Community Disaster Loan (CDL) Cancellations

If a borrower can demonstrate that they have a cumulative 3-year operating deficit following the disaster and associate that deficit with a disaster-related loss in revenue, including unreimbursed disaster-related expenditures (UDRE), they can have all or part of the loan cancelled, along with the related interest. 44 CFR §206.366

**Qualifying for a CDL:**
- To initiate the process, the borrower must submit a cancellation request to the Governor’s Authorized Representative (GAR).
- The CDL recipient (borrower) must provide all required documentation to FEMA.
- There must be a cumulative three-year operating deficit associated to a disaster-related loss in revenue, including increase in operating expenditures due to unreimbursed disaster-related expenses.
- FEMA will assist the borrower in submission of the Federal Application for Loan Cancellation (Form 009-0-15).

**Cancellation Analysis**
1. FEMA will analyze the audited financial statements of the borrower for the three years following the disaster by:
   - Comparing operating revenues and operating expenditures for the three years following the disaster, minus any non-operating revenues and non-operating expenditures, to produce a three-year cumulative operating surplus or deficit.
   - If a cumulative three-year deficit is calculated comparing actual operating revenues and actual operating expenditures, a revenue analysis occurs to perform a second calculation.
2. The revenue analysis helps compare pre-disaster baseline revenues, as calculated in the original loan application process, against actual operating revenues from the audited financial statements to determine if a three-year cumulative revenue loss exists.

**FEMA Makes Final Determination**
- If the calculations result in a deficit and a loss, the lesser of the two is used to either partially or fully cancel the CDL.
- If a cumulative operating surplus exists in the first calculation, no amount is cancelled.
- 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.

**Required Documentation**

1. For the fiscal year of the disaster and the three subsequent fiscal years, FEMA needs the following:
   - Copies of the Operating Budgets
   - Annual (Audited) Financial Statements
   - Actual post-disaster revenue (by revenue source) for all operating funds
   - Property tax information
   - List and description of applicable operating fund transfers and capital expenditures
2. Descriptions of various funds utilized, such as the General Fund, Special Revenue Funds of an operating nature, and Enterprise Funds.
3. Statement by the Applicant’s Authorized Representative indicating that the Applicant’s actual revenue loss is due primarily to the disaster, and not any other significant factors.
4. Insurance reimbursements received related to the disaster.
5. A list of grants received for each fund, detailed by year for the five years prior to the disaster, the year of the disaster, and the three-year period post-disaster. The FEMA Public Assistance grants must be broken down between Category A, B, and C-G.
6. If needed, actual unreimbursed disaster-related expenditures (UDRE), including supporting documentation for such expenditures.

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