

# **Partnership with Kiva Microlending Program**

**GUIDELINES**  
**March, 2023**

**1.0 INTRODUCTION**

In response to the ongoing hardships related to the extensive economic and social impacts resulting from the COVID-19 pandemic, the City of Burlington is launching the Kiva Microlending Program (KMP), in partnership with Kiva, using \$84,500 of American Rescue Plan Act (ARPA) funds.

The primary objective of the KMP is to support locally-owned businesses and industries that were impacted or disproportionately impacted by the Covid-19 pandemic, especially black, indigenous, and people of color (BIPOC) and other underserved businesses (defined as those owned by women, LGBTQA+, veterans, and persons with disabilities). The KMP will provide much needed access to no-interest capital designed to stimulate small business growth and help Burlington's unbanked populations to start and grow their businesses. This loan fund is not intended for businesses who can access traditional capital.

Loans will range in size from \$1,000 to \$15,000, and applicants must use these funds for work within the City of Burlington.

Applications will be accepted on a rolling basis until the funds are depleted. Loan repayments will revolve and be loaned out to new borrowers throughout the length of the partnership with Kiva.

**For any and all questions and concerns, please reach out to the Business and Workforce Development Department at [business@burlingtonvt.gov](mailto:business@burlingtonvt.gov).**

**2.0 PROGRAM REQUIREMENTS**

**2.1 ELIGIBILITY AND TERMS**

Eligible businesses may be awarded funds from \$1,000 to \$15,000.

**i. ELIGIBLE APPLICANTS**

- Locally-owned businesses that are located in the City of Burlington. This is defined as a brick-and-mortar business in Burlington, a home-based business in Burlington, or businesses that operates in Burlington for the majority of the year (whether a business qualifies as a Burlington business will be determined by the loan review committee).
- Eligible applicant must be a registered business with the State of Vermont.
- Applicants must be current on taxes and terms of existing City financial assistance.

**ii. INELIGIBLE APPLICANTS**

- Individuals, non-profits, government entities, and national brands
- Businesses located outside the City of Burlington
- Businesses not registered with the State of Vermont

- Businesses involved in the industries of firearms or cannabis, liquor stores, and smoke shops

### **iii. TERMS**

- Maximum request: \$15,000
- Minimum request: \$1,000

### **iv. FEES**

- Application Fee: NONE

### **v. RATES**

- Interest Rate: 0%

### **vi. TERMS**

- Loan Term – 12 to 36 months

## **2.2 PROGRAM SERVICE AREA**

Financing under this Program is available to eligible businesses located within the City of Burlington jurisdictional boundaries.

## **2.3 FUNDING SOURCE**

The KMP is funded through American Rescue Plan Act (ARPA) funds provided to the City of Burlington through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF).

## **2.4 ELIGIBLE USE OF FUNDS**

Loan funds may be used on the following eligible costs:

- Loans from the KMP may be used for working capital, inventory, equipment, rent, furniture, and fixtures. A loan may not be used to refinance existing debt.
- A loan may be used for rent but not for back rent.
- A loan from the KMP may not be used to refinance existing debt.

## **2.5 INELIGIBLE USE OF FUNDS**

Funds under this Program may not be used to:

- Loans from the KMP may not be used to reimburse expenses incurred prior to applicant approval of loan
- A loan may not be used to pay off debt of any kind held by the business
- Loans may not be used to support national brands
- A loan may not be used to support businesses involved in the industries of firearms and cannabis or liquor stores and smoke shops.

### 3.0 PARTNERSHIP DETAILS

#### 3.1 PARTNERSHIP WITH CITY OF BURLINGTON AND KIVA

Kiva aims to support the power and agency of historically excluded individuals and provide them with an opportunity to improve their lives with access to capital. Kiva's position in the microfinance lending market is a first step on the capital ladder, providing critical access to financing for many communities. Kiva uses an inclusive, community-based underwriting process whereby credit worthiness is primarily measured by social capital. Rather than focus on exclusionary criteria or passing on predatory rates, Kiva manages risk with "social underwriting" based on a borrower's character and community ecosystem. With over an 80% repayment rate, Kiva continues to prove that this innovative approach can increase access while sustaining capital.

#### 3.2 MANAGED LENDING DETAILS

When partnering with Kiva, the City of Burlington can serve local borrowers and run many multi-year campaigns with a single investment. A managed lending fund is a revolving loan fund where the City of Burlington can deploy capital directly to borrowers. When borrowers repay their loans, the funds return back to our community account. These funds can then be recycled for future campaigns, ultimately doubling or tripling the impact of the fund by the end of our partner term. Benefits to becoming a Managed Lending Partner include:

- **Proven turnkey model:** Launch a robust and customizable partnership model to unlock immediate and scalable impact using Kiva's easy-to-use platform.
- **Lending Optionality:** Match loans from lenders to US borrowers that reflect your geographic and/or philanthropic interests at the rate you want (1:1 up to 9:1)
- **Repeat Lending:** Invest once, and run multiple managed lending campaigns. When loans are repaid, they return to the City of Burlington account to be loaned to another eligible business.
- **Measurable Impact:** Access to detailed reporting and analytics at the borrower level

#### 3.3 CITY OF BURLINGTON SERVING AS A KIVA TRUSTEE

Kiva trustees are partner organizations invested in economic development in their community. Kiva trustees are often already providing wrap-around services to small business owners in their community, and use their relationships to source entrepreneurs who they believe would benefit from Kiva's capital and publicly vouch for them as borrowers on the Kiva website through endorsements. As a trustee partner to Kiva, the City of Burlington would take an active role in the borrow experience and contribute to Kiva's "Social Underwriting" assessment of borrower applications.

## **4.0 PROGRAM DETAILS**

### **4.1 APPLICATION AND LENDING PROCESS**

Loans through Kiva follow the steps listed below. Prior to starting an application, we request that you meet with the team at the Business and Workforce Development (BWD) Department. BWD will assist you in crafting a compelling story for your loan application for Kiva.

- Step 1: Meet with the BWD team to discuss the process and craft your Kiva application.
- Step 2: Apply for the loan on the Kiva website including personal and financial information with a brief business pitch (approximately 2+ hours).
- Step 3: Kiva reviews and underwrites your application (about 2 weeks).
- Step 4: Fundraise privately to achieve 5+ loans of \$25 each or more from your community. This step shows Kiva that you have the community's support (15 days).
- Step 5: Fundraise publicly leveraging the entire Kiva international network to reach your full loan amount (30 days).
- Step 6: 30 days after receiving funding, start repaying your 0% interest loan. Terms can be 12 to 36 months.
- Step 7: Complete your loan repayment, and allow others in your community to benefit from the revolving loan.

### **4.2 REQUIRED APPLICATION DOCUMENTS**

- Completed Kiva Loan Application (Personal Story, Business Description, Loan Purpose, and Kiva Profile)
- Proof of Vermont business registration

### **4.3 PROGRAM ADMINISTRATION**

The City of Burlington will:

- Assist potential borrowers with the Kiva application process
- Market the loan program with targeted promotion to BIPOC and other underserved communities
- Maintain agreement documents and fiscal records
- Assist Kiva with the 'Social Underwriting' process

Kiva will:

- Review applications within 10 business days, and underwrite micro loans using their 'social underwriting' criteria
- Market the loan program with targeted promotion to BIPOC and underserved businesses
- Ensure timely disbursement of funds and collection of loan payments from borrowers
- Leverage additional funds through their extensive network of partners, donors, and individuals

#### **4.4 TERMS AND CONDITIONS**

The Kiva Microlending Program is designed to provide access to capital to underserved Burlington businesses, allowing them to grow their business and increase their revenue-generating opportunity, and to respond to economic impacts of the COVID-19 pandemic. Terms and conditions are determined by material submitted in borrower's application.

- Loan – the funding is in the form of a 0% interest loan.
- Businesses must provide a detailed description of their planned use of funds including:
  - A detailed budget explaining how funds will be used
  - The time period in which the funds will be spent
- Amount – up to \$15,000 in loan funds per applicant
- Non-refundable Application Fee –application fee waived at this time.

### **5.0 PROGRAM OPERATIONS AND GRANT PROCESSING**

#### **5.1 PROGRAM MARKETING AND OUTREACH**

Program marketing will be conducted by Kiva, the City of Burlington, and partners, and will affirmatively target organizations that provide services to BIPOC and other underserved community members. Marketing will also include media coverage with ads in local papers, social media, Front Porch Forum, newsletters, and direct outreach.

#### **5.2 EQUAL OPPORTUNITY COMPLIANCE**

The KMP will be implemented in ways consistent with the City's commitment to State and Federal equal opportunity laws. No organization shall be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with these funds on the basis of his or her religion, religious affiliation, age, race, color, ancestry, national origin, sex, marital status, familial status (number or ages of children), physical or mental disability, sexual orientation, or other arbitrary cause.

### **5.3 APPLICANT CONFIDENTIALITY**

All personal and financial information will be kept confidential to the extent permitted by law.

### **5.4 EXCEPTIONS / SPECIAL CIRCUMSTANCES**

The City reserves the right, at its sole discretion, to deviate from policies and procedures in extenuating or special circumstances and when financial hardship has been documented. A request for exception to program guidelines shall be submitted to staff in writing by applicant. Exceptions are defined as any action which would depart from policy and procedures stated in the guidelines.

### **5.5 LOAN CLOSING PROCESS**

Upon successful completion of the Kiva application process and approval by the Kiva Team, loan funds will quickly be disbursed using PayPal, at no cost to the borrower. At this point, repayment by the borrower will be monthly, based upon the agreed upon amortization schedule determined at loan closing. Repayments will revolve and be loaned out to future borrowers for the duration of the partnership.