

CRA Investment Test Survey

June 2016



Introduction

The CRA Investment Test survey consisted of 13 questions and had 51 total respondents. For each question in the survey, we have listed the number of respondents that correspond to that question.

Our goal with this CRA investing survey is to gather data on how banks are managing their CRA investments as well as on CRA issues and hot topics. Many of the questions are derived from conversations with shareholders and what we are hearing at events and conferences.

We believe it is helpful to understand how your bank peers approach these areas. We hope you find the survey useful and look forward to hearing your feedback.

A very big thank you to those that completed the survey.

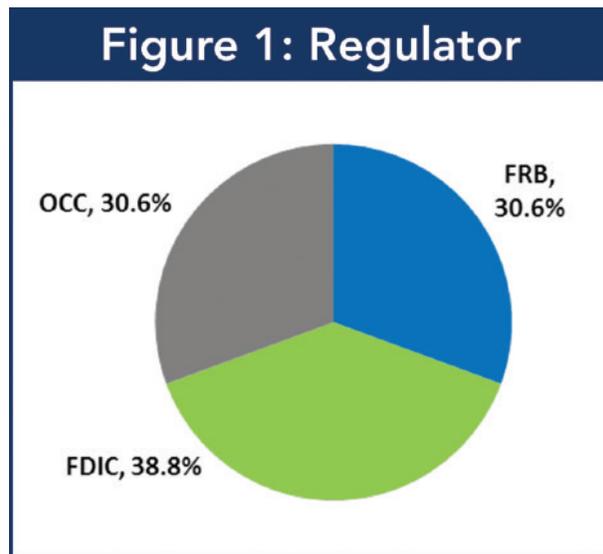
Sincerely,

Community Capital Management, *adviser to the CRA Qualified Investment Fund*



Question 3: Regulator

Since we do not disclose names and banks in this survey, we have omitted the responses to questions 1 and 2. Question 3 inquired about each bank's regulator with the breakdown from 49 respondents pretty evenly representing the three Federal regulators.



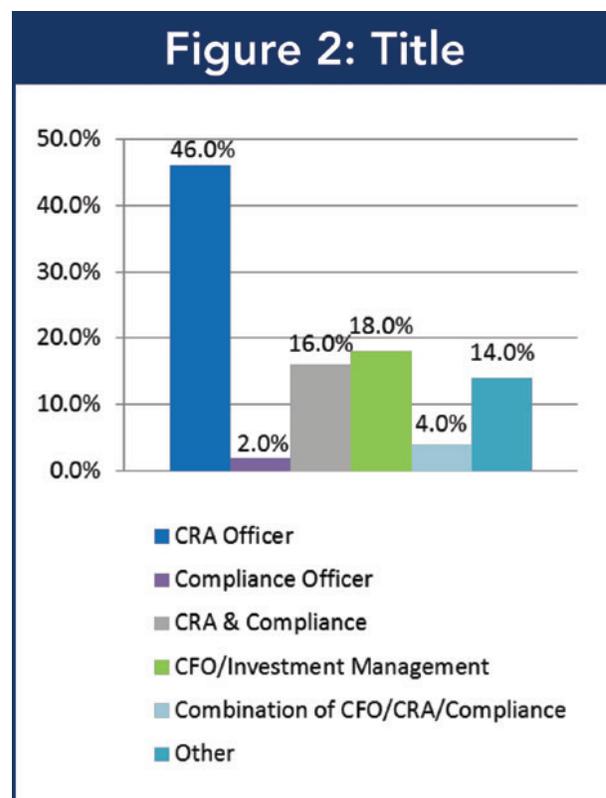
Question 4: The title that best describes my role in the bank.

There are a variety of different titles and roles at a bank that may be responsible for or have some level of involvement with the CRA.

As it relates to CRA investing, the decision on what types of CRA investments to include in the bank's portfolio can fall upon a team or individuals that may include: the CRA officer, compliance officer, CFO, investment officer,

treasurer and the president. Our experience shows that there are typically multiple individuals involved in the decision-making process with final approval coming from the Board.

Figure 2 below shows the breakdown from our survey with regards to the title that best describes the 50 respondents.



Question 5: Asset size of my bank

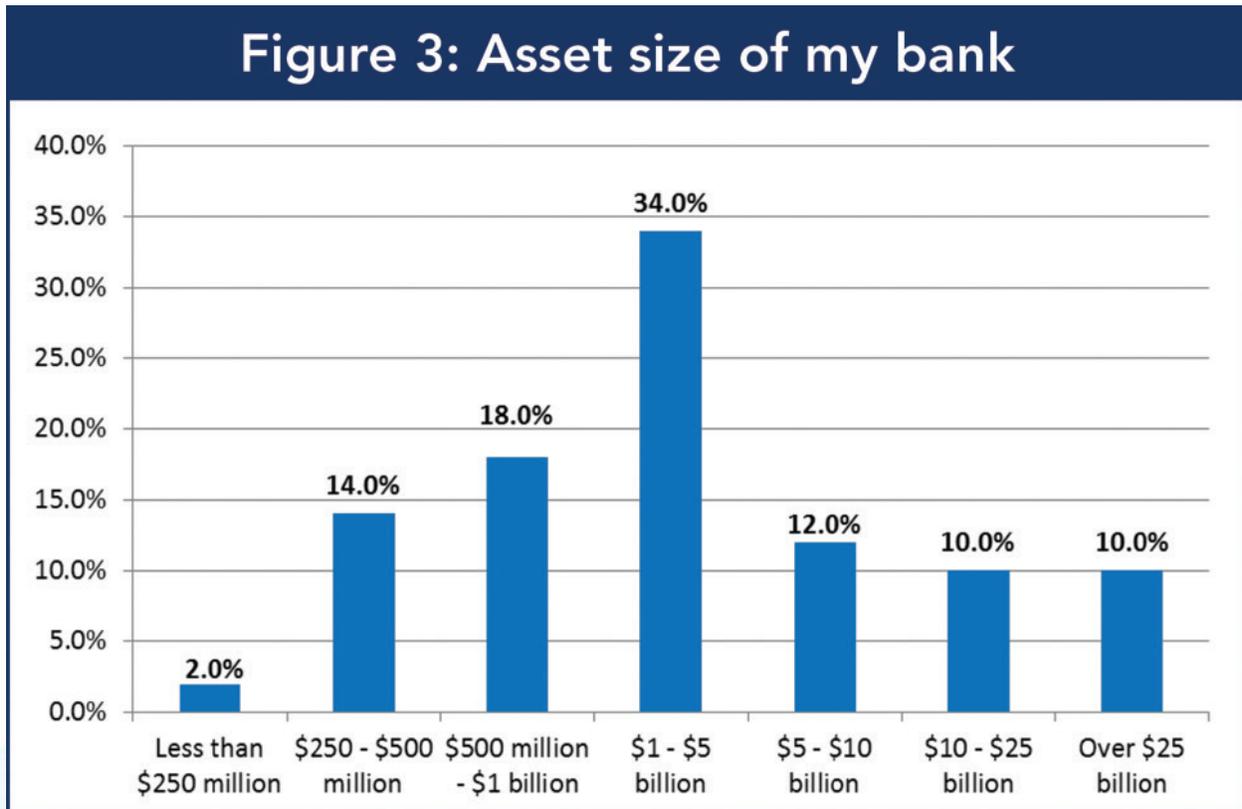
As of January 1, 2016, the CRA asset-size threshold is as follows:

Small Institution: bank or savings association that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.216 billion

Intermediate Small Institution: bank or savings association with assets of at least \$304 million as of December 31 of both of the prior two calendar years and less than \$1.216 billion as of December 31 of either of the prior two calendar years.

Large Institution: banks or savings associations with assets of at least \$1.216 billion as of December 31 of both of the prior two calendar years.

Figure 3 below shows that the 50 survey respondents for this question work at banks of various sizes. We narrowed the asset size for the survey into even smaller ranges than the CRA asset-size threshold to garner a better overall feel for how banks of all sizes are evaluating, measuring and monitoring CRA investments and what are their and their regulators' top concerns.



Question 6: On average, what percent of your bank's assets are in CRA investments?

This is one of the most frequently asked questions we receive from banks. Unfortunately, there is no clear cut answer. From discussions with our shareholders, many say they look to invest 1% of their bank's assets in CRA investments. The results from the 48 respondents to this question are shown

below in Figure 4. Looking closer at the data, Figure 5 shows the breakdown for each bank's asset size and percent in CRA investments. Two banks responded "Other Measure" listing "5% of Tier 1 Capital" and "5.24% of Capital...there are regulatory limitations".

Figure 4: Percent of my bank's assets in CRA investments

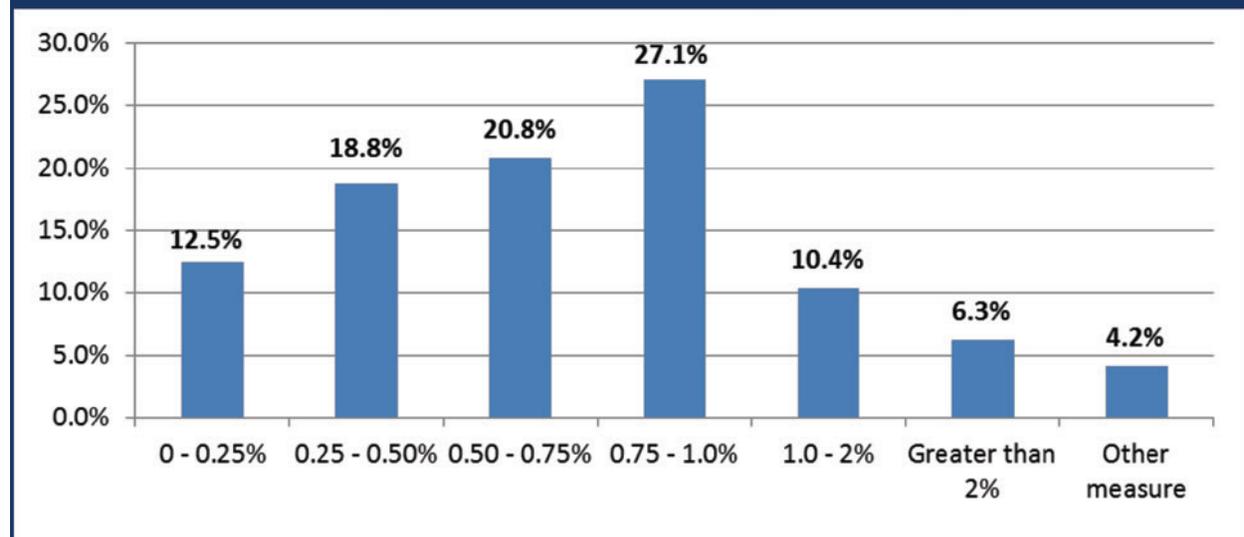


Figure 5: Distribution of bank's assets in CRA investments

	0 - 0.25%	0.25 - 0.50%	0.50 - 0.75%	0.75 - 1.0%	1.0 - 2%	Greater than 2%	Other Measure
Less than \$250 million				1			
\$250 - \$500 million	3	1	1	1			1
\$500 million - \$1 billion	1	2		3	1		1
\$1 - \$5 billion	1	3	3	5	2	2	
\$5 - \$10 billion		2	1	1	1		
\$10 - \$25 billion		1	1	2		1	
Over \$25 billion	1		4				
Total	6	9	10	13	4	3	2

Question 7: When evaluating the financial merits of CRA investments, what are your top three concerns?

The results of the 48 responses to this question resulted in credit quality being the top concern followed by total return. These were followed by a tie of total return and liquidity with interest rate risk following at number three.

Responses to "other" included "assessment area", "confidence in receiving CRA exam credit", "regulatory eligibility" and "innovativeness".

Figure 6: Top three concerns when evaluating the financial merits of CRA investments

	1	2	3
Liquidity	4	13	9
Total Return	15	13	9
Interest Rate Risk	4	5	12
Credit Quality	25	12	4
Diversification	8	9	5
Other	1	0	4

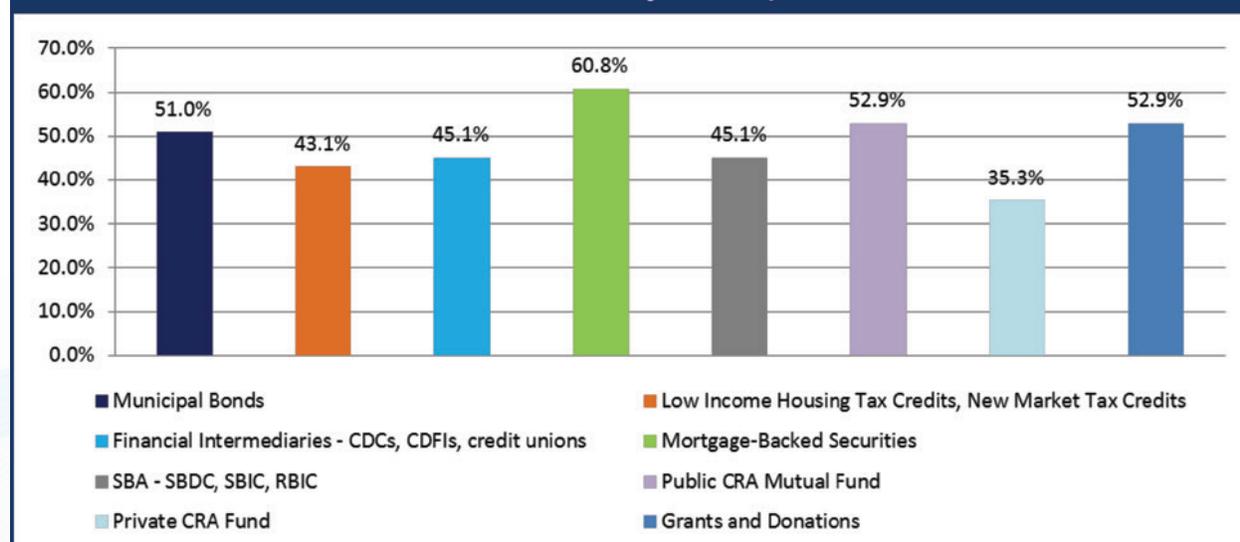
Note: number 1 skewed higher due to respondents including number 1 for multiple options.

Question 8: What types of securities does your bank prefer to invest in to satisfy the requirements of the Investment Test or the Community Development Test of the CRA exam? Choose all that apply.

The results of the 51 responses to this question were evenly dispersed with mortgage-backed securities coming in the highest

followed by a tie (public CRA mutual fund & grants and donations).

Figure 7: Types of securities my bank prefers to invest in to satisfy the requirements of the Investment Test or the Community Development Test of the CRA Exam



Question 9: What are your top three concerns when looking at the community development merits of a CRA investment?

There were 50 respondents to this question with "Geographic Coverage" ranking the highest number one concern followed by "Responsiveness to Community Development Needs". The same two responses were tied as the highest number two concern.

"Innovative and Complex" also received a high ranking as a concern when looking at the community development merits of a CRA investment. There were no responses to this question in the "Other" category.

Figure 8: Top three concerns when looking at the community development merits of a CRA investment?

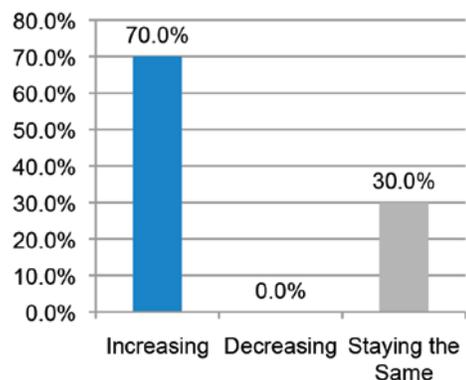
	1	2	3
Current vs. Prior Period	2	5	3
Qualitative Performance	3	6	8
Quantitative Performance	4	2	3
Innovative and Complex	9	3	7
Geographic Coverage	27	12	4
Responsiveness to Community Development Needs	16	12	7
Identifying Community Investment Needs	5	2	8
Identifying Opportunities to Deploy Capital	0	2	0
Collection and Reporting	2	2	3
Other	0	0	0

Note: number 1 skewed higher due to respondents including number 1 for multiple options.

Question 10: Do you see CRA investing demands by your regulator increasing, decreasing or staying the same?

Figure 9 to the right shows that the majority of the 50 respondents that answered question 10 feel that CRA investing demands are increasing by their regulator. No respondents said they feel that CRA investing demands by their regulator are decreasing and a small percentage selected "Staying the Same".

Figure 9: CRA Investing Demands

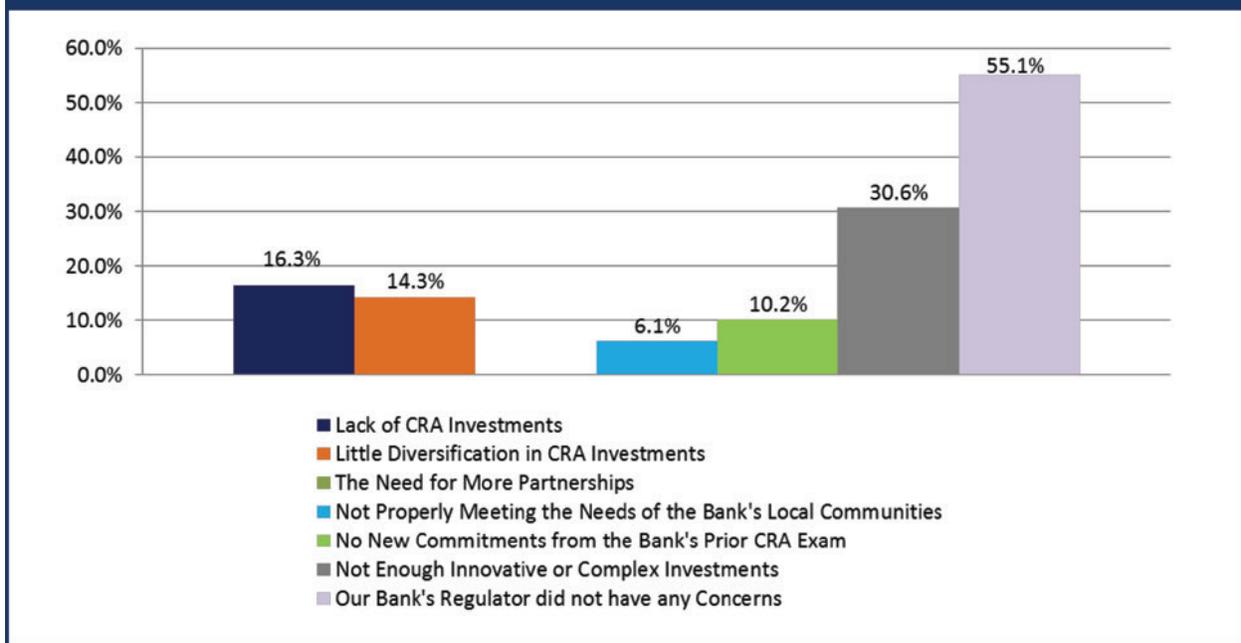


Question 11: Looking at your last CRA exam, what were some of your regulator’s biggest CRA investment test concerns? Please check all that apply.

The results of the 49 responses to this question showed a high percentage (55.1%) to “Our Bank’s Regulator did not have any Concerns” which is extremely positive. Following behind was “Not Enough Innovative or Com-

plex Investments” at 30.6%. The remaining questions received responses ranging from 6-16% with no responses coming in for “The Need for More Partnership”.

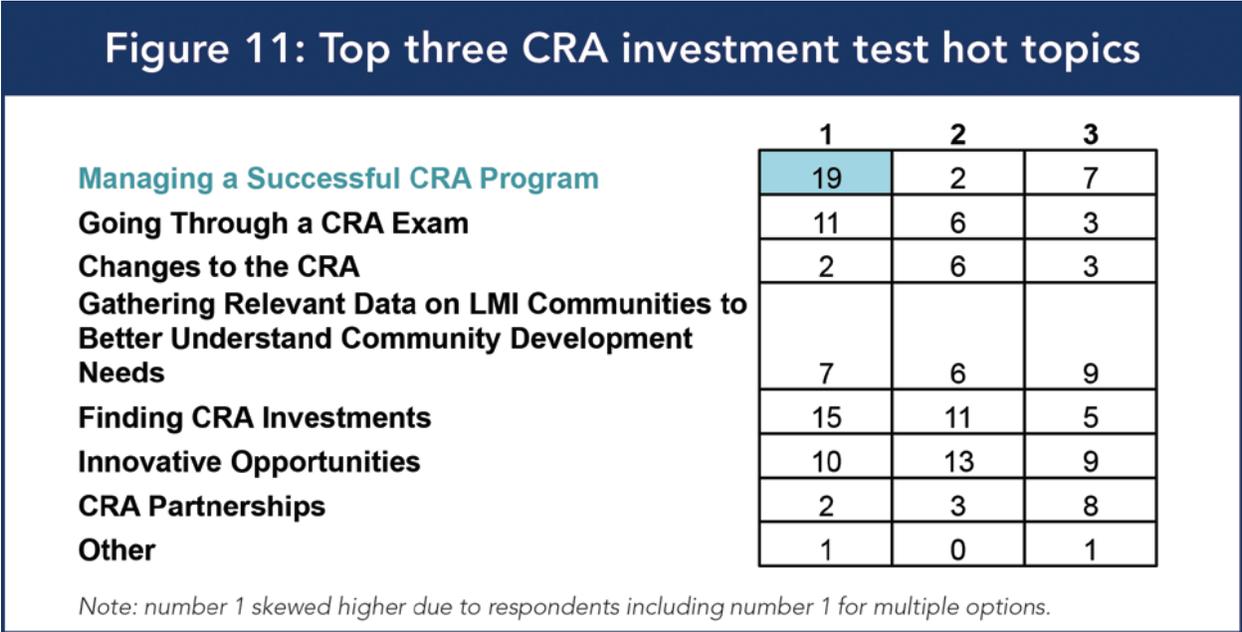
Figure 10: Regulator’s biggest CRA investment test concerns from last CRA exam



Question 12: Please rank your current top three CRA investment test hot topics.

There were 51 respondents to this question with “Managing a Successful CRA Program” ranking the highest number one concern followed by “Finding CRA Investments”. “Going Through a CRA Exam” followed as the third number one concern.

There were two responses to this question in the “Other” category. One was “making sure the investments meet internal risk criteria” and the other was “defining/identifying qualifying investments (regulatory expectations)”.



Conclusion

We hope you find this CRA investing survey useful and informative. We are asked many of these questions from banks and find it is always helpful to hear from your peers. While there were many interesting results that came from the survey, we found three in particular that stand out:

- The largest percentage of a bank's assets in CRA investments fell in the 0 – 1% range with only 10.4% in the 1 – 2% range and 6.3% greater than 2%. More and more, we are hearing that the recommendation is over 1%.
- Credit quality was the top concern when evaluating the financial merits of CRA investments. This doesn't surprise us considering

that when we launched the CRA Qualified Investment Fund in 1999, we created it to invest in high credit quality securities given banks' traditional conservative investing nature.

- The highest concern in response to the community development merits of a CRA investment was geographic coverage. Similar to credit quality, geographic targeting was and continues to be a primary component of the CRA Qualified Investment Fund.

A very big thank you to those that completed the survey. Feedback and suggestions are welcome and can be emailed to Jamie Horwitz at jhorwitz@ccmfixedincome.com.

ABOUT COMMUNITY CAPITAL MANAGEMENT & 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 seek 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.crafund.com.

The CRA Qualified Investment Fund is distributed by SEI Investments Distribution Co. (SIDCO), 1 Freedom Valley Drive, Oaks, PA 19456, which is not affiliated with Community Capital Management, Inc.

Investing involves risk including loss of principal. Bonds and bond funds will decrease in value as interest rates rise. The Fund is not diversified. 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 866-20-3573. Please read it carefully before investing.



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