THE CRA QUALIFIED INVESTMENT FUND –

Achieving Qualitative Performance Criteria for CRA Investing

March 2012

COMMUNITY
CAPITAL
MANAGEMENT
Revitalizing America

ABOUT THE AUTHOR

Barbara VanScoy is Chair of the Board, Senior Portfolio Manager and a Founder of Community Capital Management. In her role, Barbara is responsible for fixed income and community development research and client portfolio management. She is a well-regarded author, speaker and expert on the Community Reinvestment Act (CRA). Through her work, Barbara has created an extensive network of mortgage originators and municipal underwriters to encourage the production of affordable housing, job training programs and affordable healthcare facilities. Before joining Community Capital, Barbara was Director of Mortgage Research at SunCoast Capital Group, Ltd. She began her investment career in 1991 and holds a BS in Finance from The University of Florida. Barbara serves on the Board of Directors and is Secretary of the Southern Municipal Finance Society (SMFS), and is past Co-Chair of the Securities Taskforce of Women in Housing and Finance. She is also a member of the National Federation of Municipal Analysts and a Founding Chair of The Charlotte Lacrosse Foundation. In 2008, Barbara was named one of the "20 Rising Stars of Fixed Income" by *Institutional Investor*.

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Section I

Background & Purpose of the CRA

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution.[1] Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

The investment test evaluates a bank's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Performance Criteria for CRA Investments

The investment performance of a bank is evaluated pursuant to the following criteria:

(1) The dollar amount of qualified investments;
(2) The innovativeness or complexity of qualified investments;
(3) The responsiveness of qualified investments to credit and community development needs; and
(4) The degree to which the qualified investments are not routinely provided by private investors.

Qualified Investments

A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors:

(1) Affordable housing;
(2) Community services targeting low- and moderate income individuals;
(3) Activities that promote economic development by financing small farms and small businesses; and
(4) Activities that revitalize or stabilize low- and moderate-income geographies.

[1]*The CRA was enacted by Congress in 1977 (12 U.S.C. 2901) and is implemented by Regulations 12 CFR parts 25, 228, 345, and 563e.*

Section II

The CRA Qualified Investment Fund CRA Shares

The CRA Qualified Investment Fund (the "Fund") CRA Shares (Ticker: CRAIX) was launched in 1999 as a community investing vehicle to help banks meet the requirements of the CRA. ***The CRA Shares was created specifically for banks looking to garner positive consideration on the investment test portion of their CRA exams.***

Out of over 700 CRA exams, every bank in the Fund has earned positive consideration for their investment and on behalf of over 300 bank shareholders, CCM has invested $3.6 billion in qualified investments in all 50 states, Puerto Rico and the U.S. Virgin Islands, including[2]:

- 207,000 Affordable Rental Housing Units
- 8,700 Home Mortgages for Low- to Moderate-Income Families
- $28 Million in Affordable Healthcare Facilities
- $164 Million in Community Development Including Neighborhood Revitalization and Environmental Sustainability
- $386 Million in Down Payment Assistance and Statewide Homeownership Programs
- $120 Million in Job Creation and Small Business Development

In addition to the quantitative factors such as dollars invested and affordable housing units produced, the Fund strives to meet the qualitative performance objectives set forth by the banking examiners.

As noted in the CRA Interpretive Letter dated May 16, 1996, *"an innovative practice is one that serves low- and moderate-income individuals or areas in new ways or serves such groups or areas not previously served by an institution. Although a practice ceases to be innovative if its use is widespread, it may nonetheless receive further consideration as a flexible lending practice or a complex investment structure."*

The excerpts of qualified investments purchased on behalf of bank shareholders that follow meet several or all of the qualitative performance criteria for consideration. Many of these investments showcase the capital stack required to construct and maintain community development projects. These projects are often the first of their kind, demonstrating creative and thoughtful leadership in community development finance and investing.

[2]*Approximate figures as of 12/31/11. CRA Exams conducted by FDIC, OCC, OTS and FRB. These regulators have not approved or disapproved of the fund.*

Section III

Performance Criteria for CRA Investments

The investment performance of a bank is evaluated pursuant to the following criteria:

(1) The dollar amount of qualified investments;
(2) The innovativeness or complexity of qualified investments;
(3) The responsiveness of qualified investments to credit and community development needs; and
(4) The degree to which the qualified investments are not routinely provided by private investors.

Example 1 of *"innovativeness or complexity of qualified investments"*

New York City Housing Development Corporation Revenue Bonds

The New York City Housing Development Corporation Revenue Bonds were utilized to "Federalize" a portfolio of 21 public housing developments, totaling 20,150 units. The transactions incorporated a mixture of financing sources including tax-exempt and taxable bonds, Low Income Housing Tax Credits and federal funds allocated to New York City Housing Authority (NYCHA) under the American Recovery and Reinvestment Act of 2009 (ARRA). ***The transaction is one of the largest tax credit bond deals in the nation's history.***

NYCHA received more than $400 million in public and private funding, the majority of which will go to capital improvements. The resulting property upgrades will create hundreds of construction jobs. The sale enabled U.S. Department of Housing and Urban Development (HUD) to include the buildings in a federal subsidy program that will deliver $65-$75 million every year for ongoing maintenance.

Out of NYCHA's 334 housing developments, the 21 properties financed by the deal were built by the City and State – with no Federal funding – although they were operated and maintained as public housing. Their City and State subsidies gradually were eliminated beginning in 1995. As a result, NYCHA has had to maintain them by sharing the federal funds it receives for the other 313 public housing developments, decreasing NYCHA's capacity to repair, renovate and maintain all its public housing units.

The Mixed-Finance Acquisition and Rehabilitation Program leveraged ARRA Funds with bonds issued by the Corporation and 4% tax credits. The transaction enabled NYCHA to access subsidies from HUD, and represents an important opportunity for NYCHA to significantly reduce its structural deficit, stabilize the economics of the properties, and make needed property improvements.

Example 2 of *"innovativeness or complexity of qualified investments"*

Murphy Park Apartments

A Ginnie Mae multifamily mortgage-backed security financed Murphy Park Apartments, an affordable rental property located in a low-income area of St. Louis. Murphy Park Apartments (formerly Vaughn Towers public housing development) was built in 1957. By the mid-1980s, Vaughn Towers, surrounded by blighted public housing and dilapidated private property, was in trouble. ***McCormack Baron Salazar (MBS), the developer, joined forces with HUD, the St. Louis Housing Authority, and Vaughn Towers' residents to create a new model for inner-city housing: one that combined public housing for very low income people, affordable housing, and units at market rates, within a single privately owned and managed development.***

With a bold and creative financing proposal, MBS began a HUD demonstration program to replace the four nine-story buildings at Vaughn Towers. This effort proved so successful that HUD created the HOPE VI program based on the principles of mixed-income residents and mixed-financing sources, both public and private.

Murphy Park Apartments in St. Louis, Missouri
Photo courtesy of McCormack Baron Salazar

Murphy Park is a mixed-income development consisting of 132 market-rate units, 56 tax credit rent-restricted units, and 223 public housing units. Tax credit rent-restricted units are reserved for households making 60 percent or less of the area median income. Public housing units are reserved for households with incomes of 80% or less, although in practice the actual income of residents is far lower.

A public-private sector partnership was formed to strengthen the community and provide supportive services such as day care, job training, youth services, and health services to residents.

Example 3 of *"innovativeness or complexity of qualified investments"*

Denver Gardens

A Fannie Mae security financed Denver Gardens Apartments, an affordable rental property for low-income seniors. The property operates under a Project Based Section 8 HAP (Housing Assistance Payments) contract. Denver Garden's HAP Contract was scheduled to expire in 2011. Recognizing the risk of losing much needed affordable housing, Community Housing Concepts purchased Denver Gardens and developed a renovation plan totaling $3 million in interior and exterior property improvements, nearly $1 million of which incorporate sustainability features such as photovoltaic panels that lower Denver Garden's energy costs and improve livability for the residents.

To finance the $14 million purchase and renovation, Community Housing Concepts sought funding through the Governor's Energy Office and Denver's Road Home and applied for Low Income Housing Tax Credits (LIHTC). In 2009, Denver Gardens was awarded nearly $759,000 in LIHTC by Colorado Housing and Finance Authority (CHFA). At the time of the tax credit award, Denver Gardens estimated tax credit investors would contribute $5,534,386 to support Denver Gardens. Unfortunately, the economic decline significantly impacted Denver Garden's ability to sell the LIHTC at the price needed to make their deal a reality.

The inability of LIHTC to fund affordable housing projects as expected was a nationwide problem which began in early 2008 as the investor prices declined. The subsequent gaps in financing which occurred in LIHTC projects across the U.S. threatened the completion of much needed affordable housing. As a result, Congress created the Tax Credit Assistance Program (TCAP) as part of the American Recovery and Reinvestment Act. Congress funded the TCAP program with $2.25 billion nationwide and directed state LIHTC allocating agencies, such as CHFA, to use the funds to provide grants or loans to affordable housing developments so they could move forward.

CHFA awarded Denver Gardens $1.7 million in TCAP funds, which helped close the gap it was facing due to the Tax Credit market decline. With this award, Denver Gardens was able to close its $14 million transaction. Community Housing Concepts has renewed Denver Garden's HAP contract for an additional 20 years.

CHFA was the first state in the nation to close and fund a project through the TCAP program. U.S. HUD Secretary Shawn Donovan said, "Thanks to their quick and efficient implementation efforts, Colorado is one of the first states in the nation to put Recovery Act funds to work to jumpstart low income housing construction, which will help to jumpstart the state's economy." Secretary Donovan continued, "The TCAP program will significantly boost efforts to put people back to work across the state while providing quality, affordable housing options for low income families at a time when those options are critical."

CHFA estimates that by providing Denver Gardens with the $1.7 million Recovery Act award, the total $14 million project will spur $29.8 million in economic impact and support 222 jobs.

Section IV

Performance Criteria for CRA Investments
The investment performance of a bank is evaluated pursuant to the following criteria:

(1) The dollar amount of qualified investments;
(2) The innovativeness or complexity of qualified investments;
(3) The responsiveness of qualified investments to credit and community development needs; and
(4) The degree to which the qualified investments are not routinely provided by private investors.

Example 1 of *"responsiveness of qualified investments to credit and community development needs"*

Arbor Court Apartments: Social Services Targeted to Low- or Moderate-Income Persons
A Fannie Mae multifamily security financed Arbor Court Apartments, a LIHTC property located in a low-income area of Los Angeles County where 100% of the units are restricted to low- and very-low income elderly and disabled residents.

The loan to Arbor Court Apartments financed the acquisition and rehabilitation of an underutilized commercial hotel into 150 modern apartments designed especially for very low-income seniors and disabled individuals. ***The project, located in an historic redevelopment district of Lancaster, is part of the city's effort to create a social service "hub" for the community and will provide comprehensive on-site support services at no cost to the residents.*** The complex houses a 10,000 square foot adult day healthcare facility offering occupational therapy, speech therapy, and several other options of rehabilitation. There is also a 90-station touch screen computer technology learning center, and nutritional meals are offered by the Antelope Valley Committee on Aging. The project includes Solar Panel technology.

The project received an Affordable Housing Program (AHP) subsidy of $1,000,000 from the Federal Home Loan Bank of San Francisco. The AHP facilitates the development of affordable rental housing and homeownership opportunities for very low-, low-, and moderate-income households. Through a competitive application process, the Bank provides grants or subsidized interest rates on advances to members to finance their affordable housing initiatives. Of the project's 150 units, 15 units are restricted to residents with incomes between 0% and 25% of area median income (AMI); 134 units for residents with incomes between 31% and 50% of AMI; and one unit at 60% or less of AMI.

Example 2 of *"responsiveness of qualified investments to credit and community development needs"*

New Communities Initiative: Human Capital
The District of Columbia Series 2010 Bonds were issued to finance the New Communities Initiative, including the New Communities Projects. The Housing Production Trust Fund (HPTF) Act authorizes the issuance of revenue bonds "to assist in financing, refinancing, or reimbursing costs of undertakings by the District to accomplish the purposes of the New Communities Initiative." ***The HPTF Act defines the "New Communities Initiative" as "a large scale and comprehensive plan, submitted by the Mayor to the Council for approval, that provides housing infrastructure with a special focus on public housing, provides critical social support services, decreases the concentration of poverty and crime, enhances access to education, and provides training and employment education to neighborhoods where crime, unemployment, and truancy converge to create intractable physical and social conditions."***

The New Communities Initiative is a comprehensive partnership designed to improve the quality of life for families and individuals living in four neighborhoods in Washington, DC: Northwest One, Barry Farm, Lincoln Heights/Richardson Dwellings, and Park Morton. The New Communities Initiative provides resources so that the community, in partnership with public and private entities, can work to transform highly concentrated low-income neighborhoods into healthy mixed-income neighborhoods. The Initiative protects housing for the poor with a one-for-one replacement of existing affordable housing, while improving community anchors like schools and recreation centers. Equally important, the New Communities Initiative works with the community to address residents' social and economic needs by providing linkages to job training, asset building, health supports, youth development, and other supportive human services.

Not only will it protect 520 units of deeply subsidized housing, it creates almost 600 new affordable units and 600 market rate units. In addition, the plan calls for a new 600 student kindergarten to eighth grade public school, a new 20,000 square foot recreation center, new playing fields and parks, a new 10,000 square foot health clinic and new neighborhood library. ***The plan also includes a Human Capital Plan that provides the tools to move families toward self-sufficiency, as their neighborhood changes.***

In the Northwest One neighborhood, they have a redevelopment strategy that serves as a roadmap for the creation and expansion of a new socially and economically integrated neighborhood, new housing, roads, public facilities and community amenities. The vision and principles were developed through intensive consultation with residents and other stakeholders, including most District agencies, local community organizations, non-profits, local foundations, churches, resident associations, schools, the Northwest One Councils and neighborhood residents.

Example 3 of *"responsiveness of qualified investments to credit and community development needs"*

Maine Medical Center: Health Services Targeted to Low- or Moderate-Income Persons or Areas
The proceeds of the Maine Health and Higher Educational Facilities Authority Series 2011B Bonds were loaned to Maine Medical to refinance outstanding revenue bonds. Maine Medical is a 637-bed, non-profit, teaching, 501(c)(3) hospital established to provide health care services through its acute care, specialty care, and ambulatory care facilities. Maine Medical Center is a nonprofit that serves as a community hospital for the people of greater Portland, Maine and as the premier tertiary care center for northern New England.

Maine Medical Center provides staffing for Sagamore Village Health Center, a clinic in a disadvantaged Portland neighborhood and CarePartners, a program that provides free care and access to low-cost or free pharmaceuticals as part of this "safety net" program.

Maine Medical Center serves areas classified as Medically Underserved by the U.S. Department of Health and Human Services, Health Resources and Services Administration (HRSA). Medically Underserved Areas/Populations are areas or populations designated by HRSA as having: too few primary care providers, high infant mortality, high poverty and/or high elderly population. Health Professional Shortage Areas (HPSAs) are designated by HRSA as having shortages of primary medical care, dental or mental health providers and may be geographic (a county or service area), demographic (low income population) or institutional (comprehensive health center, federally qualified health center or other public facility).

Example 4 of *"responsiveness of qualified investments to credit and community development needs"*

Brittany Place Apartments: Designated Disaster Areas
A Fannie Mae multifamily security financed Brittany Place Apartments, an affordable rental property in Port Arthur, Texas. Brittany Place Apartments was constructed using Community Development Block Grant (CDBG) disaster relief funds to rebuild following the irreparable damage done to the project during Hurricane Rita.

The 2005 hurricane season was one of the most extreme in recorded history. The gulf coast of Texas was hit by several huge storms that caused tremendous destruction. In August, 2005, Hurricane Katrina made landfall in Louisiana and then in September, 2005, Hurricane Rita made landfall near Sabine Pass on the southeast Texas Gulf Coast. The rages of Hurricane Rita left over 75,000 homes in southeast Texas severely damaged or destroyed. As a result of Hurricane Katrina, Texas experienced an influx of evacuees from Louisiana. It is estimated that Texas absorbed more than 400,000 evacuees shortly after the storms. The overall impact of Hurricanes Katrina and Rita in Texas was widespread and evident. According to the Federal Emergency Management Agency (FEMA), 640,968 Katrina and Rita applicants for assistance were residing in Texas as of February 1, 2006.

In an effort to help states recover from these devastating storms, Congress appropriated funds through HUD's CDBG program. Texas received an initial allocation from HUD of $74,523,000 in February 2006. Recognizing the ongoing need, Congress made a second appropriation in June 2006, resulting in $428,671,849 to the State of Texas. The Texas Department of Housing & Community Affairs (TDHCA) was designated as the lead agency for these two disaster recovery CDBG allocations. The funds must meet one of HUD's national objectives of urgent need, removal of slum or blight, or households with incomes not exceeding 80 percent Area Median Family Income (AMFI).

Texas utilized over $82 million in a state-administered affordable rental program to replace or rehabilitate seven rental developments in the affected areas, including $11,046,835 to reconstruct Brittany Place I in Jefferson County.

Example 5 of *"responsiveness of qualified investments to credit and community development needs"*

The Muses: Community Revitalization

A Fannie Mae multifamily security financed The Muses, a mixed income development consisting of 263 apartments, 28 market rate condos and 4,000 square feet of commercial space in the Central City neighborhood of New Orleans. The mortgaged property is subject to a regulatory agreement which places income restrictions on eligible tenants ranging from 20% to 80% of area median income.

The Muses was funded through a combination of Gulf Opportunity (GO Zone) tax credits, Road Home Piggyback CDBG funds and private investment such as Jericho Road Episcopal Housing Initiative of New Orleans. Gulf Coast Housing Partnership is the owner-developer of the project. The mission of Gulf Coast Housing Partnership (GCHP) is to revitalize the Gulf Coast through transformative development. Working in partnership with public, nonprofit, and private entities, GCHP creates vibrant, high quality communities which are socially and economically integrated affordable and sustainable

The Muses was featured as a Case Study for LIHTC developments in the "Louisiana Housing Needs Assessment 2010." ***The Muses is part of a larger revitalization initiative, focusing on blight removal and revitalization of underutilized urban land. The five acre site was previously vacant, fallow land with limited redevelopment potential. By combining private equity, state subsidies and city-sponsored redevelopment, The Muses is expected to serve as an anchor for the Central City revitalization initiative.***

The Muses is a Leadership in Energy and Environmental Design (LEED)-certified urban infill development, and is on track to be the first LEED-Silver-certified apartment complex in Louisiana. Enterprise Green Communities provided a $50,000 grant to The Muses for green building in the Gulf Coast.

Novogradac Journal of Tax Credits awarded The Muses Project a Development of Distinction in the Overcoming Significant Obstacles category in 2010. The Muses also got an honorable mention as a LIHTC Project That Best Exemplifies Major Community Impact.

Example 6 of *"responsiveness of qualified investments to credit and community development needs"*

Classic Rehabilitation: Small Business Financing

A Small Business Administration (SBA) loan financed Classic Rehabilitation, a rehabilitation center in a moderate-income area of Grand Prairie, Texas.

Classic Rehabilitation offers patients state-of-the-art rehabilitation with comprehensive aquatic therapy, physical therapy, and specialty rehab programs. Aquatic therapy has proven to be a great method of recovery and wellness, with benefits including reduced joint stress, improved mobility and strength, decreased swelling, increased circulation, and increased balance and coordination.

Classic Rehabilitation currently employs ten people and is located in a Historically Underutilized Business Zone (HUBZone), an area designated by HUD as economically distressed.

ABOUT COMMUNITY CAPITAL MANAGEMENT, INC.

Community Capital Management, Inc. is the registered investment advisor to the CRA Qualified Investment Fund CRA Shares (CRAIX). The CRA Shares are designed specifically for banks looking to receive positive consideration on the investment test portion of their CRA Exam. The CRA Qualified Investment Fund was initiated in August, 1999 and seeks to provide current income consistent with the preservation of capital through investments in high-credit quality fixed income securities that support community development activities.

For additional information on the community development investments included in this piece or general questions on Community Capital Management and the CRA Qualified Investment Fund, please contact 877-272-1977 or visit www.ccmfixedincome.com.

The CRA Qualified Investment Fund is distributed by SEI Investments Distribution Co. (SIDCO) which is not affiliated with Community Capital Management, Inc.

Investing involves risk including loss of principal. Bonds and bond funds will decrease 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 carefully before investing. Other classes of the fund are available by separate prospectus which have different expenses and intended investors.

As of December 31, 2011, the investments mentioned in this piece represented the following percentages of the Fund's assets: New York City Housing Development Corporation – 0.18%; Murphy Park Apartments: 0.19% (as of 1/31/12); Denver Gardens – 0.32%; Arbor Court Apartments – 0.34%; New Communities Initiative – 0.11%; Maine Medical Center – 0.03%; Brittany Place Apartments – 0.23%; The Muses – 0.02% (as of 1/31/12); and Classic Rehabilitation – 0.34%.

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COMMUNITY
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May 17, 2013

Via E-mail

OCC
regs.comments@occ.treas.gov
Docket ID OCC-2013-0003

FRB
regs.comments@federalreserve.gov
Docket No. OP-1456

FDIC
comments@fdic.gov

Re: Community Reinvestment Act, Interagency Questions and Answers Regarding Community Reinvestment; Notice

To Whom It May Concern:

We appreciate the opportunity to submit comments on the Interagency Questions and Answers Regarding Community Reinvestment notice ("the Proposal"). We understand that the comment period closes as of May 17, 2013. We have strong views about statements in the Proposal, which we do not believe to be reflective of our experience of addressing regulatory concerns through adherence to the existing regulatory guidance that currently provides private sector solutions to financial institutions, of all sizes, interested in making positive community development investments in their CRA footprint.

By way of background, I am the Chair of the Board, Chief Impact Investment Officer and a Founder of Community Capital Management, Inc.("CCM"). CCM is the registered adviser to the CRA Qualified Investment Fund (the "Fund"), a mutual fund formed under the federal laws of 1940 governing mutual fund formation and operation. The Fund (Ticker: CRAIX) was launched in 1999 as a vehicle to help banks meet the qualified investment test requirements of the Community Reinvestment Act ("CRA"). We are proud of our record and of our overall performance.

With this comment letter, we wish to draw your attention to the components of the CRA exam process which are working well from our perspective. For example, we strongly oppose the proposed elimination of so-called "earmarking" from the current CRA guidance. Indeed, we believe the very language in the questions posed in the Proposal concerning: (i) how the

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Agencies can administer a system involving investment in nationwide funds and avoid the issue of double counting(where the same investment is counted multiple times for multiple investors), and (ii) the issue of appropriate attribution of investments in a meaningful way if there is no earmarking by a nationwide fund, show the precise reasons why private sector parties have developed processes, including earmarking, to satisfy regulatory concerns.

We will adapt to whatever guidance emerges from the Proposal process. Yet, simply as a matter of logic and fairness, we strongly believe that the solutions with respect to earmarking arrived at by ourselves in consultation with our bank shareholders show a sensible, workable solution for financial institutions to comply with the CRA qualified investment test requirements. Our Fund provides a system that is predictable, easy to administer and it works.

The Fund's earmarking process is driven by the bank shareholder providing information on its county level assessment areas ("AAs"). The bank shareholder informs the Fund whenever there are any changes to its AAs. Qualified investments in those targeted AAs are purchased and earmarked <u>dollar for dollar</u> to the bank shareholder. The bank shareholder receives extensive documentation noting the primary purpose of the investment(s) is community development.

Prior to the bank shareholder's CRA exam, a summary of all the bank's earmarked investments is provided and assistance during a bank's CRA exam is available, as needed. As further described below, no double counting of investments by shareholders is permitted by the Fund.

Turning to the issues specifically raised by the Proposal, we would like to offer specific facts to be put on the record in connection with the analysis and consideration of the Proposal. We believe strongly that it is necessary for us to provide these facts to counter some of the nonfactual statements referenced in the Proposal which, appear at best, to be based simply on anecdotes. With respect to the facts that we would like to offer in the case of the Fund, our bank shareholders collectively have gone through over 800 CRA exams, and every bank in the Fund has earned positive CRA consideration for investment in the Fund. The Fund has invested over $4 billion in qualified investments in 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

In summary, the investments include:

* 250,000 Affordable Rental Housing Units;
* 9,800 Home Mortgages for Low-to Moderate-Income Families;
* $28 Million in Affordable Healthcare Facilities;
* $165 Million in Community Development including Neighborhood Revitalization and Environmental Sustainability;
* $509 Million in Down Payment Assistance and Statewide Homeownership Programs; and
* $138 Million in Job Creation and Small Business Development.

Unfortunately, we believe that the Proposal suffers from some fundamental misunderstandings of how a nationwide fund works. We welcome banks of all sizes, not just large banks with multiple CRA market assessment areas. The access to the Fund is as important for small community banks as it is for regional and larger banks. Given our Fund's history and the positive experiences enjoyed by our bank shareholders of all asset sizes and all locations throughout the United States, we have a viewpoint that is completely opposite to the Proposal's statement about the operation of nationwide funds being suitable particularly for large financial institutions with a nationwide branch footprint. We welcome large financial institutions to our Fund, but our experience has not been that a nationwide fund is suitable primarily for large financial institutions. To the contrary, our Fund enjoys the support of small and medium sized institutions with specific geographic needs of concern.

Our response to the Proposal's questions pertaining to nationwide funds (in bold) are as follows:

Would the proposed revised Q&A assist institutions that deliver products on a nationwide basis to address community needs in areas where they provide products and services? No, the revised Q&A would not assist such institutions in our view. Our experience is that large financial institutions best address community needs through their designated CRA market assessment areas, including on a statewide and regional basis as permitted under the current CRA guidance.

When might nationwide funds be appropriate investments for regional or smaller institutions? All the time is the answer. The Fund's experience is that we have bank shareholders of various sizes from around the country that have utilized their investment in the Fund to meet their market assessment needs tied to a specific geographic area of interest to them. Regional or smaller institutions often lack the resources and capacity to identify and manage qualified investments. Nationwide fund managers offer expertise and additional resources for investing banks.

The Proposal unfortunately suffers from a misunderstanding that nationwide funds are set up to serve particularly large financial institutions with a nationwide branch footprint or for other institutions with a nationwide business focus. Our experience, and we suspect others share our experience, is the exact opposite of what is suggested in the Proposal with respect to nationwide funds being especially suitable for large financial institutions. Our experience is that nationwide funds are suitable for financial institutions of all sizes and with a wide range of geographic market coverage. It is our view that by investing in a national fund, with earmarking or designating specific community development assets to a financial institution for CRA purposes, an investing financial institution, whether large, medium or small in size, benefits from the product and geographic diversity that single investments cannot provide. In addition, this diversification of risk, we believe, provides greater safety and soundness than exposure to a single investment.

Some commenters indicated that current methods of "earmarking" investments, including through the use of side letters, are burdensome. Are such methods, in fact, burdensome and, if so, in what way? No, earmarking is not burdensome at all. Earmarking, in our case, allows the Fund to ensure appropriate designation of assets that are consistent with a bank's CRA market assessment area while ensuring that no double counting occurs. The Fund provides extensive documentation about the qualified investment earmarked to each institution, including the dollar amount. We do not believe that the documentation requested by the bank regulators is onerous. Community development investors should be able to demonstrate how the qualified investments: (1) have as their primary purpose community development and (2) are responsive to local community development needs. We believe that fund managers who seek financial institutions desiring qualified investment test credit must be proficient in providing initial and ongoing disclosure regarding the underlying investments in their pertinent funds. This will ensure that double counting does not occur. The Fund's investment adviser, CCM, created a proprietary system that tracks each investment in the Fund, including how much and when it was earmarked to a bank investor, to ensure that double counting does not occur amongst the Fund's bank shareholders.

If the proposed revised Q&A is adopted, how should investments in nationwide funds be considered in an investing institution's CRA evaluation? Should there be a special category for investments in nationwide funds? How would such a category affect the amounts of an institution's investments at the assessment area and/or statewide levels?
We do not believe that the revised Q&A should be adopted on this point. If however the revised Q&A were adopted, we believe that investments in nationwide funds still require a demonstrable benefit in the institution's market assessment area; to do anything else, risks the credibility of the qualified investment test because it will be turned simply into a "more is better" test regardless of where the funding may be directed. Further, we do not believe there should be a special category for investments in nationwide funds because such investments are not special under the public policy reflected in the CRA regulations but merely a continuation of what is in place already under the CRA Q&A guidance for investments in state or regional funds. Of course, under the current CRA regulations with respect to indirect investments, which would remain unaffected by the Proposal, there is no distinction drawn between "direct" and "indirect" investments (including through funds). Both forms of investment are eligible for CRA qualified investment test credit. We believe treating investments in nationwide funds differently conflicts with the existing regulations and would cause confusion, and not bring clarity to an area where the rules are already settled and operating well. Moreover, we believe that a special nationwide category would negatively affect the amounts of an institution's investments at the assessment area and/or state levels for the reasons previously stated.

Alternatively, should investments in nationwide funds be attributed to particular states or assessment areas? If so, how can that be done in a meaningful manner, particularly if there is no earmarking by the fund?
Unfortunately, we believe that the Proposal suffers from a lack of practical experience with nationwide funds currently in operation. It is our strong view that there are appropriate "first mover" advantages for the initial investors in a nationwide fund, especially if the investments held are highly illiquid. We do not see anything improper about any such arrangement because without the initial support, the fund likely would not have been able to be launched. This issue is somewhat less of concern to us at the Fund, because we have more flexibility and liquidity with the nature of the investments that are held in our fund.

Indeed, at the conclusion of each bank's exam, we remove the earmarked investments for the bank and refresh the bank's investment position with new investments targeted for its market assessment area. We believe this is in keeping with the spirit and intent of the regulations by (1) continually investing new community dollars back into the banks' footprints to foster the growth of community development capital (2) allowing the fund manager to respond to the financial institution's local community development needs, which may change from one exam period to another and (3) allowing bank shareholders to demonstrate current period investment activity. Further, we do not move the released investments to another financial institution shareholder in the Fund. This helps to avoid confusion about the investment's history and avoids double counting by other institutions in our Fund, which is prohibited under the Act.

We believe that the investments in nationwide funds should be attributed to particular investors, not to particular states or assessment areas. We are highly skeptical that, as suggested by the tone, and text, of the question, there can be any meaningful manner to attribute investments in nationwide funds if there is no earmarking by the fund.

If nationwide fund investments are attributed to particular states or assessment areas, how can the Agencies avoid double counting the same funds in the same assessment areas in different institutions' evaluations?
Accepting the premise of the question, we conclude that the Agencies will be unable to avoid double counting the same funds in the same assessment areas in different institutions' evaluations unless there is an earmarking mechanism with attribution by institution.

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We trust that you will find these comments useful in your evaluation of the Proposal. We wish to also submit on the record further information about our efforts to meet the performance criteria for CRA as detailed in the attached Appendix 1, also available at
http://www.crafund.com/files/CRA%20Fund%20-%20Meeting%20Qualitative%20Performance%20-%20Updated%207_16_12.pdf

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Finally, we would welcome the opportunity to respond to any requests from the Agencies regarding technical questions or other such matters. We are available to meet on any such matters, at your request.

Sincerely,

Barbara R. VanScoy

cc: Todd Cohen, CCM