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.
- 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.
- Loan amounts may not exceed the lesser of 25% of the operating budget of the local government for the fiscal year in which the disaster occurred, or a cumulative estimated revenue loss for the fiscal year of the disaster and the subsequent three fiscal years, but shall not exceed $5 million.
- The disaster must have adversely affected the level of essential municipal services previously provided.
- State law must not prohibit local governments from incurring indebtedness resulting from a federal loan.
- Capital outlays and debt service (interest and principal) for capital items will be excluded in the calculation of the applicant's operating budget.
- The term of the loan is five years, and can be extended to ten years, with the applicant selecting the payment schedule.
- 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.
- 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.
- 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.
- FEMA will provide technical assistance to expedite the application and approval process.
- To initiate the process, the local government should contact the Governor's Authorized Representative and request an evaluation for loan eligibility.