



## CITY OF GLOUCESTER

### OFFICE OF THE TREASURER/COLLECTOR

## Septic Loan Program

### Introduction

The City of Gloucester Board of Health has received funding approval from the Massachusetts Department of Environmental Protection to administer a septic system loan program. This program, administered by the Treasurer's Office, enables the City to provide a zero percent (0%) interest loan to homeowners who are required to upgrade their failed septic system provided they have a gross annual household income of less than \$150,000, their system has been officially failed by the Health Department and they are current on their real estate taxes. There is a \$750 administration fee that will be included in the loan amount. The loan is treated like a betterment that will be apportioned to the homeowner's real estate tax bill unless you are eligible to defer the loan, in which case different rules will apply (see Elderly Deferral below).

Interest free loans can also be provided to cover the cost of connecting to (not the extension of) a sewer if the current septic system is documented by the Health Department as failed.

If the loan funds become limited, priority will be given to failing septic systems in the 50-foot critical buffer zones of the City's seven Priority Drainage Areas (PDA). The PDAs are Magnolia Beach, Walker Creek, Little River, Jones River, Rust Island, Freshwater Cove and Pearce's Island.

### Loan – Interest Free

Financial Assistance consists of a zero percent (0%) interest loan that the homeowner pays back quarterly with the property's real estate tax payment. Loan repayment terms can be as long as 15 years. The loan will be secured as a betterment assessment against the property title. The assessment may be paid off early, e.g. if the property is sold, without penalty.

### Elderly Deferral – Interest rate 8%

You may be able to defer the loan payments if you are over age 65, your gross income in the previous year did not exceed \$30,000, you have lived in Massachusetts for the past 10 years, and you owned and occupied your home in Massachusetts for the last 5 years. **\*Note: A new deferral agreement must be filed each year with the Board.** The entire amount of the deferral plus interest of eight percent (8%) and recording fees is due and payable upon death, sale, or transfer of title.

### Eligible Costs

The loan will consist of combining all costs associated with septic system repair or upgrade, or connection to sewer. This includes the septic system inspection, design, property line determination, soil evaluation, general construction and installation and any necessary work needed to return the property to its original condition, such as landscaping, paving, masonry, plumbing, electrical, etc., as well as the administration fee.

### **Septic Design**

The Health Department can provide you with a list of engineers and sanitarians that frequently perform septic design work in Gloucester. We suggest that you ask friends, family, and neighbors for the names of people who have recently had a system designed so that you can develop a list of septic system designers from which to choose. **Before you apply for this loan, you will need a septic system design approved by the Board of Health.** You will be reimbursed for the septic design costs after you have a contract with the City for the loan.

### **Septic System Installation**

When you have a septic system design which has been approved by the Health Department, you are strongly advised to collect written quotes (proposals) from at least three contractors (licensed by the Board of Health) to install or repair the septic system. We suggest you follow the above steps to talk with people who have recently had a septic system installed to develop a list of installers to provide you with quotes. You will decide which contractor to hire. In comparing the contractors' quotes, be sure to notice the scope of work. For example, if your driveway will be dug up, do all the quotes include the cost of repairing the driveway?

### **Betterment Loan Agreement/Deferral Agreement**

After you have been approved for the loan, the City will prepare a Betterment Loan Agreement (contract) for you to sign. The Betterment Agreement outlines the terms of the loan and what is expected of both the City and the homeowner. **Please be advised that the loan or deferral is a Municipal Lien on your property and cannot be subordinated to any other loans.**

### **Payment Schedule**

All checks will be issued to the homeowner, which the homeowner will sign-over to the contractor. All payments will be held by the Treasurer's Office to release to contractor. The final payment will not be issued until the homeowner/installer provides a Certificate of Compliance from the Board of Health Office.

Homeowners may be reimbursed for costs incurred prior to the installation, but after the date of the City failure letter, which may include septic system inspection, design, property line determination, soil evaluation and pump-outs since the date of the Health Department's failure letter.

### **Wrap Up**

After all the checks have been issued, we will inform the appropriate City departments of the total loan amount that the homeowner will be required to pay back. The Betterment Agreement or the Deferral Agreement will be recorded at the Essex County Registry of Deeds in Salem as a lien on your property.

**For more information, please contact Kristen Lindberg at 978-282-4149**