Community Capital of Vermont
FY II 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 under grant #90EE0715. This is the evaluation report for the second fiscal year of the project from October 1, 2006 to September 30, 2007. 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made an inquiry about a loan and never applied, 2) clients who applied for a loan that either closed or was denied or withdrawn, and 3) clients who completed both a six month and annual follow-up survey. This report also provide project process information on how CCV works and feedback received from major stakeholders, including key partners, such as technical assistance providers, and members of the Regional Loan Committees. The following summary highlights the results of this evaluation report.

Project Implementation

The CCV project has five main staff members, including three regional loan officers, a fund manager, and administrative assistant. Recently, CCV replaced a part time loan officer with a full time position, which, the evaluator anticipates will improve services and relationships with project partners and clients in that region of Vermont. A CVCAC manager serves as project director.

Referral sources

The main sources of referrals to CCV are the Vermont Micro Business Development Program (MBDP) business counselors and staff from the Small Business Development Corporation (SBDC). Clients contact CCV primarily when they have been turned down by banks or loan companies because they are considered to be high risk clients with poor credit or low levels of collateral. In addition, CCV partners with other loan funds or banks to provide subordinate financing to borrowers. CCV staff mentioned that service providers and financial agencies refer applicants to CCV because they are not "bankable" by standard definition, but also because CCV provides services beyond loan financing such as post loan technical assistance (TA) program.

Loan application process

As part of the loan application process, CCV values relationship building with clients because their loans are based on the person's character in addition to the traditional markers of credit and collateral. Total measures that factor into the decision of the loan approval are the "five C's": cash flow, character, credit, collateral, and competition/market. Because CCV takes on a higher level of risk with clients, staff want to ensure that the person is of good character with a sound business idea. However, this relationship building period has been viewed by project partners and clients as taking too much time or holding up the loan application process.

The loan underwriting process is headed by the Regional Loan Committee (RLC). Each region has a five member loan committee comprised of a Board member, entrepreneurs, bankers, members from the chamber of commerce, and community volunteers. The RLC will approve or deny a loan based on the following process. In speaking with RLC members, some recognized that they needed clarity around their decision making power and role.

Clients and project partners all provided feedback that CCV loan interest rates may be too high for the low-income population. In response to this concern, several RLC members noted that the loans are priced higher than traditional financing because of the higher level of risk CCV takes on with the client. In addition, several RLC members pointed out that that loan terms are fairly flexible in that people can finance a loan out over time, have an interest free payment period, or even defer loan payments. This is done on a case by case basis with individual monitoring of each business. Further, CCV loan officers take into consideration the life circumstances faced by borrowers and put a human face behind an application and not just a number or a credit score.

Strengths of CCV

Project partners and clients identified various strengths of CCV.

- CCV is an alternative lending source that provides funding to clients who are not bankable.
- CCV also provides post-loan services such as technical assistance and consultant services to assist in business success.
- Partners and clients provided overall positive feedback on CCV staff and working with loan officers in character, helpfulness, and communication.
- CCV requires clients to complete paperwork and a business plan, which is important information for them to have even if the clients/applicants do not want to go through this process.

Suggestions to Improve CCV Services

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. CCV should continue to improve the visibility of its services as it expands to fully be a statewide program. Overall, 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 and project partners spoke favorably of CCV staff, saying that they are positive, affirming, and knowledgeable. Several suggestions on ways the program can improve the loan process and services are presented as follows.

Loan process

- Have a more competitive interest rate or present possible options/incentives to low-income borrowers
- Streamline and centralize the application process
- Speed up the time to process a loan
- Provide assistance with paperwork
- Provide credit repair services
- Simplify the business plan process for clients or offer a shortened process for smaller loan applications.
- Offer individualized follow-up with clients
- Give clients a to-do list or step-by-step guide for the applications process
- Ensure that clients understand the requirements for the loan process
- Collaborate with technical assistance providers
- Ensure follow-through with all clients who inquire about a CCV loan

- Increase the internal approval limit from $5,000 to $7,500 or $10,000. Or simplify the review process for smaller loans.
- Increase (and have information prepared by) support staff rather than loan officers to improve efficiency of process.
- Allow clients to submit information to loan officers electronically to help speed up the process.

Services

- Require post-loan TA as a condition of the loan to enhance business success
- Provide industry specific training such as marketing, bookkeeping and financial management.
- Offer assistance on how to use QuickBooks and develop websites
- Provide assistance with developing a forecast model to maximize the use of funds.
- Provide legal consultant services such as looking for pitfalls in leases and contracts
- Provide bookkeeping or CPA assistance for clients to check in with them on a regular basis to assist them with post loan financial issues.
- Increase the tuition reimbursement fund
- Offer clients who receive a loan with financial planning options for future loans
- Increase the internal loan review amount from $5,000 to $7,500 or $10,000.

Work with RLC Members

- Clarify role of the RLC. RLC's should not be used as a "rubber stamp" to approve the wishes of the loan officers.
- Clarify how to weigh risks of loan applications
- Ensure objectivity of loan officers
- Require RLC members to understand issues relating to poverty
- Provide RLC members with continuous feedback on borrower portfolios
- Ensure frequent and consistent communication with loan officers
- Make loan applications more personalized
- Increase the volume of loan applications evenly throughout the state.
- Improve collaboration between CCV and the Micro Business Development Programs throughout the state.
- 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.
- 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.

Highlights on Client Outcomes

Through the past two grant years, the evaluation has documented that CCV successfully made 34 loans to low-income Vermont entrepreneurs totaling over $691,000. Two thirds of clients were referred to other services needed, 42% worked with a private consultant, and 25% used CCV's tuition reimbursement program.

Business start-up and retention

Clients expressed overall satisfaction with services received and found them useful to their business development. The data suggest that access to capital has important impacts on business development and success through self-employment. Of the 30 clients surveyed during this past fiscal year, 88% of clients (8) who received a loan during the planning stage successfully started and retained their businesses, while one person remained in the planning stage. In addition, 100% (21) of existing businesses who applied for a loan retained their businesses. Overall, since clients have received their loan from CCV, 96% (24) indicated that their businesses had grown over the past six months and 71% indicated that their cash flow had somewhat to greatly improved since they received their CCV loans.

Business revenue

In addition, 19 of the 24 CCV loan recipients in business at the time of the survey noted that their business revenues had increased since they received their loans and two people indicated it had stayed the same. Half of clients reported that their businesses had a positive net worth. Client self-reported *gross average monthly* income or revenue from their business ranged from $0 to $60,000 with an average of $17,000 and median of $13,000.

Business revenue is an extremely important source of income, as self-employment is the primary source of income for sixty-two percent of those surveyed. At the time of the survey, none of the respondents were receiving TANF as part of their income. However, 52% (13) of clients indicated that they have at one point relied on public assistance. Sixty-nine percent (9) reported that their reliance on public assistance decreased since they started working with CCV, mainly due to no longer being eligible for a program.

Job creation

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. Regarding job creation, 45% (11) of clients surveyed created 16.2 FTE part time and 15 full time jobs separate from their own job, for a total of 31.2 FTE jobs created. Of these jobs, 25.2 or 81% of them were created after clients received their loan. Including the owner's job (23.5 FTE), CCV has helped to create and support a total of 54.7 jobs. On average, 2.3 owner and employee jobs are created per CCV client. 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.

Skills gained
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.

Future Evaluation Activities
The number of evaluation activities for the CCV grant will remain consistent over the third year of the grant funding. For FY III, staff focus groups will be held in March and September/October 2008 to document project process and lessons learned. Key project stakeholders will also be invited to attend in person and teleconference focus groups in September/October 2008. Client focus groups will also be held in 2008 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/October 2008, the second 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, which will be presented in the final grant 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 second fiscal year of the project from October 1, 2006 to September 30, 2007. 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, 2) clients who applied for a loan that either closed or was denied or withdrawn, and 3) clients who completed both a six month and annual follow-up survey. This report also provide project process information on how CCV works and feedback received from major stakeholders, including key partners, such as technical assistance providers, and members of the Regional Loan Committees.

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.
- 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 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. Table 1 shows the outcome of all calls made for the inquiry only survey. A total of 65 surveys were completed out of 146 for a response rate of 44%. A copy of the inquiry only survey may be available upon request to the evaluator.

Six-month and annual client follow-up surveys
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. In addition to the six month follow-up survey, all clients who completed this survey as of June 2007 were contacted again for an annual follow-up in October 2007, given their permission during their initial survey. A copy of these client follow-up surveys may be available upon request to the evaluator. Table 1 shows the outcome of all calls made for the both the six month and annual survey. A total of 30 clients completed the six month survey out of 48 for a response rate of 63%. In addition, 11 out of 21 clients completed the annual follow-up survey for a response rate of 52%.

Survey methodology
All of the surveys conducted for the CCV evaluation 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 II

	Inquiry only survey	Six month follow-up survey	Annual follow-up survey
Target population	**146**	**48**	**21**
Completed surveys	**65 (44%)**	**30 (63%)**	**11 (52%)**
No answer	20 (14%)	6 (13%)	7 (33%)
Refused	38 (26%)	8 (17%)	3 (14%)
Moved/wrong number/ not in service	28 (19%)	4 (8%)	0

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 longer term 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 key partner focus groups
During the fiscal year of this evaluation, the CCV project had six main staff members, five of whom attended the staff focus group in March 2007. A follow-up staff focus group will be held in March 2008 and to the extent possible October 2008. The purpose of this focus group was to document and understand project process or how the project is carried out, issues encountered, lessons learned and partner relationships. In addition to gathering feedback from staff, in person and conference call focus groups were held with key project partners and members of the Regional Loan Committees (RLC) in October 2007. A total of four key partners attended their focus group, with one providing input by electronic mail, and a total of four RLC members called in to the two teleconference focus group sessions. Final focus groups will be held with key partners in October 2008. Client focus groups will be held in the spring of 2008. This decision was made so not to overburden clients with data collection during the survey time period.

FINDINGS

This section of this evaluation report reviews the major findings collected over the past two years of the CCV grant. This section reviews the project process or how the project was carried out through the project implementation and discussion with key partners sections. Project outcomes are reviewed using data collected from clients who inquired about a loan but did not apply and clients who did apply for a loan and either did or did not receive one. Finally, the demographic profile of all clients is presented.

Project Implementation

Staff Composition and Roles

The Community Capital of Vermont (CCV) project has six main staff members, five of whom attended the CCV focus group in March 2007. The purpose of this focus group was to document and understand project process or how the project is carried out, issues encountered, lessons learned and partner relationships.

Emily Kaminsky is the fund manager for 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. Mary Niebling is the director of community economic development at Central Vermont Community Action Council (CVCAC), a partner and fiscal agent of the CCV grant, and her main role is the liaison between the grant and the Office of Community Services (OCS). Marian Boudreault is the administrative assistant for the grant and assists in servicing loans and coordinating borrower files and accounts.

In addition to the main administrative/organizational staff, there are three loan officers who work directly with clients. Chris Rottler is the senior loan officer and is responsible for the loan and programmatic components of loan making. He is the main loan officer for the northwest counties and shares the central Vermont counties with fellow loan officer, Olivia Gay. Olivia is also a loan officer for the northeast counties. Finally, Judith Kaufman, who was not present at this meeting because she lives in New Hampshire, is a loan officer who serves the southeast and southwest portions of the state of a part time basis. At the time of this focus group, staff anticipated that this position would eventually be replaced with a full-time position in the future. It is important to note that at the time of this report, a full-time person had been hired to replace the part time employee to serve this area of Vermont.

Sources of Referrals to CCV

The main sources of referrals to CCV are the Vermont Micro Business Development Program (MBDP) business counselors and staff from the Small business Development Corporation (SBDC). Clients contact CCV primarily when they have been turned down by banks or loan companies because they are considered to be high risk clients with poor credit or low levels of collateral. In addition, CCV partners with other loan funds or banks to provide subordinate financing to borrowers. CCV staff mentioned that service providers and financial agencies refer applicants to CCV because they are not “bankable” by standard definition, but also because CCV provides services beyond loan financing such as post loan technical assistance (TA) program.

Further, the program has a positive reputation and record of service in the central Vermont area, the original service area of CCV prior to opening state wide.

Issues with referral sources

One CCV staff commented that they encounter issues with referral sources when loan officers have a strained or poor relationship with TA providers 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, as discussed in that section below.

Regional differences

There are also regional differences that the loan officers have faced during the start-up of this project. The initial region of CCV was central Vermont, with which the program has a very positive and well-established relationship. However, expansion to the rest of the state has brought about new obstacles because of differences in culture and personality, local resources available (both financial and service provision), and the time it takes to build good working relationships. For example, TA providers who are new to working with CCV may perceive the loan application process as being too lengthy and in-depth. Once CCV loan officer stated that skeptical TA providers often ask, "Didn't they [CCV] read the business plan?" when asking they the loan officer requires financial information. Some also note that clients are "not asking for that much money, so why are they [CCV] making such a big fuss?" To overcome these barriers, CCV loan officers try to be clear about why they are asking for specific client information and the fact that CCV focuses on character lending rather than credit scores.

Regional differences have also resulted in different types of relationships being built with various partners. In the northwest, CCV mainly receives referrals from banks and less so from TA providers. Also, the northwestern and northeastern parts of the state have a lot of alternative lenders, so CCV needs to be careful about "territorial" issues and being perceived as competition rather than a partner. CCV is working to position themselves as a niche lender of filling the gap for micro lending, rather than in direct competition with other alternative lenders. On the other hand, in southern Vermont, there are fewer alternative lenders. This lack of resources has led micro and small business owners to rely more on family and friend loans as well as bank loan. Overall, Emily Kaminsky noted that the statewide expansion was intended to be a slow and incremental process of relationship building with the various cultures, resources and expectations of each region.

Relationship Building and "Character Lending"

CCV staff commented that they focus on relationship building with clients by spending a lot of time with people who are in the process of applying. Staff take many measures to learn about the 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 their loans are based on the person's character in addition to the traditional markers of credit and collateral. Total measures that factor into the decision of the loan approval are the "five C's": cash flow, character, credit, collateral, and competition/market.

Because CCV takes on a higher level of risk with clients, staff want to ensure that the person is of good character with a sound business idea.

In describing character lending, a loan officer stated, “When working with people with limited resources, we focus on getting to know their person and character. 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.

Loan Services and Borrower Profile

CCV staff provide two main types of services to clients. The first service is where CCV is the solo lender for a borrower and the second is where CCV is a subordinate or gap lender that partners with another lender. The CCV loan amount typically ranges from $1 to $50,000 and in general clients range from sole proprietorships to up to five or more employees. Overall, the majority of clients businesses are micro businesses with five or fewer employees. A CCV market study conducted by an outside firm reported that CCV’s main clients are considered to be “entry level” or clients who are in between the start-up stage of their business and those who have been relying on other types of informal, non-bank financing. Business owners who are above this level tend to go to a regular bank for financing.

CCV referrals

As an alternative lender, CCV refers borrowers out to other service providers, based on their needs. The two most commonly made referrals are to the SBDC and MBDP programs for TA and business plan development. In addition, applicants who are not appropriate clients are referred to other lenders or community resources. In general, the loan officers commented that they receive positive feedback about the referrals the CCV program makes.

Barriers clients face when applying for a loan

CCV staff spoke of several barriers that client face when they are applying for a loan. Some of the barriers include:

- The need to draft a business plan
- Poor credit, high debt, and maxed out lending options
- Having a good idea but no skill to pursue the vision
- Lack of confidence, communication, and problem solving skills
- Not understanding of the market for their business
- Timing for financing may not match with business needs
- Physical location of the business

Clients also face barriers during the process of loan approval. These include:

- Not wanting to work with an alternative lender.
- Desire to have more control over their own business than follow the conditions imposed by the loan, such as financial reporting
- Process can be invasive as clients are asked to talk about their personal and business situation
- Amount of information asked for by CCV is perceived as a lot of information

One CCV loan officer shared an example for this case load of when clients face barriers during the loan process. The name of the business has been changed to protect their confidentiality. One business in Vermont is financed by a variety of loans at various amounts. They came to CCV to apply for a small amount of money and did not want to produce financial statements for this size of a loan. This business was referred to CCV two different times from other bankers but they chose to not work with CCV because they did not want to change the way they ran their business for the loan process.

Overcoming barriers
The loan officers commented on ways they work with clients to overcome barriers to the loan application process. The most important way is by building trust and convincing people that they can or should do what needs to be done in order to apply for the loan. Loan officers also work with clients to complete a business plan questionnaire, which is a check list of all application components and serves as a cover page to application. Loan officers also provide a list of questions/answers and other issues that are related to the checklist to help applicants and TA providers be proactive in addressing all components of the checklist. Further, the different CCV loan officers are working to make sure they are consistent in the information that they ask for the application process, which can be difficult because the process is often specialized to a client's needs.

Loan Underwriting Process
CCV staff discussed the loan underwriting process, which is initiated by the Loan Officers and completed at the Regional Loan Committee (RLC) level. The initial part of the process is as follows: the Loan Officer assigned to the application makes sure that the application is complete, including all documentation and the business plan. This information is then analyzed using a grid of the Five C's, character, cash flow, credit, collateral, and competition/market. When looking at this information, there are three "knockout" criteria to deny eligibility for a loan. "Knockout" criteria include irresponsible use of personal or business credit, egregious lying during the loan application process, and unreasonable cash flow. The loan officer uses the grid criteria and indicators to score the application. The loan officer sends the score sheet and a credit memo which explains the loan and assessment of the risks as categorized by the five C's to the Regional Loan Committee. The RLC makes the final decision to approve or deny the application. Each region has a five member loan committee comprised of a Board member, entrepreneurs, bankers, members from regional business groups, and community volunteers.

One issue that CCV has encountered in this process is the lack of clarity on how a person's collateral plays into the decision making process for the loan approval. Specifically, there are inconsistencies on how collateral should be weighted if this part is weak, even if a person provides a personal guarantee for the loan. Based on this information and the overall grid score, the RLC will approve or deny a loan. If the loan is approved, they will recommend for the loan officer to underwrite the loan and prepare paperwork for the loan closing process. In general, the loan applicant will stay with one loan officer based on their region. However, once the loan has been approved, more than one person may be involved in the process. For instance, Emily and Chris are both authorized to sign loan documents and Marion will communicate with them about loan payments.

Issues encountered in working with the RLCs
Some members of the CCV staff indicated that there are inconsistencies in working with the different RLC's depending on the committee members, their regional locations and culture, expectations, and process. Overall, CCV would like to see more consistency among the RLC and their loan approval/denial process. For instance, the RLC's used to meet with the loan applicant, but do not do this practice any longer in order to be more efficient in making their decision. 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. Staff recommend that they develop a guideline for the RLC to follow on what are acceptable reasons for loan denial. One staff person said "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."

Post-loan Approval Services
After a loan has been approved, the CCV grant provides borrowers with a post loan TA assistance of up to $250 for tuition reimbursement or business development activities. CCV also hires specialized consultants or TA providers to work with borrowers beyond general needs, such as a marketing or financial consultant.

Response to non-payment
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 forced people out of business, so we want to be flexible."

Internal Communication
CCV staff have many ways of internally communicating with one another. Emily Kaminsky noted that they emphasize communication because the staff size has more than doubled in past 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 keep in touch in person, by phone, and 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 use a 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 a post-closing check-list where loan officers can check and initial off areas to indicate that something has been completed.

Success sharing
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
- Attend legislative breakfast
- Hold an open house
- Disseminate an e-newsletter
- CCV Website

Project Partners
CCV has many project partners, as described in this narrative, including TA providers, 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
- The Job Start program and other alternative lenders – such as partner loans or referrals.

In general, staff commented that they have a good relationship with loan officers at many alternative lending sources and banks. This relationship has been established through regular communication, attending meetings, making presentations, being on email listserves, and networking. Part of the CCV grant was to have more of a connection with TA providers and other stakeholders, which is currently done on an informal basis. CCV has also established a statewide expansion committee to meet three times a year, which is made up of two board members and seven partners.

Project Management
Regarding project management, Mary Niebling stated that "based on the timeline, we are where we want to be for 2006." One comment was that the proportion of loans made to the central Vermont region was higher than for the rest of the state. This is because of the established relationships that CCV had in this region. The CCV project also took the time to develop the organization and hire staff. Mary noted that in the staffing plan, the administrative assistant was hired earlier than anticipated because of the need for support staff.

Project Impact
CCV staff stated that their services have had a clear impact on people who are able to receive financing to start a business who otherwise would not be eligible for financing from traditional lenders. Staff have also observed that clients have become more active in their communities because of the loan and their business. Once they are a business owner in a community of business owners, they impact customers, as well as the perceived value of the area. For instance,

many borrowers who have become active in the community are also socially responsible and committed to the community. Business owners in Barre, Vermont see themselves as a part of a larger movement of community revitalization and the increase of social capital. Borrowers are also pleased with the fact that by working with CCV, they are connected to TA providers and get a lot more service and post loan assistance than if they worked with a traditional bank.

CCV is also responsible for helping to mobilize community resources that might otherwise not be mobile. CCV has run a small business loan fund for specific communities on behalf of their municipal loan fund. Without CCV's assistance, these loan funds would not have survived.

Discussions with Key Project Stakeholders

In person and conference call focus groups were held with key project partners and members of the Regional Loan Committees (RLC) in October 2007 to gather their feedback on the CCV loan application process and areas of strengths and in need of improvement. A total of four key partners attended a focus group, with one providing input by electronic mail, and a total of four RLC members called in to the two teleconference focus group sessions. Final focus groups will be held with key partners in October 2008.

Focus Group with Key Partners

Five key project partners provided feedback for the evaluation either in person or through electronic mail communications. Four of the individuals are technical assistance (TA) providers from either a Community Action Agency or and Economic Development Council of Vermont. One person works with Job Start, which will possibly be transferred to CCV. These partners provide client referrals to CCV in addition to technical assistance to clients and potentially additional, partner, or subordinate loan funding to a CCV loan, depending on their role.

Strengths of the CCV loan application process

A major strength of CCV as identified by all project partners is that CCV provides funding to clients who are not bankable. 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 just relying on numerical information. Banks typically do not have this type of discussion with applicants.

Two respondents noted that loan officers are approachable and clients like meeting with them. As TA providers, all indicated that this process of speaking with a loan officer, developing a business plan, and applying for a loan is a good practice for building confidence and skills in their business. Another commented that CCV has a good approval rate and can access up to $5,000 without going through the whole review process.

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. In addition, loan officers and the program director have developed their skills in their unique roles, which has improved CCV overall. The TA providers commented that by having four full time loan officers serving the state will further improve the program.

Aspects of the loan application process that work well for clients

Key partners interviewed discussed several areas that worked well and did not work for clients, as summarized below.

- CCV requires clients to complete paperwork and a business plan, which is important information for them to have even if they do not want to go through this process.
- The peer review process for client loan applications works well for clients. Applicants are generally happy to have a real lending option to turn to that will take their idea and request seriously.
- CCV often provides another source of a reality check for clients, beyond the advice of TA providers. For instance, one client wanted to build a brand new building but is now using their current space instead because the other option was not as feasible.

Aspects of the loan application process that do not work well for clients

- There have been occasions where a loan is approved and yet the applicant does not accept the loan because of the conditions required, as they felt they were too much or burdensome. Unfortunately a credit card, with higher interest rates will pre-approve a person instantly, thus is viewed as a suitable alternative to some clients.
- Some of the conditions of the loan do not work well for clients such as providing certain financial documents, gathering customer information or getting a cosigner on a loan.
- Some clients complain that the loan process takes too long, such as 90 days.
- Most of the key partners interviewed felt that CCV's interest rates are too high for the low-income population.
- RLC's meet only once a month, which can delay the loan review process and is frustrating for clients with time sensitive issues relating to business financing.

Suggestions for improving the loan application process

- Increase the internal approval limit from $5,000 to $7,500 or $10,000. Or simplify the review process for smaller loans.
- 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.
- Find out as much information as possible on client before meeting
- Have clients complete a personal balance sheet
- More loan committees may be needed to work with the four loan officers
- Increase (and have information prepared by) support staff rather than loan officers to improve efficiency of process.
- Allow clients to submit information to loan officers electronically to help speed up the process.

Thoughts on Loan efficiency
Generally loan processing was very consistent, however there were a few times that loan officers had more plans to review than time to review them. In this case, some clients were bumped to the following month.

Thoughts on loan affordability
All of the key partners interviewed felt that the interest rate of CCV loans is too high for a low-income population. Several commented that Job Start uses a fixed interest rate of 9.75% and they hope that if this program is taken over by CCV, CCV will honor this rate for current or future clients. In addition, clients should not have a prepayment penalty.

Thoughts on loan flexibility
Some of the partners interviewed felt that CCV has a less flexible workout plan compared to other alternative lenders. A suggestion was 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. In addition, another TA provider suggested that CCV have a program to 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. Further, another suggested that CCV have 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.

Feedback on CCV Staff
All of the key partners expressed satisfaction with the CCV staff and provided positive feedback on their performance from both their own experience and on behalf of their clients. Overall they felt staff were:

- Personable
- Responsive
- Knowledgeable
- Experienced
- Attentive
- Accessible
- Approachable
- Casual
- Make clients feel at ease
- Keep partners involved
- Have definite expectations but were not demanding
- Work with clients if they are not meeting loan conditions

One person commented that as CCV expands statewide, the program should make sure that loan officers and staff maintain personal relationships with clients and do not lose touch with them. Another suggestion was made to hire a paralegal to assist clients in reviewing lease documents. In addition, loan officers should make use of TA providers to help clients out if they are not meeting their loan requirements to help troubleshoot the situation.

Feedback on post-loan TA and suggestions for improvement

Overall, the partners interviewed commented that many clients have 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. 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.

To assist clients with post-loan issues, one TA provider suggested that clients should provide CCV with a copy of their last twelve months of financial statements prior to meeting with the consultant. In addition, one TA provider made the following statement reiterating that CCV should better communicate with MBDP TA providers. “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.”

A few suggestions were provided for other consultants or topic areas that could work with loan recipients.

- Legal training such as looking for pitfalls in leases and contracts
- Industry specific training such as marketing and financial management
- Work with TA providers through MBDP so they can help clients see through this process.

Focus Groups with Regional Loan Committee Members
Two telephone conference calls were conducted with RLC members to get their feedback on their role within CCV, CCV's loan services and the project's implementation. A total of four RLC members participated in the telephone calls out of approximately 15 to 20 active committee members who were invited to participate. Two of the RLC members serve on the central Vermont RLC, while two serve on the southern Vermont RLC. All persons interviewed have significant experience in the finance or micro business development fields. Members interviewed have served on the RLC for between seven months to a year an a half.

Defining the work of CCV
RLC members were asked to describe the work that CCV does to determine their understanding of CCV based on its intended purpose and mission. All persons interviewed expressed a common understanding of CCV. In general, respondents noted that 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 by the focus on post-loan technical assistance, 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.

CCV as an alternative lender
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. CCV provides this lending opportunity for low-income business owners to access funding, however two members commented that they are not sure that the loan conditions are as good compared to traditional banks.

Because CCV makes loans to higher risk clients, the program takes on various types of risks. One person stated that some of the risks are "working with businesses that don't have a historical ability to repay a loan or basing loan repayment on business projections. CCV also takes a risk by working with start-up businesses or individuals who many lack managerial or financial expertise to successfully run their business. Another interviewee commented that CCV minimizes this risk by paying greater attention to clients through follow-up and offering training and technical assistance with borrowers. She stated that CCV "works actively to reduce the risk by having a higher level of involvement with borrowers."

Comments on the affordability and flexibility of CCV loans
When interviewees were questioned about the affordability and flexibility of CCV loans and loan terms, mixed responses were given. Two interviewees felt that the loan interest rates were high for a low-income borrower, being at prime plus 4%. However, in response to this concern, two other interviewees noted that the loans are priced higher than traditional financing because of the higher level of risk CCV takes on with the client. Overall, people who borrow from CCV would not meet the minimum criteria at a traditional bank and would face between 20% to 30% interest rates if they financed their business on a credit card. Therefore, CCV's loan interest rate is not considered to be unreasonable. One person commented that "given the small size of CCV loans, there is a very small difference in interest payments in terms of percentage points." In addition, several members pointed out that that loan terms are fairly flexible in that people can finance a loan out over time, have interest free payment period, or even defer loan payments. This is done on a case by case basis with individual monitoring of each business. Further, CCV loan officers take into consideration the life circumstances faced by borrowers and put a human face behind an application and not just a number or a credit score.

The role of the RLC
One person discussed the role of the RLC in relation to CCV. He noted that the RLC serves as a regional clearinghouse to help loan officers determine and weigh client risk and approve or deny loans. The RLC also discusses 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. The RLC is also used to review the portfolios of borrowers to monitor their work with CCV and business activity. Some of the interviewees express confusion in the decision making power of the RLC, as they were uncertain if their decision would override that of the loan officer and if the RLC has fiduciary responsibility for the loan.

Feedback on RLC orientation and information/training needs
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 completed the full orientation, while one person took an "abbreviated" version of the orientation because they serve on the Board of CCV.

Several suggestions were provided as to more information that RLC members would like.

- *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 recommendations. 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.

- *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.

- *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.

- *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 technical assistance 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.

- *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 should be remedied in the future as a full time loan officer was hired to cover this region of the state. Everyone interviewed who work 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.

Meeting logistics

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 time 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. All but one of the RLC members 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.

Feedback on working with CCV Loan Officers

Varying feedback was received when RLC members were asked about the quality and sufficiency of information received from the CCV loan officers. Several people interviewed felt that the quality of information was enough to make a sufficient decision. However, other commented that in certain circumstances, not enough information was given to the RLC to make a good decision. In addition, some RLC members were concerned that loan officers occasionally do not provide objective and transparent information about a borrower or applicant, rather they become an advocate for a client. Interviewees felt that being an advocate for a person was not an appropriate role for the Loan Officer. Overall, RLC members rely solely on the loan officer to provide them with accurate and objective information about applications because the RLC never meets with the applicant.

Several recommendations were made for improving loan officer communication and information with regards to the RLC.

- 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.
- 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. 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 application and better ensure objectivity in applicant review. A suggestion was also made for loan officers to provide a brief written narrative about a loan application in addition to the numbers and grids that are presented to the RLC.
- 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.

Strengths of CCV

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 agency. CCV is also flexible in loan conditions and accessible to higher risk clients who are not bankable in the traditional sense. In addition to providing financing, another strength of CCV is that the loan application process engages the business owner to really develop their business plan, think about and formalize areas such as cash flow projections that otherwise a business person might not do. The post-loan training and technical assistance made available to CCV clients helps support clients to ensure business success. One RLC member interviewed suggested that post-loan technical assistance should be written into the condition of the loan if it is identified that a person would benefit from this service.

Challenges faced by CCV

A major challenge identified by several of the RLC members was for CCV to increase their visibility in the marketplace as a statewide alternative loan fund. Some of those interviewed noted that there have not been a high volume of loan applications in certain regions of Vermont, possibly because of the lack of marketing and communication that CCV is available in 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. Several felt that CCV should take a proactive approach to getting the word out through the business community and town managers rather than waiting for clients to come to them. In addition, CCV faces the challenge of balancing the money that they lend out with the money that is being paid back, interest earned, and grant funding available, in order to stay in business and be sustainable over time. CCV also faces the challenge of functioning like a bank but maintain the human element and balancing the needs of clients with the risk they bring to the table.

Strategies to increase retention of RLC members

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 the retention of members.

- Ensure that the RLC is active and engaged with other members and the loan officer. The RLC's should meet on a consistent basis and no more than once a month.
- Increase the volume of loan applications evenly throughout the state. One person expressed that their committee feels frustrated with the idea of operating without having loan applications to review.
- Improve collaboration between CCV and the Micro Business Development Programs throughout the state. One person expressed enthusiasm that a new, full-time loan officer would have an office space in their local MBDP office to foster this relationship in the future.
- RLC's should not be used as a "rubber stamp" to approve the wishes of the loan officers. The role of the RLC should be better defined so members feel their voice is heard and meaningful towards the final outcome.
- 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.
- 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.

Result of Follow-up Survey with Inquiry Only Clients

Clients who inquired about applying for a CCV loan but who do not complete the loan application process were contacted by telephone between two and six-months post their inquiry to complete a five to seven minute survey. A total of 65 clients (N=146) completed this survey for a response rate of 44%.

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 (52%). As shown in Table 2, 14% were considering a loan to support a business that has had at least two years of sales, while 12% of respondents sought a business loan to purchase a business. Twenty one percent of respondents provided another reason for applying for a business loan, with common themes including: to start a business, improve a business, re-establish a closed business, and because they were not eligible to receive a loan from a traditional bank.

Table 2. Why respondents considered applying for a business loan through CCV (N=65)

Reason	Percent (%)	n
To support a business that was started within the past two years	52%	34
To support a business that has had at least two years of sales	14%	9
To purchase of business	12%	8
Other	22%	14

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 common themes emerged in the open-ended responses (Table 2a). One third of clients decided to inquire about a loan with CCV because they are an alternative lender in comparison to a bank. Several respondents commented that they were not “bankable”, had poor credit, or that the loan terms of CCV would be more flexible. A quarter of respondents stated that they were looking at a variety of lending options, of which CCV was one option. Twenty-one percent indicated that a technical assistance provider such as the Small Business Development Center or the Micro Business Development Program, or a bank recommended that they contact CCV as a lending source. Thirteen percent were referred through word of mouth from a friend and three percent were previous borrowers of CCV.

Table 2a. Reasons considered in applying for a loan with CCV instead of another lender (N=61)

Reason	Percent (%)	n
Alternative lending source	33%	20
Looking for lending options	25%	15
Referred by a TA provider or bank	21%	13
Word of mouth referral	13%	8
Previous borrower of CCV	3%	2

Sources of referral to CCV

Respondents denoted that they were referred to CCV from a variety of sources. As shown in Table 3, 31% of respondents indicated that they were referred to CCV through a friend or a family member, which was the most commonly received response in the previous fiscal year. Eighteen percent each reported that they were referred to CCV by a bank and some form of marketing material. The Small Business Development Center and the Micro Business Development Program were also referrals for a few clients. Some respondents may have reported more then one referral source and some respondents may not have indicated a referral source.

Table 3. Source of referral to CCV (N=65)

Referrer	Percent (%)	n
Friend/family/colleague	31%	20
A bank	18%	12
Newspaper ad/brochure/flier	18%	12
Small Business Development Center	11%	7
Micro Business program through Community Action	6%	4
Not sure	8%	5

Referral to other resources by CCV

Twenty nine percent (18) of respondents indicated that they were referred to other services that they needed through CCV, as shown in Figure 1.

Figure 1. Referred to other services through CCV (N=62)

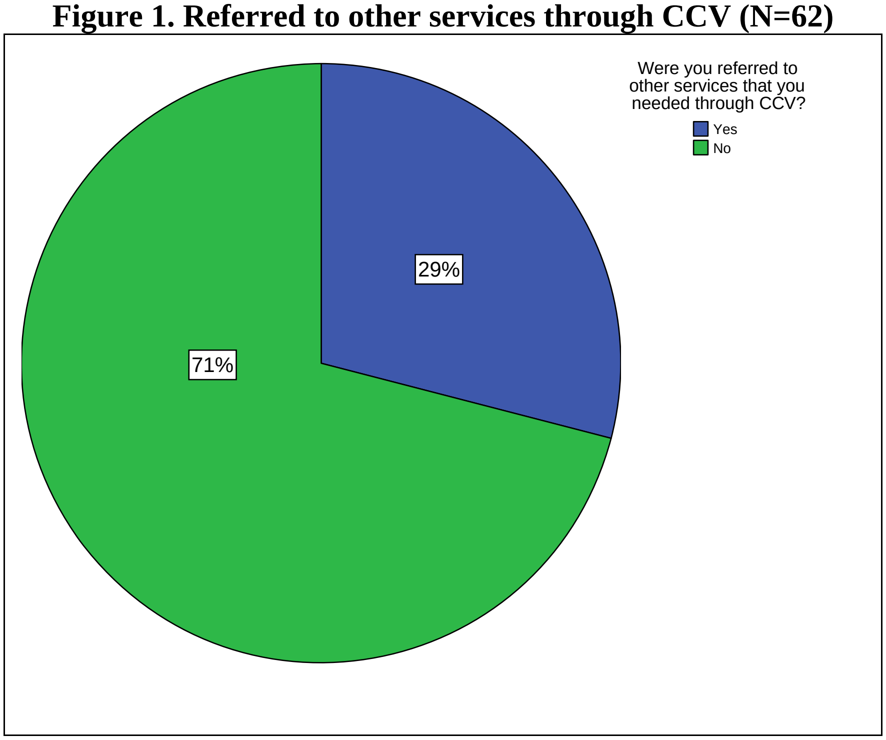


Table 4 shows that of the respondents who were referred to other programs and noted what that program was (N=18), half were referred to a type of micro business planning service such as MBDP and 28% were referred to another Community Action program such as the Food Shelf and Head Start. Twenty-two percent, in total, were referred to another lending source.

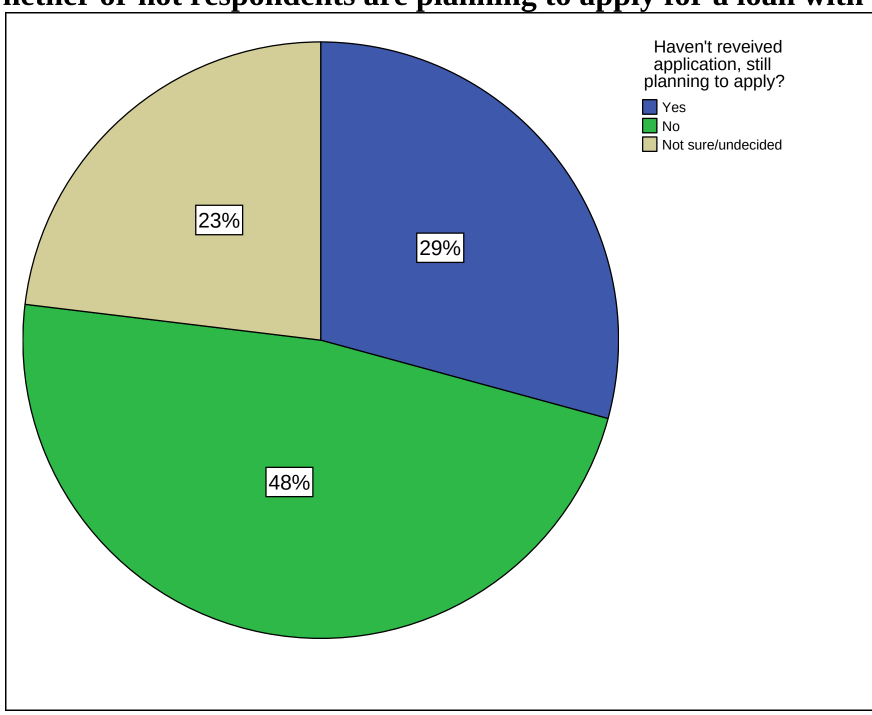
Table 4. Services respondents were referred to by CCV (N=18)

Service	Percent (%)	n
Micro business planning services	50%	9
Another Community Action program	28%	5
An alternative lending institution	17%	3
A bank	5%	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, 29% (19) of respondents indicated that they planned on applying for a loan, 23% (15) were not sure or undecided, and 48% (31) had decided to not apply for a loan with CCV. These findings are consistent with those documented in the previous fiscal year.

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 (N=31), 23% had received financing from another lender (Table 5). In addition, 19% decided to not pursue self-employment or their business plan was not feasible. In aggregate, 33% of respondents commented that they were either not eligible for the loan or could not work with CCV's loan application process for some reason. Two people decided to not apply for funding and go into debt and one person never received the application materials. (Note, their name was passed on to the CCV Loan Officers for follow-up). 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=31)

Reason	Percent (%)	N
Received financing from another lender	23%	7
Decided not to pursue self-employment	19%	6
Personal life/issues got in the way	13%	4
Could not wait for CCV to decide on loan	13%	4
Not eligible for CCV loan	10%	3
Felt application process for loan was too much	10%	3
Decided not to apply for funding	6%	2
Did not receive application	3%	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 (N=15) (Table 6). Five of the respondents were not sure if they wanted to apply for a loan at the time of the survey. Several felt they did not meet the loan criteria because of poor credit or another reason. Other responses are presented in Table 6.

Table 6. Reasons why respondents were not sure if they would apply for a loan (N=15)

Reason	Percent (%)	N
Not sure if want to apply for loan yet	38%	5
Did not meet loan criteria	23%	3
Felt process of applying for a loan would be too much	15%	2
Received financing from another lender	8%	1
Needed more funding than CCV could offer	8%	1

Sources of financing for businesses

In aggregate, 46% of respondents of respondents applied for a loan from a bank, an alternative lender, or both. However, 54% of respondents did not apply with either a bank or an alternative lender. The breakdown is depicted in Table 7.

Table 7. Respondent applied for a loan with a bank or alternative lender (N=65)

Applied with:	Percent (%)	n
A Bank	14%	9
An Alternative Lender	14%	9
Both	12%	8
Home equity loan/mortgage	6%	4
Neither a Bank or Alternative Lender	54%	35

Of those who applied for a loan with another lender, Table 8 shows that 52% received the loan from the other lender, 31% (3) did not receive a loan, and 17% did not yet know if they got the loan.

Table 8. Whether or not respondent received a loan applied for from another lender (N=29)

Response	Percent (%)	n
Yes, got the loan	52%	15
No, did not get the loan	31%	9
Respondent does not yet know if they got the loan	17%	5

Twenty-nine respondents indicated the other lending source from which they applied for their loan. Eleven people indicated applying from a bank, including: Chittenden Bank (3), Citizen's Bank (1), Key Bank (1), Northfield Savings Bank (1), Passumpsic Savings Bank (1), Randolf National Bank (1), Union Bank (1), and Wells Fargo (1). Five people indicated applying for a loan from the Vermont Community Loan Fund, four from a Credit Union, three from family and friends or another private source, two from Job Start/VEDA, one from SBDC, and one from Tangible Assets. Two people declined to comment on the source of their loan. Nine respondents indicated the dollar amount that they received for their loan. Loan amounts ranged from $6,000 to $170,000, with an average of $60,000, median of $40,000 and mode of $50,000. Six people did not disclose this information. Eighty percent (12) of respondents indicated that this loan will meet their business needs, while 20% (3) indicated that it will partially meet their needs.

Of the nine respondents who did not get their loan, they all indicated various ways in which this impacted their business planning, from no impact to putting the business on hold or scaling back on the business. Five people indicated that not receiving a loan did not impact their business, with one stating that they realized they did not need a business loan at that point. On the other hand, four people indicated that not receiving a loan had stalled their business or had required them to take on other work for pay to earn a living.

In addition to a loan, respondents have other sources for financing their business. The top two sources of financing are business revenue/income followed by personal savings. 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 sources of funding for their business.

Table 9. Sources of financing currently used to support businesses (N=65)

Source of Financing	Percent (%)	n
Business revenue/income	42%	27
Self or personal savings	29%	19
Business Credit Card	5%	3
Outside investor or venture capital equity investment	5%	3
No sources of funding	25%	16
Other: loans, mortgage, leases, social security payments, line of credit	12%	8

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 the breakdown of responses. The most common sources that clients plan to use is business revenue/income, followed by using one's personal finances. Both of these responses are consistent with the findings from last year.

Table 10. Other sources of business financing respondents plan to use (N=65)

Source of Financing	Percent (%)	n
Business revenue/income	48%	31
Self or personal savings	26%	17
Business Credit Card	3%	2
Personal credit card	5%	3
Individual Development Account	2%	1
Family or friend loan	3%	2
Outside investor or venture capital equity investment	5%	3
Do not plan on having other source of funding	18%	12
Other: real estate sales, alternate lender, line of credit, angel capital	6%	4

Suggestions to improve CCV services

Inquiry only survey participants were asked to provide suggestions for improving CCV services. The majority of respondents did not provide a response or indicated that they did not know. However those who did respond, their answers revolved around a few common themes, as shown in Table 11. One theme was to alter the loan application process in a variety of ways, such as simplifying the business plan process or not requiring a business plan of existing businesses. Respondents also felt that the loan application process took too much time and that they needed the loan faster than CCV's process would allow. Others expressed confusion about the lending process altogether and wanted loan officers to be more clear about the process and expectations of borrowers. One person felt that offering technical assistance during the loan application process might help clients work through this process better. Another suggested that CCV provide clients with a to-do list or step-by-step guide for undertaking the applications process.

Another theme surrounded the loan conditions, such as not requiring application fees, focusing on a person's work ethic, history and business plan rather than credit report, and to relax the loan acceptance guidelines in general. Two people also indicated that they perceived that the maximum loan amount to borrow differed by geographic region from northern Vermont to southern Vermont and did not think that this was fair. Finally, three individuals indicated that even though they inquired about a loan, that the loan officer did not follow through with information to apply for the loan. It should be noted that the names of these individuals was passed on to the loan officers so they may follow-up with them.

Table 11. Suggestions to improve CCV services (N=59)

Common Themes
Alter/simplify/shorten the loan application process
Change loan conditions
Follow through in providing clients with loan application materials

CCV Loan Applicant Outcomes

Clients who completed the CCV loan application process were followed-up with six-months after the loan was either 1) closed or 2) the application was denied or withdrawn in order to gather information for the process and outcome evaluation. A total of 30 people completed this survey for a response rate of 63%, which is consistent with the response rate of 61% received last year. In addition to this survey, persons who completed the six month survey between May 2006 and June 2007, and gave permission for a follow up phone call, were surveyed a second time to gather data to be compared to the six month survey. A total of 11 people completed this survey for a response rate of 52%. The following reports the cumulative findings of the six month survey from May 2006 (when the survey started) through October 2007. Where appropriate, comparison is made between the six month and annual follow-up survey data.

Reason why clients applied for a loan

Table 12a shows the reasons why respondents applied for a business loan through CCV. Almost half of clients (40%) wanted to expand an existing business, 30% wanted to start a business, 23% wanted to purchase equipment for their business and two people wanted to purchase an existing business. Two people also noted that they were refinancing a loan and trying to get out of debt from a previous business.

Table 12a. Reason for loan application (N=30)

Reason	Percent (%)	n
Expand an existing business	40%	12
Start a business	30%	9
Purchase equipment for a business	23%	7
Purchase an existing business	6%	2

Table 12b indicates the client's actual 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 inventory and equipment for their business.

Table 12b. Use of CCV loan (N=25)

Reason	Percent (%)	n
Purchase inventory	56%	14
Purchase equipment	52%	13
Purchase real estate/property	16%	4
Improve real estate or leased space	12%	3
Refinance business debt	12%	3
Purchase a business	8%	2
Hire external help	8%	2

Table 12c shows how clients who were followed up with for a second time reported using the funds from their CCV loan. Ninety percent of clients used the funds to either purchase equipment or inventory for their business. Thirty percent purchased a business and one person used the funds to improve real estate or leased space. Follow-up clients were also asked if they would have been able to do or pay for this work for their business without their CCV loan. Eight respondents said they would not have been able to do so and two were not sure.

Table 12c. Use of CCV loan, follow-up survey (N=10)

Reason	Percent (%)	n
Purchased equipment	60%	6
Purchased inventory	30%	3
Purchased a business	30%	3
Improve real estate or leased space	10%	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, which was consistent with last year, 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. Five respondents commented that they were recommended to apply to CCV by a service provider such as a Community Action Agency, Vocational Rehabilitation, the Small Business Development Center, and the Women's Business Center. In addition, three stated that they received a good recommendation from a friend or other referral source. Two clients also needed supplemental funding that CCV could provide.

Table 13. Reason applied with CCV rather than another lender (N=30)

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
Support services available	3%	1
CCV had a better interest rate	3%	1
Had previous loan with CCV	3%	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: Community Action Agencies and the MBDP program (7), SBDC (7), friend or family member (6), Women's Business Center (2), a newspaper ad or other media (2), having previously received a loan from CCV (2), a co-worker (1), a bank (1), CCV staff person (1), Vocational Rehabilitation (1), and a state department (1).

Loans and Technical Assistance Received

Over the course of the two grant years, 34 loans were made to low-income Vermont entrepreneurs totaling over $691,000. Of the 30 clients who completed the survey, 25 clients received a loan through CCV and five were denied or withdrew their application. The following summarizes the services received by these clients.

- 67% (20) were **referred to other services** they needed through CCV. Of the clients who were followed up past six months, eight of the ten were referred to other services by CCV loan officers.
    - Referrals included: business planning assistance through MBDP (10) marketing services (5), grant services (2), business planning assistance other than MBDP (2), the Women's Business Center (2), Business Networking International (1), a tax program (1), employment training (1), and accounting services (1).

- 42% (10) of the clients surveyed at six months had worked with a **private consultant** from CCV after receiving their loan. Four of the ten clients followed up with post six months had used the private consultant service through CCV.
    - Assistance received from the consultant included: marketing (8), inventory management (4), financial management (4), human resources (1), and business operations (1).
    - Two thirds (69%, 9) of clients who use the consultant service stated that this work completely met their business needs, while one third (31%, 4) felt this work somewhat met their business needs.
    - Of the 14 clients who did not use this service, six did not need assistance, three were too busy, two people plan to use this service later, and one did not know about the service. Additional comments were that clients were concerned with the expertise of the consultant and that they were working with competitor businesses. Of the six longer term follow-up clients who did not use this service, two did not need the service and two were too busy to use this service.

- 25% (6) of the six month follow-up respondents used CCV's **tuition reimbursement** program. In addition, 20% (2) of the post six month follow-up clients used this service.
    - In aggregate, six of these clients indicated that this program completely met their business needs, while two people were not sure if their needs were met.
    - Of those who did not use this program, two did not know about the program, eight plan on using this service later, seven did not need the program, four were too busy to take classes, two felt it was not helpful to their needs, and two were not available to take advantage of 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, the majority indicated that they did not need any other services or could not think of anything. However, a few people did provide suggestions for other services. Three people indicated that they would like assistance with bookkeeping, financial management and forecasting, and a class on using QuickBooks. Other suggestions were to provide information on business permits and regulations, and to streamline and simplify the loan process overall.

Business start-up and retention
Almost all of CCV clients successfully started or retained their business at the time of the survey after receiving their loan.

- Of the 30 clients surveyed during this past fiscal year, **88% of clients** (8) who received a loan during the planning stage **successfully started and retained their business**, while one person remained in the planning stage.
- In addition, **100%** (21) of existing business who applied for a loan **retained their business.**
- Further, **100%** (9) of the clients who were followed up post six months **remained in business** at the time of the survey.

Type of business and owner job status
The length of time a client's business has been open ranges from three months to 18 years. The average length of time a business has been open is three point eight years and median of two years. The type of businesses served by CCV respondents include:

- 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.

Ninety-six percent (23) of clients with active loans surveyed reported that they work full time for their business, working an average of 54 hours per week (range 35-100 hours) and median of 52 hours per week. One person surveyed noted that they work half time for their business less than half time at ten hours a week for 20 hours a week. Of those clients who withdrew or were denied their loan, four out of five clients work full time for an average of 49 hours per week and one person works less than full time for ten hours per week.

Additional sources of capital

As previously noted, twenty-five of the clients surveyed (83%) received a loan from CCV. However, many of CCV loan recipients used additional sources of funding for their business. These sources of funding include:

- Business revenue (11)
- Personal savings (9)
- Business credit card (5)
- Another bank loan (6)
- A non-bank loan (4)
- Personal credit card (1)
- Vocational Rehabilitation (1)
- Grant funding (1)
- A general funding source (1)

Of the eleven clients who completed the post six month survey, eight continue to rely on business revenue, five use a business credit card, four use personal savings, and one each uses a personal credit card, a loan from a family member or friend, and an outside investor.

Of the five clients who were denied a loan or withdrew their application from CCV, three rely on business revenue, one relies on personal savings, two received a loan from another bank or general funding source and one received a loan from an alternative lender.

Other Loans Received

In addition to CCV, 64% (16) of CCV loan recipients and three of those who did not receive a CCV loan applied for another type of loan for their business. Fifteen of 16 CCV loan recipients received their other loan, with amounts ranging from $5,000 to $375,000, with an average of $98,000 and median of $50,000. Two of the three clients who did not receive a CCV loan did receive a loan from another source, with one receiving a loan for $48,000 and one receiving a loan for $65,000.

Business growth

Ninety six percent (24) of CCV loan recipients surveyed indicated that their business has grown over the past six months since they received their loan from CCV. All five of the respondents who did not receive a CCV loan also indicated that their business grew over the past six months. 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 and net worth
Clients self-reported their *gross average monthly* income or revenue from their business. Responses for CCV loan recipients ranged from $0 to $60,000 with an average of $17,000 and median of $13,000. Those who did not receive a CCV loan reported their gross average monthly income or revenue as ranging from $4,000 to $20,000, with an average of $9,750 and median of $7,500.

Nineteen of the 24 CCV loan recipients in business at the time of the survey noted that their business revenue had increased since they received their loan and two people indicated it had stayed the same. Three individuals commented that at the time of the survey it was too early to tell the change in business revenue since they received their loan. Examining self-reported net worth, 50% (11) of CCV loan recipients reported having a positive net worth or "owning more than what they owe". On the other hand, 50% (11) reported that they owed more than they owned or had a negative net worth on their business.

Sixty-seven percent (16) of clients reported that their business provides a source of income to their household, with eleven 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." The majority of clients surveyed provided this figure as a monthly amount, thus this amount and relating statistics are displayed in Table 14a.

Table 14a. Monthly owner's draw statistics, self-reported

	CCV Loan Recipients	Non-Loan Recipients
Range	$500 to $3,500	$1,000-$3,500
Average	$1,750	2,166
Median	$1,500	1,550
n	15	3

Table 14b shows the change in clients' cash flow availability after receiving their loan from CCV. Almost three quarters of clients indicated that their cash flow has somewhat to greatly improved since they received their CCV loan.

Table 14b. Change in client cash flow availability because of CCV loan (N=24)

Change in cash flow	Percent (%)	n
Has greatly improved	13%	3
Has somewhat improved	58%	14
Has not changed	25%	6
Is worse	4%	1

When queried on the extent to which they had reached their business plan revenue goals, 82% in total had somewhat to completely met these goals. A few people have not yet reached their business plan revenue goals. One of these individuals is in the start-up stage of their business and two are running an established business (Table 14c).

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

Extent goal reached	Percent (%)	n
Completely	35%	6
Somewhat	47%	8
Not met	18%	3

Table 14d shows that CCV loan recipient's satisfaction with the amount of revenue earned from their business ranged from being very dissatisfied to very satisfied. Overall, the majority of clients (59%) are very to somewhat satisfied with the amount of revenue earned from their business. However, 28% expressed degrees of dissatisfaction with their business revenue.

Table 14d. Satisfaction with revenue from business (N=24)

Satisfaction level	Percent (%)	n
Very satisfied	13%	3
Satisfied	46%	11
Neither	13%	2
Dissatisfied	20%	5
Very dissatisfied	8%	2

Table 14e displays clients' self-reported use of business revenue. Almost three quarters of clients reinvested business revenue back into their business and 68% used their revenue to pay bills. Three clients indicated that they save money from their earnings and one invested their money into real estate.

Table 14e. Use of business revenue (N=25)

Satisfaction level	Percent (%)	n
Reinvest in business	72%	18
Pay bills	68%	17
Save part of money	12%	3
Invest in real estate	4%	1

Personal income and expenses

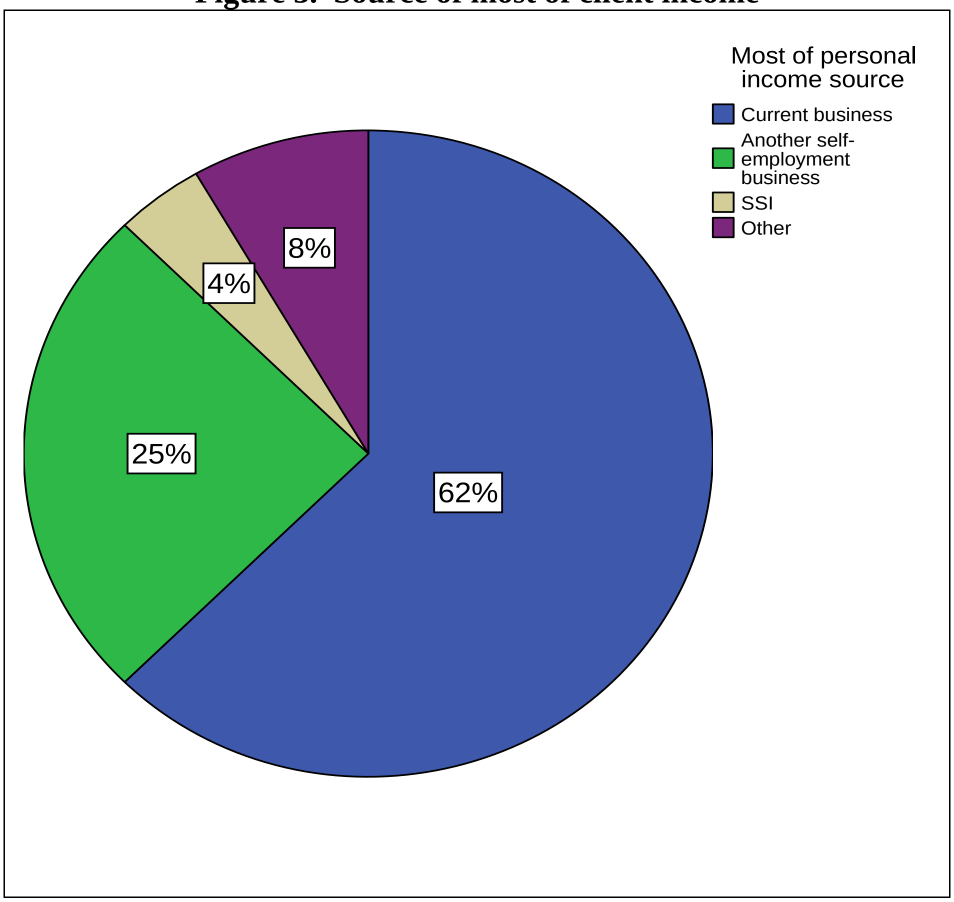
Eighty percent (24) of all clients surveyed indicated that they do not need a job other than self-employment, while 20% (6) noted that they did have another job in addition to their self-employment. Table 15 shows the sources of clients' personal income. Eighty-four percent (21) of those interviewed stated that their personal income comes from the business for which the CCV loan was received and 28% indicated that their income comes from another self-employment business. Four people patch their income with wage employment and a few include disability income, spouse's income and savings as part of their personal income.

Table 15. Sources of personal income (N=25)

Source of Income	Percent (%)	N
Business for which loan was received	84%	21
Another self-employment business	28%	7
Wage employment	16%	4
Spouses income	8%	2
SSI	4%	1
Savings	4%	1

Figure 3 shows the source that provides the most of clients' income. Almost three quarters (15) noted that their main source of income is their current business. A quarter of clients indicated that another self-employment business is their main source of income. This indicates that the majority of CCV clients rely on self-employment as their source of income. Dollar figures for client monthly and annual household income are presented in the *client demographics* section of this report.

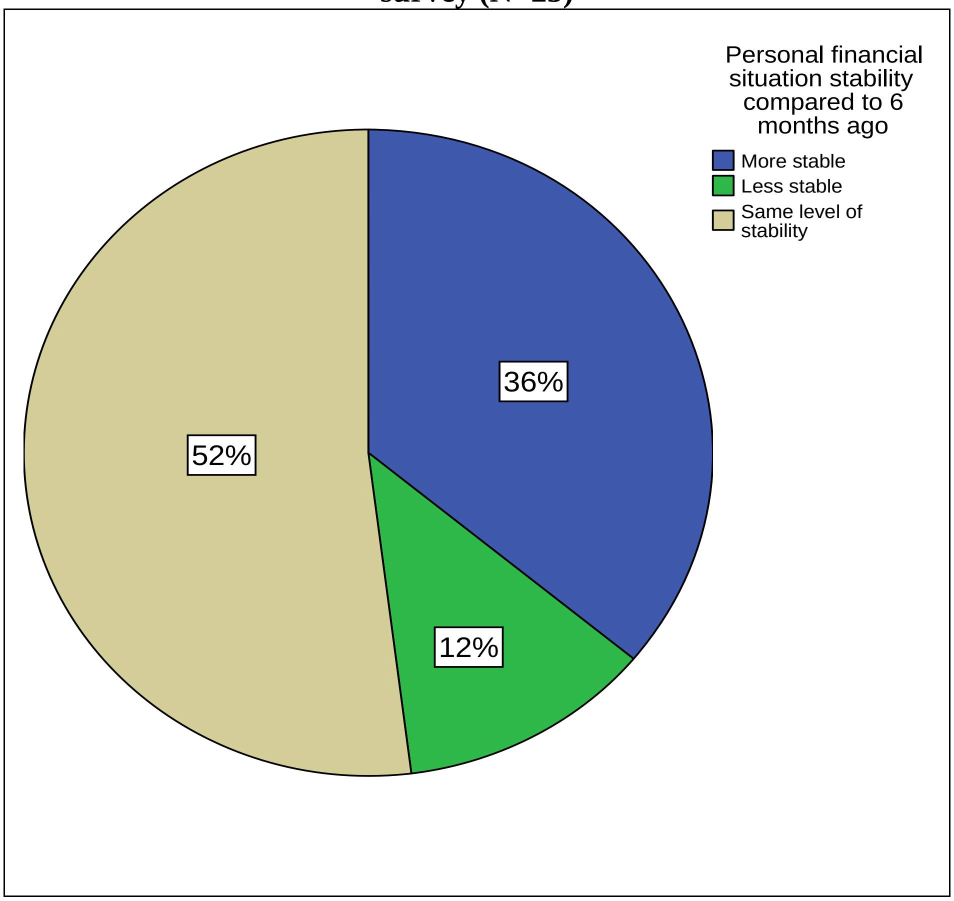
Figure 3. Source of most of client income



At the time of the survey, none of the respondents were receiving TANF as part of their income. However, 52% (13) of clients indicated that they have at one point relied on public assistance. Sixty-nine percent (9) reported that their reliance on public assistance decreased since they started working with CCV. Reasons given for their decrease were that they were no longer eligible for a program because of their income and one now receives health insurance through a private source. Three clients indicated that their reliance had remained unchanged. One person increased their reliance because they now rely on public health insurance.

As shown in Figure 4, 36% (9) 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). Half of respondents indicated that their personal financial situation has the same level of stability, while 12% felt their personal finances were less stable than six months ago. Regarding change in one's average monthly household income since starting one's business, 17% (4) of clients surveyed noted that their average monthly household income has increased. However, 42% (10) 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=25)



Regarding client expenses, two business owners purchase medical and health insurance through his or her business, at the cost of $345 a month and $500 a month. Aside from those two individuals, twelve other CCV loan recipients are insured through another source while ten are not. Regarding child care expenses, six clients reported that they have access to affordable child care, paying $275 and $400 a month. Three clients noted that they did not have access to affordable child care.

Job creation

As shown in Table 16, 46% (11) 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=24)

Created other jobs	Percent (%)	n
Yes	46%	11
No	54%	13

- In total, 46% (11) of clients surveyed created 16.2 FTE (based on 40 hours per week) part time and 15 full time jobs separate from their own job, for a total of 31.2 FTE jobs created. Of these jobs, **25.2 or 81% of them were created after clients received their loan**. Including the owner's job (23.5 FTE), **CCV has helped to create and support a total of 54.7 jobs**. On average, 2.3 owner and employee jobs are created per CCV client.

- Of the eleven loan recipients who hired employees, ten reported that their employees work for them year round and one reported that they work part of the year. In addition, seven clients indicated that children or family members help out with the business.

- **Part time jobs –** Ten clients hired 34 part-time employees year round at an average hourly rate of $12.25/hr and median rate of $9.25/hr (range $7.50-$35.00). These employees work for an average and median of 11 hours per week (range 3-20).
    - 33 of these jobs were created after the client received their CCV loan.

- **Full Time jobs** - Eleven clients hired fifteen full-time employees year round at an average and median hourly rate of $13.00/hr (range $8.50-$18.00). Full time employees work for an average of 39 and median of 40 hours per week (range 30-43)
    - Nine of these clients were hired after the client received their CCV loan.

- One client provides their full time employees with medical and health benefits.

- Two part-time jobs and one full time job were filled by TANF recipients.

Client savings
Fifty two percent (13) of clients conveyed that they have a personal savings account. None of the clients reported 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 six and a half years and median of five years. The current approximate balance in this account ranged from $0 to $50,000, with an average of $5,125 and median of $75. Clients noted that they are saving money for expenses such as retirement, business taxes, and emergency situations.

Client taxes
Sixty-five percent (15) of clients surveyed reported that they pay taxes on their business. Fourteen of these clients use a private accountant or accounting firm to prepare their business taxes and one uses a family member to prepare them. Seven clients reported that they are eligible to receive the Earned Income Tax Credit (EITC), seven are not, and eleven are not sure if they are eligible.

Four of the seven who know they are eligible for the EITC received this credit this past tax year, one did not and two did not know. In the past, twelve clients reported having received the EITC, five have not and eight did not know. In addition, seven have received the child tax credit this past year, fifteen did not and three did not know.

Finally, clients were asked what they did with the tax refund or credits that they received for 2006. Responses included: paid off old debt (9), used for self/family (2), invested in business (1), saved it in a bank account (1), and put towards property taxes (1). Ten clients reported that they did not receive a tax refund in 2006.

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. Many clients reported gains in skills including: marketing and sales (9), improved business operations and efficiencies (6), financial management (3), networking and contacts (2), self evaluation and improvement (1), problem solving (1), business taxes (1), inventory management (1), credit and credit repair (1), and computer skills (1). Clients also reported experiencing changes in attitude such as being more motivated and encouraged (12), improved self-esteem and confidence (9), improved personal outlook (6), broadened scope of possibilities (2), and grateful for assistance (1).

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. Respondents reported gains in all areas, whereas last year, gains were primarily seen in the area of community life.

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	5.8	5.6	5.9
Median	7	7	6.5
Mode	7	7	8

Achievement of business goals

Overall, 96% (22) of clients stated that they are "better off today" because of their loan through CCV. Further, 79% (19) have been able to achieve the goals they set out to achieve when they started their business.

The following highlights the business goals that clients reported achieving. 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." Other areas 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

The five 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.

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)

Client gains

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

When all clients, regardless of whether or not they received a loan, were asked about what aspects of the loan process did not work well for them, sixty percent (18 out of 30) of clients indicated "nothing." Issues that clients had with the loan process include:

- 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)
- Had a problem with referrals (1)

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.

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

	Satisfaction with overall loan process	Satisfaction with assistance from private consultant
Range	0-10	8-10
Mean	7.7	8.9
Median	9	9
Mode	9	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.
- Disclose fees required with business start-up to understand the full cost required.
- 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
- Reduce the time of the loan process overall; streamline the process.
- Reduce the amount of paperwork required of clients.
- Change the demands of getting a loan with CCV as they were beyond what a bank was asking
- Communicate better with clients.
- Examine reasons behind client credit scores and not just look at credit score alone.
- Clarify the loan application process in a document that describes what is needed from beginning to end.
- MBDP counselor was working with too many other clients, which slowed down the process of writing a business plan.
- Increase awareness about 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, seven respondents provided suggestions, as detailed below.

- Increase the dollar value of the tuition reimbursement fund
- Provide assistance with second phase capital financing for current borrowers who will need more funding in the future
- Increase the amount of money CCV is willing to loan to at least $100,000
- Provide a course on computer programs for businesses and website development
- Provide classes in rural areas

Client Demographic Data

The following client demographic data is presented for both inquiry only survey respondents and follow-up survey respondents. The age of clients who inquired about a loan but did not apply ranged from 26 to 72 years, with an average and median of 46 years and mode of 52 years. Clients who applied for a loan and were followed up at six-months or greater had a similar age range of 27 to 68 years, with an average of 45 years and median of 47 years.

Respondents' level of education ranged from 9th grade to post graduate/professional education. As shown in Table 19, few clients do not have a high school diploma. Twenty-three percent of inquiry only clients received a high school diploma or GED and 22% have had some college education. Half of inquiry only respondents have completed a degree from an associate's degree to a post graduate/professional degree. The majority of clients who completed the follow-up survey have completed some college education or more.

Table 19. Highest level of education obtained by respondents

Level of Education	Inquiry only	Client Follow-up
9-12th grade, no diploma	5% (3)	3% (1)
High school diploma/GED	23% (15)	10% (3)
Some college (no degree)	22% (14)	37% (11)
Associates/technical degree	8% (5)	13% (4)
Bachelor's degree	23% (15)	37% (11)
Post grad/profession degree	19% (12)	0

In summary, the majority of CCV survey respondents have no or a few children living in their household. Slightly more than half (53%, 33) of inquiry only respondents and slightly less than half (48%) of six-month survey clients indicated that they had no children living in their household (Table 20). The number of children living in a household for inquiry only clients ranged from one to six children, with a median and mode of two children. Clients who completed the follow-up survey have fewer children with an average of 1.6 and median and mode of one child.

Table 20. Number of children in respondent's household

Number of Children	Inquiry only	Client Follow-up
0 Children	53% (33)	48% (14)
1 Child	13% (8)	28% (8)
2 Children	16% (10)	17% (5)
3 Children	8% (5)	7% (2)
4 or more Children	10% (6)	0

As shown in Table 21, the majority of respondents surveyed are married, with 62% of inquiry only and 50% of six-month survey respondents. Almost a third of inquiry only respondents indicated that they are single and a quarter of six-month survey clients are single. A few survey respondents are divorced or cohabitating with someone else.

Table 21. Respondent's Relationship Status

Status	Inquiry only	Client Follow-up
Married	62% (38)	50% (14)
Single	31% (19)	25% (7)
Divorced	7% (4)	14% (4)
Cohabitate	0	11% (3)

Looking at monthly and annual household income, the monthly household income of inquiry only respondents ranged from $0 to $11,000, with a mean income of $4,300 a month and median of $4,000. Six-month survey respondents reported a range from $0 to $9,000 and an average of $3,370 and median of $3,000. Table 22 shows a categorized breakdown of respondents' monthly household income by survey groups.

Table 22. Respondent's monthly household income

Income	Inquiry only	Client Follow-up
$1,000 or less	9% (4)	4% (1)
$1,001 to 2,500	26% (12)	38% (10)
$2,501 to 4,000	21% (10)	38% (10)
$4,001 to 7,000	41% (11)	11% (3)
$7,001+	19% (9)	8% (2)

The annual household income of inquiry only respondents ranged from $0 to $165,000 with a mean income of $50,791 a month, median of $44,500, and mode of $75,000. Six-month survey respondents reported a range from $11,000 to $100,000 and an average of $37,776, and median of $36,000. 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 2006

Income	Inquiry only	Client Follow-up
$20,000 or less	19% (9)	33% (7)
$20,001 to 40,000	27% (13)	28% (6)
$40,001 to 75,000	35% (17)	28% (6)
$75,001 +	19% (9)	9% (2)

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 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 second year provides data to compare with the baseline collected in the first grant year as well as data to be collected in the final year 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 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 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 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).

Eighty eight percent of clients who received a loan during the planning stage successfully started and retained their business, while one person remained in the planning stage. In addition, 100% of existing businesses who applied for a loan retained their business. Thus, access to capital allows businesses to remain in business. Ninety six percent of clients surveyed who received funding 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, and quantity of inventory. Access to funding has also improved the cash flow availability for 71% of clients and 88% reported that their personal financial situation is as or more stable than it was prior to receiving their loan. In addition, 79% of clients who received a loan reported an **increase in their business revenue** since receiving their loan and 50% 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-two 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.

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**. Forty-five percent (11) of clients surveyed created 16.2 FTE part time and 15 full time jobs separate from their own job, for a total of 31.2 FTE jobs created. Of these jobs, 25.2 or 81% of them were created after clients received their loan. Including the owner's job (23.5 FTE), CCV has helped to create and support a total of 54.7 jobs. On average, 2.3 owner and employee jobs are created per CCV client.

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.

RECCOMENDATIONS

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. CCV should continue to improve the visibility of its services as it expands to fully be a statewide program. Overall, 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 and project partners spoke favorably of CCV staff, saying that they are positive, affirming, and knowledgeable. Several suggestions on ways the program can improve the loan process and services are presented as follows.

Loan process

- Have a more competitive interest rate or present possible options/incentives to low-income borrowers
- Streamline and centralize the application process
- Speed up the time to process a loan
- Provide assistance with paperwork
- Provide credit repair services
- Simplify the business plan process for clients or offer a shortened process for smaller loan applications.
- 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
- Collaborate with technical assistance providers
- Ensure follow-through with all clients who inquire about a CCV loan
- Increase the internal approval limit from $5,000 to $7,500 or $10,000. Or simplify the review process for smaller loans.
- Increase (and have information prepared by) support staff rather than loan officers to improve efficiency of process.
- Allow clients to submit information to loan officers electronically to help speed up the process.

Services

- Require post-loan TA as a condition of the loan to enhance business success
- Provide industry specific training such as marketing, bookkeeping and financial management.
- Offer assistance on how to use QuickBooks and develop websites
- Provide assistance with developing a forecast model to maximize the use of funds.
- Provide legal consultant services such as looking for pitfalls in leases and contracts
- Provide bookkeeping or CPA assistance for clients to check in with them on a regular basis to assist them with post loan financial issues.
- Increase the tuition reimbursement fund
- Offer clients who receive a loan with financial planning options for future loans
- Increase the internal loan review amount from $5,000 to $7,500 or $10,000.

Work with RLC Members

- Clarify role of the RLC. Regional Loan Committees should not be used as a "rubber stamp" to approve the wishes of the loan officers.
- Clarify how to weigh risks of loan applications
- Ensure objectivity of loan officers
- Require RLC members to understand issues relating to poverty
- Provide RLC members with continuous feedback on borrower portfolios
- Ensure frequent and consistent communication with loan officers
- Make loan applications more personalized
- Increase the volume of loan applications evenly throughout the state.
- Improve collaboration between CCV and the Micro Business Development Programs throughout the state.
- 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.
- 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.

Future evaluation activities

For the third grant year, staff focus groups will be held in March and September/October 2008 to document project process and lessons learned. Key project stakeholders will also be invited to attend in person and teleconference focus groups in September/October 2008. Client focus groups will also be held in 2008 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/October 2008, the second 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, which will be presented in the final grant evaluation report.

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