

THE UNINTENDED CONSEQUENCES OF MBS CRA REFORM

As you all know, the spirit of the CRA is to encourage financial institutions to meet the banking needs of the communities in which they operate. More specifically, it was created to stop banks from “redlining” low- and moderate-income individuals and communities from access to banking services, particularly access to credit. The federal banking regulators for the CRA have announced their intention to update and modernize this regulation in response to changes in the way financial services are provided, i.e., electronic and internet-based

services. The Office of the Comptroller of the Currency (OCC) is leading the effort. In its initial advanced notice of proposed rulemaking, the OCC requested feedback on changes that could be made to modernize the CRA regulation.

One area that was included in the OCC’s ANPR is the possible removal of loan-backed securities, which would include single family mortgage-backed securities (MBS) and other common investment vehicles utilized for Investment consideration, from receiving CRA credit or

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THE CRA QUALIFIED INVESTMENT FUND CELEBRATES ITS 20TH ANNIVERSARY

It’s hard to believe our CRA Qualified Investment Fund is 20 years old! Many of you may remember the Fund’s launch in August of 1999; thank you to those inaugural shareholders that are still in the Fund and to all of our current 300+ bank shareholders. Our flagship CRA Shares was started specifically for banks looking to meet community development investing requirements of the CRA. Looking back, we are amazed and excited to see how far the Fund has come and that non-bank investors are making

the same types of investments – called impact or ESG investments – because they are looking to invest back into their communities, just as banks have been doing for decades. We want to again thank you – our clients – for your ongoing support and commitment over these 20 years. A copy of the full press release announcing the Fund’s 20th anniversary is available [here](#).



JOIN CCM AT TOP GOLF AT THE CRA & FAIR LENDING COLLOQUIUM THIS NOVEMBER IN ORLANDO



For those attending the CRA & Fair Lending Colloquium this November, we hope you will join us at Top Golf for a night of networking, food, and, of course, golf! The event is taking place on Tuesday evening, November 12 from 6-8pm and is not a part of the Colloquium agenda. Transportation will be provided from the JW Marriott. **To RSVP or for any questions, please email Iza Daguila at idaquila@ccminvests.com.**

NOW AVAILABLE

CCM’S 4TH ANNUAL CRA INVESTING SURVEY



Thank you to everyone who participated in CCM’s 4th Annual CRA Investing Survey. The results are always informative and we very much appreciate your time and efforts in completing the survey. We have highlighted on page 2 a few data points that stood out to us in this year’s review. A full copy of the survey is available for download [here](#).

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CONSEQUENCES OF MBS CRA REFORM

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receiving less credit than other activities:

Question 18: “Should consideration for certain activities that might otherwise qualify as CD be limited or excluded? For example, how should investments in loan-backed securities be considered?”

CCM recently wrote a letter to the heads of the three regulatory agencies detailing how removing or discounting MBS investments for CRA purposes would result in significant negative unintended consequences for banks, low- and moderate-income borrowers,

and potentially for residential mortgage markets. If one digs deep into this possibility, the ultimate outcome would hurt the very people for whom the CRA was created – low- and moderate-income borrowers. This is far from modernization – this is regression. A copy of our letter is available [here](#). If you have any questions or would like to speak with us in more detail regarding this topic, please email Jessica Botelho, CCM’s director of CRA and impact research, at jbotelho@ccminvests.com.

NEW REPORT FROM CCM

CDFI INVESTING FOR THE IMPACT INVESTOR



CCM’s new report, *CDFI Investing for the Impact Investor*, is now available. As an impact investor with two decades of experience in community investing, CCM has always been a supporter of, and investor in, community development financial institutions (CDFIs). Our new report shares details of these specialized financial institutions, including their history, offerings available, ratings, and how CCM supports CDFIs, along with case studies of how CCM has invested in CDFIs over its 20-year history. Download a copy [here](#).

SURVEY

CRA INVESTING SURVEY *continued from page 1*

What was your CRA Investment Rating in your last exam?

We were pleased to see that 79.31 percent of respondents received either an “Outstanding” or “High Satisfactory” on their last CRA Investment Test Rating. This is an increase from last year’s percentage of banks (60.6 percent) that received the same two ratings. No banks received “Substantial Non-Compliance” or “Needs Improvement” ratings. Only 20.69 percent received “Low Satisfactory” – a decrease from last year, when 31.8 percent of banks received this rating (see **CHART 1**).

In your last CRA exam, what were your total qualified investments as a percentage of assets?

From our discussions with banks, the most consistent response is 1 percent of assets. However, the results show otherwise with 53.58 percent of banks selecting a percentage less than 1 percent. It is also worthwhile to note that 25 percent of survey respondents use Tier 1 capital or another measurement for percentage of CRA qualified investments (see **CHART 2**).

What is the estimated breakdown of your bank’s CRA investment product mix (totaling 100 percent)?

Mortgage-backed securities (MBS) received the highest average percentage rating at 24 percent of a bank’s CRA investment product mix. After MBS was CRA eligible mutual funds followed by the “Other” category. Banks had the option to list what types of investments were included in the “Other” category, and they included loan consortiums, municipal bonds, equity investments in B Corps, and minority financial institutions (see **CHART 3**).

CHART 1: What was your CRA Investment Rating in your last exam?

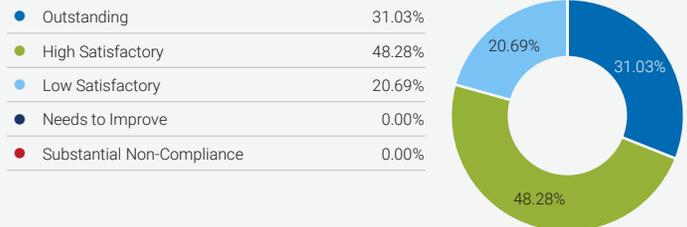


CHART 2: In your last CRA exam, what were your total qualified investments as a percentage of assets?

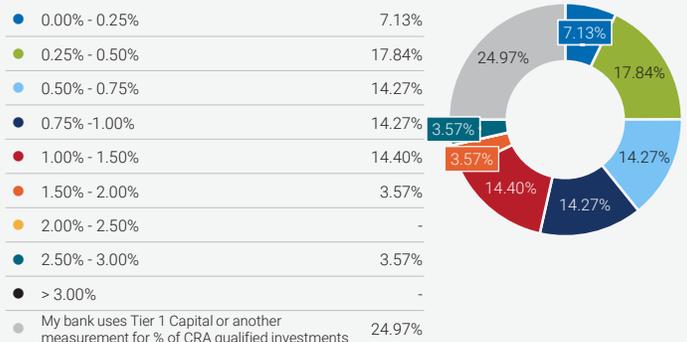
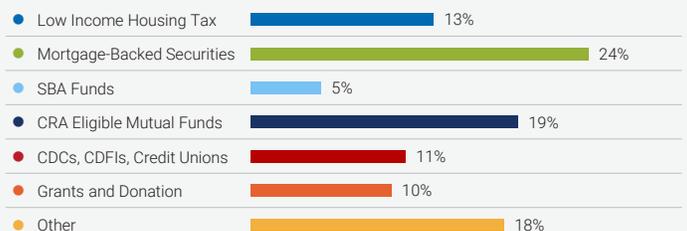


CHART 3: What is the estimated breakdown of your bank’s CRA investment product mix (totaling 100 percent)?



CRA INVESTMENTS WITH HIGH WALK, TRANSIT, AND BIKE SCORES®

What is a Walk Score®, Transit Score®, and Bike Score®?

Walk Score’s mission is to promote walkable neighborhoods. Walkable neighborhoods are one of the simplest and best solutions for the environment, overall health, and the economy. **Walk Score** wants to make it easy for people to evaluate walkability and transportation when choosing where to live.¹



Transit Score is a patented measure of how well a location is served by public transit on a scale from 0 to 100. The Transit Score algorithm calculates a score for a specific point by summing the relative "usefulness" of nearby routes. Usefulness is

defined as the distance to the nearest stop on the route, the frequency of the route, and the type of route.²

Bike Score measures whether a location is good for biking on a scale from 0 to 100 based on four equally weighted components:

- Bike lanes
- Hills
- Destinations and road connectivity
- Bike commuting mode share

The goal with Bike Score is to provide an easy way to evaluate bikeability at a specific location. Bike Score can be used by people looking for a bikeable place to live or by urban planners looking to do research on bikeability.³

Walk Score

90-100	Walker's Paradise Daily errands do not require a car
70-89	Very Walkable Most errands can be accomplished on foot
50-69	Somewhat Walkable Some errands can be accomplished on foot
25-49	Car-Dependent Most errands require a car
0-24	Car-Dependent Almost all errands require a car

Transit Score

90-100	Rider's Paradise World-class public transportation
70-89	Excellent Transit Transit is convenient for most trips
50-69	Good Transit Many nearby public transportation options
25-49	Some Transit A few nearby public transportation options
0-24	Minimal Transit It is possible to get on a bus

Bike Score

90-100	Biker's Paradise Daily errands can be accomplished on a bike
70-89	Very Bikeable Biking is convenient for most trips
50-69	Bikeable Some bike infrastructure
0-49	Somewhat Bikeable Minimal bike infrastructure

Arlington Arbor St. Petersburg, Florida



John Knox Apartments, doing business as Arlington Arbor, is an affordable rental property for seniors in a low-income census tract in St. Petersburg, Florida. The property consists of 300 units, all of which receive Section 8 assistance.

Arlington Arbor features a country store, barber shop, library, billiard room, TV lounge, community center, and large laundry room. An independent wellness center is operated on the property with a doctor that comes to the building every other week and conducts a clinic for patients. Residents have access to a bus service on Tuesday mornings for grocery shopping and a city bus stop is located in front of the property.



Albina Corner Apartments Portland, Oregon



Albina Corner Apartments is an affordable rental property located in Portland, Oregon. All of the 48 residential units at Albina Corner Apartments are restricted to residents with incomes at or below 60 percent of area median income for a minimum of 40 years. The project has also received a \$450,000 HOME loan issued by the Portland Development Commission to finance and rehabilitate certain improvements on the property.

Residents have access to a childcare facility and a community meeting room offering resident activities on-site. As a REACH Community Development property, Albina Corner Apartments offers residents access to several economic empowerment programs and services allowing residents to increase their financial knowledge and skills, overcome short-term cash flow problems, build credit, get out of debt, and save money towards achieving long-term goals. In addition, residents have access to a Resident Services Coordinator who is available to assist in resolving resident issues and to coordinate services.

The property was built with materials and construction techniques designed to minimize indoor air pollutants and help residents control utility costs. Green features include:

- Energy Star kitchen appliances to save electricity
- Low-flow faucets and toilets to save water
- High-efficiency and front-loading washing machines to save electricity and water
- Ventilation fans and low VOC or VOC-free paint to improve air quality
- On-site recycling program
- Fluorescent light bulbs
- New double-paned windows for overall improved building performance



1 <https://www.walkscore.com/about.shtml> / Walk Scores, Bike Scores, and Transit Scores are not static and can change over time.

2 <https://www.walkscore.com/transit-score-methodology.shtml>

3 <https://www.walkscore.com/bike-score-methodology.shtml>

The securities identified and described herein are for illustrative purposes only and their selection was based upon non-performance criteria, such as the security's social and/or environmental attributes. As of 6/30/19, Arlington Arbor and Albina Corner Apartments represented 0.02 percent and 0.11 percent, respectively, of the Fund's assets.

UPCOMING EVENT SCHEDULE

CCM will be at the following conferences this fall/winter:

Utah Bankers Association Community Reinvestment Conference

September 12 | Salt Lake City, UT

CRA & Fair Lending Colloquium

November 10-13 | Orlando, FL

2020 National Interagency Community Reinvestment Conference

March 9-12 | Denver, CO



VISIT CCMINVESTS.COM TO:

- ✓ Watch our CRA investing video
- ✓ Read our 2019 CRA Investing Survey
- ✓ Download our new report on CDFI's

CRA FUND HIGHLIGHTS

OVERALL:

- Extensive documentation on each investment purchased
- New investments identified, purchased, and earmarked to a bank per CRA exam cycle
- Ongoing dialogue with examiners/regulators
- Easy way to accomplish your CRA investment goals

FINANCIAL:

- Daily liquidity
- Monthly dividends
- Competitive financial performance
- Investing in high credit quality

Community Capital Management, Inc. is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Investing involves risk, including possible loss of principal. Bonds and bond funds are subject to interest rate risk and will decline in value as interest rates rise. The Fund is non-diversified. Current and future holdings are subject to risk.

The CRA Qualified Investment Fund is distributed by SEI Investments Distribution Co. (SIDCO), which is not affiliated with Community Capital Management, Inc. Carefully consider the risks, investment objectives, and charges and expenses of the Fund before investing. This and other information can be found in the Fund's prospectus which can be obtained by calling 866-202-3573. Please read the prospectus carefully before investing.

