

CRA Investing Survey

2nd Edition | September 2017



**COMMUNITY
CAPITAL MANAGEMENT**

Impact Investing Since 1999

Introduction

We are excited to share the results from our 2nd Annual CRA Investing Survey. This year's survey consisted of 84 respondents, up 65% from last year's response rate. Like last year, we do not disclose any names and banks so the information starts with question 3. Additionally, the totals will vary for each response based on how many people answered the question.

Several data points stuck out to us when looking at the results which we have highlighted below:

- **Approximately 69% of the respondents have less than one percent of their bank's assets in CRA investments. While there is no stated percentage required or recommended from any regulatory agency, we are hearing from our regular conversations with banks that they are looking to be in the range of one to two percent.**

Taking a closer look at regions of the country and what percent those banks are looking to increase their CRA investments, we see that four banks in the northeast, two banks in the west, and one bank in the Mid-Atlantic is looking to increase their CRA investments by greater than 2% (approximately 10% of respondents for this question). Looking at banks looking to increase by 1-2%, the Midwest led the pack with seven banks, followed by the Northwest with two banks, Northeast with one bank, and West with one bank. We were pleasantly surprised to see approximately 23% of the respondents looking to increase their CRA investments by 1% or more.

		What region is your bank headquartered in?							Total
		Northeast	Southeast	Midwest	Southwest	Northwest	West	Mid-Atlantic	
Since your last CRA exam, what percent are you looking to increase your CRA investments?	0-0.25%	8	3	6	5	1	3	1	27
	0.25-0.50%	6	2	5	0	0	1	0	14
	0.50-0.75%	0	1	3	1	0	2	0	7
	0.75-1.0%	0	3	0	2	0	1	1	7
	1.0-2.0%	1	0	7	0	2	1	0	11
	Greater than 2%	4	0	0	0	0	2	1	7
	Total	19	9	21	8	3	10	3	73

- We were very pleased to see that approximately 69% of the bank's completing the survey received an "Outstanding" or "High Satisfactory" on their last CRA investment exam rating.

Looking at this by regulator in the chart below, you will see that OCC- and FDIC-regulated banks received the highest number of "Outstanding" ratings. FDIC- and FRB-regulated banks received the highest number of "High Satisfactory" ratings.

		Regulator			
		OCC	FDIC	FRB	Total
What was your bank's last CRA investment exam rating?	Outstanding	10	9	1	20
	High Satisfactory	5	20	10	36
	Low Satisfactory	5	15	4	24
	Needs to improve	0	1	0	1
	Substantial Noncompliance	0	0	0	0
	Total	20	46	15	81

If we look at regions and last CRA investment exam ratings, we see that 19 out of 22 banks located in the Northeast received a High Satisfactory or Outstanding rating. In the Midwest, 13 banks received High Satisfactory or Outstanding ratings with 10 receiving Low Satisfactory ratings.

		What region is your bank headquartered in?							
		Northeast	Southeast	Midwest	Southwest	Northwest	West	Mid-Atlantic	Total
What was your bank's last CRA investment exam rating?	Outstanding	9	2	5	1	1	2	0	20
	High Satisfactory	10	5	8	5	0	4	4	36
	Low Satisfactory	3	3	10	2	1	5	0	24
	Needs to improve	0	0	0	0	1	0	0	1
	Substantial Noncompliance	0	0	0	0	0	0	0	0
	Total	22	10	23	8	3	11	4	81

- **We were expecting to see a higher or more equal weighting of banks receiving “innovative and complex” on their last CRA exam. The survey results showed 19 banks out of the 84 responses received “innovative and complex” on their last CRA exam.**

		What region is your bank headquartered in?							Total
		Northeast	Southeast	Midwest	Southwest	Northwest	West	Mid-Atlantic	
Did any of your investments receive “innovative and complex” in the bank’s last CRA exam?	Yes	3	4	6	2	0	3	1	19
	No	9	6	1	6	3	9	3	65
Total		22	10	25	8	3	12	4	84

- **The survey results showed 69% of banks use externally or outsourced CRA investments with the top three as follows: public CRA mutual fund, individual securities through a broker, and an SBA fund.**

Investments in nationwide funds continue to be important sources of investments in low- and moderate-income and underserved communities and can be an efficient vehicle for institutions to make qualified investments that help meet community development needs.

- **Lastly, we were pleased to see that 72% of respondents have received current period consideration for investments held over more than one CRA exam cycle.**

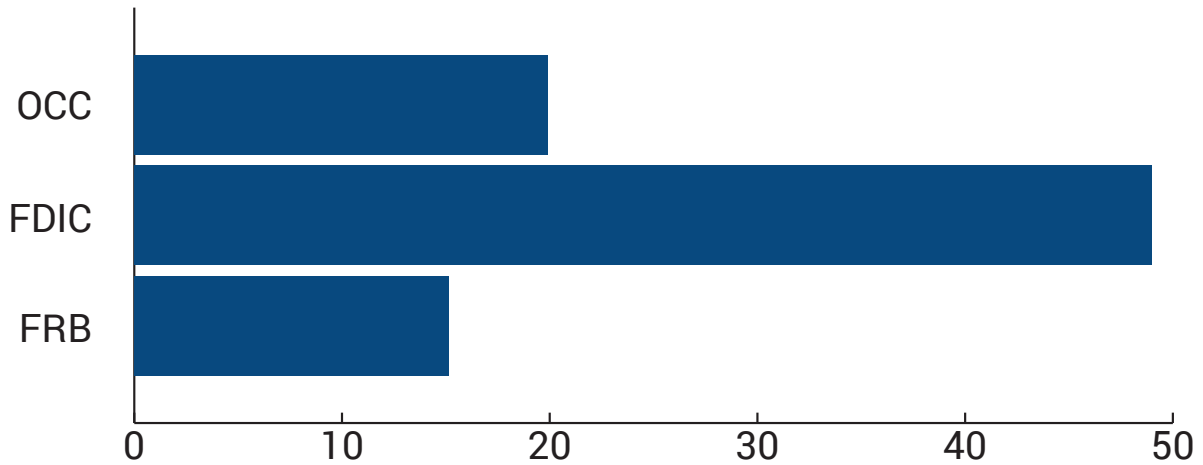
In our experience with shareholders in the CRA Qualified Investment Fund, we see many of them receiving current period consideration for their investment made during a previous exam cycle because of our CRA investment earmarking process. For current period credit purposes, CRA investments should be assessed to determine: responsiveness to credit and community development needs; whether it is routinely provided by private investors; and innovativeness and complexity.

We hope you find the survey informative and valuable. We welcome all feedback and very much appreciate those who took the time to complete the survey. We enjoy providing these updates and hope you find them useful. If you have any questions, please email Jamie Horwitz at jhorwitz@cminvests.com.

Sincerely,
 Community Capital Management, Inc.
 Adviser to the CRA Qualified Investment Fund

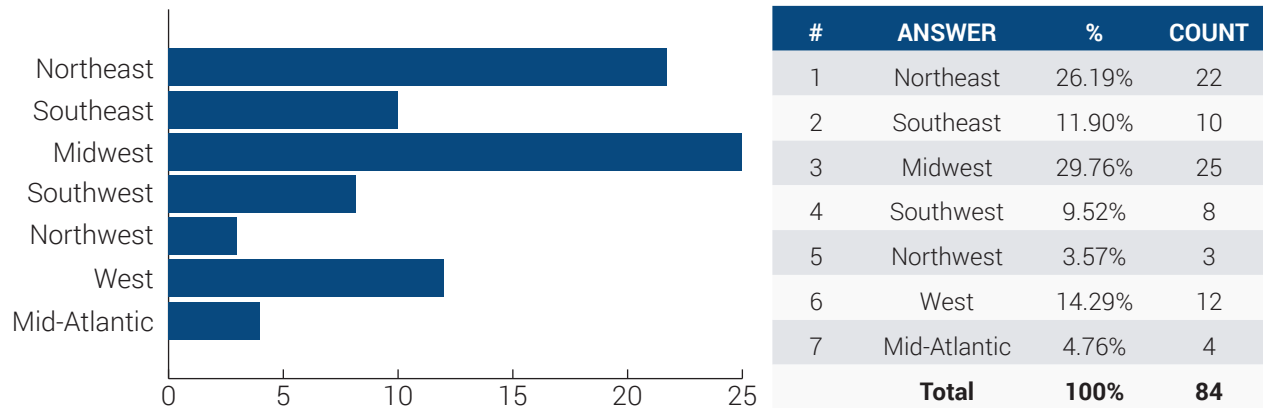
CRA Investing Survey Results

QUESTION 3: REGULATOR



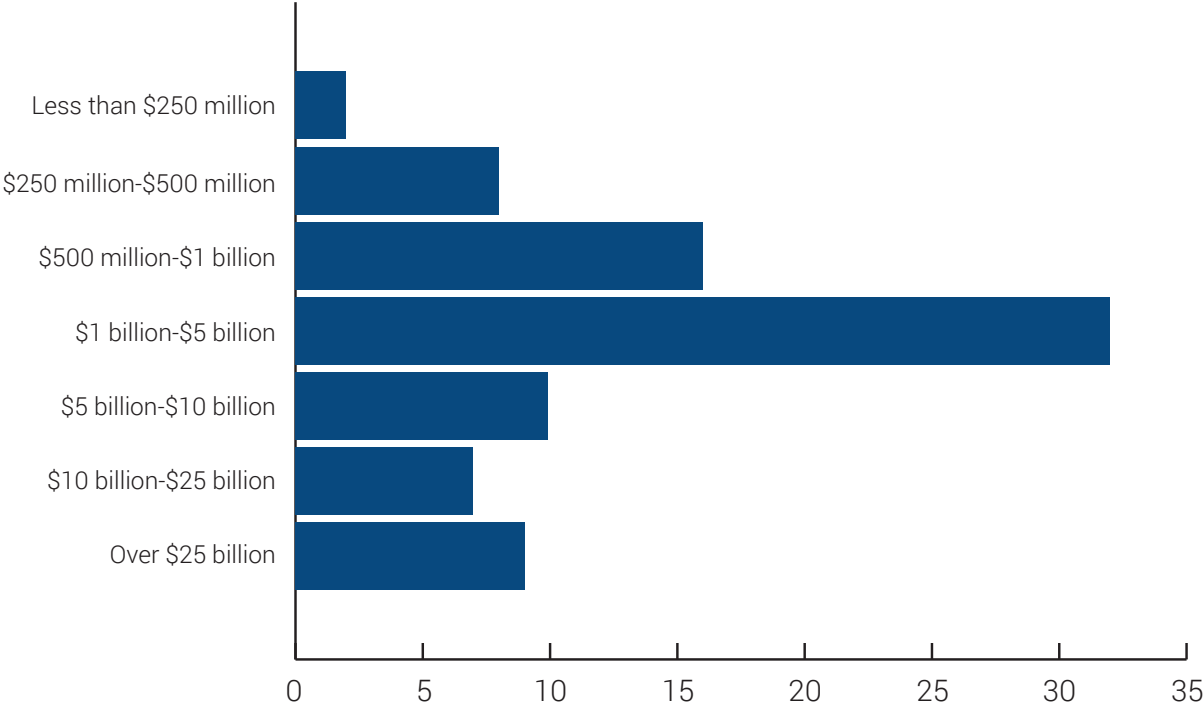
#	ANSWER	%	COUNT
1	OCC	23.81%	20
2	FDIC	58.33%	49
3	FRB	17.86%	15
TOTAL		100%	84

QUESTION 4: WHAT REGION IS YOUR BANK HEADQUARTERED IN?



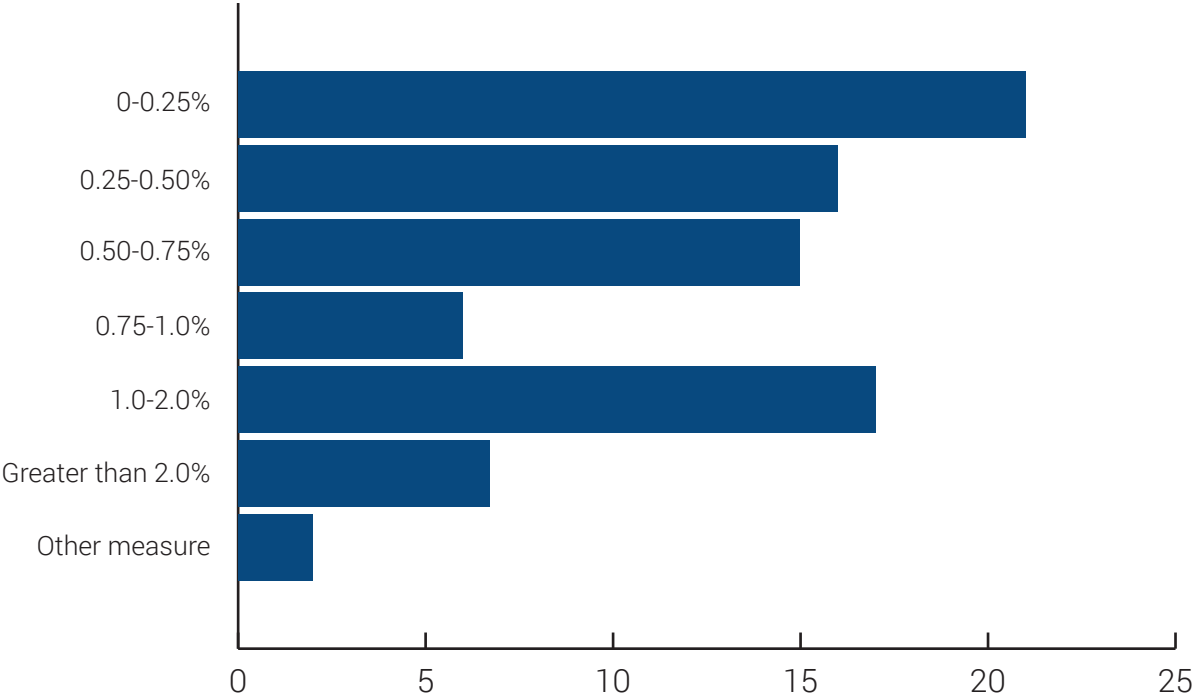
#	ANSWER	%	COUNT
1	Northeast	26.19%	22
2	Southeast	11.90%	10
3	Midwest	29.76%	25
4	Southwest	9.52%	8
5	Northwest	3.57%	3
6	West	14.29%	12
7	Mid-Atlantic	4.76%	4
Total		100%	84

QUESTION 5: ASSET SIZE OF MY BANK



#	ANSWER	%	COUNT
1	Less than \$250 million	2.38%	2
2	\$250-\$500 million	9.52%	8
3	\$500 million-\$1 billion	19.05%	16
4	\$1 -\$5 billion	38.10%	32
5	\$5-\$10 billion	11.90%	10
6	\$10-\$25 billion	8.33%	7
7	Over \$25 billion	10.71%	9
Total		100%	84

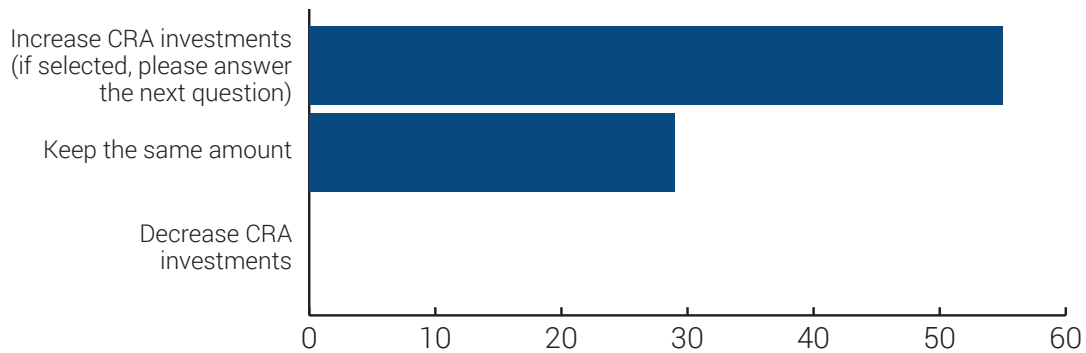
QUESTION 6: ON AVERAGE, WHAT PERCENT OF YOUR BANK’S ASSETS ARE IN CRA INVESTMENTS?



#	ANSWER	%	COUNT
1	0-0.25%	25.00%	21
2	0.25-0.50%	19.05%	16
3	0.50-0.75%	17.86%	15
4	0.75-1.0%	7.14%	6
5	1.0%-2.0%	20.24%	17
6	Greater than 2%	8.33%	7
7	Other measure	2.38%	2
Total		100%	84

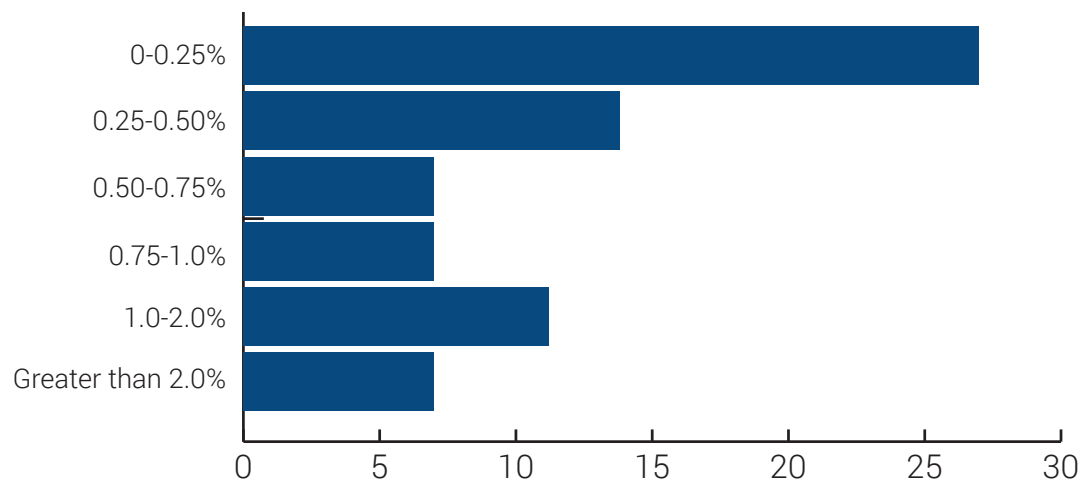
There were two responses for “Other measure” and they were both as a percent of Tier 1 Capital.

QUESTION 7: WHAT IS THE BANK'S STRATEGY FOR ITS NEXT CRA EXAM?



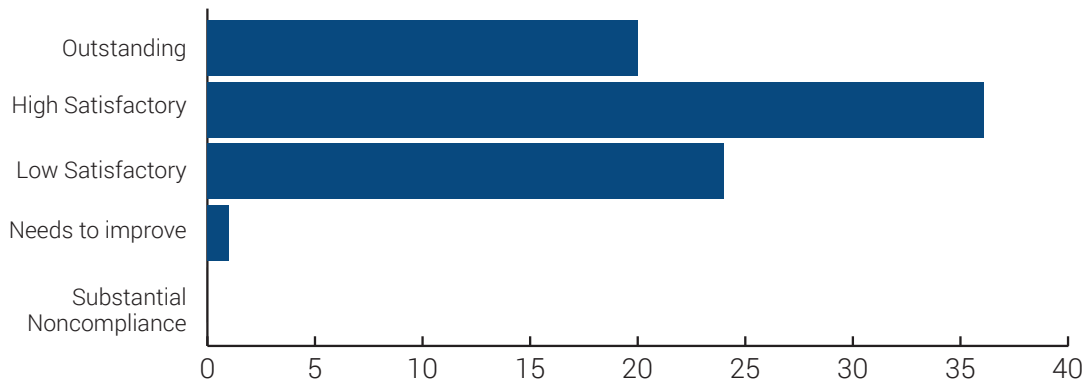
#	ANSWER	%	COUNT
1	Increase CRA investments (if selected, please answer the next question)	65.48%	55
2	Keep the same amount	34.52%	29
3	Decrease CRA investments	0.00%	0
Total		100%	84

QUESTION 8: SINCE YOUR LAST CRA EXAM, WHAT PERCENT ARE YOU LOOKING TO INCREASE YOUR CRA INVESTMENTS?



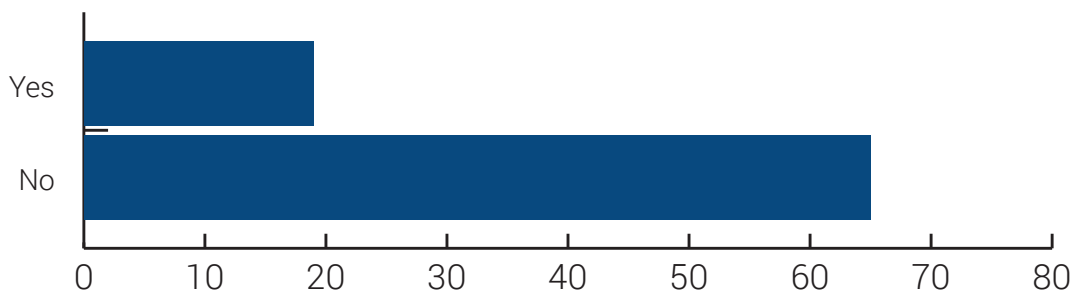
#	ANSWER	%	COUNT
1	0-0.25%	36.99%	27
2	0.25-0.50%	19.18%	14
3	0.50-0.75%	9.59%	7
4	0.75-1.0%	9.59%	7
5	1.0-2.0%	15.07%	11
6	Greater than 2%	9.59%	7
Total		100%	73

QUESTION 9: WHAT WAS YOUR BANK'S LAST CRA INVESTMENT EXAM RATING?



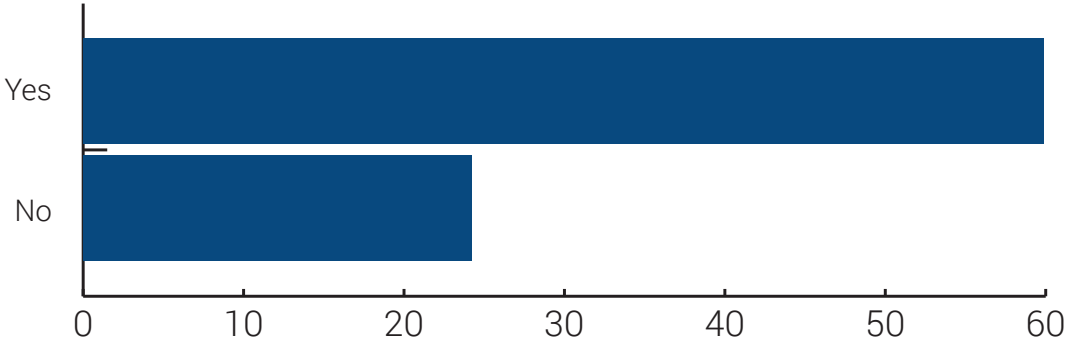
#	ANSWER	%	COUNT
1	Outstanding	24.69%	20
2	High Satisfactory	44.44%	36
3	Low Satisfactory	29.63%	24
4	Needs to improve	1.23%	1
5	Substantial Noncompliance	0.00%	0
Total		100%	81

QUESTION 10: DID ANY OF YOUR INVESTMENTS RECEIVE “INNOVATIVE AND COMPLEX” IN THE BANK’S LAST CRA EXAM?



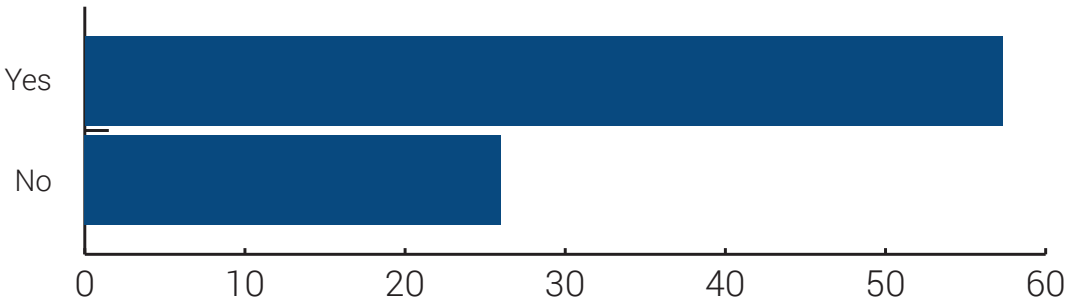
#	ANSWER	%	COUNT
1	Yes	22.62%	19
2	No	77.38%	65
Total		100%	84

QUESTION 11: IS YOUR REGULATOR GIVING CURRENT PERIOD CONSIDERATION TO INVESTMENTS THAT YOU HAVE HELD OVER MORE THAN ONE CRA EXAM CYCLE?



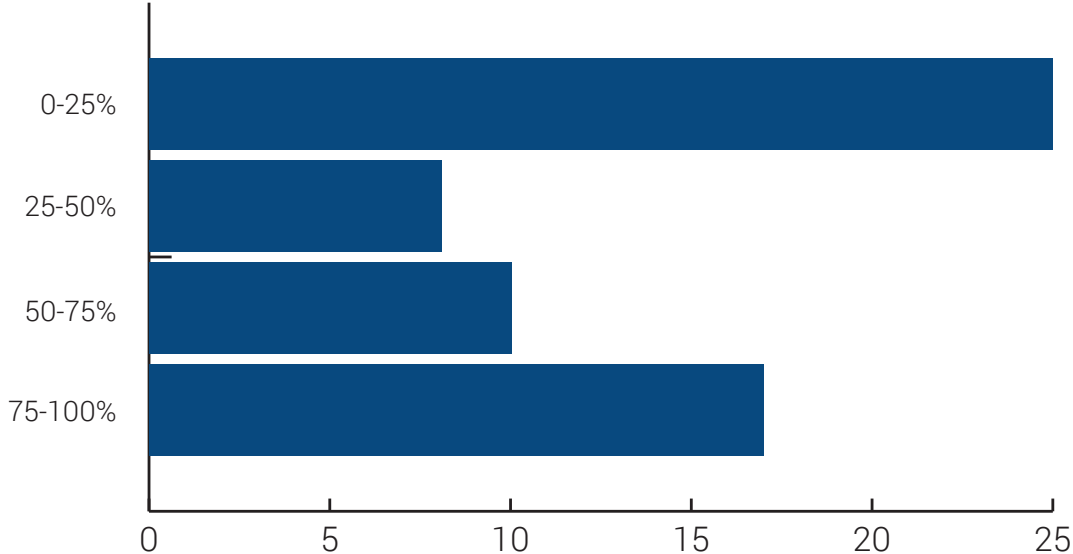
#	ANSWER	%	COUNT
1	Yes	72.29%	60
2	No	27.71%	23
	Total	100%	83

QUESTION 12: ARE ANY OF YOUR BANK'S CRA INVESTMENTS MANAGED EXTERNALLY OR OUTSOURCED?



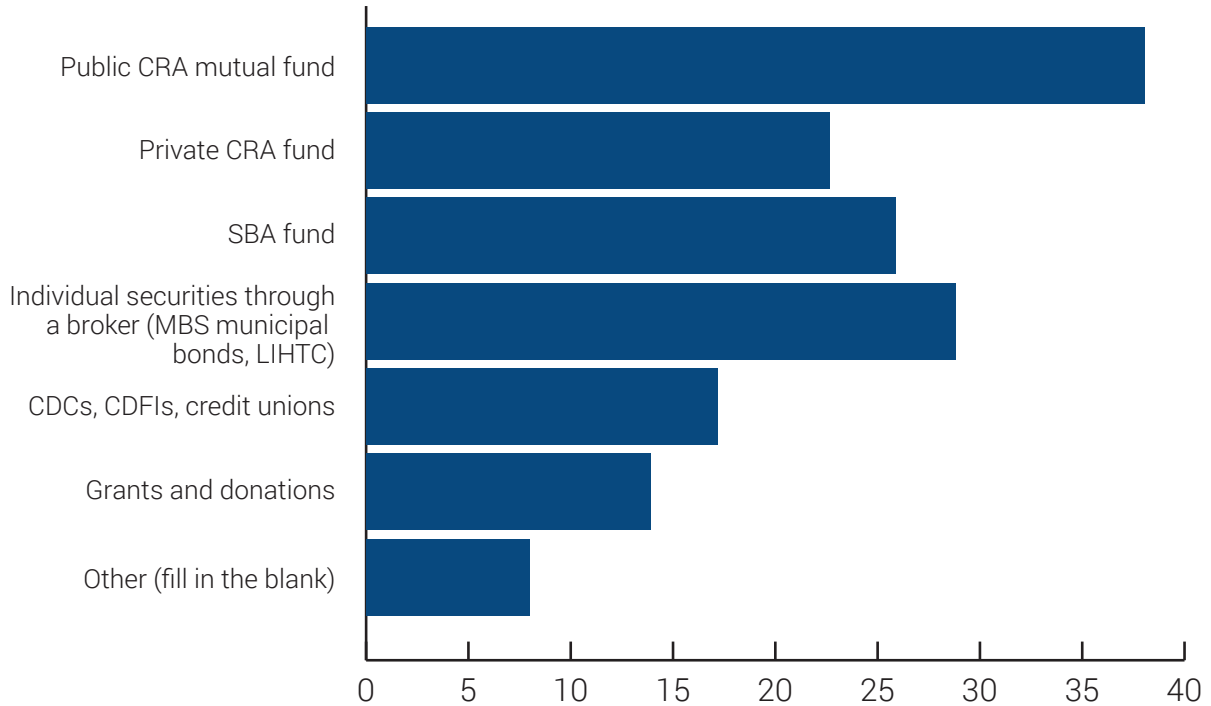
#	ANSWER	%	COUNT
1	Yes	69.05%	58
2	No	30.95%	26
	Total	100%	84

QUESTION 13: IF YOU ANSWERED YES TO THE LAST QUESTION, WHAT PERCENT?



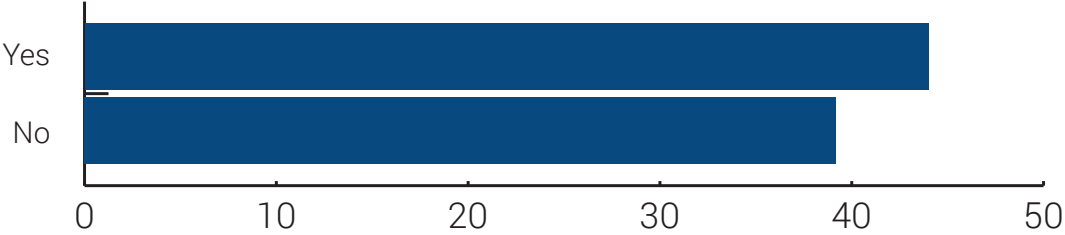
#	ANSWER	%	COUNT
1	0-25%	41.67%	25
2	25-50%	13.33%	8
3	50-75%	16.67%	10
4	75-100%	28.33%	17
	Total	100%	60

QUESTION 14: PLEASE CHECK ALL THAT APPLY FOR YOUR BANK'S CRA INVESTMENTS THAT ARE MANAGED EXTERNALLY OR OUTSOURCED.



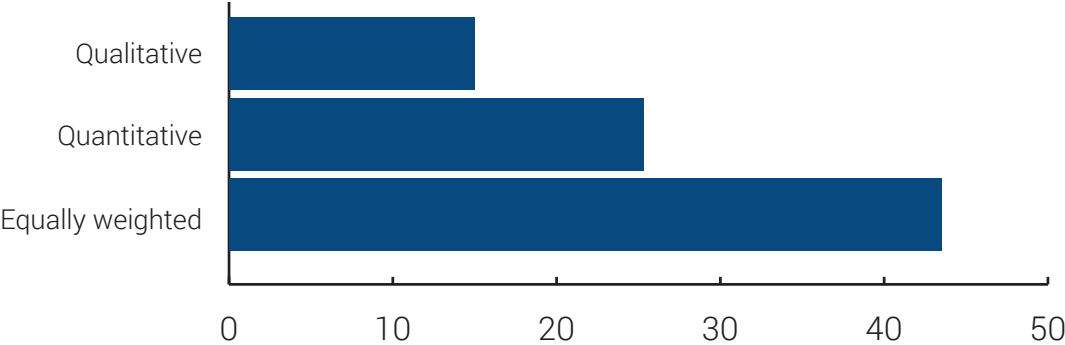
#	ANSWER	%	COUNT
1	Public CRA mutual fund	24.52%	38
2	Private CRA fund	14.84%	23
3	SBA fund	16.77%	26
4	Individual securities through a broker (MBS, municipal bonds, Low Income Housing Tax Credits)	18.71%	29
5	CDCs, CDFIs, credit unions	10.97%	17
6	Grants and donations	9.03%	14
7	Other (fill in the blank)	5.16%	8
	Total	100%	155

QUESTION 15: FOR YOUR NEXT CRA INVESTMENT EXAM, ARE YOU TRYING TO GET AN OUTSTANDING RATING?



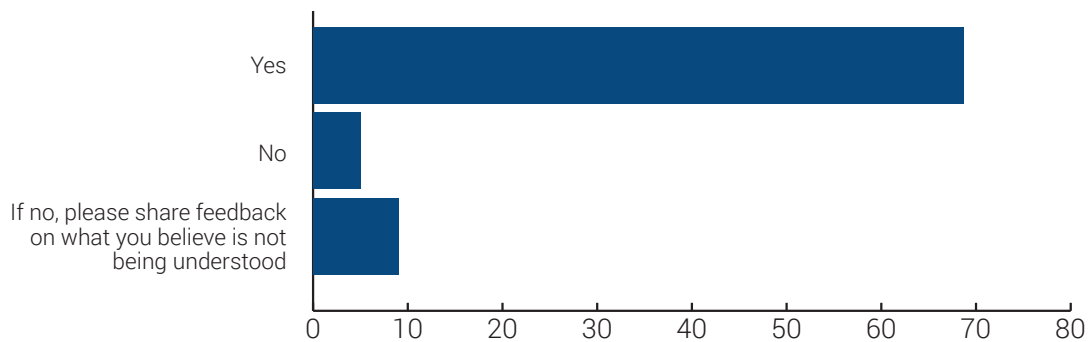
#	ANSWER	%	COUNT
1	Yes	53.01%	44
2	No	46.99%	39
	Total	100%	83

QUESTION 16: DO YOU THINK YOUR EXAMINER IS USING MORE QUALITATIVE IMPACT CRITERIA OR QUANTITATIVE IN THEIR REVIEW?



#	ANSWER	%	COUNT
1	Qualitative	18.07%	15
2	Quantitative	30.12%	25
3	Equally weighted	51.81%	43
	Total	100%	83

QUESTION 17: OVERALL, DO YOU FEEL YOUR REGULATOR UNDERSTANDS THE INVESTMENT PORTION OF THE CRA EXAM?



#	ANSWER	%	COUNT
1	Yes	83.13%	69
2	No	6.02%	5
3	If no, please share feedback on what you believe is not being understood.	10.84%	9
Total		100%	83

For the third response option of “what you believe is not being understood”, there were multiple responses:

1. Questionable results in inclusion of certain SBA loans that traditionally qualify.
2. Little to no qualitative consideration seems to be given.
3. It depends greatly on the examiner. Some do, some don't.
4. Junior examiners don't understand what they are looking at.
5. The difficulty of finding CRA investments in our areas.
6. They don't seem to understand the nature of donations in a rural community.
7. Examiner did not understand the CRA Qualified Investment Fund and St. Louis Equity Funds.
8. Benefit of investments in rural MSAs.

About Community Capital Management, Inc. and the CRA Qualified Investment Fund

Community Capital Management, Inc. is the registered investment adviser to the CRA Qualified Investment Fund CRA Shares (CRAIX). The CRA share class is designed specifically for banks looking to receive positive consideration on the investment test portion of their CRA exam. The CRA Qualified Investment Fund was launched in August of 1999 and seeks to provide current income consistent with the preservation of capital through investments in high credit quality fixed income securities that support community development activities. Additional information on the CRA Qualified Investment Fund can be found by visiting www.ccminvests.com.



The CRA Qualified Investment Fund is distributed by SEI Investments Distribution Co. (SIDCO), 1 Freedom Valley Drive, Oaks, PA 19456, which is not affiliated with Community Capital Management, Inc. Investing involves risk including loss of principal. Bonds and bond funds will decrease in value as interest rates rise. The Fund is not diversified. Carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information can be found in the Fund's prospectus, which can be obtained by calling 866-20-3573. Please read it carefully before investing.