Shifting into Gear

A Revised Guide to Creating or Improving a Car Ownership Program

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ABOUT THE AUTHORS

John W. Van Alst is an attorney at the National Consumer Law Center (NCLC) and the director of NCLC's Working Cars for Working Families Project. His focus includes automobile fraud, deceptive practices law, warranty, and manufactured home and rural issues. He is co-author of *Automobile Fraud*, *Unfair and Deceptive Acts and Practices*, *Consumer Warranty Law*, and *Consumer Credit Regulation*; and contributing author of *Repossessions*.

Jillian McLaughlin is a Master of Public Policy candidate at the Harvard Kennedy School of Government with a concentration in Business and Government Policy. She holds a Bachelor of Arts from Kalamazoo College and is a former researcher at NCLC.

Marina Levy conducts research and assists the advocacy team at NCLC. She completed her undergraduate degree in International Affairs and Applied Legal Studies at Suffolk University, where she worked as a research assistant for the Government Department.

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The nonprofit National Consumer Law Center® (NCLC®) works for economic justice for low-income and other disadvantaged people in the U.S. through policy analysis and advocacy, publications, litigation, and training. **www.nclc.org**

Working Cars for Working Families is a project of NCLC and has helped to unite a group of organizations that strive to ensure that working families can get, keep, and use a reliable used car at fair terms. This coalition of varied organizations recognizes the importance of a car to the success of many families. Collectively and individually we strive to improve public policy, practices, and understanding. We work in variety of areas, including Improving consumer protection to stop abuses in car sales and finance and bring fairness and transparency to the marketplace; promoting nonprofits that provide struggling families with cars or financing or both at subsidized rates; and improving data collection and analysis to better understand the benefits of and challenges to car ownership for working families. **www.workingcarsforworkingfamilies.org**

Cover photo courtesy of Ways to Work.

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EXECUTIVE SUMMARY

A car can be an incredibly useful and sometimes indispensable tool for low and moderate income families. Unfortunately many families are unable to get and keep a reliable car at fair terms. While improving public policy is beginning to address some of the abuses in the sale and financing of cars, even in a fair and transparent car sale and finance market there will be some families who are unable to get and keep a car without help.

Nonprofit car ownership organizations across the country are working to address this problem. They are getting cars into the hands of families that need them most. The cars and financing that these programs provide are making a tremendous difference in the lives of families that receive them.

This guide is a tool for organizations interested in launching a new car ownership program or improving an existing car ownership program. The guide describes and analyzes key components of program design as well as useful features of some programs. The guide reflects the variety of programs that have been successfully developed to meet different needs in different communities.

Rather than proposing one program model to meet all needs, the guide offers various options in each program component along with a discussion of the associated benefits and challenges. In addition to the discussion of various program attributes, the guide presents in depth case studies of six different programs to provide a broad view of the range of programs that successfully address the need for low-income families to get, keep, and use reliable cars.

Note: The National Consumer Law Center welcomes feedback to this guide. Please send updates or comments to: info@workingcarsforworkingfamilies.org.

I. INTRODUCTION

For many families in the United States, a car is a necessity. Low-income families in particular often work shifts outside of nine-to-five business hours, take children to school or day care on their way to work, or live beyond the reach of a transit system or in a rural area without any public transit. Only about 25% of jobs in low and middle-skill industries are accessible via public transit within 90 minutes for typical metropolitan commuters.[1] And yet, 36% of low-income single parents do not own a vehicle (compared with 4% of middle- and upper-income families).

Research has shown that welfare recipients who own cars are more likely to be employed, work more hours, and earn more than those who do not.[2] Additionally, having access to a car shortens periods of unemployment and increases earnings.[3] Using state data on insurance rates and gas taxes, economists Steven Raphael and Lorien Rice found that car ownership leads to increased earnings, and not that higher earnings lead to car ownership. Perhaps most important for car ownership programs for low-income workers and job seekers, Raphael and Rice also found that the impact of car ownership on those factors is greater for low-skilled workers than for higher-skilled workers.[4]

While car ownership can have a tremendous beneficial impact on the lives of low to moderate income families, the existing auto sales and finance market presents enormous challenges to car ownership. Lack of transparency, inefficiencies, and outright abuses keep some families from getting a car and turn other families used car into a liability rather than an asset. Dealer interest rate markups put consumers in more expensive credit than they deserve. Yo-yo sales tactics (sending a consumer home with a newly purchased car only to call the consumer back days or weeks later and attempt to force them to accept worse loan terms or to give up the car even though the dealer may have sold the trade in or refuse to return the down payment) force car buyers into worse terms than they would otherwise accept. Dealers all too often sell cars to families that are unreliable or even unsafe despite knowing that the car has defects.

Growing awareness of the transportation challenges low-income families face and the profound impact car ownership can make on low-income families has led to the creation of a variety of interesting and innovative programs to help low-income families get and keep cars. What began in a few communities as highly individualized programs to meet local needs has become a national trend. In 2013, there are an estimated 120 or more car ownership programs across the country. At the grassroots level, churches and community groups are creating programs to help their members and others cope with the high cost of car ownership, maintenance, and repair. Car ownership programs point to the recognition that a family's transportation needs are not limited to their ability to get to and from work, but include all the other travel that busy families do on a daily basis: taking children to school and medical appointments, grocery shopping, participating in recreational activities, and much more.

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[1] Tomer, A. et al. "Missed Opportunity: Transit and Jobs in Metropolitan Areas." Metropolitan Policy Program at Brookings (May 2011). Available at: http://bit.ly/1mSMOWl

[2] Ong, P. "Car Ownership and Welfare-to-Work." The University of California Transportation Center (Feb 2001). Available at: http://www.uctc.net/papers/540.pdf

[3] Holzer, H., Ihlanfeldt, K., and Sjoquist, D. "Work, Search and Travel Among White and Black Youth." *Journal of Urban Economics*, 35: 320–345 (1994).

[4] Raphael, S., and Rice, L. "Car Ownership, Employment, and Earnings." Joint Center for Poverty Research. Working Paper 179 (2000); Lucas, M., and Nicholson, C. "The Impact of Vehicle Acquisition through Good News Garage on PATH Support Payments and Earned Income." University of Vermont and Cornell University (25 October, 2000).

II. PART 1: THE DECISION TO START A CAR OWNERSHIP PROGRAM

Individuals and groups who consider starting a car ownership program are usually already somewhat familiar with the needs of local low-income families and the lack of existing transportation options to meet those needs. Typically direct interaction with families struggling to meet their transportation needs spurs efforts to start a new program. Despite this often intimate knowledge, a broader review of the existing transportation options, needs of the community to be served, and potential solutions will be useful and practical.

Before developing a car ownership program, determine if a car ownership program is the best way to address the problems that you've found. For those new to transportation issues, and even those with great knowledge of the subject, learning more about the broader transportation services in your area is a good way to start. Next, in-depth understanding of the needs of those you are trying to help and others in your community will help you to determine if a car ownership program is appropriate or if other options might be better. Finally, you must assess the capacity and desire of your organization and the broader community to begin a program. Performing this type of analysis prior to starting a program will help you decide whether to start a program and the type of program to start. It will also take you down the path to building essential relationships as your organization begins to identify key stakeholders.

A. Understanding the Existing Transportation Environment

One of the first steps is to determine what transportation services currently exist to serve low-income clients in your area. Create an inventory of existing current programs, and examine their eligibility criteria and use rates. Other assessment criteria can be applied such as program accessibility, availability, or frequency of use, and whether the transportation program meets clients' employment needs (e.g., off-commute hours, proximity to worksite). Check the Working Cars for Working Families website to see if there are existing ownership programs. Given that some new car ownership programs have started in the past few years and others have expanded, you may discover one already operating in your area.

A good place to start is your local metropolitan planning organizations or regional planning councils (in rural areas), which are public agencies that handle almost all of the transportation funding and planning for your region. They are an important resource to identify current transportation programs. For example, they will likely have a list of programs that were funded under the former Job Access and Reverse Commute (JARC) Program that was canceled under the 2012 MAP - 21 (Moving Ahead for Progress In the 21st Century) federal transportation reauthorization. In addition, these transportation planning organizations may have conducted their own community surveys or used mapping software to map public transit routes and their proximity to low-income communities and employment centers. Other agencies that fund transportation programming are local social services agencies that administer TANF funds and the employment services agencies that handle welfare-to-work grants.

Consider these questions while conducting your environmental scan:

- What transportation efforts are currently taking place in your area?
- What are the eligibility requirements for accessing existing transportation programs?
- How effective are those programs in meeting the needs of your target population?
- Are there time limits for transportation subsidies?
- Do the transportation programs accommodate trip chaining (linking of travel for multiple purposes such as stopping at the grocery on the way home from work)?
- How easy is it to access public transit (e.g., frequency, distance to bus stops)?
- What stakeholders are involved with transportation planning and delivery?
- Can improvements be made to the existing systems to meet the needs of your target population?
- Where are these services lacking?

Transportation services will likely fall into one of three categories:

1. Individual subsidies (e.g., car repairs or bus vouchers)
2. Public transit options
3. Private automobile programs that can include rideshare, car leasing, and car ownership programs

If a car ownership program doesn't already exist, you may discover that one of these existing agencies has an interest in beginning or supporting a program.

It is important to compare the information collected on available transportation services with use rates of your target population to conclude if existing programming is adequate. A sample inventory form is available at http://www.nclc.org/images/pdf/car_sales/shifting-into-gear/form-a-worksheet-tranportation-services-inventory.pdf.

i. Community Needs Assessment

A survey of the transportation needs of those you intend to serve will help to reveal whether car ownership is an appropriate strategy, or if other types of transportation assistance may be better suited to the needs of the community. For example, if your target population is the working poor, you may find that many already own cars but need assistance with car repairs or insurance.

Following are questions that should be part of the transportation needs assessment:

- What types of transportation assistance are they currently receiving?
- Vehicle ownership: Do they already own a vehicle?
- Driving eligibility: Do they have a driver's license and a clean driving record?
- Destinations: Where do they need to travel to for work or training?
- Household information: Is this a single or two-parent household? How many children?

- How far away is public transit, and how accessible are other transportation programs?
- What transportation services do they currently use? Are there any challenges-to accessing these services?
- Work needs: Do they work during regular commuting hours or off-shift hours? How far do they work from home? Do they need a car as a requirement of their job?
- Income level: Do they earn enough to handle a monthly car payment? Can they pay for insurance and repairs on an ongoing basis?
- What is their experience with financial institutions? Do they have a savings or checking account?

In addition to creating a community profile of transportation needs, the needs assessment will help target which specific population will benefit most from a car ownership program. For example, will the car ownership program be open to any low-income worker who needs a car? Or will the program be geared toward those who demonstrate more transportation need, such as families with children or workers who commute farther distances or to workplaces inaccessible by public transit?

The needs assessment can also help inform program design and the provision of services that best meet clients' needs. For example, if there is a finding that numerous residents have little to no experience with financial institutions such as banks, then financial literacy may be a necessary component of your program. It may also mean that financial institutions, such as credit unions, may be interested in your effort as a way to grow their membership. A sample needs assessment is available at http://www.nclc.org/images/pdf/car_sales/shifting-into-gear/needs-assement-survey-nm.pdf.

ii. Organizational and Community Capacity Assessment

Starting a car ownership program is no small task. Even if you conclude that car ownership is needed in your community, also consider whether your organization has the internal capacity to operate such a program. Operating a car ownership program is very different from administering a social services program. Although both strategies are client-centered, car ownership programs entail a complex set of procedures for processing the vehicle side of operations, which is unfamiliar to many nonprofit organizations. Successful programs tend to incorporate strong business practices and necessitate industry-related knowledge that will require significant investments on the organization's part if such expertise is not currently in place. Put simply, car ownership programs reflect some operations of a used car dealership in transferring cars to clients.

It is necessary to evaluate the capacity and desire of your organization and community. Starting a car ownership program requires building new areas of expertise, including business and car industry-related skills. The questions that follow can help determine current capacities and the level of interest your organization and the larger community have in investing in building these new capacities and developing new relationships to create a program.

You and your organization may want to consider:

- Does the program fit within the mission of the organization?
- Has the organization embarked on any business-related venture in the past?
- Does the organization have partnerships with banks or financial institutions?
- Is the organization ready to undertake a program that has a loan financing component?
- Is there access to industry-related expertise, such as relationships with used car dealerships and mechanics?
- Does your organization have a relationship with metropolitan planning organizations (urban areas) or regional development organizations (rural areas) that handle transportation planning?
- Are funding sources available to support a low-income car ownership program (e.g., Temporary Assistance for Needy Families (TANF), private foundations, MAP-21 grant)?
- Does your organization have access to the target population and experience-working with and providing support to that population?

B. Potential Partners

Car ownership programs incorporate a unique blend of skills in an attempt to balance social mission with business practice. There are a variety of potential partners or other organizations with which a new program may develop a beneficial relationship(s).

Advisors: Existing ownership programs and others with expertise may assist with strategic planning in the start-up phase and beyond. Respect for the time of those willing and able to help is critical. Efficient meetings designed with key decisions in mind; good record keeping of what has occurred and who has agreed to complete certain tasks; timely follow-up; and openness to new ideas and learning are key elements of successful management of this group.

Car Dealership/Used Car Distributor: A representative who is familiar with the used car business is probably one of the most important experts to recruit. This person or group should have knowledge of industry practices and regulations. If the person or organization filling such a role is part of the local car industry community, it may help reduce potential opposition from other dealerships or used car operations in the community.

Auto Parts Company: An auto parts company that is a program partner can reduce program costs by donating or selling parts at a discount. Reconditioning and repair costs are often the two most expensive elements of car ownership operations.

Community-Based/Faith-Based Organizations: These partners can provide expertise in working with low-income clients as well as providing supportive services. In addition, faith-based organizations can be a resource for soliciting used cars, repair assistance, word- of- mouth advertising, and donations.

Corporate Employers: Employers can help provide corporate cars cycling out of use, financial resources, or in-kind support. They can also be important political stakeholders with regard to advocacy efforts. Working with employers that have job openings can ensure uninterrupted employment for clients, or at least minimize unemployment spells, which is important to maintaining car payments.

Employment and Training Agencies: These nonprofits are important referral organizations that can help clients who have lost jobs to reenter the job market. Employment is often a key condition of car receipt as it allows clients to keep up with their car payments if they've taken out a car loan. In addition, employment and training entities can help with career advancement for many of these low-wage workers.

Environmental Organizations: Although somewhat counterintuitive, groups interested in the environmental impact of cars may be good partners for repair and ownership programs. Repairs often yield tremendous improvements both in terms of pollution emitted by cars and the fuel efficiency of cars. Similarly, environmental groups may be interested in insuring that cars provided by ownership programs are both efficient and low polluting as practical.

Financial Institutions: Financial institutions can either be advisors or integral program partners that handle the car loans for your program. Their expertise on car loan requirements, the application process, and industry standards will be invaluable if your program has a car financing component. Banks can also provide in-kind support such as financial advisors or funding support.

Insurance Companies: Insurance is usually one of the most expensive costs for clients. Partnerships with insurance companies and/or brokers can help identify strategies to make it more affordable for low-income drivers, such as eliminating the surcharge for first-time insurance buyers or offering a discount for clients who take a safe driving course. Local insurance brokers could also assist by waiving all or part of their commissions for car ownership clients, especially for those new or returning after a hiatus to the insurance market.

Auto Repair Garages: Repair shops can be program partners that provide discounted repair services in terms of labor and parts. Individual mechanics can also donate their expertise and time for inspection, and help make sure the programs are getting the repairs they need for a reasonable cost. Repair garages may also be a source of car donations.

Political Representative: A political stakeholder is integral to program sustainability. A political stakeholder can identify program funding sources, spearhead legislation in support of the program, and help protect the program from detractors.

Workforce Development Public Agencies: Social services agencies that administer TANF were the first to fund car ownership programs and continue to be a primary source of client referrals. They are often key program partners that provide case management services and other support services to clients in car ownership programs. Other government entities that fund workforce development programs, such as the Workforce Investment Board, are also important stakeholders.

CASE STUDY 1: VEHICLES FOR CHANGE

Focusing on the Bottom Line

Organization:	**Vehicles for Change (www.vehiclesfor-change.org)**
Leadership:	**Marty Schwartz, President**
Model:	**Car Donation, Low-Cost Financing**
Headquarters:	**Halethorpe, MD**
Areas Served:	**Maryland, Virginia, Washington D.C.**
Since:	**1999**
Number of Clients Served Annually:	**500**
Annual Budget (FY2012):	**$3,573,731**
Self-Generated Revenue (FY2012):	**$500,400**
Grants & Donations (FY2012):	**$2,656,709**
Contracts (FY2012):	**$823,307**

History

Precision CertiPro Warehouse, a now-defunct auto parts distributor, began one of the most successful affordable car ownership programs in the country—Vehicles for Change (VFC) — as a way to give back to the community. Precision brought on Marty Schwartz to develop the program. Prior to leading VFC, Schwartz spent years honing his development and marketing skills for high school and college athletic programs. He gained experience in the car acquisition and distribution industry when he started Cars for Careers organization in 1996. Cars for Careers had a similar mission to VFC. In fact, Schwartz came into contact with Precision as he was soliciting donations for Cars for Careers. His timing was serendipitous. Precision hoped to launch a similar nonprofit that would serve four states and the company brought him on to lead the effort.

Schwartz recruited a board of directors with strong business backgrounds. Even at the outset, he wanted to create an organization that could sustain itself without relying exclusively on grants or the generosity of donors. The original board was comprised of individuals with MBAs from Harvard and Wharton. Schwartz reflects: "The whole idea was we were going to run a nonprofit but we were also going to run a business. We were always aware of a bottom line."

Programs

Tier I and Tier II Programs

VFC offers a tiered loan program for families in need of a vehicle. The Tier I program targets employed low-income clients with poor credit histories. Twenty-five percent of the cars donated to VFC are distributed through the Tier I program. Social service agencies in 71 cities and counties and 15 job-readiness programs refer income-eligible clients to VFC.[5] The referring

[5] Vehicles for Change, "Social Service Agencies," available at http://www.vehiclesforchange.org/need-a-car/tier-i-program/partner-agencies/

partners verify that clients can afford car insurance, fuel, maintenance, and other ancillary costs. Clients must also be employed. The program focuses primarily on families. If a client is under the age of 25, he or she must have children. Eligible clients receive a low-cost loan from Lendmark Financial and a car for about $750. The car comes with a six-month warranty and loan payments average $75 a month. VFC estimates that cars will run for at least two years.[6]

VFC contracts with two states (Maryland and Virginia) to distribute cars to current and former welfare recipients. Local Department of Social Services case workers verify a client's eligibility for a car including proof of employment, non-traditional work hours, excessive travel time with public transportation, and financial hardship. VFC provides the car and the state pays a VFC a fee per client.

The Tier II program serves families with slightly higher incomes but the other eligibility requirements for the Tier I program apply. Cars are competitively priced. Depending on the model of the car, the minimum price ranges from $1,000 to $2,000 and includes a warranty. Low-cost financing for the Tier II program is made available through a loan pool established by PNC Bank.

Impact

Since its inception in 1999, Vehicles for Change has awarded 4,000 cars to low-income individuals and families. The cars have a demonstrated effect on employment prospects, wages, and quality of life. Seventy-five percent of recipients reported better jobs and higher wages; on average, workers earn $7,000 more a year than they did prior to receiving a VFC car. Recipients also missed fewer days of work, their daily commute was cut by an average of 90 minutes, and every family reported that they took their children to after-school activities.[7]

VFC has successfully transformed the lives of thousands of low-income families through reliable and affordable cars but it has also managed to keep default rates low. According to Schwartz, only 8% of loans enter default. The low default rate can be attributed to VFC's screening process, affordable loan payments, and willingness to extend flexible payment plans to loan borrowers. VFC encourages borrowers to stay in close contact with program personnel if they experience difficulty during repayment. VFC will temporarily lower payments, extend the loan term, or permit a few missed payments.

Keys to Success

VFC has nurtured several high-impact programs and helped its clients weather an enduring recession. Several features contribute to the program's success. Diverse funding sources have protected programs from the downturn in philanthropy, cutbacks in federal and state budgets, and the surge in customers needing assistance.

Partnerships with social service agencies keep costs down and enable staff to focus their energy and resources on cars. Finally, VFC has developed a strategic and creative approach to

[6] Vehicles for Change, "Tier I Program," available at http://www.vehiclesforchange.org/need-a-car/tier-i-program/.
[7] Vehicles for Change, "Our Impact," (2013), available at http://www.vehiclesforchange.org/about-vfc/our-impact/.

Partnerships

"Our partnerships are invaluable to us. When we started the nonprofit program we did not want to duplicate what other organizations were doing. We had no intention of doing case management, financial literacy, or job placement…There are other wonderful organizations in this region that do that. We were going to do cars and keep costs down by partnering with quality organizations that provide a great service but they can't get their people to work because they can't get a car."

—Marty Schwartz, president, Vehicles for Change

expansion, cultivating new allies and opportunities to serve low-income customers.

Diverse Funding Sources

Diverse programs and varied funding streams contribute to VFC's success. The interest from loan payments through the Tier I program supplements grants, donations, and state contracts. , The state of Maryland pays VFC to distribute cars to cash assistance recipients.

VFC created Freedom Wheels in 2006 to generate revenue for the Tier I and Tier II programs. Structured as a subsidiary of VFC, Freedom Wheels is a used car dealership located in Halethorpe, Maryland. Freedom Wheels absorbs cars donated to VFC that have a high dollar value and the potential for a significant profit margin if re-sold. Cars are priced slightly below market value and the profits subsidize VFC's operations. One out of every 12 donated cars is re-sold through Freedom Wheels.

Donated cars that are not distributed to families or sold through Freedom Wheels are auctioned or sold for scrap metal. Marty Schwartz estimates that VFC covers over half of its yearly expenses through revenue it generates. Through guidance from the Board of Directors, VFC plans to expand nationally and to become an entirely self-sustaining organization.

"If you're going to start any nonprofit, you can't go into the nonprofit world any longer thinking it's all about doing good. You have to go into it with your eyes open. You have to think about generating revenue above and beyond the tin cup method," says Schwartz.

VFC prioritizes community partnerships. Collaboration is embedded in all of VFC's programming. Customers for the Tier I and Maryland Transportation Assistance Program must be referred through partnering agencies, eliminating the need for VFC to retain in-house case management staff. Community partners market VFC's programs and solicit car donations in a highly-competitive landscape. Lendmark Financial, a local consumer finance company, services loans. The result is a lean, flexible, and effective car ownership program.

One innovative partnership resulted from collaboration between VFC and a local Catholic high school beginning in 2009. Calvert Hall College High School, a Lasallian institution in Towson, Maryland, formalized a partnership to promote VFC in its publications to students, alumni and supporters to solicit car donations. In exchange, Calvert Hall receives 40% of the proceeds from car sales generated from its efforts. Within three years, Calvert Hall earned $8,000 through the VFC partnership, yielding valuable funds for Calvert Hall's academic programs, need-based financial aid, and community service mission. Both organizations (and their constituencie benefitted from the joint fundraising efforts.[8]

[8] Sue Van Essen, "Loch Raven: Calvert Hall, Vehicles for Change are driving forces for helping others," *Baltimore Sun* (Dec. 27, 2012), available at http://www.baltimoresun.com/news/maryland/baltimore-county/towson/ph-tt-loch-raven-van-essen-0102-20121227,0,4853228,print.story.

Program Evaluation

Program evaluation continues to be a valuable source of information for VFC. Since the first round of evaluations in 2001, VFC has continually refined its process of measuring impact. In 2001, evaluators directly called families that received a car. In 2011, VFC changed its approach to receive a higher response rate and decrease the time spent communicating with former customers. VFC sent an e-mail and a letter, and followed up with phone calls only if a customer failed to respond to the earlier communications. This year, VFC will completely automate its process. Car recipients will receive an ongoing e-mail every six months. Families that complete the survey receive a $25 gift card.

Ongoing Challenges

Like many car ownership programs, VFC identified car donations as a major challenge. The competition for donated vehicles is intense. "We've never been able to find a consistent means of promotion to get folks to donate cars."[9]

Another challenge is recruiting quality personnel. One of VFC's strengths can also be a challenge—it runs as a business but operates as a nonprofit. To run a lean operation, VFC needs employees that are talented people with knowledge of the auto industry who are willing to accept compensation commensurate with the organization's nonprofit mission. To meet this challenge, VFC utilizes its networks to identify quality candidates. "We're very aggressive in the employment market," Schwartz says. Candidates undergo a rigorous interview process to ensure that their skills, vision, and passion align with the mission of VFC. Management and staff conduct two or three interviews of each employee. The strategy has been effective. VFC has attracted and retained talented personnel with deep expertise in automobiles. Its core staff possesses experience in accounting and auto repair and auto sales, and hold certificati1ons in related fields.[10]

One of the granular challenges is providing customers with warranties. Every car VFC places comes with its own warranty. The warranties are a necessary, but costly, part of running the organization.

Photo courtesy of Vehicles for Change.

Car Helps Pipefitter Land Work

In 2012, Vehicles for Change (VFC) provided Donald Coleman with a '97 Ford Escort Wagon that changed his life. STRIVE, a Baltimore-based job readiness program, referred Coleman to VFC after he successfully completed a three-week training course and obtained a job offer to work as a pipefitter at an engineering and construction company. Because the job required the ability to travel to various construction sites, the position was contingent on Coleman's ability to provide his own transportation. VFC awarded Coleman his Ford Escort on February 21, 2012. He drove himself home that day, and to work the next morning.

[9] Marty Schwartz– Interview on June 11, 2013.

[10] Vehicles for Change, "Staff," (2013), available at http://www.vehiclesforchange.org/about-vfc/staff/

Looking Forward

Many of the programs and practices implemented by VFC were in response to exigencies. Initially, VFC offered only the Tier I program for very low-income individuals. Changes in IRS regulations concerning car donations spurred the creation of Freedom Wheels and the Tier II program to maximize the potential value of donations (see Part 2, pages 17-27).

VFC recently purchased a 33,000 square-foot building to train auto mechanics and plans to open a series of garages to perform discounted repair services for low-income customers and to eliminate the cost of repairing donated vehicles off-site. The planned expansion into the repair garage sector stems from VFC's core mission: to economically empower individuals through increased access to transportation. The training center will teach workers from low-income communities a marketable skill, reduce the costs of repairs for low-income car owners, and constitute another source of revenue for VFC's operations. Schwartz noted that the repair garages will be located in low-income communities, driving economic development and extending VFC's reach into the community. Schwartz also explained that VFC has developed plans to expand nationally. Funders in Detroit and Atlanta have expressed interest in bringing the program to those regions and Schwartz is scouting potential locations.

C. Deciding How to Best Address the Needs

Armed with the knowledge you gained from performing the assessments previously described, you can then begin to decide if your organization should embark on developing a car ownership strategy. There are other options besides creating an ownership program, described in the next section. If the findings do confirm the need for and ability to create a car ownership program, the next step is to begin the planning process outlined in the next sections.

i. Options Other than Creating a Car Ownership Program

For those organizations new to the transportation services field, this section provides an overview of some of the broader transportation programs and services designed to improve mobility for the general population. You may decide that improving existing services is a better option than creating a new program.

ii. Improving Public Transportation

Local public transportation administrators either are or should be working to make public transportation more affordable and efficient for low-income passengers. However, those addressing regional transportation needs are trying to address many problems from traffic jams to deteriorating bridges. Your active participation may help to bring more attention to the transportation needs of low-income families and make public transportation a better option in your area.

One example of an initiative that makes public transportation more usable are reduced fares for low-income riders who do not qualify for discounts on other grounds such as youth, age, or disability. Transit administrators have also extended service hours, created new routes, and

[11] See *Integrating School Bus and Public Transportation* available at www.trb.org/publications/tcrp/tcrp_webdoc_11.pdf

altered existing ones to accommodate the needs of residents reentering the workforce. Another approach is to create bus and van routes that provide commuter service from central cities to their suburbs, where most new jobs in retail and service are located.

In addition to traditional public transportation, states and local governments can encourage the cross-use of transportation systems already in place. Vehicles for older citizens and people with disabilities, para-transit vehicles, and vehicles used by Head Start programs and public schools might be used for additional purposes. For example, senior citizen centers may have vans available and unused during commuting times, many of which are equipped for those with special needs. These vehicles might be used during off-hours to serve the needs of employment transportation. Low-income school employees might ride on school buses to access jobs with local hools.[11] The use of school buses for other needs may be controversial but it is permissible if state legislatures and boards of education allow it.

iii. Improving Biking, Walking, and Other Transportation Options

Many low-income families rely partially or entirely on walking, biking, and other transportation alternatives. All too often these forms of transportation are given short shrift in planning, funding, and research. Initiatives such as the National Complete Streets Coalition, the League of American Bicyclists, National Rural Assembly's Rural Transportation Policy Group, America Walks, and many others are working to ensure that walking, biking, and other modes of transportation are given the time and attention required to provide real options to private car ownership and public transportation. If these possibilities are part of the solution to the transportation needs you've identified, joining these efforts could have a profound impact, both locally and nationally.

iv. Improving Private Transportation as an Option Other than Car Ownership

Van Share and car share programs allow workers with similar commute schedules to travel together. These services can be customized to meet specific transportation needs of the target population, including day care stops. Carpools consist of two or more individuals who share a ride in a private automobile. Commuter-driven vanpools are organized ridesharing arrangements that provide transportation to work for a group of individuals using vans with a seating capacity greater than seven persons (including the driver). Carpools and vanpools can be used to provide transportation to jobs both in the central city and in the suburbs. The U.S. Department of Transportation is promoting rural vanpooling to help meet rural employment transportation needs. The North Carolina Department of Transportation provides vans to county transit systems with the expectation that the local employers and employees will contribute to the transportation operating costs.

Volunteer driver programs can be administered by a government agency, nonprofit organization, or faith-based or charity organization. Volunteers drive agency cars or their own vehicles and are generally reimbursed for mileage or fuel. Some programs operate on a donation basis by accepting contributions for mileage. Volunteers are often retired people.

v. One-on-One Transportation Assistance — Transportation Brokerages

Some Workforce Investment Boards and social services agencies have contracted mobility management services out to a transportation provider. On behalf of the agency, mobility management services provide customized trip planning and link eligible participants with the appropriate transportation solution (e.g., private taxi, demand-response or fixed-route bus, carpool and vanpool program, among others). If the mobility manager is also a transportation provider, it can ensure cost-effective transportation because the transportation provider's centralized intake and scheduling allows maximum coordination of riders. This coordination can succeed in lowering per trip transportation costs by maximizing vehicle efficiency. A mobility manager strategy is effective when the social services agency, one-stop center, or training agency requires and has access to a range of transportation modes to meet the needs of participants.

III. PART 2: CREATING AN AUTOMOBILE OWNERSHIP, MAINTENANCE, OR REPAIR PROGRAM

While improving public and private transportation options other than cars may meet transportation needs of many low-income families, a personal automobile remains the most practical, long-term solution for many people living or working in suburban and rural areas. Public and private agencies across the country have implemented numerous types of programs, including providing cars at no or low cost; arranging or providing loans for car purchase, maintenance, and repairs; and leasing programs and car ownership programs that secure affordable cars that are then transferred to clients. In many instances, the programs developed in response to local conditions and were guided by the philosophy of the executive director or program manager who was charged with program development. As such, this guide and the case studies present several different strategies for consideration.

A. Mission and Goals

The experience of your organization with low-income family transportation needs and the knowledge gained from a more in- depth study of the broader community needs and resources will inform the mission and goals of a new program. The mission of many car ownership programs is simple: to provide cars to low-income families to improve their lives. Programs focused on providing short-term assistance to address an immediate, usually employment-related need, might provide "starter" cars that are not intended to last a long time. Other programs might include educating consumers about buying or maintaining a car as a part of their mission. Still others may focus on improving credit scores or money management as well as car ownership. No program can do everything.

Understanding the need can help in designing a program with the proper goals to make a true impact. This process can be developed with your board and staff and can include an advisory committee that includes a broad range of stakeholders. A mission statement can be a guiding document throughout the process of developing the components of your car ownership program. Diverse stakeholders will have different interests and a mission statement will help develop consensus around the common goal of the initiative. A clear mission statement will help you make important decisions in establishing program procedures, particularly as you seek to balance business and social goals.

Compared to many other social services programs, car ownership programs are in a unique position to generate an independent source of revenue for program investment. Depending on how operations are structured, car ownership programs can sell excess cars to other audiences besides low-income clients—in particular, wholesalers and the general public. If privately generated revenue sources and program sustainability are priority goals, there are specific elements that need to be incorporated into the design of the car ownership program. More specifically, business expertise will be needed and will guide much of the decision-making around structure and staffing. Other critical program components are industry-related expertise, a car donations strategy, car financing, and wholesaler or used car dealer licenses.

Although the social goal of providing cars to low-income individuals is being met, program decision-making and resource allocation may be structured differently in a program where financial sustainability is a goal. Car repossessions are one illustration of this tension between social and business goals. Some programs will repossess the car if clients fail to make payments because they depend on the revenue source. Others will never repossess because it contradicts their social mission of assisting low-income individuals.[12] Program differences will also exist in the type and level of staffing (e.g., business expertise vs. social services expertise), the level of support services for clients, and the target population. The balance between social and business goals must be weighed as various program components are developed. Ultimately, the decisions are guided by the organization's philosophy.

i. Sample Strategic Planning Questions

The key questions you should ask as you develop your mission statement are:

- Who do you want to serve as your target population?
- Is the program a short-term intervention to help with initial engagement in the workforce or part of a long-term human development strategy?
- What are the client-related outcomes that are to be achieved?
- What are program-related outcomes (e.g., program sustainability)?
- What is the balance between meeting client or social goals with those that may be necessary to produce funding sustainability?

The target population you want to serve may be one or more of the following:

- TANF recipients
- Working poor who earn below a certain income threshold
- Residents of a specific neighborhood

Client-related outcomes may include one or more of the following:

- Promote access to the labor market
- Increase earnings
- Improve the overall quality of life for clients by improving mobility
- Develop or repair the financial credit history of clients

[12] For a more thorough discussion of repossession issues, see page 34.

Program-related outcomes may include one or more of the following:

- Make cars available to clients
- Establish a program that is financially self-sustaining
- Advocate for policy or administrative changes that promote car ownership among low-income people

B. Target Population

Car ownership programs often target low-income individuals who are employed, have employment offers, or have enrolled in a training program. As many car ownership programs are funded by TANF, the bulk of participants are welfare-to-work clients. However, some programs have included others in need. For example, some have revised their screening criteria to include low-income people who earn below a specified income level in an attempt to include the working poor as part of their target population. Programs that have expanded their target population to include non-TANF clients have been able to generate unrestricted revenue in order to provide this service. Other important client eligibility considerations are possession of a driver's license and income earnings that allow them to cover car-related expenses, particularly if a loan is part of the package.

C. Program Infrastructure and Sustainability

Programs that provide the cars themselves typically have at least two separate functional units: one responsible for handling the car including processing car donations and car repair; and the other responsible for working with prospective and existing clients. This latter function includes screening clients, financial and car maintenance education, client follow up, and other responsibilities. Additionally some programs engage in additional activities. They may help clients find loans or provide loans themselves. If the latter, the program must handle the car financing, track client payments, and provide case management. Some programs provide job training as part of their repair facilities. Although there are many options, the following provides an overview of some of the basic activities programs engage in.

i. Working with Cars

Automobile expertise is necessary to purchase used cars, handle the car donations, repair cars, dispose of cars that will not be provided to clients, and more. For programs that have prioritized program sustainability, industry-related expertise is especially important for the wholesaling of cars to generate unrestricted program revenue. Similar to social businesses, these programs sell used cars in the existing private-sector automobile market and invest the profits back into the program. As a consequence, implementing sound business practices, such as developing market studies, financial proformas and budgets, and an overall business plan, are important components of car ownership programs.

a. Staffing Needs for Working with Cars

The following positions can be of tremendous value to car ownership programs. Depending upon the style and size of a program, not all positions may be necessary or some positions may be combined.

Inventory Manager: Perhaps one of the best investments a car ownership program can make to improve its sustainability is to hire staff with knowledge of or experience in the used car business. This person should be able to determine the wholesale value of the vehicles being purchased and accurately estimate needed repairs and their related costs, identify "hidden" problems that can cause cars to have higher short- and long-term repair costs or be dangerous to drive, know how to maximize the return for donated cars, and have connections with auctions, wholesalers, and other used car dealers for purchasing program cars. All of these skills can help a program save money and provide better cars to its clients.

Donations Coordinator: This person will be responsible for fielding calls, and screening and processing donations. The donations coordinator will handle all aspects of customer service, including scheduling pick-ups, processing paperwork, and managing the donations database. Depending on the volume of the car donations, the coordination responsibility may be combined with other job duties.

Marketing Coordinator: This person focuses on increasing the volume of donations of good quality cars. A variety of marketing strategies can be used (see Vehicle Donations Strategies section, p. 26) and should effectively target the sources that will bring in reliable, working cars. In addition to marketing, partnerships with repair garages, used car lots, faith-based organizations, and others can provide other sources of cars.

Tow Truck Driver/Coordinator: Internal towing capacity may be needed to pick up donations and clients' cars that are not working and move the vehicles between locations. Some programs outsource this function while others have their own truck and driver.

Mechanic: In addition to car assessment and repair, the mechanic can be a resource to both the organization and clients by providing a second opinion on car problems and verifying repair estimates. This person can also help assess donated cars, and with the aid of a body shop and the inventory manager, can determine what cars can safely be put back on the road.

b. Car Acquisition Strategies — Purchasing Cars and Soliciting Donations

Finding a source of usable vehicles for a car ownership program can be very difficult. Recently used car prices have been very high and supplies have been low. A combination of an aging car stock in the United States, declines in car donations, lower new car sales during the recession, and removal of some cars from the market during the Cash for Clunkers program have all made find reliable and affordable used cars more and more difficult.

Nonprofits acquire cars for transfer to low-income clients mostly through donated vehicles or purchased vehicles. Cars are donated to a nonprofit from various sources, including the general public, government, businesses (i.e., fleets), and repair garages. Used cars are purchased from wholesale sources (i.e., car auctions, individual wholesalers, or private owners at wholesale prices) or sometimes from used car dealers.

There are several reasons that a program may choose to focus on a particular strategy. Purchasing cars will likely require more upfront capital from public and private funding sources. Vehicle donation strategies require less start-up capital. Yet, keep in mind that more administrative overhead may be required to create the necessary infrastructure to take calls from the general public, move the cars between multiple locations, inspect each accepted car, and dispose of it.

CASE STUDY 2: WHEELS 2 WORK

Stabilizing Families through Car Ownership

Organization:	**Bucks County Housing Group, Wheels 2 Work (www.bchg.org)**
Leadership:	**Nancy Szamborski, Executive Director**
Model:	**Car Donation, Homeless Self-Sufficiency**
Headquarters:	**Wrightstown, PA**
Areas Served:	**Bucks County, PA**
Since:	**1998**
Number of Clients Served Annually:	**5**

History

Gene Epstein, a Wrightstown, Pennsylvania philanthropist, attracted national attention in 2010 with his Hire Just One campaign. The successful investor and former car dealer pledged to donate $1,000 to charity for every unemployed worker a small business hired. Two hundred and fifty businesses accepted Epstein's challenge, gaining the attention of journalists and policymakers.

However, Epstein spearheaded another more enduring program that has resulted in a measure of economic security for hundreds of families in Bucks County, Pennsylvania—the Wheels 2 Work program. Launched in 1998 with the assistance of the Bucks County Community College chapter of Students in Free Enterprise (SIFE), Wheels 2 Work was created to help address the county's transportation problems. In Bucks County, car ownership plays a particularly important role in getting to and from work. Over 90% of the population uses a vehicle to commute to work with an average one-way work commute of 30 minutes. Less than 4% uses public transportation to commute to work.[13]

Bucks County Community College Professor Joan Weiss and her students administered the program until programming responsibilities were transferred to the Bucks County Housing Group (BCHG), where Wheels 2 Work is currently housed, in a suburb outside Philadelphia. Of all the affordable car ownership programs reviewed, BCHG serves the most economically vulnerable population—the homeless. The BCHG operates five shelters, food pantries, and other transitional programs for homeless individuals and families.

The Program

Case managers work with clients to develop a stabilization plan. If the case manager identifies transportation as a barrier to economic self-sufficiency, the client is referred to the Wheels 2 Work program. Case managers screen clients to ensure that they can afford to pay for repairs, gas, and general maintenance, and educate clients on the responsibilities that car ownership entails.

[13] Census Bureau, "Population and Housing Narrative Profile: 2011 American Community Survey 1-Year Estimates." (2011), available at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_11_1YR_NP01&prodType=narrative_profile (last visited June 21, 2013).

Photo courtesy of Ways to Work.

Wheels Keeps Suburban Homeless Family Connected

Maria Lopez (name changed to protect privacy), a single mother of four children had a van which stopped working over 8 months ago. It was determined that the van needed a transmission, which she could not afford to purchase. Instead, she had to rely on limited public transportation to get her children to school, camp, and appointments.

Lopez was coping with ongoing medical issues since she was shot in an incident that didn't involve her. She was moved to BCHG's Permanent Supportive Housing Program while waiting to qualify for disability.

Her case manager put Lopez on the Wheels 2 Work list. She received a 2000 Volvo, donated by a community member, which was vetted and repaired by one of the program's volunteer mechanics. Lopez put $350 towards the cost of the repairs and Wheels 2 Work paid the rest. Now she can drive her kids to camp, sports, and school activities.

Wheels 2 Work distributes cars to clients free of charge from a fleet of donated vehicles. However, clients are required to pay for half the cost of the initial repair expenses. Local mechanics perform repairs and inspect the cars for safety problems. If a mechanic determines a car is unsafe or unsuitable for clients, BCHG sells the car to generate revenue for the program. Approximately 20% of donated cars are sold for revenue.

The cars are expected to last for 24-36 months. To last that long, it is necessary for clients to understand how to take care of their cars. Case managers go over the relevant information with their clients and provide them with a check-off sheet to facilitate the understanding of basic maintenance tasks. Case managers may also assist clients with the purchase of insurance, but ultimately, it is up to the clients to secure an insurance plan that they can afford.

Impact

Since its inception, Wheels 2 Work has placed roughly 400 cars with homeless clients. In recent years, however, car donations have slowed, causing the program to reduce the number of free cars it distributed to clients from 20 annually to just 5 in 2012. An employee at BCHG used to solicit car donations but the group could not afford to maintain that position. Currently, program staff are exploring partnerships with another local agency to revive the program and expand the number of clients served.

Melissa Mantz, a development officer for BCHG, explains the need for the program among the homeless. "There are so many reasons why people are homeless. You need a living wage. You have to have a job so you can provide for your family. You need transportation to get to work.

If you live in a suburban area like Bucks County, there is no public transportation. You have to have a car."[14]

Keys to Success

Ensuring Reliability

Mantz attributes Wheels 2 Work's success to its relationships with local mechanics. Many of the mechanics who

[14] Phone Conversation with Melissa Mantz, Development Officer at Bucks County Housing Group (June 21, 2013).

refurbish the cars donated to Wheels 2 Work have donated their labor for more than a decade. These dedicated volunteers make sure the cars are reliable so that clients will not be saddled with expensive repairs. "We go through donated cars with a fine-toothed comb before we give the car away," says Mantz. The program is unable to offer warranties on the cars, but they will do what they can to fix them if a problem occurs within the first two weeks.

Targeted Approach

The Bucks County Housing Group has found that its program design—giving away cars for free rather than requiring clients to pay for them-- works for the economically-vulnerable clients who live in the organization's transitional housing projects. While VFC and Ways to Work[15] target clients who can afford loan payments in addition to the ongoing costs of car ownership, Wheels 2 Work provides a car to those that may not have the savings or employment to afford monthly car payments. However, the program emphasizes the clients' need to pay for half of the initial repairs before they can get their cars. The payment is important to encourage a sense of ownership among recipients. Grants are available for repairs if a client encounters problems with the new car, but the client is responsible for insurance payments. For this reason, they are vetted by case managers before a car is given to them.

Community Support

Wheels 2 Work has received grants from Foundations Community Partnership, Sovereign Bank Foundation, Wells Fargo Foundation, Bucks County Foundation and the Rotary Club. The program is included in outreach activities in the context of larger homelessness issues. For example, when Melissa Mantz visits schools to talk about homelessness, she will mention transportation as a key to success to incorporate the program into the discussion.

Gene Epstein, the original program founder, is trying to revitalize the program. Because of its reliance in car donations, a dedicated phone line was installed for people interested in donating their vehicles so that they may call and speak directly with a program officer. Epstein is also looking at the possibility of designing a full-page newspaper ad to run for 2 to 3 weeks encouraging people to donate their cars to Wheels 2 Work.

Ongoing Challenges

While the program is part of the Bucks County Housing Group, there is no allocated budget for Wheels 2 Work. The money is in a restricted fund comprised of what the program makes from selling some of the donated cars and from any program-specific grants it gets. As a result, funding is limited and the program's options are restricted. For example, the program does not perform any formal follow-ups after a car has been given to a client. However, staff can check on clients since most of the recipients pass through BCHG's shelters or food pantries.

Having lost the employee in charge of soliciting donations, the shortage of donated cars is also a challenge. Epstein hopes that publishing a newspaper ad will help increase the number of donations by reaching about 8,000 households. Since the cars are generally donated to clients directly after some repair work, donors would benefit by being able to claim the fair market value of their donated vehicles for tax deduction purposes.

[15] See Case Studies 1 and 5.

c. Comparing Car Purchase and Car Donation Strategies

1. Start-up Funds

Car programs that choose to purchase vehicles in the open market need initial capital. In the programs studied, the average cost of each car purchased can be relatively high, especially in recent years when used car prices have been consistently higher than the historical average. In addition, to increase the affordability of cars for their clients, vehicle purchase programs subsidize the car price. In general, clients are not asked to pay the price paid for the car but are charged an affordable rate as determined by the program. These client subsidies add to the ongoing costs of programs using a car purchase strategy.

In comparison, acquiring cars by donation from the general public, private businesses, or government creates a lower inventory cost. Although this approach requires less start-up capital, funding will be needed to put in place six key elements:

1. A call center to process donations (preferably toll-free)
2. Towing capacity (e.g., truck, tow truck driver) to pick up and drop off cars
3. Car assessment and valuation capacity (preferably on staff)
4. Reconditioning and repair capacity (preferably through key stakeholders)
5. Storage space for cars
6. Funds to dispose of undesirable cars

2. Staffing Needs

The staffing requirements for car purchase programs tend to be smaller when compared with car donation operations. To transfer approximately 125–150 cars to clients, only 1–2 staff are needed for car purchase programs compared with vehicle donation programs, which need 3–5 staff. Industry-related expertise is a necessary element for both acquisition strategies. Although partnerships with used car dealerships and repair shops can help, internal expertise is recommended.

3. Car Quality Control

Quality cars may be acquired by either donation or purchase. Although one may assume that purchased cars may be of higher quality, the car screening procedures that are in place at car donation programs may result in better quality cars being placed with clients. Good cars can be hard to find either for purchase or by donation.

4. Inventory Management

Programs that purchase cars have greater control over their inventory and may operate with greater predictability. The process of transferring cars to clients may be conducted more efficiently as the program operators estimate the number of cars needed and purchase them to meet the short-term demand.

For car donation programs, the car supply issue is not only how many cars are donated but how many are usable. On average, about 1 out of 10 cars is determined to be appropriate (e.g., in working order and low cost for maintenance) for low-income clients. If there are not enough working cars with relatively low repair needs coming into inventory, clients will usually have to wait longer for delivery than those in car purchase programs.

5. Funding Sustainability

Currently, many programs that purchase cars are facing program sustainability challenges because they subsidize the interest rate and car purchase price. However, car purchase programs may also build in program sustainability by structuring how they use their capital as part of a revolving loan fund. In other words, their operations begin to mirror financial institutions. The revenue generated by spreads on interest rates can help finance operations and create a strong repayment stream that is a critical factor for sustainability. However, higher interest rates may make payments burdensome for clients. Therefore, care needs to be taken to balance sustainability goals with client needs. Other models of revolving loan funds and their levels of program sustainability should be investigated if your organization is interested in pursuing a car purchase strategy.

Selling cars that are donated is a profitable arena with a high level of competition and many seasoned players. There are many established intermediaries that process car donations and transfer a portion of the proceeds to nonprofits. This well-established market that solicits car donations is an indication of the financial viability of this approach.

Car donation programs have the potential to be financially self-sustaining through revenue generated from cars that are diverted and sold to the public or salvaged. Furthermore, a car donation strategy in combination with a car purchase strategy generates another source of revenue from the repayment stream. Some nonprofits have intentionally chosen a car donation strategy to meet program sustainability goals.

6. Other Benefits for Each Strategy

Vehicle donation strategies make the car program more visible in the community as people learn about the program through advertising to attract donations. It also gives the public an opportunity to participate in the program, building goodwill and support. People often choose to donate to these programs rather than ones that use the cars only for fundraising because they know that their cars will be used to help an individual, rather than sold into a for-profit system.

Car purchase programs can build long-term relationships with local dealers by bringing them regular business, which can engage and gain the support of the auto retail community. These programs promote economic development through the support of local businesses such as banks, repair shops, and car washes; and improve the overall quality of neighborhood life by enhancing families' access to needed services.

d. Strategic Planning Questions

- Do you have access to a large funding source?
- What staffing size does your organization envision for this strategy?
- Is program sustainability a necessary goal?
- Do you have access to potential donors of cars? For example, are there middle- to upper-class communities that can be targeted? Do you have relationships with public agencies or private corporations with car fleets?

i. Vehicle Donation Strategies

Car programs can acquire donations from many sources, including the general public, private businesses, the public sector (government), or as an affiliate of a national vehicle donation entity. There are a number of common program criteria that need to be in place when embarking on this strategy regardless of the program's geographic location. At the same time, because local conditions vary, some strategies can be developed that are unique to each target market. This will allow you to access and maximize donations from particular sources. The following are some common program elements found in each of the programs that accept vehicle donations:

Establish a Car Profile: Criteria should be established to create a "profile" for the cars that will be acceptable for donation. Programs that accept donated cars from the general population often perform a telephone prescreen with the donor. Cars with a "clean" title (no existing liens), less than 10 years old, less than 150,000 miles, and no significant engine problems and/or body damage, are common baseline criteria. Whether nonworking cars should be accepted depends on program capacity — whether there is internal expertise to diagnose the extent of potential repairs and, if there is, access to a tow truck to bring the car in or move it to salvage.

Ensure Adequate Storage Space: Storage space needs to be available while the cars await their new owners. There are usually state regulations that limit the number of cars that can be stored on a lot before it is considered in violation of public ordinances, unless you are a used car dealer. Some programs store cars at several locations (e.g., a number of church lots) while others have rented or owned space. Security may be an issue if a large lot is leased for storage. It is important to have a client waiting list so that inventory and storage space can be managed well.

Facilitate Title Transfers: Car programs must establish a system for processing title changes. There may be an issue of lag time in certain states, which will delay the transfer of title to the clients.

e. General Public Donations

1. Marketing Strategies

For most programs that accept car donations, only approximately 10% of donated cars are made available to low-income clients. Therefore, a large volume of donations is important if your program plans to serve many families. The remaining 90% are either high-end cars that are disposed of through wholesale or other means, or unusable cars salvaged for parts or scrap to generate program revenue.

Car donations are a highly competitive field and numerous nonprofit organizations rely on car donations from the general public as a significant source of revenue. Developing and implementing an effective marketing strategy is important for programs that rely on donations. Car ownership programs in particular must differentiate their programs from charities that accept cars but have no car- related mission. Many well-known, local and national nonprofits with no car- related mission are very aggressive with outreach and have large budgets dedicated to marketing for donations. As a result, the competition for donated cars is fierce, especially for local programs that are often targeting the same markets for solicitation. Local car ownership programs may have difficulty with a direct marketing approach and will need to develop new, creative messages and marketing strategies to penetrate the market.

Despite a more limited budget, car ownership programs have devised cost-effective marketing approaches. An important messaging strategy is to stress that many cars will be transferred directly to low-income workers, rather than being sold for general revenue, so donated cars will be used by needy individuals and their families. Effective messages include personal stories of how having cars turned lives around. An important rule is to target marketing to certain neighborhoods—those that are middle class to affluent—to bring in better quality cars. Also, these communities are more likely to benefit from a charitable deduction or tax credit associated with their donation.

Low-income car ownership programs could use these marketing strategies:

- Features in newspaper articles (human-interest angle)
- Using donated advertising space in newspapers
- Public-service announcements on the radio and television
- Inserts in church bulletins or nonprofit newsletters
- Partnerships with local garages and local dealerships (to refer owners to donate non-working cars)
- Posters at automobile dealerships
- Private business linkages with messages in company newsletters or personal appearances at charity meetings
- Community radio and TV public-affair programs where a staff person is a guest
- Social media (e.g. Facebook photos of clients; Twitter tweets about need for cars or other breaking news; or opinion pieces on local car, industry, or community blogs)
- Written or short video testimonials of clients or car donors
- Web site highlighting
- Electronic newsletters or short updates (called e-blasts) about the program's needs and successes (could be sent just once or twice a year at key times for donations and can help cultivate relationships with current and future program donors)

Note that a media release form granting the program permission to use a photo or testimonial of a client or donor should be obtained. See the Appendix for a sample media release form. It is also important to track which marketing approach generates a higher quantity and/or quality of cars to determine the most cost-effective strategies.

f. Charitable Tax Deduction

Car donations are an integral part of many car ownership programs. These programs typically use the donated cars to provide transportation to low-income families. Car donations are also used by a number of other charities whose ultimate mission has nothing to do with cars. Typically these charities have the donated vehicles sold for scrap or sometimes sold on the open market, usually by a third party. The proceeds that go to the charity after the third party car donation company is paid are used by the charity to accomplish its mission.

Many people donate cars not only to benefit a charity, but also to obtain a tax deduction. Unfortunately there was a good deal of abuse in the relation between the amounts claimed as deductible for donation and the actual benefits charities received. Some charities saw very little real benefit from the donation programs and some deductions greatly exceeded any benefit the

[16] U.S. Government Accountability Office. "Vehicle Donations: Benefits to Charities and Donors, but Limited Program Oversight," 2003. Available at: http://www.gao.gov/assets/250/240653.html

charities got. In 2003, a United States General Accounting Office study found that "[t]he proceeds received by charities from vehicle donations were 5 % or less of the value donors claimed as a deduction on their tax returns for the majority of the 54 vehicle donations we tracked."[16]

These abuses spurred changes. On January 1, 2005, the IRS modified its rules on vehicle donations, following passage of the American Jobs Creation Act in 2004. Before, taxpayers could claim deductions based on the fair market value of their cars. Under the revised rules, donors must take into account how much their donated vehicle actually sells for, with some exceptions.

In addition to reducing abuses in donation programs, the revised rules should encourage donations to programs that actually use the cars.

g. Tax Implications of Charitable Car Donations

With the revised rules, the amount a donor can deduct depends on the way the charity operates and uses the donation. Generally, a donor can deduct more of the contribution if the charity significantly uses the car or distributes it to a needy individual. A charity is understood to significantly use a car if used to substantially further its regularly conducted activities. For example, using the car to provide transportation on a regular basis for a significant period of time is considered a significant use of the vehicle.[17] However, a donor may deduct some amount of the contribution if the charity sells the donated car and uses the proceeds to fund its programs.[18]

To determine the value of the donated vehicle, charities and donors must first look to the fair market value (FM) of the car. As stated by the IRS, the value is "an amount not in excess of the price listed in a used vehicle pricing guide for a private party sale, not the dealer retail value, of a similar vehicle. However, the FM may be less than that amount if the vehicle has engine trouble, body damage, high mileage, or any type of excessive wear."[19] The FM of the donated car will be the same as the price listed in a used vehicle pricing guide for a private sale if it's "the same make, model, and year, sold in the same area, in the same condition, with the same or similar options or accessories, and with the same or similar warranties as the donated vehicle."[20]

FOR SALE OF VEHICLE

- If the FM of the donated car is more than $500, donors can deduct the smaller of
  - Gross proceeds from the sale of the vehicle by the charity
  - The vehicle's FM on the date of the contribution
- If the FM of the donated car is $500 or less, donors can deduct the smaller of
  - $500
  - The vehicle's FM on the date of the contribution

[17] Internal Revenue Service. Instructions for Form 1098-C – Main Contents. Available at: http://www.irs.gov/instructions/i1098c/ar02.html#d0e232

[18] Internal Revenue Service. "Charitable Contributions. Available at: http://www.irs.gov/pub/irs-pdf/p526.pdf

[19] Internal Revenue Service. Form I8283. "General Instructions." Available at: http://www.irs.gov/instructions/i8283/ch01.html

[20] Id

FOR DIRECT USE OF VEHICLE

- If the FM of the donated car is more than $500,
    - If the charity uses the vehicle or works on material improvements, the donor can deduct the vehicle's FM at the time of the contribution
    - If the charity gives the vehicle to a needy individual directly (or sells it well below FM, with the exception of auctions) to further the charity's purpose, then the donor can deduct the FM at the time of the contribution

h. Program Documentation Needed for Donors

To claim the deduction, a donor must have the following documentation, which usually is found on the receipt issued by the charity:

Vehicles worth $500 or less:

- Name of the charity
- Description of donated vehicle
- Statement if goods and services were received and their value
- Contemporaneous written acknowledgment of the contribution (if more than $250)

Vehicles worth more than $500 and less than $5000:

- Name of charity
- Description of donated vehicle
- Statement if goods were received, and their value
- Contemporaneous written acknowledgment of the contribution
- Form 1098-C provided by the charity showing the gross proceeds from the sale of the vehicle (or other statement containing the same information)
- Form 8283, section A signed by an authorized official of the charity

Vehicles worth more than $5000:

- Name of the charity
- Description of donated vehicle
- Contemporaneous written acknowledgment of the contribution
- Form 1098-c or equivalent document
- Form 8283, section B signed by an authorized official of the charity
- Written appraisal

i. Processing Donations

The IRS helps car programs familiarize themselves with its rules and regulations through the publishing of an online guide to vehicle donations.[21] It also provides specialized assistance for tax-exempt organizations, including webinars and telephone assistance for exempt organizations and government entities. Car programs may also wish to employ a tax professional to help establish a system for the organization to deal with donations.

[21] IRS, "A Charity's Guide to Vehicle Donations." Available at: http://www.irs.gov/pub/irs-pdf/p4302.pdf

It is important to make the donation process as easy as possible for the general public. Features, such as a toll-free phone number, quick pick up of donated cars, and alternative options for cars not accepted by the car ownership program, will facilitate the process and generate good word-of- mouth referrals. The staff person who is dedicated to screening potential donations usually has this as a job duty.

A pick-up strategy needs to be devised and can include volunteers driving working cars, or a tow truck operated by the program or through partnerships with towing companies. Many programs institute another car inspection point at the time of pick up and detailed instructions for the transfer process (e.g., title transfer, tax credit).

Some of the programs featured in the case studies in this guide facilitate donations by advertising the benefits and requirements of car donations on their websites. For example,

- **Wheels 2 Work** schedules car pickups around a donor's requested time frame and manages all transfer issues
- **Vehicles for Change** also allows donors to schedule a pick-up for their donated vehicles, and promises a receipt within 30 days of the car's pickup, or within 30 days of the car's auction or sale if it chooses to send the donated vehicle to an auction or retail lot;
- **More Than Wheels** assures donors that the program takes care of all the paperwork; and
- **Good News Mountaineer Garage** emphasizes the benefits of donation throughout the website and offers to receive donations by phone and through an online form.

ii. Public and Private Fleet Donations

Some car programs have found public agency and county fleets to be a good source of used cars as they tend to be well-maintained. However, there are some challenges to address before tapping into this source. There are often ordinances that govern how public fleet vehicles are retired and usually these cars are auctioned off by the government agency for revenue. For many government agencies, this revenue is necessary for maintenance of existing cars and to purchase new cars. In New York, the governor signed legislation that allowed their Boards of Cooperative Educational Services to transfer repaired vehicles to welfare recipients at little or no cost.[22] It is extremely helpful to have an ally from a government agency or political arena, and for the program to have advocacy experience, before embarking on this strategy.

Private fleets may also be a source of good used cars. Similar to the challenge with public fleet donations, the financial incentive may not be in place for private businesses to donate corporate cars to nonprofits. However, this strategy may work if an ally is in place or with creative negotiating, such as free publicity for the company or tax write-offs.

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[22] See E.g., The partnership between Dutchess County Department of Social Services and Dutchess BOCES: http://www.dcboces.org/adults/transportation and their 2013-2014 services guide: http://www.dcboces.org/sites/default/files/dcboces/BOCES_CGR_2013_14_services_Guide_1-18-13_WEB.pdf

iii. Nonprofit Affiliate

Nonprofits can register as an affiliate to a third-party broker who will solicit cars on their behalf. This model capitalizes on economies of scale and is based on the existing national car donation strategy whereby national nonprofits broker through an intermediary that handles the donations process and transfers an established portion of the revenue to the nonprofit. In this case, vehicles rather than revenue are transferred to the nonprofit affiliate. The national or regional intermediary usually handles all aspects of soliciting, securing, refurbishing, and distributing the cars. The nonprofit affiliate is responsible for marketing the car solicitation phone number and recruiting clients for the vehicles. The nonprofit affiliate strategy may or may not work out as obtaining usable cars from such a stream can be a challenge since many of these donated vehicles will not be suitable to be used for client cars.

D. Car Reconditioning and Repair Strategies

Whether the cars are acquired through donation or purchase, many will require some investment in reconditioning and repair prior to going to clients. The cost associated with car repairs and reconditioning is one of the most expensive elements of car ownership programs. The average total cost ranges from $200 to $1,500 per car. In addition, many programs offer car warranties to cover breakdowns during the first few months of ownership, which adds to the total per car cost incurred by programs. Car ownership programs have attempted to control their reconditioning and repair costs by partnering with repair garages or by hiring staff to conduct the repairs.

i. Partnerships with Auto Repair Garages

Car ownership programs often have established partnerships with auto repair garages or individual mechanics who offer discounted labor and parts for both pre-ownership work and as a preferred vendor for clients after they have taken possession of their cars. Repair shops should be prescreened to determine trustworthiness, efficiency, and reliability.

These partnerships may help create goodwill among local repair shops toward the car ownership program, which is important for building alliances and encouraging repair shops to provide program support as a referral source of car donations. Some drawbacks to this approach are inconvenience for clients and the inability to authenticate car repair cost estimates. Repair shops may be closed on weekends or can't take the client's car immediately, which may result in clients missing time from work. It is important to institute controls for repairs that are done by external shops to ensure fair repair quotes. Some programs offer a service whereby a client can verify repair quotes with the industry expert on staff.

ii. Partnerships with Training Programs

Auto mechanic training programs at community colleges or private vocational education institutions are also another source of affordable auto repairs. However, this strategy will only work if programs have a very low volume of cars and clients. Scheduling coordination difficulties and the longer time necessary to complete car repairs, which may increase storage costs, are challenges when working with training programs. In addition, programs that operate in a large geographic area or in multiple counties may not be near training program centers.

iii. Internal Repair Program

Some car programs have developed in-house repair programs in an effort to increase control over car repairs in terms of scheduling and costs. Establishing in-house repair capacity is costly in the short-term since staffing, equipment, and space are needed along with additional liability insurance. However, in the long run, it may be a more cost-effective strategy, depending on the volume of cars processed. Programs that have implemented an auto repair component usually establish it as part of a training program to leverage funds for ongoing operating costs. Programs that conduct their repairs internally find that they can control overall costs, authenticate the need and cost for repairs, provide better quality repairs, and set repair hours to accommodate working clients' schedules (e.g., Saturday mornings). In addition, programs can track repair data that can improve operations and management—for example, which car models are less prone to breakdowns.

E. Licenses—Wholesalers and Used Car Dealerships

In most states, anyone who sells, leases, offers, or negotiates the sale or lease of 10 or more vehicles per year must have a dealer license. States license dealers to ensure fair business competition and protect consumers. State dealer licensing requirements can sometimes be a challenge for nonprofit organizations interested in implementing car ownership programs because they require upfront money to pay for fees. Car ownership programs have responded to these licensing requirements in two ways:

1. Obtaining appropriate licenses to access unrestricted funding opportunities
2. Seeking an exclusion or waiver from the legal requirements

i. Dealer Licensing Requirements

The majority of car ownership programs acquire dealer licenses to best serve their clients. With a dealer license, car purchase programs can buy cars at wholesale auctions which often have a lower price than other sources. Car donation programs often must have a license to sell donated cars that are not given to clients. That revenue can be reinvested to support operations.

The requirements and types of dealer licenses that car ownership programs may need vary from state to state. These requirements typically include completing an application, attending a dealer education seminar, providing proof of surety bond, and paying application fees. Although the specific terms vary from state to state, following are the general definitions of each type of license:

Wholesale License: In most states a wholesale dealer may purchase and resell used vehicles only to licensed dealers and never to the public. Possessing a wholesale license enables car ownership programs to purchase cars below retail through other wholesalers and auctions and then give the cars to their clients. A wholesale dealer will generally not be permitted to sell cars directly to the public. Car pricing guides, such as the Kelley Blue Book, NADA Yellow Book, and the National Auto Research Black Book, will be useful to programs that purchase cars at wholesale. Wholesale licenses can also help car ownership programs become financially sustainable by allowing them to sell high-end cars to auctions and using the revenue for the program. Wholesale licenses, however, are not available in all states.

Used Car Dealer License: A used car dealer may buy, sell, lease, broker, wholesale, or auction any make of used vehicle. A used car dealer license allows car ownership programs to sell cars to the public at fair market retail for additional revenue, which is in turn used for program expenses. A used car dealer license is beneficial to large car ownership programs that transfer a high volume of cars, protecting them from being viewed as having any advantages compared with for-profit used car dealers. You will need a license or an exemption in every state where you operate.

Wholesale licenses tend to have fewer requirements than used car dealer licenses, so the costs are less. However, most states have used car dealer licenses but only a handful offer wholesale dealer licenses.

Dealer licensing rules and requirements are very state specific. To obtain more information about local licensing requirements, visit the following sources:

- State Department of Motor Vehicles or Business/Occupational Licensing Board
- National Independent Automobile Dealers Association (Used Car Dealer Association). NIADA provides basic information about dealer licensing requirements in each state, along with links to the agencies that have jurisdiction over licensing. www.niada.com

ii. Dealer Licensing Exclusions

A few car ownership programs opted to put in place legislation that would exclude them from dealer licensing requirements. These exclusions are provided through state legislation and statutes that either explicitly give waivers to nonprofit, or limit the definition of a dealer to exclude nonprofit organizations. Such a strategy enables the nonprofit to bypass the regulatory process and fees associated with licensing. Several states, including California, Maryland, and Virginia, currently offer exclusions for public or private nonprofit charitable, religious, or educational institutions that sell vehicles if certain conditions are met.

CASE STUDY 3: KEEPING EMPLOYMENT EQUALS YOUR SUCCESS, OR KEYS
From Welfare to Work

Organization:	**KEYS Auto Loan Program, Employment and Human Services Department of Contra Costa County (www.contracosta.ca.gov)**
Leadership:	**Joel Flamand, Transportation Services Specialist**
Model:	**Low-Cost Financing, Financial Education**
Headquarters:	**Martinez, CA**
Areas Served:	**Contra Costa County, California**
Since:	**2003**
Number of Clients Served Annually:	**40**

History

Northern California's Contra Costa County is one of the only car ownership programs in the country administered by a local government. California has notorious transportation problems; the long travel times and inconvenience of public transit options has resulted in nearly 82% of workers commuting by car in Contra Costa County.[23]

The federal cash assistance program, Temporary Assistance for Needy Families (TANF), requires state programs to design initiatives to move families off of welfare and into the workforce. The California Work Opportunity and Responsibility to Kids (CalWORKs) is the state program. CalWORKs serves income-eligible California families. In the late 1990s, Contra Costa's Employment and Human Services Department investigated barriers to economic security for these recipients.

After interviewing recipients, the Department found a common barrier to self-sufficiency: a lack of reliable transportation. Many recipients could not purchase a reliable car because of poor credit histories.

Using CalWORKs funding, the Department decided to make low-cost loans available for cars by establishing the Keeping Employment equals Your Success or KEYS Auto Loan Program.

Instead of relying on an applicant's credit history, the Department evaluated loan eligibility based on an applicant's ability to pay. In addition to CalWORKs, the program is also funded in part by a Lifeline JARC Grant. The Department issued a request for proposals seeking a financial institution to service the loans. The Contra Costa Federal Credit Union won the bid; a decade later, the credit union remains the financial partner.

The Program

CalWORKS clients are referred to the program by their case workers. KEYS loans carry a fixed interest rate of 7% for a 24-month term. On average, recipients borrow $2,725 for a car, although the maximum amount is $4,000.

[23] American Community Survey, "Selected Economic Characteristics, 2011 American Community Survey 1-Year Estimates, Contra Costa County, California," (2011).

Borrowers enroll in a required financial management class that covers budgeting taught by Department instructors. Borrowers must also complete an automotive maintenance course taught by a private contractor, which covers basic topics such as checking oil, changing tires, and conducting tasks to keep cars functioning properly.

The program's loan pool replenishes itself fully. The only cost of running the program is the administrative cost of a program coordinator. If a borrower defaults on his or her car loan, the credit union is responsible for the repossession of the vehicle.

Impact

KEYS loans make it possible for CalWORKS recipients to maintain employment, and 93% of KEYS borrowers repay their loans.

"When you've been without reliable transportation for so long, you don't want to go back to that world. Our participants make sure they repay the loan because they remember what it's like not having a reliable car," says Flamand.

Keys to Success

Committed Leadership

Many other county auto loan programs in California folded during the budget cuts of 2008 and 2009. Although the KEYS program operates on a lean budget, requiring an allocation only for administrative support—many counties shuttered their programs. However, the KEYS loan program endured because of the County's Employment and Human Services Department's commitment. The program's success in transitioning clients into the workforce, as well as the strong history of repayment, convinced the Department to continue the program. In doing so, the Department has been rewarded by a chance to continue to serve its loan recipients who in turn continue to demonstrate their ability to responsible handle credit when given the opportunity.

> "I am so thankful for the KEYS Program. I couldn't get a loan for a car because of past credit issues related to past unemployment. I knew once employed I could afford a small monthly car payment but no one would give me a chance. The KEYS Program gave me that chance. I'm making $25.00 an hour now and having my own car is the reason why."
>
> —KEYS program recipient

Partnerships

The Department contracts with the Contra Costa County's Public Works Department, which manages the county's fleet of vehicles. Retired vehicles are made available to KEYS borrowers, but approved KEYS participants can purchase their vehicle from any source that they choose.

The commitment of the Contra Costa Federal Credit Union benefits the program participants during the life of the loan and after the loan is repaid. The credit union extends partial membership benefits during the repayment period; clients that successfully repay the loan are offered full membership in the credit union, gaining access to a wide array of affordable financial products. The KEYS program helps clients develop trust in a financial institution that can help them graduate to other types of credit.

Quality Control

The KEYS program enforces strict quality control measures. Every car must pass a rigorous inspection. The county pays the cost of inspecting the car to ensure that there are no apparent repair issues, that the car is registered in California, and that it is a 4- or 6-cylinder operable vehicle.

The program has a through and strict screening process which accounts in large part for the 93% pay back rate. 65% of applicants pass the review process and receive a loan. The program prioritizes sustainability; if a client cannot afford to repay the loan and maintain the car, the county will not approve the loan.

F. Program Liability

Programs need to minimize or address their potential exposure in the following three areas:

1. Insurance coverage
2. Title transfers
3. Car repossessions

i. Insurance Coverage

Following are common categories of liability insurance carried by programs:

Garage Liability Coverage: This liability policy provides insurance for events that occur on the premises where your cars are stored.

Umbrella Liability: This provides blanket coverage for the organization but is expensive.. Organizations that hold the car title while clients are paying off their loan—such as in the case of a nonprofit that uses a lease- to- own strategy— should carry this insurance to cover accidents that the client may become involved in.

In addition, programs may require clients to sign hold harmless agreements to protect the agency in case of an accident or equipment failure. For organizations that secure the state's used car dealership license, they will have to abide by mandated stipulations that generally include posting a bond in the amount set by the state.

ii. Title Transfers

The person or entity that holds the car title can be liable for car accidents that occur. Thus it is important to be clear as to who holds the car title, especially during the title transfer process.

Car titles are transferred when:

- cars are donated from the original owners,
- the program transfers title to the financial institution who is holding the lien, or
- the program or bank transfers title after the car loan has been paid off.

It is important to ensure that the title is cleared to the new owner every time it is transferred. Car programs often monitor or undertake the process themselves. In some states, there is a lag time for title transfers; in this case, the process should be monitored through completion.

iii. Repossessions

Repossessing a car is a difficult and often dangerous endeavor. Each year many repo agents, car owners, and innocent bystanders are hurt and killed during repossessions.[24] Lenders may be liable for repossessing cars without the right to do so or for breaching the peace even if they do have a right to repossess. Even though a secured lender may hire a third party repossession agent, the lender is still generally liable for any breach of the peace as the lender has a non-delegable duty to ensure the peace is not breached during repossession.

Some lenders have begun to use electronic repossession devices that may require the borrower to enter a new code after each payment or may allow lenders to track the car's location or even remotely disable the car. These devices may present liability issues if a car owner is stranded with a car that won't start in a dangerous place. State and federal laws also impact the ability of lenders to use such devices.

Nonprofits that handle the car financing for their clients will also have the responsibility of handling repossessions (if they chose to repossess vehicles as a part of their program). If car programs partner with a conventional financial institution, that entity will likely be ultimately responsible.

Every state has different regulations governing the process of repossession. These may include a notification of the nature of the buyer's default, a time period for the buyer to correct the default, notice after repossession and notice after sale of the collateral. More specific information regarding repossession can be found in National Consumer Law Center, Repossessions (7th ed. 2010 and Supp.). If a program decides to become involved in repossessions it is important to be aware of and follow the required procedures.

G. Working With People: Serving Clients

This section reviews strategies for working with low-income clients to enable successful car ownership. For many clients, this may be the first car that they own. If they purchase or lease their car, it may also be their first car payment. Car ownership programs should build in strategies, such as case management, budget counseling, and other supports, to broaden clients' understanding of what is needed to keep and maintain a functional car. Car ownership programs have put in place a number of mechanisms to support and educate their clients.

This section will examine:

- Common client challenges
- Personal budgeting and financial literacy
- Auto maintenance

24 See John W. Van Alst and Rick Jurgens, *Repo Madness: How Automobile Repossessions Endanger Owners Agents and the Public, 2010*, available at: https://www.google.com/url?q=http://www.nclc.org/images/pdf/special_projects/auto/report-repo-madness.pdf&sa=U&ei=lb6oUrCXDZCjqQGg_4G4BQ&ved=0CAYQFjAA&client=internal-uds-cse&usg=AFQjCNESLGurGCEQYG1WnTzdXOw6pBZVgQ

- Eligibility and screening criteria
- Program requirements
- Case management
- Insurance
- Car Distribution
- Auto Lending

i. Common Client Challenges

Many clients participating in these programs are undergoing major life transitions and are often entering the workforce for the first time. The expenses and responsibilities associated with car ownership, especially for clients who have never owned a car before, introduces additional challenges. Car ownership programs can increase the likelihood of success by ensuring that all clients have ongoing case management and providing other client support. Without such supports, programs may experience high loan defaults, the abandonment of nonworking vehicles, and a failure to fully take advantage of the benefits of car ownership. Ongoing case management also allows programs to track clients which will facilitate program evaluation.

Program decisions regarding client supports often need to strike a balance between individual client responsibility and program-subsidized supports since client needs are great and program resources are limited. Some programs have developed strategies that promote cost-sharing strategies with clients or leverage resources from partner agencies to defray costs associated with client supports. The tension between program resources and client challenges is particularly acute in cases where programs provide internal financing and rely on the repayment stream to continue operations. In these cases, program finances are inextricably tied to the success or challenges faced by clients. For example, significant costs accrue to the program if a client defaults on a loan or if the car breaks down frequently. On the other hand, if there are low default rates, then the program can use this as an additional revenue stream. Programs have implemented measures to control or decrease default rates, such as such more rigorous client screening criteria.

a. Client Finances and Budgeting

The many costs associated with car ownership, including registration fees, insurance, and repairs, are significant barriers in light of the limited incomes of clients served by car ownership programs. According to the American Automobile Association (AAA), the national average annual cost of driving a car is $8,946 per year, based upon 15,000 miles of annual driving.[25] This may be reduced by use of a less expensive car with lower annual depreciation, increased fuel economy, driving fewer miles, and other cost saving measures, but nonetheless, owning a car is expensive. It is important for both programs and clients to understand all the financial responsibilities associated with car ownership and to determine if this is an affordable strategy for the client.

Beyond budgeting issues, a lack of financial literacy may also be a challenge. Clients may have poor credit histories as a result of unpaid medical bills, credit reporting errors, late payments, bankruptcies, or other causes. Other clients may have little or no credit history and the car note may be the first transaction to appear on their credit reports. In any case, it is important for

[25] AAA 2012 "Your Driving Costs" study available at: http://newsroom.aaa.com/wp-content/uploads/2012/04/YourDrivingCosts2012.pdf

clients to understand all the financial responsibilities associated with the car and the implications of missed or late payments. Car ownership programs find that developing financial literacy is an ongoing process.

b. Car Maintenance

In cases where clients are first-time car owners, a thorough understanding of car maintenance is important to prevent unnecessary breakdowns and repairs resulting from negligence. Since clients typically acquire used cars that may range from 8–14 years old, the cars will inevitably require maintenance and repairs. Programs will need to include car repair strategies and mechanisms to control these costs to both the program and the clients. Based on past experiences, car ownership programs find that it is beneficial to have in-house expertise to diagnose the extent of repairs and estimate repair costs to verify estimates posed by outside repair shops. Otherwise, this cost has the potential to become exorbitant for programs and clients.

H. Eligibility and Screening Criteria

Although target populations vary by program, the bulk of clients served by many car ownership programs are Temporary Assistance for Needy Families (TANF) recipients because TANF has often been the primary funding source. More recently, programs are expanding the definition of who can be served and establishing income eligibility criteria to include the working poor. Programs that serve a diverse clientele have tapped into numerous funding sources and have access to unrestricted revenue.

Once the initial eligibility criteria have been determined, programs should establish how clients will be recruited and further screened. The goal of the screening criteria is to facilitate client selection and prioritization because the number of eligible clients will usually exceed the supply of available cars. Almost all car programs rely on partner agencies to recruit potential clients because it is more cost-effective. Many of the car ownership programs do not have contact with low-income individuals because they are new and often stand-alone organizations. In addition, car ownership programs may perceive themselves as an adjunct to the larger social services since they address a specific transportation need. Therefore, it makes more sense for car ownership programs to establish referral relationships with agencies that have an existing client base instead of developing this constituency themselves.

i. Eligibility Criteria and Recruitment

Eligibility requirements vary slightly among car ownership programs, although almost all programs require that the client be low-income, possess a valid driver's license, and be insurable. Some programs will add an additional requirement of a clean driving record. The usual arrangement with the partner agency is that they will refer all eligible clients. Then, the car program determines which clients will receive the available cars. However, in some cases, the car program is on contract to provide cars to a specified number of program clients who are sent in by the referring agency. In this case, the car ownership program will not be responsible for determining eligibility criteria.

ii. Screening Criteria

Most car programs have established internal screening procedures for potential clients that are usually conducted in an individual or group interview format. Screening criteria are especially important for programs that provide car financing to minimize losses associated with loan defaults. Programs also find that the more successful clients are those for whom the lack of transportation was the primary obstacle for accessing work. Clients with multiple challenges have difficulty maintaining a car in working order or repaying the loan. In almost all cases, the number of clients who are eligible exceeds the supply of available cars so waiting lists need to be established.

The following are other common screening requirements:

Lack of Transportation: Many programs require that clients demonstrate a need for a car, whether to get to a new job work or a training program, or to retain an existing job. Additional screens, such as proximity and accessibility to public transportation, are also used to assess the need for a car. Families with children are sometimes prioritized over single adults. Programs

find that clients who can articulate the necessity of a car value the vehicle more, which in turn leads to better-maintained cars or fewer loan defaults.

Affordability: Many programs work with clients to calculate a monthly budget to determine if they can afford to maintain the car and car payments. If the car is being financed, the client must be currently employed as their wage income is a necessary element of the affordability analysis. The budget development process is often done jointly between staff and the client to ensure that all costs, including as insurance and gas mileage, are considered to present an accurate picture of income and expenditures.

Financial Credit History and FICO Scores: Many low-income clients cannot access loans from mainstream financial institutions because they have poor credit histories and are considered financially risky. The credit problems these clients have and the higher interest that usually comes with such credit histories translates into a higher number of loan defaults.

This risk of higher default rates is a financial risk for the lender whether the program lends directly or partners with some lending entity. The level of financial risk that client credit scores present and that that a program or lender is willing to undertake should be clearly defined. These decisions can directly impact the loan fund pool or may require some arrangement with loan guarantees. Some programs review client credit histories and establish minimum FICO credit scores to qualify for car loans. These criteria may be changed as the program develops historical data of loan performance.

Vehicle Down Payment: Although not a common criterion due to the limited incomes of clients, an initial down payment on the car is sometimes required and is usually a nominal sum that is scaled according to ability to pay. This screening criterion can help to minimize loan defaults. A down payment that can be made by a client is an important signal to programs that the client is economically and personally invested in the car.

CASE STUDY 4: MORE THAN WHEELS

Financial Fitness Classes and Car Ownership

Organization:	**More Than Wheels (www.morethanwheels.org)**
Leadership:	**Terri Steingrebe, Chief Executive Officer**
Model:	**Financial Education, Credit Repair, Low-Cost Financing**
Headquarters:	**Manchester, NH; Boston, MA**
Areas Served:	**Maine, Massachusetts, New Hampshire, Vermont**
Since:	**2001**
Number of Clients Served Annually:	**185**
Annual Budget (2011):	**$1,131,865**

History

Before the establishment of More Than Wheels, prospective customers with slim credit histories were stuck with high-cost loans from predatory lenders. In 2001, used car dealers Robert Chambers and Leo Hamill founded More Than Wheels to serve low-income clients that needed access to cars.

Over the years, Chambers had witnessed needy clients with poor credit fall prey to unscrupulous auto dealers who charged high prices for low-quality vehicles. Using his expertise in the auto industry, Chambers avoided much the information asymmetry lower income buyers face when dealers know more not only more about the value and condition of the car they are selling, but also about the potential financing available than consumer's do. More Than Wheels negotiates car prices with a network of car dealerships and secures low-cost loans from its financial partners, reducing the high mark-up that drives prices up. The program has been a success. In the past 13 years, More Than Wheels has served more than 2,000 clients and secured more than $25 million in low-cost car loans.

Programs

More Than Wheels provides a comprehensive and individualized financial education course to address barriers to affordable credit with an emphasis on repairing checkered credit histories.

Clients initially meet with a consultation specialist who reviews their overall expenses, income, and credit history. The client and the consultation specialist try to identify ways for clients put aside enough for a monthly for a car payment, insurance, and maintenance in addition to existing household essentials. Clients pay $25 per month to enroll in the program which takes an average of 4-6 months. Clients complete a financial education course and work with a financial counselor to address negative items on their credit report. The fees are waived for veterans and active-duty military families.

After the completion of the credit repair program, More Than Wheels helps clients take out a low-interest loan from a lending partner to purchase a car from a network of dealers. A car warranty is built into the loan and covers the car for the life of the loan. Warranties are purchased through a third-party warranty company recommended to More Than Wheels by its car dealer partners. In some cases, the car comes with an extended warranty from the manufacturer. More Than Wheels partners with financial institutions and car dealers to negotiate the best deal for their clients. "We'll partner with car dealerships to get a better rate than clients could get themselves," says Randy Houk, senior vice president, outreach and development for More Than Wheels. Policymakers and advocates remain divided on the efficacy of stand-alone financial education, but paired with access to affordable credit and quality vehicles, More Than Wheels has built a successful program for clients who lack access to low-cost credit. More Than Wheels also absorbs a portion of the risk for credit unions, guaranteeing the first $2,000 of each loan. It carries a loan reserve for this purpose.

More Than Wheels is primarily geared toward clients who face transportation challenges, but rely on public transportation or an old car on its last leg, or the charity of friends and family to get them around as needed. For clients needing temporary transportation immediately and who are threatened by a job loss, More Than Wheels has a temporary transportation program. The Bridge Car Program serves emergency cases. Clients pay $250 a month to cover the lease, maintenance, and insurance. The Bridge program helps establish a payment history for More Than Wheels' lending partners.

Financial Counseling Enables Couple to Save for Reliable Car

Brandy and Randy needed to drive themselves to work and their three kids to school. Using their tax refunds, they were spending between $3000 and $6000 a year buying used cars. The cars were unreliable and would break down fast.

After hearing about More Than Wheels through a friend, they both enrolled in the program. While taking the financial fitness classes, they used a Bridge car as temporary transportation. They learned about credit scores and budgeting and were surprised to find out how much money they could save.

Now, Brandy and Randy have a reliable 2011 Hyundai Sonata that gets them to work, to their appointments, and to the grocery store, and gets their children to school.

Impact

The Social Impact Exchange, an organization that tracks high-performing nonprofits, included More Than Wheels in its index of top nonprofits creating social impact. Among criteria for inclusion on Social Impact Exchange's index, nonprofits must demonstrate scalability, evidence-based results, and the ability to serve multiple locations or a significant number of clients. The entry on the Social Impact Exchange describes the program's success:

More Than Wheels has a proven set of services and promising outcomes. The scaling strategy is to embed these services in local agency programs and employer benefits programs, delivering the services through a distance consulting model by using the internet and video technology, and leveraging resources of partners to provide in kind support locally.

Only 5% of clients that completed the More Than Wheels curriculum defaulted on their loans, an astonishingly low rate. Out of all the programs with financing components, More Than Wheels clients have the lowest default rates. Clients successfully repair their credit.

The Social Impact

Exchange reports that credit scores for participants show a 30% average annual increase. Because More Than Wheels negotiates directly with lenders and dealers for the most affordable loans and vehicles, clients save over $10,000 per car over the life of the loan, on average.

The program also has benefits for the environment. More Than Wheels encourages clients to purchase fuel-efficient vehicles. Clients that have gas-guzzlers save up and purchase vehicles with better mileage, saving money and improving the environment. The average car that a client has coming into the program gets an average of 19 miles per gallon, while More Than Wheels generally selects vehicles that get 35 miles per gallon. The emissions savings equate to about 36 metric tons of avoided CO_2 per year per car. The Social Impact Exchange estimates that More Than Wheels has resulted in 270,000 fewer metric tons of CO_2 emissions.

Keys to Success

Partnerships

More Than Wheels has cultivated hundreds of partnerships across the East Coast to achieve affordable car loans for clients. Credit unions and banks provide low-cost financing for More Than Wheels clients. Social service agencies and nonprofits assist in case management and client referrals. And car dealers identify cars to ensure that clients receive reliable and affordable vehicles.

More Than Wheels also works with employers, encouraging its corporate partners to incorporate More Than Wheels into its benefits package. Employers may refer an employee to the program, offer More Than Wheels as part of a comprehensive employee benefits package, advertise for the program, and match employee auto savings. Some employers also host More Than Wheels speakers for brown bag lunches on a variety of relevant financial education topics. Partners include Dartmouth-Hitchcock Medical Center in Lebanon, New Hampshire; Brockton Area Multi Services in Brockton, Massachusetts; Whole Village Family Resource Center in Plymouth, New Hampshire; Nuestra Comunidad Development Corporation in Roxbury, Massachusetts, and many more.

Types of Partnerships

- Volunteer Income Tax Assistance Sites
- Community Action Agencies
- Credit Unions
- Car Dealerships
- Employers

For all of its partnerships, More Than Wheels appeals to the need to assist low-income households with their transportation needs but also underscores the benefits to the partner. The program benefits employers and employees. Employees with reliable transportation miss work less, arrive on time more frequently, and report better physical and mental health. Employee retention increases and productivity improves. Credit unions and car dealerships can build relationships with new clients who may become long-term customers.

Financial Education

Clients are required to complete 12 hours of financial literacy coursework. More Than Wheels offers the coursework in the form of six two-hour classes that comprise the Financial Fitness

Curriculum, developed in conjunction with the University of New Hampshire. The topics covered include budgeting, money management, credit education, health, and savings.

Each class includes a weekly homework component and the option of receiving special instructor assistance prior to the start of classes every week. Clients are encouraged to set goals and are given exercises to help identify financial weaknesses and learn from them. Group interaction and support are also encouraged among participants. Classes are divided in the following manner:

- Class 1: Introduction and Core Program
- Class 2: Stretch and Save
- Class 3: Banking and Budgeting
- Class 4: Understanding Credit
- Class 5: Food Economics
- Class 6: Car Maintenance and Wrap-Up

Technological Innovation

In recent years, More Than Wheels has deployed WeBex and other remote video technology to deliver individualized financial counseling. If a client does not have a Smartphone or a web camera, More Than Wheels has established remote partnerships with social services agencies that establish dedicated days and times when clients can use computers to meet with More Than Wheels staff.

Ongoing Challenges

Predatory lending and the subprime mortgage crisis have sowed mistrust among many low-income individuals. The benefits of the More Than Wheels program can be a tough sell to low-income clients tired of hearing offers that sound "too good to be true." As Randy Houk explains, "Clients have been…hounded by predators…it takes a while to build credibility and this is why we're working with partners to help us build credibility over time."

I. Case Management

Monitoring clients' progress is important and often includes the provision of support services to address emergent client challenges. Programs that work with low-income clients find case management is critical to clients' program success. The level of case management varies in car ownership programs, and in many cases the agency that referred the clients often serves in the role of case manager. For car programs that operate a car loan component, internal case managers are usually assigned primarily to track payments and assess the working condition of the cars. Few car ownership programs provide comprehensive case management services beyond those that are auto-related, but many have expressed a desire to do more in this area if resources were available.

If an outside agency provides case management, the car program should have a formal agreement, such as a memorandum of understanding (MOU) with the agency, which makes explicit the types of services provided and the responsibilities of each party. MOUs can protect car ownership programs from taking on more of the case management role than they anticipated. MOUs with all referring agencies will also help to ensure that all of the car ownership program clients receive similar services even if they are referred from several different agencies.

i. Tracking Eligibility and Payments

For programs with a financing component, the repayment stream is important to continue program operations. In these cases, staff are motivated to follow up with clients who may have missed payments. Many programs find that just a few reminder calls are all that is necessary to prompt immediate payment. If late payments are an ongoing issue, program staff can ask the referring agency to intervene. In addition, programs monitor whether clients are adhering to program requirements, which include maintaining active employment status, retention of automobile insurance, and possession of a driver's license.

ii. Comprehensive Case Management Services

If resources are available, a more proactive case management role can be undertaken to promote clients' success in other aspects of their daily lives. The decision to provide more comprehensive services is a philosophical one based on what programs feel is the acceptable level of support or "hand-holding" necessary for success. Beyond tracking payments, there is currently no consensus on the level of additional case management services that car ownership programs should provide.

Some car ownership programs have expressed a desire to institute a monthly check-in with clients, requiring that they bring their cars in for inspection. During this scheduled meeting, the car can receive a visual and diagnostic check while staff work with clients to provide support and refer them to other necessary services. In this case, the program's investment, the vehicle, is maintained in good working order and a trusting relationship can be built with clients at the same time. These forums may also help to reveal what additional program services should be implemented to address common challenges, such as job turnover. For example, many programs find that clients become unemployed during the repayment period and need assistance to seek new employment.

J. Personal Budgeting and Financial Literacy

Automobile ownership comes with a number of financial responsibilities, including monthly car payments, acquiring liability insurance, maintaining the vehicle, and obtaining necessary repairs. Therefore, one of the most crucial elements of working with clients is ensuring that they can afford the total costs of automobile ownership. Addressing the financial responsibilities associated with owning a car in the initial phase of the program will help your organization effectively screen for eligible clients, ensure that clients do not default on their car payments, and make certain that clients are meeting other financial obligations. Beyond an affordability analysis, some programs have put in place financial literacy goals for their clients.

i. Eligibility Screening and Affordability Analysis

Eligibility screening is a process in which staff from the car ownership program use financial data, such as personal income and expenses and credit history, to determine whether clients can afford to meet the obligations of monthly car payments and ongoing maintenance costs. An affordability analysis moves beyond eligibility screening by working with clients to make sure they understand what is entailed in car ownership, and balancing these responsibilities with other financial needs. Aside from considering the cost of monthly car payments, this discussion covers the cost of insurance, fuel, maintenance, and post-warranty repairs. Program staff can help clients examine their overall financial situation and determine if they can truly afford car ownership. Staff can also help clients access other resources and support services, such as the Earned Income Tax Credit (EITC), to increase discretionary income.

ii. Next Steps

Regardless of the length or depth of the car ownership program's financial education services, it is important to ensure that, at a minimum, clients receive a holistic understanding of the costs of car ownership, as addressed in an affordability analysis. These services can be conducted by program staff, provided by program partners or referral sources, or presented by financial management professionals or other organizations. For example, your agency can partner with organizations that provide Individual Development Accounts (IDAs). IDAs are savings accounts help low and moderate income people save for specific purposes such as a home purchase or schooling by matching the deposits of the savers. For more about the use of IDAs for car purchases see page 63. Partnering with an IDA program might allow a car ownership program to reserve slots for your clients to attend their financial literacy classes with an understanding that clients are not automatically enrolled in the IDA program.

K. Auto Maintenance

A key element in assuring that clients will succeed in keeping their car in good condition is for car ownership programs to assist clients with car maintenance. The goal of auto maintenance is to prevent car breakdowns due to negligence and address inevitable repair problems. Programs can help clients by conducting basic maintenance training before the car is transferred to the client. Other strategies are also beneficial, such as establishing relationships with local repair shops, providing warranties for engine and transmission failures, and conducting in-house maintenance and repairs. Some programs provide membership to roadside assistance programs, such as AAA, to clients as an added program benefit.

i. Basic Car Maintenance Training

Programs help clients to maintain their newly acquired automobiles and minimize car repairs by sharing information and instructions in a variety of ways, including:

- **Providing in-house training for clients before they acquire the car.** To facilitate information retention, the training should be held one week in advance of car delivery to the client. The training class should show clients how to check fluids, tire pressure, and other basic maintenance procedures. This can be done through a group orientation or on a one-on-one basis with clients. Maintenance training should be innovative and engage the clients.
- **Providing clients with a brochure outlining how they can maintain their car.** Many programs provide a pamphlet that contains a checklist of things to look out for and inspect on a regular basis. See Appendix for sample.
- **Referring clients to a basic auto maintenance class** at a local community college or adult school. Efforts should be made to defray any enrollment costs.
- **Requiring clients to bring their car in periodically** so that an in-house mechanic can inspect the car and troubleshoot any problems. This action precludes costly breakdowns.

ii. Car Warranties

Programs can provide a car warranty in case major problems surface within the first few months of ownership. These warranties vary in coverage and duration. Car ownership programs should consider the following when providing warranties for cars:

Length of the warranty: What period of time will the warranty cover? Longer warranties will cost the program more money, as clients can bring their cars back for a longer period of time. Most programs currently provide warranties in the range of six months to one year.

Coverage: What repairs or parts will the warranty cover? At a minimum, warranties should cover major mechanical breakdowns.

Paying for car warranties is a significant program expenditure because the used cars often need repair. If the cost of repair is beyond a certain level, then cars are traded and replaced with others. Existing car ownership programs have reported that it is difficult for them to distinguish between client negligence and unforeseen damages. Some programs have implemented mechanisms for determining if clients were negligent, such as installing temperature tabs on engines to measure overheated engines. As a cost control, some programs have implemented a cost-sharing model of car repairs. In this instance, clients pay a portion of the repair costs which encourages them to better maintain their cars. Some programs also provide small loans for car repairs.

iii. Repair Strategies

To better control repair costs, programs have either formed partnerships with repair shops or established an in-house mechanic advice hotline.

a. Partnerships with Local Garages

Programs have established partnerships with local car repair facilities that agree to provide discounted repair services or parts if clients are referred exclusively to them. Even if subsidized repairs cannot be secured, programs have developed lists of recommended repair shops based on their costs, reliability, and trustworthiness. Establishing these lists is an inexpensive way for car ownership programs to address the maintenance needs of their clients while promoting consumer protection at the same time.

b. In-House Repair Services

There are a variety of in-house services that car ownership programs can provide to help clients with their car maintenance needs. As discussed, internal staff can be designated to advise or diagnose car problems or to field maintenance questions. The same staff person can also help to verify repair estimates that are quoted by outside repair shops. These consumer education and protection strategies will help minimize repair costs for clients.

L. Insurance

In recent years, states have adopted stricter insurance laws, requiring mandatory auto insurance and imposing stiffer consequences for driving without car insurance. State Departments of Motor Vehicles often require proof of insurance upon registration of a car and drivers can lose their driving privileges if found to be driving without insurance. Given the legal requirements and general necessity of insurance, it is important for car ownership programs to consider the costs of insurance, educate their clients about this expense, and provide assistance in obtaining and maintaining insurance. There are two approaches car ownership programs can undertake to assist their clients with insurance:

1. In the short term, programs can work directly with clients to identify affordable options for their needs.
2. In the long term, programs can engage in advocacy efforts to make auto insurance more affordable for low-income people.

The cost of car insurance can be very high for many low-income people served by car ownership programs. The annual cost of insurance for program clients may be higher than the full cost of the car. Many programs report that the lapse of insurance coverage is the number one reason for repossession. Therefore, it is important for car ownership programs to assist their clients in obtaining and retaining reliable insurance.

Car ownership programs can help their clients with auto insurance in many ways:

- **Cover the cost of insurance for the first few months** while clients are starting new jobs and getting acclimated to new costs and budgeting.
- **Send clients to a full day of safe driver training** for a certificate of completion. Some auto insurance companies will provide a reduction on insurance premiums through a safe driver program.
- **Empower clients to do their own research** and get quotes from several different insurance companies and/or brokers for the best possible rates.
- **Conduct in-house research**, determine which companies offer the best rates, and refer clients to them. This will save time, work, and money for the clients.
- **Establish a relationship with a local insurance agent or broker** who will provide program clients with a discount on their insurance policies. This strategy is particularly helpful if a car ownership program has a high volume of clients that can be exclusively referred to the agent or broker. Large multistate insurance companies can voluntarily offer reduced rates for low-income drivers who participate in a car ownership program. This can be done by eliminating the surcharge for first-time insurance buyers or by offering a discount for clients who take a safe driving course. Local insurance brokers could assist by waiving all or part of their commissions for car ownership program clients, especially for those new or returning after a hiatus to the insurance market.
- **Encourage clients to seek insurance discounts.** Although some donated cars may not have antilock brakes or automatic seatbelts, which are features to warrant insurance dis-counts, even an antitheft device as simple as a steering wheel lock may be sufficient for a discount.

M. Advocacy Efforts

Advocacy efforts can encourage government and the insurance industry to make car insurance more affordable to low-income drivers. The industry is pricing auto insurance too high for many low-income drivers, often for reasons that are not related to the driving ability of the individual. States and perhaps the federal government could intervene and ban the use of credit ratings for setting auto insurance rates. The surcharge that insurance companies impose on drivers who are new to owning insurance should be eliminated for low-income drivers. Several other models are available for increasing access to auto insurance for low-income drivers. Because advocacy is a long-term strategy, car ownership programs can partner with existing advocacy organizations to promote affordable auto insurance for low-income people.

The following are examples of state responses to successful advocacy efforts:

"Lifeline" Low Cost Auto Insurance Program
California is experimenting with a promising model—a special pool for low-income drivers who pay a lower rate than they could get on the open market. A 1999 law sponsored by the nonprofit, nonpartisan Foundation for Taxpayer and Consumer Rights established this pilot program. It requires insurance companies to underwrite a $450 basic liability auto insurance policy in Los Angeles County ($410 in San Francisco) for qualifying low-income motorists. The policy is sold through the California Automobile Assigned Risk Plan (CAARP), which is overseen by the Department of Insurance (CDI). More information: www.insurance.ca.gov/LCA/CAILCP.htm.

Texas CentsPerMileNow Insurance Project
The state of Texas passed legislation in 2001 that allows insurance companies to offer mile rates as the way for consumers to exert direct control over insurance cost—buying miles only as needed at cents-per-mile rates. The law was designed to encourage insurance companies to offer their customers an affordable, cost-based alternative to traditional dollars-per-year rates. Whether this is indeed an affordable option depends on the distance people drive to work. More information: www.newrules.org/equity/insurance texas.html.

Rate reductions after driver education course
Some states have laws that require auto insurers to offer rate reductions for older drivers who take remedial driver's education courses. Similar programs could be created for low-income drivers.

N. Car Distribution Strategies

Car programs can give away, sell, or lease cars to clients. Each approach entails a different level of involvement with clients. The decision on which approach is most feasible will depend on the level of resources available, target population, and program goals.

Regardless of the approach, car programs usually subsidize the cost of the car for their clients to promote affordability. For example, the purchase price is usually subsidized in a program where cars are sold to clients. The cars have retail values ranging from $2,000 to $5,000 and are generally from 8- to 14-years old. The cars used in these programs, and especially the older cars, are intended to provide short-term solutions as a bridge to overcoming initial transportation barriers. The expected life use of program cars is from one to two years, long enough for clients to begin to get on their feet.

O. Giving Cars Away

Car programs that elect this strategy transfer the car and title to the client immediately at no (or little) cost to the client. This approach is likely to allow more clients to qualify for cars, as no installment payments are required, although the client must pay other car ownership-related costs. The program assumes no responsibility for monitoring client use of the car or related behavior. The program also has minimum liability exposure. Even though the program may charge a minimal one time, lump sum fee to cover registration fees and other owner-related fees, programs engaging in this strategy should also consider assisting the client with other related costs, such as insurance.

To keep costs down, the giveaway strategy should be paired with a car donation strategy as the primary source of cars. Otherwise, a large operating budget is necessary to support car purchases. Unless the seed funding is substantial, programs that pair car purchase with car giveaways will unlikely be able to serve a large number of people and may be unable to expand the program to serve other areas due to the lack of revenue generation.

P. Selling and Leasing Cars

Car programs that sell or lease cars to clients tend to have additional objectives, such as helping clients build their financial stability and history. In programs where cars are financed, programs may also seek to build relationships with clients to provide other support. Cars can either be sold or leased to clients with the goal of ownership. The main difference between selling the car outright to clients and leasing is in who owns, or holds title to the vehicle, during the repayment period.

Car sale programs transfer the title directly to the client while lease programs hold the title until the lease terms are fulfilled. When the lease term ends, the title is then transferred to the client. The main drawback of lease–to-own programs is that they may face greater liability risks if a client causes an accident while driving. The major benefit is that lease programs are on stronger ground to insist that clients comply with all requirements for keeping the car and have greater legal standing if it is necessary to repossess the car.

Some of the programs that sell cars to clients list themselves as a lien holder on the title. This enables them to track whether or not the client is maintaining insurance and ensures that the car is not resold during the payment period. This allows for more oversight of the clients and cars while reducing the program's potential liability. When this strategy is paired with car donations, the program can generate revenue from the repayment stream, which facilitates fund diversification.

Q. Financing Infrastructure

Programs that sell or lease cars should build an infrastructure that matches program objectives and support individual development for clients. Care should be taken to ensure that only those clients who can afford the total costs become car owners. Programs need to determine who will handle the payment process and whether it will be handled internally or through a financial institution partner. Whether the car is leased or sold, monthly payments must be structured so that low-income clients can afford the payments and other car-related costs. In addition, given the goal of improving the financial credit history, the program should consider mechanisms to promote on-time payments and minimize loan defaults.

Programs that sell cars subsidize the cost of the car purchase for their clients through a reduced interest rate or lowered car price. Programs that acquire their cars from donations are better able to set an affordable price for the car. Programs have either partnered with existing financial institutions to offer loans or acted as a financial intermediary to provide loans directly to clients. In assessing whether to offer loans directly or through a financial partner, factors to consider-include availability of start-up capital, target population eligibility, and the level of program involvement with case management.

In either case, it is important for clients to review the loan agreement in detail and understand their responsibilities. The primary reasons for defaults are late payments, lack of insurance, terminated employment, DUIs, convictions, and loss of driver's licenses. A rigorous screening process and eligibility requirements can minimize default rates. This is especially important for programs that depend on the repayment stream to capitalize their loan fund and for program continuation. However, the goal of reducing defaults must be balanced with the mission of assisting needy clients who may not meet market-based qualifications (e.g., credit scores). Other measures to promote repayment can be instituted, such as reminder calls as a follow-up for missed loan payments or restructuring loan payments. These mechanisms can also benefit clients by encouraging them to improve their financial credit history. Finally, programs must decide whether or not to repossess in the case of defaults.

R. Internal Financing

Some programs provide financing for their clients to purchase cars. In these programs, the loan payments are arranged between the program and the client. The program will need to establish operations similar to those conducted by financial institutions to process the loans from the initial eligibility assessment through payment collection. The program will also have the responsibility to conduct repossessions, unless as a policy matter, it decides not to use repossession as a means of enforcing the client's obligation. Start-up and ongoing costs must be secured for staff to handle loan administration and monitoring requirements, such as clients' possession of insurance.

One benefit to internal loan financing is that more clients with poor financial histories can be served, clients who otherwise couldn't obtain favorable credit in external financial markets. This type of financing will also allow programs to more closely monitor clients and their cars, which facilitates case management, if it is a goal.

S. Banking Partners

Some programs have partnered with one or more financial institutions to offer car loans for their clients. Due to low volume and a relatively high-risk target population, community banks or credit unions are usually more amenable to working with car ownership programs and negotiating terms that are feasible for the target population. Programs have had more difficulty partnering with larger commercial banks that have less flexibility with establishing loan terms and more concern about the higher exposure to loan defaults. Loan guarantees are usually a necessary ingredient in these bank partnerships, with programs providing a cash pool ranging from $30,000–$100,000 that banks can access to reduce losses associated with loan defaults. The amount of the loan guarantee is tied to the number and amount of loans that are provided; usually it is a one-to-one match.

The banks usually handle of all the administrative details with loan processing and hold the car titles. Programs sometimes hold second liens in case of car repossessions so that they can receive a portion of the car proceeds if it is sold at auction. Some programs dedicate an internal staff person to walk clients through the paperwork, especially if their organization is also backing the loan. One challenge in working with banking partners is finding enough creditworthy clients, as loan requirements are often too rigorous. In addition, financial institutions usually do not work with clients to help make them credit-worthy.

T. Defaults and Repossessions

In 2012 the programs surveyed had loan default rates ranging from 5-12%. In the case of a loan default, the program will need to decide if the car should be repossessed. Some programs do not repossess the car even if the loan is defaulted or other program requirements are unmet. If the car is repossessed, then the client may end up in a worse financial situation which contradicts their program's goals. Other programs will repossess because they consider it vital to maintaining the program's integrity and/or depend on the payment streams.

Repossessions are time-consuming and costly and can endanger car buyers, repossession agents, and the general public.[26] The structure of the financing arrangement and how the lien is held can influence who does the repossession. For example, programs that rely on bank partners to handle the financing where the bank listed as lien holder on the title may be able to rely on the partner to handle the repossession responsibilities. If the program is the secured party however, and elects to use self-help repossession, it has a non-delegable duty to ensure that breach of the peace during repossession. For more information about repossession responsibilities: National Consumer Law Center, *Repossessions* (7th ed. 2010 and Supp.)

[26] See John W Van Alst and Rick Jurgens, *Repo Madness How Automobile Repossessions Endanger Owners, Agents, and the Public*, (March 2010) available at http://www-.workingcarsforworkingfamilies.org/images/files/repo-madness.pdf

CASE STUDY 5: WAYS TO WORK

Achieving Scale with Local Affiliates

Organization:	**Ways to Work, Inc. (www.waystowork.org)**
Leadership:	**Jeffrey Faulkner, President**
Model:	**Low-Cost Financing, Credit-Building**
Headquarters:	**Milwaukee, WI**
Areas Served:	**Ways to Work operates 31 locations in 18 states and the District of Columbia**
Since:	**1984**
Number of Clients Served Annually:	**1,300**
Annual Budget (2011):	**$4,684,022**

History

Ways to Work began in 1984 as a response to welfare reform. In 1981 and 1982 Congress passed two pieces of legislation—the 1981 Omnibus Budget Reconciliation Act (OBRA) and the Job Training Partnership Act, respectively. The new legislation eliminated benefits for many of the working poor and adopted a "workfare" orientation to welfare policy, requiring more stringent work search requirements for recipients.

The Minnesota-based McKnight Foundation originated small loans to help welfare recipients comply with the newly-instituted work requirements. Initially, the McKnight Foundation funded loans for a variety of employment-related expenses, including the cost of uniforms and daycare in addition to car-related costs. The small, unsecured loans eventually faltered; the check cashing and payday loan industry emerged as a more expensive, but convenient, alternative for low-income borrowers seeking small dollar loans. Despite a decreased interest in small dollar loans through the McKnight Foundation, clients continued to seek affordable auto loans through the program. The focus of the initiative narrowed to support loans solely for auto acquisition and repairs but the aim of the program expanded—Ways to Work sought to address barriers to employment and repair borrowers' credit. The dual purpose of the program helps borrowers sustain employment and gain access to affordable credit.

Until 1996, the program exclusively served Minnesota residents but the McKnight Foundation hoped to expand the program into a national model. The Foundation also brought on a critical partner—the Alliance for Children and Families (ACF). ACF is a membership-based organization of social service agencies. ACF serves in an advisory and capacity-building role for its member agencies. Peter Goldberg, the head of ACF, saw an opportunity to boost the program by consolidating the networks of human services agencies and McKnight's activities.

Goldberg reached out to Rip Rapson, now head of the Kresge Foundation, to obtain funding for ACF to replicate the program outside of Minnesota. By 1998, ACF had established several other Ways to Work satellite offices in states outside of Minnesota while under the continued financial support of the McKnight Foundation.

Leadership at the McKnight Foundation hoped to expand the program and make it more sustainable. Bank of America agreed to allocate $8 million in loan capital, and paid ShoreBank, a consultancy, to develop a business plan for Ways to Work. To become scalable and sustainable, features of the program were changed as the loans carried no interest and defaults were high. ShoreBank introduced accountability measures to reduce losses. Program loans began to resemble market-based loans—they carried interest, included late fees, were reported to credit bureaus, and included loss mitigation procedures. Within six years, Ways to Work reached the Foundation's replication targets. The Board of Directors then hired Jeffrey Faulkner, a Harvard Business School graduate, to lead the program.

Faulkner brought a background in data-driven project management as a former nonprofit consultant. Faulkner explains his role: "The Board had already reached their targets…so the Board was looking to understand what they'd accomplished and what they hadn't. I took us through our first third-party evaluation and that gave us a lot of insights into the program value, which components of the program were linkable to outcomes and which ones weren't."

Faulkner remodeled the program by streamlining some operations and decentralizing others. The program bears evidence of his expertise—emphasizing efficiency, measurement, and strategic partnerships.

Program

Ways to Work is a small loan program. The local Ways to Work affiliate, housed within a larger social services agency, refers prospective borrowers to the program. After referral, prospective borrowers must undergo a financial education course prior to applying for the loan. The course is an abridged version of the FDIC Money Smart curriculum, which introduces people to bank services and credit, advises them on how to choose and keep a checking account, and teaches topics in financial recovery, credit history, and loans. Upon completion of the course, the applicant submits a statement outlining why she should receive a Ways to Work loan. The statement includes a budget plan to re-pay the loan. If approved, loans carry

Photo courtesy of Ways to Work.

Rescued from Predatory Lenders

Leticia Johnson (name changed to protect privacy) from Washington, D.C. unknowingly purchased her car from a predatory lender. The 31-year-old mother of two was making monthly car payments of $432 at 20% interest while caring for her children and working at a restaurant until she lost her job and fell behind on car payments. Johnson attempted to fix the situation with a company that offered to extend her warranty and refinance her loan. After making an initial down payment of $300, she contacted her existing finance company and was told that the car could not be refinanced; the warranty company was a scam. Johnson had to return her car and received an $11,000 bill for the balance she still owed.

Three months later, Johnson secured a new position in which required her to transport clients with a personal vehicle. She was forced to rely on her family for work and for running errands. As a result, her children could not participate in after-school activities. After hearing about the Ways to Work program, Johnson began working with one of the program's loan officers to do a monthly budget, repair her credit, learn personal finance, and apply for a Ways to Work loan. She was approved for a low-interest loan and obtained a vehicle. Now, Johnson can work without needing her family's help, go grocery shopping on her own time, and get her children to extra-curricular activities. She makes monthly car payments, has money budgeted for repairs, and has money left over each month. "I received the keys to my affordable vehicle and my life took a turn for the better!"

an interest rate of 8%on a loan amount of up to $6,000 with a 24-30 month term. Almost 90% of Ways to Work participants receive loans for $4,000 or less.

Borrowers select the vehicle. The local agency usually has specifications or general guidelines for the type of car a client may select, but most agencies do not mandate the source of the car.

Local agencies may identify sources that provide affordable and reliable cars. Ways to Work's Baltimore affiliate, for example, partners with Vehicles for Change (see Case Study #1 on page 8).

Impact

Ways to Work engages in rigorous evaluation to determine the program's impact. The results are staggering. Ways to Work has helped borrowers maintain employment, earn higher wages, take advantage of educational opportunities, and improve the quality of life of their children. Ninety-four percent of borrowers said that a Ways to Work car positively impacted their employment circumstances and 47 percent reported increased income since enlisting in the Ways to Work program. While families build stable employment histories, they also rely less on public benefits programs including TANF cash assistance, food assistance, and payments from the Low Income Home Energy Assistance Program (LIHEAP).

As a credit-building and financial access program, Ways to Work has also demonstrated success. Fifty percent of the borrowers without a checking account opened one after receiving a loan; 35 percent opened a savings account and 24 percent subsequently took out another secured loan. Credit scores of participants also increased, giving program alumni access to a wider variety of financial products at a lower cost.

In addition to expanding employment and financial opportunities, almost all borrowers said they can provide better care for their children since receiving a Ways to Work vehicle. The Ways to Work program enables parents to take children to extracurricular activities, keep medical appointments, and arrive at school on time.

As a loan program, Ways to Work loans have low default rates despite the subprime credit scores of borrowers; the default rate is less than 12% across the entire Ways to Work network. Without Ways to Work as an option, many of these subprime borrowers would be forced to get a car loan from a "Buy Here, Pay Here" dealer. Buy Here Pay Here dealerships accept payments on the car at the dealership as they often hold the loan themselves. They typically sell older used cars at very high cash prices coupled with a large required downpayment and high interest rates. The deals are generally arranged so as to make a profit for the dealer even if the car is repossessed soon after the sale. Interest rates on such loans approach and even exceed 30% with very high default rates.

Keys to Success

Character-based Lending

In contrast to traditional credit analysis which uses credit scoring to determine loan eligibility and rates, Ways to Work describes its underwriting strategy as "character-based lending." By utilizing character-based lending, Ways to Work extends credit to households that would otherwise pay a costly premium to borrow for a car. Low and moderate-income individuals typically have low credit scores because they have a short credit history, compounding their inability to access credit.

Instead of focusing on credit history, Ways to Work assesses applicants based on character and ability to repay the loan. Prospective borrowers must either be enrolled in school or have maintained employment for six months prior to applying for a Ways to Work loan. The program focuses on serving families, so borrowers must have dependent children and be unable to obtain a loan from a bank or credit union.

These upfront criteria, paired with the financial education course and personal statement, enable Ways to Work to separate successful borrowers from higher credit risks. Abby Wood, the Ways to Work coordinator at Washington State's Metropolitan Family Service, noted that the process clarifies the responsibilities car ownership entails for clients. Wood reported that of 160-200 clients that completed the two-hour orientation and financial education course, only 100 chose to apply in 2012. Those that choose not to apply often feel they are not ready for the responsibilities of car ownership upon completion of the course.

Faulkner says, "We have a lot of upfront process and that process is designed to help us understand which of our clients has reached that moment in their lives that, hell or high water, they're going to be successful."

Local Administration

Each Ways to Work program is administered locally. Localized administration has several advantages. First, local agencies know their communities and client base intimately. Local agencies develop partnerships with small businesses—such as repair shops, car insurance agents, or auto dealers—that help clients receive reduced rates for services essential to car ownership.

Loan decisions are also made at the local level through volunteer loan committees, which are typically comprised of members of the local agency, local financial institutions, local funders, and other community representatives. Loan committees are tasked with reviewing a person's application and determining whether to approve a loan, deny it, or extend conditional approval. In making this decision, the committees evaluate an applicant's budget, credit report, and personal statement among other factors, and are reliant on the local agency's loan coordinator to provide them with the necessary information. A 2011 Ways to Work Local Site survey revealed that committees tend to place a high amount of importance on a potential borrower's ability to repay her loan and shows the factors taken into account to make a decision:

1. It is left up to each local agency to decide whether it wants to provide guidelines to borrowers about the kind of car they can purchase. Most agencies do provide guidelines, as well as varying levels of guidance to help borrowers through the process of selecting their cars and varying levels of assistance with car maintenance.

2. The host agency provides comprehensive case management for borrowers, leveraging a diverse array of resources to ensure borrower success. One of the key strategies Ways to Work sites use to keep default rates low is to identify other social services and resources that will stabilize the borrower's economic situation. Ways to Work sites offer direct assistance on a range of other services, including affordable housing, job training, and access to public benefits. They also have relationships with other agencies that specialize in these services. ICF International, a program evaluation firm that evaluated Ways to

Work's impact, described the importance of local agencies in assuring timely repayment: "It is this coaching—financial and emotional—that is at the heart of Ways to Work's lending program."

Real World Design

Jeffrey Faulkner attributes much of the program's success to the structure of the loans. Even though the loans have subsidized interest rates, borrowers will encounter the same features in loans from traditional financial institutions. Ways to Work reports loan repayment history, good or bad, to the Big Three credit bureaus, and charges late fees if borrowers fail to make timely payments.

Centralized Lending Model

Ways to Work centralizes lending operations through its national office in Milwaukee. This office originates, owns, and services loans across the network, and manages the overall loan portfolio. This centralized lending model improves efficiencies by providing a greater standardization for the lending process and improving data flow. It allows the national office to underwrite local agencies, while the latter still bear the responsibility of underwriting individual borrowers. It also minimizes risk by spreading it through three layers of protection.

Local agencies bear the primary risk by guaranteeing all client loans they process. However, this risk is initially reduced by the rigorous Ways to Work Program Model, which reduces client defaults through its financial education and loan application process. Nevertheless, local agencies are expected to fundraise in anticipation of expected losses which are estimated to be 10% of all cases. If a client defaults on a loan, agencies are required to buy back the loan from the national office and begin collection procedures, left at the discretion of each host site. This practice has been successful in backing 100% of losses generated by clients' defaults.

The Ways to Work national office will back loans in case an agency defaults; however, this has never occurred. The national office provides this extra layer of assurance to investors through its net assets, which are used as loan capital.

The centralization of lending information allows for better practices. The national office generates weekly reports for local agencies to keep them updated on borrowers who have paid their loans in full or who are delinquent. The national office also monitors each local agency's portfolio quality and provides assistance if it identifies any problems, in addition to analyzing and underwriting local agencies based on their portfolios and their ability to back loans against defaults. The centralized lending model allows for local management by making each agency responsible for its program marketing, application processing, client underwriting, loan closing, delinquency collections, and default risk management.

"That's the centralized lending system," says Faulkner. "We approve each agency for a theoretical dollar amount at any given time based on their financial strength and programmatic capacity."

Program Evaluation

Since Faulkner's tenure at Ways to Work, the program emphasizes intensive evaluation to measure outcomes and inform program changes. For example, before Ways to Work centralized lending through its national office, local agencies secured loans through area credit unions and community banks. In theory, this helped Ways to Work borrowers establish an enduring relationship with that financial institution after the program. However, evaluations showed this wasn't happening. These results helped Ways to Work decide that the value of centralizing lending outweighed the disadvantages of eliminating the local financial partner.

In 2010, Ways to Work's national office rolled out a new technology platform to track program outcomes and loan performance. It uses GreenLight, a software application that all the local programs use to record client loan application data and other information about the program's interactions with clients. This software hosts information in the cloud and receives a nightly download of all transactions for each client account.

However, the benefits of a robust evaluation system bring drawbacks. Program evaluation can be costly and time-intensive. Although Ways to Work has developed a low-cost way for existing programs to measure impact, new programs may find the initial investment to comply with the program evaluation requirements too high a barrier to surmount.

Ongoing Challenges

Ways to Work has contended with (and successfully navigated) numerous challenges in the past few years. The biggest challenge the program currently faces is the changing landscape in the world of philanthropy and government funding. One of Ways to Work's main sources of funding—Job Access and Reverse Commute (JARC) grants—has experienced severe cutbacks in recent years. The Moving Ahead for Progress in the 21st Century Act (MAP-21), signed into law on July 6, 2012, changed the way JARC programs spend their funds: it is now optional, rather than mandated, to use the money. Some localities and governors have already signaled that they will continue JARC funding, while others have said they will likely discontinue the programs. While it is still too early to tell how this change will affect Ways to Work, it reflects the importance of finding ways to create pathways for the program that are less grant-dependent.

Local agencies were affected to different degrees by the waning amounts of available revenue. Often local agencies view Ways to Work as not a core component of their mission, and drop it when their fundraising cannot keep pace with the demands of the program.

Looking Forward

The Board of Ways to Work is developing strategies to reduce the program's reliance on grant funding at the national and local level. Over the next few years, Faulkner plans to offer a greater variety of lending products, increase interest rates, and target borrowers with slightly higher incomes.

By targeting families with incomes traditionally above the current customer base, Ways to Work could further decrease costs and increase revenue. To accomplish this, the national office would segment its loan offerings to provide different solutions according to applicants' needs and available income. Higher-income families would be offered loan solutions that would continue to be affordable and provide savings—albeit at a slightly higher interest rate—while also subsidizing the core program that is currently in place for lower-income borrowers.

U. Car Distribution Process

i. Inventory Management and Storage

Programs that acquire cars from donations need to establish a process for transferring cars to eligible clients. Tight inventory management is an essential ingredient to maximize the efficient use of limited and expensive storage space. Many car programs have more clients and waiting lists than the supply of cars ready for disposition. It takes an estimated ten days to a month to process the car distribution, especially if financing and coordinating the car drop-off are involved. Car donations that are not dedicated for clients should be quickly wholesaled or sold for scrap.

States have different regulations governing how many unregistered cars can be stored in one lot before it is deemed a junkyard. Programs have leased storage space but some cite security concerns, such as theft and vandalism. To minimize the cost of storage space, some programs have identified several lots for storage, including church parking lots.

ii. Matching Cars to Clients and Delivery Schedules

To accommodate specific needs of clients, programs have established criteria for matching cars to recipients. Programs survey clients based on the following factors to determine appropriate matches:

- Past car experiences
- Ability to drive manual or automatic
- Size of family and number of car seats necessary

Cosmetic details, such as color or type of cars, are not usually factors for consideration. Programs usually retain the discretion to match cars to clients to make the process more efficient.

As a cost-effective measure, programs have developed regular schedules (e.g., monthly) for group delivery rather than transferring cars individually to clients. Long distance deliveries are time consuming so programs sometimes require clients to pick up cars from a central location or places that can be accessed by public transportation. For example, three to five cars can be transferred to clients in various counties during different days of the month. Some programs use volunteers to drive cars to the drop-off sites.

IV. PART 3: EVALUATION AND OUTCOME MEASURES

Car ownership programs should engage in program evaluation and collect program data to help improve internal operations and gauge its overall effectiveness in reaching the goal of helping clients access employment through car ownership. Conducting program evaluation can facilitate long-term sustainability by ensuring that cost-effective strategies are being implemented. Client data and outcomes can be interpreted to implement program improvements, such as refining the eligibility criteria or adding new services. The data, particularly successful outcomes data, can be used in marketing materials and fundraising proposals.

There are two approaches that organizations can use to implement program evaluation:

1. Develop internal tracking mechanisms to collect information on clients and cars.
2. Form a partnership with a third party, such as a university, to conduct a formal program evaluation.

A. Internal Tracking

Tracking the number of cars moved and the quality of the cars will help the program plan for future car acquisition. For example, program staff may discover that certain years, models, or makes of cars tend to break down more frequently, and may choose to not pass these types of cars on to clients. Programs can also track their clients' experience with the cars, such as the amount and type of needed maintenance and repairs and the kinds of support services requested by clients to help refine program design. To track these data, forms and a set of procedures must be developed to facilitate the collection of information and the input of that information into a database.

Data should be tracked separately for clients and vehicles, particularly when the primary acquisition strategy is car donations. If program refinement is a desired goal of evaluation, then program staff will need to keep detailed records of internal activities and who received which services to assess effectiveness.

The data collected for clients can include the following:

- Client employment status after receiving a car
- Change in wage earnings/income
- Change in work hours
- Number of on-time payments
- Number of clients who fully pay off their loan or lease
- Number of cars repossessed
- Loan or lease default rates
- Use of car to support other needs
- Program service use and frequency
- Level and amount of car repairs

Data on vehicle donations can inform the program decision-making on what types of cars to accept as well as which communities to target for marketing campaigns. Following are some important types of information that should be collected:

- Donor contact information
- Recipient contact information
- Recipient status information
- Dates of first contact, pick up, and delivery of vehicle
- Vehicle information (VIN/stock number/year/make/model/color/book value/body style/transmission type/number of cylinders/amount received for the vehicle)
- Amount paid for reconditioning or repair of cars
- Value of cars purchased or used for program

It is important to identify measures that define program success. Some examples include the number of cars provided to clients, wage increases experienced by clients, decreased expenditures for car repairs, and increased car donations.

B. Program Evaluation

Formal program evaluation is usually conducted by a third party, using data collected by the program, focus groups, and interviews with staff and clients to determine the program's overall effectiveness in meeting its mission and goals. Formal program evaluation results are better received by funders, particularly government funders, because of the use of an objective third party in data collection and interpretation. The third party is usually a professional program evaluator, a college or university faculty member, or a graduate student.

Car ownership is not meant for everyone. If the ultimate goal of welfare reform is employment, then a wide array of transportation options should be made available for low-income workers to navigate that transition. Just as one size does not fit all, public transit may not be feasible for all. Car ownership programs are not meant to be a substitute for public transit but should be viewed as a value-added strategy among many other choices to help connect workers to work.

CASE STUDY 6: GOOD NEWS MOUNTAINEER GARAGE

Creating Opportunities for TANF Recipients through Car Ownership

Organization:	**Good News Mountaineer Garage (www.goodnewsmountaineergarage.com)**
Leadership:	**Barbara Bayes, Executive Director**
Model:	**Car Donations, Self-Sufficiency**
Headquarters:	**Charleston, West Virginia**
Areas Served:	**West Virginia**
Since:	**1999**
Number of Clients Served Annually:	**230**
Annual Budget (2011):	**$1,573,898**
Self-Generated Revenue (2011):	**$334,330**

History

Good News Mountaineer Garage (GNMG) started in West Virginia in 1999. Hal Colston, a social activist in Vermont, created the first iteration of Good News Garage in Vermont in 1995 and he advised Barbara Bayes on replicating the program in West Virginia. Bayes, the current executive director, had worked on behalf of low-income families for her entire career, first at a welfare rights organization and then as the director of a legal aid program. Armed with a master's in nonprofit management, years of experience with clients, and the guidance of Colston, Bayes established GNMG as a path to self-sufficiency for struggling families.

The program began as part of a suite of pilot projects aimed to address transportation gaps for Temporary Assistance for Needy Families (TANF) recipients in West Virginia. Through funding from the state, GNMG accepted car donations, paid mechanics to fix them, and re-distributed the cars to clients. The state also ran a pilot auto loan program that failed because of poor management and high costs. The loan program cost the state an average of $8,000-$9,000 a car in 1999. GNMG operated at one-third of the cost. The state shuttered the loan program and asked GNMG to expand statewide.

Program

The West Virginia Department of Health and Human Resources (DHHR) refers clients to GNMG for a vehicle. Families must be currently receiving TANF, actively participate in work activities, and lack other transportation options. The state allocates a certain number of clients from each county who may receive a GNMG vehicle based on enrollment. Case managers identify TANF recipients who would benefit from a car to participate in work activities. After case managers nominate clients, the regional manager evaluates and approves the client for a vehicle. "Your case worker has to go to bat for you," Bayes explains. Initially, GNMG selected clients who would receive a car but discovered that case managers are better able to identify participants. "The case worker knows the person and the family and we don't," says Bayes. A vehicle from GNMG is part of a deeper collaboration between the case manager and the client.

Clients receive a refurbished car free of charge. Although clients don't pay for the car, they must be able to afford liability insurance. Program cars last at least two years. The state pays GNMG a fee for each car the program places with a client.

Impact

Over the past 14 years, GNMG has delivered 2,100 cars to families in economic distress.   Recipients report a higher quality of life. Thirty six percent attend more school activities for their children and the same percent reported better access to child care. Recipients showed increased access to medical care and better housing.

Cars improve the lives of clients while reducing the number of people on the state's welfare rolls. For example, under GNMG's contract to provide cars to TANF clients, the state pays $4,400 per car placed. Using conservative assumptions, the federal and state government recoup their money in avoided TANF payments in just over a year. In a 2009 survey of car recipients, 87%no longer received TANF payments. As a state, West Virginia has reduced its TANF caseload by more than 70% since 1997 and state officials consider GNMG an integral part of its strategy to reduce reliance on cash assistance.

A Car Helps Young Mother Finish College and Obtain Full-Time Work

Lynda, a young mother from Harrison County, West Virginia, was referred to Good News Mountaineer Garage due to the difficulty she had in getting to school and work. At the time, Lynda was taking nursing classes at Fairmont State while working part-time at a local nursing home. Good News Mountaineer Garage provided her with a 1993 GEO Prism which facilitated her transportation, enabling her to graduate and obtain a full time nursing position. Lynda's ability to drive her own car changed her life, allowing her to support herself and her family without any further need to rely on state assistance.

Keys to Success

Leveraging Policy

Nonprofits compete intensely for car donations. Many programs solicit car donations as part of a larger fundraising strategy rather than distributing the car to clients without affordable transportation options. Nonprofits like the Purple Heart Foundation and the Make-a-Wish Foundation accept car donations, auction the vehicle, and use the proceeds to fund their programming. Other car ownership programs, like Vehicles for Change, solicit car donations to place with clients but sell a portion of donated vehicles with a high dollar value to subsidize their operations. Still, the IRS limits tax deductions for donated vehicles to $500 or the amount of the proceeds if the car is sold for over $500.

GNMG attracts a high number of car donations by distributing a majority of vehicles directly to clients, allowing donors to deduct the fair market value of the car. In addition to structuring its operations to allow for the maximum federal deduction, GNMG pursued state tax credits for donors as well.

West Virginia's legislators created the Neighborhood Investment Program (NIP) which allows local nonprofit organizations to apply for tax credit vouchers totaling $2.5 million a year. The nonprofits pass along the tax credit vouchers to donors. Donors receive a huge benefit. On top of the federal tax credit, which equals the fair market value of the car if it is distributed to a client, the NIP tax credit allows donors to deduct half of the fair market value from their state taxes. An individual who donates a car with a fair market value of $2,500 to GNMG for use by a welfare recipient, for instance, would receive credit for the full value on his federal taxes and $1,250 in state tax credits. The state tax credit results in a 40% higher deduction for the vehicle donation.

Partnerships

GNMG serves clients throughout West Virginia, a mountainous, rural state with challenging geography. The vehicle program relies on a network of partnerships to accept donations, complete repairs, and deliver cars across the state. If a donor in a remote area has a car, a partner garage will tow it and repair it. Often, recipients also live in difficult to reach areas. Bayes explains, "We have partnerships all over the state…Some of our clients may live 150 miles over mountain roads." Again, the larger network of repair shops enables GNMG to truly have a statewide reach.

GNMG monitors its partner garages carefully. The number of garages GNMG contracts with makes it easy for the program to drop a contractor that performs substandard work or overcharges for services. Most of the partner garages strive to maintain a good relationship with GNMG; an enduring partnership results in a steady stream of jobs for garages as well as on-time payments.

The garages also act as ambassadors for the program. Many garages will tell their customers about the opportunity to donate a car to GNMG. A large number of donors stem from these referrals.

Community-Based Marketing

According to Bayes, GNMG's connections to the community sustain the program. The statewide public radio station broadcasts advertisements for the program. Bayes speaks to community groups. The board of directors for GNMG is comprised of community leaders, including members of the clergy, the director of a coalition against domestic violence, and a representative from the community. These roots into the community run deep, particularly within West Virginia's religious communities. Local dioceses donate old vehicles to GNMG.

Community events also generate publicity for car donations. Almost every month, Good News hosts an art show in the front room of its building with 400 to 500 people in attendance. Many of the attendees have never heard of the program but learn about car donations from a booth that GNMG's staff sets up at the show. Roughly ten car donations a year come directly from a family that attended an art show.

Community Outreach for Local Donations

The majority of donations result from word-of-mouth. Donors know that their cars make an impact. GNMG protects the privacy of the donor and the recipient, but it encourages and forwards on thank you letters to donors. The letters express the way the donor's car transformed the client's life. Clients write about gaining freedom from an abusive husband, driving children to sports events, and using a car to gain an economic foothold.

Outreach to the community also resulted in a local philanthropist purchasing a 7,200 square-foot building located on an acre and a half of land. The new property will allow GNMG to continue hosting art shows and to charge for other community events. Bayes also plans to dedicate part of the lot to a community garden.

Looking Forward

Barbara Bayes continues to identify new populations that would benefit from GNMG's services. Experience with clients showed a common demographic—welfare recipients who were formerly in the foster care system. As young adults in a rural state with no formal family support, individuals transitioning out of the foster care system have few resources to obtain a car. She hopes to work with the West Virginia Department of Health and Human Resources to access federal money for foster care adults in transition. In the next few years, GNMG also plans to create an auto loan program.

V. PART 4 CHALLENGES

A. Funding Sources and Program Sustainability

Car ownership programs are a relatively new strategy and as a result, there are currently no established funding sources dedicated for this approach. However, the growing recognition of the necessity of cars under the welfare-to-work mandates has prompted some legislators and administrators to include car ownership programs as an allowable activity in various funding sources.

Many car ownership programs received their start-up funding from either the state TANF program or a local foundation. As the car programs became more established, they have become more sophisticated in weaving together numerous sources of funding and using in-kind resources to defray operational costs. Funding for car ownership tends to fall into two categories: 1) funds that are available to low-income individuals to purchase cars and 2) grants that support car ownership program operations.

B. Public Funding Sources

From SAFETEA-LU to MAP-21

In 2005, under the federal transportation law SAFETEA-LU (Safe, Accountable, Efficient Transportation Equity Act: A Legacy for Users), Congress implemented a permanent formula program, JARC (Job Access and Reverse Commute), dedicated to developing options to get low-income workers to work. JARC funding was successfully used in car ownership programs, such as Ways to Work, where more than $20 million in matching funds was secured for local programs.[27]

However, change came about in 2012 with the passing of a new federal transportation law. Under MAP-21 (Moving Ahead for Progress in the 21st Century), the JARC program as a standalone project was repealed. In its stead, additional funds were allocated to urban and rural general purpose transportation funding, with the possibility of job access projects being used under

[27] http://www.waystowork.org/docs/WtW_Launch_Toolkit.pdf

those programs. The law also added a definition to "job access and reverse commute" in section 5302 of the law: "a transportation project to finance planning, capital, and operating costs that support the development and maintenance of transportation services designed to transport welfare recipients and eligible low-income individuals to and from jobs and activities related to their employment, including transportation projects that facilitate the provision of public transportation services from urbanized areas and rural areas to suburban employment locations."[28]

JARC-related projects must be "for the 'development and maintenance' of transportation services designed to transport welfare recipients and eligible low-income individuals to and from jobs and employment-related activities."[29] There is no cap on the amount of funds that can be spent for these activities.

The Urbanized Area Formula Grants is the largest grant program from the Federal Transit Administration, with over $4.397 billion adjudicated to it for FY 2013, and $4.458 billion for FY 2014. JARC funding is available through this program, but applicants must meet local match requirements of 20% for capital and planning costs and 50% for operating costs. JARC is also available through the Formula Grants for Rural Areas, with a lower budget of $599.5 million for FY 2013 and $607.8 million for FY 2014. Local match requirements are the same for both the rural and urban area projects.

i. State Temporary Assistance for Needy Families Funds

States can use TANF funds toward car ownership programs and car purchase assistance if the expense is in line with accomplishing a purpose of the TANF program, for example, promoting job preparation and work. Many low-income car ownership programs were started with state TANF funding and continue to rely on this as a primary source for ongoing operations. Arizona, Georgia, and New York appropriated state TANF funding to establish car ownership programs.

Asset-Building Accounts

Individual Development Accounts (IDAs) are savings accounts matched by state and federal programs that are used to assist low- to moderate-income people in building assets. There are over 500 IDA programs in the United States.[30] Currently, most IDA savings can be used only for job training, education, and business or homeownership, not for car ownership. However, by using flexible TANF funding goals, some states now allow IDA-like asset-building accounts to be used for car purchase. States can design these accounts, using federal or state maintenance of effort TANF funds, so they are not counted toward assistance eligibility. Arkansas, Illinois, and Maine currently allow TANF-funded asset-building accounts to be used for car purchase or repair.[31]

The Administration for Children & Families' Office of Refugee Resettlement offers an IDA program available for purchasing an automobile if it is "necessary to maintain or upgrade

[28] http://www.gpo.gov/fdsys/pkg/PLAW-112publ141/html/PLAW-112publ141.htm

[29] http://www.gpo.gov/fdsys/pkg/FR-2012-10-16/pdf/2012-25152.pdf

[30] http://cfed.org/programs/idas/directory_search/

[31] Office of Planning, Research and Evaluation. "Temporary Assistance for Needy Families," Fourth Annual Report to Congress (April 2002). Available at: www.acf.hhs.gov/ programs/opre/ar2001/indexar.htm

[32] http://www.acf.hhs.gov/programs/orr/resource/individual-development-accounts-idas

employment."[32] In Kentucky, the Kentucky Domestic Violence Association offers a special IDA program as part of its Economic Justice Project. The program, entitled Car-IDA, matches participants' savings for the down payment or full payment of a vehicle and associated taxes and fees. The funds can also go towards car insurance.[33] The Car-IDA program offers a 1:1 match where participants save up to $2,000 and receive another $2,000 in matching funds while learning proper vehicle maintenance. Participants are required to attend a car maintenance course and are also eligible for a micro loan program which lets them borrow up to $500.[34]

ii. Welfare-to-Work Grants

Welfare-to-work grants are provided by the federal government to states and communities to develop job opportunities for difficult to employ TANF recipients. States must match one-third of funds for the two-thirds the federal government contributes. These funds may be used toward IDA-type asset-building accounts that are used for car purchase.

iii. Workforce Investment Act (WIA) Funds

With the approval of the local Workforce Investment Boards, WIA funds can be dedicated to car purchases.

iv. Local TANF Transportation Subsidies

Administered by the local agency that is responsible for social services, welfare-to-work clients have access to a wide array of subsidies, including transportation subsidies, to facilitate their job placement. Although regulations vary from county to county, transportation subsidies may pay for car repairs and car purchases. In addition, some welfare agencies have established a loan fund that allows welfare recipients to purchase cars. Car ownership programs can tap into this fund to pay for car reconditioning or repairs.

C. Private Funding Sources

i. Individual Donations

Private donations have been an important source of revenue for car ownership programs. Churches have also assisted with fundraising in addition to providing overall funding support for program operations. For example, churches have assisted with securing funds for car repairs for clients who may be part of their congregation or community.

ii. Financial Institutions

As part of their Community Reinvestment Act (CRA) obligation whereby banks are required to provide products and services to low-income communities, they have given grants to car ownership programs to receive CRA credit. Credit unions also have partnered with car ownership programs to offer low-interest loans for car purchase.

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[33] http://www.kdva.org/projects/economic_justice/ida/ida_car.html

[34] http://www.kdva.org/kdva/projects/economic_justice/ida/car-ida_brochure_2011.pdf

iii. Nonprofit-Administered Loan Funds

Nonprofits also administer loan funds that allow for car purchases. For example, Ways to Work is a family loan program coordinated by the Alliance for Children and Families and The McKnight Foundation. Ways to Work provides loans for the purchase of a used car, car repairs, child care, or a mortgage payment. Ways to Work has 38 programs in 20 states.

iv. Private Foundations

Local foundations have funded car ownership programs. Many banks also have local foundations that support these programs and/or car purchase.

v. Sale of Donated Cars

Higher-end car donations from individuals that are not transferred to clients can be sold to generate program revenue. This has become an important source of unrestricted funds for car ownership programs, which allows them to become financially sustainable. To sell donated cars, programs have had to acquire a wholesale or used car dealership license.

D. In-Kind Sources

i. Donated Parts/Labor

Car programs have established partnerships with auto parts suppliers, repair garages, and mechanics that offer parts and labor at discounted prices.

ii. Volunteers

In addition to cash donations, volunteers have assisted with driving cars between locations and providing office support. Mechanics have also volunteered to offer their services to car recipients. Volunteers may also assist with marketing and community outreach.

E. Program Sustainability

Depending on the volume of cars they receive, programs that rely on the car donation strategy are best positioned to generate unrestricted revenue that can be invested back into the program. These car ownership programs have established a business venture component through which they sell donated cars to various outlets, such as car auctions and other wholesalers. Conducting a feasibility study to determine the level of car donations necessary to support program operations is a critical first step. As with any business venture, a board of directors or advisory committee, and staff with business expertise, are important for achieving financial sustainability. Increasing car donations is ultimately the key objective that will accomplish sustainability (and commensurately, serve more low-income individuals). Working within a regional market and having effective marketing strategies are essential components for success.

i. Political Challenges Faced By Car Ownership Programs

Car ownership programs are not without controversy. The debate over car ownership strategies involves environmentalists and urban planners who argue against increased traffic congestion and pollution associated with the older cars that are given to low-income clients. Policymakers argue that taxpayers should not subsidize cars for the poor. Furthermore, the car donation strategy for charitable purposes has come under increasing scrutiny by the Internal Revenue Service because the tax credit can overestimate the true value of the donated car. Another vocal contingent is used car dealerships that argue against the unfair advantages that nonprofit car ownership programs have by being exempt from many industry regulations.

Programs have responded in different ways to these political challenges. The main strategy has been to develop political allies and demonstrate successful program outcomes to cultivate alliances with key stakeholders. Nonprofits that use a car donation strategy have placed caps on the amount of tax write-offs. To counter accusations of unfair market advantages, nonprofit programs have acquired industry-related licensing. In fact, many use such licensing to their advantage by directly wholesaling cars for additional revenue. It is more difficult to diffuse arguments posed by environmentalists. However, some car ownership programs have reframed the issue by suggesting that poor people are not the causes of traffic congestion and not to be blamed for poor urban planning which has led to limited viable public transit options. Programs may also promote ride-sharing, and the steps they take to make sure that the cars run efficiently and meet emissions limits. In addition, car ownership programs can position themselves as a panacea for all transportation-related barriers, but posit that car ownership should be part of the menu of options to meet the various needs of low-income workers.

ii. Program-Related Challenges

Program-related challenges fall into two categories: program sustainability and client issues. Program budgets range from $7000 for a local county program (Wheelz2Work) to $4.6 million for a multi-state effort (Ways to Work). Many car ownership programs rely heavily on TANF funding or private grants to continue operations. Given the budget size, the lack of diversified funds puts car ownership programs in financially vulnerable positions especially in light of the government budget deficits and cutbacks. With program sustainability as a goal, many programs have identified other streams of unrestricted revenue, including setting up a used car lot to sell to the general public or directly wholesaling and salvaging cars not used in the program. Programs that rely on car donations have a better chance of program sustainability than those that purchase cars for their clients.

On the client level, a constant challenge is the affordability issue and keeping vehicle costs low. The high cost of insurance and expensive car repairs stretch the already limited budgets of low-income clients. Although programs often subsidize these costs, once subsidies are withdrawn clients face budgeting dilemmas. The long-term solution is to increase the income earned by clients and promote career advancement strategies. However, while strategies such as these present opportunities for collaboration with local workforce development strategies, these employment-related strategies are perceived to be beyond the direct scope of a car ownership program's work. Thus many programs have not responded effectively to deal with these long-term issues.

Another issue is the next generation car. The cars given to clients have short life spans, and the philosophy of a "starter" car and limited resources are the primary reasons why programs have not provided assistance to clients to acquire their next car. However, the approaching expiration dates of the donated vehicles will be an ongoing issue for clients who cannot purchase the next car. Programs may want to investigate strategies to facilitate savings promotion to address this challenge.

Note: The National Consumer Law Center welcomes feedback to this guide. Please send updates or comments to: info@workingcarsforworkingfamilies.org.

Photo courtesy of Ways to Work.

Boston Headquarters:
7 Winthrop Square
Boston, MA 02110-1245
Phone: 617/542-8010
Fax: 617/542-8028
www.nclc.org

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NATIONAL CONSUMER LAW CENTER®

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Washington Office:
1001 Connecticut Ave, NW
Suite 510
Washington, DC, 20036
Phone: 202/452-6252
Fax: 202/463-9462