

CRAIX Overview for Examiners

Congress passed the Community Reinvestment Act (CRA) in 1977 to encourage depository institutions to help meet the banking needs of the local communities in which they are located and to help combat redlining. To accomplish these goals, the CRA requires federal agencies responsible for assessing depository institutions' CRA performance—the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (Board), and the Office of the Comptroller of the Currency (OCC)—to periodically conduct CRA examinations of the institutions they supervise. During the examination, examiners assess an insured depository institution's record of helping to meet the credit needs of the communities it serves, including low- to moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of the institution. Based on an institution's performance, examiners assign a CRA rating and issue a public performance evaluation.¹ **This piece offers an introduction to CCM's Community Impact Bond (CIB) Fund CRA Shares (ticker: CRAIX), intended for those who are new to the fund or unfamiliar with its structure and purpose, including new examiners.**

About CRAIX

The CIB Fund (f/k/a the CRA Qualified Investment Fund) was launched in 1999 as a vehicle to help banks meet the investment test requirements of the CRA. Its investment objective is to provide a high level of current income consistent with the preservation of capital. Per its prospectus, the Fund will invest primarily (at least 51% of its net assets) in investments that will be deemed to be qualified under the CRA of 1977, as amended.²

Impact

Since its inception in 1999, CCM has assisted more than 500 banks in over 1,800 CRA exams, helping them make impactful, CRA-qualified investments throughout their assessment areas. To date, CCM, on behalf of its clients and the Fund, has invested approximately \$13.1 billion supporting community development across the United States.³

How Does CRAIX Work?

- From a **financial** standpoint, each bank owns a pro-rata share of the Fund, whereby risks and returns are divided among all shareholders.
- From a **CRA** standpoint, qualified investments in each bank's targeted assessment area(s) are purchased and earmarked, dollar for dollar, to each bank per CRA exam.

CRA-Qualifying/Earmarking

The Fund qualifies as a CRA-eligible investment, meaning banks should receive immediate CRA credit for the full amount of their investment. As an added service—CCM further enhances this process by earmarking each bank's investment to their specified counties or assessment areas. This allows banks to see the specific investments made on their behalf within their chosen regions. **However, since the Fund itself is CRA-qualified, banks should receive full CRA consideration regardless of how much of the investment in the Fund has been earmarked.**



Watch a short video to learn more about CRAIX and its earmarking process.

CRA Regulatory Guidance

CRA regulatory guidance does not distinguish between a direct or indirect qualified investment, stating, "...the direct or indirect nature of the qualified investment does not affect whether an institution will receive consideration under the CRA regulations because the regulations do not distinguish between "direct" and "indirect" investments. Thus, an institution's investment in an equity fund that, in turn, invests in projects that, for example, provide affordable housing to low- and moderate-income individuals, would receive consideration as a qualified investment under the CRA regulations, provided the investment benefits one or more of the institution's assessment area(s) or a broader statewide or regional area(s) that includes one or more of the institution's assessment area(s). Similarly, an institution may receive consideration for a direct qualified investment in a nonprofit organization that, for example, supports affordable housing for low- and moderate-income individuals in the institution's assessment area(s) or a broader statewide or regional area(s) that includes the institution's assessment area(s)." (Q&A §11.23(a)—1)

Furthermore, Q&A §11.12(h)—6, states: "The institution's assessment area(s) need not receive an immediate or direct benefit from the institution's participation in the organization or activity, provided that the purpose, mandate, or function of the organization or activity includes serving geographies or individuals located within the institution's assessment area(s)."

Finally, regulatory guidance states: "...the agencies would consider whether the purpose, mandate, or function of the fund includes serving geographies or individuals located within the institution's assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Typically, information about where a fund's investments are expected to be made or targeted will be found in the fund's prospectus, or other documents provided by the fund prior to or at the time of the institution's investment, and the institution, at its option, may provide such documentation in connection with its CRA evaluation. At the institution's option, written documentation provided by fund managers in connection with the institution's investment indicating that the fund will use its best efforts to invest in a qualifying activity that meets the institution's geographic requirements also may be used for these purposes. Similarly, at the institution's option, information that a fund has explicitly earmarked its projects or investments to its investors and their specific assessment area(s) or broader statewide or regional areas that include the assessment area(s) also may be used for these purposes...." (Q&A §11.23(a)—2)).

CRA Support

CCM's CRA team members are readily available to support banks before, during, and after a CRA exam. We're happy to speak with examiners and provide detailed background on a bank's specific investment in CRAIX. Any questions from bank shareholders or examiners can also be emailed to Jessica Botelho, CCM's co-chief impact strategist, at jbotelho@ccminvests.com.

¹ <https://www.consumercomplianceoutlook.org/2014/first-quarter/understanding-cras-assessment-area-requirements/>

² <https://funddocs.filepoint.com/ccmcib/>

³ As of 03/31/25

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Mutual fund investing involves risk including the loss of principal. Bond and bond funds are subject to interest rate risk and will decline in value as interest rates rise. The Fund is non-diversified. There is no guarantee the objective of the Fund will be achieved. This fund involves impact risk. The Adviser may select or exclude securities for reasons other than performance and, as a result, the Fund may underperform other funds that do not use an impact screening process. Impact investing is qualitative and subjective by nature. There is no guarantee that impact criteria used by the Adviser will reflect beliefs or values of any particular investor.

Carefully consider the risks, investment objectives, charges and expenses of the Fund before investing. The prospectus contains this and other important information. Please read the prospectus carefully before investing. The prospectus is available by calling 877-272-1977 or by visiting www.ccminvests.com. The CCM Community Impact Bond Fund is distributed by SEI Investments Distribution Co. (SIDCO), 1 Freedom Valley Drive, Oaks, PA 19456, which is not affiliated with Community Capital Management or any other affiliate.