



Fact Sheet

Principal Forgiveness- Interim Fact Sheet

What is Principal Forgiveness?

Principal forgiveness is an additional subsidy that reduces the amount of principal a Clean Water State Revolving Fund borrower is required to pay back on a loan. To receive an award of principal forgiveness, a project must be eligible and there must be principal forgiveness funds available at the time of loan signing.

Updates for 2026

The program is currently reviewing limits for principal forgiveness. Reduced principal forgiveness limits are expected to be established in Fall 2026. If you have questions about potential funding levels, please consult Chris Marko, Program Coordinator.

The program will revise this fact sheet as more information becomes available.

Important Reminders

- Communities should not assume that their loans will receive principal forgiveness.
- Principal forgiveness is not guaranteed.

What makes a Borrower and Project Eligible for Principal Forgiveness

- Eligibility is determined by meeting any one of the following criteria:
- Affordability: Borrowers who meet the affordability criteria (refer to IUP); or
- Rate Payer Hardship: Borrowers with a rate payer hardship or rate reduction program that benefits low-income populations with their sewer utility bill.
- Green/ Sustainability: Projects that meet the EPA criteria to
 - incorporate environmentally innovative and/or green infrastructure practices; or
 - conserve water; or
 - conserve energy; or
- Stormwater: projects that address stormwater.

When is Eligibility for Principal Forgiveness determined?

- Eligibility for either a borrower or a project is determined as part of application review and scoring.
- Eligible recipients for principal forgiveness are identified on the Intended Use Plan (IUP).

When is Principal Forgiveness awarded?

- Eligible borrowers must first:
 - Meet all loan requirements by successfully completing required loan documents and exhibits; and
 - Be ready to sign a loan agreement.
- Principal forgiveness amounts are determined and finalized at ***loan signing***.

Why are the Principal Forgiveness limits changing?

- Beginning in Fall 2026, the amount of principal forgiveness available is decreasing for planning, design, and construction loans. Loans signed before then will not be affected.
- These changes are in response to reductions in federal funding from the Infrastructure Investment and Jobs Act (IIJA). DEQ is revising its Principal Forgiveness priority strategy to make sure funding is distributed effectively and continues to support projects.

More updates to this fact sheet will be shared as they become available.

Principal Forgiveness for Emerging Contaminants

- Availability of principal forgiveness for emerging contaminants funding is specific to IIJA federal funding which is expiring in the next few years.

How does Principal Forgiveness benefit the Borrower?

- Principal forgiveness benefits the borrower in the following ways:
 - Throughout the active loan period principal forgiveness is applied to each loan disbursement to reduce the amount that is accruing interest.
 - Once the project is complete and the borrower is ready to start repayment, the total loan amount (principal) is reduced by the principal forgiveness award amount. This reduced amount is the principal for repayment. Meaning, the amount the borrower has to repay is reduced at the start of the repayment period.

How can I learn more about Principal Forgiveness?

- Current borrowers: Please continue working with your assigned Project Officer.
- General questions about the changes: Contact the Program Coordinator, Chris Marko, or Program Analyst, Alli Miller.

Contact information can be found on the [CWSRF Program Contacts](#) webpage.

How can I start the loan conversation with CWSRF?

If you have project in mind and are ready to start a conversation with CWSRF, please submit [a Loan Information Request Form](#).

Non-discrimination statement

DEQ does not discriminate on the basis of race, color, national origin, disability, age, sex, religion, sexual orientation, gender identity, or marital status in the administration of its programs and activities. For translations or alternate formats, visit DEQ's [Civil Rights and Environmental Justice page](#).