month. Between the high payments and the delay in her retirement income, it was only a matter of time until she was unable to pay her mortgage. With her savings exhausted, her mortgage began falling into default.

Moody contacted her mortgage lender to request a loan modification but was unsuccessful. "I kept getting the runaround," she explained. "I went through the same process over and over. Every step took weeks, then my specialist would change and I'd have to start over again."

Then she heard about the financial counseling services offered by HOPE. In these times of high unemployment and financial strain, HOPE works with homeowners like Alfredia Moody to preserve what is often their most valuable asset – their home. HOPE counselors felt confident they could help Moody and began working with her to get the loan modification she needed.

The process took several months, but the team of Alfredia Moody and HOPE proved successful. Not only did they save the home from foreclosure, but the modification also reduced her mortgage payment by approximately \$500 a month.

“HOPE stayed with me through the entire process, and that’s what someone in my situation needs,” Moody said. “Without HOPE, I would have lost my home. I don’t have to worry about that anymore.



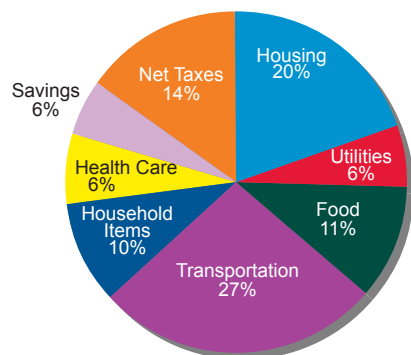
Restoring Pride Through a Revitalized Community

Stratford Manor, an aging 96-unit apartment complex in Jackson, Mississippi, had fallen into disrepair. Living conditions were substandard, yet residents faced unjustifiably high rent payments. As a result, occupancy had dropped below 50%.

New Horizons Development, LLC, saw an opportunity to revitalize the complex and breathe new life into the neighborhood. HOPE provided financing for New Horizons to purchase the property, rebuild it to higher standards, and rent the renamed Holly Hills apartments to low-income families.

The \$7.75 million Holly Hills project was made possible with funding from the Mississippi Low-Income Housing Tax Credit Equity Fund (MSEF). Managed by HOPE, MSEF is a dollar-for-dollar tax credit available for affordable housing development. Residents must meet income and other eligibility requirements.

Basic Economic Security Expenses for One Worker in Mississippi - 2011



Source: Basic Economic Security Tables™ for Mississippi



Four local investors purchased tax credits for the project: Trustmark Bank, BankPlus, First Commercial Bank and a local insurance company. HOPE established a partnership with Great Lakes Capital Fund to manage the compliance and underwriting of the equity fund.

“This was more than just a renovation,” said New Horizons President and CEO Luis Jurney. “We totally gutted the complex and replaced everything.” The cramped one- and two-bedroom units were replaced with 60 well-appointed two- and three-bedroom apartments to attract more families. The new units are environmentally friendly, energy efficient, and feature a host of amenities, including washers and dryers in every unit.

To further enhance the living environment, old buildings were torn down and replaced with beautiful green spaces, a pool, a playground and a community center. A business center outfitted with computers and fax machines gives residents Internet access and a place to conduct personal business. “It’s also a great place for children to do their homework,” Jurney added.

Holly Hills officially opened in November of 2011. Within two months, all units had been leased. While the standard of living has risen dramatically, the cost of living in the complex hasn’t. Rents are very reasonable, and residents save money in expenses as a result of the energy-efficient design of the new units.

“This development has not only changed the face of the neighborhood, it has improved the quality of life for Holly Hills residents,” Jurney said. “Today, residents live in a safe, family-oriented community that they can be proud to call home.”





Policy

Policy doesn't just impact laws. It impacts lives. Policy can level the playing field. It can protect people from unscrupulous lending practices and provide paths to financial self-sufficiency. It can generate jobs and broaden access to health care and higher education. To a great extent, policy dictates how people live and what opportunities are available to them.

Addressing the economic challenges facing Mid South working families and low-income residents requires substantial collaboration among the public, private and nonprofit sectors to undertake a broad range of strategies. This philosophy is at the forefront of HOPE's policy work. As a vital component of its overall mission, HOPE's policy efforts strive to inform and influence the allocation of resources that impact the lives of economically vulnerable Mid South residents.

HOPE's policy work is driven by its Mississippi Economic Policy Center (MEPC).

Drawing heavily on HOPE's programmatic data and expertise, MEPC conducts independent research on public policy issues that affect low-wealth Mississippians. Through public outreach, policymaker education and media engagement, MEPC uses analysis to make sure that the welfare of low- and moderate-income families is taken into consideration when policy is formed. MEPC focuses its efforts on issues such as workforce supports, fairness in budget allocations, and protection from predatory lenders.

Working closely with lawmakers, advocacy groups, and others who share its mission, HOPE is bringing about positive change in thousands of lives.

A Blueprint for Creating Opportunities in Mississippi

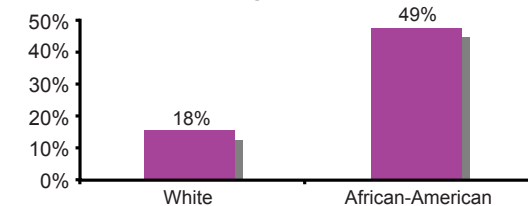
In Mississippi, demographics are changing. For the first time in decades, the state is now home to more children of color than white children. At the same time, the two groups of children start from very different places. Statewide, 18% of white children live in poverty, while 49% of African-American children live in poverty. In the presence of such disparity, unless Mississippi aligns its policies and programs to reduce inequality, the economic potential of the state is capped.

Anchored by its track record, HOPE actively worked to raise this point at strategic times throughout the year. In June, HOPE's Bill Bynum penned the Op-Ed "Capitalizing diversity: State must overcome wealth disparities to foster entrepreneurship" in Mississippi's largest newspaper. The message? The state must pursue development strategies that build wealth and create jobs for all of its residents.

HOPE had the opportunity to act on that message when Bynum served on the steering committee of Blueprint Mississippi, a statewide strategic planning process coordinated by the state chamber of commerce. Through active participation in the initiative, HOPE influenced several recommendations made in the final report, including access to capital for small, rural and minority entrepreneurs; racial equity provisions; and the inclusion of nonprofits on a committee to monitor implementation of the overall plan.

The report will serve as the road map for policy efforts undertaken by HOPE and its Blueprint partners over the next several years to enhance access to capital.

Mississippi Children in Poverty by Race



Source: 2010 U.S. Census

Protecting Consumers Through Policy and Partnership

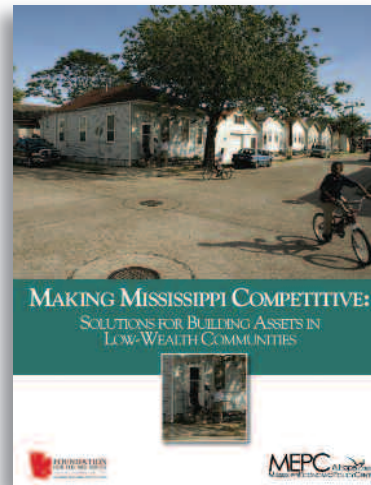
In low-wealth communities, the local payday lender is often the only financial institution that exists. On the retail level, HOPE combats predatory lending by offering low-interest alternatives to payday loans. HOPE also combats these lenders through its policy arm, the MEPC.

MEPC partnered with the Foundation for the Mid South in the rollout of a report titled “Making Mississippi Competitive: Solutions For Building Assets In Low-Wealth Communities.” The report shed light on the financial roadblocks that plague underserved communities and made specific recommendations for building assets among low-wealth Mississippi families.

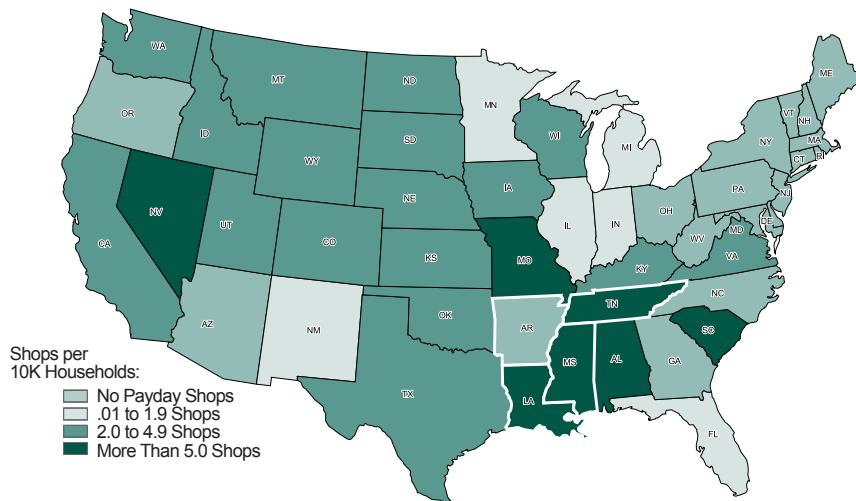
The project supported MEPC’s work with the Mississippians for Fair Lending coalition, a group hosted by the Mississippi Center for Justice and consisting of 32 member organizations from the nonprofit, banking and faith-based communities. MEPC’s work with the coalition focused heavily on advancing payday lending reforms.

MEPC authored three publications for the coalition on the mechanics of payday lending and its negative impact on working Mississippians. The MEPC team also provided invited testimony before the Banking and Financial Services Committee in the Mississippi House of Representatives, an audience that also included leadership from the Senate Business and Financial Institutions Committee. The testimony included recommendations for enacting stronger consumer protections against predatory lenders.

Ultimately, the legislative effort to lay the groundwork for change fell short. Yet MEPC succeeded in the goal of building awareness and understanding of the problems facing low-wealth communities, paving the way for meaningful reform in the future.



Payday Loan Shops by State



Source: Center for Responsible Lending





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**ECDI Management Committee Only*

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Richard Campbell
HOPE

Brenda Richard-Montgomery
Providence Community Housing

Robert Gibbs
GibbsWhitwell, PLLC

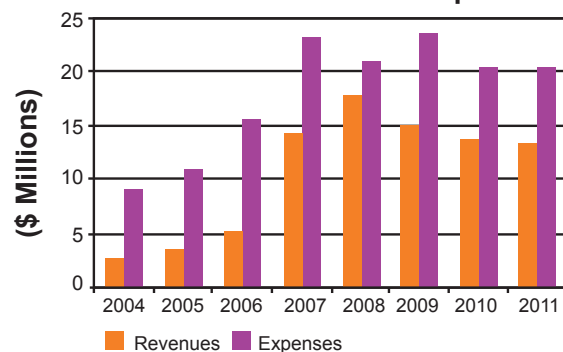
Carol Spencer
Episcopal Diocese of Mississippi

HOPE

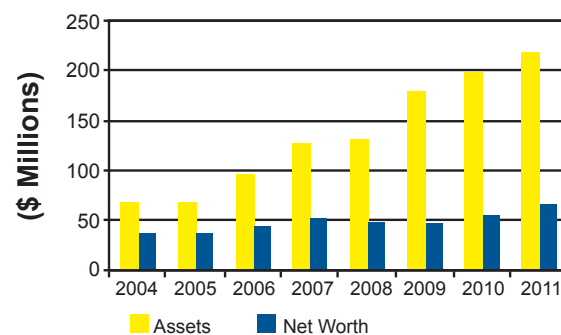
Consolidated and Combined Financial Highlights

	Years Ended December 31	
	2011	2010
Results of Operations		
Earned Revenues	\$13,438,189	\$13,747,174
Operating Expenses	20,265,984	20,369,032
Loan Loss Reserve Expense	843,607	659,959
Change in Net Assets (Net Income/(Loss))	786,332	(235,153)
Financial Position		
Total Assets	\$218,195,361	\$197,859,112
Total Net Assets (Net Worth)	66,342,365	54,914,477
Loans	165,496,586	143,688,635
Total Debt	39,661,558	36,808,687
Total Deposits	112,191,437	106,135,549
Results of Activities		
Total Loans Closed	52,537,293	60,059,845

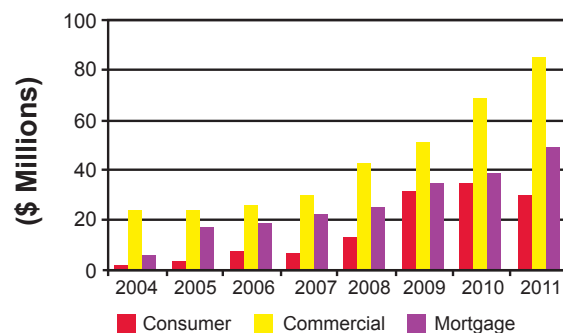
Earned Revenues and Expenses



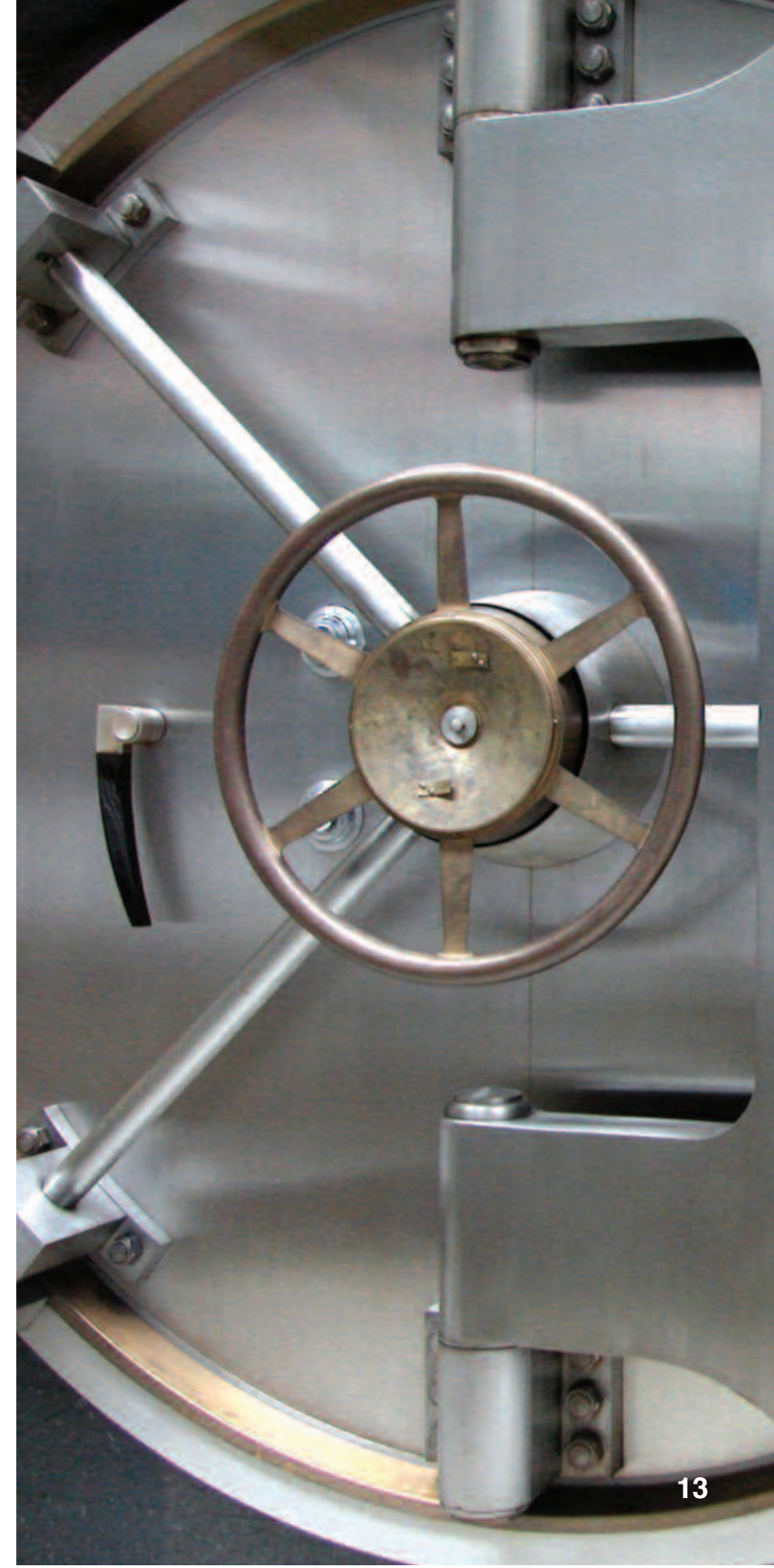
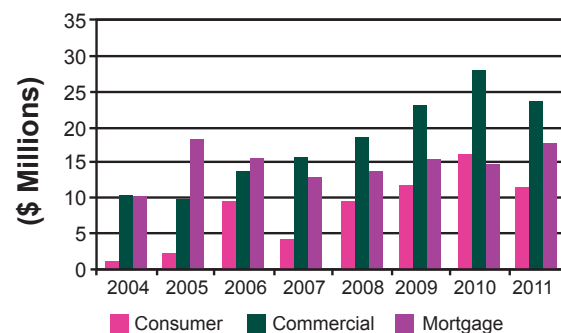
Total Assets and Net Worth



Loans Outstanding



Loans Closed



Hope Enterprise Corporation/Hope Federal Credit Union

Combining Statement of Financial Position

As of December 31, 2011 and 2010

	HEC Consolidated	HOPE	Eliminations	Combined 2011	Combined 2010
Assets					
Cash and cash equivalents	\$ 10,440,827	\$ 11,965,759	\$ (301,866)	\$ 22,104,720	\$ 26,166,114
Debt and other securities	13,494,172	14,198,048	(12,448,431)	15,243,789	14,090,998
Cash restricted for collateral on subsidiary's note	2,742,291			2,742,291	2,741,200
Grants and other receivables	1,448,860	1,408,233	(1,324,561)	1,532,532	2,722,431
Prepaid expenses	214,822	748,836		963,658	1,146,048
Other assets	2,566,419	1,475,161		4,041,580	1,420,981
Interest receivable		517,493		517,493	447,018
Consumer loans		29,988,551		29,988,551	34,483,331
Commercial loans	57,187,646	29,454,338	(1,432,476)	85,209,508	69,226,705
Residential mortgage loans	4,442,145	44,662,835		49,104,980	38,655,370
Allowance for loan losses	(1,670,659)	(1,587,960)		(3,258,619)	(3,904,654)
Loans, net	59,959,132	102,517,764	(1,432,476)	161,044,420	138,460,752
Foreclosed property	378,571	814,976		1,193,547	1,323,229
Goodwill		244,472		244,472	244,472
Property and equipment, net	2,188,308	6,378,550		8,566,858	9,095,870
Total assets	\$ 93,433,402	\$140,269,292	\$(15,507,333)	\$218,195,361	\$197,859,113
Liabilities					
Accounts payable	\$ 2,170,603	\$ 238,352	\$ (1,324,561)	\$ 1,084,394	\$ 1,413,394
Dividends payable		232,675		232,675	273,208
Member deposits		112,493,303	(301,866)	112,191,437	106,135,549
Other liabilities	3,187,790	379,108		3,566,898	3,515,207
Long-term loans	24,186,726	24,471,772	(13,880,906)	34,777,592	31,607,278
Total liabilities	29,545,119	137,815,210	(15,507,333)	151,852,996	142,944,636
Net Assets and Equity					
Uninsured capital and reserves		2,454,082		2,454,082	2,217,145
Unrestricted net assets	13,883,066			13,883,066	17,460,642
Non-controlling interests	42,603,368			42,603,368	32,056,873
Total unrestricted	56,486,434	2,454,082		58,940,516	51,734,660
Temporarily restricted	6,259,337			6,259,337	2,487,305
Permanently restricted	1,142,512			1,142,512	692,512
Total net assets	63,888,283	2,454,082		66,342,365	54,914,477
Total liabilities and net assets	\$ 93,433,402	\$140,269,292	\$(15,507,333)	\$218,195,361	\$197,859,113

Hope Enterprise Corporation/Hope Federal Credit Union

Combined Statement of Activity

For the Year Ended December 31, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Revenues and Gains:					
Grants and contributions	\$ 2,129,145	\$ 5,878,589	\$ 450,000	\$ 8,457,734	\$ 7,062,664
Program income	11,020,449			11,020,449	11,741,174
Investment income	2,417,740			2,417,740	2,006,000
	15,567,334	5,878,589	450,000	21,895,923	20,809,838
Net Assets Released from Restrictions:					
Satisfaction of program restrictions	1,262,361	(1,262,361)			
Expiration of time restrictions	844,196	(844,196)			
Total Revenues and Gains	17,673,891	3,772,032	450,000	21,895,923	20,809,838
Expenses:					
Program expenses:					
Commercial lending and assistance	3,951,988			3,951,988	3,163,467
Mortgage lending and housing	1,143,318			1,143,318	1,402,243
HOPE and consumer lending	7,355,992			7,355,992	8,427,143
Other programs	3,475,271			3,475,271	3,188,501
	15,926,569			15,926,569	16,181,354
Development and communications	179,357			179,357	140,216
General administration	5,003,665			5,003,665	4,723,421
Total Expenses	21,109,591			21,109,591	21,044,991
Change in net assets before minority interests	(3,435,700)	3,772,032	450,000	786,332	(235,153)
Change in other comprehensive gains/losses	217,161			217,161	(49,556)
Minority interests in subsidiaries losses	(122,100)			(122,100)	(874,756)
Change in Net Assets Attributable to Controlling Interest	(3,340,639)	3,772,032	450,000	881,393	(1,159,465)
Net Assets Attributable to Controlling Interest:					
At beginning of year	19,677,787	2,487,305	692,512	22,857,604	24,017,069
At end of year	16,337,148	6,259,337	1,142,512	23,738,997	22,857,604
Net Assets of Minority Interests	42,603,368			42,603,368	32,056,873
Net Assets and Equity at End of Year	\$58,940,516	\$ 6,259,337	\$1,142,512	\$66,342,365	\$54,914,477

Hope Enterprise Corporation/ Hope Federal Credit Union

Notes to Combined and Consolidated Financial Statements

(Unaudited)

For the years ending
December 31, 2011 and 2010

1. Basis of Presentation

The accompanying combined and consolidated financial statements include the consolidated financial statements of the Hope Enterprise Corporation (HEC) (formerly Enterprise Corporation of the Delta (ECD)) and the financial statements of Hope Federal Credit Union (HOPE) (formerly Hope Community Credit Union). HEC has received a ruling from the Internal Revenue Service for exemption from income taxes as a public charity under Internal Revenue Code Sections 501(c)(3) and 509(a)(2). HOPE is a chartered cooperative association located in Jackson, Mississippi. During 2010, HOPE converted from a state charter to a federal charter organization under the provisions of the Federal Credit Union Act and is organized for the purpose of promoting thrift among and creating a source of credit for its members as defined in its charter and bylaws. All significant intercompany accounts and transactions have been eliminated in the combination and consolidation. The purpose of this presentation is to report HEC and HOPE as operating together to fulfill their mission. HEC is the primary sponsor of HOPE and encompasses the field of membership of HOPE. HEC and HOPE share staff and resources in operating terms. Separate audited financial statements of HEC and HOPE are available at www.hope-ec.org and www.hopecu.org.

Subsidiaries of HEC include ECD Investments, LLC (ECDI); ECD Investments BIDCO Corporation (BIDCO); ECD Associates, LLC (ECDA); ECD New Markets, LLC (ECDNM); Home Again, Inc. (Home Again); Mid-Delta Community and Individual Investment Corporation (MDCIIC); ECD First Commercial, LLC (ECD First); ECD Plus, LLC (ECD Plus); ECD Central City, LLC; ECD New Markets 3, LLC; and ECD New Markets 4, LLC. ECDI, a Mississippi Limited Liability Company, was formed in 1997 as a for-profit subsidiary of HEC. HEC holds the controlling interest in ECDI through its ownership of all of ECDI's outstanding Class B units. Class A and C units of ECDI were sold for investment to qualified institutional and individual investors. Investments made by qualified institutional and individual investors less accumulated losses are shown as minority interest in subsidiary. BIDCO is a wholly-owned subsidiary of ECDI. ECDI and BIDCO were created to extend HEC's commercial lending activities. ECDA, a Mississippi Limited Liability Company, was formed in 2004 to raise capital to invest in ECDNM, a Mississippi Limited Liability Company formed in 2003. HEC is the managing member of ECDA and ECDNM.

Units of ECDA were sold for investment to qualified institutional and individual investors. Capital invested by ECDA in ECDNM was used to invest in HOPE. In return, ECDA received New Markets Tax Credits and cash, which are distributed to investors in ECDA, over the investment periods. Home Again began operations in 2006 with HEC as primary sponsor. Home Again provides mortgage financing and recovery consultation services to eligible persons in the coastal region of Mississippi in the aftermath of Hurricane Katrina. MDCIIC was acquired by HEC in 2007 and is a Mississippi corporation that provides loans and technical assistance to small businesses in a 12-county service area in the Delta region of Mississippi. ECD First and ECD Plus began operations in 2007 and are commercial loan funds in partnership with local banks. ECD Central City began operations in 2009 and is a commercial loan fund in partnership with a local bank. ECD New Markets 3, LLC, began operations in 2010 and is a commercial loan fund in partnership with a local bank. ECD New Markets 4, LLC, began operations in 2011 and is a commercial loan fund in partnership with a local bank. On January 1, 2009, HOPE acquired all the assets and liabilities of American Savings Credit Union in a NCUA-directed merger accounted for as a purchase. This merger resulted in an excess of fair value of liabilities assumed over fair value of assets acquired of approximately \$244,000. In July 2010, HOPE converted to a federal charter and changed its name to Hope Federal Credit Union. On October 1, 2010, HOPE acquired all the assets and liabilities of East Central Federal Credit Union in a NCUA-directed merger accounted for as a purchase. This merger resulted in a net gain on acquisition of approximately \$531,000.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about HEC/HOPE's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters. Certain reclassifications have been made to the 2010 combined financial statements to conform to the presentation in 2011.

2. Cash and Marketable Securities

Cash and marketable securities are comprised of cash and cash equivalents and other securities held by HEC/HOPE in the ordinary course of business:

	2011	2010
Cash and cash equivalents	\$ 22,104,720	\$ 26,166,114
Debt and other securities	15,243,789	14,090,998
	<u>\$ 37,348,510</u>	<u>\$40,257,112</u>

3. Grants and Other Receivables

Unconditional grants are recognized as revenue in the period in which the commitment is received. Unconditional grants to be received over a period of time in excess of one year are recorded at fair value at the date of the grant based upon the present value of payments to be received. HEC/HOPE's management anticipates grants receivable at December 31, 2011, will be received and available for support of HEC/HOPE's programs as follows:

Grants due in less than one year	\$ 953,045
Grants due in one to five years	25,000
Contracts and other receivables	566,579
Total grants and other receivables	<u>1,544,624</u>
Less adjustment to reflect grants receivable at fair value at the date of grant, based on 1.2% discount rate	(12,092)
Net grants and other receivables	<u>\$1,532,532</u>

4. Loans

The composition of the loan portfolios is as follows:

	2011	2010
Consumer loans outstanding	\$ 29,988,551	\$ 34,483,331
Commercial loans outstanding	85,209,508	69,226,705
Residential mortgage loans outstanding	49,104,980	38,655,370
	<u>\$164,303,039</u>	<u>\$142,365,406</u>

Consumer loans are either uncollateralized or secured by vehicles or deposits.

Commercial loans are typically collateralized by property, equipment, inventories, and/or receivables, with loan-to-value ratios from 50% to 100%. Commercial loans are typically guaranteed by the principals of the borrower.

Commercial loan commitments are made to accommodate the financial needs of HEC/HOPE's customers/members. These arrangements have a credit risk essentially the same as that involved in extending loans to customers of commercial banks and are subject to HEC/HOPE's normal credit practices.

HEC/HOPE also originates residential mortgage loans. These loans are typically collateralized by residential real estate, with a loan-to-value ratio of 97% or less. The majority of these loans are available for sale.

5. Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable loan losses related to specifically identified loans and for losses inherent in the loan portfolio that has been estimated as of the balance sheet date. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, growth and composition of the loan portfolios, economic conditions and other relevant factors. The allowance is increased by provisions for loan losses charged to expense.

Transactions in the allowance for loan losses are summarized as follows:

	2011	2010
Balance at beginning of year	\$3,904,654	\$4,149,705
Provision charged to operating expenses	843,607	675,959
Loans and investments charged off and foreclosed - net	(1,489,642)	(921,010)
Balance at end of period	<u>\$3,258,619</u>	<u>\$3,904,654</u>

6. Foreclosed Property

Foreclosed property consists of properties repossessed by HEC/HOPE on foreclosed loans. These assets are stated at the lower of the outstanding loan amount (including accrued interest, if any) or fair value on the date acquired less estimated costs to sell. Losses arising from the acquisition of such property are charged against the allowance for loan losses. Declines in value resulting from disposition of such property are expensed as impairment loss on foreclosed property or loss on disposition of foreclosed property, as applicable.

7. Dividends Payable and Shares and Share Certificates

Dividends payable are dividends earned on share draft accounts, share accounts and share certificates by members of HOPE and not yet paid by HOPE. Share draft accounts are the credit union equivalent of bank checking accounts. Interest is earned on HOPE money market share draft accounts. Share accounts are the credit union equivalent of bank savings accounts, and share certificates are the credit union equivalent of bank certificates of deposit. All share draft accounts, share accounts and share certificates are insured by the National Credit Union Administration up to \$250,000 per member.

8. Long-Term Debt

The maturities of long-term debt at December 31, 2011, are as follows:

2012	\$ 4,026,968
2013	4,166,981
2014	4,055,897
2015	3,528,133
2016	2,602,987
Thereafter	16,396,626
	<u>\$34,777,592</u>

9. Uninsured Capital and Reserves

The uninsured capital and reserves include accumulated reserves and undivided earnings of HOPE.



2011 Highlights

HOPE Is Part of National "Create Jobs for USA" Campaign

Creating and retaining jobs continues to be a pressing need for stabilizing and growing the nation's economy. One innovative approach has been launched by Starbucks and Opportunity Finance Network (OFN) to give people across the country an opportunity to make a dramatic impact on job development by donating at least \$5 to the "Create Jobs for USA" campaign. That effort will turn \$5 into \$35 through Community Development Financial Institutions (CDFI), including HOPE, that are providing financing to the small businesses that are the catalyst for job growth.

Create Jobs for USA is the inspiration of Starbucks Chairman and CEO Howard Schultz. The program pools donations from Starbucks customers, partners, and concerned citizens into a nationwide fund, held and managed by OFN, to support community business lending. The initiative was seeded with a \$5 million contribution from the Starbucks Foundation, and all donations will go directly to local CDFIs and will be used for making loans.

Every \$5 donation will result in \$35 in financing to support community businesses. The CDFI community lenders will leverage \$30, on average, through their respective financing sources for each \$5 donation. Donors who contribute \$5 or more will receive a red, white and blue wristband with the message, "Indivisible." The wristband is designed to serve as a symbol of Americans uniting with other Americans to help create jobs. The wristbands are individually handmade in the U.S.A., and all component materials are manufactured by U.S. suppliers, so the effort is also helping support American manufacturing jobs.



HOPE Joins National Housing Network

HOPE has been awarded membership in the national NeighborWorks® network. This significant achievement, which involved HOPE meeting high organizational health and performance standards, enables the organization to gain access to a powerful battery of training, research, technical assistance and funding opportunities.



NeighborWorks America recognized HOPE for its high productivity, dedication to affordable housing and service within its community, and accountability. NeighborWorks will be providing \$300,000 as an initial investment to support HOPE's work.

NeighborWorks America created the NeighborWorks network to improve homeownership opportunities for low- and moderate-income families, provide financial education and improve financial literacy, rebuild and repair properties, develop affordable multifamily units, and use innovative strategies to improve safety and revitalize communities across the nation.



Regional Community Development Organization Honored with National Award

HOPE was recognized by The National Community Reinvestment Coalition (NCRC) for its outstanding work and extraordinary contributions to families and communities across the Mid South. During NCRC's 2011 annual conference, National Achievement Awards were presented to individuals and organizations that are leading efforts to expand financial access for working families and communities.

As the recipient of the James Leach award, HOPE was honored as the nation's most outstanding nonprofit organization at promoting fair and equal access to credit and capital.

Apartment Redevelopment Project Means More Affordable Housing for Jackson Residents

Dozens of low-income Jackson, Mississippi, residents now have access to more quality, affordable housing with the development of Lincoln Garden Apartments, a complex that was renovated through special financing programs. Project sponsors include The Wishcamper Companies, Inc.; Rocky Mountain Development Group; Department of Housing and Urban Development; Mississippi Home Corporation; New Horizons Development; and Mississippi Regional Housing Authority No. VI.

The complex adds 100 rental units to the affordable housing stock for people who meet income and other eligibility requirements. The complex will feature two- and three-bedroom units, a fitness center, a community room with kitchen, and a business/computer center.



Families can also take advantage of an extensive resident services program to be managed by a full-time resident services coordinator. The goal of the resident services program is to motivate and empower tenants to act for the betterment of themselves and their families.

HOPE Approved as SBA Community Advantage Lender

HOPE has been selected as the first lender based in Mississippi to participate in the SBA's Community Advantage Program. With that designation, HOPE is able to utilize the program throughout its four-state territory.

The Community Advantage pilot program is designed to expand access to lower-dollar loans and stimulate lending in traditionally underserved communities. SBA and U.S. Department of Commerce studies have shown the importance of lower-dollar loans to small business formation and growth.

Community Advantage loans feature a 7(a) government guaranty and a streamlined application process.



HOPE Receives \$1.5 Million to Support Community Development in Mid South

HOPE has received an allocation of \$1.5 million from the U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. HOPE will use the funds to help spur economic growth and recovery, as well as expand access to affordable financial products and services across the Mid South.

The awards are being made through the fiscal year 2011 round of the CDFI Fund's cornerstone program, the Community Development Financial Institutions Program, and represent the largest single round of monetary awards in the CDFI Fund's history. The only Mississippi-based organization to be given an award in 2011, HOPE received the highest award amount available during this round of funding.

HOPE was selected for an allocation after a competitive review of 393 applications submitted to the CDFI Fund by organizations across the nation that requested, in total, nearly \$466 million in funding under the FY 2011 round of the CDFI Program.



Bringing Fresh Food to Underserved Neighborhoods

The City of New Orleans, HOPE, and the Food Trust recently launched the New Orleans Fresh Food Retailer Initiative (FFRI), an initiative that will generate \$14 million in financing for supermarkets and grocery stores in underserved areas of

Orleans Parish. The financing will include forgivable and low-interest loans.

FFRI will enable vendors to open, renovate or expand retail outlets that sell fresh fruits and vegetables in those areas of the city where such access has been lacking, particularly for low-income residents. The investment will expand access to healthy food at affordable prices, provide quality employment opportunities, and serve as a catalyst for neighborhood revitalization.



Radiant Blossoms Welcomes First Families Home

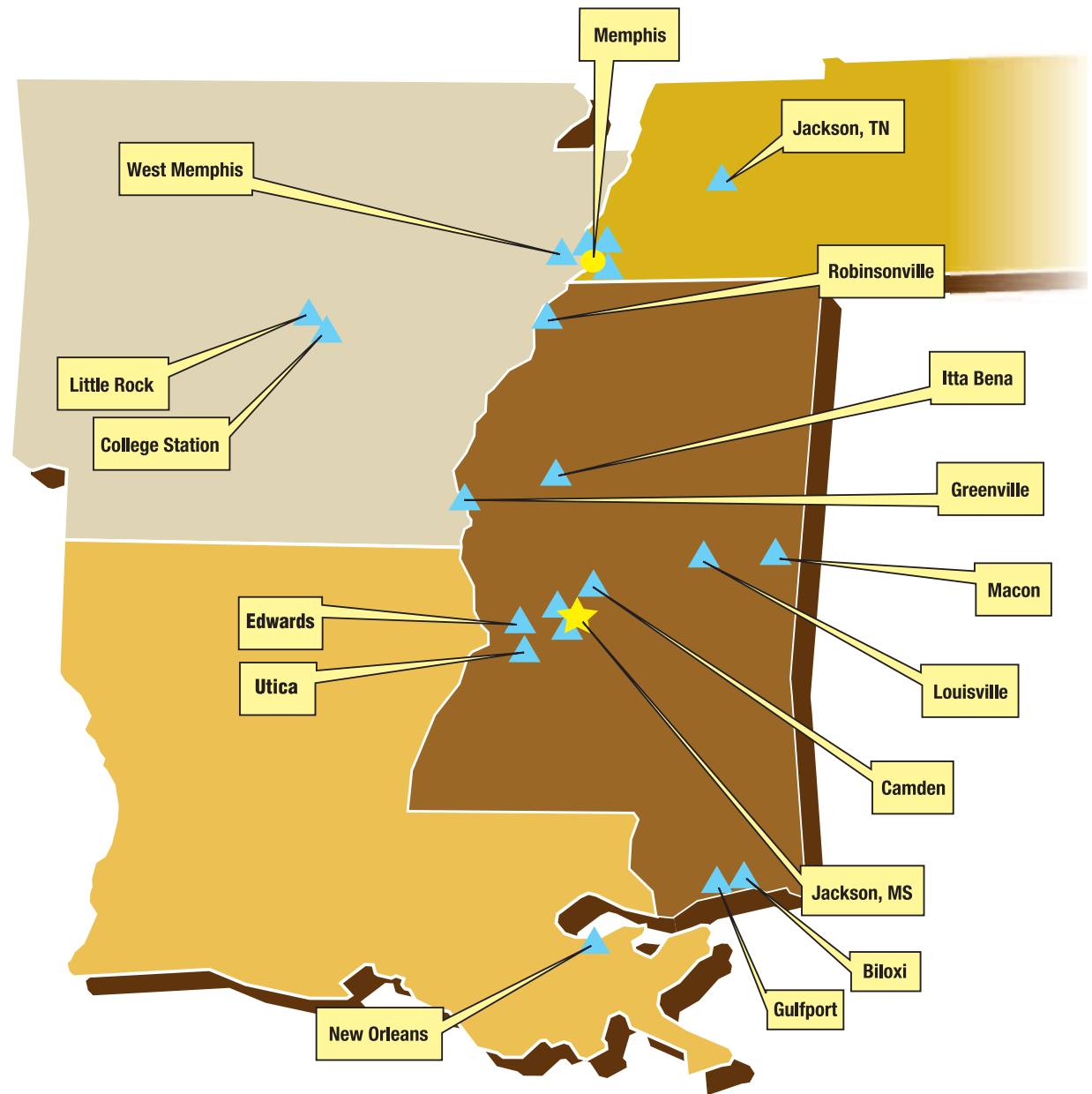
HOPE completed construction of quality affordable housing that will make the dream of homeownership a reality for low- and moderate-income New Orleans residents. The Radiant Blossoms development was made possible through HOPE's partnership with the Louisiana Housing Finance Agency (LHFA).

A total of six single-family units will be added to the affordable housing stock for people who meet income and other eligibility requirements. The development features three-bedroom, two-bath homes fully furnished with appliances, energy efficient and environmentally friendly building materials and methods, and security systems.

The homes are located in the heart of the historic Central City neighborhood, close to the Central Business District, and give residents convenient access to important city services, including transit routes, police and fire stations, and quality schools.



HOPE Service Area



Hope Enterprise Corporation
www.hope-ec.org

Hope Credit Union
www.hopecu.org



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1-866-843-3358

Branch Offices
Arkansas: College Station, Little Rock, West Memphis
Louisiana: New Orleans
Mississippi: Biloxi, Camden, Edwards, Greenville, Gulfport,
Itta Bena, Jackson, Louisville, Macon, Robinsonville, Utica
Tennessee: Jackson, Memphis

