2011
ANNUAL REPORT

Four walls.
One dream.
No barriers.
OUR MISSION

The Housing Development Fund, Inc. believes that all households and families should have the opportunity and access to affordable housing, and that affordable housing and economic diversity are beneficial to communities.

From the Board Chair

Dear Friends,

In 2011, HDF has worked hard to make homeownership attainable and to help so many hardworking families save their homes from foreclosure. Through education, counseling, and prudent lending, the staff and volunteers at HDF along with our private sector partners and board have worked to fill gaps and to provide solutions that help people when more traditional financing options are no longer available. These efforts benefit low- and moderate-income residents from Connecticut’s largest cities to cozy rural towns.

As Chair of HDF’s Board of Directors, I am proud to see this organization rise to meet a struggling economy by diversifying program and product offerings, stepping up lending volume to meet demand for affordable housing, and driving innovation to align new solutions with an ever-changing landscape. We hope that this annual report conveys the energy and dedication that everyone at HDF brings to bear on strengthening communities throughout southwestern CT.

Sincerely,

John March, Board of Directors Chair
Dear Friends,

This has been a year of growth, challenge, and opportunity for HDF. With the commitment of resources by our banking and government partners, we have been able to increase the number of affordable apartments and affordable homes throughout Southwestern Connecticut. We have remained steadfast in our commitment to counseling, both for homeownership and foreclosure prevention. We have continued to innovate, working on new solutions to vexing problems, and we have secured grants to assist us in establishing these new approaches.

"Many hands make light work," the old adage reads, and we wholeheartedly agree. Thank you for your continued support of our efforts. It is a privilege to work at what we do and to continue to make a difference every day in people’s lives. In the year ahead, we look forward to new and ongoing opportunities to engage our partners, supporters, and the community and build on the successes we have achieved to date.

Sincerely,

Joan Carty, President and CEO

Innovation and Collaboration are key to the success of our programs.
Foreclosure Prevention Forum

Representatives of lenders from the Fairfield County area meet with clients facing foreclosure or other dire financial circumstances that may affect their ability to meet their mortgage obligations.

Investing in Bridgeport Bus Tour

HDF hosts a bus tour for community partners and friends to learn about our work and impact in Bridgeport, including the Bijou Square development and our work with the Neighborhood Stabilization Program.

Neighborhood Excellence Initiative Award

Bank of America Market President Bill Tommins presents HDF President and CEO Joan Carty with the 2010 Neighborhood Excellence Award. The award provides flexible funding and leadership training to local nonprofits.
It's been an eventful year for the Housing Development Fund. Building off strong existing programs, HDF continues to break new ground in addressing the region’s housing issues. Here are just a few snapshots of the events and highlights from Fiscal Year 2011.

**HDF Earns CARS™ High Rating: “AA Policy Plus 2”**

CARS™, the CDFI Assessment and Ratings System, is the only comprehensive, third-party assessment of a CDFI’s impact performance and financial strength and performance. Only CDFIs that demonstrate exceptional and consistent performance earn the highest ratings.

**APRIL 2011**

**HDF Earns CARS™ High Rating: “AA Policy Plus 2”**

The “Policy Plus” (+) Rating indicates that HDF leads initiatives to change government policy to benefit disadvantaged people and communities.

**APRIL 2011**

**HDF’s 2nd Annual Breakfast Benefit**

HDF gathers to celebrate 21 years of success in building stronger Connecticut communities and to thank supporters who have made those successes possible.

**MAY 2011**

**FY11 EVENTS OF THE FISCAL YEAR**
The Housing Development Fund has been awarded a charter by the esteemed organization NeighborWorks® America, the nation’s premier leader in affordable housing and community development and a national network of more than 235 independent, community-based nonprofits. HDF joins NeighborWorks and its member organizations that serve over 4,500 communities nationwide, working hard to meet the housing needs of hundreds of thousands of lower-income people, improve their lives, and strengthen communities through the production of affordable housing.

HDF enters a community of only six other existing charter members in Connecticut. As a chartered member, HDF receives organization benefits and access to funding opportunities, technical assistance, training, programmatic support, and other resources provided by federally funded NeighborWorks America. NeighborWorks is the nation’s preeminent trainer for housing and community development professionals, as well as a nationally recognized leader in the fight against foreclosures.

“We have long admired their demonstrated commitment to hardworking families and to building strong communities,” said Joan Carty, President and CEO of HDF. “We are thrilled to be part of a great team.”

302 families counseled by HDF this year
155 families who purchased their first home this year
$6.5 million loaned to first time homebuyers, leveraging over

270 families assisted with foreclosure this year
$5.7 million invested in affordable multi-family housing this year
$24.2 million in first mortgages in FY11

“HDF is very excited to be part of the NeighborWorks network.”

FY11
When times are hard, we work hard on the issues that matter.

We see too many families struggling to afford a decent place to live. Over the last decade, Connecticut’s median gross rent has increased six times faster than the state’s median renter household income. This mismatch between what is available, what it costs, and what households today can afford continues to be a widening gap. For two decades, HDF has proven it can deliver housing solutions that work for Connecticut – for families, for lenders, for developers, for neighborhoods. We do this through agility and a collaborative temperament that is baked into our organization’s DNA. This responsiveness helps us react quickly to current market conditions, working with partners to design and expand initiatives tackling affordability and neighborhood stabilization in the face of foreclosure.
Families are uncertain about their economic future.

Continued high unemployment rates and general uncertainty about the economic future are driving many families towards renting rather than buying. Despite current low mortgage rates and a shortage of affordable rentals in this area (influenced by close proximity to New York City), many Connecticut families are unwilling to take the risk of any big step such as purchasing a home, at a time when there is constant fear that one’s financial stability can change in an instant. As a result, HDF is responding to the urgent need for affordable rental housing, especially given the following statistics:

In the last ten years, Connecticut’s median gross rent has increased six times faster than the median renter’s income. This growing gap contributes to the fact that 51% of the state’s renters pay more than 30% of their income on housing, while 27% are severely cost-burdened, spending over 50% of their income on housing. In order to afford the Fair Market Rent (FMR) for a two-bedroom apartment, a minimum wage earner must work 113 hours per week, 52 weeks per year. In order to afford the FMR for a two-bedroom apartment at the average renter’s wage, a person must work 62 hours per week, 52 weeks per year. This serves to demonstrate why at a time when demand for affordable housing is high and residential space is available for rent, fair market pricing puts many of these homes out of reach for low- and moderate-income families.

51% renters in CT who pay over 30% of their income on rent
THIS PAST YEAR, in addition to our work in helping homebuyers and homeowners, HDF has also closed four transactions resulting in the development of 152 affordable rental units in Bridgeport, Norwalk, and West Haven through our Multifamily Lending Program — answering the demand from developers who saw increased interest in affordable rental housing in Connecticut. Half of these projects renovated and placed tenants in previously foreclosed and vacant properties, helping to stabilize and preserve existing neighborhoods.

A shift locally from homebuilding towards developing denser multifamily properties has created opportunity to deed restrict condos and apartments for renting to low- and moderate-income families in our service area. Ongoing volatility in the housing market and high levels of unemployment and uncertainty have led us to predict that this increased volume will hold true in the near future, and HDF has multiple deals in the works for fiscal year 2012 which point to another banner year in Multifamily Lending ahead.
CREATIVE HOUSING SOLUTIONS

In some of the most economically-challenged neighborhoods of Bridgeport, CT, 36 homes have been guaranteed affordable for the next 30 years with financing from the Housing Development Fund, joining a first phase of 24 units financed the previous year for a total of 60 affordable rental apartments. This increase in the area’s affordable housing stock is expected to significantly reduce the homeless population in Bridgeport. Of the 13 properties that contain these 36 apartments, six had been foreclosed and boarded-up buildings, revitalized with funding from HDF to reintegrate them back into the community as affordable housing.

Financing from HDF facilitated the rehabilitation of these homes and their acquisition and included the covenant to rent the apartments at below-market rates. This development provides much-needed affordable housing supply in not only one of the most expensive housing markets in the nation, but also, more specifically, one of the most economically disadvantaged regions of Fairfield County. David Rich, Executive Director of Supportive Housing WORKS, a nonprofit dedicated to ending chronic homelessness in Fairfield County, believes that his homeless clients will benefit tremendously from the additional affordable homes created in these Bridgeport neighborhoods.

“This financing will create enough permanent supportive housing to empty the family shelters in Bridgeport and Fairfield for at least one day,” said David Rich of Supportive Housing WORKS.

bijou square: a key to revival

A five-story condominium building, billed as the first residential construction in downtown Bridgeport in 20 years, stood an unfinished eyesore for over 12 months, having lost its financing in 2008. The goal and hope of the new apartment complex was to increase the residential population downtown so that retailers and businesses would follow, reviving what had become a tired downtown. The larger development, Bijou Square, that the residential construction was part of had been revamped with the addition of new, hip restaurants and the renovation of the existing theater’s ballroom to house an architecture firm. But without the completion of the residential project and the boost in residential population that would result, the development had yet to thrive. With the help of financing from GE Money Bank and the Housing Development Fund, the project was revived and completed in late 2010. Today, rents for the Bijou Square units are lower than those of new buildings in Stamford and Norwalk, and 11 apartments are being offered at reduced rents as “work force” housing. The completion of Bijou Square was seen as a turning point for downtown Bridgeport, with immense impact on the overall real estate perception of the area.

“I THINK THE BUILDING WILL BRING GOOD ENERGY TO THE NEIGHBORHOOD AND, HOPEFULLY, GOOD COMMERCE AS WELL,” SAID PETER WROE OF EPERNAY BISTRO (NEW YORK TIMES, 2010)

“My experience on HDF’s board has been rewarding. It’s an honor to be associated with a wonderfully motivated and professional team in bringing real solutions to the housing needs of individuals and families.”

- ROBIN M. GALLAGHER
BOARD VICE CHAIR

149 affordable homes created or preserved this fiscal year

$39.9 million invested in CT affordable housing

Bijou Square
IN DOWNTOWN BRIDGEPORT
Fairfield County in particular is continually ranked as one of the most, if not the most, expensive markets in the nation for homeownership and renting. Clients’ income averages well below the median income for our service area: our Fairfield County clients have an average income that is 52.3% of the FFIEC annual median income (AMI) and our New Haven County clients average 52.4% of FFIEC AMI. On first approaching us for help, our foreclosure clients’ average monthly mortgage payments total almost 53% of their income, 20 percentage points higher than the industry recommended guideline of 33%.

The current financial crisis has raised demand for affordable housing in HDF’s service area. According to the Partnership for Strong Community’s report, “Affordability in Connecticut 2010,” individuals making the state’s median household income of $65,686 - down from $68,055 in 2009 - could not qualify to purchase a home in 112 of Connecticut’s 169 cities and towns. In contrast, individuals making town median incomes could not purchase the median sales price home in 96 cities and towns, up from 86 in 2009. Of the 75 towns in HDF’s service area, only 19 were deemed affordable in both 2009 and 2010.

Fairfield County in particular is continually ranked as one of the most, if not the most, expensive markets in the nation for homeownership and renting. Clients’ income averages well below the median income for our service area: our Fairfield County clients have an average income that is 52.3% of the FFIEC annual median income (AMI) and our New Haven County clients average 52.4% of FFIEC AMI. On first approaching us for help, our foreclosure clients’ average monthly mortgage payments total almost 53% of their income, 20 percentage points higher than the industry recommended guideline of 33%.

HDF gave us the opportunity to own a home, making it possible that our monthly mortgage payment was similar to what we paid for rent.” – Efraim Hernandez, Machine Operator
Believing that everyone deserves a home that’s safe, secure, and affordable, we see too many Connecticut families struggling to afford a decent place to live. As the housing crisis continues to threaten the homes and communities of Connecticut residents, HDF has helped over 6,400 families looking to purchase their first home through our unique and effective First-Time Homebuyer Program. Our education and counseling services for low- and moderate-income families ensure that potential homebuyers are ready and able to realize their dreams of homeownership in a responsible and sustainable way – as we’ve already proved with the 1,344 households we’ve helped purchase homes of their own in FY11. Our counselors worked with 326 new families this fiscal year, helping 155 households purchase their first home, in spite of the loss of first-time homebuyer tax credit in 2010. HDF also ensured the readiness of additional homeowners through our homebuyer education classes and community outreach events.

The overall gap in affordability throughout the majority (75%) of the towns in HDF’s service area points to the necessity of homebuyer assistance lending. In addition, far fewer households are able to qualify for a conventional mortgage due to more stringent standards, including requiring sizable down payments, after the subprime market collapse. These changes emphasize the crucial role of our SmartMove and Live Where You Work (LWYW) funds, which provide down payment and closing cost assistance to families transitioning to homeownership – often facilitating a monthly mortgage payment that is less than their previous monthly rent.

While the expiration of the first-time homebuyer federal tax credit program brought on a drop-off in new applicants, we continued to see steady traffic throughout FY11 in spite of the turmoil in Connecticut’s housing market. The chart at right depicts annual closings compared to our conversion rate of closings/clients counseled.
The Housing Development Fund has been working to expand our service area (which currently covers all of Fairfield and New Haven Counties) to reach all of Litchfield County, CT and Westchester County, NY. We have been building relationships that will allow us to provide internet-based homeownership counseling to residents of Litchfield County who would visit our remote counseling location at the Foundation for Community Health in Sharon, CT. We look forward to the launch of our internet-based counseling in early 2012, and we hope to continue this trend of extending our services to other areas of Connecticut and beyond in the future.

**THE HDF SMARTMOVE DOWNPAYMENT ASSISTANCE LOAN FUND HAS HIT**

$50 million

**THANKS TO OUR SMARTMOVE PARTNER BANKS:** CitiBank, First County Bank, Fairfield County Bank, Hudson City Savings Bank, Naugatuck Savings Bank, Newtown Savings Bank, Patriot National Bank, People's United Bank, Savings Bank of Danbury, Stamford Mortgage Company, Union Savings Bank

**1344 PURCHASES IN 49 COMMUNITIES**
The maps (right) illustrate the number of HDF clients who purchased a home through our First-Time Homebuyer program at the end of fiscal years 2005 and 2011, as well as the town that they purchased in.
A GUIDE TO ACHIEVING THE IMPOSSIBLE

When Rebecca, a single mother, came to HDF in 2010, she wanted to move herself and her two children out of Section 8 housing and into their very own home. Though she worked two jobs, as a bus driver for the Durham School Services in Milton, CT and also at the local Family YMCA, there were few homes that Rebecca could afford — and the ones she could afford had multiple offers on them. Despite the fact that Rebecca’s income was very low (only 25% of the median income for her area), she had a high credit score, indicating that she was careful with her finances and hard-earned money. However, as a first-time prospective homebuyer, Rebecca was confused about what steps to take in order to purchase her first house. Her HDF counselor guided her throughout the homebuying process, setting a realistic housing budget, reviewing credit, determining how much to save, and navigating the application process for a suitable mortgage. After only a few months of counseling and looking for the right home, Rebecca was deemed mortgage-ready and was approved for a loan by First County Bank. With the help of HDF, this single mother and her children were able to move into a two-bedroom house in a residential neighborhood of Ansonia, CT, finally achieving her goal of owning her first home.

6,406
low- and moderate-income families educated by HDF

“Thank you for allowing me to own such a beautiful home, live closer to my job, and for making my dream of homeownership a reality. To those considering HDF, just do it! It works.”

– EMILY G.,
GRAPHIC DESIGNER & NEW HOMEOWNER IN NORWALK
Foreclosure continues to threaten our communities.

"It was, for me, like the light at the end of a tunnel... My counselor and HDF were like angels sent from heaven to me. Today, I could reassure them that I am feeling happy with the results. My house is no longer in danger." - MARGARITA S.

When families lose their homes, whole communities suffer.

FORECLOSURE CONTINUES TO LOOM for Connecticut’s unemployed population and remains a very real threat for many of Connecticut’s low-wage workers who fear that a medical event or job loss could easily and quickly throw their finances into crisis. The persistence of low property values and high unemployment rates continue to threaten homeownership for many families, with over 6,240 foreclosure filings in our service area in fiscal year 2011, further destabilizing our communities. Bridgeport, CT was hit especially hard, with its rising poverty rates (with nearly 1-in-4 residents in poverty).
In the last three years, our unique and effective Foreclosure Intervention Counseling (FIC) Program has helped over 900 troubled homeowners in danger of foreclosure find solutions and resources through free one-on-one counseling sessions and monthly clinics. In the 2011 fiscal year, 270 new households were enrolled in HDF’s FIC Program and 135 households were assisted at our annual foreclosure event in Bridgeport where at-risk homeowners had a chance to meet with their servicer, lender, and/or housing counselor. HDF was also selected by the Connecticut Housing Finance Authority (CHFA) to accept and submit applications for distressed homeowners through the Emergency Homeowners Loan Program (EHLP) and participated in a county-wide event with CHFA to raise awareness about the program. HDF has submitted a total of 115 applications for EHLP, which provides assistance to homeowners who are delinquent with their first mortgage due to a sudden loss of income from unemployment, under-employment, or for medical reasons.

Despite massive delays in foreclosure processing, HDF continues to achieve positive outcomes for foreclosure intervention clients, helping to break the cycle of financial stress, lost value, and empty homes by solving home-credit problems before they turn into crises. Not only does the FIC Program aid families in keeping their homes, clients also become better-educated, more responsible homeowners and financial decision makers. In the long term, our clients knowledge and responsibility will improve the stability and diversity of Connecticut neighborhoods, improving the quality of life for all residents in our communities.

"In addition to the direction I received in helping me fix my situation, I was facilitated with programs to learn how to manage my finances and rebuild my credit." - HDF Client
ARRIVING HOME

HDF recently completed the sale of its final home acquired through the federally-funded NEIGHBORHOOD STABILIZATION PROGRAM (NSP) — the last of eight houses purchased and rehabilitated for sale to low- and moderate-income households. NSP, created in 2008 as the foreclosure crisis gained national attention, helps cities combat the crisis by providing grants to buy and renovate abandoned homes and sell them to new mortgage-ready homebuyers. The idea is to prevent foreclosed homes from dragging down home prices in neighborhoods, while also creating affordable housing from the properties.

Of the 10 municipalities chosen in Connecticut to participate in the $25 million program, Bridgeport (labeled the epicenter of the CT foreclosure crisis) received the largest allotment at $5.7 million. The City of Bridgeport selected HDF as its prime partner in 2009, and together, we focused on homes in neighborhoods at the most risk in the city’s northwest end. HDF acquired and made necessary improvements to eight Bank owned/REO properties, including a like-new 3-bedroom Cape and a 4-bedroom contemporary ranch. The newly renovated homes were sold to qualified first-time homebuyers counseled by HDF with the additional help of our lending products like the SmartMove loan fund (which provides down payment assistance to further close the affordability gap, if needed). Emily Anderson, assistant manager of a local bank, was able to purchase an NSP home, moving herself and her young daughters out of her parents’ house and into their own home.

Though principally conceived as a way to stabilize areas with high foreclosure rates, NSP has also created affordable housing and construction jobs in a time when unemployment was on the rise. Joan Carty, President and CEO, said that HDF put about 300 people to work in renovating the eight acquired properties. We are proud to have participated in this important initiative to reduce the threat of abandoned foreclosed properties and bring a positive impact on home values in Bridgeport.
HDF has announced plans to develop the Landlord Entrepreneurship and Affordability Program (LEAP), which addresses the increasing disinvestment in Connecticut’s troubled housing stock by supporting new owner-occupants who will have a vested interest in neighborhood stabilization. Through the program, local residents will acquire small multifamily properties (2-4 units) that must remain affordable to tenants, with the financing necessary for rehabilitation and energy conservation and the training to become good landlords. The development of LEAP is made possible by a grant through the Innovations in Neighborhood Stabilization and Foreclosure Prevention Initiative of the Housing Partnership Network (funded by Citi Foundation), created to help leading community-based organizations like HDF develop innovative solutions for neighborhood stabilization challenges in key metropolitan areas.

(ABOVE) HDF President Joan Carty and Nick Vazquez of Bank of America prepare to board the bus for HDF’s “Investing in Bridgeport” tour (see next page).
Bridgeport Mayor Bill Finch and HDF Board Chair John March of Citibank stroll past the Bijou Square development.
“HDF is proud of its investment and impact in the Bridgeport community.”

bus tour: investing in bridgeport

**ON OCTOBER 15, 2010,** the Housing Development Fund hosted the "Investing in Bridgeport" bus tour, offering some of our close friends and community partners a chance to see firsthand and learn about our work and impact in Bridgeport, CT. The event showcased homes newly renovated by HDF under the Neighborhood Stabilization Program (see page 18) and featured a tour of the HDF-financed Bijou Square development (see page 10) at the heart of the city. Bridgeport Mayor Bill Finch was in attendance, along with HDF’s Board of Directors and our lending and foundation partners.

Through our residential counseling and lending, and multi-family technical assistance and lending, HDF is responsible for $58 million in investment to Bridgeport as of October 2010. These funds created 216 homeowners of affordable properties and an additional 182 affordable rental apartments throughout the city’s neighborhoods. In addition to creating affordable opportunities, we have counseled over 300 Bridgeport families towards keeping their homes amidst the current foreclosure crisis. The Neighborhood Stabilization Program was administered out of HDF’s Bridgeport office, which also holds foreclosure clinics, first-time homebuyer orientations, and one-on-one counseling sessions.
ON MAY 17, 2011, HDF gathered at our 2nd Annual Breakfast Benefit to celebrate the successes we have had throughout 21 years of work in building stronger communities in southwestern Connecticut, and to thank all the wonderful supporters who have made those successes possible.
At the Benefit, HDF honored four tremendous outgoing Board members: **Ben Barnes, John Kline, Richard Taber** and **Kathleen Walsh** (pictured below).

(LEFT) HDF Board Members Robin M. Gallagher and Al Shehadi

(BACK ROW) Richard Taber, Former CEO, First County Bank; John Kline, President and CEO of Union Savings Bank; John March, Fair Lending Director at Citi and HDF’s Board Chair. (FRONT ROW) Joanne Taylor, HDF’s Chief Operating Officer; Kathleen Walsh, Past President & CEO of the Stamford Partnership; Reyno Giallongo, Jr., Chairman and CEO of First County Bank & HDF Board Member; Joan Carty, HDF’s President and CEO.

The Keynote Speaker of the event was **Ed Hjerpe**, CEO & President of the Federal Home Loan Bank of Boston (pictured at right). Stamford **Mayor Michael Pavia** delivered the welcome address (opposite).
### Condensed Statement of Financial Position

**As of June 30, 2011**

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<tr>
<th>Assets</th>
<th>2011</th>
<th>2010</th>
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<td>Cash and cash equivalents</td>
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<td>Assets restricted for long-term investment</td>
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<td>428,755</td>
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<td>Agency assets</td>
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<td>3,106,012</td>
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<td><strong>TOTAL ASSETS</strong></td>
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<td><strong>$32,537,856</strong></td>
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<td>Notes payable to banks</td>
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<td><strong>TOTAL NET ASSETS</strong></td>
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<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
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<td><strong>$32,537,856</strong></td>
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### Condensed Statement of Activities and Changes in Net Assets

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<tr>
<th>Revenue</th>
<th>2011</th>
<th>2010</th>
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<tr>
<td>Interest income - loans</td>
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<td>$1,160,883</td>
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<tr>
<td>Interest income - investments</td>
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<td>Grant revenue</td>
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<td>Forgiveness of notes payable</td>
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<td><strong>TOTAL REVENUE</strong></td>
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<td>Provision for credit losses and losses on REO</td>
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<td><strong>TOTAL EXPENSES</strong></td>
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<td>Net assets, beginning of year</td>
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<tr>
<td>Net assets, end of year</td>
<td>$9,986,090</td>
<td>$9,024,439</td>
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STAFF

Joan Carty  
President and Chief Executive Officer  

Jaclynn Marie Alves  
Homeownership Counselor  

Winifred Bailey  
Mortgage Closing Coordinator  

Dave Carril  
Program Support Analyst  

John Chamberlain  
Grants and Communications Manager  

Jeannie Custodio  
Foreclosure Intervention Specialist  

MaryAlice Dinho  
Danbury Program Manager  

Todd Fagan  
Foreclosure Intervention Specialist  

Denise Fogerty  
Data Manager  

Delila Forehand  
Senior Loan Officer  

Ashley Hamilton  
Administrative Assistant  

Tiffany Lee  
Development Assistant/Princeton Fellow  

Deborah Mackenzie  
Director of Counseling  

Myriam Mena-Polk  
Loan Officer/Bridgeport Program Coordinator  

Pat Ormsby  
Office Manager  

Steve Parenti  
Multifamily Portfolio Management Associate  

Melvina Peters  
Homebuyer Education Coordinator  

Valerie Saiz  
Director of Lending  

Julie Sootin  
Director of Development and Communications  

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