



## WORCESTER COMMUNITY HOUSING RESOURCES, INC

### PROSPECTUS

## WORCESTER COMMUNITY HOUSING RESOURCES, INC. COMMUNITY LOAN FUND

Promissory Notes are offered pursuant to this Prospectus:

*Promissory Notes in principal amounts of \$1,000 or more with below-market interest rates as agreed upon, with terms of three to five years preferred.*

This Prospectus contains essential information about Worcester Community Housing Resources, Inc. Community Loan Fund and the promissory notes it issues. Prospective investors are advised to read this Prospectus carefully prior to making any decisions to invest in the Fund.

WCHR is a non-profit corporation and is tax exempt as a charitable organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The assets of the Loan Fund are placed in WCHR Securities, Inc., a 501(c)(2) holding company.

The offer and sale of these securities has not been registered with the Securities and Exchange Commission in reliance upon the exemption from registration contained in section 3(a)(4) of the Securities Act of 1933. No state securities commission or other regulatory authority has approved or disapproved of the securities hereby offered, or passed upon the accuracy or adequacy of this prospectus.

This offering is subject to certain risks described in the following pages.

The date of this Prospectus is May 2007.  
As Revised.

## WCHR MISSION STATEMENT

*To create and preserve affordable housing and to initiate and support neighborhood revitalization in the greater Worcester area.*

### INTRODUCTION

Worcester Community Housing Resources, Inc. is a non-profit organization dedicated to revitalizing greater Worcester's distressed neighborhoods by creating affordable housing and successful small, owner-operated businesses. It began in 1985 as the Worcester Community Loan Fund. In 1993, the Community Loan Fund merged with the Worcester Housing Partnership to become Worcester Community Housing Resources, Inc. (WCHR).

WCHR is a financial intermediary between potential borrowers and lenders, providing financing and technical assistance to individuals and organizations in the greater Worcester area. WCHR works with the City of Worcester, banks and credit unions, religious organizations, foundations and other non-profit organizations to support housing and economic development.

WCHR is a member of the Opportunity Finance Network (formerly know as the National Community Capital Association) and has received certification as a Community Development Financial Institution (CDFI) from the U.S. Treasury. Across the nation there are more than 50 community loan fund members, which have loaned billions of dollars to finance low-income housing and create jobs. WCHR is one of four Community Loan Funds in Massachusetts and our work is dedicated to the greater Worcester area.

### WCHR COMMUNITY LOAN FUND

The Community Loan Fund receives funds from concerned individuals and local institutions such as religious institutions, private foundations, investment companies, and businesses. It then lends these funds to individuals and organizations for community-based projects. It also lends to entrepreneurs who, because their borrowing needs are small and their equity investment limited (less than \$10,000), may not have access to conventional bank loans.

### INVESTING IN THE FUND

Your investment will go to work in the Worcester area to create affordable housing and jobs that will revitalize our neighborhoods. Investments can be a donation to permanent loan capital or an investment for housing and business lending. Some individuals make investments at 0% interest, thereby giving the Fund the maximum flexibility for lending. Whether your investment is large or small, it is important, and will be used effectively. Nearly 25% of WCHR's investments come from individuals and range from \$1,000 to \$50,000.

Interest rates are competitive with other social investment funds, and usually range from 0% to 3%. Interest is most often paid annually with principal repayment due at the end of the term.

Within certain guidelines, the investment period, the interest rate, and timing of interest payments are individually negotiated. Investors have personal contact with WCHR staff that answer questions,

process your investment and keep you updated.

### DESCRIPTION OF THE PROMISSORY NOTES

Each investor will receive a Promissory Note as evidence that the named investor has made an investment of a specific amount to the Fund. The Note includes all terms and conditions of the agreement. Investors may, subject to WCHR board approval, place special conditions on the use of their money, such as designating an area or neighborhood, or the type of project or organization to receive the benefits of their investment. See the Sample Loan Verification attached as *Exhibit A* and the Sample Promissory Note attached as *Exhibit B*.

### WCHR BORROWERS

WCHR adheres to sound financial practices and underwriting principles. Before the WCHR Loan Committee considers a proposal, staff evaluates the strength and potential of each applicant to carry out the project. The borrower must show collateral and the capacity to repay the loan; prove the need for the project and the number of people being served; and demonstrate long-term benefits to the community.

### FILLING THE GAP

The impact of your investment will be magnified many times over. Traditionally, community loan funds provided small housing loans of \$50,000 or less. These loans were often referred to as "gap financing" because they fill the gap that remains after banks and government agencies have determined the amount they will finance. For example, WCHR loaned \$15,000 to help acquire a building that was being foreclosed in Worcester's Main South neighborhood. The buyer was able to preserve eight subsidized housing units and two businesses located on the property, thus maintaining affordable housing and creating jobs and services within the neighborhood. This \$15,000 was part of a \$265,000 loan package.

### LARGER LOANS FOR ACQUISITION AND CONSTRUCTION

Recently the Fund has provided larger loans of \$400,000 or more when timely action is necessary to acquire a troubled property or to cover construction financing while awaiting the receipt of already awarded public subsidies. This includes the Fund lending to Worcester Community Housing Resources itself, through a recorded Note and Mortgage.

The Fund also provides hundreds home improvement loans and is now refinancing mortgages for families at risk of foreclosure. We continue to support hundreds of new low- and moderate-income, first-time homebuying families with loan advances to cover a portion of downpayment and closing costs.

### MANAGEMENT OF THE FUND

The Fund is governed by the WCHR Board of Directors (see list attached). The Board is composed of people with wide range of community expertise and technical skills. The Fund is under the direct supervision of the Loan Committee of the Board. WCHR Securities, Inc., with its own officers and

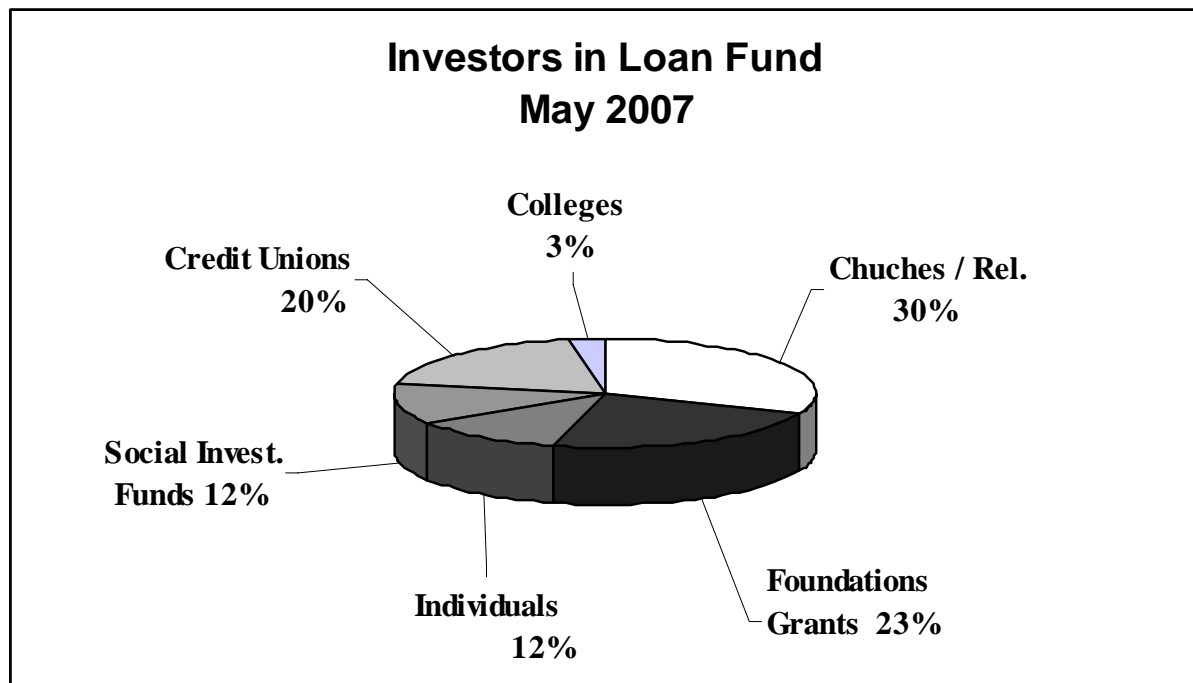
corporator, actually holds Loan Fund assets in order to insulate the loan activities from other WCHR operations.

### WCHR LOAN COMMITTEE

The Loan Committee includes representatives from area banks, religious groups, and non-profit organizations and other community associations, as well as private individuals. The committee meets monthly to discuss the status of current loans, to approve new loans, and to shape policy recommendations for the WCHR Board. All housing loans made by WCHR are secured by conventional mortgages. Business loans are secured by assets of the business itself or the borrower.

### FUND ASSETS

The Fund's assets consist of monies receivable from loans evidenced by the issuance of promissory notes and from gifts and donations to permanent loan capital. The Fund also raises monies from private charitable entities. With Worcester foundations adding \$500,000 in new capital grants, the Loan Fund began the new century with a very strong financial base.



### RISK FACTORS

The Promissory Notes are unsecured obligations of the Fund. Principal repayments and interest payments on the Promissory Notes are dependent solely upon the financial condition of the Fund, which in turn will depend on its ability to obtain repayment of the loans or to secure other funds. If borrowers from the Fund are unable to repay the Fund, then the Fund may be unable to pay its Promissory Note holders. Since its origin in the mid 1980s, the Fund has never defaulted on an obligation to an investor.

WCHR has established a loan loss reserve to help protect investors against possible losses. The Fund sets aside a percentage of the value of the loans it makes to borrowers as a loan reserve, depending on the perceived level of risk of the loan. The reserve reflects National Community Lending Standards and meets requirements of our auditors. As in the past, the Fund expects that the loans it makes will be secured by collateral deemed acceptable by the Fund. Additional security comes from the technical assistance that WCHR provides and the close communication that is maintained with the borrower.

### TAX CONSIDERATIONS

Interest paid on a Promissory Note will be income to the holder for federal and state income tax purposes. The investor will be liable for income tax on such interest, unless it is a tax exempt organization. Investors will not be taxed on the repayment of the principal of their loan. WCHR furnishes IRS Form 1099-INT to investors each January.

Gifts and donations are welcome and increase the flexibility in making financing opportunities more available. Gifts are tax deductible, can be restricted or non-restricted, and can be designated for operating expenses, permanent loan capital, or housing and business lending.

### FINANCIAL STATEMENTS

The financial statements of Worcester Community Housing Resources and WCHR Securities have been examined by Houssan Wickremeratne LLP, 390 Main Street, Suite 901, Worcester, MA 01608.

### ADDITIONAL INFORMATION

Additional information about the Community Loan Fund is available upon request to:

WCHR Community Loan Fund  
11 Pleasant Street, Suite 300  
Worcester, MA 01609  
(508) 799-0322  
[www.wchr.org](http://www.wchr.org)

EXHIBIT A: LOAN VERIFICATION LETTER

Date

Name  
Organization  
Street  
City

Dear \_\_\_\_\_ :

The following are the terms of the loan agreement as discussed with you, in your email, or in our telephone conversation on (date).

Amount of Loan:                 \$\_\_\_\_\_ (\_\_\_\_ Thousand Dollars)  
Rate of Loan:                    \_\_\_\_\_% (\_\_\_ percent annually)  
Period of Loan:                 \_\_\_\_\_ years  
Date:                               month/day/year  
Due:                                month/day/year

As you indicated, there will be no restrictions on this loan (or the following restrictions will apply to these funds: . . . . .).

When we receive your check in the amount of \$ \_\_\_\_\_, we will forward an executed Promissory Note to you with the terms and conditions indicated above. Your check should be payable to Worcester Community Housing Resources, Inc.

Thank you for your generous support. If you have any questions, please feel free to contact our office at any time.

Sincerely,

**EXHIBIT B: PROMISSORY NOTE**  
**PROMISSORY NOTE**

Amount: \_\_\_\_\_ Worcester, Massachusetts  
Interest: \_\_\_% per year Date: \_\_\_\_\_  
Term: \_\_\_\_\_ year Due Date: \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned, Worcester Community Housing Resources, Inc., a not-for-profit corporation organized under Massachusetts General Laws Chapter 180, with an office at 11 Pleasant Street, Worcester, Massachusetts 01609, promises to pay \_\_\_\_\_ ("Lender"), within 60 days following written notice of cancellation or upon completion of the loan period, the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) with interest on the unpaid principal balance from the date of this Note, until paid, at the rate of \_\_\_\_\_ ( \_\_\_ %) per annum. Interest shall be payable at \_\_\_\_\_ or other place as the holder hereof may designate.

Interest hereunder shall be paid annually as of the date of this note. Principal and interest due hereunder shall be paid in full on or before \_\_\_\_\_.

This Note shall become due and payable with a 60 day written notice by the holder hereof, at the due date hereof or if the Borrower shall fail to make any payment due hereunder within thirty (30) days of its due date or if the Borrower shall be involved in bankruptcy or insolvency proceedings as a debtor. Borrower may prepay any sum due on this Note at any time, in whole or in part.

This Note is an obligation of the Worcester Community Housing Resources Community Loan Fund (WCHR Securities, Inc.) and carries such risks as outlined in the Prospectus of the Fund. Payments of individual Notes to investors rely on the overall performance of our loan portfolio.

Executed to take effect as a sealed instrument on the day and year above written.

WORCESTER COMMUNITY HOUSING RESOURCES, INC.

By: \_\_\_\_\_

Witness: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Witness: \_\_\_\_\_

Its: \_\_\_\_\_