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Vermont Resources Available to Small and Micro Businesses

Vermont offers many different methods of support for small and micro businesses. Development programs are offered throughout many areas in the state as well as financial loan programs. This report outlines the various development programs for small and micro businesses as well as the various financial programs offered throughout the state.

Micro Businesses in Vermont

Micro Business Development Program

The Micro Business Development Program (MBDP) helps low to moderate income Vermonters use self-employment as a means to achieve economic self-sufficiency. The program provides business counseling, technical assistance, classroom training, and loan application packaging. Services take form in the shape of one on one counseling, classroom training, seminars, loan packaging, and market research and analysis.

The MBDP is a statewide program of Vermont's five nonprofit Community Action Agencies, including the Central Vermont community Action Council, Inc. (CVCAC), Champlain Valley Office of Economic Opportunity, Inc. (CVOEO), Community Action in Southwestern Vermont (BROC), Northeast Kingdom Community Action, Inc. (NEKCA) and Southeastern Vermont Community Action Council, Inc. (SEVCA).

Small Businesses in Vermont

Small Business Development Center

The Small Business Development Center (SBDC) is a free and confidential statewide program dedicated to helping both new businesses get started and existing businesses to succeed. There are 12 Small Business Development Centers located throughout Vermont, all co-located with Regional Development Corporation (RDC) offices.

The Small Business Development Center offers a wide-range of business related services. The following are some of the services provided for free:

- **BUSINESS PLANNING:** The SBDC assists clients in developing business plans, but does not write business plans for clients.
- **CAPITAL FORMATION:** The SBDC assists small businesses in developing capital via loan and grant programs through specialized workshops and one-on-one counseling. Yet the SBDC does not have a loan program itself.
- **INNOVATION & TECHNOLOGY TRANSFER:** The SBDC assists in the transfer of technology and research findings from existing sources to small businesses.
- **INTERNATIONAL TRADE:** The SBDC conducts seminars and counseling to assist companies in becoming involved in international trade.
- **RESOURCE DEVELOPMENT:** The SBDC maintains a close working relationship and open communication with local financial & investment communities, legal associates, local & regional small business groups, and local & regional private consultants, as well as foster & house local SCORE chapters in order to help address various needs of small businesses.
- **MARKETING & RESEARCH:** The SBDC Specialist will help businesses conduct necessary research, as well as refer appropriate research requests to the National SBDC Research Network. The SBDC will also assist clients in developing marketing plans.

Financial Programs in Vermont

Community Capital

This program, created in 1995, aims to help small businesses in Central Vermont succeed by providing flexible financing and technical assistance. Community Capital aims to help entrepreneurs with low or moderate-income levels that have difficulty obtaining financing from conventional sources. The Small Business Loans can be used for working capital, equipment, real estate purchases, and refinancing and range up to \$50,000. There is also a *Post Loan Technical Assistance Program* which links borrowers and technical advisors and mentors. Community Capital is a nonprofit organization designated by Vermont's Agency for Commerce and Community Development.

Vermont Job Start

Vermont Job Start is an independent program that helps to develop self-employment opportunities for Vermonters of low to moderate income levels. Loans from Job Start can be used to start, strengthen or expand small businesses and allows for equipment or inventory

purchases as well. The maximum loan is \$20,000 and the interest is no more than 4% over prime and cannot exceed 5 years.

Small Business Administration Low doc Program

The purpose of this loan is to start or grow an existing Vermont small business. Eligible businesses are smaller than 100 employees and have an average annual sales for the previous three years under five million dollars. Borrowers must provide collateral in some form. Interest rates are negotiable and ties to the prime rate, but cannot exceed the SBA maximums.

Rural Economic Activity Loans

Known as the REAL program, it can provide low interest direct loans for fixed asset financing, and the maximum loan amount is \$100,000. Loan amounts can be up to 75% of fixed asset projects, which are under \$25,000, and up to 40% of projects, which are over \$25,000. The REAL program may also fund up to 50% of a working capital project. REAL loans, however, are not permitted in Burlington because of a federal provision.

Small Business Administration 7(a) Guarantee Program

The 7(a) Program is SBA's primary lending program, and guarantees loans to small businesses that can't obtain financing through normal lending venues under reasonable terms. Loans can be made available for real estate, expansion, equipment, working capital or inventory, and the maximum guarantee amount is \$750,000. Guaranteed loans include up to 80 percent of loans \$100,000 or less, and up to 75 percent of loans \$100,000 or more. These businesses must operate for profit, have reasonable owner equity in order to invest, and the business must plan to operate in the United States. There are several other restrictions that limit the type of business in relation to its approximate size and profit.

The Vermont Economic Development Authority Financial Programs

The Vermont Economic Development Authority (VEDA) was established by the Vermont general assembly in 1974 to provide loans and other financial support to eligible Vermont businesses. Among the services they offer are:

Direct Loan Program: This is a loan program to provide money for fixed assets. A direct loan may provide no more than 40% of the cost of a project, subject to this 40% limitation, VEDA's participation may not exceed \$1,300,000, of which no more than \$800,000 may be for land and buildings and \$500,000 for machinery and equipment.

Tax Exempt Revenue Bonds: Which is a program that helps businesses to obtain tax-exempt bonds with VEDA's insurance. They may be given to non-profit organizations to fund fixed asset projects that fit in their tax-exempt missions. VEDA may also issue tax-exempt low interest bonds to fund the acquisition of land, buildings, and/or machinery and equipment for use in a manufacturing facility or exempt facility.

Local Development Corporation Loans Program: Provides loans to non-profit and regional development corporations to build facilities for lease to eligible tenants. These buildings will provide low cost flexible space to businesses that do not want to own their own space.

Vermont Small Business Development Corporation: The Vermont Small Business Development Corporation (VSBDC) is a subsidiary of VEDA and makes loans similar to Vermont Job Start. Applicants for VSBDC must not be able to gain conventional credit sources. VSBDC loans can be a maximum of \$100,000 but cannot exceed more than half of the total cost of a given project. Interest rates for these loans are fixed at 5.5% with a maximum term of three years.

Mortgage Insurance Program: VEDA could insure a portion of a mortgage loan for a VEDA eligible borrower. The proceeds of VEDA-insured loans may be used by the eligible borrowers for the acquisition of land, buildings, machinery and equipment or working capital. By statute VEDA can insure on loans up to 10 million dollars, however currently VEDA has set policy guidelines that restrict it to a maximum of 2 million dollars per project.

Financial Access Program: This is a program that utilizes a "pooled reserve" concept, is designed to enhance opportunities for small businesses to access commercial credit. This program sets up a reserve fund with premiums paid by the borrower and matched by VEDA in order to insure loans enrolled in the program. Loans must be in an amount up to and including \$200,000 made to businesses with sales less of than \$5 million. Loan proceeds may not be used for passive real estate investments or to refinance a loan not previously enrolled in the program.

Export Finance Program: This program can provide financial assistance and risk mitigation to Vermont exporters through an agreement with the Export Import Bank of America.

Vermont Small Business Program: This program makes available a loan up to \$100,000 to a Vermont small business that cannot obtain the money from conventional credit sources. Eligible businesses must be owned by U.S. citizens, and must have been going for at least one year. The interest rate on fixed asset loans is 5.5% and Wall Street Journal Prime plus 2%, on working capital loans. The term for fixed asset financing will usually be between five and seven years for machinery and equipment and up to ten years for real estate. The maximum term for working capital loans is three years.

Vermont Agricultural Credit Corporation (VACC): Provides credit to farmers who do not have their credit needs met by conventional sources. Loans are available from VACC to strengthen existing farm operations, to encourage diversification, to assist beginning farmers and

to encourage marketing and processing of Vermont agricultural products. The maximum loan size is \$500,000 per borrower.

Technology Infrastructure Financing Program: This offers direct loans with low market interest rates to help Vermont businesses to keep up with the constantly changing technology. Loan proceeds may be used for the purchase of customer premise equipment, the construction (including upgrading) of new and existing communications infrastructure, and the installation of equipment needed to bring a network online. Loan funds may not be used to finance or refinance existing company assets or debt. Loan terms will not exceed 7 years, although 3 to 5 years is the norm depending on the useful life of the assets being financed.

Sources:

Vermont Economic Development Authority,
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Vermont Chamber of Commerce, www.central-vt.com/assist/Finance.htm, accessed January 31, 2006.

Vermont Small Business Development Center, www.vtsbdc.org, accessed January 31, 2006.

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Disclaimer: This report has been compiled by undergraduate students at the University of Vermont under the supervision of Professor Anthony Gierzynski. The material contained in the report does not reflect the official policy of the University of Vermont.