Federal Reserve Bank of Dallas

Federal Reserve Bank of New York CoDeFi Puerto Rico Launch

Kevin Dancy, Esq., MPA
Community Development Advisor
May 30, 2019

The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System.


NEW FROM DALLAS FED
COMMUNITY DEVELOPMENT
Weathering
the Storm
Federal Reserve
Bank of Dallas
dallasfed.org/cd

New framework provides guide for bank-community partnerships in disaster recovery.

Federal Reserve
Bank of Dallas

dallasfed.org/cd

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**

Notes

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.

What is a “designated disaster area”?

A “designated disaster area” is a major disaster area that has been designated as such by the federal government, more specifically FEMA.

Note: 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. For CRA purposes, look to identify counties that are eligible to receive FEMA assistance for individuals and businesses.

What Activities Count?

For consideration under CRA, banks must engage in activities that “revitalize or stabilize designated disaster areas.” **The Q&As** define 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

Examples of Activities That Revitalize or Stabilize 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
- 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.

Activities Consistent with Bona Fide Government Revitalization or Stabilization Plans

Banks may look to state, county and city governments for disaster-recovery plans or other bona fide revitalization and stabilization plans for guidance on their disaster-related activities. Other sources of potential plans include:

- School Districts
- Official local governance boards
- Flood control districts
- Municipal Utility Districts
- County Hospital Districts

Other Activities That May Qualify for CRA Consideration

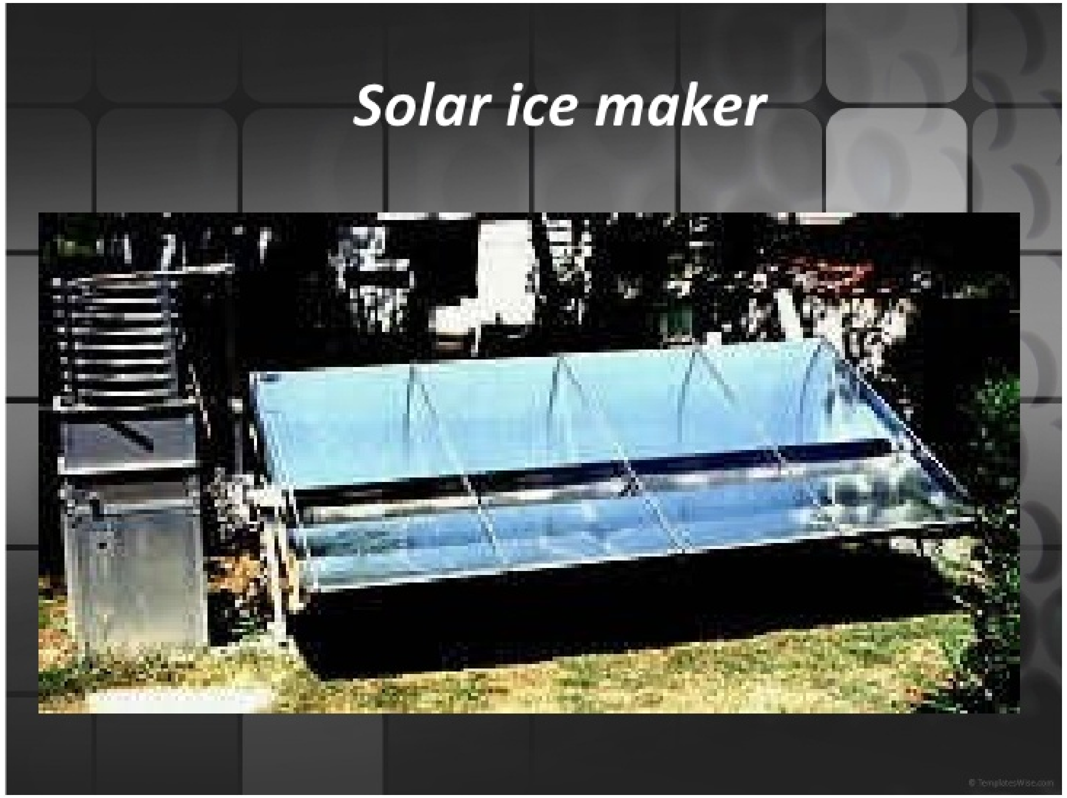
Banks can engage in numerous activities following natural disasters that offer temporary or immediate direct relief to communities and consumers. For example, during recent natural disasters, banks have:

- Waived ATM, overdraft and late fees
- Allowed noncustomers to use their bank services free of charge
- Delayed credit bureau reporting
- Offered loan deferment of mortgage and auto payments
- Eased credit card qualification requirements, loan terms, and limits
- Provided small dollar loans
- Used mobile banking facilities to provide emergency aid and banking services
- Created and capitalized local, state, and regional loan funds (Hurricanes Katrina, Rita, Wilma)
- Invested in Resiliency Loan Programs (California Capital Access Program (CalCAP))

Other Activities That May Qualify for CRA Consideration

Bank Loans Closed Branch to Non-Profit

Banks Provide Financing for New Equipment



Other Activities That May Qualify for CRA Consideration

Banks Provide Financing for Flood Doors

Banks Provide Financing for Home Elevation

Disaster-Related Activities Outside a Bank's Assessment Area

In addition, on rare occasions CRA consideration has been allowed for disaster-recovery-related activities outside a bank's regional area. Before engaging in such activities, banks should look to guidance issued by the federal financial regulatory agencies.

Time Constraints

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.

Federal Deposit Insurance Corporation
Federal Reserve Board of Governors
Office of the Comptroller of the Currency

Interagency Statement on CRA Consideration for Community Development Activities in the U.S. Virgin Islands and Puerto Rico Following Hurricane Maria

This statement addresses the availability of Community Reinvestment Act (CRA) consideration for bank activities that help revitalize or stabilize the U.S. Virgin Islands and Puerto Rico, which were designated as major disaster areas by the President because of Hurricane Maria[1] (the "Hurricane"). Specifically, financial institutions have asked whether their community development activities assisting with the aftermath of the hurricane are eligible for CRA consideration even though the disaster areas are outside the institutions' assessment areas. The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board of Governors (FRB) and the Office of the Comptroller of the Currency (OCC) (collectively, the "Agencies"), are issuing this statement to clarify that financial institutions located outside these disaster areas will receive consideration for community development activities that resulted from the hurricane as long as the institution has been responsive to the community development needs and opportunities of its own assessment areas.

A Note on Responsiveness

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 many partners including:

- Nonprofits
- Local governments
- Governance boards
- Academic institutions
- Philanthropic groups
- Community development financial institutions (CDFIs)
- Capacity-building intermediaries

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 and explain their CRA lending, investment and service activities.
- As with all areas of CRA, a bank’s disaster recovery related 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.
- Documentation is important, there is no substitute.

QUESTIONS?

Contact

Kevin Dancy, Esq., MPA
Community Development Advisor
Federal Reserve Bank of Dallas-Houston Branch
713-483-3721
kevin.dancy@dal.frb.org