



Home Sewage Treatment System Repair and Replacement Financing

The Ohio Water Pollution Control Loan Fund (WPCLF), in conjunction with local health districts and participating banks, can offer individual property owners reduced interest rates on bank loans to repair or replace failing home sewage treatment systems (HSTS), also known as on lot systems or septic systems. This funding reduces the overall cost of the improvements for the property owner and helps insure effective wastewater treatment.

How does the program work?

To do this, the WPCLF invests funds, usually through certificates of deposit, with participating local lending institutions at rates of interest that are below market. In turn, the lenders then make loans to qualifying borrowers at interest rates that are lowered by the same amount as the interest rate reductions that the WPCLF takes on its investment.

Generally, any repair or complete replacement of a failing HSTS is eligible for the program. This work may include installing a private service lateral, connecting it to an existing, publicly-owned sanitary sewer, and then abandoning the failed HSTS. The WPCLF offers a similar program for connections of homes to new central sanitary sewers, where the latter do not currently exist.

How does a local health district participate in the program?

If a local health district wants to have a linked deposit HSTS loan program, it needs to submit a WPCLF nomination form to Ohio EPA's Division of Environmental and Financial Assistance (DEFA). If DEFA determines that funds are available for the proposed program, the health district needs to prepare a program management plan. The plan should include the following:

- an estimate of the number of failing systems it expects to fund and the related costs;
- the types of improvements that will need to be made to bring the systems into compliance;
- a description of how it will monitor the performance of the HSTS installations receiving funding for compliance with local and state regulations;
- information about how property owners receiving funding will be educated on the proper operation of the system, including periodic system maintenance; and
- information about whether a bank(s) has expressed interest in participating in the program.

Upon approval of the health district's program management plan by DEFA, the health district will enter into an agreement with Ohio EPA for the implementation of the HSTS linked deposit program, which includes Ohio EPA's commitment to making the funding available. It is important to note that a formal agreement between a participating bank and Ohio EPA will need to be in place before the program can actually function.

What is a participating bank?

A participating bank is a financial institution that has entered into a formal agreement with Ohio EPA to provide financing to eligible property owners through the HSTS linked deposit program. Banks can participate in the program after the health district has established a HSTS linked deposit program with Ohio EPA. The program generally relies on the health districts and their respective counties to establish contacts with interested banks, and then refer the banks to Ohio EPA so that the formal agreement can be implemented.

Ohio EPA agrees to invest in a bank certificate of deposit (CD) for the eligible amount and term of each HSTS loan that the bank approves, and the bank agrees to offer a discounted interest rate to eligible property owners.

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Ohio EPA will accept up to 5 percent less than the market rate of interest on its CD so that the bank can pass that interest discount on to the property owner through the HSTS loan. However, in no case will the WPCLF linked deposit investment rate be less than 0 percent. The effective rate to the borrower will depend upon the lender's normal rate structure. For example, if the bank's usual rate is 8 percent, the HSTS discount could result in an interest rate to the property owner as low as 3 percent.

The bank distributes the loan funds, receives the property owner's repayments, and provides periodic HSTS program reports to Ohio EPA.

How does a property owner participate in the program?

The local health district must have an established linked deposit program with Ohio EPA in order for a property owner to participate in the program. Property owners interested in this funding should check with their local health district to see if they participate in the program. The property owner must find out what kinds of repairs or replacements are needed for their system and the finished system must meet the construction and operational requirements of the local health district.

The property owner gets estimates for the work to be performed from licensed installers, and the health district then issues HSTS permits and a letter that certifies that the property owner has qualified for the program. This allows the property owner to receive the funds for the HSTS work at the reduced interest rate for the loan.

The property owner takes the certificate letter to a participating bank. The property owner follows the bank's usual loan application process, and the bank determines whether to award the loan to the property owner. Once the loan is approved, the bank will distribute the funds to either the property owner or their designated contractor for the HSTS work (this will depend on the conditions and terms of the loan). When the improvements have been completed, the property owner is responsible for regular maintenance of the system and making loan repayments to the bank.

More Information

For more details about the WPCLF, current interest rates, loan terms and activities eligible for funding, contact the Division of Environmental and Financial Assistance at (614) 644-2798 or visit epa.ohio.gov/defa.