

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA HOUSING FINANCE AGENCY
SINGLE FAMILY PROGRAMS DIVISION

TO: All Participating Lenders
FROM: Tammy Miller
Senior Underwriter
SUBJECT: **Waste Disposal Systems**
DATE: April 3, 1997

Recently, we received inquiries as to how the Agency views properties in communities that do not have a traditional type of waste disposal system due to various reasons. I have reviewed the Agency's policy on this matter. I also contacted FHA and VA in Pittsburgh, PHIF and several Mortgage Insurance companies. Their replies were consistent with the following information regarding unconventional waste disposal systems.

To begin, I would like to clarify our existing policy on conventional systems. The Agency has always and continues to rely upon the lenders' knowledge of their trade areas and specifically whether or not the area has any sewage disposal problems. As you are aware, if public sewage disposal is available to the property, it must be connected prior to closing. For those properties which do not have public sewers available, they must have an adequate and properly functioning private septic system that meets local standards. However, it is not unusual to find entire communities (particularly in mining areas) that have neither type of waste disposal system and utilize what are referred to as "**wildcat systems**". These will be discussed later in this memo.

The Agency currently does not require septic inspections on private systems. However, should this be a policy of your institution or if it is common and typical of lenders in your area, then you should also require one. In addition, if the appraisal, your expected knowledge of the area, or anything in the file indicate there may be problems, you should also be requiring a septic certification. If an inspection is required, we expect it to be completed by a

reputable and accountable company that you are familiar with. We do not want the real estate agent or broker ordering the certification, that is your responsibility. Once you have received the report, you are expected to review it and require any necessary repairs prior to closing.

The next issue and the primary purpose of this memo pertains to communities that utilize unconventional forms of waste disposal systems, such as **wildcat systems**. Depending on where the property is located, the septic could be dumping directly into an old mine shaft or a nearby creek or stream. The Agency does not prefer these nor are we promoting the use of them. However, we realize that in some areas of Pennsylvania entire communities, with the knowledge of the Department of Environmental Protection, are disposing of their waste in this manner.

In these communities, the Agency is willing to work with the lenders to provide financing in an effort to continue to meet the objectives of our program. First, the lender must note the fact that the property is utilizing this type of sewage disposal. The appraiser should first address what effect, if any, it has on the value and marketability of the property, and second should comment on the acceptability of this type of system in the community. Two comparables with the same type waste disposal system, should be obtained to support the value and marketability conclusions. The borrower will need to sign a **hold harmless letter** stating they are aware of the type of sewage disposal the property has and hold harmless the lender, the issuer of insurance or guarantee, and PHFA.

We ask that you also obtain a written statement regarding the system from the local sewage enforcement officer, or an official of the township or municipality. Acceptable examples are:

- A. The sewage at (property address) is being discharged into a wildcat sewer line.

However, this property is located in an area that the Department of Environmental Protection (DEP) has deemed a "mass community problem". Public sewers are not available and a conventional septic system can not be utilized because of soil conditions, lot size and/or slope. Both the DEP and the Township considers this system acceptable and would not require an individual property owner to make any on site improvements. When public sewers become available, all property owners will be required to connect in to it.

B. The septic at (property address) discharges (to a small stream) (into a mine shaft).

Technically this discharge is a violation of the Pennsylvania Sewage Facilities Act which prohibits such discharges. This problem, however, is common to the area. Due to poor soil conditions and land topography, corrective measures are severely limited. The only viable solution is the installation of a public sewage system. I do not foresee this happening in the near future. Under such conditions, these discharges can continue without fear of enforcement under this Act.

Should you have any questions, please call (717) 780-3871.