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DIVIDENDS

Industrial Strength
FHLB Dallas District a Hub for Growth

FHLBANK DALLAS

Mental Health and COVID-19 ■ Housing a 'Bright Spot' ■ Hurricane Laura's Impact ■ Cybersecurity

Letter from the CEO: Some Good News as the Pandemic Lingers

Sanjay K. Bhasin
President & CEO

Nine months ago, we were just learning about the coronavirus. We've learned a lot in these nine months – from navigating in a virtual business world to seeing more effective treatments for people infected with COVID-19 – and more recently, the availability of multiple effective vaccines on the horizon.

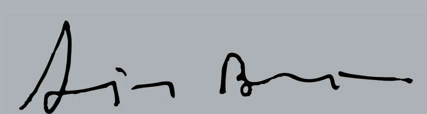
In this issue of *Dividends*, we feature an in-depth look at the booming industrial sector, which was healthy going into the pandemic but, unlike hard-hit industries such as retail and hospitality, remains resilient as e-commerce and supply-chain modernization drive demand.

For financial institutions involved in commercial real estate lending, we examine the strength of the industrial market, which has been a bright spot amid uncertain times.

District-wide, housing, with an uptick in delinquencies and forbearances nudged by the pandemic, does have some bright spots. The origination market was revived after a short hiatus in the spring and looks to end the year on a strong note thanks in large part to record-low interest rates.

Finally, we take a closer look at how COVID-19 is affecting the mental health of employees; how cybercriminals are requiring extra vigilance from security teams in the virtual environment; how Louisiana is rebuilding from several hurricanes; and what the recent elections mean for banking regulation in the future.

We hope you enjoy this issue of *Dividends*. Best wishes for a healthy and peaceful holiday season.



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Inside this Issue

COVER: Bill Burton, executive vice president at Hillwood, outside a new warehouse completed this year at AllianceTexas.

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Editor in Chief: Jaime Jordan, VP, Director of Corporate Communications

Mental Health Emerges as Key Concern Amid Pandemic

By Shelly Wright
Benefits Administrator

As the nation faces a second wave of COVID-19 infections, it may also face another wave of mental health issues related to the coronavirus pandemic, health professionals say.

A recent study by the Centers for Disease Control and Prevention (CDC) revealed a 40 percent increase in people experiencing mental health and substance use concerns since the pandemic began affecting the United States in March.

Stress connected to the pandemic is fueling a rise in anxiety and depression, according to Healthline and YouGov's COVID-19 tracker. The number of people reporting symptoms such as fear and anxiety are well above historic norms.

Many employees are working full-time in a virtual capacity for the first time. They are isolated from coworkers with their daily lives disrupted in a variety of ways due to the pandemic. It is natural for this disruption and uncertainty to lead to anxiety and stress, according to the American Psychiatric Association, which says it's important to find ways to take care of employees' mental health and well-being now more than ever.

The stressors include people who are worried that they or a family member will get the virus. The effects of this stress can manifest in different ways, including irregular eating and sleeping patterns, apathy, lethargy, germaphobia and social anxiety.

Falling Short

The Pan American Health Organization (PAHO) and the World Health Organization (WHO) said countries are falling short in implementing mental health services at a time when mental health support is paramount, according to PAHO Assistant Director Jarbas Barbosa.

"COVID-19 has disrupted our daily routines, forced millions into months-long isolation, devastated our economies and caused an unimaginable loss of life. We have all been shaken," Dr. Barbosa said. "Community-based mental health services, that are integrated into primary health care, are a pillar of mental health services and vital to ensuring that no one gets left behind. Support should be provided where it is needed the most: close to the community," Dr. Barbosa told journalists at a November 5 briefing.

In July, almost six out of 10 employers reported that their plans for the return to work were stymied by uncertainty and persistent questions about how to provide a safe environment for their employees, according to a survey by Arizent, the parent company of American Banker.

At the time of that survey, half of respondents reported reluctance from their employees to return to work. Since then, some financial institutions have returned to the office while others have continued virtual work or implemented a hybrid option.

Companies Add Mental Health Benefits

Financial institutions have offered their employees a wide variety of benefits to help them with mental health issues such as virtual exercise and meditation classes, wellness webinars, virtual coffee breaks and a variety of mental health perks to deal with stress, burnout and prolonged isolation.

Promoting mental health in the workplace can have a significant impact on an employee's job satisfaction and work performance, according to *Indeed.com*.

Why Promoting Mental Health in the Workplace is Important

- About one in five adults in the United States experience a mental illness every year.
- 71 percent of adults in the United States reported having at least one symptom of stress.
- 61 percent of workers said their mental health affected their productivity.
- Between 2014 and 2018, the proportion of workers with symptoms of depression increased by 18 percent.
- 37 percent of workers said their work environment contributed to the mental health symptoms they experienced.
- Mental health disorders and substance abuse issues cost U.S. employers between $79 and $105 billion a year in indirect costs.

Source: Indeed.com; CDC

Housing 'Continues to be a Bright Spot' During Challenging Time

By Lee Cammerer
VP, Mortgage Partnership Finance
Senior Sales Manager

Home sales and prices soared to new levels in the second half of 2020 after a brief pandemic dip, but housing experts believe growth in 2021 might just be a fraction of what the nation is experiencing this year.

An extended work-from-home environment coupled with historic low interest rates have driven the market's strength this year.

Existing-home sales grew for the fourth consecutive month in September, according to the National Association of Realtors (NAR). Each of the four major regions witnessed month-over-month and year-over-year growth. Sales rose 9.4 percent from August to a seasonally adjusted annual rate of 6.54 million in September. Overall, sales were up 20.9 percent from a year ago.

NAR attributes homebuyer interest, which typically slows after the summer, to an abundance of buyers in the marketplace, including buyers of vacation homes given the greater flexibility to work from home.

> Things might have been even hotter if it weren't for a lack of inventory across many parts of the country.

The United States only has enough inventory to last 2.7 months – a record low – at the current sales pace, according to NAR. Roughly six months of inventory is considered a balanced market.

Home prices nationwide increased year-over-year by 6.7 percent in September 2020 compared with September 2019 and increased month-over-month by 1.1 percent, according to CoreLogic's Home Price Index (HPI).

"Housing continues to be a bright spot during an otherwise challenging economic time for many U.S. households. Those in sectors that weathered the transition to remote work successfully are now able to take advantage of low mortgage rates to purchase a home for the first time or to trade-up to a larger home," said Frank Martell, president and CEO of CoreLogic, a property data and analytics company.

Joel Kan, associate vice president of Economic and Industry Forecasting at the Mortgage Bankers Association (MBA), called it a "pretty clear V-shaped recovery for housing. Things were strong going into this (coronavirus pandemic) and a lot of the recovery has been the pent-up demand."

Low mortgage rates continue to drive the market with both new purchases and refinances although lending experts say credit is tightening and only borrowers with stellar credit can qualify for a loan.

A Cooler Market in 2021?

CoreLogic's HPI Forecast shows prices will start to downshift in early 2021, with annual U.S. HPI gains slowing to just 0.2 percent by August 2021 and many locations experiencing a decline in prices. Several markets are at significant risk for steep price declines in 2021, according to CoreLogic.

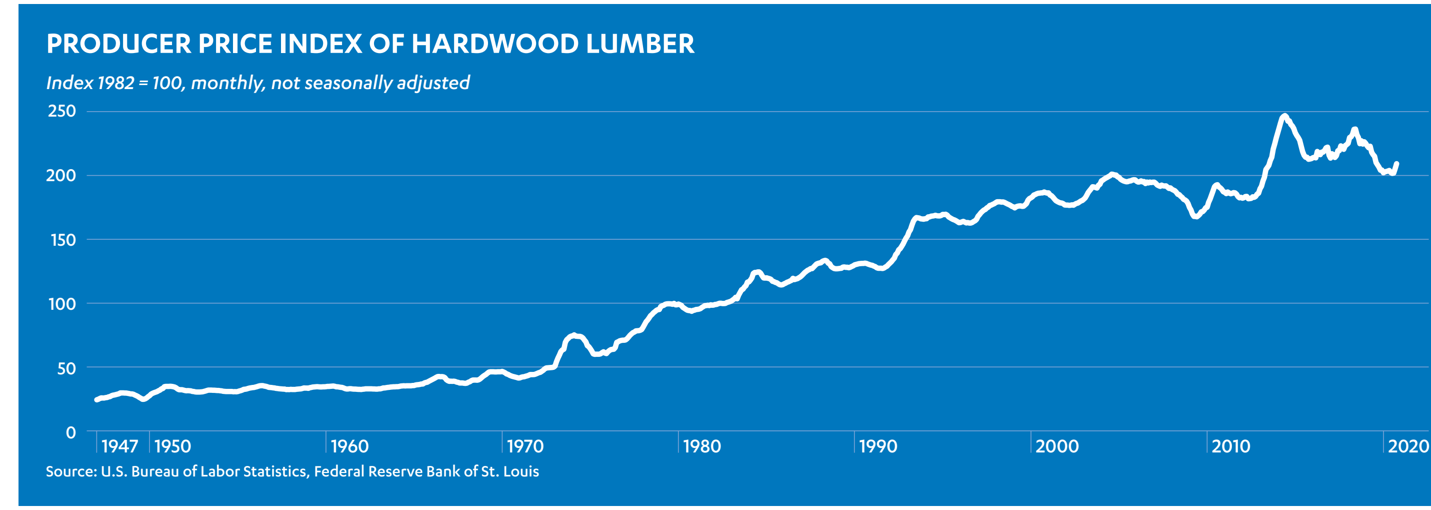
Housing Around the District

All housing is local, as they say, and the District has both hot and lukewarm housing markets. Some markets that aren't seeing as much activity are dealing with unforeseen challenges such as hurricane damage, but even these challenged markets have seen a bit of a silver lining. Here's a brief look at each state in the District:

Arkansas
Homes sales were strong this summer in Northwest Arkansas, as buyers there sought to take advantage of low interest rates, according to Arvest Bank's Skyline Report, which is conducted by the Center for Business and Economic Research at the University of Arkansas.

In September, Carolyn Cobb, president of the Arkansas Realtors Association, told Little Rock's KATV that the combination of people spending more time at home and historically low interest rates drove sales up in the state by more than 15 percent over the year-ago period.

Some homes in the state were on the market less than 24 hours, and bidding wars were becoming the norm in some neighborhoods, the TV station said.



Louisiana
Portions of the state got hammered by hurricanes in August and October, but there is still some positive news on the housing front despite the sobering news of storm damage.

Homeowners are busy rebuilding and that is driving demand for lumber and related construction materials in Louisiana. Lumber demand is strong across the nation as builder sentiment set a record high for the second month in a row, jumping to 85 in October on the National Association of Home Builders Housing Market Index.

Forestry is the second largest manufacturing employer in Louisiana, where 48 percent of the state is covered by forests, according to the Louisiana Forestry Association. The housing industry seems to have a nearly insatiable demand right now for wood framing, flooring, cabinetry, windows and doors, all which are driving lumber prices higher.

Boise Cascade, an Idaho-based timber company that has an engineered wood products mill and regional headquarters in Lena, Louisiana, and two plywood plants in the state, said in a company press release that strong housing demand is driving business although it also said the pandemic could continue to cause disruptions.

Housing starts are a good indicator for lumber demand, according to asset valuation firm Gordon Bros., and housing starts in September were at a seasonally adjusted annual rate of 1.42 million, up 11.1 percent over the year-ago period.

Even with natural disaster stress in the market, Louisiana home values have gone up 3.4 percent over the past year, according to Zillow.

Mississippi
Mississippi has faced some challenges in its housing market due to higher unemployment and mortgage delinquency rates compared to other parts of the country. But even with these challenges, home values have risen 3.3 percent over the past year and are predicted to rise 6.2 percent next year, according to Zillow.

Mission Forest Products announced in October that it is building a sawmill in Corinth, Mississippi, that will be capable of producing 250 million board feet of southern yellow pine lumber a year. The $160 million project is expected to create 130 jobs by 2022, according to Building Products Digest. Its parent company, Timberland Investment Resources, said it selected Corinth because of its rail and road access and its proximity to plentiful timber supply and growing population centers such as Memphis, Nashville and Birmingham.

New Mexico
With its affordable housing stock, New Mexico is attracting residents from expensive cities along the Pacific Coast. Glenn Kelman, the CEO of real estate brokerage Redfin, told CNBC that affordable places such as Albuquerque, New Mexico, are attracting buyers from these higher-priced coastal cities.

Jody Kahn, senior vice president of research at John Burns Consulting, said some California technology workers whose companies have gone semi-remote are even moving to desirable, affordable cities in other states such as New Mexico, Nevada and Arizona under the belief they'll only have to visit the office infrequently.

Realtors also said it is a seller's market in Albuquerque with demand up for luxury homes priced over $500,000.

"For homes priced over $500,000, there's been an 85 percent increase in sales," Linda DeVlieg, a luxury home specialist with Keller Williams, told KRQE-TV in September. Many areas like Los Angeles and San Francisco cost upward of $1 million for a non-luxury home, she said.

"A lot of them are coming from other areas or more affluent

A Window into Housing

HOUSING STARTS

September 2019 — 1.27 million

September 2020 — 1.42 million

HOUSING PRICES
(September 2020)

▲ 6.7%

HOME SALES
(Year-Over-Year, September 2020)

EXISTING ▲ 21%

NEW (959,000) ▲ 32.1%

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; National Association of Realtors; CoreLogic

areas," said Ms. DeVlieg. "They're selling their homes there for a million dollars, which might get them a 1,500-square foot townhouse in San Francisco, and they're able to put it to work here."

Realtors say the trend of out-of-state luxury buyers won't slow anytime soon.

Texas

Mark Dotzour, a real estate economist who served for 18 years as chief economist of the Real Estate Center at Texas A&M University, said Texas' constrained supply – under three months of inventory – is contributing to the state's rising home prices as pent-up demand surges. Homebuilders can't keep up, and existing homes are flying off the market.

"You better show up with your checkbook and be ready to buy," Mr. Dotzour said. "There will be a continuation of that."

The bottom third of the Texas market is the most constrained by lack of inventory, he said.

New home construction is also strong in Texas. Bill Burton, executive vice president with Hillwood, said the developer known for its industrial airport north of Fort Worth, is also seeing explosive growth in its housing segment.

"Our home sales are extremely high," he said. "Hillwood's two large master planned developments north of Fort Worth are each selling roughly 3.2 homes a day. Each community consists of 1,000 acres with plans for 3,000 homes in each."

What's Next for Members with Mortgage Divisions

The sustainability and strength of housing's recovery will depend on how many workers get back into the economy and when.

Federal Reserve Chairman Jerome Powell has called for more stimulus from Congress, saying that the economy could suffer more if Congress and the White House don't provide additional support to consumers and businesses impacted by the coronavirus. Too little support could cause a weak recovery and hardships, he said.

Congress didn't pass a second stimulus bill before the presidential election and that added uncertainty in the economy going into the fourth quarter. The contested election results could lead to additional economic instability in the coming months.

"Whether they are renters or buyers, there will be some hardship for a large segment of the population that isn't part of the V-shaped recovery in housing," MBA's Mr. Kan said.

Tightening credit is already apparent with risk-adverse mortgage lenders tamping down credit availability across loan types due to the uncertainty around delinquencies, defaults, forbearances and the economy.

Credit availability declined in September, according to the Mortgage Credit Availability Index (MCAI), a report from the MBA. The MCAI fell by 1.9 percent to 118.6 in September. A decline in the MCAI indicates that lending standards are tightening while increases in the index are indicative of loosening credit.

"[Credit] … will be tied to broader mortgage market performance and the employment situation," Mr. Kan told FHLB Dallas.

Pent-up demand and low interest rates should help keep refinance and purchase mortgage markets in healthy territory for the next couple of months as housing experts assess what might be in store for 2021.

A Look Ahead Toward Banking Regulation Under Biden

Congressional Makeup Will Impact Outcomes

By Eric Haar
VP, Director of Government and Industry Relations

The 2020 election witnessed historic voter turnout with more than 146 million Americans casting ballots. While some congressional seats are headed to a runoff or still being decided, a likely legislative and regulatory picture is emerging for 2021. Included below is an election summary, as well as insights into how Congress, regulators and President-elect Joe Biden might act on issues impacting the financial services industry.

Presidential Election

On Saturday, November 7, major news networks announced that Mr. Biden had secured more than the 270 Electoral College votes necessary to win the presidency. While President Trump and his legal team have filed challenges to election results in several battleground states, all indications are that Mr. Biden will be sworn in on January 20 as the nation's 46^{th} president.

House of Representatives

In 2018, Democrats won 41 seats to retake the House of Representatives. This was the Democrats' largest gain of House seats since the 1974 elections, when they picked up 49 seats.

House Democrats entered the 2020 election cycle with a majority of 235-200. The Democratic Congressional Campaign Committee set an ambitious goal of defending 42 potentially vulnerable incumbents, while targeting 24 incumbent Republicans for defeat. As of this writing, 11 House seats currently controlled by Democrats will switch to Republican hands, while one seat currently controlled by a Republican will switch to Democrat control. One additional House race has not yet been called.

When the dust settles, pundits still expect Democrats to control the House, although their majority will be narrower. *Politico* notes that the U.S. House of Representatives "is on track to have its thinnest majority in about two decades next year."

Senate

Republicans entered the 2020 election cycle with a 53-47 majority. Democrats defeated incumbents in Arizona and Colorado, while Republicans flipped a Senate seat in Alabama. But control of the Senate will ultimately come down to a pair of run-off races in Georgia. Because no candidate in either November 3 race received more than 50 percent of the votes, Georgia election law requires the top two vote-getters in each race to face off in a January 5 run-off election.

Incumbent Senator David Perdue, R-GA, will face challenger Jon Ossoff, D-GA, and incumbent Senator Kelly Loeffler, R-GA, will face Raphael Warnock, D-GA. A Republican win in just one of the two Georgia races would secure a 51-49 Republican majority in the Senate. If Democrats can win both races, the Senate would be split 50-50. Such a split would result in Democratic control of the Senate since Vice President-elect Kamala Harris would serve as a tie breaker when necessary.

Impacts on Financial Services

Under the Constitution, the president has the prerogative to nominate leaders of regulatory agencies. However, it is the responsibility of the Senate to confirm the nominees. A Republican majority in the Senate could delay or derail one or more of Mr. Biden's nominees to these important posts. Barring such action, almost every federal agency would see new leadership at some point under a Biden administration.

On the topic of COVID-19 relief, bipartisan support exists for legislation to provide additional federal spending to combat the pandemic and to assist with economic recovery. But strong disagreements persist regarding how much money is appropriate. A stimulus bill of $908 billion could pass between now and Inauguration Day, while a larger spending package is possible in the first 100 days of the Biden administration.

Community lenders are hopeful that any near-term legislation will include automatic forgiveness for smaller Paycheck Protection Program (PPP) loans; forgiveness of Economic Injury Disaster Loans for PPP borrowers; a permanent 8 percent community bank leverage ratio; extension of Troubled Debt Restructuring provisions of the Coronavirus Aid, Relief, and Economic Security Act through 2021; suspension of Current Expected Credit Loss implementation until 2025; and a liability safe harbor for businesses from COVID-19-related lawsuits.

Conclusion

If Republicans retain control of the Senate, the financial services industry should expect a constrained legislative environment that reflects compromise between the House, Senate and White House. However, if Democrats retake the Senate, Democratic priorities will advance to President-elect Biden's desk.

Community lenders have a long history of working constructively with elected officials to achieve public policy goals. This spirit of bipartisanship will be all the more important in 2021 and beyond.

COVER STORY

The Industrial Market: On Solid Ground Despite COVID-19

FHLB Dallas District's Central Location Makes it a Hub for Growth

By Kerry Curry
Senior Communications Writer

The U.S. industrial real estate sector was healthy as the nation entered into a long-lasting coronavirus pandemic earlier this year, and experts remain bullish for it to end the year as the resilient darling of the commercial real estate (CRE) industry.

Although some other CRE sectors have struggled, industrial's position of strength hasn't wavered much as e-commerce growth and supply-chain modernization drive demand amid the COVID-19 recession.

For financial institutions involved in CRE lending, the strength of the industrial market has been a bright spot amid uncertain times.

Consider these September 2020 industrial insights from CRE firm Cushman & Wakefield:

- Transportation and warehousing jobs were growing at 3 percent as the industrial sector entered the COVID-19 recession. In comparison, job growth in transportation and warehousing was contracting by 4 percent during the dot-com recession and by 1 percent during the Great Recession
- Manufacturing job growth upon entering the COVID-19 recession was growing at a modest 1 percent compared to a contraction of 7 percent at the start of the dot-com recession and a 3 percent contraction at the beginning of the Great Recession
- Overall vacancy for the U.S. industrial market was 4.9 percent as the sector entered the current recession compared to vacancies of nearly 8 percent as the nation entered the Great Recession and a vacancy rate of 7.3 percent as the dot-com recession began
- The industrial property segment has been among the top performing asset classes for net occupancy, rent growth and capital appreciation over the past few years
- Even amid a national recession caused by COVID-19, demand continues to slightly outpace supply

The Federal Home Loan Bank of Dallas (FHLB Dallas) District of Arkansas, Louisiana, Mississippi, New Mexico and Texas is well-situated for distribution and logistics operations, said Ching-Ting Wang, research director, Texas, at Cushman & Wakefield. The state of Texas accounts for about 75 percent of the industrial inventory of those five states, she said.

"Because a lot of these states are very centrally located, they make great distribution and warehousing locations and especially when it comes to e-commerce, it makes a good location when it comes to the last-mile delivery centers," she said.

In Texas, construction is robust given its central location for east-west connectivity and north-south connections into Mexico and Canada.

In Dallas and Austin, Amazon has several mega warehouses under construction, including a massive 3.8 million-square-foot distribution warehouse in an Austin suburb and a 1.1 million-square-foot warehouse in Dallas-Fort Worth (DFW). Houston is seeing significant construction activity along Interstate 10 near Katy where land is plentiful and affordable. Construction in the I-10 corridor includes a 2.2 million-square-foot distribution center for Ross Dress for Less and a 1.3 million-square-foot warehouse for Medline Industries, Ms. Wang said.

While the trend toward more online shopping was well underway before COVID-19, the coronavirus pandemic propelled growth at a more rapid pace, Ms. Wang said.

"It's not something that is going to fade once everything is back to normal because people are still going to purchase things online," she said.

CBRE's second quarter market report notes that rents and construction look resilient:

- Average asking rents finished midyear at $7.96 per square foot – 6.3 percent higher than this time last year
- Warehouse/distribution rents rose 5.6 percent year-over-year to an average of $6.68 per square foot to all-time highs
- Projects under construction increased to 309.7 million square feet in the second quarter from 298 million square feet in the first quarter. Nearly 36 percent of this space is preleased. Developers remain bullish on the industrial market because of its near-record low overall vacancy rate of 4.7 percent

Texas Strong Hub

Within Texas, the DFW metropolitan area accounts for about 45 percent of the industrial inventory while Houston holds about 25 percent of the industrial inventory with the rest spread among other cities.

Cushman & Wakefield's preliminary third-quarter industrial numbers show the market remains strong despite the recession with DFW showing some of the strongest absorption numbers in its history.

"That would put us around 21 million square feet year to date, the highest first three quarters for DFW," Ms. Wang said. The DFW region completed almost 23 million square feet of industrial, outpacing net absorptions slightly. In Houston, about 7.8 million square feet has been absorbed in the first three quarters and about 17 million square feet is under construction.

Experts say the long-term outlook for the industrial sector is strong.

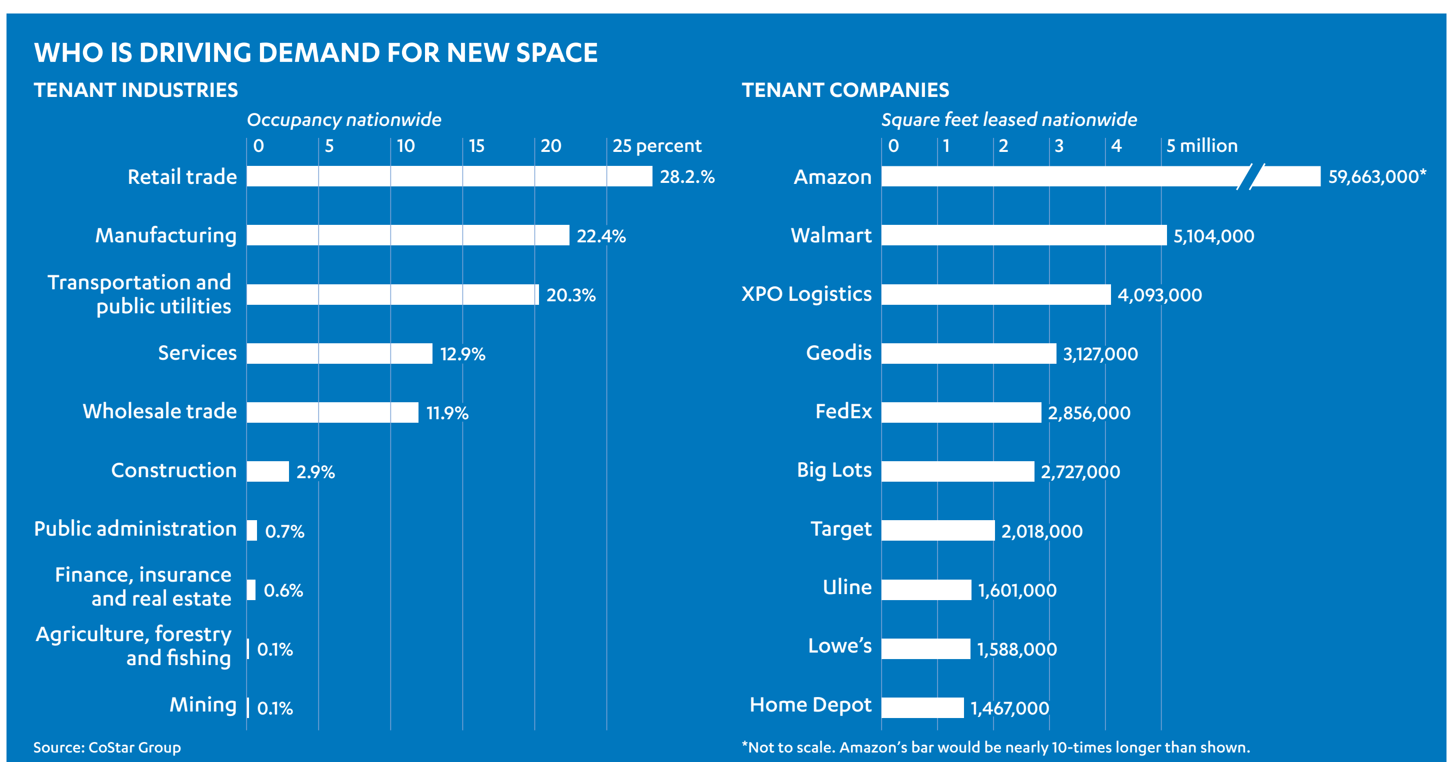
Albuquerque Leads New Mexico Market

Albuquerque's fundamentals are healthy, according to CBRE data:

- Net absorption totaled 234,698 square feet in the first half of 2020, marking the eighth consecutive half-year period of positive net absorption
- Two speculative buildings totaling 165,450 square feet completed construction during that time with one building nearly 90 percent pre-leased
- The median asking lease rate increased to $7.74 per square foot triple net, the highest rate in more than a decade
- With demand outpacing new supply the overall vacancy rate was pushed to 2.8 percent, a record low in the market's history
- Ben E. Keith, a food distributor, has a 261,000 square-foot warehouse under construction

Delinquencies Tick Up But Still Low

Trepp, which provides data and analytics to the commercial real estate market, structured finance and banking industries, said CRE loans in bank portfolios are showing stress related to the economic downturn. Still, the overall CRE delinquency rate for CRE bank loans was 0.59 percent in the second quarter, far lower than the 9 percent delinquency rate for CRE loans at the peak of the financial crisis.



RESILIENT DEMAND: The Burlington Northern Santa Fe intermodal, upper left, at Fort Worth Alliance Airport, is a key driver of industrial activity. Warehouse demand has also been strong.

Trepp notes signals in the data exist that some borrowers may be strategically defaulting on their loans which could feed a wave of foreclosures in the coming four to six quarters.

Commercial mortgage-backed securities (CMBS) forbearances have risen to $31.2 billion covering 800 loans, up from $16.6 billion and 400 loans in July. The majority of relief was granted in the hotel sector with just a smattering of forbearances in industrial, multifamily or office loans.

Bill Burton, executive vice president at Hillwood, which has developed or acquired more than 199.3 million square feet of industrial space, said Hillwood has had very limited requests for forbearances and has seen several significant lease renewals this year at its signature AllianceTexas development in Fort Worth. Those include General Mills (860,000 square feet), S. C. Johnson & Son, Inc. (408,000 square feet) and FedEx Supply Chain Logistics & Electronics, Inc. (1 million square feet).

Hillwood and other industrial developers were aggressive in building speculative space last year, much of which is coming online this year.

"Last year was a heavy spec year not only for us but for the competition," Mr. Burton said. "Although I see a slight reduction in construction, I don't really see it stopping."

Although there's uncertainty in the marketplace amid the pandemic, Hillwood takes a long-term view, he said.

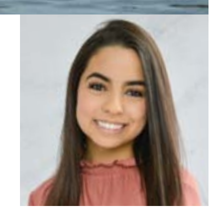
"I know there is a lot of trepidation in the market, but the activity level has elevated," Mr. Burton said. "Last year was a huge year for us in land acquisition. We bought roughly 700 acres so we are a long-term (developer) and continue to grow our land holdings so that we can continue to grow our industrial. As we look at the end of the year, we'd like to lease our million-square-footer, and we feel cautiously optimistic that we'll get that done."

What's Ahead

Although forecasts first projected negative absorption and lower asking rents this year as a result of COVID-19, the market may not post any negative net absorption in this downturn, according to CBRE – unlike the six consecutive quarters of negative net absorption posted during the last recession.

The long-term outlook for the industrial sector is strong, experts say, with e-commerce as a major driver, but other factors such as autonomous transportation, higher inventory storage to guard against shortages and re-shoring distribution from foreign countries, are all playing a role.

Picking Up the Pieces: Louisiana Economy and Housing Rebuild After Getting Hit by Multiple Hurricanes



By Gisselle Rodriguez
Corporate Communications Intern

FHLB Dallas Members Were Among Those Impacted

When Hurricane Laura hit southwestern Louisiana in August with an $8- to $12-billion range in damages, the Category 4 storm left a long recovery period in its wake – and came amid the uncertainty of the coronavirus pandemic.

Despite the destruction, the Federal Home Loan Bank of Dallas (FHLB Dallas) and other financial institutions went right back to work to aid affected customers.

"Like everyone else in the impacted areas, bankers had homes, jobs, offices and lives upended," said Robert Taylor, Louisiana Bankers Association (LBA) CEO. With electricity out and ATMs not functioning, opening branches was paramount to help storm-affected customers in its aftermath, he said. "Many bankers put their own situations on pause and went to work; the local communities were served."

Affected cities have been busy rebuilding their communities since the August 27 storm. Bankers have used a variety of tools to help including disaster relief grants and loans and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Although the CARES Act doesn't apply specifically to hurricane damage, it does provide more than $2 trillion in economic relief to Americans impacted by COVID-19.

Economic Effects of COVID and Storms

The Louisiana Workforce Commission had a total of 256,184 unemployment claims reported for the week of August 31, the week after Hurricane Laura hit, compared to 249,610 total claims reported the week prior. Another increase came from first-time claims, which rose from 16,191 to 24,566 within that same time frame.

The U.S. Department of Labor announced a Disaster Recovery National Dislocated Worker Grant for up to $8 million – awarded to the Louisiana Workforce Commission – in response to Hurricane Laura. The initial award of $4 million is helping the state create disaster-relief jobs to address debris cleanup and the delivery of humanitarian assistance to those affected by the storm statewide, according to the Department of Labor. Louisiana may request additional funding increments based on the project's demonstrated need.

The economic damages from Hurricane Laura will make it more difficult for those affected by the pandemic to fully recover with the current economy, Moody's Analytics' Mark Zandi said, according to a CNN report.

In addition, due to the pandemic, the price of hurricane repairs may be higher than they would be otherwise. According to credit ratings agency A.M. Best, there will most likely be an inflation rate for construction supplies and contractors.

Additional Hurricanes Add to Economic Woes

About a month before Hurricane Laura hit, Hurricane Hanna hit southeast Texas in Corpus Christi as a Category 1 storm causing $177 million in damages, according to the National Weather Service.

In addition, Hurricane Delta hitting near Creole, Louisiana, on October 9, set back the recovery further. Southern Louisiana residents experienced intense flooding, strong winds and falling debris.

Hurricane Zeta caused even more damages as it made landfall in southeast Louisiana and hit parts of Mississippi. More than 500,000 people were left without power from the Category 2 hurricane.

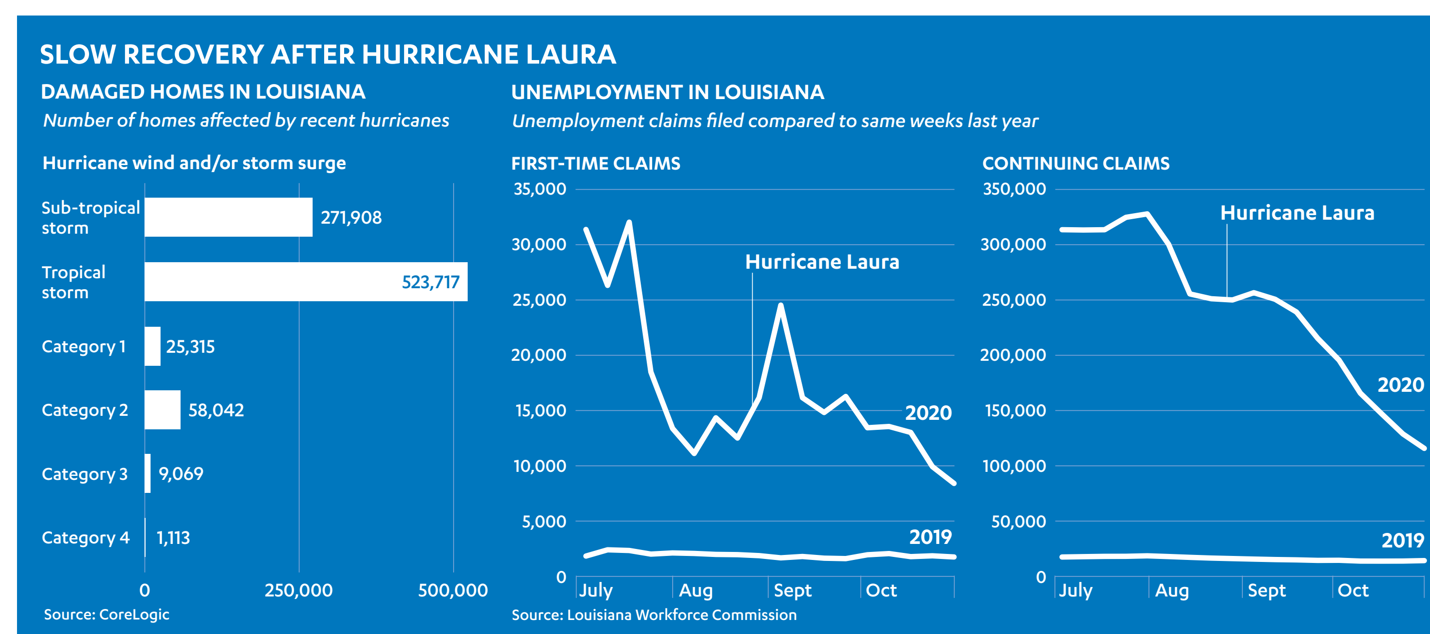
Stepping in to Help

FHLB Dallas has members in Louisiana that were severely impacted by the hurricane.

In order to help members' employees get back on their feet, FHLB Dallas provided $923,502 in hurricane relief funds, low-cost loans and a $75,000 donation to the American Red Cross. As of November 23, $490,480 has been utilized to assist 14 members and 163 employees.

On October 28, FHLB Dallas expanded the program to assist members impacted by Hurricane Delta. (See the Relief Programs for Louisiana Parishes Declared Disaster Areas member bulletin for more details.) Funds are available until exhausted or December 31, whichever occurs first.

"Local communities with their local bankers will work through these setbacks, with a hopeful 2021 in the future," LBA's Mr. Taylor said.



Bankers Put Cybersecurity at Top of Mind

Protecting Against Cyberattacks Becoming a New Normal Amid the Work-From-Home Environment

By Stephen Hidalgo
Communications Writer

Cybercriminals are taking full advantage of the remote environment that the coronavirus pandemic has created, leading more financial institutions to think strategically about their cybersecurity strategies.

Phishing and ransomware attacks have increased more than 520 percent at banks between March and June, according to Arctic Wolf's 2020 Security Operations Annual Report. Banks are putting a heavy emphasis on vigilance and awareness for employees toward such attacks.

To no surprise, financial institutions have always been targeted for cyberattacks; however, the confusion and uncertainty caused by the pandemic has greatly increased the likelihood of related criminal activity, said Steven Estep, director of operational risk at Independent Community Bankers of America (ICBA).

"Cybercriminals thrive during chaos and uncertainty, and these last few months have provided a surplus," said Mr. Estep. "The work-from-home environment has been a challenge for everyone. Fortunately, community banks are very flexible by nature as they immediately used their technology and resources to provide a seamless transition for employees."

"Cybercriminals thrive during chaos and uncertainty, and these last few months have provided a surplus."

– Steven Estep
Director of Operational Risk, Independent Community Bankers of America (ICBA)

Mr. Estep added that community banks, like all organizations, should remind employees and customers to remain vigilant.

"Bankers should inform their customers about the types of questions and information they will request and more importantly, what information they will never ask them for via phone or email," he said. "ICBA recently added a guide to help banks educate their customers on cyber threats."

Most recently, the American Bankers Association (ABA) partnered with more than 1,500 banks across the United States to launch the #BanksNeverAskThat campaign. It was created to educate consumers about phishing scams and how to thwart them, according to ABA's website.

Cybersecurity Spending Outlook

The shift of more companies to a remote work environment, as a result of the pandemic, created an obstacle for bankers and security professionals to safeguard sensitive and valuable data. Increased cybersecurity spending is now a bigger issue to banks.

The financial industry traditionally has invested more into cybersecurity to mitigate the attacks on their data. According to research firm Gartner, via *The Wall Street Journal*, a July estimate reported that cybersecurity spending is expected to grow about 9 percent a year from 2021 to 2024 and hit $207 billion. Spending in 2020 is $146.7 billion and is expected to grow by about 5 percent.

"Community banks are continuously investing in new practices and technology to increase the security of their banks," Mr. Estep added.

At the board of director level, executives are slowly finding out how crucial cybersecurity spending is to protect their organizations. An expense segment on the rise is cloud security, which is considered the fastest-growing segment in cybersecurity. According to Nicole Grove, director of account management at Finestra's Digital Center for Excellence, in a recent ABA article, cloud-based systems allow employees to access critical applications remotely and help maintain oversight and mitigate risk compared to older technology. Gartner reported that cloud security spending is expected to grow rapidly, from $675 million in 2020 to about $2.1 billion in 2024.

Staying Ahead of Trends

One challenge with cybersecurity is the speed in which cybercriminals adapt to the changing environment. Banks must be a few steps ahead to gain proper footing in security.

Fortunately, community banks are incredibly well tapped into the threat intelligence and information-sharing communities, so as with any new threat, Mr. Estep said it is important for community banks to stay a step ahead by using third-party resources, and thus far, they have done a remarkable job.

"While larger banks may employ an inhouse team to oversee their networks and security, smaller community banks may leverage their third-party vendor relationships to supplement their inhouse security functions and ensure adequate coverage," Mr. Estep said.

He added that specific policies and procedures can be implemented to mitigate risk.

"Since community banks are very security conscious, a precautionary measure would be to enlist a third-party security company or IT auditor to evaluate the new security and IT infrastructure put in place for remote workers and follow up with new IT security bank training focused on work-from-home environments," he said. "It's also good to review processes and procedures and make changes appropriately. Even things like a clean desk policy needs to be seen in a different light now that there are more employees working at home."

Additionally, community banks can remind employees to change the default password on their home Wi-Fi.

"Most internet providers unfortunately leave the default username as 'admin' and the default password as either 'admin' or 'password,'" Mr. Estep added.

A security measure banks can also implement in their internal procedures includes the zero-trust method, which requires a strict identity verification for anyone, employees included, trying to log into the institution's network.

"In a zero-trust security model, no one, either inside or outside a network, is trusted 100 percent of the time," Mr. Estep said. "Verification must be continuously achieved by all users."

Lastly, community banks must be aware of which vulnerabilities they are susceptible to and which technology is relevant.

Going Forward

Mr. Estep said, in looking ahead, that financial institutions can expect to see a continuing trend of COVID-themed fraud, scams and social engineering through the pandemic.

"COVID-themed attacks are going to persist through the pandemic," he said. "But community banks have done a great job of overcoming the hurdles this pandemic has thrown at them. They are the backbone of their communities and will continue to create a safe and secure banking environment no matter where the work occurs."

Source: *Cloud Threat Landscape Report 2020*, IBM

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