



Little Hogback Community Forest, LLC

Deferred Loan

Vermont Family Forests will set up a revolving loan fund to help seven community members buy shares.

- The amount of the loan will be 50% of the price of a share.
- The amount to be repaid will be 50% of the price of a share at the time of repayment (calculated as forest value plus the proportional share of the Management Reserve Fund).
- The loan must be repaid at the time of sale or transfer of the share.
- The loan may be repaid in full at any point.

To be eligible, the applicant's household income must be less than the county median (\$59,600) at the time of application. The National Bank of Middlebury will verify incomes and forward a list of eligible applicants. If there are more applicants than loans, names will be chosen through a lottery.

The member would have full rights and responsibilities of one share: voting, firewood, recreation, and distributions.

Sale or transfer of a share subject to a deferred loan:

- Before selling or transferring a share, the loan must be repaid. The amount to be repaid would be 50% of the value of the share at the time of repayment.
- Before selling the share to anyone other than a family member, VFF has a right to purchase the share at the amount calculated above.
- The share may be sold to a family member without first offering it to VFF.

Example:

Assume a share originally costs \$2850 and the deferred loan is for 50% of this value, or \$1425. The member commits \$1425 and enjoys all the benefits of a full share.

In ten years the member wants to sell the share. The calculated value of the share is \$3800, so the amount to be repaid is 50%, or \$1900. Before selling the share, the loan must be repaid and VFF must be given the right to buy the share back at \$3800.

There are several possibilities.

- If VFF exercises its option, the member pays VFF \$1900 and VFF pays the member \$3800. The net result is that the member receives \$1900.
- If the member chooses to sell the share to a family member or an income-qualified community member, VFF may simultaneously grant a loan to the buyer. The member pays VFF \$1900; VFF loans the buyer \$1900; the buyer pays the member \$3800. The net result is that the member receives \$1900.
- If VFF does not exercise its right to purchase the share, the member must repay the loan before selling the share.

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