

Working Wheels: A Seattle Success Story

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"I am a responsible working mother who wants only to provide the best means of life for my daughter. She deserves the opportunities that I, myself, did not have..." wrote Keisha, a single mom of a one-year old daughter, on her Working Wheels application.

Keisha, a former welfare recipient, landed a job as an office coordinator. Like many Working Wheels clients, she lives in a section of King County where the rents are lower, but where good jobs are scarce. Keisha had a two-hour commute to work by bus. She was often late to work in the morning and had trouble getting to her daycare center on time to pick up her daughter. As other working parents know, tardiness in picking up a child from daycare results in additional fees, which Keisha could ill afford. She also had an opportunity for a promotion--training staff in other offices on the use of a new database--but needed her own car to take advantage of that opportunity. Keisha, like many low-income working parents, was not eligible for a used car loan from a bank or a credit union because her credit score was too low. Through Working Wheels, Keisha was able to improve her credit and purchase a car.

Poor credit or lack of a credit history drives many low-income people to the only resource available to them if they want to purchase a car--predatory lenders. By selling reliable and affordable used cars to low-income workers and helping them qualify for the loans they need to purchase them, car ownership programs like Working Wheels offer new options (www.working-wheels.org). Since opening for business in May 2002, Working Wheels has sold 75 cars to qualified purchasers.

The Sketch of an Idea

Port Jobs, a Seattle area nonprofit organization that is closely associated with the Port of Seattle, created Working Wheels. Focused primarily on creating employment opportunities for economically disadvantaged residents, Port Jobs takes on complex problems and works with community organizations, employers and other stakeholders to craft effective solutions (www.portjobs.org). The impetus for Working Wheels grew out of a discussion with the coordinator of Port Jobs' Apprenticeship Opportunities Project, who reported that she had a number of clients that were otherwise qualified to enter union apprenticeships, but couldn't because they lacked one critical tool to getting and keeping those jobs--their own automobiles. In a field where the jobsite changes every few months, and where the worker has to carry his own tools, the bus just does not work (www.portjobs.org).

What Does the Research Say About Car Ownership?

- People who own cars are more likely to be employed and to work more hours than those who do not own cars.
- Access to a car shortens periods of unemployment.
- Car ownership = increased earnings, especially for African Americans and low-skilled workers.
- Welfare recipients who received cars through one car ownership program increased their earnings and reduced their dependence on public support payments.

In 1999, Port Jobs began the research that ultimately led to the creation of Working Wheels. The research consisted of a nationwide study of best practices in low-income car ownership programs, a literature search, and several community forums that Port Jobs convened with the help of the University of Washington and the city of Seattle. The director of WorkFirst, Washington's welfare-to-work program, attended these forums and concluded that a car ownership program could fill a critical gap for welfare-to-work clients. WorkFirst has contributed financial support for both the creation and operation of Working Wheels.

The Blueprint for the Model

When Port Jobs conducted its initial research on low-income car ownership programs in 1999, only a handful of such programs existed. However, new programs have emerged every year since

then. At last count, more than 50 such programs were operating across the country. Some programs sell or give away reconditioned used cars donated by the public, others are solely loan programs, and still others offer free or cheap car repair.¹ From this research, Port Jobs was able to distill a set of best practices that have been combined with program elements unique to Working Wheels. Following are some of the key features that make the Working Wheels program a success:

Program Operator

Port Jobs contracted with Fremont Public Association (FPA), King County's largest community development corporation, to operate Working Wheels. FPA was an ideal choice for a partner because it operates both a financial literacy program and a garage. FPA was also reputed to be an honest broker. This was an important selection factor to Port Jobs because a large network of organizations refers clients to Working Wheels (www.fremontpublic.org).

Vehicles Inventory

Most of the cars used in the Working Wheels program are retired fleet vehicles. These cars are newer, have lower mileage and have received more consistent maintenance than the donated cars upon which most other car programs rely. The city of Seattle has agreed to donate 50 retired fleet vehicles to Working Wheels each year. Working Wheels has also purchased additional vehicles from the city at cost.

Training and Support Services

Working Wheels clients receive basic auto maintenance instruction, financial literacy training and if needed, credit repair assistance. Working Wheels also helps pay for auto insurance during the early part of the loan term, when needed.

Financing

Car loans for Working Wheels' clients are made through a mainstream financial institution, Credit Union of the Pacific (CUP). Working Wheels sells its vehicles for about \$1,500, which is equal to half or more of the retail value of the vehicles. In other words, LTV is less than 50%. The loan term is three years and no down payment is required. At an APR of 7%, loan payments are around \$50 per month. Borrowers can choose to have their loan payments made through automatic payment from their checking accounts, but it is not required. Due to the already low interest rate that is charged to Working Wheels borrowers, they do not receive a further reduction if they choose automatic payment.

Loan Guarantee Fund

The Federal Home Loan Bank of Seattle provided a recoverable grant to CUP through the Bank's Access grant program. Loans to Working Wheels customers are guaranteed through this grant. At the end of the six-year grant period, the bank can either recover the unused funds or extend the grant period.

Setting Working Wheels in Motion

Port Jobs designed Working Wheels to be a gateway to asset building for low-income working families. First, Working Wheels gives them access to reliable, affordable used cars. Second, Working Wheels connects these families to mainstream financial services and helps them build credit and make wise financial choices. Third, the program makes credit and banking services available to an underserved segment of the community that is targeted by predatory and payday lenders. Several Seattle-area financial institutions that share this vision helped make Working Wheels a reality. Some, like Cascadia Revolving Loan Fund and Pacific Northwest Bank (PNWB), continue to furnish vital technical assistance to the program. PNWB continues to play an invaluable role in refining the Working Wheels model and taking it to scale, and is currently helping Port Jobs raise additional loan guarantee funds so that Working Wheels can serve more people.

"Working Wheels is an important first step to help people working in low-wage jobs move up so that they can become homeowners some day," explained Judy Dailey, vice president for community research and development at the Federal Home Loan Bank of Seattle, when asked about the FHLB's role in funding

loan guarantees for Working Wheels. Beyond the grant, the FHLB, through Ms. Dailey, was also instrumental in identifying a lender willing to operate the loan program and in arranging an introduction with that lender, Credit Union of the Pacific.

CUP, which has significant experience making car loans and other consumer loans to its members, assigned an experienced loan officer to the Working Wheels program. Together, staff from both organizations developed a screening and referral protocol for loans coming to the credit union from Working Wheels. Based on this protocol, Working Wheels pre-packages the loan applications and presents them to the loan officer for consideration. After a quick review, CUP underwrites, processes and closes the loan.

Working Wheels reaches people who do not qualify for conventional bank financing. CUP has set a minimum credit score of 550 for Working Wheels borrowers who have credit histories, but makes occasional exceptions after conferring with the Working Wheels program manager. Working Wheels also serves customers who do not have credit histories. Nearly half of Working Wheels customers, many of them immigrants, fall into this category. Once they get their loans, Working Wheels clients join the credit union and open savings accounts. As they develop a history of timely payments, CUP offers them access to additional credit union services such as low-cost checking accounts and bankcards. When asked about CUP's experience with the Working Wheels program, CUP president Laurie Stewart replied: "Working Wheels has given us an opportunity to provide banking services to folks who had been unbanked. So far, we've had zero delinquencies. Every account is performing and we're now providing additional banking services to Working Wheels customers. We believe that these customers have been doing so well because Working Wheels helps create responsible car owners."

For More Information

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¹Office of Port Jobs, Working Wheels Update: Car Ownership Program Practices Nationwide: October 2001 [www.portjobs.org/resources/research/working_wheels_update.htm].

Biographies

Judith Olsen is the vice president and CRA officer for Pacific Northwest Bank, head quartered in Seattle, Washington. Pacific Northwest Bank was purchased by Wells Fargo Bank in October of 2003. PNWB operates 58 financial centers in the Pacific Northwest, including the metropolitan areas of Seattle and Bellevue, and Portland, Oregon. Judith brought 25 years of banking and investment experience with her when she joined Pacific Northwest Bank 5 years ago. She is active on many boards, including the Washington Community Reinvestment Association, where she chairs membership development; Impact Capital; the Opportunity Council where she serves as treasurer; Port Jobs; and the Advisory Board for the University of Washington Business School, Business & Economic Development Program. Judith is a graduate of the Pacific Coast Banking School at the University of Washington.

Susan Crane is the executive director of Port Jobs, a Seattle area nonprofit focused on connecting low-income community members to career opportunities. Port Jobs conducts research on employment issues and develops innovative programs that respond to community-wide needs in this area. Current Port Jobs programs include the Apprenticeship Opportunities Project, Airport Jobs- an airport wide employment center at SeaTac International Airport, and Working Wheels, Port Jobs newest program. Susan has 26 years of experience in public service. She came to Port Jobs in 1997 after 10 years of service to the Seattle City Council as a policy analyst. Before that, she worked for several area nonprofits that aid victims of sexual and domestic violence. Susan is the public member of the Washington State Apprenticeship and Training Council. She has a master's degree in public administration from Seattle University and is a graduate of Harvard University's Kennedy School program for senior executives in state and local government.

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www.frbsf.org/community/index.html

TechnoSave

Individual Development Accounts (IDAs) are an asset building strategy that incorporate matched savings accounts, specific savings goals, and financial education. Nehemiah Gateway Community Development Corporation (NGCDC) offers IDAs that match 1:1 up to \$1,500 for long term investments in home ownership, post secondary education and small business development. In addition to these long term savings accounts, this year NGCDC pioneered a new short term IDA program in the fall of 2002, called TechnoSave that matches the savings of account holders 1:1, (\$175: \$175) whose goal is to save for and invest in a home computer.

The computers offered through this program are refurbished PC desktops, as described below. They are available through the National Urban League via NGCDC's partnership with the local Metropolitan Wilmington Urban League and PerScholas, a non-profit computer recycling organization in New York.

Computer Description

Internet Ready, Reconditioned Desktop Computers: \$350.00 includes delivery. Features Include:

Pentium II with 128 MB RAM CD-ROM Drive 56 kbps V.90 fax/data Modem Cables Windows 2000 AOL 45-days of unlimited access Office 97 Pro Suite Includes: Word, Excel, Outlook, Access & Powerpoint	3.5" 1.44 Floppy Drive Sound Card and Speakers New Key Board & Mouse Refurbished 15" Color Monitor One Year Warranty Toll-Free Help Desk
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TechnoSave Program Goals:

TechnoSave has multiple goals:

1. To bridge the digital divide by making technology affordable and accessible to residents of low income minority communities
2. To promote and encourage savings by offering computers as an incentive to motivate low income workers to establish savings accounts and develop new savings goals
3. To promote financial literacy by making financial education a condition of the match for the computers
4. To develop new relationships with other faith based organizations that revolve around financial literacy, asset building, and technology.

Program Strategy

TechnoSave operates as follows:

- **Target Market:** TechnoSave serves participants whose income does not exceed 80% of New Castle County median income. For this program, they open a savings account at a local retail bank of their choice.

- **Savings Goal:** The savings goal for each account holder is \$250.00 and may be reached in 4 – 12 months. This time frame permits participants to save as much as \$50 per month or as little as \$20 per month according to their budget.
- **Financial Literacy Component:** During the savings period, participants take 4 to 10 financial literacy workshops in NGCDC's Power Up Technology Center. This year the First USA's web based My Money Matters was used for financial education. However, since First USA discontinued the My Money Matters website, NGCDC has switched to a classroom model of training using FDIC's Money Smart curriculum.
- **Computer Set Up Training:** All participants attend one workshop on computer set up. A sample computer identical to those available through the program is located at the Power Up Center. Staff will review the process on how to set up the computer at home, since computers will be delivered directly to accountholders at their residence.
- **Investment Requirement:** When savers reach their savings goal of \$250, they may withdraw \$150 of their savings to invest in an internet-ready, reconditioned desktop computer delivered to their door (see full feature description above). Although the saver's investment in the computer is only \$175, by saving \$250, participants will not deplete their savings account as they invest in their asset goal. Hopefully, this will motivate continued savings, financial planning, and investment strategies.
- **Match Amount:** The program will provide the investor with a 1:1 match of \$175 for a total of \$350. The Metropolitan Wilmington Urban League obtains the systems for the program through its national affiliation. The \$350 will cover the product and shipping costs of a fully loaded computer as described above.
- **Additional investments:** Savers may invest more of their own savings to purchase additional peripherals for the computer including a color inkjet printer for \$65, a refurbished 17" monitor for \$25, and/or an additional 128 MB Memory. Participants will be encouraged to continue saving regularly. When they complete the TechnoSave Program they will also be invited to continue saving and investing through NGCDC's IDA program for home ownership, post secondary education or small business development if they meet eligibility requirements.

This program is important because it promotes and reinforces several important issues that help families to become economically self-sufficient: 1) regular savings, 2) computer literacy, 3) financial literacy and financial planning.

Over the past 18 months, 130 TechnoSave accounts have been established. Based on current results, NGCDC has observed that TechnoSave is an excellent entry point for long-term IDA savers, financial education students, and computer literacy.

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Ways to Work

Ways to Work is a national model loan program that started in 1984 to provide access to credit to low-income workers for automobile purchase or repair, mortgage or housing expense, childcare, and other purposes. Since then, Ways to Work has expanded its operations into 38 communities in 21 states and has loaned \$24,870,594 to 18,874 low-income parents to help them stay on the job or in school. The Nehemiah Gateway Community Development Corporation (NGCDC) is bringing Ways to Work to Delaware to address the need for personal transportation among the working poor. Unfortunately, Delaware has an extremely limited public transportation system with service ending by 10 pm on weekday evenings, curtailed on Saturdays, and non-existent on Sundays. This handicap eliminates many job possibilities on second and third shifts or in the suburbs, where the opportunities are greatest, for low-wage workers. This scenario is not unique to Delaware. The overwhelming need for transportation among the working poor is demonstrated by over ninety per cent of the Ways to Work borrowers in programs nationwide who have requested loans up to \$4,000 to help them buy or repair a used car.

The Need

The US Department of Transportation reports that low-income families often live in neighborhoods without convenient public transportation, while two-thirds of new jobs are created in the suburbs, where low-income families cannot afford to live. Federal statistics also show that 94% of families on welfare do not own or have access to cars. As welfare reform has been implemented across the nation, an increasing number of independent studies highlight the critical role that car ownership plays in the successful transition from welfare to work (Brown, Buck & Skinner, 1998; Ong, 1996; Waller & Hughes, 1999). Other studies show that access to a car shortens periods of unemployment and increases earnings, especially for low income workers. Car ownership is also shown to increase wages more for African American workers than for white workers (Holzer, 1994).

As Transportation Secretary Rodney Slater said at the Department of Transportation and Welfare to Work Partnership's Transportation Summit in September of 1998, featuring Ways to Work's loan program, "Transportation is the 'to' in 'Welfare-to-Work.'" The lack of such resources for a low-income family can mean giving up a job or discontinuing their formal education, trapping them in a cycle of dependence upon public assistance programs and preventing their economic self-sufficiency.

Lending through Ways to Work

The Nehemiah Gateway Community Development Corporation will partner with a local financial institution that will make and service at least 60 – 80 loans per year. NGCDC will secure the loans 100% with two significant investments on deposit with the lender. The first investment of \$30,000 will be the primary loan loss reserve. The second investment of \$300,000 will be the secondary loan loss reserve. Bad debt will be completely covered by these reserves, eliminating any exposure for the lender. However, traditional collection procedures will be implemented by both the bank and the program, including repossession of the car, small claims court, and credit reporting. On the other hand, successful repayment will help borrowers to build a credit history.

The Ways to Work loan program plays the important role of facilitating relationships between mainstream financial services and the working poor which is a win/win arrangement for both the

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borrower and the lender. The borrower builds a credit history, develops an important relationship with a financial institution, and most importantly, is able to obtain legitimate auto financing. The lender is able to cultivate a new customer who would not have been a likely prospect without the support of Ways to Work.

Lending criteria are as follows:

- Borrowers must be working parents with incomes at or below 80% of New Castle County median income
- Borrowers must complete a money management course and a workshop on car maintenance prior to receiving the loan
- The loan use must be to help the borrower to stay in work or at school and
- The maximum loan term is 24 months.

How it Works

The Program Director works one-on-one with each borrower to assist in the application process. Upon completion of the money management and car maintenance trainings, the program director presents the loan application to the Ways to Work loan committee who will decide on the loan. The Loan Committee will be formed by NGCDC and will be composed of key stakeholders in lending, community development, and social services. The lender will cut the check and formalize the loan with a promissory note. The Program Director will follow up with the lender daily to review the status of the portfolio and will check in with each borrower quarterly to review their progress unless non-payment requires more intensive contact. Borrowers may make monthly payments directly from their savings accounts that will be opened with the lender.

Program Partners

Currently, NGCDC has successfully established a relationship with the National Ways To Work, Inc., a nationally certified Community Development Financial Institution, who is committed to the partnership in Delaware. In addition, NGCDC has secured commitments of support from two local financial institutions to cover basic program operations for a three year period and the first line of defense in the loan loss reserve. The second line of defense will be loss reserve capital borrowed from Ways to Work National.

Goals

Over three years, NGCDC will make at least 200 loans worth \$400,000.

Putting National Lessons Learned to Work in Delaware

In order to put together the most effective Ways to Work program to support Delaware workers, NGCDC has conducted extensive national research regarding best practices in transportation programs. Several insights have emerged from these efforts which will be integrated into the Delaware program if possible.

1. Loan terms beyond 24 months are not realistic for the purchase of a used car. By keeping loan amounts under \$4,000, the monthly payments can be managed on a low-income budget.
2. While intensive financial literacy and case management are key to creating successful borrowers, training on car maintenance is also important to help borrowers become successful car owners.

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3. The used car business is known for loan sharks and rip-offs. NGCDC is looking for ethical used car dealers who can offer a one year warranty to buyers. Currently two sources are being cultivated, one with a national dealer, who will offer rebates and quality guarantees on the vehicles.