

## **PENNVEST Homeowner Septic Loan Program**

### **Uses**

The Pennsylvania Infrastructure Investment Authority (PENNVEST) has teamed with the Pennsylvania Housing Finance Agency (PHFA) to offer this special funding program. Loans are available to eligible homeowners, for their principal residence, when they 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; minimum is \$2,500.
- 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.

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

- 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.
- The Pennvest Homeowner Septic loan is secured financing and is "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 property. <sup>3</sup>
- Applicants must be listed on the deed to the property, evidencing ownership, and must be at least 50% owners. If the deed shows more than two owners, a quit-claim deed to remove owners must be recorded prior to Pennvest Homeowner Septic Loan closing.
- 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.
- Second homes, rentals, family members' homes, and businesses are not eligible for financing.

- Flood Zone Requirements
  - The home itself 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 obtain and maintain NFIP flood insurance for the term of the loan.
  - The sewer lateral or the septic system may be in an A or V flood zone ONLY IF the municipality will permit (or requires) the location, homeowners obtain and maintain NFIP flood insurance, and no part of the home itself is in the A or V flood zone.
- Required Lien Position and Restrictions on Higher Priority Lien Types<sup>3</sup>
  - Applicants with Reverse Mortgages secured by their home may not apply for Pennvest Homeowner Septic Loans.
  - Pennvest Homeowner Septic Loans that will record in first or second lien position may be up to \$25,000.
  - There is only one situation in which a Pennvest Homeowner Septic Loans may record in third lien position:
    - ONLY IF the first two liens on their home were originated simultaneously for the purchase of the home, AND the second lien is NOT a Home Equity Line of Credit (HELOC) or a Home Equity Loan (HE) or a partial claim to a mortgage insurer/guarantor. In this situation, the maximum loan amount is \$25,000.
    - This means that applicants with HELOC/HE loan in second line position are not permitted to obtain a Pennvest Homeowner Septic loan due to federal loan insurance requirements, unless they are able to pay off and close their HELOC/HE loan.
      - These applicants will be instructed on how to satisfy and document the elimination of their HELOC/HE loan by the Pennvest lender. In this situation, the HELOC/HE loan satisfaction must occur prior to the recording of the Pennvest Homeowner Septic Loan so that it may be recorded in first or second lien position.

<sup>1</sup> Subject to credit approval and eligibility restrictions including loan use and owner occupancy. Interest rate quoted as of 1/1/2024. 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.

<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.