

# PENNVEST Homeowner Septic Loan Program

## Background

The Pennsylvania Infrastructure Investment Authority (PENNVEST) has teamed with the Pennsylvania Housing Finance Agency (PHFA) and the Pennsylvania Department of Environmental Protection (DEP) to offer this special funding program. Loans are available to eligible homeowners who need to

- Repair or replace their existing lateral to a public sewer system
- Connect an existing home to the public sewer system for the first time.
- Repair or replace their individual on-lot septic system.

## Loan Terms

- Fixed interest rate for life of loan, currently as low as 1.75 percent
- Up to 20 years to repay the loan balance (up to 15 years for manufactured homes)
- Maximum loan amount is \$25,000
- Affordable payments: A \$15,000 loan at 1.75 percent (2.55 percent APR) for 20 years, would have a monthly payment of only \$75. At the maximum loan amount of \$25,000 at 1.75 percent (2.22 percent APR) for 20 years, the monthly payment is \$124. <sup>1</sup>
- No household income limits.

<sup>1</sup> Subject to credit approval and eligibility restrictions including loan use and owner occupancy. Interest rate quoted as of 1/1/2023. The APR is fixed for the term of the loan. Borrower pays origination and closing charges. Sample payments based on \$15,000 and \$25,000 loan examples have twenty year term and 240 payments. Total finance charge for a \$15,000 loans is \$3,869 and for a \$25,000 loan is \$5,727.

## General Requirements<sup>2</sup>

- Applicants must reside in the home that needs the sewer or septic work. They may not borrow to pay for work at a rental property, business or a family member's home.
- Applicants must own at least 50% of the property.
  - This requirement addresses the number of people who are owners of the home that needs sewage management work. For example, a husband and wife both on the home's deed are typically each considered 50% owners of their home. If three sisters are on the deed, then they each own a third. One sister would need to sell her ownership interest to her other siblings so that they could apply.

- The home itself and the septic system and sewer lateral may not be located in an A or V flood zone, even if the homeowner has NFIP (government) flood insurance. If any part of the property (i.e., the yard) or an outbuilding or deck is in one of these zones the homeowner must maintain NFIP flood insurance for the term of the loan.
- Applicants' debt to income ratios may not exceed 45%, typically, and 47% with strong compensating factors as identified by PHFA. While there is no minimum credit score, applicants' credit payment history is reviewed.
- Loans must be in first or second lien position for the borrower to be considered for financing up to \$25,000. Third lien position loans may be up to \$25,000 only if the first two mortgages were simultaneously originated for the purchase of the home. Typically third lien loans are up to \$7,500. No 4<sup>th</sup> or lower lien positions will be considered.
  - Some homeowners, otherwise qualifying for a loan up to \$25,000, will need to pay off and close their home equity loans or lines of credit to be eligible for the Pennvest Homeowner Septic Loan in the amount they need.
- These loans are secured financing, and are "sized" around your preferred contractor's estimate. Making loan application while reaching out to contractors for work proposals and costs is recommended.
- A lien will be placed against the applicants' property.
- Loans may take 45 days or more to originate and close. Borrowers who are very responsive to lender information requests may be able to reduce this timeframe to 30 days and those needing more time may need more than 60 days. Applicants are responsible for ensuring that they meet sewer authority or sewage enforcement officer deadlines.

*<sup>2</sup> This is not a complete list of requirements, just those that generally concern most applicants. Please call PHFA for clarifications to these requirements or to discuss your particular situation, if needed.*

#### **For more information**

Contact PHFA at 1-855-827-3466 or [septic@phfa.org](mailto:septic@phfa.org) for loan-related questions. You may also read more about the program at PHFA's website [www.phfa.org](http://www.phfa.org), under the "Homeowners" "Start Here" resources. To understand the requirements of your community, please contact your local Sewage Enforcement Officer, township or borough official.