

# How Changes to the CRA Rule Impact the CRA Qualified Investment Fund For OCC-Supervised Banks Only

The Office of the Comptroller of the Currency (OCC) recently issued a final rule that makes significant changes to its enforcement of the Community Reinvestment Act (CRA) for OCC-Supervised banks. We have included below highlights of the CRA rule changes along with details of how these changes may impact banks in the CRA Qualified Investment Fund CRA Shares (ticker: CRAIX).

## Highlights of the CRA Rule Changes

- Substantive changes to CRA performance tests beginning January 1, 2023 affect all OCC-supervised banks with total assets over \$2.5 billion (approximately 100 banks which is less than 10 percent of OCC banks in total). The new “general standards” test includes several complex performance ratios to be calculated for each assessment area (AA) and for the overall bank. In addition, these banks and strategic plan banks (which will remain under their current test) must comply with changes to AA rules, and significant new data collection, recordkeeping, and reporting rules on January 1, 2023.
- Current existing tests for small, intermediate small (which will be known simply as “intermediate”), limited purpose, and wholesale banks have been retained. The agency will rely on existing policies and procedures when examining these banks. However, they will be subject to the new AA rules, as well as some additional data collection and recordkeeping requirements effective January 1, 2024.
- Several significant changes become effective on October 1, 2020. For example, changes in definitions will result in some large banks switching to the intermediate bank test and some intermediate banks switching to the small bank test. In addition, definitions and criteria for qualifying activities, which include retail and community development loans, investments, and services, will expand the types of activities considered.

For more information on the changes to the CRA rule for OCC-supervised banks, [click here](#) ▶

## About the CRA Qualified Investment Fund

The CRA Qualified Investment Fund, launched in 1999, invests in high credit quality fixed income securities that finance community development initiatives. The Fund has over \$2 billion in assets, making it one of the nation’s largest mutual funds of community development investments. The Fund seeks to provide (1) a high level of current income consistent with the preservation of capital and (2) investments that will be deemed to be qualified under the CRA of 1977. Today, CCM works with over 300 banks nationwide providing shareholders with customized and extensive CRA reporting.

## Good News for Investors in CRAIX

- All current qualified investments that are on a bank’s balance sheet on October 1, 2020 will be considered as qualifying activities, but will be known as community development investments instead of qualified investments.
- Financing for affordable housing for low- and moderate-income (LMI) borrowers remains a qualified activity.
- Mortgage-backed securities (MBS) and municipal bonds that finance owner-occupied housing purchased, refinanced, or improved by or on behalf of LMI individuals or families are qualified activities.
- Community development investments made directly into MBS and/ or municipal bonds or indirectly through funds are qualified activities.
- Financing affordable rental housing inhabited by LMI individuals/ families remains a qualified activity.
- Shareholders in CRAIX receive documentation that provides the location of community development investments, which remains an important component of all examination types.

- General standards test requires the collection of location data for every community development investment. It also requires annual reporting of detailed performance standards data in each AA, which will inform each AA rating.
- Intermediate test requires a community development test rating that considers the bank’s responsiveness to the community development needs of its AA.
- Small test considers optional community development related activities in assessment area(s).
- Limited purpose/wholesale test evaluates responsiveness to community development needs in AA.
- Strategic plans focus on helping to meet credit needs of AA.

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