S&P Global
Ratings

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California Community Reinvestment Corp.; General Obligation

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Table Of Contents

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Credit Profile		
California Commnty Reinvest Corp ICR		
Long Term Rating	A+/Stable	Current

Credit Highlights

- S&P Global Ratings' issuer credit rating (ICR) on California Community Reinvestment Corp. (CCRC, or the corporation) is 'A+'.
- The outlook is stable.

Security

An ICR reflects the obligor's general creditworthiness and its capacity and willingness to meet financial commitments when they come due. It does not apply to any specific financial obligation and does not take into account the obligation's nature and provisions, bankruptcy standing, liquidation, statutory preferences, or legality and enforceability.

Credit overview

The rating reflects our view of CCRC's:

- Financial strength measured by S&P Global Ratings equity (which removes changes in fair value of investments) of $74.8 million in fiscal year-end Sept. 30, 2021, an increase of 135% from $31.8 million in fiscal 2020;
- Business model and strategy based on the cyclical building up and subsequent sale of on-balance-sheet loans, which materially increases net income and profitability metrics in years of loan securitization and bolsters equity positions over time while meeting the corporation's mission to improve outcomes for low-income families, seniors, residents with special needs, veterans and formerly homeless individuals by following a housing-first model and facilitating the flow of private capital to communities;
- Very strong asset quality characterized by zero non-performing assets (NPAs) or delinquencies of any kind over at least the past six fiscal periods (fiscal 2016 through 2021) and a loan portfolio underwritten according to a thorough and stringent credit policy; and
- Very strong management and governance assessment based on the experience, expertise, sector knowledge, and proficiency of the corporation's senior management team as well as on a detailed multi-year strategic plan and substantive operational and financial policies and procedures that, among other things, guide operations, set performance standards, and monitor loan portfolio underwriting and reviews.

Partially offsetting these credit strengths are:

- Relatively high year-over-year (y/y) volatility in key financial metrics compared with that of peers and industry standards; and

- Interest rate exposure related to forward commitments that are instrumental to the corporation's business model.

We view intentional and monitored volatility resulting from a thought-out and proven strategy in a very different light than unintentional performance-related volatility. However, there is a certain level of risk and uncertainty to incorporate when analyzing financial strength over time. For example, CCRC's S&P Global Ratings net equity-to-assets ratio, where S&P Global Ratings net equity is audited net assets adjusted to remove changes in fair value and after S&P Global Ratings-calculated losses, has ranged from 5.9% in fiscal 2016 to 44.5% in fiscal 2021, up from 11.1% in fiscal 2020. The material increase in fiscal 2021 was expected and followed a nearly $190 million Freddie Mac securitization where CCRC sold 76 on-balance-sheet loans related to 66 properties. The securitization and fiscal 2021 results are exceptional examples of the corporation's business model in action and the sale was the largest loan sale in its history. It resulted in substantial profits, improvement of the corporation's balance sheet, and, by improving its overall financial position, will allow CCRC to expand opportunities for growth and to continue to meet its mission. As seen in fiscal 2021 audited financial statements following the November 2020 securitization, our analysis shows that S&P capital adequacy and profitability ratios materially increase following the every-two-to-three-year loan securitizations and then drop in the years where the corporation is building its loan portfolio back up. The corporation expects ratios to drop from the high levels reported in periods where there are large loan securitizations but also that these profit and equity boosts create a new "floor" for financial performance goals.

Management acknowledges that interest rate exposure related to the forward commitment pipeline is one of the biggest risks facing CCRC. In our view, management's extensive understanding and diligent monitoring of economic and market conditions as well as its prudent oversight of the on-balance-sheet loan portfolio in the context of forward commitments that are expected to be converted to on-balance-sheet permanent loans greatly mitigate the presence of this risk. Management has several thought-out strategies and tools, including the business model itself as it pertains to timing of funding and rate setting, to help protect the corporation's financial position against sharp rises in interest rates.

CCRC is a 501(c)(3) corporation located in Glendale, Calif., that was certified as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury in 1996. CCRC was founded in 1989 with support from the Federal Reserve Bank of San Francisco and major banks throughout California for the purpose of providing financing and technical assistance to facilitate the development of affordable housing in the state of California. The corporation's primary function is to be a lender of permanent mortgages to developers of to-be-constructed or rehabbed low-income housing tax credit (LIHTC) properties throughout California. CCRC's mission, stated above, and its vision to become the premier provider of capital serving the needs of low-income residents and communities are achieved through adhering to a detailed multi-year strategic plan and meeting key goals established by an accomplished senior management team and an involved board of directors.

CCRC is the sole member of four limited liability corporations (LLCs) that were created between 2000 and 2019 to further support the corporation's overall purpose by serving a variety of roles required to carry out its business model. CCRC Affordable Housing Partners, LLC (Housing Partners) was formed in March 2000 to provide financing and technical assistance related to acquiring, rehabilitating, and disposing of financially troubled and/or dilapidated housing to enhance the availability of affordable housing stock in the state. CCRC/PSP, LLC was formed in February

2012 to design and implement the financial model that supports loan sales with the General Board of Pensions of the United Methodist Church. CCRC Depositor, LLC (Depositor) was formed in September 2017 to serve as the depositor in connection with the sale and securitization or mortgage loans with Federal Home Loan Mortgage Corp. (Freddie Mac). CCRC TEBS Depositor, LLC (TEBS Depositor) was formed in January 2019 to serve as the depositor in connection with the sale and securitization of tax-exempt bonds with Freddie Mac where CCRC acts as fiscal agent and bondholders' agent.

Environmental, social, and governance

We have analyzed CCRC's environmental, social and governance risks relative to its financial strength, management and legislative mandate, and the local economy. We view these risks to be neutral to the credit analysis.

Outlook

The stable outlook reflects our view that CCRC's diligent management, prudent oversight of its loan portfolio, and adherence to its business model and strategic plan will result in financial strength and capital adequacy ratios that are in line with the current rating during the two-year outlook period.

Downside scenario

Should CCRC's financial strength, as evidenced by average capital adequacy and profitability ratios and loan performance, deteriorate to levels that are no longer commensurate with the current rating and compared to peers we could take negative rating action on the ICR. Further, should exposure to interest rate risk associated with forward-commitment contracts have a negative impact on the corporation's financial position and our view of its overall credit quality we could take negative rating action.

Upside scenario

Conversely, should CCRC's financial strength, as evidenced by equity balances, capital adequacy ratios, and profitability metrics improve to and sustain, on average, through business cycles at levels commensurate with a higher rating according to our criteria and compared to peers, we could take positive rating action.

Credit Opinion

Financial Strength

Capital adequacy

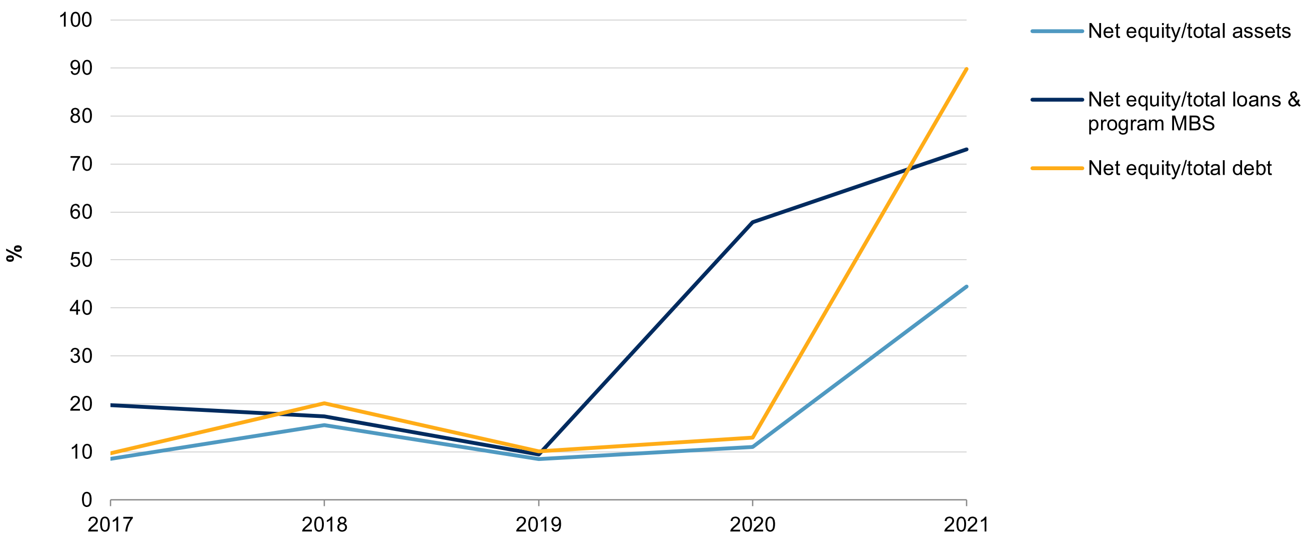
We view CCRC's capital adequacy to be very strong according to five-year average metrics for the periods fiscal 2017 through 2021. Following the November 2020 securitization, and as reflected in financials reported in the fiscal 2021 audit, CCRC's capital adequacy improved to above-average from average compared to peers and criteria benchmarks for the 'A' category, as evidenced by a fiscal 2017 through 2021 five-year average S&P Global Ratings' net equity-to-total assets of 17.7%. While this improvement was anticipated and factored into our analysis, it is a notable and material increase from the 9.9% five-year average for fiscal years 2016 through 2020.

Over the last five years CCRC's net equity has been improving in a rolling-upward manner due to the corporation's business model of building up its on-balance-sheet loan portfolio and then securitizing and selling the loans every two to three years. This approach creates the appearance of financial performance volatility when ratios are viewed in a silo, without consideration of the business plan. After the loan sell-off, key capital adequacy ratios spike to new highs, as seen in fiscal 2018 and, exponentially so, in fiscal 2021 (see chart 1), and then drop again, as seen in fiscal 2019 and 2020 (and expected in fiscal 2022), but generally not below the new floor created as a result of the boost to equity from the profits and balance sheet recalibration following the planned loan sales and related debt paydown.

The boost to overall financial position and specifically to capital adequacy ratios following the November 2020 loan securitization (reported in fiscal 2021) has boosted the corporation's five-year average metrics starting in 2021 and going forward to levels well above the 'A' category benchmarks and in line with or above those of many similarly rated peers. In our opinion, this trend is a credit positive and represents a proven and well-executed business model that positions CCRC to capitalize on increased resources.

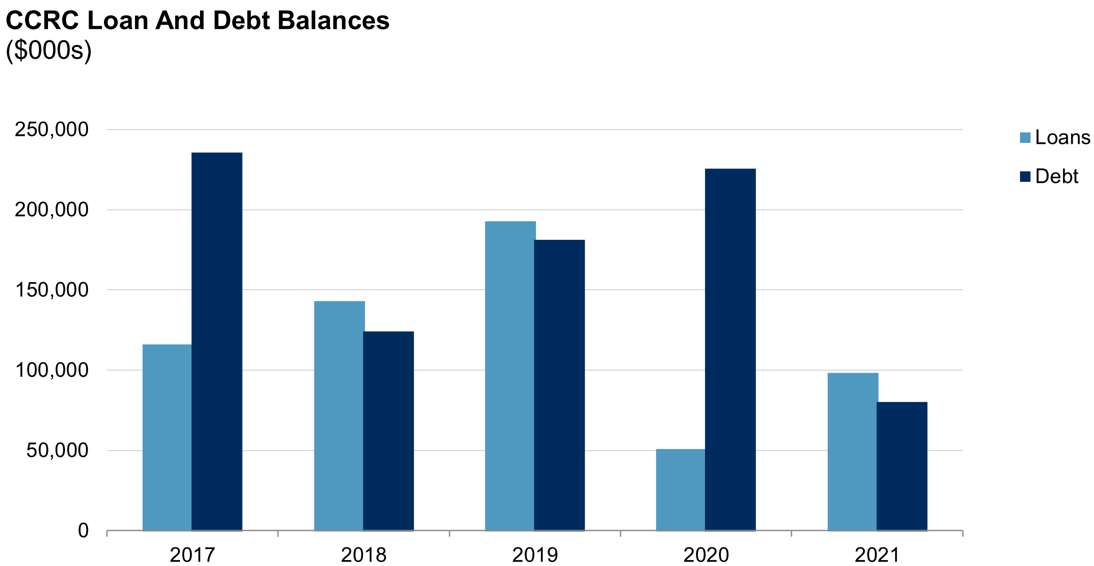
Chart 1

CCRC Capital Adequacy Ratios



Also reflecting the corporation's business model, debt levels will fluctuate following balance sheet build-up and sell-off cycles. To that end, following the November 2020 loan securitization CCRC paid down a significant portion of the debt that was related to the loans sold and reports outstanding debt of $79.5 million as of Sept. 30, 2021, a 65% reduction from fiscal 2020. The corporation's total debt outstanding in fiscal 2020 was $225.1 million, a 25% increase from $180.6 million a year prior. CCRC's on-balance-sheet debt balances follow the same two-to-three-year cyclical pattern of building up and then being materially reduced when the corporation's loan portfolio grows and is then securitized. For our analysis, however, we have included loans-held-for-sale as short-term assets rather than as real estate loans, as they are reported in the audit, which results in a reduction of on-balance-sheet loans in our analysis before the commensurate reduction of related debt. As shown in chart 2 below, this mismatch between loans and debt materializes in fiscal 2017 and fiscal 2020, immediately preceding loan securitizations in early fiscal 2018 and 2021. Proceeds from the loan sales are used to pay down related borrowing and then to supplement new borrowings to fund new loans from the corporation's forward commitment pipeline and begin the cycle again.

Chart 2

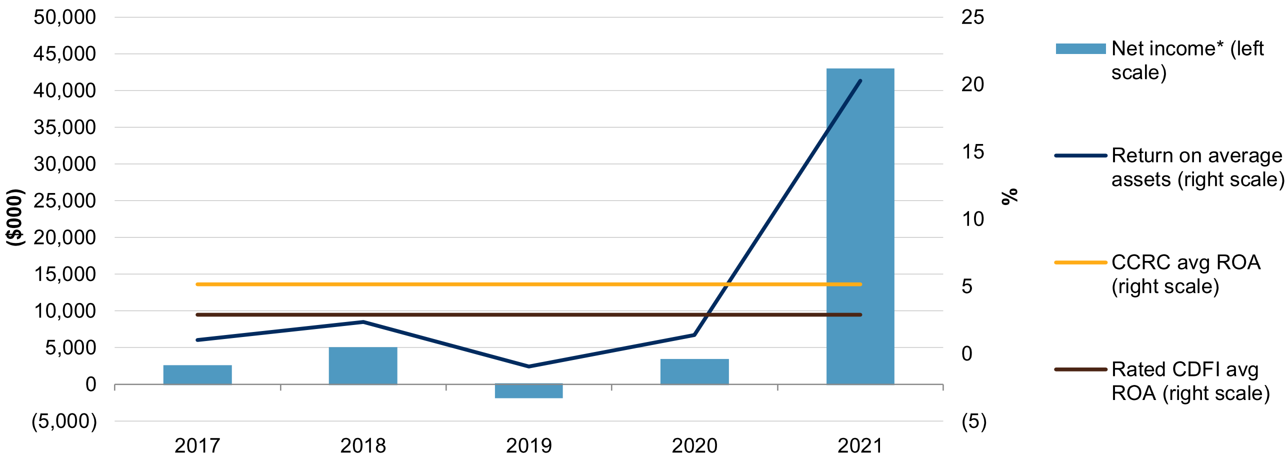


Profitability

We view CCRC's five-year average profitability metrics as very strong and above-average compared to those of peers and criteria benchmarks for the rating category. The corporation's five-year average return-on-average assets (ROA) is 4.8% for the periods fiscal 2016 through 2021 (chart 3). As with so many of the corporation's financial metrics, profitability saw a huge jump in fiscal 2021 due to one-time revenues from the loan securitization early in the period. ROA rose to over 20% and net income to $42.9 million, up from 1.4% and $3.4 million in fiscal 2020. Likewise, with many of the other metrics, we, and management, expect these profitability measures to drop for the next one to three periods but not to fall below levels commensurate with the current rating level.

Chart 3

Profitability & Net Income



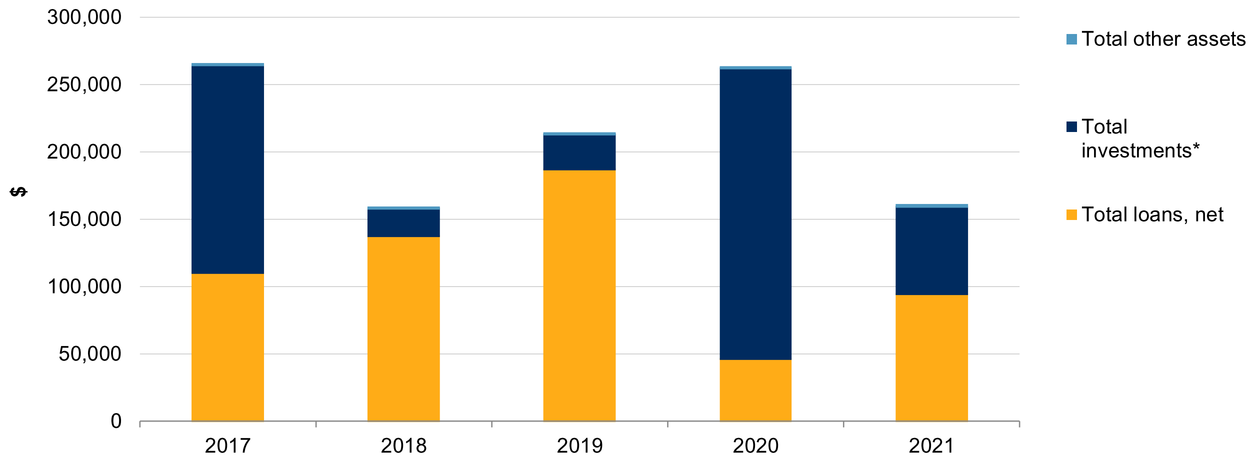
*Excluding fair value reporting.

Asset quality

We view CCRC's asset quality to be very strong/strong compared to that of peers and according to our criteria. The corporation's total assets, excluding cumulative effects of fair value accounting, dropped 38.8% to $160.7 million in fiscal 2021 from $262.7 million in fiscal 2020. The drop was due to the loan securitization in November 2020 and followed a growth in the corporation's balance sheet from fiscal 2018 through 2020 (chart 4). Again, this cyclicality is expected and in line with CCRC's business model and is not volatility related to performance or access to capital, or a reflection in fluctuating demand for the affordable housing loans the corporation provides. Therefore, we do not view this oscillation in total assets as a negative credit factor. Often, in the year immediately preceding a loan securitization the majority of total investments, for our analysis, consist of loans-held-for-sale, where loans have been identified by fiscal year-end to be securitized for a sale that will take place in the following fiscal period.

Chart 4

CCRC Total Assets Composition



*Includes loans held for sale.

Cash and investment securities make up the balance of total investments y/y. Investment securities consist of interest-only strips guaranteed by Freddie Mac and non-guaranteed subordinate Freddie Mac certificates. The balances of interest-only strips and certificates were $10.7 million and $5.3 million, respectively, in fiscal 2021. Additionally, the corporation holds $17.9 million in pledged Freddie Mac A certificates. Loans-held-for sale comprised $190.2 million, or 88.5%, of total investments in fiscal 2020. This is a drastic change compared to fiscal 2021, where the corporation's entire loan portfolio consisted of on-balance-sheet affordable multifamily housing loans totaling $97.8 million and had no reported loans-held-for-sale for the period.

We view the quality of the corporation's on-balance-sheet loans as high, underwritten in accordance with a stringent and thorough credit policy, and to be a loan portfolio that is lower risk compared to that of peers due to several characteristics. In addition to stringent underwriting practice that results in only higher-quality loans ever making it to CCRC's balance sheet, management diligently oversees and monitors the underlying loans, including conducting at least one loan review report on every loan serviced annually, assigning and updating risk ratings on every loan, and authoring a detailed annual loan portfolio analysis. Additionally, all of CCRC's loans are permanent multifamily affordable housing loans, which is in contrast to the profile of many peer CDFIs that often have material portions of construction, pre-development, and non-housing loans, which we view as higher-risk assets, in their portfolios. As a reflection of CCRC's high-quality and lower-risk loan portfolio, the corporation has reported no non-performing assets or delinquencies in fiscal 2021 or the several preceding periods. The corporation has only had three loss events in its mortgage history, the most recent occurring over 17 years ago.

Liquidity

CCRC, in our view, has strong liquidity to cover short-term financial needs. We consider asset-liability management a primary mitigant of liquidity risk, as the balance sheets of most CDFIs consist of long-term obligations with maturity dates that are structured to match the maturities of long-term assets. CCRC, however, has a proven business model where long-term assets can be monetized in a very short amount of time should that become necessary. The corporation's easiest path to liquidity is to transfer self-funded loans to the bank pool, which frees up corporation cash. As of Sept. 30, 2021, CCRC had approximately $63 million in cash, cash equivalents, and short-term investments (including the $17.9 million in pledged Freddie Mac A certificates), representing approximately 39.8% of total assets. Additionally, CCRC's balance sheet loans totaled approximately $97 million ($15.3 million of which are CCRC self-funded loans), or 53.7% of total assets and 114% of total liabilities, for the same period. On an ongoing basis, the business model, as discussed, typically follows a two- to three-year cycle that generates substantial liquidity when loans are securitized. Should there be liquidity needs in between these cycles CCRC can utilize the robust secondary market they have established throughout the years to generate cash from the sale of long-dated assets. We also view CCRC's access to external liquidity sources and capital markets as strong.

In our opinion, the corporation's liquidity and equity position in the near-term could be affected by interest rate exposure related to the forward commitment pipeline. However, the business model, where the funding of loans in the forward commitment pipeline and the setting of rates on those loans are matched to the current interest rate environment, largely protects CCRC from material exposure and mitigates this risk during rising interest rate environments.

Management

We view CCRC's management as very strong due to its experienced, knowledgeable, and proactive senior leadership and board members. The corporation is governed by a 15-member board consisting of industry and community leaders throughout the state of California and CCRC's president. Senior management consists of a president/CEO, executive vice president, and risk officer with more than 110 combined years of industry experience and expertise. The autonomy and stability of the management team strongly supports and facilitates day-to-day and ongoing operations that serve the corporation's mission, address the needs of the citizens it serves, and creates financial stability and viability. In our opinion, the authority's relationship with the state government and other jurisdictional bodies is strong given the state's historical support of affordable housing initiatives and CCRC's track record of successfully navigating the political landscape through several decades. We consider management's ability to resolve difficult situations during its operating history as very strong. CCRC's performance through economic downcycles has been exceptional, as seen in its performance through the Great Recession and most recently through the COVID-19 pandemic and the economic volatility of the last two years. As further evidence, CCRC investors have never incurred a principal loss on any of its mortgage loans.

We view the corporation's strategic plan, operational and financial policies and procedures, and general oversight, involvement with, and management of the organization to be very strong and above-average compared to those of peers. We have discussed and reviewed several of the corporation's guiding documents, plans, policies, and reports and believe them to be exceptional and a driving factor in the historic and ongoing success of the corporation. Overall, we view CCRC as exhibiting extremely strong organizational, administrative, financial management, and strategic planning capabilities and as maintaining a strong governance structure.

Table 1

California Community Reinvestment Corp.: Financial Ratio Analysis

%	2017	2018	2019	2020	2021	5-year average
Capital adequacy						
Equity/total assets	9.5	19.1	13.3	12.1	46.5	20.1
Net equity/total assets	8.6	15.6	8.5	11.1	44.5	17.7
Net equity/total loans	19.8	17.4	9.5	57.9	73.1	35.5
Net equity/total loans + MBS (loans)	19.8	17.4	9.5	57.9	73.1	35.5
Equity/total debt	10.8	24.5	15.8	14.1	94.0	31.8
Net equity/total debt	9.7	20.1	10.1	12.9	89.8	28.5
Available liquid assets/ total loans	41.3	33.1	20.1	62.0	23.7	36.1
GO debt/ total debt	0.0	0.0	0.0	0.0	0.0	0.0
Profitability						
Return on average assets	1.0	2.3	(0.9)	1.4	20.3	4.8
Net interest margin	1.1	1.0	1.2	1.3	1.5	1.2
Net interest margin (MBS (loans) + loans)	1.6	1.2	0.8	1.5	2.1	1.4
Net interest margin (loans)	1.6	1.2	0.8	1.5	2.1	1.4
Asset quality						
NPAs/total loans + REO	0.0	0.0	0.0	0.0	0.0	0.0
Loan loss reserves/total loans	3.1	2.5	1.9	4.4	2.6	2.9
Liquidity						
Total loans/total assets	41.4	86.8	87.5	17.5	58.7	58.4
Total loan + MBS (loans)/total assets	41.4	86.8	87.5	17.5	58.7	58.4
Short-term investments/total assets	58.3	12.5	12.2	82.2	39.8	41.0
Total investments/total assets	58.3	12.8	12.2	82.2	40.3	41.1

Table 2

California Community Reinvestment Corp.: Five-Year Trend Analysis (Amount $000s)

	2017	2018	2019	2020	2021
Total assets	265,319	158,543	213,915	262,747	160,671
% change	15.5	(40.2)	34.9	22.8	(38.8)
Total debt	234,941	123,557	180,569	225,121	79,545
% change	15.8	(47.4)	46.1	24.7	(64.7)
Total equity	25,266	30,235	28,473	31,832	74,770
% change	10.9	19.7	(5.8)	11.8	134.9
Total net equity	22,808	24,795	18,194	29,112	71,441
% change	68.7	8.7	(26.6)	60.0	145.4
Revenues	17,108	16,917	15,051	19,250	53,589
% change	12.5	(1.1)	(11.0)	27.9	178.4
Expenses	14,641	11,953	19,351	13,790	10,249
% change	(4.5)	(18.4)	61.9	(28.7)	(25.7)
Net income	2,479	4,969	(1,763)	3,359	42,938
% change	1,974.6	100.4	(135.5)	290.6	1,178.4
Total loans	109,860	137,577	187,161	46,068	94,285

Table 2

California Community Reinvestment Corp.: Five-Year Trend Analysis (Amount $000s) (cont.)					
	2017	**2018**	**2019**	**2020**	**2021**
% change	(51.5)	25.2	36.0	(75.4)	104.7

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022