

Banks Play Key Role in Assisting Communities Recover from Disasters

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The F5 tornado that swept through Moore, Okla., destroyed homes and businesses. The community came together to assist survivors and small business owners.

Survivors of disasters have urgent needs for cash immediately after a disaster. That was the case following the tornadoes that swept across central Oklahoma in May.

In response to the May 20 disaster, Oklahoma State Banking Commissioner Mick Thompson worked with the Federal Reserve Bank of Kansas City, Oklahoma Insurance Commissioner John D. Doak and local banks to ensure that food, shelter, financial and other needs of residents, businesses and medical workers were met quickly.

The joint response underscored the value that collaboration plays in helping disaster-struck communities recover and assist their residents regain financial stability, many of whom may be without jobs until damaged businesses reopen.

Collaboration helped spur the recovery of Greensburg, Kan., after a tornado devastated that town on May 4, 2007, and is contributing to the ongoing work in Joplin, Mo., which is still recovering from the tornado that struck May 22, 2011.

The crucial role played by lenders after a disaster is a key reason the Community Reinvestment Act (CRA) provides guidance for bank action in a “Designated Disaster Area,” under the act’s community development definitions of revitalization and stabilization.

“People need cash for lodging, food and clothes after a disaster,” said Thompson.

Thompson contacted local banks, including Bank of Oklahoma, BancFirst and Arvest, to arrange mobile ATMs for the affected areas. The first ATM was operational within 36 hours of the disaster.

Thompson worked with Bob Toler, assistant vice president of the Exams and Inspections Department at the Kansas City Fed’s Oklahoma City Branch, to ensure that sufficient amounts of cash were available for ATMs.

Collaboration between bankers and the Oklahoma Department of Insurance also made it possible for survivors to get insurance checks honored at local banks, even though many people had lost important pieces of identification in the disaster.

BancFirst, which oversees accounts for the Moore Public Schools, worked with other banks and regulators to provide teachers with provisional credit while the school district recovered payroll data from its damaged computer servers.

First American Bank sponsored community meetings, bringing in the Small Business Administration, the American Red Cross, the city of Moore, the Chamber of Commerce and the Oklahoma Small Busi-

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ness Development Center to assist the Federal Emergency Management Agency (FEMA) with recovery efforts.

FEMA set up recovery centers where survivors were referred to government and nonprofit agencies that provided a range of services, including disaster recovery budgeting, working with creditors, dealing with insurance, obtaining copies of destroyed documents and managing mortgage payments on a home that now lay in splinters.

In addition, lenders suspended foreclosure actions and waived late fees. Wells Fargo donated \$100,000 to the American Red Cross and established a mobile hub to assist customers with on-site home recovery efforts.

“This cooperation is the way things should work,” said Thompson. “Local control allows us to be able to do something immediately.”

LESSONS LEARNED

The collaborative response in Moore is succeeding in part due to lessons learned from earlier disasters in the Tenth District. After Greensburg, regulators noted a need for emergency planning that covered a wide range of threats, including disruptions and outages to bank data systems.

A study by Kansas City Fed economists Eric Robbins and Ken Spong found that disaster recovery plans developed by Greensburg’s three banks were important to restoring services to customers in the days just after the tornado there. To learn more about the research go to: <http://www.kansascityfed.org/publicat/ten/pdf/fall2008/masterplan.pdf>.

For example, Greensburg State Bank quickly implemented a



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The Moore Medical Center was destroyed creating a need for other community institutions to step in and address the needs of survivors.

disaster recovery plan that included contracting for a temporary facility, complete with a teller counter, drive-up window, vault, two offices, a bookkeeping area and a generator.

In Joplin, bankers joined with other community leaders to begin the “renaissance” of that city, which includes Rebuild Joplin, a broad-based program that focuses on residential needs, said Clive Veri, regional President for Commerce Bank.

“We already had avenues of communication set up,” Veri said. “So when the disaster hit we all rolled up our sleeves and relied on those relationships to get done what needed to get done.”

Besides partnering on loan funds, Commerce and other local banks counseled consumers and worked with Habitat for Humanity to build houses.

Yaira Velez, a consumer affairs manager at the Kansas City Fed, explained that there are numerous opportunities under the CRA for bankers to assist their customers following a disaster.

Velez listed services such as on-site mobile banking units, small dollar loans, easing credit terms for borrowers and temporarily waiving loan payments and service fees. Banks can also consider purchasing city bonds targeted for rebuilding infrastructure.

Further guidance for institutions regulated by the Federal Reserve can be found at: <http://www.federalreserve.gov/bankinforeg/srletters/sr1306.htm>. For more assistance, banks can contact their regulator.

The key, Velez said, “is being responsive to needs of individuals, businesses and to the community.”