

From:

Craft3

Central Oregon Cities Organization
Clean Water Services
Oregon Association of Clean Water Agencies
League of Oregon Cities
Special Districts Association of Oregon
Oregonians for Food and Shelter

To:

Members of Agriculture, Land Use,
Natural Resources and Water Committee
Oregon House of Representatives
900 Court Street NE
Salem Oregon 97301

January 21, 2025

Dear Co-Chairs Owens and Helm and Members of the Committee,

Oregon's Clean Water Loan program provides financing for households across the state to repair or replace failing septic systems. Septic repairs are often urgent, unexpected, and costly. Especially for older and low-income homeowners, a septic repair can be a crisis. For many, a \$30,000 project is simply out of reach and this can eventually push homeowners out of their homes. Through affordable financing, the Clean Water Loan program helps homeowners when they need assistance, and provides a path for them remaining in their homes.

An allocation of \$5 million by the Oregon legislature to the Clean Water Loan program for the 2025 – 2027 biennium will help preserve homeownership and promote housing stability, support local septic contractors, and result in healthier living conditions and communities.

Administered by the Oregon Department of Environmental Quality (DEQ) and Craft3, a community lender selected through a competitive bidding process, the Clean Water Loan program has proven to be an effective, affordable, and fiscally responsible public-private partnership with the following impacts and benefits to Oregonians:

- **Affordable loans benefit low-income borrowers across the state.** As of December 1, 2024, 224 homeowners in 29 of Oregon's 36 counties have received loans funded by state dollars through the Clean Water program. Nearly 40% of the families served by this program are low-income. These borrowers benefit from the lowest rates and most-flexible repayment programs. Loans cover the entire cost of eligible design, permitting and installation and include a reserve to cover maintenance costs.
- **State dollars go farther as funds are revolved and private capital supplements the state's investments.** Once Clean Water loans are repaid to Craft3 the capital is revolved and reloaned to other eligible Clean Water projects. As a result, while DEQ originally awarded Craft3 approximately \$3.6 million between 2016 and 2021, as of December 1, 2024 they have made \$5.05 million in loans. Additionally, Craft3 works with private investors to bring in additional funds, distinct from public dollars and has

raised an additional \$1.3 million of funds from non-state sources. This brings total investments to about \$8 million.

- **Repairing or replacing a failing septic system or financing a sewer hook up allows Oregonians to stay in their homes, while resolving a serious threat to their health.** Failing septic systems are a threat to housing stability and contaminate surface and groundwater with products harmful to people. The projects funded by Oregon's Clean Water program creates housing stability for each of these homeowners, removes harmful products while preserving over \$137 million in residential real estate.
- **Cost-effective administration with low risk for Oregon.** DEQ continues to be an effective administrator of the program by operating within the 1% historically allocated by the legislature for program administration. The state bears no risk for the Clean Water Loan portfolio. Any losses are born by Craft3. Craft3 carefully underwrites and approves borrowers according to its own well-established loan policy. Financial controls ensures compliance with relevant state laws and regulations and that state funds are deployed solely for eligible projects.

A budget allocation of \$5 million would allow DEQ and Craft3 to continue to provide low-cost loans for septic repair and replacement at current levels, with no reduction in the number of households served. Households with the lowest income levels could additionally be served by grants, building on DEQ and Craft3's experience using federal ARPA funds to provide loans and/or grants to eligible homeowners in Oregon. Failure to fund Oregon's Clean Water Loan program at the level of \$5 million for the 2025 – 2027 biennium would necessitate the scaling back of this program including potentially leading it to be closed down.

Continued investment by the state legislature in this effective, affordable, and fiscally responsible program will help preserve homeownership and promote housing stability, support local septic contractors, and result in healthier living conditions and communities.

Thank you for your interest in Oregon's Clean Water Loan program. We would be happy to answer any questions you may have.

Sincerely,

