Community Capital of Vermont
FY II Evaluation Report

October 2007

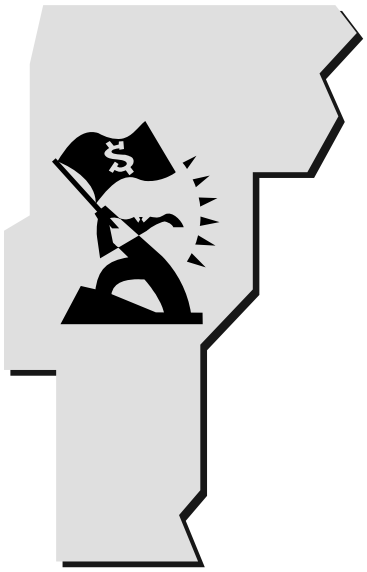

TABLE OF CONTENTS

TABLES AND FIGURES

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made an inquiry about a loan and never applied, 2) clients who applied for a loan that either closed or was denied or withdrawn, and 3) clients who completed both a six month and annual follow-up survey.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 in1(nage(okbers,)]TJ0.0004 Tc -0.001 T Tw 17.55 mmurd y volunten(e)e rroTh als RL[sff SmaO15 T toes e CC

- 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

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,

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.

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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.

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

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 f

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

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
-

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

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,

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 has an0008ind thir Tc Tr busi0.0p3 -2

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.
-

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

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

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

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

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)

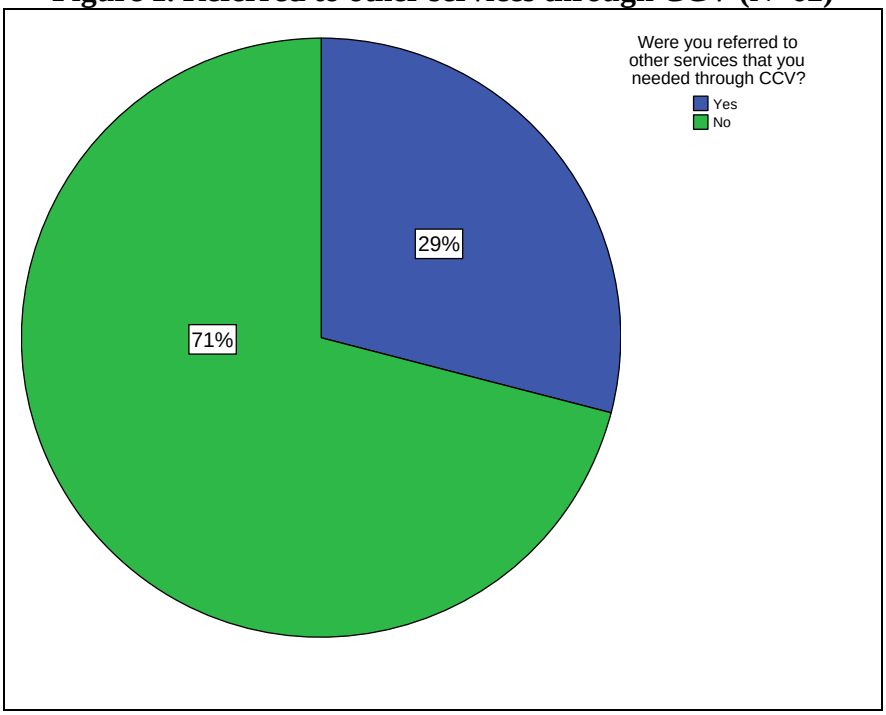


Table 4 shows that of the respondents who were referred to other programs and noted what that program was (N=18), half were referred to a type of micro business planning service such as MBDP and 28% were referred to another Community Action program such as the Food Shelf and Head Start. Twenty-two percent,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

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

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), Rand,so%

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,

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 were referred to CCV by a friend.

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 decorativ

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

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%	

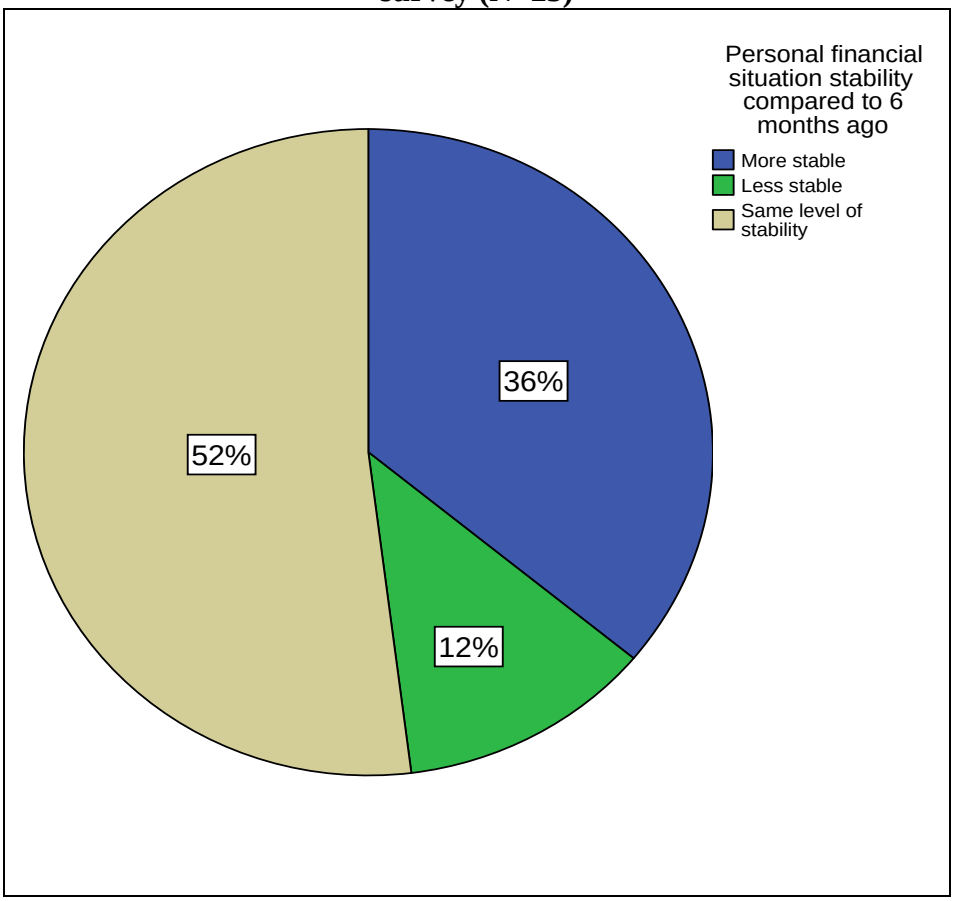
Table 15. Sources of personal income (N=25)

Source of Income	Percent (%)	N

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)



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

Staff and program focused

- Positive and affirming staff (12)
- Supportive staff (12)
- One-on-one attention (11)
- Knowledgeable staff (9)
-

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

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.
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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, stakehol

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

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