

CRA Investing Survey

5th Edition | November 2020



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Thank you to everyone who participated in the 5th edition of our CRA Investing Survey. The results are always informative and we very much appreciate your time and efforts in completing the survey.

Introduction

This year has been an unprecedented one for all of us. From the COVID-19 pandemic to instances of racial injustice to partisan politics, it seems like a never-ending cascade of updates, changes, and issues we as a society are facing every day. As it relates to the Community Reinvestment Act (CRA), we also saw noteworthy regulatory revisions.

First, the regulatory agencies released CRA guidance in March that included favorable consideration for certain retail banking services, retail lending activities, and community development activities conducted in response to the COVID-19 economic crisis. We wrote a new perspective, "[CRA Investments and COVID-19](#)," sharing more details on this update. We believe our mandate from clients to provide needed capital to low- and moderate-income (LMI) communities and families is more important than ever and that banks have a unique opportunity to help those most in need through the CRA.

Second, The Office of the Comptroller of the Currency (OCC) issued its 2020 CRA Rule that made significant changes to its enforcement of the CRA for OCC-supervised banks. For the first time ever, the OCC acted alone in issuing this Rule without waiting to achieve consensus with the Federal Deposit Insurance Corporation (FDIC), the agency with which the OCC had jointly issued the proposed rule, and the Federal Reserve Board (FRB). While the rule was effective October 1, 2020, OCC-supervised banks will have at least two years before the new examination standards are fully implemented. In June, we wrote two pieces on the OCC changes: one is a report, "[Overview of Changes to the CRA Rule for OCC-Supervised Banks](#)," and the other is a perspective, "[How Changes to the CRA Rule Impact the CRA Qualified Investment Fund](#)." It is also worthwhile to note that OCC Comptroller Joseph Otting stepped down just one day after unveiling these sweeping reforms. To say it has been a year of enduring stress and revelations is an understatement.

And finally, the latest update related to CRA modernization came last month when the FRB issued its advance notice of proposed rulemaking (ANPR) on updating the agency's three-decade-old CRA regulation. Comments on the FRB's ANPR will be accepted for 120 days from publication in the Federal Register, which differs from the OCC's initial 60-day comment period announced earlier this year – later extended for an additional 30 days.

Many of these aforementioned circumstances were included as new questions in our 5th Annual CRA Investing Survey. We are eager to share the results and happy to announce that this year's survey was our largest with 89 responses. We have highlighted below some data points that stood out to us.



Banks Continue to Report High CRA Investment Test Ratings

Over 80% of bank respondents received an "Outstanding" or "High Satisfactory" score on their last CRA investment exam with 18% reporting "Low Satisfactory" (a decrease by 2.5% compared to last year's results) and 1.5% reporting "Needs Improvement."



The COVID-19 Economic Crisis Changed CRA Activities

The majority of bank respondents (55%) changed their CRA activities to address the COVID-19 economic crisis. Some of these changes included:

- Loan modifications
- PPP, SBA, and CDFI loans
- Increase in volunteer opportunities
- Donations tackling food insecurity



Interest in LIHTCs Increased

Low Income Housing Tax Credit (LIHTC) investments increased over 10% in this year's survey and accounted for the second highest percentage of CRA investments among respondents at 24%, compared to 13% as reported in our 2019 survey. Almost all of the banks in this category were listed as large banks with the majority being non-OCC-regulated banks. Mortgage-backed securities (MBS) were once again the highest percent of a bank's CRA investments at 25% with municipal bonds and CRA-eligible mutual funds in a tie for third at 13%.

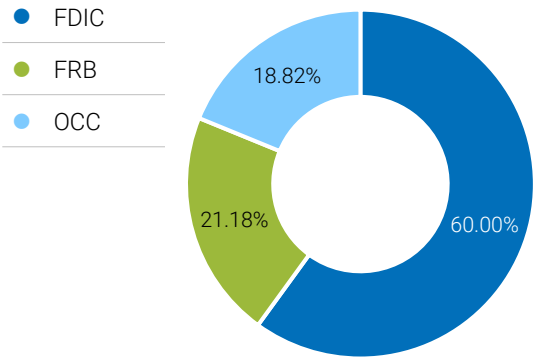


OCC's 2020 CRA Rule

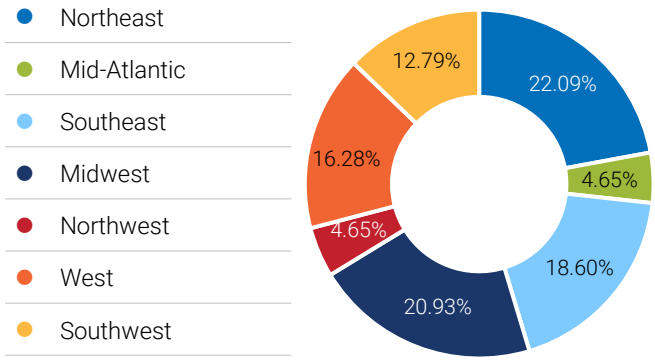
Although many aspects of the 2020 Rule were effective Oct. 1, 2020, the OCC has yet to issue promised guidance on how it would implement those aspects, including the definition of qualified activities. We were not surprised to see several banks responding that they need more information on the new rule prior to making any CRA updates.

CRA Investment Survey Results

1 Regulator



2 What region is your bank headquartered in?



3 Asset size of my bank (non-OCC-regulated banks)

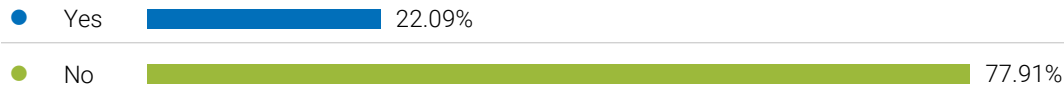
Asset Size	Bank size	Percentage
< \$326M	Small	1.35%
\$326M - \$1.305B	Int / Small	36.49%
\$1.305B - \$5B	Large	22.97%
\$5B - \$10B	Large	12.16%
\$10B - \$25B	Large	14.86%
> \$25B	Large	12.16%

4 Asset size of my bank (OCC-regulated banks)

Asset Size	Bank size under OCC's new 2020 rule	Bank size under current rule	Percentage
< \$326M	Small	Small	3.70%
\$326M - \$600M	Small	Int / Small	11.11%
\$600M - \$1.305B	Intermediate	Int / Small	14.81%
\$1.305B - \$2.5B	Intermediate	Large	11.11%
\$2.5B - \$5B	General Performance Standards	Large	11.11%
\$5B - \$10B			7.41%
\$10B - \$25B			7.41%
> \$25B			33.33%

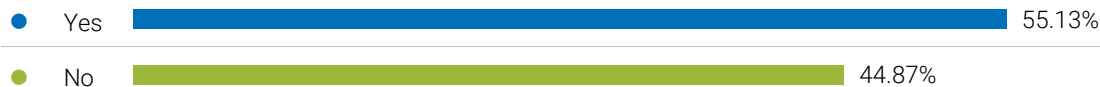
5

Does your bank use a CRA strategic plan?



6

A recent opinion by the regulators (March 19, 2020 Joint Statement and FAQs) includes the agencies providing favorable CRA consideration for certain retail banking services, retail lending activities, and community development activities related to banking products/activities provided in response to the COVID-19 economic crisis. Has your bank changed its CRA plan/activities in this regard?



If yes, how so?

- The Bank has revisited how we capture credit for all categories and documenting all products, services, donations, and services for Performance Context purposes
- We began offering SBA loans
- There were a large amount of PPP loans
- Created products to address COVID19
- Provided loans to CDFIs to support their work with Small Business adapting to COVID requirements.
- Supported a Statewide COVID-19 relief loan program
- Changed branch hours
- Supported food banks
- Participated in a FHLBNY Small Business Relief Grant program
- Offered deferral programs
- Expanded community development service (volunteer) activities that allow us to get credit for serving food, preparing meals, delivering meals, and food bank activities (these activities were previously not considered qualified)
- We waived the monthly fee for our basic checking accounts
- We offered loan deferment options, waiving of certain fees, and increased withdrawal limits
- We have implemented recommended strategies including modifications, forbearances, and assistance with fees
- We moved to online outreach activities, streamlined our application process to manage PPP loans, and diverted some of our CRA earmarked dollars to waiving fees
- We waived NSF fees, approved early CD releases, made mortgage deferments, and participated in the SBA PPP program
- We expanded our circle of investment and service opportunities

7

Has the COVID-19 economic crisis changed your bank's CRA plan/activities specifically related to its CRA investments?



If yes, how so?

- PPP loans to new clients and existing clients (small mom and pop shops)
- Via grants and donations
- Invested in CCM's Minority CARES program
- We are looking at opportunities that we have not looked at in the past and working to develop more products to assist small business and minority owned
- Providing access to capital, serving as advisors to our customers, and supporting the creation and retention of affordable housing
- Small business funds
- Participated in Government lending programs and increased investment/donations to specific community efforts related to COVID
- Increasing our CRA activity

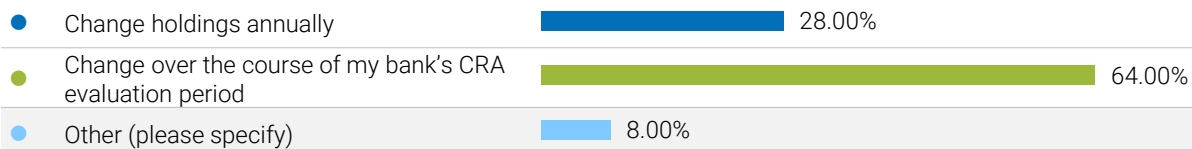
8

What role do you think the CRA can continue to play in helping those LMI people and communities affected by the pandemic?

- Increase donations and assistance to LMI communities (food, medical supplies)
- Reassess guidelines to include all pandemic-related services as qualifying for CRA
- Include and expand social service activities to qualify for CRA
- Flexibility on loan repayment terms
- Support organizations that offer access to capital for LMI people and communities such as CDFIs and non-profit organizations
- Provide regulatory relief and guidance regarding fees for small businesses
- Reducing fees on LMI loans
- Expand educational programs to include training, teaching skills, and strategies about recovering from a crisis
- Require credit unions and non-bank financial companies to participate equally
- Reassess guidelines to include areas with under 50% of LMI population
- Expand CRA criteria to include middle-income people and communities
- Focus on those communities that were harder hit and will be slower to recover because of the pandemic, specifically relating to affordable housing and job creation
- Increase donations to food banks and other community supports that are helping LMI families through the economic downturn
- Ease the current guidelines in relation to "service" by making all service that is pandemic related count for CRA
- Create new jobs for those who lost theirs due to COVID
- Help those having trouble paying rent and mortgage payments
- Support organizations that offer access to broadband
- Continue to assist LMI individuals and communities particularly with basic financial needs, workforce development, housing, public community service assistance
- Partner with the public sector to provide a flexible source of capital to small businesses, teaching skills, and strategies about recovering from a crisis
- If the regulators would provide specific requirements for CRA (lending test, community development test) credit for pandemic-related loans and services that we could use as a screen/test/checklist for such activities, then I think CRA would play a significant role in adding to the motivation for banks to engage in these activities
- I think banks should be incentivized by allowing them to obtain CRA credit for COVID-related activities (currently, activities still need to meet the definitions for CRA qualified activities, which are not always aligned with the needs created by the pandemic)

9

Will your bank look to change its holdings annually or over the course of your CRA evaluation period?



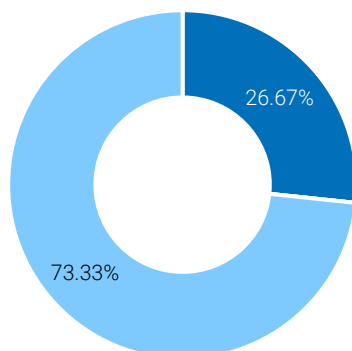
Other responses:

- I don't know
- I still need to better understand the changes

10

Will your bank increase its qualified investments as a result of the OCC's 2020 CRA Rule?

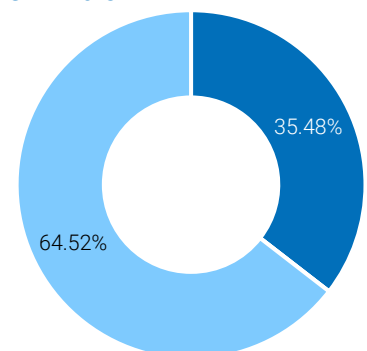
- More
- Less
- Same



11

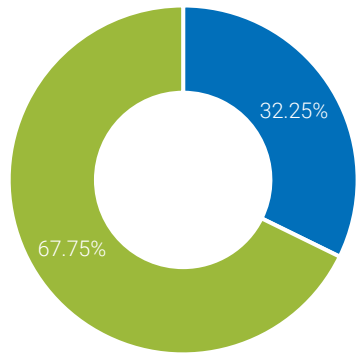
Will your bank increase its community development lending as a result of the OCC's 2020 CRA Rule?

- More
- Less
- Same



12 Has your bank changed any aspects of its CRA plan as a result of the OCC's 2020 CRA Rule?

- Yes
- No

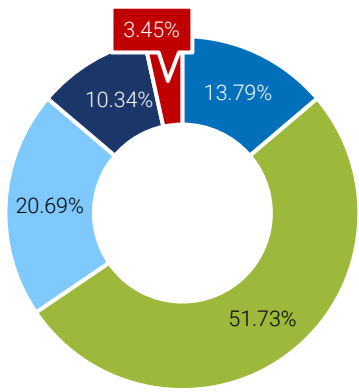


If yes, how so?

- The addition of qualifying services has changed our goals in the bank's CRA Strategic Plan
- Will need to look at Certified Deposits outside of MSA
- Still need to understand the requirements of the new regulation better
- Increasing our circle of CRA involvement

13 The OCC's 2020 CRA Rule expands the types of activities that qualify as community development investments. How likely are you to change your CRA plan to take advantage of these additional community development options?

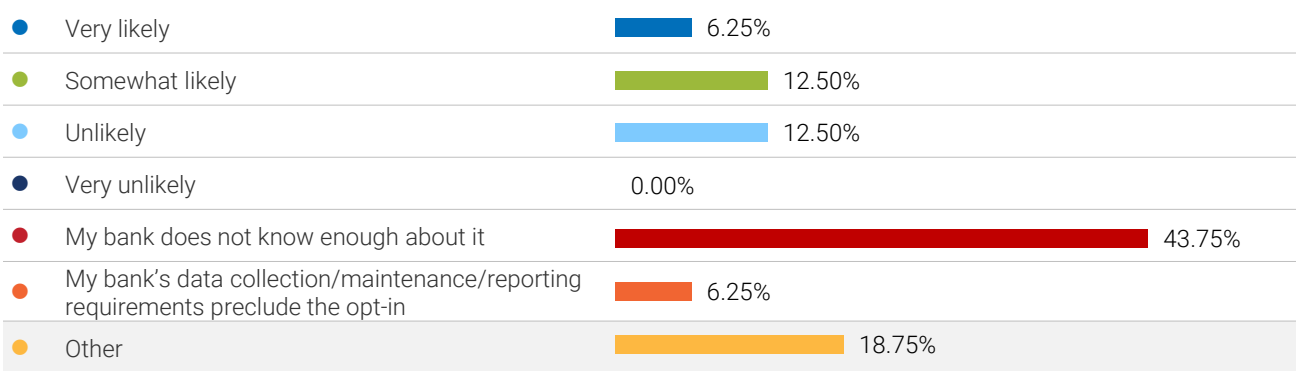
- Very Likely
- Somewhat Likely
- Unlikely
- Very Unlikely
- Other



Please feel free to share more:

- Our bank had no changes as we already do most of these activities

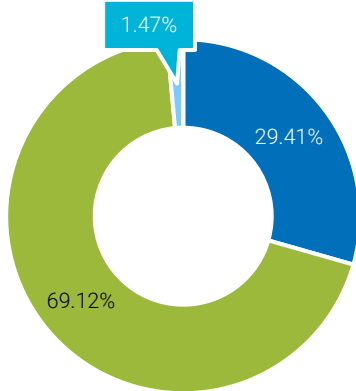
14 If you are a bank with total assets less than \$2.5B, how likely are you to opt-in to the new General Performance Standards in the OCC's 2020 CRA Rule?



Other responses were from banks over \$2.5 billion in assets or are not OCC-regulated

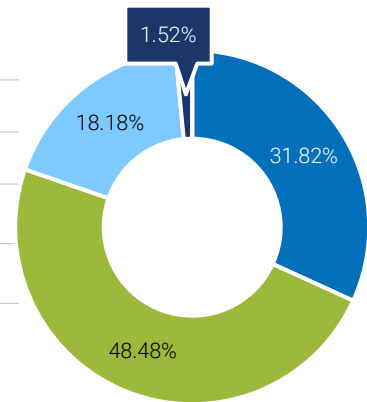
15 What was your bank's overall CRA Rating in its last exam?

- Outstanding
- Satisfactory
- Needs Improvement
- Substantial Non-Compliance

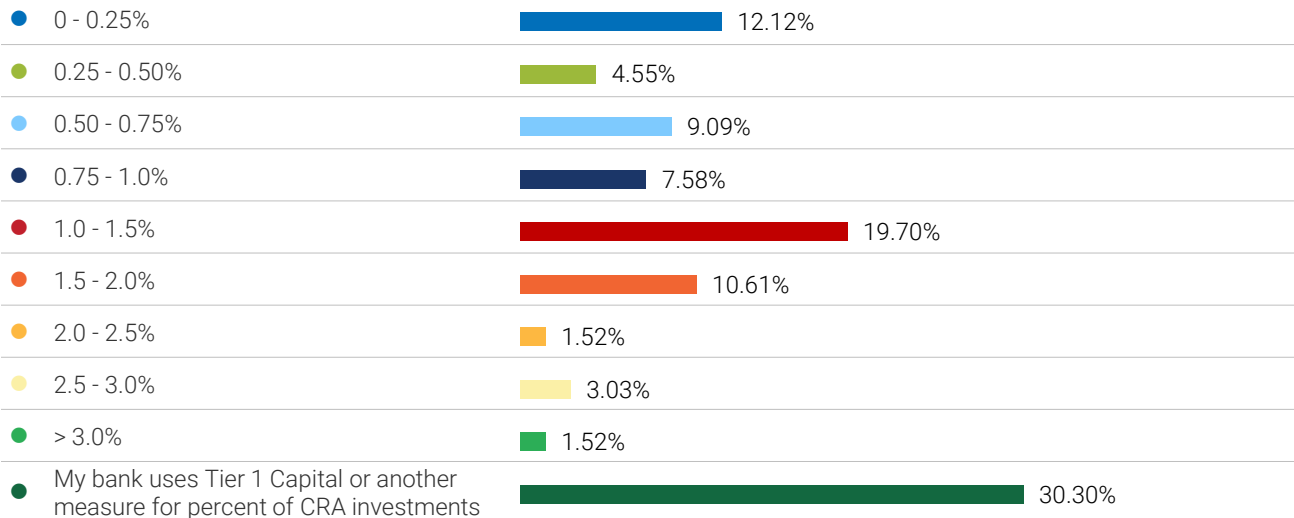


16 What was your bank's CRA Investment Test Rating in its last exam?

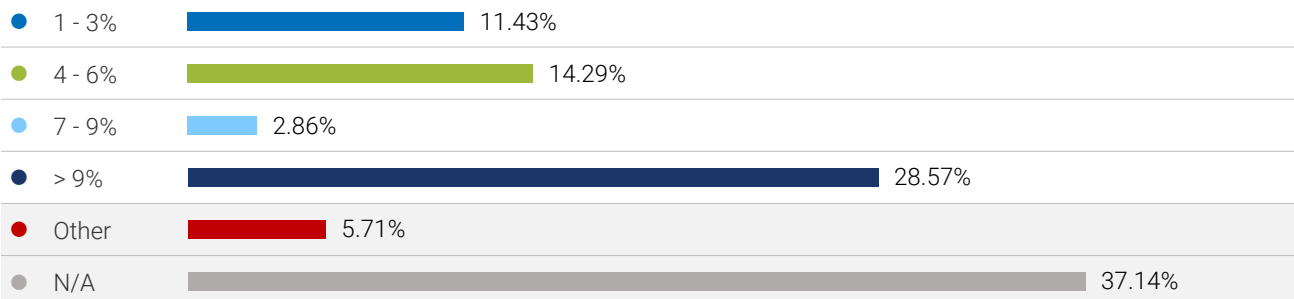
- Outstanding
- High Satisfactory
- Low Satisfactory
- Needs Improvement
- Substantial Non-Compliance



17 In your bank's last CRA exam, what were the total qualified investments as a percentage of assets?



18 If you answered Tier 1 Capital or another measure in the previous question, please provide the percent or measure being used.

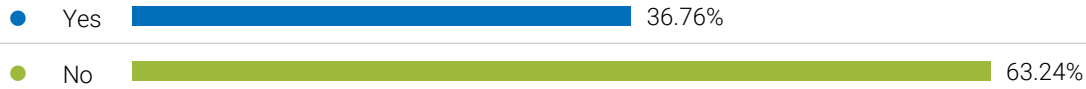


Other Responses:

- 5% of overall bank investments
- 4.5% total securities, 14.2% total equity capital

19

In your last CRA exam, did any of the bank’s investments receive innovative and complex designations by your regulatory examiner?



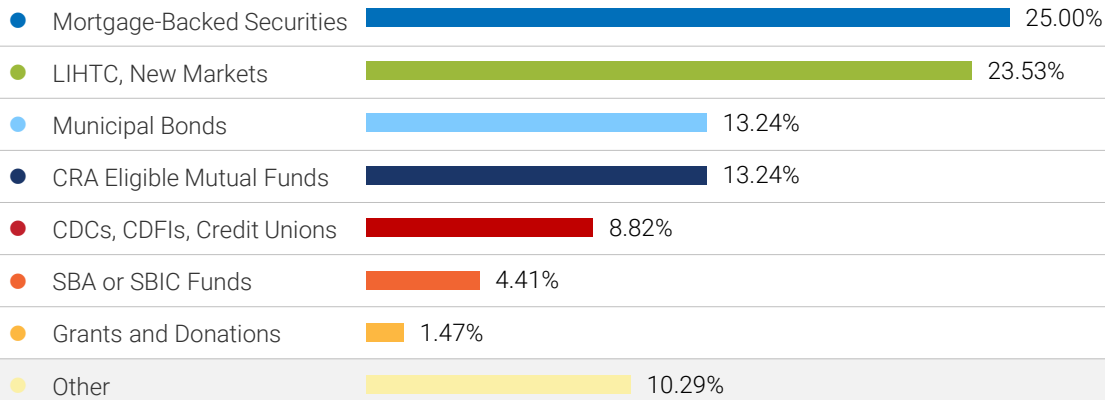
If yes, please list the type of investments that received innovative and complex designations

- LIHTC and new markets tax credits (NMTC)
- Equity Equivalent Investments (EQ2) and local venture fund investments
- Investments in community development trusts and community development in credit unions/banks
- The CRA Qualified Investment Fund that provides affordable housing and affordable assisted living to LMI individuals in our assessment areas and Fannie Mae MBS secured by home mortgage loans to LMI borrowers in our assessment areas
- Various programs including quickline, quickloan, and VSB
- State specific programs that allows the bank to loan funds at extremely low rates
- SBIC investments
- CDFI work and assistance
- Investment with HDF, Inc. which provides down payment assistance to qualified home buyers
- Our bank acted as an intermediary to an organization that used the investment to fund a project utilizing multiple tax credits to leverage public and private debt and equity in order to reinvest in public housing stock

20

What currently makes up the largest percent of your CRA investments?

Results ordered high-to-low

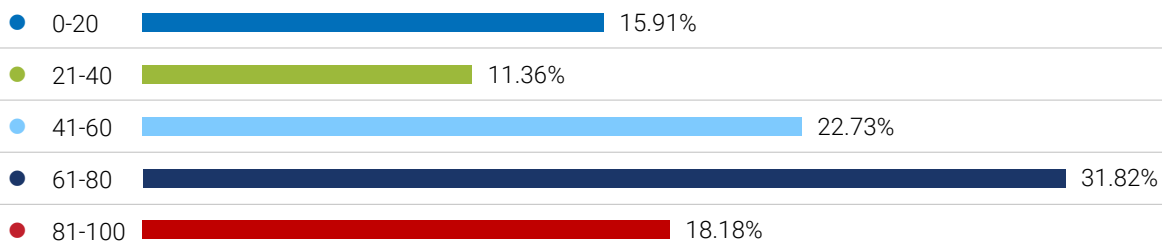


Other responses:

- Public welfare investments
- CDs in minority owned/underserved market banks
- CCM/CRA Qualified Investment Fund
- Hospital bond
- SBA/housing loan funds

21

What percentage of total qualified investments does it represent?

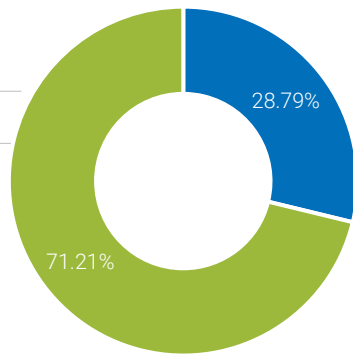


22

Do you anticipate this changing in advance of your bank's next CRA exam?

• Yes

• No



If yes, how come?

- Change in senior management
- Increasing CDC investments
- Increasing CRA qualified investments
- May purchase additional CRAIX
- More LIHTCs, EQ2, and SBIC funds available

23

What questions would you like to see on next year's survey?

- How have the CRA modernization changes impacted CRA investments? And are these investments clearly having positive impact on LMI communities?
- Does your bank make investments in deposit-based assessment areas?
- What are the percentages for your top 3% investment categories?
- Were there any areas for improvement noted on your last CRA exam? If yes, please specify.
- Do you make investments in CRA deserts and Indian country?
- Has your bank made investments in opportunity zones for CRA credit?
- How have Covid-19-related loan modifications been considered in CRA performance?
- Does your bank expand their footprint to larger geographic regions and not limit themselves to smaller areas where branches are located?
- What evidence is there to confirm that CRA investments are helping LMI families improve their economic well-being?
- What is the Banks ratio of CRA investments to deposits (based on updated regulation deposit metrics)?

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.

Risk Considerations: Investing includes risk, including possible loss of principal. Bonds are subject to interest rate risk and will decline in value as interest rates rise. Stocks will fluctuate in response to factors that may affect a single company, industry, sector, or the market as a whole and may perform worse than the market. The Fund is not diversified. There is no guarantee the objective of the Fund will be achieved.

The CRA Qualified Investment Fund is distributed by SEI Investments Distribution Co., which is not affiliated with Community Capital Management, Inc.

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 866-202-3573. Please read it carefully before investing.