Goal: protect public health

- Recreation
- Shellfish

This project is supported by a Centennial Grant from the Washington Department of Ecology.
- 20 miles shoreline
- 1,000 acres of shellfish growing areas
- Seal Rock South to County line
- Brinnon Communities
Focus on Non-point source pollution
## Microbial Indicators

- **Coliform bacteria**
  - Fecal coliform
    - *Escherichia coli*

## Pathogens

- E. coli 0157:H7
- Amoebas
- Campylobacter
- Cryptosporidium
- Giardia
- Hepatitis
- Salmonella
- Shigella
- Vibrio

## Diseases

- Amoebiasis
- Campylobacteriosis
- Cryptosporidiosis
- Dysentery
- Giardiasis
- Hepatitis A
- Salmonellosis
- Shigellosis
- Vibrio Infection
- Viral Gastroenteritis

## Pollution Indicators

- **Nutrients**

## Pollutants

- Nitrogen
- Phosphorus

## Pollution

- Algal Blooms
- Toxic Algae
- Fish Kills
WA Department of Health

- Duckabush Commercial Shellfish downgrade area
- Closed to shellfish harvesting from May 1 to October 31 each year, when fecal coliform concentrations are highest or until water quality at these stations improves.
- It is expected that the recreational shellfish area will have similar restrictions.
Suspected sources

1. Onsite Septic Systems (OSS)
2. Pet waste
3. Wildlife
4. Livestock
Septic permits

Within the Brinnon area

- 1224 septic case files
- ? Pre-permit- Installed before permits were required (1970)?

**SEPTIC SYSTEM STATUS IN PROJECT AREA**

- Pre-1986: 42%
- 1986 or Newer: 39%
- Never Finalized: 12%
- Pending or Approved: 4%
- Violation: 2%
- Incomplete: 1%
Two Main Project tasks

- **Water Quality Monitoring**
  - River, Stream, & Shoreline surveys for bacteria
  - Stream trend monitoring and nutrient sampling (for nitrogen, phosphorus)
  - Sampling marine waters for bacteria to add to Dept. of Health data

- **Pollution Identification and Correction**
  - Hot spot investigations
  - Septic system sanitary surveys
  - Onsite septic code enforcement
  - Septic system repair financial assistance
Sanitary Surveys Include:

- Researching Records

Door-to-Door surveys
Providing tips for a long (septic) life

- Spread laundry out through the week
- Fix leaky faucets and running toilets
- Avoid liquid fabric softener
- Dispose of pet waste into the garbage
- Do not use additives
- Do not flush chemicals, medications, or toxics
- Don’t drive on or park on the drainfield or transport lines
- Landscape drainfield or mound with shallow-rooted plants
Informing homeowners about Operation & Monitoring Inspections requirements

- Every 3 years (conventional)
- Every year (alternative)
- Time of sale of property
- When applying for new permits
Septic Operations & Maintenance Inspections – Current Status in the Brinnon Area
OK
Hose connected to permitted septic system

NOT OK
Hose drains to bushes (that includes just greywater)
Check for safety issues
Owners of septic systems are responsible for ensuring the systems are safe and function properly, including having a secure lid on the tanks.
dye testing to locate potential problems
Financial Assistance for Septic System Repair

- Craft3 Septic Loan
- USDA Rural Assistance Program
Financing Clean Water
Craft3 is a nonprofit that provides loans to entrepreneurs and individuals

- Since 1994, Craft3 has invested over $420 million in entrepreneurs, nonprofits and individuals.
- Craft3 loans align with our mission of strengthening economic, ecological and family resilience.
- Loans are available in the urban and rural communities of Oregon and Washington.
- 7 regional offices with 56 employees.
- Capital from over 100 public/private grants, loans, and investments to advance our goals.
The Craft3 Clean Water Loan helps repair or replace failing septic systems

**Loan Features**
- Full cost of designing, permitting, installing, maintaining septic system.
- Competitive rates, no up-front cost.
- Highly inclusive for range of property types and incomes.
- Deferred payment options may be available for lower incomes.
- Sewer connection OK when approved by health jurisdiction.
Clean Water Loan Eligibility

• **Property Type**
  • Residential and commercial properties
  • Owner- or non-owner occupied, includes 2nd homes, rentals

• **Geography**
  • OR: State-wide
  • WA: 13 counties Clallam, Grays Harbor, Jefferson, King, Kitsap, Mason, Pacific, Pierce, Island, Snohomish, Thurston, Wahkiakum, Whatcom (future: Clark)

• **One of the following must apply**
  • Septic system is at least 25 years old
  • Septic system is failing
  • Owner contacted by health officials
  • Owner under orders to fix system
Detailed 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
- County-approved/permitted designs only.
- Septic system repair/ replacement.
- Allowed expansions: only 1bdr or 25%
- Sewer connection, when approved by health agency

Designer/Contractor/Installer Eligibility
- Must be on health agency approved list.

Final Funding and Disbursement
- Signed final invoice required.
- Proper permitting required.
- Health Jurisdiction 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 Local Health Jurisdiction.
Ineligible Projects*

- Temporary projects (e.g. jetting, terra lifting)
- Expansions beyond 1 bedroom
- New Construction
- Non-permitted projects
- DIY projects not completed by agency-approved contractors

*Exceptions on case-by-case basis, upon consultation with health agency.*
# Clean Water Rates & Terms Residential

<table>
<thead>
<tr>
<th>Annual Household Income</th>
<th>Interest Rate</th>
<th>Loan Terms up to 15 years **</th>
<th>Example Project And Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $35,000, owner-occupied</td>
<td>1.99% (2.04% APR)</td>
<td>Borrower may choose to have: Deferred payment*** Interest-only payments*** -or- Fully-Amortized payments.</td>
<td>Deferred Payment Option: $15,000 loan amount*, No monthly payments for 179 months, 1 balloon payment of $19,456 due on 180th month.</td>
</tr>
<tr>
<td>$35,001 - $55,000, owner-occupied</td>
<td>3.99% (4.36% APR)</td>
<td>Borrower my choose to have: Interest-only payments.*** - or- Fully-Amortized payments.</td>
<td>Interest-only Payment Option: $15,000 loan amount*, 179 monthly interest payments of $50.83, 1 balloon payment of $15,051 due on 180th month.</td>
</tr>
<tr>
<td>Greater than $55,000 - or - Non-owner-occupied, rental property or secondary home</td>
<td>4.99% (5.62% APR)</td>
<td>Fully-Amortized payments of principal and interest.</td>
<td>Fully-Amortized Repayment: $15,000 loan amount*, 180 monthly principal and interest payment of $118.58.</td>
</tr>
</tbody>
</table>

** 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.

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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 Craft 3 $595 loan fee. Not all applicants will qualify.

---

Lending to people, Investing for resilience
Craft3 offers an inclusive approach to credit

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

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


2. Obtain design, permits, and installation bids 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 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.
How the O&M Reserve Works

• **$2,000 included in every loan for O&M for 10 years**
  - No interest or payments until funds used
  - Talk with Craft3 is increased O&M amounts are needed

• **Funds can be used for items such as**
  - Inspections
  - Minor repairs
  - Maintenance contracts

• **How O&M Payments Work:**
  - Borrower send invoice to Craft3 for reimbursement  **OR**
  - Borrower authorizes Craft3 to pay provider directly
Stories

**FLORIDALMA TORRES & SHAWNA HAGER-CRASE**

Floridalma Torres has lived in her East Portland home for 15 years. She shares it with her son Anthony, his fiancé Shawna and their three children. The family loves their quiet neighborhood and surrounding natural wildlife.

They first found out there was a problem when the plumbing started backing up. Shawna arranged to have the septic pumped and thought it would be fixed. But it wasn’t.

She wasn’t sure how to proceed. They were in the middle of foreclosure and a loan modification. It didn’t make sense to invest in a new septic system if they had to move. So they figured out a temporary fix, but knew it would only last as long. The mortgage came through just as the septic tank collapsed and left a sinkhole in the backyard.

Shawna contacted a local septic professional and received an estimate for replacement, about $20,000. A web search revealed a few options. They could take out a second mortgage but payments would have been about $500 per month—more than they could afford. Then they found CRAFT.

Knowing how important running water and flushing toilets are to a family of six, CRAFT worked quickly to get loan documents signed and the contractor replacing the septic.

**MISSION IMPACTS**

117,500 gallons wastewater treated
1,000+ real estate assets preserved

**IN THEIR WORDS**

“The biggest benefit of the Clean Water Loan is that it is affordable—the rate, payments and paycheck. We love that a portion of our loan also covers future maintenance costs. It is nice to know that money is already set aside for pumping every three years.”

—Shawna Hager-Crase

Homeowner

**CLEAN WATER LOAN**

Portland, Oregon

**CLEAN WATER LOAN**

Chinook, Washington

**DANIEL AND ANNA LEE**

Dan and Anna Lee met years ago, then went separate ways to raise families. But as luck would have it, they reconnected through social media and settled down together in Chinook, Anna Lee’s childhood hometown.

They weren’t so lucky when six months after purchasing their home, the toilet quit flushing. Dan and Anna Lee spent the winter running to and from a rented porta-potty in the back yard. New systems are expensive—they couldn’t afford to buy one outright.

Then their installer told them about the CRAFT Clean Water Loan. CRAFT gave Dan and Anna Lee an affordable loan that didn’t require any money upfront. The loan let them repair their system—protecting the nearby waterway and keeping them in their home.

The Clean Water Loan is an inclusive and affordable way to pay the full costs of designing, permitting and installing a septic system. It supports families and the environment by helping property owners stay in their homes while reducing sources of disease and contamination in local waterways.

CRAFT currently offers the Clean Water Loan to residents in select counties of Washington and Oregon. To see if your area is eligible, visit www.Crafts.org/CleanWater.

**MISSION IMPACTS**

137,400 gallons wastewater treated
$98,000 real estate assets preserved

**IN THEIR WORDS**

“Without the Clean Water Loan, moving out of our home would have been the only option. I just didn’t have that kind of money without it being a huge burden. Getting the loan was a ton of bricks off of my shoulders. Big huge thank you!”

—Daniel Heagy, Homeowner

Lending to people, Investing for resilience
Impact of the Clean Water Loan
program start through 03/31/17

<table>
<thead>
<tr>
<th>$17.9 million</th>
<th>Invested in Clean Water projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>804</td>
<td>Septic systems repaired or replaced</td>
</tr>
<tr>
<td>101 million</td>
<td>Gallons of wastewater treated every year</td>
</tr>
<tr>
<td>45%</td>
<td>Loans to low-income households (under 80% county AMI)</td>
</tr>
<tr>
<td>Over 225</td>
<td>Local septic professionals working on Clean Water Loan projects</td>
</tr>
</tbody>
</table>

“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
Learn more, apply, or contact us

[Hyperlink to Clean Water program]

Consumer Lending Manager
Jena Ross, VP
CleanWater@Craft3.org
(888) 231-2170 ext. 171

PROGRAM MANAGER
Desiree Sideroff, SVP
dsideroff@craft3.org
(888) 231-2170 ext. 109
Section 504 Loans & Grants

USDA Rural Development
Port Angeles, WA
August 2017
A great program!

- Very low income homeowners/occupants
- Grants for seniors that can’t repay a loan
- Loans to improve, modernize, repair
- Grants to remove health or safety hazards or make them handicapped accessible
Processing

- Process the same as a 502 except as described in Chapter 12 of Handbook
- Cannot be assumed except for Same Rates and Terms 2.4.B of Handbook
Restrictions on 504 funds

- New dwelling
- Repair a house in such poor condition that when repairs are done it will still have major hazards
- Move a mobile home
- Pay for off-site improvements except for necessary utilities
- Refinance debts incurred before date of application (except utilities)
Restrictions on 504 funds (cont)

- Packaging fees to for-profit entities
- Site preparation (grading, fences)
- New decks (can repair existing)
- Concrete or asphalt driveways (unless for accessible & useable for household members with disabilities).
- Landscaping
Manufacture Homes

- Applicant must own site and home
- Repairs to remove health/safety hazards
- Home is on a permanent foundation, or will be put on a permanent foundation with Section 504 funds
  - Full below-grade foundation
  - Blocks, piers, or some type of foundation with skirting, anchoring and tie-downs
Hazards and Major Hazards

- **Hazard** – condition that jeopardizes the health and safety of the occupants or members of the community, but does not make it unfit for habitation.

- **Major Hazard** – condition so severe that it makes the property unfit for habitation.
Processing

- Inspection within 30 days
- Take photos
- Write up repair list and send to applicant with instructions to get bids
- Applicants solicit bids – 2 if possible
- Review budget, income and credit to determine eligibility for loan/grant
- Check DO NOT PAY and infile CR for all applicants
Applicant Eligibility

- Must be very low income
- Credit requirements less stringent than 502
- Assets same as 502 except only assets that can be converted to cash within 90 days are counted
- Budget must show ability to repay loan
- Budget must show they can’t repay a loan if a grant is made
- For grant – at least one applicant must be 62 or older
- Must own and occupy property
Leasehold interests

For loans - unexpired term at least 2 years beyond term of note

For grants – remaining term must be at least 5 years
Other types of ownership

- Land purchase contract acceptable if current on pymts
- If standard documentation not available, may demonstrate ownership by presenting:
  - Records of local tax authority
  - Affidavits by others in community
    - At least 10 years occupancy
    - Generally believed to be the owner
  - Other commonly accepted documents
Assets

Only assets that can be converted to cash within 90 days are included in calculation of nonretirement assets

Limit on nonretirement assets
- $15,000 for non-elderly families
- $20,000 for elderly families

Retirement assets that can be withdrawn
- Don’t count if applicant is retired
- Limited to market value equal to median household income if applicant is not retired

Exceptions possible for families experiencing high medical costs
Credit Reports

- No credit reports for grant applicants
- Loan of $7500 or less – no credit report
- Loan of $7500 or more – CR required
- Less stringent credit requirements
- No charge to applicant for CR
- Outstanding judgement by United States (except tax court) - not eligible
Property Requirements

- Modest – no swimming pools
  - Value must not exceed area loan limit
- Income producing is ok as long as funds are used on residential portion
- Appraisals required for
  - For new loans in excess of $15,000
  - For subsequent loans, only if outstanding RD debt exceeds $15,000
  - fee can be included in loan
- Document the estimated value in file if no appraisal is required
Construction Standards

- Must remain modest
- Do not need to be brought up to RD development standards
- Do not need to meet RD thermal standards
- Not necessary to remove all existing hazards provided the property does not continue to have major health or safety hazards
Rates and Terms

- 1% Interest on loans
- Max term is 20 years
- For loan/grant combo – term must be 20 years
Max loan and grant amounts

- Outstanding balance of all 504 loans can’t exceed $20,000
- $7,500 lifetime limit on grants
Security Requirements

- If total 504 debt is $7,500 or more – mortgage required
- Total of all debts secured by property may not exceed market value
- Do not need 1st lien position
- If total debt is less than $7,500 – Promissory Note only
- Loans less than $7500 can be closed in office. $7500 or more – title co.
Grant Approval & Disbursement

- Send HB letter 12 “Notification of Approval”
- Grant Agreement, Form 3550-24 must be signed before funds are disbursed
  - If house sold within 3 years, the grant must be repaid
  - File with promissory notes in safe – copy in case file
- Document amount on 504 grant list in Operational file
Escrow, Taxes and Insurance

- If total debt exceeds $15,000, insurance is required
- Escrow if not being escrowed by another lender
- Flood insurance required regardless of the amount of loan if located in Special Flood Hazard Area
- For grants over $5000 – flood insurance required at approval (grant funds may be used to buy flood insurance)
Review differences

Review Attachment 12-A – differences between 504 loans and grants

Review Attachment 12-B – differences between 502 and 504 loans