

IOWA DNR TO PARTNER WITH LENDERS TO OFFER LOW-INTEREST SEPTIC SYSTEM LOANS

Introduction:

An estimated 100,000 outdated household septic systems are still in use across Iowa that do not provide adequate wastewater treatment. Old septic systems, usually consisting of only a septic tank, discharge improperly treated human sewage into ditches or underground tile lines that empty into creeks, waterways, and ravines. These old tank systems fail to meet wastewater treatment codes because they contribute to the pollution of Iowa's groundwater, streams, rivers, and lakes with pathogens and nutrients.

Upgraded "onsite" wastewater treatment systems differ from old tank systems in that they include both a septic tank and a secondary treatment system, such as a soil absorption leachfield, to properly treat wastewater before discharging it to the environment. Some homeowners with old tank systems need a financial incentive to justify the expense of upgrading to an approved onsite system that properly treats wastewater, which may cost \$3,000 or more. To help address this problem, the Iowa Department of Natural Resources (DNR) will partner with lenders across the state to begin offering low-interest loans to private homeowners who need to update or replace their existing septic systems.

Program:

Called the Onsite Wastewater System Assistance Program (OSWAP), the program limits eligibility to individual owners of *existing homes* located in rural, unincorporated areas not served by a public sewer. The program will provide loans to homeowners from local lenders at rates of 3% or less, for amounts of between \$2,000 and \$10,000, for a maximum repayment period of 10 years. These loans are not available for new homes, nor are they available for homes located within incorporated areas.

Partnering with Lenders:

The DNR plans to work with local lending institutions to issue loans to qualified applicants for approved onsite wastewater treatment systems. The DNR will buy down the loan interest rate charged to borrowers by submitting a deposit equal to the amount of each loan to lenders who approve loans. The deposit may be kept in a non-interest demand deposit account with the lender during the life of the loan, with the amount decreasing once each year to correspond with the remaining principal balance. The deposit comes from a state fund called the Onsite Wastewater Assistance Fund (OSWAF), and deposits will be transferred to lenders by the OSWAF financial agent, Williams and Company, CPA, of Spencer, Iowa.

Loan applicants must first gain approval for a loan by a local lender, which assumes the loan risk. As each loan is approved, the lender will contact the OSWAF financial agent to reserve a loan deposit from the OSWAF. After the wastewater treatment system is completed, the financial agent will transfer a deposit equal to the amount of the loan to

the lender. As borrowers repay their loans to the lender, the deposit is renewed on the anniversary date of the loan for the remaining principal balance until the loan is repaid.

Where Does a Homeowner Go for Assistance?

A homeowner seeking to participate in this loan program will first need to contact the local county sanitarian for a preliminary site evaluation and to apply for an onsite system permit. After obtaining preliminary approval for the project, the applicant would obtain project bids from septic contractors for the work to be done. The applicant could then apply for a loan through a local lender, showing the county permit and project bids.

If the applicant receives preliminary loan approval from the lender and if OSWAF funds are available, the project can be approved. The applicant may then hire a septic contractor to complete the project. After the onsite wastewater treatment system has been inspected and approved by the county sanitarian, the lender would pay for construction-related expenses and fees. The borrower then begins repaying the loan according to the terms agreed upon with the lender.

County Eligibility:

For a homeowner to qualify for a low-interest loan, the county in which the onsite system is located must have an environmental health program which conducts proper site evaluations, inspections, and management of the onsite wastewater systems funded under this loan program. A list of eligible counties is available from the Iowa DNR Water Supply Section.

Program Funds:

Loan funds will be available through the Onsite Wastewater Assistance Fund (OSWAF), a revolving loan fund established from State of Iowa appropriations and federal EPA Clean Water Act funds.

When Will Loan Funds Be Available?

The program is expected to begin in July of 2002.

More Information:

For more information about the Onsite Wastewater System Assistance Program, contact your county sanitarian, or Steve Hopkins of the Iowa DNR's Water Supply Section in Des Moines [phone: (515) 725-0346, e-mail: stephen.hopkins@dnr.state.ia.us], or John Zulk of Williams and Company, CPA, of Spencer, Iowa [phone: (712) 262-1500, e-mail: jzulk@williamscpas.com].