

## LENDING POLICIES

### 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 and the Board will review and amend this document on a periodic basis.

### I. MISSION STATEMENT

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

### II. OBJECTIVES

Through these policies, CCVT's objectives are to:

- Target financing to entrepreneurs who have insufficient access to conventional commercial credit.
- Encourage job creation.
- Enable businesses to expand.
- Attract businesses to the area which contribute to economic diversity, create job opportunities, enhance the quality of life, and which have a good chance of success.
- Make financing available which complements existing financial resources in the region.

### III. TARGET MARKET

Given that CCVT is predicated on filling gaps (social, economic, etc.) in existing financing and given that the majority of job creation in Vermont comes from small businesses, it is anticipated that the majority of financing provided by CCVT will be to:

- Low-to-moderate income individuals, earning at or below 80% of median income
- self-employed persons
- businesses which are home-based
- businesses which have five or fewer employees
- women and minority business owners

CCVT operates statewide and we seek, in particular, to lend to businesses that enhance Vermont's downtowns and working landscape.

#### **IV. LOAN PRODUCT**

The features of CCVT's business loan are described below. Other loan products with varying terms may be approved by the Board of Directors (i.e. the Vermont Job Start Program).

In addition to business loans, CCVT also provides direct pre- and post-loan technical assistance for applicants and borrowers.

##### **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 area, income, disability, or familial status.

##### **Business Loan Product**

###### **1. Purpose**

CCVT specializes in providing loans to business owners who lack the collateral or credit to qualify for traditional bank loans. Loan proceeds may be used for working capital, real estate acquisition and/or improvement, inventory, machinery and equipment, refinancing of existing debt, and start-up expenses.

###### **2. Loan Size**

CCVT's minimum loan is \$1,000 and maximum is \$100,000. Loans greater than \$50,000 have stricter collateral and credit requirements as described in Attachment B.

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 at any given time to one business shall not exceed the loan maximum as specified in these policies.

###### **3. Loan Features**

Loans are designed based upon the need of the Borrower, and include:

- Fully amortized loans with a term not to exceed seven years.
- Balloon loans with a term not to exceed 7 years and amortization of 10 years.
- Loans with seasonal payments schedule.
- Interest only loans not to exceed a one-year term.
- Interest-only payments for the first 6 months of a loan.

No prepayment penalties shall be assessed one year after closing and generally loan term will not exceed the useful life of the collateral.

###### **4. Disbursements**

Loan proceeds are used to reimburse borrower for incurred expenses, disbursed to third party entities, or distributed in such fashion as staff with guidance from the LC determines is in the best interest of CCVT and the Borrower.

## **5. Technical Assistance**

In an effort to encourage and promote the success of a business, both pre-loan and post-loan technical assistance are strongly recommended or may be required as a condition of the loan.

## **6. 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 advance up to \$2,500 dollars for emergency repairs.

Emergency loans that increase the outstanding principal balance to \$10,000 or less can be approved by staff as described in Loan Making. If the loan increases the outstanding principal balance to more than \$10,000, then the CCVT loan officer will take the request to the Loan Committee (LC) Chair who is empowered to approve the loan. The loan must be reported in full to the LC at its next regularly scheduled meeting.

The emergency loan shall be secured with a promissory note or an allonge to the note at the time of disbursement. A modified loan application will be used. Borrower shall be charged a \$50 application fee and 1% origination fee.

## **V. 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 permanent resident alien; individuals with refugee status and who present government documentation confirming such status are also eligible to apply; and
- ❑ The applicant is eighteen (18) years old or older; and
- ❑ 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; and
- ❑ 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; and
- ❑ The applicant business is any private corporation, partnership, cooperative, or proprietorship which is classified as a small business by the US Small Business Administration or a not-for-profit corporation; and

- ❑ The applicant business is located in or relocating to Vermont. Businesses relocating out of Vermont are not eligible; and
- ❑ No particular type of business is excluded from financing under these policies; and
- ❑ The proposed or existing business operates with the necessary municipal, state, and federal permits; and
- ❑ The business can demonstrate site control; and
- ❑ The business is compatible with the plan of the municipality in which it is located; and
- ❑ The applicant business should draw at least fifty percent (50%) of its employees from Vermont.

## **VI. ELIGIBLE USES OF FUNDS**

Applicants can use financing from CCVT to start, expand, or relocate their business except as may be restricted by funding sources. Allowed uses include but are not limited to:

1. Working capital to finance start-up and business expansion expenses including inventory, seasonal and/or short-term, accounts payable, accruals
2. Equipment (including vehicles)
3. Real estate acquisition and improvement
4. Refinancing of existing business debt

Ineligible uses include but are not limited to:

1. Personal expenses (i.e. expenses unrelated to the operations of the business)
2. Lobbying
3. Uses that are not part of the applicant's final business plan
4. Illegal purposes

## **VII. PORTFOLIO MIX**

In order to reduce risk in its portfolio resulting in concentrations of lending, CCVT has the following guidelines as a percentage of notes receivable:

- ❑ 10% to any one borrower
- ❑ 25% to any one business sector (food retailers, restaurants, retail, working landscape, hair salons, health & wellness, family & recreational, trades, property management, real estate/mortgage brokers, transportation, residential & commercial)
- ❑ 20% in any one municipality (as of 12/31/11, 12% of notes receivable were in Burlington)
- ❑ Within six months of the adoption of these policies, CCVT will establish a benchmark for loan-to-value risk (i.e. no more than 50% of loans shall have a LTV greater than 120%)

## **VIII. FEE AND INTEREST RATE SCHEDULE**

CCVT charges fees to cover processing costs, to assure the continuation of CCVT and to indicate the seriousness of the process. 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.

## A. Fees

Application	\$50	Non-refundable
Refinance and Note Modification	\$50	Non-refundable
Closing	Borrower is responsible for all applicable legal and loan closing expenses including UCC filings and discharge.	
Origination	1% of total loan. Fee may be financed. Fee for Job Start loans is limited to \$25.	
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.	

## B. 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.

Based on staff recommendation, a Loan Committee may reduce the interest rate on an existing loan by up to two percentage points if a borrower has made at least 18 months of on-time payments to CCVT and has a credit score of at least 650. A borrower's interest rate may not go below the then current floor rate, now at 7%. Borrowers will be charged a fee for the rate reduction of \$50 or 1/2 of 1% (0.005) of their loan balance whichever is greater.

The interest rate range and effective date shall be reflected in the Board of Directors' meeting minutes and posted on CCVT's website.

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 (Attachment A).

## IX. LOAN UNDERWRITING & ORIGINATION

CCVT uses a Credit Evaluation Grid and Credit Evaluation Score Sheet to assist with loan underwriting. Copies of these tools are provided in Attachment A.

- A. 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 loan scores at the “denial level” on the Credit Evaluation Grid Score Sheet or meets any one of the disqualifying factors identified on the Credit Evaluation Grid Narrative.

Documentation for denial at the staff level must include the Credit Evaluation Grid score sheet and a short narrative note of explanation documenting the categorical reasons for denial and the facts supporting that assessment. A Loan Action Form must be signed by the Loan Officer and counter-signed by the Executive Director detailing the reason for denial. The applicant will be notified of the denial via telephone within five (5) business days of the decision and in writing thereafter. Staff shall report on the denial to the appropriate Loan Committee (LC) at their next regularly-scheduled meeting.

- Loan Approvals: With authorization from the Board of Directors, loan requests can be approved by the Executive Director up to and including \$10,000 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 \$10,000. A Loan Action Form shall be prepared and signed by the Executive Director making the decision; the Form shall detail the terms of the approval and be filed with the original loan documents.
- Additionally, the Executive Director may:
  - 1) approve up to six months of interest only payments during the term of the Borrower’s loan (in addition to any interest only approved at the time of initial loan approval), extend the maturity date of a loan by 6 months
  - 2) clear the aging and delinquent payments to bring a borrower current as part of an approved workout plan, and
  - 3) waive insufficient funds fees (NSF Fees), late, and/or allonge fees.

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 making 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 Loan Policies of CCVT as adopted by the Board of Directors. All decisions made at the staff level shall be reported to the appropriate LC at their next meeting.

- B.** The LC is responsible for reviewing and deciding upon the following applicant and Borrower requests:
- Applicant requests for loans in amounts over \$10,000 and any request that would cause the Borrower's total loan or loans outstanding to exceed staff approval authority as described above.
  - 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:

- the prepared credit memo
- Credit evaluation grid score sheet
- Business plan, if required.

The LC members are encouraged to contact the appropriate CCVT Loan Officer in advance of the meeting if they have questions about the loan or need more information. LC members will be afforded access to the entire application file, before and/or during the meeting. The loan package will be considered at a regular or specially-held meeting of the LC without the presence of the applicant.

In all cases, whether the staff or the LC decide on the loan, the applicant will be notified via telephone within five (5) 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 the staff level are final.

### **C. Loan Documents**

The applicant and CCVT staff in conjunction with any participating lender(s) will execute legally binding loan documents to assure that the purposes of CCVT are followed and that the loan is adequately secured. The Executive Director has the authority to sign loan documents.

#### **i. Terms and Conditions**

The LC or staff in accordance with the authority provided above may impose terms and conditions on the making of any loan consistent with CCVT's policies and procedures. Prior to closing, CCVT shall execute a letter of commitment which shall detail closing requirements and other terms and conditions. All applicable municipal, state, and federal permits must be obtained prior to the loan closing. Once the Borrower has met all conditions of CCVT, delivered security instruments, and executed all documents required, funds will be disbursed.

#### **ii. Collateral and Security Instruments**

All loans will require, at a minimum, a lien against the business and the borrower's personal guarantee. This includes a security interest, to the extent deemed necessary, in business assets including machinery, equipment, inventory, contract rights including securities, trade names, accounts receivable and insurance policies now held or hereafter acquired. In addition, all furnishings or fixtures acquired from whatever source and affixed to real estate occupied by Borrower at the business location. 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.

### **iii. Insurance**

All Borrowers are required to 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, including – when appropriate – flood insurance. Borrowers operating a home-based business and approved for a total financing package of \$5,000 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 \$5,000, whichever occurs first.

The insurance policy(ies) shall contain a lender loss payee clause in the name of CCVT and when applicable a mortgagee clause in the name of CCVT. Borrowers shall submit evidence of insurance to CCVT. At the discretion of CCVT, Borrower may be required to have a policy for title insurance in no less than the sum of the full amount of the loan and the amounts of all mortgages, liens and other encumbrances having a higher priority than CCVT loan.

CCVT may require Key Person Life Insurance coverage in the amount of our loan.

### **iv. Compliance, Permits and Licenses**

At a minimum, Borrowers are required to provide 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.

### **v. Borrower Record Keeping and Reporting**

Borrower shall submit financial and operational reports to CCVT as CCVT may reasonably request, and CCVT shall have access to the records of the Borrower during normal business hours or as arranged in advance. Borrower's failure to provide such information as requested within designated time period and or the provision of information that appears to be inaccurate or incomplete, unless remedied within 15 days, shall constitute an event of default.

Borrowers shall document employment and other data as required by CCVT, 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. Borrower shall provide this data to CCVT on an annual basis or as otherwise required.

Applicants must guarantee 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 (LCs)**

There shall be two Loan Committees to review and decide upon loan applications and assist with ongoing portfolio management.

- One committee meets on or about the first of the month and the second committee meets on or about the fifteenth of the month.
- Loans are assigned to committees based on readiness rather than geography with the exception that a supplemental loan will be assigned to the committee that originally approved the loan.

### **A. Responsibilities of Loan Committees**

The LCs are standing committees of the Board of Directors of CCVT. The responsibilities of the LCs include:

1. Consider and act upon loan requests and Borrower requests for changes to loan terms and rates. Such consideration and action shall be made in a serious, fair, and equitable manner in accordance with the Loan Policies of Community Capital as adopted by the Board of Directors.
2. Attend all meetings of the LC prepared and, when unable to attend, notify Community Capital staff person as soon as possible.
3. Serve at the pleasure of the Board of Directors of Community Capital.
4. Participate in ongoing training activities.
5. Adhere to Community Capital's confidentiality and conflict of interest policy.
6. Participate in periodic review of the Loan Policies with other LC members.
7. Provide oversight of the portfolio of loans.
8. Assist in marketing Community Capital in members' region and refer opportunities for lending.

Generally, the LCs meet via conference calls. The LC shall not meet with applicants. Any questions that LC members have about an applicant or their application shall be addressed 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. The LCs will attempt to meet face-to-face at least once a year. The LCs shall schedule regular monthly meetings; should there be no application activity for that meeting, the meeting may be cancelled.

## **B. Membership**

### **1. Composition**

Each loan committee has five to eight members. Loan committee members are appointed by the board of directors. Each committee will have a chair and a co-chair one of whom is a board member.

Each committee shall seek to have at least one member from the four regions of the state (northeast, northwest, central and southern). When considering a loan request an effort will be made to have input from committee members from the borrower's region.

### **2. Terms**

Terms of LC members shall be indefinite.

### **3. 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.

### **4. Training**

Experience shows that the difference between successful and unsuccessful loan programs is often related to how clearly the LC understands the mission of CCVT and the committee's understanding of lending decisions, business finance, and the risks that CCVT is willing to 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.

### **5. Voting**

All decisions of the LC shall require a majority vote, a quorum being present. A quorum shall consist of a majority of the members making up the LC. A committee may "borrow" a member from another committee in order to achieve quorum.

### **6. Review of Policies**

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

## **XI. PORTFOLIO MANAGEMENT**

### **A. Risk Rating**

A risk rating system serves to accomplish the following:

- determining the appropriate corresponding reserve for each loan;
- understanding the level of risk in the overall portfolio; and
- framework for developing, evaluating, and refining underwriting standards.

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, that 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.

### **B. Credit Quality Committee**

The Credit Quality Committee (CQC) is a standing committee of the Board of Directors. In the absence of a functioning CQC, the Executive Committee of the Board shall assume the CQC responsibilities.

#### **1. 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 person as soon as possible
- c. Serve at the pleasure of the Board of Directors of CCVT
- d. Serve as an officer of the CQC and perform such requisite duties if so elected by the Committee
- e. Periodically review the Loan Policies in partnership with the LCs and recommend changes to the Board of Directors.
- f. Adhere to and uphold CCVT’s confidentiality policy.

**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.

**Officers:** Officers shall include a Chair and shall be appointed annually by the Board.

**Majority Vote:** All decisions of the CQC shall require a majority vote a quorum being present.

**Quorum:** A quorum shall consist of a majority of the members making up the CQC.

**Loan Policy Review:** The CQC may from time to time review these guidelines and recommend changes to the Board of Directors for adoption.

### **C. Procedures for Setting and Adjusting the Loan Loss Reserve**

The reserve shall be no less than 12% and no more than 20% of loans outstanding.

1. Loans will receive initial risk ratings by the LC at the time of loan approval based on the Loan Officer's underwriting.
2. On a quarterly bases staff will update the risk rating based on the Risk Rating Evaluation Chart (Attachment \_\_) and post the appropriate increase or decrease to CCVT's income statement. Staff shall 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.

### **D. Loan Loss**

Write-offs are at the discretion of the CQC upon recommendation from CCVT staff. A report of business issues and collection efforts surrounding the loan being written off will be presented to the CQC prior to the write-off and at the Board of Directors' meeting following the write-off.

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 according to the contractual terms of the loan documents as of the end of the period covered by the financial statement. 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.

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

Per CCVT's loan documents, the following – in summary and not limited to – are events of default:

- Community Capital's discovery of a material misrepresentation made by Borrower;
- Failure to punctually pay the Note and failure to punctually pay other loans for the business;
- 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 Community Capital; and
- Failure to perform as required by any document or agreement that secures or pertains to the loan.

## **B. Delinquent Loan Collection**

It is the intent of CCVT to have each business it finances succeed and to have all repayments 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, the appropriate CCVT staff person may work with technical assistance providers to intervene when Borrowers are delinquent in their payments. CCVT staff may work with these Borrowers to determine whether strategies such as forbearance will assist the Borrower to get back on track.

However, it is also the intent of CCVT to preserve its fiscal integrity to benefit future Borrowers. The following steps will be followed when a Borrower is late making their payments and when other agreed upon strategies do not achieve repayment or compliance with agreements. Circumstances may dictate that some or all of the following actions are not taken. These steps do not supersede or nullify the default/remedy provisions made in Borrower's loan documents; failure to strictly follow the procedures listed below will not forfeit CCVT's rights as agreed in those documents.

- Fifteen days after scheduled payments are to be received, CCVT staff will identify all Borrowers who have not paid that month's installment. Efforts will be made to contact each delinquent Borrower by telephone. Borrowers will be charged a late fee of 5% of the installment due at that time. CCVT staff will send a late payment notice to the Borrower stating that the late payment and assessed late fee are due. Additional calls will be made as needed to follow up on promises to pay or special/partial payment agreements. All special/partial payment agreements will be put in writing and signed by the Borrower and CCVT.
- If payment is not received by the start of next month's payment cycle (30 days past due) CCVT staff will prepare and send a collection letter. This letter will review the situation with the delinquent Borrower, outline actions that could be taken by CCVT and strenuously request both the late payment and the assessed late fee due within two weeks. The loan will be reported to the credit bureau as 'delinquent' after 30 days have elapsed since the scheduled payment due date.
- If the loan continues to be delinquent with two installments past due (60 days) CCVT staff will make a phone call to the Borrower, with a follow up letter demanding the past due amount and stating intent to proceed with collection and legal proceedings with intent to exercise security agreement options. A workout arrangement may be agreed upon between the Borrower and CCVT, at the discretion of CCVT. All workout proposals will be made in writing, signed by the Borrower, and submitted to CCVT for further review and action. At this point collection options will be considered and collateral value and repayment potential will be evaluated.
- If the loan continues to be delinquent with three installments past due (90 days), without payment, CCVT staff 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 the exercise its rights as described in the loan documents.

Subsequent actions include reporting to credit agencies, submission of the loan to a collection agency, or filing a lawsuit. Repossession of collateral determined to be of worth will be considered in all cases. CCVT may pursue legal action/advice to collect or liquidate the delinquent loan.

After all reasonable efforts to collect have been exhausted, and based on advice from legal counsel, CCVT may pursue its claim in small claims or superior court.

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

#### **A. 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 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.

#### **B. 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**

Community Capital of Vermont is a statewide small business and microenterprise lender serving low and moderate income entrepreneurs. CCVT specializes in providing loans to business owners who lack the collateral or credit history to qualify for traditional bank loans. Founded in 1995, Community Capital helps Vermonters create and retain jobs, build wealth, and enhance our downtowns and working landscape. In addition to managing its own loan funds, Community Capital administers the Vermont Job Start initiative to invest in lower income entrepreneurs and create jobs (collectively herein, Fund).

No real or apparent conflict of interest shall be engaged in by any official, employees or agent of CCVT.

All employees of the CCVT are expressly prohibited from accepting any favors or engaging in any business or personal transactions or receive any benefit that might impair their independence and judgment concerning their positions with the CCVT. No employee of the CCVT shall use his/her employment with CCVT to obtain any advantage in receiving a loan from the Fund.

No employee of the CCVT who exercises any function or responsibility in connection with the awarding of loans from the Fund during his/her time of employment and for one year thereafter, shall have any interest, direct or indirect, in any business enterprise or person who receives money or other benefit from the Fund.

No employee of the CCVT shall participate in the award of money from the Fund to an applicant business if the applicant is related to the employee as follows: father, mother, spouse, natural born child(ren), step-child(ren), adopted child(ren), aunt, uncle, niece, nephew, or grandparent. In such instance, the employee must recuse him/her self from the process and the Executive Director or Board President shall appoint a substitute for the conflicted employee.

Employees must report conflicts of interest, or possible conflict of interest, to the Executive Director or Board President for a determination of the appropriate action as may be required by the CCVT.

Failure of an employee to disclose a conflict or potential conflict of interest or to resolve a conflict of interest as required by this policy shall result in disciplinary action up to and including termination at the discretion of the employee's supervisor.

The conflict provision provided by this policy shall also apply to a member of the Board of Directors and any loan review committee or other advisory committee established by the CCVT in connection with the Fund. For example, a committee member shall abstain from participation in the process of the award of money from the Fund to a family member, as defined herein. In addition, any committee member who is employed by a financial institution providing additional financing to the applicant shall recuse him/her self from the decision whether to award money from the Fund.

#### **XV. CONFIDENTIALITY POLICY**

Governing Board and RLC members shall be expected to conform to a strict standard of confidentiality in all matters pertaining to information provided by or provided 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 and Committee members who violate confidentiality shall be subject to dismissal.

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Amended: January 13, 2005  
Amended: May 12, 2005  
Amended: March 9, 2006  
Amended: February 8, 2007  
Amended: April 26, 2007

Amended: September 13, 2007  
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