

Low-Income Car Ownership Programs: 2006 Survey



PREPARED BY:
National Economic Development and Law Center (NEDLC)
For the Annie E. Casey Foundation

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SECTION I

INTRODUCTION AND RESEARCH OBJECTIVES

This is a report on the characteristics of programs that provide access to car ownership for low-wage workers, based on a comprehensive survey of 108 of the 151 documented car-ownership programs that was conducted between June and August, 2006.

Since the passage of welfare reform in 1996, two key barriers facing low-wage workers and temporarily unemployed people have been child care and transportation. Workers, employers, and service providers have long realized that in many cases the daily required transportation from home to child care provider to job and back again is either not possible, extremely time consuming, or otherwise very difficult using public transportation systems.

The trend in urban land use in most U.S. cities makes public transportation an increasingly difficult option for many low-wage workers, as jobs decentralize away from urban cores and former industrial job centers near working class neighborhoods have all but disappeared, requiring longer commutes by low-wage workers. Urban planners call this ‘spatial mismatch’ – and for many low-income families it makes public transportation less useful than for many middle-class families who are more likely to live close to job centers or higher quality public transportation nodes.

The problem is even more acute in rural areas, where public transportation options are often limited. In all parts of the U.S. car ownership can be a key determinant in successful participation in the labor force. There is evidence that the car alone makes a difference in successful employment – access to a car is correlated with employment, higher earnings, and more work hours. When combined with high quality child care, job training, higher education, sectoral career ladders, affordable housing strategies, and viable public transportation systems, car ownership can be an integral part of a poverty alleviation program.

Within this context, service providers, including states, counties, and non-profit agencies have been creating strategies and programs to improve access to cars for low-wage workers and their families. The strategies and programs are nearly as varied as there are numbers of programs. However they all share the goal of making car ownership a more realistic option for low-wage workers. These programs include stand-alone programs, which often receive a large number of donated cars, some of which are repaired and sold in good condition at below-market-value to eligible families, and a national network of organizations that helps families to access below-market-rate loans, including loans to purchase a vehicle. The largest of the stand-alone programs distributes nearly 5,000 cars per year.

We call these organizations or programs that provide car ownership opportunities to low-income families ‘low-income car-ownership’ (LICO) programs. For simplicity, we use the term ‘cars’ throughout this report even though trucks, vans, and other vehicles may be distributed to or purchased by customers through these programs.

Most LICO programs do more than get car keys into the hands of a low-income family. They also may provide:

- A reliable car that has been checked out and/or repaired by the program;
- Ongoing car repair support;
- Consumer protection – by protecting low-income families from price gouging on car purchase, car repair, vehicle insurance, or high-interest loans;

- Referral to job training or family support services;
- A stepping stone on the path to savings and asset building, through financial education and an asset that may take several years to depreciate;
- Financial literacy training.

For several years through 2006, the National Economic Development and Law Center (NEDLC) maintained a clearinghouse of information regarding LICO programs. This clearinghouse included a database of existing LICO programs that is kept current by regular contact with the programs, through sharing information with other researchers, and through internet searches. NEDLC is currently transitioning management of the clearinghouse to long-time LICO consultant, Carolyn Hayden.

This report provides an overview of the LICO programs as well as details about many of the common program components. The purpose of the report is to provide program details and strategies that may be useful for current or potential low-income car ownership program operators, as well as a framework for federal, state, or local policy-makers who are considering options for overcoming transportation barriers for low-income families.

SECTION II

METHODOLOGY

The low-income car-ownership (LICO) programs in the LICO clearinghouse database are characterized into three groups, based on their approach:

- **Car acquisition and distribution.** In this approach the program acquires cars, either through donation or purchase, and, in turn, distributes some or all of the cars by giving away, selling, or leasing to low-income customers.
- **Financing the purchase of a car, by such things as providing loans or down-payment assistance for car purchase.** This approach may consist of pre-qualifying low-income customers for car loans with a financial institution; guaranteeing car loans; and/or providing a grant or payment for a down-payment on a car. A few programs provide funds to lower interest rates on car loans or manage a below-market loan fund in-house utilizing the organization's own staff and resources.
- **IDA Matched Savings Accounts.** This approach utilizes Individual Development Account (IDA) matched savings for the purpose of car purchase. While most IDAs are used for home purchase; micro-enterprise capital investment; or education, a few IDA funding sources allow them to be used for car purchase, especially if used in the operation of the micro-enterprise or for transportation to school or work. The low-income client participates in a savings program for a few years and then their savings are matched by the program and can be applied to purchase or make a down-payment on a car.

While many programs use a combination of approaches, they are categorized by the primary approach. For example, if an acquisition and distribution program also provided financing assistance to a customer, the primary approach was still considered to be the acquisition and distribution approach. However, if more cars were financed by the program than distributed by the program through its acquisition/distribution component, then 'financing' was considered the primary approach.

In addition to the active programs in the LICO clearinghouse database, inactive programs previously in the database and possible LICO program that were referred by other researchers, were used to create a survey sample. For example, the Corporation for Enterprise Development (CFED) provided NEDLC with a list of over 30 IDA programs that they had identified through their survey as potentially including car purchase in their programs. The 184 pre-identified, inactive, and referred programs were used as the survey sample.

To ease participation the survey instrument was placed online, using the internet survey service, SurveyMonkey (www.surveymonkey.com). Logic models were created to allow respondents to skip to the portions of the survey that pertained to their program type. Questions on the survey instrument were developed with a small group of program operators who served as an informal survey advisory group along with a small group of consultants, researchers and policy analysts who are familiar with LICO programs.

Nearly all programs were initially contacted by email. In addition, all programs received a postcard in the mail alerting them to the survey. This was necessary because we did not have the correct email account for the program or the survey email notice was filtered into a 'junk mail' or 'spam' folder.

Many programs called in response to the post-card and their survey response was usually facilitated by internet. A few respondents preferred to respond to a printed copy of the survey instrument, which was mailed to respondents with a return envelope. One respondent preferred to respond by telephone. After two weeks follow-up phone calls were made to all programs that had not yet responded. Additional email messages were also sent.

Figure 1: Survey Sample

	Number Identified	Number of Respondents	Response Rate
Pre-identified potential respondents	184		
Organizations with no LICO program	14		
Inactive or Closed Programs	33	2	6%
Pre-identified, active programs	137	104	76%
Additional programs identified through survey	14	4	29%
Total, active programs	151	108	72%

Fourteen of the IDA programs that had been referred to NEDLC by CFED were found to not have a car purchase option. It was determined that 33 programs were no longer active, including two organizations which nevertheless responded to the survey. Of the pre-identified, active programs, 104 responded, five refused to participate, and 28 did not respond to the survey contact attempts, resulting in a 76 percent response rate among pre-identified programs.

The survey asked programs about any LICO partners they might have and about any LICO programs that may not have been previously identified. Through this effort an additional 14 LICO programs were identified through the survey, four of which responded to the survey, making a total of 110 survey respondents, including the two inactive programs. Among the 151 active programs, either pre-identified or identified through the survey, 108 responded, an overall response rate of 72 percent. Car acquisition and distribution programs had the highest response rate to the survey (Figure 2), while financing programs had the lowest response rate.

Figure 2: Response Rate by Primary Type of Active Programs

	Number of Programs	Number of Respondents	Response Rate
Car acquisition/distribution program	66	53	80%
Financing program	70	44	63%
IDA matched savings program	15	11	73%
Total, active programs	151	108	72%

SECTION III

PROGRAM TYPES AND DESCRIPTION

Just over half of the programs used only one program approach. The programs which used two approaches usually integrated them into one program, although in a few cases they were operated as two separate programs. Two percent of programs used all three approaches in two separate programs (a car acquisition and distribution program integrated with a financing component; separate IDA program). The acquisition and distribution programs were the most likely to use a secondary approach, mainly adding a financing component (Figure 3). The IDA programs were the least likely to use a secondary approach in their program.

Figure 3: Primary Type of Program by Additional Program Approach

<i>Primary approach</i>	Percentage of programs that use additional program approach		
	<i>Secondary approach</i>		
	Car acquisition and distribution	Financing	IDA
Car acquisition/distribution program	X	57%	6%
Financing program	32%	X	5%
IDA matched savings program	0%	17%	X

One program brokered car purchases at wholesale rates, as well as brokering market-rate car loans. For purposes of this typology, this program was considered a financing program, since the program did not acquire and later distribute the cars.

Several programs said that they had various program ‘tiers’, generally due to multiple funding streams, each intended to reach a different market segment. For example, some said that one funder stipulated that loans be provided at zero percent interest while another funder stipulated that the loans be provided on par with the prime rate. In a practical sense, depending on the income level or some other criteria of the customer, the rate of subsidy may have been more or less. In a few cases organizations operated two autonomous loan programs without program overlap.

Most LICO programs – 86 percent – were part of a broader public or nonprofit agency. The car acquisition and distribution programs were most likely to be stand-alone LICO programs (24 percent). (A stand-alone LICO program refers to an organization whose sole or primary purpose is to distribute cars to low-income persons.) Only five percent of the finance programs and none of the IDA programs were stand-alone LICO programs. The survey found that one state government directly operated a LICO program (Tennessee), while several dozen county agencies operated LICO programs.

A. Size

The size of LICO programs is usually described by the number of low-income car customers who obtained a car through the program. Among the survey respondents, 10,279 cars were distributed or financed to low-income customers in 2005, including one large program that distributed 5,000 cars, although it did not provide any other services, repair assistance, or financial education. The median

number of cars distributed per program was 35 in 2005. Among the 69 programs for which there was data, there was an aggregate 2 percent drop in the number of cars distributed from 2004 to 2005.

Figure 4: Program Size by Type of Program

	Estimated median annual budget	Mean number of staff (FTE)	Median number of LICO customers	Range, number of LICO customers
Car acquisition/distribution program	\$158,000	3.6	35	0 to 5,000
Financing program	\$119,000	2.2	36	6 to 275
IDA matched savings program	\$64,000	1.7	7	0 to 220
All programs	\$126,000	2.9	35	0 to 5,000

Note: A number of IDA programs had been started in the previous 24 months and may have ‘no’ customers since an IDA customer is counted only once the car is purchased, which usually happens after the person has been saving for at least 24 months. See the IDA section for number of active IDA car purchase accounts.

There are other ways to describe the size of a program, including the annual program budget and the number of staff in the program. The median annual operating budget of LICO programs was \$126,000 in 2005, with a slightly higher amount for car acquisition and distribution programs and a smaller amount for IDA programs (Figure 4).

About two out of five LICO programs – 39 percent – had one staff or less operating the program. On the other hand, 11 percent of programs had five or more staff persons. The median annual cars distributed per staff person ratio was 18 – that is, on average, programs distributed (or financed) 18 cars in 2005 for each program staff person (1 FTE). Exactly half of programs used volunteers. Twenty-one percent of respondents said that they had 10 or more active volunteers.

B. Location

LICO programs were located in at least 33 of the 50 U.S. states. Some states had several or even dozens of programs, including New York, with 36 LICO programs; Minnesota, 14; Pennsylvania, 12; Wisconsin, 9; California, 8; and Virginia, 8. New York has funded LICO programs, primarily at the county-level, for several years. Besides the states listed above, Michigan, New Hampshire, and Maryland also had sizeable LICO programs when considering the number of customers served. Minnesota, Pennsylvania, and Wisconsin are notable for the number of program start-ups since 2004. In general, LICO programs were more heavily concentrated in the New England, Mid-Atlantic, and Great Lakes regions.

C. Age of Programs

The median program start year of respondents was 2000, so that the average age of programs was five years. A few programs had been operating for at least ten years at the time of the survey. On the other hand, 22 programs were identified as starting in 2004 or 2005. Based on this survey and the LICO clearinghouse database, the average annual program start-up rate was 8 percent in 2004-05. (Note: Start-up rate refers to the number of newly-initiated programs in a given year divided by the total number of LICO programs.)

SECTION IV

CAR ACQUISITION AND DISTRIBUTION PROGRAMS

This section of the report will describe the car acquisition and distribution programs in more detail, looking at car acquisition strategies, car donation programs, car distribution strategies, and financing strategies, if any, of this type of program. Just over 8,000 cars were distributed to low-income customers in 2005 by the 53 acquisition and distribution programs that responded to the survey.

More than any other type of LICO program, acquisition and distribution programs provided car-ownership related services to their customers as ‘standard operating procedure’, including:

- Most programs made repairs on cars before distributing cars to customers, greatly increasing the likelihood that the client has a reliable car. This was usually done by making arrangements with car repair shops, although some programs had an in-house shop.
- Most programs helped customers repair cars after they are purchased.
- Nearly all offered vehicle maintenance workshops to their customers.
- Most assisted in the financing process in some way – either by managing no- or low-interest loan funds, providing down-payment assistance, negotiating loan conditions with financial institutions to obtain lower interest rates or longer terms, or by guaranteeing the principal of the loan.
- Many helped their customers shop for lower-cost car insurance plans.

A. Car Acquisition and Repair Strategies

Figure 5: Car Acquisition Strategies

	Number	Percent
Programs that accepted donated cars	51	72%
Programs that purchased cars from dealer	25	35%
Programs that purchased cars at auctions	10	14%
Programs that obtained cars from another LICO	8	11%
Programs that obtained cars from government fleets	5	7%
Programs that purchased cars from individuals, including trade-ins	3	4%

Note: N=71. This table includes all programs with a car acquisition and distribution component, even if it is not the primary approach.

The survey considered many ways that programs could acquire cars, including by donation, obtaining them from a government fleet or another LICO program, or purchasing them. The most common way was to receive donated cars (Figure 5).

It is important to highlight the five programs that obtained cars from government fleets, which includes both state and local agencies. We consider this a major innovation for car acquisition and distribution programs.

Just over half of respondents reported that the cars that they acquired had less than 100,000 miles on them, on average. Among the programs that purchased cars rather than received donations, all said that the average mileage was less than 100,000 miles, suggesting that, when given a choice, programs preferred to have lower mileage cars than higher mileage cars.

Most programs arrange to have repairs done on cars before distributing them. Of those making repairs, most spent at least \$300 on average, while a few spent at least \$1000 per car on repairs. The two main determinants in the average cost of repairs made were whether or not the program received car donations and the mileage of the cars. Those that did receive car donations had significantly higher repair costs. Likewise, those that distributed cars with more than 100,000 miles, on average, spent more repairing the cars.

About one in five programs repaired cars in their in-house shop (Figure 6). However, it was more likely that programs arranged to have cars repaired at shops at a reduced cost, at market rate, and/or with donated time. A few programs arranged for a training program to fix the cars. All of the programs that repaired cars in-house also received donated cars.

Figure 6: Car Repair Strategies – Prior to Distribution

	Number	Percent
Programs that made arrangements with repair shops to fix cars at a reduced cost	29	54%
Programs that made arrangements with repair shops to fix cars at market rate	18	33%
Programs that repaired cars in-house	12	22%
Programs that made arrangements with mechanics to fix cars at a no cost (donated time)	8	15%
Programs that arranged for college or high school car mechanic training program to repair cars	5	9%

N=54. Note: This table includes only the 54 programs which make (or arrange for) repairs on cars before distributing them.

B. Receiving Car Donations

As mentioned, 72 percent of the car acquisition and distribution programs received donated cars. Of these, about 30 percent also purchased cars. In addition to receiving individual donations, some programs solicited car donations from organizations and businesses, including car dealers.

Most programs that received donated cars sold a portion of them (presumably the ones in poorer condition) for salvage, while others were retained for repair and distribution to low-income or market-rate customers. However, the portion of donated cars that were retained and distributed varied widely from program to program.

Slightly more than half of car donation programs advertised to get car donations, including 23 percent who spent \$5,000 or more in 2005. Of those advertising, the median amount spent was \$40 per donated car that was later distributed to a low-income customer.

Of programs receiving car donations, 22 percent said that the number of cars donated in 2005 increased over 2004, while 62 percent said that the number decreased.

In 2005 the IRS issued new guidelines related to donation of cars for charitable purposes. The guidelines clarified how to define the fair market value of the car, when used in itemizing amount of a charitable donation on tax forms. In general, the new guidelines provide that the gross sale price of the car, such as the price received when selling it for salvage, will be the amount of the deduction, unless the charity has a significant intervening use of the car or materially improves it before sale. On the other hand, donors to “charities that intentionally sell or transfer donated cars at a low or no cost to low-income recipients” may take the fair market value of the car as a deduction. This means that a person wishing to donate their car may be able to claim a bigger deduction when they donate their car to a program that will fix the car and sell it to a low-income customer at a subsidized price (or give it away), rather than to a program that simply sells all cars for salvage.

In spite of this ‘competitive advantage’ of LICO programs, most were not able to take advantage of the new tax law guideline in 2005, as 57 percent said that the change in tax law negatively influenced the number of cars donated to their program. On the other hand, only 19 percent said that the tax law change positively impacted their program.

C. Car Distribution Strategies

While most programs acquired cars through car donations, the distribution strategies were more varied and often depended on the stipulations of the funder, especially if it is a state agency. For example, most programs funded by the state of New York were not allowed to sell the cars. Instead, the low-income customers were usually required to pay sales tax and purchase insurance before receiving the car.

The most common distribution strategy was to sell the cars for a subsidized price – anywhere from a nominal price to nearly market rate (Figure 7). A smaller number of programs gave the cars away. Two programs that sold cars to customers below market rate also had a lease option.

Figure 7: Car Distribution Strategies

	Number	Percent
Programs that exclusively gave cars away	13	19%
Programs that either gave away or sold cars at subsidized rate	13	19%
Programs that exclusively sold cars (ranging from nominal price to nearly market rate)	35	51%
Programs that exclusively sold cars at market rate	8	12%

N = 69.

Most programs – 60 percent – distributed cars that were worth between \$2000 and \$4000. Another 21 percent distributed cars worth less than \$2000, on average. In contrast, 11 percent of programs

distributed cars worth between \$4000 and \$8000 and 8 percent distributed cars worth more than \$8000, on average, helping their customers begin to build their asset base.

D. Financing Strategies and Relationships with Lenders

There were three main financing strategies implemented by car acquisition and distribution programs:

- Brokering better terms on market rate loans
- Funding and managing a special loan fund in-house, or
- Leasing the car to customers.

An IDA matched savings account could also be considered a financing strategy but because it was used so rarely by car acquisition and distribution programs it was not considered one of the main financing strategies. The IDA programs will be discussed in more detail in section D.

Lending was the most common financing strategy of acquisition and distribution programs – used by 61 percent of those programs that did not exclusively give cars away. In most cases, the programs had set up no- or low-interest-rate loan funds (Figure 8). Usually programs arranged for banks or credit unions to manage the loan fund, although quite a few managed the loan fund in-house. One program arranged for the lender to also manage customers’ car repair escrow accounts.

A second, less intensive, approach to lending was to broker market-rate loans with financial institutions. This usually included one or more of the following activities: negotiating down interest rates, guaranteeing the principal of the loan and arranging to extend the term on the loans (usually to 60 months). Two programs co-signed their customers’ loans.

Figure 8: Lending Approaches of Acquisition and Distribution Programs

	Number	Percent
Partner with financial institution that manages a special no- or low-interest-rate loan fund	11	27%
Broker better terms on market-rate loans with financial institutions	8	20%
Manage no- or low-interest rate loan fund in-house	6	15%
No lending strategy	16	39%

N = 41. Only includes programs that do not exclusively give cars away.

SECTION V

FINANCING PROGRAMS – LOANS AND DOWN-PAYMENT ASSISTANCE

This section will discuss programs that primarily utilize a financing strategy as the primary approach to help low-income customers obtain cars. This means that, in general, the primary mission of the program is to provide financing for car purchases and generally not to acquire and distribute cars directly to customers. There were 44 respondents – 40 percent of all respondents – who used financing as their primary strategy. In addition to financing, most of these programs said that they provided ongoing support or referral services while the person pays off the loan. Just over 1,800 low-income customers obtained cars in 2005 with financing from the 44 LICO financing programs which responded to the survey.

The three financing strategies that will be discussed are:

- Coordinated management of a loan program with a financial institution. Generally, the LICO financing program pre-qualifies customers, while the financial institution funds and manages the loans. The LICO financing program will sometimes guarantee the loans or obtain and provide funding to lower the interest rate on the loans. In a few cases, the LICO obtained funds for a loan fund that was then managed by a financial institution.
- Providing down-payment assistance in the form of a grant or payment on behalf of the customer to the car dealer.
- Funding and managing a special loan fund in-house.

Of these three strategies the most common one among respondents was to coordinate management of a loan fund with one or more financial institution(s) (Figure 9). Some programs combine two or more financing strategies.

Figure 9: Financing Purchase of Cars as a Primary Strategy for Low-Income Car Ownership

	Number	Percent
Programs that coordinated management of a loan program with a financial institution	27	61%
Programs that provide down-payment assistance	14	32%
Programs that fund and manage loan program in-house	13	30%
Total	44	100%

The second most common financing strategy of respondents was to provide a payment or grant on behalf of customers to purchase the car (Figure 9, above). In most cases, the payment went directly from the program to the car dealer, so it is not technically a grant, but is functionally a grant to the person acquiring the car. In some cases, the payment met the whole purchase cost, while in other cases it was a down-payment. The amount of the payment ranged from \$750 to \$3000, with the median being \$2400. Most down-payment assistance programs combined the payment with a loan program that financed the remainder of the car purchase price. Alternatively, in some programs where the payment covered the entire cost of the car, the sales tax, title, and insurance costs were wrapped into a small 12-month loan.

Another common financing strategy was for programs to manage a loan program in-house, with their own staff and resources.

A. Car Loan Programs

There were 40 respondents who said that facilitation of car loans was one of their primary strategies for car purchase. Most car loan accounts – for 68 percent of car loan programs – were managed by a partner financial institution. The remaining car loan accounts were managed internally by the organization’s staff and resources.

Most of the lending program respondents – 70 percent – were part of the national Ways to Work (WTW) family loan program. Another 23 percent of the lending programs were part of the county or multi-county programs funded by New York.

The average car loan program had 91 loan applications (median) and 36 funded car loans (persons receiving a car) in 2005 (Figure 10). Half of the loan programs had an interest rate which was one to two points above prime. (Prime ranged from 5.25% to 7.0% in 2005). Another 48 percent of loan programs offered loans at or below the prime rate, including 18 percent which offered zero-percent interest loans.

Figure 10: Characteristics of Car Loan Programs, 2005

Characteristic	Range	Median
Number of car loan applicants	11 to 523	91
Number of car loans funded	6 to 85	36
Average amount of funded loans	\$500 to \$8900	\$3237
Average interest rate	0% to 16.8%	8.0%
Average term of loans (number of months)	12 to 60	24
Average monthly car loan payment	\$45 to \$181	\$135
Minimum loan amount (50% have a minimum)	\$500 to \$3000	\$700
Maximum loan amount (95% have a maximum)	\$500 to \$4000	\$4000

Note: This table includes data only from the 40 programs where loan financing was the primary strategy.

In addition to loans being used to purchase cars, a number of the loan programs provided loans for families to repair their cars, regardless of whether or not they purchased the car through the loan program.

B. Car Purchase Strategies of Financing Programs

Nearly all financing programs said that they offered some form of assistance to customers as they purchased a car. Some made cars more affordable through an acquisition and distribution strategy. Some guided the customers through the purchasing process. Only a few financing programs did not provide any assistance in the car purchasing process.

The financing programs that have incorporated an acquisition and distribution strategy into their program either partnered with another LICO program that provided cars at wholesale prices to their loan customers (11 percent of programs) or received a few car donations themselves which were then sold to loan customers (31 percent of programs). This latter set of programs was distinguished from acquisition and distribution programs because they obtained cars for only some of their low-income loan customers, so that acquiring and distributing cars was not considered a primary focus of their program.

Most car financing programs assisted low-income customers to purchase a car. The most common types of assistance were to arrange for the car to be inspected and to help customers determine the market value of the car (Figure 11). Only ten percent of programs always accompanied customers to purchase the car.

Figure 11: Car Purchasing Assistance Provided by Financing Programs

	Percent
Programs that always arranged for the car to be inspected	59%
Programs that always helped customers to determine market-rate value of cars	55%
Programs that always checked car history report	31%
Programs that always accompanied customers to purchase cars	10%
Programs that always helped customers shop on-line for cars	8%
Programs that always selected cars for customers	5%

Note: 11 percent of financing programs offered no car purchasing assistance.

C. Participant Default Definitions, Rates, and Reasons for Default

Programs with a loan component, including programs that sell cars to customers and financing programs, are generally able to measure the default rate of program participants. Among programs with a loan component, virtually all said that they tracked defaulted loans. Most defined a defaulted loan as one behind in payment. Most commonly, a loan was considered in default at 90 days past due. Either in addition to or instead of being behind in payments, some defined a loan as defaulted upon repossession by the lender. A few also considered a voluntary turn-in of a car to be a default.

Programs either used the proportion of loans in default or the total amount of principal in default as a percentage of the total principal of all outstanding loans, to determine the default rate.

Figure 12: Default Rates of Loan Programs

	0% to 4%	4% to 8%	8% to 15%	15% or greater
All loan programs, including programs that sell cars to low-income customers	24%	33%	19%	24%

Note: To provide consistency, when possible, the number of loans in default was used to determine the default rate.

Overall, one out of four loan programs had a default rate of zero to four percent and one-third had a default rate of four to eight percent (Figure 12). On the other hand, one-fourth had a default rate of at least 15 percent.

Respondents were asked to identify the three primary causes for participants to default in their programs. The most common responses were:

- Losing their job, 76 percent
- Cannot pay for repairs, 54 percent
- Cannot make ends meet, 48 percent
- Car failure, 44 percent
- Customer moves away, 23 percent
- Accident, 20 percent
- Injury or illness, 17 percent

Car acquisition and distribution program respondents were much less likely to report that car failure was a primary cause for default (26 percent), compared to financing program respondents (66 percent). This may be because car acquisition and distribution programs had more control over the quality of the car, since they acquire, repair (in most cases) and then distribute the cars, decreasing the likelihood of car failure.

The reasons provided for car loan defaults emphasized the importance of programs which provide or link to services that correspond to the reasons for default. For example, with job loss cited as a major reason for default, job retention components seem to be important. Similarly programs with a component to address the quality of cars provided to customers as well as ongoing repairs and maintenance address another major barrier to car retention – inability to pay for repairs.

SECTION VI

IDA MATCHED SAVINGS FOR CAR PURCHASE

Individual Development Accounts or IDAs are well-known within the asset-building world as an approach to encourage the habit of regularly saving among low-income families as well as to increase the assets or savings of the participant. The monthly savings of the participant is matched, at varying ratios, by either governmental, foundation, or private funds. A specific asset goal must be chosen by the participant – usually for home-ownership, micro-enterprise, or education. The 15 IDA programs which responded to the survey facilitated 444 low-income customers to purchase cars in 2005.

A. Description of IDA Programs Allowing for Car Purchase

One out of nine LICO programs used an IDA matched savings component as the primary strategy toward car ownership. A few other LICO programs managed IDA accounts in addition to their other primary LICO strategy. Many of the car purchase IDAs were funded through the federal Office of Refugee Resettlement (ORR, in DHHS). Respondents from one state, Pennsylvania, reported that their state funded an IDA program which allowed for car purchase.

The number of active car-purchase IDA accounts ranged from 0 to 467 in 2005, with a median of 25, when looking at the respondents which used IDAs as the primary approach to helping low-income persons purchase a car. (Note: Those that had no active car purchase IDA accounts stated that it was an option within their IDA program but that no participants had chosen it as their asset goal.) In all cases, the car-purchase IDAs were part of a larger IDA program.

The number of car-purchase IDA accounts newly opened in 2005 ranged from 0 to 128, with a median of 6. The number of cars purchased with IDAs in 2005 ranged from 0 to 200, with a median of 3. Two car acquisition and distribution programs and three car financing programs also said that they had an IDA component, most often coordinated separately from the main LICO program.

The maximum savings eligible for a match ranged from \$500 to \$3,000 in the programs, with a median of \$2,000. Half of the IDA programs had a 2:1 match rate – for every dollar saved by the participant, the program put in two dollars, while 40 percent had a 1:1 match rate and the remainder had a match rate greater than 2:1.

Slightly more than half of IDA programs said that IDA savings accounts were exempt from public benefit asset limits in their state.

B. Car Purchase Strategies of IDA Programs

The car purchasing strategies of IDA programs were somewhat similar to those of financing programs – they either partnered with another LICO program or assisted customers as they purchased a car. A few – 17 percent – provided no assistance in the car purchasing process. Unlike financing programs, none of the IDA programs directly accepted car donations.

Only one IDA program had partnered with another LICO program that provided cars at wholesale prices to their IDA customers.

Most car-purchase IDA programs helped customers to determine the fair market value of the car (Figure 13), but did not offer any other assistance to customers when they purchased cars.

Figure 13: Car Purchasing Assistance Provided by IDA Programs

	Percent
Programs that always helped customers to determine market-rate value of cars	64%
Programs that always checked car history report	27%
Programs that always arranged for the car to be inspected	20%
Programs that always helped customers shop on-line for cars	9%
Programs that always accompanied customers to purchase cars	0%
Programs that always selected cars for customers	0%

Note: Eighteen percent of IDA programs offered no car purchasing assistance.

SECTION VII

PROGRAM ELIGIBILITY REQUIREMENTS, APPLICATION PROCESS, AND CUSTOMER DEMOGRAPHICS

Looking again at all of the programs – whether they are acquisition and distribution programs, financing programs, or IDA programs – this section examines program eligibility requirements, application process, and customer demographics.

A. Eligibility Requirements

Although all of the programs served low-wage workers or temporarily unemployed persons, 11 percent of programs had no formal maximum income limit. The most common maximum income level was 200 percent of the federal poverty level, while some used 80 percent of the area median income as the limit. Some used a combination of the two, due to different funding streams.

Other common requirements included having a driver’s license and being employed (Figure 14). Over half of car acquisition and distribution programs required a lack of viable public transportation options. Similarly, most financing programs required having exhausted all other credit options and most required guardianship of children under 18.

Figure 14: Program Eligibility Requirements

Eligibility Requirement	Percent of programs having the specific eligibility requirement			
	All Programs	Acquisition / distribution programs	Financing programs	IDA programs
Driver’s license	88%	91%	96%	50%
Maximum income limit	86%	74%	96%	100%
Employment	77%	70%	93%	50%
Particular driving record history	52%	63%	50%	8%
Difficult or no public transportation options	49%	61%	39%	33%
Minimum income limit	38%	33%	43%	42%
Exhausted all other credit options	36%	13%	73%	0%
Guardianship of children under 18	33%	13%	66%	0%
Temporary Assistance recipient	22%	33%	14%	0%
Community involvement/referral	10%	17%	5%	0%
In-state or in-county residency	9%	4%	18%	0%
Minimum age (18 or 21)	9%	7%	11%	8%

B. Application Process

Some programs reported that they screened interested persons before they applied, to ensure that the person met basic requirements. Most programs – 74 percent – required an interview, either in addition to or instead of an application. An additional 8 percent of programs required attendance at an informational session before a participant was accepted to the program.

Just over half of programs inspected a potential customer's driving record and denied those with certain infractions. The following violations caused program denial among certain programs: DUI or DWI, a suspended license, and moving violations. Another 15 percent of programs said that only multiple or dangerous infractions were cause for denial. A few more programs checked driving records, but only as a guide to help participants obtain a loan or insurance.

The median number of applicants compared to the number of customers who successfully obtain a car through the programs was 2.4. That is, for every 2.4 applicants, one obtained a car. Likely showing unmet demand, quite a few programs had significantly more applicants than recipients (at least 3.5 applicants for each recipient).

C. Customer Demographics

Just over half of programs exclusively served urban areas, while one-fourth exclusively served rural areas. A small group of programs were state-wide or multi-state – all but one of which were car acquisition and distribution programs.

Programs were asked which demographic and ethnic groups make up a sizeable portion (at least 25 percent) of their customer base, with the following results: single parents, 93 percent of programs; temporary assistance recipients, 84 percent of programs; immigrants, 22 percent of programs; and disaster victims, 6 percent of programs. By race and ethnicity, programs may have served up to two or three sizeable customer-bases; with the most frequent ones being: African-Americans, 56 percent of programs; whites, 56 percent; Latinos, 23 percent; Asian-Americans, 12 percent; Native Americans, 2 percent; and Africans, 2 percent.

D. Tracking Customer Outcome Measures

Most programs reported that they continued to track customer outcomes after they received or purchased a car. Outcomes tracked by programs almost always included the customer's ongoing employment status and sometimes included income or wages and whether the customer continued to receive Temporary Assistance or other public assistance. Less common but somewhat innovative customer outcome measures tracked by some programs included: re-sale of the car, change in credit rating, change in commute travel time, change in job absentee rate, and ongoing car costs.

SECTION VIII

SUPPORTS AND SERVICES FOR CAR OWNERSHIP

Program supports, services, and innovations take low-income car ownership (LICO) programs beyond just distributing cars to low-wage workers. Many LICO programs also provide assistance to their customers in a number of ways:

- Assisting customers with the necessary insurance, car title, and driver's license to get out on the road;
- Ongoing car repair and maintenance issues;
- Financial education to prepare customers for the budgeting required for car ownership;
- A wide array of additional services and referrals built around program partnerships and innovations.

This section will discuss all of these value-added activities of LICO programs.

A. Insurance, Drivers License, and Car Titles

Not surprisingly, nearly all programs required participants to obtain vehicular insurance. Slightly more than half of respondents said that liability insurance was sufficient, while some also required collision and comprehensive coverage. Financing programs were more likely to require collision and comprehensive coverage.

Most programs assisted low-income customers to obtain insurance. Usually this entailed helping customers to shop for lower cost plans, but some programs took a more intensive approach:

- 21 percent subsidized insurance payments;
- 12 percent helped customers to become approved by insurance companies by maintaining a good relationship with the insurers;
- Seven percent were able to get their customers discounts from insurers;
- Nine percent of financing programs included the cost of the insurance in the car loan.

Respondents were less likely to assist customers in obtaining a driver's license – only 29 percent said that they did this, mainly to refer customers to driving classes offered elsewhere. A few programs included the cost of a driver's license in the loan, down-payment, or matched savings plan. And a few programs conducted on-site driving classes, provided information to help customers improve their driving record, or helped customers to expunge their driving record.

B. Ongoing Car Repair and Maintenance

One of the more important aspects of LICO programs is that they provide ongoing support to their low-income customers with their cars. In fact, nearly all programs – 89 percent – said that they helped customers deal with ongoing repairs and maintenance in some fashion. The most common way related to providing information – offering car maintenance workshops and financial counseling that helped customers prepare budgets that include expected repair costs (Figure 15). But many programs offered more substantial support by providing or arranging for a warranty or service

agreement on the car, arranging with repair shops to provide lower-cost services to their LICO customers, or managing an emergency car repair loan fund. Car acquisition and distribution programs tended to offer the most intensive ongoing repair support.

Figure 15: Ongoing Car Repair and Maintenance Strategies

Strategy	Percent of programs using the specified ongoing car repair and maintenance strategy			
	All Programs	Acquisition / distribution programs	Financing programs	IDA programs
Offer car maintenance workshops	71%	84%	62%	38%
Help customers to budget for repair costs	65%	51%	77%	82%
Provide a warranty or service agreement on the car, or arrange for one from dealer	41%	51%	40%	0%
Arrange with repair shops to provide lower cost services to LICO customers	35%	45%	30%	0%
Have emergency repair loan fund	26%	32%	26%	0%
Put extra money in loans for repairs – (repair escrow account)	9%	9%	12%	0%
Have emergency repair grants	8%	8%	12%	0%
Provide below-market-rate repair services in-house	6%	9%	2%	0%

C. Financial Literacy, Workshops, Services, and Customer Participation

Most programs said that they provided a number of workshops to help prepare customers for owning and maintaining cars, including the car maintenance workshop already mentioned. Most also offered a basic car ownership workshop and just over half offered a car safety workshop, usually on-site. Nearly all programs offered financial literacy or education, including all of the IDA programs.

As already mentioned, most LICO programs were located within a broader social service or economic development organization, either as a public agency or nonprofit. This allowed these programs to offer various referrals for services within the organization. The most common additional services offered to LICO customers were credit counseling, housing assistance, and job search/job readiness activities (Figure 16).

LICO IDA programs were the most likely to be rooted in an organization with an economic development program, including career counseling, job readiness and job search, job training, job retention, and small business development. The financing programs were the least likely to have economic development-related services.

Figure 16: Additional Services that LICO Customers may be Able to Access

Service	Percent of programs providing the specified service			
	All Programs	Acquisition / distribution programs	Financing programs	IDA programs
Referral to comprehensive service providers	74%	67%	79%	80%
Credit counseling	45%	39%	44%	70%
Housing assistance or homelessness prevention	43%	40%	37%	70%
Job readiness or job search	41%	48%	21%	80%
Food pantry or other food security	35%	35%	30%	40%
Career counseling	34%	40%	14%	70%
Job training	29%	33%	19%	50%
Job retention	28%	35%	12%	60%
Savings or asset building	28%	27%	16%	70%
Emergency transportation	21%	23%	16%	20%
Small business development	21%	25%	9%	50%
Early care, Head Start, or education	12%	7%	16%	10%
Family support or counseling	10%	6%	16%	20%

Note: Includes both stand-alone LICO programs and multi-service agencies. Just because an organization provides an additional service does not mean that a LICO customer was referred to or received the additional service.

Many programs not only provided services to customers, but also involved or listened to customers. For example, 84 percent of programs said that they listened to the concerns of customers. However, only about half of programs formalized this process with a customer satisfaction form.

In a few cases customers played a more active role:

- 37 percent said that customers were among their staff or volunteers;
- 12 percent said that customers participated in their board or advisory committee;
- 8 percent said that customers participated on their selection committee.

D. Program Collaborations and Partnerships

LICO programs reported that they often had multiple collaborations or partnerships related to various aspects of their program activities, in many cases adding value to the range of services offered to LICO customers. Many programs collaborated with community-based organizations (CBOs), human services or OneStop offices, or faith-based organizations, often related to car donation outreach, program participant outreach, and service referrals (Figure 17). Most programs partnered with used car dealers, while a few partnered with new car dealers or government fleet

managers, related to obtaining cars. In addition, more than half of programs partnered with repair shops and/or financial institutions.

Figure 17: Program Collaborations and Partnerships

Formal or informal operational partner(s)	All Programs	Acquisition / distribution programs	Financing programs	IDA programs
Community-based organization	71%	66%	77%	70%
Mechanic or repair shop	67%	74%	70%	20%
Used car dealer	60%	49%	84%	20%
Bank or credit union	52%	32%	74%	60%
Human services office/ OneStop	48%	49%	54%	20%
Church or faith-based organization	41%	51%	35%	10%
Car insurance agent	39%	30%	54%	20%
Other LICO program	32%	23%	44%	30%
Employer	25%	13%	42%	10%
New car dealer	23%	25%	23%	10%
Auto parts distributor	17%	28%	7%	0%
Government fleet manager	6%	11%	0%	0%

Key partners for acquisition and distribution programs were repair shops, CBOs, and faith-based organizations. Key partners for financing programs were used-car dealers, CBOs, financial institutions, and repair shops. Key partners for IDA programs were financial institutions and CBOs.

SECTION IX

FUNDING LICO PROGRAMS

LICO programs reported quite varied funding streams. Some programs depended entirely on public funds and for half it was their primary revenue source. On the other hand, some programs relied primarily on private sources – either donations or grants. A third major stream of funding for LICO programs was through a social enterprise strategy or self-sustaining funding, either through accepting a large number of car donations, some of which were sold for salvage, or by providing market rate services. One-fourth of the car acquisition and distribution programs relied primarily on self-sustaining revenue sources. Some programs used multiple funding strategies, most often a mix of public funding with one or both of the other revenue streams.

Figure 18: Funding Strategies of LICO Programs

	Primarily Public Funding	Primarily Private Funding	Primarily Self-Sustaining	Mix of funding strategies
Car acquisition / distribution programs	40%	13%	25%	23%
Car loan / financing programs	56%	21%	2%	21%
Car-purchase IDA programs	73%	27%	0%	0%
All LICO programs	50%	18%	13%	20%

In addition to various funding strategies, some programs attempted to draw from a large number of distinct sources. Survey respondents were asked how many distinct funding sources they received, such as Temporary Assistance, Jobs Access and Reverse Commuting (JARC) program, Community Service Block Grants (CSBG), Office of Refugees and Resettlement (ORR), other state funding, other local funding, national foundations, local foundations, religious institutions, private donations, market rate services, and sales of cars.

Some relied entirely on one funding source – 32 percent of programs. At the other extreme, 17 percent of programs identified at least five distinct funding sources. Having multiple funding sources appeared to be good for program operations, as might be expected. Among programs with only one or two funding sources, 45 percent increased or maintained the number of cars distributed from 2004 to 2005. On the other hand, 68 percent of programs with at least four funding sources increased or maintained the number of cars distributed from 2004 to 2005.

Four revenue sources were the primary source of funding for at least ten percent of programs – Temporary Assistance, JARC, local foundations, and donated cars.

A. Programs that Seek Public Funding – Trends in Public Funding Streams

Public funding was the main source of funds for half of the LICO programs. Some other programs combined public funding with either a private or self-sustaining funding strategy. Of those who used this combined funding approach, 80 percent increased the number of cars distributed from 2004 to 2005, compared to 28 percent of all other programs.

Figure 19: Public Funding Sources of LICO Programs, 2005

Public Funding Source	Percent of LICO programs that accessed the specified public funding source as its main or secondary source of revenue		
	Received funding	Main Source of Revenue	Secondary Source of Revenue
Temporary Assistance	38%	27%	11%
Other state government	22%	7%	15%
JARC (Job Access & Reverse Commute)	21%	16%	5%
CSBG/CDBG (Community Block Grant)	16%	8%	8%
Local government	14%	2%	12%
ORR (Office of Refugee Resettlement)	7%	5%	2%

Note: The “other state government” category may be Temporary Assistance and CSBG funds administered through the state.

The most common sources of public funding for LICO programs were Temporary Assistance (also known by its acronym “TANF”), other state funds, and federal Job Access & Reverse Commute (JARC) funds. The Temporary Assistance funding was allocated either at the state- or county-level. Other state government sources include workforce funding and community development (CDBG) or community service (CSBG) block grants. JARC funds were administered federally in 2005, but that changed in 2006 to be administered at the state or regional level.

Five states provided substantial support for statewide programs, usually through the state agency that administered Temporary Assistance funds. In the case of Tennessee it was run by the state itself. Maine, South Carolina, and Vermont contracted with non-profit agencies to operate their programs. New York provided grants and technical assistance to county governments or local non-profit agencies to run programs in nearly every county in the state, with the exception of the boroughs of New York City.

In addition, programs in the following states reported receiving funds through Temporary Assistance or other state government sources: California, Colorado, Connecticut, Maryland, New Hampshire, New Jersey, Ohio, Pennsylvania, Virginia, Wisconsin, and West Virginia. Pennsylvania was notable for funding car-purchase IDA programs through CSBG funds. Four of the five Pennsylvania IDA programs received funds from the state.

Of those who said that they received public funding, 42 percent said that their public funds had decreased in 2005. Only 16 percent said that their public funding had increased. The public sources of funding that were least likely to be associated with funding cuts in 2005 were JARC and local government sources. Ironically, those organizations that relied primarily on public funding were more likely to see that funding cut in 2005 than were programs which combined public funding with another major funding strategy.

B. Programs that Seek Private and Community Support

Figure 20: Private or Community Funding Sources of LICO Programs, 2005

Private or Community Funding Source	Percent of LICO programs that accessed the specified private funding source as its main or secondary source of revenue		
	Received funding	Main Source of Revenue	Secondary Source of Revenue
Local foundation	36%	14%	22%
Individual or business donations	36%	4%	33%
Church or religious institution	16%	2%	14%
National foundation	11%	4%	7%

The most common sources of private funding to LICO programs were local foundations and individual or business donations (Figure 20). Local foundations were more likely to be a main source of funding for programs while donations were more likely to be a secondary source. Programs in Minnesota, Pennsylvania, and North Carolina were the most likely to be funded by local foundations.

C. Self-Sustaining Revenue Strategies

Just under half of programs had a social enterprise component which produced a ‘self-sustaining’ source of revenue. These programs generated money from their own activities, helping to sustain the budget of the program. The most common source of self-sustaining revenue was donated cars – programs that received donated cars and sold a portion of them for salvage (Figure 21). Some programs also received revenue by selling some of the donated cars at- or below-market-rate to low-income customers. Donated cars, including those sold to low-income customers, were a source of revenue for one-third of all programs and most of the car acquisition and distribution programs.

Figure 21: Self-Sustaining Revenue Sources of LICO Programs, 2005

	Generates Revenue	Main Source of Revenue	Secondary Source of Revenue
	Percent of LICO programs that generated this revenue stream		
Donated cars	34%	13%	21%
Market-rate fee-for-service	20%	2%	18%
Loan pool interest	8%	0%	8%

The second most common source of self-sustaining revenue was through the provision of market-rate services, including car repair and car loans, or selling cars at market rate. One in five programs provided services or goods at market rate. This rose to 30 percent among car acquisition and distribution programs. A few of the car loan programs provided or brokered car loans at market rate in addition to their services for low-income customers. Loan pool interest – the interest generated by a large loan fund – was a source of revenue for 15 percent of the car loan programs.

D. Funding for Match-saving in IDA Programs

IDA programs had specific funding sources distinct from other LICO programs due to specific match funding sources. The most common sources of match funding reported by LICO programs were the federal Office of Refugee Resettlement (ORR, within DHHS) and the Assets for Independence Act (AFIA). Just over half of LICO IDA programs received funding from ORR (Figure 22).

AFIA is a federal source of IDA matched funding and is generally not available for car purchase. However, some organizations were able to develop a program, such as IDAs for small business development that included purchase of a vehicle, if the primary purpose of the vehicle is to support the business venture. Other common sources of IDA match funding for car purchase included state government funds (which may include Temporary Assistance or Community Service Block Grant), financial institutions, and local foundations.

Figure 22: Match Funding Sources for Car-Purchase IDA Programs, 2005

	Receives funding	Main Source	Secondary Source
Office of Refugee Resettlement (ORR)	55%	36%	18%
Assets for Independence Act (AFIA)	42%	0%	42%
State government	36%	18%	18%
Financial institutions	33%	0%	33%
Local foundations	18%	18%	0%
Individual donations	18%	0%	18%
Temporary Assistance	9%	9%	0%
Community Service Block Grant (CSBG)	9%	9%	0%
Local government	9%	0%	9%
National foundations	9%	0%	9%
Religious institutions	9%	0%	9%

Most respondents said that their IDA match funding did not change in 2005, while 27 percent said that their funding dropped and 18 percent said that their funding increased. Those programs that received ORR match funding were the most likely to report that their funding had dropped in 2005, due to legislative changes that capped the use of funds at 10 percent for the purpose of purchasing a car.

SECTION X

CONCLUSIONS

Many low-wage workers have trouble commuting to work, schools, and child-care facilities due to the spatial mismatch between housing and jobs, inadequate public transportation systems, or large distances in rural areas. Car ownership is a viable option for many low-income persons and also helps move families forward on the path to asset building. However, there are many barriers to purchasing and maintaining a car for low-income persons, including potentially poor credit ratings, poor driving records, difficulty obtaining insurance, and limited savings to use as a down-payment or for repairs. In addition, it can be difficult to obtain a reliable car in the used-car market and car dealers or lenders may take advantage of low-income car buyers. In this context, low-income car ownership (LICO) programs can help low-wage workers overcome multiple barriers, including predatory business practices, as they work to increase their income and assets. Research shows that access to a vehicle increases the likelihood of outcomes such as employment, higher earnings, and more work hours.

The car ownership programs use three main strategies, either separately or in combination, to assist low-wage workers in obtaining cars:

- Acquiring cars and then distributing them to low-wage workers;
- Assisting low-wage workers to finance the purchase of a car, most often through a no- or low-interest loan fund;
- Managing IDA matched savings accounts that can be used for purchasing a car.

To conclude this report we will analyze three strategic questions for LICO programs and those who support them:

- Successful program creation and replication strategies;
- Other ways to bring programs to scale;
- Strategic opportunities for low-income car ownership programs.

A. Program Creation and Replication

Many low-income car ownership (LICO) programs have been able to expand their services, replicate themselves, or assist in the creation of new programs.

There are more examples of program creation and replication than what we mention here. In this conclusion, we would like to highlight three examples among car acquisition and distribution programs:

- The Good News Garage, originally based in Vermont with support from Lutheran Social Services, expanded operations to offices in Connecticut and New Hampshire so that they now serve five New England states (the states already mentioned, Massachusetts, and Rhode Island). The three Good News Garage locations distributed over 330 cars to low-income customers in 2005.

- The WestCAP, the West Central Wisconsin Community Action Agency, Inc., developed a LICO program, JumpStart, with many innovations including a non-profit car dealership, Ideal Auto. WestCAP has helped in the creation of six JumpStart programs with local, rural partners in Wisconsin and Minnesota, with Ideal Auto acting as wholesaler to these programs, as well as a few other LICO programs.
- Vehicles for Change in Maryland has assisted in the development or growth of several LICO programs in Virginia and has been a wholesale source of cars for LICO programs in the Mid-Atlantic region.

B. State Investment in Car Ownership Opportunities

Several states have funded car ownership programs, with varying results.

- For several years, New York has funded county-based LICO programs, mainly with Temporary Assistance funds. This has resulted in 36 active programs there, the most of any state. The 20 New York programs that responded to the survey reported distributing or financing over 600 cars to low-income customers in 2005. However, several of the programs commented that there have been time gaps and inconsistencies in state funding which caused program difficulties, suspension of services, and closures. This highlights the need for consistent, multi-year funding.
- Pennsylvania began in 2004 to fund non-profits to set up IDA programs, in part coming from Community Service Block Grant funds. The IDA match funding stream allows for car purchase and at least four new LICO IDA programs have developed as a result of this funding. The Pennsylvania IDA programs had more than 280 active IDA accounts with car-purchase as the asset goal by the end of 2005.

In addition to New York and Pennsylvania, three other states fund or manage more centralized LICO programs – Maine, Tennessee, and Vermont. These state-wide programs reported distributing between 140 and 250 cars each to low-income customers in 2005. Maine and Vermont sub-contract with one (Maine) or two (Vermont) non-profits to manage their programs, while Tennessee manages its program directly. In addition, a new state program in South Carolina was beginning to gear up in 2005, contracting with a non-profit to manage its program in the south-central part of the state.

Withdrawal of state funding, which often is not accompanied by a sustainability plan, has been devastating to many programs, including in Arizona, Alabama, Georgia, and West Virginia, all of which either reduced or stopped funding programs in 2004 or 2005.

C. Opportunities

Finally, it is helpful to point out opportunities revealed by this survey. These opportunities relate to program approaches, sources of cars for programs, the perception of car programs, and funding streams:

1. **Adding customer services to car acquisition and distribution programs and linking to community reinvestment groups.** Most acquisition and distributions already have many customer services but some still have the opportunity to add services like brokering terms on the car loan, broker car repair services, and brokering car insurance. All of these activities

also provide opportunity for LICO programs to link to groups working on community reinvestment, fair housing, financial literacy, and asset building. LICO programs could help partner banks get Community Reinvestment Act (CRA) credit for their LICO lending activities.

2. **Taking advantage of the car donation tax law change.** The tax law allows those wishing to donate their car the possibility of a much larger deduction if they donate it to a LICO program that uses the car in the program, rather than to most other charitable car donation programs which sell the car for proceeds. LICO car donation programs should learn from the few programs that are taking full advantage of this law through targeted marketing and advertising.
3. **Connecting to government vehicle fleets.** One of the most innovative sources of cars for LICO programs are government fleets, whether at the state or local level or among quasi-governmental bodies, such as state universities and colleges. LICO programs can learn from the few programs that have successfully attempted to purchase or receive car donations from these fleets.
4. **Market the various value-added aspects of LICO programs.** Programs rightfully consider their most important contribution to community development is helping low-income families to resolve their transportation needs by helping them obtain a car. Yet in most cases, the programs do much more than that – they often help with repairs, obtaining insurance, provide car ownership and maintenance workshops and financial education, and refer customers to a broad range of services from housing to job training to family counseling. All of these services need to be taken into account when considering the cost and value of LICO programs.
5. **Build relationships with regional and state transportation and community service planners to take advantage of continuing JARC funding.** The Jobs Access and Reverse Commuting (JARC) funds will now be dispersed at either the state or regional levels as part of a comprehensive transportation plan that takes into account the transportation needs of low-income families. Even though JARC funding may be unlikely in some places, participation in the mandatory planning process may help LICO programs build relationships with state and regional transportation and community service planning agencies, including educating them about the need for private car access among low-wage workers.
6. **Combine funding strategies.** Some programs combine public, private, and self-sustaining funding strategies to create flexible programs that can withstand a down-turn among any one of those funding sources. More programs should seek to diversify their funding both by number of funders as well as by type of funding stream.

APPENDIX

SURVEY INSTRUMENT

Welcome to the 2006 survey of low-income car ownership (LICO) programs, conducted by the National Economic Development and Law Center. If you have a vehicle acquisition and distribution program, a vehicle loan program, an IDA program that allows for car ownership, or any combination of the aforementioned programs, we hope you will complete this survey.

The purpose of this survey is to gather information that will allow NEDLC to serve you better as the LICO clearinghouse. We will share the information gathered from the survey with participating programs to help you learn more about the practices of others around the country. We also think that this information might help programs gain access to more resources.

When you complete the survey you can see the results of the survey up to that moment. By September the complete survey results will be available to you online in the program directory – follow the Low-Income Car Ownership link from our front page – www.nedlc.org. For taking the time to complete this survey, we will send your organization a check for \$50 within ten days of you completing the survey.

Your responses regarding program revenue and how you measure your program outcomes will be kept confidential. Please let us know if you do not understand a question. You can call Tim Lohrentz at 510-251-2600 or email tim@nedlc.org. Thank you for your time!

A. Program Description and Customer Demographics

1. What is the name of your organization? _____

What is your name? _____

If you are NOT the primary contact for your car ownership program, please list the primary contact person's name: _____

2. What is your address, phone and email:

Address _____

City, State, and Zip _____

Phone _____

Email _____

3. Please indicate the geographic area that you serve. (Please check all that apply and indicate the name of the geographic area.)

- Neighborhood or portion of city
- Entire city (at least 50,000 population)
- Urban/suburban county

- Multi-county urban/suburban
- Rural county or several rural counties (no city larger than 50,000)
- State-wide
- Multi-state
- Other. Describe _____

Please state the city(ies), county(ies), or state(s) served:

4. Please indicate the approach or approaches used by your program to facilitate vehicle ownership: (mark all that apply):

- We acquire (either purchase or accept donations) and distribute (by sale, lease, or gift) vehicles to customers
- We make loans for vehicle purchase
- We administer IDA matched savings that allow for vehicle purchase
- Other. Describe _____

5. What was the first year that your Low-Income Car Ownership (LICO) program began to operate? _____

6. Is your LICO program still in operation?

- Yes
- No (If no, please indicate the year that the program ended: _____. You may finish the survey now. Thank you.)

7. Which of the following demographic groups describe a sizable portion (at least 25%) of your LICO customers? (mark all that apply)

- Single-parents
- Public assistance recipients (TANF, Food Stamps, Medicaid, GA, or child-care subsidy, etc.)
- Immigrants or refugees
- Hurricane or other disaster evacuees
- African-American
- Latino
- Asian
- White
- Other

B. Program Operations

8. How many paid staff work on your LICO program? _____ (Full-time equivalent)

9. How many volunteers work in your LICO program? _____

10. Please indicate if you have minimum or maximum income requirements for customers to be eligible for your program: (mark all that apply)

- Minimum income requirement. Describe _____
- Maximum income requirement. Describe – such as ___% of area median income or ___% of federal poverty guidelines _____
- None

11. Please indicate if you have additional requirements in order for customers to be eligible for your program, as long as they meet any income requirements: (mark all that apply)

Clients are required to:

- Be receiving TANF cash assistance (welfare)
- Be employed
- Be a refugee or asylee
- Have very difficult or no available public transportation options
- Have exhausted all other options for credit
- Have a drivers license
- No other requirements
- Others, describe _____

12. In addition to meeting objective criteria, do you require an interview before approving applications for your program?

- No, meeting eligibility requirements are sufficient.
- Yes, there is an interview process in addition to minimal requirements.
- Other. Describe:

13. What kind of vehicular insurance is required for customers of your program?

- None
- Only liability (on other vehicles)
- Collision (on customer's vehicle)
- Comprehensive
- Other. Describe:

14. Do you check the driving record of your customers and take that into account before approving them for the program?

- Yes
- No

15. If yes, please describe what driving record criteria would cause you to deny a potential customer's application:

16. Please describe any ways that your LICO customers are engaged and active in your organization:

- We listen to concerns of our customers
- Customers fill out a customer satisfaction form
- Some customers are members of our Board of Directors or Advisors
- Some customers work for our organization
- Some customers sit on the selection committee to review potential customer applications
- Other. Describe: _____
- None of the above

17. Do you provide services at market rate to moderate- to upper-income customers in order to generate funds to support operations?

- Yes.
- No. (Skip next two questions. See instructions below on how to proceed.)

If yes, about what percent of your customers paid the market rate for your services in 2005?
 _____%

If yes, please list the services that you provide at market rate for moderate- to upper-income customers. (Check all that apply.)

- New vehicle sales
- Used vehicle sales
- Vehicle renting or leasing
- Vehicular loans
- Car repair
- Other. Describe:

If you operate a program that acquires (through donation or purchase) and distributes (selling, leasing, or giving away) vehicles, please go to Section C.

Otherwise, if you operate a program that only makes loans for vehicle purchase, please go to section D.

Otherwise, if you operate a program that only administers IDAs for vehicle purchase, please go to section E.

C. Programs that Acquire and Distribute Vehicles to Customers

Please complete this section *only* if you operate a program that acquires (through donation or purchase) and distributes (sell, lease or give away) vehicles to customers.

C1 Acquiring Vehicles

18. Do you acquire new or used vehicles?
- All are new (Please skip to question #22.)
 - Both new and used
 - All are used vehicles
19. What is the average mileage of vehicles when you acquire them?
- Less than 70,000 miles
 - Between 70,000 and 100,000 miles
 - Between 100,000 and 150,000 miles
 - More than 150,000 miles
20. What is the average cost of repairs to vehicles before they are distributed to customers? If repair labor is donated, please estimate the market value of that labor.
- None, we don't make repairs
 - Less than \$300 per vehicle
 - Between \$300 and \$1000
 - More than \$1000 per vehicle
21. Where do you have used or donated vehicles inspected and repaired? (Select all that apply.)
- We do it in-house by mechanic on staff
 - Donated time by repair shops or volunteer mechanics
 - Reduced cost repair through one or two arranged vehicle mechanics
 - Market rate repairs by one or more vehicle repair shops
 - Other. Describe _____
22. How do you acquire vehicles for use in your program? (Select all that apply):
- Vehicles are donated to us
 - We purchase vehicles at auctions
 - We purchase vehicles through government fleet pools
 - We purchase vehicles under special arrangements with vehicle dealers or car lots
 - Other, describe _____

If you did NOT check "Vehicles are donated to us," please skip to Section C3 – Distributing Vehicles, question 29. If you do receive donated vehicles continue with question 23.

C2 Vehicle Donations. If you receive donated vehicles, please answer the following questions.

23. How many vehicles were donated to your program in 2005? _____

24. Were more or less vehicles donated in 2005 compared to the previous year?
- Number of donated vehicles increased in 2005
 - About the same as 2004
 - Number of donated vehicles declined in 2005
25. What percent of donated vehicles do you retain for distribution in your program?
- Less than 25%
 - Between 25% and 50%
 - Between 50% and 75%
 - More than 75%
26. Please indicate all of the sources of your car donations: (Select all that apply.)
- Individual donors
 - Donated by car dealer
 - Organizational donors
 - Government fleet pools
 - Other. Describe: _____
27. How much do you spend on marketing each year to solicit vehicle donations? \$ _____
28. Do you think that tax law changes have influenced the number of vehicles donated to your program in 2006?
- Yes, causing donations to increase
 - Yes, causing donations to decrease
 - No influence

C3 *Distributing Vehicles*

29. How many people applied for your program in 2005? (After any pre-screening and not counting applications to loan or IDA program, if applicable) _____
30. How many people received a vehicle through your program in 2005? (Not counting loan or IDA program, if applicable) _____
31. How do you distribute vehicles to LICO customers? (Select all that apply.)
- The vehicle is donated to customers at no cost
 - The vehicle is donated to customers but they must reimburse the program for out-of-pocket costs such as repairs
 - The vehicle is donated to customers but they contribute sweat equity
 - The customer pays a nominal amount for the vehicle (less than \$400).
 - The customer buys the vehicle at a subsidized price.
 - The customer buys the vehicle at market rate.
 - The customer leases the vehicle from us. We maintain ownership of the vehicle.

Other. Describe: _____

32. What was the average estimated market value of the vehicles distributed in 2005?

- Less than \$2000
- \$2000 to \$4000
- \$4000 to \$8000
- More than \$8000

33. What was the average discount for your low-income customers in 2005? Please fill in the following statement: 'The average customer paid ___ percent of the market value of the vehicle.'

- Customers pay less than 25% of market value
- Customers pay 25% to 50% of market value
- Customers pay 50% to 75% of market value
- Customers pay more than 75% of market value
- Other. Describe _____

34. Who are your lending partners?

- Banks
- Credit unions
- LICO loan program
- None (*skip to question 37*)
- Other. Describe: _____

35. What types of relationships do you have with lenders? (Select all that apply.)

- Arrange to have lenders extend terms in order to lower monthly payments
- Arrange to get better interest rates from lenders
- Have lenders manage repair escrow accounts
- You guarantee the principal of the loan (100%)
- You guarantee only a portion of the loan. What percentage? _____%
- You co-sign the loan
- Other. Describe: _____

36a. For the loans that you helped to facilitate with lenders, what was the average amount per loan in 2005? \$_____

36b. What was the average interest rate charged for loans that you helped facilitate with lenders in 2005? _____%

36c. What was the average monthly payment of loans you helped facilitate in 2005? \$_____

36d. What was the average length (term) of the loans that you helped facilitate with lenders in 2005? _____

37. How do you define a default in your program?

- ___ Repossession by the lender
- ___ A certain number of months behind in payment. How many? _____
- ___ A certain amount or percentage behind in payment. How much? _____
- ___ Re-sale by owner
- ___ Voluntary turn-ins
- ___ Other. Describe: _____
- ___ We don't track defaults or have defaults. *[Skip next question.]*

38. What percent of customers were in default or failed to keep their vehicles in 2005?
(Considering expected service life of vehicles in your program) _____ %

[Go to Section D if you also have a car loan program, to Section E if you also operate a car-purchase IDA program, or else, to Section F.]

If you have a vehicle loan program please answer the following questions in section D.
Otherwise, if you have an IDA car-purchase program, please go to the section "E – IDAs."
Otherwise, please go to section "F – Program Supports and Partnerships."

D. Programs that Make Loans for Vehicle Purchase

39. How many people applied for a loan from your LICO program in 2005? _____
40. How many vehicle loans did you make in 2005? _____
41. What was the average amount per loan in 2005? \$_____
42. What was the average interest rate charged for loans made in 2005? _____%
43. What was the average monthly payment of loans made in 2005? \$_____
44. What is the average length (term) of the loans that you make? _____
45. Do you have a maximum or minimum that customers can borrow to purchase a vehicle?
- ___ Yes – Maximum \$_____ / Minimum \$_____
- ___ No
46. How do you define a default in your program?
- ___ Repossession
- ___ A certain number of months behind in payment. How many? _____
- ___ Re-sale by owner before term of loan completed
- ___ Other. Describe: _____
- ___ We don't track defaults or have defaults. *Skip to question #49.*
47. How many loans defaulted in 2005 or were in default status at the end of 2005?
- _____
48. How much was the total principal lost of loans that defaulted in 2005?
- \$_____
49. How many vehicles were voluntarily returned (on a permanent basis) by customers in 2005?
- _____

50. Please describe any assistance you provide customers in choosing a vehicle and whether the assistance is required or optional.

Always	Optional	Never	
—	—	—	We choose the vehicle for the customer.
—	—	—	We arrange to have the vehicle's history checked.
—	—	—	We help customers shop on-line for vehicles.
—	—	—	We help the customer determine the Blue-book value of the vehicles.
—	—	—	We go with the customer to choose the vehicle.
—	—	—	We arrange to have the vehicle inspected before it is purchased.
—	—	—	We require a vehicle inspection before we approve the loan.
—	—	—	We help them make repairs
—	—	—	Other, describe

Please complete the next section *only* if you operate an IDA/matched savings program that facilitates vehicle purchase. Otherwise skip to section "F. Program Supports & Partnerships."

E. IDA Programs for Vehicle Purchase

51. Is vehicle ownership an allowable asset purchase in your IDA program or does it have to relate to some other IDA approach, such as business ownership?

- Car ownership is allowed as the primary saving goal of the IDA.
- Car ownership is only allowed as a secondary goal of the IDA if it is part of a larger strategy, such as business ownership.
- Other. Describe: _____

52. How many total IDAs for any asset goal did you have at the end of 2005? _____

53. As of the end of 2005, how many participants in your IDA program had chosen vehicle purchase as their asset goal? _____ OR _____%.

54. How many people opened an IDA account in 2005 with the asset goal of vehicle-purchase?

55. How many customers purchased a vehicle with their IDA in 2005? _____

56. What is your vehicle-IDA savings match rate? _____

57. What is the maximum savings eligible for a match for car purchase over the course of the program? \$_____

58. What are the sources of your vehicle-IDA match funding? (Select all that apply)

- Office of Refugees and Resettlement (ORR)
- AFIA
- TANF
- National or local Foundation
- Financial institution
- Private donations
- Other. _____

59. Did your vehicle-IDA match funding increase or decrease in 2005?

- It decreased
- Stayed the same
- It increased

60. Are IDA-savings for a vehicle exempted by your state from asset limits in public benefits programs?

- Yes
- No
- Don't know

61. Please describe any assistance you provide customers in choosing a vehicle and whether the assistance is required or optional.

Always	Optional	Never	
—	—	—	We choose the vehicle for the customer.
—	—	—	We arrange to have the vehicle's history checked.
—	—	—	We help customers shop on-line for vehicles.
—	—	—	We help the customer determine the Blue-book value of the vehicles.
—	—	—	We go with the customer to choose the vehicle.
—	—	—	We arrange to have the vehicle inspected before it is purchased.
—	—	—	We require a vehicle inspection before we approve the loan.
—	—	—	We help them make repairs
—	—	—	Other, describe

F. Programs Supports and Partnerships

62. Please list all of your LICO operational partners – formal or informal:

- Other LICO program(s)
- New car dealer(s)
- Used car lot or dealer(s)
- Auto parts distributor(s)
- Government vehicle fleet manager(s)
- Car rental fleet manager(s)
- Car mechanic or repair shop(s)
- One-Stop or TANF office(s)
- Bank(s) or credit union(s)
- Car insurance agent(s)
- Church(es) or other faith-based organization(s)
- Employers
- Non-profit or community-based organization(s)
- Other. Describe: _____

63. What, if any, car ownership workshops do you provide (or refer to other organizations) to prepare customers for owning a car? (Select all that apply.)

<u>Workshop topic:</u>	<u>Required</u>	<u>Optional</u>	<u>None</u>	<u>Referred elsewhere for this workshop</u>
Vehicle maintenance	—	—	—	—
Car safety	—	—	—	—
Basic car ownership responsibilities	—	—	—	—
Financial literacy/education	—	—	—	—
Other _____				

64. Please describe the various ways you help people deal with the cost or logistics of ongoing repairs and maintenance: (Select all that apply.)

- Nothing
- We provide a warranty on the vehicle
- We provide a service agreement or repair insurance on the vehicle (not a formal warranty)
- We help arrange for warranties from the dealer
- We provide vehicle repair in-house at no cost to customers
- We arrange with car mechanics to repair vehicles at reduced cost
- We have an emergency vehicle repair loan fund
- We include extra money in the original loan in order to cover maintenance and repairs. This is returned to customer if not used.
- We provide financial counseling to help customers budget for vehicle-related expenses
- Other, describe _____

65. Please describe the ways that you help customers with obtaining a driver's license or improving their driving record: (Select all that apply.)

- Nothing
- Paying for fees related to obtaining a driver's license
- Including driver's license fees in the loan package
- Helping customers take driving classes off-site
- Providing driving lessons on-site
- Working with police or the state to have customers' moving violations cleared
- Other. Describe _____

66. Please describe the various ways in which you help customers obtain vehicle insurance: (Select all that apply.)

- Nothing
- We help customers shop for lower-cost insurance plans
- We help get insurance policies approved by maintaining a good relationship with vehicle insurance companies
- We arrange for discounts from vehicle insurance companies
- We subsidize the vehicle insurance payments – we pay for _____ percent of the insurance payments.
- Other. Describe _____

67. Is the LICO program the sole purpose of your organization or is it part of an organization with multiple programs?

- LICO is the sole purpose and is a free standing program.
- It is part of a multiple-program agency or organization.
- Other. Describe: _____

68. What other services or programs do you provide for your customers in addition to your LICO program?

- Emergency transportation services
- Food security
- Credit counseling services
- Other asset building or savings opportunities
- Career counseling
- Job readiness and job search
- Job training
- Job retention
- Business development and small business training
- Housing assistance
- Referral to other organizations or agencies that provide comprehensive services
- Other. Describe _____

G. Program Revenue

69. What was your total annual LICO program budget in the 2005 calendar year (or the last fiscal year)?

- Less than \$100,000
- \$100,000 to \$500,000
- \$500,000 to \$1 million
- More than \$1 million

70. Indicate each revenue source for your LICO program: (Check all that apply)

- Temporary Assistance for Needy Families (TANF)
- Community Development Block Grant (CDBG)
- Community Services Block Grant
- Workforce Investment Act
- Job Access and Reverse Commute
- Office of Refugee Resettlement Individual Development Account
- HUD Continuum of Care program
- State funding (not including sources above)
- Local government funding (not including sources above)
- National Foundations
- State or Local foundations
- Religious institutions or congregations
- Individual donations
- Fee for service
- Loan pool interest
- Car sales
- Other. Describe _____

71. Please provide a rough estimate of the percentage of revenue for your LICO program that comes from each source that you indicated above:

- % Temporary Assistance for Needy Families (TANF)
- % Community Development Block Grant (CDBG)
- % Community Services Block Grant
- % Workforce Investment Act
- % Job Access and Reverse Commute
- % Office of Refugee Resettlement Individual Development Account
- % HUD Continuum of Care program
- % State funding (not including sources above)
- % Local government funding (not including sources above)
- % National Foundations
- % State or Local foundations
- % Religious institutions or congregations
- % Individual donations
- % Fee for service
- % Loan pool interest
- % Car sales
- % Other. Describe _____

72. Did your LICO revenue from governmental sources increase or decrease in 2005?

- Increased
- Decreased
- Stayed the same
- We do not receive public revenue

H. Measuring Success for Programs and Customers

73. Please indicate all of the program outcome measures that you collect: (Select all that apply.)

- Default rate on loans (the number of defaulted loans divided by total number of loans)
- Default rate by value (the amount defaulted divided by total value of all loans)
- Total programmatic cost per vehicle distributed (NOT including cost of vehicle)
- Other. Describe _____

74. Please indicate all of the participant outcome measures that you track after participants have purchased a car. Select all that apply.

- Employment status
- Income or wages
- Receiving TANF (welfare)
- Receiving other public assistance (Food Stamps, Medicaid, etc.)
- Re-sale of vehicle
- Other. Describe _____

75. Did your program conduct a participant impact study or program evaluation in 2005 or previous years?

- No, never. [*Go to next question.*]
- Yes, in 2005
- Yes, but in a previous year
- If yes, and available online, please provide the internet link

76. What is your best guess for the three main reasons that customers default on their vehicle loan? (Whether the loan is with you or a third-party lender.) (Select up to three responses.)

- Car failure
- Can not pay for vehicle repair
- Lose their job
- Cannot make ends meet (even with their job)
- Become injured or sick and can no longer work
- Car accident
- They move and we lose touch with them
- Other, describe _____

I. Policy Framework and Advocacy

77. Does your state provide funding to support vehicle ownership for low-income recipients?

- Yes. Please describe what it is and who is eligible: _____
- No, at least that I'm aware of

78. For TANF cash assistance (welfare check) and Food Stamp recipients, what is the state asset value limit for vehicle ownership?

\$ _____ TANF limit
 Don't know
 No limit

\$ _____ Food Stamps limit

79. Will anticipated changes in federal or state TANF regulations make it more difficult for you to obtain funding for LICO programs?

Yes
 No
 Do not know

80. To what extent do you and your organization work to develop and promote federal, state, or local legislation or programs that support vehicle ownership opportunities for low-income persons?

Not at all
 A little
 Somewhat
 To a great extent

81. Please provide the name, address and contact information for any LICO program that you are aware of and that is not listed on the LICO clearinghouse website

(<http://www.nedlc.org/center/copc/programs/all-bystate.htm>):

“Thank for your time in filling out this survey. The information you have provided will be very valuable to you and other low-income car ownership programs.

If you completed the entire survey, as applicable for your ongoing program, we will send you a \$50 survey participation stipend, in gratitude of your time and effort. We will use the address you provided in this survey.”