



**Testimony of
Adam Zimmerman, President and CEO
Craft3
before the
Oregon State Senate
Committee on Environment and Natural Resources
February 1, 2017**

Thank you Chairman Dembrow, Vice Chair Olsen, and members of the Committee. My name is Adam Zimmerman. I am President and CEO of Craft3, a nonprofit community development financial institution serving residents and businesses in Oregon and Washington. We have offices in Astoria, Bend, and Portland, Oregon.

I speak today in support of S.B. 383 which would allocate an additional \$1.5 million to DEQ for their nascent, but growing – statewide septic lending program.

As you may know, DEQ selected Craft3 through a competitive process last fall to be the third-party administrator of the program. The award was for \$200,000 to begin offering what we call our Clean Water Loan statewide in Oregon.

The Craft3 Clean Water Loan covers 100 percent of the replacement cost for a failing septic system including design, installation, and ongoing maintenance– and offers reduced rates and deferred terms for low- and moderate-income households.

Because we are a nonprofit, we were able to use the state’s funds to leverage private capital – an additional \$350,000 in grants from the Meyer Memorial Trust and Laird Norton Family Foundation. In our view, this additional capital would not have come to the table without the state’s initial investment. But even when combined with the state’s investment, this capital will only go so far – septic systems cost an average of \$15,000 (as a reminder, loans are only for expenses related to the repair or replacement of those systems).

In less than four months, the program is serving Oregonians statewide. We’ve already approved 11 loans for \$257,233 in 10 cities (8 counties) from Deschutes to Coos. These new systems will treat over 1.5 million gallons of wastewater annually, resulting in healthier communities and natural systems.

More than a third of those loans are to low-income families earning below 80 percent AMI. Credit scores range from 620 to 800 – demonstrating the power of this program to reach both those that are less-than-well-off, and those that have good credit, but just need an affordable option to get their system fixed. However, most of our applicants have one or more issues that traditional public or private lenders would not support, even with credit enhancements.

That is why this program is so important.



We continue to conduct outreach throughout the state, and build relationships with the septic contractor community and county officials. But as the program serves more people, we conservatively project demand to exceed 150 families per year for many years to come.

Passing S.B. 383 will help to address that need by infusing this program with an additional \$1.5 million over the next biennium to support lending. And if Craft3 is awarded the money, we would commit to at least an additional 1:1 match of state funding, providing a pool of \$3 million in capital.

We thank Senator Roblan and Leader McLane for their sponsorship of this legislation. Already it has made a difference in people's lives and helped people keep their homes. It is extremely important work that helps Oregon's rural communities. I'd like to leave you with a quote from one of our borrowers from La Pine:

"If not for Craft3 assistance, we would have had to pay a much higher interest rate for a personal loan. The Clean Water Loan program is a wonderful program for people like me who are on a fixed income and saves residents time and headaches seeking alternative loan options at much higher costs."

I hope you all are proud of DEQ for the work they have done to stand this program up in a cost-effective manner that ensures funds are deployed to the folks who need them most. We are glad to be their partner, and appreciate the chance to work with them to help rural communities in need.

I will be happy to answer any questions.

About Craft3

Craft3 is a nonprofit community development financial institution with a mission to strengthen economic, ecological and family resilience in Pacific Northwest communities. They do this by specializing in loans to businesses and individuals and others who don't normally have access to financing. Craft3 then complements these financial resources with expertise, personal connections and other advocacy for their clients. Since 1994, Craft3 has invested more than \$400 million in Washington and Oregon's people and communities. Learn more at www.Craft3.org and www.Craft3.org/Videos.