

Community Capital of Vermont ***FY I Evaluation Report***

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EXECUTIVE SUMMARY

The Center for Rural Studies (CRS) at the University of Vermont is the third-party evaluator of the Community Capital of Vermont (CCV) project under contract with Central Vermont Community Action Council (CVCAC), the grantee of the Office of Community Services. This is the evaluation report for the first fiscal year of the project from October 1, 2005 to September 30, 2006. This evaluation report focuses on client outcome data collected through telephone surveys of clients who 1) only made an inquiry about a loan and never applied (N=24) and 2) clients who applied for a loan that either closed or was denied or withdrawn (N=11). The following summary highlights the outcomes of clients who applied for a loan with CCV.

Evaluation highlights

Eight of the eleven clients who were surveyed six months post loan application received a loan through CCV. Three quarters of clients surveyed worked with a private consultant from CCV after they received their loan and 37% used the tuition reimbursement program. Clients were satisfied with both services and found them useful to their business development. The data suggests that access to capital has important immediate impacts on business development and success through self-employment. After gaining access to capital through CCV, four clients started a business, six retained an established business, and one remained in the planning process. In addition, all of the clients who received a loan reported an increase in their business revenue since receiving their loan and 40% stated that their business has a positive net worth. Business revenue is an extremely important source of income, as self-employment is the primary source of income for sixty percent of those surveyed. At the time of the survey, none of the respondents were receiving TANF as part of their income. However, five clients indicated that they have at one point relied on public assistance. Four of these clients reported that their reliance on public assistance has decreased since they received a loan because of ineligibility due to income.

CCV services also 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 made gains in social capital, which researchers in several fields show is an important foundation for clients to be successful in starting a business and working toward economic self-sufficiency.

Access to capital not only improves a person's business, revenue, and income, but this situation positions a business owner to be able to hire other employees. Four of the CCV clients surveyed employ twenty-nine part-time workers at an average rate of \$8.71/hr. The same four CCV clients employ eight full-time workers paying an average of \$13.80/hr. A total of 21.16 full time equivalent (FTE) jobs (based on 40 hours per week) are supported by CCV clients and 8.6 FTE jobs were created after the clients received their loans from CCV. Overall, the data suggests that CCV is on the right path to meeting the grant's first three 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.

Suggestions to improve CCV lending process

Based on the data from this evaluation report, CCV should continue on its path of providing eligible clients with access to capital as well as non-financial services. The data show that clients are very satisfied with CCV services received and many found CCV's non-financial services useful in their business development. In addition, most clients surveyed spoke favorably of CCV staff, saying that they are positive, affirming, and knowledgeable. Several clients made suggestions on ways the program can improve the loan process and services.

Loan process

- Have a more competitive interest rate
- Streamline and centralize the application process
- Speed up the time to process a loan
- Provide assistance with paperwork
- Provide credit repair services
- Offer individualized follow-up with clients
- Give clients a to-do list or step-by-step guide for the applications process
- Ensure clients understand the requirements for the loan process

Services

- Offer a course on bookkeeping and managing financial records
- Provide assistance with developing a forecast model to maximize the use of funds.
- Increase the number of women loan officers at CCV
- Increase the tuition reimbursement fund
- Provide clients who receive a loan with financial planning options for future loans

Future evaluation activities

The number of evaluation activities for the CCV grant will increase over the second and third year of the grant funding. For FY II, staff focus groups will be held in March and September 2007 to document project process and determine mid-course corrections. Client focus groups will also be held in 2007 to gather detailed information for client case studies. Clients will continue to be called on a monthly basis to conduct the inquiry only or six month follow-up survey, depending on their status. Finally, in September 2007, the first of the two annual project surveys will be conducted to gather longer-term follow-up data from clients. All of this data will be documented and compared to the baseline data presented in this report in the second year evaluation report.

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 services statewide over the next three years. 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 program, is 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. By 2008, CCV will have transitioned its organizational infrastructure and service delivery from a regional to statewide focus and will be known throughout the state as Community Capital of Vermont. All activities are being undertaken in partnership with a wide variety of statewide and regional partners including the other Community Action Agencies (CAAs) operating in Vermont and in tandem with the Vermont Job Start program until such time as its assets and future funding commitments from the State Legislature are contracted out to and administered by CCV. By 2008, CCV will have made \$1,470,000 in loans to 96 micro and small businesses that in turn will create 144 jobs, of which 60% will be filled by low income individuals.

The Center for Rural Studies (CRS) at the University of Vermont is the third-party evaluator of the CCV project. This is the evaluation report for the first fiscal year of the project from October 1, 2005 to September 30, 2006. This evaluation report focuses on client outcome data collected through telephone surveys of clients who 1) only made an inquiry about a loan and never applied and 2) clients who applied for a loan that either closed or was denied or withdrawn.

Evaluation objectives

The following are the objectives of the evaluation for the CCV grant.

- Identify the CCV services that participants used and the impact of these services on participants.
- 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.

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.

Inquiry only client follow-up survey

Clients who inquired about applying for a CCV loan but who do not complete the loan application process were contacted by telephone six-months post their inquiry to complete a five to seven minute survey. Clients were asked questions on why they did not complete the loan process, their current business and loan status, and what could have been done to improve their experience with CCV. During the initial calls of for the inquiry only survey, the evaluators realized that six-months was too long of a time lapse to follow-up with a client who only made an inquiry and did not follow-up. This was determined because of the high refusal rate for the survey because clients did not remember making the inquiry. The evaluators and project staff made a mid-course correction in September 2006 and decided to follow-up with inquiry only clients two months after their inquiry if they did not follow-up with the application process. As of the time of this report, this change seems to have resolved the situation and has reduced the number of refusals. A copy of the inquiry only survey may be available upon request to the evaluator.

Six-month client follow-up survey

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. Verbal consent was obtained from all clients called during their application process. When clients completed the loan application process, their loan officer provided them with an information sheet about the study and they were asked if they wished to participate in program's evaluation by completing up to three telephone interviews over one to two and a half years. Clients were informed that the survey would take up to 20 minutes and the types of questions they would be asked. The loan officer indicated the client's response as part of their closing check list, whether or not the client agreed to participate. The contact information of those who agreed to participate was sent to CRS on a monthly basis for follow-up. A copy of the six-month client follow-up survey may be available upon request to the evaluator.

Survey methodology

Both the inquiry only and six-month follow-up surveys were administered at the University of Vermont, Center for Rural Studies offices using computer-aided telephone interviewing (CATI). Trained interviewers at the University of Vermont conducted the survey during the daytime and evening hours from 10:00am to 9:00pm. Up to twelve attempts were made on each telephone number and callbacks were conducted as needed. Surveyors used local, state, and national telephone directories in attempts to track clients down when phone numbers were not current or not in service. Table 1 depicts the calling outcomes of all client follow-up surveys conducted for this project.

Table 1. Survey Population and Calling Outcomes, FY I

	Inquiry only survey	Six month follow-up survey
Target population	71	18
Completed surveys	24 (35%)	11 (61%)
No answer	12 (17%)	3 (17%)
Refused	22 (31%)	2 (11%)
Moved/wrong number/ not in service	13 (15%)	2 (11%)

The survey instrument was developed in collaboration with the CCV project coordinator and key staff, using the models of previous surveys conducted by CRS (Cranwell and Kolodinsky, 2003a and 2003b) and the Aspen Institute in the area of micro enterprise development (Clark and Kays, 1999; Klein, Alisultanov, and Blair, 2003). The six-month client follow-up portion of the study uses a reflexive control design, similar to that of other researchers (Clark and Kays, 1995 and 1999; Klein et al., 2003; Rugg, 2002), where participant outcomes after loan intervention are compared to the baseline collected before they applied for a loan. Univariate and bi-variate analyses were carried out using the Statistical Package for the Social Sciences and Microsoft Excel.

Staff and client focus groups

Project staff and client focus groups were not held during the first year of the grant but will begin in March 2007 to document project process and gather in-depth case studies of client experience with CCV.

FINDINGS

Inquiry only survey

Clients who inquired about applying for a CCV loan but who do not complete the loan application process were contacted by telephone six-months post their inquiry to complete a five to seven minute survey. A total of 24 clients completed this survey for a response rate of 35%.

Reasons for applying for loan

The most commonly given reason why respondents considered applying for a business loan through CCV was to support a business that was started within the last two years (60.8%, 14). As shown in Table 2, almost 22% (5) were considering a loan to support a business that has had at least two years of sales, while 17% (4) of respondents sought a business loan to purchase a business.

Table 2. Why respondents considered applying for a business loan through CCV (N=23)

Reason	Percent (%)	N
To support a business that was started within the past two years	60.8%	14
To support a business that has had at least two years of sales	21.7%	5
To purchase of business	17.3%	4

Reasons for applying for loan through CCV over other lenders

Clients were asked to indicate why they considered applying for a loan with CCV instead of another lending source. Responses varied, however several reasons were given by more than one person (Table 2a). Twenty-one percent (5) indicated that a friend recommended that they contact CCV as a lending source. Thirteen percent (3) each noted that CCV was an alternative to a traditional bank, they had poor or no credit or debt and could not get a loan from a bank, and the Small Business Development Center (SBDC) recommended they contact CCV. Other individual responses are indicated in Table 2a.

Table 2a. Reasons considered in applying for a loan with CCV instead of another lender

Reason	Percent (%)	N
Friend recommended	21%	5
Alternative to bank	13%	3
No credit	13%	3
SBDC recommended	13%	3
Aware of service	8%	2
Bank recommended	4%	1
CCV has connections to the business community	4%	1
Family Center recommended	4%	1
Funding for small businesses	4%	1
Higher risk lender	4%	1
Low cost	4%	1
Micro Business Development Program recommended	4%	1
Needed funding	4%	1
Wanted lower interest rate	4%	1

Sources of referral to CCV

Respondents denoted that they were referred to CCV from a variety of sources. As shown in Table 3, almost 32% of respondents indicated that they were referred to CCV through a friend or a family member. Eighteen percent (4) each reported that they were referred to CCV by another service provider, the SBDC, and a banker. A few indicated that the Micro Business Development Program (MBDP) through Community Action referred them and one person was referred by a co-worker. Some respondents may have reported more than one referral source and some respondents may not have indicated a referral source.

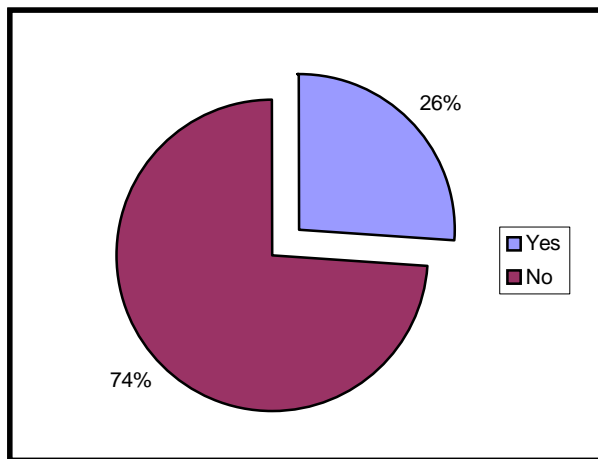
Table 3. Source of referral to CCV (N=22)

Referrer	Percent (%)	N
Friend/family	31.8%	7
Other service provider	18.1%	4
Small Business Development Center	18.1%	4
A banker	18.1%	4
Micro Business program through Community Action	9.0%	2
A co-worker	4.5%	1

Referral to other resources by CCV

Slightly more than one quarter of respondents indicated that they were referred to other services that they needed through CCV. As shown in Figure 1, 26% (6) of respondents were referred by CCV to other resources and 74% (17) were not referred to other resources.

Figure 1. Referred to other services through CCV (N=23)



Of the respondents who were referred to other programs and noted what that program was, two were referred to another Community Action program, one was referred to a business planning program, and one was referred to Tangible Assets (Table 4), Community Action’s matched savings or Individual Development Account or IDA program.

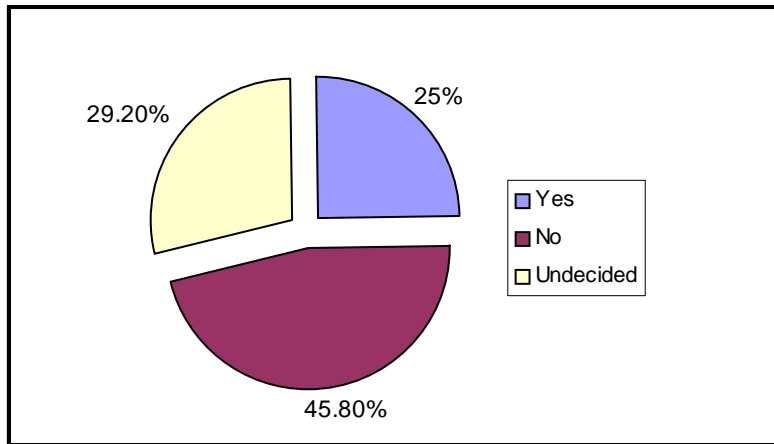
Table 4. Services respondents were referred to by CCV (N=4)

Service	Percent (%)	N
Another Community Action program	50%	2
Business planning	25%	1
Tangible Assets (IDA) program	25%	1

Decision to apply for a loan with CCV

Respondents contacted during the inquiry only survey were asked whether or not they planned to apply for a loan with CCV. As shown in Figure 2, 25% (6) of respondents indicated that they planned on applying for a loan, while 45.8% (11) had decided to not apply for a loan with CCV. Twenty-nine percent (7) of respondents indicated that they did not yet know if they would apply for a loan through CCV.

Figure 2. Whether or not respondents are planning to apply for a loan with CCV (N=24)



Of the respondents who indicated that they did not plan to apply for a loan from CCV, four (36%) had received financing from another lender (Table 5). In addition, three respondents reported that they did not meet the CCV eligibility criteria to apply for a loan. One person each indicated that CCV was not for them, the timing to receive the loan from CCV would not work for them, personal or life issues got in the way of applying for a loan, and the business had closed. Some respondents may have had more than one reason why they are not planning to apply for a loan with CCV, while some may not have provided a response.

Table 5. Why respondents are not planning to apply for a loan with CCV (N=11)

Reason	Percent (%)	N
Received financing from another lender	36.3%	4
Didn't meet eligibility criteria	27.2%	3
Program was not for me	9.0%	1
Timing to receive loan would not work	9.0%	1
Personal/life issues got in the way	9.0%	1
Decided to close business	9.0%	1

Many unique responses concerning applying for a CCV loan were given by interviewees who were not sure if they would apply for this loan (Table 6). Two indicated that they did not meet the eligibility criteria for a CCV loan and two had poor credit. One each said that they needed more funding than CCV could offer, the paperwork for a loan was overwhelming, they are trying to run their business without a loan, and could not get specific business activities were funded by a loan.

Table 6. Reasons why respondents were not sure if they would apply for a loan (N=7)

Reason	Percent (%)	N
Didn't meet eligibility criteria	28.5%	2
Poor credit	28.5%	2
Needed more funding than CCV could offer	14.2%	1
Paperwork for loan was overwhelming	14.2%	1
Trying to maintain business without loan	14.2%	1
Would not give loan to fund marketing and trade shows	14.2%	1

Sources of financing for business

As shown in Table 7, 50% (12) of respondents applied for a loan from a bank, an alternative lender, or both. However, the other half of respondents did not apply with either a bank or an alternative lender.

Table 7. Respondent applied for a loan with a bank or alternative lender (N=24)

Applied with:	Percent (%)	N
A Bank	16.7%	4
An Alternative Lender	12.5%	3
Both	16.7%	4
Income tax returns	4.2%	1
Neither a Bank or Alternative Lender	50%	12

Twelve respondents indicated the other lending source from which they applied for their loan. These sources included: a family loan (2), Chittenden Bank (2), Vermont Community Loan Fund (2), Key Bank (1), Vermont Opportunities Credit Union (1), Tangible Assets (1), and Trickle Up (1). Three people would not give the name of their lender. Of those who applied for a loan with another lender, 50% (6) received the loan from the other lender (Table 8), 25% (3) did not receive a loan, and 25% (3) have not heard back yet from their loan officer.

Table 8. Whether of not respondents received a loan applied for from another lender (N=12)

Response	Percent (%)	N
Yes, got the loan	50%	6
No, did not get the loan	25%	3
Respondent does not yet know if they got the loan	25%	3

All of the respondents who received loan financing indicated that the amount they received from these sources was enough to meet their needs. Two respondents indicated that they received a loan for \$50,000 and one person received a loan for \$6,000. All others did not disclose this information. All of the three respondents who indicated that they did not receive their loan noted that this situation did not significantly affect their business planning. However one person commented that they now need a job and another noted that they will pursue financing through their family members.

In addition to a loan, respondents have other sources for financing their business. More than half of clients (58.3%, 14) currently use business revenue/income as financing (Table 9). Other sources include personal savings (29.1%, 7) and a business credit card (8.3%, 2). Four people indicated that they did not have a source of financing for their business. Some respondents may have indicated that they currently use more than one source of financing while some may not have provided any response.

Table 9. Sources of financing respondents are currently using to support their businesses (N=24)

Source of Financing	Percent (%)	N
Business revenue/income	58.3%	14
Self or personal savings	29.1%	7
Business Credit Card	8.3%	2
No sources	16.6%	4

In addition to sources of financing that clients currently use, respondents plan to use a variety of financing sources for their business. Table 10 shows that the most common source that clients plan to use is business revenue/income (45.8%, 11). A quarter (6) plan to use personal savings and two will receive funds from a family member or friend. Additional sources of financing that clients plan to pursue are angel capital, a business credit card, and a personal credit card, and a line of credit. Sixteen percent (4) reported that they were not planning on using any sources of financing for their business. Some respondents may have indicated more than one source of potential business financing.

Table 10. Other sources of business financing respondents plan to use (N=24)

Source of Financing	Percent (%)	N
Business revenue/income	45.8%	11
Self or personal savings	25%	6
No sources of financing	16.6%	4
A loan from a family member or friend	8.3%	2
Angel capital	4.2%	1
Business credit card	4.2%	1
Personal credit card	4.2%	1
A line of credit	4.2%	1

Suggestions to improve CCV services

Inquiry only survey participants were asked to provide suggestions for improving CCV services. While many clients were not sure (8) or indicated “nothing” (4), several suggestions were made, which are presented in Table 11. The top responses are summarized. Three people recommended that CCV have a more competitive interest rate and three suggested that CCV streamline and centralize their application process. They felt that they had to speak with too many people and were referred to too many people during the process. Others suggested that CCV provide assistance with paperwork, credit repair services, individualized follow-up with clients, and a to-do list or step-by-step guide for the applications process.

Table 11. Suggestions to improve CCV services (N=23)

Suggestion	Percent (%)	N
Not sure	35%	8
Nothing	17%	4
Competitive interest rates	13%	3
Streamline and centralize application process	13%	3
Assist with paperwork	4%	1
Provide credit repair services	4%	1
Exceptions for single parents with bad credit	4%	1
Grant funding	4%	1
Increase income eligibility	4%	1
Individual counseling	4%	1
Personal follow-up with applicants	4%	1
To-do list or step-by-step process	4%	1

Six-month survey follow-up

Clients who completed the CCV loan application process were follow-up with six-months after the loan was 1) closed or 2) the application was denied or withdrawn in order to gather information for the process and outcome evaluation. A total of eleven people completed this survey for a response rate of 61%.

Reason why clients applied for a loan

Table 12a shows the reasons why respondents applied for a business loan through CCV. Four clients each (36%) reported that they wanted to apply for a loan to start a business and expand an existing business. One person wanted to purchase an existing business and one wanted to purchase equipment for their business.

Table 12a. Reason for loan application (N=11)

Reason	Percent (%)	N
Start a business	36.4%	4
Expand an existing business	36.4%	4
Purchase an existing business	9.1%	1
Purchase equipment for a business	9.1%	1
Other	9.1%	1

Table 12b indicates the client’s intended use of their loan from CCV. Clients were allowed to select all the responses that applied to them. The majority of respondents are using the funds to purchase equipment and inventory for their business. One person each is using the capital to purchase their business, purchase real estate or property, or improve real estate or leased space.

Table 12b. Use of CCV loan (N=8)

Reason	Percent (%)	N
Purchase equipment	75%	6
Purchase inventory	75%	6
Purchase a business	12.5%	1
Purchase real estate/property	12.5%	1
Improve real estate or leased space	12.5%	1

Table 13 shows the reasons why clients decided to apply for a loan with CCV rather than another lending source. The top reason given by almost half of respondents was that clients could not get a loan with a traditional bank because of credit issues and/or they were considered a high risk client. Four respondents commented that they were recommended to apply to CCV by CVCAC or another source that provided positive feedback on CCV. In addition, two reasons focused on CCV’s philosophy and services in that CCV is more community focused and provides or connects clients to support services.

Table 13. Reason applied with CCV rather than another lender

Reason	Percent (%)	N
Could not get loan with traditional bank	45%	5
CVCAC recommended	18%	2
Good recommendation	18%	2
More community focused	9%	1
Support services available	9%	1

Referral source to CCV

Clients surveyed were mainly referred to CCV by other service providers and word-of-mouth referrals. Specific sources given by clients are: CVCAC and the MBDP program (3), a co-worker (1), friend or family member (1), SBDC (1), a bank (1), CCV staff person (1), Women’s Business Center (1), and having previously received a loan from CCV (1).

Services used

Eight clients surveyed **received a loan** through CCV and three were denied or withdrew their application. The following summarizes the services received by these clients.

- 45.5% (5) were **referred to other services** they needed through CCV.
 - Referrals included: marketing services (2), business planning assistance through MBDP (2), business planning assistance other than MBDP (1), the Women’s Business Center (1), and Business Networking International (1).
- 75% (6) worked with a **private consultant** from CCV after receiving their loan.

- Assistance received from the consultant included marketing (4) and inventory management (2).
- Three clients indicated the private consultant met their needs, 2 said they somewhat met their needs, and one was not sure.
- The two clients who did not use this service plan to use this later.
- 37.5% (3) used CCV's **tuition reimbursement** program.
 - One person indicated that the tuition reimbursement program completely met their business needs and two were not sure.
 - Of those who did not use this program, three people plan to use this program later, one did not need the program, and one did not have time for this program.

Other suggested services

When asked what other non-financial services could have been provided to clients by CCV to better meet their business needs, five indicated that they did not need any other services. However, a few people did provide suggestions for other services. One person noted they would like a course on bookkeeping and managing financial records and another would like help with developing a forecast model to maximize the use of funds.

Business start-up and retention

The majority of CCV clients successfully started or retained their business after receiving their loan.

- 36.4% (4) started a business after receiving their loan
- 54.5% (6) retained an existing business
- 9.1% (1) continued to be in the planning process

Type of business and owner job

The length of time a client's business has been open ranges from less than a month to 11 years. The average length of time a business has been open is three and a half years and median of three years. The type of businesses served by CCV respondents include:

- Retail (4)
- Services (4)
- Manufacturing (1)
- Bakery (1)
- Web design/development (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. Ninety percent (9) of clients surveyed reported that they work full time for their business, working an average of 56 hours per week (range 50-70 hours), median of 55 hours, and mode of 50 hours per week. One person surveyed noted that they work less than half time at ten hours a week.

Additional sources of capital

As previously noted, eight of the clients surveyed (72%) received a loan from CCV. However, many clients used additional sources of funding for their business. These sources of funding include:

- Business revenue (5)
- Personal savings (3)
- Business credit card (2)
- Another bank loan (2)
- A non-bank loan (2)
- Personal credit card (1)
- A general funding source (1)

Of the three clients who were denied a loan or withdrew their application from CCV, two rely on business revenue as a source of capital and one received a non-bank loan as a funding source. In addition to CCV, six clients (55%) reported that they applied for and received another type of loan for their business. The amount of the loan received ranges from \$5,000 to \$250,000 with an average of \$91,000 and median of \$77,500. Only one of these clients did not receive a loan from CCV in addition to this other loan. This person received a loan for \$65,000 from the other lending source.

Business growth

One hundred percent of clients surveyed indicated that their business has grown over the past six months since they received their loan from CCV. Many factors were indicated as having contributed to this growth. Several indicated that their improved location, product quality, and amount in inventory have led to business growth. Others attributed their business growth to marketing, increased public awareness of services, and industry positioning. Finally, a few noted that their networking skills have led to their business growth.

Business income

Clients self-reported their *gross average monthly* income or revenue from their business. Responses ranged from \$0 to \$60,000 with an average of \$17,000 and median of \$14,500. All of the eight clients who received a loan from CCV commented that their business revenue has increased since they received their loan. In addition, 40% (4) indicated that their business has a positive net worth, while 50% (5) reported a negative net worth. One person was not sure of their business net worth.

Seventy percent (7) of clients reported that their business provides a source of income to their household, with six of these people stating that this is their primary source of income. “Owner’s draw” was defined in the survey as “gross business revenue minus business expenses or some other amount that is taken out of business revenue.” Clients surveyed provided this figure as an annual or monthly amount and their hourly wage rate was calculated based on data received.

The results are presented in Table 14a. Clients’ annual computed salary (monthly wage multiplied by 12) ranged from \$6,000 to \$42,000 (n=6), with an average of \$26,800, median of \$27,100 and mode of \$42,000. Monthly income received from their business ranged from \$500 to \$3,500 (n=6), with an average of \$2,236, median of \$2,259 and mode of \$3,500. Finally, clients’ calculated hourly wage (monthly wage divided by four divided by 55 average hours per week) resulted in a range of \$2.27 to \$15.91 and an average of \$10.16, median of \$10.26 and mode of \$15.91 (n=6).

Table 14a. Owner’s draw statistics, self-reported and computed (n=6)

	Annual	Monthly	Hourly
Range	\$6,000 to \$42,000	\$500 to \$3,500	\$2.27 to \$15.91
Average	\$26,800	\$2,236	\$10.16
Median	\$27,100	\$2,259	\$10.26
Mode	\$42,000	\$3,500	\$15.91

Table 14b shows the change in clients’ cash flow availability after receiving their loan from CCV. All but one person indicated that their cash flow availability has somewhat to greatly improved since they received their CCV loan.

Table 14b. Change in client cash flow availability because of CCV loan (N=7)

Change in cash flow	Percent (%)	N
Has not changed	14.3%	1
Has somewhat changed	57.1%	4
Has greatly improved	28.6%	2

When queried on the extent to which they had reached their business plan revenue goals, 75% (3) of respondents indicated that they had completely met their business plan revenue goals (Table 14c), while 25% (1) had somewhat met these goals.

Table 14c. Extent respondents reached their business plan revenue goals (N=4)

Extent goal reached	Percent (%)	N
Somewhat	25%	1
Completely	75%	3

Table 14d shows that client’s satisfaction with the amount of revenue earned from their business ranged from being very dissatisfied to very satisfied. Two of the clients who were *not* satisfied also did not receive a loan from CCV. The majority of clients who expressed satisfaction with their business revenue were CCV loan recipients.

Table 14d. Satisfaction with revenue from business (N=10)

Satisfaction level	Percent (%)	N
Very dissatisfied	20%	2
Dissatisfied	20%	2
Satisfied	50%	5
Very satisfied	10%	1

Table 14e displays the use of business revenue by clients. More than half of clients reinvest business revenue back into their business and half use their revenue to pay bills. One client indicated that they save money from their earnings and one invested their money into real estate.

Table 14e. Use of business revenue (N=10)

Satisfaction level	Percent (%)	N
Reinvest in business	60%	6
Pay bills	50%	5
Save money	10%	1
Invest in real estate	10%	1

Personal income and expenses

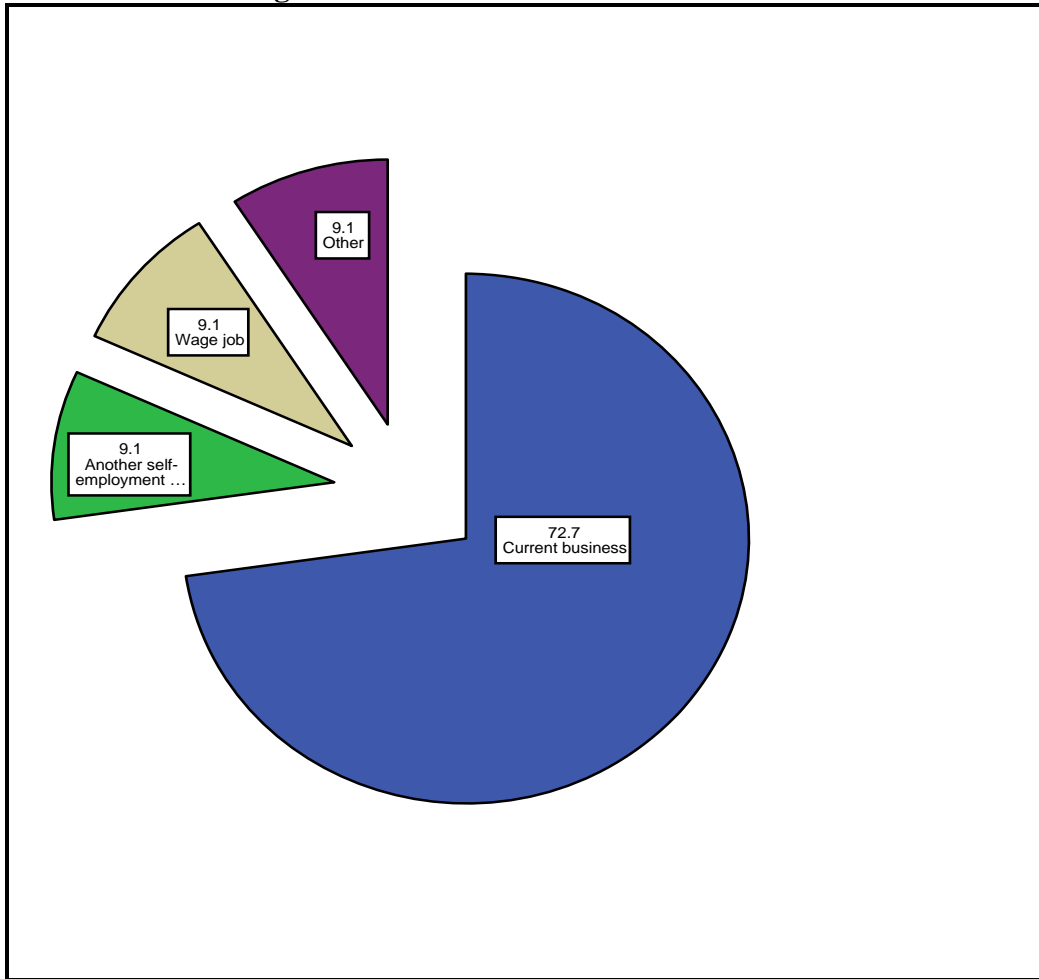
Ten of the eleven clients surveyed indicated that they do not need a job other than self-employment. Table 15 shows the sources of clients' personal income. Almost 91% of those interviewed stated that their personal income comes from the self-employed business for which the CCV loan was received. Two respondents patch their income with another wage job and one person earns an income from another self-employment business.

Table 15. Sources of personal income (N=11)

Source of Income	Percent (%)	N
Business for which loan was received	90.9%	10
Wage employment	18.2%	2
Another self-employment business	9.1%	1

Figure 3 shows the source that provides the most of clients' income. Almost three quarters (8) noted that their main source of income is their current business. Dollar figures for client monthly and annual household income are presented in the *client demographics* section of this report.

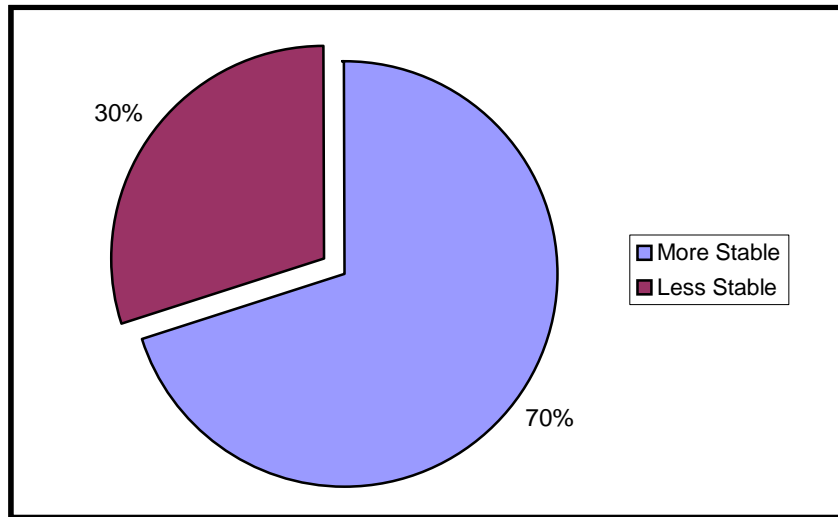
Figure 3. Source of most of client income



At the time of the survey, none of the respondents were receiving TANF as part of their income. However, five clients indicated that they have at one point relied on public assistance. Four of these clients reported that their reliance on public assistance decreased since they started working with CCV and one stated that their status remained unchanged. Of the four people who are less reliant on public assistance, three are no longer eligible for a program because of their income and one now receives health insurance through a private source.

As shown in Figure 4, 70% (7) of respondents found their personal financial situation more stable than it was six months prior to the survey (approximately the time of their loan receipt). This figure is in contrast to the 30% (3) who indicated their financial situation is now less stable than it was six months ago. Similarly, 60% (6) of clients surveyed noted that their average monthly household income has increased since they started their business. While 20% (2) each reported that their average monthly household income had decreased or stayed the same since they started their business.

Figure 4. Change respondent’s personal financial stability compared to six months prior to survey (N=10)



Regarding client expenses, one business owner purchases medical and health insurance through his or her business, at the cost of \$114 a month. Seven of the nine respondents who do not receive health insurance through their self-employment business are insured through another source. Three people surveyed do not have health insurance. Regarding child care expenses, two clients reported that they have access to affordable child care, paying \$20 and \$275 a month. Two clients noted that they did not have access to affordable child care.

Job Creation

As shown in Table 16, 50% (5) of the respondents indicated that their business has created jobs for other people in addition to their own. The following summarizes the highlights of client job creation statistics.

Table 16. Whether or not respondent’s business created jobs (n=10)

Created other jobs	Percent (%)	N
Yes	50%	5
No	50%	5

- **A total of 21.16 full time equivalent (FTE) jobs (based on 40 hours per week) are supported by CCV clients and 8.6 FTE jobs were created after the client received their loan from CCV.**
- Four clients hired 28 part-time employees year round at an average hourly rate of \$8.71/hr.
 - Seven of these clients were hired after the client received their CCV loan.
- One client employs one part time employee part of the year at \$9.00/hr.
 - This client was hired after the client received their CCV loan.

- Four clients hired eight full-time employees year round at an average hourly rate of \$13.80/hr.
 - Four of these clients were hired after the client received their CCV loan.
- None of survey respondents provide their employees with medical and health benefits for employees.
- Four respondents hired family members to work for their business.
- One part-time job and one full time job were filled by TANF recipients.

Client savings

Sixty-four percent of clients conveyed that they have a personal savings account and one person is saving money with the assistance of an Individual Development Account (IDA). Clients have had their savings account for a range of two months to 20 years, with an average of seven years and median of 4 years. The current approximate balance in this account ranged from \$0 to \$50,000, with an average of \$8,344 and mode of \$0. Clients noted that they are saving money for expenses such as retirement, business taxes, and emergency situations.

Client taxes

Seventy percent (7) of clients surveyed pay taxes on their business. All of these clients use a private accountant or accounting firm to prepare their business taxes. Two clients reported that they are eligible to receive the Earned Income Tax Credit (EITC), one is not, and eight people did not know if they are eligible to receive this. Both of the clients who are eligible for the EITC received this credit this past tax year and one of these individuals received this credit in past tax years. Of the other clients, three indicated that they did not receive the EITC in past years and seven were not sure if they received this. Regarding the Child Tax Credit (CTC), two clients indicated that they received this credit this year, seven did not receive this, and two did not know. Of the two clients who received the CTC, one person has received this since 2002 and the other was not sure for how long they have received this. Finally, clients were asked what they did with the tax refund or credits that they received for 2005. Responses included: paid off old debt (2), invested in business (1), used for self/family (1), and put towards property taxes (1). Four interviewees commented that they did not get a refund in 2005.

Skills, Attitude and Life Changes

Clients were asked several questions to assess skill development and attitude and life changes they have gained because of CCV services. Five clients gained new skills including marketing and sales (3), computer skills (1), and improved business operations and efficiencies (1). Clients also reported experiencing changes in attitude such as increased self-esteem and confidence (3), more motivated and encouraged (3), and improved personal outlook (2). Table 17 shows client's self-reported improvement in their personal, family, and community life since they received their CCV loan. Clients were asked to rate this change based on a scale from 0 to 10 with 0 being no improvement and 10 being a lot of improvement. Looking at the average ratings, client community life improved the most with an average rating of 7 and median and mode rating of 8. Community life refers to a client's "social capital" or their involvement in neighborhood, friends, church, youth groups or other civic activities.

Table 17. Change in client personal, family and community life since CCV loan receipt

	Personal life improvement	Family life improvement	Community life improvement
Range	0-10	0-9	0-10
Mean	5.75	5.3	7
Median	6.5	7	8
Mode	0	Multiple modes exist	8

Overall, 75% (6) of clients stated that they are “better off today” because of their loan through CCV. Further, 64% (7) have been able to achieve the goals they set out to achieve when they started their business. Main goals included running one’s own business and “being my own boss.” Other talked about improved skills such as business marketing and having formed a cooperative with another business. Specifically, one person noted that she has achieved her goals because she now “has the financial capital to hire new people and buy new equipment to expand what is offered to customers.” Another person noted that the goals they have achieved are developing an e-bay store and online marketing of their products. Finally, one client leveraged the money he received from his loan and skills he gained from taking the Lead Paint safety training through Community Action to purchase ladders and start a painting business. This business is complimentary to his main business by adding extra services that clients can use.

The four people who have not yet achieved their business goals were asked for what reasons they have not been able to achieve these goals. All commented that their businesses are still growing and maturing, so their goals have not yet been attained. In elaborating on this, one person indicated that his goals keep changing and evolving as his business changes. He ultimately would like to have a business that operates year-round and brings in a lot of revenue. Currently his business brings in good revenue but is seasonal, so he is still working to achieve that.

Client Feedback

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. When clients were asked about what aspects of the loan process did not work well for them, eight of the eleven clients indicated “nothing.” The three clients who had issues with the loan process reported that the process took a long time, one had problems with the loan being guaranteed, and the loan had a high interest rate.

Staff and program focused

- Positive and affirming staff (7)
- Supportive staff (6)
- Staff answered questions (5)
- Knowledgeable staff (5)
- One-on-one attention (5)
- Referrals made (2)

- Staff worked with disability (1)
- Received prompt response from staff (1)
- Overall excellent service (1)

Client gains

- Gave directions/steps (3)
- Flexible program (3)
- Good technical information (2)
- Gained access to funding (3)
- Skills learned (3)

Table 18 shows that clients reported very high levels of satisfaction regarding the overall CCV loan process and their work with the post-loan private consultant. On a scale from 0 to 10 with 0 being completely dissatisfied and 10 being completely satisfied, client ratings averaged an eight for the overall loan process and 8.7 for the assistance from the private consultant. Further affirming the positive impact their CCV loan has had on client businesses, 100% of respondents agreed or strongly agreed that having access to a CCV loan and CCV’s private consultants aided in the success of their business. In addition, all but one client agreed or strongly agreed that MBDP business counselors provided the necessary on-going support for their business development.

Table 18. Client satisfaction with the loan process and private consultant service

	Satisfaction with overall loan process	Satisfaction with assistance from private consultant
Range	5-10	8-9
Mean	8	8.7
Median	8	9
Mode	8	9

Suggestions on ways to improve the loan application process

Several clients had suggestions on ways CCV may improve the loan application process in the future. The following summarize their comments.

- Lower interest rates
- The loan process was fine, but the approval of the loan was contingent on the town making decisions, which did not happen fast enough.
- CCV should ensure clients understand the requirements for the loan process. The CCV counselor did not inform a client that they needed a "cash flow analysis" for the past 2 years as opposed to the cash flow forecast. By the time CCV told the client this was needed, this person did not have the time to complete this analysis.
- More women should be involved as loan officers for CCV

Recommendations for other loan products or services

The majority of clients surveyed did not have any recommendations for other loan products or services that they would like to see offered by CCV. However, two respondents provided suggestions. One person would like to see CCV increase the tuition reimbursement fund. Another suggested that CCV provide clients who receive a loan with financial planning options for future loans. For instance, she noted that she received her loan but would like to know that she could get another loan from CCV in two to three years if needed.

Client demographic data

The following client demographic data is presented for both inquiry only survey respondents and six-month follow-up survey respondents. The age of clients who inquired about a loan but did not apply ranged from 31 to 56 years, with an average of 43 years, median of 46 years, and mode of 34 years. Clients who applied for a loan and were followed up at six-months had a wider age range of 26 to 59 years, with a younger average of 42 years, but older median and mode age of 40 years.

Respondents' level of education ranged from 9th grade to post graduate/professional education. As shown in Table 19, a very few amount of clients do not have a high school diploma. Twenty-nine percent of inquiry only clients received a high school diploma or GED. Twenty-nine percent of inquiry only clients and 27% of six-month clients reported having some college education but have not received a degree. A few (8.3%, 2) of inquiry only respondents and 18% of six-month survey clients had an Associates/technical degree. A total of 12.5% (3) of inquiry only respondents had a Bachelor's degree, while the majority of six-month survey clients (45%) had this level of degree. A further 16.7% (4) of inquiry only respondents had received a Post Graduate or Professional degree. Overall, those who received a loan from CCV tend to be better educated.

Table 19. Highest level of education obtained by respondents

Level of Education	Inquiry only	Six Month Follow-up
9-12 th grade, no diploma	4.2% (1)	9.1% (1)
High school diploma/GED	29.2% (7)	0
Some college (no degree)	29.2% (7)	27.3% (3)
Associates/technical degree	8.3% (2)	18.2% (2)
Bachelor's degree	12.5% (3)	45.5% (5)
Post grad/profession degree	16.7% (4)	0

Overall, the majority of CCV survey respondents have no or few children living in their household. Half (50%, 11) of inquiry only respondents and slightly more than half (54%) of six-month survey clients indicated that they had no children living in their household (Table 20). Eighteen percent (4) of inquiry only and 27% (3) of six-month survey respondents noted that they had one child in their household. Eighteen percent (4) of inquiry only and 9% (1) of six-month survey respondents have two children at home. Nine percent each of inquiry only clients (2) and six-month survey respondents (1) indicated that they had three children living in their household, and 4.5% (1) of inquiry only respondents have four children in their household.

Table 20. Number of children in respondent's household

Number of Children	Inquiry only	Six Month Follow-up
0 Children	50% (11)	54.5% (6)
1 Child	18.2% (4)	27.3% (3)
2 Children	18.2% (4)	9.1% (1)
3 Children	9% (2)	9.1% (1)
4 Children	4.5% (1)	0

As shown in Table 21, the majority of respondents surveyed are married, with 50% (11) of inquiry only and 63% of six-month survey respondents. Almost half (45.5%, 10) of inquiry only respondents indicated that they are single and a little more than a quarter of six-month survey clients are single. Less than 5% (1) of inquiry only respondents and 9% of six-month survey clients are divorced.

Table 21. Respondent's Relationship Status

Status	Inquiry only	Six Month Follow-up
Married	50% (11)	63.6% (7)
Single	45.5% (10)	27.3% (3)
Divorced	4.5% (1)	9.1% (1)

Looking at monthly and annual household income, the monthly household income of inquiry only respondents ranged from \$780 to \$11,000, with a mean income of \$4,465 a month, median of \$4,000, and mode of \$8,000. Six-month survey respondents reported a range from \$0 to \$7,350 and an average of \$4,151 and median of \$3,500. Table 22 shows a categorized breakdown of respondents' monthly household income by survey groups.

Table 22. Respondent's monthly household income

Income	Inquiry only	Six Month Follow-up
\$1,000 or less	12.5% (2)	12.5% (1)
\$1,001 to 2,500	31.2% (5)	25% (2)
\$2,501 to 4,000	12.5% (2)	25% (2)
\$4,001 to 7,000	12.5% (2)	12.5% (1)
\$7,001+	31.2% (5)	25% (2)

The annual household income of inquiry only respondents ranged from \$10,000 to \$135,000 with a mean income of \$47,631 a month, median of \$42,000, and mode of \$50,000. Six-month survey respondents reported a range from \$11,000 to \$85,000 and an average of \$36,750, and median of \$28,000. Table 23 shows a categorized breakdown of respondent's annual household income by survey groups. Overall, those who inquired about a CCV loan but did not apply tend to have a higher income level, which may explain responses where inquiry only clients said they did not apply for a CCV loan because they were not eligible.

Table 23. Respondent's annual household income in 2005

Income	Inquiry only	Six Month Follow-up
\$20,000 or less	21.1% (4)	50% (4)
\$20,001 to 40,000	26.3% (5)	25% (2)
\$40,001 to 75,000	36.8% (7)	12.5% (1)
\$75,001 +	15.7% (3)	12.5% (1)

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, most clients viewed CCV as more willing to take risks on them by investing in their businesses, even if the applicants have poor credit, debt, and are a higher risk client. Many service providers and other lending institutions recommended that clients inquire about a loan through CCV. The purpose of this evaluation is to track project process and outcomes, to examine and document the statewide expansion of CCV and determine the impact of services (loans made, private consultants, etc.) on clients' and their businesses. The data collected in this first year provides a baseline to compare data to be collected through client interviews and focus groups over the course of the grant. It is not possible to gauge at this time the overall impact of CCV services on clients. However, the data shows some important findings of the initial and overall potential impact of CCV on clients' and their businesses. First, the data shows 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 non-financial 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 suggests 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, *in press 2007*). Ninety percent of clients who received a loan started or retained their business after receiving this. Thus, access to capital allows businesses to remain in business. All of clients surveyed who received funding noted that their business has grown over the past six months due to factors that are related to having access to funding, including improved location, product quality, and quantity of inventory. Access to funding has also improved the cash flow availability for most clients and 70% reported that their personal financial situation is more stable than it was prior to receiving their loan. In addition, all of the clients who received a loan reported an **increase in their business revenue** since receiving their loan and 40% 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 sixty 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 annual owner's draw of \$26,800, which is between 40% and 60% of reported household income. This revenue is being used to reinvest in the business and pay off debt and bills, thus improving client assets and wealth.

Third, access to capital not only improves a person's business, revenue and income, but this situation **positions a business owner to be able to hire other employees**. A total of 21.16 full time equivalent (FTE) jobs (based on 40 hours per week) are supported by CCV clients and 8.6 FTE jobs were created after the client received their loan from CCV. Fourth, aside from providing access to capital, CCV 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 is on the right path to meeting the grant's first three 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. CCV's fourth goal of providing a sustainable resource for microcredit, which is managed by an organization that is transparent, efficient, and collaborative, will be examined in future evaluations.

Suggestions to improve CCV lending process

Based on the data from this evaluation report, CCV should continue on its path of providing eligible clients with access to capital as well as non-financial services. Several clients made suggestions on ways the program can improve the loan process and services.

Loan process

- Have a more competitive interest rate
- Streamline and centralize the application process
- Speed up the time to process a loan
- Provide assistance with paperwork
- Provide credit repair services
- Offer individualized follow-up with clients
- Give clients a to-do list or step-by-step guide for the applications process
- Ensure clients understand the requirements for the loan process.

Services

- Offer a course on bookkeeping and managing financial records
- Provide assistance with developing a forecast model to maximize the use of funds.
- Increase the number of women loan officers at CCV
- Increase the tuition reimbursement fund
- Provide clients who receive a loan with financial planning options for future loans

The number of evaluation activities for the CCV grant will increase over the second and third year of the grant funding. For FY II, staff focus groups will be held in March and September 2007 to document project process and determine mid-course corrections. Client focus groups will also be held in 2007 to gather detailed information for client case studies. Clients will continue to be called on a monthly basis to conduct the inquiry only or six month follow-up survey, depending on their status. Finally, in September 2007, the first of the two annual project surveys will be conducted to gather longer-term follow-up data from clients. All of this data will be documented and compared to the baseline data presented in this report in the second year evaluation report.

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