Insult to Injury

Natural Disasters and Residents’ Financial Health

Urban Institute Webinar: April 30, 2019
Housekeeping

- Webinar is being recorded
- The recording will be posted online after the webinar
- All participants are muted
- Type your questions or comments into the Questions box at any time. Be sure to include your name and organization

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Introductions and Welcome Remarks
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JPMorgan Chase Model for Impact

JPMorgan Chase’s model for impact focuses on four strategic drivers of inclusive growth, and it reflects what we believe are the essential ingredients for creating a lasting impact in our communities.

We are putting this model into action through significant, long-term and data-driven investments that leverage our firm’s expertise, capital, data, technology and global presence.
Insult to Injury
Natural Disasters and Financial Health
Natural Disasters and Financial Health
Questions

- Effects of natural disasters on residents’ financial health?
- Effects differ by severity of the disaster?
- Effects differ by demographic and economic characteristics?
Measures and Approach: Assessing Natural Disaster Impacts
Assessing Natural Disaster Impact: Measures

- Financial health: Major credit bureau (2010-2017)
  - Credit score, debt in collections, bankruptcy, credit card access and debt, mortgage delinquency and foreclosure

- Disasters and affected communities: FEMA
  - Hurricane Sandy
  - Other large disasters (at least $200 million in damage)
  - Medium-sized disasters (less than $200 million in damage, but triggered FEMA assistance)

- Community characteristics: American Community Survey
Assessing Natural Disaster Impact: Approach

- Identify communities affected by natural disasters
- Identify similar communities *unaffected* by natural disasters
- Compare people in affected communities to people with similar characteristics in unaffected communities
- Look at the four years following the disaster
Key Findings: How Do Natural Disasters Affect Financial Health?
Credit Scores
Having a subprime credit score is costly

Natural Disasters Lead to Declines in Credit Score; Declines Increase Over Time

Larger Declines in Credit Scores for Those with Poor Credit before the Disaster Hit (medium-sized disasters)

Financial Distress: Debt in Collections and Bankruptcy
Financial Hardship Increases Over Time in Communities Hit by Medium-Sized Disasters

Residents Hit by Medium-Sized Disasters are More Likely to Declare Bankruptcy

Credit Card Access and Debt
Credit Cards: Access Declines for Struggling Residents and Debt Increases for Better-Off Residents (Medium-Sized Disasters)

Mortgage Delinquency and Foreclosure
Mortgage Delinquency and Foreclosures Increased Following Hurricane Sandy

Major Takeaways
Summary of Findings

- Disasters lead to broad, often substantial, negative impacts on financial health
- Negative effects persist, or grow, over time
- Medium-sized disasters appear to lead to larger and more consistently negative effects, vs. large disasters
- Individuals and communities more likely to be struggling pre-disaster are often hit hardest
Picture of Existing Federal Disaster Assistance Programs
Existing Federal Disaster Assistance Programs Prioritize Immediate Needs
Implications of Findings for Disaster Preparation and Recovery Strategies
Strategies for Disaster Preparation and Recovery

1. Consider long-term needs too
2. Aim resources at communities struggling before the disaster hits
3. Expand resources after less-severe disasters
4. Plans should consider household finances
5. Reconsider disasters in credit reports and scores
6. Provide consumers with utility protections
7. Mortgage policies should account for long-term financial burdens
Voices From the Field
EXISTING INEQUITY IN MIAMI-DADE COUNTY

- 2.7 million people
- 900k households
- 21% of households in poverty
- 58% of households considered the working poor or in poverty
CHALLENGES PRESENTED BY HURRICANE IRMA

- High cost of hurricane preparedness (planning & price gouging)
- Loss of food
- Widespread evictions
- Stalled work & job loss
- Inability to keep up with bills (rent & utilities)
- Inability to pay homeowners insurance deductible
- FEMA assistance (proper filing, online status, & SSN challenges)
BUILDING RESILIENCE

- Dissemination of emergency loans programs, law clinic coordination, FEMA form assistance, food & basic supplies distribution
- Incorporating resilience into on-going financial coaching programs
- Establishing neighborhood resilience hubs
What are your questions?

- Type your **questions** or **comments** into the questions box
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Thank you!

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