From: Jessica Botelho jbotelho@ccminvests.com
Sent: Tuesday, October 2, 2018 12:10 PM
To: fdicinforeq@fdic.gov
Subject: Proposed Revisions To The Consolidated Reports of Condition and Income and Other Regulatory Reports

Proposed Revisions To The Consolidated Reports of Condition and Income and Other Regulatory Reports
To whom it may concern,

Attached please find a comment regarding FASBY ASU 2016-01, Exemption for Public Welfare Investments. We are available to discuss further at your earliest convenience.

Kind regards,
Jessica

Jessica L. Botelho
Director of CRA & Impact Research
Community Capital Management, Inc.
(P) 980.365.8556
www.ccminvests.com
Visit CCM's Blog: http://www.ccminvests.com/blog/

From: FDIC Subscriptions <subscriptions@subscriptions.fdic.gov>
Sent: Tuesday, October 2, 2018 10:10 AM
To: Jessica Botelho <jbotelho@ccminvests.com>
Subject: Proposed Revisions To The Consolidated Reports of Condition and Income and Other Regulatory Reports

*** Please refer to the attached file for image included *** *** Please refer to the attached file for image included ***

Financial Institution Letter

Proposed Revisions To The Consolidated Reports of Condition and Income and Other Regulatory Reports

Summary:

In response to changes in the accounting for credit losses under the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-13, the banking agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), are requesting comment on proposed revisions to the Consolidated Reports of Condition and Income (Call Report) and certain other FFIEC reports. Other changes addressed in the proposal, which relate to the reporting of high volatility commercial real estate (HVCRE) exposures and reciprocal deposits, result from the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Institutions are encouraged to comment on the proposal by November 27, 2018.

Statement of Applicability to Institutions under $1 Billion in Total Assets:

This Financial Institution Letter applies to all FDIC-supervised banks and savings associations, including community institutions.

Suggested Distribution:

FDIC-Supervised Banks (Commercial and Savings) and FDIC-Supervised Savings Associations

October 2, 2018

RE: FASB ASU 2016-01 Exemption for Public Welfare Investments

To whom it may concern:

This letter is to address an unintended consequence pertaining to “public welfare investments,” resulting from the changes to GAAP accounting treatment of equity-classified securities in accordance with the FASB Accounting Standards Update 2016-01. Specifically, fixed-income mutual funds that are utilized by banks to satisfy CRA requirements are now subject to reporting fair value changes in net income instead of other comprehensive income. It should be noted that the composition of these mutual funds are a diversified mix of agency- and government-guaranteed securities and other high credit quality bonds that finance a broad array of community development activities. On a standalone basis, these bonds would otherwise be considered exempt.

The CRA Qualified Investment Fund ("CRA Fund") was created in 1999 to assist with the investment test requirements of the CRA exam. Since that time, over 400 banks have invested in the Fund and examined in more than 1,400 CRA exams. It is worth noting that shareholders in the CRA Fund are long-term investors with an average tenure of at least 8 years, utilizing the CRA Fund to assist with the Investment Test portion of the CRA exam and not for trading or total return purposes.

On behalf of its shareholders, the CRA Fund have invested nearly $7 billion in high credit quality fixed income securities whose primary purpose are financing community development activities in our nation's low- and moderate-income communities. This includes not only affordable housing but also job creation/job retention, small business creation/retention, affordable healthcare and senior assisted living centers, educational opportunities for low- and moderate-income individuals, and activities that promote environmental sustainability. These activities directly complement the proposed broadening of CRA to include educational and other CRA eligible activities. It should be noted that all of the investments held in these Funds would be qualified to be classified as Held to Maturity or Available for Sale if held in a separately managed account or on the balance sheet of a bank. The value of the mutual fund is lower risk through diversification and better execution on purchase or sale trades.

Given the investments of this fund, it has been qualified as a public welfare investment by the OCC under CFR 12 Part 24 regulation for national banks and thrift institutions. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, investments designed to primarily promote public welfare (of the type permitted under Paragraph (11) of 12 U.S.C. 24), are exempt from the prohibitions of the Volker Rule as contained in Section 619. ***On behalf of current and future bank shareholders, we are requesting a technical correction be made to ASU 2016-01 to***

2500 Weston Road, Suite 101 · Weston, Florida 33331
***phone* 954.217.7999 · *fax* 954.385.9299 · *toll-free* 877.272.1977 · www.ccminvests.com**

similarly exempt public welfare investments just as "qualified affordable housing projects" can elect to use the cost with amortization method.

Since 1998, CRA bond funds have proven to be an efficient and effective way for banks to reinvest in our nation's low- and moderate-income communities. Since the adoption of ASU 2016-01, approximately 15 banks have redeemed $230 million from the CRA Fund, monies that are no longer reinvested in our low- and moderate-income communities.

Providing a technical correction for CRA bond funds would be consistent with the intention of ASU 2016-1 and the exemption for affordable housing funds. It would also be in the best interest of the banking community and the low- to moderate-income residents in the areas that they serve.

Thank you for your consideration. We are available to discuss further at your earliest convenience.

Sincerely,

[redacted]

Alyssa D. Greenspan
President/Chief Operating Officer
Community Capital Management, Inc.
www.ccminvests.com