








# CDFI Disaster Recovery Playbook

## FORGE LA

the Center by Lendistry

# Letter from the Collaborative

The January 2025 wildfires devastated homes, businesses, and communities across the Palisades and Altadena. They also exposed significant gaps in the systems designed to finance recovery, particularly for low- and moderate-income residents and small business owners.

The scale of the disaster made clear that no single organization could meet the need alone. FORGE LA was created to identify gaps in the existing recovery system and develop solutions that could help communities rebuild and recover over the long term.

This Playbook is the result of nine months of collaboration, including research, focus groups with impacted residents and business owners, and a rigorous analysis of gaps in the recovery system. That work informed seven financial products and 13 policy recommendations designed to address the needs of communities identified.

This work also points to a larger opportunity: strengthening the role of CDFIs in disaster recovery and building a model that can be adapted by other communities before the next disaster strikes.

Our commitment does not end with this document. In the coming months and years, FORGE LA will continue to work with partners to pilot the financial products, advance policy recommendations at the local, state and federal level, and strengthen the role of CDFIs in disaster recovery.

We invite philanthropic partners, government agencies, and financial institutions to join us in putting these ideas into practice.

**We are deeply grateful to everyone who contributed their time, data, expertise, and trust to this work.**

# Problem Statement

## What happened in LA

In January 2025, the Palisades and Eaton fires became two of the most destructive wildfires in California history. Together, they destroyed 16,251 single-family structures, impacted more than 20,000 land parcels, and displaced tens of thousands of residents.

Total property and capital losses are estimated at $76 billion to $131 billion, with insured losses capped around $45 billion. For many homeowners, the result is a significant funding gap between insurance proceeds and the cost to rebuild, averaging roughly $550,000 in Altadena, and $1.19 million in the Pacific Palisades.

The damage was not confined to single-family housing:

- Small businesses: An estimated 1,863 were directly impacted, most of them microbusinesses with fewer than 10 employees, insufficient insurance coverage, and little to no operating reserve.
- Nonprofits: 4,195 nonprofits, representing 10% of all nonprofits in LA County, sat within fire or evacuation zones.
- Early care and education: 42 licensed facilities were destroyed.
- Multifamily housing: An estimated 2,888 units were lost.

Less is known about the full impact on renters, undocumented households, and those in informal rental arrangements, due to significant gaps in post-disaster data.

The fires also deepened existing racial inequities. In Altadena, the Eaton Fire compounded decades of redlining and disinvestment, displacing an estimated 2,800 Black households, and threatening the long-term stability of the community's historic Black population.

An estimated **1,863 businesses** were impacted

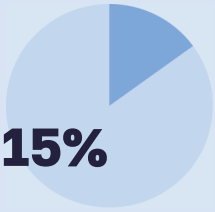
**746**
**Eaton**



**1,117**
**Palisades**

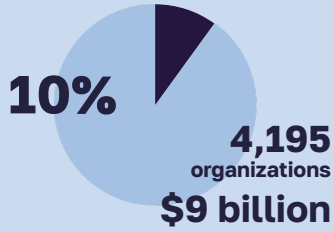


**16,251**
**structures**
were lost across both Eaton and Palisades fire zones



**15%**

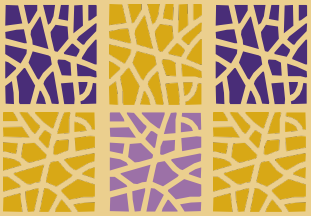
Only 15% of California small businesses had a formal sustainability or resilience plan prior to the disaster




10% of all nonprofits in LA County were affected by the fires or under evacuation orders, representing 4,195 organizations and $9 billion in assets

**20,218 total land** parcels were directly impacted

**9,226** Eaton



**10,658** Palisades



After accounting for insurance payments, the average deficit for homeowners to rebuild

**$550,000**
Altadena

**$1.19M**
Pacific Palisades

## The Response

CDFIs and their partners moved quickly. As of April 2026, FORGE LA's CDFI partners had deployed more than 11 distinct grant and loan products for disaster recovery, ranging from small grants under $1,000 to multimillion-dollar loans for affordable housing developers.

But significant gaps remained. Across asset classes, only 35% of applicants were approved for the capital they sought; 65% were denied or went otherwise unfulfilled, most often due to exhausted funds, insufficient documentation, or eligibility requirements failing to account for post-disaster realities.

Community data and focus groups with business owners, homeowners, renters, and nonprofit leaders revealed a consistent problem: the recovery system is fragmented, hard to navigate, and slow to adapt.

There was no single point of entry. Products designed for stable, pre-disaster financial profiles excluded many microbusinesses and low-income households that needed help most. And the organizations doing the work – CDFIs among them – were operating in parallel rather than in coordination, each solving a piece of the problem without a shared view of the recovery landscape.

# The Formation of FORGE LA

FORGE LA was formed in direct response to these gaps. Convened and led by The Center by Lendistry (The Center), the collaborative brought together CDFIs, researchers, and policy advocates to develop a more coordinated approach to disaster recovery finance.

Participants worked across **four asset classes: small business, single-family housing, multifamily housing, and community facilities**. Together, they set out to do three things: conduct rigorous, shared research into the scale of need and the gaps in existing recovery resources, use that research to design new financial products, and translate what was learned into policy changes that could strengthen disaster recovery in Los Angeles and other communities.

# Contributing Partners

## The Center by Lendistry | FORGE Facilitator

The Center by Lendistry is a nonprofit organization dedicated to closing the wealth gap by anchoring small business and communities where they do business through education, technical assistance, and access to competitive financing. The Center created, convened, and leads FORGE LA.

## JPMorgan Chase & Co. | Funding Partner

JPMorgan Chase & Co. is a global financial services firm with a significant community development portfolio, including investments in affordable housing, small businesses, and neighborhood revitalization in cities like Los Angeles. As FORGE LA's sole funding partner, JPMorgan Chase & Co. provided the financial support that made the initiative, along with strategic advice and collaboration opportunities.

## The Urban Institute | Research Partner

The Urban Institute is a nonprofit, nonpartisan policy research organization that provides data, evaluations, and evidence-based analysis to help government officials, communities, and leaders address social and economic challenges. The Urban Institute contributed research examining disaster recovery efforts across the country to identify trends and insights relevant to CDFIs.

## California Coalition for Community Investment (CalCCI) | Policy Partner

CalCCI is a statewide network of more than 50 CDFIs that advocates for resources and public policies to help mission-driven lenders finance affordable housing, small businesses, and community health care in underserved urban, rural, and tribal areas. As FORGE LA's policy lead, CalCCI interviewed CDFIs, members of the legislature, FORGE LA participants, and other key stakeholders to identify policy barriers and opportunities to strengthen the role of CDFIs in disaster recovery.

## CDFIs | Working Group Leads & Partners

Community Development Financial Institutions (CDFIs) are mission-driven lenders that provide capital and financial services to low-income and underserved communities. FORGE LA brought together 12 CDFIs actively supporting disaster recovery Los Angeles, organized into four asset-class working groups. The groups met monthly to identify gaps in disaster recovery resources and develop financial products that are responsive to community needs.

# Small Business

### Inclusive Action for the City | Small Business Lead Partner

Inclusive Action for the City is a Los Angeles-based nonprofit and CDFI that fights income inequality and supports marginalized urban communities through microloans to small businesses, advancing economic justice policy, and pioneering community-owned real estate initiatives.

### Local Initiatives Support Corporation | Small Business Advisory Partner

One of the largest nonprofit CDFIs in the United States, LISC helps under-resourced urban and rural communities grow and thrive by connecting public and private resources to local neighborhood projects.

### Pacific Community Ventures | Small Business Advisory Partner

Pacific Community Ventures is a nonprofit community investor that unlocks economic opportunity and climate resilience for small business owners and workers. Through access to affordable capital, pro bono business advising, ethical technology and AI, they partner with entrepreneurs to grow, hire, and prosper.

### Prosperity Now | Small Business & Single-Family Housing Advisory Partner

Prosperity Now is a national nonprofit organization that works to close the racial wealth divide and expand economic opportunity and long-term financial security for low-income families and communities.

# Single Family Housing

### Lendistry | Single Family Housing Lead Partner

Lendistry is a minority-led financial technology company and CDFI that provides small business loans, commercial real estate loans, and SBA financing, while also partnering with government agencies to manage relief and grant programs. “Lendistry Home Loans,” a subsidiary of Lendistry, is a mission-based mortgage lender that aims to help underserved communities and small businesses.

### Partners for the Common Good | Single Family Housing Advisory Partner

Partners for the Common Good is a national CDFI and loan fund that has operated for the past 25 years as the sector’s first national loan participation and syndication network. It provides flexible financing and capital to low-income and underserved communities, partnering with a network of other CDFIs to fund affordable housing and community facilities through collaborative lending solutions.

### Neighborhood Partnership Housing Services | Single Family Housing Advisory Partner

Neighborhood Partnership Housing Services is a nonprofit CDFI that serves Southern California's Inland Empire region (including San Bernardino, Riverside, and eastern Los Angeles counties) to expand affordable housing and community wealth.

# Multi-Family Housing

### Enterprise Community Partners | Multi-family Housing Lead Partner & Single-Family Housing Advisory Partner

Enterprise Community Partners is a national nonprofit organization and CDFI focused on increasing the supply of affordable housing by serving as one of the nation's largest affordable housing developers and by providing community partners with capital, policy support, and technical assistance.

### Century Housing Corporation | Multi-family Housing Advisory Partner

Century Housing Corporation is a private, nonprofit CDFI based in California that finances, develops, and advocates for affordable and supportive housing.

# Community Facilities

### Raza Development Fund | Community Facilities Lead Partner

The Raza Development Fund (RDF) is a nonprofit CDFI and the largest Latino-focused national CDFI. RDF provides capital and financing solutions to support low-income and Latino communities across the United States.

### Low Income Investment Fund | Community Facilities Advisory Partner

The Low-Income Investment Fund (LIIF) is a nonprofit CDFI. It channels capital, grants, and real estate loans from private markets into historically underserved communities to build affordable housing, childcare facilities, schools, and health centers.

### Genesis LA | Community Facilities Advisory Partner

Genesis LA is a CDFI and Community Development Entity (CDE). It provides financial solutions, investments, and development services to advance economic and social opportunities in underserved communities throughout Los Angeles County.

# FORGE LA Methodology



## A Model for CDFI Collaboratives

FORGE LA was structured as a nine-month collaborative with two parallel workstreams: Research & Planning and CDFI Coordination to Action. This section outlines how the collaborative was organized, how partners worked together, and how research was translated into financial products and policy recommendations. It is intended as a model that other disaster recovery collaboratives can adapt to their communities.

## Operational Structure: The Center as Facilitator

FORGE LA was designed around a dedicated facilitator. The Center served in this role as a neutral convener focused on coordination and administration so that partners stayed focused on scoping the problem, identifying the gaps, and ideating financial products to meet the need. This structure allowed us to avoid the common pitfalls that many collaboratives confront where momentum gets lost, decision-making is unclear, and trust is difficult to foster.

The Center's role included three key functions:

### 1 Convening and coordinating.

The Center defined program milestones and deliverables, recruited CDFI partners, organized asset-class working groups, coordinated meetings, tracked progress, and centralized findings across the collaborative.

### 2 External Alignment.

The Center oversaw the identification and engagement of all external partners, including research partners, graduate fellows, and policy experts. This included onboarding, regular check-in calls, tracking deliverable progress, and reviewing all research and recommendations to align the work with broader recovery efforts and avoid duplication.

### 3 Grant and sub-grant administration.

The Center administered the collaborative's funding from JPMorganChase & Co. and managed sub-grantee agreements with all CDFI and external partners, including disbursements, reporting, and compliance. This allowed participating organizations to focus on the work rather than grant administration.

The Center also created a structure for partners to share data and develop solutions together. While The Center coordinated the product development process and shared information across the working groups, participating CDFIs retained responsibility for product design and underwriting decisions.

# Technical Structure: Steps for Design

## Step 1 – Convening the Collaborative: Call for Partners

The Center recruited CDFIs through targeted outreach rather than an open call. Fifteen CDFIs with experience in wildfire relief and recovery were invited to participate, resulting in 11 sub-grantee agreements across two participation tiers. Prospective partners were assessed based on their lending capacity across asset classes, existing disaster recovery funds, ability to commit staff time and share portfolio and application data, and capacity to engage in policy advocacy. The Center also conducted targeted outreach to university and public sector partners.

### Tier 1 – Lead Partners

Each lead partner anchored one asset-class working group and committed at least one subject matter expert staff member, product-gap assessments, shared aggregate lending and portfolio data, and staff time to the collaborative. Lead partners also helped develop new financial products and participated in the creation of a policy agenda.

### Tier 2 – Advisory Partners

Advisory partners brought specialized asset class expertise to at least one working group, contributed data and case studies from their own portfolios, and supported research through interviews and documentation. All advisory partners participated in financial product development.

CalCCI served as the collaborative's policy partner, contributing policy expertise and advocacy strategies to the working groups. FORGE LA also recruited two graduate fellows from UCLA's Urban and Regional Planning program to provide additional research capacity.

## Step 2 – Research and Planning

The Research and Planning workstream ran in parallel with partner coordination and established a shared, evidence-based understanding of community needs and gaps in the existing recovery system. It combined five methods:

1. Research by The Urban Institute of a series of case studies of disaster recovery throughout the United States.
2. Literature review of prior reports and studies on disaster-recovery financing and best practices from comparable wildfire and disaster events, led by two UCLA graduate fellows.
3. Stakeholder interviews with CDFI partners, government departments, and community organizations active in recovery efforts.
4. Focus groups with residents, small business and property owners, and nonprofit leaders working directly with impacted communities.
5. Applicant and portfolio data analysis, conducted in partnership with FORGE LA CDFI partners, covering grant and loan products already offered for disaster recovery.

## Step 2 – Research and Planning

Research conducted by The Urban Institute, with support from JPMorgan Chase & Co. and Kresge Foundation, examined recovery efforts in Los Angeles as well as widescale disasters from the last decade, including Hurricane Harvey, Hurricane Ida, Detroit Floods, Maui Wildfires, St. Louis Tornado, and Kerr County Floods. The findings provided FORGE LA with national context for assessing gaps in Los Angeles and considering the role CDFIs could play in future disaster recovery.

The UCLA graduate fellows who were integrated into each working group across all four asset classes conducted additional research. Together, these inputs informed a **Gap Analysis** that synthesized the findings, mapped existing disaster-relief financial products against unmet community needs, and Identified priorities for product development.

# Unmet needs

### Small Business

- No centralized access point
- Eligibility barriers for microbusinesses
- Recovery requires long-term support
- Story-sharing should not be a condition of aid
- Lending products must reflect post-disaster realities

### Single & Multi-Family Housing

- Robust construction navigation services for single-family housing and small-scale landlords
- Need for community education around demystifying affordable housing for greater community buy-in
- Small landlords are underserved, receiving far less remediation, rehabilitation, and financial assistance than owner-occupants

# Practice Changes

## What's Needed

### Information Access

A centralized hub of support and information backed by a functioning cross-CDFI referral system, to reduce fragmentation and ensure impacted businesses, facilities, and residents can find what capital solutions exist.

### Technical Assistance

Immediate and long-term TA delivered as a core product feature, covering insurance coverage, grant and loan navigation, and future disaster preparedness.

### Case Management

Disaster recovery case management and business mentorship extended across the full recovery arc.

### Application Design

Flexible, simple applications for microbusinesses, where process design matters as much as product terms.

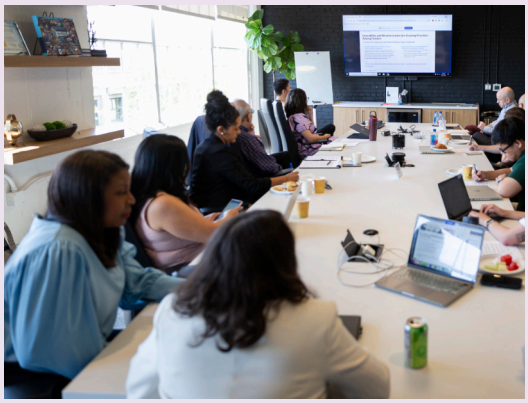
### Borrower Protections

Borrowers should be able to access recovery resources without bearing administrative burdens, publicizing their loss, or promoting their funders.

## Step 3 – Asset-Class Working Groups

FORGE LA organized CDFI partners into four asset-class working groups based on the stakeholders most impacted by disaster, the assets critical to recovery, and areas where CDFIs have a strategic advantage. Each working group was headed by a lead CDFI partner alongside two to three CDFI advisory partners.

Working groups met bi-weekly to assess community needs, conduct an audit on existing financial products, identify gaps, and develop potential new products. The structure helped ensure that all decisions, products, and policy recommendations reflected the perspectives of participating CDFIs and led to actionable strategies for improving disaster recovery.






## Step 4 – Financial Product Ideation & Design

Product development took place over six weeks and was grounded in the needs and gaps identified through the research phase. Working groups considered both existing financial products that could be adapted or scaled and new products designed specifically for disaster recovery in LA.

**Round 1**

**Generate ideas.** Working groups developed potential solutions for each asset class, including recovery grants, interest-refund structures, flexible construction-to-permanent mortgages, and revenue-based repayment models.

**Round 2**

**Develop and validate.** The most promising concepts were developed into term sheets and shared with member CDFIs to take back to their leadership and lending teams for feedback.

**Round 3**

**Refine.** Partner feedback was incorporated into the product concepts. The suite of financial products presented by the collaborative will continue to be refined and modeled, supported by a subject matter expert who was engaged to assess industry standards, community needs, and potential funding models to support future pilots.

### Step 5 – Policy and Compliance Review

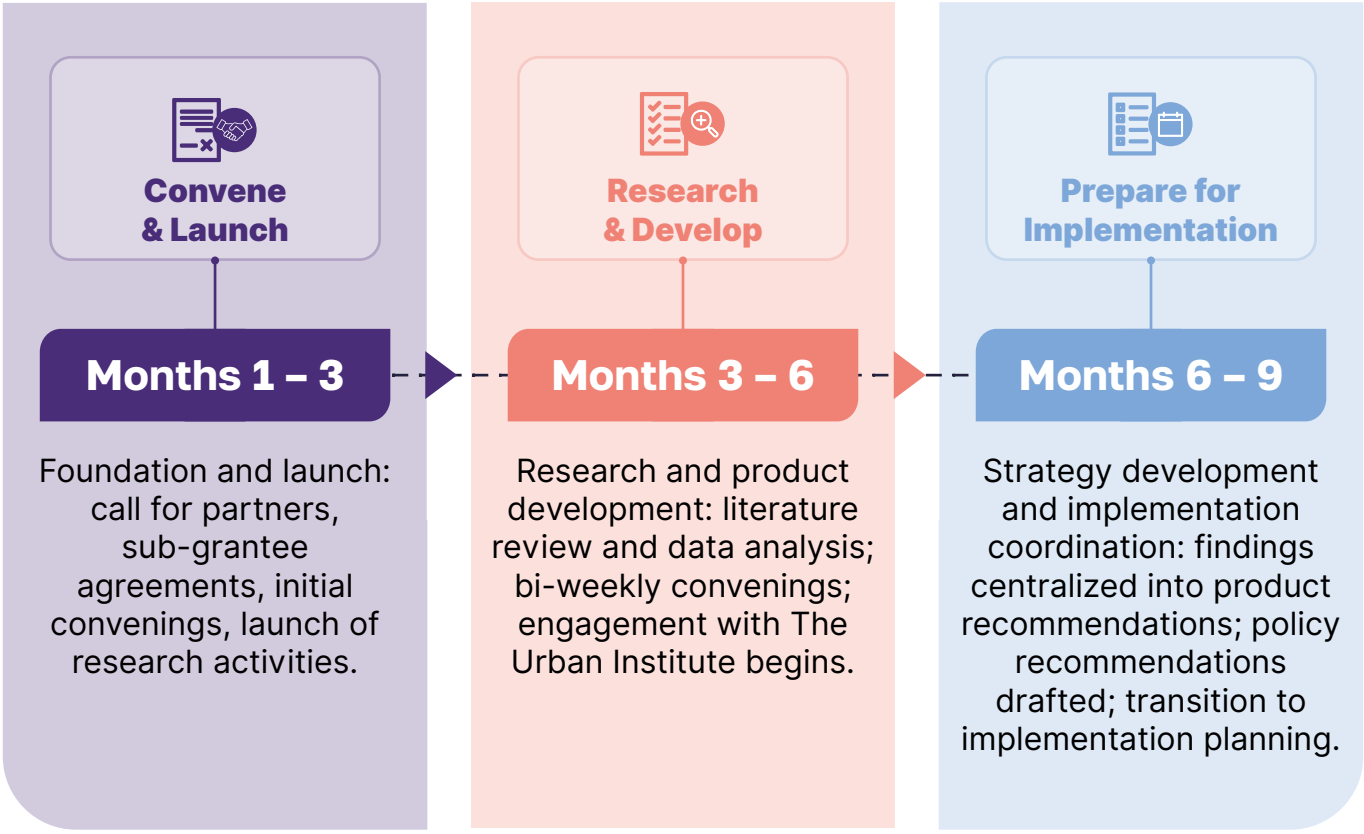
In parallel with product development, The Center reviewed the federal compliance requirements that could affect CDFI participation in federally-funded or reimbursement-based disaster recovery programs. This review – documented as an addendum to the Urban Institute's recommendations to the collaborative – covered:

- Uniform Administrative Requirements under 2 CFR 200, cost-allowability and audit threshold rules
- Stafford Act duplication-of-benefits restrictions
- CDBG-DR program requirements administered by HUD
- FEMA Public Assistance local-match considerations

The review was intended to ensure that proposed products could operate within the federal requirements CDFIs may face as subrecipients or co-lenders under federal grant agreements.

## From Methodology to Playbook

Together, these five steps produced the research, financial products, and policy recommendations that make up the remainder of this Playbook. The sequencing is deliberate and reflects a core finding of the collaborative itself: disaster recovery financing cannot be designed product by product in isolation by any one financial institution. The greatest gains are seen when CDFIs work together with funders, government, and the communities they serve.



# Product Recommendations

FORGE LA set out to develop five financial products and ultimately championing seven: three adapted from products already active in the market, and four built in response to gaps identified through the research process. Organized by asset class, each product addresses a documented need from the Gap Analysis.

Finally, each product includes suggested underwriting criteria and suggested minimum required documentation. Both are drafted with accessibility as the primary focus.

## Product Pilot Summary

| Product | Asset Class | Status | Fundraising Goal | Borrowers / Units Served |
|---|---|---|---|---|
| Rebuild & Recover Business Loan | Small Business | New | $3,000,000 | 25 |
| Rebuild & Recover Business Grant | Small Business | New | $1,000,000 | 35 |
| Disaster Recovery Mortgage | Single-Family Housing | New | $23,000,000 | 40 |
| Resilience Rebuild Loan | Single-Family Housing | Existing | $650,000 | 6 |
| Real Estate Acquisition Line of Credit | Multifamily Housing | Existing | $25,000,000 | 5 |
| LA RISE ECE Recoverable Grant | Community Facilities | Existing | $2,000,000 | 35 |
| Community Rebuild Loan | Community Facilities | New | $4,000,000 | 28 |
| **Subtotal** | | | **$58,650,000** | **174** |

The proposed pilots are intended to test and refine these products, not address the full scale of need documented in the Gap Analysis. Implementation will produce real-world data that can inform product development and expansion in the coming years.

### About the Pilots

Each product is presented as a two-year pilot, with a nine-month ramp-up period followed by 15 months of active origination.

For loan products, the fundraising target consists of two components: deployable capital, expected to be repaid to funders, and program overhead, provided to the originating CDFI as a grant. FORGE LA's currently assumes that overhead will equal approximately 12.5% of the total raise, allocated as follows:

- 2.5% for disaster-state guarantees (e.g. guarantees offered by iBank)
- 3% for staff underwriting and loan servicing
- 5% for loan loss reserves (LLR)
- 2% for technical assistance

Recoverable grant products are structured differently because the originating CDFI has no repayment obligation to the funder. For these products, the full pilot raise, including capital deployed and program overhead, is structured as a grant to the originating organization.

Each pilot also establishes a target cost of capital that funders would need to accept for the pilot to be financially viable. These rates are intentionally set below industry standards to enable the most favorable terms for borrowers and grantees.

# Small Business

## 1 Rebuild & Recover Business Loan

New FORGE LA Product

### At a Glance

| Field | Detail |
|---|---|
| Product Type | Forgivable Loan |
| Investment Amount | $25,000 to $250,000 |
| Interest Rate | 3%, fixed |
| Term | 36 months (loans of $50,000 or less) or 60 months (loans above $50,000) |
| Collateral | UCC filing, personal guarantee, 95% State Disaster Recovery Guarantee |

### What It Does

The Rebuild & Recover Business Loan provides debt capital to small businesses recovering from disaster-related revenue loss whose needs exceed typical relief grants but that may not qualify for conventional disaster financing. Underwriting reflects post-disaster realities, allowing a DSCR as low as 1.0x based on historical performance or 1.2x based on projected performance.

To support business retention and employment, 5% of outstanding principal may be forgiven annually if the business:

- continues operations within two miles of the impacted area;
- maintains employment at 75% of pre-disaster levels, and
- remains in compliance with the loan.

Forgiveness eligibility will be assessed on an annual basis through annual compliance reporting. In the business is sold, the original and future owner forfeits rights to any further principal forgiveness.

### Suggested Underwriting Criteria

| Criterion | Suggested Standard |
|---|---|
| Debt Service Coverage Ratio (DSCR) | 1.0x, calculated using pre-disaster figures or 1.2x using projected post-recovery figures |
| Minimum Credit Score | None required; alternative indicators (rent, utility, or existing business account payment history) may be considered instead |
| Time in Business | Operating prior to the disaster; no minimum number of years required |
| Collateral | UCC filing and personal guarantee, offset by a 95% state disaster recovery guarantee to keep the lender's uncollateralized exposure low |

### Suggested Required Documentation

- Two years of business tax returns or financial statements, or one year if the applicant's time in business falls below two years
- Government-issued ID
- Business Plan
- Brief narrative describing use of funds
- Proof of business operation (license, permit, EIN confirmation letter, or DBA filing; formal incorporation not required)
- Self-attestation of disaster impact

## Anticipated Impact

- **Bridges a financing gap.** Provides capital between small relief grants (typically capped around $25K) and SBA/EIDL loans (typically capped at $2 million).
- **Reflects post-disaster realities.** Ties potential loan forgiveness to continued operations and employment, rather than a fixed repayment schedule, creating an added incentive for businesses while supporting broader community recovery.
- **Reaches microbusinesses.** Expands access for businesses with unpredictable cash flow or short operating histories, which represented an estimated 69% to 71% of wildfire-impacted businesses. These businesses are typically ineligible for many existing programs.

## Pilot Snapshot

| Field | Detail |
|---|---|
| Fundraising Goal | $3,000,000 |
| Deployable Funds (repaid to funders) | $2,625,000 |
| Overhead (grant to originator) | $375,000 |
| Cost of Capital to CDFI Partners | 1% to 3% |
| Businesses Served | 25 |
| Avg. Loan Size | $105,000 |
| Pilot Term | 24 months<br>(9-month ramp-up + 15-month deployment) |

# 2 Rebuild & Recover Business Grant

New FORGE LA Product

## At a Glance

| Field | Detail |
|---|---|
| Product Type | Recoverable Grant |
| Investment Amount | $10,000 (under $100K prior-year revenue) or $25,000 ($100K or more) |
| Interest Rate | 0% |
| Recoverability Window | Up to 60 months after disbursal |
| Collateral | None required |

## What It Does

The Rebuild & Recover Business Grant delivers fast, no-collateral capital to small businesses to cover business operations or economic injury after a disaster, with the amount awarded determined by the business's previous year's revenue.

Funds become recoverable if certain conditions are met, including:

- revenue returns to 100% of pre-disaster levels for two consecutive quarters;
- annual profits exceed 2.5x the grant amount;
- the business receives insurance proceeds for a covered use;
- the business receives traditional financing equal to 4x the grant amount;
- the business is sold.

Recovered funds can be recycled into the FORGE LA Rebuild & Recover Loan or Grant products, extending impact beyond the original recipient.

## Suggested Underwriting Criteria

| Criterion | Suggested Standard |
|---|---|
| Debt Service Coverage Ratio (DSCR) | Not applicable; this product carries no fixed repayment obligation |
| Minimum Credit Score | None required |
| Revenue Verification | Previous year's revenue is used to determine the award ($10K under $100K, $25K at or above), not to qualify or disqualify the applicant |
| Collateral / Loan-to-Value | Not applicable; no collateral is required |

### Suggested Required Documentation

- Most recent year's tax return, bank statements, or other reasonable record of business revenue
- Government-issued ID
- Business Plan
- Brief narrative describing use of funds
- Proof of business operation (license, permit, EIN confirmation letter, or DBA filing; formal incorporation not required)
- Self-attestation of disaster impact

## Anticipated Impact

- **Expands access to recovery capital.** Offers businesses no-collateral funding with simpler eligibility and documentation requirements than conventional disaster financing, including for home-based businesses and microbusinesses.
- **Reaches businesses with limited insurance coverage.** Provides near-term capital for businesses facing uninsured losses. Among those surveyed, 44% of home-based businesses reported having no insurance, compared with 23% of storefront businesses.
- **Gets funding to businesses quickly.** Targets a two-to-four-week funding timeline, responding to community input that businesses need capital quickly and without requiring a lengthy application process.
- **Helps businesses remain operational.** Gives owners flexible capital to cover rebuild costs or adapt their business after a given disaster, reducing the risk of closure.

## Pilot Snapshot

| Field | Detail |
|---|---|
| Fundraising Goal | $1,000,000 |
| Grant Funds to Originator (all funds) | $875,000 to disburse as recoverable grants;<br>$125,000 for program overhead |
| Cost of Capital to FundersCDFI Partners | 0% |
| Businesses Served | 35 |
| Avg. Grant Size | $25,000 |
| Pilot Term | 24 months<br>(9-month ramp-up + 15-month deployment) |

# Single-Family Housing

## 3 Disaster Recovery Mortgage

### At a Glance

| Field | Detail |
|---|---|
| Product Type | Construction-to-permanent disaster mortgage (1st lien), with optional Silent Second (2nd lien) |
| Loan Types | Conforming and non-conforming one-time-close construction-to-permanent and renovation; conforming and non-conforming Silent Second |
| Loan Amount | $100,000 to $3,000,000 (1st lien, non-conforming);<br>$50,000 to $250,000 (Silent Second) |
| Minimum FICO | 620 (1st lien); 640 to 680 (Silent Second) |
| Structure Standard | IBHS Home Resiliency Standard |

### What It Does

The Disaster Recovery Mortgage provides construction-to-permanent financing for disaster-impacted households at risk of permanent displacement or loss of homeownership. The product offers more flexible underwriting than conventional lenders, including higher combined loan-to-value ratios, a wider FICO range, and the ability to consider projected ADU rental income and first-time landlords.

An optional Silent Second lien can help close the gap between insurance proceeds and actual rebuild cost, without requiring monthly payments during the loan term. The product also aligns with California's $100M Wildfire Rebuild Fund credit enhancement which helps reduce the risk of construction lending for LMI borrowers.

### Suggested Underwriting Criteria

| Criterion | Suggested Standard |
|---|---|
| Minimum Credit Score | 620, with flexibility for thin-file or alternative credit histories where program guidelines allow |
| Maximum Debt-to-Income (DTI) | Up to 50% on non-conforming/Standard Portfolio loans, reflecting post-disaster income disruption |
| Loan-to-Value (LTV) / Combined LTV | Up to 80% LTV / 110% CLTV |
| Qualifying Income | Broadened beyond W-2 wages to include projected ADU rental income and income for first-time landlords |
| Construction-Period Payments | Interest-only, or deferred via an interest reserve, during construction, so homeowners aren't carrying full payments while rebuilding |

### Suggested Required Documentation

- Proof of prior homeownership or property interest (deed, title, or county assessor record)
- Proof of income (pay stubs, tax returns, or bank statements; self-employed and gig income accepted)
- Government-issued ID
- Documentation of insurance settlement or FEMA award to date, if any
- Construction scope and cost estimate from a licensed contractor
- Homeownership counseling, which can be completed as part of the application process rather than as a prerequisite to applying

## Anticipated Impact

- Helps close the rebuilding financing gap. Offers specialized financing to address the gap between insurance proceeds and actual rebuilding costs, estimated at approximately $550,000 per household in Altadena and $1.19M in the Pacific Palisades.
- Expands access to construction financing. Offers more flexible underwriting for disaster-impacted homeowners who may have difficulty qualifying under conventional underwriting standards.
- Supports affordability and long-term homeownership. Allows qualifying income to include projected ADU and 1-4 unit rental income and supports financing for ADUs, giving homeowners additional options to offset rebuilding and mortgage costs.

## Pilot Snapshot

| Field | Detail |
|---|---|
| Fundraising Goal | $23,000,000 |
| Deployable Funds | $20,000,000 |
| Overhead | $3,000,000 |
| Cost of Capital to CDFI Partners | 4% for 1st Lien Mortgage; 2% for Silent Second |
| Households Served | 40 with first use of funds; funds recycle for additional loans post construction |
| Avg Investment Size | $437,000 |
| Pilot Term | 24 months<br>(9-month ramp-up + 15-month deployment) |

# 4 Resilience Rebuild Loan

Existing Product: from NPHS Community Lending

## At a Glance

| Field | Detail |
|---|---|
| Product Type | Second-lien residential loan |
| Investment Amount | Up to $100,000 |
| Interest Rate | 6.99% at origination, 5.99% at Base IBHS standards and 5.49% at IBHS Plus standards |
| Term | Up to 15 years (extendable to 30 with compensating factors) |
| Collateral | Second lien, up to 80% LTV |

## What It Does

The Resilience Rebuild Loan helps wildfire-impacted homeowners finance resilience improvements as part of rebuilding. The second-lien loan offers interest-rate reductions as homeowners meet the Insurance Institute for Business & Home Safety (IBHS) Wildfire Prepared Home standard, rather than simply restoring what was lost. The product's rate can be reduced from 6.99% to 5.99%, and ultimately 5.49% as the homeowner documents progress toward IBHS Base and Plus resilience standards.

## Suggested Underwriting Criteria

| Criterion | Suggested Standard |
|---|---|
| Minimum Credit Score | 620, representative score |
| Maximum Loan-to-Value (LTV) | 80% |
| Debt Service / Repayment Review | Holistic review of income, debt, and housing-related expenses rather than a fixed DSCR ratio, to accommodate post-disaster income disruption |
| Required Education | HUD-approved homeownership education and IBHS Wildfire Prepared Home education, completed as part of the loan process rather than before applying |

### Suggested Required Documentation

- Proof of ownership interest in the property
- Income and debt documentation sufficient for underwriting (pay stubs, tax returns, or bank statements)
- Rebuild scope and cost estimate identifying IBHS-aligned materials or construction practices
- Documentation of available insurance or assistance proceeds, if any
- Government-issued ID

## Anticipated Impact

- **Finances resilience as part of rebuilding.** Helps homeowners incorporate wildfire-hardening measures into rebuilding rather than treating resilience upgrades as a separate, unfunded expense.
- **Supports rebuilding above code.** Provides a financing mechanism for resilience improvements, particularly important given that 95% of damaged Palisades structures predated 2008 fire-resistance codes.
- **Rewards stronger resilience measures.** The adjusted rate structure creates an ongoing financial incentive for resilience that continues after the initial rebuild decision.

## Pilot Snapshot

| Field | Detail |
|---|---|
| Fundraising Goal | $650,000 |
| Deployable Funds | $585,000 |
| Overhead | $65,000 |
| Cost of Capital to Funders | 3% to 4% |
| Households Served | 6 |
| Avg. Loan Size | $97,500 |
| Pilot Term | 24 months<br>(9-month ramp-up + 15-month deployment) |

# Multi-Family Housing

## 5 Real Estate Acquisition Line of Credit

Existing Product: from Enterprise Community Partners

### At a Glance

| Field | Detail |
|---|---|
| Product Type | Acquisition Line of Credit |
| Investment Amount | Up to $5,000,000 per borrower |
| Interest Rate | 3% to 4%; determined by cost of capital |
| Term | 48 months, plus two optional 1-year extensions |
| Collateral | First lien on the land parcel |

### What It Does

The Real Estate Acquisition Line of Credit gives mission-driven housing organizations, community development corporations, and community land trusts the capital to secure and hold vacant or fire-damaged properties slated for demolition in the Eaton Fire recovery area. The properties can then be developed for affordable housing, community facilities, and other community-serving uses. The financing gives borrowers time to engage the community, secure entitlements, and assemble construction and permanent financing sources.

The revolving line of credit is underwritten at the organizational level rather than per property, allowing eligible borrowers to move quickly when a property becomes available without undergoing full underwriting for each acquisition. Individual properties are still subject to title, appraisal, and environmental review at the time of purchase.

### Suggested Underwriting Criteria

| Criterion | Suggested Standard |
|---|---|
| Organizational Debt Service Coverage | Reviewed at the organizational level across the applicant's existing portfolio and pipeline, not per-parcel |
| Loan-to-Value (LTV) | Up to 95 to 115%, supported by grant capital or loan guarantees to enable high-LTV acquisition |
| Track Record | Demonstrated experience or a credible plan for delivering affordable housing or community-serving development; newer organizations may qualify by partnering with an experienced co-applicant |
| Mission Alignment | Community ties to the Eaton Fire recovery area and a stated affordable housing, community land trust, or community-serving use for acquired parcels |

### Suggested Required Documentation

- Audited financial statements for the most recent 2 to 3 years, exceptions may be made by originating lender to consider CPA compilations or internally prepared financials
- Current profit and loss, balance sheet and operating budget
- Brief business plan or pipeline description for intended acquisitions
- Board authorization or equivalent governance documentation
- List of real estate currently owned, if any; an REO

## Anticipated Impact

- **Helps community-serving organizations compete for land.** Gives mission-driven organizations access to capital to acquire fire-impacted properties before they are lost to private investment.
- **Supports long-term community stability.** Helps preserve Altadena's Black resident base by keeping land available for community land trusts and affordable developers rather than the private market.
- **Addresses an underserved recovery need.** Creates a financing option for affordable multifamily and community-serving development, an area identified as under-researched and underserved in the recovery landscape.

## Pilot Snapshot

| Field | Detail |
|---|---|
| Fundraising Goal | $25,000,000 |
| Deployable Funds (repaid to funders) | $20,000,000 |
| Grant to originator(s) for flexible LTV, interest reserves and top loss | $5,000,000 |
| Cost of Capital to CDFI Partners | 0% to 1% |
| Developers Served | 5 |
| Avg. Line Size | approximately $4,000,000 |
| Pilot Term | 24 months<br>(9-month ramp-up + 15-month deployment) |

# Community Facilities

## 6 LA RISE: Recovery and Investment in Service of Early Care and Education

Existing Product from Low Income Investment Fund (LIIF)

### At a Glance

| Field | Detail |
|---|---|
| Product Type | Recoverable Grant |
| Investment Amount | Up to $50,000, based on recovery needs |
| Interest Rate | 0% |
| Recoverability Window | Up to 60 months after disbursal |
| Collateral | None required |

### What It Does

LA RISE provides flexible recoverable grants to licensed early care and education (ECE) centers to stabilize operations, restore damaged facilities, and recover lost childcare capacity so they can remain open for families during long-term recovery. Funds can be used for remediation and construction, program materials, staffing, rent or mortgage payments, insurance deductibles, and mental health resources for providers.

Funds are recoverable only if the provider later receives insurance, FEMA, or other recovery funds covering the same losses, not on a fixed schedule. Recoverability is assessed annually.

### Suggested Underwriting Criteria

| Criterion | Suggested Standard |
|---|---|
| Debt Service Coverage Ratio (DSCR) | Not applicable; this product carries no fixed repayment obligation |
| Minimum Credit Score | None required |
| Licensing | Active or recently active childcare license from California Community Care Licensing Division |
| Collateral / Loan-to-Value | Not applicable; no collateral is required |

### Suggested Required Documentation

- Copy of childcare license
- Brief narrative and budget describing intended use of funds
- Signed W9
- Photos or a short description of the disaster impact (a formal inspection report is not required)
- Proof of property interest (lease or ownership); month-to-month or informal arrangements accepted with a landlord or property owner attestation

## Anticipated Impact

- **Restores childcare capacity.** Supports recovery for ECE facilities damaged or destroyed by the fires and helps restore more than 2,300 childcare spaces impacted across both fire areas.
- **Reaches home-based providers.** Offers flexible eligibility for providers whose personal and business assets may overlap, reducing a barrier they can face with conventional financing.
- **Supports needs throughout recovery.** Flexible uses allow providers to address immediate operating expenses and bridge funding rather than just capital repair, as well as longer-term facility and capacity building.

## Pilot Snapshot

| Field | Detail |
|---|---|
| Fundraising Goal | $2,000,000 |
| Grant Funds to Originator (all funds) | $1,750,000 to disburse as recoverable grants;<br>$250,000 for program overhead |
| Cost of Capital to CDFI Partners | 0% |
| ECE Providers Served | 35 |
| Avg. Grant Size | $50,000 |
| Pilot Term | 24 months<br>(9-month ramp-up + 15-month deployment) |

# 7 Community Rebuild Loan

New FORGE LA Product

## At a Glance

| Field | Detail |
|---|---|
| Product Type | Loan, with options for forgivable loan and/or recoverable grant |
| Investment Amount | $100,000 to $2,000,000 |
| Interest Rate | 0% to 6% fixed; determined by cost of capital |
| Term | 12 to 60 months |
| Collateral | Property, assignment of assets, UCC filing, or unsecured with adequate grant capital or guarantees |

## What It Does

The Community Rebuild Loan provides working capital, bridge financing, match funding, and facility restoration capital to nonprofit and community-serving organizations experiencing operational disruption, physical damage, or delayed insurance and federal reimbursement following a disaster.

Underwriting can reflect pre-disaster operations and projected post-recovery performance rather than current-year financials, and borrowers may receive up to 12 months of interest-only payments. Up to 20% of principal may be returned to the borrower if the facility stays operational, restores essential services, and completes approved resilience improvements prior to loan maturity.

## Suggested Underwriting Criteria

| Criterion | Suggested Standard |
|---|---|
| Debt Service Coverage Ratio (DSCR) | 1.0x, calculated using pre-disaster figures or 1.2x using projected post-recovery figures |
| Loan-to-Value (LTV) | Up to 80% where the loan is secured by real property; available to unsecured community facilities where adequate grant capital or guarantees are in place |
| Minimum Credit Score | None required at the organizational level; where a personal guarantee is used, it is not conditioned on a minimum score |
| Track Record | Demonstrated pre-disaster operating history; new organizational leadership or restructuring after the disaster does not disqualify an applicant |

### Suggested Required Documentation

- Audited financial statements for the most recent year, pre- or post-disaster
- Insurance claim status or FEMA/SBA application status, if applicable (not required if not yet filed)
- Brief recovery budget and timeline
- Proof of property interest (lease or ownership)
- Board authorization or equivalent governance sign-off
- Brief narrative describing the disaster's impact on the organization

### Anticipated Impact

- **Provides flexible capital for operational recovery.** Supports working capital and bridge financing as well as facility repairs, helping community-serving organizations manage both financial disruption and physical damage. 90% of surveyed nonprofits reported impacts on staff availability and that over half faced increased expenses from overtime and emergency costs.
- **Fills a gap for nonprofits.** Creates a recovery financing option for nonprofits that may not qualify for residential or business products noted in this Playbook Approximately 4,195 nonprofits were located within the fire or evacuation zones.
- **Supports longer-term recovery.** Combines flexible capital with technical assistance and recovery planning support to help organizations move from immediate stabilization toward capacity building and partnerships.

### Pilot Snapshot

| Field | Detail |
|---|---|
| Fundraising Goal | $4,000,000 |
| Deployable Funds (repaid to funders) | $3,500,000 |
| Overhead (grant to originator) | $500,000 |
| Cost of Capital to CDFI Partners | 1% to 3% |
| Community Facilities Served | 28 |
| Avg. Loan Size | $125,000 |

Taken together, these seven products translate the needs identified through the Gap Analysis into practical recovery financing solutions for small businesses, homeowners, affordable housing organizations, and community-serving institutions. While the products vary in structure, they share a common approach: adapting underwriting, terms, and documentation to the realities of disaster recovery while making capital more accessible to borrowers underserved by conventional financing. The pilots are not intended to meet the full scale of need, but to generate real-world data that can inform product refinement, capitalization, and future expansion.

These products also demonstrate the need for public investment, policy support, and coordination to strengthen the disaster recovery ecosystem. The policy recommendations that follow identify opportunities to institutionalize CDFIs as disaster recovery partners, establish more durable sources of recovery finance, and support community-led rebuilding.

# Policy Recommendations

Developing new financial products and raising capital are important steps, but they are not enough to create a disaster recovery system that can meet community needs over the long term. Policy change is also needed to establish CDFIs as key partners in state and local disaster recovery and strengthen their ability to deploy capital quickly and support long-term rebuilding.

While the FORGE LA CDFIs focused on developing financial products in response to community needs, The Center worked closely with CalCCI to develop 13 policy recommendations. The recommendations focus on three priorities: institutionalizing CDFIs within disaster recovery systems, establishing funding sources for recovery finance, and advocating for community-led recovery.

CalCCI's recommendations were informed by interviews with CDFIs, nonprofits, public agencies, and government staff involved in disaster recovery. Together, they provide a foundation for a targeted policy and advocacy strategy to secure CDFIs' seat at the table.

## Institutionalizing CDFIs into the Disaster Recovery System

The 2025 Eaton and Palisades wildfires tested every part of California's disaster recovery system and revealed substantial gaps in financing for long-term recovery. CDFIs can help address those gaps by working alongside state and local agencies to provide capital and support homeowners, entrepreneurs, landowners, and nonprofits as they rebuild, remain in their communities, and invest in greater resilience standards that can withstand the next disaster.

Identifying opportunities for CDFIs to play a more formal role begins with understanding the key public agencies responsible for disaster response and recovery. In California, key agencies include the Governor's Office of Emergency Services (Cal OES), the Department of Housing and Community Development (HCD), and the Governor's Office of Business and Economic Development (Go-Biz).

- **Cal OES** coordinates statewide disaster recovery through its Recovery Directorate.
- **HCD** administers state and federal funding for long-term housing and infrastructure recovery.
- **GO-Biz** coordinates economic recovery and provides small business assistance.

Building relationships with these agencies can create a pathway for CDFIs to become formally recognized partners in the California's Disaster Recovery Framework (CDRF). Last updated in 2019, the CDRF establishes how state agencies and partners across the private and philanthropic sectors coordinate disaster recovery. This coordination is strongest in the immediate response phase post-disaster and is not adequate for supporting long-term rebuilding.

FORGE LA recommends that the next update to the CDRF and its Recovery Support Function annexes should include mobilizing recovery finance for reconstruction and coordinating with CDFIs.

**Policy Recommendations**

| # | Recommendation | Description | Govt Level | Type | Difficulty Level |
|---|---|---|---|---|---|
| 1 | Build strong working partnerships between state agencies and CDFIs | Cal OES, HCD, GoBiz should proactively engage CDFIs before the next disaster; local government should give CDFIs defined roles in disaster planning | Local | Communications Administrative | Low |
| 2 | Incorporate CDFIs into California Disaster Recovery Framework | Formally add CDFI coordination to the CDRF Supporting Function annexes | State | Administrative | Low/ Moderate |
| 3 | Partner with CDFIs to bring back residents, small businesses, and community-serving institutions | **This is a sequencing principle to achieve the following local actions:** | | | |
| | | By-right permitting | Local | Regulatory Ordinance | Moderate |
| | | Remove parking minimums | Local | Regulatory Ordinance | Moderate |
| | | Pre-approved architectural designs | Local | Administrative | Low/ Moderate |
| | | Vacant public property for temporary community uses | Local | Administrative | Low |

# Establishing Funding Sources for Recovery Finance

Strong coordination among CDFIs, key public agencies, and others in the disaster recovery system must be paired with reliable sources of capital. The following policy recommendations identify opportunities to expand and sustain funding for disaster recovery so that capital is available when communities need it.

## The Disaster Rebuilding Fund

In July 2026, Governor Newsom signed AB 179, directing $100 million into a new Disaster Rebuilding Fund for Eaton and Palisades fire survivors. The Fund aims to make rebuilding loans more accessible and affordable to LMI homeowners who cannot access traditional financing.

Since CDFIs specialize in serving LMI communities, the California Housing Finance Agency (CalHFA) should prioritize CDFIs for the disbursement of the Fund, helping ensure that financing reaches the LMI homeowners and communities that it was created to serve.

The state should also consider establishing the Disaster Rebuilding Fund as a revolving resource for future disasters. Replenishing the Fund as capital is deployed would help ensure that construction financing is available quickly, and that it contains sufficient funds to support other post-disaster zones across the state. Over time, the state could also expand the Fund to support rebuilding loans for other asset classes, like multifamily housing, small businesses, and community facilities.

Policy Recommendations

| # | Recommendation | Description | Govt Level | Type | Difficulty Level |
|---|---|---|---|---|---|
| 4 | Involve CDFIs as key partners in the Disaster Rebuilding Fund (AB 179) and extend it | Continually replenish the $100M fund annually; add product lines for multi-family housing, small business, and community facilities | State | Budget Appropriation | Moderate/ High |

## California Organized Investment Network (COIN) Tax Credit

The California Organized Investment Network (COIN), administered by the Department of Insurance, encourages insurers to invest in community development projects. Up until the tax credit lapsed in 2017, insurers investing through COIN received a credit against their premium tax equal to 20% of a qualified investment in a certified CDFI, supported by roughly $10 million in credits allocated each year.

California should restore the COIN tax credit and update the program to support disaster resilience, climate sustainability, and recovery. A restored credit could create an incentive for insurers to direct capital toward rebuilding disaster-impacted communities.

Restoring the previous program alone, however, would provide limited capital for large-scale reconstruction. California should also consider modernizing its structure using elements of state New Markets programs.

More than a dozen states pair tax credits with the federal New Markets Tax Credit, allowing a single project to draw on both and deepen the subsidy available to it. California does not currently offer a comparable state credit. Although California's designation as a federally Identified State can help attract investment, a state credit could make California projects more competitive for federal New Markets capital.

Restructuring the COIN credit around qualified equity investments in community development entities, the model most states have adopted, could help attract additional capital while extending the credit's reach to community facilities, neighborhood commercial properties, and other assets that anchor recovery.

A portion of the restored credit should be reserved for census tracts within a declared disaster area. To keep the incentive focused on recovery, eligibility could be limited to organizations with a significant recovery mission in the affected region, with capital committed within 24 months of the disaster declaration and preference given to smaller transactions.

The disaster-specific credit should also include a defined sunset tied to the declaration. This would create a targeted recovery tool rather than an open-ended tax expenditure.

Policy Recommendations

| # | Recommendation | Description | Govt Level | Type | Difficulty Level |
|---|---|---|---|---|---|
| 5 | Reauthorize, expand, and target the COIN tax credit | Restore the lapsed insurer premium tax credit, restructure to pair with federal NMTC, reserve a share for declared disaster areas | State | Statute | High |

## Standing Disaster Set-Aside within New Markets Tax Credit (NMTC) Program

The New Markets Tax Credit (NMTC) is a federal program designed to attract private investment into commercial property and operating businesses in low-income communities. In disaster recovery, it can help finance community assets such as childcare centers, clinics, grocery stores, and commercial corridors that residents need in place before they commit to rebuilding their own homes.

Congress used the NMTC for disaster recovery following Hurricane Katrina. The Gulf Opportunity Zone Act of 2005 created $1 billion in additional NMTC allocations over three years for Community Development Entities focused on recovery and redevelopment of the affected region.

FORGE LA recommends establishing a permanent disaster set-aside within the NMTC program. The One Big Beautiful Bill Act of 2025 made the NMTC a permanent feature of the tax code with $5 billion in annual allocation authority. Congress should reserve a modest share of that annual authority for CDFIs focused on recovery in areas subject to a presidential major disaster declaration, with the funding becoming available upon declaration rather than requiring separate legislation after each disaster. Doing so converts a tool that required an act of Congress to deploy after Katrina, and that has not been made available for the Eaton and Palisades fires, into one that is ready in advance.

Two design features would determine whether such a set-aside reaches the communities it is meant to serve:

- **Support smaller transactions.** NMTC investments can be difficult to structure for projects below approximately $5 million because of legal and financial costs. Standardized documentation and application scoring that rewards small-dollar investments would make the program more accessible to community facilities and neighborhood commercial properties.
- **Allow forward commitments.** Allocatees should be permitted to commit capital in declared disaster areas while recovery is underway, rather than waiting until later in the rebuilding process. This would make financing available while households and businesses are making decisions about whether to return and rebuild.

Policy Recommendations

| # | Recommendation | Description | Govt Level | Type | Difficulty Level |
|---|---|---|---|---|---|
| 6 | Establish a standing disaster set-aside within the federal NMTC program | Research a share of now-permanent $5 billion annual allocation for CDEs in declared-disaster areas; structure for smaller transactions; allow advance commitments | Federal | Statute | High |

## Reforming Community Development Block Grant Disaster Recovery (CDBG-DR) and Establish a CDFI National Crisis Fund

Community Development Block Grant Disaster Recovery (CDBG-DR) is the primary federal program to fund long-term disaster recovery needs not met by other forms of disaster assistance. Because CDBG-DR lacks an ongoing appropriation, Congress must authorize funding following individual disasters. To date, Congress has not appropriated CDBG-DR funding for the Eaton and Palisades fires, leaving affected homeowners, small businesses, and communities without a critical source of long-term recovery financing.

FORGE LA recommends establishing an ongoing appropriation for CDBG-DR and objective standards for when funding is made available following a disaster. Congress should provide a standing source of funding and direct the U.S. Department of Housing and Urban Development(HUD) to establish clear criteria for its deployment.

Precedent has been set for this type of action with the Recent passage of the 21st

ROAD to Housing Act, which provided a 3-year authorization for CDBG-DR, offers a potential foundation for establishing a more predictable and permanent approach to funding the program.

## Establish a CDFI National Crisis Fund

Congress should also resurrect and pass the CDFI Crisis Fund Act, which would create a CDFI National Crisis Fund within the U.S. Department of the Treasury's CDFI Fund. The Fund would provide rapid funding to CDFIs lending for disaster recovery.

| Policy Recommendations | | | | | |
|---|---|---|---|---|---|
| # | Recommendation | Description | Govt Level | Type | Difficulty Level |
| 7 | Strengthen federal response on CDBG-DR and CDFI Crisis Fund | Consists of two distinct actions: | | | |
| | | Ongoing CDBG-DR appropriation + HUD objective disbursement standards | Federal | Statute | High |
| | | Pass the CDFI Crisis Fund Act | Federal | Statute | High |

## Take full advantage of Disaster Recovery Financing Districts (DRDs)

SB 782 allows for the establishment of Disaster Recovery Financing Districts (DRDs) that can utilize tax increment financing to aid in recovery. DRDs are designed to be established on an expedited timeline, within months of a disaster, making them a powerful new tool for quickly unlocking recovery financing.

Local governments should use DRDs when disaster strikes, and the state should facilitate this process by providing guidance and technical assistance related to SB 782 implementation. In addition, the Legislature should offer startup grants to disaster-affected jurisdictions to help establish a special district pursuant to SB 782. These grants could support initial costs such as hiring district staff and developing an infrastructure financing plan.

| Policy Recommendations | | | | | |
|---|---|---|---|---|---|
| # | Recommendation | Description | Govt Level | Type | Difficulty Level |
| 8 | Take full advantage of Disaster Recovery Financing Districts (SB782) | Consists of three distinct actions: | | | |
| | | Local governments use the tool | Local | Administrative | Low/ Moderate |
| | | State provides guidance/TA on implementation | State | Administrative | Low |
| | | Legislature funds jurisdiction startup grants | State | Budget Appropriation | Moderate |

# Advocating for Community-led Recovery

Institutionalizing CDFIs in disaster recovery and securing steady streams of recovery finance are two critical steps for improving the capital landscape for communities most in need. FORGE LA also identified reforms that can help residents, businesses, and community organizations navigate rebuilding, reduce displacement, and support long-term community recovery.

FORGE LA presents the following recommendations to institute additional reforms that would facilitate rebuilding:

- **Provide grants for nonprofits and CDFIs to offer construction management assistance.** Reconstruction is a complicated process and outside the comfort zone of many nonprofessionals, especially those who are recovering from the loss of their home or business following a disaster. Even those with sufficient financing may need help navigating and managing the rebuilding project itself. The state can support nonprofits and CDFIs that can assist disaster survivors through the construction process, building on assistance already being provided by some CDFIs in Altadena.
- **Create a list of pre-approved designs to facilitate reconstruction.** Many local governments throughout the state have pre-approved designs for ADUs, which save both time and money. Pre-approved designs have already been used to accelerate reconstruction in Altadena, although they were not approved by LA County until six months after the disaster. The state should develop a set of pre-approved designs for ADUs, single-family and multifamily housing, mixed-use development, and commercial properties that can be quickly accessed by disaster-impacted areas.
- **Update Federal Housing Finance Agency (FHFA) rules to help homeowners rebuild family and generational wealth.** Many Altadena fire survivors had inherited their homes but lacked the wealth or income to finance rebuilding. New ADUs can serve as an importance source of revenue and wealth-building for many working families who are trying to rebuild, but current FHFA rules make it difficult for first-time landlords to secure mortgages that factor in the expected revenue from rental ADUs on their property. The federal government should update FHFA rules to allow greater consideration of projected ADU rental income for those who want to build and rent out their ADUs.
- **Offer funding and financing for community-based organizations (CBOs) to engage in land banking.** Community development corporations (CDCs), community land trusts (CLTs), and CDFIs can accelerate disaster recovery by acquiring, assembling, and strategically holding devastated or underutilized properties until they can be redeveloped for community-serving uses (land banking). Local and state governments should offer grants and loans that will allow CBOs to acquire land quickly and preserve it for affordable housing, community facilities, and other anchor projects.
- **Make public lands available to quickly stand-up anchor community facilities.** Anchor community facilities such as childcare centers are essential to long-term recovery and can help make it possible for families to return to disaster-impacted neighborhoods. While CDFIs can help finance these facilities, local and state governments can reduce development costs and accelerate their development by making surplus public land available through low- or no-cost ground leases.
- **Exempt publicly subsidized recovery grants from income taxes.** Publicly subsidized recovery grants received by homeowners and small business owners should be exempt from income taxes so that recipients can use the full value of the grants for recovery.

| Policy Recommendations | | | | | |
|---|---|---|---|---|---|
| # | Recommendation | Description | Govt Level | Type | Difficulty Level |
| 9 | Create grants for nonprofit/ CDFI construction-management assistance | - | State | Budget Appropriation | Moderate |
| 10 | Maintain a state list of pre-approved designs (ADU, single-family, multi-family, mixed-use, commercial) | - | State | Administrative | Low/ Moderate |
| 11 | Update FHFA rules so ADU rental income counts toward mortgage qualification | - | Federal | Regulatory | Moderate |
| 12 | Fund land banking byCBOs | Grants and loans for CDCs/CDFIs to acquire and hold parcels ahead of speculative buyers | Local State | Budget Appropriation | Moderate |
| 13 | Make public lands available to anchor community facilities | Low/no-cost ground leases on surplus public land | Local State | Administrative Statute | Moderate/ High |

## Preparing a Policy and Advocacy Strategy

The policy recommendations range from near-term administrative actions to longer-term changes requiring legislation or public funding. Achieving them will require a policy and advocacy strategy tailored to the level of government, decision-makers, and degree of difficulty involved.

FORGE LA will prepare a Policy and Advocacy Strategy that organizes the policy recommendations by level of difficulty to achieve, and level of government needed to appeal to so that the appropriate committees and policymakers are engaged.

Case Study

# Lessons Learned from the Disaster Recovery Mortgage Product

## Running a public policy agenda alongside a financial product

Disaster recovery financial products rarely survive on private capital alone. Someone must make the case for public support in the form of grants, guarantees, rate subsidies, or policy changes. That case must be built with the same rigor as the underwriting itself.

Through development of the Disaster Recovery Mortgage product, Lendistry identified a six-phase process for advancing a financial product and its accompanying public policy agenda, from defining the product and identifying the need for public intervention through enactment and implementation.

Phase 1 | 2 | 3 | 4 | 5 | 6

### Define and Validate the Financial Product

Before any policy conversation begins, clearly define the financial product and the problem it is designed to solve. This includes:

- Product features, terms, and limitations
- Primary program goal, such as access, affordability, scale, or profitability, recognizing that a product may not be able to optimize for all objectives simultaneously
- Target market, using terms a policymaker will recognize (low- and moderate-income households, underinsured property owners, socially or economically disadvantaged borrowers)
- Role of product within the disaster recovery timeline
- Full product lifecycle, including origination, funding, servicing, balance-sheet ownership, and exit through sale, refinancing, or repayment
- Mapping the full lifecycle is particularly important because public agencies and capital partners need to understand how capital enters and exits a product.

# Diagnose the Market Failure and Build the Case for Intervention

Before seeking public support, identify why the private market cannot deliver the product on its own.

- The specific market failure
- How it affects borrowers, including eligibility, affordability, timing, or performance
- The public intervention needed to correct it
- What is likely to happen without intervention
- When public support could end

At the same time, assess the existing funding landscape:

- Is there already a funding stream this product could plug into, or an adjacent one worth adapting?
- Which agencies have jurisdiction over this customer and product type?
- What's on their public calendar?
- This analysis can help determine whether the product fits an existing public resource or requires a new intervention.

## Public Capital Intervention Options

When the ask is specifically for funding, this is the menu of mechanisms available and the design questions each one raises:

| Intervention | Best Use | Key Design Questions |
|---|---|---|
| Direct grant to borrower | Unfinanceable recovery costs | Eligibility, duplication of benefits, tax treatment, disbursement |
| Interest-rate subsidy | Payment affordability | Duration, present value, recapture, servicing |
| Principal buydown | Excess debt burden | Timing, lien treatment, forgiveness |
| Loan-loss reserve | Expected credit loss | Attachment point, pooled vs. loan-level, replenishment |
| Guarantee | Capital-provider risk | Funded vs. unfunded, claims process, sovereign risk |
| Subordinated capital | Improve senior advance rate | Priority, term, repayment, loss allocation |
| Recoverable grant | Recyclable mission capital | Repayment triggers and accounting |
| Operating grant | Origination or technical assistance costs | Allowable costs, indirect costs, performance milestones |
| State deposit or low-cost loan | Reduce CDFI cost of funds | Collateral, maturity, liquidity and deployment requirements |

# Select the Governmental Pathway

Not every public-sector intervention requires a new law. The appropriate pathway depends on the authority, funding, and implementation mechanism needed to support the product. Two questions should guide this decision:

- What authority is actually missing?
- What controls feasibility?

Depending on the answer, the appropriate pathway could include communications and awareness, administrative action within existing authority, regulatory action, executive order, budget trailer bill, budget appropriation, and statute.

Getting this wrong is expensive: pursuing statute when administrative guidance would suffice burns a year and a coalition's goodwill. Pursuing guidance when statute is actually required produces something with no legal force.

### Decision Matrix: What Authority is Missing?

| Missing Element | Likely Intervention |
|---|---|
| Public endorsement or borrower awareness | Communications or interagency coordination |
| Interpretation of existing authority | Administrative guidance, legal opinion, program bulletin |
| Agency rule or program requirement | Regulation, emergency regulation, guideline amendment |
| Spending authority | Appropriation |
| New legal power or eligibility | Policy bill or trailer bill language |
| Immediate emergency coordination | Emergency order, proclamation, delegated emergency authority |
| Contractual delivery mechanism | Grant, contract, interagency agreement, or loan agreement |

### What Controls Feasibility

Once the missing element is identified, these questions determine how hard the lift actually is:

- Does the agency already have legal authority?
- Is there an available funding source?
- Is the expenditure one-time or ongoing?
- Does the proposal create a new state program?
- Is urgency sufficient to support emergency action?
- Does it require regulations?
- Can implementation occur through an existing program?
- Is there an Administration sponsor and a legislative champion?
- Is the proposal sufficiently budget-related to belong in a trailer bill?

1 2 Phase 3 4 5 6

### Quick Reference: Types of Regulatory Action

| Term | Definition |
|---|---|
| Statute | Enacted by the Legislature and signed by the Governor. |
| Regulation | Adopted by an agency under delegated statutory authority, generally through the Administrative Procedure Act unless exempt. |
| Emergency regulation | Expedited regulation, subject to applicable statutory standards and review. |
| Guideline | May govern a grant or program where statute authorizes guidelines, sometimes with an Administrative Procedure Act exemption. |
| Administrative guidance or bulletin | Explains existing requirements but ordinarily cannot create authority the agency does not possess. |

1 2 3 Phase 4 5 6

## Build the Proposal and Coalition

Once the governmental pathway is identified, develop a proposal that a public partner can act on. Validate the need with local partners who can vouch for the product at each stage of the loan's life and clearly define the request: communications support, a policy change, or a specific funding mechanism.

Supporting materials should include a concise, non-technical presentation explaining the issue and the proposed solution, along with a simple quantitative financial model (ideally in Excel, built across base, downside, and severe-stress cases) showing product volume, capital needed, expected losses, leverage ratio, and public cost per dollar of financing delivered. The goal throughout is to lighten the load on the public partner. Bring the draft language, not just the ask.

### Possible Delivery Pathways

These are ways a public intervention can be structured and delivered once the ask is defined:

- Direct appropriation to a named entity, where legally permissible
- Competitive grant
- Open lender-participation program
- Contract for services
- Loan or deposit
- Guarantee agreement
- Interagency agreement
- Pass-through grant
- Joint powers authority
- State-administered reserve account

1 2 3 4 **Phase 5** 6

## Secure Adoption

Timing matters as much as content. In California, the state budget process is iterative and is not a single event. Agency development begins the summer prior, the Governor's budget is released in January, the May Revision updates it, the Legislature must pass a budget bill by June 15th, and trailer bills continue after that.

A proposal must enter the process early enough to align with this calendar. Depending on the pathway, securing adoption means engaging the Administration (ideally starting with executive-office buy-in and introductions) and, where legislation is needed, finding the right bill author. This person is ideally someone with subject-matter expertise, a seat on the relevant committee, and a working relationship with the implementing agency.

It also means recognizing that CDFIs and their coalitions face real lobbying-compliance obligations in California, which includes registration and quarterly disclosure requirements that counsel should weigh in on before this phase begins.

Throughout, the private and philanthropic fundraising track should continue alongside the public funding strategy and not wait for it. The ability to show funders what the product looks like with and without public intervention keeps both tracks honest and moving.

1 2 6 4 5 **Phase 6**

## Implement, Monitor, and Improve

Most public initiatives that fail often fail at this phase - in the gap between a bill signed and a product deployed. Before launch, confirm that enacted language and appropriation match what was proposed, identify any conditions that must be met before funds can move, stand up an implementation working group, and get program guidelines, applications, underwriting procedures, and fund controls in place. A controlled pilot can help identify deployment bottlenecks early, when program adjustments or technical amendments may still be possible rather than living with a structural defect once the program is at scale.

### Cross-Cutting Tool: Readiness Gates

The following five readiness gates can be used throughout the six-phase process to assess whether a product or its policy strategy are ready to advance. They function less as a seventh phase than as a gut-check that a coalition can run at any point to confirm that it is not showing up to a legislative ask with an unfinished product or building a beautiful product with no coalition behind it.

1 2 3 4 5 **Phase 6**

| Gate | Checklist | |
|---|---|---|
| 1 **Product readiness** | Product terms documented. Underwriting standards established. Legal and compliance review completed. Servicing and operational capacity confirmed. | ○ |
| 2 **Market validation** | Addressable market quantified. Borrower demand validated. Community stakeholders consulted. Comparable programs reviewed. | ○ |
| 3 **Financial viability** | Capital stack modeled. Public intervention quantified. Stress testing completed. Sources and uses reconciled. | ○ |
| 4 **Public-policy viability** | Correct agency identified. Legal authority analyzed. Funding source identified. Legislative or administrative pathway selected. | ○ |
| 5 **Implementation readiness** | Program administrator identified. Reporting and technology systems available. Procurement route understood. Draft statutory language, guidelines, and agreements prepared. | ○ |

# Conclusion

## From Coordination to Capital

FORGE LA was built around a community-informed approach to community economic development and disaster recovery. Research, product development, and policy recommendations were shaped by the experiences and needs of disaster-impacted communities and the expertise of the organizations that serve them

The Eaton and Palisades wildfires was an unprecedented stress test on the disaster response and recovery systems that Los Angeles residents depend on. The wildfires also tested a key premise of FORGE LA: that competing CDFIs could share data, standardize practices, and build products together without sacrificing the missions that make each institution effective in its own community. This Playbook is the record of that test.

Over nine months, The Center and 12 partner organizations pursued two parallel workstreams that produced seven disaster recovery financial products spanning forgivable loans, recoverable grants, construction-to-permanent mortgages, and acquisition lines of credit. Currently structured as two-year pilots, those products carry a combined fundraising goal of $58,650,000 and are designed to reach 181 borrowers and organizations. The pilots serve as a deliberate first proof of concept that aims to close the recovery financing gap at scale.

The second workstream, led by The Center and CalCCI, translated the same body of research into 13 policy recommendations focused on three priorities 1) institutionalizing CDFIs as recognized partners in California's disaster recovery system, 2) establishing durable state and federal funding sources for reconstruction finance, and 3) advancing reforms that make displaced residents, businesses, and institutions able to return to their communities.

Together with the Disaster Recovery Mortgage case study, these workstreams offer a model that CDFIs and other recovery partners can adapt to future disasters. The approach demonstrates how a dedicated facilitator can coordinate independently governed organizations, share data, create a shared evidence base to inform decision-making, and develop financial products and policy strategies in parallel.

The next phase of FORGE LA will put this work into practice. CDFI partners will pursue funding and deployment of the seven products, testing the underwriting assumptions and forgiveness triggers described in each term sheet against real borrower performance. The Center and CalCCI will develop a formal Policy and Advocacy Strategy to prioritize and advance the recommendations based on the level of government, governmental pathway, and degree of difficulty involved.

The collaborative will continue to test the question this Playbook first posed: whether the coordination infrastructure built for one disaster can be made durable enough to be ready before the next one.