

Key Loan Decision Factors

At the Vermont Community Loan Fund, we aim to be flexible and operate without strict requirements like a minimum credit score. At the same time, we aim to be transparent about how decisions are made. We look at several key factors when deciding whether to make a loan:

1. Business Strategy

The business strategy is reasonable and achievable. There is a market for the product/service and there is a plan to meet revenue goals while containing costs.

2. Team Capacity

Key team members (for example, owners, board, staff or consultants) have the skillset, knowledge, adaptability and experience that indicates they can be successful. There is a specific emphasis on industry and managerial experience.

3. Loan Benefit

The proposed use of funds will have a tangible benefit to the profitability or sustainability of the business or organization.

4. Other Sources of Funding

There are other sources of funding for the project, including sweat equity, applicant contributions, crowdfunding, grants or loans, that will increase the chance of success.

5. Credit Story

The business owner(s) credit history demonstrates the ability to pay prior debt obligations. Certain types of debt, like medical or student debt, are not weighted as heavily as secured debt.

6. Financial Capacity of Applicant

An applicant's personal financial situation or past income indicates an alternative path to repayment if the business is not successful. We look at existing debt compared to income. We consider any credit enhancements (like third-party loan guarantees). For nonprofit organizations, the organization's financial health is strong (e.g., balance sheet, unrestricted revenue, reserves).

7. Loan Repayment

Financial projections and/or historical results indicate a business's ability to pay operating expenses, make loan payments, and, if applicable, allow an owners' draw. If the loan is a bridge loan or construction loan, then we will look at the status of funds that will pay back the loan (e.g., pending, committed).

8. Collateral

There is collateral available that offers a path to repayment if the business is not successful.