Disasters Are Striking - Is Your Institution Ready?

business customers   risk management

Summary: Disasters keep striking. Take the time to review your disaster recovery strategies before you might need them.

Antarctica has hurricane-force winds every three days! Yes, it is considered the windiest place on earth! Luckily, most of us don't have to deal with those conditions. But still, disasters seem more prevalent in our neck of the woods these days.

Wildfires in the West. Tornadoes in the Midwest. Hurricanes in the Gulf of Mexico and the Atlantic Coast. Natural disasters seem more frequent and community financial institutions (CFIs) seem to find themselves on the frontlines of disaster response more often. Now might be the time to review your plans. As you prepare, we bring you some timely reminders.

Fine-tune your disaster recovery strategies. For CFIs that take a direct hit from a storm or other natural disasters, the first order of business is always to get back to business so that customer needs can be met. That requires an up-to-date disaster plan that follows generally accepted practices.

For starters, a CFI disaster plan should include standard business disaster recovery basics like a **communication plan, role assignments in a disaster, inventory of office equipment, and vendor notification plans**. While you have likely reviewed your business continuity plan fairly recently due to the coronavirus crisis, for each specific disaster there are important steps to follow. It can be helpful to have a web page ready to launch in the event of a disaster too that includes information for customers on how to access data and accounts and other details that can be quickly updated.

CFIs also need to have plans in place to secure and protect data. Typically, that requires offsite data storage, perhaps with a secure, cloud-based service. Any disaster preparedness plan should include **regular monitoring of data backup** to ensure things are working properly and data is updated.

Finally, a financial institution hit by a disaster may find it difficult to meet compliance and regulatory requirements in a timely fashion. Regulators are aware of this difficulty, but it is important to notify regulators accordingly. A disaster response plan should include **protocols for contacting regulators**. Failure to inform regulators and then missing required reports could subject CFIs to possible sanctions.

Go the extra mile with customers. Regulators encourage financial institutions to go the extra mile in helping customers affected by disasters. One way to help: modifying loan terms to help customers deal with losses and disruptions. Banking regulators specifically state that "prudent" efforts to adjust or alter loan terms for those affected by a disaster will not be subject to criticism from regulators. These **modifications need to be done on an individual basis** and should be based on public interest in helping those in trouble, while still adhering to sound banking practices.

It is also important to **ensure your customers are safe**. Reaching out to borrowers affected by disasters will signal that you care for your customers. This is just as important as financial support during tough times.

Now is the time to prepare for disasters to ensure your institution and your customers are safe and can continue on. We hope these reminders have helped with that.

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