

CRA CHANGES

In May, the Office of the Comptroller of the Currency (OCC) announced long-anticipated changes to rules that enforce the Community Reinvestment Act (CRA). The Federal Reserve Board decided not to join the proposed rule and has offered alternative approaches. The Federal Deposit Insurance Corporation (FDIC), which joined the OCC's proposed rule, decided not to join the final rule that was released.¹ The OCC's final rule makes significant changes to its enforcement of the CRA for OCC-Supervised banks. In response to the OCC's changes, we recently composed two new thought publications for banks.

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Overview of Changes to the CRA Rule for OCC-Supervised Banks

This document provides a broad overview of the final rule, including important aspects of the CRA that remain intact, changes that go into effect on October 1, 2020, and final rules that go into effect January 1, 2023 and January 1, 2024. Highlighted below are important aspects of the rule that remain intact. To read more on the changes that go into effect later this year and beyond, please download our full overview [here](#).

Important Aspects of the CRA Rule That Remain Intact

- Existing tests for banks designated limited purpose or wholesale, banks under strategic plans, small banks, and intermediate small banks (which will be known simply as "intermediate" banks) have been retained.
 - In general, small banks include those with total assets of \$600 million or less while intermediate banks include those with total assets over \$600 million but not more than \$2.5B.
 - Approximately 200 banks will be examined under the intermediate bank test, which includes 70 banks that will switch from the current large bank test to intermediate on October 1, 2020. The majority of banks (roughly 750 in total) will be examined under the small bank test. This includes about 166 banks that will switch from intermediate to small bank on October 1, 2020. Finally, there remain 28 banks designated as limited purpose, wholesale, and strategic plan banks.
- 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.
- The concept of performance context remains in the rule; factors to be considered have been codified, as opposed to being included in guidance. Some banks are required to submit information about their performance context to the OCC, on a form that will be made available on its website.
- Ratings will continue to be impacted by evidence of discriminatory and other illegal credit practices if they take place in the bank itself and not an affiliate. Indeed, affiliate activities are no longer considered in any part of the CRA performance evaluation.²

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

We have included below bullets of how the OCC changes may impact banks in the CRA Qualified Investment Fund CRA Shares (ticker: CRAIX). To read our full perspective on how the changes impact Fund shareholders, [click here](#).



- All current qualified investments that are on a bank's balance sheet on October 1, 2020 will be considered 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.

MINORITY CARES INITIATIVE



On Juneteenth, CCM launched its new Minority Community Advancement Racial Empowerment Strategy, also known as Minority CARES. The program was created in response to strong client interest in investments that focus on improving the lives of those in historically marginalized communities and

increasing economic opportunities for people of color. Minority CARES utilizes a blend of eight of CCM's 18 existing impact themes and amplifies and expands upon our current investing philosophies to further allow our investors the ability to target and positively impact empowerment for minority individuals, businesses, and communities.

Through Minority CARES, CCM will invest in market-rate, investment-grade, and well-researched bonds that align with the values of social justice, improvement in the lives of those in historically marginalized communities, and increased economic opportunity for people of color. To date, we have invested approximately \$90 million in the initiative. For more information, please download our [Minority CARES overview](#) and listen to a [replay of a webinar](#) on the initiative.

Minority CARES Video

Given the level of interest in and excitement around Minority CARES, we created a new video on the initiative in July which highlights the history of economic injustice, how Minority CARES looks to have a positive impact in underserved minority communities, and ways in which to invest. The video features CCM's CFO, James Malone, and his family's personal experience with racial injustice. We are so pleased with the video and very much appreciate James sharing his story. We hope you enjoy it too. The video is available [here](#).



BANKS AND MINORITY CARES

One of the most frequently asked questions we have received regarding Minority CARES from banks is if they are able to target an investment to a geographic area and will it be 100% CRA eligible in Minority CARES. A bank can make an investment in Minority CARES and we will do our best to invest in minority communities, but it will also depend on the geographies or assessment areas (AAs) the bank is looking to target. If the bank can provide us with their specific AAs to target through Minority CARES, we can provide a better idea of our ability to find investments specifically in minority census tracts and that are CRA qualified. We believe we can accomplish both so long as the AAs are not too narrowly defined.



COMMUNITY OUTREACH SUPPORTING COVID-19 RELIEF EFFORTS

CCM is committed to giving back to the communities and environment in which we live and work. Witnessing the magnitude of the destruction caused by COVID-19, we were highly motivated to find ways to support our local communities, organizations aiding in relief efforts, and those most in need. Our team is volunteering at food distributions, decorating medals for medical workers, making masks, and donating to organizations supporting relief efforts. In June, we created a video on [CCM's community outreach supporting COVID-19 relief efforts](#) and some of the organizations we have volunteered with and supported during these challenging times.



CRA INVESTMENTS WITH A FOCUS ON MINORITY ADVANCEMENT



Henrico Arms Apartments

Richmond, Virginia
Sector: Agency CMBS

Henrico Arms Apartments is an affordable housing property in Richmond, Virginia (Henrico County). All 230 residential units receive Section 8 assistance. The property is in Census Tract 2015.01, a high-minority, high-poverty census tract where 84 percent of the population are minorities and 21 percent live below the poverty line. The apartments at Henrico Arms were recently remodeled and now have energy-efficient appliances. The property offers residents laundry facilities, 24-hour emergency maintenance service, beautiful landscaping, and a playground. Utilities are included in the rent, which helps residents keep their expenses predictable. Henrico Arms is conveniently located near public transportation so places like downtown Richmond, home to a variety of options for dining, shopping, and entertainment, including Richmond’s Landmark Theatre, are never far away. Henrico Arms is also within walking distance of local parks and recreation facilities.

During most of the 20th century, the neighborhoods where people lived and worked in Richmond – even the boundaries of the city – were shaped by race. For decades after WWII, the city’s leaders fought a well-publicized battle to maintain this system and prevent the city’s population from becoming majority black. Though Richmond has had a significant black population for much of its history, until the end of World War II, black residents usually made up around one third of the city’s population, with most segregated into the blocks immediately north of Broad Street. During the early 20th century, many black families in Virginia began moving north out of rural counties to escape grinding poverty and a host of Jim Crow laws which discriminated against them. Initially, many moved to northern cities where better jobs were available, and they hoped discrimination would be less persistent. But Richmond grew increasingly attractive after World War II when, for a span of years, it had the fastest growing economy in the country. By 1960, Richmond’s population had begun to decline as white residents left the city en-masse for the suburbs, but the city’s black population continued to grow, increasing to 42 percent of the population. During the 1980s, many of Richmond’s black residents also began moving out of the city to neighboring counties looking for newer housing, safer neighborhoods, and better schools. With both its white and black residents leaving the city, Richmond’s population declined by over 20 percent over several decades, from around 250,000 in 1970 to 194,000 in the mid-2000s.³ Since its population bottomed out in the mid-2000s, Richmond has quickly rebounded, its population growing to over 230,000 as of July 2019 with its racial makeup almost evenly split amongst white and black residents (see **TABLE** on the right).



Source: <https://www.apartmentguide.com/apartments/Virginia/Richmond/Henrico-Arms>

Race and Hispanic Origin %

White alone	45.4%
Black or African American alone	47.8%
American Indian or Alaskan Native alone	0.4%
Asian alone	2.1%
Native Hawaiian or Other Pacific Islander alone	0.0%
Two or more races	3.3%
Hispanic or Latino alone	6.7%
White alone, not Hispanic or Latino	40.4%

Source: <https://www.census.gov/quickfacts/richmondcityvirginia>

Fellowship Manor

San Francisco, California
Sector: Agency CBMS

Fellowship Manor is an affordable housing property for seniors and people with disabilities in the heart of one of the most diverse neighborhoods in San Francisco, California. All 105 residential units receive Section 8. The property is in a low-income, high-minority, and high-poverty census tract where 80 percent of the population are minorities and 32 percent live below the poverty line. Fellowship Manor offers residents a computer room, laundry facility, and family recreation area, as well as a community kitchen, dining room, and meeting space. Their commitment to inclusiveness and equality is celebrated daily with their diversity. With a clear and conscience goal to celebrate individual differences, where everyone is respected, where their staff, residents, as well as those who service the property, are all treated with dignity, they seek to continuously strive for an environment that provides everyone a fair opportunity to fulfill their potential without suffering discrimination or disadvantage.⁴ Fellowship Manor is run by Bethel A.M.E. Church, the oldest African American church in San Francisco. Its mission is to foster an economically and socially sustainable society by promoting the value of diversity. Bethel AME Church was founded



Source: <http://www.fellowshipmanor.net/ame.html>

CRA INVESTMENTS

in the midst of social, economic, and political change. They have a variety of ministries including men's, women's, children and youth, housing, music, and more and membership is open to people of all races.⁵

The rising cost of housing in the Bay Area has dramatically re-segregated neighborhoods by race and pushed minority families to the outer edges

of the region. Researchers at UC Berkeley and the California Housing Partnership studied tract-level census data from 2000 to 2015 in each of the nine Bay Area counties. They found that a 30 percent increase in median rent corresponded with a 28 percent decrease in low-income minority households but no significant change in the number of white families.⁶

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 06/30/20, the Henrico Arms Apartment investment and the Fellowship Manor investment represented 0.04 percent and 0.08 percent, respectively, of the Fund's assets.



VISIT CCMINVESTS.COM TO:

- ✓ Watch our new video on community outreach supporting COVID-19 relief efforts
- ✓ Download our new reports on CRA changes
- ✓ Read about our new Minority CARES initiative

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

¹ <https://ncrc.org/joint-statement-on-cra-rule-changes-from-occ/> ² Seemingly contradictory language in preamble, page 59, has led to some industry confusion on affiliate activities: "The agency notes, however, that it considers qualifying activities to be conducted by a bank if the bank finances or otherwise supports a qualifying activity, even if the transaction involves an intermediary. The final rule will not require or provide the option for banks to consider affiliates' activities." We sent a request for clarification to the OCC and they responded that they intend to issue some clarifications and guidance before the effective date. ³ <http://statchatva.org/2015/04/07/richmonds-quiet-transformation/> ⁴ <http://www.fellowshipmanor.net/> ⁵ <https://www.bethelamecsf.org/> ⁶ <https://www.sfchronicle.com/bayarea/article/Bay-Area-housing-prices-push-low-income-13596075.php>

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.