

Community Investments Vol. 15, Issue 1 Working Wheels: A Seattle Success Story

Author(s): Susan Crane, Executive Director, Port Jobs; and Judith Olsen, VP and CRA Officer, Pacific Northwest Bank
April 2003



"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.

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*

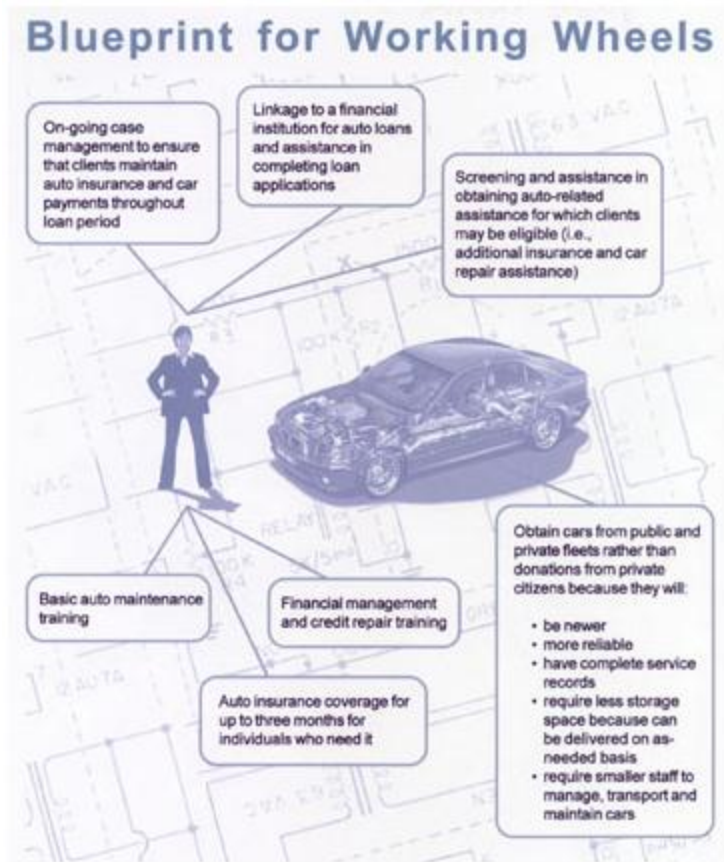
Working Wheels clients receive basic auto maintenance instruction, financial literacy training and if needed, credit repair assistance. Working Wheels also helps pay for auto insurance during the early part of the loan term, when needed.

- *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.



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

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."

¹ Office of Port Jobs, *Working Wheels Update: Car Ownership Program Practices Nationwide*: October 2001

[http://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 operates 58 financial centers in the Pacific Northwest, including the metropolitan areas of Seattle and Bellevue, Washington and Portland, Oregon.

Judith brought 25 years of banking and investment experience with her when she joined Pacific Northwest Bank five years ago. She is active on many boards, including the Washington Community Reinvestment Association, where she chairs membership development; Impact Capital, where she serves as secretary; and the Opportunity Council where she serves as treasurer. Judith is a graduate of the Pacific Coast Banking School--the premier graduate school of banking--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 masters 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.

