



**TOWN OF MORRISTOWN MORRISTOWN DEVELOPMENT FUND  
BOARD**

**MEETING NOTICE & AGENDA  
TEGU BUILDING, COMMUNITY MEETING ROOM  
43 Portland Street Morrisville, VT 05661  
1:30 PM Thursday, November 20, 2025**

[Join Zoom Meeting](#) or by phone join via conference call (audio only): 1 (646) 558-8656 | Meeting ID: [810 342 4528](#) | Passcode 05661

The meeting will be live streamed on the Town of Morrystown's website:

<https://www.morrystownvt.gov/community/page/meetings-agendas-minutes>

- I. CALL TO ORDER**
- II. AGENDA CHANGES/ADDITIONS**
- III. APPROVE MINUTES**
  1. Approve minutes 10-16-25
- IV. REVIEW FINANCIALS**
- V. OLD BUSINESS**
  1. Continue discussions with Alex Rob, Community Capital of Vermont
- VI. NEW BUSINESS**
  1. Accept the resignation of Peter Merrill
  2. Update and discussion of filling vacant seat
- VII. ADJOURN**



**MORRISTOWN DEVELOPMENT FUND BOARD MEETING MINUTES  
OF OCTOBER 16, 2025**

Members: Mary Ann Wilson, Laura Streets, Charles Burnham

Absent: Sam Guy, Peter Merrill,

ADMINISTRATION and STAFF: Brent Raymond, Town Clerk; Judi Alberi, Executive Assistant; Sara Haskins, Town Clerk/Treasurer

PARTICIPANTS/GUESTS: Alexander Rob

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**CALL TO ORDER**

Mary Ann Wilson called the Morrystown Development Fund Loan Advisory Committee Meeting to order at 2:04PM at the Tegu Building.

**AGENDA CHANGES/ADDITIONS**

None

**APPROVE MINUTES**

**1. Approve minutes 9-25-25**

*Motion made by Laura Streets to approve the minutes of 9-25-25. Motion seconded by Charles Burnham. Motion carried. (3/0)*

**REVIEW FINANCIALS**

The financial report was reviewed by the board members. The review indicated a slight increase in interest earnings.

*Motion made by Charles Burnham to approve the financials as presented. Motion seconded by Laura Streets. Motion carried (3/0).*

**NEW BUSINESS**

**1. Discuss committee member absences**

The discussion began with recognition of the pressure the committee faces when making decisions without knowing whether a quorum will be present at scheduled meetings. Peter Merrill was noted as a valuable member; however, his frequent work travel has prevented him from attending most meetings. Mary Ann offered to contact Peter to emphasize the importance of consistent attendance and to learn more about his intentions regarding ongoing participation.

**OLD BUSINESS**

**1. Discussions regarding loan servicing/underwriting with Alexander Rob, Northfield Economic**

## **Development Fund**

The discussion began by acknowledging Alex Rob's absence from the September meeting due to an accident. Alex Rob introduced himself and shared his background with Community Capital of Vermont (CCVT), explaining that the organization functions similarly to the Morristown Development Fund (MDF) and serves as a recognized preferred SBA micro lender. CCVT provides loans at fair terms to businesses that may struggle with traditional financial institutions, including start-up loans that give entrepreneurs the opportunity to pursue business ownership while promoting economic development. The organization routinely makes SBA microloans to clients referred by others because they are considered "too small," have poor credit, or lack sufficient collateral. Brent suggested the group consider CCVT as a potential option for loan servicing and underwriting, while noting that members could choose to maintain their existing decision if they choose. Committee members observed that such a fund would align well with Morristown's needs, particularly for supporting agricultural and restaurant businesses.

The group explored the advantages of collaborating with LEDC, including establishing a system to track commercial properties, which could help attract international businesses. Members considered the idea of keeping Union Bank for underwriting purposes while partnering with LEDC for initial support and business plan preparation.

The meeting concluded this item with a discussion on the structure and invited Alexander Robb back for the November 20, 2025 meeting with more information on how Morristown could work with CCVT given the structure of MDF.

### **2. Discuss how to promote and market MDF funds to the community**

The committee discussed strategies for promoting local businesses and the creation of a comprehensive list detailing available properties and businesses in the area. They explored potential partnerships with organizations such as LEDC and the Chamber of Commerce to assist in gathering and maintaining an active list of businesses.

## **ADJOURN**

***Motion made by Laura Streets to adjourn. Motion seconded by Charles Burnham. Motion carried. (3/0)***

Meeting adjourned at 3:18pm

Submitted and filed this October 21, 2025.

Judi Alberi, Scribe

*Please note all minutes are in Draft form and are subject to approval at the next Morristown Development Fund Board meeting.*

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## Proposal to Serve as Lending Partner for the Morristown Development Fund

Submitted by: Community Capital of Vermont

- a 501 (c) 3 nonprofit
- Nonprofit Vermont Community Development Organization (Agency of Commerce)
- Community Development Financial Institution (US Treasury Department)
- SBA Microlending Intermediary (Small Business Administration)
- USDA Rural Lending Intermediary (US Department of Agriculture)

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### I. Executive Summary

Community Capital of Vermont (CCVT) respectfully submits this proposal to serve as the **Lending Partner** for the Town of Morristown's Morristown Development Fund (MDF).

As a statewide nonprofit lender and federally certified Community Development Financial Institution, CCVT has more than two decades of experience delivering responsible, mission-driven lending to small businesses that strengthen local economies, create and retain jobs, develop and support downtown businesses, and expand opportunities for low- and moderate-income Vermonters.

We currently service and underwrite revolving loan funds from Barre, Essex, Colchester, Milton, Hinesburg, Jay, Northfield, and others. We also several other loan programs statewide.

The MDF's objectives—supporting small and medium-sized businesses, creating and retaining jobs, and fostering economic development—align directly with CCVT's organizational mission and statewide lending track record. We are uniquely positioned to administer the Morristown's loan fund with the professional underwriting, servicing, monitoring, and reporting required under the Town's guidelines.

Under this proposal, CCVT will perform **all Loan Servicer duties** outlined in the MDF Loan Program Guidelines.

In addition, we will **Market, Underwrite, and Approve loans** in accordance with our Lending Guidelines (attached) that we use across Vermont. We believe that our established marketing, underwriting, and approval structure will make the loan program more efficient and effective at fulfilling its economic development mission.

*In essence, Community Capital of Vermont will provide a complete wrap around loan program including marketing, underwriting, loan approval, closing, servicing, collections, reporting, and financial coaching.*

*The town will only be responsible for oversight of the program and managing the bank account by issuing disbursement checks to borrowers as requested and depositing incoming payments.*

### **Compensation Structure:**

CCVT will retain the interest paid on outstanding loans.

The town of Morristown will retain all interest income paid on the bank account cash balance.

Principal paid to CCVT will be remitted to the town's account each month to revolve the loan capital for future borrowers.

All loans will carry an interest rate at origination equal to the **U.S. Prime Rate** in effect at closing, consistent with CCVT's standard lending practices. As of November 14, 2025 that rate is 7%.

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## **II. Organizational Background & Qualifications**

### **About Community Capital of Vermont**

*Please see our 2024 impact report provided as an attachment to this RFP.*

Community Capital of Vermont is a statewide nonprofit lender and business technical assistance provider. We offer:

- **20+ years of experience** in small business lending across every region and industry of Vermont. We started as part of Capstone Community Action focused on helping towns manage revolving loan funds and spun off in 2002. We made over \$1.6 million in loans in 2024. The 2024 median loan size was about \$17,000.
- A diverse active loan portfolio representing more than **250 businesses** in retail, food service, trades, manufacturing, agriculture, and professional services.
- Specialized experience lending to **start-ups, early-stage businesses, downtown businesses, and businesses with limited collateral**—profiles that align with the MDF's mission.

- A proven **loan servicing infrastructure**, including automated payment processing, portfolio monitoring, monthly statements, annual financial review, and annual tax reporting.
  - We manage many different loan programs. This allows us to use multiple sources of capital (federal, state, town) to fund loans. This spreads out the credit risk among the parties.
  - History of partnering with towns, regional development corporations, and state agencies on capital access programs.
  - CCVT is experienced in collaborating with economic development professionals, boards, committees, and municipal officials to support focused lending that furthers community economic development.
  - Community Capital of Vermont is audited annually by Kittell Branagan & Sargent. Our past tax returns are available through [www.irs.gov](http://www.irs.gov).
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### **III. Scope of Services and Approach**

CCVT proposes to conduct **all duties assigned to the Loan Servicer** under the MDF Loan Program Guidelines as well as the **additional duties of marketing, underwriting, and loan approval**:

#### **1. Underwriting**

- Professional assessment of borrower creditworthiness including access to credit reports and scores. An applicant's experience will be the most important factor in our decision-making process.
- Fast in-house approval for loans up to \$15,000 with a decision in 10 days.
- Long established bi-monthly volunteer loan committees made up of bankers and small business owners for approvals above \$15,000. We would encourage any current MDF member to consider joining our loan committee.
- Significant experience reviewing loan applications, financial statements, tax returns, business plans, collateral, and projections.
- We receive approximately \$110,000 a year in federal grants to help us educate and support applicants with business plans and cash flow projections.

## **2. Loan Terms**

- All loans will be made at the prime rate (currently 7%). This is a significantly lower rate than a typical business loan. The prime rate will rise or fall depending on the actions of the Federal Reserve. There will be a minimum rate of 5% and a maximum rate of 10%
- Loans are fully amortizing with terms up to 10 years. There will be no balloon loans.
- There is a 1% origination fee and a \$80 UCC filing fee paid CCVT by the borrower.
- All loans will be personally guaranteed by any owner of greater than 20% of the business.
- There will be no prepayment penalties.
- We regularly approve loans to clients with low or no collateral. We usually require collateral if it is available. This allows us to serve a large number of potential entrepreneurs creating more business in the end.
- CCVT will be the legal counterparty to all loans to ensure effective collections activity.
- Loan modifications will be approved per CCVT's lending policies (attached)

## **3. Closing, Loan Servicing, & Payment Processing**

- CCVT will perform all closing duties including all work related to liens, UCC filings, insurance, and loan documents. CCVT will utilize its own loan documents.
- The town will retain control of the bank account and any interest earned on the cash balance of the account.
- Loan disbursements to borrowers will be requested via a check request form submitted to the Town in advance of the closing date. The town will issue the check in the borrower's name from the fund and be disbursed to the borrower by CCVT at the closing.
- CCVT will receive and process all payments. CCVT's loan software will allocate the interest and principal for each payment per the loan's amortization schedule. Within 5 days of the end of each month, CCVT will mail a check equaling the total of the monthly principal payments made by the borrowers along with a monthly statement.

- CCVT will track collateral and UCC filings, insurance renewals, tax compliance, and financial reporting requirements. We will also review quarterly financial statements and provide business coaching as needed,
- Clients will receive a monthly statement and annual tax forms as required by law for their specific business legal structure.

#### **4. Portfolio Monitoring & Annual Reviews**

- CCVT will provide quarterly reports to The Town on the status of The Fund, including the number of loans, business names, the amounts of the loans, repayment status, and details of any loan defaults. The reports will be provided within 30 days of the end of the quarter.
- To ensure confidentiality, the report will not include names of clients and businesses who are delinquent or charged off. This information will be available to the Selectboard during Executive Session on request
- CCVT will provide staff to attend selectboard members and provide an update 6 months into the program and then annually. Staff will also attend on request.

#### **5. Marketing**

- CCVT will actively market and promote the loan program using both online and more traditional methods such as mailings, advertising, and posting fliers.
- CCVT will host half-day office hours in Morristown each month offering free business coaching to all.
- CCVT will table at the Morristown farmer's market 3 times this summer.
- Town economic development staff and volunteers will be able to refer businesses directly to CCVT as needed and we will perform a complete intake of their current business needs.

#### **6. Collections & Loan Restructuring Support**

- CCVT has average annual 10-year net charge-off rate of 3.2%. We expect a similar default rate on these loans over the long term.
- CCVT has historically provided significant support for clients struggling to make payments, including a 15-day grace period on all payments, business coaching, interest only periods, and weekly payments.

- CCVT will collect on defaulted loans as needed including phone calls, texts, emails, certified letters, small claims and probate court litigation, and foreclosing on non-home collateral such as business vehicles. We will not foreclose on homes.
  - While we have a host of preventive measures we use to prevent charge-offs; there will be losses due to defaults. These losses will be reported in the quarterly report and will reduce the balance of the MDF by the amount of the loss.
  - Any subsequent recovery on amounts charged off will be refunded to the MDF bank account as part of the monthly payment and listed on the monthly statement.
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#### **IV. Alignment with MDF Objectives**

CCVT's lending mission and operating model closely mirror the MDF's program goals:

##### **1. Supporting local economic development**

We focus on small and medium-sized businesses that are key to local job creation and a stable tax base. We focus on entrepreneurs that cannot easily access credit due to collateral, credit scores, or other factors increasing the number of people who can finance a new business in town.

##### **2. Serving low- and moderate-income borrowers**

In 2024, 73% of our loans went to low-income borrowers. 64% went to women-owned businesses.

##### **3. Filling capital gaps for startups**

We are one of the few lenders in the state that make loans to startups. Increasing lending to startup businesses in Morristown will result in more business over time.

##### **4. Working collaboratively with municipal partners**

Our team brings experience working with governance committees, Selectboards, and public officials to ensure transparency and accountability.

##### **5. Maintaining strong portfolio quality**

CCVT has sound risk-management practices, responsible underwriting, and structured servicing processes that align with the MDF's revolving fund model.

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#### **V. Proposed Interest and Compensation Structure**

CCVT proposes the following structure, consistent with our standard lending model:

### **Compensation**

- CCVT will **retain all interest paid** on the loans it services, in lieu of a servicing fee.
- This structure simplifies administration for the Town and aligns CCVT's incentives with maintaining a healthy, performing portfolio.
- The town will retain **all bank interest earned** on the MDF bank account cash balance.

Borrowers remain responsible for application fees (\$25) and closing costs (1% of loan) as required under the MDF guidelines.

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## **VI. Value to the Town of Morristown**

By selecting Community Capital of Vermont as the Loan Servicer, the Town will receive:

- A **mission-aligned partner** deeply experienced in economic development lending.
- Elimination of the need for town administrators, elected officials, and volunteers to be involved in the loan approval process which can be time consuming and decisive.
- Professional underwriting and servicing consistent with banking industry standards.
- A clear, predictable compensation structure requiring no municipal appropriations and provides both the town and CCVT with interest income.
- A model that supports long-term sustainability of the MDF's revolving loan fund and encourages deployment of capital.
- Strong confidentiality, non-discrimination, and conflict-of-interest protections aligned with the MDF Loan Program Guidelines.

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## **VII. Conclusion**

Community Capital of Vermont is enthusiastic about the opportunity to partner with the Town of Morristown to steward the Morristown Development Fund. The MDF is an important tool for supporting local businesses and building a resilient community. CCVT has the experience, mission alignment, operational capacity, and statewide reputation

necessary to operate a lending program using the fund's capital with the professionalism and care it deserves.

We appreciate the Town's consideration and welcome the opportunity to discuss this proposal further.

**Submitted by:**

**Alexander Rob**

**Executive Director**

**Community Capital of Vermont**

Attachments:

Draft MOU

CCVT 2024 impact report

CCVT current lending policies



# Community Capital of Vermont

## 2024 Impact Report

### *How can a lender help uplift communities?*

- Make loans at fair terms to businesses that have been denied by traditional financial institutions.
- Make startup loans giving entrepreneurs a chance to pursue their dreams and promoting economic development.
- Refinance high interest rate and predatory debt at fair terms giving business a path to pay it off.
- Provide business counseling and education to help entrepreneurs run their businesses better.

Community Capital of Vermont, Inc.  
**Alexander Rob**, Executive Director  
arob@communitycapitalvt.org  
www.communitycapitalvt.org  
802-479-0167

## **2024 Impact**

**Record Lending in 2024: 73 loans for a total of \$1,547,715**

The most in our **26-year** history!

**74 %** of 2024 loan dollars went to **low-income business owners**

**64%** of 2024 loan dollars went to **woman owned** businesses

**55%** of 2024 loan dollars went to **startup** businesses

Over 1,100 hours of technical assistance provided to a wide variety of Vermont's smallest businesses

### ***We had a record year thanks to great clients across Vermont!***

**Sit Means Sit**, a dog training school in New Haven

**Missing Piece Bakery**, a bakery in Swanton

**AkweleyDesign**, a jeweler in Bristol

**Breto Violins**, a violin maker in South Burlington

**The Hastings Store**, a general store in West Danville

**Montpelier Auto Clinic**, an auto repair shop in Barre

**The Buttery**, a café in Saint Johnsbury

**Playscape Vermont**, a toy rental business in Burlington

**World Cow**, an artist in Middlesex

**Wilson Herb Farm**, a farmstand and herbal farm in Craftsbury

**Craftsbury Farmhouse**, an inn and café in Craftsbury

**Paxwood Acoustics**, an acoustical engineering firm in Quechee

**The Cup & Leaf**, a café in Essex Junction

**Raon Golf Supply**, a golf equipment maker in South Burlington

Background—Community Capital of Vermont client, the East Calais General Store is featured on the Preservation Trust of Vermont's 2024 Annual Report Cover. We provided the final financial piece for this \$1.5 million dollar project. A line of credit to purchase inventory and stock the store.



*A new client in 2024, The Barre Social Club has sold a lot of their Believe in Barre sweatshirts at their stunning co-working space. We have believed in Barre for 25 years and have funded many of its well loved businesses over the years.*

## Barre Economic Development Fund

Community Capital of Vermont has operated the **Barre Economic Development Fund** since 2016. The fund promotes economic development in Barre by financing new businesses and supporting existing businesses with loans at fair terms.

Current and former Fund clients include: The Barre Social Club, Pearl St. Pizza, Studio Place Arts, Old Soul Farm, Morse Block Deli, Quarry Hill Quick Stop, Holli-day Care, Margison Metalworks, Espresso Bueno, Next Chapter Bookstore, Bury the Needle Tattoo, and Montpelier Auto Clinic.

As of December 31, 2024, the fund had 12 loans totaling \$442,958 with 91% of loan capital deployed.

### And just a few more of our 2024 clients:

- The Boardroom**, a boardgame café in Winooski
- Strong Oaks Physical Therapy**, a physical therapist in Lyndonville
- Bailey Road**, a clothing and housewares store in Montpelier
- Conversation Compass**, a consultant in Middlebury
- Peak Music**, a music school and studio in Stowe
- Deadrise Revival**, a boutique based in Waitsfield
- Shapeshifters Apparel**, a clothing manufacturer in Brattleboro
- Blackfeather Brewing**, a beer brewer based in Montpelier
- Wright's Mountain Wellness**, a wellness collective in Bradford
- Agrilab Technologies**, an ag-tech firm in Enosberg Falls
- G Wilikers Catering**, catering and a restaurant in Stowe
- Winterberry Design** a design studio in White River Junction
- Barre Social Club**, a coworking space and retail store in Barre



*Maggie Grey, co-owner of the popular new St. Johnsbury café, The Buttery! They came to us with experience, drive, and a well developed business plan and we lent them the funds to start their new business.*

## Vermont's Top Small Business Association Microlender

**Community Capital of Vermont is the leading SBA microlender in Vermont.** We routinely make SBA microloans to clients that others have referred to us because they were "too small", had poor credit, or insufficient collateral. Each loan includes grant funds that we use to provide business education to the owner. Community Capital has historically been the leading Vermont lender for this program that deploys federal funds to support economic development in Vermont. The SBA table below shows our results for the 12 months ended in October. Then, to close out the year, **we made 12 loans for \$195,715 in Quarter 4!**

<b>Microloan Program Volume - October 1, 2023 through September 30, 2024</b>			
<b>Lender</b>	<b>Number of Loans</b>	<b>Total \$</b>	<b>Avg. Loan Size \$</b>
Community Capital of Vermont	24	\$359,000	\$14,958
Vermont Community Loan Fund	10	\$128,150	\$12,815
Brattleboro Development Corporation	4	\$45,000	\$11,250
<b>Grand Total</b>	<b>38</b>	<b>\$532,150</b>	<b>\$14,004</b>

*The SBA's Vermont lending activity report for Fiscal 2024.*



## Draft Memorandum of Understanding (MOU)

This Memorandum of Understanding (MOU) is made this \_\_\_\_\_, day of \_\_\_\_\_, 20\_\_\_\_, by and between **The Town of Morristown, Vermont**, hereinafter referred to as "The Town," and **Community Capital of Vermont, Inc.**, a Non-Profit Community Development Organization, hereinafter referred to as "CCVT."

### I. Purpose

The purpose of this MOU is to establish a framework for collaboration between The Town and CCVT to create and administer the **Morristown Development Fund**, herein referred to as "The Fund".

The Fund will provide loans and lines of credit to businesses and nonprofits in the Town of Morristown for economic development, debt refinance, business expansion, job creation, business startups, and community revitalization purposes.

The mission of The Fund is to support existing businesses, strengthen the local economy, and promote the startup of new businesses in Morristown. The Fund will primarily make loans to businesses that have been denied credit by traditional lending institutions due to poor credit, lack of collateral, insufficient operating history (startups), inadequate or negative cash flow, and other factors.

### II. Responsibilities of the Town

1. **Making and Receiving Payments from the fund's bank account:** The Town will manage the bank account holding the loan capital not currently lent out to borrowers. On notification from CCVT that a loan closing has been scheduled, the Town will issue a loan disbursement check made out to the end borrower in the amount requested by CCVT. The town will receive and deposit a monthly check from CCVT into the funds bank account. This check will be equal to the total amount of principal received by CCVT from the borrowers the previous month. The check will be mailed to the town by the 5th day after the end of each month
2. **Monitoring:** The Town will receive and review quarterly reports from CCVT on the status of The Fund and the loan portfolio, including the number and amounts of loans and lines of credit made, any repayments, and updated delinquency and default statistics.
3. **Referrals and Promotion of the Fund:** The Town will refer clients to CCVT and assist CCVT with promoting The Fund.

### III. Responsibilities of CCVT



1. **Lending:** CCVT will lend up to the full amount of the fund to businesses and nonprofits located in Morristown, Vermont in the form of term loans at the Wall Street Journal Prime Rate in effect when the loan or line of credit is approved.
2. **Promotion of The Fund:** CCVT will actively promote The Fund to local businesses and nonprofits through public meetings, canvassing, social media, and other marketing channels.
3. **Loan Approval Process:** Eligibility and approval of loans and lines of credit will be determined in accordance with CCVT's loan policies and procedures.
4. **Management of The Fund:** CCVT will manage The Fund including processing applications, collecting payments, managing collections, providing reports to the Town, and handling all administrative aspects related to The Fund.
5. **Reports to the Town:** CCVT will provide quarterly reports to The Town on the status of The Fund, including the number of loans, the amounts of the loans, repayment status, and details of any loan defaults. The reports will be provided within 30 days of the end of the quarter. The report will not include the default or delinquent status of individual clients or business. This information will be available to the Selectboard during an Executive Session to protect confidentiality.

#### V. Term and Termination

1. **Effective Date:** This MOU will take effect upon signature by both parties and will remain in effect until all the loans in The Fund are paid in full, unless earlier terminated by either party under the provisions below.
2. **Bad Debt:** While we have a host of preventive measures we use to prevent charge-offs; there will be losses due to defaults. These losses will be reported in the quarterly report and will reduce the balance of The Fund by the amount of the loss.
3. **Amendment:** This MOU may be amended by a mutual written agreement of The Town and CCVT.
4. **Termination:** Either party may terminate this MOU with a written notice to the other party, providing at least ninety (90) days' notice. In the event of termination, CCVT will continue to manage the repayment of any outstanding loans made prior to termination until they are paid in full, but no new loans will be made.

#### VI. General Provisions

1. **Interest paid by borrowers:** CCVT will retain all interest paid by borrowers per the amortization schedule calculated by our loan management system.
2. **Principal paid by borrowers:** All principal paid by borrowers per the amortization schedule calculated by our loan management system will be remitted to the town on a monthly basis via a check mailed within 5 days of the end of the month.
3. **Bank Account Interest:** The Town will retain all interest paid by the bank on the cash balance of the account.

4. **Confidentiality:** Both parties agree to maintain the confidentiality of any proprietary or sensitive information shared during the administration of the Fund. This includes the names of borrowers, amounts loaned to specific borrowers, and information on delinquency and collections actions regarding specific borrowers. This information will be available to the Town of Morrisville Selectboard during Executive Session on request.
5. **Dispute Resolution:** Any disputes arising under this MOU will be resolved through mediation conducted by a mutually agreed-upon third party before pursuing any other legal remedies.
6. **Non-Binding:** This MOU represents the good-faith intentions of the parties but does not create legally binding obligations.
7. **Severability:** If any provision of this MOU is found to be invalid or unenforceable, the remaining provisions will continue in full force and effect.

## VII. Signatures

In witness whereof, the parties hereto have executed this MOU as of the date first written above.

### For Town of Morristown

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Selectboard Chair

Date: \_\_\_\_\_

### For CCVT:

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Alexander Rob  
Executive Director

Date: \_\_\_\_\_



## LENDING POLICIES

### I. INTRODUCTION

These policies and procedures provide the framework for the operation of Community Capital of Vermont's (CCVT's) lending program. Unless otherwise noted, variance from these policies requires prior approval by the Board of Directors.

### II. MISSION STATEMENT

Community Capital of Vermont's mission is to help small rural businesses and lower income entrepreneurs prosper through the provision of flexible business financing.

### III. OBJECTIVES

CCVT's objectives are to:

- Target financing to entrepreneurs who have insufficient access to conventional commercial credit.
- Encourage job creation and retention in rural Vermont.
- Provide financing that supports small and micro business to start and grow.
- Invest in businesses which contribute to economic diversity, enhance the quality of life, and which have a good chance of success.
- Make financing available which complements existing financial resources.
- Offer complimentary business advising to support ongoing success of borrowers.

### IV. TARGET MARKET

CCVT's lending is targeted towards but not limited to:

- Low-to-moderate income individuals, earning at or below 80% of median income
- Entrepreneurs who do not have access to commercial credit
- Businesses which have five or fewer employees
- Rural, women, and other underserved business owners

### V. LOAN PRODUCT

The features of CCVT's business loan products are described below. In addition to business loans, CCVT provides technical assistance for applicants and borrowers. Other loan products with varying terms may be approved by the Board of Directors.

#### Use of Funds

Loan proceeds may be used to start, expand, or relocate a business except as may be restricted by funding sources. Refer to funder requirements for additional restrictions. Allowed uses include but are not limited to:

- a) Working capital to finance start-up and business expansion including inventory, licensing, and marketing
- b) Equipment including vehicles
- c) Leasehold improvements and real estate acquisition and improvement related to the operation of the borrower's business
- d) Refinancing of existing business debt, including credit card debt
- e) Business acquisition

Ineligible uses include but are not limited to: personal expenses, lobbying, and uses that are not part of the applicant's business plan.

### **Loan Size**

CCVT's minimum loan is \$1,000 and maximum is \$100,000. Staff will use a combination of portfolio management and available fund balances to determine the most suitable funds to utilize with every loan approval. Loans greater than \$50,000 have stricter collateral and credit requirements to be determined on a case-by-case basis by deciding the Loan Committee (LC) but must include a minimum credit score of 625.

Businesses may request and receive more than one loan at a time or more than one loan during the borrower's or business's lifetime. The outstanding balance to one business at any given time shall not exceed the loan maximum as specified in these policies.

### **General Business Loan**

Loans are designed to respond to the borrower's business needs and can include:

- Fully amortized loans with a term not to exceed seven years
- Loans with seasonal payment schedules
- Lines of credit
- Interest-only payments for the first 3 months of a loan
- Loan term guideline:

\$1,000-\$50,000	Not to exceed 6 years	no balloon
\$50,000-\$100,000	Not to exceed 10 years	with 7 year balloon

No prepayment penalties will be assessed and loan term will not exceed the useful life of the collateral.

### **Disbursements**

Loan proceeds shall be distributed as staff, with guidance from the Loan Committee (LC), determines is in the best interest of CCVT and the Borrower. They may be disbursed to third party entities or directly to the borrower for incurred or future expenses. Funds must be disbursed in a manner that matches the uses identified in the business plan and as approved by the LC or executive director.

### **Technical Assistance**

In an effort to encourage and promote the success of a business, technical assistance through CCVT's Business Advisory Services is strongly recommended and may be required as a condition of the loan.

## **Loan Product Variations**

Community Capital of Vermont utilizes loan capital from the State of Vermont, the Small Business Administration, the US Department of Agriculture, the US Treasury, and other sources. Each source of loan capital has different requirements and regulations.

### SBA Microloan Fund

Loans made using funds from the SBA Microloan Intermediary Program are subject to the following restrictions per SBA SOP 52 00 B and as amended:

1. Fully amortized loans with a term not to exceed six years and an amount of \$50,000 or less.
2. The borrower must be a for-profit business except for non-profit childcare centers. Businesses listed as ineligible in SOP 52 00 B section 3.F.3 are also ineligible.
3. No balloon payments are allowed.
4. Interest only payments are not allowed unless there is a compelling reason.
5. For loans of \$20,000 or more, the applicant must prove they are unable to secure conventional financing.
6. Capital cannot be used for real estate acquisition or any other purpose referenced in SOP 52 00B section 3.F.7.
7. Applicants must obtain flood insurance if collateral is in a special flood hazard area per FEMA Form 086-0-32.
8. All applicants must be a United States citizen or carry the status of legal permanent resident. Applicants who are legal permanent residents must provide USCIS Form I-551 or equivalent as evidence of LPR status at or before closing.
9. Microloan proceeds must be utilized per SBA SOP 52 00 B section 3.F.7.
10. Additional restrictions apply and all staff must consult the regulations to be familiar with SBA requirements

### Emergency Fund

In cases where an existing Borrower has experienced an emergency situation (such as a broken furnace during cold weather, leaking roof, broken water pipes, etc.), CCVT can lend up to \$5,000 dollars as an emergency loan. The request for an emergency loan may be made informally but, if approved, loan use and terms must be codified in writing (an email exchange is acceptable).

Emergency loans that increase the outstanding principal balance to \$15,000 or less can be approved by staff as described below in Loan Underwriting & Origination. If the loan increases the outstanding principal balance to more than \$15,000, then the CCVT loan officer will take the request to the LC Chair who is empowered to approve the loan.

The emergency loan shall be secured with a promissory note or an allonge to the note at the time of disbursement. Borrower shall be charged a 1% origination fee and this fee may be financed.

#### Commercial Real Estate

On a limited basis, CCVT will consider loans for acquisition and improvement to commercial rental property that is not owner-occupied.

#### Loans to nonprofit organizations

Nonprofit corporations are eligible to borrow from CCVT (SBA funds may not be used) and the loan product and underwriting criteria are that same as for-profit businesses with the following exceptions:

- Maximum loan size is \$50,000.

## **VI. BORROWER ELIGIBILITY**

All borrowers must meet all of the following eligibility requirements to be considered for financing from CCVT:

- The applicant is a United States citizen or carries the status of legal permanent resident. Applicants who are legal permanent residents must provide USCIS Form I-551 or equivalent as evidence of LPR status at or before closing.
- The applicant is eighteen (18) years old or older.
- The applicant has insufficient access to conventional sources of credit. “Insufficient access” means either that a lending institution (1) refused to approve a loan for the proposal submitted to CCVT, (2) approved the loan, but with terms and conditions that would seriously jeopardize the proposal’s success or the applicant’s financial stability, or (3) approved a loan that only meets a portion of the applicant’s need for capitalization. CCVT staff may also determine that an applicant has “insufficient access” to conventional sources of credit based on a client interview that determines that the applicant’s personal financial situation and/or business proposal will most likely disqualify them for a bank loan.
- The business and the applicant are in good standing with respect to, or in full compliance with a plan to pay, any and all federal, state, and local taxes and are current on any student loans to the government.
- The applicant business is a profit or nonprofit corporation, partnership, cooperative, or proprietorship which is classified as a small business by the US Small Business Administration.
- The applicant business is located in or relocating to Vermont. Businesses relocating out of Vermont are not eligible. The business must draw at least fifty percent of its employees from Vermont.
- A business may be excluded from financing if, in CCVT’s judgment, its activities are not in the public’s or a community’s best interest. “CCVT’s judgment” is determined by the executive director for loans of \$15,000 or less, or by the LC for loans greater than \$15,000.

- Loan proceeds may not be used by a borrower to “flip” real estate; that is, to purchase, possibly rehab, and sell commercial or residential real estate solely for the purpose of generating profit from the transaction.
- The proposed or existing business operates with the necessary municipal, state, and federal permits.
- The business can demonstrate site control where applicable.
- The business is compatible with the plan of the municipality in which it is located.

**VII. PORTFOLIO MIX**

In order to reduce risk due to concentrations of lending, CCVT will not exceed the following guidelines as a percentage of notes receivable:

- ❑ 10% to any one borrower
- ❑ 30% to any one business sector as determined by the North American Industrial Classification System (NAICS) and broken into seven sectors (agriculture, trades & construction, manufacturing, retail, services, restaurants, and real estate)..
- ❑ 20% in any one municipality

**VIII. FEE AND INTEREST RATE SCHEDULE**

CCVT charges fees to cover processing costs, as revenue to support financial health, and to highlight the seriousness of the lending process for borrowers. The LC has the authority to modify these fees for a particular borrower when it is in the best interest of the business and CCVT.

**Fees**

Application for new borrower greater than \$5,000	\$50	Non-refundable
Supplemental Application; Application under \$5,000	\$25	Non-refundable
Refinance and Note Modification	\$25	Such as Allonge; Non-refundable
Closing	Borrower is responsible for all applicable legal and loan closing expenses including UCC filings and discharge.	
Origination	1% for term loans and 2% for line of credit. Fee may be financed.	
NSF	\$25	

Late	Payments more than 15 days late will be charged a fee equal to 5% of the unpaid portion of the regularly scheduled payment.
Default	Borrower is responsible for all costs associated with default of the loan, including collection costs, attorney fees, etc.

## Interest Rates

CCVT’s Board of Directors shall establish, and periodically evaluate, an interest rate range. The range shall be determined by weighing the following factors:

- average cost of funds
- costs of ongoing operations
- long-term sustainability goals
- marketing constraints and opportunities
- and the marketplace, e.g. Wall Street Journal Prime and interest rates established by other like revolving loan funds.

The Board of Directors may establish an incentive interest rate if CCVT seeks to grow its lending in a certain business sector. The incentive rate shall be not more than two percentage points below the lowest standard rate and must be approved on an individual borrower basis as part of a Loan Committee’s review of a loan application.

All loans shall receive a fixed interest rate that is determined based on the interest rate range in effect on the day of commitment and the risk profile of the loan as determined by the Risk Rating Evaluation Chart

## IX. LOAN UNDERWRITING & ORIGINATION

CCVT uses a Credit Evaluation Grid and Credit Evaluation Score Sheet to assist with loan underwriting.

### Staff Decision

Staff are authorized to review and decide upon the following applicant and borrower requests:

#### Loan Denials

A loan request of any amount can be denied by the Executive Director, based on a recommendation from the Loan Officer, if the applicant is deemed ineligible as per Section VI, loan scores at the “denial level” on the Credit Evaluation Grid Score.

Documentation for denial at the staff level must include a short narrative note of explanation documenting the categorical reasons for denial, the facts supporting that assessment, and the Credit Evaluation Score Grid if applicable. The applicant will be notified of the denial within five business days of the decision.

#### Loan Approvals

Loan requests can be approved by the Executive Director up to and including \$15,000 except in those cases where the request is from an existing borrower and would cause the borrower’s total loan or loans outstanding to exceed \$15,000. The Executive Director’s approval will be indicated on the credit memo.

## Loan Amendments

The Executive Director may:

- a) approve up to six months of interest only payments during the term of the Borrower's loan (in addition to any interest only payments approved at the time of initial loan approval),
- b) extend the maturity date of a loan or line of credit by up to 6 months
- c) defer payments up to 3 months
- d) clear the aging and delinquent payments to bring a borrower current as part of a workout plan
- e) waive insufficient funds fees (NSF Fees), late, and/or allonge fees,
- f) change the terms of a loan if the principal balance is at or below \$15,000, and
- g) take other actions that do not materially change loan agreements.

All other requests for note modifications are to be decided by the LC. A Loan Action Form shall be prepared and signed by the staff person recommending the decision; the Form shall detail the decision and be filed with the original loan documents.

Staff shall consider and act upon such requests in a serious, fair, and equitable manner in accordance with the Lending Policies.

## **Loan Committee Decision**

The LC is responsible for reviewing and deciding upon the following applicant and Borrower requests:

- a) Applicant requests for loans in amounts over \$15,000 and any request that would cause the Borrower's total loan or loans outstanding to exceed staff approval authority as described above.
- b) All other borrower requests for note modifications outside of the decision making authority granted to staff as described above.

For all loan requests that are to be reviewed by the LC, the following documentation shall be sent to the appropriate LC members:

- a) The prepared credit memo
- b) Monthly cash flow projections
- c) Any additional documentation deemed necessary by staff

The applicant will be notified via telephone within two business days of the decision and in writing thereafter. If the loan is denied, the applicant will be notified as to the reasons why the loan has been denied. All decisions of the LC and staff are final and may not be appealed.

## **E-Vote**

Loan committees may consider loan applications electronically under the following circumstances:

- Loan request is \$30,000 or less
- Staff's credit analysis identifies it as a relatively low risk loan, with particular attention to credit score and collateral

- The applicant makes a compelling case for rapid turn-around time for a loan decision

The procedure for electronic loan decisions is:

- All committee members are asked to participate
- A quorum is a vote from a majority of committee members
- At the request of two committee members, a decision will be deferred to the next conference call

## **Loan Documents**

The applicant and CCVT staff in conjunction with any participating lender(s) will execute legally binding loan documents to establish and make transparent the terms of the loan and responsibilities of all parties. These will include but not be limited to a loan agreement, promissory note, security agreement, disclosure statement, and disbursement of funds statement. The Executive Director is authorized to execute loan documents on behalf of CCVT; this authority may be delegated on a case-by-case basis to another staff member with the approval of the Board President.

### Terms and Conditions

The LC or staff may impose terms and conditions on a loan, consistent with CCVT's policies and procedures. Prior to closing a loan, CCVT shall execute a letter of commitment to the approved applicant which shall detail closing requirements and other terms and conditions. Once the borrower has met all conditions of CCVT, delivered security instruments, and executed all documents required, funds will be disbursed.

### Collateral and Security Instruments

All loans will require, at a minimum, a lien against the business and the borrower's personal guaranty. CCVT will perfect a first security interest whenever possible. Such security instruments include mortgages, promissory notes, UCC-1 Statements, etc. CCVT may also obtain a lease/purchase option to secure the loan.

The type of business and the loan terms will dictate the form and substance of other security requirements. These may include but are not limited to cosigners, assignment of subordination lease rights, cross collateralization of machinery, equipment, and other assets, lease purchase agreements, security interest in outside assets of borrower and corporate guarantees.

### Insurance

CCVT requires that borrowers obtain and keep in full force, for a period beginning with the execution of the loan documents and continuing for at least the term of the loan, insurance on the business and collateral against such risks and in such amounts and with an insurance carrier as may be reasonably acceptable to CCVT. Borrowers operating a home-based business and approved for a total financing package of \$10,000 or less and with insurable business assets worth \$5,000 or less shall be exempt from the requirement to obtain insurance as described above until such time as the value of their business assets increases and/or borrowings increase over the limits described above.

Any applicable insurance policy shall contain a lender loss payee clause in the name of CCVT and a mortgagee clause in the name of CCVT. Borrowers must submit evidence of insurance to CCVT.

### Compliance, Permits and Licenses

At a minimum, CCVT shall require documentation to certify that as of the date of execution of each Loan Document: all permits needed for the project have been identified and those needed to commence activity have been secured; borrower has authority to do business in the State of Vermont; borrower is in full compliance to pay or is current on any and all debt financing; borrower is in good standing with respect to, or in full compliance with a plan to pay, any and all federal, state, and local taxes, to the extent borrower is subject to taxation; and, borrower has no liens, judgments, or other encumbrances, other than those disclosed to CCVT during the application process, or disclosed no later than at the execution of the loan documents.

### Borrower Record Keeping and Reporting

CCVT loan documents will require borrowers to submit financial and operational reports on demand, including annual tax returns. CCVT will have the option to request documentation of employment and other data, including but not limited to number of jobs created and retained; number of employees, full and part time; earnings per hour; cost per job; incremental tax return; net sales increase (or increase in profits); increases in assets; change in education status; length of time in business; and changes in the above over time.

Applicants must guaranty that they will not discriminate on the basis of sex, age, national origin or ethnic heritage, race, sexual orientation, religion, location of residence within the area, income, disability, or familial status in hiring or otherwise conducting business.

## **X. LOAN COMMITTEES**

CCVT's Loan Committee reviews and decides upon loan applications and assists with ongoing portfolio management.

- The LC meets monthly on the first Wednesday of the month and on as needed on an ad-hoc basis.
- At least five members must attend there to be a quorum.

### **Responsibilities of Loan Committee**

The LC is a standing committee of CCVT. The responsibilities of LC members include:

- a) Consider and act upon loan requests and borrower requests for changes to loan terms and rates. Such consideration and actions are made in a serious, fair, and equitable manner in accordance with the Lending Policies.
- b) Attend all meetings of the LC prepared to participate and, when unable to attend, notify CCVT staff as soon as possible.

- c) Serve at the pleasure of the Board of Directors.
- d) Participate in ongoing training activities.
- e) Adhere to CCVT's confidentiality and conflict of interest policies.
- f) Participate in periodic review of the Lending Policies with other LC members.
- g) Provide input on the portfolio of loans.
- h) Assist in marketing CCVT in member's region and refer opportunities for lending.

## **Meeting Procedures**

Generally, the LCs meet monthly via conference call or video conference call. If there are no loan requests in a given month, the meeting may be cancelled by staff. The LCs do not meet with applicants. Questions that LC members have about an applicant or an application may be directed to staff prior to the meeting. The Loan Officer will make every attempt to work with the applicant to address the question and send the newly obtained information or documentation to the entire LC prior to the meeting.

All decisions of the LC shall require a majority vote, a quorum being present.

## **Membership**

### Composition

The LC has seven to fifteen members. LC members are appointed by the Board of Directors.

### Terms

Terms of LC members shall be indefinite.

### Removal

LC members may be removed at any time (1) by majority vote of the Board of Directors for the finding of cause; (2) by resignation; or (3) automatically following more than three consecutive, unexcused absences.

### Training

Experience shows that the difference between successful and unsuccessful loan programs is often related to the LC's understanding CCVT's mission as well as lending decisions, business finance, and the risks that CCVT can take. Therefore, LC members are asked to participate in ongoing activities such as training to enhance their abilities to make sound lending decisions and to manage the assets of CCVT.

### Review of Policies

LCs may review these guidelines from time to time and recommend changes to the Board of Directors for adoption.

## **XI. PORTFOLIO MANAGEMENT**

### **Risk Rating**

A risk rating system serves to accomplish the following:

- determine the appropriate reserve for each loan;
- clarify or describe the level of risk in the overall portfolio; and
- provide a framework for developing, evaluating, and refining underwriting standards.

## **Credit Quality Committee**

The Credit Quality Committee (CQC) is a standing committee of the Board of Directors.

### Roles and Responsibilities

- a) Review the portfolio of CCVT quarterly, approve write-offs as recommended by staff, adjust risk ratings, and adjust the loan loss reserve on at least an annual basis.
- b) Attend all meetings of the CQC and, when unable to attend, notify CCVT staff as soon as possible
- c) Serve at the pleasure of the Board of Directors of CCVT
- d) Periodically review the Lending Policies in partnership with the LCs and recommend changes to the Board of Directors.
- e) Adhere to and uphold CCVT's confidentiality and conflict of interest policies.

### Composition

The CQC is comprised of three to five members, a majority of whom are members of the Board of Directors. The remaining members may be appointed from the Board or the LCs. The Board Treasurer serves as Chair of the CQC.

### Majority Vote

All decisions of the CQC require a majority vote, a quorum being present.

### Quorum

A quorum consists of a majority of the members making up the CQC.

### Lending Policy Review

The CQC may review these guidelines from time to time and recommend changes to the Board of Directors for adoption.

## **Loan Loss Reserve**

Creating and maintaining a loan loss reserve is a way of setting aside funds *before a loss has occurred*. A loan loss reserve system is based on the assumption that all loans carry the risk of full or partial non-repayment and, therefore, the actual value of a loan may be less than the dollar amount outstanding. A loan loss reserve appears as a "contra-asset" account on the balance sheet and serves to reduce the value of the loans outstanding.

CCVT's reserve shall be no less than 10% and no more than 20% of loans outstanding.

1. Loans will receive initial risk ratings by the loan officer at the time underwriting.
2. Staff will update the risk rating and post the appropriate increase or decrease to CCVT's income statement. Staff will provide the CQC with its risk rating report.

3. Annually, for CCVT's audit, the CQC shall review and approve the change in risk rating for the year.

### **Loan Loss/Charge-Offs**

Charge-offs are at the discretion of the CQC upon recommendation from CCVT staff.

An estimated loss will be accrued as a charge to income when both of the following conditions are met with respect to any loan: (a) It is probable that CCVT has become unable to collect all amounts due. For this purpose, "probable" means the event is "likely to occur," not that the event is a virtual certainty; (b) the amount of the loss on the loan can be reasonably estimated.

While a write-off recognizes the loss of the asset, CCVT staff are expected to continue to take prudent action to secure payment from the borrower.

## **XII. DEFAULT AND FORECLOSURE POLICIES**

Every effort will be made to collect delinquent loans. All security agreements will be enforced to the fullest extent of the law and to the extent the collection efforts are cost effective.

### **Late Payments, Delinquencies and Defaults**

Per CCVT's loan documents, events of default shall include but are not limited to the following scenarios:

- CCVT's discovery of a material misrepresentation made by Borrower;
- Failure to pay the note punctually and failure to pay other loans for the business punctually;
- Any transfer of assets outside of the ordinary course of business, or the filing for protection under any bankruptcy or insolvency laws;
- Business moves any substantial portion of its business operation (25% of assets, jobs, or inventory) out of the State of Vermont;
- Failure to submit financial and operational reports to CCVT; and
- Failure to perform as required by any document or agreement that secures or pertains to the loan.

### **Delinquent Loan Collection**

It is the intent of CCVT for each business it finances to succeed and for all repayments to be made within the agreed upon time frame. It is also the intent of CCVT to be flexible in allowing workouts and other methods of assisting businesses to recover if business conditions are not as favorable as predicted. In this vein, CCVT staff may work with technical assistance providers to intervene if a borrower is delinquent in their payments. CCVT staff may work with borrowers to determine whether strategies such as forbearance will assist them to get back on track.

However, it is also CCVT's intent to preserve its loan capital to benefit future borrowers. Staff will respond in a timely manner to borrowers with late payments using triggers such as a response after 5/15/30/60/90 days delinquency.

If a loan becomes 120 days past due, CCVT will send a letter of default to the borrower. CCVT will formulate a collection strategy based upon the circumstances surrounding that delinquent account. If a workout agreement to bring the borrower current cannot be arranged, or has been arranged but not met, CCVT will proceed with the collection process and exercise its rights as described in the loan documents.

After all reasonable efforts to collect have been exhausted, CCVT will pursue its claim in small claims court for loans with a balance of \$10,000 or less or superior court for loans greater than \$10,000. The CQC must approve exceptions to this policy.

### **XIII. CODE OF CONDUCT**

#### **Equal Access and Opportunity**

All persons requesting assistance will receive fair and equal consideration regardless of their sex, age, national origin or ethnic heritage, race, sexual orientation, religion, location of residence within the service area, income, or disability, or familial status. CCVT will remain responsive to the individual needs and unique characteristics of the posed transaction in the mutual best interest of CCVT and applicant business.

#### **Confidentiality of Client Records**

Applicants may designate certain portions of their loan applications as confidential as consistent with the Vermont Access to Public Records Act. In any event, members of the LC and/or Board of Directors and its contractual entities may not use any information obtained during the course of their review and consideration of any loan abstract or application outside the purview of CCVT.

### **XIV. CONFLICT OF INTEREST**

CCVT has a comprehensive Conflict of Interest Policy that all Board members, LC members, CQC members and staff sign and adhere to.

### **XV. CONFIDENTIALITY POLICY**

Board of Directors, LC members, and CCVT staff shall conform to a strict standard of confidentiality in all matters pertaining to information provided by or about individuals applying to CCVT for a loan. In the event that the names of applicants or information about applicants must be shared with representatives of other funders or lenders, assurances will be sought for adherence to confidentiality. Board, staff, and Committee members who violate confidentiality shall be subject to dismissal.

### **XVI. AMENDMENTS**

These Lending Policies are reviewed periodically by the Credit Quality Committee and Loan Committees. Proposed amendments are submitted to the Board of Directors for their consideration.

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Adopted: March 31, 2004  
Amended: January 13, 2005

Amended: May 12, 2005  
Amended: March 9, 2006

Amended: February 8, 2007  
Amended: April 26, 2007  
Amended: September 13, 2007  
Amended: March 13, 2008  
Amended: November 13, 2008  
Amended: March 13, 2009

Amended: September 29, 2012  
Amended: July 19, 2013  
Amended: December 14, 2015  
Amended: February 12, 2020  
Amended: June 23, 2025



## Draft Memorandum of Understanding (MOU)

This Memorandum of Understanding (MOU) is made this \_\_\_\_\_, day of \_\_\_\_\_, 20\_\_\_\_, by and between **The Town of Morristown, Vermont**, hereinafter referred to as "The Town," and **Community Capital of Vermont, Inc.**, a Non-Profit Community Development Organization, hereinafter referred to as "CCVT."

### I. Purpose

The purpose of this MOU is to establish a framework for collaboration between The Town and CCVT to create and administer the **Morristown Development Fund**, herein referred to as "The Fund".

The Fund will provide loans and lines of credit to businesses and nonprofits in the Town of Morristown for economic development, debt refinance, business expansion, job creation, business startups, and community revitalization purposes.

The mission of The Fund is to support existing businesses, strengthen the local economy, and promote the startup of new businesses in Morristown. The Fund will primarily make loans to businesses that have been denied credit by traditional lending institutions due to poor credit, lack of collateral, insufficient operating history (startups), inadequate or negative cash flow, and other factors.

### II. Responsibilities of the Town

1. **Making and Receiving Payments from the fund's bank account:** The Town will manage the bank account holding the loan capital not currently lent out to borrowers. On notification from CCVT that a loan closing has been scheduled, the Town will issue a loan disbursement check made out to the end borrower in the amount requested by CCVT. The town will receive and deposit a monthly check from CCVT into the funds bank account. This check will be equal to the total amount of principal received by CCVT from the borrowers the previous month. The check will be mailed to the town by the 5th day after the end of each month
2. **Monitoring:** The Town will receive and review quarterly reports from CCVT on the status of The Fund and the loan portfolio, including the number and amounts of loans and lines of credit made, any repayments, and updated delinquency and default statistics.
3. **Referrals and Promotion of the Fund:** The Town will refer clients to CCVT and assist CCVT with promoting The Fund.

### III. Responsibilities of CCVT



1. **Lending:** CCVT will lend up to the full amount of the fund to businesses and nonprofits located in Morristown, Vermont in the form of term loans at the Wall Street Journal Prime Rate in effect when the loan or line of credit is approved.
2. **Promotion of The Fund:** CCVT will actively promote The Fund to local businesses and nonprofits through public meetings, canvassing, social media, and other marketing channels.
3. **Loan Approval Process:** Eligibility and approval of loans and lines of credit will be determined in accordance with CCVT's loan policies and procedures.
4. **Management of The Fund:** CCVT will manage The Fund including processing applications, collecting payments, managing collections, providing reports to the Town, and handling all administrative aspects related to The Fund.
5. **Reports to the Town:** CCVT will provide quarterly reports to The Town on the status of The Fund, including the number of loans, the amounts of the loans, repayment status, and details of any loan defaults. The reports will be provided within 30 days of the end of the quarter. The report will not include the default or delinquent status of individual clients or business. This information will be available to the Selectboard during an Executive Session to protect confidentiality.

#### V. Term and Termination

1. **Effective Date:** This MOU will take effect upon signature by both parties and will remain in effect until all the loans in The Fund are paid in full, unless earlier terminated by either party under the provisions below.
2. **Bad Debt:** While we have a host of preventive measures we use to prevent charge-offs; there will be losses due to defaults. These losses will be reported in the quarterly report and will reduce the balance of The Fund by the amount of the loss.
3. **Amendment:** This MOU may be amended by a mutual written agreement of The Town and CCVT.
4. **Termination:** Either party may terminate this MOU with a written notice to the other party, providing at least ninety (90) days' notice. In the event of termination, CCVT will continue to manage the repayment of any outstanding loans made prior to termination until they are paid in full, but no new loans will be made.

#### VI. General Provisions

1. **Interest paid by borrowers:** CCVT will retain all interest paid by borrowers per the amortization schedule calculated by our loan management system.
2. **Principal paid by borrowers:** All principal paid by borrowers per the amortization schedule calculated by our loan management system will be remitted to the town on a monthly basis via a check mailed within 5 days of the end of the month.
3. **Bank Account Interest:** The Town will retain all interest paid by the bank on the cash balance of the account.

4. **Confidentiality:** Both parties agree to maintain the confidentiality of any proprietary or sensitive information shared during the administration of the Fund. This includes the names of borrowers, amounts loaned to specific borrowers, and information on delinquency and collections actions regarding specific borrowers. This information will be available to the Town of Morrisville Selectboard during Executive Session on request.
5. **Dispute Resolution:** Any disputes arising under this MOU will be resolved through mediation conducted by a mutually agreed-upon third party before pursuing any other legal remedies.
6. **Non-Binding:** This MOU represents the good-faith intentions of the parties but does not create legally binding obligations.
7. **Severability:** If any provision of this MOU is found to be invalid or unenforceable, the remaining provisions will continue in full force and effect.

## VII. Signatures

In witness whereof, the parties hereto have executed this MOU as of the date first written above.

### For Town of Morristown

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Selectboard Chair

Date: \_\_\_\_\_

### For CCVT:

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Alexander Rob  
Executive Director

Date: \_\_\_\_\_



# Community Capital of Vermont

## 2024 Impact Report

### *How can a lender help uplift communities?*

- Make loans at fair terms to businesses that have been denied by traditional financial institutions.
- Make startup loans giving entrepreneurs a chance to pursue their dreams and promoting economic development.
- Refinance high interest rate and predatory debt at fair terms giving business a path to pay it off.
- Provide business counseling and education to help entrepreneurs run their businesses better.

Community Capital of Vermont, Inc.  
**Alexander Rob**, Executive Director  
arob@communitycapitalvt.org  
www.communitycapitalvt.org  
802-479-0167

## **2024 Impact**

**Record Lending in 2024: 73 loans for a total of \$1,547,715**

The most in our **26-year** history!

**74 %** of 2024 loan dollars went to **low-income business owners**

**64%** of 2024 loan dollars went to **woman owned** businesses

**55%** of 2024 loan dollars went to **startup** businesses

Over 1,100 hours of technical assistance provided to a wide variety of Vermont's smallest businesses

### ***We had a record year thanks to great clients across Vermont!***

**Sit Means Sit**, a dog training school in New Haven

**Missing Piece Bakery**, a bakery in Swanton

**AkweleyDesign**, a jeweler in Bristol

**Breto Violins**, a violin maker in South Burlington

**The Hastings Store**, a general store in West Danville

**Montpelier Auto Clinic**, an auto repair shop in Barre

**The Buttery**, a café in Saint Johnsbury

**Playscape Vermont**, a toy rental business in Burlington

**World Cow**, an artist in Middlesex

**Wilson Herb Farm**, a farmstand and herbal farm in Craftsbury

**Craftsbury Farmhouse**, an inn and café in Craftsbury

**Paxwood Acoustics**, an acoustical engineering firm in Quechee

**The Cup & Leaf**, a café in Essex Junction

**Raon Golf Supply**, a golf equipment maker in South Burlington

*Background—Community Capital of Vermont client, the East Calais General Store is featured on the Preservation Trust of Vermont's 2024 Annual Report Cover. We provided the final financial piece for this \$1.5 million dollar project. A line of credit to purchase inventory and stock the store.*



*A new client in 2024, The Barre Social Club has sold a lot of their Believe in Barre sweatshirts at their stunning co-working space. We have believed in Barre for 25 years and have funded many of its well loved businesses over the years.*

## Barre Economic Development Fund

Community Capital of Vermont has operated the **Barre Economic Development Fund** since 2016. The fund promotes economic development in Barre by financing new businesses and supporting existing businesses with loans at fair terms.

Current and former Fund clients include: The Barre Social Club, Pearl St. Pizza, Studio Place Arts, Old Soul Farm, Morse Block Deli, Quarry Hill Quick Stop, Holli-day Care, Margison Metalworks, Espresso Bueno, Next Chapter Bookstore, Bury the Needle Tattoo, and Montpelier Auto Clinic.

As of December 31, 2024, the fund had 12 loans totaling \$442,958 with 91% of loan capital deployed.

### And just a few more of our 2024 clients:

- The Boardroom**, a boardgame café in Winooski
- Strong Oaks Physical Therapy**, a physical therapist in Lyndonville
- Bailey Road**, a clothing and housewares store in Montpelier
- Conversation Compass**, a consultant in Middlebury
- Peak Music**, a music school and studio in Stowe
- Deadrise Revival**, a boutique based in Waitsfield
- Shapeshifters Apparel**, a clothing manufacturer in Brattleboro
- Blackfeather Brewing**, a beer brewer based in Montpelier
- Wright's Mountain Wellness**, a wellness collective in Bradford
- Agrilab Technologies**, an ag-tech firm in Enosberg Falls
- G Wilikers Catering**, catering and a restaurant in Stowe
- Winterberry Design** a design studio in White River Junction
- Barre Social Club**, a coworking space and retail store in Barre



*Maggie Grey, co-owner of the popular new St. Johnsbury café, The Buttery! They came to us with experience, drive, and a well developed business plan and we lent them the funds to start their new business.*

## Vermont's Top Small Business Association Microlender

**Community Capital of Vermont is the leading SBA microlender in Vermont.** We routinely make SBA microloans to clients that others have referred to us because they were “too small”, had poor credit, or insufficient collateral. Each loan includes grant funds that we use to provide business education to the owner. Community Capital has historically been the leading Vermont lender for this program that deploys federal funds to support economic development in Vermont. The SBA table below shows our results for the 12 months ended in October. Then, to close out the year , **we made 12 loans for \$195,715 in Quarter 4!**

<b>Microloan Program Volume - October 1, 2023 through September 30, 2024</b>			
<b>Lender</b>	<b>Number of Loans</b>	<b>Total \$</b>	<b>Avg. Loan Size \$</b>
Community Capital of Vermont	24	\$359,000	\$14,958
Vermont Community Loan Fund	10	\$128,150	\$12,815
Brattleboro Development Corporation	4	\$45,000	\$11,250
<b>Grand Total</b>	<b>38</b>	<b>\$532,150</b>	<b>\$14,004</b>

*The SBA's Vermont lending activity report for Fiscal 2024.*



## LENDING POLICIES

### I. INTRODUCTION

These policies and procedures provide the framework for the operation of Community Capital of Vermont's (CCVT's) lending program. Unless otherwise noted, variance from these policies requires prior approval by the Board of Directors.

### II. MISSION STATEMENT

Community Capital of Vermont's mission is to help small rural businesses and lower income entrepreneurs prosper through the provision of flexible business financing.

### III. OBJECTIVES

CCVT's objectives are to:

- Target financing to entrepreneurs who have insufficient access to conventional commercial credit.
- Encourage job creation and retention in rural Vermont.
- Provide financing that supports small and micro business to start and grow.
- Invest in businesses which contribute to economic diversity, enhance the quality of life, and which have a good chance of success.
- Make financing available which complements existing financial resources.
- Offer complimentary business advising to support ongoing success of borrowers.

### IV. TARGET MARKET

CCVT's lending is targeted towards but not limited to:

- Low-to-moderate income individuals, earning at or below 80% of median income
- Entrepreneurs who do not have access to commercial credit
- Businesses which have five or fewer employees
- Rural, women, and other underserved business owners

### V. LOAN PRODUCT

The features of CCVT's business loan products are described below. In addition to business loans, CCVT provides technical assistance for applicants and borrowers. Other loan products with varying terms may be approved by the Board of Directors.

#### Use of Funds

Loan proceeds may be used to start, expand, or relocate a business except as may be restricted by funding sources. Refer to funder requirements for additional restrictions. Allowed uses include but are not limited to:

- a) Working capital to finance start-up and business expansion including inventory, licensing, and marketing
- b) Equipment including vehicles
- c) Leasehold improvements and real estate acquisition and improvement related to the operation of the borrower's business
- d) Refinancing of existing business debt, including credit card debt
- e) Business acquisition

Ineligible uses include but are not limited to: personal expenses, lobbying, and uses that are not part of the applicant's business plan.

### **Loan Size**

CCVT's minimum loan is \$1,000 and maximum is \$100,000. Staff will use a combination of portfolio management and available fund balances to determine the most suitable funds to utilize with every loan approval. Loans greater than \$50,000 have stricter collateral and credit requirements to be determined on a case-by-case basis by deciding the Loan Committee (LC) but must include a minimum credit score of 625.

Businesses may request and receive more than one loan at a time or more than one loan during the borrower's or business's lifetime. The outstanding balance to one business at any given time shall not exceed the loan maximum as specified in these policies.

### **General Business Loan**

Loans are designed to respond to the borrower's business needs and can include:

- Fully amortized loans with a term not to exceed seven years
- Loans with seasonal payment schedules
- Lines of credit
- Interest-only payments for the first 3 months of a loan
- Loan term guideline:

\$1,000-\$50,000	Not to exceed 6 years	no balloon
\$50,000-\$100,000	Not to exceed 10 years	with 7 year balloon

No prepayment penalties will be assessed and loan term will not exceed the useful life of the collateral.

### **Disbursements**

Loan proceeds shall be distributed as staff, with guidance from the Loan Committee (LC), determines is in the best interest of CCVT and the Borrower. They may be disbursed to third party entities or directly to the borrower for incurred or future expenses. Funds must be disbursed in a manner that matches the uses identified in the business plan and as approved by the LC or executive director.

### **Technical Assistance**

In an effort to encourage and promote the success of a business, technical assistance through CCVT's Business Advisory Services is strongly recommended and may be required as a condition of the loan.

## **Loan Product Variations**

Community Capital of Vermont utilizes loan capital from the State of Vermont, the Small Business Administration, the US Department of Agriculture, the US Treasury, and other sources. Each source of loan capital has different requirements and regulations.

### SBA Microloan Fund

Loans made using funds from the SBA Microloan Intermediary Program are subject to the following restrictions per SBA SOP 52 00 B and as amended:

1. Fully amortized loans with a term not to exceed six years and an amount of \$50,000 or less.
2. The borrower must be a for-profit business except for non-profit childcare centers. Businesses listed as ineligible in SOP 52 00 B section 3.F.3 are also ineligible.
3. No balloon payments are allowed.
4. Interest only payments are not allowed unless there is a compelling reason.
5. For loans of \$20,000 or more, the applicant must prove they are unable to secure conventional financing.
6. Capital cannot be used for real estate acquisition or any other purpose referenced in SOP 52 00B section 3.F.7.
7. Applicants must obtain flood insurance if collateral is in a special flood hazard area per FEMA Form 086-0-32.
8. All applicants must be a United States citizen or carry the status of legal permanent resident. Applicants who are legal permanent residents must provide USCIS Form I-551 or equivalent as evidence of LPR status at or before closing.
9. Microloan proceeds must be utilized per SBA SOP 52 00 B section 3.F.7.
10. Additional restrictions apply and all staff must consult the regulations to be familiar with SBA requirements

### Emergency Fund

In cases where an existing Borrower has experienced an emergency situation (such as a broken furnace during cold weather, leaking roof, broken water pipes, etc.), CCVT can lend up to \$5,000 dollars as an emergency loan. The request for an emergency loan may be made informally but, if approved, loan use and terms must be codified in writing (an email exchange is acceptable).

Emergency loans that increase the outstanding principal balance to \$15,000 or less can be approved by staff as described below in Loan Underwriting & Origination. If the loan increases the outstanding principal balance to more than \$15,000, then the CCVT loan officer will take the request to the LC Chair who is empowered to approve the loan.

The emergency loan shall be secured with a promissory note or an allonge to the note at the time of disbursement. Borrower shall be charged a 1% origination fee and this fee may be financed.

#### Commercial Real Estate

On a limited basis, CCVT will consider loans for acquisition and improvement to commercial rental property that is not owner-occupied.

#### Loans to nonprofit organizations

Nonprofit corporations are eligible to borrow from CCVT (SBA funds may not be used) and the loan product and underwriting criteria are that same as for-profit businesses with the following exceptions:

- Maximum loan size is \$50,000.

## **VI. BORROWER ELIGIBILITY**

All borrowers must meet all of the following eligibility requirements to be considered for financing from CCVT:

- The applicant is a United States citizen or carries the status of legal permanent resident. Applicants who are legal permanent residents must provide USCIS Form I-551 or equivalent as evidence of LPR status at or before closing.
- The applicant is eighteen (18) years old or older.
- The applicant has insufficient access to conventional sources of credit. “Insufficient access” means either that a lending institution (1) refused to approve a loan for the proposal submitted to CCVT, (2) approved the loan, but with terms and conditions that would seriously jeopardize the proposal’s success or the applicant’s financial stability, or (3) approved a loan that only meets a portion of the applicant’s need for capitalization. CCVT staff may also determine that an applicant has “insufficient access” to conventional sources of credit based on a client interview that determines that the applicant’s personal financial situation and/or business proposal will most likely disqualify them for a bank loan.
- The business and the applicant are in good standing with respect to, or in full compliance with a plan to pay, any and all federal, state, and local taxes and are current on any student loans to the government.
- The applicant business is a profit or nonprofit corporation, partnership, cooperative, or proprietorship which is classified as a small business by the US Small Business Administration.
- The applicant business is located in or relocating to Vermont. Businesses relocating out of Vermont are not eligible. The business must draw at least fifty percent of its employees from Vermont.
- A business may be excluded from financing if, in CCVT’s judgment, its activities are not in the public’s or a community’s best interest. “CCVT’s judgment” is determined by the executive director for loans of \$15,000 or less, or by the LC for loans greater than \$15,000.

- Loan proceeds may not be used by a borrower to “flip” real estate; that is, to purchase, possibly rehab, and sell commercial or residential real estate solely for the purpose of generating profit from the transaction.
- The proposed or existing business operates with the necessary municipal, state, and federal permits.
- The business can demonstrate site control where applicable.
- The business is compatible with the plan of the municipality in which it is located.

**VII. PORTFOLIO MIX**

In order to reduce risk due to concentrations of lending, CCVT will not exceed the following guidelines as a percentage of notes receivable:

- ❑ 10% to any one borrower
- ❑ 30% to any one business sector as determined by the North American Industrial Classification System (NAICS) and broken into seven sectors (agriculture, trades & construction, manufacturing, retail, services, restaurants, and real estate)..
- ❑ 20% in any one municipality

**VIII. FEE AND INTEREST RATE SCHEDULE**

CCVT charges fees to cover processing costs, as revenue to support financial health, and to highlight the seriousness of the lending process for borrowers. The LC has the authority to modify these fees for a particular borrower when it is in the best interest of the business and CCVT.

**Fees**

Application for new borrower greater than \$5,000	\$50	Non-refundable
Supplemental Application; Application under \$5,000	\$25	Non-refundable
Refinance and Note Modification	\$25	Such as Allonge; Non-refundable
Closing	Borrower is responsible for all applicable legal and loan closing expenses including UCC filings and discharge.	
Origination	1% for term loans and 2% for line of credit. Fee may be financed.	
NSF	\$25	

Late	Payments more than 15 days late will be charged a fee equal to 5% of the unpaid portion of the regularly scheduled payment.
Default	Borrower is responsible for all costs associated with default of the loan, including collection costs, attorney fees, etc.

## Interest Rates

CCVT’s Board of Directors shall establish, and periodically evaluate, an interest rate range. The range shall be determined by weighing the following factors:

- average cost of funds
- costs of ongoing operations
- long-term sustainability goals
- marketing constraints and opportunities
- and the marketplace, e.g. Wall Street Journal Prime and interest rates established by other like revolving loan funds.

The Board of Directors may establish an incentive interest rate if CCVT seeks to grow its lending in a certain business sector. The incentive rate shall be not more than two percentage points below the lowest standard rate and must be approved on an individual borrower basis as part of a Loan Committee’s review of a loan application.

All loans shall receive a fixed interest rate that is determined based on the interest rate range in effect on the day of commitment and the risk profile of the loan as determined by the Risk Rating Evaluation Chart

## IX. LOAN UNDERWRITING & ORIGINATION

CCVT uses a Credit Evaluation Grid and Credit Evaluation Score Sheet to assist with loan underwriting.

### Staff Decision

Staff are authorized to review and decide upon the following applicant and borrower requests:

#### Loan Denials

A loan request of any amount can be denied by the Executive Director, based on a recommendation from the Loan Officer, if the applicant is deemed ineligible as per Section VI, loan scores at the “denial level” on the Credit Evaluation Grid Score.

Documentation for denial at the staff level must include a short narrative note of explanation documenting the categorical reasons for denial, the facts supporting that assessment, and the Credit Evaluation Score Grid if applicable. The applicant will be notified of the denial within five business days of the decision.

#### Loan Approvals

Loan requests can be approved by the Executive Director up to and including \$15,000 except in those cases where the request is from an existing borrower and would cause the borrower’s total loan or loans outstanding to exceed \$15,000. The Executive Director’s approval will be indicated on the credit memo.

## Loan Amendments

The Executive Director may:

- a) approve up to six months of interest only payments during the term of the Borrower's loan (in addition to any interest only payments approved at the time of initial loan approval),
- b) extend the maturity date of a loan or line of credit by up to 6 months
- c) defer payments up to 3 months
- d) clear the aging and delinquent payments to bring a borrower current as part of a workout plan
- e) waive insufficient funds fees (NSF Fees), late, and/or allonge fees,
- f) change the terms of a loan if the principal balance is at or below \$15,000, and
- g) take other actions that do not materially change loan agreements.

All other requests for note modifications are to be decided by the LC. A Loan Action Form shall be prepared and signed by the staff person recommending the decision; the Form shall detail the decision and be filed with the original loan documents.

Staff shall consider and act upon such requests in a serious, fair, and equitable manner in accordance with the Lending Policies.

## **Loan Committee Decision**

The LC is responsible for reviewing and deciding upon the following applicant and Borrower requests:

- a) Applicant requests for loans in amounts over \$15,000 and any request that would cause the Borrower's total loan or loans outstanding to exceed staff approval authority as described above.
- b) All other borrower requests for note modifications outside of the decision making authority granted to staff as described above.

For all loan requests that are to be reviewed by the LC, the following documentation shall be sent to the appropriate LC members:

- a) The prepared credit memo
- b) Monthly cash flow projections
- c) Any additional documentation deemed necessary by staff

The applicant will be notified via telephone within two business days of the decision and in writing thereafter. If the loan is denied, the applicant will be notified as to the reasons why the loan has been denied. All decisions of the LC and staff are final and may not be appealed.

## **E-Vote**

Loan committees may consider loan applications electronically under the following circumstances:

- Loan request is \$30,000 or less
- Staff's credit analysis identifies it as a relatively low risk loan, with particular attention to credit score and collateral

- The applicant makes a compelling case for rapid turn-around time for a loan decision

The procedure for electronic loan decisions is:

- All committee members are asked to participate
- A quorum is a vote from a majority of committee members
- At the request of two committee members, a decision will be deferred to the next conference call

## **Loan Documents**

The applicant and CCVT staff in conjunction with any participating lender(s) will execute legally binding loan documents to establish and make transparent the terms of the loan and responsibilities of all parties. These will include but not be limited to a loan agreement, promissory note, security agreement, disclosure statement, and disbursement of funds statement. The Executive Director is authorized to execute loan documents on behalf of CCVT; this authority may be delegated on a case-by-case basis to another staff member with the approval of the Board President.

### Terms and Conditions

The LC or staff may impose terms and conditions on a loan, consistent with CCVT's policies and procedures. Prior to closing a loan, CCVT shall execute a letter of commitment to the approved applicant which shall detail closing requirements and other terms and conditions. Once the borrower has met all conditions of CCVT, delivered security instruments, and executed all documents required, funds will be disbursed.

### Collateral and Security Instruments

All loans will require, at a minimum, a lien against the business and the borrower's personal guaranty. CCVT will perfect a first security interest whenever possible. Such security instruments include mortgages, promissory notes, UCC-1 Statements, etc. CCVT may also obtain a lease/purchase option to secure the loan.

The type of business and the loan terms will dictate the form and substance of other security requirements. These may include but are not limited to cosigners, assignment of subordination lease rights, cross collateralization of machinery, equipment, and other assets, lease purchase agreements, security interest in outside assets of borrower and corporate guarantees.

### Insurance

CCVT requires that borrowers obtain and keep in full force, for a period beginning with the execution of the loan documents and continuing for at least the term of the loan, insurance on the business and collateral against such risks and in such amounts and with an insurance carrier as may be reasonably acceptable to CCVT. Borrowers operating a home-based business and approved for a total financing package of \$10,000 or less and with insurable business assets worth \$5,000 or less shall be exempt from the requirement to obtain insurance as described above until such time as the value of their business assets increases and/or borrowings increase over the limits described above.

Any applicable insurance policy shall contain a lender loss payee clause in the name of CCVT and a mortgagee clause in the name of CCVT. Borrowers must submit evidence of insurance to CCVT.

### Compliance, Permits and Licenses

At a minimum, CCVT shall require documentation to certify that as of the date of execution of each Loan Document: all permits needed for the project have been identified and those needed to commence activity have been secured; borrower has authority to do business in the State of Vermont; borrower is in full compliance to pay or is current on any and all debt financing; borrower is in good standing with respect to, or in full compliance with a plan to pay, any and all federal, state, and local taxes, to the extent borrower is subject to taxation; and, borrower has no liens, judgments, or other encumbrances, other than those disclosed to CCVT during the application process, or disclosed no later than at the execution of the loan documents.

### Borrower Record Keeping and Reporting

CCVT loan documents will require borrowers to submit financial and operational reports on demand, including annual tax returns. CCVT will have the option to request documentation of employment and other data, including but not limited to number of jobs created and retained; number of employees, full and part time; earnings per hour; cost per job; incremental tax return; net sales increase (or increase in profits); increases in assets; change in education status; length of time in business; and changes in the above over time.

Applicants must guaranty that they will not discriminate on the basis of sex, age, national origin or ethnic heritage, race, sexual orientation, religion, location of residence within the area, income, disability, or familial status in hiring or otherwise conducting business.

## **X. LOAN COMMITTEES**

CCVT's Loan Committee reviews and decides upon loan applications and assists with ongoing portfolio management.

- The LC meets monthly on the first Wednesday of the month and on as needed on an ad-hoc basis.
- At least five members must attend there to be a quorum.

### **Responsibilities of Loan Committee**

The LC is a standing committee of CCVT. The responsibilities of LC members include:

- a) Consider and act upon loan requests and borrower requests for changes to loan terms and rates. Such consideration and actions are made in a serious, fair, and equitable manner in accordance with the Lending Policies.
- b) Attend all meetings of the LC prepared to participate and, when unable to attend, notify CCVT staff as soon as possible.

- c) Serve at the pleasure of the Board of Directors.
- d) Participate in ongoing training activities.
- e) Adhere to CCVT's confidentiality and conflict of interest policies.
- f) Participate in periodic review of the Lending Policies with other LC members.
- g) Provide input on the portfolio of loans.
- h) Assist in marketing CCVT in member's region and refer opportunities for lending.

## **Meeting Procedures**

Generally, the LCs meet monthly via conference call or video conference call. If there are no loan requests in a given month, the meeting may be cancelled by staff. The LCs do not meet with applicants. Questions that LC members have about an applicant or an application may be directed to staff prior to the meeting. The Loan Officer will make every attempt to work with the applicant to address the question and send the newly obtained information or documentation to the entire LC prior to the meeting.

All decisions of the LC shall require a majority vote, a quorum being present.

## **Membership**

### Composition

The LC has seven to fifteen members. LC members are appointed by the Board of Directors.

### Terms

Terms of LC members shall be indefinite.

### Removal

LC members may be removed at any time (1) by majority vote of the Board of Directors for the finding of cause; (2) by resignation; or (3) automatically following more than three consecutive, unexcused absences.

### Training

Experience shows that the difference between successful and unsuccessful loan programs is often related to the LC's understanding CCVT's mission as well as lending decisions, business finance, and the risks that CCVT can take. Therefore, LC members are asked to participate in ongoing activities such as training to enhance their abilities to make sound lending decisions and to manage the assets of CCVT.

### Review of Policies

LCs may review these guidelines from time to time and recommend changes to the Board of Directors for adoption.

## **XI. PORTFOLIO MANAGEMENT**

### **Risk Rating**

A risk rating system serves to accomplish the following:

- determine the appropriate reserve for each loan;
- clarify or describe the level of risk in the overall portfolio; and
- provide a framework for developing, evaluating, and refining underwriting standards.

## **Credit Quality Committee**

The Credit Quality Committee (CQC) is a standing committee of the Board of Directors.

### Roles and Responsibilities

- a) Review the portfolio of CCVT quarterly, approve write-offs as recommended by staff, adjust risk ratings, and adjust the loan loss reserve on at least an annual basis.
- b) Attend all meetings of the CQC and, when unable to attend, notify CCVT staff as soon as possible
- c) Serve at the pleasure of the Board of Directors of CCVT
- d) Periodically review the Lending Policies in partnership with the LCs and recommend changes to the Board of Directors.
- e) Adhere to and uphold CCVT's confidentiality and conflict of interest policies.

### Composition

The CQC is comprised of three to five members, a majority of whom are members of the Board of Directors. The remaining members may be appointed from the Board or the LCs. The Board Treasurer serves as Chair of the CQC.

### Majority Vote

All decisions of the CQC require a majority vote, a quorum being present.

### Quorum

A quorum consists of a majority of the members making up the CQC.

### Lending Policy Review

The CQC may review these guidelines from time to time and recommend changes to the Board of Directors for adoption.

## **Loan Loss Reserve**

Creating and maintaining a loan loss reserve is a way of setting aside funds *before a loss has occurred*. A loan loss reserve system is based on the assumption that all loans carry the risk of full or partial non-repayment and, therefore, the actual value of a loan may be less than the dollar amount outstanding. A loan loss reserve appears as a "contra-asset" account on the balance sheet and serves to reduce the value of the loans outstanding.

CCVT's reserve shall be no less than 10% and no more than 20% of loans outstanding.

1. Loans will receive initial risk ratings by the loan officer at the time underwriting.
2. Staff will update the risk rating and post the appropriate increase or decrease to CCVT's income statement. Staff will provide the CQC with its risk rating report.

3. Annually, for CCVT's audit, the CQC shall review and approve the change in risk rating for the year.

### **Loan Loss/Charge-Offs**

Charge-offs are at the discretion of the CQC upon recommendation from CCVT staff.

An estimated loss will be accrued as a charge to income when both of the following conditions are met with respect to any loan: (a) It is probable that CCVT has become unable to collect all amounts due. For this purpose, "probable" means the event is "likely to occur," not that the event is a virtual certainty; (b) the amount of the loss on the loan can be reasonably estimated.

While a write-off recognizes the loss of the asset, CCVT staff are expected to continue to take prudent action to secure payment from the borrower.

## **XII. DEFAULT AND FORECLOSURE POLICIES**

Every effort will be made to collect delinquent loans. All security agreements will be enforced to the fullest extent of the law and to the extent the collection efforts are cost effective.

### **Late Payments, Delinquencies and Defaults**

Per CCVT's loan documents, events of default shall include but are not limited to the following scenarios:

- CCVT's discovery of a material misrepresentation made by Borrower;
- Failure to pay the note punctually and failure to pay other loans for the business punctually;
- Any transfer of assets outside of the ordinary course of business, or the filing for protection under any bankruptcy or insolvency laws;
- Business moves any substantial portion of its business operation (25% of assets, jobs, or inventory) out of the State of Vermont;
- Failure to submit financial and operational reports to CCVT; and
- Failure to perform as required by any document or agreement that secures or pertains to the loan.

### **Delinquent Loan Collection**

It is the intent of CCVT for each business it finances to succeed and for all repayments to be made within the agreed upon time frame. It is also the intent of CCVT to be flexible in allowing workouts and other methods of assisting businesses to recover if business conditions are not as favorable as predicted. In this vein, CCVT staff may work with technical assistance providers to intervene if a borrower is delinquent in their payments. CCVT staff may work with borrowers to determine whether strategies such as forbearance will assist them to get back on track.

However, it is also CCVT's intent to preserve its loan capital to benefit future borrowers. Staff will respond in a timely manner to borrowers with late payments using triggers such as a response after 5/15/30/60/90 days delinquency.

If a loan becomes 120 days past due, CCVT will send a letter of default to the borrower. CCVT will formulate a collection strategy based upon the circumstances surrounding that delinquent account. If a workout agreement to bring the borrower current cannot be arranged, or has been arranged but not met, CCVT will proceed with the collection process and exercise its rights as described in the loan documents.

After all reasonable efforts to collect have been exhausted, CCVT will pursue its claim in small claims court for loans with a balance of \$10,000 or less or superior court for loans greater than \$10,000. The CQC must approve exceptions to this policy.

### **XIII. CODE OF CONDUCT**

#### **Equal Access and Opportunity**

All persons requesting assistance will receive fair and equal consideration regardless of their sex, age, national origin or ethnic heritage, race, sexual orientation, religion, location of residence within the service area, income, or disability, or familial status. CCVT will remain responsive to the individual needs and unique characteristics of the posed transaction in the mutual best interest of CCVT and applicant business.

#### **Confidentiality of Client Records**

Applicants may designate certain portions of their loan applications as confidential as consistent with the Vermont Access to Public Records Act. In any event, members of the LC and/or Board of Directors and its contractual entities may not use any information obtained during the course of their review and consideration of any loan abstract or application outside the purview of CCVT.

### **XIV. CONFLICT OF INTEREST**

CCVT has a comprehensive Conflict of Interest Policy that all Board members, LC members, CQC members and staff sign and adhere to.

### **XV. CONFIDENTIALITY POLICY**

Board of Directors, LC members, and CCVT staff shall conform to a strict standard of confidentiality in all matters pertaining to information provided by or about individuals applying to CCVT for a loan. In the event that the names of applicants or information about applicants must be shared with representatives of other funders or lenders, assurances will be sought for adherence to confidentiality. Board, staff, and Committee members who violate confidentiality shall be subject to dismissal.

### **XVI. AMENDMENTS**

These Lending Policies are reviewed periodically by the Credit Quality Committee and Loan Committees. Proposed amendments are submitted to the Board of Directors for their consideration.

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Adopted: March 31, 2004  
Amended: January 13, 2005

Amended: May 12, 2005  
Amended: March 9, 2006

Amended: February 8, 2007  
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Amended: September 13, 2007  
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Amended: November 13, 2008  
Amended: March 13, 2009

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