FEMA Fact Sheet

Public Assistance

The Community Disaster Loan (CDL) Implementation Process

The CDL Implementation Process occurs in three distinct phases:
1) Application 2) Maintenance 3) Cancellation

FEMA's CDL Program Team will help guide potential applicant bridge the funding gap in order for local governments to continue providing municipal services after a substantial revenue loss due to disaster.

1. Application

- To initiate the process, the Governor's Authorized Representative (GAR) shall request activation of the CDL Program for the specific disaster(s).
- Once the FEMA CDL Program is activated the CDL Team performs outreach by visiting the potential Applicants, informing them of the federal requirements and documentation needed for qualification for a CDL.

Intake Meeting

- At this meeting the FEMA CDL Team sits down with the potential Applicant to answer any initial questions and explain the required documentation required to perform the qualifications analysis.
- Required Financial Documentation to determine CDL qualification include:
  - Operating budget for the fiscal year (FY) of disaster and/or the following FY
  - Pertinent statutes, ordinances, or regulations prescribing the local governmental budgeting, accounting, and financial reporting systems (including descriptions of each fund)
  - Official financial statements for three FYs prior to the FY of the disaster and the most recent interim financial statement
  - Post disaster projected revenues for the year of the disaster and the three FYs post-disaster, with narrative of assumptions
  - Description of revenue sources that are part of the core operating business of the government
  - Tax assessment information, including assessment dates and the dates payments are due

Qualifications Analysis

- FEMA Analysts will review all financial documentation to determine if the potential Applicant experienced a substantial loss
  - Local governments must show a substantial loss (greater than 5%) of tax and other revenues for the current or succeeding year as a result of a major disaster. 44 CFR §206.363(b)(2)
  - Loan amounts (Stafford Act Section 417(b)) shall not exceed $5,000,000 and are based on:
    - the cumulative estimated revenue loss for the FY of the disaster and the subsequent three FYs; or
    - 25% of the approved operating budget of the local government for the FY in which the disaster occurred or the subsequent fiscal year
  - If the estimated revenue loss for the FY of the disaster is at least 75% of the local government's operating budget for that FY, the loan may be 50% of the local government's operating budget for the FY of the disaster, up to $5,000,000.
  - Capital outlays and debt service (interest and principal) for capital items will be excluded in the calculation of the Applicant's operating budget. 44 CFR §206.364(b)(2)
- If the Applicant is qualified and obtains consent from their governing body, the FEMA Analyst sends the Applicant the formal application documentation.

Formal Documentation/Application

- Once the application is fully compliant, approved, and signed, FEMA will execute a promissory note to the Applicant co-signed by the state. If the state cannot legally co-sign the note, the local government must pledge collateral security. Funds will be dispersed in accordance with the terms of the note. 44 CFR §206.364(d)(2)

2. Maintenance

- In accordance with Federal Regulation to perform maintenance on the loan, the CDL Team will request the Applicant to provide audited financial statements at years two and three of the loan, and for every disbursement request thereafter. This information allows the CDL Analysts to ensure that the Applicants are still in need of the requested funds and have the proper accounting records to account for loan funds received. 44 CFR §206.365

3. Cancellation

- If an applicant can demonstrate that it had a cumulative 3-year operating deficit following the disaster and associate that deficit with a disaster related loss in revenue or unreimbursed disaster related expenditures (UDRE), the Stafford Act (44 CFR §206.366(a) through 366(d)) authorizes FEMA to cancel part or all of a CDL
- If the deficit exceeds the loan amount, the Applicant can potentially qualify to have the entire loan cancelled. If the deficit is less than the loan amount, the Applicant can potentially qualify to have the loan partially cancelled up to the deficit amount.
    - Capital outlays, debt service (interest and principal), and loan proceeds will be excluded in the cancellation analysis.
- Governments that do not qualify for cancellation must repay the loan according to terms set forth in the promissory note.
- The term of the loan can be extended to a total of ten years, with the Applicant selecting the payment schedule. Interest on the loan will continue to accrue until the loan is fully repaid.
- FEMA will execute the cancellation request form to officially cancel any qualifying loan principal and associated interest.
- FEMA will provide technical assistance to expedite the analysis and cancellation process.
- Local governments may appeal FEMA's cancellation decision within 60 days of the determination to the Associate Director for the Disaster Assistance Directorate.
- To initiate the process, the local government should contact the GAR and request an evaluation for loan cancellation.

For additional information please contact the CDL Program Manager, Martha Castro, at Martha.Castro@fema.dhs.gov.