

Washington's Regional Onsite Sewage System Loan Program

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Today's Presentation

- Overview of the Regional Loan Program.
- Craft3's Clean Water Loan.
- Case Study: King County.

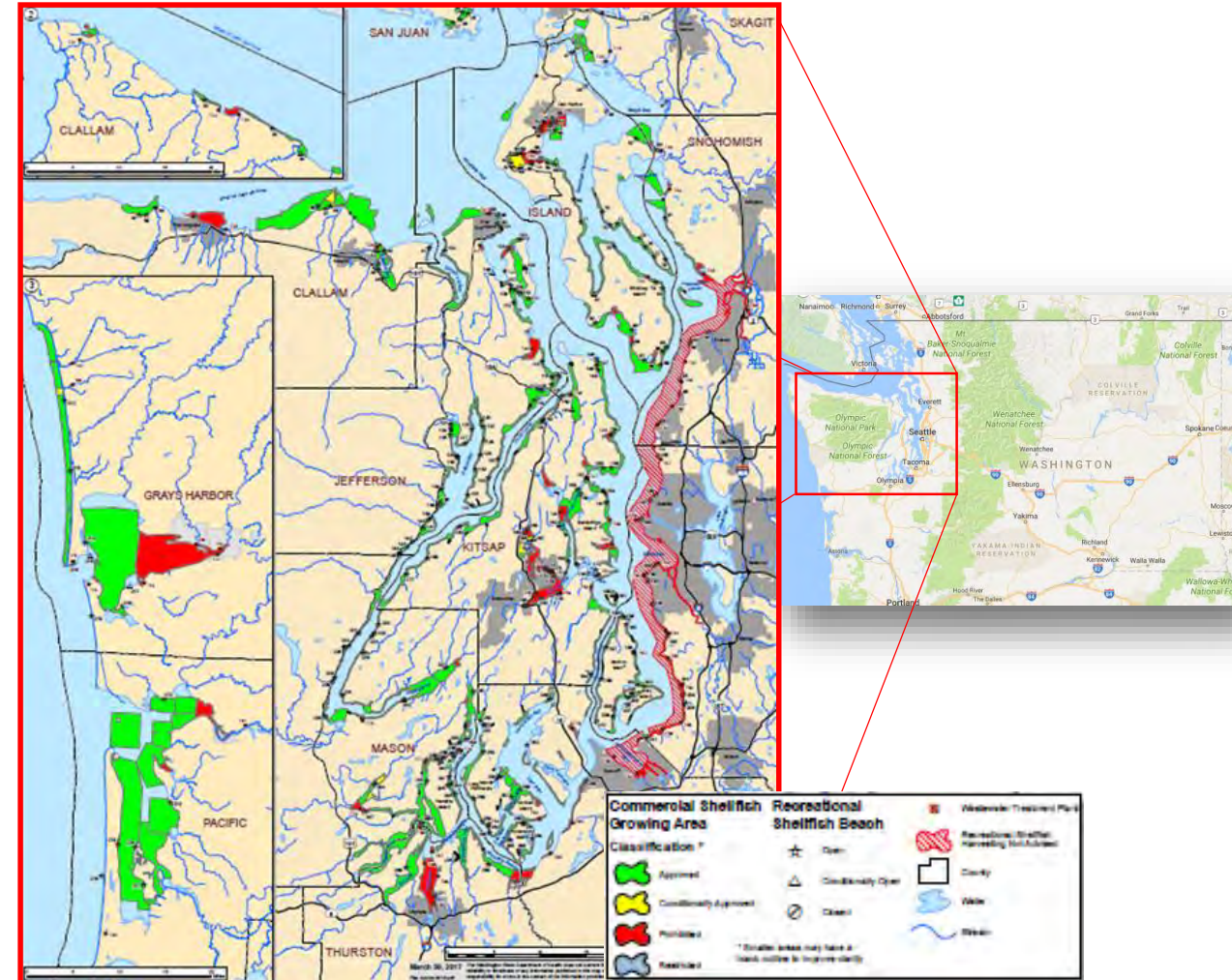
Overview of the Regional OSS Loan Program

Rebecca Brown

Department of Ecology

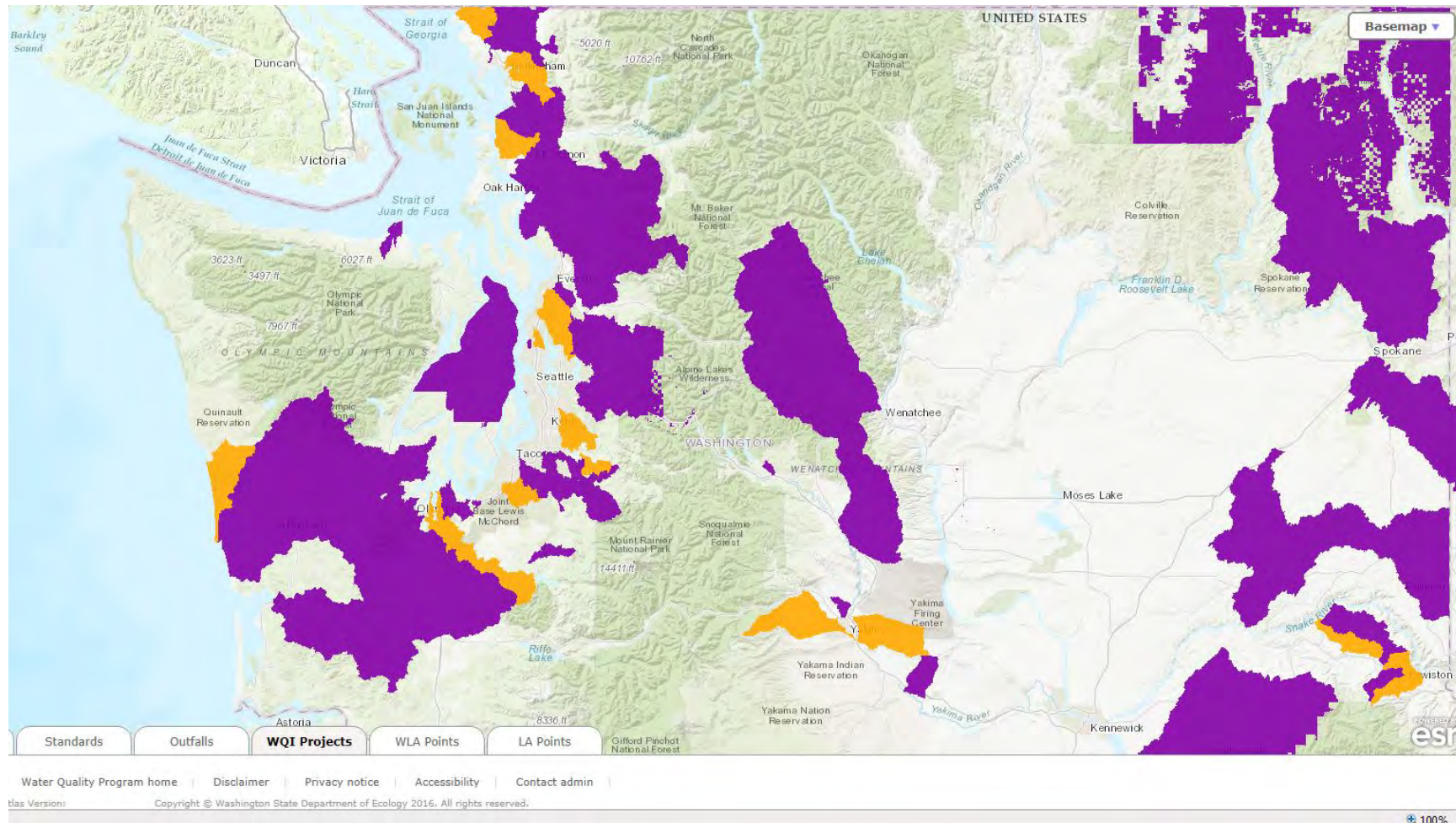
Puget Sound and Marine Water Quality Issues

- 2nd largest estuary in the US.
- Over 2,000 listings for bacteria.
- Shellfish growing beds closed due to fecal coliform bacteria.
- Marine swimming beaches not meeting the swimming criteria due to fecal coliform.

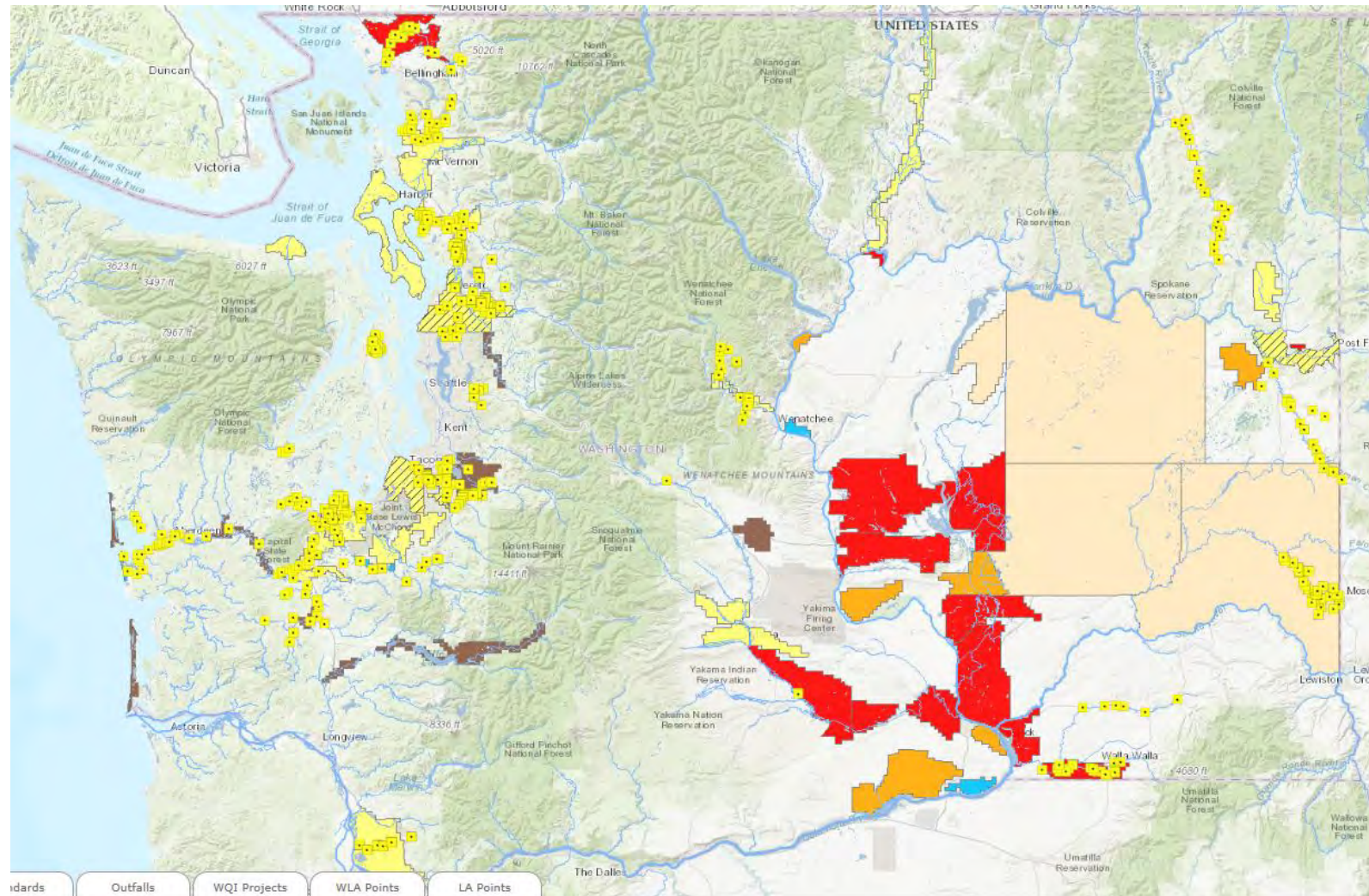


Statewide Bacteria TMDLs

(associated with but not exclusive to failing Septic Systems)



WA Fecal Coliform and Nitrate Priority Areas



Source: WA Dept. of Ecology

Washington's Onsite Sewage Systems

One-third of Washington households rely on OSS for their household wastewater:

- About one million OSS statewide
 - 600,000 in Puget Sound
- EPA estimates a 5% failure rate
 - 50,000 failing systems statewide, 30,000 in Puget Sound.
- OSS can be very costly to repair.



A scenic view of a beach with driftwood, a forested hill, and a cloudy sky. The text is overlaid on the image.

NOBODY WANTS TO SWIM IN POOP

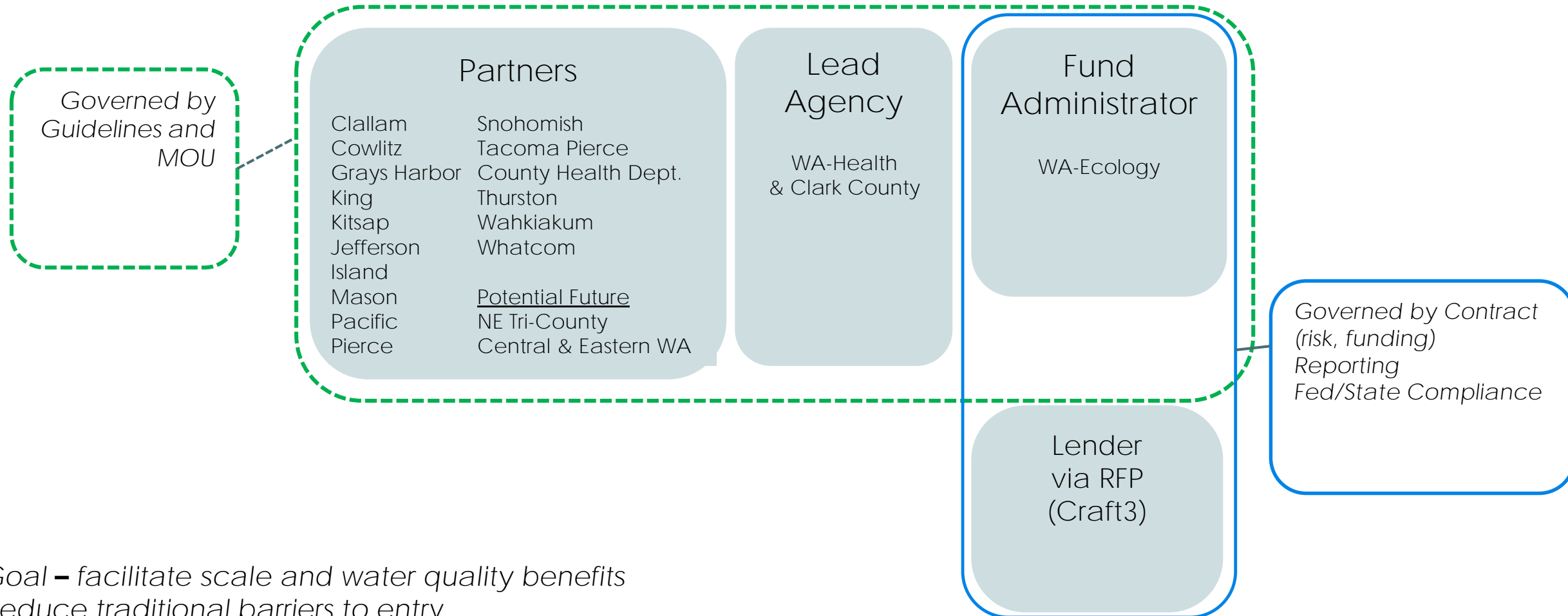
HOW DID YOUR BEACH TEST?

Regional OSS Loan Program



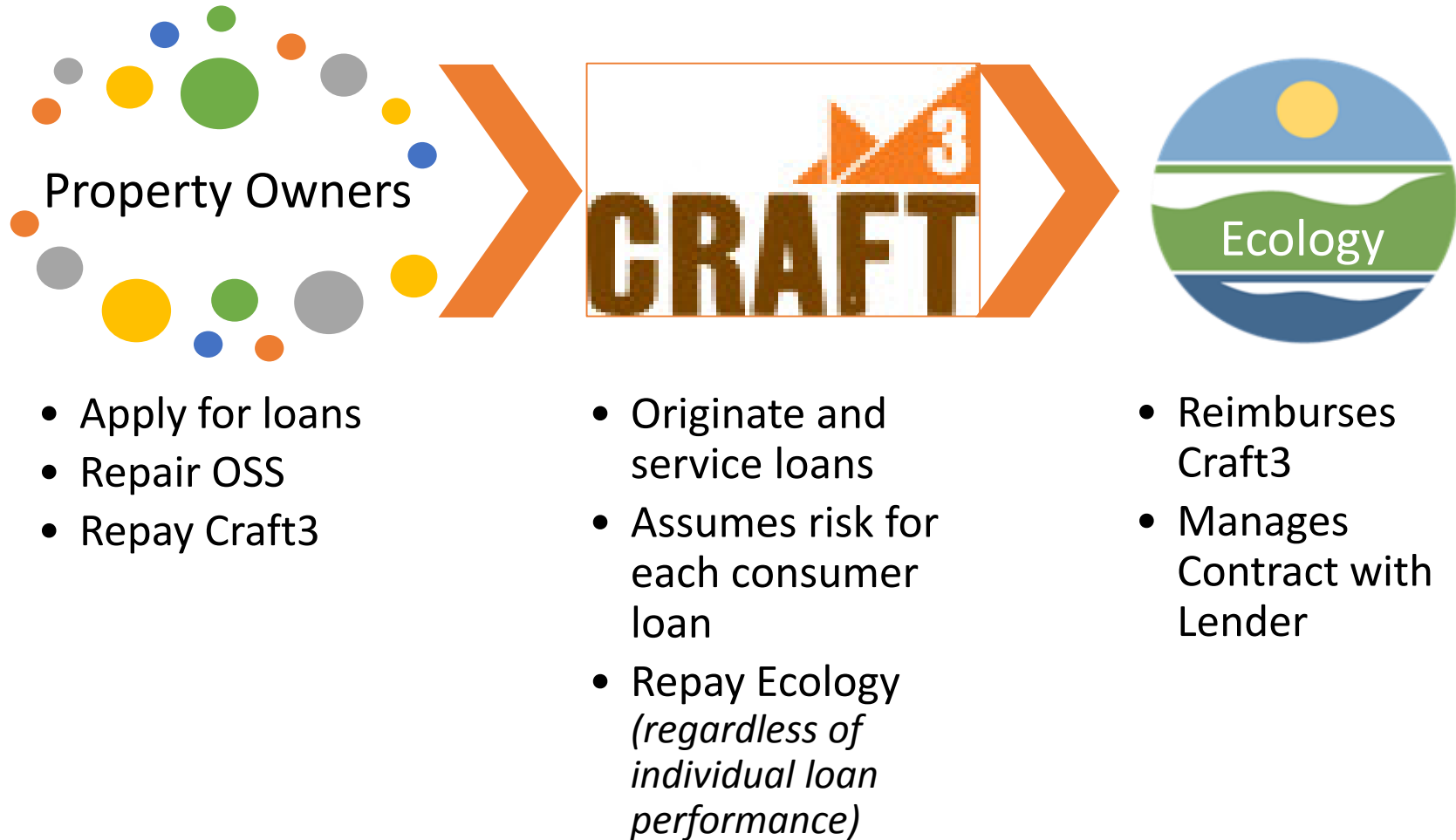
- Public-Private Partnership.
- Funded with loans and grants from Ecology.
- Craft3 manages the lending activities on behalf of local governments.
- Health oversees the program's "big picture"
- Local governments provide outreach and technical assistance.

Structure of RLP



Goal – facilitate scale and water quality benefits
Reduce traditional barriers to entry
Easy for new counties to join

Regional OSS Loan Program



Benefits of the Regional Loan Program

- Protect surface and ground water from failing septic systems.
- Protect public health.
- Provide property owners a financing option for repairs/replacements.
- Keep people in their homes.
- Allow staff to focus on water quality and health concerns.
- Save staff time and resources.



Craft3's Clean Water Loan

Desiree Sideroff

Craft3

Craft3 is a local nonprofit CDFI that provides loans to individuals and entrepreneurs



- Non-profit, non-bank 501(c)3 Community Development Financial Institution (CDFI) serving all of OR and WA
- Craft3 makes consumer and commercial loans to accomplish our mission of strengthening economic, ecological and family resilience.
- Craft3 is a fully licensed and regulated consumer lender. (NMLS ID# 390159)
- Since 1994, Craft3 has invested over \$442 million in entrepreneurs, nonprofits and individuals.
- Craft3 capital is sourced from over 100 public/private grants, loans, and investments to advance our goals.

The Clean Water Loan Product (1)

- Full cost of designing, permitting, installing, septic system (no up-front cost).
- Residential and commercial properties.
- Highly inclusive for range of property types and incomes.
- Deferred payment options for lower incomes.
- Sewer connection OK with health agency approval.
- Reserve for ongoing inspections and repairs (not CWSRF “maintenance”)



The Clean Water Loan Rates/Terms

Annual Household Income	Interest Rate	Loan Terms **	Example Project And Loan
Up to \$35,000, owner-occupied	1.99% (2.04% APR)	No monthly payments required.*** Terms up to 15 years.	\$15,000 loan amount*, no monthly payments for 179 months, 1 balloon payment of \$19,456 due on 180th month.
\$35,001 - \$55,000, owner-occupied	3.99% (4.36% APR)	Monthly interest-only payments.*** Terms up to 15 years.	\$15,000 loan amount*, 179 monthly interest payments of \$50.83, 1 balloon payment of \$15,051 due on 180th month.
Greater than \$55,000 - or - Non-owner-occupied, rental property or secondary home	4.99% (5.62% APR)	Monthly principal and interest payments. Terms up to 15 years.	\$15,000 loan amount*, \$118.58 per month, 15 year term (180 months).

APR, Annual Percentage Rate

* Loan availability, terms and conditions current as of 1/1/2017 and are subject to change. Residential property examples include financing of Craft3 \$595 loan fee. Not all applicants will qualify.

** Principal balance and interest (if applicable) due on sale, transfer, refinance or maturity. Subordination may be available with lender approval, fees may apply.

*** If, after 15 years, homeowner has not sold, refinanced or otherwise transferred ownership of the property, is in compliance with the loan agreement, and meets relevant lending/program criteria, the 15-year loan period may be extended, at the lender's sole discretion, for up to an additional five years.

Inclusive Approach to Credit



	Craft3*	Typical Lender
Maximum Debt to Income % of income for monthly fixed expenses	>50%	45%
Maximum Loan to Value (Equity) Amount owed compared to value of home	≥120%	75-80%, some up to 90%
Minimum Credit Score Craft3 uses highest score, not lowest or average	590	680 or 720, some 660
Mortgage Payment History	Up to 2 lates in last 12 months	No lates last 24+ months
Allowable Bankruptcy History	Ok if discharged/ dismissed 12+ months	None in last 5-7 years, if ever

* General Guidelines may not represent all lenders. Craft3 may issue different credit determinations on a case-by-case basis after review of each application.

Eligibility & Project Guidelines

Septic System Must be Failing: (one of the following)

- Septic system over 25 years old.
- Septic system is failing
- Owner contacted by Health Officials.
- Owner under orders to fix the septic system.

Property Types

- Owner- and non-owner-occupied properties.
- Commercial properties
- Must have existing structure
- No new development

Eligible System Fixes

- Health agency-approved/permitted designs only.
- Septic system repair/ replacement.
- Allowed expansions: only 1bdr or 25%
- Sewer connection, when approved by health agency
- No temporary fixes (drain field restoration, terra lifting)

Designer/Contractor/Installer Eligibility

- Must be on health agency approved list.

Final Funding and Disbursement

- Proper permitting required.
- Signed final invoice required.
- Health agency approval of project required.

No Income Restrictions

- Favorable rates/terms for lower incomes
- Challenges in obtaining financing extend to higher incomes.

- ** Craft3's general Clean Water Loan guidelines are referenced here. Exceptions or adjustments to the scope of the project, if desired, can occur upon approval of the Health Agency.*

Process Steps



- 1. Submit loan application online at www.Craft3.org/CleanWater.**
Paper version available
- 2. Obtain design, permits, and installation bids** *(first disbursement)*
from health agency-approved contractor.
- 3. Finalize Craft3 loan by signing documents electronically or by mail.**
50% of loan available upon signing for design, permits, installation.
Contractor must fill out ACH and W9 form to receive payment.
- 4. Oversee work by contractor to repair/replace septic system.**
- 5. Authorize Craft3 to disburse final payment** *(final disbursement)*
Send final invoice to borrower for authorization then return to Craft3.
Health agency approval of project is required for final disbursement .
- 6. Enjoy the new system and maintain it properly.**
All loans include a \$2,000 reserve to support system's ongoing health.
- 7. Repay your Craft3 loan via convenient automatic bank payments.**

Personal Impacts



The biggest benefit of the Clean Water Loan is that it is affordable: the rate, payments and payback. We love that a portion of our loan also covers future maintenance costs. It is nice to know that the money is already set aside. - Shawna Hager-Crease, Homeowner



Technical Loan FAQs

- Loan Security: UCC 1-A (not DOT)
- Property Refinance: Loan is either paid off in process or re-subordinated.
- Property Sale/Transfer:
 - Loan balance due on sale/transfer of property.
 - Loan may be transferred to new owner upon approval by Craft3 and primary lender (fee).
- Balloon Payment: If loan matures, borrowers have option to extend the loan.
- Property/project eligibility
 - Community Systems or Manufactured Home Parks
Project-specific solutions. Craft3 has lent to HOAs, MH Park owners, and individuals responsible for a portion of the overall project cost.
 - Are LOSS systems eligible?
Commercial LOSS projects may not use this funding source, but Craft3 may have other funds available to support LOSS repair/replacement.

RLP Results thus far

(Program start 7/15/16 –9/30/17)

“If it hadn’t been for Craft3, I don’t know what we would have done. You made it possible for us to keep our house!”

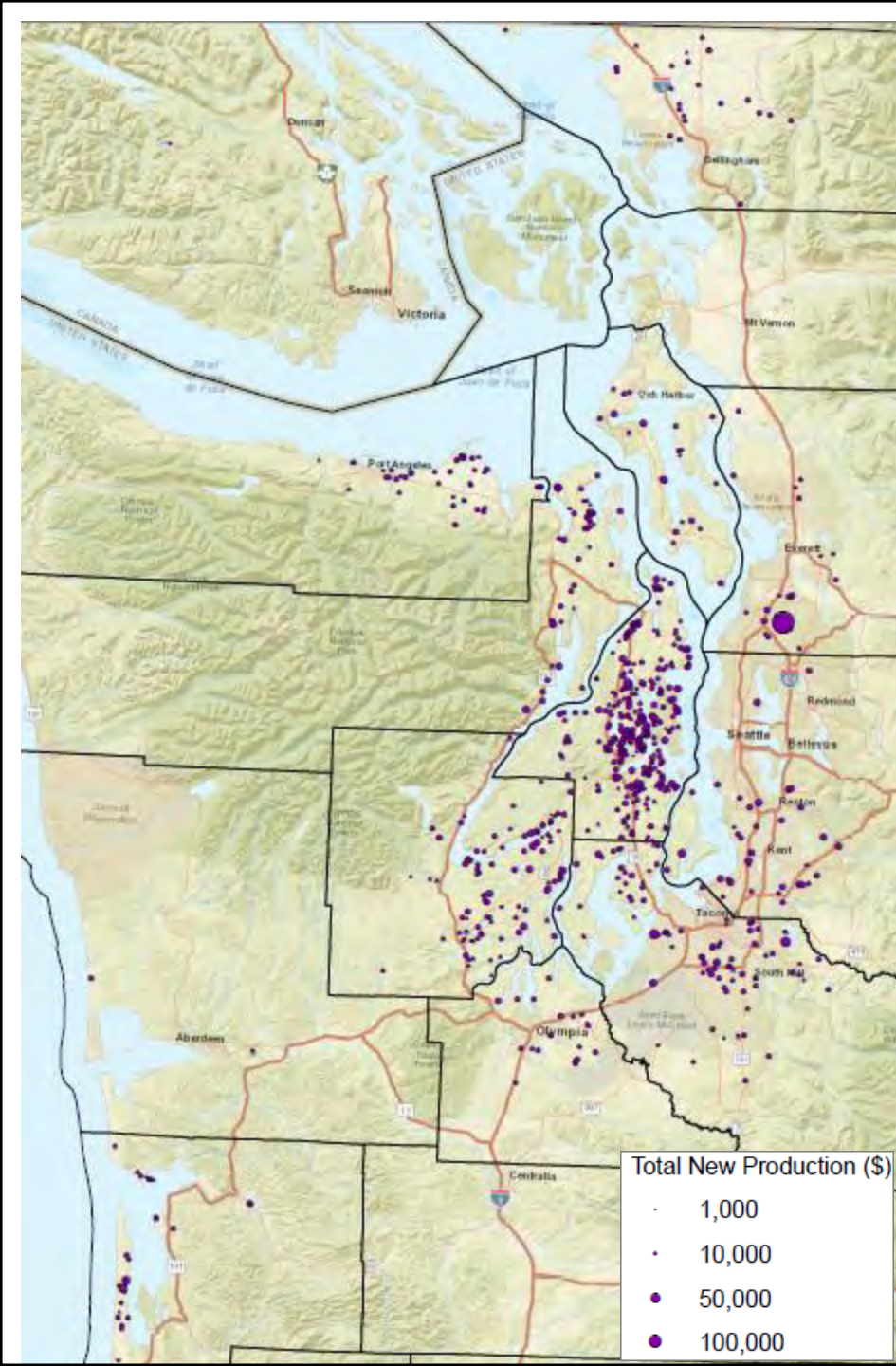
*~ Wes and Sherri Burt
Craft3 clean water client*

	Loans (#)	Loans (\$)	Low income (#)	Low Income (%)	Gallons wastewater treated/year	Average loan amount
CLALLAM	11	\$ 256,430	4	36%	1,401,600	\$ 23,312
GRAYS HARBOR	2	\$ 47,553	2	100%	262,800	\$ 23,777
ISLAND	20	\$ 525,128	6	30%	2,321,400	\$ 26,256
JEFFERSON	13	\$ 333,386	11	85%	1,270,200	\$ 25,645
KING	32	\$ 992,027	16	50%	4,861,800	\$ 31,001
KITSAP	60	\$ 1,355,393	21	35%	7,752,600	\$ 22,590
MASON	17	\$ 425,729	7	41%	2,014,800	\$ 25,043
PACIFIC	14	\$ 246,742	9	64%	1,357,800	\$ 17,624
PIERCE	40	\$ 1,165,974	13	33%	6,263,400	\$ 29,149
SNOHOMISH	19	\$ 404,255	8	42%	2,496,600	\$ 21,277
THURSTON	18	\$ 434,249	7	39%	2,452,800	\$ 24,125
WHATCOM	23	\$ 516,812	9	39%	3,372,600	\$ 22,470
TOTAL	269	\$ 6,703,678	113	42%	35,828,400	\$ 24,921

Cumulative Clean Water Loan Results

2002 – 9/30/17

- 925 Loans Closed for \$21 Million
 - Capital Sources
 - 30% Public (WA-ECY, Health/NEP)
 - 30% Private (Philanthropic grants/loans)
 - Repaid loan funds
- Over 40% to Low Income Households
- 117 Million Gallons wastewater Treated/yr
~200 Olympic size swimming pools per year
- Over 250 contractors worked on Clean Water projects
- Craft3 Clean Water Loan Average loss rate 3%
3 yr rolling



Historic and Current WA Clean Water Partners

(Alphabetical)

- Bill & Melinda Gates Foundation
- The Boeing Company Charitable Trust
- Clallam County
- Clark County
- Grays Harbor County
- Greater Tacoma Community Foundation
- Hood Canal Coordinating Council
- Island County
- Jefferson County
- King County
- Kitsap County
- Kitsap Public Health District
- Laird Norton Family Foundation
- Mason County
- National Fish & Wildlife Foundation
- Pacific Coast Shellfish Growers Association
- Pacific County
- Pierce County
- Participating OSS Professionals
- Port Gamble S'Klallam Tribe
- Public Health Seattle & King County
- Puget Sound Partnership
- Skokomish Tribe
- Snohomish County
- Tacoma-Pierce County Health Dept.
- The Russell Family Foundation
- Thurston County
- U.S. Environmental Protection Agency
- University of Washington Sea Grant
- Washington Onsite Sewage Assoc.
- WA State Department of Ecology
- WA State Department of Health
- WA State Legislature
- Washington State University Extension
- Wahkiakum County
- Wells Fargo
- Whatcom County
- Titcomb Foundation

Case Study: King County

Lynn Schneider

Public Health—Seattle & King County

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85,000 on-site sewage systems serving single & multi family homes, churches, mobile home parks, stores, commercial buildings, and others

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Spring Beach Vashon Island



**1938 Spring Beach –
Comprised of 50
cottages,
Post Office, and Store**

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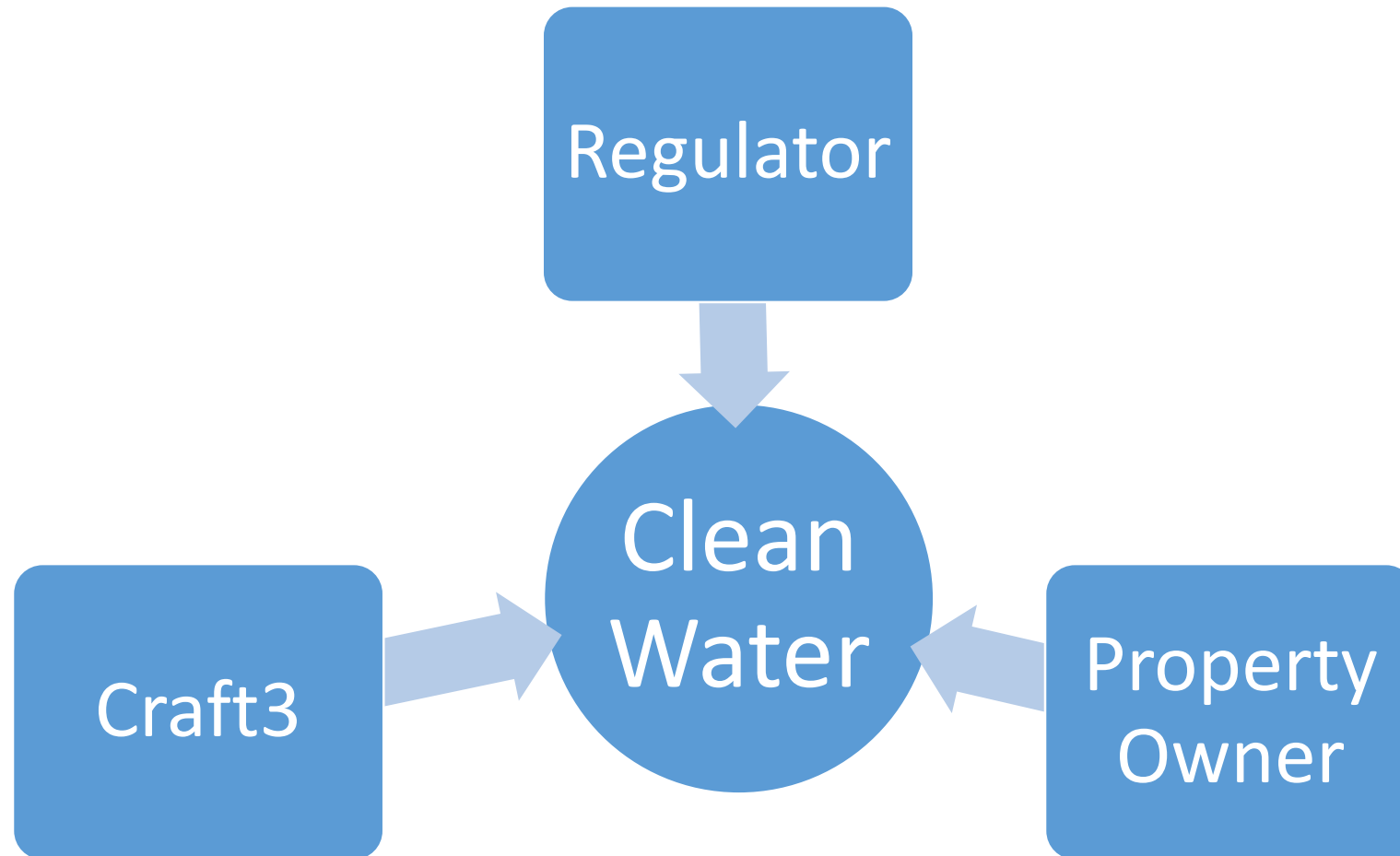


Spring Beach Before Community OSS Construction



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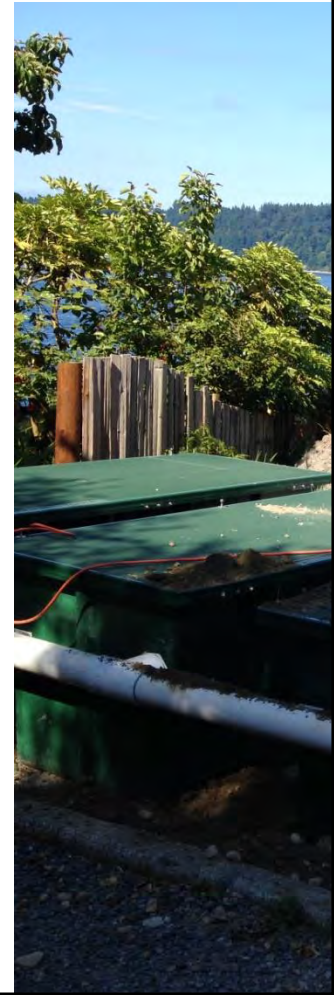


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Spring Beach Community OSS Construction



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Spring Beach Community OSS Construction



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Success! Improved health for all residents of Puget Sound!



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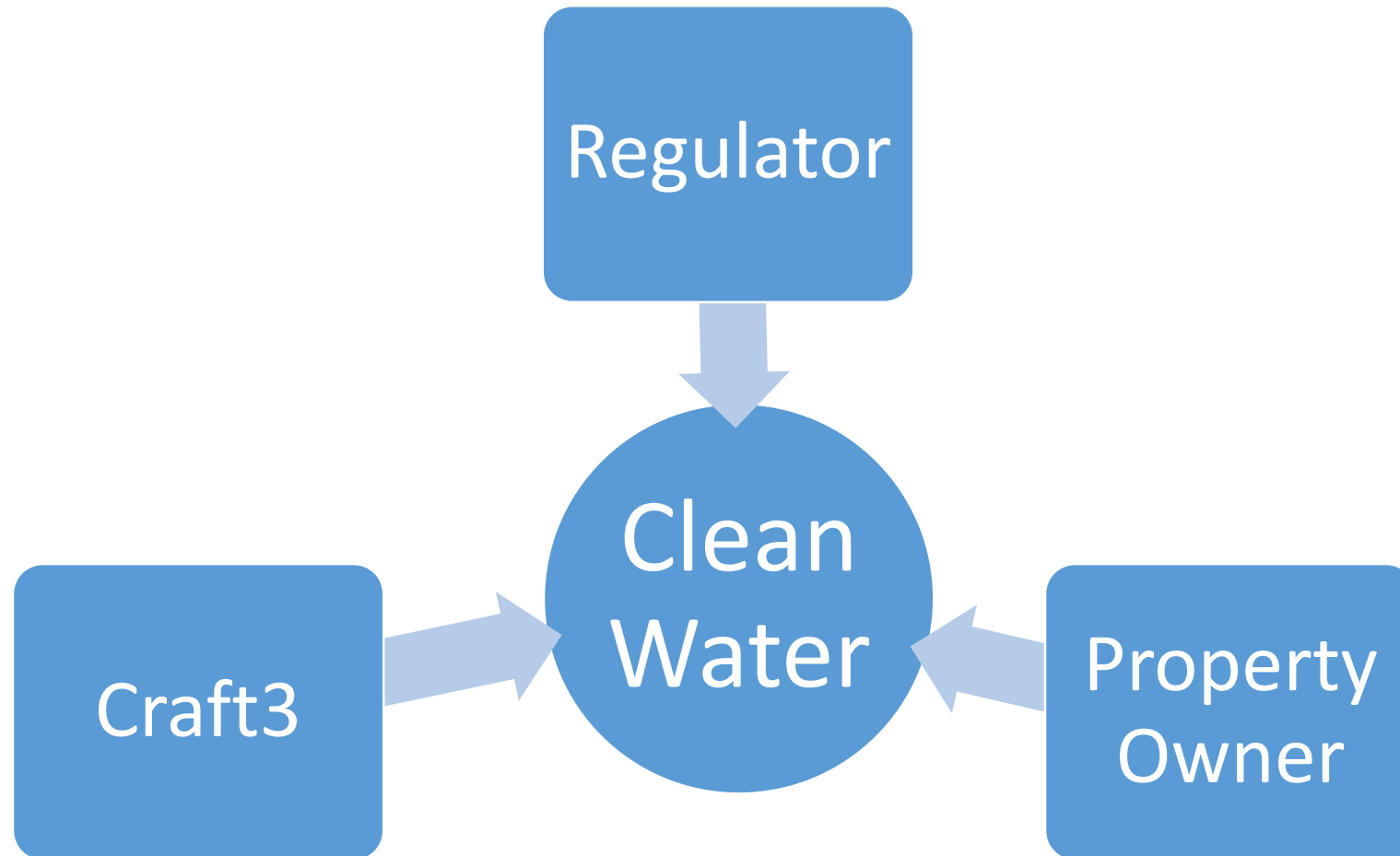
Complaint from City of Kent in 2016

**Residential home used as a transition home
for at least 10 residents at a time.**



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Success! Clean water in 2017!!!

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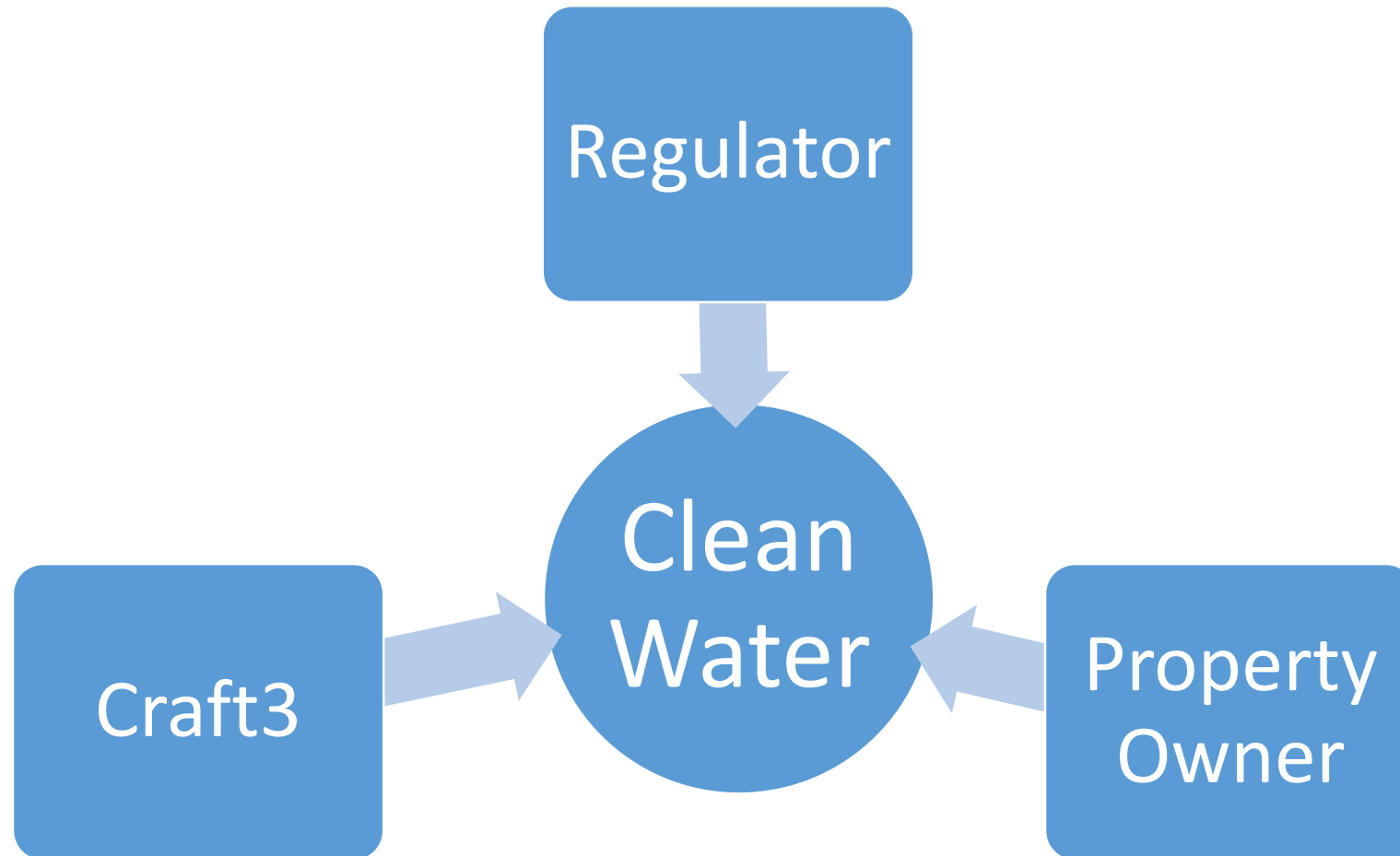
Regulator



Property
Owner

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Resources

- Ecology OSS website:
 - <http://www.ecy.wa.gov/programs/wq/funding/FundPrgms/GenOSS/OSSmainPage.html>
- Craft3 website:
 - <https://www.craft3.org/Borrow/clean-water-loans>
- Health website:
 - <https://www.doh.wa.gov/CommunityandEnvironment/WastewaterManagement/OnsiteSewageSystemsOSS>
- YouTube Video:
 - https://youtu.be/-4U_csVOEHc

Thank You