Weathering the Storm:
A Framework for Meeting CRA Obligations

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Federal Reserve Bank of Dallas

The purpose of this publication is to provide financial institutions:

- A brief overview of disaster recovery and its connection to the Community Reinvestment Act (CRA)
- A framework as to how financial institutions can qualify disaster-recovery activities under the CRA
- A roadmap of how to identify opportunities that can help communities weather future storms
- A template for financial institutions to tell their CRA story, highlighting lending, investments and services that are responsive to the needs of their assessment areas
- Appendixes of CRA and disaster-recovery resources for additional information regarding disaster-related opportunities in their assessment areas

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"Weathering the Storm: A Framework for Meeting CRA Obligations" is a publication of the Community Development team of the Federal Reserve Bank of Dallas. Learn more about our work, publications and events at www.dallasfed.org/cd.

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Federal Reserve Bank of Dallas

Part One: Disaster Recovery in the United States

Over the past decade, the dialogue surrounding disaster recovery has shifted from “if” the storm is coming to “when” as countless communities across the U.S. have seen a surge in the number of natural disasters they face. In the past, such catastrophic events occurred roughly once a decade on average, providing communities with what some might deem adequate time to recover. But in recent years, there has been an uptick in the frequency and the severity of natural weather events.[1]

In 2017 alone, natural disasters across the southern United States directly impacted Texas, Louisiana, Mississippi and Florida as well as the U.S. territories of Puerto Rico and the Virgin Islands. These disasters left in their wake billions of dollars in physical damage, stifling major industries and shutting down countless small businesses. In California, wildfires devastated nearly a dozen counties, compounding the effect of natural disasters on the U.S. economy.

Wildfires in California, like this one near Santa Clarita in 2016, can have an economic impact that reaches beyond the geographic area.

Across the U.S., many regions have been especially hard hit by recent hurricanes, tropical storms, wildfires, tornadoes, floods and other weather events. For the southern and eastern regions of the nation, the months of June through November (commonly referred to as hurricane season) now bring great uncertainty each year and leave many bracing for the worst.

The economic impact of these catastrophic events cannot be overlooked. Since 1980, the United States has experienced 230 major climate- and weather-related disasters that have produced more than $1.5 trillion in overall damages.[2] The effects of any natural disaster are usually widespread, influencing major industries, small businesses, communities, families and individuals—and often creating outsized hardships for low- and moderate-income (LMI) residents.

Further, the nation’s economic interdependence on industry clusters in vulnerable regions, such as oil and gas along the hurricane-prone Gulf Coast, reinforces the need for additional national dialogue on investment opportunities related to disaster preparedness and recovery. The Gulf Coast region is home to many of the nation’s fastest-growing cities, including Houston, the nation’s fourth-largest city and a leader in the energy and health care industries.[3] Along with hurricanes, this area is particularly vulnerable to flooding and tornadoes. Past natural disasters in the region have presented significant economic challenges for the U.S., including increased costs for oil refining, natural gas, gasoline and plastics production.

Another example of this interdependence can be found in the Silicon Valley region of Northern California, which is vulnerable to earthquakes and wildfires. This region serves as an epicenter for many of the world's leading tech companies and has long stood as a major source of technological innovation within countless industries. Consequently, while the physical damage from a natural disaster striking this region might be geographically restricted, the potential economic impacts could have a far greater reach given the global importance of the region's technology sector.


Hurricane Harvey brought widespread flooding to the Houston region in 2017, crippling the Texas Medical Center, one of the world's leading health care facilities.

Many other regions of the country serve as centers for jobs critical to the U.S. economy. And no community is exempt from the forces of Mother Nature, whether located in a disaster-prone region or not. Moreover, even when natural disasters appear to be geographically limited in scope, their economic impact is felt more broadly across the nation. This reinforces the idea that disaster recovery is the shared responsibility of all.

The Funding Challenge

Moody Analytics estimates that direct damage caused by Hurricane Harvey will range from $60 billion to $70 billion, and—as with other natural disasters—it is unlikely that the federal government and/or private insurance will cover the entire cost.[4] A survey of federal assistance during past hurricane events since Hurricane Katrina in 2005 reveals that, on average, the U.S. government has contributed funds to cover approximately 60 percent of estimated damages following these storms.[5] According to the Congressional Research Service, this federal spending average includes dollars from the Federal Emergency Management Agency (FEMA) disaster relief fund and National Flood Insurance Program, Small Business Administration disaster lending programs, Housing and Urban Development (HUD) Community Development Block Grants and other federal agency programs.

The table below shows the estimated economic impact of major storms since Hurricane Katrina and the federal government dollars spent following each disaster. Removing hurricanes Sandy and Katrina—two outliers that received unusually high levels of federal aid in comparison to other storms—drops the average covered by federal aid from roughly 62 percent to 37 percent. Based on the table's historical data, it seems clear that federal aid will likely not cover the total economic cost of the 2017 hurricanes that impacted many parts of the southeastern United States.

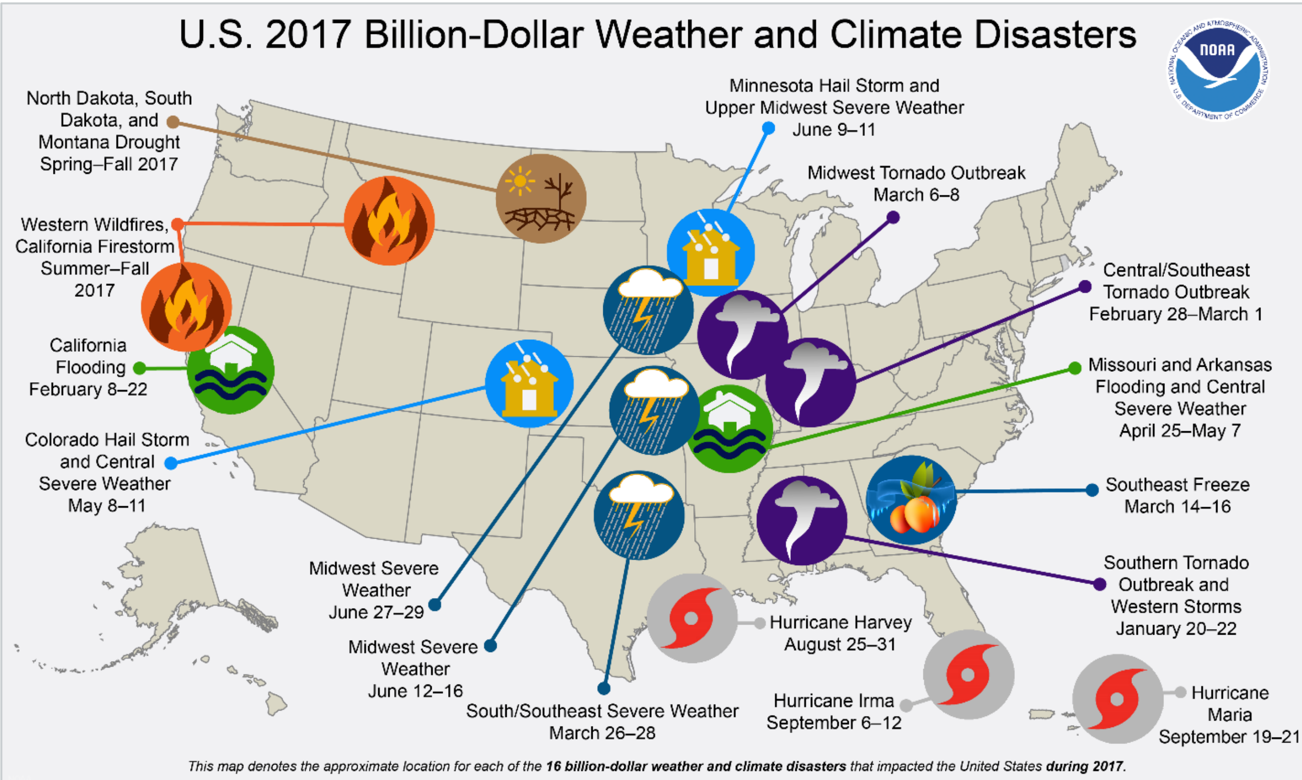
Federal Government Hurricane Recovery Dollars				
Year	**Hurricane name** *(impacted areas)*	**Estimated damage** (in billions)	**Estimated federal spending** (in billions)	**Percent covered**
2005	**Katrina** *(FL, LA, MS)*	160	114.5	72
2005	**Rita** *(TX, LA)*	23.7	9	38
2005	**Wilma** *(FL)*	24.3	6.4	26
2008	**Dolly** *(TX)*	1.51	302 million	20
2008	**Gustav** *(LA)*	6.9	4.1	60
2008	**Ike** *(TX, LA)*	34.8	12.8	37
2011	**Irene** *(NC)*	15	4.5	30
2012	**Isaac** *(LA)*	2.35	1.1	47
2012	**Sandy** *(NJ, NY, MA)*	70.2	56	80
2016	**Matthew** *(FL, GA, SC, NC)*	10.3	—	—
2017	**Harvey** *(TX, LA)*	125	—	—
2017	**Irma** *(FL, VI)*	50	—	—
2017	**Maria** *(PR, VI)*	90	—	—

NOTES: All amounts have been converted to 2017 dollars per the Bureau of Labor Statistics CPI Inflation Calculator. Federal spending totals for Matthew, Harvey, Irma and Maria are not yet available due to the recency of the storms.

SOURCES: Congressional Budget Office; National Oceanic and Atmospheric Administration's National Hurricane Center.

It is important to note that federal aid is not the primary mechanism by which communities are expected to recover. Federal aid predominantly focuses on meeting "unmet needs"—those likely to remain unaddressed after funding from all other sources has been accounted for.

In 2017, the United States experienced an unprecedented level of catastrophic natural weather events: three hurricanes in the southern U.S., numerous wildfires across Northern California, tornadoes throughout the Midwest and Southeast, hailstorms in Colorado and Minnesota, a prolonged drought in North and South Dakota as well as Montana, and deep-freeze and severe flooding events in the Midwest and Southeast. According to a January 2018 report released by the National Oceanic and Atmospheric Administration (NOAA), natural disasters across the U.S. in 2017 caused more than $306 billion in damage and set a U.S. annual record.[6] Federal aid is likely to be stretched thin as the nation seeks to recover using limited resources.



2017 brought widespread weather and climate disasters to the U.S., emphasizing the need for additional discussion on this topic nationally. *Credit: National Oceanic and Atmospheric Administration*

With federal aid expected to cover only a portion of the economic costs associated with the 2017 natural disasters, the complete recovery of impacted communities will largely lie in the hands of entities that have access to capital. Moreover, long-term federal aid is often slow to arrive due to the lengthy appropriations process, which further delays the recovery of affected regions. In many instances, it has taken this form of federal aid more than a year to arrive.

For many individuals impacted by a natural disaster, this waiting period is the most critical in the disaster-recovery process, and most of those affected cannot afford to wait on federal aid to begin rebuilding their lives. They need access to adequate resources that all too often are not immediately available. Ultimately, these individuals will look to local and state governments, which often are also waiting on federal assistance and other disaster-related benefits. In this situation, finding access to adequate, flexible and affordable capital is of paramount importance if communities are to engage in responsive disaster-recovery efforts.

According to FEMA, roughly 40 percent of small businesses close permanently following a disaster.[7] Furthermore, many small businesses located in FEMA-designated disaster areas hold insurance that is mismatched to the types of damage experienced, leaving substantial revenue losses and sizable funding gaps.[8] A 2017 Federal Reserve study found that, while 65 percent of affected firms pointed to loss of power or utilities as the major source of their losses, only 17 percent held business-disruption insurance.

Additionally, as Hurricane Harvey revealed, many households lack adequate flood insurance to protect their losses. According to estimates, more than 80 percent of homeowners in the eight Texas counties most heavily impacted did not have flood insurance under the National Flood Insurance Program, which would have covered up to $250,000 in rebuilding costs and $100,000 in personal contents.[9]

Statistics like these make it clear that many individuals, families and small businesses are not prepared to weather catastrophic storms—and for those affected, access to capital that banks can provide during disaster-recovery periods can mean the difference between rebuilding and receiving a new start or not.

Banks are important players in the disaster-recovery process because they are uniquely situated to offer assistance during this precarious time, given their compliance requirements under the Community Reinvestment Act (CRA) as well as their pursuit to be good corporate citizens. The CRA provides a meaningful opportunity for bankers to help affected communities recover after natural disasters as well as stimulate local economies through lending, investments and services that stabilize and revitalize neighborhoods, promote economic and small-business development, repair deteriorating infrastructure and create long-term employment opportunities for all, including LMI individuals.

The Community Reinvestment Act

First enacted in 1977, the Community Reinvestment Act (CRA) encourages depository institutions to help meet the credit needs of the communities in which they maintain banking operations, consistent with safe and sound operations. CRA was not created to encourage banks to engage in more risky lending and investment practices. It is important to remember that banking activities, whether subject to CRA or not, must still be consistent with safe and sound banking practices.

The expansion of CRA has not occurred overnight or by coincidence. The regulatory agencies with CRA responsibilities provide guidance to agency staff, financial institutions and the public through the Interagency Questions and Answers Regarding Community Reinvestment (Q&As). The agencies have updated the Q&As periodically, with the most recent guidance released in 2016. Among the topics addressed in the Q&As are activities that revitalize or stabilize designated disaster areas and investments in community development financial institutions (CDFIs), broadband access and workforce development.

Private industry and philanthropy also play a role in helping communities return to their pre-disaster levels. For private industry, it makes good business sense to invest in recovery because these communities provide the human capital necessary to their business needs as well as a consumer base for selling goods and services and generating revenue and profits. For philanthropy, supporting recovery is simply the right thing to do. Philanthropic organizations are usually mission driven and able to assist in the rebuilding of communities and lives when there are either no resources available or when other entities do not make adequate investments in affected communities.

Four Types of Activities Considered to Be Community Development[1]

1. Affordable housing for low- and moderate-income (LMI) individuals
2. Community services targeted to LMI individuals
3. Activities that promote economic development by providing small-business and small-farm financing[2]
4. Activities that revitalize or stabilize LMI geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas

[1]Federal Financial Institutions Examination Council Interagency Q&A § _.12(g)—1.
[2]Businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less.

Part Two: How a Bank's Activities in Disaster Recovery Can Fit CRA Criteria

In the wake of hurricanes Katrina and Rita, federal financial regulators saw an opportunity for banks to better serve the needs of their communities and assessment areas by becoming more involved in the revitalization and stabilization of communities devastated by natural disasters. The final guidance, which took effect in 2005, expanded the definition of "community development" under the CRA to include activities that revitalize or stabilize LMI geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

In 2005, Hurricane Katrina devastated New Orleans, exposing many of the city's structural deficiencies and the unmet needs of its residents.

The Federal Financial Institutions Examination Council (FFIEC) Interagency Q&A § _.12(g)(4)(ii)—1 explains that a "designated disaster area" is a major disaster area that has been designated as such by the federal government, more specifically FEMA. However, counties designated by FEMA to receive only FEMA Public Assistance Emergency Work Category A, which covers debris removal, and/or Public Assistance Category B, which covers emergency protective measures, are excluded under CRA. As part of the process of issuing major disaster declarations, FEMA publishes notices at www.fema.gov that include information regarding past disaster declarations as well as the process itself.

Remember the Primary Purpose

To obtain consideration under CRA, every activity a bank engages in must not only fall within one of the four categories listed under the definition of community development, but must also have community development as its primary purpose. According to Federal Financial Institutions Examination Council Interagency Q&A § _.12(h)—8, primary purpose can be demonstrated by one of these methods:

1. A majority of the dollars or beneficiaries of the activity are tied to one of the prongs listed within the definition of community development; **or**
2. The expressed, bona fide intent of the activity is primarily one or more of the listed community development purposes; **and** the activity is specifically structured to achieve the expressed community development purpose; **and** the activity accomplishes, or is reasonably certain to accomplish, its community development purpose.

This means that, for a bank to receive CRA consideration for a disaster-recovery-related activity, not only must the activity meet the definition of "revitalizing and stabilizing a designated disaster area," but the bank must also show either that the majority of the dollars or beneficiaries fall within the definition of community development under CRA or, alternatively, that the intent and structure are for a community development purpose and the activities did or will with reasonable certainty achieve their community development goals.

Time Constraints

According to Q&A § _.12(g)(4)(ii)—1, banks generally have 36 months following the date of a major disaster declaration by FEMA to engage in institutional activities related to disaster recovery that revitalize and stabilize a FEMA-designated disaster area. This period can be extended by the federal financial regulatory agencies when a clear community need exists to facilitate long-term recovery efforts.

For example, an extension of the 36-month time limit was granted in 2008 following hurricanes Rita and Katrina, and this extension played a major role in aiding the long-term recovery of the Gulf Coast region. Institutions should look to interagency guidance letters following major disaster declarations for such extensions and clarification on coverage areas and terms.

What Activities Count?

For consideration under CRA, banks must engage in activities that "revitalize or stabilize designated disaster areas." Q&A § _.12(g)(4)(ii)—2 defines revitalization or stabilization activities as:

1. Activities related to disaster recovery that help attract new, or retain existing, businesses or residents
2. Activities that are consistent with a bona fide government revitalization or stabilization plan or disaster-recovery plan

For the purpose of CRA consideration, Q&A § __.12(g)(4)(iii)—3 details that examiners can consider all disaster-recovery-related activities that revitalize or stabilize a particular designated disaster area, but greater weight will be given to activities that are most responsive to the needs of the community, including the needs of LMI individuals and neighborhoods.

For example, if a bank provided affordable, low-interest home repair disaster loans to homeowners in three census tracts (one upper income, one middle income and one low income) located in a federally designated disaster area within the bank's assessment area, the examiner during his or her review might consider all the loans as qualified activities—but the loans that benefit LMI tracts or individuals would be considered more responsive.

Banks may look to state, county and city governments for disaster-recovery plans or other bona fide revitalization

Examples of Activities That Revitalize or Stabilize Designated Disaster Areas

Federal Financial Institutions Examination Council Interagency Q&A § __.12(g)(4)(ii)—2 provides examples of activities that qualify under CRA as revitalizing and stabilizing designated disaster areas:

- Providing financing to attract a major new employer that will create long-term job opportunities, including for low- and moderate-income (LMI) individuals
- Providing financing to help retain businesses in the area that employ local residents, including LMI individuals
- Providing financing or other assistance for "essential" communitywide infrastructure (flood control measures, levees, dikes, drainage), community services and rebuilding needs[1]
- Providing housing, financial assistance and services to individuals in designated disaster areas and to persons who have been displaced from those areas, including LMI individuals

As with all revitalization and stabilization activities under CRA, examiners will look for the direct long-term benefits that an institution's activities provide to a designated disaster area.

[1]Federal Financial Institutions Examination Council Interagency Q&A §__.12(g)(4)(iii)—4.

and stabilization plans for guidance on their disaster-related activities. Many of these plans identify unmet needs within the community as well as areas where investment may be most important. Ensuring that the bank's activities are aligned with the plans of local government may assist the bank with making certain its efforts are indeed responsive.

School districts and other official local governance boards, such as flood control, municipal utility and county hospital districts, may serve as additional sources of bona fide government plans. These plans may be more focused on particular subject areas such as education and health care or may target special populations, including LMI individuals. Identification of these distinct issues as well as community subgroups can provide banks with opportunities to use New Markets Tax Credits (NMTCs) and other creative financing tools to achieve their disaster-recovery-related activities.

Part Three: Identifying Opportunities Within Disaster Recovery and CRA

As with other areas within CRA, activities that are most responsive to the needs of the designated disaster area receive greater consideration and weight. For purposes of CRA, banks are evaluated on both the quality and responsiveness of investments.

Banks can look to nonprofit community partners, local governments and governance boards, academic institutions and philanthropic groups for real-time needs-assessment data and potential opportunities to engage in responsive disaster-recovery activities. Typically, the entities that provide a good starting point for banks that seek to engage in the recovery process are organizations that focus on the areas of housing, public infrastructure, community services and economic development. If a bank seeks to make its disaster-recovery activities responsive, it may require strategically engaging new partners, working collaboratively with other banks, creating new products and services and even investing in mission-driven financial institutions or capacity-building intermediaries working within the disaster area.

Community development financial institutions (CDFIs) provide an excellent opportunity for banks to engage in the recovery process. As mission-driven organizations that have a community development purpose and seek to foster economic opportunity and revitalize neighborhoods, CDFIs often have extensive community contacts within the areas they serve. Many work in the areas of affordable housing, economic development and small-business development and can act as conduits for banks that may be seeking investment opportunities within designated disaster areas. Under the CRA, banks may receive credit for activities conducted directly as well as through third parties. Investments made in CDFIs are presumed to have a community development purpose, which can provide additional support when seeking to qualify disaster-related activities conducted by these types of institutions. Visit www.cdfifund.gov for additional information and a list of certified CDFIs across the nation.

Capacity-building intermediaries can also provide banks with opportunities to engage in the disaster-recovery process. These large nonprofits have extensive national networks of community partners, which often include local government leaders, education providers, thriving nonprofits and philanthropy organizations. Intermediaries often focus on resiliency strategies as well as creating opportunity for LMI people. Many also have financing capacity and may qualify for CDFI investment. Because intermediaries work across a broad spectrum of subject-matter areas, they are better positioned to diversify investments across the interconnected topics of disaster recovery, resiliency and preparedness. Working through intermediaries can give banks an opportunity to explore investment opportunities that better match their business lines as well as provide access to nonprofit organizations that target specific communities of interest.

Other Activities That May Qualify for CRA Consideration

Banks can engage in numerous activities following natural disasters that offer temporary or immediate direct relief to communities and consumers. For example, during recent natural disasters, banks have frequently waived ATM, overdraft and late fees and allowed noncustomers to use their bank services free of charge.

Additionally, many banks have provided responsive retail services such as delayed credit bureau reporting; offered loan deferment of mortgage and auto payments; eased credit card qualification requirements, loan terms and credit limits; and provided small-dollar loans immediately following natural disasters. Some banks that have access to mobile banking facilities have even donated these mobile units to local nonprofits to provide banking services as well as emergency aid to LMI communities and individuals across impacted disaster areas.

Following Hurricane Harvey in 2017, Texas Capital Bank deployed its mobile banking center to provide emergency banking services to its customers and the broader community. *Credit: Texas Capital Bank*

Following hurricanes Katrina, Rita and Wilma in 2005, many banks stepped up to help communities in their recovery efforts. In addition to offering resources that assisted their own customers, some banks joined with competitors to collaborate and create innovative products and solutions that aided the broader community. To address housing shortages and the need to replace damaged property and facilities, banks partnered with local community-based organizations. Disaster-recovery activities included supporting the reconstruction of single-family homes, commercial and multifamily

Earthquakes can cause irreparable damage to a city's critical structures; providing capital to safeguard buildings in vulnerable areas like Los Angeles can help ensure the vitality of a region's housing supply.

properties, and businesses by providing financing, financial counseling and other services. Additionally, banks supported small-business recovery efforts by investing in CDFIs, capitalizing new local, state and regional loan funds that provided flexible funding to targeted vulnerable populations, and utilizing NMTC allocations to replace needed public infrastructure.[10]

Another example of banks engaging in responsive disaster-related activities can be found in California, where banks have provided financing for seismic retrofitting loans. In response to emergency regulations effective Dec. 22, 2016, that required the rehabilitation of buildings located within earthquake-vulnerable areas in California, banks began working with the California Capital Access Program (CalCAP) to provide loans to residential property owners and small businesses for seismic safety retrofits. These seismic-retrofit loans have played an integral part in providing the private capital many homeowners and small businesses need to safeguard their property from the risk of a potential catastrophic earthquake.[11]

Disaster-Related Activities Outside a Bank's Assessment Area

Banks that seek to be good corporate citizens recognize the importance of helping other communities that may be in need but fall outside their service areas. While one of the primary driving forces behind the creation of CRA was to encourage banks to better serve the communities where they are physically located and accept deposits, federal regulatory agencies have recognized that banks can play a pivotal role in rebuilding communities in their larger statewide or regional area.

According to Q&A § __.12(h)—6, generally banks can receive CRA consideration for disaster-recovery-related activities that are within the regional or broader statewide area but outside their assessment areas as long as they have first been responsive and adequately met the needs of communities within their assessment areas. In addition, on rare occasions CRA consideration has been allowed for activities outside a bank's regional area. Before engaging in such activities, banks should look to guidance issued by the federal financial regulatory agencies. For example, the most recent interagency guidance issued on Jan. 25, 2018, in response to Hurricane Maria allowed consideration of bank activities that help revitalize or stabilize the U.S. Virgin Islands and Puerto Rico, which were designated as major disaster areas.[12]

Notes for Nonprofits: Working with Banks on Disaster Recovery and CRA

The Community Reinvestment Act (CRA) provides a valuable opportunity for community-based organizations and nonprofits to better serve the communities in which they work by engaging in meaningful dialogue and collaboration with banks. CRA is not a mandate requiring banks to financially support community-based organizations, but it provides descriptive guidance that encourages banks to lend, invest and serve in the communities where they take deposits.

Because banks are responsible for reporting their CRA-related activities to financial regulators, nonprofits can provide banks with data on impact as well as statements of support detailing how a bank's lending, investment and services have made a difference in the communities they serve. Additionally, these on-the-ground organizations can provide banks with potential customers and new business opportunities.

Nonprofits should recognize that CRA does not create a pipeline of funding; it creates the chance to build a partnership through which all parties involved can mutually benefit. For the nonprofit, these benefits might include increased public visibility and credibility as well as a source of financial support, potential board members and technical assistance.

Disaster recovery under CRA provides banks with an opportunity to be most responsive to the needs of communities during a time when there is often an extraordinary need for services and resources but limited means available to meet the increased demand. Nonprofits working in a federally designated disaster area are well-situated to provide banks in these communities with data on unmet needs and vulnerable low- and moderate-income (LMI) populations and to serve as a conduit to deploy resources and services directly to those in need.

Disaster recovery is not a quick process, and it may require continued investment. This points to one reason why it is important for nonprofits to forge relationships with banks in the community. By building trust, nonprofits can establish a reputation as a valued community partner and possibly become an integral part of a bank's community development activities.

Before engaging with any bank on disaster-recovery efforts where CRA consideration is the primary driver, nonprofits should ask the following four questions:

- Does the nonprofit serve a community within a federally designated disaster area (not designated by the Federal Emergency Management Agency (FEMA) as eligible only for Public Assistance Emergency Work Category A and/or B)?
- Have fewer than 36 months passed since FEMA designated the nonprofit's service area as a designated disaster area, or have the Federal Deposit Insurance Corp., Office of the Comptroller of the Currency and Federal Reserve issued an interagency letter extending the time for disaster-related activities for the area?

- Is the nonprofit engaged in efforts that meet the definition of "community development activities" under CRA?
- Is the nonprofit engaged in or looking to engage in activities that revitalize or stabilize designated disaster areas?

If the response is "no" to any of these four questions, a nonprofit's disaster-recovery activities may not qualify for consideration under CRA, but there may be other opportunities to partner with banks on activities that are responsive to the needs of communities, including those that are LMI. While the guidelines for disaster-recovery activities are somewhat specific, there are other areas under CRA that can provide an opportunity for a nonprofit to collaborate with banks. CRA is broad and still evolving; nonprofit organizations are encouraged to evaluate where their current or proposed work in communities may align with the community development interests of banks and seek to build relationships in those areas.

Conclusion

The CRA is not prescriptive. It provides illustrations and examples that may qualify for consideration during examination. When conducting CRA-related activities, it is important that banks tell their story. This means accurately depicting the performance context of their assessment area. This framework is designed to help CRA and compliance officers develop and share their community development story internally with management and colleagues as well as externally with community partners and leaders, customers and examiners. This publication has also been developed to assist banks in making thoughtful and strategic decisions about disaster-related activities both inside and outside their assessment areas. These activities should be supported with clear and comprehensive reasoning so that examiners are able to appropriately determine not only the responsiveness of such activities but their impact as well.

Template for Banks to Tell Their CRA Story

Section A: Background

I. Your mission and/or purpose

II. Your geographic market(s)

Discuss demographic data related to income, deposit market share, Home Mortgage Disclosure Act market share, Community Reinvestment Act (CRA) small-business/small-farm share and identified needs. For demographic information, a bank can use Census Bureau data, disaster-recovery plans, government revitalization or stabilization plans and economic development plans.

III. Define the CRA

Below is sample text.

- "Under the Community Reinvestment Act (CRA), it is our responsibility to identify and invest in low- and moderate-income (LMI) communities. These activities must benefit both our financial institution and these communities."
- "The CRA defines community development as that which encompasses affordable housing (including multifamily rental housing) for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs or have gross annual revenues of $1 million or less; or activities that revitalize or stabilize LMI geographies, designated disaster areas or distressed or underserved nonmetropolitan middle-income geographies designated by the Federal Reserve Board of Governors, the Federal Deposit Insurance Corp. (FDIC) and the Office of the Comptroller of the Currency (OCC)."

IV. Examples of how your financial institution has met its CRA obligations

Below is sample text.

- "On *(date) (list cities/communities in your assessment area)* were impacted by *(name of weather event)* and declared a designated disaster area by the Federal Emergency Management Agency (FEMA) *(see FEMA designation letter attached naming counties in our assessment area)*. Although the storm impacted communities across various socioeconomic statuses, this is how LMI people are affected … Our work with *(give name of partner, such as nonprofit, economic development center or school)* to bring emergency care packages, furniture, home repair materials, etc., to *(list of LMI communities where the nonprofit worked)* allowed these LMI communities and individuals to revitalize and stabilize the LMI geography ...” *(Provide evidence of impact on affordable housing—e.g., repairing homes and apartment units—reopening of small businesses and restored infrastructure.)*

- “In collaboration with *(list organizations)*, a consortium of public, private and nonprofit stakeholders, we developed a disaster-recovery plan for the local community. We provided a grant *(dollar amount)* to assist with costs associated with the completion of the plan. Additionally, we have contributed *(dollar amount)* to a revolving loan fund being administered by *(administering agency)* to replace the city’s affordable-housing stock that was destroyed during the storm as well as rebuild public facilities within the community. Below are some of the results to date as well as projected future outcomes of this program ...”
- “We provided an equity equivalent investment (EQ2) to a Community Development Financial Institution (CDFI) community loan fund *(name)* that will in turn finance small businesses with loans for infrastructure repairs and operational expenses in the following census tracts *(list tracts)*, which are LMI geographies located within the designated disaster area.”
- “We worked with a community development housing organization *(name)* to provide home-repair loans for affordable housing and LMI residents that helped to fund energy-efficient upgrades.” *(Share success stories.)*
- “Specifically, after hearing about increased mortgage delinquency rates in the designated disaster area, namely *(list communities and census tracts and reference which are LMI)*, we provided a grant *(amount)* to a community development corporation *(name)* to provide case-management services, housing counseling, mortgage modification assistance, credit counseling and training for community housing counselors on foreclosure prevention.”
- “We provided a revolving loan fund to CDFIs *(list names, dollar amounts and specific time period)* to make credit available to LMI microbusinesses and small businesses within the designated disaster area. These businesses include ...” *(Share success stores and the impact of the additional capital on the small businesses and the community.)*
- “In an LMI community that did not have access to a brick-and-mortar bank, we worked with the local nonprofit *(name)* to provide access to banking and check-cashing services to both our customers and noncustomers using our mobile banking center. We also used our mobile banking facility to distribute water, food and emergency needs to the community in partnership with this nonprofit. We were able to serve *(insert number of persons)* from the following LMI census tracts *(list census tracts or demographic information)*. Below are the results of our efforts ...”
- “Local community leaders have identified a need for developing more resilient affordable-housing strategies that will reduce the impact of flooding within LMI communities as well as on LMI residents. We have joined a collective-impact initiative to help facilitate flood-mitigation strategies in the region more specifically ...”
- “When *(name)*, a community development corporation serving *(list areas and statistics)*, did not have facilities to store and distribute goods to the community following the disaster, we worked with this nonprofit to open one of our closed branch locations and allowed the organization to use

the branch location for *(state period of time and cost associated)*. This in-kind contribution allowed the nonprofit to serve …" *(Share outcomes.)*

- "We invested in community development loan funds that…"
- "We used New Markets Tax Credits to *(describe how the credits were used)*. Our partners were … *(list public, private and nonprofit organizations)*. The projected impact …"

Section B: Our Current Area(s) of Focus

I. Background: Disaster Recovery

Below is sample text.

- "Due to the devastating impact of *(name disaster)* on communities in our assessment area, especially those that are LMI, we are now using the Dallas Fed's 'Weathering the Storm: A Framework for Meeting CRA Obligations' to help guide our community development strategy."
- "Natural disasters disproportionately impact LMI communities, and in community development work, we remain committed to ensuring all communities and neighborhoods have adequate resources to rebuild and recover following these types of events. We are working with local nonprofits, CDFIs and community leaders to identify the most critical needs of communities and small businesses within our assessment area. In an effort to be responsive, we have developed a specific line of capital in anticipation of increased lending needs for individuals and businesses within our assessment area. Based on insight we have acquired working with external stakeholders in our assessment area, it is evident that many small businesses will need access to additional capital to return to predisaster levels."

II. Our Community Development Focus

Below is sample text.

- "LMI communities are disproportionately affected by natural disasters. The outlook for small businesses is equally as dire. As noted by FEMA, '40 percent of small businesses never reopen their doors after a natural disaster strikes.' At *(name your financial institution)*, we are working to change these indicators by supporting *(nonprofit, CDFI, revolving loan fund)* … This area consists of … *(Define the geographic area)*."
- "To identify the unmet needs within the area as well as major impediments to recovery within our assessment area, we conducted substantial research that reveals several opportunities for *(name of your financial institution)* to become involved in disaster recovery. This is how we conducted this research." *(Give specific examples. Information should be included from Part Three: Identifying Opportunities Within Disaster Recovery and CRA from the Dallas Fed's "Weathering the Storm: A Framework for Meeting CRA Obligations."*)

- "We decided to focus on the following disaster-related activities within our assessment area ... *(List your partnerships and activities.)*"

Section C: Our Projected Impact

Note: The following information and sample text may be helpful in sharing your community development story with internal management, customers, community partners, target communities and bank examiners.

- "We decided to focus on disaster recovery because it not only provides an opportunity for us to be responsive to the needs of our assessment area and assist local efforts that revitalize and stabilize LMI geographies, but also fulfills a primary purpose of the CRA—for banks to serve the communities in which their branches are located. As noted in 'Weathering the Storm: A Framework for Meeting CRA Obligations,' our disaster-recovery-related activities provide meaningful opportunities for our financial institution to help impacted communities recover after natural disasters as well as stimulate local economies."
- "The return on investment (ROI) is expected to be strong for both our financial institution and the communities in which we invest. Outlined below are estimates of the financial returns.
  - Financial ROI to your financial institution: *(Explain who calculated this, how it was calculated and the estimated time frame.)*
  - Financial ROI to your community partners: *(Explain who calculated this, how it was calculated and the estimated time frame.)*"
- "It will generate a savings that is estimated to be ... *(Explain who calculated this, how it was calculated and the estimated time frame.)*"
- "The impact is expected to be positive for both our financial institution and the communities in which we invest. Written below are estimates of the financial and social impacts.
  - Financial impact to your financial institution: *(Explain who calculated this, how it was calculated and the estimated time frame.)*
  - Financial impact to your community partners: *(Explain who calculated this, how it was calculated and the estimated time frame.)*
  - Financial impact to your community: *(Explain who calculated this, how it was calculated and the estimated time frame.)*
  - Social impact to your financial institution: *(For example),* 'Our community development activities entail developing and maintaining strong community partnerships, which are vital to building mutual trust and respect between us and the community.'
  - Social impact to your community partners: *(For example),* 'This is what our community partners are saying about our community development activities.'
  - Social impact to the community: *(Explain who calculated this, how it was calculated and the estimated time frame.)*"

- "The financial impact of our investments in disaster recovery on our institution is neutral/negative in the short term. However, the positive regulatory impact and the financial impact of creating an economy in the region where entrepreneurship can recover and thrive and where individuals at all income levels have access to safe and sound credit solutions are projected to generate a positive financial impact in the long term. Specifically, the people we help today will grow into our customers tomorrow. Here's how … *(Explain your strategy/plan.)*"

Section D: Our Leadership Role

I. Our Specific Leadership Role

Below is sample text.

- "We are exhibiting leadership in our assessment area by supporting the community development best practices identified by *(cite source; e.g., the Federal Reserve Bank of Dallas, Enterprise Community Partners, Local Initiatives Support Corp., etc.)* and introducing our community partners to the community development best practices. Here's how … *(List specific examples.)*"
- "Given the significant impact of natural disasters on the communities in our assessment area—especially those that are LMI—we stepped up to help. We met with community leaders, local nonprofits, philanthropy members and private-business leaders … The description of our efforts is outlined below …"

II. Putting Our Leadership Role in Context

Below is sample text.

- "All levels of government recognize that disaster recovery has an impact on every area of community development, including educational attainment, workforce development, small-business development and access to financial services. During the period that follows a natural disaster, lack of capacity and resources to adequately recover has impeded the economic, educational and job outlook for countless regional economies."

Note: Financial institutions should touch base with their examiner throughout the planning and execution of their CRA strategy to ensure they have the data needed to receive community development credit for their project(s). Banks should also reassess the community development needs in their assessment areas every 12 to 18 months and refresh their plan on an ongoing basis.

Appendixes

CRA Resources

- “Interagency Questions and Answers Regarding Community Reinvestment,” Federal Financial Institutions Examination Council, July 2016
  www.ffiec.gov/cra/qnadoc.htm
- CRA Regulations, Federal Financial Institutions Examination Council
  www.ffiec.gov/cra/regulation.htm
- CRA Interagency Interpretive Letters, Federal Financial Institutions Examination Council
  www.ffiec.gov/cra/letters.htm
- CRA Information and Data Resources, Federal Financial Institutions Examination Council
  www.ffiec.gov/cra/
- Federal Reserve System CRA Information, Board of Governors of the Federal Reserve System
  www.federalreserve.gov/consumerscommunities/cra_about.htm
- CRA OneSource, Federal Reserve Bank of Kansas City
  www.kansascityfed.org/community/cdi/craonesource
- CRA Loan Data Collection Grid, Federal Reserve Bank of Dallas, 2015
  www.dallasfed.org/~/media/documents/cd/pubs/craloan.pdf
- Community Development Decision Flow Chart, Federal Reserve Bank of Dallas *e-Perspectives*, vol. 7, no. 4, 2007
  www.dallasfed.org/~/media/microsites/cd/epersp/2007/4_3.aspx
- “A Banker’s Quick Reference Guide to CRA,” Federal Reserve Bank of Dallas, 2005
  www.dallasfed.org/~/media/documents/cd/pubs/quickref.pdf
- “An Introduction to CRA: Community Reinvestment Act,” Federal Reserve Bank of San Francisco, video
  www.frbsf.org/community-development/initiatives/community-reinvestment-act
- FedCommunities, Federal Reserve System
  www.fedcommunities.org
- Fed Small Business, Federal Reserve System
  www.fedsmallbusiness.org

Disaster Recovery Resources

- Disaster Preparedness and Recovery Resources, Federal Reserve System
  www.federalreserve.gov/supervisionreg/disaster-preparedness-and-recovery-resources.htm
- Business Resiliency, Federal Reserve System
  www.federalreserve.gov/supervisionreg/businessresiliency/businessresiliency.htm
- Federal Emergency Management Agency
  www.fema.gov

- Disaster Preparedness and Recovery, Federal Reserve Bank of Kansas City
  www.kansascityfed.org/community/disasterrecovery
- "Small Business Credit Survey Report on Disaster-Affected Firms," Federal Reserve Banks of Dallas, New York, Richmond and San Francisco
  www.newyorkfed.org/medialibrary/media/smallbusiness/2017/SBCS-Report-on-Disaster-Affected-Firms.pdf

Notes

[1] See the National Oceanic and Atmospheric Administration (NOAA) Geophysical Fluid Dynamics Laboratory's overview on global warming and hurricanes at www.gfdl.noaa.gov/global-warming-and-hurricanes.

[2] For more information regarding historical natural disaster damage totals for the U.S. as well as natural disaster damage for 2018, see NOAA's National Centers for Environmental Information (NCEI) 2018 report "Billion-Dollar Weather and Climate Disasters" at www.ncdc.noaa.gov/billions/overview.

[3] See "The Census Bureau Shows the Fastest-Growing Cities in the U.S. Are …," by Mary Bowerman, *USA Today*, May 26, 2017, www.usatoday.com/story/money/nation-now/2017/05/25/census-bureau-shows-fastest-growing-cities-u-s/344945001/.

[4] For more information on measuring the impact of Hurricane Harvey, see the Federal Reserve Bank of Dallas' 2017 Annual Report at www.dallasfed.org/fed/annual/2017/economic-impact.

[5] For more on federal government hurricane assistance spending, see "What Past Federal Aid Tells Us About Money for Harvey Recovery," by Ryan Struyk, CNN News, Sept. 7, 2017, www.cnn.com/2017/08/31/politics/hurricane-harvey-recovery-money/index.html.

[6] For more information on the damage caused by 2017 natural disasters in the U.S., see NOAA's National Centers for Environmental Information 2017 report "2017 was 3rd warmest year on record for U.S.," Jan. 8, 2018, at www.noaa.gov/news/2017-was-3rd-warmest-year-on-record-for-us.

[7] For more on small-business outlooks following disasters, see "Hurricane Alert: 40 Percent of Small Businesses Never Recover from a Disaster," by Chris Morris, CNBC, Sept. 16, 2017, www.cnbc.com/2017/09/16/hurricane-watch-40-percent-of-small-businesses-dont-reopen-after-a-disaster.html.

[8] "Small Business Credit Survey Report on Disaster-Affected Firms," Federal Reserve Banks of Dallas, New York, Richmond and San Francisco, April 2017, www.newyorkfed.org/medialibrary/media/smallbusiness/2017/SBCS-Report-on-Disaster-Affected-Firms.pdf.

[9] "Where Harvey Is Hitting Hardest, 80 Percent Lack Flood Insurance," by Heather Long, *Washington Post*, Aug. 29, 2017, www.washingtonpost.com/news/wonk/wp/2017/08/29/where-harvey-is-hitting-hardest-four-out-of-five-homeowners-lack-flood-insurance/?utm_term=.116109c2a0cb.

[10] For more information on how banks supported the Gulf Coast recovery following the 2005 hurricanes, see "Community Redevelopment in the Gulf Coast," by John C. Dugan, *Community Developments*, Office of the Comptroller of the Currency, Fall 2008, www.occ.treas.gov/publications/publications-by-type/other-publications-reports/cdi-newsletter/cdi-gulf-coast-redev-fall-2008.pdf.

[11] For more on the California Capital Access Program's (CalCAP) Seismic Safety Financing Program, visit www.treasurer.ca.gov/cpcfa/calcap/seismic/summary.asp.

[12] See the "Interagency Statement on CRA Activities related to Hurricane Maria" at www.federalreserve.gov/newsevents/pressreleases/files/bcreg20180125a1.pdf.