



CRA AT FORTY

Wise Investment: Driving Greater Social Impact While Meeting CRA Needs

Jessica Botelho
Community Capital Management

Community development has proven to be a viable investment approach for thousands of individual investors, small businesses and large institutions, including some of the nation's most prominent and successful banks.

In fact, for banks, investing in communities is more than just a viable business strategy. The Community Reinvestment Act has long mandated providing access to credit and capital to all credit-worthy borrowers in the community. Congress passed the CRA in 1977, requiring that each federally insured depository institution meet the credit needs of the communities they serve, including low- and moderate-income neighborhoods, without compromising safety and soundness. In 1989, Congress passed the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), which introduced a four-tier grading system for measuring a bank's CRA performance and mandated public disclosure of all CRA reviews. And in 1995, the regulatory bodies implemented a new "three-pronged" CRA exam that evaluates depository institutions' performance based on lending, service and investments.

The CRA Qualified Investment Fund, also known as "CRA Shares" (ticker: CRAIX), was launched in 1999 as a vehicle for banks looking to satisfy the "investment" test portion of their CRA exam. Because the CRA does not differentiate between a direct or indirect qualified investment¹, the CRA Fund was created as a vehicle for banks to make CRA-qualified investments while also having the capability to target the exact geographies or communities they want those investments to support. This process, called "earmarking," ensures that qualified investments directly benefit the banks' communities.

Since the inception of the CRA Fund, Community Capital Management (CCM), its registered investment adviser, has taken careful steps to ensure that qualified investments are never "double counted" and are only earmarked on a dollar-for-dollar basis. The CRA Fund's earmarking process is driven by the bank shareholder providing information on its county-level assessment areas ("AAs"). The bank shareholder informs CCM whenever there are

¹ *Interagency Questions & Answers Regarding Community Reinvestment*, July 25, 2016 Q&A__23(a)-1

any changes to its AAs. Qualified investments in those targeted AAs are then purchased and earmarked dollar-for-dollar to the bank shareholder. The bank shareholder receives extensive documentation to support that the primary purpose of each investment is “community development.” This process repeats itself based on each bank’s CRA exam schedule.

All the CRA Fund’s investments finance a variety of community development initiatives, helping communities in ways that go beyond the straightforward benefits we see on paper. Additionally, many have won awards for excellence in community and economic development and design. One recent example is an investment financing the Congress Building in CCM’s backyard of Miami, Florida. The building is a historic Beaux Arts high-rise community with 128 units for low-income tenants. Originally built in 1923 as office space, it was added to the National Register of Historic Places in 1985 and later restored and converted to affordable apartments in 1998. On-site resident amenities include financial counseling, educational courses and job training. Looking at off-site benefits, the property is conveniently located next to the Miami-Dade Metromover, a free mass transit automated people mover train system with routes to 21 stations throughout the city.

Today, after 18 years of investing in communities, the \$2 billion CRA Fund remains a powerful tool for over 400 banks, of all shapes and sizes, looking to satisfy their CRA investment requirements. As a result, CCM’s proactive, socially conscious approach to fixed income investing has made a direct, positive impact – nearly \$8 billion worth – in underserved communities in all 50 states across America, including inner-city neighborhoods, rural communities and regions devastated by natural disasters. This translates into 383,000 affordable rental units; 16,700 affordable mortgages; \$336 million in enterprise development and job creation; \$412 million in economic development; \$894 million in statewide homeownership and down payment assistance; and \$33 million in affordable healthcare and rehabilitation facilities. Beyond the numbers, my colleagues and I have seen firsthand the impact these investments have on communities in ways that are difficult to quantify but easy to qualify. These investments have saved beautiful buildings, improved the neighborhoods they reside in and benefited the people who live in and around them. These investments bring an all-important human element to work that can sometimes feel removed.

What started as a tool for banks to meet their CRA obligation has now grown to include investments from foundations, pension funds, religious organizations, not-for-profits, family offices and many others. As the CRA turns 40 and continues to be an important and significant part of our nation’s financial legislation, we are excited to support its ongoing positive impact in our nation’s underserved communities.

Community Capital Management is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. The CRA Qualified Investment Fund is distributed by SEI Investments Distribution Co. (SIDCo). SIDCo is not affiliated with Community Capital Management. 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 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 866-202-3573. Please read it carefully before investing.

Impact figures are approximate since inception (8/30/99) as of 6/30/17. The Congress Building investment represented 0.28 percent of the Fund’s assets as of 6/30/17.

ABOUT THE AUTHOR

JESSICA BOTELHO is the Director of CRA & Impact Research at Community Capital Management. In this role, she is responsible for overseeing and gathering all impact and CRA research as well as impact investing reporting. She additionally manages all facets of CRA Investment Test needs including CRA documentation and fulfillment, proactive summary earmarking letters prior to a banks' CRA exam and maintaining relationships with federal regulators. Jessica joined CCM from Acadian Asset Management. Jessica received her B.S. in Business Marketing from the University of Massachusetts Dartmouth, Charlton College of Business. She holds FINRA licenses Series 6 and 63.

ABOUT THE BOOK

This article first appeared in **CRA at 40: Views on the Present and Future of Community Reinvestment**, published by findCRA in November 2017. The book was created in celebration of the 40th anniversary of the Community Reinvestment Act. It tells the stories of community development, from the perspective of those working in our communities who bring their knowledge and passion to bear every day in confronting the most critical problems facing communities in need. The book is about real-world experiences told in plain language by those who live them to provide a lens for readers to see CRA at work, ideas for its future and most importantly, what it means in people's lives. To access the full text or order copies of the book, please visit www.findCRA.com/CRAat40.