COMMUNITY DISASTER LOAN (CDL) PROGRAM

Application Process
Topics

- FEMA’s Traditional CDL Program
- Determining Eligibility
- Financial Requirements and Application Process
- Loan Maintenance Requirements
- Frequently Asked Questions
FEMA’s Traditional CDL Program
What is a Community Disaster Loan?

The CDL Program provides money to help local governments that have incurred a major loss in revenue, due to a major disaster.

Terms

- **Loan Duration**: 5 years
- **Interest Rate**: 5 year maturity rate, based on US Treasury, effective on date the Promissory Note is executed by FEMA
CDL Federal Regulation

The Stafford Act\(^1\) authorizes FEMA to provide direct loans to local governments who have suffered a substantial loss as a result of a major presidentially declared disaster and which can demonstrate a need for Federal financial assistance in order to perform its governmental functions.

\(^1\) - 44 Code of Federal Regulations (CFR) Section 206.361(a)
CDL Federal Regulation

The Stafford Act\(^1\) authorizes FEMA to provide direct loans to local governments who have suffered a **substantial loss** as a result of a major presidentially declared disaster and which can demonstrate a need for Federal financial assistance. The disaster caused:

- a reduction in revenues affecting essential municipal services.
- more than 5% estimated revenue loss for the FY in which the disaster occurred or the FY immediately following.

\(^1\) - 44 Code of Federal Regulations (CFR) Section 206.361(a)
CDL Federal Regulation

The Stafford Act\textsuperscript{1} authorizes FEMA to provide direct loans to local governments who have suffered a substantial loss as a result of a major presidentially declared disaster and which can \textbf{demonstrate a need} for Federal financial assistance.

- Insufficient funds to meet current FY requirements
- Required to reduce or eliminate essential services
- Whether there is availability of cash or other liquid assets from the prior FY, or other financial resources
- Danger of municipal insolvency

\textsuperscript{1} - 44 Code of Federal Regulations (CFR) Section 206.361(a)
CDL Federal Regulation

The Stafford Act\(^1\) authorizes FEMA to provide direct loans to local governments who have suffered a substantial loss as a result of a major presidentially declared disaster and which can demonstrate a need for Federal financial assistance in order to perform its governmental functions.

- Also known as essential government or municipal services
- These services can include but are not limited to:
  - Payroll for essential employees (police, fire, etc.)
  - Operational expenses

\(^1\) - 44 Code of Federal Regulations (CFR) Section 206.361(a)
How can the money be used?

- Can be used on:
  - Existing Local Operational Needs
  - Expand functions to meet disaster-related needs

- Cannot be used to:
  - Finance capital improvement
  - Repair or restore damaged public facilities,
  - Pay for non-Federal cost shares or debt service
What’s the Maximum Loan Amount?

- The loan shall not exceed $5 million.
- Lesser of:
  - Total estimated revenue loss for the Fiscal Year (FY) of the disaster and the subsequent three FYs
  - 25% of the approved operating budget (excluding debt service and capital outlay) for the FY of the disaster or subsequent FY
What’s the Maximum Loan Amount?

- The loan shall not exceed $5 million.
- Lesser of...
  - the cumulative estimated revenue
  - 25% of the approved operating budget
  - Documents approved by an appropriating body, containing an estimate of proposed expenditures and the proposed means of financing those expenditures.
  - Includes General Fund, Special Revenue, and Enterprise Funds performing basic operating government functions.
Determining Eligibility
Are You Eligible?

- Considered a local government by State law
- Must be responsible for providing essential municipal services
- State law must not prohibit the municipality from incurring indebtedness from a Federal loan
- Not in arrears on any payments due on previous loans
- Maintain an annual operating budget
Are You Eligible?

- Considered a **local government** by State law

Any eligible city, fire department, school district, etc. that the State considers a “local government” under State law

- State law must not prohibit the municipality from incurring indebtedness from a Federal loan
- Not in arrears on any payments due on previous loans
- Maintain an annual operating budget
Financial Requirements and Application Process
CDL Application Process (in a nutshell)

1. **Intake Meeting & Analyst Assignment**
   - Handshake icon

2. **Qualifications Analysis**
   - Calculator and bar chart icons

3. **Formal Application & Processing**
   - Document and checklist icons
Intake Meeting & Analyst Assignment

- FEMA meets one on one with Applicants to answer any questions
- Assigns a financial analyst to work hand in hand with each community to provide:
  - Technical Assistance
  - Guidance on Schedule/Deadlines
  - Qualifications Analysis
Qualification Analysis Preparation

- Applicant provides the necessary documentation to Analysts to perform the qualifications analysis

  ✓ Adopted Operating Budget for FY of disaster and following FY
  ✓ Pertinent Commonwealth statutes, ordinances, or regulations
  ✓ Financial Statements for 3 FYs prior to the disaster and most recent draft to date

  ✓ Description of revenue sources
  ✓ Actual revenues for the 3 immediate past FYs
  ✓ Actual monthly revenues for the FY of the disaster
  ✓ Tax Assessment information
Qualification Analysis Considers

- Analysts look at the following:
  - Historical Data
  - Projected Future Trends
  - Disaster-related Effects on Revenue
  - Post-Disaster Revenue Forecasts
Qualification Analysis Baseline

- The baseline seeks to estimate a trend on the revenues had the disaster not occurred
  - Look at historical data (3 FY pre-disaster) to project trend forward (3 FY post-disaster)
  - Identify disaster related effects to revenues
  - Forecast post-disaster revenues
  - Compare forecast with trend
Qualification Analysis Baseline

- The baseline seeks to estimate a **trend** on the revenues

Adjustments to the trend can be made if:
- A significant revenue source was brought online during the 3 years preceding the disaster;
- There was an unusual loss or revenue during that time; or,
- Applicant is aware of future revenue pre-disaster adjustments

Forecast post-disaster revenues
- Compare forecast with trend

---

Intake Meeting & Analyst Assignment

Qualifications Analysis

Formal Application & Processing
Qualification Analysis

- Applicant approves the comparison of pre and post disaster analysis
- Analyst performs evaluation to determine if Applicant experienced a substantial loss
- If qualified, then the formal application process can begin!
Formal Application & Processing

- VERY IMPORTANT - Governing body must give consent
- Analyst sends Applicant pre-populated FEMA forms
- Applicant then fills out the rest of the forms and sends scanned copy to FEMA HQ to review for compliance
- FEMA Region and Governor’s Authorized Representative (GAR) provide their recommendations
- Hard copies are sent to HQ for processing
Formal Application & Processing

- VERY IMPORTANT - Governing body must give consent
- If State is not co-signing the loan, governing body (council or board) must sign a collateral agreement.
- Acceptable collateral for FEMA is future revenues less prior commitments – account for adding collateral to next board council meeting for consent.

- Hard copies are sent to HQ for processing
Loan Maintenance Requirements
Loan Maintenance

- The federal government must maintain the CDL per 44 CFR, §206.365, Loan Administration

- In accordance with the intent of these requirements, two maintenance documents are required:
  - Disbursement Request – completed with each request for incremental disbursements
  - Annual Financial Statements – completed at the end of Applicant’s FY’s during the life of the loan
Frequently Asked Questions
Which repayment rules apply?

- 5 year loan (unless extended by FEMA)
- Interest accrues when funding is drawn
- Payments made apply to interest first, then principal
- Payments due upon maturity

How long is a community eligible?

- FEMA follows Applicants fiscal year
- May obtain a CDL the FY of the disaster or the FY immediately following
Who can apply for a CDL?

- Any entity, in the declared disaster area, that is considered a “local government” by State law. This can be anything from a city, county, borough, parish, municipality, school district, fire department, police department, etc.

What happens if Applicant qualifies but doesn’t draw funds?

- CDL is like a line of credit, interest is only accrued if you draw. A CDL can be closed through a letter to FEMA.
Can I still draw funds even if I don’t show a loss in future Financials?

- Yes

Can the loan be forgiven?

- FEMA has the authority to forgive the loan (partially or in full) based on the three FY audited financial statements post-disaster
- FEMA conducts a cancellation analysis once the Applicant’s third FY audit is available
Who are the stakeholders involved?

- Various players are involved to ensure CDL is accurate
  - FEMA’s Regional Office
  - Governor’s Authorized Representative (GAR)
  - Office of Chief Council (OCC)
  - Public Assistance Division
  - Health and Human Services
  - FEMA Finance Department

Timeline

- Schedule is based on active Applicant engagement
  - If all info is received in a timely manner, qualifications analysis occurs relatively quickly
  - Formal Application process (once HQ receives hard copies) takes about three weeks
Next Steps?

- Convey interest
- Schedule Intake Meetings
- Gather documents from Document Checklist handout

Additional Questions
Thank You!

Martha Castro, CDL Program Manager
Martha.Castro@fema.dhs.gov
Phone: 202.701.4023

Vivian Moore, CPA, FEMA CDL Lead Analyst
Vivian.Moore@fema.dhs.gov
Phone: 202.679.3055

Ben Creinin, CDL Program Coordinator
Benjamin.Creinin@associates.fema.dhs.gov
Phone: 703.785.7220