

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

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EXECUTIVE SUMMARY

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inquiry about a loan and never applied (N=24) and 2) clients who applied for a loan that either closed or was denied or withdrawn (N=11).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

Evaluation highlights

Eight of the eleven clients who were surveyed six months post loan application received a loan through CCV. Three quarters of clients surveyed worked with a private consultant from CCV after they received their loan and 37% used the tuition reimbursement program. Clients were

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Suggestions to improve CCV lending process

Based on the data from this evaluation report, CCV should continue on its path of providing eligible clients with access to capital as well as non-financial services. The data show that

INTRODUCTION

Community Capital of Vermont (CCV), a

Survey methodology

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

FINDINGS

Inquiry only survey

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

Reasons for applying for loan

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

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

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

Reasons for applying for loan through CCV over other lenders

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

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

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

Sources of referral to CCV

Respondents denoted that they were referred to CCV from a variety of sources. As shown in Table 3, almost 32% of respondents indicated that they were referred to CCV through a friend or

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

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

Decision to apply for a loan with CCV

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

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

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

Reason	Percent (%)	N
Didn't meet eligibility criteria	28.5%	2
Poor credit		

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

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

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

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

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

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

Source of Financing	Percent (%)	N
Business revenue/income	45.8%	11
	25%	6

Suggestions to improve CCV services

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

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

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

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

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

Table 13. Reason applied with CCV rather than another lender

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

Referral source to CCV

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

Services used

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

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

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

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

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

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

Business growth

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

Business income

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

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

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

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

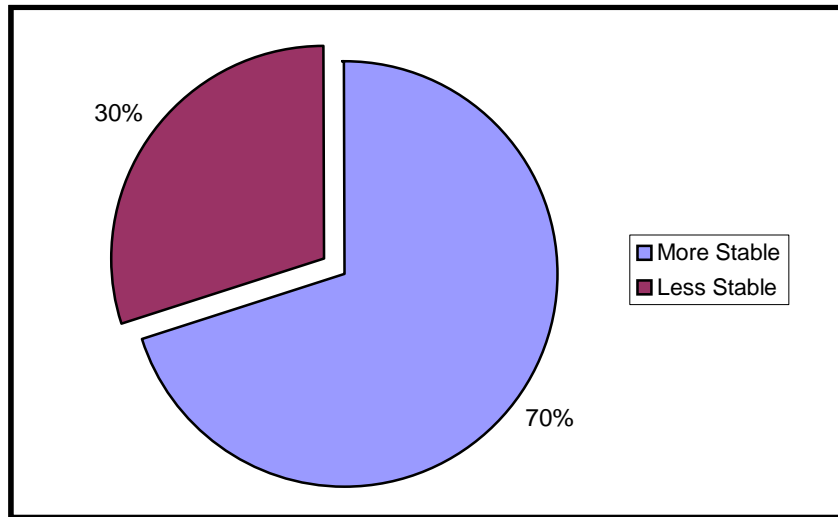
	Annual	Monthly	Hourly
Range	\$6,000 to \$42,000	\$500 to \$3,500	\$2.27 to \$15.91
Average	\$26,800	\$2,236	\$10.16
Median	\$27,100	\$2,259	\$10.26
Mode	\$42,000	\$3,500	\$15.91

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

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

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

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



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

Job Creation

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

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

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

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

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

Client savings

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

Client taxes Tcent taxes

Seventy percent (7) of clients surveyed pay taxes on their business. All of these clients use a private accountant or accounting firm to prepare their business taxes. Two clients reported that they are eligible to receive the Eekreceive the E Twthey (7) of cl2whe EekreceiEITC),JETT57tTC),JETT)cs7) o

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

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

Overall, 75% (6) of clients stated that they are “better off today” because of their loan through CCV. Further, 64% (7) have been able to achieve the goals they set out to achieve when they started their business. Main goals included running one’s own business and “being my own boss.” Other talked about improved skills such as business marketing and having formed a cooperative with another business. Specifically, one person noted that she has achieved her goals because she now “has the financial capital to hire new people and buy new equipment to expand what is7) 4 119.22 0.48 ref r4

Recommendations for other loan products or services

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

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

Table 21. Respondent's Relationship Status

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

Looking at monthly and annual household income, the monthly household income of inquiry only respondents ranged from \$780 to \$11,000, with a mean income of \$4,465 a month, median of \$4,000, and mode of \$8,000. Six-month survey respondents reported a range from \$0 to

CONCLUSIONS

The majority of clients who inquired or applied for a CCV loan did so to start a business or support an existing business. As a non-traditional lender, most clients viewed CCV as more willing to take risks on them by investing in their businesses, even if the applicants have poor credit, debt, and are a higher risk client. Many service providers and other lending institutions recommended that clients inquire about a loan through CCV. The purpose of this evaluation is to track project process and outcomes, to examine and document the statewide expansion of CCV and determine the impact of services (loans made, private consultants, etc.) on clients' and their businesses. The data collected in this first year provides a baseline to compare data to be collected through client interviews and focus groups over the course of the grant. It is not possible to gauge at this time the overall impact of CCV services on clients. However, the data shows some important findings of the initial and overall potential impact of CCV on clients' and their businesses. First, the data shows that **clients are very satisfied with CCV services received**, including having received access to funding and using services such as a private consultant and tuition reimbursement. Many indicated that they found CCV's non-financial services useful in their business development. In addition, most clients surveyed spoke favorably of CCV staff, saying that they are positive, affirming, and knowledgeable.

Second, the data suggests that **access to capital has important immediate impacts on business development and success through self-employment**. This finding corresponds to other micro business development evaluation research conducted by the author that shows that access to more financial resources enables clients to meet personal and business goals and work towards self-sufficiency (Schmidt and Kolodinsky, *in press 2007*). Ninety percent of clients who received a loan started or retained their business after receiving this. Thus, access to capital allows businesses to remain in business. All of clients surveyed who received funding noted that their business has grown over the past six months due to factors that are related to having access to funding, including improved location, product quality, and quantity of inventory. Access to funding has also improved the cash flow availability for most clients and 70% reported that their personal financial situation is more stable than it was prior to receiving their loan. In addition, all of the clients who received a loan reported an **increase in their business revenue** since receiving their loan and 40% stated that their business has a positive net worth. Business revenue is an extremely important source of in

motivated and encouraged, and improved personal outlook. Clients surveyed also reported **high gains in their community life** because of their business, which is defined as a client's "social capital" or their involvement in neighborhood, friends, church, youth groups or other civic activities. Researchers in several fields show that social capital provides a foundation for clients to be successful in starting a business and working toward economic self-sufficiency (Dabson, 2002; Edgcomb, Klein and Clark, 1996; Putnam, 1993a, 1993b; Sherraden, 1991).

Overall, the data suggests that CCV is on the right path to meeting the grant's first three goals of providing low-income Vermonters access to capital to start and grow their business, integrating microcredit into other microenterprise development services, and improving the economic well-being of the self-employed and their employees. CCV's fourth goal of providing a sustainable resource for microcredit, which is managed by an organization that is transparent, efficient, and collaborative, will be examined in future evaluations.

Suggestions to improve CCV lending process

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

Loan process

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

Services

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

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

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