

# **CONTRA COSTA COUNTY'S CalWORKs AUTO LOAN PROGRAM:**

## **KEEPING EMPLOYMENT EQUALS YOUR SUCCESS (KEYS)**

**Cindy Becerra**

### **EXECUTIVE SUMMARY**

Contra Costa County has taken an innovative approach in addressing one of the key barriers that many CalWORKs participants face --- affordable and reliable transportation. The purpose of this case study is to explore the history, funding, partnerships, and structure of the Keeping Employment Equals Your Success (KEYS) Auto Loan Program with the goal of possibly bringing a similar program to families in Sonoma County. The KEYS program, in addition to providing participants with the means to access reliable transportation, offers the opportunity to increase financial literacy, build or rebuild credit, and learn about essential auto maintenance.

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### **Introduction**

A lack of reliable and efficient transportation can often be a barrier for low-income families who are trying to build a better life. CalWORKs clients need access to reliable transportation in order to get to work, training, school, child care and other services to meet their family's needs. Many low-income adults are paid minimum wage jobs that require the employee to work evenings or weekends, but traditional transportation systems often do not run during these hours. Studies show that those with cars are twice as likely to find a job and four times more likely to remain employed. For many low-income families owning a car can lead to greater opportunities.

The Contra Costa County's CalWORKs program implemented the Keeping Employment Equals Your Success (KEYS) Auto Loan Program in January 2003. The program was designed over a two year period of time and modeled after successful programs throughout California and the United States. The KEYS program provides car loans for eligible, employed CalWORKs participants, including those receiving post-aid retention services, to purchase a vehicle. The car loans have a maximum dollar amount of \$4,000 with monthly payments that range from \$120-\$180 with a 7% fixed interest rate. The first auto loan was approved in January 2003 and the program has continued to run successfully for 13 years. In the past five years, 170 CalWORKs participants were referred to the program and 55 loans were approved.

### **Partnerships**

The KEYS Auto Loan Program is a partnership between Contra Costa County Employment and Human Services Department, Contra Costa County General Services and Fleet, and Contra Costa 1<sup>st</sup> Northern California Federal Credit Union. The loan program coordination is done "in-house" by an Employment and Human Services Department (EHSD) employee who serves as the Transportation Services Manager and functions as the link between the agencies. Since implementation, the Transportation Services Manager has been key in the management and success of the program.

Contra Costa 1<sup>st</sup> Northern California Federal Credit Union provides the loan to eligible recipients. Funds provided by EHSD are deposited into an interest-bearing account (Deposit Account) at an interest rate mutually agreed upon by EHSD and the Credit Union. The funds are used as the loan reserve to secure the loans for the eligible CalWORKs participants. The Deposit Account has not had additional CalWORKs funding added since the beginning of the program due to the 92% success rate of loan repayment. A Credit Union employee also serves on the Loan Committee to determine approval for the car loan. EHSD and the Credit Union have a contract agreement in place and have been in business together since the inception of the program.

Contra Costa County General Services and Fleet provide EHSD surplus vehicles (retired fleet vehicles) at \$2,300 each for exclusive use by the KEYS Auto Loan Program. All cars are inspected as required by the program. EHSD contracts the work out to two mobile diagnostic mechanics and the inspections are performed at no cost to the loan participant. The mobile mechanic travels to the vehicle location and the cost for inspection is \$110-\$125 per vehicle.

Loan participants do have the option of purchasing other vehicles outside of County Fleet once approved for a loan if it meets inspection, is fuel efficient, is not considered to be a "high performance vehicle," and is not above a 6-cylinder vehicle. The Transportation Services Manager has final say on whether a chosen vehicle meets the program's guidelines.

## **Referrals and Requirements**

Referrals for the loan program for CalWORKs participants come from the assigned CalWORKs Case Manager. The following eligibility requirements must be met before referring a participant to the program:

- Active CalWORKs case or receiving CalWORKs retention services
- Must have a need for a car to access work/training
- Employed at their current job full-time (at least 32 hours per week) for a minimum of 3 months
- Ability to make minimum monthly loan payment of approximately \$150.00 for two years
- Valid California driver's license
- Resident of Contra Costa County
- Participant must be willing to become a member of the Contra Costa 1<sup>st</sup> Northern California Federal Credit Union
- Have no more than one minor moving violation in the last three years (provide DMV three year printout)
- Participant must be willing to attend budget management and an auto maintenance class

- Must be willing to obtain vehicle insurance and maintain vehicle registration as well as vehicle insurance for the life of the loan

Once a participant appears to be a good candidate for the KEYS Auto Loan Program, a referral form must be completed by an EHSD staff/worker and all required documentation is attached to the referral. Upon completion the referral must be approved by the Division Manager and then sent to the Auto Loan Coordinator (Transportation Services Manager) for the next steps.

### **Review Process**

Once the Auto Loan Coordinator receives the referral and required documentation, the Auto Loan Coordinator then takes over. The Auto Loan Coordinator then sends to the referred participant an auto loan packet and request for any additional documents needed. Once the Auto Loan Coordinator receives the completed packet he then coordinates an in person interview with referred participant. The purpose of the interview is to discuss one-on-one the need of a vehicle to the participant as it relates to employment, his or her ability to afford the financial responsibilities of the program, and to review his or her credit for any concerns if a loan was granted. Once the interview is completed the Auto Loan Coordinator then presents the application to the Loan Review Committee for approval or denial.

### **Loan Committee**

The KEYS Auto Loan Committee consists of three members: two employees of EHSD (manager or supervisor level) and the Senior Lending Vice President from 1<sup>st</sup> Nor Cal Federal Credit Union. The Auto Loan Coordinator also attends the Committee Meeting and presents the loan package for each participant requesting a loan. The Auto Loan Coordinator may answer

questions that need clarification during the Loan Committee review, but does not get a say in whether or not the loan is approved.

Most loan applicants have a credit score of 600 or lower. The low credit score does not keep participants from getting the car loan, but if they have anything on their credit report that would subject them to wage garnishment, this could affect their ability to repay loan. Under these circumstances the loan could be denied; this situation does affect about 10% of the loan applicants. If the participant has something like a bounced check, the Loan Committee may have the recipient pay off debt before receiving the loan.

If the car loan is approved the Loan Committee determines the amount of the loan to be granted. The Auto Loan Coordinator notifies the applicant about approval or denial within one day of the meeting. It is at this time the Auto Loan Coordinator will encourage approved participants to consider purchasing a retired county car if one is available. If they are then interested, the Auto Loan Coordinator will coordinate when they can look at these vehicles. Participants may also purchase vehicles from private sellers if all requirements are met. Loan participants (around 2/3) usually choose to purchase the vehicle through County Fleet. If the car loan is denied participants can reapply, but they must address the reason why they were denied which is usually because they were not earning enough money to repay loan. They must also still have CalWORKs eligibility in order to reapply.

### **Financial Education and Car Maintenance Class**

All loan participants approved for an auto loan must attend a Money Management and Auto

Maintenance class. The Auto Loan Coordinator is certified to teach Money Management and teaches a one day workshop on Money Management to all loan participants. If a participant has a conflict with his or her work schedule and cannot attend the normal scheduled Money Management class, the Auto Loan Coordinator can schedule a one-on-one and accommodate a participant's work schedule. The Auto Maintenance class is scheduled on Saturdays and is usually offered quarterly, with a minimum of six participants. The Auto Maintenance class is offered to all CalWORKs participants, but KEYS participants must attend and have first priority to attend.

### **Client Satisfaction**

Client surveys are sent to loan participants at regular intervals to determine satisfaction with the program. Completing surveys is part of the loan agreement, and they are sent to clients to complete every 6 months for the life of the 2-year loan. Participants are highly satisfied with the program and the 2014-15 surveys report the following:

- 100% of surveys received report a reduction in work time missed
- 100% of surveys received report a reduction in travel time to and from work
- 100% of surveys received report increased time for family activities
- 100% of surveys received report increased ability to transport children to after school activities
- 100% of surveys received report increased wages
- Average wage increase: \$1.00 per hour

## **Conclusion**

Contra Costa County has a proven car loan program that helps eligible working CalWORKS recipients purchase a vehicle. The program has been in place for 13 years and is still going strong. Strong partnerships and clear loan expectations and requirements that are designed to support and empower loan participants have been key to the success of the program. Success of the program has been measured in the high repayment rate, the increased earnings, and the longevity of the program.

One of the biggest issues facing SonomaWORKS clients is lack of affordable and reliable transportation. If Sonoma County could implement a car loan program similar to Contra Costa County's model it would impact the lives of our low-income families in a positive way. Below is a list of proposed action steps and estimated costs associated with developing a car loan program in Sonoma County:

- Research Lifeline Grants and/or other grants for possible funding and if feasible apply for grant(s) to fund auto loan program in Sonoma County.
- Identify whether TANF funding is available to fund car loan program.
- If funding available, estimate costs for loan program:
  - Loan Reserve Fund to secure loans - \$100,000 – \$120,000
  - Program costs for diagnostic inspections, Auto Maintenance Class Fees, DMV assistance, and other miscellaneous costs - \$30,000 - \$40,000
  - Add Program Coordinator position to coordinate car loan program - \$122,185
- Contact local banks to identify lenders that may be willing to partner with Sonoma County to provide two-year loans to eligible participants.

- Contact County General Services and Fleet about the possibility of purchasing retired county cars for loan recipients.
- Procure Contracts/MOU's for services with bank lender, County General Services, Auto Loan Maintenance Class provider, and mobile mechanic.
- Provide policy and procedures for staff, design forms for loan applicants and staff, revise Orientation script, and create informational flyers about the program.

## **Acknowledgements**

I would like to thank the Contra Costa Employment and Human Services Department for offering the KEYS Auto Loan Program for BASSC Case Study. I have enjoyed learning about the program and am excited about the possibilities of adding a similar program for low-income Sonoma County families. A huge thank you to Joel Flamand, Contra Costa County's Transportation Services Manager (Auto Loan Coordinator), for taking the time to share all of his knowledge and expertise about the program and for ensuring the experience was valuable.

## **Resources**

Joel Flamand, Transportation Services Specialist, Contra Costa County, FY 15/16

Service Contracts, Loan Packets, and Program Literature

Joel Flamand, Transportation Services Specialist, Contra Costa County, FY 15/16

Loan Committee Meeting, loan decision process for two loan applicants April 2016