



New CRA Rule and the CCM Community Impact Bond Fund CRA Share Class

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The federal banking regulators recently approved a new rule to implement the Community Reinvestment Act (CRA). This piece highlights aspects of the new interagency CRA rule and its impact for banks invested in the CCM Community Impact Bond Fund CRA Share Class including:

- The definition of community development
- Mortgage-backed securities (MBS), which remain a recognized community development investment
- The majority standard for full credit, which remains an explicit feature in the new rule
- Impact and responsiveness factors
- The geographic consideration, which has been expanded

The Community Impact Bond (CIB) Fund CRA Share Class (ticker: CRAIX)

Since 1999, the Community Impact Bond (CIB) Fund CRA Share Class has demonstrated an ability to identify and earmark qualified community development investments that meet the needs of its bank clients.

These securities address a broad range of community development needs.

The CIB Fund is well-positioned to implement the requirements of the new CRA rule. The primary purpose of the CIB Fund is to make investments that will be deemed to be qualified under the CRA (at least 51% of net assets). Under the new rule, the CIB Fund meets the majority and intent standards for a fully qualified investment.

With MBS explicitly included in the definition of community development, there are many opportunities to continue to identify, purchase, and earmark CRA-qualified investments within a bank's desired facility-based assessment areas.

The CIB Fund is an expert in identifying and tracking impact and responsiveness factors detailed in the new rule including persistent poverty counties, census tracts with a high poverty rate, and high opportunity areas. In addition, it provides best-in-class reporting on its underlying CRA-qualified securities.

The CRA became law in 1977 and remains one of the seminal pieces of legislation to address systemic inequities in access to credit. The CRA encourages banks to help meet the credit needs of their entire communities in which they do business, with a focus on low- and moderate-income (LMI) communities, consistent with safe and sound operations. The last comprehensive interagency revision to the CRA regulations occurred in 1995.²

Definition of Community Development

The new rule updates the definition of community development.¹ The Agencies have codified several concepts from the current interagency Question and Answers guidance, such as disaster area recovery, as well as added some new concepts, such as activities that benefit Native Land Areas.

Summary of Community Development Definition per ____13

Affordable housing	Economic development
Community supportive services & essential community facilities	Revitalization or stabilization
Financial literacy	Essential community infrastructure
Recovery of designated disaster areas	Disaster preparedness and weather resiliency activities
Revitalization or stabilization, essential community facilities, essential community infrastructure, and disaster preparedness and weather resiliency in Native Land Areas	Activities with minority depository institutions (MDI), women's depository institutions (WDI), low-income credit unions (LICU), or community development financial institutions (CDFI)





Mortgage-Backed Securities

One of the most popular CRA investments, MBS, are specifically identified and included in the new rule under the definition of affordable housing³ with the addition of several key requirements. Effective January 1, 2026, the following requirements must be met for positive consideration of purchases of MBS under the new rule:

- The majority of underlying loans cannot be comprised of loans that the bank originated or purchased⁴ and
 - the majority of underlying home mortgage loans must be made to LMI individuals, or
 - the majority of underlying loans must finance multifamily affordable rental housing and include rental housing for LMI individuals purchased, developed, financed, rehabilitated, improved, or preserved in conjunction with a Federal, State, local, or tribal government affordable housing plan, program, initiative, tax credit, or subsidy.⁵

Full and Partial Credit for Community Development Loans, Investments, and Services

A bank will receive credit for its entire loan, investment, or service if it meets the majority standard at ____13 of the new rule. This section has several options for how a community development activity that supports community development can meet the majority standard, including:

- 1** The majority of the housing units are affordable to LMI individuals, families, or households.
- 2** The majority of beneficiaries served, or majority of dollars spent benefit or serve targeted LMI income levels, small businesses/farms, targeted geographies, etc.
- 3** The 'bona fide intent' standard, which is related to the express, bona fide intent and structure of the activity.
- 4** Activities involving a Minority Depository Institution (MDI), Women's Depository Institution (WDI), Low Income Credit Union (LICU), and Community Development Financial Institution (CDFI).
- 5** Activities supporting low-income housing tax credit (LIHTC)-financed affordable housing ____13(a)(1)(iii).

Finally, a bank will receive partial credit only for a community development activity supporting affordable housing in those cases where such housing does not reach the majority standard. Specifically, a bank will receive partial credit for the loan, investment, or service in proportion to the percentage of total housing units in any development that are affordable to LMI individuals.⁶

Impact and Responsiveness

In addition to an expanded definition of community development, the new rule also adds consideration of the impact and responsiveness of community development loans, investments, and services.⁷ Although the current rule does mention a few aspects of qualitative factors, such as the responsiveness of qualified investments, the new rule is more comprehensive. It includes several factors to be considered in such a review.

Summary of Impact and Responsiveness Factors per ____15

Benefits or serves persistent poverty counties, census tracts with a poverty rate of 40 percent or higher, or geographic area(s) with low levels of community development financing;

Supports an MDI, WDI, LICU, or CDFI, excluding certificates of deposit with a term of less than one year;

Benefits or serves low-income individuals, families, or households, or supports small businesses/small farms with gross annual revenues of \$250,000 or less;

Directly facilitates the acquisition, construction, development, preservation, or improvement of affordable housing in High Opportunity Areas;

Benefits or serves residents of Native Land Areas;

Is a grant or donation or is an investment in projects financed with LIHTCs or NMTCs;

Reflects bank leadership through multi-faceted or instrumental support; or

Is a new community development financing product or service that addresses community development needs for LMI individuals, families, or households

Geographic Consideration

While the requirement of helping to serve credit needs in a bank's assessment area (AA) has not changed, there has been an update to the definition of AAs. The Agencies added a new term, "facility-based assessment area" (FBAA), which mirrors the current AA definition. An FBAA must include "each county in which a bank has a main office, a branch, or a deposit-taking remote service facility, as well as the surrounding counties in which the bank has originated or purchased a substantial portion of its loans (including home mortgage loans, multifamily loans, small business loans, small farm loans, and automobile loans.)"⁸

Nationwide consideration of community development loans, investments, and services

Effective January 1, 2026, the new CRA rule expands the geographic area for which a bank may receive consideration for its community development loans, community development investments, and community development services. Per ____19, the agencies may consider such activities provided outside of a bank's FBAA. In other words, community development activities may be considered regardless of location, even on a nationwide basis.

Geographic exception for very large banks in nationwide area related to MBS

The final CRA rule carves out an exception, effective January 1, 2026, for evaluation of community development financing performance in the nationwide area for banks with assets greater than \$10 billion as of December 31 in both prior two calendar years. For these very large banks, MBS will be excluded from the calculation and application of the nationwide community depository institution (CDI) metric and benchmark.⁹ Fortunately, for these very large banks the rule makes it clear that the nationwide metric comparison to the benchmark, which is applied at the institution level, may only contribute positively to a bank's community development financing test conclusion.¹⁰



¹ See ____ 13

² <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/fact-sheet-cra-20231024.pdf>

³ See ____ 13(b)(5)

⁴ Page 172 in the preamble to the new CRA rule says this treatment is consistent with current interagency guidance and includes a footnote that references Q&A ____ 23(b)-2

⁵ See ____ 13(b)(5)

⁶ See ____ 13(a)(2)

⁷ See ____ 15

⁸ See ____ 16

⁹ See ____ 24(e)

¹⁰ See ____ 24(e)(2)(iv)

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CCM is the registered investment adviser to the CCM Community Impact Bond Fund CRA Shares (ticker: CRAIX), which was launched in 1999 to help banks meet the investment test requirements of the CRA. The Fund is one of the nation's largest mutual funds for community development investments.

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This Fund involves impact and ESG Risk. The Adviser may select or exclude securities of certain companies for reasons other than performance and, as a result, the Fund may underperform other funds that do not use an impact and ESG screening process. Impact and ESG investing are qualitative and subjective by nature. There is no guarantee that impact and ESG criteria used by the Adviser will reflect beliefs or values of any particular investor.

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