



## **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, 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 canceled. If the deficit is less than the loan amount, the Applicant can potentially qualify to have the loan partially canceled 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](mailto:Martha.Castro@fema.dhs.gov).*