

High Impact CRA Activities Discussed at the NICRC

Banks that strive to not only meet the technical requirements of the CRA but also the spirit under which it was created will look to qualify or design community development activities as being high impact. "High impact CRA Activities" was a session topic at the NICRC in March. Panelists represented the Agencies and included Brigid Blain, FDIC Compliance Examiner, Bonita Irving, OCC District Community Affairs Officer, and Lisa Shepard, FRB Boston Senior Examiner. Moderator was Steve Keuhl, FRB Chicago Community and Economic Development Senior Advisor. Some of the main takeaways from that panel discussion are as follows.

Understanding impact requires measuring both the quantitative and qualitative aspects. Impact is measured by the bank's responsiveness to an unmet credit or community development need within the local community. Examiners will consider three factors when evaluating responsiveness: quantity, quality, and performance context. Qualitative information should be used to augment the quantitative merits of an activity and used to tell a story as to why that *(continued on page 2)*

Inside

Interagency Proposal Expected	1-3
High Impact CRA Activities	1-2
PPP Loans under Community Development	2
SBA Loan Fund Impact Report	2
SBA Loan Profiles	1,3

CRA Modernization Update: Interagency Proposal Expected Very Soon



Federal banking regulators, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve Board (FRB), collectively the Agencies, are expected to issue the long-awaited interagency proposal for modernizing requirements under the Community Reinvestment Act (CRA) soon. Left, screenshot from conference.

At the National Interagency Community Reinvestment Conference (NICRC) hosted by the Agencies and held virtually March 15-17, officials at the federal banking regulators assured stakeholders that CRA modernization is a top priority and that an interagency Notice for Proposed Rulemaking (NPR) will be forthcoming.

The panelists did not share specifics on expected timing. Eric Belksy, FRB Director of Consumer and Community Affairs said that "we are working together and working diligently" and that "it is important that we get this proposal right and we have been very much focused on that." Grovetta Gardineer, OCC Senior Deputy Comptroller *(continued on page 3)*

SBA 7(a) Loan Profile: A Better Life Homecare in Hampden, MA

An example of the kind of community development loan in the SBA Loan Fund portfolio and allocated to bank investors for targeted CRA is the loan to A Better Life Homecare located in Hampden County, MA. Better Life Homecare is an agency that provides skilled nursing services, personal care, homemaking, companion care, respite and transportation services. Joseph Ngaruiya established the business in January 2014 in Springfield with a mission to ensure that low-income elderly people receive compassionate care at home with their families. Ngaruiya emigrated to the United States with his family from Kenya at the age of 16. He became a licensed practical nurse after graduating from high school. Through his work in nursing homes *(continued on page 3)*



Proceeds of the SBA 7(a) loan were used to finance equipment. The borrower is located in a low-income census tract that is also a CDFI Fund Qualified Investment census tract. This is a minority-owned business that meets that healthcare needs of the community and supports 230 jobs, the majority of which are Home Health and Personal Care Aides. According to the Bureau of Labor Statistics, Home Health and Personal Care Aides have an annual median income that qualifies as low- or moderate-income. Above, a home healthcare worker.

PPP Loans can Qualify under Community Development

According to the CRA Consideration for Activities in Response to the Coronavirus Pandemic Frequently Asked Questions May 27, 2020 and updated March 8, 2021 released by the Agencies, Paycheck Protection Program (PPP) loans in amounts greater than \$1 million may be considered as community development loans if they also have a primary purpose of community development as defined under the CRA. To qualify, the PPP loan should meet the community development purpose test of whether it created and/or retained jobs for LMI persons or in LMI geographies. The loan can also qualify if it helped to revitalize or stabilize LMI geographies or distressed or underserved middle-income geographies. To access the FAQs, please [click here](#). ■

Solomon Hess SBA Loan Fund 2021 Impact Report Now Available



High Impact (from page 1) activity should be considered high impact. Use pictures, testimonials, or media to tell the story.

Establish a process for innovation. Any process to innovate starts with identifying what services and/or products are lacking in a particular assessment area. It is key to be open to new ideas and to refresh needs assessment studies periodically as community needs change over time.

Form an external CRA committee to keep the pulse on the community. Develop relationships with local groups, associations and non-profits and meet with them regularly to gather information on community needs and also test ideas and programs.

Documentation is needed to verify high impact claims. Regulators need to see verification of high impact claims in writing. Be organized and share the responsibility of documentation with the team.

Leverage your regulator's community affairs officers and examiners. Leverage available resources and ask questions on a real-time basis.

Panelist Bonita Irving, OCC District Community Affairs Officer, encouraged banks to consider engaging in meaningful strategic partnerships in communities to enhance impact. She provided examples of potential partners which included mission-oriented financial institutions, Community Development Entities, Government Partnerships and loan funds or loan pools.

The April issue of Community Developments Investments published by the OCC highlighted how banks can collaborate with CDFIs and other community-based organizations to help rebuild communities hit hard by natural disasters and the COVID-19 pandemic. To access this report, [click here](#).

Regulators welcome high impact activities that address unmet credit and community development needs in local communities. To qualify an activity as high impact, the use of qualitative and quantitative information should be used to verify the bank's responsiveness and measure the benefits of that response. Leverage available resources where available. ■

The SBA Loan Fund Impact Report 2021, now in its sixth edition, is available at www.SolomonHess.com. The report highlights the quantifiable impact the SBA Loan Fund (the Fund) has made in low – and moderate-income (LMI) communities and otherwise economically distressed geographies nationwide. The Fund is a certified Community Development Entity (CDE) and has invested over \$2.6 billion to support almost 60,000 jobs in over 4,500 small business loans nationwide. Investment in the Fund is targeted in investor assessment areas and qualifies for CRA under community development.

A community development loan profiled in the Impact Report is the 7(a) loan to Read Academy Sacramento, a tuition-based school for students with special learning needs. The borrower is a woman-owned small business located in a low-income census tract that supported the creation and/or retention of eight jobs. The loan was originated by mission-driven lender CDC Small Business Finance Corporation.

To download the report and to learn more, please visit www.SolomonHess.com or contact Michelle Lai at mgolai@solomonhess.com. ■

SBA Loan Fund Impact Metrics as of March 31, 2022



CRA Modernization (from page 1) for Bank Supervision Policy said that the main takeaway for now is that the Agencies have committed to having a level playing field with “the agencies speaking with one voice.”

While the officials were sparse on the details of what will be included in the proposal, citing respect for the rulemaking process, they did share several broad themes:

- Goals of modernization efforts are to increase levels of CRA activity to help address existing disparities and ensure that banks are being responsive to the local needs of LMI communities.
- Regulation provides “clarity, consistency, and transparency” of CRA supervisory expectations.
- The FRB’s 2020 Advance Notice of Proposed Rulemaking (ANPR) on CRA modernization served as the basic platform for the interagency work and the public comments previously received by the OCC, FDIC and FRB were analyzed and informed current efforts.
- The proposed rule will not be a “one size fits all” model but will be tailored to account for bank size and business models, including digital models.
- The proposed rule is expected to be based on available data provided by banks and will include data-driven metrics and standards but still have a role for qualitative information and examiner judgement.

It is unclear when and how long the comment period will be. Panelists stressed the importance of submitting comments. Mark Pearce, FDIC Director, Division of Depositor and Consumer Protection, said the rulemaking “will only get better with public comments” and that a “stronger end-product relies heavily on stakeholder input.” The current interagency effort is a result of the overwhelming number and strength of comments that called for the Agencies to regulate the CRA under a single framework. ■

SBA 7(a) Loan Profile: Lloyd’s True Value Hardware, Rock, WI



Lloyd’s True Value Hardware is a woman co-owned small business that supported the creation and/or retention of 20 jobs. Owners Christopher and Anita Lloyd are new to retail. Christopher is a retired Janesville firefighter and Anita is a former local manufacturing employee. They had been trying to open a hardware store for a while. In an interview with the Beloit Daily News, Christopher said that he saw small business financing deals for this project fall through a few times during the pandemic. Left, hardware store worker.

Another example of the type of community development loan in the SBA Loan Fund portfolio is the loan to Lloyd’s True Value Hardware located in Rock County, WI. The business is the first standalone hardware store to open on the West Court Street commercial strip since the early 1980s and is the first new retail business to be built from the ground up on the west side since before the COVID-19 pandemic in 2020.

Proceeds of the 7(a) loan were used to finance equipment for the business. The borrower is located in a moderate income

census tract that is also a CDFI Fund Qualified Investment census tract. This loan should further qualify for CRA under community development as a new business that promotes economic development. 12 CFR 25.12(g)(3) provides that community development involves both a “size” and a “purpose” test. Q&A section __.12(g)(3) - 1 provides that a community development activity meets the “purpose” test to promote community development if, among other things, the activity involves financing recently formed businesses. ■

CRA & Fair Lending Colloquium 2022

Wolters Kluwer will be hosting the 26th CRA & Fair Lending Colloquium in person November 13-16 at Caesars Palace, Las Vegas. To learn more and register, [click here](#).

Loan Profile (from page 1) Ngaruiya saw the benefits of keeping elderly people at home with their families. Today, A Better Life Homecare serves over 300 clients in Massachusetts and Connecticut.

Ngaruiya is the recipient of the 2019 Barry M. Portnoy Immigrant Entrepreneur Award presented by the Immigrant Learning Center in Boston for creating jobs, serving their neighborhoods and sparking innovation in the economy.

When portfolio managers at the SBA Loan Fund screen for loans, they look for loans that go beyond meeting the technical requirements of the CRA. To learn more, visit www.Solomonhess.com. ■

Newsletter Sources:

Prior, J. (2022, March 10). *Regulators expect to release CRA revamp as soon as This Month*. American Banker. Retrieved April 28, 2022, from <https://www.americanbanker.com/news/regulators-expect-to-release-cra-revamp-as-soon-as-this-month>

OCC’s HSU: *Agencies to release CRA NPR in ‘not-too-distant future’*. ABA Banking Journal. (2022, February 15). Retrieved April 28, 2022, from <https://bankingjournal.aba.com/2022/02/occs-hsu-agencies-to-release-cra-npr-in-not-too-distant-future/>

Group, NEIL JOHNSON A. P. (2021, November 24). *Couple bringing hardware store to Janesville’s West Side*. Beloit Daily News. Retrieved April 28, 2022, from https://www.beloitdailynews.com/news/business-news/couple-bringing-hardware-store-to-janesvilles-west-side/article_97925892-fba1-5b26-8d47-855b8eab65a9.htm

Zena, N. (2020, February 14). *A Better Life Homecare is immigrant Entrepreneur’s Dream Come True Success Story*. masslive. Retrieved April 28, 2022, from <https://www.masslive.com/business/2020/02/a-better-life-homecare-is-immigrant-entrepreneurs-dream-come-true-success-story.html>

SOLOMON HESS

Capital
Management

INDICIA POST-
AGE PAID
PERMIT #
US POSTAL
SERVICE

SOLOMON HESS CAPITAL MANAGEMENT

431 Park Ave, Suite 401

Falls Church, VA 22046

WWW.SOLOMONHESS.COM

SBA Loan Fund Impact: Supporting Community Development

Since inception in 2004, the Solomon Hess SBA Loan Fund has invested over \$2.6 billion in small business loans. These loans, made to over 4,600 small businesses located in 47 states, have helped to create and/or retain over 69,000 jobs. Over 70% of the loans in which we have invested are located in low and moderate income or otherwise economically distressed census tracts. The majority of these loans are made to under-served small businesses that do not have access to conventional commercial debt.

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 \$800 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. We offer our strategies as funds or separate accounts.

Michelle Go Lai

SVP, Investor Services & Marketing

SOLOMON HESS
Capital
Management

431 Park Avenue, Suite 401, Falls Church, VA 22046

T. 703.466.0483

F. 703.356.8383

mgolai@solomonhess.com

www.SolomonHess.com

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.