



February 17, 2016

The Honorable Janet L. Yellen
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551

The Honorable Thomas J. Curry
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, D.C. 20219

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chair Yellen, Comptroller Curry, and Chairman Gruenberg:

The National Community Reinvestment Coalition (NCRC) requests that you declare Flint, Michigan a designated disaster area and issue guidance encouraging banks to make loans and investments in Flint to help the city and its residents repair and replace damaged pipes. We ask you to do this expeditiously as you did in the wake of Hurricane Katrina.

The scope of the Flint crisis is at disaster proportions. Recently, Flint's mayor estimated the repair costs at \$1.5 billion.¹ The mayor has also called for the replacement of lead service lines that connect water mains to residents' homes, repairs that will cost tens of millions of dollars.²

It has been reported that the incidence of poisonous levels of lead among children has doubled in Flint.³ It may take several years, perhaps decades, before the extent of the lead poisoning and its full effects are known for sure. Yet, a recent geographical analysis reveals that the levels of unsafe lead in the water (5 parts per billion) ranges from 21 percent to 61

¹ <http://www.freep.com/story/news/local/michigan/2016/01/07/governor-meet-morning-flint-mayor/78402190/>

² <http://wpo.st/nrp81>

³ <http://wpo.st/7aT91>

percent in the city's wards.⁴ This amount of distress is affecting the willingness of banks to serve residents of Flint. It has been reported that city residents are having difficulty obtaining refinance loans.⁵ In addition, banks are hesitant to offer home purchase loans because of requirements that homes be served by potable water.⁶ One of the worst outcomes of this crisis would be withdrawal of bank credit and capital for this devastated city.

Previously, the federal agencies declared geographical areas affected by Hurricane Katrina as designated disaster areas and provided favorable consideration under the Community Reinvestment Act (CRA) for loans and investments that revitalized and stabilized geographical areas impacted by Katrina. The agencies then issued guidance for banks that was far reaching. Guidance stated that Katrina was an exceptional circumstance that called for the waiving of the usual assessment area requirements. In the case of Katrina, no matter where a bank was located, it could receive favorable CRA consideration for revitalization and stabilization activities in areas impacted by Katrina.⁷ Other guidance waived usual appraisal requirements since making usual and customary appraisals was not possible in areas devastated by the hurricane, which is analogous to Flint in that it is presenting unusual appraisal and underwriting challenges.⁸ Guidance also urged the banks to be flexible in loan terms and conditions, including extending debt repayments and easing credit terms for new loans, consistent with safe and sound practices.⁹

The special assistance and attention for areas impacted by Katrina lasted from 2005 through 2014.¹⁰ Areas impacted by Katrina retained their designation as disaster areas during this ten year time period, meaning that banks were encouraged to provide loans and investments that qualified as community development financing. Similarly, the impacts of the water crisis in Flint are likely to last several years.

The Federal Financial Interagency Examination Council (FFIEC) established a working group to facilitate coordination and communication regarding areas impacted by Katrina. State-level officials also served on this committee.¹¹ In Flint's case, we recommend reconstructing this type of working group that would also include local officials. In addition, the working group should consult regularly with key stakeholders that uncovered the lead poisoning, including Marc Edwards, a professor at Virginia Tech and expert on water quality,

⁴ http://www.nytimes.com/interactive/2016/01/15/us/flint-lead-water-michigan.html?_r=0

⁵ <http://wpo.st/mFq51>

⁶ "New Trouble Knocks Flint" by Joe Light, Wall Street Journal, February 4, 2016

⁷ <http://www.occ.gov/news-issuances/bulletins/2012/bulletin-2012-8.html>

⁸ <http://www.federalreserve.gov/boarddocs/press/bcreg/2005/200510062/default.htm>

⁹ <http://www.occ.gov/news-issuances/news-releases/2005/nr-occ-2005-83.html>

¹⁰ <http://www.occ.gov/news-issuances/bulletins/2012/bulletin-2012-8.html>

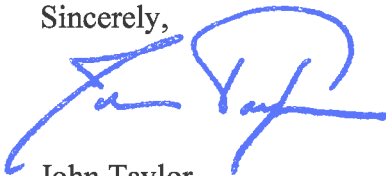
¹¹ <http://www.occ.gov/news-issuances/congressional-testimony/2005/pub-test-2005-923-oral.pdf>

and Dr. Mona Hanna-Attisha, a physician that documented increases in lead poisoning in children.

The pieces are in place for a disaster designation for Flint under the CRA regulation. On January 16, 2016, the Federal Emergency Management Agency (FEMA) declared that a federal emergency existed in Flint and authorized the funding and mobilization of equipment and resources to alleviate the hardship caused by the contaminated water.¹² A FEMA declaration made it possible for the bank agencies to apply the disaster designation to areas impacted by Katrina and should also make it possible in Flint's case. While not technically a "natural" disaster, the emergency in Flint matches the emergencies caused by natural disasters in that factors and events which are out of the control of local residents caused widespread distress and threats to health and safety. Extraordinary efforts, including a focusing of bank CRA activities, are warranted to assist residents of Flint reclaim their lives and property.

We look forward to hearing from you about the possibilities of declaring Flint a designated disaster area and thereby helping its residents recover. Please contact me at jtaylor@ncrc.org or 202-464-2703.

Sincerely,



John Taylor
President and CEO

¹² http://www.fema.gov/news-release/2016/01/16/president-obama-signs-emergency-declaration-michigan?utm_source=hp_promo&utm_medium=web&utm_campaign=femagov_hp