

Local Government Loan Programs for On-Site Sewage Repair and Replacement

The problem

Washington State has an estimated 800,000 on-site sewage systems (OSS)—a significant number of which are failing or poorly functioning. A healthy on-site sewage system treats wastewater as it spreads downward and outward through the drain field, with the water eventually entering ground or surface water. However, with a failing system, this treatment process no longer works well and untreated sewage may:

- Back up into the home.
- Puddle on the ground above the drain field.
- Enter ground or surface water.

Since sewage can contain bacteria, viruses, protozoa, and parasites harmful to people, these failures pose hazards to public health and water quality. Repairing and replacing an on-site sewage system is not cheap. Property owners can find themselves facing a bill they may not be able to afford.

The SRF and Centennial solution

A local loan program can help property owners with problem on-site systems. For about 20 years, the Washington Department of Ecology (Ecology) has loaned money to local governments through the Water Pollution Control State Revolving Fund (SRF). Local governments use these funds to establish low-interest loan programs for property owners to repair or replace their failing on-site sewage systems.

Ecology also provides Centennial Clean Water Program (Centennial) grant funds to local governments to help them defray some of the operating costs and lending risks associated with establishing and operating local loan programs. Counties and cities can use the grant funds to:

- Provide loans.
- Cover day-today costs for the program.
- Help financially distressed property owners.
- Establish a loan loss reserve account to cover their obligations should a property owner default on a loan.

MORE INFORMATION

For details about the Water Quality Program funding cycle, visit our website at:

www.ecy.wa.gov/programs/wq/funding/Cycles/FCmain.html

Contact information

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Special accommodations

If you need this document in a format for the visually impaired, call the [insert program name] at [reception phone number].

Persons with hearing loss, call 711 for Washington Relay Service. Persons with a speech disability, call 877-833-6341.

Ecology requires local governments awarded a Centennial grant for a local loan program to provide a 50 percent match. The match is typically an SRF loan for at least as much as the Centennial grant. Applicants usually request more loan dollars than grant dollars.

Setting up a local loan program

A successful local loan program has a number of parts that make up the whole. The success of the programs depends on the following program elements working well together:

- *Marketing.* Most local loan programs rely on a wide network of contacts to get the word out. These include local health departments, septage haulers, and septic system designers/installers as well as local banks and real estate professionals who provide information to people buying or selling properties with failing systems.
- *Loan administration.* To run a local loan program, the community needs to be able to:
 - Accept loan applications.
 - Review and evaluate those applications, including running credit reports.
 - Set up formal loan documents (promissory notes, deeds of trust, etc.).
 - Process loan repayments from the property owner.
 - Set up and track a loan loss reserve account. (Optional)
- *Maintenance of on-site sewage systems.* Programs to encourage OSS maintenance may include classes, survey programs, and other public outreach efforts.

The organization leading the OSS local loan program can take on all these roles or work with other public and private partners such as financial institutions, another public entity, or a community action organization.

How to apply for SRF and Centennial funding

Ecology's Water Quality Program funds on-site septic system repair and replacement programs through its integrated funding cycle. Applications are accepted every fall. Applications and guidelines are available at Ecology's annual funding workshops, the department's website, or by contacting Water Quality Program staff.

SRF loans can be used for:

- Loans to property owners with failing OSS
- Operating costs of a local loan program

SRF loans must be paid back to Ecology

SRF loans are a general obligation of the borrowing local government

Centennial grants can be used for:

- Loans to low-income property owners with failing OSS
 - Grants to low-income property owners with failing OSS
 - Operating costs of a local loan program
 - A loan loss reserve account (up to 10% of loans made)
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