

**SBA Loan Fund Profile:
Warrior Service Co.**

When portfolio managers at Solomon Hess Capital Management (“Solomon Hess”) invest in CRA-eligible loans on behalf of bank investors, they try to comply not only with the technical requirements of the program but also the spirit under which CRA was created. An example of a loan that exemplifies this philosophy is the Firm’s recent investment in the SBA 7(a) loan to Warrior Service Co. (“Warrior Service”).

Warrior Service provides durable mobility equipment and mobility support services for retired Armed Forces veterans and civilian patients with limited mobility. Warrior Service carries a wide assortment of power wheelchairs, manual wheelchairs and scooters and also provides and installs ramps, stair glides, vertical platform lifts, ceiling lifts, vehicle lifts and porch lifts. These products significantly improve the quality of life of amputees, elderly retirees and other patients with similar mobility conditions by making moving around the house or around the neighborhood less stressful. In addition, the company provides Durable Medical Equipment (“DME”) and services to the Federal Government and commercial customers across New York, Florida and Texas. These services includes home delivery, pick-up, repairs and medical center visits for discharge planning. *(Continued on page 2)*



Warrior Service Company is located in a moderate income census tract located in Valley Stream, New York. By investing in its SBA 7(a) loan, the SBA Loan Fund supported the creation and/or retention of 25 jobs. Above, members of the Air Force wheelchair basketball team compete during the Warrior Games.

Agencies Propose Minor Changes to CRA Regulations

On September 13, the Office of the Comptroller of the Currency, the Federal Reserve Board and the Federal Deposit Insurance Corporation (collectively, “the Agencies”), proposed amendments to their respective Community Reinvestment Act (“CRA”) regulations to address recent changes to Regulation C, which implements the Home Mortgage Disclosure Act (“HMDA”). The proposal was formally published on the Federal Registry on September 20. Specifically, the proposed amendments revise the definition of “home mortgage loan” and “consumer loan,” and update the requirements for CRA public files to reflect changes to Regulation C. In addition, the proposal also eliminates obsolete references to the Neighborhood Stabilization Program (“NSP”).

The Agencies expect this proposal will

have little economic effect or will not create additional regulatory burden on financial institutions. Comments are accepted for up to 30 days following publication and will be accepted until October 20. The Agencies intend to make conforming changes to the relevant Interagency Q&As if the proposed changes to the CRA regulations become final.

New “Home Mortgage” Definition

CRA regulations specify the type of lending and other activities that the Agencies evaluate to assess a financial institution’s CRA performance. The Agencies have used the scope of HMDA reportable transactions to define “home mortgage loans” in CRA regulation since 1995. When amendments to Regulation C are finalized, the Agencies will review cross-referenced definitions in HMDA to ensure that such *(Continued on page 2)*

Inside

Minor Changes Proposed to CRA Regulations	1-2
Loan Profiles	1-3
CDFI Fund Qualified Investment Census Tract	2
Trump on Small Business	3
Conference Schedule	4

Minor Changes to CRA Regulations *(from page 1)*

cross-referenced terms continue to meet the statutory objectives of the CRA.

The 2015 HMDA Rule, which will become effective January 1, 2018, revises the scope of transactions reportable under Regulation C. Under this revision, home improvement loans that are not secured by a dwelling, which are currently required to be reported, will no longer be reportable transactions. Therefore, *the Agencies are proposing that effective January 1, 2018, for purposes of CRA, home improvement loans that are not secured by a dwelling may be considered at the option of the financial institutions.*

The Agencies clarify that home improvement loans not secured by a dwelling may still be evaluated by the Agencies under the lending test in circumstances where consumer lending is so significant a portion of an institution's lending, by activity and dollar volume of loans, that the lending test evaluation would not accurately reflect lending performance if the consumer loans were excluded.

New "Consumer Loan" Definition

Pursuant to changes to Regulation C under the 2015 HMDA Rule, effective January 1, 2018, a closed-end mortgage loan will be defined "as an extension of credit secured by a lien on a dwelling," and therefore includes a home equity loan secured by a dwelling. Thus, the Agencies believe that separately categorizing home equity loans under the CRA definition of "consumer loans" will no longer be necessary because both home equity loans and home equity lines of credit will be specifically included in the proposed revised CRA definition of "home mortgage loan." As such, *the Agencies propose to remove the term "home equity loan" from the list of consumer loan categories provided under the definition of "consumer loan in 12 CFR __.12 (j).*

Changes to the Content of Public File

Effective January 1, 2018, under the 2015 HMDA Rule, financial institutions will no longer be required to provide the HMDA disclosure statement directly to the public and instead be only required to provide a notice that clearly conveys to the public that they can obtain a copy of the financial institution's disclosure statement on the

Website under 12 CFR 1003.5(b). For consistency and to reduce burden, *the Agencies propose to amend the CRA public file content requirements to only maintain the notice required under Regulation C in the CRA public file rather than a copy of the HMDA disclosure statement.*

Removal of Obsolete NSP Language

After March 2016, pursuant to 12 CFR __.12(g)(5)(ii), NSP-eligible activities no longer receive consideration as "community development" under CRA regulations because the last date appropriated funds were required to be spent by grantees was March 2014. On that basis, *the proposed rule would amend 12 CFR 15.12, 195.12, 228.12, and 345.12 to revise the definition of "community development" to remove qualifying NSP-related activities that benefit low, moderate, and middle income individuals and geographies in NSP-targeted areas.*

The Agencies do not expect these proposals will have a major economic effect on financial institutions if adopted.

What is a CDFI Fund Qualified Investment Census Tract?

The Community Development Financial Institutions Fund ("CDFI Fund") was established by the Riegle Community Development and Regulatory Improvement Act of 1994 as part of the U.S. Treasury. Through monetary awards and the allocation of tax credits, the CDFI Fund helps promote access to capital and local economic growth in urban and rural low income communities across the nation. The CDFI Fund has identified specific geographic units that should qualify as community development investments. A Qualified Investment census tract is defined as a geographic unit (or contiguous geographic units), such as a census tract, located within the United States, that meets at least one of the following criteria:

- Has a population poverty rate of at least 20%
- Has an unemployment rate 1.5x the national average

- For a metropolitan area has a median family income ("MFI") at or below 80% of the greater of either the metropolitan or national metropolitan MFI
- For a non-metropolitan area that has an MFI at or below 80% of the greater of either the statewide or national non-metropolitan MFI
- Is wholly located within an Empowerment Zone or Enterprise Community; or
- Has a county population loss greater than or equal to 10% between the 2 most recent census periods for Metro areas or 5% over the last 5 years for Non-Metro areas.

Solomon Hess often looks for community development loans in CDFI Fund Qualified Investment census tracts across the nation. ■

Warrior Service Co. *(from page 1)*



Above, former President George W. Bush with Warrior Service's founder Alex Presman at the Bethesda Naval Medical Center in 2003. Presman stepped on a land mine as he was transporting medical supplies in Baghdad.

Warrior Service is one of very few companies that offer financing and flexible payment terms and also offers buy-back opportunities.

Warrior Service is located in a moderate income census tract in Valley Stream, New York. By investing in Warrior Service's SBA 7(a) loan, Solomon Hess supported the creation and/or retention of 25 jobs. ■

SBA Loan Fund Profile: The Best Bees Company



Best Bees is located in a low income census tract and a CDFI Fund Investment census tract. The business supports 30 jobs. Solomon Hess is proud to support businesses such as Best Bees and looks for loans to companies that embody the spirit under which CRA was established. Above left, an experienced beekeeper and his grandson. Above right, urban beehives.

Trump Forecasts a Golden Age for Small Business

President Donald Trump hosted an event for small businesses at the White House on August 1 entitled the "Engine of the American Dream." In attendance were over 100 small business owners, head of the Small Business Administration ("SBA") Linda McMahon and some members of congress. President Trump highlighted his Administration's commitment to instituting policies that allow small businesses to flourish and highlighted the steps his Administration has taken, and will continue to take, to move forward on deregulation and tax cut legislation. "America is on the verge of a golden age for small business," said Trump. ■

Including Best Bees and Warrior Services, the SBA Loan Fund has invested in over 2,790 US-based small businesses since inception, resulting in the creation and/or retention of over 37,000 jobs throughout investor's target communities nationwide. ■

Newsletter Sources:

Federal Register / Vol. 82, No. 181 / Wednesday, September 20, 2017 / Proposed Rules

Meinert, Monica C. "Agencies Propose Minor, Technical Changes to CRA Regulations." *ABA Banking Journal*, ABA Banking Journal, 13 Sept. 2017, bankingjournal.aba.com/2017/09/agencies-propose-minor-technical-changes-to-cra-regulations

Lestch, Corinne. "Riding High: Toyota Donates SUV to State Island Ex-Marine through Wounded Warrior Project." *www.nydailynews.com*, New York Daily News, 31 Mar. 2013, www.nydailynews.com/new-york/toyota-suv-si-iraq-vet-article-1.1303858.

James, Sonya. "Urban Beekeeping Keeps Cities Healthy." *www.zdnet.com*, 23 Aug. 2012, 3:00 GMT, www.zdnet.com

May, Kate T. "What Is It about Bees? Three Experts on Why They're Fascinating, Why They're Dying, What Can Save Them." *www.ideas.ted.com*, 17 Sept. 2013, www.ideas.ted.com

Quittner, Jeremy. "This Company Delivers Honey Bees Straight to Your Home." *www.fortune.com*, Fortune, 18 Nov. 2016, www.fortune.com/2016/11/18/honey-bee-home-delivery

Starr, R. (2017, August 3). Trump Predicts Golden Age for Small Business at White House Event. Retrieved August 4, 2017, from <https://smallbiztrends.com/2017/08/trump-predicted-a-golden-age-for-small-businesses.html>

House, W. (2017, August 1). Small Businesses, "The Engine of the American Dream". Retrieved August 4, 2017, from <https://www.whitehouse.gov/blog/2017/08/01/small-businesses-engine-american-dream>

www.warriorservicecompany.org / www.bestbees.com

When Solomon Hess looks for small businesses for capital allocation on behalf of CRA-motivated bank investors, we try to align the firm's mission of promoting liquidity for community development loans with the spirit of CRA. Our investment in The Best Bees Company ("Best Bees") is one such example.

Best Bees is a full-service beekeeping operation whose mission is to expand the honey bee population while improving the overall health and safety of bees nationwide. The company delivers, installs and manages beehives for residences, schools and businesses. For an annual fee of \$1,000 for residences and \$1,625 for businesses, Best Bees delivers a hive box equipped with a colony of bees and an egg-laying queen and services that hive monthly. As part of the monthly servicing, an experienced beekeeper comes to ensure that the hive is healthy and also harvests the honey for the customer's consumption.

Best Bees was founded by Noah Wilson-Rich, who completed his Ph.D. from Tufts University in honeybee health. In 2010, Wilson-Rich established Best Bees in the living room of his Boston apartment as a means to raise funding to continue his scientific research on bees and bee diseases. "I was so frustrated I couldn't get grants for my research about honeybees," Wilson-Rich said. "Bees are so important. We need them to grow our food." Best Bees had seven clients its first year, with Wilson-

Rich's landlord being his first client. Today, Best Bees operates out of its headquarters in Roxbury, MA, and manages approximately 660 beehives in and around nine U.S. cities, including Chicago, Los Angeles, New York, Seattle and Washington, D.C.

In conjunction with building its business, Best Bees is focused on furthering its social purpose of saving the bees. Wilson-Rich's research shows that bees seem to flourish in urban environments while they have been rapidly and mysteriously disappearing from rural areas.

Best Bees counts as its customers some of the top hotels in Boston, New York and Denver. For example, the Fairmont Copley Plaza hotel maintains three beehives on its second floor rooftop. The honey harvested from the hives is used by the hotel in its cheese boards, smoothies, salad dressings and marinades. "I was very impressed with the simplicity of the process and the quality of the product," said Stefan Jarausch, executive chef at the Fairmont Copley Plaza.

"We need bees for the future of our cities and urban living," Wilson-Rich said. Proceeds from Best Bees goes to fund its affiliated 501(c)3 non-profit research organization The Urban Beekeeping Laboratory and Bee Sanctuary.

SOLOMON HESS CAPITAL MANAGEMENT

431 Park Ave, Suite 401

Falls Church, VA 22046

WWW.SOLOMONHESS.COM

*Look for us at the CRA &
Fair Lending Colloquium!*

**Solomon Hess Capital
Management**
is proud to sponsor the
**CRA & Fair Lending
Colloquium**

November 5-8, 2017

Nashville, TN

Contact

Michelle Lai

703.466.0483

Managing Good Capital Well

Solomon Hess Capital Management (“Solomon Hess”) is an alternative asset manager specializing in fixed income. Our mission is to provide investors with community and economic development-focused investment funds that generate both competitive risk-adjusted returns and positive quantifiable community impact. Founded in 2004 and located in Falls Church, Virginia, Solomon Hess has over \$600 million of assets under management. Solomon Hess is Fund Manager to the SBA Loan Fund and investors include banking institutions of all sizes that are seeking Community Development Investment or Lending test credit within the Community Reinvestment Act (CRA) rules via exposure to SBA 7 (a) loans and related assets. Other investment opportunities with Solomon Hess include investing in our Absolute Return strategy fund or our Impact Fund (under development). We also offer Separately Managed Accounts or Single Investor Funds.

The Solomon Hess SBA Loan Fund LLC attempts to provide its investors with CRA credit related to their participation in the Fund. Investment decisions are not always exclusively based on the economic characteristics or investment merit of a specific asset. Certain CRA eligible securities sought by the Fund in specific geographies may not provide as great an economic benefit to the Fund as the same securities located in non-CRA geographies. The Fund may engage in transactions at times for reasons related to CRA considerations that may not be desirable from an investment standpoint. If one or multiple federal banking regulators, such as the OCC, FDIC or the Federal Reserve Board, were to deem an investment in the Fund as not qualifying for CRA credit, the impact to Fund investors could be material.