

## CHANGES TO THE CRA

Banks have long agreed that the Community Reinvestment Act (CRA) is outdated. In early April, the U.S. Department of Treasury released a memorandum to the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation on CRA reform. The recommendations seem consistent with what we have been hearing with a big focus on

exam procedures, modernization, and consistency amongst the regulators. The memorandum focuses on regulatory and administrative changes that are consistent with the original intent of CRA, including common sense reforms that reduce the complexity and burden on banks, regulators, and community advocates. A full copy of the memorandum is available [here](#).

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## CCM RECEPTION AT THE NATIONAL INTERAGENCY COMMUNITY REINVESTMENT CONFERENCE



It was wonderful to see so many of you at our reception during the National Interagency Community Reinvestment Conference. We hope you enjoyed the sweeping views of Miami and the delicious food at the Tea Room. It was a great way to mix and mingle and relax after a busy day of presentations and panels at the conference. We look forward to seeing you back in South Florida in November at the CRA & Fair Lending Colloquium.



## SUMMER/FALL EVENTS

### NYC Bank Lunch

Tuesday, June 26  
 Noon to 2pm  
 The Harvard Club

### Boston Bank Lunch

Wednesday, June 27  
 Noon to 2pm  
 Grill 23

To RSVP to either lunch, please email [jhorwitz@ccminvests.com](mailto:jhorwitz@ccminvests.com)

### CRA & Fair Lending Colloquium

November 4-7  
 Hollywood, FL

## CRA SOLUTIONS

CCM is excited to offer customized CRA solutions for banks looking to complement their CRA Investment Test strategy. This currently includes CRA Secured Notes<sup>1</sup> and Separately Managed Accounts. CCM has been managing separate accounts on behalf of foundations, faith-based investors, and public funds since 2001. Just like in the CRA Qualified Investment Fund CRA Share Class, banks will receive the same CRA documentation/reporting that we have been providing to our 400+ bank shareholders over the past 18 years.

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<sup>1</sup> A secure note is a type of loan that is backed by the borrower's assets.

# CHANGES TO THE CRA

Treasury's recommendations focus on four key areas:

- **Assessment Areas**

The concept of assessment areas originated within the banking environment that existed in 1977, when there was no interstate banking and deposits almost always came from the community surrounding a branch. Treasury offers recommendations for updating the definitions of geographic assessment areas to reflect the changing nature of banking arising from changing technology, customer behavior, and other factors.

- **Examination Clarity and Flexibility**

Both banks and communities would benefit from additional flexibility in the CRA performance evaluation process, including increasing clarity in the examination guidance. Treasury recommends improvements that could be

made to CRA performance evaluation criteria that would increase the transparency and effectiveness of CRA rating determinations.

- **Examination Process**

Certain aspects of the examination process need to be addressed in order to improve the timeliness of performance evaluations and to allow banks to be more accountable in planning their CRA activity. Treasury recommends improvements that could be made with respect to the timing of CRA examinations and issuance of performance evaluations, and to the consistent use of census data throughout an assessment period.

- **Performance**

The purpose of CRA is to encourage banks to meet the credit and deposit needs of their entire community. The law does not have explicit penalties for nonperformance. However, performance is incentivized as regulators

must consider CRA ratings as a part of various bank application processes and performance evaluation reports are made available to the public. Treasury offers recommendations as to how the current regulatory approach to downgrades for violations of consumer protection laws and various applications from banks with less than a Satisfactory rating could be improved to incentivize CRA performance.

The memorandum also highlights several additional issues that warrant further exploration by the CRA regulators such as Disparate Treatment of Debt and Equity Investments, Inclusion of Affiliates in CRA Assessments, the Impact of Comprehensive Capital Analysis and Review (CCAR) on CRA Investments, and Nonbanks and CRA.

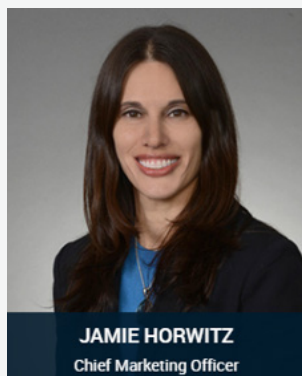
CCM continues to review and respond to any potential changes in the CRA and thoroughly reviews regulators responses regarding the CRA Fund. CCM's CRA Committee meets monthly and we work closely with Warren Traiger of BuckleySandler for ongoing surveillance and views. We look forward to keeping you updated on changes as they are announced.

## WEBINAR REPLAY: CRA FUND EARMARKING PROCESS

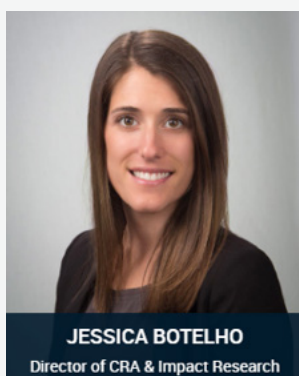


At the end of 2017, Jessica Botelho, director of CRA & impact research, and Jamie Horwitz, chief marketing officer, hosted a webinar on the CRA Fund's earmarking process as we are asked all the time how it works, how banks look to receive CRA credit, and how CRA investments are earmarked per exam cycles. The webinar and Q&A discussed reporting and documentation, investment case studies, and the CRA Fund's 18-year history of helping banks nationwide with their CRA investments. If you did not have a chance to listen to the live webinar, a replay is available by visiting [www.ccminvests.com](http://www.ccminvests.com) and clicking on "Webinars" on our "Insights" tab.

### Presenters



JAMIE HORWITZ  
Chief Marketing Officer



JESSICA BOTELHO  
Director of CRA & Impact Research

## CRA SOLUTIONS

The CRA secured notes will be issued by a CCM-sponsored special purpose vehicle (SPV). CCM will buy CRA-qualified bonds and issue a structured note (debt for FASB consideration) off the collateral. Coupon and principal of the underlying bonds will pass through the noteholder and it will behave like any collateralized bond. We will continue to geographically target and provide the CRA industry-leading reporting that you are accustomed to receiving with CCM.

Separately managed accounts can offer banks significant flexibility to customize their portfolio parameters – such as type of strategy (i.e., short duration, agency only), custodian, etc. They additionally are

accounted for as debt in the new FASB Accounting Standards.

Finally, CCM is a long-standing partner with CRA Partners' (f/k/a Senior Housing Crime Prevention Foundation) whose mission is to provide secure senior living environments, HUD communities, and state veterans homes. They look to fulfill a bank's CRA requirements in the form of qualified loans, investments, or grants through the operation of their "Senior Crimestoppers" program. CRA Partners issues preferred private stock or promissory notes and banks can choose the CRA Qualified Investment Fund as a collateral option. There are currently 40 CRA Partners' clients that utilize the CRA Fund for collateral.

For more information on any of these CRA solutions, please contact Jessica Botelho at [jbotelho@ccminvests.com](mailto:jbotelho@ccminvests.com).



# SPOTLIGHT: CRA FUND INVESTMENTS FOCUSING ON AFFORDABLE HOUSING FOR SENIORS AND THE DISABLED



## Swartzberg House: Chicago, IL

Swartzberg House is an affordable rental property for seniors in Chicago, Illinois offering one- and two-bedroom apartments. The property consists of 100 units, all of which receive Section 8 assistance. Swartzberg House is a CJE SeniorLife property. CJE SeniorLife has been helping older adults pursue lives of meaning, independence, and good health for over 40 years. CJE SeniorLife property residents have access to service coordinators that help to arrange for the necessary services needed for residents to successfully age in place.



Swartzberg House Sitting Area

Service coordinators meditate, educate, and advocate on behalf of the residents. Activity staff organize festive holiday events and a variety of activities including visits to museums, lectures and occasionally trips to Cubs games. CJE SeniorLife provides community-based services such as transportation, home delivered meals, and consumer assistance to many building residents.



Exterior of Swartzberg House

## Cedar Lane II: Leonardtown, MD

Cedar Lane II is an affordable rental property for seniors in Leonardtown, Maryland where 85 of the 130 total units receive Section 8 assistance. The property's amenities include 24-hour security and maintenance, on-site service coordinators, HUD application assistance, housekeeping, landscaped grounds, a library, meditation room, resident lounges, outdoor lounge areas, resident garden beds, a computer room, a full-service hair salon, sundries store, seasonal farmers market, onsite laundry and a wellness center. Residents can enjoy regularly scheduled activities such as bingo, art classes, fitness classes, book clubs, Karaoke, socials, guest speaker, presentations and field trips.

Cedar Lane II offers optional supportive services where residents can create a personalized service package that may include meals, laundry or housekeeping. Grocery, newspaper, and prescription delivery is also available. Residents have access to an onsite wellness partner that offers medication management, wellness checks, and access to caregivers. Residents also have access to public transportation at the main entrance of the property which offers a direct route to the Garvey Senior Center.

## Rose Hill Apartments: Bronx, NY

Rose Hill Apartments is an affordable rental property for seniors and the disabled in the Bronx where 100% of the 118 studio and one-bedroom residential units receive Section 8 assistance. The building has 14 units that are handicapped accessible and one unit reserved for the building super. The property is in a low-income and high-poverty census tract with 44% of the population living below the poverty line.

Rose Hill Apartments is located near the botanical gardens, the Bronx Zoo, the botanical gardens metro north train station, bus stops, and subway rails. Residents have access to a laundry room, community room, activity room, monthly and special occasion community programming, computer classes, exercise classes, arts and crafts programs, monthly trips for shopping and special events, individual gardens, private off-street parking, and outdoor patios.



Exterior of Rose Hill Apartments



Model Kitchen Area

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 3/31/18, the investments that included a loan to Swartzberg House, Cedar Lane II, and Rose Hill Apartments represented 0.20%, 0.38%, and 0.01%, respectively, of the Fund's assets.



# DISASTER RECOVERY & CRA CREDIT

In January of this year, the federal bank regulatory agencies announced they will give favorable consideration under Community Reinvestment Act (CRA) regulations to institutions that are located outside of the U.S. Virgin Islands and Puerto Rico, which were designated as major disaster areas in the aftermath of Hurricane Maria, for bank activities that help to revitalize or stabilize these areas.

Widespread devastation from Hurricane Maria occurred in areas that are not connected to the U.S. mainland, and the resulting economic impact and other effects may extend to other parts of the

United States. The agencies therefore have determined that it is appropriate to give favorable consideration to community development activities that help to revitalize or stabilize these disaster areas by financial institutions located anywhere in the United States, provided that they have been responsive to the community development needs and opportunities of their own CRA assessment areas. Such activities may include assistance to people displaced by the hurricane, including evacuees relocated to other states.<sup>2</sup>



Structures heavily impacted in the wake of Hurricane Maria

<sup>2</sup><https://www.federalreserve.gov/newsevents/pressreleases/bcreg20180125a.htm>

## VISIT [CCMINVESTS.COM](https://ccminvests.com) TO:

- ✓ View 1Q18 fact sheets and commentary
- ✓ Download our 2017 Annual Impact Report
- ✓ Listen to our webinar replay on the CRA Fund earmarking process for banks



## CRA FUND HIGHLIGHTS

### 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

Community Capital Management, Inc. is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Investing involves risk, including possible loss of principal. Bonds and bond funds are subject to interest rate risk and will decline in value as interest rates rise. The Fund is non-diversified. Current and future holdings are subject to risk.

The CRA Qualified Investment Fund is distributed by SEI Investments Distribution Co. (SIDCO), which is not affiliated with Community Capital Management, Inc. Carefully consider the risks, investment objectives, and charges and expenses of the Fund before investing. This and other information can be found in the Fund's prospectus which can be obtained by calling 866-202-3573. Please read the prospectus carefully before investing.