

CCM LUNCHESES IN NYC & BOSTON

It was great to see so many of you at our CRA luncheons over the summer held in New York City and Boston. We would like to thank our panel of CRA experts that participated in our New York lunch – Warren Traiger, Senior Counsel at BuckleySandler; Chelsea Cruz, Associate Director of Community Development Finance at the Federal Reserve Bank of New York; and Blondel Pinnock, Senior Vice President and Chief Lending Officer at Carver Federal Savings Bank, for their insightful thoughts and discussion on the proposed CRA changes, Q&As, CRA investing, and CRA policy issues.



We are researching cities in which to host similar CRA lunches. If you are interested in participating or helping us coordinate a panel of CRA experts, please email Jamie Horwitz at jhorwitz@ccminvests.com. We welcome all suggestions and ideas!

READ THE 3RD EDITION OF OUR CRA INVESTING SURVEY



We are excited to share the results from our third annual CRA Investing Survey that had 69 respondents. Responses are a mix of shareholders and non-shareholders in the CRA Qualified Investment Fund – CRA Shares (CRAIX). The results are always informative and we have highlighted two on page 4. Thank you to everyone who participated! To read the entire survey, please click [here](#).

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FALL EVENTS

CRA & Fair Lending Colloquium

November 4-7 | Hollywood, FL

Join CCM and Solomon Hess for a Reception at the Colloquium

CCM and Solomon Hess are co-hosting a wine and cheese reception on Tuesday, November 6 from 6-8pm at the Diplomat Hotel. We hope you can join us! To RSVP, please email jhorwitz@ccminvests.com.

New York Housing Conference Awards Luncheon

December 4 | New York, NY

THE NEED FOR AFFORDABLE RENTAL HOUSING



Since 2001, the U.S. has lost nearly 13% of its affordable housing inventory, and new construction of rental units has hit its lowest point since 1974.¹ Evidence continues to pile up revealing that housing affordability is getting worse, particularly for low-income households.² One of the latest examples, an analysis by Freddie Mac, examines rent changes for a sample of apartment buildings that the company financed at least twice between 2010 and 2016.³ The bottom line: it wasn't easy for low-income families to find an apartment they could afford in 2010 – in fact, only 11.2 percent of unsubsidized apartments were affordable to very low income households – and matters have gotten worse. In 2016, only 4.3 percent of units still met that standard.

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SPOTLIGHT: CRA FUND INVESTMENTS FOCUSING ON DISASTER RECOVERY



In our spring 2018 Community Investor newsletter, we included a story on Disaster Recovery and CRA credit. In January of this year, the federal banking regulatory agencies announced they will give favorable consideration under the CRA 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. In August, the Federal Reserve Bank of Dallas released a publication [“Weathering the Storm: A Framework for Meeting CRA Obligations”](#).⁵ The purpose of the publication is to provide financial institutions:

- A brief overview of disaster recovery and its connection to the Community Reinvestment Act (CRA)
 - A framework as to how financial institutions can qualify disaster-recovery activities under the CRA
 - A roadmap of how to identify opportunities that can help communities weather future storms
 - A template for financial institutions to tell their CRA story, highlighting lending, investments and services that are responsive to the needs of their assessment areas
 - Appendixes of CRA and disaster-recovery resources for additional information regarding disaster-related opportunities in their assessment areas
- As we are in the midst of the 2018 hurricane season, we highlight below three investments that helped refinance affordable multifamily properties in federally designated disaster areas in Puerto Rico. While altruistic efforts and aid are critical for all disasters, they typically take place immediately following the destruction, but most recovery efforts can take years, if not decades, to complete.



Villa Blanca Apartments Caguas, Puerto Rico

Villa Blanca Apartments is an affordable rental property for families in Caguas, Puerto Rico. The property consists of 54 two-bedroom and 46 three-bedroom units in eight, two- and three-story buildings across four and a half acres of land. All of the 100 units receives Section 8 assistance and the complex is located in a high-minority and high-poverty census tract. The majority of the population residing in this census tract are minority households (99%) and 45% of the population live below the poverty line.

Caguas is about 20 miles from the capital city of San Juan in Puerto Rico. The town had no power or running water for months after the storm. Many residents are still doing laundry by hand or washing their clothes in a small stream on the side of the road.

Villas De Humacao Apartments Humacao, Puerto Rico

Villas De Humacao Apartments is an affordable rental property for families in Humacao, Puerto Rico. The property consists of 60 two-bedroom, 36 three-bedroom, and 24 four-bedroom units with ten designated handicapped units. All of the 120 units receive Section 8 assistance. The property is located in a moderate-income, high-minority, and high-poverty census tract where 99% of the population are minority households and 69% of the population lives below the poverty line.

Humacao is a municipality in Puerto Rico located in the eastern coast of the island, about 45 minutes from the capital city of San Juan. The world-renowned resort community was a ghost town even months after the storm. The area was one of the last to receive help. For many residents, life has been reduced to getting through each day, working to ensure there's enough water, ice, gasoline, oil and food. Without electricity, the pumping stations that clean the water don't work, and unrefrigerated food quickly spoils.⁶

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CRA FUND INVESTMENTS ON DISASTER RECOVERY *continued from page 2*

Sagrado Corazon Apartments Ponce, Puerto Rico

Sagrado Corazon Apartments is an affordable rental property for the elderly in Ponce, Puerto Rico with 84 units. All of the units receive Section 8 assistance. The property is located in a high-minority and high-poverty census tract where 99% of the population are minority households and 45% of the population lives below the poverty line.

Ponce is Puerto Rico's second largest city to San Juan and is located in the southern coastal plain region. Six months after the hurricane, homes in Ponce were still in tatters and families were hoping for reconstruction help. The city suffered serious and costly damages with the hurricane's passage. Earlier this year, Ponce Mayor Maria Melendez announced that as part of the recovery process, the southern Puerto Rican municipality requested financing from the Federal Emergency Management Agency (FEMA) in the form of a Community Disaster Loan, which is capped at \$5 million, and was approved the maximum amount.⁷

⁵ <https://www.dallasfed.org/cd/pubs/storm>

⁶ <https://www.nbcnews.com/storyline/puerto-rico-crisis/anger-grows-hope-fades-puerto-rico-s-ground-zero-remains-n833421>

⁷ <http://caribbeanbusiness.com/fema-approves-5-million-loan-to-ponce-puerto-rico-after-hurricane-maria/>

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 6/30/18, the investment that included a loan to Villa Blanca represented 0.05% of the Fund's assets and the investment that included a loan to Villas De Humacao and Sagrada Corazon Apartments represented 0.12% of the Fund's assets.

HOUSING

THE NEED FOR AFFORDABLE RENTAL HOUSING *continued from page 1*

This is even more prevalent in particular geographies, specifically Northern California. According to a recent American Banker article, thousands of low-income tenants are being pushed out of their homes by rent hikes they can't afford. In the sale of affordable multifamily housing properties, new owners are increasing monthly rents to prevailing market rates which is pushing existing low- and moderate-income tenants out – and with no place to go.

The preservation of affordable rental housing is critical – now more than ever. Affordable housing is a core component of community development under the Community Reinvestment Act (CRA) regulations. National banks and federal savings associations (collectively, banks) may receive CRA consideration for loans, qualified investments, and community development services with a primary purpose of providing affordable housing, including multifamily housing for low- or moderate-income (LMI) individuals.⁴

Affordable housing *and* affordable rental housing continue to be one of the CRA Qualified Investment Fund's largest community development components. Since 1999, CCM has invested \$2.9 billion in affordable homeownership financing 18,600 mortgages to low- and moderate-income borrowers and \$4.1 billion in affordable multifamily housing financing 391,000 affordable rental units.

By supporting these initiatives, banks are assisting in the preservation of affordable housing for Americans nationwide.



¹ <https://www.forbes.com/sites/forbesrealestatecouncil/2018/07/02/thinking-forward-part-i-the-rise-of-renting-and-the-decline-of-the-white-picket-fence/>

² <http://www.jchs.harvard.edu/research/publications/americas-rental-housing-expanding-options-diverse-and-growing-demand>

³ http://www.freddiemac.com/multifamily/pdf/rental_affordability_worsening.pdf

⁴ <https://www.occ.treas.gov/publications/publications-by-type/other-publications-reports/cdi-newsletter/affordable-housing-march-2017/article-04-eanes.html>

HIGHLIGHTS FROM OUR 3RD ANNUAL CRA INVESTING SURVEY continued from page 1

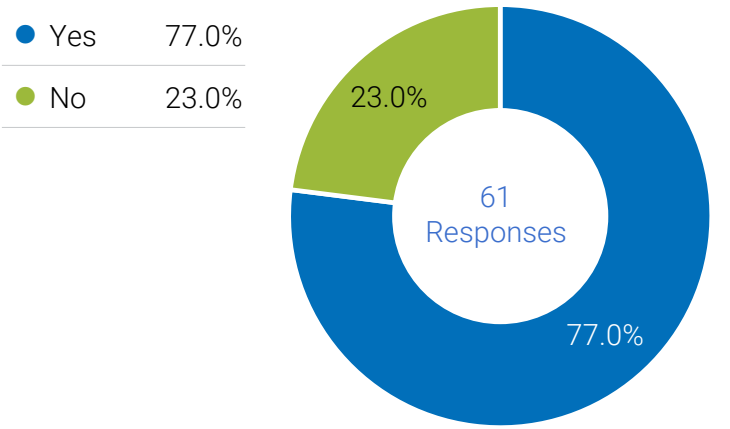
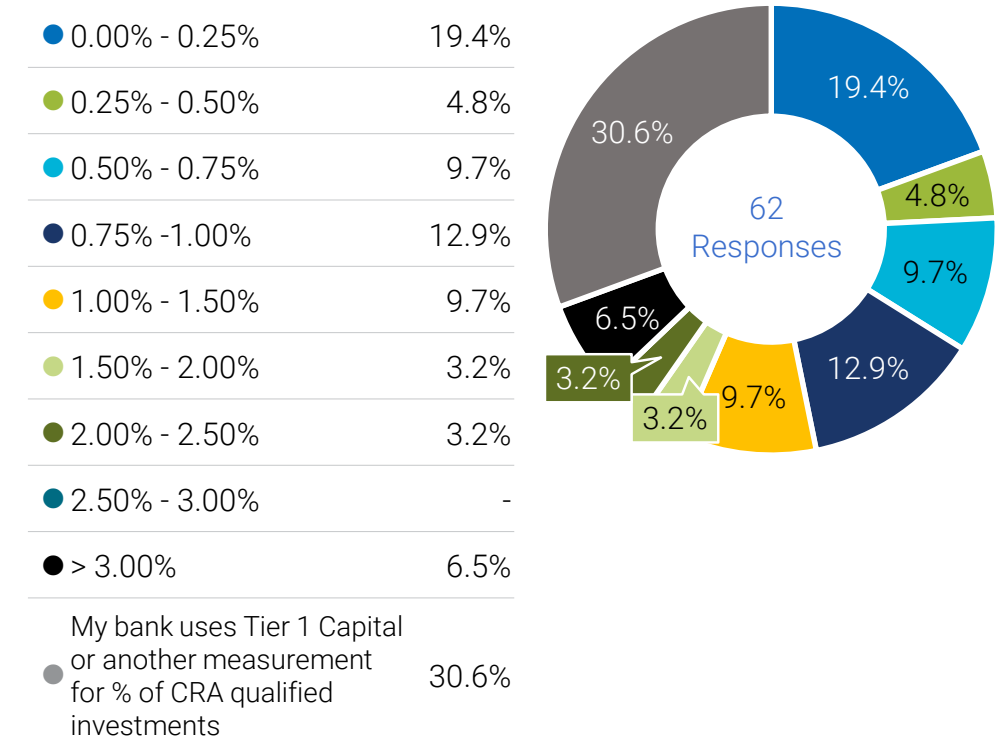
Thank you to everyone who participated! To read the entire survey, please click [here](#).

In your last CRA exam, what were your total qualified investments as a % of assets?

This is the most commonly asked question from banks. Unfortunately, there is no magical number. From our discussions with banks, the most consistent response is 1% of assets. However, the results show otherwise with 46.8% of banks selecting a percentage less than 1%. We were surprised that the number for 0-0.25% was as high as it was at 19.4%. It is also worthwhile to note that 30.6% of the survey respondents use Tier 1 capital or another measurement for % of CRA qualified investments.

Is your regulator giving current period consideration to investments that you have held over more than one CRA exam cycle?

This is the second most commonly asked question from banks invested in the CRA Fund. We always get mixed responses. We were glad to see that 77% of banks did receive current period consideration. Given the CRA Fund's earmarking process, we believe that CRA Fund shareholders should be receiving current period credit for new securities earmarked on their behalf each CRA exam cycle. We recently updated our summary letters to explain this concept to the regulators showing that the investments were earmarked during the bank's current exam cycle.



VISIT CCMINVESTS.COM TO:

- ✓ Read our 2018 CRA investing survey
- ✓ View 2Q18 fact sheets and commentary
- ✓ Download our 2017 Annual Impact Report



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

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