

Ways to Work: Putting Working Families Behind the Wheel and Heading toward a Stronger Financial Future

By Tom Waldron

Takara Kyles made her life work, but it wasn't easy. The 25-year-old Milwaukee resident managed to hold down a job as a certified nursing assistant and take care of her four young children. And Kyles did it all without a car. She had tried to buy one but had been turned down because of a credit history checkered with outstanding medical debts.

With no car, Kyles relied on a van service to get to work, which cost \$35 per week. Grocery store trips required a bus ride – not easy with four children – or a lift from a friend or relative. The most inconvenient part was arriving home after her evening shift ended at 11 p.m. and waiting for an hour for her day care provider to send the kids home with a van service.

Her life grew considerably easier in March when she secured a loan through the Milwaukee-based Ways to Work program and purchased a reliable used car for \$4,300. Having a car shaves 80 minutes from her daily commute to work and allows her to pick up the kids at day care herself. That means more family time together and an earlier bedtime for everybody.

"My life is definitely starting to get easier," says Kyles, who is now saving to purchase her first home. "Now that I have a car, it gives me more time with my kids, and it gives me more sleeping time. Grocery shopping is a lot easier. Having a car has been a big help."

For nearly 23 years, Ways to Work has been helping low-wage working adults like Kyles gain mobility and establish financial independence.

The nonprofit bases its work on a straightforward proposition: that it can help low-income working families advance economically by providing them with affordable credit. To date, the program has assisted more than 25,000 families with loans totaling more than \$40 million. In some cases, Ways to Work, which receives support from foundations, the federal government, and the private

sector, is the only affordable (auto loan) alternative to predatory lenders whose interest rates can climb well above 20 percent.

The demand for cars is strong in many areas of the country where public transportation fails to meet the needs of working families. Long commutes make it hard to get to work on time and take workers away from their families and homes. Using a Ways to Work loan to purchase a reliable vehicle makes it easier for workers to hold down a job, advance into better-paying jobs in different locations, or pursue additional education or training.

Other programs around the country provide vehicles at no cost to low-wage workers. Ways to Work has embraced a different model – making affordable loans to workers. Eligible borrowers must prove that they have been unable to receive credit from mainstream lenders. A key goal is to move successful borrowers into the financial mainstream through taking out a loan or opening a credit card account. "We firmly believe in the value of making loans for cars, not in just giving cars away," said Jeffrey E. Faulkner, president of Ways to Work. "We carefully screen our applicants to make sure they can afford the loan. The act of paying it back helps them develop sound financial habits, and it also begins their work of building a payment history that will eventually allow them to take advantage of greater financial opportunities."

Roots in Welfare Reform

Ways to Work began in 1984 in Minneapolis as a modest initiative of the McKnight Foundation designed to assist families who were being forced off welfare due to new eligibility rules. Before its launch, Carol Berde, a McKnight foundation official, met with welfare recipients to determine what they needed most to build financial security. She was surprised at an answer that came up repeatedly. What the women wanted was access to low-cost loans they could use to buy basics such as affordable

cars or other things they needed to hold jobs. Without reliable transportation, the women had difficulty staying employed.

The foundation began making loans, at no interest, to low-income families, most of whom used the money to purchase used cars.

The foundation tracked its loans and found they were helping borrowers move into better jobs, easing stress and helping them find better child care arrangements. The positive results led the foundation to expand the program to a dozen sites in Minnesota.

In 1996, the McKnight Foundation undertook a partnership with the Alliance for Children and Families to expand the program nationally. As part of the agreement, the foundation contributed more than \$1 million to establish loan programs.

The program changed its name in 1998 to Ways to Work and was incorporated as a new nonprofit organization in partnership with the Alliance for Children and Families, a Milwaukee-based nonprofit organization representing more than 370 child- and family-serving and economic empowerment organizations.

Ways to Work also began to receive increasing support from the private, nonprofit and public sectors. McKnight made a \$5 million grant, and Bank of America contributed \$8 million in low-interest debt capital, which allowed for major program expansion.

In a key step, the U.S. Department of the Treasury certified Ways to Work Inc. as a Community Development Financial Institution and provided a \$2 million grant. During this period, the John S. & James L. Knight Foundation contributed about \$2 million to help expand the program.

Ways to Work also has received significant financial support from the U.S. Department of Transportation, including more than \$17 million in matching funds from the Job Access Reverse Commute program of the Federal Transit Authority. Other key funders have included the Packard and Annie E. Casey Foundations and United Ways across the country. Their support has allowed Ways to Work to continue to expand its network of offices and today it operates in 45 offices in 21 states.

Stressing Financial Literacy

A key focus of Ways to Work is financial literacy, and as part of the loan process, Ways to Work requires applicants to assess their financial situation. Counseling sessions stress the importance of a good credit rating and review steps for repairing credit.

In Kyles' case, the counselor stressed the importance of budgeting and offered basic tips focused, for example, on

the high cost of eating out for lunch. The counselor also pointed out the high, sometimes hidden costs, of running up credit card debt.

"[The counseling] was very helpful," Kyles said. "It gave good tips and pointers that helped me cut down on spending. And it touched on everything I was trying to do financially."

Connected to each Ways to Work office is a community-based loan committee that assesses an applicant's ability to repay a loan. Local banks or credit unions make the loans, and the local service agency that hosts the Ways to Work program in each community guarantees it.

Ways to Work borrowers may receive up to \$4,000 at no more than 8 percent interest with a two-year payment term. Nearly all Ways to Work loans are used to buy vehicles. A small number of customers use their loans for other work-related expenses, such as books and calculators for course work, carpenter's tools, or a health care uniform.

After the loan is made, Ways to Work loan officers stay in contact with borrowers and step in to help them cope with problems that threaten repayment. Thanks to its hands-on approach, Ways to Work has enjoyed a repayment rate of more than 87 percent over the past 12 years – from borrowers who by definition have been deemed noncreditworthy by traditional lenders.

Dolores Broussard, a loan officer for Ways to Work in Lafayette, Louisiana, stays in close contact with her clients while they repay their loans.

"Even if they're not behind, we try to send out thank you cards, birthday cards, just to show them some support," says Broussard. There's a practical aspect to the outreach as well. By staying in close touch, loan officers can insure that they have up-to-date contact information so they can reach borrowers if the need arises.

Broussard takes pleasure in seeing how owning a reliable car improves her clients' lives. "When you reach a certain age and you haven't achieved some of the things you want to achieve, transportation is such a barrier. My clients talk about how it's almost degrading to have to ask people to take them places, even close friends or relatives. I see the pain and rejection in their faces."

Solid Results

Looking to assess how well it meets its goals, Ways to Work commissioned an independent evaluation that was released in late 2006. Prepared by OMG Center for Collaborative Learning in Philadelphia, the evaluation found that Ways to Work loans were leading to significantly higher take-home pay for borrowers, better job attendance, and a higher quality of life.

Most noticeably, the evaluators found that the take-home pay of Ways to Work borrowers increased by an average of 41 percent, growing from about \$11,900 to about \$15,300. About 90 percent of borrowers reported that their loans had improved their quality of life by allowing them, for example, to spend more time with family and friends. And about 90 percent of borrowers said their loans helped them to keep their job or to move into a better one.

The evaluation also showed that Ways to Work was meeting another of its goals—helping its borrowers move into the mainstream financial market. Two-thirds of all borrowers reported that they had obtained some type of conventional financial services since receiving their loan, such as opening a bank or credit card account or taking out a bank loan.

A typical Ways to Work borrower:

- An African American woman
- Single with fewer than three children
- Has more than a high school education
- Above age 30

“The findings from the evaluation make clear that owning an affordable car can make an enormous difference in a low-income family’s life and economic prospects,” said Peter B. Goldberg, the CEO of Ways to Work. “Income

went up significantly as did the families’ quality of life. We were encouraged by the results. These loans are undoubtedly worthwhile investments.”

That’s certainly how Trenes Hebert sees it. Without a car, she and her husband Andy used to take taxis to their restaurant jobs or their children’s schools. When they did the math, the couple in Lafayette, Louisiana, saw that the taxis were eating up a sizeable chunk of their income. Instead they decided to buy a dependable used car. A used car dealer wanted a \$2,500 down payment, which the couple could not afford. By contrast, the Lafayette Ways to Work office, hosted by The Family Tree, worked with the Heberts and offered an affordable loan, which allowed them to purchase a used car.

“It’s benefited my husband and kids a lot, getting us to work more cheaply, and getting the kids to things like doctors’ appointments,” says Trenes Hebert. “It’s saved us a lot of money and time.”

A copy of the Ways To Work evaluation is available at www.waystowork.com/documents/Evaluations/WtW_reference_book.pdf.

For information on Community Reinvestment Act (CRA) eligibility for lending or investing in programs like Ways To Work, contact the Federal Reserve Bank of Chicago’s Community Affairs division via e-mail at cedric@chi.frb.org, or by calling (312) 322-8232.

Tom Waldron is a senior associate at The Hatcher Group, and has written extensively about a range of issues affecting low-wage workers, including health insurance, transportation, automobile insurance, and the Earned Income Tax Credit. Mr. Waldron is a graduate of Yale University, and co-author of the national report “Working Hard, Falling Short: America’s Working Families and the Pursuit of Economic Security” for the Working Poor Families Project.