

CRA CD Potential as a Result of Southern California Wildfires

Recently, the Federal Emergency Management Agency (FEMA) declared certain areas in Southern California as major disaster areas as a result of the devastation caused by the widespread fires; specifically, the counties of Santa Barbara, Los Angeles, Orange and Riverside have been designated as disaster areas. As a result of the declaration, financial institutions have the opportunity to receive positive consideration under the Community Reinvestment Act for loans, investments and services that revitalize or stabilize these designated disaster areas. Note that an activity will be considered to revitalize or stabilize a designated disaster area if it helps to retain existing businesses or residents or attracts new businesses or residents and is consistent with a recovery plan in the designated disaster area. For example, loans to small businesses that have suffered disaster-related cash flow problems or that need funds for working capital to recover from the adverse impact of the fires would qualify as an activity that would stabilize the designated disaster area. Another example might be allowing existing small business borrowers to defer payments on their loans for a specified time period, say 90 days. Such decisions, of course, must be consistent with the safe and sound operation of the financial institution.

Examiners will consider community development activities that revitalize or stabilize designated disaster areas that occur inside an institution's assessment area. However, even if a designated disaster area is not within an institution's assessment area, the institution could still get credit so long as it is adequately meeting the CRA community development needs of its own assessment area.