Office of the Comptroller of the Currency

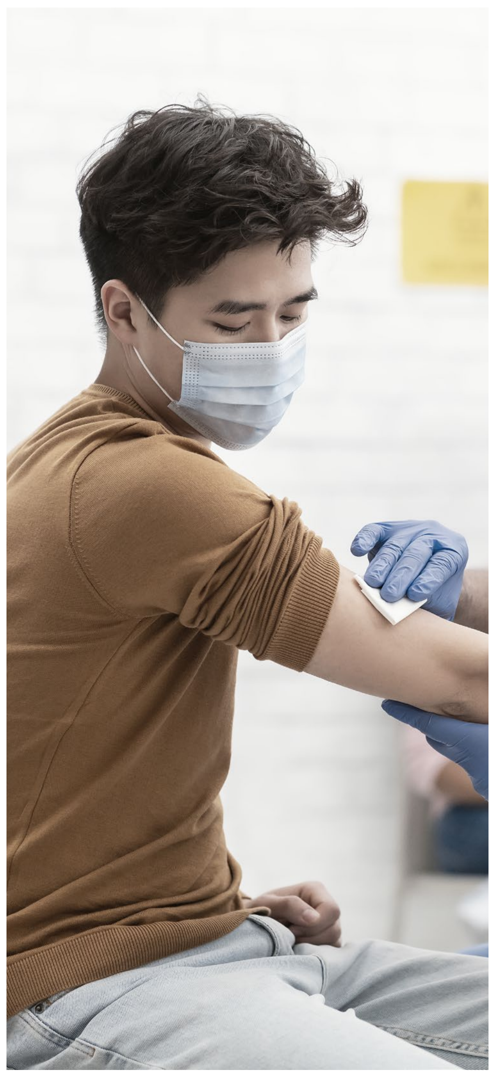
Community Developments

INVESTMENTS

APRIL 2022

PARTNERS IN RECOVERY

Community Reinvestment and Resilience



Partners in Recovery: Community Reinvestment and Resilience

A Look Inside …

Barry Wides, Deputy Comptroller for Community Affairs, OCC

This issue of the Office of the Comptroller of the Currency's (OCC) Community Developments Investments explores how national banks and federal savings associations (collectively, banks) can partner with community development financial institutions (CDFI), other nonprofit organizations, and federal and local leaders and agencies to help rebuild and better prepare communities for natural disasters and emergencies.

Community Developments

Deputy Comptroller for Community Affairs
Barry Wides

Editorial Staff
Karen Bellesi
David Black
Michael Carrier
Janet Fix
Hershel Lipow

Design Staff
Svetlana Bilenkina

On the cover
Banks are partnering with community financial institutions and other local organizations to help communities across the nation recover from flooding, fires, other natural disasters, and the COVID-19 pandemic. Stock photos.

Questions or comments
Call (202) 649-6420 or email communityaffairs@occ.treas.gov. This and previous editions are available on the OCC's website at occ.gov.

Banks often provide immediate relief and humanitarian aid after disasters to help their communities and customers with recovery efforts. In addition, many banks have contributed grants and investments to help fund the operation of nonprofit organizations—in particular, CDFIs and minority depository institutions (MDI)—serving low- and moderate-income communities. National intermediaries such as Enterprise Community Partners can support these collaborations through networks of nonprofit organizations and the support of local and national government initiatives. Such collaborations are critical to the financing of rebuilding efforts, including affordable housing and economic development projects, and the sustainability of small businesses and community facilities.

In recognition of the important role that CDFIs and MDIs play, the Consolidated Appropriations Act, 2021, established the Emergency Capital Investment Program and the CDFI Rapid Response Program, which together provide $10.25 billion to CDFIs and MDIs.[1] The funds expand the ability of CDFIs and MDIs to provide financial services in the hard-hit, low- and moderate-income communities that they serve and that have disproportionately

Stock photo

Floods devastate parts of Baton Rouge, La., after torrential rains in Louisiana and Texas in August 2016.

1 The act was signed into law on December 27, 2020.

OCC

Baton Rouge Mayor-President Sharon Weston Broome (shown second from left) joined a Louisiana Housing Finance Agency forum on recovery plans. With her, from left to right, are Doug Schaeffer, Executive Vice President and Community Reinvestment Act Director, Woodforest National Bank; the OCC's District Community Affairs Officer Scarlett Duplechain; and Mike Scott, Senior Vice President and Community Development Manager of Regions Bank.

suffered from the effects of the COVID-19 pandemic. In addition, a Minority Lending Program, funded at $1.75 billion, was created for the CDFI Fund to provide grants to CDFIs to expand lending, grant-making, or investment activity in low- or moderate-income minority communities and to minorities who have significant unmet capital or financial service needs.

To encourage banks to help struggling communities, the federal banking agencies favorably consider for Community Reinvestment Act (CRA) purposes retail banking services and lending activities in a bank's assessment area that respond to the needs of low- and moderate-income individuals, small businesses, and small farms affected by the pandemic.[2]

The OCC's District Community Affairs Officers (DCAO), who are based across the nation in each OCC district, are available to assist banks and community groups collaborate to support disaster recovery and other community development efforts. Our DCAOs are familiar with bank CRA responsibilities, community needs, nonprofit groups, and local leaders who work to revitalize and rebuild the communities that have been hit hard by the pandemic and natural disasters. Contact information for the OCC's DCAOs and information about economic recovery resources and activities are available on the OCC's Community Affairs page.

2 The federal banking agencies responsible for evaluating banks for CRA are the OCC, Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System.

Emergency Programs Support Recovery Efforts by Community Financial Institutions

David Black, Community Development Expert, OCC

The Consolidated Appropriations Act, 2021, established emergency programs to revitalize and provide long-term financial products and services for low- and moderate-income and minority communities disproportionately affected by the COVID-19 pandemic. Two of these programs provide capital to community development financial institutions (CDFI) and minority depository institutions (MDI) for loans, grants, and forbearance to small and minority-owned businesses and consumers. Another program provides grants to CDFIs to expand lending, grant-making, or investing in low- or moderate-income minority communities and to minorities who have significant unmet capital or financial service needs.

Stock photo

Community volunteers in Sherman, Texas, host a drive-up food drive on April 1, 2020. Bank funding for pandemic and other disaster-related activities may be eligible for Community Reinvestment Act (CRA) consideration.

Emergency Capital Investment Program

The Emergency Capital Investment Program (ECIP) enables the U.S. Department of the Treasury to make direct investments in banks, credit unions, and holding companies that are designated as CDFIs or MDIs. CDFIs and MDIs often make smaller loans and work with borrowers who face barriers and may require more time-intensive and personalized technical support. ECIP investments are designed to support mission-motivated institutions to increase responsible investments in low- and moderate-income and minority communities that have disproportionately suffered from the impacts of the pandemic. More than $8.7 billion in investments in 186 community financial institutions is expected to increase lending to small and minority-owned businesses and low- and moderate-income consumers in underserved communities, including rural areas. ECIP investments range from more than $200 million to less than $100,000 and support institutions headquartered in 36 states, the District of Columbia, and Guam. For more information, visit Emergency Capital Investment Program.

Emergency Support for CDFIs

The Consolidated Appropriations Act provided $3 billion to the Community Development Financial Institutions Fund (CDFI Fund) to administer and provide emergency support for CDFIs and communities responding to the pandemic through two programs. The CDFI Rapid Response Program was allocated $1.25 billion in COVID-19 pandemic relief funds to help certified CDFIs. Under the program, 863 CDFIs have been awarded grants to respond to economic challenges created by the pandemic in underserved communities.

The awards were made based on a formula using criteria such as certification status, financial and compliance performance, portfolio and balance-sheet strength, diversity of CDFI business model types, and program capacity. The CDFIs may spend the grant funds on eligible activities such as financial products, financial services, loan loss reserves, development services, capital reserves, and certain operational activities as defined by the Notice of Funds Availability. For more information, visit COVID-19 Stimulus Funds: CDFI Rapid Response Program.

CDFI Fund's Minority Lending Program

An additional $1.75 billion was allocated to the CDFI Fund's Minority Lending Program for grants to CDFIs. The grants are to expand lending, grant making, and financing other activities in low- or moderate-income minority communities and to assist individuals and small businesses with significant unmet capital or financial service needs. The program will provide financial assistance, technical assistance, awards, training, and outreach programs to recipients that are minority lending institutions, a new category of CDFIs.

Stock photo

A food bank worker in Austin, Texas, transfers boxes of food for Thanksgiving 2020 to deliver to needy families during the COVID-19 pandemic.

Banks Address Challenges to Small Business Recovery From the Pandemic

Hershel Lipow, Community Relations Expert, OCC

Throughout the COVID-19 pandemic, banks played important roles in addressing the challenges experienced by small businesses and reaching out to underserved markets. Banks leveraged their expertise and capital to help small businesses by partnering with community development financial institutions (CDFI), minority depository institutions (MDI), and other community organizations with deep roots in the minority and low-income communities they serve. Banks stepped up to help their business customers, make investments, and originate many of the loans offered by the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) and other federal recovery programs.

In 2021 banks were the biggest PPP lenders, accounting for 3.6 million loans to businesses affected by the pandemic.[3] These loans covered costs related to payroll and certain other expenses incurred by these distressed businesses.

In December 2020 Congress appropriated $12 billion to provide low-cost, long-term capital investments to CDFIs and MDIs in recognition of their unique relationships with minority-owned small businesses and in an effort to support small businesses' access to financing faster and more effectively.[4]

Support for Minority Depository Institutions

The minority-owned banks know and understand the communities they serve and are able to provide customized products and services to their customers. Although relatively small in number and assets, MDIs make a greater percentage of their new mortgages and small business loans to minority borrowers than other financial institutions.[5] MDIs

Stock photo

With the help of recovery programs, financial institutions have leveraged their expertise and capital to help individuals, small businesses (as shown in photo), and community organizations meet their financial obligations during the COVID-19 pandemic.

3 For example, refer to U.S. Small Business Administration (SBA), "Paycheck Protection (PPP) Report: Approvals through 5/31/21," p. 4.

4 The measure included $12 billion in supplemental appropriations to provide low-cost, long-term capital investments to MDIs and CDFIs that are depository institutions through the new Emergency Capital Investment Program administered by the Treasury Department and $3 billion for the CDFI Fund to provide emergency support to CDFIs through two direct grant programs.

5 Refer to Federal Deposit Insurance Corporation, *2019 Minority Depository Institutions: Structure, Performance, and Social Impact*.

Stock photo

Communities have created public-private partnerships to provide low-interest loans and other post-disaster assistance. Banks are a critical source of financing to bridge immediate recovery needs of small businesses and longer-term rebuilding of commercial areas such as the Phoenix, Ariz., shopping center shown in this photo.

play a crucial role, serving as safe, accessible banking options for their customers to access credit, capital, and financial services.

OCC-supervised banks have supported MDIs through the OCC's Project REACh initiative (Roundtable for Economic Access and Change). Project REACh brings together leaders from civil rights organizations and the banking, business, and technology industries to reduce barriers that prevent full, equal, and fair participation in the nation's economy. One of the project's four goals is to revitalize MDIs by providing technical assistance, encouraging large banks to invest in MDIs, and developing partnerships and collaborations for MDIs. Since its inception, Project REACh has secured nearly $500 million in investments committed to MDIs. Additionally, through Project REACh over 20 banks have signed the MDI pledge to strengthen MDIs through investment, technical assistance, business opportunities, executive training, and more.

Community Development Financial Institutions Serving Small Businesses

In addition to supporting MDIs, numerous banks have developed and expanded their partnerships with nonprofit CDFIs to reach small and minority businesses and entrepreneurs. As mission-driven financial institutions, CDFIs serve as catalysts for economic growth and revitalization of economically distressed and underserved communities. They are committed to helping these communities overcome the difficulties and challenges so they can thrive.

During the pandemic, CDFIs were on the frontlines providing technical assistance and financing for small businesses and microenterprises, commercial real estate, affordable housing, and other community development projects. For example, nonbank CDFI funds made more than 276,000 loans totaling more than $5 billion with an average loan amount of $18,268,[6] which was less than the average amount for all PPP loans of $41,559. More than 300 CDFIs participated in the PPP.[7]

The Massachusetts-based CDFI Interise demonstrates how banks have provided critical resources to

6 Refer to SBA, "Paycheck Protection (PPP) Report: Approvals through 5/31/21," p. 4.

7 Refer to U.S. Department of the Treasury, Community Development Financial Institutions Fund, "Update From CDFI Fund Director Jodie Harris," December 9, 2020.

CDFIs and attempted to close the income inequality gap and barriers encountered by underserved, minority-, veteran-, and women-owned businesses during the pandemic. Interise partners with banks to work with its network of 8,000 small business owners and to provide resources to help the businesses grow and succeed. Its COVID-19 Resource Center and online program provides training and opportunities to small businesses that are in low-income communities or are minority-owned. The business owners share successes and challenges, and they access resources for continued learning and leadership development. A Wells Fargo grant, which helped the online program get started, supports the Interise technology and instruction infrastructure. Other contributions came from Citibank, Citizens Bank, Santander Bank, and TD Bank's TD Charitable Foundation.

Wells Fargo created its Open for Business Fund to engage nonprofit community lenders and capitalize CDFIs. The fund provides capital and technical support with an emphasis on minority-owned businesses. As part of the company's Diverse Community Capital Program, the Wells Fargo Foundation joined the small business lender LiftFund and the National Association of Latino Community Asset Builders (NALCAB) to start Acceso to support growth-oriented lending to minority-owned businesses nationwide through a network of Hispanic-led nonprofit business lenders. Acceso, which provides small business loans from $50,000 to $500,000, is designed to help diverse entrepreneurs expand their revenue, provide jobs, and improve the economy.

Banks have contributed to other CDFI pandemic-related initiatives, often through their own affiliates and corporate foundations. For example, U.S. Bancorp Community Development Corporation provided grants to more than a dozen Black-led CDFIs, and the U.S. Bank Foundation provided a grant to help the African American Alliance of CDFI CEOs serve as an industry voice.

Many other banks have contributed to CDFI-led small business recovery programs:

- Raymond James Bank made an equity investment in the Tampa Bay Black Business Investment Corporation, a CDFI that provides microloans to pandemic-affected small businesses in the Tampa Bay area. Other partners in the CFDI include Bank of America, Fifth Third Bank, and Wells Fargo.
- Fifth Third Bank and other banks helped establish the Chicago Small Business Resiliency Fund to provide small businesses and nonprofit organizations with emergency cash flow. Funds are provided to eligible businesses as low-interest loans through lending partners, including Accion Chicago, a CDFI that is part of the Accion US Network.
- PNC Bank provided bridge capital to help AltCap, a CDFI and approved PPP lender in the Kansas City metro area, meet its commitment to increase access to PPP funding for local small and minority-owned businesses. The capital funding is part of the bank's commitment to help eight CDFIs throughout the country issue PPP loans.

For further information, contact Hershel Lipow at Hershel.Lipow@occ.treas.gov.

Bank of America Partnerships Help Small Businesses Recover From Crises

Dan Letendre, Managing Director, Community Development Financial Institution Lending and Investing Executive, Bank of America

Health crises and climate-related events often leave a devastating impact on our communities. As governments, businesses, nongovernmental organizations, and first responders continue to work together to combat the COVID-19 pandemic, organizations such as community development financial institutions (CDFI) are as important as ever, stepping forward to help some of the most economically disadvantaged and distressed communities get financial assistance to help stabilize and grow their local economies.

CDFI loan funds have played an important role in funding affordable housing, small businesses, and nonprofit organizations through the funds' ability to blend philanthropic, public sector, and private sources of capital. These blended assets provide affordable loans and technical assistance to organizations that may lack access to traditional financing. Small businesses particularly may not have the financial reservoirs to bridge disruption during a crisis and are rarely a high priority for philanthropic relief in the early days of disaster recovery. Some small businesses may lack business continuity plans and insurance to cover disruptions. In such situations, access to capital with favorable terms is critical to a small business's ability to recover and reopen.

Stock photo

Bank investments in community development finance institutions (CDFI) have helped small businesses in financially disadvantaged and distressed communities recover from disasters by providing capital to rebuild and reopen.

In 2020 Bank of America originated more than $394 million in CDFI loans and investments and currently has a $2 billion portfolio in more than 250 CDFIs to finance affordable housing, economic development projects, small businesses, health-care centers, charter schools, and other community facilities and services. This includes providing more than $250 million in capital to CDFIs in 2020 to help facilitate loans through the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP), an integral component of helping small businesses that were forced to close or reduce services because of the health crisis.

Also in 2020 we made a $1.25 billion, five-year commitment to advance racial equality and economic opportunity, of which $50 million is dedicated to support minority depository institutions (MDI) and CDFIs. This commitment includes direct actions, investments, and work to catalyze similar efforts across the private sector. The bank's investments are designed to facilitate lending, housing, neighborhood revitalization, and other banking services. It is through these relationships that we share best practices in working with CDFIs to help transform and develop strong communities. One example is the Scottdale Earning Learning Center discussed later in this article.

Setting Up CDFIs Before Disasters Occur

To set up a CDFI in the wake of a disaster would be daunting, if not impossible. Organizations would experience challenges in sourcing and recruiting staff and leadership; designing the lending products, policies, procedures, and effective underwriting guidelines; raising funds for the substantial levels of grant capital that would serve as a first-loss cushion and to cover the operating budget; and building relationships with community leaders and social service organizations. CDFIs that are already up and running can mobilize to respond to a disaster.

In the early months of the health crisis in 2020, the SBA and U.S. Department of the Treasury included CDFIs as approved providers of PPP loans to small businesses. These CDFIs provided hundreds of millions of dollars in forgivable PPP loans to help businesses recover, retain employees, and reopen. Bank of America provided $250 million in additional low-cost capital for the bank's CDFI partners, which quickly deployed the capital to help small businesses.

Take for example, Scottdale Early Learning, which provides childcare and education services to families in DeKalb County, Georgia. As Georgians complied with shelter-at-home orders, Scottdale recognized that many families' incomes and resources were affected, and support and services were needed more than ever. Working with the Reinvestment Fund, which is a national CDFI, Scottdale was able to secure a PPP loan that allowed the learning center to continue to offer virtual learning programs for the families it serves, while covering its staff's salaries.

This was not the first time Bank of America has seen an existing network of CDFIs quickly step in to provide disaster assistance. For example, in the weeks following Superstorm Sandy in 2012, communities in Connecticut, New Jersey, and New York were able to draw on the talents and resources of more than 30 CDFI loan funds operating in communities devastated by the superstorm.

One such microlender was Ascendus (formerly Accion East), one of 13 CDFIs we supported as part of a $20 million bank commitment of new funding for CDFIs to provide financing for small businesses and residents affected by the superstorm. To help small business owners who may not have qualified under traditional terms, Ascendus created the Sandy Recovery Business Loan Program, offering loans up to $25,000, with zero interest, no payments for the first three months, and a low fixed interest rate thereafter. In addition, small business owners received a grant to accelerate recovery efforts.

Because Ascendus was established and poised to stand up a program, local small businesses had timely access to capital on favorable terms in less than two weeks. The program helped 81 small businesses and saved 309 jobs through Bank of America's $1 million in emergency response loan capital plus $100,000 in direct grants, all of which helped the local economic recovery.

Stabilizing CDFIs Immediately After a Disaster

CDFIs and their staffs are affected by the disasters that we expect them to help address. Their offices are subject to power outages, flooding, and other damage. Staff may lose their homes or face health and safety issues for themselves or their families. It is, therefore, important for funders and supporters of CDFIs to help them return quickly to fully operational status. In the aftermath of some past disasters, Bank of America and other institutions have offered CDFIs temporary office space and communication or information technology capabilities.

Unlike communities in northeastern states after Superstorm Sandy, small businesses in Puerto Rico had few CDFI resources to lean on. It was imperative that the few CDFIs operating on the island had the resources they needed to help residents and small businesses rebuild after Hurricane Maria caused an estimated $90 billion in damage in 2017.

PathStone Enterprise Center is one of the nonprofit CDFI loan funds that stepped in to help residents and small businesses of Puerto Rico after the hurricane. Damaged bridges and roads, destroyed cell towers, and an office without water and electricity were just a few of the challenges that PathStone staff had to work through. Yet they were able to develop a plan that helped more than 250 small business owners apply for relief and aid programs. The staff allocated more than $275,000 in grants and more than $1.2 million in loan capital to eligible small businesses to help with rebuilding and rehabilitation, equipment and inventory purchases, and much needed working capital, with an average loan size of $35,000.

Bank of America is a longtime partner of PathStone. To learn more about PathStone's recovery efforts in Puerto Rico, read the article in this newsletter titled "PathStone CDFI Helps Puerto Rican Small Businesses Recover From Natural Disasters."

Distinguishing Loans From Grants

The financial response to crisis and disaster situations is not a one-size-fits-all situation. Communities must prioritize the use of public, private, and philanthropic resources for the most urgent needs. That is when CDFIs can be effective stewards of resources and evaluate which situations can be addressed with loans and which can best be addressed with grants. For example, the capital needed by small businesses typically is used on activities that will earn income. Therefore, it is reasonable for a CDFI to structure some of the capital as a loan that can be repaid once the small business receives its insurance proceeds. A small business may, however, need to pay for uninsured damages or noninterest-earning properties, which are unlikely to be reimbursed. CDFI assistance for these circumstances is better structured as a grant to the small business.

In addition to our $250 million capital commitment in response to the COVID-19 pandemic, Bank of America provided $10 million in philanthropic grants to help fund CDFI operations respond to the pandemic. This grant funding was dedicated to CDFIs and is part of Bank of America's $100 million philanthropic commitment to support communities affected by the health crisis.

Recognizing CDFIs' Important Role in Disaster Recovery

CDFIs play an integral part in rebuilding our communities in the weeks, months, and years after health and climate crises. The events over the past 25 years, including the pandemic, have taught Bank of America that such crises are unpredictable but inevitable. It is imperative that we work together to create a national (or regional) pool of low-cost, flexible capital and philanthropic funding that can be mobilized quickly to fund CDFIs in post-disaster situations.

When staffed and supported appropriately, CDFIs can be the bridge of capital between the initial response and long-term recovery for the small businesses in our communities. CDFIs and their staff are tightly woven into the communities they serve and can provide flexibility and resources to small businesses that may think they have nowhere to turn. As a financial institution, Bank of America also plays a role to support a broad network of CDFIs and to ensure that all communities can be served during times of disaster and the long-term recovery and rebuilding that follows.

For further information, contact Dan Letendre at Dan.Letendre@bofa.com.

***Disclaimer:** Articles by non-OCC authors represent the authors' own views and not the views of the Acting Comptroller, the OCC, or its employees. Articles, statements, or references to specific companies, products, or services do not constitute an endorsement or recommendation by the OCC or the Acting Comptroller. As a bureau of the U.S. government, the OCC cannot endorse or appear to endorse any specific company, product, or service. Please be aware that we do not control or guarantee the accuracy, relevance, timeliness, or completeness of information by non-OCC authors.*

PathStone Helps Puerto Rican Small Businesses Recover From Natural Disasters

Javier Zapata, Executive Director, PathStone Enterprise Center

In Puerto Rico, as in many other federally declared disaster areas, the private sector and philanthropy are assisting in community rebuilding by supplementing funds provided by the federal government. Nonprofit and bank initiatives are aiding these recovery efforts to bolster small businesses and the local economy, focusing on the devastation caused by the recent earthquakes and hurricanes.

PathStone Enterprise Center (PECI), the community development financial institution (CDFI) affiliate of the nonprofit PathStone Corporation, has helped hundreds of small business owners on the island apply for federal, state (commonwealth), philanthropic, and nonprofit relief and aid programs. With seven sites across the island, PathStone leverages its experience, network, and resources to provide much-needed relief efforts on the ground. PECI has allocated more than $300,000 in grants to eligible small businesses since 2012. After the recent disasters, many of these grants were used to do repairs and buy inventory and new equipment. Additionally, PECI has extended more than $1.5 million in loan capital to small businesses, with an average loan size of $35,000 with the benefit of investments from such private financial institutions as Bank of America, Citibank, Deutsche Bank, and Wells Fargo.

PECI works in concert with a wide range of partners and collaborators to ensure timely, comprehensive, and client-directed relief aid. As an intermediary lender for the U.S. Department of Agriculture, the U.S. Small Business Administration, and the U.S. Department of the Treasury, PECI plays a key role in helping the federal government reach underserved people and places to raise entrepreneurial capacity and

Stock photo

PathStone Enterprise Center provides financing to communities in Puerto Rico affected by Hurricane Maria and other recent natural disasters.

bring credit and capital to business enterprises. PECI works closely with other Puerto Rican CDFIs and organizations as the Small Business Development Centers, Centro Empresarial de la Mujer, and the various small business and workforce training facilities at the University of Puerto Rico.

A $250,000 start-up loan illustrates the benefit of this cooperation and PECI's impact on the island's economy after Hurricane Maria struck in 2017 and destroyed most of the power grid. In December 2018 PECI entered into an inter-creditor agreement with its partner, Rural LISC (a program of the Local Initiatives Support Corporation), to provide an additional $250,000 to help launch inverSOL, a company created to build solar-powered generators on the island. InverSOL could supply jobs and affordable electric power, particularly in times of service interruption. By midsummer, a new assembly plant began operations in Caguas, a town about 40 minutes outside of the capital of San Juan. Today, the 10,000-square-foot facility manufactures two solar generator models and plans to hire more people. PathStone is training and placing unemployed farmworkers in some of inverSOL's new jobs and continues providing workforce development services to the firm and its clients as the company continues to expand.

PathStone has provided relief to businesses that suffered from a series of earthquakes in 2019 and the COVID-19 pandemic in 2020. As a Paycheck Protection Program loan provider, PECI is helping small enterprises make repairs to their damaged businesses and meet their cash flow requirements. PECI has helped a number of enterprises meet the COVID-19 crisis with automatic loan forbearances. Most recently, PECI partnered with Rural LISC to provide grants to small and micro-businesses of $5,000 to $15,000 for a total of $300,000.

For further information, contact Javier Zapata at jzapata@pathstone.org.

Enterprise Community Partners: Support and Partnerships for Recovery

Marion Mollegen McFadden, Senior Vice President, Policy and Senior Advisor, Resilience, Enterprise Community Partners

Enterprise Community Partners

After Hurricane Katrina struck Louisiana in August 2005, Enterprise Community Partners joined with Providence Community Housing to lead the redevelopment of a New Orleans public housing site into a low-density, mixed-income community called Faubourg Lafitte.

Enterprise Community Partners has been working with disaster-affected communities for 15 years, in part thanks to the support and partnership with multiple funders, such as financial institutions and social investors. This article highlights some of Enterprise's key lessons learned and recommends ways that banks and other private sector organizations can help residents and communities prepare for and bounce back after disasters.

As with our regular nationwide work as the Enterprise Community Loan Fund (ECLF) community development financial institution (CDFI), as a syndicator of low-income housing tax credits, and investor of other public and private funds, Enterprise provides a spectrum of resources in the form of capital, programs, policy development, research, and advocacy before and after disasters occur. During crises, Enterprise uses its tools and resources to help spur recovery, specifically targeting low-income communities, including many communities of color. Enterprise is not a first responder but rather acts as an intermediary supporting emergency preparedness, mitigation planning, and long-term disaster recovery for the affordable housing sector.

The COVID-19 pandemic has led Enterprise and its partners to expand our work in disaster recovery to include health emergencies and their aftermath. For example, many of the properties financed in part by ECLF have been affected by the economic downturn, which hit low-income, working-class families the most. Even with the patchwork of federal, state, and local relief programs, some tenants in ECLF-financed multifamily properties cannot pay their rent. ECLF is providing grants to support the operations, in addition to loan principal and interest deferments, so tenants can stay in their homes.

Over the past roughly two years of pandemic response, the country simultaneously grappled with devastating hurricanes, tornados, floods, and wildfires. Although no two disasters are alike, Enterprise has learned that the people whose lives, homes, and jobs are affected all need the same thing—a safe and secure future, starting with a safe place to live and work. Enterprise has been supporting rebuilding and resilience initiatives in California, the District of Columbia, Florida, Georgia, Illinois, Louisiana, New York, North Carolina, Michigan, Puerto Rico, Texas, and the U.S. Virgin Islands. In the places affected by weather-based disasters, one thing has held true: Recovery has not come fast enough. At each phase of recovery, there have been delays and missed opportunities to improve the flow of resources to spur rebuilding and stability.

Partnerships to Help Individuals and Communities: Technical Assistance and Grant Funds Are Prized

Working with nonprofit organizations to reach individuals affected by disasters, Enterprise has learned the value of bringing national expertise and offers of assistance to frontline staff who are working long hours and often overwhelmed by local conditions. Enterprise gathers resources from a variety of private sector partners, such as financial institutions, to deliver funds to individuals where they are needed most.

After Hurricanes Harvey and Maria in 2017 and the subsequent disasters, Enterprise worked with public and private sector partners to gather resources to support rebuilding residences and businesses. Enterprise checked in with the housing and community development organizations that it had existing business relationships with to get a sense of the needs they were facing and to formalize processes for applying for assistance. We have deployed more than $900,000 in post-storm grants to 18 community development organizations in Puerto Rico and the U.S. Virgin Islands.

Enterprise provided nearly $1 million in grants to 24 nonprofit organizations for Hurricane Harvey recovery work. These grants helped stabilize partner organizations and spurred long-term recovery work in the gap between the end of short-term assistance and the arrival of such public resources as the U.S. Department of Housing and Urban Development's (HUD) grants to states and local governments.

Highlights of Enterprise's disaster recovery work with nonprofit organizations include:

- **Working with Providence Community Housing in New Orleans to combine HUD grants with significant private capital using low-income housing tax credits.** Enterprise replaced the long-declining Faubourg Lafitte public housing development with 465 affordable and market-rate units and more than 450 rental and for-sale units on vacant, scattered sites in the surrounding community. This development laid the groundwork for what is now a thriving community that would not have been rebuilt but for federal disaster recovery funds and tax credits. And though it was not required, the reconstructed homes were elevated several feet above the known risk level for flooding. This forward-looking investment in mitigation paid off handsomely in 2017 when a very heavy rainfall flooded New Orleans. Residents found their streets waist-deep in water, but the new Faubourg-Lafitte development escaped harm, because homes had been built above the base flood elevation to avoid the possibility of future harm. Water did not breach the first floor of the units, so homes were unharmed, and there was no need to make a claim on the development's National Flood Insurance Program policy.
- **After Superstorm Sandy, working with multifamily unit residents, managers, building owners, and engineers in New York to design a disaster recovery tool kit with strategies to support resident and building preparedness.** Enterprise gave local organizations a tool kit that covered such topics as building community awareness before a disaster, sharing information during evacuations, types of building materials, and construction methods to increase resistance to wind and water. For example, moving utilities out of basements and reprogramming elevators so they don't automatically return to flooded basements in the event of power failures was a simple, yet

effective strategy for mitigating damage to properties in flood-prone locations. In December 2020 Enterprise, HUD, Fannie Mae, and Bellwether Enterprise launched the free Ready to Respond: Business Continuity Toolkit, created to equip multifamily affordable building owners and managers with a plan to address crises.

- **Using private sector grants effectively.** Using a $40,000 grant from Cathay Bank to Enterprise immediately after Hurricane Harvey, Enterprise provided short-term emergency assistance funding to nonprofit organizations serving low-income individuals in Harris County, Texas, affected by the hurricane and flooding.
- **Using public sector funding effectively.** Through the Housing and Economic Assistance to Rebuild Texas (HEART) Program, which Enterprise created with the Texas State Affordable Housing Corporation, the program offered grants and technical assistance to nonprofit organizations that provided housing assistance to families displaced or otherwise affected by Hurricane Harvey.
- **Helping to make communities resilient.** Providing grants in Puerto Rico, South Florida, and the U.S. Virgin Islands, Enterprise implemented the Climate Strong Islands Initiative to build nonprofit capacity to serve these communities; develop best-in-class guidance on how to make homes more sustainable and resilient to future events; and grow a network of community development organizations engaged in rebuilding.
- **Inspiring the creation of the "Keep Safe" rebuilding guide for Puerto Rico, the U.S. Virgin Islands, the Florida Keys, and other areas in Florida.** The "Keep Safe" guide offers practical, easy-to-follow guidance on incorporating best practices in siting, construction methods and materials, energy, water, landscaping and more, all designed to make homes more resilient to future hazards and more affordable and enjoyable for residents no matter what the weather. February 2021 marked the launch of the new Keep Safe Miami, a program developed by Enterprise and the Miami city government, and the program plans to expand to additional jurisdictions in the coming months. The program is available to equip affordable housing owners and operators with tools to assess their buildings' resilience to climate change and natural disasters and provide them with actionable strategies and guidance on financing to address vulnerabilities.

Lessons Learned: After Disasters, Communities' Ability to Absorb Loan Dollars Is Uncertain, but There's a Sweet Spot

In each of these efforts, Enterprise's grant dollars flew off the shelves. Almost as soon as partner organizations knew assistance was available, Enterprise was oversubscribed with applications for available funds. Knowing that grant dollars would only stretch so far, Enterprise sought to offer loans through its CDFI as well. To bridge the gap between the cost of rebuilding and available grants and other resources, Enterprise worked with partners to pilot a $15 million loan fund to offering short-term entity-level capital at lower rates and substantially reduced processing times.

Unfortunately, despite best efforts, demand for loan financing was low. Enterprise went back to the drawing board to design a financing product that would have the greatest impact in communities with the worst damage to their affordable housing stock. In looking at the two-year gap between when a disaster strikes and when affordable housing owners and developers receive rebuilding funds, Enterprise homed in on states newly selected to receive HUD disaster recovery funding. A good chunk of the lag between disaster and availability of government dollars is attributable to the steps necessary to protect taxpayer dollars and advance public policy. For example, states are required to set up policies and procedures for procurement, contracting, and funds management appropriate to the influx of millions or even billions of dollars while also drafting and seeking public comment on their plans for use of the funds. Enterprise determined that this would be the optimal point to infuse private sector financing to bridge public funds.

In November 2021 Enterprise launched a $25 million fund, capitalized by Morgan Stanley and Enterprise via a grant from philanthropist MacKenzie Scott. The fund will provide eligible multifamily property owners with interest-only loans up to $3 million with a three-year term. Loans will be repaid from federal recovery grant funds once they are received by the states, jumpstarting rebuilding by an average of 18 months. In the pilot phase, Enterprise is working with Iowa, Louisiana, and Oregon, all of which received HUD allocations. Once the concept has a proven track record of accelerated deployment and successful repayment, Enterprise plans to scale the fund and perhaps foster a larger capital markets solution that will permanently accelerate disaster recovery at the magnitude now required.

Longer-Term Opportunities to Build Resilience

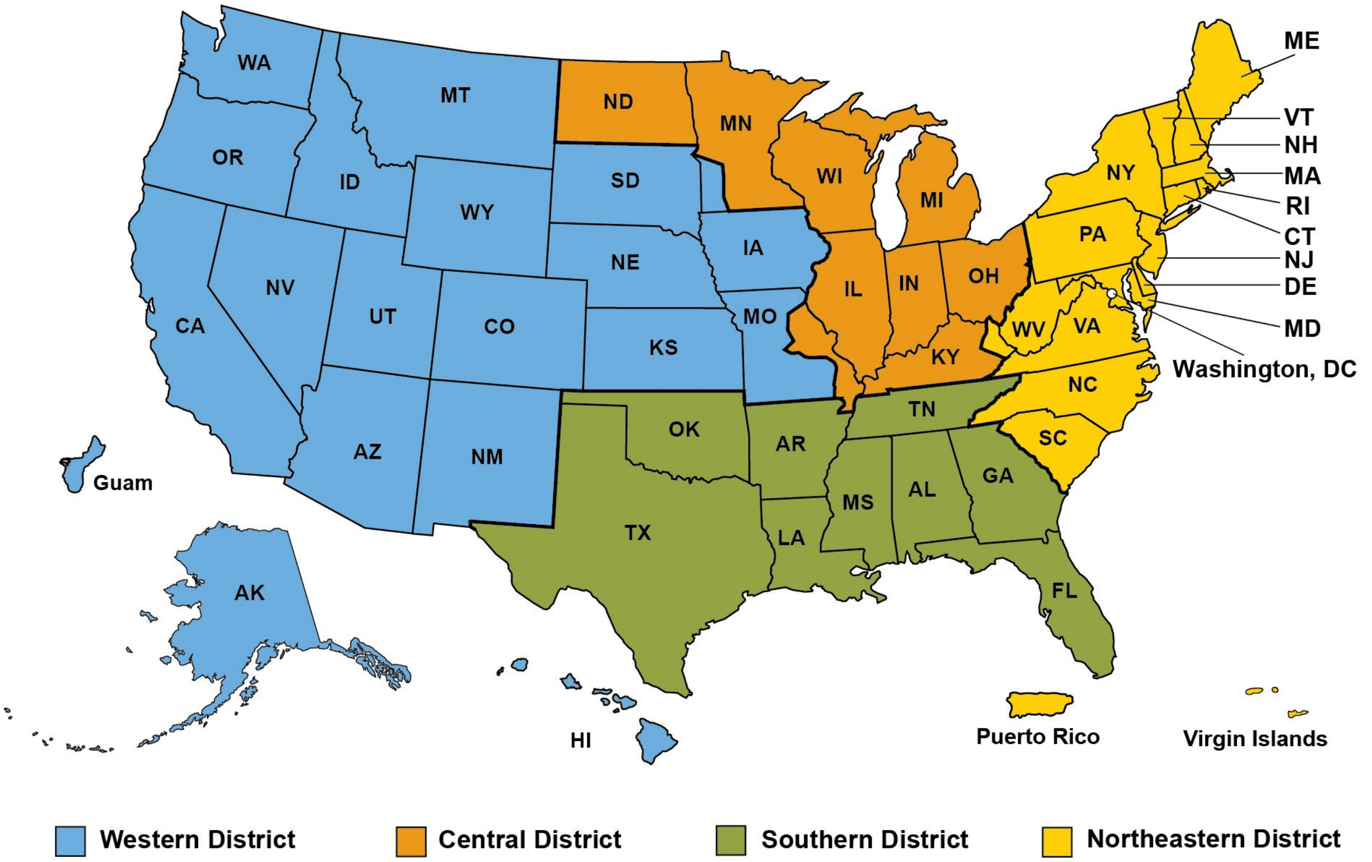
Since 2005 Enterprise's natural disaster work has evolved, pivoting from focusing primarily on rebuilding to encouraging both rebuilding and resilience. Disaster-affected communities can recover most effectively if they harness rebuilding dollars with a look to the future, carrying forward what was most unique about a place pre-disaster and adding to that whatever mitigation strategies are needed to protect against foreseeable hazards.

To maximize the community benefit, Enterprise is helping communities make disaster recovery plans to correct systemic failures that were present before the disaster, so that a newly rebuilt community can better serve its members. Enterprise provides technical assistance to connect resources with high-performing organizations engaged in recovery and to help local organizations apply for and receive private and public funds. In September 2021 Enterprise launched the first of its regional residential resilience academies, teaching owners and operators of affordable housing in the Southeast to engage with residents, assess their risks and opportunities to address them, identify available funding sources, and create free business continuity plans. Participants in the initial cohort communicated the need for flexible affordable financing to cover property upgrades that will not immediately pay for themselves. Organizations and development projects able to absorb additional debt may opt to take below-market-rate loans from the U.S. Small Business Administration or other governmental sources, in addition to working with lenders, CDFIs, or intermediaries providing grants or loans for mitigation measures. Private lenders may find it fruitful to work with CDFIs and others to identify communities and borrowers who are best positioned to qualify for loans and see them through, from application to repayment, and recycling funds into new resilience projects.

Enterprise stands committed to deploying existing resources and finding new solutions to aid disaster recovery that are cohesive and equitable, ideally harnessing both public and private capital that will help to keep people and property safe from harm. Working collaboratively across all levels of government, the private sector, and nonprofit institutions, we can spur the level of investment and focus required to build a resilient future for everyone.

For further information, contact Marion McFadden at mmcfadden@enterprisecommunity.org.

Community Affairs supports the OCC's mission to ensure a vibrant banking system by helping national banks and federal savings associations to be leaders in providing safe and sound community development financing and making financial services accessible to undeserved communities and consumers, while treating their customers fairly.



Email and telephone information for the OCC's District Community Affairs Officers is available at occ.gov/cacontacts.

COMMUNITY AFFAIRS

Office of the Comptroller of the Currency
Washington, DC 20219
(202) 649-6420
occ.gov/CommunityAffairs