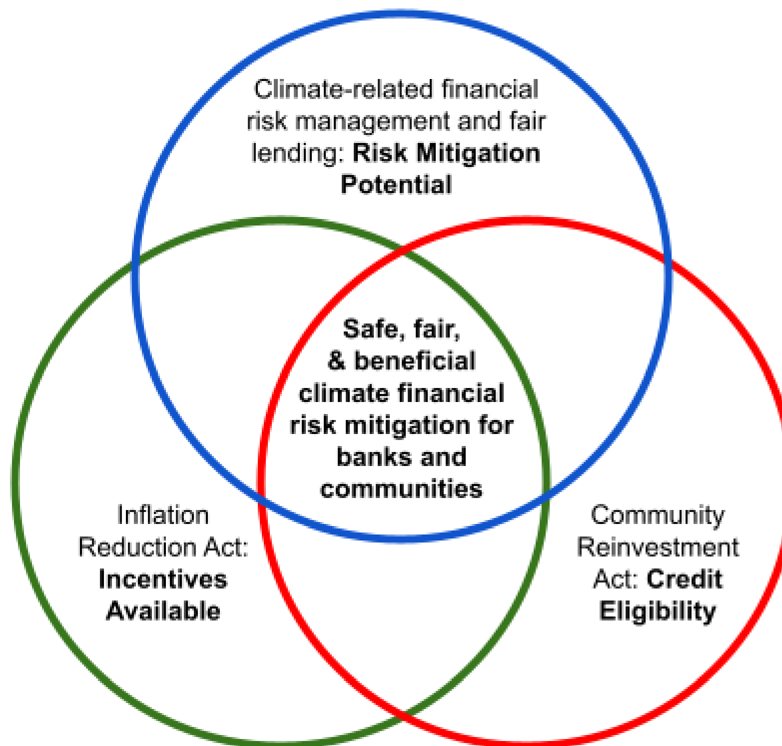
Americans for Financial Reform Education Fund

Safe, Fair, & Beneficial Climate Financial Risk Mitigation for Banks and Communities



Background

Climate-related financial risks pose a serious threat to consumers, communities, banks, and the financial system. The problem will continue to get worse over coming decades due to a worsening outlook on climate sensitivity and still rising global greenhouse gas emissions that are driving increasingly severe and costly climate impacts, including subsequent damage to real property and disruption to the property insurance markets.[1] As a result banks and other lenders face heightened financial risks particularly in their retail and real estate portfolios that will spread risk quickly across the financial system.

[1] Report on Climate Related Financial Risk, U.S. Treasury Financial Stability Oversight Council (FSOC), 2021; Annual Report 2023, FSOC, December 2023.

The U.S. Treasury Department, U.S. banking regulators, and lawmakers have responded to these growing financial risks by issuing new regulations, guidance, and statutory incentives meant to help navigate climate-related financial risks, enhance financial system resiliency, and maintain a stable economy through the clean energy transition. These policies include: 1) climate-related financial risk management supervisory principles for large institutions, 2) expanded climate investment categories within the Community Reinvestment Act (CRA) rules, and 3) new and expanded federal subsidies to help incentivize private climate investment, like the Inflation Reduction Act (IRA). Additionally, the Treasury Department issued nonbinding guidance to help financial institutions develop and implement credible net-zero transition plans, which banks can use to manage transition risks, mitigate their contributions to systemic risk, and fulfill their climate commitments to the public.

This memo is intended to inform U.S. banking regulators' supervision and oversight of climate-related financial risks through dialogue with regulated institutions. It maps the implications of a variety of new policies that could together make for a more resilient financial system that supports consumers and banks.

The Board of Governors of the Federal Reserve System (Fed), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) (collectively, "the agencies") should use this moment to help banks develop and implement safe, fair, and beneficial climate financial risk mitigation strategies. There are significant benefits to this approach: it leverages local communities' abilities to tackle their own climate risks and can facilitate the flow of more private capital towards climate solutions, bolstering the successful implementation of the IRA and reducing system-wide climate-related financial risk.

To achieve these benefits, the agencies should help banks identify and ramp up activities that meet supervisory expectations, satisfy regulatory obligations, and benefit from public subsidies, especially those satisfying all of the following conditions:

- ➔ Mitigating their climate-related financial risk in line with the Principles for Climate-Related Financial Risk Management for Large Financial Institutions[2] ("climate risk principles") while complying with fair lending laws;[3]
- ➔ Supporting disaster preparedness, weather resiliency, essential community facilities and infrastructure, and affordable housing in low-income communities, consistent with the agencies' CRA rule;[4] and

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[2] Principles for Climate-Related Financial Risk Management for Large Financial Institutions, Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; and Federal Deposit Insurance Corporation, 88 Fed. Reg. 74,183, October 30, 2023.

[3] Interagency Fair Lending Examination Procedures, Office of the Comptroller of the Currency, Federal Deposit, Insurance Corporation, Federal Reserve Board, Office of Thrift Supervision, National Credit Union Administration, August 2009.

[4] Community Reinvestment Act Final Rule, Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; and Federal Deposit Insurance Corporation, October 24, 2023.

- ➔ Leveraging new federal resources from the IRA to incentivize green investment.[5]

In addition, banks should address their own contributions to climate-related systemic financial risks, including those identified in the Financial Stability Oversight Council's 2023 Annual Report.[6] Key steps include developing and implementing credible transition plans in line with the U.S. Treasury Department's Principles for Net-Zero Financing & Investment.[7]

Without further guidance, it is possible that banks will deploy climate-related financial risk management strategies that harm people and communities, violate fair lending laws, exacerbate racial and economic disparities in access to financial services, and/or exacerbate brittleness within the financial system to climate impacts.

Climate change is creating new and worsening risks for many communities and the financial institutions that serve them, especially in communities of color. Negative physical impacts and associated costs from climate-exacerbated disasters disproportionately harm low-income and historically redlined communities.[8] These communities are more climate-vulnerable today due to decades of disinvestment in housing and critical infrastructure, resulting in poor building conditions and fewer or substandard sewers, levees, trees, and green spaces that could lower communities' risks from climate-related hazards (particularly flooding[9] and heat[10]). Lower household wealth, another consequence of redlining, also makes investments in climate resilience and the ability to recover from disasters much more difficult.

In the property insurance sector, climate change is a major factor leading to insurers withdrawing coverage from climate vulnerable communities or raising rates beyond what families can afford. Some regulators have claimed, and early research suggests,[11] that the banks will follow suit and withdraw from vulnerable areas to satisfy new climate-related financial risk management expectations, assuming that "when bank regulators declare something a safety and soundness concern, we should expect banks to do less of it or charge more for it."[12] Federal Reserve Chair Powell recently acknowledged that this process of bank retreat has already begun.[13]

[5] Examples of times when regulators offered guidance on how to use government resources: Community Development Resource Guide, OCC; Tax Credits Resource Directory, OCC.
[6] Annual Report 2023, FSOC, December 2023.
[7] Principles for Net-Zero Financing & Investment, U.S. Department of the Treasury, September 2023.
[8] Bruce Mitchell, PhD and Juan Franco, HOLC "Redlining" Maps: The Persistent Structure Of Segregation And Economic Inequality, National Community Reinvestment Coalition, March 20, 2018; Hilary Howard, How 5 N.Y.C. Neighborhoods are Struggling with Climate Change, New York Times, May 12, 2024.
[9] Lily Katz, A Racist Past, a Flooded Future, Redfin News, 2021.
[10] Brad Plumer and Nadja Popovich, Photographs by Brian Palmer, How Decades of Racist Housing Policy Left Neighborhoods Sweltering, The New York Times, August 4, 2020.
[11] Parinitha Sastry, Who Bears Flood Risk? Evidence from Mortgage Markets in Florida, December 18, 2022.
[12] Statement by Vice Chairman Travis Hill on the Interagency Guidance on Principles for Climate-Related Financial Risk Management for Large Financial Institutions, FDIC, October 24, 2023.
[13] Hearing: The Federal Reserve's Semi-Annual Monetary Policy Report, U.S. House Committee on Financial Services, July 10, 2024.

But this is not an inevitable outcome. With proper additional guidance from bank regulators, banks can prioritize safe and fair mitigation pathways that do not rely on abandoning communities—but rather on building climate resilience through the right types of investment.

The challenge facing banks is substantial and will require coordination between federal regulators, supervisors, and institutions. To deploy climate risk mitigation strategies that include an expansion of green lending, banks may need additional guidance and training on underwriting new types of products and examining their suitability for different households. Consumer protections for green financial products are a critical component of ensuring that public and private resources are spent efficiently, that banks offer consumers safe and beneficial products, and that climate investments ultimately provide risk mitigation for both consumers and the banks that serve them.[14]

In the past, the agencies have issued this type of guidance and examples to address major developments, risks, and opportunities, such as during the 2008 global financial crisis, the COVID-19 pandemic, the aftermath of Hurricane Maria, and around accessing specific subsidies, like federal tax credits; for example, for the low income housing tax credit program, the agencies released a videotape, a workbook, "how-to sessions" and explicit encouragement for uptake.[15]

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[14] Equitable and Just Green Lending Starts with Strong Consumer Protections, Americans for Financial Reform Education Fund, August 6, 2024; The Consumer Financial Protection Bureau, the Federal Trade Commission, and Treasury recently formed an interagency working group with the Department of Housing and Urban Development, the Department of Energy, and others to promote safer solar lending and tackle solar fraud. The agencies should join this working group and develop guidance for banks —including on consumer protections—for emerging green lending and green financing products such as those from the IRA, recognizing that those green opportunities may help diversify a bank's portfolio and decrease credit risk.
[15] See e.g., Tax Credits Resource Directory, OCC; OCC Issues Asset Securitization Guidelines, OCC, September 25, 1996; Interagency Statement on CRA Consideration for Community Development Activities in the U.S. Virgin Islands and Puerto Rico Following Hurricane Maria, FDIC, Fed, OCC, 2018; Federal Low-Income Housing Tax Credits: A Profitable Affordable Housing Opportunity for Banks, OCC, May 29, 1997; Emergency Capital Investment Program Available for Community Development Financial Institutions and Minority Depository institutions, FDIC, March 9, 2021; Interagency Statement on Special Purpose Credit Programs under the Equal Credit Opportunity Act and Regulation B, Fed, FDIC, National Credit Union Administration, OCC Consumer Financial Protection Bureau, Department of Housing and Urban Development, Department of Justice, Federal Housing Finance Agency, February 22, 2022.

New Requirements and Resources for Banks

In 2023, the agencies finalized climate risk principles for the largest banks, and sent a signal to smaller institutions as well on the need to mitigate growing climate-related financial risk.[16] They also updated CRA regulations, which now include "disaster preparedness and weather resiliency" activities under community development as eligible for CRA credit. The federal resources authorized by the IRA can help derisk, lower the cost, and/or raise the profitability of projects that banks can finance to meet these supervisory expectations and regulatory obligations in ways that benefit vulnerable households and communities. The following table notes products, projects, and activities that are *most likely to further at least two of the listed federal policies.

Products, Projects, and Activities that Serve Multiple Bank Purposes			
Green Product or Activity	**Climate Risk Principles -** Risk Mitigation Potential	**Community Reinvestment Act -** Credit Eligibility[17]	**Inflation Reduction Act -** Incentives Available
Construction of flood control systems that benefit or serve flood prone targeted census tracts[18]	✅	✅	✅
Retrofitting multifamily affordable housing to withstand future disasters or weather-related events	✅	✅	✅
Assistance to small farms to help with drought challenges and reduce nitrogen losses and/or support agriculture practices that minimize GHG emissions	✅	✅	✅
Resilience or adaptation measures on Tribal Lands	✅	✅	✅
Auto loans for electric vehicles and plug-in hybrids	✅	✅	✅
Promoting green space	✅	✅	

[16] Specifically, though the climate risk principles are only intended for institutions with over $100 billion in total consolidated assets, the agencies recognized that "all financial institutions, regardless of size, may have material exposures to climate-related financial risks": Principles for Climate-Related Financial Risk Management for Large Financial Institutions at 74,186.

[17] In order for a product, project, or activity in this column to qualify as CRA community development under the new weather resiliency category it must benefit or serve borrowers and households in targeted census tracts, be done in conjunction with a government plan, program, or initiative, or a mission-driven nonprofit organization, and not directly result in forced or involuntary relocation of individuals with low and moderate incomes. There are other CRA categories under which projects could potentially qualify, that should be explored (see Appendix II for more).

[18] Targeted census tract as defined in the Community Reinvestment Act final rule as, "(1) a low-income census tract or a moderate-income census tract; or (2) a distressed or underserved nonmetropolitan middle-income census tract."

Utility-scale wind or solar	✅		✅
Energy efficiency-promoting activities for households and businesses that benefit or serve targeted census tracts		✅	✅
Weatherization and energy efficient upgrades to affordable housing such as more efficient heating and air-cooling systems or more energy-efficient appliances		✅	✅
Community cooling/warming centers		✅	✅
Community solar, microgrid, and battery projects that could help ensure access to power in the event of grid outages		✅	✅
Rooftop solar with battery storage		✅	✅

**This table reflects our best interpretation of the non-exhaustive list of relevant statutory and regulatory language listed in Appendix II. Eligibility of a given product or activity type should be further researched and confirmed with relevant departments from the various agencies. Assumptions include that climate-related financial risk mitigation includes mitigation of physical and transition risks for banks.*

Recommendations

Provide Guidance to Banks on Safe, Equitable Risk Management by Identifying Areas of Overlap Across the Climate Risk Principles, Regulatory Obligations, and Available Resources

The agencies should work together to provide concise guidance that lays out their expectations of banks to operate in a safe and sound manner and comply with all applicable laws and regulations—including fair lending laws[19]—as they incorporate climate-related financial risk mitigation into their regular business practices. Many banks are already working to enhance operational resilience for their branches and lower credit risk in lending portfolios, but they should also be thinking about how to support consumers as a part of climate-related financial risk management plans.

[19] Interagency Fair Lending Examination Procedures, Office of the Comptroller of the Currency, Federal Deposit, Insurance Corporation, Federal Reserve Board, Office of Thrift Supervision, National Credit Union Administration, August 2009; Fair Lending Laws and Regulations, FDIC; Federal Fair Lending Regulations and Statutes Overview, Federal Reserve Board of Governors; Comptroller's Handbook: Fair Lending, OCC, January 2023.

New guidance for financial institutions should highlight a non-exhaustive list of examples of the types of lending or financing that foster the ability of banks to meet supervisory expectations and obligations as well as to leverage available resources. For example, a bank may be able to partner with a green bank capitalized with IRA resources to underwrite a loan to a customer for a home energy improvement project,[20] which improves the climate resilience of the customer's property, bolsters the customer's financial resilience that lowers their default risk, and may qualify for CRA credit.

Update Fair Lending Examination Procedures and Risk Management Expectations

The agencies should more explicitly incorporate climate-related financial risk management into their examination procedures for fair lending. If there is a pathway that "could serve the same purpose with less discriminatory effect" for managing their climate-related financial risks, banks must take it.[21]

The agencies, as well as the Consumer Financial Protection Bureau and the National Credit Union Administration, (together, the Federal Financial Institutions Examination Council (FFIEC) agencies) should update the FFIEC interagency fair lending examination procedures[22] to clarify that examiners and institutions should consider climate-related financial risks and mitigation strategies. This could be done by adding a subsection entitled, "Analysis of potential discriminatory practices in response to climate-related financial risk management," or adding language to the disparate impact section directing examiners to evaluate financial institution's implementation of risk-management strategies in response to climate-related financial risk.

[20] For example, the Connecticut Green Bank partners with a network of local lenders to offer low-interest financing to Connecticut consumers: Smart e-loan, Connecticut Green Bank.
[21] Interagency Fair Lending Examination Procedures, at iv, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Reserve Board, Office of Thrift Supervision, National Credit Union Administration; August 2009.
[22] Id.

While price increases or bank withdrawal of services from some communities could be justified by legitimate climate-related financial risk concerns, they also present elevated risk of fair lending law violations. The FFIEC agencies' fair lending examination procedures should include a discussion of 'bluelining', which has been defined as a practice where financial institutions like insurers or banks raise prices or simply withdraw from major markets they deem environmentally/climate risky.[23] Examination procedures should include indicators of potential discriminatory 'bluelining' in violation of existing fair lending laws and provide steps on how to analyze potential discriminatory 'bluelining.' Financial institutions should also be required to specifically disclose to examiners if they are rationing credit, closing a bank branch,[24] or taking other actions due to climate change impacts or as a climate-related financial risk management response.

The FFIEC agencies should ensure that their own fair lending examination manuals, risk assessments, and screening processes used in determining targets and scopes of fair lending examinations appropriately consider climate-related financial risks and mitigation strategies. This may require a more granular approach to identifying geographic areas in which banks are potentially violating fair lending laws.

In addition to existing coordination across the agencies on each of those supervisory tools, it is critical that each agency coordinate internally across its own divisions to maximize the potential benefits of investments, and ensure that all actions and investments are consistent with safe and sound banking practices and comply with fair lending requirements, thus reducing confusion for regulated entities. This also requires that safety and soundness examiners and CRA examiners integrate their analysis and make joint evaluations of and recommendations to banks on climate-related financial risk management.

Support Bank Development and Implementation of Transition Plans to Reduce Climate-related Financial Risk

Ongoing financial and economic stability will depend not only on our ability to build climate resilience but also to decarbonize and mitigate both micro- and macroprudential risks. The Financial Stability Oversight Council's (FSOC's) 2022 and 2023 Annual Reports indicate that climate change is contributing to a fast-growing insurance protection gap that is financially impacting consumers through a loss of coverage and higher premiums.[25] When consumers lose their capacity to pay their bills, including their insurance and mortgage payments, banks and other lenders will face heightened risks that could eventually flow to interconnected

[23] Monica Palmeira and Brooklyn Montgomery, Bluelining: Climate Financial Discrimination on the Horizon, The Greenlining Institute, August 2023; Jessica Garcia, Bluelining: How Climate Change is Driving an Insurance Crisis, Americans for Financial Reform Education Fund, February 22, 2024.
[24] Twelve U.S.C. § 1831r–1(a)(2)(A) requires an insured bank or savings association's notice of branch closure to include "a detailed statement of the reasons for the decision to close the branch." The agencies should clarify that this statutory requirement encompasses climate-related financial risks and risk management.
[25] Annual Report 2022, FSOC, December 2022; Annual Report 2023, FSOC, December 2023.

financial entities like other banks and the Government Sponsored Enterprises, and ultimately to the public.

Banks also play an active role in contributing to this risk. Without action by the agencies, banks will continue to drive climate-related financial risk by financing carbon-intensive assets with high transition risk, and, in so doing, worsen systemic physical risk that the banks then manage by withdrawing from affected climate-vulnerable communities. Supervisors should pay close attention to exacerbation of climate-related financial risks from financing and facilitation of fossil fuel expansion.

The agencies should require banks to adopt transition plans that appropriately factor in physical and transition risks to individual banks and to the financial system, and the agencies should engage with banks on those transition plans. European subsidiaries or affiliates of globally active U.S. banks and insurance companies will soon be required to develop and disclose transition plans following rules and regulations adopted in the European Union.[26]

Additionally, the U.S. Treasury has already presented banks with the Principles for Net-Zero Financing and & Investment, which provide a useful roadmap that banks and other financial institutions should use to reduce transition risk while achieving credible net-zero targets that promote financial stability.

This memo and its recommendations have been endorsed by the following organizations:

Americans for Financial Reform Education Fund
Environmental Defense Fund
E3G
Green America
National Community Reinvestment Coalition (NCRC)
Natural Resources Defense Council
Public Citizen
Rise Economy
Sierra Club
The Greenlining Institute

[26] Corporate Sustainability Due Diligence, European Commission, July 25, 2024; Work on implementation guidance: EFRAG seeks companies to engage in transition plan implementation guidance, EFRAG, April 10, 2024.

APPENDIX I: Additional Resources

- Coalition letter signed by 25 organizations urging the Fed to include enhanced safeguards and monitoring around fair lending violations, racial and economic justice, and consumer protections as harmful risk management practices like bluelining become more prominent.
- Memo: Climate Vulnerability and the Community Reinvestment Act (CRA) Regulations, by Americans for Financial Reform Education Fund and the Greenlining Institute. On the need for banking regulators to incentivize banks to build relationships with and drive investments in climate vulnerable communities through CRA regulations. Climate vulnerability refers to individuals and communities which experience heightened risk and increased sensitivity to climate change while also having less capacity and fewer resources to cope with, adapt to, or recover from climate impacts. These disproportionate effects are caused by physical (built and environmental), social, political, and/ or economic factor(s), which are exacerbated by climate impacts.
- Memo: Climate Risk and the Community Reinvestment Act, By the Ceres Accelerator for Sustainable Capital Markets. Describes the climate-related updates to the CRA from the latest rule, and provides parameters for eligible projects as well as examples.
- Acting Comptroller Michael Hsu's remarks on "Fairness and Effective Compliance Risk Management" at the Consumer Bankers Association (CBA) on March 25, 2024.

APPENDIX II: Non-Exhaustive List of Relevant Climate-related Statutory and Regulatory Language

Community Reinvestment Act - Final Rule

Federal Register Volume 89 at page 6681

- *Definition*: "under final § __.13(e)(1), revitalization or stabilization comprises activities that support revitalization or stabilization of targeted census tracts, including adaptive reuse of vacant or blighted buildings, brownfield redevelopment, support of a plan for a business improvement district or main street program, or any other activity that supports revitalization or stabilization."
- *Examples*: "The agencies recognize commenter suggestions to include specific activities under the revitalization or stabilization category, such as food access, renewable energy projects, or other sustainability projects, and believe that many of these types of projects could be included for consideration within this category upon meeting the required criteria."

89 Fed. Reg. at 6684

- *Definition and examples*: “Under final § __.13(f), essential community facilities are public facilities that provide essential services generally accessible by a local community, including, but not limited to, schools, libraries, childcare facilities, parks, hospitals, healthcare facilities, and community centers that benefit or serve targeted census tracts.”
- *Definition*: “the final rule revises the proposal to define essential community facilities as those that “benefit or serve” residents of targeted census tracts, including low- and moderate-income individuals.”
- *Definition*: “The agencies believe, however, that a facility will qualify for consideration if a bank demonstrates that the facility is public and provides essential services, serves low- or moderate-income residents in the targeted census tract, and meets the rule's other required criteria.”

89 Fed. Reg. at 6686

- *Definition*: “Under final § __.13(g), essential community infrastructure comprises activities benefiting or serving targeted census tracts, including but not limited to broadband, telecommunications, mass transit, water supply and distribution, and sewage treatment and collection systems.”
- *Examples*: “For example, a project to build a sewer line that connects services to a middle- or upper-income housing development but passes through a low- or moderate-income census tract without connecting needed sewer services to that community generally would not qualify as essential community infrastructure under the final rule. In contrast, a project to improve water supply to residents of targeted census tracts could qualify as community development even if the water supply improvements were made outside of those census tracts, provided that the bank could demonstrate the project benefits the targeted census tracts in accordance with the rule.”

89 Fed. Reg. at 6689

- *Definition*: “Under final § __.13(h)(1), activities that promote recovery of a designated disaster area are those that revitalize or stabilize geographic areas subject to a Major Disaster Declaration administered by FEMA.”
- *Examples*: “Examples of bank activities for CRA credit as supportive of disaster recovery activities under final § __.13(h) include, but are not limited to, assistance with rebuilding infrastructure; financing to retain businesses that employ local residents; and recovery-related housing or financial assistance to individuals in the designated disaster areas.”

- *Definition*: "The agencies continue to believe that activities that promote the recovery of designated disaster areas should benefit the entire community, including, but not limited to, low- or moderate-income individuals and communities, consistent with the purposes of CRA…Specifically, while activities in all census tract income levels may be considered, these activities must benefit or serve residents of the census tracts included in the designated disaster area, including low- or moderate-income individuals, and must not directly result in forced or involuntary relocation of individuals in designated disaster areas."

89 Fed. Reg. at 6692

- *Definition*: "Under final § __.13(i), disaster preparedness and weather resiliency activities are defined as those that assist individuals and communities to prepare for, adapt to, and withstand natural disasters or weather-related risks or disasters. As discussed below, final § __.13(i) is revised to state that disaster preparedness and weather resiliency activities benefit or serve targeted census tracts and meet the common place-based criteria in § __.13(i)(1) through (3)."

89 Fed. Reg. at 6693

- *Definition*: "final § __.13(i) is revised to define "disaster preparedness and weather resiliency" activities as those that "benefit or serve" targeted census tracts. The agencies recognize that while a "conducted in" standard could facilitate a bank's demonstration that activities are benefiting and serving the residents of targeted census tracts, it could exclude disaster preparedness and weather resiliency activities located in close proximity to a targeted census tract that nonetheless are demonstrably designed to benefit and serve residents of that census tract, including low- or moderate-income individuals."
- *Definition and examples*: "The agencies believe the final rule will encompass a wide variety of activities that help low- or moderate-income individuals and communities proactively prepare for, adapt to, or withstand the effect of natural disasters or weather-related risks or disasters, such as earthquakes, severe storms, droughts, flooding, and forest fires. For example, potentially eligible activities under the final rule, include, but are not limited to, the construction of flood control systems in a flood prone low- or moderate-income or underserved or distressed nonmetropolitan middle-income census tract; and retrofitting multifamily affordable housing to withstand future disasters or weather-related events."

- *Examples*: "Additional examples of potentially eligible qualifying activities include, but are not limited to: promoting green space in targeted census tracts in order to mitigate the effects of extreme heat, particularly in urban areas; weatherization upgrades to affordable housing such as more efficient heating and air-cooling systems or more energy-efficient appliances; community solar projects, microgrid and battery projects that could help ensure access to power to an affordable housing project in the event of severe storms; financing community centers that serve as cooling or warming centers in low- or moderate-income census tracts that are more vulnerable to extreme temperatures; and assistance to small farms to adapt to drought challenges."

89 Fed. Reg. at 6693-6694

- *Exclusions*: "While the agencies believe the final rule provides broad flexibility, the agencies are also declining to further expand community development under this category, for example, to incorporate all environmental health threats and other risks that could be exacerbated by climate conditions, all activities to mitigate climate risks, such as those that promote decarbonization, or activities that facilitate the transition to clean energy generally. The agencies believe it is important that the final rule clearly link qualifying disaster preparedness and weather resiliency activities to those activities that benefit or serve residents of a targeted census tract, to ensure that these activities provide the community benefit in alignment with the CRA"

89 Fed. Reg. at 6694

- *Examples*: "the agencies believe that energy efficiency-promoting activities are generally consistent with the final definition of disaster preparedness and weather resiliency, and therefore should be included within this category. However, the agencies do recognize that some energy efficiency-promoting activities could potentially be considered under other community development categories. For example, and as discussed in more detail in the proposal, certain weatherization improvements might also benefit affordable housing or essential community facilities. Banks subject to the rule are permitted to qualify activities under any applicable community development category, but those activities may count only once for the purposes of calculating the Community Development Financing Metric."
- *Exclusions*: "the agencies reaffirm that final § __.13(i) is not intended to include utility-scale projects. Utility-scale projects tend to be large, even regional projects. In addition, given their nature and function, the agencies believe it would be difficult for utility-scale projects to meet the definition and place-based criteria described below; in particular, the agencies believe it would be difficult for banks to clearly demonstrate such projects benefit or serve specific groups of residents in targeted census tracts."

Climate Risk PrinciplesPrinciples for Climate-Related Financial Risk Management for Large Financial Institutions - Final Interagency Guidance

Federal Register Volume 88 at page 74185

- "[W]here financial institutions engage in public communication of their climate-related strategies, boards and management should assure that any public statements about their institutions' climate-related strategies and commitments are consistent with their internal strategies, risk appetite statements, and risk management frameworks."

88 Fed. Reg. at 74186

- "The financial impacts that result from the economic effects of climate change and the transition to a lower carbon economy pose an emerging risk to the safety and soundness of financial institutions and the financial stability of the United States. Financial institutions are likely to be affected by both the physical risks and transition risks associated with climate change (collectively, climate-related financial risks)."
- "Physical risks refer to the harm to people and property arising from acute, climate-related events, such as hurricanes, wildfires, floods, and heatwaves, and chronic shifts in climate, including higher average temperatures, changes in precipitation patterns, sea level rise, and ocean acidification."
- "Transition risks refer to stresses to institutions or sectors arising from the shifts in policy, consumer and business sentiment, or technologies associated with the changes that would be part of a transition to a lower carbon economy."
- "Weaknesses in how a financial institution identifies, measures, monitors, and controls the physical and transition risks associated with a changing climate could adversely affect a financial institution's safety and soundness. The adverse effects of climate change could also include a potentially disproportionate impact on the financially vulnerable, including low-and-moderate-income (LMI) and other underserved consumers and communities."

88 Fed. Reg. at 74187

- "Additionally, the [bank] board should encourage [bank] management to consider the impact that the financial institution's strategies to mitigate climate-related financial risks could have on LMI and other underserved communities and their access to financial products and services, consistent with the financial institution's obligations under applicable consumer protection laws."

88 Fed. Reg. at 74189

- "Management should [take] into account possible changes to legal requirements for, or underwriting considerations related to, flood or disaster-related insurance, and ensuring that fair lending monitoring programs review whether and how the financial institution's risk mitigation measures potentially discriminate against consumers on a prohibited basis, such as race, color, or national origin."

Inflation Reduction Act - Public Law

Subtitle D (Energy Security): Part 1 - Clean Electricity And Reducing Carbon Emissions

- Sec. 13101. Extension And Modification Of Credit For Electricity Produced From Certain Renewable Resources (Pg. 90)
- Sec. 13103. Increase In Energy Credit For Solar And Wind Facilities Placed In Service In Connection With Low-Income Communities (Pg. 105)

Subtitle D (Energy Security): Part 3—Clean Energy And Efficiency
Incentives For Individuals

- Sec. 13301. Extension, Increase, And Modifications Of Nonbusiness Energy Property Credit, Aka “energy Efficient Home Improvement Credit”. (Pg. 125)
- Sec. 13302. Residential Clean Energy Credit (Pg. 130)
- Sec. 13303. Energy Efficient Commercial Buildings Deduction (Pg. 131)

Subtitle D (Energy Security): Part 7—Incentives For Clean Electricity And Clean Transportation

- Sec. 13701. Clean Electricity Production Credit (Pg. 166)
- Sec. 13702. Clean Electricity Investment Credit (Pg. 174)

Title II—Committee On Agriculture, Nutrition, And Forestry
Subtitle B (Conservation)

- Sec. 21001. Additional Agricultural Conservation Investments (Pg. 199)

Title V—Committee On Energy And Natural Resources
Subtitle A (Energy): Part 2—Residential Efficiency And Electrification Rebates

- Sec. 50121. Home Energy Performance-Based, Whole-House Rebates (Pg. 217)
- Sec. 50122. High-Efficiency Electric Home Rebate Program (Pg. 220)

Part 4 - DOE Loan and Grant Programs (e.g., State Energy Financing Institutions)

Title VI—Committee On Environment And Public Works
Subtitle A—Air Pollution

- Sec. 60103. Greenhouse Gas Reduction Fund (Pg. 249)

Subtitle E—Transportation And Infrastructure

- Sec. 60501. Neighborhood Access And Equity Grant Program (Pg. 264)

Title VII—Committee On Indian Affairs

- Sec. 80001. Tribal Climate Resilience (Pg. 272)
- Sec. 80003. Tribal Electrification Program (Pg. 273)