



CWSRF Financing Septic System Repairs By Partnering With State Housing Agencies

Brief Description:

Approximately 25% of all U.S. homes have onsite septic systems. An estimated 10% to 20% of these systems malfunction each year, releasing pollution to the environment and creating a risk to public health. Many states have numerous failing individual septic systems contributing to contaminated ground water. Repairing, replacing, and/or rehabilitating these systems is a high-priority nonpoint source problem. The CWSRF programs in Pennsylvania and West Virginia are addressing this water quality problem through innovative partnerships.

The Pennsylvania CWSRF program provides funding to the Pennsylvania Housing Financing Agency. The Housing Agency in turn provides low-interest (1%) loans to qualifying individual home owners to finance the needed repairs to their failing septic systems. The monthly loan payment also includes a .75% servicing and insurance fee. Loans are secured by a mortgage on the borrower's home. The maximum term of a loan is 20 years and loan repayment commences within 60 days after the date of loan disbursement. A loan must be immediately repaid in full if the property on which the project is located is either sold or transferred.

The West Virginia CWSRF program adopted Pennsylvania's example, then went beyond. In addition to the state's housing agency, the West Virginia Housing Development Fund, West Virginia also partners with the Safe Housing and Economic Development, Inc., a nonprofit organization that provides financial assistance directly to individual home owners. Beginning in 2013, West Virginia began offering principle forgiveness on the loans to some of the disadvantaged homeowners who would not have otherwise been able to afford even a very low interest loan.

Current Status:

This Best Practice is in support of President Obama's Executive Order (EO) on Chesapeake Bay Protection and Restoration, issued on May 12, 2009, along with the Chesapeake Bay Total Maximum Daily Load issued by EPA requiring Bay states,

Subobjective:

Water Quality

Type:

Financing

Highlights:

- **What:** The Clean Water State Revolving Fund (CWSRF) programs in Pennsylvania and West Virginia established innovative partnerships with their respective state housing agencies to provide low-interest loans to financially disadvantaged homeowners to repair or replace over 625 failing septic systems.
- **Who:** EPA Region 3, Pennsylvania Department of Environmental Protection, West Virginia Department of Environmental Protection, Pennsylvania Housing Financing Agency, West Virginia Housing Department Fund, Safe Housing and Economic Development, Inc. of West Virginia.
- **Why:** Failing septic systems significantly contribute to water pollution in the mid-Atlantic region. They contribute approximately 8 million pounds annually or 3.4% of the overall nitrogen load to the Chesapeake Bay. The state CWSRF programs do not have the staff to manage small loans but were established to provide multimillion dollar loans to wastewater treatment plants. On the other hand, state housing authorities have experience in working with low-income homeowners.

which include Pennsylvania and West Virginia, to accelerate actions needed to limit pollution (nutrients consisting primarily of nitrogen) inputs and restore the Bay. Onsite systems (or septic systems) contribute approximately 8 million pounds annually or 3.4% of the overall nitrogen load to the Bay. Approximately 1.7 million onsite systems were in operation in the Bay watershed in 2012, and this number is expected to increase to 19 million—a 13.5% increase—by 2015.

As of June 30, 2013, Pennsylvania has financed the repair and/or replacement of 422 septic systems totaling over \$7.2 million. West Virginia has financed the repair and/or replacement of 203 septic systems totaling over \$3.8 million. For FY2014 and forward, both states plan to continue the septic loan programs as established.

Outcomes:

Partnerships between the CWSRF programs and their respective state housing agencies resulted in financing the repair and replacement of many failing individual septic systems that might not have been addressed otherwise. As a result, this Best Practice partnership established in Pennsylvania and West Virginia has significantly reduced ground water contamination and improved water quality throughout their states. Any state identifying failing individual septic systems as a priority non-point source water quality problem should consider following Pennsylvania's and West Virginia's examples. For more information on septic tank issues: <http://www.epa.gov/septicmart>.

Lessons Learned/Recommendations:

Homeowners who can afford to do so take out a home equity loan to address their failing system without CWSRF financing. However, many homeowners need the special low-interest rate financing available only through the CWSRF program to afford the repairs. The CWSRF program can meet this financing need more easily through a partnership with another state organization that already targets low-income home ownership. Other regions interested in more information can contact Magdalene Cunningham and check out the Pennsylvania PennVest website: <http://www.phfa.org/consumers/homeowners/pennvest.aspx>.

Contact Information:

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http://water.epa.gov/grants_funding/cwsrf/cwsrf_index.cfm

