COMMUNITY CAPITAL
of Vermont

Evaluation Report, 2005-2008

December 2009

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INTRODUCTION

Community Capital of Vermont (CCV), a nonprofit Community Development Financial Institution (CDFI) making micro and small business loans in the central Vermont region since 1997, proposed to expand its loan and post-loan technical assistance (TA) services statewide over a three year period. This strategic decision was made by CCV in light of two primary concerns: 1) the longevity of the State's statewide microcredit program, the Vermont Job Start Loan Fund, was in question following an in-depth assessment of its re-capitalization and staffing needs, and 2) CCV's desire to implement its mission to support micro and small business development on a wider scale and thereby improving its own program sustainability. Statewide expansion was achieved due in part to a grant from the U.S. Department of Health and Human Services' Office of Community Services (OCS) grant #90EE0715 to Central Vermont Community Action Council (CVCAC) of which CCV was a sub-grantee.

By 2008, CCV had transitioned its organizational infrastructure and service delivery from a regional to statewide focus and acquired the assets of the Vermont Job Start Loan Fund. All activities were undertaken in partnership with a wide variety of statewide and regional partners including CVCAC and the other Community Action Agencies (CAAs) operating in Vermont.

For the period of October 1, 2005 to September 30, 2008, CCV had the overall goal of lending $1,470,000 in loans to 96 micro and small businesses that in turn create 144 jobs, of which 60% will be filled by low income individuals whose household income and family size places them at or below 150% of the federal poverty level guidelines. At the end of OCS grant following a one year extension through September 30, 2009, CCV had in fact made loans totaling $1,864,721 to 93 micro and small businesses owned by 120 people. Of the 93 businesses, 57% (53) were owned by a low-income owner. Including owner jobs and employees, these businesses created 165 FTE jobs and retained 149 FTE jobs for a total of 314 FTE positions created and/or retained.

The Center for Rural Studies (CRS) at the University of Vermont is the third-party evaluator of the CCV project under a subcontract with CVCAC. This final evaluation report presents cumulative data collected from staff, key project partners, stakeholders, and borrowers from October 1, 2005 to September 30, 2008, with inclusion of key data collected through the one year extension period through September 30, 2009. This report initially reviews process evaluation results in discussing the CCV project implementation, including loan financing and post-loan TA provided over the course of the grant. Project outcomes are measured through borrower focus groups, follow-up telephone surveys conducted with borrowers six months to two and a half years post loan closing, and borrower data collected by Loan Officers during the application process and at the end of the grant.

CCV Grant Goals and Objectives

The following organizational statements, goals, and objectives provided the basic framework for CCV's three-year plan for expansion. CCV's vision is for low and moderate income Vermonters to have equitable opportunities to achieve economic self-sufficiency. The mission of CCV is "to be an effective, sustainable source of capital and business development services that supports the successful start-up and growth of Vermont-based micro and small businesses owned by individuals who lack sufficient access to conventional sources of financing."

Goal 1: Low-income Vermonters have increased access to affordable and flexible microcredit to start and grow their businesses.

Objectives:

- 96 businesses are approved for $1.47 million in financing.
- 60% of the businesses financed are owned by low income individuals.
- 25% of borrowers request repeat credit from CCV to further expand their business.
- 25% of borrowers are able to leverage other capital from traditional financing sources.

Goal 2: Microcredit is an integral component of a well-coordinated continuum of microenterprise development services.

Objectives:

- 90% of borrowers access at least 10 hours of *pre*-loan TA.
- 25% of CCV borrowers use the Individual Development Account (IDA) program.
- 60% of borrowers access at least 10 hours of *post*-loan TA during the term of their loan.

Goal 3: Micro and small business owners and their employees experience improvements in their economic well-being as a result of increased availability of microcredit and TA.

Objectives:

- 144 jobs are created by CCV borrowers, at least 60% of which will be filled by low income Vermonters and of which 20% will be TANF recipients.
- 75% of borrowers accessing loan services attribute improvements in their economic well-being to their business loan.
- 75% of borrowers accessing PLTA attribute improvements in their economic well-being to receiving PLTA for their business.

Goal 4: Low-income Vermonters can rely on CCV as a sustainable resource for microcredit, managed by an organization that is transparent, efficient, and collaborative.

Objectives:

- CCV reaches the industry average of 40% for operational self-sufficiency ratio.
- Annual net loan losses do not exceed 5% and reserves are held at 15% for bad debt.
- CCV reaches an asset size of $1,559,000.

METHODOLOGY

The evaluation of the CCV project focuses on both process and outcome evaluation. The process evaluation component is an ongoing examination of the implementation of the CCV loan fund. It focuses on the effectiveness and efficiency of the program's activities and interventions. The process evaluation results are used as a management tool for continuous program improvement while the program is in progress. They also identify problems that occur, how they were resolved, and provide recommendations for future implementation. The outcome evaluation provides an assessment of project results as measured by collected data that define the net effects of the interventions applied in the project. The outcome evaluation produces and interprets findings related to whether the interventions produced desirable changes and their potential for being replicated, answering the question of whether or not the program worked. The evaluation results presented in this report utilized both qualitative and quantitative evaluation methods. The following are the objectives of the evaluation for the CCV grant. These objectives were accomplished through the following methodology for collecting, analyzing and interpreting evaluation data.

- Identify the CCV services that participants used and the impact of these services.
- Determine whether or not businesses received a loan.
- Determine if access to capital generates income and/or profit for both the participant and the business.
- Determine if participant businesses generated employment for others, specifically other low-income individuals. If so, determine the average wage rate and whether or not medical and health benefits are provided by the business.
- Track client income sources, changes in income and sources, and changes in reliance on public assistance and whether or not this is related to CCV services and participant business start-up
- Track the capital gains of participants including human, social, and financial capital development and whether or not this is related to CCV services.
- Identify the support that project Partners contribute to the growth and development of participant's businesses.

Borrower Application Data

CCV Loan Officers and staff collected data from borrowers during application process, including business name, annual income, household size, at or below 150% of the federal poverty level (FPL), and anticipated full and part time jobs to be created. At the end of the grant period, CCV staff provided evaluators with actual job creation and retention data for full and part time employees and business owners.

Key Partner Focus Groups and Conference Calls

In person and conference call focus groups were held with key project partners and members of the Regional Loan Committees (RLC) in October 2007 and September 2008 to gather their feedback on 1) the CCV loan application process and 2) strengths and challenges they faced when serving on an RLC, counseling potential borrowers to complete the loan application process, and/or providing post loan TA and consulting services. In 2007, four key partners attended a focus group and one provided input by electronic mail. A total of four RLC members participated in the two teleconference sessions. In September 2008, seven RLC members completed an online survey to gather this feedback. RLC members were also invited to participate in three separate conference calls, however several confirmed participants did not call in and one person experienced technical difficulties when attempting to participate.

Staff Focus Groups
Staff focus groups were held in March 2007, March 2008 and September 2008 with key staff members. The purpose of these focus groups was to document and understand the project's process or how the project is carried out, issues encountered, lessons learned and partner relationships.

Borrower Follow-Up Survey
Evaluation data was collected by telephone surveys with borrowers from May 2006 through September 2008 to understand the impact of CCV financing. Clients who completed the CCV loan application process were followed-up with six-months after the loan was 1) closed or 2) their application was denied or withdrawn. A total of 38 clients completed this survey, with 33 having accessed funds for a response rate of 54% based on 61 loans closed at the time of the final survey, September 30, 2008. Results presented in this report are from clients who closed on a loan as very few people (n=5) who withdrew or were denied a loan agreed to participate in the survey (the remaining self-selected out). [It should be noted that CCV received a one year grant extension through September 30, 2009, which accounts for the 96 total loans made over four years including this extension. However, the evaluators were only charged with borrower follow-up through the original grant closing date of September 30, 2008, reflecting the lower number of borrowers (n=61) that comprised the survey sampling frame. Including all 96 loans financed, the 33 completed surveys represent 34% of this larger population.]

Loan Officers provided clients with information about the survey and obtained verbal consent to participate during their application process. Clients were informed that the survey would take up to 20 minutes and the types of questions asked. Contact information of those who provided verbal consent was sent to CRS on a monthly basis to follow-up with borrowers who had closed on their loan six months prior. On an annual basis for FYs II and III, clients who were not reached at the six month mark or had completed the six month survey and gave permission to be contacted were followed up with again. Borrowers who closed a loan between May through September 2008 were only surveyed at the time of the FY III follow-up survey because the grant ended before their six month follow-up call and staff asked to include all borrowers in the evaluation.

Telephone surveys were conducted by trained interviewers at the University of Vermont's CRS using Computer-Aided Telephone Interviewing (CATI or Ci3 software). Calls were made during daytime and evening hours from 10:00am to 9:00pm. Up to 20 attempts were made on each telephone number and callbacks were conducted as needed. Clients were also invited to schedule an interview time through email communication or if they were called at an inconvenient time. Surveyors used contact information from Loan Officers and statewide telephone directories in attempts to track clients down when phone numbers were not current or in service. The survey instrument was developed in collaboration with the grant staff using the models of previous CRS evaluations (Cranwell and Kolodinsky, 2003a and 2003b) and other researchers (Clark and Kays, 1999; Klein, Alisultanov, and Blair, 2003). The survey uses a reflexive control design (Clark and Kays, 1995 and 1999; Klein et al., 2003; Rugg, 2002) where participant outcomes after loan receipt are compared to baseline data collected at inquiry and self-reported retrospective data collected during the survey. Analyses were carried out using the Statistical Package for the Social Sciences (SPSS) 17. Table 1 depicts survey completion details for the 33 borrowers.

Table 1 Borrower survey calling outcomes

Six month survey only	36% (12)
Six month and 1 follow-up	12% (4)
Six month and both follow-ups	24% (8)
Final follow-up only	27% (9)
Total respondents	**33**
Response rate over three years	**54% (33/61 loans)***

* CCV received a one year grant extension through September 30, 2009, which accounts for the 96 total loans made over four years including this extension. However, the evaluators were only charged with borrower follow-up through the original grant closing date of September 30, 2008, reflecting the lower number of borrowers (n=61) that comprised the survey sampling frame.

Borrower Focus Groups

Borrowers participated in two separate focus groups, providing in-depth information on the impact their loan had on their business, use of post-loan TA, and feedback on the loan application process and payment terms. These groups were conducted by conference call in March and September 2008 with a total of 12 clients.

Follow-up Survey of Inquiring Clients and Potential Borrowers

Clients who inquired about applying for a CCV loan but who did not complete the loan application process were contacted by telephone to carry out a follow-up survey between two and six months after their inquiry if they did not follow-up with the application process. A total of 75 surveys were completed. A copy of the inquiry only survey may be made available to interested parties upon request to the evaluator.

Data Analysis

Quantitative data were analyzed using Statistical Package for the Social Sciences (SPSS) 17.0. A thematic analysis of qualitative data was conducted using common techniques associated with this research (Glesne, 1999; Patton, 2002). Key concepts were coded based on the existing framework of research questions and common and divergent themes that emerged from repeated review of field notes. Validity was verified through investigator triangulation and multiple independent reviews of data and analyses as well as informant feedback on findings.

FINDINGS

This evaluation report highlights the key findings of data collected from critical informants including CCV staff and grant managers, project partners, RLC members, borrowers, and clients who inquired about a CCV loan but did not apply.

Project Implementation

Focus groups and in-depth discussions were held with key stakeholders including CCV staff, RLC members, and project partners to understand and document the implementation of CCV services over the course of this grant. Implementation includes communication with and roles of partners, issues encountered and how they were addressed, and overall lessons learned that may inform similar nonprofit alternative lending projects. Three focus groups were held with CCV staff in March 2007, March 2008 and September 2008 to gather their collective feedback. Over the course of the grant, 13 key project partners provided feedback for this evaluation either in person, on a conference call, or through electronic mail communications. Partners who participated in the discussions provide TA, consulting and referral services to potential and current borrowers. RLC members were surveyed annually through conference calls and an online survey instrument to get their feedback on their role and experience in serving as an RLC member with CCV and overall loan services and project implementation. In 2007, two telephone conference calls were conducted with four RLC members, out of approximately 15 to 20 active committee members who were invited to participate. In 2008, seven RLC members completed the online survey. RLC members were also invited to participate in three separate conference calls, however several confirmed participants did not call in and one person experienced technical difficulties when attempting to call. RLCs from all regions provided some level of feedback through this evaluation.

Staff Composition, Roles and Alternative Lending Model

Loan Officers and support staff

The CCV project had six main staff members as of the September 2008 staff focus group.

- Emily Kaminsky is the Director of CCV and is responsible for the business plan fulfillment of the original grant. She is also involved in reporting to financial management, staff supervision, and fundraising.
- Chris Rottler was the senior Loan Officer and was responsible for the loan and programmatic components of loan making. He was the main Loan Officer for the northwest counties and shared the central Vermont counties with fellow Loan Officer, Olivia Gay.
- Olivia is the Loan Officer for the central Vermont region shared with Chris Rottler. She is also Loan Officer for the northeast counties.
- In 2007, Judith Kaufman, who was not present at the March 07 meeting because she lived in New Hampshire, was a Loan Officer who served the southeast and southwest portions of the state on a part time basis. This position was filled by full-time staff person, Mike Carr, who then was replaced by Robin Svarfvar.

- Marian Boudreault was the administrative support person and assisted in servicing loans and coordinating borrower files and accounts through November 2008. Kaminsky reports that at present, CCV utilizes a combination of high school interns and volunteers from the state's Reach Up work placement program to help with this administrative role.
- In 2008, CCV hired a consultant to help the program identify and address areas to improve CCV's efficiency. One strategy implemented was the hiring of a loan administrator who provides support for Loan Officers. The person hired for this role was Kara Edson. Part of Edson's job description was to assist with the administrative work usually completed by Loan Officers, such as conducting the initial review of applications. Staff noted in September 2008 that Edson's work has made the Loan Officers more effective in their job.

At the time of this report, CCV has undergone some staff transition and there are currently two full time staff and one .8 FTE staff. Emily Kaminsky remains as director and also is the Loan Officer serving southern and northwestern Vermont. Olivia Gay also continues as a Loan Officer serving northeastern and central Vermont. Edson remains in her position as loan administrator. In addition to the six above-described CCV staff, Mary Niebling, Director of Community Economic Development at CVCAC [a partner and fiscal agent of the CCV grant] served as the liaison between the grant and OCS.

Regional Loan Committee members' perspective on Community Capital of Vermont

CCV serves to fill a gap in financial services by providing access to capital to start-up, existing, and expanding micro business owners who would otherwise not be able to receive a loan from a traditional bank. Loans are made to clients up to $50,000. In addition to loan financing, CCV enables entrepreneurs to increase their chances for success through the post-loan technical assistance program which provides education stipends and access to free consultants to receive business advice. The work of CCV in providing access to capital for micro businesses fosters economic development and job creation in Vermont for the greater good of local communities.

Alternative lending model

RLC members were asked to describe the work of CCV to determine their understanding of CCVs mission and intended purpose. A consistent understanding of CCV was expressed by RLC members surveyed. CCV serves to fill a gap in financial services by providing access to capital to start-up, existing, and expanding micro business owners who would otherwise not be able to receive a loan from a traditional bank. Loans are made to clients up to $50,000. However, in addition to loan financing, CCV enables entrepreneurs to increase their chances for success to develop their business. This is done through the post-loan TA program, which provides education stipends and access to free consultants to receive business advice. One person stated that CCV "works with borrowers in a more proactive way than commercial banks and becomes a partner with the entrepreneur so we have a stake in the success of the entrepreneur." Overall, the work of CCV in providing access to capital for micro businesses fosters economic development and job creation in Vermont for the greater good of local communities.

Alternative lending defined
RLC members were asked to describe how CCV fits into the spectrum of financing institutions and the kind of risks CCV takes based on the kind of loans that are made. All RLC members interviewed provided consistent responses in defining CCV as an alternative financing institution that fills the gap of traditional lenders by making loans to higher risk clients who would not be considered bankable by a traditional lender due to poor or bad credit or other reasons. “I see CCV as the first rung on the ladder for businesses,” one member explains. “CCV accepts the risk of being under-collateralized, and [dealing with] borrowers with less than perfect credit and debt-to-income ratios that are on the high end.” CCV provides this lending opportunity for low-income business owners to access necessary capital for their businesses. Two members interviewed in 2007 expressed uncertainty as to whether or not CCV loan terms are more favorable for borrowers compared to general lending terms of traditional bank loans; however, this concern was not mirrored by any of the 2008 interviewees.

Acceptable risk level and risk management
Because CCV makes loans to individuals with a perceived higher risk of non-payment with marginal collateral, the program takes on various types of risks. One person described this risk as, “working with businesses that don’t have a historical ability to repay a loan or basing loan repayment on business projections.” CCV also takes risk by working with start-up businesses that, in the words of one member, need “that last dollar to complete their validated business plan,” or individuals who may lack managerial or financial expertise to successfully run their business. However, CCV minimizes these risks by paying greater attention to clients through its post-loan TA program which provides free consulting services to borrowers. One person explained, “CCV works actively to reduce their risk by having a higher level of involvement with borrowers.”

Loan services provided
CCV provides two main types of services to borrowers: 1) CCV is the primary or solo lender for the borrower or 2) CCV is a subordinate or gap lender that provides financing in conjunction with another lender. Loan amounts typically range from $1,000 to $50,000 and, in general, clients range from sole proprietorships to corporations and one-person businesses to up to five or more employees. In addition, applicants who are not appropriate or ineligible for CCV loans are referred to other lenders or community resources. CCV refers potential and actual borrowers to non-financial resources of other service providers, based on their unique needs. The two resources most commonly referred to are the Small business Development Center (SBDC) and Vermont Micro Business Development Programs (MBDP) for TA services and assistance with business plan development.

Statewide expansion strategies
In 2007, Loan Officers discussed several issues they encountered during CCV’s initial expansion from serving the central Vermont area to statewide. Within the central Vermont region, CCV had well-established relationships with TA providers and other partners and experienced a positive community and borrower response to their loan services. However, expansion to the rest of the state brought about new obstacles due to differences in regional culture and personality, local resources available (both financial and service provision), and time required for relationship building with new partners. Loan Officers commented that the TA providers who

were new to working with CCV often perceived the loan application process as being too lengthy and in-depth. TA providers commonly asked, “Didn’t they [CCV] read the business plan?” or “Clients are not asking for that much money, so why are you [CCV] making such a big fuss?” when questioning the need for applicants to provide in-depth financial information and the sometimes lengthy application process. To broaden perspectives and strengthen these newly forged relationships, Loan Officers have increased their transparency and further clarified expectations within the loan application process, emphasizing that CCV takes a holistic approach to assessing an applicant’s opportunities and challenges rather than basing award decisions solely on credit history and scores.

Addressing regional differences

In 2007, CCV staff noted that regional differences also resulted in different types of relationships built with various partners. In the northwest, CCV mainly received borrower referrals from banks and less so from TA providers. Additionally, Loan Officers carefully positioned CCV as a partner that provides niche micro lending services rather than as a competitor of the many alternative lenders located in the northwest and northeast parts of the state. However, fewer alternative lenders are located in southern Vermont, which created a climate of micro and small business owners relying more on family and friends for business financial support in addition to traditional bank loans. Overall, Kaminsky expressed that the statewide expansion was intended to be a slow and incremental process of building relationships and working within various cultures, resources, and expectations of each region.

Addition of Vermont Job Start Loan Program

In addition to CCV’s statewide expansion, during the September 2008 focus group staff commented that CCV was now busier with more applicants since the administration of the Vermont Job Start Loan Program (JSLP) was transferred from the Vermont Economic Development Authority (VEDA) to CCV on May 1, 2008. The transfer of the JSLF resulted in an increase in applications and loan awards, in part because of the notoriety of JSLF and the publicity of the transfer. This publicity helped to increase awareness of CCV as a statewide alternative lending resource.

Program strengths

Program strengths identified by RLC members were consistent with the perspectives shared by project partners. All RLC members agreed that the overall mission and work of CCV in providing financing to high risk businesses is a major strength of the organization. CCV is also flexible in loan conditions and accessible to higher risk clients who are not bankable in the traditional sense. Though there is a fair amount of risk involved with dealing with clients of this nature, interviewees were happy to work with an organization in which the individual circumstances of a borrower are taken into account, and the borrower is dealt with compassionately, but not unrealistically. In addition to providing financing to support micro-entrepreneurs, the CCV loan application process engages business owners to develop their business plan and learn about and formalize areas such as cash flow projections, which are areas that a new business person might overlook. The post-loan TA made available to borrowers supports business development and success and minimizes risk of nonpayment and default. Consistent with suggestions from project partners, RLC members also recommended that post-loan TA should be a requirement that is written into the condition of the loan if it is identified that a person would benefit from this service. Staff interviews indicates that post-loan TA is indeed a written condition of the loan and that every borrower signs a post-loan TA plan as part of the closing.

Challenges faced by CCV

RLC members identified several challenges that CCV faces, which are separate from those noted by project partners. A major challenge identified by several of the RLC members was for CCV to increase its visibility in the business community and marketplace as a statewide alternative loan fund. Some members noted that numbers of applications received are disproportionally low or high in certain regions of Vermont, possibly because of a lack of marketing and communication that CCV serves those areas. One person commented that CCV has moved past the start-up/transitional phase from a regional to statewide lender, and thought that the program's visibility should be higher at this time. CCV should take a proactive approach to marketing their lending services throughout the business community and TA providers rather than waiting for clients to find them. Staff indicates that transition in staffing and the need to focus resources on responding to applicants as opposed to seeking out new applicants has made funding and implementing widespread marketing efforts difficult. Regular e-newsletters to partners around the state (the mailing list is now over 500 recipients) has assisted in keeping CCV in front of project partners.

CCV also faces challenges associated with being an alternative lender or a bank with a social mission. To remain in business and be sustainable over time, CCV must balance loans made with financial returns from borrower payments made, interest earned, and grant and other funding received. A part of this financial stability, CCV must balance the challenge of functioning like a bank while maintaining the human element and balancing the needs of clients while managing the risks they bring to the table.

Regional Loan Committee Model

Five RLCs, one located in each region as of the statewide expansion, work with CCV as an extension of the Board to carry out the Board's fiduciary responsibility and trust to the community at large. RLCs are responsible for approving and denying the majority of loans underwritten by CCV, based on application information and supporting materials presented to them compiled by Loan Officers and applicants. Five members sit on each RLC that, initially in 2007, was comprised of a CCV Board member, entrepreneurs, bankers, members from regional business groups, and community volunteers. In 2008, CCV instituted that RLC Chairs did not have to be a Board member, allowing this position to be held by others on the committee. RLC members interviewed collectively have significant experience in finance, commercial lending, micro business development, and small business ownership, in addition to experience as volunteers for other Boards. Members interviewed have served on their RLC for as few as seven months to as many as four years, with the majority serving between one to two years as a member.

RLC members viewed their role as serving as a regional clearinghouse to help Loan Officers determine and weigh client risk and approve or deny loans. The RLCs also discuss various issues pertaining to loan origination and validation, such as how to handle a situation if a person with an approved loan wants to sell property. RLC members also review the portfolios of borrowers to monitor their work with CCV and business activity. Some of the RLC members interviewed in 2007 expressed confusion in the decision making power of the RLCs, as they were uncertain if their decision would override that of the Loan Officer and if the RLC holds the fiduciary responsibility for the loan. Staff indicates that the job description of an RLC member is to make the final decision and that each member has signed the job description. And, that it is the Board that holds fiduciary responsibility for the loan, not the RLC. Staff is aware that additional training on the roles and responsibilities of being an RLC member would help clarify the responsibility for each.

Benefits and pitfalls of the RLC model

CCV operates using a loan committee model; with statewide expansion, CCV increased the number of loan committees utilized from one to five committees that serve all five regions of the state. Staff expressed concern over the increased workloads and inefficiencies in the loan application process that have resulted from working with five RLCs. One staff explained this extra workload in stating, "The RLC process makes the loan process feel heavy." Kaminsky also noted that similar lending nonprofit institutions work with only one loan committee, a Board or both and not multiple committees. Thus, when CCV staff worked with a consultant to identify and address process inefficiencies, staff discussed the value added by RLCs and the possibility of decreasing theirs numbers from five to one or two committees. However, the Board did not approve of this change at the time and felt that issues would resolve as this process matures, since CCV only had a few years of experience in working with five loan committees. The Board felt strongly that having committees in expansion areas was crucial to "be the local eyes and ears, provide referral sources, and inform the local perspective and community culture." However, staff noted that some RLC's don't fully play out this ideal role as more immediate concerns, such as working with applicants and addressing non-payment issues, result in RLCs not being fully engaged for their community level activity, contacts, networks and resources. By March 2009, the Board realized that there was insufficient demand in southern Vermont to warrant two committees and they were successfully consolidated into one southern Vermont Loan Committee. Thus, at the time of reporting there are four RLCs.

The Board and staff note the importance of RLCs in providing credibility and authenticity for CCV's work within communities. For example, an entrepreneur was applying for a loan to open a restaurant in a community in northern Vermont. Members serving on the area's RLC were very involved in the business community and provided an invaluable local perspective in reviewing this loan application. RLC members "provide authenticity to the process" because they "already know more about the local inner workings." RLCs usually confirm the Loan Officer's perspective on loan approval or denial, which reinforces officers' confidence in their decision-making capabilities. RLCs also provide a cushion if fallout occurs after a loan is denied. Overall, staff agreed that their "work with the RLCs has improved over time with relationship building and process changes."

RLC feedback on role and process
The following are suggestions made by RLC members interviewed in 2007 on information they would like to receive and staff response as to how these were addressed.

- *Clarify role of the RLC* - As previously stated, some members interviewed expressed confusion as to the role of the RLC in whether or not they are providing feedback to the Loan Officer or making the final loan decision. These individuals commented that they were not interested in being a "rubber stamp" for CCV but rather a sounding board with an official voice and vote in the loan application process. Staff responded that there will be additional and on-going training and clarification for RLC members going forward to help clarify this issue.

- *Clarify how to weigh risks of loan applications* - Others stressed uncertainty about how to weigh the risks involved in a loan application in an objective way. One person stated that RLC members need better skills on how to better analyze an applicant's situation with multiple factors and variables in terms of ability to pay back a loan or not. Staff indicates that the credit evaluation grid that was instituted in 2006 is one way to help both staff and RLC members analyze these multiple factors and variables; efforts to tweak the system were made in 2008 with the assistance of a consultant.

- *Ensure objectivity of Loan Officers* - While some interviewees felt that Loan Officers provide them with an objective opinion, others felt that Loan Officers sometimes presented a case with a biased and non-objective opinion. This bias made it difficult for RLC members to objectively review the application and make appropriate recommendations. Staff indicates that additional training for Loan Officers has limited this as an issue.

- *Require RLC members to understand issues relating to poverty* – One RLC member, who is the Chair of several other boards of directors, felt that it would be helpful for members to have more of a background on poverty and understand what borrowing money means to a person, their family and their business. By understanding the type of poverty from which a person comes (i.e. generational or situational poverty), a more personalized judgment can be made by committee members as to whether or not granting a loan will set a person up to succeed or fail. Also, by having this understanding, committee members can make recommendations that applicants carry out something first, such as TA or education, and then reapply for a CCV loan.

- *Provide RLC members with continuous feedback on borrower portfolios* – One person interviewed suggested that feedback on borrower portfolios be given to the RLC by the Loan Officers on a consistent basis to help the committee understand the quality of the loan, risks involved, and issues faced by borrowers. Loan Officers report that they submit regular written Loan Officer Reports on the status of the portfolio to the RLC.

- *Ensure frequent and consistent communication with Loan Officers* – A suggestion was made by one of the interviewees to have more frequent and consistent communication with the Loan Officers, in particular meetings scheduled on a regular basis. This person expressed frustration in working with one of the Loan Officers who was only on payroll for 10 hours a week. This situation was later remedied as a full time Loan Officer was hired to cover this region of the state. Everyone interviewed who works in that region were very enthusiastic to have this new, full time Loan Officer on board.

- *Make loan applications more personalized* – Several interviewees commented that the review of a person's loan application is very impersonal and would be interested in understanding applicants and borrowers on more of a personal level than just their numbers. A suggestion was made that a borrower could attend a RLC meeting to talk about the impact of their loan on their business to help make this process more personalized. Staff reports that the Board of Directors continues to stand firm in its decision to not include applicants in the decision-making process. However, attempts have been made to connect RLCs with borrowers (e.g. Entrepreneur of the Year Award ceremonies).

In 2008, RLC members offered slightly different suggestions:

- *Re-evaluate the roles of the RLC* - One member expressed discomfort at the RLCs' involvement with discussions of collections, and stated that he believes this is the wrong role for the RLCs, since he himself feels unqualified. Staff report that this issue has since been clarified. RLC members have the task of reviewing and approving borrower payment restructuring plans; while a separate Board committee - the Credit Quality Committee - reviews and decides on whether to implement collection action at the recommendation of staff.

- *Include more financial data about successful/unsuccessful small businesses during RLC orientation* - Offering a broader spectrum of examples to committee members in training will provide them with a versatile understanding of what to look for in a loan candidate.

- *Use new technology whenever possible* – CCV developed a new intranet where board and committee documents can be accessed by its members. This new tool may prove to be an effective time-saving tool. Staff reports that the intranet has reduced the number of technological problems in transferring large amounts of data to RLC members while simultaneously reducing postage and copying expenses for the organization.

Challenges addressed

Frequency of meetings and activity, committee member turnover, and consistent training are all issues that can hamper RLCs' functioning.

Frequency of meetings and logistics

RLCs were initially slated to meet on a monthly basis. However, if applications were not ready or available for review or there were no issues to discuss, such as portfolio management, the RLC would not meet during that given month. CCV has strived for regular RLC meetings and utilized the loan administer position to attend all meetings and support committee members' work. All of the RLC members noted that they meet fairly regularly by telephone conference and occasionally at a face to face meeting. They all appreciate the opportunity to meet on the telephone to accommodate the schedules and driving times of busy people. One person commented that "both ways of meeting are useful, but one way should be used over the other depending on the nature of the meeting agenda." For example, if the agenda is focused on looking at existing portfolios, then telephone meetings are sufficient. However, if the agenda is focused on considering a loan application, sometimes an in-person discussion is more effective. "While I feel there is a good exchange of opinions and ideas," one member comments, "I think we lose some small amount of valuable non-verbal communication by meeting on the phone."

All but one of the RLC members interviewed in 2007 felt that their committee met on a regular and consistent basis. The one person's comments are indicated in suggestions listed above and are the result of working with a Loan Officer who was less than half time on the CCV job. In 2008, another member commented that the meeting date/time of the committee should be finalized for each month, implying that meetings were inconsistent and therefore somewhat inconvenient. Staff report that all RLC meetings are now on a regular schedule.

CCV staff commented that too much or too little activity of the RLCs can impact their work, attendance, decision making ability, and turnover. In the first year of expansion, CCV had more loan applications from the central Vermont region because of CCV's strong institutional history in serving that region. However, since then, loan application activity has evened out across the state. Nonetheless, some RLCs, such as the committee serving the Northwest, have more loan applications that have resulted in an active and busy RLC. Too much activity can be problematic because members may not be able to make all meetings due to schedule conflicts or burnout. Attendance fluctuations hinder the RLCs decision making capacity, from approving meeting minutes and to approving or denying loans. On the contrary, infrequent RLC meetings can be equally problematic. Initially, CCV had an inconsistent Loan Officer presence in southern Vermont due to staffing issues that resulted in few loans processed in that region. Infrequent RLC meetings in southern Vermont led to a higher turnover of members.

TA providers and consultants interviewed identified the RLC meeting process as a potential point of delay in loan application review and approval. Interviewees thought that RLCs only met once a month, with a few commenting that they were not clear if their service areas' RLCs met on a regular basis. However, participants recognized this as a challenge since RLC members are volunteers and have other jobs in addition to this service they provide for CCV. One person described the RLCs as a "moving target" with their work being dependent on the timing of the meeting, number of people present to represent a quorum for decision making, number of available loans for review and turnover of volunteers. It was suggested that RLCs should meet more often or on an as needed basis for timely review of loans. Others felt that if RLCs had a set schedule of when they receive information about a loan application, meeting times, and expectations for approval, this may help expedite the process. RLCs and Loan Officers should also provide clients with a target date when they can expect some form of feedback, if not a response regarding their loan approval. Staff report that the loan application states that applications need to be received in complete form at least two weeks prior to a scheduled RLC meeting. Applicants receive a phone call or email of the RLCs decision within three business days of the decision.

Committee size

Though an inquiry regarding committee size was not asked directly, it is worth noting that some RLC members commented on this subject. One member was dissatisfied with the current size of the committee, expressing that the relatively large size encumbered and prolonged the decision-making process. "Rarely does the amount of input serve to guarantee a better or less risky decision," the member commented. Thus, a committee would be more manageable with fewer voices and approvals might be made promptly when a reasonable request for a loan is being dealt with. Alternatively, another member commented on the difficulties of accomplishing tasks with such a small staff. This person suggested consolidating loan committees and meeting more frequently, since this would help increase application turnover. Though a smaller committee may facilitate quick decision-making, the group will be sacrificing diversity. "I think it is great to have a very mixed group," one member commented. "I think a group should be at least six members to allow meetings to occur even if someone can't make it." A larger group may be needed to ensure that decisions are made in a thoughtful and unbiased fashion.

Training and orientation

Member turnover prompts the challenge of recruiting and providing consistent training to new RLC members. Kaminsky identified consistent RLC training as a resource issue because the large group of initial recruits attended a half day training, yet the program does not have the resources to provide this level of training when one person replaces another. Options such as training individuals through conference calls were identified by staff. All persons interviewed found the RLC orientation to be helpful and sufficient to be a functional member of the committee. Three of the four people interviewed in 2007 completed the full orientation, while one person took an "abbreviated" version of the orientation because they serve on the Board of CCV. All of the interviewees in 2008 except for one completed the orientation, and most were in agreement that the program was useful, effective, and, two interviewees stated, "excellent." The noticeable increase in satisfaction with the program from 2007 to 2008 may be an indication that the program has made several improvements within the past few years.

Increasing RLC member retention

All of the RLC members commented that they continue to commit their time and energy to the committee, but feel CCV should take various measures to increase retention of members.

- Ensure that the RLC is active and members are engaged with one another and Loan Officers. RLC's should meet on a consistent basis and either biweekly or monthly.
- Increase the volume of loan applications evenly throughout the state. One person expressed that their committee is frustrated with the idea of operating without having loan applications to review.
- Improve collaboration between CCV staff and business counselors from the statewide MBDP offices.
- RLCs should not be used as a "rubber stamp" to approve the decisions of the Loan Officers. The role and decision making power of the RLC should be better defined so members feel their voices are heard and meaningfully contribute towards final outcomes.

- Demonstrate the impact of CCV loans to the RLC members, through evaluation or borrower testimony, so they understand the impact of their work is making a difference to help people in business get out of poverty.

- Personally thank or send a token of appreciation to each RLC member for being involved to validate that their participation is a good use of their time and worth the effort.

Improved connection of RLCs to borrowers
Feedback gathered from RLC members through staff discussions and previous evaluations suggested that members felt disconnected to borrowers and the application process they go through with Loan Officers. RLC members do not meet directly with borrowers. In efforts to better connect RLC to the larger work with borrowers, Loan Officers keep members updated on the status of loans they have approved. Staff intended to hold a summer retreat that would include RLC members, which evidently fell through. However, during the National Entrepreneurship Week held annually in February, RLC members were invited to attend the 2008 celebration of Vermont entrepreneurs supported in part by CCV lending services. Some RLC members attended. Other efforts to keep them connected include regular e-newsletter postings about borrowers.

Strategies to improve RLC and Loan Officer communication and collaboration
RLC members interviewed provided various opinions and areas for concern regarding the quality and sufficiency of applicant/borrower information that committee members receive from Loan Officers. Several interviewees felt that they always received high quality information in a timely manner, which allowed the RLC to make a sufficient decision. However, some committee members in 2007 felt that, on specific occasions, not enough information was given to them to make a fair and unbiased decision. RLC members rely solely on information received from Loan Officers to judge applications; they trust that Loan Officers will provide them with accurate and objective information on applicants because committee members never meet with applicants. Thus, interviewees cautioned that Loan Officers should not become advocates for applicants. Rather, they must provide objective and transparent information about an applicant or borrower to avoid any special treatment. Several recommendations were made for improving communication and information sharing between the Loan Officers and the RLCs:

- Consistently match a person's name and their business on all application and portfolio material to more easily keep track of clients.

- Ensure Loan Officers provide an objective and full disclosure about loan applicants and their situation. No special deals should be made because a person has a good relationship with them. Staff indicates that they are not aware of any special deals made with applicants, but that Loan Officers have in some instances recommended flexibility that may be on the edges of the loan policies and procedures.

- Loan Officers should not get defensive or take it personally if RLC members ask questions about an applicant or to clarify or challenge information presented. Rather they should remain neutral and objective.

- Always provide RLC members with timely information to make effective decisions on a loan application.

- Provide more in-depth information about applicants to the RLC. One member suggested providing a copy of the credit report to the committee, since a decision based solely on credit score is not taking into account the applicant's entire payment history. Staff does not provide copies of credit reports to RLCs in order to minimize the risk that an applicant's personal information is misplaced by RLC members. Instead, credit memos are provided to RLCs, which include the credit score and a description of the applicant's personal financial situation. Loan Officers should always put themselves in the mindset of the RLC to determine what information might be missing or what questions RLC members might have on the case. A specific suggestion was made for Loan Officers to have their peers review the loan application package to allow for a neutral and objective perspective on the application before it is presented to the RLC. This would allow the Loan Officer to remove him or herself from their relationship with the applicant and better ensure objectivity in applicant review. And, in addition, one member discussed the possibility of holding an event in which the borrowers would be able to meet the committee in person. CCV does practice peer review; every credit memo is reviewed by a supervisor before it is sent to the RLC unless the Loan Officer is seasoned enough to not require a second pair of eyes.

- A specific suggestion was also made for Loan Officers to rotate the region with which they work so each RLC can get different perspectives from different people. Ensure consistency in meeting with the RLC and foster social capital and good relationships among members to increase member retention. CCV has not implemented this strategy intentionally; but, due to staff shortages, this has in fact happened.

Loan Application Process

Referral sources to CCV

Over the course of the grant, staff noted that potential borrowers are referred to CCV by a core group of service providers, particularly business counselors and staff from the MBDP and SBDC programs. Traditional lending sources also refer potential borrowers to CCV. Clients contact CCV primarily after being turned down by multiple banks or loan companies because they are considered "high risk" borrowers who are "unbankable" with poor or no credit and low levels of collateral. Service providers and financial institutions also refer specific applicants who are in a business start-up or recent start-up stage because CCV provides post-loan TA grants beyond loan financing to help the business succeed and repay the loan. The program has earned a positive reputation and record of service in the central Vermont area, which is the original service area of CCV prior to the statewide expansion.

Referring partners participated in focus groups to help evaluate the CCV project implementation and perceived outcomes. These providers represented Vermont's statewide network of Community Action Agencies, specifically the MBDP and the Vermont Women's Business Center (VWBC), SCORE, the SBDC, the Economic Development Council of Northern Vermont (EDCNV), and Rutland Economic Development Corporation (REDC).

Award criteria and emphasis on "holistic lending" and relationship building
Just like traditional sources of credit, CCV uses the "five C's" as a guide to underwriting loan applications: cash flow, capacity, credit, collateral, and competition/market. A unique aspect to CCVs underwriting style is that it looks holistically at the applicant, taking into account the applicant's capacity to implement the plan in addition to traditional markers of credit and collateral. To get a good sense of an applicant's capacity, CCV staff focus on relationship building with clients by spending time with applicants to learn about their business through site visits and one-on-one interaction either in person, on the telephone, or by email. Staff state that sometimes clients express that this process is lengthy or "drawn out" and would prefer to have a quicker loan application process. However, CCV values this relationship building period because of the program's emphasis on holistic underwriting.

In describing CCV's approach to underwriting, a Loan Officer stated, "When working with people with limited resources, we focus on getting to know who they are. Clients who continue through this process and are happy with staff are the ones with whom a relationship was built. Also, people are more likely to pay you back if you have relationship with them." Another commented that they "take time to get whole story rather than looking at figures like a credit score. This may not be comfortable for a borrower… but we need to get the 'back story' plus all of the pieces that are not in business plan. It's about relationship building." Staff also stated that this process is fairly user specific, depending on the needs and situation of the client. The downside of this lengthy process is that when there are many applications at one time, the Loan Officers cannot spend as much time with each client to build this relationship.

TA and consulting providers identified CCV's underwriting approach and providing funding to clients who are not bankable as a major strength of CCV. CCV Loan Officers do not just look at a client's credit report but also gather information from other sources such as a current employer, landlord, collateral information, and their business plan. If a client does have credit issues, Loan Officers will inquire about the situation behind this rather than relying only on numerical information. TA providers feel that CCV is a better lending option for most clients because banks and other lenders typically do not have this type of discussion with applicants. Another commented that CCV has a good approval rate. Specifically, one TA provider noted that six out of ten of his loans were approved in 2008 (the time of the focus group), a ratio with which he was very pleased.

Loan application process
CCV's application includes a checklist of application components that serves as a cover page to application packet. At the bottom of the application is a list of TA resources that the applicant can use to complete the application. Applicants are also provided with a list of business plan components that is designed to help applicants and their TA providers complete the application. In addition to the standard application materials, Loan Officers may also gather other information from the applicant based on his or her business needs and/or financial circumstances.

According to staff, general barriers that applicants face when applying can include:

- The need to draft a business plan
- Poor credit, high debt, and maxed out lending options
- Having a good idea but lack capacity or skill to pursue the vision
- Lack of confidence, communication, and problem solving skills
- Physical location of the business
- Lack of understanding about the market for their business
- Timing for the loan review process may not match with business needs

According to staff, clients may also face barriers during the process of loan approval, such as:

- Feeling uncomfortable talking about their personal and business situations
- Perceiving the amount of information asked for by CCV as “a lot”
- Not wanting to submit financial reports to CCV as specified by closing requirements

Suggestions to improve the application and review process

Project partners provided suggestions to improve the loan application and review process.

Clarify expectations for the loan application

One area commonly noted by TA providers and consultants interviewed in 2007 as needing improvement was for Loan Officers to clarify their expectations of information required for the loan application up front to avoid delaying the process further. In 2008, staff subsequently changed application materials to further clarify CCV’s expectations, which is reflected in positive comments received in 2008 from TA providers and consultants on this topic. One person commented that although the application process is now more simplified, her client was not initially told that having liability insurance was a requirement of the loan application, which delayed the process. Another noted that one day before her client’s loan review was to be finalized additional requirements were placed on the loan at the last minute by one of the funding sources. She felt it would be helpful if TA providers were made aware of the different loan funding sources and their requirements so clients are not set back in this process. In addition to unclear expectations and requirements for loans, one TA provider felt that her Loan Officer did not gather all needed information from the client up front. As a result, the Loan Officer kept coming back to the client with different questions, which lengthened the review process. The TA provider suggested that Loan Officers should inform them and the clients they serve of all information needed up front rather than back tracking to gather this information later. Staff indicates that during the course of 2007 and 2008 new Loan Officers were being trained; as a result of this on-the-job training, there were times when the Loan Officer had to go back to the client and ask additional questions.

In 2007, TA providers noted that some conditions of loan approval did not work well for clients such as providing certain financial documents, gathering customer information, or getting a cosigner on a loan. As a result, there have been occasions when a loan was approved and yet the applicant did not accept the loan because they felt the terms and conditions required were too intense or burdensome. However, this was not mentioned as an area of concern among TA providers in 2008.

Address issues causing delays in loan processing
A consistent sentiment throughout 2007 and 2008 from TA providers, consultants and project partners interviewed was that the loan application and review process can take a while or longer than clients expect, regardless of loan amount. A few people noted that on occasion, clients had to wait up to three months to hear back from their Loan Officer, with no information or follow-up communication provided in the interim. Staff is aware of only one case in which an application was not addressed for a period of time. Staff is also aware of several cases in which an applicant was provided feedback and was not able to follow through on the requests for additional information for several months. In general, TA providers felt that CCV took longer to review applications than a conventional bank. Other partners commented that since CCV took on the Job Start Loan Fund that the application and review process was further delayed and that timely communications with Loan Officers were noticeably slower. One person described this delay as "a bottleneck in the application process because CCV staff are working double duty to serve the state."

Staff indicates that at this time that the Lending Director was responsible for training and reviewing the work of two other Loan Officers as well as his own work; as the other Loan Officers became more confident in their abilities to underwrite, this bottleneck lessened. TA providers suggested that if a long wait for loan approval or denial is expected, Loan Officers should "give clients realistic time estimations at the beginning of this process so they know what to expect." Another suggestion was made for CCV to hire an outside consultant to help them look at the loan application review process, identify points of delay, and make appropriate corrections to mitigate this issue. As reported during 2008 staff focus groups, CCV did hire an external consultant, which resulted in many improvements to the project's implementation and minimization of delays in application reviews. These improvements are discussed in the next section of this report.

Loan Approval and Underwriting Process

CCV staff discussed the loan approval and underwriting process, which is initiated by the Loan Officers and completed at the RLC level. In 2007, staff described the initial part of this process as follows: the Loan Officer assigned to the application verifies that the application is complete and includes all supporting documents and the business plan. This information is then analyzed using a Credit Evaluation Grid (CEG) and Score Sheet which establishes a set of indicators or criteria within each of the Five C's of Credit: capacity, cash flow, credit, collateral, and competition/market. CCV has established three "knockout" criteria that if an applicant meets these criteria they can be denied for a loan at the outset and therefore their application is not sent to the RLC for review; these include: 1) irresponsible use of personal or business credit, 2) egregious lying during the loan application process, and 3) unreasonable cash flow. The Loan Officer uses the grid criteria and indicators to score the application and then sends the score sheet and a credit memo that assesses the loan risk based on the five C's to the appropriate RLC. Note: in 2007, all applications went to the RLC; but in 2008, loans under $10,000 were decided upon by staff (see below). The RLC makes the final decision to approve or deny the application based on information presented and the overall grid score. If the loan is approved, the Loan Officer is recommended to prepare paperwork for the loan closing process. In general, the applicant will work consistently with one Loan Officer that serves their region. However, the applicant may have contact with more than one person after the loan is approved. For instance, both the Director and Lending Director are both authorized to sign loan documents and the Administrative Assistant communicates with borrowers about making loan payments.

Improvements made to the underwriting process

During the 2008 staff focus groups, staff discussed various changes made to improve and increase the efficiency of the loan underwriting process.

Categorization of applicants

CCV staff categorized and streamlined loan applications into three groups based on business status and loan amount requested, which allows for more custom treatment of different applications rather than the initial "one size fits all" approach. The three applicant categories include: (1) startup businesses requesting $10,000 or less; (2) startup businesses requesting more than $10,000; (3) Existing/established businesses requesting loans, but not for the purchase of a business. CCV then developed applications and fine-tuned underwriting tools to better meet the needs of these three markets, which were in turn approved by the Board. These changes were made to some extent based on feedback received from TA providers on the tediousness of the former application process for their clients. Additionally, changes allowed for more effective use of Loan Officers' and RLC members' time and based on the experience gained by Loan Officers in more effectively identifying risks in a specific loan application.

Change in supporting documents required for application

One notable change in the application process is that a full and formal business plan is no longer required from borrowers in categories 1 and 3, including existing businesses, which was a complaint of many applicants with a previously established business. The application process was simplified to require only a cover letter that contained the basic components of a full business plan that is necessary for Loan Officers and RLC members to make effective decisions; this simplification also reduced the overall volume of information collected from applicants. Staff commented that although these changes were made in light of TA providers' initial feedback, subsequent feedback was received on these changes with TA providers expressing concern about not requiring a business plan. Kaminsky explained that this shift would not change specific information sought from clients, in terms of gathering appropriate approval criteria. Rather, they impact how information is collected and the volume required, reducing the overall burden on applicants

Loan Officers authorized to approve or deny certain loans

One change made to improve the efficiency and expediency of the loan approval process was that the Board authorized Loan Officers with at least six months of experience on the job to approve or deny loans up to or equal to $10,000. Additionally, CCV staff worked with a consultant to determine the "bottle necks" of the application and approval process. As a result, Loan Officers are also authorized to deny an application that receives scores below a certain percentage or is disqualified because it meets one of the three "knockouts" described above, without requiring a decision from RLC members. This change allows for RLC time to be used more efficiently on appropriate loan applications where the applicant would qualify for the loan rather than spending time discussing a loan that would never be approved as presented. Kaminsky noted that authorizing Loan Officers to deny loans up front did not reduce approval credibility or diminish RLCs fiduciary responsibility as an extension of the Board because the percentage of loans denied internally is small and the bulk of loans are still decided by the RLCs.

Streamlined loan application process
In 2008, TA providers and consultants interviewed noted that various aspects of the loan application process shifted to be more simplified and easier to manage with clients. Positive changes mentioned include requiring a less formal business plan (or none at all for existing businesses) and streamlining the loan approval process by allowing Loan Officers to approve loans that are $10,000 or less rather than submitting these smaller loans to the full review process and waiting for RLCs to approve or deny the loan at their monthly meetings. Others commented that since the inception of CCV, the loan application process has improved over time by holding RLC meetings more often to review loans. Often clients need the financing right away and the key partners felt that the improved efficiency in the loan review process has fostered this.

Change in scoring scale of credit grid
Initially, the CEG score sheet assigned a 1 to 3 point system for applications per indicator – a "3 was assigned if the applicant meets the "strong" criteria description, a "2" if they meet the "average" criteria description, and a "1" if they meet the "weak" criteria description. Working with a consultant, staff added an additional option for certain criteria: a "fail" category that gives the applicant zero points. In some cases, the "fail" category also includes "knockout" criteria which mean that an applicant doesn't get zero points, rather they should be denied immediately.

Clarifying expectations with RLCs during the application and approval process
In 2007, several CCV staff noted inconsistencies in the decision-making process for loan approval or denial and in working with different RLCs depending on the committee members, their regional culture, previous experiences, expectations, and overall process of the committee. Staff expressed the need for more consistency within the RLC decision making process when considering the importance of applicant's collateral over character and vice versa. Overall, staff recommended the development of a guideline for RLCs to follow that better defined acceptable reasons for loan approval or denial. One staff person explained, "CCV is in the business of investing in people's business and not making deals. Banks have strict criteria for collateral; however, we want to be flexible." Due to inconsistencies observed in the RLC decision making process, Loan Officers were unclear on how and to what extent an applicant's collateral figured into the decision for loan approval or denial. Prior to statewide expansion central Vermont RLCs used to meet with each applicant to assess their situation uniquely. However, to increase loan process efficiency and reduce bias introduced by personalizing applicants, RLCs no longer meet with applicants. Because of this disconnect with the client, the RLC may focus more on collateral than character, because they don't have a personal relationship with the client.

Loan Terms

Project partners interviewed, including TA service providers and consultants as well as RLC members discussed their perspectives on the affordability and flexibility of CCV loan terms.

Loan affordability

In 2007, CCV offered interest rates pegged at Wall Street Journal Prime plus 2 to 4 points depending upon risk. In March 2008, when CCV took over Job Start (which offered a fixed 9.75% interest rate), CCV changed its interest rates to a fixed 9%, 10%, or 11% depending upon the risk of the application. Regarding loan interest rates, TA providers and consultants interviewed in 2007 felt that CCV interest rates "are too high for a low-income population." However, in 2008, this same group noted that "Loan terms are good and the flexibility regarding time they can pay a loan back is good. But I still think the rates are a little high, 2-4% above prime. CCV could offer a lower in interest rate." However, several TA providers noted that the higher interest rate was "fair" because of the higher level of risk that CCV takes on when lending to otherwise "unbankable" clients. One person commented, "in general I have never heard any complaints about rates and terms from clients and they are grateful to receive a loan." Another suggestion was made for CCV to implement an incentive program built in with the high interest rate, such as giving clients back 2% or the amount that was considered to be a "high risk" client if the person made every payment on time. Or perhaps rebating the last one or two payments if all payments were made on time.

RLC members echoed the sentiments of TA providers and consultants. Two interviewees felt that the loan interest rates were high for a low-income borrower, being at prime plus 2% to 4%. However, others noted that the loans are priced higher than traditional financing because of the greater risk. One person felt, "People who borrow from CCV would not meet the minimum criteria to receive financing from at a traditional bank and would face 20% to 30% interest rates if they financed their business on a credit card." Thus, this person felt that CCV's loan interest rates are fair rather than unreasonable. Another also explained that because the dollar value of CCV loans borrowed are relatively small, a higher interest rate results in a fairly minor increase in monthly interest payment amounts.

Staff indicate that with the economic downturn in 2009, that the CCV Board allowed applicants with a good repayment history to apply for a one-time lowering of their interest rates into the 9%-11% interest rate range based on their current risk rating (each borrower is assigned a risk rating at loan closing which is then adjusted quarterly as their loan matures so that ultimately a borrower may originate at the highest risk rating and be at the lowest risk rating within two years of making regular on-time payments). This one-time refinance offer was to the advantage of those applicants who had received interest rates above 11% when Wall Street Journal Prime was above 7%. Aside from concern over high interest rates, the only other critical comment received from partners in 2008 was to not have loan closing costs or to use grant money, such as unused consulting stipends, to offset closing costs. A business counselor felt that with low-income clients, having to pay closing costs can be a "make or break" situation for a client who is financially stressed.

Loan flexibility

RLC members and TA providers interviewed pointed out that that loan terms are fairly flexible in that people can finance a loan out over time, have interest only payment periods, or even defer loan payments. This is done on a case by case basis with monitoring of each business. Further, Loan Officers take into consideration the life circumstances faced by borrowers and put a human face behind an application, not just a number or a credit score. TA providers felt that the loan terms serve clients well and that the underwriting guidelines are favorable for the low-income population served. It should be noted that some TA providers were not aware of alternative payment options; informing them would benefit borrowers as service providers could assist them in determining when to ask for alternative payment options and/or review their finances to determine ways to best use resources available. This strategy may help mitigate clients' defaulting on their loans, which some providers felt was an issue with some clients over the course of the grant.

TA providers also felt that Loan Officers are very amenable to helping clients get through "rough times" so they do not default on their loans. It was suggested that Loan Officers keep TA providers informed of any potential issues or red flags with clients so they can help assist them. Staff indicates that they do this to the extent possible and that sometimes borrowers do not follow through. However, some partners interviewed felt that CCV has a less flexible workout plan compared to other alternative lenders. A suggestion was also made to be flexible with clients in terms of loan interest rates, fees, use of collateral, and loan repayment time depending on the client, their business, income level, and history of repayment. Staff indicates that the need for consistency and fairness in how applicants are treated prevents CCV from being this flexible. In addition, another TA provider suggested that CCV continue to accept subsequent requests for funding from current borrowers if they determine that they need additional funding after they have received a loan and make a strong case that more funds will help them stay in business. CCV does accept and has approved subsequent requests from borrowers even prior to the statewide expansion.

Post-Loan Services and Process

After a loan has been approved, the Loan Officer works with the borrower on a post-loan TA plan that is included as part of the loan closing documents. Provided that grant funding is available, the plan could include a grant of up to $500 for tuition reimbursement or for business development activities, for which many borrowers have used to pay for membership to the Vermont Chamber of Commerce. The plan also provides for up to $1,000 worth of specialized consultation with private consultants who provide services beyond the general services offered by no-cost TA providers. Specialized consultants work with borrowers in such areas as marketing, inventory management, or financial systems setup. CCV does not use its post-loan funds to pay no-cost providers such as the MBDP or SBDC. Many project partners interviewed provide pre and post loan TA consulting to borrowers as well as additional, partner, or subordinate loan funding to a CCV loan, depending on their role. These providers represent Vermont's statewide network of Community Action Agencies and their MBDP and VWBC program staff, SCORE, SBDC, EDCNV, and REDC.

Post-loan technical assistance

Post-loan TA services have minimized and mitigated issues commonly faced by borrowers. Many borrowers take advantage of consultant services, such as three to six months of working with a bookkeeper to help borrowers set up their financial systems. Kaminsky commented that the majority of consultant contracts are for financial management, with a few contracts for marketing assistance or the hiring of a business coach.

Staff provided several reasons why borrowers may not want or need to take advantage of PLTA services. Small scale businesses may need minor consulting services such as bookkeeping and marketing, while more established and larger businesses require these services plus additional specialized services such as human resources, inventory management, or industry-specific consulting. Borrowers are also most likely focused on and/or are overwhelmed by their business so they don't feel they have the time for additional outside assistance. Some people are anxious or hesitant to have "an outside expert poking their nose into their business." Staff also said that clients do not necessarily want to hear that they are making mistakes. Staff works to overcome these challenges by marketing the post-loan TA services at the beginning of the loan application process and even at inquiry stage so that applicants and soon-to-be borrowers recognize that the services are a benefit of the loan as opposed to a burdensome requirement. Additionally, while borrowers are in the underwriting process, before a loan is closed, Loan Officers can have more leverage to ask a client to meet with consultant than after their loan is closed.

Aside from hesitation among borrowers to use this service, staff noted that it is sometimes difficult to match consultants or TA services to different needs or even regions where businesses are located. One Loan Officer noted that they don't have a marketing consultant in the central Vermont area that will work with a small scale business. Larger consultants only want to pick up larger and longer term projects that will generate more revenue. Staff has thought about generating a list of consultants; however this list can quickly become outdated. Also, staff wants to ensure service quality of consultants; rather than generating an arbitrary list from the phone book, staff likes to take the time to build a relationship and high level of trust in consultants to ensure quality services are provided to their borrowers. However, by August 2009, staff had received an additional grant to pay for post-loan TA services that solicited proposals from consultants statewide. Now, CCV has a large list of TA providers to from which clients may choose.

Feedback on post-loan TA from project partners

TA providers and consultants who participated in focus groups for this evaluation provided insightful feedback on the post loan TA and use of consulting funds. One partner noted, "Post loan consulting services are critically important. Most young companies don't understand the management of money, use of budgets, and the significance of forecasts. Consulting services in financial management is essential." Overall, the partners interviewed agreed that many clients face problems with financial reporting, merchandising control, budgeting, and cash flow analysis. Partners suggested offering clients more support on their financial management and how cash flow, profit and loss statements, marketing and merchandising work together. In addition, clients could use assistance in using QuickBooks as their financial management software.

An overall suggestion was made by the interviewees to require training on financial management as a condition of the loan. One TA provider suggested that post loan TA should be written into clients' business plans to require that they receive these services and possibly allow for them to be paid by their loan. Staff indicated that since its statewide expansion, a post-loan TA plan has been a requirement of the business plan component for start-up businesses. While they indicated that this condition was not legally enforceable, a person should have a basic education on business finances when planning and running a business. It would also be helpful for CCV to provide bookkeeping or CPA assistance with clients to check in with them on a regular basis to assist them with these issues. In 2008, CCV began to offer financial systems set-up and first three months of bookkeeping to borrowers as an eligible use of post-loan TA funds. To prepare clients for meeting with consultants and maximizing the use of their time, it was suggested that clients should provide CCV (or the consultant directly) with a copy of their last twelve months of financial statements prior to meeting with the consultant. CCV requires that clients provide their financial statements as part of the application process and that they submit them monthly or quarterly going forward. Most clients do not follow through on the latter and therefore it is often impossible for CCV to provide this information to a consultant. However, in several cases, post-loan TA services have been held back in exchange for current financial statements.

Make better use of TA providers and business counselors
A consistent sentiment from project partners was to make better use of the services and resources that they provide as business consultants to borrowers. TA providers felt that CCV funds available for borrowers to pay for consultant assistance could be better used elsewhere, such as offsetting closing costs associated with the loans when MBDP business counselors can provide these services free of charge. Echoing this sentiment, a business counselor said, "When people are awarded a loan the client disappears and I only hear about them from their Loan Officer when they are in a state of crisis." He further suggested, "It would be helpful to get periodic updates from Loan Officers on clients because it is hard for me to keep in touch with everyone. This way I can make myself available to help clients out before they get into a crisis state." It would be ideal for TA providers to be kept up to date on their clients in terms of loan repayment, from either Loan Officers or borrowers; however several realize that CCV is not responsible for maintaining relationships between TA providers and their clients beyond post loan services. CCV staff agrees that the relationship between the TA provider and the client is important but that the Loan Officer does not have the obligation or the time to update the TA provider on the status of that TA provider's client. However, in those cases where the Loan Officer recognizes that the borrower needs additional support, they will make a referral back to the TA provider.

Reiterating this notion, another TA provider suggested that CCV staff should better communicate with MBDP business counselors on an on-going basis. "First we need to know there is a problem as clients don't always contact us when there's an issue, despite our best efforts to contact them. If CCV or a Loan Officer sees them having a problem alert the client and the TA provider so we can work with them one on one to help them with their issue. We can help them with financial issues, refer them to specialists, or point them in the right direction. We can help them understand the numbers so they can make informed decisions." Several TA providers expressed confusion over whether or not a Loan Officer's role includes providing borrowers with business advice and TA. CCV staff should clarify with TA providers that Loan Officers do not specialize in business development. Thus, it is not their job to provide clients with business assistance and is the reason for post loan referral services. CCV staff report that this has been clarified with all TA providers as of the date of this report.

Suggested areas for post loan services
A few suggestions were provided for other consultant services or topic areas for loan recipients:

- Financial education focusing on management, reporting, budgeting and cash flow analysis, understanding financial statements such as profit and loss and expense and revenue statements. This education will help clients more effectively work with consultants.
- Preparing and designing marketing materials
- Merchandising
- Legal training such as looking for pitfalls in leases and contracts
- Basic computer skills and advanced skills such as using QuickBooks
- Use of stipend to contract out services such as a bookkeeper or design assistance
- Provide clients with a resource list of experts by subject matter

Staff indicates that financial education referenced above is a free service offered by the TA providers; for this reason, CCV does not use its limited post-loan TA resources to duplicate this service.

Non-payment, default and collections
When asked about how borrower non-payment is dealt with, one staff noted that "It is better to get a few payments in the hand than to force people out of business…we would have a mark on us if we forced people out of business, so we want to be flexible." In 2008, staff estimated that the overall lending industry in the US has a 3%-5% default rate. In 2007, CCV was within this range. However, by 2008, with the downturn of the economy, the rate had increased to 10%. Kaminsky noted that in general, CCVs approach is to be flexible with borrowers who are not paying back their loans. She defined that a borrower is considered to be in default if they are lent money and do not make payments for 90 days. CCV sends the necessary notices to the borrower when they are 15, 30, 60 and 90 days without submitting payment. After 90 days, the loan is called due and CCV staff makes final attempts to come to an agreement with the borrower. If that is not possible, the loan is referred to CCV's legal counsel who sends a follow up letter. And, then, if the loan's principal balance is $10,000 or less it is sent by staff through the small claims court and if it is over $10,000 it is sent through superior court with the aid of CCV's legal counsel. In some cases, CCV is able to recoup a portion or all of the indebtedness through the sale of collateral, a settlement with the borrower, or through cosigner payments. Or if there is no resolution, a judgment is filed with the court and CCV writes the loss off of its books.

Communication and Collaboration

Internal
CCV staff has many ways of internally communicating with one another. Kaminsky noted that they emphasize communication because the staff size more than doubled in the six months since the grant started. In general, staff noted that they "Do a lot of checking in with each other and have a lot of face to face communication…we are very interactive." Staff keeps in touch in person, by phone, and by email. They also noted that there is a fair tolerance for interrupting

each other to get questions answered. The only difficulty arises when Loan Officers have different schedules, such as number of hours worked per week or traveling for site visits. And one of the Loan Officers is often not in the office because she works in the southern part of the state.

Staff also have staff meetings twice a month, attend trainings, and retreats. Further, staff uses loan management software as a common point of communication and record keeping. This software is an electronic holder of information on loan payments, changes to loans, etc. CCV also uses check-lists where staff checks and initials off areas to indicate that something has been completed. In 2008, staff commented that they have worked hard to "build a common culture among the RLCs, the Board and staff" through the use of CCVs new intranet (a "members" only, password-protected portion of the CCV website used to transfer information between and among staff, RLC members, and the Board of Directors).

Project partners

CCV has many project partners, as described in this narrative, including TA providers, consultants, banks, and alternative lenders. Project partners include:

- Referral sources
- The RLCs
- Economic development groups - regional economic development corporations and Vermont Community Development program
- Former borrowers
- Vermont Community Action Agencies and the MBDP programs.
- SBDC
- Alternative lenders
- Consultants in such areas as marketing, inventory management, and bookkeeping.

In general, staff commented that they have a good relationship with Loan Officers at many alternative lending sources and banks. These relationships have been established through regular communications, attending meetings, making presentations, being on email listserves, and networking. Relationships with other lenders includes: the Vermont Community Loan Fund, Opportunities Credit Union, banks such as Community National Bank, Chittenden Bank and Merchants Bank, Northern Community Investment Corporation, Vocational Rehabilitation, REDC, VEDA, Office of Economic Opportunity, Union Bank, Lamoille Economic Development Corporation, and the SBDC.

Part of the CCV grant was to have more of a connection with TA providers and other stakeholders. This has in part been accomplished by Loan Officers having off site offices available for use at TA locations such as the MBDP network. CCV also established a temporary statewide expansion committee that met three times a year, made up of two Board members and seven partners. As of this report, the committee has disbanded due to the fact that the organization has successfully expanded.

To share success stories with external sources, CCV staff use a variety of methods. These methods include:

- The use of signs and boards to communicate stories
- Presentations at legislative events
- Dissemination an e-newsletter
- CCV Website

In 2007, a CCV staff person commented on encountering issues with referral sources when Loan Officers have a strained or poor relationship with TA providers, business counselors or lenders. Issues such as personality conflicts, miscommunication, or misunderstanding of CCV's loan process, can present barriers or obstacles for CCV to get referrals from a specific program or bank. The main way to overcome this issue to is build relationships with project partners, which over the course of the grant CCV staff have successfully accomplished.

Partner feedback on working with Loan Officers

TA providers and consultants interviewed expressed satisfaction with the CCV staff and provided positive feedback on their performance from both their own experience and on behalf of their clients. Staff was described as personable, responsive, attentive, and accessible. Staff also works to keep project partners informed of the CCV loan process and changes that may occur. Several respondents noted that Loan Officers are approachable, good at communicating and following up with clients, and that clients like working with them. They also commented that their relationship building strategies help clients feel at ease. Loan Officers express their expectations to clients in a way that is not demanding and also work with clients if they are not meeting loan closing requirements.

Partners also noted that Loan Officers and the program director have developed their skills in their unique roles, which has improved CCV services overall. CCV services improved overall when it was fully staffed and turnover was minimal. When Robin Svarfvar was hired as the Loan Officer serving southern Vermont, TA providers and partners in that region provided positive feedback on her work with clients, with comments suggesting that the new Loan Officer mitigated former frustrations felt by partners in this area.

A volunteer from SCORE described CCV staff as "very capable and dedicated to finding a way to help any worthwhile person get the financing that they need." He commented that even though CCV is not well known in his service area, those who are aware of and referring clients to CCV find them to be a tremendous vehicle for those going into or already in business. He also noted, "CCV plays a very important role in helping economic development in the state and that loans can really enhance the micro business industry."

Meeting Grant Goals

Table 2 outlines the grant goals and the projected and actual outcomes of the stated objectives under each respective goal. Overall, CCV met or came close to meeting most grant objectives. Actual outcomes that meet or exceed projected outcomes are highlighted in gray and bold font. Actual outcomes that nearly meet projected outcomes are highlighted in gray only. Unmet outcomes are not highlighted.

Table 2 Grant goals and projected and actual outcomes

Goals	Projected Outcomes	Actual Outcomes
Goal 1: Low-income Vermonters have increased access to affordable and flexible microcredit to start and grow their businesses.	96 businesses are approved for $1.47 million in financing.	93 businesses were approved for **$1,864,721** in financing.
	60% of the businesses financed are owned by low income individuals.	57% (53) of the businesses financed are owned by low income individuals.
	25% of borrowers request repeat credit from CCV to further expand their business.	14% (13) of borrowers requested repeat credit from CCV to further expand their business.
	25% of borrowers are able to leverage other capital from traditional financing sources.	16% (15) of borrowers were able to leverage other capital from traditional financing sources.
Goal 2: Microcredit is an integral component of a well-coordinated continuum of microenterprise development services.	90% of borrowers access at least 10 hours of *pre*-loan TA.	67% (62) of borrowers accessed at least 10 hours of *pre*-loan TA.
	25% of CCV borrowers use the Individual Development Account (IDA) program.	3% (1) of borrowers surveyed reported using the Individual Development Account (IDA) program.
	60% of borrowers access at least 10 hours of *post*-loan TA during the term of their loan.	54% (50) of borrowers access at least 10 hours of *post*-loan TA during the term of their loan.
Goal 3: Micro and small business owners and their employees experience improvements in their economic well-being as a result of increased availability of microcredit and TA.	144 jobs are created by CCV borrowers.	CCV financed businesses created a total of **165 FTE new jobs.** 123 FTE new positions were created and filled by persons other than the business owner (77 FT, 92 PT individuals). 42 FTE new owner positions were created by start-up businesses (39 FT, 6 PT individuals).

Table 2 Grant goals and projected and actual outcomes (continued)

Goal 3 (continued): Micro and small business owners and their employees experience improvements in their economic well-being as a result of increased availability of microcredit and TA.	At least 60% (86 jobs) will be filled by low income Vermonters (≤150% FPL). 20% or 17 of low-income jobs will be filled by TANF recipients.	27 of these jobs were filled by low income Vermonters (≤ 150% FPL). Five of these jobs were filled by known TANF recipients.[1] The TANF and FPL status of 119 new employees is unknown and the TANF status of 22 owner positions is unknown. Overall, CCV borrowers created and retained 314 FTE positions of which 58 were held by low-income Vermonters and five were held by known TANF recipients.
	75% of borrowers accessing loan services attribute improvements in their economic well-being to their business loan.	**82% of borrowers** surveyed indicated that they would not have been able to accomplish their business gains without the receipt of their loan.
	75% of borrowers accessing PLTA attribute improvements in their economic well-being to receiving PLTA for their business.	**85% of borrowers** surveyed who used consultant services through CCV stated that this work completely met their business needs.
Goal 4: Low-income Vermonters can rely on CCV as a sustainable resource for microcredit, managed by an organization that is transparent, efficient, and collaborative.	CCV reaches the industry average of 40% for operational self-sufficiency ratio.	CCV reached the industry average of 32% for operational self-sufficiency ratio (as of July 31, 2009)
	Annual net loan losses do not exceed 5% and reserves are held at 15% for bad debt.	Annual net loan loss (loans charged off versus loans disbursed) for the period 2007-2008 was 18%. This does not include loans received from Job Start in 2008 that were charged off in 2008. Reserves for bad debt were increased to 17% (as of August 31, 2009).
	CCV reaches an asset size of $1,559,000.	CCV reached an asset size of **$2,744,000 (as of July 31, 2009).**

[1] The number of known TANF recipients is lower than the anticipated outcome. However, according to the Vermont Agency of Human Services (2009) only 3.5% of Vermont families are recipients of the Vermont Reach-Up program (TANF). A statewide survey of low-income Vermont micro business owners, living at or below 100% of the FPL, who participated in TA services with the Vermont MBDP from 2006-2009 showed that only 5% of this very low-income population was receiving Reach-Up benefits as a source of income (Schmidt & Kolodinsky, 2009).

Challenges to meeting grant goals
Discussions with CCV staff revealed various challenges they faced and, for the most part, overcame to meet grant goals.

- Loan Officer turnover occurred a few times over the course of the grant. This turnover required staff time to fill vacant positions and facilitate the orientation and transition of new employees and the regions served.

- Client referrals and applications are in part dependent on relationships with project partners. An ongoing poor relationship with a specific project partner has resulted in no referrals from this person and few applications received from that service area. If a project partner leaves his or her position at the partnering agency, then referrals may also diminish until relationships are established with the new employee.

- Staff faced a necessary learning curve to understand and adapt to sub-cultures within each new region served by CCV after the program's statewide expansion. Building relationships and establishing trust within new regions can take time.

- Taking on the Job Start Loan Fund brought about excess work from additional borrowers, loans to track, and late or nonpayment cases. This additional work diverted some staff attention from CCV and the level of service typically provided to clients.

- CCV faced the technological challenge of having inconsistent email service. This challenge hampered communication and meeting deadlines, especially if staff worked off site and needed remote access.

- The CCV office space is small yet the number of staff has grown. Thus, shared space can result in work distractions.

- Sufficient working capital to grant loans due to restricted funds limited CCVs ability to address the spike in loan demands in 2006. Project managers and the Board approved the use of diverted unrestricted funds to make loans and address this challenge.

- CCV's cumulative loan loss rate from 2007-2008 was 18%. This rate was in part due to the U.S. recession, which resulted in higher start-up business failure and defaulted loans. During the grant period, 71% of all loans made were to start-up businesses.

- In 2007, staff noted that inquiries and applications to CCV were less than expected. By the end of 2007, CCV had financed almost the same number of loans as in 2006; however the value of 2007 loans was lower. One reason is that CCV was sharing demand for microbusiness loans with the Job Start Loan Fund until this fund was transferred to CCV in May 2008. Staff also observed in 2007 that borrowers, who posed less of a risk and thus were eligible for larger loans, were being more cautious about borrowing money. While riskier applicants were "desperate enough" to receive business financial support that they were willing to borrow less money. By CCV taking on less risk with these borrowers, the result was an overall reduction in loan values for 2007. This fluctuation slightly impacted CCV's revenue stream because of less interest earned from 2007 loans.

Demographic Profile of Potential and Actual Borrowers

The following client demographic data is presented for two groups of clients involved in this evaluation: potential loan applicants who inquired about a loan but have yet to apply and actual loan applicants who received a CCV loan or borrowers. The age of clients who inquired about a loan but did not apply ranged from 26 to 73 years, with an average and median of 46 years. Clients who received a loan and completed the follow-up survey had a similar age range of 30 to 56 years, with an average of 44 years and median of 43 years.

Levels of education achieved by both groups ranged from 9th grade to post graduate/professional education. As shown in Table 3, all borrowers have a high school degree or more education, with the majority holding a Bachelor's degree followed by completion of some college courses. On the other hand, inquiring clients appear to have completed less education as 30% have a high school degree or less education, 23% have taken some college level courses and 22% have a Bachelor's degree. Overall, 48% of inquiring clients have completed some type of college degree program compared to 66% of borrowers.

Table 3 Education levels

Level of Education	*Inquiry only*	*Borrowers*
9-12th grade, no diploma	7% (5)	0
High school diploma/GED	23% (17)	6% (2)
Some college (no degree)	23% (17)	28% (9)
Associates/technical degree	8% (6)	19% (6)
Bachelor's degree	22% (16)	41% (13)
Post grad/profession degree	18% (13)	6% (2)

Slightly more than half of borrowers (53%, 16) have no children living in their household. Borrowers who do have children have between 1 and 3 children, with 50% (7) having only one child. Similarly, 48% (36) of inquiring clients have no children living in their household. Those with children have between one and six children and a median and mode of two children. As shown in Table 4, the majority of all persons surveyed are married, as 59% of inquiry only and 50% of borrowers being married. Twenty percent (6) of borrowers are divorced and 13% each live with a partner or are single. On the contrary, only 7% of inquiring clients are divorced and 31% are single.

Table 4 Relationship status

Status	*Inquiry only*	*Borrowers*
Married	59% (41)	50% (15)
Divorced	7% (5)	20% (6)
Single	31% (22)	13% (4)
Cohabitate	1% (1)	13% (4)
Engaged	1% (1)	3% (1)

Borrowers' annual incomes when they first applied for their loan ranged from $1,000 to $82,500 with an average annual income of approximately $30,000 and median of $24,600. Table 5 shows the percentage of borrowers surveyed whose family size and annual income places their household at or below 100% of the federal poverty level (FPL), 150% of FPL, 200% of FPL, and above the threshold for the three categories. A total of 19% of borrowers surveyed are considered to be very low-income, earning at or below 100% of the FPL. Almost half or 45% are at or below 150% of the FPL, which is considered low-income and 71% are at or below 200% of the FPL, which is low to moderate income. These statistics demonstrate that CCV met part of Goal 1 that "60% of the businesses financed are owned by low income individuals."

Table 5 Poverty status at intake, borrowers only

Status	***At or below FPL % (n)***	***Above FPL % (n)***
100%	19% (6)	81% (25)
150%	45% (14)	55% (17)
200%	71% (22)	29% (9)

Annual incomes at the time of the survey ranged from $11,000 to $100,000 with an average of $36,600 and median of $33,600. Current monthly figures ranged from $900 to $9,000 with an average of $3,100 and median of $2,700. The monthly household income of inquiry only respondents ranged from $0 to $11,000, with a mean income of $4,070 a month and median of $3,500. Annual household incomes of inquiry only respondents (at the time of the survey) ranged from $0 to $165,000 with a mean income of $49,375 per year and median and mode of $45,000.

Status of Inquiring Clients and Potential Borrowers

Potential borrowers who inquired about applying for a CCV loan but did not complete the loan application process (by the time of the survey) were contacted by telephone between two and six-months post their inquiry to complete a five to seven minute survey about the status of their potential application and other funding received. A total of 75 "inquiry only" clients completed this survey.

Reasons for considering a loan application

Slightly more than half of respondents considered applying for a business loan through CCV to support a business that had been started within the last two years (52%), as shown in Table 6. Additionally, 15% were considering a loan to support a business with at least two years of sales, while 12% sought a loan to purchase a business. Twenty one percent of respondents provided another reason for applying for a business loan. Broken down into categories, 12% wanted funds to start a business or re-establish a closed business, 4% each had difficulty accessing traditional funding because of their credit history and one person simply preferred CCV over other options.

Table 6 Reasons for needing CCV loan financing

Reason	*Percent (%)*	*n*
Support a business that was started within the past two years	52%	39
Support a business that has had at least two years of sales	15%	11
Purchase of business	12%	9
Start a business/re-start a previously established business	12%	9
Access funding with poor credit history	4%	3
Grow/enhance business	4%	3
Preference of CCV over other banks	1%	1

Reasons for considering a loan with CCV over other lenders

Clients were asked to indicate why they considered applying for a loan with CCV instead of another lending source. Common themes are shown in Table 7. The top four reasons provided include that CCV is more flexible than a traditional bank, they were looking for lending options, or were referred to CCV by word of mouth or by a TA provider or bank.

Table 7 Reasons for interest in CCV over other lenders

Reason	*Percent (%)*	*n*
More flexible than banks	28%	21
Looking for lending options	23%	17
Word of mouth referral	21%	16
Referred by TA provider or bank	17%	13
Accessibility	3%	2
Alternative lending source	3%	2
Previous borrower of CCV	3%	2
Low start-up cost	1%	1
Needed technical assistance	1%	1

Sources of referral to CCV

Respondents were referred to CCV from various sources, with the majority being word of mouth referrals and referrals from other financial institution or support service providers. As shown in Table 8, almost a third of respondents (29%) were referred to CCV through a word-of-mouth referral from a friend, family member, or a colleague, which has been a consistent referral source over the course of the grant. Twenty three percent were referred a bank or another lending institution, quite possibly because that lender felt that the client would be a better fit to apply for a loan with CCV. Additionally, 15% were referred from the MBDP program or another Community Action program, and 9% from the SBDC. Marketing and outreach material were also effective referral methods, including brochures/fliers (7%), the CCV website (5%) and newspaper advertisements (5%). Respondents may have reported more than one referral source and some may not have indicated a referral source.

Table 8 Referral sources to CCV

Referrer	***Percent (%)***	***n***
Friend/family/colleague	29%	22
A bank	23%	17
MBDP or other Community Action program	15%	11
Small Business Development Center (SBDC)	9%	7
Brochure/flier	7%	5
CCV website	5%	4
Newspaper	5%	4
Vocational Rehabilitation	1%	1

Referring clients to other resources

Twenty-eight percent (21) of respondents said that they were referred to other services or resources that they needed through CCV. Table 9 shows that more than half of the respondents who indicated a resource to which they were referred by CCV (n=21) were referred to a type of micro business planning service such as MBDP or the Vermont Women's Business Center; 29% were referred to another Community Action program such as the Food Shelf and Head Start. A quarter was referred to another lender including a bank (14%) or another alternative lending source (10%).

Table 9 Referred services

Service/Resource	***Percent (%)***	***n***
Micro business planning services	57%	12
Another Community Action program	29%	6
A bank	14%	3
An alternative lending institution	10%	2

Status of decision to apply for a loan with CCV

Figure 1 shows that about a third (31%, 23) of potential applicants, who inquired about applying for a loan but that information had yet to be received by CCV Loan Officers, indicated that they were still planning on applying for that loan. Forty-five percent (34) were no longer planning on applying and the remaining quarter (24%, 18) was not sure at the time of the survey.

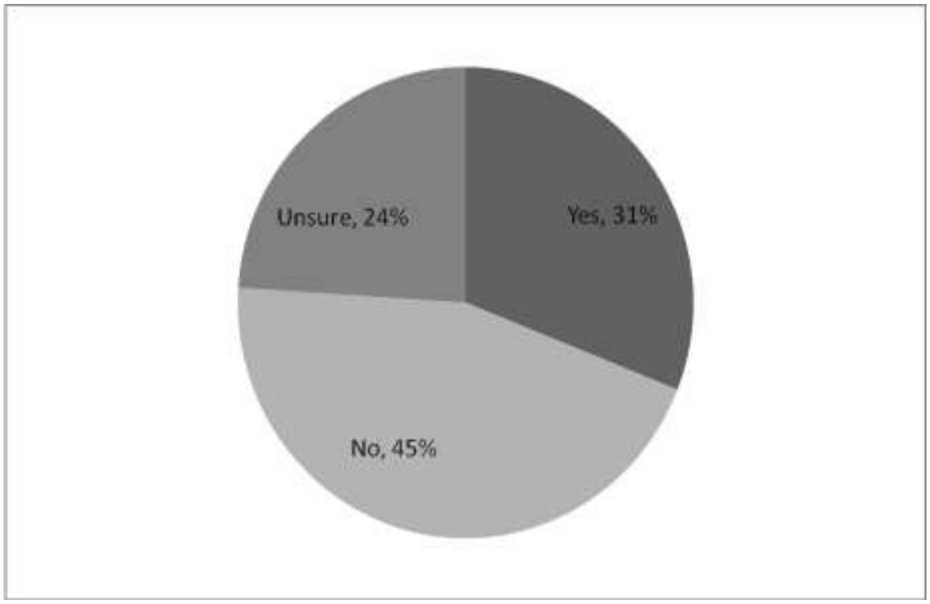


Figure 1 Plans to apply for a loan with CCV

Of the respondents who indicated that they **did not plan to apply** for a loan from CCV (n=34), Table 10 shows that 68% received financing from another lender. Almost 30% indicated that the CCV loan did not match their needs as they were either not eligible to apply or were concerned about taking on debt. In addition, 18% were not going to apply because the schedule or timing for the loan process did not meet the needs of the business and 12% felt the application process was too much for them. One person commented, "I didn't have time for all the meetings, we just needed a loan." A few respondents did not apply because of business issues rather than issues with the loan process. More specifically, several decided to not pursue self-employment, indicated that personal or life issues got in the way, or doubted the potential of their business to be successful. Some respondents may have had provided more than one reason, while some may not have provided a response.

Table 10 Reasons for not applying for a CCV loan

Reason	*Percent (%)*	*N*
Received financing from another lender	68%	23
Not eligible for CCV loan/CCV not good fit/concern for debt	29%	10
Schedule/timing for loan process did not meet needs	18%	6
Decided not to pursue self-employment	15%	5
Personal life/issues got in the way	12%	4
Application process for loan was too much	12%	4
Doubts/concerned about business success potential	12%	4

A variety of responses were received by potential loan applicants about why they were **not sure if they would apply** for a CCV loan (n=18), as shown in Table 11. The top responses given were that persons were not eligible for a CCV loan or that the loan offered was not a fit for their business needs. A few respondents were also unsure if they were ready to apply for the loan, with two people noting that they were still in the business planning stage. Other responses included having received financing from another source or the person was still looking at other options before applying to CCV. Several responses revolved around the loan application process, such as the paperwork, meetings required, and scheduling conflicts.

Table 11 Reasons for indecision about applying for a CCV loan

Reason	***Percent (%)***	*N*
Not eligible for CCV loan/CCV not good fit	28%	5
Not sure if want to apply for loan yet	22%	4
Not sure of reason	22%	4
Still planning business	11%	2
Felt process of applying for a loan would be too much	11%	2
Received financing from another lender	11%	2
Shopping around for other financing sources	11%	2
Schedule did not work with business needs	11%	2
Concerned about taking on debt	6%	1
Needed more funding than CCV could offer	6%	1
Had problems with referrals from Loan Officer	6%	1

Sources of financing for business

In aggregate, Table 12 shows that 47% (35) of respondents applied for a loan from a bank, an alternative lender, a mortgage company, or more than one source. The remaining 53% did not apply for a loan with these sources.

Table 12 Other lending sources

Applied with	***Percent (%)***	***N***
Bank	16%	12
Alternative Lender	16%	12
Multiple sources	11%	8
Home equity loan/mortgage	4%	3
None of the above	53%	40

Table 13 shows that 49% of the 35 applicants who applied to other lending sources were awarded loan financing. Twenty-eight percent did not receive their loan and 23% did not yet know if they got the loan.

Table 13 Status of loan from other lender

Response	***Percent (%)***	***n***
Yes, received the loan	49%	17
No, did not receive the loan	29%	10
Do not know yet	23%	8

Eleven people provided the dollar amount of their business loans. Loan amounts ranged from $6,000 to $170,000, with an average of $59,800, median of $40,000 and mode of $50,000. Six people did not disclose this information. Thirty-five respondents indicated the other lending source from which they applied for their loan, with some indicating multiple sources. Overall, 34% mentioned a bank as their lending source while 66% noted other lending sources, with specific sources categorized below.

- **Banks (12)**
    - Chittenden Bank (5)
    - Citizen's Bank (1)
    - Key Bank (1)
    - Northfield Savings Bank (1)
    - Passumpsic Savings Bank (1)
    - Randolph National Bank (1)
    - Union Bank (1)
    - Wells Fargo (1)
- **Other lending sources (23)**
    - Local Credit Union (7)
    - Vermont Community Loan Fund (5)
    - Family and friends (3)
    - Local SBDC or economic development council (3)
    - Private lending source or credit card lender (2)
    - Job Start/VEDA (2)
    - Tangible Assets (1).

Three quarters or 77% (13) of respondents indicated that this loan will meet their business needs, while 24% (4) indicated that it will partially meet their needs. The 10 respondents who did not receive a loan for which they applied indicated a range of ways that this lack of capital impacted their business planning. Levels of impact ranged from none to putting one's business on hold, scaling back business operations, or requiring the owner to take on additional work to supplement their income.

In addition to a loan, respondents have other sources of capital for their businesses. The top two sources of financing are business revenue/income followed by personal savings (Table 14). These findings are consistent with those from the previous year. In addition to a few other sources of financing, a quarter of respondents indicated that they did not have any additional sources of financing for their business.

Table 14 Sources of business capital accessed

Source	***Percent (%)***	***n***
Business revenue/income	41%	31
Self or personal savings	33%	25
Business credit card	5%	4
Home equity line of credit/mortgage/equipment lease	5%	4
Business/commercial loan	4%	3
Outside investor or venture capital equity investment	4%	3
Family or friend loan or gift	3%	2
SBDC	1%	1
Personal credit card	1%	1
No sources of funding	24%	18

Respondents also plan to use a mixture of future financing sources for their business. Table 15 shows the breakdown of responses. The most common sources that clients plan to use are business revenue/income and one's personal savings/investments; these results are consistent with what respondents currently use.

Table 15 Anticipated sources of capital

Source of Financing	*Percent (%)*	*n*
Business revenue/income	51%	38
Self or personal savings	27%	20
Personal credit card	5%	4
Business credit card	5%	4
Outside investor or venture capital equity investment	5%	4
Family/friend loan or gift	3%	2
IDA	1%	1
No sources of funding	17%	13

Suggestions to improve CCV loan services

A third of inquiring clients indicated that they were satisfied with CCV services, 15% were not sure or could not think of a suggestion, and the remaining 53% provided a suggestion for improving services. The list of categorized responses is provided in Table 16. As one of the responses is "increase the maximum amount of money to lend in southern Vermont," it should be noted that CCV offered loans of up to $25,000 in its statewide expansion areas for most of the grant due to limited statewide capital; the maximum was increased to $50,000 shortly after Job Start was transferred to CCV.

Table 16 Suggestions for improving CCV loan services

Suggestion	*Percent (%)*	*n*
Satisfied thus far	32%	24
Not sure/none	15%	11
Speed up/simplify lending process	12%	9
Assess personal situations, i.e. single parents, poor credit, business start-up	7%	5
Follow through with sending clients information or telephone calls	4%	3
Clarify expectations surrounding application and decision-making process	3%	2
Provide comparative information of other lenders	3%	2
Consolidate visits/meetings required	3%	2
Increase the maximum amount of money to lend in southern Vermont	3%	2
Provide more individual assistance	3%	2
Standardize forms with other lenders/explain how to fill out forms	3%	2
Stay in touch with applicants	3%	2
Don't require established businesses to write business plan	1%	1
Improve contract negotiation	1%	1
Incorporate a grant program	1%	1
Less application fees	1%	1
Lower interest rates	1%	1

Borrower Outcomes

Evaluation data was collected from a sample of borrowers through the course of the grant period from telephone surveys and focus groups. CCV staff also provided the evaluators with data on all 93 borrowers, including key information from their loan application and job creation totals by the end of the grant period. All data collected for this evaluation are maintained in a confidential manner and only aggregate results are presented.

Results from Borrower Follow-up Survey and Other Data

Evaluation data was collected by telephone surveys with borrowers from May 2006 through September 2008 to understand the impact of financing from CCV financing. Clients who completed the CCV loan application process were followed up within six-months after the loan was 1) closed or 2) their application was denied or withdrawn. A total of 38 clients completed this survey, with 33 having accessed funds (54% response rate based on 61 loans closed). The following data is from clients who closed on a loan only, as very few people (n=5) who withdrew or were denied agreed to participate in the survey. Loan Officers provided clients with information about the survey and verbal consent to participate was obtained during their application process. Clients were informed that the survey would take up to 20 minutes and the types of questions asked. Contact information of those who agreed to participate was sent to CRS on a monthly basis for follow-up six months post the first loan closing.

On an annual basis for FY II and III, clients who were not reached at the six month mark or had completed the six month survey and gave permission to be contacted were followed up on again. Borrowers who closed a loan between May through September 2008 were only surveyed at the time of the FY III final follow-up because the grant ended before their six month call and grant staff wished to include all borrowers in the evaluation. The data demonstrates that access to capital has resulted in the start-up and retention of Vermont micro businesses, expansion of borrowers' opportunities, income generation, job creation, and local economic development. These positive findings show an ongoing need for CCV's financial products and development services.

> *"I used my loan money to start my custom framing business by purchasing inventory materials, supplies, equipment, and wood. I also use some of the money for working capital. Because I have this new equipment, I am able to expand my production and take on larger orders to bring in more revenue."*

Purpose and use of loan

Table 17 shows the reasons why respondents applied for a business loan through CCV. Twenty eight percent (9) of borrowers sought a loan to start a business while 72% (23) needed financing to support an existing business. This table also breaks down the number of borrowers who indicated each reason compared by if they were a start-up or existing business. Reasons are sorted by the total column percentage. Half of borrowers used their loan to purchase equipment and 34% (all existing businesses) used the money to expand their business. About a third used the money to purchase inventory for their business. Overall, the majority of start-up businesses used CCV financing to cover start-up costs and purchase equipment for their business. While borrowers who had established businesses mainly used the money to expand their business as well as purchase equipment. No further specification was provided for any categories.

Table 17 Reason for loan application to CCV

	Start-up	*Existing business*	*Total*
	28% (9)	72% (23)	(32)
Reason			
Purchase equipment	5	10	50% (16)
Expand business	0	11	34% (11)
Purchase inventory	3	7	31% (10)
Purchase an existing business	2	4	19% (6)
Pay for start-up costs	6	0	19% (6)
Purchase/rent real estate or property for business space	1	4	16% (5)
Pay for marketing and advertising	1	2	9% (3)
Improve real estate/business space	0	2	6% (2)
Refinance business debt	0	2	6% (2)

Table 18 indicates borrowers' self-reported actual use of their loan. Borrowers were allowed to select all the responses that applied to them (thus, the percentages total greater than 100%). The majority of respondents specified that they used funds from their loan to purchase equipment and inventory for their business. Others simply stated that their loan went towards business expansion or start-up costs with no specification. Eighty-two percent of clients indicated that they would not have been able to accomplish these tasks without the receipt of their loan, while the remaining felt they would have eventually been able to achieve this without the loan.

Table 18 Use of loan financing

Reason	*Percent (%)*	*n*
Purchase equipment	49%	16
Purchase inventory	42%	14
Business expansion	33%	11
Start-up costs for business	21%	7
Purchase a business	18%	6
Purchase real estate/property	15%	5
Improve real estate or leased space	9%	3
Refinance business debt	9%	3
Marketing and advertising	9%	3
Hire external help	8%	2

Referral source and reasons for applying to CCV for loan

Borrowers were referred to CCV from several avenues: business assistance programs (MBDP, SBDC, and VWBC), nonprofit and state service providers (Vocational Rehabilitation), other banks, word-of-mouth referrals from friends, family members, business colleagues, and co-workers, and newspaper and media advertisements. A few clients were repeat borrowers with CCV and reapplied because of their good experiences with the program. Table 19 shows the reasons why borrowers applied for a CCV loan rather than another lending source. The top reason from almost half of respondents, which was consistent throughout the grant period, was that clients were not able to get a loan with a traditional bank because of poor or no credit and/or they were considered a “high risk” client. A few respondents indicated that they were recommended to apply for a CCV loan by another agency, including a Community Action Agency, Vocational Rehabilitation, the Small Business Development Center, and the Women’s Business Center. In addition, three each received a good recommendation from others or they needed supplemental funding that CCV could provide.

Table 19 Reasons borrower applied for CCV loan over another lender

Reason	***Percent (%)***	***N***
Could not get loan with a traditional bank	47%	14
Service provider recommended	17%	5
Received a good recommendation	10%	3
Needed supplemental funding	10%	3
More community focused	3%	1
Post-loan support services available	3%	1
CCV had a better interest rate	3%	1
Had previous loan with CCV	3%	1

CCV loan financing

CCVs first grant goal is that “Low-income Vermonters have increased access to affordable and flexible microcredit to start and grow their businesses.” The goal’s projected objectives include:

- 96 businesses are approved for $1.47 million in financing.
- 60% of the businesses financed are owned by low income individuals.
- 25% of borrowers request repeat credit from CCV to further expand their business.
- 25% of borrowers are able to leverage other capital from traditional financing sources.

Data from the CCV Director shows that over the three year grant (with a 1-year extension), a total of 93 loans totaling 1,864,721 were made Vermont entrepreneurs, of which 57% or 53 businesses were owned by low-income owners (defined as living at or below 150% of the FPL). Compared to the grant objectives, the total number of businesses and the proportion that are run by low-income individuals that received financing is slightly less than the anticipated objectives. However, the amount of dollars financed exceeded the grant objective. In addition, 14% (13) of CCV borrowers requested repeat credit to further expand their business and 16% (15) of borrowers were able to leverage other capital from traditional financing sources. These actual outcomes are slightly less than the anticipated 25% for each. These outcomes demonstrate that CCV met the first two parts of the first grant goal of increasing access to affordable and flexible financing to low-income Vermonter entrepreneurs. The lower proportion of actual repeat borrowers and borrowers who leveraged traditional financing may be a function of reduced demand for additional capital, being less willing to take on extra debt, or the U.S. recession, which impacted traditional lenders willingness to make loans to riskier borrowers.

Pre-loan and post-loan technical assistance and referral services

In addition to loan financing, CCV refers clients to a variety of post-loan TA service providers and pays for borrowers to utilize services of private consultants and CCV's reimbursement programs. The second grant goal is that "Microcredit is an integral component of a well-coordinated continuum of microenterprise development services." Projected objectives include:

- 90% of borrowers access at least 10 hours of *pre*-loan TA;
- 25% of borrowers use the Individual Development Account (IDA) program; and
- 60% of borrowers access at least 10 hours of *post*-loan TA during the term of their loan.

Survey results show that 94% (31) of clients surveyed accessed at least 10 hours of pre-loan TA services from programs such as MBDP, VWBC, and the SBDC. Based on data collected by CCV Director, Emily Kaminsky, 67% (62) of all borrowers accessed at least 10 hours of pre-loan TA services from these programs, which is less than the anticipated 90%. However, 59% (55) of borrowers were established businesses when they applied for their loan and possibly did not need to utilize TA services, such as writing a business plan.

Kaminsky's data also shows that 54% (50) of borrowers used CCV's post-loan TA program for consultant services and cost reimbursements, which is slightly shy of the 60% anticipated. Borrowers surveyed who did not use CCV's post-loan programs noted various reasons for not doing so. Reasons included: they did not need assistance (10), could not find the time (13), planned to use the service later (11), did not know about the service (8), or did not feel this service would be helpful (2).

However, borrowers who did use CCV's post-loan TA program found the services worthwhile. Borrowers who worked with a CCV paid consultant received support in the following areas: marketing (8), inventory management (4), financial management (4), business operations (4), human resource management (1), and grant writing (1). A majority, 85% (11), noted that this consultant service completely met their business needs; 15% (2) said that this work somewhat met their business needs. A quarter (23%, 7) of borrowers surveyed used CCV's reimbursement program, of which all but one person rated this program as completely to somewhat meeting their business needs.

Post-loan TA is also provided by other specialty services, such as the Vermont MBDP. Three out of four respondents (79%, 26) said they were referred to other services they needed by their CCV Loan Officer. Areas of referral included: business planning assistance through MBDP (12), marketing services (8), business planning and TA other than MBDP (8), accounting or bookkeeping services (3), Business Networking International (1), a tax program (1), employment training (1), and another non-bank lender such as Job Start (1). Only one borrower surveyed (3%) reported using the IDA program, which is less than the 25% projected. However, CCV Director Emily Kaminsky noted that the IDA program is often a precursor to receiving a loan because it helps individuals build their savings and assets, rather than a program used in tandem to a loan. Additionally, the IDA program faced challenges of staff turnover and potential loss of state funding, which may have reduced the number of borrower referrals to this program.

Borrowers surveyed were asked to provide examples of other non-financial services that CCV could potentially offer to better meet their business needs. More than half (59%, 16) indicated "none" or "nothing" demonstrating that CCV's current offerings and referral services were meeting client needs. The remaining 41% provided the following responses areas:

- Bookkeeping and financial record management (4)
- Marketing (3)
- Affordable business space to accommodate staff
- Forecasting models to maximize the use of funds
- Targeting customers
- Access to business coach
- Graphic design
- Website development and internet business
- Networking with other borrowers/business owners

Business start-up and retention rates
The following data summarize the start-up, survival and retention rates of businesses surveyed that were financed by CCV.

Start-up and survival rate
100% (9) of business owners who received their loan from CCV before business start-up successfully started a business after loan receipt. All of these start-up businesses (100%, 9) remained in business by the end of the grant.

Retention rate
97% (32) of borrowers surveyed (n=33) who received their loan from CCV either before or after they had started a business have remained in business. Only one borrower reported having closed their business.

Type of business and products or services sold
The length of time borrowers' businesses have been open ranged from five months to 18 years, with an average of 4.4 years and median of just over 2 years. The type of businesses that acquired loans includes:

- Services (40%, 12)
- Retail (37%, 11)
- Manufacturing (10%, 3)
- Web design/development (6%, 2)
- Bakery (3%, 1)
- Whole sale (3%, 1)
- Agriculture/ farm equipment (3%, 1)

Clients sell products such as baked goods, other food products, crafts, furniture, clothing, gift items, canoe and kayaks, antiques, and decorative art. Services provided by respondents are painting, janitorial services and office cleaning, website design and development, picture framing, internet service provider, and communications. Borrowers were also asked if they made any changes to their business since the receipt of their loan; 48% (16) responded affirmatively. Types of changes include:

- Expanded, diversified or focused product and/or service line and inventory (9)
- Increased or focused sales channels and marketing (5)
- Rented a larger space or renovated and expanded existing space (3)
- Hired employees (2)
- Relocation of business (1)
- Purchased business space rather than renting (1)
- Changed vendors utilized (1)
- Restructured entire business plan (1)

Owner FTE positions created and retained

Data provided by CCV's Director indicates that 42 FTE new owner positions were created by business start-ups, including 39 full time owners (working an average of 50 hours per week) and 6 part time owners. Twenty-three or 55% of these new positions are held by low-income individuals. Forty-two new owner jobs are 29% of the third grant goal to create 144 total jobs by CCV financed businesses. Additionally, 56 FTE owner positions, including 50 full time and 12 part time owners, which were established prior to loan financing were retained because the owner remained in business. Thirty-one of retained positions or 55% were held by low-income Vermonters.

Household income earned from business revenue

Three quarters (74%, 23) of borrowers surveyed said that their business provides income to their household or an owner's draw. Borrowers who take an owner's draw reported earning higher average gross monthly revenue ($14,033) compared to those who do not take money from their revenue ($7,666). Twenty respondents indicated an estimated or actual amount for their owner's draw, with summary statistics presented in Table 20. Monthly household income earned from business revenue averaged $1,700 (median of $1,450 and range of $200-$3,500). Annual owner's draw figures averaged $20,440 with a median of $17,400 and range of $2,400-$42,000.

Table 20 Monthly estimated household income from business revenue

	Monthly Draw
Range	$200 to $3,500
Average	$1,700
Median	$1,450
n	20

Business revenue and net worth

Self reported average gross monthly income or revenue from borrowers' businesses ranged from $800 to $38,000 (23) with an average of $12,600 and median of $9,000. Almost three quarters (71%, 22) of borrowers reported that their **business revenue increased** since they received their loan from CCV, three reported that this stayed the same, three reported a decrease and three indicated that it was difficult to discern at the time of the survey. In addition, 71% (22) also indicated that their **cash flow availability** had somewhat to greatly improved as a result of their loan from CCV. Two thirds (20) of borrowers reported being **satisfied to very satisfied** with the amount of money they make from their business, 9% (3) were neutral, and 28% (9) were dissatisfied or very dissatisfied with the amount of money made from their business.

Thirty one percent (4) of borrowers indicated that they had completely met their **business plan revenue goals**, 39% (5) had somewhat met their goals and 31% (4) had not yet met their business plan revenue goals. Regarding business net worth, 55% (16) reported having a **positive net worth** while 45% (13) indicated a negative net worth. Overall, 87% (27) of borrowers said that their **business had grown** over the past six months (however they defined growth). Many factors were indicated as having contributed to this growth, as shown in Table 21. A third of borrowers indicated that increased marketing and public awareness had generated more business and thus growth. In addition, 20% noted that they had expanded their client base and 17% attributed their growth to an improved location of their business.

Table 21 Factors that contributed to growth of borrowers' businesses

Factor	***Percent (%)***	***n***
Marketing/increased public awareness	33%	10
Expanded client base	20%	6
Location	17%	5
Increased inventory	13%	4
Education to expand skills	10%	3
Increased inventory/quality of product and service	10%	3
Access to financing	7%	2
Business experience	7%	2
Expand business	7%	2
Hire people	7%	2
Improved management	7%	2
Purchased equipment	7%	2

Use of business revenue

As shown in Table 22, borrowers reported that the primary uses of their business revenue are reinvesting money back into their business (72%, 23) and paying bills and expenses for the business (56%, 18). Almost 20% (6) of borrowers also indicated that they save part of the money that they earn from their business.

Table 22 Use of business revenue

Satisfaction level	***Percent (%)***	***n***
Reinvest in business	72%	23
Pay bills	56%	18
Save part of money	19%	6
Invest in property for business	3%	1

Sources of business capital
In addition to CCV, 69% (22) of loan recipients applied for an additional financing for their business. This finding suggests that CCV met part of the Goal 1, "25% of borrowers are able to leverage other capital from traditional financing sources." Four clients did not receive additional financing, while 16 borrowers did receive this financing. Total financing received range from \$5,000 to \$375,000, with an average amount of \$88,300 and median and mode of \$50,000.

Other specific sources of funding include:
- Business revenue (20)
- Personal savings (9)
- Loan from another alternative lender (7)
- Business credit card (6)
- Business equity loan (2)
- Personal credit card (2)
- Family/friend financing (2)
- Vocational Rehabilitation (1)
- Grant funding (1)
- A general funding source (1)

Job creation, retention and wage statistics
The third grant goal included the objective that 144 jobs are created by CCV borrowers, at least 60% of which will be filled by low income Vermonters and of which 20% will be TANF recipients. Data from Emily Kaminsky, CCV Director, shows that <u>CCV financed businesses created a total of 165 FTE new jobs</u>, exceeding the grant goal of 144.

In total, CCV financed businesses created and retained a total of **314 FTE positions**, including 216 FTE hired positions (293 individuals) and 98 FTE owner positions (107 individuals). **A total of 58 positions were held by low-income Vermonters and five known TANF recipients**. FPL and TANF status of 212 hired positions is unknown as well as the TANF status of 33 owners. The number of known TANF recipients is lower than the anticipated outcome. However, according to the Vermont Agency of Human Services (2009) only 3.5% of Vermont families are recipients of TANF. Additionally, a statewide survey of very low-income Vermont micro business owners, living at or below 100% of the FPL, who participated in TA services with the Vermont MBDP from 2006 to 2009 showed that only 5% of this population was receiving TANF as a source of income (Schmidt & Kolodinsky, 2009).

Job creation
- 123 FTE new positions were created and filled by persons other than the business owner (77 FT, 92 PT individuals).
- 42 FTE new owner positions were created by start-up businesses (39 FT, 6 PT individuals).
- <u>27 new positions were filled by low income Vermonters</u> and five were filled by known TANF recipients. The TANF and FPL status of 119 new employees is unknown and the TANF status of 22 owner positions is unknown.

Job retention
CCV financed businesses retained a total of 149 FTE owner and employee positions created before receipt of loan financing. These retained jobs include:

- 93 FTE employees hired by CCV borrowers (61 FT, 63 PT individuals)
- 56 FTE owner positions (50 FT, 12 PT individuals)
- 31 retained owner positions were filled by low-income Vermonters. The FPL and TANF status is not known for 93 FTE jobs retained and the TANF status of 31 owner positions is unknown.

Part-time hours and wages
Based on borrower survey results, 12 borrowers pay part time workers an average hourly rate of \$12.32/hr and median rate of \$10.00/hr (range \$7.50-\$35.00). These employees work for an average of 13.4 hours and median/mode of 15 hours per week (range 3-25).

Full-time hours and wages
Nine survey respondents reported paying clients an average and median hourly rate of \$13.00/hr (range \$9.00-\$19.00). Full time employees work an average of 38 hours per week and median of 40 hours per week (range 30-50)

Achievement of business goals
Overall, 97% (29) of borrowers surveyed said they are "better off today" because of their loan with CCV. Further, 81% (25) said they have been able to achieve the goals they set out to achieve when they started their business. One person stated, "I'm still in business, am very self-sufficient, and my sales have exceeded my expectations." Another commented, "We have a continuous work flow, improved community recognition, and are about to launch our website."

Business goals achieved include:

- Remaining in business or expanding business and inventory
- Providing needed products for community members at all income levels
- Employing others
- Opening a store
- Diversifying product line
- Being one's own boss
- Paying off debt
- Increasing income and cash flow
- Improved marketing of products
- Increased sales

Borrowers who have not yet reached their business goals commented that their business is still growing and maturing. One person elaborated that his goals keep changing and evolving as his business changes. He has the goal of operating his business year-round and generating more revenue. Currently his business brings in "good revenue on a seasonal basis."

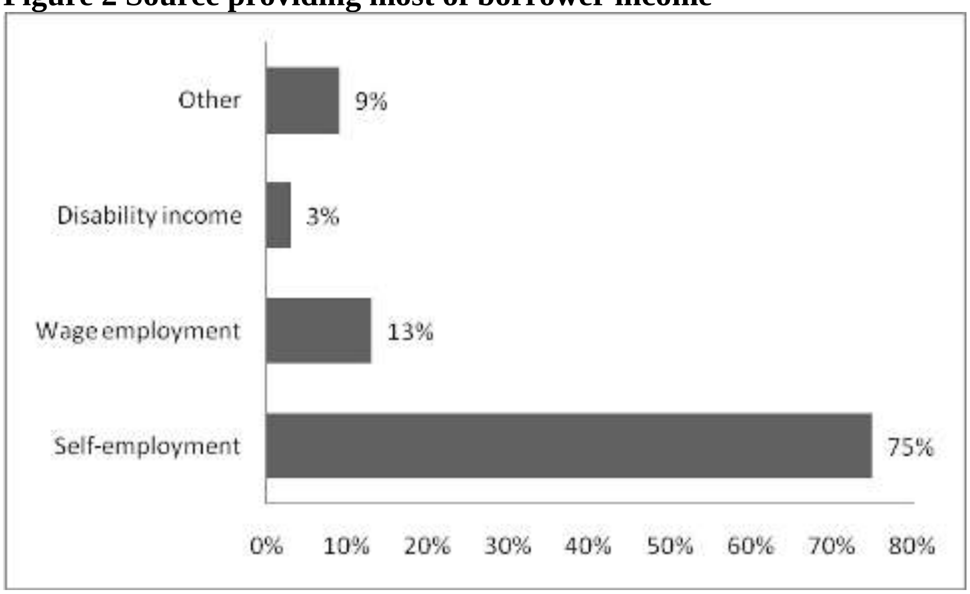
Household income statistics

Borrowers' (26) monthly household incomes (at the time of the survey) ranged from $900 to $9,000 with an average of $3,100 and median of $2,700/month. Looking at annual figures from the previous tax year, borrowers (21) reported a range from $11,000 to $100,000 in annual household income, with an average of $36,600 and median of $33,600. Borrowers' sources of household income are indicated in Table 23 and Figure 2 shows the sources that provide the most of borrowers' income. Self-employment or the business for which the loan was received provides income for 85% (28) of borrowers; 75% (24) reported that this is their primary source of income. More than a quarter, 27% (9), earns income from another paid or wage earning position, with 13% (4) noting that this employee job provides most of their income.

Table 23 Sources of borrower income

Source of Income	***Percent (%)***	***n***
Business for which loan was received	85%	28
Wage employment	27%	9
Spouses income	6%	2
Non-TANF public assistance	3%	1
SSDI	3%	1
Savings	3%	1
Rental income	3%	1

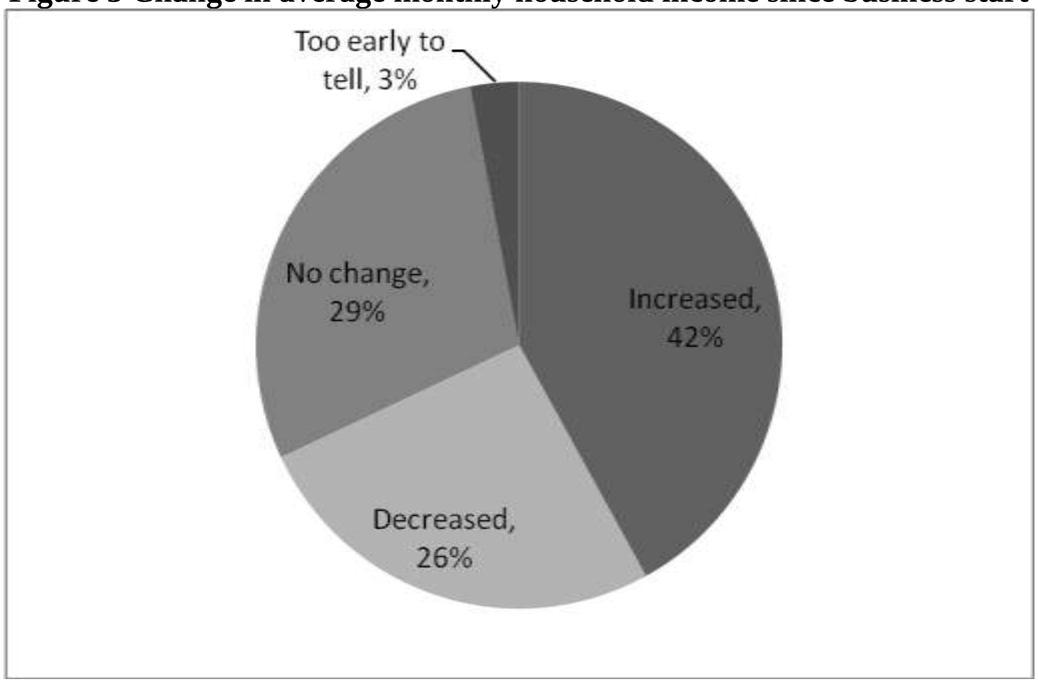
Figure 2 Source providing most of borrower income



None of borrowers surveyed reported receiving income from federal welfare dollars (TANF or Temporary Assistance for Needy Families) or unemployment benefits. However, 45% (14) indicated that at one time they have relied on some form of public assistance. More than half of these clients (57%, 8) no longer rely on any source of public assistance, while 43% (6) still rely on some undisclosed type of public assistance program. Overall, when borrowers completed their loan application, 45% (14) of respondents had a household income and family size that placed them at or below 150% of the federal poverty level (FPL) and 55% (17) are above this income threshold.

In general, 42% (13) of borrowers described change in their average monthly household income as having increased since they started their business, while 29% (9) reported no change, 26% (8) reported a decrease in their monthly household income and 3% (1) said it was too early to tell (Figure 3). Supporting this data, 47% (15) rated their personal financial situation as being more stable than six months prior, 34% (11) reported no change and 19% (6) rated their personal financial stability as having decreased compared to six months ago.

Figure 3 Change in average monthly household income since business start



Savings and expenditures

Almost half (44%, 14) of borrower's surveyed have a personal savings account. These individuals have saved money in this account for 1 year to 20 years with an average time of 7.5 years and median of 5.5 years. When queried about the approximate balance in the account at the time of the survey, a median value of $200 was received, with an average of $4,500 and range of $0 to $50,000. Clients noted that they are saving money for expenses such as retirement, business taxes, and emergency situations. Regarding expenses, 68% (21) of borrowers reported having access to medical and health insurance. Two borrowers purchase this insurance through their business at the monthly cost of $114 and $500. Of the seven borrowers with children, 71% (5) access affordable childcare at a monthly cost ranging from $200 to $400.

Business taxes and use of the Earned Income Tax Credit (EITC)
Almost three quarters (72%, 21) of borrowers surveyed reported that they pay taxes on their business (eight indicated that they did not pay business taxes and four refused to respond). The three main ways that borrowers prepared their business taxes were the use of a paid accountant (71%, 15), self-prepare or use of family member assistance (19%, 4), and use of a Community Action Agency tax preparation service (10%, 2).

A quarter of borrowers (7) said they are eligible to receive the Earned Income Tax Credit (EITC), 43% (12) are not eligible, and 32% (9) were not sure if they are eligible (five people refused to comment on this section). Of the seven eligible people, five received this credit in the most recent tax year and two were not sure if they received it. When asked about past receipt of the EITC, 52% (16) reported having received the EITC at some point. In addition to the EITC, 28% (9) received the child tax credit in the most recent tax year.

More than two thirds of borrowers (69%, 11) reported that they received a tax refund in their most recent tax year. When asked about use of this refund, one person indicated that they saved 25% of their refund in a savings account while all others spent their refund in some form. Ways that borrowers spent their refund include: to pay off debt (8), pay household bills (5), purchase necessary items for their household (3), reinvest in their business (1), purchase something for their family (1), and purchase or repair a vehicle (1).

Skills, perspective and life changes
Clients were asked several questions to assess skill development and attitude and life changes they have gained because of CCV services. Many clients reported skill gains including improvements in: marketing and sales (9), business operations and efficiencies (9), financial management (8), networking and contacts (4), business taxes (2), computer skills (2), self evaluation and improvement (1), decision making/problem solving (1), inventory management (1), and credit and credit repair (1). Clients also reported experiencing changes in their perspective towards their business and themselves, such as being more motivated and encouraged (12), improved self-esteem and confidence (14), improved personal outlook/quality of life (6), broadened scope of possibilities (3), more responsible (1), grateful for assistance (1), less fearful (1).

> *"I was able to open up a storefront to sell my baked goods, which I would not have been able to do without my loan. My business revenue has seasonal fluctuations and I really appreciated the flexible loan terms and payment options of Community Capital during times of the year when I didn't have a lot of business. This leniency allowed my business to stay open and I was still able to make payments during other times of the year."*

> *"I appreciate that my Loan Officer did not desert me once I got the financing. They always kept in touch with me and answered my questions or provided resources and support when I needed it. This service went way beyond services of conventional banks."*

In addition to improved skills and perspectives, borrowers also noted improvements in their personal, family, and community life. On a scale of 1 to 10 where 10 is the greatest improvement, changes in personal life such as one's healthy, self-esteem, etc. received a median ranking of 7. Changes in family life, including improved relations with family members, and community life, including social capital and networks, received median rankings of 6. Overall, clients expressed moderate to high levels of improvement in these "intangible" indicators of growth and change. Overall, 97% (29) of borrowers indicated that they are better off today than they were before they obtained a CCV loan.

Satisfaction with loan and services

Borrowers expressed very high satisfaction with the overall loan process and their work with individual counselors and consultants through CCV's post-loan program. On a scale from 0 to 10 with 10 being extremely satisfied, the loan process received a median and modal satisfaction rating of 9 and CCV's post-loan program received a median satisfaction rating of 9 and mode of 10. The majority of borrowers, 90% (28), agreed or strongly agreed that having access to a CCV loan aided in the success of their business. Of those who worked with a private consultant, 83% (10) agreed or strongly agreed that this service aided in the success of their business. In addition, 83% indicated that they would not have been able to start, expand, or purchase equipment for their business if they did not have access to a CCV loan.

Feedback on services

Clients were asked several questions to gather their feedback on what aspects worked well for them during the CCV loan process and what aspects did not work well. All clients provided at least two positive responses on what aspects worked well for them during the loan process. Responses centered on excellent staff and program as well as personal gains achieved through the program. Overall, the most commonly received responses were about positive, affirming, and knowledgeable CCV staff. Other comments are detailed below.

Staff and program focused

- Positive and affirming staff (12)
- Supportive staff (12)
- One-on-one attention (11)
- Knowledgeable staff (9)
- Staff answered questions (8)
- Referrals made (5)
- Flexible program (3)
- Quick and efficient process (2)
- Staff worked with disability (2)
- Received prompt response from staff (1)
- Overall excellent service (1)
- Good communication with staff (1)

Borrower gains

- Gave directions/steps (7)
- Gained access to funding (5)
- Good technical information (4)
- Flexible program (3)
- Skills learned (4)
- Improved business plan (1)

Areas that did not work well for borrowers

- The loan process took too long (7)
- Interest rate was too high (5)
- Unrealistic expectations (3)
- Conditions under which the loan would be granted did not work for me (3)
- Too much paperwork required (2)
- Staff did not answer my questions/miscommunication (2)
- Program was not for them (1)
- Needed more funding (1)
- Did not get enough individual attention (1)

Borrower Focus Group Results

Two borrower focus groups were conducted by conference call in March and September 2008 with a total of 12 clients.

Impact of loan on business and personal life

Businesses used their loans to cover start-up costs, rent a space for their business, make renovations to their existing space, expand their businesses, buy equipment, develop a website, or purchase inventory. Software and tools were also given to clients to do research related to advertising and marketing. Clients also appreciated that by having access to capital up front through their loan, rather than stretching personal savings or using limited sales revenue, they could focus on their business' development and finalize their product.

> *"I had the experience needed to open up my own woodshop to work for myself and make more money. But my loan from Community Capital made it possible by providing funds."*

Some of the comments made by businesses on the impacts the loans made on their businesses included:

- Equipment upgrades have made businesses more efficient and better prepared to handle larger production volumes and, in turn, creating a larger profit margin.

- Additions of websites have enabled businesses to reach a much larger customer base.

- Advertising and marketing strategies, such as developing and mailing information about the business, has helped to spread awareness about his services and bring in more customers.

- With the loan provided by CCV one client noted that he can earn a regular salary while working for himself instead of another architect.

- Another client expanded the business and relocated to a more profitable and visible location downtown. The client also started a webpage, which increased visibility of the business and lessened the need for advertising. This change ultimately led to increased sales.

Income and credit
Clients felt that CCV loans helped them with improving their credit score. One client improved their credit by paying off their CCV loan and recently was able to obtain a personal loan from a conventional financial institution. Another person noted that his business provides his family with a second source of income, which will help pay to send his daughter to college. Another borrower felt that although the loan was beneficial, they still needed to step up their work effort to bring in clients and business to pay off the loan and achieve success. They noted that in a service based business, financial returns are not seen immediately because of the relationship building process with the customer.

Personal and family
Clients noted that they felt more at ease knowing they had financing available. Clients also enjoyed a higher quality of life brought about by being self-employed. Self-employment gave them more freedom and flexibility in their work schedule, which in turn increased their motivation to work more hours. Shifts in work hours also enabled some participants to spend more time with their children. One borrower was pleased that his businesses success allowed him to provide employment for his family members. Clients with home-based businesses also liked that they could work out of their homes. However, one person noted that they were displeased that they still did not have health insurance through their business. Overall, borrowers who participated in the focus groups felt that they had realized a dream and were more confident that they could succeed in being self-employed now that they had the tools to do so.

Community involvement and support of the local economy
In addition to changes in their personal lives, clients noted the impact business ownership had on their community life, civic engagement, and support for their local economy and community. One person said she felt more at ease with her community and friends now that she contributes to and supports the local economy. Borrowers support other local businesses by drawing more people to their downtown area. One woman noted that when she moved her business location from a small town in the country to a downtown location, her clients still came to her new location for services. Another client fostered the “creative economy” in his community by allowing local artists to showcase and sell their work in his gallery – he is a woodworker and frames the artwork at no cost; if the piece sells in the gallery, he is paid for the frame and the artist gets the balance of the money for their art work. Another business owner creates products for the local schools using the school’s colors and frames awards and such for area coaches and athletes. Business owners also offer discounts to artists and students in their area. Another person said they are now a member of their local “Art Hop” and hosts gatherings for local artists in their downtown business location. Borrowers are also now members of their local business partnership group and/or Chamber of Commerce.

Experiences with Loan Officers
Borrowers spoke very favorably about their experiences in working with their Loan Officer. Loan Officers provided clients with the information they needed to complete the loan process, as well as being a constant source of support. The Loan Officers ensured that the client has submitted all the documents necessary for the loan application to be reviewed. Officers also took on the role of educating the client on how to be prepared in professional meetings. The “hands on” and “high touch” work of the Loan Officers made clients feel very comfortable through a

process that was overwhelming for some. Personal attention was given to make every client feel important throughout the loan process. If clients had any questions, they were always answered within a quick timeframe and borrowers commented that Loan Officers would return their phone calls within a day or so. Officers would stay updated on borrower's business progress even after the loan was received. One person noted that he did not know of any traditional bank that would provide this kind of service.

Loan process, terms and payments

Regarding the loan process, the clients interviewed during focus groups noted satisfaction with the overall process. Meetings were very informative and occurred in a timely manner. Borrowers also found their loan applications easy to understand and that their Loan Officer explained this process and requirements of the loans clearly. Clients also commented that they did not feel as if their worth was based on their credit score, rather Loan Officers valued who they were as people when underwriting their application.

Strengths of the loan process

Clients were generally pleased with the loan terms and repayment options offered by CCV. CCV worked with their specific circumstances to accommodate making loan payments rather than defaulting on the loan. Several borrowers and their family members faced medical issues that required income and savings to be directed to pay those imminent bills. In two situations faced by focus group participants, CCV either reduced their loan payment or deferred payment so they could stay in business when a family member was hospitalized and when a business owner faced a longer term illness. Another client with a disability was pleased with CCV's treatment towards him as a capable business person; he felt they worked with him and his unique circumstances, which was contrary to his negative experiences when he applied for loans with other financial institutions. Clients generally felt that their loan interest rate was good and that they were able to make their payments. One person felt the interest rate was high, but noted that it is lower than most banks and all credit cards would offer a person with his credit history. Overall, clients were grateful for their loans, pleased with flexible payment options, and satisfied with their loan interest rate.

Challenging aspects of the loan process

A few clients experienced some challenges or difficulty when applying for a loan or as a borrower. One client was frustrated with CCV record keeping and duplication of paperwork. She said that every year she would get a letter from CCV stating that she owed them copies of her tax returns even though she had already submitted them. Other clients felt overwhelmed by all that they had to learn and found the process stressful and difficult at times for different reasons. Others felt that the loan application review and decision making process took too long. One person specifically worked with CCV to get a second loan during the summer, when RLC members were less available, and was not pleased with the timeframe of their loan review process. Another client sold their business to buy a home, with the intention of running her business out of the home; they felt disrespected by their Loan Officer who expressed concern that she would not pay back her loan. The Loan Officer later apologized for the perceived disrespect.

Recommendations to change the loan process for future clients
Focus group participants discussed several recommendations they had for changing or improving the loan application and review process in the future.

- Decrease the length of time it can take for review and approval of the application.
- Have more staff, in addition to Loan Officers, available for answering questions.
- Recognize that low income people are able to pay their loans and the reasons people might be low-income at the time, such as being a student.
- Answer questions on the spot instead of setting up a meeting to do so.
- Allow clients to meet in person with the RLC if they would like to. One client felt that this meeting would have been helpful to speed up the review process.

Post-loan technical assistance
The post loan TA offered through CCV was also extremely beneficial in educating clients on smart business practices, budgeting, marketing strategies, and even basic computer skills needed. Some owners found that they had business management experience but needed help managing their business finances. Another received TA to help her open a storefront location. The following are other areas borrowers discussed regarding helpful TA services.

- *Funding* – One client took a $500 business class for salon professionals and felt the class was invaluable. She then felt prepared for her business and able to gauge numbers in her trade. She would not have been able to afford this education if she had to pay for it on her own. Another client was able to attend tradeshows for her/his retail business and used TA funds from CCV to pay the associated costs.

- *Consulting* – One person said they used post loan consulting services from CCV but was not completely satisfied with the experience. She felt she only had a few consultants from which to choose and that overall, their services were not necessarily geared towards what the client needed for her business. Overall, the client used the resource for what she could but felt it was not really what she needed.

- *Marketing* - TA funding was used to help business owners make marketing materials more professional and impressive. Another client received help with branding and getting tags for clothes, thereby enabling the business to become more recognizable. Another client received bookkeeping and marketing assistance.

- *Other resources*- TA funding was used to find resources. The client had help for bookkeeping each month and allotted $50 each month to go towards it. The program specifically recommends other resources based on needs they identify. The client will continue to use the TA to improve upon the business.

TA areas to further support businesses

- Tax assistance
- Marketing assistance
- Help reaching different markets to grow the business

Borrower Stories

- One borrower appreciated that the Loan Officers had a lot of resources to offer. One great resource was The Tangible Assets Program which matches money put into an account 3 to 1.

- Another borrower loved that the Loan Officer took a genuine interest in how the business was doing long after the loan was received. Technical assistance was offered to help the business grow in the community. With the Loan Officer making weekly visits to the store and continuous contact, the client is confident that this high level of service will continue throughout.

- One borrower didn't want to just be another number. The "big bank" wouldn't give her a loan due to a poor credit score and CCV took the time to get to know her as a person and hear her story, which was greatly appreciated. The client got the feeling that she was accomplishing something and felt worthy and respected throughout the loan process. Her husband had an accident that left her with too many medical bills and not enough help from the VR, leaving her credit score to suffer. CCV was able to help her get a loan which helped her get her feet back on the ground.

- Another borrower commented that they appreciated the quick response of Loan Officers when questions arose. If they had any questions on what was needed in the business plan and application, the Loan Officer would respond to a phone call or email very quickly and give an exact response. If the officer could not answer a question, then contact with the right person was made promptly. The Loan Officer was able to give tips on how to be prepared for meeting with an insurance company, such as having a binder with all of the information. Starting a business for the first time was challenging and the borrower had many questions and needed more services than they initially anticipated. The Loan Officer was extremely helpful with setting up contacts if needed.

CONCLUSIONS

The majority of clients who inquired or applied for a CCV loan did so to start a business or support an existing business. As a non-traditional lender, stakeholders and clients view CCV as more willing to take risks with low-income micro businesses, even if the applicants have poor credit, debt, and are a higher lending risk. Many service providers and other lending institutions recommended that clients inquire about a loan through CCV. This evaluation report documents project implementation and outcomes achieved, specifically focusing on the perspectives of project partners and borrowers.

The data show that **clients are very satisfied with CCV services received**, including having received access to funding and using services such as a private consultant and tuition reimbursement. Many indicated that they found CCV's post-loan TA services useful in their business development. In addition, most clients surveyed spoke favorably of CCV staff, saying that they are positive, affirming, and knowledgeable. Second, the data suggest that **access to capital has important immediate impacts on business development and success through self-employment**. This finding corresponds to other micro business development evaluation research conducted by the author that shows that access to more financial resources enables clients to meet personal and business goals and work towards self-sufficiency (Schmidt and Kolodinsky, 2007).

One hundred percent of clients who received a loan during the planning stage successfully started and retained their business. In addition, 97% of existing businesses who received a loan retained their business, while one person closed their business. **These statistics and personal stories from clients show that access to capital assists businesses to open and enables them to remain in business.** Eighty-seven percent of borrowers noted that their businesses have grown over the past six months due to factors that are related to having access to funding, including improved location, product quality, website development, and quantity of inventory. Access to funding has also improved the cash flow availability for 71% of borrowers and 81% reported that their personal financial situation is as or more stable than it was prior to receiving their loan.

In addition, 71% of clients who received a loan reported an **increase in their business revenue** since receiving their loan and 55% stated that their business has a positive net worth. Business revenue is an extremely important source of income, especially since self-employment is the primary source of income for fifty-six percent of those surveyed. Based on self-reported owner's draw data, clients are earning a decent income from the business. Clients earn an average monthly owner's draw of $1,750, which is approximately 40% of self- reported monthly household income. This revenue is being used to reinvest in the business and pay off debt and bills, thus improving client assets and wealth.

Access to capital **improves business growth and revenue**; it also **enables businesses to hire additional employees** to support this growth. As reported by CCV Director, Emily Kaminsky, CCV financed businesses created a total of 165 FTE new jobs, with 27 of these jobs filled by low-income Vermonters and five filled by known TANF recipients. It should be noted that the TANF and FPL status of 119 new employees is unknown and the TANF status of 22 owner positions is unknown. CCV borrowers that remained in business, in part due to loan financing, kept a total of 149 FTE owner and employee positions in Vermont's labor force. Thirty-one of retained owner positions were filled by low income Vermonters. Retention of positions is a positive evaluation finding considering that Vermont's unemployment rate grew from 3.7% in October 2005 to 4.9% in October 2008 and 6.5% in October 2009 (VT Department of Labor, 2009). Additionally, Vermont's private sector employment shows a negative net change, ranging from -0.1 to -2.3, in nine of the twelve quarters during the grant funded fiscal period of 10/1/05 to 9/30/08 (Bureau of Labor Statistics, 2009). Net change in private sector employment is defined as the difference between total gross job gains from expanding and opening establishments and total gross job losses from contracting and closing establishments. In total, CCV financed businesses created and retained a total of 314 FTE positions, including 216 FTE hired positions (293 individuals) and 98 FTE owner positions (107 individuals). A total of 58 positions were held by low-income Vermonters and five known TANF recipients. FPL and TANF status of 212 hired positions is unknown as well as the TANF status of 33 owners.

In addition to providing micro and small business owners with access to capital, CCV post-loan TA services helped clients to learn new skills, such as marketing and sales, technology, and improved business operations and efficiencies. Clients also reported experiencing **changes in attitude** such as increased self-esteem and confidence, being more motivated and encouraged, and improved personal outlook. Clients surveyed also reported **high gains in their community life** because of their business, which is defined as a client's "social capital" or their involvement in neighborhood, friends, church, youth groups, or other civic activities. Researchers in several fields show that social capital provides a foundation for clients to be successful in starting a business and working toward economic self-sufficiency (Dabson, 2002; Edgcomb, Klein and Clark, 1996; Putnam, 1993a, 1993b; Sherraden, 1991).

Overall, the data suggests that CCV has served to meet the grant goals of providing low-income Vermonters access to capital to start and grow their business, integrating microcredit into other microenterprise development services, and improving the economic well-being of the self-employed and their employees.

RECOMMENDATIONS

Data from this evaluation report shows that CCV should continue on the path of providing eligible clients with access to capital as well as crucial non-financial, post-loan services. CCV should continue to improve the visibility of its statewide services and ensure that high quality and timely services are provided even with the addition of the Vermont Job Start Loan fund. Borrowers are overall very satisfied with CCV loan financing and services received and many found CCV's post-loan TA services useful in their business development. In addition, most borrowers and project partners interviewed spoke favorably of CCV staff, indicating that they are positive, affirming, and knowledgeable. Suggestions on ways this loan financing program and peripheral services offered can improve are presented below.

Borrowers' suggestions/recommendations

Improving the loan application process

- Clarify the loan application process in a document that describes what is needed from beginning to end. Ensure clients understand the requirements for the loan process. CCV reports that their applications include a checklist and that they have recently included a separate page with expectations for business plans.
- Lower interest rates. While CCV would like to provide lower interest rates, it is not financially feasible for the organization and the interest rates are not much higher than a bank's and much lower than a credit card.
- Disclose fees required with business start-up to understand the full cost required. CCV now provides a fee and interest rate schedule to all inquiries. The schedule is also available on its website.
- Reduce the time of the loan process overall; streamline the process. CCV now allows for applications for $10,000 and below to be reviewed and decided upon by staff which reduces wait time.
- Reduce the amount of paperwork required of clients. CCV instituted three applications – one for start-ups requesting $10,000 or less, one for start-ups requesting more than $10,000, and one for existing businesses. The three applications are intended to provide the information that CCV needs to make decisions while not being overly burdensome on the applicant.
- Change the demands of getting a loan with CCV as they were beyond what a bank was asking; don't require loan approval to be contingent on receipt of funding from sources such municipal revolving loan funds, when external forces control these funds such as town decision making processes and may cause delays in the approval process. When an applicant's project requires more funding than CCV, CCV must make its decision contingent upon the approval of financing from the other party. And, in cases where there is a municipal loan fund available to the applicant, CCV is expected by its funders at the State level to participate and leverage these funds. Therefore, CCV often requires that the applicant obtain contingent financing from municipal loan funds.
- Allow clients to meet in person with the RLC if they would like to. One client felt that this meeting would have been helpful to speed up the review process. CCV's Board used

to allow applicants to meet with the RLC. However, after much deliberation, it was determined that this would slow down the application process (the RLC would only be able to review one application per meeting) and it would require that the five RLC's statewide have face-to-face meetings which is not physically feasible. Moreover, the Board decided that the RLCs have a tendency to be persuaded to make a loan that on paper does not make sense if the applicant is present.

- Examine reasons behind client credit scores and not just look at credit score alone. Recognize that low income people are able to pay their loans and the reasons people might be low-income at the time such as being a student. CCV has instituted a credit evaluation grid that also takes into account the degree to which the applicant uses credit responsibly and the degree to which they can explain their credit circumstances.
- Communicate better with clients; Have more staff, in addition to Loan Officers, available for answering questions. Answer questions on the spot instead of setting up a meeting to do so. CCV is committed to clear communication with borrowers. Resources currently do not allow for additional staff to be hired. Depending upon a Loan Officer's style, they might require a face-to-face versus a phone meeting. CCV recognizes, however, that efficient communication is best for both parties and will strive for this in the future.
- Loan Officers should not work with too many other borrowers, which can slow down the application process. CCV does not have control over its application flow. However, CCV can reassign applications to Loan Officers that have less of a workload.
- Hire more female Loan Officers. CCV has always had a preponderance of female Loan Officers just by chance. CCV cannot hire based on gender.
- Increase awareness of CCV services. CCV absolutely agrees that more awareness is needed of CCV services statewide.

Other desired loan products or services

The majority of borrowers surveyed did not have any recommendations for other loan products or services that they would like to see offered by CCV. However, several respondents provided the following suggestions.

- Increase the dollar value of tuition reimbursements. CCV could accomplish this provided the private and public funding environment warranted it. At this time, it is not possible.
- Increase the amount of money CCV can loan to at least $100,000. The current funding environment has not allowed CCV to raise sufficient funds to provide this amount of funding. Also, CCV continues to see a demand for less than $50,000. There are several other loan funds that offer loans above and beyond $50,000.
- Provide a grace period for the first payments to be made after just starting the business. All CCV borrowers have a 15-day grace period to make their payment. CCV, as a matter of practice not policy, generally provides interest only for the first three months of a borrower's repayment term.
- Provide assistance with second phase capital financing for current borrowers who will need more funding in the future. CCV indicates that this could be a post-loan TA request.
- Provide a course on computer programs for businesses and website development. CCV indicates that this could be a post-loan TA request.

- Provide classes in rural areas. CCV does not provide classes as part of its post-loan TA services. Other partners are offering this around the State.
- Offer tax preparation and filing assistance. CCV indicates that the Community Action Agencies provide this service for free.
- Provide marketing assistance; help owners reach out to different markets to help grow their business. CCV indicates that this could be a post-loan TA request.

Project partners' suggestions/recommendations

Communication and collaboration with partners

- Address issues with CCV staff email not working properly to improve communication with TA providers/project partners. CCV indicates that its email services are provided by the CVCAC and efforts to improve services are always being made by CVCAC.
- Loan Officers should introduce themselves to key community partners (outside of the current networks) to make connections and improve relationships within the community they serve. CCV indicates that Loan Officers attempt to connect with community partners to the extent they have the time.
- TA providers work hard to help the client prepare their business plan and application. Once this is submitted, TA providers should be kept in the loop with Loan Officers, such as requesting input, opinion, or involvement during the decision process. Both CCV and TA providers would benefit from more collaboration at important points in the decision making process. Communicate with TA providers about clients on an on-going and consistent basis so they may help troubleshoot and address issues that arise. CCV indicates that it has successfully coordinated with some TA providers in the post-loan phase and makes referrals back to the TA providers when necessary.
- Inform TA providers/partners on loan payment options and if clients are in danger of default so they may assist clients in troubleshooting issues and determining when to ask for alternative payment options and ways to best use resources available. CCV indicates that it makes referrals back to TA providers/partners when necessary.
- Keep business counselors/TA providers informed about the loan application and review process, such as updates or changes in the process, application requirements, and conditions imposed by various funding sources for loans. CCV indicates that its new application includes a provision that allows CCV to communicate with the TA Provider about the applicant's application. Up to this point, CCV was concerned about confidentiality and therefore was not able to provide updates to the TA Providers. This has now been solved with the change to the application.
- Make appropriate changes to provide seamless services during periods of transition with staff turnover. CCV's greatest challenge during the statewide expansion has been how to best train and support staff while meeting increasing demand. Efforts to provide seamless services during transition were made but not always successful.

Loan process

- Implement an incentive program built in with the high interest rate, such as giving clients back 2% or the amount that was considered to be a "high risk" client if the person made every payment on time. Or perhaps rebate the last one or two payments if all payments were made on time. CCV indicates that it recently allowed a one-time refinance for borrowers with an interest rate over 11% to refinance into CCV's current interest rate framework of 9-11%. Interest is CCV's primary way, other than grants, of covering its operating expenses. The organization has intentionally offered fixed interest rates so as to stabilize the income stream for the organization as well as provide consistent payments for the borrower.
- Interest rates and loan terms should provide a learning opportunity for Loan Officers to educate borrowers about why their rates are higher regarding credit scores and other risk factors.
- Allow clients to submit information to Loan Officers electronically to help speed up the process. CCV indicates that it now prefers electronic business plans and materials as all of the documents are uploaded to its intranet for review by the RLC.
- Be flexible with clients in terms of loan interest rates, fees, use of collateral, and loan repayment time depending on the client, their business, income level, and history of repayment. CCV indicates that it has to balance flexibility with consistency and that at this point it is as flexible as it can be while remaining fair to all applicants.
- Provide additional funding for current borrowers if they determine that they need additional funding after they have received a loan and make a strong case that more funds will help them stay in business. CCV indicates that it always accepts applications from current borrowers for additional funding and that its approval rate for these second applications is higher than the overall approval rate.
- Examine areas within the loan application and review process that cause delay in services and make corrections where needed. Inform clients of a target date when they should expect to hear back from Loan Officers. CCV indicates that it has undertaken this kind of process examination and has made changes accordingly.
- Establish consistency or increase the frequency of RLC meeting times to ensure timely review of loan applications. More loan committees may be needed to work with the four Loan Officers. CCV indicates that it now only has two Loan Officers and four RLCs. To save on staff time, CCV has put all of these RLCs on regular schedules to the greatest degree possible.

Working with clients

- Find out as much information as possible on client before meeting. CCV indicates that it is its general policy to require all information in writing prior to meeting with a client; however, some Loan Officers have had a preference of meeting with applicants at the same time they receive the application.
- Have clients complete a personal balance sheet. CCV indicates that a personal balance sheet has and is part of its application.
- CCV continues to expand statewide and house Vermont Job Start Loan Fund, staff should maintain personal relationships with clients and TA providers and do not lose touch with them. CCV indicates that it is its intention to maintain personal relationships to the greatest extent possible given the new circumstances of providing services statewide.

- Hire a paralegal to assist clients in reviewing lease documents. CCV indicates that the organization has decided not to provide direct consulting to applicants due to lender liability concerns.
- Encourage clients to work with TA providers for business planning and TA that can support their application process. CCV indicates that its applications include reference to the TA providers (including phone numbers) and that applicants are encouraged to obtain assistance with their application.

Post-loan technical assistance and consulting

- Require post loan TA as a condition of the loan, stressing financial management and understanding of financial statements. CCV indicates that post-loan TA is a condition of the loan.
- Make better use of outside TA providers, such as MBDP business counselors, to assist clients with issues free of charge. CCV indicates that it makes use of TA providers to the greatest extent possible but that clients may not want to continue working with the TA provider.
- Provide clients with a resource list of experts in their area by subject matter. CCV indicates that it now has a listing of post-loan TA consultants on its website listed by subject matter.
- Recommended areas for consultant services include: Financial education focusing on management, reporting, budgeting and cash flow analysis, and understanding financial statements such as profit and loss and expense and revenue statements. CCV indicates that it has included this as an eligible use of the post-loan TA services.
- Preparing and designing marketing materials. CCV indicates that it has not made this an eligible use of the post-loan TA services due to the fact that it is not a knowledge-transfer activity. CCV recommends that applicants consider building this cost into their loan request instead.
- Merchandising. CCV indicates that it offers this as part of its post-loan TA services.
- Legal training such as looking for pitfalls in leases and contracts. CCV indicates that borrowers can use post-loan TA services to pay for legal expenses.
- Basic computer skills and advanced skills such as using QuickBooks. CCV indicates that this is an eligible use of post-loan TA services.
- Use of stipend to contract out services such as a bookkeeper or design assistance. CCV indicates that it can be flexible on how much of the post-loan TA “grant” can be used for the “stipend” versus the consultant.

RLC Members' suggestions/recommendations

It should be noted that the following recommendations were made during 2007 interviews and were presented in the FY II report. They are included in this report because of the cumulative nature of the report and that they may still be relevant issues to be addressed.

- Clarify role of the RLC. RLCs should not be used as a "rubber stamp" to approve the wishes of the Loan Officers. CCV indicates that it has a commitment to maintaining the integrity of the RLC and their role in making decisions. CCV is aware that additional training for RLCs and staff on their respective roles might reduce confusion.
- Clarify how to weigh risks of loan applications. CCV indicates that additional training on the credit evaluation grid might help RLCs with this as the grid in fact is meant to help staff and RLCs weigh the risks of applications.
- Ensure objectivity of Loan Officers. CCV indicates that it is committed to maintaining a knowledgeable and professional staff. It also recognizes that the process of underwriting a loan is not necessarily a science but more of an art and that often personal feelings and perceptions are included in this process. At the same time, CCV staff should be aware of and take appropriate steps when these feelings and perceptions might be clouding their judgment.
- Provide RLC members with information to enhance their understanding of poverty related issues. CCV indicates that it is committed to continuing to train the RLCs and poverty-related issues is a good topic albeit not at the top of the list given the other pressing training needs.
- Provide RLC members with regular feedback on borrower portfolios. CCV indicates Loan Officers now provide RLC members with regular updates on borrowers.
- Ensure frequent and consistent communication with Loan Officers. CCV indicates that in areas where loan activity is minimal that constant communication has been difficult to maintain.
- Make loan applications more personalized. CCV indicates that it is not clear on the direction of this comment.
- Increase the volume of loan applications evenly throughout the state. CCV indicates that there are regional variations in demand for loans with the Northwest and central part of the state demanding more.
- Improve collaboration between CCV and MBDP. CCV indicates that recent strides have been made to improve collaboration and have even relied on CCV Board members who are Community Action Agency Directors to assist in bridging any gaps in communication and understanding.
- Demonstrate the impact of CCV loans to the RLC members, through evaluation or borrower testimony, so they know that their work is making a difference to help people in business get out of poverty. CCV indicates that it looks forward to sharing this report with all of the RLC members.
- Personally thank or send a token of appreciation to each RLC member for being involved to validate that their participation is a good use of their time and worth the effort. CCV indicates that it wholeheartedly appreciates the volunteer time of RLC members and will make an effort to thank each RLC member annually.

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