



Preparing for Natural Disasters

Presentation for
NATIONAL ASSOCIATION OF REALTORS
Federal National Disaster Policy Symposium

September 18, 2006



Response to Natural Disasters

FDIC Response to *ANY* Disaster focuses on Core Mission to:

- Preserve Public Confidence in the U.S. Banking System, and
- Protect Insured Depositors



2005 Hurricanes

■ August 29, 2005

- Hurricane Katrina makes landfall
- 280 banks with about \$270 billion in assets within affected areas
 - Communication outages
 - Lack of transportation or access to affected areas
 - Lack of electrical power rendered computers inoperable
 - Multiple facilities destroyed outright or sustained significant damage
 - Some branches and ATMs underwater for weeks
 - Mail service was interrupted for months in some areas

■ August 31, 2005

- FDIC forms Hurricane Task Force to coordinate response to the storm

■ September 24, 2005

- Hurricane Rita makes landfall
- Mostly affected Texas and western Louisiana

Response to Hurricanes

Hurricane Task Force focused on 3 goals:

1. **Regulatory Actions**: Identified insured institutions experiencing service interruptions and assisted those institutions to resume operations, meet emergency financial needs of consumers, and return to normal operations;
2. **Public Communications**: Reassure the public that their insured deposits were safe and secure; and
3. **Customer Service**: Provide timely and **accurate information to consumers** about the operational status of their financial institution, how to obtain cash, how to contact their financial institution or key authorities, and the answers to other important questions.

Best Practices

- ***Creation of a Leadership sponsored Task Force to coordinate agency response***
 - Enterprise-wide effort of all Divisions and Offices
 - Collegial sharing of information and analysis
 - Leveraging skills of all Divisions/Offices throughout the country to accomplish specific goals
 - Coordination of all efforts to provide 360° approach to related supervision, communications, and policy issues

- ***Designated Crisis Coordinator to manage***
 - Daily updates on banks' operational status to Interdivisional Task Force
 - Early supervisory preparations and action to contact affected banks
 - In coordination with other regulators, provide guidance on appropriate flexibilities for examiners and banks

Best Practices (Continued)

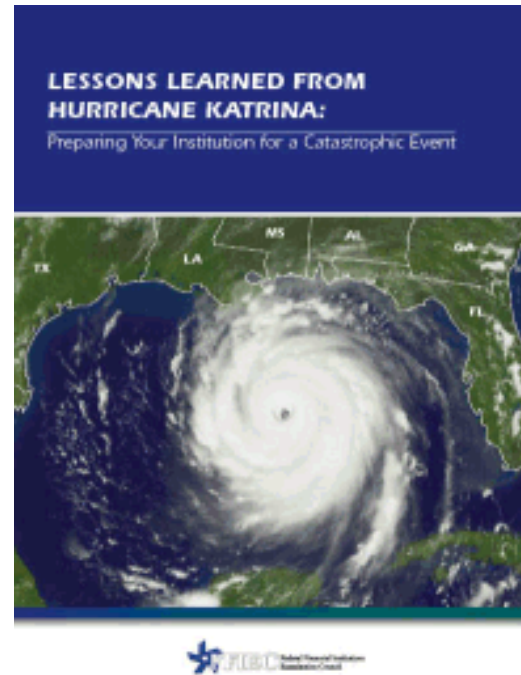
- ***Effective communication of timely, accurate information to Customers, Bankers & Media***
 - 24/7 Call Center
 - Web site with status information on financial institutions & FAQ
 - How to contact Financial Institutions
 - How to access ATM & Check Cashing Services
 - Status of Safety Deposit Boxes
 - Guidance on Lost Identification

- ***Incorporated lessons learned in prior supervisory, communications, and resolution challenges to achieve more effective responses***
 - Task Force adapted strategies used to inform public during Y2K
 - Lessons Learned from Banking Crisis

Sharing Lessons Learned

FDIC and The Federal Financial Institutions Examination Council (FFIEC) worked together to create publication:

Lessons Learned from Hurricane Katrina:
Preparing Your Institution for a Catastrophic Event





Lessons Learned - Hurricane Katrina

- 1) **Some organizations may not have anticipated or prepared for the extensive destruction & prolonged recovery period after Hurricanes.**
- 2) **To be realistic, disaster drills should include all critical functions and areas.**
- 3) **Anticipate disruptions in communications services, possibly for an extended period of time.**



Lessons Learned - Hurricane Katrina

- 4) **Critical staff may not be able to reach their assigned recovery location.**
- 5) **People are essential to the recovery of operations.**
- 6) **Replacement supplies may be difficult to obtain during a protracted recovery period.**



Lessons Learned - Hurricane Katrina

- 7) **Financial institutions' facilities could be damaged or destroyed, creating a need for alternative facilities.**
- 8) **The location of any back-up site can be critical to successful recovery efforts.**
- 9) **Processing transactions may be extremely difficult.**



Lessons Learned - Hurricane Katrina

- 10) **Be prepared to operate in a “cash only” environment.**

- 11) **The financial industry is dependent on numerous critical infrastructure sectors that potentially have competing interests.**

- 12) **A financial institution’s involvement in neighborhood, city, state, federal, and non-profit or volunteer programs can facilitate a community’s recovery from a catastrophic event.**



<http://www.fdic.gov/hurricane/>

Thank You