THE COMMUNITY INVESTOR

CCM COMMUNITY CAPITAL MANAGEMENT

SPRING 2021

IN THIS ISSUE

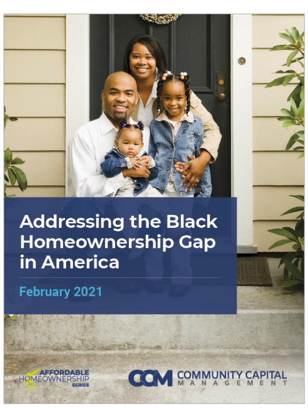


# AN UPDATE ON CRA REFORM

Optimism is growing that agencies that had diverged on how to reform the Community Reinvestment Act (CRA) may come together on a joint framework, according to a recent story in *American Banker*. Most recently, the Federal Reserve Board (FRB) issued an Advanced Notice of Proposed Rulemaking (ANPR) in September that, unlike the Office of the Comptroller of the Currency (OCC) rule, would rely on existing data collection and reporting for CRA scoring and preserve tests that consumer advocates had criticized the OCC for weakening.[1] CCM, the adviser to the CCM Community Impact Bond Fund (f/k/a the CRA Qualified Investment Fund), submitted a comment letter to the FRB in February. Highlights of the letter include CCM supporting the FRB's recognition of the value of mortgage-backed securities (MBS), which help meet the need for affordable housing while improving lender and market liquidity; and supporting the FRB's proposal to publish an illustrative, non-exhaustive list of community development activities that meet the requirements for positive CRA consideration. The full letter is available here.

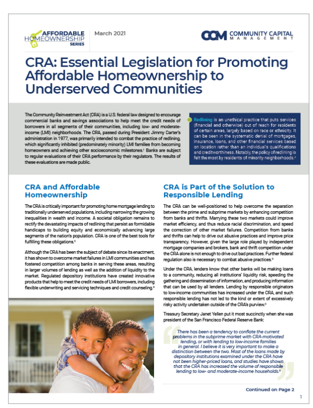
We anticipate the announcement of a new OCC comptroller soon. The *American Banker* article mentions the position has been narrowed to two candidates: Michael Barr, a law professor at the University of Michigan, who served in the U.S. Treasury Department in the Obama administration, with an extensive pro-consumer record; and Mehrsa Baradaran, a law professor at the University of California, Irvine, and author of books examining social justice in the financial system. The next comptroller would have the opportunity to pause implementation of that agency's CRA reform framework and potentially issue a new proposal after consulting with the FRB and FDIC.[2] We are optimistic that either candidate will issue a new NPR with interagency support, moving away from the OCC's 2020 rule. We will continue to keep you posted on changes as they take place.


# AFFORDABLE HOMEOWNERSHIP SERIES


Addressing the Black Homeownership Gap in America
February 2021

## Addressing the Black Homeownership Gap in America

Our new report, "Addressing the Black Homeownership Gap in America," takes a closer look at America's history of economic inequality, the long-term economic benefits of owning a home, and the 2008 housing crisis and its impact on homeownership. Other highlights include the deep wealth gap faced by many Black Americans, why homeownership is critical for building wealth and passing on generational wealth, ways to mend the Black homeownership gap in America, and CCM's efforts to bridge the Black homeownership divide.


CRA: Essential Legislation for Promoting Affordable Homeownership to Underserved Communities

## CRA: Essential Legislation for Promoting Affordable Homeownership to Underserved Communities

Our new Perspective takes a look at how the CRA is critically important for promoting home mortgage lending to traditionally underserved populations, including narrowing the growing inequalities in wealth and income. It also takes a look at how the CRA can be a part of the solution of responsible lending and how MBS can be a valuable tool to help banks meet their CRA obligation while helping increase access to affordable housing and investment liquidity in a safe and sound manner. A copy of the perspective is available here.

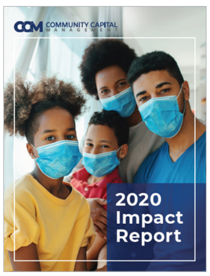
# CRA QUALIFIED INVESTMENT FUND NAME CHANGE

Effective March 1, 2021, CCM's flagship CRA Qualified Investment Fund changed its name to CCM Community Impact Bond Fund. We added CCM for brand consistency and are excited to see increasing interest from a variety of investors into community impact investments.

The share classes and symbols remain the same as does the hallmark of the Fund's strategy — its pioneering earmarking and customization process that allows investors the opportunity to direct their capital to support specific geographies or impact themes. **This change will have no impact on the ability of the Fund's investments to cause shares of the Fund to be deemed to be qualified under the CRA so that financial institutions that are subject to the CRA may receive investment test or similar consideration/credit under the CRA with respect to shares of the Fund held by them.** This and other information can be found in the Fund's prospectus, which can be obtained by clicking here or calling 866-202-3573.

Effective March 1, 2021, CCM's flagship CRA Qualified Investment Fund changed its name to CCM Community Impact Bond Fund.

# 2020 IMPACT REPORT & WEBINAR

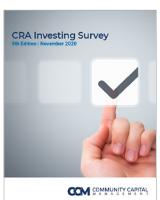



## Impact Report

We are pleased to share our 2020 Annual Impact Report, now in its 8th edition. We believe the challenges faced in 2020 have reinforced the importance of and commitment to our mission — to seek to deliver superior risk-adjusted returns through investment strategies that contribute to positive environmental and social outcomes. Highlighted in the report are several new initiatives that were launched to expand and amplify our purpose as well as contributions made by our diverse and talented team.


## Webinar

CCM's impact team — David Sand, chief impact strategist, and Jessica Botelho, director of CRA and impact research — share details on our 2020 Impact Report in a recent webinar. Highlights include impact metrics and outcomes, impact stories, impact reporting, and more.




# CRA SURVEY

### 5TH EDITION

If you have not yet perused the responses for our 5th annual CRA investing survey, download a copy here. We have highlighted below some data points that stood out to us from the 2020 survey.

## 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."

## 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%.

## 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

## 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 once the rule is fully implemented. It recently issued several FAQs that provide transitional guidance to banks. We were not surprised to see several banks responding that they need more information on the new rule prior to making any CRA updates. More information on the bulletin can be found here.

# CRA INVESTMENTS WITH A FOCUS ON AFFORDABLE HOMEOWNERSHIP

## City and County of San Francisco[3]

### San Francisco, CA
### Sector: Taxable Municipals

Proceeds are being used to fund loans to finance or refinance the acquisition, improvement, and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing. Per the City and County of San Francisco, the proceeds of CCM's purchase can be attributed to affordable housing projects where the majority (over 51%) of the residents have incomes below 80% of the median family income, as adjusted for household size, for San Francisco County, as determined by United States Department of Housing and Urban Development (HUD).

The Preservation and Seismic Safety Program (PASS) plays a critical role in the city's anti-eviction and preservation strategy by financing the acquisition and rehabilitation of at-risk multifamily buildings, removing them from the speculative market, and preserving them as permanently affordable housing. PASS provides access to a nimble source of low-cost and long-term financing that is not currently available on the conventional market. It is anticipated that in aggregate, the PASS Program will facilitate the preservation of up to 1,400 apartments, reduce the need for other public resources, support the long-term financial feasibility of participating developments, and allow preservation-oriented sponsors to compete more effectively in the acquisition of at-risk buildings offered in the open market.

As of June 2020, PASS has provided permanent affordability for 189 at-risk affordable housing units across 13 projects, equating to 305 residents remaining in their homes. Household incomes average less than 60% of the area median income (AMI) and include seniors, multigenerational families, and people of color.

Eligible projects to be funded include smaller sites (generally buildings with 5-25 apartments), larger multi-unit and mixed-use residential buildings, and single-room occupancy hotels. The city does not plan to use proceeds of bonds issued under the Propositions to fund new construction projects or the acquisition without rehabilitation of affordable housing units.

**IMPACT THEMES THIS INVESTMENT HELPED SUPPORT:**

Affordable Housing

Seniors and the Disabled

On November 8, 2016, City of San Francisco voters approved Proposition C (Proposition C (2016), and collectively with Proposition A (1992), the Propositions), which amended Proposition A (1992) to allow as an additional purpose the incurrence of bonded indebtedness to finance the acquisition, improvement, and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing, and to perform needed seismic, fire, health, and safety upgrades or other major rehabilitation for habitability.

The city currently has identified approximately 33 projects, with an estimated total of 473 affordable housing units, eligible for funding. These projects are intended to benefit priority and at-risk populations, consisting of seniors, persons with disabilities, low-income households, and those at risk of eviction pursuant to the Ellis Act, a state law that allows landlords to evict residential tenants in order to leave the rental business.

Projects funded through below-market loans will have permanent affordability restrictions, and projects funded through market-rate loans will prohibit landlords from passing on to tenants the costs of certain capital improvements to the property. In order for a project to be financed or refinanced through bond proceeds, the Mayor's Office of Housing and Community Development (MOHCD) has established maximum average monthly rent and annual household income levels for tenants, at 80% of the AMI and capped at 120% of AMI.

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## Michigan State Housing Development Authority[4]

### Michigan (Statewide)
### Sector: Taxable Municipals

Proceeds of the Michigan State Housing Development Authority (MSHDA) Single-Family Mortgage Revenue Bonds will be used to finance the acquisition of new single-family mortgage loans and down payment assistance loans. The Single-Family Mortgage Loan Program allows MSHDA to finance low- and moderate-income (LMI) mortgages for people meeting income and purchase price limits. Mortgage loans were made to purchase or to purchase and rehabilitate owner-occupied single-family homes that are used as a primary residence. The loans are fixed-rate, level-payment, 30-year mortgages. Borrowers must have acceptable credit and the ability to repay the loan.

*continued on page 4*

MSHDA™
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Established in 1966, the Michigan State Housing Development Authority provides financial and technical assistance through public and private partnerships to create and preserve safe and decent affordable housing; engage in community economic development activities; develop vibrant cities, towns, and villages; and address issues of homelessness.

**IMPACT THEMES THIS INVESTMENT HELPED SUPPORT:**

Affordable Housing

*continued from page 3*

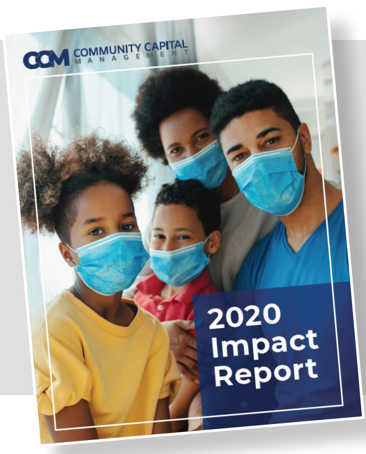
# CRA INVESTMENTS

MSHDA expects to finance Down Payment Assistance Loans as part of its program. Each Down Payment Assistance Loan will provide the mortgagor with a maximum of $7,500 to finance the down payment, closing costs, and prepaid expenses of a home purchase; MSHDA may elect to increase the maximum amount to $10,000. Down payment assistance programs reduce the minimum amount of cash that a mortgagor needs to close a mortgage loan to 1% of the purchase price.

The Down Payment Assistance Loans will be due either when the property is sold, the first mortgage loan is repaid, or at the end of its term. Some of the properties purchased by borrowers participating in the down payment assistance programs are subject to third mortgages intended to preserve the affordability of any subsequent sale of the property.

MSHDA's authorizing act requires the authority to report on annual housing production goals for programs it financed with bonds and notes. In fiscal year 2019, the Single-Family Mortgage Loan Program financed 4,973 existing single-family homes with a total investment of $531 million. This exceeded MSHDA's 2019 goal of financing 2,400 single-family homes. The average purchaser was 32 years old, with a household size of two. The average loan amount was $106,753. The average income of families served was $50,215 or 70% of the HUD Statewide Median Family Income for Michigan in 2019 qualifying the borrowers in the Program, on average, to be of moderate-income.

*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 12/31/20, the City and County of San Francisco investment and the Michigan State Housing Development Authority investment represented 0.01% and 0.01%, respectively, of the Fund's assets.*




## VISIT CCMINVESTS.COM TO:

- ✓ Download our 2020 Impact Report and listen to the webinar replay
- ✓ Read our new report, "Addressing the Black Homeownership Gap in America"
- ✓ Check out our latest Perspectives

## CCM COMMUNITY IMPACT BOND FUND

### 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 fixed income securities

[1] *https://www.americanbanker.com/news/interagency-breakthrough-on-cra-looks-to-be-in-reach* [2] *Ibid* [3] *https://sf.gov/*
[4] *https://www.michigan.gov/mshda/*