FEMA

DISASTER ASSISTANCE FACT SHEET

Community Disaster Loan (CDL) Program

The Community Disaster Loan (CDL) Program provides operational funding to help local governments that have incurred a significant loss in revenue, due to a major disaster, that has or will adversely affect their ability to provide essential municipal services.

- The Stafford Act, Section 417, subparts 206.360 through 206.367, authorizes FEMA to provide direct loans to local governments who have suffered a substantial loss of tax and other revenues as a result of a major disaster and which can demonstrate a need for Federal financial assistance in order to perform its governmental functions. 44 CFR 206.361(a)
- 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 be based on need and shall not exceed:
    - the cumulative estimated revenue loss for the fiscal year of the disaster and the subsequent three fiscal years; or, 25% of the approved operating budget of the local government for the fiscal year in which the disaster occurred or the subsequent fiscal year; or, maximum loan cap of $5,000,000.
    - If the estimated revenue loss for the fiscal year of the disaster is at least 75% of the local government's operating budget for that fiscal year, the loan may be 50% of the local government's operating budget for the fiscal year of the disaster, but <u>shall not exceed $5 million</u>.
- The major disaster must have adversely affected the level of essential municipal services previously provided. 44 CFR 206.363(b)(2)
- State law must not prohibit local governments from incurring indebtedness resulting from a federal loan. 44 CFR 206.363(a)(1)
- 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)
- The term of the loan is five years, and can be extended to ten years, with the applicant selecting the payment schedule. 44 CFR 206.361(e)
- The interest is the rate for the five-year maturities as determined by the Secretary of the Treasury on the date the promissory note is executed, adjusted to the nearest 1/8th percent. 44 CFR 206.361(c).
- 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)
- Funds must be used to carry on existing local government functions of a municipal operation character, or to expand such essential functions to meet disaster-related needs. 44CFR 206.361(f).
- FEMA will provide technical assistance to expedite the application and approval process.
- To initiate the process, the Governor's Authorized Representative shall request activation of CDL Program for the specific disaster(s).