

Sponsorship Option Loans

The Oregon Department of Environmental Quality's Clean Water State Revolving Fund provides below-market rate loans for the planning, design and construction of projects that prevent or address water pollution. Oregon is one of the few states to offer a Sponsorship Option for nonpoint source pollution control projects, and estuary management activities, when the Nonpoint Source Loan application is submitted with a Point Source Loan application. The Point Source Project Loan "sponsors" the Nonpoint Source Project Loan, reducing the overall interest rate for both. These reduced interest rates can save a borrower a significant amount of debt service over the life of the loans.

How the Sponsorship Option works

An [eligible public agency](#) applies for both a Nonpoint Source Project Loan and a Point Source Project Loan. Once the requirements are fulfilled:

- DEQ calculates the projected debt service for the point source wastewater project at the time of loan signature
- Next, DEQ reduces the interest rate for both loans until the projected combined debt service payments equal the projected debt service amount for only the point source wastewater project
- DEQ will lower the interest rate no lower than one percent for either loan
- Only the combined debt service is reduced. The borrower is still responsible for the principal costs and annual fees for both loans
- Both loans must be signed before DEQ will apply the reduced interest rate to both loans
- The Sponsorship Option cannot be combined with principal forgiveness

Loan application process

Once both projects are identified, applicants for the Sponsorship Option must:

- Complete both [Point Source and Nonpoint Source applications](#)
- Submit both applications to the appropriate [regional project officer](#)
- The project officer will discuss all [requirements](#) and help explain the process
- Complete all requirements and sign the loan agreement before construction can begin



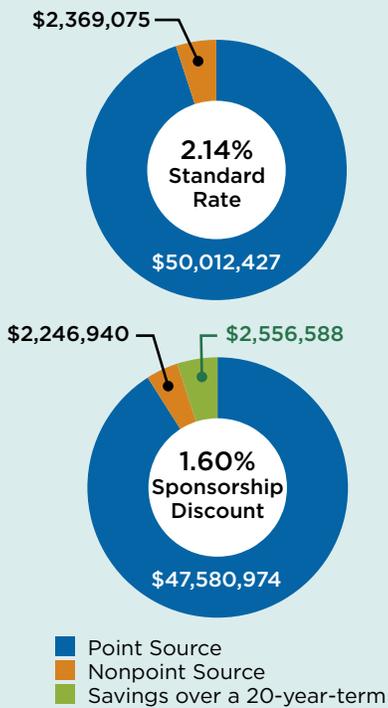
Sample Sponsorship Option Loans

Sponsorship Option projects are generally structured in one of three ways:

1 Large Point Source Loan with a smaller Nonpoint Source Loan

Using the Sponsorship Option, a borrower received a \$47 million loan for a point source project—design and construction of an anaerobic digester, control building and related upgrades. Their much smaller \$1.8 million nonpoint source project included creek restoration, floodplain enhancement and construction of a water quality treatment wetland. If the projects were completed separately, it would cost the community \$52.3 million, each with an interest rate of 2.14 percent. By combining the projects into one package, the overall rate dropped to 1.6 percent.

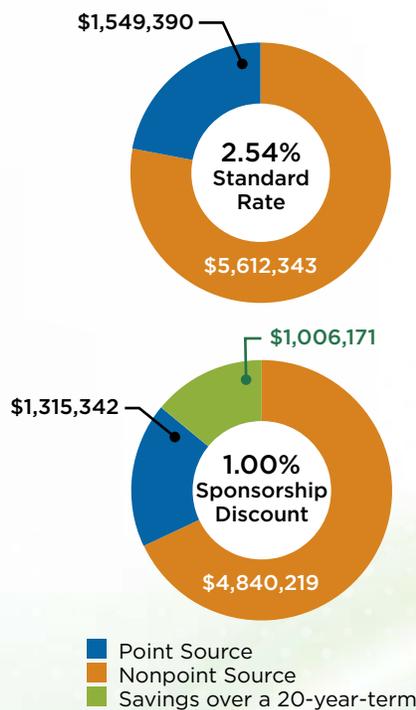
Total Loan Cost - by combining the projects into one package, the community saves \$2.5 million.



2 Nonpoint Source Loan is larger than the Point Source Loan

Another possibility is that the nonpoint source project is larger in scope and cost than the point source project. In one case, a community received a \$4 million loan for three nonpoint source projects improving fish passage and bio-retention, and \$1 million loan for a pump station and sanitary sewer replacement. Individually, each 20-year loan was subject to a 2.54 percent interest rate, but combined, the overall rate dropped to one percent.

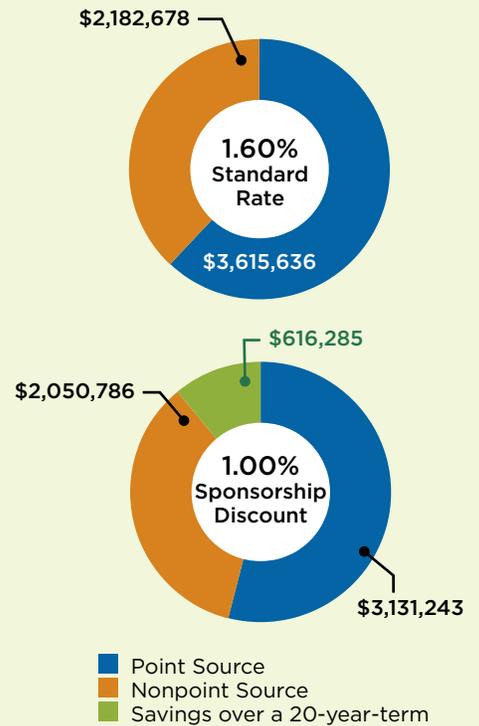
Total Loan Cost - by combining the projects into one package, the community saves more than \$1 million.



3 Similar loan amounts

A borrower with projects of similar costs can also save money, even when the borrower already qualifies for the lowest standard interest rate.

Total Loan Cost - by combining the projects into one package, the community saves more than \$600,000.



These estimates include an annual fee of .5 percent.

Accessibility

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email deqinfo@deq.state.or.us.