

# Contra Costa County's KEYS Auto Loan Program

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## Background and Purpose

Throughout the years, studies have shown that limited access to transportation is often identified as a substantial barrier to finding and maintaining employment for low-income families.<sup>1</sup> While public transportation can be a viable option for some people, navigating public transportation is often difficult, especially for families with small children. Additional research has shown that a parent with a car is more likely to be employed and to work more hours than a parent without a car.<sup>2</sup> Owning a reliable automobile allows parents to expand their employment search over broader geographic areas, while also allowing them to seek and hold jobs that require more flexible work schedules. Unfortunately, many families that receive CalWORKs do not own reliable automobiles, and this fact often limits the employment and training opportunities that are available for those families.

In an effort to remove transportation as a barrier for families in their county, Contra Costa County developed the KEYS (Keeping Employment Equals Your Success) Auto Loan Program, which provides selected CalWORKs recipients with access to auto loans for which they would not otherwise qualify. In addition to providing access to auto loans, the KEYS program also helps to educate participants on personal budgeting and basic auto maintenance.

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1. <http://civilrightsdocs.info/pdf/docs/transportation/getting-to-work-july20.pdf>

[http://baltometro.org/phocadownload/Publications/Opportunity\\_Collaborative/170508\\_Barriers\\_to\\_Employment\\_Opportunity\\_in\\_the\\_Baltimore\\_Region-June\\_2014.pdf](http://baltometro.org/phocadownload/Publications/Opportunity_Collaborative/170508_Barriers_to_Employment_Opportunity_in_the_Baltimore_Region-June_2014.pdf)

2. <https://www.cbpp.org/archives/11-8-01wel.htm>

## The KEYS Partners

Contra Costa County entered into contracts with the following entities to establish the KEYS program:

**Credit Union** – 1st Northern California Credit Union issues the auto loans for KEYS recipients. 1st Northern also holds county funds in a deposit account as collateral for the auto loans. The total balance of all outstanding loans at any given time must be below the amount of funds that are held in the deposit account.

**Re-sale Agent** – Contra Costa County is not permitted to sell vehicles to the public, so a third-party resale agent purchases surplus county vehicles, and resells those vehicles to KEYS participants. Participants can also choose to buy a car from a different source.

**Mobile Mechanic** – A local mobile mechanic performs a diagnostic inspection of the car to be purchased, to ensure that the car is in proper working order.

**Auto Maintenance Teacher** – A retired auto mechanic teaches the participants about basic auto maintenance.

## The KEYS Players

**Workforce Services Eligibility Workers** – Workforce Services Eligibility Workers do an initial screening of potential candidates and refer eligible participants to the KEYS program.

**Auto Loan Coordinator** – The auto loan coordinator reviews referrals to ensure that the referred participants meet the criteria for the KEYS program and works directly with eligible candidates to guide them through the KEYS auto loan process.

**Loan Review Committee** – The Loan Review Committee reviews and either approves or denies all KEYS auto loan applications. The committee is made up of county staff (management from Contra Costa Workforce Services Division) and staff from 1st Northern California Credit Union.

## The KEYS Process

### REFERRAL

As Workforce Services staff work with their clients to remove barriers to employment, they identify potential candidates for the KEYS program. When Workforce Services workers identify a potential candidate, the workers consider the following set of questions evaluating the client for referral to the KEYS program:

- Is the participant either an active CalWORKS recipient or in retention services?
- Is the participant living in Contra Costa County?
- Does the participant have a reliable, running car?
- Does the participant need a car in order to continue their current job status or improve their job status?
- Is the participant able to obtain an auto loan from another source?
- Is public transportation difficult for this participant to utilize because of the distance of their residence or place of employment in relationship to transit stops?
- Does the participant have employment during hours when public transportation is not an option?
- Is the issue of childcare, when using public transportation, a problem in keeping their current job status?
- Does the participant have a valid California driver's license?
- Does the participant have no more than one minor moving violation in the last 3 years?
- Has the participant been employed in their current job for a minimum of 2 months while working a minimum of 32 hours per week?
- Can the participant make a minimum monthly loan payment of approximately \$150.00 for 2 years?
- Is the participant willing to attend a Money Management class and a Basic Automotive Maintenance class?
- Is the participant willing to complete surveys regarding the KEYS program?

If the participant appears to qualify for the KEYS program based on the answers to the questions above, the Workforce Services worker helps the applicant complete an Initial Application Form, which is forwarded to the Auto Loan Coordinator for review and processing.

### LOAN APPLICATION

When the Auto Loan Coordinator receives a KEYS referral, the coordinator carefully reviews the referral and supporting documents to verify that the participant appears to meet the basic criteria for participation in the KEYS program. If the participant appears to meet the basic criteria, an auto loan application packet is sent to them, along with a checklist of required documents. The participants are asked to return the completed application packets within 2 weeks.

### LOAN DECISION

Once a completed loan application packet is received, the Auto Loan Coordinator conducts an in-person interview with applicant to learn more about their current employment and transportation situation. The coordinator will then present the completed loan application to the Loan Review Committee at their next meeting. The participant does not appear before the committee, but the Auto Loan Coordinator acts as an advocate on the applicant's behalf. Once the committee reaches a decision, the Auto Loan Coordinator is responsible for notifying the participant of the decision. If a participant is denied a loan, the coordinator informs the participant of

the specific reason(s) why the application was denied and encourages the participant to reapply once the requirements are met. If the participant is approved for a loan, the loan coordinator works with the participant to begin the process of finding a car.

#### CHOOSING A CAR

Approved KEYS auto loan participants receive a packet in the mail, which outlines the terms of the approved loan, and the steps that the participant must take to complete the KEYS auto loan process. Those steps include attending a money-management class, choosing a vehicle and getting it approved, and obtaining car insurance. Participants can choose to purchase a former county car from the contracted resale agent, or they can choose to purchase a car from another source. Once all appropriate steps have been taken, the loan will close, and the KEYS participant can pick up their new car.

#### PROGRAM RESULTS

From its creation in 2003 through April of 2018, Contra Costa's KEYS program has successfully funded loans to 135 CalWORKS recipients who would not have otherwise had the ability to purchase a car of their own. The total amount of all loans funded during that time was \$405,401, and the total repayment rate for the loans issued was 94%. As a condition of participating in the KEYS auto loan program, loan recipients agree to complete periodic surveys, and the comments that come back with those surveys provide some of the most compelling evidence of the program's benefits. One KEYS participant expressed the program's benefits as follows:

*"KEYS has enabled me to finish school, so I could earn a position as a medical assistant at Kaiser. I am also still employed at Bank of America. With both jobs I was easily able to pay off my KEYS loan and have since purchased a newer car. Without the KEYS program, I am certain I would not have been able to go to school to get my degree while still working full time. I cannot thank everyone enough."*

#### Is a KEYS Program Needed in Napa County?

While the KEYS Program has helped to meet the transportation needs of many clients in Contra Costa County, the circumstances in Napa County point to an even greater need for a similar program here. The population of Napa County is far more widely dispersed than the population of Contra Costa County. While Contra Costa County has 1,352 residents per square mile, Napa County only has 177 residents per square mile.<sup>3</sup> In addition to having a widely-dispersed population, Napa County also has widely-dispersed jobs. Rather than being grouped together, the major cities in Napa County are spread out in a line that runs almost 40 miles from end to end. Because the population of Napa County is so widely dispersed, clients who do not live in a city, or who cannot find a job in the city that they live in, often must commute significant distances between home and work.

When compared to Contra Costa County, Napa County also has far more limited options for public transportation. There are no BART stations in Napa County, while Contra Costa County has 11 BART stations. Contra Costa County also has an Amtrak station in Martinez that allows for quick travel towards Sacramento or Stockton. Perhaps most significantly, Contra Costa County has a more robust bus service through their County Connection program, while Napa County's VINE bus service is not available in significant portions of the county.

With a widely-dispersed population, and a comparably limited number of public transportation options, a car is often the only viable way for residents of Napa County to get to work. According to the Metropolitan Transportation Commission, 86.6% of Napa County's commuters traveled by car in 2015, compared to 80.4% of Contra Costa Commuters.<sup>4</sup> Out of the nine Bay Area counties, only the commuters from Solano County are more reliant on cars to get to and from work.

3. <http://www.usa.com/rank/california-state--population-density--county-rank.htm>

4. <http://www.vitalsigns.mtc.ca.gov/commute-mode-choice>

An informal survey of Napa County's Welfare-to-Work employment services staff also supported the need for an auto loan program in Napa County. The workers quickly identified several families who could benefit from an auto loan program. One worker described a 30-year-old mother of three children, ages eight, six and two-and-a-half years. The family lives in Lake Berryessa with the mother's maternal grandmother. The mother has a California Driver's license, but does not have a car and is not allowed to use her grandmother's car. There is no public transportation near the family's home, and it is over 15 miles to our office. The mother is willing to participate in employment activities; however, the lack of transportation has taken that opportunity away from her. Another worker described a case with a 24-year-old mother of three children, ages three-and-a-half, two-and-a-half, and three-months, who suffers from diabetes. The mother found full-time employment that requires her to be on her feet all day. The mother does not have a car and must walk the 30-plus minutes each way to work each day until she can save up enough money to buy a car. There are also multiple examples of parents who own unreliable cars, who are struggling to pay for the necessary car repairs, and who are having difficulty making their monthly car payments due to the repair expenses.

## Recommendation

Considering Napa County's widely-dispersed population, the relative lack of public transportation options, and the positive feedback from the Welfare-to-Work staff, it is recommended that Napa County implement an auto loan program similar to Contra Costa County's KEYS Auto Loan Program.

## Next Steps

- Approval (July 2018)
  - If initial approval for the development of a KEYS Program is received by July 2018, the program could be ready to implement by July 2019.

- Planning (July 2018 – May 2019)
  - Meet with the Fiscal, Public Works, and Risk Management Departments to share the vision for implementing a KEYS Program in Napa County and to get their feedback on necessary steps.
  - Determine the size of the loan program in Napa County (that is, the balance of the deposit account). Based on the relative population sizes and CalWORKS caseloads of Napa and Contra Costa Counties, it is recommended that Napa County initially allocate \$20,000 for a deposit account (10% of Contra Costa County's \$200,000 deposit account).
  - Identify staffing and project costing. The Auto Loan Coordinator position should only require the allocation of a .25 FTE, which amounts to approximately \$30,000 annually, if the Auto Loan Coordinator duties are performed by a Staff Services Analyst.
  - Identify funding sources for the deposit account, a mobile mechanic, auto-class fees, and Carfax service. Because TANF funding and the CalWORKS caseloads are decreasing, Employment Services workers can focus more on subsidized employment. This will allow them to project cost to the Expanded Subsidized Employment grant, which will free up TANF funds for this program. (All other costs of the program are funded in other ways: The credit union earns interest on the auto loans, and re-seller fees are financed into the auto loans.)
  - Draft Requests for Proposals for a financial institution, a third-party re-seller, and a mobile mechanic.
- Implementation (July 2019)
  - By working together with the identified partners, Napa County can be ready to start its own KEYS Program in July of 2019.



- Evaluation (January 2020)

- Evaluation of the KEYS Program will occur every month, but it is recommended that status reports be provided once every six months during the first two years of the program, with the first report due in January 2020. The status reports will demonstrate the usefulness of the program and help to identify any needed adjustments to the program, including potential changes to the deposit account.

## Acknowledgements

I would like to thank Joel Flamand, Contra Costa County's Transportation Services Manager, for taking the time to thoroughly explain the KEYS Program and for providing excellent documentation on the entire process. His commitment to the KEYS Program and its participants has inspired me to find a way to make this program work in Napa County. I would also like to thank the Napa County Welfare-to-Work unit for sharing some of their clients' experiences with transportation barriers. Their stories remind us of why we chose to work in the human services, and why we continue to explore new ways to better serve our community.