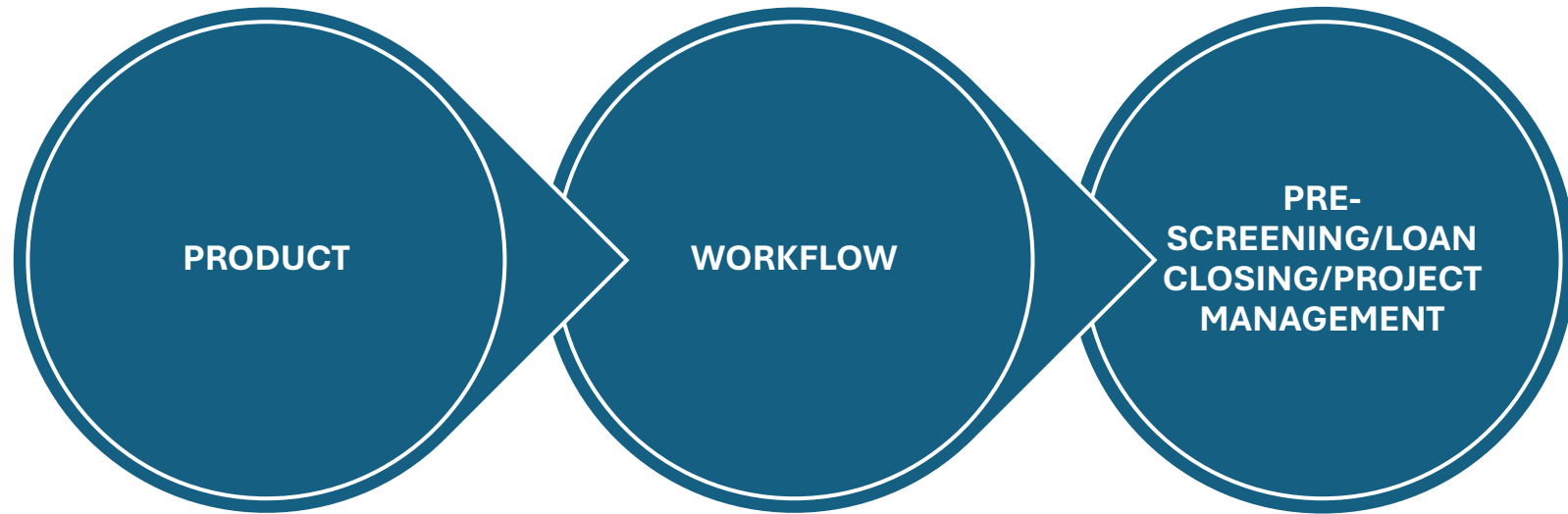


# SEPTIC REPAIR LOAN PROGRAM

*April 2026*

# OVERVIEW



# PRODUCT

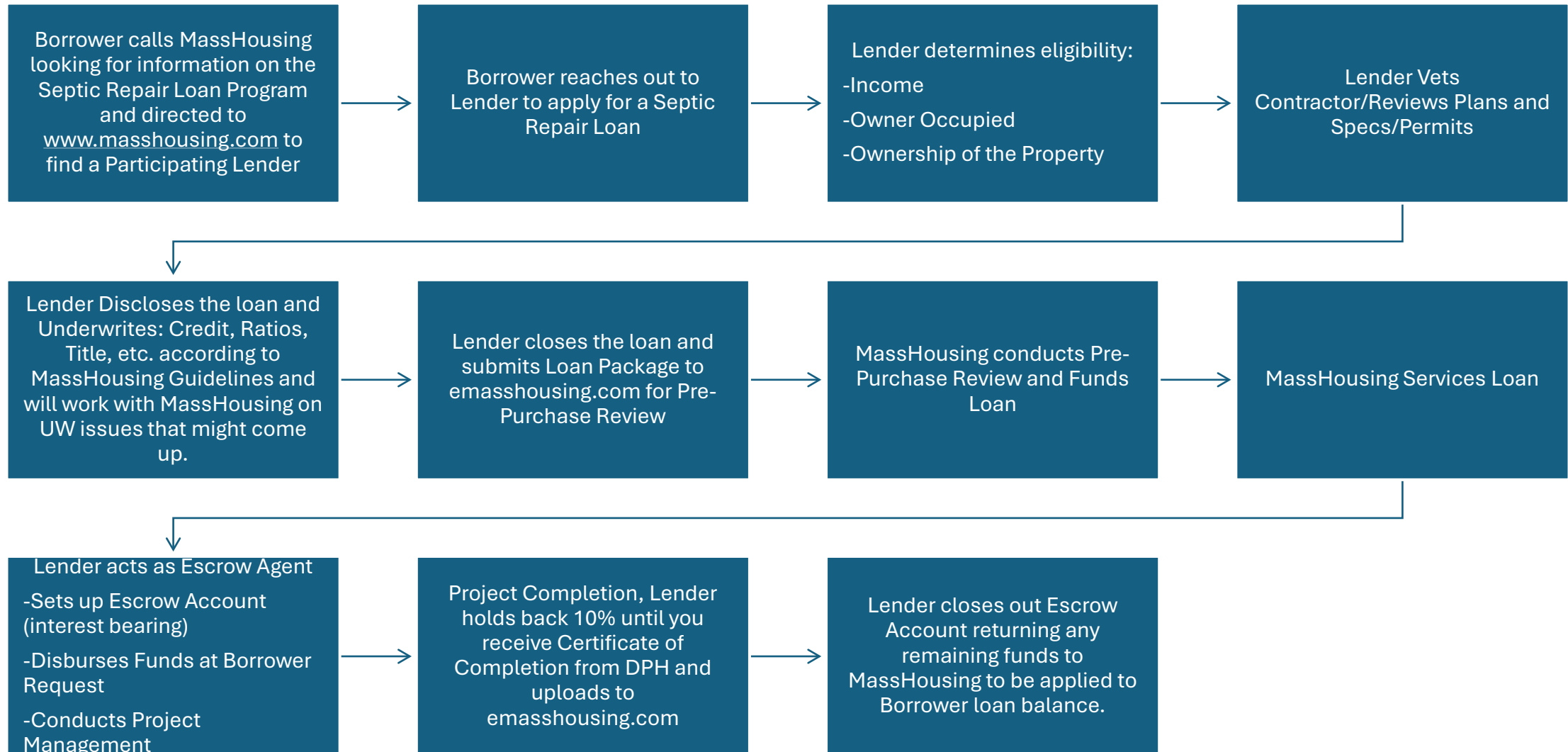
| Septic Repair Loan Program – Owner Occupied   |  |
|---|--|
| Product 5001- Septic 0% Deferred 30 Year Fixed<br>Product 5002- Septic 2.5% 15 Year Amortized |  |
| Transaction Type  | <ul style="list-style-type: none"> <li>Subordinate Mortgage</li> </ul>   |
| Interest Rates  | <ul style="list-style-type: none"> <li><a href="#">Interest Rate based on Income</a></li> </ul>  |
| Income Limits   | <ul style="list-style-type: none"> <li><a href="#">Click here for Income Limits</a></li> </ul>   |
| Min/Max Loan Amount   | <ul style="list-style-type: none"> <li>\$1,000 Min/\$25,000 Max</li> </ul>   |
| Loan Term   | <ul style="list-style-type: none"> <li>2.5% Amortized Loans -15 Year</li> <li>0% Deferred Loans- Due upon Sale/Transfer/Refinance</li> </ul>   |
| Property Type   | <ul style="list-style-type: none"> <li>1 Unit/Condo/PUD, 2-4 Unit</li> </ul>   |
| Partners  | <ul style="list-style-type: none"> <li>Lender</li> </ul>   |
| Lender Fee  | <ul style="list-style-type: none"> <li>Lender Paid \$1,000 per loan (paid by MassHousing upon funding)</li> </ul>  |
| MassHousing Processing Fee  | <ul style="list-style-type: none"> <li>NA</li> </ul>   |
| Eligible Borrower   | <ul style="list-style-type: none"> <li>All owner-occupied 1 Unit/Condo/PUD, 2-4 Units with incomes that meet the income limit guidelines</li> <li>Trusts will be pre-reviewed by MassHousing.</li> </ul>   |
| Ineligible Borrower   | <ul style="list-style-type: none"> <li>Any person(s) who does not have an ownership interest in the property should NOT be on any closing documents or be a part of the loan transaction.</li> <li>Life Estates are not eligible for this Program.</li> </ul>  |
| Min Credit Score  | <ul style="list-style-type: none"> <li>No Minimum credit score is required.</li> </ul>   |
| Max DTI   | <ul style="list-style-type: none"> <li>50% (No Max DTI for 0% Deferred Loans)</li> </ul>   |
| Max LTV/CLTV  | <ul style="list-style-type: none"> <li>Loan to value ratios do not apply to this program. No appraisal is required.</li> </ul>   |
| Lien Position   | <ul style="list-style-type: none"> <li>The Septic Repair Loan Program has been designed as a second mortgage loan program. MassHousing will assume a third position behind a 1<sup>st</sup> and 2<sup>nd</sup> DPA or equity line, making sure the borrower meets all the eligibility requirements. If there are more than 2 lines on the property, the Lender should contact MassHousing</li> </ul> |
| Occupancy   | <ul style="list-style-type: none"> <li>Owner Occupied/Primary Residence for the Life of the Mortgage</li> </ul>  |
| Appraisal   | <ul style="list-style-type: none"> <li>NA -For Data Collection, Appraised amount should be collected from Tax Bill when registering a loan</li> </ul>  |
| Closing Costs and Fees  | <ul style="list-style-type: none"> <li>Borrowers will be responsible for all closing costs and fees (reasonable) which can be rolled into the loan</li> </ul>  |
| Required Documents and MH Forms   | <ul style="list-style-type: none"> <li><a href="#">Click here for Document Loan Delivery</a></li> </ul>  |

|                                |  |
|--------------------------------|--|
| Right of Rescission            | <ul style="list-style-type: none"> <li>• Required</li> </ul>   |
| Eligible Improvements          | <ul style="list-style-type: none"> <li>• All costs associated with the upgrade of a failed sewage disposal system within the meaning of Title 5 including connecting homes to an available public sewer. This may also include repairing retaining walls, driveways, and landscaping if these were affected by the repair of the Septic System.</li> </ul> |
| Contingency Reserve            | <ul style="list-style-type: none"> <li>• No Contingency Required</li> </ul>  |
| Escrow Agent                   | <ul style="list-style-type: none"> <li>• Lender will act as the Escrow Agent</li> </ul>  |
| Maximum Construction Timeframe | <ul style="list-style-type: none"> <li>• Borrowers applying for mortgage financing have a maximum time limit of six months from the closing date of the mortgage to complete the work.</li> </ul>  |
| Final Completion               | <ul style="list-style-type: none"> <li>• Following completion of the Septic Repair, the Mortgage Lender must obtain a completion certificate from Board of Health</li> </ul>   |
| Pre-Payment Penalties          | <ul style="list-style-type: none"> <li>• NA</li> </ul>   |

| Septic Repair Loan Program – Condominium Associations |  |
|---|--|
| Product 5002- Septic 2.5% 15 Year Amortized           |  |
| Transaction Type                                      | <ul style="list-style-type: none"> <li>Subordinate Mortgage</li> </ul>   |
| Interest Rate   | <ul style="list-style-type: none"> <li>2.5% Amortized – No Points</li> </ul>   |
| Income Limit  | <ul style="list-style-type: none"> <li>NA</li> </ul>   |
| Loan Limits   | <ul style="list-style-type: none"> <li>Loan size may range from \$1,000 to \$50,000 for condominiums with 25 or fewer units. Loan size may equal up to \$100,000 for condominiums with more than 25 units. Loans more than these parameters are possible but must be approved by MassHousing.</li> </ul> |
| Loan Term   | <ul style="list-style-type: none"> <li>15 Year</li> </ul>  |
| Property Type   | <ul style="list-style-type: none"> <li>Condominium Associations</li> </ul>   |
| Partners  | <ul style="list-style-type: none"> <li>Lender</li> </ul>   |
| MH Processing Fee                                     | <ul style="list-style-type: none"> <li>NA</li> </ul>   |
| Lender Fee  | <ul style="list-style-type: none"> <li>Lender Paid \$1,000 per loan (paid by MassHousing upon funding)</li> </ul>  |
| Eligible Borrower                                     | <ul style="list-style-type: none"> <li>Condominium Association</li> </ul>  |
| Min Credit Score                                      | <ul style="list-style-type: none"> <li>No credit minimum credit score.</li> <li>The underwriter must make a reasonable and good faith determination of the borrower's ability to repay the loan based on Operating Budget and Financial Statements.</li> </ul>   |

|                                |  |
|--------------------------------|--|
| Max DTI                        | <ul style="list-style-type: none"> <li>• NA</li> <li>• The underwriter must make a reasonable and good faith determination of the borrower's ability to repay the loan based on Operating Budget and Financial Statements</li> </ul>   |
| Max LTV/CLTV                   | <ul style="list-style-type: none"> <li>• Loan to value ratios do not apply to this program. No appraisal is required.</li> </ul>   |
| Lien Position                  | <ul style="list-style-type: none"> <li>• The condominium association or trust must not have outstanding liens prior security interest in its income or property. A Uniform Commercial Code search (UCC-11) must be performed in the name of the condominium at the Massachusetts Secretary of State and the clerk of the city or town where the condominium is located.</li> </ul>   |
| Occupancy                      | <ul style="list-style-type: none"> <li>• Owner Occupied/Primary Residence for the Life of the Mortgage</li> </ul>  |
| Appraisal                      | <ul style="list-style-type: none"> <li>• NA -For Data Collection, Appraised amount should be collected from Tax Bill when registering a loan</li> </ul>  |
| Closing Costs and Fees         | <ul style="list-style-type: none"> <li>• Borrowers will be responsible for all closing costs and fees (reasonable) which can be rolled into the loan</li> </ul>  |
| Required Documents             | <ul style="list-style-type: none"> <li>• A completed commercial loan application</li> <li>• Current association operating budget.</li> <li>• Financial Statements for the previous two years.</li> <li>• Copy of the Master Insurance Policy.</li> <li>• Copy of the Master Deed.</li> <li>• Copy of the Declaration of Trust.</li> <li>• Executed Certification of Votes; (I will send this form to you in a separate word document)</li> <li>• Construction Contract.</li> <li>• Subsurface Sewage Disposal System Inspection Form.</li> <li>• Disposal System Construction Permit.</li> <li>• Contractor's Disposal System Installer's Permit.</li> </ul> |
| Right of Rescission            | <ul style="list-style-type: none"> <li>• NA</li> </ul>   |
| Eligible Improvements          | <ul style="list-style-type: none"> <li>• All costs associated with the upgrade of a failed sewage disposal system within the meaning of Title 5 including connecting buildings in a Condominium to an available public sewer.</li> </ul>   |
| Contingency Reserves           | <ul style="list-style-type: none"> <li>• 5% Contingency Fee</li> </ul>   |
| Escrow Agent                   | <ul style="list-style-type: none"> <li>• Lender will act as the Escrow Agent</li> </ul>  |
| Maximum Construction Timeframe | <ul style="list-style-type: none"> <li>• Borrowers applying for mortgage financing have a maximum time limit of six months from the closing date of the mortgage to complete the work.</li> </ul>  |
| Final Completion               | <ul style="list-style-type: none"> <li>• Following completion of the Septic Repair, the Mortgage Lender must obtain a completion certificate from Board of Health.</li> </ul>  |
| Prepayment Penalties           | <ul style="list-style-type: none"> <li>• NA</li> </ul>   |

# WORKFLOW



# PRE-SCREENING/LOAN CLOSING/PROJECT MANAGEMENT

Please see Seller Guide located on [www.emasshousing.com](http://www.emasshousing.com) for more detailed information on these processes.

### **STEP 1: Program Marketing**

- Advertise availability of funds locally
- Inform property owners of eligibility requirements

### **STEP 2: Applicant Pre-Screening**

- Financially pre-screen applicants
- Ensure they understand:
  - Loan terms
  - Compliance requirements

Confirm:

- Property eligibility
- Borrower eligibility
- Understanding of program obligations



### **STEP 3: Inspection & Contractor Selection**

#### **Lender Responsibilities:**

- Participate in preliminary inspection/cost discussions
- Provide list of **State Licensed Contractors**
- Conduct preconstruction conference (if needed)

#### **Applicant Must Submit:**

- Confirmation that Septic System has failed
- Contractor cost estimate/Schedule of Disbursements
- Executed contract

#### **Lender Must Review:**

- Costs relate only to eligible Septic work
- Contractor licensing and insurance
- Bid accuracy and completeness

#### **Contractors Must:**

- Be licensed in Massachusetts
- Be active and in good standing
- Maintain required insurance
- Comply with federal and state regulations



## STEP 4. Escrow & Loan Closing

- After loan approval:

### Lender Must:

- Execute Escrow Agreement with borrower
- Establish escrow account (interest bearing)
- Ensure borrower understands:
  - Payment schedule
  - Completion deadlines
  - Holdback requirement

### Lender Issues:

- Joint check (Borrower + Contractor)
- **NEW**- Lenders can now issue a 1/3 of the Project Cost Upfront.



A close-up, profile view of three construction workers wearing hard hats and safety glasses, looking towards the right. The worker in the center is wearing a yellow hard hat and a green shirt. The worker on the left is wearing a white hard hat and a white shirt. The worker on the right is wearing a white hard hat and a blue shirt. The background is dark and out of focus.

## **STEP 5. Construction Oversight**

- Coordinate site overviews
- Monitor project timeline
- Ensure work follows:
  - Plans and specifications
  - Contractor bid
  - Building codes
- Verify required permits are obtained

## STEP 6. Disbursement of Funds

- Review Disbursement Requests (with backup) from Borrower for Payment to Contractor
- Issue Joint check (Borrower + Contractor)



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### **STEP 7. Monthly Reporting Requirements**

- Once a month you will receive an email from MassHousing requesting the Project Status

### **STEP 8. Extensions**

- If project delays occur:
  - Identify reason for delay
  - Submit Extension Request
  - Monitor extension implementation
  - Provide updates to MassHousing



## STEP 9. 10% Holdback Requirement, Final Disbursement and Documentation

- A 10% holdback is required until:
- Certificate of Compliance received
- Final Disbursement can be made

### Remaining Escrow Funds Must Be Sent To:

- MassHousing Home Ownership CASH  
One Beacon Street, 6th Floor  
Boston, MA 02108
- Check payable to: MassHousing  
Include:
- Cover Letter with Borrower name and Property address
- Borrower must be notified in writing.

### Final Documentation You Must Submit to MassHousing

- Certificate of Compliance
- All supporting documentation for Project Management

**Commonwealth of Massachusetts**  
**City/Town of [redacted]**  
**Certificate of Compliance**  
Form 3

DEP has provided this form for use by local Boards of Health. Other forms may be used, but the information must be substantially the same as that provided here. Before using this form, check with the local Board of Health to determine the form they use.

**This is to Certify that the following work on an On-Site Sewage Disposal System**

Construction of a new system  
 Repair or replacement of an existing system  
 Repair or replacement of an existing system component

Has been done in accordance with Title 5 and the Disposal System Construction Permit (DSCP):

DSCP Number \_\_\_\_\_ DSCP Date \_\_\_\_\_  
Facility Owner \_\_\_\_\_  
Street Address or Lot # \_\_\_\_\_  
City/Town \_\_\_\_\_

**Designer Information:**  
Name \_\_\_\_\_  
Signature \_\_\_\_\_ State \_\_\_\_\_  
Zip Code \_\_\_\_\_

**Installer Information:**  
Name \_\_\_\_\_  
Signature \_\_\_\_\_ Name of Company \_\_\_\_\_  
Date \_\_\_\_\_ Date \_\_\_\_\_

Use of this system is conditioned on compliance with the provisions set forth below:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The issuance of this certificate shall not be construed as a guarantee that the system will function as designed.

Approving Authority \_\_\_\_\_  
Signature \_\_\_\_\_ Date \_\_\_\_\_

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Certificate of Compliance • Page 1 of 1

## **Compliance Best Practices for New Staff**

- ✓ Use checklists for every file
- ✓ Document every communication
- ✓ Monitor timelines closely
- ✓ Never release funds without required documentation
- ✓ Confirm licenses and insurance before construction begins
- ✓ Keep escrow tracking updated monthly
- ✓ Notify borrower in writing for all major actions

## **Common Compliance Risks to Avoid**

- Financing non-eligible work
- Incomplete contractor documentation
- Missing insurance verification
- Delayed extension requests
- Releasing funds before compliance certification
- Failure to submit monthly reports

## Subordination Requests

- MassHousing will consider subordination of its liens whereby the new Loan amount is to be less than, or equal to, the outstanding principal balance of the existing loan(s) and which is to be subject to an interest rate that is lower than the existing priority loan(s); and which is to be for a term greater than, or equal to, the remaining term of the existing loan(s); this is more commonly referred to as a “no-cash-out, rate/term refinance.”
- The only exception to this policy is that we will allow Borrowers to finance the closing costs into the new Loan amount. All subordination requests should be directed to the Home Ownership Mortgage Service Center 1-888-843-6432.

## Contact Information

[HOloanrepair@masshousing.com](mailto:HOloanrepair@masshousing.com)  
[dramsdan@masshousing.com](mailto:dramsdan@masshousing.com)  
[smelvin@masshousing.com](mailto:smelvin@masshousing.com)

## Additional Resources

[MassHousing Lender Forms and Resources - Second Mortgage Programs](#)

