

Delaware Clean Water State Revolving Fund

Septic Rehabilitation Loan Program (SRLP)

DNREC

Environmental Finance

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Septic Rehabilitation Loan Program

- Implemented in 1993
- Need: 50% of the state's septic systems were installed prior to regulations
- Purpose: To provide low interest loans (originally 3% or 6%) to Delaware citizens to rehabilitate or replace their failing septic systems



Eligibility Requirements

- Must own the property
- Must be located within the state
- Must have had a working waste disposal system within the past 12 months
- Must meet income guidelines

Eligibility Requirements Cont'd

- Must show the ability to repay the loan
- Must have equity in the property
- Cannot have outstanding tax liens or judgments
- No major credit issues



Terms and Conditions

- Minimum loan amount is \$1,000, maximum up to \$35,000
- Interest rate is either 1.5% or 3% depending on income
- Term is between 1 and 20 years
- LTV (loan to value) is 125% for owner-occupied and 90% for rental units
- Must be secured by a mortgage lien

Terms and Conditions Cont'd

- No prepayment penalty
- Must maintain the property in accordance with any state regulations
- Inspection and pump out every 3 years
- Loan to be paid off if property transfers

Eligibility of Improvements

- Funding is available for:
 - Septic Abandonment & Central Sewer Connection
 - Septic System Rehabilitation
 - New Septic System Construction
 - Only “up-front” fee is for Credit Report
 - All other eligible costs can be added to loan (site-evaluation, design, permit, tree removal, other loan fees)

Loan Processing

- Environmental Finance office determines eligibility
- We can coordinate site evaluation, system design and permit
- Review construction proposal
- Close loan
- Authorize construction
 - pay contractor

Loan Underwriting Criteria

- **Owner-occupied properties**
 - Steady employment/income
 - Fair to excellent credit
 - Acceptable Debt-to-Income ratios(<41%)
 - Acceptable Loan-to-Value Ratio (<125%)
 - All parties to the deed must be on the loan

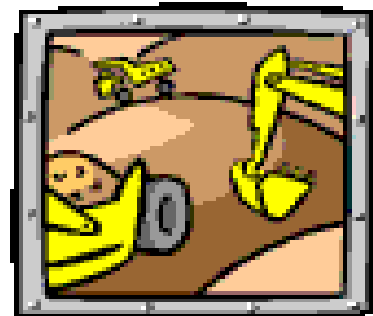
Loan Underwriting Criteria Cont'd

- **Investment properties**

- Each loan shall be the personal obligation of the owners of record
- Max 90% LTV based on property appraisal
- Renters' income must be within income guidelines
- Owner must have ability to pay

Contracting Rehabilitation Work

- Borrowers' choice -Bid vs. Waiver
 - Bid out installation, OR
 - Borrower chooses own contractor
- Must have a contract/proposal
- State wage rates apply for projects over \$45,000
- Unforeseen costs not covered



Income Eligibilities

- ❑ 1.5% loan income eligibility (see below)

Income limits must be below: Kent \$55,545, Sussex \$60,490, New Castle \$76,130 (Income guidelines change annually)

- ❑ 3% loan income eligibility (see below)

Income limits must be below: Kent \$104,765, Sussex \$114,080, New Castle \$143,520

Loan Fees

- Credit report fee \$11 for individual applicants, \$16 for married applicants
- Lien search
- Broker's opinion of value/appraisal
- Document recording fee
- No additional closing costs, points, or fees



Loan Fees Cont'd

- Technical fees can be paid by applicant or added to loan.
 - Site evaluation & review
 - Design
 - Septic permit

Alternative Funding Loan Program

- ❖ New and Improved Septic Extended Funding Option (SEFO)
- ❖ Qualifications for SEFO Loan Program
 - Applicant must be denied for SRLP
 - Applicant must be owner of property
 - NO monthly payments
 - Zero (0%)percent interest
 - Secured by due on transfer Mortgage
 - Repayment: full loan amount due when property sold or transferred/forgiven after 20 years (useful life of the system)
 - New Construction does not qualify under SEFO

Program Success

- Since July 1993, over 553 homeowners have obtained low interest loans
- Over \$9.8 million has been disbursed since 1993
- Over \$6.8 million in loan repayments have been made available to fund additional projects
- Provide hands on customer service



Program Challenges

- SRLP loans are a low percentage of our CWSRF loan portfolio
- High number of transactions as compared to municipal CWSRF loans
- Lots of staff time dedicated to receiving payments, entering payments, processing loan applications



Addressing Challenges

- Have added an online payment process
- Training additional staff in to support loan processing
- Work with regulators to funnel homeowners to our program
- Use a community action non-profit to reach low-income and underserved. They receive a fee for every application processed.

Questions?

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