

## Clean Water Loans Frequently Asked Questions

We strive to make all our products and materials, including our rates and terms, clear and simple. We want you to be able to understand our financing, the application process, and how the loans work. Despite our best efforts, you may have questions. Below we answer the questions that we are most asked. If your question is not answered below or you find anything confusing, please reach out directly to the lender you are working with or email [CleanWater@Craft3.Org](mailto:CleanWater@Craft3.Org) or phone 888-231-2170 ext 125. We look forward to answering any questions you may have.

### QUESTIONS

#### **What should I do if I don't know how much my project will cost?**

It's perfectly fine and common not to know how much your project will cost at the start. Your best guess is fine. We can adjust your loan amount as bids come in.

#### **What is the maximum amount I can borrow?**

The maximum loan amount depends on whether your loan is secured or unsecured:

- Secured loans: No maximum amount. We can finance the total cost of your project.
- Unsecured loans: Maximum of \$25,000, plus operations and maintenance costs and a 10% contingency.

All loan amounts must be used for the project. The maximum loan term is 15 years, so you'll want to make sure you can afford the payments on your loan.

#### **How long will the loan process take and when will I know if I am approved?**

The process varies by state and your particular situation. Unfortunately, this means we cannot provide a set schedule. We can provide the following guidelines along with our assurance that we always work to make the process as efficient as we can.

- **Pre-approval.** This can typically happen within five business days. Preapproval means that you've met preliminary requirements and eligibility based on the information provided.
- **Cultural resources review.** Projects in Washington must be reviewed by the Washington State Department of Ecology for any potential impacts to cultural resources, such as archaeological objects. This review takes approximately 30 days. If surveying or monitoring are required, your project will take longer and incur additional costs, which can be financed through your Craft3 loan. Our overview of [Cultural Resources Compliance](#) provides more details.
- **Final application review.** We complete the final review of your application, evaluating the actual bids and any additional information that may have changed since pre-approval. Based on this, we approve or decline your application and if approved, we create loan documents for you to sign.
- **Review and sign loan documents.** We typically generate loan documents in 2-3 business days, which we then send to you for electronic signature.

- **Verbal verification.** For certain loans, we require your verbal verification before we disburse funds. While this adds an extra step, it helps protect you and your loan proceeds from fraud.

The **project workflow** ([Oregon](#), [Washington](#)) offers an overview of the entire process, explaining who does what at each stage.

### **What is cultural resources review?**

Cultural Resources Review is a legally required process that evaluates whether a Clean Water Project poses any potential impacts to cultural resources, such as archaeological objects. This is a requirement because our Clean Water Loan program relies on state and federal funding. Projects must be reviewed by the Washington State Department of Ecology. If it is discovered that impact to cultural resources is likely, then surveying or monitoring will be required, and your project will incur additional delays and costs. These costs, however, can be financed through your Craft3 loan.

Our overview of [Cultural Resources Compliance](#) provides more details.

### **What happens if my project costs more than expected?**

Each Clean Water Loan includes a 10% contingency which allows you to access 10% more funding, without any additional underwriting, if your project costs exceed your original approved amount. We don't want you to end up in a situation where you have paid for most of your septic project, but your loan does not cover the full project costs. If you don't use the contingency during construction, we will remove the funds and adjust your monthly payment accordingly.

### **What is the \$2,000 operations and maintenance reserve?**

Every Craft3 Clean Water Loan includes a \$2,000 operations and maintenance reserve. The reserve account is a requirement, but you are not required to use the funds. The purpose of the account is to help you pay for future inspections, pumping, or minor maintenance that may be needed to keep the system functioning properly. If you don't use your reserve account, you never pay any interest on the funds and they are not a part of the payoff.

### **Can you explain the process to me? I am not sure who does what and in what order.**

While projects may vary, our Project Workflow shows the typical stages and who is responsible for each. Step one is to visit our [website](#). There you can select your state (Oregon or Washington) and from there learn more about our financing. If you are interested, click on the "Get Started Today" link to check your project's eligibility for a Craft3 Clean Water Loan. If it seems like your project is eligible, you'll be directed to create an account and submit an online application.

### **How do I find a designer or contractor?**

In Washington state, visit your county health department website for a list of approved designers, installers, and contractors.

In Oregon, you can find a searchable database of Licensed Onsite System Installer and Pumper Businesses on the Department of Environmental Quality's [website](#).

### **Can you explain the examples listed on the right-most column of the rate table?**

These are sample projects designed to show the monthly cost of borrowing a certain amount at a certain interest rate. Note, however, that this is not the maximum amount you can borrow.

If you borrow a larger amount, your monthly payments will be larger. Similarly, if you borrow a smaller amount, your monthly payments will be smaller. If you have any questions, please reach out. I would be happy to show you exactly what monthly payments correspond to different loan amounts.

### **Can I finance a completed project?**

No. You typically cannot finance a project that has been completed.

The one exception is Oregon Clean Water Loans and Grants for Fire Recovery. This program helps homeowners whose homes were damaged or destroyed in the 2020 wildfires. Funds received through this program may be used for septic system repairs that have already been completed.

### **How does the lien work?**

We file a UCC fixture filing with the county recorder. This is specific to the septic equipment you financed with the Craft3 loan and not a lien on your whole house. Because the lien is filed, it will show up on a title report for your house. This means that you will need to pay off the lien when the property sells or transfers.

### **Are there early payment penalties?**

You can make extra payments toward your loan balance at any time without penalty.

If you pay off your loan in full within the first 12 months, there is an \$850 prepayment penalty. After 12 months, you can pay off your loan early with no penalty.

### **Can I make payments online?**

Yes. You can use our secure [online portal](#) to make a one-time payment or to set up automated monthly payments.

### **Are interest rates fixed?**

Yes. All our consumer loans have fixed interest rates. This means that your interest rate doesn't change even if inflation or other interest rates go up.

### **What is APR?**

APR stands for annual percentage rate. This is the annual estimated cost of credit for your loan, including both interest and loan costs, calculated as a percentage. This lets you compare various loans so you can see which are likely to be more expensive. The APR does make a few assumptions: all disbursements will happen as expected, and all payments will be made on time. If those assumptions end up not being accurate, the APR may also not be accurate. Importantly, the APR is not your interest rate. Your loan documents (usually the Promissory Note) list the interest rate and govern the actual loan payments.

### **When considering loan applications, how do you assess credit scores?**

For Craft3 your credit score is much less important than your current credit performance and your ability to repay and afford the loan.

### **How do you safeguard customer data security?**

Data security is a top priority. We offer an application portal where you can securely upload personal information including IDs and project documents. We also verbally verify transactions on a routine basis to ensure they are authorized by our borrowers before we send funds to contractors.

### **Is the loan transferable if the house is sold or someone inherits it?**

Loans may be transferable if the property is sold or inherited. However, Craft3 may require that the new property owner provide such information as would normally be required for a new loan application. Additionally, Craft3 will assess an \$850 fee to be paid at the time of property transfer or loan assumption.