

# STRENGTHENING RURAL FAMILIES

## Affordable Car Ownership Programs: Transporting Families toward Financial Stability and Success

THE ANNIE E. CASEY FOUNDATION

Living on a Wisconsin tree farm, Elizabeth Grobman relies on a car to get to work, to college, her son's doctor, and the grocery store—all many miles away. But when her 14-year-old car broke down in the winter of 2006, she couldn't afford the repairs.

"I thought I was going to hit bottom again without a vehicle," says Grobman, 44, of Wheeler, Wisconsin, population 317. A low-wage earner and divorced mother of a teenage son and two adult daughters, she felt desperate.

But with help from **JumpStart**—a nonprofit program that helps low-income families get reliable and affordable cars—today Grobman owns a two-year-old Chevy. The car allowed her to travel to a better-paying job and to keep attending classes to become an administrative assistant. "I am real excited," says Grobman. "If it wasn't for JumpStart, I'd be stuck in this little town doing nothing, just trying to go to school or catch a ride. I feel so good about myself."

Since opening in 1998, JumpStart has helped 250 families in a seven-county rural area buy late-model vehicles. "A car impacts all aspects of life," says Peter Kilde, executive director of West Central Wisconsin Community Action Agency, Inc. (West CAP), which runs JumpStart. "It doesn't just solve the problems of housing or child care or how to get to work. The way the infrastructure is built in America, the assumption is

that you have a car. If you have that car, you are able to participate in the whole society."

JumpStart is among about 160 nonprofit programs nationwide, in both cities and rural communities, that help low-income working people obtain cars to stabilize or improve employment. Some programs also provide financial education that helps families budget, avoid predatory lenders, save, and develop other assets that promote long-term economic self-sufficiency.

By helping low-income families acquire affordable, reliable transportation, the car programs help them connect to work and meet other family obligations. This is in sync with the Annie E. Casey Foundation's efforts to help low-income families meet their immediate and long-term financial needs. And it reflects the Foundation's guiding principle on behalf of vulnerable children: **Children do well when their families do well, and families do better when they live in supportive communities.**

Car programs can make an important contribution to building Rural Family Economic Success (RuFES). This family-centered approach pursues three goals simultaneously—helping families to increase their income ("Earn It"), stabilize their finances ("Keep It"), and acquire assets and build wealth ("Grow It").

- **"Earn It"** focuses on job readiness, good jobs with benefits, and helping families fill gaps by taking advantage of supports like tax credits.



- **“Keep It”** focuses on affordable options for transportation, child care, housing, health care, goods and services; building family financial management skills; and combating predatory financial practices.
- **“Grow It”** emphasizes helping people save and accumulate assets; attracting business to communities and supporting entrepreneurs; improving community amenities; and promoting economic development strategies linked to the regional economy.

Car programs help families advance in all three areas. They help families “earn” income by providing reliable transportation to better jobs. They help families “keep” more of their income by providing affordable vehicles at a reasonable interest rate. The newer vehicles help them avoid unexpected, high-cost car repairs that can undermine their financial stability or drive them to “quick fixes” such as payday loans or other money traps. Car programs help families “grow” their earnings by helping them establish the platform (of earnings, savings, and consistent budgeting) upon which future financial stability and success can be built.

## Programs Struggle to Meet Demand for Affordable Cars

**FOR MOST RURAL RESIDENTS, CARS ARE THE ONLY VIABLE TRANSPORTATION OPTION**

“You can’t live in a rural community without transportation being an issue, so some of the cutting-edge efforts to help low-income families obtain cars have come from rural America,” says Miriam Shark, a Casey senior associate overseeing the Foundation’s rural agenda. “Low-income families want to work and get ahead. But they can’t if they’re unable to get to their workplace and around their communities. By helping rural working families obtain a reliable car and a sound financial grounding, low-income car ownership programs help them work toward achieving long-term financial self-sufficiency.”

But the programs are not widespread, funding is limited, and many have long waiting lists.

“There’s still more need than there are cars,” says Margy Waller, project director of The Mobility Agenda: New Ideas for Low-Wage Work, at the Center for Community Change, in Washington, D.C. “The two biggest barriers employers see to retaining low-wage workers are child care and transportation. We have a federal funding stream for child care and an existing set of providers. We have nothing like that on the transportation side.”

One-fourth of families earning \$25,000 or less don’t have a car. And, often when low-income people try to buy a car, they don’t have good credit so they can’t qualify for conventional loans. They may go to predatory lenders selling cars at inflated prices, with steep interest rates and payments. Or they may pay more for insurance and get an aging, unreliable gas guzzler requiring sudden and costly repairs.

Most low-income car ownership programs started in the wake of the 1996 welfare reform law. Without transportation, welfare-to-work wouldn’t work. Welfare recipients are more likely to find a job and increase earnings if they have access to a car, national studies show.

### Basic Components for a Family-Friendly Car Ownership Program

1. A program or agency that serves working families and that can generate and respond to the demand for cars, car loans, or financial counseling.
2. Cars: quality used cars, low-cost new cars, or donated cars, including inspection, repair and warranty, or other assurance of reliability and manageable repair costs.
3. Funding to help make car loans affordable and for the administrative costs of the program.

Even in big cities with public transportation, many low-wage workers need a car, but the need is particularly acute in rural areas where residents commonly must drive long distances to reach jobs and reasonably priced shops or services. About 40 percent of rural counties have no public transit service, according to a federal estimate. In rural America, particularly, cars contribute to consistent, dependable work attendance.

“The need for a car for low-wage workers and for public policy to support access...is universal,” says Waller. “But in rural areas, if you do not have a car, you don’t even have the choice of a two- or three-hour bus ride because it just doesn’t exist.”

### Newer Cars Help Families Move Forward

#### HIGHER-QUALITY CARS OFFER DEPENDABILITY AND FEWER LAST-MINUTE REPAIRS

In Wisconsin, **JumpStart** helps families like Elizabeth Grobman’s get a low-interest car loan and a high-quality car. Vehicles are typically one to four years old, and are expected to last five years. The cars come from Ideal Auto, a car dealership West CAP created to increase access to affordable, reliable vehicles. Ideal Auto buys cars at wholesale auto auctions, passing on the savings.

Late-model cars offer the lowest cost per mile in safe reliable transportation, says Executive Director Peter Kilde. And newer, higher-quality cars, in particular, help families move forward because they offer more stability and fewer unpredictable and costly repairs. Kilde attributes JumpStart’s success to “the psychological impact of having a car that works for you, that gets you to all the recreational and educational and enjoyable activities, as well as to work. And a car that you feel good about owning. People are ashamed of running around in some old beater.”

JumpStart clients must be eligible for Temporary Assistance for Needy Families (TANF) and are typically on the upper end, income-wise. They need to earn about



**From its Ideal Auto lot, JumpStart sells late-model cars at below-market prices to low-income working families not eligible for its loan program.**

\$8 an hour to be able to pay off a car loan that’s typically \$7,000, with a \$140 monthly payment, plus \$20 per month escrowed for routine maintenance and repairs.

At the end of the loan, unused escrowed funds are returned to the family, becoming an asset they can use as they want—including as a down payment for a newer car. By offering this unusual and important feature, JumpStart not only helps make car ownership more affordable but also helps families build savings, in keeping with Casey’s RuFES framework.

A JumpStart family receives a \$1,500 forgivable loan to use as a down payment. Then JumpStart helps the family get preferred-rate financing, typically a five-year loan at 7 percent interest, from a partner credit union or bank. The family also pays a \$250 one-time fee into a pooled fund used to cover major repairs during the loan period.

To reach a broader clientele, JumpStart also sells cars from its Ideal Auto lot at below-market prices to low-income working families not eligible for its loan program. JumpStart has been replicated in other Wisconsin and Minnesota communities, including the White Earth Indian Nation.

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**Bonnie CLAC** in New Hampshire provides low-interest loans for *new* cars. The loans are about \$10,000 or more, with monthly payments of around \$200. Due to higher payments, Bonnie CLAC's low-income clients tend to be higher-income than used car program clients.

To make new cars more affordable, Bonnie CLAC President Robert Chambers convinced two dealers to offer clients base model cars for only \$100 over the dealer's invoice price. Bonnie CLAC also made a deal with a regional bank, and later with two credit unions, to offer low-interest loans.

Over the past four and one-half years, Bonnie CLAC helped clients obtain 836 loans, with an average interest rate of less than 6 percent (the current rate is 6.8 percent). This amounted to more than \$12,000,000 in loans guaranteed by Bonnie CLAC.

Budget counseling is a key component in the overall support provided to customers. (CLAC stands for "car loans and counseling.") Before guaranteeing a loan, most clients must take a "financial fitness" class and receive counseling to learn how to budget and establish good credit, which dovetails with Casey's RuFES "grow it" strategy.

Chambers believes that new fuel-efficient cars are more dependable and need fewer repairs than used cars—and that new cars make more sense, given the price of gas. The average rural worker will reduce the demand for gasoline by about 36 gallons per month when driving a new car. This represents substantial savings for clients with long daily commutes.

Many clients who are not ready for a new car purchase spend several months driving and making payments on "bridge cars" that the program lends to them for \$225 a month. This helps them get used to making car payments and build a good credit history. And when clients finally do purchase a car, Chambers' research shows, their credit scores go up.

Bonnie CLAC's main income source is the \$800 fee each car-buying client pays (and rolls into each car loan). Money also comes in from sales of other donated cars, financial fitness training offered to other community residents, and foundations. The program has helped more than 700 New Hampshire and Vermont residents buy new cars and has expanded to three additional New Hampshire locations. Bonnie CLAC's expansion—including efforts to serve more rural clients by doing more outreach with nonprofits in rural communities—boosts the organization's ability to become financially self-sustaining by increasing its volume and decreasing its reliance on charitable contributions, says Chambers. "Once we have perfected this model... I envision this as a national organization."

## Donated Cars Move People from Welfare to Work

### CARS AID THE SUCCESS OF TANF RECIPIENTS

After receiving training through West Virginia's welfare-to-work program to become a home health aide, Renee Hughart, 20, of rural Greenbrier County got a job providing in-home care and shopping for a disabled woman. But when Hughart's 1987 car gave out, she was in trouble. Pregnant, and having a two-year-old son, she needed a car for work and to get to doctors' appointments. As a single parent earning \$5.25 an hour, and without strong credit, she'd have trouble buying another car.

Enter the **Good News Mountaineer Garage** based in Charleston, West Virginia, which sold Hughart a 1993 car for \$1 in the late winter of 2006. "It's made a very big difference," says Hughart. "Now I can get where I need to go."

Not everyone can qualify for programs like those of Bonnie CLAC and JumpStart, so some car programs have been organized to address the needs of lower-income populations. The Good News Mountaineer

Garage is one such effort. It provides donated used cars almost free of charge—typically a 1994 car with 120,000 miles that, if well cared for, lasts about two years. Under the supervision of the Garage’s licensed mechanic, welfare recipients in an auto repair training program help repair the donated cars and provide discounted service.

“An older car is more affordable for poor people,” says Barbara Bayes, executive director of the program which, since opening in 2001, has provided over 400 cars primarily to TANF recipients. The hope is that, after using this car to move ahead financially, a family can purchase another car, perhaps with a conventional loan.

In 2005, the Garage focused on expanding its car donation program statewide—switching from one office, serving five predominantly rural central counties, to five offices. Funded with state-managed welfare dollars, the expansion was a response to new federal rules requiring greater welfare-to-work participation. States that don’t comply could lose millions in federal funds. “In West Virginia and a lot of rural states, transportation is *the* biggest issue in getting higher participation in work and job training,” says Bayes. “Jobs have shifted. They aren’t where poor people live, particularly service jobs. They’re not in housing projects and in the country where it’s cheaper to live.”

Cars are the missing link that allows people to remain living in affordable rural communities and yet be able to work. “If people can’t get to the training and get certified and get to the job, they can’t do it,” says Bayes. “We see it as economic development—one job at a time.”

Bayes estimates that her program meets about 10 percent of the need low-income families have for a car. “I don’t know

that we will ever meet the demand,” she says. “But we can put a dent in it and we can start with people who need to get off welfare. If these folks aren’t trained and working when their five years are up, they have no welfare and no job.”

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Low-income car ownership program participants not only increase their earnings and decrease their dependence on government assistance but also become more involved in their communities, according to a 2006 impact study of the **Good News Garage**, based in Vermont. The Good News Garage also repairs donated used cars and gives them to TANF recipients.

“They get and keep their jobs much better,” says Chief Executive Officer Chris Hendrickson. “Their financial situation gets better and quality of life issues improve. They are able to take their kids to school and after-school programs.”

An impact study, commissioned by the Department of Housing and Urban Development and the University of Vermont, found that:

- 60 percent obtained employment after receiving the car;
- 83 percent attributed their ability to keep a job to the car they received;



**Good News Mountaineer Garage makes donated used cars available almost free of charge. Under the supervision of the Garage’s mechanic, welfare recipients in an auto repair training program help repair the donated cars at discounted rates.**

## Questions to Ask before Starting a Car Ownership Program

- Who are we going to serve—TANF-eligible/welfare-to-work, very low-income, or low-income working families?
  - What is our goal—to provide a temporary transportation solution or a longer-term solution?
  - What kinds of cars are most appropriate for our customers—functional older cars, higher-quality used cars, or new cars?
  - Will we provide cars free of charge, low-interest car loans, or an IDA matched-savings program?
  - How should we offer financial education and credit repair/building? How about budget counseling, escrowed funds/savings account components?
  - Are there local businesses or other partners that would supply donated used cars, less expensive used or new cars, or low-interest loans?
  - Could we utilize state welfare funding or other public funding?
- 73 percent attributed increased earnings to having the car;
  - 78 percent were more hopeful about their future and their children’s future;
  - 97 percent reported a change in community participation.

Founded in 1996, as one of the nation’s first low-income car ownership programs, the Good News Garage is an affiliate of Lutheran Social Services of New England. It was the model that inspired the Good News Mountaineer Garage’s donated car program.

Good News Garage locations have since opened in Massachusetts, New Hampshire, and Connecticut. During the past ten years, the program has given away about 2,400 donated and repaired cars. The priority, in part due to funding rules, is serving welfare-

to-work participants. Some other low-wage workers receive cars for the cost of repairs, usually less than \$1,200. “We have a long waiting list of low-income people who don’t meet the eligibility requirements,” says Hendrickson.

While about 65 percent of the program’s funding comes from state and federal funds, about 30 percent comes from selling some donated cars. But covering operating costs and getting enough safe and reliable donated cars are constant challenges, says Hendrickson.

## Guiding Clients through the Car-Buying Process

### USING THE CAR PURCHASE AS A VEHICLE FOR PROVIDING FINANCIAL EDUCATION

For Natalie Kochte, being required to make a budget as a **Ways to Work** participant was a helpful nudge. “You know it’s stuff you should do. But life gets in the way,” says Kochte, 36, a divorced parent of two children who lives in rural Tuscarawas County, Ohio.

Having to travel 20 miles on sometimes unplowed back roads to get to her administrative assistant’s job, Kochte received a loan through the program to purchase a used car she feels safe in. “I don’t make a lot of money and my credit isn’t the greatest. There’s no way I could get that loan on my own,” says Kochte. “This will also help build up my credit.”

Participants must develop a monthly budget and attend a vehicle maintenance and money management class that addresses how to evaluate and buy a used car. They also learn how to open a bank account and the importance of establishing credit, in keeping with Casey’s RuFES “grow it” strategy.

Families soon learn to watch their budget so they can make their car payments. “They don’t want to lose that car,” says Fred Weingarth, a loan coordinator

with Personal and Family Counseling Services in New Philadelphia, Ohio, which runs the program. The reliability of the car also helps them to better control their expenses and settle into a financial routine. “We talk about the short-term goal of making that car payment every month. The longer-term goal is to start a savings account...to improve their lives not only during the two years they have their loan but in the future.”

An unusual feature of the Ways to Work program in this Ohio community is that participants receive a grant from Tuscarawas County Job and Family Services of between \$100 and \$2,000 for a car down payment.

Then they receive a loan financed by the program’s partner bank. Loans for car repair or purchase range from \$500 to \$3,000, with monthly payments of \$25 to \$140. The family typically gets a 1996 to 1999 car, which lasts four to five years. To better ensure the car’s quality, Weingarh himself drives it and approves the purchase. “We have a small community,” he says. “I’ve gotten to know the dealerships very well. They know if they give us a bad car we’re not going back.”

Unlike a car donation program that serves very-low-income families, “Ways to Work is for the working poor and to keep those folks from losing their jobs and having to go back on welfare,” says Jeff Faulkner, Ways to Work president. “We see this as a preventive measure.”

Ways to Work doesn’t directly provide cars to its families. Instead, it helps them secure a subsidized loan to buy a car in the marketplace. The program is targeted to families that need a reliable car but can’t get a conventional loan because of credit problems or lack of funds to

pay a moderate-size car payment. Affiliated with the Alliance for Children and Families, Ways to Work is based in Milwaukee.

Unlike most existing locally based car programs, it is a large-scale program with a network of 51 offices in 25 states. It partners with local and national financial institutions. In 2004–2005, more than 3,000 families were served by Ways to Work across the country, with \$8.5 million in loans and a repayment rate of over 90 percent.

“Employment, budgeting, using your money responsibly, and changing habits is what we’re all about,” says Faulkner. “Cars help make it happen because they help the income go up.”

## Car Program Approaches Vary

**BUT THEY SHARE THE SAME GOAL OF HELPING FAMILIES CONNECT TO WORK AND OVERCOME POVERTY**

Many other well-regarded low-income car ownership programs also serve rural clientele, such as **Citrus Cars** in Barstow, Florida, and **Many Motors** in Oxnard, California. **Vehicles for Change** is located near Baltimore, but the program serves families in rural and urban areas of Maryland and Virginia.

Each program has a different approach. Some programs like **Dollars to Dreams** in Phillipsburg, New Jersey, operate by providing Individual Development



**A Ways to Work loan enabled Natalie Kuchte to buy a reliable used car for transportation to work — and required her to make a budget and attend money management classes.**

Accounts (IDAs), matched savings accounts earmarked for car purchase.

Rural residents make up the bulk of the 55 Dollars to Dreams participants who have set up IDAs for the purchase of vehicles. They also must take a financial literacy and car-buying course. “It’s not just about buying a car. It’s to get them financially savvy so they understand more aspects of financial scams and their potential vulnerability to predatory lending activities,” says Deborah Meade, director of the Phillipsburg program offered since 1999 by the Northwest New Jersey Community Action Program. “Families have had their lives changed because now they have a car that secures more of their future.”

Despite the help low-income car ownership programs provide, federal funding—primarily from TANF and Job Access and Reverse Commute (JARC) funds—remains limited. Some state and local governments have stepped in with support but budget cutbacks have hurt some programs. Other programs rely heavily on philanthropic funding.

There are differing perspectives about whether used cars or new cars are best for low-income family purchase. The main drawbacks of used cars are, of course, their age, limited lifespan, and the fact that they are financed at higher interest rates. There also are concerns about higher operating costs and the specter of unpredictable and high-cost repairs. But others argue that low-wage workers are better off with a used

car—as long as it’s reliable—than a new car that’s more expensive and depreciates in value more quickly.

Among the most promising programs, says Margy Waller, are those that “offer both a car they know is decent and some kind of financing mechanism that may come with wraparound services in building credit and financial literacy.”

Despite their differences, low-income car ownership programs across the country are networking, sharing information, and contemplating borrowing each other’s methods to reach more low-income families. They’re also trying to generate more public awareness to spur supportive public policy. And families who have benefited from the programs are seeing that a car can help them “earn it, keep it, and grow it,” as they work toward financial stability and a better future.

“We’re all in the same boat,” says Peter Kilde of JumpStart. “If we can make enough of a unified case that this is a great and cost-effective way to help people get out of poverty, everyone’s a winner.”

Everyone including Elizabeth Grobman in rural Wisconsin. “I’ve got a nice car sitting out in the yard that makes me want to strive and work harder every day to pay for that car and build that credit for later years,” she says. “I can get a good job now and get my son what he needs. I’m going to make it. I’m going to do this.”

**The Annie E. Casey Foundation** is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of UPS, and his siblings, who named the Foundation in honor of their mother. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today’s vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to these needs. For more information, visit the Foundation’s website at [www.aecf.org](http://www.aecf.org).

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