



“The others just saw obstacles...

*ECD / HOPE saw the potential
for a renewed neighborhood.”*

- Rev. Warren Taylor
First Evangelist Housing



2004 Impact Report



*Access Family Health Center
Smithville, Mississippi*

Impact Summary 1994-2004

**SINCE 1994 ECD/HOPE HAS...
generated more than \$170 million in financing
and assisted over 13,000 people in the Delta
and other economically distressed
communities across the Mid South.**

Small Business

- 4,200 Jobs
- 1,582 Entrepreneurs Trained
- 359 Small Business Loans
 - \$123 Million Financed
- \$6 Million in Financing for Health Care Facilities

Home Ownership & Affordable Housing

- 1,168 Mortgages Financed
- 77% First-Time Homeowners
- 70% Low-Income Borrowers
- 233 Low-Income Housing Units Developed
- \$50 Million in Affordable Housing
and Home Ownership Financing

Individual Development Services

- 2,600 Savings Accounts
- 540 Consumer Loans
- \$4 Million in Consumer Loans Financed
- 446 Child Care Slots Assisted

A year of growth and progress...

Dear Friends,

Throughout our history, a steadfast resolve has characterized ECD/HOPE's efforts to strengthen communities, build assets and improve lives in distressed areas throughout the Mid South. This trait certainly reflects the spirit of Delta residents and others across the region who remain committed to their communities in the face of significant economic and social challenges.

It also describes the many funders, investors and depositors whose patient support has not only allowed us to endure during difficult periods, but has also fostered the innovation that allows ECD/HOPE to enter our second decade poised to achieve new heights.

Finally, this characteristic is abundant among our staff and program partners who strive each day to address the development needs that face distressed people and communities.

It is the collective tenacity of these people that fueled the watershed achievements realized by ECD/HOPE during 2004. These include: making more loans than at any time during our history; forging new partnerships that supplement our core tools and multiply our impact; initiating products and services that serve more people – particularly those of limited means; and expanding our target market beyond the Delta to serve low-wealth people statewide in Arkansas, Louisiana, Mississippi, and the greater Memphis area.

One demonstration of persistence bears particular mention, not only for the milestone reached last year, but also for the implications for the future. During an ECD-hosted trip to Clarksdale in July 1999, President Bill Clinton announced the proposed New Markets Tax Credit Program. The purpose of this program was to attract private investment into America's underdeveloped areas. Last September, after more than five years of working with two presidential administrations; members of Congress; and numerous attorneys, accountants and prospective investors; ECD closed the first installment of \$15 million in New Markets Tax Credit-backed investments.

These funds will enable Hope Community Credit Union to support more than \$150 million in federally insured deposits from anyone who supports the advancement of this region. They will also enable us to achieve our vision of becoming a self-sufficient, mission-driven community development financial institution that provides low-wealth people and communities with the tools and resources needed to achieve a better quality of life.

We are very excited about the growth and progress that ECD/HOPE experienced in 2004, and appreciate the invaluable support that made this possible. Going forward, we will expand the breadth, scale and impact of our work, and continue to tap the resolve of a diverse coalition of individuals, foundations, faith-based organizations, banks, credit unions, community groups and others to build a brighter future for our neighbors, and for future generations.



William A. Percy, II

William A. Percy
Chairman
Enterprise Corporation
of the Delta



Robert L. Gibbs

Robert L. Gibbs
Chairman
Hope Community Credit
Union



William J. Bynum

William J. Bynum
Chief Executive Officer
ECD/HOPE



Mortgage Lending 2004

- \$10,000,000 Financed
- 83% First-time Homeowners
- 47% Rural • 36% Minorities
- 40 Bank Lending Partners
- \$2.2 Million Leveraged from Public Sources
- 793 Mortgages Financed

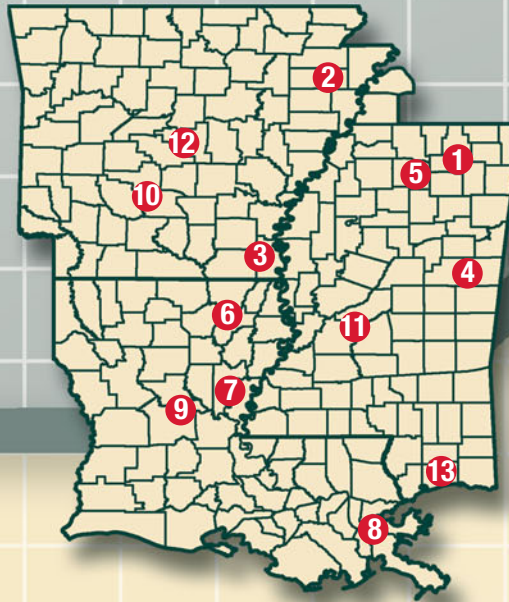


New Markets Tax Credit

- \$15,000,000 Award • \$6,000,000 Invested
- AmSouth Bank • BankPlus
- Bank of the Ozarks • Beau Rivage
- Entergy • State of Mississippi
- Ford Foundation • U.S. Treasury Department
- 10:1 Leverage

New Consumer Products and Services

- 830 New Members • ATM/Debit Cards
- Electronic Banking • Money Market Accounts
- Business Checking • Financial Education Workshops
- HOPE Affinity Network
- 202 Low-Income Tax Filers Assisted



Service Area Expansion

1. Access Family Health Services – Smithville
2. Beacons & Bridges – Jonesboro
3. Chicot Housing – Lake Village
4. Greater Meridian Health Center – Macon
5. Economic Justice Summit – Oxford
6. Kids R Us Child Care – Monroe
7. Macon Ridge CDC – Ferriday
8. Prosperity Club – New Orleans
9. Rapides Foundation – Alexandria
10. South Arkansas Community Development – Arkadelphia
11. Stewpot Community Services – Jackson
12. Subway Restaurant – Little Rock
13. VR Norman Blinds – Ocean Springs



ECD/HOPE Assets
\$67,000,000



Business Financing 1994-2004

- \$68,000,000 Financed • \$55,000,000 Leveraged
- 195 Borrowers • 62% Minority & Women-Owned Businesses
- 4,200 Jobs Assisted • 446 Child Care Spaces Financed
- 59,406 Health Care Patients Served



Emerging Markets Partnership 2002-2004

- 45 Delta Development Partnerships • \$47,258,813 Small Business Financing
- 722 Entrepreneurs Assisted • 2,200 Jobs Assisted • 2,414 People Trained
- 739 Mortgages/Housing Units • \$27,057,692 Mortgages Financed
- 86 Affordable Housing Developers Assisted



New Orleans Branch

- Central City Revitalization • Jackson Avenue Microenterprise
- Making Connections New Orleans
- First Evangelist CDC

Business offers hope to community

When Dorothy Soraparu was a little girl, if she was good, she got to go window-shopping on Dryades Street.

"We lived on Magnolia Street, and I had a cousin who was 10 years older than I was," Soraparu, 83, said. "We just thought it was a treat if she said we could come shopping with her. That was only if we had been good."

"Dryades Street was really something. It was very popular," said Soraparu who at the time was a 10-year-old student at Thomy Lafon School.

Addressing neglect

Much has changed since then. The scene of some of the most important civil rights battles in the 1960s, the street has been renamed for the late Oretta Castle Haley, a leader of those struggles.

But even more visible than the change of name has been the reversal of the street's fortunes.

Many of the buildings on the street have been



Central City welcomes its own credit union

Some deposits will be eligible for matching

By Leslie Williams

In the past several years, the middle of Central City has been commercial corridors. One of the oldest and most vibrant neighborhoods in the city, the area has been transformed into a hub of activity. The arrival of the Hope Community Credit Union is a testament to the area's resurgence.

Long absent from the area, the credit union is a testament to the area's resurgence. The arrival of the Hope Community Credit Union is a testament to the area's resurgence.





“We really needed a new store in our neighborhood... ECD/HOPE made it happen - for all of us.”

Investing in businesses that create and sustain jobs is at the core of ECD/HOPE’s mission.

Over the past decade ECD/HOPE has assisted over 350 businesses and 1,500 entrepreneurs representing 4,200 employees.

In addition to making loans from its own resources, ECD/HOPE has worked aggressively to leverage other sources of financing and to make sure entrepreneurs have the technical assistance required to succeed.

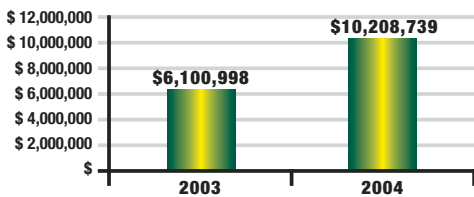
In addition to its direct impact, ECD/HOPE has become adept in its role as an intermediary - collaborating with public and private sector partners, and marshaling public and private resources that enhance business development in the region.

“What we’re doing is providing the means for a lot of people who would not be able to get loans through normal commercial channels to realize their dreams,” said Billy Percy, chairman of the Enterprise Corporation of the Delta.

In some cases, this means introducing banks or other partners to programs that have proven successful in other states. In others, ECD/HOPE has provided financial expertise that enabled other community development organizations to initiate loan funds.

Most new jobs created in our economy are created by small and medium-sized businesses. In Arkansas, Louisiana, and Mississippi, the number of these businesses has lagged behind the national average.

New Business Loans



Serving Entrepreneurs



Triple M Lumber

After securing \$500,000 in federal money to create a business loan fund, the East Arkansas Enterprise Community (EAEC) needed a partner with the expertise to manage the fund.

They found that and more in ECD/HOPE, which not only agreed to manage the fund, but also invested \$1.5 million in additional capital and assigned a loan officer to spend two days a week at the Enterprise Community's office in Forrest City.

"If we didn't have a loan officer here where the people are – if people had to go to Jonesboro or Jackson or Memphis or Little Rock – these deals wouldn't happen," said Robert Cole, consulting coordinator of the Enterprise Community. "There's a level of confidence and trust that has to be there when you're talking about borrowing money."

Working together, the Enterprise Community and ECD/HOPE have loaned money to 10 businesses that together employ about 100 people in six economically distressed census tracts in St. Francis, Cross, Lee, and Monroe counties.

Mark Huffstickler owns one of those businesses, a lumber mill which employs 16 people. He approached the East

Arkansas Enterprise Community Loan Fund after being turned down by banks because he didn't have enough collateral.

"It was always my dream to own a saw mill," said Huffstickler, who worked for 15 years as a lumber inspector before launching Triple M Lumber Co. in Wheatley, Arkansas.

The previous owner had shut the mill down, and it lay dormant for about two years before Huffstickler secured financing from ECD/HOPE and EAEC to buy it and bring it back to life.

"The loan was not approved the first time it went through, but the loan officer was willing to work with me," Huffstickler said. "He helped me understand what I needed to have, and he pulled for me all the way."

Being willing to spend the extra time with novice business owners makes a huge difference in distressed markets, according to Cole.

"If you don't have the technical support, the business development is never going to happen," Cole said. "Here at the Enterprise Community, we don't have the capacity to do what ECD/HOPE has to offer, but we can support it and promote it on the local level. We can provide that level of trust."

Automotive Rehabilitation Center

When John Roush decided to open his own car repair shop, a night course at the local university caught his eye.

He signed up and learned that, though he knew a lot about fixing cars, he didn't know much about running a business.

"I really honestly say that if I had not taken this course, I probably would have failed in my business," said Roush, who has owned the Automotive Rehabilitation Center in Monroe, Louisiana for seven years. "It was an absolutely phenomenal help as far as information and helping me get my business going in a good direction."

The course Roush is describing, called FastTrac, is offered across the Mid South through a partnership between ECD/HOPE and local organizations such as the Small Business Development Center at the University of Louisiana at Monroe (ULM).

It covers topics such as writing a business plan, determining whether there is a market for the product or service you want to provide, and assessing the competition.

"What we've found is that people are going to do things whether they have the capacity to do them or not," said Dr. Paul Dunn, director of the Small Business Development Center at ULM. "The result is a tremendously high failure rate. For the ones

New Deal Supermarket

The last grocery store in Tchula, Mississippi, was about to close, and many people in this small Delta town were upset.

Instead of buying locally, residents were facing the prospect of having to drive for miles to purchase their food.

That's when entrepreneurs approached ECD/HOPE and secured financing to buy the store, remodel it, and restock its shelves. The loan was made possible through a partnership between ECD/HOPE and the Mid Delta Community & Individual Investment Corporation (MDCIIC).

"The store has a wonderful presence here now," said Tchula Mayor Yvonne Brown. "It has brought a lot of excitement to the community."

Residents appreciate the store's improved appearance, the quality of the food on its shelves, and the fact that it is minority owned.

"I don't think we could have saved the store without ECD/HOPE," said Willie Mae McLaurin, a retired educator in Tchula and member of MDCIIC's board.

"It seems that ECD has that down-home, relational-type attitude," Brown said. "ECD seems more concerned with how you can get it done, rather than putting up the barriers that say why you can't do it."

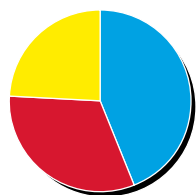


we work with (through FastTrac), the failure rate is much lower."

ECD/HOPE contracts with ULM to train FastTrac facilitators across the region and pays for a portion of the costs through a grant from the Kellogg Foundation.

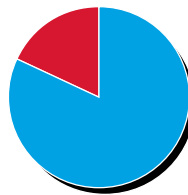
"These folks can't afford what it would cost me to do a FastTrac program under normal circumstances," Dunn said. "The subsidy from ECD/HOPE makes it doable. We're able to train more people who don't have the resources."

2004 Business Loans



44% - Minority or Women Owned Business
32% - White Male
24% - Nonprofit

2004 FastTrac Graduates



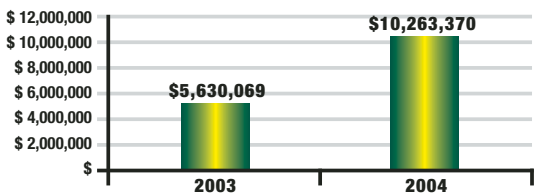
82% - Minorities
18% - Non-Minorities

*Eric and Margaretta Green
Monroe, Louisiana*



“We were determined to buy a home and make it our own. A HOPE Mortgage Loan helped us get there.”

New Mortgage Loans



ECD/HOPE is spreading the dream of home ownership across the Mid South.

Home ownership helps families, and it helps communities. Homes are the largest single asset for most Americans. High rates of home ownership are associated with higher rates of civic participation, lower crime, and appreciating property values.

More and more people in low-income communities across the Mid South are realizing the dream of home ownership through the HOPE Mortgage Program.

The HOPE Mortgage features competitive interest rates, a more flexible approval process and, in some cases, help with a down payment. Because approvals are not based solely on credit scores, the originator has the flexibility to consider a buyer's specific circumstances.

Another key feature of the HOPE Mortgage program is that ECD/HOPE worked out a partnership to sell HOPE Mortgages to Fannie Mae, a quasi-federal agency dedicated to fostering home ownership. This frees up additional capital that ECD/HOPE uses to finance more mortgages.

The mortgage program experienced significant growth last year as outreach and education efforts in previous years began to bear fruit.

For example, in 2004, ECD/HOPE worked with BankPlus, whose operational headquarters are in Ridgeland, Mississippi, to secure more than \$500,000 in grant monies to help 40 low- to moderate-income homebuyers with down payment and closing costs.

“I would call that a really strong effort and one that we can continue to build on,” said Bill Ray, president and chief executive officer of BankPlus. “If you've got a household that's been successful in buying their own home, they've got the pride of ownership: ‘This is my house. This is my property.’ In addition to that, there are a lot of future economic benefits that come from a home purchase.”

Serving Homeowners



Home Of Your Own Program

Michael Chambliss spent more than three years trying to get a home of his own.

Now, thanks to HOPE and a program called HOYO, Chambliss, 42, owns a two-bedroom house on a quiet street in Jackson, Mississippi.

"When I go into my own house, it's not like going into an apartment or being at my parents' house," said Chambliss, whose disability has kept him from working steadily for more than 20 years. "I had never owned anything before that was all my own."

The chief obstacle to home ownership for Chambliss, and many other people with lower-than-average incomes, was the down payment. He got down payment help through a program of the Institute for Disability Studies called Home of Your Own, or HOYO.

"Part of our mission is to help people with disabilities become part of the fabric of

the community," said Royal Walker, associate director of the Institute, which is housed at the University of Southern Mississippi.

Working with HOPE to originate mortgages was a natural fit.

"Clearly, HOPE is used to looking at people who may not be able to get traditional financing," Walker said. "They understand that that population of people also wants the piece of the American Dream that is home ownership."

In addition to resources for down payments, HOYO provides training for first-time homebuyers and help with a budget. ECD/HOPE works with Fannie Mae to offer flexible loan criteria that meet the unique needs of people with disabilities.

"It's been a tremendous partnership between our staff and ECD/HOPE," Walker said. "I can't say enough about how they have been supportive of our effort."

USDA 502 Home Loan Program

The success of one federal mortgage program hinges on finding financial institutions who are willing to be partners.

In Arkansas, the USDA's 502 Home Loan Program, which provides 80 percent of mortgage financing for qualified low-income families, depends on ECD/HOPE. Traditional banks may not be as interested in working with the 502 program because the mortgage amounts are small and do not generate high fees.

"We found ECD/HOPE to be a very good, very willing partner," said Lawrence McCullough, director of single family housing for the USDA's Rural Development office in Arkansas. "They make funding available through their resources, and that enables us to stretch the limited funding we've got."

In addition to providing the balance of the mortgage financing at competitive interest rates, ECD/HOPE has agreed to accept any mortgage applicant who qualifies for the 502 program.



Some states, including Mississippi, are not using all the federal money allocated for the 502 program. ECD/HOPE is working to develop partnerships that will help more Mississippians take advantage of this route to home ownership.

The 502 program specifically targets people living in rural areas.

For example, ECD/HOPE has closed loans this year in the small Arkansas towns of Heber Springs (population 6,432), Cherokee Village (4,648), and Greenbrier (3,198).

"So many of these small towns are really kind of stagnant," McCullough said. "There needs to be some stimulus to show that home ownership is possible."

Community Trust Bank

Bankers at Community Trust Bank in Ruston, Louisiana, wanted to help low-income families buy houses, but the upfront costs seemed an insurmountable obstacle.

So Phil Eide, vice president for housing at ECD/HOPE, told the bank's community reinvestment officer about a grant program at the Federal Home Loan Bank of Dallas.

The bank applied and received an \$80,000 grant to help 20 low-income families with the down payment and closing costs associated with buying a new home.

"We've never really had the opportunity to do these loans," said Larry Emory, the Community Reinvestment Officer at Community Trust. "Once we started advertising it, we've had a steady stream of people coming in."

ECD/HOPE agreed to process mortgage applications and to purchase the closed loans. This frees up the bank's money to make more loans.

"There are probably other sources that would purchase these loans and help us with the underwriting, but we don't know who they are," Emory said. "The staff at ECD/HOPE is very knowledgeable. Their turnaround time is very quick. I don't know what we would do without them."

Emory said Community Trust expects to close all 20 loans this year and has already decided to apply for more funding.

"We're sold on the program," Emory said. "This will just continue on and on and on. It's very rewarding. We've just seen the light in the faces of people who are getting their first home."

HOPE Mortgage Originators

Advantage Mortgage Co.

American State Bank

Amerigo Mortgage

AmSouth Bank

Ashley Mortgage Co.

BancorpSouth

Bank of the Ozarks

Bank of the South

Britton and Koontz FNB

BankPlus

Broadway Bank

Commercial Bank and Trust

Community Bank

Community Trust Bank

Community Connections

Concordia Bank

Covenant Bank

First American Bank

First Bank and Trust

First National Bank of McGehee

First Security National Bank

First State Bank

Heber Springs State Bank

HomeFirst Mortgage Co.

Hope Community Credit Union

Liberty Bank and Trust

McGehee Bank

Merchants and Farmers Bank, AR

Merchants and Farmers Bank, MS

Merchants and Planters Bank

Preferred Mortgage Co.

Rural Development/Arkansas

Rural Development/Louisiana

Simmons National Bank

Tri-County Credit Union

Union Planters

United Mississippi Bank

Whitney Bank

Mortgage Borrower Characteristics

	2003	2004
Median Loan Size	\$44,600	\$65,300
Median Annual Wage	\$21,912	\$27,792
% Previous Renters	80.00%	82.90%



“We’re trying to create more savvy consumers, to give people the power to make better decisions.”

Hope Community Credit Union provides financial services to people in low-income communities whose only alternative may be a pawn shop or payday lender.

As a community development credit union, HOPE is in a unique position to foster financial education and help people build assets. Saving even modest amounts on a regular basis helps low-income families accumulate funds that can be used for a down payment on a home, to pay tuition or to weather financial emergencies, such as extended illness or temporary job loss.

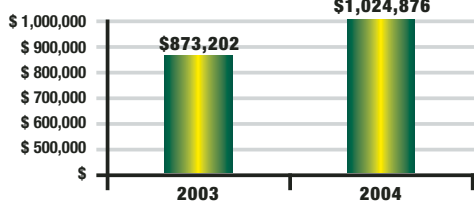
By joining HOPE, people gain access to a range of affordable financial services, including checking and savings accounts, consumer and mortgage loans, ATM/debit cards, electronic banking, and financial education workshops.

“I’ve seen so many people destroy their finances because they have no choice but to use a predatory lender, and they start robbing Peter to pay Paul,” said Robert Gibbs, chairman of Hope Community Credit Union. “I see HOPE as a great alternative. I see HOPE as a way out.”

In 2004, HOPE opened an office in New Orleans’ Central City neighborhood and expanded services at its Jackson branch.

Lower income families are less likely than middle class and upper class families to have a checking or savings account, and are about three times less likely to receive interest income. Yet, when given the opportunity, through such programs as Individual Development Accounts, low-income families embrace the chance to save.

New Consumer Loans



Serving Families



Marlissa Hopkins

When Marlissa Hopkins bought a new car, the dealership arranged for her to get a loan through a nationally known lender.

It didn't take long, though, for Hopkins to notice that the terms on the loan were pretty steep: an annual percentage rate of 18 percent.

The next time Hopkins went into the HOPE branch in Jackson to conduct other business, she mentioned the car loan to a HOPE consumer loan officer.

"I was asking her about the loan. I told her I had a high interest rate," said Hopkins, a Head Start teacher who is married and has a child. "She said she would see what she could do."

In fact, HOPE was able to help Hopkins refinance the loan, which lowered the interest rate to seven percent and shortened the term from six years to five years. Her monthly payment went from \$537 to \$470.

Over the life of the loan, Hopkins will save \$14,000. "That's money I can keep in my pocket," she said. "That's money I have for other necessities."

HOPE staff members are trained to help members identify ways to save money and to use credit more wisely.

Economic Justice Forum

Identifying strategies for eliminating poverty was the goal of the 2004 Deep South Economic Justice Action Forum.

ECD/HOPE helped sponsor the three-day forum, which featured work sessions on creating communities where all residents, even those with low incomes, have access to day-to-day credit for effective living, home ownership, car ownership and capital for starting and operating a business.

The forum included representatives from the legal community, government, universities, and economic development organizations.

One specific strategy that emerged from the discussions was the need to eliminate predatory lending – especially as it is practiced by payday lenders.

The Mississippi Center for Justice, the forum host, is advocating changing state law to lower the interest rates allowed to be charged by payday lenders and to require better disclosure. A survey of customers at payday lenders showed many did not understand the full costs of their loans.

"One thing that was very obvious was that payday lenders were the option of last resort, and that if there were another option, people would use it," said Leslie Gross Davis, advocacy director for the Mississippi Center for Justice. "The best thing we can do is let people know about ECD/HOPE. The solution we would wish for is already here, but not everybody knows about it."

Prosperity Club

When financial educators pushed the idea of building assets with low-income families in the Central City neighborhood of New Orleans, it was too often theoretical.

Then, they worked out a partnership with Hope Community Credit Union, which includes having a program officer in HOPE's neighborhood branch.

"We were promoting asset-building, and then had a difficult time actually linking people to those services," said Neill Goslin, program director of the Central City Asset Building Coalition, part of the nonprofit group Making Connections.

The Asset Building Coalition has recruited 22 people into a Prosperity Club, which is designed to teach basic financial literacy.

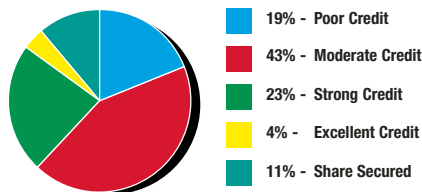
Members meet on one Saturday each month for fellowship and training, including a review of their credit reports.

"By the time that we get to the part of the class that's about credit, we have that information so we're not doing a hypothetical exercise," Goslin said. "The biggest problem people have is lots of debt and uncertainty about how to deal with it. We're trying to create more savvy consumers, to give people the power to make better decisions, and to instill in them the value of savings."

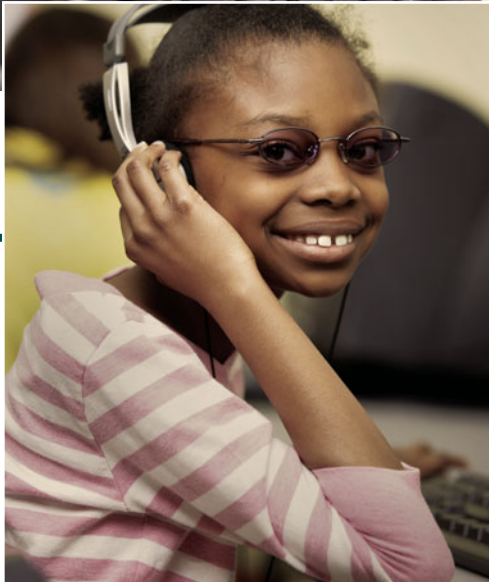
As Prosperity Club members open savings accounts at HOPE, those who are able to save \$100 over the course of the training will earn \$150 in matching funds, provided by a grant from the Annie E. Casey Foundation.



2004 Consumer Loans



Arkansas Advocates for
Children and Families
Little Rock, Arkansas



“We’ve got the top ranked preschool program in the country, and we’re making it available to the most vulnerable children in the state.”

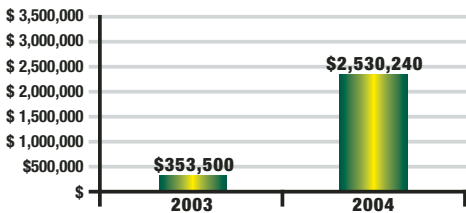
Fostering strong communities is at the core of ECD/HOPE’s mission.

To inform its community development efforts, ECD/HOPE commissioned research to determine the most significant barriers to job growth and stability in communities in the Mid South region.

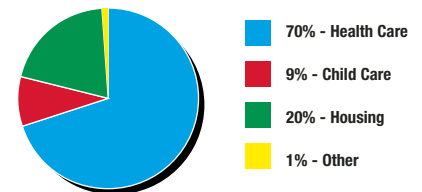
“Investing in struggling communities is not only the right thing to do, but it’s the smart thing to do,” said Bill Bynum, chief executive officer of ECD/HOPE. “The Mid South is full of examples that demonstrate the enormous benefits that occur when low-income people and communities gain access to the tools and opportunities that others take for granted.”

The research showed deficiencies in key community infrastructure areas such as health care, child care, housing, and telecommunications. These sectors are not only significant providers of jobs, but they also contribute to increased productivity and a strong business climate.

New Community Infrastructure Loans



2004 Community Infrastructure Loans



Serving Communities



First Evangelist Housing and Community Development Corporation

Finding a decent, but affordable, place to live is a challenge in the Central City neighborhood of New Orleans, where abandoned and substandard structures abound.

The First Evangelist Housing and Community Development Corporation secured a \$500,000 loan from ECD/HOPE to purchase and renovate four duplexes, which will provide affordable housing for eight low-income families.

"We need all the help we can get in this neighborhood," said the Rev. Warren Taylor, pastor of First Evangelist Missionary Baptist Church. "We have a serious blight problem we're trying to address."

Solving the housing problem is made more challenging in New Orleans than in comparable urban areas by historic

preservation rules that govern rehabilitation of architecturally significant structures. "We have some large housing projects being torn down, but it's hard for people to relocate in the neighborhood because of the cost," Taylor said.

First Evangelist owns 70 rental units in Central City and is building 10 houses for first-time homebuyers and renovating a 40-room hotel for substance abuse treatment.

The faith-based organization offers its tenants training in job skills, entrepreneurship, and home ownership.

"We don't just put a person in a rental unit or a house and walk away and leave them," Taylor said. "We have all the support programs for them."

First Evangelist is glad to have ECD/HOPE as a resource in the community.



Arkansas Advocates for Children and Families

When the state of Arkansas committed \$40 million to a new program aimed at helping children get a better start in school, Arkansas Advocates for Children and Families (AACF) believed it would take a special effort to reach the state's neediest families.

Through the Kellogg Foundation-funded Emerging Markets Partnership, ECD/HOPE invested in AACF to conduct outreach and education efforts for parents and child care providers.

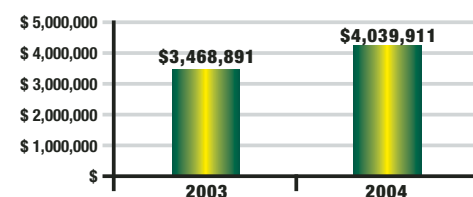
"We wanted to make sure that the Delta region of the state got its share of the resources," said Paul Kelly, director of the advocacy organization. "A large number of the schools in academic distress were located in the Delta, and a large number of children in the Delta were not being served in quality child care programs."

The new program's impact can be seen in towns like Fountain Hill, Arkansas, where 20 three- and four-year-old low-income children are now attending a full day Pre-K program with a quality curriculum.

Before, Fountain Hill (population 159) did not have a licensed daycare option, and working families relied on informal daycare. Without the structure of an early childhood education program, some children arrived in kindergarten unable to distinguish colors.

"We've got the top ranked preschool program in the country, and we're making it available to the most vulnerable children in the state," Kelly said. "This is a major success."

New Emerging Markets Partnership Investments



Access Family Health Center

At Access Family Health Center in Smithville, Mississippi, the demand for dental care was far outstripping the supply.

The health center, which has served low-income families for 26 years, had space for only one dentist, and she was working in what had been the city jail.

"We are the only facility that offers dental services on a sliding scale within a 100-mile radius, and there are not a lot of other providers who accept Medicaid," said Marilyn Sumerford, executive director of the center.

"With only one dentist, we were able to provide only basic and preventive services; we couldn't do crowns, root canals, or dentures. We felt like we had to find a way to provide those services for the people without insurance."

A loan from ECD/HOPE financed the purchase and renovation of a new dental clinic. The clinic will have six rooms with dental chairs, which will allow the hiring of an additional dentist and a dental hygienist.

ECD/HOPE worked with Access to structure long-term financing that puts the health center in a better position to meet the needs of its clients.

Once the new dental clinic is up and running, with its additional staff, the current dentist will do more with her second degree, in public health, Sumerford said. The center plans more outreach to nursing homes, better preventive care, and better management of patients with chronic conditions such as diabetes.

Institutional Funders & Investors

100 Black Men of Jackson
100 Concerned Clergy
Abundant Life Outreach
Advantage Capital Partners
AIR2LAN, Inc.
American State Bank
Amex
AmSouth Bank
Amos Network
Anderson United Methodist Church
Annie E. Casey Foundation
Arkansas Blue Cross and Blue Shield
Bancorp South
Bank of America
Bank of Anguilla
Bank of Morton
Bank One
Bank of the Ozarks
Bank of the South
Bank of Walnut Grove
Bank of Yazoo City
BankPlus
BellSouth
Beau Rivage Resorts
Booth Bricker Foundation
Boston Community Capital
Britton & Koontz Bank, N.A.
Calvert Social Investment Foundation
Carthage Bank
Cathedral AME Zion Church
Catholic Health Initiatives
Central Sunbelt Federal Credit Union
Chapel of the Cross
Charles Stewart Mott Foundation
ChemFirst Foundation, Inc.
Christ the King Ministries
Cherry Gove M.B. Church
Citizens National Bank
City of Jackson Mayor's Youth Initiative
Community Bank of Indianola
Community Resource Group

Concordia Bank & Trust Co.
Covenant Bank
Covenant Presbyterian Church
Dominican Sisters of Hope
East Arkansas Enterprise Community
Efforts of Grace
Emmanuel Missionary Baptist Church
Entergy Corporation
F.B. Heron Foundation
Fannie Mae Corp.
Fannie Mae Foundation
Farmers Bank and Trust
Farmers Grain Terminal, Inc.
First National Bank of Blytheville
First National Bank of Phillips County
First Security Bank
Fondren Presbyterian Church
Ford Foundation
Foundation for the Mid South
Fredrica Avenue Neighborhood Association
Galloway Memorial United Methodist Church
Goree Ministries
Guaranty Bank & Trust Co.
Gulf Coast Bank and Trust
Habitat for Humanity (Jackson)
Hibernia National Bank
Hinds County Bar Association
Hinds County Health Alliance
Holy Spirit Missionary Sisters
Home Depot Foundation
Home Missioners of America
J.P. Morgan/Chase
Jackson Avenue Microenterprise
Jackson Housing Authority
Jackson Medical Mall Foundation
John D. and Catherine T. MacArthur Foundation
John M. Perkins Foundation
Keesler Federal Credit Union
Liberty Bank and Trust
Levi Strauss Foundation

Low Income Investment Fund
Lynch Street CME Church
Magnolia Federal Credit Union
Mary Reynolds Babcock Foundation
Members Exchange Federal Credit Union
Mendenhall Bible Church
Merchants and Farmers Bank
Merchants and Planters Bank
Mercy Investment Program
Metairie Bank and Trust
Metropolitan Ministerial Fellowship
Mid South Financial
Mississippi Association of Realtors
Mississippi Development Authority
Mississippi Federal Credit Union
Mississippi Postal Employees FCU
Mississippi Primary Health Care Association
Mississippi Telco Federal Credit Union
Morrison Heights Baptist Church
Mutual Credit Union
National Community Capital Association
National Credit Union Administration
National Federation Of Community Development Credit Unions
Navigator Credit Union
New Canney Creek Missionary Baptist Church
New Dimension Ministries
New Horizon Church
New Horizon Ministries
New Lake Church of Christ
Northeast Christian Church
OmniBank
Peoples Bank
Planters Bank & Trust
Rapides Foundation
Regions Financial Corp.
Ridley Hill M.B. Church
Robert Wood Johnson Foundation
Rock of Ages Praise and Worship
Rosemont Missionary Baptist Church

Rosamary Foundation
Scott Foundation
Seton Enablement Fund, Inc.
Singing River Federal Credit Union
Simmons First National Bank
Sisters of Charity of St. Elizabeth
Sisters of Charity of the Incarnate Word
Sisters of Charity of Cincinnati
Sisters of the Divine Savior
Sisters of Saint Dominic of the Sorrowful Mother
Sister of Saint Dominic of Racine, Wisconsin
Smith, Shellnut, Wilson
Society of the Holy Child Jesus
Southern Farm Bureau BC
Southern Rural Development Initiative
Southtrust Bank
St. Charles Avenue Baptist Church
St. Clare Monastery
St. Peter's by the Lake
Statewide Federal Credit Union
Stewpot Community Services
Sweet Home Church of Christ
The Church of the City
Threshold Foundation
Trinity Church
Trustmark National Bank
Tzedek Development Fund
Urban Impact Ministries
Union Planters Bank
U.S. Dept. of Treasury, CDFI Fund
Victory Cathedral
Voice of Calvary Fellowship
Voice of Calvary Ministries
Walton Family Foundation
Wells Church
W.K. Kellogg Foundation
Winthrop Rockefeller Foundation
Word and Worship

ENTERPRISE CORPORATION OF THE DELTA BOARD OF DIRECTORS

William Bynum
ECD/HOPE
Hodding Carter, III
John S. and James L. Knight Foundation
Elgin R. Clemons
OT Magazine
Ronnie Crudup
New Horizon Church

Chuck Dunn
Retired Businessman
Mike Espy
Mike Espy, PLLC/AE Agritrade
Jeff Gish
Independent Banking and Community Development Consultant
Brenda Harper
Regions Bank
Kimberly Lee
Entergy Corporation

Edwin Lupberger
Nesher Investments
Ivory Lyles
University of Arkansas
Fred Miller
Bank of Anguilla
Martie North
Bank of the Ozarks
Billy Percy
Greenville Compress

Kevin P. Reilly
Reilly Family Foundation
George Walker
Mississippi State Board of Community and Junior Colleges
Robert M. Walker
Jackson State University
William Winter
Watkins, Ludlam, Winter and Stennis

ECD INVESTMENTS, LLC MANAGEMENT COMMITTEE

William Bynum
ECD/HOPE
Elgin Clemons
OT Magazine

Brenda Harper
Regions Bank
David E. Johnson
Trustmark National Bank

Kimberly Lee
Entergy Corporation
Billy Percy
Greenville Compress

HOPE COMMUNITY CREDIT UNION BOARD OF DIRECTORS

Regina Austin
AmSouth Bank
Phil Bryant
Mississippi State Auditor
William Bynum
ECD/HOPE
Richard Campbell
ECD/HOPE
Mike Espy
Mike Espy, PLLC/AE Agritrade

Robert Gibbs
Brunini, Grantham, Grower & Hewes
Phil Hardwick
John C. Stennis Institute of Government
J.R. Jones
American Express Financial Advisors
Kaye Mayfield
Jackson Hinds Comprehensive Health Center
George Penick
Foundation for the Mid South

Jennifer Sinclair
St. Dominic Health Services
Frank Spencer
Stewpot Community Services
Carol Stewart
Episcopal Diocese of Mississippi
Herman Taylor
Jackson Heart Study
Neddie Winters
The Church of the City

Financial Highlights

ECD/HOPE

Consolidated and Combined Financial Highlights For the Years Ended December 31

	<u>2004</u>	<u>2003</u>
Results of Operations		
Earned Revenues	\$ 2,621,765	\$ 1,733,351
Operating Expenses	7,159,753	6,064,002
Loan Loss Reserve Expense	1,873,694	3,100,786
Change in Net Assets (Net Income)	(1,774,767)	(5,789,564)
Financial Position		
Total Assets	\$ 67,407,969	\$ 52,348,563
Total Net Assets (Net Worth)	36,652,338	38,427,106
Loans and Investments	30,796,573	27,537,913
Total Debt	15,817,629	10,497,006
Total Deposits	14,938,002	3,424,451
Results of Activities		
Total Loans Closed	\$ 21,496,985	\$ 11,951,048
Total Investments Closed	100,000	1,035,000

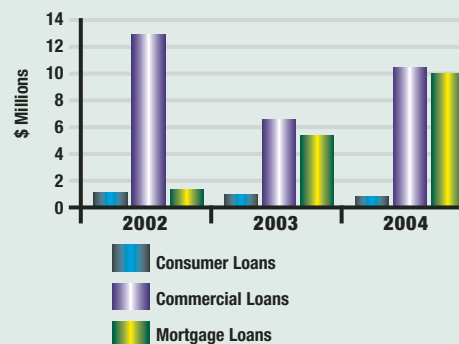
Total Assets and Net Worth



Loans and Investments Outstanding



Loans and Investments Closed



Financial Position

ECD/HOPE Combined and Consolidated Statements of Financial Position As of December 31

	<u>2004</u>	<u>2003</u>
Assets:		
Cash and marketable securities (Note 2)	\$ 33,724,314	\$ 20,916,584
Grants and other receivables (Note 3)	4,207,686	6,455,347
Other assets	410,747	174,566
Consumer loans (Note 4)	1,770,305	1,865,190
Commercial loans (Note 4)	16,859,874	17,017,083
Residential mortgage loans (Note 4)	5,338,930	1,734,984
Allowance for loan losses (Note 5)	<u>(2,302,936)</u>	<u>(3,274,645)</u>
Loans, net	21,666,173	17,342,611
Foreclosed property, net (Note 7)	3,134,593	3,046,361
Investments in privately held companies (Note 6)	3,683,871	3,874,295
Property and equipment, net	580,585	538,798
Total Assets	<u>\$ 67,407,969</u>	<u>\$ 52,348,563</u>
Liabilities:		
Accounts payable	\$282,060	\$331,614
Dividends payable (Note 8)	65,754	11,627
Member deposits (Note 8)	14,938,002	3,424,451
Other liabilities	14,691	5,015
Long-term debt (Note 9)	<u>15,455,123</u>	<u>10,148,750</u>
Total Liabilities	<u>30,755,631</u>	<u>13,921,457</u>
Net Assets and Equity:		
Uninsured capital and reserves (Note 10)	1,059,059	463,216
Unrestricted net assets	2,539,635	4,668,269
Minority interest in subsidiary (Note 1)	<u>5,518,990</u>	<u>5,020,932</u>
Total unrestricted	9,117,683	10,152,417
Temporarily restricted	7,869,375	8,374,517
Permanently restricted	<u>19,665,280</u>	<u>19,900,171</u>
Total Net Assets and Equity	<u>36,652,338</u>	<u>38,427,105</u>
Total Liabilities, Net Assets and Equity	<u>\$ 67,407,969</u>	<u>\$ 52,348,563</u>

Notes to Combined and Consolidated Financial Statements (Unaudited) For the years ending December 31, 2004 and 2003

1. Basis of Presentation

The accompanying combined and consolidated financial statements include the consolidated financial statements of the Enterprise Corporation of the Delta (ECD) and the financial statements of Hope Community Credit Union (HOPE). ECD 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 credit union under Section 501(c)(14) of the Internal Revenue Code. All significant intercompany accounts and transactions have been eliminated in the combination and consolidation. The purpose of this presentation is to report ECD and HOPE as operating together to fulfill their mission. ECD is the primary sponsor of HOPE and encompasses the field of membership of HOPE. ECD and HOPE share staff and resources in operating terms. Separate audited financial statements of ECD and HOPE are available at www.ecd.org and www.hopecu.org.

Subsidiaries of ECD include ECD Investments, LLC (ECDI), ECD Investments BIDCO Corporation (BIDCO), ECD Associates, LLC (ECDA) and ECD New Markets, LLC (ECDNM). ECDI, a Mississippi Limited Liability Company, was formed in 1997 as a for-profit subsidiary of ECD. ECD 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 are available for investment by 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 ECD'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. ECD is the managing member of ECDA and ECDNM. Units of ECDA are available for investment by qualified institutional and individual investors. Capital invested by ECDA in ECDNM is used to invest in HOPE. In return ECDA receives New Markets Tax Credits and cash over the investment period which are distributed to investors in ECDA.

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 ECD/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.

2. Cash and Marketable Securities

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

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 7,179,417	\$ 4,879,903
Debt and other securities	26,544,897	16,036,681
	<u>\$ 33,724,314</u>	<u>\$ 20,916,584</u>

Financial Activity

ECD/HOPE Combined and Consolidated Statements of Activity For the Years Ended December 31

	Unrestricted	Temporarily Restricted	Permanently Restricted	2004 Total	2003 Total
Revenues and gains:					
Grants and contributions	\$ 400	\$1,959,804	\$629,257	\$ 2,589,461	\$1,423,371
Program income	2,015,967	-	337,901	2,353,868	1,655,267
Investment income	237,519	-	30,378	267,897	296,606
	2,253,886	1,959,804	997,536	5,211,226	3,375,244
Net Assets Released from Restrictions:					
Satisfaction of program restrictions	3,397,373	(2,164,946)	(1,232,428)	-	-
Expiration of time restrictions	300,000	(300,000)	-	-	-
Total Revenues and Gains	5,951,259	(505,142)	(234,891)	5,211,226	3,375,244
Expenses:					
Program expenses:					
Commercial lending and assistance	3,762,850			3,762,850	5,591,680
Mortgage lending and housing	1,232,615			1,232,615	324,296
HOPE and consumer lending	486,412			486,412	950,109
Other programs	2,971,397			2,971,397	1,732,227
	8,453,274	-	-	8,453,274	8,598,312
Development and communications	127,196			127,196	164,680
General Administration	380,517			380,517	401,816
Total Expenses	8,960,988	-	-	8,960,988	9,164,808
Change in Minority Investments	1,974,995	-	-	1,974,995	-
Change in Net Assets and Equity	(1,034,734)	(505,142)	(234,891)	(1,774,767)	(5,789,564)
Net Assets and Equity at the Beginning of 2004	10,152,417	8,374,517	19,900,171	38,427,105	44,216,669
Net Assets and Equity at the End of 2004	\$ 9,117,683	7,869,375	19,665,280	\$ 36,652,338	38,427,105

3. Grants and Other Receivables

Unconditional grants are recognized as revenue in the period 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. ECD/HOPE's management anticipates grants receivable at December 31, 2004 will be received and available for support of ECD/HOPE's programs as follows:

W.K. Kellogg Foundation	\$ 2,478,875
State of MS HOME Grant	1,134,878
Rapides Foundation	312,500
Robert Wood Johnson Foundation	48,600
JP Morgan/Chase	25,000
F.B. Heron Foundation	125,000
Total Grants	\$ 4,124,853
Less adjustment to reflect grants receivable at fair value at the date of grant (discounted cash flows based on 4 percent discount rate)	(170,347)
Net Grants Receivable	\$ 3,954,506
Other Receivables	253,180
Total Grants and Other Receivables	\$ 4,207,686

4. Loans

The composition of the loan portfolio is as follows:

	2004	2003
Consumer loans outstanding	\$ 1,770,305	\$ 1,865,190
Commercial loans outstanding	20,020,467	21,036,444
Residential mortgages loans outstanding	5,338,930	1,734,984
	<u>\$ 27,129,702</u>	<u>\$ 24,636,618</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 ECD/HOPE's customers. These arrangements have a credit risk essentially the same as that involved in extending loans to customers of commercial banks and are subject to ECD/HOPE's normal credit practices.

ECD/HOPE also originates and purchases residential mortgage loans. These loans are typically collateralized by residential real estate with a loan to value ratio of 97% or less and are typically sold within three months of origination or purchase.

Cash Flow

ECD/HOPE

Combined and Consolidated Statements of Cash Flow For the Years Ended December 31

Operating Activities:

	<u>2004</u>	<u>2003</u>
Change in net assets and equity	\$ (3,749,762)	\$ (5,789,564)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in other assets	(236,180)	(38,244)
Depreciation	32,424	68,489
Increase (decrease) in provision for loan losses	1,873,694	3,100,786
Loans charged off	(2,733,617)	(1,612,142)
Reduction in value of venture investments	-	(780,372)
(Increase) decrease in grants and other receivables	2,247,661	4,375,598
Increase (decrease) in accounts payable	(49,553)	129,942
Increase (decrease) in dividends payable	54,127	(16,699)
Increase (decrease) in other liabilities	9,676	(103,603)
Net cash provided by operating activities	<u>(2,551,532)</u>	<u>(665,809)</u>
Investing activities		
Net (increase) decrease in loans	(3,052,577)	(1,514,838)
Net (increase) decrease in debt securities	(10,508,215)	3,305,742
Investments in privately held companies	(308,870)	(603,745)
Purchases of equipment	(74,210)	(384,813)
Net cash used in investing activities	<u>(13,943,872)</u>	<u>802,347</u>
Financing activities		
Increase (decrease) in shares and certificates	11,513,551	1,380,853
Increase (decrease) in secondary capital investments	(25,000)	119,658
Increase (decrease) in minority investments	1,999,995	
Net increase (decrease) in long term borrowings	<u>5,306,373</u>	<u>(895,000)</u>
Net cash provided by financing activities	18,794,919	605,511
Net increase (decrease) in cash and cash equivalents	2,299,515	742,048
Cash and cash equivalents at beginning of period	<u>4,879,903</u>	<u>4,137,855</u>
Cash and cash equivalents at end of period	<u>\$ 7,179,417</u>	<u>\$ 4,879,903</u>

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:

	<u>2004</u>	<u>2003</u>
Balance at beginning of year	\$ 4,247,645	\$ 3,539,373
Provision charged to operating expenses	1,873,694	3,100,786
Loans charged off and foreclosed	(2,733,617)	(2,392,514)
Balance at end of period	<u>\$ 3,387,722</u>	<u>\$ 4,247,645</u>

6. Investments in Privately Held Companies

ECD/HOPE made its first investments in privately held companies in 1998. These investments have generally been in the form of preferred stock or subordinated debt. Investments in privately-held companies are carried at the lower of cost or net realizable value. The Company regularly evaluates whether, in management's opinion, events or circumstances have occurred which may indicate that the carrying amount of the Company's investments in privately-held companies may not be recoverable based upon estimated future discounted cash flows from the investment. If some or all of the investment is determined to be unrecoverable, the asset is written down to the estimated net realizable value. The Company recognized an impairment loss on privately-held company investments of \$697,000 and \$780,000 in 2004 and 2003, respectively.

7. Foreclosed Property

Foreclosed property consists of properties repossessed by the Company on foreclosed loans. These assets are stated at the lower of the outstanding loan amount

(including accrued interest, if any) or fair value at 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.

8. 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 \$100,000 per member.

9. Long-Term Debt

The maturities of long-term debt at December 31, 2004 are as follows:

2005	\$ 1,817,000
2006	2,120,000
2007	809,000
2008	1,424,000
2009	1,390,000
Thereafter	7,895,123
	<u>\$ 15,455,123</u>

10. Uninsured Capital and Reserves

The uninsured capital and reserves include only secondary capital investments made by investors in HOPE unrelated to ECD, accumulated reserves, and undivided earnings of HOPE.

Vision, Mission and Values

Vision:

To be a community development financial institution that: provides a large number of low-wealth people and communities with the financial tools and resources needed to achieve a better quality of life; influences policies and resources that impact our constituents and our interests; and is financially self-sufficient.

Mission:

To strengthen communities, build assets and improve lives in economically distressed areas in the Mid South by providing access to affordable, high-quality financial products and related services.

Values:

Three core values undergird our work. Our dedication to these values must be evident in our products, services, and operations:

- **Equal Access to Economic Opportunity** – Our work should reflect a commitment to fair and equal access to the economic opportunities that life has to offer.
- **Excellence** – The people and communities we serve have a right to expect excellence, and we have a responsibility to provide it. A commitment to excellence is a statement of respect for our customers, depositors, funders, investors, board and each other.
- **Bridge Builder** – Recognizing both the limitations of our own human and financial resources, and the necessity of broad support to address the development needs that face distressed people and communities, ECD/HOPE will seek to support strategic partners, and to attract and influence the support of others to help achieve our mission.

**ENTERPRISE CORPORATION
OF THE DELTA**
www.ecd.org

Main Office
P.O. Box 22886
Jackson, MS 39225-9907
1-866-843-3358

Branch Offices
Arkansas: Little Rock, Stuttgart
Louisiana: Alexandria, Baton Rouge,
Monroe, New Orleans
Mississippi: Greenville, Horn Lake,
Jackson, Vicksburg

HOPE COMMUNITY CREDIT UNION
www.hopecu.org

