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Ten Banks Invest \$25 Million in New Community Reinvestment Act Fund to Help Save Affordable Housing

A new fund has been created to encourage investments in the dwindling supply of single-family and multifamily affordable-housing options. Ten banks have contributed to the \$25 million Community Development Fund since it opened in February.

The fund will invest primarily in securities issued or guaranteed by the U.S. government or its agencies, and other investment grade fixed-income securities. In normal circumstances, the fund plans to invest at least 90 percent of its net assets in debt securities and other debt instruments that the fund's advisor deems would qualify under the Community Reinvestment Act.

Ken Thomas, president of Community Development Fund Advisors in Miami, set up the fund and was responsible for rounding up banks to contribute. "By bringing more money into affordable housing, we hope to see both developers and banks go inland to provide critically needed affordable housing," Thomas told *Inside MBS & ABS*.

He said affordable housing is a critical issue in today's housing market, especially in markets such as Los Angeles, New York, and in his hometown of Miami, which he calls "one of the most unaffordable housing markets in the nation."

"Here, we are seeing developers build closer to the water and closer to the sky in mega condos, but it does not help the housing affordability problem," Thomas said.

The investing banks own a pro-rata portion of a national fund for diversification. Their investments are plowed into their local CRA assessment areas, he explained.

Thomas said there were no challenges in finding the current 10 bank investors, who were all anxious to get involved in the new initiative. "Actually, some have already told us they want to increase their initial investment based on the funds that have already been put to work in their local assessment areas," he noted.

He added that since the fund was successful in its first phase, it is now open to other banks and thrifts nationwide with a \$1 million minimum investment. The fund is not open to individuals or other investors.

While there is no guarantee an investor will receive CRA credit, institutional investors contributing to the fund can claim "favorable CRA consideration during their exam," according to Thomas. He said some investing banks have even made a cogent case for "extra" credit based on the fact that this is a new fund responsive to local community development needs and not otherwise routinely available.

The initial participants are: City National Bank (Miami); Coconut Grove Bank, Sabadell United Bank and Total Bank (all in Coconut Grove, FL); Gibraltar Private Bank and Trust (Coral Gables, FL); HomeBanc (Tampa); Florida Community Bank (Weston, FL); UMB Bank, (Kansas City); NorthEast Community Bank (White Plains, NY); and Century Savings Bank (Vineland, NJ).

In a recent survey by the MacArthur Foundation, 81 percent of respondents said that housing affordability is a problem in the U.S. Additionally, the survey reported that three in 10 said they devote more than 30 percent of their monthly household income to rent or a mortgage payment.

"Stable, affordable housing is viewed as a fundamental component of economic security for families, yet Americans find that it is increasingly unattainable," said the MacArthur Foundation. ♦